

**Carnegie  
Insurance Seminar in London  
23 September 2009**

by Lars Thykier  
CFO

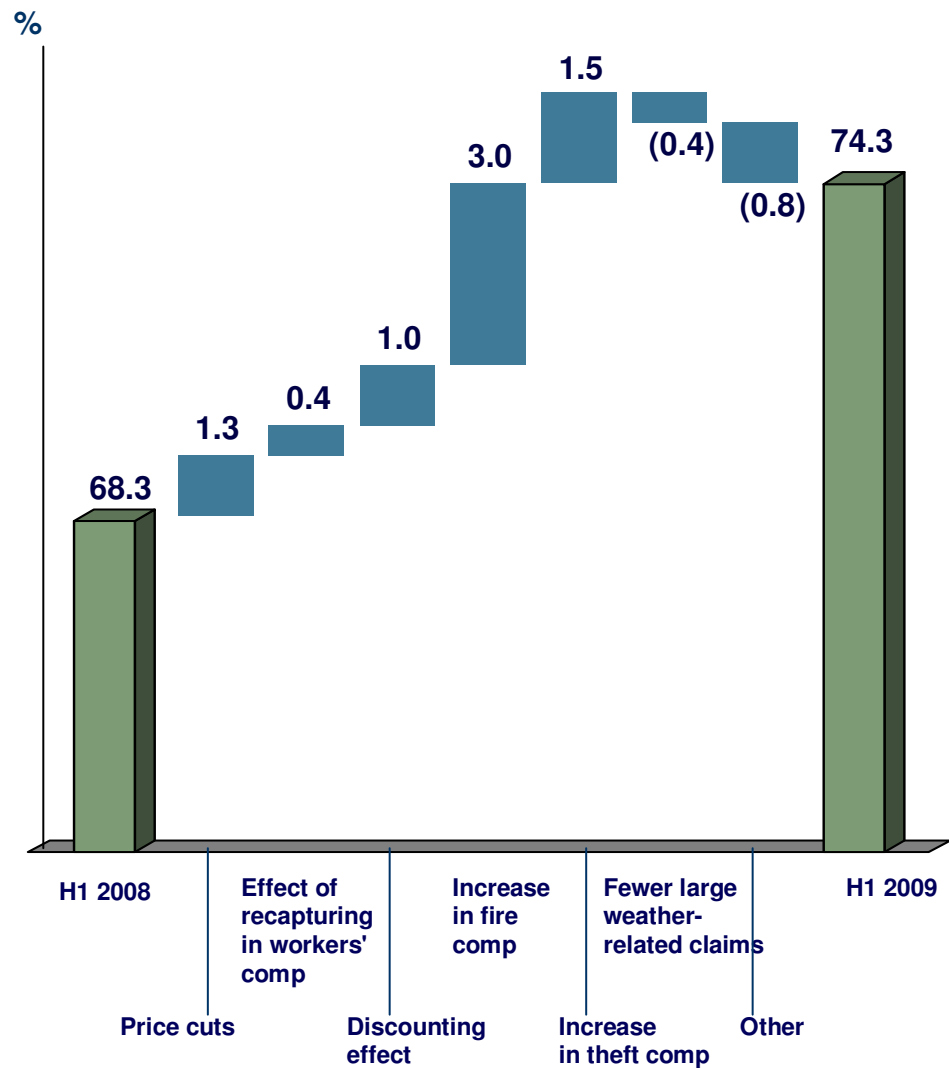
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## Share profile

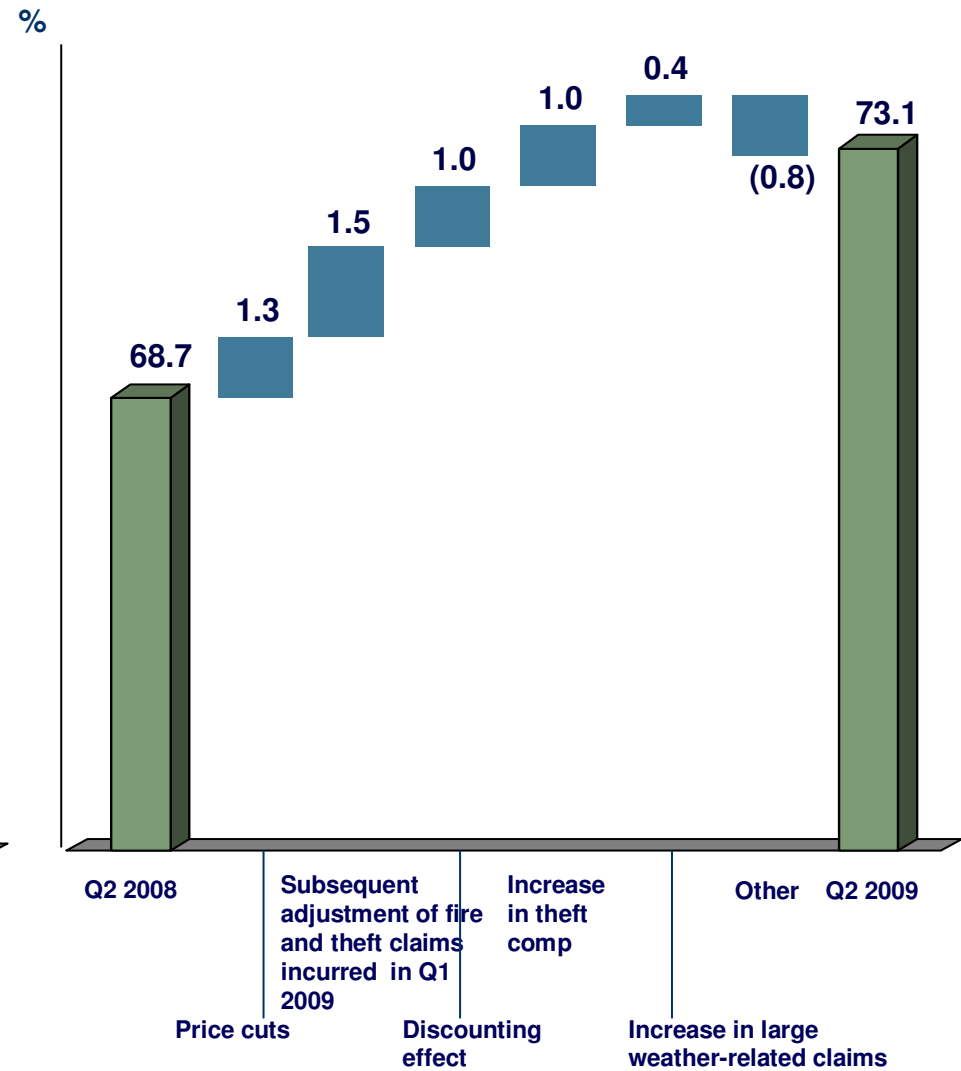
### Clearly focused strategy

- **Danish player**
- **Stable insurance risks**
- **Low expense ratio**
- **Limited financial risk**
- **Efficient capital management**
- **Relatively limited top line growth in non-life – higher in life**
- **High cash flow**
- **Large share buy-back programme**
- **No limitations set out in the Articles of Association**

Trend in loss ratio H1 2008 - H1 2009



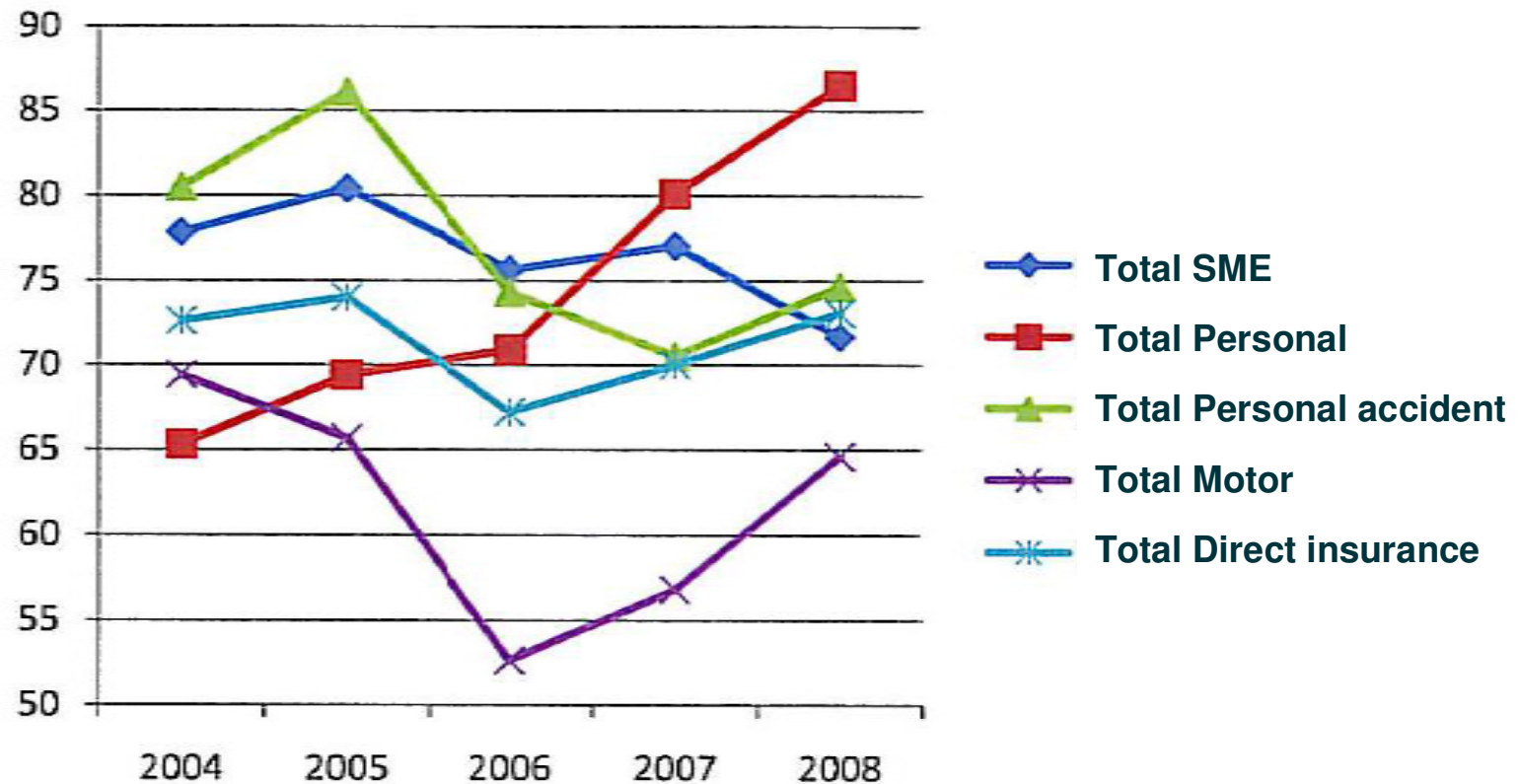
Trend in loss ratio Q2 2008 - Q2 2009





# Loss ratios on own account (Danish market)

- analysed by main lines of business 2004 - 2008

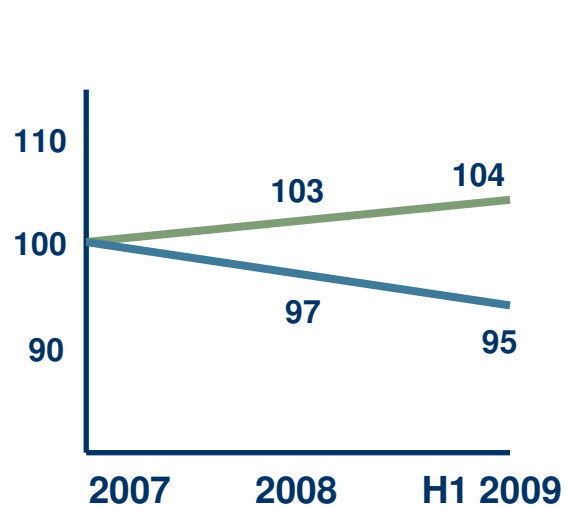


Source: Reports to the DFSA

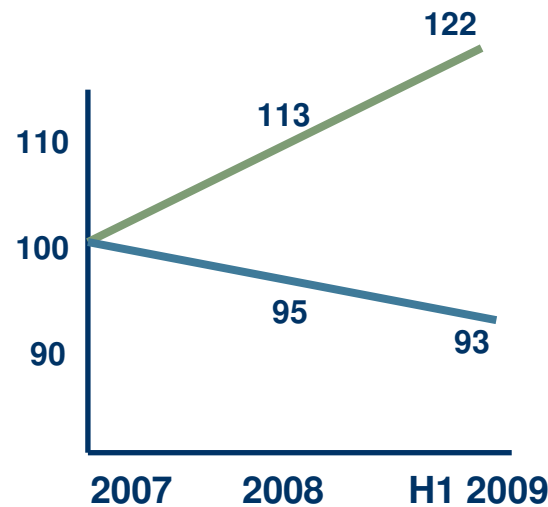
# Topdanmark

## - Trend in claims frequency and average claim

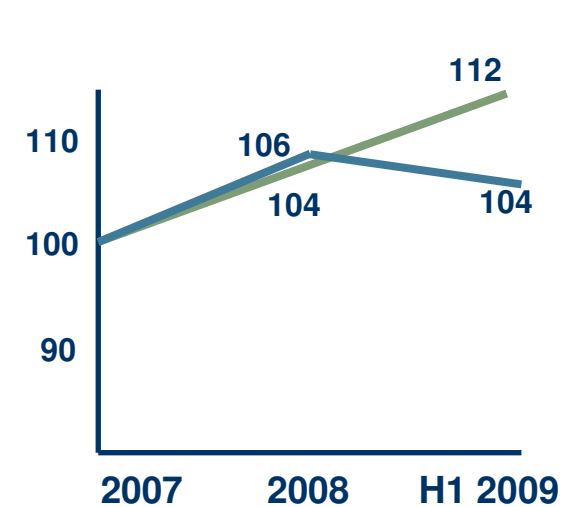
Motor insurance



House insurance



Contents insurance



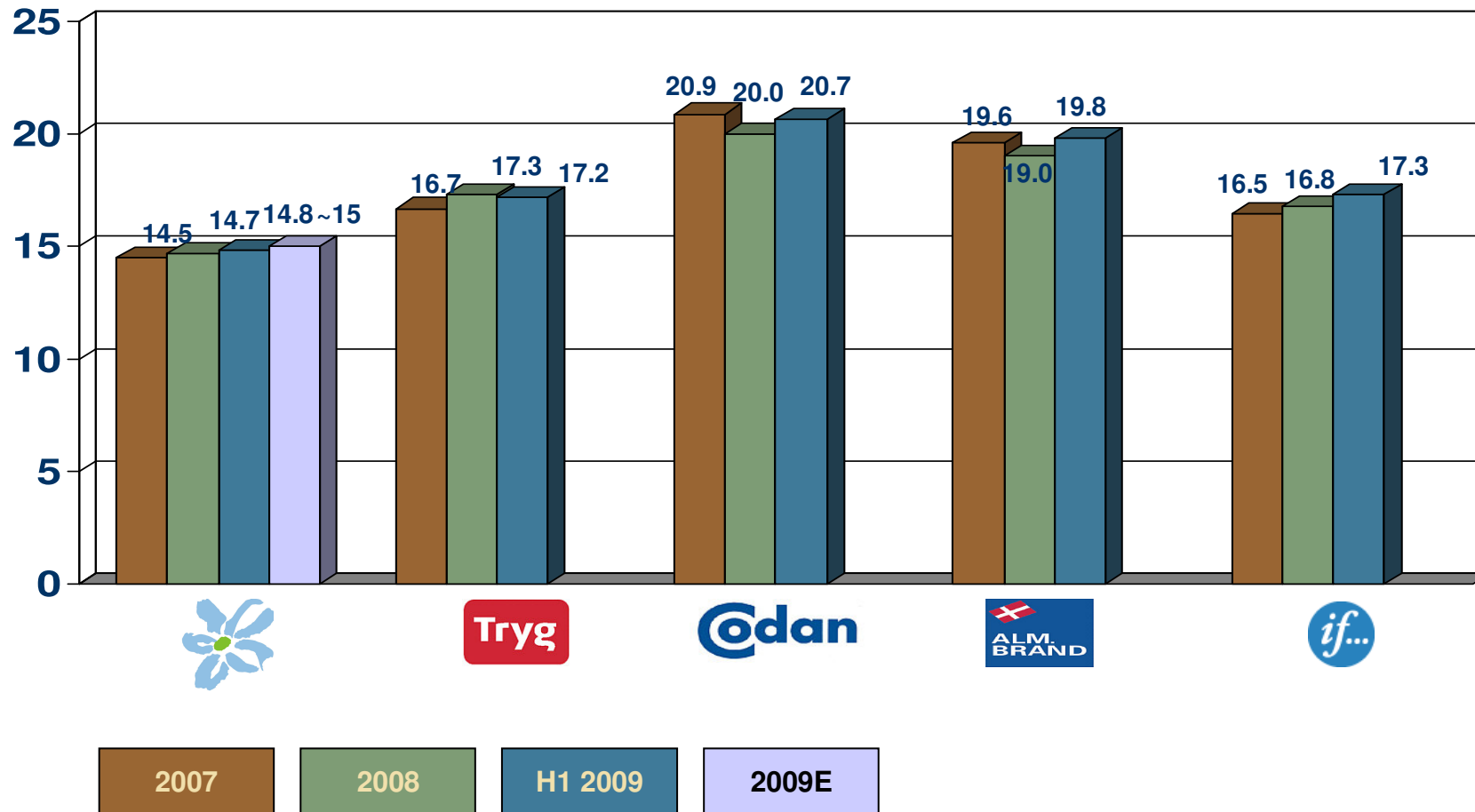
Average claim

Claims frequency

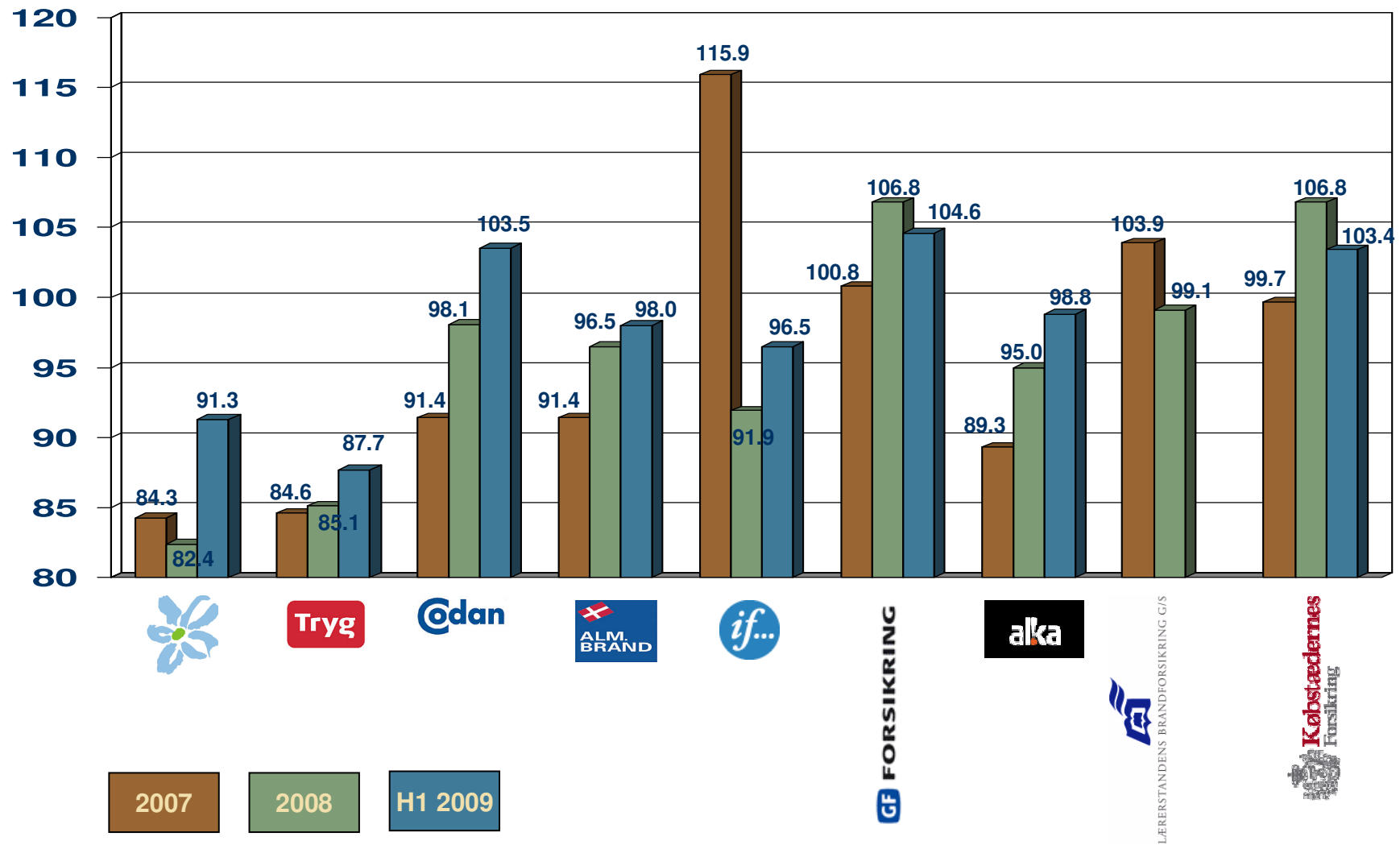
## Ratios by segments

	Personal		SME		Industrial		Group	
	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009
Premium growth		0.2		(7.9)		(4.8)		(3.5)
Gross loss ratio (%)	66.9	75.2	69.7	75.4	70.6	64.9	68.3	74.3
Net reinsurance ratio (%)	1.6	1.2	3.1	0.9	11.2	12.8	3.1	2.2
Claims trend (%)	68.5	76.4	72.8	76.3	81.8	77.7	71.4	76.5
Gross expense ratio (%)	15.5	15.0	13.8	15.0	12.7	13.6	14.5	14.8
Combined ratio	84.0	91.4	86.6	91.3	94.5	91.3	85.9	91.3
CR adjusted for any gains on / strengthening of provisions	87.9	93.3	88.6	94.3	94.1	93.0	88.6	93.6

## Comparison of expense ratio (group level)



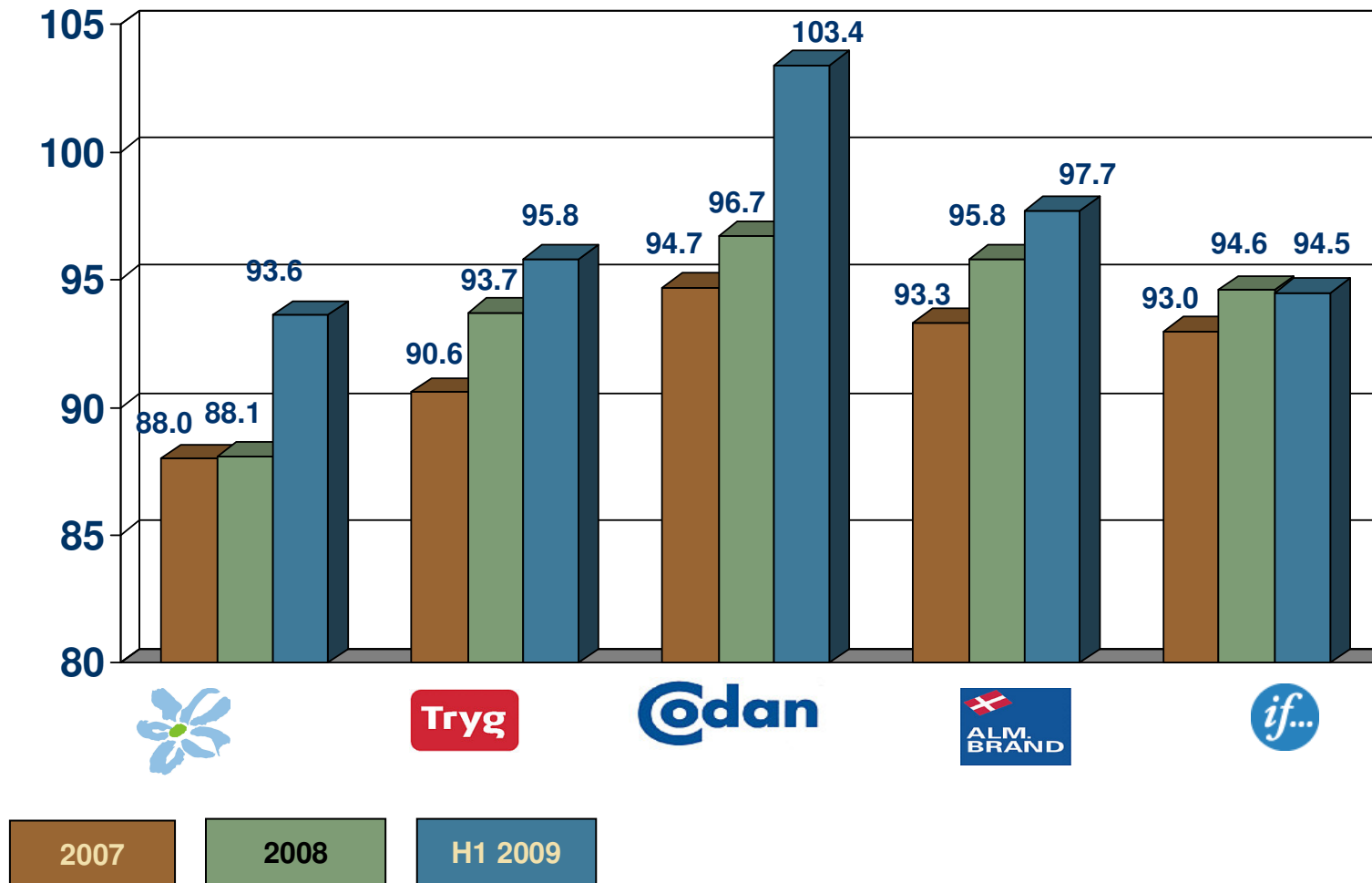
# Comparison of CR (Danish insurance)



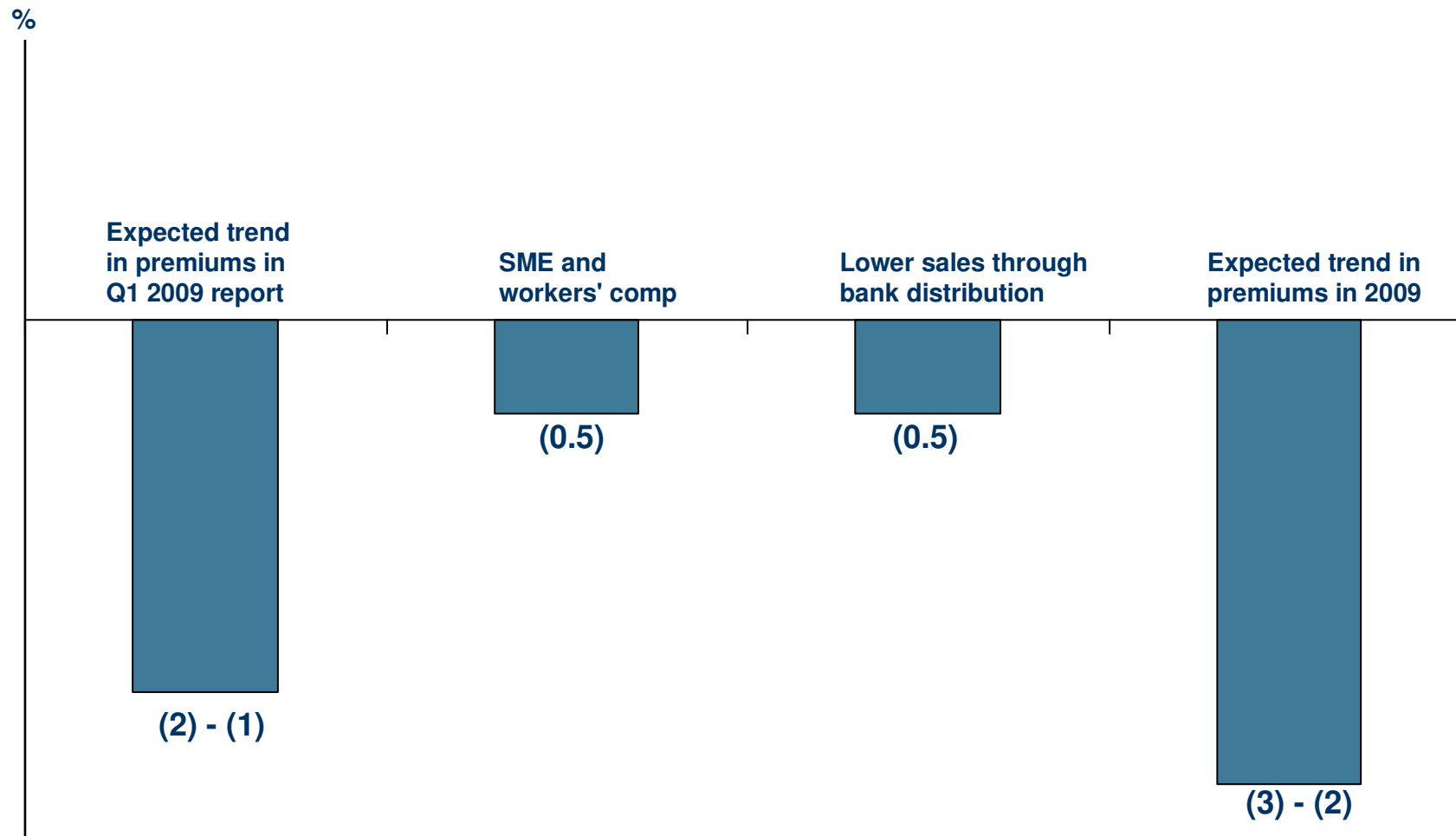


# Comparison of CR (group level)

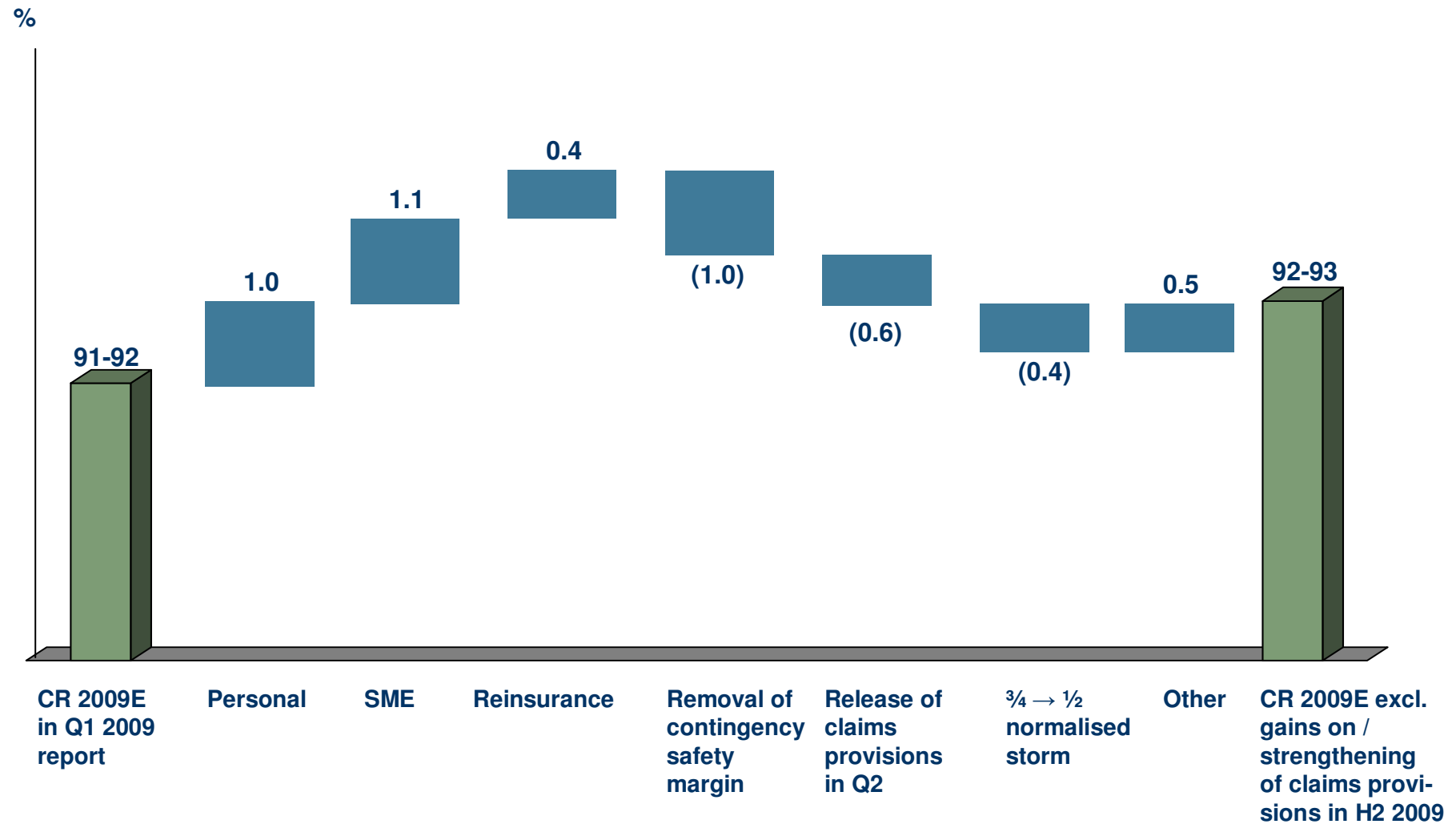
- excluding strengthening of / gains on claims provisions



# Forecast premium growth 2009



# Forecast CR 2009



## Measures taken to improve profitability

### Price increases

- **Personal**
  - **House and contents policies**
- **SME**
  - **Property policies**

**Effect on premiums earned at least DKK 300m, with just over half of this being seen in 2010**

### Improved utilisation of purchasing power

## Operational goal for non-life insurance

- **Profit margin of 10%**
  - **Corresponding to CR of 91 excl. any gains on or strengthening of claims provisions, using current level of interest rates,**
- **Growth in gross premiums: 1 pp higher than wage inflation adjusted for any price changes**
- **Goal for CR in 2010**
  - **In line with the effect of the measures taken to improve profitability the profit margin is expected to increase to 10% (CR around 91) in 2010**

## Result of life insurance

(DKKm)	Liv I	Liv V	H1 2008 Group	Liv I	Liv V	H1 2009 Group
Investment return	(1)	(3)	(4)	20	28	48
Risk allowance	29	26	55	38	26	64
Transferred to shadow account	(29)	(26)	(55)	(38)	(26)	(64)
Profit / (loss) in Topdanmark Link			(26)			13
Financing charges Liv Holding			(6)			(6)
Other			(2)			1
<b>Profit / (loss) on life insurance</b>			<b>(38)</b>			<b>56</b>
<b>Shadow account end of period</b>	<b>29</b>	<b>77</b>	<b>106</b>	<b>100</b>	<b>134</b>	<b>234</b>

## Prospects in life insurance

- Reduction in loss participation scheme in Life I from 8% to 5%
- Overall 18.8% decline in premiums in H1 2009
  - Regular premiums increased 8.3%
  - Continued expected growth of 5% in regular premiums in 2009
- Overall shadow account balance at 30 June 2009: DKK 234m
  - Will be booked in a subsequent period when the investment return is sufficiently high
- Full risk allowance of DKK 52m and shadow account balance of DKK 104m assumed to be booked in Life V in 2009
- No risk allowance is expected in Life I in 2009
  - Shadow account balance of DKK 137m at 31 December 2009 expected to be booked in 2010
  - Previous expectation was for it to be booked no earlier than 2011

## Investment return for Topdanmark Group excluding life insurance

	Portfolio		Return Q2		Return H1	
	30 June					
	DKKbn	DKKm	%	DKKm	%	
Danish equities	0.3	56	19.8	31	10.4	
Foreign equities	0.7	129	20.3	87	13.2	
Government and mortgage bonds	9.5	183	1.8	264	2.8	
Credit bonds	0.8	83	12.0	52	7.5	
CDOs	0.9	9	0.8	(35)	(3.6)	
Properties	1.3	19	1.5	36	2.8	
Assets rel. to I/A	1.4	28	2.0	39	2.7	
Money market etc.	5.4	62	1.2	124	2.3	
Interest-bear. debt	(3.9)	(32)	0.7	(89)	1.9	
<b>Total</b>	<b>16.4</b>	<b>537</b>	<b>3.4</b>	<b>509</b>	<b>3.3</b>	



## DKK 200m increase in profit forecast model for 2009

Profit forecast 2009 (DKKm)	2008	Forecast for 2009 14 May 2009		Forecast for 2009 14 Aug 2009	
Non-life insurance					
- Technical result	1,796	900	-	940	790 - 830
- Investment return after transfer to technical result etc.	(1,705)	130	-	170	420 - 460
Non-life insurance	91	1,030	-	1,110	1,210 - 1,290
Life insurance	(57)	190	-	210	260 - 280
Parent company etc.	(58)	(50)	-	(30)	(50) - (30)
Pre-tax profit / (loss)	(24)	1,170	-	1,290	1,420 - 1,540
Taxation	(165)	(270)	-	(290)	(320) - (340)
Profit / (loss) for the year	(189)	900	-	1,000	1,100 - 1,200

**Representing a post-tax ROE of 30%**

## Yield of 6.7% for 2009

- DKK 200m increase in cash distribution to DKK 725m in 2009
- Distribution for 2009 represents a 6.7% yield
- Share buy-back expected to be resumed for 2009 from 2 September 2009
- Since 1998 Topdanmark has bought back 59% of the outstanding shares

# [www.topdanmark.com](http://www.topdanmark.com)

- 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](http://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 H1 2009 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 92.5
  - Interest income on provisions (incl. discounting effect) equal to 1.5% of premiums earned
  - Return on shareholders' equity 5%
- **Return on operations:**

• Income	100.0	
• Interest income	<u>1.5</u>	
	101.5	
• Expenditure	<u>92.5</u>	
	9.0	~ ROE = 27.0%
- **ROE:**

• Pre-tax ROE	<u>5.0%</u>	
		32.0% ~ 24% after tax

## Cash distribution model (1/2)

(DKKm)

2 x required solvency in non-life (premium based)	2,612	
1.5 x required solvency in life	1,536	
1 year's growth in required solvency	207	
0.3 x equity exposure (Group excl. life)	250	
1 x interest rate exposure (Group excl. life)	75	
	<u>75</u>	4,680
Financed by:		
Subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,680m)		(936)
<b>Total reasonable level of capital cover 1 Jan 2009</b>		<u>3,744</u>
80% of one year's normal growth in solvency requirement		<u>166</u>
<b>Expected reasonable level of capital cover 31 Dec 2009</b>		<u>3,910</u>

## Cash distribution model (2/2)

(DKKm)

Shareholders' equity 1 Jan 2009		3,243
Hybrid capital	403	
Adjusted for: Goodwill	(441)	
Tax asset	(82)	
Value of own shares on exercise of share options <sup>1)</sup>	0	
Value of own shares to hedge option programme <sup>1)</sup>	429	309
Capital cover 1 Jan 2009		<u>3,552</u>
Profit forecast model after cash-impacting tax 2009 (avg)		1,150
Movements in shareholders' equity		<u>68</u>
<b>Expected capital cover 31 Dec 2009</b>		<b><u>4,770</u></b>
Expected reasonable level of capital cover 31 Dec 2009		<u>(3,910)</u>
<b>Cash distribution potential 2009</b>		<b><u>860</u></b>

<sup>1)</sup> 70% of market value - 500 used here - 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 : Life I: DKK 15.0bn
  - Life V: DKK 8.0bn
  - Link: DKK 1.8bn

## Normalised return in life insurance

(DKKm)

### Return on life insurance:

Investment return on shareholders' equity, 4.5%  
 Risk allowance: 0.50% / 0.65% of customers' savings  
 Cost result of new business  
 Risk and administrative result in Topdanmark Link  
 Total return

### Normalised Annual return

41

127

(10)

2

160

160 ~ ROE = 17%

### Other life-related result:

Life-related non-life (health and critical illness etc.)  
 Asset management  
 Other synergies in e.g. distribution

44

25

40

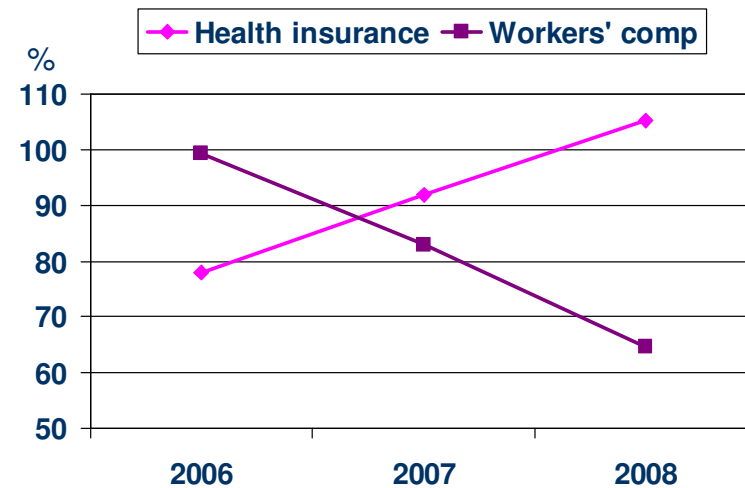
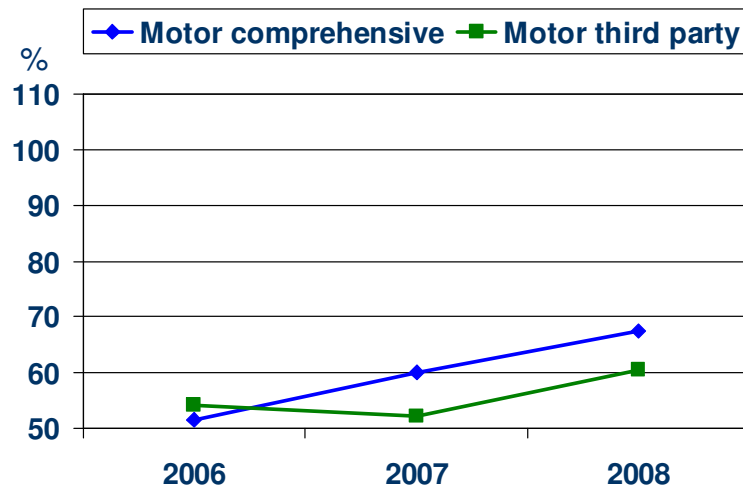
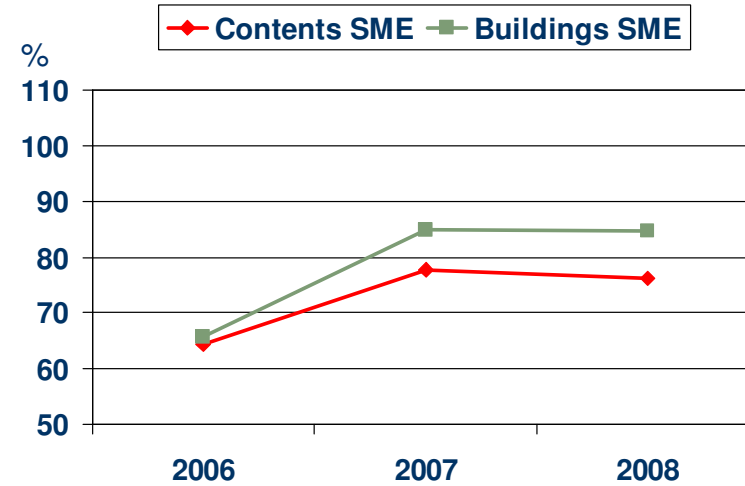
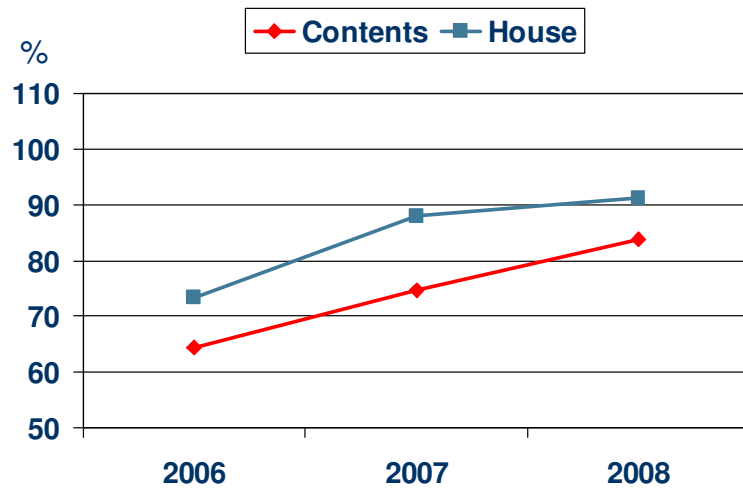
109

109

269 ~ ROE = 29%

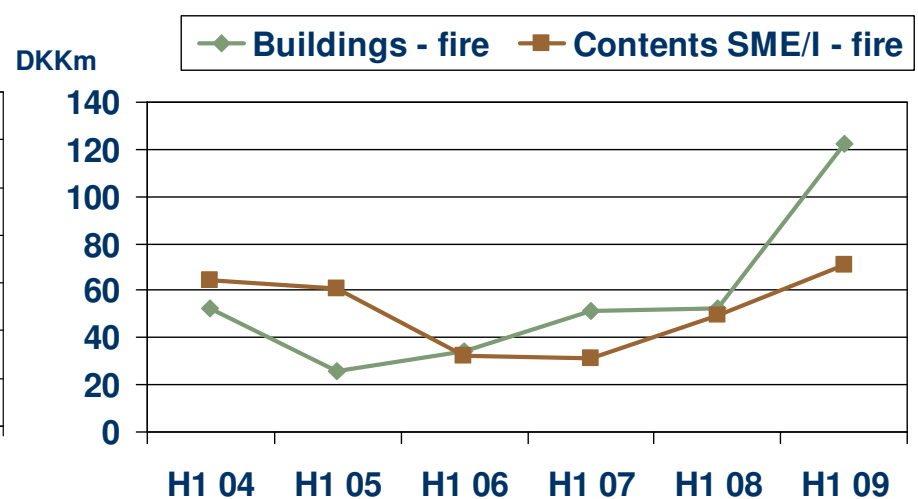
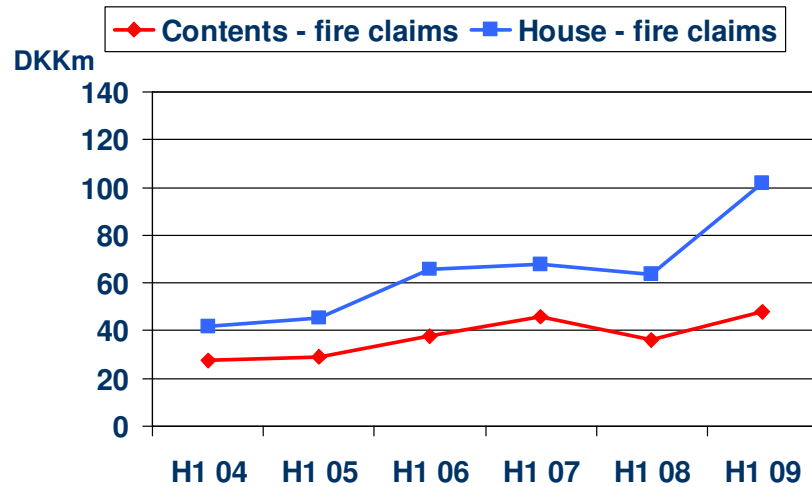
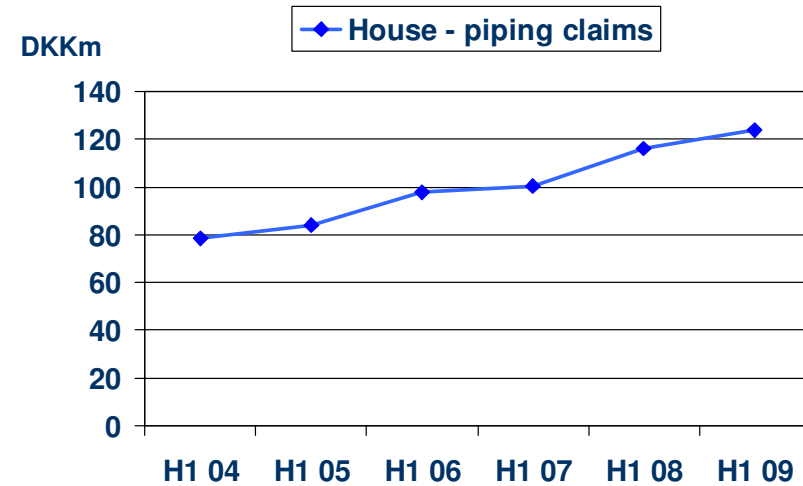
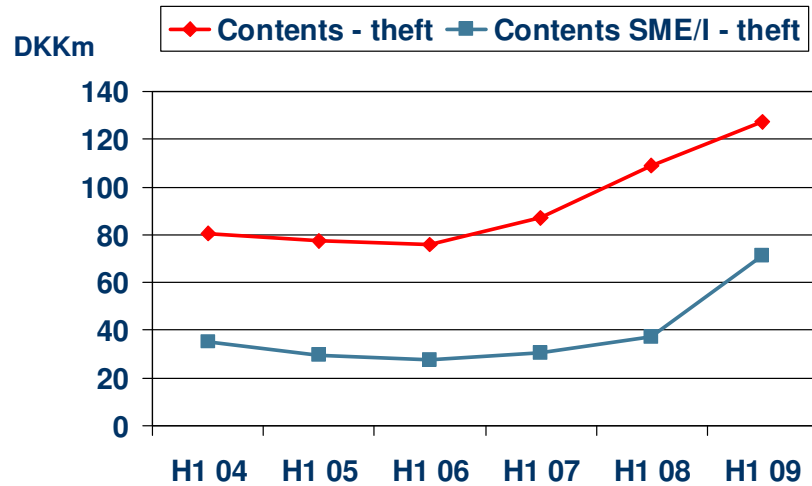
# Market

## - Examples of trend in loss ratios



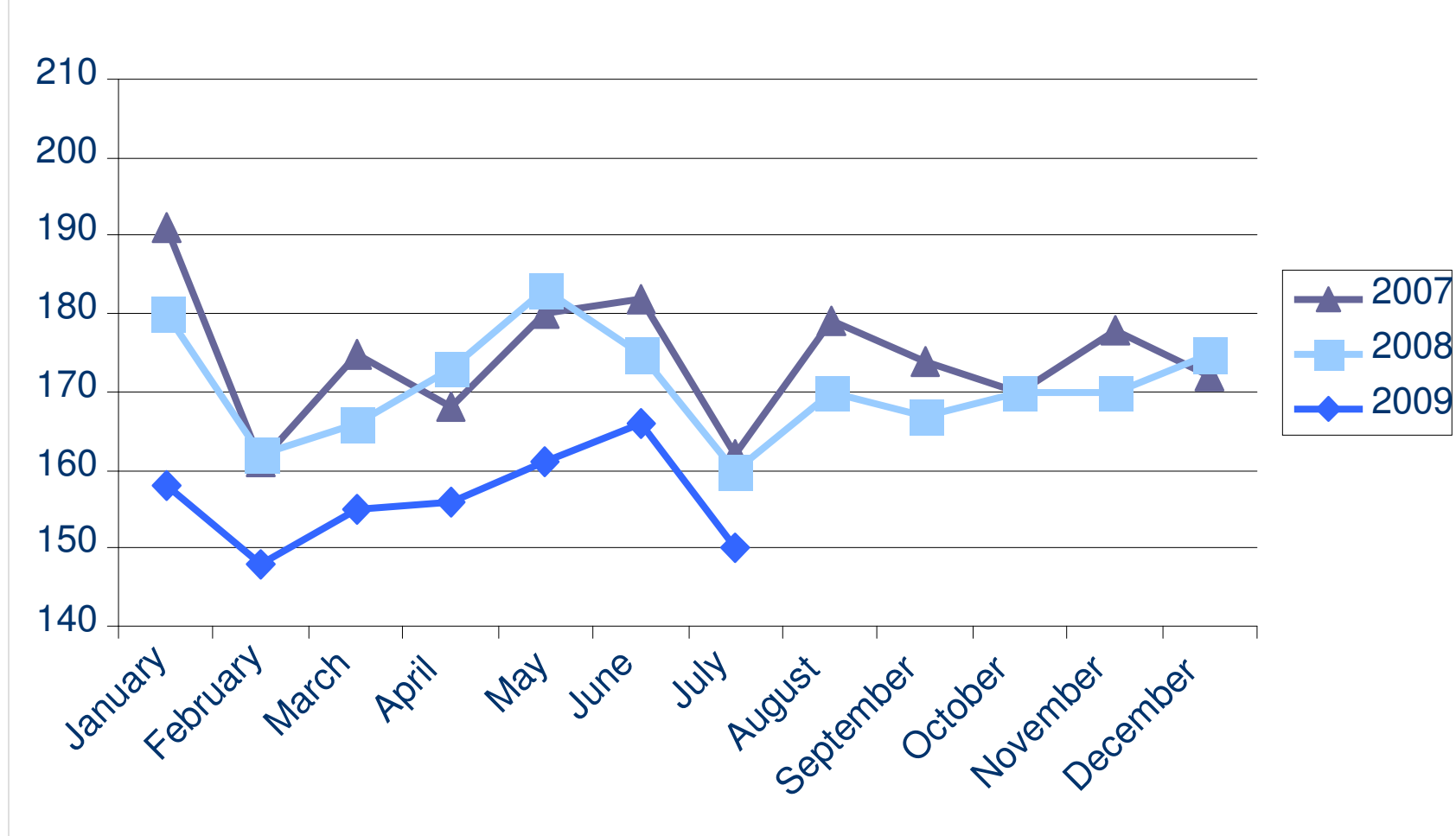
# Topdanmark

## - Examples of trend in claims incurred



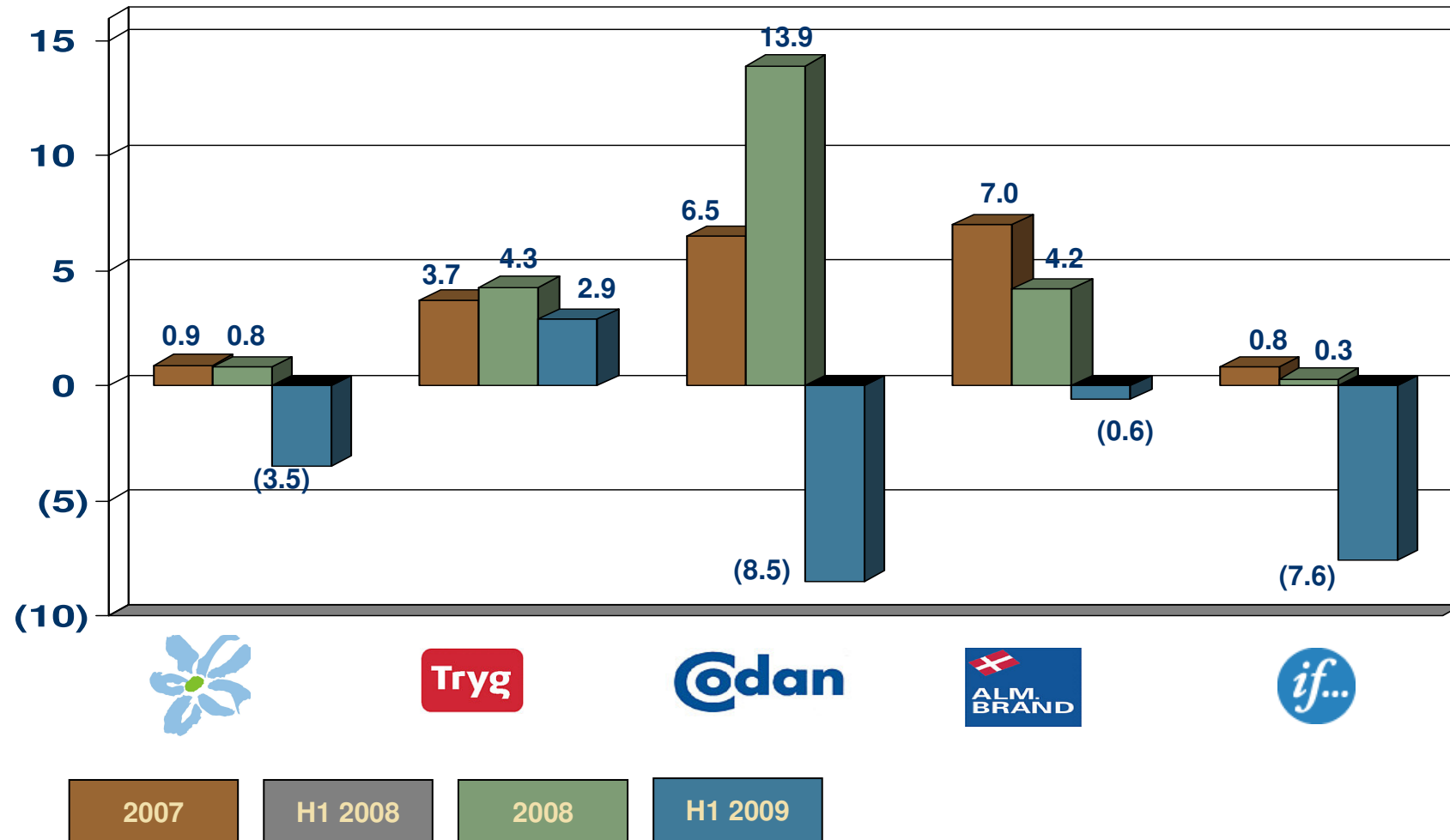
# Claims frequency for private cars

- Excluding hail claims in July 2007 and glass claims





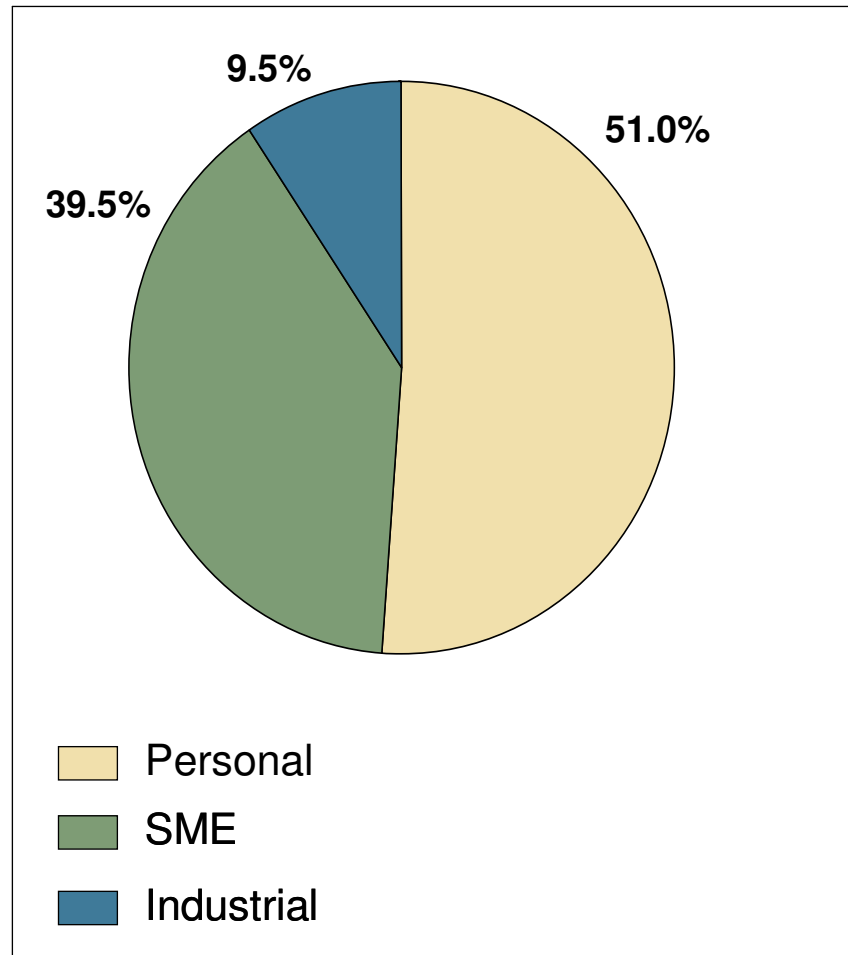
# Comparison of premium growth (group level)



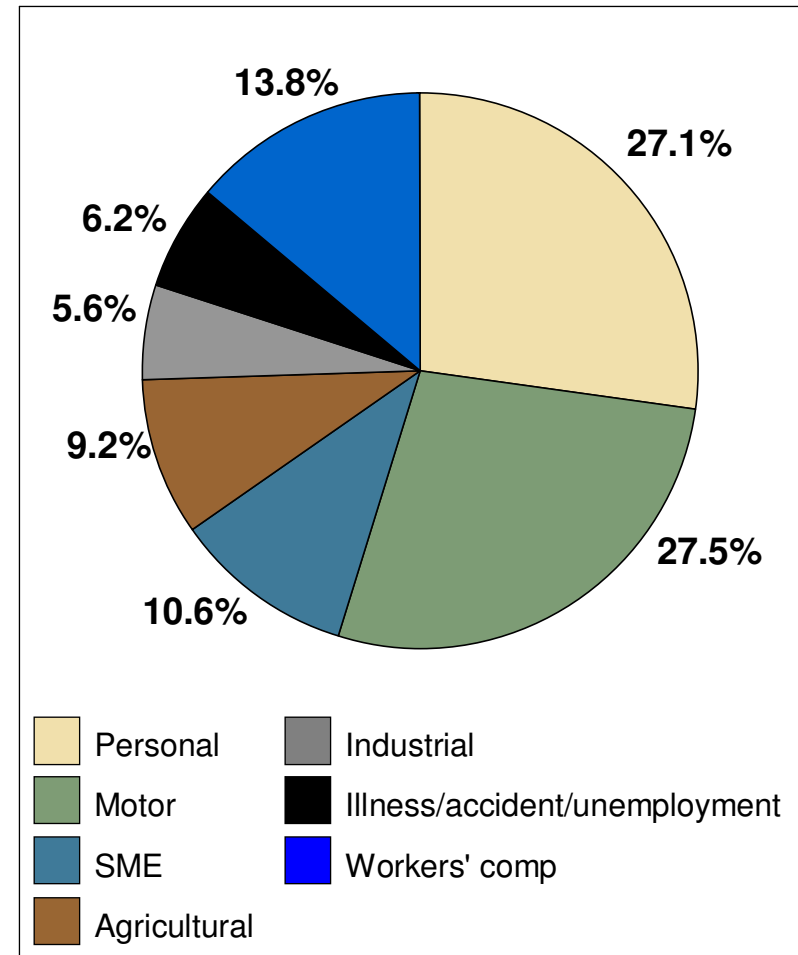
## Breakdown of gains on claims provisions

(DKKm)	Q2 2008	Q2 2009	H1 2008	H1 2009
Illness and accident	79	43	89	73
Workers' compensation	(11)	23	(16)	23
Third party and comprehensive	25	(1)	108	73
Other	(18)	(15)	(59)	(69)
<b>Total gains on claims provisions on own account</b>	<b>75</b>	<b>50</b>	<b>122</b>	<b>100</b>

## Premiums by segment 2008

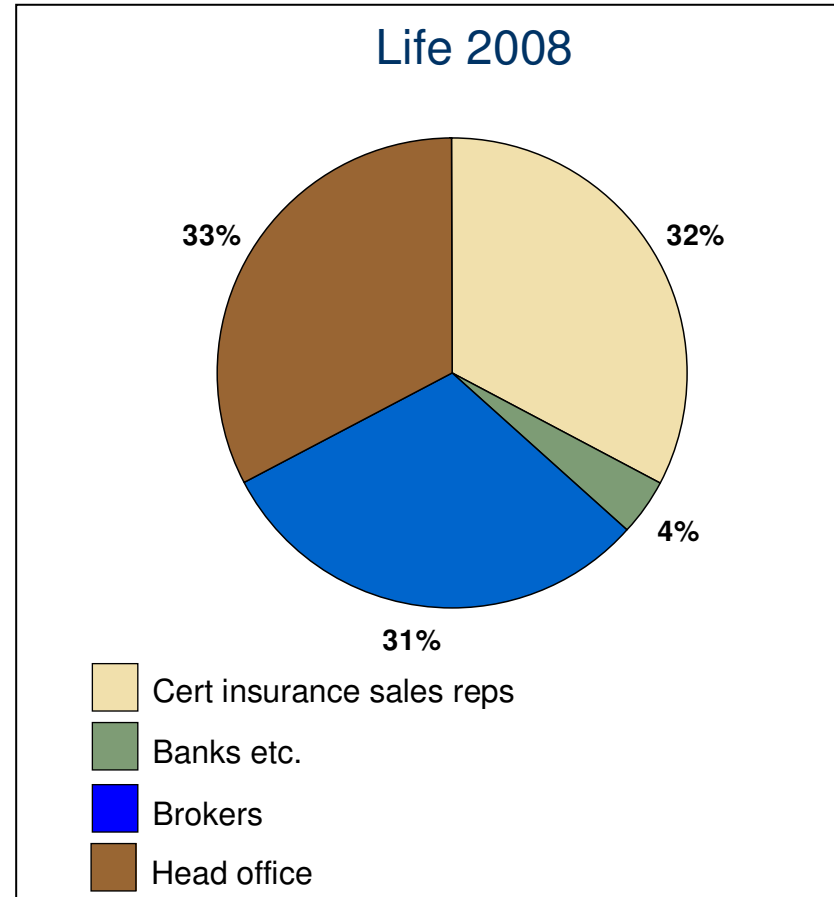
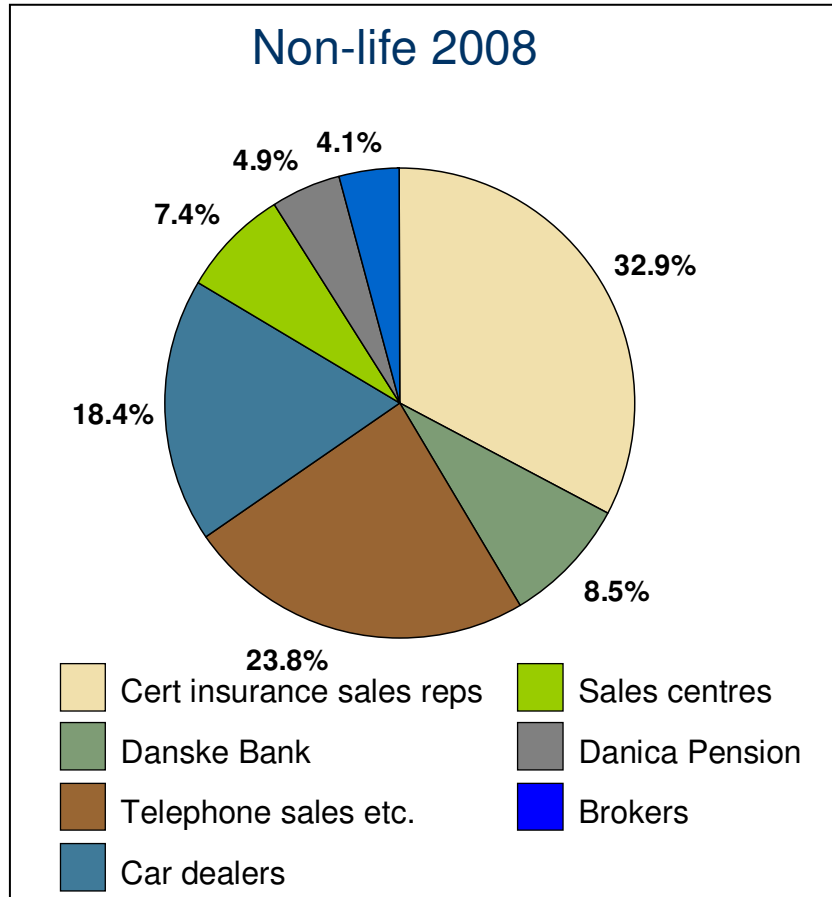


## Premiums by product 2008



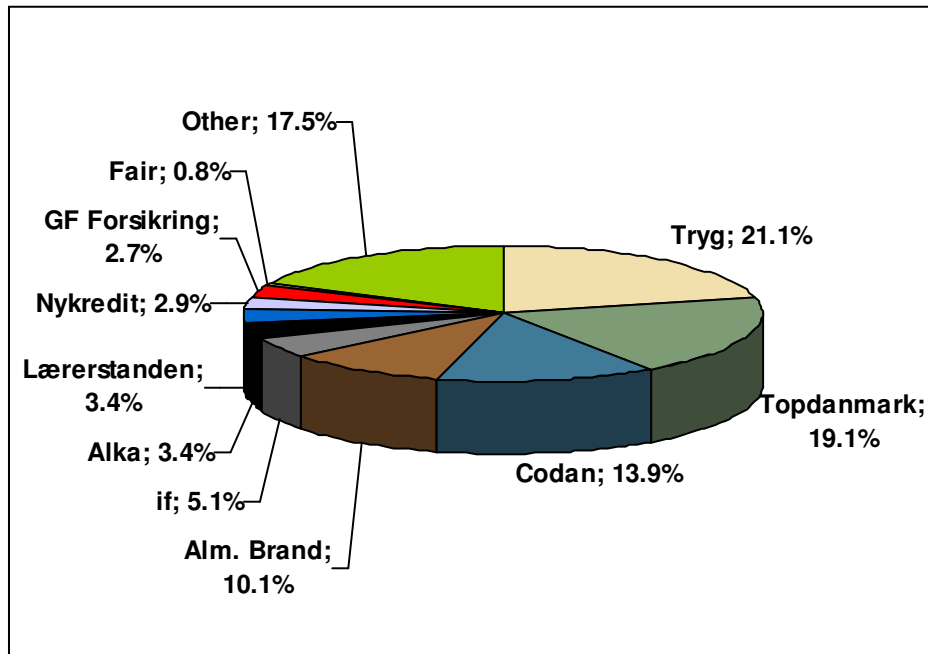


## Distribution channels

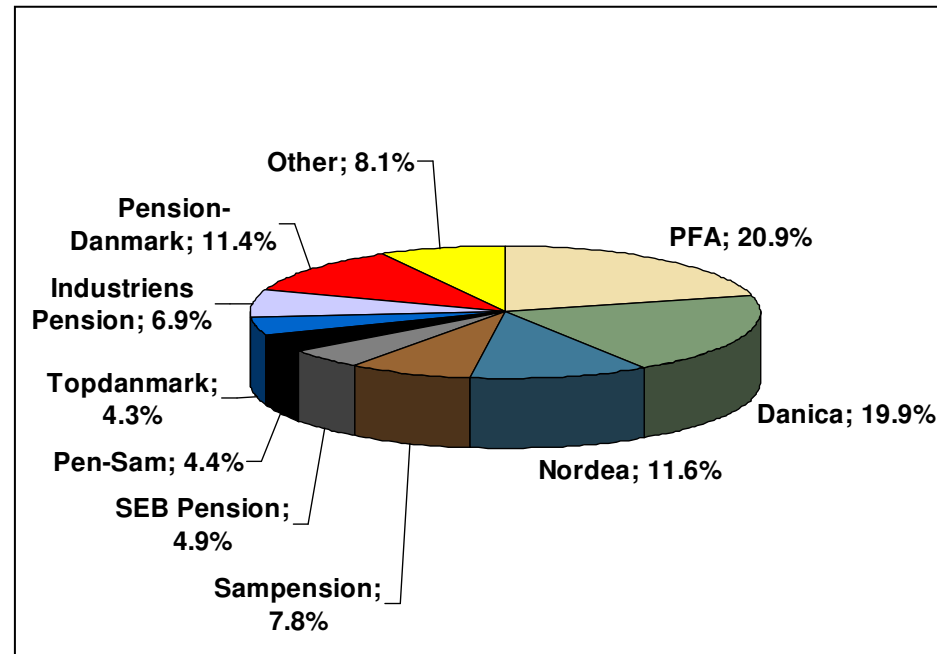


# Market share

Market share in non-life 2007



Market share in life in 2007



## Large-scale and weather-related claims

(DKKm) **Large-scale claims**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Financial year</b>
2006	5	12	22	25	64
2007	18	17	31	(3)	63
2008	21	17	75	8	121
2009	103	25			

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

(DKKm) **Weather-related claims**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Financial year</b>
2006	0	11	64	13	88
2007	42	12	129	29	212
2008 <sup>1)</sup>	47	11	8	15	81
2009 <sup>1)</sup>	(4)	8			

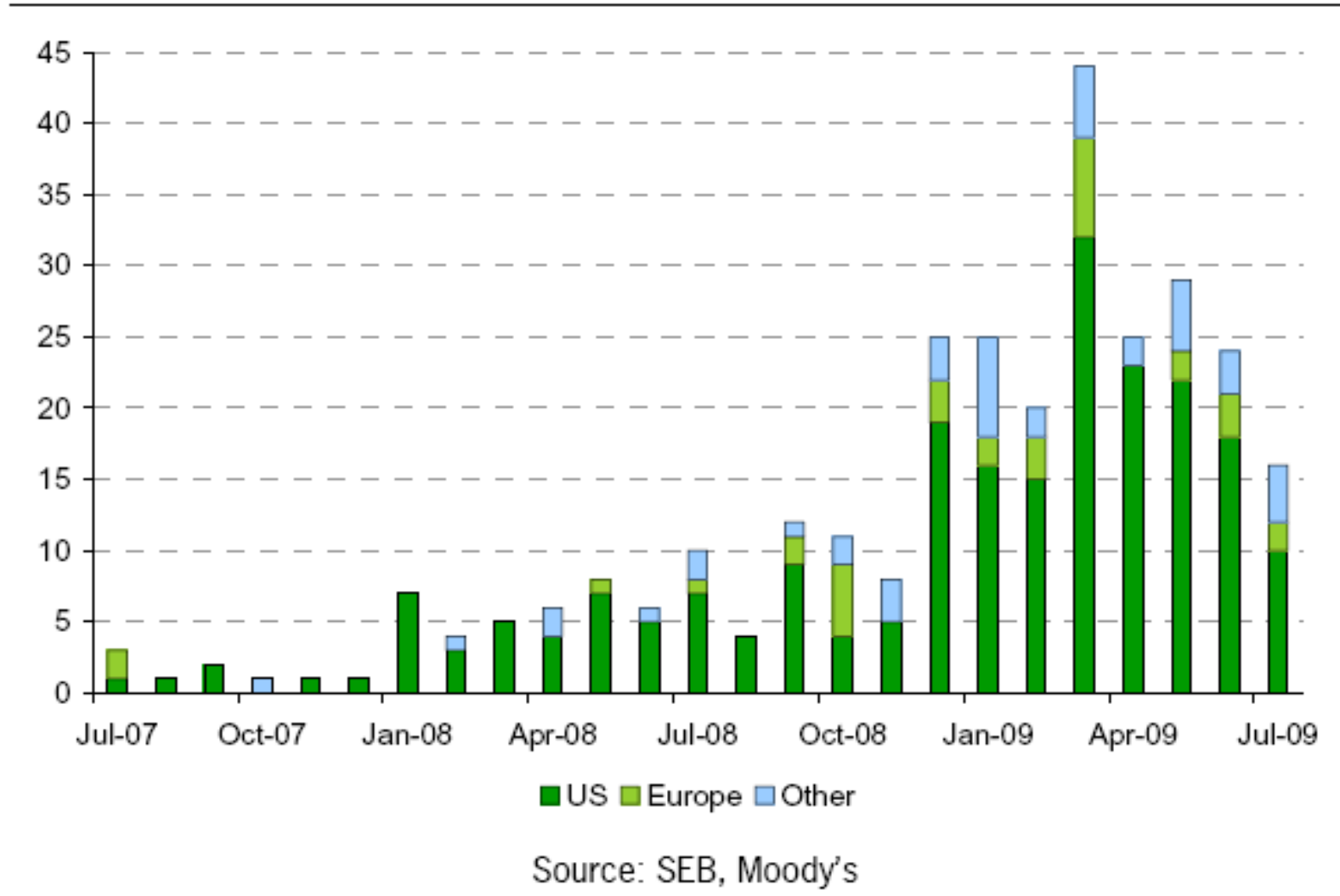
Comprising gross claims exceeding DKK 4.5m per event within 72 hours

<sup>1)</sup> Incl. gains on / strengthening of claims provisions

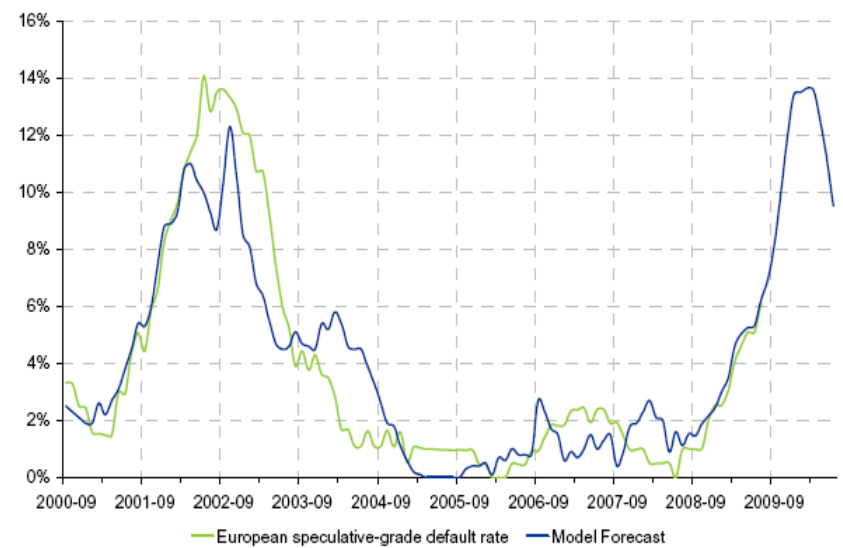
## CDOs - Returns and portfolios

(DKKm)	Group excl.		Life insurance	
	Q2	H1	Q2	H1
<b>Return</b>				
AAA and AA	3	20	12	39
Lower than AA	6	(55)	35	(95)
Total return	9	(35)	47	(56)
Interest	12	27	12	45
Revaluations	(3)	(62)	35	(101)
Total return	9	(35)	47	(56)
<b>Book value 30 June 2009</b>				
AAA and AA		451		874
Lower than AA		456		737
Total book value		907		1,611

## Number of HY defaults

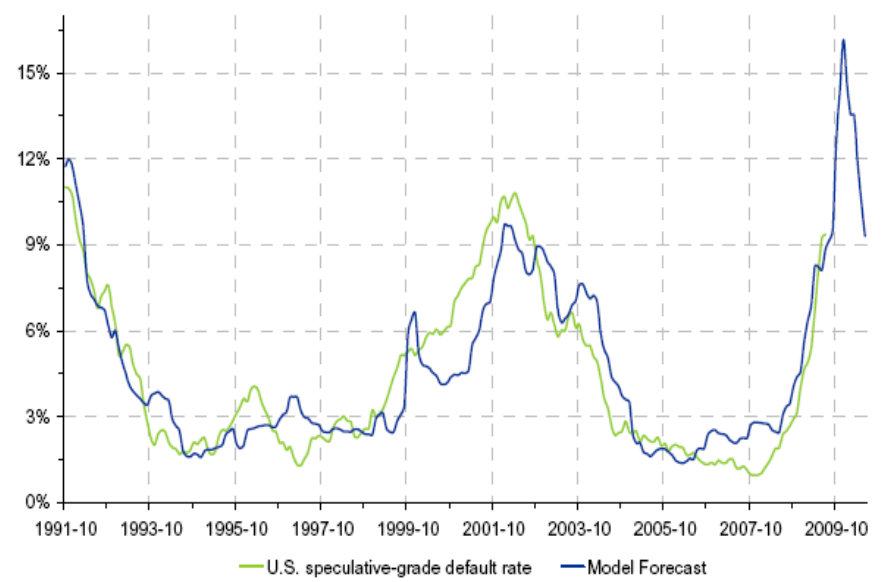


### European HY default rate forecast



Source: SEB, Bloomberg, S&P

### US HY default rate forecast



Source: SEB, Bloomberg, S&P