

Topdanmark's Annual Report 2007

11 March 2008 Announcement No. 03/2008

The Board of Directors of Topdanmark has today adopted the Annual Report for 2007.

Key features:

- The post-tax profit for 2007 was DKK 1,271m (2006: DKK 1,692m).
- On the basis of the most recent profit forecast for 2007 being DKK 1,100 - 1,200m, the post-tax result exceeded assumptions by DKK 71 - 171m.
- The profit represented a 31.2% post-tax return on shareholders' equity and a 40.7% pre-tax return.
- The operating profit increased 14.0% to DKK 1,561m.
- Premium growth was in line with expectations at 0.9% in non-life insurance, while in life insurance the growth of 12.8% exceeded expectations.
- The expense ratio declined 0.1 of a percentage point to 14.5%.
- The combined ratio declined from 86.0% in 2006 to 84.3% in 2007. However, excluding gains on the claims provisions it increased from 86.4% to 88.0%.
- Due to a favourable claims trend in the early part of the current year the combined ratio expected for 2008 has been adjusted from just over 89% to just under 89% including a 2.6 percentage point adverse effect due to weather-related claims and unforeseen events and excluding any strengthening of / gains on the claims provisions.
- Topdanmark continues to expect premium growth in line with or just over market growth of 2 - 3%.
- The post-tax profit forecast is DKK 750 - 850m for 2008 corresponding to a 23% post-tax return on shareholders' equity. This forecast includes an assumption that the expected investment return will be about DKK 440m lower than normalised.

- The lower return on investments was almost solely due to unrealised losses on equities and write-downs of CDOs. Therefore the cash flow will only be marginally affected.
- The share buy-back programme for 2008 is expected to be DKK 1,050m representing a buy-back yield of 8.9%.

It is recommended that this Annual Report is read together with www.topdanmark.com which provides detailed and supplementary information.

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

Based on the Annual Report and the webcast, 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. 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 0025
US dial in number: +1 334 323 6201
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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Financial highlights

(DKKm)	2003	2004	2005	2006	2007	Q4 2006	Q4 2007
Premiums earned:							
Non-life insurance	7,116	7,894	8,413	8,805	8,883	2,205	2,239
Life insurance	2,024	2,285	2,549	3,154	3,556	859	999
	9,140	10,179	10,962	11,959	12,439	3,064	3,238
Results:							
Non-life insurance	742	866	1,309	2,047	1,580	573	385
Life insurance	149	156	107	118	50	48	(6)
Parent company etc.	221	53	(12)	58	27	72	26
Pre-tax profit	1,112	1,075	1,404	2,223	1,657	693	405
Tax	(111)	(299)	(244)	(531)	(386)	(168)	(102)
Profit	1,001	776	1,160	1,692	1,271	525	303
Shareholders' equity of parent company at 1 January	3,321	3,304	3,367	3,973	4,366	4,213	3,772
Profit	1,001	776	1,160	1,692	1,271	525	303
Share buy-back	(742)	(803)	(676)	(1,430)	(2,026)	(415)	(366)
Share-based payments	20	80	103	136	104	41	8
Other movements in shareholders' equity	12	10	19	(5)	1	2	(1)
Shareholders' equity of parent company at 31 December	3,612	3,367	3,973	4,366	3,716	4,366	3,716
Deferred tax on security funds	0	(417)	(389)	(389)	(348)	(389)	(348)
Shareholders' equity of Group at 31 December	3,612	2,950	3,584	3,977	3,368	3,977	3,368
Capital base, parent company	3,612	3,367	3,973	4,366	4,118	4,366	4,118
Total assets, parent company	4,347	4,503	4,948	5,048	4,826	5,048	4,826
Total assets, Group	29,535	34,560	41,098	43,640	44,645	43,640	44,645
Provisions for insurance and investment contracts:							
Non-life insurance	8,815	10,555	12,121	12,783	13,314	12,783	13,314
Life insurance	15,298	17,709	20,808	23,459	25,093	23,459	25,093
Financial ratios (parent company)							
Post-tax profit as a % of shareholders' equity	28.1	23.1	31.7	39.4	31.2	12.2	8.2
Post-tax profit per share (DKK)	40.2	36.7	59.1	90.9	75.0	29.1	18.9
Post-tax profit per share, diluted (DKK)	40.2	35.8	57.7	88.3	73.3	28.3	18.5
Net asset value per share (DKK)	154.0	165.9	207.1	244.0	232.3	244.0	232.3
Share buy-back per share (DKK)	29.8	37.1	33.6	74.6	116.8	22.4	22.3
Listed share price end of period (DKK)	318	435	547	934	734	934	734
Average number of shares ('000)	24,891	21,144	19,631	18,612	16,948	18,002	16,094
Average number of shares, diluted ('000)	24,891	21,681	20,116	19,171	17,351	18,522	16,420
Number of shares end of period ('000)	23,460	20,297	19,189	17,896	15,995	17,896	15,995
Ratios non-life insurance (%)							
Gross loss ratio	70.0	74.7	83.8	67.4	65.9	69.3	61.9
Net reinsurance ratio	5.0	2.1	-7.7	4.0	3.9	2.3	4.6
Claims trend	75.0	76.8	76.1	71.4	69.8	71.6	66.5
Gross expense ratio	19.8	15.6	14.8	14.6	14.5	15.0	15.2
Combined ratio	94.8	92.4	90.9	86.0	84.3	86.6	81.7
Operating ratio	93.5	91.4	90.0	84.8	82.7	85.5	80.4

The comparatives for 2003 have not been restated to comply with IFRS

The most significant differences are disclosed in Note 43

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Sound profit in spite of obstacles

Topdanmark's post-tax profit was DKK 1,271m in 2007 (2006: DKK 1,692m). It is the second-best profit in the Company's history representing a 40.7% pre-tax return (post-tax: 31.2%) on average shareholders' equity.

The pre-tax profit declined from DKK 2,223m in 2006 to DKK 1,657m in 2007 being the result of, on the one hand, a DKK 191m or 14.0% improvement in the operating result to DKK 1,561m, and on the other hand, a DKK 757m decline in the investment return to DKK 96m primarily due to lower gains on equities (DKK 302m) and unrealised write-downs of the portfolios of structured investment products (CDOs) (DKK 280m).

Operating profit

DKKm	2006	2007
Technical result non-life*	1,359	1,572
Technical result life*	41	21
Other items	(30)	(32)
Operating profit	1,370	1,561

*Before elimination of rent

The overall improvement in the operating result was a combination of a DKK 213m growth in the technical result in non-life insurance and a DKK 20m decrease in the result of life insurance. This life insurance decline reflected the investment return not being sufficiently high to fully include the risk allowance of DKK 52m in income. However, the allowance has not been lost completely but will be included in income in subsequent years when the investment return is sufficiently high.

In the Q1 - Q3 2007 interim report the post-tax profit forecast for 2007 was DKK 1,100 - 1,200m. Accordingly the 2007 result was DKK 71 - 171m higher than this due to a better than assumed operating result flowing from the claims trend being somewhat better than assumed, reflecting the impact of not suffering any storm claims in Q4. Furthermore the operating profit benefited from gains on the claims provisions in that period. The investment return was in line with the assumptions set out in the Q1 - Q3 interim report.

Non-life insurance

Non-life insurance market

Key features of the Danish non-life insurance market in 2007:

- Continued strong competition
- Mileage rating introduced in motor insurance by the large companies
- Estimated 2 - 3% growth in premiums earned
- Generally favourable claims trends but extraordinarily many cloudbursts
- Continued unsatisfactory claims trend in illness / accident policies, sold together with life insurance
- Increase in combined ratio excluding gains on the claims provisions

The non-life insurance market continued to be affected by strong competition in 2007: on price, distribution and customer service. It was particularly intense in the motor and industrial insurance market. Following recent years' favourable claims trends several companies reduced their prices in motor insurance. At the same time a number of players made agreements with car importers / dealers offering them cheap car insurance policies, in some cases without taking into account the normal segmentation criteria such as age, geography and driving experience.

In the motor insurance market most large companies introduced mileage rating in 2006 and 2007. Due to the close relationship between the distance driven and the claims frequency, customers with low annual mileage in companies with mileage rating will typically see lower prices while in return those with high annual mileage will typically see higher prices. In general the introduction of mileage rating has enabled these companies to attract those customers who drive less, while they have lost those customers who drive more to other companies.

To allow for claims inflation and wage increases, prices in the Danish insurance market are based on automatic indexation. Personal, commercial and agricultural insurance prices increased 2.9% due to indexation. For workers' compensation insurance policies the social index was 8.5%. With effect from 1 July 2007 a new Danish Act caused an increase in claims paid on workers' compensation policies which was fully offset by premium increases corresponding to an 11 - 14% premium growth in workers'

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compensation insurance. Due to the strong competition in the motor and workers' compensation market in particular, the general growth in premiums for the entire Danish insurance market is estimated to have been 2.0 - 3.0% in 2007.

The claims trend was favourable in most lines in 2007. Denmark did not suffer from any significant storm claims and the number of large-scale claims was lower than in a normal year. However, the number of weather-related claims such as those arising from cloudbursts, hail and lightning was considerably higher than in a normal year, which was one of the reasons why the claims trend deteriorated in house and contents insurance. Following a number of years of declining claims frequency in car insurance it increased slightly in 2007 due to, among other things, the effect of the penalty point system introduced in 2005 seeming to have stopped and many incidents resulting in vehicle damage in the summer of 2007 due to hail storms of particularly large hail-stones. The average claim for car insurance policies increased 4.7% in 2007.

Illness / accident insurance is typically included within corporate pension schemes. For a number of years the illness / accident insurance market has been, and still is, affected by strong competition and, in general, has incurred large losses.

On the basis of the first three quarters of the year the market combined ratio, excluding any gains on the claims provisions, is estimated to have increased in 2007.

Developments in Topdanmark in 2007

The pre-tax result of non-life insurance declined from DKK 2,047m to DKK 1,580m. The technical result increased 15.7% to DKK 1,572m while the return on investments decreased DKK 685m.

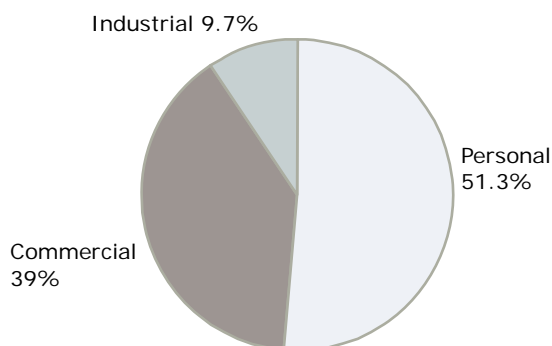
Premiums increased 0.9% to DKK 8,883m which was in line with the forecast growth of 1%.

In 2007 Topdanmark invested in improving its competitiveness by offering lower prices on car, workers' compensation and most recently motor liability insurance. Overall these price reductions will lower premium income by about DKK 400m when the effect is fully reflected, although in 2007 the effect was around DKK 250m corresponding to a 2.8 percentage

point adverse impact on premium growth. The new car insurance policy has had the required effect of increasing the number of customers with low annual mileage. However, the loss of customers with high annual mileage and those younger than 23 years old has been somewhat higher than expected.

The new Act which took effect from 1 July 2007 caused an increase in claims incurred on workers' compensation policies but this was fully offset by premium increases corresponding to premium growth of 0.6 percentage points in 2007.

Distribution of premiums earned in non-life



The loss ratio improved from 67.4% in 2006 to 65.9% in 2007 following a generally favourable trend due to, among other factors, a significantly better loss trend in workers' compensation insurance where the loss ratio declined from 94.1% to 71.6%. It was affected by weather-related claims of DKK 212m in 2007 (DKK 92m higher than the assumed normal level), and price cuts of DKK 250m. However, partly counteracting this were DKK 324m gains on provisions for claims incurred but not finally settled (2006: DKK 34m). Furthermore the loss ratio was affected by the generally higher level of interest rates. As all provisions for outstanding claims are discounted to present value by the zero-coupon interest rate, the generally higher level of interest rates reduces the loss ratio: this effect led to an improvement in the 2007 loss ratio by 0.8 percentage points from the 2006 level.

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Factors impacting the gross loss ratio as compared with 2006

DKKm		%
Weather-related claims	(124)	(1.4)
Price cuts	(250)	(2.8)
Adverse impact from 2006 to 2007	(374)	(4.2)
Higher gain on claims provisions	290	3.3
Effect of a higher level of interest rates	71	0.8
Positive impact from 2006 to 2007	361	4.1

Topdanmark's reinsurance programme covered DKK 58m of the weather-related claims of DKK 212m giving net expenses of DKK 154m, DKK 36m of which related to the storms in Q1 2007. The reinsurance cover on cloudburst claims contributed to Topdanmark's reimbursement from the reinsurers being slightly higher in 2007 than in 2006, resulting in the net reinsurance ratio declining from 4.0% in 2006 to 3.9% in 2007.

The claims trend, representing claims paid to customers and the reinsurance result as a percentage

of premiums earned, declined from 71.4% in 2006 to 69.8% in 2007.

In spite of the relatively low premium growth the expense ratio declined from 14.6% in 2006 to 14.5% in 2007.

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) declined from 86.0% in 2006 to 84.3% in 2007, which was better than the expected level of 86.5% assumed in the 2007 profit forecast set out in the Q1 - Q3 2007 interim report. This was due to a better than assumed operating result following a somewhat better than assumed claims trend, including the impact of Q4 being free of new storm claims. The operating result that quarter also benefited from gains on the claims provisions, and after adjusting for these gains the combined ratio increased from 86.4% to 88.0%.

Financial highlights - Non-life insurance

(DKKm)	Q4		Q4	
	2006	2007	2006	2007
Premiums earned	2,205	2,239	8,805	8,883
Technical interest	30	41	126	181
Claims incurred	(1,528)	(1,385)	(5,937)	(5,856)
Net reinsurance	(52)	(105)	(352)	(345)
Expenses	(330)	(342)	(1,283)	(1,291)
Technical result	325	448	1,359	1,572
Investment return	244	(67)	676	(9)
Other items	4	4	12	17
Profit on non-life insurance	573	385	2,047	1,580
Gains on claims provisions on own account	8	101	34	324
Gross loss ratio (%)	69.3	61.9	67.4	65.9
Net reinsurance ratio (%)	2.3	4.6	4.0	3.9
Claims trend (%)	71.6	66.5	71.4	69.8
Gross expense ratio (%)	15.0	15.2	14.6	14.5
Combined ratio (%)	86.6	81.7	86.0	84.3
Operating ratio (%)	85.5	80.4	84.8	82.7

Developments in Q4 2007

The result of non-life insurance declined from DKK 573m in Q4 2006 to DKK 385m in Q4 2007. The technical result increased 38.0% to DKK 448m while the return on investments fell DKK 311m to a loss of DKK 67m.

Premiums earned increased 1.5% to DKK 2,239m in Q4. This level of growth was slightly higher than that for the full year primarily due to the increase in workers' compensation premiums with effect from 1 July 2007 following the new legislation compensating the insurance companies for the increased cover on workers' compensation insurance policies.

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The loss ratio declined from 69.3% in Q4 2006 to 61.9% in Q4 2007 due to a generally favourable claims trend with very few large-scale claims and no new weather-related claims (Q4 2006: DKK 12m) as well as DKK 101m gains on the claims provisions corresponding to 4.5 percentage points (Q4 2006: DKK 8m).

As a consequence of there being only a few large-scale claims, Topdanmark's reimbursement from the reinsurers was smaller this quarter than in Q4 2006, resulting in the net reinsurance ratio increasing from 2.3% to 4.6%.

Accordingly the overall claims trend (the loss trend including the result from reinsurance) declined from 71.6% to 66.5%.

Taking Q4 in isolation, the expense ratio increased from 15.0% last year to 15.2% this year due to, among other factors, more accurate accounting for holiday costs on an accruals basis. This greater accuracy caused a deferral from Q3 to Q4 and consequently increased the adverse effect on expenses in Q4 2007 as compared with the same quarter in 2006. However, overall it did not increase the provisions for holiday pay in 2007.

The combined ratio declined from 86.6% in Q4 2006 to 81.7% in Q4 2007.

Segment reporting 2007

Pre-implementing IFRS 8 on business segments in 2007 Topdanmark has chosen to divide the non-life insurance business into the following three segments: Personal, Commercial and Industrial.

Personal

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

Premiums earned declined 1.0% in 2007 to DKK 4,567m reflecting a 9.5% decrease in car insurance premiums, (representing 42% of the personal portfolio), but this was partially compensated for by an increase in premiums in, for example, illness / accident, travel and house insurance.

The claims trend declined slightly from 68.6% to 68.2% having been adversely affected by the price

cuts and a slightly increasing claims frequency for car insurance policies. The claims trend for house and contents insurance was affected by the many cloudburst claims and several large fire claims in 2007. The claims trend in illness / accident policies, which are sold together with pension schemes, is not yet satisfactory (combined ratio of 105.7% in 2007), while other personal lines had a favourable claims trend and there were gains on the claims provisions of DKK 210m corresponding to 4.6 percentage points (2006: 0.9 percentage points).

Overall the combined ratio remained unchanged at 83.7%.

Personal

(DKKm)	2006	2007
Gross premiums earned	4,611	4,567
Technical interest	60	89
Claims incurred	(3,101)	(3,083)
Net reinsurance	(64)	(33)
Expenses	(696)	(707)
Technical result	810	833
Gains on claims provisions on own account	44	210
Gross loss ratio (%)	67.2	67.5
Net reinsurance ratio (%)	1.4	0.7
Claims trend (%)	68.6	68.2
Gross expense ratio (%)	15.1	15.5
Combined ratio %	83.7	83.7
Operating ratio (%)	82.7	82.1

Commercial

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

Premiums earned increased 3.6% to DKK 3,471m reflecting a 5% price cut for workers' compensation insurance policies, (representing 27.2% of the portfolio) at the beginning of the year and a subsequent 14% price increase following the new legislation which took effect from 1 July 2007. Furthermore any rebates on car insurance policies were also reflected in Commercial.

The claims trend improved from 73.4% to 69.8% generated from the positive trend in, among other lines, workers' compensation insurance showing an improvement from 78.7% in 2006 to 70.4% in 2007. It also benefited from DKK 66m gains on the claims

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provisions corresponding to 1.9 percentage points (2006: a 1.3 percentage point loss).

The combined ratio for commercial declined from 87.6% to 83.5%.

Commercial

(DKKm)	2006	2007
Gross premiums earned	3,350	3,471
Technical interest	58	79
Claims incurred	(2,290)	(2,292)
Net reinsurance	(168)	(131)
Expenses	(477)	(477)
Technical result	473	650
Gains on claims provisions on own account	(42)	66
Gross loss ratio (%)	68.4	66.0
Net reinsurance ratio (%)	5.0	3.8
Claims trend (%)	73.4	69.8
Gross expense ratio (%)	14.2	13.7
Combined ratio %	87.6	83.5
Operating ratio (%)	86.1	81.7

Industrial

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

Premiums earned of DKK 862m were 0.6% up on the previous year. As Topdanmark does not want to compromise on profitability neither at product nor customer level, it has pursued a restrictive acceptance policy which has resulted in a decrease in premiums earned on industrial businesses in recent years.

The 0.6% increase in premiums in 2007 was primarily due to the increase in premiums for workers' compensation insurance policies with effect from 1 July 2007.

The claims trend declined slightly from 79.4% to 79.1% although it benefited from few large-scale claims and DKK 48m gains on the claims provisions corresponding to 5.6 percentage points (2006: 3.7 percentage points).

The combined ratio decreased marginally from 92.4% to 92.3%.

Industrial

(DKKm)	2006	2007
Gross premiums earned	857	862
Technical interest	9	13
Claims incurred	(557)	(501)
Net reinsurance	(124)	(181)
Expenses	(111)	(114)
Technical result	74	79
Gains on claims provisions on own account	31	48
Gross loss ratio (%)	65.0	58.1
Net reinsurance ratio (%)	14.4	21.0
Claims trend (%)	79.4	79.1
Gross expense ratio (%)	13.0	13.2
Combined ratio %	92.4	92.3
Operating ratio (%)	91.5	91.0

New claims system

In January 2007 Topdanmark launched a new claims handling system (TopPro). Initially the IT system helps to ensure that personal customers receive quick, efficient and accurate service when making building or contents claims.

In the long term the TopPro system will cover all claims handled by Topdanmark and it is now working on the next delivery of the system to cover all motor claims. Later it will be implemented for the agricultural, commercial and industrial lines as well as workers' compensation and accident insurance with the intention that all claims will be handled by the TopPro system by 2011 / 2012. It is expected that taking TopPro in isolation will generate a small favourable effect on the loss ratio in step with its implementation.

The new system supports the desire to provide better customer service and control the payments on claims.

Some of the advantages provided by the TopPro system are:

- Improved data quality enabling Topdanmark to ensure more accurate risk-based pricing
- Settling of more claims in the first conversation with the customer and therefore a more rapid response rate
- More accurate claims handling as TopPro automatically checks, for example, the extent of cover

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- Further integration with Scalepoint (a purchasing portal shared by a number of large Nordic insurance companies) providing cheaper prices than Topdanmark would be able to achieve on its own
- Improved opportunities for identifying claims which may indicate insurance fraud

This new claims system has already improved the online claims notification. First it is easier for customers to make an online notification. Secondly a controlled dialogue ensures that Topdanmark receives so much relevant claims information that it will be possible to automatically establish 80% of the claims in TopPro. This ensures quicker claims handling and enables the claims department to better handle peak load situations - in the event of, for example, storms and cloudbursts.

Life insurance

Life insurance and pension fund market 2007

Key features of the life insurance and pension fund market in 2007:

- Estimated growth of 8 - 10%
- Due to increase in long-term interest rates several companies incurred substantial capital losses being mostly offset by release of provisions for guaranteed benefits
- Turbulence in the financial markets
- Regulatory measures

As most major businesses have already established corporate pension schemes, competition concentrated on moving existing customers. The strong growth in pension saving in Denmark is due to the population's understanding of their need to save for their retirement and not rely only on the state pension.

Most Danish life insurance and pension fund companies have purchased instruments to hedge primarily their 4.5% guaranteed benefits against a decline in interest rates. As interest rates increased in 2007, all other things being equal, the companies incurred substantial losses on the value of their interest rate hedging instruments. However, these losses were significantly offset by the release of provisions in those companies with the 4.5% guaranteed benefits.

In 2007 the financial markets were severely affected by the disturbance following the credit crisis and the resulting weak equity and CDO market at the end of the year in particular. Moreover interest rates increased significantly, particularly in the first half of the year and several companies were hit by developments in the currency market where, for example, the value of USD has declined markedly.

On 30 January 2007 the Court issued its decision in an action brought against Denmark by the EC over tax exemptions for pension premiums paid to foreign companies. The Court ruled against Denmark. As a consequence of this decision the Danish Parliament has decided to move the liability to pay pension return tax from the pension fund to the policyholder. At the same time properties and index-linked bonds have been made liable to taxation in general. Consequently the Government is to pay compensation to those policyholders who had with-profit policies at the end of 2006. These changes will require substantial system development.

Result of Topdanmark Livsforsikring

The result of the life insurance activities was a pre-tax profit of DKK 50m in 2007 (2006: DKK 118m).

Customers are split primarily into 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. Schemes written before 1 July 1994 with guaranteed pension benefits of 4.5% have been placed in Liv V.

The result of the life insurance activities comprises the sum of the profits generated in Liv I and Liv V net of any financing costs. These profits were calculated in accordance with the stated policy on the calculation of profit for the life insurance companies, see www.topdanmark.com → [Business base](#) → [Life insurance](#) → [Policy for the calculation of profit](#).

The decrease in profit was due to three factors. First the investment return on shareholders' equity was only DKK 16m (2006: DKK 65m).

Secondly the overall allowance for risk in the Topdanmark Livsforsikring Group declined from DKK 83m in 2006 to DKK 56m in 2007. In Liv I the total allowance for risk of DKK 56m was included in

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income. However, the "insurance technical result before bonus contribution" in Liv V was not sufficient to include that company's allowance for risk, and therefore DKK 52m was transferred to a so-called shadow account to be included in income in a subsequent period.

Thirdly the result of Topdanmark Link declined from a profit of DKK 10m in 2006 to a loss of DKK 14m in 2007, due to a substantially lower return on shareholders' equity and the acquisition costs on new business being recognised in the profit and loss account in the year of acquisition. This company had growth of 153.2% in 2007 and therefore the corresponding acquisition costs also increased from DKK 16m in 2006 to DKK 38m in 2007. It is expected

that this business will contribute positively in future years.

The return on customers' pension savings before pension return tax was 2.8% in Liv I and a loss of 1.5% in Liv V. After pension return tax and the changes in provisions to strengthen the guarantees the net return on customers' pension investments was 2.8% in Liv I and 3.0% in Liv V.

The investment return on shareholders' equity was 1.4% in Liv I and 1.5% in Liv V. Due to the policy for the allocation of profit reported to the DFSA, the return on shareholders' equity does not include equities and instruments used to hedge the guaranteed benefits.

Result of life insurance 2007

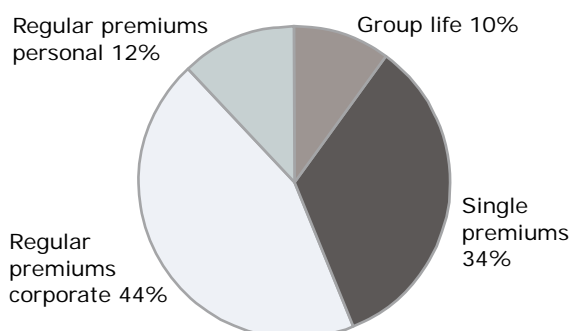
(DKKm)	2006			2007		
	Liv I	Liv V	Group	Liv I	Liv V	Group
Investment return	26	39	65	7	9	16
Risk allowance	39	44	83	56	52	108
Transferred to shadow account			0		(52)	(52)
Profit / (loss) in Topdanmark Link	10		10	(14)		(14)
Financing charges Liv Holding			(8)			(11)
Calculated compensation etc.			(32)			3
Profit on life insurance			118			50

At the end of 2007 the overall collective potential bonus reserve was DKK 1,735m equating to a bonus ratio of 8.4% for those policies entitled to a bonus. The bonus ratios of Liv I and Liv V were 7.4% and 9.9%.

Gross premiums

In its Q1 - Q3 2007 interim report Topdanmark expected growth in premiums to be just over 10% in 2007. With actual growth in gross premiums of 12.8% to DKK 3,556m the increase exceeded both market growth and expectations.

Distribution of premiums in life



Topdanmark's Annual Report 2007

The life insurance business focuses on growth in regular premiums which are paid year on year, typically corporate pension schemes where a company pays the premiums for its employees. These increased 10.9% to DKK 2,352m in 2007.

In spite of the level of single premiums being high in 2006 this trend continued into 2007 with an increase of 16.7% to DKK 1,204m from DKK 1,032m in 2006.

In pension savings based on the market interest rate (unit-linked), premiums increased 153.2% to DKK 656m from DKK 259m in 2006. Regular premiums increased DKK 141m (growth of 132.4%) and single premiums DKK 256m (167.8%). Of new business generated in 2007, 38.6% was in unit-linked products.

Topdanmark life insurance also saw growth in investment contracts where payments are not included in premium income but taken directly to the balance sheet. Investment contracts with regular payments increased 29.4% from DKK 41m in 2006 to DKK 53m in 2007. Investment contracts with single payments increased 34.5% from DKK 43m in 2006 to DKK 58m in 2007.

In 2007 DKK 70m of premiums earned and DKK 12m payments on investments contracts represented transfers from other Group companies (2006: DKK 47m and DKK 16m).

Sources of gross premiums

(DKKm)	Q4 2006	Q4 2007	2006	2007
Individual schemes	199	189	442	426
Corporate schemes	337	351	1,247	1,321
Group life	39	39	326	357
Unit-linked schemes	37	83	107	248
Regular premiums	612	662	2,122	2,352
Individual schemes	36	34	152	155
Corporate schemes	168	186	728	641
Unit-linked schemes	43	117	152	408
Single premiums	247	337	1,032	1,204
Gross premiums	859	999	3,154	3,556

Developments in Q4 2007

The result of life insurance declined from a DKK 48m profit in Q4 2006 to a DKK 6m loss in Q4 2007. Due to the turbulence in the financial markets in Q4 2007 in particular, the investment return on shareholders' equity declined from DKK 20m in Q4 2006 to DKK 5m in the same quarter this year. At the same time the lower investment return had the effect that it was not possible to include the risk allowance of DKK 23m in income in Liv V. In the first three quarters of 2007 a

risk allowance of DKK 10m was included in income in Liv V, however this had to be reversed in Q4 and therefore the Q4 result was adversely impacted by both this reversal and the DKK 13m risk allowance being excluded for Q4 2007. The DKK 52m risk allowance for the full year has been transferred to the shadow account to be included in income in a subsequent period when the investment return is sufficiently high.

Result of life insurance Q4

(DKKm)	Q4 2006			Q 42007		
	Liv I	Liv V	Group	Liv I	Liv V	Group
Investment return	7	13	20	2	3	5
Risk allowance	10	11	21	14	13	27
Transferred to shadow account			0		(23)	(23)
Profit / (loss) in Topdanmark Link	6		6	(7)		(7)
Financing charges Liv Holding			(2)			(3)
Calculated compensation etc.			3			(5)
Profit / (loss) on life insurance			48			(6)

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The result of Topdanmark Link declined from a DKK 6m profit to a DKK 7m loss primarily due to a DKK 51m loss on investments in Q4 2007. At the same time the volume of business for unit-linked products increased significantly from DKK 80m in Q4 2006 to DKK 200m in 2007. The acquisition costs of DKK 10m on this increase in business were recognised in the profit and loss account in Q4 2007.

Premiums increased 16.4% to DKK 999m in Q4. Topdanmark's life insurance business focuses on growth in regular premiums and these increased 8.2% to DKK 662m.

Rate of interest on policyholders' savings

In 2007 the rates of interest on policyholders' savings were 5.5% in Liv I and 4.5% in Liv V.

Given the relatively comfortable bonus ratio in Liv V it was decided to raise the rate of interest on policyholders' savings for 2008 to 5.5% for all of its customers. In Liv I the rate for 2008 remains unchanged at 5.5%.

Given the current level of interest rates, these rates of interest on policyholders' savings are high and they may therefore be subject to change later in the year if the development in the financial markets is different from expectations.

Investment activities Topdanmark Group excluding the life insurance group

Profit on investment activities in Topdanmark Group excluding Topdanmark Livsforsikring Group was DKK 685m in 2007 including revaluation of provisions and income from associated companies but before the transfer to the technical result (2006: DKK 1,246m).

The return in 2007 was lower than expected primarily due to relatively weak equity markets at the end of the year and a decline in the market value of CDOs. Topdanmark averted the adverse impact from the interest rate and foreign exchange markets by taking short positions.

The return on the most significant classes of assets in 2007 is disclosed in the table below.

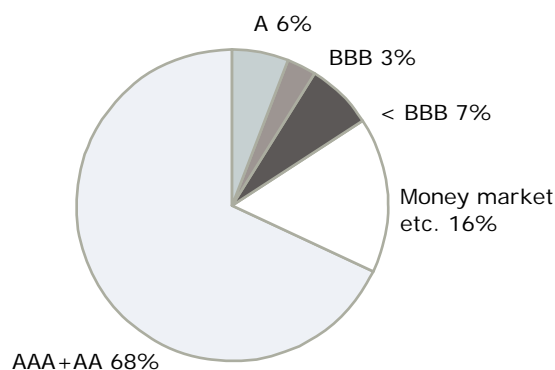
DKKm	Portfolio DKKbn	Return DKKm	% return
Danish equities	0.5	41	5.9
Foreign equities	1.0	168	12.0
Government and mortgage bonds	6.9	444	5.6
Credit bonds	1.6	10	0.3
CDOs	1.5	(131)	(6.5)
Other	2.4	62	3.1
Total	13.9	594	3.7

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 594m investment return deviates from the DKK 685m return 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 A/S. 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 11,263m at 31 December 2007, equivalent to 81% of total investment assets. The Group's investments have no significant concentration of credit exposure except for Danish mortgage bonds which are considered to be particularly safe assets according to the Danish Financial Business Act.

Group excl. life insurance group

Interest-bearing assets analysed by rating *)



*) The chart has been changed from previous years as money market investments etc. have now been included

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 31 December 2007 the actual interest rate exposure was DKK 28m.

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CDOs with a rating lower than AA or with no rating (a total of DKK 621m) are included in the bond portfolio with their value calculated by the value-at-risk method. The limit of losses, which with a 99% probability will not be exceeded, has been fixed at DKK 150m per annum after taxation. At the end of the year this risk was DKK 82m calculated on the basis of historical transitional probabilities for ratings. This method does not allow for those changes in value that are due to the market demand. Therefore the control of the overall size of the portfolio is also based on an assessment of the risk of investing in products which have inherently 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 2007 this annual risk was DKK 3.1m after taxation.

At the end of 2007 associated companies accounted for DKK 37m of the total equity investment of DKK 1,527m. The equity exposure was DKK 1,453m excluding associated companies but including the impact of derivatives. About one third of this was in listed Danish equities.

CDOs

In the Q1-Q3 2007 interim report it was stated that the Topdanmark Group excluding life insurance had written down the value of CDOs by DKK 221m covering the first ten months of the year. Particularly, CDOs with subprime exposure had been written down to a fraction of their previous value.

During Q4 the fear of recession grew which further increased credit spreads and consequently continued the general decline in the value of CDOs. The increase in credit spread hit across-the-board in spite of many assets maintaining very low default ratios. As a consequence CDOs with underlying assets without default or with very low default ratios were hit by the deterioration.

The subprime bond market continues to be affected by growth in defaults and losses on those bonds issued from 2005 to 2007 in particular. However, several of these CDOs still have some value as it is expected that interest will continue to be paid for a period of time.

Generally, the cash flow from CDOs without subprime exposure is higher than the level expected when they were acquired and no CDOs without subprime exposure have been down-rated.

Including the impairments in Q4, the total net impairment of the Group excluding life insurance was DKK 280m in 2007 which was charged directly to the profit and loss account, DKK 99m of which relates to CDO's with subprime exposure.

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

Including the shareholders' share of the return in life insurance the net write-down of CDOs was DKK 357m in 2007, DKK 130m of which relates to CDOs with subprime exposure.

After the most recent write-down the book value of the CDO investments with subprime exposure is DKK 41m in the Group excluding life insurance, corresponding to 3‰ of the investment assets. Including the CDO investments in life insurance the shareholders' share of the CDO investments with subprime exposure is DKK 49m.

The table below shows the Group's CDO return including realised and unrealised revaluations at 31 December 2007 as well as the market value of the portfolios at the same date. It is seen that the overall investment result of CDO investments in the Group excluding life insurance was a loss of DKK 131m in 2007. Including the shareholders' share of the return on life insurance the investment result for the CDO investments was a DKK 168m loss.

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CDOs - Returns and portfolios 2007

With no subprime exposure

DKKm	AAA and AA	Lower than AA	Interest	Revaluations	Total return
Return Group excl. life insurance	(1)	(45)	135	(181)	(46)
Book value 31 December	891	610			
Return life insurance	3	(87)	288	(371)	(84)
Book value 31 December	1,370	1,284			
					(280)
					149
					(131)

With subprime exposure

DKKm	AAA and AA	Lower than AA	Interest	Revaluations	Total return
Return Group excl. life insurance	(25)	(60)	14	(99)	(85)
Book value 31 December	30	11			
Return life insurance	(35)	(174)	36	(244)	(209)
Book value 31 December	39	28			

See www.topdanmark.com → [Business base](#) → [Investment](#) → [CDO portfolio](#) for details of CDOs analysed by rating category.

Read more about CDO's in "Risk management" under "Credit risk" "CDOs" in this report.

Topdanmark Livsforsikring Group

Profit on investment business in the Topdanmark Livsforsikring Group was DKK 191m in 2007 (2006: DKK 1,421m).

The return on Danish and foreign equities was relatively modest, affected by the weak equity markets and losses on CDOs.

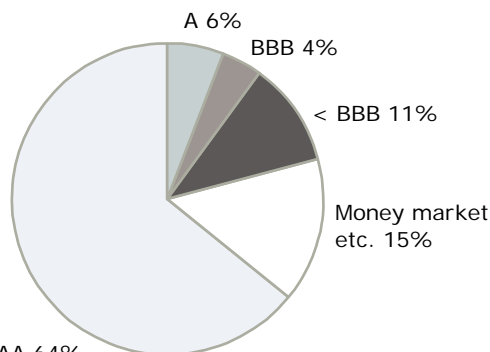
For a number of years Topdanmark has separated its investment policy for life insurance provisions (funds owned by life insurance customers) from those funds owned by shareholders (the shareholders' equity of the life insurance group).

Specifically, the entire return on equities, equity-related investments and instruments earmarked to hedge the interest rate risk on guaranteed benefits, has been allocated to the benefit of the customers before allocating the remaining return proportionally between the life customers, provisions for health / accident insurance and shareholders, see www.topdanmark.com → [Shares](#) → [Normalised returns](#) → [Life insurance](#).

At 31 December 2007 the market value of the life insurance group's investment assets was DKK 25,875m of which DKK 7,942m was in Danish fixed-rate bonds, DKK 5,376m in foreign bonds and DKK 1,786m in index-linked bonds. The life insurance group's property investments had a value of DKK 3,063m including owner-occupied properties. (DKK 620m), most of which have been vested in Topdanmark Ejendom.

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Life insurance group
Interest-bearing assets analysed by rating *)



AAA+AA 64%

*) The chart has been changed from previous years as money market investments etc. have now been included

The investment in shares totalled DKK 4,914m, comprising DKK 1,860m in Danish listed equities, DKK 61m in unlisted Danish equities, DKK 2,376m in foreign listed equities and DKK 617m in unlisted foreign equities. The exposure in foreign equities was adjusted by means of derivatives and consequently the exposure in foreign equities including derivatives was DKK 3,626m.

As stated above, the return on the equity exposure is solely payable to life insurance customers. Life insurance customers' equity exposure in Liv I reflects the equity proportion of 27% of the portfolio, while the life insurance customers' equity exposure in Liv V reflects 14% of the portfolio.

Liv V has invested in interest rate options to hedge the guaranteed benefits. The value of interest options solely payable to life insurance customers is highly sensitive to movements in interest rates as, other things being equal, if there is a 1 percentage point parallel shift downwards in the interest rate curve their value would increase about DKK 469m after pension return tax. If the curve makes a parallel shift upwards one per cent, the value of the interest options will decline about DKK 194m after pension return tax. If interest rates decline 1 percentage point, the liability on the guaranteed benefits increases about DKK 485m and correspondingly drops about DKK 249m in the event of a one percentage point increase in interest rates.

The return on customers' savings before pension return tax was 2.8% in Liv I and a loss of 1.5% in Liv V while the return on funds owned by shareholders –

before the allowance for risk – was 1.4% in Liv I and 1.5% in Liv V.

Topdanmark Kapitalforvaltning (Asset Management)

Topdanmark Kapitalforvaltning manages the Group's financial assets and liabilities. The result of the company is dependent on the investment performance, and therefore due to a lower investment return in 2007, pre-tax profit decreased from DKK 100m in 2006 to DKK 64m in 2007.

Financing

The goal of Topdanmark's capital structure is to ensure that its capital base (shareholders' equity and hybrid capital) is sufficient to support its current operations. Equity in excess of this amount is distributed to shareholders by way of regular share buy-backs throughout the year. The share buy-back is financed with temporary loans while the corresponding earnings are accumulated in the subsidiaries. Following the payment of dividends from the subsidiaries the amount of loan capital outstanding is returned to the optimum long-term level.

In the summer of 2007 Topdanmark issued EUR 55m of hybrid core capital by way of floating rate subordinated notes. These bullet subordinated notes have no final maturity date. However, from 15 September 2017 Topdanmark will be entitled to redeem them early at par subject to the prior approval of the Danish Financial Supervisory Authority.

The interest rate on the subordinated notes is EURIBOR plus 1.90% until September 2017 and EURIBOR plus 2.90% thereafter.

For details on the liquidity base, see "Liquidity risk" in this report.

Prospects for 2008

Expected trend in non-life insurance market

It is expected that in 2008 the non-life insurance market in general will be characterised by:

- Continued strong competition
- New solvency rules
- Improved claims trend in disability insurance

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- Premium growth of 2 - 3%
- Increasing combined ratios
- Financial recession
- Establishment of a terror pool

The five largest Danish non-life insurance companies are all listed on the stock exchange or owned by a listed group. Together they represent about 70% of the Danish market. It is expected that strong competition on price, staff, distribution and customer service will continue in 2008.

The EU's new solvency rules - Solvency II - are expected to take effect in 2012 and a framework directive is expected to be adopted in the summer of 2008. This directive and a fourth test calculation in 2008 will give a good idea of what is entailed in the new rules. The new Danish rules on individual solvency requirements is a direct forerunner of Solvency II implying that the companies should already now be making concrete decisions on risk management, risk measurement and risk control, all of which are the underlying principles of Solvency II. This process is expected to have the effect of regulating the behaviour of those companies which do not already focus on risk management.

In spite of illness / accident insurance products often being considered to be entry products for new customers, it is believed that due to recent years' negative profitability of these products more companies will introduce premium increases or other profitability improving measures expected to help improve the claims trend.

Each year premiums and insurance cover are increased in the personal, agricultural and industrial markets on the basis of an index allowing for claims inflation and wage increases. The index for 2008 will be 3.3%. In the workers' compensation market price adjustments are based on the social index which will be 4.1% for 2008. Due to the competitive situation premium growth is expected to be somewhat lower than the indexation increase while continued growth in health insurance and a number of new products, such as a new annual travel insurance policy which took effect on 1 January 2008, a new compulsory construction damage insurance policy with effect from 1 April 2008 and new electronic insurance policies, might marginally improve the growth in premiums. Therefore overall market premium growth is estimated

to remain unchanged at 2 - 3% in 2008.

The trend in the combined ratios is dependent on a number of factors including storm and large-scale claims. In 2007 the claims trends benefited from there being no major storms and only relatively few large-scale claims. It should not be assumed that this will continue into 2008. 2007 was also affected by a higher than normal level of cloudburst claims. Overall Topdanmark believes that the normalised level of weather-related claims should be assumed to increase in the future. Furthermore, it is expected that intensified price competition will also put pressure on the claims trends. Most of the expenses included in the expense ratio are payroll costs which, depending on collective bargaining, are expected to increase by 4 - 4.5%. Given an estimated premium growth of only 2 - 3% the insurance companies' expense ratios will also be under pressure in 2008. Overall therefore it is expected that the combined ratio, excluding gains on or strengthening of the claims provisions, will increase in the Danish market in 2008.

In the event of financial recession, the Danish non-life insurance industry is expected to be only marginally affected as neither premiums earned on the traditional policies nor the combined ratio have been particularly sensitive to financial recession in the past.

It is the intention to establish a national guarantee scheme covering terror claims with effect from 1 January 2009. The scheme will take effect if, within one year, claims due to nuclear, biological, chemical or radiological terror attacks exceed DKK 5 - 7bn, see "Terror" in this report.

Expected trend in life insurance and pension fund market

It is expected that in 2008 the life insurance and pension fund market in general will be characterised by:

- Continued strong competition
- Continued significant need for pension saving
- Continued high share of new business in market rate policies (unit-linked)

It is expected that competition in 2008 will continue to focus on moving existing schemes. The increase in life expectancy and the realisation of the need for

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establishing private pension saving and taking out pension schemes to ensure future welfare have increased the interest for pension saving. It is expected that this interest will continue in 2008 and that market growth will remain unchanged at 8 - 10%.

Recent years' relatively high returns in the financial markets have increased the interest in unit-linked policies. As these products are also less capital intensive for the life insurance and pension fund companies, it is expected that a significant proportion of new business will be written in these products in 2008 while the overall pension funds will continue to be primarily invested in with-profit products. It is expected that the share of new business written in with-profit products will remain unchanged at 30 - 40% in 2008.

Topdanmark's prospects for 2008

Non-life insurance

In its Q1 - Q3 2007 interim report Topdanmark's expectations for 2008 were for premium growth to be in line with or just over the market growth of 2 -3% and the combined ratio to be around 89%.

Topdanmark's expectations for premium growth now remain the same: 2008 will be affected by the price cuts made in 2007 having an adverse effect on the 2008 premium growth of DKK 50m or 0.6 percentage points and Topdanmark's choice to further improve its competitiveness by, among other things, lowering the price of workers' compensation insurance by an average of 5%. Taken together these price cuts will reduce premiums in 2008 by just over DKK 150m or 1.7 percentage points.

It is expected that the claims trend in 2008 will be affected by the following factors:

- Price cuts will reduce premiums earned equivalent to an adverse effect on the combined ratio of 0.5 percentage points.
- 2008 began well as far as claims are concerned which will have a favourable effect on the combined ratio for the full year.
- In 2007 the combined ratio benefited from DKK 324m gains on the claims provisions. However in 2008 the assumption is for no gains on or strengthening of the claims provisions giving a 3.6 percentage point adverse effect on the combined ratio.

- In illness / accident insurance in the life insurance business the combined ratio is expected to decline to around 95% in 2008 from 105.7% in 2007 corresponding to a 0.6 percentage point effect on Topdanmark's overall combined ratio.
- Up to and including 2007 Topdanmark had assumed annual weather-related claims of DKK 120m in its profit forecasts. Due to the greater incidence of adverse weather in recent years this assumption has been changed to DKK 150m for 2008. Normally the storm season is from November into February but so far, Q1 2008 has been spared of any significant storm claims. However in spite of this, the profit forecast for 2008 assumes normalised expenses of DKK 150m on weather-related claims for the full year.
- Overall it is assumed that the claims trend will suffer 2.6 percentage points due to weather-related claims and unforeseen events such as particularly severe winter weather, exceptionally large storms, a higher than normal level of large-scale claims etc.

Overall the claims trend is expected to be just under 74.5% in 2008.

The expense ratio declined from 14.6% to 14.5% in 2007. In spite of modest premium growth slightly higher than the market growth of 2 - 3%, the expense ratio is expected to be around 14.5%.

The combined ratio is expected to be just under 89%.

Due to the deterioration to date in 2008 of the equity and CDO markets the investment return is expected to be about DKK 440m less than normalised. About half of this reduction is due to a lower than expected return on equities.

Accordingly, the pre-tax result of non-life insurance is expected to be a profit of around DKK 1,015 - 1,095m.

Life insurance

The 12.8% growth in premiums in 2007 was somewhat higher than the market growth of 8 - 10%. Regular premiums increased 10.9% and single premiums 16.7%.

The growth in regular premiums is assumed to be 8 - 10% in 2008 while at this stage in the year it is not meaningful to assume any level of single premiums.

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Due to the continued turbulence in the financial markets in 2008 to date it should be assumed that no allowance for risk will be included in income in Liv I and Liv V in Q1 2008. If this is the case, the risk allowance of DKK 29m for Q1 2008 will be transferred to the shadow account. For the full year 2008 it is expected that the risk allowance will be included in income in Liv I but not fully in Liv V. This leaves DKK 90m on the shadow account (DKK 52m from 2007 and DKK 38m from 2008). The amount on the shadow account will be included in income in a subsequent period when the investment return is sufficiently high.

Pre-tax profit on life insurance is expected to be DKK 70 - 90m.

Parent company

The parent company's average net financing requirements will be DKK 500 - 700m in 2008. Its

expenses are expected to remain practically unchanged. The overall result in the parent company including subsidiaries outside of the insurance group is expected to be a loss of DKK 40 - 60m.

Taxation

With a corporation tax rate of 25% the tax charge is expected to be DKK 275 - 295m.

Total Group profit

Overall Topdanmark expects a post-tax profit of DKK 750 - 850m in 2008 representing a post-tax return of 23% on shareholders' equity. This 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 6 March 2008 as well as a return on interest-bearing investments of 5.2% (risk-free interest rate plus an allowance for risk of 0.75 percentage points).

Profit forecast for 2008

(DKKm)	2006	2007	2008
Non-life insurance	2,047	1,580	1,015 - 1,095
Life insurance	118	50	70 - 90
Parent company etc.	58	27	(60) - (40)
Pre-tax profit	2,223	1,657	1,025 - 1,145
Taxation	(531)	(386)	(275) - (295)
Profit for the year	1,692	1,271	750 - 850

Share buy-back

In its Q1 - Q3 2007 interim report Topdanmark announced an expected share buy-back of DKK 2,000m for 2007, which was the exact, actual buy-back in 2007.

However, as the 2007 profit exceeded the assumptions of the Q1 - Q3 2007 interim report by DKK 71 - 171m, DKK 121m has been transferred from the 2007 to the 2008 share buy-back programme.

Assuming a post-tax profit of DKK 750 - 850m for 2008, Topdanmark is expecting an ordinary share buy-back for 2008 to be DKK 680m (including buying shares to cover any granting of share options) plus the buy-back of DKK 121m transferred from 2007 and around DKK 250m due to a lower solvency margin giving a total share buy-back for the year of DKK 1,050m for 2008.

Normally the solvency margin will increase every year but in 2007 it decreased due to an unchanged solvency margin in the non-life insurance activities resulting from, among other things, a relative low growth in premiums, as well as a declining solvency margin in the life insurance activities following a change in the principles of calculating the solvency capital of potential bonus reserves on paid-up policies.

Expected and actual share buy-back

(DKKm)	Actual	Yield
2005	676	6.3
2006	1,396	6.9
2007	2,000	12.4
	Expected	
2008	1,050	8.9

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The share buy-back for 2008 represents a buy-back yield of 8.9% 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 own shares of DKK 281m this year, for subsequent write-down or hedging of the share option scheme, leaving a buy-back of about DKK 769m for the remainder of the year.

Since 1998 when Topdanmark started buying back own shares, it has made decisions to cancel DKK 7.6bn of shares representing a 59% write-down of the share capital, with an average price of DKK 320 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 six banking days after the announcement of a quarterly report as this is the period in which the executives may exercise their share options or warrants. Below is a list of the periods when the share buy-back is and is not allowable.

Share buy-back allowable

27 March 2008	-	23 April 2008
30 May 2008	-	4 August 2008
8 September 2008	-	3 November 2008
8 December 2008	-	16 February 2009

Share buy-back not allowable

19 February 2008	-	26 March 2008
24 April 2008	-	29 May 2008
5 August 2008	-	5 September 2008
4 November 2008	-	5 December 2008
17 February 2009	-	20 March 2009

Value creation in Topdanmark

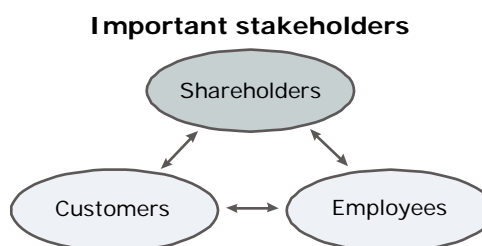
In this section of the Annual Report we will focus on how Topdanmark wishes to generate long-term added value.

This section includes:

- Objectives, goals and strategy
- Topdanmark's value creation model

Topdanmark's starting point is that satisfied customers and qualified employees are all key to ensuring that satisfied shareholders will achieve a long-term, competitive stable return. Consequently those satisfied customers who are willing to pay their insurance premiums year on year (those who form the core of Topdanmark's business) require competent and motivated employees to serve them.

Thus it can be shown that Topdanmark has three main stakeholders: shareholders, customers and employees forming an unbreakable and interdependent trinity.



Objectives, goals and strategy

It is Topdanmark's objectives:

- To carry out nation-wide, Danish non-life, life and pension fund business
- To be attractive to customers by being an independent and pre-eminent insurance group
- To ensure that its shareholders achieve a long-term, competitive, stable return

It is Topdanmark's goals:

- To improve its position in the Danish insurance market
- To ensure that its expense ratio is lower than the general market level
- To ensure that its growth in non-life and life insurance as well as pension fund business is higher than that of the market
- To attract and keep profitable customers by delivering a high level of customer service
- To ensure that its shares reflect insurance risk rather than investment risk
- To ensure that its shares are both attractive and liquid
- To be able to attract and keep qualified employees

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It is Topdanmark's strategy:

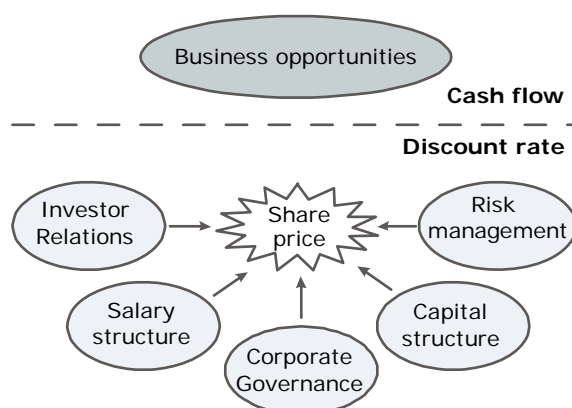
- To achieve primarily organic growth, supplemented by close co-operation with alliance partners and opportune acquisitions
- To develop and improve the level of customer service offered
- To optimise its shareholders' return / risk profile by ensuring that shareholders' equity continues to reflect both the volume of business and a corresponding investment policy
- To be a dynamic organisation encouraging personal and career development
- To align the goals of Management and employees with those of our shareholders

Operational goals:

- Profit margin in non-life insurance:
 - 12% in the next two or three years (corresponding to a combined ratio of just over 89% given the current level of interest rates)
 - 10% in the longer term (corresponding to a combined ratio of just over 91% given the current level of interest rates)
- 5% annual growth in non-life gross premiums
- 10% annual growth in regular premiums in life insurance
- Continuously declining expense ratio in both non-life and life insurance adjusted for any price cuts

Topdanmark's value creation model

The control of Topdanmark's value creating activities is based on the model below:



Topdanmark's value creating activities are intended to increase cash flow while at the same time reduce the net present value discount rate used by the equity market, see "Risk management" in this report.

Cash flow

Topdanmark's value drivers, forming part of its value chain, are important tools that are used in both the short and long-term management of the business. The value drivers expand upon those factors that are vital to creating value. Topdanmark's executives and specialists use them to prioritise, manage and communicate the initiatives undertaken.



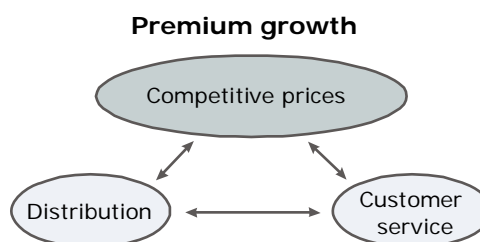
Initiatives

Topdanmark regularly instigates specific initiatives intended to impact the value drivers which, in creating value, will benefit Topdanmark's share price. Goals are set for the value drivers and progress against these is regularly evaluated by performance measurement.

To manage major initiatives Topdanmark has established a project centre which, via a project committee, is responsible for the optimum utilisation of allocated resources. A model has been set up for these projects.

To manage our initiatives we use a database to show all current initiatives and how they influence each value driver. For all major initiatives we set out success criteria which are regularly reported to Topdanmark's Board of Management.

Special initiatives relating to premium growth



By combining competitive prices, strong distribution efficiency and good customer service Topdanmark is aiming for 5% annual growth in non-life insurance.

Competitive prices

On the basis of a low expense ratio Topdanmark aims to offer insurance policies at competitive prices. As our prices are based on standardised rates, the

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distributors may only deviate from these in specific cases. The rates are risk based and an increasing number of rating criteria are being included to achieve a more finely meshed price structure reflecting, as far as possible, the underlying insurance risk (micro-rating).

Following the introduction of a new car insurance rate in 2006 /2007 Topdanmark reduced car insurance prices by an average of 10% which was later followed by price cuts in, for example, workers' compensation, third party liability and motorcycle insurance.

Distribution efficiency

Topdanmark has a multi-distribution strategy in which its own sales channels - certified insurance sales representatives, sales centres, telephone sales etc. - are supplemented by sales through its distribution partners such as banks, car dealers and insurance brokers. Detailed information on Topdanmark's distribution efficiency is available on www.topdanmark.com → [Business base](#) → [Distribution channels](#).

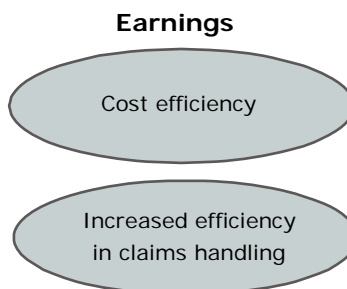
In 2007 Topdanmark improved its distribution efficiency by expanding the team of certified insurance sales representatives.

It is Topdanmark's wish to be locally represented throughout Denmark with insurance sales centres in the major cities. Therefore, in 2007, it was decided to improve the network of sales centres by increasing staff numbers but slightly reducing the number of locations.

Customer service

It is Topdanmark's ambition that its customers feel "well-helped": in order to do this we aim to empathise with our customers by putting ourselves in their position in every aspect of our communication. The monitoring of our customers' opinion of their contact with Topdanmark, through telephone, e-mails and letters as well as personal contact with our certified insurance sales representatives and claims handlers, helps us to continue working on improving our customer service.

Special initiatives relating to earnings



Topdanmark wishes to create quality for its shareholders, customers and employees through cheaper and better administration and improved customer service. More efficient administration and claims handling allow more competitive insurance prices to be offered.

Cost efficiency

By gradually making administration more efficient it is Topdanmark's goal that the increase in the administrative expenses will be lower than the growth in premiums thereby continually reducing the expense ratio. Increased automation of the administrative systems and increased self-transacting are two of the ways to reach this goal.

In 2006 a TRIM project based on the LEAN concept was initiated in a number of the administrative departments in order to improve work processes and make them more efficient. The project, which is based on employee involvement, was expanded in 2007 and has been further rolled out in 2008. In those departments where the TRIM project has been implemented it has, among other things, reduced the time it takes to handle a claim and thus reduced the administrative cost.

Increased efficiency in claims handling

Topdanmark has implemented a number of initiatives to make claims handling more efficient. One of those was to improve purchasing power through Scalepoint, a purchasing portal shared by a number of large Nordic insurance companies providing cheaper prices than Topdanmark would be able to achieve on its own.

Furthermore, at the beginning of 2007 Topdanmark started using the first delivery of a completely new and more efficient claims handling system providing a

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higher quality of the claims handling, collection of more data, increased automation, improved opportunities for self-transacting and a more rapid response rate. Over future years the system will gradually be used for all of Topdanmark's claims handling. Moreover it provides a more automated identification of insurance fraud.

Financial and non-financial value drivers

At Group level Topdanmark works on both the financial and the non-financial drivers. The financial value drivers reflect quantitative factors which impact the cash flow directly, while the non-financial value drivers reflect qualitative, typically more long-term issues, which impact the cash flow indirectly via the financial value drivers.

Financial value drivers

Non-life

Premium growth
Risk / return ratio on investments
Claims trend
Expense ratio

Life

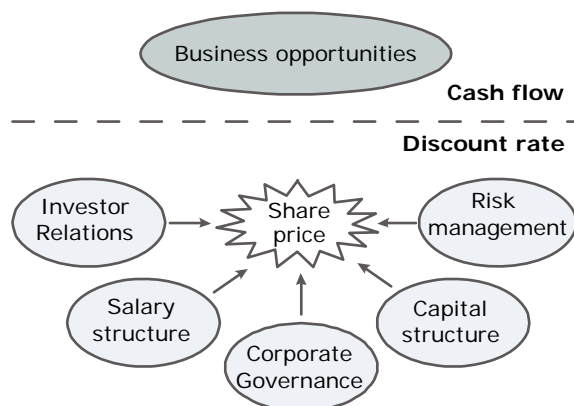
Growth in portfolio
Risk / return ratio on investments
Expense ratio

Non-financial value drivers

Customer satisfaction
Employee satisfaction
Risk management

Discount rate

Topdanmark's value creation model



To help increase the value of its future cash flow Topdanmark continually works towards reducing the risk premium which in turn reduces the net present value discount rate used by the equity market. This is achieved by, among other things, focusing on:

- Risk management
- Capital structure
- Corporate Governance
- Salary structure
- Investor relations

The following sections deal with Topdanmark's policy and measures on each element impacting the discount rate.

Risk management

Topdanmark's risk profile should be viewed together with its level of capital and volume of business. It is Topdanmark's goal always to optimise its shareholders' risk / return profile by the continued alignment of shareholders' equity, including substitutes thereof in the form of reinsurance, derivatives and various forms of loan capital.

Topdanmark's policy is to hedge against risks arising from the Company's activities or to limit such risks to a level that allows the Company to maintain normal operations and implement its planned measures even in the case of highly unfavourable developments.

Risk management is one of the Group's non-financial value drivers empowering the business sectors to take risk management into account in a structured manner and to subsequently report upon their initiatives undertaken and the assessments made.

In order to ensure strict control of the overall risk, the exposures are calculated as often as deemed necessary, i.e. daily, monthly or in a few cases more rarely according to the nature of the exposure.

The Board of Directors determines the overall risk policies and limits. Overall management is co-ordinated by the risk management units responsible for insurance risks and market risks respectively who both report to the Board of Management. Operational risks are managed by the relevant responsible business sectors reporting to the Board of Management.

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The internal auditors report to the Board of Directors on, among other things, the observance of the risk policies and limits set within them.

Review

Topdanmark's risk management relates to the following main areas:

- Insurance risk
- Market risk
- Credit risk
- Operational risk
- Solvency

Insurance risk

Insurance risks include the acceptance and follow-up policies, claims handling, provisioning risk and reinsurance risk.

Acceptance policy

Topdanmark's acceptance policy is based on a desire to make a profit on both products and customers. In order to manage its acceptance policy on the basis of pricing, Topdanmark varies the pricing of its products depending on the relevant risk criteria and the costs of administering those products.

Topdanmark's pricing has been aligned with the individual markets and types of customers. In the personal, commercial and agricultural markets prices are mostly based on standardised rates while major commercial, agricultural and industrial customers are offered rather more individualised charges.

Follow-up policy

In order that both products and customers are profitable, Topdanmark systematically acts upon changes in its customer portfolios.

The historical profitability of major industrial, commercial and agricultural customers with individual insurance schemes is monitored by customer assessment systems.

General insurance rates are re-calculated at least every third year and, for example, in motor and workers' compensation they are reviewed annually. These lines of business generate more than 50% of Topdanmark's premium income within non-life insurance.

Provisions are generally calculated on a monthly basis across all lines of business and with the claims trend being assessed monthly, followed up by price changes, if necessary. For example, with effect from 1 January 2007 and subsequently 1 January 2008, the price of the illness / accident policies in life insurance was increased due the adverse change in the level of compensation paid.

Topdanmark continues to improve its administration systems to achieve more finely meshed data capture which in turn enables it to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims. An example of this is the new claims system which has been implemented on a rolling basis from 2007.

Claims handling

In order to ensure uniform and efficient claims handling Topdanmark has grouped the handling of all motor and liability claims as well as other types of personal, commercial and agricultural claims into one operational unit.

Claims handling within Topdanmark is intended to make the customers feel "well-helped" while at the same time ensure efficient management and control of the claims incurred.

Topdanmark has in recent years focused on making its claims handling processes more efficient under the following three main headings:

- Promptness
- Better replacement purchasing power
- Quality

Promptness

It is important to promptly obtain an overall impression of the size of a claim, implement any damage controlling actions and / or commence the claims handling process. Prompt attention not only reduces the compensation paid but also provides a better experience for the customer.

Following the receipt of a notification, it is the claims department's goal to operate rapidly in order that the value of the claim does not increase. Notification over the telephone is attended to immediately, internet notification within 24 hours and written notification

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within three business days from the receipt. The time it takes to handle a claim is continuously monitored.

Better replacement purchasing power

The claims department's purchasing power in terms of replacement products and services provides financial advantages for customers and shareholders alike.

Topdanmark has established a number of working agreements to ensure the highest possible discount, quality and security when delivering products and services. The agreements have been made with, for example, craftsmen, garages, Scalepoint, Skadeservice Danmark (damage services) and Medicinsk Test Center (medical testing centre).

Thus we have tried to minimise the largest areas of claims inflation risk, including:

- Personal injury through the agreement with Medicinsk Test Center and the use of "Scan Crash" software for accident simulation
- Stable repair prices of construction damage through agreements with craftsmen
- Car damage through agreements with garages and glass firms

Quality

Topdanmark has developed routines for all major claims processes to ensure that they are handled in a uniform and controlled manner. The routines are supplemented by rules for the level of professional and financial competence of each of the claims employees.

The overall professionalism is controlled by assessing a random sample of claims. For example, it is investigated whether the cover, reason for the claim and provisioning are correct, the recourse possibilities have been tested and that the excess, VAT etc. have all been charged. Assessments have shown continuous improvement.

Customers' satisfaction with letters, telephone and internet contact is monitored quarterly. These assessments have shown that 89% of the telephone customers found the claims handling had been as or better than expected in 2007.

Provisioning risk

Provisions for unearned premiums

The risk on provisions for unearned premiums is relevant within change of ownership insurance where typically the policy covers a period of ten years and the full ten-year payment is made up front.

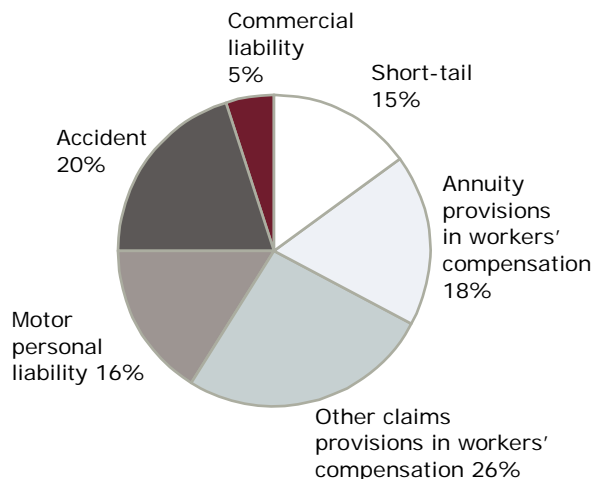
Topdanmark's level of provisions for change of ownership policies is based on statistical analyses of the pattern of claims notifications compared to the remaining period of the policies.

Provisions for outstanding claims

Traditionally, the insurance classes are divided into **short-tail** i.e. those lines where the period from notification until settlement is short and **long-tail** i.e. those lines where the period from notification until settlement is long.

Examples of short-tail lines are building, contents, and comprehensive motor insurance. Long-tail lines relate to personal injury and liability: workers' compensation, commercial liability, accident and motor liability insurance.

The chart below shows the distribution of Topdanmark's total provisions for outstanding claims.



The much higher provision risk in long-tail than in short-tail lines is due to the longer period of claims settlement. It is not unusual that claims in long-tail lines are settled 3 - 5 years after notification and in rare cases up to 10 - 15 years.

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During such a long period of settlement the levels of compensation could be significantly affected by changes in legislation, case-law or the practice in the award of damages adopted by the Danish National Board of Industrial Injuries who awards compensation for injury and disability in all cases of serious industrial injuries.

Damages awarded by the Danish National Board of Industrial Injuries also have some effect on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly ordinary calculation of uncertainty and social inflation.

Definition of social inflation in:

Workers' compensation insurance

- An increase in the level of compensation, for example, due to court decisions or changes in the practice in the award of damages adopted by the Danish National Board of Industrial Injuries

Other lines

- An increase in the level of compensation due to the annual increase in compensation per policy being higher than the level of general indexation or due to a change in judicial practice / legislation.

The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well and then comparing the compensation with information from external sources, primarily statistical material from the National Board of Industrial Injuries and the Danish Road Sector /Road Directorate.

The actuarial team is in constant dialogue with the claims departments on any changes in the practices flowing from new legislation, case law or compensation awards as well as the impact of such changes on the routines used to calculate individual provisions.

Reinsurance

Topdanmark has a restrictive acceptance policy in its choice of reinsurance companies. Primarily it uses insurance companies with a minimum rating of A- with S & P. In those exceptional cases where an insurance company does not have an S & P rating, the AM Best

rating can be used, but Topdanmark still requires a minimum rating of A-.

Storm

The reinsurance contracts for storm cover claims up to DKK 5.1bn of which the retention is DKK 110m (DKK 83m after tax). However, Topdanmark will have to pay a reinstatement premium proportional to the amount of the reinsurance programme that has been utilised.

In the event of another storm within the same year the reinsurance contracts will cover further storm claims up to DKK 5.1bn with a retention of DKK 110m.

Topdanmark has reinsurance cover of DKK 100m for accumulated annual cloudburst claims exceeding DKK 50m. For a claim to be accumulated, it must exceed DKK 7.5m.

In the event of a third or fourth storm in the same year there is cover up to DKK 770m with a retention of DKK 20m. The cover of the third and fourth storm is dependent on there not being two individual storms each exceeding DKK 4.0bn.

Fire

Topdanmark has a proportional reinsurance programme for fire with a maximum retention of DKK 25m per claim on any one business (DKK 19m after tax).

Terror

Until the end of 2001 reinsurance cover included terror. Since 11 September 2001 reinsurance companies have changed their emphasis to focus their attention on the cover of terrorist attacks. Generally, losses resulting from acts of terror are covered by reinsurance contracts with certain restrictions as to the size of cover and the number of terror attacks covered.

It is the intention to establish a national guarantee scheme covering terror claims with effect from 1 January 2009.

Basically the scheme is intended to cover all contents insurance against nuclear, biological, chemical and radiological terror attacks (NBCR claims). The retention of the insurance industry will be DKK 5 - 7bn. The national guarantee of DKK 15m will take

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effect if NBCR claims in Denmark exceed DKK 5 - 7m within one year. It is being discussed to make the payment for the guarantee an annual fee paid to the Government.

In workers' compensation insurance efforts are made to change the Workers' Compensation Act to either completely exclude industrial injuries caused by all types of terror (not only NBCR) from the insurance or to limit the scope of cover.

Cumulative risk

Cumulative risk comprises known and unknown cumulative risk.

Known cumulative risk is where it has been recognised prior to the event that several policyholders could suffer from the same event. An example of known cumulative risk is where Topdanmark insures several shops in the same shopping centre. In the event of a fire it is foreseeable that several policyholders could suffer together.

Unknown cumulative risk is where several policyholders could suffer from the same individual event without the common risk being recognised prior to the event occurring. An example of this is the fireworks disaster in Seest in 2004 when many personal, commercial and industrial customers, quite unexpectedly, were hit by the same event.

In personal lines Topdanmark's retention on known cumulative risk is DKK 15m for the first claim, DKK 5m for the second and DKK 15m for any third or subsequent risk. The retention is DKK 15m in commercial and industrial lines and on unknown cumulative risk it is a maximum of DKK 50m.

Industrial accident and disease

Industrial accident insurance is a compulsory policy paid by employers by taking out workers' compensation policies with Danish insurance companies. In workers' compensation the reinsurance companies cover up to DKK 1.0bn of all claims with a retention of DKK 30m (DKK 23m after tax).

Insurance against industrial disease can not be taken out with insurance companies but only with the public institution AES, a self-funding institution financed by compulsory payments from employers.

Flood and storm-damaged forests

Danish insurance companies do not cover damage arising from floods or the cost of replanting of forests following storms.

These types of claim are covered by the Danish Flood Fund which is a self-sustaining, public fund financed by an annual fee of DKK 20 per fire policy charged on to the customers by the insurance companies.

War, earthquake and nuclear perils

Danish insurance companies do not cover claims directly or indirectly relating to the following:

- War, warlike acts, neutrality violence, civil war, rebellion or civil commotion
- Earthquake or other natural disasters
- Release of nuclear energy or radioactive power unless the damage is due to nuclear reactions for specific industrial, medical or scientific purposes

Market risk

Market risk represents the risk of losses due to changes in the market value of the Group's assets, liabilities and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, currency, inflation and liquidity risk.

The limits for these financial risks are fixed by Topdanmark's Board of Directors. In practice, Topdanmark Kapitalforvaltning handles the investment, finance and risk alignment processes. It is controlled on a day-to-day basis to ensure that the limits are observed. The result of this is reported to the Board of Directors.

Interest rate risk

Topdanmark's provisions for outstanding claims are recorded net of discount using the current zero coupon rate structure. The resulting interest rate exposure is alleviated by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level. The Group's debt either carries floating interest rates where the rate is adjusted every three months or it has a maturity of less than one year.

The interest rate exposure is calculated as the value of the change in the event of a one percentage point

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parallel shift in the interest rate curve ignoring convexity.

Equity risk

Topdanmark is exposed to equity risk from direct investments as well as those investments made via derivatives. The equity risk is calculated as the loss arising if there was a 10% decline in all equities.

Property risk

Topdanmark is exposed to property risk where properties are rented out for business or private residence. The property risk is calculated as the loss arising if there was a 10% decline in the value of all properties.

Currency risk

Topdanmark's currency risk relates in practice only to investments and is alleviated by derivatives. The risk is calculated by the value-at-risk method as the size of the loss which, with a 97.5% probability, will not be exceeded.

Inflation risk

Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions. An expected higher future inflation rate would generally be included in the provisions with a certain time delay while at the same time the result would be impacted by higher future indexation of premiums. Therefore a change in the expected future inflation rate would only have a marginal impact on the profit for the year. However, as a cautious estimate, provisions for outstanding claims, excluding workers' compensation and illness / accident claims, would have to be increased by about DKK 35m if the expected future inflation rate rose by 1% annually.

Workers' compensation and illness / accident insurance differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are directly linked to the expected future indexation of wages and salaries and those in illness / accident insurance are directly linked to the expected development on the net price index.

In order to reduce the risk of inflation within workers' compensation and illness / accident insurance Topdanmark has written inflation swap contracts hedging the expected cash flows if the trend in real

earnings remains stable. Consequently, changes in the expected future inflation rate will only marginally affect the result from these lines of business.

Liquidity risk

In 2007 Topdanmark issued EUR 55m (nominal value) of hybrid capital (subordinated notes), see "Financing" in this report. The hybrid capital has no defined maturity and in terms of capital management it is considered to be equivalent to shareholders' equity. Topdanmark's other loan capital is primarily short-term money market loans, with a typical maturity of a maximum of one month. Outstanding debt is reduced after receiving dividends from the subsidiaries. Any further loan repayments are made by raising similar new loans. To secure a sufficiently liquid base in situations where this source of financing might decline, Topdanmark has purchased an irrevocable right to raise two loans on normal terms. One of these can be up to DKK 500m with expiry no later than 2009 and another of up to DKK 250m with expiry no later than in 2012.

The liabilities of the Group's insurance companies are primarily insurance provisions on which the payment obligation is met by means of the cash flow generated from operations.

Topdanmark Forsikring has raised a subordinated loan of DKK 250m expiring in 2013, however the loan may be terminated in 2010.

All of the Group's insurance companies may raise money market loans as part of the day-to-day liquidity management. Typically the maturity of such loans is less than a month. Both the subordinated loan raised by Topdanmark Forsikring and any outstanding money market loans will be repaid from the cash flow generated from operations.

Furthermore, the Group has a significant liquidity base of high-quality liquid bonds.

Risk of investments in the life insurance group

The goal and risk profile for those customers who have invested in the life insurance companies' policies is significantly different from the goal and risk profile for Topdanmark's investment in the shareholders' equity of the life insurance company. Although the two parties principally jointly own the funds of the life insurance group, Topdanmark has taken a number of

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structural measures to ensure an appropriate distribution of risk and return.

Potential bonus reserves

First and foremost a proportion of the customers' accumulated return has been provided for the collective potential bonus reserve. This acts as a buffer against fluctuations in the net value of assets and liabilities, implying that most of the risk is taken by the customers.

If the adverse fluctuations exceed the collective potential bonus reserve, shareholders' equity would be affected. However, the impact would be limited, as the individual potential bonus reserves, i.e. the difference between the savings of each policy and the guaranteed benefit calculated at market value, would act as a buffer against even significant losses.

From Q4 2004 Topdanmark separated its investment policy for funds owned by customers, (the life insurance provisions) from that of the funds owned by shareholders (the shareholders' equity of the life insurance group and provisions for illness / accident insurance).

Specifically, the return on equities, equity-related investments and instruments earmarked to hedge the interest rate risk on guaranteed benefits, has been transferred to the life customers, before allocating the remaining return.

Accordingly, the shareholders' equity is affected only by losses on equities etc. if they reach such a size that the collective potential bonus reserve has been fully utilised.

Hedging / guaranteed benefits

The Group has guaranteed that policyholders will receive a pension benefit of 1.5%, 2.5% or 4.5%, according to when the policy was written. These benefit guarantees are linked to the risk of a downturn in the financial markets.

Topdanmark already changed its bonus rules in 1998 with the effect that any bonus added to the individual policy would be included to cover the overall pension benefits until expiry. Previously the bonus was used to revalue the guarantees while any bonus added from 1998 is used to hedge the guaranteed benefits.

In January 2004 all the 4.5% policies were transferred to a newly established company, the investment policy of which has been amended to ensure that the company can meet the benefits guaranteed. The proportion of equities is low and most of the interest rate risk in liabilities has been hedged.

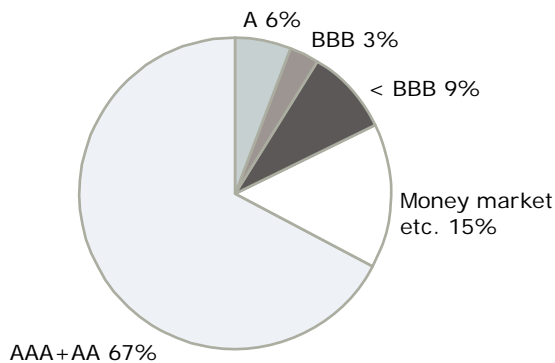
Credit risk

Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations.

Topdanmark is exposed to credit risk in both its insurance and investment business. Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark minimises this risk by primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly 96% of its storm cover has been placed with such reinsurance companies.

Topdanmark's investment risk is the inability of bond, loan or financial contract counter-parties to meet their obligations. To limit the risk on bond and loan debtors most of the investments are made in bonds of high credit rating and the remaining portfolio is well diversified both geographically and with regard to the type of debtor - and therefore the exposure to the concentration of risks is insignificant. To limit the counter-party risk of financial contracts the choice of counter-parties is restrictive and security is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counter-party's credit rating and the term of the contract.

Group
Interest-bearing assets analysed by rating *)



*) The chart has been changed from previous years as money market investments etc. have now been included

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CDOs

CDOs is a general term of a class of independent legal entities established to invest in a portfolio of interest-bearing assets and allocate the return to the investors in accordance with their risk appetite.

It is not meaningful to speak of CDO exposure. CDO investors are exposed to the underlying assets while the CDO itself is a shell with the function of redistributing the risk of the underlying assets among the investors.

The assets of the CDO are financed by investors in loan tranches. The senior tranche has an AAA- rating, the intermediary tranches have ratings typically decreasing to BB while the lower tranche (or tranches) are not rated. The rated tranches usually bear interest at LIBOR plus a margin. The bottom tranche, referred to as the equity or sub-tranche, receives the residual return after payment of the return promised to the higher ranking tranches.

The return on the assets is allocated periodically to the investors according to their position in the subordination order, the so-called "waterfall". The Articles of Association of the CDO provide a set of rules and tests on how far down in the subordination order the return will be allocated. If all the tests have been met, the return will be allocated to all the tranches. If there are tests that have not been met, the return will be allocated to only the tranches specified in the Articles of Association. Normally the tests will include factors such as excess cover, rating quality, diversification and liquidity security.

The investors of the top tranche will incur losses only if these are of such a size that the lower tranches are eliminated. Accordingly the risk of the investors of the senior CDO tranche is much lower than that of the investors of the underlying portfolio. The risk profile is comparable to an investment in an underlying asset where cash security has been provided to cover any losses. This protection is relatively high: in a typical CDO with bank loans as the underlying asset (CLO) the AAA tranche will only suffer if the size of the overall losses, following the sale of securities, exceeds between a third and a quarter of the portfolio value.

It is the opposite for the investors in the sub-tranche who are the first to bear any losses that cannot be

covered by earnings. Once after the bottom tranche has been eliminated, any further losses will move upwards in the subordination order. However, the sub-tranche is not without protection. The losses on the portfolio are not incurred immediately and normally the cash flows attributed to the sub-tranche will be high during the first years of the CDO's life. If the underlying assets perform adversely, the cash flow of the sub-tranche will sooner or later stop but before then a good deal of the original investment will have returned by way of regular payments.

CDOs are included in the bond portfolio but tranches with a rating lower than AA or with no rating are supplementarily calculated by the value-at-risk method based on historical rating transition probabilities.

Changes in value due solely to technical market demand are not detected by the VaR method or by the CDO's general credit rating. 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 risk is alleviated by financial instruments.

Operational risk

Operational risk is the risk of incurring a loss due to insufficient or faulty internal procedures or human or system errors. In practice, operational risk also includes all those risks of carrying out business that have not been described as separate risks.

An example of an operational risk is the serious virus attack which hit Topdanmark's computers in January 2008. The attack was relatively quickly identified and around 3,000 computers were subsequently reinstated. The attack caused no loss of data.

Topdanmark is continuing to develop systems, routines and procedures. The responsible business units are also responsible for the risk management of this development. All projects are risk assessed to establish the risks, possible consequences and measures to limit these risks. The routines and procedures in all critical areas are regularly checked by the auditors in order to assess the risk elements and the measures to limit the risk.

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IT exposure

Topdanmark's business critical systems can be inaccessible for up to 24 hours without causing significant business problems.

In order to reduce the probability of system breakdowns and limit the duration of them, Topdanmark has invested in, for example, emergency power plants with a diesel generator, disk mirroring, alarms in the machine rooms and automatic fire fighting equipment.

The IT equipment is located in two machine rooms 300 metres apart. Many physical components are in duplicate and new programmes are only implemented after extensive testing.

An external company with special expertise in this area regularly tests the possibility of attacking Topdanmark's systems from outside the organisation.

It is Topdanmark's goal that the accessibility of its main systems is no less than 99.5%. For many years it has typically been just over 99.9% for the central applications.

Topdanmark has prepared a detailed IT emergency plan which has been considered and accepted by the Board of Directors. It includes how to re-establish the entire IT environment if the systems break down.

Solvency

Besides the European solvency rules, Danish insurance companies are subject to a number of Danish rules. For 2007 they are to report three solvency calculations to the DFSA.

- Current European solvency rules - Solvency I
- Traffic light rule
- Individual solvency requirement

The current European solvency rules and the traffic light rule have been known and used for a number of years while individual solvency requirement is a new calculation to be reported subsequent to the 2007 accounts.

The traffic light rule is a Danish scenario calculation which demonstrates for example, to be in the green light, a company should have the capital resources to withstand a 30% decline in equity prices simultaneous

with a 0.7% adverse change in interest rates and a 12% decline in property prices.

The new European solvency rules, Solvency II, are currently being prepared and are expected to take effect from 2012.

Throughout 2007 Topdanmark A/S and the Group have observed the current solvency requirements.

Individual solvency requirement

The individual solvency requirement comprises two key elements: a report in numbers to the DFSA on the solvency capital requirement including a calculation of the capital components for this requirement and written documentation of the companies' risk control methods used to identify and quantify risks, take out risk hedging and apply routines etc.

The DFSA's guidance on the individual solvency requirement prescribes no specific methods to be used to calculate the risk or capital. Companies may choose their own calculation methods but are to address all significant risks.

A basic element of the individual solvency requirement is that the company is able to significantly reduce the solvency capital requirement by being aware of the risk: being able to identify it, measure it and control it.

Topdanmark views the individual solvency requirement as a provisional solution prior to the introduction of the expected principles of Solvency II. Consequently Topdanmark bases its calculations of individual solvency requirement on the expected requirements and principles of Solvency II, including the risk calibration of a 200-year-event.

Topdanmark has based the 2007 calculation on the model for Solvency II's most recent test calculation QIS3. However, in several respects Topdanmark has used other methods to make the individual risk calculation more accurate, such as:

- For non-life insurance risks Topdanmark uses an internal model with random simulation of the risks
- For life insurance risks Topdanmark uses a scenario model which better reflects the risk controlling effect of the potential bonus reserves

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- Next year's pre-tax result is included in the calculation of the capital base because the risk on next year's premium etc. is included in the solvency requirement
- The calculation of the market value margin for technical provisions (Cost of Capital) has been based on the settlement of these provisions

In its continued model development Topdanmark is comparing the risk calculations of its models with the budget and actual results (back test).

Estimated individual solvency requirement for Topdanmark Forsikring incl. subsidiaries at 31 December 2007

(DKKm)

Solvency requirement:	
Non-life insurance	
- Insurance risks	1,335
- Market risks	974
Life insurance	
- Insurance risks	14
- Market risks	236
Counterparty risks	45
Diversification effect	(566)
Operational risk	341
Individual solvency requirement	2,379
Capital base in individual solvency requirement	
Shareholders' equity	4,340
Subordinated loan capital	250
Intangible assets	(593)
Proposed dividends	(500)
Provisions for CoC	(218)
Expected pre-tax result 2008	1,135
Capital base Topdanmark Forsikring	4,414
Excess cover	86%

Solvency II

Topdanmark has followed the process of Solvency II and participated in test calculations.

The intention is that Solvency II will be based on market values and actual risk calculations. But as Solvency II should also be simple to use, it is expected that the Solvency II standard model will generally calculate a much larger solvency requirement than a precisely calculated individual requirement, particularly in respect of insurance risks. Therefore Topdanmark has created an internal model for non-life insurance risks, which is expected to be approved by the DFSA as an internal Solvency II model by 2012. The inclusion of non-life risks in the individual solvency requirement for 2007 has been based on this model. Topdanmark will continue to

consider whether the internal model should be expanded to include further risk elements.

It is expected that the Solvency II principles of the effect of risk management and risk control on the size of the solvency capital requirement will be similar to those of individual solvency requirement. These principles aim at good risk management and a high degree of risk control which in turn will reduce the solvency capital requirement. Topdanmark's current spread of risk, risk management, risk control and risk measurement already provide a basis for a relatively low solvency under individual solvency requirements. Therefore Topdanmark feels well prepared to meet the expected requirement of Solvency II in 2012.

The outlook for Solvency II indicates that many separate issues will need to be settled before the rules will be available, in particular the extent of the inclusion of the following year's result in the capital base. Topdanmark believes that its inclusion must be a natural consequence of the risk on the following year's premiums being included in the solvency capital requirement. Topdanmark is continuously following and evaluating developments.

Topdanmark's Solvency II test calculations show that today its capital would be sufficient to meet the Solvency II requirements. Overall, the resulting calculation of individual solvency requirement is similar to the level Topdanmark is expecting for the Solvency II requirements.

Risk scenarios

The Group's risk factors are illustrated in the table below. This table is an illustration of the impact of various assumptions on the most significant risk factors. The given assumptions do not reflect Topdanmark's expected risks, but are shown only as examples.

In the column "Overall effect on Group results" and the two following columns it is assumed that the bonus reserves and the individual potential bonus reserves in the life insurance group could offset adverse fluctuations at the levels described as the overall collective potential bonus reserve was DKK 1,735m and the individual potential bonus reserves DKK 4,554 at 31 December 2007.

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If all the events of the table occurred at the same time, the customers' share of the losses arising in the life insurance group would be covered by the collective potential bonus reserve. If the losses were higher, to a significant extent, they would be covered by the

potential bonus reserve on the individual policies. Thus, the overall effect for Topdanmark would be a loss of DKK 528.3m representing 14.2% of the parent company's shareholders' equity.

Risk factors in the event of realisation of different risk scenarios - after taxation and pension return tax

	Risk scenario	Life insurance group (DKKm)	Remaining Topdanmark Group (DKKm)	Overall effect on Group results (DKKm)	Change in parent company's shareholders' equity (%)	Change in net asset value per share (DKK)
31 December 2006						
Interest-bearing assets	a	(294.9)	(334.7)	(376.4)	(8.6)	(19.6)
Provisions for claims and benefits	a	35.2	248.4	254.2	5.8	13.3
Index-linked bonds	b	(69.7)	0.0	(9.1)	(0.2)	(0.5)
Foreign exchange	c	(6.1)	(1.2)	(2.7)	(0.1)	(0.1)
Equities	d	(437.1)	(147.4)	(152.1)	(3.5)	(7.9)
CDOs < AA	e	(125.0)	(97.6)	(61.8)	(1.4)	(3.2)
Properties	f	(290.3)	(24.4)	(55.0)	(1.3)	(2.9)
Expenses	g	(2.0)	(9.6)	(10.6)	(0.2)	(0.6)
Gross claims incurred	h		(45.2)	(45.2)	(1.0)	(2.4)
Reinsurers' share	h		3.2	3.2	0.1	0.2
Storm disasters on own account	i		(72.0)	(72.0)	(1.6)	(3.8)
31 December 2007						
Interest-bearing assets	a	(217.8)	(265.4)	(298.8)	(8.0)	(18.7)
Provisions for claims and benefits	a	39.6	237.1	243.2	6.5	15.2
Index-linked bonds	b	(85.4)	(10.5)	(21.1)	(0.6)	(1.3)
Foreign exchange	c	(18.6)	(3.1)	(6.8)	(0.2)	(0.4)
CDOs < AA	d	(422.8)	(143.8)	(146.6)	(3.9)	(9.2)
Equities	e	(115.5)	(46.6)	(58.9)	(1.6)	(3.7)
Properties	f	(304.0)	(64.4)	(98.8)	(2.7)	(6.2)
Expenses	g	(2.4)	(10.3)	(11.5)	(0.3)	(0.7)
Gross claims incurred	h		(49.7)	(49.7)	(1.3)	(3.1)
Reinsurers' share	h		3.2	3.2	0.1	0.2
Storm disasters on own account	i		(82.5)	(82.5)	(2.2)	(5.2)

a: One percentage point increase in effective interest rate

b: 5% decline in market price

c: Annual loss on foreign exchange, with a 2.5% probability or less

d: 10% loss on equity portfolios

e: 10% losses on CDOs with ratings lower than AA

f: 10% decline in market value of properties

g: 1% increase in expenditure

h: 1% increase in claims

i: Storms generating claims on own account of up to DKK 110m (2006: DKK 100m)

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The scenarios above show a "here and now" effect of the events stated.

In a period one year hence, a change in interest rates would cause a compensating change in the current return, implying the net effect in a year's time would be much smaller than the immediate effect.

It is illustrated below:

A one percentage point parallel shift upwards in the zero-coupon rate structure would have the following overall immediate effect on the results for the investment assets and existing provisions of the Topdanmark Group excluding life insurance:

DKKm	Post-tax
Revaluation of investment assets	(265)
Revaluation of claims provisions	237
Non-recurring effect of increase in interest rates	(28)

However, the higher interest rates would also result in a better return on Topdanmark's interest-bearing assets and a lower loss ratio.

Assuming a one percentage point increase in interest rates from one day to the next and unchanged inflation, the first year's effect of the increase in interest rates is illustrated below.

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	(28)
Total effect on results	65

Capital structure

Topdanmark believes it is normal to manage shareholders' equity only up to the amount which is deemed necessary to support its primary business.

At the same time it believes that the majority of its shareholders would improve their tax position if they owned securities directly instead of investing indirectly through Topdanmark's shareholders' equity.

Taking these matters into account Topdanmark has adopted a policy of paying out to shareholders any amounts in excess of the conservatively estimated level of shareholders' equity considered necessary to support the underlying business.

Topdanmark considers shareholders' equity to be just one of several instruments which can be used to protect against risk. The objective of shareholders' equity exceeding the statutory minimum is to protect the business against situations when major disasters could threaten future operations. However, such protection is often available by other means, for example reinsurance or derivatives.

Overall, it is Topdanmark's opinion that shareholders' equity or substitutes thereof like subordinated loan capital, guarantees or other general hedging instruments are appropriate to protect against fluctuations in the result on ordinary operations, while the cost of shareholders' equity is prohibitive when used to cover the risk arising from rare one-off events. Therefore this type of risk should be transferred to other risk bearers by using reinsurance or derivatives.

Normally, Topdanmark's operations would generate a fairly stable cash flow. Therefore, Topdanmark usually operates with relatively limited cover in terms of shareholders' equity. To supplement this it has raised subordinated loan capital and bought significant reinsurance cover of disaster risks, i.e. both major isolated events and combinations of isolated events that would threaten Topdanmark's ability to continue operating at its chosen level of shareholders' equity. Additionally, Topdanmark has invested in derivatives reducing the danger of sharp falls in equity markets and also in instruments protecting the life insurance company against any adverse consequences of marked reductions in interest rates, see "Risk management" in this report.

Detailed information on, among other subjects, Topdanmark's capital structure model and model for calculation of share buy-back potential is available on www.topdanmark.com → [Corp. Gov.](#) → [Value Creation](#) → [Capital Structure](#).

Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and / or issue warrants. The issues may be with or

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without pre-emptive rights for the Company's shareholders. The total authorisation is restricted to 2.5m shares of which 875,000 shares have already been issued. The current authorisation expires on 28 April 2008.

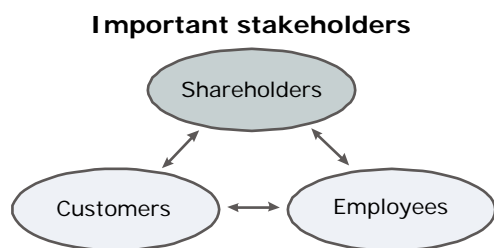
Furthermore, the Board of Directors is authorised to issue up to 1m employee shares. To date 260,000 shares have been issued from this authorisation, which also expires on 28 April 2008.

Finally, for the period until the Annual General Meeting in 2008 the Board of Directors is authorised to acquire own shares up to 10% of the share capital for the purpose of ownership or security. The shares can be acquired at a minimum market price of DKK 10.5 per share and a maximum price of current market value plus 10%. It is a standing authorisation which, subject to the approval of the general meeting, is renewed each year at the Company's Annual General Meeting.

At the time of the 2007 Annual Report Topdanmark's share capital totalled DKK 176,310,000 divided into 17,631,000 shares of DKK 10 each, corresponding to 17,631,000 voting rights.

Corporate Governance

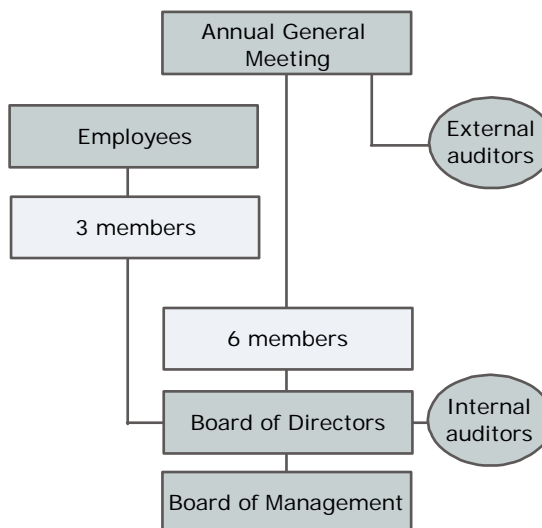
Topdanmark's practical approach to Corporate Governance means that it is not sufficient for the Board of Directors and Board of Management to just observe a set of academic rules. Good Corporate Governance envelops the concept of supporting the trinity between shareholders, customers and employees.



This is done by, among other things, incorporating and maintaining a responsible company culture with good management throughout the organisation. Topdanmark has a decentralised organisational structure based on framework control. In the day-to-day activities homogenous behaviour is supported by

a set of management and customer-oriented values, see www.topdanmark.com → [Corp. Gov.](#) → [Management Principles](#).

The Board of Directors has been focusing on Corporate Governance for a number of years and has regularly aligned the Company's Articles of Association etc. with the principles of good Corporate Governance.



General meeting

The general meeting is Topdanmark's supreme decision-making vehicle. About four weeks before the Annual General Meeting all shareholders registered by name are invited by letter to attend the meeting.

They are all entitled to attend and vote at general meetings. Shareholders who are not able to attend general meetings can vote by proxy on each item of the agenda, however their proxy is only valid for one general meeting.

Shareholders can, by e-mail or postal letter, send questions to be answered at general meetings.

Topdanmark has only one class of shares and each share entitles the holder to one vote.

Decisions at general meetings are made by a simple majority of votes unless a special majority or representation is required by the Danish Companies Act or the Articles of Association. The Articles of Association provide that decisions on the alteration of the Articles of Association are only valid if adopted by

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the affirmative vote of not less than two thirds of the votes cast as well as of the capital represented at the general meeting. The Articles of Association provide no restrictions on voting rights.

The AGM is transmitted live via a webcast.

Board of Directors

The Board of Directors, which is elected by the general meeting and the Topdanmark Group's employees, is the Company's top threshold of management formulating the Company's objectives, goals and strategies and making decisions on matters that are of significant importance or unusual in nature to the Company.

The Board of Directors supervises the Company ensuring that it is managed in a proper way in accordance with legislation and the Articles of Association. It does not participate in day-to-day management of the Company.

The Board holds at least six ordinary Board meetings a year plus an annual Board seminar dealing with strategic issues and other forward-looking topics.

Topdanmark's Board of Directors comprises nine members, six of them elected by shareholders in general meeting and three by Topdanmark's employees in accordance with the Danish Companies Act.

In accordance with this Act the number of Board members elected by employees should be equivalent to not fewer than half the number of those elected by shareholders in general meeting. The rights, duties and responsibility of the Board members elected by employees are the same as those of the Board members elected by shareholders in general meeting.

Shareholders who are not associated with the Company by their employment or who are not employed by a competing company are eligible for election to the Board of Directors by shareholders in general meeting.

Topdanmark has no fixed general selection criteria. It believes that by imposing very specific requirements on the Board of Directors it may prevent the election of an obviously qualified Board candidate who does not fully meet the requirements. Instead an individual

decision will be made on each Board candidate based upon an overall consideration of their qualifications, the Company's present needs and the composition of the rest of the Board of Directors.

The age limit for Board members is 70 and the term of office for members elected by shareholders in general meeting is one year, while in accordance with legislation, it is four years for members elected by employees.

Board members are elected individually, and no Board member may be appointed by any individual shareholder. Except from the Chairman of the Board, who is a former CEO of Topdanmark, all Board members elected by shareholders in general meeting meet the definition of independence set out by the Committee for Corporate Governance.

The Board of Directors evaluates the Board work and its co-operation with the Board of Management as required, without the participation of the Board of Management. Taking this evaluation into account, the Board of Directors assesses itself during the annual Board seminar. Self-assessment is included in the rules of procedure and the working plan of the Board of Directors. The Board of Directors also evaluates the co-operation between the Board of Management and itself at the annual Board seminar.

Recommendations on good Corporate Governance from the Committee for Corporate Governance

At the end of 2001 the Nørby Committee published its first report on Corporate Governance in Denmark. Since then the Board of Directors has made a precise response to each item of the Nørby Committee's recommendations and Topdanmark has met all significant recommendations included in that report.

This was followed by new recommendations for good Corporate Governance in Denmark in 2005 by the Committee on Corporate Governance. The recommendations follow the "comply-or-explain" principle which has been decided at EU level.

Topdanmark's Board of Directors has provided a precise response to these recommendations as well.

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The Board of Directors believes that Topdanmark meets all the recommendations that are important and relevant to a company like Topdanmark.

However, Topdanmark does not fully meet the following recommendations:

- The Annual Report to disclose information on each Board member's holding of shares etc. in the company and any changes in these holdings.
- The Annual Report to disclose the amounts of total remuneration of the individual members of the Board of Directors and the Board of Management as well as other benefits.

In response, Topdanmark publishes information on the shares and the basic and performance-related pay at a group level for both the entire Board of Directors and the entire Board of Management.

Topdanmark believes that the market will receive no further relevant information by publishing this information at an individual level.

Of course Topdanmark observes the relevant rules on reporting the details of the trading and other transactions in the Company's shares by insiders. Therefore any changes in the shareholdings etc. in Topdanmark held by the Board of Directors and Board of Management are regularly reported at an individual level.

Topdanmark believes that there is no need for additional information in the Annual Report on the shareholdings.

- The Annual Report to disclose information on the individual pension schemes of the Board of Directors and the Board of Management.

The Board of Directors has no pension scheme. Individual pension schemes have been agreed with each member of the Board of Management. The Company's liabilities for the agreed pension schemes have been fully provided for. In this light Topdanmark does not believe that the market will receive further relevant information by publishing information on each executive's pension scheme at an individual level.

- Board members who are the managing director of an active company may hold a maximum of three ordinary directorships or one chairmanship and one ordinary directorship besides the directorship in Topdanmark.

Topdanmark has set no fixed limits on the number of other positions a Board member can hold. Topdanmark believes that it is up to each individual Board member to decide how many other positions they can handle and that the amount of managerial work varies significantly from company to company.

The Board of Directors regularly considers, particularly when nominating candidates for the annual election of members to the Board of Directors, whether each candidate has been and will continue to be able to reserve the necessary time and concentration to hold the directorship in Topdanmark.

- The Board of Directors to lay down the framework for the auditor's provision of non-audit services each year.

Topdanmark's need for non-audit advice varies from year to year, but is generally for taxation advice. The percentage share has been between 14% and 33% in the years 2003 - 2007. The Board of Directors believes that the company is given the best advice from the auditor elected at the AGM who knows Topdanmark well. The Board of Directors believes there is no reason to be concerned about the auditor's independence just because the share of non-audit services is extraordinarily high in a specific year.

The Board of Directors is following developments closely. Regularly and particularly when nominating a candidate for the external auditor election at the AGM, it evaluates, in the light of, for example, the amount of non-audit services, whether the auditor continues to possess the necessary independence.

The Board of Directors will continuously monitor the use of non-audit services provided by the external auditor considering the need for determining an actual framework for this use.

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Detailed information on Topdanmark's initiatives on good Corporate Governance, including a review of its response to each item of the "Revised Recommendations for Corporate Governance in Denmark 2005" by the Copenhagen Stock Exchange Committee on Corporate Governance, is available on www.topdanmark.com → [Corp. Gov.](#) → [Legislation, Articles of Association and regulations](#) → [Recommendations](#). This information is regularly updated. Topdanmark believes that such updated information published on its website is more valuable to the market than a review included in the Annual Report of its adherence to each recommendation.

Salary structure

Topdanmark's salary policy is intended to optimise long-term value creation at a Group level. The General Meeting has adopted general guidelines for performance-related pay in accordance with Section 69b of the Danish Companies Act.

Topdanmark publishes information on the basic and performance-related pay at a Group level for the entire Board of Directors and the entire Board of Management. Topdanmark believes that the market will receive no further relevant information by publishing this information at an individual level.

The remuneration package of the Board of Management and a number of the heads of business sectors and administrative departments is based upon a fixed basic salary which, depending on the executive's expected contribution to value creation in Topdanmark in the year of granting, can be supplemented by the right to purchase options. Individual pension schemes have been agreed with each member of the Board of Management and the Company's liabilities for these schemes are fully hedged. Individual bonuses are not paid.

The share price reflects expected value creation potential at Group level. This is one of the reasons why Topdanmark believes that the right to purchase options rather than the receipt of individual bonuses encourages the executives to be more holistic in their approach to value creation.

The right to buy options is based on an assessment of each executive's expected contribution to value creation in the year of granting.

Besides the revolving option scheme for the Board of Management and a number of the heads of the business sectors and administrative departments, the Board of Management may grant a number of options, free of charge, to employees who are expected to make a special effort or otherwise contribute extraordinarily to value creation in the Company in the year of granting.

Employee shares and bonds

In order to ensure that all employees focus on value creating activities, Topdanmark issued employee shares and bonds in 2007. The allocation was effected simultaneous with a reduction in the cash salary in H2. Employee shares and bonds are not issued in accordance with an on-going published plan for allocation but the issue is specifically decided and prepared by the Board of Directors each time.

In 2007 Topdanmark issued 29,016 employee shares, and employee bonds with a nominal value of DKK 16,325,866.

The cost of the issue of employee shares and bonds was DKK 36m in 2007, which, like the cash salary deduction, was included in the H2 accounts. This cost has been calculated at fair value according to the IFRS 2 on share-based payments. At the end of 2007 employee shares represented 3.0% of shareholders' equity.

Options

Topdanmark has already issued 130,000 options for 2008 to its Board of Management and a number of executives. The strike price of DKK 802 was fixed at 110% of the market price of Topdanmark's shares on 28 December 2007 (average of all trades). The options were paid for by the individuals concerned.

Besides the revolving scheme above a further 20,000 options have been granted for 2008 to a number of other executives who are expected to make a special effort or otherwise contribute extraordinarily to value creation in the Company. These were granted free of charge

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Breakdown of share options / warrants granted since 2002

Year	Board of Directors	Board of Management	Executives	Total
2002	18,219	84,281	242,500	345,000
2003	21,448	84,263	244,289	350,000
2004	0	74,954	200,046	275,000
2005	0	69,922	180,078	250,000
2006	0	54,150	145,850	200,000
Market value of those warrants granted in 2006 (DKKm)	0	3	9	12
2007	0	36,571	113,429	150,000
Market value of those warrants granted in 2007 (DKKm)	0	5	16	21
2008	0	39,224	110,776	150,000
Market value of those options granted in 2008 (DKKm)	0	4	13	17

The options granted for 2008 may not be exercised any earlier than subsequent to the publication of the 2010 annual results in 2011 and no later than subsequent to the publication of the 2012 annual results in 2013. In the intervening period the options can be exercised until three banking days after Topdanmark's publication of annual, half-yearly and quarterly reports.

The market value of the options for 2008 has been calculated to be DKK 17m.

This was calculated using the Black and Scholes model assuming a share price of DKK 729.47, an interest rate corresponding to the zero coupon rate based on the swap curve on 28 December 2007, future annual volatility of 20%, corporation tax rate of 25% and a pattern of exercise similar to Topdanmark's previous granting of share options, see IFRS 2 on share-based payments.

At the end of 2007 the exposure of the options held by the Board of Management represented 0.9% of shareholders' equity.

Detailed information is available on Topdanmark's option scheme on www.topdanmark.com → [Corporate Governance](#) → [Salary Structure](#)

Investor relations

Topdanmark gives a high priority to Investor Relations (IR) in order to ensure that as far as possible:

- Value creating activities are reflected in a fair price for Topdanmark's shares
- The liquidity of Topdanmark's shares is gradually increased in order that they are not traded at a discount due to a lack of liquidity
- A high level of knowledge of and confidence in Topdanmark's shares is secured in the event of corporate acquisitions
- A low volatility in the price of the share is secured through uniform and consistent information, which helps to reduce the cost of capital

Topdanmark endeavours to be active and outreaching to investors in Denmark and abroad through the use of information channels such as:

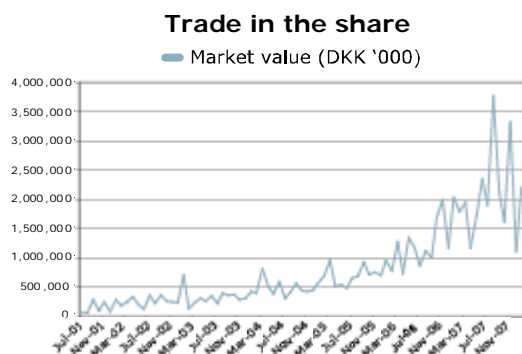
- Investor meetings
- Telephone meetings
- Conference calls
- Webcasts

For example, during the past year Topdanmark held around 150 investor meetings.

Since 2000 the free float in Topdanmark's shares has increased from 60% to 100%.

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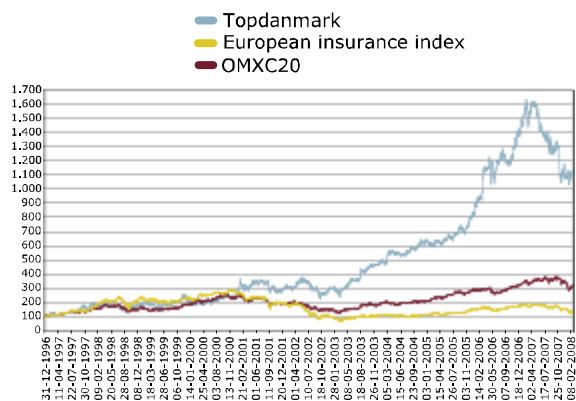
Since mid-2001 (from which point in time comparable data has been available) the monthly share trading has increased from about DKK 50m to just over DKK 2bn in 2007.



As the Danish institutional investors have increased the foreign share in their equity portfolios for a number of years, Topdanmark has increased its share of foreign shareholders. Since 1997 until the beginning of 2007 the share of foreign shareholders increased from 2% to 25%.

Read more about Investor Relations on www.topdanmark.com → [Corp. Gov.](#) → [Value creation](#) → [Investor Relations](#).

Index-linked share price movement (Basis: 31 Dec 1996=100)



Annual General Meeting

The Annual General Meeting will be held on Tuesday 15 April 2008, 15:00 (CET) at:

Radisson SAS Scandinavia Hotel
Amager Boulevard
2300 Copenhagen S

The Board of Directors will recommend to the Annual General Meeting a reduction in share capital by cancellation of the number of shares bought back for subsequent write down since the most recent reduction in share capital confirmed at the extraordinary general meeting on 13 December 2007.

Financial calendar

AGM	15 Apr 2008
Q1 2008 Interim Report	19 May 2008
H1 2008 Interim Report	26 Aug 2008
Q1 - Q3 2008 Interim Report	25 Nov 2008
2008 Annual Report	10 Mar 2009

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List of company announcements and trading reports

Company announcements

Topdanmark submits announcements to the OMX Nordic Exchange, Copenhagen with information on material and relevant events in the Group which can affect the price of Topdanmark's shares. The announcements are also sent to the press, share analysts, investors and other interested parties.

The announcements are available on www.topdanmark.com → [Announcements](#)

2008

- | | | |
|--------|---------|--|
| 07 Jan | 02/2008 | Topdanmark increases its holding of own shares |
| 02 Jan | 01/2008 | Issue of options and share capital and voting rights of Topdanmark |

2007

- | | | |
|--------|---------|---|
| 20 Dec | 29/2007 | Topdanmark reduces its holding of own shares |
| 20 Dec | 28/2007 | Cancellation of shares |
| 13 Dec | 27/2007 | Extraordinary General Meeting of Topdanmark on 13 December 2007 |
| 29 Nov | 26/2007 | Notice convening Extraordinary General Meeting of Topdanmark |
| 27 Nov | 25/2007 | Topdanmark's Interim Report for Q1 - Q3 2007 |
| 26 Nov | 24/2007 | Result of sale of employee shares and issue of employee bonds |
| 05 Nov | 23/2007 | Clarification of unchanged profit forecast for 2007 for Topdanmark |
| 20 Sep | 22/2007 | Topdanmark increases its holding of own shares |
| 17 Sep | 21/2007 | Extraordinary General Meeting of Topdanmark on 17 September 2007 |
| 05 Sep | 20/2007 | Notice convening Extraordinary General Meeting of Topdanmark |
| 31 Aug | 19/2007 | Share capital and voting rights of Topdanmark |
| 28 Aug | 18/2007 | Topdanmark's 2007 Half Year Report |
| 08 Aug | 17/2007 | Cancellation of shares and Topdanmark reduces its holding of own shares |
| 13 Jul | 16/2007 | Topdanmark issued subordinated notes |
| 06 Jul | 15/2007 | Resignation of employee elected to the Board of Directors |
| 29 Jun | 14/2007 | Share capital and voting rights of Topdanmark |
| 20 Jun | 13/2007 | Topdanmark increases its holding of own shares |
| 14 Jun | 12/2007 | Topdanmark is negotiating the issue of hybrid core capital |
| 12 Jun | 11/2007 | Increase in Topdanmark's share capital |
| 01 Jun | | Share capital and voting rights of Topdanmark Forsikring A/S |
| 01 Jun | 10/2007 | Share capital and voting rights of Topdanmark |
| 22 May | 09/2007 | Topdanmark Interim Report - Q1 2007 |
| 26 Apr | 08/2007 | Annual General Meeting of Topdanmark |
| 13 Apr | 07/2007 | Notice convening Annual General Meeting of Topdanmark |
| 27 Mar | 06/2007 | Election of employees to Topdanmark's Board of Directors |
| 26 Mar | 05/2007 | Increase in Topdanmark's share capital |
| 13 Mar | 04/2007 | Topdanmark's Annual Report 2006 |
| 01 Mar | 03/2007 | Cancellation of shares and Topdanmark reduces its holding of own shares |
| 01 Feb | 02/2007 | Topdanmark increases its holding of own shares |
| 02 Jan | 01/2007 | Issue of warrants |

Topdanmark's Annual Report 2007

Trading reports

2007

31 Aug	08/2007	Trading in Topdanmark shares by insiders
30 Aug	07/2007	Trading in Topdanmark shares by insiders
29 Aug	06/2007	Trading in Topdanmark shares by insiders
06 Jun	05/2007	Trading in Topdanmark shares by insiders
23 May	04/2007	Trading in Topdanmark shares by insiders
27 Mar	03/2007	Trading in Topdanmark shares by insiders
14 Mar	02/2007	Trading in Topdanmark shares by insiders
03 Jan	01/2007	Trading in Topdanmark shares by insiders

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Board of Directors and Board of Management

Board of Directors

Michael Pram Rasmussen, Chairman

Managing Director*, D.O.B. 1955, joined Topdanmark's Board of Directors in 2006

Member of the Boards of Directors of:

- A.P. Møller - Mærsk A/S (Chairman)
- Coloplast A/S (Chairman)
- William Demant Holding A/S

Anders Knutsen, Deputy Chairman

Managing Director*, D.O.B. 1947, joined Topdanmark's Board of Directors in 1999

Member of the Boards of Directors of:

- Danisco A/S (Chairman)
- Copenhagen Business School (Chairman)
- Solum A/S /Chairman)
- Fritz Hansen A/S (Deputy Chairman)
- Augustinus Fabrikker A/S

Jørgen Ajslev

Managing Director*, D.O.B. 1943, joined Topdanmark's Board of Directors in 1994

Member of the Boards of Directors of:

- Fritz Schur Teknik A/S (Chairman)
- Gourmetbryggeriet A/S (Chairman)
- Meyn Food Processing Technology B.V.
- DSV Miljø A/S
- Aalborg Industries Holding A/S
- Hans Buch A/S
- Johs. Thornam A/S
- H+H International A/S
- Skako Industries A/S
- Grey Holding I A/S

Ole Døssing Christensen

Certified insurance sales rep.**, D.O.B. 1952, joined Topdanmark's Board of Directors in 1999

Charlotte Hougaard

System developer**, D.O.B. 1964, joined Topdanmark's Board of Directors in 2007

Per Mathiesen

Case handler**, D.O.B. 1966, joined Topdanmark's Board of Directors in 2007

Jens Maaløe

Managing Director*, D.O.B. 1955, joined Topdanmark's Board of Directors in 1999

Member of the Boards of Directors of:

- NKT A/S
- Ingeniørhøjskolen i Århus

Annette Sadolin

Managing Director*, D.O.B. 1947, joined Topdanmark's Board of Directors in 2004

Member of the Boards of Directors of:

- Ratos AB
- Lindab International AB
- Skodsborg Kurhotel & Spa A/S

Knud J. Vest

Fur farmer*, D.O.B. 1946, joined Topdanmark's Board of Directors in 1994

Member of the Boards of Directors of:

- Danish Agro (Deputy Chairman)
- EFBA (Deputy Chairman)
- Dansk Pelsdyravlerforening/Danske Pelsauktioner
- Danske Andelsselskaber

Member of:

- Agricultural Council of Denmark

Board of Management

Poul Almlund, D.O.B. 1947, joined Topdanmark in 1979

CEO of Topdanmark A/S

Member of the Boards of Directors of:

- Forsikring & Pension
- Bornholms Brandforsikring A/S
- Specialforeningen BL&S Invest (Chairman)

Kim Bruhn-Petersen, D.O.B. 1956, joined Topdanmark in 1989

Group Managing Director of Topdanmark A/S

Member of the Board of Directors of:

- Forsikringsakademiet A/S

Christian Sagild, D.O.B. 1959, joined Topdanmark in 1996

Group Managing Director of Topdanmark A/S

Member of the Board of Directors of:

- Finanssektorens Arbejdsgiverforening

*Elected by shareholders in general meeting

**Elected by employees

In accordance with Article 80 of the Danish Financial Business Act, the Board of Management's responsibilities are shown in the Annual Report for Topdanmark Forsikring A/S

Topdanmark's Annual Report 2007

Five-year summary • Group

(DKK m)	2003	2004	2005	2006	2007
NON-LIFE INSURANCE					
Gross premiums earned*	7,150	7,957	8,477	8,860	8,955
Technical interest	105	90	85	126	181
Gross claims incurred	(4,980)	(5,884)	(7,034)	(5,912)	(5,840)
Bonuses and rebates	(34)	(63)	(64)	(55)	(72)
Operating expenses	(1,406)	(1,188)	(1,216)	(1,230)	(1,278)
Net reinsurance	(363)	(172)	656	(352)	(345)
Change in the equalisation provisions	(55)	-	-	-	-
TECHNICAL PROFIT ON NON-LIFE INSURANCE	417	740	904	1,437	1,601
LIFE INSURANCE					
Gross premiums written	2,024	2,285	2,549	3,154	3,556
Allocated investment return	1,050	1,384	2,149	1,358	191
Claims and benefits	(836)	(978)	(1,291)	(1,648)	(1,908)
Change in life insurance provisions	(1,339)	(1,971)	(2,183)	(1,926)	(1,418)
Bonus	(381)	(286)	(800)	(391)	421
Change in provisions for unit-linked contracts	(215)	(120)	(79)	(250)	(529)
Operating expenses	(238)	(219)	(243)	(257)	(290)
Net reinsurance	(1)	3	(4)	1	(2)
TECHNICAL PROFIT ON LIFE INSURANCE	64	98	98	41	21
Profit on investment activities after transfer to technical results	742	289	493	775	67
Other income	7	7	7	7	7
Other expenses (incl. goodwill)	(109)	(34)	(46)	(37)	(39)
PRE-TAX PROFIT	1,121	1,100	1,456	2,223	1,657
Taxation	(120)	(324)	(296)	(531)	(386)
PROFIT FOR THE YEAR	1,001	776	1,160	1,692	1,271
Strengthening of / gains on provisions on own account	(206)	(132)	(47)	34	324
Total insurance assets	488	661	886	706	669
Total assets	29,535	34,560	41,098	43,640	44,645
Total shareholders' equity	3,612	2,950	3,584	3,977	3,368
Provisions for insurance and investment contracts:					
Non-life insurance	8,815	10,555	12,121	12,783	13,314
Life insurance	15,298	17,709	20,808	23,459	25,093
Ratios					
Return on shareholders' equity (%)	28.1	26.4	35.5	43.6	34.2
Gross loss ratio (%)	70.0	74.7	83.8	67.4	65.9
Net reinsurance ratio (%)	5.0	2.1	(7.7)	4.0	3.9
Claims trend (%)	75.0	76.8	76.1	71.4	69.8
Gross expense ratio (%)	19.8	15.6	14.8	14.6	14.5
Combined ratio %	94.8	92.4	90.9	86.0	84.3
Operating ratio (%)	93.5	91.4	90.0	84.8	82.7
Relative strengthening of / gains on provisions (%)	(3.7)	(2.0)	(0.6)	0.4	3.4
Solvency ratio	57.7	33.8	58.1	71.1	58.0

* Before deducting bonuses and rebates

The comparatives for 2003 have not been restated to comply with IFRS

The most significant differences are disclosed in Note 43

Topdanmark's Annual Report 2007

Profit and loss account • Group

(DKKm)	Note	2006	2007
NON-LIFE INSURANCE			
Gross premiums written	1	8,863	9,022
Reinsurance ceded		(727)	(723)
Change in the provisions for unearned premiums, gross	1	(3)	(67)
Change in reinsurers' share of the provisions for unearned premiums		(9)	1
Premiums earned on own account		8,124	8,233
Technical interest on own account	2	126	181
Gross claims paid		(5,253)	(5,590)
Reinsurance cover received		475	345
Change in the provisions for claims, gross		(659)	(250)
Change in reinsurers' share of the provisions for claims		(176)	(60)
Claims incurred on own account	3	(5,613)	(5,555)
Bonuses and rebates		(55)	(72)
Acquisition costs		(739)	(752)
Administrative expenses		(491)	(526)
Reinsurance commission and share of profits		85	92
Total operating expenses on own account		(1,145)	(1,186)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	4	1,437	1,601
LIFE INSURANCE			
Gross premiums written	5	3,154	3,556
Reinsurance ceded		(9)	(9)
Premiums on own account		3,145	3,547
Allocated investment return on own account		1,358	191
Claims and benefits paid	6	(1,636)	(1,899)
Reinsurance cover received		8	4
Change in the provisions for claims and benefits		(12)	(9)
Claims and benefits paid on own account		(1,640)	(1,904)
Change in life insurance provisions	7	(1,926)	(1,418)
Change in reinsurers' share		(1)	2
Change in the life insurance provisions on own account		(1,927)	(1,416)
Bonus		(391)	421
Change in provisions for unit-linked contracts		(250)	(529)
Acquisition costs		(128)	(148)
Administrative expenses		(129)	(142)
Reinsurance commission and share of profits		3	1
Total operating expenses on own account		(254)	(289)
TECHNICAL PROFIT ON LIFE INSURANCE		41	21

Topdanmark's Annual Report 2007

Profit and loss account • Group

(DKK m)	Note	2006	2007
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance		1,437	1,601
Technical profit on life insurance		41	21
Income from associated companies		77	(12)
Income from investment properties	8	149	178
Interest income and dividends etc.		1,482	1,817
Revaluations	9	1,206	(1,007)
Interest charges		(103)	(93)
Expenses on investment business		(41)	(43)
Total investment return		2,770	840
Technical interest transferred to non-life insurance business		(448)	(585)
Pension return tax	10	(189)	3
Investment return transferred to life insurance business		(1,358)	(191)
Other income		7	7
Other expenses	11	(37)	(39)
PRE-TAX PROFIT		2,223	1,657
Taxation	12	(531)	(386)
PROFIT FOR THE YEAR		1,692	1,271
Profit per share		90.9	75.0
Profit per share, diluted		88.3	73.3

Topdanmark's Annual Report 2007

Assets • Group

(DKK m)	Note	2006	2007
INTANGIBLE ASSETS	13	579	593
Machinery and equipment		128	146
Owner-occupied properties		636	620
Buildings under construction		50	0
TOTAL TANGIBLE ASSETS	14	814	766
Investment properties	15	2,626	3,302
Shares in associated companies	16	374	361
Loans to associated companies	17	114	199
Total investment in associated companies		488	560
Shares		5,978	6,404
Bonds		26,203	25,247
Loans guaranteed by mortgages		35	23
Other loans		4	3
Deposits with credit institutions		3,141	3,811
Derivatives		804	455
Total other financial investment assets		36,165	35,943
TOTAL INVESTMENT ASSETS		39,279	39,805
INVESTMENT ASSETS LINKED TO UNIT-LINKED CONTRACTS	18	761	1,053
Reinsurers' share of provisions for unearned premiums	19	88	97
Reinsurers' share of life insurance provisions		26	28
Reinsurers' share of the provisions for claims and benefits	20	592	544
Total reinsurers' share of provisions		706	669
Amounts due from policyholders		298	337
Amounts due from insurance companies		168	126
Amounts due from associated companies		3	4
Other debtors		110	135
TOTAL DEBTORS		1,285	1,271
Current tax assets		0	198
Deferred tax assets	21	66	70
Cash and cash equivalents		217	180
Other		94	104
TOTAL OTHER ASSETS		377	552
Accrued interest and rent		453	497
Other prepayments and accrued income		92	108
TOTAL PREPAYMENTS AND ACCRUED INCOME		545	605
TOTAL ASSETS		43,640	44,645

Topdanmark's Annual Report 2007

Shareholders' equity and liabilities • Group

(DKK m)	Note	2006	2007
Share capital		196	176
Revaluation reserve		11	13
Security fund		1,063	1,104
Other reserves		3	0
Total reserves		1,066	1,104
Profit carried forward		2,704	2,075
TOTAL SHAREHOLDERS' EQUITY		3,977	3,368
SUBORDINATED LOAN CAPITAL	22	249	651
Provisions for unearned premiums	23	2,583	2,655
Guaranteed pension benefits		11,115	9,920
Bonus potential on future premiums		6,242	7,245
Bonus potential on paid-up benefits		2,944	4,554
Total life insurance provisions	24	20,301	21,719
Provisions for claims and benefits	25	10,209	10,662
Collective potential bonus reserve	26	2,150	1,735
Provisions for bonuses and rebates		66	80
Provisions for unit-linked contracts	27	933	1,556
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		36,242	38,407
Pensions and similar commitments	28	57	53
Deferred tax liabilities	21	91	123
Deferred tax on security funds	29	389	348
TOTAL LIABILITIES PROVIDED		537	524
DEPOSITS RECEIVED FROM REINSURERS		30	42
Creditors arising out of direct insurance operations		143	307
Creditors arising out of reinsurance operations		25	28
Bond loans		0	15
Amounts due to credit institutions		1,576	536
Amounts due to associated companies		5	14
Current tax liabilities		25	0
Other creditors		624	647
Derivatives		94	29
TOTAL CREDITORS		2,492	1,576
ACCRUALS AND DEFERRED INCOME		113	77
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43,640	44,645

Topdanmark's Annual Report 2007

Cash flow statement • Group

(DKK m)	2006	2007
Cash flow from operations		
Gross premiums written	8,800	8,954
Claims paid	(5,253)	(5,582)
Expenses paid	(1,149)	(1,176)
Reinsurance	(181)	(239)
Cash flow from non-life insurance	2,217	1,957
Gross premiums written	3,159	3,657
Claims and benefits	(1,637)	(1,900)
Expenses paid	(256)	(281)
Reinsurance	5	2
Cash flow from life insurance	1,271	1,478
Total cash flow from insurance business	3,488	3,435
Payments made and received on investment contracts	71	94
Dividends from associated companies	3	2
Interest income and dividends etc.	1,636	1,973
Interest charges	(210)	(137)
Pension return tax	(166)	(16)
Corporation tax	(507)	(578)
Other income and expenses	(30)	(32)
Total cash flow from operations	4,285	4,741
Investments		
Properties	14	(474)
Machinery, equipment and intangible assets	(102)	(124)
Shares	214	(476)
Unit trusts	62	0
Bonds	(1,736)	(615)
Loans	43	17
Derivatives	398	538
Investment assets linked to unit-linked contracts	(155)	(309)
Balances with associated companies	34	(76)
Total investments	(1,228)	(1,519)
Financing		
Shares bought back	(1,430)	(2,026)
Share-based payments	123	60
Employee bonds	0	15
Subordinated loan capital	0	402
Convertible debt securities	(302)	0
Amounts due to credit institutions	(682)	(1,040)
Total financing	(2,291)	(2,589)
Change in liquid funds	766	633
Liquid funds at 1 January	2,592	3,358
Liquid funds at 31 December	3,358	3,991
Liquid funds comprise:		
Cash and cash equivalents	217	180
Deposits with credit institutions	3,141	3,811
	3,358	3,991

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.

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Capital • Group

(DKK m)

Movements in shareholders' equity

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
2006						
Shareholders' equity at 1 January	208	10	1,063	4	2,299	3,584
Exchange rate adjustment of foreign business				(1)		(1)
Revaluation of owner-occupied properties		8				8
Transferred to collective potential bonus reserve		(6)				(6)
Taxation		(1)				(1)
Net income taken to shareholders' equity	0	1	0	(1)	0	0
Profit for the year		3			1,689	1,692
Total income	0	4	0	(1)	1,689	1,692
Dividends received from associated companies		(3)			3	0
Cancellation of own shares	(12)				12	0
Share buy-back					(1,430)	(1,430)
Sale of employee shares					27	27
Issue of warrants					12	12
Exercise of share options / warrants					97	97
Transferred to collective potential bonus reserve					4	4
Pension return tax					(6)	(6)
Other movements in shareholders' equity					4	4
Taxation					(7)	(7)
Shareholders' equity at 31 December 2006	196	11	1,063	3	2,704	3,977
2007						
Shareholders' equity at 1 January	196	11	1,063	3	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		0	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	4	41	(3)	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
Shareholders' equity at 31 December 2007	176	13	1,104	0	2,075	3,368

Topdanmark's Annual Report 2007

Capital • Group

(DKK m)	2006	2007
Solvency		
Shareholders' equity according to Danish rules *	4,366	3,716
Tax asset	(5)	(1)
Hybrid core capital	0	402
Capital adequacy requirements for insurance companies	-	(1,453)
Core capital	4,361	2,664
Capital adequacy requirements for insurance companies	(2,788)	(1,453)
Capital base	1,573	1,211
Weighted assets	2,213	2,086
Core capital as a percentage of weighted assets	197.0	127.7
Solvency ratio	71.1	58.0
Solvency requirement (%)	8.0	8.0

* Before provisioning for deferred tax on security funds

Solvency has been calculated according to the rules for financial services holding companies. The solvency rules have been changed from 2007 and the comparatives have not been restated

Profit per share

Profit for the year	1,692	1,271
Average number of shares ('000)	18,612	16,948
Diluting impact of options ('000)	559	403
Average number of shares, diluted ('000)	19,171	17,351
Profit per share, DKK	90.9	75.0
Profit per share, diluted DKK	88.3	73.3

Number of shares

Reconciliation of the number of shares ('000)		
Shares issued at 1 January	20,758	19,559
Own shares at 1 January	(1,569)	(1,663)
Number of shares at 1 January	19,189	17,896
Shares bought back	(1,618)	(2,111)
Shares issued	0	138
Shares sold	324	72
Shares issued at 31 December	19,559	17,631
Own shares at 31 December	(1,663)	(1,636)
Number of shares at 31 December	17,896	15,995

Own shares

	Number of shares '000	Nominal value DKK m	Percentage of share capital	Bought /sold DKK m
Held at 1 January 2006	1,569	16	7.6	
Bought back in 2006	1,618	16	8.3	1,291
Sold	(324)	(3)	1.7	(260)
Written down	(1,200)	(12)	-	
Held at 31 December 2006	1,663	17	8.5	-
Bought back in 2007	2,111	21	12.0	1,996
Sold	(72)	(1)	0.4	(70)
Written down	(2,066)	(21)	-	
Held at 31 December 2007	1,636	16	9.3	-

Number of shares held to cover the granting of warrants: 879,000 (2006: 937,000)

Topdanmark's Annual Report 2007

Segment information • Group

Profit and loss account

(DKKm)	Per- sonal	Com- mercial	Indu- strial	Eli- min- ated	Non-life insur- ance	Life insur- ance	Parent etc.	Rent	Group
2006									
Non-life insurance									
Gross premiums written	4,611	3,350	857	(13)	8,805				8,805
Technical interest*	60	58	9	(1)	126				126
Claims incurred	(3,101)	(2,290)	(557)	12	(5,936)			24	(5,912)
Expenses	(696)	(477)	(111)	0	(1,284)			54	(1,230)
Net reinsurance	(64)	(168)	(124)	4	(352)				(352)
Technical profit on non-life insurance	810	473	74	2	1,359			78	1,437
Life insurance									
Gross premiums written						3,154			3,154
Allocated investment return						1,366		(8)	1,358
Benefits and change in provisions						(4,215)			(4,215)
Expenses						(265)		8	(257)
Net reinsurance						1			1
Technical profit on life insurance						41		0	41
Total investment return					1,124	1,610	122	(86)	2,770
Pension return tax						(189)			(189)
Transferred to technical result					(448)	(1,366)		8	(1,806)
Investment return					676	55	122	(78)	775
Other items					12	22	(64)		(30)
Pre-tax profit					2,047	118	58	0	2,223
Taxation									(531)
Profit for the year									1,692
2007									
Non-life insurance									
Gross premiums written	4,567	3,471	862	(17)	8,883				8,883
Technical interest*	89	79	13	0	181				181
Claims incurred	(3,083)	(2,292)	(501)	20	(5,856)			16	(5,840)
Expenses	(707)	(477)	(114)	7	(1,291)			13	(1,278)
Net reinsurance	(33)	(131)	(181)	0	(345)				(345)
Technical profit on non-life insurance	833	650	79	10	1,572			29	1,601
Life insurance									
Gross premiums written						3,556			3,556
Allocated investment return						195		(4)	191
Benefits and change in provisions						(3,434)			(3,434)
Expenses						(294)		4	(290)
Net reinsurance						(2)			(2)
Technical profit on life insurance						21		0	21
Total investment return					576	188	109	(33)	840
Pension return tax						3			3
Transferred to technical result					(585)	(195)		4	(776)
Investment return / (loss)					(9)	(4)	109	(29)	67
Other items					17	33	(82)		(32)
Pre-tax profit					1,580	50	27	0	1,657
Taxation									(386)
Profit for the year									1,271
Impairment and amortisation:									
2006	28	21	4		53	2	1		56
2007	43	32	7		82	1	1		84

* After discounting DKK 404m (2006: DKK 322m)

Topdanmark's Annual Report 2007

Segment information • Group

Balance sheet

(DKKm)	Non-life insurance	Life insurance	Parent etc.	Eliminated	Group
2006					
Intangible assets	579	0	0		579
Tangible assets	167	640	7		814
Investment properties	182	2,337	107		2,626
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	36	338	0		374
Loans to associated companies	0	114	0		114
Other financial investment assets	13,552	22,599	14		36,165
Investment assets linked to unit-linked contracts	0	761	0		761
Reinsurers' share of provisions	680	26	0		706
Amounts due from affiliated companies	1,209	29	85	(1,323)	0
Other assets	838	594	69		1,501
Total assets	17,543	27,438	282	(1,623)	43,640
Subordinated loan capital	249	300	0	(300)	249
Total provisions for insurance and investment contracts	12,783	23,459	0		36,242
Amounts due to affiliated companies	28	759	536	(1,323)	0
Other liabilities	1,890	1,136	146		3,172
Total liabilities	14,950	25,654	682	(1,623)	39,663
Purchase of tangible and intangible assets	124	17	2		143
Results from associated companies	3	74	0		77
2007					
Intangible assets	593	0	0		593
Tangible assets	136	625	5		766
Investment properties	712	2,443	147		3,302
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	38	323	0		361
Loans to associated companies	0	199	0		199
Other financial investment assets	13,025	22,909	9		35,943
Investment assets linked to unit-linked contracts	0	1,053	0		1,053
Reinsurers' share of provisions	641	28	0		669
Amounts due from affiliated companies	595	100	46	(741)	0
Other assets	878	672	209		1,759
Total assets	16,918	28,352	416	(1,041)	44,645
Subordinated loan capital	249	300	402	(300)	651
Total provisions for insurance and investment contracts	13,314	25,093	0		38,407
Amounts due to affiliated companies	87	36	618	(741)	0
Other liabilities	1,235	929	55		2,219
Total liabilities	14,885	26,358	1,075	(1,041)	41,277
Purchase of tangible and intangible assets	255	2	0		257
Results from associated companies	3	(15)	0		(12)

Technical provisions on own account of DKK 1,066m (2006: DKK 860m) relating to illness / accident insurance, administered by life insurance, are included in non-life insurance. As Topdanmark Livsforsikring has not allocated assets specifically to illness / accident insurance, assets supporting these liabilities are included in life insurance.

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Notes • Group	Note
Gross premiums earned - non-life insurance	1
Technical interest on own account - non-life insurance	2
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(DKKm)	2006	2007
Note 1. Gross premiums earned - non-life insurance		
Gross premiums written	8,863	9,022
Change in the gross provisions for unearned premiums	(3)	(67)
Gross premiums earned	8,860	8,955
Gross premiums earned, direct business, by location of the risk:		
Denmark	8,856	8,950
Other EU-countries	3	4
Other countries	1	1
	8,860	8,955

Note 2. Technical interest on own account - non-life insurance

Calculated interest	448	585
Discounting (annual amortisation) of technical provisions and reinsurers' share	(322)	(404)
Technical interest on own account	126	181

Note 3. Claims incurred on own account - non-life insurance

Gains on claims provisions:		
Gross business	36	353
Reinsurance ceded	(2)	(29)
Gains on claims provisions on own account	34	324
Claims incurred include revaluation of inflation swaps hedging the inflation risk in workers' compensation and illness / accident insurance		
	(24)	43

Note 4. Technical result - non-life

	2006	2007	2006	2007	2006	2007
	Illness / accident		Workers' compensation		Motor third-party liability	
Gross premiums written	1,007	1,097	1,176	1,239	1,163	1,053
Gross premiums earned	1,007	1,093	1,129	1,204	1,169	1,086
Gross claims incurred	(807)	(716)	(1,058)	(859)	(818)	(613)
Bonuses and rebates	(12)	(22)	(1)	(1)	(3)	(3)
Gross operating expenses	(149)	(159)	(80)	(87)	(101)	(94)
Net reinsurance	(19)	(17)	(25)	(57)	(1)	5
Technical interest on own account	14	20	18	25	16	21
Technical profit / (loss)	34	199	(17)	225	262	402
Gross loss ratio (%)	81.4	67.0	94.1	71.6	70.4	56.8
Combined ratio (%)	99.0	83.7	103.8	83.6	79.5	65.1
Strengthening of / gains on claims provisions on own account						
	(14)	81	(112)	(1)	108	217
Claims provisions on own account	1,823	1,968	4,181	4,426	1,894	1,832
Number of claims incurred ('000)	19	20	18	19	25	25
Average value of claim (DKK '000)	41	41	52	47	37	33
Annual frequency of claim	21	20	276	295	41	41

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Notes to the accounts • Group

(DKK m)

Note 4. Technical result - continued	2006	2007	2006	2007	2006	2007
		Motor own damage	Marine, aviation and transport		Fire and contents Personal	
Gross premiums written	1,596	1,551	56	60	1,532	1,540
Gross premiums earned	1,592	1,554	59	58	1,525	1,518
Gross claims incurred	(836)	(872)	(20)	(38)	(974)	(1,215)
Bonuses and rebates	(4)	(3)	0	0	(4)	(3)
Gross operating expenses	(217)	(216)	(6)	(6)	(280)	(294)
Net reinsurance	(7)	(7)	(4)	12	(50)	(13)
Technical interest on own account	22	31	1	1	23	34
Technical profit	550	487	30	27	240	27
Gross loss ratio (%)	52.8	56.4	33.9	65.5	64.3	80.4
Combined ratio (%)	67.5	70.9	50.8	55.2	86.8	100.9
Strengthening of / gains on claims provisions on own account	(18)	(2)	6	4	7	(42)
Claims provisions on own account	96	95	38	31	430	488
Number of claims incurred ('000)	111	114	1	1	114	114
Average value of claim (DKK '000)	7	8	19	23	9	10
Annual frequency of claim	221	226	112	107	155	157
		Fire and contents Commercial	Change of ownership insurance			Liability
Gross premiums written	1,584	1,635	90	93	323	361
Gross premiums earned	1,597	1,611	129	100	329	361
Gross claims incurred	(838)	(966)	(99)	(62)	(226)	(220)
Bonuses and rebates	(12)	(13)	0	0	(2)	(2)
Gross operating expenses	(288)	(305)	(16)	(16)	(47)	(53)
Net reinsurance	(238)	(255)	0	0	(7)	(11)
Technical interest on own account	17	27	6	9	5	7
Technical profit	238	99	20	31	52	82
Gross loss ratio (%)	53.1	60.6	76.7	62.0	69.4	61.6
Combined ratio (%)	87.1	95.9	89.9	78.0	86.5	79.7
Strengthening of / gains on claims provisions on own account	43	19	(3)	15	7	25
Claims provisions on own account	406	484	101	94	482	489
Number of claims incurred ('000)	31	29	3	3	9	9
Average value of claim (DKK '000)	29	34	28	22	26	27
Annual frequency of claim	156	148	74	62	96	97
		Other direct insurance		Indirect insurance		Total
Gross premiums written	336	393	0	0	8,863	9,022
Gross premiums earned	324	370	0	0	8,860	8,955
Gross claims incurred	(238)	(279)	2	0	(5,912)	(5,840)
Bonuses and rebates	(17)	(25)	0	0	(55)	(72)
Gross operating expenses	(46)	(48)	0	0	(1,230)	(1,278)
Net reinsurance	(1)	(2)	0	0	(352)	(345)
Technical interest on own account	4	6	0	0	126	181
Technical profit	26	22	2	0	1,437	1,601
Gross loss ratio (%)	78.7	83.1	-	-	67.4	65.9
Combined ratio (%)	94.8	98.9	-	-	86.0	84.3
Gains on claims provisions on own account	10	8	0	0	34	324
Claims provisions on own account	90	126	1	1	9,542	10,034
Number of claims incurred ('000)	102	108	-	-	434	442
Average value of claim (DKK '000)	2	3	-	-	14	14
Annual frequency of claim	205	210	-	-	118	118

The annual frequency of claim has been calculated as a per thousand value.

The loss ratio and the combined ratio have been calculated before elimination of internal rent.

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Notes to the accounts • Group

(DKK m)	2006	2007
Note 5. Gross premiums written - life insurance		
Individual policies	450	440
Policies which are part of a tenure	1,346	1,555
Group life	326	357
Regular premiums	2,122	2,352
Individual policies	158	174
Policies which are part of a tenure	874	1,030
Single premiums	1,032	1,204
Gross premiums	3,154	3,556
Gross premiums written, direct business, by the policyholders' location:		
Denmark	3,122	3,522
Other EU-countries	24	14
Other countries	8	20
	3,154	3,556
Premiums related to unit-linked contracts not eligible for bonus	259	657
All other gross premiums relate to bonus eligible insurance contracts.		
Number of policyholders at the end of the year ('000):		
Individual policies	67	68
Policies which are part of a tenure	70	81
Group life	191	198
Note 6. Claims and benefits paid - life insurance		
Claims payable on death	100	110
Claims payable on maturity	232	283
Pension and annuity payments	449	466
Surrenders	667	836
Bonuses paid in cash	188	204
Claims and benefits paid	1,636	1,899
Note 7. Change in life insurance provisions		
Guaranteed benefits	(422)	(1,195)
Bonus potential on future premiums	1,209	1,003
Bonus potential on paid-up benefits	1,139	1,610
Change in life insurance provisions	1,926	1,418
Note 8. Income from investment properties		
Rental income	184	215
Operating expenses from properties rented out	(17)	(23)
Operating expenses from properties not rented out	(5)	(3)
Gross profit	162	189
Administrative expenses	(13)	(11)
Income from investment properties	149	178

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Notes to the accounts • Group

(DKKm)	2006	2007
Note 9. Revaluations		
Held for trading:		
Shares	896	(50)
Unit trusts	15	0
Bonds	(374)	(1,572)
Loans guaranteed by mortgages	1	1
Other loans	0	3
Derivatives	92	254
Convertible debt instruments	97	0
Total held for trading	727	(1,364)
Designated at fair value:		
Investment assets related to unit-linked contracts:		
Shares	34	3
Unit trusts	34	(19)
Total designated at fair value	68	(16)
Revaluations of financial assets and liabilities at fair value through profit and loss	795	(1,380)
Of which revaluation of inflation swaps transferred to claims incurred	24	(43)
Investment properties	76	156
Owner-occupied properties	7	1
Provisions for unearned premiums	5	(5)
Provisions for claims and benefits	306	270
Reinsurers' share	(9)	(5)
Other	2	(1)
Revaluations	1,206	(1,007)
Note 10. Pension return tax		
Current pension return tax for the year	200	(3)
Prior year adjustment	(5)	(1)
Pension return tax for the year	195	(4)
Pension return tax taken to shareholders' equity	(6)	1
Pension return tax	189	(3)
Exempt from tax (%)	4.2	3.8
Note 11. Other expenses		
Holding expenses	31	30
Other	6	9
Other expenses	37	39

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Notes to the accounts • Group

(DKKm)	2006	2007
Note 12. Taxation		
Current tax	526	398
Change in deferred tax	(11)	28
Prior year adjustment	24	(43)
Change in deferred tax on security funds	0	(41)
Tax for the year	539	342
Tax taken to shareholders' equity	(8)	44
Taxation	531	386
Calculated tax on profit for the year (28/25%)	622	414
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(117)	(21)
Non-deductible expenses / income not liable to tax	(5)	1
Change in rate of taxation	0	(7)
Prior year adjustment	31	(1)
	531	386
Effective rate of taxation	23.9	23.3

Note 13. Intangible assets

	Goodwill	software	Com- pleted IT developm't projects	Developm't projects under con- struction	Total
2006					
Cost at 1 January	453	65	0	86	604
Purchased	0	13	0	29	42
Cost at 31 December	453	78	0	115	646
Impairment and amortisation at 1 January	(12)	(43)	0	0	(55)
Amortisation for the year	0	(12)	0	0	(12)
Impairment and amortisation at 31 December	(12)	(55)	0	0	(67)
Intangible assets 2006	441	23	0	115	579
2007					
Cost / valuation at 1 January	453	78	0	115	646
Purchased	0	11	0	39	50
Transferred	0	0	118	(118)	0
Cost / valuation at 31 December	453	89	118	36	696
Impairment and amortisation at 1 January	(12)	(55)	0	0	(67)
Amortisation for the year	0	(14)	(22)	0	(36)
Impairment and amortisation at 31 December	(12)	(69)	(22)	0	(103)
Intangible assets 2007	441	20	96	36	593
Expected period of amortisation		3 years	5 years		

Completed development projects include phase one of the Group's new claims system TopPro. Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

Goodwill is subjected to an impairment test at the end of the financial year.

The discounted value of future cash flows is compared with its carrying value.

The future cash flows are based on three years' budgeted technical result of the personal segment, to which goodwill relates. The pre-tax discount rate used is 13% (2006: 13%) pre-tax corresponding to 10% (2006: 9%) post-tax.

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Notes to the accounts • Group

(DKKm)

Note 14. Tangible assets

	Machinery & equip- ment	Owner- occupied properties	Properties under con- struction	Total
2006				
Cost / revaluation at 1 January	295	656	88	1,039
Additions, including improvements	86	1	14	101
Disposals	(24)	(7)	0	(31)
Transferred to investment properties	0	(20)	(52)	(72)
Revaluations taken to shareholders' equity	0	8	0	8
Revaluations recorded in the profit and loss account	0	(2)	0	(2)
Cost / revaluation at 31 December	357	636	50	1,043
Impairment and amortisation at 1 January	(196)	0	0	(196)
Amortisation for the year	(43)	(1)	0	(44)
Transferred on revaluation	0	1	0	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	10	0	0	10
Impairment and amortisation at 31 December	(229)	0	0	(229)
Tangible assets 2006	128	636	50	814
2007				
Cost / revaluation at 1 January	357	636	50	1,043
Additions, including improvements	70	0	137	207
Disposals	(7)	(21)	0	(28)
Transferred to investment properties	0	0	(187)	(187)
Revaluations taken to shareholders' equity	0	6	0	6
Revaluations recorded in the profit and loss account	0	(1)	0	(1)
Cost / revaluation at 31 December	420	620	0	1,040
Impairment and amortisation at 1 January	(229)	0	0	(229)
Amortisation for the year	(47)	(1)	0	(48)
Transferred on revaluation	0	1	0	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	2	0	0	2
Impairment and amortisation at 31 December	(274)	0	0	(274)
Tangible assets 2007	146	620	0	766
Expected amortisation period	5 years	50 years		

	2006	2007
The valuation of the owner-occupied properties has been based on a required average return of:	6.9%	7.0%
Cost of revalued owner-occupied properties	648	615
Machinery and equipment includes assets under finance leases of	22	15

Note 15. Investment properties

Fair value at 1 January	2,493	2,626
Additions - acquisitions	0	332
Additions - improvements	22	0
Transferred from owner-occupied properties	20	0
Transferred from properties under construction	52	187
Transferred from other debtors (leasing activities)	0	19
Disposals	(24)	(10)
Revaluation to fair value	63	148
Investment properties	2,626	3,302

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Notes to the accounts • Group

(DKK m)	2006	2007
Note 15. Investment properties - continued		
Non-residential	1,940	2,396
Residential and part residential	686	906
	2,626	3,302
The valuation of the properties has been based on a required average return of:		
Non-residential	6.8%	6.4%
Residential and part residential	4.7%	4.7%

Note 16. Shares in associated companies

Book value at 1 January	299	374
Additions	0	1
Share of profit / (loss)	77	(12)
Share of movements in shareholders' equity	1	0
Dividends received	(3)	(2)
Shares in associated companies	374	361

2006	Percentage share	Shareholders' equity	Assets	Liabilities	Income	Result
Bornholms Brandforsikring A/S, Rønne	27	65	142	77	82	10
Captives, Luxembourg	10-50	63	268	205	176	0
EjendomsSelskabet af Januar 2002 A/S, Copenhagen	25	802	1,195	393	30	196
Dantop Ejendomme ApS, Copenhagen	50	275	321	46	10	51
Total		1,205	1,926	721	298	257
2007						
Bornholms Brandforsikring A/S, Rønne	27	63	151	88	89	11
Captives, Luxembourg	10-50	65	316	251	180	2
EjendomsSelskabet af Januar 2002 A/S, Copenhagen	25	703	1,079	376	29	(99)
Dantop Ejendomme ApS, Copenhagen	50	296	313	17	10	21
Det Tyske ejendomsselskab P/S, Ballerup	50	(1)	205	206	-	2
Total		1,126	2,064	938	308	(63)

Bornholms Brandforsikring A/S has been recognised on the basis of the most recent financial information at 30 September. The accounting information is according to the companies' most recent annual reports.

Note 17. Loans to associated companies

	2006	2007
Average effective interest rate	8.05%	6.60%

Note 18. Investment assets related to unit-linked contracts

Shares	179	456
Unit trusts	575	584
Bonds	7	13
Investment assets related to unit-linked contracts	761	1,053

The return on the above assets and derivatives is allocated to customers.

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Notes to the accounts • Group

(DKK m)	2006	2007
Note 19. Reinsurers' share of provisions for unearned premiums		
Reinsurers' share at 1 January	98	88
Reinsurance ceded	727	723
Reinsurance earned	(736)	(722)
Other changes	(1)	8
Reinsurers' share of provisions for unearned premiums at 31 December	88	97

Note 20. Reinsurers' share of provisions for claims		
Non-life insurance		
Reinsurers' share at 1 January	760	592
Reimbursement of claims relating to previous years	(375)	(250)
Change in expected income relating to previous years	(2)	(29)
Reimbursement of claims relating to this year	(100)	(95)
Expected income relating to this year	301	314
Discounting effect (annual amortisation)	17	17
Revaluation	(9)	(5)
Reinsurers' share of provisions for claims at 31 December	592	544

Note 21. Deferred tax			
	2005	2006	2007
Bonds etc.	(63)	(22)	44
Properties	(27)	(32)	(58)
Machinery and equipment	89	68	1
Liabilities provided	17	16	20
Provisions	(68)	(60)	(53)
Losses brought forward	2	0	0
Deferred pension return tax	0	0	(9)
Other	14	5	2
Deferred tax	(36)	(25)	(53)
Recognised as:			
Deferred tax assets	78	66	70
Deferred tax liabilities	(114)	(91)	(123)
Changes relating to the year		11	(28)

Note 22. Subordinated loan capital		
In 2007 Topdanmark A/S issued EUR 55m of hybrid core capital.		
It is a bullet loan with no final maturity date but if permitted by the DFSA, the debtor can give notice of termination as from 15 September 2017 at par. The loan carries a floating interest rate determined as EURIBOR + 1.90%, currently 6.85%, and as from 15 September 2017 EURIBOR + 2.90%.		
Share of loan included in capital base		402
Borrowing costs		8
Interest charges		13
In 2005 Topdanmark Forsikring A/S issued a subordinated loan of DKK 250m.		
It is a bullet loan expiring on 27 June 2013 but if permitted by the DFSA, the debtor can give notice of termination as from 27 June 2010. The loan carries a floating interest rate determined as CIBOR + 100 bp, currently 5.9267% annually. As from 27 June 2010 the rate will increase to CIBOR + 250 bp.		
Share of loan included in capital base	218	221
Interest charges	10	13

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Notes to the accounts • Group

(DKKm)	2006	2007		
Note 23. Provisions for unearned premiums				
Provisions for unearned premiums at 1 January	2,577	2,583		
Gross premiums written	8,863	9,022		
Premiums earned	(8,860)	(8,955)		
Discounting	8	0		
Revaluation	(5)	5		
Provisions for unearned premiums at 31 December	2,583	2,655		
Note 24. Life insurance provisions				
Life insurance provisions at 1 January	18,375	20,301		
Accumulated revaluation at 1 January	(686)	(667)		
Retrospective provisions at 1 January	17,689	19,634		
Gross premiums written	2,894	2,900		
Accrued interest	901	1,049		
Claims and benefits	(1,576)	(1,823)		
Expense loading inclusive of expense bonus	(187)	(199)		
Risk gain after allocating policyholders' risk bonus	(52)	(53)		
Other	(35)	(32)		
Retrospective provisions at 31 December	19,634	21,476		
Accumulated revaluation at 31 December	667	243		
Life insurance provisions at 31 December	20,301	21,719		
Guaranteed benefits	11,115	9,920		
Bonus potential on future premiums	6,242	7,245		
Bonus potential on paid-up benefits	2,944	4,554		
Life insurance provisions	20,301	21,719		
Portfolios analysed by capitalisation rates				
	Capitalisation rate	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up benefits
2006				
Topdanmark Livsforsikring A/S	0%	63	0	0
	1%	48	0	0
	2%	(820)	5,240	1,872
	3%	2,571	708	924
	3.49%	22	1	1
		1,884	5,949	2,797
Topdanmark Livsforsikring V A/S	0%	34	0	0
	2%	186	7	14
	3%	9	3	2
	5/3/2 or above	8,193	283	131
		8,422	293	147
Group Life		104	0	0
U74-annuities		705	0	0
Total 2006		11,115	6,242	2,944
2007				
Topdanmark Livsforsikring A/S	0%	65	0	0
	1%	40	0	0
	2%	(1,019)	6,171	3,041
	3%	2,304	731	1,210
	3.49%	16	1	3
		1,406	6,903	4,254
Topdanmark Livsforsikring V A/S	0%	33	0	0
	2%	208	7	19
	3%	18	2	4
	5/3/2 or above	7,527	333	277
		7,786	342	300
Group Life		109	0	0
U74-annuities		619	0	0
Total 2007		9,920	7,245	4,554

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Notes to the accounts • Group

(DKK m)	2006	2007							
Note 25. Provisions for claims									
Non-life insurance									
Gross									
Provisions at 1 January	9,474	10,134							
Claims paid relating to previous years	(2,778)	(2,834)							
Change in expected claims payments relating to previous years	(36)	(353)							
Claims paid relating to this year	(2,475)	(2,756)							
Expected claims payments relating to this year	5,947	6,193							
Inflation swaps	(24)	43							
Discounting (annual amortisation)	332	421							
Revaluation	(306)	(270)							
Provisions at 31 December	10,134	10,578							
On own account									
Provisions at 1 January	8,714	9,542							
Claims paid relating to previous years	(2,403)	(2,584)							
Change in expected claims payments relating to previous years	(34)	(324)							
Claims paid relating to this year	(2,375)	(2,661)							
Expected claims payments relating to this year	5,646	5,879							
Inflation swaps	(24)	43							
Discounting (annual amortisation)	315	404							
Revaluation	(297)	(265)							
Non-life insurance on own account at 31 December	9,542	10,034							
Life insurance	75	84							
Provisions for claims on own account	9,617	10,118							
Provisions for workers' compensation insurance on own account	4,181	4,502							
Average period of settlement	8 years	7 years							
Illness / accident insurance on own account administered by the life insurance business	831	1,036							
Average period of settlement	14 years	15 years							
Claims liabilities analysed by claims year									
Gross	2007	2006	2005	2004	2003	2002	2001	2000	Total
End of year	6,400	6,122	7,079	5,888	4,831	4,769	4,436	4,202	
1 year later		5,934	6,776	5,677	4,946	4,798	4,381	4,215	
2 years later			6,612	5,574	4,906	4,870	4,407	4,270	
3 years later				5,611	4,982	5,064	4,491	4,333	
4 years later					4,987	5,144	4,637	4,419	
5 years later						5,154	4,687	4,487	
6 years later							4,664	4,497	
7 years later								4,493	43,855
Less paid incl. inflation swaps	(2,750)	(3,829)	(5,144)	(4,581)	(4,348)	(4,702)	(4,337)	(4,309)	(34,000)
Provisions before discounting	3,650	2,105	1,468	1,030	639	452	327	184	9,855
Discounting	(170)	(92)	(57)	(33)	(18)	(11)	(5)	(3)	(389)
	3,480	2,013	1,411	997	621	441	322	181	9,466
Provisions relating to previous years									1,112
Gross provisions at 31 December 2007 - non-life insurance									10,578

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(DKKm)

Note 25. Provisions for claims - continued

On own account	2007	2006	2005	2004	2003	2002	2001	2000	Total
End of year	6,073	5,813	5,733	5,316	4,508	4,326	3,957	3,646	
1 year later		5,651	5,455	5,057	4,611	4,362	3,901	3,621	
2 years later			5,321	4,936	4,561	4,426	3,943	3,700	
3 years later				4,949	4,634	4,587	4,025	3,772	
4 years later					4,638	4,659	4,176	3,864	
5 years later						4,662	4,227	3,938	
6 years later							4,205	3,947	
7 years later								3,945	39,444
Less paid incl. inflation swaps	(2,655)	(3,628)	(3,967)	(3,999)	(4,023)	(4,239)	(3,883)	(3,763)	(30,157)
Provisions before discounting	3,418	2,023	1,354	950	615	423	322	182	9,287
Discounting	(159)	(87)	(47)	(29)	(17)	(9)	(4)	(2)	(354)
	3,259	1,936	1,307	921	598	414	318	180	8,933
Provisions relating to previous years									1,101
Provisions on own account at 31 December 2007 - non-life insurance									10,034
Reconciliation:									
Provisions for claims									10,662
Less amount relating to life insurance									(84)
Less reinsurers' share of provisions									(544)
Provisions on own account at 31 December 2007 - non-life insurance									10,034

Composition of expected payments on own account:

Originally calculated									
claims payment	6,068	5,807	5,714	5,264	4,496	4,303	3,949	3,644	39,245
Loss / gain on settlement	-	(168)	(413)	(418)	(54)	227	118	215	(493)
Claims handling etc.									
at 1 January 2004	-	-	-	-	127	37	27	12	203
Discounting / revaluation workers' compensation insurance and illness / accident	5	12	20	103	69	95	111	74	489
	6,073	5,651	5,321	4,949	4,638	4,662	4,205	3,945	39,444

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year from 2000 up to and including 2007. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates and methods after the change to IFRS. However, workers' compensation and illness / accident administered by the life insurance business are included at discounted values.

The claims handling expenses for the claims years 2000-2003 have been included on an on-going basis at the amounts provided in the opening balance sheet at 1 January 2004. The values in the table above are shown both gross and on own account.

Note 26. Collective potential bonus reserve

	2006	2007
Book value at 1 January	1,757	2,150
Change taken to the profit and loss account	391	(421)
Change taken to shareholders' equity	2	6
Collective potential bonus reserve	2,150	1,735

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Notes to the account • Group

(DKK m)

Note 27. Provisions for unit-linked contracts

	Insurance contracts	Investment contracts	Total
2006			
Gross provisions at 1 January	419	193	612
Retrospective provisions at 1 January	419	193	612
Gross premiums / payments received	259	84	343
Return	41	34	75
Claims and benefits / payments made	(72)	(13)	(85)
Expense loading inclusive of expense bonus	(8)	(3)	(11)
Risk gain after addition of risk bonus	(1)	0	(1)
Retrospective provisions at 31 December	638	295	933
Provisions for unit-linked contracts 2006	638	295	933
2007			
Gross provisions at 1 January	638	295	933
Retrospective provisions at 1 January	638	295	933
Gross premiums / payments received	657	111	768
Return	(15)	(3)	(18)
Claims and benefits / payments made	(85)	(17)	(102)
Expense loading inclusive of expense bonus	(18)	(5)	(23)
Risk gain after addition of risk bonus	(2)	0	(2)
Retrospective provisions at 31 December	1,175	381	1,556
Provisions for unit-linked contracts 2007	1,175	381	1,556

Number of investment contract customers is 2,002 (2006: 1,273).

The contracts written do not have guarantees.

Note 28. Pensions and similar commitments

	2006	2007
Retirement benefits	36	32
Anniversaries	16	16
Other pension commitments	5	5
Pensions and similar commitments	57	53

Other pension commitments cover former senior executives and their widows. The provision has been calculated on the basis of G82 and subsequently strengthened. The scheme comprises five individuals with an average age of 90.

Note 29. Deferred tax on security funds

Book value at 1 January	389	389
Change in the corporation tax rate	0	(41)
Deferred tax on security funds	389	348

The security funds will be taxed in proportions of 10% for every 10 percentage point decline in technical provisions on own account from the level at 31 December 1994. A decline of 10% from the 1994 level is considered highly improbable as long as Topdanmark Forsikring A/S, in which the transfers were made, continues its current operations. Therefore the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to carry out insurance business.

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(DKKm)	2006	2007
Note 30. Expenses		
Expenses by their nature:		
Commission - non-life insurance	275	266
Commission - life insurance	84	103
Staff costs (excl. commission)	1,193	1,232
Other staff costs	129	167
Premises costs	158	167
IT operations and maintenance	105	138
Impairment and amortisation	56	84
Other expenses	73	103
Total expenses	2,073	2,260
These expenses have been disclosed in:		
Non-life insurance:		
Acquisition costs	739	752
Administrative expenses	491	526
Claims paid (claims handling and assessment)	473	573
	1,703	1,851
Life insurance:		
Acquisition costs	128	148
Administrative expenses	129	142
	257	290
Income from investment properties (administration)	35	37
Expenses on investment business	41	43
Other expenses	37	39
Total expenses	2,073	2,260

Note 31. Staff costs

Salaries	1,052	1,088
Pensions	163	172
Social security costs	28	32
Payroll tax	113	116
Share options	9	16
Employee shares	13	16
Employee bonds	-	20
	1,378	1,460
Average number of full-time employees	2,214	2,323

Board of Directors

Directors' fees for 2007 were DKK 3,203,000 (2006: DKK 2,550,000) of which DKK 188,000 (2006: 150,000) related to tasks in subsidiaries.

Board of Management

Salaries and emoluments	10	10
Pension - confined contribution scheme	1	0
Share options	3	5
	14	15

Each member of the Board of Management has a car at his disposal.

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(DKK m)

Note 31. Staff costs - continued

Share options / warrants

Topdanmark's share option scheme for 2004 - 2007 for the Board of Management and senior executives has been based on warrants. The strike price has been fixed at 110% of the market price on 31 December the prior year. The warrants can be exercised 3 - 5 years subsequent to the granting, see below. From 2008 the scheme has been based on call options.

Up to and including 2003, the scheme for the Board of Management, senior executives and the Board of Directors was based on call options. The strike price for 2002 and 2003 was fixed at the market price on 31 December the prior year.

The scheme is primarily settled by shares (equity instruments).

Only options to the Board of Directors granted up to and including 2003 were paid for in cash. The liability has been recorded at fair value under the heading Creditors and revalued regularly with any changes in value being taken to the profit and loss account.

		2006	2007			
Accounting liability		10	4			
Net asset value		10	4			
Overall effect on results of the scheme:						
Revaluation of options paid for in cash		8	0			
Fair value of share options / warrants granted for the year		12	21			
Overall cost of share options / warrants for the year		20	21			
	Strike price	Board of Directors	Board of Management	Senior executives	Resigned	Total
Total number of options / warrants ('000)						
2006						
Outstanding at 1 January		19	239	920	17	1,195
Granted	608	0	65	135	0	200
Transferred		95	(42)	(231)	178	0
Exercised		(9)	(100)	(302)	(44)	(455)
Lost		(1)	0	0	0	(1)
Outstanding at 31 December 2006		104	162	522	151	939
Average strike price at 31 December 2006		423	410	409	441	
2007						
Outstanding at 1 January		104	162	522	151	939
Granted	1,033	0	37	113	0	150
Transferred		0	0	(46)	46	0
Exercised		(44)	(42)	(97)	(27)	(210)
Outstanding at 31 December 2007		60	157	492	170	879
Per granting:	Exercise period					
2002	- March 2008	195	3	9	40	52
2003	- March 2009	203	3	15	55	90
2004	March 2007 - March 2009	349	0	14	74	137
2005	March 2008 - March 2010	478	37	39	113	250
2006	March 2009 - March 2011	608	17	43	103	200
2007	March 2010 - March 2012	1,033	0	37	107	150
Outstanding at 31 December 2007		60	157	492	170	879
Average price exercised opt./warr. 2006		190	195	192	187	203
Average price exercised opt./warr. 2007		295	333	349	239	319
Fair value of granting 2006			3	9		12
Fair value of granting 2007			5	16		21
Fair value at 31 December 2006		53	86	285	76	500
Fair value at 31 December 2007		15	37	130	50	232

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(DKK m)

Note 31. Staff costs - continued

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 938.84 per share (2006: DKK 552.34), an interest rate corresponding to the zero coupon rate based on the swap curve on 31 December the previous year, future volatility of 20% (2006: 15%), corporate tax rate of 28% and a pattern of exercise similar to Topdanmark's previous granting of share options / warrants. The volatility has been calculated on the basis of previous years' volatility.

Employee shares

In 2007 Topdanmark issued 29,016 employee shares offset by a reduction in the cash salary. The costs have been calculated to be DKK 16m in accordance with IFRS 2. In 2006 Topdanmark issued 40,000 employee shares at an advantageous price. The costs were calculated to be DKK 13m.

Employee bonds

In 2007 Topdanmark issued employee bonds with a nominal value of DKK 16m simultaneous with a reduction in the cash salary. The market value and state tax were DKK 20m.

Note 32. Emoluments paid to the auditors	2006	2007
Emoluments paid to the auditors elected by the AGM		
Deloitte:		
Audit work	3.8	4.2
Other services	0.7	1.1
	4.5	5.3

The Group has an internal audit department which carries out most of the audit work.

Note 33. Financial assets

Financial assets at fair value through profit and loss

Held for trading:		
Shares	5,978	6,404
Bonds	26,203	25,247
Loans guaranteed by mortgages and other loans	39	26
Derivatives	804	455
Accrued interest	451	495
	33,475	32,627
Designated at fair value:		
Deposits with credit institutions	3,141	3,811
Investment assets linked to unit-linked contracts	761	1,053
	3,902	4,864
Total financial assets at fair value through profit and loss	37,377	37,491

Loans and receivables at amortised cost

Loans to associated companies	114	199
Amounts due from policyholders	298	337
Amounts due from insurance companies	168	126
Other debtors	110	135
Cash and cash equivalents	217	180
Other incl. accrued interest	99	110
	1,006	1,087

Total financial assets	38,383	38,578
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The book value of loans and receivables at amortised cost approximately corresponds to fair value.

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(DKK m)	2006	2007
Note 34. Financial liabilities		
Financial liabilities measured at fair value through profit and loss		
Held for trading:		
Derivatives	94	29
Designated at fair value:		
Amounts due to credit institutions	1,576	536
Total financial liabilities measured at fair value through profit and loss	1,670	565
Financial liabilities measured at amortised cost		
Subordinated loan capital	249	651
Deposits with ceding undertakings	30	42
Creditors arising out of direct insurance operations	143	307
Creditors arising out of reinsurance operations	25	28
Bond loans	0	15
Amounts due to associated companies	5	14
Other creditors	624	647
Total financial liabilities measured at amortised cost	1,076	1,704
Total financial liabilities	2,746	2,269
Book value of financial liabilities at amortised cost approximately corresponds to fair value.		
Financial liabilities payable after 5 years or more:		
Subordinated loan capital	0	402
Bond loans	0	15
Amounts due to credit institutions	7	7

Note 35. Settlement of assets and liabilities

Except for tangible and intangible assets, investment properties and investments in associated companies, most other assets are expected to be settled within a year with the proviso that the three-year tax-exemption for gains on equities is taken into account.

It is expected that the following significant liabilities will be settled 12 months or more after the balance sheet date:

Subordinated loan capital	249	651
Provisions for unearned premiums	155	171
Guaranteed benefits	10,186	9,011
Bonus potential on future premiums	5,749	6,653
Bonus potential on paid-up benefits	2,712	4,183
Provisions for claims and benefits	7,181	7,440
Collective potential bonus reserve	2,044	1,606
Provisions for unit-linked contracts	828	1,339
Deferred tax on security funds	389	348
	29,493	31,402

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Notes to the accounts • Group

(DKK m)

Note 36. Analysis of assets and their return - life insurance

	1 January	Book value 31 December	Net investment	Return (%)*
Land and buildings	2,973	3,063	(23)	6.1
Limited property companies	452	522	(117)	(1.5)
Total land and buildings	3,425	3,585	(140)	4.9
Listed Danish shares	2,074	1,896	(187)	2.6
Unlisted Danish shares	30	61	29	2.2
Listed foreign shares	2,243	2,376	(10)	7.9
Unlisted foreign shares	389	617	61	5.0
Total other shares	4,736	4,950	(107)	5.7
Government bonds (Zone A)	333	123	(229)	0.3
Mortgage bonds	7,600	7,819	312	2.6
Index-linked bonds in DKK	1,409	1,786	423	(0.8)
Credit bonds investment grade	3,522	3,432	377	(2.3)
Credit bonds non-investment grade and emerging market bonds	2,061	1,944	584	(10.0)
Other bonds	1	2	1	(4.2)
Total bonds	14,926	15,106	1,468	0.1
Other financial investment assets	2,421	2,750	689	4.1
Derivatives to hedge against the net change in assets and liabilities**	688	326	0	

* Annual return as a percentage before pension return and corporation tax.

** Liv V has invested in interest rate options - Euro-CMS-floors with a strike rate of 5% - to hedge the guaranteed benefits.

The return percentages on derivatives are calculated as the return on derivatives as a percentage of the size to the exposure of the underlying asset.

The exposure in foreign equities is adjusted by means of derivatives.

After including derivatives the exposure in foreign shares on 31 December 2007 was DKK 3,626m.

Shares in Topdanmark A/S represent DKK 36m (2006: DKK 70m).

Note 37. Shares analysed by industry and region(%) - life insurance

2007	Denmark	Other Europe	North America	Japan	Other Far East	Other countries	Total
Energy	0	2	2	0	0	0	4
Materials	1	3	0	0	0	0	4
Industrial	14	2	2	1	0	0	19
Consumer durables	1	2	2	0	0	0	5
Consumer goods	4	2	2	0	0	0	8
Health care	9	2	2	0	0	0	13
Financial	11	7	3	0	0	0	21
IT	1	1	3	0	0	0	5
Tele-communication	0	2	0	0	0	0	2
Supply	0	1	1	0	0	0	2
Not analysed	1	5	3	0	1	7	17
Total	42	29	20	1	1	7	100

Shares in Topdanmark A/S represent DKK 36m.

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Notes to the accounts • Group

(DKK m)

Note 38. Profit on life insurance

The calculation of profit for those life insurance companies with portfolios of bonus-participating policies (Topdanmark Livsforsikring A/S (Liv I) and Topdanmark Livsforsikring V A/S (Liv V)) is regulated by the Danish Financial Business Act setting requirements on how the "insurance technical result" (before bonus contribution) should be allocated between the policyholders and the owners of the company. A risk allowance and share of the expense result are only transferred to the shareholders' equity to the extent to which the amounts can be covered by the "insurance technical result" net of the investment return.

The risk allowance represents 0.5% (2006: 0.4%) in Liv I and 0.65% (2006: 0.55%) in Liv V of the average retrospective provisions.

	2006			2007		
	Liv I	Liv V	Total	Liv I	Liv V	Total
Insurance technical result	1,074	145	1,219	281	(29)	252
Customers' share	999	62	1,061	232	(38)	194
Share of insurance technical result taken to shareholders' equity	75	83	158	49	9	58
This share represents:						
Investment return	26	39	65	7	9	16
Risk allowance	39	44	83	59	52	111
Share of expense result	0	0	0	(3)	0	(3)
Transferred to shadow account	0	0	0	0	(52)	(52)
Pre-tax profit / (loss) Topdanmark Link	10		10	(14)		(14)
	75	83	158	49	9	58
Financing costs Liv Holding			(8)			(11)
Calculated compensation etc.			(32)			3
Profit on life insurance			118			50

Note 39. Exposure information

2006

2007

Non-life insurance

Event	Effect on shareholders' equity	
0.7 percentage point increase in interest rates	(108)	(65)
0.7 percentage point decline in interest rates	80	44
12% decline in equity prices	(155)	(182)
8% decline in property prices	(47)	(77)
Exchange rate exposure (VaR 99.5%)	(13)	(17)
Loss on counterparties of 8%	(381)	(336)

Notes to the accounts • Group

(DKK m)

Note 39. Exposure information - continued

Life insurance

2006 Event	Min. effect on capital base	Max. effect on collective potential bonus reserve	Max. effect on potential bonus reserve for bene- fits on paid-up policies before change in po- tential bonus reserve used for such benefits
0.7 percentage point increase in interest rates	(29)	(130)	479
0.7 percentage point decline in interest rates	29	142	(753)
12% decline in equity prices	(1)	(517)	0
8% decline in property prices	(29)	(201)	0
Exchange rate exposure (VaR 99.5%)	0	(2)	0
Loss on counterparties of 8%	(35)	(370)	0
10% decline in mortality intensity	(4)	(71)	(3)
10% increase in mortality intensity	3	92	3
10% increase in disability intensity	0	(12)	(9)

2007

2007 Event	Min. effect on capital base	Max. effect on collective potential bonus reserve	Max. effect on potential bonus reserve for bene- fits on paid-up policies before change in po- tential bonus reserve used for such benefits
0.7 percentage point increase in interest rates	(24)	(134)	846
0.7 percentage point decline in interest rates	24	173	(842)
12% decline in equity prices	(1)	(524)	0
8% decline in property prices	(31)	(205)	0
Exchange rate exposure (VaR 99.5%)	(1)	(4)	0
Loss on counterparties of 8%	(36)	(344)	0
10% decline in mortality intensity	(3)	(76)	(3)
10% increase in mortality intensity	3	68	3
10% increase in disability intensity	0	(13)	(13)

The events have no effect on the potential bonus reserve used for benefits on paid-up policies.

Note 40. Leasing

Other debtors included financial leasing debtors in 2006.

2006	Gross investment	Interest	Present value	Unearned interest income	Book value
0-1 years	2	0	2		
1-5 years	20	1	19		
	22	1	21	1	21

Finance lease for mainframe cpu.

2006	Minimum lease payment	Interest	Present value	Book liabilities
0-1 years	9	0	9	
1-5 years	14	1	13	
	23	1	22	22
2007				
0-1 years		8	0	8
1-5 years		7	1	6
		15	1	14

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(DKK m)

Note 41. Credit risk

2006	Group excl. Life	Life	Group
Financial assets measured at fair value:			
Bonds	11,273	14,930	26,203
Loans guaranteed by mortgages and other loans	35	4	39
Deposits with credit institutions	924	2,217	3,141
Derivatives	23	781	804
Accrued interest	182	269	451
	12,437	18,201	30,638
Reinsurers' share:			
Life insurance provisions	0	26	26
Provisions for claims	592	0	592
	592	26	618
Financial assets measured at amortised cost:			
Loans to associated companies	0	114	114
Amounts due from policyholders	207	91	298
Amounts due from insurance companies	167	1	168
Other debtors	105	5	110
Cash and cash equivalents	73	144	217
Other incl. accrued interest	40	59	99
	592	414	1,006
Maximum credit risk 2006	13,621	18,641	32,262
2007			
Financial assets measured at fair value:			
Bonds	10,139	15,108	25,247
Loans guaranteed by mortgages and other loans	23	3	26
Deposits with credit institutions	1,335	2,476	3,811
Derivatives	47	408	455
Accrued interest	191	304	495
	11,735	18,299	30,034
Reinsurers' share:			
Life insurance provisions	0	28	28
Provisions for claims	544	0	544
	544	28	572
Financial assets measured at amortised cost:			
Loans to associated companies	0	199	199
Amounts due from policyholders	212	125	337
Amounts due from insurance companies	120	6	126
Other debtors	121	14	135
Current tax assets	198	0	198
Cash and cash equivalents	62	118	180
Other incl. accrued interest	30	80	110
	743	542	1,285
Maximum credit risk 2007	13,022	18,869	31,891

Bond portfolio analysed by rating (%)

	Group excl. Life	Life	2006 Group	Group excl. Life	Life	2007 Group
AAA+AA	81	76	78	82	75	77
A	5	6	6	7	8	8
BBB	7	5	6	3	4	4
Lower	7	13	10	8	13	11
	100	100	100	100	100	100

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Notes to the accounts • Group

(DKK m)	2006	2007
Note 41. Credit risk - continued		
The Group has received cash margin payment securing unrealised gains on derivatives	596	224
Amounts due from policyholders		
Non-life insurance	207	213
Life insurance	91	124
	298	337
Amounts due in non-life insurance are written off after three months. Irrevocable amounts due in life insurance are offset against corresponding insurance provisions.		
Allowance account (policyholders and insurance companies)		
1 January	65	76
Changes	11	(8)
31 December	76	68
See "Credit risk" in the report.		

Note 42. Liquidity risk

Undiscounted expected cash flows for the Group's key liabilities:

	Book value	1 year	2-6 years	7-16 years	17-26 years	27-36 years	> 36 years
2006							
Provisions for claims	10,209	3,386	5,289	2,202	1,206	651	139
Life insurance provisions	20,301	(469)	(2,779)	1,777	10,891	15,227	7,256
2007							
Provisions for claims	10,662	3,636	5,665	2,529	988	594	85
Life insurance provisions	21,719	(461)	(2,627)	2,090	11,527	15,439	7,352

Future cash flows for life insurance will deviate from those expected due to observed insurance events, surrenders etc.

See "Liquidity risk" in the report.

Note 43. Comparatives

The comparatives for 2003 have not been restated to comply with IFRS in "Financial highlights" and "Five-year summary".

If the comparatives had been restated to comply with IFRS, the most significant changes would be:

- Anticipated expenses on the settlement of the provisions for claims to be provided.
- Provisions for claims to be disclosed at their net present value.
- Equalisation provisions except those on workers' compensation not to be defined as liabilities.
- Goodwill not to be amortised but tested for impairment.
- Provisions for anniversary bonuses and retirement benefits to be accumulated over the period of employment.
- Liabilities for management options settled by own shares not to be accounted for.
- Own shares not to be separately disclosed in the balance sheets. All amounts relating to their purchases and sales to be shown as movements in shareholders' equity.
- Deferred tax to be disclosed at nominal value without taking into account the expected future date of settlement.
- Deferred tax on security funds to be recognised as a liability.

In "Financial highlights" and "Five-year summary" the 2005 comparative have been restated in respect of changes in deferred tax on security funds, which according to the accounting policies are to be taken to shareholders' equity.

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Notes to the accounts • Group

(DKK m) 2006 2007

Note 44. Related parties

The Group has no related parties who hold a controlling influence.

Related parties with substantial influence comprise the Board of Directors, the Board of Management and their families.

Emoluments paid to the Boards of Management and Directors are disclosed in the note on staff costs.

Number of shares in Topdanmark A/S held by the Board of Directors	4,917	4,885
Number of shares in Topdanmark A/S held by the Board of Management	1,193	2,928

The Board of Management holds Topdanmark bonds (4%) of DKK 307,000.

Associated companies:

Premiums ceded	159	143
Commission received	(13)	(10)
Reimbursed claims	(89)	(91)
Dividends received	3	2

Trading takes place under normal market conditions.

Shares are disclosed in the balance sheet and specified in the note on shares in associated companies.

Balances are disclosed in the balance sheet.

Note 45. Provision of security

Assets at book value registered in favour of policyholders	38,339	40,329
Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	819	233
Other provision of security	58	49

Note 46. Contingent liabilities

Derivatives:		
Purchased forward contracts	20,117	21,924
Sold forward contracts	18,021	19,801
Adjustments to VAT liabilities	104	101
Other liabilities	34	26
Capital commitments to private equity funds	218	161

The Group companies participate in technical insurance collaboration where they are 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.

Notes to the accounts • Group

(DKK m)

Note 46. Contingent liabilities - continued

Pending cases

As described in previous Annual 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 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 Annual 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. It remains open whether SKAT will refer 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 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.

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Note 47. Companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Non-life:		
Topdanmark Forsikring A/S	Ballerup	Insurance
Danske Forsikring Skade I A/S	Ballerup	Insurance
Danske Forsikring Skade, Forsikringsaktieselskab	Ballerup	Insurance
Industriens Arbejdsskadeforsikring A/S	Ballerup	Insurance
Topdanmark EDB A/S	Ballerup	Internal IT services
Topdanmark Holding S.A.	Luxembourg	Holding
E. & G. Business Holding A/S	Ballerup	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
TDP.0007 A/S	Ballerup	Property
TDP Århus ApS	Ballerup	Property
TDP Svendborg ApS	Ballerup	Property
TDP Herning ApS	Ballerup	Property
TDP Aalborg ApS	Ballerup	Property
TDP Fåborg ApS	Ballerup	Property
TDF.0005 ApS	Ballerup	Investment
TDF.0113 ApS	Ballerup	Investment
TDLII.0022 ApS	Ballerup	Investment
TDLII.0087 A/S	Ballerup	Investment
TDLII.0141 ApS	Ballerup	Investment
Life:		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Topdanmark Livsforsikring II A/S	Ballerup	Insurance
Topdanmark Livsforsikring III A/S	Ballerup	Insurance
Topdanmark Livsforsikring V A/S	Ballerup	Insurance
Nykredit Livsforsikring A/S	Ballerup	Insurance
Topdanmark Link Livsforsikring A/S	Ballerup	Insurance
TDLII.0018 ApS	Ballerup	Holding
Topdanmark Ejendom A/S	Ballerup	Property
TDE.100 ApS	Ballerup	Property
TDE.200 ApS	Ballerup	Property
TDE.300 ApS	Ballerup	Property
TDE.400 ApS	Ballerup	Property
TDE.500 A/S	Ballerup	Property
TDE.600 ApS	Ballerup	Property
Other companies:		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
web-postkassen.dk ApS	Ballerup	Consumer service
TD.0151 ApS	Ballerup	Investment
TDLII.0132 ApS	Ballerup	Investment
TDL.0134 ApS	Ballerup	Investment
TDL.0139 ApS	Ballerup	Investment
Topdanmark Invest A/S	Ballerup	Investment
Hotel Kongens Ege ApS	Ballerup	Property
Topdanmark Ejendomsadministration A/S	Ballerup	Property
TDB.200 A/S in liquidation	Ballerup	Dormant

All of the companies are 100% owned.

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Accounting policies

Topdanmark Group's 2007 Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements of the OMX Nordic Exchange, Copenhagen and the Danish Financial Business Act on annual reports prepared by listed financial services companies. The Annual Report also meets the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

New accounting regulation

The 2007 Annual Report has been prepared in accordance with the new, changed standards (IFRS/IAS) and new interpretations (IFRIC) for financial years commencing 1 January 2007.

In 2007 the Topdanmark Group pre-implemented IFRS8: Business Segments. This only relates to disclosure requirements.

The Topdanmark Group implemented the amendment to IAS 1: Presentation of Annual Financial Statements - Capital Disclosures. It also implemented IFRIC 10: Interim Financial Reporting and Impairment, which has had no impact on the preparation of the accounts.

The DFSA has updated the executive order on financial reports for insurance companies and lateral pension funds. Besides small changes in the presentation of the profit and loss account and the balance sheet the calculation of allocated investment return in life insurance has been adjusted. These changes have had no impact on the profit for the year, on the shareholders' equity or on the balance sheet total. The comparatives have been restated.

There have been no other changes in accounting policies from those adopted in the 2006 Annual Report.

Future executive orders, standards and interpretations

IASB has issued a number of standards, amendments and interpretations which have not yet taken effect or been implemented. The following are relevant to the Topdanmark Group:

- *IFRIC 11: Intra-group transactions and own shares* comes into effect for financial years commencing 1 March 2007 or later. The interpretation will not change Topdanmark's accounting policies
- *Changed IAS 1: Presentation of Financial Statements* where the amendment on presentation of comprehensive income etc. comes into effect for financial years commencing 1 January 2009 or later. This amendment only relates to disclosure requirements. The standard has not yet been adopted for use in the EU

General

Consolidated accounts

The consolidated accounts include the parent company Topdanmark and all of the companies that are controlled by the parent company. The parent company is considered to control the companies through direct or indirect ownership of more than 50% of the voting rights or when it can have or has an otherwise controlling influence.

The profit and loss account and balance sheet are presented in accordance with the DFSA's IFRS-compatible accounting order for insurance companies and lateral pension funds.

Consolidation

The consolidated accounts have been prepared by aggregating items within the accounts of the parent company and the subsidiaries on a line-by-line basis. The same accounting policies are applied by the subsidiaries as by the parent company.

However, properties owned by the subsidiaries and used by the Group have been re-classified from investment properties to owner-occupied properties, and shares in Topdanmark A/S and liabilities on management share options based on shares in Topdanmark A/S have been re-classified to equity instruments.

Intra-group income and expenses, shareholdings, balances and dividends as well as gains and losses on intra-group transactions have all been eliminated.

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Companies acquired during the year have been included in the consolidation from the date of assumption of control and those companies sold during the year, until the date of relinquishment of control.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and where the asset has a value that can be measured reliably. Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation due to a previous event, when it is probable that future economic benefits will flow from the Group and where the value of the liability can be measured reliably. The recognition and measurement take into consideration predictable losses and risks which have occurred prior to the presentation of the Annual Report and which provide evidence of conditions that existed at the balance sheet date.

Income is recognised in the profit and loss account when earned. Similarly, all expenses are recognised which relate to the financial year, including amortisation and impairment.

Financial instruments

The initial recognition of financial instruments is made at fair value on the date of settlement. Any changes in the value between the trade and settlement dates are included in the balance sheet under the heading of derivatives. Direct expenses on the acquisition or issue of financial instruments which are measured at fair value with any revaluation of the fair value taken to the profit and loss account are included in expenses on investment activities when incurred. However, financial instruments which, subsequent to the initial recognition, have been measured at amortised cost are recognised at fair value adjusted for direct expenses on the acquisition or issue of the financial instrument.

Insurance and investment contracts - classification

The Topdanmark Group writes contracts which transfer insurance risk, investment risk or both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensation if a

specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be material in non-life insurance. In life insurance it is considered to be material when it covers the effect of disability (including the effect of premiums waived) and mortality (where the benefit exceeds the total savings of the policy).

An investment contract is one where the amount of insurance risk is not sufficient for it to be classified as an insurance contract. However, if the investment contract entitles the policyholder to receive bonus, it is treated as an insurance contract. Payments received and made on investment contracts where the policyholder is not entitled to a bonus have been taken directly to the balance sheet.

Material estimates and judgements

In the preparation of Topdanmark's accounts, estimates and judgements have been used which will affect the size of assets and liabilities and consequently the results in this and subsequent financial years.

Most crucial are the actuarial estimates and methods used in the calculation of the provisions for outstanding claims.

The provision risk is significant, in particular in lines with a long period of claims settlement such as workers' compensation, commercial liability, accident and motor liability insurance. Over the period of settlement the levels of compensation could be significantly affected by changes in legislation, case-law or the practice in the award of damages adopted by, for example, the Danish National Board of Industrial Injuries.

Consequently the record applied in the statistical models is not applicable for estimating future payments. In such cases the effect is estimated and the models applied are adjusted to reflect this estimate.

The last financial years' gains on / strengthening of provisions has been disclosed in the five-year summary. Furthermore, the movement in the provisions for outstanding claims analysed by claims year is shown in the notes to the accounts. For further details see "Risk management" in the report.

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Currencies

As the predominant rule, DKK is the Group companies' functional currency and the presentation currency of the Annual Report is DKK.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debtors, creditors and other monetary items which have not been settled on 31 December are translated at the closing exchange rates on 31 December. Translation differences are disclosed in revaluations in the profit and loss account.

Income and expenses of foreign companies which prepare their accounts in functional currencies other than DKK are translated at average exchange rates for the year while balance sheet items are translated at the closing exchange rates on 31 December. Any translation differences are included directly in the shareholders' equity's reserve for currency translation of foreign companies.

Exchange rate differences on the translation of foreign associated companies are taken directly to shareholders' equity.

Expenses

Expenses are recognised in the Group's profit and loss account and disclosed classified by function: Claims incurred (claims handling), acquisition and administrative expenses, investment return and other expenses. Expenses which do not directly relate to a function are allocated proportionally on the basis of the size of the direct expenses.

Share-based payments

Share option / warrant scheme

The Board of Management and Senior Management participate in a share option / warrant scheme. The fair value on the date the option / warrant is granted less the subscription proceeds is included in staff costs in the profit and loss account. The fair value is calculated using the Black & Scholes model and in accordance with IFRS 2 on share-based payments.

Options and warrants which are settled with own shares are considered to be equity instruments. The fair value at the date of granting is set off against shareholders' equity, with no provision for any liability being included in the balance sheet. Any amount

received on the exercise of the options / warrants is taken to shareholders' equity. Options involving a cash payment are considered to be instruments of debt. The fair value will be recognised as a liability and re-calculated until the exercise date with any changes in value being taken to the profit and loss account.

As from 2004 the share option scheme has been based on options / warrants which are settled with own shares and therefore no liability has been disclosed in the balance sheet.

Employee shares

The fair value, on the date the share is granted less the subscription proceeds received is included as staff costs in the profit and loss account, with the relevant credit shown as a movement in shareholders' equity. The fair value is measured in accordance with IFRS 2 taking into account the specific conditions for the issue of employee shares.

Calculation of profit in life insurance

The calculation of profit for those life insurance companies with portfolios of bonus-participating policies (Topdanmark Livsforsikring and Topdanmark Livsforsikring V) is regulated by the Danish Financial Business Act, which sets requirements on how the "insurance technical result before bonus contribution" (pre-bonus result) should be allocated between the policyholders and the shareholders. The calculation of the result of life insurance is disclosed in a note.

Segment information

In 2007 Topdanmark implemented IFRS 8 on business segments and in accordance with this standard it has divided the non-life insurance business into the following three business segments:

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

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

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

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Management reporting at this segment level covers the technical result only and not the assets and liabilities.

Life insurance continues to be a separate business segment.

The recognition and measurement of the information reported by each segment follow the same accounting policies as those applied by the Group.

Topdanmark carries out business only in Denmark and therefore no specific geographical segmental information is provided.

Ratios

The financial ratios have been calculated in accordance with the definitions of ratios issued by the Danish Society of Investment Professionals, except for profit per share and diluted profit per share which have been calculated in accordance with IAS 33 Earnings per share. The ratios for non-life insurance have been calculated in accordance with the DFSA's accounting order. These calculations, which have been made before elimination of intra-group rent, are disclosed in segment information. Topdanmark has not calculated consolidated ratios for life insurance, as it does not believe that a true and fair view would be achieved by presenting ratios based on an accumulation of completely different portfolios. Recognising that the interests of the relevant portfolios are different, Topdanmark has established a portfolio-based structure of life insurance companies offering, among other services, different investment strategies to different groups of customers. Each company presents its ratios in their own annual reports where further details are available.

Cash flow analysis

The cash flow analysis for the Group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing as well as the changes in the Group's liquid funds between the beginning and the end of the financial year. Cash flows from the sale and purchase of companies have been disclosed separately under the heading of cash flows from investment activities. Investment activities also include amounts received and paid on the purchase and sale of investments, intangible and tangible assets. Cash flows from financing comprise changes in capital, including the

purchase and sale of own shares. Furthermore it includes the raising of loans and repayments on interest-bearing debt. Liquid funds comprise cash and cash equivalents as well as deposits with credit institutions.

Profit and loss account

Premiums earned

Gross premiums in non-life insurance comprise those premiums receivable during the year and an estimate of premiums on insurance contracts written, either directly or indirectly, for which the period of risk has commenced before the end of the financial year. They do not include own risks. Premiums earned on own account comprise gross premiums for the year adjusted for changes in the provisions for unearned premiums and net of reinsurance. Effectively, this means the premiums are being recognised in line with the distribution of risk over the period of cover.

In life insurance, premiums on own account comprise those premiums, including single premiums, which are receivable within the year, net of reinsurance, for all insurance contracts and bonus eligible investment contracts.

Technical interest on own account in non-life insurance

The technical result on non-life insurance includes a return on the technical provisions on own account. The interest on the provisions is calculated using the relevant interest rate corresponding to the expected date of settlement. The discount expense is offset against the interest income. The discount expense is equivalent to the regular revaluation of the present value of the provisions until the expected time of settlement. The interest on discounted provisions, primarily provisions for outstanding claims on own account, is calculated on the same basis as the discount expense. Accordingly the interest and discount expense on discounted provisions are exactly netted off each other. For non-discounted provisions, primarily provisions for unearned premiums on own account, the interest on the average value of the provisions is calculated using the relevant interest rate corresponding to the weighted average date of settlement.

Generally, Topdanmark uses a structure of interest rates based on the rates of the Danish swap market and any changes in the European swap market. For

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policies subject to pension return tax each interest rate used is reduced by the tax rate of 15%.

Allocated investment return on own account in life insurance

The investment return is calculated as the overall investment return in the life insurance group net of the proportion of the investment return relating to illness and accident insurance and the proportion transferred to shareholders' equity in accordance with the definition of profit reported to the DFSA.

Claims incurred and benefits paid

In non-life insurance, claims incurred on own account comprise claims paid during the year adjusted for changes in the provisions for outstanding claims and net of the reinsurers' share. Accordingly, claims incurred comprise known and expected claims relating to the year as well as any adjustments to the provisions made in previous years. Furthermore they comprise direct and indirect expenses on claims handling. However, the proportion of the change in provisions for outstanding claims relating to changes in discounting and revaluation is included in technical interest on own account and revaluations respectively. Topdanmark has entered into swaps hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation provided that the growth in the real value of the payments on claims remains stable. The revaluation of these swaps is included in claims incurred in order that changes in the expected inflation do not affect claims incurred.

In life insurance, claims and benefits paid on own account comprise payments relating to claims, surrenders and cash bonuses.

Bonuses and rebates

Bonuses and rebates include those premium amounts that have been or will be paid back to policyholders, on the basis that the amount of the repayment is calculated with reference to the claims trend of the financial year for each insurance contract or a portfolio of insurance contracts using criteria determined prior to the beginning of the financial year or when the insurance contracts were written.

Operating expenses

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of

the portfolios are included in acquisition costs. New business commission is generally recorded in the profit and loss account on the date the insurance takes effect. Administrative expenses comprise costs incurred in the administration of the portfolios which relate to the financial year and which have been accounted for on an accruals basis. Commission received from reinsurers has been accounted for on an accruals basis over the policies' period of cover.

Investment activities

Income from associated companies comprises a share of the post-tax results of the associated companies calculated in accordance with the Group's accounting policies. Income from investment properties comprises the operating results excluding interest charges and revaluations that have been disclosed separately in the accounts. Interest, dividends etc. comprise all interest, dividends etc. earned in the financial year. Realised and unrealised gains and losses on investment assets and changes in the provisions for outstanding claims on own account due to changes in interest rates are included in revaluations, which also includes exchange rate adjustments and realised gains and losses on owner-occupied properties. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

Pension return tax

Pension return tax includes the return tax that arises from the return in life insurance included in the profit and loss account, whether the tax is current or to be paid in subsequent periods. Pension return tax on shareholders' equity items is taken to shareholders' equity.

Other income and expenses

Other income and expenses that do not relate to the administration of insurance portfolios or investment assets are included in other income and expenses.

Taxation

The tax charge for the year comprises the current corporation tax for the year and any changes in deferred tax. The share of the tax charge that relates to the profit for the year is included in the profit and loss account and the share that relates to shareholders' equity items is taken directly to shareholders' equity. The current tax for the year is

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calculated using the tax rates and rules applicable on 31 December.

Topdanmark A/S is jointly taxed with all the Danish companies of the Group. As the management company of the joint taxation Topdanmark A/S settles all corporation tax payments with the tax authorities.

The jointly taxed companies' joint tax contributions are settled by dividing the current Danish corporation tax between them in proportion to their taxable income. Furthermore those companies with tax losses receive joint tax contributions from those companies which have been able to use this loss to reduce their own tax gain.

Assets

Intangible assets

Goodwill relates to the acquisition of companies prior to 2004 and is included at the book value on the change to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to its recoverable amount, as required.

Acquired software licences are measured at cost and amortised on a straight-line basis over the expected useful life of a maximum of three years. Development projects which are clearly defined and defineable are measured at cost at the amount of external costs incurred and written off over the expected useful life of a maximum of five years. If there is an indication of impairment, the book value is written down to its recoverable amount.

Intangible assets under construction are subjected to an impairment test at the end of the financial year and written down to their recoverable amount, as required.

Tangible assets

Machinery and equipment

Machinery and equipment is measured at cost less depreciation on a straight-line basis and any impairment. Depreciation on a straight-line basis is calculated on the basis of the expected useful life and the residual value, which is annually revalued. If there is an indication of impairment, the book value is written down to its recoverable amount.

Finance leases for machinery and equipment are those leases where the Company substantially bears

all the risks and benefits of ownership: the relevant assets are shown in the balance sheet at the lower of their fair value and the present value of future lease payments. Once recognised as a finance lease, the assets are treated as any other type of machinery and equipment. Machinery and equipment comprising IT equipment, cars and other equipment as well as improvements of rental properties are depreciated over their expected useful life of up to five years.

Owner-occupied properties

Owner-occupied properties are those properties used for the Group's own operations. The properties are recorded at a revalued amount being the fair value on the date of revaluation less accumulated depreciation. The properties are assessed at the end of the financial year by the Company's own valuation experts. The buildings are depreciated on a straight-line basis over their expected life of 50 years, although land is not depreciated. The fair value of the revaluation of owner-occupied properties is assessed on the same basis as investment properties. Any revaluation surplus is taken to shareholders' equity unless the revaluation is a reversal of a previous impairment. Impairments are included in the profit and loss account unless the impairment is a reversal of previous revaluation included in the shareholders' equity.

Properties under construction

Properties under construction are measured at cost, with this value written down to its recoverable amount, if required.

Investment properties

The initial recognition of investment properties is made at cost and subsequent recognitions are made at fair value. A value has been calculated for each property on the basis of an expected future return on its operations and a rate of return (required yield). This value is adjusted for any special conditions having a temporary effect on the earning capacity of the property as well as the level of maintenance required on each property. The yield has been fixed taking into account the relevant market conditions for each type of property, its position, use, tenure of lease etc. The properties are assessed at the end of the financial year by the Company's own valuation experts.

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Associated companies

Shares held in associated companies are measured at their net asset value, in accordance with the Group's accounting policies. Associated companies are companies which are not subsidiaries although the Group has substantial influence through a significant shareholding and representation on the board of the company.

Financial assets

Financial assets are classified at the time of their first recognition as:

- Financial assets which are measured at fair value with any value adjustment taken to the profit and loss account or
- Loans and receivables which are measured at amortised cost

Financial assets at fair value with any value adjustment taken to the profit and loss account are financial assets which either are included in a trading portfolio, are derivatives or at the time of their first recognition are included in this classification because the assets are managed and measured on a fair value basis or because this prevents or substantially reduces accounting inconsistency.

Other financial investment assets and investment assets related to unit-linked contracts are measured at fair value with any value adjustment taken to the profit and loss account.

Listed shares, bonds, derivatives etc. are measured at the closing price on 31 December. If there is no closing price, another public price is used which is believed to be the most appropriate. Valuation methods or other publicly available information are used to value unlisted securities and those listed securities where the closing price does not reflect the fair value. Depending on the nature of the asset, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices of corresponding instruments. True sale and repurchase transactions and true purchase and resale transactions (repo / reverse transactions) are treated as secured loans.

The initial recognition of debtors is made at fair value and subsequent recognitions are made at amortised cost. Amounts due from finance leases are included at

the net investment in the lease contract. The debtors are regularly assessed for impairment and written down to their recoverable amount, as required. Such impairments are generally made collectively on the basis of the debtor ageing analysis. When an individual debtor is considered irrevocable, the value of the impairment is transferred out of the account for collective allowances.

In the note on financial assets the assets are broken down by classes.

Reinsurers' share

Reinsurers' share of provisions for unearned premiums represents the proportion of reinsurance premiums paid which, net of commission received and based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Reinsurers' share of provisions for outstanding claims has been calculated as the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded. Expected future payments are discounted using a structure of interest rates. The reinsurers' share is regularly assessed for impairment and written down to its recoverable amount, as required.

Liabilities

Shareholders' equity

Revaluation reserves

Any revaluation of owner-occupied properties exceeding the book value on the change to IFRS is transferred to the revaluation reserves net of pension return tax, corporation tax and bonus. The reserve will be dissolved if the revaluation is reversed or if the property is sold.

Reserve for foreign currency translation

This reserve comprises foreign currency translation of results and shareholders' equity in foreign companies. If the companies are sold or dissolved, the balance will be recognised in the profit and loss account.

Security fund reserves

The security funds are special funds under shareholders' equity. Prior to 1989 they were transferred to shareholders' equity for capital adequacy and were tax-deductible.

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The security funds can only be used for strengthening the technical provisions or otherwise for the benefit of policyholders and only if permitted by the DFSA.

Subordinated loan capital

The initial recognition of subordinated loan capital is made at fair value less transaction costs and subsequent recognitions are made at amortised cost.

Provisions for insurance and investment contracts

Provisions for unearned premiums

These provisions represent the proportion of premiums collected which, based on the spread of risk during the period of cover, relates to the period after the end of the financial year. The provisions for unearned premiums cover future payments of claims not yet incurred in the remaining period of risk as well as administration costs of the insurance contracts written. Therefore they are calculated per line of business, as a minimum, at the present value of these amounts. The sufficiency of the provisions are regularly tested on the basis of the current expectations for future cash flow.

Life insurance provisions

Life insurance provisions are measured at fair value. Accordingly, the liabilities are calculated on the basis of the market value independent of the original technical base. The fair value of the life insurance provisions is based on a realistic assessment of the expected future premiums to be received, benefit payments to be made and administrative expenses incurred on the contracts written. The future payments to be received and made have been based on the assumed incidents of death, disability and resumption of work. The risk of death and disability is dependent on the age, sex and health of the policyholder and is based on the company's experience. For all policies in Topdanmark Livsforsikring and Topdanmark Livsforsikring V the mortality rate used has been based on an increase of up to five years for men and 6.75 years for women as set out in the G82 life expectancy assumptions. However, for the portfolio of annuities in Topdanmark Livsforsikring II, a reduced rate of mortality has been assumed, corresponding to 55% of G82 for women and 85% for men. G82 is the technical base developed by the industry in the 1980's.

The disability risk has been fixed at 90% of G82 allowing for both disability and resumption of work. Provisions for claims incurred are calculated using an in-house statistical model that is based on the relationship between the possibility of resumption of work and the period passed since the occurrence of the claim. The provisions include amounts to cover the expected expenses on the future administration of the insurance contracts written. These expenses have been calculated using an annual indexation of 2%.

The present value of the expected future payment has been calculated using an interest rate structure based on the rates of the Danish swap market. For policies subject to pension return tax each interest rate used is reduced by the tax rate of 15%.

The provisions include an allowance for risk corresponding to the percentage which would be demanded by an arms-length purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The overall allowance for risk is an estimate calculated as the interest rate used less 5%.

The liabilities are disclosed in the balance sheet as follows:

Guaranteed benefits

The sum of the company's liabilities for each individual policy, calculated on the basis of the agreed premiums and benefits plus an allowance for administration costs, is measured at present value under guaranteed benefits. Guaranteed benefits also include provisions for group life policies and provisions for claims incurred but not reported (IBNR).

Bonus potential on future premiums

Where a policy has been converted to a paid-up policy the benefit guaranteed under the paid-up policy is the net present value of the company's liabilities. Bonus potential on future premiums is the amount for each policy by which the guaranteed paid-up benefits exceeds the guaranteed benefits.

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Bonus potential on paid-up benefits

Where a policy's savings (retrospective provision) less the expected future expense result exceeds the guaranteed paid-up benefits, the amount is disclosed as the bonus potential on paid-up benefits.

Provisions for outstanding claims

Provisions for outstanding claims cover future payments of claims incurred and their administration.

Provisions for outstanding claims are assessed for each line of business either on a claim by claim basis (individual provisions) or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on large claims which have been incurred but not yet reported. IBNER provisions cover individually assessed claims which have been reported but which have been inadequately provided for. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using in-house developed models. In agricultural and commercial lines claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines claims not exceeding DKK 100,000 are assessed collectively while larger claims and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included. All motor and accident claims are included in the collective provisions. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

Inflation is taken into account when calculating the value of the provisions. Future inflation is implicitly included in a number of the statistical models as the average of the actual inflation in the period of record used. Therefore, an expected higher future inflation rate would generally be included in the provisions with a specific time delay.

Provisions for outstanding claims in workers' compensation insurance comprise provisions for annuities and other provisions for outstanding claims.

The assessment of the future annuities is based on the present annuities including the expected wage and salary indexation and a rate of mortality corresponding to G82 with monthly age write-downs. However, due to the instability surrounding payments on disability claims, for a number of years Topdanmark has used an in-house developed model, which takes into account the stage each claim has reached. The benefits are included with an allowance for the expected wage and salary indexation.

Topdanmark has entered into swaps hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation provided that the growth in the real value of the payments on claims remains stable. The revaluation of these swaps is included in claims incurred in order that changes in the expected inflation do not affect claims incurred.

The provisions for outstanding claims include the amounts that are expected to be included to cover direct and indirect expenses on settlement of the liabilities.

All provisions have been calculated at present value by discounting the expected future payments using a structure of interest rates. The proportion of the change in provisions for outstanding claims relating to changes in the interest rate structure is included in the profit and loss account under revaluations.

The sufficiency of the provisions is regularly tested on the basis of the current expectations of future cash flow.

Provisions for outstanding claims in life insurance comprise insurance benefits due but not yet paid.

Provisions for bonuses and rebates

Provisions for bonuses and rebates are the amounts payable to policyholders as the result of a favourable claims trend.

Collective potential bonus reserve

The collective potential bonus reserve is used to equalise the individual years' payments of bonus. Amounts will be provided for the collective potential bonus reserve in years where the investment and technical results exceed the bonus promised, while amounts will be transferred from the reserve in years

Topdanmark's Annual Report 2007

where the result is not sufficient to finance the bonus promised. The collective potential bonus reserve can only be reduced by a transfer to another item under technical provisions or as a result of the "insurance technical losses before bonus contribution" relating to bonus eligible insurance contracts.

Provisions for unit-linked contracts

Provisions for unit-linked schemes are measured at fair value in accordance with the value of the assets linked to the schemes, see the fair value option in IAS 39 on elimination or significant reduction of accounting inconsistency.

Other liabilities

Provisions for pensions and similar liabilities

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the Company's experience. The liability is measured at present value by discounting the expected future payments using a structure of interest rates.

Corporation tax and deferred tax

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account.

Deferred tax on temporary differences between the accounting and tax value of assets and liabilities is charged in accordance with the balance sheet liability method. Deferred tax on shares in subsidiaries and associated companies is not included where the Group controls the timing of the reversal of the temporary difference and where it is probable that the temporary difference will not be reversed within the foreseeable future. The calculation of deferred tax is based on the planned use of each asset and the settlement of each liability using the tax rates expected to be in force when the deferred tax is expected to crystallise as current tax, based on the tax rates and rules in force on 31 December.

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10

percentage point decline in technical provisions on own account from the level at 31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark Forsikring, in which the transfers were made, continues its current operations. Therefore the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to carry out insurance business.

Deposits received from reinsurers

Deposits received from reinsurers represent amounts deposited to cover reinsurers' liabilities to the Company.

Creditors

Amounts due to credit institutions and derivatives are recorded at fair value, see the fair value option in IAS 39 on elimination or significant reduction of accounting inconsistency.

The fair value of amounts due to credit institutions usually corresponds to their nominal value while that of derivatives is based on the closing price on 31 December. If there is no closing price, another public price is used which is believed to be the most appropriate. Valuation methods or other publicly available information are used to value unlisted instruments and those listed instruments where the closing price does not reflect the fair value. Depending on the nature of the asset, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices of corresponding instruments.

Other loans are assessed at their amortised cost.

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Profit and loss account • Parent company

(DKKm)	Note	2006	2007
Income from affiliated companies	1	1,759	1,310
Interest income and dividends etc.		4	4
Revaluations	2	(9)	(1)
Interest charges		(16)	(39)
Expenses on investment business		(2)	(1)
Total investment return		1,736	1,273
Other expenses	3	(31)	(30)
PRE-TAX PROFIT		1,705	1,243
Taxation	4	(13)	28
PROFIT FOR THE YEAR		1,692	1,271

It is proposed to transfer the result of the parent company to revaluation reserve.

Topdanmark's Annual Report 2007

Balance sheet • Parent company

(DKK m)	Note	2006	2007
Assets			
Machinery and equipment	5	6	5
TOTAL TANGIBLE ASSETS		6	5
Shares in affiliated companies	6	4,980	4,578
Total investment in affiliated companies		4,980	4,578
Bonds		3	2
Total other financial investment assets		3	2
TOTAL INVESTMENT ASSETS		4,983	4,580
Amounts due from affiliated companies		40	38
Other debtors		12	1
TOTAL DEBTORS		52	39
Current tax assets		0	198
Deferred tax assets	7	3	1
Cash and cash equivalents		4	3
TOTAL OTHER ASSETS		7	202
TOTAL ASSETS		5,048	4,826

Shareholders' equity and liabilities

Share capital		196	176
Revaluation reserve		1,762	1,348
Profit carried forward		2,408	2,192
TOTAL SHAREHOLDERS' EQUITY		4,366	3,716
SUBORDINATED LOAN CAPITAL	8	0	402
Bond loans		0	15
Amounts due to credit institutions		95	15
Amounts due to affiliated companies		550	671
Current tax liabilities		25	0
Other creditors		2	3
Derivatives		10	4
TOTAL CREDITORS		682	708
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,048	4,826
Staff costs	9		
Related parties	10		
Emoluments paid to the auditors	11		
Accounting policies			

Topdanmark's Annual Report 2007

Capital • Parent company

(DKKm)

Movement in shareholders' equity

	Share capital	Revaluation reserve	Profit carried forward	Total
2006				
Shareholders' equity at 1 January	208	1,580	2,185	3,973
Profit for the year		1,692		1,692
Dividends received from subsidiaries		(1,322)	1,322	0
Other movements in capital of subsidiaries		(177)		(177)
Taxation		(11)	3	(8)
Cancellation of own shares	(12)		12	0
Share buy-back			(1,430)	(1,430)
Sale of employee shares			27	27
Issue of warrants			12	12
Exercise of share options / warrants			274	274
Other movements in shareholders' equity			3	3
Shareholders' equity at 31 December 2006	196	1,762	2,408	4,366

2007

Shareholders' equity at 1 January	196	1,762	2,408	4,366
Profit for the year		1,271		1,271
Dividends received from subsidiaries		(1,752)	1,752	0
Carried forward		57	(57)	0
Other movements in capital of subsidiaries		8	5	13
Taxation		2	1	3
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		51	52
Shareholders' equity at 31 December 2007	176	1,348	2,192	3,716

Share capital

	2006	2007
DKK		
Share capital at 1 January	207,586,070	195,587,160
Reduction in capital	(11,998,910)	(20,659,630)
Increase in capital	0	1,382,470
Share capital at 31 December	195,587,160	176,310,000

Each of Topdanmark's 17,631,000 shares has a nominal value of DKK 10.

No share enjoys any special rights. The shares are freely tradeable. Each share has one vote.

The following shareholders have notified Topdanmark that they own more than 5% of the share capital:

ATP, DMP, SP	The Capital Group Companies
ATP-huset	40 Grosvenor Place
Kongens Vænge 8	London SW1X 7GG
3400 Hillerød	UK
Holding 8.43%	Holding 5.16%

Topdanmark's Annual Report 2007

Capital • Parent company

(DKK m)	2006	2007
Solvency:		
Shareholders' equity	4,366	3,716
Tax asset	(3)	(1)
Hybrid core capital	0	402
Capital adequacy requirements for insurance companies	-	(1,453)
Core capital	4,363	2,664
Capital requirements in insurance companies	(2,788)	(1,453)
Capital base	1,575	1,211
Weighted assets	2,256	2,129
Capital adequacy requirements for insurance companies	193.3	125.1
Solvency ratio	69.8	56.9
Solvency requirement (%)	8.0	8.0

Solvency has been calculated according to the rules for financial services holding companies. The solvency rules have been changed from 2007 and the comparatives have not been restated

Own shares

	Number of shares '000	Nominal value DKK m	Percentage of share capital	Bought /sold DKK m
Parent company				
Held at 1 January 2006	1,254	13	6.0	
Bought in 2006	1,801	18	9.2	1,439
Sold	(401)	(4)	2.1	(317)
Written down	(1,200)	(12)	-	
Held at 31 December 2006	1,454	15	7.4	-
Bought in 2007	2,276	23	12.9	2,171
Sold	(170)	(2)	1.0	(174)
Written down	(2,066)	(21)	-	
Held at 31 December 2007	1,494	15	8.5	-
Subsidiaries				
Held at 1 January 2006	316	3	1.5	-
Sold	(107)	(1)	0.5	(58)
Held at 31 December 2006	209	2	1.1	-
Sold	(66)	(1)	0.4	(63)
Held at 31 December 2007	143	1	0.8	-

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Notes to the accounts • Parent company

(DKK m)	2006	2007
Note 1. Income from affiliated companies		
Topdanmark Forsikring A/S	1,511	1,248
Adjustment	169	(9)
Topdanmark Invest A/S	2	25
Topdanmark Kapitalforvaltning A/S	72	48
TD.0151 ApS	76	(13)
Adjustment	(75)	13
Other	4	(2)
Income from affiliated companies	1,759	1,310
The same accounting policies are applied by the subsidiaries as by the parent company. However, properties owned by the subsidiaries and used by the Group have been re-classified from investment properties to owner-occupied properties, and shares in Topdanmark A/S and liabilities on management share options based on shares in Topdanmark A/S have been re-classified to equity instruments.		
Note 2. Revaluations		
Deposits with credit institutions	(1)	0
Derivatives	(8)	0
Other	0	(1)
Revaluations	(9)	(1)
Note 3. Other expenses		
Holding expenses	31	30
Other expenses	31	30
Note 4. Taxation		
Current tax	(16)	(18)
Prior year adjustment	26	(13)
Change in deferred tax	1	2
Tax for the year	11	(29)
Tax taken to shareholders' equity	2	1
Taxation	13	(28)
Pre-tax profit excl. income from affiliated companies	(54)	(67)
Calculated tax 28/25%	(15)	(17)
Adjusted for the tax effect of:		
Prior year adjustment	26	(12)
	11	(29)
Effective rate of taxation	(19.5)	44.1
Note 5. Machinery and equipment		
Cost at 1 January	8	7
Additions, including improvements	2	0
Disposals	(3)	(1)
Cost at 31 December	7	6
Impairment and amortisation at 1 January	(1)	(1)
Amortisation for the year	(1)	0
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	1	0
Impairment and amortisation at 31 December	(1)	(1)
Machinery and equipment	6	5

Topdanmark's Annual Report 2007

Notes to the accounts • Parent company

(DKKm)	2006	2007
Note 6. Shares in affiliated companies		
Topdanmark Forsikring A/S	4,691	4,339
Adjustment	75	35
Topdanmark Kapitalforvaltning A/S	82	58
TD.0151 ApS (Investment)	134	41
Adjustment	(125)	(68)
Topdanmark Invest A/S (Investment)	122	145
web-postkassen.dk ApS (Consumer service)	1	1
	4,980	4,551
Of which companies with a negative net asset value	0	27
Shares in affiliated companies	4,980	4,578

The same accounting policies are applied by the subsidiaries as by the parent company. However, properties owned by the subsidiaries and used by the Group have been re-classified from investment properties to owner-occupied properties, and shares in Topdanmark A/S and liabilities on management share options based on shares in Topdanmark A/S have been re-classified to equity instruments. The affiliated companies are domiciled in Ballerup.

	2005	2006	2007
Note 7. Deferred tax assets			
Machinery and equipment	1	0	0
Other	3	3	1
Deferred tax assets	4	3	1
Changes relating to the year		(1)	(2)

Note 8. Subordinated loan capital

In 2007 Topdanmark A/S issued EUR 55m of hybrid core capital.

It is a bullet loan with no final maturity date but if permitted by the DFSA, the debtor can give notice of termination as from 15 September 2017 at par. The loan carries a floating interest rate determined as EURIBOR + 1.90%, currently 6.85%, and as from 15 September 2017 increased to EURIBOR + 2.90%.

Share of loan included in capital base	402
Borrowing costs	8
Interest charges	13

Note 9. Staff costs

Board of Management

Salaries	10	10
Pension - confined contribution scheme	1	0
Share options	3	5
	14	15

Each member of the Board of Management has a car at his disposal.

The disclosed emoluments paid to the Board of Management comprises the total emoluments paid to the registered Board of Management. Other companies of the Group pay part of the emoluments.

Board of Directors

Directors' fees for 2007 were DKK 3,203,000 (2006: DKK 2,550,000) of which DKK 188,000 (2006: 150,000) related to tasks in subsidiaries.

Other staff costs	1	1
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Topdanmark's Annual Report 2007

Notes to the accounts • Parent company

(DKK m)

Note 9. Staff costs - continued

Share options / warrants

Topdanmark's share option scheme for 2004 - 2007 for the Board of Management and senior executives has been based on warrants. The strike price has been fixed at 110% of the market price on 31 December the prior year. The warrants can be exercised 3 - 5 years subsequent to the granting, see below. From 2008 the scheme has been based on call options.

Up to and including 2003, the scheme for the Board of Management, senior executives and the Board of Directors was based on call options. The strike price for 2002 and 2003 was fixed at the market price on 31 December the prior year.

The scheme is primarily settled by shares (equity instruments).

Only options to the Board of Directors granted up to and including 2003 were paid for in cash. The liability has been recorded at fair value under the heading Creditors and revalued regularly with any changes in value being taken to the profit and loss account.

	2006	2007
Accounting liability	10	4
Net asset value	10	4
Revaluations (costs)	8	0

The Group's overall option scheme is disclosed in the Group note on staff costs.

Note 10. Related parties

Topdanmark A/S has no related parties who hold a controlling influence.

Related parties with substantial influence comprise the Board of Directors, the Board of Management and their families.

Emoluments paid to the Boards of Directors and Management are disclosed in the Group note on staff costs.

Number of shares in Topdanmark A/S held by the Board of Directors	4,917	4,885
Number of shares in Topdanmark A/S held by the Board of Management	1,193	2,928

The Board of Management holds Topdanmark bonds (4%) of DKK 307,000.

Affiliated companies:

Expenses charged	22	21
Dividends received	1,322	1,752
Interest income	4	3
Interest charged	13	21

Expenses are charged to cover costs incurred.

Average effective interest rate on balances is 4.12% (2006: 3.04%).

Shares are disclosed in the balance sheet and specified in the note on shares in affiliated companies.

Balances are disclosed in the balance sheet.

Note 11. Emoluments paid to the auditors

Deloitte		
Audit work	1.0	0.7
Other services	0.2	0.4
	1.2	1.1

The Group has an internal audit department which carries out most of the audit work.

Notes to the accounts • Parent company

Accounting policies

The annual accounts for the parent company Topdanmark A/S have been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish Financial Supervisory Authority (DFSA) on financial reports for insurance companies and lateral pension funds.

New accounting regulation

The DFSA has updated its executive order on financial reports for insurance companies and lateral pension funds which has caused a few small amendments to the presentation of the profit and loss account and the balance sheet. Income from affiliated companies, being the parent company's share of the post-tax results of the affiliated companies, is now included in the profit and loss account. Prior to 2007 income from affiliated companies was calculated before taxation and the relevant tax charge recognised under taxation. Furthermore cash in hand and at banks have now been transferred from investment assets to be reclassified as cash and cash equivalents, under other assets. These changes have had no impact on the profit for the year, on the shareholders' equity or on the balance sheet total. The comparatives have been restated.

There have been no other changes in accounting policies from those adopted in the 2006 Annual Report.

Differences from the Group's accounting policies

The company's accounting policies for recognition and measurement is in accordance with the Group's accounting policies except for:

Shares held in affiliated companies are recognised and measured at their net asset value. The share of the post-tax results of affiliated companies is included in the profit and loss account under income from affiliated companies. The share of the movements in the shareholders' equity of affiliated companies is included directly in the shareholders' equity.

The net asset value of affiliated companies is calculated without providing for deferred tax on security funds unless it is probable that a situation creating such a tax liability will arise within the foreseeable future.

Topdanmark's Annual Report 2007

Disclaimer

This Annual 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 Annual 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 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 Annual Report.

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

Topdanmark's Annual Report 2007

Management's statement

We have today presented the Annual Report for 1 January - 31 December 2007 for Topdanmark A/S.

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as approved by the EU, and the annual accounts for the parent company have been prepared in accordance with the Danish Financial Business Act including the executive order on financial reports for insurance companies. Furthermore, the Annual Report has been prepared in compliance with the additional Danish disclosure requirements on annual reports prepared by listed financial services companies.

The management's review includes a fair review of the development in the Group's and Parent company's activities and financial matters as well as the most significant risks and factors of uncertainty which can impact the Group and parent company.

We consider the chosen accounting policies to be appropriate such that the Annual Report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2007 as well as the result of the Group's and parent company's activities and cash flows for the financial year 1 January - 31 December 2007.

The Annual Report is recommended to the Annual General Meeting for adoption.

Ballerup, 11 March 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

Topdanmark's Annual Report 2007

Auditors' Reports

Internal auditors

We have audited the annual report of Topdanmark A/S for the financial year 1 January to 31 December 2007, which comprises the Management's review, the profit and loss account, the balance sheet, the movements in shareholders' equity, the accounting policies, the notes to the accounts and the Management's statement, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent's annual accounts have been prepared in accordance with the Danish Financial Business Act. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial services companies.

The management of the company is responsible for the annual report. Our responsibility is to express an opinion on this annual report based on our audit.

Basis of opinion

We have conducted our audit on the basis of the executive order issued by the Danish Financial Supervisory Authority on the performance of an audit in financial services companies and financial services groups and in accordance with Danish Auditing Standards. During the audit, based on an evaluation of materiality and risk, we assessed procedures, the accounting policies applied and the estimates made, and verified the basis for the amounts and other information disclosed in the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2007 and of its financial performance and its cash flows for the financial year 1 January to 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial services companies.

In addition, in our opinion, the annual report gives a true and fair view of the Parent's financial position at 31 December 2007 and of its financial performance for the financial year 1 January to 31 December 2007 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial services companies.

Ballerup, 11 March 2008

Jørn Sønderup
Audit Manager

Ulla Hansen
Deputy Audit Manager

Topdanmark's Annual Report 2007

Independent auditors' report

To the shareholders of Topdanmark A/S

We have audited the annual report of Topdanmark A/S for the financial year 1 January to 31 December 2007, which comprises the Management's review, the profit and loss account, the balance sheet, the movements in shareholders' equity, the accounting policies, the notes to the accounts and the Management's statement, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent's annual accounts have been prepared in accordance with the Danish Financial Business Act. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial services companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated annual accounts, in accordance with the Danish Financial Business Act in respect of the Parent's annual accounts, and additional Danish disclosure requirements for listed financial companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2007 and of its financial performance and its cash flows for the financial year 1 January to 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial services companies.

In addition, in our opinion, the annual report gives a true and fair view of the Parent's financial position at 31 December 2007 and of its financial performance for the financial year 1 January to 31 December 2007 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial services companies.

Copenhagen, 11 March 2008

Deloitte
Statsautoriseret Revisionsaktieselskab

Anders O. Gjelstrup
State Authorised Public Accountant

Martin Faarborg
State Authorised Public Accountant