

White paper

Consolidation policy and business activities

at Danica Pension

Unaudited



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Danica Pension

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at Danica Pension

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1. Introduction

The purpose of this White Paper is to inform investors, analysts and other stakeholders of Danica Pension's activities and profit policy.

Before moving on to a detailed description, we must clarify a couple of points:

- First, the purpose of this White paper is to give an overview of the main factors that affect the Danica group's annual accounts and not least to describe their relation to the annual accounts of the Danske Bank Group. The rules on calculating the income statement and balance sheet of a life insurance company are highly complex and sometimes very technical. This memorandum is therefore not intended to give a comprehensive description of every aspect of the Danica group's accounts.
- Secondly, it is important to understand which parts of the Danica group these issues concern. Section 2 gives an overview of the group and describes which parts of the Danica group the subsequent analysis refers to.

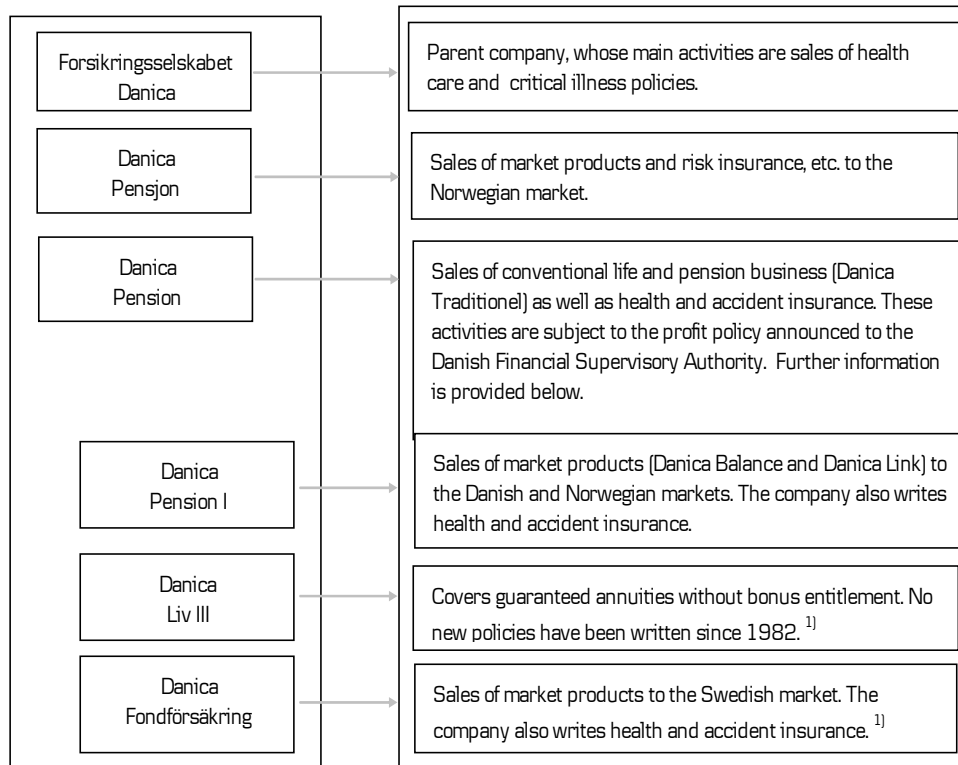
First, we give a brief description of the structure of the Danica group. Subsequently, we present a business profile of the Danica group, focusing on products, markets, distribution channels and so on. In section 4 we describe the Danica group's performance based on an explanation of how the results of the Danica group affect the accounts of the Danske Bank Group. This is followed in section 5 by a description of the financial and insurance guarantees that Danica employs. In section 6 we review Danica Pension's earnings, including the relationship between the size of the investment return and Danske Bank's possibility of booking the life insurance risk allowance on its income statement. Finally, in section 7 we describe earnings in DP I and the change during the year in the present value of expected future administrative results.

A new edition of Danica's White paper will be issued in connection with the publication of Danske Bank's annual report for 2007.

2. Danica group overview

The corporate structure of the Danica group is described in figure 1 below.

FIGURE 1: THE DANICA GROUP



1) The results of these companies are included in the return on investment of customer funds in Danica Pension.

It is particularly the activities of Danica Pension that are relevant to the profit policy.

Danica Pension I is owned by Danica Pension, and its results are recognised directly in the results of the Danica group. The earnings of Danica Pension I are described in section 7.

3. Danica's business profile

The Danica group offers life insurance and pension-based insurance schemes. In addition to activities in its primary market, Denmark, the Danica group has activities in Sweden and Norway.

In 2006, the Danica group's gross premium income amounted to DKr 18.2bn, of which the Danish activities accounted for 89%.

Since 2002, the Danica group has seen a rise in gross premiums including investment contracts of 9% p.a., driven primarily by organic growth and mainly in the corporate market. From 2005 to 2006, regular premiums rose by 10% for corporate pension plans, while they dropped slightly for personal pension plans. Personal pension plans are primarily sold through Danske Bank. The market products Danica Link and Danica Balance were introduced in 2001 and 2005, respectively. These products' share of total premiums in Denmark rose from 20% in 2005 to 30% in 2006.

	2006	2005	2004	2003	2002
Danica Traditionel	10.7	11.4	11.0	11.7	10.2
Danica Balance and Danica Link	6.0	3.2	1.8	1.8	1.8
Internal transfers	-1.6	-0.6	-0.2	-0.2	-0.5
Health and accident etc.	1.1	1.1	1.0	0.9	0.8
International	2.0	1.8	1.1	0.6	0.8
Total premiums	18.2	16.9	14.7	14.8	13.1

Its financial strength of DKr 25.4bn and an excess capital base of DKr 11.5bn make Danica one of the financially strongest groups in the industry. This provides policyholders with a high degree of security in their savings. Danica has been assigned an AA- rating in the "Insurer financial strength" category by Standard & Poor's.

Danica is committed to providing high-quality customer service based on accessibility, short processing times and customer care. Danica regularly conducts customer satisfaction surveys, and is the only Danish company to post its processing times on the Internet. Therefore, it is important to Danica to maintain a competent and committed staff.

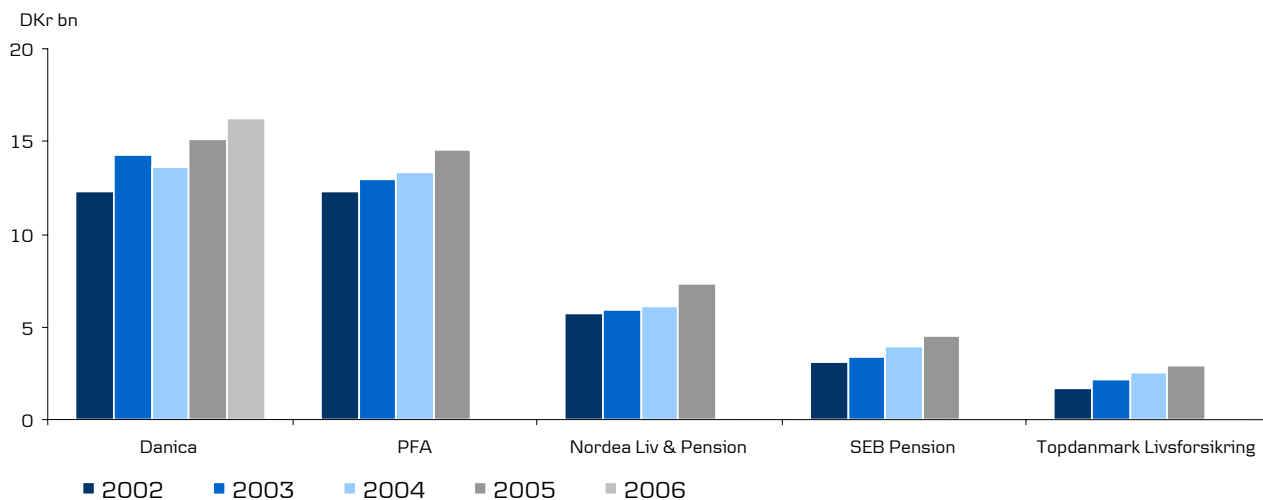
Danica decided that its Danish insurance system will be the model for the further development of its international activities. The work to achieve this was initiated towards the end of 2005, and at the end of 2006 the Norwegian corporate insurance portfolio had been converted to the common system. The one group, one system philosophy will give Danica a strong position for future international expansion.

3.1 Activities in Denmark

In the Danish market, the Danica group offers insurance-based pension schemes, life insurance and health care products to employers and private individuals. These include both conventional policies based on the payment of interest on savings and market products in which the customers select the risk profiles themselves - including the option of a benefit guarantee.

Danica's business volume has risen sharply in recent years, making Danica Denmark's largest pension company in terms of gross premiums with a market share of more than 31% of the market on which the company competes.

FIGURE 2: GROSS PREMIUMS IN DENMARK – GROUPS (including investment contracts and health and accident)



Danica uses several distribution channels. It has a large number of salespersons and advisers who primarily address the corporate segment. They are associated with a number of regional offices around Denmark. In addition, Danica works with many insurance agents who also operate in the market for corporate schemes.

Most sales of policies to private individuals take place through Danske Bank’s and BG Bank’s extensive branch networks.

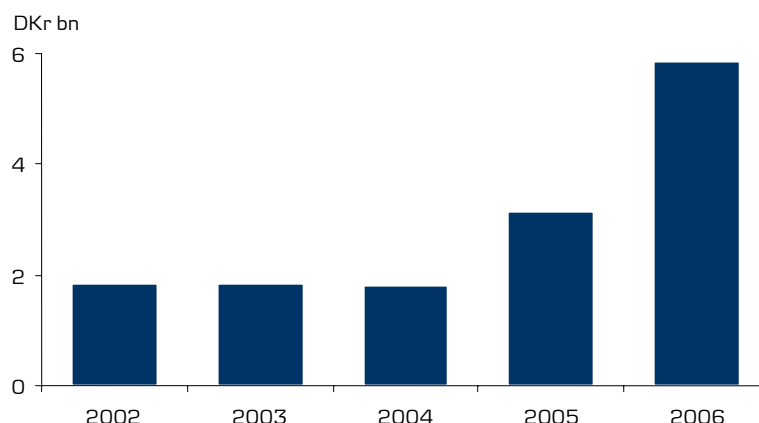
Danica Traditionel

In Danica Traditionel, the customers are not required to make any decisions themselves as to how their money is to be invested, as the money is invested collectively. In return, pension savings in Danica Traditionel have guaranteed benefits, calculated on the basis of technical interest rates of 4.5%, 2.5% or 1.5%, respectively (new business is written on the basis of 1.5% only).

Danica Link & Danica Balance (Market products)

The figure below shows the development of gross premiums on market products in Denmark.

FIGURE 3: GROSS PREMIUMS – MARKET PRODUCTS, DANISH BUSINESS



Danica's market products comprise Danica Balance and Danica Link. Danica Balance is a lifecycle product launched in May 2005, which combines the advantages of collective investment with individual adjustment. The result is a simple product, allowing the customer to choose a larger equity share than normally available in conventional products.

Danica Link gives customers the opportunity to influence the way in which their pension savings are invested. This means that the returns accruing to the pension account are a direct reflection of the investments chosen. Customers can choose either to be active investors or to leave the investment decisions to Danica.

In Denmark, Danica Link customers can invest their pension savings in securities and at the same time insure themselves against capital loss, as Danica Link is available both with and without a payment guarantee. The payment guarantee ensures customers benefits equal to at least 95% of their contributions.

At the end of 2006, approximately 72,000 of Danica's customers have opted for market products, against some 48,000 at the beginning of the year.

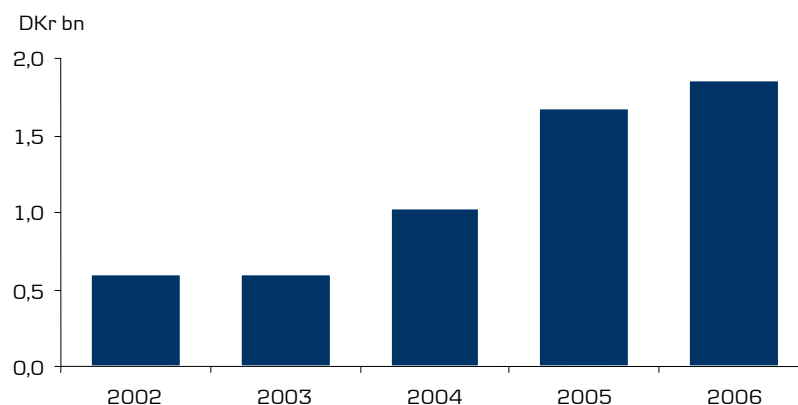
Insurance cover

Customers are able to take out insurance cover against disability and death; these covers are mainly requested under corporate schemes. In addition, Danica offers cover against critical illness and healthcare insurance.

3.2 International activities

The figure below shows the development of gross premiums on market products abroad.

FIGURE 4: GROSS PREMIUMS - MARKET PRODUCTS, INTERNATIONAL BUSINESS



Danica set up its activities in Sweden in 1999. In the Swedish market, Danica offers pension products to employers as well as to private individuals.

In Sweden, Danica's gross premium income in 2006 was DKr 1,561m on market products. From the subsidiary's head office in Stockholm, Danica collaborates closely with Danske Bank Sweden and a number of the largest brokers in Sweden.

In the Norwegian market, Danica offers pension products to employers as well as to private individuals. Both market products and health and accident products are provided. In 2006, corporate pension schemes became mandatory in Norway.

In 2006, Danica's gross premium income was Dkr 480m, primarily from market products in Norway. The products are sold through Danica's own corporate sales force and through close collaboration with Fokus Bank.

In the autumn of 2006, Danica began investigating the possibility of selling market products and other products in the Republic of Ireland based on the IT platform used in Denmark. Sales would be conducted through National Irish Bank, which is part of the Danske Bank Group. Sales through brokers and Danica's own salespersons are also being considered.

4. Danske Bank's profit from the Danica group

The table below shows the earnings elements from Danica that are included in Danske Bank's annual accounts.

Ref.	(DKr m)	2006	2005
1	Share of technical provisions etc.	1,037	1,127
2	Insurance result, unit-linked business	-53	-25
3	Insurance result, health and accident	-101	-486
4	Investment return	772	783
5	Financing result	-300	-193
6	Deferred risk allowance	0	441
7	Net income from insurance business	1,355	1,647

1. Share of technical provisions etc.

In 2006, the amount was calculated as 0.59% of the average life insurance provisions and the collective bonus potential, excluding Forenede Gruppeliv.

2. Insurance result, unit-linked business

Consists of the technical result of unit-linked activities (Danica Link and Danica Balance) in Denmark and Norway.

3. Insurance result, health and accident

Comprises the technical result of Health and accident insurance and Health care products in Denmark and Norway.

A large part of Danica's life insurance and pension agreements include disability cover. The customers pay for this cover, and the amount paid is a competitive parameter. In practice, the result of health and accident activities is calculated in the same way as the result of non-life activities. The calculation includes a computed technical rate of interest (corresponding to the rate of interest on policyholders' savings) on the provisions, whereas the health and accident business' share of the company's remaining return on investment is included in the investment return. The health and accident result is specified in the notes to the Danica group's annual accounts (note 7, page 45).

4. Investment return

Comprises the return on assets allocated to the shareholders' equity of all the companies in the Danica group that affect its profit as well as the portion of the investment return attributable to the health and accident business.

The return on customer funds in Danica Pension is distributed proportionally between Life insurance and Health and accident insurance based on the size of the technical provisions (investment community). However, the return on the derivative financial instruments used to hedge guaranteed benefits is not distributed on Health and accident insurance as from 1 April 2006. The return on assets allocated to shareholders' equity corresponds proportionally to the return on customer funds as far as equities are concerned, while other investments of shareholders' equity are made independently.

5. Financing result

Danske Bank's business area accounts are based on the principle that capital is allocated to the individual business areas in relation to their activities. For the other business areas, the required capital is fixed at 6.5% of risk-weighted assets. For Danica, the allocated capital is defined as the charge on the Danske Bank Group's capital equal to its ownership of Danica, i.e. the portion deducted from the Danske Bank Group's capital base. This largely corresponds to the solvency requirement for Danica minus external subordinated loan capital and plus capital tied up in assets allocated to shareholders' equity. For Danica, this results in the following funding transactions:

(DKr m)	2006	2005
Interest of Danica's shareholders equity	-461	-309
Interest on allocated capital, insurance	195	166
Interest on allocated capital, investment	17	9
Allocated supplementary capital	-51	-59
Financing result	-300	-193

It is important to note that this item is not included in Danica's group accounts, but only in Danske Bank's business area accounts. As shareholders' equity exceeds the allocation of capital, overall net funding is negative.

In October 2006, Danica raised external subordinated loan capital in the amount of EUR400m, which had a negative affect on net funding whereas the allocated capital has been reduced. For more information, see appendix B.

6. Change in shadow account balance

The shadow account consists of risk allowances which could not be taken to income in previous accounting periods, see section 6.2. Change in shadow account balance constitutes income recognition of the shadow account balance, which stands at zero at the end of 2006.

7. Net income from insurance business

The profit from the Danica group included in Danske Bank's Net income from insurance business. The profit deviates from, but is consistent with, the official profit of the Danica Pension group.

4.1 Risk allowance

Danica Pension's traditional products are subject to the Executive Order on the Contribution Principle, which prescribes that earnings are to be distributed between customers and owners. Danica Pension prepares and notifies the authorities of the company's profit policy in accordance with these rules.

The major component of the profit from Danica Pension is the risk allowance. In addition to Share of technical provisions, etc. (ref. 1, table 2), the risk allowance in 2006 also comprised insurance result of health and accident in Danica Pension (part of ref. 3, table 2) and the investment return of health and accident in Danica Pension (part of ref. 4). The below table shows the elements of the risk allowance for 2006.

(DKr m)	2006
Share of technical provisions etc.	1,037
Insurance result, health and accident in DP	-136
Investment return, health and accident in DP	-65
Risk allowance	836

Overall, this risk allowance may be booked only if the so-called technical basis for risk allowance permits. See section 6 for a description of the technical basis for risk allowance. Also, see the discussion of Danica's profit policy for 2007, provided in Appendix B.

5. Importance of financial guarantees and insurance guarantees

The majority of customer funds relate to schemes to which financial or insurance guarantees are attached. To the extent that the customer funds are insufficient to cover the guarantees, a loss is posted on shareholders equity, reducing Danske Bank's profit from the Danica group.

5.1 Insurance guarantees

Insurance risks are linked to trends in life expectancy and disability. For example, the increase in life expectancy affects the time during which benefits are payable under certain pension schemes, whereas the trends in mortality, sickness and recoveries affect the benefits of life insurance and disability insurance.

In order to reduce insurance risks, Danica takes out reinsurance to cover a minor part of the risk relating to deaths and disability. Disaster risk is also covered by reinsurance for the entire portfolio.

5.2 Financial guarantees in market products

Market rate products (Danica Link and Danica Balance) are individual schemes in which the results of interest rate and market value fluctuations directly affect the policyholders' saved-up funds. Financial guarantees can be attached to these products. These guarantees are hedged in the financial markets in order to reduce the risk of their affecting shareholders' equity.

5.3 Financial guarantees in Danica Traditionel

Danica Traditionel is a collective scheme in which the financial guarantees are expressed through the technical rate of interest (see 2. in section 6.1). If the technical basis for risk allowance is insufficient to cover the risk allowance, tax on pension returns and bonuses, the excess is initially deducted in the collective bonus potential. The change in collective bonus potential is calculated as follows:

(DKr m)	2006	2005
Technical basis for risk allowance	5,824	9,723
- Share of technical provisions etc.	-1,070	-1,603
- Tax on pension returns	-429	-2,744
- Bonus	-1,728	-1,650
Change in collective bonus potential	2,597	3,726

If this calculation results in a loss exceeding the current collective bonus potential, the excess may initially be deducted from the bonus on paid-up policies. Any losses in excess of the collective bonus potential and the bonus on paid-up policies are set off against shareholders' equity. In practice, shareholders' equity will be affected only if the technical basis for risk allowance is negative in an amount that exceeds the collective bonus potential and the bonus on paid-up policies.

The financial guarantees linked to Danica Traditional typically have very long durations and a large proportion is related to a technical interest rate of 4.5%.

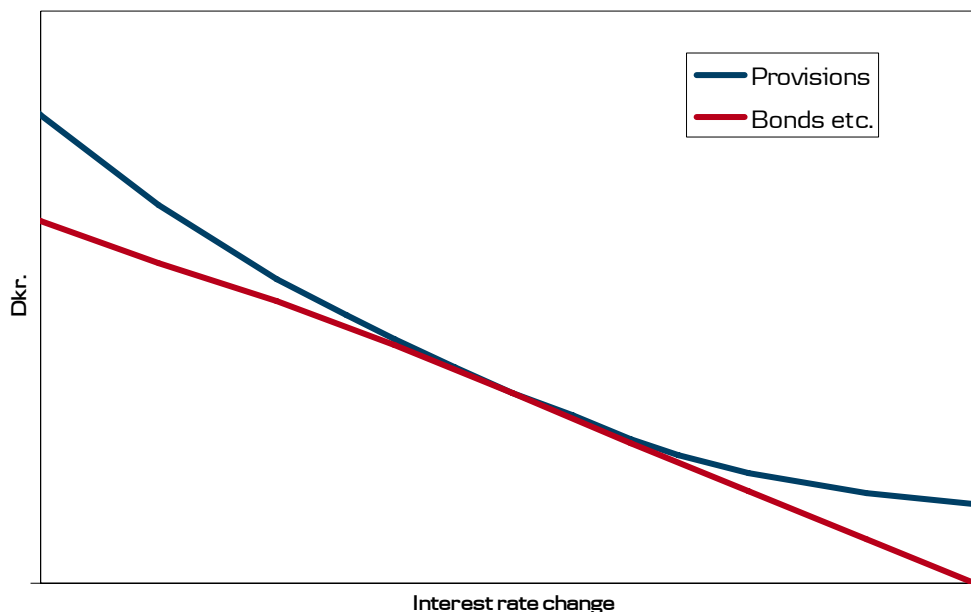
Danica uses its own risk management framework and hedging, ensuring that the company is able at any given time to withstand a 30% drop in share prices and a 50% drop or a 2.5 percentage point increase in interest rates.

Danica Pension's liabilities mainly comprise life insurance provisions, which are stated at market value by discounting the expected future cash flows.

The value of the bond portfolio increases when the level of interest rates drops. The market value of the life insurance provisions also increases, but due to the greater interest rate sensitivity of these provisions, the value adjustment of the provisions is greater than the corresponding value adjustment of the bond portfolio. Overall, this means that Danica Pension experiences a negative value adjustment when the level of interest rates falls. Therefore, Danica Pension has purchased derivative financial instruments.

Similarly, the value of the bond portfolio is reduced by a greater amount than the value of life insurance provisions if interest rates rise. Figure 5 illustrates the relationship between assets and liabilities. Please note that the figure is for illustrative purposes only.

FIGURE 5: ILLUSTRATION OF MARKET VALUE ADJUSTMENT OF ASSETS AND LIABILITIES



Financial instruments are used to hedge the difference between the two curves.

In addition, funds are invested in assets with a view to maximising the return on investment, taking into account credit, currency and liquidity risks.

6. Earnings of Danica Pension

The company Danica Pension primarily contributes to Danske Bank's profit from the Danica group through its investment return on shareholders' equity and the risk allowance. For 2006, the contribution from the risk allowance was DKr 836m while the investment return was DKr 772m.

The risk allowance accounts for the main income from the Danica group. The calculation of the risk allowance and its sensitivity to various risks are described in the following. This is followed by a description of the investment return on shareholders' equity.

6.1 Risk allowance

The risk allowance for 2006 consists of the result of the health and accident business plus 0.59% of life insurance provisions and the collective bonus potential. The result of health and accident business relates to disability cover, and in recent years the claims ratio of this business has been dissatisfactory.

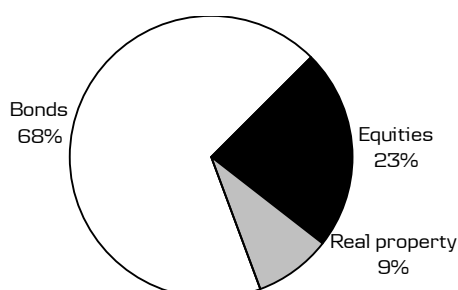
Danske Bank is permitted to book the risk allowance as income only to the extent that it does not exceed the technical basis for risk allowance. The technical basis for risk allowance is calculated mainly as the investment return on customer funds less the technical rate of interest (see 2. below) and the value adjustment of provisions. The calculation of the technical basis for risk allowance is illustrated in Table 6.

Item	(DKr m)	2006	2005
1	Return on investment securities	4,918	21,444
2	Average technical interest rate	-5,272	-5,230
3	Return on health and accident result	170	-551
4	Cost and risk result before bonuses	260	185
5	Profit/loss on reinsurance	-30	172
6	Value adjustment of provisions	5,777	-6,297
7	Technical basis for risk allowance	5,824	9,723

1. Return on investment assets

The total gross investment return on assets allocated to customers. Customers' investment securities comprise bonds, equities and properties as illustrated in figure 6.

FIGURE 6: DISTRIBUTION OF INVESTMENT ASSETS AT 31.12.2006 ALLOCATED TO DANICA PENSION CUSTOMERS



2. Average technical interest rate

Contracts with customers are based on a technical interest rate, on which the guaranteed benefits offered to customers are based. The technical interest rate has dropped sharply in recent years owing to the general fall in interest rates. Until 1994, the technical rate was 4.5%. From 1994 to 1999, the rate was 2.5%. At present, new policies are written with a maximum rate of 1.5%. Table 7 shows the

distribution of provisions according to the various technical rates at the end of 2006, compared with the distribution at the end of 2005.

(DKr m)	End-2006	End-2006 (%)	End-2005 (%)
Technical interest rate in %	0	0	0
0,0	1,216	1	1
1,5	39,237	26	23
2,5	30,346	20	21
4,5	80,943	53	55
8 to 20	207	0	0
Life insurance provisions	151,949	100	100
Without guarantee	16,192		
Total life insurance provisions	168,141		

As the table shows, the technical interest rates have generally become lower.

3. Return on health and accident result

The health and accident business consists of disability insurance, for which reserves have been provided. Part of the total investment return is therefore attributable to the health and accident result.

4. Danske Bank Group before bonuses

The calculation of guaranteed benefits is based on assumptions of future investment returns, costs and insurance risks (death and disability). These assumptions are conservative, and the difference between assumed and actual investment returns, costs and insurance risks are distributed to customers over time in the form of bonuses.

The cost result before bonuses represents the difference between actual costs incurred and the costs assumed in the calculation of guaranteed benefits.

The risk result before bonuses represents the difference between actual risk cover and the risk premium assumed in the calculation of guaranteed benefits.

5. Profit on reinsurance

The profit on reinsurance is calculated as the reinsurance cover received less reinsurance premiums.

6. Value adjustment of provisions

Life insurance provisions are stated at market value by discounting expected future cash flows. Value adjustment of the provisions constitutes the part of life insurance provisions exceeding the value of policyholders' savings.

7. Technical basis for risk allowance

If the technical basis for risk allowance is positive, Danica Pension can book the risk allowance to its income statement to the extent that it does not exceed the technical basis for risk allowance. If the risk allowance cannot be booked, in whole or in part, it can be deferred and booked in a year when the technical basis for risk allowance permits.

6.2 The shadow account

The portion of the risk allowance for the period exceeding the technical basis for risk allowance is transferred to the shadow account. From this account, recognition in the profit of Danske Bank may be made at a later date when the technical basis for risk allowance permits. The shadow account accrues interest at the rate that applies to the bond portfolio allocated to shareholders' equity.

At the end of 2006, there is no deferred risk allowance in the shadow account.

6.3 Relationship between risk allowance, investment return and provisions

If the investment return exceeds the technical interest rate and the value adjustment of provisions, the company may (other things being equal) book all or part of the risk allowance to the income statement as shown in the table below.

Scenario (in % of provisions)	A	B	C	D
Return on investment assets	3.0	4.5	6.0	6.0
Technical interest rate	-2.8	-2.8	-2.8	-2.8
Cost and risk results and return on health and accident	-0.2	-0.2	-0.2	-0.2
Profit on reinsurance	0.0	0.0	0.0	0.0
Value adjustment of provisions	0.0	0.0	0.0	-3.0
Technical basis for risk allowance	0.0	1.5	3.0	0.0
Risk allowance may be recognised as income in whole or in part	No	Yes	Yes	No
Risk allowance of 0.5% of provisions	0.0	-0.5	-0.5	0.0
Tax on pension returns (PAL)	-0.5	-0.7	-0.9	-0.9
Bonuses (difference between technical interest rate and interest on policyholders' savings)	-1.0	-1.0	-1.0	-1.0
Change in collective bonus potential	-1.5	-0.7	0.6	-1.9

In principle, the technical basis for risk allowance can be used to book all or part of the risk allowance for the period and the potential the shadow account balance, as tax on pension returns and bonuses are covered by the collective bonus potential. The option of using this practice does, however, depend on the trend in the collective bonus potential should be taken into account.

Scenario A

The investment return is just large enough to cover the technical interest plus the Danske Bank Group and the return on health and accident. Consequently, the risk allowance cannot be booked. The collective bonus potential is reduced by 1.5% of the provisions to cover obligations toward customers.

Scenario B

The investment return is larger than the technical interest etc., there is no value adjustment of provisions and the technical basis for risk allowance is positive. This means that the risk allowance may be booked in whole or in part. However, the technical basis for risk allowance does not cover the tax on pension returns or the difference between the technical interest rate and the rate on policyholders' savings. To cover these payments, the collective bonus potential will be reduced by 0.2% of the provisions. For the full risk allowance to be booked as income, an additional 0.5% reduction of the collective bonus potential is required.

Scenario C

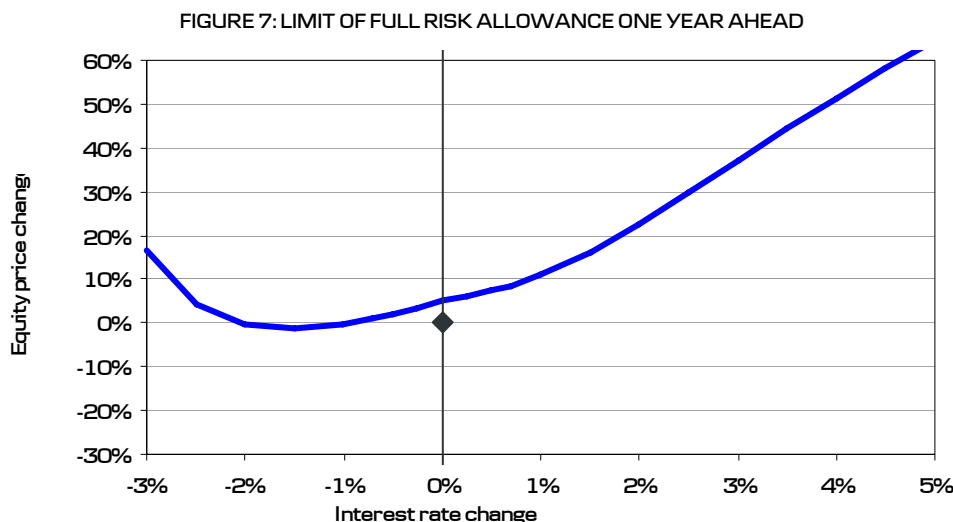
The technical basis for risk allowance covers all customer obligations and leaves 3.0% of the provisions for additional profit allocation. This return also covers the tax on pension returns, bonuses and the risk allowance to Danske Bank with no reduction of the collective bonus potential.

In scenarios B and C, it is possible to book the risk allowance for the year. In both scenarios it is also possible to book from the shadow account; this will, however, cause a (further) reduction of the bonus potential at a one-to-one ratio.

Scenario D

Assumptions as in C, but with a 3% value adjustment of provisions as a result of a reduction of interest rates. The technical basis for risk allowance is 0. Consequently, no risk allowance can be booked in the income statement.

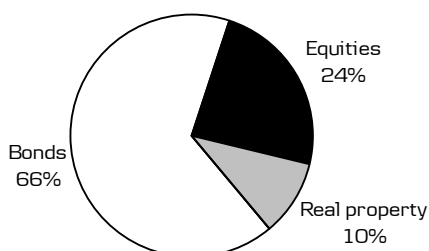
The relationship between risk allowance and investment return is illustrated further in figure 7, which shows the limit of when, with its balance sheet total at the end of 2006, Danica Pension will be able to book the full risk allowance one year ahead; the full risk allowance can be booked at equity price and interest rate changes above the limit shown. For example, the figure indicates that, with an unchanged level of interest rates, an equity price increase of just over 5% is required in order for the full risk allowance to be booked as income. With equity price increases of less than 5%, an interest rate reduction is required to obtain the full risk allowance.



6.4 Investment return on shareholders’ equity

Assets allocated to shareholders’ equity in Danica Pension are primarily invested in short-term bonds, equities and properties, as shown in figure 8. In addition, a minor portion of shareholders’ equity is invested in Danica Pension I, from which Danica’s market products are sold. The profit generated by Danica Pension I is described in section 7.

FIGURE 8: DISTRIBUTION OF DANICA PENSION'S ASSETS ALLOCATED TO SHAREHOLDERS'EQUITY



7. Earnings of Danica Pension I

The pre-tax profit of Danica Pension I (DP I), and thus Net income from insurance business in the Danske Bank Group's business area accounts, can be divided into the following elements:

- Income, primarily consisting of the fees paid by policyholders and the commissions received by the company from the fund managers investing policyholders' savings.
- Costs, consisting of selling costs and administrative expenses and customer service costs.
- The profit from the risk cover sold in relation to pension savings (i.e. disability cover, cover for death, etc.) and the profit from the financial guarantees that policyholders can opt to buy.
- Return on investment of the assets allocated to shareholders' equity.

The income is distributed evenly over the term of the agreements, whereas the costs are highest in the first year due to selling costs. In years with a sharp increase in the business volume - such as 2006 - the accounts are affected by major selling costs. The profit therefore does not reflect the value creation during the year.

From 2002 to 2004, DP I's profit comprised the change for the year in the expected value of future administrative results (income less expenses) on all contracts. In 2005, the financial reporting regulations were changed, and the recognition of the future value was restricted to insurance contracts only. The financial reporting regulations were changed again in 2006, and no value of future earnings are now recognised in the profit for the year.

To aid in the assessment of the value creation and as a supplement to the annual accounts for 2006, Danica has calculated the value of expected future administrative results of market products in Denmark. The calculation was made according to the same principles as those used for all business up to 2004 and for insurance contracts in 2005. The value is computed according to the following principles:

Based on the existing business, the expected future income and expenses before tax for the coming ten years are computed. The calculation is based on a number of assumptions of income, expenses and disposals, etc. The assumptions applied are reviewed annually and are considered prudent, based on realised levels in the past as well as expected future levels.

Danica Link guarantees are hedged on an ongoing basis through the purchase of financial instruments, financed by guarantee payments from policyholders. The value of future guarantee payments is therefore zero in the calculations. In Danica Balance, the guarantees are covered by the investment strategy.

Income and expenses in relation to the expected future business are not included in the calculations. Costs of capital are not included either, nor is the result of the risk business, which in 2006 represented a loss of approximately DKr 80m.

The results are discounted at a rate equalling the Danish FSA's ten-year discount rate before tax.

The following table shows the development of expected future administrative results in 2005 and 2006.

TABLE 9: PRESENT VALUE OF FUTURE ADMINISTRATIVE RESULTS, DANISH MARKET PRODUCTS		
(DKr m)	2006	2005
Present value at beginning of year	609	395
Changed discount rate	-17	10
Changed assumptions	-21	-22
Adjusted present value at beginning of year	571	383
Increase in business volume	367	226
Present value at year end	938	609
Present value at year end in % of investment assets	6.0%	6.2%
Discount rate	4.2%	3.5%

Had it been possible in 2006 to recognise the change in the value of expected future administrative results, DP I's profit would have been improved by DKr 329m before tax.

In the table, the change due to increased business volume covers the effect of new business as well as increased savings for the existing business as a result of the realised investment return, while disposals reduces the increase in business volume.

The calculation method and assumptions are not directly comparable with those applied in an embedded value calculation. Among other things, the above calculations are considered relatively conservative. The group is currently developing embedded value calculations for the Danish market products based on common market standards. These are expected at a later stage to be included in the supplementary information to the group's external reporting.

Appendix A. The Danica group in the statutory accounts of Danske Bank

The Danica group is consolidated in Danske Bank's statutory accounts according to the following principles:

- Danica's assets can be divided into assets related to insurance contracts (contracts subject to significant insurance risk or entitling the policyholder to a bonus), investment contracts (contracts subject to insignificant risk) and assets allocated to shareholders' equity. At the end of 2006, 90% of Danica's assets consisted of insurance contracts, 3% of investment contracts and 7% of assets allocated to shareholders' equity.
- Assets relating to insurance contracts are consolidated under Assets under insurance contracts. These assets consist of financial assets, investment properties, domicile properties, other tangible assets, etc.
- Liabilities relating to insurance contracts are consolidated under Liabilities under insurance contracts. The liabilities consist of life insurance provisions, provisions for unit-linked contracts, collective bonus potential, other technical provisions and other liabilities.
- Payments received on insurance contracts are recognised under Net premiums. The return on the allocated assets is recognised under the respective income statement items. The share of the year's adjustment of technical provisions relating to changes in interest rates and the accrual of the return for the year on assets relating to insurance contracts and the related tax on pension returns are recognised under Net trading income. Other changes to technical provisions are recognised under Net insurance benefits.
- Investment contracts are recognised as financial instruments. Savings relating to unit-linked investment contracts are included under Assets under pooled schemes and unit-linked investment contracts. Deposits are included in the balance sheet under Deposits under pooled schemes and unit-linked investment contracts.
- Deposits/payments under investment contracts are recognised directly as a change to the liability in the balance sheet. The return on the assets and its accrual to policyholders' accounts are recognised under Net trading income.
- The assets allocated to shareholders' equity are consolidated on a line-by-line basis with the group's other assets. The allocated assets relate to Bonds, Investment properties and Equities.

In the financial highlights, Danica is presented in a single line under Net income from insurance business. In the Segment note, Danica is presented according to the above principles in the statutory format. The differences between the presentation of Danica in the group's income statement and the financial highlights are included as part of reclassification in the Segment note.

Appendix B. Changes in 2007

Danica Pension's profit policy is unchanged in 2007, apart from the fact that the Danish FSA has changed its rules regarding risk allowance, with the effect that the health and accident result will no longer be included in the risk allowance. The health and accident result will continue to affect Danica's overall profit, however.

The health and accident insurance result will as from 1 January be included in Insurance result, health and accident, and the health and accident investment return will be included in Investment return, see table 2. Comparative figures are not restated in connection with changes to the profit policy.

On 1 January 2007, the Danish capital adequacy rules were changed, with the effect that Danske Bank is required to deduct 50% of the capital requirement in the Danica group from its core capital and 50% from its supplementary capital. The deduction is reduced to the extent that the Danica group has raised external subordinated loan capital. To optimise the group's capital structure, Danica raised external subordinated loan capital of EUR400m, or DKr 3bn, in October 2006. The proceeds were used to redeem existing internal subordinated loan capital of DKr 2bn and to fund further expansion.

As a result of the loan, the capital allocated to the business area Danica is reduced by approximately DKr 2.9bn. The negative effect on the business area Danica as a consequence of this reduction is expected to amount to approximately DKr 90m in 2007. A corresponding increase will be made in Danske Bank's business area Other areas.

Appendix C. Frequently asked questions

1. Which assets has Danica Pension invested in?

At the end of 2006, 68% of the assets were invested in bonds, 23% were invested in Danish and foreign equities, and 9% were invested in real property.

2. What is Danica Pension's capital base, and how large a capital base does the authorities require?

At the end of 2006, Danica's equity stood at DKr 17.3 bn, and the minimum capital requirement/solvency margin is DKr 7.3 bn.

3. What is interest on policyholders' savings, and who determines the interest rate?

Interest on policyholders' savings is the return that is added to the individual policyholder's account for a given year. If the actual investment return is lower than the rate of interest on policyholders' savings, the difference is taken from the collective bonus potential.

Danica announces the rate of interest on policyholders' savings for one year at a time. Danica reserves the right to adjust this interest rate during the year if the economic situation on which the interest rate is based should change significantly.

4. Why is there a difference between the interest on policyholders' savings and the average technical interest rate?

Contracts with customers are based on a technical interest rate. Since the investment return might exceed the technical interest rate, however, it is possible to add additional interest to the savings during certain periods. The rate of interest on policyholders' savings is of course a competitive parameter. The other side of the issue is consideration for the company's reserves.

5. What is PAL tax?

PAL tax is a tax on pension returns charged at a fixed rate of 15 % to life insurance companies and pension funds and others in Denmark on their investment returns.

6. Why does Danica buy financial instruments?

Danica's benefit guarantees to life insurance policyholders pose a risk if the general level of interest rates declines. This is because the calculation rate and thus the market value of life insurance obligations rise. Danica has therefore bought a portfolio of financial instruments that provide protection against a decline in interest rates.

Danica also buys financial instruments that provide protection against an increase in interest rates.

7. Who owns Danica?

Danica is 100% owned by Danske Bank.

8. Does Danica sell non-life insurance?

Danica has divested virtually all of its non-life insurance activities. Today Danica sells health care insurance as a supplement to conventional life and pension products only.

The Danske Bank Group has an agreement with Topdanmark to sell that company's non-life insurance products through the group's sales channels.

9. Where can I find information about Danica Pension's financial accounts?

Danica publishes annual and semi-annual accounts. The accounts are available at www.danskebank.com/DanicaPensionInEnglish.

10. Where can I find information about the Danske Bank Group?

Our website, www.danskebank.com, and the Investor Relations section in particular, provide comprehensive information about the Danske Bank Group.

Appendix D. Contact persons

Danske Bank's Investor Relations department is responsible for all IR matters for the Group's subsidiaries. If you have any questions, please contact us. You can also find more information about the entire Danske Bank Group at www.danskebank.com.



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