

Annual Report 2022

Norli Pension Livsforsikring A/S

Tuborg Boulevard 3, 2900 Hellerup

Reg.No.: 29 63 78 73

Reviewed and approved at the Annual General Meeting, April 28, 2023

Chairman of the Annual General Meeting

A handwritten signature in blue ink, appearing to read "Gode Danne".

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Management review

5-year highlights

TDKK	2022	2021	2020	2019	2018
Life insurance premiums	16,078	18,236	22,059	25,730	26,226
Claims and benefits	-285,470	-315,721	-355,409	-421,831	-425,731
Return on investment	-384,558	-84,916	160,315	181,679	51,459
Total operating expenses relating to insurance	-19,453	-20,651	-21,230	-20,055	-26,302
Profit on ceded business	-1,289	-52	3,553	3,846	-3,734
Technical result	5,608	34,909	-3,449	-42,557	13,909
Net profit/(loss) for the year	-31,684	13,900	17,083	-8,524	126,858
Total provisions for insurance and investment contracts	2,155,081	2,796,744	3,220,373	3,435,851	3,656,143
Total equity	376,900	558,584	544,684	527,602	536,126
Total assets	3,425,054	3,969,602	4,472,549	4,734,190	4,266,287

Key figures

Rate of return related to average interest rate products	%	-16.5	-3.3	5.5	6.2	1.6
Expense ratio on provisions	%	0.8	0.7	0.6	0.6	0.9
Expenses per insured	dkk.	1,748	1,699	1,612	1,397	2,133
Return on equity after tax	%	-7.6	2.5	3.2	-1.6	27.9
Solvency coverage ratio	%	264	323	229	229	236

The key ratios are calculated in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order No. 937 of 27 July 2015 on financial reports for insurance companies including later amendments

Norli Pension Livsforsikring A/S 2022

The business model of Norli Pension Livsforsikring A/S ("Norli Pension" or "the Company") is to acquire portfolios of guaranteed pension policies in run-off or to take over the risk associated with these portfolios through alternative risk transfer arrangements. The Company does not accept new individual customers.

In contrast to previous years the solvency capital requirement as well as own funds is calculated by use of stochastic modelling. The model is a result of a three-year project emanating from an enforcement order issued by the Danish Supervisory Authority in 2020 to almost all life and pension companies in Denmark. Due to lack of buffers, the impact of stochastic modelling by year end 2022 was negligible for Norli Pension.

The Company has applied to the Norwegian Financial Supervisory Authority to establish a Norwegian life insurance subsidiary in order to allow for establishment in the Norwegian market, where an interest to divest pension portfolios has been observed. The Company is awaiting regulatory approval for the establishment.

2022 saw the invasion of Ukraine by Russia, which has affected the world economics. Thus, in 2022 inflation increased which has led central banks to increase interest rates. Further credit spreads have widened leading to losses across the different asset classes. The negative development in financial markets has affected the result of the company negatively. Hence, the company realised a negative result in 2022 of DKK -32m after tax. However, due to the Company's prudent investment strategy, aiming to protect the funding of its obligations, the Company managed to maintain a high and stable solvency ratio throughout the year. This even though the company paid out a dividend of DKK 150m in 2022.

The negative result is in itself not satisfactory, however it should be observed in context with the adverse development of the financial markets, the large observed decrease of the volatility adjustment and the fact that no new portfolios were added in 2022.

Financial performance for the year

Norli Pension's pre-tax result amounts to DKK -35m for 2022 compared to DKK 18m for 2021. Net result stands at DKK -32m for 2022 compared to DKK 14m for 2021.

According to the Danish contribution rules the net result can be split as follows

DKK'm	2022	2021
Interest rate result	-26	26
Insurance result	9	-10
Other income / expenses	0	-2
Shareholders' investment result	-18	4
Income tax	3	-4
Profit/loss for the year after tax	-32	14

Insurance result is comprised by risk and expense result

As can be seen from the table above the company realised a large negative interest rate result for 2022 while the insurance result was positive.

The main contributors to the negative interest rate result were the decrease in volatility adjustment and the widening of credit spreads.

The insurance result consists of a positive risk result of DKK 19m, which primarily is driven by a positive result regarding disability, and is negatively influenced by a cost result of DKK -10m.

The negative shareholder investment result of DKK -18m is driven by the increase in risk premia during the year.

The income tax is affected negatively by DKK -4m due an effect on the deferred taxes related to the special tax on financial companies which will be introduced from 2023.

Comments on the income statement and balance sheet

The investment return for 2022 net of related expenses amounted to DKK -388m after pension investment return tax and including the result of hedging activities.

The negative return both reflects the impact of increasing interest rates during the year as the Company fully hedges the interest rate risk of its liabilities as well as increasing risk premia.

Expenses directly attributable to shareholders are displayed in other income / expenses.

In 2022, gross premiums amounted to DKK 16m against DKK 18m in 2021. Gross premiums decreased by 12%, which is expected for a portfolio in run-off.

Benefits paid amounted to DKK 285m in 2022, down 10% compared to 2021.

Insurance operating expenses for 2022 amounted to DKK 19.5m, down 6% compared to DKK 20.7m in 2021.

The balance sheet decreased from DKK 3,970m at year-end 2021 to DKK 3,425m for the reporting year. Provisions for insurance and investment contracts totalled DKK 2,155m at year-end 2022 against DKK 2,797m in 2021. The decrease is larger than expected for the current portfolio and is due to increasing interest rates.

Shareholders' equity amounted to DKK 377m at year-end 2022 compared to DKK 559m in 2021. The decrease is due to a payment of dividends of DKK 150m during 2022 and the negative result for the year.

Alternative presentation of results

In addition to the standard split of the result above Norli Pension provides an alternative presentation where changes in market values are allocated according to the source inflicting the changes. In addition, update of market value parameters and changes in risk margin affects the insurance result as opposed to the interest result and other expenses does not include health and group life insurance. The alternative presentation is presented in the Table below.

DKK'm	2022	2021
Interest rate result	-60	48
Insurance result	27	-28
Other expenses	-2	-3
Income tax	3	-4
Profit/loss for the year after tax	-32	14

Solvency statement and capital requirement

As of 31 December 2022, the solvency ratio was 264%, which is a decrease from 323% at 31 December 2021. The main reason for the drop is the dividend distribution of DKK 150m.

The change in valuation methodology for liabilities for solvency purposes has had a minor impact on the loss absorption capacity of technical provisions and therefore on the calculation of the solvency requirement.

Relative to the capital requirement the Company continues to have a substantial excess capital. The Company will continuously seek to optimize the capital level and capital structure of the Company.

The Company calculates the solvency requirement and solvency ratio in accordance with the Solvency II rules. To determine its risk exposure, the Company uses the Solvency II standard formula.

Norli Pension	31.12.2022	31.12.2021
Solvency according to the Solvency II rules		
Own funds	389	559
Solvency requirement	147	173
Excess capital base relative to solvency requirement	242	386

		2022	2021	2020	2019	2018
Solvency ratio	%	264	323	229	229	236

Financial and insurance related risks

Sensitivity analyses prepared according to financial regulation are published in "Rapport om solvens og finansiel situation" on the Company web page (<https://norlipension.dk/om-os/regnskaber/>).

Risk management

Risk management is an integrated part of Norli Pensions business. To ensure the best possible risk management system, roles and responsibilities are clearly defined. The Board of Directors determines the appropriate level of risk exposure on an aggregated level. The risk profile is described in the risk strategy and quantified in policies and guidelines approved by the Board of Directors. The CEO of Norli Pension manages risks in every aspect under the guidelines and other instructions given by the Board. This responsibility includes the management of risks as well as the implementation and management of an effective internal system of control. The CEO has established a risk management function and has appointed a fit and proper key person in charge of the function. The risk management function develops and maintains the risk management system and ensures that all risks are identified, reported and managed.

To ensure a solid foundation for risk management, control and overall compliance, the Company maintains two central committees: a Risk and Compliance Committee (RCK) and a Financial Risk Committee (FRK). The first committee, RCK, meets four times a year and identifies and assess risks within the Company business areas. The assessment is performed by the person responsible for the business area together with the risk and compliance functions and in full cooperation with the internal audit function. The committee assesses changes in regulation, incidents, and appropriateness of the internal system of control. The second committee, FRK, monitors financial risks and risks with a substantial financial impact. The committee also oversees reporting done by a subcommittee, the Credit Risk and Valuation Committee. The FRK reports regularly to the Board of Directors of its assessments.

Financial Risks

The financial risks of Norli Pension are mainly related to uncertainty in the asset-liability matching, i. e. the uncertainty

in the development of the value of the Company's investment assets relative to the development of the value of its liabilities. The Company hedges the financial risks of its liabilities using financial instruments.

Monitoring and management of financial risks were a continued focus area in 2022. On the asset side, the focus was on monitoring and management of the impact of the post Covid-19 pandemic, the rise in inflation and the war in Ukraine and its consequences on the investment assets. On the ALM side, the focus was on the management of the impact of changes in the level of interest rates and the volatility adjustment.

The credit risk of the investment portfolio was moderately reduced due to redemptions of credit assets that were not fully re-invested during the year.

Risks regarding benefits and expenses

Norli Pension is exposed to the risk associated with the *uncertainty of the future benefits and administration expenses*. Examples of the risks associated with the future benefits includes an increase in the number of claims related to disability and a change in lapsation. For the administration expenses the risk stems from the situation where the realized administration expenses turn out to be higher than expected.

Norli Pension's expectations to future benefits and expenses are embedded in the provisions. The provisions are based on biometric assumptions, as well as policyholder behaviour and expense assumptions. An analysis of the assumptions is performed at least once a year.

Norli Pension has a reinsurance program that protects the Company against large single claims as well as multiple claims due to a single event.

Norli Pension is subject to Danish rules concerning contribution under which the Company makes sure, that no systemic redistribution of funds among policyholders occurs. The policyholders in Norli Pension are divided into interest groups. Within each group the average technical interest rate per policy can differ by no more than one percentage point. Furthermore, the policies are segmented in groups regarding insurance risk as well as expenses.

Investments

Development in Financial Markets

The main driver of the development in the financial markets in 2022 was the tightening of global financial conditions due to the increase in inflation and the Russian invasion of Ukraine which together caused an increase in risk premia and volatility in financial markets.

Because of the combined expansionary monetary and fiscal policy during the Covid-19 pandemic, inflation in the Eurozone, the US and many other countries was already significantly above target at the end of 2021. In the beginning of 2022, the major central banks started preparing financial markets for a withdrawal of the previous years' expansionary monetary policy and subsequently hiked monetary policy rates at an unprecedented speed and scale. In anticipation of this, market interest rates increased from the beginning of the year. Long-term swap interest rates in Denmark and the Eurozone increased by around 2.90 percentage points while US swap rates increased by around 2.20 percentage points.

The tightening of the global financial conditions caused significant decreases in the values of both high-quality bonds and risky assets such as corporate bonds and stocks. The level of European investment grade credit spreads increased by 0.25-0.50 percentage points and high yield credit spreads increased by 1.50-2.00 percentage points. The value of European respectively US stocks decreased 10-15 percent respectively 20 percent. In addition, the tightening of financial conditions caused a significant increase in realised and implied volatility in financial markets during the year.

The credit spread of AAA-rated Danish mortgage bonds also increased significantly due to market volatility. However, because of the effects of changing borrower preferences on the rebalancing of the relevant mortgage bond index, the level of the Danish volatility adjustment decreased significantly from 0.47 percentage points at the beginning of the year to 0.15 percentage points at the end of the year.

Overall, the development in financial markets contributed negatively to the returns of the Company's investment assets

while the consequence of increasing interest rates was a negative return on interest rate derivatives and high-quality bonds which was offset by decreases in the market value of its pension liabilities. In addition, the development in the volatility adjustment contributed negatively to the return of the Company.

Investment Policy

The management of the investment portfolio and the overall asset allocation of Norli Pension is governed by policies issued by the Board of Directors. In addition, the Board of Directors of Norli Pension has issued a policy for responsible investments to ensure that the Company takes environmental, social and governance aspects into account in connection with its investment activities and complies with current legislation.

Investment strategy and return

The objective of the Company's investment strategy is generally for the investment portfolio to achieve a return that is consistent with the development in its obligations towards its policyholders. Interest rate hedging is applied to ensure that life insurance provisions are hedged against interest rate fluctuations. The investment portfolio is primarily invested in high-quality bonds with low credit risk and credit assets while the interest rate risk is managed with interest rate derivatives.

In 2022, Norli Pension's total investment return including the effect of hedging activities was -13.42% respectively -12.04% (gross respectively net of investment-related expenses and pension investment returns tax).

The contribution to the return of bonds and credit assets was 0.66% while the contribution of the hedging of interest rate risk of the Company's liabilities (high-quality bonds and interest rate derivatives) was -11.38%.

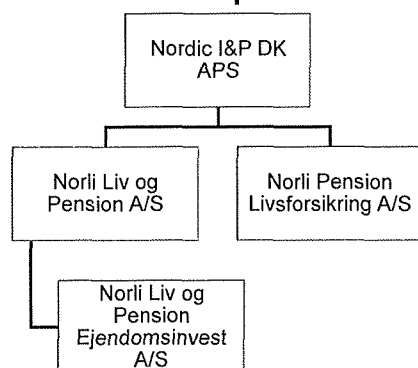
Norli Pension intends to continue to use financial instruments to hedge financial risks.

The table below shows the interrelationship between the investment return and the interest rate on policyholders' savings. It illustrates how the deposit interest rate arises from the investment return and the accompanying adjustments, payments and transfers:

Investment return compared to customers savings	Interest rate on customers' savings
Investment return before pension investment return tax and before investment expenses, relative to policyholders' savings	-19.9%
Investment expenses	-0.5%
Pension return tax	2,8%
Equalization of negative individual bonus accounts	-3,2%
Adjustment of provision excluding retrospective provisions	19,5%
Transfers to/from shareholders	1,3%
Deposit interest rate after guaranteed payment	0%

Organisation

Nordic I&P DK Group



Nordic I&P DK ApS owns Norli Pension. The voting rights in Nordic I&P DK ApS are held by Thomas Vinge Hansen. The financial interest in Nordic I&P DK ApS is held by the ultimate beneficial owners Thomas Vinge Hansen (65.76%), Alfred Ganther (11.41%), Urs Wietlisbach (11.41%) and Marcel Erni (11.41%)

Norli Pension outsources all operational insurance activities, the actuarial function and the risk management function to its outsourcing partner, Forca A/S. In 2022 Norli Pension outsourced the internal audit function to KPMG.

Furthermore, Norli Pension has outsourced the management of its portfolio of mortgage bonds to an external asset manager.

Management and employees

At the end of 2022, Norli Pension had 9 fulltime employees and 2 part time employees. Most of the full-time employees also hold positions in other group companies.

Norli Pension has approved a bonus program and a remuneration policy. The bonus program applies to certain key persons and the management. The bonus program is compliant with market standards.

The remuneration policy is established by the Board of Directors and afterwards approved by the Annual Meeting. The remuneration policy applies to the Board of Directors, the management and to employees, if the activity performed by the employees have a significant influence on the risk profile of Norli Pension, i.e. significant risk takers, including employees in control functions. For the management applies that the variable pay may constitute up to 50% of the basic pay including pension contribution. For significant risk takers the variable pay may constitute up to 100% of the basic pay including pension contribution. It also applies that as a minimum 50% of the variable pay must consist of subordinated debt. For the management the payment of 40% of variable pay must be postponed for a four year period, for significant risk takers the duration of the postponement of the 40% is three years. However, if the variable pay to a significant

risk taker exceeds a certain amount, 60% of the variable pay must be postponed for a three-year period.

Gender composition of the Board of Directors and management

For the time being, the gender composition of Board of Directors causes a representation of 33% of the underrepresented gender. It is the intention of Norli Pension to maintain this composition.

The management consists of only one member, and therefore Norli Pension cannot obtain a gender diversity on the management level.

Board of Directors

Until the annual general meeting, held on 28 April 2022 the Board of Directors was composed of Mads G. Jakobsen, Marianne Philip, Tore B. Ellingsen, Nina Christensen and Henrik Bernhardt. After the annual general meeting, the Board of Directors was composed of Mads G. Jakobsen, Marianne Philip and Nina Christensen. Mads G. Jakobsen is appointed chairman of the Board of Directors, while Marianne Philip is appointed deputy chairman.

All members of the Board of Directors are elected every year on the ordinary annual meeting, and all current members of the Board of Directors are independent.

During 2022 the Board of Directors has held 10 board meetings. Four of these meetings were ordinary meetings, the remaining meetings were extraordinary meetings.

The Board of Directors have considered the qualifications and skills necessary for the Board of Directors in relation to the business plan of Norli Pension, and the assessment is that the Board of Directors meets these qualifications and skills.

Audit and Risk Committee

Until the annual general meeting, held on 28 April 2022, the Audit and Risk Committee was composed of Tore B. Ellingsen, Nina Christensen and Henrik Bernhardt. Tore B. Ellingsen was appointed chairman of the Audit and Risk Committee. Nina Christensen was appointed deputy chairman of the Audit and Risk Committee. After the annual general meeting, the Audit and Risk Committee was composed of Nina Christensen, Mads G. Jakobsen and Marianne Philip. Nina Christensen is chairman of the Audit and Risk Committee.

In accordance with the legislation, at least one member of the audit committee must be independent of the company and must have skills within the area of accounting or auditing. The Board of Directors has appointed Nina Christensen, who is independent of the Norli Pension. Nina Christensen has held several positions with connection to life insurance business in numerous companies. In addition, she is also engaged in several start-ups. Nina Christensen has through these positions obtained qualifications which qualifies her to submit accounts in financial companies.

The main tasks of the Audit and Risk Committee is to report to the Board of Directors on the result of the statutory audit, to supervise the financial reporting process, to supervise the internal audit reporting and the risk reporting in order to ensure the effectiveness hereof in relation to the financial reporting, to ensure and supervise the independence of the statutory auditors and to be responsible for the procedure of electing and nominating the statutory auditors.

Meetings are held in the Audit and Risk Committee prior to ordinary board meetings in Q1, Q2 and Q4. The agenda of the Audit and Risk Committee meetings follows the plan adopted by the Board of Directors.

During 2022 a majority of members of the Audit and Risk Committee have attended all meetings.

Corporate social responsibility

Due to the legal requirements stated in Executive order of financial reporting by insurance companies paragraph 132, the company reports its policy and procedures in relation to CSR and climate.

The company has a Policy for Corporate Responsibility (CR-Policy) which can be found on the company website at: <https://www.norlipension.dk/om-os/sadan-arbejder-vi-ii/cr/>

According to policy, Corporate Responsibility is an integrated part of Norli Pension's activities and the policy includes principles for running the business. The company is run showing respect for people, society and the environment, the company complies with all relevant regulation and try to accommodate all legal and ethical expectations put forward by clients, stakeholders and society.

The CR policy is a guide to make the company focus on and be aware of the well-being of the employees. Therefore it was possible for the employees in 2022 to work from home when advantageous.

The CR-Policy also requires the company to reduce negative impact on the environment. Norli Pension is therefore content that in 2022 its landlord of the company premises has reduced CO2 emissions through the establishment of solar panels on the roof.

The pensions industry and the rest of the financial sector continues to have Anti Money Laundry as a top priority. In accordance with the CR and AML policies the company is putting effort into reducing crime in society through the continued effort to improve the company's Anti Money Laundry policies and processes. As a pension service provider, Norli Pension can be exploited by criminals intending to launder money or by criminals trying to employ money for illicit purposes. However, AML risk is considered low due to fact that no new insurance policies can be established in Norli Pension. The biggest concern is therefore the pay-outs, and thus Norli Pension only makes pay-outs to its customers' Nem-konto, unless the customer in questions has provided

Norli Pension with sufficient evidence of why payments should be made to a different account.

The CR and AML policies require Norli Pension to consider AML when making investments, and Norli Pension does comply with all AML- requirements provided by counterparties, for instance banks and investment managers. By meeting all these requirements, Norli Pension supports the on-going work of the authorities to prevent AML and CTF. In accordance with regulation and company policies any suspicious activities are reported to the police without delay.

Norli Pension has a "Policy for Responsible Investments" that describes the approach approved by Norli Pension Board to align its investment principles and processes with international conventions and declarations on human rights, responsible climate action, children rights, etc.

Norli Pension will observe fundamental human rights such as United Nation's Universal Declaration on Human Rights, which Denmark has undertaken to comply with, in all aspects of business administration, product management, client relationships and investment processes. Furthermore, Norli Pension will observe the principles in UN Global Compact, The OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child and the United Nations Framework Convention on Climate Change (Paris Agreement).

These conventions and guidelines are the foundation for the Policy on Responsible Investments, which lays out principles and guidelines for the day-to-day management of the company investment assets.

In the current financial period, there has not been identified any human rights violations, as a result of the company's activities.

Climate reporting

Norli Pension has a comprehensive risk assessment and risk management system which in addition to the quantitative risks captured in the Solvency Capital Requirement (SCR) using the Standard Formula, identifies and includes other emerging risks and risks otherwise excluded from the SCR. In this respect there has been a growing risk of future losses from the effects of climate changes.

Norli Pension is actively investigating the potential impacts on the company. Given the business model, climate risk is presently assessed as being non-material during the strategic planning period. Norli Pension is actively screening all of its investment assets against a list of specific industries and types of activity that the Company wants to limit its exposure to. The "Policy for Responsible Investments" is available to the public on the corporate website, where the company declares itself according to SFDR 2019/2088 art 4.1.b).

The Company assesses at least annually the degree of exposure to sustainability risk, including the impact of climate changes. The assessment is focusing on the investment

assets and specifically the investment categories of Equities, Government and Mortgage Bonds, Corporate Credit, Credit to Infrastructure, Real Estate Financing and Real Estate. The assessments are based primarily on the maturity of the investments and diversification of collateral, which for all categories is considered to contribute to a low overall risk of material adverse impact on investment performance. In addition to this, the company is considering the potential impact of climate changes to the assumptions underlying the liabilities.

In addition to the above, most investments are of a long-term nature and managed by external managers through investment management agreements entered into in the period 2018-2022. The company's credit investments mainly consist of debt issued by unlisted companies with limited public information on overall sustainability. Consequently, the company has limited abilities in way of reducing the climate footprint of the investments. The potential benefits of estimating the marginal CO₂-footprint are deemed insignificant and gained with a high relative cost. The company does therefore not estimate nor disclose CO₂-footprint as otherwise proposed by the standard from Insurance & Pension Denmark on climate reporting. When the financial markets mature in terms of more readily available sustainability data, the company will reconsider this approach.

A positive result of the approach settled in the Policy on Responsible Investments is that today the Investment portfolio is less exposed to negative climate risk. It is the company assessment that this risk reduction has been achieved without any reduction in expected future investment return.

Data Ethics

Due to the legal requirements stated in Executive order of financial reporting by insurance companies paragraph 132d, the company reports its policy and procedures in relation to data ethics.

During 2022, the Board of Directors has renewed their prior approval of a policy regarding Data and Data Ethics.

Further, the Audit and Risk Committee has had a continued and strong focus on data and the protections thereof and it has been a topic for numerous discussions.

Since June 2022, on every ordinary board meeting the Board of Directors has been informed of any GDPR breach committed by either the company itself or its outsourcing partner. In 2022, 3 GDPR breaches have occurred. It is on the same level as in 2021 and 2020, however it is the intention of the management, that even fewer breaches should occur in 2023.

The Data and Data Ethics Policy establishes the framework for working with data, which includes the management and the administration of the collected data.

Overall, all data must be treated legally, with fairness and in accordance with transparency. This means the collected data

are not used for purposes other than mentioned in connection with the collection. Furthermore, only required data are collected to fulfil the requirements in relation to data minimizing. The collected data must further be correct and always up to date and must not be kept for longer than the purposes require. Finally, the collected data must be managed with integrity and confidentiality.

It is the responsibility of management to make sure that all employees of Norli Pension follow the requirements. Furthermore, as Forca is taking care of the greatest part of the management of the data (all customer related data), the management is also responsible to ensure that Forca follows the requirements of Norli Pension.

Forca has appointed a coordinator responsible for questions in relation to data ethics. Forca has furthermore established an assessment form according to which all new projects as well an alteration to existing projects must be assessed in relation to data ethics prior to commencement. By establishing the assessment form, it is the intention that working with data ethics shall become an integral part of every-day work.

For Norli Pension it is important to emphasise that data are to be seen as a valuable asset for the company, whether the data concern policyholders or employees. Therefore, it is important that both policyholders and employees trust that Norli Pension manage the data in accordance with best data management practice, a practice which evolves from time to time. This includes among others the right to insight, the right to have data corrected, the right to data portability and the duty of Norli Pension to make sure that data are deleted in accordance with the regulation for deleting data.

Norli Pension will continue the work with data ethics, and Norli Pension will make sure that data ethics are included in the decision process when taking decisions in relation to policyholders and employees.

Events subsequent to 31 December 2022

No events have occurred between 31 December 2022 and the date of the signing of this financial statement that, in the opinion of the management, will materially affect Norli Pensions financial position.

Outlook for 2023

Norli Pension's insurance portfolio is in run-off, so the premiums and provisions related to the current insurance portfolio are expected to decrease.

In addition to the current portfolio in Denmark Norli Pension awaits regulatory approval for the establishment of a Norwegian life insurance subsidiary in order to serve the observed demand in the Norwegian market.

On the investment side the Company expects to retain the current credit exposure which is expected to contribute positively to the interest rate result.

The Company expects the result for 2023 around DKK 10m. The positive result is driven by an increased risk free rate and increased credit spreads as well as a relatively low level of volatility adjustment.

Directorships and executive positions

Board of Directors

Mads Guttorm Jakobsen

	Directorships within Nordic I&P DK Group	Directorships outside Nordic I&P DK Group
Chairman	Nordic I&P DK ApS Norli Liv og Pension Livsforsikring A/S	Fondsmæglerselskabet SRV Capital A/S Risika A/S PP Capital A/S and PP Capital Holding A/S Commute ApS
Board member		Hotel Ride ApS

Marianne Philip

	Directorships within Nordic I&P DK Group	Directorships outside Nordic I&P DK Group
Chairman		Gerda og Victor B. Strands Fond Nordea Invest Nordea Invest Engros Nordea Invest Kommune Nordea Invest Bolig Copenhagen Capacity, Fonden til markedsføring og erhvervsfremme i Region Hovedstaden Bestyrelsesforeningens Center for Cyberkompetencer A/S Komitéen for god Fondsledelse BioInnovation Institute Fonden and BII Holding A/S
Deputy chairman	Norli Liv og Pension Livsforsikring A/S	Bitten og Mads Clausens Fond LIFE Fonden and LIFE A/S Nordea Funds OY Novo Nordisk Fonden
Board member	Nordic I&P DK ApS	Brenntag Nordic A/S, Aktieselskabet af 1. januar 1987 Kirsten og Peter Bangs Fond Axcelfuture
Partner		Kromann Reumert and Adj. Professor

Nina Christensen

	Directorships within Nordic I&P DK Group	Directorships outside Nordic I&P DK Group
Board member	Nordic I&P DK ApS Norli Liv og Pension Livsforsikring A/S	FPension A/S
CEO		Utilis Consult

Management Board

Mikkel Hindkær Dahl

	Directorships within Nordic I&P DK Group	Directorships outside Nordic I&P DK Group
Chairman		Norli Pensjon AS
CEO	Nordic I&P DK ApS	

Company information

Registration

Name	Address	Main phone
Norli Pension Livsforsikring A/S	Tuborg Boulevard 3 DK - 2900 Hellerup	+45 70 12 12 24
Company reg. no (CVR)	Municipality	e-mail
29 63 78 73	Gentofte	norlipension@norlipension.dk
		Webpage
		www.norlipension.dk

Board of Directors

Mads Guttorm Jakobsen Chairman	Marianne Philip Deputy chairman	Nina Christensen
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Management

Mikkel Hindkær Dahl
CEO

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Shareholder

Norli Pension Livsforsikring A/S is a
100% owned subsidiary of Nordic I&P
DK ApS

Statement by the Management Board and the Board of Directors

The Board of Directors and the management have today considered and approved the financial report for the financial year 1 January – 31 December 2022 regarding Norli Pension Livsforsikring A/S.

The financial report is presented in accordance with the Danish Financial Business Act.

It is the opinion of the Board of Directors and the management, that the financial statements give a true and fair view of the financial position of Norli Pension at 31 December 2022 and

of its financial performance for the financial year 1 January – 31 December 2022. It is also the opinion of the Board of Directors and the management, that the management's review gives a true and fair view of the development in Norli Pension's activities and financial position and describes the major risks and uncertainties which Norli Pension is facing.

The financial report is presented for the annual general meeting for adoption.

Management Board

Copenhagen, 28 March 2023

Mikkel Hindkær Dahl
Chief Executive Officer

Board of Directors

Copenhagen, 28 March 2023

Mads Guttorm Jakobsen
Chairman

Marianne Philip
Deputy chairman

Nina Christensen

Independent auditor's report

To the shareholders of Norli Pension Livsforsikring A/S

Opinion

We have audited the financial statements of Norli Pension Livsforsikring A/S for the financial year 1 January – 31 December 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Norli Pension Livsforsikring A/S on 28 April 2022 for the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements as a whole.

Key audit matters

How our audit addressed the key audit matter

Measurement of provisions for insurance and investment contracts

The Company's provisions for insurance and investment contracts amounts to a total of DKK 2,155 million at 31 December 2022.

The measurement of provisions for insurance and investment contracts is a key audit matter in the audit as Management exercise significant estimates and judgements in connection with:

- Choice of methods, models and data
- Determination of assumptions for the measurement of provisions for insurance and investment contracts requires Management to apply complex judgements about future events.

Reference is made to note 7 to the financial statements for a specification of provisions for insurance and investment contracts and to note 26 for Management's description of risks, uncertainties and estimates made in respect of provisions for insurance and investment contracts as well as note 1 for a description of the accounting policies.

Our audit procedures performed in cooperation with our actuarial specialists included:

- Assessment of design and test of effectiveness of key controls in the processes over actuarial models, data and analysis, including the assumptions-setting processes.
- Comparison of methods and assumptions used with generally accepted actuarial standards, historical development and market practice, particularly regarding mortality rates, disability and reactivation assumptions.
- Test of accuracy and completeness of underlying data on a sample basis as well as review of actuarial calculations and models.
- Assessment and analyses of the development in provisions for insurance and investment contracts and changes to the models applied and assumptions used compared with prior year as well as the development in industry standards and market practice.

Furthermore, we assessed whether the disclosures relating to risks and uncertainties in respect of provisions made meet the relevant accounting rules.

Measurement of unlisted investments

The Company's unlisted investments, including real estate, amounts to DKK 634 million at 31 December 2022 and consists of investments measured at fair value, where significant inputs are unobservable (level 3).

The measurement of unlisted investments is a key audit matter in the audit as Management exercise significant estimates and judgements in connection with:

- Choice of methods, models and data
- Determination of assumptions for the measurement of unlisted investments including assessment of future cash flows and required rate of return.

Reference is made to note 25 to the financial statements for a specification of unlisted investments, to note 26 for Management's description of risks, uncertainties and estimates made and to note 1 for a description of the accounting policies.

Our audit procedures performed on management's measurement of unlisted investments include:

- Assessment of the methods and models applied based on type of investment, our industry knowledge and experience.
- Test of accuracy and completeness of underlying data on a sample basis.
- Assessment of key assumptions and testing of underlying documentation on a sample basis.

Furthermore, we assessed whether the disclosures relating to risks and uncertainties in respect of measurement of unlisted investments meet the relevant accounting rules.

Statement on the Management's review

Management is responsible for the Management' review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements of the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

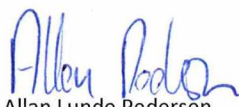
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats and safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Copenhagen, 28 March 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632



Allan Lunde Pedersen
State Authorised
Public Accountant
mne34495

Financial statements

Income statement & Other comprehensive income

Note	TDKK	2022	2021
2	Gross premiums	16,078	18,236
3	Ceded insurance premiums	-1,631	-1,152
	Total premiums, net of reinsurance	14,448	17,084
	Income from group enterprises	-3	-15
4	Interest income and dividends, etc.	55,687	61,785
5	Value adjustments	-486,934	-147,620
	Interest expenses	-1,506	-2,237
	Administrative expenses related to investment activities	-10,873	-14,015
	Total investment return	-443,630	-102,102
	Tax on pension returns	59,071	17,185
6	Claims and benefits paid	-285,470	-315,721
3	Reinsurers' share received	3,524	12,004
	Total claims and benefits, net of reinsurance	-281,947	-303,717
7	Change in life insurance provisions	641,658	423,623
3.8	Change in reinsurers' share	-3,182	-10,904
	Total change in life insurance provisions, net of reinsurance	638,477	412,719
	Change in profit margin	0	0
	Administrative expenses	-19,453	-20,651
9	Total insurance operating expenses, net of reinsurance	-19,453	-20,651
	Transferred investment return	38,642	14,391
	TECHNICAL RESULTAT	5,608	34,909
10	Technical result of health and accident insurance	-33	-191
	Shareholders' investment return	-38,618	-14,387
11	Other expenses	-2,003	-2,510
	PROFIT BEFORE TAX	-35,046	17,822
12	Tax	3,362	-3,922
	NET PROFIT FOR THE YEAR	-31,684	13,900
	NET PROFIT FOR THE YEAR	-31,684	13,900
	NET COMPREHENSIVE INCOME FOR THE YEAR	-31,684	13,900

Balance sheet

Assets

Note	TDKK	2022	2021
13	Intangible assets	0	0
	Investments in group enterprises	27	30
	Total investments in group enterprises	27	30
	Investment funds	90,335	100,530
	Bonds	1,642,855	2,705,097
	Equity investments	602,766	376,712
	Deposits with credit institutions	358,029	63,319
	Derivative financial instruments	513,345	277,083
	Total other financial investment assets	3,207,330	3,522,740
	TOTAL INVESTMENT ASSETS	3,207,357	3,522,770
8	Life insurance provisions, reinsurers' share	7,281	10,463
	Total technical provisions, reinsurer' share	7,281	10,463
	Receivables from policyholders	15	7
	Receivables from insurance companies	7,975	7,389
	Receivables from group companies	397	0
	Other receivables	12,736	304,570
	TOTAL RECEIVABLES	21,122	311,966
	Current tax assets	0	6,130
	Current tax assets on pensions returns	115,699	44,714
	Cash and cash equivalents	30,479	32,794
14	Deffered tax assets	1,240	0
	TOTAL OTHER ASSETS	147,417	83,638
	Accrued interest and rent	34,494	32,563
	Other prepayments and accrued income	7,382	8,203
	TOTAL PREPAYMENTS AND ACCRUED INCOME	41,876	40,766
	TOTAL ASSETS	3,425,054	3,969,602

Liabilities and equity

Not e	TDKK	2022	2021
15	Share capital	90,008	90,008
16	Profit carried forward	286,892	468,576
17	TOTAL SHAREHOLDERS EQUITY	376,900	558,584
7	Life insurance provisions	2,154,949	2,796,608
	Provisions for claims	122	125
	Risk margin on non-life insurance contracts	10	11
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	2,155,081	2,796,744
14	Deferred tax liabilities	0	2,121
	TOTAL PROVISIONS FOR LIABILITIES	0	2,121
	Amounts owed direct insurance	449	258
	Amounts owed to credit institutions	86,414	176,274
	Derivative financial instruments	766,422	113,363
	Current tax liabilities	1,355	1,430
	Other debt	26,613	311,166
18	TOTAL DEBTS	881,254	602,491
	ACCRUALS AND DEFERRED INCOME	11,818	9,662
	TOTAL LIABILITIES AND EQUITY	3,425,054	3,969,602
19	Contractual obligations, collateral and contingent liabilities		
20	Information in accordance with the provisions of the Danish Financial Business Act paragraph 78		
21	Related parties		
22	Financial highlights		
23	Breakdown of assets and returns		
24	Financial instruments at fair value		
25	Fair value hierarchy for financial instruments		
26	Risk management		

Statement of Capital

TDKK	Share capital	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2020	90,008	454,677	0	544,685
Other comprehensive income		13,900	0	13,900
Shareholders' equity at 31 December 2021	90,008	468,577	0	558,585
Dividend paid		-150,000		-150,000
Other comprehensive income		-31,684	0	-31,684
Shareholders' equity at 31 December 2022	90,008	286,892	0	376,900

Capital base	31.12.2022	31.12.2021
Shareholders' equity	376,900	558,584
Capital base	376,900	558,584

Notes

Note 1 Significant accounting policies

General

The financial statements of Norli Pension Livsforsikring A/S are presented in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

Significant accounting policies are unchanged compared to the 2021 annual report, except for "Accrued interest on debt" which is reclassified from "Other debt" to "Accruals and deferred income". "Total liabilities and equity" is unchanged.

The Company does not prepare consolidated financial statement since the subsidiary is immaterial and does not have any activity.

Change in accounting estimates

For the calculation of life insurance provisions for 2022, the Danish Financial Supervisory Authority's updated longevity benchmark has been used, where both the observed present mortality rate and the expected improvements in longevity were updated compared to the 2021 assumptions. The benchmark update for the year has resulted in a drop in life expectancy which has resulted in a decrease in guaranteed benefits of approximately DKK 2m.

Further updates of market value assumptions have contributed to a decrease in guaranteed benefits of approximately DKK 9m. The primary drivers of the change stems from assumptions regarding disability, mortality and expenses.

Significant accounting estimates and judgments

Managements estimates and judgments of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the financial statements. The estimates and judgments that are deemed to be most critical to the consolidated financial statements are:

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

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts are measured in accordance with the rules of the Danish executive order on financial reports presented by insurance companies. Calculations of liabilities under insurance contracts are based on a number of actuarial computations that rely on assumptions about a number of variables, including mortality and disability rates.

Insurance liabilities are calculated by discounting the expected future benefits to their present values. For life insurance, the expected future benefits are based on

expected future mortality rates and frequency of early release of pensions and conversions into paid-up policies. For health and accident insurance, the insurance obligations are calculated on the basis of expected future recoveries and re-openings of old claims. Estimates of future mortality rates are based on the Danish FSA's benchmark.

Fair value measurement of unlisted financial instruments

Unlisted investments are valued on the basis of reporting and other information from the individual company and observable market data of companies with a similar risk profile. Unlisted funds are valued on the basis of valuations received from the fund manager, other reporting received from the fund manager, information from other sources and/or observable market data of assets with a similar risk profile.

Unlisted instruments are measured at fair value on the balance sheet date.

Fair value measurement of financial instruments

Critical estimates are not used for measuring the fair value of financial instruments where the value is based on prices quoted in an active market or on generally accepted models employing observable market data.

Measurements of financial instruments that are only to a limited extent based on observable market data are subject to estimates. This includes the measurement of certain listed shareholdings and certain bonds for which there is no active market. See Financial investment assets below for a more detailed description.

Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incidental to acquiring and bringing to use the specific software. The costs are amortised based on an estimated economic lifetime, usually 3-5 years. The amortisation basis is reduced by any impairment and write-downs.

General principles of recognition and measurement

Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the Company, and the value of such assets can be measured reliably.

Liabilities are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost, with the exception of financial assets, which are recognised at fair value. Measurement after initial recognition is affected as described below for each item. Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the statement

of financial position date are considered at recognition and measurement.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement unless otherwise described below.

Currency

The presentation currency of the financial statements is Danish kroner, which is the functional currency of Norli Pension.

Transactions in foreign currency are translated at the exchange rate of the unit's functional currency at the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date.

Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Contribution

In accordance with the Executive Order on the Contribution Principle, the Danish FSA has been notified of Norli Pensions profit policy. The portfolio of Norli is divided into 15 interest rate groups, two risk groups and to cost groups.

In addition, the portfolio also includes a group of policyholders without the right to bonus, which is excluded from contribution.

Within each interest rate group, any losses are absorbed collectively by that group's collective bonus potential, individual bonus potentials and the profit margin, before any shareholders' equity is required to cover such losses. Any losses on risk and cost groups not absorbed by the collective bonus potential of the individual groups are to be covered by shareholders' equity.

INCOME STATEMENT

Life insurance premiums

Regular and single premiums on insurance contracts are included in the income statement at the due dates. Reinsurance premiums paid are deducted from premiums received.

Return on investment

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

Market value adjustments comprise realised and unrealised gains and losses and exchange rate adjustments on investment assets and hedging instruments. The amount is stated net in the income statement.

Interest expenses comprise interest on loans and other amounts due.

Administrative expenses related to investment activities comprise portfolio management fees to investment managers,

direct trading costs, custody fees and own expenses related to the administration of and advisory services on investment assets.

Tax on investment returns ("PAL")

Tax on pension returns consists of individual tax on pension returns, calculated on the interest accrued on policyholders' savings, and non-allocated tax on pension returns, calculated on amounts allocated to the collective bonus potential, and the like. Tax on pension returns is calculated on a gross basis and charged at a rate of 15.3%.

Claims and benefits

Claims and benefits, net of reinsurance comprises the claims and benefits paid on insurance contracts for the year, net of the reinsurers share.

Change in life insurance provisions

Change in life insurance provisions, net of reinsurance comprises the change for the year in gross life insurance provisions less the reinsurers' share, excluding premiums and benefits regarding investment contracts.

Operating expenses relating to insurance activities

Administrative expenses cover accrued expenses related to insurance operations.

The allocation of administration expenses on life insurance and health and accident insurance is made applying activity-based allocation models.

The Company's insurance administration is handled by Forca A/S.

Transferred return on investment

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

Health and accident insurance

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

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

Total gross claims are calculated net of reinsurance.

For the health and accident business, the profit margin is determined independently of the life insurance business and on the basis of the contract periods of the health and accident business. For the health and accident business, there is no expectation of future earnings in the contract periods, and the profit margin is therefore nil. If the contracts are deemed to

become loss-making within the guaranteed contract periods, provision is made for such losses.

Other expenses

Encompasses of expenses regarding acquisition of new Norwegian portfolios.

Taxation

Calculated current and deferred tax on the profit for the year before tax and adjustments of tax charges for previous years are recognised in the income statement. Income tax for the year is recognised in the income statement in accordance with the tax laws in force in the countries in which Norli Pension operates.

BALANCE SHEET

Intangible assets

Intangible assets are recognised in the balance sheet at cost after the deduction of accumulated amortisation and accumulated impairment losses. Amortisation is made in accordance with the straight-line method over the expected useful life, which is between 3 and 5 years.

The costs attributable to maintaining intangible assets are recognized as an expense in the year that they are incurred.

Financial investment assets

Purchases and sales of financial instruments are recognised and measured at fair value at the settlement date, which usually equals cost. Fair value adjustments of unsettled financial instruments are recognised from the trading date to the settlement date. On recognition, financial investment assets are classified as financial assets at fair value through profit or loss.

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

If a financial instrument is quoted in a market that is not active, the measurement is based on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. If no active market exists for standard and simple financial instruments such as interest rate and currency swaps and unlisted bonds, fair value is calculated on the basis of generally accepted valuation techniques and market-based parameters.

The item "Other" comprises derivatives with positive fair values, while derivatives with negative fair values are recognised in the item "Other debt".

Unsettled trades on the balance sheet date are recognised in the item "Other debt" or "Other receivables".

Receivables

Receivables is measured at fair value, which usually corresponds to the nominal value less any write-down to provide for losses.

Accruals and deferred income

Receivable interest relates to accrued bond yields and derivative financial instruments. Other prepayments and accrued income include expenses incurred relating to subsequent financial years.

Provisions for insurance and investment contracts

The life insurance provisions consist of the elements Guaranteed benefits, Individual bonus potential, Collective bonus potential and Risk margin.

Guaranteed benefits comprise obligations to pay guaranteed benefits to policyholders. Guaranteed benefits are calculated as the present value of the current guaranteed benefits plus the present value of expected future administrative expenses.

The market value is calculated by discounting the individual payments at an interest rate calculated by the European Supervisory Authority EIOPA with a volatility adjustment reduced by the pension return tax. Guaranteed benefits contain an estimated amount to cover future insurance benefits, which arise from insurance events that occurred in the financial year, but which had not yet been reported on the balance sheet date.

Individual bonus potentials comprise obligations to pay bonuses over time. Individual bonus potential is calculated for the portfolio of insurance policies with bonus entitlement as the difference between the value of the policyholder's savings and the present value of guaranteed benefits under the policy. The profit margin is also deducted. The bonus potential cannot be negative.

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

The risk margin is the amount expected to be payable in the market to an acquirer of the policy in return for that party assuming the risk that the costs of meeting the payment obligations under the policy deviate from the present value of the best estimate of the cash flows made during the life time of the policy. The risk margin is obtained as far as possible from the insurance's individual or collective bonus potential - or alternatively the capital base.

Profit margin

Profit margin amounts to the calculated present value of the expected future profit in the remaining term of contract for the life insurance and investment contracts concluded.

Deferred tax

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

under Deferred tax assets and Deferred tax liabilities on the basis of current tax rates.

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

Debt

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

Key ratios

The key ratios are prepared in accordance with the provisions of the executive order on financial reports for life insurance companies.

Other

The amounts in the report are disclosed in whole numbers of TDKK, unless otherwise stated. The amounts have been rounded and consequently the sum of the rounded amounts and totals may differ slightly.

Note	TDKK	2022	2021
2	Gross premiums		
	Regular premiums	16,078	18,236
	Total directs insurance	16,078	18,236
	Insurance taken out individually	14,105	15,934
	Insurance taken out in connection with employment	1,973	2,301
	Total	16,078	18,236
	<i>Premiums, direct insurance, broken down by bonus arrangement</i>		
	With profit insurance	16,078	18,236
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	15,988	18,110
	Other EU countries	73	96
	Other countries	18	30
	Total	16,078	18,236
	<i>Number of insured, direct insurance (1,000):</i>		
	Insurance taken out individually	9,076	9,806
	Insurance taken out in connection with employment	1,633	1,748
	Total	10,709	11,554
3	Result of reinsurance		
	Ceded reinsurance premiums	-1,631	-1,152
	Reinsurance share of claims and benefits received	3,524	12,004
	Change in reinsurance share of life insurance provisions	-3,182	-10,904
	Total	-1,289	-52
4	Interest and dividends		
	Interest income and dividends, etc.	55,687	61,785
	Total	55,687	61,785
5	Value adjustments		
	Bonds	-149,165	-32,843
	Investment funds	-10,195	1,195
	Equity investments	14,952	5,321
	Other	-342,526	-121,294
	Total	-486,934	-147,620

Note	TDKK	2022	2021
6	Claims and benefits paid		
	Insurance amounts on death	-10,859	-9,556
	Insurance amounts on expiry	-51,180	-49,798
	Insurance amounts on disablement	0	-437
	Retirement benefits and annuities	-144,218	-157,268
	Surrender values	-79,213	-98,662
	Total	-285,470	-315,721
7	Life insurance provisions		
	Life insurance provisions, beginning of year	2,796,608	3,220,231
	Collective bonus potential at 1. January	-10,546	-140
	Value adjustment beginning of year	-578,548	-769,901
	Retrospective provisions, beginning of year	2,207,514	2,450,190
	Gross premiums	16,078	18,236
	Interests	66,423	65,504
	Insurance benefits	-287,299	-316,192
	Expense loading	-7,164	-7,648
	Risk result	-32,395	-15,257
	Elimination of negative bonus losses	9,430	12,681
	Retrospective provisions, end of year	1,972,586	2,207,514
	Value adjustment end of year	224,913	578,548
	Loss absorption in individual bonus potential end of year	-44,513	0
	Profit margin end of year	0	0
	Collective bonus potential end of year	1,964	10,546
	Life insurance provisions, end of year	2,154,950	2,796,608
	Change in life insurance provisions	641,658	423,623
	Guaranteed benefits	2,130,921	2,751,880
	Individual bonus potential	777	0
	Collective bonus potential	1,964	10,546
	Risk margin	21,288	34,182
	Life insurance provisions, end of year	2,154,949	2,796,608

Note	TDKK	2022	2021
7	Life insurance provisions (continued)		
	Distribution of technical provisions by interest groups for the insurance portfolio covered by the Executive Order on the Contribution Principle		
	Interest rate group 0		
	Guaranteed benefits	19,641	19,987
	Individual bonus potential	0	0
	Collective bonus potential	29	0
	Risk margin	256	300
	Interest rate group 1		
	Guaranteed benefits	126,837	163,791
	Individual bonus potential	777	0
	Collective bonus potential	193	0
	Risk margin	1,746	2,789
	Interest rate group 2		
	Guaranteed benefits	237,615	310,586
	Individual bonus potential	0	0
	Collective bonus potential	353	0
	Risk margin	2,141	2,897
	Interest rate group 3		
	Guaranteed benefits	286,455	365,229
	Individual bonus potential	0	0
	Collective bonus potential	423	0
	Risk margin	2,088	3,503
	Interest rate group 4		
	Guaranteed benefits	540,825	713,894
	Individual bonus potential	0	0
	Collective bonus potential	802	10,403
	Risk margin	6,210	3,574
	Interest rate group 5		
	Guaranteed benefits	9,095	11,413
	Individual bonus potential	0	0
	Collective bonus potential	14	0
	Risk margin	503	765
	Interest rate group 6		
	Guaranteed benefits	225	263
	Individual bonus potential	0	0
	Collective bonus potential	0	0
	Risk margin	16	23

Note	TDKK	2022	2021
7	Life insurance provisions (continued)		
	Interest rate group 7		
	Guaranteed benefits	416	542
	Individual bonus potential	0	0
	Collective bonus potential	1	0
	Risk margin	34	45
	Interest rate group 8		
	Guaranteed benefits	1,782	2,258
	Individual bonus potential	0	0
	Collective bonus potential	3	0
	Risk margin	57	91
	Interest rate group 9		
	Guaranteed benefits	1,006	1,136
	Individual bonus potential	0	0
	Collective bonus potential	2	0
	Risk margin	69	92
	Interest rate group 10		
	Guaranteed benefits	104	141
	Individual bonus potential	0	0
	Collective bonus potential	18	18
	Risk margin	0	1
	Interest rate group 12		
	Guaranteed benefits	7	14
	Individual bonus potential	0	0
	Collective bonus potential	7	5
	Risk margin	0	0
	Interest rate group 13		
	Guaranteed benefits	7	6
	Individual bonus potential	0	0
	Collective bonus potential	118	120
	Risk margin	0	0
	Interest rate group 14		
	Guaranteed benefits	7	6
	Individual bonus potential	0	0
	Collective bonus potential	0	0
	Risk margin	1	1

Note	TDKK	2022	2021
7	Life insurance provisions (continued)		
	Interest rate group 1B		
	Guaranteed benefits	888,791	1,139,980
	Individual bonus potential	0	0
	Collective bonus potential	0	0
	Risk margin	6,981	18,391
	Distribution of technical provisions by interest groups for the insurance portfolio covered by the Executive Order on the Contribution Principle		
	Life annuities without bonus		
	Guaranteed benefits	18,109	22,633
	Individual bonus potential	0	0
	Collective bonus potential	0	0
	Risk margin	1,187	1,709
	Rate of return in interest rate groups is -16,5%		
	Bonus ratios in interest rate groups are 0%		
8	Life insurance provisions, reinsurers' share		
	Life insurance provisions, reinsurers' share, beginning of year	10,462	21,367
	Change in reinsurers' share	-3,182	-10,904
	Life insurance provisions, reinsurers' share end of year	7,281	10,462

Note	TDKK	2022	2021
9	Insurance operating expenses, net of reinsurance		
	<i>Fees to the audit firm appointed by the general meeting</i>		
	Fees to EY/Deloitte		
	Statutory audit of financial statements	-443	-314
	Other assurance engagements	-145	-73
	Tax advisory services	0	-138
	Other services	0	-48
	Total	-589	-572

The fees for other services than statutory audit for 2022 consists of various declaration tasks.

Staff costs

Salaries	-12,157	-9,334
Pensions	-1,984	-1,515
Other social security and tax	-2,180	-1,723
Transferred administrative costs	6,407	-
Total staff expenses	-9,914	-12,572

Average number of full-time-equivalent employees during the year	9	7
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The company's administration is mainly handled by Forca A/S.

All the company's pension plans are defined contribution plans. Such payments are expensed as incurred.

Remuneration to the Management Board, the Board of Directors and the significant risk takers

Salary, pension and remuneration for the Management Board and the Board of Directors	-5,293	-4,906
Number of members of Management Board and Board of Directors	5	6
Salary, pension and remuneration for the significant risk takers – fixed part	-3,347	-4,575
Salary, pension and remuneration for the significant risk takers – variable part	-375	-1,013
Number of material risk takers during the year	4	3

The employment contracts comply with the statutory requirements that came into force at 1 January 2011 for agreements on variable remuneration in financial enterprises.

A more detailed description of the remuneration policy and remuneration for the financial year is available at the website: www.norlipension.dk.

To the extent that a member of the Board of Directors is remunerated, this is done with a fixed fee. Remuneration with variable salary components is not used.

In accordance with legislation the company has appointed a number of employees as significant risk takers (in addition to the Management Board) whose activities have a significant impact on the company's risk profile.

Information on salaries and remuneration for the Management Board, the Board of Directors and significant risk takers can be found on the company's website (www.norlipension.dk).

Note	TDKK	2022	2021
10	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	298	308
	Total	298	308
	Technical interest	0	0
	Claims paid	-122	-153
	Change in claims provisions	4	6
	Change in risk margin	0	1
	Total	-118	-146
	Administrative expenses	-189	-349
	Insurance operating costs, net of reinsurance	-189	-349
	Technical result	-9	-187
	Return on investments	-24	-4
	Technical result of health and accident insurance	-33	-191
	Claims paid		
	Number of policies	131	141
	Number of claims	1	1
	Average amount of claims DKK	121,879	152,577
	Claims frequency	1%	1%
	Run-off previous years, net of reinsurance	125	131
	Financial highlights		
	Gross premiums	298	308
	Claims paid	-118	-146
	Insurance operating costs, net of reinsurance	-189	-349
	Technical result	-9	-187
	Total return on investment after insurance technical interest	-24	-4
	Run-off previous years, net of reinsurance	125	131
	Total provisions for insurance contracts	132	136
	Key ratios		
	Gross claims ratio	40	47
	Gross expense ratio	64	113
	Combined ratio	103	161
	Operating ratio	103	161
	Relative run-off gains/losses	100%	100%
11	Other expenses		
	Other expenses encompasses expenses regarding expansion to Norway	-2,003	-2,510

Note	TDKK	2022	2021
12	Tax		
	Adjustment of prior-year deferred tax	-317	0
	Change of provision for deferred tax	3,679	-3,922
	Total	3,362	-3,922
	Effective tax rate		
	Tax on accounting profit/loss	22.0	22.0
	Change in valuation of deferred tax assets due the special tax on financial companies from 2023	-12.4	0.0
	Total	9.6	22.0
	Taxes paid during the financial year	0	-6,130
13	Intangible assets		
	Cost, beginning of year	4,771	4,771
	Cost, end of year	4,771	4,771
	Impairment and amortisation charges, beginning of year	-4,771	-4,055
	Amortisation during the year	0	-716
	Impairment and amortisation charges, end of year	-4,771	-4,771
	Carrying amount, end of year	0	0
14	Deferred tax		
	Deferred tax broken down on main items:		
	Current tax assets on pensions returns	-26,214	-6,564
	Value of tax losses carried forward	27,454	4,443
	Total	1,240	-2,121
15	Share capital		
	Share capital beginning of the year	90,008	90,008
	Share capital, end of year	90,008	90,008
	The share capital is made up of		
	90.008 shares of 1.000 kr.	90,008	90,008
	Total	90,008	90,008
	All shares carry the same rights; there is thus only one class of shares		
16	Profit carried forward		
	Profit carried forward beginning of the year	468,577	454,677
	Dividend paid	-150,000	0
	Profit/loss for the year	-31,684	13,900
	Total	286,892	468,577

Note	TDKK	2022	2021
17	Shareholders' equity		
	Shareholders' equity, beginning of the year	558,585	544,685
	Profit/(loss) for the year	-31,684	13,900
	Shareholders' equity, end of year	376,900	558,585
	Capital base	376,900	558,585
	Technical basis		
	Interest rate groups total	-133,295	41,110
	Risk groups	20,989	4,298
	Cost groups	-9,000	-12,842
	Total realised results	-121,305	32,567
	Distribution to customers		
	Interest rate groups total	-89,998	11,893
	Risk groups	1,820	0
	Cost groups	1,270	1,803
	Total distribution to customers	-86,908	13,696
	Distribution to equity via the income statement		
	Interest rate groups total	-43,296	29,218
	Risk groups	19,169	4,298
	Cost groups	-10,270	-14,645
	Shareholders' share of the realised results	-34,698	18,871

Norli Pensions reported contribution principle states, that the equity is assigned its part of the realized result and a risk payment, that for the year 2022 amounts to 1.72 percent.

For 2022 the realized result prior to bonus amounted to TDKK -121,305 of which TDKK -89,998 is assigned to the policy holders and payment of Danish pension tax and TDKK of -34,698 is covered by the shareholders' equity. The target for payment to the shareholders' equity was TDKK -5,021.

As a result of sufficient negative realized results in the interest groups, the outlay account regarding the financial result has increased by TDKK 20,991.

Outlay account regarding risk is reduced by TDKK 3,907 following a positive result, whereas outlay account regarding cost has increased by TDKK 12,107 following negative results.

Note	TDKK	2022	2021
17	Shareholders' equity (continued)		
	The lack of income on the return on shareholders' equity has arisen from the calculation made on the basis of the contribution methods reported to the Danish FSA.		
	Outlay account (loss coverage from 2016 and onward)		
	Beginning of year	192,472	205,264
	Transfer	0	0
	From negative realized results	19,777	-5,162
	Writedowns due to surrender	-8,634	-7,630
	Total	203,615	192,472
	The main reason behind the expectation of paying 0 TDKK of on the shadow account, is due to no expectation of future earnings as reported to the Danish FSA as part of the risk return.		
	Outlay account from 2016 divided into Ccontribution groups		
	Interest rate group 0	20,202	16,499
	Interest rate group 1	25,155	28,085
	Interest rate group 2	8,378	6,266
	Interest rate group 3	24,179	23,121
	Interest rate group 4	13,790	0
	Interest rate group 5	1,246	1,152
	Interest rate group 6	72	58
	Interest rate group 7	137	124
	Interest rate group 8	72	97
	Interest rate group 9	267	168
	Interest rate group 14	86	85
	Interest rate group 1B	20,941	18,622
	Risk group A	0	10,975
	Risk group B	287	5,293
	Cost groups A	76,938	69,628
	Cost groups B	11,865	12,301
	Total	203,615	192,472
	Collective bonus potential split among the contribution groups		
	Interest rate group 4	0	10,403
	Interest rate group 10	18	18
	Interest rate group 12	7	5
	Interest rate group 13	118	120
	Risk group A	1,820	0
	Total	1,964	10,546
18	Debt		
	Due 1 year or less	115,499	489,984
	Due 1-5 years	154,252	19,442
	Due more than 5 years	611,503	93,065
	Total	881,254	602,491

Note	TDKK	2022	2021
19	Contractual obligations, collateral and contingent liabilities		
	The company has a contingent liability related to post-payment of VAT for the years 2020-2022 calculated according to the most restrictive interpretation of Skattestyrelsens previous announcements in the area. The amount is calculated without interest.	2,600	3,000
	Norli Pension Livsforsikringselskab A/S has registered the following assets as having been held as security for the life insurance provisions.		
	Investment funds	90,335	100,530
	Bonds	1,626,310	2,690,209
	Equity investments	492,344	70,703
	Deposits with credit institutions	16,933	11
	Cash and cash equivalents	29,519	0
	Interest and rent receivable	5,880	10,956
	Reinsurance contracts	7,281	10,463
	Total	2,268,604	2,882,872

The Company has total investment commitments 643.4m of DKK of which DKK 361.1m have been drawn.

Details on pledges of the Company's assets in favour of counterparties in derivative agreements are provided in note 24.

20 Information in accordance with the provisions of the Danish Financial Business Act § 78

In accordance with the provisions of the Danish Financial Business Act § 78, It is stated that the company has no commitments with or collateral for the Executive Board and the Board of Directors in addition to ordinary insurance agreements.

21 Related parties

Norli Pension Livsforsikring A/S is a wholly owned subsidiary of Nordic I&P DK ApS, Tuborg Boulevard 3, 2900 Hellerup, which exercises a controlling influence on the company, and in which the company is included as a subsidiary in the consolidated financial statements.

Related parties comprise:

- (a) Nordic I&P DK ApS, Tuborg Boulevard 3, DK-2900 Hellerup
- (b) Norli Liv og Pension Livsforsikring A/S, Midtermolen 1, DK-2100 Copenhagen Ø
- (c) Norli Liv og Pension Ejendomsinvest A/S, Midtermolen 1, DK-2100 Copenhagen Ø
- (d) Members of the Management Bord and Board of Directors

The Nordic I&P DK ApS Group maintains cross-cutting functions that solve joint administrative tasks for the group's companies. The consideration paid for this administrative function is determined on an arm's length basis or, where there is no specific market, on a cost-recovery basis.

Financial relations, Nordic I&P DK ApS

Administration fee for the year	1,098	0
Interest expenses for the year	-371	0
Payables at year-end	371	0

Financial relations, Norli Liv og Pension Livsforsikring A/S

Administration fee for the year	5,309	0
Receivables at year-end	768	0

22 Financial highlights

Please refer to page 2

Note

23 Breakdown of assets and returns

TDKK

	Carrying amount		Return % p.a. before tax
	beginning of year	end of year	
1. Investment property	0	0	0.00%
2.1 Equity investment	0	0	0.00%
2.2 Unlisted investments	30	27	0.00%
2. Total	30	27	
3.1 Government and mortgage bonds	2,689,835	1,538,757	-5.5%
3.2 Index-linked bonds	0	0	
3.3 Credit bonds and emerging market bonds	126,910	200,302	-11.8%
3.4 Loans	376,712	602,766	4.8%
3. Total	3,193,456	2,341,825	-4.05%
4. Equity investments in associates	0	0	0.00%
5. Other	408,079	409,630	0.00%
6. Derivatives	175,524	-236,158	-

The note has been prepared on the basis of a review of the company's assets, which is why there is no immediate connection to the amounts in the balance sheet.

Note

24 Financial instruments at fair value

Norli Pension Livsforsikring A/S uses financial instruments to manage interest rate risks. In addition, interest rate derivatives are used to hedge benefit guarantees and foreign exchange derivatives are used to hedge the exchange rate risk of assets denominated in foreign currency.

Collateral agreements have been made regarding financial instruments. In this connection, collateral in the form of cash and bonds of DKKM 105.7 has been received. And given collateral amounts to DKKM 339.8 in form of cash.

TDKK	2022		
	Expiry	Principal	Carrying amount
Swaps	2022	951,312	14,219
Swaps	2023-2028	5,822,944	32,939
Swaps	2028-2033	2,383,352	-210,489
Swaps	2034-	2,329,422	-90,075
CDS	2023-2028	70,398	-2,023
CDS	2023-2028	70,398	2,023
Forward exchange contracts	2023	572,604	329
Total		12,200,431	-253,078

TDKK	2021		
	Expiry	Principal	Carrying amount
Swaptioner	2022	2,603,159	7,960
Swaptioner	2022	371,880	-770
Swaps	2022	706,572	352
Swaps	2022-2027	4,734,691	27,523
Swaps	2027-2032	2,063,867	6,130
Swaps	2033-	2,294,822	122,554
CDS	2022-2027	70,409	-6,927
CDS	2022-2027	70,409	6,927
Forward exchange contracts	2022	453,693	-30
Total		13,369,502	163,720

Note

25 Fair value hierarchy for financial instruments

	Quoted market prices		Observable input		Non-observable Input		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Assets								
Investment funds	-	-	90.335	100.530	-	-	90.335	100.530
Bonds	1276.224	2.567.167	337.191	111.605	29.440	26.325	1642.855	2.705.097
Equity investments	-	-	-	-	602.793	376.741	602.793	376.741
Deposits with credit institutions	358.029	63.319	-	-	-	-	358.029	63.319
Other lendings	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	511.321	270.155	2.023	6.927	513.345	277.083
Total	1.634.253	2.630.486	938.847	482.291	634.256	409.994	3.207.357	3.522.770
Debt								
Amounts owed to credit institutions	-86.414	-176.274	-	-	-	-	-86.414	-176.274
Derivative financial instruments	-	-	-764.399	-106.436	-2.023	-6.927	-766.422	-113.363
Total	-86.414	-176.274	-764.399	-106.436	-2.023	-6.927	-852.837	-289.638

Financial instruments measured at fair value in the statement of financial position on the basis of non-observable input:

	Equity invest-ments	Bonds	Other lendings	Derivative financial instruments
Carrying amount at 1 January	376.741	26.325	-	-
Value adjustments	14.949	-2.169	-	-
Additions	-	-	-	-
Purchases / Sales net	211.102	5.284	-	0
End of year	602.793	29.440	-	-

Note 26 Capital and Risk Management

Objectives

The objective of risk management in Norli Pension is to ensure that the risks assumed at any given time are identified, measured, reported and managed and that they are in accordance with the written policies and guidelines and thereby within the boundaries for the risk profile as defined in the overall risk strategy.

The Company will seek to obtain the investment return required to meet its obligations, while at the same time reduce market risks for both shareholders and policyholders. Policyholders will assume some risk where possible – in particular investment risks - shareholders will bear the residual risk.

The risk profile is managed with a specific target to maintain comfortable buffers relative to regulatory and economic minimum requirements throughout the strategic planning period.

Risk management system

The risk management framework of the company complies with the rules set forth in EU Solvency II regulation (EU directive and delegated regulation) as well as Danish prudential regulation.

The Board have approved a range of policies and guidelines that govern the risk management practices and risk exposure for all of the areas of risk in the company. The most relevant policies under the umbrella of the overall Risk Management Policy covers the following areas: Investments, Asset Valuations, Insurance Risks and Valuation, Outsourcing, ORSA, Operational Risk, Credit Risk and Non-Financial Credit. The policies covering the System of Control in the company are: Internal Controls, Internal Audit and Compliance. Based on the business model and risk strategy of the company the Board have determined business and financial targets for underwriting, solvency, insurance and investment risks for the planning period.

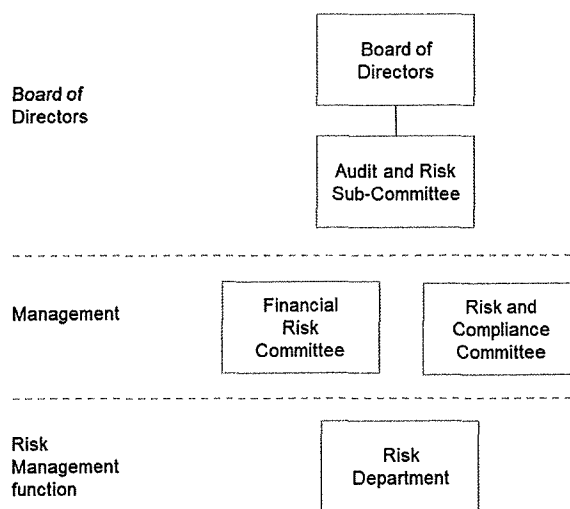
In accordance with prudential regulation the Board have appointed an Audit and Risk subcommittee that oversee accounting practices, risk identification, internal controls, effectiveness of risk management systems, Own Risk and Solvency Assessment (ORSA) processes, capital planning, annual audit, auditor's independence, related party transactions etc. in accordance with the yearly planning.

At the management level the Company has set up two further risk management committee's - Financial Risk Committee (FRK) and Risk and Compliance Committee (RCK) that will report to the Audit and Risk Sub-Committee. The FRK will monitor the Company's capital resources, assets, insurance

liabilities, liquidity and solvency. Based on current financial markets FRK will make investment proposals in accordance with the investment strategy and policy and hedge any unwanted financial risks. FRK will monitor the performance of all financial assets with a particular focus on the performance and valuation of assets that are not traded in public markets such as properties and loans. The RCK will monitor operational risks, incidents, IT risk, legal risks, reputational risks, all outsourced processes, and execution of the internal audit plan and will coordinate the work between key personal. The risk management system is built to comply with legislation, industry standards, corporate best practice, and sound business practices such as separation of functions, four-eyes principle and valuation at arms-length principle. Finally, the risk management model is built on proportionality and effectiveness in line with the principles set out in the policy for internal controls.

It is important that the risk function is objective and independent of all significant risk takers at any time. Furthermore, the risk management function should not be submitted to any pressure by Board or Executive management that can jeopardise the independence of the function.

Company risk committee's and risk function



Risk areas

The Company is exposed to various types of risk in support of the long-term business model and objectives. The content and size of risks encountered in the various business areas differ considerably.

Life insurance risks

Biometric risks consist of mortality, longevity, disability and catastrophe risk. Further insurance risks also include expense risk and policyholder behaviour risk (option risk related to the extent of surrenders and re-writing to paid-up policies). The insurance risks: longevity, mortality and disability risks, cover

the situation where policyholder mortality or disability changes significantly for a period or permanently, resulting in wrong assessment of future developments in mortality and disability risks.

Option risks arise when surrender and premium cessation assumptions in provisions at market value deviate from actual developments and must be adjusted, or in situations where the company experiences mass surrenders in a short period of time.

Expense risk is the risk that provisions related to future expenses differ from actual expenses and must be revised. Expenses are related to variations in the costs related to honouring insurance or reinsurance contracts.

Revision risk is the risk that disability benefits awarded are revised resulting in higher pay out than anticipated.

Health insurance risks

Health and accident insurance is affected by legislative amendments and changes in legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Such factors arise due to trends in society and will tend to drive up the number of insurance-covered claims and average claims expenses.

Reinsurance

An insurance company can protect itself against losses by taking out reinsurance, often with major international reinsurers that have a high credit rating. Reinsurance cover can be designed in different ways, depending on which losses the insurance company wishes to manage.

The purpose of Norli Pension's reinsurance programme is to ensure that a single loss event or a random accumulation of large claims does not lead to unacceptable loss of capital and to reduce fluctuations in technical results. The reinsurance programme provides extensive and broad coverage and reduces the overall risks.

Financial risks

Market risks

Market risk is defined as the probability of impairments to the value of a portfolio of financial assets due to fluctuations in prices in financial markets. The risks arise both for assets and liabilities and for derivative financial instruments (derivatives), for which only the positive or negative market value of the derivative appears in the balance sheet.

The management of market risk is intended to ensure an acceptable return without putting the total capital of the company at risk of significant impairment due to financial market developments or financial difficulties of individual issuers.

Market risks are divided into the sub-risks below.

Interest rate risks

Interest rate risk is the risk of incurring a loss on an interest rate exposure as a result of an interest rate increase or

decline. The investment assets are predominantly placed in interest-bearing assets, most of which are Danish mortgage bonds with a high credit rating, while a smaller part is placed in credit bonds and emerging market government bonds. The insurance liability cash flows are discounted using a yield curve provided by the EU insurance regulator EIOPA. The interest rate risk on assets and liabilities is monitored and adjusted on an ongoing basis, and derivatives are used to adjust the overall interest rate risk on assets. A mismatch of duration between liability cashflows and investment cashflows will lead to a net interest rate risk.

Currency risks

Currency exchange risk primarily arises from the portfolio of investment assets. The Company pursues a hedging strategy for non-euro currency exposures in major international currencies.

Spread risks

The Company is exposed to the volatility of credit spreads and the subsequent risk of impairments to the market value of credit spread related investments like mortgage bonds or government bonds. The Company has set limits on the allowed exposure to credit spread risks.

Concentration risks

Concentration risk is the risk arising when the company's exposures are concentrated, for instance, on few lines or on few large individual exposures. Norli has determined procedures for the monitoring and mitigation of concentration risks.

Liquidity risks

Liquidity risk arises due to differences in the timing of ingoing and outgoing payments. Such differences may arise as a result of unexpected events or may be a deliberate strategy. The objective of liquidity risk management is to ensure that liquidity at all times is sufficient to support operations and comply with regulatory requirements. Should the Company's liquidity come under substantial pressure, liquidity may be procured within a short period of time by selling assets. In addition the Company has a liquidity facility that will support the liquidity position in periods of market stress.

Counterparty risks

Counterparty risk arises when a counterparty in a financial agreement, e.g. reinsurance contracts or financial contracts, fails to meet its obligations. Counterparty risk related to reinsurance is the uncertainty associated with the situation that one or more of the Company's reinsurers go into insolvent liquidation, resulting in a full or partial loss of receivables and in new coverage of the business having to be purchased. In order to minimise the risk related to each reinsurer, reinsurers must be rated according to a certain credit quality level. Deviations from this rating must be approved by the Board of Directors. Most of the counterparty risk arising from derivative transactions is mitigated by posting collateral or by depositing

cash funds in a bank account while a small part of the derivative transactions are cleared and settled through London Clearing House. Placement limits contain restrictions as to the companies' maximum receivable from specific credit institutions. The Company limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting agreements with the counterparties.

Operational risks

Operational risk is the risk of incurring a financial loss due to inexpedient or faulty internal procedures, human or system errors or as a result of external events, including legal risks.

Procedures

The Company has a number of control procedures in the form of work routines, business procedures and reconciliation processes, performed locally and centrally throughout the organisation. Most of these activities are carried out by the Company's outsourcing/TSA-partners. The scope of control measures is assessed against the expenses they involve. Security measures are assessed relative to potential threats and their assessed probability of occurrence as well as the potential business consequences, should such threats materialise.

With a view to reducing risks relative to the GDPR rules, the Company has a number of common procedures to accommodate requests for access to and erasure of data etc. and to handle and report personal data breaches to the Danish Data Protection Agency. The Company has appointed a data protection officer overseeing GDPR compliance.

Other risks

Compliance risks

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, loss of customers or reputational damage to which the company is exposed due to non-compliance with applicable legislation, market standards or internal rules (policies, business procedures etc.). The Company has determined methods and procedures to identify, assess and mitigate the compliance risks. Anti Money Laundry and Counter Terrorist Finance (AML/CTF) is an important risk. AML risk is assessed as being low for the life insurance and labour market pensions industry. The Company has extensive risk assessment and procedures to mitigate the risk. The Company also has a whistle-blower program operated by an independent external legal partner.

Strategic risks

Strategic risks arise due to inexpedient business decisions, insufficient implementation of business initiatives or slow response to the challenges facing the Company.