

Translation by Danske Bank of a letter dated 29 November 2012 from the Danish Financial Supervisory Authority. In case of discrepancies the Danish version prevails.

## **Statement on inspection at Forsikringselskabet Danica, Skadesforsikringsaktieselskab**

### **1. Introduction**

In August and September 2012, the Danish Financial Supervisory Authority inspected Forsikringselskabet Danica, Skadesforsikringsaktieselskab ("Danica Skade").

The inspection was an ordinary inspection to review all the company's major areas in terms of risk and focusing on the areas with the largest risk.

The inspection covered the following areas:

- The work of the board of directors and the executive board
- The investment area
- The insurance area, including actuarial matters
- The solvency need
- It

### **2. Summary and risk assessment**

Danica Skade is a wholly-owned subsidiary of Danske Bank. Danica Skade's main activity is owning Danica Pension, Livsforsikringsaktieselskab.

Danica Skade offers health insurance, insurance promoting health and insurance against critical illness to customers of Danica Pension, Livsforsikringsaktieselskab.

In mid-2012, Danica Skade calculated its solvency need at DKK 887 million. Danica Skade's actual solvency (capital base) was DKK 9.9 billion in mid-2012, resulting in a solvency ratio of 11.2.

As regards the solvency need, the Danish FSA gave Danica Skade risk information about the capital plan, informing Danica Skade that the board of directors should require more reporting on the effect of Solvency II on the total capital need and on the capital contingency plan where the board of directors should assess the effect of the individual initiatives and the possibility of implementing the initiatives.

The Danish FSA found that the anchoring in the board of directors of the work on the solvency need reflects that the solvency need is not used in the ongoing risk management.

As regards the investment area, the board of directors was ordered to lay down the conditions for allowing the executive board to operate outside the limits set out by the guidelines. Finally, the Danish FSA gave Danica Skade risk information about the need to make a decision about concentration risk on bonds and shares.

As regards the outsourcing agreement entered into with Danske Capital about portfolio management, the Danish FSA ordered Danica Skade to define the reporting requirements as part of the agreement.