

# Topdanmark Interim Report for Q1 2010

20 May 2010 Announcement No. 07/2010

## Key features:

- Post-tax profit increased to DKK 268m in Q1 2010 from DKK 35m in Q1 2009 representing a profit per share of DKK 17.3.
- This profit is higher than expected because both the level of winter-related claims was lower and the investment return higher than assumed.
- The post-tax profit forecast model for 2010 has been upgraded to DKK 950 - 1,050m from DKK 800 - 900m.
- The share buy-back programme for 2010 has been increased to DKK 1,050m from DKK 900m representing a yield of 9.6%. To date in 2010 Topdanmark has bought back own shares of DKK 81m which leaves a balance of DKK 969m of the 2010 programme.
- Non-life premiums earned declined 3.5% which was more than assumed. As a result of this deviation, which was due to premium adjustments in workers' compensation, commercial liability and property insurance on 2009 results, the expected growth in premiums for the full year of 2010 is being revised to around zero from 1% - 2%.
- The combined ratio increased to 102.8% this quarter from 91.4% in Q1 2009 and to 105.8% from 93.7 % excluding run-off profits. However, the underlying combined ratio for Q1 2010 was 93.2% excluding run-off profits.
- Profit on life insurance increased to DKK 144m in Q1 2010 (Q1 2009: DKK 13m) due to, among other factors, the recognition as income of risk allowances in both Life I and Life V as well as a proportion of the shadow account in Life I.
- For the full year of 2010 it is assumed that, excluding any run-off profits / losses in the last three quarters of 2010, the combined ratio will improve to 94% - 95% from 95% - 96%.

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 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: +1 334 323 6203

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 2009	Q1 2009	Q1 2010
<b>Premiums earned:</b>			
Non-life insurance	8,665	2,170	2,093
Life insurance	3,208	973	986
	11,873	3,143	3,079
<b>Results:</b>			
Non-life insurance	1,592	80	199
Life insurance	292	13	144
Parent company etc.	(21)	(21)	(6)
Pre-tax profit	1,863	72	337
Tax	(417)	(37)	(69)
<b>Profit</b>	<b>1,446</b>	<b>35</b>	<b>268</b>
Shareholders' equity of parent company at 1 January	3,243	3,243	4,465
Profit	1,446	35	268
Share buy-back	(376)	(15)	(81)
Share-based payments	150	76	88
Other movements in shareholders' equity	2	0	0
<b>Shareholders' equity of parent company end of period</b>	<b>4,465</b>	<b>3,339</b>	<b>4,740</b>
Deferred tax on security funds	(348)	(348)	(348)
<b>Shareholders' equity of Group end of period</b>	<b>4,117</b>	<b>2,991</b>	<b>4,392</b>
Capital base, parent company*)	4,868	3,741	5,143
Total assets, parent company	5,467	4,961	5,686
Total assets, Group	56,554	55,812	58,547
Provisions for insurance and investment contracts:			
Non-life insurance	14,478	15,707	16,606
Life insurance	28,882	25,291	30,061
<b>Financial ratios (parent company)</b>			
Post-tax profit as a % of shareholders' equity	36.6	1.1	5.8
Post-tax profit per share (DKK)	92.2	2.2	17.3
Post-tax profit per share, diluted (DKK)	91.7	2.2	17.2
Net asset value per share (DKK)	288.1	211.1	305.7
Share buy-back per share (DKK)	23.8	1.0	5.2
Listed share price end of period	703	552	718
Average number of shares ('000)	15,688	15,671	15,498
Average number of shares, diluted ('000)	15,769	15,770	15,546
Number of shares end of period ('000)	15,496	15,817	15,506
<b>Ratios non-life insurance (%)</b>			
Gross loss ratio	73.1	75.5	81.8
Net reinsurance ratio	3.1	0.8	4.9
Claims trend	76.2	76.3	86.7
Gross expense ratio	14.9	15.1	16.1
Combined ratio	91.1	91.4	102.8
Operating ratio	90.1	89.5	101.5

\* ) Shareholders' equity and loan capital

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## Q1 2010 results

The Q1 2010 post-tax profit was DKK 268m (Q1 2009: DKK 35m).

Pre-tax profit for Q1 2010 increased to DKK 337m (Q1 2009: DKK 72m). Profit on non-life insurance increased to DKK 199m (Q1 2009: DKK 80m) reflecting a DKK 383m increase in the investment return but a DKK 265m decline in the technical result. This was primarily due to Topdanmark incurring winter-related claims in Q1 2010 which were DKK 270m higher than in Q1 2009.

Profit on life insurance increased to DKK 144m in Q1 2010 from DKK 13m in Q1 2009. Besides an improved investment return, this increase was due to, in contrast to Q1 2009, Topdanmark being able to include as income an allowance for risk in both Life I and Life V. Furthermore Life I included a proportion of its shadow account as income.

The profit for Q1 2010 was higher than assumed in the most recent profit forecast model for 2010 (2009 Annual Report) due to a combination of a higher than expected technical result (including lower than assumed winter-related claims) and a higher than expected investment return.

<b>Trend in pre-tax result</b> (DKKm)	<b>Full year</b> <b>2009</b>	<b>Q1</b> <b>2009</b>	<b>Q1</b> <b>2010</b>
Non-life insurance			
- Technical profit / (loss)	869	233	(32)
- Investment return after transfer to technical profit / (loss) etc.	723	(153)	230
Profit on non-life insurance	1,592	80	199
Life insurance	292	13	144
Parent company etc.	(21)	(21)	(6)
Pre-tax profit	1,863	72	337

## Non-life insurance

Premiums earned declined 3.5% to DKK 2,093m in Q1 2010 primarily due to a decline of DKK 58m in premiums earned in workers' compensation insurance corresponding to 2.8pp. In other lines the trend in premiums was in line with expectations.

Topdanmark has a proportionally larger SME market share than its overall market share. In particular it insures more tradesmen and contractors, those who have been especially hard hit by the recession, causing an increase

in the number of business liquidations and reducing the insurance needs of the continuing businesses. The lower level of activity in businesses was reflected in, for example, fewer employees (workers' compensation insurance policies), fewer vans, lower stock levels, (reduced values insured) and lower risk cover of consequential losses.

The higher than expected impact of the recession in 2009 on Topdanmark's portfolio of SME and industrial businesses caused subsequent negative premium adjustments of DKK 48m in workers' compensation, commercial liability and property insurance for 2009. For example, in workers' compensation insurance the premium is decided and paid on the basis of an estimated number of employees of the business, to be finally adjusted when the year has ended. Due to the recession there were fewer people employed by the respective companies than they had originally estimated. The effect on premiums in workers' compensation insurance was that in 2009 DKK 25m too much was taken into income, but this was offset by a corresponding charge in Q1 2010. Similar adjustments have been made in commercial liability and property insurance etc. with a total value of DKK 23m.

In 2009 Topdanmark increased the level of provisions in workers' compensation insurance due to the Danish tax reform and a Danish Supreme Court decision referred to in the 2009 Annual Report. Furthermore the combination of lower interest rates and higher future inflationary wage indexation has reduced the real discounting rate. The market of workers' compensation insurance is characterised by severe price competition and it seems as if other players have not, to the same extent, allowed for the factors referred to above in their pricing.

In 2009 Topdanmark announced price increases which, other things being equal, will increase the level of premiums by DKK 150m in 2010 and further DKK 150m in 2011. The 2009 Annual Report said that the already decided price increases would have a favourable effect on premiums earned of about 1pp in 2010. In isolation, the implemented price increases had a 1.6xpp favourable effect on premiums earned in Q1 2010. As expected the price increase generated some loss of primarily SME customers while the loss of personal customers was more limited. The net effect of the price increases on premiums was around 0.9pp.

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Premiums earned declined more than assumed in Q1 2010 because the aforementioned adjustments were higher than expected. The registered premiums earned in 2009 were DKK 48m higher while those for Q1 2010 were DKK 48m lower, with the overall immediate effect for 2010 being 1.1pp. Furthermore the portfolio of premiums at 1 January 2010 was lower than assumed which also had an effect on the overall growth rate. Consequently the assumed growth in premiums for the full year of 2010 is being revised from 1% - 2% previously to around zero now.

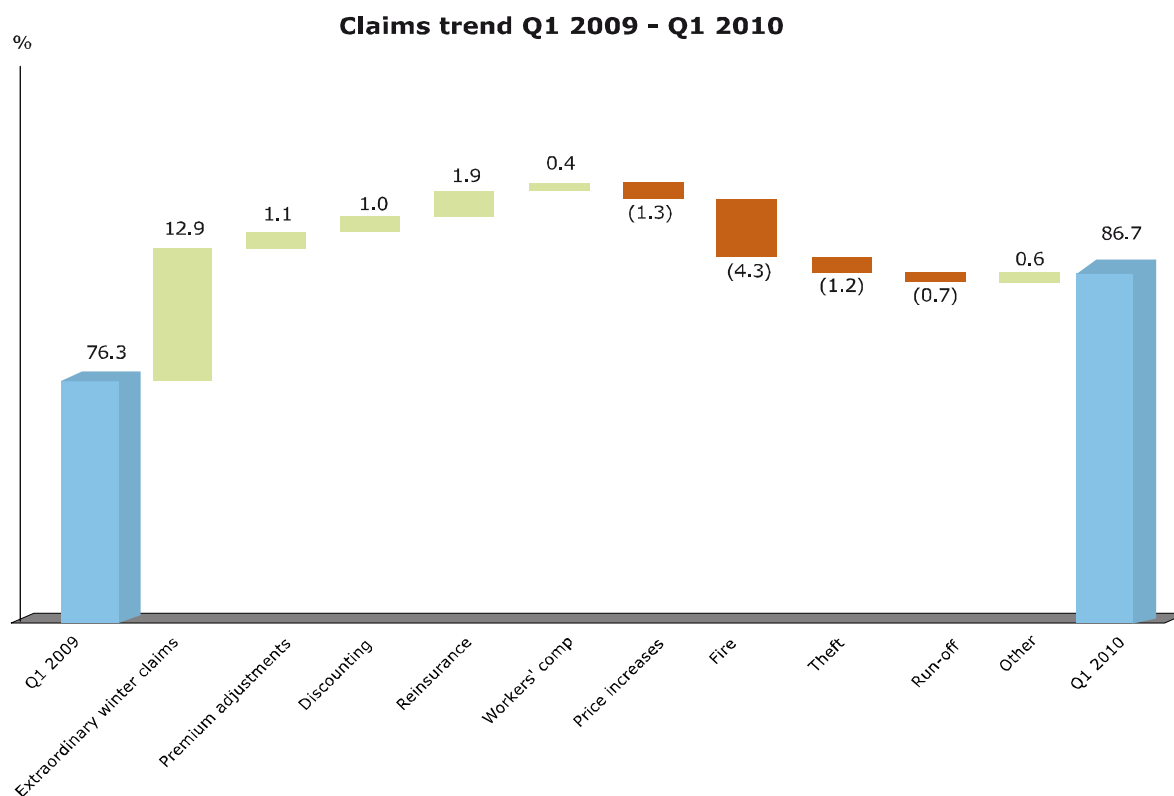
The claims trend increased to 86.7% in Q1 2010 from 76.3% in Q1 2009 primarily due to an increase in winter-related claims corresponding to 12.9pp.

As in Q1 2009 there were no large weather-related claims, defined as gross claims exceeding DKK 4.5m per event within a 72 hour period, excluding snow loading claims. In the 2009 Annual Report it was announced that

extraordinary winter weather claims were estimated to be DKK 350m in 2010 (DKK 300m of already reported claims and DKK 50m of further winter and snow thawing claims in Q2). Winter weather claims of DKK 270m more than in Q1 2009 were charged to the profit and loss account in Q1 with a further DKK 30m of winter and snow thawing claims assumed for Q2, giving a total of extraordinary winter claims of around DKK 300m.

The effect of the implemented price increases was DKK 35m in Q1 corresponding to a 1.3pp improvement of the claims trend.

The premium adjustments of DKK 48m will be fully reflected in the claims trend for 2010 even though the adjustments actually relate to 2009. The corresponding premium adjustments in Q1 2009 were DKK 25m. The difference in premium adjustments increased the claims trend by 1.1pp.



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Fire claims were exceptionally high in Q1 2009 due to a number of large fires in SME lines. In Q1 2010 the level of fire claims was normal. Accordingly fire claims declined to DKK 158m in Q1 2010 from DKK 250m in Q1 2009 which improved the claims trend by 4.3pp.

The claims trend for fire reflected an increase in claims frequency in both the Personal and SME segments. However, in the SME segment the claims trend declined significantly in Q1 2010 due to a normal level of large fires, while in the Personal segment it increased due to both higher average claims and an increase in claims frequency.

Due to the decline in large fire claims from an exceptionally high level in Q1 2009 to a more normal level this quarter, Topdanmark's reimbursement from the reinsurers was smaller than the same quarter last year, which increased the claims trend by 1.9pp.

There were fewer thefts this quarter as compared to the previous year with the result that theft claims declined to DKK 121m from DKK 147m corresponding to a 1.2pp improvement of the claims trend. The claims trend for theft claims reflected a decline in claims frequency perhaps because of the winter weather while on the other hand the size of an average claim increased.

As all provisions for outstanding claims are discounted to present value, a lower interest rate increases the loss ratio. Due to the lower interest rates this quarter as compared to Q1 2009 the claims trend increased 1.0pp.

Workers' compensation insurance had a 0.4pp negative effect on the claims trend due to the Danish Supreme Court decision and the tax reform referred to in the 2009 Annual Report.

Run-off profits net of reinsurance were DKK 63m in Q1 2010 (Q1 2009: DKK 50m). The level of run-off profits in 2010 should be seen in the light of the premium adjustments for 2009 as the calculation of claims paid on workers' compensation is based on the expected number of employees insured. Therefore a lower than expected number of employees insured does not only result in negative premium adjustments but also in run-off profits. The increase in run-off profits improved the claims trend by 0.7pp including run-off losses of 2.2pp on reinsurance, see note 2 to the accounts.

The expense ratio increased to 16.1% from 15.1% due to the decline in premiums earned and an adjustment of the expense accrual within the year. As usual in Q1 the expense ratio was impacted by expenses on Management's option programme. It is expected that the expense ratio for the full year of 2010 will be close to 0.5pp higher than the 2009 level of 14.9%.

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) increased to 102.8% this quarter from 91.4% in Q1 2009. Excluding run-off profits the combined ratio increased to 105.8% this quarter from 93.7% in Q1 2009.

In its general forecast model Topdanmark assumes weather-related claims (storm etc.) of DKK 50m in Q1 each year. In Q1 2010 claims related to the severe winter were DKK 270m higher than a normal level. Excluding extraordinary weather-related claims of DKK 220m (10.5pp) and the premium adjustments of DKK 48m (2.1pp) the underlying combined ratio was 93.2% in Q1 2010 excluding run-off profits.

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<b>Financial highlights - Non-life insurance</b> (DKKm)	<b>Full year</b> <b>2009</b>	<b>Q1</b> <b>2009</b>	<b>Q1</b> <b>2010</b>
Gross premiums earned	8,665	2,170	2,093
Technical interest	102	46	27
Claims incurred	(6,337)	(1,637)	(1,712)
Expenses	(1,295)	(328)	(337)
Net reinsurance	(266)	(18)	(102)
Technical profit / (loss)	869	233	(32)
Investment return after transfer to technical profit / (loss)	704	(158)	226
Other items	19	5	5
<b>Profit on non-life insurance</b>	<b>1,592</b>	<b>80</b>	<b>199</b>
Run-off profits, net of reinsurance	214	50	63
Gross loss ratio (%)	73.1	75.5	81.8
Net reinsurance ratio (%)	3.1	0.8	4.9
Claims trend (%)	76.2	76.3	86.7
Gross expense ratio (%)	14.9	15.1	16.1
Combined ratio (%)	91.1	91.4	102.8
Operating ratio (%)	90.1	89.5	101.5

### Segment reporting

#### Personal

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

Premiums earned improved 0.8% to DKK 1,161m. This growth was adversely impacted by the recession (fewer vehicles, a small number of house sales etc.), intensified competition and lower sales through banks. Sales through Topdanmark's own sales channels have improved from Q1 2009.

The technical result declined DKK 66m to DKK 87m in Q1 2010 due to a deteriorated claims trend.

The claims trend increased 5.2pp to 78.4% due to the severe winter with snow loading, many plumbing claims, an increased frequency in damage to own vehicles and

accident claims due to, for example, slippery pavements - a total of DKK 35m. Claims frequency for private cars increased 12% from Q1 2009 reflecting the winter weather. Theft claims declined while fire claims increased 13% from Q1 the previous year.

In order to improve the claims trend the prices of house and contents, health and unemployment insurance policies are being increased with an effect of DKK 26m in Q1 2010.

The expense ratio declined to 15.2% from 15.5% as a result of the increased focus on cutting expenditure, implementation of an employment freeze and lower commission due to lower sales through banks.

The combined ratio increased to 93.6% this quarter from 88.6% in Q1 2009. Excluding run-off profits it increased to 96.5% from 91.3%.

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<b>Personal</b> (DKKm)	<b>Full year</b> <b>2009</b>	<b>Q1</b> <b>2009</b>	<b>Q1</b> <b>2010</b>
Gross premiums earned	4,638	1,152	1,161
Technical interest	53	22	13
Claims incurred	(3,478)	(827)	(884)
Expenses	(711)	(179)	(177)
Net reinsurance	(54)	(15)	(26)
Technical result	448	153	87
Run-off profits, net of reinsurance	111	31	34
Gross loss ratio (%)	75.0	71.8	76.1
Net reinsurance ratio (%)	1.2	1.3	2.2
Claims trend (%)	76.2	73.1	78.4
Gross expense ratio (%)	15.3	15.5	15.2
Combined ratio %	91.5	88.6	93.6
Operating ratio (%)	90.5	87.0	92.6

### SME

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

Premiums earned declined 7.5% to DKK 755m. The difficult situation of small and medium-sized businesses impacted the SME segment significantly because Topdanmark has a relatively high market share in this segment, particularly within trades and construction.

The recession has caused more business liquidations and fewer employees, a reduction in production facilities, fewer vans etc. Premiums earned in workers' compensation declined 5.4% from Q1 the previous year primarily due to the adjustment of premiums earned in 2009.

The technical result declined DKK 155m to a loss of DKK 95m in Q1 2010.

The claims trend increased 16.2pp primarily due to winter claims of DKK 220m (19.0pp), although fire and theft claims declined DKK 117m (10.0pp).

In order to improve the claims trend Topdanmark has implemented price increases for building and property policies for SME-customers of DKK 10m in Q1 2010.

The expense ratio increased 2.7pp to 17.6% due to the lower level of premiums.

The combined ratio increased to 114.2% this quarter from 95.3% in Q1 2009. Excluding run-off profits it increased to 119.1% from 96.9%.

<b>SME</b> (DKKm)	<b>Full year</b> <b>2009</b>	<b>Q1</b> <b>2009</b>	<b>Q1</b> <b>2010</b>
Gross premiums earned	3,249	817	755
Technical interest	42	22	12
Claims incurred	(2,338)	(678)	(701)
Expenses	(475)	(123)	(133)
Net reinsurance	(99)	22	(28)
Technical result	379	60	(95)
Run-off profits, net of reinsurance	76	13	37
Gross loss ratio (%)	72.0	83.0	92.8
Net reinsurance ratio (%)	3.0	(2.7)	3.7
Claims trend (%)	75.0	80.3	96.5
Gross expense ratio (%)	14.6	15.0	17.6
Combined ratio %	89.6	95.3	114.2
Operating ratio (%)	88.5	92.8	112.4

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### Industrial

The Industrial segment offers policies for Danish based businesses with more than 50 employees. It also offers captive-based schemes. The distribution network comprises Topdanmark's own sales team and its alliance partners.

Premiums earned declined 12.2% from Q1 2009. This negative premium growth was primarily due to workers' compensation insurance which was hit by the adjustment of premiums due to fewer employees in the businesses insured (6.9pp). Other lines of business were also adversely impacted by premium adjustments due to a lower level of activity in businesses as premiums are not indexed but fixed on the basis of values, turnover and number of employees.

The technical result declined DKK 43m to a loss of DKK 25m in Q1 2010.

The claims trend increased 20.1pp to 99.3% from 79.2% primarily due to the negative premium adjustments (8.2pp) and lower run-off profits (7.5pp). Furthermore there were winter claims (8.2pp).

The expense ratio increased 1.9pp to 15.5% due to the declining level of premiums.

The combined ratio increased to 114.7% this quarter from 92.7% in Q1 2009. Excluding run-off losses it increased to 110.3% from 95.7%.

<b>Industrial</b> (DKKm)	<b>Full year</b> <b>2009</b>	<b>Q1</b> <b>2009</b>	<b>Q1</b> <b>2010</b>
Gross premiums earned	800	207	182
Technical interest	7	3	2
Claims incurred	(545)	(140)	(132)
Expenses	(112)	(28)	(28)
Net reinsurance	(113)	(24)	(48)
Technical result	37	18	(25)
Run-off profits / (losses), net of reinsurance	27	6	(8)
Gross loss ratio (%)	68.1	67.4	72.9
Net reinsurance ratio (%)	14.1	11.8	26.3
Claims trend (%)	82.2	79.2	99.3
Gross expense ratio (%)	14.0	13.6	15.5
Combined ratio %	95.4	92.7	114.7
Operating ratio (%)	95.4	91.4	113.6

### Life insurance

In the first quarter of 2010 life insurance made a profit of DKK 144m (Q1 2009: DKK 13m).

Profit on life insurance activities comprises the sum of the profits generated in Life I and Life 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](#).

### Result of life insurance

(DKKm)			<b>Q1</b> <b>2009</b>			<b>Q1</b> <b>2010</b>
	<b>Life I</b>	<b>Life V</b>	<b>Group</b>	<b>Life I</b>	<b>Life V</b>	<b>Group</b>
Investment return	7	8	15	14	20	34
Risk allowance	16	13	29	19	13	31
Transferred to / from shadow account	(16)	(13)	(29)	60	0	60
Profit in Topdanmark Link			1			13
Financing charges Life Holding			(4)			(1)
Other			1			6
<b>Profit on life insurance</b>			<b>13</b>			<b>144</b>
<b>Shadow account end of period</b>	<b>77</b>	<b>118</b>	<b>195</b>	<b>79</b>	<b>0</b>	<b>79</b>

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Customers are divided between the two companies, Life I and Life 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 Life 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 Life V.

The return on funds owned by customers before pension return tax was 2.9% in Life I and a 4.1% in Life V in Q1 2010. After pension return tax and the change in provisions to strengthen the guarantees the net return was 2.3% in Life I and 2.0% in Life V.

The investment return on shareholders' equity was 1.9% in Life I and a 2.5% in Life V in Q1 2010. Shareholders' equity is not being allocated any return on those equities and instruments used to hedge the guaranteed benefits.

In Q1 2010 in Life I it was possible to include in income a risk allowance and DKK 60m of the shadow account. At the end of Q1 2010 the shadow account balance was DKK 79m and the accumulated collective bonus potential DKK 13m. This shadow account will be included in income in a subsequent period. Correspondingly in Life V it was possible to include an allowance for risk in income for Q1 2010 while there was no balance on the shadow account.

### Removal of loss participation scheme

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 and only serves a purpose whereby the savings of those customers who want to leave the scheme prematurely are calculated correctly.

As a result of the development in the financial markets the collective bonus potential of Life I was fully utilised in 2008 and it was necessary to draw on the individual bonus potential. Withdrawals from the individual bonus potential must be offset before shareholders' can again include a risk allowance in income. Until then risk allowances will be transferred to the shadow account to be included in income in a subsequent period. As a consequence of the withdrawal from the individual bonus potential on paid-up benefits Life I introduced loss

participation in 2008. This scheme was gradually reduced during 2009 and completely removed by 12 April 2010.

Loss participation has at no time been introduced in Life V.

### Rate of interest on policyholders' savings

On 31 October 2008 the Danish Ministry of Economic and Business Affairs, the Danish Central Bank and the Danish Insurance Association agreed to ensure financial stability in the pension sector. It was a key element of the agreement that the fixing of bonus rates should ensure that generally the companies do not accept liabilities other than the guaranteed pension benefits. At the beginning of 2010 the rate before pension return tax was increased to 2.65% in Life I and maintained at 3.5% in Life V.

As in previous years these rates may be subject to change later in the year if the development in the financial markets is different from expectations. Due to the development in the financial markets in Q1 2010 and the consequent removal of the loss participation scheme it has been decided to increase the rate before pension return tax to 3.25% in Life I with effect from 1 May 2010.

### Trend in premiums

Gross premiums increased 1.4% to DKK 986m this quarter from DKK 973m in Q1 2009.

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 declined 5% to DKK 847m this quarter from DKK 892m in Q1 2009. Topdanmark believes that the tax reform and particularly the uncertainty of the equalisation tax on pension payments had a negative impact on people's desire to pay into their pension schemes in Q1 2010.

Single premiums increased to DKK 139m this quarter from DKK 81m in Q1 2009.

Premiums on unit-linked policies increased 40.6% to DKK 185m this quarter from DKK 132m in Q1 2009, accounting for 35.3% of new life insurance business.

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Besides the premiums disclosed in the profit and loss account, premiums of DKK 28m were earned on investment contracts and taken directly to the balance sheet. This comprised DKK 9m of regular premiums and DKK 19m of deposits. Overall premiums earned on investment contracts declined 27.7% from Q1 2009.

In the 2009 Annual Report there was assumed to be zero growth in regular premiums in 2010, excluding any new business from the expanded co-operation with Nykredit and Sydbank on the provision of annuity products. Given developments in 2010 to date Topdanmark expects an overall increase in regular premiums of around 5%.

### Investment activities

#### Topdanmark Group excluding the life insurance group

The investment return in Topdanmark Group excluding Topdanmark Livsforsikring Group was DKK 343m in Q1 2010 including revaluation of provisions and income from associated companies but before the transfer to the technical result (Q1 2009: DKK 19m loss).

This return was DKK 67m higher than assumed in the profit forecast model for 2010 set out in the 2009 Annual Report primarily due to equities and equity instruments in a financial market with generally more favourable conditions than assumed in the model.

It is Topdanmark's policy to accept a certain level of financial risk, given its strong liquid position and stable, high earnings from insurance operations. Topdanmark has invested in, among others, equities, properties and CDOs in order to improve the average investment return. The return in Q1 2010 on the most significant classes of assets is disclosed in the following table.

### Investment return Q1 2010

Portfolio	31 Mar		Return Q1 2009		Return Q1 2010	
	DKKbn	DKKkm	%	DKKkm	%	
Danish equities	0.4	(25)	(7.9)	26	7.7	
Foreign equities	0.8	(42)	(5.9)	41	4.7	
Government and mortgage bonds	11.3	81	0.9	150	1.4	
Credit bonds	0.8	(31)	(4.0)	35	5.0	
CDOs	0.7	(44)	(4.4)	29	3.7	
Properties	1.3	17	1.3	18	1.4	
Assets rel. to I/A	1.6	11	0.7	31	2.1	
Money market etc.	4.1	62	1.1	15	0.4	
Interest-bear. debt	(2.7)	(57)	(1.1)	(11)	(0.4)	
	18.3	(28)	(0.2)	334	2.0	
Asset management		9		9		
Total		(19)		343		

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 Q1 associated companies accounted for DKK 58m of the total equity investment of DKK 1,288m. The post-tax equity exposure was DKK 658m 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 just under 30% of the portfolio at 31 March 2010) and MSCI World in the original currency for foreign equities.

## Topdanmark Interim Report for Q1 2010

The market value of interest-bearing investment assets owned by the Group excluding life insurance was DKK 15,851m at 31 March 2010, equivalent to 89.6% 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.

Since 31 October 2008 Danish insurance companies and pension funds have calculated the value of provisions by using a discount rate representing the combined weighting of the swap rate and the option-adjusted Danish mortgage credit rate. The portfolio is dominated by high-quality mortgage bonds, which ensures consistency between the investment return and the discount rate.

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

Credit bonds with a rating lower than BBB (DKK 404m) comprise senior secured bank loans and high yield bonds, part of which are convertible, and subordinated bank capital issued by EU banks (tier 1: DKK 46m). Credit bonds with a rating of BBB and A (DKK 359m) are ordinary and convertible corporate bonds, annuity policies and subordinated bank capital issued by EU banks (tier 1: DKK 87m, tier 2: DKK 23m). Credit bonds with a rating higher than A (DKK 23m) are corporate bonds.

The underlying assets of CDOs with a rating lower than AA (DKK 597m) are mostly leveraged loans (DKK 477m) 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 120m) comprise primarily leveraged loans (DKK 81m) and investment grade bonds etc. (DKK 40m).

Currently Topdanmark invests no further in CDOs. The table shows the Group's CDO return for Q1 2010 and the market value of the portfolios at 31 March. The maturity of the CDO investments is dependent on any changes in the payments made by the underlying assets which in turn

are dependent on changes in the general economy and therefore it is not possible to outline an actual plan for settlement of the portfolio.

### CDOs - Returns and portfolios

(DKKm)	Group excl.		Life insurance	
	life insurance Q1 2009	life insurance Q1 2010	Q1 2009	Q1 2010
<b>Return</b>				
AAA and AA	17	5	27	6
Lower than AA	(61)	24	(130)	48
Total return	(44)	29	(103)	54
Interest	15	16	33	31
Revaluations	(59)	13	(136)	23
Total return	(44)	29	(103)	54
<b>Book value 31 March</b>				
AAA and AA		120		312
Lower than AA		597		985
Total book value		717		1,297

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 DFSA 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. These investments are calculated as a share of Topdanmark Livsforsikring's overall investments, however, equities and equity instruments have, in advance, been allocated to the life insurance customers.

"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.

# Topdanmark Interim Report for Q1 2010

## Model prices

As an offshoot of the financial crisis the market pricing of a proportion of Topdanmark's investment assets ceased. Therefore it was not immediately possible to record these assets at market price and Topdanmark did not want to change to the principle of amortised cost widely used by the banking sector. Instead Topdanmark has used the mark-to-model method, as from Q4 2008, on part of the CDO portfolio and other structured products as well as illiquid loans and credit bonds. In the model it is assumed that the default ratio of loans and credit bonds would be 10% p.a. up to and including Q3 2011 when subsequently the rate would 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 calculation rate used is 10% p.a.

The assets are only calculated by means of the mark-to-model method if it is specifically considered that there continues to be no strong market pricing for the specific asset. In line with the improved market of credits since the beginning of H2 2009, a significant proportion of those investment assets previously recorded at model price at the end of 2008 have now again been recorded at a publicly available value. Since the end of 2008 it has not been necessary to value further assets by the mark-to-model method. At the end of Q1 2010 the asset exposure of the Group, excluding life insurance, valued by means of the mark-to-model method, totalled DK 581m, while the corresponding amount was DKK 554m at the end of 2009. This increase was due to the increasing USD rate and ordinary revaluations in line with the model.

## Financing

Up to now the goal of Topdanmark's capital structure has been 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 by way of regular share buy-backs throughout the year. As a result of this approach to capital structure Topdanmark is financing part of the investment in the insurance group with loans.

Against this background it is believed that the future regulation of the insurance sector will require a minimum level of solvency capital in insurance holding companies corresponding to the solvency requirements of the underlying group companies. Topdanmark has no intention of accumulating unnecessary capital in the group companies and therefore looking forward it is expected that broadly the capital base of the parent

company will be sufficient to finance the investments in the group companies. Consequently the parent company will not need significant net refinancing in excess of its capital base.

For details on the liquidity base see [www.topdanmark.com](http://www.topdanmark.com) → [Risk management](#) → [Market risk](#).

## Solvency II

In its 2009 Annual Report Topdanmark said that it intended to accumulate solvency capital of DKK 4,500m by 2012. The solvency capital is planned to comprise shareholders' equity (DKK 3,850m), hybrid capital (DKK 400m) and subordinated loan capital (DKK 250m), see [www.topdanmark.com](http://www.topdanmark.com) → [Corp. Gov.](#) → [Value Creation](#) → [Capital Model](#). It also said that if the capital requirement would be higher than assumed, the difference would be covered by issuing supplementary loan capital.

The DKK 4,500m of solvency capital was Topdanmark's best assessment for the necessary future capital, given the approval of Topdanmark's internal model and given a certain margin to the minimum requirement of the expected Solvency II rules. This assessment was based on information available in March, including the result of QIS4, the CEIOPS advice from November and an estimate of the EU Commission's expected action on the CEIOPS advice.

Subsequently the EU Commission published draft technical specifications of QIS5. These will be further considered before the final Solvency II requirements are decided but as stated in the "Cover Note to Accompany the Draft QIS5 Technical Specifications", the purpose of QIS5 is to test the impact of the new regime. It is therefore assumed that the final requirements will be very similar to those of the QIS5 specifications.

In the QIS5 specifications a number of modifications have been made to the CEIOPS advice such as:

- The risk-free rate is based on swaps and includes an illiquidity premium
- The value of diversification is allowed for in the calculation of the risk margin on reserves
- The capital strain due to operational risk is reduced
- The capital strain due to risk on investment assets is reduced
- Some correlations are reduced

## Topdanmark Interim Report for Q1 2010

- The capital strain due to the premium and provisioning risk in non-life insurance is reduced in the standard model
- The definition of solvency capital is modified
- The current position of supplementary capital already issued is maintained until the first call date

As mentioned, Topdanmark has assumed that the calculation of the necessary future solvency capital is based on its internal model for non-life insurance risks. Therefore, the modifications to the standard model will have no impact on Topdanmark's expected future capital requirement on non-life insurance risks. However, overall it seems that the QIS5 specifications will mean lower future capital requirements than previously expected. But, the uncertainty continues to be significant and therefore Topdanmark has not changed its goal to accumulate solvency capital of DKK 4,500m by 2012.

If contrary to expectation Topdanmark cannot use an internal model to calculate the non-life insurance risk but instead must use the standard model, the solvency capital requirement will increase by around DKK 1bn. In this case the difference in the solvency requirement between using the internal model and the standard model could be financed by issuing supplementary loan capital. For example, assuming that Topdanmark issues supplementary loan capital of DKK 1bn with a 4pp margin to the reinvestment rate, the pre-tax extra cost will be DKK 40m (post-tax: DKK 30m) corresponding to about 3% of a normal post-tax profit.

### Taxation

The tax charge was DKK 69m of a pre-tax profit of DKK 337m. The actual tax rate of 20.5% deviates from the official tax rate of 25% mainly due to the utilisation of an unrecognised deferred tax asset.

### Profit forecast model for 2010

Traditionally Topdanmark does not publish actual profit forecasts 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 gives 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 can be seen, the investment return forecast model is not based on a specific estimate of the expected investment return for the rest of the year but solely on a long-term standard assumption of the return.

In the 2009 Annual Report the post-tax profit forecast model for 2010 was DKK 800 – 900m based on, among others, the following assumptions:

- Non-life premium growth of 1% -2%
- Combined ratio of 95% - 96% including winter weather claims of DKK 350m
- No run-off profit / losses in 2010 in accordance with usual practice
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 26 February
- A 3.4% return (risk-free interest rate plus 2.0pp) on those interest-bearing assets not hedging the discounted provisions
- Recognition as income of the risk allowances in both Life I and Life V as well as part of the shadow account of Life I of about DKK 107m leaving a shadow account balance of DKK 30m at the end of 2010

Since the most recent profit forecast model was published in the 2009 Annual Report, the following assumptions have changed for premium growth:

- Due to negative premium adjustments in, among other lines, workers' compensation and commercial liability insurance, premiums earned in 2009 were overestimated by DKK 48m and correspondingly premiums earned in Q1 2010 were underestimated by DKK 48m. The overall immediate effect of the adjustments was 1.1pp. Furthermore the portfolio of premiums at 1 January 2010 was lower than assumed which also had an effect on the overall growth rate.

## Topdanmark Interim Report for Q1 2010

Therefore the assumed growth in premiums in 2010 is being revised from 1% - 2% to around zero.

The assumptions for the combined ratio for 2010 have changed as follows:

- In accordance with Topdanmark's forecast model on weather-related claims (see 2009 Annual Report page 22) the assumed weather-related claims for the rest of 2010 have been reduced from DKK 100m to DKK 75m corresponding to a 0.3pp improvement of the combined ratio
- The assumed winter-related claims of DKK 350m above a normal level in Q1 have been reduced to DKK 300m corresponding to a 0.6pp improvement of the combined ratio
- In Q1 2010 there were run-off profits of DKK 63m corresponding to a 0.7pp improvement of the combined ratio
- Declining interest rates from the level on 26 February 2010 corresponding to a 0.2pp adverse impact on the combined ratio
- The premium adjustments in workers' compensation and commercial liability insurance increased DKK 48m corresponding to a 0.6pp adverse impact on the combined ratio

Overall the assumed combined ratio for 2010 is being upgraded from 95% - 96% to 94% - 95% excluding any run-off profits / losses in the last three quarters of 2010.

In its general forecast model Topdanmark assumes weather-related claims of DKK 50m in Q1 each year. After including actual winter claims of DKK 300 instead of this DKK 50m, the extraordinary effect of the winter claims was DKK 250m with a 2.9% effect on the combined ratio. After adjusting for the premium adjustments of DKK 48m (0.6pp), the

assumed underlying combined ratio for the full year of 2010 is around 91% excluding any run-off profits / losses in the last three quarters of 2010.

From 26 February until 11 May changes in the financial markets have increased the assumed investment return for the Topdanmark Group excluding life insurance by DKK 40m.

In life insurance the loss participation scheme in Life I was removed in April. It is now assumed that the total shadow account balance of DKK 79m in Life I will be included in income in 2010. It is important to note that the profit forecast model is highly sensitive to fluctuations in the investment return of Life I during the remainder of 2010. Given the assumptions as at the date of the forecast, the entire shadow account of Life I will be included in income in 2010 but a lower investment return of Life I could result in the transfer of some of the amount on the shadow account to the following year. In this situation a lower profit in Life I will, krone for krone, result in a lower pre-tax profit in Topdanmark in 2010. If this happens, Topdanmark's profit will increase correspondingly in a subsequent period when it is possible to include the shadow account balance in income.

Overall, in accordance with its profit forecast model, Topdanmark assumes a post-tax profit of DKK 950 - 1,050m in 2010 representing a profit per share of DKK 67. This profit forecast model is subject to an annual 7.0% return on equities and unchanged foreign exchange rates from the level on 11 May 2010. Furthermore it is assumed that the return on interest-bearing assets hedging the discounted provisions is just sufficient to cover discounting and revaluation of the provisions while the return on the remaining interest-bearing assets will be 3.3% (risk-free interest rate plus 2.0pp).

## Topdanmark Interim Report for Q1 2010

### Profit forecast 2010

(DKKm)	Forecast for 2010				Forecast for 2010		
	2009	26 February 2010		11 May 2010			
Non-life insurance							
- Technical result	869	490	-	540	570	-	620
- Investment return after transfer to technical result etc.	723	280	-	340	310	-	370
Profit on non-life insurance	1,592	770	-	880	880	-	990
Life insurance	292	320	-	340	390	-	410
Parent company etc.	(21)	(30)	-	(20)	(20)	-	(10)
Pre-tax profit	1,863	1,060	-	1,200	1,250	-	1,390
Taxation	(417)	(260)	-	(300)	(300)	-	(340)
Profit for the year	1,446	800	-	900	950	-	1,050

### Share buy-back

In the 2009 Annual Report it was announced that the share buy-back for 2010 would be DKK 900m.

As the profit forecast model for 2010 has been increased by DKK 150m, the share buy-back programme for 2010 is also being raised from DKK 900m to DKK 1,050m representing a buy-back yield of 9.6%.

To date in 2010 Topdanmark has bought back own shares of DKK 81m which leaves a balance of DKK 969m of the 2010 programme.

There may be a temporary halt in Topdanmark's share buy-back programme if, for example, it is investigating a potential acquisition as an alternative to its share buy-back. This was the case in Q1 2010 when Topdanmark made a bid for Nykredit Forsikring which, however, did not result in an acquisition.

Since 1998 when Topdanmark started buying back own shares, it has made decisions to cancel DKK 7.8bn of shares representing a 59% write-down of the share capital, with an average price of DKK 324 per share that has been written down.

Topdanmark does not buy back own shares in those periods where the Company would be considered an insider and during the three weeks immediately preceding the announcement of interim and annual reports.

Furthermore it does not buy back own shares during the period of five banking days after the announcement of a quarterly report as this is the period in which the executives may exercise their share options or warrants. Below is a list of the periods when the share buy-back is and is not allowable.

#### Share buy-back allowable

31 May 2010	-	03 Aug 2010
02 Sep 2010	-	01 Nov 2010
01 Dec 2010	-	14 Feb 2011
16 Mar 2011	-	28 Apr 2011

#### Share buy-back not allowable

29 Apr 2010	-	28 May 2010
04 Aug 2010	-	01 Sep 2010
02 Nov 2010	-	30 Nov 2010
15 Feb 2011	-	15 Mar 2011
29 Apr 2011	-	27 May 2011

### Financial calendar

2010 Half-year Report	25 Aug 2010
Q1-Q3 2010 Interim Report	23 Nov 2010
2010 Annual Report	08 Mar 2011
Deadline for submitting items for AGM agenda	08 Mar 2011
AGM	12 Apr 2011
Q1 2011 Interim Report	20 May 2011

## Topdanmark Interim Report for Q1 2010

### Accounting policies

The Q1 2010 report has been prepared in accordance with IAS 34 on interim reports for listed companies.

Furthermore, it has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

There have been no changes in accounting policies from those adopted in the 2009 Annual Report with a complete description of the accounting policies.

Generally all the amounts in the report are disclosed in whole numbers of DKKm. The amounts have been rounded off and consequently the sum of amounts rounded off and totals might differ slightly.

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

# Topdanmark Interim Report for Q1 2010

## Profit and loss account • Group

(DKK m)	Note	Full year 2009	Q1 2009	Q1 2010
<b>NON-LIFE INSURANCE</b>				
Gross premiums written		8,671	4,014	3,921
Reinsurance ceded		(624)	(317)	(329)
Change in the provisions for unearned premiums, gross		36	(1,833)	(1,812)
Change in reinsurers' share of the provisions for unearned premiums		(28)	153	164
<b>Premiums earned, net of reinsurance</b>		<b>8,055</b>	<b>2,017</b>	<b>1,944</b>
<b>Technical interest, net of reinsurance</b>	1	102	46	27
Gross claims paid		(6,250)	(1,634)	(1,581)
Reinsurance cover received		321	77	42
Change in the provisions for claims, gross		(74)	0	(128)
Change in reinsurers' share of the provisions for claims		(5)	52	5
<b>Claims incurred, net of reinsurance</b>	2	<b>(6,008)</b>	<b>(1,505)</b>	<b>(1,662)</b>
<b>Bonuses and rebates</b>		<b>(42)</b>	<b>(11)</b>	<b>(16)</b>
Acquisition costs		(738)	(202)	(211)
Administrative expenses		(534)	(120)	(120)
Reinsurance commission and share of profits		70	17	17
<b>Total operating expenses, net of reinsurance</b>		<b>(1,202)</b>	<b>(305)</b>	<b>(314)</b>
<b>TECHNICAL PROFIT / (LOSS) ON NON-LIFE INSURANCE</b>		<b>905</b>	<b>242</b>	<b>(22)</b>
<b>LIFE INSURANCE</b>				
Gross premiums written	3	3,208	973	986
Reinsurance ceded		(10)	(2)	(2)
<b>Premiums, net of reinsurance</b>		<b>3,198</b>	<b>971</b>	<b>984</b>
<b>Allocated investment return, net of reinsurance</b>		<b>2,443</b>	<b>(173)</b>	<b>844</b>
Claims and benefits paid		(1,428)	(410)	(491)
Reinsurance cover received		6	2	1
Change in the provisions for claims and benefits		5	7	6
<b>Claims and benefits paid, net of reinsurance</b>		<b>(1,417)</b>	<b>(401)</b>	<b>(484)</b>
Change in life insurance provisions		(2,829)	(341)	(782)
Change in reinsurers' share		1	(1)	(2)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(2,828)</b>	<b>(342)</b>	<b>(784)</b>
<b>Bonus</b>		<b>(118)</b>	<b>67</b>	<b>(118)</b>
<b>Change in provisions for unit-linked contracts</b>		<b>(851)</b>	<b>(47)</b>	<b>(273)</b>
Acquisition costs		(125)	(32)	(32)
Administrative expenses		(180)	(50)	(49)
Reinsurance commission and share of profits		1	0	0
<b>Total operating expenses, net of reinsurance</b>		<b>(304)</b>	<b>(82)</b>	<b>(80)</b>
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		<b>123</b>	<b>(7)</b>	<b>89</b>

# Topdanmark Interim Report for Q1 2010

## Profit and loss account • Group

(DKKm)	Full year 2009	Q1 2009	Q1 2010
<b>NON-TECHNICAL ACTIVITIES</b>			
Technical profit / (loss) on non-life insurance	905	242	(22)
Technical profit / (loss) on life insurance	123	(7)	89
Income from associated companies	(11)	3	10
Income from investment properties	255	60	59
Interest income and dividends etc.	2,048	574	412
Revaluations	2,159	(743)	937
Interest charges	(224)	(99)	(18)
Expenses on investment business	(45)	(10)	(10)
<b>Total investment return</b>	<b>4,182</b>	<b>(215)</b>	<b>1,389</b>
Technical interest transferred to non-life insurance business	(466)	(148)	(111)
Pension return tax	(395)	38	(152)
Investment return transferred to life insurance business	(2,443)	173	(844)
Other income	5	2	1
Other expenses	(48)	(13)	(13)
<b>PRE-TAX PROFIT</b>	<b>1,863</b>	<b>72</b>	<b>337</b>
Taxation	(417)	(37)	(69)
<b>PROFIT FOR THE PERIOD</b>	<b>1,446</b>	<b>35</b>	<b>268</b>
Profit per share (DKK)	92.2	2.2	17.3
Profit per share, diluted (DKK)	91.7	2.2	17.2

## Statement of comprehensive income • Group

Profit for the period	1,446	35	268
Revaluation of owner-occupied properties	3	0	0
Taxation	(1)	0	0
Other comprehensive income taken to shareholders' equity	2	0	0
<b>Total comprehensive income for the period</b>	<b>1,448</b>	<b>35</b>	<b>268</b>

# Topdanmark Interim Report for Q1 2010

## Assets • Group

(DKKm)	31 December 2009	31 March 2009	31 March 2010
<b>INTANGIBLE ASSETS</b>	729	692	717
Machinery and equipment	178	178	178
Owner-occupied properties	739	737	739
<b>TOTAL TANGIBLE ASSETS</b>	917	915	918
Investment properties	4,086	4,025	4,086
Shares in associated companies	339	355	349
Loans to associated companies	460	451	476
Total investment in associated companies	799	806	824
Shares	5,445	3,522	6,215
Bonds	31,820	28,631	33,422
Loans guaranteed by mortgages	18	20	17
Other loans	2	3	2
Deposits with credit institutions	6,830	11,061	5,989
Derivatives	639	991	782
Total other financial investment assets	44,754	44,228	46,427
<b>TOTAL INVESTMENT ASSETS</b>	49,639	49,059	51,338
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	2,486	1,508	2,861
Reinsurers' share of provisions for unearned premiums	73	219	237
Reinsurers' share of life insurance provisions	32	31	31
Reinsurers' share of the provisions for claims and benefits	551	595	559
Total reinsurers' share of provisions	656	845	826
Amounts due from policyholders	407	620	640
Amounts due from insurance companies	193	186	114
Amounts due from associated companies	9	4	20
Other debtors	100	110	105
<b>TOTAL DEBTORS</b>	1,365	1,765	1,706
Current tax assets	260	330	131
Deferred tax assets	40	84	34
Liquid funds	259	232	194
Other	227	532	62
<b>TOTAL OTHER ASSETS</b>	786	1,178	420
Accrued interest and rent	435	563	398
Other prepayments and accrued income	197	132	189
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	632	695	588
<b>TOTAL ASSETS</b>	56,554	55,812	58,547

## Topdanmark Interim Report for Q1 2010

### Shareholders' equity and liabilities • Group

(DKKm)	Note	31 December 2009	31 March 2009	31 March 2010
Share capital		169	168	170
Revaluation reserve		15	13	15
Security fund		1,104	1,104	1,104
Other reserves		16	13	17
Total reserves		1,120	1,117	1,122
Profit carried forward		2,813	1,693	3,085
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,117</b>	<b>2,991</b>	<b>4,392</b>
<b>SUBORDINATED LOAN CAPITAL</b>		<b>653</b>	<b>652</b>	<b>653</b>
Provisions for unearned premiums		2,601	4,470	4,413
Guaranteed pension benefits		13,797	12,598	14,929
Bonus potential on future premiums		7,298	7,322	6,948
Bonus potential on paid-up benefits		4,696	3,383	4,695
Total life insurance provisions		25,791	23,303	26,573
Provisions for claims and benefits		11,863	11,217	12,170
Collective bonus potential		184	0	302
Provisions for bonuses and rebates		100	104	102
Provisions for unit-linked contracts		2,821	1,904	3,106
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>43,360</b>	<b>40,998</b>	<b>46,667</b>
Pensions and similar commitments		46	51	46
Deferred tax liabilities		249	149	93
Deferred tax on security funds		348	348	348
<b>TOTAL LIABILITIES PROVIDED</b>		<b>643</b>	<b>548</b>	<b>486</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>68</b>	<b>50</b>	<b>64</b>
Creditors arising out of direct insurance operations		104	65	67
Creditors arising out of reinsurance operations		19	117	178
Bond loans		70	43	70
Amounts due to credit institutions		6,575	9,219	4,896
Amounts due to associated companies		0	9	3
Current tax liabilities		0	0	2
Derivatives		115	127	175
Other creditors		743	966	834
<b>TOTAL CREDITORS</b>		<b>7,626</b>	<b>10,546</b>	<b>6,225</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>87</b>	<b>27</b>	<b>59</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>56,554</b>	<b>55,812</b>	<b>58,547</b>

Contingent liabilities

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# Topdanmark Interim Report for Q1 2010

## Cash flow statement • Group

(DKK m)	Full year 2009	Q1 2009	Q1 2010
<b>Cash flow from operations</b>			
Gross premiums written	8,572	3,812	3,793
Claims paid	(6,262)	(1,584)	(1,544)
Expenses	(1,083)	(234)	(248)
Net reinsurance	(297)	(143)	(11)
Cash flow from non-life insurance	930	1,851	1,990
Gross premiums written	3,229	911	853
Claims and benefits	(1,413)	(411)	(494)
Expenses	(304)	(67)	(78)
Net reinsurance	23	4	(5)
Cash flow from life insurance	1,535	437	276
Total cash flow from insurance business	2,465	2,288	2,265
Payments made and received on investment contracts	132	38	13
Interest income and dividends etc.	2,395	599	482
Interest charges	(317)	(65)	(31)
Pension return tax	(121)	0	1
Corporation tax	(259)	(93)	(87)
Other income and expenses	(39)	(9)	(10)
<b>Total cash flow from operations</b>	4,256	2,758	2,635
<b>Investments</b>			
Shares in associated companies	2	0	0
Properties	26	(1)	0
Machinery, equipment and intangible assets	(217)	(82)	(24)
Shares	(344)	95	(258)
Unit trust shares	0	4	(1)
Bonds	(3,179)	(821)	(1,037)
Loans	3	0	2
Derivatives	288	(299)	(297)
Investment assets related to unit-linked contracts	(1,116)	(688)	(205)
Balances with associated companies	(184)	(160)	(23)
<b>Total investments</b>	(4,721)	(1,952)	(1,843)
<b>Financing</b>			
Shares bought back	(376)	(15)	(81)
Share-based payments	105	52	59
Employee bonds	26	0	0
Amounts due to credit institutions	(1,216)	1,429	(1,679)
<b>Total financing</b>	(1,461)	1,466	(1,700)
Change in cash and cash equivalents	(1,926)	2,272	(908)
Cash and cash equivalents at 1 January	9,001	9,001	7,089
Revaluation of cash and cash equivalents	14	20	2
Cash and cash equivalents end of period	7,089	11,293	6,183
Cash and cash equivalents comprise:			
Liquid funds	259	232	194
Deposits with credit institutions	6,830	11,061	5,989
	7,089	11,293	6,183

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 for Q1 2010

## Movements in shareholders' equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
<b>2009</b>						
Shareholders' equity prior year	167	13	1,104	13	1,598	2,895
Total income	0	2	0	3	1,443	1,448
Share buy-back					(376)	(376)
Sale of employee shares					26	26
Issue of share options					15	15
Exercise of share options / warrants	2				103	105
Pension return tax					1	1
Taxation					3	3
<b>Shareholders' equity at 31 December 2009</b>	<b>169</b>	<b>15</b>	<b>1,104</b>	<b>16</b>	<b>2,813</b>	<b>4,117</b>
<b>Q1 2009</b>						
Shareholders' equity prior year	167	13	1,104	13	1,598	2,895
Total income	0	0	0	0	35	35
Share buy-back					(15)	(15)
Sale of employee shares					7	7
Issue of share options					15	15
Exercise of share options / warrants	1				51	52
Pension return tax					1	1
Taxation					1	1
<b>Shareholders' equity at 31 March 2009</b>	<b>168</b>	<b>13</b>	<b>1,104</b>	<b>13</b>	<b>1,693</b>	<b>2,991</b>
<b>Q1 2010</b>						
Shareholders' equity prior year	169	15	1,104	16	2,813	4,117
Total income	0	0	0	2	266	268
Share buy-back					(81)	(81)
Sale of employee shares					12	12
Issue of share options					16	16
Exercise of warrants	1				58	59
Taxation					1	1
<b>Shareholders' equity at 31 March 2010</b>	<b>170</b>	<b>15</b>	<b>1,104</b>	<b>17</b>	<b>3,085</b>	<b>4,392</b>

# Topdanmark Interim Report for Q1 2010

## Segment information • Group

### Profit and loss account

(DKK m)	Per- sonal	SME	Indu- strial	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
<b>Q1 2009</b>									
<b>Non-life insurance</b>									
Gross premiums earned	1,152	817	207	(6)	2,170				2,170
Technical interest*	22	22	3	(1)	46				46
Claims incurred	(827)	(678)	(140)	8	(1,637)			3	(1,634)
Expenses	(179)	(123)	(28)	2	(328)			6	(322)
Net reinsurance	(15)	22	(24)	(1)	(18)				(18)
Technical profit on non-life insurance	153	60	18	2	233			9	242
<b>Life insurance</b>									
Gross premiums written						973			973
Allocated investment return						(173)			(173)
Benefits and change in provisions						(724)			(724)
Expenses						(83)		1	(82)
Net reinsurance						(1)			(1)
Technical profit / (loss) on life insurance						(8)		1	(7)
Total investment return					(10)	(198)	(9)	2	(215)
Pension return tax						38			38
Transferred to technical result					(148)	173			25
<b>Investment return</b>					(158)	13	(9)	2	(152)
Other items					5	8	(12)	(12)	(11)
<b>Pre-tax profit / (loss)</b>					80	13	(21)	0	72
Taxation									(37)
<b>Profit for the period</b>									35
<b>Q1 2010</b>									
<b>Non-life insurance</b>									
Gross premiums earned	1,161	755	182	(5)	2,093				2,093
Technical interest*	13	12	2	0	27				27
Claims incurred	(884)	(701)	(132)	6	(1,712)			3	(1,709)
Expenses	(177)	(133)	(28)	1	(337)			6	(331)
Net reinsurance	(26)	(28)	(48)	0	(102)				(102)
Technical profit / (loss) on non-life insurance	87	(95)	(25)	1	(32)			10	(22)
<b>Life insurance</b>									
Gross premiums written						986			986
Allocated investment return						844			844
Benefits and change in provisions						(1,657)			(1,657)
Expenses						(81)		1	(80)
Net reinsurance						(3)			(3)
Technical profit on life insurance						88		1	89
Total investment return					337	1,043	7	3	1,389
Pension return tax						(152)			(152)
Transferred to technical result					(111)	(844)			(955)
<b>Investment return</b>					226	47	7	3	281
Other items					5	9	(12)	(14)	(12)
<b>Pre-tax profit / (loss)</b>					199	144	(6)	0	337
Taxation									(69)
<b>Profit for the period</b>									268

\* After discounting DKK 85m (Q1 2009: DKK 102m)

# Topdanmark Interim Report for Q1 2010

## Notes to the accounts • Group

(DKKm)	Full year 2009	Q1 2009	Q1 2010
<b>Note 1. Technical interest, net of reinsurance - non-life insurance</b>			
Calculated interest	466	148	111
Discounting of technical provisions and reinsurers' share	(364)	(102)	(85)
<b>Technical interest, net of reinsurance</b>	<b>102</b>	<b>46</b>	<b>27</b>

<b>Note 2. Claims incurred, net of reinsurance - non-life insurance</b>			
Run-off profit:			
Gross business	231	41	100
Reinsurance ceded	(17)	9	(37)
Run-off profit	214	50	63

<b>Note 3. Gross premiums written - life insurance</b>			
Individual policies	415	80	79
Policies which are part of a tenure	1,892	539	491
Group life	398	273	276
<b>Regular premiums</b>	<b>2,705</b>	<b>892</b>	<b>847</b>
Individual policies	87	34	24
Policies which are part of a tenure	416	47	115
<b>Single premiums</b>	<b>503</b>	<b>81</b>	<b>139</b>
<b>Gross premiums</b>	<b>3,208</b>	<b>973</b>	<b>986</b>

<b>Note 4. Contingent liabilities</b>	<b>31 December 2009</b>	<b>31 March 2009</b>	<b>31 March 2010</b>
Derivatives:			
Purchased forward contracts	23,303	20,165	23,037
Sold forward contracts	23,722	20,939	22,642
Adjustments to VAT liabilities	62	61	45
Other liabilities	14	21	14
Capital commitments to private equity funds	188	201	181

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 for Q1 2010

### Profit and loss account • Parent company

(DKKm)	Full year 2009	Q1 2009	Q1 2010
Income from affiliated companies	1,519	56	279
Interest income and dividends etc.	3	0	0
Revaluations	1	1	0
Interest charges	(43)	(19)	(5)
Expenses on investment business	(1)	(1)	0
<b>Total investment return</b>	<b>1,479</b>	<b>37</b>	<b>274</b>
Other expenses	(31)	(9)	(10)
<b>PRE-TAX PROFIT</b>	<b>1,448</b>	<b>28</b>	<b>264</b>
Taxation	(2)	7	4
<b>PROFIT FOR THE PERIOD</b>	<b>1,446</b>	<b>35</b>	<b>268</b>

### Balance sheet • Parent company

(DKKm)	31 December 2009	31 March 2009	31 March 2010
<b>Assets</b>			
Machinery and equipment	4	5	5
<b>TOTAL TANGIBLE ASSETS</b>	<b>4</b>	<b>5</b>	<b>5</b>
Shares in affiliated companies	5,126	4,496	5,419
Total investment in affiliated companies	5,126	4,496	5,419
Bonds	2	2	2
Total other financial investment assets	2	2	2
<b>TOTAL INVESTMENT ASSETS</b>	<b>5,128</b>	<b>4,498</b>	<b>5,421</b>
Amounts due from affiliated companies	70	77	124
Other debtors	0	0	1
<b>TOTAL DEBTORS</b>	<b>70</b>	<b>77</b>	<b>125</b>
Current tax assets	260	330	131
Deferred tax assets	1	43	0
Liquid funds	4	8	4
<b>TOTAL OTHER ASSETS</b>	<b>265</b>	<b>381</b>	<b>135</b>
Accrued interest and rent	0	0	1
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>5,467</b>	<b>4,961</b>	<b>5,686</b>

### Shareholders' equity and liabilities

Share capital	169	168	170
Other reserves	1,411	787	1,703
Total reserves	1,411	787	1,703
Profit carried forward	2,885	2,384	2,867
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,465</b>	<b>3,339</b>	<b>4,740</b>
<b>SUBORDINATED LOAN CAPITAL</b>	<b>403</b>	<b>402</b>	<b>403</b>
Bond loans	70	43	70
Amounts due to credit institutions	64	790	80
Amounts due to affiliated companies	462	373	390
Other creditors	3	14	2
<b>TOTAL CREDITORS</b>	<b>599</b>	<b>1,220</b>	<b>543</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>5,467</b>	<b>4,961</b>	<b>5,686</b>

## Topdanmark Interim Report for Q1 2010

### 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 for Q1 2010

## Management's statement

The Board of Directors and the Board of Management have today considered and adopted the interim report for Q1 - 2010 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, 20 May 2010

## Board of Management

Christian Sagild  
(CEO)

Kim Bruhn-Petersen

Lars Thykier

## Board of Directors

Michael Pram Rasmussen  
(Chairman)

Anders Knutsen  
(Deputy Chairman)

Ole Døssing Christensen

Charlotte Hougaard

Jens Maaløe

Per Mathiesen

Annette Sadolin

Søren Thorup Sørensen

Knud J. Vest