Interim report – first half 2019

Forsikringsselskabet Danica,
Skadeforsikringsselskab af 1999

Danica Pension

Contents

SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

(DKK millions)	Half-year 2019	Half-year 2018	Full year 2018
PREMIUMS INCLUDING INVESTMENT CONTRACTS[1]	14,984	14,027	29,930
INCOME STATEMENT			
Technical result, Life	1,122	837	1,717
Technical result, health and accident insurance	-504	-218	-633
Return on investment allocated to shareholders' equity, etc.	148	4	132
Profit before tax	766	623	1,216
Tax	-168	-187	-212
Profit from discontinued operations	1,353	38	77
Profit for the period	1,951	474	1,081
BALANCE SHEET			
Total assets	599,057	561,189	565,566
Technical provisions, health and accident insurance	16,740	14,468	14,637
Total provisions for insurance and investment contracts	428,271	411,143	399,522
Total shareholders' equity	20,570	18,203	18,897
KEY FIGURES AND RATIOS (%)			
Return related to average rate products	8.0	0.6	1.0
Return related to unit-linked products	10.4	0.3	-5.5
Risk on return related to unit-linked products	4.25	3.75	4.25
Expenses as per cent of provisions	0.2	0.2	0.4
Expenses per policyholder (DKK)	702	531	1,325
Return on equity after tax	2.4	2.7	6.0
Solvency coverage ratio (Group)[2]	177	179	193
Solvency coverage ratio (Parent)[3]	509	495	511
RATIOS FOR HEALTH AND ACCIDENT INSURANCE			
Gross claims ratio	121	108	117
Gross expense ratio	10	7	8

1) Excluding premiums from discontinued operations
2) At 30 June 2019, the Group's solvency capital requirement (SCR) was DKK 14,191 million and its total capital was DKK 25,181 million.
3) At 30 June 2019, the Parent Company's solvency capital requirement (SCR) was DKK 4,112 million and its total capital was DKK 20,939 million.

Effective at 7 June 2018, Danica Pension acquired the companies Danica Pensionsforsikring A/S and Danica Administration A/S (previously SEB Pension Denmark). The acquired companies are consolidated in the financial statements of the Danica Group effective from that date, and the periods presented in the financial highlights are therefore not directly comparable. On 27 June 2019, Danica Pensionsforsikring A/S and Danica Administration A/S were merged with Danica Pension, Danica Pension being the continuing company.

Effective at 2 May 2019, Danica Pension sold the Swedish subsidiary, Danica Pension Försåkringsaktiebolag. The company is recognised under discontinued operations.

The reported figures for the first half of 2019 are also affected by accounting policy changes. See note 1. The changes did not have any material impact on the financial highlights. Comparative figures have not been restated, as this is not possible for practical purposes.

Comments on selected financial highlights for the Group

Premiums including investment contracts comprise all regular and single premiums in the life business and health and accident insurance premiums.

DANICA STRATEGY

Introduction to Danica Pension's strategy
Danica Pension's strategy is based on our vision of making our customers feel financially secure. Our aim is to enhance customer satisfaction by being one step ahead when it comes to advising our customers on financial security.

It is a focus area for Danica Pension to proactively help to ensure that our customers – both personal and business customers – have the right pension solutions.

A larger, more focused Danica Pension
In the year since Danica Pension's acquisition of the former SEB Pension Denmark (Danica Pensionsforsikring and Danica Administration) received regulatory approval on 7 June 2018, the task of migrating more than 200,000 customers to Danica's systems has been completed, and in June 2019 the merger of Danica Pensionsforsikring, Danica Administration and Danica Pension was effected. The integration followed an ambitious plan of transferring the policies of Danica's new customers to Danica's systems as soon as possible to give them reassurance about their schemes continuing and access to Danica's advisory services, pension and healthcare services.

Towards the end of 2018, Danica Pension entered into an agreement to sell the Swedish subsidiary, Danica Pension Försåkringsaktiebolag. After receiving regulatory approval, the sale was finalised in May 2019 and the company taken over by the new owners. The selling price of the company was approximately SEK 2.6 billion, of which SEK 2.35 billion was paid in cash and the remainder in the form of an instrument of debt. It has been agreed that Danske Bank and Danica Pension Sweden will continue their business partnership on the distribution of pension products in Sweden.

After the acquisition of the former SEB Pension Denmark and the sale of Danica Sweden, Danica emerges as a larger, stronger and more focused company. The integration process is based on the mantra of combining the best of the old Danica Pension and the former SEB Pension Denmark for the benefit of customers. Our efforts are therefore now focused on leveraging benefits of scale and synergies to strengthen Danica Pension's competitive and innovative strengths and services going forward. The sale of Danica Sweden also means that Danica Pension is able to focus on customers in Denmark and Norway, where the business models are more aligned. With our direct customer contact in these countries, Danica Pension is best able to deliver on our vision of making our customers feel financially secure.

Danica has entered into a partnership with Tryg
In June 2019, Tryg and Danica Pension announced a new partnership in which Tryg is to provide Danica Pension's pension solutions. Tryg will provide pension products and life insurance, critical illness and loss of earnings capacity covers.

Tryg is one of the strongest financial brands in the Nordic region and a frontrunner in the insurance industry in terms of developing new, innovative insurance products and digital solutions for customers – making Tryg an obvious match for Danica Pension, which is also committed to using technology as leverage to be one step ahead on advisory services.

Danica Pension shares Tryg's vision of enhancing our customers' security, and we see the new partnership as an opportunity for both companies to become even better at realising this ambition for the benefit of our customers.

The partnership initially comprises Tryg's customers in Denmark, and Danica Pension also expects to be able to include Danica Pensjon in Norway in the collaboration.

As a consequence of the new partnership with Tryg, the collaboration between TopDanmark and Danica Pension on cross-selling pension and non-life insurance products was terminated at 30 June 2019.

One step ahead is to provide security for customers
The "One step ahead" strategy is central to Danica Pension's vision of providing security for our customers through advisory services.

We do this by giving our individual customers clear recommendations on adjustments they should make to their pension contributions and insurance covers when major life-changing events happen. We proactively contact customers when they move or have a change in salary, for example – often before they themselves are aware that they might benefit from taking a Pension Check.

Since the strategy was launched, we have contacted several hundred thousands of unique customers with proactive, individual and relevant communications about their Danica Pension scheme. We remain focused on optimising our ongoing communication with advice for our customers, and we continue to launch new messages.

The number of customers who have taken a Pension Check with Danica Pension for a better overview of their pension is increasing steadily. In the future, the more than 200,000 new customers from the former SEB Pension Denmark will also get the benefit of clear recommendations through One step ahead. As a result, far more customers now follow Danica Pension's pension and insurance recommendations.

Save More Tomorrow
In the area of pension advice, Danica Pension in the first half of 2019 was the first provider to introduce the concept Save More Tomorrow.

This is a simple and easy solution to help customers who are not currently saving up enough for their pension to do so in the future. The concept is based on behavioural studies and is a great success in the USA.

With Save More Tomorrow, customers can enter into an agreement with Danica for their contributions to be gradually increased over a period of years – ensuring that they save up enough, but with the least possible financial impact here and now. The solution also provides the right insurance cover from day one, and customers can feel secure in the knowledge that they have the right pension scheme and can look forward to their retirement without any worries.

New prevention initiatives
Security for Danica's customers is about their pension as well as their health. Experience shows that about one in three women and one in five men need to use their loss of earning capacity insurance at some point during their working life. Therefore, it is a key priority for Danica Pension to provide our customers with good healthcare options.

We are committed to ensuring a high quality level in our products, and we are also very focused on proactively taking responsibility for preventing and treating conditions such as stress, which affects far too many Danes and which many corporate leaders would like to tackle, but are not equipped to.

Via our collaboration with consultants from AS3, we actively help customers who are absent due to illness return to the labour market. Last year, we also launched a new concept, "Stress Help" with the aim of making it easier for managers and employees to prevent and handle stress. In the first half of 2019, we launched the concept "Balance your screen time" in collaboration with the University of Copenhagen. Our aim with "Balance your screen time" is to give our customers and the Danish population at large tips and advice on how to deal with smartphone addiction. Also, in our collaboration with the University of Copenhagen we support research into the correlation between smartphone addiction and stress.

Health and accident business affected by integration process
In the first half of 2019, Danica Pension's loss in this business increased compared with the same period of 2018. This was explained in large part by the fact that, mirroring the situation in the rest of the industry, the health and accident business taken over from the former SEB Pension Denmark was lossmaking, thus compounding Danica Pension's loss.

In order to ensure a high quality in our healthcare offering and less imbalance between income and expenses, Danica Pension has already taken a number of initiatives in the health and accident business. In addition to focusing strongly on prevention and reactivation as described above, we also raised prices at 1 January 2018.

Premium payments rising due to the former SEB customers
For the first half of 2019, premium payments to the Danica Group's continuing operations (excluding Danica Sweden) amounted to DKK 15.0 billion, against DKK 14.0 billion in the year-earlier period.

The increase was driven primarily by premiums from the former SEB Pension customers, while a decline in single premiums pulled in the opposite direction.

The decline in single premiums was mainly caused by the fact that our focus on capturing new customers took a backseat while the large task of ensuring a swift integration for the benefit of the new customers from the former SEB Pension Denmark was underway. During the period, we therefore primarily focused on retaining and servicing Danica Pension's existing customers.

Robust investment returns
The first half of 2019 yielded a robust investment return for Danica Pension's customers.

Danica Pension customers with Danica Balance Mix saw returns on their investments of between 6.7% for low risk and 0 years to retirement and 15.2% for high risk and 30 years to retirement. The return for customers with Danica Balance Mix, medium risk profile and 20 years to retirement was 12.1%.

Pension investment is a long game, and it is key for us to continually strive to construct the best, most robust portfolios in order to produce attractive long-term returns.

Danica Pension aims to enhance customer satisfaction
A key focus area for Danica Pension is enhancing customer satisfaction. It is essential to us that our customers feel that we understand them and accommodate their needs.

The former SEB Pension Denmark has long had a high customer satisfaction score, and with its acquisition Danica Pension will be able to benefit from the experience that has produced such excellent historical results.

To boost Danica's customer satisfaction will require efforts across the board – from stronger focus on our dialogue with individual customers to an analysis of the general feedback we get from our customers, for example.

For example, we will further develop and roll out "One step ahead" for our business customers and use our successful experience from the personal customer segment to become more proactive and relevant to our business customers.

Sustainability is a key priority for Danica Pension
Danica Pension strives to ensure responsibility and sustainability in the companies we invest in. This

contributes to creating strong, stable returns for our customers and is beneficial to the companies in question and society in general. To support the long-term value creation and positive performance of the companies, we engage with their managements and use our voting right at general meetings.

In 2018, we imposed investment restrictions in relation to tar sand and thermal coal. We will not invest in companies if 30% or more of their earnings are generated from tar sand or thermal coal extraction or from energy production based on such fuel sources. Moreover, we want to support companies whose strategic ambition is to switch to more sustainable energy sources and which can demonstrate to us that they are able to achieve this goal.

Danica Pension's property portfolio is also focused on sustainability. At Postgrunden in Copenhagen, Danica Pension is developing a new urban district with, among other things, a new domicile for Danske Bank, a multi-user building as well as residential and hotel towers, all of which will be certified for sustainability according to international standards. The properties will be have LEED gold and DGNB gold and silver certification, respectively. This implies that the properties will meet a number of strict climate, environmental and social requirements and will feature low energy and water consumption, healthy indoor environmental quality, recycling of materials and attractive urban spaces.

Close collaboration with Danske Bank for the benefit of customers
In 2019, it remains a priority for Danica Pension to make pension customers aware of the advantages of being a customer of both Danica Pension and Danske Bank. The past few years have seen an increase in the number of Danske Bank customers choosing Danica Pension as their pension provider.

When our customers are exclusively customers of Danske Bank Group, we are able to deliver even more financial security while also strengthening our relationship with customers. It means that we can advise customers on all aspects of their finances (home, pension and cash funds) while also executing on Danica Pension's clear recommendations. Moreover, customers can often obtain more favourable terms under Danske Bank's customer programme because their pension savings are included in their business volume.

Danica Norway
In the first half, Danica Pension's Norwegian subsidiary, Danica Pensjon focused on executing a new strategy under the new CEO, Steinar Nielsen, who took up office in 2018. In the remaining part of 2019 and the years ahead, Danica Pensjon will focus on both top and bottom line growth in Norway.

FINANCIAL REVIEW

Profit for the period
For the first half of 2019, the Danica Group realised a profit before tax and discontinued operations of DKK 766 million, against DKK 623 million for the first half of 2018. Profit after tax and discontinued operations for the first half of 2019 amounted to DKK 1,951 million, against DKK 474 million in the first half of 2018.

DANICA GROUP, PROFIT BEFORE TAX	Half-year 2019	Half-year 2018
Technical result, Conventional products	565	541
Technical result, Unit-linked products	588	225
Result of insurance business	1,153	766
Investment return	-333	-93
Special allotments	-54	-50
Profit before tax and discontinued operations	766	623

The profit includes the results of Danica Pensionsforsikring A/S and Danica Administration A/S (formerly SEB Pensionsforsikring A/S and SEB Administration A/S) as from the acquisition date, 7 June 2018. On 27 June 2019, the merger of Danica Pension, Danica Pensionsforsikring and Danica Administration received regulatory approval, with Danica Pension as the continuing company. The accounting treatment of the merger is described in the significant accounting policies section.

Danica Pension's Swedish subsidiary, Danica Pension Försåkringsaktiebolag (Danica Sweden) was sold effective from 2 May 2019 and is recognised under discontinued operations until that date.

The result of insurance business for the first half of 2019 was in line with the guidance in the 2018 annual report. The result was favourably affected by the financial market improvement and adversely affected by the development in health and accident insurance, which is an integral part of the technical results of Conventional products and Unit-linked products. Net profit for the period was moreover affected by a change in the VA, as described in the Significant accounting policies section, reducing the profit for the period by DKK 140 million at the date of the change. The current reduction of VA in 2019 also had an adverse impact.

Profit after tax from discontinued operations amounting to DKK 1,353 million consisted of Danica Sweden's profit for the period and proceeds of DKK 1.3 billion from the sale of the undertaking.

The technical result of the conventional business amounted to DKK 565 million, against DKK 541 million for the first half of 2018. The result was favourably affected by the addition of SEB Pension Denmark and adversely affected by the development in health and accident insurance as well as by the expected decline in income from the conventional business, which is explained by the fact that new business is principally written in unit-linked products and by the general run-off profile of the portfolio.

The technical result of unit-linked products was DKK 588 million. The result was favourably affected by the addition of SEB Pension Denmark and the financial market improvement, but adversely affected by the development in health and accident insurance connected to unit-linked products.

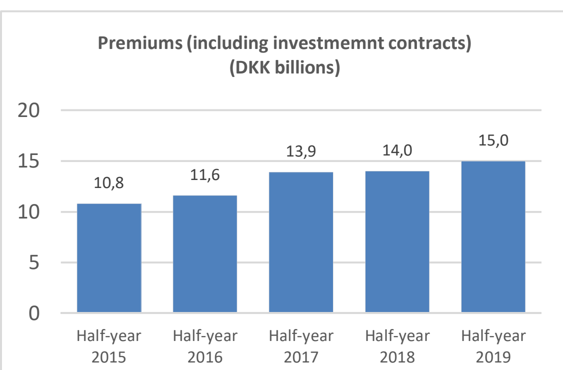
Health and accident insurance is considered an integral part of the insurance schemes, but is presented separately in the income statement. The overall result of the health and accident business was a loss of DKK 504 million, against a loss of DKK 218 million in the first half of 2018. As the result for the first half of 2018 only included the results of Danica Pensionsforsikring for one month, a higher loss was expected compared to 2018. The result for the first half was also affected by increased technical provisions.

The return on investment relating to the risk exposure of shareholders' equity fell from a negative DKK 93 million in the first half of 2018 to a negative DKK 333 million in the first half of 2019. The investment return was impacted by the above-mentioned change in VA and the change in interest rates.

In view of the financial performance, special allotments were calculated at a negative DKK 54 million in the first half of 2019, against a negative DKK 50 million in the first half of 2018. The amount for full year 2019 will depend on developments in Danica's earnings and business volume and on dividend payments.

Gross premiums

Gross premiums from continuing operations (excluding Danica Sweden) amounted to DKK 15.0 billion, against DKK 14.0 billion in the first half of 2018, corresponding to an increase of 7.1%.



Total premiums in the Danish business amounted to DKK 13.6 billion in the first half of 2019, compared with DKK 12.9 billion in the year-earlier period.

Premiums in the Norwegian business increased by 16.3%, from DKK 1.1 billion in the first half of 2018 to DKK 1.4 billion in the first half of 2019.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS) (DKK billions)	Half-year 2019	Half-year 2018
Denmark		
Conventional products	2.8	1.9
Unit-linked products	10.6	11.1
Internal product switches	-0.6	-0.9
Health and accident	0.8	0.8
Units outside Denmark		
Norway	1.4	1.1
Total premiums	15.0	14.0

INVESTMENT RETURN

Unit-linked products generated an aggregate return before tax on pension returns of DKK 20.0 billion in the first half of 2019, equivalent to 11.1% before tax on pension returns.

The table below shows returns on the unit-linked product Balance Mix, broken down by risk profile and number of years to retirement:

RETURN BEFORE TAX, HALF-YEAR 2019 (%) Risk	30 years to retirement	15 years to retirement	5 years to retirement
Balance Mix			
High risk profile	15.2	13.5	10.7
Medium risk profile	14.2	10.9	8.8
Low risk profile	12.8	8.7	7.1

Returns were lifted by the higher equity prices in the early part of 2019, which set off the equity price drops towards the end of 2018.

The return before tax on pension returns on investment of customer funds in the conventional products for the first half of 2019 was DKK 13.9 billion or 8.0%. After recognition of an increase in life insurance provisions of DKK 12.6 billion, the return was 1.2%.

DEVELOPMENT IN EXPENSES

In the life business, insurance-related operating expenses in the first half of 2019 amounted to DKK 744 million.

EXPENSES AS PER CENT OF PROVISIONS	Half-year 2019	Half-year 2018
Danica Group	0.19	0.16

The Group's expenses as per cent of provisions were up 0.3 percentage points compared with the first half of 2018. The increase was primarily due to integration costs related to the integration of the former SEB Pension Denmark.

DEVELOPMENT IN BALANCE SHEET ITEMS

Balance sheet 30 June 2019
The Group's total assets increased from DKK 565.6 billion at 31 December 2018 to DKK 599.1 billion at 30 June 2019. The increase was mainly attributable to an increase in the value of investment assets, adjusted for the sale of Danica Sweden, which reduced total assets.

Investment assets, including investment assets related to unit-linked products, rose from DKK 515.6 billion at 31 December 2018 to DKK 574.8 billion at 30 June 2019 due to the financial market improvements seen so far in 2019.

Provisions for insurance and investment contracts totalled DKK 428.3 billion, against DKK 399.5 billion at 31 December 2018. The increase was primarily attributable to the financial market trends.

Life insurance provisions relating to average-rate products rose by DKK 7.5 billion to DKK 188.6 billion, and life insurance provisions for unit-linked products rose from DKK 197.2 billion at the beginning of the year to DKK 216.4 billion at 30 June 2019.

Equity grew by DKK 1.7 billion to DKK 20.6 billion.

MANAGEMENT

Change to the Board of Directors
Per Klitgård Poulsen and Christoffer Møllenbach resigned from Danica's Board of Directors, and Lisbet Kragelund joined the Board and the Audit Committee.

SOLVENCY AND CAPITAL REQUIREMENTS

At 30 June 2019, the Danica Group's solvency coverage ratio was 177%, against 193% at 31 December 2018. The Danica Group maintained strong excess solvency coverage at 30 June 2019.

DANICA GROUP, SOLVENCY (DKK millions)	30.06.2019	31.12.2018
Total capital	25,181	25,819
Solvency capital requirement (SCR)	14,191	13,370
Excess capital base	10,990	12,449

Solvency II applies a standard model to calculate risk exposure in the calculation of the SCR, but it gives companies the option of developing their own full or partial models. Danica Pension applies a partial internal model to determine longevity risk only.

In spring 2019, Danica published a new solvency and financial condition report as a supplement to the annual report. The report, which is part of the new Solvency II requirements, gives a detailed account of Danica's solvency and financial condition.

RISKS AND UNCERTAINTY FACTORS

Note 8 to the consolidated financial statements contains a description of the Group's risk management and the most significant risks and uncertainty factors that may affect the Group and the Parent Company.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred between 30 June 2019 and the date of the signing of the interim financial statements that, in the opinion of the management, will materially affect the company's financial position.

OUTLOOK FOR 2019

After the merger with the former SEB Pension Denmark, Danica Pension will continue the progress of the integration of the former SEB Pension Denmark in Danica Pension from the first half of 2019.

The Danica Group regularly reassesses its capital structure and funding in consultation with its parent company, Danske Bank, as part of continuous capital management and optimisation.

Seen in isolation, the result of Danica's insurance business for the second half of 2019 is expected to be on a par with the result for the first half, but it will be affected by financial market developments and the continued integration of the former SEB Pension Denmark, which is expected to be completed towards the end of 2019.

Financial highlights - Danica Group

DKKm	First half 2019	First half 2018	Full year 2018
INCOME STATEMENT			
Life insurance			
Premiums	11,568	11,756	23,435
Claims and benefits	-14,163	-12,191	-27,159
Return on investment	32,125	-465	-8,115
Total operating expenses relating to insurance	-744	-502	-1,392
Profit/loss on business ceded	-29	-3	-
Technical result, Life	1,122	837	1,717
Health and accident insurance			
Gross premium income	742	789	1,890
Gross claims	-917	-832	-2,105
Total operating expenses relating to insurance	-75	-53	-132
Profit/loss on business ceded	-11	-24	-44
Return on investment less technical interest	-261	-21	26
Technical result of health and accident insurance	-504	-218	-633
Profit after tax from discontinued operations	1,353	38	77
Net profit for the period	1,951	474	1,081
Other comprehensive income	10	-33	-37
BALANCE SHEET			
Total assets	599,057	561,189	565,566
Insurance assets, health and accident insurance	320	389	301
Technical provisions, health and accident insurance	16,740	14,468	14,637
Total shareholders' equity	20,570	18,203	18,897
Total provisions for insurance and investment contracts	428,271	411,143	399,522
KEY FIGURES AND RATIOS (%)			
Rate of return related to average rate products *	8.0	0.6	1.0
Rate of return related to unit-linked products *	10.4	-1.2	-5.5
Risk on returns related to unit-linked products	4.25	3.75	4.25
Expenses as per cent of provisions	0.2	0.1	0.4
Expenses per policyholder (DKK)	702	531	1,325
Return on equity after tax	2.4	2.7	6.0
RATIOS FOR HEALTH AND ACCIDENT INSURANCE			
Gross claims ratio	121	108	117
Gross expense ratio	10	7	8
Combined ratio	132	117	127
Operating ratio	156	127	142
Relative run-off (%)	0.0	0.0	-0.3
Run-off, net of reinsurance (DKK millions)	0	2	-39

The ratios are defined in accordance with the Danish FSA's Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

Effective 7 June 2018, Danica Pension acquired the companies Danica Pensionsforsikring A/S and Danica Administration A/S (previously SEB Pension Danmark). The acquired companies are recognised in the Group effective from this date

*As Danica Pensionsforsikring A/S and Danica Administration A/S only contribute a little less than one month of operations to the consolidated interim financial statements, these figures are not included in the financial highlights for First half 2018.

The accounting figures for the first half of 2019 are also affected by accounting policy changes. See note 1.
Comparative figures have not been restated, as this is not practically possible.

Income statement & Other comprehensive income - Danica Group

Note	DKKm	First half 2019	First half 2018
3	Gross premiums	11,568	11,756
	Reinsurance premiums ceded	-29	-22
	Total premiums, net of reinsurance	11,539	11,734
	Income from associates	238	160
	Income from investment property	289	176
	Interest income and dividends, etc.	10,992	6,114
	Value adjustments	32,430	-4,891
	Interest expenses	-6,648	-1,935
	Administrative expenses related to investment activities	-475	-336
	Total investment return	36,826	-712
	Tax on pension returns	-4,701	247
	Claims and benefits paid	-14,163	-12,191
	Reinsurers' share received	-1	1
	Total claims and benefits, net of reinsurance	-14,164	-12,190
	Change in life insurance provisions	-26,428	2,354
	Change in reinsurers' share	-1	16
	Total change in life insurance provisions, net of reinsurance	-26,429	2,370
	Change in profit margin	-376	-90
	Acquisition costs	-215	-165
	Administrative expenses	-529	-337
	Reinsurance commissions and profit sharing	2	2
	Total operating expenses relating to insurance, net of reinsurance	-742	-500
	Transferred investment return	-831	-22
	TECHNICAL RESULT OF LIFE INSURANCE	1,122	837

Income statement & Other comprehensive income - Danica Group

Note	DKKm	First half 2019	First half 2018
	(cont'd)		
	HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	887	846
	Reinsurance premiums ceded	-50	-41
	Change in unearned premiums provision	-145	-57
	Change in profit margin and risk margin	-44	-3
	Change in unearned premiums provision, reinsurers' share	5	-17
	Premiums, net of reinsurance	653	728
	Technical interest	-	-63
	Claims paid, gross	-1,014	-840
	Reinsurers' share received	23	33
	Change in outstanding claims provision	97	8
	Change in risk margin	9	1
	Change in outstanding claims provision, reinsurers' share	10	0
	Claims, net of reinsurance	-875	-798
	Bonus and premium discounts	53	-12
	Acquisition costs	-27	-18
	Administrative expenses	-48	-35
	Reinsurance commissions and profit sharing	1	1
	Total operating expenses relating to insurance, net of reinsurance	-74	-52
	Return on investment	-261	-21
	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-504	-218
	Return on investment allocated to equity	9	-5
	Other income	144	14
	Other expenses	-5	-5
	PROFIT BEFORE TAX	766	623
	Tax	-168	-187
	NET PROFIT FOR THE PERIOD, BEFORE DISCONTINUED OPERATIONS	598	436
	Profit after tax from discontinued operations	1,353	38
	NET PROFIT FOR THE PERIOD	1,951	474

Net profit for the period	1,951	474
Other comprehensive income:		
Translation of units outside Denmark	2	-3
Hedging of units outside Denmark	4	3
Hedge of aqquisition	-	-41
Reversed on sale of foreign entity	5	-
Tax relating to other comprehensive income	-1	8
Total other comprehensive income	10	-33
NET COMPREHENSIVE INCOME FOR THE PERIOD	1,961	441

Balance sheet - Danica Group

Assets

Note	DKKm	30 June 2019	31 December 2018	30 June 2018
4	INTANGIBLE ASSETS	3,693	3,758	3,940
	Domicile property	41	42	41
	TOTAL TANGIBLE ASSETS	41	42	41
	Investment property	16,063	15,341	14,675
	Holdings in associates	10,045	9,819	8,610
	Loans to associates	460	546	460
	Total investments in associates	10,505	10,365	9,070
	Holdings	22,741	23,541	22,434
	Unit trust certificates	20,231	16,364	12,796
	Bonds	166,564	163,284	174,572
	Other loans	1,829	1,625	1,674
	Deposits with credit institutions	2,953	1,345	2,265
	Derivatives	87,307	38,788	39,615
	Total other financial investment assets	301,625	244,947	253,356
	TOTAL INVESTMENT ASSETS	328,193	270,653	277,101
	INVESTEMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	246,626	217,496	209,314
	Unearned premiums provision, reinsurers' share	6	1	44
	Life insurance provisions, reinsurers' share	93	92	92
	Outstanding claims provision, reinsurers' share	314	300	345
	Total technical provisions, reinsurers' share	413	393	481
	Amounts due from policyholders	595	595	525
	Amounts due from insurance companies	92	119	68
	Other debtors	4,513	3,093	2,075
	TOTAL DEBTORS	5,613	4,200	3,149
	Assets relating to discontinued operations	-	58,905	60,274
	Current tax assets	588	651	555
	Cash and cash equivalents	7,307	3,435	2,975
	Other	336	336	230
	TOTAL OTHER ASSETS	8,231	63,327	64,034
	Accrued interest and rent	6,141	5,599	3,176
	Other prepayments and accrued income	519	491	434
	TOTAL PREPAYMENTS AND ACCRUED INCOME	6,660	6,090	3,610
	TOTAL ASSETS	599,057	565,566	561,189

Balance sheet - Danica Group

Liabilities and equity

Note	DKKm	30 June 2019	31 December 2018	30 June 2018
	LIABILITIES			
	Unearned premiums provision	1,587	791	1,071
	Profit margin on health and accident insurance	34	-	-
	Life insurance provisions, average rate products	188,597	181,081	185,781
	Life insurance provisions, unit-linked products	216,433	197,165	204,087
	Total life insurance provisions	405,030	378,246	389,868
	Profit margin on life insurance and investment contracts	6,501	6,639	6,807
	Outstanding claims provision	14,372	13,293	12,916
	Risk margin on non-life insurance contracts	693	438	434
	Provisions for bonuses and premium discounts	54	115	47
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	428,271	399,522	411,143
	Deferred tax	1,646	1,649	2,155
	Other provisions	189	183	175
	TOTAL PROVISIONS FOR LIABILITIES	1,835	1,832	2,330
	Amounts owed, direct insurance	976	69	137
	Amounts owed to reinsurers	211	200	323
	Amounts owed to credit institutions	19,976	17,365	12,505
	Amounts owed to group undertakings	1,700	1,700	2,513
	Current tax liabilities	135	89	119
	Other creditors	118,343	61,162	48,104
	Liabilities relating to discontinued operations	-	58,462	59,879
	Other accruals and deferred income	3,059	2,418	2,114
5	Subordinated debt	3,981	3,850	3,819
	TOTAL CREDITORS	578,487	546,669	542,986
	EQUITY			
	Share capital	1,001	1,001	1,001
	Revaluation reserve	1	1	-
	Other reserves	14,361	12,839	12,348
	Retained earnings	5,207	5,056	4,854
	TOTAL SHAREHOLDERS' EQUITY	20,570	18,897	18,203
	TOTAL LIABILITIES AND EQUITY	599,057	565,566	561,189

Statement of capital - Danica Group

DKKm

Changes in shareholders' equity	Share capital	Revalu-ation reserve	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2018	1,001	1	-42	12,881	5,056		18,897
Effect of accounting policy changes 1 January 2019	-	-	-	-250	-38	-	-288
Adjusted shareholders' equity at 1 January 2019	1,001	1	-42	12,631	5,018	-	18,609
Profit for the period	-	-	-	1,762	189	-	1,951
Other comprehensive income:							
Reversed on sale of foreign entity	-	-	5	-	-	-	5
Translation of units outside Denmark	-	-	2	-	-	-	2
Hedge of aqquisition	-	-	4		-	-	4
Tax on other comprehensive income	-	-	-1		-	-	-1
Total other comprehensive income	-	-	10	-	-	-	10
Comprehensive income for the period	-	-	10	1,762	189	-	1,961
Shareholders' equity at 30 June 2019	1,001	1	-32	14,393	5,207	-	20,570
Shareholders' equity at 31 December 2017	1,000	0	-33	12,227	2,319	1,609	17,122
Correction of errors and new executive order	-	-	-	38	-	-	38
Adjusted shareholders' equity at 1 January 2018	1,000	0	-33	12,265	2,319	1,609	17,160
Profit for the period	-	-	-	643	438	-	1,081
Other comprehensive income:							
Translation of units outside Denmark	-	-	-19	-	-	-	-19
Hedges of units outside Denmark	-	-	19	-	-	-	19
Hedge of aqquisition	-	-	-	-41	-	-	-41
Tax on other comprehensive income	-	-	-9	14	-	-	5
Total other comprehensive income	-	-	-9	-27	-	-	-36
Comprehensive income for the period	-	-	-9	616	438	-	1,045
Adjustment, domicile property	-	1	-	-	-	-	1
Capital injection	1	-	-	-	2,299	-	2,300
Dividend paid	-	-	-	-	-	-1,609	-1,609
Shareholder's equity, 31 December 2018	1,001	1	-42	12,881	5,056	0	18,897

* Recognised in the balance sheet under other reserves.

Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of the former Statsanstalten for Livsforsikring (now a part of Danic Pension) if the percentage by which the equity exceeds the calculated capital requirement is higher than the percentage that had been maintained by Statsanstalten for Livsforsikring prior to the privatisation of this company in 1990. This comprises any excess either added to shareholders' equity or distributed as dividend, but it does not comprise shareholders' equity paid in after the privatisation. Special allotments to those policyholders are recognised as an expense in the income statement item "Change in life insurance provisions".

The share capital is made up of 1,001,000 shares of a nominal value of DKK 1,000 each. All shares carry the same rights; there is thus only one class of shares

Statement of capital - Danica Group

DKKm	30 June 2019	31 December 2018
Total capital		
Shareholders' equity	20,570	18,897
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	4,062	6,553
Deferred tax	261	276
- Intangible assets	-3,693	-3,758
Supplementary capital	3,981	3,850
Total capital	25,181	25,818

Cash flow statement - Danica Group

DKKm	First half 2019	Full year 2018	First half 2018
Cash flow from operations			
Profit before tax	766	1,216	623
Adjustment for non-cash operating items:			
Non-cash items relating to premiums and benefits	37,763	-19,525	-6,076
Non-cash items relating to reinsurance	-19	-63	294
Non-cash items relating to investment return	-42,925	10,316	16
Non-cash items relating to tax on pension returns	1,822	1,503	1,822
Non-cash items relating to expenses	3,023	3,388	-33
Net investment, customer funds	2,644	563	-167
Payments received and made, investment contracts	1,241	1,037	5,777
Tax paid	-	-848	239
Cash flow from operations	4,315	-2,413	2,495
Cash flow from investing activities			
Sale of investment property	-	289	289
Acquisition of holdings	-	-5,000	-5,000
Sale of holdings	1,667	-	-
Purchase of bonds	-9,836	-8,336	-4,667
Sale of bonds	6,718	8,932	7,014
Purchase of derivatives	-	-77	-2
Sale of derivatives	5	87	40
Cash flow from investing activities	-1,446	-4,105	-2,326
Cash flow from financing activities			
Capital injection	-	2,300	2,300
Dividend	-	-1,609	-1,609
Debt to credit institutions	2,611	-667	-5,528
Cash flow from financing activities	2,611	24	-4,837
Cash and cash equivalents at 1 January	4,780	9,908	9,908
Nettotil- og afgang af koncernselskaber	-	1,366	-
Change in cash and cash equivalents	5,480	-6,494	-4,668
Cash and cash equivalents, end of period	10,260	4,780	5,240
Cash and cash equivalents, end of period			
Deposits with credit institutions	2,953	1,345	2,265
Cash in hand and demand deposits	7,307	3,435	2,975
Total	10,260	4,780	5,240

Notes – Danica Group

Note

1 **ACCOUNTING P**OLICIES – FORSIKRINGSSELSKABET DANICA

GENERAL
The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as adopted by the EU, and with relevant interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). Furthermore, the consolidated financial statements comply with the Danish FSA's disclosure requirements for interim reports of issuers of listed bonds.

The interim report has not been reviewed or audited. The interim report is condensed and should be read in conjunction with the annual report for 2018.

The accounting policies have been changed compared with the annual report for 2018 due to a change in the calculation of unearned premiums provisions for health and accident insurance, a change in segment reporting and the implementation of IFRS 16.

Merger of companies
At 1 January 2019, the Danica Group merged the companies Danica Pension, livsforsikringsaktieselskab, Danica Pensionsforsikring A/S and Danica Administration A/S, with Danica Pension as the continuing company. The merger, effected using the pooling of interests method, has not affected the comparative figures of the Group. The former subsidiaries Danica Pensionsforsikring and Danica Administration were consolidated as of the acquisition date, 7 June 2018 (see the annual report for 2018).

Changes in accounting policies

Unearned premiums provision
The Danica Group has changed the accounting policy on calculating the unearned premiums provision for health and accident insurance with a risk coverage period of up to one year. From 1 January 2019, the unearned premiums provision represents the net present value of expected future payments in relation to insurance events occurring after the balance sheet date on existing agreements, plus expected administrative expenses, commission and claims processing costs and less premiums due to be received during the risk coverage period. The risk coverage period after the balance sheet date is 6 months for personal schemes and 12 months for company schemes. For company pension agreements with price guarantees, the risk coverage period is the longer of 12 months and the period of the price guarantee. Under the previous accounting policy, the unearned premiums provision solely represented prepaid premiums received. The changed accounting policy for calculating the unearned premiums provision is considered to result in a more relevant and reliable representation of the liabilities relating to the risk coverage period after the balance sheet date.

At 1 January 2019, the change had the effect of increasing the provision for the Group by DKK 1,011 million. The increase in the unearned premiums provision is partially covered by a DKK 642 million reduction of the Group's profit margin on the customers' savings component, and the remainder of the effect is recognised as a reduction in shareholders' equity of DKK 369 million before tax or DKK 288 million after tax.

Due to declining interest rates, the policy change has decreased profit before tax for H1 2019 by DKK 63 million.

Comparative figures for 2018 have not been restated as retroactive application is impracticable without the use of hindsight and due to lack of data.

Leases (IFRS 16)
The Danica Group implemented IFRS 16, Leases on 1 January 2019. The Danica Group has a limited number of leased assets. The implementation has led to the recognition of right-of-use assets and corresponding lease liabilities of DKK 300 million. The implementation has no impact on shareholders' equity at 1 January 2019 and no significant impact on the income statement for H1 2019. The Danica Group has chosen to use the modified method of implementing IFRS 16 and, accordingly, has not restated comparative figures. Lease liabilities are recognised in Other liabilities. Lease assets are recognised in the same item as similar owned assets, except assets that are part of a subleasing arrangement. These are recognised under Other receivables.

As from 2019, leases with the Group as lessee are recognised in the balance sheet, except for leases of low-value assets and leases with a term of 12 months or less. On initial recognition of a lease, the Group recognises a lease liability at the present value of future lease payments using the Group's borrowing rate and a right-of-use asset. Subsequently, the lease liability is adjusted for accrued interest and lease payments and corrected to reflect any modifications and remeasurement. The right-of-use asset is measured at cost less accumulated depreciation and any impairment losses and is depreciated on a straight-line basis over the lease term. In the case of subleases classified as finance leases, however, the right-of-use asset is reduced by regular interest and lease payments.

Notes – Danica Group

Note

Other than as set out above, the accounting policies are consistent with the accounting policies applied in the annual report for 2018, to which we refer.

Change in segment reporting
Subsequent to the annual report for 2018, the Danica Group has combined the business segments Traditionel and Unit-linked. The reason for the combination is that the two segments have similar financial characteristics and the fact that Management considers the business as a whole without allocating Danica's resources to specific products. After this change, Danica has a single segment. To facilitate the customers' ability to follow the products and due to the categorisation of conventional and unit-linked products in the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, this categorisation is maintained in the management's report.

Significant accounting estimates and judgments
Management's estimates and judgements of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements. The estimates and judgements 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 financial instruments
• the fair value measurement of real property
• Intangible assets / Goodwill

For more details on goodwill, see note 4 to the financial statements.

Change in accounting estimates
Life insurance provisions are computed for each insurance policy on the basis of a zero-coupon yield curve, based on EIOPA's discount curve. At 1 January 2019, EIOPA changed its method of calculating the Danish volatility adjustment (VA) of the discount curve. As a result of the changed methodology and update of underlying parameters, the VA was reduced by 12 basis points. The financial effect of the changed discount curve was a DKK 1.5 billion reduction of the buffers and a reduction of the profit before tax for H1 2019 of DKK 140 million before tax, or DKK 109 million after tax.

Notes - Danica Group

Note	DKKm	First half 2019	First half 2018
2	BUSINESS SEGMENTS		
	The group consistes of one business segment as shown below		
	Gross premiums from external sales	14,983	14,027
	- Gross premiums on investment contracts	-2,528	-1,425
	Gross premiums in the income statement	12,455	12,602
	Return on investment allocated to technical result	31,033	-571
	Claims and benefits paid	-15,177	-13,031
	Change in provisions for insurance and investment contracts	-26,834	2,201
	Total operating expenses relating to insurance	-819	-555
	Result of reinsurance	-40	-27
	Other income, net	139	9
	Technical result	757	628
	Return on investment, shareholders' equity	9	-5
	Profit before tax	766	623
	Interest income	8,941	4,084
	Interest expenses	-6,672	-1,935
	Income from associated undertakings at book value	238	160
	Impairment, depreciation and amorisation charges	-67	-11

The Danica Group has no single customers generating 10% or more of the combined revenue.

GEOGRAPHICAL SEGMENTS
Premium income from external customers are allocated to the country in which the contract was sold.
Assets comprise only intangible assets, tangible assets, investment property and holdings in associated undertakings in accordance with IFRS and do not provide a useful description of the Group's assets for management purposes.
Goodwill is allocated to the country in which activities are performed, whereas other assets are allocated on the basis of their location.

	Premiums, external customers		Assets	
	First half 2019	First half 2018	First half 2019	First half 2018
Denmark	13,585	12,857	29,759	27,181
Norway	1,398	1,170	84	84
Total	14,983	14,027	29,843	27,265

Note	DKKm	First half 2019	First half 2018
3	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	8,612	6,849
	Single premiums	5,484	6,332
	Total direct insurance	14,096	13,181
	Total gross premiums	14,096	13,181
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	1,371	320
	Single premiums	1,157	1,105
	Total premiums paid	2,528	1,425
	Total gross premiums included in the income statement	11,568	11,756

Notes - Danica Group

Note	DKKm	30 June 2019	31 December 2018
4	INTANGIBLE ASSETS		
	Cost, beginning of year	3,836	77
	Exchange rate adjustment	2	0
	Addition regarding Danica Pensionsforsikring and Danica Administration	-	3,759
	Cost, end of period	3,838	3,836
	Impairment and amortisation, beginning of year	-78	-
	Amortisation during the period	-67	-78
	Impairment and amortisation, end of period	-145	-78
	Carrying amount, end of period	3,693	3,758

Intangible assets consist of goodwill on acquisition of Norwegian activities in 2007 as well as goodwill and value of customers (VIF asset) regarding acquisition of the former SEB companies on 7. June 2018. The customer value will be depreciated linearily over a period of 10 years starting 1st June 2018.

Goodwill on acquisition of Danica Pensionsforsikring A/S and Danica Administration A/S of DKK 2,427million was tested for impairment in December 2018 based on earnings estimates for the budget period, followed by a terminal value. The budget period generally represents the first five years.

As a result of the integration process and merger of Danica Pension, livsforsikringsaktieselskab, Danica Pensionsforsikring A/S and Danica Administration A/S, the combined Danish activities of the Danica Group now constitute a single cash-generating unit for goodwill impairment testing purposes. The impairment test for 2018 was performed on the basis that the acquired undertaking initially constituted a separate cas
a separate cash-generating unit. To account for the fact that on initial recognition certain risks could not be quantified in the expected future cash flows of the acquired undertakings, these risks were instead reflected in the 2018 discount rate of 9%. As these risks will be incorporated in expected future cash flows, using a discount rate of 8% going forward is considered to provide a more fair presentation. At 30 June 2019, there is no evidence of impairment.

5 SUBORDINATED DEBT

Subordinated debt is debt which, in the event of the company's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Subordinated loan capital is included in total capital etc. in accordance with sections 36-38 of the executive order on calculation of total capital for insurance companies and insurance holding companies and calculation of total capital for certain investment firms.

Currency	Borrower	Note	Nominal	Interest rate	Year of issue	Maturity	Re-demption price	30 June 2019	31 December 2018
EUR	Danica Pension	a)	500	4.38	2015	29.9.45	100	3,981	3,850
Subordinated debt								3,981	3,850
Discount								-22	-24
Hedging of interest rate risk at fair value								271	140
Total, corresponding to fair value								4,230	3,966
Included in the capital base								4,230	3,966

a) The loan was raised on 29 September 2015 and is listed on the Irish Stock Exchange. The loan can be repaid from September 2025.
The loan carries interest at a rate of 4.375% p.a. until 29 September 2025, at which point a step-up will occur.
The interest expense amounted to DKK 60 million for the first half of 2019.

The subordinated debt is stated at amortised cost plus the fair value of the hedged interest rate risk.

Notes - Danica Group

Note	DKKm	30 June 2019	31 December 2018
6	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	Assets have been deposited as collateral for policyholders' savings with a total of:	450,645	410,062
	As collateral for derivative transactions, the Group has delivered bonds and cash equal to a total fair value of	28,827	12,186
	The Group has rent commitments with a remaining lease of 8 years and annual gross rent of	48	47
	Minimum lease payments regarding cars amount to	3	5
	The Group has undertaken contractual obligations to purchase, construct, convert or extend investment properties or to repair, maintain or improve these at an amount of	509	566
	The Group has undertaken to participate in alternative investments with an amount of	23,738	22,218
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	776	278
	As a participant in partnerships, the Group is liable for a total debt of	12	12
	The Group's companies are jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.		
	The Danish group companies are registered jointly for financial services employer tax and for VAT for which they are jointly and severally liable.		
	Danica Pension is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
	Owing to its size and business volume, the Group is continually a party to various lawsuits and disputes. The Group does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

Note DKKm

7 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

	Fair value			Amortised cost		
30 June 2019	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		22,741				22,741
Unit trust certificates		20,231				20,231
Bonds		166,564				166,564
Other loans		1,829				1,829
Deposits with credit institutions		2,953				2,953
Derivatives	87,307					87,307
Unit-linked investments		246,626				246,626
Debtors				4,513		4,513
Deposits with credit institutions				7,307		7,307
Total financial assets	87,307	460,944		11,820		560,071
Provisions for unit-linked products, investment contracts		46,364				46,364
Due to credit institutions	19,976					19,976
Derivatives	103,629					103,629
Subordinated loan capital			271		3,710	3,981
Total financial liabilities	123,605	46,364	271		3,710	173,950
31 December 2018						
Holdings		23,541				23,541
Unit trust certificates		16,364				16,364
Bonds		163,284				163,284
Other loans		1,625				1,625
Deposits with credit institutions		1,345				1,345
Derivatives	38,788					38,788
Unit-linked investments		217,496				217,496
Debtors				3,093		3,093
Deposits with credit institutions				3,435		3,435
Total financial assets	38,788	423,655		6,528		468,971
Provisions for unit-linked products, investment contracts		46,999				46,999
Due to credit institutions	17,365					17,365
Derivatives	53,647					53,647
Subordinated debt			140		3,662	3,802
Total financial liabilities	71,012	46,999	140		3,662	121,813

Recognition as income:

Exchange rate adjustment of debtors and creditors measured at amortised cost were recognised under value adjustments at DKK -8 million in H1 2019 and at DKK -13 million in 2018.

The remaining part of investment return included in the income statement items interest income and dividends, etc., interest expenses and value adjustments relates to financial instruments at fair value

Note DKKm

7
(cont'd)

Financial instruments at fair value
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1: Quoted prices
Fair value measurement is based on quoted prices generated in transactions in active markets. Where an active market exists for listed equity investments, bonds, derivative financial instruments, etc., the instrument is generally measured at the closing price at the balance sheet date.

Level 2: Observable input
In the absence of a listed closing price, another publicly available price presumed to be the closest thereto, in the form of indicative prices from banks/brokers, is used. Assets in this category include hedge funds, CDOs and credit bonds. In the case of listed securities for which the closing price does not represent fair value, valuation techniques or other observable data are used to determine fair value. Where no active market exists for a financial instrument, valuation techniques with input based on observable market data are used. Depending on the nature of the asset or liability, these may be calculations based on underlying parameters such as yields, exchange rates and volatility or with reference to transaction prices for similar instruments.

Level 3: Non-observable input
In some cases, the valuation cannot be based on observable market data alone. Where this is the case, valuation models are used which may include estimates of future events as well as of the nature of the current market situation. This level includes unlisted equities and investment property.

The measurement of unlisted investments is based on the industry, market position and earnings capacity of the company. Furthermore, the fair value is affected by macroeconomic and financial conditions.

At 30 June 2019, Danica had financial assets as set out below in the amount of DKK 548,251 million, of which 96% was attributable to insurance obligations to policyholders and 4% was attributable to shareholders' equity. Accordingly, changes in various valuation parameters would therefore have an insignificant impact on shareholders' equity, as the risk is assumed by policyholders.

30 June 2019	Quoted prices	Observable input	Non-observable input	Total
Holdings	8,058	1,243	13,440	22,741
Unit trust certificates	17,718	1,486	1,027	20,231
Bonds	148,106	14,881	3,577	166,564
Other loans	0	74	1,755	1,829
Derivatives	5,008	80,425	1,874	87,307
Unit-linked investments	180,819	34,872	30,935	246,626
Deposits with credit institutions	2,953			2,953
Total financial assets	362,662	132,981	52,608	548,251
Due to credit institutions	19,976	-	-	19,976
Derivatives	5,171	96,340	2,118	103,629
Subordinated loan capital	-	271	-	271
Provisions for unit-linked contracts	46,364	-	-	46,364
Total financial liabilities	71,511	96,611	2,118	170,240
31 December 2018				
Holdings	7,955	1,822	13,764	23,541
Unit trust certificates	16,129	219	16	16,364
Bonds	142,455	20,153	676	163,284
Other loans	-	50	1,575	1,625
Derivatives	88	36,827	1,873	38,788
Unit-linked investments	158,928	28,446	30,122	217,496
Likvide beholdninger	1,345	-	-	1,345
Total financial assets	326,900	87,517	48,026	462,443
Due to credit institutions	17,365	-	-	17,365
Derivatives	118	51,291	2,238	53,647
Subordinated loan capital	-	140	-	140
Provisions for unit-linked contracts	46,999	-	-	46,999
Total financial liabilities	64,482	51,431	2,238	118,151

At 30 June 2019, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 39,617 million and illiquid bonds DKK 9,249 million.

Notes - Danica Group

Note DKKm

7
(cont'd)

Valuation based on non-observable input	30 June 2019	31 December 2018
Fair value, beginning of year	48,026	22,696
Value adjustment recognised through profit or loss in Value adjustments	3,022	1,775
Addition regarding acquisition	-	16,509
Purchase	36,675	11,104
Sale	-37,234	-10,558
Transferred from quoted prices and observable input	-	6,500
Fair value, end of period	50,489	48,026

In the first half of 2019, unrealised market value adjustments were recognised at DKK 1,393 million (2018: DKK 3,402 million) on financial instruments valued based on non-observable input.

Assuming a widening of the credit spread by 50 bps for bonds and other loans, the fair value would be reduced by DKK 135 million. A narrowing of the credit spread by 50 bps would cause the fair value to be increased by DKK 135 million.

8 RISK MANAGEMENT AND SENSITIVITY INFORMATION

RISK MANAGEMENT

The Board of Directors defines the Group's risk management framework, while the daily management monitors the Group's risks and ensures compliance with the framework.

The Group is exposed to a number of different risks.

Financial risks:	Insurance risks:	Operational risks:	Business risks:
Market	Longevity	Internal fraud	Reputation
Liquidity	Mortality	External fraud	Strategic
Counterparty	Disability	Employment situation	Regulatory
Concentration	Health and accident	Customers, products and business practices	Digitalisation
	Critical illness	Transactions and processes	
	Surrender	Physical assets	
	Expenses	Systems and data errors	
	Concentration	IT	
		Model risk	

Financial risk
Financial risks comprise market risk, liquidity risk, counterparty risk and concentration risk. Market risk involves the risk of losses because of changes in the fair value of the Group's assets and liabilities due to changing market conditions, such as changes in interest rates, equity prices, property values, exchange rates and credit spreads. Liquidity risk is the risk of losses as a result of a need to release tied-up cash to pay liabilities within a short timeframe. Counterparty risk is the risk of losses because counterparties default on their obligations. Concentration risk is the risk of losses as a result of high exposure to a few asset classes, industries, issuers, etc.

The Group has three sources of financial risk:
- Investments relating to conventional products
- Investments relating to unit-linked products with investment guarantees attached
- Direct investments of shareholders' equity

The amount of financial risk differs for the various products in the Group's product range.

The most significant financial risk of the Group is the market risk relating to Danica Pension's conventional life insurance products.

Investments relating to conventional products
The Group's conventional products are policies with guaranteed benefits and collective investments.

The market risk of conventional products consists of the relationship between investment assets and guaranteed benefits for each interest rate group.

If the return on investment of customer funds for the year for an individual interest rate group is inadequate to cover the return on customer funds and the required strengthening of life insurance obligations etc., the shortfall is covered first by the collective bonus potential and then by the individual bonus potential of paid-up policies of that interest rate group. If the bonus potentials are insufficient to absorb losses, the assets attributable to shareholders' equity are used.

Insurance obligations are calculated by discounting the expected cash flows using a discount yield curve defined by EIOPA as part of the Solvency II rules.

In order to ensure that the return on customer funds matches the guaranteed benefits on policies with bonus entitlement, Danica monitors market risk on an ongoing basis. Internal stress tests are performed to ensure that Danica is able to withstand material losses on its risk exposure as a result of, e.g., major interest rate fluctuations. Interest rate risk is in part covered by the bond portfolio and in part hedged using derivatives.

Since the Danish bond market is not substantial enough and does not have the necessary duration to hedge the liabilities, Danica must also invest in non-Danish interest rate instruments. Investments sensitive to changes in interest rates thus comprise a wide range of interest rate-based assets: Danish and European government bonds; Danish mortgage bonds, Danish index-linked bonds and a well-diversified portfolio of global credit bonds. Consequently, Danica is exposed to basic risk from government and credit spreads.

Credit spread risk on bond holdings is limited as 80% of the portfolio at the end of 2018 consists of government and mortgage bonds with high credit ratings (AA – AAA) with the international credit rating agencies or in unrated bonds issued by an issuer with a similar high credit quality. Just 9% of the portfolio is invested in non-investment grade bonds.

Counterparty risk is reduced by demanding security for derivatives and high credit ratings for reinsurance counterparties.

Currency risk is insignificant as it is hedged by means of currency hedging instruments.

Liquidity risk is limited by placing a major portion of investments in liquid listed bonds and equities.

Concentration risk is limited by investing with great portfolio diversification and by limiting the number of investments in a single issuer. For mortgage bonds, the issuer is not considered critical to the concentration risk, as the individual borrower provides collateral for issued mortgage bonds.

Investments relating to unit-linked products
The financial risk associated with investments under unit-linked products is primarily borne by policyholders, particularly on contracts with investment guarantees. At the end of 2018, 18% of policyholders had investment guarantees in the guarantee period. The guarantees do not apply until the policyholder retires and are paid for by way of an annual fee.

Danica Pension hedges the risk on financial guarantees in unit-linked products with financial derivatives and by adjusting the investment allocation during the period leading up to retirement. The investment allocation is adjusted according to the guarantee amount, the investment horizon, etc.

The Group's risk exposure on unit-linked products relates to its income from managing customers' savings and insurance contracts. The profit margin is the present value of expected future income/expenses on insurance contracts expected to be recognised in the income statement concurrently with the provision of insurance cover and any other benefits under the contract. In the event of adverse financial market developments, such as an equity market decline, the profit margin on the policyholders' savings will be reduced and the Company's profit margin will be lower, resulting in a reduction of the Group's total capital to cover the solvency capital requirement.

Direct investments of shareholders' equity
Shareholders' equity is exposed to financial risk on assets in which the shareholders' equity is invested and on investments relating to the health and accident business and relating to the group Egen Gruppe, which also falls under the risk exposure of shareholders' equity.

The Board of Directors has set separate investment strategies for assets allocated to shareholders' equity and investments relating to health and accident insurance and Egen Gruppe. Assets allocated to shareholders' equity mainly comprise short-term bonds.

Insurance risks
Life insurance risks are linked to trends in mortality, disability, critical illness and other variables. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, trends in mortality, sickness and recoveries affect life insurance and disability benefits. Longevity is the most significant life insurance risk.

Concentration risk relating to life insurance risk comprises the risk of losses as a result of high exposure to a few customer groups and high exposure to a few individuals. Concentration risk is limited by means of risk diversification of the insurance portfolio and by reinsurance.

To limit losses on individual life insurance policies with high risk exposure, Danica Pension reinsures a small portion of the risks related to mortality and disability.

The various risk elements are subject to ongoing actuarial assessment for the purpose of calculating insurance obligations and making relevant business adjustments.

Operational risk
Operational risk relates to the risk of losses resulting from IT system errors, legal disputes, inadequate or faulty procedures and fraud. The Group limits operational risks by establishing internal controls that are regularly updated and adjusted to the Group's current business volume. Another measure is segregation of duties.

Business risk
Business risk comprises strategic risks, reputational risks and other external risk factors.

The Group closely monitors the development on the markets where the Group operates in order to ensure the competitiveness of prices and customer service. The Group is committed to treating customers fairly and communicating openly and transparently.

The Group subjects it business units to systematic assessments to reduce the risk of financial losses due to damage to its reputation.

SENSITIVITY INFORMATION

The below table shows the effects on the Group's total capital and solvency coverage ratio of isolated changes in various risk categories, see section 126 g(2) and section 373(4) of the Danish Financial Business Act. A description of the stress scenarios in the various risk categories is provided in the Danish Executive Order on Sensitivity Analyses for Group 1 Insurance Companies.

Sensitivity information – SCR

	SCR 125%			SCR 100%		
	Stress (%)	Total capital (DKKm)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKKm)	Solvency coverage ratio (%)
Interest rate risk	-200	23,854	140	-200	23,854	140
Equity risk	43	21,810	125	63	17,914	100
Property risk	46	22,661	125	73	19,084	100
Credit spread risks:						
- Danish government bonds, etc.	9	23,319	125	15	19,985	100
- Other government bonds, etc.	22	23,301	125	36	19,861	100
- Other bonds	26	23,425	125	43	19,954	100
Currency spread risks						
- USD	100	25,175	174	100	25,175	174
- NOK	100	25,159	175	100	25,159	175
- SEK	100	25,150	175	100	25,150	175
Counterparty risk		25,181	170		25,181	170
Longevity risk	40	24,076	125	54	22,161	100
Life insurance option risk	250	23,428	136	250	23,498	136
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

Sensitivity information – MCR

	MCR 125%			MCR 100%		
	Stress (%)	Total capital (DKKm)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKKm)	Solvency coverage ratio (%)
Interest rate risk	-200	23,854	242	-200	23,854	242
Equity risk	85	13,330	125	95	11,135	100
Property risk	100	15,517	147	100	15,517	147
Credit spread risks:						
- Danish government bonds, etc.	27	13,404	125	31	11,090	100
- Other government bonds, etc.	61	13,494	125	71	11,168	100
- Other bonds	72	13,495	125	81	11,155	100
Currency spread risks						
- USD	100	25,175	289	100	25,175	289
- NOK	100	25,159	290	100	25,159	290
- SEK	100	25,150	290	100	25,150	290
Counterparty risk		22,801	285		22,801	285
Longevity risk	100	15,901	142	100	15,901	142
Life insurance option risk	250	23,428	235	250	23,428	235
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

The above table is prepared on the basis of total capital of DKK 25,181 million and a solvency coverage ratio of 177%. Please note that for credit spread risk, a decline in bonds without an increase in EIOPA's discount yield curve is assumed.

Income statement - Forsikringsselskabet Danica

Note	DKKm	First half 2019	First half 2018
	Gross premiums	225	245
	Change in unearned premiums provision	-42	-36
	Premiums, net of reinsurance	183	209
	Technical interest	-1	-
	Claims paid, gross	-211	-206
	Change in outstanding claims provision	17	11
	Ændring i risikomargen	-1	-
	Claims, net of reinsurance	-195	-195
	Acquisition costs	-4	-3
	Administrative expenses	-9	-4
	Total operating expenses relating to insurance, net of reinsurance	-13	-7
	TECHNICAL RESULT	-26	7
	Income from group undertakings	1,753	238
	Interest income and dividends, etc.	8	7
	Value adjustments	-1	-9
	Interest expenses	-4	-4
	Total return on investments	1,756	232
	Return on technical provisions	-1	-2
	RETURN ON INVESTMENTS LESS TECHNICAL INTEREST	1,755	230
	Other income	325	348
	Other expenses	-47	-45
	PROFIT BEFORE TAX	2,007	540
	Tax	-56	-66
	NET PROFIT FOR THE PERIOD	1,951	474

Net profit for the period	1,951	474
Other comprehensive income:		
Translation of units outside Denmark	2	-3
Hedging of units outside Denmark	4	3
Hedge of aqquisition	-	-41
Tilbageført ved salg af udenlandsk enhed	5	-
Tax relating to other comprehensive income	-1	8
Total other comprehensive income	10	-33
NET COMPREHENSIVE INCOME FOR THE PERIOD	1,961	441

Balance sheet - Forsikringsselskabet Danica

Assets

Note	DKKm	30 June 2019	31 December 2018	30 June 2018
	Holdings in group undertakings	22,781	21,276	20,870
	Total investments in group undertakings and associates	22,781	21,276	20,870
	Bonds	833	807	609
	Total other financial investments	833	807	609
	TOTAL INVESTMENTS ASSETS	23,614	22,083	21,479
	Amounts due from policyholders	2	2	3
	Amounts due from subsidiary undertakings	180	-	-
	Other debtors	386	71	376
	TOTAL DEBTORS	568	73	379
	Current tax assets	-	6	-
	Cash and cash equivalents	3	27	1
	TOTAL OTHER ASSETS	3	33	1
	Accrued interest and rent	4	4	3
	TOTAL PREPAYMENTS AND ACCRUED INCOME	4	4	3
	TOTAL ASSETS	24,189	22,193	21,862

Balance sheet - Forsikringsselskabet Danica

Liabilities and equity

Note	DKKm	30 June 2019	31 December 2018	30 June 2018
	Share capital	1,001	1,001	1,001
	Other reserves	14,085	12,323	12,431
	Retained earnings	5,484	5,573	4,855
	TOTAL SHAREHOLDERS' EQUITY	20,570	18,897	18,287
	Unearned premiums provision	52	10	47
	Outstanding claims provision	234	249	283
	Risk margin on non-life insurance contracts	50	11	9
	Provisions for bonuses and premium discounts	4	4	4
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	340	274	343
	Amounts owed, direct insurance	19	19	22
	Amounts owed to group undertakings	2,900	2,984	3,101
	Current tax liabilities	41	-	93
	Other creditors	316	14	13
	TOTAL CREDITORS	3,276	3,017	3,229
	ACCRUALS AND DEFERRED INCOME	3	5	3
	TOTAL LIABILITIES AND EQUITY	24,189	22,193	21,862

Notes – Forsikringsselskabet Danica

Note

1 **ACCOUNTING P**OLICIES – FORSIKRINGSSELSKABET DANICA

GENERAL
The financial statements of the Parent Company, Forsikringsselskabet Danica, are presented 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 and multi-employer occupational pension funds and Amending Executive Order No. 688 of 1 June 2016, in force from 1 July 2016 and executive order No. 1442 of 1 January 2019. § 62 concerning lease has been pre adopted from 1 January 2019.

The accounting policies are identical to the Group's measurement under IFRS with such differences as naturally occur between consolidated and parent company financial statements. See the description of significant accounting policies in note 1 to the consolidated financial statements, including the for the period made practice changes which not have had a significant influence on the parent company's profit for the period.

Changes in accounting policies
Unearned premiums provision
Forsikringsselskabet Danica has changed the accounting policy on calculating the unearned premiums provision for health and accident insurance with a risk coverage period of up to one year. From 1 January 2019, the unearned premiums provision represents the net present value of expected future payments in relation to insurance events occurring after the balance sheet date on existing agreements, plus expected administrative expenses, commission and claims processing costs and less premiums due to be received during the risk coverage period. The risk coverage period after the balance sheet date is 6 months for personal schemes and 12 months for company schemes. For company pension agreements with price guarantees, the risk coverage period is the longer of 12 months and the period of the price guarantee. Under the previous accounting policy, the unearned premiums provision solely represented prepaid premiums received. The changed accounting policy for calculating the unearned premiums provision is considered to result in a more relevant and reliable representation of the liabilities relating to the risk coverage period after the balance sheet date.

At 1 January 2019, the change had the effect of increasing the provision for Forsikringsselskabet Danica by DKK 38 million. The increase in the unearned premiums provision is covered by a DKK 38 million reduction in shareholders' equity of before tax.

Due to declining interest rates, the policy change has decreased profit before tax for H1 2019 by DKK 10 million.

Comparative figures for 2018 have not been restated as retroactive application is impracticable without the use of hindsight and due to lack of data.

Leases (IFRS 16)
Forsikringsselskabet Danica implemented excecutive order No. concerning lease . Forsikringsselskabet Danica has a limited number of leased assets. The implementation has led to the recognition of right-of-use assets and corresponding lease liabilities of DKK 297 million. The implementation has no impact on shareholders' equity at 1 January 2019 and no significant impact on the income statement for H1 2019. Forsikringsselskabet Danica has chosen to use the modified method of implementing IFRS 16 and, accordingly, has not restated comparative figures. Lease liabilities are recognised in Other liabilities. Lease assets are recognised in the same item as similar owned assets, except assets that are part of a subleasing arrangement. These are recognised under Other receivables.

As from 2019, leases with Forsikringsselskabet Danica as lessee are recognised in the balance sheet, except for leases of low-value assets and leases with a term of 12 months or less. On initial recognition of a lease, Forsikringsselskabet Danica recognises a lease liability at the present value of future lease payments using Forsikringsselskabet Danicas borrowing rate and a right-of-use asset. Subsequently, the lease liability is adjusted for accrued interest and lease payments and corrected to reflect any modifications and remeasurement. The right-of-use asset is measured at cost less accumulated depreciation and any impairment losses and is depreciated on a straight-line basis over the lease term. In the case of subleases classified as finance leases, however, the right-of-use asset is reduced by regular interest and lease payments.

Change in accounting estimates
Life insurance provisions are computed for each insurance policy on the basis of a zero-coupon yield curve, based on EIOPA's discount curve. At 1 January 2019, EIOPA changed its method of calculating the Danish volatility adjustment (VA) of the discount curve. As a result of the changed methodology and update of underlying parameters, the VA was reduced by 12 basis points. The financial effect of the changed discount curve was a reduction of the profit before tax for H1 2019 of DKK 38 million before tax.

Notes - Forsikringsselskabet Danica

Note	DKKm	30 June 2019	31 December 2018
2	ASSETS DEPOSITED AS SECURITY AND CONTINGENT LIABILITIES		
	Assets have been deposited as collateral for policyholders' savings with a total of:	399	330
	The company has rent commitments with a remaining lease of 8 years and annual gross rent of	48	47
	The company is jointly taxed with all units in the Danske Bank Group and is jointly and severally liable for their Danish income tax, withholding tax etc.		
	The company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is jointly and severally liable.		

Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the interim financial statements of Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 for the six months ended 30 June 2019.

The consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the interim financial statements of the Parent Company are prepared in accordance with the Financial Business Act.

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the period 1 January – 30 June 2019. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 18 July 2019

Executive Board

Ole Krogh Petersen
Chief Executive Officer

Jesper Mølskov Høybye

Søren Lockwood

Board of Directors

Jacob Aarup-Andersen
Chairman

Kim Andersen
Vice Chairman

Christian Boris Baltzer

Lisbet Kragelund

Thomas Mitchell

Jeanette Løgstrup

Kenneth Stricker-Nielsen

Charlott Due Pihl

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