

AN EXCITING YEAR

2009 was an exciting year. But it was also a year that started in the shadow of the financial crisis with continued negative developments on the capital markets as well as bad economic indicators. The situation remained unchanged until March, when we encountered a turning point with improving market sentiments. The positive atmosphere lasted throughout 2009 resulting in a very satisfactory pre-tax return of 13.8%.

However, the satisfactory return must be seen in light of last year's result which was highly affected by the financial crisis - reflected in a pre-tax return of - 11.1%. Accordingly, the total of the last two years has been a slightly positive net profit for the pension fund. DIP's expectations at the beginning of the year were cautious, as the situation was characterized by increasing unemployment and falling prices in the securities markets.

Based on great uncertainty about the economic development, DIP maintained a balanced profile on the investments in equities, fixed income and real estate throughout the crisis. The pension fund retained the equity portfolio, and used part of the risk budget to invest more actively in credit bonds, which contributed to the positive result.

After "Choice of Pension" in 2006 DIP is quite creditworthy, as the basic interest rate was cut from 4.5% to 1.5% for the majority of DIP's members. And viewed from an accountancy standpoint this means that DIP does not have to set aside as large provisions as before. Nevertheless, DIP's main object is still to be able to provide the members with the most favourable pensions. The accounts indicate large revenue reserves, but the members expect higher pensions than provided for in the accounts. At the same time the members' life expectancy is continuously increasing, and consequently the pensions become payable for a longer period of time. DIP is in a financial position to stand these challenges.

2009 was also the year, when DIP experienced a record-breaking increase in membership. Today we have more than 18,000 members. The positive growth not only commits DIP to guarantee both the old as well as the new pensions, so that everybody gets their fair share of the reserves through-out the years. It also commits the pension fund to keep developing new products that are up-to-date. This is a long-term project including implementation of a new member system in 2010 as well as proposals for new pension products in the years to come.

FINANCIAL CRISIS TRIGGERED NEW REGULATORY MEASURES

All of 2008 was impacted by the financial crisis, and the bad news kept intruding. In autumn 2008 the financial markets experienced such heavy declines that years' savings were lost.

The intensely negative developments made governments around the world secure the financial system through coordinated action, i.e. by way of direct guarantees to the financial institutions as well as historically low money market rates.

Focus was on ensuring financial system stability and making the financial markets work fairly normal.

Turnaround in 2009

During the first months of 2009 the negative development continued. The decline in the financial markets continued until March, and sentiment was predominantly negative. The turnaround was initiated by the recognition from the markets that the government initiatives had created a reliable financial support.

Furthermore, the declining asset prices had made the securities so attractive that just a somewhat positive development in the economy would result in market increases.

Due to the low interest rates, banks around the world could borrow money from central banks at favourable rates, which made it easier to run a bank in this period. The banks could borrow money at very low interest rates and lend money at standard market rates.

The increased interest margin gave banks around the world the opportunity to put the crisis behind them quite fast - and we have seen examples of banks not utilizing the intended bailout packages as well as banks having repaid loans and guarantees from the governments quite fast.

This also caused a renewed self-confidence for the financial institutions. However, it is important to remember that it is the taxpayers around the world who have ensured the stability of the financial markets by way of the large guarantees provided. At the same time there has been access to inexpensive capital by way of the very low money market rates - rates that are below inflation expectations in the long run.

New regulatory measures

The crisis has also increased political scrutiny for the financial sector in the years to come. The future regulation is an attempt to control the conduct, but focus will also be on the banks' ability to withstand crises through reserve accumulation and restriction of risky business operations. And considering what we have experienced in the last couple of years, it is only fair that we see increased regulatory measures.

For DIP and other pension companies the regulatory measures are put into practice by way of implementation of "Solvency 2", which is a set of regulatory requirements for the insurance and pension fund sector operating within the EU. It is based on economic principles for the measurement of assets and liabilities, and it is expected to be implemented in late 2012. It is a long process which has been under way for a number of years, and it will for certain increase the requirements to the pension companies' ability to withstand financial crises in future. DIP expects increased requirements related to the reserves ensuring the members' pensions.

STRATEGIC CHALLENGES

We live in a world of constant change, and this also challenges DIP.

It is DIP's mission to ensure favourable pensions to engineers employed in the public sector under collective agreements. The challenge is that the development increasingly leads towards fewer engineers employed under collective agreements. On the contrary, the number of engineers employed in the private sector is increasing.

DIP's pension products provide good pension cover at favourable prices. Yet, they have not offered the members many opportunities to choose individual pension cover. And at the same time DIP has not endeavoured to propagate the knowledge of the pension products.

New objects

The positive development of admitting more engineers - both privately and publicly employed should be continued. The overall object is to make engineers consider DIP as "The logical choice" regardless of private or public employment. This is going to be a long process, as privately employed engineers' knowledge about DIP is limited.

Besides, it requires a reasonable development of DIP's products which must include flexible pension cover, whilst at the same time maintaining simplicity and low costs. Last, but not least it must benefit both existing and future members.

Currently, DIP is working on more targeted campaigns aimed at sale of pension products to the members.

The latest innovation is "SU-Pension" (SU is the state education grant paid to students) aimed at engineering graduate students. The purpose of "SU-Pension" is to give the students the possibility of paying into DIP through their employer to avoid repayment of the SU. The product is based on DIP's existing pension products. Consequently, it does not require further development, but special information to the students encouraging them to start their pension savings as soon as possible.

Increased co-operation

In co-operation with a number of other pension funds DIP is in the progress of developing a new IT system creating a basis for development of new future products in a financially reasonable way. The system was implemented in January 2010 replacing an 18 year old system. One of the first products will be a renewed member website to be implemented end March.

The co-operation with other pension funds is under constant development with the aim of securing the members a well-functioning and inexpensive administration - as well as favourable prices on i.e. investment management. In recent years DIP has increased the co-operation with The Danish Society of Engineers to ensure that engineers are informed of the opportunity to establish a good pension scheme in DIP.

DIP's ambition is an increase in membership of 1,000 members annually for the years to come. This calls for flexible products, competitive prices, low costs - and the simple fact that the engineers know about DIP.

INVESTMENTS

Return of 13.8% in 2009

In 2009 DIP generated a return of 13.8% which is considered very satisfactory - not least in light of an investing year with very volatile markets. After a tough start in the financial markets, the sentiment changed in mid-March, and up until autumn it remained predominantly positive in most markets. The end of the year was to some extent characterized by caution, as it became evident that many problems of the global economy remain unsolved.

At the beginning of the year DIP chose a large exposure to credit bonds - that is bonds that not only carry an interest rate risk, but also a credit risk - typically in businesses or developing countries. This was done to the detriment of Danish mortgage backs, as it was assessed that the expected risk adjusted additional return was attractive. On the contrary it was decided to be more cautious on the equity side, where the purchasing was modest.

The positive contributions to the return in 2009 came in particular from credit bonds and equities, but also nominal bonds showed handsome movements in market prices. On the other hand illiquid assets such as real estate and private equity affected the result negatively.

At the beginning of 2009 DIP expected a year characterized by uncertainty about the development of the global economy and assessed consequently that it would be impossible to make predictions for the coming year. All the same we experienced - maybe as a counter reaction to the declines in 2008 - handsome results for both equities and bonds. This was to a wide extent due to the strongly co-ordinated counter reaction to the crisis in both monetary and fiscal policy throughout the world.

Despite the fact that the financial markets improved through 2009, there is still some way to go, before we are back to previous years' levels. This goes for both equity prices and credit spreads.

In the US the demand shock was so intense that the businesses did everything possible to reduce costs in order to be able to present positive key indicators. Consequently, the presented interim statements tended to cause a positive surprise reflected in improving markets. In Europe the somewhat more rigid labour market forces the businesses to adjust to the new situation gradually. It seems that unemployment has peaked in the US, while Europe still struggles with increasing unemployment.

In the months to come we need to see that demand has picked up to ensure an increase in earnings. Previous crises have generally been succeeded by handsome economic growth however we do expect it to be somewhat more modest this time.

The Emerging Markets and not least China were relieved by fiscal stimulus packages which have alleviated the decline in the export trade with domestic growth in construction and infrastructure. We expect to see a strong growth also in the years to come.

Overall, we expect a modest, but positive year and assess that 2010 is the year, when DIP increases its equity portfolio to the long-term goal of 30% of the assets. We also believe that credit bonds will develop positively this year, and consequently DIP maintains a high holding throughout the year.

Investment strategy

DIP's object is to ensure favourable pensions. Consequently DIP pursues;

- Long-term investing
- Active strategy investment
- Focus on risk management.

DIP invests according to the overall investment strategy determined by the board annually. The strategy is determined on basis of an ALM study.

The ALM study allows for both the correlation in return among the different asset groups as well as the risk of DIP not being able to meet its pension commitments. DIP's investment horizon is very long, as the pension commitments run for decades ahead.

As a measure of performance DIP has incorporated benchmarking in the investment policy.

Responsible investments

Social responsibility in DIP involves two aspects; First and foremost DIP places demands on the external environment - that is the businesses that DIP invests in. As equities are managed externally, the requirements are made of both fund managers as well as underlying companies in DIP's portfolios.

Secondly, DIP signed up to the UN PRI in 2009. UN PRI is a co-operation for institutional investors aiming at promoting the principles of PRI. Accordingly, DIP incorporates ESG (environmental, social and corporate governance) in the investment processes and influences in cooperation with other investors businesses with ethical problems in a more positive direction.

Investment result 2009

The result of the investment activity for 2009 is a DKK 3,331m profit, which means that DIP in only year recovered the money lost in 2008. Seen over the last three years, DIP has generated an annual return of 1.4%.

DIP generated a return of 13.8%. The return is positively affected by all DIP's assets - except from real estate and private equity. Especially equities and credit bonds contributed positively with returns of 32.6% and 34.7% respectively.

2009 was a volatile investment year. The difficult start of the year was succeeded by heavy increases in risky assets over the summer. At the close of the year the markets calmed down - however still characterized by a positive sentiment. The year's return is better than expected, and as a result of the development DIP has already recovered what was lost in 2008. This is due to the fact that DIP is in a financial condition that makes the pension fund able to maintain its positions also through difficult times.

Danish nominal bonds ended the year with a return of 7.6% which is due to a handsome return on Danish mortgage bonds. Accordingly, DIP's strategy paid off in 2009 with a return outperforming the benchmark of 6.3%.

The European government bonds generated a return of 5% against a benchmark of 2.6%. The non-Euro portfolio generated a result of 13.8% against a benchmark of 12.9% - boosted by the strengthening of the Norwegian krone.

2009 was a record year for credit bonds with favourable returns on senior loans and corporate bonds as well as Emerging Market bonds. DIP's total return on credit bonds was 34.7%. Credit bonds are included in the asset group "foreign bonds" in the below table "Allocation of investment assets".

DIP's equities yielded a return of 32.6% before hedging and 32.8% after against a benchmark of 27.6%.

DIP's total equity portfolio represents 25% of the total assets, which is just short of the long-term benchmark. In the underlying regional allocation DIP has an overweight of Danish equities which have contributed positively to performance, as it in particular was Emerging Markets and Danish equities that peaked with returns of 73.9% and 43.7% respectively.

DIP's equity managers have done well. However, the two European managers have experienced hard times and at the end of 2009, they were significantly behind benchmark as a result of very defensive market approaches as well as a short weight of bank equities.

DIP's real estate investments consist partly of a portfolio of directly owned Danish equity, partly of a portfolio of indirect investments in both Danish and foreign real estate through real estate funds. The real estate investments generated in 2009 a result of -5.4%. The Danish real estate, which represents the majority of the portfolio, was written down as a result of an external assessment at the end of the year.

The private equity investments generated a negative return of -13.1%. DIP invests through private equity funds which have been hit hard by the global crisis.

Outlook for 2010

Compared to previous years the expectations for the economic development in 2010 is somewhat more positive. There are still a number of challenges however there are also signs of the global growth picking up.

We expect the regions to develop somewhat differently. While Asia - led by China - is expected to maintain a solid progress in growth, and the US experiences a tentative recovery, Europe is heading towards more difficult times partly due to slowly adjustment to the contraction of demand, partly due to a strong Euro. However, the nascent optimism is also expected to become apparent here.

On the contrary the challenges are numerous. The substantial bailout packages necessary to help the growth gather momentum, means that many countries have or is about to work up a historical high debt burden and deficit which might threaten the growth long-term. At the same time the bailout packages must be phased out.

It is uncertain, whether or not we will see a steady growth in the coming years, and we expect a modest economic progress. The financial crisis was triggered by a housing bubble - and this might result in a totally different reflection with the consumers compared to i.e. an equity bubble. The debt repayment that started in these circumstances may continue for some time, as it was quite a shock. Even though the housing prices have stabilized in some countries, there are still many countries that experience price falls.

Expectations for the 2010 return

Though it is impossible to tell the future, we expect a low, but positive return in 2010.

Consequently, we pursue a balanced investment strategy for the year to come. Presently, DIP's asset diversification is allocated fairly to bonds, equities, real estate and alternative asset types. However, in 2010 we expect to invest further in products not conform to the existing assets in the portfolio.

In the autumn, DIP will assess the credit markets to find interesting investment opportunities, and we will give greater priority to investments in alternative asset types.

At the beginning of the year DIP's equity portfolio represents approx. 25% of the total assets, but we consider bringing it back to the long-term strategic goal of 30%. We expect to keep the real estate portfolio at the present level.

Allocation of investment assets

Market values (DKKm)	Allocation		
Asset groups	2008	2009	2009
Danish equities	1,222	1,096	4%
Foreign equities	4,639	5,893	22%
Danish bonds	11,345	11,579	44%
Danish index-linked bonds	383	337	1%
Foreign bonds	3,458	5,423	20%
Real estate	2,407	1,911	7%
Other investment assets	654	612	2%
Total	24,108	26,851	100%

PENSIONS

2009 was among other things characterized by a number of fiscal actions which had a direct impact on the pensions industry and in particular the member incentive to save up for a pension. At the same time it is encouraging to see that still more engineers chose DIP as their pension provider. Accordingly, we experienced the largest increase in membership ever.

The bill on optional payment of the Special Pension Savings Scheme was passed on May 19. Tax on payment is 35% of the first DKK 15,000 and 50% of the remaining. Consequently, it was profitable to withdraw the savings and pay them into an annuity certain or life annuity which a lot of DIP's members took advantage of.

Furthermore, the Danish Parliament adopted the tax reform, and for the pensions industry this means essential changes: A cap of DKK 100,000 on pension payments to annuities certain, abolition of the age limit related to establishment of annuities certain as well as a compensatory tax on high pension payments. The government is still working on a specific proposal for the compensatory tax.

At the same time many chose to utilize the tax advantage in 2010, as the deductible value of 59% in the top rate tax was reduced to 51.5% at January 1 2010.

Contributions and pensions

The results of the fiscal actions are reflected in the pension payments which have increased for all the products. In 2009 the paid contributions to life annuities totalled DKK 679m against DKK 607m in 2008. This is an increase of 11.8%. Furthermore, DKK 71m was paid to annuities certain and endowment policies against DKK 29m last year. The pension payments remain almost unchanged. DIP paid DKK 1,060m to the members in 2009 against DKK 1,069m in 2008. The fairly lower 2009 amount is due to the fact that DIP did not pay any pension supplement.

Pensions (DKKm)	2008	2009
Member contributions	608	679
Pension benefits	1.069	1,060

Members

The impressive increase in membership continues. At the beginning of 2009 DIP had 17,416 members, and at year-end we reached 18,296 members. The fact that an increasing number of engineers see DIP as their preferred pension provider is a great acknowledgement, and we will continue the targeted effort to make DIP even more attractive to the members. Consequently, we expect the increase to continue in the years to come.

Membership	2008	2009
Total membership	17,416	18,296
Non-pensioners	14,671	15,433
Retirement pensioners	2,571	2,690
Disability pensioners	174	173

The members live longer

And this is good news. Engineers are one of the sections of the population who live the longest. In the past years our members' life span has continued increasing, just as it has for the rest of the population. However, the positive trend has a downside for the pension fund, as the pensions become payable longer than initially calculated, as the majority of the paid pensions are life annuities

Pension supplement

When DIP's members and pensioners live longer, it means that their savings must cover more years of pension payments. Consequently, the increasing life span imposes requirements on the amounts that the pension fund must reserve to cover the future pension commitments. In these circumstances DIP does not expect to pay any pension supplement in the time to come.

The deposit interest rate

In 2009 the members' life annuities carried an interest at the rate of 4.1%. This was part of the political agreement which the insurance industry made with the government in November 2008. According to this agreement prudence and consolidation should be the key terms benefiting the members. And as a consequence of this and to meet the requirements DIP paid a deposit interest rate of 4.1%.

The deposit interest rate in DIP was higher than in the commercial life and pension insurance companies, which is the result of a sound financial foundation. This is also the case for 2010 with a pre-tax deposit interest rate at 5.3% on Regulations 3.

Group insurance

Members covered by the group insurance paid a premium of DKK 1,260 in 2009. In November the board decided to keep it unchanged for 2010. It was also decided to keep the insurance cover unchanged.

Costs related to pension administration

DIP also maintains the competitive prices on pension contributions. This means 1% on payments to annuities certain and endowment policies and 2% on payments to life annuities. Finally there is a fixed monthly amount of DKK 30. The total costs related to pension administration in 2009 amounted to DKK 1,040 per member. This is a minor increase compared to 2008 which is ascribable to the implementation of the new member system. Relative to the member savings the costs calculated as rate differential represent 0.1%.

New IT system

In January 2010 DIP replaced an almost 20 year old IT system with a new one. The new system, which is developed in co-operation with a number of other pension funds and BEC (a Danish full service IT house), gives DIP the opportunity to offer more flexible pension products.

RISK MANAGEMENT

The board determines DIP's risk management framework, while the day-to-day management supervises the risks and ensures that the framework is complied with. The greatest risk for DIP is not being able to meet its pension commitments. Accordingly, DIP makes daily statements of the market value of the pension commitments and assets in order to calculate DIP's position in the Danish FSA's risk scenarios.

In the years to come DIP will prepare for the implementation of Solvency 2 in 2012. The risk management allows for both long and short term risk factors.

DIP has chosen an investment strategy with a relatively high equity portfolio. DIP can afford this risk-taking approach which is expected to generate a favourable return long-term. DIP seeks primarily to reduce the over-all investment risk by spreading the investments to several asset groups both in Denmark and abroad and by spreading the investments of the single subportfolios.

The spread to several asset groups is reflected in the framework of the overall asset allocation, while the spread of the subportfolios is determined by way of requirements to a minimum spread and maximum investment related to single investments. The development in the autumn 2008 and spring 2009 underlined the importance of having an overview of ones risks. In this period the development changed overnight, and we saw substantial fluctuations every day. It also underlined the importance of keeping a sense of perspective of the different types of risk. During 2009 the volatility decreased considerably.

DIP is affected by a number of different types of risk;

- Financial risks
- Insurance risks
- Operational risks
- Business risks

Related to calculation of the individual solvency requirement for the pension fund, DIP has analysed the different types of risk and their possible impact on DIP's financial position.

Financial risks

The financial risks include primarily market risks, but also counterparty risks. Market risks were previously characterized by DIP's assets and liabilities being impacted differently by interest rate fluctuations. After "Choice of Pension" in 2006, when the majority of DIP's members chose a scheme with a lower basic interest rate, the interest rate sensitivity of the pension provisions has been reduced considerably. This has

made DIP less sensitive to market changes, and the sound pensions should be ensured - even in periods with economic turbulence.

Currently it is the investments that are affected by changes in interest rates, equity prices, property values, exchange rates and interest spread. If the year's investment return is inadequate to cover the interest payment of the member savings and necessary strengthening of the pension provisions, the loss is firstly covered by the collective bonus potential and subsequently partly by the bonus potential from premium-free policy benefits. Finally, if this is not sufficient, the capital base is used.

The financial instability in 2008 and 2009 has not made DIP activate the price indemnification clause.

The market risks are monitored regularly, and DIP makes daily calculations of stress tests of the investments and pension provisions to ensure that the pension fund is able to stand significant interest rate changes and price falls on equities. The counterparty risks are reduced by choosing well-established counterparties, who are evaluated regularly. In 2009 DIP has not suffered losses resulting from counterparty risks.

Insurance risks

Insurance risks relate to the development in mortality, disability etc. A prolongation of the life span means increased periods of pension payments and is the most significant of the insurance risks. In 2008 DIP strengthened the pension provisions for cover of increased life span further. This equalled an improvement of life span of 3% for retired members and 10% for non-retired members based on an expectation of a future increased life span. The situation is evaluated regularly for the purpose of future increases of the provisions, if this proves necessary.

In 2009 DIP introduced new technical provisions which allows further for the development of the members' life span. It is DIP's conviction that the new technical provisions give a more truthful picture of the members' life expectancy and accordingly the magnitude of the pensions. The technical provisions are used to calculate the pensions for the new members which results in lower basic pensions than previously. However, this does not affect the paid pensions.

Operational risks

The operational risks relate to losses i.e. caused by errors in IT systems, procedure errors and fraud. DIP limits the operational risks by use of a distinct functional separation and in-house controls which are regularly up-dated. The operational risks are also limited through co-operation with external managers.

Business risks

The business risks cover strategic risks, reputation risks as well as other external factors. DIP keeps track of both the market development as well as regulatory changes. The business risks are considered low.

OUTLOOK FOR 2010

During 2009 the financial markets definitely improved. The beginning of the year was characterized by great uncertainty, low equity prices and substantial interest spread. It is obvious that the decisive government actions at the end of 2008 helped stabilizing the financial system. It created certainty for the financial institutions and businesses which were able to make financial transactions without considerably increased risk.

At the close of 2009 the security markets were characterized by great optimism reflected in increasing equity prices. It is somewhat surprising to experience such a change in sentiment in such short time.

It is DIP's expectation that 2010 will bring continued - or maybe increasing - unemployment both in Denmark and abroad.

Looking at a number of economic indicators there is no reason to expect a development in the securities markets in 2010 on par with 2009. 2009 was characterized by a negative sentiment, and many countries are burdened by heavy national debts which have to be financed. Consequently, the predictions about a lasting global recovery must be connected with some uncertainty.

The deposit interest rate

DIP has fixed the deposit interest rates preliminary for 2010, and for the first time in the history of the pension fund, DIP has announced different deposit interest rates. The interest rate for members on Regulations 3 is fixed at 5.3%, while it is 3.5% for members on Regulations 1 and 2. The deposit interest rate is fixed before tax which is new, but a result of individual tax calculation from 2010.

The different deposit interest rates reflect a different degree of risk of the pension commitments in the two groups - Regulations 3 and Regulations 1 and 2 respectively. In 2006, when the members opted for Regulations 3, they also opted for a basic interest rate of 1.5%.

As appears from the regulations, the technical provisions of Regulations 3 are conditional. Consequently, the pensions can be changed, if there are significant changes in i.e. the actual mortality and interest rate compared to the assumptions of the technical provisions. Changes as a consequence of the conditional provisions must depend on unbiased opinions.

The solvency risk for the members on Regulations 3 is lower compared to the remaining members on Regulations 1 and 2 as a result of the integrated flexibility.

Calculations of the risk for the members on Regulations 1 and 2 compared to the members on Regulations 3 disclose a considerable difference between the two member groups - even without quantifying the value of the conditional provisions. Consequently, there is clear evidence for making a differentiation between the deposit interest rates for the members on Regulations 1 and 2 and the members on Regulations 3 respectively.

The development in the years to come is characterized by some uncertainty, and the prospects for 2010 must be seen in this light.

After the close of 2009 there have not occurred any events influencing the final result.

Financial review

In 2009 DIP came out with a DKK 575m profit and a pre-tax return of 13.8%. This is a very satisfactory result and better than expected.

Based on the financial crisis in 2008 and the beginning of 2009, the prospects for 2009 were very uncertain. The risk of an actual recession was substantial, and consequently the expectations to the return were quite modest.

The 2009 result is transferred to the capital base which increases from DKK 4,825m to DKK 5,400m. The year's result must be seen in light of an almost equivalent loss for 2008 of DKK - 563m.

The year's result is generated through returns on investments of DKK 3,330m, member contributions of DKK 679m less pension payments of DKK 1,060m, a change of the pension provisions including addition of bonus of DKK 1,712m as well as change of the market value of DKK -131m. Finally, there is allowed for tax and costs.

DIP is financially sound, but the pension commitments run decades ahead. Analyses have shown that the members' life span continues to increase. This goes for all age groups of the pension fund, and this is positive. But it also means that the pensions become payable for a longer period of time. Consequently, DIP did not pay any pension supplement in 2009. The pension supplement is a payment from the capital base in connection with payment of the pensions.

It is important to remember that the majority of the pensions viewed from the accountancy standpoint are calculated on basis of the basic interest rate of 1.5%. This equals the basic pension of the pension surveys for the members on Regulations 3. It is the pension fund's ambition to continue paying pensions on level with the total pensions occurring from the members' pension surveys. However, DIP has not given actual guarantees of this.

In 2009 DIP paid DKK 1,060m in pensions and added DKK 1,712m in bonuses - of the paid 2009 pensions DKK 286m represent bonuses. The bonus reflects primarily the difference between the deposit interest rate and the basic interest rate, which for the majority of the members is 1.5%.

In 2009 DIP's investment result increased to a DKK 3,330m profit from a DKK 3,003m loss in 2008. The positive 2009 return is primarily due to DIP's equity investments, but also investments in different credits yielded a profit. The result is impacted by DIP's decision to maintain the equity portfolio for the main part of 2009, while the new investments were in credits.

The fact that DIP is still a solid pension fund is ascribable to "Choice of Pension" in 2006, when the members chose a scheme with a lower, conditional basic interest rate. In 2007, when the scheme took effect, DIP's

reserves for capital adequacy were increased by DKK 4,700m broken down by DKK 2,600m on collective bonus potential and DKK 2,300m on bonus potentials to dormant pensions.

In the financial crisis DIP benefited from the increased solvency margin, and the pension fund was not forced to sell equities or other risk bearing assets. Accordingly, DIP has profited on the movements in market prices in 2009. In light of the present financial situation the risk of getting into solvency problems is still low.

The costs related to pension administration are still very low. They are somewhat below -0.1% compared to the deposit interest rate, and this has been the level for quite some years. The costs have increased in 2009, and they will be higher in the years to come as a result of the replacement of a very old IT system. By comparison the costs related to investment administration equal 0.2%. The costs related to investment administration are deducted before the deposit interest rate is fixed. Accordingly, DIP is still an inexpensive pension fund.

Throughout 2009 DIP was in the Danish FSA's "green light".

Statement of accounts

The consolidated accounts include the pension fund as well as the wholly owned subsidiary Ejendomsselskabet DIP A/S and Pension Private Equity 1 K/S. The complete 2009 annual report has been prepared in accordance with the Danish Financial Business Act.

(DKKm)	2008	2009
Profit and loss account		
Member contributions	608	679
Contributions to labour market funds	-45	-52
Investment return	-3,003	3,330
PAL-taxation	423	-454
Pension payments	-1,069	-1,060
Change in pension provisions and bonus	2,536	-1,843
Change in provisions for unit-link contracts	3	-5
Administration costs	-16	-20
Result for the year	-563	575

Balance sheet as at December 31

Assets		
Real estate	2,341	1,668
Equity etc.	7,260	10,018
Bonds	13,706	14,425
Mortgage bonds and debt instruments	6	3
Liquid funds	306	394
Derivatives	221	0
Investment assets attached unit-linked contracts	44	120
PAL-taxation	417	0
Other assets	402	465
Total assets	24,659	27,093
Liabilities		
Capital base	4,825	5,400
Pension provisions	18,956	19,370
Collective bonus potential	531	1,957
Provision for unit-link contracts	44	120
Other provisions	5	2
Debt	298	244
Total liabilities	24,659	27,093

Accounting policies

The accounting policies applied are unchanged compared to last year;

- All receipts and expenses are accrued in full and booked to the profit and loss account.
- Real estate is recognized at market value.
- Listed equities are recognized at market price, and unlisted equities to fair market value.
- Listed bonds are recognized at market price, and mortgage bonds and debt instruments to fair market value.
- Computing and inventory etc. are depreciated by the straight-line method over three years.
- Pension provisions are calculated at fair market value.

KPMG Statsautoriseret Revisionspartnerselskab has audited the accounts without any reservations or additional comments.

If all the member deposits are added up they amount to DKK 18,900m which represent the “retrospective provisions” in the accounts.

As a consequence of the members' increased life span, DIP presently provides for the members averagely living longer than provided for in the calculation basis on which the majority of the pension provisions are calculated. DIP is using the current interest rate level which totals pension provisions of DKK 19,370m and a collective bonus potential of DKK 1,957m.