

Cheuvreux
European and Asian Insurance
Conference - 10 January 2008

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Chief Executive Officer

Highlights

Q1-Q3 2007:

- Post-tax profit of DKK 968m (Q1-Q3 2006: DKK 1,167m)
- 0.7% premium growth in non-life and 11.4% in life
- 23.1% post tax return on shareholders' equity (31.9% annualised)
- Expense ratio improved from 14.4 to 14.3
- CR improved ratio from 85.8 to 85.2

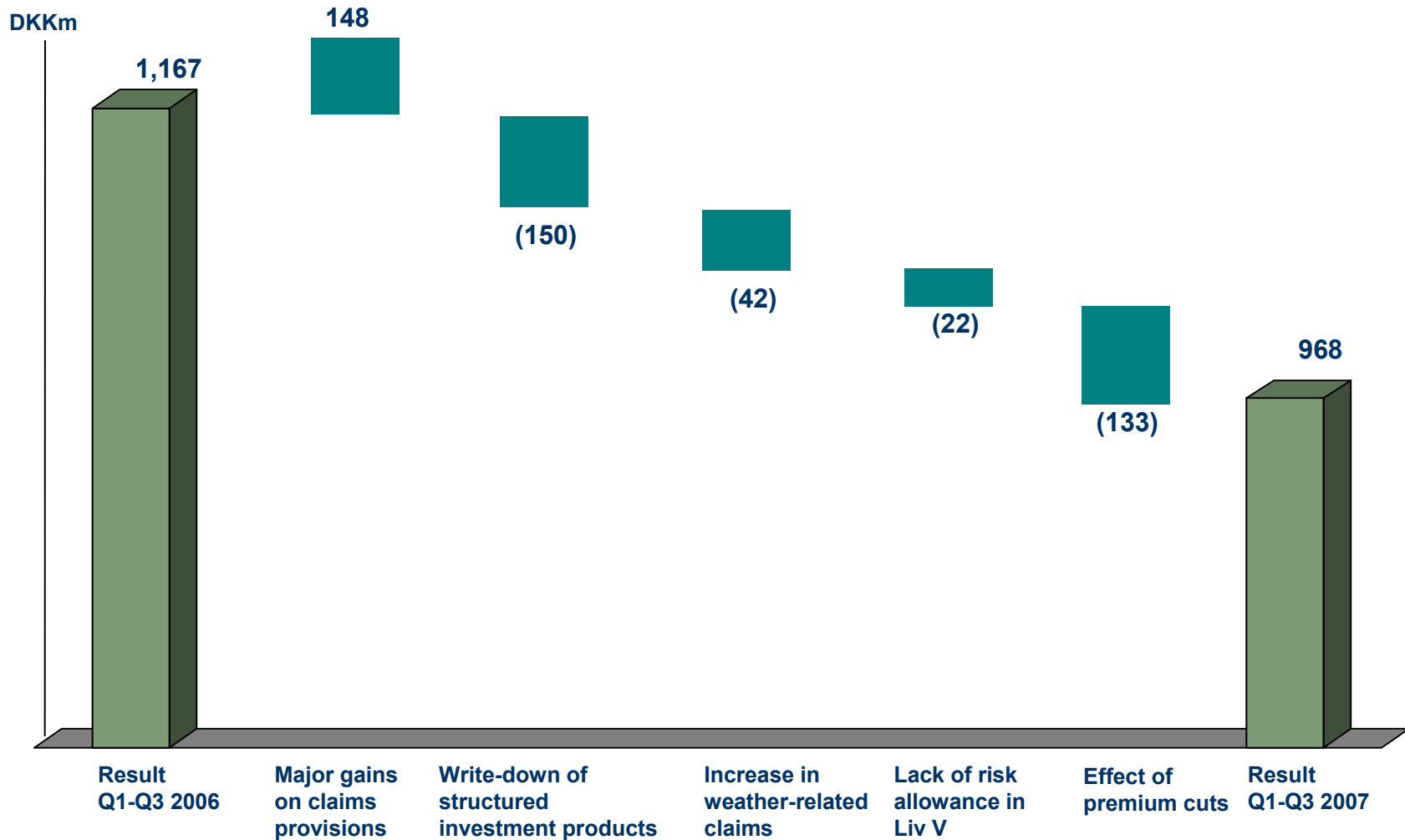
Prospects for 2007

- Expected premium growth unchanged at 1% in non-life. Expected premium growth increased from 10% to just over 10% in life
- CR expected to improve from just over 87 to around 86.5
- Profit forecast reduced by DKK 100m to 1.1-1.2bn due to a decline in equity prices and an increase in the yield spread between Danish government bonds and mortgage credit bonds
- Share buy-back also reduced by DKK 100m to DKK 2.0bn

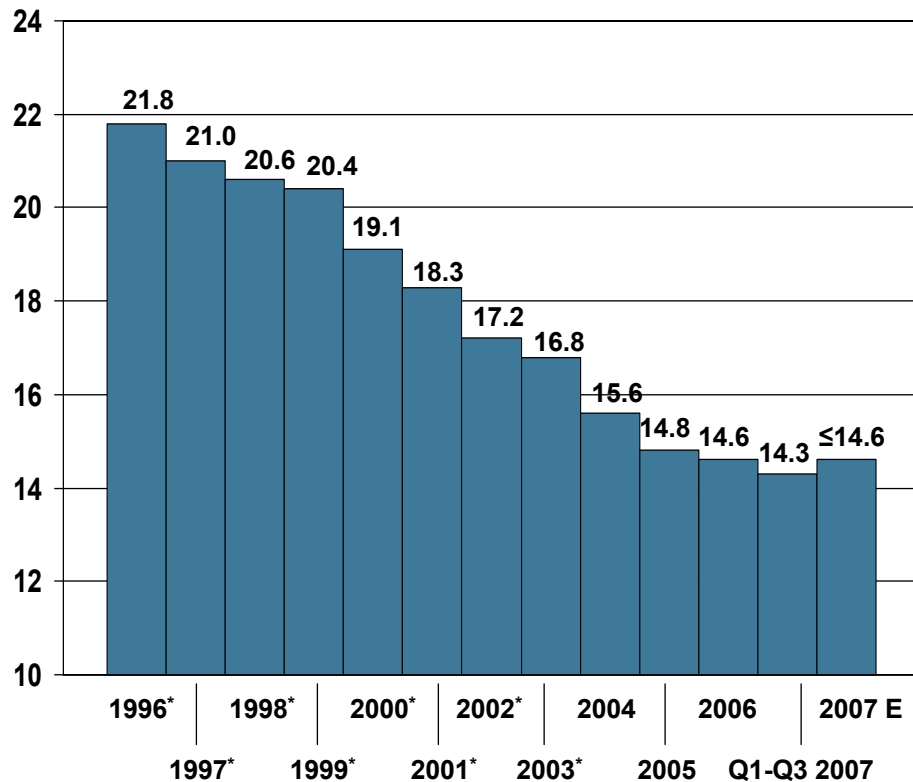
Prospects for 2008

- Expected premium growth in line with or just over market growth of 2-3%
- CR expected to be just over 89 including a contingency safety margin of 1pp but excluding any gains on the claims provisions

Trend in result Q1-Q3 2006 to Q1-Q3 2007

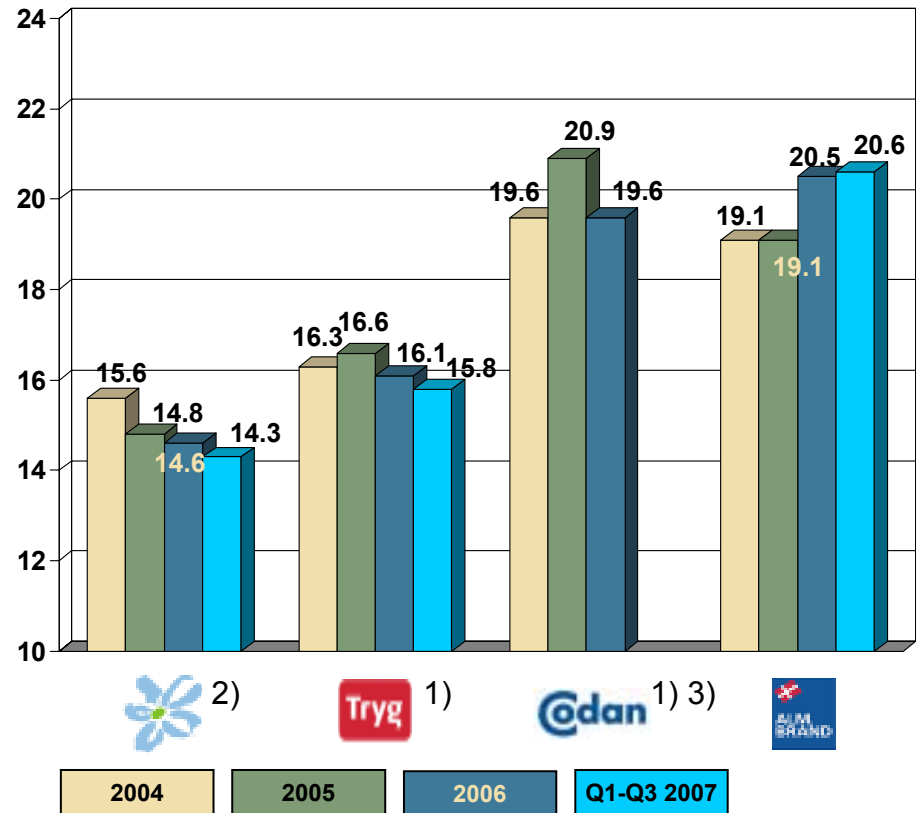


Trend in Topdanmark's expense ratio



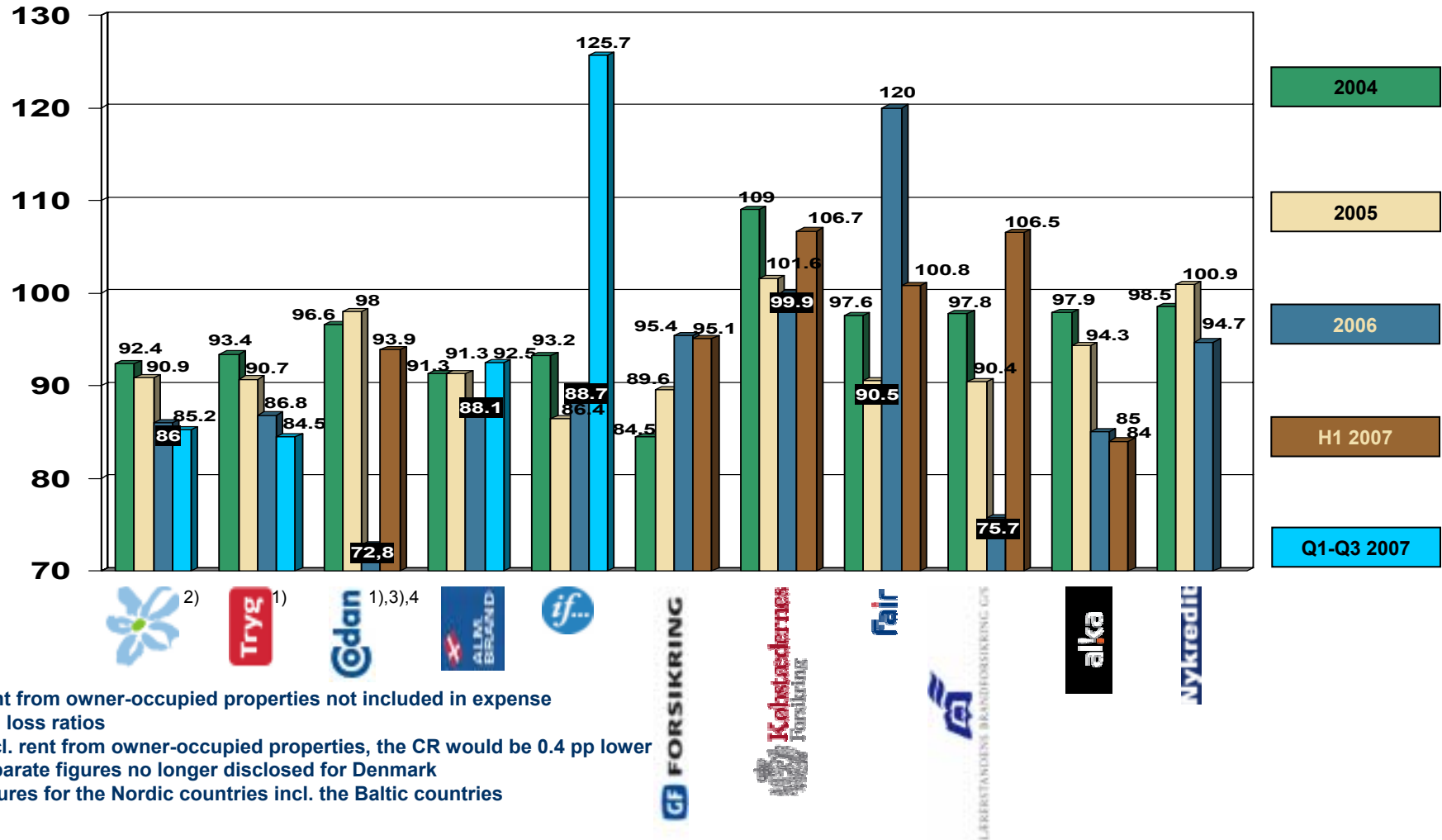
*Reduced by estimated IFRS effect 1996-2003

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



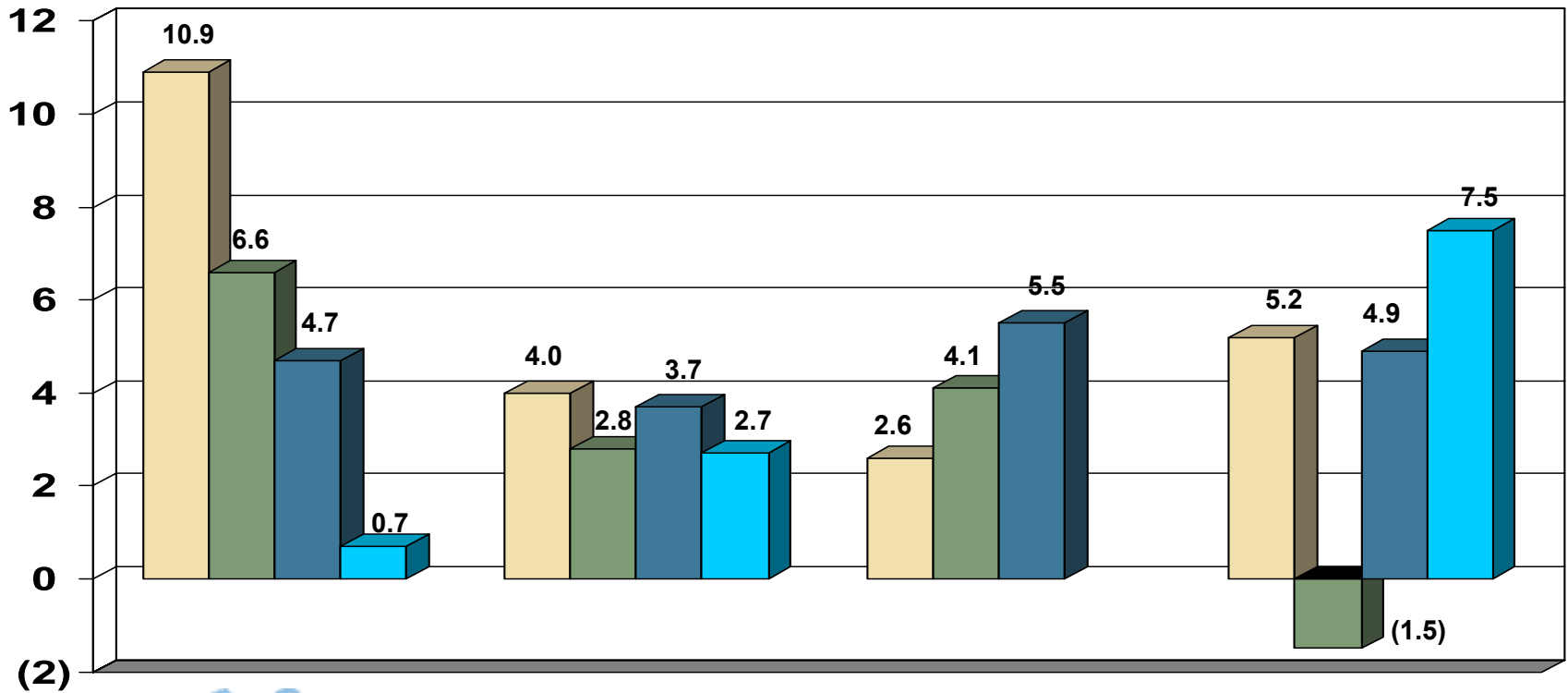
- 1) Rent from owner-occupied properties not included in expense ratio
- 2) Excl. rent from owner-occupied properties, the expense ratio would be 0.2 pp lower
- 3) Separate figures no longer disclosed for Denmark

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 0.4 pp lower
- 3) Separate figures no longer disclosed for Denmark
- 4) Figures for the Nordic countries incl. the Baltic countries

Comparison of premium growth (Danish insurance)



Prospects in non-life insurance

2007

- Unchanged competitive situation
 - Expected market growth of 2-3%
- Expected premium growth of 1%
 - Of which 0.6 pp from new Act on workers' comp
- New motor insurance has the required effect
 - Increase in the sale of motor insurance policies to senior citizens and those motorists with low annual kilometres driven
 - Clear correlation between the number of kilometres driven and the claims frequency
- Expected CR of 86.5

Affected by

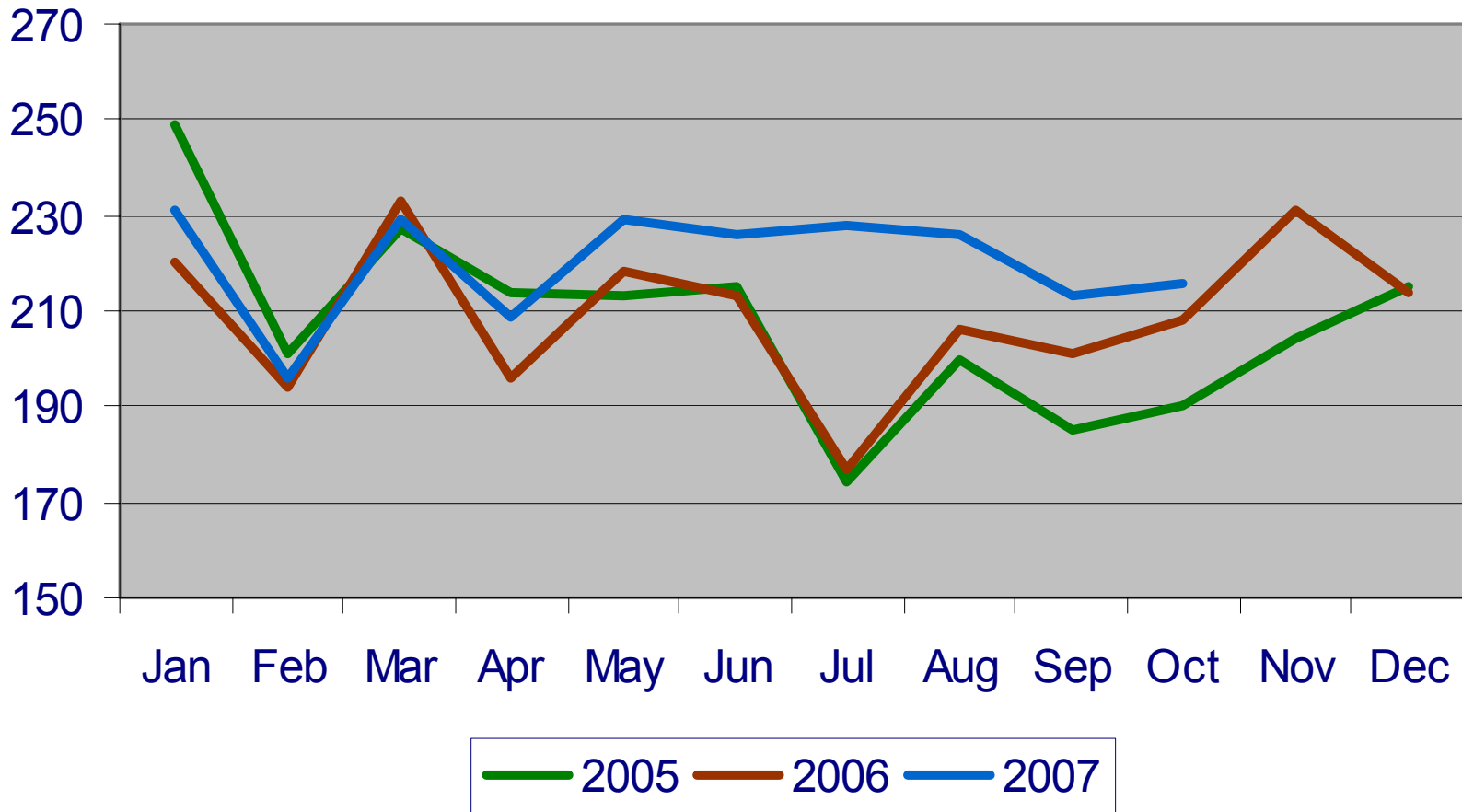
• Worse than normal weather-related expenses	≈ 0.9	Gains on claims provisions	≈ 2.5
• Price cuts	≈ <u>2.5</u>	Effect of higher level of interest rates	≈ <u>0.8</u>
	3.4		3.3

- Increase in customer satisfaction
- Continue to expect a slightly increasing motor claims frequency

Operational goals

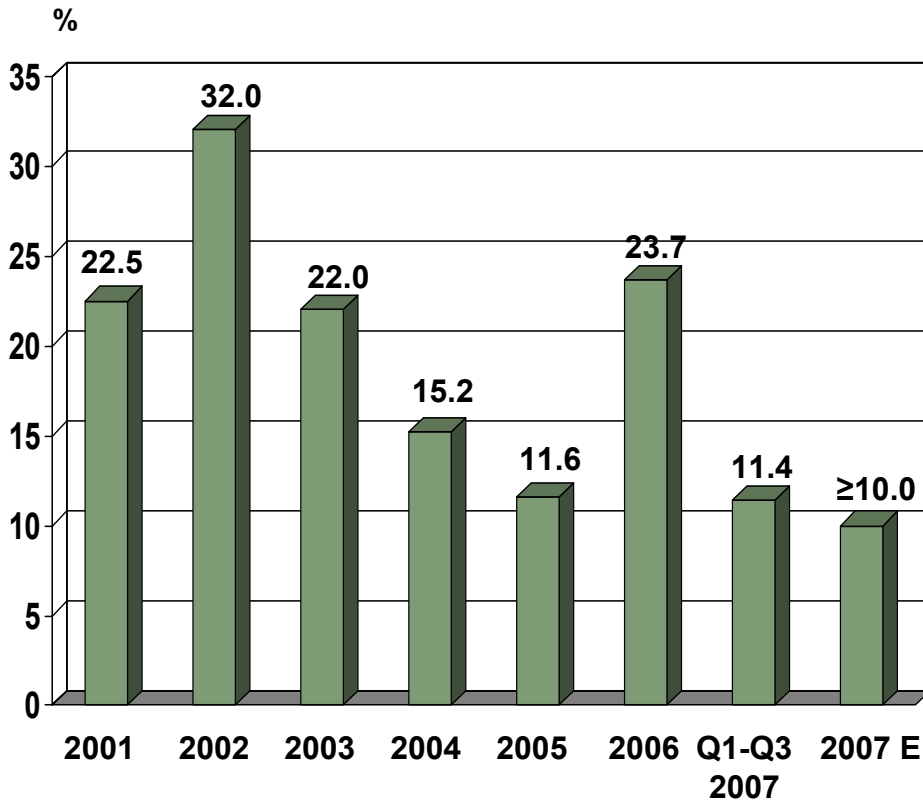
- 12% profit margin in the next 2 or 3 years
 - Corresponding to a CR of just over 89
- 10% profit margin in the longer term
 - Corresponding to a CR of just over 91
- A 5% annual growth in gross premiums

Claims frequency - Passenger cars

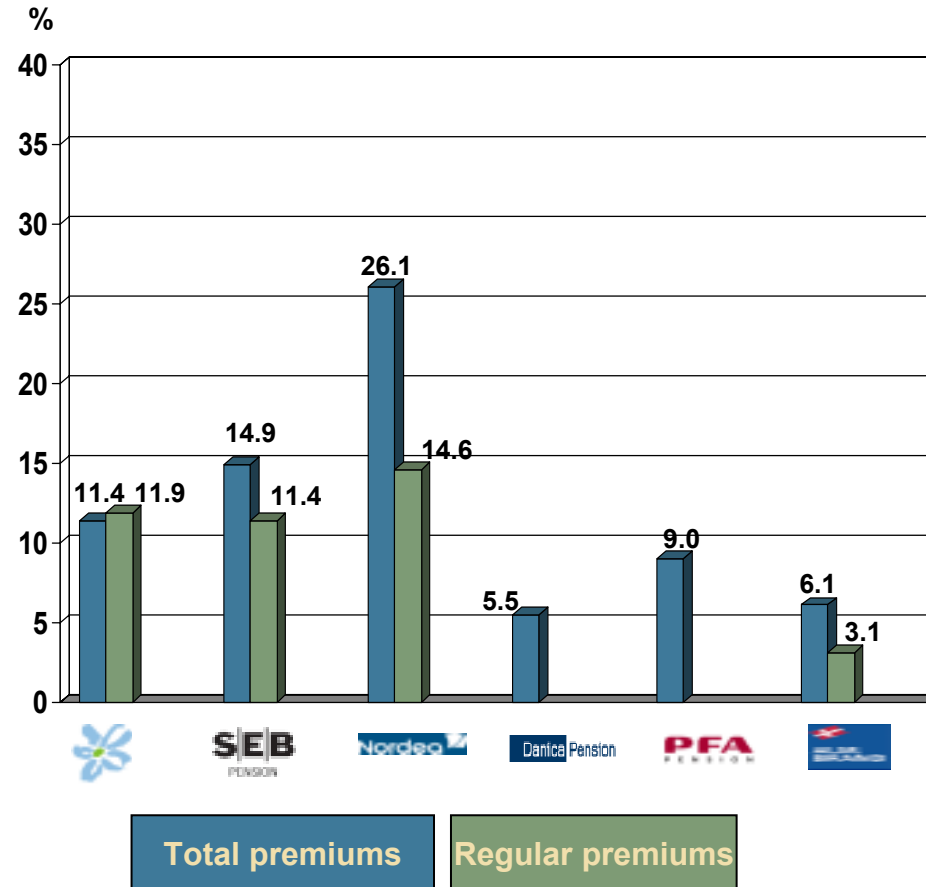


Continued high growth in regular premiums

Trend in Topdanmark's premium growth

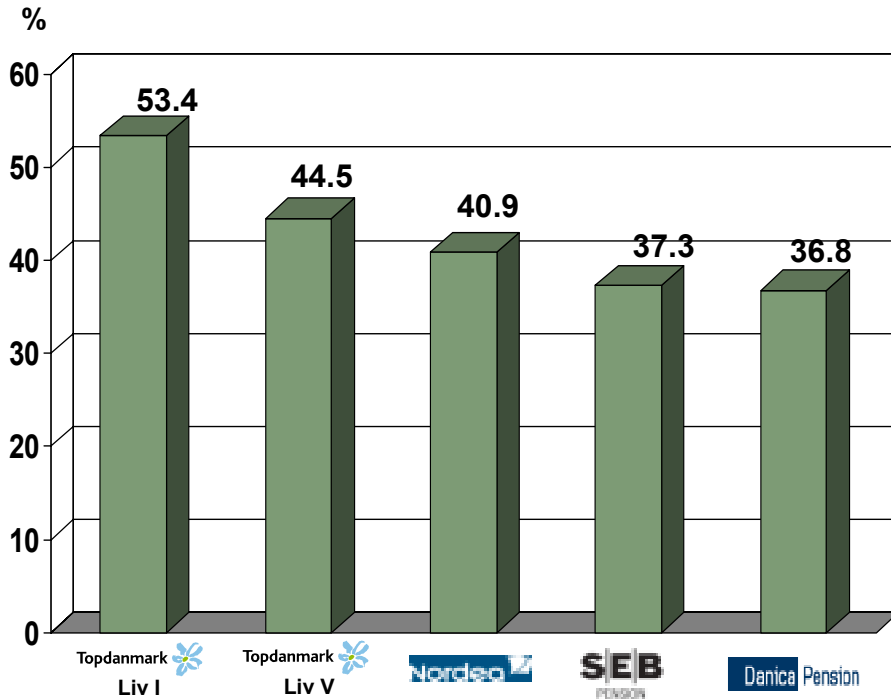


Comparison of premium growth Q1-Q3 2007

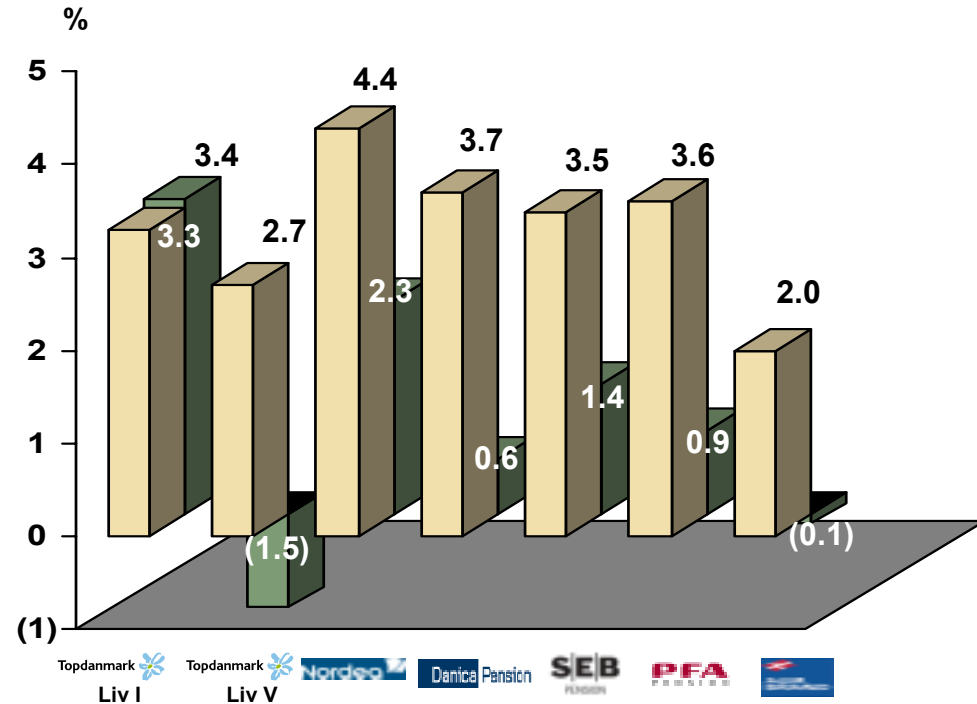


High gross and net returns for Topdanmark's pension customers

Accumulated investment return 2003 - Q3 2007



Comparison of net and gross returns Q1-Q3 2007



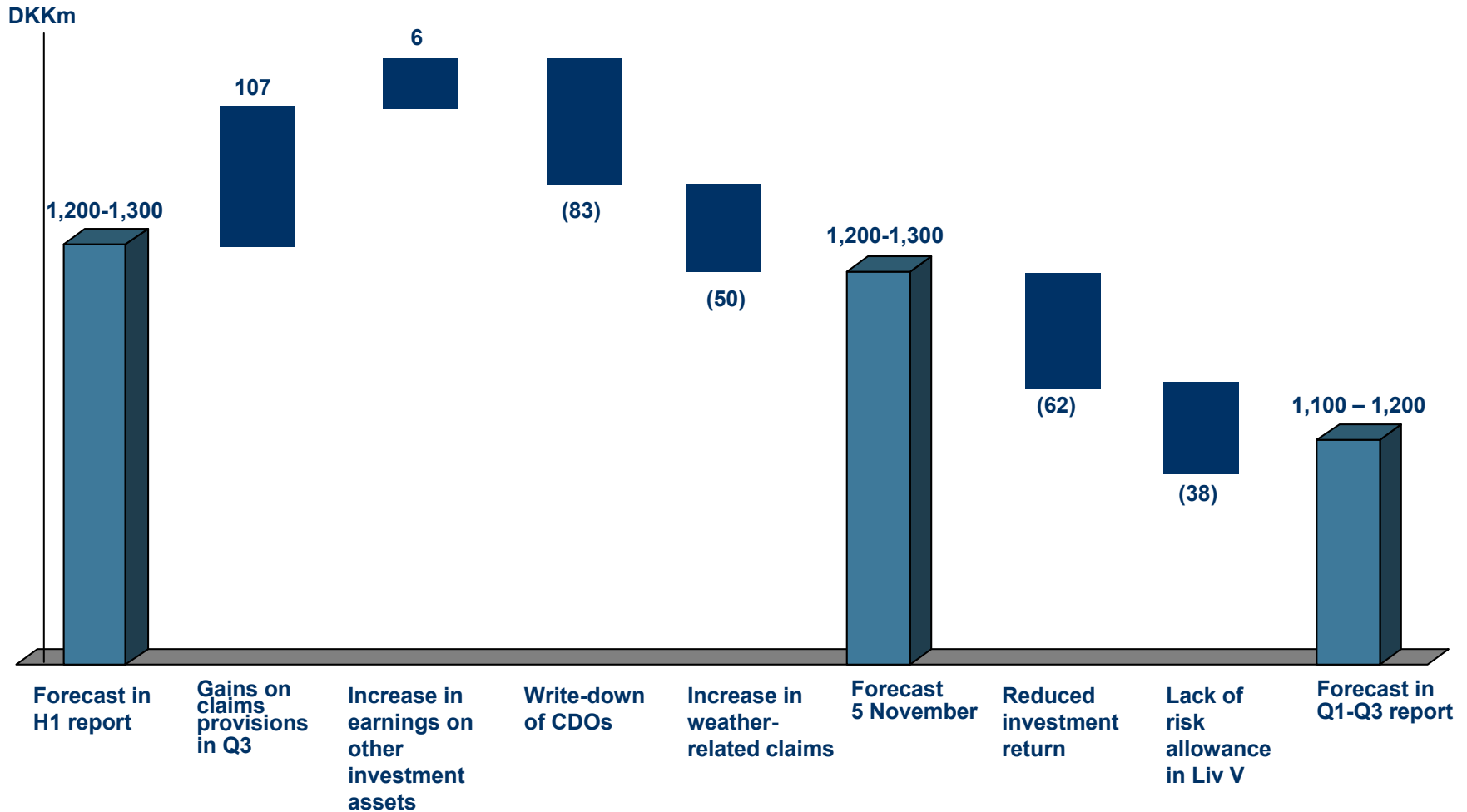
Net Gross

Prospects in life insurance

Intensified competition on moving existing pension schemes

- **Growth but also severe competition in illness and accident insurance**
- **8-10% expected market growth in 2007**
- **Topdanmark has once more upgraded the expected premium growth for 2007**
 - **Previously expected growth of around 10% in both regular and single premiums**
 - **Now expected growth of just over 10% in both regular and single premiums**
- **Profile Pension expected to account for an increasing share of new business**
 - **37% in Q1-Q3 2007**
- **Topdanmark has Denmark's most satisfied life customers**
- **DKK 29m in Liv V, transferred to a shadow account in Q1-Q3 2007**
 - **DKK 51m for 2007 - transferred to a shadow account**
 - **Will be included in income when the investment return in Liv V is sufficiently high**

Profit forecast for 2007

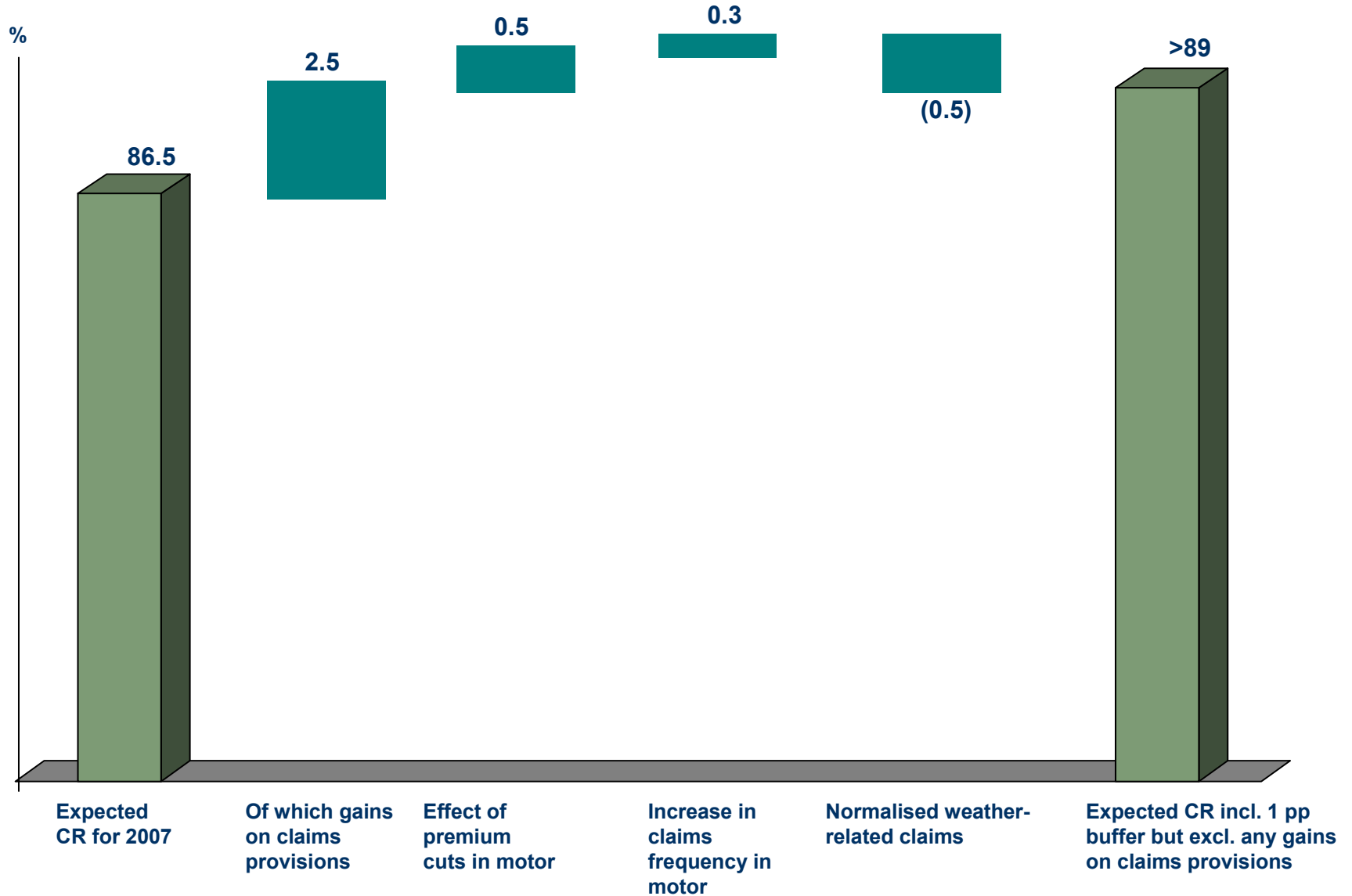


Forecast assumptions for 2007 are based on equity prices on 23 November 2007

Share buy-back represents a "yield" of 11.1%

- Expected buy-back also reduced by DKK 100m to DKK 2.0bn in 2007
- Expected buy-back in 2007 represents a "yield" of 11.1%
- To date in 2007 DKK 1,995m shares bought back
- Since 1998 Topdanmark has bought back 60% of the outstanding shares
 - Average price per share: DKK 320

Expected CR for 2008

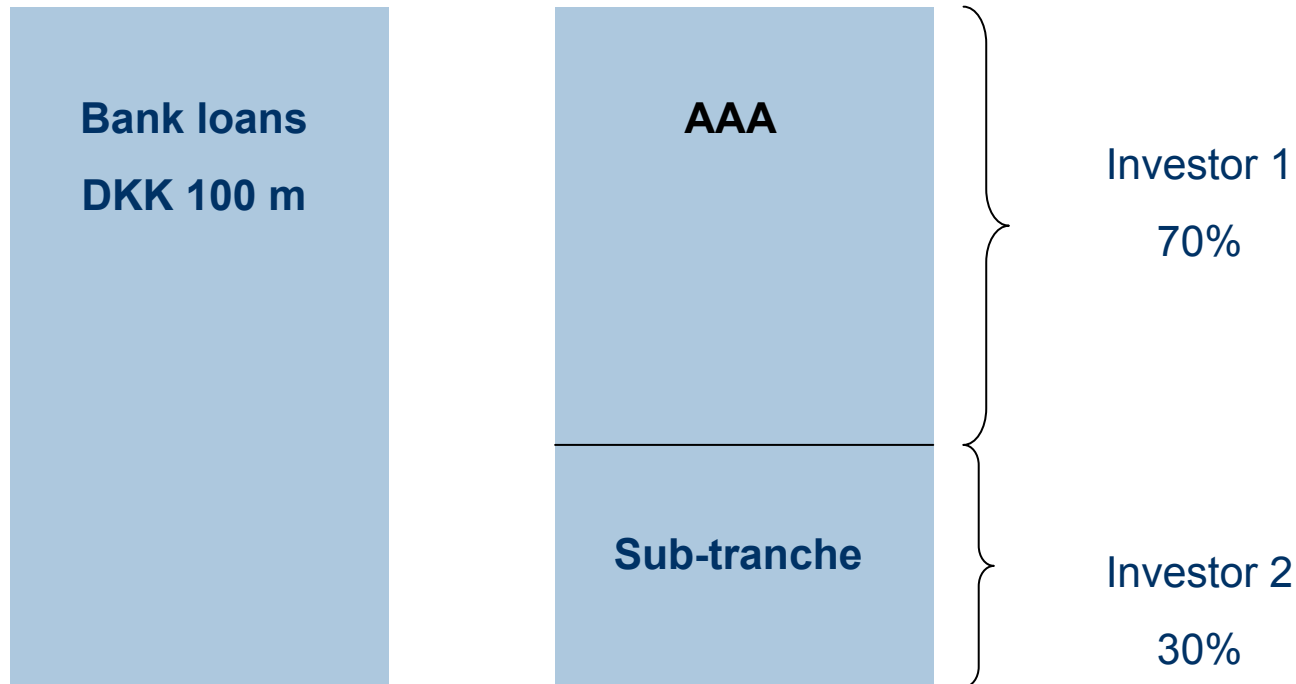


Why does Topdanmark own CDOs?

- Diversification
- Attractive add-on to the investment return
- Insurance companies perfect owners of CDOs

- CDOs are not a class of assets
- CDO's are legal shells used to hold the underlying assets - somewhat like mutual funds
- The purpose of the CDO form is to redistribute risk among the investors
- Speaking of CDO exposure is nonsense

CDO balance - Simplified



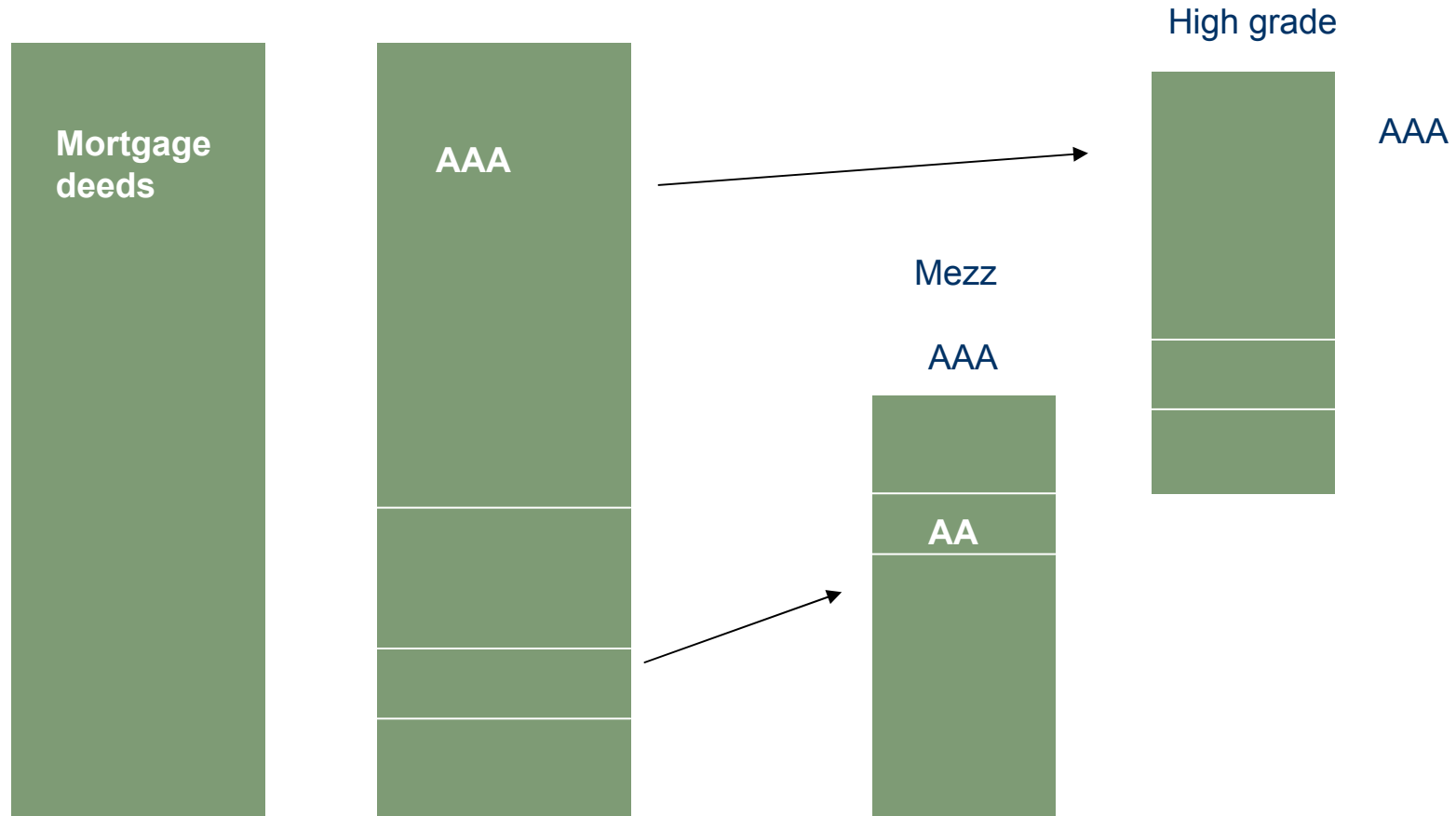
The two investors have together invested DKK 100m in bank loans. The regulations of the CDO provide that Investor 2 takes all losses until the total investment in the sub-tranche has been lost

For example, if 15% of the investment in bank loans is lost, Investor 2 will lose 50% of his investment. Investor 1 will lose nothing. Investor 1 will only suffer a loss under absolutely extreme circumstances

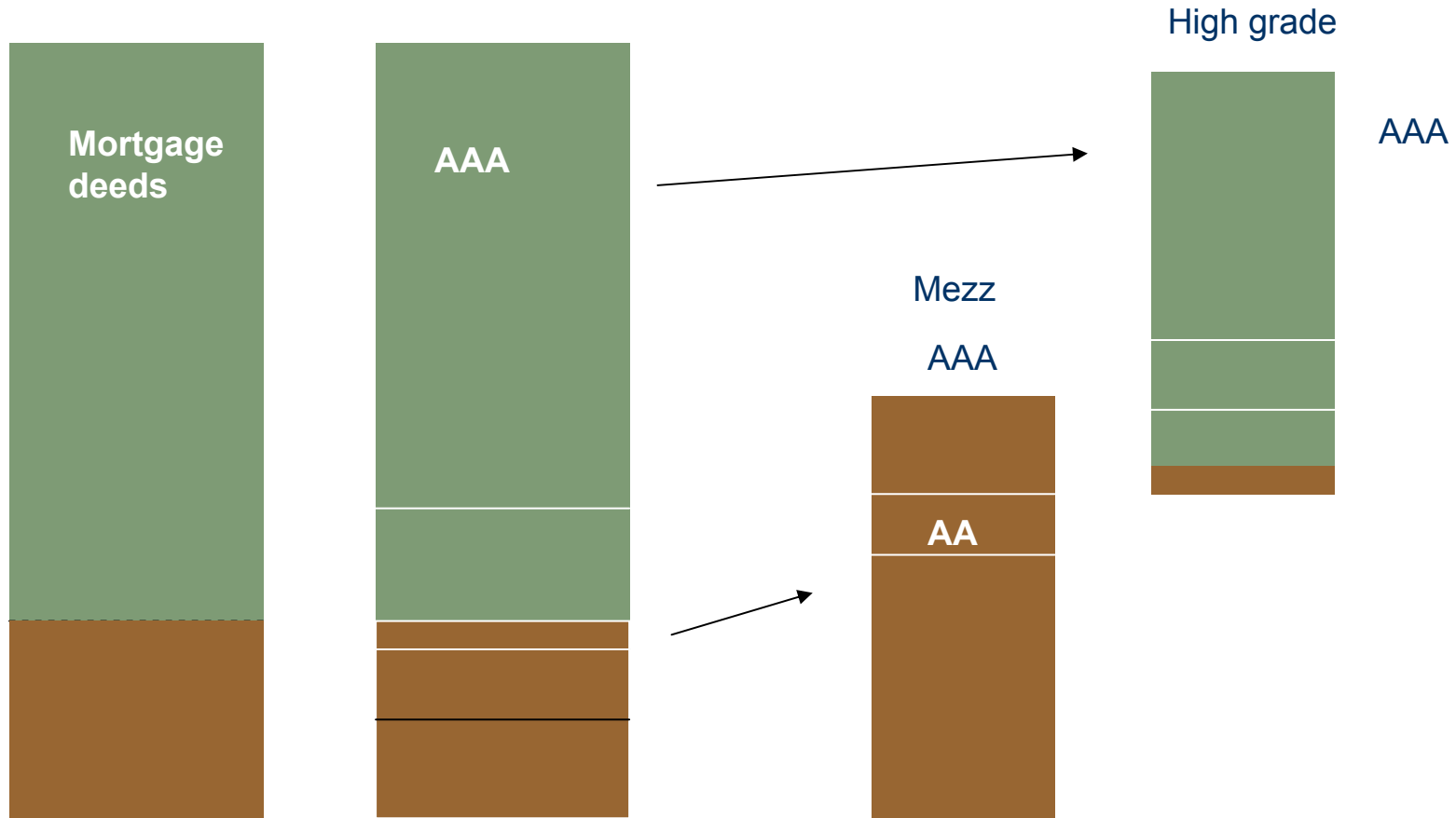
Investor 2 has invested DKK 30m but has a large exposure to bank loans.

Investor 1 has invested DKK 70m but has a very small exposure to bank loans

ABS CDO with subprime - Simplified



ABS CDO with subprime Distribution of losses - Simplified



Some statistics for CLOs in Topdanmark's portfolio rated lower than AA

- References a broad market of 1,731 unique issuers / credits

Geographically diverse - 29 countries

	CLOs total	Topdanmark's allocation - estimated
United States	57.5%	41%
United Kingdom	8.9%	12%
Germany	8.8%	12%
France	7.8%	11%
Netherlands	4.2%	6%
Denmark	2.7%	4%
Spain	2.5%	4%
Ireland	1.6%	2%
Sweden	1.5%	2%
Italy	<u>1.3%</u>	<u>2%</u>
Total	96.7%	96%

Significant sector diversification (average 4.3%)

CLOs total

Aerospace and Defence	1.1%	Healthcare, Education & Childcare	9.4%
Auto	4.8%	Mining, Metals and Natural Resources	3.6%
Broadcasting, Leisure, Entertainment	13.4%	Personal, Food & Misc Services	7.1%
Buildings and Real Estate	2.6%	Printing and Publishing	8.3%
Chemicals, Plastics & Rubber	6.7%	Retail Stores	4.5%
Construction and Materials	6.2%	Structured/Other	0.3%
Consumer Durables	1.1%	Telecommunications	4.4%
Consumer Non-Durables	0.6%	Travel and Transport	4.1%
Diversified/Conglomerate Manufacturing	2.2%	Utilities	2.7%
Diversified/Conglomerate Service	6.3%	Waste and Ecological	1.2%
Electronics	5.7%	Finance, Banking and Insurance	3.3%

Seniority of underlying collateral supports high recovery expectations in the event of default

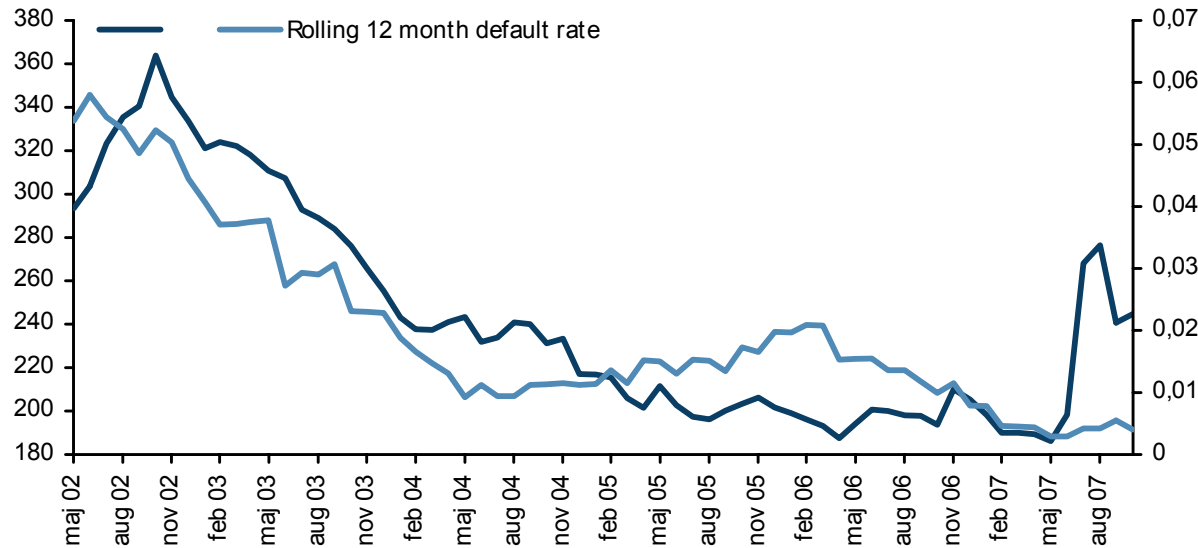
CLOs total

Seniority

Term loan	86.4%
Second lien	7.0%
Corporate bond	4.6%
Mezzanine loan	1.9%
CLO / CDO	<u>0.1%</u>
Total	100.0%

Topdanmark's allocation implies more term loans and less bonds, second lien and mezzanine

US leveraged loans credit spreads May 2002 - 15th November 2007



Accounting policies

IAS 39: Financial instruments: Recognition and Measurement

Financial instruments are classified as financial assets and liabilities at fair value through profit or loss when the instruments are

- Held for trading, or
- Derivatives other than hedging instruments
- Designated as at fair value through profit or loss -The fair value option (used when doing so results in more relevant information)

Topdanmark year-end 2006

Assets in scope of IAS 39:

Fair value through profit or loss	DKK 37.6bn
Amortised cost (loans and receivables)	DKK 0.8bn
Total assets in scope of IAS 39	DKK 38.4bn

DFSA allows no financial assets to be classified as available for sale or held to maturity

Topdanmark's CDO portfolios: returns and holdings

CDO's with no subprime exposure - Returns at 1 November 2007

DKKm	AAA and AA	Less than AA	Total	Of which Interest	Of which Revaluations
Group excl. life Portfolio 1 Nov	(1)	(35)	(36)	112	(148)
Liv I Portfolio 1 Nov	(7)	(33)	(40)	143	(183)
Liv V Portfolio 1 Nov	6	(29)	(23)	102	(125)
	985	640			
					(221)
					124
					(97)

CDO's with subprime exposure - Returns at 1 November 2007

DKKm	AAA and AA	Less than AA	Total	Of which Interest	Of which Revaluations
Group excl. life Portfolio 1 Nov	(10)	(51)	(61)	12	(73)
Liv I Portfolio 1 Nov	(10)	(84)	(93)	21	(114)
Liv V Portfolio 1 Nov	(6)	(53)	(61)	12	(73)
	31	18			

See www.topdanmark.com → Business base → Investment → Highlights - Financial returns for an analysis of CDOs by rating

Topdanmark's CDO portfolios analysed by rating

Table 1: Market value of Topdanmark's CDOs

Rating (DKKm)	Topdanmark Portfolio end of Oct	Liv I Portfolio end of Oct	Liv V Portfolio end of Oct
AAA	718	466	582
AA	298	278	218
A	56	35	30
BBB	11	5	40
<BBB	591	763	512
Total	1,674	1,547	1,382

**Table 2: CDOs with subprime as underlying asset
(subset of table 1)**

Rating (DKKm)	Topdanmark Portfolio end of Oct	Liv I Portfolio end of Oct	Liv V Portfolio end of Oct
AAA	26	15	14
AA	5	6	6
A	0	0	0
BBB	0	2	2
<BBB	18	22	14
Total	49	45	36

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 factors” 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 Q1-Q3 2007 report.

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

Appendix

Discount rate - Capital base

Solvency II - Calculation based on QIS 3 for Topdanmark Group

Solvency requirement 2006 - DKKm

	QIS 3 model	Partly internal model
Non-life insurance risks	2,883	1,200
Non-life market risks	776	776
Life insurance risks - adjusted QIS 3 model	10	10
Life market risks - adjusted QIS 3 model	240	240
Counterparty risks	75	75
	<u>3,984</u>	<u>2,301</u>
Non-life diversification effect	(527)	(428)
Life diversification effect	(130)	(81)
Operational risks	330	330
Group	<u>3,657</u>	<u>2,122</u>

Internal model used for non-life insurance risks

QIS3 model not suitable for Danish life business. Model has been adjusted

Discount rate - Capital base

Solvency II - Calculation based on QIS 3 for Topdanmark Group

Capital base 2006 - DKKm

	QIS 3 model	Partly internal model
Shareholders' equity	3,977	3,977
Subordinated loan capital	249	249
Intangible assets	(579)	(579)
Tax asset	(66)	0
Change in provisions due to CoC	0	0
Total	3,581	3,647
Post-tax non-life result for the following year	503	1,100
Capital for solvency cover	4,084	4,747

CoC = Cost of Capital
The method of calculation is connected with some uncertainty

This item is connected with high uncertainty.
Ought to equal the technical non-life result for the following year

Discount rate - Capital base

Solvency II - Calculation based on QIS 3 for Topdanmark Group

Solvency requirement 2006 - DKKm

	Partly internal model
Non-life insurance risks	1,200
Non-life market risks	776
Life insurance risks - adjusted QIS 3 model	10
Life market risks - adjusted QIS 3 model	240
Counterparty risks	75
	<hr/>
	2,301
Non-life diversification effect	(428)
Life diversification effect	(81)
Operational risks	330
Group	<hr/>
	2,122

Capital base 2006 - DKKm

	Required capital base
Shareholders' equity	3,977
Subordinated loan capital	249
Intangible assets	(579)
Tax asset	0
Change in provisions due to CoC	0
Total	<hr/>
	3,647
Post-tax non-life result for the following year	1,100
Capital for solvency cover	<hr/>
	4,747
Estimated solvency ratio	224%

Post-tax effect of a 1 pp increase in interest rates

Immediate effect

DKKm	Post-tax
Revaluation of investment assets	(243)
Revaluation of claims provisions	244
Non-recurring effect of increase in interest rates	1

Annual effect

DKKm	Post-tax
Excess return on interest-bearing assets	26
1.2 percentage point decline in loss ratio	77
One year's effect of increase in interest rates	103
Non-recurring effect of increase in interest rates	1
Total effect on results - first year	104
Total effect on results - second and subsequent years	103

Interest rate exposure based on equity prices 23 November 2007

Can profit be made on non-life insurance?

- **Assumptions:**
 - Shareholders' equity 33% of premium income
 - Combined ratio 87
 - Interest income on provisions (incl. discounting effect) equal to 1.5% of premium income
 - ROE 5%
- **Return on operations:**

• Income	100.0
• Interest income	<u>1.5</u>
	101.5
• Expenditure	<u>87.0</u>
	14.5 ~ ROE = 43.5%
- **ROE:**

	<u>5.0%</u>
• ROE before taxation	48.5%

Share buy-back model (1/2)

Reasonable level of capital cover 1 Jan and 31 Dec 2007 (DKKm)

2 x required solvency in non-life (premium based)	2,477	
1.5 x required solvency in life	1,455	
1 year's growth in required solvency	197	
0.3 x equity exposure (Group excl. life)	436	
1 x interest rate exposure (Group excl. life)	77	
	<u> </u>	4,642
Financed by:		
subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,642m)		(928)
Total reasonable level of capital cover 1 Jan 2007		<u>3,714</u>
1 year's normal growth in reasonable level of capital cover		<u>165</u>
Expected reasonable level of capital cover 31 Dec 2007		<u>3,879</u>

Share buy-back model (2/2)

Share buy-back potential 2007 (DKKm)

Shareholders' equity 1 Jan 2007		4,366
Hybrid capital	401	
Adjusted for: Goodwill	(441)	
Tax asset	(65)	
Value of own shares on exercise of share options	29	
Value of own shares to hedge option programme ¹⁾	399	323
Capital cover 1 Jan 2007		<u>4,689</u>
Expected profit after cash-impacting tax 2007 (avg)		1,150
Movements in shareholders' equity		40
Expected capital cover 31 Dec 2007		<u>5,879</u>
Expected reasonable level of capital cover 31 Dec 2007		<u>(3,879)</u>
Share buy-back potential 2007		<u>2,000</u>

¹⁾ 70% of market value - 750 - however max. strike price

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 10.8bn
Life V:	DKK 8.0bn
Link:	DKK 0.9bn

Normalised return in life insurance

(DKKm)

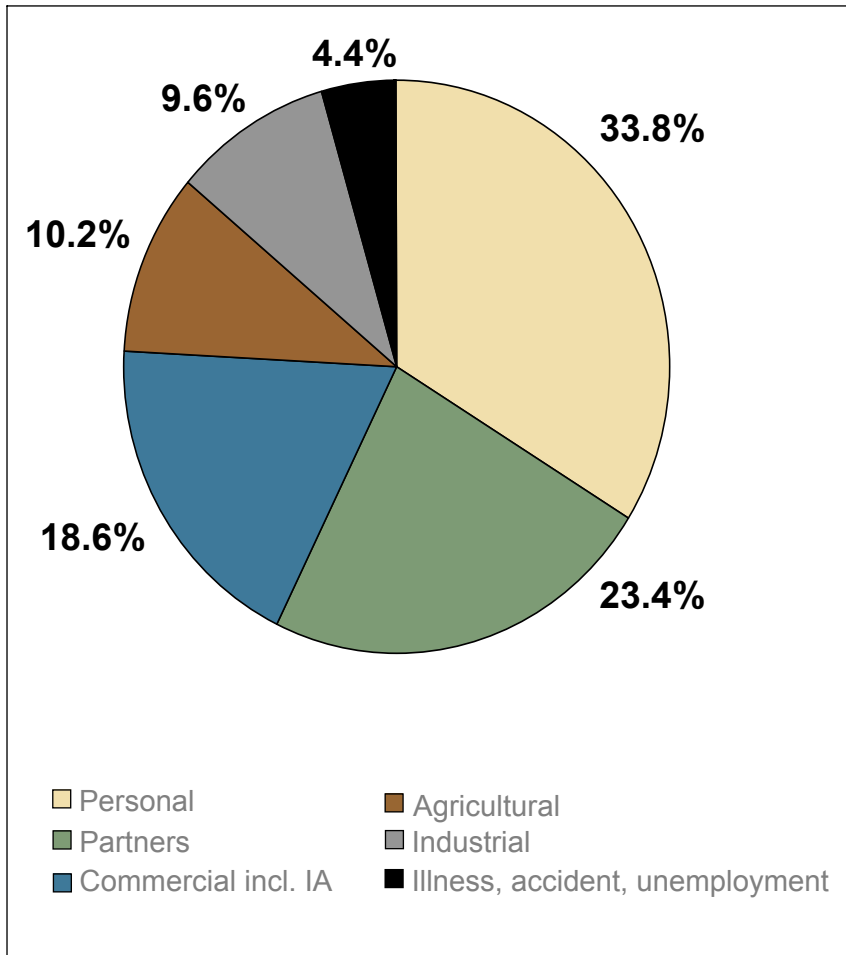
Return on life insurance:

	Normalised Annual return	
Investment return on shareholders' equity, 4.5%	42	
Risk allowance: 0.50% / 0.65% of customers' savings	106	
Cost result of new business	(10)	
Risk and administrative result in Topdanmark Link	<u>1</u>	
Total return	139	139 ~ ROE = 14.8%

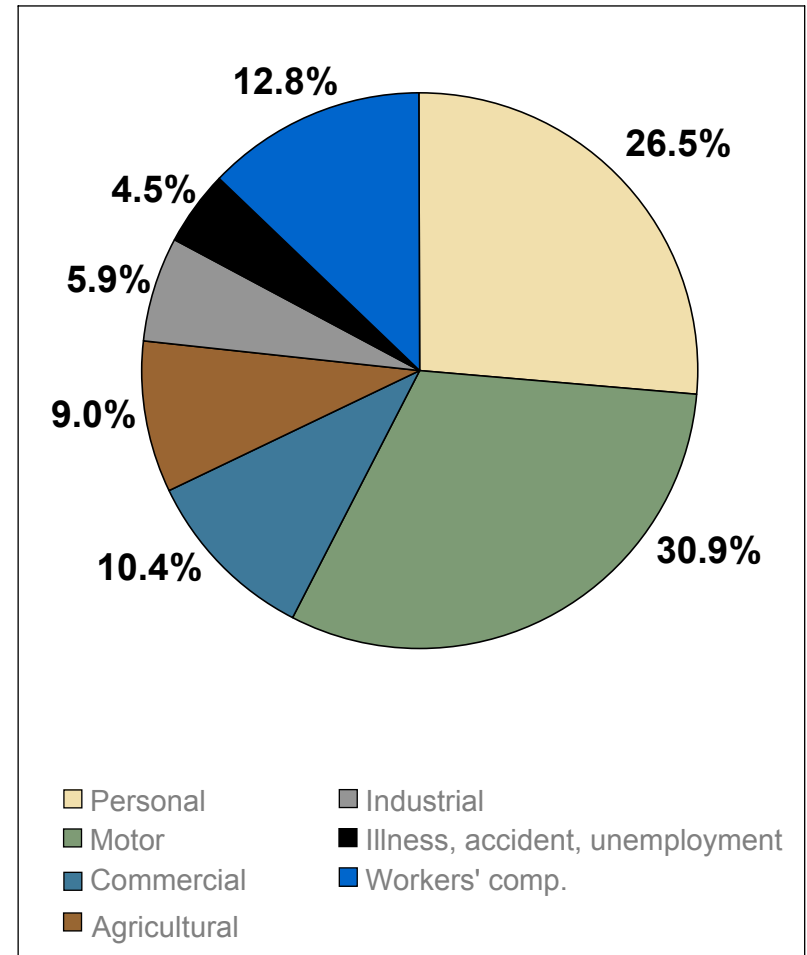
Other life-related result:

Life-related non-life (health and critical illness etc.)	30	
Asset management	20	
Other synergies in e.g. distribution	<u>35</u>	
	85	85
		<u>224</u> ~ ROE = 23.9%

Premiums by business sector

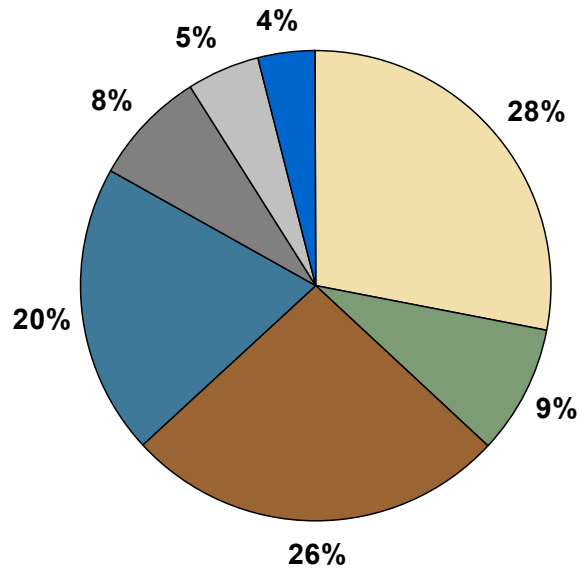


Premiums by product



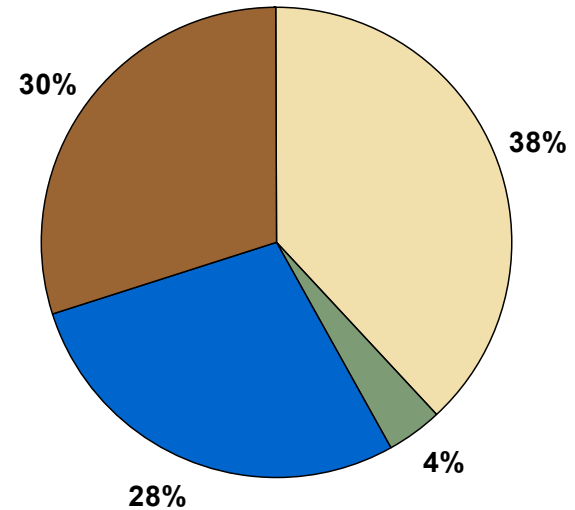
Distribution channels

Non-life 2006



- Certified insurance sales reps
- Danske Bank
- Telephone sales etc.
- Car dealers
- Sales centres
- Danica Pension
- Brokers

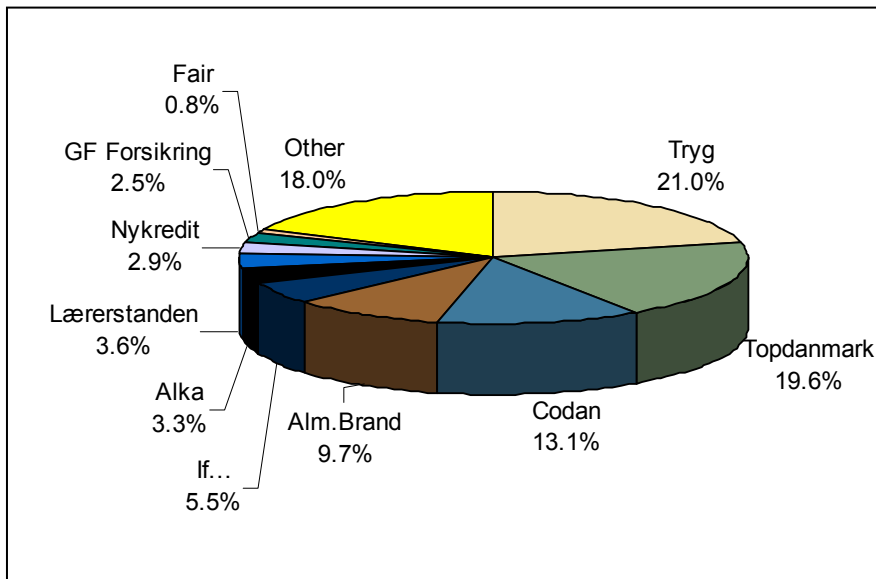
Life 2006



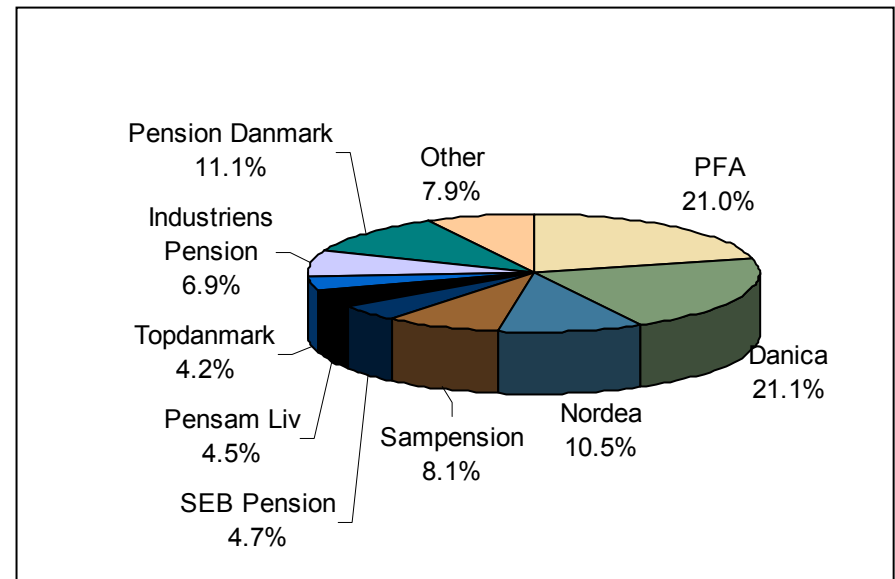
- Certified insurance sales reps
- Banks etc.
- Brokers
- Head office

Market share

Market share in non-life 2006



Market share in life 2006

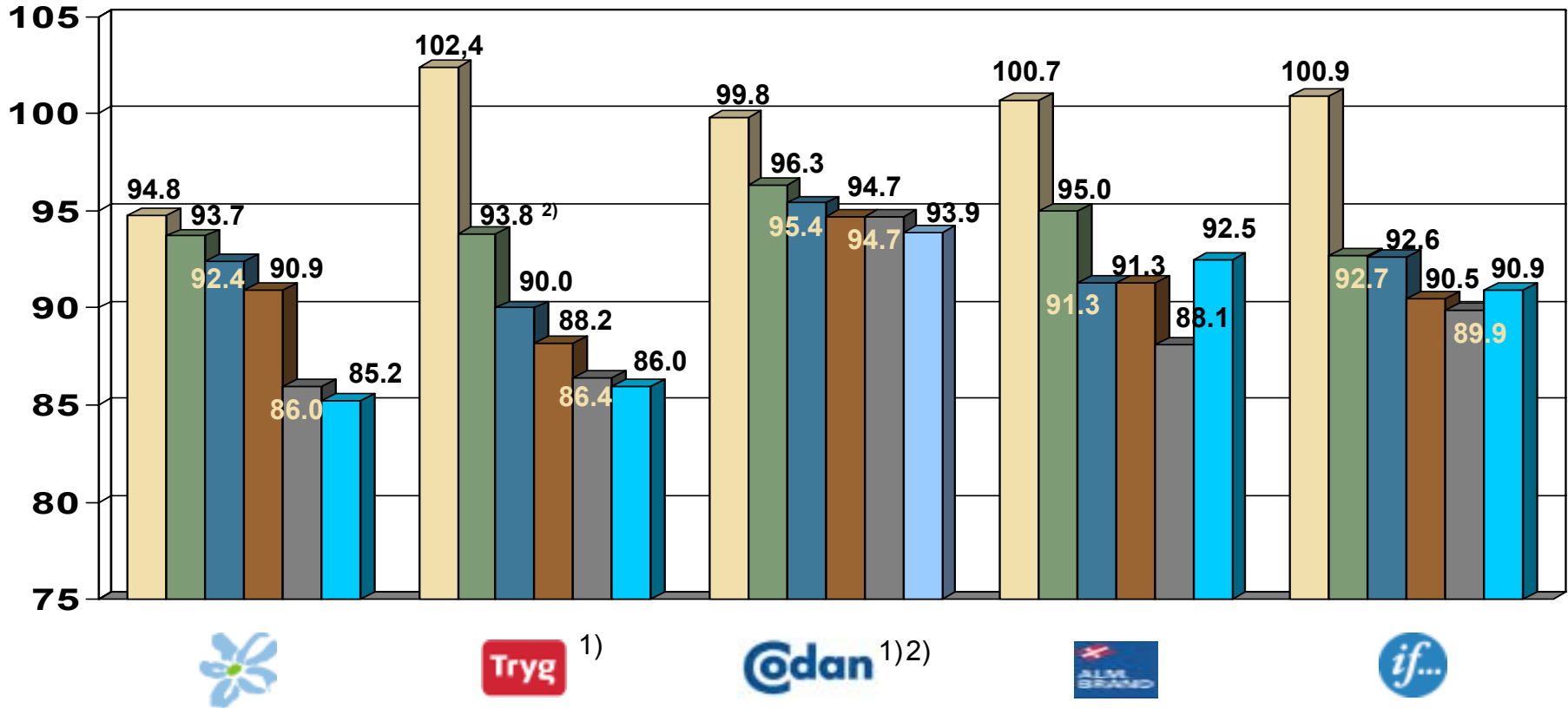


Source: Based on each company's Annual Report

Investment assets at 30 September 2007

(DKKm)	Group excl. life	Life group
Interest bearing investment assets	12,630	16,371
Equities	1,396	4,920
Index-linked bonds	2	1,226
Investment properties	330	2,331
Associated companies	36	445
Other	0	332
Investment assets	14,394	25,625
Intra-group balances	473	(473)
Investment assets corresponding to illness / accident provisions	1,033	(1,033)
Investments	15,900	24,119
Interest earned	209	311
Liquid funds	51	158
Interest-bearing debt / derivatives	(890)	(339)
Net investment assets	15,270	24,249

Combined ratios at a group level



1) Rent from owner-occupied properties not included in expenses and loss ratios

2) Excl. Discounting of claims provisions

