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Executive Order on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds)¹

Executive Order no. 1467 of 13 December 2006 **EXCLUDING MINOR AMENDMENTS**

Executive Order no. 1467 of 13 December 2006

The following shall be laid down pursuant to section 196 and section 373(4) and (5) of the Financial Business Act, cf. Consolidated Act no. 286 of 4 April 2006:

I

Scope

Part 1

Undertakings and reports covered

1.-(1) This Executive Order shall apply to the following undertakings:

- 1) Insurance companies.
- 2) Pension funds covered by the Financial Business Act (lateral pension funds (nationwide occupational pension funds)).
- 3) Parent companies the activities of which solely or mainly comprise ownership of holdings in insurance companies.

(2) Undertakings that are required to, or choose to, present financial reports in conformity with the international accounting standards prepared by the International Accounting Standards Board and approved by the Commission, cf. section 183(4) of the Financial Business Act, shall only be subject to the provisions dealing with conditions not regulated by said international accounting standards.

(3) Lateral pension funds (nationwide occupational pension funds) shall use the terms stated in annex 6 instead of the terms stated in the text of this Executive Order.

2. For each accounting year, undertakings covered by section 1(1) shall prepare and publish an annual report, cf. section 183 of the Financial Business Act, and a half-year interim report.

¹ This Executive Order contains provisions implementing parts of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (Official Journal L374 of 31/12/1991 p. 7) and parts of Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance (Official Journal L345 of 19/12/2002 p. 1), parts of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (Official Journal L142 of 30/04/2004 p. 12), as well as parts of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (Official Journal L390 of 31/12/2004 p. 38).

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The annual report and half-year interim report shall contain consolidated financial statements, if required by sections 133-135.

3. Financial statements prepared by an undertaking exclusively for internal use shall not be an annual report or a half-year interim report under this Executive Order. If an undertaking presents financial statements that are not an annual report or a half-year interim report under this Executive Order or under international accounting standards, cf. section 1(2), these may not be described as an annual report or half-year interim report, and in form and content they shall be presented in such a way that they cannot be confused with financial statements presented under this Executive Order or under international accounting standards.

II

The annual report

Part 2

Classification and format

General provisions

4.-(1) The balance sheet and income statement shall be presented schematically in accordance with annexes 2-4.

(2) The items stated in annexes 2, 3 and 4 shall be stated separately and in the order stated in the annexes. Provided the structure of the formats is maintained, a more detailed breakdown may be presented, if the amount of the new sub-item is significant and if the nature or function of the sub-item is different from the other sub-items. New items may be added, if the amount of the new item is significant and if the nature or function of the item is different from the other items.

(3) Items containing only insignificant amounts may be combined with other items of the same nature or function. This shall not apply to sub-items of the following items:

- 1) Annex 2: For items under *III. Total provisions for insurance and investment contracts* on the liabilities side of the balance sheet.
- 2) Annex 3: For item 1. *Total premiums net of reinsurance*, item 5. *Total insurance benefits net of reinsurance* and item 6. *Total change in life-assurance provisions net of reinsurance*, in the income statement.
- 3) Annex 4: For item 1. *Total premium income net of reinsurance*, and item 3. *Total costs of claims net of reinsurance*, in the income statement.

5.-(1) For each item in the balance sheet and income statement, the corresponding amount shall be stated for the previous accounting year. If the items are not directly comparable with the items for the previous accounting year, the latter shall be restated. The undertaking may, however, omit to restate comparative figures if it is not practicable. The lack of comparability or restatement and the reasons shall be stated in the notes, cf. section 90.

(2) Items in the balance sheet and income statement, which do not contain any amount, shall only be included if the annual report for the previous year contains such an item.

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(3) Subsections (1) and (2) shall apply correspondingly for information in the notes, unless otherwise provided in this Executive Order.

The balance sheet

Common provisions

6. Under asset item 1. *Equipment*, property, plant and equipment other than land and buildings except for assets held temporarily, cf. section 10, shall be stated. The item shall also include assets originating from finance leasing contracts for lessees and assets originating from operating leasing contracts for lessors. The item shall also include capitalised costs of improvements to rented premises.

7. Under asset items 4.2. *Loans to group undertakings* and 4.4. *Loans to associated undertakings*, subordinate loan capital and other long-term loans to the relevant undertakings shall be stated. Other amounts receivable from the relevant undertakings shall be stated under asset item 10 or asset item 11 or under another item to which, by its nature, the amount receivable belongs. If the assets include placements in group or associated undertakings that are not stated under asset items 4, 10 or 11, this shall be disclosed in a note, stating the amount.

8. Asset item 6. *Reinsurance custody accounts* shall be used by undertakings carrying out indirect insurance, and shall be used for amounts payable which, in accordance with reinsurance contracts, are retained by cedents. Assets, which are owned by the reinsurance company and are used as collateral for the claims of the cedents, may not be stated under this item.

9. Under asset item 7. *Total reinsurance part of the technical provisions*, the amount the undertaking expects to receive from reinsurers in accordance with the reinsurance contracts entered into shall be stated.

10. Under asset item 13. *Assets held temporarily*, property, plant and equipment or groups of property, plant and equipment shall be stated, as well as subsidiary undertakings and associated undertakings that are only temporarily in the possession of the undertaking and are pending sale within a short time and where a sale is highly probable. A sale is highly probably, if

- 1) the management of the undertaking is actively seeking a buyer for the assets,
- 2) the assets are being offered at an appropriate price compared with their fair value, and
- 3) the assets are expected to be sold within 12 months.

11. Under liability item II. *Subordinate loan capital*, debt commitments (possibly arising from issuing securities) which are to be repaid after all other claims from creditors shall be stated. The item shall include members' accounts in lateral pension funds (nationwide occupational pension funds) and mutual insurance companies.

12.-(1) Expenses paid before the balance sheet date, but which pertain to subsequent years, shall be stated under prepayments in the assets. Income received before the balance sheet date, but which pertains to subsequent years shall be stated under accruals in the liabilities. This shall not, however, apply for premiums received, unless the insurance period commences after the end of the accounting year.

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(2) Expenses, however not insurance benefits, pertaining to the accounting year, but which will be paid in subsequent years, shall be stated under amounts payable. Income pertaining to the accounting year, but which will be received after the accounting year, shall be stated under amounts receivable. Accrued interest not due, and earned rent income not due shall, however, be stated under asset item 17. *Interest and rent receivable*.

(3) If the expenses or income mentioned in subsections (1) and (2) are material, they shall be explained in the notes.

13.-(1) Under liability item IV. *Total provisions*, liabilities that are uncertain with regard to their size or date of payment shall be stated, cf. sections 72 and 73 and section 76(2).

(2) Provisions may not be used to adjust the value of assets.

14. Liability item V. *Reinsurance custody accounts* shall be used by cedents for amounts payable, which the undertaking has retained or received from reinsurers in accordance with reinsurance contracts. Assets, which are owned by reinsurers and are used as collateral for the claims of the undertaking, may not be stated under this item.

Life assurance

15. Under liability item 8. *Total life-assurance provisions*, under item 8.1. *Guaranteed benefits* commitments to pay benefits guaranteed under insurance and investment contracts shall be stated, except for the part hereof stated under *Claims provisions*. Under item 8.2. *Bonus potential on future premiums*, obligations to pay bonuses pertaining to the agreed premiums not yet due shall be stated for insurance and investment contracts entitled to a bonus. Under item 8.3. *Bonus potential on paid-up policy benefits*, obligations to pay bonuses pertaining to premiums etc. already paid for insurance and investment contracts entitled to a bonus shall be stated.

16. Under liability item 9. *Claims provisions* insurance benefits due shall be stated. The amount shall include an estimate of the insurance benefits for insured events not yet reported that would have been due in the current accounting year, if the matter had been reported and finally processed.

17. Under liability item 10. *Collective bonus potential*, cf. section 67, obligations to pay bonuses in addition to the bonus amounts included in *Total life-assurance provisions* shall be stated.

18.-(1) Undertakings with insurance and investment contracts attached to collective investment funds (class III) in their insurance portfolio shall state liabilities in connection with these contracts under liability item 13. *Provisions for unit-linked contracts* on the liabilities side of the balance sheet.

(2) The investment assets attached to the contracts mentioned in subsection (1) shall be stated in total under asset item IV. *Investment assets attached to unit-linked contracts*. The assets shall be broken down by type in the balance sheet or in a note.

(3) A note shall contain information on whether insurance and investment contracts covered by subsection (1) have been written with a guarantee based on a specific minimum rate of interest, and if so how much this is. If the undertaking has contracts both based on a minimum rate of interest and not based on a minimum rate of interest covered by subsection (1), a note

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shall include a distribution based proportionately on the amount of liability item 13. *Provisions for unit-linked contracts* to the different types with a description of the investment assets, broken down as specified in subsection (2).

19. Under liability item 12. *Special bonus provisions*, bonus obligations that fulfil the criteria for being included in base capital in accordance with Financial Business Act shall be stated.

Non-life insurance

20. Under liability item 7. *Provisions for premiums*, liabilities and amounts to cover costs pertaining to the unexpired part of the risk periods for the non-life insurance contracts the undertaking has entered, cf. section 69, shall be stated.

21. Under liability item 9. *Claims provisions* amounts to cover future payments and costs of insured events occurring in the accounting year or earlier, cf. section 70 shall be stated.

The income statement

Common provisions

22.-(1) Under the sub-item *Income from group undertakings*, the income from group undertakings in the form of dividends and value adjustments corresponding to the holdings shall be stated.

(2) Under the sub-item *Income from associated undertakings*, the income from associated undertakings in the form of dividends and value adjustments corresponding to the holdings shall be stated.

(3) Under the sub-item *Income from investment properties*, the profit or loss from operating the investment properties of the undertaking shall be stated. The amount shall be stated after deducting expenses for property administration, and before deducting priority interest, which shall be stated under the item *Interest paid*. Adjustments to the value of investment properties shall not be stated under the item *Income from investment properties*, but under the item *Price adjustments*.

(4) Under the sub-item *Interest income and dividends etc.*, interest and similar income from bonds, other securities, loans receivable, loans payable and amounts receivable, including index adjustments to index-linked bonds, shall be stated. Furthermore, dividends on holdings shall be stated under this item, unless the amount belongs under the items *Income from group undertakings* and *Income from associated undertakings*.

(5) Under the sub-item *Price adjustments*, the total value adjustments, including currency exchange rate adjustments and net gains and net losses from sales of owner-occupied properties and assets belonging under the group of investment assets in the balance sheet shall be stated. This amount shall not include value adjustments pertaining to group and associated undertakings, cf. subsections (1) and (2), and exchange-rate adjustments to goodwill which shall be recognised directly in equity, cf. section 42(7) and (8).

(6) Under the sub-item *Administration expenses in connection with investment activities*, the costs that can be related to trading in and administration of the undertaking's investment assets shall be stated, cf. however subsection (3).

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23.-(1) Under the main item *Total insurance operating expenses net of reinsurance*, the expenses linked to acquiring and managing the undertaking's portfolio of insurance and investment contracts, including the associated proportion of staff expenses, commissions, marketing expenses, rent, operating expenses regarding owner-occupied properties, stationary and office expenses as well as depreciation and impairment of tangible and intangible assets, except for amortisation of goodwill, cf. section 142 shall be stated.

(2) The proportion of the insurance operating expenses that can be linked to acquiring and renewing the portfolio of insurance and investment contracts shall be stated under the item *Acquisition costs*.

(3) If the undertaking has performed acquisition and/or administrative tasks for group undertakings, which are settled on a cost-coverage basis, the amount received may be stated as a deduction from the main item. The deduction shall be stated under a separate sub-item, *Reimbursements from group companies*.

24. Under the main items *Other income/costs*, income and costs in connection with agency activities, other ancillary activities, administration for other companies, as well as other income and costs, that cannot be attributed to the undertaking's insurance portfolio or investment assets, shall be stated. Income and costs in connection with administration of group undertakings may, however, be stated under the item *Insurance operating expenses net of reinsurance*, cf. section 23(3). If the amounts under the items *Other income/costs* are significant, they shall be explained as a note.

25. Under the main item *Taxation*, tax on the profit for the year shall be stated, cf. however, section 34.

Life assurance

26.-(1) Under sub-item 1.1. *Gross premiums* amounts for direct and indirect insurance contracts due during the accounting year, as well as premiums on investment contracts entitled to bonuses shall be stated. Gross premiums shall be stated after deduction of premiums returned and excluding taxes for public authorities collected together with premiums. In connection with coassurance, the proportion of the total premiums relating to the undertaking shall be included.

(2) Under sub-item 1.2. *Insurance premiums ceded*, amounts the insurance company has paid, or falling due to reinsurance companies in the accounting year, for reinsurance cover shall be stated.

(3) Under main item 1. *Total premiums net of reinsurance*, the result of items 1.1. and 1.2 shall be stated.

27. Under main item 3. *Tax on yields of certain pension-scheme assets*, the tax on yields of certain pension-scheme assets arising from the returns included in the income statement shall be stated, irrespective of whether the tax is current or does not fall due until later periods.

28. Under sub-item 5.1. *Benefits paid*, the amounts for the undertaking's direct insurance contracts and investment contracts entitled to a bonus in the accounting year paid as

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- 1) insurance sums on death,
- 2) insurance sums on critical sickness,
- 3) insurance sums on disability,
- 4) insurance sums on expiry,
- 5) pensions and interest benefits,
- 6) surrender,
- 7) cash payment of bonus amounts, and
- 8) insurance premiums

as well as benefits paid to cedents for the undertaking's indirect insurance contracts shall be stated.

(2) Subsection (1), no. 8 shall include insurance premiums that the undertaking has paid to other insurance companies for insurance cover for policyholders. In addition to the amounts mentioned under subsection (1), expenditure on rehabilitation and sickness treatment for insured parties may be stated under item 5.1. when the expenses are paid in order to avoid disability benefits in the specific case.

(3) Under sub-item 5.2. *Reinsurance cover received*, amounts received or due from the undertaking's reinsurers to cover insurance benefits in accordance with reinsurance contracts shall be stated.

(4) Under sub-item 5.4. *Change in the reinsurance part of claims provisions*, the difference between the part of the gross claims provisions that can be attributed to reinsurance cover at the end of the accounting year and at the beginning of the accounting year shall be stated.

(5) Under the main item 5. *Total insurance benefits net of reinsurance*, the result of sub-items 5.1.-5.4 shall be stated.

29.-(1) Under sub-item 6.1. *Change in technical life-assurance provisions*, the difference between the value of the technical life-assurance provisions at the beginning and the end of the accounting year shall be stated, except for the part attributable to receipts and payments on investment contracts not entitled to a bonus. In undertakings, which do not apply section 30(2), item 6.1. shall be stated after deduction of that part of the change corresponding to the accrued bonus for the year.

(2) Sub-item 6.1. *Change in technical life-assurance provisions* shall be broken down in a note on the changes in the sub-items into which the technical life-assurance provisions are divided on the balance sheet.

30.-(1) Under sub-item 7.1. *Bonus accrued for the year*, the bonus distributed for the year to policyholders through increases in the guaranteed benefits shall be stated.

(2) Undertakings, which continuously add bonuses in accordance with a rate set before the accounting year, may omit to use item 7.1. In such cases, the item shall be called 7. *Change in collective bonus potential and/or special bonus provisions* without further sub-division.

31. Under main item 10. *Investment return carried forward* deduction shall be made of the part of the investment return attributable to equity as well as the sickness and accident insurance activities.

32. Under item II. *Insurance technical profit or loss from sickness and accident insurance*, the profit or loss of the undertaking's sickness and accident insurance activities shall be stated.

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The item shall be broken down in a note in accordance with the income statement form for non-life insurance, items 1-6 in annex 4, with an additional item *Investment return*, under which the part of the total investment return attributable to the sickness and accident insurance activities, including the part of the changes in claims provisions and the reinsurance part of the claims provisions as well as changes to premium provisions and the reinsurance part of premium provisions for sickness and accident insurance activities that cannot be attributed to currency-exchange differences and changes in the discount rate applied shall be stated. The investment return shall be stated after deducting technical interest, cf. section 36.

33. Under main item 11. *Investment return on equity*, the part of the investment return attributable to own capital shall be stated.

34. In undertakings that are not subject to corporation tax, under main item 14. *Taxation* the part of the tax on yields of certain pension-scheme assets attributable to own capital shall be stated. In such cases, the item shall be called *Tax on yields of certain pension-scheme assets for own capital*.

Non-life insurance

35.-(1) Under sub-item 1.1. *Gross premiums*, the amount the insurance undertaking has received in the accounting year or is due for the accounting year for direct and indirect insurance contracts, the insurance periods of which commence prior to the end of the accounting year, shall be stated. Gross premiums shall be stated after deduction of premiums returned, bonuses and premium rebates granted to policyholders independent of the course of claims, and less taxes for public authorities collected together with premiums. In connection with coassurance, the proportion of the total premiums relating to the undertaking shall be included.

(2) Under sub-item 1.2. *Insurance premiums ceded*, amounts the insurance company has paid, or falling due to reinsurance companies in the accounting year for reinsurance cover shall be stated.

(3) Under sub-item 1.3. *Change in premium provisions*, the difference between the gross premium provisions at the beginning and the end of the accounting year shall be stated, cf. section 20.

(4) Under sub-item 1.4. *Change in the reinsurance part of premium provisions*, the difference between the part of the premium provisions that can be attributed to reinsurance cover at the beginning and at the end of the accounting year shall be stated.

(5) The part of the differences resulting from subsections (3) and (4) that can be attributed to currency-translation differences and changes in the discount rate applied, shall not be stated under items 1.3. and 1.4., but under item 6.5. *Price adjustments*, cf. section 22(5), or under the item *Investment return*, cf. section 32.

(6) If the provisions are calculated using discounting, cf. section 69(4), the part of the differences pursuant to subsections (3) and (4) attributable to discounting shall not be stated under items 1.3. and 1.4., but under item 2. *Technical interest*, cf. section 36(3).

(7) Under main item 1. *Total premium income net of reinsurance*, the result of sub-items 1.1.-1.4. shall be stated.

36.-(1) Under main item 2. *Technical interest*, a calculated interest return on the average technical provisions for the year net of reinsurance shall be stated. The interest rates applied

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shall be the rates which, in accordance with Annex 8, on average over the accounting period have corresponded to the expected term of the provisions. A corresponding amount shall be deducted under item 7. *Interest on technical provisions.*

(2) Where the technical provisions are not discounted, instead of the interest rates mentioned in subsection (1), an interest rate corresponding to the average of the effective average interest on bonds before tax of all bonds with a remaining term of less than three years, published by the Copenhagen Stock Exchange at the end of each month in the accounting year may be used. On application for sickness and accident insurance activities covered by tax on yields of certain pension scheme assets, the same average interest on bonds shall be applied reduced by the tax rate in accordance with the "pensionsafkastbeskatningsloven" (act on taxation on yields of certain pension scheme assets). An amount corresponding to the calculated interest return shall be deducted under item 7. *Interest on technical provisions.*

(3) Where the technical provisions are calculated using discounting, cf. section 69(4) and section 70(4), that part of the increase in the provisions net of reinsurance which can be attributed to discounting shall be deducted from the amount under item 2. *Technical interest.*

(4) In undertakings that carry out indirect business, that part of the technical provisions set off by reinsurance custody accounts shall not be included in the calculation base under subsection (1). Interest for the year on reinsurance custody accounts shall be included in the amount under item 2. *Technical interest.*

(5) Item 2. *Technical interest* shall be described and broken down into the amounts resulting from subsections (1), (3) and (4) in a note.

37.-(1) Under sub-item 3.1. *Claims paid* amounts which have been paid during the accounting year for insurance claims shall be stated. The amount shall include internal and external expenses for inspecting and assessing damage and injury, expenses on combating and limiting damage and injury that has occurred, as well as other direct and indirect expenses connected with treatment of damage and injury that has occurred. Claims paid shall be stated after deduction of amounts received as a result of the undertaking taking over insured assets or becoming subrogated to the rights of the insured party for payment of the claims.

(2) Under sub-item 3.2. *Reinsurance cover received*, amounts the insurance undertaking has received in the accounting year from its reinsurers in accordance with reinsurance contracts to cover damage and injury that has occurred shall be stated.

(3) Under sub-item 3.3. *Change in claims provisions*, the difference between claims provisions at the end and at the beginning of the accounting year shall be stated, cf. section 21.

(4) Under sub-item 3.4. *Change in the reinsurance part of claims provisions*, the difference between the part of the claims provisions attributable to reinsurance cover at the end and at the beginning of the accounting year shall be stated.

(5) The part of the differences pursuant to subsections (3) and (4) attributable to currency-translation differences and changes in the discount rate applied shall not be stated under items 3.3. and 3.4., but under item 6.5. *Price adjustments*, cf. section 22(5), or under the item *Investment return*, cf. section 32.

(6) If the provisions are calculated using discounting, cf. section 70(4), the part of the differences pursuant to subsections (3) and (4) attributable to discounting shall not be stated

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under items 3.3. and 3.4., but they shall be included in item 2. *Technical interest*, cf. section 36(3).

(7) Under main item 3. *Total costs of claims net of reinsurance* the result of sub-items 3.1.-3.4. shall be stated.

38. Under main item 4. *Bonus and premium rebates*, the premiums that have been or are to be repaid to policyholders shall be stated when the amount of the repayment has been set on the basis of the course of the damage or injury in the accounting year for the individual insurance contract or portfolio of insurance contracts on the basis of criteria laid down before the beginning of the accounting year or when the insurance contracts were written.

Movements in equity

39. Movements in equity shall show:

- 1) Equity brought forward at the beginning of the year.
- 2) Profit or loss for the period.
- 3) Income or expenses for the period, which are posted directly to equity, cf. section 83, and the sum of these.
- 4) The total income calculated as the sum of nos. 2 and 3, which shows the total amount attributable to equity.
- 5) The effects of changes in accounting policies and corrections of errors.
- 6) Dividends paid.
- 7) Additions and reductions in capital, including buying and selling of treasury shares.
- 8) Equity carried forward at the end of the year.

Part 3

Recognition and measurement

The balance sheet

General provisions

40. The balance sheet comprises recognised assets and liabilities, including provisions, as well as equity which make up the difference between these assets and liabilities. Liabilities and equity shall mean the sum of equity and recognised liabilities.

41.-(1) An asset shall be recognised in the balance sheet when it is probable that future financial benefits will flow to the undertaking, and the value of the asset can be measured reliably.

(2) A liability shall be recognised in the balance sheet when it is probable that future financial benefits will flow from the undertaking, and the value of the liability can be measured reliably.

(3) In recognition and measurement of assets and liabilities, account shall be taken of information arising after the balance sheet date but before the financial statements are finalised if, and only if, said information confirms or refutes conditions existing at the balance sheet date.

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42.-(1) Transactions completed in a currency other than the functional currency of the undertaking shall be translated to the functional currency at the exchange rate on the date of the transaction.

(2) Monetary items in a currency other than the functional currency of the undertaking shall be translated to the functional currency at the closing rate for the currency on the balance sheet date.

(3) Non-monetary items in a currency other than the functional currency of the undertaking shall be translated to the functional currency at the exchange rate on the date of the transaction, if the item is recognised on the basis of cost.

(4) Non-monetary items in a currency other than the functional currency of the undertaking shall be translated to the functional currency at the closing rate on the balance sheet date, if the item is recognised on the basis of the fair value.

(5) Subsections (1)-(4) shall apply correspondingly for a foreign unit, the activities of which are to be recognised in the financial statements, and which has a functional currency different from the functional currency of the undertaking presenting the financial statements.

(6) Exchange-rate differences arising from the disposal of assets or from settlement of liabilities covered by subsections (2)-(4) or translations pursuant to subsections (1)-(4) shall be included in the income statement.

(7) If the presentation currency is different from the functional currency of the undertaking or a foreign unit, the functional currency/-ies shall be translated to the presentation currency in accordance with the following regulations

- 1) Items in the income statement shall be translated at the exchange rate at the transaction date.
- 2) Balance sheet items shall be translated at the closing rate on the balance sheet date.

(8) Exchange-rate differences arising from translation pursuant to subsection (7) shall be recognised directly in equity.

Financial instruments

43. Financial assets and financial liabilities shall be recognised in the balance sheet when the undertaking becomes subject to the contractual conditions of the financial instruments.

44.-(1) A financial asset that is sold, or transferred in some other way, to another party shall be derecognised. A part of a financial asset shall be derecognised, if a clearly distinct part of the asset is sold or transferred.

(2) For purchases or sales of financial assets on usual market conditions, the undertaking may choose to recognise and derecognise assets in the balance sheet for all purchases and sales in a uniform manner on the date of the transaction or on the date of settlement.

(3) If the transaction date is applied as the date of recognition, cf. subsection (2), recognition of a financial asset shall also include a liability corresponding to the price agreed. Similarly, on sale of a financial asset an asset shall be recognised corresponding to the price agreed. This liability or this asset shall be derecognised on the settlement date.

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(4) If the settlement date is applied as the date of recognition, cf. subsection (2), changes in the value of the asset acquired or sold in the period between the transaction date and the settlement date shall be recognised as a financial asset or financial liability. For an asset measured at cost or amortised cost at initial recognition, value changes in the period between transaction date and settlement date shall not be recognised.

(5) Notwithstanding subsection (1), a financial asset that is transferred in such a way that the undertaking retains the risk and rewards (cash flows) connected with the asset to a significant extent, shall be retained in the balance sheet. For such a transfer, a financial liability shall be recognised corresponding to the payment that has been received in connection with the transfer.

45. Financial liabilities shall be derecognised when – and only when – the liability ceases. That is, when the duty stated in the contract has been fulfilled, cancelled or expires.

46.-(1) At initial recognition, financial instruments shall be measured at fair value.

(2) Financial liabilities as well as loans and receivables, which after initial recognition are measured at amortised cost, cf. sections 48 and 49, shall at initial recognition, however, be measured at fair value plus transaction costs and less fees and commissions received, which are directly connected to the acquisition or issue of the financial instrument.

47.-(1) Financial instruments shall, after initial recognition, always be measured at fair value.

(2) Unlisted holdings shall, however, if their fair value cannot be measured reliably, be measured at cost less impairment losses, cf. subsection (3). The same shall apply for derivatives, the value of which is derived from such holdings.

(3) If objective evidence of impairment losses is identified, financial assets covered by subsection (2) shall be written down by the difference between the carrying amount and the present value of the expected future cash flows discounted at the relevant market interest rate for similar financial assets. Such impairment losses may not be reversed.

48.-(1) Non-derivative financial liabilities may, notwithstanding section 47(1), be measured at amortised cost after initial recognition, provided that the following is not the case:

- 1) that measurement at fair value eliminates or significantly reduces an inconsistency as to measurement or recognition which would otherwise arise due to measurement or recognition on different bases,
- 2) that the relevant liabilities are part of a risk management system or an investment strategy based on fair values, and are included in the undertaking's internal management reporting on this basis, or
- 3) that the relevant liabilities contain an embedded derivative, which
 - a) significantly changes the cash flows for the relevant liabilities, and
 - b) would alternatively have to be separated and measured separately at fair value.

(2) Financial liabilities which, pursuant to subsection (1), have been measured at amortised cost may not subsequently be measured at fair value.

49.-(1) Loans and receivables may, notwithstanding section 47(1), be measured at amortised cost after initial recognition, provided that the following is not the case:

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- 1) that measurement at fair value eliminates or significantly reduces an inconsistency as to measurement or recognition which would otherwise arise due to measurement or recognition on different bases,
- 2) that the relevant loans and receivables are part of a risk management system or an investment strategy based on fair values, and are included in the undertaking's internal management reporting on this basis, or
- 3) that the relevant loans and receivables contain an embedded derivative, which
 - a) significantly changes the cash flows for the relevant loans and receivables, and
 - b) would alternatively have to be separated and measured separately at fair value.

(2) Loans and receivables which, pursuant to subsection (1), have been measured at amortised cost may not subsequently be measured at fair value.

(3) If objective evidence of impairment losses is identified, loans and receivables covered by subsection (1) shall be written down by the difference between the carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate of the loan or amount receivable. If a subsequent event has the effect that the impairment loss is reduced or eliminated, the impairment loss shall be reversed correspondingly. Such reversal shall be recognised in the income statement.

50.-(1) The fair value of listed financial instruments shall be set on the basis of the closing price on the balance sheet date or, if this is not available, then another published price deemed to best correspond to this price shall be used.

(2) When the undertaking has matching positions, the middle price may be used as the basis for the statement of the fair value of the matching position and the purchase and sales prices may be used for the open net position.

(3) The fair value of called listed bonds shall, however, be stated at the present value of the bonds.

(4) The fair value of listed financial instruments, the published market price of which is deemed not to reflect the fair value of the instruments, shall be measured in accordance with section 51.

51.-(1) For financial instruments that are not listed on a stock exchange or for which there is no market price that reflects the fair value of the instruments, cf. section 50(4), the fair value shall be set using a valuation technique that sets the transaction price that would appear in a trade at the date of measurement between two independent parties who apply normal commercial considerations.

(2) A valuation technique under subsection (1) shall

- 1) include all factors, including observable, current market data, which are deemed to influence the fair value, and which the market participants are deemed to take into consideration in setting prices of the relevant financial instrument, and
- 2) be in accordance with generally accepted methods for setting prices of financial instruments.

52.-(1) Own shares and other own instruments in equity shall not be recognised as assets. Acquisitions or sales of own shares and other own instruments in equity shall be recognised as changes in equity.

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(2) Own debt instruments shall not be recognised as assets. Acquisitions or sales of own debt instruments shall be recognised as changes in the relevant liability.

Subsidiary undertakings and associated undertakings

53.-(1) Holdings in subsidiary undertakings and associated undertakings shall be recognised and measured at the carrying equity value of the undertaking. The equity value of the undertaking shall be calculated in accordance with the practice of the undertaking presenting the financial statements.

(2) The sum of the proportion of the results of the group undertakings or associated undertakings corresponding to the proportion held shall be stated in the income statement under the item, *Income from group undertakings* or the item *Income from associated undertakings* respectively.

(3) The carrying amount of the holdings shall be revalued by the amounts mentioned in subsection (2) as well as by any adjustments to the carrying equity value of the group undertakings and associated undertakings that are entered as movements in capital in the group and associated undertakings. Dividends paid to the parent company or the undertaking respectively shall be deducted from the carrying equity value of the group undertakings and associated undertakings.

(4) An amount equivalent to the net revaluation for the accounting year, cf. subsection (3), shall be added to the reserve for net revaluation under the equity method under liability item 4.3. *Other provisions*. An amount equivalent to the net impairment loss for the accounting year, cf. subsection (3), shall be recognised and deducted in a positive reserve. If the amount of the net impairment loss exceeds the positive reserve before the deduction, only an amount of the net impairment loss equal to the reserve shall be deducted therefrom. The reserve may not be recognised at a negative amount. *Reserve for net revaluation under the equity method* may not be used for dividends or distributions.

(5) Subsection (4) shall not apply to undertakings which carry out direct life-assurance activities.

(6) Any difference between the cost and the equity value on acquisition of a subsidiary shall be dealt with in accordance with section 142(2)-(4).

(7) Any difference between the cost and the equity value on acquisition of an associated undertaking shall be dealt with in accordance with section 142(2)-(4). Any amount for goodwill shall, however, be recognised as part of the value of the associated undertaking and not as an asset under intangible assets.

54.-(1) Notwithstanding section 53, subsidiary undertakings and associated undertakings which are held temporarily, cf. section 10, shall be measured at the lowest of the value calculated in accordance with section 53 and the fair value with deductions of costs of sale.

(2) Assets in subsidiary undertakings and associated undertakings covered by subsection (1) shall not be amortised.

Property, plant and equipment

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55.-(1) Property, plant and equipment owned for use by the undertaking or owned for rental to others, and which are expected to be used for more than one accounting year shall be measured at cost at initial recognition.

(2) Cost shall include all costs associated with acquisition up to the time the asset is ready to be used, or costs which can be directly attributed to the manufactured asset.

56.-(1) Property, plant and equipment, except for investment property and owner-occupied property, cf. sections 57 and 58, as well as assets covered by section 59, shall, after initial recognition, be measured at cost less accumulated depreciation and impairment losses.

(2) Depreciation shall be included in the income statement. Depreciation is a systematic distribution over the asset's expected useful life of the cost less residual value the asset is expected to realise at the end of use. The basis for depreciation shall be measured from the date the asset is taken into use and when there are subsequent changes in the elements comprising the basis for depreciation.

(3) Impairment losses shall be made if it is deemed that the recoverable amount of the asset is less than the carrying amount after depreciation. Impairment losses shall be reversed if they are no longer relevant.

57.-(1) Investment property shall, after initial recognition, regularly be measured at fair value.

(2) The fair value shall be stated in accordance with annex 7.

58.-(1) Owner-occupied properties shall, after initial recognition, be measured regularly at revalued amount, which is the fair value at the date of revaluation after deduction of subsequent accumulated depreciation and subsequent impairment losses. Revaluation shall be carried out so frequently that the carrying amount does not differ materially from the fair value of the owner-occupied property at the balance sheet date.

(2) The fair value at the balance sheet date shall be stated in accordance with annex 7.

(3) Increases in the revalued value of an owner-occupied property shall be recognised directly in the item *Revaluation reserves* under equity, unless the increase corresponds to a reduction in value that was previously recognised in the income statement, cf. subsection (4).

(4) Falls in the revalued value of an owner-occupied property shall be recognised in the income statement, unless the fall corresponds to a value increase that was previously recognised directly in the item *Revaluation reserves* under equity, cf. subsection (3). In this case, the fall in value shall be transferred directly as a reduction in the *Revaluation reserves*.

(5) Depreciation shall be recognised in the income statement, cf. section 56(2).

59.-(1) Property, plant and equipment covered by section 10 on assets held temporarily shall be measured at the lowest of the carrying amount and fair value less costs of sale.

(2) Property, plant and equipment covered by subsection (1) shall not be depreciated.

Intangible assets

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60.-(1) Intangible assets shall be measured at cost at initial recognition, cf. however subsections (2) and (3).

(2) Development costs may only be recognised as intangible assets if there is evidence that

- 1) it is technically possible to complete the intangible asset such that it can be used,
- 2) the undertaking intends to complete the intangible asset,
- 3) the undertaking is able to use the intangible asset,
- 4) the intangible asset will give rise to probable financial benefits in the future, which as a minimum amount to the costs incurred, and
- 5) the undertaking can measure the costs attributable to the intangible asset reliably during its development.

(3) Internally generated brands, lists of customers and similar, research costs, establishment costs, training costs, marketing costs, moving and reorganisation costs as well as internally generated goodwill may not be recognised as assets.

61. Intangible fixed assets shall, after initial recognition, be measured at cost less accumulated amortisation - if the assets are deemed to have an actual useful life - and accumulated impairment losses, cf. section 56(2) and (3).

Leasing

62.-(1) Assets under finance leases shall be recognised by the lessee from the date the lessee has the right to use the leased asset. After initial recognition, the asset shall be measured at the lowest of the fair value or the present value of the lease payments agreed. At the same time, the present value of the lease payments agreed shall be recognised as a liability. In calculations of the present value, the internal interest rate of the leasing contract shall be used, if it is possible to determine such rate. If this is not possible, the marginal lending rate of the lessee shall be used.

(2) After initial recognition, assets under financial leases shall be measured in accordance with the principles in sections 55-61 depending on the nature of the leased asset.

(3) Receivables from finance leases contracts shall be recognised by the lessor as an amount receivable, the value of which corresponds to the net investment in the leasing agreement.

(4) Assets under an operating leasing contract shall be recognised in the balance sheet of the lessor, but not of the lessee, in accordance with the principles in sections 55-61 depending on the nature of the leased asset.

Insurance liabilities

63. Insurance liabilities shall be recognised in the balance sheet from the time the insurance risk is transferred to the undertaking.

64. An insurance liability or part hereof shall be removed from the balance sheet when it ceases. This shall be when the insurance liability specified in the contract has been fulfilled, cancelled or expires.

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65. Provisions for insurance liabilities shall be calculated taking into account what can reasonably be foreseen as adequate to cover the total insurance liabilities of the undertaking, but they shall be no larger than necessary.

Provisions for life-assurance liabilities

66.-(1) Liability item 8.1 *Guaranteed benefits* shall be stated as *the value of guaranteed benefits* with additions pursuant to subsections (5) and (6). For insurance and investment contracts entitled to a bonus, the value may be calculated without taking into account future conversions of contracts to paid-up policies or surrenders.

(2) Liability item 8.2 *Bonus potential on future premiums* shall be stated for the portfolio of insurance and investment contracts entitled to a bonus as the difference between *the value of guaranteed paid-up policy benefits* and *the value of guaranteed benefits*, cf. however subsection (7).

(3) Liability item 8.3 *Bonus potential on paid-up policy benefits* shall be stated for insurance and investment contracts entitled to a bonus as the difference between *the value of retrospective provisions* and *the value of guaranteed paid-up policy benefits*, cf. however subsection (8).

(4) Calculation of the items in subsections (1)-(3) shall use

- 1) the best possible estimate of the insurance risks involved, including mortality and invalidity rates etc.,
- 2) the best possible estimate of the average costs of managing the contracts under the conditions relevant to the market, and
- 3) a discount rate calculated in accordance with the regulations in annex 8.

(5) If *the life-assurance provision for each insurance and investment contract before any additions for guaranteed surrender value* is lower than the value guaranteed on surrender of the contract, liability item 8.1 *Guaranteed benefits*, cf. subsection (1), shall be increased by the difference. The difference mentioned in the 1st clause may be reduced taking into account the overall probability that the contract will be surrendered before it expires. Such a reduction may, however, only be made when the applied probability of surrender of less than one may be justified because the access of the policyholder to surrender the contract is limited to special situations by agreement.

(6) Liability item 8.1 *Guaranteed benefits* shall include amounts to cover future benefits paid for insured events which are not included under liability item 9. *Claims provisions*.

(7) If *guaranteed paid-up policy benefits for each insurance and investment contract* are less than *guaranteed benefits for each insurance and investment contract*, then *guaranteed paid-up policy benefits for each insurance and investment contract* for this insurance contract shall be equal to *guaranteed benefits*. If *the value of guaranteed paid-up policy benefits* for the portfolio of insurance and investment contracts entitled to a bonus is less than *the value of guaranteed benefits*, cf. subsection (1), related to insurance and investment contracts entitled to a bonus, then *the value of guaranteed paid-up policy benefits* for these contracts shall be equal to *the value of guaranteed benefits* related to insurance and investment contracts entitled to a bonus.

(8) If *the value of the retrospective provision for each insurance and investment contract* is less than *guaranteed paid-up policy benefits for each insurance and investment contract*, then

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the value of the retrospective provision for each insurance and investment contract for this contract shall be equal to guaranteed paid-up policy benefits for each insurance and investment contract. If the value of retrospective provisions for the portfolio of insurance and investment contracts entitled to a bonus is less than that part of the value of guaranteed paid-up policy benefits related to insurance and investment contracts entitled to a bonus, then the value of retrospective provisions for these contracts shall be equal to that part of the value of guaranteed paid-up policy benefits related to insurance and investment contracts entitled to a bonus.

(9) If the basis for writing insurance includes average margins on the individual elements, the restrictions in section 7, 1st clause and section 8, 1st clause shall not apply.

(10) Liability items 8.2 *Bonus potential on future premiums* and 8.3 *Bonus potential on paid-up policy benefits* may only contain amounts attributable to insurance and investment contracts entitled to a bonus. Subsections (7) and (8) shall only apply to insurance and investment contracts entitled to a bonus.

67.-(1) Liability item 10. *Collective bonus potential* shall be stated as the amount that the undertaking has provided collectively for insurance and investment contracts entitled to a bonus in addition to the amounts stated in *Life-assurance provisions*, cf. section 15, *Claims provisions*, cf. section 16, and *Special bonus provisions*, cf. section 19, cf. however subsection (2).

(2) The amount shall be large enough so that, together with *Life-assurance provisions*, *Claims provisions* and *Special bonus provisions* it corresponds to what, on the basis of the current value of the assets of the undertaking, the contracts individually and collectively may claim pursuant to the insurance and life-assurance contracts and the calculated contribution principle, cf. section 21 of the Financial Business Act and the Executive Order on the Contribution Principle.

(3) *Collective bonus potential* may only be reduced through transferring to another item under the technical insurance provisions or by any negative realised results that are allocated to the insurance and investment contracts entitled to a bonus in accordance with the principles for allocation of realised results that are relevant for each contract, cf. subsection (4).

(4) The share of negative realised results for insurance and investment contracts entitled to a bonus shall primarily be included in the financial statements to reduce the *Collective bonus potential* and may not affect the value of liability item 8.3. *Bonus potential on paid-up policy benefits* until the *Collective bonus potential* has been fully used. When liability item 10. *Collective bonus potential* is divided into sub-portfolios the regulation in the 1st clause shall apply for each sub-portfolio respectively.

68.-(1) Provisions for unit-linked insurance and investment contracts shall be stated at an estimated fair value in accordance with the fair value of the assets linked to the contracts.

(2) For unit-linked contracts with a specific guaranteed minimum interest, the estimated fair value shall be calculated in accordance with the principles in section 66.

Provisions for non-life insurance liabilities

69.-(1) Premium provisions shall be calculated as the sum of the amounts which, within each portfolio covering the same risks, according to the best estimates of the undertaking are

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expected to be payable as a result of insured events which can be expected after the balance sheet date and which are covered by the insurance contracts entered into by the undertaking. The premium provisions shall also contain the amount the undertaking, at best estimate, is expected to have to pay after the balance sheet date for direct and indirect costs of administration and processing of claims related to the insurance contracts entered into by the undertaking.

(2) For each portfolio of insurance contracts covering the same risks, premium provisions shall amount to no less than the sum of the proportion of the gross premium calculated for each contract that corresponds to that part of the insurance period running after the balance sheet date. Average calculations may be used when there is reason to assume that they approximate to the same result as a calculation based on the individual insurance contracts.

(3) In calculations of the minimum amount in accordance with subsection (2), the gross premium may be calculated after deduction of the part of the premium corresponding to the acquisition costs with a close and verifiable connection to establishment and renewal of the insurance contract, and which were expensed when the contract was established.

(4) If discounting has a material effect on the size of the premium provisions calculated in accordance with subsection (1), the amount shall be discounted. In such cases, a discount rate calculated in accordance with the regulations in annex 8 shall be applied.

70.-(1) Claims provisions shall be calculated as the sum of the amounts which, according to the best estimates of the undertaking, are expected to be payable in the case of insured events which have occurred prior to the balance sheet date in addition to the amounts already paid due to said events. Claims provisions shall also contain the amounts the undertaking, at best estimate, is expected to have to pay for direct and indirect costs of meeting claims obligations.

(2) Claims provisions shall be calculated as the sum of the expected claims and costs after

- 1) a case-by-case assessment of reported insured events, that shall at least include all significant reported events,
- 2) an estimate based on experience of the insured events included in a case-by-case assessment that have not been adequately documented,
- 3) an estimate based on experience of the reported insured events that have not been included in a case-by-case assessment, and
- 4) an estimate based on experience of insured events that occurred prior to the balance sheet date, but which have not been reported before the financial statements have been completed.

(3) Calculation of claims provisions shall take into account the income and costs attributable to taking over and realising assets and rights to which the undertaking is entitled on payment of the claims.

(4) If discounting has a material effect on the size of the claims provisions, the expected payments shall be discounted. In such case, a discount rate calculated in accordance with the regulations in annex 8 shall be applied.

Insurance assets

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71.-(1) The rights of the undertaking under a reinsurance contract regarding future insured events shall be calculated as the net premium less that part of the net premium attributable to the period prior to the balance sheet date. The net premium shall be the premium which the undertaking has paid for the reinsurance contract after deduction of that part representing payment of the acquisition costs of the undertaking.

(2) The rights of the undertaking under a reinsurance contract regarding insured events that have occurred shall be stated on the basis of the terms of the reinsurance contract and on the basis of the same estimates and principles for discounting forming the basis of the calculation of the claims provisions.

(3) Insurance assets shall be assessed for any impairment losses and written down to the present value of the payments expected to be recovered if this value is less than the value calculated in accordance with subsections (1) and (2).

Provisions

72.-(1) Provisions, guarantees and other liabilities which are uncertain with regard to size or date of settlement shall be recognised as provisions when it is probable that the liability will lead to an outflow of financial resources from the undertaking and the liability can be measured reliably.

(2) Onerous contracts, ie. contracts where the unavoidable costs related to settle the contractual obligations exceed the expected financial benefits, shall also be recognised as provisions.

(3) Provisions shall be measured as the best estimate of the costs necessary to settle the current liabilities on the balance sheet date.

(4) If discounting has a material effect on the size of a provision, it shall be measured at the present value of the costs expected to be necessary to settle the liability.

(5) The discount rate applied to measure the current value shall be calculated in accordance with annex 8, adjusted so that it reflects the risks specifically attributable to the liability. The discount rate may not reflect the risks that are adjusted for in the estimate of the costs necessary to settle the liability, cf. subsection (3).

(6) Guarantees may, however, not be recognised or measured at a value less than the premium or commission the undertaking has received for accepting the guarantee, amortised systematically over the risk period.

73.-(1) Provisions shall be reviewed at each presentation of the financial statements and adjusted so that they reflect the best current estimate. If it is no longer probable that settling a liability will lead to an outflow of financial resources from the undertaking, then the liability shall be reversed.

(2) A provision may be used only to cover the costs which originally formed the basis of said provision.

Employee benefits

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73a.-(1) Costs of employee benefits paid for work performed shall be included in the income statement as the employees perform the work entitling them to said benefits.

(2) Amounts not paid out which have been charged to the income statement pursuant to subsection (1) shall be recognised as a liability. Amounts falling due no later than 12 months following from the period in which they were earned shall not be discounted, while amounts falling due later than 12 months following from the period in which they were earned shall be discounted. Amounts paid in advance shall be recognised as an asset.

74.-(1) Pension liabilities towards employees shall be recognised at the present value of the benefits which, at best estimate, are expected to fall due.

(2) Pension liabilities shall be reviewed at each balance sheet date so that the amount recognised reflects the present value of the best current estimate.

(3) Subsections (1) and (2) shall not apply to pension liabilities towards employees if the terms correspond to the normal terms in the insurance contracts the undertaking supplies to clients. Such insurance contracts shall be treated in the financial statements together with, and in accordance with, the same principles as the corresponding insurance contracts with clients.

Share-based payment

75.-(1) Share-based payment of management and employees shall be recognised as a cost in the income statement over the period in which it is earned. At the same time, a corresponding increase in equity shall be recognised.

(2) The costs recognised shall be measured at the fair value at the date of allotment of the instrument used as payment.

Taxation

76.-(1) Current tax attributable to the accounting year and previous accounting years shall, to the extent it has not been paid, be recognised as a liability. If the tax paid is greater than the current tax for the accounting year and previous accounting years, the difference shall be recognised as an asset.

(2) The tax liability arising from a temporary difference between the carrying amount and the tax value shall be recognised as deferred tax. If the temporary difference is negative, and it is probable that it will be possible to use it to reduce future tax, it shall be recognised as a deferred tax asset.

(3) Notwithstanding subsection (2), deferred tax shall not be provided for on contingency funds comprising untaxed funds, cf. section 124, unless it is likely that, within the foreseeable future, a situation will arise that causes the funds of the contingency fund to become taxable, cf. section 13c of the "lov om indkomstbeskatning af aktieselskaber m.v. (act on taxation of income of limited companies, etc.).

Hedge accounting

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77. If a hedging relationship has been established to secure a cash flow between one or more derivatives, or in cases of exchange-rate hedging between one or more derivative or non-derivative financial instruments (the hedging instrument) and future payments, that part of the change in the fair value of the hedging instrument that covers fluctuations in the cash flow shall be recognised directly in equity.

78. If exchange-rate hedging of an investment in a foreign unit has been established, that part of the value adjustment of the hedging instrument attributable to hedging shall be recognised directly in equity. The hedging instrument may be a non-derivative financial instrument. The amounts recognised in equity, also including amounts recognised in equity in connection with currency translations of an investment in a foreign unit, cf. section 42(8), shall be recognised in the income statement when the foreign unit is sold.

79. A hedging relationship may only be treated in accordance with the regulations in sections 77 and 78, when the following conditions are met:

- 1) At the date of establishment of the hedging relationship there is formal documentation of the existence of a hedging relationship as well as of the risk-management strategy of the undertaking covering
 - a) identification of the hedging instrument and the hedged item,
 - b) identification of the risk being hedged, and
 - c) the method used to measure the effectiveness of the hedging instrument, cf. no. 2.
- 2) It is reasonable to believe that the hedging has a high degree of effectiveness.
- 3) In connection with hedging relationships regarding cash flows, the future payments covered shall be highly probably and variations in the cash flows shall be such that they will influence the future accounting results of the undertaking.
- 4) The effectiveness of the hedging relationship, cf. no. 2, can be measured reliably.
- 5) The hedging relationship is assessed regularly and in practice has demonstrated a high degree of effectiveness in that part of the accounting period in which it has been established.

80. The accounting treatment of the hedging relationship, cf. sections 77 and 78 shall cease from the date when

- 1) the hedging instrument or the hedged instrument lapses, is sold or is utilised, unless the hedging instrument is replaced by a new hedging instrument as part of the documented hedging strategy of the undertaking,
- 2) the hedging relationship no longer meets the criteria of section 79,
- 3) the future transaction that forms the basis for the hedged expected cash flows is no longer expected to take place, or
- 4) the undertaking concludes the hedging relationship.

81.-(1) When a transaction or cash flow, where cash flows have been covered by a hedging relationship pursuant to section 77, is completed or realised, the amounts previously recognised directly in equity shall be recognised in the income statement over the same period as the period in which the relevant transaction or cash flow affects the income statement.

(2) In a situation as described in section 80, no. 3, the amount recognised directly in equity shall be recognised in the income statement.

The income statement

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82. The income statement shall comprise income and costs recognised.

83.-(1) All income shall be recognised in the income statement as it is earned and all costs as they are incurred. All value adjustments, amortisation, depreciation, impairment losses and reversals of amounts that have previously been recognised in the income statement, shall be included in the income statement. However, the following shall be recognised directly as part of the equity with additions or deductions of the tax effects:

- 1) Increases in an owner-occupied property's revaluation and reversals of such increases, cf. section 58(3) and (4).
- 2) Exchange-rate differences arising from translation of transactions and balance sheet items, including goodwill, in a unit with a functional currency that differs from the presentation currency, cf. section 42(8).
- 3) Purchase and sales prices for purchases and sales of treasury shares etc., cf. section 52(1).
- 4) Share-based remuneration, cf. section 75.
- 5) Changes in the value of hedging instruments that cover fluctuations in the size of future cash flows, cf. section 77.
- 6) Changes in the value of instruments hedging the exchange-rate risk of investments in a foreign unit, cf. section 78.
- 7) The effect of changes in methods of recognition, bases for measurement or presentation currency, cf. section 84, and the effects of correcting substantial errors in previous annual reports, cf. section 86.

(2) The part of the amounts covered by subsection (1), nos. 1-7, and which are to be appropriated to insurance and investment contracts entitled to a bonus, shall first be recognised directly as part of the equity and then transferred to the relevant items under item *III. Total provisions for insurance and investment contracts*.

Changes in accounting policies

84.-(1) If the undertaking changes its methods of recognition, the basis for measurement, or presentation currency, all the items affected, including comparative figures, notes and five-year financial summary shall be calculated as if the new method had always been applied, unless special regulations have been laid down for the relevant change in method.

(2) Subsection (1) shall not apply to the extent it is not practicable to change items from previous accounting years so that they are in accordance with the new method. In such cases, the opening balance sheet shall be changed in accordance with the new method from the earliest possible time, and other items shall be corrected to be consistent with this.

Changes in accounting estimates and errors

85. If the amount recognised for a previous accounting year is changed as a result of a change in an accounting estimate, the effect shall be recognised forward-looking in a similar manner as the original estimate.

86.-(1) If previous annual reports were affected by errors in their preparation to a material extent, all the items affected, including comparative figures, notes and five-year financial summaries, shall be prepared as if the error had not been made.

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(2) Subsection (1) shall not apply to the extent it is not practicable to change items from previous accounting years. In such cases, the opening balance sheet shall be changed from the earliest possible time, and other items shall be corrected to be consistent with this.

Part 4

Information

General

87. In addition to the information required in this part, further supplementary information necessary to achieve a fair presentation shall be given.

88. As far as possible, information in notes shall be presented in a systematic order. Information linked to accounts items shall be disclosed in the form of a note linked to the relevant accounts item. Unless otherwise stated in the individual provisions of this Executive Order, the carrying amounts shall be explained.

Accounting policies

89.-(1) In a separate section in the annual report there shall be a description of all the significant methods of recognition and measurement basis applied to the items in the balance sheet, income statement and notes.

(2) For financial instruments, information on the accounting policies applied with regard to recognition criteria and measurement basis shall be provided, including the extent to which the undertaking recognises items on the trade date or the settlement date.

(3) For property, plant and equipment, except for investment properties and owner-occupied properties, the following shall be disclosed for each type:

- 1) the measurement basis applied to establish the carrying amount of the asset,
- 2) the methods of depreciation applied, and
- 3) the useful lives and depreciation rates applied.

(4) For investment properties and owner-occupied properties, the following shall be disclosed:

- 1) the measurement basis,
- 2) the methods and assumptions that have been applied in establishing the fair value, and
- 3) the criteria that have been applied to distinguish between owner-occupied properties and investment properties.

(5) For items arising from insurance contracts, information shall be provided on:

- 1) the measurement methods applied for the various items,
- 2) if discounting is applied, then the method applied shall be stated,
- 3) the most important assumptions and estimates applied to measure the items,
- 4) the process applied to determine the assumptions that have the greatest effect on measurement of the items,
- 5) significant correlations between different assumptions,

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- 6) The method of calculation, if the amount in an item in the annual report is stated using an appropriation calculation, and
- 7) how the method of calculation in no. 6) has been changed compared to the previous accounting year, if this is the case, and the significance of the change for the individual items and comparability with the corresponding amount for the preceding accounting year.

(6) For changes in accounting policies, the following shall be disclosed:

- 1) the reason for the change,
- 2) the change made in accounting policies, including the nature of the change, and
- 3) the amount of the change in accounting policies for items in the balance sheet and income statement for the current, previous and future accounting years, if this is possible.

(7) For changes in accounting estimates that have an effect on the current or future accounting years, the undertaking shall state the nature and amount of the change made. If it is not possible to estimate the amount, then the undertaking shall state this.

(8) For accounting errors, their nature and the amount of the effect on, and correction of, items in the balance sheet and income statement shall be stated.

90.-(1) When comparative figures are restated, cf. section 5(1), the following shall be disclosed:

- 1) the nature of the restatement,
- 2) the amount for each item that has been restated, and
- 3) the reason for the restatement.

(2) Omission to restate comparative figures, cf. section 5(1), shall be disclosed and the reasons stated.

91. For derogations in accordance with section 188(3) of the Financial Business Act, the requirement regarding information in the notes of section 186(3), 2nd clause of said Act shall apply.

Information in the notes

The balance sheet

Financial instruments

92. For financial instruments, the nature of the relevant instruments shall be disclosed, including significant terms and conditions which may influence the sizes of the amounts, dates, and uncertainty regarding the future cash flows.

Property, plant and equipment

93. For property, plant and equipment, except for investment properties and owner-occupied properties, the following shall be disclosed:

- 1) The cost:

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- a) The cost at the end of the previous accounting year before depreciation or impairment losses.
 - b) Exchange-rate adjustments.
 - c) Additions during the year, including improvements.
 - d) Disposals during the year.
 - e) Transfers to other items during the year.
 - f) Total cost at the balance sheet date.
- 2) Depreciation and impairment losses:
- a) Depreciation and impairment losses at the end of the previous accounting year.
 - b) Exchange-rate adjustments.
 - c) Impairment losses for the year.
 - d) Depreciation for the year.
 - e) Depreciation and impairment losses on disposals and scrapped assets.
 - f) Reversals of depreciation for previous years as well as reversals of the total depreciation and impairment losses on assets which have been disposed of or scrapped during the year.
 - g) Total depreciation and impairment losses at the balance sheet date.

94.-(1) For investment property, cf. section 57, the following shall be disclosed:

- 1) The fair value at the end of the previous accounting year.
- 2) Additions during the year, including improvements.
- 3) Disposals during the year.
- 4) Revaluation for the year to fair value.
- 5) Other changes.
- 6) The fair value at the balance sheet date.

(2) For owner-occupied properties, cf. section 58, the following shall be disclosed

- 1) Revalued amounts at the end of the previous accounting year.
- 2) Additions during the year, including improvements.
- 3) Disposals during the year.
- 4) Depreciation.
- 5) Value adjustments which, during the year, have been recognised directly in equity.
- 6) Value adjustments which, during the year, have been recognised in the income statement.
- 7) Other changes.
- 8) Revalued amount at the balance sheet date.

(3) Furthermore, the extent to which external experts have been involved in measuring investment properties and owner-occupied properties shall be disclosed.

95. For investment properties and owner-occupied properties, the weighted average of the rates of return applied in establishing the fair value of the individual property, broken down by type of property, shall be disclosed.

Investment assets in undertakings carrying out life-assurance activities

96.-(1) The assets of the undertaking and the returns on these shall be disclosed in accordance with the form in annex 11, cf. the regulations on completing this form in annex 12.

(2) The information in subsection (1) shall not be covered by the requirement on comparative figures in section 5(3).

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97.-(1) The percentage appropriation of the holdings of the undertaking, including holdings in investment associations, shall be broken down in a note by sector and by region in accordance with the form in annex 13, cf. the regulations on completing this form in annex 14.

(2) The information in subsection (1) shall not be covered by the requirement on comparative figures in section 5(3).

98.-(1) If the investment policy of the undertaking is such that social, environmental or ethical aspects are to be taken into account, this shall be described.

(2) If the annual report of the undertaking does not contain a list of all the undertakings in which said undertaking has holdings, as well as the size of these holdings, then the extent to which the public, on request or by other means, has access to obtaining this information shall be disclosed.

Contingent assets

99. Unless it is highly improbable that there will be an inflow of economic benefits to the undertaking, the enterprise should disclose a brief description of the nature of contingent assets at the balance sheet date, and, where practicable, an estimate of their financial effect.

Life-assurance liabilities

100.-(1) Changes in the total provisions for insurance and investment contracts (gross), including provisions for unit-linked contracts, shall be disclosed stating:

- 1) 1) Life-assurance provisions brought forward.
- 2) Accumulated value adjustments brought forward (+/-).
- 3) Retrospective provisions brought forward (1-2).
- 4) Gross premiums (+).
- 5) Interest added (+).
- 6) Insurance benefits paid (-).
- 7) Expense loadings after addition of bonus on expenses (-).
- 8) Risk return after addition of risk bonus (-).
- 9) Retrospective provisions carried forward (3-8).
- 10) Accumulated value adjustments carried forward (+/-).
- 11) Life-assurance provisions carried forward (9-10).

(2) For each relevant sub-portfolio, the breakdown of the provisions for life-assurance shall be disclosed, divided according to the original technical interest rate on *Guaranteed benefits*, *Bonus potential related to future premiums*, and *Bonus potential related to benefits on paid-up policies* for insurance contracts and investment contracts respectively at the end of the accounting year and the beginning of the accounting year.

(3) The difference between the provisions for life assurance for indirect assurance at the end and the beginning of the accounting year shall be stated. A break-down of this, cf. subsection (1), is not required.

101.-(1) If special conditions are to be met in order to use *Bonus potential on paid-up policy benefits* to cover losses, the size of this part of the *Bonus potential on paid-up policy benefits*

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and the related conditions shall be disclosed. Furthermore, the undertaking shall disclose whether *Bonus potential on paid-up policy benefits* have been reduced in connection with appropriation of realised results to insurance and investment contracts respectively, together with amounts.

(2) If *Guaranteed benefits* are calculated with additions pursuant to section 66(5), the sum of the additions shall be disclosed before and after inclusion of surrender probabilities.

(3) The principles for calculating the risk supplements, cf. annex 1, shall be disclosed.

101a. Whether *Guaranteed benefits* are calculated with or without taking conversions of the contracts to paid-up policies or surrenders into account, cf. section 66(1), shall be disclosed. If paid-up policies or surrenders are taken into account, the probabilities applied for conversions to paid-up policies and for surrenders shall be described stating the reason for their application. The amount of the effect on the size of the *Guaranteed benefits* shall be disclosed.

Non-life insurance liabilities

102.-(1) The run-off results for claims shall be disclosed on both gross basis and net of reinsurance.

(2) If run-off results are of unusual size, the reason for this shall be explained.

Other liabilities

103.-(1) The following shall be disclosed regarding subordinate loan capital:

- 1) A break-down of interest, extraordinary repayments, as well as costs of increases in and repayments of subordinate loan capital during the accounting year.
- 2) A statement of the part of the subordinate loan capital that can be included in the calculation of the base capital.

(2) For each injection of subordinate loan capital exceeding 10 per cent of the total subordinate loan capital of the undertaking, the undertaking shall disclose:

- 1) The size of the loan, the currency in which it is denominated, the interest rate and the date of repayment, and the extent to which it is irredeemable.
- 2) The extent to which, under certain circumstances, early repayment may be demanded.
- 3) Other conditions in connection with the subordinate liability, including any provisions that the subordinate liability may be converted into share capital, cooperative share capital, or guarantee capital or some other form of debt, as well as the conditions for this.

104.-(1) For each debt item in the balance sheet, that part falling due after more than five years after the balance sheet date shall be disclosed.

(2) If the undertaking has mortgaged assets or has used assets as collateral, this shall be disclosed with a statement of the scope of the mortgage and the value of the mortgaged asset, broken down for the individual items. The total collateral provided for subsidiary undertakings and for other undertakings within the group shall be disclosed separately.

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(3) Unless the possibility of any outflow in settlement is remote, an undertaking shall disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability. The undertaking shall disclose the value of contingent liabilities for each category and of total contingent liabilities. This shall not apply, however, to liabilities pursuant to the insurance contracts of the undertaking. Liabilities to a parent company and its subsidiary undertakings shall be disclosed separately.

105. For each hedging relationship, which meets the conditions for hedge accounting, cf. section 79, the undertaking shall disclose the following:

- 1) The nature of the risk hedged.
- 2) The nature of the hedged instrument.
- 3) The nature of the hedging instrument.
- 4) For hedging of expected transactions, in addition to the information stated in nos. 1-3, the undertaking shall describe the expected transactions, including when they are expected to occur and when they are expected to be included in the income statement, as well as describe any expected transactions which have previously been treated as hedge accounting but which are no longer expected to occur.
- 5) If value adjustments of derivatives, which are classified as hedging instruments in connection with hedging cash flows, are recognised directly as part of equity, the amount shall be disclosed which is
 - a) included in equity in the current accounting year,
 - b) transferred from equity and included in the income statement for the year, and
 - c) transferred from equity and included in the cost of an asset or a liability during the accounting year.

The income statement

106. Expenses incurred during the year on commissions for the direct insurance and investment contracts of the undertaking shall be disclosed.

107. The sub-item *Value adjustments* shall be disclosed divided into asset item 2. *Owner-occupied properties*, asset item 3. *Investment properties*, sub-items to asset item 5. *Total other financial investment assets* as well as any other items.

108. Total fees for the current accounting year paid to the audit firm that carried out the statutory audit shall be disclosed, as well as payments to subsidiary undertakings of the audit firm. Furthermore, the amount of these fees relating to services other than auditing shall be disclosed.

109.-(1) In the financial statements, the undertaking shall disclose the most important tax costs or tax income.

(2) The undertaking shall report on the relationship between tax costs or tax income and the accounting results using one of the following methods:

- 1) A numerical reconciliation of the tax costs or tax income with the accounting profit or loss multiplied by the applicable tax rate that shows the basis on which the applicable tax rate is computed.
- 2) A numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed.

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(3) The undertaking shall, in respect of each type of temporary difference, unused tax losses and unused tax credits disclose the amount of:

- 1) The deferred tax assets and tax liabilities recognised in the balance sheet.
- 2) The amount of the deferred tax income or expense recognised in the income statement, if this is not apparent from the changes in the amounts recognised in the balance sheet.

Life-assurance contracts

110.-(1) The allocation of gross premiums between direct and indirect insurance and investment contracts shall be disclosed. For the direct contracts of the undertaking, the gross premiums shall be allocated between:

- 1) Current premiums and single-payment premiums.
- 2) Premiums for group-life contracts and premiums for other insurance and investment contracts. Premiums for other insurance and investment contracts shall be divided between individually written contracts and contracts written as part of an employment, respectively.
- 3) Contracts entitled to a bonus, contracts not entitled to a bonus as well as contracts where the investment risk is borne by the policyholder.

(2) The number of insured parties who, at the end of the accounting year, are covered under each of the three groups of contracts mentioned under subsection (1), no. 2 shall be disclosed.

(3) Gross premiums for direct insurance and investment contracts shall be divided according to the residence of the policyholder as follows:

- 1) Denmark.
- 2) Other EU countries.
- 3) Other countries.

111. The principles applied by the undertaking for appropriation of the realised results, cf. the Executive Order on the Contribution Principle, shall be described. In this connection, the size of the realised results for the year and the appropriation of this amount shall be disclosed. If, due to inadequate realised results for the year or previous years, the equity has been appropriated a smaller part of the realised results than required by the principles, and if the undertaking is entitled to correct this situation in appropriations in future years, this shall be disclosed stating the amount expected to be added to equity in addition to what would otherwise be prescribed by the principles.

112. The part (exemption fraction) of the otherwise taxable returns, which is exempt from tax on yields of certain pension scheme assets under sections 7, 15 and 16 of the "pensionsafkastbeskatningsloven" (act on taxation on yields of certain pension scheme assets) shall be disclosed.

Non-life insurance contracts

113.-(1) For no less than three of the following classes of insurance, measured by gross premium income, the amounts stated in subsection (4), nos. 1-7 attributable to the relevant class of insurance shall be disclosed:

- 1) Accident and sickness insurance.

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- 2) Health insurance
- 3) Industrial injuries insurance.
- 4) Motor vehicle insurance, third party.
- 5) Motor vehicle insurance, comprehensive.
- 6) Marine, aviation and transport insurance.
- 7) Fire and contents insurance (private).
- 8) Fire and contents insurance (commercial).
- 9) Change-of-ownership insurance.
- 10) Third-party insurance.
- 11) Credit and suretyship insurance.
- 12) Legal expenses insurance.
- 13) Tourist assistance insurance.
- 14) Other direct insurance and proportional indirect insurance.
- 15) Non-proportional indirect insurance.

(2) Classes 1-14 shall include proportional indirect insurance.

(3) Insurance contracts, which cover risks attributable to several of the classes stated in subsection (1), shall be attributed to the class of insurance carrying the most significant part of the risk.

(4) The amount which, in accordance with subsection (1), shall be appropriated to the individual classes of insurance, shall be as follows:

- 1) Gross premiums.
- 2) Gross premium income.
- 3) Gross claims costs.
- 4) Gross operating expenses.
- 5) Profit or loss of ceded business.
- 6) Technical interest net of reinsurance.
- 7) Technical profit or loss.

(5) The amount under subsection (4), no. 4 shall be disclosed before deduction of commissions and shares in surpluses from reinsurance undertakings, which shall be included under subsection (4), no. 5.

(6) The amounts under subsection (4) shall, in all cases, be disclosed for each of the classes of insurance stated under subsection (1), nos. 1-13, where gross premiums exceed DKK 70 million. If gross premium income for non-proportional indirect insurance, cf. subsection (1), no. 15, amounts to less than 10 per cent of the total gross premium income, the amounts for these insurance contracts may be combined with the amounts for other direct insurance, cf. subsection (1), no. 14, under the heading "Other insurance". If such combination is carried out, the gross premium income for non-proportional indirect insurance shall be disclosed separately. The sum of the amounts disclosed in accordance with subsections (1) and (4), shall correspond to the amounts stated in the income statement, as activities not attributable to one of the classes of insurance under subsection (1), nos. 1-13 or 15, shall be attributed to "Other direct insurance and proportional indirect insurance"/"Other insurance", cf. subsection (1), no. 14.

(7) Gross premium income for indirect insurance contracts shall be divided between non-life insurance and life assurance.

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(8) Gross premium income for direct insurance contracts shall be divided geographically according to the location of the risk. In order to establish the location of the risk, the definition in section 4 of the Danish FSA Executive Order on matching and localisation shall be applied. Gross premium income shall, as a minimum, be divided between the following areas:

- 1) Denmark.
- 2) Other EU countries.
- 3) Other countries.

114. The following shall be disclosed regarding the changes in claims, broken down by the classes of insurance specified in section 113(1):

- 1) Total claims.
- 2) Average claims for damage occurred.
- 3) Claims rate.

Related party etc. disclosures

115.-(1) The size of loans, as well as mortgages or guarantees granted to members of the board of management, board of directors or shareholder committee of the undertaking or its parent companies shall be disclosed for each category with information on the most important terms, including interest rates and the amount repaid during the year.

(2) The provision of subsection (1) shall not apply to loans and collateral for the acquisition of shares in the undertaking granted to employees of the undertaking or its subsidiary undertakings.

(3) The provision of subsection (1) shall also apply to receivables from and collateral for close relations of persons mentioned in subsection (1).

(4) In special cases, where the shareholder committee of an undertaking is not a restricted management body, the information under subsections (1) and (3) may be omitted.

116.-(1) The average number of full-time employees for the accounting year shall be disclosed. Staff expenses shall be disclosed and broken down into wages and salaries, pensions, other social security costs and taxes calculated on the basis of the number of employees or the total salaries, respectively.

(2) The undertaking shall disclose the total disbursements etc. for the current year paid to current and former members of the management for their duties in each management body as well as, where a management body has not been appointed, for the owners. Furthermore, the undertaking shall disclose the total liabilities to pay pensions to the persons mentioned. If special incentive programmes have been established for members of the management, the category of manager to which the programme applies, the benefits covered by the programme, and what is necessary to assess the value of these, shall be disclosed.

117. The undertaking shall disclose the names and registered offices of the parent undertakings, including foreign parent undertakings, which prepare consolidated financial statements for the largest and smallest group, respectively in which the undertaking is a subsidiary undertaking, as well as where the consolidated financial statements etc. of the foreign parent undertaking can be obtained.

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118.-(1) The names, registered offices and corporate form of important subsidiary undertakings and associated undertakings shall be disclosed with a description of the activities of said undertakings. For each undertaking, the size of the proportion owned, as well as the size of the equity and profit or loss of the undertaking according to the most recent annual report shall be disclosed. This information may be provided in the form of a group diagram.

(2) When a subsidiary undertaking is a parent company in a group, the information requirement in subsection (1) shall not apply to the subsidiary undertakings and associated undertakings of said undertaking.

119.-(1) Transactions and agreements between the undertaking and related parties, including the basis for the connection to said related parties shall be disclosed.

(2) In addition to the information pursuant to subsection (1) and section 120, the related parties with controlling influence on the undertaking shall be disclosed. This information shall include name, address, for undertakings the registered office, and the basis for the controlling influence.

120. Limited companies, which in accordance with section 28a and section 28b of the Public Companies Act are to keep a separate register of the shareholdings in the company, shall disclose the parties listed in the separate register as at the date of the annual report, giving their full name and address or, for undertakings, their registered office.

The capital of the undertaking

121. For limited companies, the number of shares and nominal value per share shall be disclosed. If the share capital is composed of several classes of share, these shall be specified and the number of shares and nominal value per share shall be stated for each class.

122.-(1) If the undertaking has taken a loan against the issue of convertible debt instruments, the amount outstanding, the conversion price and the time limit for conversion to shares shall be disclosed for each of these loans. The same shall apply for warrants issued.

(2) If a loan is taken out against bonds or against other debt instruments bearing interest, the amount of which is wholly or partly dependent on the dividend paid on the shares by the undertaking or on the profit for the year, the amount outstanding and the interest rate agreed shall be disclosed for each loan.

123.-(1) The following shall be disclosed regarding the undertaking's holding of own shares:

- 1) The number of shares and nominal value per share of own shares in the undertaking's holding and the percentage said holding represents of the share capital.
- 2) The number of shares and nominal value per share of own shares acquired or disposed of during the accounting year as well as the percentage these represent of the share capital as well as the size of the total purchase and sales sums.
- 3) The reason for the acquisitions of own shares during the accounting year.

(2) The information calculated under subsection (1) shall be disclosed separately for shares acquired for ownership or as a charge.

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(3) The information under subsections (1) and (2) shall also be provided for shares in the undertaking which are included in the holdings of subsidiary undertakings or which are acquired or disposed of by subsidiary undertakings during the accounting year.

124. The extent to which any contingency fund has been provided from untaxed funds shall be disclosed, as well as the purpose of the contingency fund according to the articles of association of the undertaking.

125. The capital requirement and base capital of the undertaking at the end of the accounting year shall be disclosed. Any difference between the base capital and the equity according to the balance sheet shall be detailed.

Sensitivity information

126. Undertakings which carry out life-assurance activities shall provide information on sensitivity to risks in accordance with the form in annex 15. Comparative figures need not be included, cf. section 5(3).

127. Undertakings which carry out non-life-insurance activities shall provide information on sensitivity to risks in accordance with the form in annex 16. Comparative figures need not be included, cf. section 5(3).

Part 5

Management's review

General

128. The management's review shall

- 1) describe the principal activities of the undertaking,
- 2) describe uncertainties in recognising and measuring, stating amounts where possible,
- 3) describe unusual conditions which may have influenced recognition or measurement, stating amounts where possible,
- 4) report on developments in the activities of the undertaking and financial conditions,
- 5) describe important events occurring after the end of the accounting year,
- 6) describe the expected development of the undertaking, including specific assumptions and uncertain factors on which management has based the description,
- 7) describe the undertaking's knowledge resources, if these are of particular significance for future earnings,
- 8) describe the special risks, including the commercial and financial risks, which may influence the undertaking,
- 9) describe the research and development activities in or for the undertaking, and
- 10) describe foreign activities and branches.

129. The management's review shall describe the profit or loss for the year compared with the expected developments according to the most recently published annual report or according to the expectations published during the year and explain variances in the profit or loss for the year compared to these.

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129a. The executive positions held by the undertaking's board of directors and board of management in other Danish limited companies, except for executive positions in the subsidiaries wholly owned by the undertaking itself, shall be disclosed. If the person in question is a member of the management of both another parent company and of one or more of said other parent company's subsidiaries, notwithstanding the 1st clause, disclosing the name of the parent company and of the number of said parent company's subsidiaries in which the person in question is a member of management, shall be sufficient.

130. The management's review shall contain the dividend proposed by the board of directors. The amount shall be stated as a separate item of the own funds.

130a.-(1) Listed companies which have one or more share classes with related voting rights admitted to listing or trading on a stock exchange, an authorised market place or a similar regulated market in an EU/EEA country shall supplement the management's review with information creating transparency about the company's circumstances with a view to promoting free trade in the company's shares. This information shall include the following:

- 1) Circumstances relating to the company's capital structure and ownership structure, including
 - a) the number of shares with related voting rights and their nominal value,
 - b) the proportion of shares with related voting rights not admitted to listing or trading on a stock exchange, an authorised market place or a similar regulated market in an EU/EEA country,
 - c) a specification of the different share classes as mentioned in section 121, if the company has several share classes, and
 - d) information about the full name and address or, for undertakings, their registered office, as well as the exact ownership interest and voting share for any party included in the separate register of the shareholdings in the company mentioned in section 120.
- 2) Information known by the company concerning
 - a) rights and obligations attaching to each share class,
 - b) limitations on the negotiability of the shares, and
 - c) restrictions on voting rights.
- 3) Regulations regarding appointment and replacement of members of the company's board of directors and regarding amendments to the company's articles of association.
- 4) The powers of the board of directors, and in particular the power to issue shares, cf. section 37(1) of the Public Companies Act, or to acquire own shares, cf. section 48 of the Public Companies Act.
- 5) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a completed takeover bid, and the effects thereof. The information under the 1st clause may, however, be omitted if disclosure of the information would materially damage the company, unless the company is expressly obliged to divulge such information under other legislation. Omission of information under the 2nd clause shall be mentioned.
- 6) any agreements between the company and its management or employees providing for compensation if they resign or are made redundant without a valid reason or if their employment ceases because of a takeover bid.

(2) Companies covered by subsection (1) may omit to disclose information under sections 120 and 121.

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Risk information

131.-(1) The undertaking shall describe its financial risks and its policies and objectives for managing financial risks.

(2) The undertaking shall describe its insurance risks and its policies and objectives for managing insurance risks.

Five-year financial summaries

132.-(1) The management's review shall contain a five-year financial summary with financial and operating data and key ratios in accordance with annexes 9 and 10.

(2) Life-assurance companies which undertake sickness and accident insurance activities shall disclose financial and operating data and key figures for this part of their undertaking in pursuance of annex 10. The financial and operating data 7. *Profit or loss for the year*, 11. *Total equity*, and 12. *Total assets*, as well as the key figures 6. *Return on equity in per cent (the ratio between the profit or loss for the year and the average total equity for the year)* and 7. *Solvency ratio (the ratio between base capital and the capital requirement)* shall not be disclosed. Financial and operating data and key figures for sickness and accident insurance activities need not be disclosed in the management's review in relation to the undertaking's other financial and operating data and key figures, but may be stated in the notes in relation to other information about the sickness and accident insurance activity, cf. section 32.

(3) If the figures in the five-year financial summary are not comparable, they shall be adjusted as much as possible. Lack of comparability or adjustments made shall be disclosed and reasons given.

(4) The five-year summary, or parts of it, may, after authorisation from the Danish FSA, be omitted or cover a shorter period, if in special circumstances it is not possible to prepare comparable amounts.

III

Consolidated financial statements and takeovers

Part 6

Presentation of consolidated financial statements

Obligation to file consolidated financial statements

133. The annual report of the parent undertaking shall contain consolidated financial statements, unless otherwise provided under section 134 and section 136.

134. A parent undertaking, whose debt or equity instruments are not listed on a stock exchange, may omit to prepare consolidated financial statements if it is a subsidiary undertaking of a higher parent undertaking which is subject to the legislation in an EU country or in another country with which the Community has entered into an agreement, and

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- 1) the higher parent undertaking
 - a) possesses no less than 90 per cent of the share capital of the lower parent undertaking and the minority interests have authorised the senior management of this parent undertaking to not file consolidated financial statements, or
 - b) possesses less than 90 per cent of the share capital of the lower parent undertaking and the senior management has not, within six months of the end of the accounting year, received a demand to file consolidated financial statements from minority interests who own no less than 10 per cent of the share capital of the undertaking, and
- 2) the higher parent undertaking prepares consolidated financial statements in accordance with the legislation of the Member State in which the higher parent undertaking is registered, and the consolidated financial statements are audited by persons authorised under the legislation of this Member State.

(2) A parent undertaking, whose debt or equity instruments are not listed on a stock exchange, may also omit to file consolidated financial statements if it is a subsidiary undertaking of a higher parent undertaking which is subject to the legislation of a country which is not subject to the legislation of an EU country or of another country with which the Community has entered into an agreement, and

- 1) the senior management of the lower parent undertaking has not, within six months of the end of the accounting year, received a demand to file consolidated financial statements, and
- 2) the higher parent undertaking prepares consolidated financial statements in accordance with the Seventh Council Directive with subsequent amendments or in accordance with regulations of at least equal standing with the regulations on consolidated annual financial statements in said Directive, and it is audited by persons authorised under the national legislation to which the higher parent undertaking is subject.

(3) The exemptions dealt with in subsections (1) and (2) shall also require that

- 1) the financial statements of the lower parent undertaking and its subsidiary undertakings are included in the consolidated financial statements of the higher parent undertaking,
- 2) the annual financial statements of the lower parent undertaking disclose that, in accordance with subsections (1) or (2) it has omitted to prepare consolidated financial statements, and disclose the name, registered office and any CVR number or registration number of the higher parent undertaking, and
- 3) the lower parent undertaking submits with its annual financial statements the consolidated financial statements mentioned in subsections (1) and (2) to the Danish FSA as well as any additional information the Danish FSA may require.

135. If a parent undertaking is entitled to omit to file consolidated financial statements but prepares them anyway for purposes that are not exclusively for internal use, the provisions of this Executive Order on consolidated financial statements shall apply.

Covered by consolidation

136.-(1) Unless otherwise stated in this provision, all subsidiary undertakings as well as other undertakings over which the undertaking exercises a controlling influence shall be included in the consolidated financial statements with full consolidation.

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(2) A subsidiary undertaking covered by section 10 regarding assets temporarily held shall be included in the consolidated financial statements in accordance with subsection (3).

(3) Assets and liabilities in subsidiary undertakings covered by subsection (2) shall be included as a total as a separate item on the assets and liabilities sides of the consolidated balance sheet respectively. The profit or loss of the subsidiary undertaking shall be disclosed as a separate item in the income statement in the consolidated financial statements.

General requirements for the consolidated financial statements

137.-(1) The consolidated financial statements shall show the assets and equity and liabilities of the consolidated undertakings, their financial position as well as their profits or losses as if, together, they were a single undertaking.

(2) On consolidation, the financial statements shall be consolidated so that equivalent income and expenses as well as assets, equity and liabilities are combined. Adjustments necessary shall be made for the special conditions applying to consolidated financial statements distinct from annual financial statements.

(3) Group undertakings, for which the group relationship was established during the accounting year, shall only be included in the consolidation with the income and expenses of the transactions and the conditions that have arisen after the date the group relationship was established.

(4) Group undertakings, for which the group relationship ceases during the accounting year, shall only be included in the consolidation with the income and expenses of the transactions and the conditions that have arisen up to the date of cessation of the group relationship.

138.-(1) The income statement and balance sheet in the consolidated financial statements shall be presented in accordance with annexes 2-5 as well as the regulations for classification and presentation that apply for the main activity of the group. In groups where non-life insurance and life assurance activities are significant, the income statement form in annex 5 shall be used. If non-life insurance activities are not significant, the form in annex 3 may be used.

(2) For groups which carry out activities, which cannot be integrated into the accounts items appearing in annexes 2-5, the extra items necessary under the regulations in section 4(2) shall be added.

(3) The proportional share of the equity of the subsidiary undertakings due to minority interests shall be stated as a separate item under equity. The proportional share of the profit or loss of the subsidiary undertakings due to minority interests shall be stated in connection with the income statement.

139.-(1) Assets and equity and liabilities to be included in the consolidated financial statements as well as income and expenses shall be recognised and measured using equivalent methods in accordance with the provisions of this Executive Order.

(2) As far as possible, the same methods shall be applied in the consolidated financial statements for recognition and bases for measurement as in the annual financial statements of the parent undertaking. If consolidated subsidiary undertakings apply other methods and bases in their own annual financial statements, new financial statements shall be prepared for

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the consolidated financial statements in which recognition and measurement is in accordance with the methods and bases applied in the consolidated financial statements. If associated undertakings and jointly controlled undertakings apply other methods and bases in their own annual financial statements, the necessary adjustments to the profits and losses and equity of the associated undertakings and the jointly controlled undertakings shall be made so that recognition and measurement is in accordance with the methods and bases applied in the consolidated financial statements.

(3) Associated undertakings and jointly controlled undertakings shall be recognised and measured in the consolidated financial statements using the equity method, cf. however subsections (4) and (5).

(4) A jointly controlled undertaking may be recognised in the consolidated financial statements using pro-rata consolidation. The items in the jointly controlled undertaking shall be included in proportion to the consolidated undertakings' holding of the equity and profits and losses of the undertaking. A jointly controlled undertaking which becomes an associated undertaking shall be recognised and measured using the equity method, cf. subsection (3).

(5) Assets and liabilities in subsidiary undertakings, associated undertakings and jointly controlled undertakings that are only temporarily in the possession of the undertaking and are pending sale within a short time and where a sale is highly probable, cf. section 10, shall be measured at the lowest of the carrying amount and the fair value less costs of sales.

(6) Assets in subsidiary undertakings, associated undertakings and jointly controlled undertakings covered by subsection (5) shall not be depreciated or amortised.

140. The following items shall be eliminated:

- 1) Amounts receivable and payable between consolidated undertakings.
- 2) Income and expenditure arising from transactions between consolidated undertakings.
- 3) Gains and losses arising from transactions between consolidated undertakings which are included in the carrying amount of the items.

141. The management's review, statement of accounting policies and notes to the consolidated financial statements in the annual report shall contain information about the group as if the consolidated undertakings together were a single undertaking. The provisions on the management's review, statement of accounting policies and notes in this Executive Order shall apply correspondingly for the consolidated financial statements.

Part 7

Takeovers and mergers etc.

142.-(1) For takeovers of other undertakings through merger or through takeover of a business activity, the assets and liabilities taken over in the undertaking acquired shall be recognised and measured at fair value on the date of acquisition.

(2) Any positive difference between the total cost and the fair value of the net assets on the date of acquisition shall be recognised in the balance sheet under asset item I. *Intangible assets*. The item shall be called "Goodwill".

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(3) Goodwill shall be assessed at the end of each accounting period and written down if a decrease in value is ascertained.

(4) Any negative difference between the total cost and the fair value of the net assets on the date of acquisition shall be recognised in the income statement as income.

(5) Subsections (1)-(4) shall apply correspondingly to the consolidated financial statements for acquisition of a subsidiary undertaking, cf. however subsection (2).

143.-(1) If two undertakings which either merge or establish a group relationship are both under the same parent undertaking in a group relationship, or otherwise are under the same interest's controlling influence, the merger or the establishment of the group may be treated using the uniting-of-interests method, cf. subsection (3).

(2) The uniting-of-interests method may moreover be applied after authorisation by the Danish FSA in connection with mergers or the establishment of group relationships that are outside the scope of IFRS 3.

(3) Under the uniting-of-interests method, the financial statements and the consolidated financial statements respectively shall be presented for the period in which the uniting of interests occurred as if the undertakings had been united from and including the earliest accounting period included in the financial statements. The difference between the amount attributable to contributed capital, and any premium including any cash payment, and the carrying equity value in the undertaking taken over shall be added or deducted respectively in a clear manner in the reserves available to cover losses.

Merger accounts etc.

144. When, in connection with a merger or similar, provisions in legislation require an opening balance sheet to be prepared, such balance sheet shall be prepared in accordance with the regulations in section 142 or section 143.

IV

Interim reports

Part 8

Preparation of half-year interim reports

145.-(1) The half-year interim report, cf. section 2, shall contain the income statement for the period 1 January to 30 June with comparative figures from the corresponding half-year period from the preceding year. If the undertaking is newly established and has not yet prepared its first financial statements, the income statement shall cover the period from establishment of the undertaking to 30 June, and the balance sheet's comparative figures shall be from the undertaking's opening balance sheet. The income statement and the balance sheet shall be prepared in accordance with the regulations for annual reports and presented in accordance with annexes 2-5.

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(2) For undertakings where the annual report is required to contain consolidated financial statements, the half-year interim report shall correspondingly contain consolidated financial statements for the half year prepared in accordance with subsection (1).

(3) The half-year interim report, including the consolidated financial statements for the half year, shall contain a management's review as a minimum describing important events which have taken place in the half year, including the significance of these events for the figures in the financial statements. The management's review shall also describe the most important risks and uncertainty factors which the undertaking will be subject to in the remaining six months of the accounting year. If there have been large transactions with related parties, such transactions shall be described.

(4) The half-year interim report, including the consolidated financial statements for the half year, shall contain the comments, key ratios and break-downs of the accounts figures which the management considers necessary to explain the developments in the period.

(5) If the half-year interim report is audited, the auditor's opinion shall be reproduced in its entirety in the report. The same shall apply if there is a review report from the auditor. If the half-year interim report has neither been subject to an audit nor a review, this shall be stated in the report.

(6) The half-year interim report shall contain a management endorsement fulfilling the requirements in section 185 of the Financial Business Act.

(7) The half-year interim report shall be submitted to the Danish FSA no later than 31 August. The half-year interim report shall, no later than the same date be made available to the public, for example on the internet address of the undertaking or by sending the half-year interim report to interested parties who refer to the undertaking.

Preparation of quarterly interim reports

145a.-(1) If the undertaking publishes quarterly reports, these shall be prepared in accordance with the regulations in section 145(1)-(6) with any necessary adjustments when making quarterly reports instead of half-year interim reports. A parent undertaking may, however, omit inclusion of its own financial statements, so that the quarterly report only includes the consolidated financial statements on a quarterly basis.

(2) Accounting information published by the undertaking may not be called quarterly reports unless it meets the requirements of subsection (1) or the requirements for an interim report pursuant to international accounting standards, cf. section 1(2).

V

Penalties as well as entry into force and transitional provisions

Part 9

Penalties

146. Intentional or grossly negligent violation of sections 2-3, section 9, sections 41-81, sections 83-90, or sections 92-145a shall be subject to a fine.

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Part 10

Entry into force and transitional provisions

147.-(1) This Executive Order shall enter into force on 1 January 2007 and shall apply for the first time for accounting years starting on 1 January 2007. Sections 126 and 127, however, shall enter into force with effect for the annual report for 2006.

(2) The provisions in this Executive Order on recognition and measurement of assets and liabilities taken over in connection with acquisitions of undertakings and mergers etc. shall not apply to acquisitions and mergers taking place prior to 1 January 2005.

(3) Any goodwill recognised in the balance sheet as at 31 December 2004 under the regulations previously applying shall no longer be amortised in accordance with the previous regulations, but it shall be assessed for reductions in value in accordance with the provisions in this Executive Order from and including 1 January 2004.

(4) The provisions in this Executive Order on share-based remuneration shall only apply for programmes established after 1 January 2004. For programmes established prior to 1 January 2004, the undertaking may choose to apply the provisions in this Executive Order. If the programme was established on 7 January 2002 or earlier, the undertaking may, however, only apply the provisions in this Executive Order if the fair value of the programme on the date of establishment has been disclosed.

(5) Undertakings may decide not to recalculate financial and operating data and key ratios in annexes 9 and 10 for accounting years before 2004.

(6) Change of method of recognition and measurement of intangible assets, cf. sections 60 and 61, may be made provided that only circumstances arising in the 2003 accounting year and later are recognised and measured according to the new regulations.

(7) For undertakings that have previously presented annual financial statements in accordance with the "*bekendtgørelse om skadesforsikringsselskabers årsregnskaber*" (executive order on annual financial statements of non-life insurance companies), the requirement that increases in the value of reassessed owner-occupied properties shall be recognised directly in the liability item *Revaluation reserves* shall only apply to that part of the revaluation amount that is in excess of the greatest of the following amounts:

- 1) The value at which the relevant property was fixed in the annual financial statements to which the "*bekendtgørelse om skadesforsikringsselskabers årsregnskaber* (executive order no. 723 of 27 November 1989 on annual financial statements of non-life insurance companies) was applied.
- 2) Cost of acquisition.

(8) For undertakings that have previously presented annual financial statements in accordance with the "*bekendtgørelse om livsforsikringsselskabers og tværgående pensionskassers årsregnskaber*" (executive order on annual financial statements of life-assurance companies and lateral pension funds (nationwide occupational pension funds)), the requirement that increases in the value of reassessed owner-occupied properties shall be recognised directly in the liability item *Revaluation reserves* shall only apply to that part of the revaluation amount that is in excess of the fair value as at 31 December 2003.

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(9) The Danish FSA's Executive Order no. 1299 of 13 December 2005 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds) shall be repealed. This Executive Order shall, however, apply to annual reports and half-year interim reports relating to the accounting year 2006.

Danish Financial Supervisory Authority, 13 December 2006

Henrik Bjerre-Nielsen

/Flemming Petersen

EXCLUDING MINOR AMENDMENTS

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 - Annex 2: Balance-sheet format
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 - Annex 5: Income statement format for groups
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 - Annex 7: Measurement of the fair value of properties
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 - Annex 9: Five-year financial summary of financial and operating data and key ratios for undertakings that carry out life-assurance activities
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Annex 1

Definitions

1. Finance leases

Leasing agreements that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not be transferred at the end of the leasing period

2. Functional currency:

The currency applicable to the economic environment in which the reporting enterprise or a unit within this primarily operates.

3. Jointly controlled undertaking:

A jointly controlled undertaking is a joint venture that involves establishing an undertaking on the basis of an agreement between the participants that establishes joint control over the undertaking's economic activity.

4. Non-monetary items:

Assets and liabilities that are not monetary items.

5. Monetary items:

Cash as well as assets and liabilities, including provisions to be settled at a fixed or determinable amount.

6. Related parties:

- a) Persons or undertakings where one has direct or indirect controlling or significant influence on the other's operation and financial management, or
- b) several persons or undertakings whose operation or financial management is subject to controlling influence by the same person or undertaking.

7. Operating leases:

Leasing agreements which are not financial leases.

8. Presentation currency:

The currency in which the financial statements are presented.

9. Hedging relationship:

- a) Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to recognised assets or liabilities or a highly probable forecast transaction and could affect profit or loss.
- b) Hedge of a net investment in a foreign operation.

10. Group undertakings

An undertaking's subsidiary undertakings, its parent companies, and subsidiary undertakings of these.

11. Currency-exchange differences:

The difference resulting from translating a given amount of units in one currency into another currency at different exchange rates.

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Elements in the annual report

12. Derivative:

A financial instrument

- a) the value of which changes as a result of changes in a specific interest rate, securities price, commodities price, exchange rate, price or interest index, credit rating, credit index, or similar variables (often referred to as the "underlying"),
- b) which on establishment does not require, or requires very little, net investment compared with other types of contracts which are similarly affected by changes in market conditions, and
- c) which is to be settled on a future date.

13. Assets:

Resources controlled by an undertaking as a result of past events and from which future economic benefits are expected to flow to the undertaking.

14. Owner-occupied properties:

Land and buildings used by the undertaking for its own operation.

15. Contingent assets:

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the undertaking.

16. Contingent liabilities:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the undertaking; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (ii) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (iii) the amount of the obligation cannot be measured with sufficient reliability.

17. Financial liability:

A liability in the form of

- a) a contractual obligation to deliver cash or another financial asset to another party or
- b) a contractual obligation to exchange financial instruments with another party under conditions that are potentially unfavourable at the assessment date.

18. Financial asset:

An asset in the form of

- a) cash,
- b) a contractual right to receive cash or another financial asset from another party,
- c) a contractual right to exchange financial instruments with another party under conditions that are potentially favourable at the assessment date, or
- d) another undertaking's equity instruments.

19. Financial instrument:

A contract that gives rise to a financial asset for one undertaking and a financial liability or equity instrument for another undertaking.

20. Liabilities:

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Existing obligations of an undertaking arising as a result of earlier events, the settlement of which is expected to result in an outflow of financial resources.

21. Provision:

An amount covering liabilities which are uncertain in terms of amount and/or timing.

22. Income:

Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

23. Investment properties:

Land and buildings acquired with a view to achieving a return on capital invested in the form of regular operating returns and/or capital gains on sale.

24. Costs:

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Measurement

25. Amortised cost:

The amount at which a financial asset or a financial liability was measured initial recognition with

- a) deduction of instalments,
- b) addition or deduction of the cumulative amortisation of the difference between the original recognised amount and the amount due on maturity, and
- c) deduction of impairment losses.

Amortisation is calculated by means of the effective interest method.

26. Fair value:

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

27. Recoverable amount:

Recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is the present value of the future cash flows expected to arise from the asset if it continues in use and is sold at the end of its useful life.

Insurance terms

28. Run-off profit or loss:

The run-off profit or loss is the difference between

- a) the claims provisions in the balance sheet at the beginning of the accounting year, adjusted for currency-exchange differences and discounting effects, and
- b) the sum of the claims paid during the accounting year and that part of the claims provisions pertaining to injuries and damage occurring in an earlier accounting year.

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If the company carries out indirect insurance, the run-off profit or loss for the premiums and provisions entered in the income statement for these activities in previous years shall be included in the run-off profit or loss.

29. Cedent:

An insurer which has purchased or is requesting reinsurance.

30. Combined ratio:

The sum of the *claims ratio*, cf. no. 33, the *expense ratio*, cf. no. 51, and the *net reinsurance ratio*, cf. no. 50.

31. The retrospective provision for each life-assurance and investment contract:

Premiums received less benefits paid, expenses paid, adjustment for risk and with addition of interest received etc. for the individual insurance contract.

32. Claims rate:

The number of injuries and damage occurring in the accounting period in relation to the average number of insurance contracts in force in the accounting period.

33. Claims ratio:

The ratio between the cost of claims and premium income. The premium income is reduced by bonuses and premium rebates.

34. Facultative indirect insurance:

Indirect insurance for individual risks, where the reinsurer retains the option to accept or reject each risk offered by the *cedent*, cf. no. 29.

35. Insurance assets:

The net rights of an insurance undertaking under an insurance contract.

36. Insured event:

An uncertain future event which is covered by an insurance contract and which carries an insurance risk.

37. Insurance liabilities:

The net liabilities of an insurance undertaking under an *insurance contract*, cf. no. 38.

38. Insurance contract:

A contract under which one party (the insurance undertaking) accepts significant insurance risks from a second party (the *policyholder*, cf. no. 41) by undertaking to compensate the policyholder if a specified unknown future event (the *insured event*, cf. no. 36) has an unfavourable effect on the *policyholder*, cf. no. 41.

39. Technical provisions:

The technical provisions correspond to liability item *III. Total provisions for insurance and investment contracts*.

40. Insurance risk:

Risk, except for financial risk, which is transferred from the *policyholder*, cf. no. 41, to the issuer of an *insurance contract*, cf. no. 38.

41. Policyholder:

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The party entitled to compensation under an *insurance contract*, cf. no. 38, if an *insured event*, cf. no. 36 occurs.

42. Guaranteed paid-up policy benefits for each life-assurance and investment contract:

The present value of the benefits guaranteed to the *policyholder*, cf. no. 41, under the contract when it is rewritten to a paid-up policy, as well as the present value of the expected future expenses for administration of the paid-up policy.

43. Guaranteed benefits for each life-assurance and investment contract:

The present value of the benefits guaranteed to the *policyholder*, cf. no. 41, under the contract, as well as the present value present value of the expected future expenses for administration of the contract less the present value of the agreed future premiums.

44. Average claims for injuries and damage occurred:

The proportion of the total claims in relation to the number of claims in the accounting period.

45. Investment contract:

A contract which the insurance undertaking has a concession to issue, cf. annex 8 of the Financial Business Act, but which does not contain sufficient insurance risk to be covered by the definition of an *insurance contract*, cf. no. 38.

46. Life-assurance assets:

The net rights of an insurance undertaking under a life-assurance contract.

47. Life-assurance liabilities:

The net obligations of an insurance company under a life-assurance contract.

48. Life-assurance provisions for each insurance and investment contract before any addition for surrender value:

The greatest of the *guaranteed benefits for each life-assurance and investment contract*, cf. no. 43, *guaranteed paid-up policy benefits for each life-assurance and investment contract*, cf. no. 42, and the *value of the retrospective provision for each life-assurance and investment contract*, cf. no. 59, less the contract's share of the expected future administration profit or loss plus the contract's share of the *risk margin* on the total life-assurance provisions, cf. no. 54.

49. Life-assurance contract

An insurance contract, which is covered by the definition of *insurance contracts*, cf. no. 38, and which the insurance company has a concession to issue, cf. annex 8 of the Financial Business Act.

50. Net reinsurance ratio

The ratio between the reinsurance profit or loss and the premium income. Premium income is reduced by bonuses and premium rebates.

51. Expense ratio:

The ratio between insurance operating expenses and premium income. Premium income is reduced by bonuses and premium rebates. The insurance operating expenses are calculated as the sum of the income statement items 5.1. *Acquisition costs* and 5.2. *Administrative expenses*, cf. annex 4, less depreciation on and operating costs of owner-occupied properties and plus calculated costs (rent) regarding owner-occupied properties based on a calculated market rent. The adjustment related to owner-occupied properties should only include that part of depreciation and operating costs arising from carrying out insurance activities.

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52. Operating ratio:

Calculated as a *combined ratio*, cf. no. 30, but based on *claims ratio, expense ratio and net reinsurance ratio* where the return on investment allocated, corresponding to the amount stated under technical interest in the income statement (cf. item 2 in annex 4), is added to the premium income in the denominator.

53. Relative run-off profit or loss:

Run-off profit or loss, cf. no. 28, in relation to the provisions brought forward to which it pertains.

54. Risk margin:

The estimated margin the undertaking in the market is expected to pay to an acquirer of the undertaking's portfolio of life-assurance and investment contracts in order for the acquirer to accept the risk of fluctuations in the size of and dates of payment for the guaranteed benefits.

55. Return premium amounts:

Repaid premiums, for example when an insurance contract is discontinued during a premium period.

56. Non-life insurance assets:

The net rights of an insurance undertaking under a non-life insurance contract.

57. Non-life insurance liabilities:

The net obligations of an insurance undertaking under a non-life insurance contract.

58. Non-life insurance contract:

An insurance contract which is covered by both the definition of *insurance contracts*, cf. no. 38, and the classes of insurance mentioned in annex 7 of the Financial Business Act.

59. Value of the retrospective provision for each life-assurance and investment contract:

The retrospective provision for each life-assurance and investment contract, cf. no. 31, with the addition or reduction necessary in allocating the realised results to the policyholder in accordance with the principles for allocation of realised results applying for the contract.

60. Value of guaranteed paid-up policy benefits:

The sum of the guaranteed paid-up policy benefits for each life-assurance and investment contract, cf. no. 42, except for that part hereof stated under liability item 9. *Claims provisions*, and including *risk margin*, cf. no. 54.

61. Value of guaranteed benefits:

The sum of *guaranteed benefits for each life-assurance and investment contract*, cf. no. 43, except for that part hereof stated under liability item 9. *Claims provisions*, and including *risk margin*, cf. no. 54.

62. Value of retrospective provisions:

The sum of the value of the retrospective provision for each insurance and investment contract, cf. no. 31, less the present value of an expected future administration profit or loss, except for that part hereof stated under liability item 9. *Claims provisions*, and including *risk margin*, cf. no. 54. The present value of the expected future administration profit or loss shall be reduced by the probability that the insurance and investment contracts are to be rewritten to paid-up policies or surrendered.

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Annex 2

Balance-sheet format

Assets

I. Intangible assets

1. Equipment
2. Owner-occupied properties

II. TOTAL TANGIBLE ASSETS

3. Investment properties
- 4.1. Holdings in group undertakings
- 4.2. Loans to group undertakings
- 4.3. Holdings in associated undertakings
- 4.4. Loans to associated undertakings
4. **Total investments in group and associated undertakings**
- 5.1. Holdings
- 5.2. Units in investment associations
- 5.3. Bonds
- 5.4. Participation in investment pools
- 5.5. Loans secured by mortgages
- 5.6. Other loans
- 5.7. Deposits with credit institutions
- 5.8. Other
5. **Total other financial investment assets**
6. **Deposits with ceding undertakings**

III. TOTAL INVESTMENT ASSETS

IV. INVESTMENT ASSETS ATTACHED TO UNIT-LINKED CONTRACTS

- 7.1. Reinsurers' share of premium provisions
- 7.2. Reinsurers' share of life-assurance provisions
- 7.3. Reinsurers' share of claims provisions
- 7.4. Other
7. **Total reinsurers' share of provisions for insurance contracts**
- 8.1. Amounts receivable from policyholders
- 8.2. Amounts receivable from intermediaries
8. **Total amounts receivable in connection with direct insurance contracts**
9. **Amounts receivable from insurance undertakings**
10. **Amounts receivable from group undertakings**
11. **Amounts receivable from associated undertakings**
12. **Other amounts receivable**

V. TOTAL AMOUNTS RECEIVABLE

13. **Assets held temporarily**
14. **Current tax assets**
15. **Deferred tax assets**
16. **Cash at bank and in hand**
17. **Other**

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VI. TOTAL OTHER ASSETS

- 18. **Interest and rent receivable**
- 19. **Other accruals and deferred income**

VII. TOTAL ACCRUALS AND DEFERRED INCOME TOTAL ASSETS

LIABILITIES AND EQUITY

- 1. **Share capital equivalent funds**
- 2. **Share premium account**
- 3. **Revaluation reserves**
 - 4.1. Contingency fund
 - 4.2. Provisions in accordance with the articles of association
 - 4.3. Other reserves
- 4. **Total reserves**
- 5. **Profit or loss brought forward**
- 6. **Proposed dividend**
- 7. **Minority interests**

I. TOTAL EQUITY

II. SUBORDINATE LOAN CAPITAL

- 8. **Premium provisions**
 - 8.1. Guaranteed benefits
 - 8.2. Bonus potential on future premiums
 - 8.3. Bonus potential on paid-up policy benefits
- 9. **Total life-assurance provisions**
- 10. **Claims provisions**
- 11. **Collective bonus potential**
- 12. **Provisions for bonus and premium rebates**
- 13. **Special bonus provisions**
- 14. **Provisions for unit-linked contracts**

III. TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS

- 15. **Deferred tax on yields of certain pension scheme assets**
- 16. **Provisions for pensions and similar liabilities**
- 17. **Deferred tax**
- 18. **Other provisions**

IV. TOTAL PROVISIONS

V. DEPOSITS RECEIVED FROM REINSURERS

- 19. **Amounts payable in connection with direct insurance**
- 20. **Amounts payable in connection with reinsurance**
- 21. **Bond loans**
- 22. **Convertible debt instruments**
- 23. **Dividend-bearing debt instruments**

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- 24. Amounts payable to credit institutions**
- 25. Amounts payable to group undertakings**
- 26. Amounts payable to associated undertakings**
- 27. Current tax liabilities**
- 28. Other amounts payable**

VI. TOTAL AMOUNTS PAYABLE

VII. ACCRUALS AND DEFERRED INCOME

TOTAL LIABILITIES AND EQUITY

EXCLUDING MINOR AMENDMENTS

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Annex 3

Income statement format for life-assurance undertakings

- 1.1. Gross premiums
 - 1.2. Insurance premiums ceded
 1. **Total premiums net of reinsurance**
 - 2.1. Income from group undertakings
 - 2.2. Income from associated undertakings
 - 2.3. Income on investment properties
 - 2.4. Interest income and dividends etc.
 - 2.5. Value adjustments
 - 2.6. Interest paid
 - 2.7. Administration expenses in connection with investment activities
 2. **Total investment return**
 3. **Tax on yields of certain pension scheme assets**
 4. **Investment return after tax on yields of certain pension scheme assets**
 - 5.1. Benefits paid
 - 5.2. Reinsurance cover received
 - 5.3. Change in claims provisions
 - 5.4. Change in the reinsurers' share of claims provisions
 5. **Total insurance benefits net of reinsurance**
 - 6.1. Change in technical life-assurance provisions
 - 6.2. Change in reinsurers' share
 6. **Total change in life-assurance provisions net of reinsurance**
 - 7.1. Bonus accrued for the year
 - 7.2. Change in collective bonus potential
 - 7.3. Change in special bonus provisions
 7. **Total bonus**
 8. **Change in provisions for unit-linked contracts**
 - 8.1. Acquisition costs
 - 8.2. Administration expenses
 - 8.3. Reinsurance commissions and profit participations with reinsurers
 9. **Total insurance operating costs net of reinsurance**
 10. **Investment return transferred**
 - I. **TECHNICAL PROFIT OR LOSS**
 - TECHNICAL PROFIT OR LOSS FROM SICKNESS AND ACCIDENT**
 - II. **INSURANCE**
 11. **Investment return on equity**
 12. **Other income**
 13. **Other costs**
 - III. **PROFIT OR LOSS BEFORE TAX**
 14. **Taxes**
 - IV. **PROFIT OR LOSS FOR THE YEAR**
-

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Annex 4

Income statement format for non-life insurance undertakings

1.1.	Gross premiums
1.2.	Insurance premiums ceded
1.3.	Change in premium provisions
1.4.	Change in reinsurers' share of premium provisions
1.	Total premium income net of reinsurance
2.	Technical interest
3.1.	Claims paid
3.2.	Reinsurance cover received
3.3.	Change in claims provisions
3.4.	Change in reinsurers' share of claims provisions
3.	Total costs of claims net of reinsurance
4.	Bonus and premium rebates
5.1.	Acquisition costs
5.2.	Administration expenses
5.3.	Reinsurance commissions and profit participations with reinsurers
5.	Total insurance operating costs net of reinsurance
I.	TECHNICAL PROFIT OR LOSS
6.1.	Income from group undertakings
6.2.	Income from associated undertakings
6.3.	Income on investment properties
6.4.	Interest income and dividends etc.
6.5.	Value adjustments
6.6.	Interest paid
6.7.	Administration expenses in connection with investment activities
6.	Total investment return
7.	Interest on technical provisions
II.	INVESTMENT RETURN AFTER TECHNICAL INTEREST
8.	Other income
9.	Other costs
III.	PROFIT OR LOSS BEFORE TAX
10.	Taxes
IV.	PROFIT OR LOSS FOR THE YEAR

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Annex 5

Income statement format for groups

NON-LIFE INSURANCE

- 1.1. Gross premiums
- 1.2. Insurance premiums ceded
- 1.3. Change in premium provisions
- 1.4. Change in the reinsurance part of premium provisions
- 1. **Premium income net of reinsurance**
- 2. **Technical interest net of reinsurance**
 - 3.1. Claims paid
 - 3.2. Reinsurance cover received
 - 3.3. Change in claims provisions
 - 3.4. Change in the reinsurance part of claims provisions
- 3. **Costs of claims net of reinsurance**
- 4. **Change in other technical provisions net of reinsurance**
- 5. **Bonus and premium rebates**
 - 6.1. Acquisition costs
 - 6.2. Administration expenses
 - 6.3. Reinsurance commissions and profit participations with reinsurers
- 6. **Total insurance operating costs net of reinsurance**
- I. **TECHNICAL PROFIT OR LOSS OF NON-LIFE INSURANCE**

LIFE

ASSURANCE

- 7.1. Gross premiums
 - 7.2. Reinsurance premiums ceded
 - 7. **Premium income net of reinsurance**
 - 8. **Investment return transferred net of reinsurance**
 - 9.1. Benefits paid
 - 9.2. Reinsurance cover received
 - 9.3. Change in claims provisions
 - 9.4. Change in reinsurance part of claims provisions
 - 9. **Insurance benefits net of reinsurance**
 - 10.1. Change in life-assurance provisions
 - 10.2. Change in reinsurers' share
 - 10. **Change in life-assurance provisions net of reinsurance**
 - 11. **Bonus**
 - 12. **Change in provisions for unit-linked contracts**
 - 13.1. Acquisition costs
 - 13.2. Administration expenses
 - 13.3. Reinsurance commissions and profit participations with reinsurers
 - 13. **Total insurance operating costs net of reinsurance**
 - II. **TECHNICAL PROFIT OR LOSS OF LIFE ASSURANCE**
- NON-INSURANCE-TECHNICAL ACTIVITIES
- 14. **Technical profit or loss of non-life insurance**
 - 15. **Technical profit or loss of life assurance**

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- 16.1. Income from associated undertakings
 - 16.2. Income from investment properties
 - 16.3. Interest received and dividends etc.
 - 16.4. Value adjustments
 - 16.5. Interest paid
 - 16.5. Administration expenses in connection with investment activities
 - 16.6. activities
 - 16. **Total investment return**
 - 17. **Technical interest transferred to non-life insurance account**
 - 18. **Tax on yields of certain pension scheme assets**
 - 19. **Investment return transferred to life-assurance account**
 - 20. **Other Income**
 - 21. **Other costs**
 - III. PROFIT OR LOSS BEFORE TAX**
 - 22. **Taxes**
 - IV. PROFIT OR LOSS FOR THE YEAR**
-

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Annex 6

Terms used by lateral pension funds (nationwide occupational pension funds)

The terms in column 2 are used by lateral pension funds (nationwide occupational pension funds) instead of those in column 1, which are taken from the text of the Executive Order, cf. section 1(3).

The Executive Order	Lateral pension funds (nationwide occupational pension funds)
Premiums	Membership contributions
Insurance contracts	Pension agreements
Technical provisions	Technical pension provisions
Life-assurance provisions	Pension provisions
Insurance benefits	Pension benefits
Insurance activities	Pension activities
Insurance operating costs	Pension operating costs
Insurance technical profit or loss	Pension technical profit or loss
Surrender	Amounts due to members on withdrawal from the fund
Policyholders	Members
Bonus potential on future premiums	Bonus potential on future membership contributions
Bonus potential on paid-up policy benefits	Bonus potential on dormant pensions
Insurance risk profit or loss	Risk profit or loss
Ratio of customers' funds to provisions	Ratio of members' funds to provisions
Ratio of equity to provisions	Ratio of equity to provisions

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Annex 7

Measurement of the fair value of properties

In accordance with sections 57 and 58, investment properties and owner-occupied properties must be measured at fair value, the latter type of property using a revaluation model. This annex describes the methods to determine the fair value.

If a property belongs to a uniform group of properties which are regularly traded at published prices, the fair value of the property should be set on the basis of this. This may be the case for smaller properties where the fair value can consequently be set at the published prices, cf. point 7. In most cases, however, the fair value should be calculated using generally accepted measurement methods, cf. below.

The fair value of a property can be calculated on the basis of

- a) the returns method, or
- b) the DCF method (discounted cash flows).

The returns method

The fair value of a property is calculated on the basis of the operating return from a property and a required rate of return linked to the property.

The fair value is equal to the operating return times 100 and divided by the rate of return corresponding to the present value of an infinite annuity.

The resulting fair value may have to be corrected, cf. point 3.

The operating return from a property is calculated using the regulations in point 1.

The required rate of return from a property is set using the regulations in point 2.

1. Calculation of the property's operating return

The operating return from a property is calculated thus

+ rent income
- maintenance costs
- administration expenses
- operating costs
= operating return

All the above amounts are to be calculated on an annual basis.

As a general rule, rent income should be included at the actual rent income for the next 12 months in accordance with rent contracts entered into.

If it is deemed that the rent set in the contract varies significantly (+/- 10 per cent) from the market rent, cf. below, the market rent should, however, be used instead of the rent set in the contract.

In exceptional circumstances, a rent set in a contract may be included as rent income, irrespective of the market rent. Such circumstances are when the tenant can be deemed as highly creditworthy and there is an interminable long-term rent contract under which the

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tenant has no right to demand a reduction in the rent for a period of no less than 10 years from the date of the statement.

Market rent means the rent at which the relevant areas could be (sub)let within a time horizon of six months, set taking into account knowledge of the latest rent contracts and the supply of similar areas in relation to location, type, size, quality, equipment and level of maintenance. In special circumstances, for example in large owner-occupied properties with only one tenant, a longer (sub)letting period may be used of up to 12 months.

For unlet areas, the estimated market rent should be included in rental income. For areas the undertaking uses itself, an estimated market rent should be included in rental income.

Maintenance costs should be included at the average annual costs of keeping the property at a normal level of maintenance.

Administration and operating costs should, as a general rule be included at budgeted costs for the next 12 months. In circumstances where costs are not incurred in the form of fees or charges paid to a property administrator which is independent of the undertaking, costs should be estimated on the basis of what would have to be paid to a property administrator on market conditions.

Mortgage interest must not be included in operating costs.

2. Determination of the property's required rate of return

The required rate of return from a property is set at a best estimate, taking into account the special conditions of the relevant property, corresponding to required rate of return reflected in the transactions that have taken place in the property market up to the date of assessment.

The required rate of return of a property depends on the general socio-economic conditions and the specific conditions of the individual property.

The general socio-economic conditions are bond yields and the economic cycle.

The specific conditions for the individual property that influence the required rate of return are conditions which affect the certainty that the return from the property can be maintained.

These specific conditions include

- a) type of property and its use (housing, offices, shops, industrial, warehousing etc.),
- b) location,
- c) design and level of maintenance, and
- d) the term of the rent contract, rent review clauses, and the credit quality of the tenant.

Other special conditions for the individual property may influence the required rate of return.

3. Possible adjustment of the fair value

It will often be necessary to adjust the value resulting from the above operating return and required rate of return.

This includes the additions and deductions below.

Addition for amounts prepaid and deposits

An addition may be made of the capital value of the return on the amount deposited.

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Addition for supplementary rent

If a rental income (market rent) included in the calculation has been reduced compared with the actual rental income at the date of assessment, cf. point 1, the present value of the "supplementary rent" for the period up to the expected date of the reduction in the rent may be added.

Deduction for unlet areas

Rent for unlet areas included in rental income in accordance with point 1 must be deducted for a period up to the date when the area is expected to be let.

Deduction for low rent

If a rental income (market rent) is included in the calculation at a higher figure than the actual rental income at the date of assessment, cf. point 1, the present value of the "rental reduction" must be deducted in the period up to the expected date of increase in the rent.

Deduction of deferred maintenance work

If large maintenance work is outstanding which is not covered by the average maintenance costs included in the calculation in accordance with point 1, the costs of such maintenance must be deducted.

Deduction for necessary decorating costs etc.

If letting an unlet area for a rental income included in the calculation in accordance with point 1 requires decorating and renewals in accordance with the needs of the tenant, the costs of such decorating and renewals must be deducted.

The DCF method

The fair value of a property is the present value of the future payments arising from ownership of the property, cf. point 6. The future payments are set as the estimated payments in a planning period, cf. point 4, and a terminal value, cf. point 5.

4. Calculation of the estimated payments in the planning period

A planning period for a property should be set at no less than five years. The planning period is usually five-ten years. Income and costs should be estimated for each year in the planning period selected. The cash flows include the income and costs described in point 1. The income and costs for the individual year should be set on the basis of realistic expectations of how they will arise taking account of existing rent contracts, tenants moving out, empty periods, maintenance costs, administration, inflation etc.

5. Calculation of the terminal value

The terminal period is the period after the end of the planning period, and the terminal year is the first year of the terminal period. The terminal value of the property is calculated as the fair value in the terminal year. Under the assumption that the cash flows will be constant in the terminal period, the terminal value is calculated in accordance with the returns method as described above. The constant annual cash flows correspond to the expected operating return in the terminal year calculated in accordance with point 1. The terminal value should be adjusted if necessary in accordance with the regulations in point 3.

6. Calculation of the present value of the future payments

The cash flows for the individual years in the planning period and the terminal value should be discounted using a discount rate comprising the required rate of return on the property calculated in accordance with point 2 plus an amount corresponding to expected inflation included in the changes in the current income and costs.

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7. Use of the public property valuation

For smaller properties such as detached houses, owner-occupied flats, and holiday homes the most recent public property valuation may be used as the fair value, unless this is clearly misleading in the specific case.

8. Use of an external expert's assessment

Setting the fair value of a property, including setting the elements which, in accordance with the above are included in the calculation of the fair value, may be based on the assessment of an external expert. The assessments made and the condition that the calculations are based on a relevant data basis will, however, in all cases be the responsibility of the undertaking's management (board of directors and board of management). Responsibility for the assessment may not be transferred to external experts.

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Annex 8

Discount rates for measuring insurance liabilities

1. The discount rates described in this annex must be applied in calculations of

- a) life-assurance liabilities, cf. section 66,
- b) provisions for non-life insurance liabilities, cf. sections 69-70, and
- c) provisions, cf. section 72.

2. If the liabilities are in a currency other than DKK, discount rates should be applied which are set using the principles described below. If the total proportion of the obligations in another currency does not exceed 10 per cent of the balance sheet total, then discount rates relating to DKK may, however, be applied.

3. Life-assurance companies and lateral pension funds (nationwide occupational pension funds) may, up to and including accounting year 2008, apply a maturity-independent discount rate as described in point 6.

4. Industrial injuries insurance companies may, up to and including accounting year 2008, apply the fixed-interest method described in point 7.

5. Maturity-dependent discount rate (yield curve)

The discount rate for insurance liabilities applying at each payment date in DKK constructed on the basis of subsequent interest series calculated on the basis of the closing middle prices/rates on the day of the statement:

- a) Zero-coupon rates with maturity of up to 30 years on the basis of the most liquid interest-rate instruments (money-market instruments, futures and interest swaps), expressed in EUR.
- b) Zero-coupon rates with maturity of up to 10 years calculated on the basis of Danish government bonds.
- c) Zero-coupon rates with maturity of up to 10 years calculated on the basis of German government bonds.

The discount rate for each date of payment should be determined as the interest rate in a) plus the spread between the rates in b) and c).

For maturities of more than 10 years, the spread between the rates in b) and c) calculated at the term of 10 years is carried forward.

For maturities of more than 30 years, the 30-year discount rate is carried forward.

For provisions regarding insurance contracts covered by taxation on yields of certain pension scheme assets, the discount rate is reduced by the tax rate in accordance with the "pensionsafkastbeskatningsloven" (act on taxation on yields of certain pension scheme assets). For other provisions, a discount rate without reduction for the tax rate should be applied.

On the Danish FSA website, a table of discount rates is published each working day that corresponds to maturities from 1- 30 years with one-year intervals, calculated on the basis of the principles stated.

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Discount rates for other maturities than those published in the table should be calculated using linear interpolation, where the weights are set on the basis of the actual number of days between the published maturities and the required maturity.

6. Discount rate independent of maturity

The discount rate independent of maturity for amounts in DKK should be set as the 10-year discount rate calculated using the method in point 5.

7. Fixed-interest method

For claims to be paid in the form of regular benefits in accordance with the Workers' Compensation Act, each future payment must be discounted at a fixed annual interest rate. The fixed annual interest rate should be no more than 2 per cent.

Companies using the fixed-interest method should set the future payments without taking account of future adjustments caused by changes in the salary-index.

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Annex 9

Five-year financial summary of financial and operating data and key ratios for undertakings that carry out life-assurance activities

The five-year review presents in schematic form financial and operating data for the accounting year as well as comparative figures for the previous four accounting years. The five-year review must, as a minimum contain the following financial and operating data:

1. Premiums.
2. Insurance benefits.
3. Investment return.
4. Total insurance operating expenses.
5. Profit or loss of ceded business.
6. Technical profit or loss.
7. Technical profit or loss of accident and sickness insurance.
8. Profit or loss for the year.
9. Total provisions for insurance and investment contracts.
10. Total equity.
11. Total assets.

The five-year financial summary should also include the following key ratios:

1. Return before tax on yields of certain pension scheme assets.
2. Return after tax on yields of certain pension scheme assets.
3. Expenses as a percentage of premiums.
4. Expenses as a percentage of provisions.
5. Expenses per insured party.
6. Profit or loss on expenses.
7. Profit or loss on insurance risk.
8. Ratio of collective bonus potential to provisions.
9. Ratio of customers' funds to provisions.
10. Ratio of owners' funds to provisions.
11. Ratio of excess solvency to provisions.
12. Solvency ratio.
13. Return on equity before tax.
14. Return on equity after tax.
15. Return on customers' funds after expenses but before tax.
16. Return on members' accounts before tax.
17. Return on subordinate loan capital before tax.
18. Return on special bonus provisions, type A before tax.
19. Return on special bonus provisions, type B before tax.

Calculation of key ratios in the five-year review

In general, the amounts and figures regarding investment contracts are included in calculations of key ratios unless the opposite is directly stated.

- 1. Key ratios for returns are calculated using the following formulae:**

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Return before tax on yields of certain pension scheme assets (N_1) =

$$\frac{A}{V^{primo} + \frac{1}{2} \sum_i C_i + \sum_j D_j \left(\frac{365 - k_j}{365} \right)}$$

If the equity has been placed in specific assets, N_1 must be supplemented by key figure N_1E which is calculated by analogue with N_1 , but based on the size of equity at 1 January and the return attributable to equity, and key figure N_1F which is calculated by analogue with N_1 , but based on V^{primo} (V at the beginning of the year) less equity at 1 January and the remaining part of the return.

Return after tax on yields of certain pension scheme assets (N_1) =

$$\frac{A - X}{V^{primo} + \frac{1}{2} \sum_i C_i + \sum_j D_j \left(\frac{365 - k_j}{365} \right)}$$

The symbols in the formulae are defined as follows:

- A** total investment return in accordance with the income statement corresponding to income statement item 2, cf. annex 3, after deduction of investment return on unit-linked contracts and plus a calculated return on owner-occupied properties, calculated applying the same principles as the return on investment properties and on the basis of a calculated market rent. That part of the net costs of owner-occupied properties based on a calculated rental income which is not included in the insurance operating costs for the year, cf. O below, should be deducted. If part of the return is entered directly to equity, cf. section 83, the investment return should be adjusted to account for this. Profits or losses of subsidiary undertakings should be included before deduction of corporation tax, irrespective of whether, as a result of joint taxation, the corporation tax of the subsidiary undertaking is entered as an expense in the parent company.
- C** receipts (or payments with negative sign) - ie. premiums, insurance benefits, costs, tax under the "pensionsafkastbeskatningsloven" (act on taxation on yields of certain pension scheme assets), as well as other tax etc. - which are considered received evenly over the accounting year. Amounts regarding investment contracts are included, while amounts regarding unit-linked contracts are not included.
- D** receipts (or payments with negative sign), cf. C above, which have the nature of large one-off receipts. Amounts regarding investment contracts are included, while amounts regarding unit-linked contracts are not included.
- V** the market value of the net assets of the undertaking after deduction of net assets linked to unit-linked contracts. That is total assets less asset item IV and liability items II, V, VI and VII, cf. annex 2.
- X** the amount charged to the income statement for tax on yields of certain pension scheme assets corresponding to income statement item 3, cf. annex 3, after deduction of the proportion of the tax attributable to unit-linked contracts.

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- k** number of days after the start of the year when the large one-off receipt or payment took place.

If, in specific circumstances, it is not reasonable to assume that regular net receipts are evenly distributed over the year, the regular receipts may be included in the formula in the same way as large one-off amounts, cf. D above, for example so that the regular net receipts are recognised daily or monthly in accordance with the actual daily/monthly net receipts. The method of calculation applied for regular net receipts must be disclosed in the financial statements.

2. Costs and income statement key ratios are calculated using the following formulae:

$$\text{Ratio of expenses to premiums}(N_3) = \frac{O}{P}$$

$$\text{Ratio of expenses to provisions}(N_4) = \frac{O}{\frac{1}{2}(H^{\text{primo}} + H^{\text{ultimo}})}$$

$$\text{Expenses per insured person}(N_5) = \frac{O}{\frac{1}{2}(F^{\text{primo}} + F^{\text{ultimo}} + Q^{\text{primo}} + Q^{\text{ultimo}} + 0,1(GP))}$$

$$\text{Profit or loss on expenses}(N_6) = \frac{T - O}{\frac{1}{2}(H^{\text{primo}} + H^{\text{ultimo}})}$$

$$\text{Profit or loss on insurance risk}(N_7) = \frac{R}{\frac{1}{2}(H^{\text{primo}} + H^{\text{ultimo}})}$$

The symbols in the formulae are defined as follows:

- F** number of insured parties with individual insurance contracts and investment contracts. The number should be disclosed in the annual report, cf. section 110(2).
- G** number of insured parties with group life contracts. The number should be disclosed in the annual report, cf. section 110(2).
- H** the sum of the retrospective provisions, cf. section 100(1), no. 9, plus provisions for unit-linked contracts corresponding to liability item 13, cf. annex 2.
- O** insurance operating costs for the year corresponding to income statement items 9.1. and 9.2., cf. annex 3, less depreciation on and operating costs of owner-occupied properties and plus calculated costs regarding owner-occupied properties based on a calculated market rent. The adjustment related to owner-occupied properties should only include that part of depreciation and operating costs arising from carrying out insurance activities.

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- P** gross premiums for the year corresponding to income statement item 1.1., cf. annex 3, plus receipts regarding investment contracts to the extent that they have not already been included in the gross premiums for the year.
- Q** number of insured parties with contracts taken out as part of an employment. The number should be disclosed in the annual report, cf. section 110(2).
- R** risk return after addition of risk bonus, cf. section 100(1), no. 8. The calculation should include unit-linked contracts.
- T** expense loadings after addition of bonus on expenses, cf. section 100(1), no. 7. The calculation should include unit-linked contracts.

3. Consolidation key ratios are calculated using the following formulae:

$$\text{Ratio of collective bonus potential to provisions}(N_8) = \frac{KB}{H_0^{ultimo}}$$

$$\text{Ratio of customers' funds to provisions}(N_9) = \frac{SB + MK}{H_0^{ultimo}}$$

$$\text{Ratio of owners' funds to provisions}(N_{10}) = \frac{EK + E}{H_0^{ultimo}}$$

$$\text{Ratio of excess solvency to provisions}(N_{11}) = \frac{BK - M}{H_0^{ultimo}}$$

$$\text{Solvency ratio}(N_{12}) = \frac{BK}{M}$$

The symbols in the formulae are defined as follows:

- BK** base capital. The amount should be disclosed in the annual report, cf. section 125
- E** subordinate loan capital, cf. liability item II, cf. annex 2
- EK** equity corresponding to liability item I, cf. annex 2
- HO** the sum of the retrospective provisions, cf. section 100(1), no. 9. The amount does not include provisions for unit-linked contracts
- KB** collective bonus potential corresponding to liability item 10, cf. annex 2
- M** capital requirement. The amount should be disclosed in the annual financial statements, cf. section 125
- MK** members' accounts

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SB special bonus provisions corresponding to liability item 12, cf. annex 2.

4. Return-rate key ratios are calculated using the following formulae:

Return on equity before tax (N_{13}) =

$$\frac{\text{profit or loss before tax}}{\frac{1}{2}(EK^{primo} + EK^{ultimo} - \sum_j K_j) + \sum_j K_j \left(\frac{365 - d_j}{365} \right) + \sum_k U_k \left(\frac{d_k}{365} \right)}$$

Return on equity after tax (N_{14}) =

$$\frac{\text{profit or loss for the year}}{\frac{1}{2}(EK^{primo} + EK^{ultimo} - \sum_j K_j) + \sum_j K_j \left(\frac{365 - d_j}{365} \right) + \sum_k U_k \left(\frac{d_k}{365} \right)}$$

Return on customers' funds after expenses but before tax (N_{15}) =

$$\frac{RT + T + R + \Delta AV + \Delta BF_{anvendt} + \Delta KB + Z}{HFI_{excl}^{primo} + \frac{1}{2} \sum_i B_i + \sum_j I_j \left(\frac{365 - k_j}{365} \right)}$$

The key ratio *Return on members' accounts before tax* (N_{16}), *Return on subordinate loan capital before tax* (N_{17}), *Return on special bonus provisions, type A before tax* (N_{18}) and *Return on special bonus provisions, type B before tax* (N_{19}) are calculated in the same way as *Return on customers' funds after expenses but before tax* (N_{15}), but the numerator is calculated as (exemplified by N_{19}):

$$SB^{ultimo} - SB^{primo} + Z - \sum_i B_i - \sum_j I_j$$

The symbols in the formulae are defined as follows:

B the total changes in provisions for insurance and investment contracts excl. provisions for unit-linked contracts as a consequence of receipts and payments (premiums and benefits). This includes changes in claims provisions, provisions for bonus and premium rebates as well as transfer to special bonus provisions

EK equity corresponding to liability item I, cf. annex 2.

HFI_{excl.}^{primo} provisions for insurance and investment contracts excl. provisions for unit-linked contracts brought forward less provisions for insurance and investment contracts without bonus rights as well as special bonus provisions

I significant receipts and payments for provisions for insurance and investment contracts excl. provisions for unit-linked contracts, with the nature of large one-off receipts or payments.

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- K** injections and withdrawals of capital
- R** risk return after addition of risk bonus, cf. section 100(1), no. 8
- RT** interest added, cf. section 100(1), no. 5
- T** expense loadings after addition of bonus on expenses, cf. section 100(1), no. 7
- U** distributions to owners
- Z** tax on yields of certain pension scheme assets related to insurance and investment contracts
- ΔAV** change in the accumulated value adjustment, cf. section 100(1), no. 2 plus no. 10
- ΔBF_{anvendt}** change in the part of bonus potential on paid-up policy benefits used to cover losses, cf. section 101(1)
- ΔKB** change in collective bonus potential, i.e. change in liability item 10, cf. annex 2
- d** number of days after the start of the year when the dividend payment, injection or withdrawal of capital, respectively, took place
- k** number of days after the start of the year when the significant receipt or payment took place

The calculation of R, RT, T, Z and ΔAV should only pertain to the life-assurance provisions and should thus not include unit-linked insurance. The calculation of the nominator should also be without the part that is transferred to special bonus provisions.

If another formula than the one mentioned above has previously been applied, the comparative figures in the five-year financial summary must be adjusted retrospectively.

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Annex 10

Five-year financial summary of financial and operating data and key ratios for undertakings that carry out non-life insurance activities

The five-year review presents in schematic form financial and operating data as well as key ratios for the accounting year as well as comparative figures for the previous four accounting years.

The five-year review must, as a minimum contain the following financial and operating data:

1. Gross premium income.
2. Gross claims paid.
3. Total insurance operating costs.
4. Profit or loss of ceded business.
5. Technical insurance profit or loss.
6. Investment return after technical interest
7. Profit or loss for the year.
8. Run-off profit or loss.
9. Total technical provisions.
10. Total insurance assets.
11. Total equity.
12. Total assets.

The five-year review should also, as a minimum, include the following key ratios:

1. Gross claims ratio.
 2. Gross expense ratio.
 3. Combined ratio.
 4. Operating ratio.
 5. Relative run-off profit/loss.
 6. Return on equity in per cent (the ratio between the profit or loss for the year and the average total equity for the year).
 7. Solvency ratio (the ratio between base capital and the capital requirement).
-

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Annex 11

Specification of assets

Specification of assets and their returns, cf. section 96.

	Carrying amount		Net investment	Return as % p.a. before tax on yields of certain pension scheme assets and corporation tax
	b/fwd	c/fwd		
1.1 Land and buildings directly owned				
1.2 Limited property companies				
1. Land and buildings, total				
2. Other subsidiary undertakings				
3.1 Listed Danish holdings				
3.2 Unlisted Danish holdings				
3.3 Listed foreign holdings				
3.4 Unlisted foreign holdings				
3. Other holdings, total				
4.1 Government bonds (Zone A)				
4.2 Mortgage-credit bonds				
4.3 Index-linked bonds				
4.4 Credit bonds, investment grade				
4.5 Credit bonds, non investment grade and emerging markets bonds				
4.6 Other bonds				
4. Bonds, total				
5. Loans secured by mortgages				
6. Other financial investment assets				

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7. Derivatives for hedging of the net change in assets and liabilities				
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Annex 12

Regulations for completion of the form in annex 11

1. Investment assets attached to unit-linked contracts are not covered by annex 11.
2. Lines in the form which only contain insignificant amounts may be added to other lines.
3. In the column "Net investment", the total amount should be stated that was spent in the accounting period to acquire items in the relevant asset group, less the amounts received from sales of items from the relevant asset group. The amount should be stated with a minus sign (-), if the amount received from sales is greater than the amount spent on acquisitions.
4. In the columns "Carrying amount", the total market value of the relevant asset group should be stated for the beginning and end of the accounting year respectively.
5. In the column "Return as % p.a. before tax on yields of certain pension scheme assets and corporation tax", the total time-weighted return in per cent should be stated to one decimal point which has been earned during the accounting period on the relevant asset group. The time-weighted return is calculated in principle using the following formula

$$r_T = \prod_{t=1}^T (1 + r_t) - 1$$

where r_T is the total time-weighted return for the period, and r_t is the returns in sub-periods ending each time a payment is made to or from the portfolio. An approximate time-weighted return can be calculated from the return in fixed sub-periods, eg. return per month or a shorter period. The method used should be disclosed with the form.

6. The returns included in the calculation of the of the percentage rate of return, cf. point 5 above, comprise both the investment return posted to the income statement and the returns posted directly to equity, cf. section 83(1), and they should be calculated before tax on yields of certain pension scheme assets, corporation tax and costs.
7. The value of investment association certificates and units in investment communities and derivatives should be included directly in the individual lines in accordance with the nature of the underlying assets, cf. however below. Investment communities include limited partnerships, partner companies and partnerships etc., which are established as a legal form of ownership for financial investments carried out jointly with other investors.

The value of currency hedging instruments may be included in line 6, cf. point 21, if the individual contract was entered into with a view to hedging/adapting the currency risk of a portfolio of several asset types. If the value of the currency hedging instruments is included in line 6, this must be disclosed separately in a note to the return form,

8. Line 1 contains the sum of the assets in line 1.1 and line 1.2.
9. Line 1.1 includes the same assets as in asset item 2. *Owner-occupied properties* and 3. *Investment properties*, cf. annex 2. For owner-occupied properties, the return must include a calculated rent.

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10. Line 1.2 includes subsidiary property companies as well as other holdings which, in practice, the undertaking considers as property investments. The rate of return for subsidiary property companies and other holdings is calculated on the basis of the profit before tax of the relevant company.

11. Line 2 includes subsidiary undertakings not included in line 1.2. The rate of return for subsidiary undertakings is calculated on the basis of the profit of the subsidiary undertakings before tax.

12. Line 3 includes holdings not included in lines 1.2 or 2. The assets should correspond to the sum of the assets included in lines 3.1-3.4.

13. Line 4 includes bonds. The assets should correspond to the sum of the assets in lines 4.1-4.6.

14. Line 4.1 includes government bonds etc. in accordance with section 162(1), nos. 1 and 2 of the Financial Business Act.

15. Line 4.2 includes mortgage-credit bonds in accordance with section 162(1), no. 3 of the Financial Business Act.

16. Line 4.3 includes index-linked bonds (government and mortgage-credit) from Zone A.

17. Line 4.4 includes credit bonds which, on the balance-sheet date, have achieved a rating by a recognised rating undertaking corresponding to no less than investment grade.

18. Line 4.5 includes credit bonds which, on the balance-sheet date, have not achieved a rating by a recognised rating undertaking corresponding to no less than investment grade, and emerging markets bonds, including government bonds not included in line 4.1.

19. Line 4.6 includes other bonds to the extent that they cannot be included in lines 4.1 to 4.5.

20. Line 5 includes the same assets as in asset item *5.5 Loans secured by mortgages* on the balance-sheet format, cf. annex 2.

21. Line 6 includes investment assets, including reinsurance custody accounts not included in the previous lines. Furthermore, line 6 includes balance sheet asset item *V. Total amounts receivable*, cf. annex 2, and asset item *VI. Total other assets*, cf. annex 2, in the event that these are assets that provide a return, eg. interest-bearing demand deposits. Finally, line 6 may include the value of currency hedging instruments, cf. point 7.

22. Line 7 includes derivatives if the instruments have been acquired with a view to hedging the net change of assets and liabilities. Examples of derivatives are CMS Floors, swaptions and interest-rate swaps.

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Annex 13

Breakdown of holdings, including holdings in investment associations

Holdings as a percentage broken down by sectors and regions, cf. section 97.

	Denmark	Rest of Europe	North America	South America	Japan	Rest of Far East	Other countries	Not broken down	Total
Energy Sector									
Materials Sector									
Industrials Sector									
Consumer Discretionary Sector									
Consumer Staples Sector									
Health Care Sector									
Financials Sector									
Information Technology Sector									
Telecommunications Services Sector									
Utilities Sector									
Not broken down									
Total									

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Annex 14

Regulations for completion of the form in annex 13

1. The division by sector is based on the sectors used by the Copenhagen Stock Exchange. Holdings that are not listed on the Copenhagen Stock Exchange are entered in the relevant category.
 2. The values of investment association certificates and derivatives are entered in the individual lines in accordance with the nature of the underlying assets. If the sector of the underlying assets is not known, they are entered under "Not broken down".
 3. Entry of a holding under a region should be based on the country of registration of the company in which a holding is held. If the country of registration of the underlying asset is not known, it should be entered under "Not broken down".
 4. "Rest of Europe" comprises the following countries: other EU countries as well as Iceland, Norway and Switzerland.
 5. "North America" comprises the following countries: Canada, USA and Mexico.
 6. "South America" comprises the following countries: Argentina, Brazil, Chile, Colombia, Peru, Paraguay, Uruguay, Ecuador, Bolivia and Venezuela.
 7. "Rest of Far East" comprises the following countries: Hong Kong, China, Singapore, Indonesia, Philippines, Korea, Malaysia, Taiwan and Thailand.
 8. "Other countries" comprises all other countries.
-

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Annex 15

Form for sensitivity information for undertakings that carry out life-assurance activities

Event	Minimum influence on base capital	Maximum influence on collective bonus potential	Maximum influence on bonus potential on paid-up policy benefits before change in applied bonus potential on paid-up policy benefits	Maximum influence on applied bonus potential on paid-up policy benefits
Interest rate increase of 0.7 percentage points				
Interest rate decrease of 0.7 percentage points				
Share price drop of 12 per cent				
Property price drop of 8 per cent				
Currency risk (VaR 99.5 per cent)				
Loss on counterparties of 8 per cent				
Drop in mortality rate of 10 per cent				
Increase in mortality rate of 10 per cent				
Increase in invalidity rate of 10 per cent				

The form should be completed in accordance with the guidelines on reports on the effects of risks to be submitted to the Danish FSA by undertakings.

In the column for "Minimum influence on base capital", the overall effect of the relevant event on base capital after calculating the overall effect of the event on assets and liabilities should be stated. A reduction in the base capital should be stated using the minus (-) sign.

In the column for "Maximum influence on collective bonus potential", the corresponding total influence of the event on the collective bonus potential should be stated. A reduction in collective bonus potential should be stated using the minus (-) sign. If the event entails that the collective bonus potential is fully used, any further effect must be stated in the relevant columns as an increase in applied bonus potential on paid-up policy benefits or as a reduction

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in base capital according to circumstances. An increase of applied bonus potential on paid-up policy benefits should be stated using the minus (-) sign.

In the column for " Maximum influence on bonus potential on paid-up policy benefits before change in applied bonus potential on paid-up policy benefits", the change in bonus potential on paid-up policy benefits as a consequence of the relevant event's effect on the value of the guaranteed paid-up policy benefits before change in applied bonus potential on paid-up policy benefits should be stated. A reduction in the bonus potential on paid-up policy benefits should be stated using the minus (-) sign. If the event entails that the bonus potential on paid-up policy benefits is fully used, any further effect must be stated in the relevant columns as a reduction in the collective bonus potential or the base capital according to circumstances.

The division of an event's influence on bonus potentials and base capital should be made in accordance with the regulations on division of realised results which the undertaking has reported to the Danish FSA. If the regulations for division of realised results reported by the undertaking allow for different options in the division, the option should be chosen in the

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calculation which is most favourable for the size of the base capital within the framework of the regulations reported.

The influence of the individual events in the form should be calculated on the basis of an all-else-being-equal assumption on the closing balance sheet included in the financial statements. It is assumed that the individual events take place immediately - and not over time - so that any additional interest on equity (risk payment) does not influence the distribution.

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Annex 16

Form for sensitivity information for undertakings that carry out non-life insurance activities

Event	Influence on equity
Interest rate increase of 0.7 percentage points	
Interest rate decrease of 0.7 percentage points	
Share price drop of 12 per cent	
Property price drop of 8 per cent	
Currency risk (VaR 99.5)	
Loss on counterparties of 8 per cent	

The form should be completed in accordance with the guidelines on reports on the effects of risks to be submitted to the Danish FSA by undertakings.

In the column for "Influence on equity", the overall effect of the relevant event on equity after calculating the overall effect of the event on assets and liabilities should be stated.

The influence of the individual events in the form should be calculated on the basis of an all-else-being-equal assumption on the closing balance sheet included in the financial statements. It is assumed that the individual events take place immediately - and not over time.

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Links to EC and EEC directives, cf. note 1

[Directive 1991/674/EEC](#) Celex no. 31991L0674

[Directive 2002/83/EC](#) Celex no. 32002L0083

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