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# ANNUAL REPORT 2010

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This Annual Report 2010 is a translation of the original report in the Danish language (Årsrapport 2010). In case of discrepancy, the Danish version prevails.

**SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP**

(DKK millions)	2010	2009	2008	2007	2006
<b>PREMIUMS INCLUDING INVESTMENT CONTRACTS</b>	24,148	20,431	21,879	18,940	18,246
<b>INCOME STATEMENT</b>					
Technical result, Life	1,145	1,466	-59	1,032	1,015
Technical result of health and accident insurance	261	296	-787	-263	-211
Return on investment allocated to equity, etc.	869	1,296	-279	875	851
Profit before tax	2,275	3,058	-1,125	1,644	1,655
Tax	-504	-737	305	-303	-440
Net profit for the year	1,771	2,321	-820	1,341	1,215
<b>BALANCE SHEET</b>					
Total assets	288,061	264,085	242,851	246,475	244,519
Technical provisions, health and accident insurance	8,384	8,267	8,084	7,530	7,299
Provisions for insurance and investment contracts	255,459	237,409	218,139	222,514	221,672
Collective bonus potential	1,740	2,775	1,553	13,462	13,864
Total shareholders' equity	20,992	19,215	16,886	17,716	16,674
<b>KEY FIGURES AND RATIOS (%)</b>					
Return before tax on pension returns excl. return on market products	5.6	6.7	-0.9	1.2	2.9
Return before tax on pension returns on customer funds in Danica Pension	5.8	7.1	-1.2	1.1	2.9
Return on market products in Denmark	12.9	24.0	-24.0	2.6	6.9
Expenses as per cent of premiums	5.0	6.0	6.0	7.1	6.7
Expenses as per cent of provisions	0.52	0.55	0.63	0.66	0.62
Expenses per policyholder (DKK)	1,342	1,360	1,466	1,564	1,482
Insurance risk result	0.09	0.08	0.14	0.14	0.05
Bonus rate - bonus-paying companies	1.1	1.7	0.9	8.3	8.6
Owners' capital ratio	14.8	13.5	11.9	12.7	12.1
Excess core capital ratio	8.7	8.7	6.9	7.9	7.1
Solvency ratio	276	283	242	263	243
Return on equity before tax	11.3	16.9	-6.5	9.6	10.3
Return on customer funds after deduction of expenses before tax	4.6	5.5	-1.3	0.0	1.8
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>					
Gross claims ratio	82	96	97	97	92
Gross expense ratio	13	14	15	16	18

Forsikringselskabet Danica's consolidated financial statements for 2007 - 2010 are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Mandatory ratios pursuant to the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds are set out in note 1 to the financial statements. The financial statements for 2006 are presented in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds.

## OVERVIEW

In 2010, the Danish pension market felt the repercussions of the economic downturn, and this was reflected in premiums. A positive trend was noted for the year as a whole, however. For the non-Danish units, the improvement was marked. For the Danica Group overall, premiums rose by 18% or DKK 3.7 billion.

Premiums in the Danish business improved by 2% to a total of DKK 16.9 billion. In Denmark, the market products Danica Balance and Danica Link totalled DKK 9.8 billion in 2010. Of Danica's Danish life insurance premiums, 57% are now written for the market products, with some 147,000 customers opting for market products at the end of 2010. As expected, the conventional product lost ground. Premiums fell by 13% to DKK 7.5 billion. In 2010, Danica Traditionel customers chose to move DKK 1.7 billion of their savings to market products.

In the non-Danish business, Danica experienced strong premium growth of 89% to DKK 7.2 billion. The premium growth was mainly related to the Swedish business, although the Norwegian business experienced significant growth as well, driven in part by the transfer of a portfolio from IF Skadesforsikring in Norway.

The group generated a return on investment of 6.8%. Danica Traditionel's return amounted to 5.8% before tax on pension returns, and the market products provided policyholders with a satisfactory return of 11.4%. Total investment assets rose by 9.5% to DKK 281 billion.

In 2010, Danica launched a customer commitment: "The safe choice". The customer commitment implies that Danica will focus on eight selected parameters that are important for customer satisfaction. Combined with new online services launched in 2010, the customer commitment supports Danica's ambition to be the most attractive pension company overall for customers.

The profit before tax amounted to DKK 2.3 billion, against DKK 3.1 billion in 2009. The reasons for the decline were special allotments in the amount of DKK 0.6 billion and a lower investment return, whereas insurance operations improved.

With Danica's financial strength combined with careful risk management, Danica is well prepared to meet the requirements of the new executive order on the contribution principle of 1 January 2011 and the new Solvency II rules, which will be effective from 2013.

In November 2010, Standard & Poors maintained its rating of Danica Pension of A (negative outlook).

## OVERVIEW OF EVENTS IN 2010

### Signs of improvement in the Danish pension market

The economic downturn, financial turmoil and uncertainty as to the final outcome with respect to the equalisation tax all had an impact on the pension market during the early part of 2010. Danica has not seen any major recruitment by companies following the general cutbacks, and almost 15% of total disposals of corporate plans are due to bankruptcies. Also, there are signs that the pension market is becoming saturated. Naturally, these developments were reflected in Danica's regular premiums. Moreover, the market was impacted by growing competition with many tender rounds for major company plans.

While the economic climate did not change fundamentally, there were signs of gradual improvement for the year as a whole, and after the issue of equalisation tax was settled, it was once again possible to focus on the need for long-term savings. With Danica's offer of combinations of instalment pension plans, capital pension plans and life annuities with guarantees to surviving relatives, total pension premiums can be tailored to the policyholders' individual needs. Also, 2010 saw increasing interest in saving up for pensions, and total premiums in Denmark rose by 2% relative to 2009. Towards the end of the year, the company won a number of major corporate plans. The effects of these will not feed through until 2011.

2010 was also a busy year for Danica's broker sales channel, which saw a large inflow of new customers. One explanation for this was the fact that Danica's general product and service offering is strong compared with those of other providers during a period of intense competition that demanded a great deal in terms of delivery and service systems, including self service, at a time when prices are under great pressure.

The tax reform contributed to enhancing focus on the importance of advisory services and how best to make use of pension savings on retirement. For this purpose, Danica's new senior advisory concept was very popular, and Danica will continue to strengthen this service.

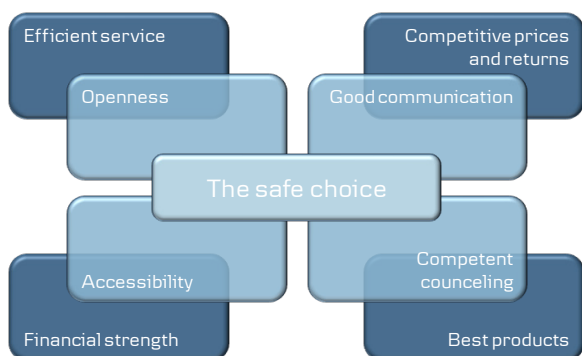
As in previous years, the trend throughout 2010 was that customers opted for market products, which for the first time exceeded the conventional products in premium income. In Denmark, 57% of life insurance premiums in 2010 related to market products, and for new business, the proportion is approximately 85%.

In 2010, Danica maintained its position as one of Denmark's leading providers of life and pension insurance products to the corporate market.

## Many new customer initiatives

In the spring, Danica launched a new customer commitment: "The Safe Choice". This customer commitment was formulated on the basis of the demands expressed by customers. Danica has worked on the customer commitment for more than a year, as it was important to have it implemented among the staff before being launched externally.

Danica takes a holistic approach. Accordingly, Danica has selected eight areas which contribute to making Danica the safe choice and which all employees embrace with great commitment and enthusiasm. The 8 areas are:



Many elements are of importance to customers, but it is not possible to be the best in all disciplines every year. However, the company will strive to be among the best in each area so as to be considered the safe choice overall. All Danica's employees have discussed the importance of honouring this commitment, and Danica is working hard to be considered the customers' safe choice.

In August, Danica launched an updated advisory tool, "PC Behovsanalysen" (PC Needs Analysis), which supports Danica's advisors in mapping out all the customers' needs. The analysis of a customer's needs is finalised by an electronic report, which is sent to the customer's mailbox immediately after the meeting.

Customers demand efficient service in order to reduce the costs of being a Danica customer as well as to reduce the processing times in connection with establishing or changing pension plans.

The digitalisation of Danica continued in 2010.

During the year, an improved version of Netpension Corporate was introduced, which features a number of functionalities demanded by customers. Also, Din Netpension was updated with improved navigation and log-on using Nem-ID. In addition, access was established to electronic customer folders through Din Netpension, making all correspondence available to customers electronically. For customers who wish to use e-box instead, this is also an option, and customers who prefer physical letters still receive those.

Danica's efforts to make pension more easily understandable were initiated in 2009 and continued in 2010. Danica has now redrafted a number of standard letters to a more customer-friendly language. Also, [www.danicapension.dk](http://www.danicapension.dk) was relaunched. All texts have been redrafted and the number of pages reduced from approximately 800 to 300. All in all, it has become easier for customers to find and understand the information they need.

Arguably the most important new initiative taken by Danica in 2010 was the development of the self-service solution "Activate your pension". Activate your pension gives customers quick and easy access to electronic establishment of pension plans 24 hours a day, seven days a week by submitting information in four easy-to-understand screens. Activate your pension also includes an offer of personal advice, allowing customers to subsequently adjust their pension plan. Activate your pension ensures that customers submit the necessary health information when setting up their policies, so that the customers know their cover before having to use their policy. Activate your pension will be offered to Danica's corporate customers in 2011.

Danica is continually striving to improve accessibility by providing new and improved internet options, and during the second half a number of new online services successively became available to customers. Danica launched online notification of claims at [www.danicapension.dk](http://www.danicapension.dk), allowing policyholders quick and easy use of their insurance. For now, healthcare, disability and certain critical illness claims can be notified online. At the end of 2010, Danica received some 50% of all new claims notifications electronically.

Danica strives to offer the best products, and in 2010 risk cover and savings products were improved. Danica launched a new life annuity with an optional payment guarantee and reduced prices of most savings products for numerous customers. At 1 January 2011, the company will furthermore launch uniform prices on waiver of premium.

Danica has established the concept "Tilbage I arbejde" (Back to work), which is designed to facilitate a fast return to the workforce after illness. The chances of returning to work improve significantly with swift action. Although the concept consists of known measures, the establishment of the new service concept significantly reduces the period of absence to the benefit of the person in question, the company, society at large and Danica.

The company guide "Godt klædt på til at fastholde syge medarbejdere" (Well prepared for retaining sick employees) has been distributed to 2,000 customers so far, and the concept was presented to 800 companies in 2010. As part of the concept, Danica's social consultants offer counselling in cases of stress and stress-related illnesses. In addition, the company offers individually tailored support to

customers with special needs where the public help offered is deemed inadequate.

Danica finds that companies have increasingly accepted the offer of counselling. Danica gets far more requests regarding sick employees, and the message that disability claims should be made in the early stages of the illness is also feeding through.

The servicing of Danica's customers continued to generate a great deal of activity in 2010. 61,000 new pensions were set up and 604,000 changes were made. Danica processed 42,000 disability claims and 21,000 death-related claims. The number of health checks carried out by Danica in 2010 in connection with the establishment or change of insurance contracts was approximately 32,000. In addition, Danica processed approximately 90,000 enquiries regarding healthcare. The number of calls to Danicalinjen in 2010 was 292,000.

Danica's processing times are publicly available on the website. The increased automation has reduced the processing times. As from 1 January 2011, the company has therefore further tightened up on targets for the processing of disability claims (from 15 to 10 days) and health care insurance (from 10 to 5 days).

#### PROCESSING TIMES

(target achievement in %)	2010	2009
Disability	95	95
Danica Sundhedssikring (health care insurance)	100	98
Payment on death	99	93
Payment on critical illness	99	97
Establishment of pension plan	92	95
Change of pension plan	95	93

Danica has some of the fastest processing times in the industry. In 2010, Danica continued the work of automating even more processes in order to maintain and expand Danica's position in this area. Another effect of this work is that it will create a basis for a reduction of Danica's expenses and a further reduction of prices.

In addition to all these customer initiatives, new legislation also meant that 2010 became a year of major focus on IT development. In terms of legislation, significant amendments were made to the Danish Act on Taxation of Pension Returns which changed calculations as well as disclosure and settlement requirements. A new executive order on the contribution principle also required adaptations of IT systems, and this combined with preparations for the new solvency rules in 2013, a reduction of the basic rates and a new executive order on disclosure, will continue to require IT resources in 2011.

## Price reductions as a result of lower expenses

Danica's operating expenses in the Danish business totalled DKK 1,023 million, which is a reduction of DKK 75 million relative to 2009. The general freeze on hirings introduced in 2009 continued in 2010. Moreover, it was agreed to defer the salary increases previously granted at 1 July 2010 in return for a corresponding reduction of working hours.

By making operations more efficient, Danica has reduced costs to the lowest level ever. Accordingly, Danica lowered prices on a number of insurance and savings products in 2010.

## Increased premiums for non-Danish operations

### Sweden

In Sweden, Danica offers market and risk products to the private as well as the corporate market. Sales are made through Danske Bank Sweden and through brokers as well as directly to major companies and organisations.

Throughout the year, Danica has seen strong customer growth. The number of customers rose by some 30,000 in 2010 relative to an increase of some 17,000 in 2009. Part of the explanation for this is that Danica is the only pension company to offer products in all collective agreements in relation to market products.

Danica experienced significant growth in premium income, principally attributable to the demand for the savings product Depåforsikring. Total premium income for the Swedish business amounted to DKK 5,791 million in 2010, against DKK 3,111 million the previous year, equalling a growth rate of 86%.

### Norway

In Norway, Danica offers market and risk products to the private as well as the corporate market. Sales in the corporate market are made directly through the company's own sales staff, brokers and Fokus Bank. In the private market, sales are made through Fokus Bank as well as through certain regional banks.

In 2008, Danica focused its attention on the corporate market, and this area saw significant growth in 2010. In 2010, Danica took over a portfolio from IF Skadeforsikring of some 5,200 companies and some 20,500 members, including a distribution agreement. The transfer of this portfolio contributed DKK 455 million in single premiums in 2010. The annual portfolio premium is approximately DKK 110 million.

Total premium income amounted to DKK 1,383 million in 2010, against DKK 595 million the previous year, equalling a growth rate of 132%.

## Ireland

In Ireland, Danica offers risk and market products to the private market. Sales are made mainly through National Irish Bank and, to a lesser extent, through brokers. The economic conditions remained under pressure throughout 2010 and premium income declined to DKK 55 million in 2010, against DKK 125 million in 2009. Danica focused on expanding its sales channels. The effects of these efforts will not feed through until 2011, however.

## Continued focus on openness and transparency

Danica was one of the first companies in Denmark to introduce "OmkostningsTjek" (Expense Check) in 2009: an easy online calculator allowing anyone to see what it costs to be a Danica customer. In the spring of 2010, Danica furthermore replaced the annual statement of account with a new, improved version which has set new standards for openness in the industry. The statement shows annual expenses in Danish kroner as well as in percent of savings. Danica also presented a new statement of cover.

## New legislation in the pipeline

With the 2013 implementation of the international solvency rules, Solvency II, coming up, the demand for financial strength and professional risk management is a priority. The rules are introduced to enhance policyholders' security. A solid financial strength of DKK 15.8 billion means that Danica has a strong foundation, ensuring that Danica will remain the secure choice for customers.

## FINANCIAL REVIEW

### Financial results

The Danica Group realised a profit before tax of DKK 2,275 million, against DKK 3,058 million in 2009. The net profit after tax amounted to DKK 1,771 million, against DKK 2,321 million in 2009. The Board proposes to the annual general meeting that an amount of DKK 1,771 million be distributed in 2011 as dividends in respect of 2010. The profit for the year is in line with the expectations expressed in the Annual Report 2009.

DANICA GROUP, PROFIT BEFORE TAX		
(DKK millions)	2010	2009
Insurance and other operations in Forsikringssselskabet Danica	144	109
Risk allowance, etc.	1,126	1,087
Unit-linked business, Denmark	274	123
Health and accident	198	298
Risk result of Forenede Gruppeliv	32	33
International activities	72	56
Investment return on equity in Danica Pension	486	819
Transferred from shadow account	584	573
Special allotments	-641	-40
Profit before tax	2,275	3,058

Forsikringssselskabet Danica's profit before tax from insurance and other operations was DKK 144 million against DKK 109 million in 2009, and comprises the profit of Forsikringssselskabet Danica excluding income from subsidiaries. The performance was mainly affected by a lower claims ratio relative to 2009. The claims experience of critical illness remained less satisfactory, although with a positive trend. The claims ratio was 88%, against 102% in 2009.

The risk allowance for 2010 was calculated at DKK 1,126 million, which was in line with 2009. Danica Pension's technical basis for risk allowance was DKK 2,308 million, and the full amount for the year as well as the shadow account of DKK 584 million could thus be booked.

The result of health and accident insurance was a profit of DKK 198 million, against a profit of DKK 298 million in 2009. The decline in 2010 was due to a lower investment return. The claims ratio for the health and accident business was 82%, against 96% in 2009. The claims ratios was affected by a positive run-off on claims incurred in previous years. This means that the actual claims experience was better than previously assumed in view of the financial crisis and the economic downturn.

The result of unit-linked business was improved by DKK 151 million relative to 2009. The business has sufficient volume for income from existing customers to exceed current expenses. The result was particularly boosted by fund management commissions and cost savings.

The pre-tax profit for the year of international activities amounted to DKK 72 million, against DKK 56 million in 2009. The profit comprises a profit of DKK 41 million in the Swedish business, a profit of DKK 59 million in the Norwegian business and a loss of DKK 28 million in the Irish business.

Special allotments, cf. the chapter 'Contribution and profit policy', represented an expenditure of DKK 641 million, which along with the DKK 40 million from 2009 with added interest will be allocated to customers in March 2011. The booking of the shadow account increased the special allotments.

The Danica Group's return on equity amounted to 8.8% in 2010, against 12.9% in 2009. On a two-year average, the return on equity was 10.9%.

### Gross premiums

Gross premiums including health and accident insurance and payments received on investment contracts amounted to DKK 24.1 billion in 2010, which was an increase of DKK 3.7 billion or 18.2% relative to 2009.



PREMIUMS (INCLUDING INVESTMENT CONTRACTS)					
(DKK billions)	2010	2009	2008	2007	2006
Danica Balance	7.3	4.5	4.0	2.8	2.5
Danica Link	2.5	2.8	3.7	4.3	3.5
Danica Traditionel	7.5	8.7	10.8	10.2	10.7
Internal transfers	-1.7	-0.7	-0.9	-1.4	-1.6
Health and accident	1.3	1.3	1.3	1.2	1.1
International	7.2	3.8	3.0	1.8	2.0
Total premiums	24.1	20.4	21.9	18.9	18.2

Premiums for the market products, Danica Balance and Danica Link, rose by 34% in Denmark, whereas gross premiums for Danica Traditionel dropped by 13%.

In the foreign units, premiums now account for 30% of total premiums, against 11% in 2006. In Sweden, gross premiums rose by 86% to DKK 5,791 million. Gross premiums rose by 132% to DKK 1,383 million in the Norwegian business, while the premiums in the Republic of Ireland amounted to DKK 55 million.

#### **Return on investment**

In 2010, Danica Group had a return on investment before tax on pension returns of DKK 17.6 billion or 6.8%. After tax on pension returns, the return was DKK 15.7 billion or 6.1%.

The return on investment of assets allocated to shareholders' equity in Danica Pension, excluding insurance subsidiaries, amounted to DKK 486 million or 3.1% in 2010, against 5.3% in 2009.

Danica Balance and Danica Link saw a total return of DKK 4.8 billion or 12.9%.

The return on investment of customer funds in Danica Traditionel was DKK 10.9 billion or 5.8% before tax on pension returns. The return was affected by higher equity and bond prices in 2010. Investment management expenses rose relative to 2009 due to performance fees to fund managers, which were above the benchmark. Other expenses are in line with 2009.

Following the allocation of DKK 3.1 billion to life insurance provisions, the return was 4.5%.

#### **Collective bonus potential**

The collective bonus potential fell by DKK 1.0 billion to DKK 1.7 billion in 2010, and the bonus rate stood at 1.1% at year end 2010.

COLLECTIVE BONUS POTENTIAL IN DANICA PENSION*		
(DKK billions)	2010	2009
Return on customer funds (life)	10.1	11.9
Change in the value of insurance obligations	-3.3	-1.2
	6.8	10.7
Tax on pension returns	-1.2	-1.9
Interest added for the period	-5.2	-3.1
Cost and risk results	0.3	0.1
Risk allowance of provisions	-1.1	-1.1
Booked as income from shadow account	-0.6	-0.6
Used bonus potential of paid-up policies	-	-2.8
Change in collective bonus potential	-1.0	1.3

\* Comprises customer funds with bonus entitlement only.

The decline relative to the end of 2009 should be seen in light of an investment return of 5.8%, a 3.25% interest rate on policyholders' savings before tax on pension returns and the booking of risk allowance and shadow account.

As from 1 January 2011, the collective bonus potential was distributed on the new groups pursuant to the new executive order on the contribution principle, as described in the chapter on contribution and profit policy. The distribution is shown in the table below.

#### COLLECTIVE BONUS POTENTIAL AT 1 JANUARY 2011

	Collective bonus potential (DKK billions)	Bonus ratio (%)
Interest rate group 1 (new customers)	0.5	1.0
Interest rate group 2 (low guarantee)	0.2	1.0
Interest rate group 3 (medium guarantee)	0.1	1.0
Interest rate group 4 (high guarantee)	0.8	1.0
Risk group (private)	0.0	-
Risk group (corporate)	0.1	-
Risk group (retirees)	0.0	-
Total	1.7	1.1

#### **Charge on customer funds**

The total charge on customer funds in Danica Pension not only comprises the risk allowance but also the recognition of cost and risk results. The cost and risk results in 2010 reduced the charge on customers by DKK 121 million.

#### CHARGE ON CUSTOMER FUNDS IN DANICA TRADITIONEL\*

(DKK millions)	2010	2009	2008	2007	2006
Risk allowance	1,126	1,087	1,088	1,040	1,037
Cost result	6	-15	-21	-8	-35
Risk result	-127	-72	-210	-194	-145
Administrative expenses related to investment activities	444	247	301	304	223
Subordinated loan capital	20	20	20	19	12
Total charge	1,469	1,267	1,178	1,161	1,092
Transferred from shadow account	584	573	-1,088	-	-
Total	2,053	1,840	90	1,161	1,092
In % of provisions	1.18	1.06	0.05	0.65	0.60

\* Comprises customer funds with bonus entitlement only.



In 2010, the total charge on customers excluding the shadow account was a negative DKK 1,469 million, or 0.84% of provisions. The average charge for the period 2006-2010 was a negative 0.70% excluding the shadow account.

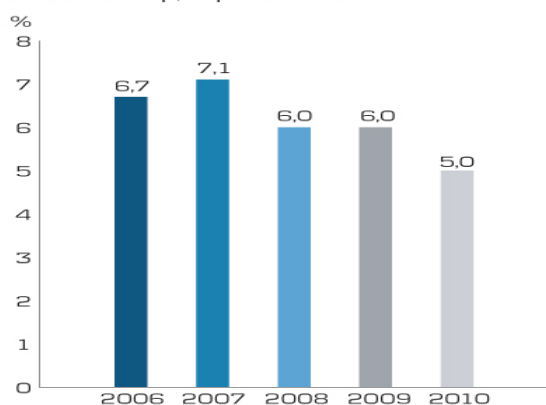
**Claims and benefits**

Claims and benefits amounted to DKK 16.7 billion in 2010 against DKK 15.1 billion in 2009. Surrenders amounted to DKK 8.5 billion in 2010 against DKK 4.4 billion in 2009. Just over a third of the increase in surrenders was attributable to increasing levels of activity in the non-Danish business, and the rest was attributable to the Danish business. The increase in Denmark was, among other things, explained by the fact that surrenders in connection with job changes tripled compared with 2009.

**Expenses**

In life insurance, operating expenses relating to insurance amounted to DKK 1,143 million in 2010, against DKK 1,138 million in 2009 as a result of increased expenses in the non-Danish business and declining expenses in the Danish business. Overall, expenses were thus in line with 2009. The higher premiums meant an improvement in the expense ratio from 6.0% to 5.0%.

Danica Group, expense ratio



The expense ratio for Danica's Danish activities improved from 6.0% in 2009 to 5.5% in 2010. Expenses amounted to 0.42% of average provisions, against 0.47% in 2009.

EXPENSE RATIO	2010	2009
Danica Group	5.0	6.0
Danica's Danish activities	5.5	6.0

The average number of full-time employees was 898 in 2010, against 954 in 2009, and at the end of the year the Danica Group employed 888 employees.

Expenses were reduced by a net amount of DKK 32 million in 2010 as a result of reimbursement of financial services employer tax relating to prior years.

The Danica Group paid DKK 620 million to Danske Bank for investment management, IT operations and development, internal auditing, HR administration, logistics and marketing. In addition, the Danica Group paid DKK 141 million to the Danske Bank

Group for its sale of life insurance policies (see note 31).

At year end 2010, DKK 53 million had been capitalised by the Danske Bank Group in respect of systems development for the Danica Group. This amount will be charged to the Danica Group's income statement over the coming three years.

**Corporation tax**

The group's corporation tax totalled DKK 504 million.

**Balance sheet**

The group's total assets rose from DKK 264 billion at the end of 2009 to DKK 288 billion at the end of 2010.

Investment assets, including investment assets related to unit-linked contracts, rose from DKK 256 billion at year end 2009 to DKK 281 billion at year end 2010. The performance was positively affected by the price increases in 2010.

Provisions for insurance and investment contracts totalled DKK 255 billion, against DKK 237 billion at the end of 2009.

Life insurance provisions amounted to DKK 179 billion, against DKK 178 billion in 2009, breaking down into guaranteed benefits, bonus potential of future premiums and bonus potential of paid-up policies.

Life insurance provisions were strengthened by the injection of DKK 336 million in 2010 as a result of a reassessment of the forecast increase in life expectancy. In the autumn of 2010, the Danish FSA asked companies to state whether the assumptions in respect of mortality rates used in connection with the calculation of the companies' life provisions deviate from the benchmark and an analysis of whether the companies' life expectancy forecasts deviate from the benchmark. This statement is to be submitted by 1 July 2011 and is aimed at ensuring that the provisions carried by the companies are sufficient. It is the immediate assessment that the Danish FSA's benchmark will not have any significant influence on the company's provisions and solvency situation.

The collective bonus potential at the end of 2010 amounted to DKK 1.7 billion. To this should be added additional provisions of DKK 16.4 billion for compliance with Danica's guarantees.

Provisions for unit-linked contracts rose from DKK 48 billion at the end of 2009 to DKK 66 billion at the end of 2010.

Intangible assets totalling DKK 105 million comprise goodwill acquired on additional acquisition of Norwegian activities in 2004.

At the end of 2010, shareholders' equity stood at DKK 21.0 billion, against DKK 19.2 billion at end-2009.

In the first half of 2010, Danica merged the companies Danica Pension, Danica Pension I and Danica Liv III,

with Danica Pension as the continuing company. The merger was completed with effect at January 1 2010.

The purpose of the merger was to enhance administrative efficiency and it did not affect the customers.

#### **Risk exposure and sensitivity ratios**

Note 36 discloses, for the Danica Group, the effect on shareholders' equity and on collective bonus potential and the bonus potential of paid-up policies of isolated changes in interest rates and other relevant financial risks as well as changes in the mortality and disability rates. The note also discloses risks and the management thereof.

A 10% decline in the mortality rate, corresponding to an increase in life expectancy of about one year, would reduce the collective bonus potential by DKK 1.5 billion.

The financial sensitivities in note 36 are defined in the Danish FSA's red traffic light scenario. A scenario with an increase in interest rates of 0.7 of a percentage point concurrent with a 12% equity price drop, an 8% drop in property prices and an 8% loss on counterparties would reduce the collective bonus potential by DKK 1.7 billion, reduce the bonus potential of paid-up policies by DKK 0.8 billion and reduce shareholders' equity by DKK 0.6 billion.

Throughout 2010, the Danica Group was in the green light scenario.

#### **Financial strength and solvency requirement**

The solvency requirement of the parent company amounted to DKK 7.9 billion and the capital requirement of subsidiaries amounted to DKK 7.9 billion.

In 2007, the Danish FSA introduced a requirement for insurance companies to assess their individual solvency needs. The individual solvency need is a precursor to the international Solvency II directive.

The assessment of individual solvency needs is a risk-based capital requirement to complement the solvency requirement. All Danish insurance companies are thus required to have a capital base corresponding to at least the higher of the solvency requirement and the individual solvency needs. All companies in the Danica Group complied with this in 2010.

Danica has developed a model to assess the individual solvency needs. In the model, stress tests are performed of relevant risk factors, including equity prices, property values, interest rates and life expectancy. The individual solvency need is assessed as the capital requirement after stress testing adjusted for the use of collective bonus potential and bonus potential of paid-up policies.

In addition to the solvency assessment, Danica reports the individual solvency need to the Danish FSA.

In October 2006, Danica Pension raised EUR 400 million in subordinated loan capital. The loan, which has a Standard & Poor's rating of BBB+, is quoted on the Irish Stock Exchange and carries interest at 4.35% p.a. The loan can be terminated from October 2011.

The Danica Group's capital base amounted to DKK 22.1 billion. The Danica Group's total financial strength, i.e. capital base and collective bonus potential less solvency requirement, amounted to DKK 15.8 billion at year end 2010.

DANICA GROUP, financial strength (DKK millions)	2010	2009
Shareholders' equity	20,992	19,215
Subordinated loan capital	2,966	2,961
Intangible assets etc.	-105	-110
Proposed dividends	-1,771	-
Capital base	22,082	22,066
Solvency requirement in Forsikringssekskabet Danica	-79	-72
Capital requirement in subsidiary	-7,908	-7,719
Excess capital base	14,095	14,275
Collective bonus potential	1,740	2,775
Financial strength	15,835	17,050

The financial strength reflects the security provided for customers' funds. To this should be added a bonus potential of paid-up policies of DKK 11.0 billion, part of which can be used for offsetting losses.

In November 2010, Standard & Poor's maintained its rating of Danica Pension of A (negative outlook). Danica Pension's rating is to a large extent dependent on Danske Bank's rating, which was also maintained. Danica Pension remains one of the highest rated pension companies in the Nordic region.

#### **Events after the balance sheet date**

No events have occurred between 31 December 2010, and the date of the signing of the financial statements that, in the opinion of the management, will materially affect Danica's financial position.

New contribution rules became effective at 1 January 2011. The new rules do not have any material effect on Danica's financial position.

#### **Outlook for 2011**

In 2011, Danica expects to hold on to its position as one of the leading providers in Denmark.

The profit for 2011 will mainly depend on developments in the financial markets. These developments influence whether a risk allowance can be booked for 2010 and the expenditure in relation to special allotments.

## INVESTMENT STRATEGY

The Board of Directors determines Danica's investment strategy and follows up on the results, while Danica's investment department prepares specific investment plans.

Danica does not invest its customers' pension funds in companies that deliberately breach international standards on human rights, environmental protection, employee rights, anti-corruption or weapons. See the corporate social responsibility section.

The investment strategy is as follows:

### Danica Balance

In Danica Balance, savings are invested in combinations of seven investment funds, specially developed for Danica.

For each customer, Danica continually adjusts the distribution among the funds based on the customer's age and chosen risk profile.

Two of the funds are invested in equities, based on a portfolio of index-linked international equities supplemented by active investment in selected areas.

The remaining five funds are invested in bonds, and their main difference consists in the maturities of the bonds. The funds invest primarily in Danish and European bonds.

### Danica Link

Danica Link is Danica's most flexible pension product, giving individual policyholders significant freedom to choose the risk profile of their investments. Pension savings are invested based on a fund universe consisting of 40-45 investment funds from a number of Danish and international fund managers. The development of the individual fund is followed closely, and any funds that do not meet Danica's requirements are replaced. This ensures that the quality of the investment funds offered is high.

The individual Danica Link customer can either decide which investment funds to invest in or leave the choice to Danica by choosing one of the six Danica Valg portfolios. The Danica Valg portfolios have different risk levels with equity shares of between 0% and 100%.

### Danica Traditionel

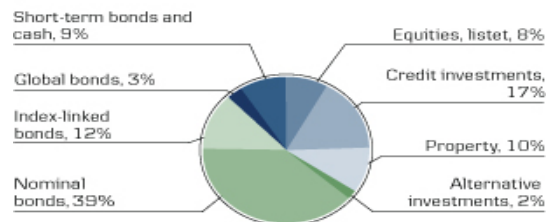
The investment strategy for customer funds in Danica Traditionel is adjusted in respect of:

- Life insurance obligations
- Bonus and capital reserves
- Large portfolio diversification

- The return and risk potential in individual investment areas.

Total risky assets, consisting of equity, credit, property and alternative investments, amounted to 36.5% at year end 2010.

#### Asset allocation at December 31, 2010



At the end of 2010, 64.4% of the customer funds in Danica Traditionel were invested in bonds issued by public authorities or mortgage credit institutions and the like from zone A countries. A fifth of these funds were invested in index-linked bonds, which contributes to a stable long-term real return.

Danica's investments in Portuguese, Irish, Greek and Spanish government bonds amounted to 1.2% of customer funds at year end 2010.

Moreover, Danica invests in credit bonds based on an expectation of a higher return relative to government bonds and a lower risk relative to equities. Credit investments amounted to 16.5% of customer funds at the end of 2010, just over half of which were rated Investment Grade by Moody's or Standard & Poor's, while the remaining credit investments had lower or no ratings.

Property investments accounted for 9.8% of customer funds at the end of 2010. Over an investment horizon of several years, property investments traditionally contribute a relatively stable and inflation-proof return. Danica is the largest owner of shopping centres in Denmark and also holds many office properties. Property investments are concentrated on the Danish market.

At year end, alternative investments, accounting for 2.1% of the portfolio, mainly consisted of private equity, infrastructure and a small percentage of hedge fund investments. The purpose of these alternative investments is to obtain a return similar to that of equities, but without the volatility of these.

Danica employs a number of investment managers to manage its investments. Danske Capital manages 78% of the investment assets and BlackRock manages 9%. Danske Bank is the main banker.

In the property portfolio, shopping centres are managed by Steen & Strøm and Dan-Ejendomme, while Datea manages Danica's other investment properties.

## Shareholders' equity

Of the shareholders' equity funds, 4.1% was invested in equities and 8.3% in real property according to the same profile as that of the customer funds in Danica Traditionel, while 87.6% was invested in relatively short-term bonds at the end of 2010. Shareholders' equity is further exposed to equities through investments attributable to the health and accident business.

## Returns and market performance

In 2010, the international financial markets were somewhat calmer than in the preceding years, although the fundamental economic situation did not improve much for the western economies.

Equity markets showed fair growth in 2010 on the back of a strong 2009, but the developing countries performed better than the industrialised countries. According to the MSCI World index, equities rose by 11.1% in 2010.

Several times during the year, there were fears that the US economy, in particular, would enter a so-called double dip, and this had a negative impact on the financial markets.

However, on the whole the central banks managed to keep the economies afloat by means of ultra-low interest rates and, with respect to the FED's, buy-backs of bonds, a so-called quantitative easing of monetary policy.

The expansive monetary policy and budding signs of economic growth supported risky assets during the second half. The European markets underperformed due to the debt crisis in Portugal, the Republic of Ireland, Greece and Spain and the resulting pressure on the European banking sector.

Meanwhile, the bond buy-backs caused interest rates in the United States and the European core countries to drop significantly up to the fourth quarter. During the fourth quarter, interest rates rose again, however, in expectation of sharply rising public sector budget deficits in the United States as well as in Europe. In Europe, particularly the prospect of EU-countries and IMF having to provide massive support to the aforementioned countries to overcome their economic problems put upward pressure on bond yields towards the end of the year.

Overall, the Danish long-term 10-year government bond yields fell from 3.6% at the beginning of 2010 to 3.0% at the end of the year, whereas the shorter-term 2-year yields fell from 2.0% to 1.0%. The 10-year Danish government bond yield was 8.2% in 2010.

At approximately 0.3 of a percentage point, the spreads on Danish long-maturity mortgage bonds at the end of 2010 were more or less unchanged from the beginning of the year.

The return on credit bonds was positively affected by declining risk premiums during the year, and Danica's portfolio of credit bonds with investment grade ratings consequently yielded returns of 5.9%. On bonds with lower ratings, the return was 12.6%.

The commercial property market remained sluggish in 2010, with generally declining demand for office and retail leases due to rising unemployment and limited growth. Danica's total return on real property was 2.6%, which breaks down to a negative 2.1% in value adjustments and 4.7% in direct returns.

Danica Balance customers under the medium equity risk profile and with 30 years to retirement age saw a return of 16.1% in 2010 before tax on pension returns. Danica Balance customers in 2010 saw a total return of DKK 2.1 billion before tax on pension returns or 12.0%. Over a five-year period, the average return for all customers was 3.3% p.a. before tax on pension returns.

Risk	DANICA BALANCE, RETURN BEFORE TAX			
	30 years to maturity		5 years to maturity	
(%)	Return	Equity share	Return	Equity share
Aggressive	17.2	100	12.7	59
High	17.2	100	11.6	48
Medium	16.1	90	10.4	38
Low	14.5	75	9.3	27
Conservative	11.6	49	8.1	16
Average return, Danica Balance 12.0%				

The majority of the Danica Link customers have opted for Danica Valg with medium risk, and they saw a return of 14.1% in 2010 before tax on pension returns. The return before tax on pension returns for Danica Valg customers who have opted for high risk was 17.4% and for customers with a 100% equity share 20.8%. The total return for Danica Link customers before tax on pension returns was DKK 2.7 billion or an average of 14.1%. Over a five-year period, the average return for all customers was 3.1% p.a. before tax.

DANICA VALG PORTFOLIO'S RETURN BEFORE TAX		
(%)	2010	2009
Danica Valg Guarantee	10.7	14.8
Danica Valg 100% Bonds	6.1	13.3
Danica Valg Low Risk	9.5	18.4
Danica Valg Medium Risk	14.1	27.0
Danica Valg High Risk	17.4	32.4
Danica Valg 100% Equities	20.8	34.4
Average return, Danica Link 14.1%		

The overall return on Danica Balance and Danica Link in 2010 was DKK 4.8 billion before tax on pension returns, equal to 12.9%.

The total return on customer funds in Danica Traditionel before tax on pension returns was 5.8%. The

total return after an increase of technical provisions was 4.5%.

The total return on equities was 17.3%, comprising a return of 34.4% on Danish listed equities and a return of 15.4% on foreign listed equities. A large part of the foreign exchange exposure was hedged.

DANICA PENSION, CUSTOMER FUNDS				
HOLDINGS AND RETURNS (DKK billions)	2010		2009	
	Value	Return %	Value	Return %
Property investments	18.5	2.6	18.1	4.1
Listed equities	15.3	17.3	14.8	28.9
Alternative investments	3.9	17.6	2.1	-2.3
Credit investments	31.1	9.4	22.8	29.7
Global bonds	5.7	0.8	6.6	-0.5
Nominal bonds	75.6	4.6	71.4	6.8
Index-linked bonds	23.6	7.3	26.7	9.6
Short-term bonds and cash and cash equivalents	17.0	4.0	17.2	6.2
Total bonds, etc.*	121.9		121.9	7.0
Other financial assets	-2.6	5.3	1.6	-
<b>Total</b>	<b>188.1</b>	<b>5.8</b>	<b>181.3</b>	<b>7.1</b>
Return after change in additional provisions		4.5		6.8

\* In connection with the merger of Danica Pension, Danica Pension I and Danica Liv III at January 1, 2010, bonds in the amount of DKK 7 billion were transferred to customer funds from the former Danica Liv III and Danica Pension I.

FROM INVESTMENT RETURN TO INTEREST RATE ON POLICY-HOLDERS' SAVINGS (%)		
	2010	2009
Return on customer funds before investment costs	6.1	7.2
Investment costs	-0.3	-0.1
Return on customer funds after investment costs	5.8	7.1
Change in the value of insurance obligations	-1.3	-0.3
Investment return including change in insurance obligations	4.5	6.8
Tax on pension returns	-0.7	-1.2
Risk premium for the year	-0.6	-0.6
Risk premium transferred to shadow account	-0.3	-0.3
Risk and cost results	0.1	0.1
Transfer from collective bonus potential	0.6	-0.7
Transfer from bonus potential of paid-up policies	0.0	-1.6
Other adjustments	-0.8	-0.8
Interest rate on policyholders' savings after tax on pension returns	2.8	1.7
The share of investment assets for which investment costs are included is	100%	100%

The above table illustrates the relationship between investment return and the interest rate on policyholders' savings.

## CONTRIBUTION AND PROFIT POLICY

### Danica Traditionel profit allocation rules

The Danish FSA issued a new executive order on the contribution principle, which entered into force at 1 January 2011. The purpose of the changes to the executive order on the contribution principle is to clarify the rules on distribution of profits and losses among policyholders to safeguard against any structural redistribution.

The most significant change from the previous rules is that the total portfolio of with-profit products in life insurance companies should be grouped according to the elements of interest, risk and costs. Objective criteria should be applied to ensure the homogeneity of the groups.

Accordingly, at 1 January 2011 the portfolio of Danica Traditionel insurances has been divided into four interest rate groups, four cost groups and three risk groups, and the Danica Traditionel's bonus regulations have been adjusted to accommodate these groups.

Danica's collective bonus potential, at 31 December 2010 standing at DKK 1.7 billion, has been distributed among the individual groups, and a separate risk allowance has been determined for each group. Within each interest rate group, any losses are covered collectively by that group's collective bonus potential and bonus potential of paid-up policies before the shareholders' equity is required to cover. Any losses on risk and cost groups not covered by the collective bonus potentials of the individual groups are to be covered by shareholders' equity.

As from 1 January 2011, customers with high guarantees have been grouped together in one interest rate group. These customers' investment returns will reflect the fact that more caution is required for their investments. Customers with high guarantees can therefore in the longer term expect a lower, but more stable, rate of interest on their savings compared with customers with lower guarantees.

Customers with lower guarantees are divided into three interest rate groups. The lower the guarantee, the more opportunity the customers will have for more risky investments, which are expected in the longer term to yield higher returns. Accordingly, over time customers with lower guarantees can expect somewhat higher – but also more volatile – rates of interest on their savings.

In connection with the implementation of the new rules, Danica has decided to combine the previous sub-portfolios – sub-portfolio I and sub-portfolio II – which had different bonus rates. In that connection, customers of the former Danica Liv & Pension received an extraordinary 10% bonus to compensate for the different bonus rates.



Special allotments are made to certain policyholders from the former Statsanstalten for Livsforsikring, which today forms part of Danica Pension. The customers in question receive special allotments from Danica Pension if Danica Pension's equity exceeds the adequate capital base by a certain amount.

## New EU solvency rules – Solvency II

Danica is closely monitoring the work on the coming EU solvency rules, Solvency II, which are to take effect in 2013 according to plan. The new rules are set to change the existing volume-based capital requirement to a capital requirement which more accurately reflects the risks involved in the operation.

During 2010, Danica conducted a gap analysis in relation to the new internal management and external reporting requirements, among other things. Based on this, the company has prepared a road map leading up to 2013 that will contribute to Danica meeting the new requirements.

Also, in 2010 Danica participated in the quantitative impact studies conducted (most recently QIS5) for the purpose of assessing the future capital adequacy requirements. The Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) will present the conclusions from QIS5 in spring 2011, and the European Commission is expected to determine the final calculation assumptions before the end of 2011. It is thus too early to predict Danica's future solvency requirement under Solvency II. However, Danica does not expect the company's excess core capital to change significantly under the new rules.

The coming Solvency II rules allow for the calculation of capital requirement according to internal models designed by companies individually.

Danica has not yet decided whether Danica will use such an internal model. This decision will depend, among other things, on the final capital requirements under Solvency II.

## ORGANISATION, MANAGEMENT AND PARTNERSHIPS

Danica handles the Danske Bank Group's activities within pension savings and life insurance for companies, organisations and private individuals.

Danica's Board of Directors consists of five directors elected by the general meeting and three directors elected by the employees. The Board of Directors is in charge of the overall management of the company and holds some six meetings annually. The Executive Board is in charge of the day-to-day management of the company and consists of Jørgen Klejnstrup, CEO (acting) and Jesper Winkelmann. Henrik Ramlau-Hansen resigned from the position

of CEO at the end of 2010. Per Klitgård is appointed new CEO and will join the company according to further agreement.

The directorships of the members of the Board of Directors and the Executive Board are listed on page 65.

As stated in note 9, the Executive Board members' remuneration was unchanged relative to 2009. For 2009 and 2010, Danica suspended performance-based pay for all employees other than the company's insurance brokers and selected investment officers, a total of 161 employees.

As from 2011, the remuneration structure has been tightened in a number of areas relating to remuneration of the Board of Directors, Executive Board and other staff members whose activities have a material effect on the Group's risk profile (risk takers). Danica follows Danske Bank's guidelines in this area.

Danica has great employee commitment. The annual employee survey, which was conducted in the autumn of 2010, once again showed good improvement. Satisfaction and Motivation were up by 4 index points over 2009 to 75 and Loyalty rose by 3 index points to 79.

In September 2010, Danica started implementing a new management platform – "Vejen til god ledelse" (the Path to Good Management) – based on appreciative management.

Danica has set up a framework for the desired leadership behaviour. When there is a belief that Danica can continually improve its management, the employees' sense of everyday work satisfaction and motivation is heightened. This again supports Danica's goal of offering efficient service, so that quality targets are met, etc.

Danica promises its customers competent advice, and to ensure that this promise is kept, all employees with direct customer contact annually undergo a test of their professional knowledge. In addition to this, selected employee groups also take an oral exam designed to assess their communications and professional skills based on a customer case.

For employees in need of brushing up their professional skills, their performance interview with their immediate superior will include a discussion of ways to heighten their skills.

Danica educates some of the best finance trainees in Denmark. The traineeship focuses on a combination of theoretical and practical knowledge, and in 2010 Danica's trainees once again achieved an average significantly above the national average for pension company trainees. The finance trainees are very ambitious, and as soon as they have completed the two-year traineeship they continue on to a relevant

education at the Danish Insurance Academy. Currently, the company has 19 trainees at the Academy.

At 1 January 2011, Danica Pension and Topdanmark have entered into an agreement to transfer 44 commercial insurance agents and back-office staff to Topdanmark. The commercial insurance agents will service Danica's customers and sell non-life insurance on behalf of Topdanmark and pension plans on behalf of Danica.

### Internal controls and risk management

As laid down in the Danish Financial Business Act, the Board of Directors is responsible for ensuring that the Executive Board maintains effective procedures to identify, manage, monitor and report on risks, adequate internal control procedures as well as satisfactory IT controls and security measures.

Good accounting practices are based on authorities, segregation of duties, regular reporting requirements and marked transparency in respect of the group's business.

Danica regularly assesses risks in relation to the financial reporting and with particular focus on items where estimates and judgments could significantly affect the value of assets or liabilities. These critical financial statement items are listed under Significant accounting estimates and judgments.

Danica has implemented controls to mitigate the identified risks in relation to the financial reporting, and regularly monitors the development of and compliance with applicable legislation and other financial reporting regulations and provisions in order to maintain the best possible quality of financial reporting. Controls have been established for the purpose of preventing, detecting and correcting any errors or irregularities in the financial reporting. Such controls minimise the risk of error but are not a guarantee against errors.

Moreover, Danica has set up an internal risk committee which is to follow up on Danica's risks on a regular basis.

The internal audit department regularly examines internal management reporting processes and external interim and annual reporting processes. Internal Audit also conducts operational audits, focusing among other things on significant areas of the group's risk management, including reporting thereon.

The Board of Directors regularly receives reporting from the Executive Board on compliance with the risk management and investment framework set out and the statutory investment rules, as well as regular financial information. Compliance and Internal Audit regularly submit reports to the Board of Directors on compliance with rules and regulations, including any violation of internal business procedures and policies.

In addition, the actuary in charge reports to the Board of Directors on any significant issues within the actuary's area of responsibility.

A joint audit committee has been set up for the Danske Bank Group, which also monitors significant issues for the companies of the Danica Group. Once a year, Internal Audit reports to the Audit Committee on the effectiveness of the established reporting processes in relation to Danica's financial reporting and risk management.

The Audit Committee examines accounting, auditing and security issues. These are issues that the Board of Directors, the Audit Committee itself, the group chief auditor or the external auditors believe deserve attention before they are brought before the Board of Directors. In 2010, the Audit Committee held four meetings. For further information on the Audit Committee, see Danske Bank's management's report.

## CORPORATE SOCIAL RESPONSIBILITY

### Danica complies with Danske Bank's Corporate Responsibility policy

Along with the Annual Report 2010, the Danske Bank Group has published Corporate Responsibility 2010 on the Group's corporate social responsibility in four main areas: Business, Employees, Environment and Society. Since 2007, the CR report has been organised in accordance with the sustainability reporting guidelines of Global Reporting Initiative (GRI).

Since 2007, the Group has supported the UN Global Compact, the world's largest voluntary network for corporate social responsibility which is based on 10 principles that act as a common frame of reference for companies worldwide in the areas of human rights, labour rights, environment and corruption. As a member of the Global Compact, the Group is committed to describing in annual progress reports what concrete measures the Group has taken to comply with the ten principles.

For reporting on Corporate Responsibility, see the Danske Bank Group's progress report for 2010, Communication on Progress, which is available on the website [www.unglobalcompact.org](http://www.unglobalcompact.org).

### Health-promoting activities

Danica values the support of the two employee associations in focusing on the health of the company's employees. Danica's employees are offered Danica Sundhedsfremmer (Health promoter), and their health and physical condition is checked through Sundhedstjek. Each individual is offered suggestions for improvements and Danica gets a Health Guide, providing input on what areas to prioritise. In 2010, a group of selected employees who were motivated to make an effort in the areas of diet and exercise were given an offer.



Danica Fitness-Club offers employees a broad variety of activities. In addition to a great range of the most up-to-date training facilities, employees are offered individual training advice, measurement of physical condition and body fat percentage and physiotherapist treatment.

Danica's canteen widely uses organic produce, and the food and meal policy sets out guidelines on the preparation of healthy, low-fat food.

### Absence and presence

Danica strives to ensure dialogue with employees with prolonged absences to maintain their relations with Danica. Moreover, the company wishes to provide security and peace of mind for employees afflicted by critical illness and their families, and Danica takes an active role in relation to employees who have an addiction.

Danica finds it essential to maintain a permanent healthy balance between private life and work and to take timely action to avoid stress. Danica's stress policy and measures in this area were set up to ensure that Danica meets this responsibility.

Danica's employees are given special offers of reduced working hours, health checks and senior days off.

Employee sickness absences in 2010 averaged 4 days, against a 5-day average in 2009.

### Environmental considerations

In 2010, Danica implemented measures to reduce paper consumption. Danica reorganised all letter systems so that customers can choose to receive most of Danica's letters electronically. At the end of 2010, 112,000 Danica customers received mail electronically. The formats of the longest letters have also been changed so that customers receiving letters in hard copy no longer receive as much as 30-40 pages. Instead, they receive a brief overview of no more than 3-4 pages and can order the rest if they wish to. The new electronic customer communication initiatives and the marked reduction in the number of pages in the letters still sent in hard copy have reduced paper consumption by almost a million sheets of paper.

The company regularly monitors heating, electricity, water consumption and mileage on the company's vehicles. Also, all of Danica's vehicles have been replaced by environmentally friendly cars. As from 2010, Danica is included in Danske Bank's CO2 accounts. The complete report is available at Danske Bank's website.

### DEVELOPMENT IN POWER, HEAT AND WATER CONSUMPTION

		2010	2009	Index 10/09
Total power consumption	MWh	1,224	1,343	91
Total heat consumption	MWh	2,673	2,475	108
Total water consumption	M3	4,700	4,490	104
Mileage	Km'000	2,252	2,427	92

Water consumption covers the head office only, while power and heat also includes regional offices. The consumption covers the period October 2009 to September 2010.

The heat consumption was up by 8% relative to 2009 due to the cold winter weather in 2009/10, which caused a general 16% increase in the number of day degrees.

### Socially responsible investment principles

In 2008, Danica implemented a socially responsible investment (SRI) policy in order to ensure that Danica does not invest customers' money in companies that do not comply with international human rights, environmental, employee rights, weapons and anti-corruption guidelines. In 2010, Danica's focus on socially responsible investment was further strengthened with the decision for the group to adopt the UN Principles for Responsible Investment (PRI). This decision reflected the group's ambition to comply with international standards in Danica's environmental, social and ethical guidelines. The list of companies not eligible for investment can be seen at [www.danicapension.dk](http://www.danicapension.dk). At the end of 2010, the list comprised some 30 companies that Danica does not wish to invest in.

The requirements in respect of Danica's property portfolio include that Danica's suppliers should comply with the ethical rules of the Danish Construction Association.

### Venture capital for entrepreneurs

In January 2011, the pension industry entered into an agreement with the Danish government to provide venture capital for small and medium-sized companies with growth potential. The commitment is for a total of DKK 5 billion, of which Danica's share is expected to be up towards DKK 500 million.



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## Income statement - Danica Group

Note	(DKK millions)	2010	2009
	<b>LIFE INSURANCE</b>		
4	Gross premiums	16,936	15,729
	Reinsurance premiums ceded	-43	-50
	<b>Total premiums, net of reinsurance</b>	<b>16,893</b>	<b>15,679</b>
	Income from associated undertakings	20	-43
5	Income from investment properties	911	1,030
6	Interest income and dividends, etc.	7,676	8,614
7	Market value adjustments of investments	9,738	13,422
	Interest expenses	-268	-335
	Administrative expenses related to investment activities	-435	-191
	<b>Total investment return</b>	<b>17,642</b>	<b>22,497</b>
	Tax on pension returns	-1,920	-2,826
	<b>Return on investment after tax on pension returns</b>	<b>15,722</b>	<b>19,671</b>
8	Claims and benefits paid	-16,715	-15,125
	Reinsurers' share received	109	96
	Change in outstanding claims provision	-132	-22
	Change in outstanding claims provision, reinsurers' share	-9	-3
	<b>Total claims and benefits, net of reinsurance</b>	<b>-16,747</b>	<b>-15,054</b>
	Change in life insurance provisions	-999	-409
	Change in reinsurers' share	56	-26
	<b>Total change in life insurance provisions, net of reinsurance</b>	<b>-943</b>	<b>-435</b>
	Change in collective bonus potential	1,035	-1,297
	<b>Total bonus</b>	<b>1,035</b>	<b>-1,297</b>
	Change in provisions for unit-linked contracts	-12,570	-14,216
	Change in reinsurers' share	1	-
	<b>Total change in provisions for unit-linked contracts, net of reinsurance</b>	<b>-12,569</b>	<b>-14,216</b>
	Acquisition costs	-295	-311
	Administrative expenses	-848	-827
	Reinsurance commissions and profit sharing	17	16
9	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-1,126</b>	<b>-1,122</b>
	Transferred investment return	-1,120	-1,760
	<b>TECHNICAL RESULT OF LIFE INSURANCE</b>	<b>1,145</b>	<b>1,466</b>

## Income statement - Danica Group

Note (DKK millions)	2010	2009
Brought forward	1,145	1,466
<b>HEALTH AND ACCIDENT INSURANCE</b>		
Gross premiums	1,434	1,423
Reinsurance premiums ceded	-98	-88
Change in unearned premiums provision	23	36
Change in unearned premiums provision, reinsurers' share	1	0
Premiums, net of reinsurance	1,360	1,371
Technical interest	23	121
Claims paid, gross	-1,212	-1,218
Reinsurers' share received	1	36
Change in outstanding claims provision	89	-108
Change in outstanding claims provision, reinsurers' share	60	50
Claims, net of reinsurance	-1,062	-1,240
Bonus and premium discounts	-88	-76
Acquisition costs	-61	-78
Administrative expenses	-122	-121
Reinsurance commissions and profit sharing	13	10
Total operating expenses relating to insurance, net of reinsurance	-170	-189
Return on investment	198	309
<b>10 TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>261</b>	<b>296</b>
Return on investment allocated to equity	648	1,138
<b>11 Other income</b>	<b>249</b>	<b>199</b>
Other expenses	-28	-41
<b>12 PROFIT BEFORE TAX</b>	<b>2,275</b>	<b>3,058</b>
<b>13 Tax</b>	<b>-504</b>	<b>-737</b>
<b>NET PROFIT FOR THE YEAR</b>	<b>1,771</b>	<b>2,321</b>
Net profit for the year	1,771	2,321
Other comprehensive income:		
Translation of foreign units	23	38
Foreign unit hedges	-23	-40
Tax relating to other comprehensive income	6	10
Total other comprehensive income	6	8
<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,777</b>	<b>2,329</b>

## Balance sheet - Danica Group

### Assets

Note (DKK millions)	2010	2009
14 INTANGIBLE ASSETS	105	110
15 Operating equipment	0	4
16 Domicile properties	60	60
<b>TOTAL TANGIBLE ASSETS</b>	<b>60</b>	<b>64</b>
17 Investment properties	20,290	19,552
18 Holdings in associated undertakings	1,027	1,036
Loans to associated undertakings	172	170
Total investments in associated undertakings	1,199	1,206
19 Holdings	17,465	15,953
Unit trust certificates	31,649	24,958
20 Bonds	141,641	144,719
Other loans	67	-
Deposits with credit institutions	818	1,521
21 Derivatives	1,334	2,091
22 Total financial investment assets	192,974	189,242
<b>TOTAL INVESTMENT ASSETS</b>	<b>214,463</b>	<b>210,000</b>
23 UNIT-LINKED INVESTMENT ASSETS	66,261	46,437
Unearned premiums provision, reinsurers' share	4	3
Life insurance provisions, reinsurers' share	1,807	1,750
Outstanding claims provision, reinsurers' share	230	195
Provisions for unit-linked contracts, reinsurers' share	1	-
24 Total technical provisions, reinsurers' share	2,042	1,948
Amounts due from policyholders	316	566
Amounts due from insurance companies	1,048	971
Other debtors	369	582
<b>TOTAL DEBTORS</b>	<b>3,775</b>	<b>4,067</b>
Current tax assets	73	15
Cash and cash equivalents	444	501
Other	2	1
<b>TOTAL OTHER ASSETS</b>	<b>519</b>	<b>517</b>
Accrued interest and rent	2,449	2,452
Other prepayments and accrued income	429	438
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>2,878</b>	<b>2,890</b>
<b>TOTAL ASSETS</b>	<b>288,061</b>	<b>264,085</b>

# Balance sheet - Danica Group

## Liabilities and equity

Note	(DKK millions)	2010	2009
<b>LIABILITIES</b>			
	Unearned premiums provision	939	845
	Guaranteed benefits	157,150	148,566
	Bonus potential of future premiums	10,437	15,665
	Bonus potential of paid-up policies	10,965	14,160
	<b>Total life insurance provisions</b>	<b>178,552</b>	<b>178,391</b>
25	Outstanding claims provision	7,816	7,664
	Collective bonus potential	1,740	2,775
	Provisions for bonuses and premium discounts	102	111
26	Provisions for unit-linked contracts	66,310	47,623
27	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>255,459</b>	<b>237,409</b>
	Pensions and similar obligations	-	1
13	Deferred tax	1,173	1,157
	Amounts owed, direct insurance	186	160
	Amounts owed to reinsurers	10	42
	Amounts owed to credit institutions	812	670
	Amounts owed to group undertakings	166	168
	Current tax liabilities	25	258
28	Other creditors	6,007	1,572
	Other accruals and deferred income	190	348
29	Subordinated loan capital	3,041	3,085
	<b>TOTAL CREDITORS</b>	<b>267,069</b>	<b>244,870</b>
<b>SHAREHOLDERS' EQUITY</b>			
	Share capital	1,000	1,000
	Revaluation reserve	1	1
	Other reserves	14,471	12,802
	Retained earnings	3,749	5,412
	Proposed dividend	1,771	-
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>20,992</b>	<b>19,215</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>288,061</b>	<b>264,085</b>



## Statement of capital - Danica Group

(DKK millions)

Changes in shareholders' equity	Share capital	Revaluation reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2009	1,000	1	-2	12,804	5,412	-	19,215
Profit for the year	-	-	-	1,663	108	-	1,771
Other comprehensive income							
Translation of foreign units	-	-	23	-	-	-	23
Foreign unit hedges	-	-	-23	-	-	-	-23
Tax on other comprehensive income	-	-	-	6	-	-	6
Total other comprehensive income	-	-	0	6	-	-	6
Comprehensive income for the year	-	-	0	1,669	108	-	1,777
Proposed dividend *	-	-	-	-	-1,771	1,771	0
Shareholders' equity at 31 December 2010	1,000	1	-2	14,473	3,749	1,771	20,992
Shareholders' equity at 31 December 2008	1,000	1	0	10,554	5,331	-	16,886
Profit for the year	-	-	-	2,240	81	-	2,321
Other comprehensive income							
Translation of foreign units	-	-	38	-	-	-	38
Foreign unit hedges	-	-	-40	-	-	-	-40
Tax on other comprehensive income	-	-	-	10	-	-	10
Total other comprehensive income	-	-	-2	10	-	-	8
Comprehensive income for the year	-	-	-2	2,250	81	-	2,329
Shareholders' equity at 31 December 2009	1,000	1	-2	12,804	5,412	-	19,215

\* The dividend amounts to DKK 1,771 per share.

Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension) if the percentage by which the equity exceeds the required capital base is higher than the percentage that had been maintained by Statsanstalten for Livsforsikring prior to the privatisation of this company in 1990. Otherwise, it is the intention not to distribute dividends from Danica Pension for a period of at least 25 years from 1990. Paid-up capital and interest accrued thereon may, however, be distributed. See also Contribution and profit policy in the Management's report.

The share capital is made up of 1,000,000 shares of a nominal value of DKK 1,000 each. All shares carry the same rights; there is thus only one class of shares.

## Statement of capital - Danica Group

(DKK millions)	2010	2009
Solvency requirement and capital base		
Shareholders' equity	20,992	19,215
Core capital	20,992	19,215
- Proposed dividend	-1,771	0
- Intangible assets	-105	-110
Reduced core capital	19,116	19,105
Supplementary capital	3,041	3,085
- Limitations to supplementary capital	-75	-124
Reduced supplementary capital	2,966	2,961
Capital base	22,082	22,066
Solvency requirement for life insurance	7,613	7,423
Solvency requirement for health and accident insurance	374	368
Total solvency requirement	7,987	7,791
Excess capital base	14,095	14,275

The capital base should at any time exceed the solvency requirement calculated in accordance with the Danish Financial Business Act.

## Cash flow statement - Danica Group

(DKK millions)	2010	2009
<b>Cash flow from operations</b>		
Profit before tax	2,275	3,058
Adjustment for non-cash operating items		
Non-cash items relating to premiums and benefits	13,165	16,663
Non-cash items relating to reinsurance	-140	-34
Non-cash items relating to investment return	-10,573	-13,948
Non-cash items relating to tax on pension returns	1,932	1,312
Non-cash items relating to expenses	82	154
Net investment, customer funds	-7,112	-8,538
Payments received and made, investment contracts	3,013	2,216
Taxes paid	-757	-54
<b>Cash flow from operations</b>	<b>1,885</b>	<b>829</b>
<b>Cash flow from investing activities</b>		
Acquisition of holdings	-200	-
Sale of holdings	-	600
Purchase of bonds	-13,059	-13,635
Sale of bonds	10,471	12,626
Purchase of derivatives	-	-10
Sale of derivatives	1	14
<b>Cash flow from investing activities</b>	<b>-2,787</b>	<b>-405</b>
<b>Cash flow from financing activities</b>		
Debt to credit institutions	142	5
<b>Cash flow from financing activities</b>	<b>142</b>	<b>5</b>
Cash and cash equivalents, beginning of year	2,022	1,593
Change in cash and cash equivalents	-760	429
<b>Cash and cash equivalents, end of year</b>	<b>1,262</b>	<b>2,022</b>
Cash and cash equivalents, end of year		
Deposits with credit institutions	818	1,521
Cash in hand and demand deposits	444	501
<b>Total</b>	<b>1,262</b>	<b>2,022</b>

## Notes – Danica Group

## Note

## 1 Financial highlights

(DKK millions)	2010	2009	2008	2007	2006
<b>INCOME STATEMENT</b>					
<b>Life insurance</b>					
Premiums	16,936	15,729	17,904	15,876	14,907
Return on investment after tax on pension returns	15,722	19,671	-9,104	3,144	7,428
Claims and benefits	-16,715	-15,125	-14,707	-15,826	-14,162
Change in life insurance provisions and outstanding claims provisions	-1,131	-431	-6,515	5,590	3,868
Change in collective bonus potential	1,035	-1,297	11,911	811	-2,597
Change in provisions for unit-linked contracts	-12,570	-14,216	783	-6,318	-6,343
Total operating expenses relating to insurance	-1,143	-1,138	-1,221	-1,263	-1,126
Result of reinsurance	131	33	244	-110	-37
Transferred return on investment	-1,120	-1,760	646	-872	-923
Technical result, Life	1,145	1,466	-59	1,032	1,015
<b>Health and accident insurance</b>					
Gross premium income	1,457	1,459	1,462	1,313	1,382
Gross claims	-1,123	-1,326	-1,316	-1,173	-1,257
Total operating expenses relating to insurance	-183	-199	-204	-195	-244
Profit/loss on business ceded	-23	8	-14	-14	-8
Return on investment less technical interest	198	309	-505	-100	8
Technical result of health and accident insurance	261	296	-787	-263	-211
Return on investment allocated to equity, etc.	869	1,296	-279	875	851
Profit before tax	2,275	3,058	-1,125	1,644	1,655
Tax	-504	-737	305	-303	-440
Net profit for the year	1,771	2,321	-820	1,341	1,215
<b>BALANCE SHEET</b>					
Total assets	288,061	264,085	242,851	246,475	244,519
Insurance assets, health and accident insurance	227	184	127	112	103
Technical provisions, health and accident insurance	8,384	8,267	8,084	7,530	7,299
Provisions for insurance and investment contracts	255,459	237,409	218,139	222,514	221,672
Collective bonus potential	1,740	2,775	1,553	13,462	13,864
Total shareholders' equity	20,992	19,215	16,886	17,716	16,674
<b>KEY FIGURES AND RATIOS (%)</b>					
Return before tax on pension returns	5.6	6.7	-0.9	1.2	2.9
Return before tax on pension returns on customer funds in Danica Pension	5.8	7.1	-1.2	1.1	2.9
Return after tax on pension returns	5.0	5.8	-0.7	1.2	2.7
Expenses as per cent of premiums	5.0	6.0	6.0	7.1	6.7
Expenses as per cent of provisions	0.5	0.6	0.6	0.7	0.6
Expenses per policyholder (DKK)	1,342	1,360	1,466	1,564	1,482
Cost result	-0.08	-0.10	-0.14	-0.15	-0.09
Insurance risk result	0.09	0.08	0.14	0.14	0.05
Bonus rate – bonus-paying companies	1.1	1.7	0.9	8.3	8.6
Owners' capital ratio	14.8	13.5	11.9	12.7	12.1
Excess core capital ratio	8.7	8.7	6.9	7.9	7.1
Solvency ratio	276	283	242	263	243
Return on equity before tax	11.3	16.9	-6.5	9.6	10.3
Return on equity after tax	8.8	12.9	-4.7	7.8	7.6
Return on customer funds after deduction of expenses before tax	4.6	5.5	-1.3	0.0	1.8
Return on subordinated loan capital before tax	1.4	2.2	5.7	5.0	4.0
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>					
Gross claims ratio	82	96	97	97	92
Gross expense ratio	13	14	15	16	18
Combined ratio, net of reinsurance	97	110	114	114	111
Operating ratio	95	101	123	113	117
Relative run-off	2.2	0.9	1.2	0.4	0.2
Run-off, net of reinsurance (DKK millions)	155	61	73	27	35

Forsikringselskabet Danica's consolidated financial statements for 2007 - 2010 are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements for 2006 are presented in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds. These rules are identical to the group's measurement under IFRS. The financial highlights for the Parent Company, Forsikringselskabet Danica are disclosed in the notes to the Parent Company's financial statements.

# Notes – Danica Group

Note

## 2 ACCOUNTING POLICIES

### GENERAL

The Danica Group presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), as adopted by the EU and with relevant interpretations, issued by the International Financial Reporting Interpretation Committee (IFRIC). Furthermore, the consolidated financial statements comply with the Danish FSA's disclosure requirements for annual reports of issuers of listed bonds.

The group has not changed its significant accounting policies from those followed in the annual report for 2009, except for the treatment of acquisitions. For acquisitions made after 1 January 2010, direct transaction costs are not recognised as part of cost, but are expensed when incurred. The group made no acquisitions in 2010.

### Change in presentation

As a result of a classification error in the annual report for 2009, an amount of DKK 71 million which should have been included in life insurance provisions was recognised in the collective bonus potential. The error has been corrected, and at year end 2010, this had reduced the collective bonus potential by DKK 60 million and increased life insurance provisions by a corresponding amount. The correction does not affect the net profit for the year and is immaterial to key figures and ratios.

### Accounting estimates and judgments

The preparation of the consolidated financial statements is based on the management's estimates and judgments of future events that will significantly affect the carrying amounts of assets and liabilities. The estimates and judgments that are deemed critical to the consolidated financial statements are:

- the measurement of liabilities under insurance contracts
- the fair value of financial instruments
- the fair value measurement of real property

The estimates and judgments are based on assumptions that the management finds reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete, unexpected future events or circumstances may arise or situations may occur. Therefore, such estimates and judgments are difficult to make and will always entail uncertainty, even under stable macro-economic conditions, when they involve mortality and disability rates. Other people may make other estimates.

### Liabilities under insurance contracts

The calculation of obligations under insurance contracts is based on a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability.

Insurance obligations are calculated by discounting the expected future benefits to their present values. For life insurance, the expected future benefits are based on expected mortality rates. For health and accident insurance, the insurance obligations are calculated based on expectations as to the number of future recoveries and reopenings of old claims. The expectations are based on the group's existing portfolio of insurance contracts and are updated regularly.

The calculation of life insurance provisions is based on an assumed increase in life expectancy over today's life expectancy of 1.4 year for a sixty five-year-old man and 1.1 year for a sixty five-year-old woman. A sixty five-year-old man is thus expected to live for almost 20 more years and a sixty five-year-old woman for almost 22 more years. At the current level of interest rates, these assumptions result in additional provisions of DKK 7.7 billion over the assumptions at the time when the policies were written.

The obligations are furthermore affected by the discount rate, which is determined using a zero-coupon yield curve. The zero-coupon yield curve is estimated on the basis of a Euro swap market with the addition of the spread between Danish and German government bonds. Moreover, until the end of 2012 a mortgage yield curve spread is added to the above-mentioned zero-coupon yield curve, pursuant to the agreement between the Danish Ministry of Economic and Business Affairs and the Danish Insurance Association on financial stability in the pension area.

See the sensitivity analysis in note 36 to the financial statements.

### Fair value measurement of financial instruments

Measurements of financial instruments for which prices are quoted in an active market or which are based on generally accepted models employing observable market data are not subject to critical estimates.

Measurements of financial instruments that are only to a limited extent based on observable market data are subject to estimates. This for example applies to unlisted holdings, certain listed holdings and certain bonds for which there is no active market. See Financial investment assets below and note 35 Financial instruments for a more detailed description.

### Fair value measurement of real property

The fair value measurement of investment property is based by the group's valuers on a systematic assessment of the expected operating return on the property and of a required rate of return calculated for each property in accordance with appendix 7 to the Executive Order on the Presentation of Financial Reports by Insurance Companies.

### Consolidation

Together with the undertakings consolidated in the Danica Group, Forsikringselskabet Danica is included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

### Group undertakings

The consolidated financial statements cover Forsikringselskabet Danica and group undertakings in which the group has control over financial and operating policy decisions. Control is said to exist if Forsikringselskabet Danica, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions, provided that most of the return on the undertaking accrues to the group and that the group assumes most of the risk.

The consolidated financial statements are prepared by aggregating items similar in nature. Intragroup transactions and balances are eliminated.

## Notes – Danica Group

### Note

Undertakings acquired are included in the financial statements from the date of acquisition.

The net assets of such undertakings (assets, including identifiable intangible assets, less liabilities and contingent liabilities) are included in the financial statements at fair value at the date of acquisition according to the purchase method.

If the cost of acquisition (including direct transaction costs until 1 January 2010) exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the undertaking acquired. If the fair value of the net assets exceeds the cost of acquisition (negative goodwill), the excess amount is recognised as income at the date of acquisition. The portion of the acquisition that is attributable to minority interests does not include goodwill.

Divested undertakings are included in the financial statements until the transfer date.

#### Holdings in associated undertakings

Associated undertakings are businesses, other than group undertakings, in which the group has holdings and significant influence on but not control. Generally, the group classifies undertakings as associated undertakings if Forsikringselskabet Danica, directly or indirectly, holds 20-50% of the voting rights.

Holdings in associated undertakings are recognised at cost at the date of acquisition and are subsequently recognised and measured according to the equity method. The proportionate shares of the undertakings' shareholders' equity with the addition of goodwill on consolidation are recognised in the item Holdings in associated undertakings and the proportionate share of the net profit or loss of the individual undertaking is recognised in Income from associated undertakings. The proportionate share is calculated on the basis of data from financial statements with balance sheet dates that differ no more than three months from the balance sheet date of the group and calculated in accordance with Forsikringselskabet Danica's significant accounting policies.

The proportionate share of the profit and loss on transactions between associated undertakings and undertakings in the Danica Group is eliminated.

#### Jointly controlled assets

Properties that are owned jointly with other undertakings outside the group, and where each venturer has control over its share of the future economic benefits through its share of the property, are classified as jointly controlled assets.

Jointly controlled assets are consolidated on a pro rata basis in the income statement and the balance sheet.

#### Jointly controlled operations

The group is involved in joint operations with other pension companies. These joint operations are administrated by Forenede Gruppeliv. Income, expenses, assets and insurance liabilities, etc. are distributed between and recognised by the venturers according to their individual quota, which is determined based on the premiums written by the individual venturer during the year.

#### Intragroup transactions

Transactions between companies in the Danske Bank Group are conducted on arm's length terms or on a cost recovery basis and according to contractual agreement between the undertakings, unless the transactions are insignificant.

#### Segment reporting

In the financial statements, the group is broken down into three business segments based on differences in products. The segment Traditional covers traditional life insurance and pension plans with guaranteed benefits and Forenede Gruppeliv, while the Unit-linked contract segment covers market return pension plans. The segment Health and accident covers non-life insurance, which in addition to health and accident insurance comprises the products healthcare, disability and the health care product, Sundhedsfremmer. In the segment reporting, profit before tax is calculated according to the accounting policies applied in the consolidated financial statements. The presentation of the main consolidated income statement items is changed in accordance with the segment reporting used internally by the group's management to assess earnings and resource allocation. The changes are shown in the reclassification column.

Inter-segment transactions are settled on an arm's-length basis. Expenses incurred centrally by support, administrative and back-office functions are charged to the business units according to consumption and activity at calculated unit prices or at market prices, if available.

#### Translation of transactions in foreign currency

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Forsikringselskabet Danica. The functional currency of each of the group's units is the currency of the country in which the unit is domiciled, as most income and expenses are settled in the local currency.

Transactions in foreign currency are translated to the functional currency at the exchange rate at the transaction date. Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement.

Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of the asset or liability.

#### Translation of non-Danish units

Assets and liabilities of non-Danish units are translated into Danish kroner at the exchange rates at the balance sheet date. Income and expenses are translated at the exchange rates at the date of transaction. Exchange rate gains and losses arising on translation of net investments in units outside Denmark are recognised in other comprehensive income. Net investments include the shareholders' equity and goodwill of the unit as well as holdings in the unit in the form of subordinated loan capital.

## Notes – Danica Group

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### Note

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#### Hedge accounting

The group uses derivatives to hedge the interest rate risk on fixed-rate liabilities measured at amortised cost. Hedged risks that meet specific criteria qualify for fair value hedge accounting and are treated accordingly. The interest rate risk on the hedged liabilities is measured at fair value as a value adjustment of the hedged items in the income statement.

If the hedge accounting criteria cease to be met, the accumulated value adjustments of the hedged items are amortised and recognised in the income statement over the term to maturity.

Financial liabilities in foreign currency are used to hedge net investments in foreign units. Exchange rate adjustments attributable to a hedge are recognised in other comprehensive income. If the hedge accounting criteria cease to be met, the exchange rate adjustments of the financial liabilities are recognised in the income statement from the date when the hedge is discontinued.

When a foreign unit is divested, the amounts previously recognised in other comprehensive income in relation to the hedge, including amounts recognised in connection with foreign currency translation of the foreign unit, are recognised in the income statement.

#### Insurance contracts

Life insurance policies are classified as insurance or investment contracts. Insurance contracts are contracts that entail significant insurance risks or entitle policyholders to bonuses. Investment contracts are contracts that entail insignificant insurance risk, and consist of unit-linked contracts under which the investment risk lies with the policyholder.

#### Contribution

In accordance with the Executive Order on the Contribution Principle, the Danish FSA has been notified of Danica Pension's profit policy. The Executive Order in effect for 2010 permits the recognition of the risk allowance only if it does not exceed the technical basis for risk allowance and if the bonus potential of paid-up policies has not been used to cover a deficit in the collective bonus potential. The technical basis for risk allowance mainly consists of the difference between the annual investment return and the technical rate of interest used to calculate the guaranteed benefits payable to policyholders. Consequently, the contribution principle entails fluctuating results. To the extent that it is not possible to book the full risk allowance, the amount outstanding is transferred to a shadow account. The amount may be booked over future years if justified by, among other things, the return on investment.

In connection with the implementation of new contribution rules, the collective bonus potential at the end of 2010 has been distributed on the new interest rate, risk and cost groups at the beginning of 2011.

#### INCOME STATEMENT

##### Life insurance premiums

Regular and single premiums on insurance contracts are included in the income statement at the due dates. The reinsurers' share of the premiums is deducted. Premiums on investment contracts are recognised directly in the balance sheet and disclosed in the notes.

#### Return on investment

Income from associated undertakings comprises the company's share of the associated undertakings' profit after tax and realised gains and losses on sales during the year.

Income from investment properties comprises the profit from operating investment properties after deduction of property management expenses.

Interest income and dividends etc. comprises yield on bonds and other securities and interest on amounts due.

In addition, the item comprises dividends from holdings with the exception of dividends from group undertakings and associated undertakings.

Market value adjustments comprise realised and unrealised gains and losses and exchange rate adjustments on investment assets other than associated undertakings.

Interest expenses comprise interest on loans and other amounts due.

Administrative expenses related to investment activities comprise portfolio management fees to investment managers, direct trading costs, custody fees and own expenses related to the administration of investment assets.

#### Tax on pension returns

Tax on pension returns is calculated on the basis of the part of the investment return for the financial year allocated to policyholders. The rate of tax on pension returns is 15%.

#### Claims and benefits

Claims and benefits, net of reinsurance, comprises the claims and benefits paid on insurance contracts for the year, adjusted for the change for the year in outstanding claims provisions and net of the reinsurers' share. Claims and benefits on investment contracts are recognised directly in the balance sheet.

#### Change in life insurance provisions

Change in life insurance provisions, net of reinsurance, comprises the change for the year in gross life insurance provisions net of the reinsurers' share. The change is specified in the notes, divided into guaranteed benefits, bonus potential of future premiums and bonus potential of paid-up policies.

#### Change in collective bonus potential

The change in collective bonus potential comprises the change for the year in collective bonus potential for insurance policies with bonus entitlement.

#### Change in provisions for unit-linked contracts

The change in provisions for unit-linked contracts comprises the change for the year in the unit-linked provisions other than premiums and benefits relating to investment contracts.

#### Operating expenses relating to insurance activities

Acquisition costs cover accrued costs related to acquiring and reviewing the insurance portfolio. Administrative expenses cover other accrued expenses related to insurance operations.

The allocation of non-directly attributable expenses between acquisition costs and administrative expenses and between life insurance and health and accident insurance is based on an



## Notes – Danica Group

### Note

ABC allocation model. The model uses drivers based on activity registrations.

The group's contributions to defined contribution plans for the employees are recognised in the income statement when they are earned by the employees.

Employee bonuses are expensed as they are earned. Until 2008, part of the bonuses for the year was paid in the form of equity-settled options conditional shares in Danske Bank. Share options may not be exercised until three years after the grant date and are conditional on the employee not having resigned from the group. Conditional shares vest three years after the grant date, provided that the employee has not resigned from the group. In this context, retirement is not considered resignation.

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the grant is expensed in the year when the options vest, whereas the time value is accrued over the remaining service period. Subsequent fair value adjustments are not recognised in the income statement.

#### Transferred return on investment

Transferred return on investment consists of the return on the assets allocated to shareholders' equity and the return on health and accident insurance.

#### Health and accident insurance

Premiums, net of reinsurance, are included in the income statement when they fall due. Premiums, calculated net of discounts not related to claims and the like and insurance premiums ceded, are accrued.

Technical interest, which is a calculated return on average technical provisions, net of reinsurance, is transferred from return on investment. The amount is calculated on the basis of the maturity-dependent discount rate published by the Danish FSA. The proportion of the increased premium and claims provisions attributable to discounting is transferred from premiums and claims and set off against technical interest. Market value adjustment is included in the item Return on investment.

Claims, net of reinsurance, comprise claims paid for the year, adjusted for changes in outstanding claims provisions, including gains and losses on prior-year provisions (run-off result). Furthermore, claims include expenses for assessment of claims, expenses for damage control and an estimate of the expected administrative and claims handling expenses on the insurance contracts written by the undertaking. Total gross claims are calculated net of reinsurance.

Transferred return on investment is calculated as a proportion of the total investment return, excluding hedges of interest rate risk, the return allocated to shareholders' equity and unit-linked investments. This proportion is calculated in accordance with the ratio of health and accident provisions to total technical provisions.

#### Other income

Comprises income which cannot be directly attributed to insurance or investment activities.

#### Other expenses

Comprises expenses which cannot be directly attributed to insurance or investment activities.

#### Tax

Calculated current and deferred tax on profit for the year before tax and subsequent adjustments of tax charges for previous years are recognised in the income statement. Income tax for the year is recognised in the income statement on the basis of the tax laws applying in the countries in which the Group operates. Tax on items recognised in other comprehensive income is also recognised in other comprehensive income.

### BALANCE SHEET ASSETS

#### Intangible Assets

##### Goodwill

Goodwill arises on acquisition of undertakings and is calculated as the difference between the cost of the undertakings acquired and the fair value of the acquired net assets including contingent liabilities at the date of acquisition. Goodwill on non-group acquisitions made before 2002 is written off against shareholders' equity in the year of acquisition.

Goodwill is allocated to business units constituting the smallest identifiable cash-generating units, corresponding to the internal reporting structure and the level at which management monitors its investment. Goodwill is not amortised; instead each business unit is tested for impairment at least once a year. Goodwill is written down to its recoverable amount in the income statement provided that the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected to be derived from each unit.

Goodwill on associated undertakings is recognised under Holdings in associated undertakings. The unit tested for impairment is the total carrying amount (including goodwill) of holdings in the associated undertaking.

Goodwill in subsidiaries is tested for impairment according to a model based on the cash-generating unit's estimated future cash flows for the next ten years. The expected cash flows are discounted at a rate of 9% after tax. Goodwill in associated undertakings is tested for impairment based, among other things, on their financial statements.

##### Other intangible assets

Software acquired is measured at cost, including costs incurred to make each software application ready for use. Software acquired is amortised over the expected useful life, which is usually three years, according to the straight-line method.

Costs attributable to the maintenance of intangible assets are expensed in the year of maintenance.

##### Tangible assets

Tangible assets comprise domicile property and operating equipment.

##### Operating equipment

Operating equipment, comprising vehicles, furniture and leasehold improvements, is recognised at cost less depreciation and impairment. Depreciation is charged on a straight-line basis over the expected useful lives of the assets, which

## Notes – Danica Group

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### Note

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is usually three years. Leasehold improvements are depreciated over the term of the lease, with a maximum of ten years.

#### Domicile property

Domicile property is real property occupied by the group's administrative departments. The section Investment property below explains the distinction between domicile and investment property. Domicile property is measured at fair value according to the same principles as the group's investment property, see the section Investment property.

Increases in revalued amounts are recognised in other comprehensive income, unless the increase counters a value reduction previously recognised in the income statement. Decreases in revalued amounts are recognised in the income statement, unless the decrease counters a value increase previously recognised in other comprehensive income.

Domicile property is depreciated on a straight-line basis, based on the expected scrap value and an expected useful life of 50 years.

#### Investment property

Investment property is real property, including real property let under operating leases, which the group owns for the purpose of receiving rent and/or obtaining capital gains. Investment property is real property that the group does not use for its own administrative purposes etc., as such property is classified as domicile property. Property which comprises both domicile property and investment property elements is allocated proportionally to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as investment property, unless the group occupies at least 10% of the total floorage.

On acquisition, investment property is measured at cost, including transaction costs. Subsequently the property is measured at fair value.

Investment property under construction is measured at cost until the date when the fair value can be measured reliably, typically at the date of completion. If there is an indication of impairment, the property is tested for impairment and written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value of investment property is assessed by the group's valuers on the basis of a systematic assessment of the expected operating return on the property and of a required rate of return calculated individually for each property. The rate of return of a property is determined on the basis of its location, type, possible uses, layout and condition as well as of the terms of lease agreements, rent adjustment and the credit quality of the lessees.

#### Financial instruments – general

The classification of financial assets and liabilities and disclosure of income recognition of interest and value adjustments, etc. are explained in note 35 Financial instruments.

Purchases and sales of financial instruments are measured at the settlement date at fair value, which usually equals cost. Fair value adjustments of unsettled financial

instruments are recognised from the trading date to the settlement date.

#### Financial investment assets

At initial recognition, financial investment assets are classified as financial assets at fair value through profit or loss, as these assets are managed on a fair value basis. Exceptions from this are derivatives, which by definition are classified as held for trading, and Deposits with credit institutions, which are classified as debtors. See note 35 Financial instruments.

The fair value is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If a financial instrument is quoted in a market that is not active, the valuation is based on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

If an active market does not exist, the fair value of standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, is measured according to generally accepted methods. Market-based parameters are used for measuring fair value.

The fair value of more complex financial instruments, such as swaptions and other OTC products and unlisted holdings, is measured on the basis of valuation models, many of which are based on valuation methods generally accepted within the industry. The results of the calculations made on the basis of valuation techniques are often estimates, because exact values cannot be determined from market observations. Consequently, additional parameters, such as liquidity and counterparty risk, are sometimes used to measure fair value.

Derivatives comprise derivatives with positive fair values, while derivatives with negative fair values are recognised under Other creditors.

#### Investment assets related to unit-linked contracts

At initial recognition, unit-linked investments are classified as financial assets at fair value through profit or loss due to their relation to the associated liabilities.

If an active market exists, the official year-end market price is used. If market prices in an active market are not available, fair value is determined on the basis of generally accepted measurement techniques according to the principles described for financial investment assets.

#### Debtors

The reinsurers' share of insurance provisions is shown divided into unearned premiums provisions, life insurance provisions, outstanding claims provisions and provisions for unit-linked contracts.

Debtors are measured at amortised cost, which generally corresponds to nominal value less a write-down to cover losses.

## Notes – Danica Group

Note

### LIABILITIES AND EQUITY

#### Unearned premiums provisions

Unearned premiums provisions relate to health and accident insurance and are made in accordance with the portion of premiums written that relates to subsequent financial years.

#### Life insurance provisions

Life insurance provisions are computed for each insurance policy on the basis of a zero-coupon yield curve. The computation of life insurance provisions is based on assumptions of expected future mortality and disability rates, based on historical data derived from the existing portfolio of insurance contracts, including an allowance for risk. The risk allowance has been determined using a margin on mortality intensity.

Special allotments for the financial year are recognised in life insurance provisions as they arise.

Life insurance provisions are divided into guaranteed benefits, bonus potential of future premiums and bonus potential of paid-up policy benefits.

Guaranteed benefits comprise obligations to pay guaranteed benefits to policyholders. Guaranteed benefits are calculated as the present value of the current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums. The guaranteed benefits are calculated without taking into account any future conversion of the policies into paid-up policies and policyholders' surrender of their plans.

The bonus potential of future premiums comprises obligations to pay a bonus over time in relation to premiums agreed but not yet due. For the portfolio of insurance policies with bonus entitlement, the bonus potential of future premiums is calculated as the difference between the value of the guaranteed paid-up policy benefits and the value of guaranteed benefits. Guaranteed paid-up policy benefits comprise obligations to pay benefits guaranteed under the insurance if the policy is converted into a paid-up policy. Guaranteed benefits under paid-up policies are calculated as the present value of the guaranteed benefits under paid-up policies plus the present value of expected future expenses for the administration of the policies.

The bonus potential of paid-up policies includes obligations to pay bonuses in relation to premiums already due less claims and benefits paid, etc.

The bonus potential of paid-up policies is calculated as the value of the policyholders' savings less the guaranteed benefits, the bonus potential of future premiums and the present value of future administrative results. The bonus potential of each insurance policy cannot be negative.

The bonus potential of paid-up policies can be applied to cover losses when the collective bonus potential has been used up. If bonus potential of paid-up policies is reduced to such an extent that the provision for each insurance policy is lower than the guaranteed surrender value, the guaranteed benefits for the policy are increased to reduce the likelihood of surrenders.

#### Sub-portfolios

In 2002, Danica's life insurance companies merged, Danica Pension being the continuing company. At the time of the merger, Danica Liv & Pension's bonus rate was higher than those of the other portfolios. To ensure that the customers of

the former Danica Liv & Pension were not placed at a disadvantage after the merger, these customers were subsequently grouped in a separate sub-portfolio. At the end of 2010, the sub-portfolio of the former Danica Liv & Pension was merged with the company's remaining portfolio. In that connection, customers of the former Danica Liv & Pension received an additional bonus. As a result of the merger, the two sub-portfolios are no longer disclosed separately in the notes to the financial statements.

#### Outstanding claims provisions

The outstanding claims provisions are an estimate of expected payments of benefits and benefits due but not yet paid out. As regards claims under health and accident insurance policies where benefits are paid out successively, the liability is calculated as the present value of expected future payments, including costs to settle claims obligations.

#### Collective bonus potential

Provisions for collective bonus potential comprise the policyholders' share of the technical basis for risk allowance for insurance policies with bonus entitlement, which has not yet been allocated to individual policyholders.

Transfers between assets allocated to customer funds and assets attributable to shareholders' equity are made at fair value. The difference between fair value and carrying amount in relation to transferred assets is recognised in the collective bonus potential, with set-off directly against equity.

#### Provisions for bonus and premium discounts

Provisions for bonus and premium discounts comprise amounts payable to the policyholders as a result of a favourable claims experience for this or previous years.

#### Provisions for unit-linked contracts

Provisions for unit-linked contracts are measured at fair value on the basis of the share of each contract of the unit trusts in question and the guarantees entered into. For policies with guaranteed benefits, the value of the guaranteed benefits and paid-up benefits is calculated on the basis of the methods reported to the Danish FSA.

#### Deferred tax

Deferred tax is calculated in accordance with the balance sheet liability method on all temporary differences between the tax base of the assets and liabilities and their carrying amounts. Deferred tax is recognised in the balance sheet under Deferred tax assets and Deferred tax liabilities on the basis of current tax rates.

Tax assets arising from unused tax losses and unused tax credits are recognised as deferred tax assets to the extent that it is probable that the unused tax losses and unused tax credits can be utilised.

#### Creditors

Derivatives are measured at fair value. Derivatives with negative fair values are recognised under Other creditors. Other creditors are measured at amortised cost, which usually corresponds to the nominal value.

#### Subordinated loan capital

Subordinated loan capital is subordinated debt, comprising issued bonds. In the event of the company's voluntary or compulsory winding-up, subordinated loan capital will not be repaid until after the claims of ordinary creditors have been met.

## Notes – Danica Group

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### Note

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Subordinated loan capital is measured at amortised cost plus the fair value of the hedged interest rate risk, see the section Hedge accounting.

#### Shareholders' equity

##### Foreign currency translation reserve

The foreign currency translation reserve covers differences arising on the translation of the financial results of and net investments in non-Danish entities from their functional currencies to Danish kroner. It also includes exchange rate adjustments of financial liabilities classified as hedges of net investments in foreign units.

##### Other reserves

Accumulated results of subsidiary undertakings are recognised under other reserves if the parent company is a general insurance company. The foreign currency translation reserve should be shown separately according to IFRS, but forms part of other reserves under the Executive Order issued by the Danish FSA on financial reports presented by insurance companies and lateral pension funds.

##### Revaluation reserve

The revaluation reserve comprises fair value adjustments of domicile property less accumulated depreciation. The portion of the revaluation attributable to insurance and investment contracts with bonus entitlement is transferred to collective bonus potential.

##### Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability after the general meeting has adopted the proposal.

##### Cash flow statement

The group prepares its cash flow statement according to the indirect method. The statement is based on the profit for the year before tax and shows the consolidated cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consist of Cash and Deposits with credit institutions.

##### Key ratios

The key ratios of the group have been prepared in accordance with the provisions of the Executive Order on financial reports presented by insurance companies and lateral pension funds. The return ratios are calculated using a composite weighting procedure.

##### Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of amendments to international accounting standards which have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations which have not yet come into force. None of these are expected to materially affect the future financial reporting of the group. The paragraphs below list the standards and interpretations that are likely to affect the group's financial reporting.

In October 2010, the IASB issued IFRS 9, Financial Instruments. This version of the standard is the first step to re-

place the requirements of IAS 39 in 2011. After implementation of phase 1, IFRS 9 deals with classification and measurement of financial instruments and derecognition, while the next phases will address impairment, hedge accounting and offsetting of financial assets and liabilities.

The EU has decided to postpone adoption of IFRS 9 until the details of the remaining phases are known.

The transitional provisions in IFRS 9 (phase 1) imply implementation of the standard by 1 January 2013. A postponement of the implementation deadline is currently under consideration, however.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires separate recognition). Assets held with the objective of collecting contractual cash flows and where the cash flows represent principal and interest are measured at amortised cost. Other assets are measured at fair value through profit or loss. The fair value of equities may always be adjusted through comprehensive income, however, and, satisfying certain requirements, a business may opt for fair value adjustment of its loans, advances, etc.

The principles applicable to financial liabilities are largely unchanged relative to IAS 39. Generally, financial liabilities should still be measured at amortised cost and with separate recognition of embedded derivatives not closely related to a host contract. Financial liabilities to be measured at fair value comprise derivatives, the trading portfolio and liabilities designated at fair value through profit or loss. However, the portion of the value adjustment of financial liabilities designated at fair value relating to the inherent credit risk of such liabilities should be recognised under other comprehensive income unless this leads to an accounting mismatch.

The principles for derecognition stated in IFRS 9 are a continuation of the existing principles of IAS 39.

The group does not expect IFRS 9 to materially affect the measurement of its financial instruments. Under IFRS 9, bond portfolios are measured at amortised cost or at fair value through profit or loss. Meaningful classification and measurement of financial instruments is not possible without information about the future content of IFRS 9 to clarify the overall accounting effects of the standard and the time of implementation.

## Notes - Danica Group

Note [DKK millions]

## 3 BUSINESS SEGMENTS

The group's business segments are based on differences in products. The segment Traditional covers traditional life insurance and pension plans with guaranteed benefits and Forenede Gruppeliv, while the Unit-linked contract segment covers market return pension plans. The Health and accident segment covers non-life insurance, which in addition to health and accident insurance comprises the products Sundhedssikring (health care), Kritisk Sygdom (critical illness) and Sundhedsfremmer (offer of health check).

BUSINESS SEGMENTS 2010	Traditional	Unit-linked contracts	Health and accident insurance	Total	Reclassification	Group
Gross premiums	7,472	16,879	1,434	25,785	-1,637	24,148
- Gross premiums from inter-segment sales	-	-1,637	-	-1,637	1,637	0
Gross premiums from external sales	7,472	15,242	1,434	24,148	0	24,148
- Gross premiums on investment contracts	-	-5,778	-	-5,778	-	-5,778
Gross premiums in the income statement	7,472	9,464	1,434	18,370	0	18,370
Return on investment allocated to technical result	9,195	5,342	-	14,537	286	14,823
Claims and benefits paid	-14,901	-1,814	-1,212	-17,927	-	-17,927
Change in provisions for insurance and investment contracts	-142	-12,467	24	-12,585	-57	-12,642
Total operating expenses relating to insurance	-609	-534	-183	-1,326	-	-1,326
Result of reinsurance	143	-12	-23	108	-	108
Other income, net	-	347	8	355	-134	221
Technical result	1,158	326	48	1,532	95	1,627
Change in shadow account	584	-	-	584	-584	0
Special allotment	-641	-	-	-641	641	0
Return on investment, shareholders' equity	489	-	90	579	69	648
Return on investment, health and accident	-	-	221	221	-221	0
Profit before tax	1,590	326	359	2,275	0	2,275
Other segment information						
Interest income	5,839	36	280	6,155		
Interest expenses	-259	-4	-5	-268		
Income from associated undertakings at book value	20	-	-	20		
Impairment, depreciation and amortisation charges	-2	-11	-	-13		
Other non-cash operating items	4,524	-7,245	74	-2,647		

The Danica Group has no single customers generating 10% or more of the combined revenue.

## BUSINESS SEGMENTS 2009

Gross premiums	8,685	11,009	1,423	21,117	-686	20,431
- Gross premiums from inter-segment sales	-33	-653	-	-686	686	0
Gross premiums from external sales	8,652	10,356	1,423	20,431	0	20,431
- Gross premiums on investment contracts	-	-3,279	-	-3,279	-	-3,279
Gross premiums in the income statement	8,652	7,077	1,423	17,152	0	17,152
Return on investment allocated to technical result	10,263	7,676	-	17,939	402	18,341
Claims and benefits paid	-14,397	-728	-1,218	-16,343	-	-16,343
Changes in provisions for insurance and investment contracts	-2,828	-13,563	-148	-16,539	447	-16,092
Total operating expenses relating to insurance	-626	-512	-199	-1,337	-	-1,337
Result of reinsurance	55	-22	8	41	-	41
Other income, net	-	224	3	227	-69	158
Technical result	1,119	152	-131	1,140	780	1,920
Change in shadow account	573	-	-	573	-573	0
Special allotment	-40	-	-	-40	40	0
Return on investment, shareholders' equity	709	131	115	955	183	1,138
Return on investment, health and accident	-	-	430	430	-430	0
Profit before tax	2,361	283	414	3,058	0	3,058
Other segment information						
Interest income	6,251	87	476	6,814		
Interest expenses	-325	-5	-5	-335		
Income from associated undertakings at book value	-43	-	-	-43		
Impairment, depreciation and amortisation charges	-4	-11	-	-15		
Other non-cash operating items	4,418	-6,430	-163	-2,175		

The Danica Group has no single customers generating 10% or more of the combined revenue.

## Notes - Danica Group

Note	[DKK millions]		2010	2009	
3	(cont'd)				
GEOGRAPHICAL SEGMENTS					
Premium income from external customers are allocated to the country in which the contract was sold.					
Assets comprise only intangible assets, tangible assets, investment property and holdings in associated undertakings in accordance with IFRS and do not provide a useful description of the Group's assets for management purposes.					
Goodwill is allocated to the country in which activities are performed, whereas other assets are allocated on the basis of their location.					
		Premiums, external customers	Assets		
		2010	2009	2010	2009
Denmark		16,919	16,600	21,377	20,651
Sweden		5,791	3,111	-	-
Norway		1,383	595	97	92
Ireland		55	125	8	19
Total		24,148	20,431	21,482	20,762
4	GROSS PREMIUMS, incl. payments received under investment contracts				
	Direct insurance:				
	Regular premiums			13,105	13,467
	Single premiums			9,609	5,541
	Total direct insurance			22,714	19,008
	Total gross premiums			22,714	19,008
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:				
	Regular premiums			648	669
	Single premiums			5,130	2,610
	Total premiums paid			5,778	3,279
	Total gross premiums included in the income statement			16,936	15,729
	Premiums, direct insurance, broken down by insurance arrangement:				
	Insurance taken out in connection with employment			15,761	13,801
	Insurance taken out individually			5,273	3,515
	Group life insurance			1,680	1,692
	Total			22,714	19,008
	Number of insured, direct insurance [1,000]:				
	Insurance taken out in connection with employment			344	313
	Insurance taken out individually			458	479
	Group life insurance			672	720
	Premiums, direct insurance, broken down by bonus arrangement:				
	With profits insurance			7,472	8,620
	Without profits insurance			185	179
	Unit-linked insurance			15,057	10,209
	Total			22,714	19,008
	Premiums, direct insurance, broken down by policyholders' residence:				
	Denmark			15,104	14,792
	Other EU countries			6,146	3,552
	Other countries			1,464	664
	Total			22,714	19,008

## Notes - Danica Group

Note	(DKK millions)	2010	2009
5	INCOME FROM INVESTMENT PROPERTIES		
	Rent	1,309	1,273
	Operating expenses	-398	-243
	Total	911	1,030
	Operating expenses on unoccupied premises was DKK53m in 2010 (DKK29m in 2009).		
	Investment property leases are accounted for as operating leases.		
	Some of the leases are non-terminable by the lessee for a number of years.		
	Breakdown of minimum lease payments on non-terminable leases by lease term:		
	Within 1 year	817	764
	1-5 years	930	772
	After 5 years	413	285
	Total	2,160	1,821
6	INTEREST INCOME AND DIVIDENDS		
	Interest income	6,155	6,814
	Dividends	1,076	1,153
	Indexation	445	647
	Total	7,676	8,614
7	MARKET VALUE ADJUSTMENTS		
	Holdings	3,265	3,064
	Unit trust certificates	8,098	12,612
	Bonds	1,288	2,969
	Other loans	55	-38
	Deposits with credit institutions	148	-
	Cash in hand and demand deposits	-1	0
	Other	-2,696	-4,976
	Market value adjustments of financial assets and liabilities at fair value through profit or loss	10,157	13,631
	Investment properties	-419	-209
	Total market value adjustments	9,738	13,422
8	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-817	-816
	Insurance amounts on disablement	-270	-301
	Insurance amounts on expiry	-1,488	-2,403
	Retirement benefits and annuities	-7,103	-7,023
	Surrender values	-6,050	-3,587
	Cash payments of bonuses	-984	-992
	Total direct insurance	-16,712	-15,122
	Expenses to minimise disablement	-3	-3
	Total claims and benefits paid	-16,715	-15,125

## Notes - Danica Group

Note	[DKK millions]	2010	2009
9	OPERATING EXPENSES RELATING TO INSURANCE		
	Commission on direct insurance	-228	-188
	Operating lease payments on premises, cars, etc. amount to	-50	-49
	IT development costs amount to	-193	-181
	Hereof capitalised in Danica Group, see note 14 to the financial statements	1	5
	Audit fees		
	Total fees:		
	KPMG	-2.1	-2.5
	Grant Thornton	-1.0	-1.3
	Including fees for non-audit services:		
	KPMG	-0.3	-0.3
	Grant Thornton	-0.1	-
	Average number of full-time-equivalent employees during the year	898	954
	Number of full-time-equivalent employees, end of year	888	928
	Staff costs:		
	Salaries	-462	-515
	Employee shares	-	-3
	Pensions	-87	-91
	Social security and tax	-32	-65
	Other	-51	-51
	Total staff costs	-632	-725
	All the Group's pension plans are defined contribution plans under which the Group makes contributions to insurance companies, principally Danica. Such payments are expensed as incurred.		
	Pension plans		
	Contributions to external defined contribution plans	-16	-12
	Contributions to internal defined contribution plans	-71	-79
	Total	-87	-91
	Board of Directors' remuneration (DKr'000)		
	Peter Straarup	-240	-240
	Sven Lystbæk	-180	-180
	Tonny Thierry Andersen	-120	-120
	Jakob Brogaard	-120	-120
	Thomas Falck	-120	-120
	Gitte Jensen	-120	-120
	Per Søgaard	-120	-120
	Erik Sevaldsen	-120	-120
	Total remuneration	-1,140	-1,140



## Notes - Danica Group

Note [DKK millions]		2010	2009
9 (cont'd)			
Remuneration of the Executive Board 2010			
	Henrik * Ramlau-Hansen	Jørgen Klejstrup	Jesper Winkelmann
Salary **	-4.2	-3.5	-3.0
Pensions	-0.7	-0.4	-0.5
Total	-4.9	-3.9	-3.5
Remuneration of the Executive Board 2009			
	Henrik Ramlau-Hansen	Jørgen Klejstrup	Jesper Winkelmann
Salary	-4.1	-3.4	-3.0
Pensions	-0.7	-0.4	-0.5
Total	-4.8	-3.8	-3.5

\* Henrik Ramlau-Hansen resigned at 31.12.2010

\*\* The increase relates to replacement of company car.

#### Pensions

The members of the Executive Board are entitled to retire at three months' notice from the year in which they attain the age of 60 and will in that connection receive an amount equivalent to 12 months' salary. Pension plans are funded.

#### Termination

Jesper Winkelmann may resign his position at three months' notice.

Jørgen Klejstrup may resign his position at six months' notice.

During the period until 1 January 2013, Jørgen Klejstrup will be allowed to resign his position on the same terms as those applying in case of termination by Danica Pension.

Danica Pension may terminate the service contracts of the Executive Board members at eight months' notice - twelve months' notice for Jørgen Klejstrup - in which case the Executive Board members are entitled to a severance payment equivalent to 24 months' salary.

The severance payment is reduced from the year when the Executive Board member attains 23 years' pension seniority until it is the equivalent of 12 months' salary. Pension contributions paid before the age of 35 are not included in the calculation of seniority.

#### Share-based payment

The Executive Board and senior managers are covered by the incentive plan offered by Danske Bank Group until 2008. The plan consisted of share options and conditional shares. Incentive payments reflected individual performances and also depended on financial results and other measures of value creation. The options and shares were granted in the first quarter of the following year, most recently in the first quarter of 2008. The exercise price of the options is computed as the average price of Danske Bank

shares for 20 stock exchange days after the release of the annual report plus 10%. Rights to buy Danske Bank shares under the conditional share programme were until 2008 granted as a portion of the annual bonus earned. The shares vest after three years provided that the employee has not resigned from the Group.

The fair value of the share options at the grant date is determined based on a dividend-adjusted Black & Scholes model. The grant in 2008 was based on the following assumptions. Share price 179.76. Dividend payout ratio: 3.9%. Rate of interest: 4.7%, equal to the swap rate. Volatility: 19%. Average time of exercise 5 years. The volatility is estimated on the basis of historical volatility.

The fair value at 31 December 2010 was based on the following assumptions: Share price: 143 (2009: 118). Dividend payout ratio: 1.5% (2009: 0%). Interest rate 1.2-1.8% (2009: 1.6-2.7%), equal to the swap rate. Volatility: 35% (2009: 52%). The average time of exercise 1-2 years (2009: 1-3 years). The volatility is estimated on the basis of historical volatility.

The fair value of the conditional shares at the grant date is calculated as the share price less the payment made by the employees.

Intrinsic value is recognised in the year the share options and rights to conditional shares vest, while time value is accrued over the remaining service period, which is the vesting period of three years.

Danica has hedged its equity price risk.

## Notes - Danica Group

Note [DKK millions]

9  
(cont'd)

## Share-based payment 2010

Share options - changes during the year	Number			Exercise price [DKK]	Fair value (FV)	
	Executive Board	Other employees	Total		Issue date	End of year
Granted in 2004-2007, beginning of year	209,296	-	209,296	204.47	3.9	1.8
Granted in 2004-2007, end of year	209,296	-	209,296	204.47	3.9	1.8
Granted in 2008, beginning of year	48,200	-	48,200	197.74	1.5	0.3
Granted in 2008, end of year	48,200	-	48,200	197.74	1.5	0.3

## Executive Board members' holdings, end of year

Year of grant	2004-2007		2008		2009		2010	
	Number	FV	Number	FV	Number	FV	Number	FV
Henrik Ramlau-Hansen	123,388	0.5	18,190	0.3	-	-	-	-
Jørgen Klejnstrup	6,200	0.0	16,370	0.2	-	-	-	-
Jesper Winkelmann	79,708	0.2	13,640	0.2	-	-	-	-

No share options were granted or exercised in 2010.

Conditional shares - changes during the year	Number			Fair value (FV)	
	Executive Board	Other employees	Total	Issue date	End of year
Granted in 2007, beginning of year	3,411	5,060	8,471	2.3	1.2
Exercised	-3,411	-5,060	-8,471	-	-
Granted in 2007, end of year	0	0	0	0.0	0.0
Granted in 2008, beginning of year	5,960	10,130	16,090	2.9	2.3
Forfeited	-	-282	-282	-0.1	0.0
Granted in 2008, end of year	5,960	9,848	15,808	2.8	2.3

## Executive Board members' holdings, end of year

Year of grant	2008		2009		2010	
	Number	FV	Number	FV	Number	FV
Henrik Ramlau-Hansen	2,249	0.3	-	-	-	-
Jørgen Klejnstrup	2,024	0.3	-	-	-	-
Jesper Winkelmann	1,687	0.2	-	-	-	-

In 2010, a total of 8,471 conditional shares were exercised at an average price of 127.05.

## Notes - Danica Group

Note [DKK millions]

9  
(cont'd)

## Share-based payment 2009

Share options - changes during the year	Number			Exercise price (DKK)	Fair value (FV)	
	Executive Board	Other employees	Total		Issue date	End of year
Granted in 2004-2006, beginning of year	189,396	-	189,396	186.95	3.3	1.8
Forfeited	-10,000	-	-10,000	186.95	-0.3	-
Granted in 2004-2006, end of year	179,396	-	179,396	186.95	3.0	1.8
Granted in 2007, beginning of year	29,900	-	29,900	244.57	0.9	0.3
Granted in 2007, end of year	29,900	-	29,900	244.57	0.9	0.3
Granted in 2008, beginning of year	48,200	20,510	68,710	194.74	1.5	1.9
Granted in 2008, end of year	48,200	20,510	68,710	194.74	1.5	1.9

## Executive Board members' holdings, end of year

Year of grant	2004-2006		2007		2008		2009	
	Number	FV	Number	FV	Number	FV	Number	FV
Henrik Ramlau-Hansen	108,788	0.0	14,600	0.0	18,190	0.0	-	-
Jørgen Klejnstrup	-	-	6,200	0.0	16,370	0.0	-	-
Jesper Winkelmann	70,604	0.0	9,100	0.0	13,640	0.0	-	-

No share options were exercised in 2009.

Conditional shares - changes during the year	Number			Fair value (FV)	
	Executive Board	Other employees	Total	Issue date	End of year
Granted in 2006, beginning of year	3,124	4,572	7,696	1.7	0.9
Exercised	-3,124	-4,572	-7,696	-	-
Granted in 2006, end of year	0	0	0	0.0	0.0
Granted in 2007, beginning of year	3,411	5,231	8,642	2.3	1.0
Exercised	-	-171	-171	-	-
Granted in 2007, end of year	3,411	5,060	8,471	2.3	1.0
Granted in 2008, beginning of year	5,960	10,328	16,288	2.9	1.9
Exercised	-	-198	-198	-	-
Granted in 2008, end of year	5,960	10,130	16,090	2.9	1.9

## Executive Board members' holdings, end of year

Year of grant	2007		2008		2009	
	Number	FV	Number	FV	Number	FV
Henrik Ramlau-Hansen	1,663	0.2	2,249	0.3	-	-
Jørgen Klejnstrup	709	0.1	2,024	0.2	-	-
Jesper Winkelmann	1,039	0.1	1,687	0.2	-	-

In 2009, a total of 8,065 conditional shares were exercised at an average price of 37.73.

## Notes - Danica Group

Note	(DKK millions)	2010	2009	
10	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE			
	Total run-off regarding prior years:			
	Gross	161	67	
	Net of reinsurance	155	61	
	Calculation of technical interest and return on investment:			
	Technical interest amount	255	281	
	Outstanding claims provision, discounted amount	-210	-140	
	Discounted risk increasing with age	-22	-20	
	Technical interest, net of reinsurance, less discounted amount	23	121	
	Return on investment transferred to health and accident insurance	472	623	
	Market value adjustments of outstanding claims provision	-19	-33	
	Total return on investment incl. market value adjustments	453	590	
	Transferred to technical interest	-255	-281	
	Return on investment	198	309	
		Health and accident insurance	Health care insurance	Total
	Gross premiums	1,176	258	1,434
	Gross premium income	1,199	258	1,457
	Gross claims	-938	-185	-1,123
	Gross operating expenses	-149	-34	-183
	Result of business ceded	-23	-	-23
	Technical interest, net of reinsurance	18	5	23
	Technical result	215	46	261
	Number of claims	2,469	31,561	34,030
	Average amount of claims	0.7	0.0	0.0
	Gross premiums, direct insurance, broken down by policyholders' residence:			
	Denmark			1,362
	Other EU countries			29
	Other countries			66
	Total			1,457
				1,459
11	OTHER INCOME			
	Commission from fund managers		213	147
	Commission from ancillary activities		36	45
	Other		-	7
	Total		249	199

## Notes - Danica Group

Note [DKK millions]	2010	2009
<b>12 PROFIT BEFORE TAX</b>		
Danica Pension's technical basis for risk allowance is to be allocated in accordance with the Executive Order on the Contribution Principle.		
In accordance with the Executive Order on the Contribution Principle and the Guidelines on Market Discipline, the Danish FSA has been notified of Danica Pension's consolidation policy for 2010. The company's profit for the year consists of the return on assets allocated to shareholders' equity, including the results of unit-linked business, Denmark and the three foreign subsidiaries, the risk result of Forenede Gruppeliv, the health and accident result and a risk allowance of the technical provisions.		
To the extent that the Executive Order on the Contribution Principle does not permit the company to recognise full risk allowance, the amount may be booked over the coming years if justified by the technical basis for risk allowance.		
For this purpose, a shadow account is set up. The shadow account accrues interest at the rate that applies to bonds allocated to shareholders' equity.		
The calculation of technical basis for risk allowance only comprises policies under contribution, and individual items therefore cannot be reconciled to the Group's income statement.		
Technical basis for risk allowance		
Technical result, life insurance	1,086	1,625
Transferred return on investment, excl. tax on group undertakings	436	1,541
Tax on pension returns	1,187	1,932
Change in collective bonus potential	-1,106	1,291
Special allotments	641	40
Bonus potential of paid-up policies used	-	2,800
Addition of bonus	500	-2,092
<b>Total technical basis for risk allowance</b>	<b>2,744</b>	<b>7,137</b>
Return on investment allocated to shareholders' equity and health and accident insurance	-436	-1,473
<b>Total technical basis for risk allowance relating to life insurance customers</b>	<b>2,308</b>	<b>5,664</b>
In accordance with the contribution principle, the risk allowance may be booked for 2010. Additionally, the remainder of the shadow account was booked in 2010.		
Specification of risk allowance:		
Percentage of insurance provisions	1,126	1,087
<b>Total risk allowance</b>	<b>1,126</b>	<b>1,087</b>
The percentage of insurance provisions was 0.64%		
Development in shadow account		
Shadow account, beginning of year	573	1,088
Added interest	11	58
Used/set aside	-584	-573
<b>Shadow account, end of year</b>	<b>0</b>	<b>573</b>

## Notes - Danica Group

Note	[DKK millions]	2010	2009
13	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-504	-737
	Tax on other comprehensive income		
	Foreign unit hedges	6	10
	<b>Total</b>	<b>-498</b>	<b>-727</b>
	Tax on the profit for the year is calculated as follows:		
	Current tax	-481	-308
	Adjustment of prior-year current tax	-7	-197
	Adjustment of prior-year deferred tax	-19	233
	Other changes in deferred tax	3	-465
	<b>Total</b>	<b>-504</b>	<b>-737</b>
	Effective tax rate		
	Danish tax rate	-25.0	-25.0
	Adjustment of prior-year tax charge	-1.1	1.2
	Non-taxable income and non-deductible expenses	3.9	-0.3
	<b>Effective tax rate</b>	<b>-22.2</b>	<b>-24.1</b>
	Deferred tax		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax (liability)	1,173	1,157
	<b>Deferred tax, net</b>	<b>1,173</b>	<b>1,157</b>
	Deferred tax broken down on main items		
	Tangible assets	1	60
	Investment properties	1,177	1,029
	Financial investment assets	-	74
	Tax loss carry-forward	-4	-5
	Other	-1	-1
	<b>Total</b>	<b>1,173</b>	<b>1,157</b>
	Other than the deferred tax provided for, the Group has no contingent tax liability relating to shares in group undertakings.		
14	INTANGIBLE ASSETS		
	Cost, beginning of year	125	106
	Exchange rate adjustment	5	14
	Additions during the year	1	5
	<b>Cost, end of year</b>	<b>131</b>	<b>125</b>
	Impairment and amortisation charges, beginning of year	-15	-4
	Amortisation during the year	-11	-11
	<b>Impairment and amortisation charges, end of year</b>	<b>-26</b>	<b>-15</b>
	<b>Carrying amount, end of year</b>	<b>105</b>	<b>110</b>
	Intangible assets mainly consist of goodwill on acquisition of Norwegian activities in 2004. Amortisation during the year is recognised as administrative expenses in the income statement and are included in the "unit-linked contract" segment.		
15	OPERATING EQUIPMENT		
	Cost, beginning of year	25	29
	Disposals during the year	-6	-4
	Transferred to other items during the year	-7	-
	<b>Cost, end of year</b>	<b>12</b>	<b>25</b>
	Impairment and depreciation charges, beginning of year	-21	-20
	Exchange rate adjustment	-1	-
	Depreciation charges during the year	-2	-4
	Reversals during the year of prior-year impairment charges and reversal of total depreciation and impairment charges on assets sold or retired during the year	12	3
	<b>Impairment and depreciation charges, end of year</b>	<b>-12</b>	<b>-21</b>
	<b>Carrying amount, end of year</b>	<b>0</b>	<b>4</b>

## Notes - Danica Group

Note	(DKK millions)	2010	2009
16	DOMICILE PROPERTY		
	Cost, beginning of year	48	48
	Cost, end of year	48	48
	Depreciation charges, beginning of year	-2	-1
	Depreciation charges for the year	0	-1
	Depreciation charges, end of year	-2	-2
	Revalued amount, beginning of year	14	7
	Revaluation for the year	0	7
	Revalued amount, end of year	14	14
	Carrying amount, end of year	60	60
	Of revaluations for the year, DKK 0 million was taken to the revaluation reserve in equity and DKK 0 million was transferred to the collective bonus potential.		
17	INVESTMENT PROPERTIES		
	Fair value, beginning of year	19,552	19,162
	Property improvement expenditure	1,172	633
	Disposals	-10	-19
	Fair value adjustments	-424	-224
	Fair value, end of year	20,290	19,552
	The weighted average of the rates of return on which the fair value of the individual properties is based for:		
	Shopping centres	6.0%	6.2%
	Commercial properties	6.3%	6.5%
	Residential properties	4.9%	4.9%
	Real property consolidated on a pro rata basis is included with the following amounts in:		
	Investment properties	2,067	2,193
	Total assets	2,114	2,221
	Other creditors	69	70
	Total investment return	6	123

## Notes - Danica Group

Note	(DKK millions)	2010	2009			
18	HOLDINGS IN ASSOCIATED UNDERTAKINGS					
	Cost, beginning of year	673	675			
	Additions	-	-2			
	Cost, end of year	673	673			
	Revaluations and impairment charges, beginning of year	363	421			
	Share of profit	20	-43			
	Dividends	-29	-15			
	Revaluations and impairment charges, end of year	354	363			
	Carrying amount, end of year	1,027	1,036			
	Holdings in associated undertakings consist of:					
		Owner-ship percentage	Total assets	Liabilities	Income	Result
	Name and domicile	Activity				
	Hovedbanegårdens Komplementarselskab ApS, Copenhagen	Investment company	50%	0	0	0
	EjendomsSelskabet af Januar 2002 A/S, Copenhagen	Property company	50%	846	315	30
	Privathospitalet Hamlet af 1994 A/S, Frederiksberg	Hospital	35%	487	297	419
	DNP Ejendomme Komplementarselskab ApS, Copenhagen	Investment company	50%	0	0	0
	DNP Ejendomme P/S, Copenhagen	Property company	50%	1,130	21	91
	Dantop Ejendomme ApS, Copenhagen	Property company	50%	281	6	9
	DAN-SEB I A/S, Copenhagen	Property company	50%	73	49	2
	The information disclosed is extracted from the companies' most recent annual reports. Holdings in associated undertakings are included in the segment Traditional.					
19	HOLDINGS					
	Listed holdings			14,212		13,813
	Unlisted holdings			3,253		2,140
	Total			17,465		15,953
20	BONDS					
	Listed bonds			141,641		144,719
	Total			141,641		144,719



## Notes - Danica Group

Note [DKK millions]	2010	2009
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### 21 DERIVATIVES

The group uses derivatives, including forward contracts and swaps, to manage its exposure to currency, interest rate and equity market risk. Derivatives are also used to hedge guaranteed benefits and other interest-bearing liabilities. For more details, see the section "Risk management and investment strategy" in note 36 to the financial statements. Derivatives are recognised and measured at fair value in the financial statements.

Interest on the Group's issued subordinated debt is added at a fixed rate. Subordinated debt is recognised at amortised cost in the financial statements. In accordance with general accounting standards, the fair value of the interest rate risk on fixed-rate loans is not included in the income statement, whereas changes in the fair value of hedging derivatives are included in the income statement. In the financial statements, the Group applies fair value hedge accounting when the interest rate risk on fixed-rate financial liabilities is hedged by means of derivatives (see note 29 to the financial statements).

Collateral agreements have been entered into in respect of some of the derivatives. In connection with these, the Group has received collateral in the form of liquid bonds in an amount corresponding to a fair value of DKK 864 million in 2010 and DKK 2,138 million in 2009.

2010	Nominal værdi	Positiv dagsværdi	Nominal værdi	Negativ dagsværdi
Currency contracts	4,679	32	38,846	320
Interest rate contracts	39,484	1,302	60,003	2,551
Equity contracts	0	0	0	0
<b>Total derivatives</b>	<b>44,163</b>	<b>1,334</b>	<b>98,849</b>	<b>2,871</b>

### 2009

Currency contracts	20,870	32	15,487	383
Interest rate contracts	61,826	2,052	2,530	15
Equity contracts	0	7	0	0
<b>Total derivatives</b>	<b>82,696</b>	<b>2,091</b>	<b>18,017</b>	<b>398</b>

### 22 FINANCIAL INVESTMENT ASSETS

Comprises the following investments in undertakings in the Danske Bank Group:

Holdings		216	182
Bonds		26,987	30,306
Deposits with credit institutions		384	198
Cash in hand and demand deposits		729	475
Other		18	50

### 23 UNIT-LINKED INVESTMENT ASSETS

Consists of unit trusts in which the underlying assets break down as follows:

	With guarantee	Without guarantee		
Holdings	3,553	39,022	42,575	28,543
Bonds	7,096	15,532	22,628	16,376
Deposits with credit institutions	31	1,027	1,058	1,518
<b>Total</b>	<b>10,680</b>	<b>55,581</b>	<b>66,261</b>	<b>46,437</b>

Unit-linked investments break down as follows:

Insurance contracts		43,869	31,562
Investment contracts		22,392	14,875
<b>Total</b>		<b>66,261</b>	<b>46,437</b>

## Notes - Danica Group

Note	(DKK millions)	2010	2009
24	PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS, REINSURERS' SHARE		
	Beginning of year	1,948	1,917
	Premiums received	141	137
	Claims and benefits paid	-110	-131
	Added interest on policyholders' savings	40	25
	Fair value adjustment	94	20
	Foreign currency translation	-15	-9
	Change in outstanding claims provision	51	-22
	Other changes	-107	11
	End of year	2,042	1,948
25	OUTSTANDING CLAIMS PROVISION		
	Gross life insurance	473	353
	Gross health and accident insurance	7,343	7,311
	Outstanding claims provision	7,816	7,664
26	PROVISIONS FOR UNIT-LINKED CONTRACTS		
	Provisions for unit-linked contracts break down as follows:		
	Insurance contracts	43,913	32,589
	Investment contracts	22,397	15,034
	Total provisions for unit-linked contracts	66,310	47,623
	Provisions for unit-linked contracts without guarantee	56,406	40,014
	Provisions for unit-linked contracts with investment guarantee	9,904	7,609
	Total provisions for unit-linked contracts	66,310	47,623
	Total provisions for guaranteed unit-linked contracts include:		
	Guaranteed benefits	4,735	3,057
	Guaranteed paid-up policies	6,894	5,095
27	PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		
	Beginning of year	237,409	218,139
	Payments received	16,936	15,729
	Claims and benefits paid	-16,715	-15,125
	Added interest on policyholders' savings	11,285	11,403
	Fair value adjustment	3,107	5,045
	Currency translation	2,163	827
	Change in outstanding claims provisions	43	130
	Change in collective bonus potential	-1,035	1,297
	Other changes	2,266	-36
	End of year	255,459	237,409
	For a more detailed description of methods calculation methods used for provisions, see note 2, Significant accounting policies. For an explanation of the development in collective bonus potential, see the section in the management's report on p. 7.		
28	OTHER CREDITORS		
	Other creditors comprise:		
	Derivatives with negative fair values	2,871	398
	Tax on pension returns	2,041	-
	Staff commitments	95	89



## Notes - Danica Group

Note	(DKK millions)	2010	2009
31	<b>RELATED PARTIES</b>		
	Danske Bank A/S, domiciled in Copenhagen, wholly owns the share capital of Forsikringsselskabet Danica and consequently exercises control over the Danica Group. Danske Bank A/S is the ultimate parent company of the Danica Group.		
	Transactions with management cover remuneration only. The amounts are disclosed in note 9.		
	Transactions with related parties are settled on arm's-length basis or on a cost-reimbursement basis. The group's IT operations and development, internal audit, HR administration, logistics, marketing and the like are handled by Danske Bank.		
	The Danica Group entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 22 to the financial statements.		
	IT development	-168	-173
	IT operations	-126	-119
	Other administration	-44	-45
	Commission for insurance sales and portfolio management	-141	-133
	Ordinary portfolio management fee	-102	-124
	Performance fee for portfolio management	-139	0
	Total net custody fees and brokerage for trades in holdings and the like	-41	-18
	Interest income	1,604	2,079
	Interest expenses	-81	-126
	Rent from premises	12	7
	Amounts due from group undertakings	162	168
	Owed to credit institutions	715	670
	Furthermore, the Danica Group manages the employer pension plans of a number of related parties.		
	Loans to associated undertakings comprise subordinated loans granted on equal terms as other investors.		
	The Danica Pension group's transactions with the jointly controlled operations in Forenede Gruppeliv consists in recognition of premiums.		

### 32 BALANCE SHEET ITEMS BROKEN DOWN BY EXPECTED DUE DATE

	2010		2009	
	< 1 year	> 1 year	< 1 year	> 1 year
<b>Assets</b>				
Intangible assets	8	97	11	99
Tangible assets	-	60	4	60
Investment assets	10,044	204,419	9,155	200,845
Unit-linked investments		66,261	-	46,437
Debtors	3,775	-	4,067	-
Other assets	519	-	517	-
Prepayments and accrued income	2,878	-	2,890	-
<b>Total assets</b>	<b>17,224</b>	<b>270,837</b>	<b>16,644</b>	<b>247,441</b>
<b>Liabilities</b>				
Provisions for insurance and investment contracts	23,648	231,811	19,011	218,398
Other liabilities	4,845	6,765	3,219	4,242
<b>Total liabilities</b>	<b>28,493</b>	<b>238,576</b>	<b>22,230</b>	<b>222,640</b>

## Notes - Danica Group

Note [DKK millions]

### 33 SPECIFICATION OF ASSETS AND RETURNS

	Beginning of year	End of year	Investment, net	% return p.a. before tax on pension returns & corp.tax
Land and buildings:				
Land and buildings, owned directly	19,552	20,290	1,157	2.5
Property companies	967	970	-30	3.5
<b>Total land and buildings</b>	<b>20,519</b>	<b>21,260</b>	<b>1,127</b>	<b>2.5</b>
Other holdings:				
Listed Danish holdings	2,199	1,596	-1,059	34.4
Unlisted Danish holdings	844	693	-304	19.1
Listed foreign holdings	12,825	14,557	221	15.4
Unlisted foreign holdings	1,332	2,800	1,163	15.8
<b>Total other holdings</b>	<b>17,200</b>	<b>19,646</b>	<b>21</b>	<b>17.0</b>
Bonds:				
Government bonds (Zone A) *	21,429	39,409	17,948	
Mortgage bonds *	96,721	75,877	-22,092	
Foreign exchange hedging	-127	-8	548	
Government bonds (Zone A) and mortgage bonds including foreign exchange hedging	118,023	115,278	-3,596	4.6
Index-linked bonds	26,687	23,610	-4,406	7.3
Credit bonds, investment grade	10,699	12,515	1,463	5.5
Credit bonds, non-investment grade and emerging market bonds	12,304	18,807	4,977	12.2
Other bonds	448	651	390	12.6
<b>Total bonds</b>	<b>168,161</b>	<b>170,861</b>	<b>-1,172</b>	<b>5.9</b>
Other financial investment assets	1,592	818	-851	0.9
Derivative financial instruments to hedge net changes of assets and liabilities	2,029	-1,165	-2,122	-

\* Rate of return before foreign exchange hedge for Government bonds (Zone A) was 9.3% and for Mortgage bonds was 4.8%.  
A specification of the company's holdings is available on Danica's website [www.danicapension.dk](http://www.danicapension.dk).

### 34 PERCENTAGE ALLOCATION OF SHARE PORTFOLIOS ON INDUSTRIES AND REGIONS 2010

	Denmark	Rest of Europe	North America	South America	Japan	Rest of Asia/Pacific	Other countries	Total
Energy	0.0	2.7	4.3	0.4	0.1	0.9	0.5	8.9
Materials	0.3	2.7	2.7	0.0	0.6	0.3	0.8	7.4
Industrials	2.6	2.6	3.0	0.1	1.3	0.5	0.1	10.2
Consumer discretionary	0.5	2.2	3.2	0.3	1.4	0.3	1.0	8.9
Consumer staples	0.7	2.5	3.8	0.2	0.2	0.2	0.8	8.4
Health care	2.8	2.1	3.2	0.0	0.3	0.1	0.2	8.7
Financials	7.9	9.2	9.6	0.1	0.9	1.6	1.9	31.2
Information technology	0.0	0.8	0.9	0.0	0.2	0.1	0.0	2.0
Telecommunications	0.3	1.1	1.9	0.0	0.2	0.6	0.3	4.4
Utilities	0.1	0.6	6.2	0.0	0.6	1.1	0.3	8.9
Non allocated	0.5	0.2	0.0	0.0	0.0	0.1	0.2	1.0
<b>Total</b>	<b>15.7</b>	<b>26.7</b>	<b>38.8</b>	<b>1.1</b>	<b>5.8</b>	<b>5.8</b>	<b>6.1</b>	<b>100.0</b>

## Notes - Danica Group

Note [DKK millions]

## 35 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

	Fair value			Amortised cost *		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
<b>2010</b>						
Financial investment assets	1,334	190,822	-	818	-	192,974
Unit-linked investments	-	66,261	-	-	-	66,261
Debtors	-	-	-	369	-	369
Cash and cash equivalents	-	-	-	444	-	444
<b>Total financial assets</b>	<b>1,334</b>	<b>257,083</b>	<b>-</b>	<b>1,631</b>	<b>-</b>	<b>260,048</b>
Provisions for unit-linked contracts	-	22,397	-	-	-	22,397
Due to credit institutions	-	-	-	-	812	812
Derivatives	2,871	-	-	-	-	2,871
Subordinated loan capital	-	-	62	-	2,979	3,041
Other liabilities	-	-	-	-	980	980
<b>Total financial liabilities</b>	<b>2,871</b>	<b>22,397</b>	<b>62</b>	<b>-</b>	<b>4,771</b>	<b>30,101</b>
<b>2009</b>						
Financial investment assets	2,090	185,631	-	1,521	-	189,242
Unit-linked investments	-	46,437	-	-	-	46,437
Debtors	-	-	-	582	-	582
Cash and cash equivalents	-	-	-	501	-	501
<b>Total financial assets</b>	<b>2,090</b>	<b>232,068</b>	<b>-</b>	<b>2,604</b>	<b>-</b>	<b>236,762</b>
Provisions for unit-linked contracts	-	15,034	-	-	-	15,034
Due to credit institutions	-	-	-	-	670	670
Derivatives	398	-	-	-	-	398
Subordinated loan capital	-	-	115	-	2,970	3,085
Other liabilities	-	-	-	-	1,129	1,129
<b>Total financial liabilities</b>	<b>398</b>	<b>15,034</b>	<b>115</b>	<b>-</b>	<b>4,769</b>	<b>20,316</b>

\* The fair value of subordinated loan capital amounted to DKK 2,883 million in 2010 and DKK 2,783 million in 2009. For other items measured at amortised cost, fair value equals amortised cost.

**Recognition as income:**

Interest income from debtors at amortised costs are recognised as income at DKK 92 million in 2010 and DKK 180 million in 2009. Interest expense from creditors at amortised costs are recognised as expenses at DKK 153 million in 2010 and DKK 271 million in 2009. The remainder of return on investment, included in the income statement items interest income and dividends, etc., interest expenses and market value adjustments relate to financial instruments at fair value.

Exchange rate adjustment of debtors and liabilities measured at amortised cost are recognised in the income statement under market value adjustments of investments as an expense of DKK 5 million in 2010 and as income of DKK 4 million in 2009.

## Notes - Danica Group

Note [DKK millions]	2010	2009
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35  
(cont'd)

**Financial instruments at fair value**

The fair value is the amount for which a financial asset could be exchanged between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, which is the case for a number of financial assets and liabilities, a discounted cash flow or generally accepted estimation and valuation techniques based on market conditions at the balance sheet date are used to calculate an estimated value.

2010	Quoted prices	Observable input	Non-observable input	Total
Financial investment assets	183,324	4,108	4,724	192,156
Unit-linked investments	66,261	-	-	66,261
<b>Total financial assets</b>	<b>249,585</b>	<b>4,108</b>	<b>4,724</b>	<b>258,417</b>
Derivatives	2,547	324	-	2,871
<b>Total financial liabilities</b>	<b>2,547</b>	<b>324</b>	<b>-</b>	<b>2,871</b>
2009				
Financial investment assets	171,905	11,658	4,157	187,720
Unit-linked investments	46,437	-	-	46,437
<b>Total financial assets</b>	<b>218,342</b>	<b>11,658</b>	<b>4,157</b>	<b>234,157</b>
Derivatives	15	383	-	398
<b>Total financial liabilities</b>	<b>15</b>	<b>383</b>	<b>-</b>	<b>398</b>

At 31 December 2010, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 3,253 million and illiquid bonds DKK 1,471 million.

Valuation based on non-observable input	2010	2009
Fair value, beginning of year	4,157	1,734
Fair value through profit or loss	566	-40
Purchase	1,366	579
Sale and redemption	-720	-146
Transferred from quoted prices and observable input	-	2,030
Transferred to quoted prices and observable input	-645	-
<b>Fair value, end of period</b>	<b>4,724</b>	<b>4,157</b>

Transfers to non-observable input were principally due to a large portfolio of bonds, the latest quoted prices of which are not deemed to reflect their year-end values.

In 2010, unrealised market value adjustments were recognised at DKK 184 million (2009: a negative DKK 122 million) on financial instruments valued based on non-observable input.

Assuming a widening of the credit spread by 50 bps, the fair value would be reduced by DKK 28 million. A narrowing of the credit spread by 50 bps would cause the fair value to be increased by DKK 28 million.

# Notes – Danica Group

Note

## 36 RISK MANAGEMENT AND SENSITIVITY RATIOS

### RISK MANAGEMENT

The Board of Directors defines Danica's risk management framework, while the daily management monitors Danica's risks and ensures compliance with the framework.

Danica is exposed to a number of different risks.

Financial risks	Insurance risks	Operational risks	Business risks
Market	Longevity	IT	Reputation
Liquidity	Mortality	Legal	Strategic
Counterparty	Disability	Administrative	
Concentration	Concentration	Fraud	

#### Financial risks

Financial risks comprise market risks, liquidity risk, counterparty risk and concentration risk. Market risk is the risk of losses due to changes in the fair value of Danica's assets and liabilities due to changing market conditions, such as changes in interest rates, equity prices, property values, exchange rates and credit spreads. Liquidity risk is the risk of losses as a result of a need to liquidate tied-up cash to pay liabilities within a short timeframe. Counterparty risk is the risk of losses because counterparties default on their obligations. Concentration risk is the risk of losses as a result of high exposure to a few asset classes, industries, issuers, etc.

In Danica, there are three sources of financial risk:

- Investments relating to conventional products
- Investments relating to market products
- Direct investments of shareholders' equity

The amount of financial risk differs for the various products in Danica's product range. A list of the Danica Group's companies and activities is shown on page 64.

The most significant financial risk of the Danica Group is the market risk relating to Danica Pension's traditional life insurance products.

#### Investments relating to conventional products

Danica's conventional product is policies with guaranteed benefits and collective investments.

The market risk of traditional products consists of the relationship between investment assets and guaranteed benefits.

If the return on investment of customer funds for the year in Danica Pension is inadequate to cover customers' returns and the necessary strengthening of life insurance obligations etc., the deficit is covered first by the collective bonus potential and then by the bonus potential of paid-up policies. If the bonus potentials are insufficient to cover losses, the assets attributable to shareholders' equity are used.

Market risks are monitored and limits have been set for the risk for each class of asset. Stress tests are conducted on a regular basis to support Danica Pension's ability to withstand a 20% drop in a weighted combination of equities and credit exposure concurrent with significant changes in interest rates.

The risk related to asset/liability management, i.e. the relationship between investment assets and guaranteed benefits, is reduced by ensuring that the interest rate sensitivity of the bond portfolio is

appropriate and by hedging interest rate risk by means of derivatives.

Foreign exchange risks are insignificant as they are limited by means of derivatives.

Liquidity risks are limited by placing a major portion of investments in liquid listed bonds and foreign listed equities. Liquidity risk is limited as it is possible to adjust the timing of payments in connection with surrenders and internal transfers to the situation in the financial markets.

The credit spread risk in relation to Danica Pension's bond portfolio is moderate as 67% of the bond portfolio at December 31, 2010 consists of government and mortgage bonds with high credit ratings (AA - AAA) with the international credit rating agencies and 11% of the portfolio is invested in non-investment grade bonds. The counterparty risk is reduced by demanding security for derivatives and high credit ratings for reinsurance counterparties.

Concentration risk is limited by investing with great portfolio diversification and by limiting the number of investments in a single issuer. For mortgage bonds, the issuer is not considered critical to the concentration risk, as the individual borrower provides collateral for issued mortgage bonds.

#### Investments relating to market products

For investments in the market products, Danica Link and Danica Balance, the policyholders bear the financial risks involved, except for policies to which an investment guarantee is attached. At the end of 2010, 15% of policyholders had an investment guarantee within the guarantee period. The guarantee does not apply until the policyholder retires and is paid for by the policyholder by way of an annual fee.

The risk associated with the Danica Link guarantee is covered by means of derivatives and adjustment of the policyholder's investment portfolio over the five years prior to retirement. The risk associated with the Danica Balance guarantee is managed mainly by means of regular adjustment of the individual policyholder's investment portfolio over the ten years prior to retirement. The investment portfolio is adjusted to the guarantee amount, the investment horizon, etc. As a result of the chosen risk management strategy, the market risk relating to guarantees in market products is considered to be limited.

#### Direct investments of shareholders' equity

Shareholders' equity is subject to financial risk on the investment of assets allocated to shareholders' equity and on investments relating to the health and accident business.

The Board of Directors has defined a separate investment strategy for assets allocated to shareholders' equity while investments relating to the health and accident business in all material respects follow the investment of customer funds in Danica Traditional.

#### Insurance risks

Insurance risks relate to the development in mortality, disability, critical illness etc. For example, a rise in life expectancy increases the time during which pensions are payable under certain pension products while the development in the number of deaths, cases of sick leave and subsequent recoveries affect the benefits paid under insurance policies cover-



## Notes – Danica Group

### Note

ing death and disability. The main insurance risk is life expectancy.

In respect of insurance risk, concentration risk comprises the risk of losses as a result of high exposure to a few customer groups and high exposure to a few individuals. Concentration risk is limited by means of risk diversification of the insurance portfolio and by reinsurance.

To limit losses on individual life insurance policies with high risk exposure, a minor portion of the risks relating to death and disability is reinsured.

The various risk elements are subjected to ongoing actuarial assessment for the purpose of calculating insurance obligations and making any necessary business adjustments.

#### Operational risks

Operational risks relate to the risk of losses resulting from IT system errors, legal disputes, inadequate or faulty procedures and fraud. Danica limits operational risks by establishing internal controls that are regularly updated and adjusted to Danica's current business volume. Another measure taken is segregation of duties.

A few customers have brought actions against Danica, claiming that the expense loading should not be included in the calculation of the bonus on paid-up policies, current policies and premium-paying policies. This has been industry practice for a number of years, and in Danica's opinion is in accordance with the existing terms for the policies in question. On 28 August 2008, the Western Division of the Danish High Court delivered its judgment in the case, ruling in favour of Danica. The claimant has appealed to the Supreme Court of Denmark.

#### Business risks

Business risks comprise strategic risks, reputational risks and other risks relating to external factors.

Danica closely monitors the development on the markets where Danica operates in order to ensure the competitiveness of prices and customer service. Danica is committed to treating customers fairly and communicating openly and transparently.

Danica subjects its business units to systematic assessments to reduce the risk of financial losses due to damage to its reputation.

#### Sensitivity information

The below table discloses, for the Danica group, the effect on shareholders' equity and on collective bonus potential and the bonus potential of paid-up policies of isolated changes in interest rates (increases and decreases) and other relevant financial risks as well as changes in the mortality and disability rates.

A 10% decline in the mortality rate, corresponding to an increase in life expectancy of about one year, would increase liabilities by DKK 1.5 billion, and shareholders' equity would not be affected.

Of the two interest rate scenarios, an interest rate increase would be the worse for Danica. A scenario with an increase in interest rates of 0.7 of a percentage point concurrent with the rest of the financial sensitivity ratios defined in the Danish FSA's red traffic light scenario would reduce the collective bonus potential by DKK 1.7 billion, reduce the bonus potential of paid-up policies by DKK 0.8 billion and reduce shareholders' equity by DKK 0.6 billion. Going forward, interest rate increases will be advantageous to Danica, however, as it would be easier to cover the guaranteed benefits.

The risk exposure was relatively stable during the year, although the proportion of credit bonds was increased during the year and the proportion of government and mortgage bonds etc. was reduced.

Except for credit spreads, the financial sensitivities in the table below are defined in the Danish FSA's red traffic light scenario. A company is considered to be in the red light scenario if its capital is insufficient to cover the solvency requirement less 3% of life insurance provisions under the red light scenario. If a company is in the red light scenario, the Danish FSA will become involved in the financial management of the company.

The Danica group has been in the green light scenario since the FSA's traffic light scenario was introduced in 2001.

#### SENSITIVITY RATIOS 2010

	Minimum effect on capital base	Maximum effect on collective bonus poten- tial	Maximum effect on bonus potential of paid-up policies before change in drawn bonus potential of paid- up policies	Maximum effect of drawn bonus potential of paid-up policies
(DKr m)				
Interest rate increase of 0.7 of a percentage point	-0.3	-0.4	4.1	0.0
Interest rate fall of 0.7 of a percentage point	0.4	-0.1	-4.1	0.0
Share price fall of 12%	-0.2	-1.7	0.0	-0.1
Fall in property prices of 8%	-0.2	-1.2	0.0	-0.0
Foreign exchange risk (VaR 99.0%)	0.0	-0.3	0.0	0.0
Loss on counterparties of 8%	-0.2	-1.7	0.0	-0.6
Rise in credit spread of 1.0 percentage point	0.0	-1.2	0.0	0.0
Fall in mortality rate of 10%	0.0	-1.5	-0.1	0.0
Rise in mortality rate of 10%	0.0	1.4	0.1	0.0
Rise in disability rate of 10%	0.0	-0.1	0.0	0.0

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## Income statement - Forsikringselskabet Danica

Note	[DKK millions]	2010	2009
	Gross premiums	378	357
	Change in unearned premiums provision	-	-2
2	Premiums, net of reinsurance	378	355
3	Technical interest	7	12
	Claims paid, gross	-343	-407
	Change in outstanding claims provision	52	84
4	Claims, net of reinsurance	-291	-323
	Bonuses and premium discounts	2	-
	Acquisition costs	-19	-28
	Administrative expenses	-30	-26
5	Total operating expenses relating to insurance, net of reinsurance	-49	-54
14	<b>TECHNICAL RESULT</b>	47	-10
	Income from group undertakings	1,663	2,240
	Interest income and dividends, etc.	93	110
6	Market value adjustments of investments	28	44
	Administrative expenses related to investment activities	-8	-2
	Total return on investment	1,776	2,392
	Return on technical provisions	-24	-37
	<b>RETURN ON INVESTMENT LESS TECHNICAL INTEREST</b>	1,752	2,355
7	Other income	36	39
8	Other expenses	-28	-36
	<b>PROFIT BEFORE TAX</b>	1,807	2,348
9	Tax	-36	-27
	<b>NET PROFIT FOR THE YEAR</b>	1,771	2,321

## Balance sheet - Forsikringselskabet Danica

### Assets

Note	[DKK millions]	2010	2009
	Holdings in group undertakings	18,909	17,241
	Total investments in group and associated undertakings	18,909	17,241
	Bonds	2,640	2,567
10	Total other financial investment assets	2,640	2,567
	<b>TOTAL INVESTMENT ASSETS</b>	<b>21,549</b>	<b>19,808</b>
	Amounts due from policyholders	16	20
	<b>TOTAL DEBTORS</b>	<b>16</b>	<b>20</b>
	Deferred tax assets	1	-
	<b>TOTAL OTHER ASSETS</b>	<b>1</b>	<b>-</b>
	Accrued interest and rent	35	41
	Other prepayments and accrued income	4	4
	<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>39</b>	<b>45</b>
	<b>TOTAL ASSETS</b>	<b>21,605</b>	<b>19,873</b>

## Balance sheet - Forsikringssselskabet Danica

### Liabilities and equity

Note (DKK millions)	2010	2009
Share capital	1,000	1,000
Other reserves	14,472	12,803
Retained earnings	3,749	5,412
Proposed dividend	1,771	-
<b>11 TOTAL SHAREHOLDERS' EQUITY</b>	<b>20,992</b>	<b>19,215</b>
Unearned premiums provision	10	9
Outstanding claims provision	541	576
Provisions for bonuses and premium discounts	5	7
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>556</b>	<b>592</b>
Deferred tax	-	5
<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>-</b>	<b>5</b>
Amounts owed, direct insurance	22	13
Amounts owed to group undertakings	11	21
Current tax liabilities	5	15
Other creditors	16	10
<b>TOTAL CREDITORS</b>	<b>54</b>	<b>59</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>3</b>	<b>2</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>21,605</b>	<b>19,873</b>

## Statement of capital - Forsikringselskabet Danica

(DKK millions)

### Changes in shareholders' equity

	Share capital	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2009	1,000	12,803	5,412	-	19,215
Translation of foreign units	-	23	-	-	23
Foreign unit hedges	-	-23	-	-	-23
Tax on entries on shareholders' equity	-	6	-	-	6
Net gains not recognised in the income statement	-	6	-	-	6
Net profit for the year	-	1,663	108	-	1,771
Total income	-	1,669	108	-	1,777
Proposed dividend	-	-	-1,771	1,771	0
Shareholders' equity at 31 December 2010	1,000	14,472	3,749	1,771	20,992
Shareholders' equity at 31 December 2008	1,000	10,555	5,331	-	16,886
Translation of foreign units	-	38	-	-	38
Foreign unit hedges	-	-40	-	-	-40
Tax on entries on shareholders' equity	-	10	-	-	10
Net gains not recognised in the income statement	-	8	-	-	8
Net profit for the year	-	2,240	81	-	2,321
Total income	-	2,248	81	-	2,329
Shareholders' equity at 31 December 2009	1,000	12,803	5,412	-	19,215

## Statement of capital - Forsikringselskabet Danica

(DKK millions)	2010	2009
Solvency requirement and capital base		
Shareholders' equity	20,992	19,215
Proportionate share of capital base of insurance subsidiaries	21,766	20,074
- Value of proportionate share	-18,909	-17,242
Core capital	23,849	22,047
- Proposed dividend	-1,771	0
- Tax assets	-1	0
- Proportionate share of capital requirement of insurance subsidiary	-7,908	-7,719
Reduced core capital	14,169	14,328
Capital base	14,169	14,328
Solvency requirement	79	72
Total solvency requirement	79	72
Excess capital base	14,090	14,256

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## Notes – Forsikringselskabet Danica

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### Note

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#### 1 ACCOUNTING POLICIES

The financial statements of the Parent Company, Forsikringselskabet Danica, are presented in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order No. 1310 of 16 December 2008 on financial reports presented by insurance companies and lateral pension funds. The disclosure requirement on the effect of changed discount rate in section 95 and section 125(2) has been omitted on early implementation of this statement of the executive order No. 16 of 13 January 2011.

These rules are identical to the group's measurement under IFRS. See the description of significant accounting policies in note 2 to the consolidated financial statements.

#### Holdings in group undertakings

Holdings in group undertakings are measured in accordance with the equity method, and the profit/loss after tax in subsidiaries is charged to the item Income from group undertakings.

Holdings in group undertakings include Danica Pension, which is a life insurance company and the parent company of a life insurance group.

#### Key ratios

The ratios of the Parent Company are prepared in accordance with the provisions of the executive order on financial reports presented by insurance companies and lateral pension funds. The return ratios are calculated using a composite weighting procedure.



## Notes - Forsikringselskabet Danica

Note	(DKK millions)	2010	2009
2	<b>GROSS PREMIUM INCOME</b>		
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	372	350
	Other EU countries	5	4
	Other countries	1	1
		378	355
3	<b>TECHNICAL INTEREST</b>		
	Calculation of technical interest and return on investment:		
	Technical interest rate	3.65%	4.06%
	Technical interest amount	21	25
	Outstanding claims provision, discounted amount	-14	-13
	Technical interest, net of reinsurance less discounted amount	7	12
	Total return on investment	1,776	2,392
	Market value adjustment of outstanding claims provision	-3	-12
	Total return on investment, including market value adjustments	1,773	2,380
	Of which transferred to technical interest	-21	-25
	Return on investment less technical interest	1,752	2,355
4	<b>CLAIMS</b>		
	Total run-off regarding prior years:		
	Gross claims	50	50
	Net of reinsurance	50	50
	Run-off, net of reinsurance, relates to health and accident insurance policies		
5	<b>OPERATING EXPENSES RELATING TO INSURANCE</b>		
	Audit fees		
	Total fees:		
	KPMG	-0.1	-0.1
	Grant Thornton	-0.1	-0.1
	The company has employed an Executive Board, an actuary and a company secretary. No remuneration has been paid to these or to the Board of Directors.		
6	<b>MARKET VALUE ADJUSTMENTS OF INVESTMENTS</b>		
	Bonds	28	44
	Total market value adjustments of investments	28	44
7	<b>OTHER INCOME</b>		
	Commission income from ancillary activities	36	39
	Total	36	39
8	<b>OTHER EXPENSES</b>		
	Expenses in relation to ancillary activities	-20	-29
	General management expenses	-8	-7
	Total	-28	-36

## Notes - Forsikringselskabet Danica

Note	(DKK millions)	2010	2009
9	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-36	-27
	<b>Total</b>	<b>-36</b>	<b>-27</b>
	Tax on the profit for the year is calculated as follows:		
	Current tax	-42	-22
	Adjustment of prior-year tax charge	0	0
	Other changes in deferred tax	6	-5
	<b>Total</b>	<b>-36</b>	<b>-27</b>
	Effective tax rate		
	Danish tax rate	25.0	25.0
	Adjustment of prior-year tax charge	0.0	0.0
	Non-taxable income and non-deductible expenses	-23.0	-23.8
	<b>Effective tax rate</b>	<b>2.0</b>	<b>1.2</b>
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax (asset)	-1	-
	Deferred tax (liability)	-	5
	<b>Deferred tax, net</b>	<b>-1</b>	<b>5</b>
	Deferred tax broken down on main items		
	Tangible assets	-1	-1
	Other financial investment assets	-	6
	<b>Total</b>	<b>-1</b>	<b>5</b>
10	OTHER FINANCIAL INVESTMENT ASSETS		
	Includes investments in undertakings in the Danske Bank Group as follows:		
	Bonds	606	592
11	SHAREHOLDERS' EQUITY		
	Number of shares of DKK 1,000	1,000,000	1,000,000
12	CONTINGENT LIABILITIES		
	At the end of the year, assets were provided as security for policyholders' savings at a total carrying amount of	645	696
	Breakdown of minimum lease payments on operating leases on premises by lease term		
	Within 1 year	53	52
	1-5 years	211	206
	After 5 years	502	542
	<b>Total</b>	<b>766</b>	<b>800</b>
	The company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is jointly and severally liable.		
13	RELATED PARTIES		
	Danske Bank, domiciled in Copenhagen, Denmark, wholly owns the share capital of Forsikringselskabet Danica and thus exercises control.		
	The group's IT operations and development, internal audit, HR administration, purchases, marketing and the like are handled by Danske Bank. These services are settled on an arm's-length or a cost reimbursement basis.		
	Forsikringselskabet Danica is managed by Danica Pension, which settles expenses with the companies it manages on an arm's-length or a cost reimbursement basis. Accordingly, Forsikringselskabet Danica refunded an amount of DKK 49 million to Danica Pension in 2010.		
	Danske Bank Group also handles portfolio management and securities trading.		

## Notes - Forsikringselskabet Danica

Note (DKK millions)

### 14 SPECIFICATION OF CLASSES OF INSURANCE

	Health and accident insurance	Health care insurance	Total
Gross premiums	120	258	378
Gross premium income	120	258	378
Gross claims	-106	-185	-291
Gross operating expenses	-15	-34	-49
Technical interest, net of reinsurance	2	5	7
Technical result	1	46	47
Number of claims	723	31,561	32,284
Average amount of claims	0.1	0.0	0.0
Claims frequency	0.7%	7.0%	

### 15 RISK EXPOSURE AND SENSITIVITY RATIOS 2010

(DKK millions)	Effect on shareholders' equity
Interest rate increase of 0.7 of a percentage point	-49
Interest rate decline of 0.7 of a percentage point	49
8% loss on counterparties	18
See the description of risk management in note 36 to the consolidated financial statements.	

### 16 FINANCIAL HIGHLIGHTS

	2010	2009	2008	2007	2006
<b>INCOME STATEMENT</b>					
Gross premiums	378	355	287	231	181
Technical interest	7	12	1	9	-2
Gross claims	-291	-323	-295	-220	-155
Bonuses and premium discounts	2	-	1	-	5
Total operating expenses relating to insurance	-49	-54	-50	-45	-29
Profit on reinsurance	-	-	-	-	1
Technical result	47	-10	-56	-25	1
Total profit on investment activities after transfer of technical interest	1,752	2,355	-748	1,356	1,640
Other income and expenses etc.	8	3	3	16	14
Profit before tax	1,807	2,348	-801	1,347	1,655
Tax	-36	-27	-19	-5	-440
Net profit for the year	1,771	2,321	-820	1,342	1,215
Run-off result	50	50	13	0	0
<b>BALANCE SHEET</b>					
Total assets	21,605	19,873	17,575	18,383	17,720
Holdings in group undertakings	18,909	17,241	14,994	15,871	15,180
Other investment assets	2,640	2,567	2,475	2,255	2,391
Total shareholders' equity	20,992	19,215	16,886	17,716	16,674
Total technical provisions	556	592	649	653	713
<b>RATIOS (%)</b>					
Gross claims ratio	76.6	90.8	102.3	95.0	82.9
Gross expense ratio	13.0	15.1	17.3	19.5	15.9
Combined ratio	89.6	105.9	119.5	114.6	98.4
Operating ratio	87.9	102.5	119.0	110.4	99.4
Relative run-off result	8.7	7.9	2.1	0.0	0.0
Equity ratio	8.8	12.9	-4.7	7.9	7.6
Solvency ratio	180	198	201	297	342

Key figures and ratios are set out in the Danish FSA's executive order on financial reports.

## Group overview

	Own- ership	Currency	Net profit for the year	Share capital	Share- holders' equity	Staff  Number <sup>1)</sup>	Directorships <sup>2)</sup>	
	%		millions	millions	millions		JKL	JW
<b>NON-LIFE INSURANCE</b>								
Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen		DKK	1,771	1,000	20,992		D	D
<b>LIFE INSURANCE</b>								
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	100	DKK	1,663	1,100	19,023	745	D	D
Danica Pension Försäkringsaktiebolag, Stockholm	100	SEK	43	100	47	56	B	
Danica Pensjonsforsikring AS, Trondheim	100	NOK	46	106	243	75	B	
Danica Life Ltd, Ireland	100	EUR	-4	5	44	7	B	
<b>PROPERTY INVESTMENT</b>								
Danica Ejendomsselskab ApS, Copenhagen	100	DKK	492	2,628	19,921	-		
<b>PROPERTY INVESTMENT, (pro rata consolidation)</b>								
Samejet SlotsArkaderne, Copenhagen	90	DKK	-24	-	1,019			
Samejet Nymøllevvej, Copenhagen	75	DKK	-64	-	562			
Frederiksberg Centret I/S, Copenhagen	67	DKK	98	-	973			
Hovedbanegårdens Forretningscenter K/S, Copenhagen <sup>3)</sup>	50	DKK	21	-	215			

<sup>1)</sup> Comprises employees in group companies at 31 December 2010.

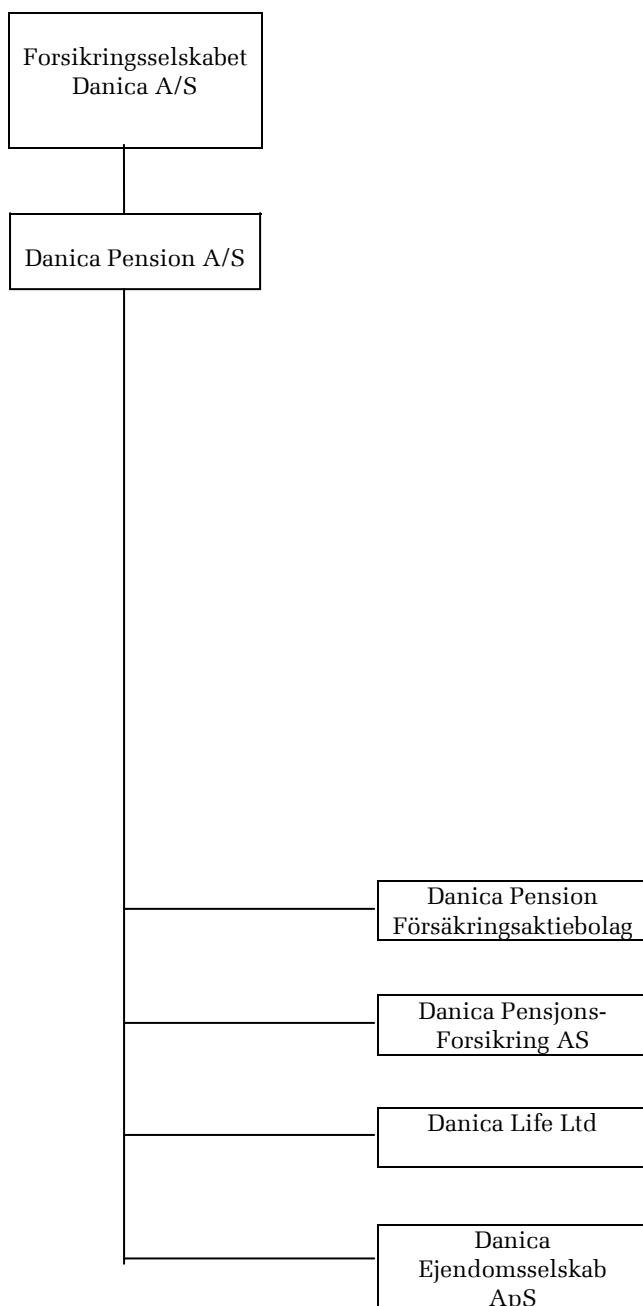
<sup>2)</sup> Directorships of Jørgen Klejnstrup (JKL) and Jesper Winkelmann (JW).

B stands for board member and D stands for executive board member.

<sup>3)</sup> Financial year ends 30 September.

## Group overview

### Companies



### Activities

Parent company. Its principal activity is non-life insurance, comprising the health care and critical illness products Sundhedssikring (health care), Kritisk Sygdom (critical illness) and Sundhedsfremmer (health promoter).

Sale of the market products Danica Balance and Danica Link in which the return on policyholders' savings equals the market return. Life insurance and disability cover may be attached to the policies. Danica Balance is a lifecycle product combining the advantages of collective investment with individual adjustment options. The customers select an investment profile. Guarantee option. In Danica Link, customers may choose their own investment among 40-45 funds or they may choose an equity share and let Danica handle the investment. Guarantee option.

Sale of conventional life insurance and pension product (Danica Traditionel) and health and accident insurance, including disability cover. Danica Traditionel is policies with guaranteed benefits and collective investments, which is managed by Danica Pension. The rate of interest on savings is determined by Danica Pension.

Conventional life insurance in the form of guaranteed life-long annuities without bonus entitlement. No new policies have been written since 1982.

Sale of market products and health and accident insurance in Sweden.

Sale of market products and health and accident insurance in Norway.

Sale of market products and risk products in Ireland.

Property company investing primarily in commercial property and shopping centres.

Danica has merged the companies Danica Pension, Danica Pension I and Danica Liv III, with Danica Pension as the continuing company. The merger was completed with effect at 1 January 2010

## Management and directorships

Under section 80(8) of the Danish Financial Business Act, financial institutions are required to publish information at least once a year about directorships, etc. held with the approval of the Board of Directors by persons employed by the Board according to statutory regulations (section 80(1) of the Act).

This page also lists directorships held by members of the Board of Directors outside the Forsikrings-selskabet Danica group. Information on board members who are members of the management of Danske Bank A/S includes the number of directorships in other wholly-owned subsidiaries of Danske Bank.

### Board of Directors

#### **Peter Straarup** (Chairman)

Chairman of the Executive Board of Danske Bank A/S

Born on 19.07.1951

Director of:

One wholly-owned subsidiary of Danske Bank A/S (Chairman)

Danmark-Amerika Fondet

International Monetary Conference

Institut International d'Etudes Bancaires

Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser (Chairman)

Finansrådet (Chairman)

#### **Sven Lystbæk** (Deputy Chairman)

Born on 26.09.1951

Director of:

Danske Bank International S.A.

Bankernes Kontantservice A/S (Chairman)

Kreditforeningen Danmarks Pensionsafvklingskasse

VP Securities A/S (Chairman)

Nets Holding A/S

Multidata Holding A/S (Chairman)

Multidata A/S (Chairman)

VISA Europe Limited

#### **Tonny Thierry Andersen**

Chief Financial Officer of Danske Bank A/S

Born on 30.09.1964

Director of:

Two wholly-owned subsidiaries of Danske Bank A/S

(Chairman)

#### **Jakob Brogaard**

Born on 30.06.1947

Director of:

Finansiel Stabilitet A/S (Deputy Chairman)

DONG Energy A/S

LR Realkredit A/S (Deputy Chairman)

Newco Aep A/S

O.W. Bunker & Trading A/S

Roskilde Bank A/S (Deputy Chairman)

Wrist Group A/S

#### **Thomas Falck**

Senior Pension Specialist, Danica Pension

Born on 09.06.1952

#### **Gitte Jensen**

Chairman of Staff Association, Danica Pension

Born on 14.04.1949

#### **Erik Sevaldsen**

Executive Vice President of Danske Bank A/S

Born on 01.04.1948

Director of:

Five wholly-owned subsidiaries of Danske Bank A/S

Member of The Financial Business Council

#### **Per Søgaard**

Senior Advisor, Danica Pension

Born on 07.02.1969

Director of:

Witt & Søn A/S

OT-Europlay A/S

### Executive Board

Information on directorships, etc. in wholly-owned subsidiaries is provided in the group overview.

#### **Jørgen Klejnstrup**

Member of the Executive Board

Born on 09.01.1953

Director of:

Pensionsinfo (Chairman)

Forsikring & Pension

#### **Jesper Winkelmann**

Member of the Executive Board

Born on 14.02.1958

## Statement and reports

### Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the annual report of Forsikringsselskabet Danica for the financial year 2010.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on 1 January and ending on 31 December 2010. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 10 February 2011

### Executive Board

Jørgen Klejnstrup

Jesper Winkelmann

### Board of directors

Peter Straarup  
Chairman

Sven Lystbæk  
Deputy Chairman

Tonny Thierry Andersen

Jakob Brogaard

Thomas Falck

Gitte Jensen

Erik Sevaldsen

Per Søgaard

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## Auditors' reports

### INTERNAL AUDIT'S REPORT

We have audited the annual report of Forsikringselskabet Danica, Skadesforsikringsaktieselskab af 1999 for the financial year 2010. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act.

#### **Basis of opinion**

We conducted our audit in accordance with the executive order of the Danish Financial Supervisory Authority on auditing financial businesses and financial groups and in accordance with Danish Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. The audit comprised all significant areas and risk areas and was conducted in accordance with the division of responsibilities agreed with the external auditors, enabling the external auditors to the widest possible extent to base their audit on the work performed by Internal Audit.

We planned and conducted our audit such that we have assessed the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks.

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 judgment, 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 controls relevant to the preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 did not result in any qualification.

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's operations and cash flows for the financial year 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Parent Company's operations for the financial year 2010 in accordance with the Danish Financial Business Act.

Furthermore, we believe that the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks operate effectively.

Copenhagen, 10 February 2011

Jens Peter Thomassen  
Group Chief Auditor



## INDEPENDENT AUDITORS REPORT

We have audited the consolidated financial statements and the Parent Company's financial statements of Forsikringselskabet Danica, Skadesforsikringsaktieselskab af 1999 for the financial year 2010. The consolidated financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes. The Parent Company's financial statements comprise income statement, balance sheet, statement of capital and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. In addition to our audit, we have read the management's report prepared in accordance with Danish Financial Business Act and issued a statement in this regard.

### Management's responsibility

Management is responsible for preparing and presenting consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the Parent Company. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and Parent Company's financial statements that are 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. Further, it is the responsibility of Management to prepare a management's report that gives a fair review in accordance with the Danish Financial Business Act.

### Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company's financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the consolidated financial statements and the Parent Company's financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

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

Our audit did not result in any qualification.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's operations and cash flows for the financial year 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Parent Company's operations for the financial year 2010 in accordance with the Danish Financial Business Act.

### Statement on the management's report

Pursuant to the Danish Financial Business Act, we have read the management's report. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, it is our opinion that the information given in the management's report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Copenhagen, 10 February 2011

KPMG

Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard

Gerda Retbøll-Bauer

State Authorised Public Accountants

Copenhagen, 10 February 2011

Grant Thornton

Statsautoriseret Revisionsaktieselskab

Ole Fabricius

Christian F. Jakobsen

State Authorised Public Accountants

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## Address

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Forsikringselskabet Danica,  
Skadeforsikringsaktieselskab af 1999  
Parallelvej 17  
2800 Kgs. Lyngby  
Denmark

Tel: (+45) 70 11 25 25  
Fax: (+45) 45 14 96 16  
[www.danicapension.dk](http://www.danicapension.dk)

Company Registration No.  
CVR 25020634

*Contact: Janne Dyrlev, Executive Vice President*

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