

Carnegie
Nordic Small and Mid Cap Seminar
September 2008

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Group Managing Director

Share profile

Clearly focused strategy

- **Danish player**
- **Stable insurance risks**
- **Low expense ratio**
- **Efficient capital management**
- **Relatively limited top line growth in non-life – higher in life**
- **High cash flow**
- **Large share buy-back programme**
- **No limitations set out in the Articles of Association**

Highlights

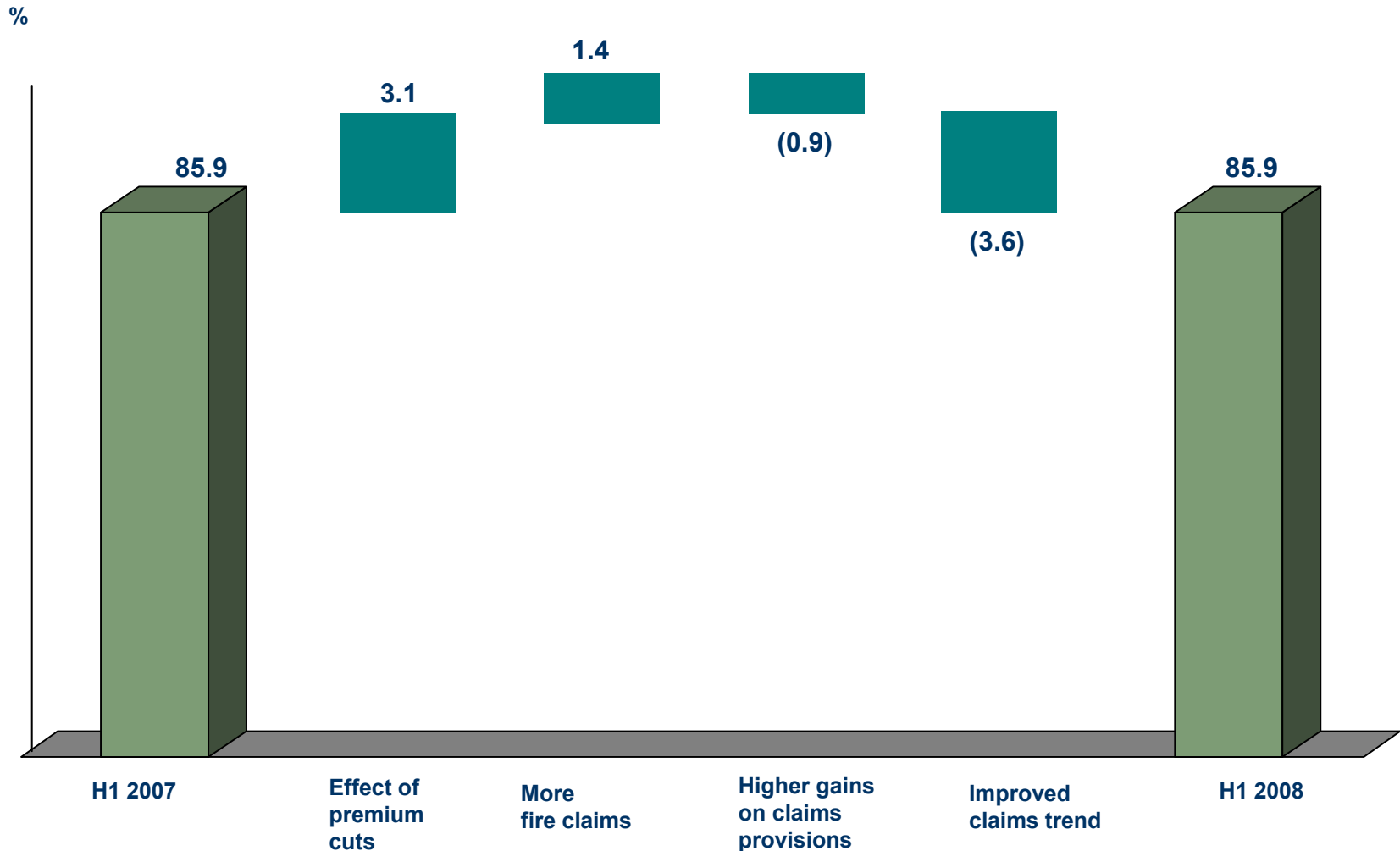
Results for the period:

- Q2 profit of DKK 243m (Q2 2007: DKK 385m)
- H1 profit of DKK 9m (H1 2007: DKK 764m)
- 2.0% premium growth in non-life and 15.2% in life in H1
- 5.4% increase in technical result in non-life in H1
- CR remained unchanged at 85.9 in H1

Prospects for 2008

- Expected premium growth in life increased from 5 - 10% to around 10%
- Unchanged expected premium growth of 1% in non-life
- Post-tax profit forecast for 2008 lowered by DKK 300m to DKK 450 - 550m
 - Representing a post-tax ROE of 13.9%
- Expected share buy-back also lowered by DKK 300m to DKK 750m
 - Representing a 6.4% buy-back yield

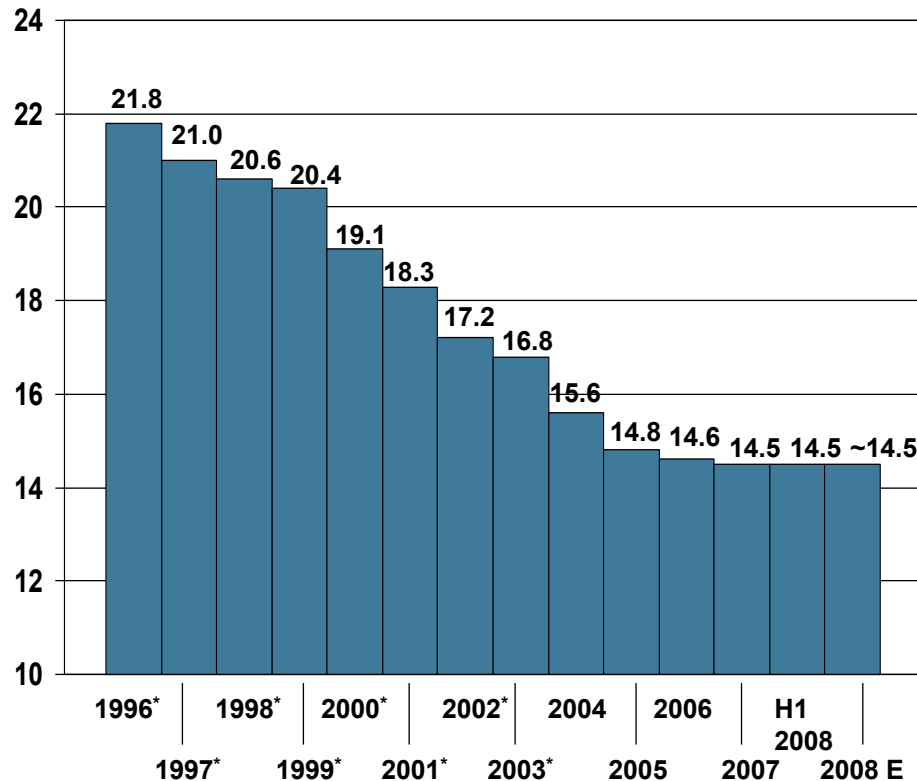
Trend in combined ratio H1 2007 - H1 2008



Ratios by segments

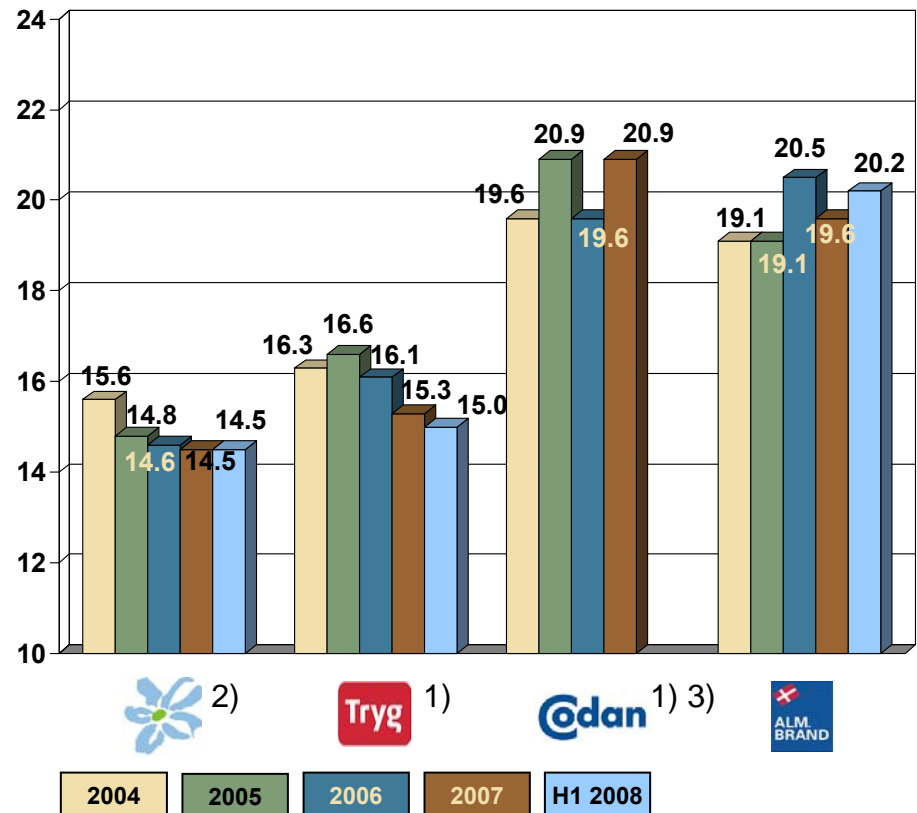
	Personal		Commercial		Industrial		Group	
	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008
Premium growth		0.7		4.1		1.7		2.0
Gross loss ratio (%)	67.6	66.9	69.4	69.7	57.7	70.6	67.2	68.3
Net reinsurance ratio (%)	1.8	1.6	3.7	3.1	19.6	11.2	4.3	3.1
Claims trend (%)	69.4	68.5	73.1	72.8	77.3	81.8	71.5	71.4
Gross expense ratio (%)	15.3	15.5	13.8	13.8	13.5	12.7	14.4	14.5
Combined ratio	84.7	84.0	86.9	86.6	90.8	94.5	85.9	85.9
CR adjusted for any gains on / strengthening of provisions	87.1	87.9	87.0	88.5	96.2	94.1	87.7	88.6
Effect of premium cuts							(2.2)	(3.1)
							85.5	85.5

Trend in Topdanmark's expense ratio



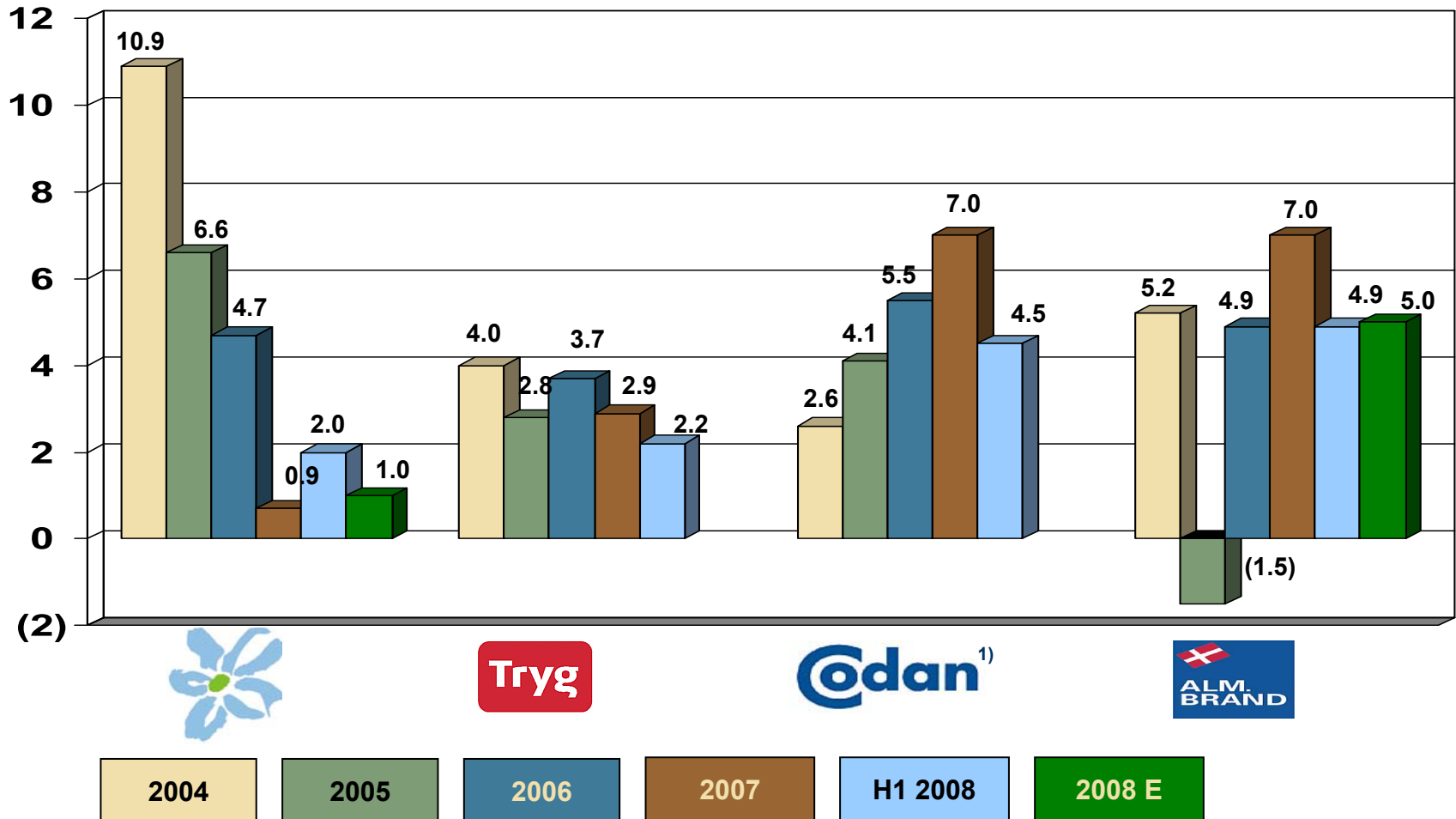
*Reduced by estimated IFRS effect 1996-2003

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



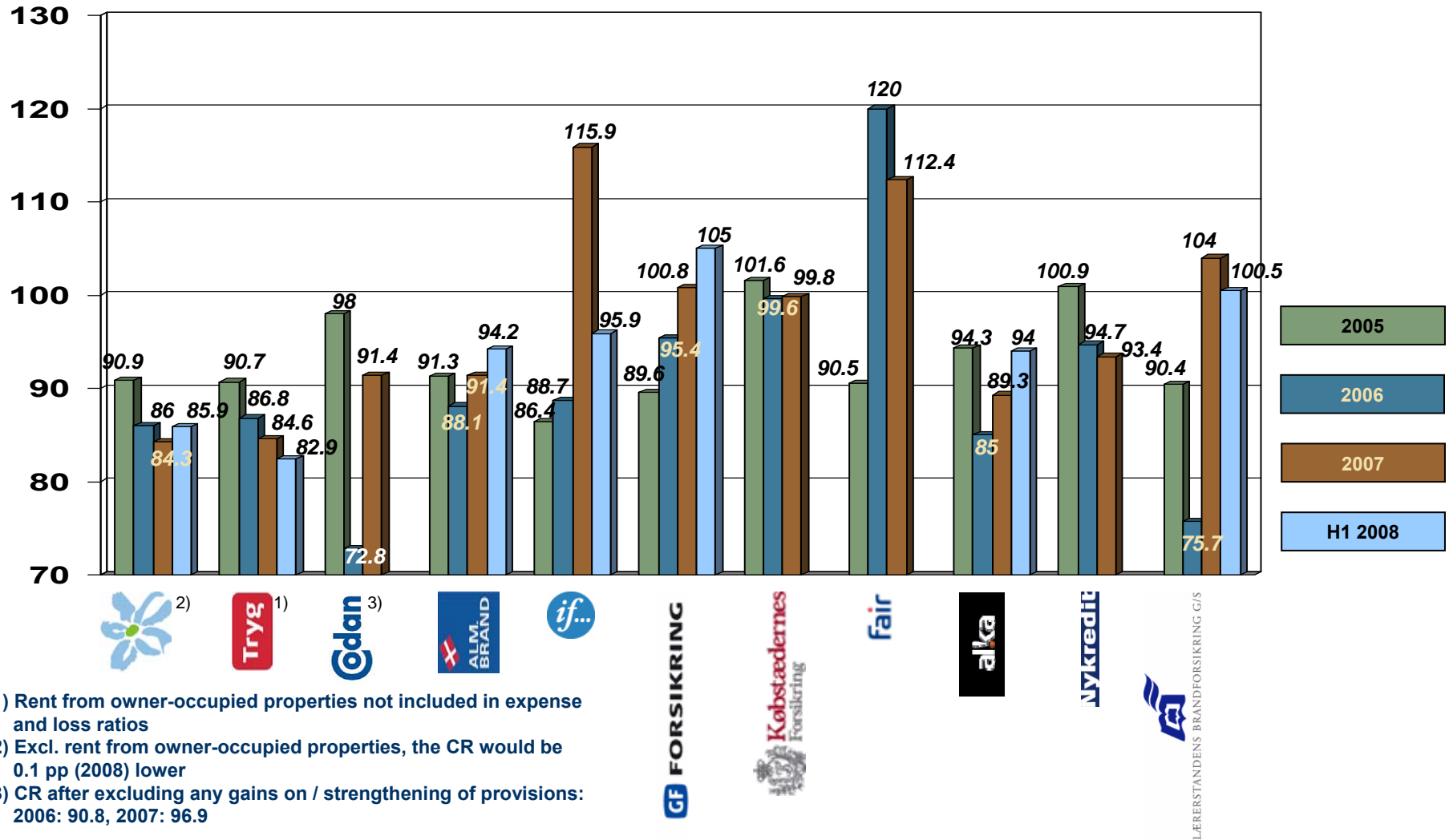
- 1) Rent from owner-occupied properties not included in expense ratio
- 2) Excl. rent from owner-occupied properties, the expense ratio would be 0.1 pp (2008) lower
- 3) Separate figures no longer disclosed for Denmark

Comparison of premium growth (Danish insurance)



¹⁾ From 2007 Scandinavian business on own account

Comparison of CR in the Danish market



- 1) Rent from owner-occupied properties not included in expense and loss ratios
- 2) Excl. rent from owner-occupied properties, the CR would be 0.1 pp (2008) lower
- 3) CR after excluding any gains on / strengthening of provisions: 2006: 90.8, 2007: 96.9

Prospects in non-life insurance

2008

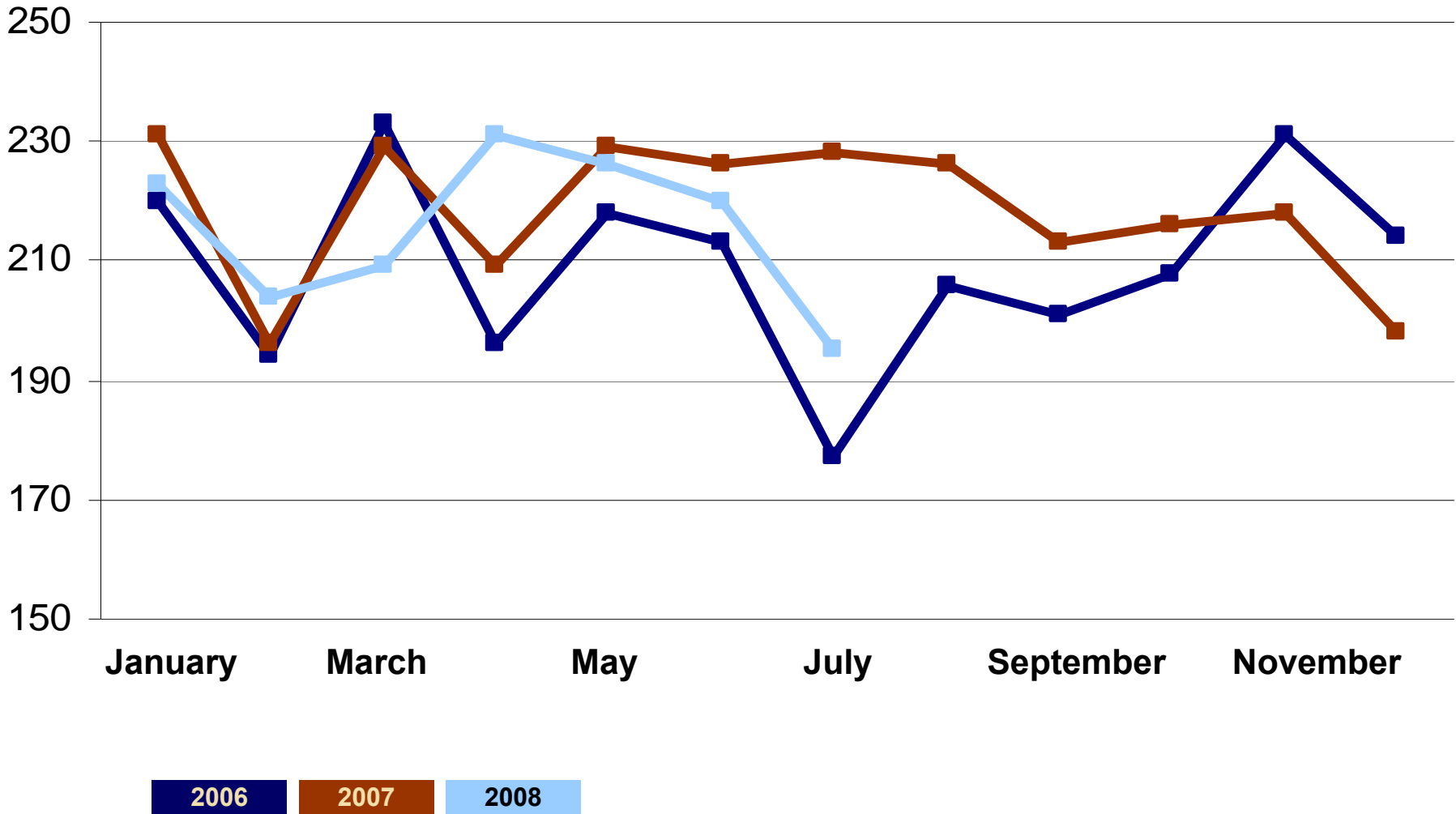
- Measures to improve competition implemented, DKK 140m effect in the full year 2008
 - DKK 90m in H1 2008
 - 2.0 pp adverse effect on premium growth in H1 2008
- Improved exchange rate of customers now seen in personal market
- Continued expected premium growth of 1%
- Storm programme renewed on 1 August 2008 with a minor saving
- Slightly declining claims frequency in motor
 - Increasing claims frequency for the market
- Improved expected CR from just over 88 to 88
- Prospect of a less competitive personal market

Maintaining operational goals:

- 12% profit margin in the next 2 or 3 years
 - Corresponding to a CR of just over 89
- 10% profit margin in the longer term
 - Corresponding to a CR of just over 91
- 5% annual growth in gross premiums

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

Declining claims frequency for passenger cars in 2008



Result of life insurance

Result of life insurance

(DKKm)	Liv I	Liv V	H1 2007 Group	Liv I	Liv V	H1 2008 Group
Investment return	8	9	17	(1)	(3)	(4)
Risk allowance	27	26	53	29	26	55
Transferred to shadow account	0	0	0	(29)	(26)	(55)
Profit / (loss) in Topdanmark Link			2			(26)
Financing charges Liv Holding			(5)			(6)
Calculated compensation etc.			(10)			(2)
Profit / (loss) on life insurance			57			(38)
Shadow account end of period	0	0	0	29	77	106

Prospects in life insurance

- Expected premium growth upgraded from 5 - 10% to around 10% for 2008
- DKK 110m expected to be transferred to the shadow account
 - Expected shadow account balance at 31 December 2008: DKK 162m
 - Will be included in income when investment return is sufficiently high

Investment return for Topdanmark Group excluding life insurance

	Portfolio				
	30 June	Return Q2		Return H1	
	DKKbn	DKKm	%	DKKm	%
Danish equities	0.5	(21)	(2.7)	(66)	(11.0)
Foreign equities	0.7	(38)	(4.9)	(196)	(21.6)
Government and mortgage bonds	8.8	86	1.2	163	1.9
Credit bonds	1.5	27	2.1	(60)	(3.8)
CDOs	1.3	13	0.4	(144)	(10.3)
Properties	0.9	11	1.3	20	2.3
Other	1.2	31	2.7	21	1.7
Total	14.9	109	0.7	(262)	(1.7)

CDOs - Returns and portfolios

	Group excl.		Life insurance	
	life insurance		life insurance	
	Q2	H1	Q2	H1
Return				
AAA and AA	24	(28)	66	(45)
Lower than AA	(11)	(116)	(3)	(242)
Total return	13	(144)	63	(287)
Interest				
Interest	47	83	91	170
Revaluations	(34)	(227)	(28)	(457)
Total return	13	(144)	63	(287)
Book value 30 June 2008				
AAA and AA		846		1,292
Lower than AA		434		909
Total book value		1,280		2,201

Unrealised write-downs of CLOs, without subprime exposure, and transfers to shadow account

DKK m

Write-downs of CLOs in 2007	181	
Shareholders' share in life	45	
Write-downs of CLOs in H1 2008	227	
Shareholders' share in life	<u>57</u>	
		510
Transferred to shadow account in 2007	52	
Transferred to shadow account in H1 2008	<u>54</u>	
		<u>106</u>
		616

2008 profit forecast reduced by DKK 300m

Profit forecast (DKKm)	Full year		Normal-ised	
	2007	H1 2008	2008E	2008
Non-life insurance				
- technical result	1,572	752	1,300	1,200
- investment return etc.	8	(557)	(480)	190
Life insurance	50	(38)	0	160
Parent company etc.	27	(38)	(70)	(50)
Pre-tax profit	1,657	119	750	1,500
Tax	(386)	(110)	(250)	(350)
Profit	1,271	9	500	1,150

Forecast assumptions for 2008 are based on equity prices at 22 August 2008

Expected share buy-back for 2008 represents a buy-back yield of 6.4%

- 2008 share buy-back also reduced by DKK 300m to DKK 750m
- Buy-back in 2008 represents a buy-back yield of 6.4%
- To date in 2008, DKK 363m shares bought back
- DKK 387m shares to be bought in remainder of the year
- Since 1998 Topdanmark has bought back 58% of the outstanding shares
 - Average price per share: DKK 324

www.topdanmark.com

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

Disclaimer

This presentation includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

Many factors may cause a significant deviation from the forecasts set out in the presentation. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of non-anticipated events like acts of terror or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry and trend in reinsurance market. Also see “Risk management” on our website www.topdanmark.com → [Risk management](#) .

The above description of potential risks is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should make their own careful considerations on these and other factors of uncertainty.

Topdanmark’s statements relating to the future are solely based on information known at the time of the preparation of the 2008 half-year report.

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

Appendix

Can profit be made on non-life insurance?

- Assumptions:

- Shareholders' equity 33% of premium income
- Combined ratio 89
- Interest income on provisions (incl. discounting effect) equal to 2.0% of premium income
- ROE 5%

- Return on operations:

Income	100.0
Interest income	<u>2.0</u>
	102.0
Expenditure	<u>89.0</u>
	13.0 ~ ROE = 39.0%

- ROE:

- ROE before taxation 5.0%
44.0%

Share buy-back model (1/2)

Reasonable level of capital cover 1 Jan and 31 Dec 2008 (DKKm)

2 x required solvency in non-life (premium based)	2,550	
1.5 x required solvency in life	1,314	
1 year's growth in required solvency	193	
0.3 x equity exposure (Group excl. life)	355	
1 x interest rate exposure (Group excl. life)	118	
	<u>4,530</u>	
Financed by:		
subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,530m)		(906)
Total reasonable level of capital cover 1 Jan 2008		<u>3,624</u>
1 year's normal growth in reasonable level of capital cover		<u>162</u>
Expected reasonable level of capital cover 31 Dec 2008		<u>3,786</u>

Share buy-back model (2/2)

Share buy-back potential 2008 (DKK m)

Shareholders' equity 1 Jan 2008		3,715
Hybrid capital	402	
Adjusted for: Goodwill	(441)	
Tax asset	(218)	
Value of own shares on exercise of share options	90	
Value of own shares to hedge option programme ¹⁾	326	159
Capital cover 1 Jan 2008		<u>3,874</u>
Expected profit after cash-impacting tax 2008 (avg)		500
Movements in shareholders' equity		<u>40</u>
Expected capital cover 31 Dec 2008		<u>4,414</u>
Expected reasonable level of capital cover 31 Dec 2008		<u>(3,786)</u>
Share buy-back potential 2008²⁾		<u>628</u>

¹⁾ 70% of market value - 700 - however max. strike price

²⁾ Tax asset of DKK 218m is expected to be reduced before the end of the year resulting in a share buy-back potential of DKK 750m. The tax asset arose from unrealised losses on the bond portfolio.

Normalised return in life insurance

Assumptions:

- Shareholders' equity: DKK 939m
- Investment return on shareholders' equity: 4.5%
- Cost result of new business: DKK 10m loss
- Risk and administrative result in Link: 0.1% of savings
- Sufficient insurance technical profit before bonus contribution
- Customers' savings :

Life I:	DKK 12.8bn
Life V:	DKK 8.0bn
Link:	DKK 1.6bn

Normalised return in life insurance

(DKKm)

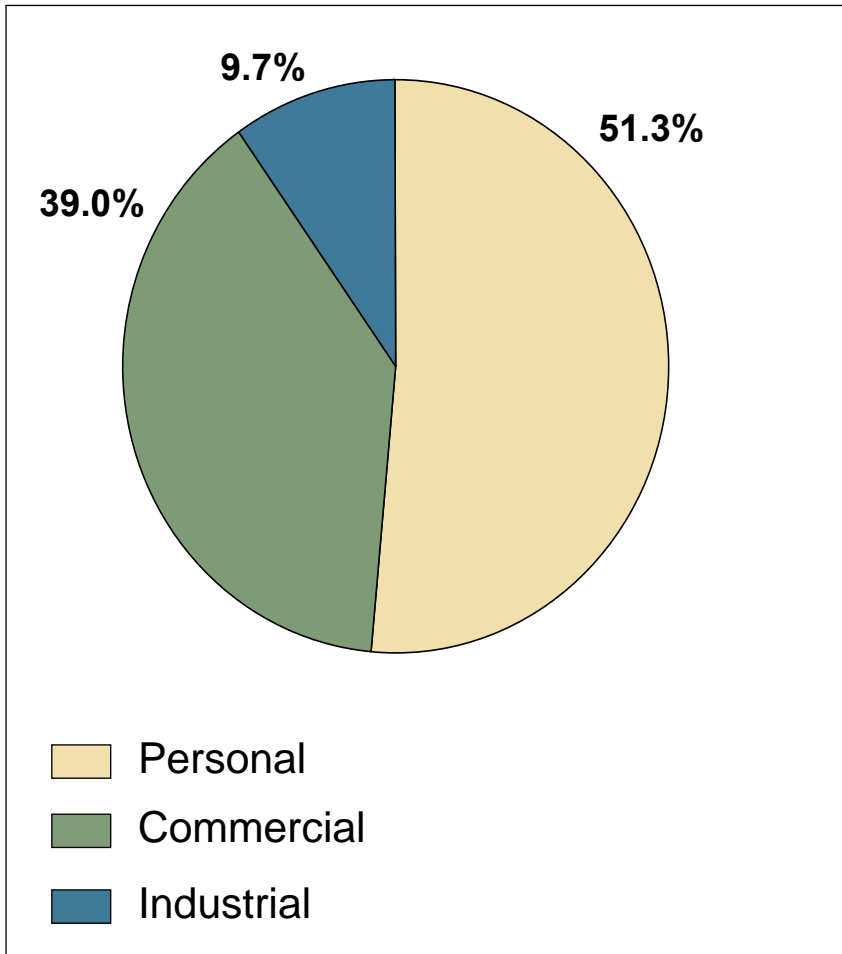
Return on life insurance:

	Normalised Annual return	
Investment return on shareholders' equity, 4.5%	42	
Risk allowance: 0.50% / 0.65% of customers' savings	116	
Cost result of new business	(10)	
Risk and administrative result in Topdanmark Link	<u>2</u>	
Total return	150	150 ~ ROE = 16.0%

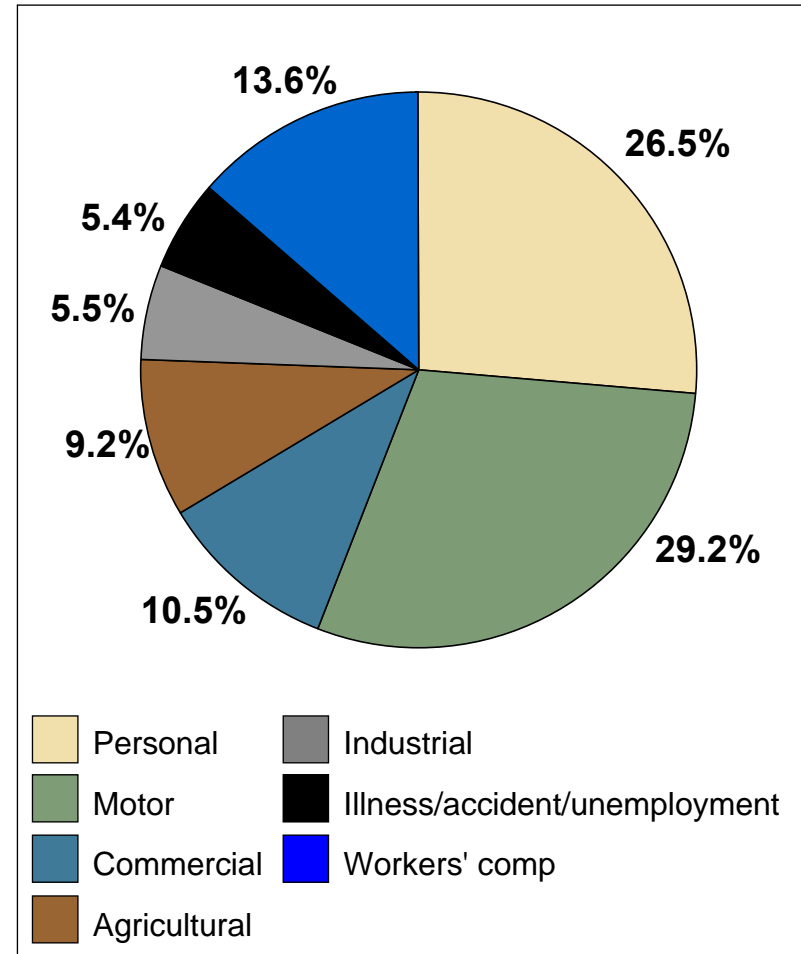
Other life-related result:

Life-related non-life (health and critical illness etc.)	30	
Asset management	22	
Other synergies in e.g. distribution	<u>35</u>	
	87	87
		<u>237</u> ~ ROE = 25.0%

Premiums by segment 2007

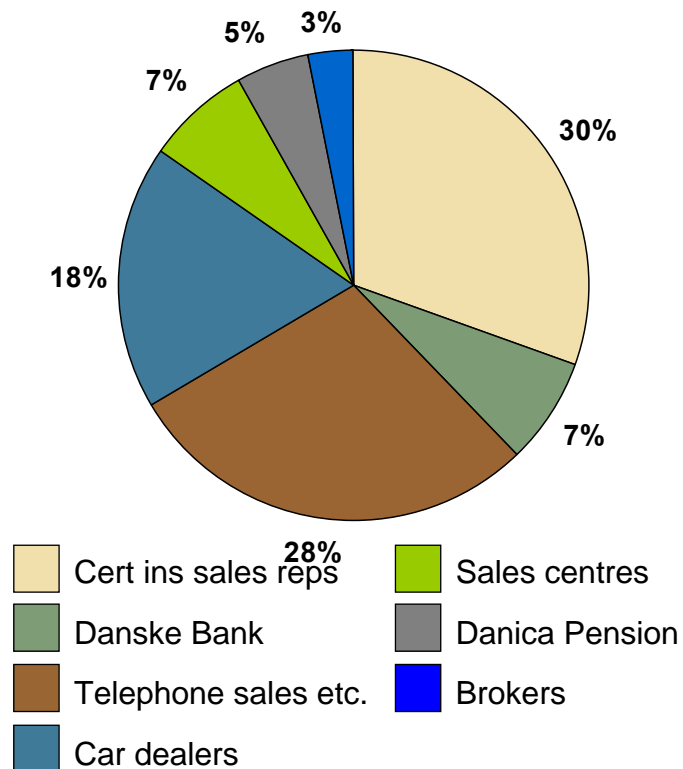


Premiums by product 2007

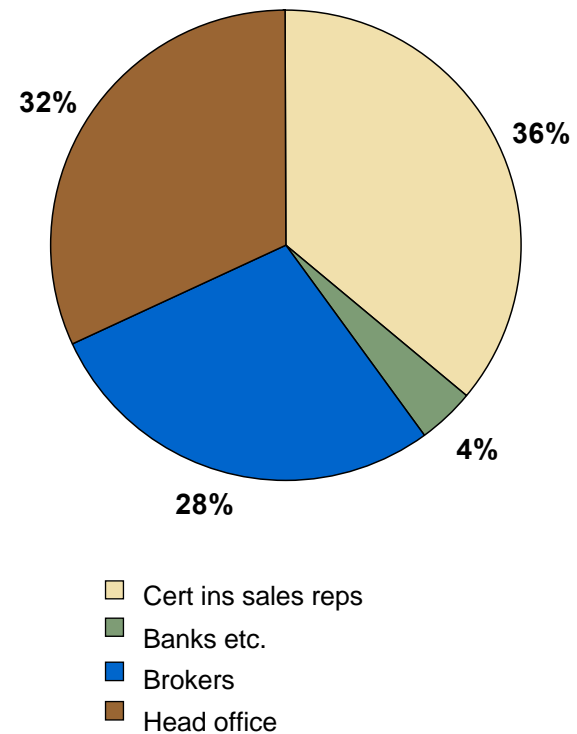


Distribution channels

Non-life 2007



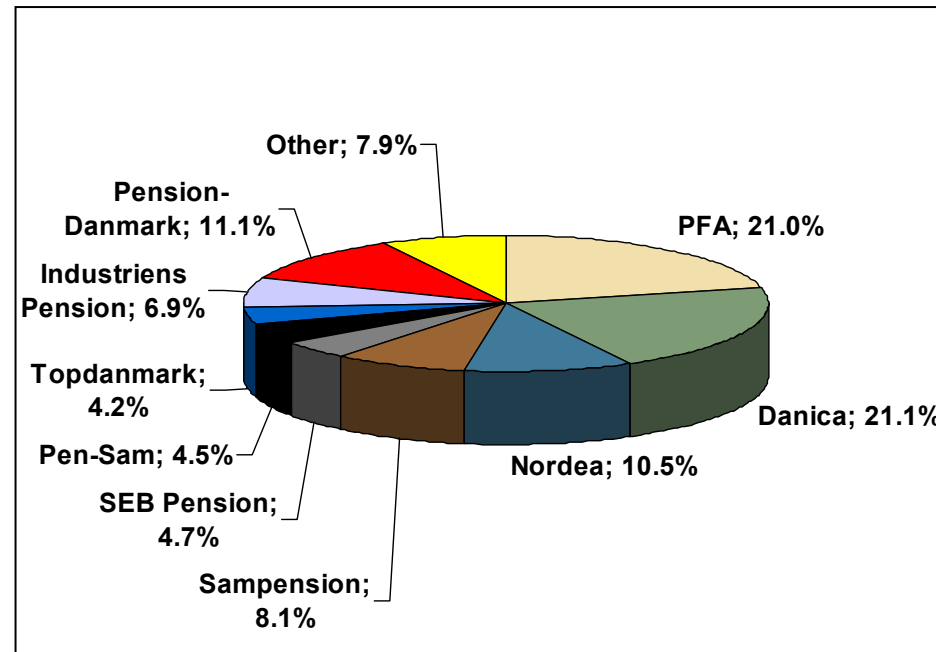
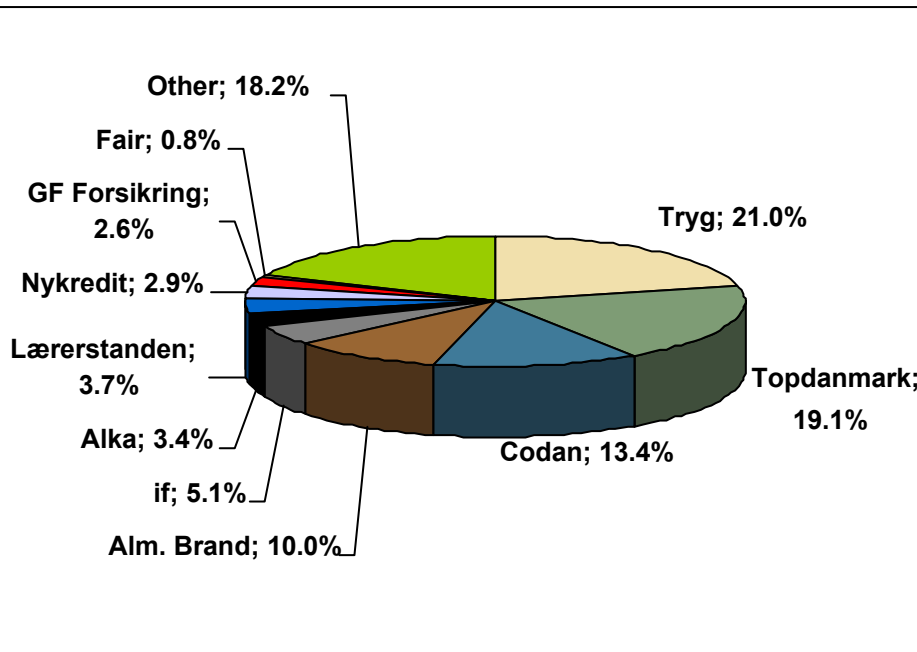
Life 2007



Market share

Market share in non-life
- estimate for 2007

Market share in life in 2006



Large-scale and weather-related claims

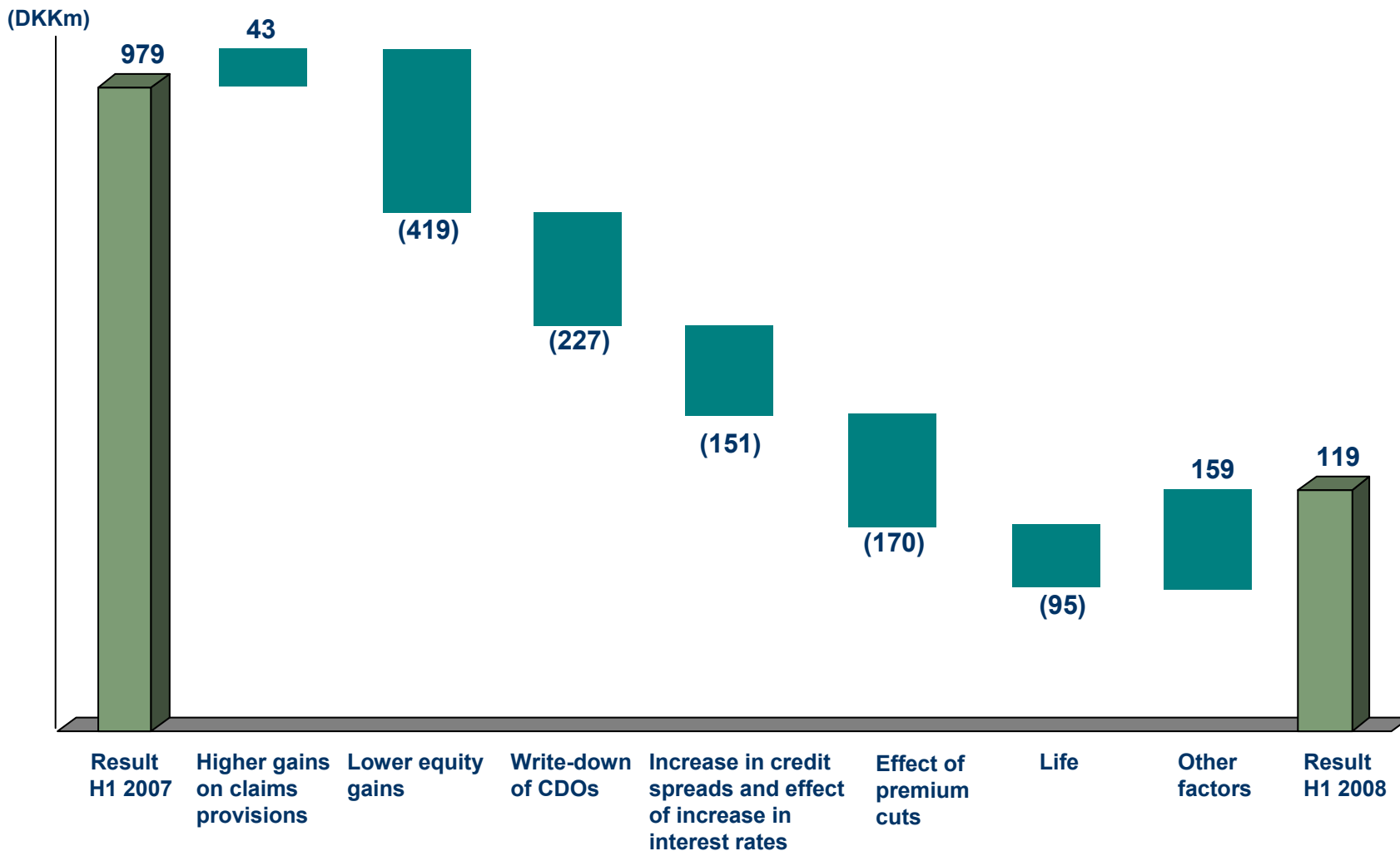
(DKKm)	Large-scale claims				
	Q1	Q2	Q3	Q4	Financial year
2006	5	12	22	25	64
2007	18	17	31	(3)	63
2008	21	17			

Large-scale claims are defined as gross claims exceeding DKK 5m
Comprising property claims in Commercial and Industrial

(DKKm)	Weather-related claims				
	Q1	Q2	Q3	Q4	Financial year
2006	0	11	64	13	88
2007	42	12	129	29	212
2008	47	11			

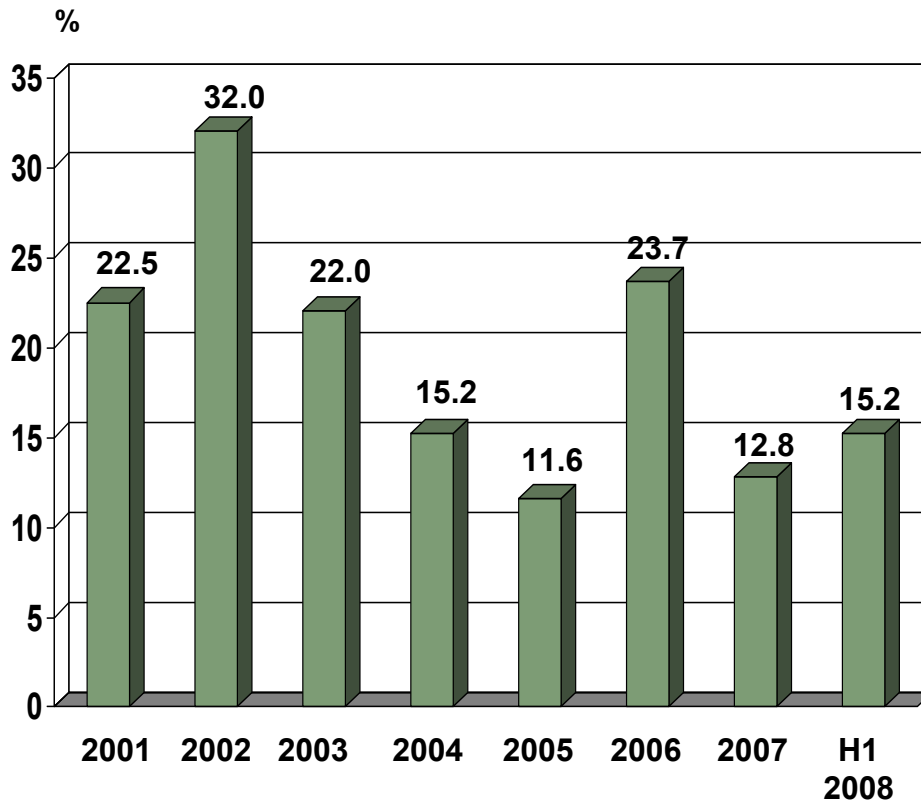
Comprising gross claims exceeding DKK 4.5m per event within 72 hours

Pre-tax trend in result H1 2007 - H1 2008

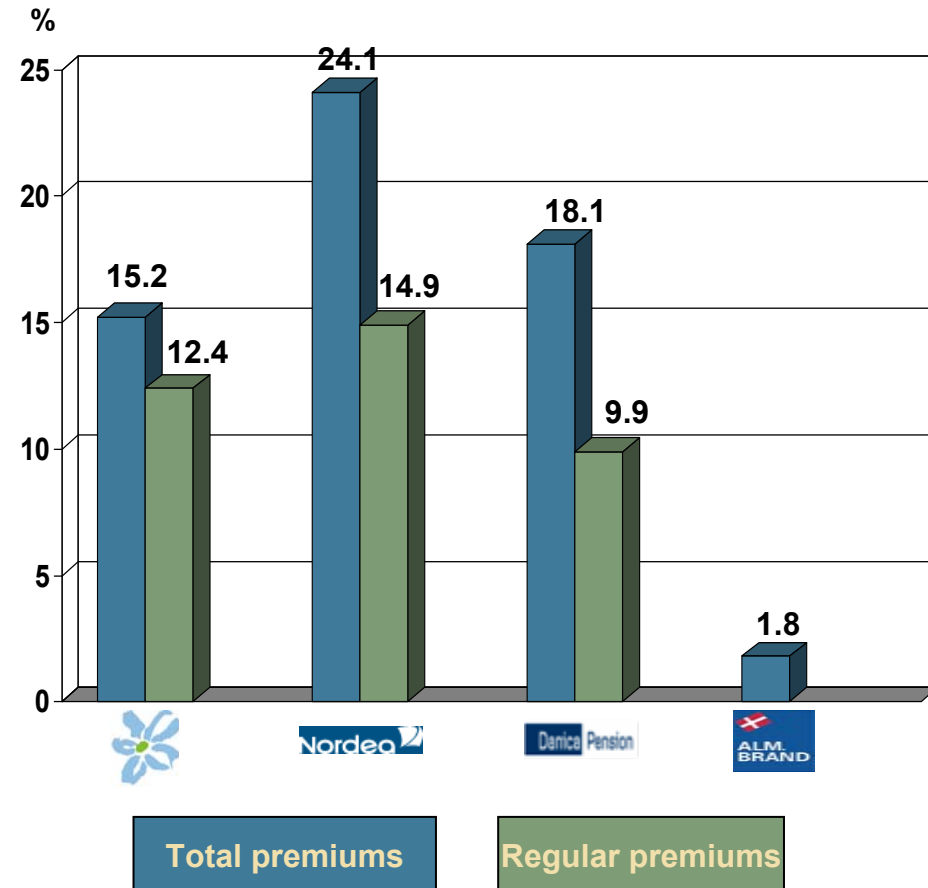


Continued high premium growth

19.3% CAGR in Topdanmark (2001 - 2007)



Comparison of premium growth H1 2008



Investment assets at 30 June 2008

(DKKm)	Group excl. life	Life group
Interest bearing investment assets	12,379	18,397
Equities	1,347	4,313
Index-linked bonds	292	1,714
Investment properties	860	2,463
Associated companies	40	528
Other	0	323
Investment assets	14,918	27,738
Intra-group balances	990	(990)
Investment assets corresponding to illness / accident provisions	1,239	(1,239)
Investments	17,147	25,509
Liquid funds	51	145
Interest earned	182	298
Interest-bearing debt derivatives	(1,750)	(1,514)
Net investments assets	15,630	24,438