

September 2011

Carnegie Nordic Seminar

8 September 2011

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Share profile

Focused strategy

- Danish player
- Stable insurance risks
- Low expense ratio
- Limited financial risk
- Efficient capital management
- Relatively limited top line growth
- Profitable growth - in that order
- High net result
- Large share buy-back programme
- No protection against a take-over in the Articles of Association

The Topdanmark share is a value case – not a growth case

Highlights

H1 2011

- Post-tax profit of DKK 726m (H1 2010: DKK 362m)
- CR of 89.8 (H1 2010: 95.3)
- Growth in premiums: 1.5% in non-life and 4.4% decline in life

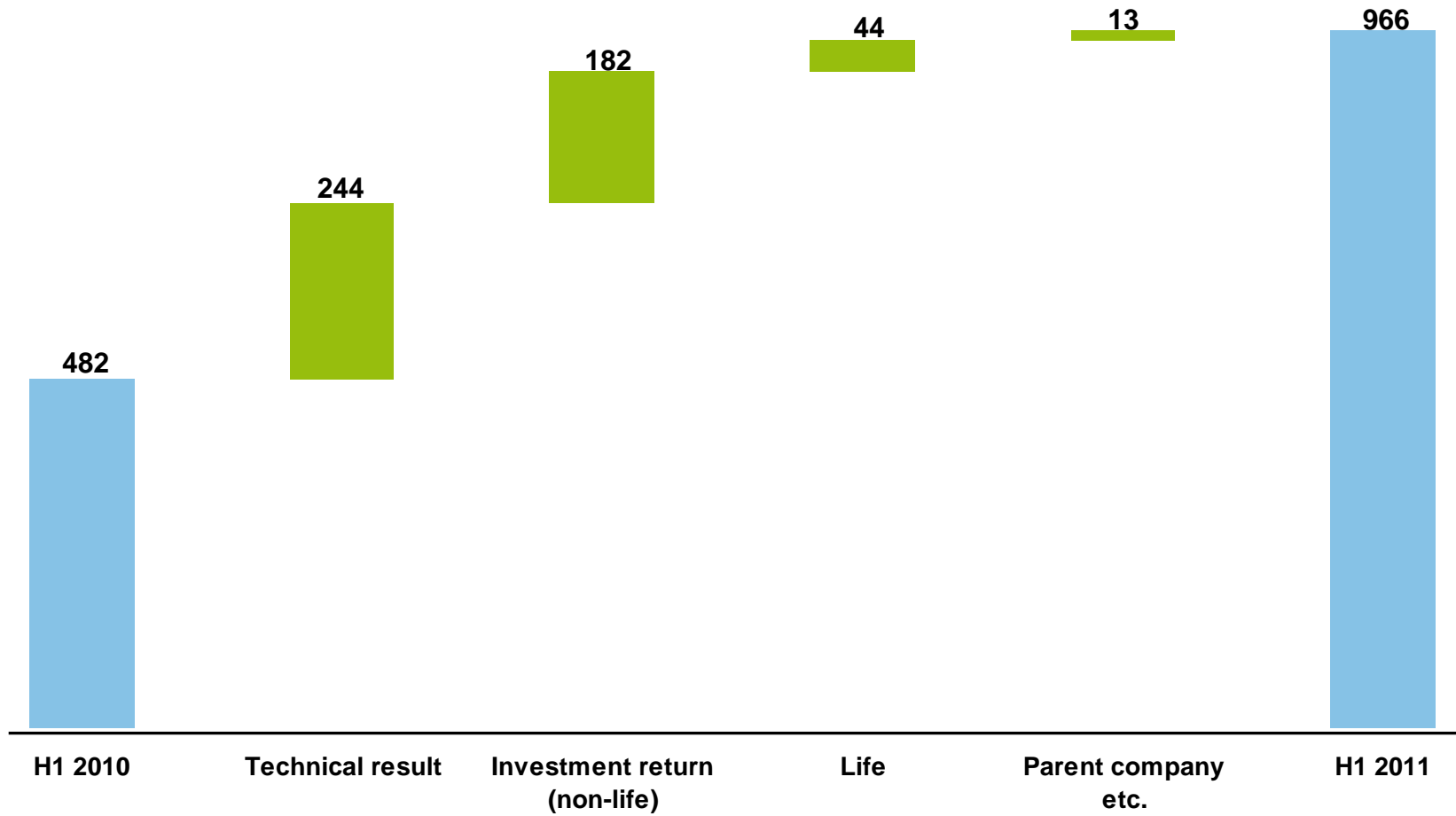
Q2 2011

- Post-tax profit of DKK 301m (Q2 2010: DKK 94m)
- CR of 86.6 (Q2 2010: 87.9)

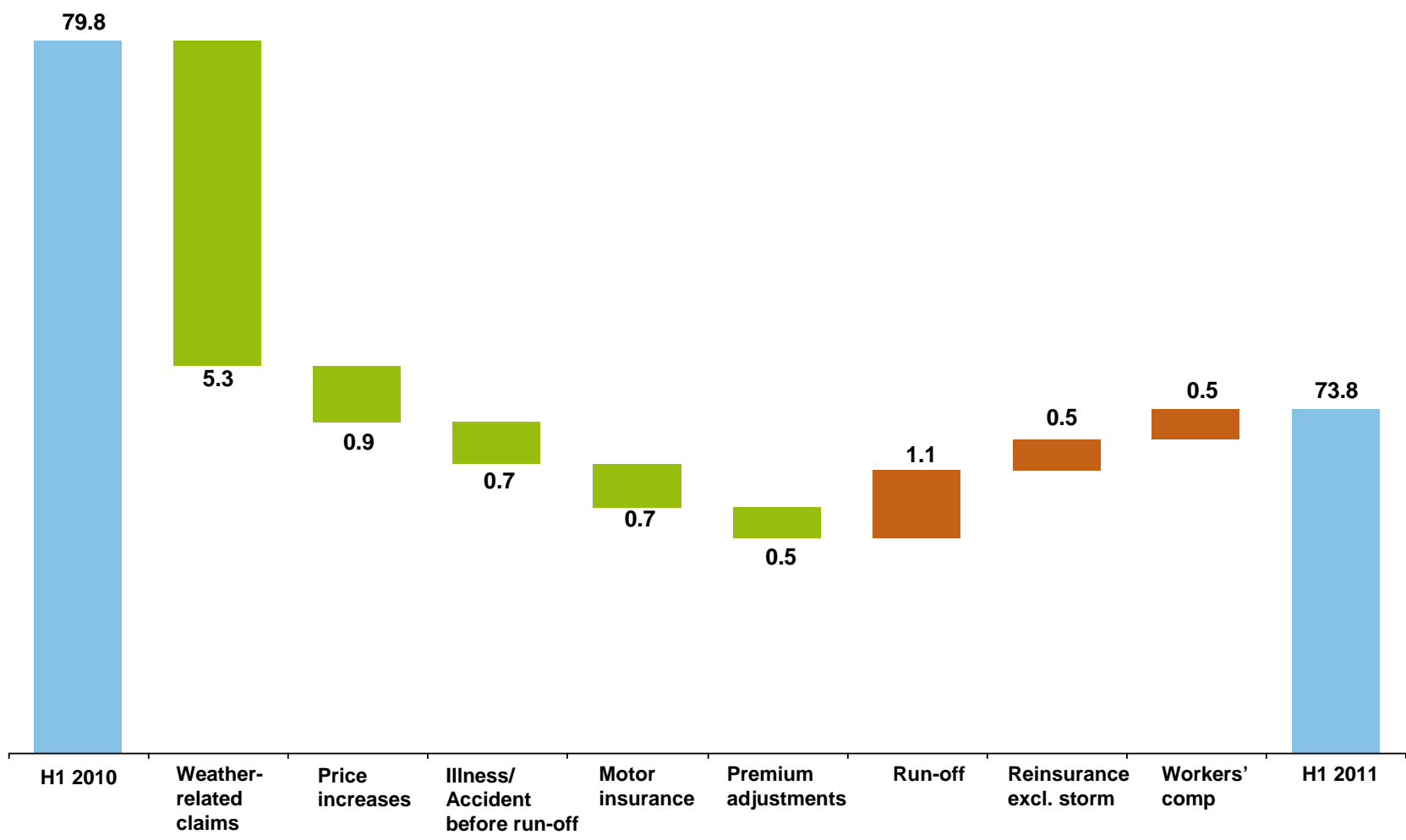
- The assumed CR for the full year 2011 has been increased from around 91 to 91-92 due to cloudburst claims and lower interest rates, excluding any run-off in H2 2011
- Profit forecast model for 2011 has been downgraded by DKK 250m to DKK 950-1,050m

- Buy-back programme reduced by DKK 200m to DKK 1.2bn (buy-back yield of 9.8%)
 - Leaving a balance of DKK 323m on the 2011 programme

Trend in pre-tax results H1 2010-H1 2011 (DKKm)



Claims trend H1 2010-H1 2011



Financial goals

Topdanmark's operational goals in non-life insurance:

Premium growth

- To ensure that growth in gross premiums earned is 1pp higher than ordinary indexation, adjusted for any price changes

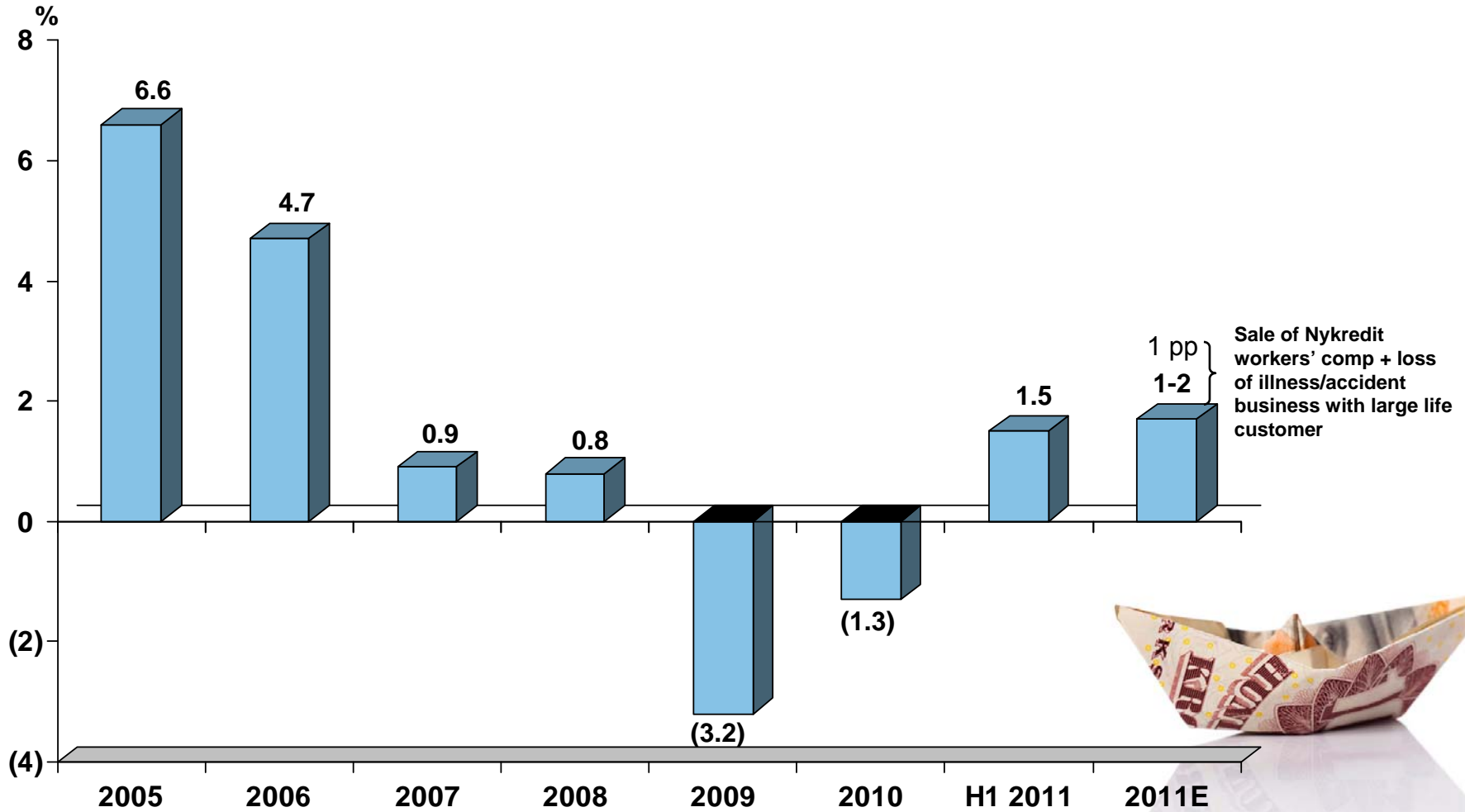
Expense ratio

- To ensure that the expense ratio is lower than the general Danish market level

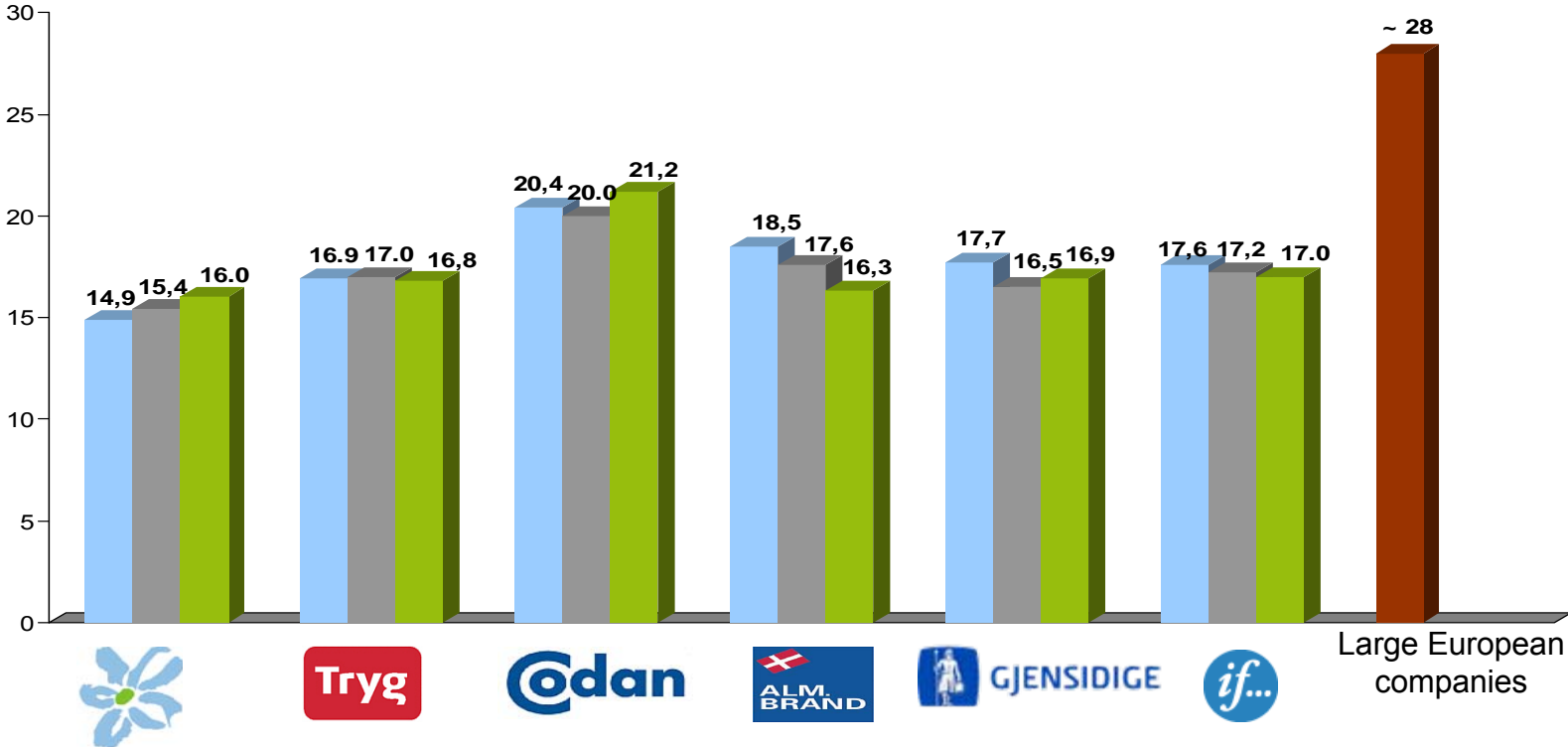
Earnings

- To ensure a profit margin of 10% which, given the current level of interest rates, corresponds to a combined ratio of around 91% excluding run-off profits / losses

Premium growth in non-life



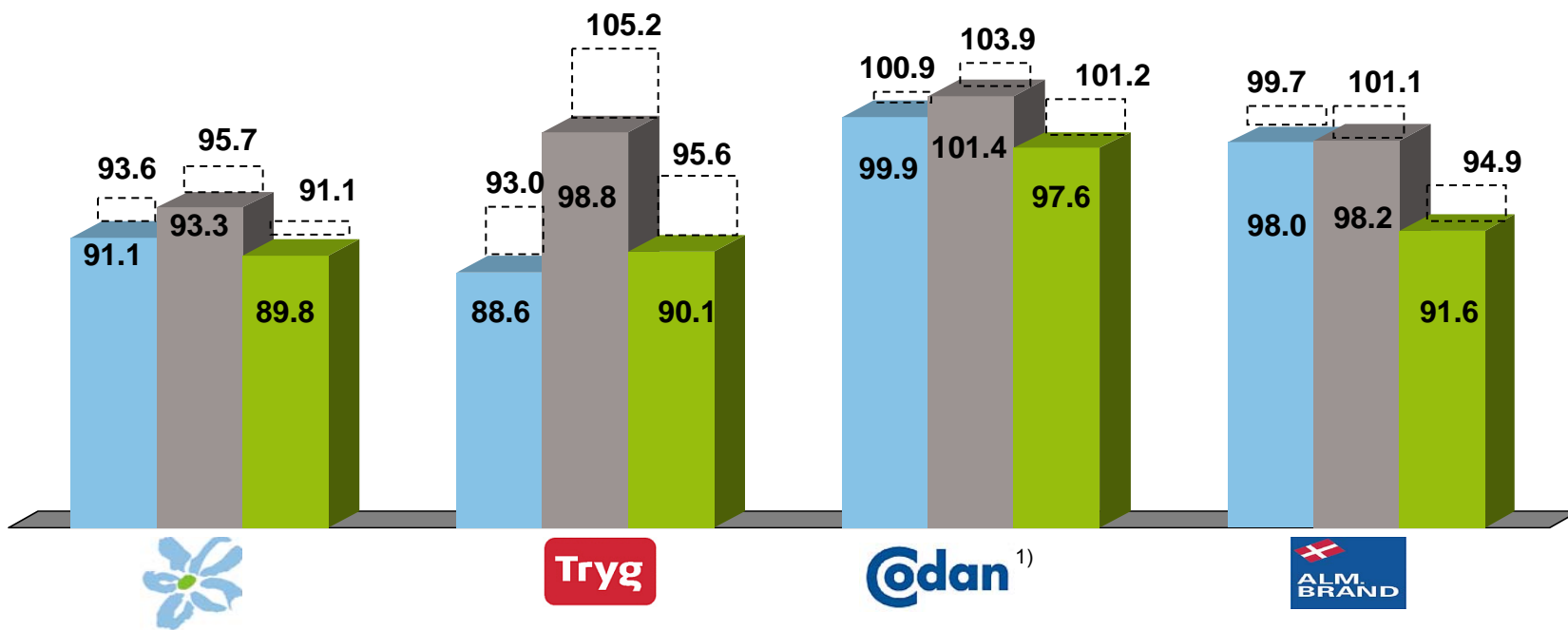
Comparison – expense ratio (group level)



2009 2010 H1 2011



Comparison – CR incl. and excl. run-off (Danish insurance)



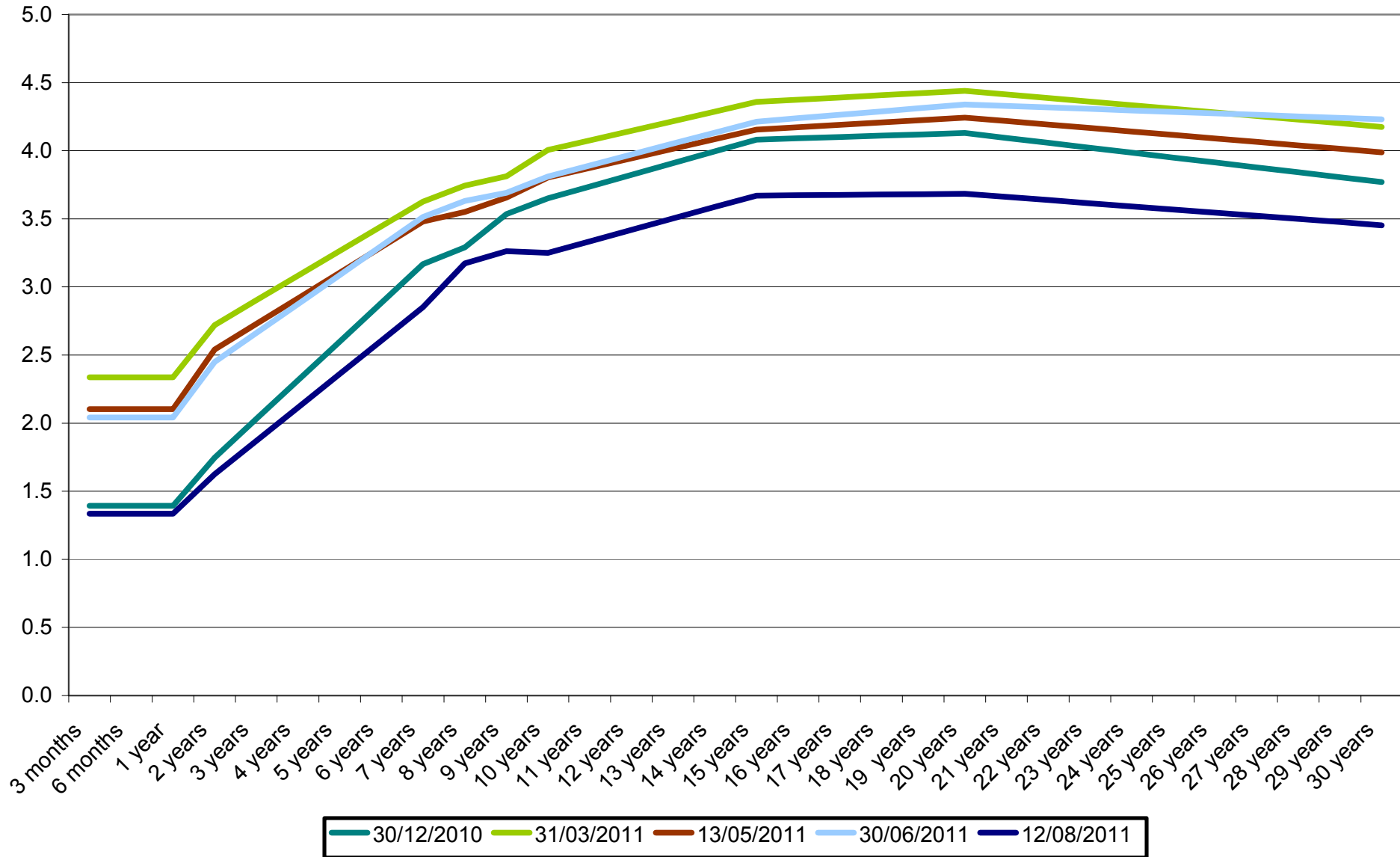
¹⁾ Scandinavian business



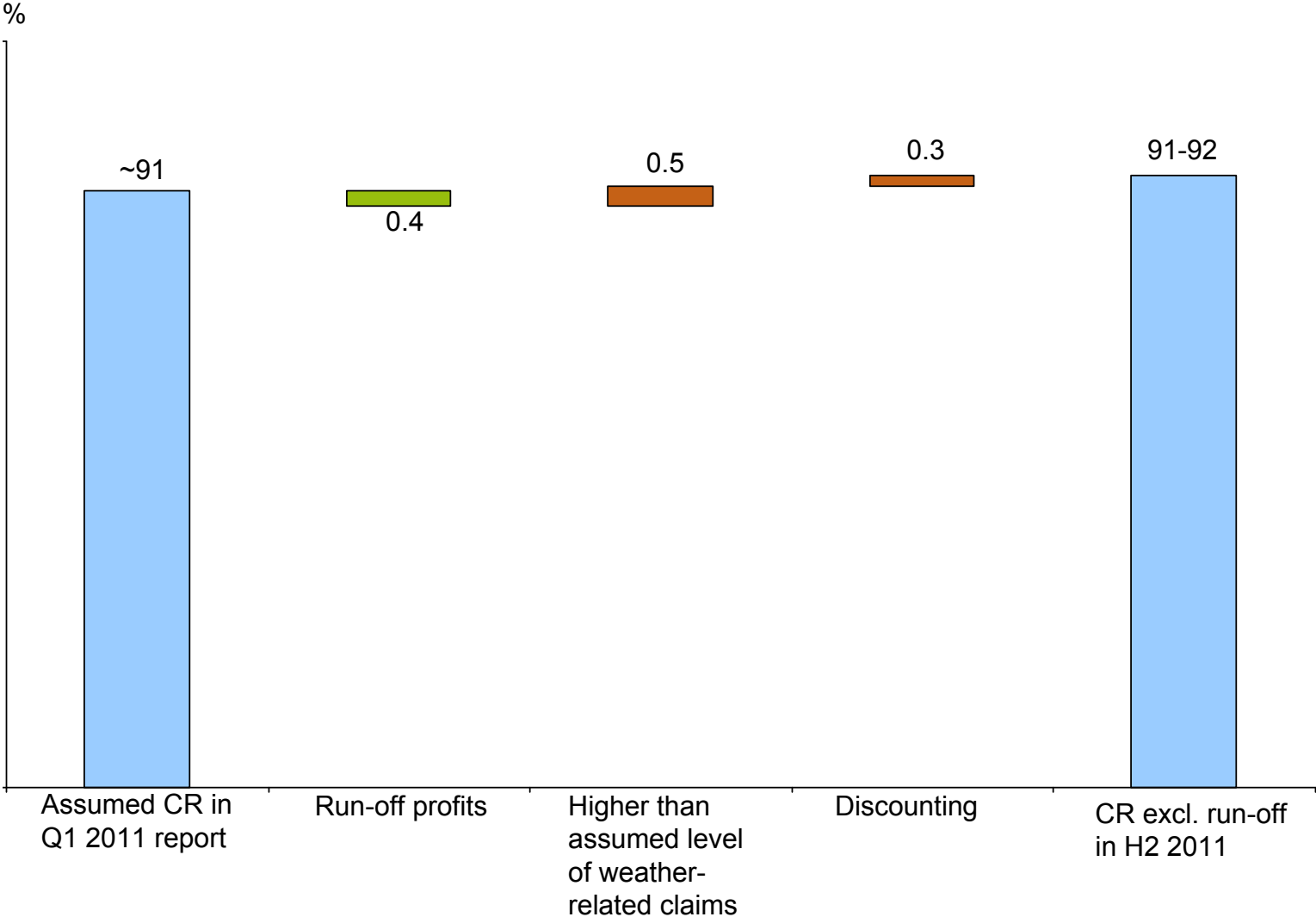
Cloudburst claims in 2011

- Estimated cloudburst claims in Q3 2011 (2 and 3 July): DKK 600m
 - Retention DKK 50m
 - Reinstatement DKK 60m
 - Net expenses DKK 110m: DKK 110m
- Cloudburst claims in Q2 2011: DKK 6m
DKK 116m
- Assumed weather-related claims in Q2-Q3 2011: DKK 70m
- Deviation from assumed weather-related claims in Q2-Q3 2011: DKK 46m
- Further cloudburst claims of up to DKK 50m will be covered by reinsurance
- Tightened reinsurance conditions to be expected such as price increases, increase in retention etc.
- Topdanmark will therefore make new requirements on protection against water damage, limit its cover, implement selective price increases

Movements in the adjusted interest rate curve



Assumed CR for 2011



Prospects for life insurance 2011

- Expected decline of 5-8% in regular premiums
 - Loss of large customer in Q1 2011
- Portfolios of Life I and Life V split into contribution groups taking effect on 1 January 2011
 - Interest rate, risk and cost groups
- Size of risk allowance (interest rate groups) increased from 0.5% to 0.6% in Life I and from 0.65% to 0.75% in Life V
 - The split into contribution groups increases risk of proportions of profit not being recognised as income but transferred to shadow account
- As a consequence of the downturn in the financial markets the shadow account forecast at 31 December 2011 has been increased from DKK 25m to DKK 125m.
- Risk allowance will be considered on the finalisation of the 2011 Annual Report
- Results highly sensitive to fluctuations in investment return

Issue of tier 2 capital of DKK 400m

- Unchanged expectation of solvency capital of DKK 4.5bn being sufficient
 - Based on approval of internal model
- If internal model is not approved by 1 January 2013, the solvency requirement will be DKK 600-800m higher using the standard model
- Wish to ensure sufficient solvency capital if, contrary to expectations, the internal model is not approved in time
- Topdanmark announced in Q1 report that it intended to issue tier 2 capital of DKK 300-400m
- Topdanmark Forsikring issued tier 2 capital of DKK 400m on 24 June 2011
- Conditions:
 - 24 June 2011-24 June 2016: 6.633% p.a.
 - 24 June 2016-24 June 2019: 3 month CIBOR + 5.25% p.a.



Investment return

- for Topdanmark Group excl. life insurance

	Portfolio 30 June		Return Q2 2010		Return Q2 2011		Return H1 2010		Return H1 2011	
	2010	2011	Return	%	Return	%	Return	%	Return	%
	(DKKbn)		(DKKkm)		(DKKkm)		(DKKkm)		(DKKkm)	
Danish equities	0.3	0.4	2	0.6	(21)	(5.1)	28	8.3	(13)	(3.2)
Foreign equities	0.8	0.8	(73)	(8.4)	(10)	(1.1)	(32)	(3.8)	38	4.6
Government and mortgage bonds	11.7	12.1	3	0.0	80	0.7	153	1.4	205	1.7
Credit bonds	0.8	0.8	(12)	(1.6)	0	(0.3)	23	3.3	24	3.1
CDOs	0.7	0.8	27	3.8	48	6.2	56	7.6	168	24.7
Properties	1.3	1.3	19	1.5	19	1.4	36	2.8	48	3.6
Assets rel. to I/A	1.6	1.8	25	1.6	17	0.9	56	3.7	59	3.5
Money market etc.	2.4	2.9	30	0.9	8	0.2	45	1.3	16	0.7
Interest-bearing debt	(1.9)	(3.2)	(9)	(0.4)	(16)	(0.5)	(20)	(0.7)	(29)	(1.0)
	17.8	17.6	12	0.1	124	0.7	346	2.0	516	3.0
Asset management			10		12		19		22	
Total investment return			22		135		365		538	
Transferred return technical provisions										
Discounting			(80)		(92)		(165)		(171)	
Technical interest			(12)		(22)		(39)		(46)	

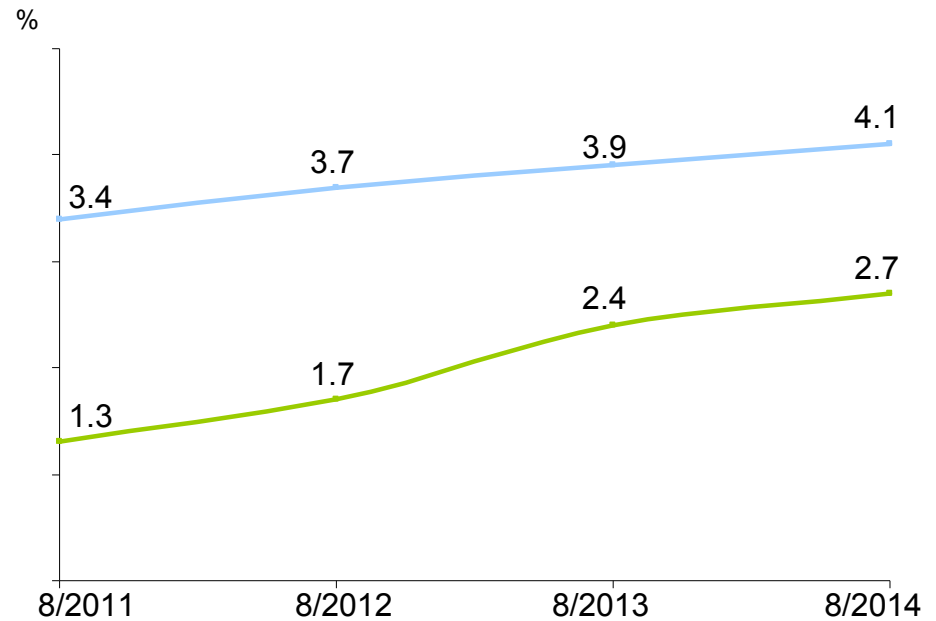
The exposure in foreign equities and credit bonds have been adjusted by use of derivatives. The return percentages are calculated as the ratio between the return on financial instruments and the size of the exposure of the underlying asset. The return on government and mortgage bonds and assets related to I/A (illness/accident) includes revaluations of claims provisions.

Effect of increase in interest rates

- Claims provisions are matched by corresponding assets
 - Changes in interest rates have no effect on overall value of claims provisions and matching investment assets
 - A 1pp increase in the interest rate curve reduces the CR by about 1.2pp corresponding to around DKK 110m before tax
- The premiums reserve is invested in short-term interest-bearing assets
 - A 1pp increase in short-term interest rates increases the pre-tax result by about DKK 40m



Three-month and 10-year forward interest rates in DKK



3-month forward interest rate

10-year forward interest rate

Profit forecast model for 2011

(DKKm)	2010	Forecast for 2011 13 May 2011		Forecast for 2011 12 August 2011	
Non-life insurance					
- Technical result	626	810	–	860	780 – 830
- Investment return after transfer to technical result etc.	465	470	–	530	250 – 300
Profit on non-life insurance	1,092	1,280	–	1,390	1,030 – 1,130
Life insurance	384	280	–	310	180 – 210
Parent company etc.	31	20	–	30	50 – 60
Pre-tax profit	1,506	1,580	–	1,730	1,260 – 1,400
Taxation	(338)	(380)	–	(430)	(310) – (350)
Profit for the year	1,168	1,200	–	1,300	950 – 1,050

Representing a profit per share of DKK 73

Buy-back potential 2011

(DKKm)	31 Dec 2010
Estimated necessary solvency capital 2012 - Before growth	4,500
Subordinated loan capital - Insurance	<u>(250)</u>
Necessary solvency capital - Holding	4,250
Shareholders' equity 31 Dec 2010	4,900
Hybrid capital	404
Intangible assets	<u>(787)</u>
	4,517
Surplus capital 31 Dec 2010: DKK 267m	
Expected post-tax profit (average value)	1,000
Change in intangible assets	30
Movements in shareholders' equity	<u>150</u>
Expected capital cover 31 Dec 2011	5,697
Surplus capital / buy-back potential in 2011	1,447

Any solvency capital requirement exceeding DKK 4,500m in 2012 will be covered by issuing further supplementary capital. Topdanmark Forsikring has issued subordinated loan capital of DKK 100m with step-up in 2015 and expiry in 2018 and further subordinated loan capital of DKK 400m with step-up in 2016 and expiry in 2019. These issues are intended as resources for the change to Solvency II and therefore they will not be included in the share buy-back potential until the actual Solvency II requirement is known.



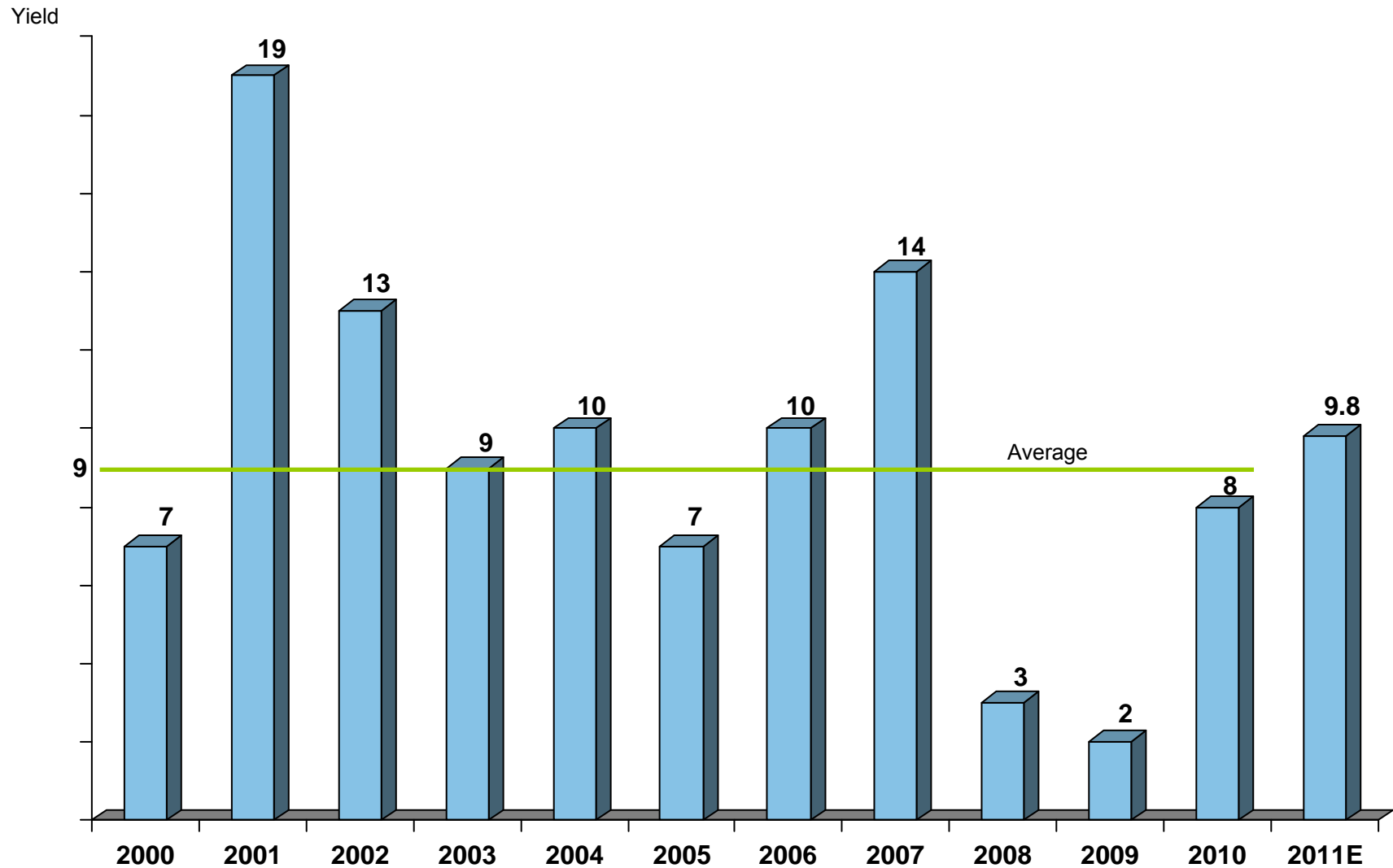
Buy-back for 2011

– Reduced by DKK 200m to DKK 1.2bn

- Buy-back for 2011 reduced by DKK 200m to DKK 1.2bn
 - Buy-back yield of 9.8%
- To date in 2011 own shares of DKK 877m bought back
- Balance remaining of the 2011 programme: DKK 323m
- Since 1998 Topdanmark has cancelled 64.1% of outstanding shares
 - Average price per share: DKK 358



Average yield of 9% since 2000



Disclaimer

This presentation includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

Many factors may cause a significant deviation from the forecasts and assumptions set out in the presentation. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of non-anticipated events like acts of terror or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry and the trend in reinsurance market. Also see www.topdanmark.com → Risk management.

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should make their own careful considerations on these and other factors of uncertainty.

Topdanmark's statements relating to the future are solely based on information known at the time of the preparation of this presentation.

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