

November 2009

Topdanmark Q1 - Q3 results

Highlights

Q3 2009

- DKK 519m profit (Q3 2008: DKK 172m loss)
- Increase in CR to 90.8 from 74.6
 - Primarily due to lower gains on claims provisions but also an increase in theft claims and lower interest rates
- Increase in investment return to a DKK 443m profit from a DKK 592m loss

Q1 - Q3 2009

- DKK 1,109m profit (Q1 - Q3 2008: DKK 163m loss)

Profit forecast model for 2009

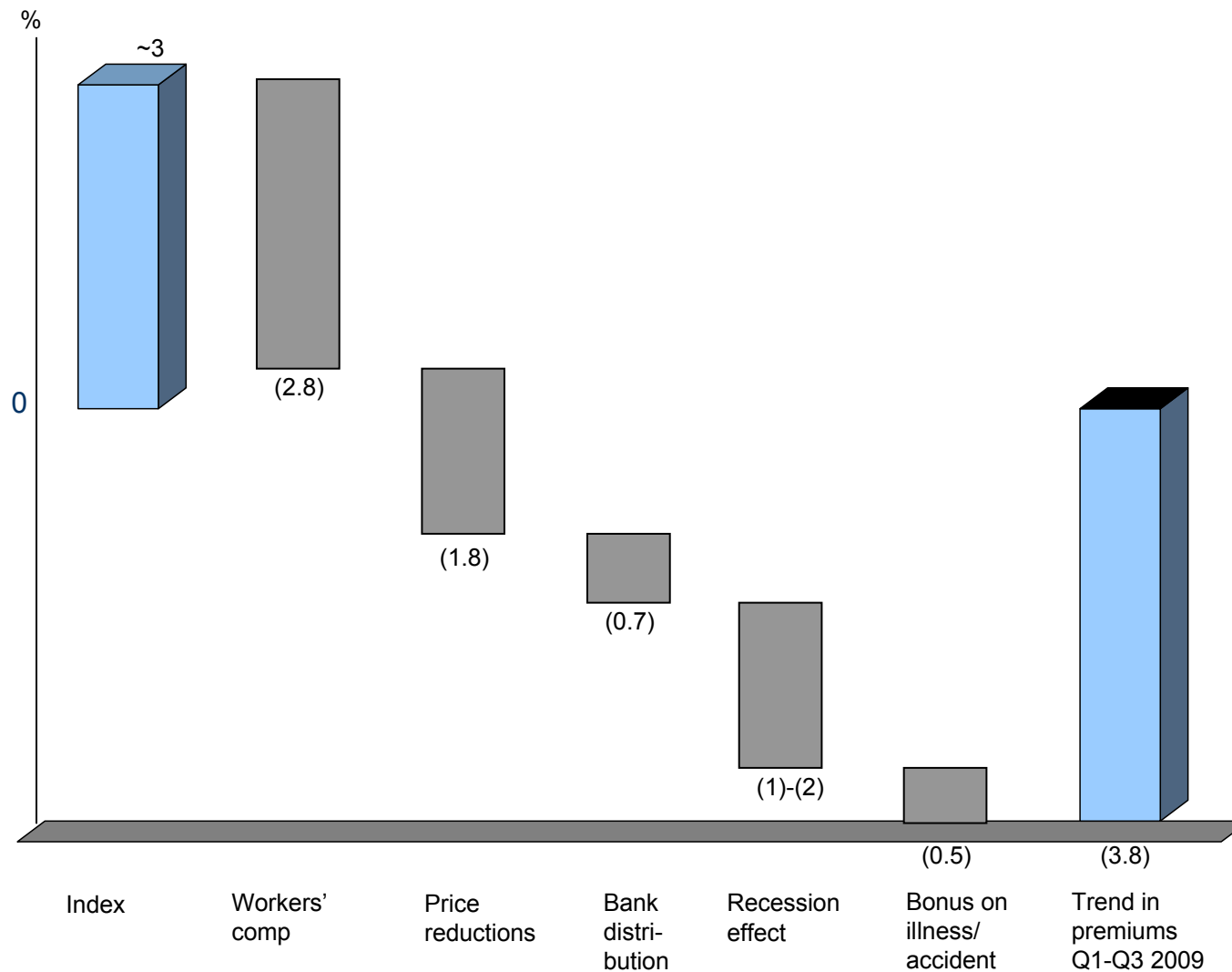
- Unchanged CR of between 92 and 93
- Increase in profit forecast model to DKK 1.2 - 1.3bn from DKK 1.1 - 1.2bn representing a post-tax ROE of 32.4%
- Increase in cash distribution for 2009 of DKK 100m to DKK 825m representing a buy-back yield of 7.7%

Profit forecast model assumptions for 2010

- Since the Q2 report, lower interest rates have had a 0.5 pp effect on the discounting of provisions for outstanding claims
- CR increased to 91 - 92 from 91 due to lower interest rates
- Premium growth of 2% - 3% in non-life

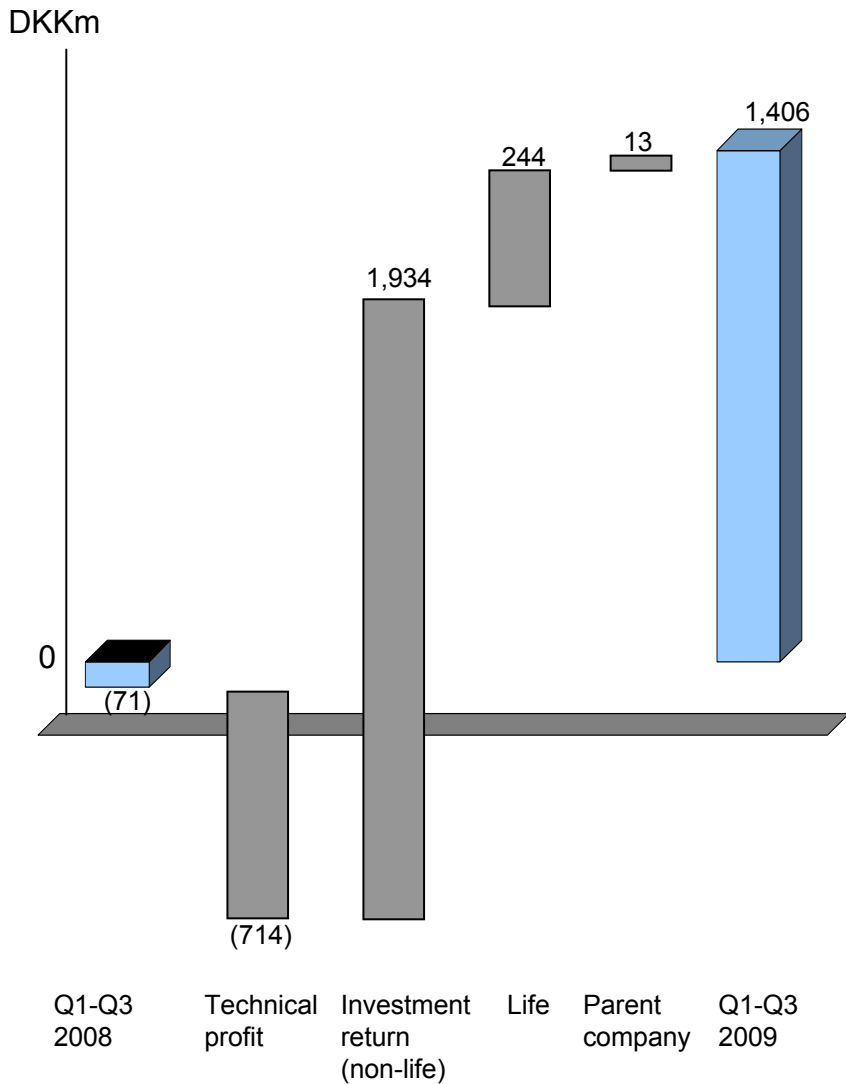
Trend in premiums

Q1-Q3 2008 – Q1-Q3 2009



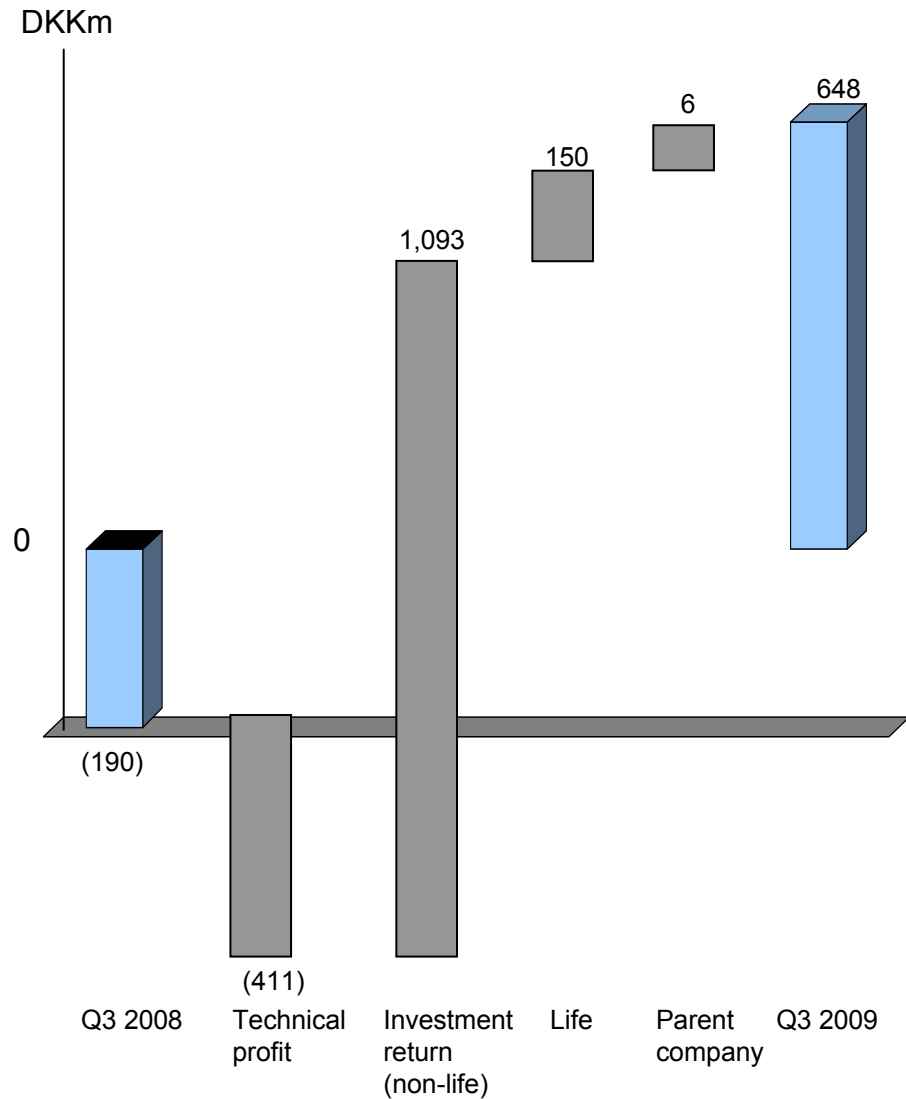
Trend in pre-tax result

Q1-Q3 2008 - Q1-Q3 2009



Trend in pre-tax result

Q1-Q3 2008 - Q1-Q3 2009

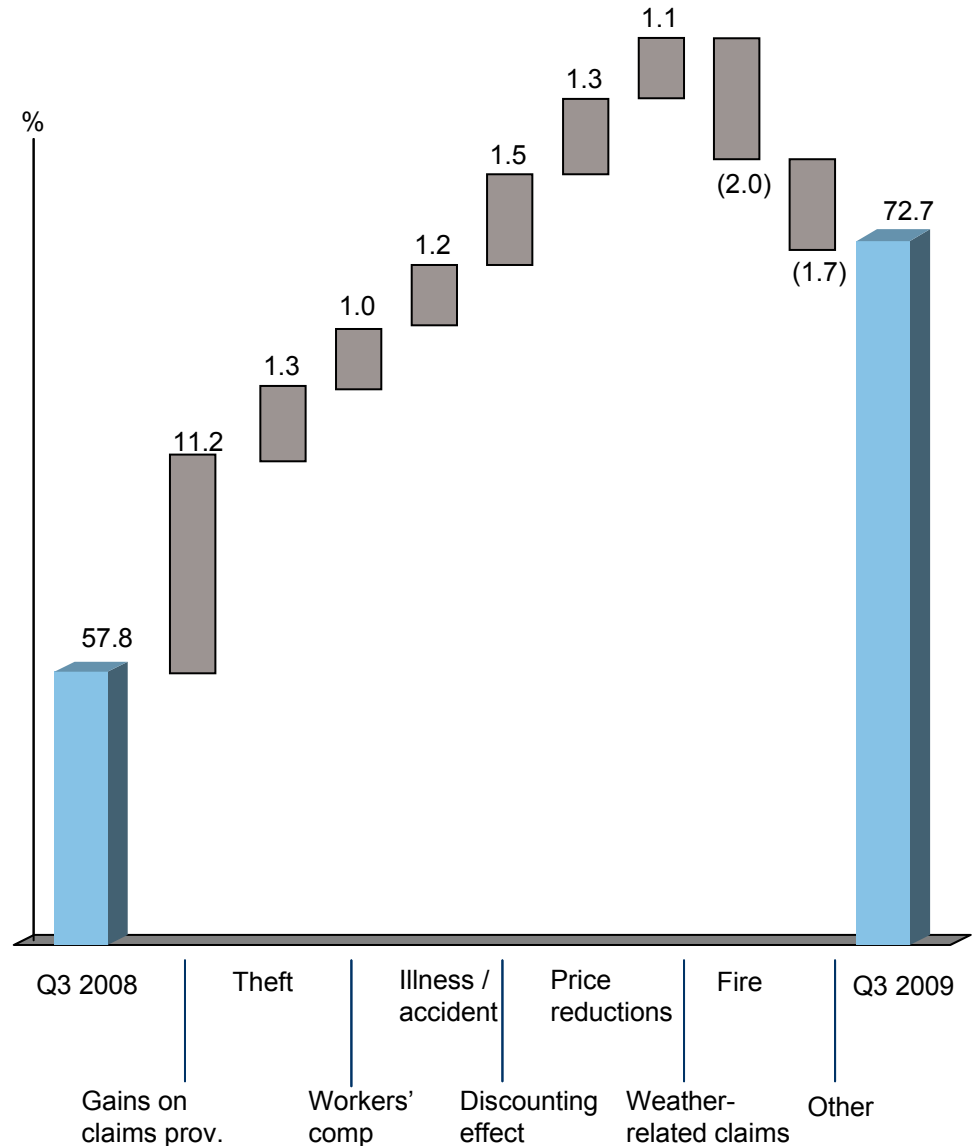
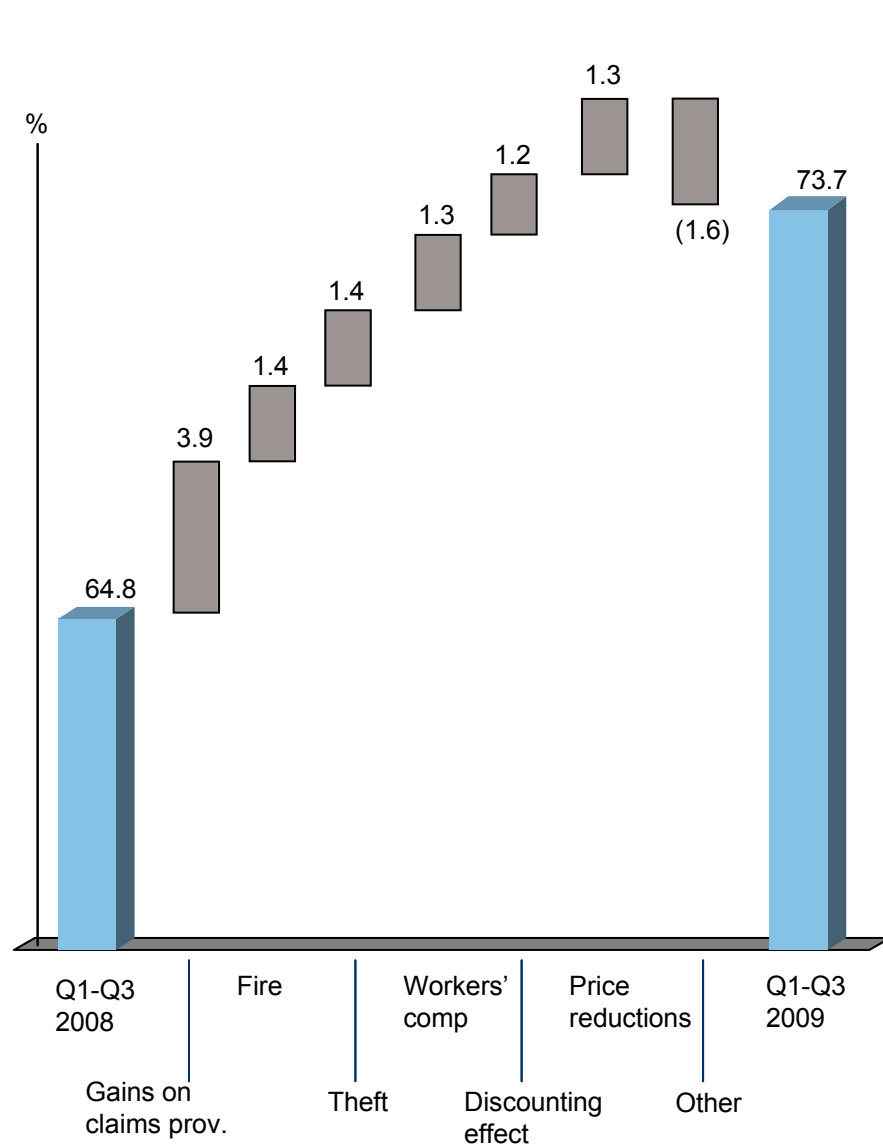


Trend in loss ratio

Q1-Q3 2008 – Q1-Q3 2009

Trend in loss ratio

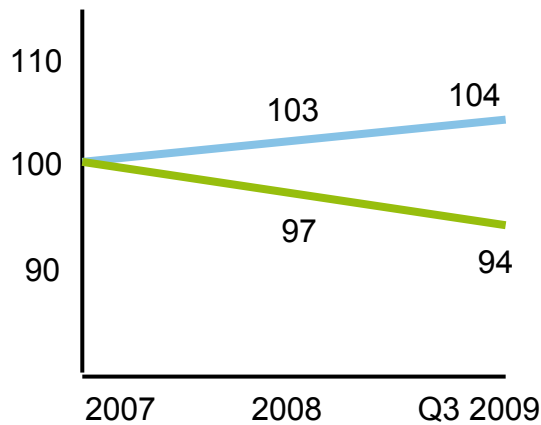
Q3 2008 – Q3 2009



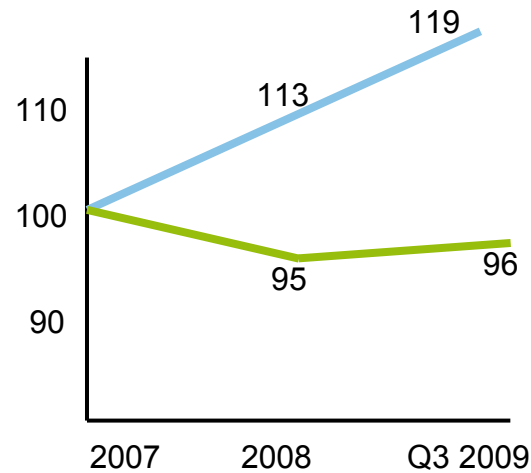
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- Trend in claims frequency and average claim

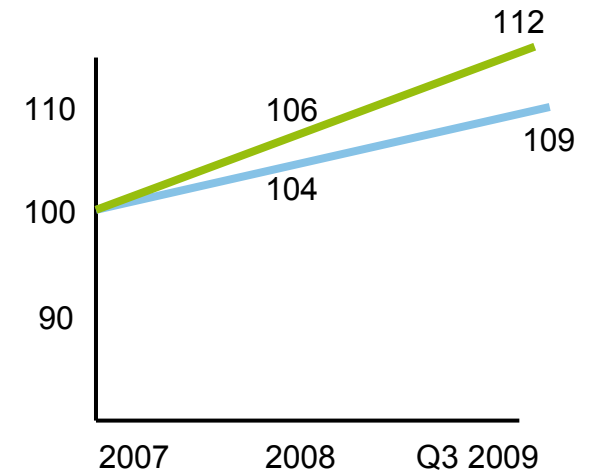
Motor insurance



House insurance



Contents insurance



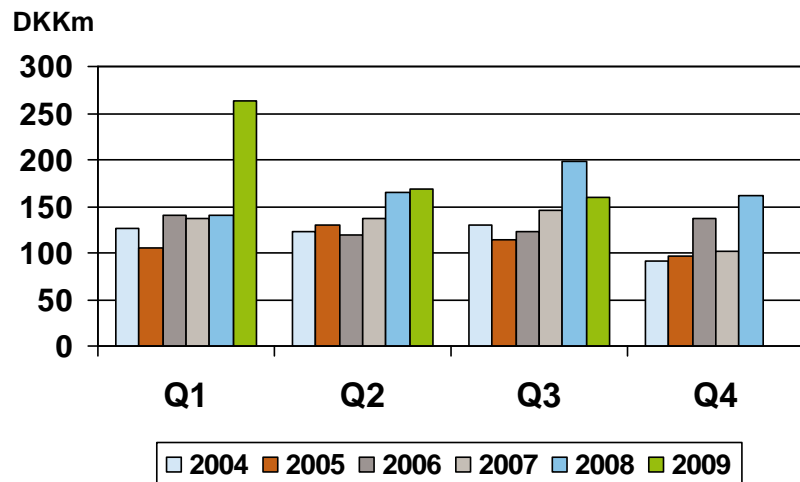
Average claim

Claims frequency

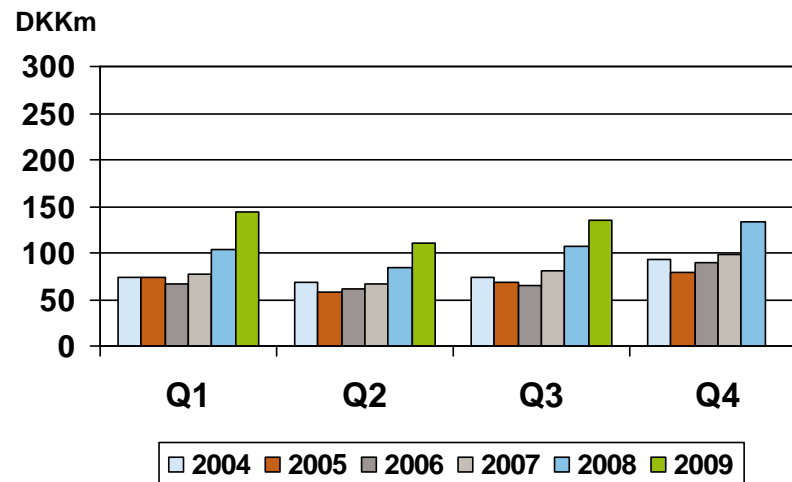
Topdanmark

- Examples of trend in claims incurred

Fire claims



Theft claims

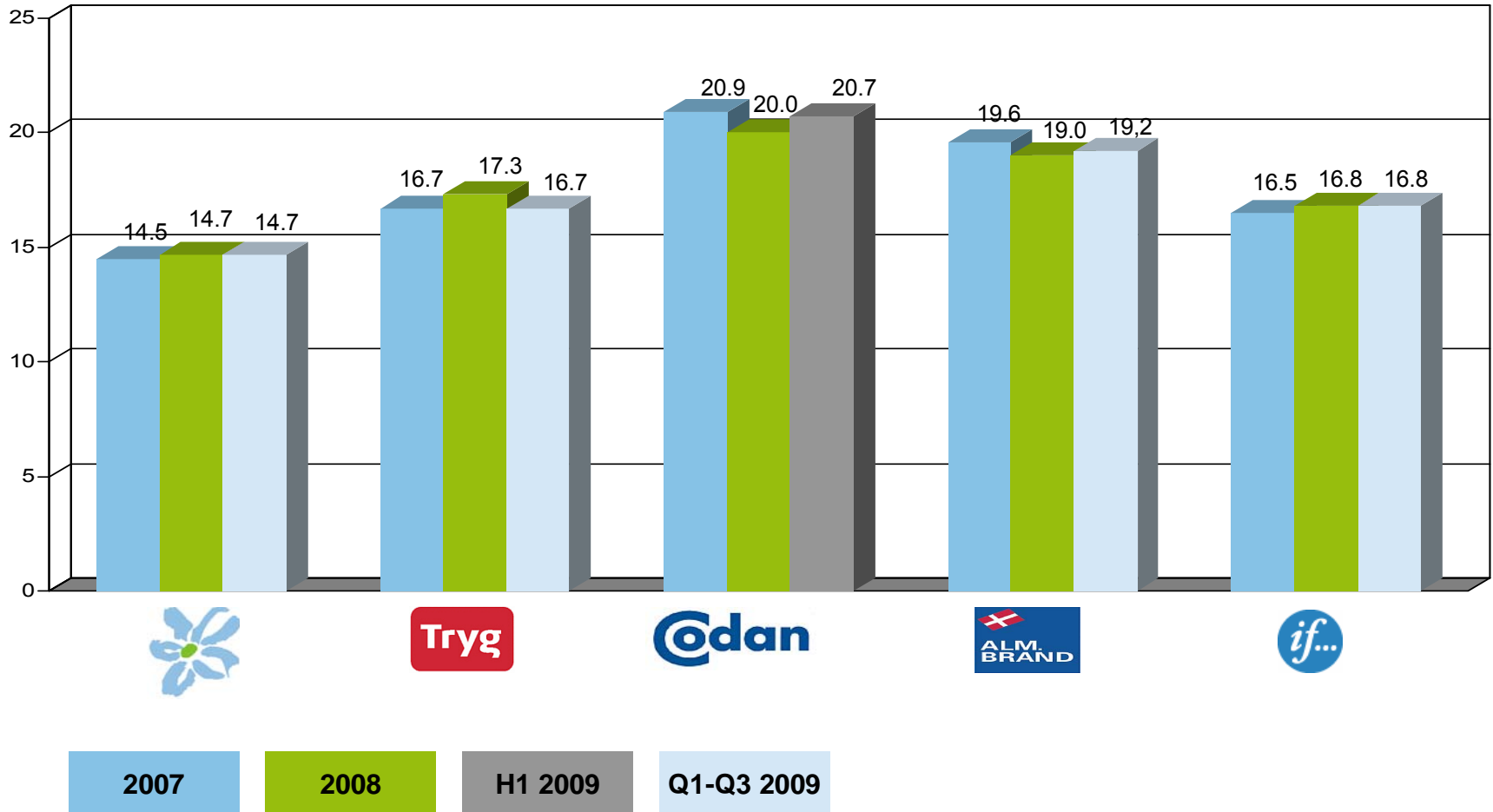


Ratios by segments

	Personal		SME		Industrial		Group	
	Q1-Q3 2008	Q1-Q3 2009	Q1-Q3 2008	Q1-Q3 2009	Q1-Q3 2008	Q1-Q3 2009	Q1-Q3 2008	Q1-Q3 2009
Premium growth		(0.2)		(8.0)		(5.5)		(3.8)
Gross loss ratio (%)	67.9	75.6	62.5	72.6	58.1	68.2	64.8	73.7
Net reinsurance ratio (%)	1.2	1.2	3.2	2.5	10.7	12.2	2.9	2.7
Claims trend (%)	69.1	76.8	65.7	75.1	68.8	80.4	67.7	76.4
Gross expense ratio (%)	15.6	14.9	13.3	14.7	13.5	13.7	14.4	14.7
Combined ratio	84.7	91.7	79.0	89.8	82.3	94.1	82.1	91.1
CR adjusted for any gains on / strengthening of provisions	88.0	94.2	87.7	91.9	93.0	95.9	88.2	93.4

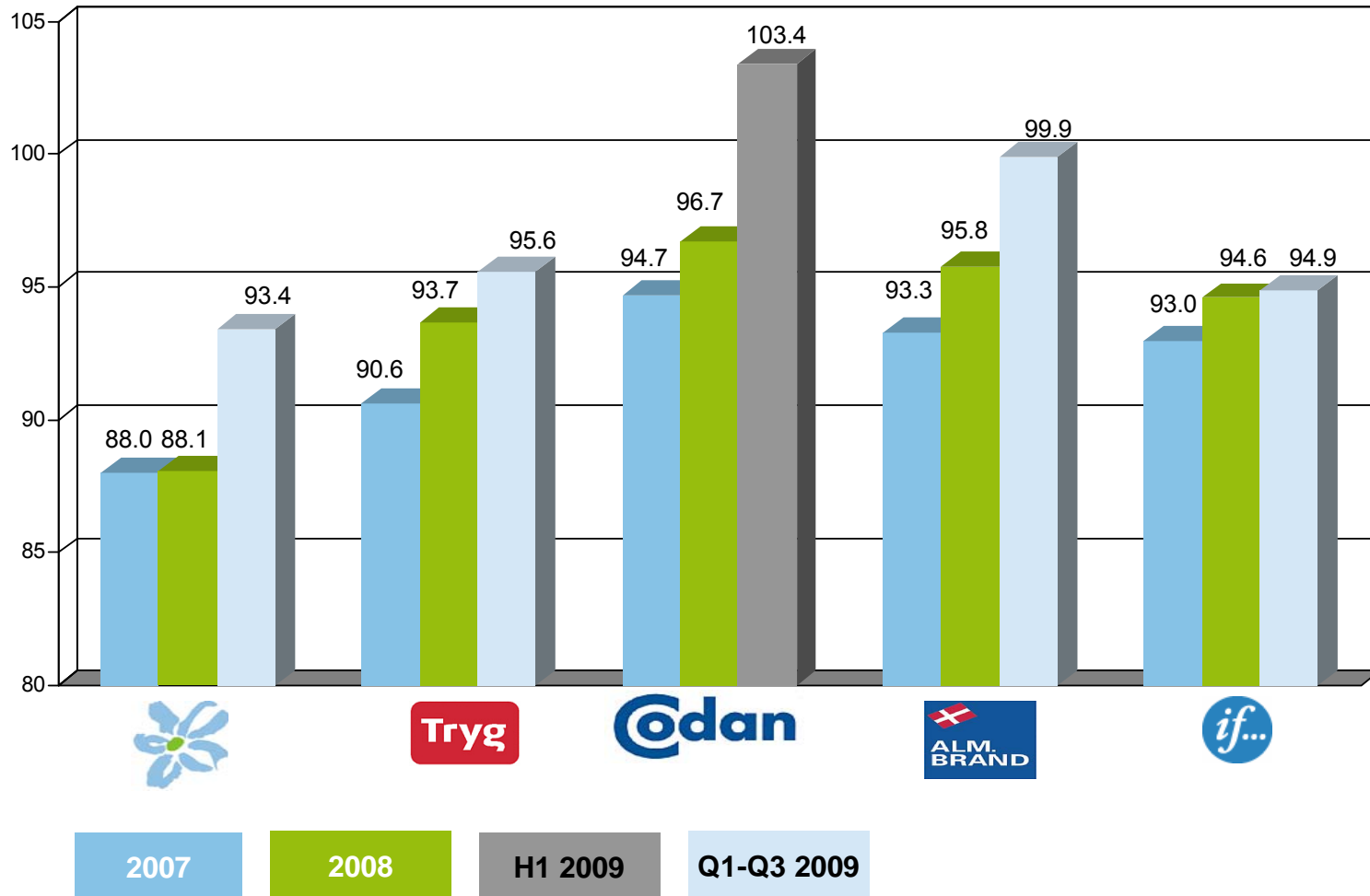
Comparison

- Expense ratio (group level)



Comparison

- combined ratio excl. gains on / strengthening of claims provisions
(group level)



Measures taken to improve profitability

Price increases

- Personal
 - House and contents policies
 - Average increase of 12%
- SME
 - Buildings and property policies
 - Average increase of 9%

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

Improved utilisation of purchasing power and intelligent employment freeze

Result of life insurance

(DKKm)	Q1-Q3 2008			Q1-Q3 2009		
	Life I	Life V	Group	Life I	Life V	Group
Investment return	(6)	(12)	(18)	32	45	77
Risk allowance	46	39	85	54	38	92
Transferred to / from shadow account	(46)	(39)	(85)	(54)	36	(18)
Profit / (loss) in Topdanmark Link			(30)			32
Financing charges Life Holding			(9)			(7)
Other			(13)			(2)
Profit / (loss) on life insurance			(70)			174
Shadow account end of period	46	90	136	117	75	192

Prospects in life insurance

- Reduction in loss participation scheme in Life I from 5% to 3%
- Overall 21.4% decline in premiums in Q1-Q3 2009.
 - Regular premiums increased 6.2%
 - Continued expected growth of 5% in regular premiums in 2009
- Both risk allowance (DKK 52m), shadow account balance (DKK 104m) and interest on the shadow account (DKK 9m) assumed to be booked in Life V in 2009
 - Part of risk allowance and shadow account (DKK 75m) booked in Q3
- Neither risk allowance nor shadow account assumed to be booked in Life I in 2009
 - Shadow account balance, DKK 117 at 30 September 2009, expected to be booked in 2010
- Co-operation with Nykredit and Sydbank expanded to include annuity products

Investment return

- Topdanmark Group excl. life insurance Q1-Q3 2009

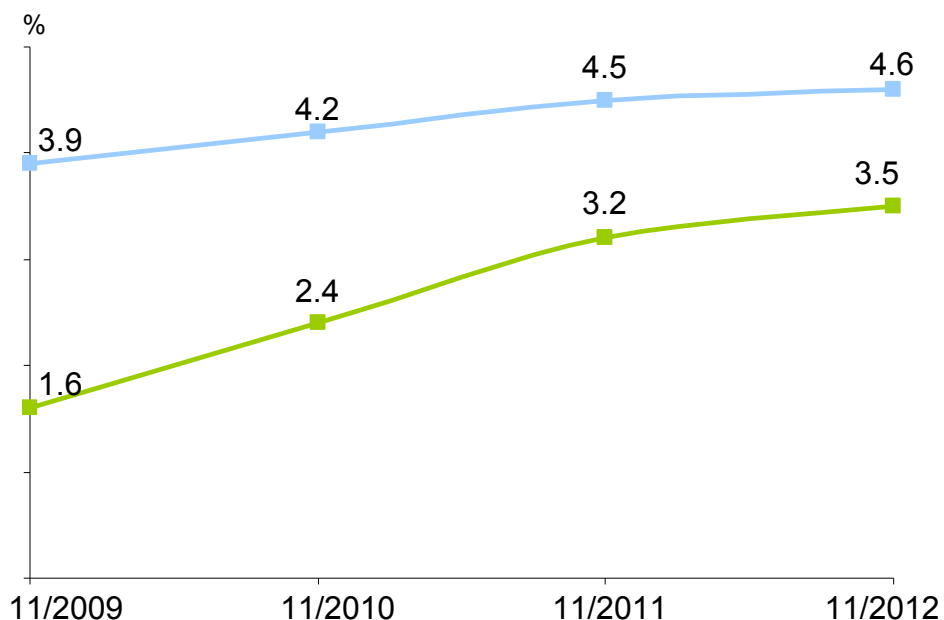
	Portfolio		Return Q3		Return Q1-Q3	
	30 Sep DKKbn	DKKm	%	DKKm	%	
Danish equities	0.3	47	16.1	78	28.1	
Foreign equities	0.8	142	20.5	229	36.4	
Government and mortgage bonds	9.7	115	1.2	379	4.0	
Credit bonds	0.7	38	5.7	90	13.7	
CDOs	0.9	(4)	(0.5)	(39)	(4.1)	
Properties	1.3	23	1.8	59	4.7	
Assets rel. to I/A	1.5	27	1.9	66	4.7	
Money market etc.	4.1	52	1.1	176	3.5	
Interest-bear. debt	(2.7)	(19)	0.7	(108)	2.5	
	16.6	421	2.6	930	6.0	
Asset management		22		65		
Total		443		995		

Effect of increase in interest rates

Effect of increase in interest rates

- Claims provisions are matched by corresponding assets
 - No effect on results of a change in interest rates
 - A 1 pp increase in the interest rate curve reduces the CR by about 1.1 pp
- The premiums reserve is invested in short-term interest-bearing assets
 - A 1 pp 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

- increased by DKK 100m for 2009

(DKKm)	2008	Forecast for 2009 14 Aug 2009			Forecast for 2009 13 Nov 2009		
Non-life insurance							
- Technical result	1,796	790	-	830	710	-	750
- Investment return after transfer to technical result etc.	(1,705)	420	-	460	620	-	660
Non-life insurance	91	1,210	-	1,290	1,330	-	1,410
Life insurance	(57)	260	-	280	270	-	290
Parent company etc.	(58)	(50)	-	(30)	(50)	-	(30)
Pre-tax profit / (loss)	(24)	1,420	-	1,540	1,550	-	1,670
Taxation	(165)	(320)	-	(340)	(350)	-	(370)
Profit / (loss) for the year	(189)	1,100	-	1,200	1,200	-	1,300

Representing a post-tax ROE of 32.4%

Buy-back yield

- 7.7% for 2009

DKK 100m increase in cash distribution to DKK 825m in 2009

- Represents a buy-back yield of 7.7%

To date in 2009, DKK 355m shares bought back

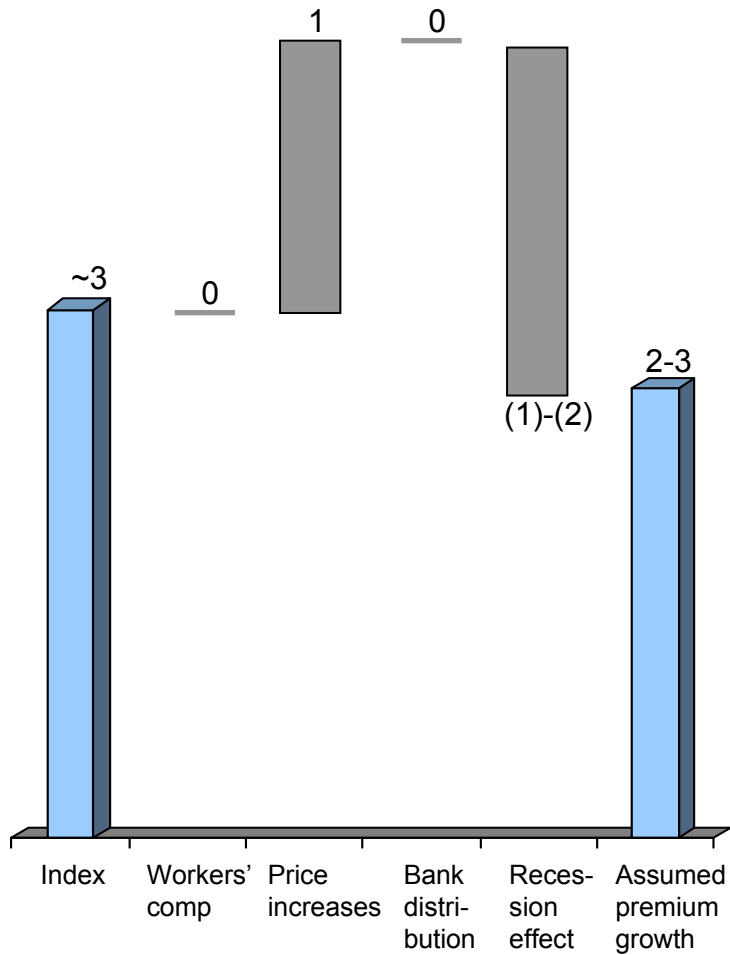
Distribution effected with a just over three month time lag of earnings ~ DKK 250m

Therefore remaining share buy-back of DKK 220m for the calendar year. Any proportion of this amount which is not acquired in 2009 to be transferred to 2010 to supplement the ordinary share-buy back programme

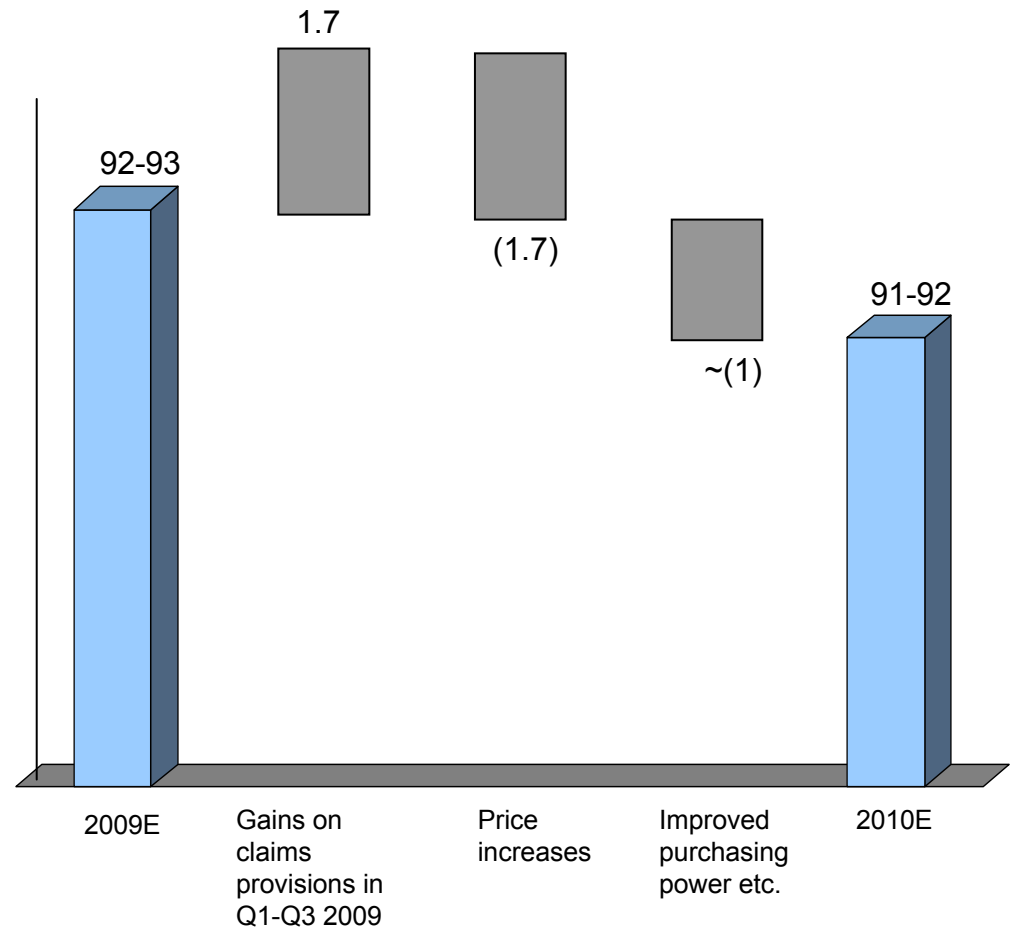
Since 1998 Topdanmark has bought back 59% of the outstanding shares

Assumptions for 2010 forecast

Premium growth as a percentage.





CR excl. any gains on claims provisions



www.topdanmark.dk.com


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

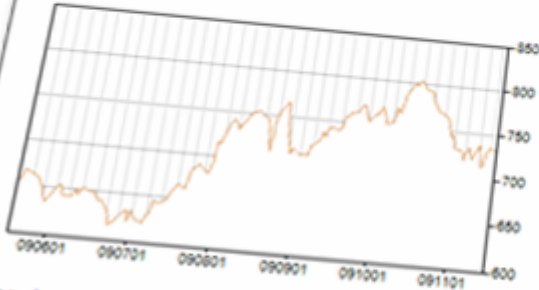
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IR contacts
Contact to share analysts and institutional investors:
Steffen Heegaard, head of IR and Group Communications
Tel: +45 4474 4017
E-mail: she@topdanmark.dk
[More contact information](#)

IR activities
See list of Topdanmark's [IR activities](#)

Basic data
Kursdata
Seneste +/-
731.00 -0.41% 
2009-11-16 10:51:27



See [share price movements](#) as compared with the OMXC20-index or benchmark Topdanmark's shares against other insurance companies.

H1 2009 Half Year Report


- Post-tax result increased from DKK 243m in Q2 2008 to DKK 555m this quarter
- The post-tax profit forecast model for 2009 has been upgraded from DKK 900 - 1,000m to DKK 1,100 - 1,200m as calculated on 14 August 2009, representing a return on shareholders' equity of 30%
- The cash distribution for 2009 has been increased from DKK 525m to DKK 725m representing a yield of 6.7%.

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Topdanmark A/S - CVR-nr: 78040017 - Borupvang 4 - 2750 Ballerup - Tlf: 44 68 33 11
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This presentation includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

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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-Q3 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 premiums earned
- Combined ratio 91.5
- Interest income on provisions for unearned premiums equal to 0.5% of premiums earned
- Return on shareholders' equity 5%

Return on operations:

• Income	100,0
• Interest income	<u>0.5</u>
	100.5
• Expenditure	<u>91.5</u>
	9.0 ~ ROE =

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)	2,584	
1.5 x required solvency in life	1,596	
1 year's growth in required solvency	209	
0.3 x equity exposure (Group excl. life)	250	
1 x interest rate exposure (Group excl. life)	<u>75</u>	
		4,714
Financed by:		
Subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,714m)		<u>(943)</u>
Total reasonable level of capital cover 1 Jan 2009		3,771
80% of one year's normal growth in solvency requirement		<u>167</u>
Expected reasonable level of capital cover 31 Dec 2009		<u>3,938</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 ¹⁾	150	
Value of own shares to hedge option programme ¹⁾	275	305
Capital cover 1 Jan 2009		<u>3,548</u>
Profit forecast model after cash-impacting tax 2009 (avg)		1,250
Movements in shareholders' equity		<u>127</u>
Expected capital cover 31 Dec 2009		<u>4,925</u>
Expected reasonable level of capital cover 31 Dec 2009		<u>(3,938)</u>
Cash distribution potential 2009		<u>987</u>

¹⁾ 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:

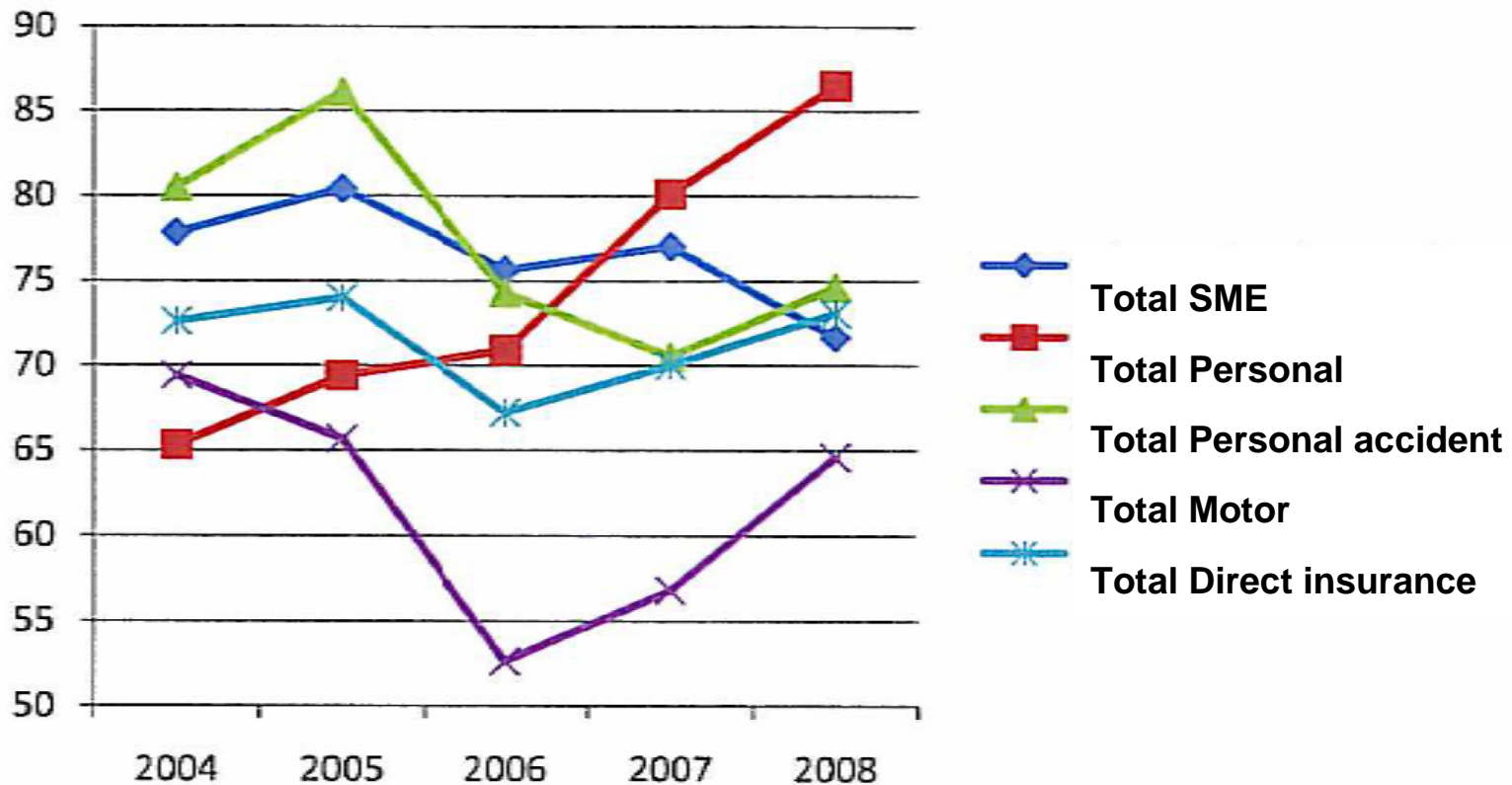
	Normalised Annual return	
Investment return on shareholders' equity, 4.5%	41	
Risk allowance: 0.50% / 0.65% of customers' savings	127	
Cost result of new business	(10)	
Risk and administrative result in Topdanmark Link	<u>2</u>	
Total return	160	160 ~ ROE = 17%

Other life-related result:

Life-related non-life (health and critical illness etc.)	44	
Asset management	25	
Other synergies in e.g. distribution	<u>50</u>	
	119	<u>119</u>
		279 ~ ROE = 30%

Danish market

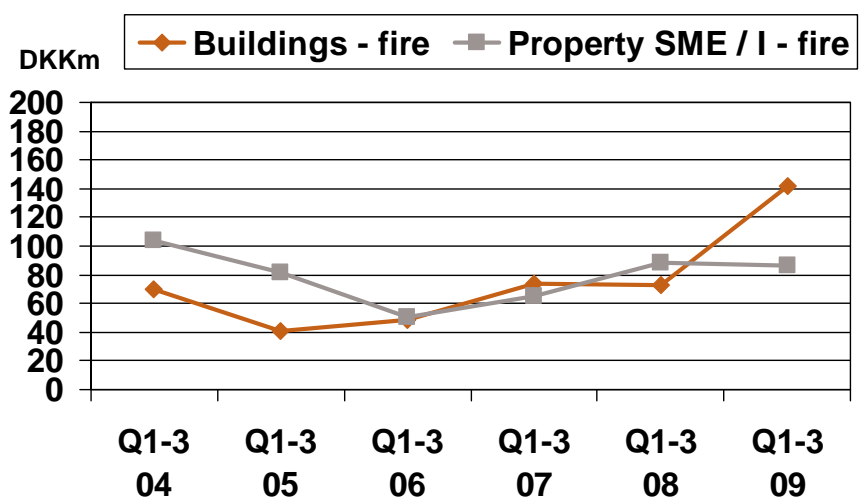
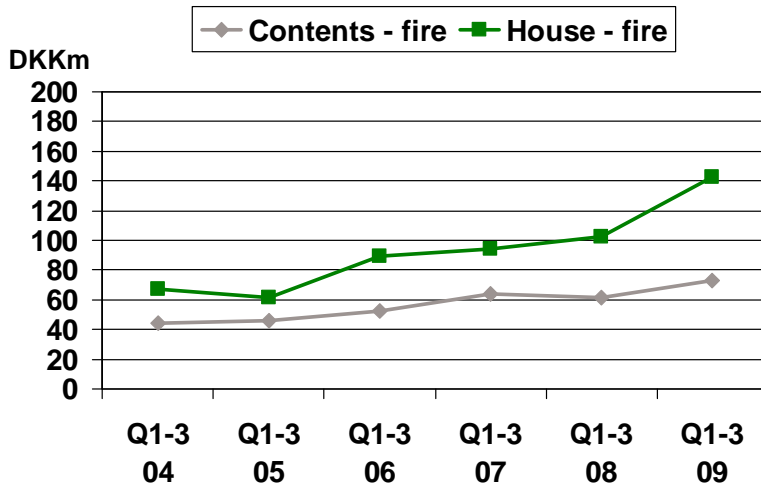
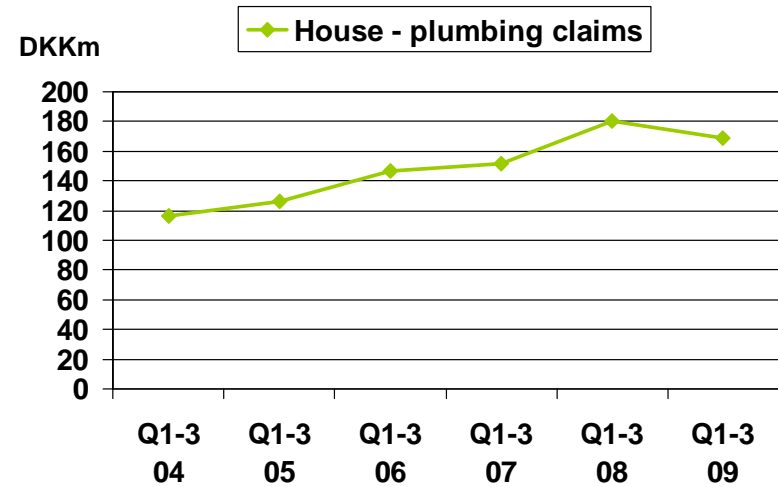
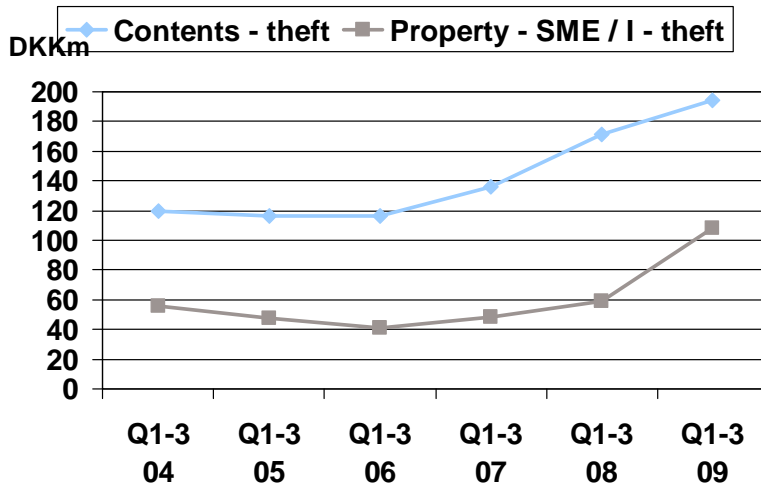
- loss ratios on own account analysed by main lines of business 2004 - 2008



Source: Reports to the DFSA

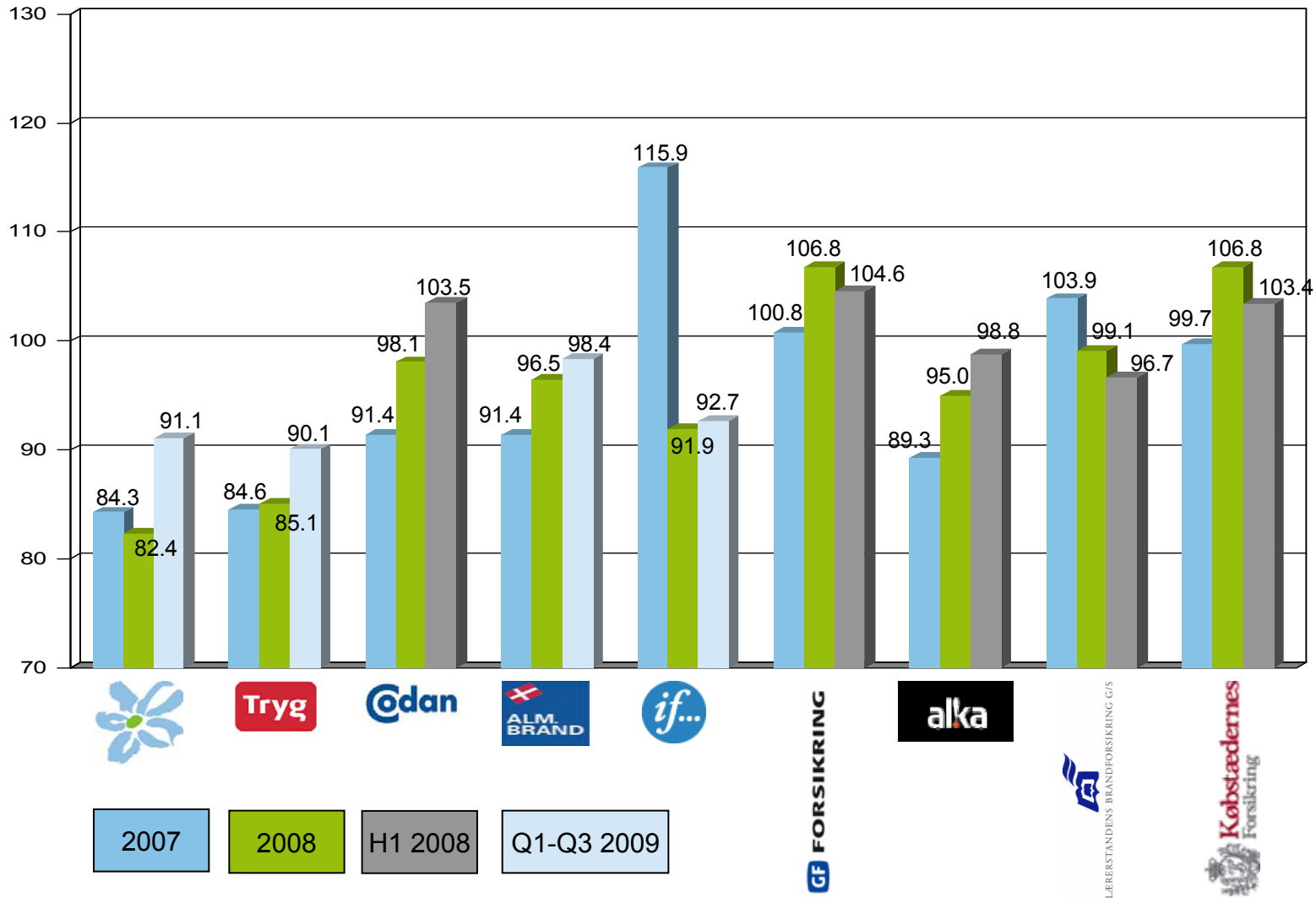
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- Examples of trend in claims incurred



Comparison of combined ratio

(Danish insurance)

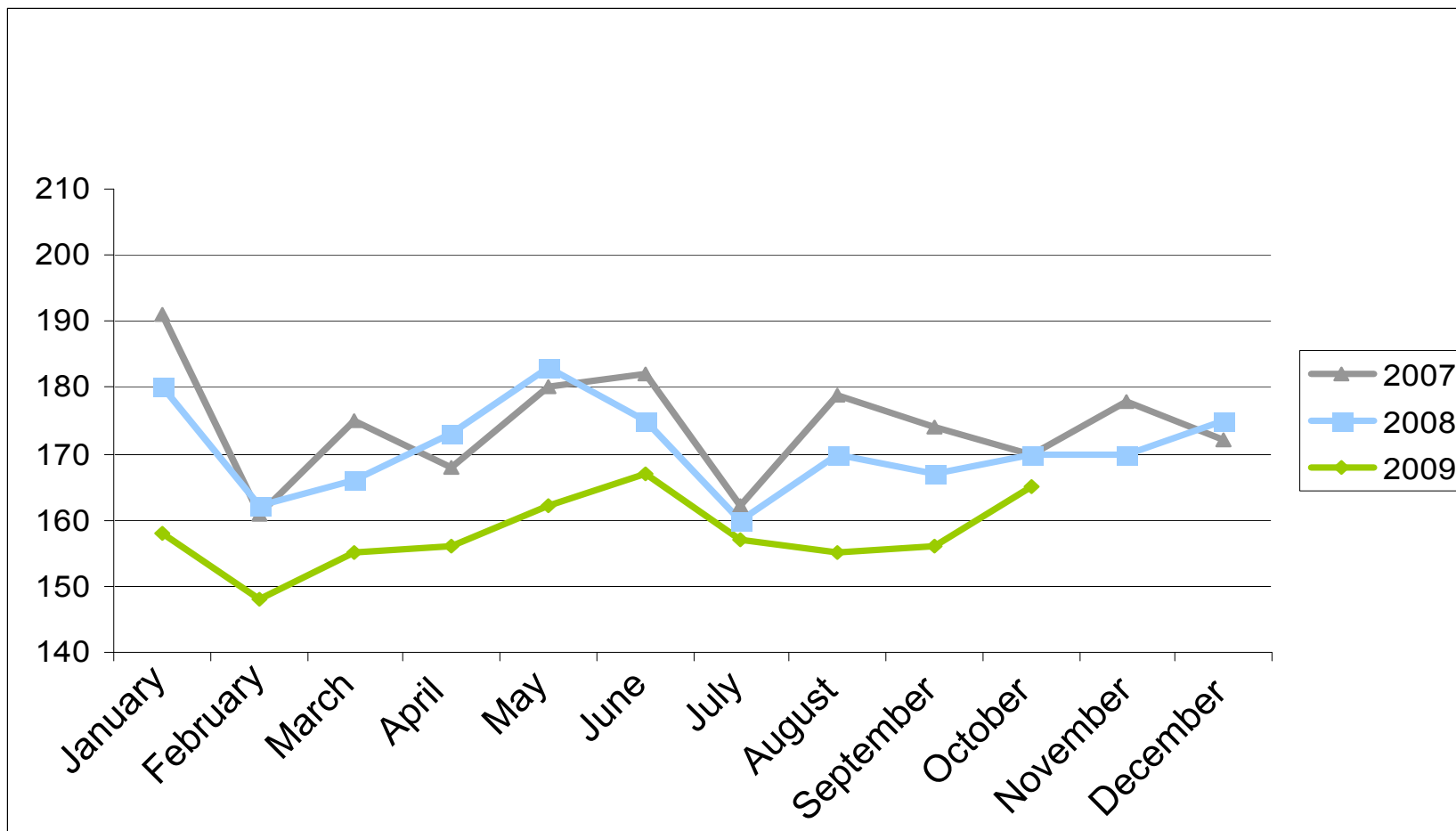


Breakdown of gains on claims provisions

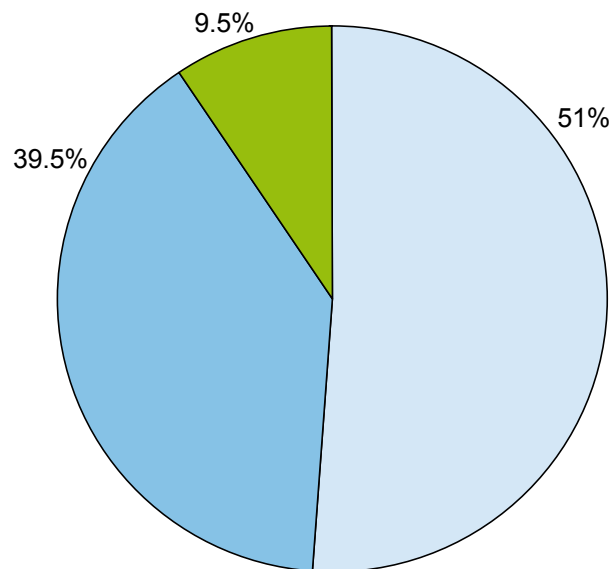
(DKKm)	Q3 2008	Q3 2009	Q1-Q3 2008	Q1-Q3 2009
Illness and accident	44	40	133	113
Workers' compensation	253	(13)	237	10
Third party and comprehensive	11	18	119	91
Other	(16)	2	(75)	(67)
Total gains on claims provisions on own account	292	47	414	147

Claims frequency for private cars - Group

- Excluding hail claims in July 2007 and glass claims

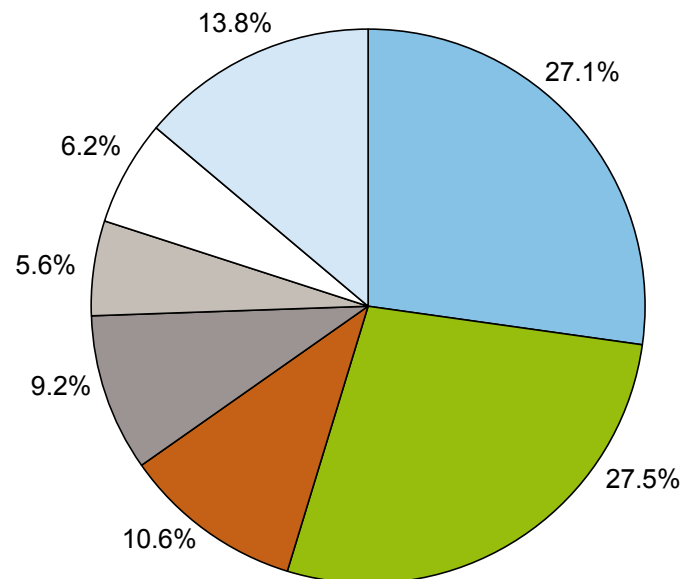


Premiums by segment 2008



- Personal
- SME
- Industrial

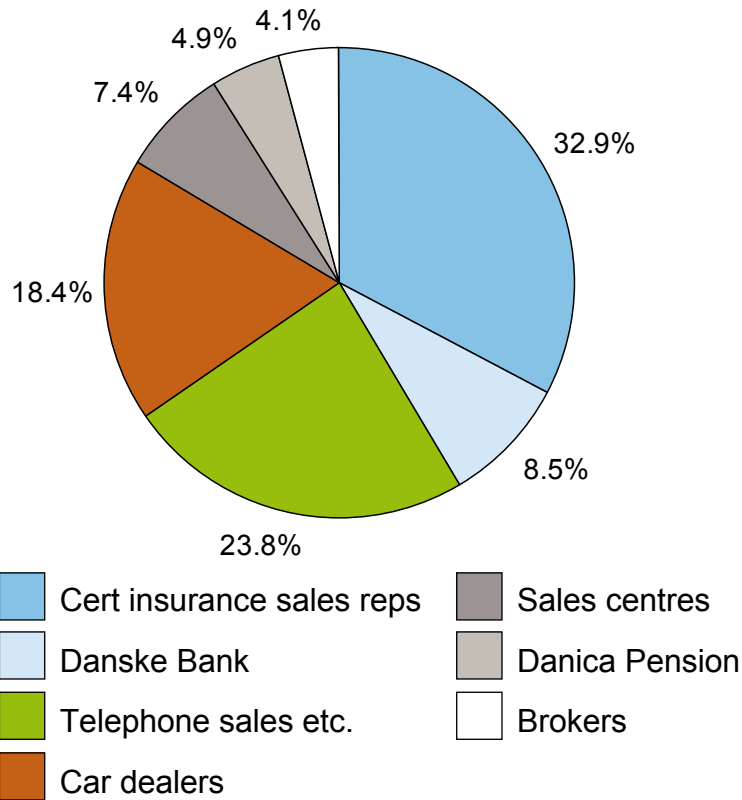
Premiums by product 2008



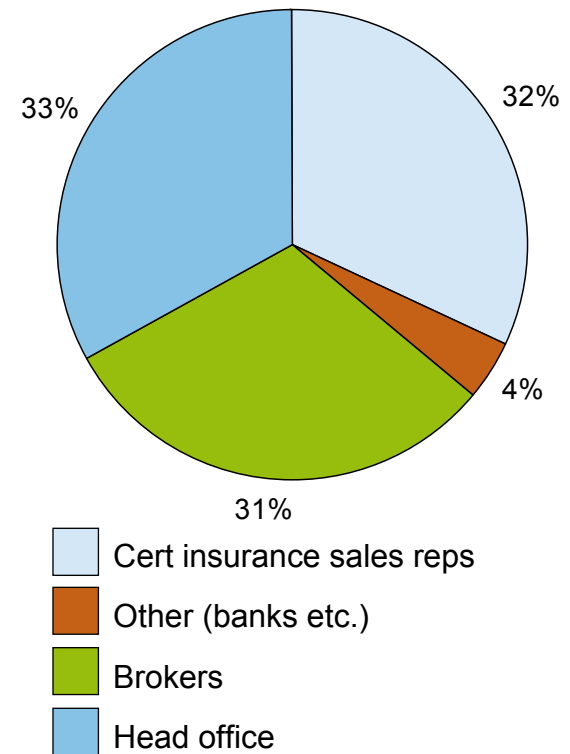
- Personal
- Motor
- SME
- Agricultural
- Industrial
- Illness, accident and unemployment
- Workers' comp

Distribution channels

Non-life 2008

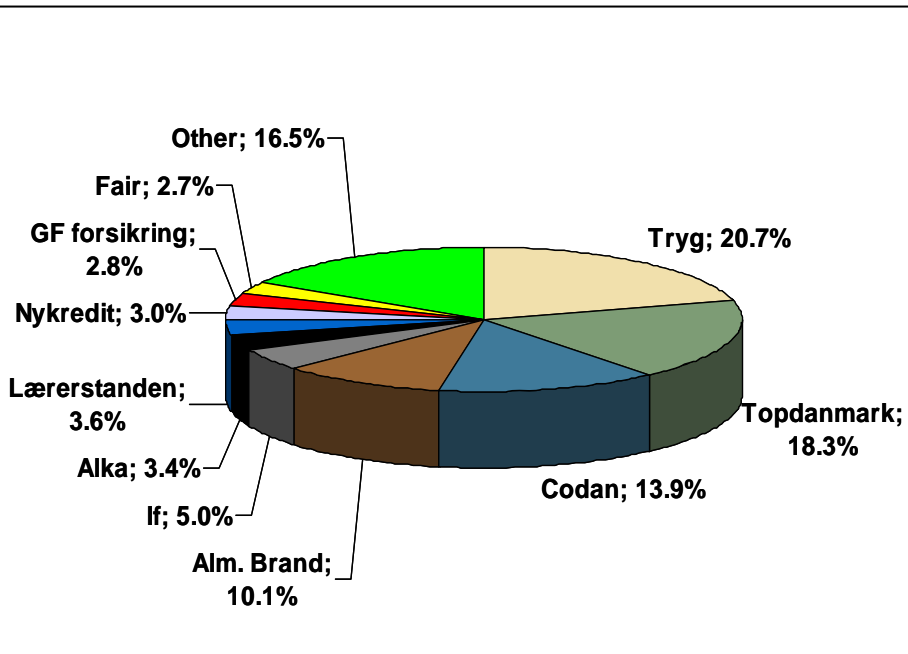


Life 2008

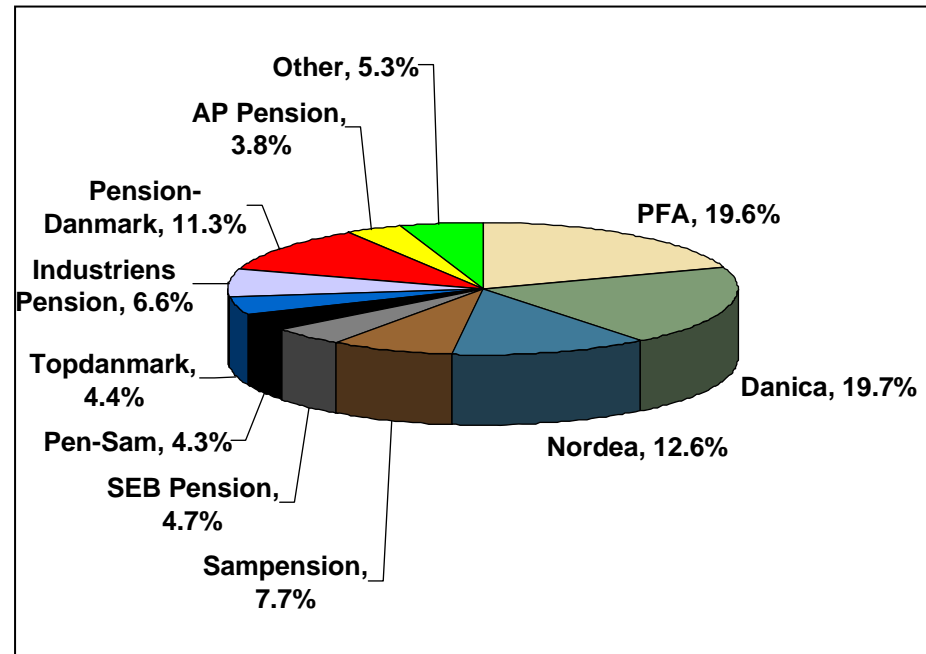


Market share

Market share in non-life 2008



Market share in life 2008



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	10	17	75	13	115
2009	92	28	26		

Large-scale claims are defined as gross claims exceeding DKK 5m
Comprising property claims in SME 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 ¹⁾	23	2	1	15	41
2009 ¹⁾	0	8	24		

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

¹⁾ Incl. gains on / strengthening of claims provisions

CDOs

- returns and portfolios

(DKK m)	Group excl.		Life insurance	
	Q3	Q1-Q3	Q3	Q1-Q3
Return				
AAA and AA	12	32	27	66
Lower than AA	(16)	(71)	(25)	(120)
Total return	(4)	(39)	2	(54)
Interest	5	32	12	57
Revaluations	(9)	(71)	(10)	(111)
Total return	(4)	(39)	2	(54)
Book value 30 September 2009				
AAA and AA		446		876
Lower than AA		433		689
Total book value		879		1,565