

# *Interim report – first half 2017*

Danica Pension, Livsforsikringsaktieselskab



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This Interim Report - First half 2017 is a translation of the original report in the Danish language (Delårsrapport - 1. halvår 2017). In case of discrepancy, the Danish version prevails

## SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA PENSION GROUP

(DKK millions)	H1 2017	H1 2016	Year 2016
PREMIUMS INCLUDING INVESTMENT CONTRACTS	20,187	15,662	33,465
INCOME STATEMENT			
Technical result, Life	515	7	1,436
Technical result of health and accident insurance	-33	-14	-100
Return on investment allocated to equity, etc.	313	726	625
Profit before tax	795	719	1,961
Tax	-171	-153	-376
Profit for the period	624	566	1,585
BALANCE SHEET			
Total assets	413,851	410,580	404,820
Provisions for insurance and investment contracts	351,156	328,178	340,467
Total shareholders' equity	17,368	17,261	18,267
KEY FIGURES AND RATIOS (%)			
Return related to average rate products	-0.2	6.8	6.5
Return related to unit-linked products	4.4	-1.9	5.5
Risk on return related to unit-linked products	4.25	4.25	4.25
Expenses as per cent of provisions	0.2	0.2	0.4
Expenses per policyholder (DKK)	624	613	1,221
Return on equity after tax	3.4	3.1	8.4
Solvency coverage ratio	207	209	249
RATIOS FOR HEALTH AND ACCIDENT INSURANCE			
Gross claims ratio	108	97	105
Gross expense ratio	9	10	9

## FINANCIAL RESULTS

- Profit before tax of DKK 795 million for the Danica Pension Group, against DKK 719 million in the first half of 2016.
- Premiums of DKK 20.2 billion in the first half of 2017, up by 28.9%.
- In the Danish business, the return on unit-linked products before tax on pension returns was 4.2%, against a negative return of 1.2% in the first half of 2016, and the return for Danica Traditionel after adjustment of additional provisions was 0.8%, compared with 2.3% in the first half of 2016.

DANICA PENSION GROUP, PROFIT BEFORE TAX (DKK millions)	H1 2017	H1 2016
Technical result, Traditionel (Denmark)	459	550
Technical result, Unit-linked (Denmark)	212	183
Health and accident result before investment return (Denmark)	-42	-52
Technical result, business outside Denmark	71	72
Total (generated by Danica)	700	753
Investment return	185	96
Special allotments	-90	-130
Profit before tax	795	719

The technical result of the Danica Traditionel business in Denmark was DKK 459 million, a decrease of 7% relative to the first half of 2016. Though impacted by reduced provisions as expected, Danica Traditionel allowed for the booking of risk allowance for all four interest rate groups.

The Danish unit-linked business reported a technical result of DKK 212 million, against DKK 183 million in the first half of 2016, due to higher income from investment asset management.

The result of health and accident insurance in Denmark before investment return was a loss of DKK 42 million, an increase of DKK 10 million compared with the result for the year-earlier period.

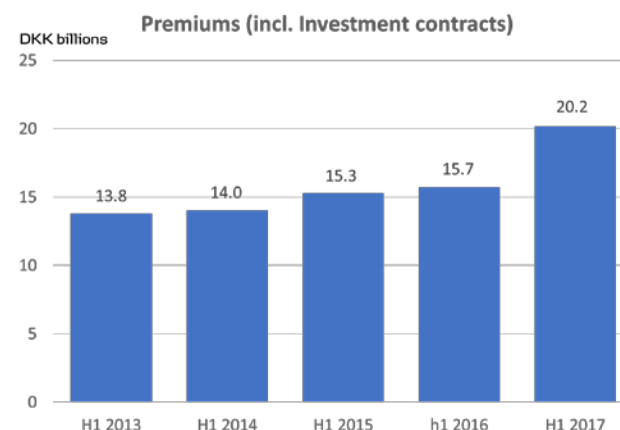
The technical result of the non-Danish business was DKK 71 million in the first half of 2017, which was in line with the first half of 2016.

The investment return allocated to shareholders' equity was DKK 185 million, against DKK 96 million in the year-earlier period. The increase was mainly attributable to a higher investment return related to the health and accident business.

Special allotments were calculated at an expense of DKK 90 million in the first half of 2017, against an expense of DKK 130 million in the first half of 2016. The amount for full year 2017 will depend on developments in Danica's earnings and business volume and dividend payments.

Profit for the period was DKK 795 million before tax and DKK 624 million after tax.

Premiums amounted to DKK 20.2 billion, against DKK 15.7 billion in the first half of 2016, corresponding to an increase of 28.5%.



Total premiums in the Danish business amounted to DKK 12.4 billion in the first half of 2017, compared with DKK 10.3 billion in the year-earlier period. Excluding internal product switches, premiums on unit-linked products in the Danish business amounted to DKK 9.8 billion.

Premiums in the non-Danish business increased by 45.8%, from DKK 5.4 billion in the first half of 2016 to DKK 7.8 billion in the first half of 2017.

Premiums in the Swedish business amounted to DKK 6.5 billion, against DKK 4.3 billion in the first half of 2016. The increase was explained by increasing payments from the custody account savings product "Depotforsikringer".

Premiums in the Norwegian business amounted to DKK 1.3 billion, against DKK 1.1 billion in the first half of 2016. The main reason for this increase was an inflow of new business customers.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS) (DKK billions)	H1 2017	H1 2016
Balance	9.9	7.6
Link	0.2	0.7
Select	0.3	0.3
Danica Traditionel	2.1	1.8
Health and accident (Denmark)	0.5	0.5
Internal product switches	-0.6	-0.6
Premiums (Denmark)	12.4	10.3
Premiums, non-Danish business	7.8	5.4
Total premiums	20.2	15.7

## DANICA STRATEGY

Danica's strategy reflects Danica's vision of being the most trusted pension provider. We pursue this ambition by providing financial security for our customers.

A focus area for Danica Pension is that we make a proactive effort to ensure that our customers - both personal and business customers - have the right pension solution. To achieve this, we continuously identify

and follow up on our customers' needs and give clear recommendations for customers to act on. It is our ambition to offer our customers the best products and the simplest, most value-adding digital tools and to be available to guide our customers in whatever form they prefer.

Danica Pension builds closer ties with our customers by offering them an overview and clear recommendations on how to get the best possible cover through their pension scheme. This way, we provide a sense of security for both company management and employees so they can concentrate on the business rather than on their pension covers.

#### **Dedicated focus on continuing to improve customer satisfaction**

Danica Pension focuses on lifting customer satisfaction in line with our goal of becoming the pension company that customers are the most confident with.

#### **Proactive communication with our customers**

In January 2017, Danica Pension in earnest began implementing a major change to our customer communication. We contact our customers with clear recommendations whenever events occur in their lives that may affect their pension scheme, for example when they marry, divorce or move. The aim is to make our customers secure in the knowledge that their pension scheme is suited to their life situation at all times.

At the end of the first half of 2017, Danica Pension had already proactively contacted more than 100,000 customers and was thus well on the way to reaching the goal of proactively contacting 150,000 customers with relevant information in 2017.

#### **Danske Bank's establishment of Wealth Management**

In March 2017, the two investment teams in Asset Management and Danica Pension were merged. This organisational change is designed to accommodate the customers' changing needs and expectations. With the merger, Danske Bank Wealth Management now has some DKK 1,400 billion under management.

Danske Bank and Danica Pension both have already benefitted from having significantly more funds under management, as it allows for larger investments at better prices – for the benefit of the customers and their returns.

#### **Close collaboration with other Danske Bank units**

After the establishment of the Wealth Management unit, Danica Pension also collaborates closely with other Danske Bank units to ensure an attractive pensions offering and comprehensive solutions for both personal and business customers. In the personal customer area, for example, efforts to increase the number of non-shared customers have been stepped up, thus also significantly boosting sales. Since 2014,

these efforts have increased Danica's total business volume by more than 40%.

#### **Strong returns compared with market trends**

In the past couple of years, Danica Pension has been working on implementing a new investment strategy to generate returns for our customers at the top end of the market. As part of the investment strategy, we have increased our direct investment activities, including more alternative investments, and enhanced our focus on the future asset allocation. Also, Danica Pension's investment team has been strengthened with several new investment experts.

In 2016, Danica was positioned at the top end of the market in terms of returns, and this trend continues in 2017. In the first half of 2017, the returns of our customers with Danica Balance Mix were between 2.5% and 6.5%, depending on risk profile and years to retirement.

#### **Investment in Danica Pension's property portfolio**

In 2016 it became possible for private investors to invest directly in Danica Pension's property portfolio. It was an innovative way of investing, and our customers showed keen interest in the product, which is low to medium risk, but can produce attractive returns relative to the liquid market. Activities such as this have become possible with the establishment of Wealth Management, enabling different areas of expertise to collaborate and create new possibilities for our customers.

#### **Improved cover for loss of earning capacity**

As one of the first insurance companies, Danica Pension improved our loss of earning capacity cover to ensure that our customers can maintain their financial standard of living in case of illness.

#### **Collaboration with Best Doctors**

Many Danes are uncertain whether they have been given the right diagnosis. As the only provider in the Nordic region, Danica Pension has a partnership with Best Doctors, which collaborates with 53,000 leading medical experts all over the world. Our customers can get a second opinion of their diagnosis or course of treatment via Best Doctors. Everything is handled confidentially and easily by e-mail or telephone and in Danish.

#### **Focus on stress**

Since 2015, Danica Pension has worked intensively on special measures aimed at customers suffering from stress. We focus on planning a tailor-made programme to help the person suffering from stress return to work as soon as possible, for the benefit of both employee and employer. Customers who have gone through the programme have responded very positively and their absence from work has been shortened by it. We have now extended our collaboration with the Job and career counseling firm AS3 to also cover musculoskeletal disorders.

## Norway and Sweden

Danica Pension also collaborates closely with Danske Bank in Norway and Sweden to ensure an attractive pension offering and comprehensive solutions for personal and business customers alike.

In Danica Pension, Norway, we have set out an offensive growth strategy to achieve a greater future market share of the Norwegian pension market. This has resulted in a 17% increase in contributions compared with the year-earlier period, and total contributions amounted to DKK 1,293 million at 30 June 2017.

In Sweden, we are seeing a very satisfactory trend with a 53% increase in contributions.

With the increased focus on digital solutions, Danica Pension has set up an innovation team in Stockholm, Sweden. The team will develop future digital solutions for our customers. The aim is to strengthen Danica Pension's overall customer offering even further as technology evolves.

## INVESTMENT RETURN

The return on investment of customer funds in Denmark was a negative 0.2% before tax on pension returns.

Unit-linked products in Denmark generated an aggregate return of DKK 5.2 billion in the first half of 2017, equivalent to 4.2% before tax on pension returns.

Danica Balance produced an overall negative return of 4.2%.

Danica Balance, medium risk profile and with 15 years to retirement produced a return of 4.4%, ranking fifth among the returns of our competitors.

BALANCE MIX, RETURN BEFORE TAX			
H1 2017			
(%)			
Risk	30 years to retirement	15 years to retirement	5 years to retirement
High risk profile	6.5	5.7	4.3
Medium risk profile	6.0	4.4	3.3
Low risk profile	5.3	3.3	2.5

The return on investment of customer funds in Danica Traditionel in the first half of 2017 was a negative DKK 0.2 billion or a negative 0.2% before tax on pension returns. After recognition of DKK 1.2 billion from lower life insurance provisions, the return was 0.8%.

## DISTRIBUTION BY INTEREST RATE GROUP AT 30 JUNE 2017

(%)	Rate of interest on policyholders' savings before tax on pension returns (p.a.)	Investment return before tax on pension returns
Interest rate group 1 (new customers)	1.8	-0.8
Interest rate group 2 (low guarantee)	1.8	0.0
Interest rate group 3 (medium guarantee)	1.8	-0.2
Interest rate group 4 (high guarantee)	1.8	-0.1

Equities produced an overall return of 0.8%, while bonds (including credit investments) produced a return of 0.1%. Alternative investments generated a negative return of 1.6%. The low return was explained by the fact that a major part of the investments are sensitive to the USD rate, which fell by 8% in the first half of 2017. Net of exchange rate fluctuations, the return was 2.5%. Credit investments were similarly affected, whereas government bonds were affected by the USD depreciation as well as by interest rate hikes. Currency hedging of the USD rate is recognised in the line item Other financial assets. The return on properties was 1.9%, against 1.4% in the first half of 2016. Property valuations are based on market-based return requirements of 5.5% on average for office and residential properties and 5.5% for shopping centres. The return requirements were stable relative to 2016. In May, Danica Ejendomsselskab sold 11 properties at a total value of DKK 1.6 billion. At 30 June, the properties were revalued at their selling price. In July, an agreement has been signed for the sale of additional properties at a value of DKK 1.8 billion.

## DANICA TRADITIONEL, CUSTOMER FUNDS, PORTFOLIO AND RETURN

	H1 2017		H1 2016	
	Value	Return	Value	Return
(DKK billions)		%		%
Property investments	19.0	1.9	23.3	1.4
Listed equities	8.1	0.8	11.0	-3.8
Alternative investments	12.4	-1.6	14.9	3.8
Credit investments	15.6	0.1	13.8	3.9
Government bonds	29.9	-2.9	33.5	3.0
Mortgage bonds	15.8	1.8	64.5	2.4
Index-linked bonds	38.5	2.0	11.4	2.0
Total bonds, etc.	84.2	0.1	109.4	4.6
Other financial assets	15.8		6.1	-
Total	155.1	-0.2	178.5	6.8
Return after change in additional provisions		0.8		2.3

## DEVELOPMENT IN EXPENSES

In life insurance, operating expenses relating to insurance continued to develop relatively favourably in the first half of 2017, amounting to DKK 595 million.

Expenses as per cent of provisions in the Group were unchanged at 0.2 for the first half of 2017.

EXPENSES AS PER CENT OF PROVISIONS		
	H1 2017	H1 2016
Danica Group	0.18	0.18
Danica (Denmark)	0.13	0.14

## DEVELOPMENT IN BALANCE SHEET ITEMS

### Balance sheet 30 June 2017

Total assets amounted to DKK 414 billion at 30 June 2017, of which total investment assets including net unit-linked assets and offsetting of amounts owed to credit institutions amounted to DKK 367 billion, equivalent to an increase of 62% relative to the first half of 2016.

Additional provisions to cover the low interest rate level totalled DKK 37.8 billion. Additional provisions fell by DKK 1.2 billion in the first half of 2017.

Provisions for unit-linked products increased from DKK 175 billion at 31 December 2016 to DKK 190 billion at 30 June 2017 and should be seen in the context of the greater business volume.

## SOLVENCY STATEMENT AND CAPITAL REQUIREMENT

In accordance with the European Solvency II regulation, the Danica Group in the first half of 2017 published a report on the Group's solvency and financial situation for 2016. The report contains information on the company's activities and results, management system, risk profile for solvency purposes and capital management.

Furthermore, for the first time the Danica Group and all insurance companies within the Group have presented a regular supervisory report (RSR) to the Danish FSA as well as the quarterly and annual QRTs (quantitative reporting templates).

With a solvency ratio at 30 June 2017 of 207%, the Danica Pension Group has a comfortable level of capital to meet the solvency capital requirement.

## RISKS AND UNCERTAINTY FACTORS

Note 7 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 2017 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 2017

Danica Pension expects the satisfactory development in technical results to continue. The 2017 performance will to some extent depend on financial market developments.

In the 2016 annual report, our outlook for 2017 was a profit in line with 2016. This remains our guidance, and Danica expects to be able to book the full risk allowance for all interest rate groups.

# Financial highlights - Danica Pension Group

DKKm	First half 2017	First half 2016	Full year 2016
<b>INCOME STATEMENT</b>			
Life insurance			
Premiums	12,820	9,401	23,362
Claims and benefits	-11,090	-10,856	-21,000
Return on investment	7,657	7,425	21,196
Total operating expenses relating to insurance	-595	-573	-1,145
Profit/loss on business ceded	-8	-2	-8
Technical result, Life	515	7	1,436
Health and accident insurance			
Gross premium income	484	596	1,060
Gross claims	-527	-491	-1,092
Total operating expenses relating to insurance	-45	-48	-95
Profit/loss on business ceded	-6	-16	29
Return on investment less technical interest	96	32	112
Technical result of health and accident insurance	-33	-14	-100
Net profit for the period	624	566	1,585
Other comprehensive income	-11	6	-7
<b>BALANCE SHEET</b>			
Total assets	413,851	410,580	404,820
Insurance assets, health and accident insurance	83	84	91
Technical provisions, health and accident insurance	9,803	9,790	9,858
Total shareholders' equity	17,368	17,261	18,267
Total provisions for insurance and investment contracts	351,156	328,178	340,467
<b>KEY FIGURES AND RATIOS (%)</b>			
Rate of return related to average rate products	-0.2	6.8	6.5
Rate of return related to unit-linked products	4.4	-1.9	5.9
Risk on returns related to unit-linked products	4.25	4.25	4.25
Expenses as per cent of provisions	0.2	0.2	0.4
Expenses per policyholder (DKK)	624	613	1,221
Return on equity after tax	3.4	3.1	8.4
Solvency coverage ratio	207	209	249
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>			
Gross claims ratio	108	97	105
Gross expense ratio	9	10	9
Combined ratio	118	110	112
Operating ratio	129	123	127
Relative run-off (%)	0.0	0.0	0.1
Run-off, net of reinsurance (DKK millions)	0	0	11
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.			



## Income statement & Other comprehensive income - Danica Pension Group

Note	DKKm	First half 2017	First half 2016
3	Gross premiums	12,820	9,401
	Reinsurance premiums ceded	-18	-16
	<b>Total premiums, net of reinsurance</b>	<b>12,802</b>	<b>9,385</b>
	Income from associates	177	15
	Income from investment property	442	471
	Interest income and dividends, etc.	4,047	4,687
	Value adjustments	6,099	5,910
	Interest expenses	-1,818	-1,249
	Administrative expenses related to investment activities	-619	-915
	<b>Total investment return</b>	<b>8,328</b>	<b>8,919</b>
	Tax on pension returns	-671	-1,494
	Claims and benefits paid	-11,090	-10,856
	Reinsurers' share received	7	6
	<b>Total claims and benefits, net of reinsurance</b>	<b>-11,083</b>	<b>-10,850</b>
	Change in life insurance provisions	-7,512	-4,698
	Change in reinsurers' share	-3	-
	<b>Total change in life insurance provisions, net of reinsurance</b>	<b>-7,515</b>	<b>-4,698</b>
	Change in profit margin	-529	-216
	Acquisition costs	-193	-170
	Administrative expenses	-409	-410
	Reimbursement of costs from group undertakings	7	7
	Reinsurance commissions and profit sharing	6	8
	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-589</b>	<b>-565</b>
	Transferred investment return	-228	-474
	<b>TECHNICAL RESULT OF LIFE INSURANCE</b>	<b>515</b>	<b>7</b>

# Income statement & Other comprehensive income - Danica Pension Group

Note	DKKm	First half 2017	First half 2016
(cont'd)			
<b>HEALTH AND ACCIDENT INSURANCE</b>			
	Gross premiums	531	526
	Reinsurance premiums ceded	-34	-33
	Change in unearned premiums provision	-47	70
	Change in profit margin and risk margin	-1	-
	Change in unearned premiums provision, reinsurers' share	-3	-3
	<b>Premiums, net of reinsurance</b>	<b>446</b>	<b>560</b>
	Technical interest	-42	-53
	Claims paid, gross	-597	-580
	Reinsurers' share received	31	69
	Change in outstanding claims provision	70	89
	Change in risk margin	8	-1
	Change in outstanding claims provision, reinsurers' share	-2	-51
	<b>Claims, net of reinsurance</b>	<b>-490</b>	<b>-474</b>
	Bonus and premium discounts	0	-33
	Acquisition costs	-14	-15
	Administrative expenses	-31	-33
	Reinsurance commissions and profit sharing	2	2
	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-43</b>	<b>-46</b>
	Return on investment	96	32
	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-33</b>	<b>-14</b>
	Return on investment allocated to equity	133	100
	Other income	180	626
	<b>PROFIT BEFORE TAX</b>	<b>795</b>	<b>719</b>
	Tax	-171	-153
	<b>NET PROFIT FOR THE PERIOD</b>	<b>624</b>	<b>566</b>
	Net profit for the period	624	566
	Other comprehensive income (items that will be reclassified in a subsequent sale):		
	Translation of units outside Denmark	-28	5
	Hedging of units outside Denmark	22	-2
	Tax relating to other comprehensive income	-5	3
	<b>Total other comprehensive income</b>	<b>-11</b>	<b>6</b>
	<b>NET COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>613</b>	<b>572</b>

# Balance sheet - Danica Pension Group

## Assets

Note	DKKm	30 June 2017	31 December 2016	30 June 2016
	<b>INTANGIBLE ASSETS</b>	172	181	177
	Domicile property	40	43	42
	<b>TOTAL TANGIBLE ASSETS</b>	40	43	42
	Investment property	21,806	22,631	27,036
	Holdings in associates	3,059	2,988	1,163
	Loans to associates	229	172	135
	Total investments in associates	3,288	3,160	1,298
	Holdings	15,537	20,696	23,035
	Unit trust certificates	6,666	4,256	2,258
	Bonds	136,611	139,186	133,848
	Other loans	3,011	3,762	3,580
	Deposits with credit institutions	4,370	2,061	10,673
	Derivatives	16,774	19,259	37,000
	Total other financial investment assets	182,969	189,220	210,394
	<b>TOTAL INVESTMENT ASSETS</b>	208,063	215,011	238,728
	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	197,803	181,661	163,192
	Unearned premiums provision, reinsurers' share	5	7	4
	Life insurance provisions, reinsurers' share	53	58	53
	Outstanding claims provision, reinsurers' share	78	84	80
	Total technical provisions, reinsurers' share	136	149	137
	Amounts due from policyholders	628	873	752
	Amounts due from insurance companies	75	180	854
	Amounts due from group undertakings	1,204	1,200	1,200
	Other debtors	1,020	811	928
	<b>TOTAL DEBTORS</b>	3,063	3,213	3,871
	Current tax assets	261	119	767
	Cash and cash equivalents	1,264	1,384	852
	Other	1	-	-
	<b>TOTAL OTHER ASSETS</b>	1,526	1,503	1,619
	Accrued interest and rent	2,716	2,760	2,506
	Other prepayments and accrued income	468	448	445
	<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	3,184	3,208	2,951
	<b>TOTAL ASSETS</b>	413,851	404,820	410,580

# Balance sheet - Danica Pension Group

## Liabilities and equity

Note	DKKm	30 June 2017	31 December 2016	30 June 2016
<b>LIABILITIES</b>				
	Unearned premiums provision	686	648	636
	Life insurance provisions, average rate products	143,758	148,985	151,045
	Life insurance provisions, unit-linked products	190,629	175,171	158,212
	<b>Total life insurance provisions</b>	<b>334,387</b>	<b>324,156</b>	<b>309,257</b>
	Profit margin on life insurance and investment contracts	6,966	6,454	9,130
	Outstanding claims provision	8,763	8,818	8,796
	Risk margin on non-life insurance contracts	322	332	292
	Provisions for bonuses and premium discounts	32	59	67
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>351,156</b>	<b>340,467</b>	<b>328,178</b>
	Deferred tax	1,666	1,666	1,731
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>1,666</b>	<b>1,666</b>	<b>1,731</b>
	Amounts owed, direct insurance	399	425	447
	Amounts owed to reinsurers	18	26	9
	Amounts owed to credit institutions	16,326	15,570	23,958
	Amounts owed to group undertakings	252	73	23
	Current tax liabilities	8	22	17
	Other creditors	21,068	22,839	33,516
	Other accruals and deferred income	1,825	1,600	1,480
4	Subordinated debt	3,765	3,865	3,960
	<b>TOTAL CREDITORS</b>	<b>396,483</b>	<b>386,553</b>	<b>393,319</b>
<b>EQUITY</b>				
	Share capital	1,100	1,100	1,100
	Contingency fund	1,499	1,499	1,499
	Retained earnings	14,769	14,156	14,662
	Proposed dividend	-	1,512	-
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>17,368</b>	<b>18,267</b>	<b>17,261</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>413,851</b>	<b>404,820</b>	<b>410,580</b>

# Statement of capital - Danica Pension Group

DKK m

Changes in shareholders' equity	Share capital	Revaluation reserve	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2016	1,100	0	-42	1,499	14,198	1,512	18,267
Profit for the period	-	-	-	-	624	-	624
Other comprehensive income:							
Translation of units outside Denmark	-	-	-28	-	-	-	-28
Hedges of units outside Denmark	-	-	22	-	-	-	22
Tax on other comprehensive income	-	-	-5	-	-	-	-5
Total other comprehensive income	-	-	-11	-	-	-	-11
Comprehensive income for the period	-	-	-11	-	624	-	613
Dividend paid	-	-	-	-	-	-1,512	-1,512
Shareholders' equity at 30 June 2017	1,100	0	-53	1,499	14,822	0	17,368
Shareholders' equity at 31 December 2015	1,100	0	-35	1,499	14,352	2,600	19,516
Correction of errors and new executive order	-	-	-	-	-227	-	-227
Adjusted shareholders' equity at 1 January 2016	1,100	0	-35	1,499	14,125	2,600	19,289
Profit for the period	-	-	-	0	566	-	566
Other comprehensive income:							
Translation of units outside Denmark	-	-	5	-	-	-	5
Hedges of units outside Denmark	-	-	-2	-	-	-	-2
Tax on other comprehensive income	-	-	3	-	-	-	3
Total other comprehensive income	-	-	6	-	-	-	6
Comprehensive income for the period	-	-	6	0	566	-	572
Dividend paid	-	-	-	-	-	-2,600	-2,600
Shareholders' equity at 30 June 2016	1,100	0	-29	1,499	14,691	0	17,261

\* Recognised in the balance sheet under retained earnings.

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 Danica 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 11,000,000 shares of a nominal value of DKK 100 each. All shares carry the same rights; there is thus only one class of shares.

## Statement of capital - Danica Pension Group

DKKm	30 June 2017	31 December 2016
Total capital		
Shareholders' equity	17,368	18,267
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	4,981	4,649
Deferred tax	-305	-291
- Proposed dividend	-624	-1,512
- Intangible assets	-172	-181
Supplementary capital	3,765	3,865
Total capital	25,013	24,797

## Cash flow statement - Danica Pension Group

DKKm	First half 2017	Full year 2016	First half 2016
<b>Cash flow from operations</b>			
Profit before tax	795	1,961	719
Adjustment for non-cash operating items:			
Non-cash items relating to premiums and benefits	7,756	14,970	4,293
Non-cash items relating to reinsurance	-1	-9	28
Non-cash items relating to investment return	-6,415	-17,209	-7,607
Non-cash items relating to tax on pension returns	1,194	-1,057	211
Non-cash items relating to expenses	-2,014	2,259	552
Net investment, customer funds	-2,944	-10,010	-6,611
Payments received and made, investment contracts	3,751	2,573	3,167
Tax paid	265	325	-
Cash flow from operations	2,387	-6,197	-5,248
<b>Cash flow from investing activities</b>			
Purchase of bonds	-4,003	-11,332	-3,773
Sale of bonds	4,561	13,540	4,729
Purchase of derivatives	-	-1,229	-2
Sale of derivatives	-	1,234	2
Cash flow from investing activities	558	2,213	956
<b>Cash flow from financing activities</b>			
Dividends	-1,512	-2,600	-2,600
Debt to credit institutions	756	7,558	15,946
Cash flow from financing activities	-756	4,958	13,346
Cash and cash equivalents at 1 January	3,445	2,471	2,471
Change in cash and cash equivalents	2,189	974	9,054
Cash and cash equivalents, end of period	5,634	3,445	11,525
Cash and cash equivalents, end of period			
Deposits with credit institutions	4,370	2,061	10,673
Cash in hand and demand deposits	1,264	1,384	852
Total	5,634	3,445	11,525

# Notes – Danica Pension Group

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Note

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## 1 SIGNIFICANT ACCOUNTING POLICIES – DANICA PENSION

### GENERAL

The Danica Group presents its consolidated financial statements 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 annual reports of issuers of listed bonds.

The accounting policies are consistent with those applied in the Annual report for 2016.

The interim report has not been reviewed or audited.



# Notes - Danica Pension Group

Note DKKm

## 2 BUSINESS SEGMENTS

The group's business segments are based on differences in products. The segment Traditional covers conventional life insurance and pension plans offering guaranteed benefits and Forenede Gruppeliv, while the Unit-linked contract segment covers pension plans offering market returns. The Health and accident segment covers non-life insurance in Life.

BUSINESS SEGMENTS First half 2017	Traditional	Unit-linked contracts	Health and accident insurance	Total	Reclassification	Group
Gross premiums	2,080	17,720	531	20,331	-144	20,187
Gross premiums from external sales	2,080	17,720	531	20,331	-144	20,187
- Gross premiums on investment contracts	-	-6,836	-	-6,836	-	-6,836
Gross premiums in the income statement	2,080	10,884	531	13,495	-144	13,351
Return on investment allocated to technical result	-200	7,438	-	7,238	245	7,483
Claims and benefits paid	-6,143	-5,091	-597	-11,831	144	-11,687
Change in provisions for insurance and investment contracts	4,971	-12,922	30	-7,921	-90	-8,011
Total operating expenses relating to insurance	-194	-401	-45	-640	-	-640
Result of reinsurance	-2	-7	-5	-14	-	-14
Other income, net	51	393	3	447	-267	180
Technical result	563	294	-83	774	-112	662
Special allotments	-90	-	-	-90	90	0
Return on investment, shareholders' equity	58	-1	-	57	76	133
Return on investment, health and accident	-	-	54	54	-54	0
Profit before tax	531	293	-29	795	0	795
Other segment information						
Interest income	3,277	129	-	3,406	-	
Interest expenses	-1,785	-20	-	-1,805	-	
Income from associated undertakings at book value	177	-	-	177	-	

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

## BUSINESS SEGMENTS First half 2016

BUSINESS SEGMENTS First half 2016	Traditional	Unit-linked contracts	Health and accident insurance	Total	Reclassification	Group
Gross premiums	1,834	13,432	526	15,792	-129	15,663
Gross premiums from external sales	1,834	13,432	526	15,792	-129	15,663
- Gross premiums on investment contracts	-	-5,736	-	-5,736	-	-5,736
Gross premiums in the income statement	1,834	7,696	526	10,056	-129	9,927
Return on investment allocated to technical result	8,939	-1,699	-	7,240	-190	7,050
Claims and benefits paid	-6,285	-4,700	-580	-11,565	129	-11,436
Changes in provisions for insurance and investment contracts	-3,708	-1,076	126	-4,658	-130	-4,788
Total operating expenses relating to insurance	-193	-380	-48	-621	-	-621
Result of reinsurance	-2	0	-17	-19	-	-19
Other income, net	-	415	-	415	89	504
Technical result	585	256	7	848	-231	617
Special allotments	-130	-	-	-130	130	0
Return on investment, shareholders' equity	22	-	-	22	78	100
Return on investment, health and accident	-	-	-21	-21	23	2
Profit before tax	477	256	-14	719	0	719
Other segment information						
Interest income	3,086	87	60	3,233	-	
Interest expenses	-1,235	-12	-2	-1,249	-	
Income from associated undertakings at book value	15	-	-	15	-	

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

# Notes - Danica Pension Group

Note	DKKm	First half 2017	First half 2016
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(cont'd)

## 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 2017	First half 2016	First half 2017	First half 2016
Denmark	12,364	10,297	24,994	28,334
Sweden	6,530	4,725	-	-
Norway	1,293	1,101	84	84
<b>Total</b>	<b>20,187</b>	<b>16,123</b>	<b>25,078</b>	<b>28,418</b>

## 3 GROSS PREMIUMS, incl. payments received under investment contracts

Direct insurance:

Regular premiums

Single premiums

7,305

7,018

12,351

8,118

Total direct insurance

19,656

15,136

Total gross premiums

19,656

15,136

In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:

Regular premiums

Single premiums

786

1,179

6,050

4,556

Total premiums paid

6,836

5,735

Total gross premiums included in the income statement

12,820

9,401

# Notes - Danica Pension Group

Note	DKKm	30 June 2017	31 December 2016
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## 4 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		
EUR	Danica Pension	a)	500	4.38	2015	29.9.45	100	3,718	3,717
Subordinated debt								3,718	3,717
Discount								-31	-31
Hedging of interest rate risk at fair value								271	179
Total, corresponding to fair value								3,958	3,865
Establishment and redemption costs Included in the total capital								-	3,865

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 59 million for the first half of 2017.

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

# Notes - Danica Pension Group

Note	DKKm	30 June 2017	31 December 2016
5	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	The following assets have been deposited as collateral for policyholders' savings:		
	Domicile property	40	42
	Investment property	22,903	23,924
	Holdings in associates	837	782
	Holdings	15,143	16,165
	Unit trust certificates	15,761	14,459
	Bonds	109,579	116,868
	Other loans	3,011	3,762
	Deposits with credit institutions	3,505	0
	Net other	-2,330	-910
	Unit-linked investment assets	177,701	164,321
	Accrued interest	2,642	2,737
	<b>Total</b>	<b>348,792</b>	<b>342,150</b>
	Mortgages have been issued as collateral for the technical liabilities in a total amount of	75	75
	As collateral for derivative transactions, the Group has delivered bonds equal to a total fair value of	5,064	5,207
	Minimum lease payments regarding cars amount to	2	2
	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	2,232	1,600
	The Group has undertaken to participate in alternative investments with an amount of	11,220	9,553
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	719	881
	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.		
	In one case concerning benefits on a customer's loss of earning capacity cover, Danica Pension appealed the decision to the Supreme Court, as the outcome of the case is considered to be an issue of general public importance. The Group does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

# Notes - Danica Pension Group

Note DKKm

## 6 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
30 June 2017						
Holdings		15,537				15,537
Unit trust certificates		6,666				6,666
Bonds		136,611				136,611
Other loans		3,011				3,011
Deposits with credit institutions				4,370		4,370
Derivatives	16,774					16,774
Unit-linked investments		197,803				197,803
Debtors				1,020		1,020
Cash and cash equivalents				1,264		1,264
<b>Total financial assets</b>	<b>16,774</b>	<b>359,628</b>		<b>6,654</b>		<b>383,056</b>
Due to credit institutions					16,326	16,326
Subordinated loan capital			76		3,689	3,765
<b>Total financial liabilities</b>			<b>76</b>		<b>20,015</b>	<b>20,091</b>
31 December 2016						
Holdings		20,696				20,696
Unit trust certificates		4,256				4,256
Bonds		139,186				139,186
Other loans		3,762				3,762
Deposits with credit institutions				2,061		2,061
Derivatives	19,259					19,259
Unit-linked investments		179,226		2,435		181,661
Debtors				811		811
Cash and cash equivalents				1,384		1,384
<b>Total financial assets</b>	<b>19,259</b>	<b>347,126</b>		<b>6,691</b>		<b>373,076</b>
Provisions for unit-linked products, investment contracts		48,385				48,385
Due to credit institutions					15,570	15,570
Derivatives	19,426					19,426
Subordinated debt			179		3,686	3,865
<b>Total financial liabilities</b>	<b>19,426</b>	<b>48,385</b>	<b>179</b>		<b>19,256</b>	<b>87,246</b>

### Recognition as income:

Interest income from debtors measured at amortised cost is recognised in the amount of DKK 113 million in H1 2017 and DKK 201 million in 2016.

Interest expenses on liabilities measured at amortised cost totalled DKK 91 million in H1 2017 and DKK 155 million in 2016.

Exchange rate adjustment of debtors and creditors measured at amortised cost were recognised under value adjustments at DKK 227 million in H1 2017 and at DKK 13 million in 2016.

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.

# Notes - Danica Pension Group

Note DKKm

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(cont'd)

## Financial instruments at fair value

The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties. Fair value is measured on the basis of the following hierarchy:

Level 1: Quoted prices in an active market for identical instruments.

Level 2: Observable input based on quoted prices in an active market for similar assets or liabilities, or other valuation methods where the valuation is based substantially on observable input. This category includes, for example, financial investment assets such as unlisted bonds and investment properties.

Level 3: Non-observable input where the valuation is not based substantially on observable input. This category includes, for example, unlisted shares.

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 2017, Danica had financial assets as set out below in the amount of DKK 372,957 million, of which 95% was attributable to insurance obligations to policyholders and 5% 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.

	Quoted prices	Observable input	Non-observable input	Total
30 June 2017				
Holdings	7,962	0	7,575	15,537
Unit trust certificates	6,431	235	0	6,666
Bonds	131,546	5,048	17	136,611
Other loans	0	0	3,011	3,011
Derivatives	742	16,030	2	16,774
Unit-linked investments	181,290	202	12,866	194,358
<b>Total financial assets</b>	<b>327,971</b>	<b>21,515</b>	<b>23,471</b>	<b>372,957</b>
Due to credit institutions	1,126	29,105	77	30,308
Derivatives	490	18,029	20	18,539
Subordinated debt	48,168			48,168
<b>Total financial liabilities</b>	<b>49,784</b>	<b>47,134</b>	<b>97</b>	<b>97,015</b>
31 December 2016				
Holdings	11,348	-	15,160	26,508
Unit trust certificates	10,108	-	980	11,088
Bonds	113,588	3,435	335	117,358
Other loans	-	-	2,835	2,835
Derivatives	431	13,481	-	13,912
Unit-linked investments	159,874	-	-	159,874
<b>Total financial assets</b>	<b>295,349</b>	<b>16,916</b>	<b>19,310</b>	<b>331,575</b>
Derivatives	342	9,385	287	10,014
<b>Total financial liabilities</b>	<b>342</b>	<b>9,385</b>	<b>287</b>	<b>10,014</b>

At 30 June 2017, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 7,575 million and illiquid bonds DKK 17 million.

	30 June 2017	31 December 2016
Valuation based on non-observable input		
Fair value, beginning of year	24,029	19,310
Fair value through profit or loss	271	2,235
Purchase	2,272	29,791
Sale	-3,121	-27,307
<b>Fair value, end of period</b>	<b>23,451</b>	<b>24,029</b>

Transfers to quoted prices and non-observable input were principally due to a small portfolio of bonds, the latest quoted prices of which are not deemed to reflect their year-end values.

In the first half of 2017, unrealised market value adjustments were recognised at DKK -228 million (2016: DKK 473 million) on financial instruments value based on non-observable input.

# Notes – Danica Pension Group

Note

## 7 RISK MANAGEMENT AND SENSITIVITY RATIOS

### 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	IT	Reputation
Liquidity	Mortality	Legal	Strategic
Counterparty	Disability	Administrative	Regulatory
Concentration	Concentration	Fraud	
	Health and accident		
	Critical illness		

#### **Financial risk**

Financial risks comprise market risk, liquidity risk, counterparty risk and concentration risk. Market risk is the risk of losses due to 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. A list of the Group's companies and activities is shown on page 73 in the annual report for 2016.

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 investments 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.

In order to ensure that the return on customer funds matches the guaranteed benefits on policies with bonus entitlement, the company monitors market risk on an ongoing basis. Internal stress tests are performed to ensure that the company is able to withstand material losses on its risk exposure as a result of 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. The investments are sensitive to changes in interest rates. They 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, the company is exposed to basic risk from government and credit spreads.

The 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.

# Notes – Danica Group

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Note

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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***

Policyholders assume the financial risk associated with investments under the unit-linked products, Danica Link, Danica Balance and Danica Select, with the exception of contracts with investment guarantees attached. At the end of 2016, 1.7% of policyholders had investment guarantees in the guarantee period. The guarantees do not apply until the policyholder retires and are paid for by an annual fee.

Danica Pension manages the risk on financial guarantees in Danica Link with financial derivatives and by adjusting the investment allocation during the last five years before retirement. It manages the risk on guarantees in Danica Balance mainly by regularly adjusting the investment allocation for the individual policies during the last ten years before retirement. The investment allocation is adjusted to the guarantee amount, the investment horizon, etc. Because of this risk management strategy, Danica Pension considers the investment risk on guarantees under unit-linked products to be very minor.

Investment guarantees are not available under Danica Select.

### ***Direct investments of shareholders' equity***

Shareholders' equity is exposed to financial risk on assets in which shareholders' equity is invested and on investments relating to the health and accident business. In 2016, a new group was set up to which a life insurance portfolio of DKK 5 billion has been transferred. This group is 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. Assets allocated to shareholders' equity mainly comprise short-term bonds.

### ***Life insurance risk***

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 mitigated by means of portfolio diversification 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 its business units to systematic assessments to reduce the risk of financial losses due to damage to its reputation.



# Notes – Danica Pension Group

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Note

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## SENSITIVITY INFORMATION

The below table shows the effects of separate changes in interest rates (increases and decreases) and other relevant financial risks on shareholders' equity.

Of the two interest rate scenarios, an interest rate increase is most severe for the Group. A separate 1.0 percentage point increase in interest rates would reduce shareholders' equity by DKK 0.2 billion.

SENSITIVITY INFORMATION  
30.06.2017

(DKK billions)	Effect on shareholders' equity
Interest rate increase of 0.7-1.0 percentage point	-0.2
Interest rate decrease of 0.7-1.0 pct. point	0.0
Decline in equity prices of 12%	-0.1
Decline in property prices of 8%	-0.3
Foreign exchange risk (VaR 99.0%)	0.0
Loss on counterparties of 8%	-0.2

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# Financial highlights - Danica Pension

DKKm	First half 2017	First half 2016	Full year 2016
<b>INCOME STATEMENT</b>			
Premiums	11,228	7,992	20,591
Claims and benefits	-10,699	-10,472	-20,273
Return on investment	5,108	10,982	16,801
Total operating expenses relating to insurance	-361	-364	-730
Profit/loss on business ceded	-1	-1	-4
Technical result, Life	343	308	1,152
Gross premium income	435	538	986
Gross claims	-477	-549	-1,144
Total operating expenses relating to insurance	-36	-38	-76
Profit/loss on business ceded	3	-4	52
Return on investment less technical interest	93	27	108
Technical result of health and accident insurance	-26	-115	-208
Net profit/loss for the period	624	492	1,512
Other comprehensive income	-11	7	-8
<b>BALANCE SHEET</b>			
Total assets	348,792	359,039	346,273
Insurance assets, health and accident insurance	4	3	7
Technical provisions, health and accident insurance	9,244	9,320	9,302
Total shareholders' equity	17,368	17,261	18,267
Provisions for insurance and investment contracts	287,061	278,089	282,839
<b>KEY FIGURES AND RATIOS (%)</b>			
Rate of return related to average rate products	-0.2	6.8	6.5
Rate of return related to unit-linked products	4.2	-1.2	5.5
Risk on returns related to unit-linked rate products	4.25	4.25	4.25
Expenses as per cent of provisions	0.1	0.1	0.3
Expenses per policyholder (DKK)	614	611	1,230
Return on equity after tax	3.5	2.6	7.9
Solvency coverage ratio	223	225	262
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>			
Gross claims ratio	110	109	121
Gross expense ratio	8	8	8
Combined ratio	117	117	123
Operating ratio	131	132	136
Relative run-off (%)	0.0	0.0	0.0
Run-off, net of reinsurance (DKK millions)	0	0	0
<b>INTEREST RATE ON POLICYHOLDERS' SAVINGS in %</b>			
Interest rate on policyholders' savings before tax on pension returns *	1.8	1.8	1.8
Interest rate on policyholders' savings after tax on pension returns *	1.5	1.5	1.5

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.

\*Information on interest rate on policyholders' savings comprises the new business group

## Income statement - Danica Pension

Note	DKKm	First half 2017	First half 2016
2	Gross premiums	11,228	7,992
	Reinsurance premiums ceded	-2	-1
	<b>Total premiums, net of reinsurance</b>	<b>11,226</b>	<b>7,991</b>
	Income from group undertakings	631	431
	Income from associated undertakings	105	-3
	Income from investment property	-10	1
	Interest income and dividends, etc.	4,093	3,530
	Value adjustments	2,498	8,636
	Interest expenses	-1,814	-1,245
	Administrative expenses related to investment activities	-395	-368
	<b>Total investment return</b>	<b>5,108</b>	<b>10,982</b>
	Tax on pension returns	-671	-1,494
	Claims and benefits paid	-10,699	-10,472
	Reinsurers' share received	4	-
	<b>Total claims and benefits, net of reinsurance</b>	<b>-10,695</b>	<b>-10,472</b>
	Change in life insurance provisions	-3,627	-5,584
	Change in reinsurers' share	-3	-
	<b>Total change in life insurance provisions, net of reinsurance</b>	<b>-3,630</b>	<b>-5,584</b>
	Change in profit margin	-423	-294
	Acquisition costs	-63	-53
	Administrative expenses	-305	-318
	Reimbursement of costs from group undertakings	7	7
	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-361</b>	<b>-364</b>
	Transferred investment return	-211	-457
	<b>TECHNICAL RESULT</b>	<b>343</b>	<b>308</b>
	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-26</b>	<b>-115</b>
	Return on investments allocated to equity	121	88
	Other income	344	331
	<b>PROFIT BEFORE TAX</b>	<b>782</b>	<b>612</b>
	Tax	-158	-120
	<b>NET PROFIT FOR THE PERIOD</b>	<b>624</b>	<b>492</b>
	Net profit for the period	624	492
	Other comprehensive income:		
	Translation of units outside Denmark	-28	6
	Hedging of units outside Denmark	22	-2
	Tax relating to other comprehensive income	-5	3
	<b>Total other comprehensive income</b>	<b>-11</b>	<b>7</b>
	<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>613</b>	<b>499</b>

# Balance sheet - Danica Pension

## Assets

Note	DKKm	30 June 2017	31 December 2016	30 June 2016
	<b>INTANGIBLE ASSETS</b>	172	181	177
	Investment properties	351	374	359
	Holdings in group undertakings	23,543	24,521	26,762
	Loans to group undertakings	77	78	80
	Holdings in associated undertakings	837	782	649
	<b>Total investments in group undertakings and associates</b>	<b>24,457</b>	<b>25,381</b>	<b>27,491</b>
	Holdings	15,143	16,872	21,949
	Unit trust certificates	16,818	15,744	13,971
	Bonds	125,933	130,631	122,346
	Other loans	3,011	3,761	3,580
	Deposits with credit institutions	4,135	1,902	10,433
	Other (derivatives)	16,774	19,259	36,999
	<b>Total other financial investment assets</b>	<b>181,814</b>	<b>188,169</b>	<b>209,278</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>206,622</b>	<b>213,924</b>	<b>237,128</b>
	<b>UNIT-LINKED INVESTMENTS</b>	<b>134,587</b>	<b>124,887</b>	<b>113,964</b>
	Unearned premiums provision, reinsurers' share	4	6	3
	Life insurance provisions, reinsurers' share	14	18	15
	Outstanding claims provision, reinsurers' share	1	1	-
	<b>Total technical provisions, reinsurers' share</b>	<b>19</b>	<b>25</b>	<b>18</b>
	Amounts due from policyholders	582	838	711
	Amounts due from insurance companies	70	177	851
	Amounts due from group undertakings	1,694	1,400	1,290
	Other debtors	758	623	703
	<b>TOTAL DEBTORS</b>	<b>3,123</b>	<b>3,063</b>	<b>3,573</b>
	Current tax assets	261	94	768
	Cash and cash equivalents	898	963	520
	<b>TOTAL OTHER ASSETS</b>	<b>1,159</b>	<b>1,057</b>	<b>1,288</b>
	Accrued interest and rent	2,711	2,755	2,500
	Other prepayments and accrued income	418	406	409
	<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>3,129</b>	<b>3,161</b>	<b>2,909</b>
	<b>TOTAL ASSETS</b>	<b>348,792</b>	<b>346,273</b>	<b>359,039</b>

# Balance sheet - Danica Pension

## Liabilities and equity

Note	DKKm	30 June 2017	31 December 2016	30 June 2016
	Share capital	1,100	1,100	1,100
	Contingency fund	1,499	1,499	1,499
	Retained earnings	14,769	14,156	14,662
	Proposed dividend	-	1,512	-
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>17,368</b>	<b>18,267</b>	<b>17,261</b>
	<b>SUBORDINATED LOAN CAPITAL</b>	<b>3,765</b>	<b>3,865</b>	<b>3,960</b>
	Unearned premiums provision	374	350	358
	Life insurance provisions, average rate products	143,547	148,766	150,754
	Life insurance provisions, unit-linked products	128,480	119,404	110,115
	Total life insurance provisions	272,027	268,170	260,869
	Profit margin on life insurance and investment contracts	5,790	5,367	7,899
	Outstanding claims provision	8,564	8,618	8,633
	Risk margin on non-life insurance contracts	275	275	263
	Provisions for bonuses and premium discounts	31	59	67
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>287,061</b>	<b>282,839</b>	<b>278,089</b>
	Deferred tax	1,663	1,663	1,732
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>1,663</b>	<b>1,663</b>	<b>1,732</b>
	Amounts owed, direct insurance	377	396	408
	Amounts owed to reinsurers	-	2	-
	Amounts owed to credit institutions	16,323	15,570	23,432
	Amounts owed to group undertakings	252	192	98
	Other creditors	20,169	21,892	32,589
	<b>TOTAL CREDITORS</b>	<b>37,121</b>	<b>38,052</b>	<b>56,527</b>
	<b>ACCRUALS AND DEFERRED INCOME</b>	<b>1,814</b>	<b>1,587</b>	<b>1,470</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>348,792</b>	<b>346,273</b>	<b>359,039</b>

# Notes - Danica Pension

Note	DKKm	First half 2017	First half 2016
1	<b>SIGNIFICANT ACCOUNTING POLICIES</b>		
	The financial statements of the Parent Company, Danica Pension, 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.		
	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.		
	The accounting policies are consistent with those applied in the annual report for 2016.		
	<b>Holdings in group undertakings</b>		
	Holdings in group undertakings are measured in accordance with the equity method, and the profit/loss after tax in subsidiaries is recognised in the item Income from group undertakings.		
	<b>Key ratios</b>		
	The key ratios of the Group are prepared in accordance with the provisions of the executive order on financial reports presented by insurance companies and lateral pension funds. The return ratios are calculated using a composite weighting procedure.		
2	<b>GROSS PREMIUMS, incl. payments received under investment contracts</b>		
	Direct insurance:		
	Regular premiums	5,621	5,529
	Single premiums	6,283	4,312
	<b>Total direct insurance</b>	<b>11,904</b>	<b>9,841</b>
	<b>Total gross premiums</b>	<b>11,904</b>	<b>9,841</b>
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	26	508
	Single premiums	650	1,341
	<b>Total premiums paid</b>	<b>676</b>	<b>1,849</b>
	<b>Total gross premiums included in the income statement</b>	<b>11,228</b>	<b>7,992</b>
3	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>		
	Gross premiums	460	456
	Reinsurance premiums ceded	-4	-3
	Change in unearned premiums provision	-25	82
	Change in unearned premiums provision, reinsurers' share	-3	-2
	<b>Premiums, net of reinsurance</b>	<b>428</b>	<b>533</b>
	Technical interest	-44	-54
	Claims paid, gross	-569	-537
	Reinsurers' share received	10	45
	Change in outstanding claims provision	92	-12
	Change in risk margin	-	-3
	Change in outstanding claims provision, reinsurers' share	-	-44
	<b>Claims, net of reinsurance</b>	<b>-467</b>	<b>-551</b>
	Bonus and premium discounts	-	-32
	Acquisition costs	-10	-11
	Administrative expenses	-26	-27
	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-36</b>	<b>-38</b>
	Return on investment	93	27
	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-26</b>	<b>-115</b>

# Notes - Danica Pension

Note	DKKm	30 June 2017	31 December 2016
4	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	The following assets have been deposited as collateral for policyholders' savings:		
	Holdings in group undertakings	23,781	24,748
	Holdings	15,143	16,165
	Unit trust certificates	15,761	14,459
	Bonds	109,579	116,868
	Other loans	3,011	3,762
	Deposits with credit institutions	3,505	-
	Net other	-2,330	-910
	Unit-linked investment assets	127,936	120,292
	Accrued interest	2,642	2,737
	<b>Total</b>	<b>299,026</b>	<b>298,121</b>
	Mortgages have been issued as security for the technical liabilities in a total amount of	75	75
	As collateral for derivative transactions, the company has delivered bonds equal to a total fair value of	5,064	5,207
	The company has undertaken to participate in alternative investments with an amount of	11,220	9,553
	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.		
	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, Danica Pension is continually a party to various lawsuits.		
	In one case concerning benefits on a customer's loss of earning capacity cover, Danica Pension appealed the decision to the Supreme Court, as the outcome of the case is considered to be an issue of general public importance. The Company does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

## Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the interim financial statements of Danica Pension, Livsforsikringsaktieselskab for the six months ended 30 June 2017.

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 2017 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 2017. 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.

We recommend the interim financial statements for adoption by the shareholders at the general meeting.

Copenhagen, 20 July 2017

### Executive Board

Per Klitgård

Lars Ellehave-Andersen

Claus Harder

Anders Hjelmsø Svennesen

### Board of Directors

Tonny Thierry Andersen  
Chairman

Jacob Aarup-Andersen  
Deputy Chairman

Kim Andersen

Thomas Falck

Jeanette Fangel Løgstrup

Ib Katznelson

Thomas Mitchell

Christoffer Møllenbach

Henrik Nielsen

Charlott Due Pihl



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CVR 24256146

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