

Topdanmark 2008 Results

Highlights

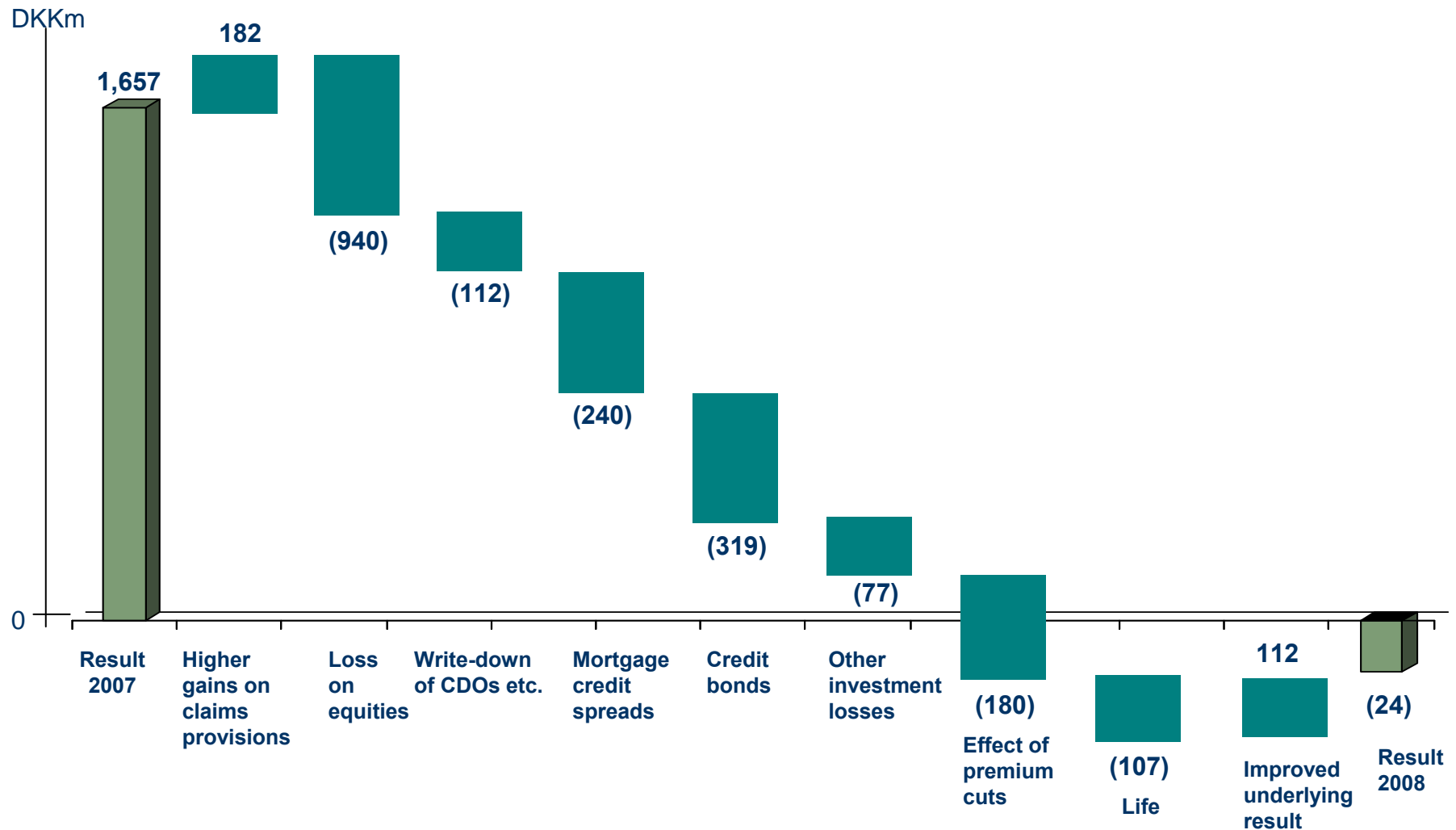
Results for the year :

- **DKK 189m loss in 2008 (2007: DKK 1,271m profit)**
- **14.3% increase in technical result of non-life in 2008, 3.5% excluding gains on claims provisions**
- **CR improved from 84.3 in 2007 to 82.4 in 2008**
 - **Excluding gains on claims provisions CR increased from 88.0 to 88.1**
- **Investment loss of DKK 1,003m**
- **Cash flow from operations improved 3.3% to DKK 4,897m**

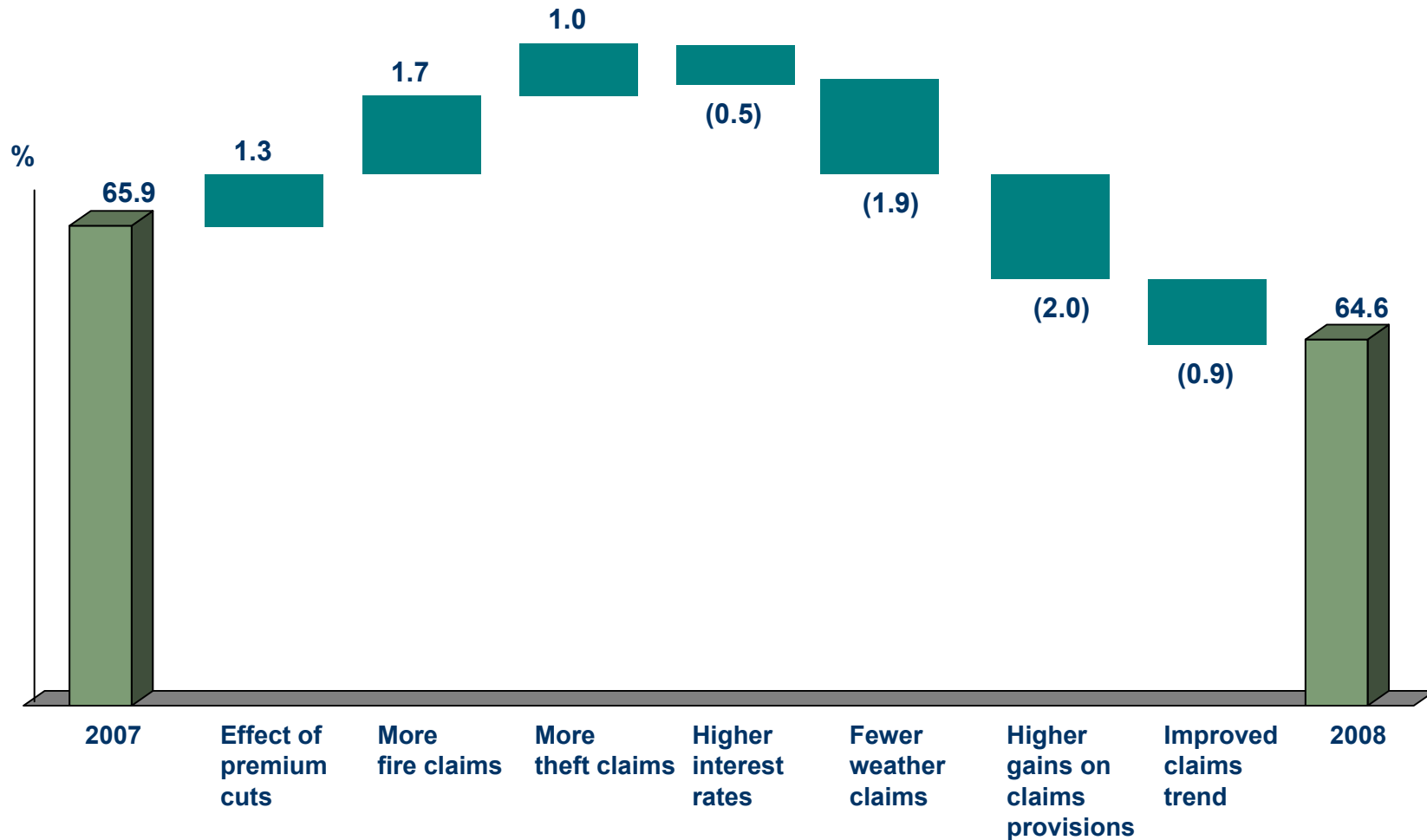
Prospects for 2009

- **Post-tax profit forecast model of DKK 875 - 975m for 2009**
 - **ROE of 25.8%**
- **Cash distribution potential of DKK 500m**
 - **Yield of 4.6%**

Pre-tax trend in result 2007 - 2008



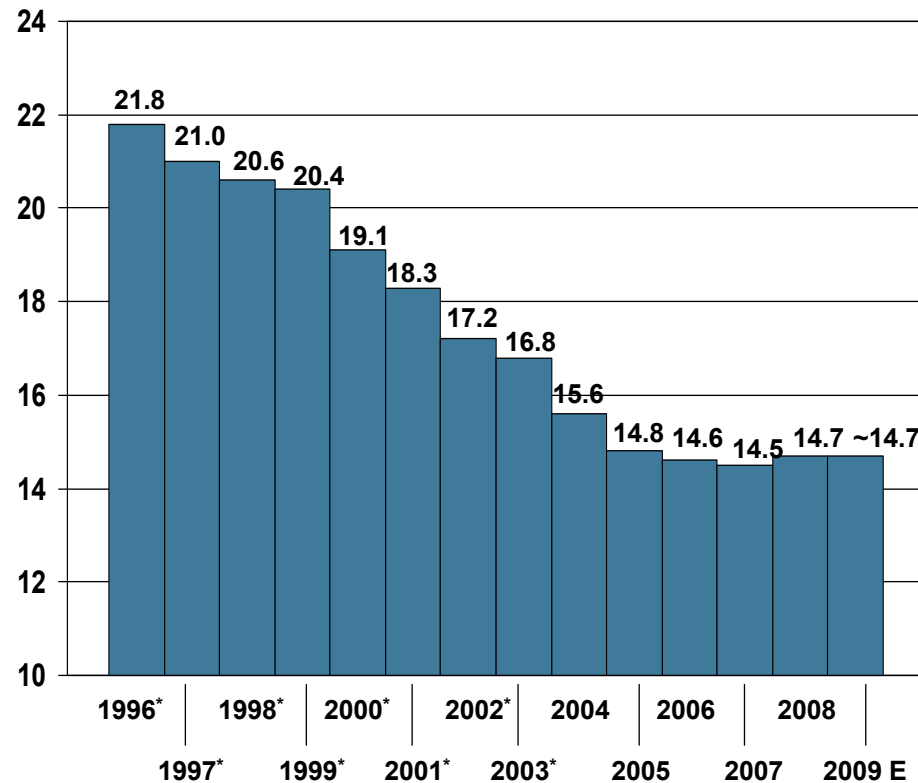
Trend in loss ratio 2007 – 2008



Ratios by segments

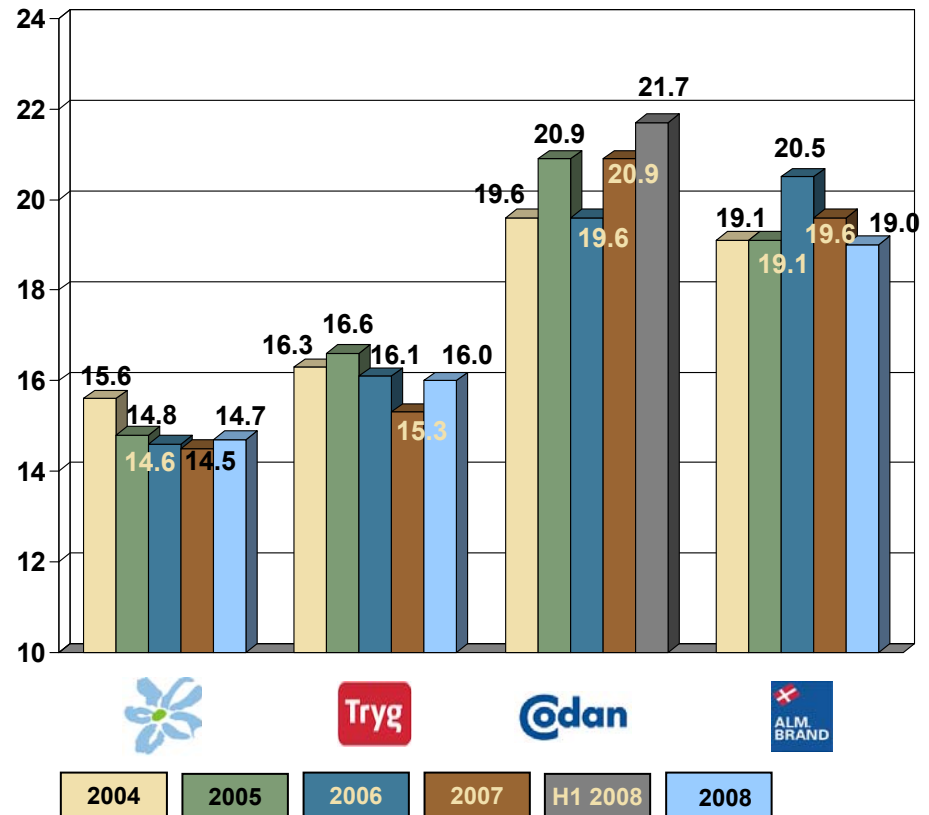
	Personal		Commercial		Industrial		Group	
	2007	2008	2007	2008	2007	2008	2007	2008
Premium growth		0.1		2.1		(0.6)		0.8
Gross loss ratio (%)	67.5	69.9	66.0	61.2	58.1	52.0	65.9	64.6
Net reinsurance ratio (%)	0.7	1.3	3.8	3.1	21.0	12.2	3.9	3.1
Claims trend (%)	68.2	71.2	69.8	64.3	79.1	64.2	69.8	67.7
Gross expense ratio (%)	15.5	15.9	13.7	13.5	13.2	14.1	14.5	14.7
Combined ratio	83.7	87.1	83.5	77.8	92.3	78.3	84.3	82.4
CR excluding any gains on / strengthening of provisions	88.3	89.6	85.5	85.3	97.9	92.9	88.0	88.1
Effect of premium cuts								(1.7)
								86.4

Trend in Topdanmark's expense ratio

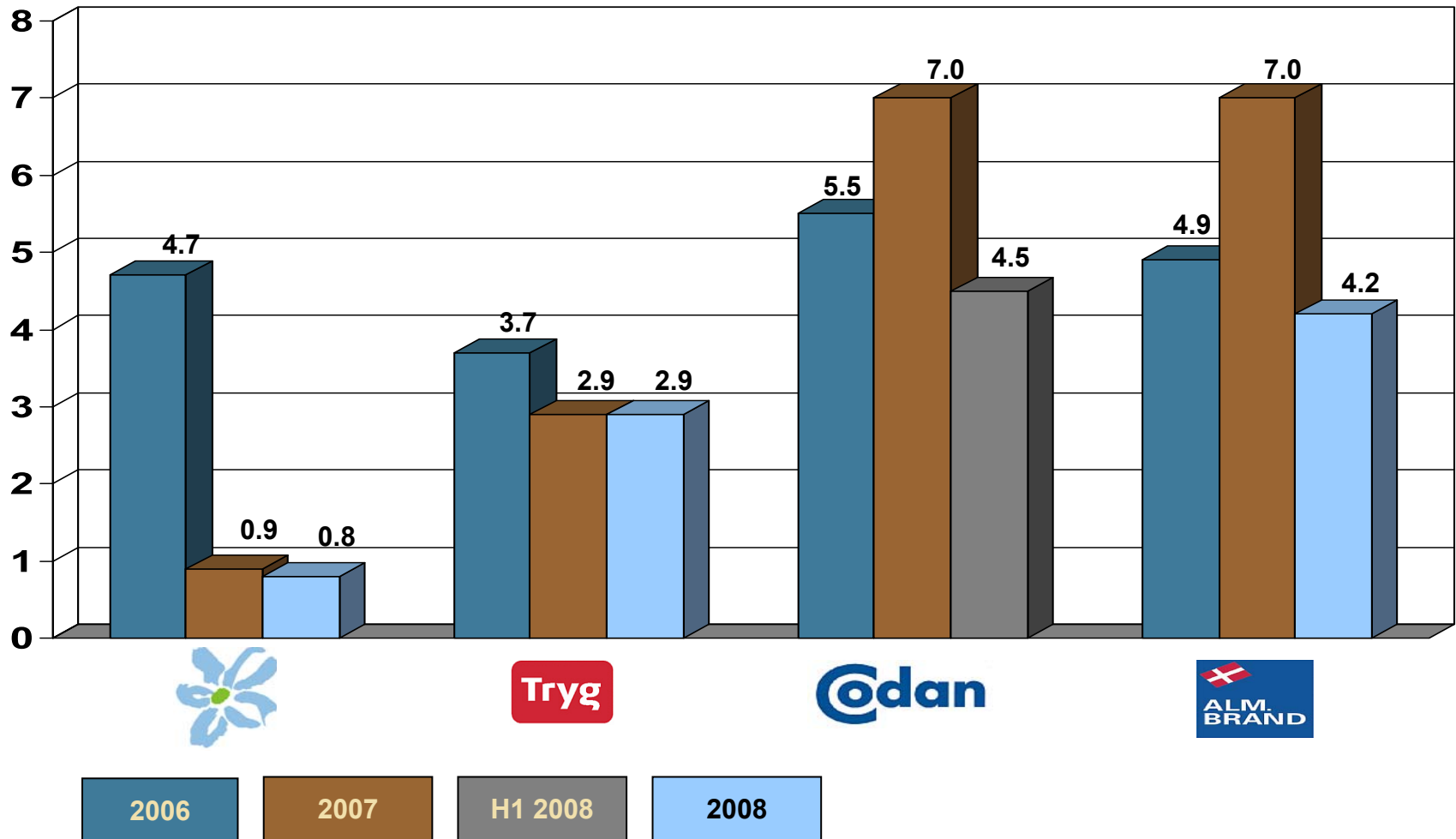


*Reduced by estimated IFRS effect 1996-2003

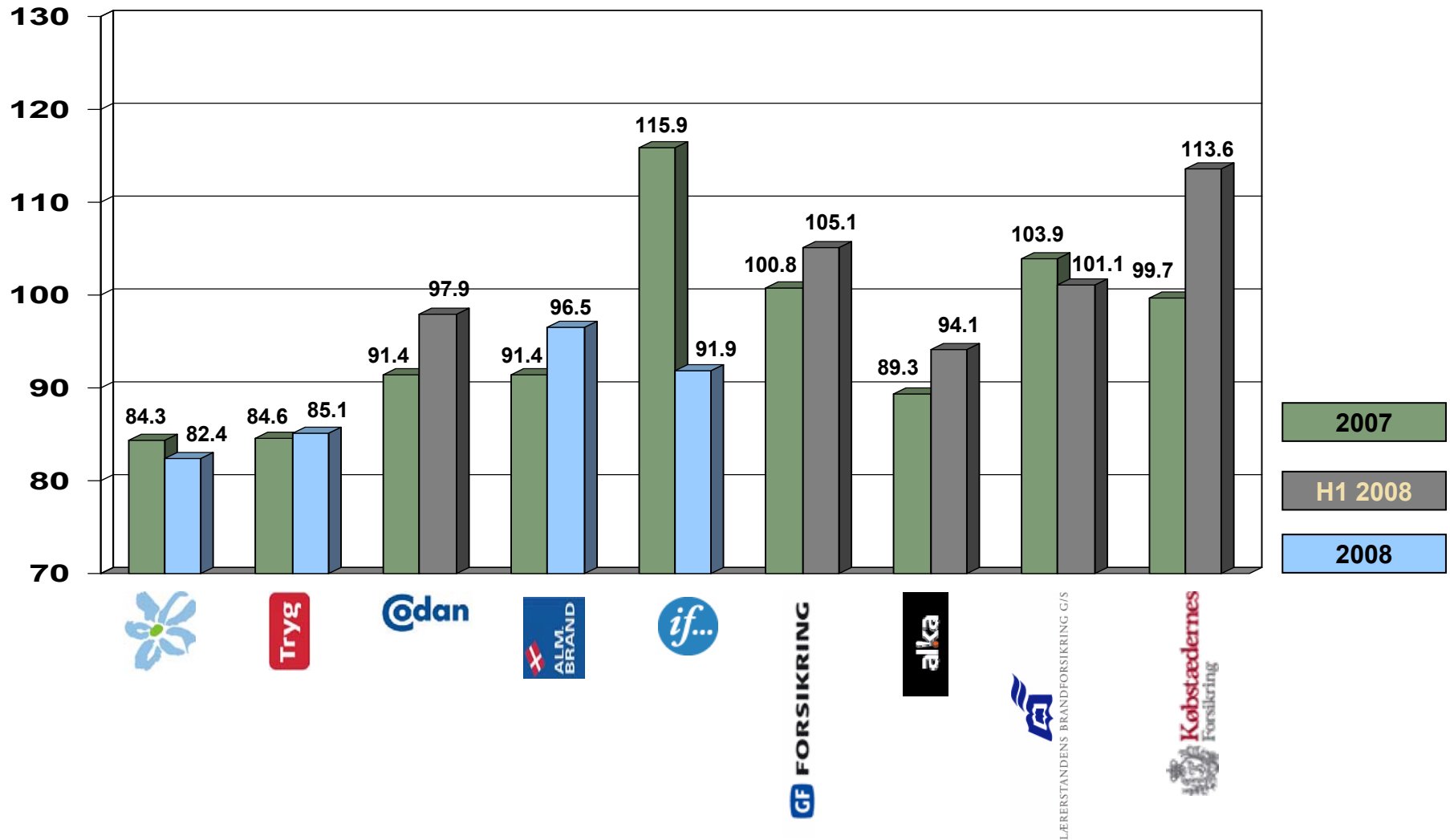
Topdanmark has the lowest expense ratio among the major Danish insurance companies



Comparison of premium growth (Danish insurance)

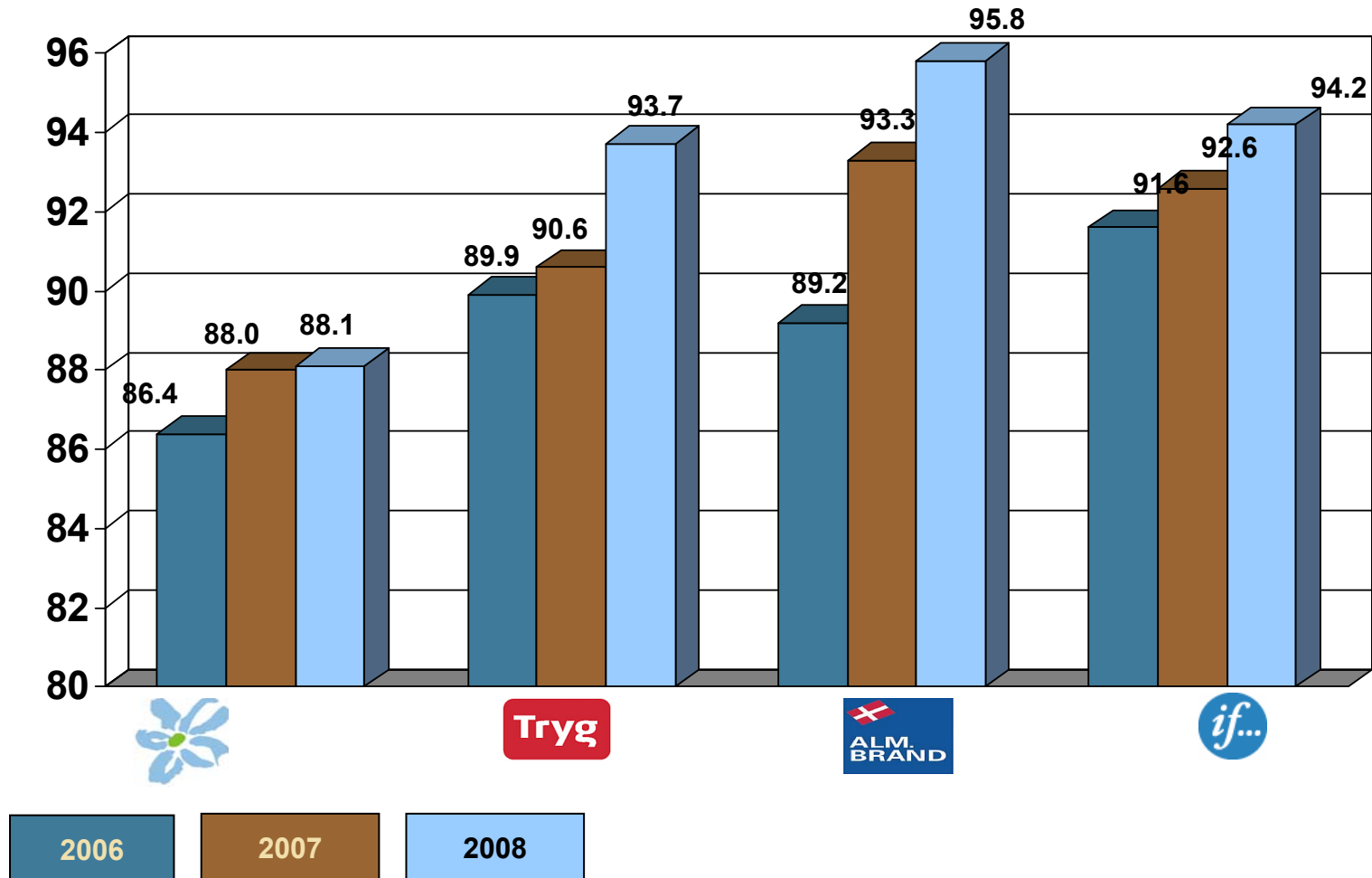


Comparison of CR (Danish insurance)



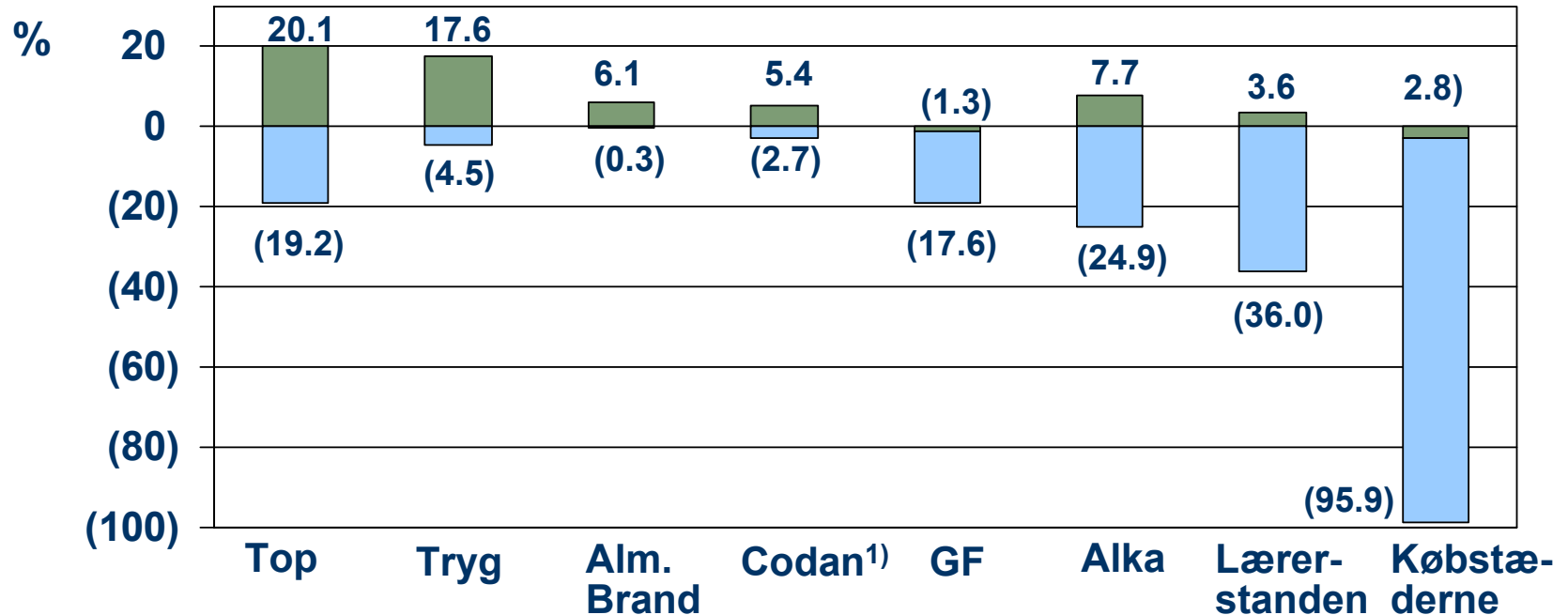
Comparison of CR (group level)

- excluding strengthening of / gains on claims provisions



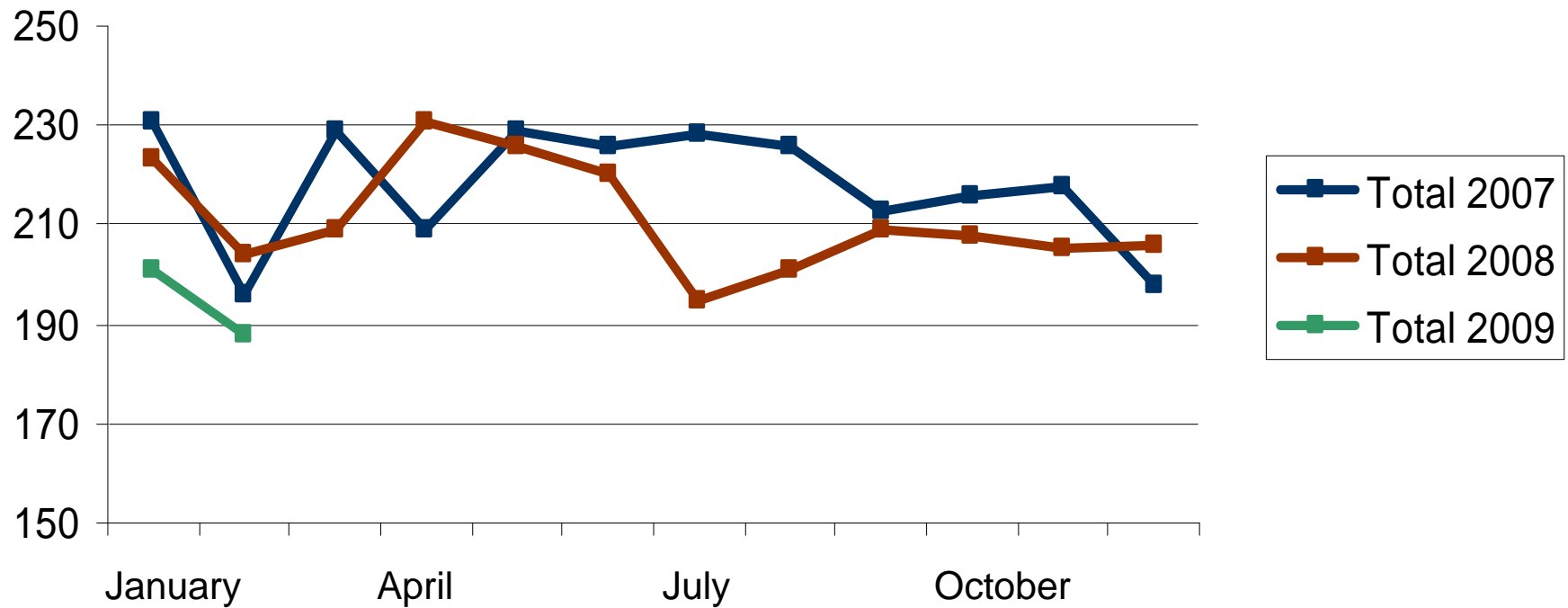
Comparison of companies

- Earnings profile 2008



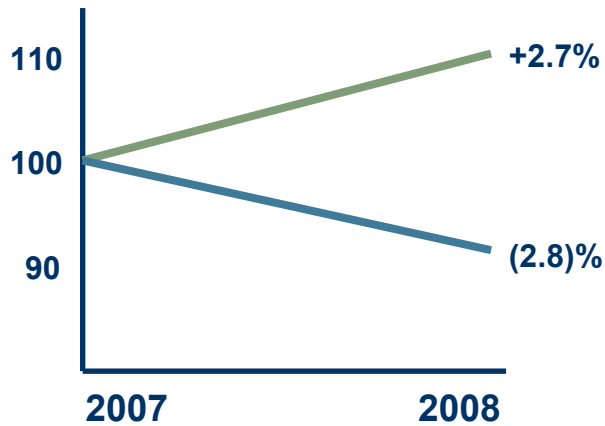
¹⁾ H1 2008

Total claims frequency for private cars

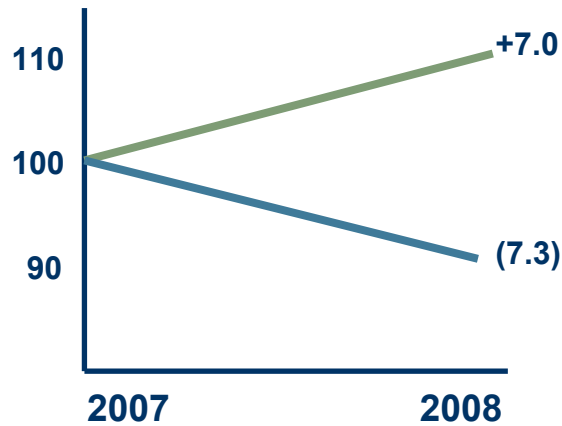


Trend in claims frequency and average claim

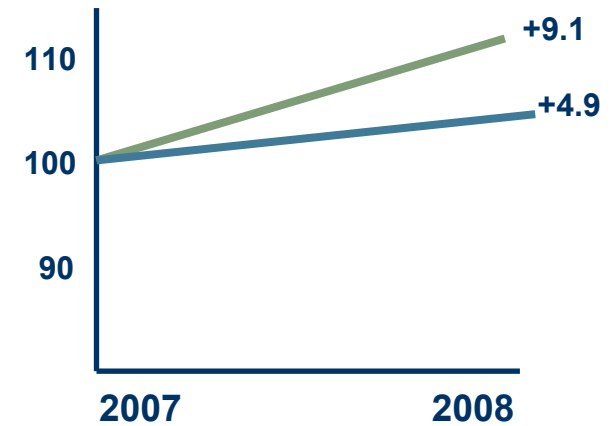
Motor insurance



House insurance¹⁾



Contents insurance



1) Excl. weather-related claims

Average claim

Claims frequency

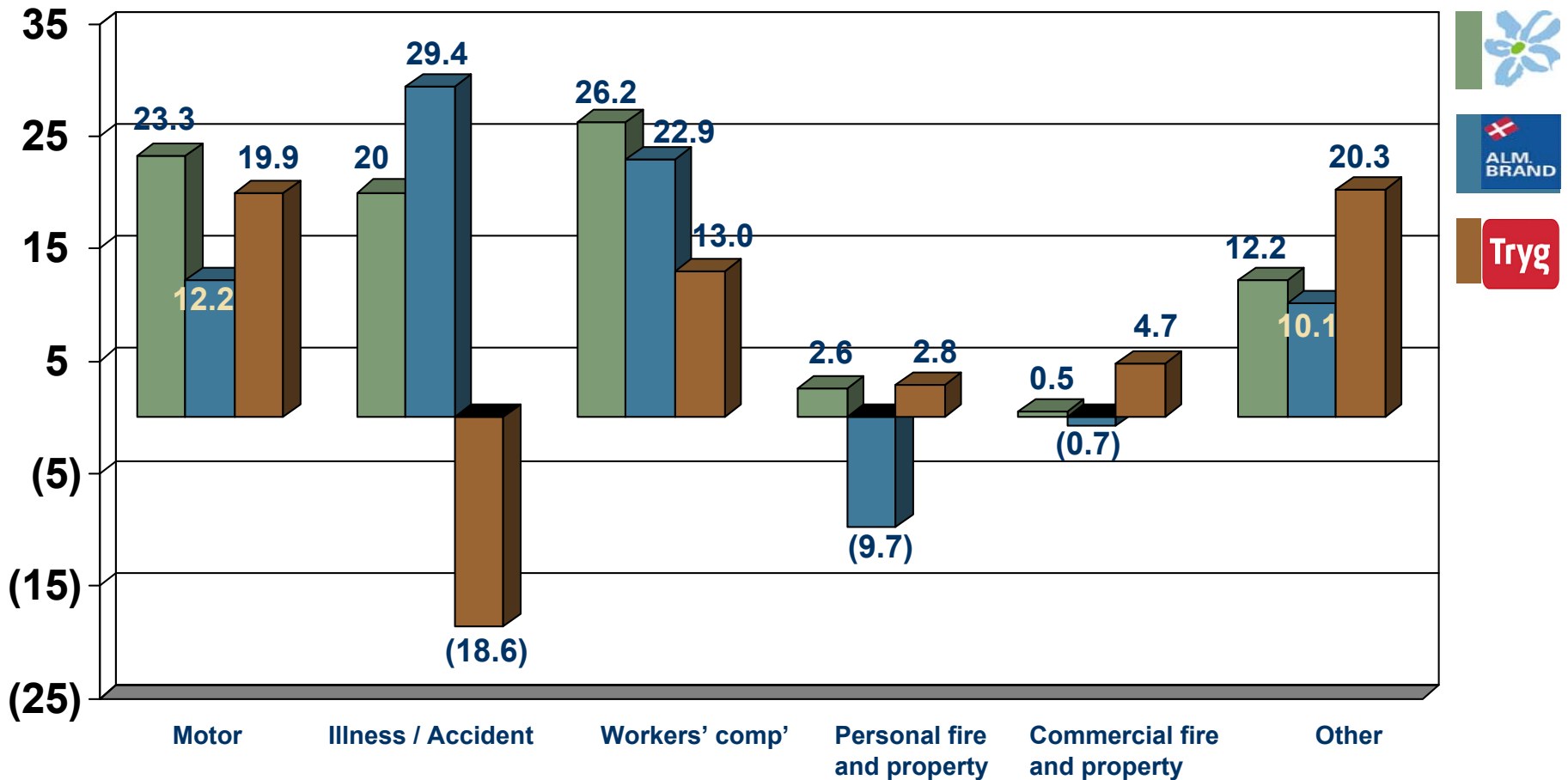
Breakdown of gains on / strengthening of claims provisions

Gains on / strengthening of claims provisions on own account

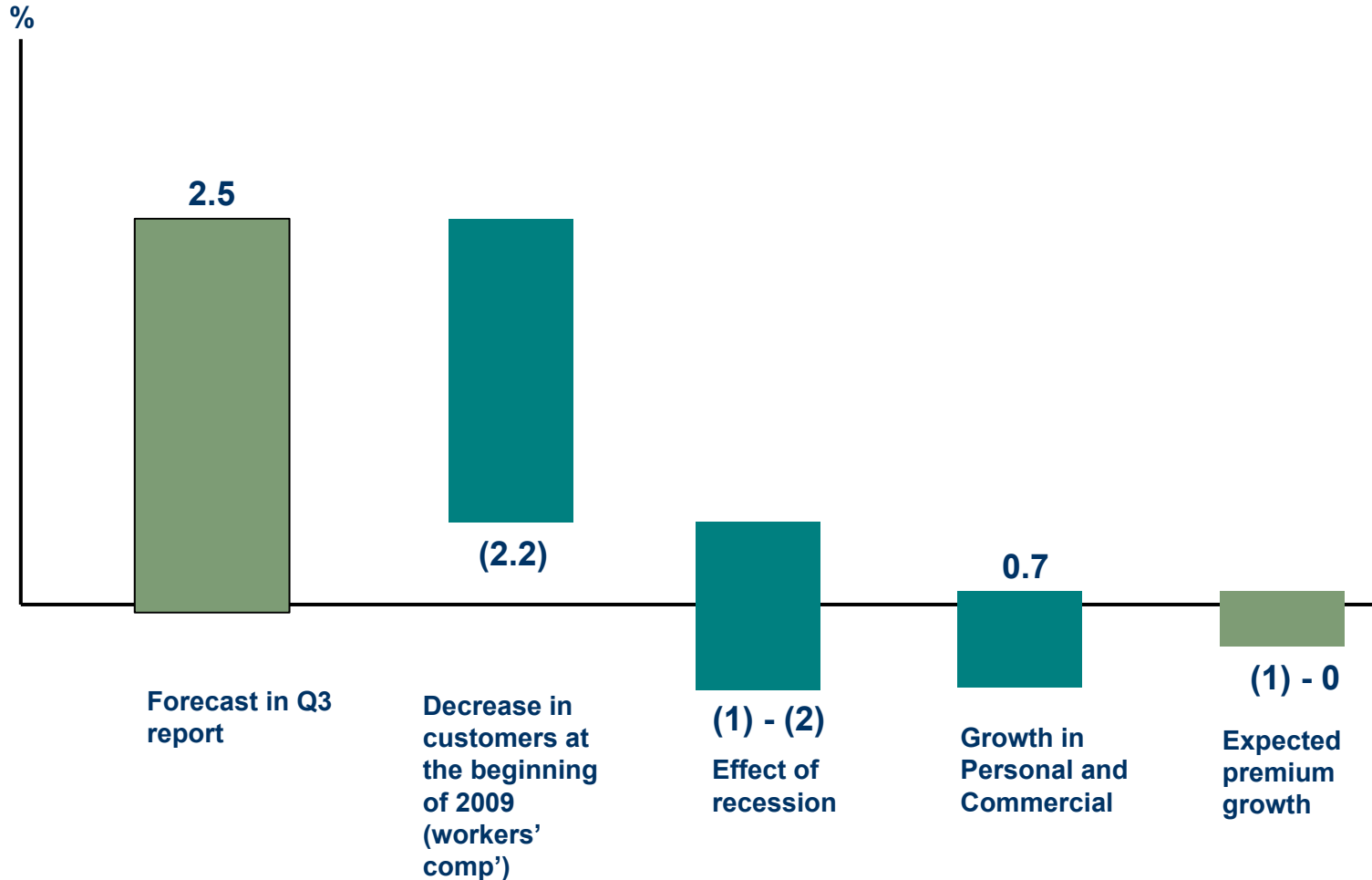
(DKKm)	Q4	Q4	2007	2008
	2007	2008		
Illness and accident	20	59	81	172
Workers' compensation	0	48	(1)	285
Third party and comprehensive	65	0	215	119
Other	16	(15)	29	(70)
Total gains on claims provisions on own account	101	92	324	506

Breakdown of profit margin

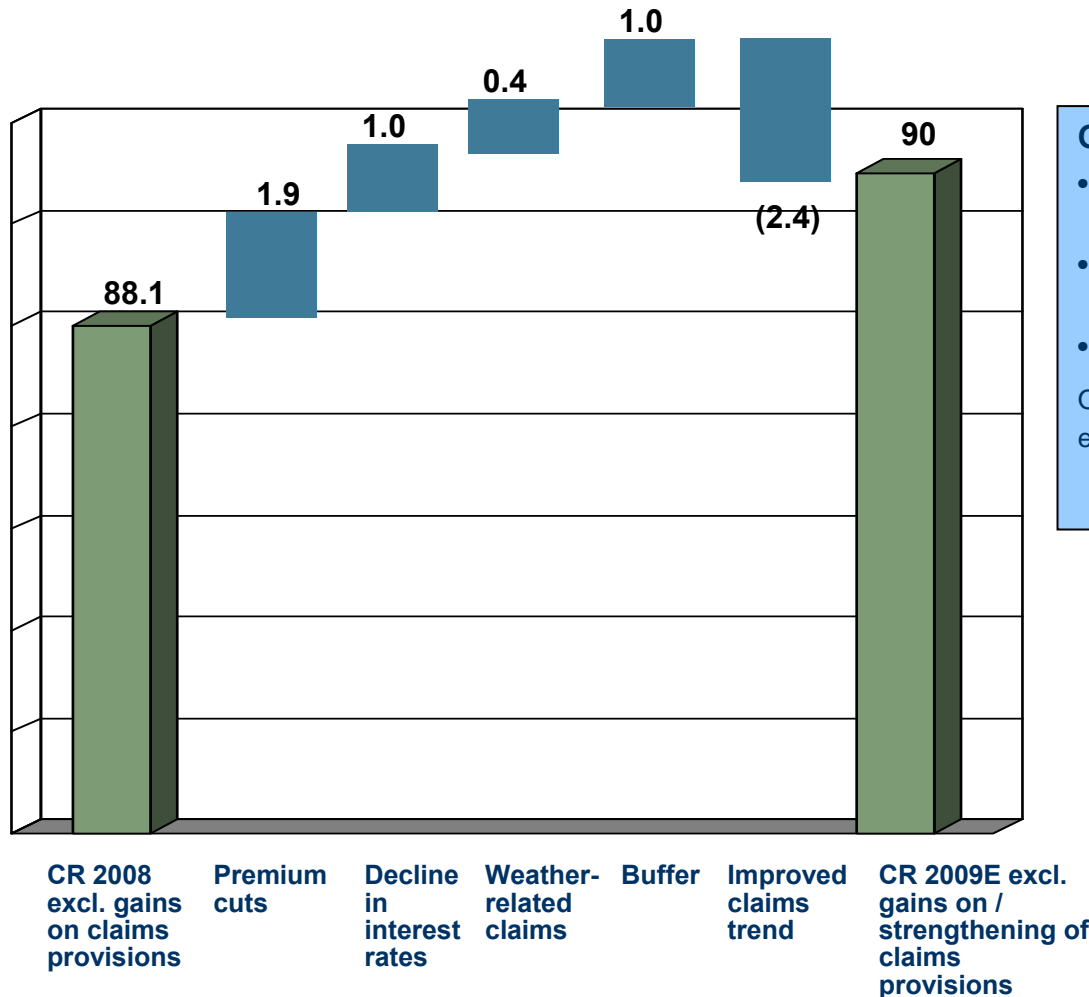
- excl. gains on / strengthening of claims provisions



Premium growth for 2009



Trend in CR from 2008 to 2009E



Operational goals:

- 12% profit margin in the next 1 or 2 years
 - Corresponding to a CR of around 90
- 10% profit margin in the longer term
 - Corresponding to a CR of around 92
- 5% annual growth in gross premiums

Operational goals for CR include a safety margin of 1 pp but exclude any gains on / strengthening of provisions

Result of life insurance

(DKKm)	Liv I	Liv V	2007 Group	Liv I	Liv V	2008 Group
Investment return	7	9	16	(4)	(1)	(5)
Risk allowance	56	52	108	60	52	112
Transferred to shadow account		(52)	(52)	(60)	(52)	(112)
Loss in Topdanmark Link			(14)			(26)
Financing charges Liv Holding			(11)			(14)
Other			3			(12)
Profit / (loss) on life insurance			50			(57)
Shadow account at 31 December	0	52	52	60	104	164

Prospects in life insurance

- Introduction of 10% loss participation and reduction of the interest rate on policyholders' savings to 2.0% in Liv I and 3.0% in Liv V
- Expected premium growth of around 2% in regular premiums in 2009
 - Significant reduction expected in single premiums
- Shadow account balance at 31 December 2008: DKK 164m
 - 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 104m from the shadow account expected to be included in income in Liv V in 2009
- No allowance for risk is expected in Liv I in 2009
 - Shadow account expected to be included in income no earlier than 2011

Investment return for Topdanmark Group excluding life insurance

	Portfolio				
	31 Dec DKKbn	Return Q4 DKKm	%	Return 2008 DKKm	%
Danish equities	0.3	(114)	(27.2)	(245)	(42.3)
Foreign equities	0.7	(175)	(18.5)	(486)	(38.3)
Government and mortgage bonds	9.1	116	1.4	148	1.8
Credit bonds	0.8	(49)	(5.1)	(309)	(23.7)
CDOs	1.0	26	2.5	(243)	(17.7)
Properties	1.3	11	1.3	55	6.5
Assets rel. to I/A	1.3	2	0.2	(7)	(0.6)
Money market etc.	5.2	7	0.0	80	2.8
Interest-bear. debt	(5.3)	(37)	(1.4)	(82)	(6.3)
Total	14.4	(213)	(1.5)	(1,089)	(6.9)

2009 profit forecast model

(DKKm)	Forecast after Q3 for			
	2007	2008	2009	2009
Non-life insurance				
- Technical result	1,572	1,796	1,220	1,100 - 1,140
- Investment return after transfer to technical result etc.	8	(1,705)	170	(100) - (60)
Life insurance	50	(57)	220	230 - 250
Parent company etc.	27	(58)	(40)	(40) - (20)
Pre-tax profit	1,657	(24)	1,570	1,190 - 1,310
Taxation	(386)	(165)	(370)	(315) - (335)
Profit / (loss) for the year	1,271	(189)	1,200	875 - 975

Forecast assumptions for 2009 are based on equity prices at 6 March 2009

Yield of 4.6% for 2009

- Share buy-back programme for 2008 exceeded by DKK 366m
- 2008 result DKK 111m better than assumed
- Therefore 2008 buy-back deficit of DKK 255m

• Ordinary cash distribution for 2009	DKK 750m
• Deficit from 2008	<u>DKK (255)m</u>
• Cash distribution potential 2009	~ DKK 500m

- Distribution in 2009 represents a yield of 4.6%
- Distribution for 2009 expected to commence no earlier than after announcement of H1 report on 25 August
- Topdanmark is considering its future method of cash distribution
 - Share buy-back
 - Dividend payment
 - A combination of buy-back and dividend payment

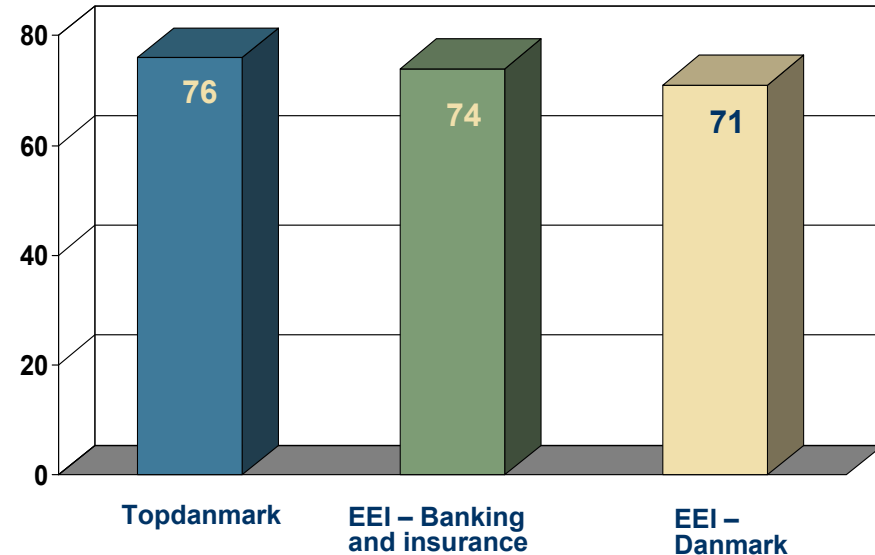
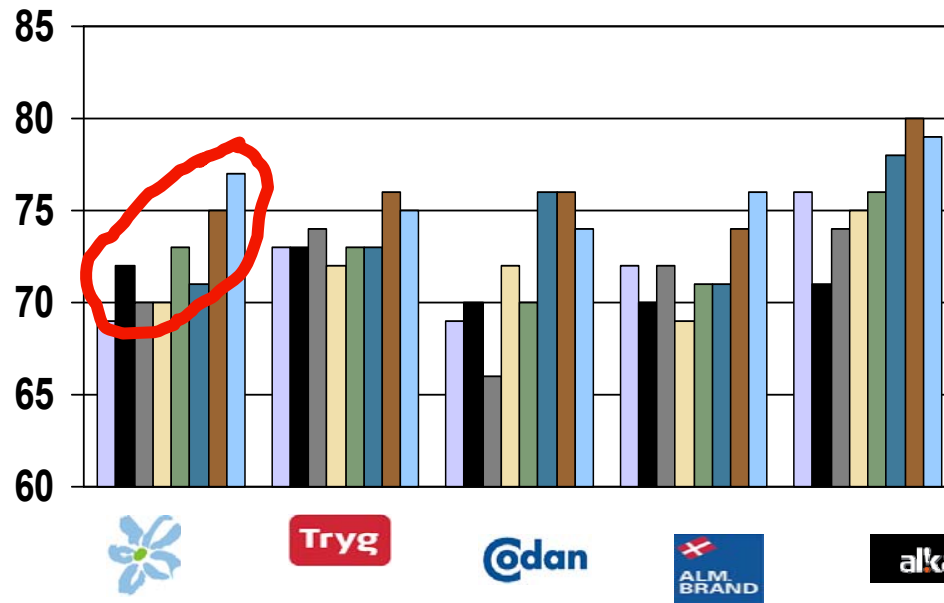
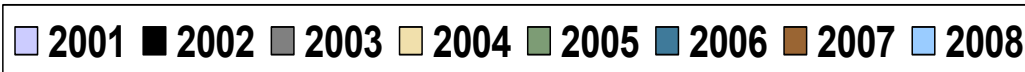
No need to increase capital

- All non-life and life insurance companies in green light
- Significant reduction in risk on financial position
- Strong cash flow from operations ensures improved capital adequacy in 2009
- DKK 750m in committed lines
- 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 2008 Annual 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 90
 - 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>90.0</u>
	11.5 ~ ROE = 34.5%

- ROE:

• ROE before taxation	<u>5.0%</u>
	39.5%

Cash distribution model (1/2)

Reasonable level of capital cover 1 Jan and 31 Dec 2009 (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)	221	
1 x interest rate exposure (Group excl. life)	75	
		4,718
Financed by:		
subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,718m)		(944)
Total reasonable level of capital cover 1 Jan 2009		3,774
1 year's normal growth in reasonable level of capital cover		177
Expected reasonable level of capital cover 31 Dec 2009		3,951

Cash distribution model (2/2)

Cash distribution potential 2009 (DKKm)

Shareholders' equity 1 Jan 2009		3,243
Hybrid capital	402	
Adjusted for: Goodwill	(441)	
Tax asset	(73)	
Value of own shares on exercise of share options ¹⁾	113	
Value of own shares to hedge option programme ¹⁾	232	233
Capital cover 1 Jan 2009		<u>3,476</u>
Expected profit after cash-impacting tax 2009 (avg)		925
Movements in shareholders' equity		<u>40</u>
Expected capital cover 31 Dec 2009		<u>4,441</u>
Expected reasonable level of capital cover 31 Dec 2009		<u>(3,951)</u>
Cash distribution potential 2009		<u>490</u>

¹⁾ 70% of market value - 480 - 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

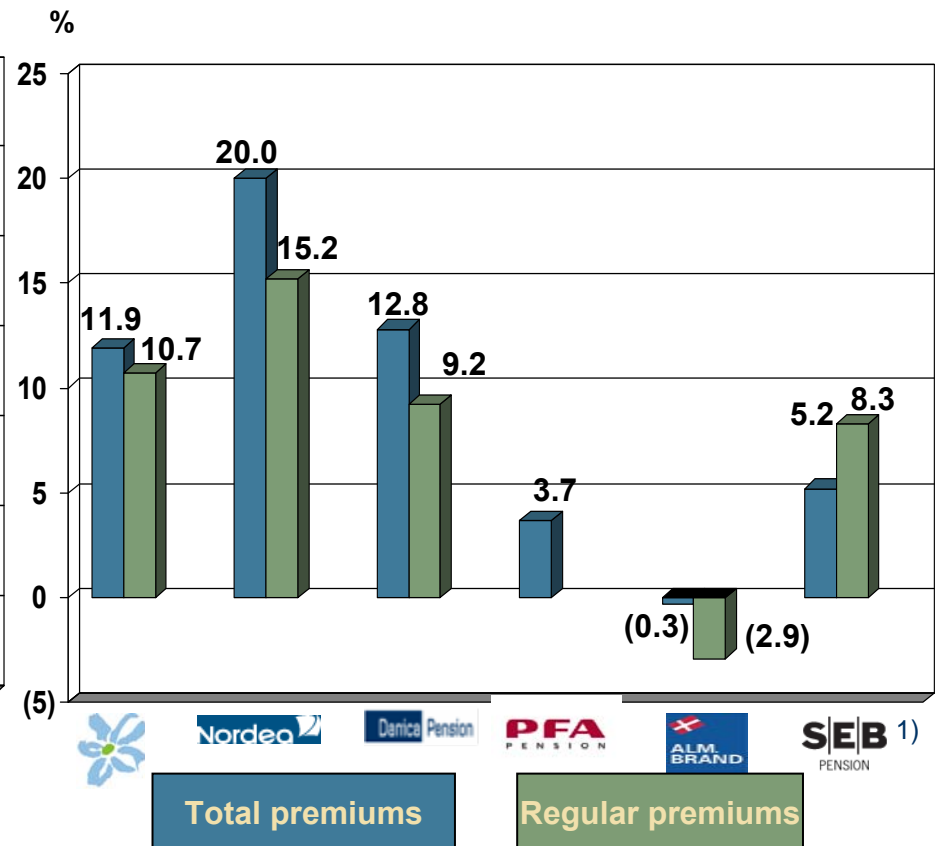
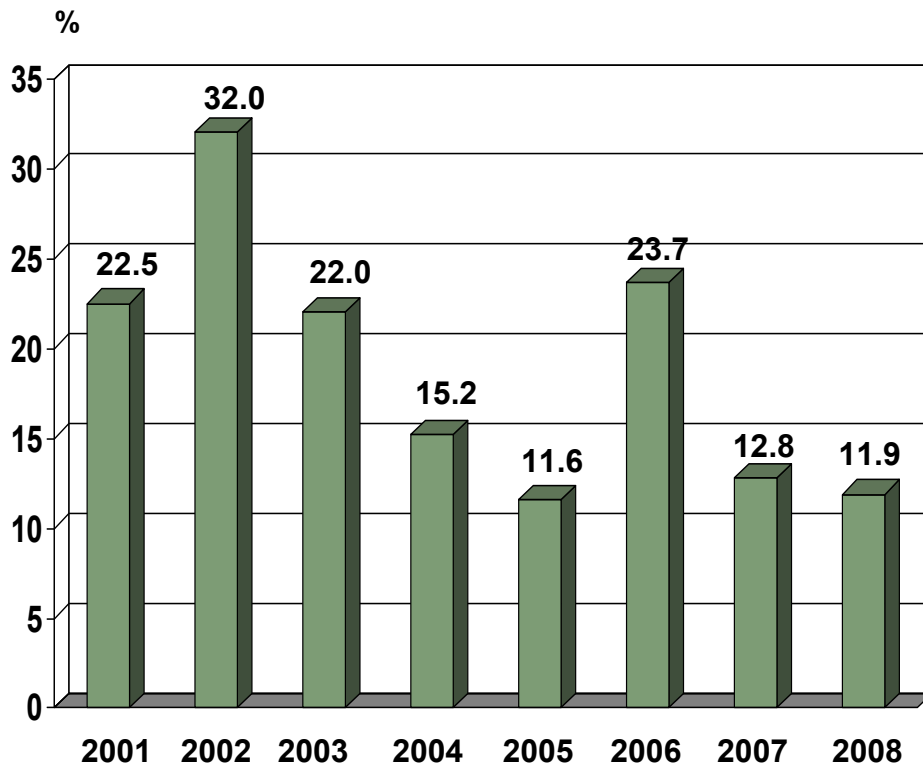
(DKKm)

	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%

Continued high premium growth

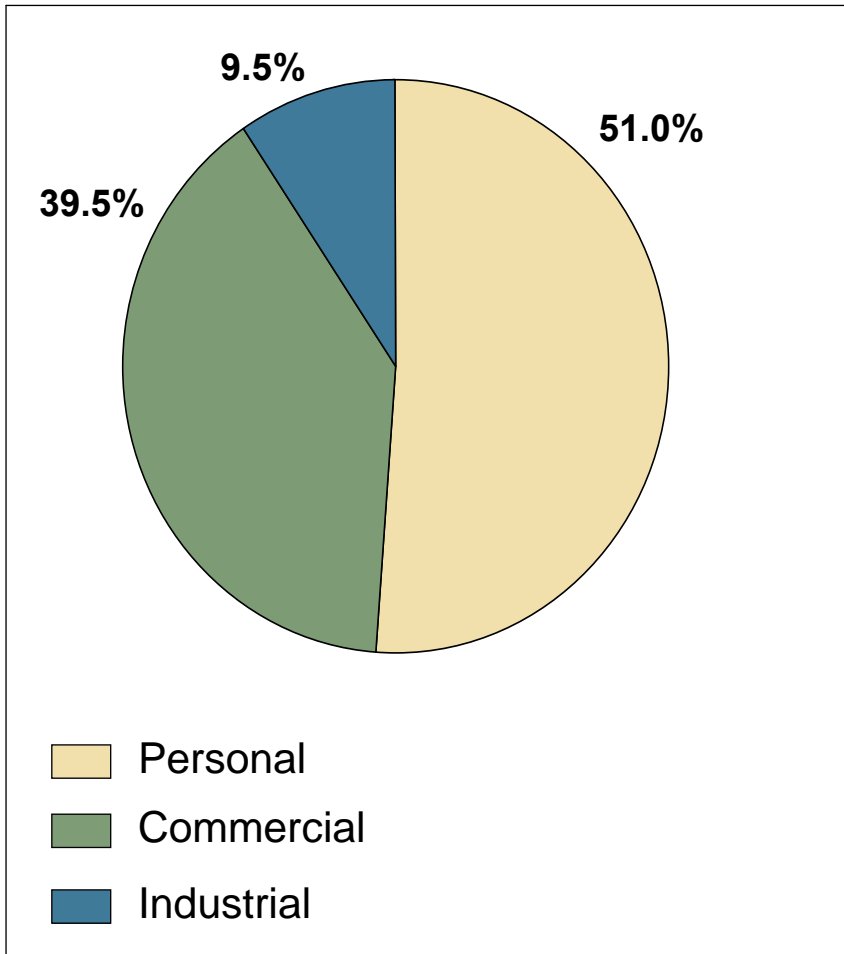
18.8% CAGR in Topdanmark (2001 - 2008)

Comparison of premium growth 2008

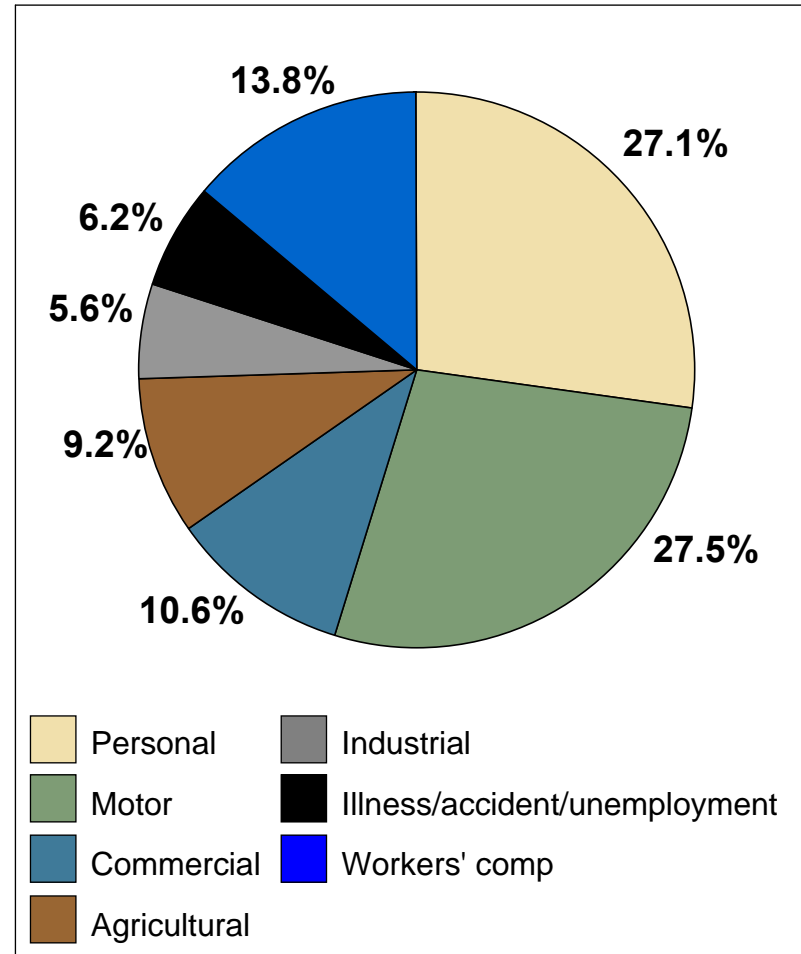


1) Incl. payments into investments contracts

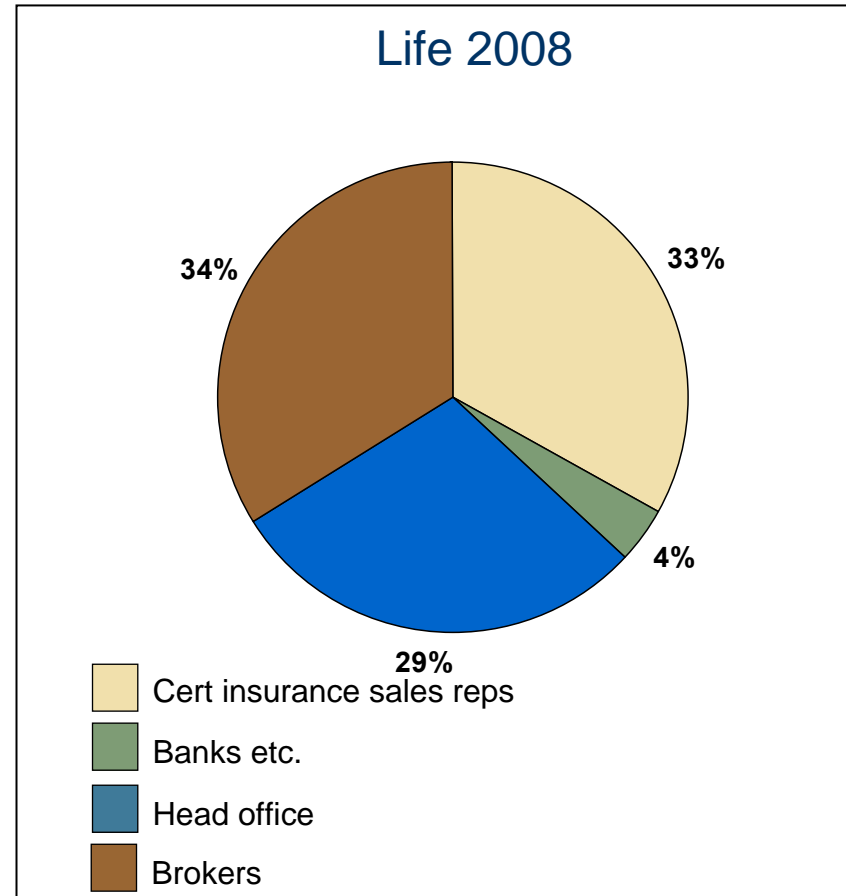
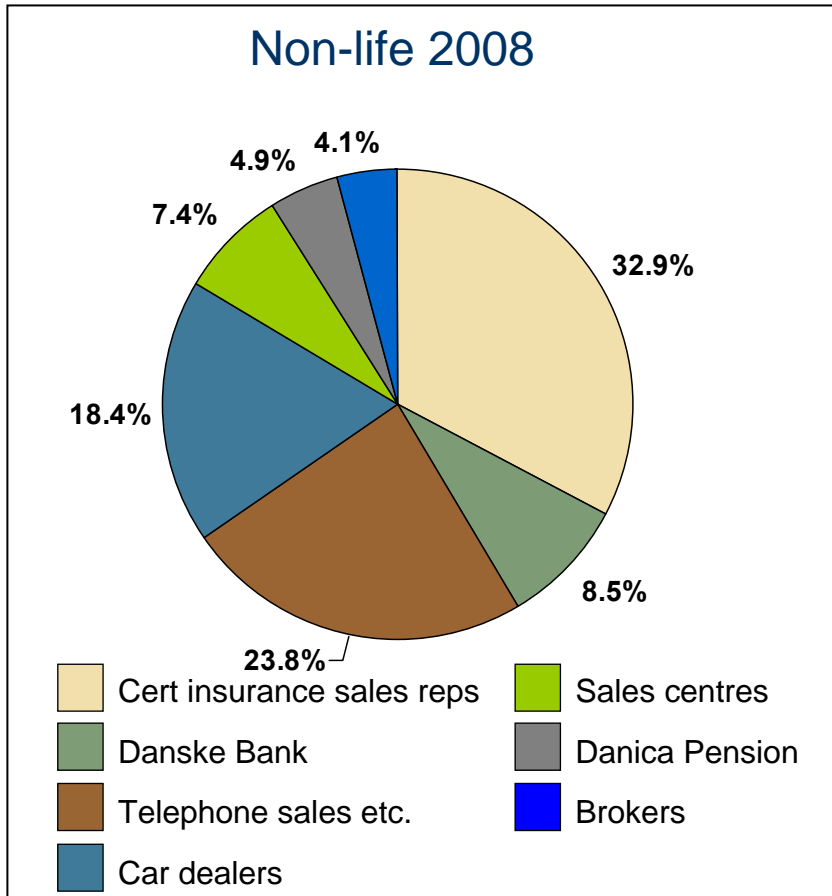
Premiums by segment 2008



Premiums by product 2008



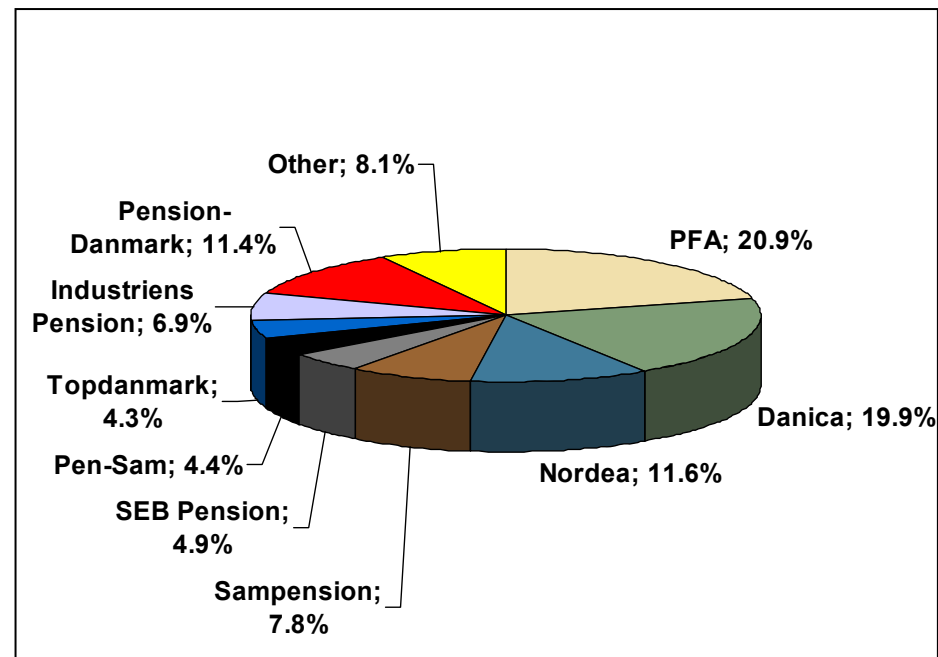
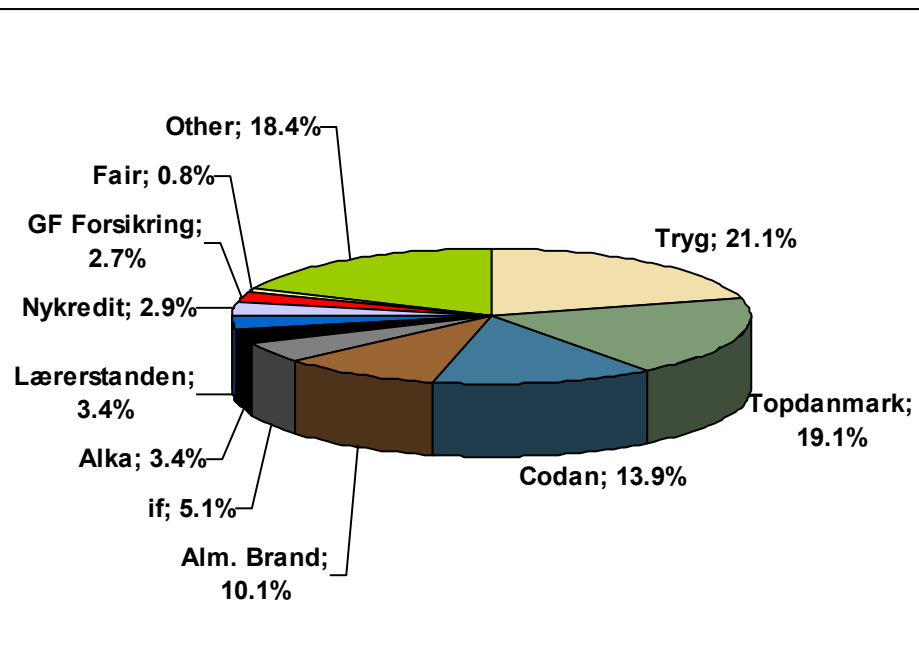
Distribution channels



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

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	26	0	14	0	40

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

Investment assets at 31 December 2008

(DKKm)	Group excl. life	Life group
Interest bearing investment assets	15,118	20,153
Equities	915	2,944
Index-linked bonds	284	1,568
Investment properties	551	3,473
Associated companies	53	585
Other	0	955
Investment assets	16,921	29,678
Intra-group balances	575	325
Investment assets corresponding to illness and accident provisions	1,267	(1,267)
Investments	18,763	28,736
Owner occupied properties	737	0
Liquid funds	45	129
Interest earned	204	337
Interest-bearing debt / derivatives	(5,018)	(4,005)
Intra-group balances	(325)	(575)
Net investments assets	14,406	24,622

CDOs - Returns and portfolios

CDOs - Returns and portfolios

(DKKm)	Group excl. life insurance		Life insurance	
	Q4	2008	Q4	2008
Return				
AAA and AA	36	(25)	62	(13)
Lower than AA	(10)	(218)	(14)	(446)
Total return	26	(243)	48	(459)
Interest	35	156	71	320
Revaluations	(9)	(399)	(23)	(779)
Total return	26	(243)	48	(459)
Book value 31 December				
AAA and AA		576		942
Lower than AA		434		883
Total book value		1,010		1,825

The Danish mortgage credit system (1/2)

- Founded in 1797
- Regulated by the DFSA
- Three major institutions cover almost all Danish mortgage financing
 - Realkredit Danmark, Nykredit, BRF
- Bonds are AAA
- No defaults ever
- Personal liability

The Danish mortgage credit system (2/2)

- Maximum LTV 80%
- Average LTV less than 60%
- Assets (mortgage deeds) must be matched against liabilities (bonds)
- Long-term delinquencies not allowed
 - Efficient and fast forced action system