

Annual Report *2019*

Forsikringselskabet Danica

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This Annual Report 2019 is a translation of the original report in the Danish language (Årsrapport 2019). In case of discrepancy, the Danish version prevails.

SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

(DKK millions)	2019	2018	2017	2016	2015 ¹⁾
PREMIUMS INCLUDING INVESTMENT CONTRACTS²⁾	29,640	29,930	26,987	24,641	21,482
INCOME STATEMENT					
Technical result, Life ³⁾	2,380	1,717	1,852	1,786	1,521
Technical result of health and accident insurance	-888	-633	-193	-126	-69
Return on investment allocated to shareholders' equity, etc.	352	132	202	505	465
Profit before tax	1,844	1,216	1,861	2,165	1,917
Tax	-194	-212	-308	-433	-499
Goodwill impairment	-800	-	-	-	-
Profit from discontinued operations	1,421	77	56	55	38
Profit for the year	2,271	1,081	1,609	1,787	1,456
BALANCE SHEET					
Total assets	605,978	565,566	427,035	404,180	368,405
Technical provisions, health and accident insurance	17,606	14,637	10,244	10,177	9,583
Provisions for insurance and investment contracts	437,739	399,522	363,778	340,786	320,997
Total shareholders' equity	20,887	18,897	17,122	17,249	19,375
KEY FIGURES AND RATIOS (%)					
Return related to unit-linked products in Denmark	15.6	-5.5	8.1	5.5	1.0
Risk on return related to unit-linked products	4.25	4.25	4.25	4.25	-
Net return before tax on pension returns on average-rate products ⁴⁾	6.5	2.5	3.2	4.8	5.1
Expenses as per cent of provisions	0.37	0.42	0.34	0.36	0.38
Expenses per policyholder (DKK)	1,406	1,325	1,116	1,049	1,046
Return on equity after tax	11.4	6.0	9.0	9.9	7.3
Solvency capital requirement (Group) ⁵⁾	190	193	227	246	199
Solvency capital requirement (Parent) ⁶⁾	520	511	519	513	128
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	133	117	113	105	110
Gross expense ratio	8	8	8	8	10

¹⁾ Balance sheet at 1 January 2016

²⁾ Excluding premiums from discontinued operations (Danica Sweden)

³⁾ Excluding goodwill impairment

⁴⁾ The ratios include change in accumulated value adjustment

⁵⁾ At 31 December 2019, the Group's solvency capital requirement (SCR) was DKK 13,343 million and its total capital was DKK 25,322 million.

⁶⁾ At 31 December 2019, the Parent Company's solvency capital requirement (SCR) was DKK 4,109 million and its total capital was DKK 21,372 million.

Effective at 7 June 2018, Danica Pension acquired the companies Danica Pensionsforsikring A/S and Danica Administration A/S (formerly SEB Pension in 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, with Danica Pension being the continuing company.

The financial statement figures for 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.

For the full list of financial ratios pursuant to the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, see page 13.

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.

Ratios:

Return before tax on pension returns including return related to unit-linked products comprises all the Group's companies and products and is calculated in accordance with the Danish FSA's definitions of return ratios. See the significant accounting policies note.

DANICA STRATEGY

Introduction to Danica Pension's strategy

Danica Pension's strategy is based on our vision of being our customers' financial security provider. 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, stronger and more focused Danica Pension

After Danica Pension's acquisition of the former SEB Pension Denmark (Danica Pensionsforsikring and Danica Administration) received regulatory approval on 7 June 2018, we managed to migrate more than 200,000 customers and 250,000 policies to Danica's systems in just twelve months. The merger of Danica Pensionsforsikring, Danica Administration and Danica Pension was finalised in June 2019. The integration followed an ambitious plan of transferring the policies of Danica Pension's new customers to Danica Pension's systems as soon as possible to give them reassurance about their schemes continuing and access to Danica Pension'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 Försäkringsaktiebolag. 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. Danica Pension has sold the instrument of debt in 2020. 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 in Denmark and the sale of Danica Sweden, Danica emerges as a larger, stronger and more focused company. The integration process was 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 boost 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 being our customers' financial security provider.

Societal impact

Societal impact and sustainability are a central element of Danica Pension's business strategy. In 2019, Danica Pension therefore defined a new strategy with goals for 2025.

Danica Pension has chosen three strategic themes, which all support the UN Sustainable Development Goals. The first theme is that Danica Pension will help Danish society to achieve its climate commitment to a 70% reduction of carbon emissions by 2030 by investing DKK 50 billion in the green transition by 2025 and a total amount of DKK 100 billion by 2030. Secondly, Danica Pension will help 500,000 people to become more financially secure by 2025. The third theme is that Danica Pension will help 200,000 people to have a healthy working and senior life by 2025.

To build a strong foundation, we will integrate sustainability into our core business.

Societal impact and sustainability are further discussed in the section on page 10.

New healthcare and 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 offers. 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.

In 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 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.

In the first quarter of 2020, we are launching Danica Step Care™, which is an entirely new method of treating physical and psychological injuries. Danica Pension is collaborating with AS3 on the psychological aspects and with FysioDanmark on the physical aspects. What is special about Danica Step Care™ is that all Danica Pension customers throughout the country now receive uniform treatment and are ensured a single point of contact, early action and a more targeted and coaching approach aimed at helping customers to return to the labour market. The pilot results from the second half of 2019 are very promising, and Danica Pension expects Danica Step Care™ to reduce sickness absence for the benefit of both the individual customer, companies and society.

One step ahead

The concept “One step ahead” 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 thousand customers with proactive, individual and relevant communications about their Danica Pension scheme. We remain focused on optimising and expanding our ongoing communication with advice for our customers, and we continue to develop new messages tailored to customers.

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 in 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 2019 was the first provider in Denmark 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 Pension for their contributions to be gradually increased over a period of years to ensure 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.

Partnership agreement with Tryg

In 2019, Danica Pension and Tryg signed a partnership agreement according to which Tryg is to provide Danica’s pension solutions under the name of Tryg Pension. Tryg will provide pension products and life insurance, critical illness and loss of earnings capacity covers. Danica Pension considers the agreement with Tryg as an important step towards becoming our customers’ financial security provider.

Attractive investment returns

2019 yielded attractive investment returns after expenses for Danica Pension’s customers.

Danica Pension customers with Danica Balance Mix saw returns on their investments of for example 9.9% for low risk and 5 years to retirement, while the return for high risk and 30 years to retirement was 25.5%. For customers with Danica Balance Mix, medium risk profile and 20 years to retirement, the return was 19.7%.

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.

We are pleased that Danica Pension’s customers saw some of the best returns after expenses in the market, but even more importantly, that they have seen attractive returns after expenses since our new investment strategy was introduced in 2016.

The returns achieved in 2019 were among the highest historically, and it is important to note that policyholders should not expect returns to reach similar levels in the coming years in view of the current interest rate environment and global economic uncertainty factors.

Health and accident business

Danica Pension’s health and accident business produced an unsatisfactory loss in 2019. 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, as previously described in section “New healthcare and prevention initiatives”.

Close collaboration with Danske Bank for the benefit of customers

In 2020, 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. When our customers bank exclusively with Danske Bank Group, we are able to deliver even more financial security and also strengthen our customer relationship. 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 Pension also has a major advantage when it comes to offering customers the best and most user-friendly digital solutions, as Danske Bank is very strong on innovation, which also benefits Danica Pension.

Finally, Danica Pension uses Danske Bank’s large ESG (Environment, Social and Governance) team with some 15 members to make sustainable investments that go hand in hand with attractive returns.

Danica Traditional closed for new business

Due to the low level of interest rates, Danica closed Danica Traditional for new business in mid-January

2020. Instead, Danica recommends new customers to take out pension schemes in Danica Balance, which also offers the option of a minimum payout guarantee for customers who want extra security.

Norway

In 2019, Danica Pension's Norwegian subsidiary, Danica Pensjon Management focused on executing a new strategy. In 2020 and in the coming years, Danica will work for growth in both premiums and earnings.

Danica Pensjon is continually working on cost control and commercial growth in Norway through the Danica Group's strategic plan. A major regulatory change will take effect in Norway on 1 January 2021 with the introduction of the so-called Egen Pensjonskonto, and against this background the company has an ambitious growth strategy focused particularly on business customers and international customers in collaboration with Danica in Denmark and Danske Bank.

FINANCIAL REVIEW

Special matters

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

Danica Pension's Swedish subsidiary, Danica Pension Försäkringsaktiebolag (Danica Sweden) was sold effective at 2 May 2019 and is recognised under discontinued operations until that date. The profit from the sale, which amounted to DKK 1,350 million. DKK, is also recognized as discontinuing activity. Towards the end of 2019, Danica Pension effected a NOK 100 million capital increase in Danica Pensjon (Danica Norway). The purpose of the capital increase was to ensure sufficient capital to support the Norwegian company's growth strategy.

Financial results

DANICA GROUP, PROFIT BEFORE TAX		
(DKK millions)	2019	2018
Technical result, Life insurance ¹⁾	2,380	1,717
Technical result, health and accident business	-888	-633
Result of insurance business	1,492	1,084
Return on investment allocated to shareholders' equity, etc. ²⁾	352	132
Profit before tax, discontinuing operations and goodwill impairment	1,844	1,216
Tax	-194	-212
Goodwill impairment	-800	0
Discontinued operations	1,421	77
Profit for the year	2,271	1,081

¹⁾ Excluding goodwill impairment

²⁾ Including other income and expenses

In 2019, the Danica Group realised a profit before tax, goodwill impairment and discontinued operations of DKK 1,844 million, against DKK 1,216 million in 2018. Profit after tax, goodwill impairment and discontinued operations amounted to DKK 2,271 million, against DKK 1,081 million in 2018.

The result of insurance business for 2019 before goodwill impairment was in line with the guidance in the annual report for 2018 and the interim report for the first six months of 2019. Generally, the performance for 2019 benefited from the former SEB Pension being fully recognised in the financial statements for 2019, while in 2018 it was only recognised as from the date of acquisition.

Net profit for the period was moreover affected by a change in value adjustments (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 technical result of life insurance for 2019 before goodwill impairment amounted to DKK 2,380 million, against DKK 1,717 million in 2018. The technical result for 2019 was favourably affected by the recognition of the former SEB Pension for the full year and by the financial market improvement during the year, which boosted asset management income. The updated longevities in 2019 also had a favourable impact. As has been the case in the past few years, Danica was able to book the full risk allowance for all interest rate groups in 2019.

The technical result of health and accident insurance for 2019 was a loss of DKK 888 million, against a loss of DKK 633 million in 2018. The development in health and accident insurance was adversely affected by the former SEB Pension being recognised in full in 2019, thus contributing to the increased loss on health and accident insurance. The technical result was furthermore negatively impacted by the change in value adjustments (VA) in 2019.

Return on investment allocated to shareholders' equity, etc. was affected by financial market developments in 2019, whereas other income was affected by higher fund management commissions.

A DKK 800 million impairment loss on goodwill on the acquisition of the former SEB Pension was recognised in 2019 due to the fact that future changes in the solvency rules are expected to increase the capital requirement for Danica Pension and thus lower the Company's dividend capacity in the coming years.

Profit after tax from discontinued operations amounted to DKK 1,421 million, mainly comprising proceeds from the sale of Danica Sweden.

Special allotments amounted to an expense of DKK 85 million in 2019, against DKK 60 million in 2018. See the section on contribution in the significant accounting policies note. The amount is expected to be

deposited in the accounts of former Statsanstalten for Livsforsikring customers in March 2020.

The Company proposes that no ordinary dividends are to be distributed for 2019.

Gross premiums

Gross premiums from continuing operations in 2019 amounted to DKK 29.6 billion, a minor drop compared with DKK 29.9 billion in 2018.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS)					
(DKK billions)	2019	2018	2017	2016	2015
Denmark					
Life insurance	25,5	26,1	23,4	21,2	18,5
Health and accident	1,5	1,5	1,2	1,2	1,1
Units outside Denmark					
Norway	2,6	2,3	2,4	2,2	1,9
Total premiums	29,6	29,9	27,0	24,6	21,5

Total premiums in the Danish business amounted to DKK 27.0 billion in 2019, compared with DKK 27.6 billion in 2018. Premiums included premiums from the former SEB Pension for the full year 2019, whereas in 2018 premiums from the former SEB Pension were only included from the acquisition date. Premiums were in 2019 adversely affected by a drop in single premiums.

Premiums in Norway rose by 13% and accounted for 9% of total premiums.

Return on investment

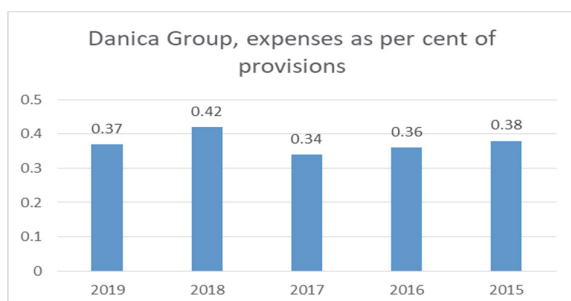
Total return on investment for life insurance was DKK 53.1 billion, and tax on pension returns amounted DKK 6.8 billion. The return on investment was impacted by the positive financial market developments in 2019.

Claims and benefits

Claims and benefits amounted to DKK 28.0 billion in 2019 against DKK 27.1 billion in 2018. Surrenders including investment contracts amounted to DKK 20.9 billion in 2019 against DKK 17.2 billion in 2018.

Expenses

In life insurance, operating expenses relating to insurance excluding goodwill impairment amounted to DKK 1,393 million in 2019, against DKK 1,392 million in 2018. A goodwill impairment charge of DKK 800 million was recognised in 2019.



Expenses (excluding impairment of goodwill) amounted to 0.37% of average provisions, against 0.42% in 2018. In 2018 and 2019, expenses were affected by increased costs related to the integration of the former SEB companies.

The average number of full-time employees was 795 in 2019, against 792 in 2018, and at the end of the year, Danica had 797 employees in and outside Denmark.

The Danica Group paid DKK 564 million to Danske Bank for investment management, IT operations and development, internal auditing, HR administration, logistics and marketing. In addition, Danica paid DKK 268 million to Danske Bank Group for its sale of life insurance policies (see note 32).

Tax

The tax charge amounted to DKK 194 million, positively affected by a DKK 221 million adjustment of tax charges for previous years.

Other comprehensive income

Other comprehensive income amounted to DKK 7 million in 2019. In 2018, other comprehensive income was affected by market value adjustments of hedging instruments hedging future cash flows in relation to acquisitions.

Balance sheet

The Group's total assets increased from DKK 566 billion at 31 December 2018 to DKK 606 billion at 31 December 2019. The increase was explained by the financial market improvement in 2019 leading to a greater increase in investment assets, including in the values of financial instruments. The sale of Danica Sweden had an adverse impact on total assets in 2019.

Intangible assets were recognised at a value of DKK 2,826 million, comprising goodwill and the value of customer relationships taken over. Goodwill was affected by an impairment loss of DKK 800 million at 31 December 2019. Intangible assets relating to customer relationships are amortised over a period corresponding to the run-off of the customer relationship.

Investment assets, including investment assets related to unit-linked products, rose from DKK 488 billion at 31 December 2018 to DKK 588 billion at 31 December 2019 and were affected by the positive financial market developments including value adjustment of financial instruments.

Provisions for insurance and investment contracts totalled DKK 438 billion, against DKK 400 billion at 31 December 2018.

Life insurance provisions related to average-rate products rose by DKK 5 billion to DKK 186 billion. The expected reduction in average-rate policies was more than offset by the positive financial market developments in 2019.

Life insurance provisions related to unit-linked products rose from DKK 197 billion at the beginning of 2018 to DKK 228 billion at the end of 2018. The increase was primarily due to the positive financial market developments in 2019.

At the end of 2019, shareholders' equity stood at DKK 20.9 billion, against DKK 18.9 billion at the end of 2018.

Solvency statement and capital requirements

At 31 December 2019, the Danica Group's solvency coverage ratio was 190%, against 193% at 31 December 2018. The Danica Group still maintained strong excess solvency at 31 December 2019.

DANICA GROUP, SOLVENCY		
(DKK millions)	31.12.2019	31.12.2018
Total capital	25,322	25,819
Solvency capital requirement (SCR)	13,343	13,370
Excess capital base	11,979	12,449

Solvency II applies a standard model to determine 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 mandatory under the new Solvency II requirements, gives a detailed account of Danica's solvency and financial condition. The report is available on Danica Pension's website.

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

Events after the balance sheet date

No events have occurred between 31 December 2019 and the date of the signing of the financial statements that, in the opinion of the management, will materially affect Danica's financial position.

Outlook for 2020

The result of Danica's insurance business for 2020 is expected to be on a par with the result for 2019. The result will be affected by financial market developments in 2020.

In 2020, Danica expects to further strengthen the position as a leading provider of life and pension insurance products in Denmark.

The financial markets

2019 was marked by strong political and economic uncertainty amid the renewal of trade war tensions between mainly the USA and China and Brexit, and at times there were signs of an economic slowdown. Globally, however, companies were generally prepared for slightly slower growth, reporting good results. Also, the central banks firmly supported the

economy by continuing to pursue a lenient monetary policy.

All this resulted in generally positive equity market sentiment, not least in the US and European markets, which saw equity prices rise by close to 30%. Bonds, credit instruments, alternative investments and property investments also produced positive returns, albeit lower than equities. In fact, only money market and short-term bond investments yielded slightly negative returns.

Return on investment

Unit-linked products in Denmark generated an aggregate return of DKK 31.4 billion in 2019, equivalent to 15.1% before tax on pension returns.

The table below shows the returns on the unit-linked product Balance Mix for 2019, broken down by risk profile and number of years to retirement:

2019 return before tax (%)			
Risk	30 years to retirement	15 years to retirement	5 years to retirement
Danica Pension - Balance Mix			
High risk profile	25.5	22.3	16.9
Medium risk profile	23.7	17.3	13.2
Low risk profile	21.1	13.0	9.9

The returns were boosted by the positive financial market developments, with rising equity prices in particular contributing to the high returns.

DISTRIBUTION BY INTEREST RATE GROUP AT 31 DECEMBER 2019

(%)	Rate of interest on policyholders' savings before tax on pension returns (p.a.)	Investment return before tax on pension returns
Interest rate group D1	1.8	8.2
Interest rate group D2	1.8	10.9
Interest rate group D3	1.8	11.1
Interest rate group D4	1.8	10.4
Interest rate group 1	2.5	6.9
Interest rate group 2	6.0	9.9
Interest rate group 3	6.0	10.8
Interest rate group 4	6.0	10.5

The return on investment of customer funds in Danica Pension was 10.3% before tax on pension returns in 2019. Adjusted for changes in provisions, the return was 6.5% before tax on pension returns.

The investment allocation of assets attributed to shareholders' equity at year end 2019 was 10% in property and 90% in relatively short-term bonds. Shareholders' equity was furthermore exposed to equities and credit bonds through the health and accident business' investments and in 2018 also through hedging of risks related to business acquisitions. The aggregate return on funds on which the risk is borne by shareholders' equity was 0.3%.

ORGANISATION, MANAGEMENT AND PARTNERSHIPS

Danica is a wholly-owned subsidiary of Danske Bank A/S and handles Danske Bank Group's activities within pension savings and life insurance for companies, organisations and private individuals.

Board of Directors, Audit Committee and Executive Board

Danica's Board of Directors consists of eight directors, five of whom are elected by the general meeting and three are elected by the employees. Board members elected by the general meeting are up for election every year and board members elected by the employees are elected for a period of four years, as prescribed by the applicable legislation. The Board of Directors is in charge of Danica's overall management and held six ordinary meetings in 2019.

The Board of Directors has set up an audit committee to prepare the work of the Board of Directors on financial reporting and auditing matters, including related risk matters, which either the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intends to review further. The committee works on the basis of clearly defined terms of reference. The committee has no independent decision-making powers, but reports to the Board of Directors as a whole. In 2019, the audit committee held six meetings and reported regularly to the Board of Directors.

The Executive Board, which is in charge of the day-to-day management of the company, is made up of Ole Krogh Petersen, CEO, Jesper Høybye, CFO, and Søren Lockwood, CCO.

The directorships of the members of the Board of Directors and the Executive Board are listed on page 67. For additional information on the organisation, see page 66.

Diversity policy

Diversity in the competences represented on the Board of Directors is essential to the Board's performance. The Board of Directors has adopted a diversity policy that sets out a framework to ensure diversity and inclusion in Danica. The policy defines what competences the Board should possess, and the adequacy of the Board's competences is evaluated on a regular basis. According to the diversity policy, the Board of Directors must ensure that the Company continually focuses on maintaining a balanced gender representation among Danica's managers.

Danica Pension sees diversity as a resource in terms of both individual employees and the organisation in general.

Focus on gender composition is ensured through Danica's internal and external recruitment processes and other measures.

Danica's diversity policy is based on Danske Bank Group's overall diversity policy.

43% of Danica's managers are women, a minor increase relative to 2018, and they were distributed as follows in terms of management levels at 31 December 2019:

GENDER COMPOSITION OF MANAGEMENT					
Management level	Total	Women	Pro-portion of women	Group target	Pro-portion of men
Board members	5	2	40%	38%	60%
Senior management/business management	28	12	43%	25%	57%
Other managers	76	34	45%	40%	55%

* Employee representatives are not included

The status for 2019 is that the targets have been met for all three levels of management. Our work on objectively based recruiting and promotion processes has been successful, in addition to which the figures were affected by the integration with SEB Pension. Danica will continue this work in 2020, while also continuing to focus on talent development.

Remuneration policy and incentive schemes

Danica's remuneration policy fits in with that of Danske Bank Group and encompasses all employees in the Danica Group. The policy was adopted at the Danica Group's annual general meetings and is available on www.danicapension.dk.

The Danica Group's remuneration reflects our goals of having of a well-regulated governance process and of creating value for Danica's shareholders and customers both in the short and the long term.

The Executive Board and senior managers are covered by the incentive scheme offered by Danske Bank Group, comprising cash and conditional shares. Incentive payments reflect the employees' performance/individual targets and also depend on the financial results of the Company and the business areas and other measures of value creation in a given financial year.

The remuneration structure is subject to a number of rules relating to remuneration of the Board of Directors, the Executive Board and other staff members whose activities have a material effect on the Group's risk profile (risk takers). Danica follows Danske Bank's guidelines in this area.

The amount of performance-based compensation is capped, and payment of part of such remuneration is deferred until a later date. Employees may lose part or all of their deferred remuneration, depending on future results.

As part of Danica's performance culture, the Company has the option of awarding individual spot bonuses to reward an extraordinary performance during the year.

Competent leadership and strong employee commitment are key to the performance of the business. Danica gives focused attention to management development and requires all managers to motivate, inspire and develop their employees.

Employee commitment rose steadily during 2019 despite a heavy workload with the integration of SEB Pension, among other things. Change is a natural part of our business, and focus on change management is important at all levels of management.

Skills development is another key factor in Danica Pension's value creation, and advisers and other customer-oriented functions in particular undergo structured training programmes to ensure a solid skills base. The individual employees' skills development is planned and effected according to individual needs and is agreed between manager and employee.

SOCIETAL IMPACT

New societal impact and sustainability strategy

Societal impact and sustainability are a central element of Danica Pension's business strategy. We therefore defined a new strategy in 2019 with strategic goals for 2025. We have three strategic themes, which support the UN Sustainable Development Goals.

- Climate & environment - Helping society transition towards a net zero carbon economy by investing DKK 50 billion in the green transition by 2025 and a total amount of DKK 100 billion by 2030
- Financial security - Helping 500,000 people and businesses to become more financially secure by 2025
- Healthy working and senior life - Helping 200,000 people and businesses to achieve a healthy working and senior life by 2025

In order to build a strong foundation, we are committed to integrating sustainability in our core business. Areas we will focus on are sustainable investing, sustainable operations, a sustainable workplace and culture and building strong partnerships with our local community. We are also committed to complying with stricter sustainability regulations, honouring our international commitments and improving our transparency and communication.

Investment in the green transition

In 2019, we announced our goal for 2030 to invest DKK 100 billion of our customers' savings in the green transition. This will be our contribution towards a more climate-friendly society, while we will continue to generate attractive returns for our customers. At the end of 2019, we had invested some DKK 10 billion in green transition, including in real property with a sustainability certification, green bonds and infrastructure funds investing in renewable energy. We also have a strategy for sustainability in our real property portfolio, involving an investment

of DKK 27 million in enhancing energy efficiency in 17 Danish shopping centres by 2022.

Our ambition is to reduce our own CO2 emissions. Our electricity consumption is covered by renewable electricity and our operations have been carbon neutral since 2009. Environmental data from 2019 in the Danish business show that we halved our paper consumption from 2018 to 2019. Danica continued the digitalisation process, and customers can now choose to receive most of Danica's letters digitally. Our energy consumption was more or less the same as last year, but our carbon footprint was reduced. The means to this reduction was our switch from town gas to central heating as the source of heating at our head office. Air and road transport activities rose because of the higher number of employees after the acquisition of the former SEB Pension and because of increased customer contact. From 2018 to 2019, our overall carbon emissions were reduced by 7%.

CO2, ENERGY, HEAT, TRANSPORT AND WATER CONSUMPTION TRENDS

		2019	2018	2017	2016
Total energy consumption	MWh	3,605	3,598	3,296	3,352
Total water consumption	m ³	4,481	4,182*	4,651	5,406
Road transport	Km'000	965	702	852	1,071
Air transport	Km'000	642	552	575	576
Paper	Tonnes	8	16	33	40
Total CO2 emissions	Tonnes	426	456	526	611

Energy, heat and water consumption includes head office and regional offices in Denmark, but excludes vacated property.

* Consumption has been corrected relative to that reported in the 2018 annual report.

More financial security

The concept "One step ahead" is central to Danica Pension's vision of being our customers' financial security provider. With advice and clear recommendations, we aim to help our customers feel more financially secure throughout their lives - not only when they retire but also if they experience long-term illness.

In support of this, we launched our new savings product Save More Tomorrow and formed a new partnership with Tryg in 2019, among other initiatives. We also have a well-established partnership with Pension for Selvstændige to provide financial security to self-employed people. We also regularly hold pension planning seminars for customers over the age of 55.

Compliance

A key priority for Danica Pension is to comply with applicable rules and regulations. We have a commitment to our customers and the society we are part of to ensure that Danica Pension is trustworthy and

can be relied upon as a financial adviser. It is therefore important to us that our conduct meets the standards that are imposed on us by our customers and society.

Healthier working life

We want to drive the development towards a healthier society with less absenteeism. With our Health Insurance and our cover for loss of earning capacity, we focus on prevention, treatment and on helping customers return to work after illness.

We regularly launch new concepts for our customers to work on prevention, such as Stress Help, which equips managers and employees to spot and handle stress in the workplace. With Step Care™, we offer a targeted programme featuring interdisciplinary help with a single point of contact to prevent illness and help employees who are absent due to illness return to work. In 2019, we also supported research into smartphone addiction, sleep and stress. Following this, we and the University of Copenhagen together developed a selection of tools for individuals and businesses under the concept of Balance your screen time.

Sustainable investment

In our investment analyses and decisions, we consider environmental, social and governance (ESG) aspects along with financial ones in order to make the best possible investments. To support long-term value creation and positive development in the companies we invest in, we engage with their managements and use our voting rights at general meetings.

We do not invest in companies if 30% or more of their revenue is generated from coal or tar sand. Nor do we invest in companies involved in controversial weapons such as nuclear weapons or landmines. In 2019, we imposed investment restrictions on tobacco.

We improved our transparency in 2019, for example by launching a sustainable investment website and a digital voting platform, which shows how we have voted at general meetings. Also, in 2019 we published our first active ownership report with examples of our dialogue with companies and our voting activities.

As part of our climate focus, in 2019 we also signed on to the global investor initiative Climate Action 100+. With the more than 370 other investors who have signed on, we can collectively strengthen the dialogue with companies to curb their carbon emissions and step up their reporting and transparency concerning their carbon emissions and the financial risks related to their climate impact.

New voluntary work guidelines

In early 2019 we launched 'Time to Give' in collaboration with Danske Bank, a programme that gives all the Group's employees the opportunity to spend one workday per year to carry out voluntary work and

make a difference to their local community. For example, Danica Pension employees undertook voluntary work in aid of Knæk Cancer, Hospitalsklavnene and Hus Forbi in 2019.

Statutory reporting on societal impact

For Danica Pension's statutory reporting on societal impact, we refer to Danske Bank's Sustainability Report 2019 and Sustainability Fact Book 2019. The Sustainability Report also serves as our Communication on Progress to the UN Global Compact and is available at danskebank.com/societal-impact.

RISK EXPOSURE AND SENSITIVITY INFORMATION

Information on risk and risk management are set out in note 35 to the financial statements. 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 (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	200	25,130	134	200	25,130	134
Equity risk	50	22,475	125	74	17,518	100
Property risk	53	23,449	125	90	18,391	100
Credit spread risk:						
- Danish government bonds, etc.	12	24,463	125	21	20,309	100
- Other government bonds, etc.	21	24,316	125	35	20,868	100
- Other bonds	26	24,381	125	46	20,059	100
Currency spread risk						
NOK	100	17,005	161	100	17,005	161
CHF	100	25,273	183	100	25,273	183
GBP	100	25,275	184	100	25,275	184
Counterparty risk		25,322	180		25,322	180
Longevity risk	39	25,245	125	50	23,335	100
Life insurance option risk	400	21,719	166	400	21,719	166
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 (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	200	25,130	253	200	25,130	253
Equity risk	97	12,371	125	100	11,625	118
Property risk	100	17,005	164	100	17,005	164
Credit spread risk:						
- Danish government bonds, etc.	34	13,777	125	39	11,265	100
- Other government bonds, etc.	58	14,302	125	67	11,732	100
- Other bonds	71	14,189	125	82	11,555	100
Currency spread risk						
NOK	100	17,005	275	100	17,005	275
CHF	100	25,273	303	100	25,273	303
GBP	100	25,275	305	100	25,275	305
Counterparty risk		22,902	299		22,902	299
Longevity risk	73	14,590	125	77	12,349	100
Life insurance option risk	400	21,719	271	400	21,719	271
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 25,322 million and a solvency coverage ratio of 190%. Please note that for credit spread risk, a decline in bonds without an increase in EIOPA's discount yield curve is assumed. Accordingly, the results are based on the assumption that the volatility adjustment (VA), which is a component of EIOPA's discount curve, is unchanged.

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Financial highlights - Danica Group

DKKm	2019	2018	2017	2016	2015*
INCOME STATEMENT					
Life insurance					
Premiums	24,535	23,435	23,716	22,274	19,385
Claims and benefits	-27,969	-27,159	-21,192	-20,898	-24,605
Return on investment	53,138	-8,115	16,625	17,868	7,697
Total operating expenses relating to insurance	-1,393	-1,392	-937	-923	-946
Depreciation of goodwill	-800	-	-	-	-
Profit/loss on business ceded	-21	-	-19	-14	-104
Technical result, Life	1,580	1,717	1,852	1,786	1,521
Health and accident insurance					
Gross premium income	1,621	1,887	1,337	1,440	1,278
Gross claims	-2,189	-2,111	-1,485	-1,484	-1,343
Total operating expenses relating to insurance	-126	-132	-94	-107	-128
Profit/loss on business ceded	-26	-44	1	29	-7
Return on investment	-189	26	212	112	251
Technical result of health and accident insurance	-888	-633	-193	-126	-69
Profit after tax from discontinued operations	1,421	77	56	55	38
Net profit for the year	2,271	1,081	1,609	1,787	1,456
Other comprehensive income	7	-36	-26	-13	-4
BALANCE SHEET					
Total assets	605,978	565,566	427,035	404,180	368,405
Insurance assets, health and accident insurance	268	301	69	91	93
Technical provisions, health and accident insurance	17,606	14,637	10,231	10,177	9,850
Total shareholders' equity	20,887	18,897	17,122	17,249	19,375
Total provisions for insurance and investment contracts	437,739	399,522	363,778	340,786	320,997
RATIOS (%)					
Rate of return related to average rate products	10.3	1.0	2.5	6.5	1.0
Rate of return related to unit-linked products	15.9	-5.5	7.9	5.1	4.6
Risk on return related to unit-linked products	4.25	4.25	4.25	4.25	-
Expenses as per cent of provisions	0.4	0.4	0.3	0.3	0.3
Expenses per policyholder (DKK)	1,406	1,325	1,116	1,049	1,046
Return on equity after tax	11.4	6.0	9.0	9.9	7.3
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	133	117	113	105	110
Gross expense ratio	8	8	8	8	10
Combined ratio	143	127	121	111	121
Operating ratio	143	142	134	122	128
Relative run-off (%)	0.0	-0.3	0.2	0.1	-0.1
Run-off, net of reinsurance (DKK millions)	6	-39	19	11	-5

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer

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

* Balance sheet items have been corrected at 1 Jan. 2016.

Income statement & Other comprehensive income - Danica Group

Note	DKKm	2019	2018
3	Gross premiums	24,535	23,435
	Reinsurance premiums ceded	-23	-30
	Total premiums, net of reinsurance	24,512	23,405
	Income from associates	337	501
4	Income from investment property	596	402
5	Interest income and dividends, etc.	22,801	13,186
6	Value adjustments	45,237	-16,378
7	Interest expenses	-14,941	-5,105
	Administrative expenses related to investment activities	-892	-721
	Total return on investment	53,138	-8,115
	Tax on pension returns	-6,793	1,017
8	Claims and benefits paid	-27,969	-27,159
	Reinsurers' share received	14	11
	Total claims and benefits, net of reinsurance	-27,955	-27,148
	Change in life insurance provisions	-36,851	13,967
	Change in reinsurers' share	-23	16
	Total change in life insurance provisions, net of reinsurance	-36,874	13,983
9	Change in profit margin	-1,268	66
	Acquisition costs	-351	-418
	Administrative expenses	-1,042	-974
	Depreciation of goodwill	-800	-
	Reinsurance commissions and profit sharing	11	3
10	Total operating expenses relating to insurance, net of reinsurance	-2,182	-1,389
	Transferred investment return	-998	-102
	TECHNICAL RESULT OF LIFE INSURANCE	1,580	1,717

Income statement & Other comprehensive income - Danica Group

Note	DKKm	2019	2018
	(cont'd)		
	HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	1,682	1,684
	Reinsurance premiums ceded	-77	-63
	Change in unearned premiums provision	-112	206
	Change in profit margin and risk margin	51	-3
	Change in unearned premiums provision, reinsurers' share	0	-60
	Premiums, net of reinsurance	1,544	1,764
	Technical interest	-	-181
	Claims paid, gross	-2,065	-1,886
	Reinsurers' share received	83	122
	Change in outstanding claims provision	-228	-219
	Change in risk margin	104	-6
	Change in outstanding claims provision, reinsurers' share	-34	-45
	Claims, net of reinsurance	-2,140	-2,034
	Bonus and premium discounts	21	-78
	Acquisition costs	-50	-52
	Administrative expenses	-76	-80
	Reinsurance commissions and profit sharing	2	2
	Total operating expenses relating to insurance, net of reinsurance	-124	-130
	Return on investment	-189	26
11	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-888	-633
	Return on investment allocated to equity	73	-11
12	Other income	286	153
	Other expenses	-7	-10
13	PROFIT BEFORE TAX	1,044	1,216
14	Tax	-194	-212
	NET PROFIT FOR THE YEAR, BEFORE DISCONTINUED OPERATIONS	850	1,004
15	Profit after tax from discontinued operations	1,421	77
	NET PROFIT FOR THE YEAR	2,271	1,081
	Net profit for the year	2,271	1,081
	Other comprehensive income (items that will be reclassified in a subsequent sale):		
	Translation of units outside Denmark	39	-19
	Hedges of units outside Denmark	-42	19
	Hedge of acquisition	-	-41
14	Tax relating to other comprehensive income	10	5
	Total other comprehensive income	7	-36
	NET COMPREHENSIVE INCOME FOR THE YEAR	2,278	1,045

Balance sheet - Danica Group

Assets

Note	DKKm	2019	2018
16	INTANGIBLE ASSETS	2,826	3,758
17	Domicile property	40	42
	TOTAL TANGIBLE ASSETS	40	42
18	Investment property	17,395	15,341
19	Holdings in associates and joint ventures	10,223	9,819
	Loans to associates and joint ventures	724	546
	Total investments in associates	10,947	10,365
20	Holdings	23,167	23,541
	Unit trust certificates	21,564	16,364
21	Bonds	171,706	163,284
	Other loans	1,308	1,625
	Deposits with credit institutions	529	1,345
22	Derivatives	72,043	38,788
23	Total other financial investment assets	290,317	244,947
	TOTAL INVESTMENT ASSETS	318,659	270,653
24	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	269,163	217,496
	Unearned premiums provision, reinsurers' share	1	1
	Life insurance provisions, reinsurers' share	70	92
	Outstanding claims provision, reinsurers' share	267	300
25	Total technical provisions, reinsurers' share	338	393
	Amounts due from policyholders	681	595
	Amounts due from insurance companies	175	119
	Other debtors	1,577	3,093
	TOTAL DEBTORS	2,771	4,200
	Assets relating to discontinued operations	182	58,905
	Current tax assets	25	651
	Cash and cash equivalents	4,282	3,435
	Other	0	336
	TOTAL OTHER ASSETS	4,489	63,327
	Accrued interest and rent	7,527	5,599
	Other prepayments and accrued income	503	491
	TOTAL PREPAYMENTS AND ACCRUED INCOME	8,030	6,090
	TOTAL ASSETS	605,978	565,566

Balance sheet - Danica Group

Liabilities and equity

Note	DKKm	2019	2018
	LIABILITIES		
	Unearned premiums provision	1,742	791
	Life insurance provisions, average rate products	185,954	181,081
26	Life insurance provisions, unit-linked products	227,635	197,165
	Total life insurance provisions	413,589	378,246
	Profit margin on life insurance and investment contracts	6,544	6,639
	Outstanding claims provision	14,719	13,293
	Risk margin on non-life insurance contracts	1,065	438
	Provisions for bonus and premium discounts	80	115
27	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	437,739	399,522
14	Deferred tax	1,281	1,649
	Other provisions	186	183
	TOTAL PROVISIONS FOR LIABILITIES	1,467	1,832
	Amounts owed, direct insurance	55	69
	Amounts owed to reinsurers	159	200
28	Amounts owed to credit institutions	19,235	17,365
	Amounts owed to group undertakings	1,700	1,700
	Current tax liabilities	38	89
29	Other creditors	113,982	61,162
	Liabilities relating to discontinued operations	-	58,462
	Accruals and deferred income	6,766	2,418
30	Subordinated debt	3,950	3,850
	TOTAL CREDITORS	585,091	546,669
	SHAREHOLDERS' EQUITY		
	Share capital	1,001	1,001
	Revaluation reserve	1	1
	Other reserves	14,506	12,839
	Retained earnings	5,379	5,056
	TOTAL SHAREHOLDERS' EQUITY	20,887	18,897
	TOTAL LIABILITIES AND EQUITY	605,978	565,566

Statement of capital - Danica 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 2018	1,001	1	-42	12,881	5,056	0	18,897
Effect of accounting policy changes 1 January 2019	-	-	-	-258	-30	-	-288
Adjusted shareholders' equity at 1 January 2019	1,001	1	-42	12,623	5,026	0	18,609
Profit for the year	-	-	-	1,918	353	-	2,271
Other comprehensive income:							
Translation of units outside Denmark	-	-	39	-	-	-	39
Hedges of units outside Denmark	-	-	-42	-	-	-	-42
Tax on other comprehensive income	-	-	10	-	-	-	10
Total other comprehensive income	-	-	7	-	-	-	7
Comprehensive income for the year	-	-	7	1,918	353	-	2,278
Shareholders' equity at 31 December 2019	1,001	1	-35	14,541	5,379	0	20,887
Shareholders' equity at 31 December 2017	1,000	0	-33	12,227	2,319	1,609	17,122
Effect of accounting policy changes 1 January 2018	-	-	-	38	-	-	38
Adjusted shareholders' equity at 1 January 2018	1,000	0	-33	12,265	2,319	1,609	17,160
Profit for the year	-	-	-	643	438	-	1,081
Other comprehensive income:							
Translation of units outside Denmark	-	-	-19	-	-	-	-19
Hedges of units outside Denmark	-	-	19	-	-	-	19
Hedge of acquisition	-	-	-	-41	-	-	-41
Tax on other comprehensive income	-	-	-9	14	-	-	5
Total other comprehensive income	-	-	-9	-27	-	-	-36
Comprehensive income for the year	-	-	-9	616	438	-	1,045
Adjustment, domicile property	-	1	-	-	-	-	1
Capital injection	1	-	-	-	2,299	-	2,300
Dividend paid	-	-	-	-	-	-1,609	-1,609
Shareholders' equity at 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 Danica Pension) if the percentage by which the equity exceeds the calculated capital requirement is higher than the percentage that had been maintained by 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	2019	2018
Capital base		
Shareholders' equity	20,887	18,897
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	3,323	6,553
Deferred tax	-12	276
Intangible assets	-2,826	-3,758
Tier 2 capital	3,950	3,850
Capital base	25,322	25,818

Danica Pension Försäkringsaktieföretag (Danica Sweden) is included in the capital base in 2018.

Cash flow statement - Danica Group

DKKm	2019	2018
Cash flow from operations		
Profit before tax	1,044	1,216
Adjustment for non-cash operating items		
Non-cash items relating to premiums and benefits	45,064	-19,525
Non-cash items relating to reinsurance	12	-63
Non-cash items relating to investment return	-51,735	10,316
Non-cash items relating to tax on pension returns	-4,686	1,503
Non-cash items relating to expenses	7,538	3,388
Net investment, customer funds	5,614	563
Payments received and made, investment contracts	-1,651	1,037
Tax paid	343	-848
Cash flow from operations	1,543	-2,413
Cash flow from investing activities		
Sale of investment property	-	289
Acquisition of holdings	-	-5,000
Sale of undertakings	1,645	-
Acquisition of bonds	-15,919	-8,336
Sale of bonds	10,892	8,932
Purchase of derivatives	-	-77
Sale of derivatives	-	87
Cash flow from investing activities	-3,382	-4,105
Cash flow from financing activities		
Raising of subordinated debt	-	2,300
Dividend	-	-1,609
Debt to credit institutions	1,870	-667
Cash flow from financing activities	1,870	24
Cash and cash equivalents, beginning of year	4,780	9,908
Net investment Group companies	-	1,366
Change in cash and cash equivalents	31	-6,494
Cash and cash equivalents, end of year	4,811	4,780
Cash and cash equivalents, end of year		
Deposits with credit institutions	529	1,345
Cash in hand and demand deposits	4,282	3,435
Total	4,811	4,780

Notes – Danica Group

Note

1 SIGNIFICANT ACCOUNTING POLICIES – FORSIKRINGSELKABET DANICA

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) which have been adopted by the EU and with relevant interpretations issued by the IFRS Interpretations Committee. Furthermore, the consolidated financial statements comply with the Danish FSA's disclosure requirements for annual reports of issuers of listed bonds.

Merger of companies

At 1 January 2019, the Danica Group merged the subsidiaries Danica Pension, livsforsikringsaktieselskab, Danica Pensionsforsikring A/S and Danica Administration A/S, with Danica Pension, livsforsikringsaktieselskab as the continuing company. The merger was effected using the pooling of interests method. The former subsidiaries Danica Pensionsforsikring and Danica Administration, which were acquired in 2018, are consolidated as of the acquisition date, 7 June 2018 (see the annual report for 2018).

Changes in accounting policies

Unearned premiums provisions

The Danica Group has changed the accounting policy on calculating unearned premiums provision for health and accident insurance. 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. 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.

The impact on net profit for 2019 is insignificant.

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 implementation has led to the recognition of right-of-use assets and corresponding lease liabilities of DKK 280 million. The implementation has no impact on shareholders' equity at 1 January 2019 and no significant impact on the income statement for 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 initially measured at cost, corresponding to the lease liability with the addition of any lease payments made before the commencement date and any direct costs incurred. Subsequently, the 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, the right-of-use asset is reduced by regular interest and lease payments.

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

Change in segment reporting

Subsequent to the annual report for 2018, the Danica Group has combined the business segments Traditional and Unit-linked. The reason for the combination is that the two segments have similar financial characteristics and the fact that Management receives reporting on and evaluates the business as a whole without allocating Danica's resources to specific products. After this change, Danica has a single segment.

Notes – Danica Group

Note

Sale of subsidiary

In December 2018, the Group signed an agreement to sell the Swedish subsidiary Danica Pension Forsäkringsaktiebolag. The sale was subject to regulatory approval in Sweden. Final approval of the sale was given on 2 May 2019. As a consequence of the sale, the financial statements of Danica Pension Forsäkringsaktiebolag are no longer consolidated on a line-by-line basis in the Group's financial statements, in accordance with the rules on temporarily held operations/discontinued operations. In the income statement, profit after tax is recognised in the item Profit after tax from discontinued operations, while the company's assets are recognised under debtors in the item Assets relating to discontinued operations and similarly under creditors in the item Liabilities relating to discontinued operations. The proceeds from the sale amounted to DKK 1,350 million.

Significant accounting estimates and judgments

Management's estimates and judgments 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 judgments that are deemed to be most critical to the consolidated financial statements are:

- the measurement of liabilities under insurance contracts
- the fair value measurement of financial instruments
- the fair value measurement of real property
- Intangible assets / Goodwill

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 calculation of the Danish volatility adjustment (VA) of the discount curve. As a result of the change and update of underlying parameters, the VA was reduced by 12 basis points. The financial effects of the changed discount curve were a DKK 1.5 billion reduction of the collective and individual bonus potentials and a reduction of profit 2019 of DKK 140 million before tax, or DKK 109 million after tax. It has not been possible to determine the effects in future periods.

Measurement of liabilities under insurance contracts

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

Insurance liabilities are calculated by discounting the expected future benefits to their present values. For life insurance, the expected future benefits are based on expected future mortality rates and frequency of early release of pensions and conversions into paid-up policies. For health and accident insurance, the insurance obligations are calculated on the basis of expected future recoveries and re-openings of old claims. Estimates of future mortality rates are based on the Danish FSA's benchmark, while other estimates are based on empirical data from the Group's own portfolio of insurance contracts. Estimates are updated regularly.

The calculation of life insurance provisions is based on an assumed increase in life expectancy over today's observed lifetime of 2.5 years (2018: 2.7 years) for a sixty five-year-old male and 2.3 years (2018: 2.4 years) for a sixty five-year-old female. A sixty five-year-old male is thus expected to live for approximately 23 more years (2018: 23 years) and a sixty five-year-old female for approximately 25 more years (2018: 25 years).

The probabilities used for surrenders and conversions into paid-up policies are dependent on duration, as a declining relationship has been observed between intensities and number of years since a policy was taken out. Separate intensities are used for the individual interest rate groups and the unit-linked portfolio. The probabilities of early releases of pensions and conversions into paid-up policies are estimated based on observations for the preceding five years.

The disability probability is the same for all portfolios. The probabilities used are age- and gender-dependent. The determination of disability probabilities includes probability of reactivation.

In respect of the life insurance business, the method used to calculate risk margin involves applying a safety margin to intensities.

For mortality, the risk margin consists of a margin on observed current mortality rates and longevity improvements.

For intensities of early release of pensions and conversion into paid-up policies, the risk margin applied constitutes a 10% increase in all intensities for unit-linked and interest rate groups 1 and 11 and a 10% decrease in all intensities for interest rate groups 2, 3, 4, 12, 13 and 14. The intensities are reassessed on an ongoing basis as experience is gained.

For disability, a 10% risk margin is also applied, which is calculated on both the disability probability and the reactivation probability.

Notes – Danica Group

Note

The liabilities also depend on the discount yield, which is fixed on the basis of a zero-coupon yield curve. The zero-coupon yield curve is estimated on the basis of the euro swap market. The curve is adjusted by a currency and a credit risk deduction as well as a volatility adjustment. For maturities of more than 20 years, the rate is extrapolated based on the forward rate in year 20 and with a constant forward rate at the 60-year mark of 4.2% (Ultimate Forward Rate). Danica uses a yield curve calculated according to principles and based on data resulting in a curve as close as possible to the EIOPA yield curve.

Fair value measurement of financial instruments

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

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

Fair value measurement of real property

The fair value of investment property is determined by expert valuers on the basis of a systematic assessment based on the present value of the expected cash flows from the property. The present value is calculated based on discounting by a required rate of return determined for each property individually, in accordance with appendix 7 to the executive order on the presentation of financial reports for insurance companies and multi-employer occupational pension funds.

Intangible assets/Goodwill/Customer relationships

Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. Impairment testing requires Management to estimate future cash flows. These estimates are based on earnings estimates for the budget period, followed by a terminal value. The budget period generally represents the first five years.

Goodwill on acquisition of Danica Pensionsforsikring A/S and Danica Administration A/S amounts to DKK 2,427 million. 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 undertakings initially constituted a separate cash-generating unit. To account for the fact that certain risks on initial recognition could not be quantified in the expected future cash flows of the acquired undertaking, these risks were instead reflected in the 2018 discount rate of 9%. As these risks now is incorporated in expected future cash flows, using a discount rate of 8% is considered to provide a more fair presentation. As a result of regulatory changes to the solvency capital requirement, a DKK 800 million impairment loss on goodwill was recognised at year end 2019.

Customer relationships acquired in connection with the business combination are recognised as a separate identifiable intangible asset. The fair value of the customer relationships at the acquisition date represents the net present value of expected future earnings related to the existing customer base in SEB Pension and is calculated based on the estimated future profit margin in the acquired companies at the acquisition date. Customer relationships/contracts will be amortised over 10 years, which represents management's expectations of the period over which the majority of the future earnings on existing customer relationships/contracts will be earned. On objective evidence of impairment, the customer relationship is tested for impairment and, if impaired, written down to the estimated value of the future earnings.

Consolidation

Together with the undertakings consolidated in the Danica Group, Forsikringselskabet Danica is included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

The financial statements consolidate Forsikringselskabet Danica and group undertakings in which the Group has control over financial and operating decisions. Control is said to exist if Forsikringselskabet Danica is exposed to variable returns from its involvement with the undertaking and, directly or indirectly, holds more than half of the voting rights in the undertaking or otherwise has power to control management and operating decisions affecting the variable returns.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intragroup transactions and balances.

Undertakings acquired are included in the financial statements at the time of acquisition.

The net assets of such undertakings (assets, including identifiable intangible assets, less liabilities and contingent liabilities) are measured in the financial statements at fair value at the date of acquisition according to the acquisition method.

If the cost of acquisition exceeds the fair value of the net assets acquired, the excess amount is recognised as goodwill. Goodwill is recognised in the functional currency of the undertaking acquired. If the fair value of the net assets exceeds the cost of acquisition (negative goodwill), the excess amount is recognised as income at the date of acquisition. The portion of the acquisition that is attributable to non-controlling interests does not include goodwill.

Divested undertakings are included in the financial statements until the transfer date.

Notes – Danica Group

Note

For an overview of the companies in the Group, see page 65 of the annual report for 2019. The Group is not subject to any restrictions on its ability to access or use the assets or settle the liabilities of the Group.

Materiality

For the purpose of clarity, the financial statements are prepared using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other financial statement items.

Holdings in associates and joint ventures

Associates are entities, other than group undertakings, in which the Group has holdings and significant but not controlling influence. The Group generally classifies entities as associates if Forsikringselskabet Danica, directly or indirectly, holds 20-50% of the voting rights and has power to control management decisions.

Holdings in associates are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate shares of the shareholders' equity of the entity with the addition of goodwill on consolidation are recognised in the item Holdings in associates and the proportionate share of the net profit or loss of the individual entity is recognised in Income from associates. The proportionate share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date and calculated in accordance with Forsikringselskabet Danica's significant accounting policies.

Jointly controlled assets and operations

The Group is involved in joint operations with other pension companies. These joint operations are administrated by Forenede Gruppeliv. Income, expenses, assets and insurance liabilities, etc. are distributed between and recognised by the venturers according to their individual quota, which is determined based on the premiums written by the individual venturer during the year.

With respect to jointly controlled assets and operations, a proportionate share (corresponding to pro rata consolidation) is recognised in the income statement and balance sheet in accordance with the relevant IFRS standards.

Assets held temporarily

In May 2019, the sale of Danica Pension Forsikringsaktiebolag received final regulatory approval. As a consequence of the sale, the financial statements of Danica Pension Forsikringsaktiebolag are no longer consolidated on a line-by-line basis in the Group's financial statements, in accordance with the rules on temporarily held operations/discontinued operations. In the income statement, profit after tax is recognised in the item Profit after tax from discontinued operations, while the company's assets are recognised under debtors in the item Assets relating to discontinued operations and similarly under creditors in the item Liabilities relating to discontinued operations. The sale is recognised at fair value less costs to sell. The above-mentioned items also comprise other temporarily held assets.

Intragroup transactions

Transactions between companies in the Danske Bank Group are settled on an arm's-length basis and according to contractual agreement between the entities, unless the transactions are insignificant.

Translation of transactions in foreign currency

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Forsikringselskabet Danica. The functional currency of each of the Group's units is the currency of the country in which the unit is domiciled, as most income and expenses are settled in the local currency.

Transactions in foreign currency are translated at the exchange rate of the unit's functional currency at the transaction date. Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement.

Translation of units outside Denmark

Assets and liabilities of units outside Denmark are translated into Danish kroner at the exchange rates at the balance sheet date. Income and expenses are translated at the exchange rates at the transaction date. Exchange rate gains and losses arising on translation of net investments in units outside Denmark are recognised in other comprehensive income. Net investments include the shareholders' equity and goodwill of the unit as well as holdings in the unit in the form of subordinated loan capital.

Notes – Danica Group

Note

Hedge accounting

The Group has elected to use the option in IFRS 9 to continue to apply the hedge accounting rules of IAS 39.

The Group uses derivatives to hedge the interest rate risk on fixed-rate liabilities measured at amortised cost. Hedged risks that meet the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged liabilities is measured at fair value as a value adjustment of the hedged items through profit or loss.

Financial liabilities in foreign currency are used to hedge net investments in units outside Denmark. Exchange rate adjustments attributable to a hedge are recognised in other comprehensive income. If the hedge accounting criteria cease to be met, the exchange rate adjustments of the financial liabilities are recognised in the income statement from the date when the hedge is discontinued.

When a foreign unit is divested, the amounts previously recognised in other comprehensive income in relation to the hedge are recognised through profit or loss, including the amount recognised in connection with foreign currency translation of the unit outside Denmark.

Insurance contracts

Life insurance policies are classified as insurance or investment contracts. Insurance contracts are contracts that entail significant insurance risks or entitle policyholders to bonuses. Investment contracts are contracts that entail insignificant insurance risk, and consist of unit-linked products under which the investment risk lies with the policyholder.

Contribution

In accordance with the Executive Order on the Contribution Principle, the Danish FSA has been notified of Danica Pension's profit policy. The portfolio of Danica Traditional policies is divided into eight interest rate groups. Danica Pension has ten cost groups and seven risk groups.

If the collective bonus potential for the individual group is sufficient to allow booking of the risk allowance, an amount may be booked.

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

Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of the former Statsanstalten for Livsforsikring (now part of Danica Pension) if the percentage by which the equity exceeds the statutory solvency need 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 consolidated in 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.

INCOME STATEMENT

Life insurance premiums

Regular and single premiums on insurance contracts are included in the income statement at the due dates. Reinsurance premiums paid are deducted from premiums received. Premiums on investment contracts are recognised directly in the balance sheet and disclosed in the notes.

Return on investment

Income from associates comprises the company's share of the associates' profit after tax and realised gains and losses on sales during the year.

Income from investment properties comprises the profit from operating investment properties after deduction of property management expenses.

Interest income and dividends etc. comprises yield on bonds and other securities and interest on amounts due. In addition, the item comprises dividends from holdings with the exception of dividends from group undertakings and associates.

Market value adjustments comprise realised and unrealised gains and losses and exchange rate adjustments on investment assets other than associates.

Interest expenses comprise interest on loans and other amounts due.

Administrative expenses related to investment activities comprise portfolio management fees to investment managers, direct trading costs, custody fees and own expenses related to the administration of and advisory services on investment assets.

Notes – Danica Group

Note

Tax on pension returns

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

Claims and benefits

Claims and benefits, net of reinsurance comprises the claims and benefits paid on insurance contracts for the year, net of the reinsurers' share. Claims and benefits on investment contracts are recognised directly in the balance sheet.

Change in life insurance provisions

Change in life insurance provisions, net of reinsurance comprises the change for the year in gross life insurance provisions less the reinsurers' share, excluding premiums and benefits regarding investment contracts. The item includes both Traditional and Unit-linked products.

The change in collective bonus potential is part of the change in life insurance provisions and comprises the change for the year in collective bonus potential for insurance policies with bonus entitlement.

Change in profit margin

Change in profit margin is the change for the year in the profit margin relating to life insurance.

The part of the profit margin relating to life insurance used to cover expected future losses on health and accident insurance is presented under Health and accident insurance in the income statement.

Operating expenses relating to insurance activities

Acquisition costs cover accrued costs related to acquiring and reviewing the insurance portfolio. Administrative expenses cover other accrued expenses related to insurance operations.

The allocation of non-directly attributable expenses on acquisition costs and administrative expenses and on life insurance and health and accident insurance is made applying activity-based allocation models.

Performance-based remuneration is expensed as it is earned. Part of the performance-based remuneration for the year may be paid in the form of conditional shares in Danske Bank A/S.

Transferred return on investment

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

Health and accident insurance

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

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

For the health and accident business, the profit margin is determined independently of the life insurance business and on the basis of the contract periods of the health and accident business. For the health and accident business, there is no expectation of future earnings in the contract periods, and the profit margin is therefore nil. If the contracts are deemed to become loss-making within the guaranteed contract periods, provision is made for such losses.

Other income

Other income comprises fund management commissions.

Other expenses

Comprises expenses which cannot be directly attributed to insurance or investment activities.

Taxation

Calculated current and deferred tax on the profit for the year before tax and adjustments of tax charges for previous years are recognised in the income statement. Income tax for the year is recognised in the income statement in accordance with the tax laws in force in the countries in which Danica operates. Tax on items recognised in other comprehensive income is also recognised in other comprehensive income.

Notes – Danica Group

Note

BALANCE SHEET ASSETS

Intangible assets

Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as the difference between the cost of the undertaking and the fair value of its net assets.

Goodwill is allocated to business units constituting the smallest identifiable cash-generating units, corresponding to the internal reporting structure and the level at which management monitors its investment. Goodwill is not amortised; instead each business unit is tested for impairment at least once a year or more frequently if indications of impairment exist. Goodwill is written down to its recoverable amount in the income statement provided that the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected to be derived from each unit.

Goodwill on associates is recognised in Holdings in associates. The unit tested for impairment is the total carrying amount (including goodwill) of holdings in the associate.

The impairment test of goodwill is based on dividend expectations, which are calculated on the basis of estimated future earnings and solvency need in the budget and terminal period. The budget period generally represents the first five years. If earnings are not expected to reach a normalised level within the first five years, the period of explicit earnings estimates is extended to ten years. Expected cash flows are discounted by 8% (2018:9%) after tax, equalling 10.3% (2018: 12%) before tax. Goodwill in associates is tested for impairment based, among other things, on the financial statements.

The calculation of the value in use of the cash-generating subsidiary is based on the cash flows included in the most recent budgets and forecasts for the coming five financial years, approved by the Board of Directors. For financial years after the budget periods (terminal period), cash flows are extrapolated in the latest budget period adjusted for expected growth rates.

For impairment testing purposes, the business as a whole is considered as one cash-generating unit (CGU).

The principal assumptions applied in impairment testing are 0% growth in terminal period and 0% inflation. Sensitivity calculations show that, all other things being equal, a drop in future earnings or an increase in the solvency capital requirement (SCR) would result in impairment. If the growth in the terminal period is reduced from 0% to -1% or the discount rate is increased from 8% to 9%, a further impairment loss of DKK 1.1 billion and DKK 1.4 billion, respectively, would have been recognised.

Domicile property

Domicile property is real property occupied by Danica for administrative purposes etc. The section on investment property below explains the distinction between domicile and investment property. Domicile property is measured at fair value according to the same principles as the Group's investment property, see the section Investment property.

Positive fair value adjustments of domicile property are recognised in other comprehensive income, unless the increase counters a value reduction previously recognised in the income statement. Negative fair value adjustments are recognised in the income statement, unless the decrease counters a value increase previously recognised in other comprehensive income.

Domicile property is depreciated on a straight-line basis, based on the expected scrap value and an estimated useful life of fifty years.

Investment property

Investment property is real property, including real property let under operating leases, which the Group owns for the purpose of receiving rent and/or obtaining capital gains. Investment property is real property that the Group does not use for its own administrative purposes etc., as such property is classified as domicile property. Real property with both domicile and investment property elements is allocated proportionally to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as investment property, unless the Group occupies at least 10% of the total floorage.

On acquisition, investment property is measured at cost, including transaction costs, and subsequently it is measured at fair value.

Investment property under construction is measured at fair value. Where the fair value cannot be measured reliably, fair value is based on cost. If indications of impairment exist, the property is tested for impairment and written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value of investment property is measured on the basis of a systematic assessment based on the present value of the expected cash flows from the property. The present value is calculated based on discounting by a required rate of return determined for each property individually. The rate of return of a property is determined on the basis of its location, type, possible uses, layout and condition as well as of the terms of lease agreements, rent adjustment and the credit quality of the lessees.

Notes – Danica Group

Note

Financial instruments – general

The classification of financial assets and liabilities and disclosure of income recognition of interest and value adjustments, etc. are explained in note 34 *Financial instruments*.

Purchases and sales of financial instruments are measured at fair value at the settlement date, which usually equals cost. Fair value adjustments of unsettled financial instruments are recognised from the trading date to the settlement date.

For portfolios of assets and liabilities with offsetting market risks, managed on a fair value basis, the fair value measurement is based on mid-market prices.

Financial investment assets

On recognition, financial investment assets are classified as financial assets at fair value through profit or loss as these assets are managed on a fair value basis, among other things due to their connection to pension obligations. Exceptions from this are derivatives, which by definition are classified as held for trading, and deposits with credit institutions, which are classified as debtors.

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

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

The fair value of more complex financial instruments, such as swaptions and other OTC products, is measured on the basis of valuation models which are typically based on valuation techniques generally accepted within the industry. The results of the calculations made on the basis of valuation techniques are often estimates, because exact values cannot be determined from market observations. Consequently, additional parameters, such as liquidity and counterparty risk, are sometimes used to measure fair value. Unlisted shareholdings are measured on the basis of the most recent reporting, financial statements and other information received from the individual companies.

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

Investment assets related to unit-linked products

At initial recognition, investment assets related to unit-linked products are classified as financial assets at fair value through profit or loss due to their relation to the associated liabilities.

If an active market exists, the official market price at the closing date is used. If market prices in an active market are not available, fair value is determined on the basis of generally accepted measurement techniques according to the principles described for financial investment assets.

Debtors

The reinsurers' share of technical provisions is shown divided into unearned premiums provisions, life insurance provisions and outstanding claims provisions.

Debtors are measured at amortised cost, which normally corresponds to nominal value less a write-down to cover any losses.

LIABILITIES AND EQUITY

Unearned premiums provisions

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.

Life insurance provisions

Life insurance provisions are computed for each insurance policy on the basis of a zero-coupon yield curve. The computation of life insurance provisions is based on assumptions of expected future mortality and disability rates as well as assumptions of conversions into paid-up policies and surrenders. Estimates of future mortality rates are based on the Danish FSA's benchmark, while other estimates are based on historical data derived from the existing portfolio of insurance contracts, including a risk margin, which is determined using a margin on mortality intensity and intensity relating to conversions into paid-up policies and surrenders. The risk margin is the amount expected to be payable in the market to an acquirer of the policy in return for that party assuming the risk that the costs

Notes – Danica Group

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of meeting the payment obligations under the policy deviate from the present value of the best estimate of the cash flows made during the life of the policy.

Special allotments for the financial year are recognised in life insurance provisions as they arise.

Life insurance provisions are divided into guaranteed benefits including risk margin, individual bonus potentials and collective bonus potentials.

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

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

The collective bonus potential is the part of the value of the policyholders' bonus entitlement not yet allocated to the individual policyholders' savings. If the individual bonus potential is nil, any profit margin not covered by the individual bonus potential will be absorbed by the collective bonus potential.

If the technical basis for risk allowance of an interest rate group after bonuses is negative, and if this loss is not absorbed by the group's collective bonus potential, individual bonus potentials and the profit margin relating to the group's insurance policies are used to absorb the loss. Any further losses are covered by shareholders' equity.

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

Provisions for unit-linked products are measured at fair value on the basis of the share of each contract of the unit trusts in question and the guarantees entered into. For policies with guaranteed benefits, the value of the guaranteed benefits is calculated on the basis of the methods reported to the Danish FSA.

Transfers between assets allocated to customer funds and assets attributable to shareholders' equity are made at fair value. The difference between the fair value and carrying amount of transferred assets is recognised in the collective bonus potential, with set-off directly against shareholders' equity.

Profit margin on life insurance and investment contracts

Profit margin is the present value of future profit, over and above payment for the risk exposure of shareholders' equity on the contracts, which is expected to be recognised in the income statement as insurance cover and any other benefits under the contract are provided.

For contracts subject to contribution, profit margin is calculated on the basis of the notified risk allowance for the interest rate groups. This risk allowance consists of a part reflecting earnings and a part reflecting the risk exposure of shareholders' equity. The latter is determined on the basis of the Company's own assessment of the risk exposure of shareholders' equity.

For unit-linked and average-rate products where life insurance and health and accident insurance are written together, these are measured collectively. Accordingly, the profit margin on the customers' savings component is reduced by the part of any provision for losses on health and accident insurance that can be included in the profit margin before the reduction.

Outstanding claims provisions

Outstanding claims provisions are an estimate of expected payments of benefits and benefits due but not yet paid in respect of the Group's health and accident insurances. The provisions are settled by way of regular benefits and the liability is calculated as the present value of expected future payments, including costs to settle claims obligations.

Risk margin on non-life insurance contracts

To non-life insurance contracts is added a risk margin, determined using a margin on intensities relating to reactivation and reopening of claims. The risk margin is the amount expected to be payable in the market to an acquirer of the policy in return for that party assuming the risk that the costs of meeting the payment obligations under the policy deviate from the present value of the best estimate of the cash flows made during the life of the policy.

Provisions for bonus and premium discounts

Provisions for bonus and premium discounts comprise amounts payable to the policyholders as a result of a favourable claims experience for this or previous years.

Notes – Danica Group

Note

Deferred tax

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

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

Creditors

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

Subordinated debt

Subordinated debt is subordinated loan capital in the form of issued bonds which, in the event of the company's voluntary or compulsory winding-up, will not be repaid until after the claims of its ordinary creditors have been met. Subordinated debt forms part of the Group's total capital.

Subordinated debt is measured at amortised cost plus the fair value of the hedged interest rate risk, see the section Hedge accounting.

Shareholders' equity

Foreign currency translation reserve

The foreign currency translation reserve covers differences arising on the translation of the financial results of and net investments in entities outside Denmark from their functional currencies to Danish kroner. The reserve also includes exchange rate adjustments of financial liabilities used to hedge net investments in such units.

Other reserves

Accumulated results of subsidiaries are recognised under other reserves if the parent company is a non-life insurance company. The foreign currency translation reserve should be shown separately according to IFRS, but forms part of other reserves under the Executive Order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds.

Contingency fund

Other reserves comprise Danica Pension's contingency fund amounting to DKK 1,882 million. In accordance with the articles of association, the contingency fund may be used to strengthen technical provisions or to otherwise benefit policyholders.

Revaluation reserve

The revaluation reserve comprises fair value adjustments of domicile property less accumulated depreciation. The portion of the revaluation attributable to insurance and investment contracts with bonus entitlement is transferred to collective bonus potential.

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability after the general meeting has adopted the proposal.

Cash flow statement

The Group prepares its cash flow statement according to the indirect method. The statement is based on profit for the year before tax and shows the consolidated cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consist of the items Cash and Deposits with credit institutions.

Key ratios

The key ratios of the Group are prepared in accordance with the provisions of the executive order on financial reports for insurance companies and multi-employer occupational pension funds. The exact formulas for the calculation of the ratios are set out in the executive order. The return ratios are calculated using a composite weighting procedure.

The five-year summary on page 13 presents the following ratios:

1. Rate of return related to average rate products
2. Rate of return related to unit-linked products
3. Risk on return related to unit-linked products
4. Expenses as per cent of provisions
5. Expenses per policyholder
6. Return on equity after tax

Notes – Danica Group

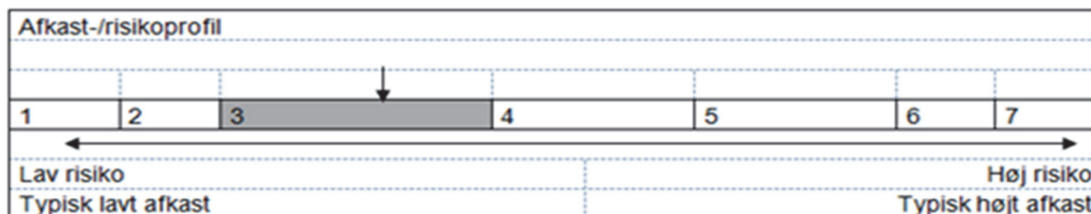
Note

Below, the basis of calculation is described for each of the ratios:

1. The investment return in relation to average rate products relative to average life insurance provisions and the profit margin on average rate products.
2. The investment return in relation to unit-linked products relative to average life insurance provisions and the profit margin on unit-linked products. Amounts in respect of unit-linked products where policyholders pick their own assets are not included.
3. The ratio is calculated as the standard deviation (SD) of the monthly return related to unit-linked products over the past 36 months using the following scale of 1 to 7:

Risk category	%	
	SD ≥	SD <
1.000	0.00	0.50
2.000	0.50	2.00
3.250	2.00	3.00
3.500	3.00	4.00
3.750	4.00	5.00
4.250	5.00	6.70
4.500	6.70	8.34
4.750	8.34	10.00
5.250	10.00	11.67
5.500	11.67	13.33
5.750	13.33	15.00
6.000	15.00	25.00
7.000	25.00	

The standard deviation is converted into a risk category using the following scale:



4. Acquisition costs and administrative expenses for the life insurance business relative to average retrospective provisions (see below).
5. Acquisition costs and administrative expenses for the life insurance business relative to the average number of policyholders pursuant to the note on premiums. For group life insurance, the number of policyholders only has a weighting of 10%.
6. Profit after tax relative to average shareholders' equity.
7. Solvency coverage ratio is calculated as the ratio between total capital available under the current rules and the solvency capital requirement (SCR) in force at the end of the financial year, stated as a percentage.

Ratios for health and accident insurance:

1. **Gross claims ratio:** The ratio of claims to premium income in non-life insurance. In calculating premium income, bonus and premium discounts are deducted, and the changes for the period in profit margin and risk margin are added.
2. **Gross expense ratio:** The ratio of operating expenses relating to insurance to premium income in non-life insurance. In calculating premium income, bonus and premium discounts are deducted, and the changes for the period in profit margin and risk margin are added. Operating expenses relating to insurance are calculated as the sum of the income statement items Acquisition costs and Administrative expenses.
3. **Combined ratio:** The sum of the claims ratio and the expense percentage.
4. **Operating ratio:** Calculated as the combined ratio, but on the basis of claims ratio, expense percentage and net reinsurance ratio, where the allocated investment return, equalling the recognised amount of technical interest in the income statement, is added to premium income in the denominator.
5. **Relative run-off:** Run-off relative to the provisions at the beginning of the year to which it relates.

Notes – Danica Group

Note

Retrospective provisions

Premiums received less benefits paid, expenses paid, risk adjustment and plus accrued interest, etc. on the individual insurance, in principle equalling the policyholders' custody account balances.

Additional provisions

The item additional provisions covers extra provisions made for the fact that the interest rate level is lower than the technical rates of interest used to determine benefits, as well as extra provisions for mortality, etc. The item corresponds to the term 'accumulated value adjustments' in the executive order on financial reports.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of amendments to international financial reporting standards which have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations which have not yet come into force. None of these are expected to materially affect the Group's financial reporting for 2020. The following is a presentation of the only standard, including interpretations, that is expected to affect the Group's future financial reporting.

IFRS 17 Insurance Contracts

The International Accounting Standards Board (IASB) has issued a new financial reporting standard (IFRS 17) and amendments to a number of standards (IFRS 3, IFRS 7, IFRS 9, IAS 1, IAS 8 and IAS 39), which are not yet effective. In addition, a number of standards have been amended to incorporate references to the amended Conceptual Framework. Danica has not opted for early implementation of any of these amendments. None of the amendments are expected to materially affect the Group's financial reporting for 2020. The following is a presentation of IFRS 17 – the only standard that is expected to impact the Group's future financial reporting.

IFRS 17, which has not yet been adopted by the EU, is expected to be implemented at 1 January 2021. However a postponement of the implementation date is being considered. IFRS 17 will replace the existing IFRS 4. Danica expects this standard to have a significant impact on the Group's future financial reporting, as the standard sets out new principles for calculating insurance provisions and for the presentation in the income statement and balance sheet. Danica Pension therefore made an analysis of the impact of the standard on Danica's financial statements. The classification and recognition of Danica's products was examined, and the products were divided into portfolios. Impact studies were made using the three measurement approaches BBA (Building Bloch approach), VFA (Variable Fee approach) and PAA (Premium Allocation approach), including a calculation of CSM (Contractual Service Margin). These impact studies indicate that after a transitional period profit before tax will not be materially affected. Material changes to the income statement presentation are expected, however.

The Board of IASB is currently considering a limited number of proposed amendments. Danica is following these closely and submitting feedback through the Danish Insurance Association.

Notes - Danica Group

Note	DKKm	2019	2018
2	BUSINESS SEGMENTS The Group consists of one business segment as shown below		
	Gross premiums from external sales	29,640	29,931
	- Gross premiums on investment contracts	-3,423	-4,811
	Gross premiums in the income statement	26,217	25,120
	Return on investment allocated to technical result	45,347	-7,380
	Claims and benefits paid	-30,034	-29,045
	Change in provisions for insurance and investment contracts	-38,283	13,928
	Total operating expenses relating to insurance	-2,319	-1,481
	Result of reinsurance	-47	-43
	Other income, net	279	138
	Technical result	1,160	1,237
	Return on investment, shareholders' equity	73	-21
	Return on investment, health and accident	-189	0
	Profit before tax, including discontinued operations	1,044	1,216
	Other segment information:		
	Interest income	19,353	9,063
	Interest expenses	-14,941	-5,126
	Income from associated undertakings at book value	337	501
	Impairment, depreciation and amortisation charges	-933	-78

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

GEOGRAPHICAL SEGMENTS

Premium income from external customers is 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	
	2019	2018	2019	2018
Denmark	27,040	27,612	304,017	28,883
Norway	2,601	2,318	77	76
Total	29,641	29,930	304,094	28,959

Notes - Danica Group

Note	DKKm	2019	2018
3	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	17,333	15,587
	Single premiums	10,625	12,658
	Total direct insurance	27,958	28,245
	Total gross premiums	27,958	28,245
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	1,715	1,687
	Single premiums	1,708	3,123
	Total premiums	3,423	4,810
	Total gross premiums included in the income statement	24,535	23,435
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	22,795	22,409
	Insurance taken out individually	3,004	3,925
	Group life insurance	2,159	1,911
	Total	27,958	28,245
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	492	490
	Insurance taken out individually	478	509
	Group life insurance	584	625
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profits insurance	5,283	4,159
	Without profits insurance	194	916
	Unit-linked insurance	22,481	23,170
	Total	27,958	28,245
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	25,165	25,815
	Other EU countries	246	172
	Other countries	2,547	2,258
	Total	27,958	28,245
4	INCOME FROM INVESTMENT PROPERTY		
	Rent	866	643
	Operating expenses	-270	-241
	Total	596	402
	Investment property leases are accounted for as operating leases. Some of the leases are non-terminable by the lessee for a number of years.		
	Breakdown of minimum lease payments on non-terminable leases by lease term:		
	Within 1 year	817	578
	1 - 5 years	1,358	1,363
	After 5 years	1,034	1,176
	Total	3,209	3,117
5	INTEREST INCOME AND DIVIDENDS		
	Interest income from assets at fair value	18,907	9,073
	Interest income from assets at amortised cost	446	339
	Dividends	3,225	3,486
	Indexation	223	288
	Total	22,801	13,186

Notes - Danica Group

Note	DKKm	2019	2018
6	VALUE ADJUSTMENTS		
	Investment property	404	613
	Holdings	8,958	-5,028
	Unit trust certificates	5,552	-1,751
	Bonds	23,870	-944
	Other loans	-70	-192
	Deposits with credit institutions	-75	53
	Derivatives	6,605	-7,213
	Other	-7	-1,916
	Total value adjustments	45,237	-16,378
7	INTEREST EXPENSES		
	Interest expenses on assets at fair value	-14,931	-4,895
	Interest expenses on assets at amortised cost	-10	-210
	Total	-14,941	-5,105
8	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-1,188	-1,041
	Insurance amounts on disablement	-311	-323
	Insurance amounts on expiry	-901	-876
	Retirement benefits and annuities	-8,426	-7,944
	Surrender values	-15,802	-15,653
	Cash payments of bonuses	-1,340	-1,308
	Total direct insurance	-27,968	-27,145
	Expenses to minimise disablement	-1	-14
	Total claims and benefits paid	-27,969	-27,159
9	Change in profit margin, life insurance		
	Change in profit margin, life insurance before transfer to Health and accident	-546	66
	Transferred to profit margin and risk margin in Health and accident	-722	-
	Change in profit margin, life insurance after transfer to Health and accident	-1,268	66
10	OPERATING EXPENSES RELATING TO INSURANCE		
	Commission on direct insurance	-253	237
	Fees to the audit firm appointed by the general meeting:		
	Fees to Deloitte:		
	Statutory audit of financial statements	-3.1	-3.3
	Other assurance engagements	-0.3	-
	Tax advisory services	-0.1	-0.5
	Other services	-0.2	-1.8
	Total	-3.7	-5.6
	Fees for non-audit services provided to the Group in 2019 by Deloitte Statsautoriseret Revisionspartnerselskab comprise of objective tax and accounting advice as well as submitting statements.		
	Average number of full-time-equivalent employees during the year	795	792
	Number of full-time-equivalent employees, end of year	797	868
	Staff costs:		
	Salaries	-622	-570
	Share-based payment	-16	-10
	Pensions	-94	-85
	Other social security and tax	-87	-87
	Other	-53	-62
	Total staff costs earned	-872	-814

For a more detailed description of the Group's remuneration policy and remuneration paid, see "Remuneration Report 2019", available at the website: www.danicapension.dk from medio March 2020. The remuneration report 2019 is not covered by the statutory audit.

All the Group's pension plans are defined contribution plans, under which the Group makes contributions to insurance companies, principally Danica. Such payments are expensed as incurred.

Notes - Danica Group

Note DKKm	2019	2018
Board of Directors' remuneration (DKK'000)		
Kim Andersen	-380	-367
Kenneth Stricker-Nielsen (from 1.7.2018)	-150	-75
Charlott Due Pihl	-150	-150
Thomas Falck (until 1.7.2018)	-	-75
Henrik Nielsen	-150	-150
Total remuneration *	-830	-817
Including fees for board committee membership	-190	-190

* In addition, Ib Katznelson, a board member of Danica Pension, receives remuneration in the amount of DKK 150 thousand.

Danica's directors receive a fixed fee. In addition, directors receive a fixed fee for board committee membership.

For their positions as members of the boards of directors or executive boards of other companies in the Danske Bank Group in 2019, Berit Behring earned DKK 2.9 million, Thomas F. Borgen earned (2018 DKK 11.9 million), Tonny Thierry Andersen earned (2018 DKK 3.1 million), Jacob Aarup-Andersen earned DKK 11.2 million (2018 DKK 9.0 million), Christian Baltzer earned 6.0 mio. kr. (2018 DKK 3.1 million) and Kim Andersen earned DKK 0.3 million (2018 DKK 0.3 million) in total remuneration from such companies

Board of Directors' remuneration is paid only to directors in the Danske Bank Group elected by the employees.

Remuneration of other material risk takers

For 2019, 24 persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 44.8 million (2018 DKK 66.5 million to 33 material risk takers), with fixed remuneration amounting to DKK 37.8 million (2018 DKK 56.2 million) and variable remuneration amounting to DKK 7.0 million (2018 DKK 10.3 million).

The Group has no pension obligations towards other material risk takers, as their pensions are funded by means of defined contribution plans through a pension insurance company.

The Remuneration Report will be published in March 2020 and will include additional information on the remuneration of material risk takers. The Remuneration Report will be available at www.danicapension.dk/organisation/aflonning.

Notes - Danica Group

Note	DKKm	2019	2018
10			
(cont'd)			

Remuneration of the Executive Board 2019

	Contractual remuneration	Pensions	Variable cash remuneration	Variable share-based payment	
Ole Krogh Petersen	-4.6	-0.7	-0.4	-0.4	-6.1
Jesper Mølskov Høybye	-2.7	-0.5	-0.3	-0.3	-3.8
Søren Lockwood	-3.9	-0.7	-0.3	-0.3	-5.2
Total	-11.2	-1.9	-1.0	-1.0	-15.1
Total payment					-14.2

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

Remuneration of the Executive Board 2018

	Contractual remuneration	Pensions	Variable cash remuneration	Variable share-based payment	
Ole Krogh Petersen *	-3.4	-0.5	-0.2	-0.2	-4.3
Jesper Mølskov Høybye *	-1.5	-0.2	-0.1	-0.1	-1.9
Søren Lockwood *	-2.5	-0.4	-0.2	-0.2	-3.3
Claus Harder	-1.4	-0.2	-0.1	-0.1	-1.8
Per Klitgård	-4.0	-0.3	-0.3	-0.3	-4.9
Anders Svennesen	-0.5	-0.1	-	-	-0.6
Lars Ellehave-Andersen	-1.1	-0.2	-0.1	-0.1	-1.5
Total	-14.4	-1.9	-1.0	-1.0	-18.3
Total payment					-17.1

* Ole Krogh Petersen is included in the Executive Board as of 1 February 2018, Jesper Mølskov Høybye as of 1 May 2018 and Søren Lockwood as of 14 June 2018

Ole Krogh Petersen may resign his position at six months' notice.

Danica Pension may terminate Ole Krogh Petersen's service contract at twelve months' notice. He is not entitled to separate severance payment.

Jesper Mølskov Høybye may resign his position at three months' notice.

Danica Pension may terminate Jesper Mølskov Høybye's service contract at seven months' notice. He is entitled 3 months separate severance payment.

Søren Lockwood may resign his position at three months' notice.

Danica Pension may terminate Søren Lockwood's service contract at sixteen months' notice. He is not entitled to separate severance payment.

Per Klitgård resigned from the Executive Board on 30 September 2018.

Claus Harder resigned from the Executive Board on 30 April 2018.

Anders Svennesen resigned from the Executive Board on 12 February 2018.

Lars Ellehave-Andersen resigned from the Executive Board on 30 April 2018.

Share based payment

Part of the variable remuneration of the Executive Board and selected senior staff and specialists was granted by way of conditional shares.

Rights to Danske Bank shares under the conditional share programme vest after up to five years provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, rights to shares earned in 2012-2017 vest only if the Group as a whole and the employee's department meet certain performance targets within the next four years.

The fair value of the conditional shares is calculated as the share price less the payment made by the employee, if any.

The intrinsic value is expensed in the year in which the rights to conditional shares vest, while the time value is accrued over the remaining service period, which is the vesting period up to four years.

Danica has hedged the share price risk.

The exact number of shares granted for 2019 will be determined at the end of February 2020.

Notes - Danica Group

Note DKKm

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(cont'd)

Share-based payment

Conditional shares

Conditional shares	Number			Own contribution price (DKK)	Fair value (FV)	
	Executive Board	Other employees	Total		Issue date	End of year
Granted in 2015						
1 Jan. 2018	4,189	2,311	6,500	0,0-1,7	1.1	1.6
Vested 2018	-2,600	-1,607	-4,207	1.7		
Other changes 2018	-1,589	1,589	0			
31 Dec. 2018	0	2,293	2,293	0,0-1,7	0.4	0.3
Vested 2019		-2,215	-2,215			
Forfeited 2019		-78	-78		-	-
31 Dec. 2019	0	0	0			
Granted in 2016						
1 Jan. 2018	7,339	3,813	11,152	0,0-1,7	2.0	2.7
Vested 2018		-435	-435	1.7		
Other changes 2018	-7,339	7,339	0			
31 Dec. 2018	0	10,717	10,717	0,0-1,7	2.0	1.4
Vested 2019		-7,640	-7,640			
Other changes 2019		63	63			
31 Dec. 2019	0	3,140	3,140	0.0	0.6	0.3
Granted in 2017						
1 Jan. 2018	4,536	14,859	19,395	0.0	4.6	4.7
Vested 2018		-307	-307	0.0	-	
Other changes 2018	-4,294	4,294	0			
31 Dec. 2018	242	18,846	19,088	0.0	4.5	2.5
Forfeited 2019		-536	-536		-	-
31 Dec. 2019	242	18,310	18,552	0.0	4.4	2.0
Granted in 2018						
Granted 2018	1,042	20,241	21,283	0.0	5.0	2.7
Vested 2018	-625	-8,279	-8,904	0.0	-	-
Forfeited 2018		-231	-231			
31 Dec. 2018	417	11,731	12,148	0.0	2.8	1.6
Forfeited 2019		-784	-784		-	-
31 Dec. 2019	417	10,947	11,364	0.0	2.7	1.2
Granted in 2019						
Granted 2019	3,977	45,236	49,213	0.0	4.7	5.3
Vested 2019	-2,388	-12,608	-14,996	0.0		
Forfeited 2019		-1,845	-1,845			
31 Dec. 2019	1,589	30,783	32,372	0.0	3.1	3.5

Notes - Danica Group

Note DKKm

10

(cont'd)

Executive Board members' holdings and fair value thereof, end of 2019

Year of grant	2016-2019	
	Number	FV
Ole Krogh Petersen	1,430	0.2
Jesper Mølskov Høybye	415	0.0
Søren Lockwood	403	0.0

Average market price at the vesting date for conditional shares in 2019 was 93.4

Executive Board members' holdings and fair value thereof, end of 2018

Year of grant	2015-2018	
	Number	FV
Ole Krogh Petersen	659	0.1

Average market price at the vesting date for conditional shares in 2018 was 150.0

Notes - Danica Group

Note	DKKm	2019	2018			
11	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE					
	Total run-off regarding prior years:					
	Gross	10	27			
	Net of reinsurance	6	29			
	Calculation of technical interest and return on investment:					
	Technical interest amount	-	120			
	Outstanding claims provision, discounted amount	-	-301			
	Technical interest, net of reinsurance, less discounted amount	-	-181			
	Return on investment allocated to health and accident insurance	925	110			
	Provisions, discounted amount	-298	-			
	Value adjustment of provisions	-816	36			
	Total return on investment including value adjustments	-189	146			
	Transferred to technical interest	-	-120			
	Return on investment	-189	26			
		Health and accident insurance	Health insurance	Total		
	Gross premiums	1,420	262	1,682		
	Gross premium income	-1,832	211	-1,621		
	Gross claims	-1,903	-286	-2,189		
	Gross operating expenses	-109	-17	-126		
	Result of business ceded	-26	-	-26		
	Technical result	-796	-92	-888		
	Number of claims	2,869	45,575	48,444	48,444	46,777
	Average amount of claims	0.7	0.0		0.0	0.0
	Claims frequency	0.9%	6.0%		5.7%	5.7%
	Gross premiums, direct insurance, broken down by policyholders' residence:					
	Denmark				1,412	1,817
	Other EU countries				15	16
	Other countries				142	104
	Total				1,569	1,937
	CHANGE IN PROFIT MARGIN AND RISK MARGIN, HEALTH AND ACCIDENT INSURANCE					
	Change in profit margin and risk margin, Health and accident before transfer from Life insurance				-342	-3
	Transferred to profit margin from Life insurance				236	
	Transferred to risk margin from Life insurance				157	
	Change in profit margin and risk margin, Health and accident after transfer from Life insurance				51	-3
	Value adjustments of provisions, transferred from Life insurance				329	-
12	OTHER INCOME					
	Commission from fund managers etc.				286	147
	Commission from ancillary activities					6
	Total				286	153
13	PROFIT BEFORE TAX					
	In accordance with the Executive Order on the Contribution Principle and the market discipline guidelines, the Danish FSA has been notified of Danica Pension's profit policy for 2019. Danica Pension's profit for the year comprises the investment return on assets in which shareholders' equity is invested plus the results of unit-linked business in Denmark, the subsidiary outside Denmark, the result of Forenede Gruppeliv, the health and accident result, plus a risk allowance based on technical provisions from the eight interest rate groups and a proportion of the risk results of the risk groups and the cost results of cost groups.					
	In accordance with the contribution principle, full risk allowance for 2019 was booked in all 8 interest rate groups.					

Notes - Danica Group

Note	DKKm	2019	2018
14	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-194	-212
	Tax on other comprehensive income:		
	Hedges of units outside Denmark	10	-9
	Hedge of acquisition	-	14
	Total	-184	-207
	Tax on the profit for the year is calculated as follows:		
	Current tax	-442	-371
	Adjustment of prior-year current tax	-127	-132
	Adjustment of prior-year deferred tax	348	199
	Other changes in deferred tax	27	92
	Total	-194	-212
	Effective tax rate:		
	Danish tax rate	22.0	22.0
	Adjustment of prior-year tax charge	-21.1	-5.5
	Non-taxable income and non-deductible expenses	17.7	0.9
	Effective tax rate	18.6	17.4
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax liabilities	1,281	1,649
	Deferred tax, net	1,281	1,649
	Deferred tax broken down on main items:		
	Intangible assets	246	359
	Tangible assets	-6	-9
	Investment property	988	1,283
	Financial investment assets	11	-6
	Other	42	22
	Total	1,281	1,649
	Other than the deferred tax provided for, the Group has no contingent tax liability relating to shares in group undertakings.		
15	PROFIT AFTER TAX FROM DISCONTINUING OPERATIONS		
	Life insurance		
	Premiums	264	804
	Claims and benefits	-36	-115
	Return on investment	6,568	-1,819
	Change in insurance provisions	-6,681	1,310
	Total operating expenses relating to insurance	-83	-243
	Profit/loss on business ceded	-1	0
	Technical result, Life	31	-63
	Health and accident insurance		
	Gross premium income	3	8
	Gross claims	-4	-9
	Total operating expenses relating to insurance	-1	-6
	Profit/loss on business ceded	1	1
	Investment income	1	0
	Technical result of health and accident insurance	0	-6
	Return on investment allocated to equity	0	-13
	Other income	51	156
	Profit before tax	82	74
	Tax	-11	3
	Net profit for the year	71	77
	Gevinst ved salg	1,350	-
	Årets resultat efter gevinst ved salg	1,421	77

Notes - Danica Group

Note	DKKm	2019	2018
16	INTANGIBLE ASSETS		
	Cost, beginning of year	3,836	77
	Exchange rate adjustment	1	-1
	Additions during the year	-	3,760
	Cost, end of year	3,837	3,836
	Impairment and amortisation charges, beginning of year	-78	-
	Write-downs during the year	-800	-
	Amortisation during the year	-133	-78
	Impairment and amortisation charges, end of year	-1,011	-78
	Carrying amount, end of year	2,826	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 linearly over a period of 10 years starting 1st June 2018.		
	For more details, see note 1.		
17	DOMICILE PROPERTY		
	Cost, beginning of year	48	48
	Cost, end of year	48	48
	Depreciation charges, beginning of year	-4	-4
	Depreciation charges for the year	-1	-
	Depreciation charges, end of year	-5	-4
	Revalued amount, beginning of year	-2	-2
	Revaluation for the year	-	0
	Impairment charges for the year	-1	-
	Revalued amount, end of year	-3	-2
	Carrying amount, end of year	40	42
	The year-end carrying amount is recognised as follows in the consolidated balance sheet:		
	Domicile property	40	42
	Of impairment charges for the year, DKK 0 million was recognised in other comprehensive income and transferred to the revaluation reserve in equity, and DKK 1 million was transferred to the collective bonus potential.		
	The weighted average of rates of return on which fair values of individual properties were based amounts to		
		7.5%	7.5%
18	INVESTMENT PROPERTY		
	Fair value, beginning of year	20,868	26,104
	Additions during the year, including improvements	2,117	7,523
	Disposals during the year	-165	-13,946
	Fair value adjustments	391	1,187
	Fair value, end of year	23,211	20,868
	The year-end value is recognised as follows in the consolidated balance sheet:		
	Investment property	17,395	15,341
	Investment assets related to unit-linked products	5,816	5,527
	The weighted average of the rates of return on which the fair value of the individual properties is based, for:		
	Shopping centres	4.0%	4.8%
	Commercial properties	5.0%	5.1%
	Residential properties	3.9%	4.1%

Valuations of investment property are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The required rate of return ranged between 2.5-10.0% (2018: 2.5-10.0%) and averaged 4.5% (2018: 4.8%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2019 by DKK 4,643 million.

All investment properties fall under level 3 in the fair value hierarchy. For a description of the levels, see note 34.

Notes - Danica Group

Note	DKKm	2019	2018
19	HOLDINGS IN ASSOCIATES AND JOINT VENTURES		
	Cost, beginning of year	9,898	2,768
	Additions	262	14,467
	Disposals	-35	-7,342
	Currency translation	0	5
	Cost, end of year	10,125	9,898
	Revaluations and impairment charges, beginning of year	964	1,593
	Share of profit	350	511
	Dividends	-105	-100
	Reversal of revaluations and impairment charges	-24	-1,053
	Currency translation	7	13
	Revaluations and impairment charges, end of year	1,192	964
	Carrying amount, end of year	11,317	10,862

The year-end carrying amount is recognised as follows in the consolidated balance sheet:

Holdings in associates and joint ventures	10,223	9,819
Investment assets related to unit-linked products	1,094	1,043

Holdings in associates and joint ventures consist of:

Name and domicile	Activity	Owner-ship percentage	Total assets	Liabilities	Income	Result
Udviklingsselskabet CØ P/S, København	Property company	50%	708	691	0	0
Komplementarselskabet CØ ApS, København	Property company	50%	0	0	0	0
K/S ERDA II, Århus	Property company	96%	244	244	0	0
Komplementarselskabet ERDA II ApS, Århus	Property company	96%	0	0	0	0
Samejet Nymøllevvej 59-91, København	Property company	75%	646	10	28	30
Danske Shoppingcentre P/S, København	Property company	50%	14,612	412	720	686
Komplementarselskabet Danske Shoppingcentre ApS	Property company	50%	0	0	0	0
Danske Shoppingcentre FC P/S, København	Property company	50%	1,331	1	72	72
Komplementarselskabet Danske Shoppingcentre FC ApS, København	Property company	50%	0	0	0	0
P/S Magnolieholm, København	Property company	75%	424	111	0	0
Komplementarselskabet Magnolieholm ApS	Property company	75%	0	0	0	0
Capital Four - Strategic Lending Fund K/S,	Investment company	33%	1,167	22	45	0
Gro Fund I K/S, København	Investment company	100%	1,167	1	0	-13
G.S.V. Holding A/S, Hedehusene	Investment company	26%	1,584	979	834	63
Maritime Investment Fund K/S, Hellerup	Investment company	22%	3,704	430	456	52
Aquaporin A/S, Kongens Lyngby	Investment company	27%	267	156	8	-71
Gro Fund II K/S, København	Investment company	24%	254	5	-12	-12
Administrationsselskabet Forenede Gruppeliv	Administration-company	20%	14	5	44	1

The information disclosed is extracted from the companies' most recent annual reports. The Group has no associates of material importance.

20	HOLDINGS		
	Listed holdings	10,397	9,612
	Unlisted holdings	12,770	13,929
	Total	23,167	23,541
21	BONDS		
	Listed bonds	170,780	162,608
	Unlisted bonds	926	676
	Total	171,706	163,284

Notes - Danica Group

Note	DKKm	2019	2018
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22 DERIVATIVES

The Group uses derivatives, including forwards and swaps, to manage exposure to foreign exchange, interest rate and equity market risks. Derivatives are also used to hedge guaranteed benefit obligations and other interest-bearing liabilities. For a detailed description of risk management, see note 35. Derivatives are recognised and measured at fair value.

The Group's subordinated debt carries fixed rates and is recognised at amortised cost. According to the underlying accounting regulation, the fair value of the hedged interest rate risk on fixed-rate loans is not recognised in profit or loss, whereas changes in the fair value of the hedging derivatives are recognised through profit or loss.

The Group uses fair value hedge accounting if the interest rate risk on fixed-rate financial liabilities is hedged by derivatives. See note 34.

For some derivatives, the Group has concluded collateral agreements and has received collateral in the form of liquid bonds corresponding to a fair value of DKK 269 million in 2019 and DKK 2,039 million in 2018.

2019	Notional amount	Positive fair value	Notional amount	Negative fair value
Currency contracts:				
Currency contracts	57,783	352	190,097	1,650
Options	41,065	784	28,320	509
Interest rate contracts:				
Interest rate contracts	2,921,232	88,953	3,511,046	82,906
Options	710,912	17,105	1,597	21,120
Equity contracts:				
Equity contracts	1,111	26	1,094	36
Options	7	485	4	338
Total derivatives	3,732,110	107,705	3,732,158	106,559

2018

Currency contracts:				
Currency contracts	80,294	946	219,647	2,356
Options	32,197	842	33,615	702
Interest rate contracts:				
Interest rate contracts	1,928,722	34,788	2,344,363	31,023
Options	630,883	19,104	1,452,172	18,527
Equity contracts:				
Equity contracts	4,451	149	15,331	1,038
Options	1	92	0	1
Total derivatives	2,676,548	55,921	4,065,128	53,647

The positive fair value at year end is recognised as follows in the consolidated balance sheet:

Derivatives	72,043	38,788
Investment assets related to unit-linked products	35,662	17,133

23 OTHER FINANCIAL INVESTMENT ASSETS

Comprises the following investments in companies in the Danske Bank Group:

Holdings	473	351
Bonds	37,522	46,833
Deposits with credit institutions	2,655	2,564
Cash in hand and demand deposits	4,452	3,303
Other	10,551	5,271

Notes - Danica Group

Note	DKKm		2019	2018
24	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS			
	Consists of unit trusts in which the underlying assets break down as follows:			
		With guarantee	Without guarantee	
	Investment property	738	5,855	6,593
	Holdings	13,436	120,021	133,457
	Bonds	28,930	57,930	86,860
	Deposits with credit institutions	1,579	5,012	6,591
	Derivatives	4,498	31,164	35,662
	Total	49,181	219,982	269,163
	Investment assets related to unit-linked products break down as follows:			
	Insurance contracts			265,524
	Investment contracts			3,639
	Total			269,163
25	TOTAL TECHNICAL PROVISIONS, REINSURERS' SHARE			
	Beginning of year		393	120
	Addition regarding acquisition		-	386
	Disposal discontinued operations		-	-24
	Premiums received		86	93
	Claims and benefits paid		-46	-134
	Foreign currency translation		-1	-1
	Change in outstanding claims provision		34	45
	Other changes		-128	-92
	End of year		338	393
26	LIFE INSURANCE PROVISIONS, UNIT-LINKED PRODUCTS			
	Provisions for unit-linked contracts break down as follows:			
	Insurance contracts		170,747	150,166
	Investment contracts		56,888	46,999
	Total life insurance provisions, unit-linked products		227,635	197,165
	Provisions for unit-linked contracts without guarantee		180,967	141,143
	Provisions for unit-linked contracts with investment guarantee		46,668	56,022
	Total life insurance provisions, unit-linked products		227,635	197,165
27	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS			
	Beginning of year		399,522	363,778
	Addition regarding acquisition		-	103,387
	Disposal discontinued operations		-	-54,709
	Premiums		27,958	28,246
	Claims and benefits paid		-33,043	-30,932
	Added interest on policyholders' savings		32,364	-6,977
	Fair value adjustment		10,003	-325
	Currency translation		-136	-149
	Change in outstanding claims provisions		243	219
	Change in collective bonus potential		2,249	-2,379
	Other changes		-1,421	-637
	End of year		437,739	399,522
	For a more detailed description of calculation methods used for provisions, see note 1, Significant accounting policies.			
28	DUE TO CREDIT INSTITUTIONS			
	Repo transactions		12,591	15,358
	Other amounts due		6,644	2,007
	Total		19,235	17,365

Notes - Danica Group

Note	DKKm	2019	2018
29	OTHER CREDITORS		
	Other creditors comprise:		
	Derivatives with negative fair values	106,559	53,647
	Tax on pension returns	5,149	465
	Staff commitments	100	61

30 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 debt is included in the capital base etc. in accordance with sections 36-38 of the Executive Order on calculation of capital base 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	3,735	3,734
Subordinated debt								3,735	3,734
Discount								-20	-24
Hedging of interest rate risk at fair value								235	140
Total, corresponding to amortised cost plus the fair value of the hedged interest rate risk.								3,950	3,850
Included in the capital base								3,950	3,850

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 119 million for 2019 (119 million for 2018).

Fair value of the subordinated debt is estimated at DKK 4,274 million

31 ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES

Assets have been deposited as collateral for policyholders' savings with a total of: 450,885 410,062

As collateral for derivative transactions, the Group has delivered bonds equal to a total fair value of 16,537 12,186

The Group has rent commitments with a remaining lease of 6 years and annual gross rent of 49 47

Minimum lease payments regarding cars amounts to 5 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 1,251 566

The Group has undertaken to participate in alternative investments with an amount of 24,226 22,218

The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to 727 278

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.

Notes - Danica Group

Note	DKKm	2019	2018
32	RELATED PARTIES		
	Danske Bank A/S, domiciled in Copenhagen, wholly owns the share capital of Forsikringselskabet Danica and consequently exercises control over the Danica Group. Danske Bank A/S is the ultimate parent company of the Danica Group.		
	Transactions with related parties are settled on an arm's-length basis. The Group's IT operations and development, internal audit, HR administration, logistics, marketing and the like are handled by Danske Bank. Danske Bank also handles portfolio management and securities trading.		
	The Danica Group entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 23		
	IT operations and development	-231	-198
	Other administration	-214	-223
	Commission for insurance sales and portfolio management	-268	-194
	Ordinary portfolio management fee	-4	-17
	Performance fee for portfolio management	-	-
	Total net custody fees and brokerage for trades in holdings and the like	-115	-88
	Interest income	592	548
	Interest expenses	-15	-14
	Amounts owed to credit institutions	16	168
	Derivatives with negative fair values	14,764	14,590
	Forsikringselskabet Danica received a loan from its owner, Danske Bank	1,700	1,700
	Furthermore, the Danica Group manages the labour market pension schemes of the Danske Bank Group and its related parties.		
	A part of the sales price from the sale of Danica Sweden (DKK 70m) is attributable to Danske Bank		
	Loans to associates and joint ventures comprises subordinated debt, issued on the same terms as the other investors.		

33 BALANCE SHEET ITEMS BROKEN DOWN BY EXPECTED DUE DATE

	2019		2018	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Intangible assets	-	2,826	-	3,758
Tangible assets	-	40	-	42
Investment assets	13,125	305,534	10,917	259,736
Investment assets related to unit-linked products	6,486	262,677	1,593	215,903
Debtors	2,771	-	4,200	-
Other assets	4,489	-	63,327	-
Prepayments and accrued income	8,030	-	6,090	-
Total assets	34,901	571,077	86,127	479,439
Liabilities				
Provisions for insurance and investment contracts	30,446	407,293	30,598	368,924
Other liabilities	145,885	1,467	95,958	51,189
Total liabilities	176,331	408,760	126,556	420,113

Notes - Danica Group

Note DKKm

34 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

2019	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		23,167				23,167
Unit trust certificates		21,564				21,564
Bonds		171,706				171,706
Other loans		1,308				1,308
Deposits with credit institutions		529				529
Derivatives	72,043					72,043
Investment assets related to unit-linked		269,163				269,163
Debtors				1,577		1,577
Cash and cash equivalents				4,282		4,282
Total financial assets	72,043	487,437		5,859		565,339
Provisions for unit-linked products, investment contracts		56,888				56,888
Due to credit institutions	19,235					19,235
Derivatives	106,559					106,559
Subordinated debt			235		3,715	3,950
Total financial liabilities	125,794	56,888	235		3,715	186,632
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
Investment assets related to unit-linked		217,496				217,496
Debtors				3,093		3,093
Cash and cash equivalents				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 liabilities measured at amortised cost were recognised under value adjustments at DKK -11 million in 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.

Notes - Danica Group

Note DKKm

34
(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 as presented in note 18.

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 31 December 2019, Danica had financial assets as set out below in the amount of DKK 559,480 million, of which 97% was attributable to insurance obligations to policyholders and 3% 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
2019				
Holdings	9,148	1,249	12,770	23,167
Unit trust certificates	20,080	488	996	21,564
Bonds	155,239	15,541	926	171,706
Other loans	180	87	1,041	1,308
Derivatives	503	70,879	661	72,043
Investment assets related to unit-linked products	193,739	44,169	31,255	269,163
Cash and cash equivalents	529			529
Total financial assets	379,418	132,413	47,649	559,480
Due to credit institutions	19,235	-	-	19,235
Derivatives	412	104,539	1,608	106,559
Subordinated loan capital	-	235	-	235
Provisions for unit-linked contracts	-	56,888	-	56,888
Total financial liabilities	19,647	161,662	1,608	182,917
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
Investment assets related to unit-linked products	158,928	28,446	30,122	217,496
Cash and cash equivalents	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	17,483	98,430	2,238	118,151

At 31 December 2019, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 40,028 million and illiquid bonds DKK 5,251 million.

Notes - Danica Group

Note DKKm				2019	2018
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34
(cont'd)

Valuation based on non-observable input

	Holdings	Bonds	Derivatives		
Fair value, beginning of year	38,837	5,584	3,606	48,027	22,696
Value adjustment recognised through profit or loss in Value adjustments	3,578	178	407	4,163	1,775
Addition regarding acquisition					16,509
Purchase	17,639	11,483	222	29,344	11,104
Sale	-19,632	-11,866	-3,473	-34,971	-10,558
Transferred from quoted prices and observable input					6,500
Transferred to quoted prices and observable input	-394	-128		-522	-
Fair value, end of year	40,028	5,251	762	46,041	48,026

In 2019, unrealised value adjustments were recognised at DKK 2,057 million (2019: DKK 3,402million) on financial instruments valued based on non-observable input.

Notes - Danica Group

Note DKKm

34
(cont'd)

Non-observable input in the annual report

Asset type	Fair value, end of 2019	Applied valuation method	Sensitivity of the Fair value from changes in non-observable input
Investment assets related to traditional products			
<i>Holdings:</i>			
Infrastructure	4,529	Reported fair value 1)	2) DKK 45.3m
Private Equity	5,300	Reported fair value 1)	2) DKK 53.0m
Credit	1,991	Reported fair value 1)	2) DKK 19.9m
Other loans	950	Reported fair value 1)	2) DKK 9.5m
Unlisted deposits with credit institutions	996	Reported fair value 1)	2) DKK 10.0m
<i>Bonds:</i>			
Bonds, not observable input	926	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 33.3m
Other loans	165	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 2.5m
Other loans	877	Accounting data, credit quality used for rating	A change in rating by 3 notches and applied multiples will reduce the value by DKK 12m
Derivatives	139	Discounted cash flow, options-models and nume-risk methods	A rise in yield curve of 1bp: loss of DKK 3.8m. A fall in inflation rate of 1bp: loss of DKK 9.9m A decline in volatility of 1bp: loss of DKK 1.3m A rise in CDS curve of 1bp: loss of DKK 0.3m
Investment assets related to unit-linked products			
<i>Holdings:</i>			
Infrastructure	4,648	Reported fair value 1)	2) DKK 46.5m
Private Equity	8,350	Reported fair value 1)	2) DKK 83.5m
Credit	4,239	Reported fair value 1)	2) DKK 42.4m
Other loans	1,868	Reported fair value 1)	2) DKK 18.7m
Unlisted deposits with credit institutions	1,343	Reported fair value 1)	2) DKK 13.4m
Investment property	5,814	see note 18	see note 18
<i>Bonds:</i>			
Bonds, not observable input	1,045	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 16.6m
Other loans	22	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 0.3m
Other loans	2,216	Accounting data, credit quality used for rating	A change in rating by 3 notches and applied multiples will reduce the value by DKK 32m
Derivatives	623	Discounted cash flow, options-modells and nume-risk methodes	A rise in yield curve of 1bp: loss of DKK 11.0m. A fall in inflation rate of 1bp: loss of DKK 0.5m A decline in volatility of 1bp: loss of DKK 3.7m A rise in CDS curve of 1bp: loss of DKK 0.0m

1) Based on received reporting from relevant companies, in which the underlying assets and liabilities are valued at fair value
2) A 1% change in underlying assets and liabilities will reduce the value by

Notes - Danica Group

35 RISK MANAGEMENT AND SENSITIVITY INFORMATION

RISK MANAGEMENT

The Board of Directors defines the Group's risk management framework, while the daily management ensures that the Group's risks are monitored on an ongoing basis and the framework complied with.

The Group is exposed to a number of different risks.

Financial risks	Insurance risks	Operational risks	Business risks
Interest rate risk	Longevity	Internal fraud	Reputation
Equity risk	Mortality	External fraud	Strategy and earnings
Property risk	Disability	Employment matters	Regulatory
Currency risk	Health and accident	Customers, products and business practices	Digitalisation
Credit spread risk	Critical illness	Transactions and processes	
Inflation risk	Surrender	Systems and data errors	
Volatility risk	Expenses	IT	
Liquidity	Concentration	Model risk	
Counterparty			
Concentration			

Financial risks

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, which may have 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 will cover the residual loss.

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 interest risk on Danica's 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 interest rate spreads between government and credit spreads.

Credit spread risk on bond holdings is limited as 74% of the portfolio at the end of 2019 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 11% of the portfolio is invested in non-investment grade bonds.

Notes - Danica Group

Counterparty risk is reduced by demanding security for derivatives and high credit ratings for reinsurance counterparties and counterparties with whom derivative contracts have been concluded. In addition, Danica seeks to minimise the proportion of cash and cash equivalents, which also reduces counterparty risk.

The Company seeks to maintain a moderate level of currency risk 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 for unit-linked products is primarily borne by policyholders, particularly on contracts without investment guarantees. At the end of 2019, approximately 13% 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 related to 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

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. The principal insurance risks are longevity risk and the risk of increased surrenders.

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 and identified risks. Another measure is segregation of duties.

Business risk

Business risk comprises strategic risks, reputational risks, regulatory 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.

SENSITIVITY INFORMATION

Sensitivity information is included on page 11 in the management report and are not subject to audit.

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Financial highlights - Forsikringssselskabet Danica

DKKm	2019	2018	2017	2016	2015*
INCOME STATEMENT					
Gross premiums	319	413	356	339	317
Technical interest	-	-2	-1	-1	-2
Gross claims	-364	-375	-382	-355	-336
Bonuses and premium discounts	-	-	-	-	-
Total operating expenses relating to insurance	-27	-18	-14	-13	-20
Technical result	-72	18	-41	-30	-41
Total profit on investment activities	1,907	633	1,224	1,510	1,396
Other income and expenses etc.	536	555	534	286	119
Profit before tax	2,371	1,206	1,717	1,766	1,474
Tax	-100	-124	-108	-56	-19
Net profit for the year	2,271	1,082	1,609	1,710	1,455
Run-off result	0	10	-	0	-5
BALANCE SHEET					
Total assets	24,873	22,193	18,923	18,856	19,828
Holdings in group undertakings	22,942	21,276	17,857	18,169	19,270
Other financial investment assets	1,173	807	856	590	545
Total shareholders' equity	20,887	18,897	17,122	17,249	19,452
Total technical provisions	338	274	316	319	329
RATIOS (%)					
Gross claims ratio	114.2	91.0	107.5	104.9	105.8
Gross expense ratio	7.4	4.3	4.1	3.8	6.2
Combined ratio	121.5	95.3	111.5	108.7	112.0
Operating ratio	121.5	95.6	112.0	109.0	112.4
Relative run-off result (%)	0.0	3.4	0.0	0.0	-1.5
Equity ratio	11.2	5.8	9.0	9.9	7.3

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Schemes.
 * Balance sheet items have been corrected at 1 Jan. 2016

Income statement & Other comprehensive income - Forsikringselskabet Danica

Note	DKKm	2019	2018
	Gross premiums	386	412
	Change in unearned premiums provision	-28	1
	Change in profit margin and risk margin	-39	-
2	Premiums, net of reinsurance	319	413
3	Technical interest	0	-2
	Claims paid, gross	-415	-419
	Change in outstanding claims provision	12	46
	Change in risk margin	39	-2
4	Claims, net of reinsurance	-364	-375
	Acquisition costs	-8	-7
	Administrative expenses	-19	-11
5	Total operating expenses relating to insurance, net of reinsurance	-27	-18
14	TECHNICAL RESULT	-72	18
	Income from group undertakings	1,918	643
	Interest income and dividends, etc.	15	14
6	Value adjustments	-15	-12
	Interest expenses	-9	-11
	Total return on investment	1,909	634
	Return on technical provisions	-2	-1
	RETURN ON INVESTMENT LESS TECHNICAL INTEREST	1,907	633
7	Other income	641	643
8	Other expenses	-105	-88
	PROFIT BEFORE TAX	2,371	1,206
9	Tax	-100	-124
	NET PROFIT FOR THE YEAR	2,271	1,082
	Net profit for the year	2,271	1,082
	Other comprehensive income:		
	Translation of units outside Denmark	39	-19
	Hedges of units outside Denmark	-42	19
	Hedge of acquisition	-	-41
	Tax relating to other comprehensive income	10	5
	Total other comprehensive income	7	-36
	NET COMPREHENSIVE INCOME FOR THE YEAR	2,278	1,046

Balance sheet - Forsikringselskabet Danica

Assets

Note	DKKm	2019	2018
	Holdings in group undertakings	22,942	21,276
	Total investments in group undertakings and associates	22,942	21,276
	Bonds	1,173	807
10	Total other financial investment assets	1,173	807
	TOTAL INVESTMENT ASSETS	24,115	22,083
	Amounts due from policyholders	6	2
	Other debtors	388	71
	TOTAL DEBTORS	394	73
	Current tax assets	18	6
	Cash and cash equivalents	342	27
	TOTAL OTHER ASSETS	360	33
	Accrued interest and rent	4	4
	TOTAL PREPAYMENTS AND ACCRUED INCOME	4	4
	TOTAL ASSETS	24,873	22,193

Balance sheet - Forsikrings-selskabet Danica

Liabilities and equity

Note	DKKm	2019	2018
	Share capital	1,001	1,001
	Other reserves	14,506	12,839
	Retained earnings	5,380	5,057
11	TOTAL SHAREHOLDERS' EQUITY	20,887	18,897
	Unearned premiums provision	45	10
	Outstanding claims provision	240	249
	Risk margin on non-life insurance contracts	49	11
	Provisions for bonuses and premium discounts	4	4
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	338	274
	Amounts owed, direct insurance	10	19
	Amounts owed to group undertakings	3,342	2,984
	Other creditors	293	14
	TOTAL CREDITORS	3,645	3,017
	ACCRUALS AND DEFERRED INCOME	3	5
	TOTAL LIABILITIES AND EQUITY	24,873	22,193

Statement of capital - Forsikringselskabet Danica

DKKm

Changes in shareholders' equity	Share capital	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2018	1,001	-42	12,881	5,057	-	18,897
Changes to accounting policies	-	-	-258	-30	-	-288
Adjusted shareholders' equity at 1 January 2019	1,001	-42	12,623	5,027	-	18,609
Profit for the year	-	-	1,918	353	-	2,271
Other comprehensive income:						
Translation of units outside Denmark	-	39	-	-	-	39
Hedges of units outside Denmark	-	-42	-	-	-	-42
Tax on other comprehensive income	-	10	-	-	-	10
Total other comprehensive income	-	7	-	-	-	7
Comprehensive income for the year	-	7	1,918	353	-	2,278
Shareholders' equity at 31 December 2019	1,001	-35	14,541	5,380	-	20,887
Shareholders' equity at 31 December 2017	1,000	-33	12,227	2,319	1,609	17,122
Changes to accounting policies	-	-	38	-	-	38
Adjusted shareholders' equity at January 1, 2018	1,000	-33	12,265	2,319	1,609	17,160
Profit for the year	-	-	643	439	-	1,082
Other comprehensive income:						
Translation of units outside Denmark	-	-19	-	-	-	-19
Hedges of units outside Denmark	-	19	-	-	-	19
Hedge of acquisition	-	-	-41	-	-	-41
Tax on other comprehensive income	-	-9	14	-	-	5
Total other comprehensive income	-	-9	-27	-	-	-36
Comprehensive income for the year	-	-9	616	439	-	1,046
Anden tilgang, koncernbidrag	1	-	-	2,299	-	2,300
Dividend paid	-	-	-	-	-1,609	-1,609
Shareholders' equity at 31 December 2018	1,001	-42	12,881	5,057	0	18,897

* Recognised in the balance sheet under other reserves.

** The dividend amounts to DKK x per share (2018: DKK 0). The line shows the effect on shareholders' equity at year end.

Statement of capital - Forsikringselskabet Danica

DKKm	2019	2018
Capital base		
Shareholders' equity	20,887	18,897
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	41	-2
Deferred tax	-9	-
Holdings in group undertakings	454	3,071
Capital base	21,373	21,966

Notes – Forsikringssselskabet Danica

Note

1 ACCOUNTING POLICIES – FORSIKRINGSSSELKABET DANICA

GENERAL

The financial statements of the Parent Company, Forsikringssselskabet 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, which not have had a significant influence on the parent company's profit for the period.

Changes in accounting policies

Unearned premiums provision

Forsikringssselskabet 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 Forsikringssselskabet Danica by DKK 38 million and has reduced the equity by DKK 30 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

Forsikringssselskabet Danica implemented executive order No. 1442 of 3 December 2018 concerning lease. Forsikringssselskabet 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 2019. Forsikringssselskabet Danica 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 Forsikringssselskabet 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, Forsikringssselskabet Danica recognises a lease liability at the present value of future lease payments using Forsikringssselskabet 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 2019 of DKK 38 million before tax.

Notes - Forsikringselskabet Danica

Note	DKKm	2019	2018
2	GROSS PREMIUM INCOME		
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	314	407
	Other EU countries	4	5
	Other countries	1	1
	Total	319	413
3	TECHNICAL INTEREST		
	Calculation of technical interest and return on investment:		
	Technical interest rate	-	1.15%
	Technical interest amount	-	3
	Outstanding claims provision, discounted amount	-	-5
	Technical interest, net of reinsurance less discounted amount	0	-2
	Total return on investment	1,909	634
	Provisions, discounted amount	-3	-
	Value adjustment of outstanding claims provision	1	2
	Total return on investment, including market value adjustments	1,907	636
	Of which transferred to technical interest	-	-3
	Return on investment less technical interest	1,907	633
4	CLAIMS		
	Total run-off regarding prior years:		
	Gross claims	0	10
	Net of reinsurance	0	10
	Run-off, net of reinsurance, relates to health and accident insurance policies.		
5	OPERATING EXPENSES RELATING TO INSURANCE		
	Average number of full-time-equivalent employees during the year	34	30
	Number of full-time-equivalent employees, end of year	34	30
	Staff costs:		
	Salaries	-56	-46
	Share-based payment	-11	-5
	Pensions	-7	-7
	Other social security and tax	-12	-6
	Other	-1	-1
	Total staff costs earned	-87	-65
	Fees to the audit firm appointed by the general meeting:		
	Fees to Deloitte:		
	Statutory audit of financial statements	-0.7	-0.7
	Total	-0.7	-0.7
	The company and its subsidiary Danica Pension share the same Executive Board, actuary and company secretary. Their remuneration is paid by Danica Pension and is included in operating expenses, which are allocated to the Company by Danica Pension.		
6	VALUE ADJUSTMENTS		
	Bonds	-15	-12
	Total value adjustments	-15	-12
7	OTHER INCOME		
	Commission income from ancillary activities	1	2
	Asset management	640	641
	Total	641	643

Notes - Forsikringselskabet Danica

Note	DKKm	2019	2018
8	OTHER EXPENSES		
	Expenses in relation to ancillary activities	-7	-10
	General management expenses	-98	-78
	Total	-105	-88
9	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-100	-124
	Tax on other comprehensive income		
	Omregning af udenlandske enheder	-	-9
	Hedging of units outside Denmark	10	14
	Total	-90	-119
	Tax on the profit for the year is calculated as follows:		
	Current tax	-100	-124
	Total	-100	-124
	Effective tax rate:		
	Danish tax rate	22.0	22.0
	Non-taxable income and non-deductible expenses	-17.8	-11.7
	Effective tax rate	4.2	10.3
10	OTHER FINANCIAL INVESTMENT ASSETS		
	Includes investments in undertakings in the Danske Bank Group as follows:		
	Bonds	377	253
11	SHAREHOLDERS' EQUITY		
	Number of shares of DKK 1,000	1,001,000	1,001,000
12	CONTINGENT LIABILITIES		
	The following assets have been deposited as collateral for policyholders' savings:		
	Bonds	380	330
	Total	380	330
	The company has rent commitments with a remaining lease of 6 years and annual gross rent of	49	47
	The company is 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 company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is jointly and severally liable.		

Notes - Forsikringselskabet Danica

Note	DKKm	2019	2018	
13	RELATED PARTIES			
	Danske Bank, domiciled in Copenhagen, Denmark, wholly owns the share capital of Forsikringselskabet Danica and thus exercises control.			
	Transactions with related parties are settled on an arm's-length basis. Forsikringselskabet Danica's IT operations and development, internal audit, HR administration, logistics, marketing and the like are handled by Danske Bank. Danske Bank also handles portfolio management and securities trading.			
	Forsikringselskabet Danica entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 10.			
	IT operations and development	-8	-6	
	Other administration	-15	-16	
	Ordinary portfolio management fee	640	641	
	Forsikringselskabet Danica is managed by Danica Pension, which settles expenses with the companies it manages on an arm's-length			
	Accordingly, Forsikringselskabet Danica refunded to Danica Pension	27	18	
	Forsikringselskabet Danica received a loan from its subsidiary, Danica Pension	1,200	1,200	
	Forsikringselskabet Danica received a loan from its owner, Danske Bank	1,700	1,700	
14	SPECIFICATION OF CLASSES OF INSURANCE			
		Health and accident insurance	Health care insurance	Total
	Gross premiums	124	262	386
	Gross premium income	108	211	319
	Gross claims	-78	-286	-364
	Gross operating expenses	-10	-17	-27
	Technical result	20	-92	-72
	Number of claims	1,360	45,575	46,935
	Average amount of claims	0.2	0.0	0.0
	Claims frequency	1.2%	6.0%	5.9%

Group overview

	Owner-ship	Currency	Profit for the year	Share capital	Shareholders' equity	Employees	Directorships ¹		
	%		millions	millions	millions	No. ²	OPET	HYB	LOC
NON-LIFE INSURANCE									
Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen		DKK	2,271	1,001.0	20,887	34	D	D	D
LIFE INSURANCE									
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	100	DKK	1,918	1,101.0	23,034	667	D	D	D
Danica Pensjonsforsikring AS, Trondheim	100	NOK	134	136.3	746	94	C	B	
PROPERTY INVESTMENT									
Danica Ejendomsselskab ApS, Copenhagen	100	DKK	703	2,793.7	22,024	-		C	
Nygade 1-3 ApS, Copenhagen	100	DKK	-9	0.1	387	-		C	
Ejendomsselskabet Project Nord P/S	100	DKK	0	0.6	746	-		C	
Komplementarselskabet Project Nord A/S	100	DKK	0	0.1	0	-		C	
Ejendomsselskabet Project Sunflower P/S	100	DKK	0	0.5	0	-		C	
Komplementarselskabet Project Sunflower ApS	100	DKK	0	0.1	0	-		C	
SD Karreen Holding ApS	100	DKK	0	18.0	485	-		C	
SD Karré 1 ApS	100	DKK	21	16.0	707	-		C	
SD Karré 2 ApS	100	DKK	7	2.0	107	-		C	
Jægergårdsgade 101A ApS	100	DKK	13	0.1	13	-		C	
ERDA I P/S	100	DKK	-40	0.5	72	-		C	
ERDA I Komplementarselskab ApS	100	DKK	0	50.1	0	-		C	
Lyngby C ApS	100	DKK	-11	5.0	18	-			
Danica Ejendomme II A/S	100	DKK	253	25.0	1,273	-		C	
Bernstorffsgade Holding A/S	100	DKK	56	10.0	426	-		C	
Bernstorffsgade 50 P/S	100	DKK	56	10.0	426	-		C	
Hannemanns Allé P/S	100	DKK	177	10.0	557	-		C	

¹ Directorships of Ole Krogh Petersen (OPET), Jesper Mølskov Høybye (HYB) and Søren Lockwood (LOC) - C stands for chairman of the board of directors, B stands for board member and D stands for executive board member

² Comprises average number of employees in group companies at 31 December 2019

Group overview

Companies

Forsikringselskabet
Danica A/S

Danica Pension A/S

Danica Pensjons-
Forsikring AS

Property companies

Activity

Sale of non-life insurance, comprising the products Health Insurance and Critical Illness

Sale of the unit-linked products Danica Balance, Danica Link and Danica Select for which the return on policyholders' savings equals the market return. Life insurance and loss of earning capacity cover may be attached to the policies.

Conventional life insurance and pension product (Danica Traditionel) and health and accident insurance, including loss of earning capacity cover.

Sale of mainly personal unit-linked schemes and health and accident insurance in Norway.

Property companies investing primarily in commercial property and shopping centres.

Danica Pension's group overview is available at www.danicapension.dk

Management and directorships

Under section 80(8) of the Danish Financial Business Act, financial institutions are required to at least annually publish information about the duties and positions approved by the Board of Directors for persons employed by the Board (see section 80(1) of the Act).

This page also lists directorships held by members of the Board of Directors outside the Forsikrings-selskabet Danica Group.

Board of Directors

Jacob Aarup-Andersen

CFO, Danske Bank A/S
Born on 06.12.1977
Member of the Executive Board of:
Danske Bank A/S
Director of:
Kreditforeningen Danmarks Pensionsafviklingskasse, Chairman of the Board
MobilePay Denmark A/S, Chairman of the Board
MobilePay A/S, Chairman of the Board
Realkredit Danmark A/S, Chairman of the Board
Danske Bank International, Chairman of the Board
Finans Danmark
FR I af 16. september 2015 A/S
Danske Banks Fond
DVCA Danish Venture Capital and Private Equity Association
Banker og Sparekassers Ungdomskontakt Finansrådet
Digital Dogme

Kim Andersen

Managing director (state-authorised public accountant with deposited license)
Born on 30.04.1955
Member of the Executive Boards of:
Audio Consult ApS
KA Invest af 2. maj 2003 ApS
Director of:
Realkredit Danmark A/S (and Chairman of the Audit Committee)

In addition, Kim Andersen is Chairman of the Danica Group's audit committee

Thomas Mitchell

Head of Retail Banking DK, Danske Bank A/S
Born on 01.12.1962

Berit Irene Behring

Head of Wealth Management, Danske Bank A/S
Born on 18.10.1966
Member of the Executive Board of:
Danske Bank A/S
Director of:
Realkredit Danmark A/S
Northern Bank Limited

Lisbet Kragelund

Head of Group Accounts, Danske Bank A/S
Born on 15.11.1971
Director of:
Danske Private Equity A/S
Danske Leasing A/S
Danske Mortgage Bank Plc

Kenneth Stricker-Nielsen

Pension specialist and Vice Chairman of staff association
Born on 10.02.1985

Charlott Due Pihl

Chairman of staff association, Danica Pension
Born on 27.03.1968

Henrik Nielsen

Chief consultant
Born on 12.01.1967

Executive Board

Information on directorships, etc. in wholly-owned subsidiaries is provided in the group overview.

Ole Krogh Petersen

Chief Executive Officer
Born on 31.01.1969
Director of:
The Danish Insurance Association

Jesper Mølskov Høybye

Member of the Executive Board
Born on 27.05.1978

Søren Lockwood

Member of the Executive Board
Born on 23.10.1959
Director of:
Forsikringsorganisationernes Fællessekretariat F.M.B.A.
Red Barnet Danmark

Statement and report

Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the annual report of Forsikringsselskabet Danica for the financial year 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's 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 31 December 2019 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year ended 31 December 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.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 5 February 2020

Executive Board

Ole Krogh Petersen
Chief Executive Officer

Jesper Mølskov Høybye
Chief Financial Officer

Søren Lockwood
Chief Commercial Officer

Board of Directors

Jacob Aarup-Andersen
Chairman

Kim Andersen
Vice Chairman

Thomas Mitchell

Berit Irene Behring

Lisbet Kragelund

Kenneth Stricker-Nielsen

Charlott Due Pihl

Henrik Nielsen

Independent auditor's report

To the shareholder of Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999

Opinion

We have audited the consolidated financial statements and the parent financial statements of Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 for the financial year 1 January to 31 December 2019, pages 12-73, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2019 and of its financial performance and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2019 and of its financial performance for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 for the first time on 10 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 5 years up to and including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
<p>Measurement of goodwill related to Danica Pensionsforsikring A/S (formerly SEB Pensionsforsikring)</p>	
<p>On 7 June 2018, Danica Pension acquired SEB Pensionsforsikring. Consistently with IFRS 3, Management made a purchase price allocation, as part of which the assets and liabilities acquired were measured at fair value and goodwill was calculated. In 2019, Management has carried out an impairment test of recognised goodwill in accordance with IAS 36. Net of impairment charges, goodwill amounts to DKK 1,543 million at 31 December 2019 (DKK 2,343 million at 31 December 2018).</p>	<p>Based on our risk assessment, we have examined the measurement of goodwill and evaluated the methodology applied for carrying out the impairment test and the assumptions and cash flows applied in this respect.</p>
<p>The most significant judgements are:</p>	<p>Our examination included the following elements:</p>
<ul style="list-style-type: none"> • Assessing future cash flows • Determining a discount rate. 	<ul style="list-style-type: none"> • Testing key controls over the impairment test of goodwill, including the assumptions-setting processes, procedure for approval and changes in estimates by Management, and the operating effectiveness of such controls. • Challenging the methodology applied by using our industry knowledge and experience. • Assessing key assumptions and input underlying the impairment test of goodwill, including an assessment of future cash flows and the discount rate applied for impairment testing, against historical data and market practice.
<p>Management has provided further information about goodwill in note 16 to the consolidated financial statements.</p>	
<p>Measurement of unlisted investments</p>	
<p>Unlisted investments amount to DKK 45,279 million at 31 December 2019 (DKK 44,421 million at 31 December 2018).</p>	<p>Based on our risk assessment, we have examined the valuation of unlisted investments and evaluated the methodology applied and the assumptions made.</p>
<p>Unlisted investments are composed of investments in private equity funds, infrastructure funds, unlisted equities and corporate bonds. The measurement of unlisted investments is affected by management estimates, and changes in assumptions and the methodology applied may also have a material impact on the measurement of unlisted investments.</p>	<p>Our examination included the following elements:</p>
<p>The most significant judgements are:</p>	<ul style="list-style-type: none"> • Testing key controls over the valuation of unlisted investments, including the assumptions-setting processes, and the operating effectiveness of such controls. • Testing key controls for investments recognised based on prices obtained from external parties and follow-up thereon for the purpose of validating the prices used. • Challenging the methodology applied by using our industry knowledge and experience, focusing on changes etc since last year.
<ul style="list-style-type: none"> • Determination of market value in illiquid markets • Definition of required rate of return • Assessment of future cash flows. 	
<p>Management has provided further information about unlisted investments in note 34 to the consolidated financial statements.</p>	

Measurement of investment property

<p>Investment property amounts to DKK 23,211 million at 31 December 2019 (DKK 20,868 million at 31 December 2018).</p> <p>The determination of the measurement of investment property is based on the location of each property, future events, cash flows and required rates of return. Changes in assumptions and the methodology applied may have a material impact on the measurement of investment property and profit or loss.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none">• Assessment of future cash flows• Definition of required rates of return. <p>Management has provided further information about investment property in note 18 to the consolidated financial statements.</p>	<p>Based on our risk assessment, we have examined the valuation of investment property prepared by Management and evaluated the methodology applied and the assumptions made.</p> <p>Our examination included the following elements:</p> <ul style="list-style-type: none">• Testing key controls over the valuation of investment property, including the assumptions-setting processes, procedure for approval and changes in estimates by Management, and the operating effectiveness of such controls.• Challenging the methodology applied by using our industry knowledge and experience, focusing on changes since last year.• Assessing key assumptions and input underlying the valuation of investment property, including an assessment of future cash flows and individual required rates of return used for valuation, against historical data and market practice.
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Measurement of liabilities under insurance contracts

<p>Liabilities under insurance contracts amount to DKK 437.739 million at 31 December 2019 (DKK 399,522 million at 31 December 2018).</p> <p>Measurement of liabilities under insurance contracts is deemed a key audit matter as the determination of assumptions for the measurement of life insurance contract liabilities requires complex judgements about future events.</p> <p>Changes in assumptions and the methodology applied may have a material impact on the measurement of liabilities under insurance contracts.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none">• Determining disability rates, mortality rates, surrender probabilities and provisions for unearned premiums• Assumptions related to regulatory and reporting requirements, including risk and interest. <p>Management has provided further information about liabilities under insurance contracts in notes 26 and 27 to the consolidated financial statements.</p>	<p>Based on our risk assessment, we have examined Management's valuation of liabilities under insurance contracts and evaluated the methodology applied and the assumptions made.</p> <p>Our examination included the following elements, where we also made use of our own internationally qualified actuaries:</p> <ul style="list-style-type: none">• Testing of key controls over the actuarial models, data collection and analysis and the assumptions-setting processes.• Evaluating the disability and mortality rates and surrender probabilities used in the calculation against historical data and market practice.• Evaluating revised principles and assumptions applied to calculate provisions for unearned premiums.• Assessing key changes in the assumptions against regulatory and reporting requirements and industry standards.• Analysing developments, particularly within risk, interest and cost results, by using our industry knowledge and experience.
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Statement on the Management's report

Management is responsible for the Management's report.

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

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

Moreover, it is our responsibility to consider whether the Management's report provides the information required under the Danish Financial Business Act.

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may

cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 5 February 2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Jens Ringbæk

Jacques Peronard

State-Authorised Public Accountant State-Authorised Public Accountant

MNE no 27735

MNE no 16613

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Company Registration No.

CVR 25020634

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