

August 2010

Topdanmark H1 2010 results

Highlights

Q2 2010

- Post-tax profit of DKK 94m (Q2 2009: DKK 555m)
- CR of 87.9 (Q2 2009: 91.0)
- 0.8% decline in non-life premiums and 9.4% increase in life premiums

H1 2010

- Post-tax profit of DKK 362m (H1 2009: DKK 590m)
- CR of 95.3 (H1 2009: 91.3)
- CR of 97.6 excl. run-off profits (H1 2009: 93.6)
- Underlying CR of 91 excl. run-off profits
- 2.2% decline in non-life premiums and 4.7% increase in life premiums

Profit forecast model for 2010

- CR unchanged at 94-95 excl. any run-off profits in H2 2010
- Growth in non-life premiums adjusted to around minus 1% from around zero
- Profit forecast model downgraded to DKK 800-900m from DKK 950-1,050m
 - Due to lower investment return

Share buy-back programme

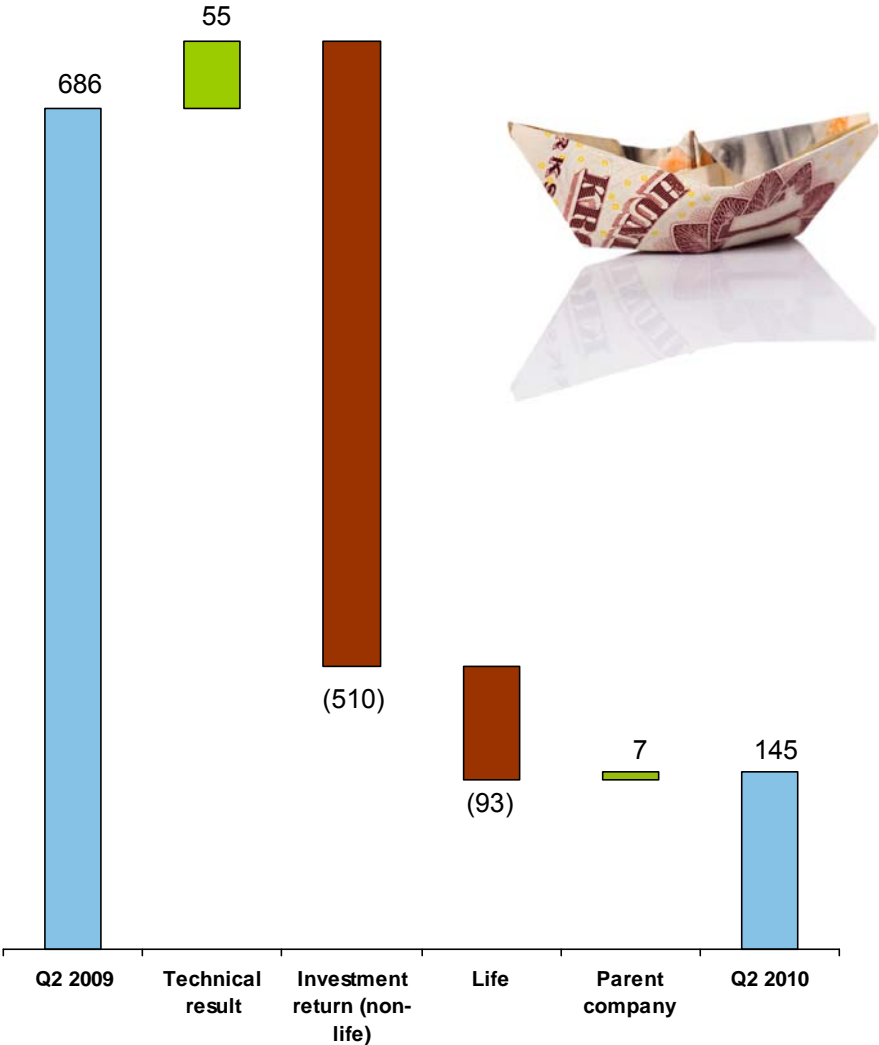
- Adjusted to DKK 900m from DKK 1,050m

Solvency II

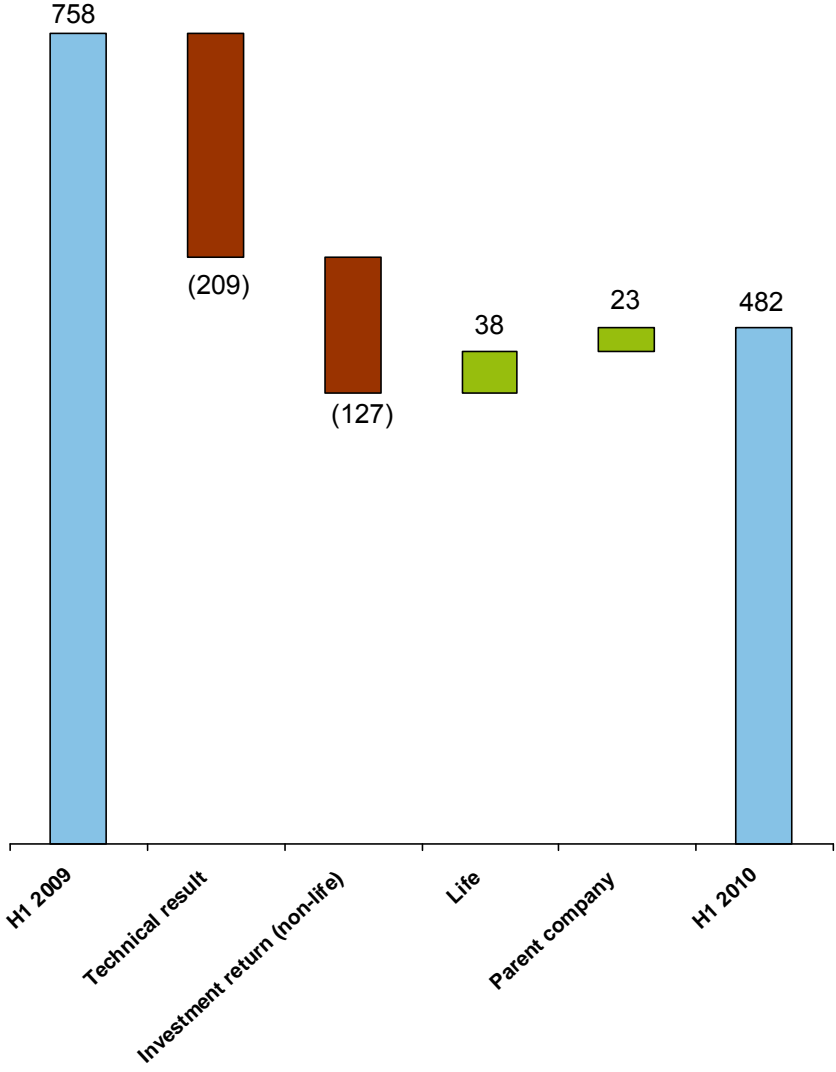
- Topdanmark continues to expect solvency capital of DKK 4.5bn will be sufficient to cover the capital requirements on the change to Solvency II

Trend in pre-tax results

Q2 2009-Q2 2010

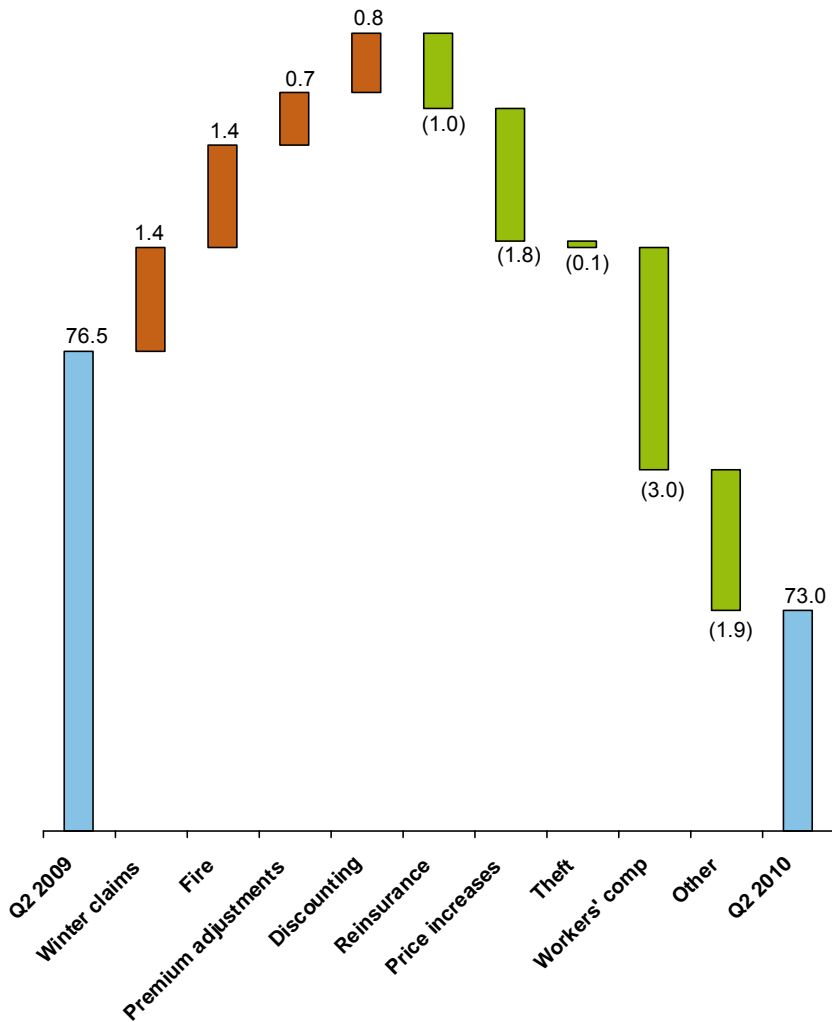


H1 2009-H1 2010

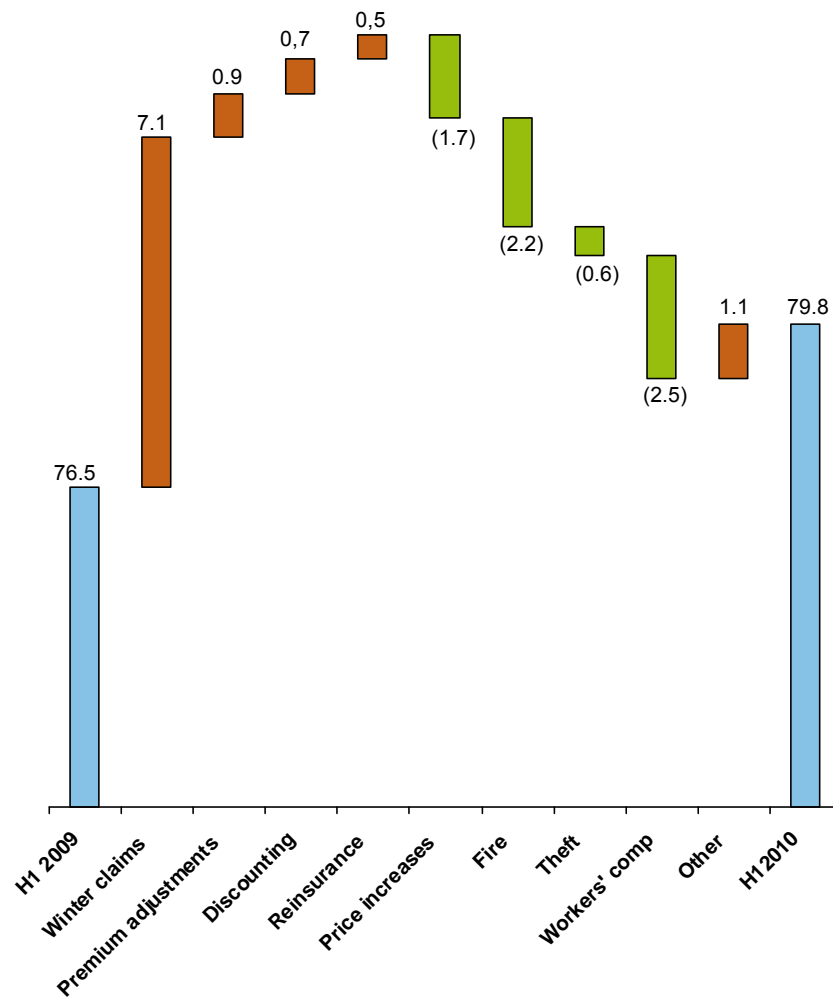


Claims trend

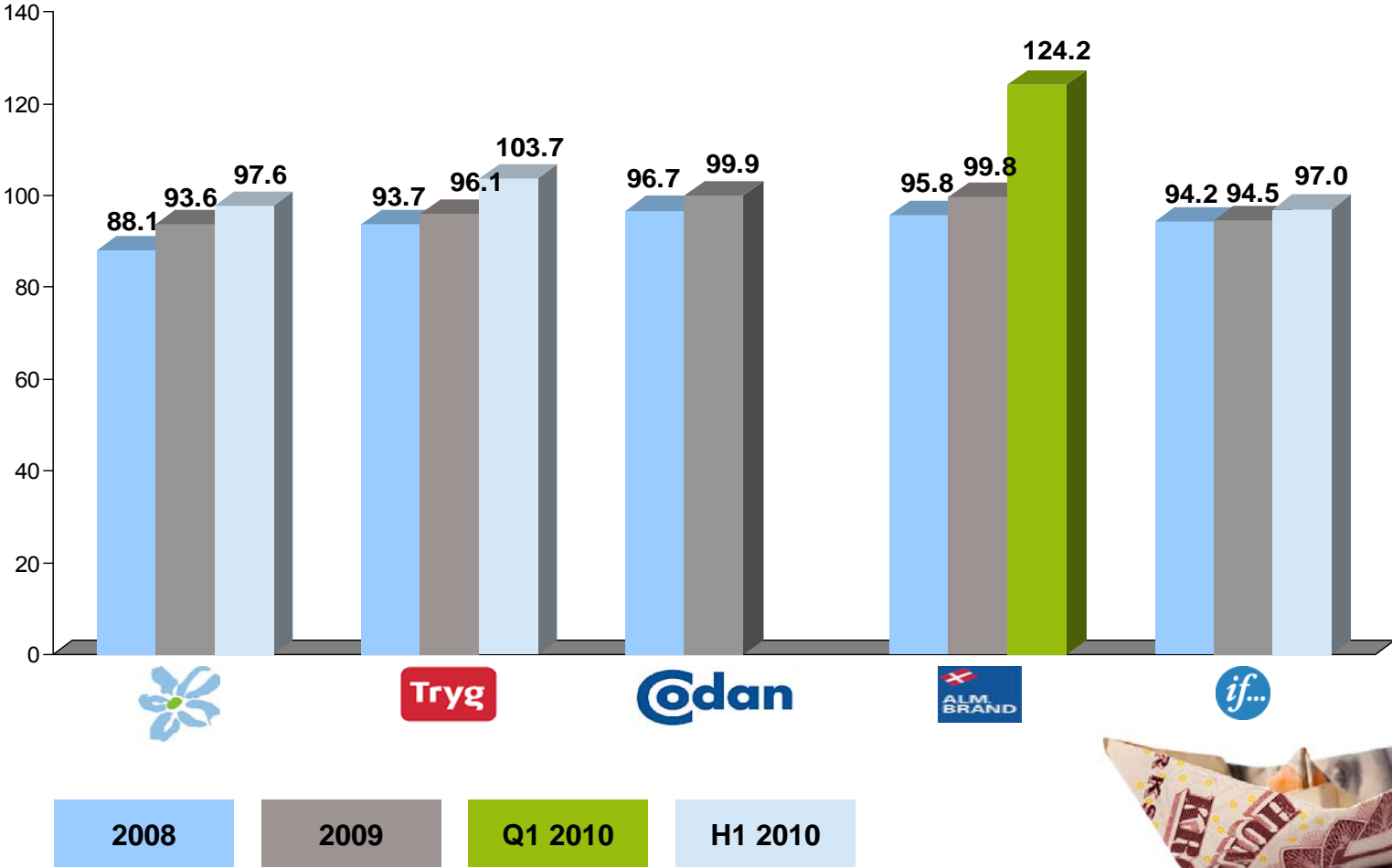
Q2 2009-Q2 2010



H1 2009-H1 2010



Comparison – CR excl. run-off at Group level



Results – Life insurance

(DKKm)	Life I	Life V	H1 2009 Group	Life I	Life V	H1 2010 Group
Investment return	20	28	48	22	38	60
Risk allowance	38	26	64	39	26	64
Transferred to shadow account	(38)	(26)	(64)	(39)	0	(39)
Profit in Topdanmark Link etc.			13			17
Financing charges Life Holding			(6)			(1)
Other			1			(8)
Profit on life insurance			56			94
Shadow account 30 June	100	134	234	180	0	180

Investment return

- Topdanmark Group excl. life insurance H1 2010

	Portfolio 30 June		Return Q2 2009		Return Q2 2010		Return H1 2009		Return H1 2010	
	2009	2010	Return Q2 2009	%	Return Q2 2010	%	Return H1 2009	%	Return H1 2010	%
	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)
Danish equities	0.3	0.3	56	19.8	2	0.6	31	10.4	28	8.3
Foreign equities	0.7	0.8	129	20.3	(73)	(8.4)	87	13.2	(32)	(3.8)
Government and mortgage bonds	9.5	11.7	183	1.8	3	0.0	264	2.8	153	1.4
Credit bonds	0.8	0.8	83	12.0	(12)	(1.6)	52	7.5	23	3.3
CDOs	0.9	0.7	9	0.8	27	3.8	(35)	(3.6)	56	7.6
Properties	1.3	1.3	19	1.5	19	1.5	36	2.8	36	2.8
Assets rel. to I/A	1.4	1.6	28	2.0	25	1.6	39	2.7	56	3.7
Money market etc.	5.4	2.4	62	1.2	30	0.9	124	2.3	45	1.3
Interest-bearing debt	(3.9)	(1.9)	(32)	(0.7)	(9)	(0.4)	(89)	(1.9)	(20)	(0.7)
	16.4	17.8	537	3.4	12	0.1	509	3.3	346	2.0
Asset management			8		10		17		19	
Total investment return			545		22		526		365	

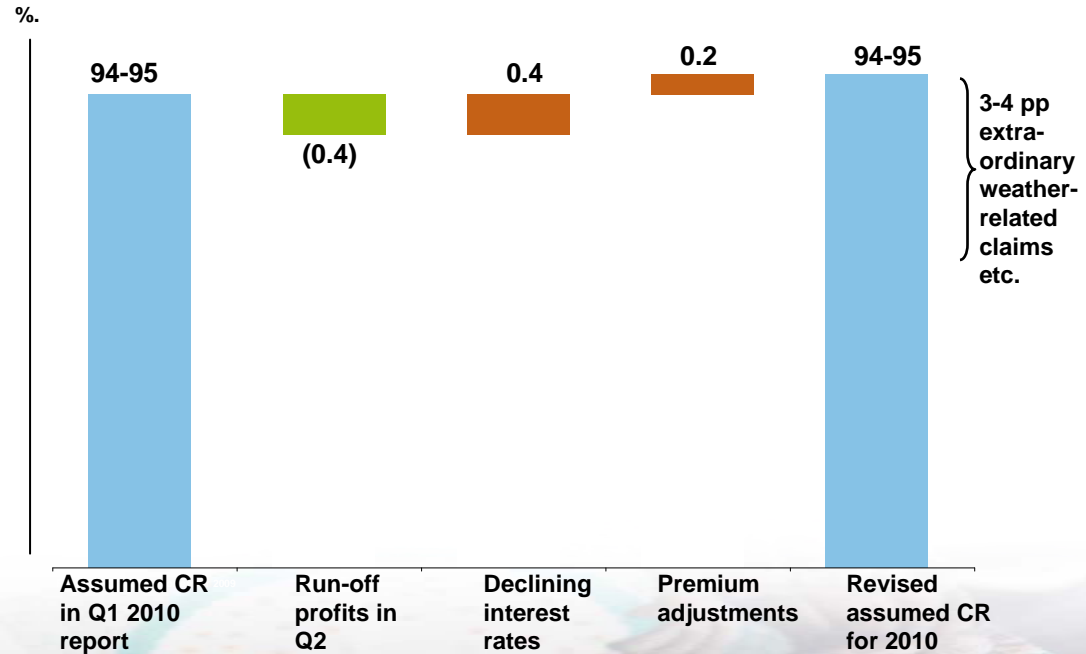
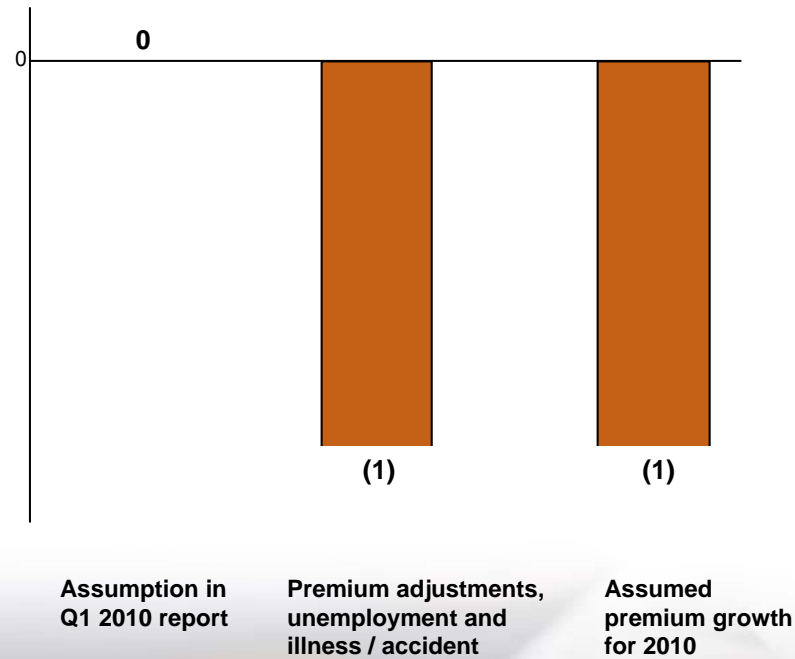
Unchanged goal of solvency capital of DKK 4.5bn

- In isolation the capital requirement of the QIS5 specifications is slightly lower than to be expected from previous drafts
- However, the DFSA has required that the new solvency requirements be calculated after splitting the life insurance portfolio into homogeneous interest rate groups
- Topdanmark has not yet quantified the solvency consequences of this
- It expects a lower than previously assumed capital requirement on the non-life business and a higher one on the life business
- Overall the capital requirement is expected to be unchanged
- Therefore Topdanmark has not changed its goal to accumulate solvency capital of DKK 4,500m by the end of 2012
- If contrary to expectations Topdanmark cannot use an internal model on the non-life insurance risk, the solvency requirement will be around DKK 1bn higher
- If so, it could be financed by issuing tier 2 capital
 - For example with a 4pp margin to the reinvestment rate the pre-tax extra cost will be DKK 40m (post-tax: DKK 30m)
 - By way of comparison the post-tax profit for a normal year is around DKK 1bn

Assumptions for 2010 forecast

Premium growth (%)

CR for 2010 excl. any run-off profits in H2 2010



Profit forecast model for 2010

Profit forecast 2010

(DKKm)	2009	Forecast for 2010 11 May 2010		Forecast for 2010 13 August 2010	
Non-life insurance					
- Technical result	869	570	- 620	520	- 570
- Investment return after transfer to technical result etc.	723	310	- 370	250	- 310
Profit on non-life insurance	1,592	880	- 990	770	- 880
Life insurance	292	390	- 410	290	- 310
Parent company etc.	(21)	(20)	- (10)	(10)	- 0
Pre-tax profit	1,863	1,250	- 1,390	1,050	- 1,190
Taxation	(417)	(300)	- (340)	(250)	- (290)
Profit for the year	1,446	950	- 1,050	800	- 900

Representing a profit per share of DKK 56

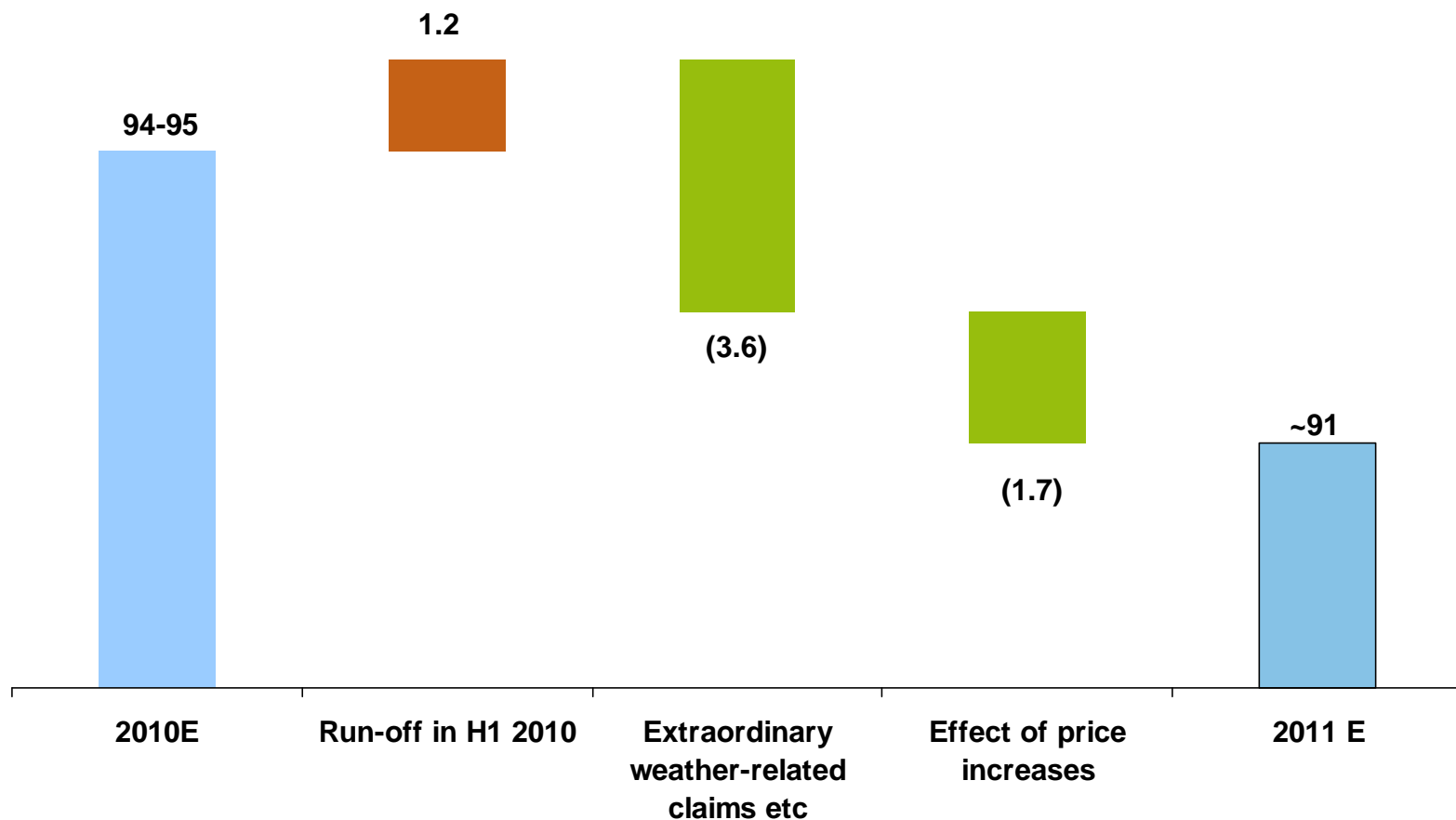
Buy-back for 2010

- Buy-back reduced by DKK 150m to DKK 900m
 - Representing a yield of 8.3%
- To date in 2010 own shares of DKK 384m bought back
- Leaving a balance of DKK 516m of the 2010 programme
- Since 1998 Topdanmark has cancelled 59% of outstanding shares
 - Average price per share: DKK 324



Prospects of improved CR in 2011

excl. any run-off profits / losses - other things being equal



Follow-up on strategy

Strategy:

- Profitable growth – in that order

Current position

- Basically, goal of 10% profit margin corresponding to CR of 91 has been achieved
- Challenge now to achieve the goal of premium growth in non-life of 1pp above the index



Initiatives to reach growth goal in Non-life

Measures taken by Topdanmark

- Activities undertaken to maintain portfolio
- Experimenting with new selling methods through Danske Bank Group
- Sales staffing increased to the level before the financial crisis
- Changes in products offered
- Greater emphasis on sales through brokers
- Entering road transport market

External factors

- Stabilisation of the macroeconomic conditions
- Other Danish insurance companies are instigating price increases

Disclaimer

This half-year report 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 half-year report. 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 half-year report.

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