

# Topdanmark 2008 Half Year Report

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26 August Announcement No. 13/2008

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Key features:

- The Q2 post-tax result was a profit of DKK 243m (Q2 2007: DKK 385m).
- The Q2 technical result on non-life insurance was slightly better than assumed in the profit forecast in the Q1 2008 report while the investment return was substantially lower.
- The pre-tax technical result on non-life insurance increased 5.4% to DKK 752m in H1 2008.
- Including the loss of DKK 234m incurred in Q1 2008 the post-tax result for H1 2008 was a profit of DKK 9m (H1 2007: DKK 764m).
- The growth in premiums in H1 2008 was 2.0% in non-life insurance and 15.2% in life insurance.
- The combined ratio for the half-year remained unchanged at 85.9%.
- The expected growth for 2008 in life insurance has been increased from 5 - 10% to around 10%.
- Due to the favourable claims trend in 2008 to date it is expected that the combined ratio for the full year will improve from just over 88% to 88%.
- In spite of a better than assumed claims trend the post-tax profit forecast for 2008 has been reduced by DKK 300m to DKK 450 - 550m due to the turbulence in the capital markets. This represents a 13.9% post-tax return on shareholders' equity.
- The expected share buy-back programme for 2008 has also been reduced by DKK 300m to DKK 750m representing a buy-back yield of 6.4%.

It is recommended that this half-year report is read together with [www.topdanmark.com](http://www.topdanmark.com) which provides detailed and further information.

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

A conference call will be held today at 15:30 (CET) when Poul Almlund, CEO, and Christian Sagild, Group Managing Director will be available for questions based on the H1 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

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5 - 10 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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# Topdanmark 2008 Half Year Report

## Contents

### **Management's review**

- 1 Key features
- 3 Financial highlights
- 4 Result for the period
- 4 Non-life insurance
- 8 Life insurance
- 9 Investment activities
- 11 Taxation
- 11 Prospects and other statements on the future
- 12 Share buy-back
- 12 Financial calendar
- 12 Accounting policies

### **Half year accounts • Group**

- 13 Profit and loss account
- 15 Assets
- 16 Shareholders' equity and liabilities
- 17 Cash flow statement
- 18 Movements in shareholders' equity
- 19 Segment information
- 20 Notes to the accounts

### **Half year accounts • Parent company**

- 21 Profit and loss account and Balance sheet
- 22 Disclaimer

### **23 Management's statement**

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# Topdanmark 2008 Half Year Report

## Financial highlights

(DKKm)	Full year 2007	Q2 2007	Q2 2008	H1 2007	H1 2008
<b>Premiums earned:</b>					
Non-life insurance	8,883	2,191	2,256	4,401	4,490
Life insurance	3,556	796	866	1,788	2,059
	12,439	2,987	3,122	6,189	6,549
<b>Results:</b>					
Non-life insurance	1,580	452	360	936	195
Life insurance	50	12	0	57	(38)
Parent company etc.	27	(2)	(15)	(14)	(38)
Pre-tax profit	1,657	462	345	979	119
Tax	(386)	(77)	(102)	(215)	(110)
<b>Profit</b>	<b>1,271</b>	<b>385</b>	<b>243</b>	<b>764</b>	<b>9</b>
Shareholders' equity of parent company					
at 1 January	4,366	4,269	3,220	4,366	3,716
Profit	1,271	385	243	764	9
Share buy-back	(2,026)	(528)	(54)	(1,081)	(363)
Share-based payments	104	8	10	89	56
Other movements in shareholders' equity	1	2	0	(2)	1
<b>Shareholders' equity of parent company end of period</b>	<b>3,716</b>	<b>4,136</b>	<b>3,419</b>	<b>4,136</b>	<b>3,419</b>
Deferred tax on security funds	(348)	(348)	(348)	(348)	(348)
<b>Shareholders' equity of Group end of period</b>	<b>3,368</b>	<b>3,788</b>	<b>3,071</b>	<b>3,788</b>	<b>3,071</b>
Capital base, parent company	4,118	4,136	3,821	4,136	3,821
Total assets, parent company	4,826	4,967	4,177	4,967	4,177
Total assets, Group	44,645	46,428	47,831	46,428	47,831
Provisions for insurance and investment contracts:					
Non-life insurance	13,314	14,310	14,776	14,310	14,776
Life insurance	25,093	24,496	25,152	24,496	25,152
<b>Financial ratios (parent company)</b>					
Post-tax profit as a % of shareholders' equity	31.2	9.0	7.3	17.6	0.3
Post-tax profit per share (DKK)	75.0	22.3	15.5	43.8	0.6
Post-tax profit per share, diluted (DKK)	73.3	21.8	15.3	42.7	0.6
Net asset value per share (DKK)	232.3	242.7	219.2	242.7	219.2
Share buy-back per share (DKK)	116.8	29.8	3.4	60.3	22.8
Listed share price end of period (DKK)	734	942	715	942	715
Average number of shares ('000)	16,948	17,285	15,633	17,461	15,673
Average number of shares, diluted ('000)	17,351	17,702	15,884	17,913	15,942
Number of shares end of period ('000)	15,995	17,041	15,594	17,041	15,594
<b>Ratios non-life insurance (%)</b>					
Gross loss ratio	65.9	67.2	68.7	67.2	68.3
Net reinsurance ratio	3.9	3.6	2.5	4.3	3.1
Claims trend	69.8	70.8	71.2	71.5	71.4
Gross expense ratio	14.5	14.2	14.4	14.4	14.5
Combined ratio	84.3	85.0	85.6	85.9	85.9
Operating ratio	82.7	83.3	83.9	84.1	83.7

# Topdanmark 2008 Half Year Report

## Result for the period

Topdanmark's Q2 2008 post-tax result was a profit of DKK 243m (Q2 2007: DKK 385m). The pre-tax profit declined from DKK 462m in Q2 2007 to a DKK 345m this year.

Q2 2008 reflected stable growth in the non-life insurance business but a decline in equity prices, an increase in credit spreads and a strong rise in interest rates towards the end of the quarter.

Therefore the pre-tax result of DKK 345m reflected growth of 2.7% in the technical result on non-life insurance while the result of life insurance was a break-even and the investment return a small loss.

<b>Trend in pre-tax result</b> (DKKm)	<b>Q2</b> <b>2007</b>	<b>Q2</b> <b>2008</b>
Non-life insurance		
- technical result	373	383
- investment return etc.	79	(23)
Life insurance	12	0
Parent company etc.	(2)	(15)
<b>Pre-tax profit</b>	<b>462</b>	<b>345</b>

Including the loss of DKK 234m incurred in Q1 2008 the post-tax result for H1 2008 was DKK 9m (H1 2007: DKK 764m) while the pre-tax profit declined from DKK 979m to DKK 119m.

Both the Q2 and the half-year results reflected a stable technical result on non-life insurance but a deterioration in the capital markets.

<b>Trend in pre-tax result</b> (DKKm)	<b>H1</b> <b>2007</b>	<b>H1</b> <b>2008</b>
Non-life insurance		
- technical result	713	752
- investment return etc.	223	(557)
Life insurance	57	(38)
Parent company etc.	(14)	(38)
<b>Pre-tax profit</b>	<b>979</b>	<b>119</b>

The pre-tax profit of DKK 119m reflected a 5.4% increase in the technical result to DKK 752m, but this was counteracted by a loss on life insurance of DKK 38m and an investment loss a DKK 557m: both the losses being the result of the turbulent capital markets.

The H1 investment loss reflected unrealised losses on securities, including DKK 262m on equities and DKK 144m on CDOs. Topdanmark does not intend to reduce its equity exposure, nor does it plan to sell the CDO portfolio. The cash flow from operations is not affected by losses on securities, including equities and CDOs.

The technical result of non-life insurance was slightly better than assumed in the most recent profit forecast set out in the Q1 2008 report, while the life insurance result was in line with assumptions and the investment return substantially lower than assumed.

## Non-life insurance

The pre-tax half-year result of non-life insurance declined from DKK 936m in H1 2007 to DKK 195m this half-year reflecting primarily a DKK 39m improvement in the technical result and a DKK 780m decrease in the investment return.

Premiums earned increased 2.0% to DKK 4,490m reflecting Topdanmark's improved competitiveness following price cuts in both 2007 and 2008. When fully implemented these price reductions will account for DKK 540m annually. Topdanmark has already seen a DKK 440m impact of which DKK 90m was in H1 2008. This DKK 90m corresponded to a 2.0 percentage point negative impact on premium growth.

The growth in premiums was 3.0% from Q2 2007 to Q2 2008. This growth benefited from the Act amendment which took effect from 1 July 2007 causing an increase in claims incurred on workers' compensation policies fully offset by premium increases equating to 1.2 percentage points in both Q1 and H1. Moreover the measures taken now to improve competitiveness particularly in the personal market have improved the exchange ratio of customers between Topdanmark and the other insurance companies in the second quarter.

However, Topdanmark continues to expect premium growth of around 1% for the full year 2008.

## Topdanmark 2008 Half Year Report

The loss ratio increased from 67.2% in H1 2007 to 68.3% this half-year with price cuts, in isolation, accounting for around 1.7 percentage points. Major weather-related claims (those with gross claims exceeding DKK 4.5m per event within 72 hours) increased slightly from DKK 54m to DKK 58m. Moreover agricultural and commercial fire claims with gross claims exceeding DKK 1m, increased from DKK 110m in H1 2007 to DKK 171m this half-year.

In H1 2008 the loss ratio benefited 2.7 percentage points from gains on the claims provisions, particularly in accident and motor liability insurance, (H1 2007: 1.8 percentage points). Moreover, in isolation, the change in interest rates had a positive effect of around 0.3 percentage points on the loss ratio as compared with H1 the previous year. However, as the movements in interest rates were offset by a change in the estimated duration of the payments on the H1 claims, the overall impact on the loss ratio from the change in interest rates and the change in the duration of payments on claims was effectively break-even.

After adjusting for the gains on the claims provisions, the claims trend increased 0.8 percentage points from 73.3% in H1 2007 to 74.1% this year. However, this increase included the afore-mentioned 1.7 percentage point adverse effect from the price cuts. Therefore, in isolation the loss ratio should have increased 1.7 percentage points. However, it is Topdanmark's policy that its prices should increasingly reflect the underlying risk of each product. This is achieved by using an increasing number

of parameters (micro rating) which has contributed to the relatively stable development. It is interesting to note that the motor insurance claims frequency has been slightly declining over the current year to date.

Due to the increased level of fire claims incurred Topdanmark's reimbursement from the reinsurers was higher this year than in H1 2007, resulting in the overall reinsurance ratio declining from 4.3% to 3.1%.

The claims trend, representing claims incurred and the reinsurance result as a percentage of premiums earned, improved slightly from 71.5% to 71.4%.

The expense ratio increased marginally from 14.4% to 14.5%. For the full year it is expected to be around 14.5%.

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) remained unchanged at 85.9%.

The reinsurance programme on storm has been renewed for one year from 1 August 2008 and remains unchanged at DKK 5.1bn while the retention (deductible) is DKK 100m (DKK 75m after tax). A minor saving was achieved on the renewal. Further information on the storm programme is available on Topdanmark's website [www.topdanmark.com](http://www.topdanmark.com) → [Risk management](#) → [Insurance risk](#) → [Reinsurance](#).

<b>Financial highlights - Non-life insurance</b> (DKKm)	<b>Full year</b> <b>2007</b>	<b>Q2</b> <b>2007</b>	<b>Q2</b> <b>2008</b>	<b>H1</b> <b>2007</b>	<b>H1</b> <b>2008</b>
Premiums earned	8,883	2,191	2,256	4,401	4,490
Technical interest	181	45	58	94	118
Claims incurred	(5,856)	(1,473)	(1,549)	(2,958)	(3,064)
Net reinsurance	(345)	(78)	(57)	(188)	(139)
Expenses	(1,291)	(312)	(325)	(636)	(653)
Technical result	1,572	373	383	713	752
Investment return	(9)	74	(28)	214	(566)
Other items	17	5	5	9	9
<b>Profit on non-life insurance</b>	<b>1,580</b>	<b>452</b>	<b>360</b>	<b>936</b>	<b>195</b>
Gains on claims provisions on own account	324	44	75	79	122
Gross loss ratio (%)	65.9	67.2	68.7	67.2	68.3
Net reinsurance ratio (%)	3.9	3.6	2.5	4.3	3.1
Claims trend (%)	69.8	70.8	71.2	71.5	71.4
Gross expense ratio (%)	14.5	14.2	14.4	14.4	14.5
Combined ratio (%)	84.3	85.0	85.6	85.9	85.9
Operating ratio (%)	82.7	83.3	83.9	84.1	83.7

# Topdanmark 2008 Half Year Report

## Segment reporting

### Personal

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

Premiums earned increased 0.7% to DKK 2,299m in H1 2008 reflecting premium cuts in motor and contents insurance while in Q2 they increased 3.0% reflecting the improved competitive situation in the personal market as well as substantial growth in the sale of illness / accident

insurance policies which, however, is not expected to continue into H2.

Due to premium cuts in, among other areas, motor, contents, house and accident insurance the claims trend excluding gains on the claims provisions increased 0.7 percentage points to 72.4%. Including gains on the claims provisions it declined 0.9 percentage points to 68.5%.

The combined ratio for Personal declined from 84.7% in H1 2007 to 84.0% this half-year.

Personal (DKKm)	Full year 2007	Q2 2007	Q2 2008	H1 2007	H1 2008
Gross premiums earned	4,567	1,123	1,157	2,284	2,299
Technical interest	89	22	31	43	56
Claims incurred	(3,083)	(746)	(772)	(1,543)	(1,538)
Net reinsurance	(33)	(23)	(25)	(41)	(38)
Expenses	(707)	(172)	(181)	(350)	(356)
Technical result	833	204	210	393	423
Gains on claims provisions on own account	210	48	52	55	89
Gross loss ratio (%)	67.5	66.4	66.7	67.6	66.9
Net reinsurance ratio (%)	0.7	2.1	2.1	1.8	1.6
Claims trend (%)	68.2	68.5	68.8	69.4	68.5
Gross expense ratio (%)	15.5	15.3	15.7	15.3	15.5
Combined ratio %	83.7	83.8	84.5	84.7	84.0
Operating ratio (%)	82.1	82.2	82.3	83.1	82.0

### Commercial

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

In H1 2008 premiums earned increased 4.1% to DKK 1,774m while in Q2 they increased 3.1% reflecting a 14% increase in workers' compensation insurance policies taking effect from 1 July 2007 following new legislation and a 5% price cut taking effect from 1 January 2008. The

net effect of these changes in worker's compensation insurance represented 2 percentage points in H1.

The claims trend benefited from higher gains on the claims provisions than in the same period the previous year while there were slightly more fire claims in agricultural and commercial lines. Overall the claims trend declined from 73.1% to 72.8%.

The combined ratio for Commercial declined from 86.9% to 86.6% in H1 2008.

## Topdanmark 2008 Half Year Report

<b>Commercial</b> (DKKm)	<b>Full year</b> <b>2007</b>	<b>Q2</b> <b>2007</b>	<b>Q2</b> <b>2008</b>	<b>H1</b> <b>2007</b>	<b>H1</b> <b>2008</b>
Gross premiums earned	3,471	861	888	1,704	1,774
Technical interest	79	19	24	44	54
Claims incurred	(2,292)	(585)	(623)	(1,182)	(1,237)
Net reinsurance	(131)	(32)	(21)	(64)	(53)
Expenses	(477)	(115)	(118)	(235)	(246)
Technical result	650	148	150	267	292
Gains / (losses) on claims provisions on own account	66	(2)	29	2	35
Gross loss ratio (%)	66.0	68.0	70.1	69.4	69.7
Net reinsurance ratio (%)	3.8	3.9	2.5	3.7	3.1
Claims trend (%)	69.8	71.9	72.6	73.1	72.8
Gross expense ratio (%)	13.7	13.3	13.2	13.8	13.8
Combined ratio %	83.5	85.2	85.8	86.9	86.6
Operating ratio (%)	81.7	83.2	83.5	84.7	84.0

### Industrial

Industrial includes policies for Danish based businesses with more than 50 employees as well as captive-based policies.

Premiums earned increased 1.7% from H1 2007 to this half-year. In Q2 alone growth was 1.9%. As in Commercial lines the growth in H1 2008 benefited from the premium increase in workers' compensation insurance policies taking effect from 1 July 2007. In general the growth was affected by continued intense competition in the industrial insurance market. Topdanmark focuses on profitability at both customer and product level and does not want to compromise on this in favour of more short-term growth ambitions. Therefore a

minor decline is expected in premiums earned for the full year.

In H1 2008 the claims trend increased from 77.3% to 81.8% primarily due to gains on the claims provisions of 5.5% in H1 2007 while in H1 2008 losses were incurred on the claims provisions equivalent to 0.5 percentage points. Adjusted for gains / losses on the claims provisions the claims trend improved from 82.8% to 81.3%.

The combined ratio increased from 90.8% to 94.5% in H1 2008 due to the gains / losses on claims provisions.

<b>Industrial</b> (DKKm)	<b>Full year</b> <b>2007</b>	<b>Q2</b> <b>2007</b>	<b>Q2</b> <b>2008</b>	<b>H1</b> <b>2007</b>	<b>H1</b> <b>2008</b>
Gross premiums earned	862	212	216	420	427
Technical interest	13	3	3	7	9
Claims incurred	(501)	(147)	(162)	(242)	(302)
Net reinsurance	(181)	(22)	(11)	(83)	(48)
Expenses	(114)	(28)	(27)	(57)	(54)
Technical result	79	18	19	45	32
Gains / (losses) on claims provisions on own account	48	0	(6)	23	(2)
Gross loss ratio (%)	58.1	69.4	74.7	57.7	70.6
Net reinsurance ratio (%)	21.0	10.2	5.1	19.6	11.2
Claims trend (%)	79.1	79.6	79.8	77.3	81.8
Gross expense ratio (%)	13.2	13.0	12.7	13.5	12.7
Combined ratio %	92.3	92.6	92.5	90.8	94.5
Operating ratio (%)	91.0	91.3	91.1	89.3	92.5

# Topdanmark 2008 Half Year Report

## Life insurance

The result of life insurance was a loss of DKK 38m in H1 2008 (H1 2007: DKK 57m profit).

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

financing charges. These profits are 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 base](#) → [Life insurance](#) → [Policy for the calculation of profit](#).

Result of life insurance (DKKm)	H1 2007			H1 2008		
	Liv I	Liv V	Group	Liv I	Liv V	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)
<b>Profit / (loss) on life insurance</b>			<b>57</b>			<b>(38)</b>
<b>Shadow account end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>77</b>	<b>106</b>

Customers are divided primarily between the two companies, Liv I and Liv V. Policies written since 1 July 1994 with guaranteed pension benefits of 2.5% and 1.5% have been placed in Liv I which is also the company for new customers taking out with-profit policies. Unit-linked schemes are written by Topdanmark Link. Schemes written before 1 July 1994 with guaranteed pension benefits of 4.5% have been placed in Liv V.

The return on funds owned by customers, before pension return tax, was a 3.8% loss in Liv I and a 2.4% loss in Liv V in H1 2008. Net of pension return tax and the change in provisions to strengthen the guarantees the net return was a 3.2% loss in Liv I and a 0.7% loss in Liv V.

The investment return on shareholders' equity was a 0.2% loss in Liv I and a 0.5% loss in Liv V. The investment return on shareholders' equity deviates from that on customers' funds due to the shareholders' equity being allocated no return on equities and instruments used to hedge the guaranteed benefits.

In both Liv I and Liv V "the insurance technical result before bonus contribution" for H1 2008 was not sufficient to include the full allowance for risk in income. Therefore a total of DKK 55m was transferred to the shadow account. The shadow account will be included in income in a subsequent period when the "insurance technical result before bonus contribution" is sufficiently high. At 30 June 2008 the amounts on the shadow account were DKK 29m in Liv I and DKK 77m in Liv V.

The result of Topdanmark Link was a loss of DKK 26m in H1 2008 (H1 2007: DKK 2m profit) primarily due to the investment return on shareholders' equity being a loss of DKK 23m (H1 2007: DKK 12m profit). For practical reasons part of the Group's investment risk on shareholders' account has been placed in Topdanmark Link. Therefore, the substantial loss on investments was a consequence of the chosen risk allocation among the Group's companies.

The collective potential bonus reserve in Liv I decreased DKK 798m to DKK 149m on 30 June 2008 representing a bonus ratio of 1.1% while in Liv V it decreased DKK 288m to DKK 501m representing a bonus ratio of 6.3%.

Besides the collective potential bonus reserves there are paid-up benefits of DKK 4.961m in Liv I and DKK 472m in Liv V which can be used to withstand further equity losses.

Gross premiums increased 15.2% from DKK 1,788m in H1 2007 to DKK 2,059m in H1 2008.

Topdanmark concentrates on premium growth in the so-called regular premiums which are paid year on year, typically corporate pension schemes where a company regularly pays the premiums for its employees. Regular premiums increased 12.4% from DKK 1,201m in H1 2007 to DKK 1,350m in H1 2008.



## Topdanmark 2008 Half Year Report

Single premiums increased 20.8% from DKK 587m in H1 2007 to DKK 709m in H1 2008.

In the Q1 2008 report the growth in regular premiums for 2008 was expected to be around 10% and that in overall gross premiums (including single premiums) 5 - 10%. Due to the addition of a number of new corporate pension customers the expected premium growth for 2008 has been upgraded to around 10% for both regular premiums and overall gross premiums.

### Investment activities

The result of investment activities in Topdanmark Group excluding Topdanmark Livsforsikring Group was a loss of DKK 226m in H1 2008 including revaluation of provisions and income from associated companies but before the transfer to the technical result (H1 2007: DKK 524m profit).

It is Topdanmark's policy to accept a certain level of financial risk in order to improve its average investment return. It therefore invests in, among other assets, equities, properties and CDOs.

The investments in interest-bearing assets are intended to generate excess returns. Therefore the portfolio of interest-bearing assets comprises primarily high-quality mortgage and credit bonds where the risk of default is negligible but where a return can be obtained that is higher than that available on government bonds and swaps.

From time to time, there are situations where the interest margin expands with the effect that the value of mortgage and credit bonds declines as compared to government bonds and swaps. In such a situation as was seen in Q2, Topdanmark suffers accounting losses because the liabilities are calculated using the swap interest rate with the effect that their value is higher than the underlying assets. As a result of this investment policy there will be some volatility in the accounting result over time but in the long run the investment return will be slightly higher.

The return in H1 2008 was DKK 657m lower than assumed. As compared to a normal return calculated on the basis of Topdanmark's forecast assumptions (equities 7% p.a., interest-bearing assets three month forward interest rate plus 0.75% p.a.) the investment return was reduced by DKK 300m due to losses on equities and DKK 180m due to a lower return on structured investment

products (CDOs). The remaining decrease of about DKK 177m primarily came about from the general rise in interest rates and an increase in credit spreads across all types of assets with mortgage credit or credit exposure.

The return in H1 2008 on the most significant classes of assets is disclosed in the table below:

### Investment return

	Portfolio		Return Q2		Return H1	
	30 June					
	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)	

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 DKK 262m investment loss deviates from the DKK 226m loss in the text as the table excludes illness/accident (the return of which is included in the ratios for life insurance) and income in Topdanmark Kapitalforvaltning. The return on government and mortgage bonds includes revaluations of claims provisions.

The market value of interest bearing investment assets owned by the Group excluding life insurance was DKK 12,379m at 30 June 2008, equivalent to 83.0% 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.

Calculated as a change in market values in the event of a 1 percentage point change in interest rates, the limit of the interest rate exposure has been fixed at DKK 100m after taxation and including the interest rate exposure of discounted provisions. At 30 June 2008 the actual interest rate exposure was DKK 63m.

CDOs with a rating lower than AA or with no rating (a total of DKK 434m) are included in the bond portfolio with their value calculated by the value-at-risk method. The limit of

## Topdanmark 2008 Half Year Report

losses, which with a 99% probability will not be exceeded, has been fixed at DKK 150m per annum after taxation calculated on the basis of historical transitional probabilities for ratings. At the end of the quarter this risk was DKK 45.2m.

The value-at-risk method is based on the historical correlation between value and ratings. Therefore the risk of changes in value that are solely due to temporary imbalances between supply and demand is not included in the calculation using this method. Therefore the control of the overall portfolio size is also based on an assessment of the risk of investing in products subject to unstable demand.

The limit of foreign exchange exposure has been fixed at an annual DKK 60m after taxation, calculated by the value-at-risk method as the size of the loss which, with a 97.5% probability, will not be exceeded. At the end of the half-year the annual risk was DKK 2.2m after taxation.

At 30 June 2008 associated companies accounted for DKK 40m of the total equity investment of DKK 1,387m. The equity exposure was DKK 1,182m excluding associated companies but including the impact of derivatives.

### CDOs

The negativity of the structured product market continued into Q2: following a slightly positive April, there was a further decline in the prices of CDOs in May and June.

However, except for CDOs which have invested in subprime, the default ratios of the underlying assets of the CDOs continue to be very low, and the cash flow Topdanmark is receiving from CDOs is therefore higher than the level expected when they were acquired. As before, none of Topdanmark's CDOs without subprime exposure have defaulted on their payments or been down-rated.

The total net write-down of CDOs was DKK 227m in H1 2008 for the Group excluding life insurance (Q2 2008: DKK 34m). This has been charged directly to the profit and loss account. Including payments of interest, the overall return on the CDOs was a loss of DKK 144m in H1 2008, however, a profit of DKK 13m in Q2.

The shareholders' share of the CDO exposure in life insurance is about 12%. Including the shareholders' share

of the return on life insurance the net write-down of CDOs was DKK 284m in H1 2008 (Q2 2008: DKK 38m).

Topdanmark has written down to nil all its CDO investments with both subprime exposure and ratings lower than AAA. After the most recent write-downs, the book value of the CDO investments with subprime exposure is DKK 21m in the Group, excluding life insurance, equivalent to 1.4% of the total investment assets. Including the CDO investments in life insurance the shareholders' share of the CDO investments with subprime exposure is DKK 24m.

The table below shows the Group's CDO return at 30 June 2008 and the market value of the portfolios at the same date. It is seen that the overall investment return of CDO investments was a loss of DKK 144m in H1 2008 in the Group excluding life insurance. Including the shareholders' share of the return on life insurance the investment return for the CDO investments was a loss of DKK 179m.

CDOs with subprime exposure have no longer been specified separately as the value of the remaining portfolio is minimal.

### CDOs - Returns and portfolios

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

See → [www.topdanmark.com](http://www.topdanmark.com) → [Business base](#) → [Investment](#) → [CDO portfolio](#) for a specification of CDOs analysed by rating category.

# Topdanmark 2008 Half Year Report

## Taxation

In H1 2008 Topdanmark suffered from relatively significant equity losses. However, these losses are not tax-deductible, with the result that the tax charge for the period was DKK 110m of the DKK 119m pre-tax-profit.

For the full year Topdanmark expects an effective tax rate of around 33%.

## Prospects and other statements on the future

In the Q1 2008 report the post-tax profit forecast for the full year was DKK 750 - 850m based on, among others, the following assumptions:

- a combined ratio of just over 88% including gains of DKK 47m on the claims provisions in Q1
- Liv I was expected to include the full allowance for risk in income while a risk allowance was not being expected to be included in income in Liv V
- an investment return around DKK 440m lower than normalised
- unchanged foreign exchange rates, an annual 7.0% return on the equity portfolios given the level of equity prices on 14 May 2008 as well as a return on interest-bearing investments of 5.9%

As referred to at the beginning of the half-year report, the technical result on non-life insurance was slightly better than assumed in the most recent profit forecast while the life insurance result and investment return were substantially lower than assumed.

Taking into account the claims trend in 2008 to date, the combined ratio for the full year 2008 is expected to improve slightly from just over 88% to 88% corresponding to an improvement in the expected result of DKK 25m (post-tax improvement: DKK 19m). On the one hand this includes DKK 75m pre-tax gains on the claims provisions in Q2 and, as usual in the half-year report, for the remaining half year the assumption of lowering the storm expenses to 50% of normalised annual storm expenses corresponding to a pre-tax reduction of DKK 38m. On the other hand the level of fire claims was higher than usual but this is practically offset by the effect of the gains on the claims provisions and the lowering of the storm expenses to 50%. In the remainder of the year the claims trend for 2008 is assumed to suffer 1.8 percentage points due to weather-related claims and unforeseen events such as particularly severe winter weather, exceptionally

large storms and a more than normal number of large-scale claims.

For life insurance it was assumed in the Q1 2008 report that the Q4 2008 investment return in Liv I would be sufficient to include in income the risk allowance for the full year while no risk allowance was assumed in Liv V. Given the trend in the financial markets since 14 May 2008 it is no longer expected that the investment return in Liv I will be sufficient to include this risk allowance in income in 2008. Therefore it is expected that a further DKK 58m will be transferred from the profit and loss account to the shadow account. At the end of 2008 the amount on the shadow account is expected to be DKK 162m which has not been lost but will be included in income in a subsequent period when the investment return is sufficiently high. Besides the DKK 58m being transferred to the shadow account, the share of the investment return on 22 August generated by the life insurance activities was DKK 9m lower than had been assumed in the most recent profit forecast. Overall the expected result of life insurance is expected to be DKK 67m (DKK 50m after tax) lower than previously assumed.

Given the trend until 14 May 2008, investment return was assumed to be about DKK 440m lower than in a normal year. Since 14 May 2008 turbulence in the financial markets continued with, for example, equity losses and increases in credit spreads. In this light the investment return for 2008 is expected to be a further DKK 305m lower than in a normal year, on the basis of the prices on 22 August 2008: DKK 160m due to a lower return on equities than in a normal year, DKK 10m due to a lower return on CDOs and the remaining DKK 135m primarily due to an increase in credit spreads and interest rates. As equities owned for more than three years are tax-exempt the post-tax investment return is expected to be DKK 269m.

Accordingly the overall profit for 2008 is expected to be DKK 300m lower than expected in the Q1 2008 report. The 2008 post-tax profit forecast is therefore DKK 450 - 550m now representing a 13.9% post-tax return on shareholders' equity. This profit forecast is based on assumptions including unchanged foreign exchange rates, an annual 7.0% return on the equity portfolios given the level of equity prices on 22 August 2008 as well as a return on interest-bearing investments of 6.0% (risk-free interest rate plus an allowance for risk of 0.75 percentage points). The profit forecast is also based on the

# Topdanmark 2008 Half Year Report

assumption of neither gains nor losses on the claims provision in Q3 - Q4 2008.

There have been no material changes in the information on risk factors from that disclosed in the 2007 Annual Report, see [www.topdanmark.com](http://www.topdanmark.com) → [Risk management](#).

<b>Profit forecast</b>				
(DKKm)	<b>Full year</b>	<b>H1</b>		<b>Normal-</b>
	<b>2007</b>	<b>2008</b>	<b>2008E</b>	<b>ised</b>
				<b>2008</b>
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)
<b>Pre-tax profit</b>	<b>1,657</b>	<b>119</b>	<b>750</b>	<b>1,500</b>
Tax	(386)	(110)	(250)	(350)
<b>Profit</b>	<b>1,271</b>	<b>9</b>	<b>500</b>	<b>1,150</b>

Assumptions on a normalised 2008 result:

- a combined ratio of 89%
- a return on interest-bearing investments of 6.0% (as in the profit forecast for 2008)
- a return on equities of 7% p.a.
- full risk allowance in life insurance (but excl. transfers from the shadow account)

## Share buy-back

In the Q1 2008 report the share buy-back in 2008 was expected to be around DKK 1,050m.

Due to the downgraded 2008 profit forecast the share buy-back forecast for 2008 is also being downgraded by DKK 300m to DKK 750m.

The share buy-back for 2008 represents a buy-back yield of 6.4% calculated on the basis of the number of outstanding shares and the share price on 1 January 2008.

To date in 2008 Topdanmark has already acquired DKK 363m of own shares for subsequent cancellation or hedging of the share option scheme, leaving a buy-back of about DKK 387m for the remainder of the year.

Since 1998 when Topdanmark started buying back own shares, it has made decisions to cancel DKK 7.8bn of shares representing a 58% 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 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 where the share buy-back is and is not allowable.

## Share buy-back allowable

03 Sep 2008	-	03 Nov 2008
03 Dec 2008	-	17 Feb 2009
19 Mar 2009	-	27 Apr 2009
28 May 2009	-	03 Aug 2009

## Share buy-back not allowable

05 Aug 2008	-	02 Sep 2008
04 Nov 2008	-	02 Dec 2008
18 Feb 2009	-	18 Mar 2009
28 Apr 2009	-	27 May 2009
04 Aug 2009	-	02 Sep 2009

## Financial calendar

Q1 - Q3 2008 Interim Report	25 Nov 2008
2008 Annual Report	11 Mar 2009
AGM	21 Apr 2009
Q1 2009 Interim Report	19 May 2009
H1 2009 Interim Report	25 Aug 2009

## Accounting policies

The half-year report has been prepared in accordance with IAS 34 on interim reports and the additional Danish disclosure requirements on the preparation of interim reports by listed financial services companies.

There have been no changes in accounting policies from those adopted in the 2007 Annual Report.

The half-year report has not been audited nor subjected to a review.

# Topdanmark 2008 Half Year Report

## Profit and loss account • Group

(DKKm)	Note	Full year 2007	Q2 2007	Q2 2008	H1 2007	H1 2008
<b>NON-LIFE INSURANCE</b>						
Gross premiums written		9,022	1,593	1,631	5,739	5,854
Reinsurance ceded		(723)	(76)	(75)	(438)	(420)
Change in the provisions for unearned premiums, gross		(67)	629	636	(1,292)	(1,333)
Change in reinsurers' share of the provisions for unearned premiums		1	(98)	(95)	79	81
<b>Premiums earned on own account</b>		<b>8,233</b>	<b>2,048</b>	<b>2,097</b>	<b>4,088</b>	<b>4,182</b>
<b>Technical interest on own account</b>	1	<b>181</b>	<b>45</b>	<b>58</b>	<b>94</b>	<b>118</b>
Gross claims paid		(5,590)	(1,316)	(1,527)	(2,691)	(3,009)
Reinsurance cover received		345	65	75	154	203
Change in the provisions for claims, gross		(250)	(152)	(18)	(259)	(48)
Change in reinsurers' share of the provisions for claims		(60)	11	20	(34)	(40)
<b>Claims incurred on own account</b>	2	<b>(5,555)</b>	<b>(1,392)</b>	<b>(1,450)</b>	<b>(2,830)</b>	<b>(2,894)</b>
<b>Bonuses and rebates</b>		<b>(72)</b>	<b>(31)</b>	<b>(11)</b>	<b>(46)</b>	<b>(31)</b>
Acquisition costs		(752)	(188)	(184)	(373)	(378)
Administrative expenses		(526)	(119)	(138)	(253)	(270)
Reinsurance commission and share of profits		92	20	18	51	37
<b>Total operating expenses on own account</b>		<b>(1,186)</b>	<b>(287)</b>	<b>(304)</b>	<b>(575)</b>	<b>(611)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>		<b>1,601</b>	<b>383</b>	<b>390</b>	<b>731</b>	<b>764</b>
<b>LIFE INSURANCE</b>						
Gross premiums written	3	3,556	796	866	1,788	2,059
Reinsurance ceded		(9)	(2)	(2)	(4)	(4)
<b>Premiums on own account</b>		<b>3,547</b>	<b>794</b>	<b>864</b>	<b>1,784</b>	<b>2,055</b>
<b>Allocated investment return on own account</b>		<b>191</b>	<b>161</b>	<b>(42)</b>	<b>402</b>	<b>(795)</b>
Claims and benefits paid		(1,899)	(487)	(588)	(1,022)	(1,156)
Reinsurance cover received		4	1	0	2	1
Change in the provisions for claims and benefits		(9)	(9)	(7)	(19)	(9)
<b>Claims and benefits paid on own account</b>		<b>(1,904)</b>	<b>(495)</b>	<b>(595)</b>	<b>(1,039)</b>	<b>(1,164)</b>
Change in life insurance provisions		(1,418)	(45)	(163)	(467)	(861)
Change in reinsurers' share		2	1	0	0	(2)
<b>Change in the life insurance provisions on own account</b>		<b>(1,416)</b>	<b>(44)</b>	<b>(163)</b>	<b>(467)</b>	<b>(863)</b>
<b>Bonus</b>		<b>421</b>	<b>(165)</b>	<b>142</b>	<b>(238)</b>	<b>1,097</b>
<b>Change in provisions for unit-linked contracts</b>		<b>(529)</b>	<b>(178)</b>	<b>(142)</b>	<b>(276)</b>	<b>(190)</b>
Acquisition costs		(148)	(34)	(39)	(70)	(78)
Administrative expenses		(142)	(35)	(37)	(69)	(83)
Reinsurance commission and share of profits		1	0	0	0	0
<b>Total operating expenses on own account</b>		<b>(289)</b>	<b>(69)</b>	<b>(76)</b>	<b>(139)</b>	<b>(161)</b>
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		<b>21</b>	<b>4</b>	<b>(12)</b>	<b>27</b>	<b>(21)</b>

# Topdanmark 2008 Half Year Report

## Profit and loss account • Group

(DKKm)	Full year 2007	Q2 2007	Q2 2008	H1 2007	H1 2008
Technical profit on non-life insurance	1,601	383	390	731	764
Technical profit / (loss) on life insurance	21	4	(12)	27	(21)
<b>NON-TECHNICAL ACTIVITIES</b>					
Income from associated companies	(12)	2	(23)	6	(21)
Income from investment properties	178	39	47	76	96
Interest income and dividends etc.	1,817	482	579	916	1,096
Revaluations	(1,007)	(87)	(450)	41	(2,278)
Interest charges	(93)	(21)	(49)	(41)	(87)
Expenses on investment business	(43)	(11)	(9)	(21)	(20)
<b>Total investment return</b>	<b>840</b>	<b>404</b>	<b>95</b>	<b>977</b>	<b>(1,214)</b>
Technical interest transferred to non-life insurance business	(585)	(141)	(163)	(282)	(333)
Pension return tax	3	(19)	4	(55)	148
Investment return transferred to life insurance business	(191)	(161)	42	(402)	795
Other income	7	2	1	4	3
Other expenses	(39)	(10)	(12)	(21)	(23)
<b>PRE-TAX PROFIT</b>	<b>1,657</b>	<b>462</b>	<b>345</b>	<b>979</b>	<b>119</b>
Taxation	(386)	(77)	(102)	(215)	(110)
<b>PROFIT FOR THE PERIOD</b>	<b>1,271</b>	<b>385</b>	<b>243</b>	<b>764</b>	<b>9</b>
Profit per share (DKK)	75.0	22.3	15.5	43.8	0.6
Profit per share, diluted (DKK)	73.3	21.8	15.3	42.7	0.6

# Topdanmark 2008 Half Year Report

## Assets • Group

(DKKm)	31 December 2007	30 June 2007	30 June 2008
<b>INTANGIBLE ASSETS</b>	593	588	601
Machinery and equipment	146	133	172
Owner-occupied properties	620	618	633
Buildings under construction	0	51	0
<b>TOTAL TANGIBLE ASSETS</b>	766	802	805
Investment properties	3,302	2,625	3,323
Shares in associated companies	361	378	340
Loans to associated companies	199	107	228
Total investment in associated companies	560	485	568
Shares	6,404	6,290	5,660
Bonds	25,247	30,697	29,260
Loans guaranteed by mortgages	23	29	20
Other loans	3	4	3
Deposits with credit institutions	3,811	1,305	3,309
Derivatives	455	383	513
Total other financial investment assets	35,943	38,708	38,765
<b>TOTAL INVESTMENT ASSETS</b>	39,805	41,818	42,656
<b>INVESTMENT ASSETS LINKED TO UNIT-LINKED CONTRACTS</b>	1,053	935	1,076
Reinsurers' share of provisions for unearned premiums	97	158	155
Reinsurers' share of life insurance provisions	28	26	26
Reinsurers' share of the provisions for claims and benefits	544	562	507
Total reinsurers' share of provisions	669	746	688
Amounts due from policyholders	337	351	417
Amounts due from insurance companies	126	123	155
Amounts due from associated companies	4	9	16
Other debtors	135	125	120
<b>TOTAL DEBTORS</b>	1,271	1,354	1,396
Current tax assets	198	0	9
Deferred tax assets	70	80	218
Liquid funds	180	198	196
Other	104	82	276
<b>TOTAL OTHER ASSETS</b>	552	360	699
Accrued interest and rent	497	446	480
Other prepayments and accrued income	108	125	118
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	605	571	598
<b>TOTAL ASSETS</b>	44,645	46,428	47,831

# Topdanmark 2008 Half Year Report

## Shareholders' equity and liabilities • Group

(DKKm)	Note	31 December 2007	30 June 2007	30 June 2008
Share capital		176	191	169
Revaluation reserve		3	2	4
Security fund		1,104	1,104	1,104
Other reserves		10	12	13
Total reserves		1,114	1,116	1,117
Profit carried forward		2,075	2,479	1,781
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,368</b>	<b>3,788</b>	<b>3,071</b>
<b>SUBORDINATED LOAN CAPITAL</b>		<b>651</b>	<b>250</b>	<b>652</b>
Provisions for unearned premiums		2,655	3,879	3,989
Guaranteed pension benefits		9,920	9,702	9,838
Bonus potential on future premiums		7,245	6,912	7,309
Bonus potential on paid-up benefits		4,554	4,154	5,433
Total life insurance provisions		21,719	20,768	22,580
Provisions for claims and benefits		10,662	10,442	10,801
Collective potential bonus reserve		1,735	2,388	649
Provisions for bonuses and rebates		80	84	79
Provisions for unit-linked contracts		1,556	1,245	1,830
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>38,407</b>	<b>38,806</b>	<b>39,928</b>
Pensions and similar commitments		53	54	50
Deferred tax liabilities		123	99	95
Deferred tax on security funds		348	348	348
<b>TOTAL LIABILITIES PROVIDED</b>		<b>524</b>	<b>501</b>	<b>493</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>42</b>	<b>30</b>	<b>35</b>
Creditors arising out of direct insurance operations		307	126	195
Creditors arising out of reinsurance operations		28	44	29
Bond loans		15	0	16
Amounts due to credit institutions		536	1,683	2,586
Amounts due to associated companies		14	23	5
Current tax liabilities		0	227	0
Other creditors		647	791	760
Derivatives		29	54	26
<b>TOTAL CREDITORS</b>		<b>1,576</b>	<b>2,948</b>	<b>3,617</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>77</b>	<b>105</b>	<b>35</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>44,645</b>	<b>46,428</b>	<b>47,831</b>

Contingent liabilities

4



# Topdanmark 2008 Half Year Report

## Cash flow statement • Group

(DKKm)	Full year 2007	H1 2007	H1 2008
<b>Cash flow from operations</b>			
Gross premiums written	8,954	5,635	5,741
Claims paid	(5,582)	(2,636)	(2,986)
Expenses	(1,176)	(652)	(639)
Net reinsurance	(239)	(156)	(172)
Cash flow from non-life insurance	1,957	2,191	1,944
Gross premiums written	3,657	1,847	1,993
Claims and benefits	(1,900)	(1,026)	(1,138)
Expenses	(281)	(137)	(163)
Net reinsurance	2	(2)	(4)
Cash flow from life insurance	1,478	682	688
<b>Total cash flow from insurance business</b>	<b>3,435</b>	<b>2,873</b>	<b>2,632</b>
Payments made and received on investment contracts	94	36	84
Dividends from associated companies	2	0	0
Interest income and dividends etc.	1,973	984	1,171
Interest charges	(137)	(61)	(99)
Pension return tax	(16)	0	(0)
Corporation tax	(578)	(20)	(96)
Other income and expenses	(32)	(18)	(18)
<b>Total cash flow from operations</b>	<b>4,741</b>	<b>3,794</b>	<b>3,674</b>
<b>Investments</b>			
Shares in associated companies	0	2	0
Properties	(474)	19	28
Machinery, equipment and intangible assets	(124)	(58)	(87)
Shares	(476)	82	(203)
Bonds	(615)	(4,966)	(5,756)
Loans	17	8	3
Derivatives	538	217	366
Investment assets linked to unit-linked contracts	(309)	(127)	(185)
Balances with associated companies	(76)	19	(49)
<b>Total investments</b>	<b>(1,519)</b>	<b>(4,804)</b>	<b>(5,883)</b>
<b>Financing</b>			
Shares bought back	(2,026)	(1,016)	(364)
Share-based payments	60	63	27
Employee bonds	15	0	0
Subordinated loan capital	402	0	0
Amounts due to credit institutions	(1,040)	107	2,050
<b>Total financing</b>	<b>(2,589)</b>	<b>(846)</b>	<b>1,713</b>
Change in cash and cash equivalents	633	(1,856)	(496)
Cash and cash equivalents at 1 January	3,358	3,358	3,991
Revaluation of cash and cash equivalents	0	1	10
Cash and cash equivalents end of period	3,991	1,503	3,505
Cash and cash equivalents comprise:			
Liquid funds	180	198	196
Deposits with credit institutions	3,811	1,305	3,309
	3,991	1,503	3,505

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 2008 Half Year Report

## Movements in shareholders' equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
<b>2007</b>						
Shareholders' equity at 1 January	196	2	1,063	12	2,704	3,977
Transferred to profit and loss account				(3)		(3)
Revaluation of owner-occupied properties		6				6
Transferred to collective potential bonus reserve		(5)				(5)
Change in corporation tax rate			41			41
Net income taken to shareholders' equity	0	1	41	(3)	0	39
Profit for the year				3	1,268	1,271
Total income	0	1	41	0	1,268	1,310
Dividends received from associated companies				(2)	2	0
Cancellation of own shares	(21)				21	0
Share buy-back					(2,026)	(2,026)
Sale of employee shares					16	16
Issue of warrants					21	21
Exercise of share options / warrants	1				66	67
Transferred to collective potential bonus reserve					(1)	(1)
Pension return tax					1	1
Taxation					3	3
<b>Shareholders' equity at 31 December 2007</b>	<b>176</b>	<b>3</b>	<b>1,104</b>	<b>10</b>	<b>2,075</b>	<b>3,368</b>
<b>H1 2007</b>						
Shareholders' equity at 1 January	196	2	1,063	12	2,704	3,977
Change in corporation tax rate			41			41
Net income taken to shareholders' equity	0	0	41	0	0	41
Profit for the period				2	762	764
Total income	0	0	41	2	762	805
Dividends received from associated companies				(2)	2	0
Cancellation of own shares	(6)				6	0
Share buy-back					(1,081)	(1,081)
Issue of warrants					21	21
Exercise of share options / warrants	1				67	68
Pension return tax					(1)	(1)
Taxation					(1)	(1)
<b>Shareholders' equity at 30 June 2007</b>	<b>191</b>	<b>2</b>	<b>1,104</b>	<b>12</b>	<b>2,479</b>	<b>3,788</b>
<b>H1 2008</b>						
Shareholders' equity at 1 January	176	3	1,104	10	2,075	3,368
Revaluation of owner-occupied properties		14				14
Transferred to collective potential bonus reserve		(12)				(12)
Pension return tax		(1)				(1)
Net income taken to shareholders' equity	0	1	0	0	0	1
Profit for the period				3	6	9
Total income	0	1	0	3	6	10
Cancellation of own shares	(7)				7	0
Share buy-back					(363)	(363)
Sale of employee shares					12	12
Issue of share options					17	17
Exercise of share options / warrants					27	27
<b>Shareholders' equity at 30 June 2008</b>	<b>169</b>	<b>4</b>	<b>1,104</b>	<b>13</b>	<b>1,781</b>	<b>3,071</b>

# Topdanmark 2008 Half Year Report

## Segment information • Group

### Profit and loss account

(DKKm)	Per- sonal	Com- mercial	Indu- strial	Eli- min- ated	Non-life	Life	Parent etc.	Rent	Group
<b>H1 2007</b>									
<b>Non-life insurance</b>									
Gross premiums earned	2,284	1,704	420	(7)	4,401				4,401
Technical interest*	43	44	7	0	94				94
Claims incurred	(1,543)	(1,182)	(242)	9	(2,958)			8	(2,950)
Expenses	(350)	(235)	(57)	6	(636)			10	(626)
Net reinsurance	(41)	(64)	(83)	0	(188)				(188)
Technical profit on non-life insurance	393	267	45	8	713			18	731
<b>Life insurance</b>									
Gross premiums written						1,788			1,788
Allocated investment return						404		(2)	402
Benefits and change in provisions						(2,022)			(2,022)
Expenses						(141)		2	(139)
Net reinsurance						(2)			(2)
Technical profit on life insurance						27		0	27
Total investment return					496	473	28	(20)	977
Pension return tax						(55)			(55)
Transferred to technical result					(282)	(404)		2	(684)
<b>Investment return</b>					214	14	28	(18)	238
Other items					9	16	(42)		(17)
<b>Pre-tax profit / (loss)</b>					936	57	(14)	0	979
Taxation									(215)
<b>Profit for the period</b>									764
<b>H1 2008</b>									
<b>Non-life insurance</b>									
Gross premiums earned	2,299	1,774	427	(10)	4,490				4,490
Technical interest*	56	54	9	(1)	118				118
Claims incurred	(1,538)	(1,237)	(302)	13	(3,064)			7	(3,057)
Expenses	(356)	(246)	(54)	3	(653)			5	(648)
Net reinsurance	(38)	(53)	(48)	0	(139)				(139)
Technical profit on non-life insurance	423	292	32	5	752			12	764
<b>Life insurance</b>									
Gross premiums written						2,059			2,059
Allocated investment return						(793)		(2)	(795)
Benefits and change in provisions						(1,119)			(1,119)
Expenses						(163)		2	(161)
Net reinsurance						(5)			(5)
Technical loss on life insurance						(21)		0	(21)
Total investment return					(233)	(974)	7	(14)	(1,214)
Pension return tax						148			148
Transferred to technical result					(333)	793		2	462
<b>Investment return</b>					(566)	(33)	7	(12)	(604)
Other items					9	16	(45)		(20)
<b>Pre-tax profit / (loss)</b>					195	(38)	(38)	0	119
Taxation									(110)
<b>Profit for the period</b>									9

\* After discounting DKK 215m (H1 2007: DKK 188m)

# Topdanmark 2008 Half Year Report

## Notes to the accounts • Group

(DKKm)	Full year 2007	H1 2007	H1 2008
<b>Note 1. Technical interest on own account - non-life insurance</b>			
Calculated interest	585	282	333
Discounting of technical provisions and reinsurers' share	(404)	(188)	(215)
<b>Technical interest on own account</b>	<b>181</b>	<b>94</b>	<b>118</b>

<b>Note 2. Claims incurred on own account - non-life insurance</b>			
Gains on claims provisions:			
Gross business	353	90	102
Reinsurance ceded	(29)	(11)	20
Gains on claims provisions on own account	324	79	122

<b>Note 3. Gross premiums written - life insurance</b>			
Individual policies	440	166	165
Policies which are part of a tenure	1,555	756	887
Group life	357	279	298
<b>Regular premiums</b>	<b>2,352</b>	<b>1,201</b>	<b>1,350</b>
Individual policies	174	106	91
Policies which are part of a tenure	1,030	481	618
<b>Single premiums</b>	<b>1,204</b>	<b>587</b>	<b>709</b>
<b>Gross premiums</b>	<b>3,556</b>	<b>1,788</b>	<b>2,059</b>

<b>Note 4. Contingent liabilities</b>	<b>31 December 2007</b>	<b>30 June 2007</b>	<b>30 June 2008</b>
Derivatives:			
Purchased forward contracts	21,924	18,574	22,060
Sold forward contracts	19,801	21,647	25,803
Adjustments to VAT liabilities	101	75	77
Other liabilities	26	31	24
Capital commitments to private equity funds	161	207	112

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

Up to and including 2004 most of the companies of the Topdanmark Group were jointly taxed with the tax charge paid by Topdanmark A/S. The companies were jointly liable for the tax on the jointly taxed income for these years.

The companies are also 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 2008 Half Year Report

## Profit and loss account • Parent company

(DKKm)	Full year 2007	Q2 2007	Q2 2008	H1 2007	H1 2008
Income from affiliated companies	1,310	397	260	789	51
Interest income and dividends etc.	4	1	0	2	0
Revaluations	(1)	1	1	(1)	0
Interest charges	(39)	(8)	(13)	(16)	(34)
Expenses on investment business	(1)	0	(1)	(1)	(1)
<b>Total investment return</b>	<b>1,273</b>	<b>391</b>	<b>247</b>	<b>773</b>	<b>16</b>
Other expenses	(30)	(8)	(9)	(17)	(18)
<b>PRE-TAX PROFIT / (LOSS)</b>	<b>1,243</b>	<b>383</b>	<b>238</b>	<b>756</b>	<b>(2)</b>
Taxation	28	2	5	8	11
<b>PROFIT FOR THE PERIOD</b>	<b>1,271</b>	<b>385</b>	<b>243</b>	<b>764</b>	<b>9</b>

## Balance sheet

(DKKm)	31 December 2007	30 June 2007	30 June 2008
<b>Assets</b>			
Machinery and equipment	5	5	5
<b>TOTAL TANGIBLE ASSETS</b>	<b>5</b>	<b>5</b>	<b>5</b>
Shares in affiliated companies	4,578	4,859	4,081
Total investment in affiliated companies	4,578	4,859	4,081
Bonds	2	3	2
Total other financial investment assets	2	3	2
<b>TOTAL INVESTMENT ASSETS</b>	<b>4,580</b>	<b>4,862</b>	<b>4,083</b>
Amounts due from affiliated companies	38	88	77
Other debtors	1	1	1
<b>TOTAL DEBTORS</b>	<b>39</b>	<b>89</b>	<b>78</b>
Current tax assets	198	0	9
Deferred tax assets	1	1	1
Liquid funds	3	10	1
<b>TOTAL OTHER ASSETS</b>	<b>202</b>	<b>11</b>	<b>11</b>
<b>TOTAL ASSETS</b>	<b>4,826</b>	<b>4,967</b>	<b>4,177</b>

## Shareholders' equity and liabilities

Share capital	176	191	169
Other reserves	1,348	1,589	878
Total reserves	1,348	1,589	878
Profit carried forward	2,192	2,356	2,372
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,716</b>	<b>4,136</b>	<b>3,419</b>
<b>SUBORDINATED LOAN CAPITAL</b>	<b>402</b>	<b>0</b>	<b>402</b>
Bond loans	15	0	16
Amounts due to credit institutions	15	200	280
Amounts due to affiliated companies	671	332	55
Current tax liabilities	0	227	0
Other creditors	3	67	3
Derivatives	4	5	2
<b>TOTAL CREDITORS</b>	<b>708</b>	<b>831</b>	<b>356</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,826</b>	<b>4,967</b>	<b>4,177</b>

# Topdanmark 2008 Half Year Report

## Disclaimer

This half-year 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 half-year 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 risk factors on our website [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 half-year report.

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

# Topdanmark 2008 Half Year Report

## Management's statement

The Board of Directors and the Board of Management have today considered and adopted the half-year report for 2008 for Topdanmark A/S.

The half-year 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 half-year 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, 26 August 2008

## Board of Management

Poul Almlund

Kim Bruhn-Petersen

Christian Sagild

/Niels Olesen

## Board of Directors

Michael Pram Rasmussen  
(Chairman)

Anders Knutsen  
(Deputy Chairman)

Jørgen Ajslev

Ole Døssing Christensen

Charlotte Hougaard

Jens Maaløe

Per Mathiesen

Annette Sadolin

Knud J. Vest