

Topdanmark 2006 Results

Highlights

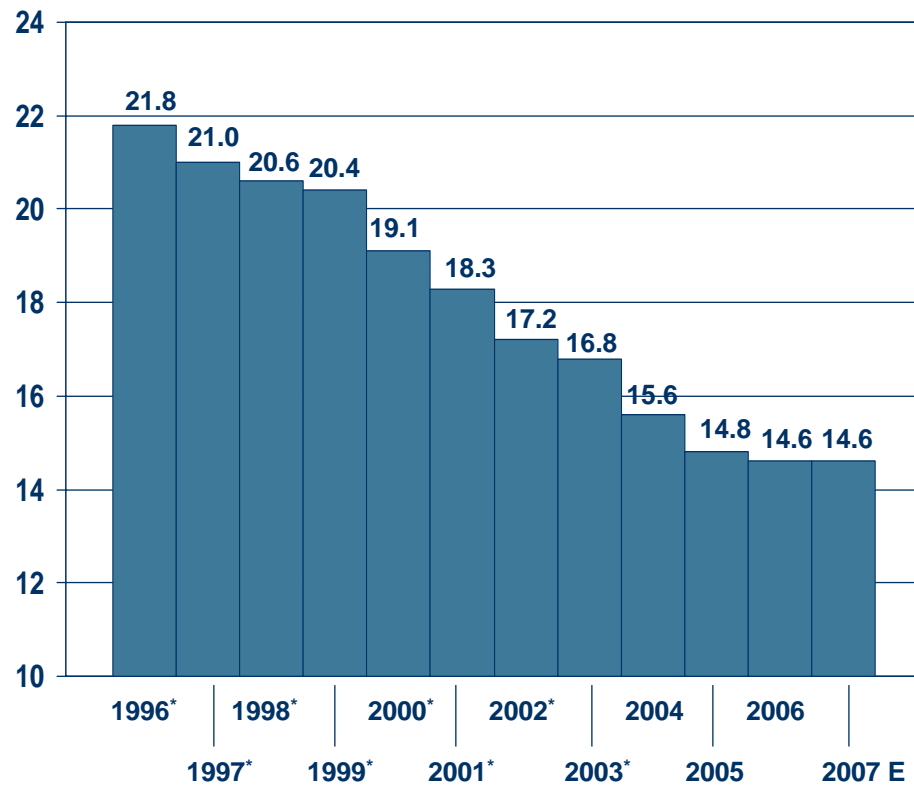
2006:

- **Post- tax profit increased 45.9% to DKK 1,692m**
- **Profit per share increased 53.0% to DKK 88.3**
- **4.7% premium growth in non-life and 23.7% in life**
- **39.4% post-tax ROE**
- **Expense ratio declined 0.2 pp to 14.6**
- **CR declined from 90.9 to 86.0**

Prospects for 2007

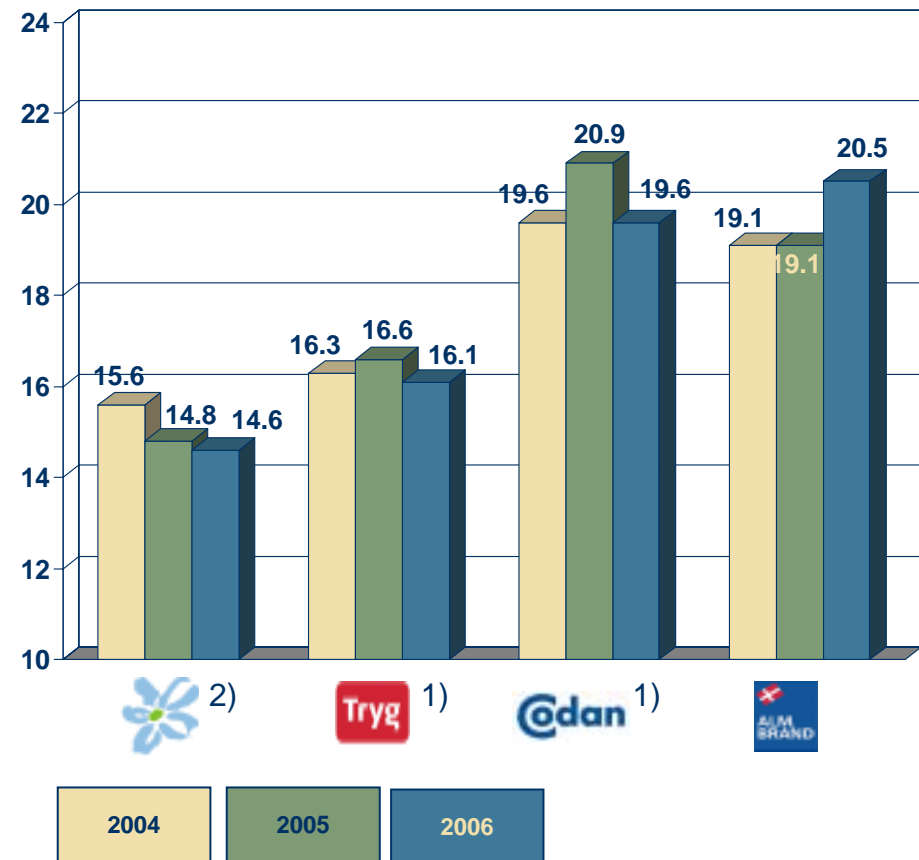
- **Expected CR unchanged at just over 88**
- **Expected post-tax profit of DKK 1,200 - 1,300m**
- **Expected share buy-back of around DKK 1,700m**

Declining expense ratio in Topdanmark



*Reduced by estimated IFRS effect 1996 - 2003

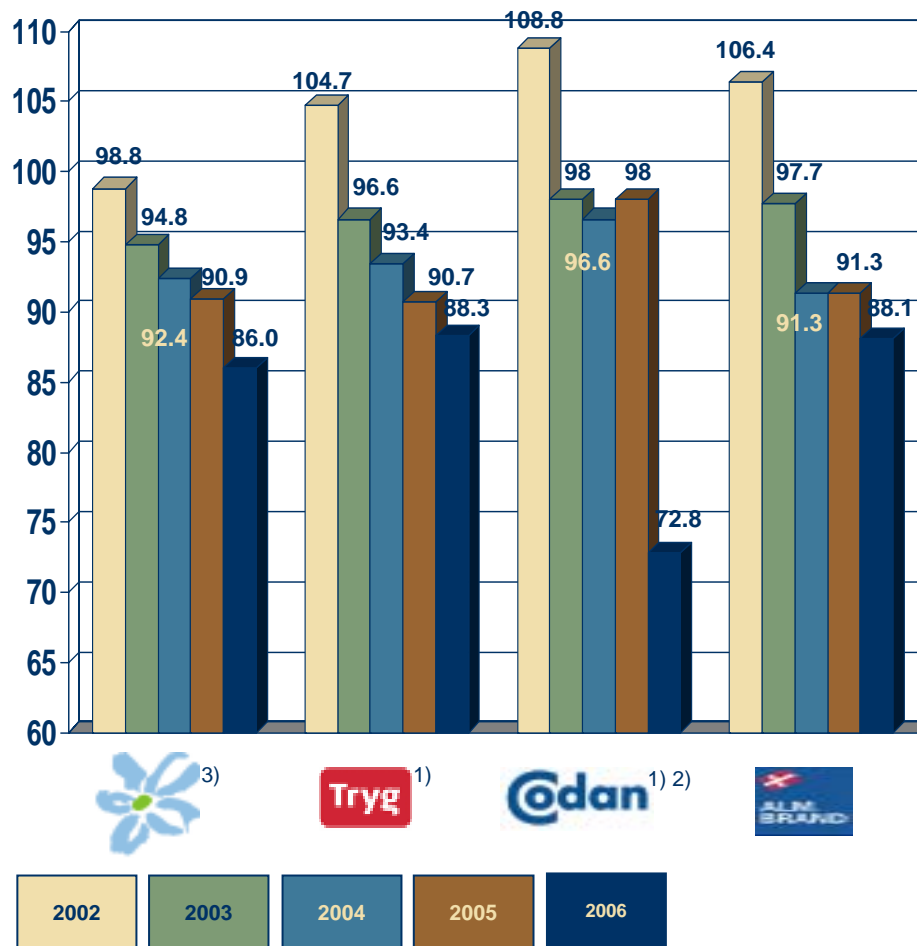
Topdanmark has the lowest expense ratio among the major Danish insurance companies



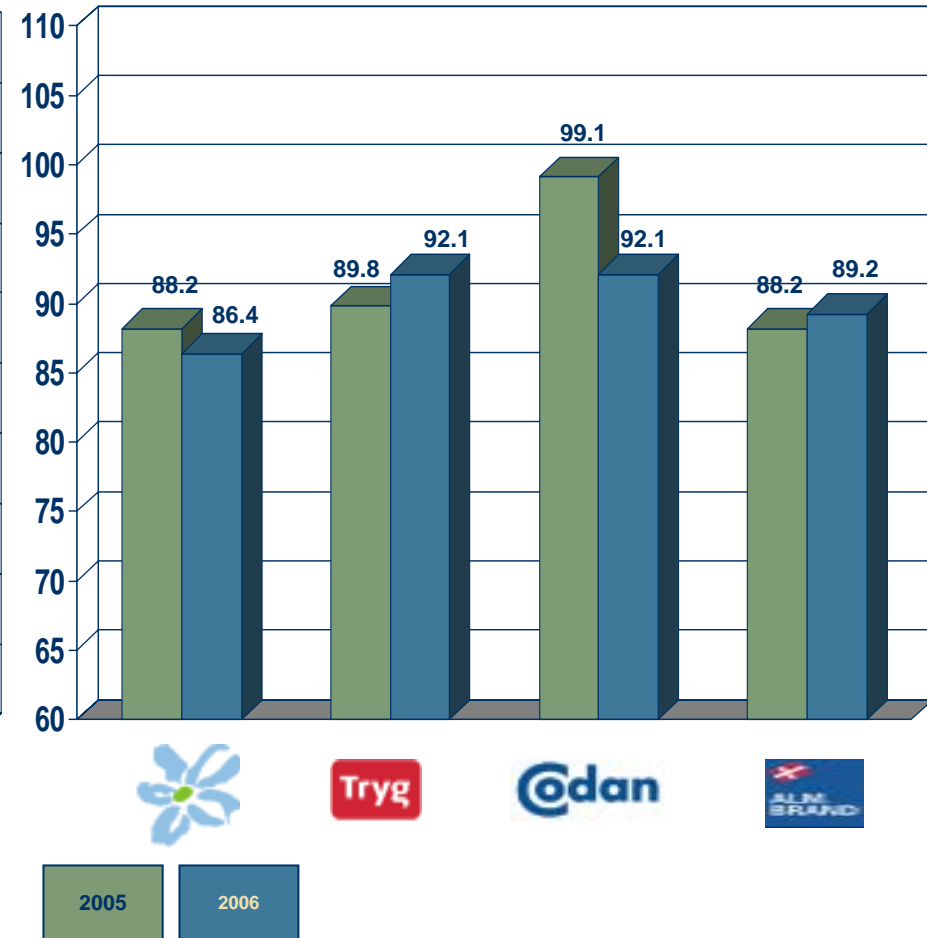
1) Rent from owner-occupied properties not included in expense ratio

2) Excl. rent from owner-occupied properties, the expense ratio would be 0.4 pp lower

Comparison of CR (Danish insurance)

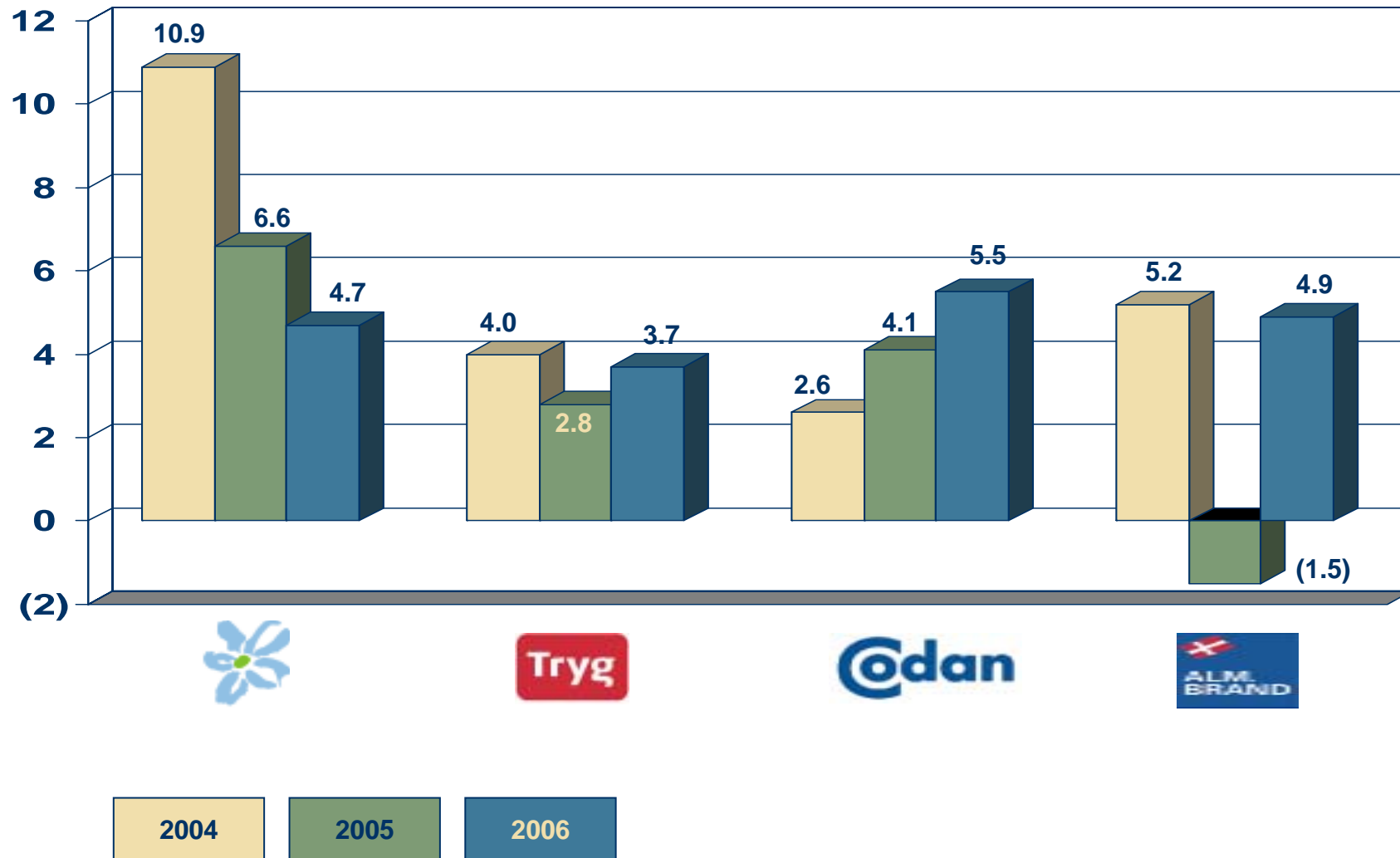


CR for the year (Danish insurance)
(After eliminating the effect of storms and the release or strengthening of provisions)

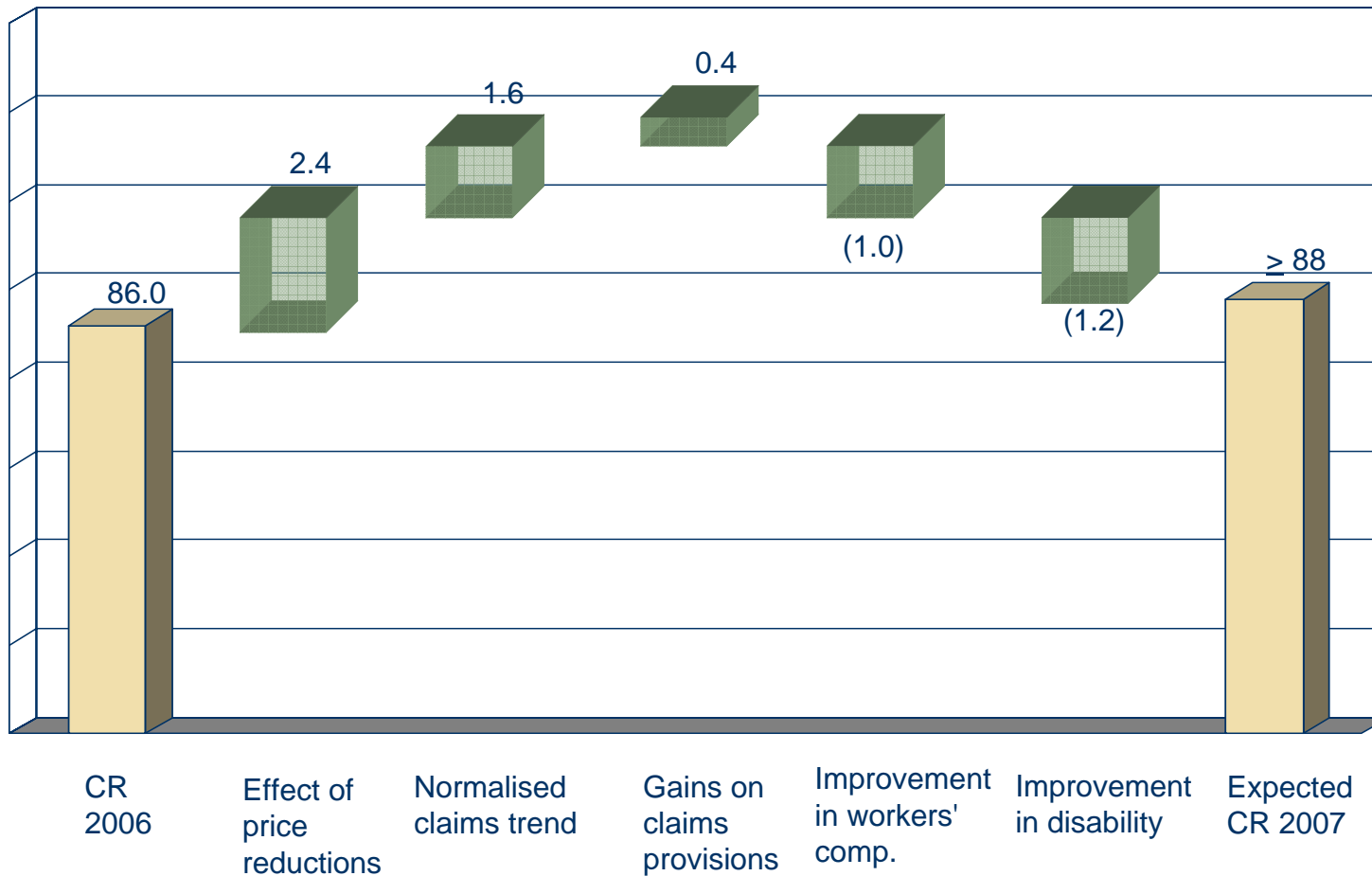


- 1) Rent from owner-occupied properties not included in expense and loss ratios
- 2) Excl. discounting of claims provisions
- 3) Excl. rent from owner-occupied properties, the CR would be 0.6 pp lower

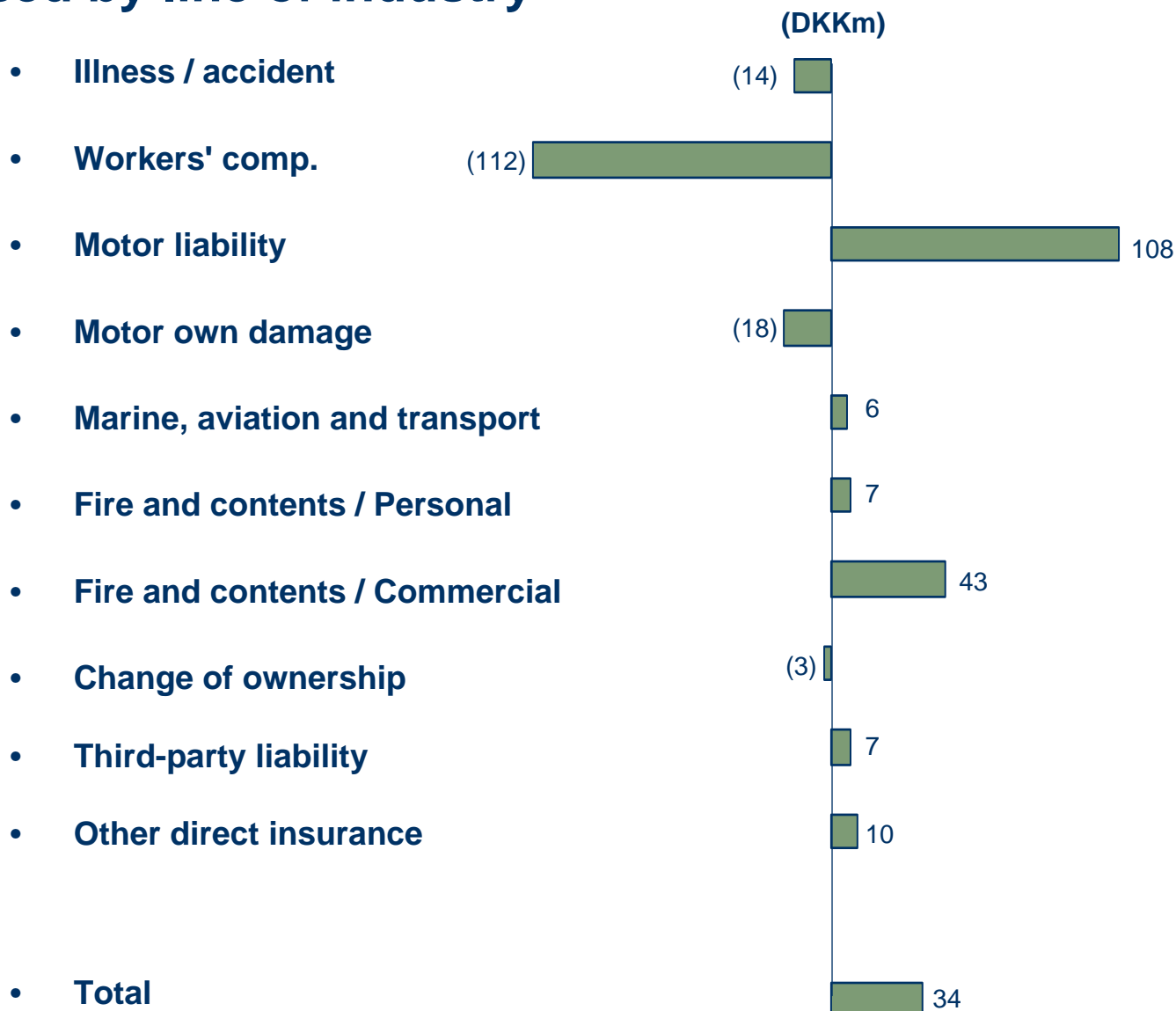
Comparison of premium growth (Danish insurance)



Continued low CR expected



Gains on / strengthening of claims provisions analysed by line of industry



Prospects in non-life insurance

Premium growth

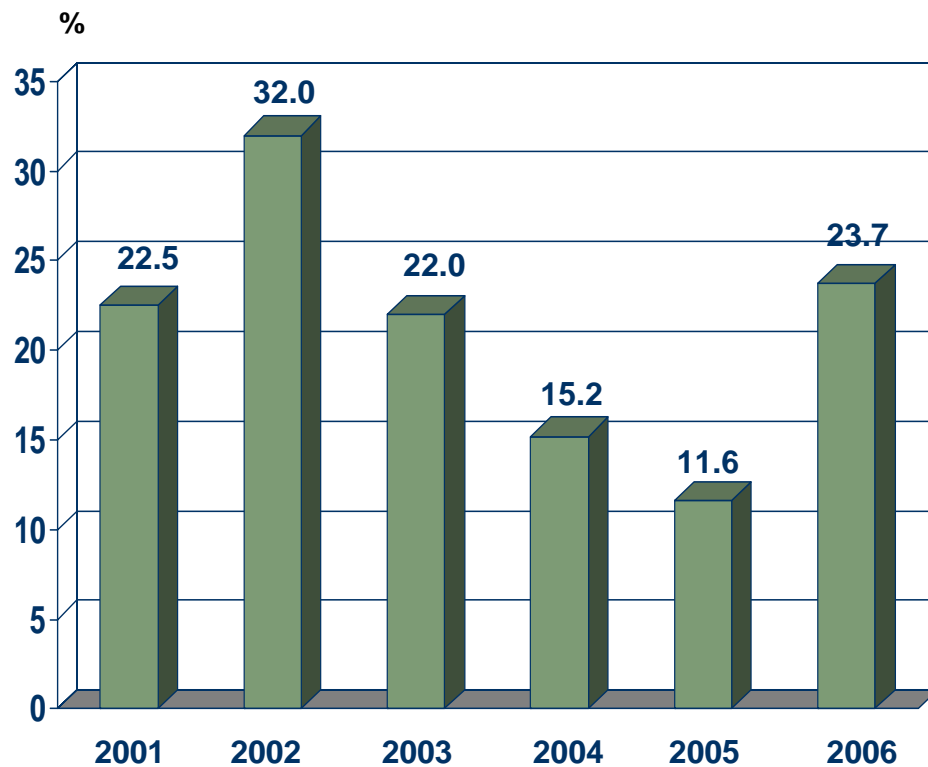
- Intensified competition based on distribution, customer service, staffing and price
- Expected market growth of 2 - 3% in 2007
- Topdanmark has invested in improving its competitiveness
 - By reducing prices in motor, workers' comp. and contents
 - Expected 2.8 percentage point adverse effect on premium growth in 2007
- 2007 therefore a transition year with expected premium growth of around 1%
 - However net customer increase expected in personal and commercial lines
- Expected premium growth of around 5% in 2008

Operational goals

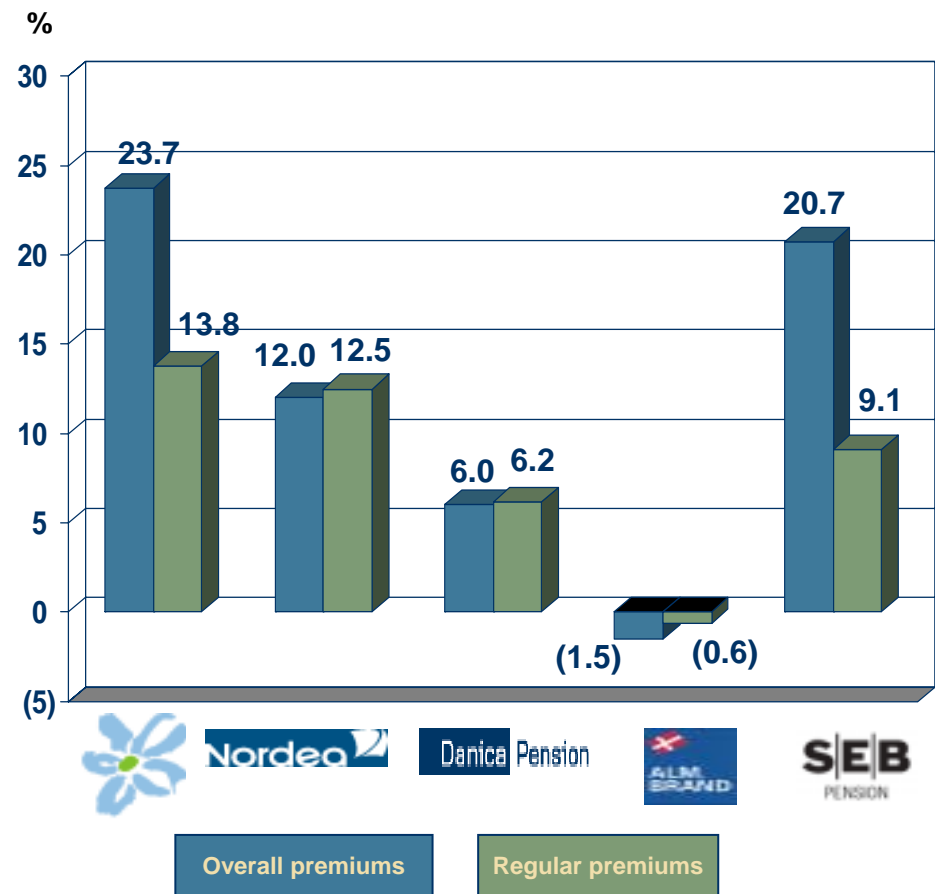
- Profit margin of 12% in the next two or three years
 - Corresponding to a CR of just over 89
- Profit margin of 10% in the longer term
 - Corresponding to a CR of just over 91
- 5% annual growth in gross premiums

Continued high premium growth

21% CAGR in gross premiums

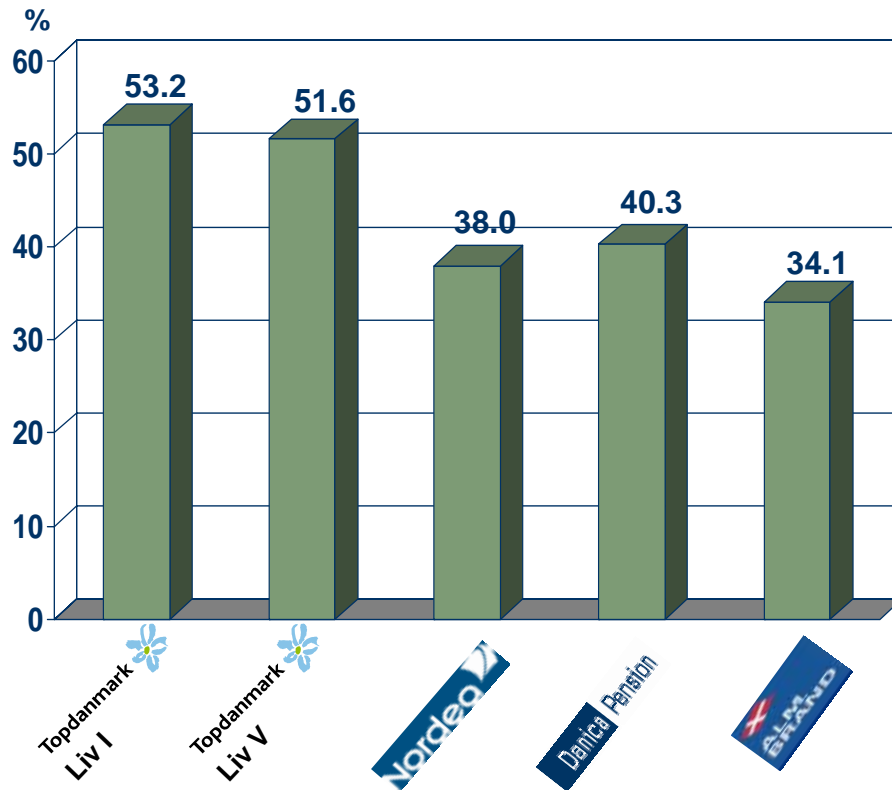


Comparison of premium growth 2006

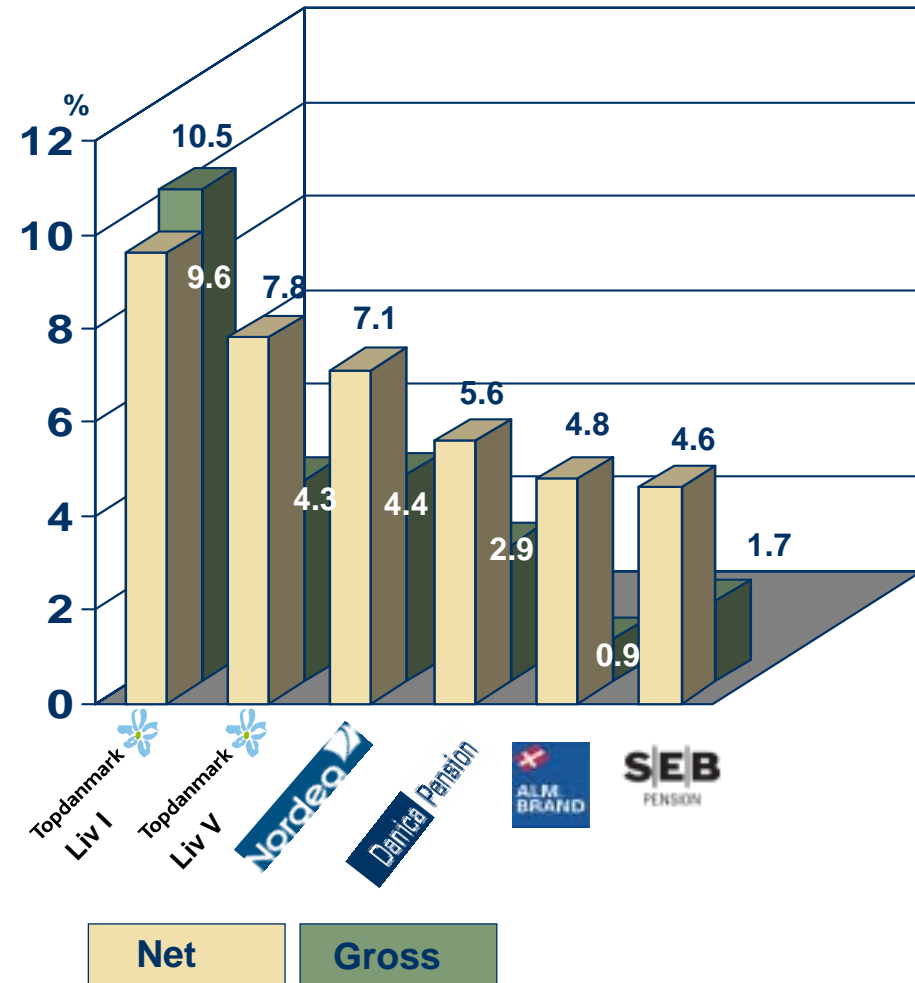


High gross and net returns for Topdanmark's pension customers

Accumulated investment return 2002 - 2006



Comparison of net and gross returns 2006



Prospects in life insurance

- **Expected market growth of 8 - 10% in 2007**
 - **Competition focussing on moving existing pension schemes**
- **Growth in regular premiums in Topdanmark expected to be 8 - 10% in 2007**
- **Profile Pension expected to account for an increasing share of new business**
- **No growth in single premiums should be assumed in 2007 following a 51.0% growth in 2006**
- **Bonus ratio of 12.2% in Life I; one of the highest in the market**
- **5.5% rate of interest on policyholders' savings in Life I in 2007**
 - **Most other market players: 4.5%**
- **Topdanmark has Denmark's most satisfied life customers**

Profit forecast for 2007

Profit forecast for 2007

(DKKm)	2005	2006	2007
Non-life insurance	1,309	2,047	1,540 - 1,620
Life insurance	107	118	120 - 140
Parent company etc.	(12)	58	(30) - (10)
Pre-tax profit	1,404	2,223	1,630 - 1,750
Taxation	(244)	(531)	(430) - (450)
Profit for the year (parent company)	1,160	1,692	1,200 - 1,300

Forecast assumptions for 2007 are based on equity prices on 9 March 2007

Share buy-back in 2007 corresponds to a yield of 10.1%

- **Transferred from 2006**
 - Announced in Q1 - Q3 report DKK 1,650m
 - 2006 result better than expected in Q1 - Q3 report DKK 200m
 - Actual buy-back in 2006 DKK 1,850m

	DKK 1,396m
	Approx. DKK 450m

- **Expected ordinary buy-back in 2007** DKK 1,250m

- **Expected overall buy-back in 2007** DKK 1,700m

- **Expected buy-back in 2007 corresponds to a yield of 10.1%**

- **DKK 346m shares already bought back in rest of year**

- **Remaining buy-back of DKK 1,350m in 2007**

- **Since 1998 Topdanmark has bought back 54.3% of the outstanding shares**
 - **Average price per share: DKK 255**

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” in the 2006 Annual Report.

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 2006 Annual Report.

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

Appendix

Solvency requirements on the basis of QIS 2

(DKKm)

Premium risks	1.362
Provisioning risks	2.283
Disaster risks	157
Diversification effect	(608)
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Non-life underwriting risks	3.194
Market risks	990
Credit risks	63
Life and pensions	862
Operational risks	325
Diversification effect	(1.383)
Expected profit in non-life insurance	(1.131)
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Estimated solvency requirement using QIS 2 standard model	2.920
Solvency requirement using internal model on provisioning risks	< 2,200
Level of capital base	3.800

Effect of a 1 pp increase in interest rates

Immediate effect

DKKm	Post-tax
Revaluation of investment assets	(376)
Revaluation of claims provisions	254
Non-recurring effect of increase in interest rates	(122)

First year effect

DKKm	Post-tax
Excess return on interest-bearing assets	23
1.1 percentage point decline in loss ratio	70
One year's effect of increase in interest rates	93
Non-recurring effect of increase in interest rates	(122)
Total effect on results	(29)

Can profit be made on non-life insurance?

Assumptions:

- Shareholders' equity 33% of premium income
- Combined ratio 88
- 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>88.2</u>	
	13.3	~ ROE = 39.9%

ROE:

• ROE before taxation	<u>5.0%</u>
	44.9%

Share buy-back model (1/2)

Reasonable level of capital cover 1 Jan 2007

	DKKm	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)	456	
1 x interest rate exposure (Group excl. life)	<u>122</u>	
		4,707
Financed by:		
subordinated loan capital, long-term loan capital or committed lines to parent company (20% of DKK 4,707m)		<u>(941)</u>
Total reasonable level of capital cover		3,766

Share buy-back model (2/2)

DKKm

Shareholders' equity 1 Jan 2007		4,366	
Less: tax asset	(66)		
goodwill	(441)		
Value of own shares on exercise of share options	42		
Value of own shares to hedge warrant programme ¹⁾	<u>447</u>		
		<u>(18)</u>	
Capital cover 1 Jan 2007		4,348	
Expected profit after cash-impacting tax 2007 (average value)		1,250	
Movements in shareholders' equity		<u>40</u>	
Expected capital cover 31 Dec			5,638
Reasonable level of capital cover 1 Jan 2007		3,766	
80% of 1 year's normal growth in reasonable level of capital cover		<u>165</u>	
Expected reasonable level of capital cover 31 Dec			<u>(3,931)</u>
Share buy-back potential 2007			1,707

1) Less expected exercise in 2007 (70% of market value - 1,050 - 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 in 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

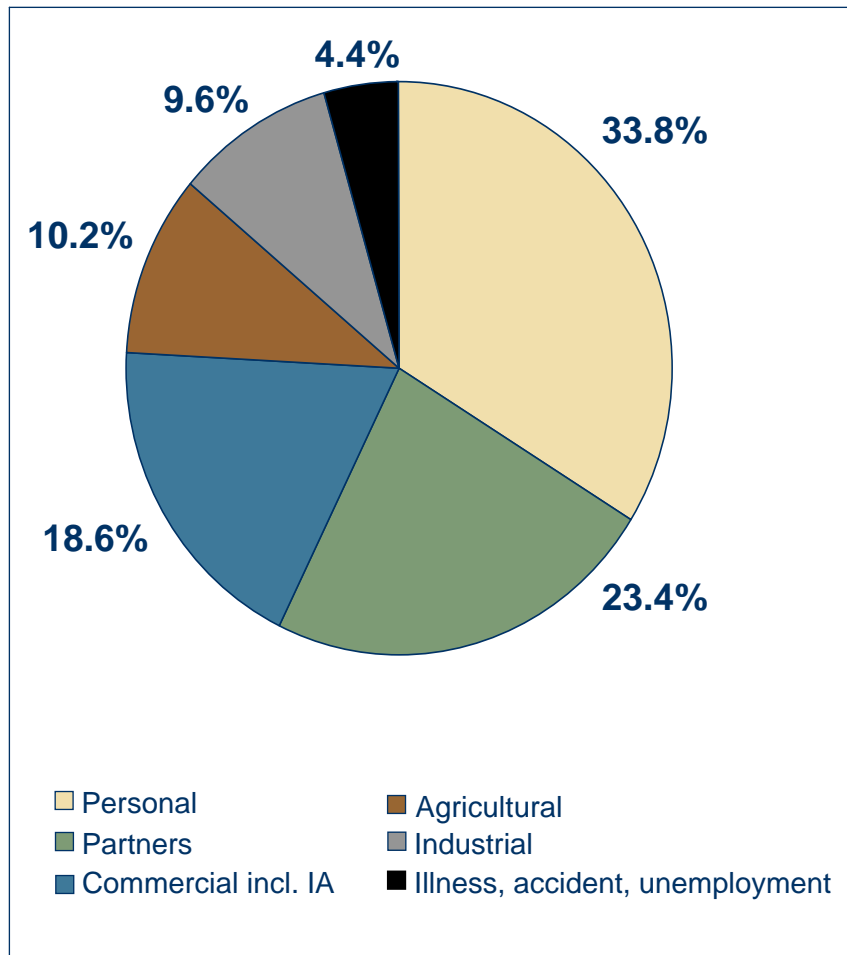
(DKKm)

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

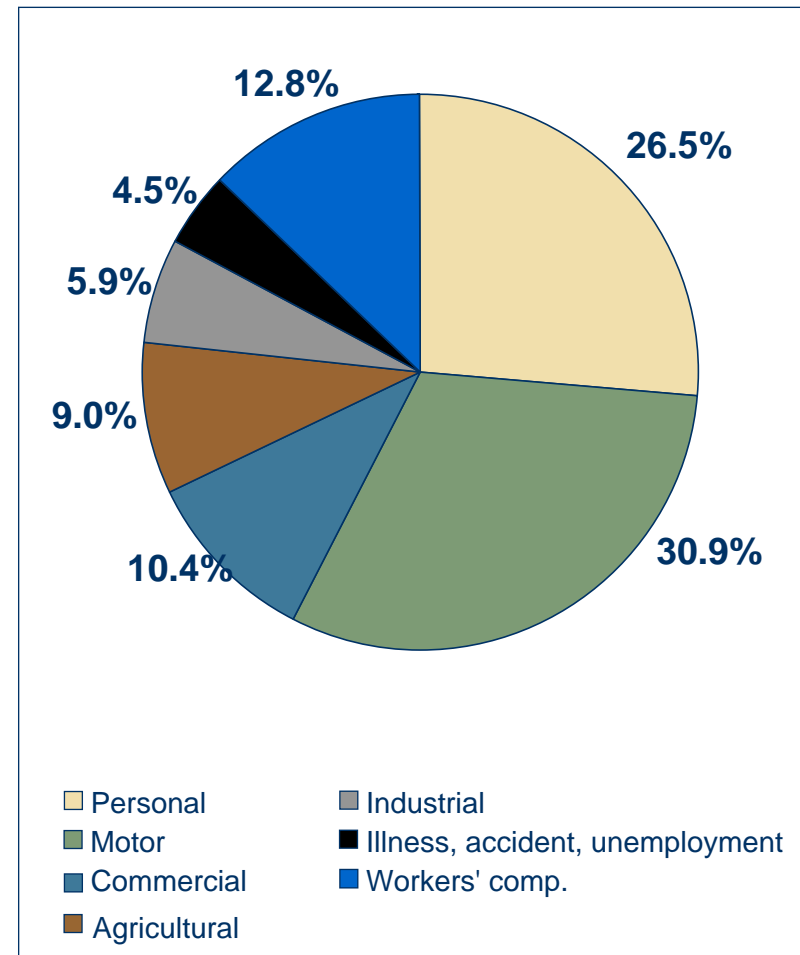
Other life-related result:

Life-related non-life (disability, 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%

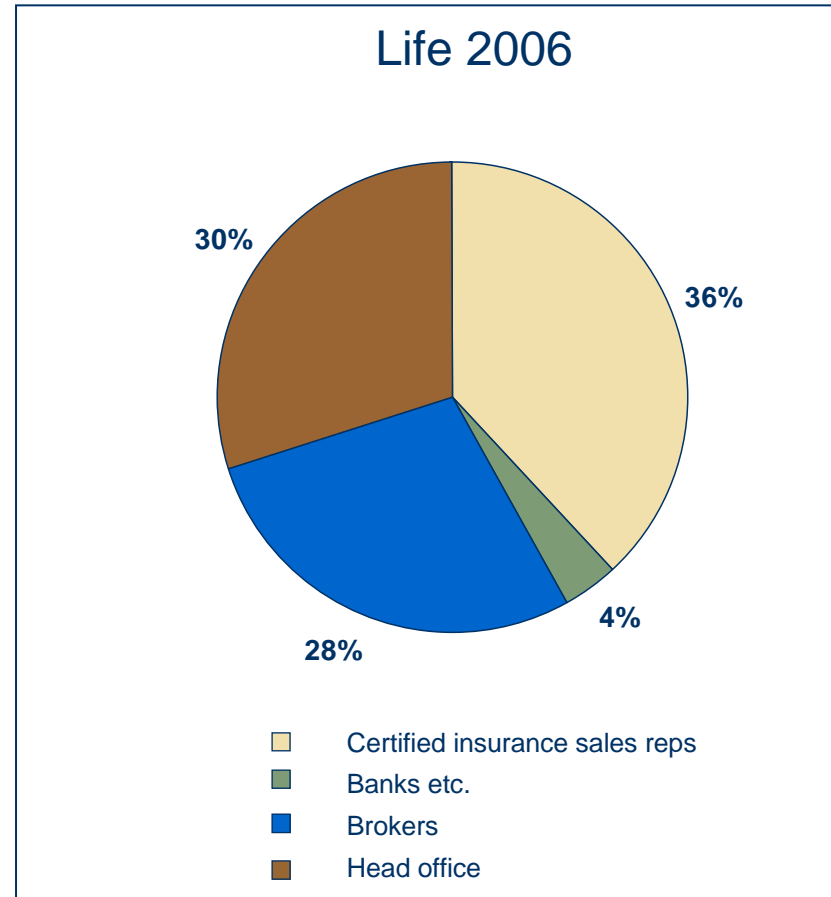
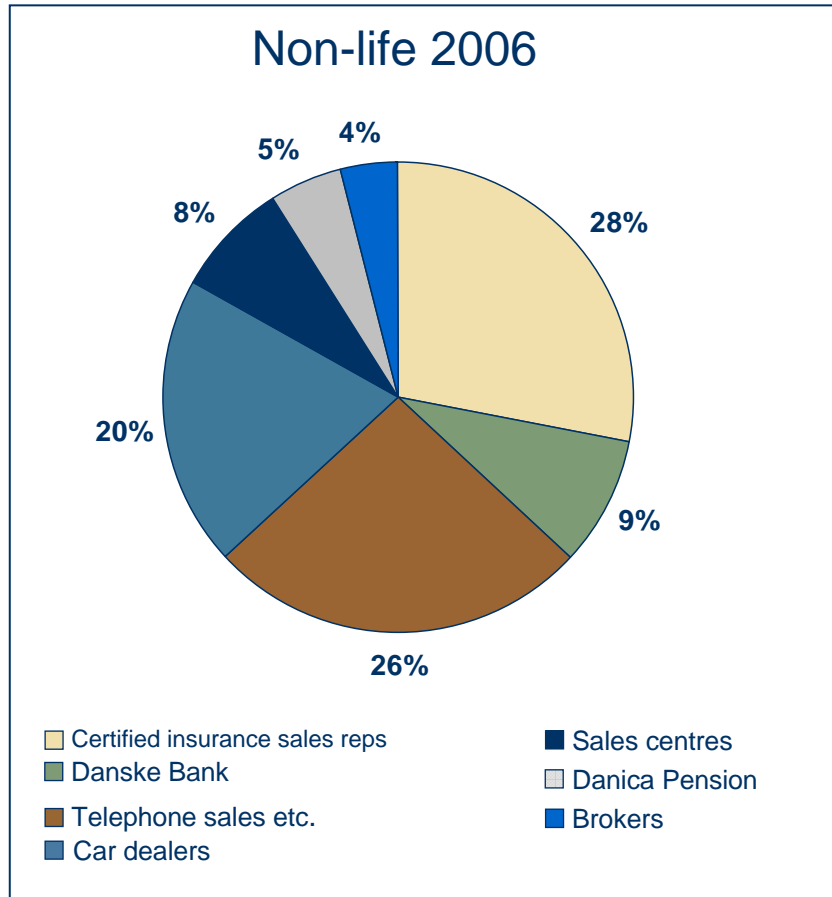
Premiums by business sector



Premiums by product



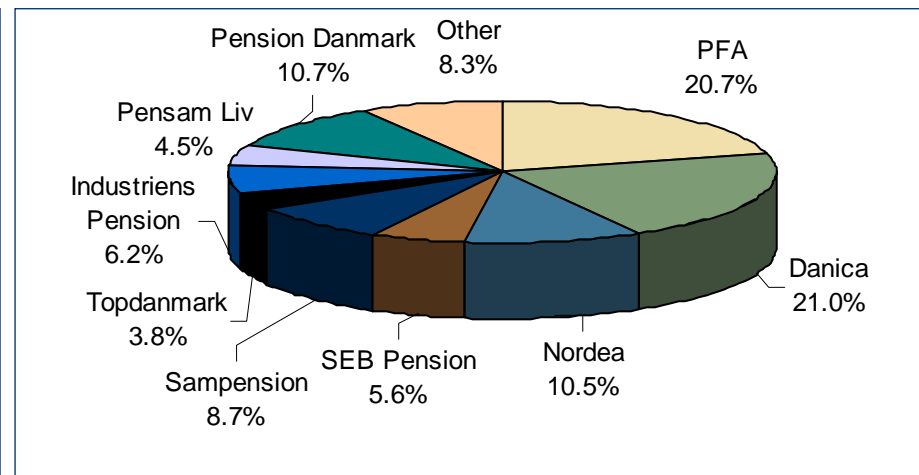
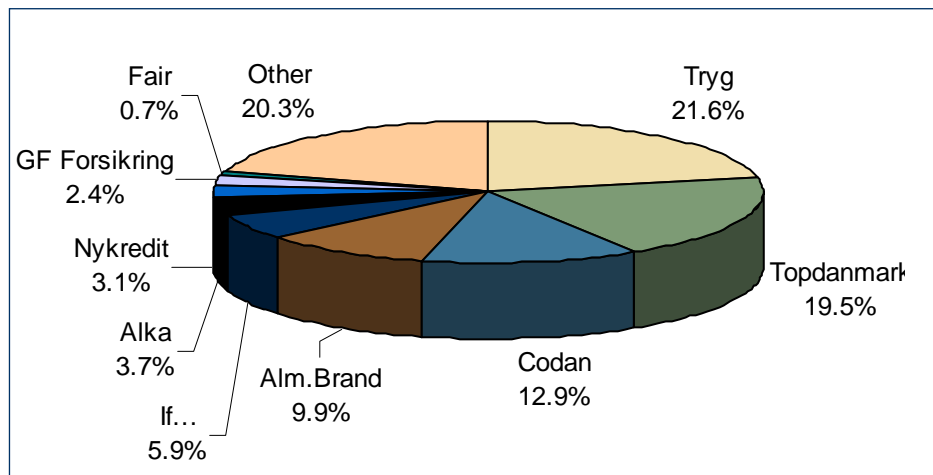
Distribution channels



Market share

Market share in non-life 2005

Market share in life 2005



Investment assets at 31 December 2006

(DKKm)	Group excl. life	Life group
Interest-bearing investment assets	12,327	15,980
Equities	1,312	4,666
Index-linked bonds	0	1,409
Investment properties	289	2,337
Associated companies	36	452
Other	0	688
Investment assets	13,964	25,532
Intragroup balances	1,029	(1,029)
Investment assets corresponding to illness / accident provisions	859	(859)
Investments	15,852	23,644
Interest earned	185	269
Interest-bearing debt / derivatives	(1,248)	(672)
Net investment assets	14,789	23,241

Comparison of ratios for 2006 (Danish insurance)

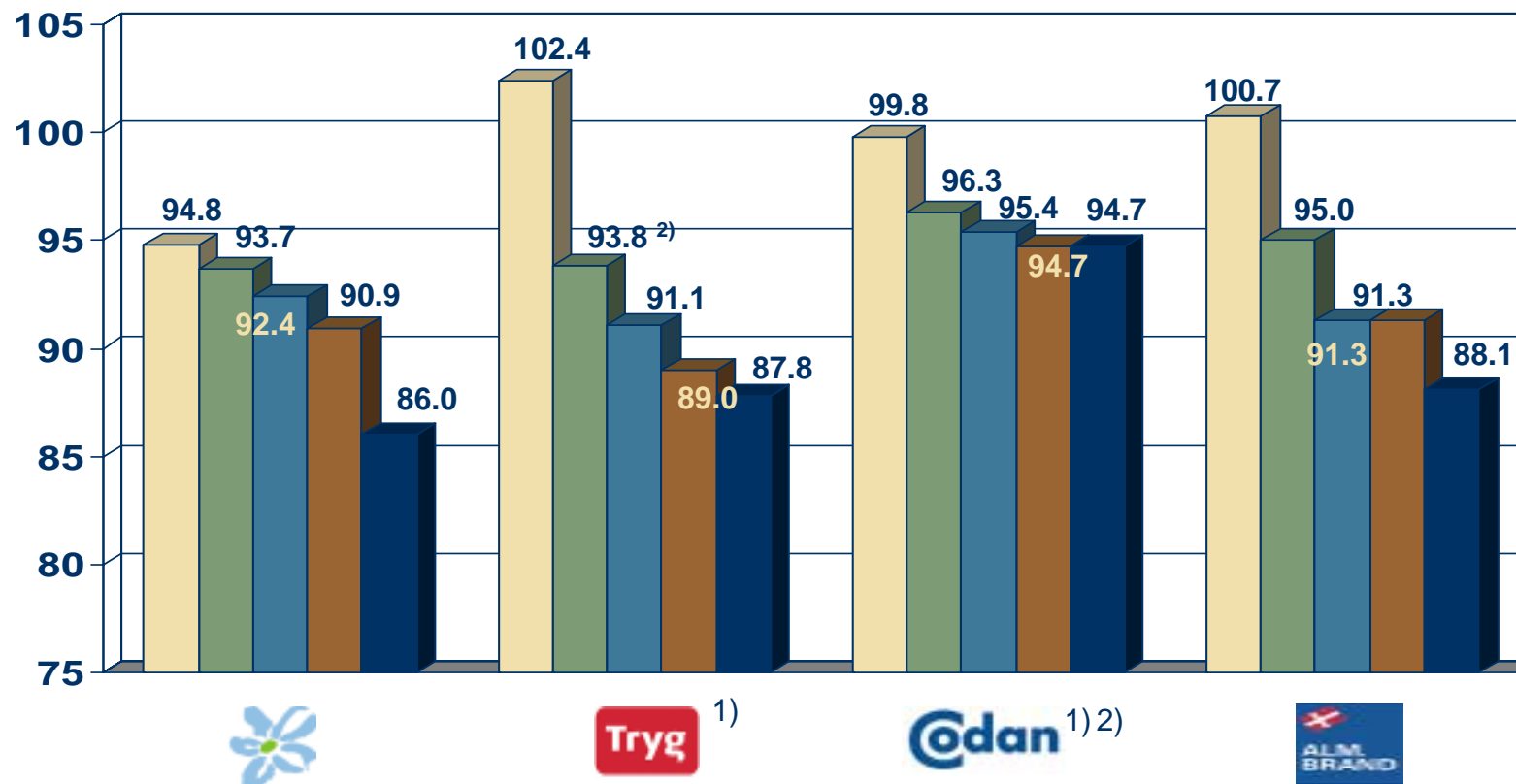
	Topdanmark ³⁾	Codan ^{1) 2)}	Tryg ¹⁾	Alm. Brand
Loss ratio	67.4	47.4	68.4	63.9
Net reinsurance	<u>4.0</u>	<u>5.8</u>	<u>3.8</u>	<u>3.7</u>
Claims trend	71.4	53.2	72.2	67.6
Expense ratio	<u>14.6</u>	<u>19.6</u>	<u>16.1</u>	<u>20.5</u>
Combined ratio	86.0	72.8	88.3	88.1

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

2) Excl. discounting of claims provisions

3) Excl. rent from owner-occupied properties, the CR would be 0.6 pp lower

Combined ratios at a group level

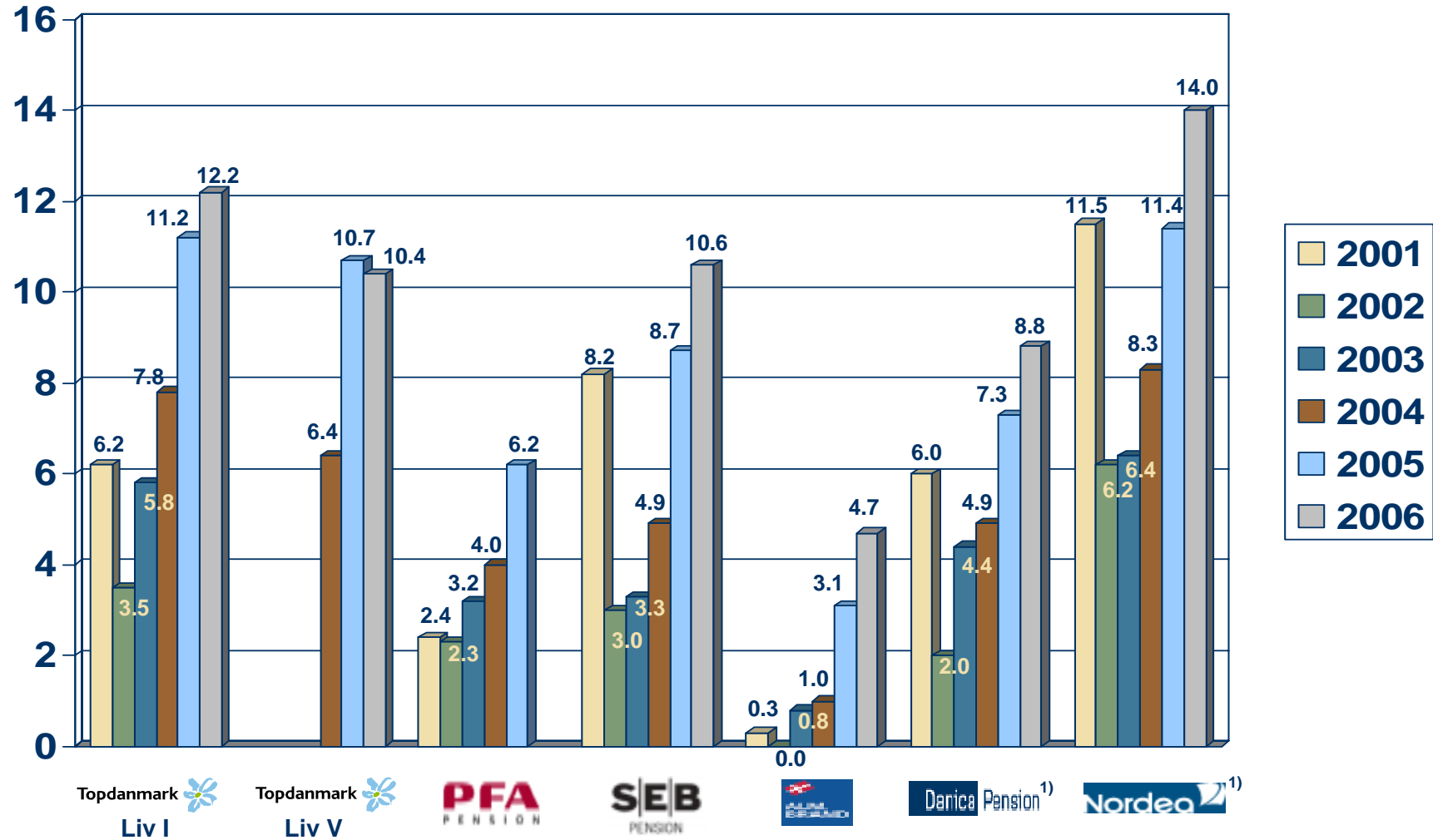


1) Rent from owner-occupied properties not included in expense and loss ratios

2) Excl. discounting of claims provisions



Comparison of bonus ratios



1) Adjusted for shadow account