

# *Interim report – first half 2020*

Forsikringselskabet Danica,  
Skadeforsikringselskab af 1999

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This Interim Report – first half 2020 is a translation of the original report in the Danish language (Delårsrapport - 1. halvår 2020). In case of discrepancy, the Danish version prevails.

## SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

(DKK millions)	Half-year 2020	Half-year 2019	Full year 2019
<b>PREMIUMS INCLUDING INVESTMENT CONTRACTS</b>	15,268	14,983	29,640
<b>INCOME STATEMENT</b>			
Technical result, Life <sup>1)</sup>	1,277	1,122	2,380
Technical result, health and accident insurance	-300	-504	-888
Return on investment allocated to shareholders' equity, etc.	-85	148	352
Profit before tax	892	766	1,844
Tax	-197	-168	-194
Goodwill impairment	-	-	-800
Profit from discontinued operations	-	1,353	1,421
Profit for the period	695	1,951	2,271
<b>BALANCE SHEET</b>			
Total assets	671,983	599,057	605,978
Technical provisions, health and accident insurance	17,871	16,740	17,606
Total provisions for insurance and investment contracts	429,023	428,271	437,739
Total shareholders' equity	21,568	20,570	20,887
<b>KEY FIGURES AND RATIOS (%)</b>			
Return related to average rate products	1.4	8.0	10.3
Return related to unit-linked products	-3.0	10.4	15.9
Risk on return related to unit-linked products	4.50	4.25	4.25
Net return before tax on pension returns on average-rate products <sup>2)</sup>	-1.0	1.6	6.5
Expenses as per cent of provisions	0.17	0.19	0.37
Expenses per policyholder (DKK)	638	702	1,406
Return on equity after tax	3.3	2.4	11.4
Solvency coverage ratio (Group) <sup>3)</sup>	172	177	190
Solvency coverage ratio (Parent) <sup>4)</sup>	526	509	520
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>			
Gross claims ratio	127	121	133
Gross expense ratio	9	10	8

<sup>1)</sup> Excluding goodwill impairment.

<sup>2)</sup> Includes change in accumulated value adjustment.

<sup>3)</sup> At 30 June 2020, the Group's solvency capital requirement (SCR) was DKK 15,058 million and its total capital was DKK 25,849 million.

<sup>4)</sup> At 30 June 2020, the Parent Company's solvency capital requirement (SCR) was DKK 4,161 million and its total capital was DKK 21,867 million.

### Comments on selected financial highlights for the Group

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

## DANICA STRATEGY

### Introduction to Danica Pension's strategy

Being our customers' financial security provider is at the core of Danica Pension's strategy. Our aim is to enhance customer satisfaction by being one step ahead when it comes to advising our customers on financial security.

We focus on proactively helping to ensure that our customers – both personal and business customers – have the right pension, insurance and healthcare solutions.

### Strong impact of corona crisis

Like the rest of society, Danica Pension has been strongly impacted by the corona crisis.

We have focused particularly on providing financial security and helping those of our personal and business customers who have been hit hard by the crisis, first and foremost by offering proactive and relevant financial and healthcare advice in a time of uncertainty.

We have also offered thousands of self-employed persons and businesses to defer payments on their schemes without impacting their insurance covers. We have given all employees in Danica Pension with a healthcare education the opportunity to assist the public healthcare system while upholding their full salary from Danica Pension. Furthermore, we have been in dialogue with a number of commercial tenants in Danica's properties concerning a deferment of their rent payments. Throughout this period, Danica Pension has offered our customers virtual pension advice and treatment options through a strong digital set-up.

While Denmark has more or less been reopened, the corona crisis and its consequences are by no means behind us. It is therefore a vital focus area for us to monitor the situation very closely in the coming period, so that we can help customers, businesses and society get through the crisis as well as possible.

As for the corona crisis and the resulting economic impact, the sharp financial market downturn in March had a particularly severe effect on Danica Pension's financial results. Part of the losses incurred in the first quarter were recovered in the second quarter, however, and Danica Pension's overall results for the first half were satisfactory in light of the extraordinary circumstances. It is important to stress that Danica Pension is financially robust and has remained so throughout this crisis.

We are focusing on using the insights gained from the crisis to make Danica Pension even stronger in the future.

### Investment return affected by the corona crisis

In the first six months of 2020, Danica Pension customers' returns were under pressure from the corona crisis and the resulting severe market downturns, resulting in negative returns. It is worth noting, however, that over an 18-month investment period, our customers still have solid returns after expenses, as 2019 was a very strong year.

For the first six months of 2020, Danica Pension customers with Danica Balance Mix low risk profile and 5 years to retirement saw a negative return on investments of 1.8%, while customers with a high risk profile and 30 years to retirement had a negative return of 5.2%. For customers with Danica Balance Mix, medium risk profile and 20 years to retirement, the return was a negative 4.3%.

Pension requires a long-term perspective, and it is key to continually focus on developing the best, most robust portfolios to produce attractive long-term returns. We are therefore pleased to note that we have produced competitive returns after expenses for our customers since the launch of our current investment strategy in 2016.

### Several new initiatives focusing on healthcare and prevention

Security for our customers are not only a question of pension savings, but also of 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. It is therefore a key priority for Danica Pension to offer our customers good healthcare services. In addition to providing high-quality products, we are strongly focused on proactively engaging in prevention and treatment of, for example, stress – a condition that affects far too many Danes and which many corporate leaders would like to tackle, but are not equipped to do so.

During the first half of 2020, we implemented Danica Step Care™, which is an entirely new method of treating physical and psychological conditions at an early stage so as to prevent long-term absence due to illness or to ensure that customers who are absent can return to work faster. Danica Pension collaborates 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 with health insurance and cover for loss of earning capacity who choose these new partners get a coordinator who will customise a programme for them and coordinate cross-functional treatments, if needed. We expect Danica Step Care™ to reduce our customers' absence due to illness for the mutual benefit of the individual, businesses, society in general as well as Danica Pension.

In May, we launched Healthy Performance, a concept aimed at helping companies and their employ-

ees create the optimum conditions for being mentally fit for a long, good working life. Healthy Performance is about using mental training to improve focus, taking mental breaks and prioritising tasks with the aim of becoming more attentive and developing a better overview and healthier work habits.

In the first six months of 2020, Danica Pension customers increasingly addressed both physical and psychological conditions using video consultations. The corona lockdown has accelerated this trend. Before the crisis, just one in 100 treatments for psychological conditions took place via video consultation. In May, the figure had grown to more than one in three treatments. We expect that this is a continuing trend, as our customers see the benefits of video consultation and are very pleased with it.

#### **Corporate responsibility and sustainability**

Corporate responsibility and sustainability are a key element of Danica Pension's business strategy. We have therefore defined a new 2025 strategy with three themes that support the UN Sustainable Development Goals: climate and environment, financial security and a healthy working and senior life. In order to build a strong foundation, we are committed to integrating sustainability in our core business.

Our goal is to invest DKK 100 billion of our customers' savings in the green transition by 2030. Our intermediate goals are to invest DKK 30 billion in the green transition by 2023 and DKK 50 billion by 2025. This will be our contribution towards a more climate-friendly society, while we will continue to generate attractive returns for our customers. During the first half, we increased our investments in the green transition from DKK 10.3 billion at 31 December 2019 to DKK 19.6 billion at 30 June 2020. Investments in the green transition include certified sustainable properties, green bonds and infrastructure funds investing in renewable energy.

In June 2020, Danica Pension joined the global Net-Zero Asset Owner Alliance. On joining this alliance, Danica Pension committed to ensuring that our investment portfolios are carbon neutral by 2050, thus supporting the Paris Agreement on limiting the global rise in temperature to 1.5°C. Based on the Paris Agreement goals, we will also set interim goals for the investment portfolio for 2023, 2025 and 2030 and regularly report on our progress.

The financial consequences of the corona crisis are particularly hard on the self-employed and on small and medium-sized enterprises. As previously mentioned, we therefore decided to help those of our customers facing acute liquidity difficulties.

Many of these customers are self-employed - a group numbering over 30,000 through our close collaboration with Pension for Selvstændige (PFS). To help our self-employed customers through the corona crisis we gave them the option of deferring pension contributions until the end of June 2020 without impacting their insurance package, which

provides cover if they are injured or fall ill, for example.

As described above, we regularly launch concepts to help our business customers ensure that their employees who are ill get the right treatment and help them return to work. For example, in 2020 we have launched Step Care™ - a programme featuring cross-functional treatments arranged by a coordinator to prevent illness and help employees who are absent return to work.

#### **Loss-making health and accident business**

Danica Pension's health and accident business produced a loss for the first six months of 2020.

In order to ensure a high quality in our healthcare offering while reducing the imbalance between income and expenses, we have launched a number of initiatives in the health and accident business, as mentioned in the section "Several new initiatives focusing on healthcare and prevention". It is important to note, however, that the expected positive effects of these initiatives will only appear over time, as they are also subject to the general development in claims and the competitive situation. Achieving the desired balance between income and expenses will be a long haul.

#### **Close collaboration with Danske Bank for the benefit of customers**

In 2020, it remains a priority for Danica Pension to raise our customers' awareness of the advantages of being a customer with both Danica Pension and Danske Bank. When our customers bank exclusively with the Danske Bank Group, we are able to deliver even more financial security and also to 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 because their pension savings are included in their business volume.

Danica Pension has a major advantage when it comes to offering customers the best and most user-friendly digital solutions, as Danske Bank's substantial innovative strength also benefits Danica Pension.

In the sustainable investment area, it is also a great advantage for us that we are able to draw on the experience and expertise of Danske Bank's large ESG (Environment, Social & Governance) team of around 15 employees, both in terms of incorporating sustainability in all our investment processes, analyses, reporting, active ownership and in our specific sustainable investments.

#### **Danica Traditional closed for new business**

As mentioned in the 2019 Annual Report, we closed Danica Traditional for new business in mid-January 2020 due to the low interest rate levels. Instead, we

recommend that new customers place their pension savings in Danica Balance, which also offers the option of a minimum payout guarantee. We closed Danica Traditional for new business in order to protect existing customers in the current interest rate groups. Furthermore, writing new business in an interest rate group with negative interest rates and low interest on policyholders' savings is not advisable.

#### Changes to guarantees on unit-linked products

Danica Pension's general recommendation for our customers is now Danica Balance Mix Medium risk profile without a guarantee, and our recommendation for customers wanting a high degree of security is Danica Balance Mix low risk profile. Our general recommendation for customers is thus no longer to add a minimum payout guarantee ten years before retirement. Historically, adding a guarantee was a sensible choice, but due to the low interest rate environment this will not be our general recommendation going forward. Customers wanting the extra security can still add a guarantee, although it will be at a lower level than previously as a result of the low interest rates.

#### Focus on growth in Norway

In the first half of 2020, Danica Pension's Norwegian subsidiary, Danica Pensjonsforsikring, focused on meeting its ambitious growth, cost control and compliance targets. Synergies through its close collaboration with Danske Bank and Danica Pension in Denmark are a central part of the strategy.

A major regulatory change to the Norwegian pension market will take effect in Norway on 1 January 2021 with the introduction of the so-called Egen Pensjonskonto. This will present challenges, but also significant growth opportunities, particularly through the collaboration with Danske Bank in Norway and strategic partnerships.

## FINANCIAL REVIEW

#### Special matters

The financial market turmoil caused by the corona crisis has had an adverse impact on our customers' returns and on Danica Pension's overall financial performance, particularly affecting the return on investment allocated to shareholders' equity.

#### Profit for the period

For the first half of 2020, the Danica Group realised a profit before tax and discontinued operations of DKK 892 million, against DKK 766 million for the first half of 2019. Profit after tax and discontinued operations for the first half of 2020 amounted to DKK 695 million, against DKK 1,951 million in the first half of 2019.

DANICA GROUP		
(DKK millions)	H1	H1
	2020	2019
Technical result, Life	1,277	1,122
Technical result, Health and accident insurance	-300	-504
Result of insurance business	977	618
Return on investment allocated to equity, etc. <sup>1)</sup>	-85	148
Profit before tax and discontinuing operations	892	766
Tax	-197	-168
Discontinued operations	-	1,353
Profit for the period	695	1,951

<sup>1)</sup> Including other income and expenses

The result of insurance business for the first half of 2020 was in line with the guidance in the annual report for 2019, as the first half of 2019 was adversely affected by declining interest rates and a DKK 140 million change in value adjustments (VA).

The technical result of life insurance for the first half of 2020 amounted to DKK 1,277 million, against DKK 1,122 million in the first half of 2019. The technical result for the first half of 2019 was negatively affected by a change in profit margin following the merger with Danica Pensjonsforsikring. As has been the case in the past few years, Danica Pension was able to book the full risk allowance for all interest rate groups in the first half of 2020.

The technical result of health and accident insurance for the first half of 2020 was a loss of DKK 300 million, against a loss of DKK 504 million in the first half of 2019. The improvement was largely due to an improved investment result in the health and accident business, as the investment result, etc. for the first half of 2019 was adversely affected by the declining interest rates during the period. The total result of health and accident insurance was still a loss, however, and as previously mentioned Danica Pension has launched initiatives to further reduce the loss going forward.

Generally, return on investment allocated to shareholders' equity, etc. was adversely affected by the financial market turmoil brought on by the corona crisis, among other things negative value adjustments of the property portfolio, as particularly investments in Danish shopping centres were impacted by the crisis.

Profit from discontinued operations for the first half of 2019 mainly comprised proceeds from the sale of Danica Sweden.

Profit before tax in Danica Norge amounted to DKK 49 million in the first half of 2020, against DKK 47 million in the first half of 2019.

Allocation of the special allotments to policyholders from the former Statsanstalten for Livsforsikring was calculated for the first half of 2020 to DKK 15

million, against DKK 54 for the first half of 2019. The amount for full year 2020 will depend on developments in Danica's earnings and business volume and on dividend payments.

### Gross premiums

Gross premiums were up 2%, from DKK 15.0 billion in the first half of 2019 to DKK 15.3 billion in the first half of 2020.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS) - H1					
(DKK billions)	2020	2019	2018	2017	2016
<b>Denmark</b>					
Life insurance	13.2	12.8	12.0	11.9	9.8
Health and accident	0.8	0.8	0.8	0.7	0.7
<b>Non-Danish units</b>					
Norway	1.3	1.4	1.2	1.3	1.1
Total premiums	15.3	15.0	14.0	13.9	11.6

Total premiums in the Danish business amounted to DKK 14.0 billion in the first half of 2020, increased by 3% from DKK 13.6 billion in the first half of 2019.

Premiums in the Norwegian business were down 7% from DKK 1.4 billion in the first half of 2019 to DKK 1.3 billion in the first half of 2020.

### Return on investment

Unit-linked products generated aggregate negative returns before tax on pension returns of DKK 6,197 million in the first half of 2020, equivalent to a negative 3.0% return before tax on pension returns.

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

Return before tax, H1 2020			
Risk (%)	30 years to retirement	15 years to retirement	5 years to retirement
<b>Balance Mix</b>			
High risk profile	-5.2	-4.7	-3.5
Medium risk profile	-4.9	-3.7	-2.5
Low risk profile	-4.5	-2.7	-1.8

Returns were affected by the financial market turmoil as the corona crisis brought about price falls in the equity and credit markets and negative value adjustments of property investments and alternative investments.

For conventional products, the return on investment of customer funds before tax on pension returns for the first half of 2020 was DKK 3.0 billion, or 1.4%. Adjusted for changes of life insurance provisions, the net return was -1.0%.

### Claims and benefits

Claims and benefits amounted to DKK 14.2 billion in the first half of 2020, against DKK 14.2 billion in the first half of 2019. Surrenders including investment

contracts amounted to DKK 10.3 billion in the first half of 2020, against DKK 10.3 billion in the first half of 2019.

### Expenses

In the life business, insurance-related operating expenses in the first half of 2020 amounted to DKK 660 million.

EXPENSES AS PER CENT OF PROVISIONS		
	H1 2020	H1 2019
Danica Group	0.17	0.19

The Group's expenses as per cent of provisions were reduced by 0.02 percentage points compared with the first half of 2019. The lower expenses were mainly due to lower integration costs, as the integration of the former SEB Pension Denmark in Danica Pension is close to completion.

### Balance sheet

The Group's total assets increased from DKK 606 billion at 31 December 2019 to DKK 672 billion at 30 June 2020. The increase was principally due to the financial market turmoil caused by the corona crisis, resulting in an increase in the values of derivative financial instruments recognised as assets and liabilities, respectively, thereby increasing the Group's total assets.

The Group uses derivative financial instruments to hedge, among other things, interest rate risk on technical provisions, currency risk and equity risk. The increasing market volatility and falling interest rates in 2020 are the main drivers of the increase in both positive and negative values of derivative financial instruments used to hedge interest rate risk.

Intangible assets amounted to DKK 2.8 billion, comprising goodwill and the value of customer relationships taken over. 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 588 billion at 31 December 2019 to DKK 657 billion at 30 June 2020. Adjusted for derivative financial instruments with negative values, total investment assets fell from DKK 462 billion at 31 December 2019 to DKK 452 billion at 30 June 2020. The fall was caused by the financial market turmoil due to the corona crisis.

Provisions for insurance and investment contracts totalled DKK 429 billion, against DKK 438 billion at 31 December 2019.

Life insurance provisions related to average-rate products fell DKK 3 billion to DKK 183 billion. The

fall was mainly due to a decline in collective bonus potentials resulting from the financial market developments.

Life insurance provisions related to unit-linked products fell from DKK 228 billion at 31 December 2019 to DKK 222 billion at 30 June 2020. The fall was caused by the financial market turmoil due to the corona crisis.

Equity grew by DKK 0.7 billion to DKK 21.6 billion.

#### **Solvency statement and capital requirements**

At 30 June 2020, the Danica Group's solvency coverage ratio was 172%, against 190% at 31 December 2019. The lower solvency coverage ratio was mainly a result of a reduction of the collective bonus potential during the period due to the financial market turmoil in 2020. As the Danica Group has continually adjusted the risk level in 2020, the Group maintained strong excess solvency at 30 June 2020.

DANICA GROUP, SOLVENCY		
(DKK millions)	30/06/2020	31/12/2019
Total capital	25,849	25,322
Solvency capital requirement (SCR)	15,059	13,343
Excess capital base	10,790	11,979

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 July 2020, Danica Pension 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.

#### **Risks and uncertainty factors**

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

#### **Events after the balance sheet date**

No events have occurred between 30 June 2020 and the date of the signing of the interim financial statements that, in the opinion of the management, will materially affect the company's financial position.

#### **Outlook for 2020**

Seen in isolation, the result of Danica Pension's insurance business for the second half of 2020 is expected to be on a par with the result for the first half,

but it will be affected by financial market developments and the continued impact of the corona crisis.



## RISK EXPOSURE AND SENSITIVITY INFORMATION

Information on risk and risk management are set out in note 8 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. For each stress scenarios the size of the stress means the solvency coverage ratio drops down respectively to 125% and 100% however, limited to the maximum stress according to the Danish Executive Order on Sensitivity Analyses for Group 1 Insurance Companies. A further 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 - Solvency capital requirement SCR

	SCR 125%			SCR 100%		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	149	24,273	125	200	22,794	106
Equity risk	47	21,318	125	80	15,552	100
Property risk	44	23,053	125	85	17,846	100
Credit spread risk:						
- Danish government bonds, etc.	10	23,999	125	19	19,977	100
- Other government bonds, etc.	15	24,173	125	29	20,345	100
- Other bonds	19	23,829	125	38	19,602	100
Currency spread risk						
NOK	100	25,507	160	100	25,507	160
SEK	100	25,789	171	100	25,789	171
CHF	100	25,781	170	100	25,781	170
Counterparty risk		25,849	170		25,849	170
Longevity risk	32	22,540	125	42	20,207	100
Life insurance option risk	977	20,140	125	1,836	17,215	100
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

### Sensitivity information - Minimum capital requirement 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	22,794	241	200	22,794	241
Equity risk	100	11,959	127	100	11,959	127
Property risk	100	15,832	159	100	15,832	159
Credit spread risk:						
- Danish government bonds, etc.	32	13,394	125	36	11,063	100
- Other government bonds, etc.	51	13,639	125	58	11,272	100
- Other bonds	60	13,555	125	68	11,163	100
Currency spread risk						
NOK	100	25,507	125	100	25,507	278
SEK	100	25,789	278	100	25,789	294
CHF	100	25,781	294	100	25,781	293
Counterparty risk		25,849	170		25,849	170
Longevity risk	62	13,123	125	66	10,869	100
Life insurance option risk	3,018	13,139	125	3,668	10,881	100
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 25,849 million and a solvency coverage ratio of 172%. 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.

## Financial highlights - Danica Group

DKKm	First half 2020	First half 2019	Full year 2019
<b>INCOME STATEMENT</b>			
Life insurance			
Premiums	13,759	11,568	24,535
Claims and benefits	-14,229	-14,163	-27,969
Return on investment	-2,838	32,125	53,138
Total operating expenses relating to insurance	-660	-744	-1,393
Depreciation of goodwill	-	-	-800
Profit/loss on business ceded	-4	-29	-21
Technical result, Life	1,277	1,122	1,580
Health and accident insurance			
Gross premium income	740	742	1,621
Gross claims	-916	-917	-2,189
Total operating expenses relating to insurance	-65	-75	-126
Profit/loss on business ceded	-16	-11	-26
Return on investment less technical interest	-5	-261	-189
Technical result of health and accident insurance	-300	-504	-888
Profit after tax from discontinued operations	-	1,353	1,421
Net profit for the period	695	1,951	2,271
Other comprehensive income	-14	10	7
<b>BALANCE SHEET</b>			
Total assets	671,983	599,057	605,978
Insurance assets, health and accident insurance	273	320	268
Technical provisions, health and accident insurance	17,871	16,740	17,606
Total shareholders' equity	21,568	20,570	20,887
Total provisions for insurance and investment contracts	429,023	428,271	437,739
<b>KEY FIGURES AND RATIOS (%)</b>			
Rate of return related to average rate products	1.4	8.0	10.3
Rate of return related to unit-linked products	-3.0	10.4	15.9
Risk on returns related to unit-linked products	4.50	4.25	4.25
Expenses as per cent of provisions	0.17	0.19	0.37
Expenses per policyholder (DKK)	638	702	1,406
Return on equity after tax	3.3	2.4	11.4
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>			
Gross claims ratio	127	121	133
Gross expense ratio	9	10	8
Combined ratio	138	132	143
Operating ratio	138	132	143
Relative run-off (%)	0.0	0.0	0.0
Run-off, net of reinsurance (DKK millions)	4	0	6
The ratios are defined in accordance with the Danish FSA's Executive Order on financial reports			

## Income statement & Other comprehensive income - Danica Group

Note	DKKm	First half 2020	First half 2019
3	Gross premiums	13,759	11,568
	Reinsurance premiums ceded	-21	-29
	Total premiums, net of reinsurance	13,738	11,539
	Income from associates	-437	238
	Income from investment property	329	289
	Interest income and dividends, etc.	12,764	10,992
	Value adjustments	-6,533	32,430
	Interest expenses	-9,554	-6,648
	Administrative expenses related to investment activities	-294	-475
	Total investment return	-3,725	36,826
	Tax on pension returns	887	-4,701
	Claims and benefits paid	-14,229	-14,163
	Reinsurers' share received	6	-1
	Total claims and benefits, net of reinsurance	-14,223	-14,164
	Change in life insurance provisions	5,455	-26,428
	Change in reinsurers' share	9	-1
	Total change in life insurance provisions, net of reinsurance	5,464	-26,429
	Change in profit margin	31	-376
	Acquisition costs	-137	-215
	Administrative expenses	-523	-529
	Reinsurance commissions and profit sharing	2	2
	Total operating expenses relating to insurance, net of reinsurance	-658	-742
	Transferred investment return	-237	-831
	<b>TECHNICAL RESULT OF LIFE INSURANCE</b>	<b>1,277</b>	<b>1,122</b>

# Income statement & Other comprehensive income - Danica Group

Note	DKKm	First half 2020	First half 2019
(cont'd)			
<b>HEALTH AND ACCIDENT INSURANCE</b>			
	Gross premiums	843	887
	Reinsurance premiums ceded	-53	-50
	Change in unearned premiums provision	-103	-145
	Change in profit margin and risk margin	10	-44
	Change in unearned premiums provision, reinsurers' share	9	5
	<b>Premiums, net of reinsurance</b>	<b>706</b>	<b>653</b>
	Claims paid, gross	-1,048	-1,014
	Reinsurers' share received	23	23
	Change in outstanding claims provision	132	97
	Change in risk margin	-77	9
	Change in outstanding claims provision, reinsurers' share	3	10
	<b>Claims, net of reinsurance</b>	<b>-967</b>	<b>-875</b>
	Bonus and premium discounts	29	53
	Acquisition costs	-21	-27
	Administrative expenses	-44	-48
	Reinsurance commissions and profit sharing	2	1
	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-63</b>	<b>-74</b>
	Return on investment	-5	-261
	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-300</b>	<b>-504</b>
	Return on investment allocated to equity	-93	9
	Other income	70	144
	Other expenses	-62	-5
	<b>PROFIT BEFORE TAX</b>	<b>892</b>	<b>766</b>
	Tax	-197	-168
	<b>NET PROFIT FOR THE PERIOD, BEFORE DISCONTINUED OPERATIONS</b>	<b>695</b>	<b>598</b>
	Profit after tax from discontinued operations	-	1,353
	<b>NET PROFIT FOR THE PERIOD</b>	<b>695</b>	<b>1,951</b>
	Net profit for the period	695	1,951
	Other comprehensive income:		
	Translation of units outside Denmark	-58	2
	Hedging of units outside Denmark	57	4
	Reversed on sale of foreign entity	-	5
	Tax relating to other comprehensive income	-13	-1
	<b>Total other comprehensive income</b>	<b>-14</b>	<b>10</b>
	<b>NET COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>681</b>	<b>1,961</b>

# Balance sheet - Danica Group

## Assets

Note	DKKm	30 June 2020	31 December 2019	30 June 2019
4	<b>INTANGIBLE ASSETS</b>	2,751	2,826	3,693
	Domicile property	40	40	41
	<b>TOTAL TANGIBLE ASSETS</b>	40	40	41
	Investment property	16,866	17,395	16,063
	Holdings in associates	9,835	10,223	10,045
	Loans to associates	865	724	460
	Total investments in associates	10,700	10,947	10,505
	Holdings	23,929	23,167	22,741
	Unit trust certificates	13,031	21,564	20,231
	Bonds	181,756	171,706	166,564
	Other loans	1,051	1,308	1,829
	Deposits with credit institutions	1,819	529	2,953
	Derivatives	127,787	72,043	87,307
	Total other financial investment assets	349,373	290,317	301,625
	<b>TOTAL INVESTMENT ASSETS</b>	376,939	318,659	328,193
	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	279,694	269,163	246,626
	Unearned premiums provision, reinsurers' share	10	1	6
	Life insurance provisions, reinsurers' share	75	70	93
	Outstanding claims provision, reinsurers' share	263	267	314
	Total technical provisions, reinsurers' share	348	338	413
	Amounts due from policyholders	652	681	595
	Amounts due from insurance companies	103	175	92
	Other debtors	3,022	1,577	4,513
	<b>TOTAL DEBTORS</b>	4,125	2,771	5,613
	Assets relating to discontinued operations	113	182	-
	Current tax assets	45	25	588
	Cash and cash equivalents	1,601	4,282	7,307
	Other	-	-	336
	<b>TOTAL OTHER ASSETS</b>	1,759	4,489	8,231
	Accrued interest and rent	6,176	7,527	6,141
	Other prepayments and accrued income	499	503	519
	<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	6,675	8,030	6,660
	<b>TOTAL ASSETS</b>	671,983	605,978	599,057

# Balance sheet - Danica Group

## Liabilities and equity

Note	DKKm	30 June 2020	31 December 2019	30 June 2019
<b>LIABILITIES</b>				
	Unearned premiums provision	1,833	1,742	1,587
	Profit margin on health and accident insurance	-	-	34
	Life insurance provisions, average rate products	182,719	185,954	188,597
	Life insurance provisions, unit-linked products	221,925	227,635	216,433
	<b>Total life insurance provisions</b>	<b>404,644</b>	<b>413,589</b>	<b>405,030</b>
	Profit margin on life insurance and investment contracts	6,508	6,544	6,501
	Outstanding claims provision	14,861	14,719	14,372
	Risk margin on non-life insurance contracts	1,136	1,065	693
	Provisions for bonuses and premium discounts	41	80	54
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>429,023</b>	<b>437,739</b>	<b>428,271</b>
	Deferred tax	1,265	1,281	1,646
	Other provisions	160	186	189
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>1,425</b>	<b>1,467</b>	<b>1,835</b>
	Amounts owed, direct insurance	153	55	976
	Amounts owed to reinsurers	182	159	211
	Amounts owed to credit institutions	29,466	19,235	19,976
	Amounts owed to group undertakings	1,700	1,700	1,700
	Current tax liabilities	477	38	135
	Other creditors	178,465	113,982	118,343
	Other accruals and deferred income	5,543	6,766	3,059
5	Subordinated debt	3,981	3,950	3,981
	<b>TOTAL CREDITORS</b>	<b>650,415</b>	<b>585,091</b>	<b>578,487</b>
<b>EQUITY</b>				
	Share capital	1,001	1,001	1,001
	Revaluation reserve	1	1	1
	Other reserves	15,042	14,506	14,361
	Retained earnings	5,524	5,379	5,207
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>21,568</b>	<b>20,887</b>	<b>20,570</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>671,983</b>	<b>605,978</b>	<b>599,057</b>

## 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 2019	1,001	1	-35	14,541	5,379	-	20,887
Profit for the period	-	-	-	550	145	-	695
Other comprehensive income:							
Translation of units outside Denmark	-	-	-58	-	-	-	-58
Hedges of units outside Denmark	-	-	57	-	-	-	57
Tax on other comprehensive income	-	-	-13	-	-	-	-13
Total other comprehensive income	-	-	-14	-	-	-	-14
Comprehensive income for the period	-	-	-14	550	145	-	681
Shareholders' equity at 30 June 2020	1,001	1	-49	15,091	5,524	-	21,568
Shareholders' equity at 31 December 2018	1,001	1	-42	12,881	5,056	-	18,897
Correction of errors and new executive order	-	-	-	-258	-30	-	-288
Adjusted shareholders' equity at 1 January 2019	1,001	1	-42	12,623	5,026	-	18,609
Profit for the period	-	-	-	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 period	-	-	7	1,918	353	-	2,278
Shareholder's equity, 31 December 2019	1,001	1	-35	14,541	5,379	-	20,887

\* Recognised in the balance sheet under other reserves.

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

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

## Statement of capital - Danica Group

DKKm	30 June 2020	31 December 2019
Total capital		
Shareholders' equity	21,568	20,887
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	3,060	3,323
Deferred tax	-9	-12
- Intangible assets	-2,751	-2,826
Supplementary capital	3,981	3,950
Total capital	25,849	25,322



## Cash flow statement - Danica Group

DKKm	First half 2020	Full year 2019	First half 2019
<b>Cash flow from operations</b>			
Profit before tax	892	1,044	766
Adjustment for non-cash operating items:			
Non-cash items relating to premiums and benefits	-5,750	45,064	37,763
Non-cash items relating to reinsurance	2	12	-19
Non-cash items relating to investment return	7,116	-51,735	-42,925
Non-cash items relating to tax on pension returns	-4,516	-4,686	1,822
Non-cash items relating to expenses	-2,829	7,538	3,023
Net investment, customer funds	-4,638	5,614	2,644
Payments received and made, investment contracts	-1,815	-1,651	1,241
Tax paid	-	343	-
Cash flow from operations	-11,538	1,543	4,315
<b>Cash flow from investing activities</b>			
Sale of undertakings	-	1,645	1,667
Purchase of bonds	-4,911	-15,919	-9,836
Sale of bonds	4,828	10,892	6,718
Sale of derivatives	-	-	5
Cash flow from investing activities	-83	-3,382	-1,446
<b>Cash flow from financing activities</b>			
Debt to credit institutions	10,230	1,870	2,611
Cash flow from financing activities	10,230	1,870	2,611
Cash and cash equivalents at 1 January	4,811	4,780	4,780
Change in cash and cash equivalents	-1,391	31	5,480
Cash and cash equivalents, end of period	3,420	4,811	10,260
Cash and cash equivalents, end of period			
Deposits with credit institutions	1,819	529	2,953
Cash in hand and demand deposits	1,601	4,282	7,307
Total	3,420	4,811	10,260

# Notes – Danica Group

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Note

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## 1 ACCOUNTING POLICIES – FORSIKRINGSELKABET DANICA

### GENERAL

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

The interim report has not been reviewed or audited. The interim report is condensed and should be read in conjunction with the annual report for 2019.

On 1 January 2020, the Group implemented the amendments to IAS 1 and IAS 8 (definition of material), IFRS 3, Business Combinations (definition of a business), IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform phase I) and amendments to references to the Conceptual Framework in IFRS Standards.

The amendments to IAS 1 and IAS 8 clarify the definition of material and aligns the definition of material used in the Conceptual Framework with that in the IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020.

The amendments to IFRS 3 clarifies the definition of a business, with the objective of assisting a preparer to determine whether a transaction should be accounted for as a business combination or as the acquisition of an asset. The clarifications are applicable for business combinations after 1 January 2020.

The amendments to IFRS 9/IAS 39 and IFRS 7 cover issues related to the pre-replacement issues following the ongoing Interest Rate Benchmark Reform. The amendments imply that for the purpose of the assessment of the prospective hedge effectiveness it is assumed that the benchmark reform will not alter the cash flows.

The amendments to IFRS 9/IAS 39 and IFRS 7 cover the uncertainty during the pre-replacement period following the Interest Rate Benchmark Reform. The amendments that could result in discontinuation of hedge accounting relationships.

The implementation of the amendments had no impact on the Group's financial statements. Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2019. Annual Report 2019 provides a full description of the significant accounting policies.

### Fair value measurement of financial instruments

Since the outbreak of the COVID-19 pandemic, the financial markets have become more volatile than usual. Market liquidity has returned, however, and finding reliable prices has not posed any particular problems.

### Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires the use of judgements and estimates by management concerning future events that will significantly affect the carrying amounts of assets and liabilities.

The estimates and judgements that are deemed to be most critical to the consolidated financial statements are:

- the measurement of liabilities under insurance contracts
- the fair value measurement of derivative financial instruments
- the fair value measurement of real property
- the fair value measurement of unlisted investments
- the measurement of intangible assets/goodwill

### Goodwill

Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. As a result of the COVID-19 pandemic, the assessment of indications of impairment was made on the basis of the expected impact of the pandemic on the solvency capital requirement and other known changes since the most recent impairment testing in the fourth quarter of 2019. Based on this assessment it was concluded that there was no indication of impairment.

# Notes - Danica Group

Note	DKKm	First half 2020	First half 2019
2	<b>BUSINESS SEGMENTS</b>		
	The group consists of one business segment as shown below		
	Gross premiums from external sales	15,268	14,983
	- Gross premiums on investment contracts	-666	-2,528
	Gross premiums in the income statement	14,602	12,455
	Return on investment allocated to technical result	-3,075	31,294
	Claims and benefits paid	-15,277	-15,177
	Change in provisions for insurance and investment contracts	5,477	-26,834
	Total operating expenses relating to insurance	-725	-819
	Result of reinsurance	-20	-40
	Other income, net	8	139
	Technical result	990	1,018
	Return on investment, shareholders' equity	-93	9
	Return on investment, health and accident	-5	-261
	Profit before tax	892	766
	Other segment information		
	Interest income	11,088	8,941
	Interest expenses	-9,554	-6,648
	Income from associated undertakings at book value	-437	238
	Impairment, depreciation and amortisation charges	-67	-67
	The Danica Group has no single customers generating 10% or more of the combined revenue.		
	<b>GEOGRAPHICAL SEGMENTS</b>		
	Premium income from external customers are allocated to the country in which the contract was sold. Assets comprise only intangible assets, tangible assets, investment property and holdings in associated undertakings in accordance with IFRS and do not provide a useful description of the Group's assets for management purposes. Goodwill is allocated to the country in which activities are performed, whereas other assets are allocated on the basis of their location.		
		Premiums, external customers	Assets
		First half 2020	First half 2019
		First half 2020	First half 2019
	Denmark	13,967	13,585
	Norway	1,301	1,398
	Total	15,268	14,983
		29,409	29,759
		84	84
		29,493	29,843
3	<b>GROSS PREMIUMS, incl. payments received under investment contracts</b>		
	Direct insurance:		
	Regular premiums	8,535	8,612
	Single premiums	5,890	5,484
	Total direct insurance	14,425	14,096
	Total gross premiums	14,425	14,096
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	129	1,371
	Single premiums	537	1,157
	Total premiums paid	666	2,528
	Total gross premiums included in the income statement	13,759	11,568

## Notes - Danica Group

Note	DKKm	30 June 2020	31 December 2019
4	INTANGIBLE ASSETS		
	Cost, beginning of year	3,837	3,836
	Exchange rate adjustment	-8	1
	Cost, end of period	3,829	3,837
	Impairment and amortisation, beginning of year	-1,011	-78
	Write-downs during the period	-	-800
	Amortisation during the period	-67	-133
	Impairment and amortisation, end of period	-1,078	-1,011
	Carrying amount, end of period	2,751	2,826

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 Pension on 7. June 2018. The customer value will be depreciated linearly over a period of 10 years starting 1st June 2018.

### 5 SUBORDINATED DEBT

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

Currency	Borrower	Note	Nominal	Interest rate	Year of issue	Maturity	Re-demption price		
EUR	Danica Pension	a)	500	4.38	2015	29.9.45	100	3,726	3,735
	Subordinated debt							3,726	3,735
	Discount							-18	-20
	Hedging of interest rate risk							273	235
	Included in the capital base							3,981	3,950

a) The loan was issued 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 58 million for the first half of 2020.

Fair value of the subordinated debt is estimated at DKK 4,013 million end of June 2020 and DKK 4,274 million end of 2019.

## Notes - Danica Group

Note	DKKm	30 June 2020	31 December 2019
6	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	Assets have been deposited as collateral for policyholders' savings with a total of:	439,751	450,885
	As collateral for derivative transactions, the Group has delivered bonds and cash equal to a total fair value of	23,929	16,537
	The Group has rent commitments with a remaining lease of 8 years and annual gross rent of	50	49
	Minimum lease payments regarding cars amount to	3	5
	The Group has undertaken contractual obligations to purchase, construct, convert or extend investment properties or to repair, maintain or improve these at an amount of	1,462	1,251
	The Group has undertaken to participate in alternative investments with an amount of	21,042	24,226
	The Group has provided guarantees for credit facilities in connection with direct investments in unlisted instruments	15	-
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	803	727
	As a participant in partnerships, the Group is liable for a total debt of	13	12
	The Group's companies are jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.		
	The Danish group companies are registered jointly for financial services employer tax and for VAT for which they are jointly and severally liable.		
	Danica Pension is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
	Owing to its size and business volume, the Group is continually a party to various lawsuits and disputes.		
	The Group does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

# Notes - Danica Group

Note DKKm

## 7 FINANCIAL INSTRUMENTS

30 June 2020	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		23,929				23,929
Unit trust certificates		13,031				13,031
Bonds		181,756				181,756
Other loans		1,051				1,051
Deposits with credit institutions		1,819				1,819
Derivatives	127,787					127,787
Unit-linked investments		279,694				279,694
Debtors				3,022		3,022
Deposits with credit institutions				1,601		1,601
<b>Total financial assets</b>	<b>127,787</b>	<b>501,280</b>		<b>4,623</b>		<b>633,690</b>
Provisions for unit-linked products, investment contracts		55,929				55,929
Due to credit institutions	29,466					29,466
Derivatives	174,470					174,470
Subordinated loan capital			273		3,708	3,981
<b>Total financial liabilities</b>	<b>203,936</b>	<b>55,929</b>	<b>273</b>		<b>3,708</b>	<b>263,846</b>
<b>31 December 2019</b>						
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
Unit-linked investments		269,163				269,163
Debtors				1,577		1,577
Deposits with credit institutions				4,282		4,282
<b>Total financial assets</b>	<b>72,043</b>	<b>487,437</b>		<b>5,859</b>		<b>565,339</b>
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
<b>Total financial liabilities</b>	<b>125,794</b>	<b>56,888</b>	<b>235</b>		<b>3,715</b>	<b>186,632</b>

### Recognition as income:

Exchange rate adjustment of debtors and creditors measured at amortised cost were recognised under value adjustments at DKK 394 million in H1 2020 and at DKK -11 million in 2019.

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

7  
(cont'd)

## Financial instruments at fair value

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

### Level 1: Quoted prices

Fair value measurement is based on quoted prices generated in transactions in active markets.

Where an active market exists for listed equity investments, bonds, derivative financial instruments, etc., the instrument is generally measured at the closing price at the balance sheet date.

### Level 2: Observable input

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

### Level 3: Non-observable input

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

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

At 30 June 2020, Danica had financial assets as set out below in the amount of DKK 629,067 million, of which 96% was attributable to insurance obligations to policyholders and 4% was attributable to shareholders' equity. Accordingly, changes in various valuation parameters would therefore have an insignificant impact on shareholders' equity, as the risk is assumed by policyholders.

30 June 2020	Quoted prices	Observable input	Non-observable input	Total
Holdings	10,318	1,391	12,220	23,929
Unit trust certificates	10,366	2,553	112	13,031
Bonds	165,009	15,767	980	181,756
Other loans	-	115	936	1,051
Derivatives	2,395	124,724	668	127,787
Unit-linked investments	184,752	64,970	29,972	279,694
Deposits with credit institutions	1,819	-	-	1,819
<b>Total financial assets</b>	<b>374,659</b>	<b>209,520</b>	<b>44,888</b>	<b>629,067</b>
Due to credit institutions	29,466	-	-	29,466
Derivatives	2,556	168,576	3,338	174,470
Subordinated loan capital	-	273	-	273
Provisions for unit-linked contracts	-	55,929	-	55,929
<b>Total financial liabilities</b>	<b>32,022</b>	<b>224,778</b>	<b>3,338</b>	<b>260,138</b>

# Notes - Danica Group

Note DKKm

7  
(cont'd)

31 December 2019	Quoted prices	Observable input	Non-observable input	Total
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
Unit-linked investments	193,739	44,169	31,255	269,163
Deposits with credit institutions	529	-	-	529
<b>Total financial assets</b>	<b>379,418</b>	<b>132,413</b>	<b>47,649</b>	<b>559,480</b>
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
<b>Total financial liabilities</b>	<b>19,647</b>	<b>161,662</b>	<b>1,608</b>	<b>182,917</b>

At 30 June 2020, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 12,220 million and illiquid bonds DKK 980 million.

				30 June 2020	31 December 2019
Valuation based on non-observable input	Holdings	Bonds	Derivatives		
Fair value, beginning of year	40,028	5,251	762	46,041	48,027
Value adjustment recognised through profit or loss in Value adjustments	-1,904	-345	-1,249	-3,498	4,163
Purchase	4,683	936	8	5,627	29,344
Sale	-2,949	-732	-1,381	-5,062	-34,971
Transferred to quoted prices and observable input	-1,558	-	-	-1,558	-522
<b>Fair value, end of period</b>	<b>38,300</b>	<b>5,110</b>	<b>-1,860</b>	<b>41,550</b>	<b>46,041</b>

In the first half of 2020, unrealised market value adjustments were recognised at DKK -2,860 million (2019: DKK 2,057 million) on financial instruments valued based on non-observable input.

Assuming a widening of the credit spread by 50 bps for bonds and other loans, the fair value would be reduced by DKK 76 million. A narrowing of the credit spread by 50 bps would cause the fair value to be increased by DKK 76 million.



# Notes - Danica Group

## 8 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 or share prices.

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 bonds.

Credit spread risk constitutes a substantial market risk for Danica Pension and is made up primarily of Danish mortgage credit bonds and foreign credit bonds. The risk is mitigated by the bonds or the underlying issuer having a relatively high rating with the international credit rating agencies.

A substantial part of Danica Pension's market risk is made up of equity risk relating to portfolios of liquid listed equities and unlisted equities. The risk is mitigated by equity-like assets constituting a limited proportion of investments in conventional products.

# 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. 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 8 in the management report.

## Income statement - Forsikringselskabet Danica

Note	DKKm	First half 2020	First half 2019
	Gross premiums	209	225
	Change in unearned premiums provision	-35	-42
	Premiums, net of reinsurance	174	183
	Claims paid, gross	-204	-211
	Change in outstanding claims provision	-20	17
	Change in risk margin	-	-1
	Claims, net of reinsurance	-224	-195
	Acquisition costs	-4	-4
	Administrative expenses	-11	-9
	Total operating expenses relating to insurance, net of reinsurance	-15	-13
	<b>TECHNICAL RESULT</b>	<b>-65</b>	<b>-25</b>
	Income from group undertakings	550	1,753
	Interest income and dividends, etc.	8	8
	Value adjustments	-6	-1
	Interest expenses	-5	-4
	Total return on investments	547	1,756
	Return on technical provisions	-2	-2
	<b>RETURN ON INVESTMENTS LESS TECHNICAL INTEREST</b>	<b>545</b>	<b>1,754</b>
	Other income	313	325
	Other expenses	-57	-47
	<b>PROFIT BEFORE TAX</b>	<b>736</b>	<b>2,007</b>
	Tax	-41	-56
	<b>NET PROFIT FOR THE PERIOD</b>	<b>695</b>	<b>1,951</b>
	Net profit for the period	695	1,951
	Other comprehensive income:		
	Translation of units outside Denmark	-58	2
	Hedging of units outside Denmark	57	4
	Reversed on sale of foreign entity	-	5
	Tax relating to other comprehensive income	-13	-1
	Total other comprehensive income	-14	10
	<b>NET COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>681</b>	<b>1,961</b>

# Balance sheet - Forsikrings-selskabet Danica

## Assets

Note DKKm	30 June 2020	31 December 2019	30 June 2019
Holdings in group undertakings	23,479	22,942	22,781
<b>Total investments in group undertakings and associates</b>	<b>23,479</b>	<b>22,942</b>	<b>22,781</b>
Bonds	1,444	1,173	833
Total other financial investments	1,444	1,173	833
<b>TOTAL INVESTMENTS ASSETS</b>	<b>24,923</b>	<b>24,115</b>	<b>23,614</b>
Amounts due from policyholders	4	6	2
Amounts due from subsidiary undertakings	-	-	180
Other debtors	271	388	386
<b>TOTAL DEBTORS</b>	<b>275</b>	<b>394</b>	<b>568</b>
Current tax assets	38	18	-
Cash and cash equivalents	28	342	3
<b>TOTAL OTHER ASSETS</b>	<b>66</b>	<b>360</b>	<b>3</b>
Accrued interest and rent	3	4	4
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>3</b>	<b>4</b>	<b>4</b>
<b>TOTAL ASSETS</b>	<b>25,267</b>	<b>24,873</b>	<b>24,189</b>

# Balance sheet - Forsikringselskabet Danica

## Liabilities and equity

Note DKKm	30 June 2020	31 December 2019	30 June 2019
Share capital	1,001	1,001	1,001
Other reserves	15,042	14,506	14,085
Retained earnings	5,525	5,380	5,484
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>21,568</b>	<b>20,887</b>	<b>20,570</b>
Unearned premiums provision	73	45	52
Outstanding claims provision	262	240	234
Risk margin on non-life insurance contracts	49	49	50
Provisions for bonuses and premium discounts	4	4	4
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>388</b>	<b>338</b>	<b>340</b>
Amounts owed, direct insurance	16	10	19
Amounts owed to group undertakings	3,034	3,342	2,900
Current tax liabilities	-	-	41
Other creditors	258	293	316
<b>TOTAL CREDITORS</b>	<b>3,308</b>	<b>3,645</b>	<b>3,276</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>25,267</b>	<b>24,873</b>	<b>24,189</b>

# Notes – Forsikringselskabet Danica

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Note

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## 1 ACCOUNTING POLICIES - FORSIKRINGSELSKABET DANICA

### GENERAL

The financial statements of the Parent Company, Forsikringselskabet 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. As well as the Executive Order of amendment, A688 of 1 June, effective from 1 July 2016 and BK No. 1442 of 3 December 2018, effective from 1 January 2019.

The accounting policies are identical to the Group's measurement according to IFRS, with the differences that naturally arise between a consolidated financial statements and parent company financial statements.

# Notes - Forsikringssselskabet Danica

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Note	DKKm	30 June 2020	31 December 2019
2	ASSETS DEPOSITED AS SECURITY AND CONTINGENT LIABILITIES		
	The company has rent commitments with a remaining lease of 6 years and annual gross rent of	50	49
	<p>The company is jointly taxed with all units in the Danske Bank Group and is jointly and severally liable for their Danish income tax, withholding tax etc.</p> <p>The company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is jointly and severally liable.</p>		

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## Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the interim financial statements of Forsikrings-selskabet Danica, Skadeforsikringsaktieselskab af 1999 for the six months ended 30 June 2020.

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

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the period 1 January - 30 June 2020. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 17 July 2020

### Executive Board

Ole Krogh Petersen  
Chief Executive Officer

Jesper Mølskov Høybye  
Chief Financial Officer

Søren Lockwood  
Chief Commercial Officer

### Board of Directors

Berit Irene Behring  
Chairman

Christoffer Møllenbach  
Vice Chairman

Jesper Koefoed

Lisbet Kragelund

Annette Olesen

Claus Harder

Kenneth Stricker-Nielsen

Charlott Due Pihl

Anne Charlotte Hovgaard Dahlstrøm



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## Address

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CVR 25020634

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