

Danica Pension, Livsforsikringsaktieselskab

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Table Of Contents

Major Rating Factors

Rationale

Outlook

Corporate Profile: Life And Pensions Operation Of Danske Bank Group

Competitive Position: Market Leader In Denmark; Overseas Activities Still Developing

Management And Corporate Strategy: Strong Management; Increasing Integration Into Danske Bank Group

Enterprise Risk Management: Adequate Overall; Strong Investment Controls

Accounting: Accounts Now In Line With IFRS; Earnings Reduced Following 2006 Change In Consolidation Policy

Operating Performance: Robust, But Accident And Health Result Continues To Disappoint

Table Of Contents (cont.)

Investments: Equity Exposure Increased In 2006; Investment Of Shareholder Funds Now In Line With Policyholder Funds

Liquidity: Strong Liquidity; Danske Bank Support Expected If Required

Capitalization: Expected To Remain Strong; Good Quality Of Capital

Financial Flexibility: No Short-Term Capital Needs Expected; Capital Support From Danske Bank Group If Required

Danica Pension, Livsforsikringsaktieselskab

Major Rating Factors

Strengths:

- Core status to the Danske Bank group
- Strong competitive position
- Strong capitalization

Weaknesses:

- Lower relative profitability than parent on a risk-adjusted basis
- Limited diversification outside the domestic market

Financial Strength Rating

Local Currency

AA-/Stable/--

Rationale

The ratings on Denmark-based life insurer Danica Pension, Livsforsikringsaktieselskab (Danica) reflect its core status within the Danske Bank group (Danske Bank). On a stand-alone basis, Danica benefits from a strong domestic competitive position generated from a broad product range and comprehensive distribution, robust operating performance, and strong capitalization. These factors are partially offset by the limited diversification from Danica's domestic market and the earnings drag from the accident and health business.

Danica plays a key role in Danske Bank's strategy to be a leading and well-diversified player in the financial services market in Denmark, and international expansion by Danica is expected to complement Danske Bank's strategy. Danica effectively operates as the life and pensions division of Danske Bank. About one-fifth of sales are through branches of Danske Bank, back-office functions are mostly integrated, and Danske Bank manages group capital to provide for Danica's planned growth. Bancassurance sales have reduced in recent years, but reversing this trend is a focus for management resources in 2007 given the higher returns typical of bancassurance distribution.

Danica's strong competitive position is based on its well-diversified distribution model, good back-office systems, and innovative product design, which have helped the company to maintain its dominant position in the Danish life and pensions market. Unit-linked (UL) sales are a particular strength at Danica, which has captured a dominant share of the market through innovative product design and efficient operations.

Management has demonstrated a commitment to, and delivery on, its strategy over a number of years, and has gained the support and backing of Danske Bank to continue this growth in the future.

Capitalization is strong, based on solid, well-managed coverage of regulatory minimum solvency and a strong capital adequacy ratio according to Standard & Poor's Ratings Services' risk-based model. The targets chosen by management are appropriate to the level of risk maintained in the business and the implicit support of the parent, Danske Bank A/S (AA-/Stable/A-1+), and quality of capital is high.

Danica's operating performance is a rating constraint given the relatively low ROE compared with that for typical European insurers. Additionally, the lack of geographic diversification is a potential rating constraint despite subsidiaries operating in Norway and Sweden. Premium volumes are relatively small, but are expected to increase in the medium to long term as Danica develops these operations. Future geographic expansion is expected to be led by

Danske Bank.

Outlook

The stable outlook on Danica reflects the stable outlook on its parent, Danske Bank A/S. The ratings and outlook on Danica would be affected by a change in the ratings or outlook on Danske Bank A/S.

Standard & Poor's expects Danica to maintain its domestic market share in excess of 30%, continue to develop its overseas market presence, and improve profitability and operating performance. Additionally, capitalization is expected to remain strong and operating performance expected to remain robust. Standard & Poor's expects that Danske Bank will provide support if necessary.

Corporate Profile: Life And Pensions Operation Of Danske Bank Group

Danica is a wholly owned subsidiary of Forsikringssekskabet Danica (not rated), with the ultimate parent undertaking being Danske Bank A/S. Danica effectively operates as the life and pensions operation of the Danske Bank group. Standard & Poor's views Danica as core to the Danske Bank group.

Danica is the market leader in Denmark with developing insurance operations in Sweden and Norway. Through the 2007 creation of the subsidiary Danica Life Ireland (not rated), Forsikringssekskabet Danica is planning on expanding outside of its Scandinavian core market.

New business is increasingly market products (UL and "lifestyle" products), but traditional business, incorporating investment guarantees, dominates the in-force portfolio. Danica's assets under management totaled Danish krone (DKK) 239.1 billion at Dec. 31, 2006 (DKK230.1 billion at Dec. 31, 2005).

Competitive Position: Market Leader In Denmark; Overseas Activities Still Developing

Table 1

| Danica Pension, Livsforsikringsaktieselskab/Business Statistics | | | | | |
|---|------------------------|---------|---------|---------|---------|
| (Mil. DKK) | --Year ended Dec. 31-- | | | | |
| | 2006 | 2005 | 2004* | 2003* | 2002 |
| Consolidated | | | | | |
| Total gross premiums written | 15,776 | 14,856 | 13,757 | 14,835 | 13,021 |
| Annual change (%) | 6.2 | 8.0 | (7.3) | 13.9 | 16.9 |
| Total net premiums written | 15,685 | 14,796 | 13,659 | 14,781 | 12,973 |
| Annual change (%) | 6.0 | 8.3 | (7.6) | 13.9 | 16.7 |
| Total assets under management | 232,478 | 223,898 | 202,991 | 184,124 | 172,366 |
| Nonlinked (%) | 90.6 | 93.6 | 94.6 | 96.7 | 98.1 |
| Linked (%) | 9.4 | 6.4 | 5.4 | 3.3 | 1.9 |
| Non-life | | | | | |
| Gross premiums written | 963 | 898 | 1,108 | 927 | 730 |
| Annual change (%) | 7.2 | (19.0) | 19.5 | 27.0 | 1.1 |

Table 1

| Danica Pension, Livsforsikringsaktieselskab/Business Statistics(cont.) | | | | | |
|--|--------|--------|--------|--------|--------|
| Life | | | | | |
| Gross premiums written | 14,813 | 13,958 | 12,649 | 13,908 | 12,291 |
| Annual change (%) | 6.1 | 10.3 | (9.1) | 13.2 | 18.0 |

*All figures for 2004 and 2003 include Forsikringselskabet Danica. DKK--Danish krone.

Danica's competitive position is strong overall and is supported by a wide product range and comprehensive distribution strategy. These strengths are partially offset, however, by Danica's relative lack of geographic diversification.

Danica is Denmark's largest life insurance company with 2006 total gross premiums written (including payments received under investment contracts) of DKK16.8 billion (up 8% on 2005), representing a market share of 35%. Danica's market share of premiums written improved slightly in 2006 (32% in 2005) despite the increased competitive environment and a reduction in bancassurance sales. Danica has successfully retained its dominant position in UL products with a market share in excess of 50%. Despite the growth in UL products (52% growth in provisions over 2006), total premiums remain dominated (55%) by traditional products offering minimum guaranteed investment returns.

In addition to the increasing competition in the Danish market, there is also a trend toward transparency surrounding life insurance. Danica has positioned itself well for any market changes given the company's continuing focus on improving customer service and product transparency. In 2005, Danica went from front-end-loaded to level commissions to brokers ahead of regulatory changes, and in 2006 reduced charges to more than 100,000 customers as Danica's operating costs continue to fall. Danica also successfully launched innovative market products in Denmark and retains the dominant market position in this transparent sector.

Danica's distribution strategy is regarded as strong and diverse. Seventy-four percent of Danish business is sourced directly through Danica's sales force and other direct marketing, with the remainder split between bancassurance (17%) and brokers (9%). The proportion of sales through bancassurance has reduced in recent years (from 32% in 2004), and reversing this trend is an area of management focus for 2007.

Danica is also well positioned due to its flexible IT systems that have particularly assisted the growth in UL business. The flexible IT systems are being exported to Danica's overseas operations and are expected to contribute toward Danica's growth in these markets.

Danica's overseas strategy is to offer UL and protection products to complement existing Danske Bank operations. Sales to the Norwegian market are made into both Danica and Danica Pensjonsforsikring (not rated) via Fokus Bank (part of the Danske Bank group), other local banks, Danica's sales force, and brokers. Danica's Swedish distribution is through Danske Bank Sweden and brokers. Danica's overseas premiums increased to DKK1.8 billion in 2006 (DKK1.5 billion in 2005), with strong growth in Sweden (up 22% to DKK1.6 billion) being slightly offset by a slowdown in Norway that resulted from a local tax change affecting sales. Despite recent growth, Danica's presence in overseas markets remains slight, with relatively low new business shares in both markets and with 90% of Danica's 2006 premiums still arising from the domestic market. Nevertheless, with wide distribution reach and flexible IT systems, Danica is well placed to grow in these markets.

Prospective

Danish market share is expected to remain in excess of 30% despite increasing competition. Overseas organic diversification is expected to continue and to be led by Danske Bank. Additionally, the proportion of premiums originating overseas is expected to continue to grow. Due to agreements at the time of Danske Bank's acquisition of Sampo Bank PLC (AA-/Stable/A-1+) earlier in 2007, Danica is currently prohibited from offering insurance products to Sampo Bank's Finnish customers. Nevertheless, this potentially opens up a new market and captive customer base for Danica to target in the future.

Management focus is expected to improve bancassurance distribution and direct distribution is expected to continue to improve in efficiency. Due to its already strong position in market products, Danica appears well placed to benefit from the ongoing trend toward market transparency.

Management And Corporate Strategy: Strong Management; Increasing Integration Into Danske Bank Group

Management has demonstrated a commitment to, and delivery on, its strategy over a number of years, and has gained the support and backing of Danske Bank to continue this growth in the future.

Strategy

Danica's aim, to be the leading provider of employee life and pension benefits in Denmark, is reasonable. This strategy is consistent with the parent's strategy to be a leading and well-diversified player in the financial services market in Denmark. Overseas expansion by Danica is expected to complement the international development by Danske Bank.

Standard & Poor's regards as sound the steps taken by management to defend Danica's market position by improving its service and product offerings and strengthening its distribution capabilities.

Danica aims to improve its service by offering a proactive and targeted customer service and by continuing to develop new products. Standard & Poor's considers that ensuring high service satisfaction is a key factor for Danica to protect its existing book, particularly the UL products, from the increasing competition. Improvements in cost control have allowed Danica to reduce prices on its products in a move that may generate increased persistency despite the increased competition.

Management continues to explore ways to strengthen its distribution capabilities and bancassurance distribution is a management focus after several years of underperformance.

Operational management

Operational management at Danica is strong, with a stable and experienced insurance team boosted by support from Danske Bank management. Danica shares many of its back-office functions with Danske Bank, and continues to integrate to maximize synergies and cross-selling opportunities.

Danica increasingly operates as the insurance division of Danske Bank, although the Danica group is legally separate from Danske Bank. Danica shares five members of its nine-person board of directors with its parent, illustrating the close ties and support enjoyed by the subsidiary.

Financial management

Financial management at Danica is good, and supports Standard & Poor's view of management. Profitability measurement tools continue to be developed.

The most significant risk for Danica is market risk, with Danica required to meet any shortfall in investment returns on traditional business. Policyholder risk is mitigated through the Danish state guaranteeing returns on old business in the event of Danica being unable to meet the liabilities and through Danica utilizing recent strong investment performance to build buffer capital.

Although the level of guarantees is high on the traditional life book (averaging almost 3.5% at year-end 2005), risk is well controlled by the use of hedging and an appropriately active investment strategy with suitable audit and control systems. Average guarantees are being reduced by new money attracting lower guarantees and the aging of the traditional portfolio. In addition, the increasing take-up of UL products means investment risk is being assumed by policyholders.

During 2006, Danica brought the investment mix of the shareholder funds into line with the investment mix of the nonlinked policyholder assets.

Enterprise Risk Management: Adequate Overall; Strong Investment Controls

Danica's enterprise risk management (ERM) is viewed as adequate given the company's risk profile and risk management strategy. Danica's main risk is investment, particularly meeting the guaranteed returns on traditional business. Comprehensive risk controls are employed for the investment portfolio, for each insurance company, and for each asset class. Stress tests are employed to regularly measure risk exposure and a constant proportion portfolio insurance investment strategy is in place.

Monitoring of mortality, morbidity, and longevity insurance risks appears adequate. Operational risks are well controlled, with significant coordination of processes with Danske Bank. Danica's ERM is not yet fully coordinated with Danske Bank, although this is improving and is expected to continue to develop going forward. The risk management culture is adequate, but appears to be strengthening following the 2006 appointment of a chief risk officer and improvements in the risk management governance.

Financial strength is higher than for peers, and the business profile and reinsurance program reduces extreme event risk. Danica's risk profile is stable and is not expected to materially change over the short to medium term.

Accounting: Accounts Now In Line With IFRS; Earnings Reduced Following 2006 Change In Consolidation Policy

Following the issuance of subordinated debt on the Irish Stock Exchange in 2006, Danica Pension's consolidated accounts are now prepared in accordance with IFRS. The transition to IFRS did not generate significant changes to Danica's reported figures.

Full credit is given in Standard & Poor's capital model for the collective bonus potential as it relates to traditional business, and the 2006 debt issue is treated as subordinated debt and so gets no equity credit.

The Danish financial services authority issued new accounting rules on Jan. 1, 2006, which reversed the recognition

of the present value of future administration results on UL contracts. The impact of this change was to decrease the value of subsidiaries by DKK0.5 billion, shareholder equity by DKK0.4 billion, and deferred tax and collective bonus potential by a total of DKK0.1 billion. The new policy also reduced 2006 net earnings by DKK199 million (and a reduction of DKK132 million on 2005 restated figures).

As previously disclosed, Danica announced a change to its consolidation policy from Jan. 1, 2006, to bring earnings rules into line with those of competitors. The risk allowance is now the sum of a maximum of 0.62% of technical provisions and the full accident and health result. This compares with an average return (including contributions from the shadow account) allocated to shareholders of 0.88% over 2002-2005. The effect of these changes is expected to reduce earnings over the rating horizon until the accident and health business can generate improved results.

The Danish government has recently announced a reduction in corporate tax rates to 25% from 28%. This change in tax is with effect from Jan. 1, 2007, and will positively benefit Danica. The European Court of Justice ruling in 2006 concerning the Danish tax allowance for premiums is not expected to have an impact on Danica.

Operating Performance: Robust, But Accident And Health Result Continues To Disappoint

Table 2

| Danica Pension, Livsforsikringsaktieselskab/Operating Statistics | | | | | |
|--|------------------------|---------|---------|---------|--------|
| (Mil. DKK) | --Year ended Dec. 31-- | | | | |
| | 2006 | 2005 | 2004* | 2003* | 2002 |
| Consolidated | | | | | |
| Total gross expense ratio (%) | 8.0 | 8.4 | 9.8 | 8.9 | 9.8 |
| Administrative expense ratio (%) | 5.1 | 5.5 | 6.6 | 6.2 | 6.9 |
| Acquisition expense ratio (%) | 2.9 | 2.9 | 3.3 | 2.9 | 3.2 |
| Non-life | | | | | |
| Non-life operating result¶ | (282.0) | (291.0) | (232.0) | (117.0) | (49.0) |
| Gross loss ratio (%) | 99.8 | 153.4 | 116.1 | 115.1 | 88.3 |
| Gross expense ratio (%) | 20.5 | 19.8 | 21.3 | 21.5 | 22.1 |
| Gross combined ratio (%) | 120.3 | 172.6 | 137.4 | 136.6 | 110.4 |
| Reinsurance result | (7.0) | 65.0 | 1.0 | 1.0 | (21.0) |
| Growth in expenses (%) | 16.4 | (1.7) | 18.6 | 22.8 | 5.9 |
| Net loss ratio (%) | 100.8 | 147.5 | 120.8 | 116.4 | 97.8 |
| Administrative expense ratio (%) | 12.8 | 12.2 | 12.9 | 13.4 | 12.4 |
| Acquisition expense ratio (%) | 8.3 | 7.3 | 9.5 | 8.3 | 10.2 |
| Net expense ratio (%) | 21.1 | 19.5 | 22.4 | 21.7 | 22.6 |
| Net combined ratio (%) | 121.9 | 167.0 | 143.3 | 138.1 | 120.3 |
| Life | | | | | |
| Policyholders' bonus/surplus (%) | 71.1 | 68.8 | 24.4 | 58.9 | 106.1 |
| Growth in expenses (%) | (1.6) | (0.3) | (2.9) | (0.6) | 12.5 |
| Administrative expense ratio (%) | 4.6 | 5.1 | 6.1 | 5.7 | 6.6 |
| Acquisition expense ratio (%) | 2.5 | 2.6 | 2.8 | 2.6 | 2.8 |

Table 2

| Danica Pension, Livsforsikringsaktieselskab/Operating Statistics(cont.) | | | | | |
|---|------|------|------|------|------|
| Total net life expenses/total life assets (bps) | 45.3 | 49.1 | 57.7 | 64.4 | 67.6 |

*All figures for 2004 and 2003 include Forsikringselskabet Danica. †Based on allocated investment income. DKK--Danish krone. Bps--Basis points.

Standard & Poor's views Danica's recent operating performance as robust, reflecting its strong premium growth, stable earnings, and good and improving expense ratios. These positive factors are offset, however, by continuing losses on the stand-alone accident and health result.

Pretax earnings reduced to DKK1,557 million in 2006 (DKK1,775 million in 2005) as earnings were adversely affected by the exhaustion of the shadow account in 2005 and by the previously announced change to Danica's risk allowance policy. Nevertheless, excluding the impact of the shadow account transfer in 2005 (DKK441 million before tax), 2006 earnings improved by 17% on 2005. 2006 earnings benefitted from the change in investment strategy for the shareholder assets where holdings were brought into line with customer funds.

New business profitability improved over 2006 and profitability is not expected to fall despite the increasing competition.

Earnings have been robust in recent years, although the ROE has been relatively low at 7.8% in 2006 and 8.6% in 2005 (or 6.5% excluding the shadow account transfers) and is below that for other European peers.

Danica's investment in IT, service, and staff training continues to generate positive results. Expense ratios, both as a proportion of premiums and technical provisions, continue to fall, resulting in a significantly improved cost result (DKK35 million in 2006, negative DKK308 million in 2002). The risk result remains positive (DKK145 million in 2006, DKK66 million in 2005).

Danica continues to incur losses (DKK156 million in the first half of 2007, DKK282 million in 2006, DKK291 million in 2005) on its stand-alone accident and disability risks. This is an industrywide issue in Denmark, generated by poor claims experience and fierce competition. Danica took further pricing and underwriting action in 2006, although the positive influence from these initiatives was reduced by the poor returns on the bond portfolio that backs these liabilities. Despite progress made so far, it remains a significant challenge for Danica to generate positive stand-alone accident and health results over the rating horizon. Nevertheless, Danica continues to offer these products as ancillary benefits to more profitable pensions business, and withdrawal from this market may have an impact on competitive position.

Standard & Poor's expects 2007 earnings to be in line with those for 2006. Earnings will be affected by results of the accident and health products and the investment environment. The shadow account is exhausted, and investment volatility will determine whether the full risk allowance can be booked for 2007 or whether it will be added to the shadow account.

Investments: Equity Exposure Increased In 2006; Investment Of Shareholder Funds Now In Line With Policyholder Funds

Table 3

| Danica Pension, Livsforsikringsaktieselskab/Investment Statistics | | | | | |
|---|------------------------|-------|-------|-------|-------|
| | --Year ended Dec. 31-- | | | | |
| (Mil. DKK) | 2006 | 2005 | 2004* | 2003* | 2002 |
| Net investment income | 8,626 | 9,016 | 8,946 | 8,755 | 7,699 |
| Direct yield on invested assets (%) | 4.1 | 4.5 | 4.8 | 5.0 | 4.6 |
| Total return (incl. unrealized and realized) (%) | 3.7 | 12.3 | 9.8 | 6.4 | 3.4 |
| Nonlinked portfolio composition (%) | | | | | |
| Investment in affiliates | 0.6 | 0.5 | 0.1 | 0.1 | 0.0 |
| Loans to affiliates | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 |
| Bonds and other fixed-interest securities | 61.6 | 68.8 | 74.4 | 76.3 | 78.9 |
| Equities and other variable-interest securities | 27.6 | 19.6 | 15.3 | 13.4 | 11.0 |
| Property | 8.1 | 7.7 | 8.0 | 8.6 | 9.0 |
| Cash and bank deposits | 0.8 | 0.2 | 0.2 | 0.3 | 0.8 |
| Other investments | 1.3 | 3.2 | 1.9 | 1.1 | 0.0 |
| Total nonlinked investments | 90.7 | 93.6 | 94.6 | 96.7 | 98.1 |
| Assets held to cover linked liabilities | 9.3 | 6.4 | 5.4 | 3.3 | 1.9 |

*All figures for 2004 and 2003 include Forsikringselskabet Danica. DKK--Danish krone.

Standard & Poor's regards Danica's investment strategy as good. Exposure to a fall in equities or change in interest rates is well managed. The monitoring and management of the asset-liability position is good, with the appropriate use of derivatives.

Danica manages its equity exposure so that the collective bonus potential must be sufficient to cover a 30% fall in equities (would reduce the collective bonus potential by DKK11.2 billion and shareholder equity by DKK0.9 billion). Bonds and derivatives are used to protect Danica's exposure to interest rate changes.

Nonlinked investments are concentrated in bonds (68%) and equity investment (23%). The remaining portfolio is in property investment. The majority of bonds are high quality with strict criteria for purchasing bonds. Index-linked bonds (14%) are held to target stable real returns, and overseas bonds (14%) target diversification. Credit bonds constitute 7% of the portfolio and target higher yielding investments.

Equity exposure in the nonlinked portfolio was increased to 23% in 2006 from 16% in 2005, with the fixed-income portfolio correspondingly reduced. The proportion of equity investments has increased in recent years as the risk capacity of the balance sheet has improved. Equity holdings are concentrated overseas through a passive strategy. Equity investment is expected to stabilize around the current level.

Danica's investment strategy is appropriate given the company's investment guidelines, risk management tools, and increased risk capacity.

2006 investment performance was mixed and varied by funds: equity and property continued with strong positive returns, but rising Danish bond yields adversely affected domestic bond yields and, consequently, the return on the sizable bond portfolio.

During 2006, the shareholders' investment portfolio was brought into line with policyholder funds (24% equity/10% property/remainder in short-term bonds). The change in strategy resulted in an increase in investment

performance (5.4% in 2006 versus 3.4% in 2005) as equities outperformed bonds over 2006.

The bulk of investments are managed by Danske Bank (82% at year-end 2006), with Danica undertaking limited investment management and the remainder, mostly specialist equity and bond sectors, invested through externally mandated managers.

The average guarantee on the portfolio was 3.5% at Dec. 31, 2005, and is expected to decrease as new monies attract lower guarantees and the existing portfolio matures.

Liquidity: Strong Liquidity; Danske Bank Support Expected If Required

Standard & Poor's regards Danica's stand-alone liquidity as strong. Cash flow is positive and is expected to remain so during the current growth phase, and the proportion of marketable assets is high.

Holdings of cash remain negligible (DKK1.7 billion or 0.7% of total assets), although investments in the traditional portfolio are concentrated in a diverse portfolio of bonds (68%). UL provisions (DKK22.3 billion at Dec. 31, 2006) increased by 52% in 2006, and are readily realizable.

Liquidity is further enhanced by Danske Bank ownership. As long as Danica remains core to Danske Bank's operations, it is unlikely to face any liquidity issues that its parent cannot support.

Capitalization: Expected To Remain Strong; Good Quality Of Capital

Capitalization is strong, based on solid, well-managed coverage of regulatory minimum solvency and a strong capital adequacy ratio according to Standard & Poor's risk-based model. The targets chosen by management are appropriate to the level of risk maintained in the business and the implicit support of the parent. The quality of capital remains strong.

Historical

On a stand-alone basis, Danica's capitalization is regarded as strong. On a statutory basis, coverage of the required minimum margin improved to 2.36x at Dec. 31, 2006 (2.09x at Dec. 31, 2005) and is ahead of peers' coverage. Danish regulations also monitor the ability of insurers to withstand predetermined market stresses--the so-called "traffic light" tests. Danica is in a green light situation, the strongest position.

Quality of capital remains strong. Capital comprises policyholder bonus reserves and shareholder equity. Shareholder equity decreased slightly over 2006 (to DKK15.0 billion from DKK15.8 billion) as the dividend (DKK2.0 billion) was in excess of retained profits. Nevertheless, the collective bonus potential was strengthened over the same period, to DKK13.9 billion from DKK11.3 billion, and is equivalent to a bonus rate of 8.8% (7.3% in 2005). Danica continues to comfortably meet both the red and yellow traffic light tests.

During 2006, Danica issued €400 million of subordinated debt with the proceeds used to repay internal financing and for future organic growth.

The existence and level of guarantees act as possible constraints on Danica's capitalization, while investment returns remain low. As additional monies to traditional contracts are not attracting a guarantee greater than 1.5%, however, the average guarantee on the in-force book should continue to decrease over time. In addition, as sales of

UL products continue to increase and earnings become more diversified, so the buffer against capital being hit by guarantees grows.

Reserves

Morbidity reserves were strengthened in 2003-2005. Other reserving bases appear appropriate given experience. Reinsurance is not used extensively, but appears reasonable given the business written. Mortality and morbidity catastrophe cover is in place in Denmark, however.

Prospective

Despite the increased equity exposure and capital restructuring, Standard & Poor's expects capital adequacy to remain strong on a risk-adjusted basis.

The Danish government is expected to pass a bill in 2007 to require Danish insurers to determine an individual solvency requirement (ISR). Although not finalized, the proposals indicate that the ISR will be similar to the individual capital assessment introduced by the U.K. Financial Services Authority ahead of the implementation of Solvency II. Standard & Poor's views positively the development of ISR and believes that it will increase risk management in Denmark. Danica is expected to successfully implement the ISR during 2007.

Financial Flexibility: No Short-Term Capital Needs Expected; Capital Support From Danske Bank Group If Required

Table 4

| Danica Pension, Livsforsikringsaktieselskab/Financial Statistics | | | | | |
|---|------------------------|---------|---------|---------|---------|
| (Mil. DKK) | --Year ended Dec. 31-- | | | | |
| | 2006 | 2005 | 2004* | 2003* | 2002 |
| Consolidated | | | | | |
| Total assets | 232,478 | 223,898 | 207,666 | 188,184 | 176,366 |
| Annual change (%) | 3.8 | 7.8 | 10.3 | 6.7 | 3.0 |
| Total assets (before analyst adjustments) | 232,478 | 223,898 | 207,666 | 188,184 | 176,366 |
| Total equity | 14,997 | 15,811 | 14,393 | 13,510 | 11,921 |
| Total equity (incl. policyholder capital) | 28,898 | 27,115 | 22,003 | 20,662 | 16,593 |
| Total adjusted equity | 28,898 | 27,115 | 22,003 | 20,662 | 16,593 |
| Annual change (%) | 6.6 | 23.2 | 6.5 | 24.5 | (13.8) |
| Total capital | 28,898 | 27,115 | 22,003 | 20,662 | 16,593 |
| Reinsurance exposure ratio (%) | 12.3 | 12.7 | 12.7 | 12.3 | 17.5 |
| Debt/capital (excl. policyholder capital) (%) | 16.9 | 0.7 | 2.2 | 1.0 | 2.3 |
| (Debt + preferred stock)/capital (excl. policyholder capital) (%) | 16.9 | 0.7 | 2.2 | 1.0 | 2.3 |
| Investment leverage (incl. policyholder capital) (%) | 509.1 | 369.1 | 312.2 | 291.8 | 279.5 |
| Investment leverage (incl. all quasi capital) (%) | 509.1 | 369.1 | 312.2 | 291.8 | 279.5 |
| Liquid assets/technical reserves (%) | 97.7 | 95.3 | 96.0 | 96.0 | 96.8 |
| Non-life | | | | | |
| Technical reserves/net premiums written (%) | 677.3 | 657.2 | 462.2 | 526.5 | 473.3 |
| Net claims reserves/net claims incurred (%) | 539.1 | 354.1 | 379.6 | 362.1 | 358 |
| Net claims paid/net claims incurred (%) | 68.3 | 42.6 | 55.5 | 69.8 | 55.3 |

Table 4

Danica Pension, Livsforsikringsaktieselskab/Financial Statistics(cont.)

| Life | | | | | |
|-----------------------------------|-----|-----|-----|-----|-----|
| Reinsurance utilization ratio (%) | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 |

*All figures for 2004 and 2003 include Forsikringselskabet Danica. DKK--Danish krone.

Financial flexibility is regarded by Standard & Poor's as very strong. As a core member of Danske Bank, Danica benefits from access to additional sources of funds from its highly rated parent.

The 2006 subordinated debt issue has restricted the availability to access additional funds via this route. Nevertheless, Standard & Poor's believes that Danica is unlikely to require capital to fund its organic growth plans over the short term.

Ratings Detail (As Of September 28, 2007)*

Danica Pension, Livsforsikringsaktieselskab

| | |
|----------------------------|---------------|
| Financial Strength Rating | |
| <i>Local Currency</i> | AA-/Stable/-- |
| Counterparty Credit Rating | |
| <i>Local Currency</i> | AA-/Stable/-- |
| Subordinated | |
| <i>Foreign Currency</i> | A+ |

Related Entities

Danske Bank A/S

| | |
|-------------------------------------|-----------------|
| Issuer Credit Rating | AA-/Stable/A-1+ |
| <i>Nordic National Scale Rating</i> | --/--/K-1 |
| Certificate Of Deposit | AA-/A-1+ |
| Commercial Paper | |
| <i>Foreign Currency</i> | A-1+ |
| <i>Nordic National Scale Rating</i> | K-1 |
| Junior Subordinated | |
| <i>Foreign Currency</i> | A |
| Senior Unsecured | |
| <i>Foreign Currency</i> | AA- |
| Subordinated | |
| <i>Foreign Currency</i> | A |

Holding Company Danske Bank A/S

Domicile Denmark

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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