

Topdanmark Q1 2009 results

Highlights

Results for Q1 2009:

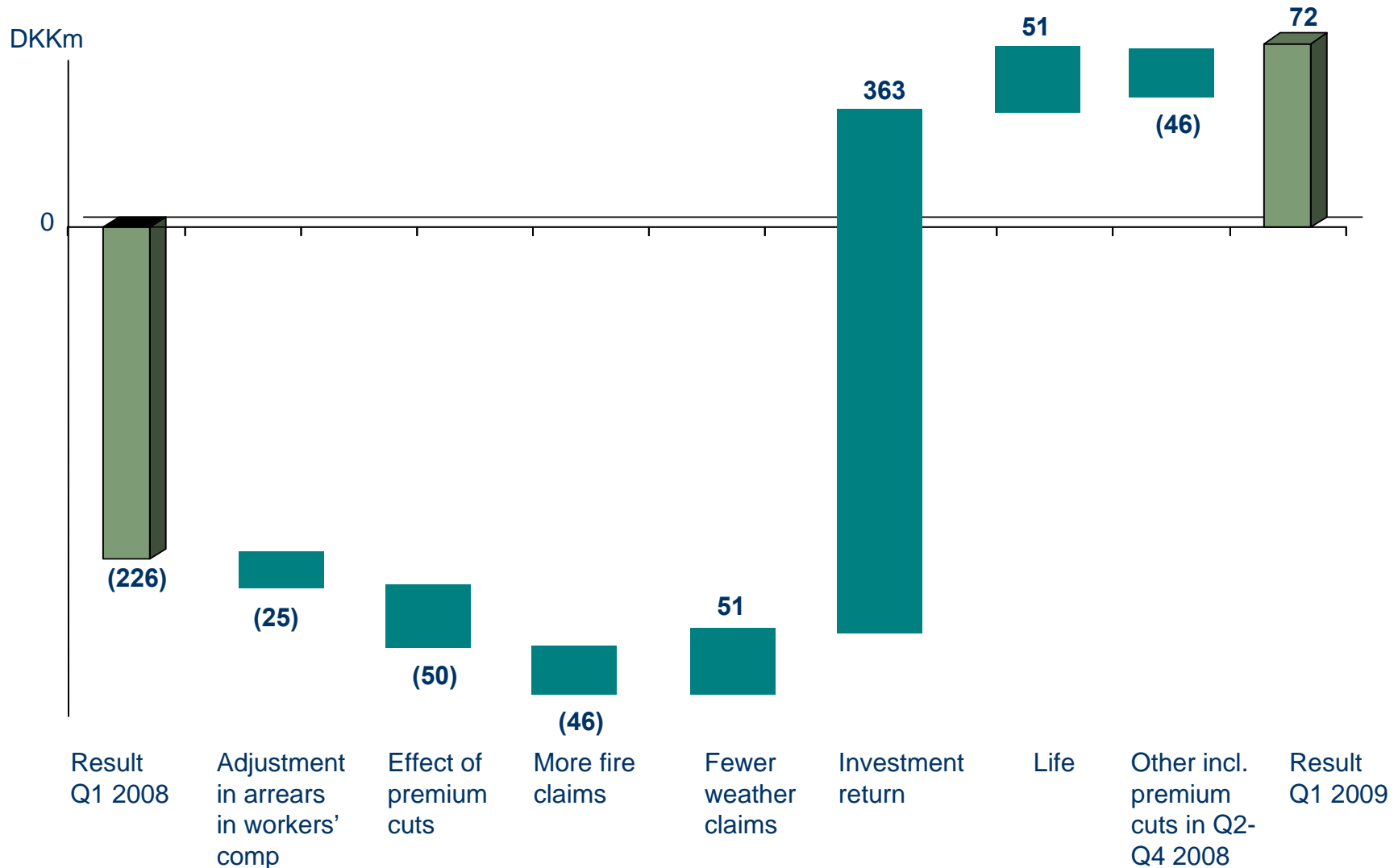
- **DKK 35m profit (Q1 2008: DKK 234m loss)**
- **Exceptionally high number of large fire claims in Q1**
 - **Primarily therefore increase in CR from 86.2 to 91.4**
- **Increase in investment return from DKK 370m loss to DKK 7m loss**

Prospects for 2009

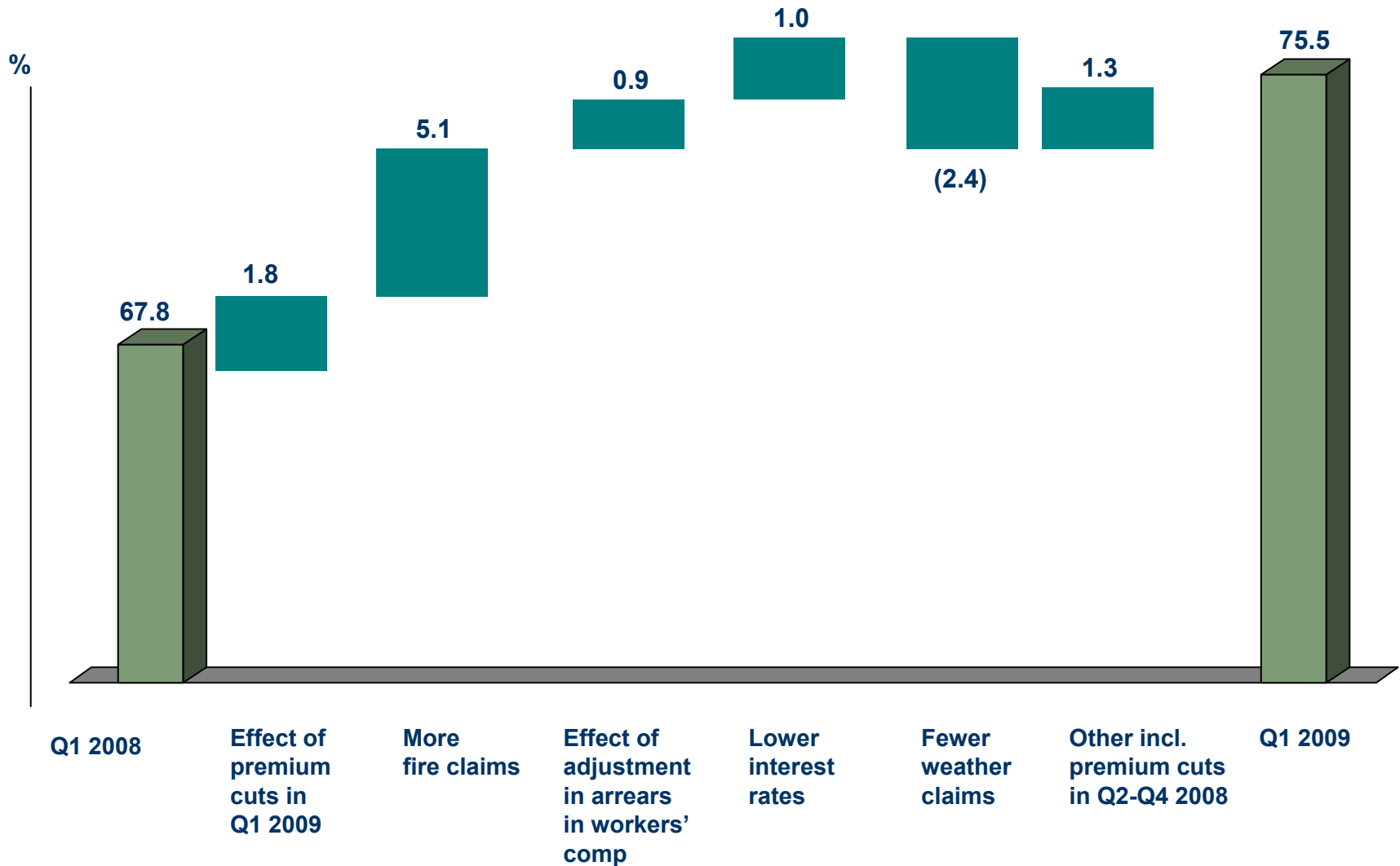
- **DKK 25m increase in profit forecast model to DKK 900 - 1,000m**
- **Corresponding DKK 25m increase in cash distribution potential to DKK 525m**
 - **Representing a yield of 4.9%**



Trend in pre-tax result Q1 2008 - Q1 2009



Trend in loss ratio Q1 2008 - Q1 2009

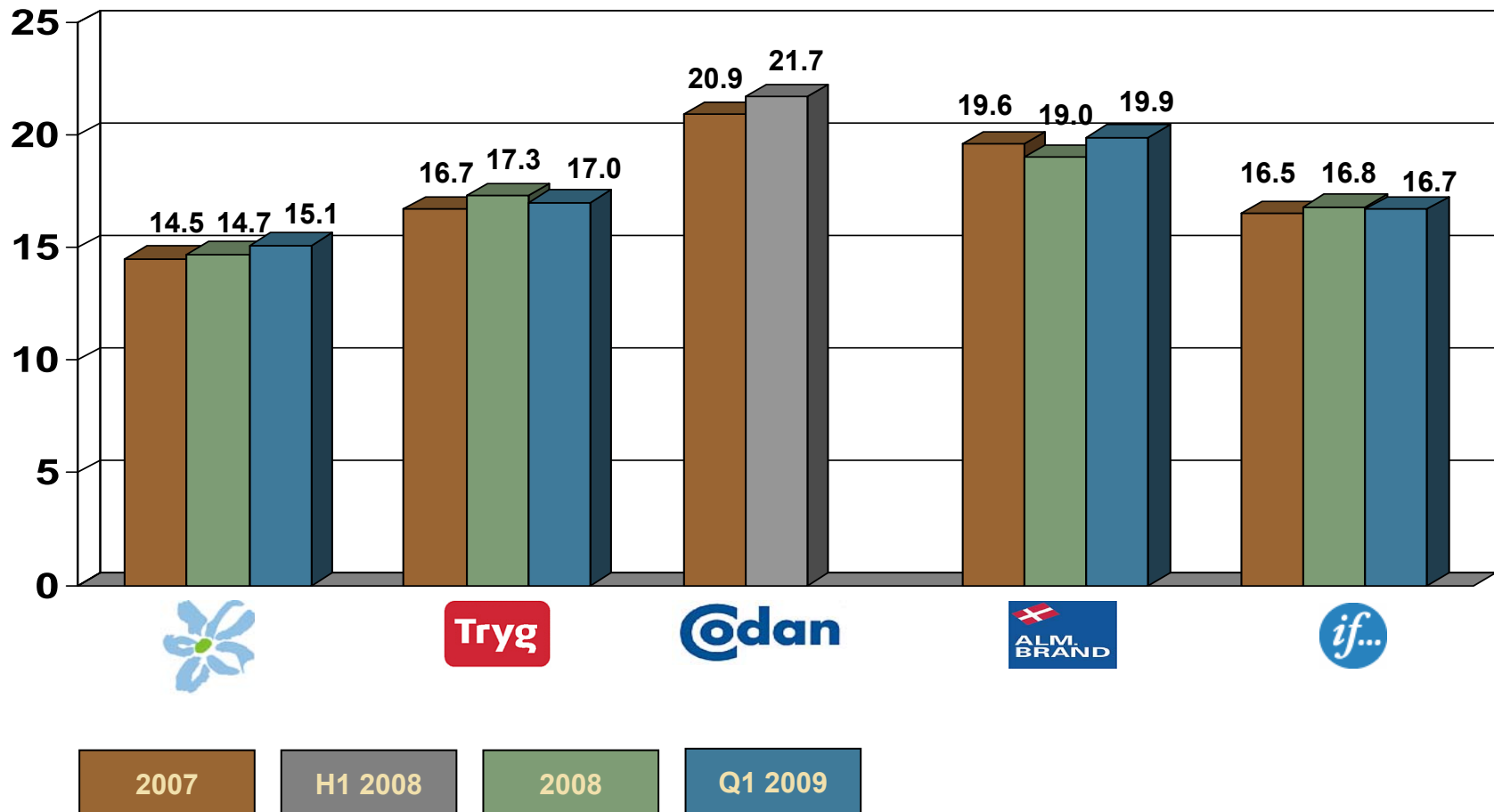


Ratios by segments

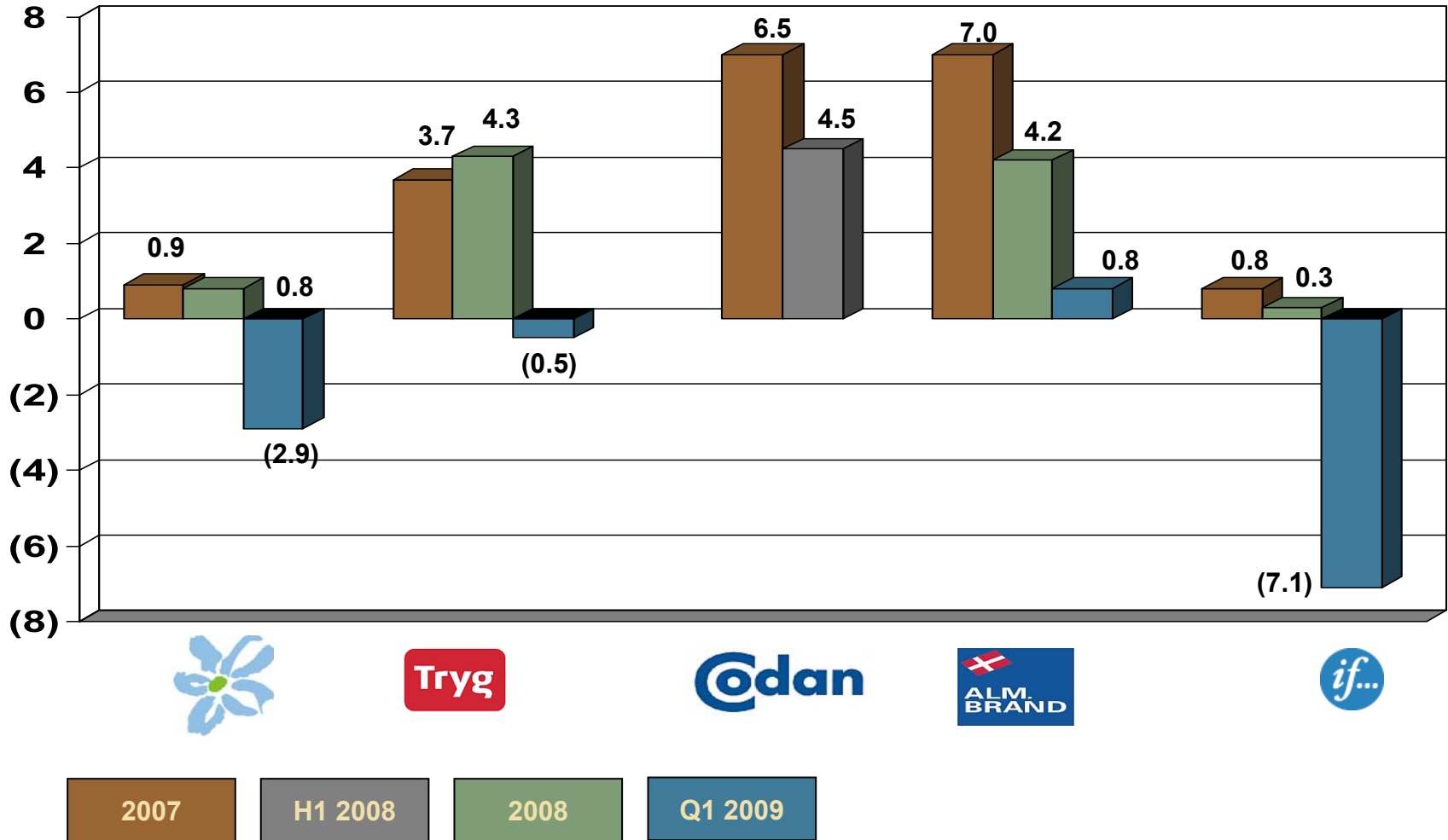
Ratios by segments

	Personal		Commercial		Industrial		Group	
	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009	Q1 2008	Q1 2009
Premium growth (%)		0.9		(7.8)		(2.1)		(2.9)
Gross loss ratio (%)	67.1	71.8	69.3	83.0	66.2	67.4	67.8	75.5
Net reinsurance ratio (%)	1.2	1.3	3.6	(2.7)	17.3	11.8	3.7	0.8
Claims trend (%)	68.3	73.1	72.9	80.3	83.5	79.2	71.5	76.3
Gross expense ratio (%)	15.3	15.5	14.4	15.0	12.8	13.6	14.7	15.1
Combined ratio (%)	83.6	88.6	87.3	95.3	96.3	92.8	86.2	91.4
CR excluding any gains on / strengthening of provisions (%)	86.8	91.3	88.0	96.9	98.2	95.8	88.3	93.7

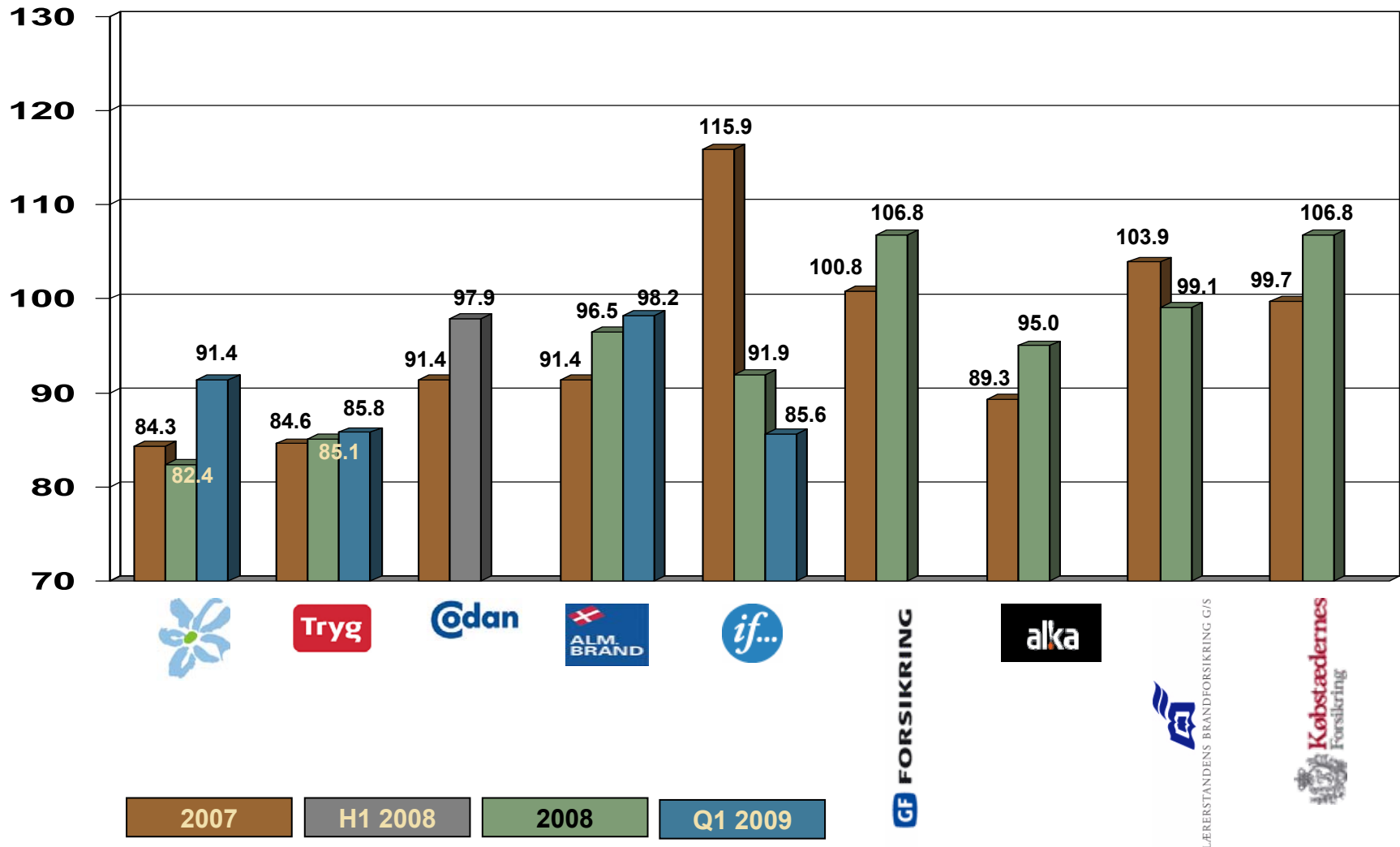
Comparison of expense ratio (group level)



Comparison of premium growth (group level)

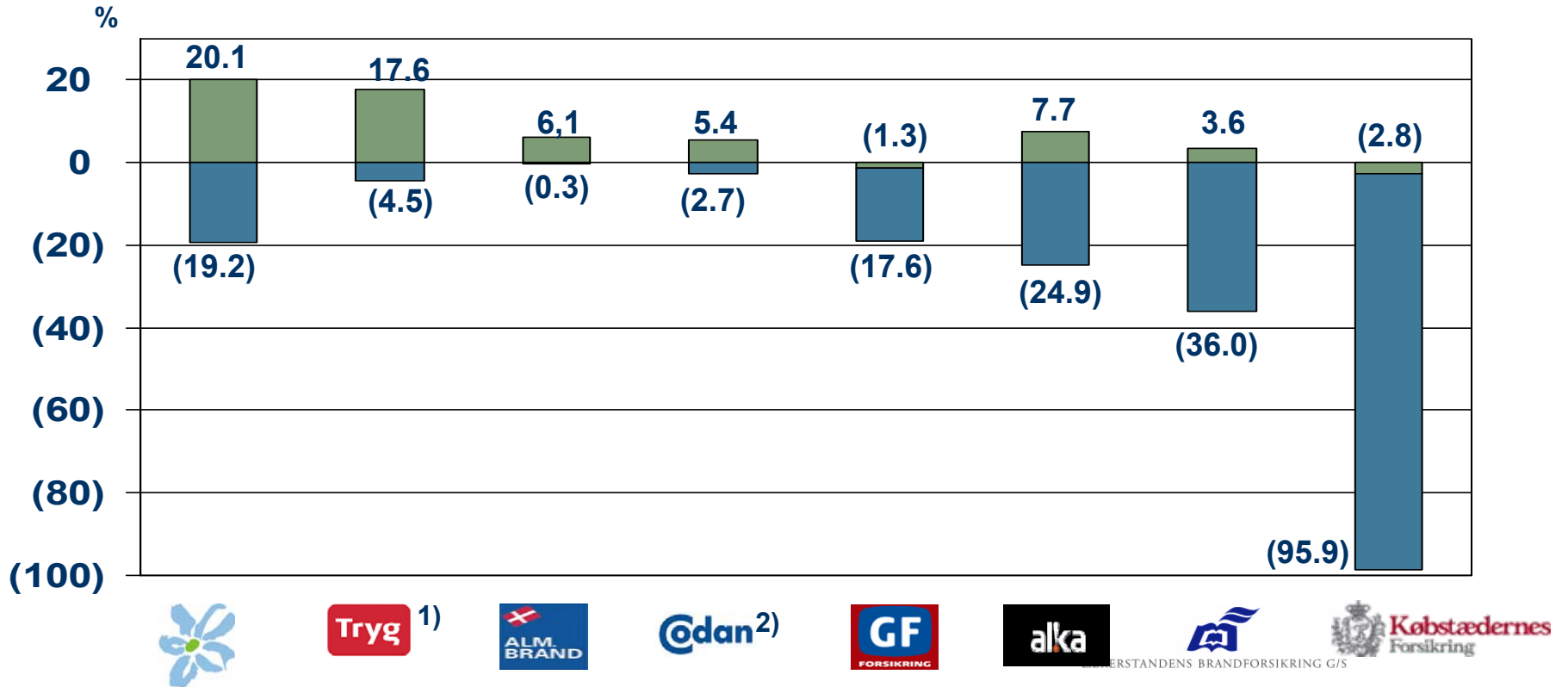


Comparison of CR (Danish insurance)



Comparison of companies

- Earnings profile 2008



¹⁾ Danish business

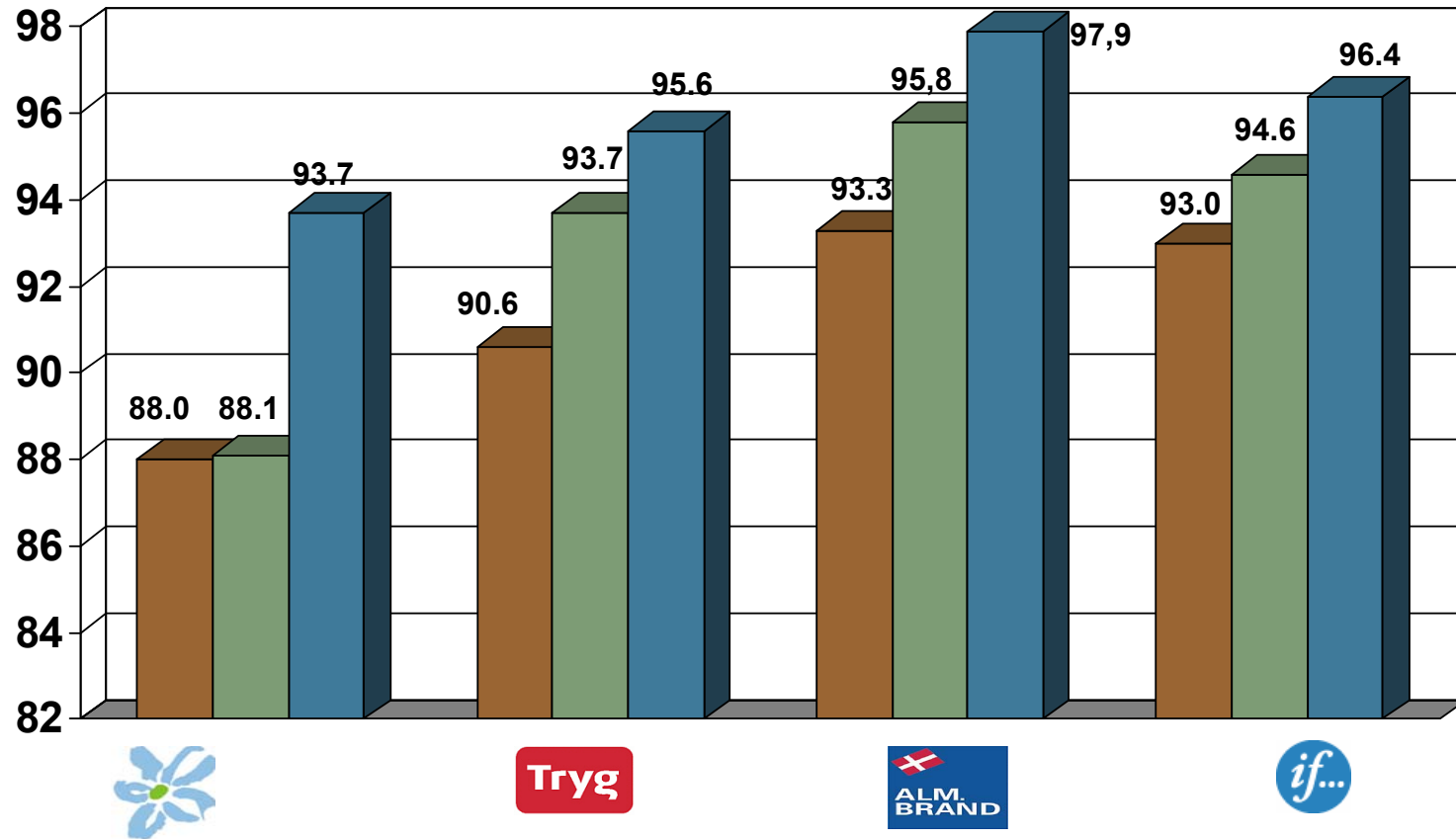
²⁾ H1 2008

Investment result as a % of premiums

Technical result as a % of premiums

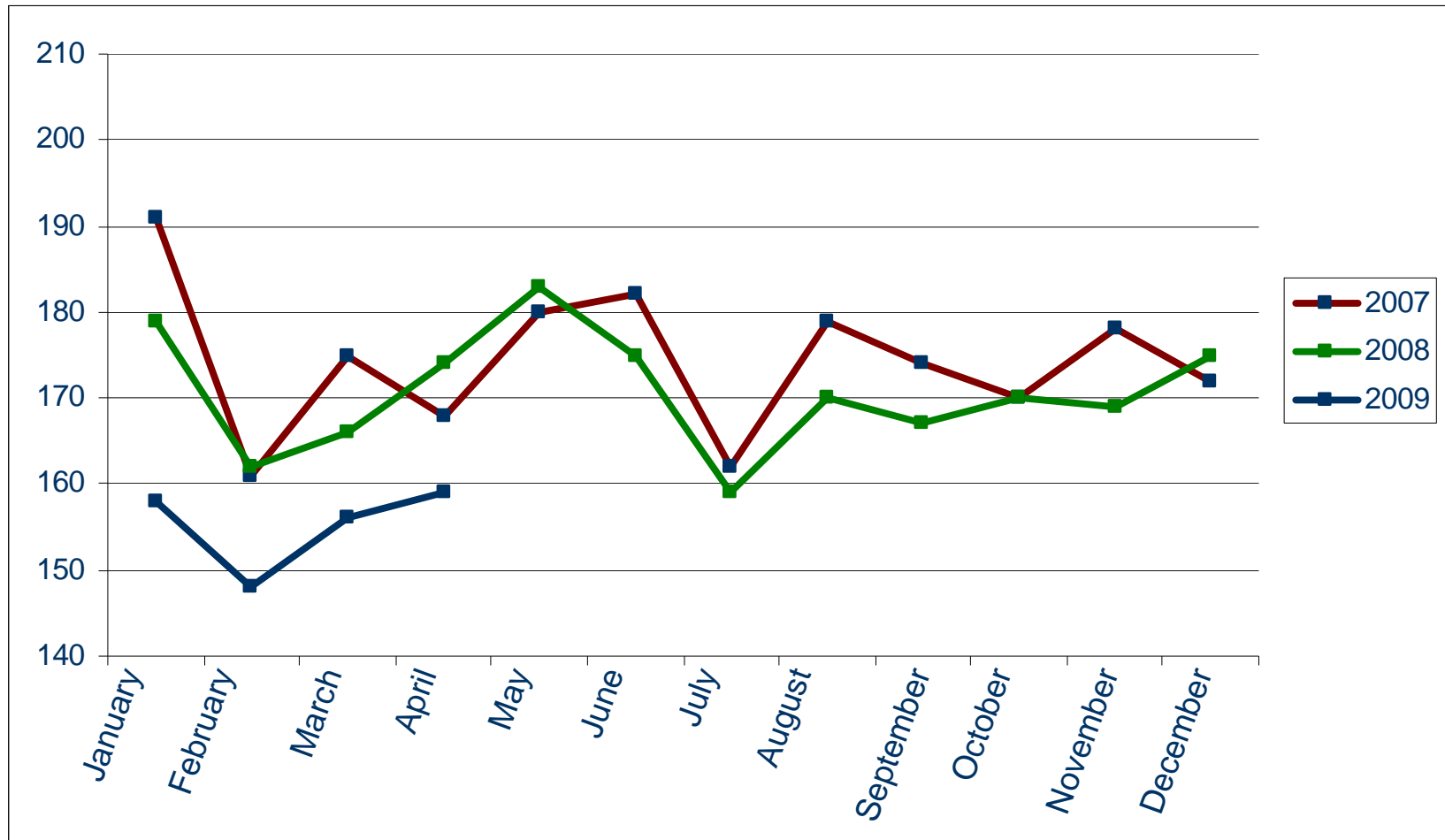
Comparison of CR (group level)

- excluding strengthening of / gains on claims provisions



Claims frequency for private cars

- Excluding hail claims in July 2007 and glass claims

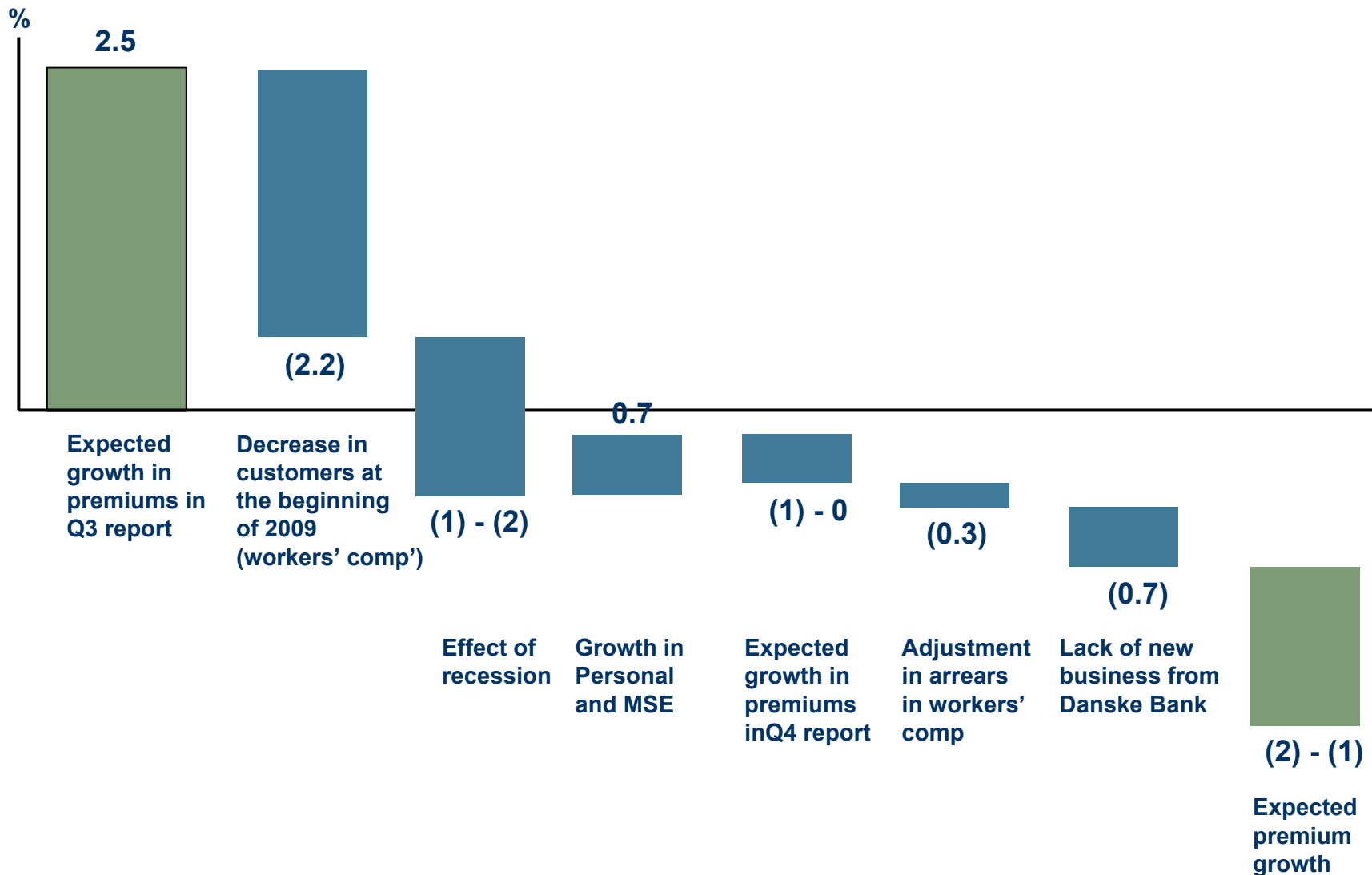


Breakdown of gains on / strengthening of claims provisions

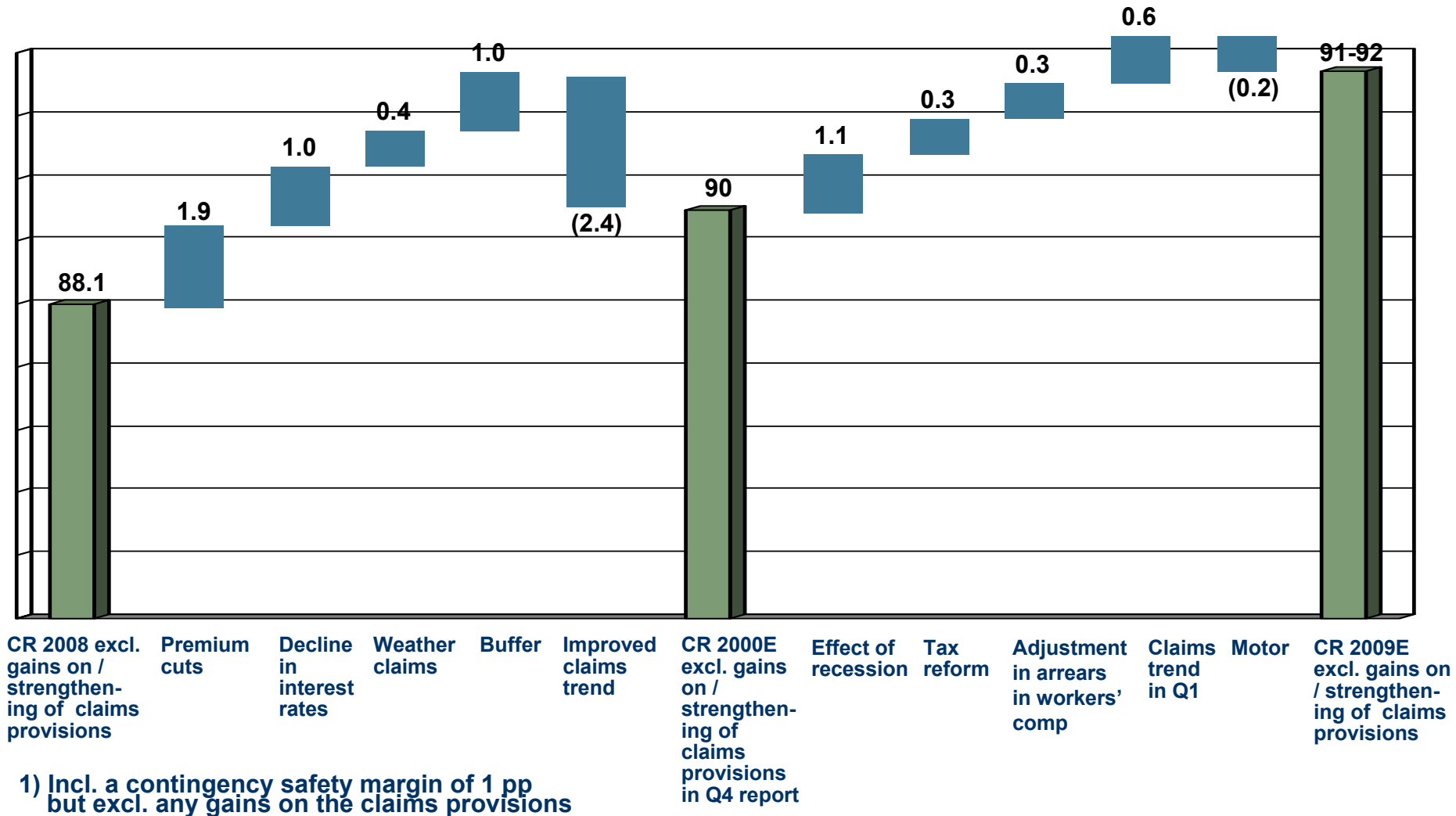
Gains on / strengthening of claims provisions on own account

(DKKm)	Q1 2008	Q1 2009	2009
Illness and accident	10	30	172
Workers' compensation	(5)	0	285
Third party and comprehensive	83	74	119
Other	(41)	(54)	(70)
Total gains on claims provisions on own account	47	50	506

Expected trend in premiums in 2009



Trend in CR¹⁾ from 2008 to 2009E



Result of life insurance

Result of life insurance

(DKKm)	Liv I	Liv V	Q1 2008 Group	Liv I	Liv V	Q1 2009 Group
Investment return	(8)	(9)	(17)	7	8	15
Risk allowance	12	13	25	16	13	29
Transferred to shadow account	(12)	(13)	(25)	(16)	(13)	(29)
Profit / (loss) in Topdanmark Link			(16)			1
Financing charges Liv Holding			(3)			(4)
Other			(1)			1
Profit / (loss) on life insurance			(38)			13
Shadow account end of period	12	65	77	77	118	195

Prospects in life insurance

- Reduction in loss participation scheme from 10% to 8%
- Increase in assumed premium growth in regular premiums for 2009 from 2% to 5%
 - Substantial reduction expected in single premiums
- Shadow account balance at 31 March 2009: DKK 195m
 - Will be included in income in a subsequent period when the investment return is sufficiently high
- Full allowance for risk of DKK 52m and DKK 64m from the shadow account assumed to be included in income in Liv V in 2009
 - Previous assumption of DKK 104m transfer from the shadow account
- No allowance for risk is expected in Liv I in 2009
 - Shadow account balance of DKK 136m at 31 December 2009 expected to be included in income no earlier than 2011

Investment return for Topdanmark Group excluding life insurance

Investment return Q1 2009

	Portfolio		Return Q1		Return 2008	
	31 Mar		DKK	%	DKK	%
	DKKbn		m		m	
Danish equities	0.3	(25)	(7.9)	(245)	(42.3)	
Foreign equities	0.7	(42)	(5.9)	(486)	(38.3)	
Government and mortgage bonds	10.0	81	0.9	148	1.8	
Credit bonds	0.7	(31)	(4.0)	(309)	(23.7)	
CDOs	0.9	(44)	(4.4)	(243)	(17.7)	
Properties	1.3	17	1.3	55	6.5	
Assets rel. to I/A	1.4	11	0.7	(7)	(0.6)	
Money market etc.	6.2	62	1.1	80	2.8	
Interest-bear. debt	(5.3)	(57)	1.1	(82)	(6.3)	
Total	16.2	(28)	(0.2)	(1,089)	(6.9)	

DKK 25m increase in profit forecast model for 2009

(DKKm)	2008	Forecast for 2009 after Q4 2008	Forecast for 2009 5 May 2009	Forecast for 2009 19 May 2009
Non-life insurance				
- Technical result	1,796	1,100 - 1,140	900 - 940	900 - 940
- Investment return after transfer to technical result etc.	(1,705)	(100) - (60)	60 - 100	130 - 170
Life insurance	(57)	230 - 250	230 - 250	190 - 210
Parent company etc.	(58)	(40) - (20)	(50) - (30)	(50) - (30)
Pre-tax profit / (loss)	(24)	1,190 - 1,310	1,140 - 1,260	1,170 - 1,290
Taxation	(165)	(315) - (335)	(265) - (285)	(270) - (290)
Profit / (loss) for the year	(189)	875 - 975	875 - 975	900 - 1,000

Representing a 25.5% ROE after tax

Forecast assumptions for 2009 are based on equity prices at 14 May 2009

Yield of 4.9% for 2009

- DKK 25m increase in cash distribution potential to DKK 525m in 2009
- Distribution for 2009 represents a 4.9% yield
- Distribution for 2009 expected to commence no earlier than after announcement of H1 report on 25 August
- Topdanmark considering its future method of cash distribution
 - Share buy-back
 - Dividend payment
 - Combination of both

Capital

31 December 2008

- All non-life and life insurance companies in the "green light"
 - Topdanmark Forsikring DKK 661m within the "green light"
 - Topdanmark A/S DKK 454m above the solvency minimum
 - Shareholders' equity DKK 255m lower than the level required by Topdanmark's own capital model

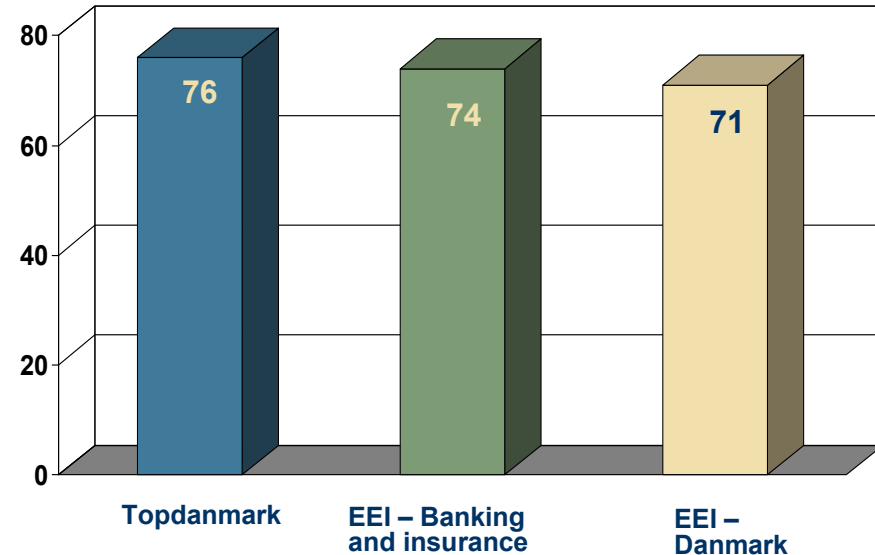
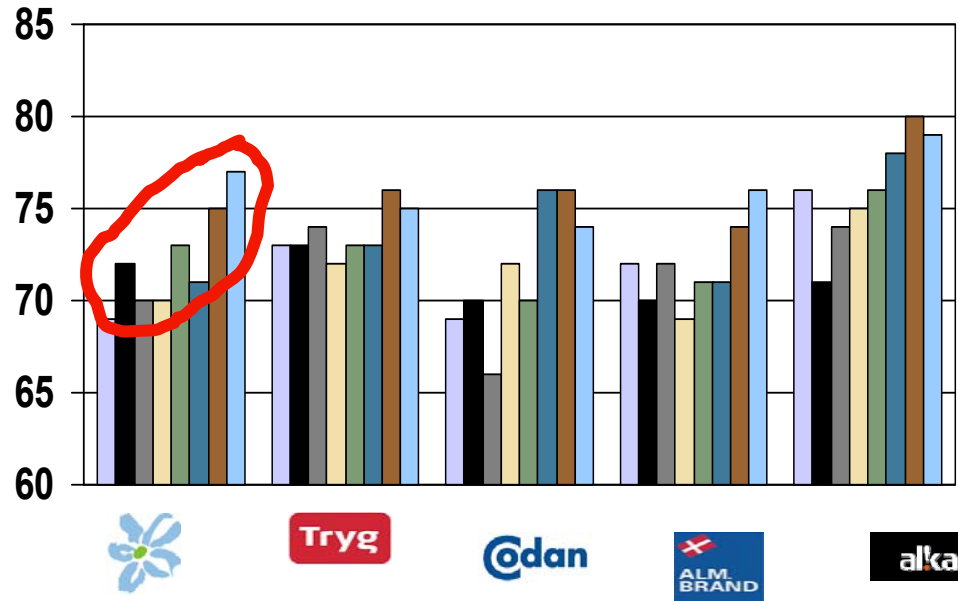
14 May 2009

- DKK 255m deficit reinstated
- Any future distribution to be delayed by just over three months, i.e. corresponding to post-tax normalised earnings of around DKK 250m
- Conservative provisioning

Good conditions for creating growth

Customer satisfaction

Job satisfaction



EEI: European Employee Index benchmark
Source: Ennova

www.topdanmark.dk/ir

- a source of up-to-date
information on Topdanmark

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 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 trend in reinsurance market. Also see “Risk management” on our website www.topdanmark.com → [Risk management](#) .

The above description of potential risks 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 the Q1 2009 interim report.

This publication is a translation. In case of any divergence, the original Danish text shall prevail.

Appendix

Can profit be made on non-life insurance?

- **Assumptions:**
 - Shareholders' equity 33% of premium income
 - Combined ratio 91.5
 - Interest income on provisions (incl. discounting effect) equal to 1.5% of premiums earned
 - ROE 5%

- **Return on operations:**

• Income	100.0
• Interest income	<u>1.5</u>
	101.5
• Expenditure	<u>91.5</u>
	10.0 ~ ROE = 30.0%

- **ROE:**

	<u>5.0%</u>
• ROE before taxation	35.0%

Cash distribution model (1/2)

(DKKm)

2 x required solvency in non-life (premium based)	2,654	
1.5 x required solvency in life	1,557	
1 year's growth in required solvency	211	
0.3 x equity exposure (Group excl. life)	262	
1 x interest rate exposure (Group excl. life)	75	
	<hr/>	4,759
Financed by:		
subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,759m)		(952)
Total "reasonable level of capital cover" 1 Jan 2009		<hr/> 3,807
1 year's normal growth in "reasonable level of capital cover"		<hr/> 177
Expected "reasonable level of capital cover" 31 Dec 2009		<hr/> 3,984

Cash distribution model (2/2)

(DKKm)

Shareholders' equity 1 Jan 2009		3,243
Hybrid capital	402	
Adjusted for: Goodwill	(441)	
Tax asset	(84)	
Value of own shares on exercise of share options ¹⁾	149	
Value of own shares to hedge warrant programme ¹⁾	302	328
Capital cover 1 Jan 2009		<u>3,571</u>
Expected profit after cash-impacting tax 2009 (avg)		950
Movements in shareholders' equity		40
Expected capital cover 31 Dec 2009		<u>4,561</u>
Expected "reasonable level of capital cover" 31 Dec 2009		<u>(3,984)</u>
Cash distribution potential 2009		<u>577</u>

¹⁾ 70% of market value - 650 - however max. strike price

Normalised return in life insurance

Assumptions:

- Shareholders' equity: DKK 921m
- Investment return on shareholders' equity: 4.5%
- Cost result of new business: DKK 10m loss
- Risk and administrative result in Link: 0.1% of savings
- Sufficient insurance technical profit before bonus contribution
- Customers' savings : Liv I: DKK 15.0bn
 - Liv V: DKK 8.0bn
 - Link: DKK 1.8bn

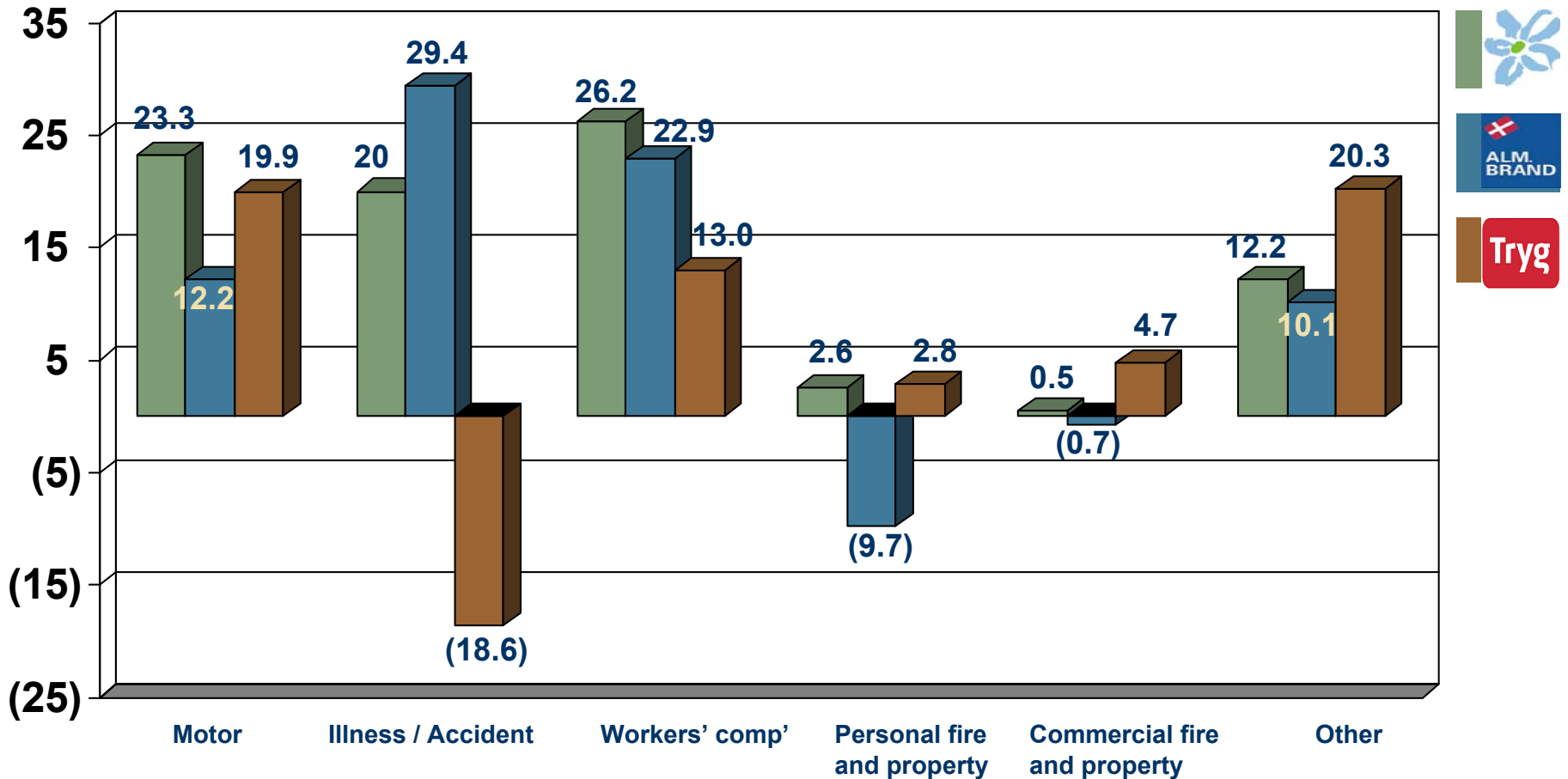
Normalised return in life insurance

(DKKm)

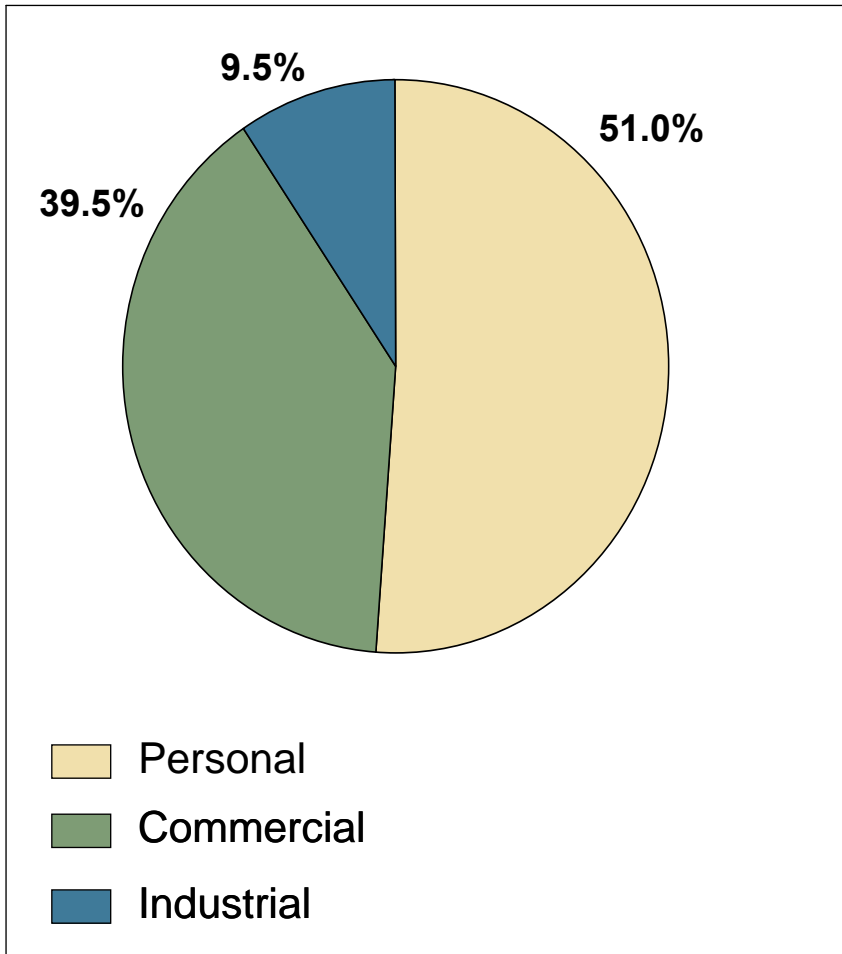
	Normalised Annual return	
Return on life insurance:		
Investment return on shareholders' equity, 4.5%	41	
Risk allowance: 0.50% / 0.65% of customers' savings	127	
Cost result of new business	(10)	
Risk and administrative result in Topdanmark Link	<u>2</u>	
Total return	160	160 ~ ROE = 17%
 Other life-related result:		
Life-related non-life (health and critical illness etc.)	44	
Asset management	25	
Other synergies in e.g. distribution	<u>40</u>	
	109	109
		269 ~ ROE = 29%

Breakdown of profit margin in 2008

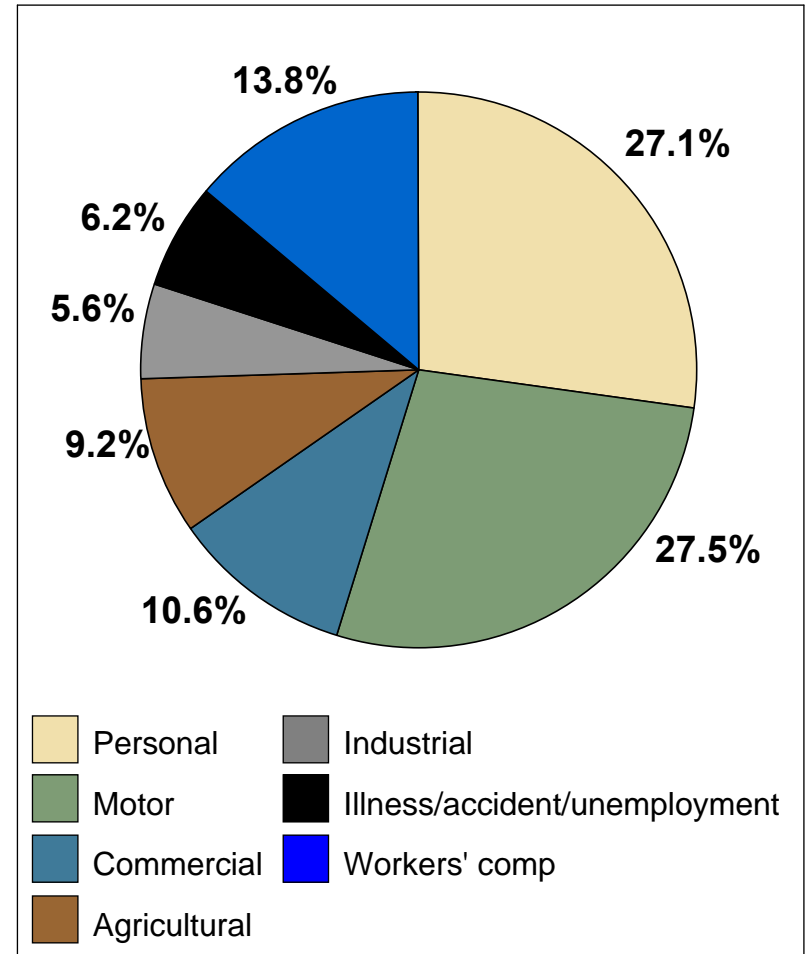
- excl. gains on / strengthening of claims provisions



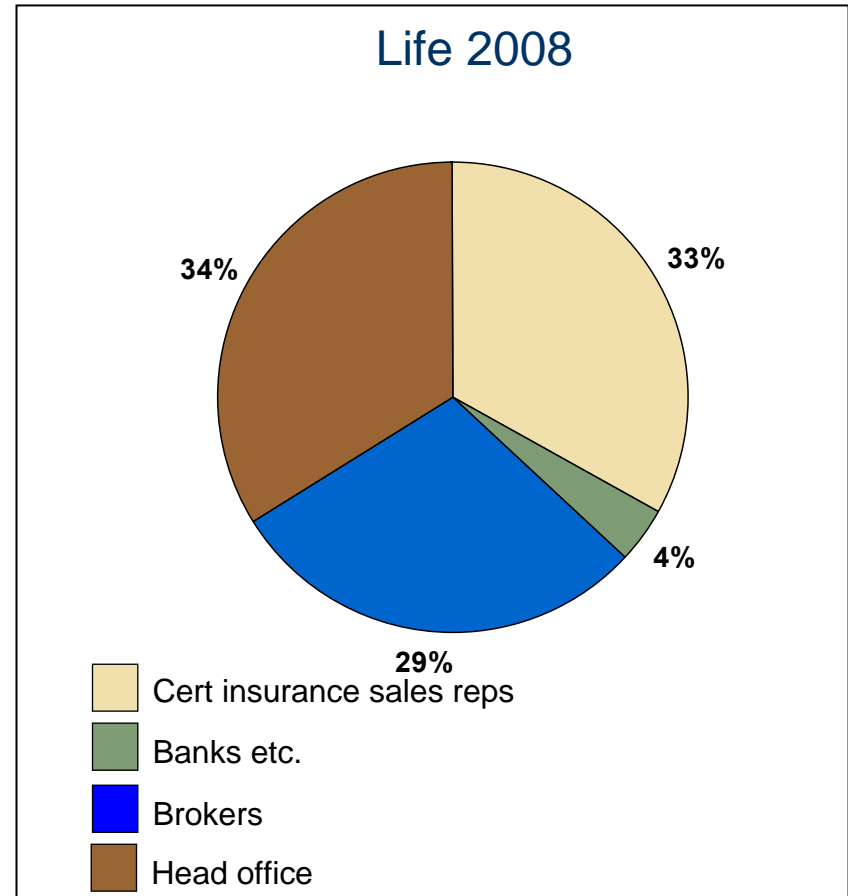
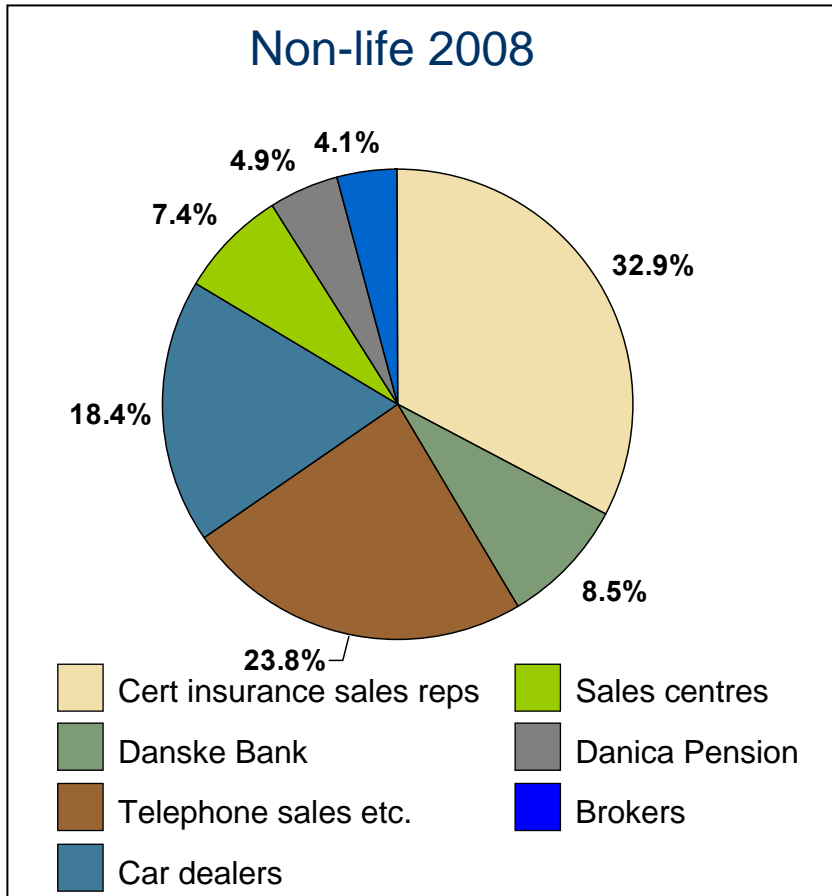
Premiums by segment 2008



Premiums by product 2008



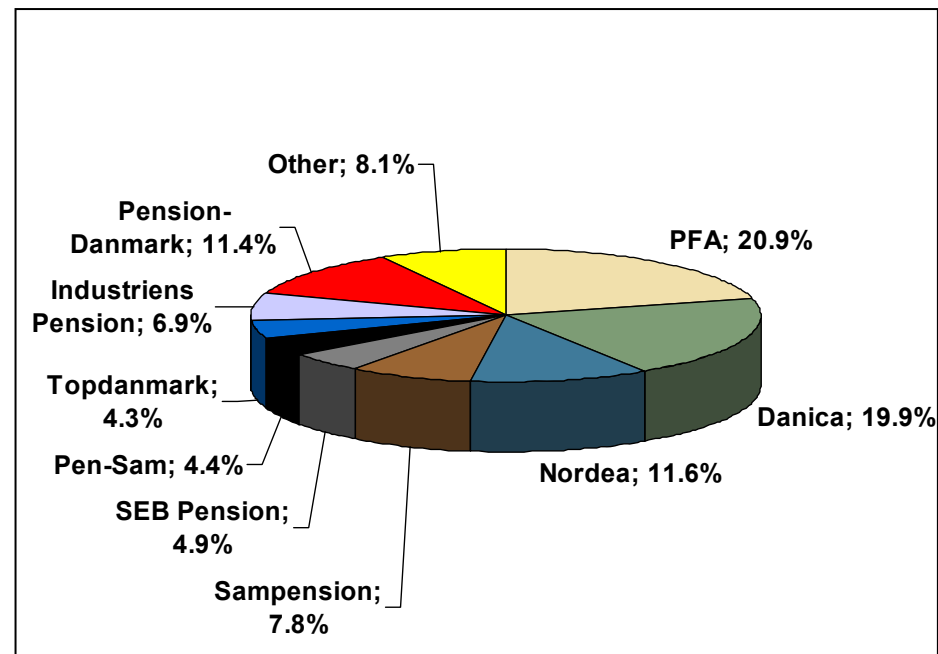
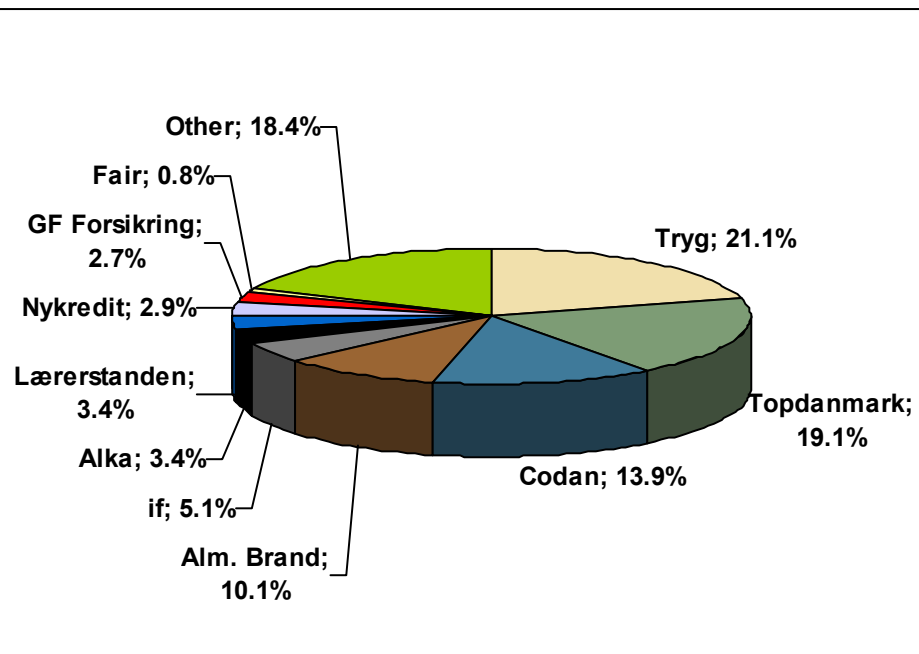
Distribution channels



Market share

Market share in non-life 2007

Market share in life in 2007



Large-scale and weather-related claims

(DKKm)	Large-scale claims				
	Q1	Q2	Q3	Q4	Financial year
2006	5	12	22	25	64
2007	18	17	31	(3)	63
2008	21	17	75	8	121
2009	103				

Large-scale claims are defined as gross claims exceeding DKK 5m
Comprising property claims in Commercial and Industrial

(DKKm)	Weather-related claims				
	Q1	Q2	Q3	Q4	Financial year
2006	0	11	64	13	88
2007	42	12	129	29	212
2008	47	11	8	15	81
2009	(4)				

Comprising gross claims exceeding DKK 4.5m per event within 72 hours

¹⁾ Incl. strengthening of / gains on claims provisions

CDOs - Returns and portfolios

(DKKm)	Group excl.		Life insurance	
	Full year	Q1	Full year	Q1
	2008	2009	2008	2009
Return				
AAA and AA	(25)	17	(13)	27
Lower than AA	(218)	(61)	(446)	(130)
Total return	(243)	(44)	(459)	(103)
Interest	156	15	320	33
Revaluations	(399)	(59)	(779)	(136)
Total return	(243)	(44)	(459)	(103)
Book value 31 March				
AAA and AA		528		904
Lower than AA		414		721
Total book value		942		1,625