

# Topdanmark Interim Report for Q1 - Q3 2009

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24 November 2009 Announcement No. 15/2009

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## Key features:

- Post-tax result increased to a DKK 519m profit this quarter from a DKK 172m loss in Q3 2008.
- In Q1 - Q3 2009 the post-tax result increased to a DKK 1,109m profit from a DKK 163m loss in the corresponding period the previous year.
- The post-tax profit forecast model for 2009 is being upgraded to DKK 1,200 - 1,300m from DKK 1,100 - 1,200m, calculated as at 13 November 2009 representing a return on shareholders' equity of 32.4%.
- The cash distribution for 2009 has been increased to DKK 825m from DKK 725m representing a yield of 7.7%.
- Non-life premiums earned declined 3.8% in the first three quarters of 2009 while regular premiums in life insurance increased 6.2%.
- The investment return turned around to a DKK 995m profit in Q1 - Q3 2009 from a DKK 818m loss in the same period the previous year.
- The combined ratio increased to 91.1% in Q1 - Q3 2009 from 82.1% in the same period the previous year. Excluding gains on the claims provisions the combined ratio increased to 93.4% from 88.2% primarily due to an increase in fire and theft claims.
- For 2010 growth in non-life premiums is expected to be 2% - 3% and the combined ratio is expected to improve to 91% - 92% excluding any gains on / strengthening of claims provisions.

On [www.topdanmark.com](http://www.topdanmark.com) → [Presentations](#) a webcast is available in which Topdanmark's CEO, Christian Sagild, presents the financial highlights and comments on the forecast.

A conference call will be held today at 15:30 (CET) when Christian Sagild, CEO, and Lars Thykier, CFO, will be available for questions based on the Q1 - Q3 report and the webcast. The call will be conducted in English.

In order to participate in the conference call, please phone:

UK dial in number: +44 (0)20 7162 0125

US dial in number: +1 334 420 4950

10 - 15 minutes before the conference asking the operator to connect you to the Topdanmark conference call - or listen to the live [transmission](#) of the call.

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## Financial highlights

(DKKm)	Full year 2008	Q3 2008	Q3 2009	Q1-Q3 2008	Q1-Q3 2009
<b>Premiums earned:</b>					
Non-life insurance	8,952	2,261	2,159	6,751	6,494
Life insurance	3,980	919	671	2,978	2,342
	12,932	3,180	2,830	9,729	8,836
<b>Results:</b>					
Non-life insurance	91	(146)	536	49	1,269
Life insurance	(57)	(32)	118	(70)	174
Parent company etc.	(58)	(12)	(6)	(50)	(37)
Pre-tax profit / (loss)	(24)	(190)	648	(71)	1,406
Tax	(165)	18	(129)	(92)	(297)
<b>Profit / (loss)</b>	(189)	(172)	519	(163)	1,109
Shareholders' equity of parent company at 1 January	3,716	3,419	3,901	3,716	3,243
Profit / (loss)	(189)	(172)	519	(163)	1,109
Share buy-back	(371)	(3)	(204)	(366)	(220)
Share-based payments	77	7	41	63	125
Other movements in shareholders' equity	10	9	2	10	2
<b>Shareholders' equity of parent company end of period</b>	3,243	3,260	4,259	3,260	4,259
Deferred tax on security funds	(348)	(348)	(348)	(348)	(348)
<b>Shareholders' equity of Group end of period</b>	2,895	2,912	3,911	2,912	3,911
Capital base, parent company*)	3,645	3,663	4,662	3,663	4,662
Total assets, parent company	4,819	4,184	5,066	4,184	5,066
Total assets, Group	52,035	45,195	54,695	45,195	54,695
Provisions for insurance and investment contracts:					
Non-life insurance	13,685	14,258	15,057	14,258	15,057
Life insurance	24,938	24,939	27,949	24,939	27,949
<b>Financial ratios (parent company)</b>					
Post-tax profit / (loss) as a % of shareholders' equity	(5.6)	(5.2)	12.5	(4.8)	28.8
Post-tax profit / (loss) per share (DKK)	(12.1)	(11.1)	32.9	(10.4)	70.4
Post-tax profit / (loss) per share, diluted (DKK)	(12.1)	(11.1)	32.7	(10.4)	70.0
Net asset value per share (DKK)	207.1	209.0	272.8	209.0	272.8
Share buy-back per share (DKK)	23.4	0.2	12.8	23.0	13.9
Listed share price end of period (DKK)	687	748	769	748	769
Average number of shares ('000)	15,640	15,594	15,783	15,647	15,757
Average number of shares, diluted ('000)	15,640	15,594	15,890	15,647	15,832
Number of shares end of period ('000)	15,663	15,594	15,613	15,594	15,613
<b>Ratios non-life insurance (%)</b>					
Gross loss ratio	64.6	57.8	72.7	64.8	73.7
Net reinsurance ratio	3.1	2.6	3.6	2.9	2.7
Claims trend	67.7	60.4	76.3	67.7	76.4
Gross expense ratio	14.7	14.2	14.5	14.4	14.7
Combined ratio	82.4	74.6	90.8	82.1	91.1
Operating ratio	80.4	72.9	90.1	80.1	89.9

\*) Shareholders' equity and loan capital

# Topdanmark Interim Report Q1 - Q3 2009

## Results for Q1 - Q3 2009

Topdanmark's post-tax result for the first three quarters of 2009 was a profit of DKK 1,109m (Q1 - Q3 2008: DKK 163m loss) representing an annual post-tax return on shareholders' equity of 40.2%.

The pre-tax result turned around to a DKK 1,406m profit from a DKK 71m loss. The non-life insurance profit increased to DKK 1,269m in Q1 - Q3 2009 from DKK 49m in the first three quarters of 2008 primarily thanks to an increase in the investment return. The result of life insurance increased correspondingly to a DKK 174m profit from a DKK 70m loss. For further details see: ["Non-life insurance"](#), ["Investment activities"](#) and ["Life insurance"](#).

Trend in pre-tax result (DKKm)	Q1-Q3 2008	Q1-Q3 2009
Non-life insurance		
- Technical result	1,379	665
- Investment return after transfer to technical result etc.	(1,330)	604
Profit on non-life insurance	49	1,269
Life insurance	(70)	174
Parent company etc.	(50)	(37)
Pre-tax profit / (loss)	(71)	1,406

## Results for Q3 2009

The Q3 2009 post-tax result was a profit of DKK 519m (Q3 2008: DKK 172m loss). The pre-tax result increased to a DKK 648m profit this quarter from a DKK 190m loss in Q3 2008 primarily due to an increase in the investment return in non-life insurance to a DKK 320m profit from a DKK 773m loss. The result of life insurance also improved to a DKK 118m profit from a DKK 32m loss which, besides an improved return on investments, was due to the recognition as income of a proportion of the allowance for risk and the shadow account in Liv V in Q3 2009, based on a tangible estimate.

The technical result in Q3 2009 was DKK 411m lower than in the same quarter in 2008. As described under ["Non-life insurance"](#) DKK 245m of this was due to lower gains on the claims provisions. The remaining DKK 166m was due to a combination of price cuts, lower interest income and an increase in theft claims.

The Q3 profit was higher than assumed in the most recent profit forecast model set out in the H1 2009 report due to a somewhat better than assumed investment return and the recognition as income of a proportion of the risk allowance and the shadow account in Liv V.

Trend in pre-tax result (DKKm)	Q3 2008	Q3 2009
Non-life insurance		
- Technical result	627	216
- Investment return after transfer to technical result etc.	(773)	320
Profit / (loss) on non-life insurance	(146)	536
Life insurance	(32)	118
Parent company etc.	(12)	(6)
Pre-tax profit / (loss)	(190)	648

## Non-life insurance

Premiums earned declined 3.8% in Q1 - Q3 2009. However, the underlying decline is less due to premium cuts of DKK 35m caused by gains on claims provisions in Q3 on certain agreements in illness and accident insurance which stipulate that premiums paid reflect the claims trend. Eliminating this, premiums earned declined 3.3%.

This 3.3% decline in Q1 - Q3 2009 was in line with assumptions and was due to price cuts, lost business in workers' compensation insurance from the beginning of the year, lower sales via bank distribution and a downturn in cyclical areas. Examples of the downturn include more enterprises having suspended payments, an increase in the number of unemployed having a consequential effect on the number of employees covered by workers' compensation insurance and the number of vehicles - particularly vans - to be insured.

To improve competitiveness Topdanmark has implemented price cuts of DKK 600 - 700m since 2006, primarily within motor and workers' compensation insurance. The effect of the price cuts will ebb away by the end of 2009.

## Topdanmark Interim Report Q1 - Q3 2009

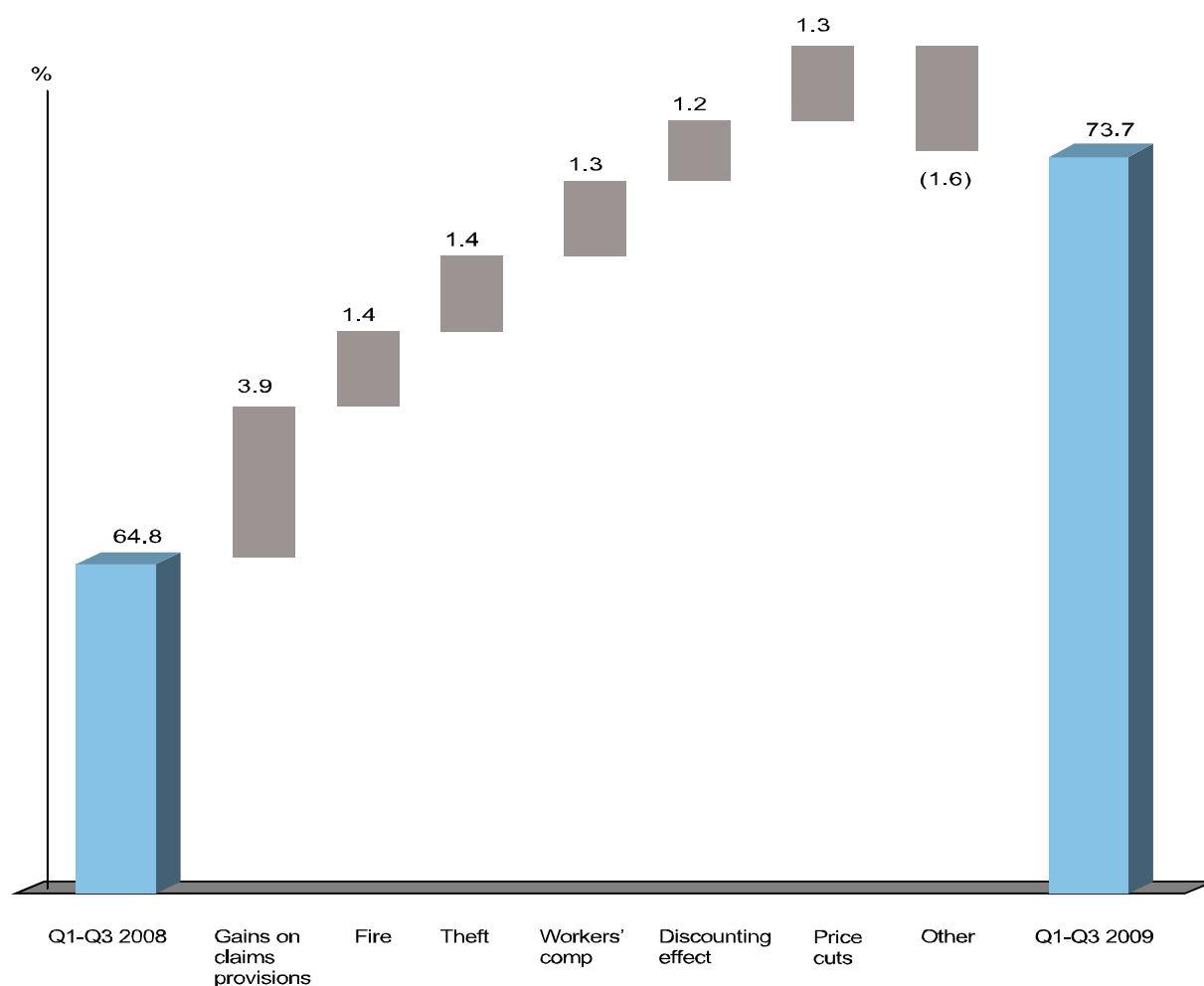
Profit on non-life insurance increased to DKK 1,269m in the first three quarters of 2009 from DKK 49m in Q1 - Q3 2008 primarily reflecting a DKK 1,931m increase in the investment return and a DKK 714m decline in the technical result.

This decline in technical result was expected due to price cuts, an increase in the level of theft and fire claims and a

lower technical interest rate. Furthermore, the level of gains on claims provisions was significantly lower in the first three quarters of 2009 than it was last year.

The gross loss ratio increased to 73.7% in Q1 - Q3 2009 from 64.8% in Q1 - Q3 2008.

### Trend in loss ratio Q1 - Q3 2008 - Q1 - Q3 2009



The price cuts implemented in motor and workers' compensation insurance had an effect of DKK 120m in Q1 - Q3 2009 corresponding to a 1.3 percentage point effect on the loss ratio.

Fire claims increased DKK 89m to DKK 592m in the first three quarters of 2009 from DKK 503m in the same period the previous year, having a 1.4 percentage point adverse effect on the loss ratio. There was an erratic

trend in the level of fire claims in the first three quarters of 2009. In Q1 they were exceptionally high at a level of DKK 269m while in Q2 and Q3 they were at DKK 169m and DKK 154m respectively. Topdanmark does not expect that building claims will decline to the low level seen in previous years. Therefore as announced in the H1 2009 report, there will be price increases in building insurance for businesses and house insurance for individual households.

## Topdanmark Interim Report Q1 - Q3 2009

Theft claims increased DKK 93m to DKK 388m in Q1 - Q3 2009 from DKK 295m in the same period the previous year corresponding to a 1.4 percentage point adverse effect on the loss ratio. Due to the increase in theft claims Topdanmark is implementing price increases in property insurance for businesses and contents insurance for individual households, as announced in the H1 2009 report.

Workers' compensation claims increased with a 1.3 percentage point effect on the loss ratio. This increase was due to a number of factors including a Danish Supreme Court decision, the Danish tax reform and declining real interest rates. The Supreme Court decision has reversed the burden of proof in the event of adverse changes in the claimant's disease pattern such that now it is the insurance company who must prove that the adverse changes are not due to industrial injuries. As a result of the tax reform, which reduced the level of personal income tax, the value of compensation paid has increased because the compensation is calculated after the receiver's tax payment. In general the decline in real interest rate has increased the present value of future payments of compensation.

As all provisions for outstanding claims are discounted to present value, a lower interest rate increases the loss ratio. Therefore the lower interest rates seen in the first three quarters of 2009 as compared with 2008 increased the loss ratio by 1.2 percentage points.

Gains on claims provisions on own account were DKK 147m in the first three quarters of 2009 (Q1- Q3 2008: DKK 414m). Before reinsurance they were DKK 151m (Q1- Q3 2008: DKK 402m) which increased the loss ratio by 3.9 percentage points.

In motor insurance the loss ratio was slightly better than in the first three quarters of 2008 reflecting a 7 percentage point decline in the claims frequency, price cuts and a slight increase in third party claims.

The level of large weather-related claims, defined as gross claims exceeding DKK 4.5m per event within a 72 hour period, increased slightly in the first three quarters of 2009 as compared to the same period the previous year. Large weather-related claims increased to DKK 32m from DKK 26m giving a 0.1 percentage point adverse effect on the loss ratio.

Topdanmark's reimbursement from the reinsurers was higher in Q1 - Q3 2009 than in the same period the previous year primarily due to the very large fire claims in Q1. Overall the reinsurance ratio declined from 2.9% to 2.7%.

The expense ratio increased from 14.4% to 14.7%. Although expenses reduced 1.8% as a consequence of, among other factors, the "intelligent employment freeze", the 3.8% decline in premiums earned meant that the expense ratio could not be maintained at its previous level.

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) increased from 82.1% in Q1 - Q3 2008 to 91.1% in the same period this year. Excluding the gains on claims provisions the combined ratio increased to 93.4% from 88.2%.

### Developments in Q3

Premiums earned in Q3 2009 amounted to DKK 2,159m which was 4.5% lower than the same quarter the previous year. After adjusting for premium cuts of DKK 35m due to gains on claims provisions on certain agreements in illness and accident insurance which stipulate that premiums paid reflect the claims trend, the decline was 2.9%.

The result of non-life insurance increased DKK 682m to DKK 536m due to a DKK 1,093m improvement in the investment return etc. to DKK 320m while the technical result declined DKK 411m to DKK 216m.

## Topdanmark Interim Report Q1 - Q3 2009

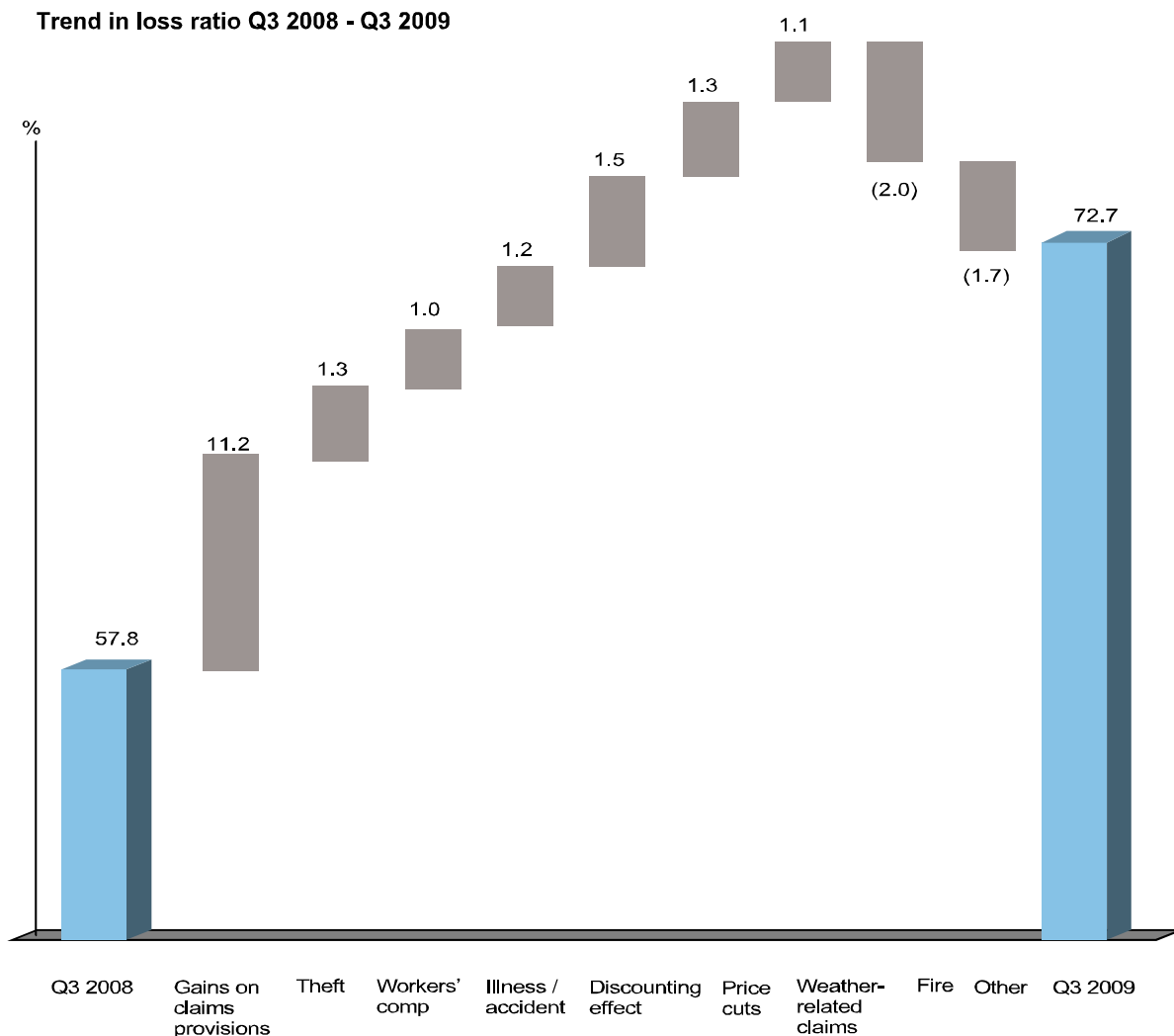
This deterioration in the technical result was attributable to DKK 245m of lower gains on the claims provisions, price cuts of DKK 40m, an increase in theft claims of DKK 27m and lower technical interest of DKK 32m.

The level of large weather-related claims increased to DKK 24m this quarter from zero in Q3 2008.

Expenses on fire claims declined to DKK 154m from DKK 198m.

The loss ratio increased from 57.8% in Q3 2008 to 72.7% this quarter primarily due to lower gains on the claims provisions (11.2 percentage points). Due to the lower interest rates this quarter as compared to Q3 2008 the loss ratio increased 1.5 percentage points. Furthermore there was, among other factors, an increase in theft claims, see the chart "Trend in loss ratio Q3 2008 - Q3 2009".

**Trend in loss ratio Q3 2008 - Q3 2009**



The net reinsurance ratio increased to 3.6% from 2.6%.

The expense ratio increased to 14.5% from 14.2% kept down by cost alignments and lower acquisitions costs.

Taking all these variables into account the combined ratio increased to 90.8% from 74.6%. Excluding the gains on claims provisions it increased to 93.1% from 87.5%.

## Topdanmark Interim Report Q1 - Q3 2009

<b>Financial highlights - Non-life insurance</b> (DKKm)	<b>Full year</b> <b>2008</b>	<b>Q3</b> <b>2008</b>	<b>Q3</b> <b>2009</b>	<b>Q1-Q3</b> <b>2008</b>	<b>Q1-Q3</b> <b>2009</b>
Gross premiums earned	8,952	2,261	2,159	6,751	6,494
Technical interest	222	52	20	170	90
Claims incurred	(5,786)	(1,309)	(1,568)	(4,373)	(4,787)
Expenses	(1,320)	(321)	(314)	(974)	(957)
Net reinsurance	(272)	(56)	(81)	(195)	(175)
Technical result	1,796	627	216	1,379	665
Investment return after transfer to technical result	(1,717)	(776)	315	(1,342)	589
Other items	12	3	5	12	15
<b>Profit / (loss) on non-life insurance</b>	<b>91</b>	<b>(146)</b>	<b>536</b>	<b>49</b>	<b>1,269</b>
Gains on claims provisions on own account	506	292	47	414	147
Gross loss ratio (%)	64.6	57.8	72.7	64.8	73.7
Net reinsurance ratio (%)	3.1	2.6	3.6	2.9	2.7
Claims trend (%)	67.7	60.4	76.3	67.7	76.4
Gross expense ratio (%)	14.7	14.2	14.5	14.4	14.7
Combined ratio (%)	82.4	74.6	90.8	82.1	91.1
Operating ratio (%)	80.4	72.9	90.1	80.1	89.9

### Segment reporting

#### Personal

The personal segment includes policies for individual households sold by Topdanmark's own sales channels and its distribution partners.

Premiums earned declined 0.2% to DKK 3,446m in Q1 - Q3 2009 reflecting premium cuts previously made, the recession in the motor insurance market, lower sales via bank distribution and bonus adjustments to illness and accident policies due to a favourable claims trend. However, sales through Topdanmark's own sales channels improved in personal lines in Q1 - Q3 2009.

The technical result declined DKK 278m to DKK 330m in Q1 - Q3 2009 mainly due to a deteriorated claims trend as well as lower discounting and a lower technical interest rate as a result of the lower level of interest rates.

The claims trend increased 7.7 percentage points to 76.8% due to a DKK 80m increase in compensation on theft and fire claims from Q1 - Q3 2008 to Q1 - Q3 2009. The claims trend was favourable in motor insurance due to a 7 percentage point drop in the claims frequency.

Gains on claims provisions declined to DKK 85m this period from DKK 112m in Q1 - Q3 2008, generating a 0.8 percentage point adverse effect on the combined ratio.

In order to improve the unsatisfactory claims trend price increases are being implemented in house and contents insurance.

The expense ratio declined to 14.9% from 15.6% as a result of the increased focus on cutting expenditure and lower commission due to lower sales through bank distribution.

The combined ratio increased to 91.7% this period from 84.7% in Q1 - Q3 2008 mostly due to the poor claims trend and price cuts.



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<b>Personal</b> (DKKm)	<b>Full year</b> <b>2008</b>	<b>Q3</b> <b>2008</b>	<b>Q3</b> <b>2009</b>	<b>Q1-Q3</b> <b>2008</b>	<b>Q1-Q3</b> <b>2009</b>
Gross premiums earned	4,573	1,154	1,141	3,453	3,446
Technical interest	111	25	11	81	45
Claims incurred	(3,197)	(808)	(872)	(2,346)	(2,607)
Expenses	(729)	(183)	(168)	(539)	(514)
Net reinsurance	(57)	(3)	(13)	(41)	(40)
Technical result	701	185	99	608	330
Gains on claims provisions on own account	114	23	41	112	85
Gross loss ratio (%)	69.9	70.0	76.5	67.9	75.6
Net reinsurance ratio (%)	1.3	0.2	1.1	1.2	1.2
Claims trend (%)	71.2	70.2	77.6	69.1	76.8
Gross expense ratio (%)	15.9	15.8	14.7	15.6	14.9
Combined ratio (%)	87.1	86.0	92.3	84.7	91.7
Operating ratio (%)	85.0	84.2	91.4	82.8	90.5

### SME

The SME segment includes policies for commercial and agricultural businesses with fewer than 50 employees sold by Topdanmark's sales organisation and alliance partners.

Premiums earned declined 8.0% to DKK 2,455m primarily due to the loss of premiums on workers' compensation insurance (DKK 200m decline from Q1 - Q3 2008) corresponding to 7.5 percentage points, fewer cars and vans and more business liquidations.

The technical result declined DKK 350m to DKK 289m in Q1 - Q3 2009 mainly due to a deteriorated claims trend.

The claims trend increased 9.4 percentage points to DKK 495m due a significant increase of 21.6% in large fire

claims and thefts in SME. The claims trend was more normal in agricultural lines. In order to improve the poor claims trend there will be increased premiums for building and property policies for SME-customers.

Gains on claims provisions declined to DKK 51m this period from DKK 232m in Q1 - Q3 2008 with a 7.4 percentage point deteriorating effect on the combined ratio.

The expense ratio increased 1.4 percentage points due to the decline in premiums.

The combined ratio increased to 89.8% this period from 79.0% in Q1 - Q3 2008 mostly due to the large fire claims, the high number of thefts and the decline in gains on claims provisions.

<b>SME</b> (DKKm)	<b>Full year</b> <b>2008</b>	<b>Q3</b> <b>2008</b>	<b>Q3</b> <b>2009</b>	<b>Q1-Q3</b> <b>2008</b>	<b>Q1-Q3</b> <b>2009</b>
Gross premiums earned	3,543	895	822	2,669	2,455
Technical interest	95	23	7	77	39
Claims incurred	(2,167)	(431)	(552)	(1,668)	(1,783)
Expenses	(477)	(108)	(118)	(354)	(362)
Net reinsurance	(111)	(32)	(45)	(85)	(60)
Technical result	883	347	114	639	289
Gains on claims provisions on own account	266	197	2	232	51
Gross loss ratio (%)	61.2	48.2	67.1	62.5	72.6
Net reinsurance ratio (%)	3.1	3.6	5.5	3.2	2.5
Claims trend (%)	64.3	51.8	72.6	65.7	75.1
Gross expense ratio (%)	13.5	12.1	14.3	13.3	14.7
Combined ratio (%)	77.8	63.9	86.9	79.0	89.8
Operating ratio (%)	75.7	62.3	86.2	76.7	88.4

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### Industrial

The Industrial segment includes policies for Danish based enterprises with more than 50 employees, including captive-based policies.

Premiums earned declined 5.5% from the same period the previous year reflecting the loss of a number of large customers in workers' compensation insurance and continued intense competition in the industrial insurance market.

The technical result declined DKK 84m to DKK 42m in Q1 - Q3 2009.

The claims trend deteriorated to DKK 11m this period 11.6 percentage points to 80.4% primarily due to a DKK

58m decline in gains on claims provisions to DKK 11m this period from DKK 69m in Q1 - Q3 2008 with a 9.6 percentage point adverse effect on the claims trend.

The claims trend benefited from few large-scale claims in H1 2009 although there were several large-scale claims in Q3.

The expense ratio increased 0.2 percentage points due to the decline in premiums.

The combined ratio deteriorated to 94.1% in Q1 - Q3 2009 from 82.3% in the same period the previous year.

<b>Industrial</b> (DKKm)	<b>Full year</b> <b>2008</b>	<b>Q3</b> <b>2008</b>	<b>Q3</b> <b>2009</b>	<b>Q1-Q3</b> <b>2008</b>	<b>Q1-Q3</b> <b>2009</b>
Gross premiums earned	857	218	202	645	609
Technical interest	15	3	1	12	6
Claims incurred	(446)	(73)	(151)	(375)	(415)
Expenses	(120)	(33)	(27)	(87)	(83)
Net reinsurance	(104)	(21)	(23)	(69)	(75)
Technical result	202	94	2	126	42
Gains on claims provisions on own account	126	71	4	69	11
Gross loss ratio (%)	52.0	33.4	74.7	58.1	68.2
Net reinsurance ratio (%)	12.2	9.5	11.2	10.7	12.2
Claims trend (%)	64.2	42.9	85.9	68.8	80.4
Gross expense ratio (%)	14.1	15.1	13.4	13.5	13.7
Combined ratio (%)	78.3	58.0	99.3	82.3	94.1
Operating ratio (%)	76.9	57.2	98.7	80.8	93.2

### Life insurance

The result of life insurance was a profit of DKK 174m in Q1 - Q3 2009 (Q1 - Q3 2008: DKK 70m loss).

The result of the life insurance activities comprises the sum of the profits generated in Liv I and Liv V net of any

financing costs. These profits were calculated in accordance with the stated policy on the calculation of profit for the life insurance companies, see [www.topdanmark.com](http://www.topdanmark.com) → [Business](#) → [Life insurance](#) → [Policy for the calculation of profit](#).

## Topdanmark Interim Report Q1 - Q3 2009

### Result of life insurance

(DKKm)	Q1-Q3 2008			Q1-Q3 2009		
	Liv I	Liv V	Group	Liv I	Liv 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 Liv Holding			(9)			(7)
Other			(13)			(2)
<b>Profit / (loss) on life insurance</b>			<b>(70)</b>			<b>174</b>
<b>Shadow account end of period</b>	<b>46</b>	<b>90</b>	<b>136</b>	<b>117</b>	<b>75</b>	<b>192</b>

Customers are divided primarily between the two companies, Liv I and Liv V, on the basis of when the policies are written: those written since 1 July 1994 with guaranteed pension benefits of 2.5% and 1.5% are placed in Liv I which is also the company for new customers. Schemes written before 1 July 1994 with guaranteed pension benefits of 4.5% have been placed in Liv V.

The return on funds owned by customers before pension return tax was 9.6% in Liv I and 6.0% in Liv V in Q1 - Q3 2009. After pension return tax and the change in provisions to strengthen the guarantees the net return was 8.3% in Liv I and 4.0% in Liv V.

Excluding the return on equities and instruments used to hedge the guaranteed benefits, the investment return on shareholders' equity was 4.9% in Liv I and 7.2% in Liv V in Q1 - Q3 2009.

In Liv I the "insurance technical profit before bonus contribution" was not sufficient to cover the withdrawal from the individual bonus potential at the end of 2008. Therefore the allowance for risk of DKK 54m was transferred to the shadow account of Liv I.

In Liv V the size of "the insurance technical profit before bonus contribution" for the first three quarters was sufficient, taken in isolation, to recognise as income both the full allowance for risk and the full shadow account, based on a tangible estimate. However, this recognition is only possible if "the insurance technical result before bonus contribution" is also sufficient after Q4. Therefore Topdanmark has chosen to take into account the possibility of "an insurance technical loss before bonus contribution" in Q4 by including only part of the risk allowance (DKK 19m) and the shadow account (DKK 56m) based on a tangible estimate. The remainder of the

shadow account will be included in income in a subsequent period. At 30 September 2009 the shadow accounts were DKK 117m in Liv I and DKK 75m in Liv V.

### Reduction in loss participation scheme

Due to the profit achieved for the period the withdrawal from the individual bonus potential on paid-up benefits of the portfolio in Liv I was reduced by DKK 920m to DKK 327m and consequently the individual bonus potential on paid-up benefits was DKK 4,178m. With effect from 4 September 2009 the loss participation scheme in Liv I was reduced from 5% to 3%.

At the end of Q3 2009 the collective bonus potential in Liv V had increased DKK 71m to DKK 137m representing a bonus ratio of 1.7%.

Loss participation is a temporary measure introduced in periods where the market value of the customers' assets is lower than the sum of their savings. Should customers choose to leave their schemes prematurely, the loss participation is taken into account in the calculation of their savings to avoid a biased distribution of the common funds between those customers who leave and those who stay.

### Trend in premiums

Gross premiums declined 21.4% to DKK 2,342m in Q1 - Q3 2009 from DKK 2,978m in the corresponding period the previous year.

Topdanmark focuses on growth in regular premiums which are paid year on year, typically corporate pension schemes where a company regularly pays the premiums for its employees. Regular premiums increased 6.2% to DKK 2,025m in Q1 - Q3 2009 from DKK 1,906m in the same period the previous year.

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Single premiums declined 70.5% to DKK 317m this period from DKK 1,072m in Q1 - Q3 2008 due to exceptional market conditions. As several companies had loss participation schemes in Q1 - Q3 2009, the decline in premiums is a natural consequence of the resulting reduced mobility in corporate pensions. The decline in single premiums should be viewed alongside a corresponding reduction in the transfer of savings from Topdanmark to other players in the market.

Premiums on unit-linked policies declined 32.9% to DKK 402m in Q1 - Q3 2009 from DKK 599m in the same period the previous year, accounting for 30.9% of new life insurance business.

The expected growth in regular premiums continues to be 5% as previously expected in the reports for Q1 and H1 2009.

Besides the premiums disclosed in the profit and loss account, premiums of DKK 108m were earned on investment contracts and taken directly to the balance sheet. This comprised DKK 47m of regular premiums and DKK 61m of deposits. Overall premiums earned on investment contracts declined 32.7% from the same period the previous year.

### Developments in Q3

The result of life insurance increased to a DKK 118m profit this quarter from a DKK 32m loss in Q3 2008 due to, among other factors, a DKK 43m improvement in the investment return on shareholders' equity and a DKK 23m improvement in the result of Topdanmark Link. In Liv V the size of "the insurance technical profit before bonus contribution" enabled the recognition as income of both the full allowance for risk and the shadow account. However, as mentioned before Topdanmark has chosen to include only part of it as income.

### Result of life insurance

(DKKm)	Liv I	Liv V	Q3	Liv I	Liv V	Q3
			2008			2009
			Group			Group
Investment return	(5)	(9)	(14)	12	17	29
Risk allowance	17	13	30	16	12	28
Transferred to / from shadow account	(17)	(13)	(30)	(16)	62	46
Profit / (loss) in Topdanmark Link			(4)			19
Financing charges Liv Holding			(3)			(1)
Other			(11)			(3)
<b>Profit / (loss) on life insurance</b>			<b>(32)</b>			<b>118</b>

Gross premiums declined 27.1% from DKK 919m in Q3 2008 to DKK 671m this quarter. Regular premiums increased 1.2% from DKK 556m in Q3 2008 to DKK 563m this quarter.

Through its subsidiary Nykredit Livsforsikring, Topdanmark Livsforsikring has expanded its co-operation with Nykredit. Up to now this co-operation has included the provision of certain risk covers and group life but has now been expanded to also include the provision of unit-linked annuity products. It is expected that the writing of new business will commence from the beginning of 2010.

### Investment activities

The return on investment activities in the Topdanmark Group excluding Topdanmark Livsforsikring Group was DKK 995m in Q1 - Q3 2009 (Q3 2009: DKK 443m) including revaluation of provisions and income from associated companies but before the transfer to the technical result. In Q1 - Q3 2008 the corresponding investment return was a loss of DKK 818m.

The return in Q1 - Q3 2009 was higher than in the profit forecast model for 2009 published in the H1 2009 report primarily due to a higher than assumed return on equities supplemented by a continued substantial return on investments in the mortgage credit market.

## Topdanmark Interim Report Q1 - Q3 2009

The return in Q1 - Q3 2009 on the most significant classes of assets is disclosed in the following table:

### Investment return

	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	

The exposure in foreign equities has been adjusted by the use of derivatives. The return percentages are calculated as the ratio between the return on financial instruments and the size of the exposure of the underlying asset. The return on government and mortgage bonds and assets related to I/A (illness/accident) includes revaluations of claims provisions.

At the end of Q3 associated companies accounted for DKK 56m of the total equity investment of DKK 1,113m. The equity exposure was DKK 833m excluding associated companies but including the impact of derivatives.

The equity portfolios are well diversified with no large individual positions. The composition of the portfolios is based on OMXCCAP for Danish equities (representing 25% of the portfolio at 30 September 2009) and MSCI World in the original currency for foreign equities.

The market value of interest-bearing investment assets owned by the Group excluding life insurance was DKK 14,223m, equivalent to 89.5% of total investment assets. The Group's investments have no significant

concentration of credit risk except for AAA-rated Danish mortgage bonds which are considered to be particularly safe assets according to the Danish Financial Business Act.

The class of government and mortgage bonds comprises primarily Danish mortgage bonds. In addition, there is a small number of government and covered bonds. These are AAA-rated mortgage bonds where the size of the loan may not exceed 70% of the value of the property. If property prices decline so much that the requirement is not fulfilled, the issuer will provide further security.

Credit bonds with a rating lower than BBB (DKK 373m) comprise senior secured bank loans and high yield bonds, part of which is convertible, and subordinated bank capital issued by EU banks (DKK 37m tier 1). Credit bonds with a rating of BBB and A (DKK 248m) are ordinary and convertible corporate bonds and subordinated bank capital issued by EU banks (DKK 97m tier 1). Credit bonds with a rating higher than A (DKK 125m) are annuity policies and corporate bonds.

The underlying assets of CDOs with a rating lower than AA (DKK 433m) are primarily leveraged loans (DKK 313m) while the remainder are primarily CDOs with investment grade investments as the underlying assets. The underlying assets in CDOs with ratings of AA and AAA (DKK 446m) comprise primarily leveraged loans (DKK 208m), prime mortgage-backed securities (DKK 153m) and investment grade bonds etc. (DKK 49m).

The default ratio of the underlying assets of Topdanmark's CLOs continues to be significantly lower than the level assumed in Topdanmark's calculation of model prices. Therefore there are no indications that the assumptions on which the model prices are based must be more restrictive and the markets for underlying assets have been influenced by continued price increases. However, the number of equity tranches that do not meet the requirements for regular payments continues to be very high and for the time being the regular return on the equity tranches will be correspondingly low. It is expected that payments from some of the payment-suspended tranches will be resumed at a later point in time.

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## CDOs - Returns and portfolios

(DKKm)	Group excl. life insurance		Life insurance	
	Q3	Q1-Q3	Q3	Q1-Q3
<b>Return</b>				
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)
<b>Book value 30 September 2009</b>				
AAA and AA		446		876
Lower than AA		433		689
Total book value		879		1,565

Currently Topdanmark does not invest in CDOs. The table above shows the Group's CDO return at 30 September 2009 and the market value of the portfolios at the same date. It is seen that the overall investment return of CDO investments was a loss of DKK 39m in Q1 - Q3 2009 in the Group excluding life insurance. Including the shareholders' share of the return on life insurance the investment return for the CDO investments was as loss of DKK 47m.

The maturity of the CDO investments is dependent on developments in the payments made by the underlying assets which in turn are dependent on developments in the general economy and therefore it is not possible to outline an actual plan for settlement of the portfolio. Topdanmark expects only modest repayments in 2009 while repayments and redemptions, in primarily AAA and AA tranches, are expected to be around DKK 300m in 2010. In 2008 repayments and redemptions were about DKK 150m.

The property portfolio comprises mainly owner-occupied property (DKK 739m), rental property (DKK 351m), rental office property (DKK 68m) and property rented for hotel use (DKK 112m). The tenancies for the residential and hotel properties are subject to a short termination notice but re-letting is not considered to be a problem. The office property is rented under contracts with no option to terminate prior to 2015. Over 99% of the property portfolio is currently let. The properties are valued in accordance with the rules of the Danish Financial Supervisory Authority i.e. at market value taking into account the level of rent and the terms of the tenancy agreements.

The class of "Assets related to IA" (illness / accident) comprises the investments in Topdanmark Livsforsikring corresponding to the size of the illness / accident provisions. The investments are calculated as a proportion of the total investments of Topdanmark Livsforsikring. However, equities and equity instruments have, in advance, been allocated to the life insurance customers to ensure that the return on these assets is not included in the return on "Assets related to IA".

"Money market etc." comprises primarily money market deposits and intra-group balances while "Interest-bearing debt" comprises money market loans, negative intra-group balances, subordinated loans and issued hybrid capital.

## Model prices

With effect from Q4 2008 Topdanmark decided to use the mark-to-model method on structured products (including CDOs, illiquid loans and credit bonds) where no market price meets the IFRS requirements on transactions between willing parties. In the model it is assumed that the default ratio of loans and credit bonds is currently 10% p.a. and will remain at this level up to and including Q3 2011 after which the ratio will gradually decline to a normal level of 3% p.a. Recovery rates are assumed to be 60% for senior debt and 20% for subordinated debt. The interest rate used in the calculation is 10% p.a.

The mark-to-model method is only used if it is specifically considered that the calculated value would reflect a more fair value. In the Group excluding life insurance, asset exposure totalling DKK 557m at 30 September 2009 has been valued in this way (30 June 2009: DKK 825m). On the change to real market prices there was a gain of DKK 5m in Q3 2009.

## Financing

The goal of Topdanmark's capital structure is to ensure that its capital base (shareholders' equity and hybrid capital) is sufficient to support its current operations. Equity in excess of this amount is distributed to shareholders. This cash distribution is financed with temporary loans while the corresponding earnings are accumulated in the subsidiaries. Following the payment of dividends from the subsidiaries the amount of loan capital outstanding is returned to the optimum long-term level.

In the summer of 2007 Topdanmark issued EUR 55m of hybrid core capital by way of floating rate subordinated notes. These bullet subordinated notes have no final

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maturity date. However, from 15 September 2017 Topdanmark will be entitled to redeem them early at par subject to the prior approval of the Danish Financial Supervisory Authority. The interest rate on the subordinated notes is EURIBOR plus 1.90% until September 2017 and EURIBOR plus 2.90% thereafter.

For details on the liquidity base see

[www.topdanmark.com](http://www.topdanmark.com) → [Risk management](#) → [Market risk](#).

### Taxation

The tax charge was DKK 297m against a pre-tax profit of DKK 1,406m. The actual tax rate of 21% deviates from the official tax rate of 25% because equity gains (DKK 226m in Q1 - Q3 2009) were not taxable.

### Profit forecast model for 2009

Topdanmark is not publishing an actual profit forecast for 2009 but the expected level of the result if a number of assumptions of the return in the financial markets are met. As the return in the financial markets changes on a daily basis, Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore set out in [www.topdanmark.com](http://www.topdanmark.com) → [Risk management](#) → [Risk factors](#) → [Risk scenarios](#) is additional information on how changes in the assumptions of the profit forecast model will affect the level of results.

The readers of Topdanmark's annual and interim reports may make forecast assumptions other than those chosen by Topdanmark and therefore Topdanmark has given any interested readers the opportunity to calculate their own profit expectations for Topdanmark by using Topdanmark's result simulation model on [www.topdanmark.com](http://www.topdanmark.com) → [Shares](#) → [Result and share price simulation model](#)

As is seen, the investment return forecast model is not based on a specific estimate of the expected investment return for the entire year but solely on a long-term standard assumption of the return.

In the H1 report published on 25 August 2009 the post-tax profit forecast model for 2009 was DKK 1,100 - 1,200m.

In that report Topdanmark assumed a decline in non-life premiums of between 2% and 3%. After Q1 - Q3 2009 the decline was 3.8% but 3.3% adjusted for premium cuts of DKK 35m in Q3 caused by gains on claims provisions on certain agreements in illness and accident insurance which stipulate that premiums paid reflect the claims trend.

Adjusted for the effect of these agreements Topdanmark continues to assume a decline in premiums of between 2% and 3%, however at the lower end of this range.

In the H1 report the combined ratio for the full year 2009 was assumed to be between 92% and 93%. For H2 2009 this assumption excluded any gains on / strengthening of the claims provisions but included weather-related claims of DKK 75m corresponding to 50% of a normalised level of annual storm expenses. In Q3 there were gains on claims provisions of DKK 47m but also weather-related claims of DKK 24m.

Overall Topdanmark continues to expect a combined ratio for 2009 of between 92% and 93% excluding any gains on / strengthening of provisions in Q4 2009 but including the continued assumption of weather-related claims corresponding to 50% of a normalised level of annual storm expenses, in spite of the DKK 24m weather-related claims incurred in Q3.

Since 14 August 2009, the date on which the 2009 profit forecast model in the H1 report was based, improvements in the financial markets have exceeded assumptions. Therefore the forecast investment return for the Topdanmark Group excluding Topdanmark Livsforsikring has been increased by just under DKK 200m primarily due to a higher than assumed return on equities supplemented by a continued substantial return on investments in the mortgage credit market.

For life insurance it said in the forecast set out in the H1 report that no allowance for risk nor the shadow account could be included in income for Liv I whilst the full risk allowance of DKK 52m and DKK 64m from the shadow account could be included in income for Liv V. Topdanmark continues to expect that neither the risk allowance nor the balance on the shadow account (DKK 117m at 30 September 2009) will be included in income for Liv I in 2009.

In Liv V a proportion of the risk allowance and shadow account was included in income in Q3 where the

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difference between the full risk allowance and the full shadow account and the book value of this proportion is equivalent to the estimated value of the risk that "the insurance technical result before bonus contribution" at 31 December 2009 will be insufficient to include the full risk allowance and the full shadow account in income.

In the profit forecast model it is assumed that the remainder of the shadow account of DKK 75m in Liv V will be included in income in Q4 but it is important to note that the profit forecast model is highly sensitive to fluctuations in "the insurance technical result before bonus contribution" in Liv V in the rest of Q4. Given the assumptions as at the date of the forecast, the entire shadow account of Liv V will be included in income in 2009 but a decline in "the insurance technical result before bonus contribution" of Liv V could result in the transfer of some of the amount on the shadow account to the following year. In this situation a lower "insurance technical result before bonus contribution" in Liv V will, krone for krone, result in a lower pre-tax result in Topdanmark in 2009. Therefore there is a risk that the full DKK 75m stated above will not be included in income and

it is also possible that the recognition as income of the shadow account and the allowance for risk in Q3 will be reversed in Q4. If this happens, Topdanmark's result will increase correspondingly in a subsequent period when "the insurance technical result before bonus contribution" is sufficiently high.

Overall, the post-tax profit forecast model for 2009 is being upgraded to DKK 1,200 - 1,300m from DKK 1,100 - 1,200m. The average value of the profit forecast model represents a 32.4% post-tax return on shareholders' equity.

This forecast model is based on assumptions including unchanged foreign exchange rates, an annual 7.0% equity return given the level of equity prices on 13 November 2009 as well as a return on interest-bearing investments of 2.3% (risk-free interest rate plus an allowance for risk of 0.75 percentage points). For the rest of the year the assumptions include 50% of a normalised level of annual storm expenses of DKK 75m (DKK 56m after taxation). The assumptions do not include gains on / strengthening of the claims provisions in the rest of 2009.

### Profit forecast 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

### Assumptions for 2010

Topdanmark has implemented a number of initiatives to improve profitability in 2010 and 2011. One of the initiatives is price increases which, when fully implemented, will have an annual effect of at least DKK 300m, just over half of which will be seen in 2010.

Excluding the gains on claims provisions for the first three quarters of 2009, the assumed combined ratio for the full year 2009 is just over 94%. The combined ratio for 2010 is assumed to show improvements on the 2009 level of

around 1.7 percentage points from price increases and around 1 percentage point from other profitability improving measures.

In the H1 2009 report the combined ratio for 2010 was assumed to be around 91%. Since then interest rates have declined to such a level such that there has been an increase in the loss ratio of around 0.5 percentage points. Therefore, overall, the combined ratio for 2010 is now assumed to be between 91% and 92%.



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For 2010 it is assumed that the growth in non-life premiums will be between 2% and 3%. This growth assumption is sensitive to competition and the implementation of the price increases.

### Cash distribution

In the H1 2009 report it was announced that the cash distribution for 2009 was increased from DKK 525m to DKK 725m.

The profit forecast model for 2009 has been increased by DKK 100m and the assumed cash distribution has been correspondingly increased by DKK 100m to DKK 825m from DKK 725m representing a yield of 7.7%.

To date in 2009 Topdanmark has bought back own shares of DKK 355m of the 2009 programme.

Distribution in Topdanmark is effected with a just over three month time lag of normalised earnings, i.e. around DKK 250m after tax. Therefore the actual share buy-back is expected to be around DKK 575m in the calendar year 2009. The balance of the 2009 share buy-back will be transferred to 2010 to supplement the ordinary share buy-back programme.

#### Share buy-back allowable

02 Dec 2009	-	15 Feb 2010
17 Mar 2010	-	28 Apr 2010
31 May 2010	-	03 Aug 2010
02 Sep 2010	-	01 Nov 2010

#### Share buy-back not allowable

03 Nov 2009	-	01 Dec 2009
16 Feb 2010	-	16 Mar 2010
29 Apr 2010	-	28 May 2010
04 Aug 2010	-	01 Sep 2010
02 Nov 2010	-	30 Nov 2010

### Financial calendar

2009 Annual Report	09 Mar 2010
Deadline for submitting items for AGM agenda	09 Mar 2010
AGM	20 Apr 2010
Q1 2010 Interim Report	20 May 2010
2010 Half-year Report	25 Aug 2010
Q1 - Q3 2010 Interim Report	23 Nov 2010

### Accounting policies

In 2009 Topdanmark implemented the amendment to IAS 1: "Presentation of financial statements" relating to the presentation of a separate statement of comprehensive income etc. This impacts only presentation and disclosure requirements.

There have been no changes in accounting policies on recognition and measurement from those adopted in the 2008 Annual Report.

### Change in accounting estimates

Up to now the risk allowance and shadow account in life insurance have been included in income to the extent to which they can be covered by a sufficient "insurance technical profit before bonus contribution" for the period. However, the final recognition as income of the risk allowance and shadow account is only possible if they can be covered by the "insurance technical profit before bonus contribution" calculated for the entire year. Therefore in the interim accounts the recognition as income of the risk allowance and the shadow account is reduced by an estimated amount corresponding to the risk that the recognition will not be possible on an annual basis.

This change of accounting estimate has reduced the pre-tax profit by DKK 75m (post-tax: DKK 56m) in Q1 - Q3 2009.

The change only relates to interim accounts and has no effect on the annual accounts.

The interim report has not been audited nor subjected to a review.

# Topdanmark Interim Report Q1 – Q3 2009

## Profit and loss account • Group

(DKKm)	Note	Full year 2008	Q3 2008	Q3 2009	Q1-Q3 2008	Q1-Q3 2009
<b>NON-LIFE INSURANCE</b>						
Gross premiums written		9,010	1,610	1,568	7,464	7,127
Reinsurance ceded		(677)	(156)	(145)	(576)	(529)
Change in the provisions for unearned premiums, gross		19	663	619	(670)	(574)
Change in reinsurers' share of the provisions for unearned premiums		(2)	(13)	(21)	68	38
<b>Premiums earned on own account</b>		<b>8,350</b>	<b>2,104</b>	<b>2,021</b>	<b>6,286</b>	<b>6,062</b>
<b>Technical interest on own account</b>	1	<b>222</b>	<b>52</b>	<b>20</b>	<b>170</b>	<b>90</b>
Gross claims paid		(6,116)	(1,475)	(1,451)	(4,484)	(4,582)
Reinsurance cover received		357	86	68	289	232
Change in the provisions for claims, gross		346	162	(114)	114	(195)
Change in reinsurers' share of the provisions for claims		(30)	7	(1)	(33)	29
<b>Claims incurred on own account</b>	2	<b>(5,443)</b>	<b>(1,220)</b>	<b>(1,498)</b>	<b>(4,114)</b>	<b>(4,516)</b>
<b>Bonuses and rebates</b>		<b>(77)</b>	<b>(12)</b>	<b>(28)</b>	<b>(43)</b>	<b>(59)</b>
Acquisition costs		(778)	(191)	(171)	(569)	(551)
Administrative expenses		(530)	(119)	(137)	(389)	(388)
Reinsurance commission and share of profits		80	20	18	57	55
<b>Total operating expenses on own account</b>		<b>(1,228)</b>	<b>(290)</b>	<b>(290)</b>	<b>(901)</b>	<b>(884)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>		<b>1,824</b>	<b>634</b>	<b>225</b>	<b>1,398</b>	<b>693</b>
<b>LIFE INSURANCE</b>						
Gross premiums written	3	3,980	919	671	2,978	2,342
Reinsurance ceded		(9)	(3)	(3)	(7)	(8)
<b>Premiums on own account</b>		<b>3,971</b>	<b>916</b>	<b>668</b>	<b>2,971</b>	<b>2,334</b>
<b>Allocated investment return on own account</b>		<b>(2,143)</b>	<b>(752)</b>	<b>1,203</b>	<b>(1,547)</b>	<b>1,933</b>
Claims and benefits paid		(2,031)	(446)	(330)	(1,602)	(1,090)
Reinsurance cover received		4	2	1	3	4
Change in the provisions for claims and benefits		(7)	(2)	7	(11)	8
<b>Claims and benefits paid on own account</b>		<b>(2,034)</b>	<b>(446)</b>	<b>(322)</b>	<b>(1,610)</b>	<b>(1,078)</b>
Change in life insurance provisions		(1,223)	(216)	(1,026)	(1,077)	(2,199)
Change in reinsurers' share		3	4	1	2	3
<b>Change in the life insurance provisions on own account</b>		<b>(1,220)</b>	<b>(212)</b>	<b>(1,025)</b>	<b>(1,075)</b>	<b>(2,196)</b>
<b>Bonus</b>		<b>1,766</b>	<b>573</b>	<b>(80)</b>	<b>1,670</b>	<b>(70)</b>
<b>Change in provisions for unit-linked contracts</b>		<b>(61)</b>	<b>0</b>	<b>(309)</b>	<b>(190)</b>	<b>(651)</b>
Acquisition costs		(140)	(35)	(31)	(106)	(95)
Administrative expenses		(180)	(43)	(43)	(133)	(132)
<b>Total operating expenses on own account</b>		<b>(320)</b>	<b>(78)</b>	<b>(74)</b>	<b>(239)</b>	<b>(227)</b>
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		<b>(41)</b>	<b>1</b>	<b>61</b>	<b>(20)</b>	<b>45</b>

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## Profit and loss account • Group

(DKKm)	Full year 2008	Q3 2008	Q3 2009	Q1-Q3 2008	Q1-Q3 2009
<b>NON-TECHNICAL ACTIVITIES</b>					
Technical profit on non-life insurance	1,824	634	225	1,398	693
Technical profit / (loss) on life insurance	(41)	1	61	(20)	45
Income from associated companies	(21)	(2)	5	(23)	(18)
Income from investment properties	200	50	61	146	184
Interest income and dividends etc.	2,172	510	516	1,606	1,624
Revaluations	(5,752)	(2,045)	1,363	(4,323)	1,779
Interest charges	(203)	(35)	(40)	(122)	(196)
Expenses on investment business	(43)	(10)	(12)	(30)	(37)
<b>Total investment return</b>	<b>(3,647)</b>	<b>(1,532)</b>	<b>1,893</b>	<b>(2,746)</b>	<b>3,336</b>
Technical interest transferred to non-life insurance business	(685)	(175)	(111)	(508)	(371)
Pension return tax	424	139	(208)	287	(332)
Investment return transferred to life insurance business	2,143	752	(1,203)	1,547	(1,933)
Other income	6	1	1	4	4
Other expenses	(48)	(10)	(10)	(33)	(36)
<b>PRE-TAX PROFIT / (LOSS)</b>	<b>(24)</b>	<b>(190)</b>	<b>648</b>	<b>(71)</b>	<b>1,406</b>
Taxation	(165)	18	(129)	(92)	(297)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>(189)</b>	<b>(172)</b>	<b>519</b>	<b>(163)</b>	<b>1,109</b>
Profit / (loss) per share (DKK)	(12.1)	(11.1)	32.9	(10.4)	70.4
Profit / (loss) per share, diluted (DKK)	(12.1)	(11.1)	32.7	(10.4)	70.0

## Statement of comprehensive income

Revaluation of owner-occupied properties	118	104	3	118	3
Transferred to the collective bonus potential	(97)	(86)	0	(98)	0
Pension return tax	(7)	(6)	0	(7)	0
Taxation	(4)	(3)	(1)	(3)	(1)
Other comprehensive income taken to shareholders' equity	10	9	2	10	2
Profit / (loss) for the period	(189)	(172)	519	(163)	1,109
<b>Total comprehensive income for the period</b>	<b>(179)</b>	<b>(163)</b>	<b>521</b>	<b>(153)</b>	<b>1,111</b>

# Topdanmark Interim Report Q1 – Q3 2009

## Assets • Group

(DKK m)	31 Dec 2008	30 Sep 2008	30 Sep 2009
<b>INTANGIBLE ASSETS</b>	610	619	733
Machinery and equipment	190	175	170
Owner-occupied properties	737	737	739
<b>TOTAL TANGIBLE ASSETS</b>	927	912	909
Investment properties	4,024	3,346	4,032
Shares in associated companies	352	338	334
Loans to associated companies	286	241	451
Total investment in associated companies	638	579	785
Shares	3,859	5,241	4,864
Bonds	27,971	26,590	29,702
Loans guaranteed by mortgages	20	19	19
Other loans	3	3	2
Deposits with credit institutions	8,827	3,304	8,270
Derivatives	1,257	626	707
Total other financial investment assets	41,937	35,783	43,564
<b>TOTAL INVESTMENT ASSETS</b>	46,599	39,708	48,381
<b>INVESTMENT ASSETS LINKED TO UNIT-LINKED CONTRACTS</b>	891	1,059	2,130
Reinsurers' share of provisions for unearned premiums	85	149	139
Reinsurers' share of life insurance provisions	32	31	35
Reinsurers' share of the provisions for claims and benefits	534	520	581
Total reinsurers' share of provisions	651	700	755
Amounts due from policyholders	416	390	358
Amounts due from insurance companies	152	153	127
Amounts due from associated companies	3	14	10
Other debtors	88	128	110
<b>TOTAL DEBTORS</b>	1,310	1,385	1,360
Current tax assets	296	131	87
Deferred tax assets	73	85	82
Liquid funds	174	174	176
Other	491	498	236
<b>TOTAL OTHER ASSETS</b>	1,034	888	581
Accrued interest and rent	541	495	470
Other prepayments and accrued income	123	129	131
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	664	624	601
<b>TOTAL ASSETS</b>	52,035	45,195	54,695

# Topdanmark Interim Report Q1 – Q3 2009

## Shareholders' equity and liabilities • Group

(DKK m)	Note	31 Dec 2008	30 Sep 2008	30 Sep 2009
Share capital		167	167	169
Revaluation reserve		13	13	15
Security fund		1,104	1,104	1,104
Other reserves		13	12	14
Total reserves		1,117	1,116	1,118
Profit carried forward		1,598	1,616	2,609
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,895</b>	<b>2,912</b>	<b>3,911</b>
<b>SUBORDINATED LOAN CAPITAL</b>		<b>652</b>	<b>653</b>	<b>653</b>
Provisions for unearned premiums		2,637	3,325	3,211
Guaranteed pension benefits		13,495	11,099	13,517
Bonus potential on future premiums		6,424	7,127	7,315
Bonus potential on paid-up benefits		3,043	4,571	4,346
Total life insurance provisions		22,962	22,797	25,178
Provisions for claims and benefits		11,030	10,938	11,808
Collective bonus potential		66	162	137
Provisions for bonuses and rebates		108	89	121
Provisions for unit-linked contracts		1,820	1,886	2,551
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>38,623</b>	<b>39,197</b>	<b>43,006</b>
Pensions and similar commitments		52	53	48
Deferred tax liabilities		162	70	164
Deferred tax on security funds		348	348	348
<b>TOTAL LIABILITIES PROVIDED</b>		<b>562</b>	<b>471</b>	<b>560</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>49</b>	<b>38</b>	<b>62</b>
Creditors arising out of direct insurance operations		98	147	62
Creditors arising out of reinsurance operations		19	27	44
Bond loans		43	16	43
Amounts due to credit institutions		7,790	993	5,453
Amounts due to associated companies		4	1	4
Derivatives		486	56	84
Other creditors		697	656	759
<b>TOTAL CREDITORS</b>		<b>9,137</b>	<b>1,896</b>	<b>6,449</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>117</b>	<b>28</b>	<b>54</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>52,035</b>	<b>45,195</b>	<b>54,695</b>

Contingent liabilities

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# Topdanmark Interim Report Q1 – Q3 2009

## Cash flow statement • Group

(DKKm)	Full year 2008	Q1-Q3 2008	Q1-Q3 2009
<b>Cash flow from operations</b>			
Gross premiums written	8,985	7,382	7,030
Claims paid	(6,086)	(4,447)	(4,511)
Expenses	(1,254)	(930)	(822)
Net reinsurance	(254)	(227)	(205)
Cash flow from non-life insurance	1,391	1,778	1,492
Gross premiums written	3,713	2,723	2,276
Claims and benefits	(2,015)	(1,605)	(1,074)
Expenses	(307)	(243)	(226)
Net reinsurance	2	(1)	16
Cash flow from life insurance	1,393	874	992
Total cash flow from insurance business	2,784	2,652	2,484
Payments made and received on investment contracts	203	139	81
Interest income and dividends etc.	2,347	1,713	1,872
Interest charges	(190)	(149)	(271)
Pension return tax	23	24	(15)
Corporation tax	(230)	(96)	(94)
Other income and expenses	(40)	(26)	(30)
<b>Total cash flow from operations</b>	<b>4,897</b>	<b>4,257</b>	<b>4,027</b>
<b>Investments</b>			
Shares in associated companies	(12)	0	0
Properties	(650)	28	0
Machinery, equipment and intangible assets	(168)	(135)	(192)
Shares	(364)	(369)	64
Bonds	(4,970)	(4,030)	(1,132)
Loans	3	4	1
Derivatives	(192)	(71)	202
Investment assets linked to unit-linked contracts	(377)	(259)	(912)
Balances with associated companies	(97)	(66)	(171)
<b>Total investments</b>	<b>(6,827)</b>	<b>(4,898)</b>	<b>(2,140)</b>
<b>Financing</b>			
Shares bought back	(371)	(366)	(204)
Share-based payments	37	28	87
Employee bonds	27	0	0
Amounts due to credit institutions	7,255	456	(2,337)
<b>Total financing</b>	<b>6,948</b>	<b>118</b>	<b>(2,454)</b>
Change in cash and cash equivalents	5,018	(523)	(567)
Cash and cash equivalents at 1 January	3,991	3,991	9,001
Revaluation of cash and cash equivalents	(8)	10	12
Cash and cash equivalents end of period	9,001	3,478	8,446
Cash and cash equivalents comprise:			
Liquid funds	174	174	176
Deposits with credit institutions	8,827	3,304	8,270
	9,001	3,478	8,446

The majority of the Group's companies are subject to the relevant legislation on insurance business. Consequently, there are certain restrictions on lending and placement of money.

## Topdanmark Interim Report Q1 – Q3 2009

### Movements in shareholders' equity • Group

(DKKm)

	Share capital	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Total
<b>2008</b>						
Shareholders' equity prior year	176	3	1,104	10	2,075	3,368
Total income	0	10	0	3	(192)	(179)
Cancellation of own shares	(10)				10	0
Share buy-back					(371)	(371)
Sale of employee shares					22	22
Issue of share options					17	17
Exercise of share options / warrants	1				36	37
Taxation					1	1
<b>Shareholders' equity at 31 December 2008</b>	<b>167</b>	<b>13</b>	<b>1,104</b>	<b>13</b>	<b>1,598</b>	<b>2,895</b>
<b>Q1-Q3 2008</b>						
Shareholders' equity prior year	176	3	1,104	10	2,075	3,368
Total income	0	10	0	2	(165)	(153)
Cancellation of own shares	(10)				10	0
Share buy-back					(366)	(366)
Sale of employee shares					17	17
Issue of share options					17	17
Exercise of share options / warrants	1				27	28
Taxation					1	1
<b>Shareholders' equity at 30 September 2008</b>	<b>167</b>	<b>13</b>	<b>1,104</b>	<b>12</b>	<b>1,616</b>	<b>2,912</b>
<b>Q1-Q3 2009</b>						
Shareholders' equity prior year	167	13	1,104	13	1,598	2,895
Total income	0	2	0	1	1,108	1,111
Share buy-back					(220)	(220)
Sale of employee shares					20	20
Issue of share options					15	15
Exercise of share options / warrants	2				85	87
Taxation					3	3
<b>Shareholders' equity at 30 September 2009</b>	<b>169</b>	<b>15</b>	<b>1,104</b>	<b>14</b>	<b>2,609</b>	<b>3,911</b>

# Topdanmark Interim Report Q1 – Q3 2009

## Segment information • Group

### Profit and loss account

(DKKm)	Per- sonal	SME	Indu- trial	Eli- min- ated	Non-life	Life	Parent etc.	Rent	Group
<b>Q1-Q3 2008</b>									
<b>Non-life insurance</b>									
Gross premiums earned	3,453	2,669	645	(16)	6,751				6,751
Technical interest*	81	77	12	0	170				170
Claims incurred	(2,346)	(1,668)	(375)	16	(4,373)			3	(4,370)
Expenses	(539)	(354)	(87)	6	(974)			16	(958)
Net reinsurance	(41)	(85)	(69)	0	(195)				(195)
Technical profit on non-life insurance	608	639	126	6	1,379			19	1,398
<b>Life insurance</b>									
Gross premiums written						2,978			2,978
Allocated investment return						(1,543)		(4)	(1,547)
Benefits and change in provisions						(1,210)			(1,210)
Expenses						(243)		4	(239)
Net reinsurance						(2)			(2)
Technical loss on life insurance						(20)		0	(20)
Total investment return					(834)	(1,905)	16	(23)	(2,746)
Pension return tax						287			287
Transferred to technical result					(508)	1,543		4	1,039
<b>Investment return</b>					(1,342)	(75)	16	(19)	(1,420)
Other items					12	25	(66)		(29)
<b>Pre-tax profit / (loss)</b>					49	(70)	(50)	0	(71)
Taxation									(92)
<b>Loss for the period</b>									(163)
<b>Q1-Q3 2009</b>									
<b>Non-life insurance</b>									
Gross premiums earned	3,446	2,455	609	(16)	6,494				6,494
Technical interest*	45	39	6	0	90				90
Claims incurred	(2,607)	(1,783)	(415)	18	(4,787)			10	(4,777)
Expenses	(514)	(362)	(83)	2	(957)			18	(939)
Net reinsurance	(40)	(60)	(75)	0	(175)				(175)
Technical profit on non-life insurance	330	289	42	4	665			28	693
<b>Life insurance</b>									
Gross premiums written						2,342			2,342
Allocated investment return						1,933			1,933
Benefits and change in provisions						(4,002)			(4,002)
Expenses						(231)		4	(227)
Net reinsurance						(1)			(1)
Technical profit on life insurance						41		4	45
Total investment return					960	2,373	35	(32)	3,336
Pension return tax						(332)			(332)
Transferred to technical result					(371)	(1,933)			(2,304)
<b>Investment return</b>					589	108	35	(32)	700
Other items					15	25	(72)		(32)
<b>Pre-tax profit / (loss)</b>					1,269	174	(37)	0	1,406
Taxation									(297)
<b>Profit for the period</b>									1,109

\* After discounting DKK 281m (Q1-Q3 2009: DKK 338m)



# Topdanmark Interim Report Q1 – Q3 2009

## Notes to the accounts • Group

(DKKm)	Full year 2008	Q1-Q3 2008	Q1-Q3 2009
<b>Note 1. Technical interest on own account - non-life insurance</b>			
Calculated interest	685	508	371
Discounting of technical provisions and reinsurers' share	(463)	(338)	(281)
<b>Technical interest on own account</b>	<b>222</b>	<b>170</b>	<b>90</b>

### Note 2. Claims incurred on own account - non-life insurance

Gains on claims provisions:			
Gross business	498	402	151
Reinsurance ceded	8	12	(4)
Gains on claims provisions on own account	506	414	147

### Note 3. Gross premiums written - life insurance

Individual policies	423	239	237
Policies which are part of a tenure	1,804	1,330	1,429
Group life	378	337	359
<b>Regular premiums</b>	<b>2,605</b>	<b>1,906</b>	<b>2,025</b>
Individual policies	150	126	74
Policies which are part of a tenure	1,225	946	243
<b>Single premiums</b>	<b>1,375</b>	<b>1,072</b>	<b>317</b>
<b>Gross premiums</b>	<b>3,980</b>	<b>2,978</b>	<b>2,342</b>

	31 Dec 2008	30 Sep 2008	30 Sep 2009
<b>Note 4. Contingent liabilities</b>			
Derivatives:			
Purchased forward contracts	24,118	12,548	21,897
Sold forward contracts	27,158	15,775	23,458
Adjustments to VAT liabilities	79	77	61
Other liabilities	22	24	16
Capital commitments to private equity funds	87	100	166

The Group participates in technical insurance collaboration where it is jointly liable for the insurance liabilities.

The companies are jointly liable for A-tax and pay-roll tax etc. and VAT chargeable to the jointly registered companies.

### Pending cases

As described in previous reports, following a change in the Group's taxable income for 2001, the Danish tax authority (SKAT)'s interpretation of Section 13 of the Danish Corporation Tax Act is different from that which Topdanmark has used.

SKAT's interpretation is that groups comprising both life and non-life insurance business will be double taxed by taxing capital gains on equities and at the same time disallowing deductions for capital losses. This is contrary to the intention of how the Act was to be implemented and will result in distortion in the market place between those groups carrying out both non-life and life insurance business and those carrying out only non-life insurance business or only life insurance and pension fund business.

Taking this into account Topdanmark's management, the Group's legal advisors and its external auditor elected by the AGM do not agree with SKAT's interpretation and therefore the tax resulting from this interpretation has not been provided for in these accounts. The assessment made by SKAT has been appealed against to the Danish National Tax Tribunal. In December 2007 the Tribunal decided a similar case in favour of the complaining company, i.e. in accordance with Topdanmark's interpretation. SKAT has not referred the Tribunal's decision to the courts.

If contrary to expectation, the Court agrees with SKAT, the consequence will be a tax liability of DKK 220m, including accrued interest, for the years 2001 - 2004. As the Act was changed with effect from 2005 there will be no similar tax liability in 2005 or subsequently.

## Topdanmark Interim Report Q1 – Q3 2009

### Profit and loss account • Parent company

(DKKm)	Full year 2008	Q3 2008	Q3 2009	Q1-Q3 2008	Q1-Q3 2009
Income from affiliated companies	(112)	(157)	529	(106)	1,154
Interest income and dividends etc.	1	1	0	1	0
Revaluations	0	0	0	0	1
Interest charges	(67)	(14)	(8)	(48)	(37)
Expenses on investment business	0	0	0	(1)	(1)
<b>Total investment return</b>	<b>(178)</b>	<b>(170)</b>	<b>521</b>	<b>(154)</b>	<b>1,117</b>
Other expenses	(33)	(7)	(5)	(25)	(23)
<b>PRE-TAX PROFIT / (LOSS)</b>	<b>(211)</b>	<b>(177)</b>	<b>516</b>	<b>(179)</b>	<b>1,094</b>
Taxation	22	5	3	16	15
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>(189)</b>	<b>(172)</b>	<b>519</b>	<b>(163)</b>	<b>1,109</b>

### Balance sheet • Parent company

(DKKm)	31 Dec 2008	30 Sep 2008	30 Sep 2009
<b>Assets</b>			
Machinery and equipment	4	5	4
<b>TOTAL TANGIBLE ASSETS</b>	<b>4</b>	<b>5</b>	<b>4</b>
Shares in affiliated companies	4,415	3,941	4,786
Total investment in affiliated companies	4,415	3,941	4,786
Bonds	2	2	2
Total other financial investment assets	2	2	2
<b>TOTAL INVESTMENT ASSETS</b>	<b>4,417</b>	<b>3,943</b>	<b>4,788</b>
Amounts due from affiliated companies	55	102	140
Other debtors	0	0	2
<b>TOTAL DEBTORS</b>	<b>55</b>	<b>102</b>	<b>142</b>
Current tax assets	296	131	87
Deferred tax assets	44	1	42
Liquid funds	3	2	3
<b>TOTAL OTHER ASSETS</b>	<b>343</b>	<b>134</b>	<b>132</b>
<b>TOTAL ASSETS</b>	<b>4,819</b>	<b>4,184</b>	<b>5,066</b>

### Shareholders' equity and liabilities

Share capital	167	167	169
Other reserves	709	736	1,073
Total reserves	709	736	1,073
Profit carried forward	2,367	2,357	3,017
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,243</b>	<b>3,260</b>	<b>4,259</b>
<b>SUBORDINATED LOAN CAPITAL</b>	<b>402</b>	<b>403</b>	<b>403</b>
Bond loans	43	16	43
Amounts due to credit institutions	811	301	0
Amounts due to affiliated companies	311	200	342
Derivatives	2	2	0
Other creditors	7	2	19
<b>TOTAL CREDITORS</b>	<b>1,174</b>	<b>521</b>	<b>404</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,819</b>	<b>4,184</b>	<b>5,066</b>

## Topdanmark Interim Report Q1 – Q3 2009

### Disclaimer

This interim 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 interim 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](http://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 interim report.

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

# Topdanmark Interim Report Q1 – Q3 2009

## Management's statement

The Board of Directors and the Board of Management have today considered and adopted the interim report for Q1 - Q3 2009 for Topdanmark A/S.

The interim report has been prepared in accordance with IAS 34 on interim reports and the additional Danish disclosure requirements on interim reports for listed financial services companies.

The accounts of the parent company are in accordance with the order issued by the DFSA on financial reports for insurance companies and lateral pension funds.

We consider the chosen accounting policies to be appropriate such that the interim report gives a true and fair view of the Group's and the Company's activities and financial situation, assets, liabilities, financial position, result and the Group's cash flows as well as a true and fair description of the most significant risks and uncertainty factors faced by the Group.

Ballerup, 24 November 2009

## Board of Management

Christian Sagild  
(CEO)

Kim Bruhn-Petersen

Lars Thykier

## Board of Directors

Michael Pram Rasmussen  
(Chairman)

Anders Knutsen  
(Deputy Chairman)

Jørgen Ajslev

Ole Døssing Christensen

Charlotte Hougaard

Jens Maaløe

Per Mathiesen

Annette Sadolin

Knud J. Vest