

Annual Report *2020*

Danica Pension

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This Annual Report 2020 is a translation of the original report in the Danish language (Årsrapport 2020). In case of discrepancy, the Danish version prevails.

SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA PENSION GROUP

(DKK millions)	2020	2019	2018	2017	2016
PREMIUMS INCLUDING INVESTMENT CONTRACTS¹⁾	29,887	29,255	29,518	26,634	24,296
INCOME STATEMENT					
Technical result, Life ²⁾	1,931	1,838	1,155	1,316	1,436
Technical result, Health and accident insurance	-543	-814	-652	-151	-100
Return on investment allocated to shareholders' equity, etc.	-78	366	150	204	569
Profit before tax	1,310	1,390	653	1,369	1,905
Taxation	-188	-93	-88	-200	-375
Goodwill impairment	-	-800	-	-	-
Profit from discontinued operations	-	1,421	77	56	55
Profit for the year	1,122	1,918	642	1,225	1,585
BALANCE SHEET					
Total assets	670,539	605,782	566,022	427,521	404,820
Technical provisions, health and accident insurance	17,758	17,269	14,362	9,915	9,858
Provisions for insurance and investment contracts	457,889	437,402	399,247	363,462	340,467
Total shareholders' equity	24,142	23,034	21,366	17,947	18,267
KEY FIGURES AND RATIOS (%)					
Return related to average rate products	6.0	10.3	1.0	2.5	6.5
Return related to unit-linked products	8.3	15.6	-5.5	8.1	5.5
Risk on return related to unit-linked products	4.50	4.25	4.25	4.25	4.25
Net return before tax on pension returns on average-rate products ³⁾	3.1	6.5	1.8	3.2	4.8
Expenses as per cent of provisions	0.35	0.37	0.42	0.34	0.36
Expenses per policyholder (DKK)	1,349	1,406	1,325	1,116	1,049
Return on equity after tax	4.8	8.6	3.2	6.6	8.4
Solvency coverage ratio (Group) ⁴⁾	202	198	203	228	249
Solvency coverage ratio (Parent) ⁵⁾	204	201	261	247	262
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	125	138	124	115	105
Gross expense ratio	8	8	9	9	9

¹⁾ Excluding premiums from discontinued operations (Danica Sweden)

²⁾ Excluding goodwill impairment

³⁾ The ratios include change in accumulated value adjustment

⁴⁾ At 31 December 2020, the Group's solvency capital requirement was (SCR) 14,332 million and its total capital was 28,882 million.

⁵⁾ At 31 December 2020, the Parent Company's solvency capital requirement was (SCR) 14,175 million and its total capital was 28,882 million.

On 27 June 2019, Danica Pensionsforsikring A/S and Danica Administration A/S (the former SEB Pension companies) were merged with Danica Pension, with Danica Pension being the continuing company. The two companies are recognised in the Danica Group effective from the acquisition date, 7 June 2018. The periods presented in the financial highlights are therefore not directly comparable.

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 14.

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

Danica Pension's strategy

Danica Pension's strategy is based on the ambition to be the customers' financial security provider. By this, we strive to enhance customer satisfaction. Our aim is to be one step ahead when it comes to advising our customers about how to become financially secure, in terms of both pension savings and insurance covers that will enable customers to provide for themselves and their family in the event of long-term illness.

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

The corona crisis

The corona crisis had a profound impact on society as well as on Danica Pension in 2020.

Danica Pension focused particularly on providing 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.

Moreover, in collaboration with our business partner Pension for Selvstændige, we offered thousands of self-employed persons and businesses deferment of payments on their schemes without impacting their insurance covers. We have given those of our employees who are qualified healthcare professionals 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 Pension'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 our strong digital set-up.

Danica Pension continue to closely monitor the corona crisis in order to help customers, businesses and society get through the crisis as well as possible.

Danica Pension is a financially robust business and has remained so throughout this crisis. After a difficult period in March and early April with highly negative and volatile financial markets, we saw customer returns and Danica Pension's results make a strong recovery in the last nine months of the year. Our customers thus ended up with sound net returns after this very unusual year, and Danica Pension is able to present a satisfactory financial performance for 2020.

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

Strong recovery for investment returns

The 2020 investment year started on a strong note, but in March, the coronavirus pandemic took a huge toll on societies, economies and financial markets. Consequently, pension customers saw large negative returns in March in particular. Throughout 2020, Danica Pension advised customers to keep cool and not get carried away by the prevailing societal and financial market sentiment. This strategy paid off as the financial markets - and consequently our customers' returns - quickly recovered. At the end of 2020, Danica Pension customers thus saw strong positive returns net of expenses similar to those seen in an average year. In 2020, our customers once again received competitive net returns, and since we launched Danica Pension's current investment strategy in early 2016, our customers' returns have been among the highest in the commercial market. Danica Pension ambition for the coming years remains to continually deliver returns at the top of the market.

Danica Balance Sustainable Choice

In 2020, we also launched a new sustainable investment solution for our customers: Danica Balance Sustainable Choice. With Danica Balance Sustainable Choice, customers can invest an optional percentage of their pension savings with a stronger focus on sustainability. We developed this sustainable investment solution in collaboration with our customers.

Strong focus on the self-employed

Through our close collaboration with Pension for Selvstændige (PFS), we take responsibility for more than 35,000 self-employed people having the right pension and insurance covers. In this area, Danica Pension played a particularly important role in 2020, as many self-employed people were severely hit by the corona crisis. Our efforts to ensure that self-employed people have the right covers in case of illness or injury and are saving up enough for their retirement were expanded in 2020 with five major new partnerships with organisations such as ASE, which has more than 60,000 self-employed members. Through these partnerships, Danica Pension wishes to generate 10% annual growth in the number of customers in this area. By this, we strive to enhance financial security for more self-employed people.

Danica Pension in joint first place in new customer satisfaction survey

Danica Pension advanced three places in Aalund's Corporate Pension Barometer and now holds a joint first place measured in terms of customer satisfaction.

For Danica Pension, it is essential that we listen to our customers' needs and wishes, and Aalund's surveys enable us to improve our value proposition and create an even better customer experience. So Danica Pension are pleased to have advanced from fourth to a joint first place in terms of customer satisfaction, and Danica Pension will continue our vigorous efforts to further enhance customer satisfaction.

To further improve customer satisfaction in 2021, Danica Pension will focus on digital meeting training, among other things. We will also focus on becoming even better at making our customers aware of all the good Danica Pension solutions and options that are already available or are being launched in advisory services, healthcare and sustainable investments, for example. Our central approach to this will be to look at companies' and our customers' needs, one example is the healthcare initiatives we launched in 2020, which will be followed at the beginning of the new year by Danica Pension's new health package, described below.

Discrimination of pregnant customers

In 2020, we became aware that Danica Pension has, regrettably, for a number of years wrongfully denied coverage of expenses for treatment of illnesses and conditions linked to pregnancy under our health insurance, thus discriminating pregnant women. Danica Pension apologise for this, and we are currently in the process of identifying and processing cases in which women were wrongfully denied coverage from 1997 onwards. This process involves reviewing each case individually and contacting the affected customers to ensure that they receive rightful coverage of their treatment expenses. So far, we have identified some 300 cases in which customers' claims were previously wrongfully turned down, and Danica Pension is now putting this right by covering past expenses with added interest and payment of additional compensation. We are not aware of any previously decided cases with the Danish Board of Equal Treatment (Ligebehandlingsnævnet) determining the level of compensation in this respect. However, having consulted external legal advisers, who deem this to be the likely outcome of the Board of Equal Treatment's assessment of these cases, Danica Pension has already decided for the time being to pay DKK 5,000 compensation to customers with wrongfully denied claims in addition to coverage of their expenses. Should subsequently decided cases from the Board of Equal Treatment indicate that the rightful compensation exceeds this amount, Danica Pension will pay additional compensation to the affected customers in comparable cases. Our processing of the cases will continue into 2021. In addition to this, Danica Pension has reviewed all relevant insurance terms and conditions for Danica Pension's products to ensure that there are no other instances of unlawful discrimination of pregnant customers.

Loss-making health and accident business

Danica Pension's health and accident business produced a loss in 2020. While it was smaller than in 2019, the loss was still at an unsatisfactory level.

In order to ensure a high quality in Danica Pension's healthcare services and less imbalance between income and expenses, we have already launched a number of initiatives in the health and accident business. See the section "Healthier working life" below. 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 remained a priority for Danica Pension to raise our customers' awareness of the advantages of being in 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 investment of 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. As a new feature this year, our customers can now see their pension data in Danske Bank's Mobile Banking app, supporting the easy overview that comes with having all your banking business in one place.

In the sustainable investment area, it is also a great advantage for Danica Pension that the company are able to draw on the experience and expertise of Danske Bank's large ESG team, both in terms of incorporating sustainability in all our investment processes, analyses, reporting, active ownership and in our specific sustainable investments.

Danica Traditionel closed for new business

As mentioned in the 2019 Annual Report, we closed Danica Traditionel for new business in mid-January 2020 due to the low interest rate levels. We did this to protect existing customers in the existing interest rate groups under Danica Traditionel. Furthermore, writing new business in an interest rate group with negative interest rates and low interest on policyholders' savings is not advisable. We recommend that new customers place their pension savings in Danica Balance, where they can choose a risk profile matching their risk appetite. See below.

Changes to guarantees on unit-linked products

With this current situation, Danica Pension's general recommendation for our customers is Danica Balance Mix Medium risk profile without a guarantee, and our recommendation for customers who want 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. Danica Balance 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 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 took effect in Norway on 1 January 2021 with the introduction of the so-called Egen Pensjonskonto. The work of preparing for this required large investments and a great effort on the part of the Norwegian organisation. The company has now completed this work and is ready for the new situation. Under the new rules, Norwegians will be even more free to make decisions about their pension savings, as it will no longer solely be employers who can offer pension schemes. This will present challenges, but also significant growth opportunities, particularly through the collaboration with Danske Bank in Norway and strategic partnerships. In this respect, Danica Pensjon is off to a good start, having entered into a partnership agreement with NITO – Norway's largest society of engineers with 92,000 members. Another example is the pension agreement signed with Optimera, Norway's largest player in the sale and distribution of building materials, lumber and interiors with more than 2,000 employees. Danica Pensjon thus also reached its growth target in 2020, in addition to its focus on preparing itself for Egen Pensjonskonto.

SOCIETAL IMPACT AND SUSTAINABILITY

Societal impact and sustainability strategy

Societal impact and sustainability are a key element of Danica Pension's business strategy. We have defined a strategy with goals for 2025 and three strategic themes supporting the UN Sustainable Development Goals.

- Climate & environment – Helping society transition to 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

To build a strong foundation, we will focus on sustainable investments, sustainable operations, a sustainable workplace and culture and building strong partnerships with our local community.

Our reporting for 2020 below covers our societal impact and sustainability strategy as well as reporting on the climate partnership for the financial sector.

Danica Balance Sustainable Choice

As a pension provider, it is our business to generate attractive returns for our customers. Meanwhile, we are also in a position to influence the future in which pension assets are to be spent. Based on strong demand from our customers, we launched a new sustainable pension solution in October 2020. With Danica Balance Sustainable Choice, our customers get the option to invest part or all of their pension savings in companies that are committed to making a difference within areas such as climate, environment, health, food production or other social aspects that support the UN Sustainable Development Goals. At 31 December 2020, our customers had chosen to invest DKK 580 million in this solution.

Net-Zero Asset Owner Alliance

It is Danica Pension's ambition to help society transition to a net zero carbon economy. In June 2020, we 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. We will also set interim goals for 2025.

Investments in the green transition

The goal for 2030 is for at least DKK 100 billion of our customers' pension savings to have been invested in the green transition. This will be Danica Pension contribution towards a more climate-friendly society, while Danica Pension will continue to generate attractive returns for the customers. Since December 2019, Danica Pension have increased the investments in the green transition from DKK 10 billion to DKK 27 billion at 31 December 2020. These investments include certified sustainable properties, green bonds and infrastructure funds investing in renewable energy. In 2020, Danica Pension invested DKK 837 million in green car battery manufacturer Northvolt, for example.

In 2020, Danica Ejendomme formulated a sustainable investment strategy. The aim is to cut carbon emissions from the Danish property portfolio by 37% in 2025 and by 69% in 2030 relative to 2019. Furthermore, it is Danica Ejendomme's ambition that at least 25% of the properties in its portfolio are to have sustainability certificates by 2025. The sustainable investment strategy also defines goals in terms of indoor environmental quality, carbon neutral building sites, biodiversity and for new builds to be awarded Green Building Council Denmark's gold certificate, or better. In addition to this, DKK 38 million is currently being invested in energy projects in Danish shopping centres. The goal is to improve the shopping centres' energy consumption by some 20% by 2024.

Climate change-related risks

Through the Danske Bank Group, Danica Pension supports the work of Task Force on Climate-related Financial Disclosures (TCFD) focusing on integrating climate-related risks in companies' governance, strategy and risk management. In 2020, Danica Pension prepared our first analyses of physical and transition risks related to climate change. We also prepared our first climate scenario analyses of our

investments in equities and corporate bonds. These analyses focus on companies' expected carbon emissions in future scenarios, and thus their short-term and long-term contribution to global warming. In 2020, Danica Pension published for the first time a carbon footprint report on investments in equities and corporate bonds, measured by scope 1, 2 and 3 (direct and indirect carbon emissions). This report showed that the carbon emissions of our investments are 21% below global benchmarks for equity and corporate bonds. Seen in isolation, our equity investments' carbon emissions are 38% below the global equity benchmark.

Danica Pension can use the carbon footprint report to actively select investments that can produce attractive returns for our customers, as well as in our active dialogue with companies on the green transition. In this dialogue, subjects such as greenhouse gas emissions, energy efficiency and energy transformation were central in 2020.

Reducing Danica Pension own carbon emissions

We have practiced climate compensation for our carbon emissions since 2009. Danica Pension have done so by sourcing certified green power and by purchasing verified carbon credits to offset any emissions we cannot eliminate, for example from transport and paper and heat consumption.

As new measure in 2020, Danica Pension installed charging points at Lyngby head office to support the employees' and customers' use of electric and hybrid vehicles. Danica Pension also focused on increasing the degree of waste recycling at all our offices.

It is Danica Pension ambition to reduce own carbon emissions by at least 10% from 2019 to 2023. Danish environmental data from 2020 indicate that the coronavirus pandemic and a higher degree of working from home have significantly reduced our energy consumption and transport activity. Danica Pension paper consumption was also reduced by 25% relative to 2019. From 2019 to 2020, Danica Pension cut our overall carbon emissions by 48%.

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		2020	2019	2018	2017
Total energy consumption	MWh	3,137	3,605	3,598	3,296
Total water consumption	m ³	3,866	4,481	4,182	4,651
Road transport	Km'000	713	965	702	852
Air transport	Km'000	225	642	552	575
Paper	Tonnes	6	8	16	33
Total CO ₂ emissions	Tonnes	273	426	456	526

Increased financial security

During the corona crisis, Danica Pension have focused greatly on providing advisory services and clear recommendations, even though Danica Pension services have to a large extent been provided online from our employees' homes. Since 2019, we

have assisted some 140,000 customers with advisory services and online pension solutions.

To support the provision of financial security, Danica Pension delivered a new, improved version of Pension Check in 2020, and pension was added as a feature in Danske Bank's Mobile Banking app. Danica Pension also launched a new English-language version of website in order to be more accessible to our English-speaking customers. Furthermore, we published new insights on our website aimed at unemployed, self-employed and young people, people on parental leave and people in part-time employment.

To support the customers' financial security, we also wish to be transparent about our use of data and fully inform our customers about this. To this end, we implemented three data ethical principles and guidelines in 2020: Transparency, Personalisation & Prevention and Data Security. These principles are aligned with those adopted by Insurance and Pension Denmark, the Danish trade association for insurance companies and pension funds.

Healthier working life

Danica Pension wants to drive the development towards a healthier society with less absence due to illness. We focus on prevention, treatment and on helping customers return to work after illness. Since 2019, some 75,000 individuals have received treatment or financial coverage in connection with their non-life insurance cover.

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 launched Step Care™, a programme to prevent illness and help employees who are absent return to work by means of cross-functional treatments arranged by a coordinator, who holds the employee's hand through the entire process.

In May 2020, we launched Healthy Performance™ to help companies all over Denmark create conditions that optimise the mental health of their employees. With Healthy Performance™, we present techniques to help increase the employees' focus and ability to use mental breaks and prioritise. Healthy performance is also a theme covered in Danica Pension's podcast series Sunde Stemmer, which in 2020 highlighted subjects such as stress, mental health and the corona crisis.

The corona crisis has been a challenge to the mental and physical health of both managers and employees. In 2020, we therefore issued tips and advice for both managers and employees on how to stay motivated and maintain a healthy balance during the corona crisis. We also announced the launch of Danica Pension's new health package for our customers. As from 1 January 2021, our customers will have quick and easy access to online consultations with doctors, psychologists and dieticians - without having to report a claim to us or consult their own doctor first.

Sustainable investments

In our investment analyses and decisions, Danica Pension consider environmental, social and governance (ESG) aspects along with financial ones in order to make the best possible investments.

Danica Pension uses active ownership to hold the companies we invest in accountable, and during the corona crisis we have focused our dialogue more on social issues such as health, employee safety and a robust business model. In 2020, Danica Pension strengthened the infrastructure relating to the casting of votes at general meetings. We are voting at general meetings of a larger number of companies in which we hold relevant ownership.

As part of our climate focus, we have 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 our dialogue with companies to curb their carbon emissions and step up their reporting and transparency.

We moreover monitor and evaluate our external asset managers' efforts to integrate ESG when they make investments on behalf of Danica Pension. We discuss with them whether there is anything more they can do to develop or improve their efforts in relation to integrating ESG and active ownership.

A number of restrictions against investing in certain companies and countries have been implemented to reduce ESG risks in our investments. The restrictions apply to the entire investment universe. Danica Pension does not invest in companies if the major part of their revenue is generated from coal, tar sand or tobacco products. We also exclude companies that commit norm-based violations or are involved in controversial weapons, such as nuclear weapons or landmines. Countries subject to EU or UN sanctions are also excluded.

Volunteering

'Time to Give' is a programme that gives all the Group's employees the opportunity to spend one workday per year doing voluntary work and making a difference to their local community. Danica Pension employees undertook voluntary work in aid of cause such as children in need and the homeless in 2020. In 2020, these activities were significantly reduced due to the corona crisis, however.

Statutory reporting on societal impact

For Danica Pension's statutory reporting on societal impact, we refer to Danske Bank's Sustainability Report 2020 and Sustainability Fact Book 2020. The Sustainability Report also serves as our Communication on Progress to the UN Global Compact and is available at danskebank.com/societal-impact.

FINANCIAL REVIEW

Profit for the year

DANICA PENSION GROUP, PROFIT BEFORE TAX		
(DKK millions)	2020	2019
Technical result, Life insurance ¹⁾	1,931	1,838
Technical result, Health and accident insurance	-543	-814
Result of insurance business	1,388	1,024
Return on investment allocated to shareholders' equity, etc. ²⁾	-78	366
Profit before tax, discontinued operations and goodwill impairment	1,310	1,390
Taxation	-188	-93
Goodwill impairment	-	-800
Discontinued operations	-	1,421
Profit for the year	1,122	1,918

¹⁾ Excluding goodwill impairment

²⁾ Including other income and expenses

In 2020, the Danica Pension Group realised a profit before tax, goodwill impairment and discontinued operations of DKK 1,310 million, against DKK 1,390 million in 2019. Profit after tax, goodwill impairment and discontinued operations amounted to DKK 1,122 million, against DKK 1,918 million in 2019.

The profit for the year was affected by a DKK 195 million impairment charge concerning receivables and other assets taken over in connection with the merger with the former SEB Pension. Since the merger and migration to Danica Pension's IT systems, we reviewed and revalued accounting balances from the former SEB Pension, a process that resulted in the aforementioned impairment charge. The charge was recognised under other expenses in the income statement and covered by shareholders' equity. The profit for the year was also affected by a DKK 220 million provision for tax on pension returns relating to prior years.

The result of insurance business for 2020 exceeded the level guided in the annual report for 2019 and was on a par with the level guided in the interim report for the first six months of 2020. The financial market improvement for 2020 overall was the reason that the result of insurance business exceeded our expectations in 2019.

The technical result of life insurance for 2020 before goodwill impairment amounted to DKK 1,931 million, against DKK 1,838 million in 2019. The technical result was favourably affected by the financial market improvement during the year, which lifted asset management income. As has been the case in the past few years, Danica was able to book the full risk allowance for the interest rate groups in 2020.

The technical result of health and accident insurance for 2020 was a loss of DKK 543 million, against a loss of DKK 814 million in 2019. The development in health and accident insurance was favourably affected by a decrease in the number of

new claims. The return on investment from health and accident insurance in 2020 was affected by the above-mentioned provision for tax on pension returns relating to prior years.

The return on investment allocated to shareholders' equity, etc. was impacted by a negative investment return for the year, lower commission income from fund managers and expenses related to the clean-up and revaluation mentioned above.

Profit after tax from discontinued operations amounted to DKK 1,421 million in 2019, mainly comprising proceeds from the sale of Danica Sweden.

Special allotments to former customers of Statsanstalten for Livsforsikring amounted to an expense of DKK 40 million in 2020, against DKK 85 million in 2019. See the section on contribution in the significant accounting policies note. The expense for special allotments in 2020 was reduced by DKK 25 million due to a correction of special allotments regarding 2019.

The board of directors propose that no ordinary dividends are to be distributed for 2020.

Gross premiums

Gross premiums from continuing operations in 2020 amounted to DKK 29.9 billion against DKK 29.3 billion compared with 2019.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS)					
(DKK billions)	2020	2019	2018	2017	2016
Denmark					
Life insurance	26.1	25.5	26.1	23.4	21.2
Health and accident	1.4	1.2	1.1	0.9	0.9
Non-Danish units					
Norway	2.4	2.6	2.3	2.4	2.2
Total premiums	29.9	29.3	29.5	26.7	24.3

The former SEB Pension is included in the table from the acquisition date in mid-2018.

Total premiums in the Danish business amounted to DKK 27.5 billion in 2020, compared with DKK 26.7 billion in 2019. 2020 premiums were favourably affected by an increase in single premiums, while regular premiums were down slightly. Premiums in Norway fell 8% and accounted for 8% of total premiums. The drop in premiums was affected by the lower NOK/DKK exchange rate. Adjusted for this, premiums were on a par with 2019.

Return on investment

The overall return on investment amounted to DKK 32.0 billion, and tax on pension returns amounted to DKK 4.4 billion. The return on investment was impacted by the positive financial market developments in 2020.

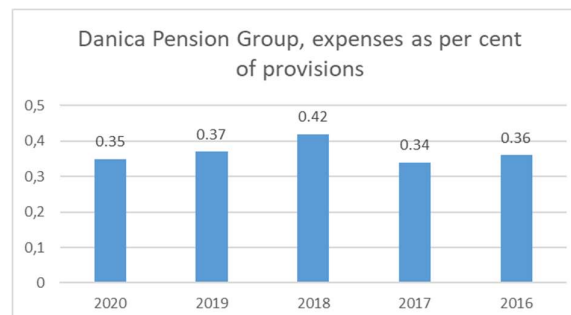
Claims and benefits

Claims and benefits amounted to DKK 26.5 billion in 2020, against DKK 28.0 billion in 2019.

Surrenders including investment contracts amounted to DKK 19.1 billion in 2020, against DKK 20.9 billion in 2019.

Expenses

In life insurance, operating expenses relating to insurance amounted to DKK 1,395 million in 2020, against DKK 1,393 million in 2019 (excluding goodwill impairment). The Group recognised no goodwill impairment in 2020.



Expenses amounted to 0.35% of average provisions, against 0.37% in 2019 (excluding goodwill impairment). The decline was due to an increase in provisions in 2020 driven by the financial market developments, as the Group's expenses were in line with 2019. In 2018, expenses were affected by the integration with the former SEB Pension.

The average number of full-time employees was 766 in 2020, against 761 in 2019, and at the end of the year, Danica had 781 in and outside Denmark.

The Danica Pension Group paid DKK 627 million to Danske Bank for investment management, IT operations and development, internal auditing, HR administration, logistics and marketing. In addition, Danica paid DKK 220 million to the Danske Bank Group for its sale of life insurance policies (see note 32).

Tax

The tax charge amounted to DKK 188 million, positively affected by a DKK 140 million adjustment of prior year tax charges.

Other comprehensive income

Other comprehensive income was negative at DKK 14 million in 2020, against positive income of DKK 8 million in 2019. Other comprehensive income comprises the effect of foreign currency translation (including hedging) of foreign entities, including any tax effect.

Balance sheet

The Group's total assets increased from DKK 606 billion at 31 December 2019 to DKK 671 billion at 31 December 2020. The increase was explained by the financial market improvement in 2020 leading to a greater increase in investment assets, including in the values of financial instruments.

DANICA PENSION GROUP, BALANCE SHEET		
(DKK millions)	31.12.2020	31.12.2019
ASSETS:		
Intangible assets	2,771	2,916
Tangible assets	40	40
Investment assets ¹⁾	654,413	586,649
Debtors	3,096	4,020
Other assets	3,112	4,130
Prepayments and accrued income	7,107	8,027
TOTAL ASSETS	670,539	605,782
LIABILITIES AND EQUITY:		
Technical provisions	457,889	437,402
Other liabilities ²⁾	188,508	145,346
Shareholders' equity	24,142	23,034
TOTAL LIABILITIES AND EQUITY	670,539	605,782

¹⁾ Including investment assets related to unit-linked products

²⁾ Other liabilities than the provisions for insurances

Intangible assets were recognised at a value of DKK 2,771 million, comprising goodwill and the value of customer relationships taken over. We found no evidence of impairment of goodwill or customer relationships in 2020, whereas a goodwill impairment loss of DKK 800 million was recognised in 2019. The intangible asset relating to customer relationships is 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 587 billion at 31 December 2019 to DKK 654 billion at 31 December 2020 and were affected by the positive financial market developments and an increase in the value of derivatives with positive fair values from DKK 108 billion at 31 December 2019 to DKK 162 billion at 31 December 2020. The value of derivatives with negative fair values also rose relative to 2019, and the net value of derivatives was DKK 13 billion at 31 December 2020, against DKK 1 billion at 31 December 2019. The increased net value of derivatives was driven by the drop in interest rates in 2020.

Provisions for insurance and investment contracts totalled DKK 458 billion at 31 December 2020, against DKK 437 billion at 31 December 2019. The increase was mainly driven by the financial market upturn, which increased the value of customers' pension savings.

Life insurance provisions related to average-rate products fell DKK 2 billion to DKK 184 billion. This development supports the expected reduction in average-rate policies.

Life insurance provisions related to unit-linked products rose from DKK 228 billion at the beginning of 2020 to DKK 249 billion at the end of 2020. The increase was primarily due to the positive financial market developments in 2020.

Other liabilities include derivatives with negative fair values. The negative value of derivatives rose from DKK 107 billion at 31 December 2019 to DKK 150 billion at 31 December 2020.

At the end of 2020, shareholders' equity was DKK 24.1 billion, against DKK 23.0 billion at the end of 2019.

Solvency statement and capital requirements

At 31 December 2020, the Danica Pension Group's solvency coverage ratio was 202%, against 198% at 31 December 2019. The Danica Group still maintained strong excess solvency at 31 December 2020.

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

DANICA PENSION GROUP, SOLVENCY		
(DKK millions)	31.12.2020	31.12.2019
Total capital	28,882	27,347
Solvency capital requirement (SCR)	14,332	13,800
Excess capital base	14,550	13,547

Danica Pension publishes an annual solvency and financial condition report as a supplement to the annual report. The report, which is mandatory under Solvency II, gives a detailed account of Danica's solvency and financial condition. The report is available on Danica Pension's website.

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

Events after the balance sheet date

No events have occurred between 31 December 2020 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 2021

The result of Danica's insurance business for 2021 is expected to be on a par with the result for 2020. Financial market developments in 2021 will affect the result, however.

In 2021, Danica expects to further strengthen the position as a leading provider of life and pension insurance products in Denmark.

Danica expects to merge the companies Forsikringselskabet Danica, Skadesforsikringsaktieselskab af 1999 and Danica Pension, Livsforsikringsaktieselskab in the first half of 2021 with Danica Pension Livsforsikringsaktieselskab as the continuing company. The prospective merger will not change either the scope of business or the existing product range. Seen in isolation, the prospective merger will reduce Danica Pension, Livsforsikringsaktieselskab's shareholders' equity, which in turn will affect the solvency coverage ratio. Danica Pension will still maintain strong excess solvency after the merger, however. The merger is subject to approval by the relevant authorities.

The financial markets

2020 was dominated by the coronavirus pandemic. The pandemic spread from East to West, bringing a number of countries to their knees. The extensive economic stimulus packages, combined with a certain reduction in the spread of the corona virus, led to a strong comeback for high-risk assets.

The year saw positive equity and fixed income market returns. Market performance was so strong that practically all portfolios produced good results for the year.

Global equity markets were up around 7% for the year. The fixed income and credit markets saw similar positive performances.

Return on investment

Unit-linked products in Denmark generated an aggregate return of DKK 18.2 billion in 2020, equivalent to 8.3% before tax on pension returns.

The table below shows the returns on the unit-linked product Balance Mix for 2020, broken down by risk profile and number of years to retirement:

2020 return before tax (%)			
Risk	30 years to retirement	15 years to Retirement	5 years to retirement
Danica Pension - Balance Mix			
High risk profile	12.2	10.7	8.5
Medium risk profile	11.4	8.5	6.9
Low risk profile	10.1	6.6	5.4

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

DISTRIBUTION BY INTEREST RATE GROUP AT 31/12/2020

(%)	Interest on policyholders' savings before tax on pension returns (p.a.)	Investment return before tax on pension returns
Interest rate group D1	1.8	6.5
Interest rate group D2	1.8	6.7
Interest rate group D3	1.8	6.8
Interest rate group D4	1.8	6.6
Interest rate group 1	2.5	5.9
Interest rate group 2	6.0	4.9
Interest rate group 3	6.0	4.7
Interest rate group 4	6.0	4.2

The return on investment of customer funds in Danica Pension was 6.0% before tax on pension returns in 2020. Adjusted for changes in provisions, the return was 3.1% before tax on pension returns.

The investment allocation of assets attributed to shareholders' equity at year end 2020 was 10% in property and 90% in relatively short-term bonds. The return on assets attributed to shareholders' equity was a negative 0.2%.

ORGANISATION, MANAGEMENT AND PARTNERSHIPS

Danica is a wholly-owned subsidiary of Danske Bank A/S and handles the 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 nine directors, five of whom are elected by the general meeting, three are elected by the employees and one appointed by the Minister of Finance. 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 2020.

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 2020, 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 Mølskov Høybye and Søren Lockwood. Jesper Mølskov Høybye will resign from his position as CFO and member of Danica Pension's Executive Board in 2021. His successor is Thomas Dyhrberg Nielsen, who will take up the position of CFO and member of Danica Pension's Executive Board on 1 July 2021 at the latest.

The directorships of the members of the Board of Directors and the Executive Board are listed on page 76. For additional information on the organisation, see page 75.

Diversity policy

Diversity in the competencies represented on the Board of Directors is essential to the Board's performance. The Board of Directors has adopted a diver-

sity 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 the Danske Bank Group's overall diversity policy.

45% of Danica's managers are women, a minor increase relative to 2019, and they were distributed as follows in terms of management levels at 31 December 2020:

GENDER COMPOSITION MANAGEMENT					
Management level	Total	Women	Pro-portion of women	Group target	Pro-portion of men
Board members*	8	4	50%	38%	50%
Senior management/business management	27	9	33%	25%	67%
Other managers	73	36	49%	40%	51%

* Representative appointed by the Minister of Finance is not included.

The status for 2020 is that the targets have been met for all three levels of management. Our work to make processes for recruiting and promoting employees more objective has been successful. Danica will continue this work in 2021, while also continuing to focus on talent development and retention.

Remuneration policy and incentive schemes

Danica's remuneration policy fits in with that of the 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 the 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.

Competent leadership and strong employee commitment are key to the performance of the business.

In a year marked by a global pandemic, we have worked extra hard to maintain the strong employee commitment and stay focused on mental health with stress prevention and healthy performance in the form of mental training and other initiatives.

Danica gives focused attention to management development and requires all managers to motivate, inspire and develop their employees.

In 2020, we were particularly focused on giving our executives the necessary skills to manage remotely through virtual communication platforms.

Our employee commitment rose steadily in 2020, and we reached our goal despite difficult working conditions with a significant amount of working from home. 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.

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 pct.			SCR 100 pct.		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	-150	26,726	125	-193	22,417	100
Equity risk	67	21,155	125	90	16,198	100
Property risk	77	23,943	125	100	21,019	110
Credit spread risk:						
- Danish government bonds, etc.	17	25,999	125	27	21,577	100
- Other government bonds, etc.	28	25,949	125	44	21,727	100
- Other bonds	46	25,066	125	71	20,345	100
Currency spread risk						
USD	100	27,599	146	100	27,599	146
GBP	100	27,771	196	100	28,771	196
CHF	100	28,824	200	100	28,824	200
Counterparty risk		28,882	185		28,882	185
Longevity risk	45	24,800	125	53	22,358	100
Life insurance option risk	850	22,821	137	850	22,821	137
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

Følsomhedsoplysninger - MCR

	MCR 125 pct.			MCR 100 pct.		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	-200	21,710	201	-200	21,710	201
Equity risk	100	13,832	157	100	13,832	157
Property risk	100	21,019	218	100	21,019	218
Credit spread risk:						
- Danish government bonds, etc.	45	13,167	125	49	10,988	100
- Other government bonds, etc.	74	13,114	125	81	10,944	100
- Other bonds	100	14,436	139	100	14,436	139
Currency spread risk						
USD	100	27,599	301	100	27,599	301
GBP	100	28,771	391	100	28,771	391
CHF	100	28,824	398	100	28,824	398
Counterparty risk		28,882	374		28,882	374
Longevity risk	72	12,878	125	74	11,182	100
Life insurance option risk	850	22,821	285	850	22,821	285
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

The above table was prepared on the basis of total capital of DKK 28,882 million and a solvency coverage ratio of 202%. 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 Pension Group

DKKm	2020	2019	2018	2017	2016
INCOME STATEMENT					
Life insurance					
Premiums	27,364	24,535	23,435	23,716	22,274
Claims and benefits	-26,547	-27,969	-27,159	-21,192	-20,898
Return on investment	32,061	52,605	-8,670	16,087	17,868
Total operating expenses relating to insurance	-1,395	-1,393	-1,392	-937	-923
Depreciation of goodwill	-	-800	-	-	-
Profit/loss on business ceded	-12	-21	2	-19	-14
Technical result, Life	1,931	1,038	1,155	1,316	1,786
Health and accident insurance					
Gross premium income	1,186	1,302	1,475	981	1,101
Gross claims	-1,515	-1,826	-1,737	-1,103	-1,132
Total operating expenses relating to insurance	-96	-100	-114	-80	-95
Profit/loss on business ceded	-35	-26	-44	2	29
Return on investment	-107	-185	26	211	112
Technical result of health and accident insurance	-543	-814	-652	-151	-100
Profit after tax from discontinued operations	-	1,421	77	56	55
Net profit/loss for the year	1,122	1,918	642	1,225	1,585
Other comprehensive income	-14	8	-37	-33	-7
BALANCE SHEET					
Total assets	670,539	605,782	566,022	427,521	404,820
Insurance assets, health and accident insurance	223	268	301	69	91
Technical provisions, health and accident insurance	17,758	17,269	14,362	9,915	9,858
Total shareholders' equity	24,142	23,034	21,366	17,947	18,267
Total provisions for insurance and investment contracts	457,889	437,402	399,247	363,462	340,467
RATIOS (%)					
Rate of return related to average rate products	6.0	10.3	1.0	2.5	6.5
Rate of return related to unit-linked products	8.3	15.6	-5.5	8.1	5.5
Risk on return related to unit-linked products	4.50	4.25	4.25	4.25	4.25
Expenses as per cent of provisions	0.3	0.4	0.4	0.3	0.4
Expenses per policyholder [DKK]	1,349	1,406	1,325	1,116	1,049
Return on equity after tax	4.8	8.6	3.2	6.6	8.4
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	125	138	124	115	105
Gross expense ratio	8	8	9	9	9
Combined ratio	136	148	136	125	112
Operating ratio	136	148	158	144	127
Relative run-off (%)	0.8	0.0	-0.4	0.2	0.1
Run-off, net of reinsurance [DKK millions]	113	6	-49	19	11

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds. For definition of the ratios see Significant accounting policies.

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.

Income statement & Other comprehensive income - Danica Pension Group

Note	DKKm	2020	2019
3	Gross premiums	27,364	24,535
	Reinsurance premiums ceded	-31	-23
	Total premiums, net of reinsurance	27,333	24,512
	Income from associates	-38	337
4	Income from investment property	534	596
5	Interest income and dividends, etc.	22,068	22,816
6	Value adjustments	26,664	45,251
7	Interest expenses	-15,997	-14,962
	Administrative expenses related to investment activities	-1,170	-1,433
	Total return on investment	32,061	52,605
	Tax on pension returns	-4,360	-6,793
8	Claims and benefits paid	-26,547	-27,969
	Reinsurers' share received	14	14
	Total claims and benefits, net of reinsurance	-26,533	-27,955
	Change in life insurance provisions	-23,828	-36,851
	Change in reinsurers' share	-2	-23
	Total change in life insurance provisions, net of reinsurance	-23,830	-36,874
9	Change in profit margin	-774	-1,268
	Acquisition costs	-272	-359
	Administrative expenses	-1,152	-1,060
	Reimbursement of costs from group undertakings	29	26
	Depreciation of goodwill	-	-800
	Reinsurance commissions and profit sharing	7	11
10	Total operating expenses relating to insurance, net of reinsurance	-1,388	-2,182
	Transferred investment return	-578	-1,007
	TECHNICAL RESULT OF LIFE INSURANCE	1,931	1,038

Income statement & Other comprehensive income - Danica Pension Group

Note	DKKm	2020	2019
	(cont'd)		
	HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	1,230	1,296
	Reinsurance premiums ceded	-74	-77
	Change in unearned premiums provision	-13	-84
	Change in profit margin and risk margin	-31	90
	Premiums, net of reinsurance	1,112	1,225
	Claims paid, gross	-1,695	-1,651
	Reinsurers' share received	77	83
	Change in outstanding claims provision	250	-240
	Change in risk margin	-70	65
	Change in outstanding claims provision, reinsurers' share	-40	-34
	Claims, net of reinsurance	-1,478	-1,777
	Bonus and premium discounts	24	21
	Acquisition costs	-33	-42
	Administrative expenses	-63	-58
	Reinsurance commissions and profit sharing	2	2
	Total operating expenses relating to insurance, net of reinsurance	-94	-98
	Return on investment	-107	-185
11	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-543	-814
	Return on investment allocated to equity	-39	81
12	Other income	156	285
12	Other expenses	-195	-
13	PROFIT BEFORE TAX	1,310	590
14	Tax	-188	-93
	NET PROFIT FOR THE YEAR, BEFORE DISCONTINUED OPERATIONS	1,122	497
15	Profit after tax from discontinued operations	-	1,421
	NET PROFIT FOR THE YEAR	1,122	1,918
	Net profit for the year	1,122	1,918
	Other comprehensive income (items that will be reclassified in a subsequent sale):		
	Translation of units outside Denmark	-41	40
	Hedges of units outside Denmark	34	-42
14	Tax relating to other comprehensive income	-7	10
	Total other comprehensive income	-14	8
	NET COMPREHENSIVE INCOME FOR THE YEAR	1,108	1,926

Balance sheet - Danica Pension Group

Assets

Note	DKKm	2020	2019
16	INTANGIBLE ASSETS	2,771	2,916
17	Domicile property	40	40
	TOTAL TANGIBLE ASSETS	40	40
18	Investment property	17,516	17,395
19	Holdings in associates and joint ventures	9,674	10,223
	Loans to associates and joint ventures	665	724
	Total investments in associates	10,339	10,947
20	Holdings	30,543	23,167
	Unit trust certificates	11,958	21,564
21	Bonds	165,796	170,533
	Other loans	1,466	1,308
	Deposits with credit institutions	6,150	529
22	Derivatives	116,367	72,043
23	Total other financial investment assets	332,280	289,144
	TOTAL INVESTMENT ASSETS	360,135	317,486
24	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	294,278	269,163
	Unearned premiums provision, reinsurers' share	1	1
	Life insurance provisions, reinsurers' share	64	70
	Outstanding claims provision, reinsurers' share	222	267
25	Total technical provisions, reinsurers' share	287	338
	Amounts due from policyholders	458	675
	Amounts due from insurance companies	118	175
	Amounts due from group undertakings	1,660	1,642
	Other debtors	573	1,190
	TOTAL DEBTORS	3,096	4,020
	Assets relating to discontinued operations	296	182
	Current tax assets	6	7
	Cash and cash equivalents	2,810	3,941
	TOTAL OTHER ASSETS	3,112	4,130
	Accrued interest and rent	6,624	7,524
	Other prepayments and accrued income	483	503
	TOTAL PREPAYMENTS AND ACCRUED INCOME	7,107	8,027
	TOTAL ASSETS	670,539	605,782

Balance sheet - Danica Pension Group

Liabilities and equity

Note	DKKm	2020	2019
LIABILITIES			
	Unearned premiums provision	1,733	1,697
	Life insurance provisions, average rate products	184,243	185,954
26	Life insurance provisions, unit-linked products	248,561	227,635
	Total life insurance provisions	432,804	413,589
	Profit margin on life insurance and investment contracts	7,327	6,544
	Outstanding claims provision	14,886	14,479
	Risk margin on non-life insurance contracts	1,097	1,016
	Provisions for bonus and premium discounts	42	77
27	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	457,889	437,402
14	Deferred tax	1,291	1,281
	Other provisions	170	186
	TOTAL PROVISIONS FOR LIABILITIES	1,461	1,467
	Amounts owed, direct insurance	87	45
	Amounts owed to reinsurers	130	159
28	Amounts owed to credit institutions	20,734	19,235
	Current tax liabilities	56	38
29	Other creditors	155,861	113,689
	Accruals and deferred income	6,221	6,763
30	Subordinated debt	3,958	3,950
	TOTAL CREDITORS	646,397	582,748
SHAREHOLDERS' EQUITY			
	Share capital	1,101	1,101
	Revaluation reserve	1	1
	Contingency fund	1,882	1,882
	Retained earnings	21,158	20,050
	TOTAL SHAREHOLDERS' EQUITY	24,142	23,034
	TOTAL LIABILITIES AND EQUITY	670,539	605,782

Statement of capital - Danica Pension Group

DKK m

Changes in shareholders' equity	Share capital	Revaluation reserve	Foreign currency translation reserve *	Contingency fund	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2019	1,101	1	-59	1,882	20,109	-	23,034
Profit for the year	-	-	-	-	1,122	-	1,122
Other comprehensive income:							
Translation of units outside Denmark	-	-	-41	-	-	-	-41
Hedges of units outside Denmark	-	-	34	-	-	-	34
Tax on other comprehensive income	-	-	-7	-	-	-	-7
Total other comprehensive income	-	-	-14	-	-	-	-14
Comprehensive income for the year	-	-	-14	-	1,122	-	1,108
Shareholders' equity at 31 December 2020	1,101	1	-73	1,882	21,231	-	24,142
Shareholders' equity at 31 December 2018	1,101	1	-67	1,882	18,449	-	21,366
Effect of accounting policy changes 1 January 2019					-258		-258
Adjusted shareholders' equity at 1 January 2019	1,101	1	-67	1,882	18,191	-	21,108
Profit for the year	-	-	-	-	1,918	-	1,918
Other comprehensive income:							
Translation of units outside Denmark	-	-	40	-	-	-	40
Hedges of units outside Denmark	-	-	-42	-	-	-	-42
Tax on other comprehensive income	-	-	10	-	-	-	10
Total other comprehensive income	-	-	8	-	-	-	8
Comprehensive income for the year	-	-	8	-	1,918	-	1,926
Shareholders' equity at 31 December 2019	1,101	1	-59	1,882	20,109	-	23,034

* Recognised in the balance sheet under retained earnings.

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

The share capital is made up of 11,010,000 shares of a nominal value of DKK 100 each. All shares carry the same rights; there is thus only one class of shares.

Statement of capital - Danica Pension Group

DKKm	2020	2019
Capital base		
Shareholders' equity	24,142	23,034
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	3,628	3,282
Deferred tax	-75	-3
Intangible assets	-2,771	-2,916
Tier 2 capital	3,958	3,950
Capital base	28,882	27,347

Cash flow statement - Danica Pension Group

DKKm	2020	2019
Cash flow from operations		
Profit before tax	1,310	590
Adjustment for non-cash operating items		
Non-cash items relating to premiums and benefits	23,345	44,693
Non-cash items relating to reinsurance	14	16
Non-cash items relating to investment return	-27,841	-51,750
Non-cash items relating to tax on pension returns	752	-4,686
Non-cash items relating to expenses	-1,812	7,576
Net investment, customer funds	11,434	5,614
Payments received and made, investment contracts	-3,287	-1,651
Tax paid	-167	446
Cash flow from operations	3,748	848
Cash flow from investing activities		
Sale of undertakings	-	1,645
Acquisition of bonds	-9,131	-14,894
Sale of bonds	8,411	10,248
Purchase of derivatives	-36	
Cash flow from investing activities	-756	-3,001
Cash flow from financing activities		
Debt to credit institutions	1,498	1,870
Cash flow from financing activities	1,498	1,870
Cash and cash equivalents at 1 January	4,470	4,753
Change in cash and cash equivalents	4,490	-283
Cash and cash equivalents, end of year	8,960	4,470
Cash and cash equivalents, end of year		
Deposits with credit institutions	6,150	529
Cash in hand and demand deposits	2,810	3,941
Total	8,960	4,470

Notes – Danica Pension Group

Note

1 SIGNIFICANT ACCOUNTING POLICIES – DANICA PENSION

GENERAL

The Danica Pension 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.

As of 1 January 2020, the Danica Pension Group implemented amendments to IAS 1 and IAS 8 (Definition of material), IFRS 3 (Business-combinations), IFRS 9, IAS 39 and IFRS 7 (interest Rate Benchmark Reform phase I), and amendments to the references to the Conceptual Framework in a number of IFRS standards.

The amendments to IAS 1 and IAS 8 clarify the definition of materiality and align the definition of materiality in the Conceptual Framework with the definition in IFRS standards. The changes will apply to accounting periods starting on or after 1 January 2020.

The amendments to IFRS 3 clarify the definition of a business for the purpose of assessing whether a transaction should be treated as a business combination or the acquisition of an asset. The clarifications shall apply to takeovers after 1 January 2020.

The amendments to IFRS 9, IAS 39 and IFRS 7 cover aspects related to the uncertainty in the period prior to the implementation of new interest rates in connection with the ongoing interest Rate benchmark reform. The changes imply that the benchmark reform will not change the future cash flows when assessing the future effectiveness test in connection with hedge accounting.

The implementation of the changes has no impact on the Danica Pension Group's financial statements, and apart from the above, the accounting policies have remained unchanged relative to the 2019 annual report.

Danica has reclassified insurance contracts, stated as investment contracts in the annual accounts for 2019, totalling DKK 31.2 billion to insurance contracts. The insurance contracts were taken over from SEB Pension, and on closer examination they should have been stated as insurance contracts. The distribution between insurance and investment contracts is stated exclusively in notes to the financial statements, which means that the reclassification does not affect the Group's income statement and balance sheet. The figures for 2019 have been changed in the relevant notes.

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 unlisted investments
- the fair value measurement of real property
- Intangible assets / Goodwill

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 (2019: 2.5 years) for a sixty five-year-old male and 2.4 years (2019: 2.3 years) for a sixty five-year-old female. A sixty five-year-old male is thus expected to live for approximately 23 more years (2019: 23 years) and a sixty five-year-old female for approximately 25 more years (2019: 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.

Notes – Danica Pension Group

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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 group 1 and a 10% decrease in all intensities for interest rate groups 2-4 and D1- D4. 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.

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 three years.

Goodwill on acquisition of Danica Pensionsforsikring A/S and Danica Administration A/S amounts to DKK 1,543 million (2019: 1,543 million). The impairment test carried out in November 2020 showed that no impairment had occurred during 2020. 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. For the impairment test a discount rate of 7% was used in 2020 compared to 8% in 2019. The reduction in the discount rate is a consequence of the falling interest rates and a fall in the market risk premium.

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. No evidence of impairment has been identified in 2020.

Consolidation

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

The financial statements consolidate the Company and group undertakings in which the Group has control over financial and operating decisions. Control is said to exist if the Company 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.

Notes – Danica Pension Group

Note

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.

Intra-group mergers are carried out in accordance with the aggregation method.

For an overview of the companies in the Group, see page 74 of the annual report for 2020. 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 the Company, directly or indirectly, holds 20-50% of the voting rights and has power to control management decisions. If the company, together with one or more external investors, has joint control over a company, it is a joint operation.

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 the Group'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 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 above-mentioned items also comprise other temporarily held assets. In 2019, the sale of Danica Pension Forsäkringsaktiebolag received final regulatory approval and the Company are therefore 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.

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 the Company. 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.

Notes – Danica Pension Group

Note

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.

Hedge accounting

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 fourteen 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.

Notes – Danica Pension Group

Note

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.

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 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 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 Pension Group

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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 three years. If earnings are not expected to reach a normalised level within the first three years, the period of explicit earnings estimates is extended to ten years. Expected cash flows are discounted by 7% (2019: 8%) after tax, equalling 9,0% (2019: 10,3%) 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 three 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 7% to 8%, a further impairment loss of DKK 0.3 billion and DKK 0.3 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 based on a discounted cash-flow model 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. External assessments of market rent and return percentages, among other things, are collected for the

Notes – Danica Pension Group

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purpose of input for the determination of return percentages, but the company's own assessment is the basis for calculating fair value.

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.

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. Unlisted funds are measured on the basis of reports from the fund using IPEV Valuation Guidelines as a basis, after which the underlying investments are measured at fair value on the balance sheet date.

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, disability rates and administrative costs 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

Notes – Danica Pension Group

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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.

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 Pension Group

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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

Danica Pension's contingency fund amount 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 14 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 Pension Group

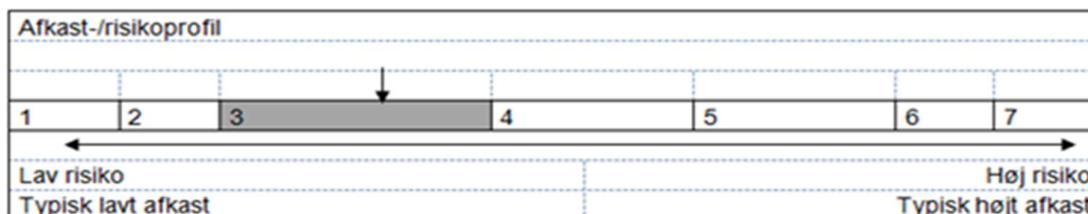
Note

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.

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.

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.

Notes – Danica Pension Group

Note

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 new accounting standard (IFRS 17) and a number of amendments to international financial reporting standards (IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 16, IAS 37, IAS 39 and IAS 41) which have not yet come into force. The following paragraphs mention the only standard that is expected to have a significant impact on the Group's financial reporting, namely IFRS 17.

IFRS 17 Insurance Contracts

IFRS 17, which has not yet been adopted by the EU, is expected to be implemented at 1 January 2023. 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.

Notes - Danica Pension Group

Note	DKKm	2020	2019
2	BUSINESS SEGMENTS		
	The Group consists of one business segment as shown below		
	Gross premiums from external sales	29,886	29,254
	- Gross premiums on investment contracts	-1,292	-3,423
	Gross premiums in the income statement	28,594	25,831
	Return on investment allocated to technical result	27,124	44,806
	Claims and benefits paid	-28,242	-29,621
	Change in provisions for insurance and investment contracts	-24,442	-38,267
	Total operating expenses relating to insurance	-1,491	-2,293
	Result of reinsurance	-47	-47
	Other income, net	-39	285
	Technical result	1,457	694
	Return on investment, shareholders' equity	-39	81
	Return on investment, health and accident	-107	-185
	Profit before tax, including discontinued operations	1,311	590
	Other segment information:		
	Interest income	19,257	19,367
	Interest expenses	-15,997	-14,962
	Income from associated undertakings at book value	-38	337
	Impairment, depreciation and amortisation charges	-133	-933

The Danica Pension 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	
	2020	2019	2020	2019
Denmark	27,515	26,654	29,833	30,407
Norway	2,372	2,601	77	168
Total	29,887	29,255	29,910	30,575

Notes - Danica Pension Group

Note	DKKm	2020	2019
3	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	17,012	17,333
	Single premiums	11,644	10,625
	Total direct insurance	28,656	27,958
	Total gross premiums	28,656	27,958
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	263	1,715
	Single premiums	1,029	1,708
	Total premiums	1,292	3,423
	Total gross premiums included in the income statement	27,364	24,535
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	24,055	22,795
	Insurance taken out individually	2,467	3,004
	Group life insurance	2,134	2,159
	Total	28,656	27,958
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	510	492
	Insurance taken out individually	468	478
	Group life insurance	546	584
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profits insurance	4,194	5,283
	Without profits insurance	174	194
	Unit-linked insurance	24,288	22,481
	Total	28,656	27,958
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	26,107	25,165
	Other EU countries	263	246
	Other countries	2,286	2,547
	Total	28,656	27,958
4	INCOME FROM INVESTMENT PROPERTY		
	Rent	929	866
	Operating expenses	-395	-270
	Total	534	596
	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	619	817
	1 - 5 years	1,337	1,358
	After 5 years	870	1,034
	Total	2,826	3,209
5	INTEREST INCOME AND DIVIDENDS		
	Interest income from assets at fair value	18,368	18,893
	Interest income from assets at amortised cost	889	474
	Dividends	2,634	3,225
	Indexation	177	224
	Total	22,068	22,816

Notes - Danica Pension Group

Note	DKKm	2020	2019
6	VALUE ADJUSTMENTS		
	Investment property	-97	404
	Holdings	2,628	8,958
	Unit trust certificates	-1,979	5,552
	Bonds	11,104	23,884
	Other loans	-17	-70
	Deposits with credit institutions	8	-75
	Derivatives	15,276	6,605
	Other	-259	-7
	Total value adjustments	26,664	45,251
7	INTEREST EXPENSES		
	Interest expenses on assets at fair value	-15,475	-14,961
	Interest expenses on assets at amortised cost	-522	-1
	Total	-15,997	-14,962
8	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-1,161	-1,188
	Insurance amounts on disablement	-300	-311
	Insurance amounts on expiry	-889	-901
	Retirement benefits and annuities	-8,207	-8,426
	Surrender values	-14,513	-15,802
	Cash payments of bonuses	-1,475	-1,340
	Total direct insurance	-26,545	-27,968
	Expenses to minimise disablement	-2	-1
	Total claims and benefits paid	-26,547	-27,969
9	Change in profit margin, life insurance		
	Change in profit margin, life insurance before transfer to Health and accident	-789	-546
	Transferred to profit margin and risk margin in Health and accident	15	-722
	Change in profit margin, life insurance after transfer to Health and accident	-774	-1,268

Notes - Danica Pension Group

Note	DKKm	2020	2019
10	OPERATING EXPENSES RELATING TO INSURANCE		
	Commission on direct insurance	-270	-253
	Fees to the audit firm appointed by the general meeting:		
	Fees to Deloitte:		
	Statutory audit of financial statements	-2.5	-2.4
	Other assurance engagements	-0.4	-0.3
	Tax advisory services	-0.2	-0.1
	Other services	-0.2	-0.2
	Total	-3.3	-3.0
	Fees for non-audit services provided to the Group in 2020 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	766	761
	Number of full-time-equivalent employees, end of year	781	760
	Staff costs:		
	Salaries	-572	-566
	Share-based payment	-4	-6
	Pensions	-88	-87
	Other social security and tax	-80	-76
	Other	-51	-52
	Total staff costs earned	-795	-787
	For a more detailed description of the Group's remuneration policy and remuneration paid, see "Remuneration Report 2020", available at the website: www.danicapension.dk from medio March 2021. The remuneration report 2020 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.		
	Board of Directors' remuneration (DKK'000)		
	Kim Andersen (until 17.3.2020)	-95	-380
	Jesper Koefoed (from 17.3.2020)	-340	-
	Kenneth Stricker-Nielsen	-169	-150
	Charlott Due Pihl	-169	-150
	Henrik Nielsen (until 17.3.2020)	-37	-150
	Anne Charlotte Hovgaard Dahlstrøm (from 17.3.2020)	-138	-
	Ib Katznelson	-169	-150
	Total remuneration	-1,117	-980
	Including fees for board committee membership	-256	-190

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 2020, Berit Behring earned DKK 10.3 million (2019 DKK 2.9 million), Jacob Aarup-Andersen earned DKK 4.7 million (2019 DKK 11.2 million), Christian Baltzer earned (2019 DKK 6.0 million), Kim Andersen earned DKK 0.1 million (2019 DKK 0.3 million) and Jesper Koefoed earned DKK 0.3 million in total remuneration from such companies

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

Remuneration of other material risk takers

For 2020, 20 persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 21.3 million (2019 DKK 27.7 million to 21 material risk takers), with fixed remuneration amounting to DKK 18.1 million (2019 DKK 23.6 million) and variable remuneration amounting to DKK 3.2 million (2019 DKK 4.1 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 2021 and will include additional information on the remuneration of material risk takers. The Remuneration Report will be available at www.danicapension.dk

Notes - Danica Pension Group

Note DKKm	2020	2019
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10
(cont'd)

Remuneration of the Executive Board 2020

	Contractual remuneration	Pensions	Variable cash remuneration	Variable share-based payment	
Ole Krogh Petersen	-3.9	-0.8	-0.6	-0.6	-5.9
Jesper Mølskov Heybye	-2.8	-0.5	-0.5	-0.4	-4.2
Søren Lockwood	-3.5	-0.7	-0.5	-0.5	-5.2
Total	-10.2	-2.0	-1.6	-1.5	-15.3
Total payment					-12.9

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 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 Heybye	-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

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 Heybye may resign his position at three months' notice.

Danica Pension may terminate Jesper Mølskov Heybye'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.

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 2012-2020 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 2020 will be determined at the end of February 2021.

Notes - Danica Pension Group

Note DKKm

10
(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. 2019		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			
Granted in 2016						
1 Jan. 2019	0	7,776	7,776	0,0-1,7	1.4	1.0
Vested 2019		-6,146	-6,146		-	-
Other changes 2019		63	63			
31 Dec. 2019	0	1,693	1,693	0.0	0.3	0.2
Vested 2020		-1,693	-1,693			
31 Dec. 2020	0	0	0			
Granted in 2017						
1 Jan. 2019	242	4,156	4,398	0	1.0	0.6
Forfeited 2019		-536	-536			
31 Dec. 2019	242	3,620	3,862	0.0	0.9	0.4
Vested 2020	-242	-1,629	-1,871			
31 Dec. 2020	0	1,991	1,991	0.0	0.5	0.2
Granted in 2018						
1 Jan. 2019	417	2,968	3,385	0	0.8	0.4
Forfeited 2019		-784	-784			
31 Dec. 2019	417	2,184	2,601	0.0	0.6	0.3
Other changes 2020		-142	-142			
31 Dec. 2020	417	2,042	2,459	0.0	0.6	0.2
Granted in 2019						
Granted 2019	3,977	23,509	27,486	0	1.7	0.9
Vested 2019	-2,388	-4,005	-6,393		-	-
Forfeited 2019		-1,845	-1,845	0		
31 Dec. 2019	1,589	17,659	19,248	0.0	1.8	2.1
Vested 2020		-7,236	-7,236			
31 Dec. 2020	1,589	10,423	12,012	0.0	1.2	1.2
Granted in 2020						
Granted 2020	13,797	6,698	20,495	0	2.0	2.1
Vested 2020	-7,143	-2,500	-9,643			
31 Dec. 2020	6,654	4,198	10,852	0.0	1.0	1.1

Notes - Danica Pension Group

Note DKKm

10
(cont'd)

Executive Board members' holdings and fair value thereof, end of 2020

Year of grant	2017-2020	
	Number	FV
Ole Krogh Petersen	4,594	0.5
Jesper Mølskov Hoybye	2,149	0.2
Søren Lockwood	1,917	0.2

Average market price at the vesting date for conditional shares in 2020 was 93.5

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 Hoybye	415	0.0
Søren Lockwood	403	0.0

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

Notes - Danica Pension Group

Note	DKKm	2020	2019
11	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE		
	Total run-off regarding prior years:		
	Gross	124	10
	Net of reinsurance	113	6
	Calculation of technical interest and return on investment:		
	Technical interest, net of reinsurance, less discounted amount	-	0
	Return on investment transferred to health and accident insurance	616	926
	Provisions, discounted amount	-300	-294
	Value adjustment of provisions	-423	-817
	Total return on investment, including value adjustments	-107	-185
	Return on investment	-107	-185
	Number of claims	1,209	1,509
	Average amount of claims	1.2	1.1
	Claims frequency	0.4%	0.6%
	Gross premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	1,115	1,060
	Other EU countries	11	11
	Other countries	91	142
	Total	1,217	1,213
	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	35	-303
	Transferred to profit margin from Life insurance	-69	236
	Transferred to risk margin from Life insurance	-	157
	Change in profit margin and risk margin, Health and accident after transfer from Life insurance	-34	90
	Value adjustments of provisions, transferred from Life insurance	54	329
12	OTHER INCOME AND OTHER EXPENSES		
	Commission from fund managers etc.	139	285
	Other	17	
	Total other income	156	285

The profit for the year was affected by a DKK 195 million impairment charge concerning receivables and other assets taken over in connection with the merger with the former SEB Pension.

Notes - Danica Pension Group

Note DKKm

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 2020. 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 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 2020 was booked in all interest rate groups.

Notes - Danica Pension Group

Note	DKKm	2020	2019
14	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-188	-93
	Tax on other comprehensive income:		
	Hedges of units outside Denmark	-7	10
	Total	-195	-83
	Tax on the profit for the year is calculated as follows:		
	Current tax	-305	-341
	Adjustment of prior-year current tax	119	-127
	Adjustment of prior-year deferred tax	21	348
	Other changes in deferred tax	-23	27
	Total	-188	-93
	Effective tax rate:		
	Danish tax rate	22.0	22.0
	Adjustment of prior-year tax charge	-10.7	-37.4
	Non-taxable income and non-deductible expenses	3.1	31.2
	Effective tax rate	14.4	15.8
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax liabilities	1,291	1,281
	Deferred tax, net	1,291	1,281
	Deferred tax broken down on main items:		
	Intangible assets	217	246
	Tangible assets	-4	-6
	Investment property	969	988
	Financial investment assets	8	11
	Other	101	42
	Total	1,291	1,281
	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
	Claims and benefits		-36
	Return on investment		6,568
	Change in insurance provisions		-6,681
	Total operating expenses relating to insurance		-83
	Profit/loss on business ceded		-1
	Technical result, Life	-	31
	Health and accident insurance		
	Gross premium income		3
	Gross claims		-4
	Total operating expenses relating to insurance		-1
	Profit/loss on business ceded		1
	Investment income		1
	Technical result of health and accident insurance	-	0
	Return on investment allocated to equity		0
	Other income		51
	Profit before tax	-	82
	Tax		-11
	Net profit for the year	-	71
	Gevinst ved salg		1,350
	Årets resultat efter gevinst ved salg	-	1,421

Notes - Danica Pension Group

Note	DKKm	2020	2019
16	INTANGIBLE ASSETS		
	Cost, beginning of year	3,927	3,925
	Exchange rate adjustment	-12	2
	Cost, end of year	3,915	3,927
	Impairment and amortisation charges, beginning of year	-1,011	-78
	Write-downs during the year	-	-800
	Amortisation during the year	-133	-133
	Impairment and amortisation charges, end of year	-1,144	-1,011
	Carrying amount, end of year	2,771	2,916
	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 7th 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	-5	-4
	Depreciation charges for the year	-	-1
	Depreciation charges, end of year	-5	-5
	Revalued amount, beginning of year	-3	-2
	Impairment charges for the year	-	-1
	Revalued amount, end of year	-3	-3
	Carrying amount, end of year	40	40
	The year-end carrying amount is recognised as follows in the consolidated balance sheet:		
	Domicile property	40	40
	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 0 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	23,211	20,868
	Additions during the year, including improvements	1,808	2,117
	Disposals during the year	-424	-165
	Fair value adjustments	-104	391
	Fair value, end of year	24,491	23,211
	The year-end value is recognised as follows in the consolidated balance sheet:		
	Investment property	17,516	17,395
	Investment assets related to unit-linked products	6,975	5,816
	The weighted average of the rates of return on which the fair value of the individual properties is based for:		
	Shopping centres	4.6%	4.0%
	Commercial properties	4.9%	5.0%
	Residential properties	3.8%	3.9%

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 2.0-8.0% (2019: 2.5-10.0%) and averaged 4.6% (2019: 4.5%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2020 by DKK 4,415 million.

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

Notes - Danica Pension Group

Note	DKKm	2020	2019			
19	HOLDINGS IN ASSOCIATES AND JOINT VENTURES					
	Cost, beginning of year	10,125	9,898			
	Additions	268	262			
	Disposals	-433	-35			
	Cost, end of year	9,960	10,125			
	Revaluations and impairment charges, beginning of year	1,192	964			
	Share of profit	-44	350			
	Dividends	-	-105			
	Reversal of revaluations and impairment charges	-184	-24			
	Currency translation	-60	7			
	Revaluations and impairment charges, end of year	904	1,192			
	Carrying amount, end of year	10,864	11,317			
	The year-end carrying amount is recognised as follows in the consolidated balance sheet:					
	Holdings in associates and joint ventures	9,674	10,223			
	Investment assets related to unit-linked products	1,190	1,094			
	Holdings in associates and joint ventures consist of:					
		Owner-ship percentage	Total assets	Liabilities	Income	Result
	Name and domicile	Activity				
	Udviklingsselskabet CØ P/S, København	Property company	50%	1	1	0
	Komplementarselskabet CØ ApS, København	Property company	50%	0	0	0
	K/S ERDA II, Århus	Property company	96%	263	258	3
	Komplementarselskabet ERDA II ApS, Århus	Property company	96%	0	0	0
	Samejet Nymollevvej 59-91, København	Property company	75%	647	12	31
	Danske Shoppingcentre P/S, København	Property company	50%	13,802	383	671
	Komplementarselskabet Danske Shoppingcentre ApS	Property company	50%	966	47	924
	Danske Shoppingcentre FC P/S, København	Property company	50%	0	0	0
	Komplementarselskabet P/S Magnolieholm, København	Property company	75%	158	76	437
	P/S Magnolieholm, København	Property company	75%	0	0	0
	G.S.V. Holding A/S, Hedehusene	Investment company	26%	1,681	1,042	998
	Capital Four - Strategic Lending Fund K/S,	Investment company	33%	1,292	3	150
	Gro Fund I K/S, København	Investment company	100%	1,522	0	0
	Gro Fund II K/S, København	Investment company	24%	551	1	0
	Maritime Investment Fund I K/S, Hellerup	Investment company	22%	4,746	2,726	594
	Maritime Investment Fund II K/S, Hellerup	Investment company	32%	4	1	0
	Aquaporin A/S, Kongens Lyngby	Investment company	27%	289	125	6,078
	Administrationsaktieselskabet Forenede Gruppeliv, Valby	Administration-company	20%	17	9	51
	The information disclosed is extracted from the companies' most recent annual reports. The Group has no associates of material importance.					
20	HOLDINGS					
	Listed holdings		20,411	10,397		
	Unlisted holdings		10,132	12,770		
	Total		30,543	23,167		
21	BONDS					
	Listed bonds		164,823	169,607		
	Unlisted bonds		973	926		
	Total		165,796	170,533		

Notes - Danica Pension Group

Note	DKKm	2020	2019
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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 8,196 million in 2020 and DKK 269 million in 2019.

2020	Notional amount	Positive fair value	Notional amount	Negative fair value
Currency contracts:				
Currency contracts	211,037	6,407	72,489	2,120
Options	115,279	2,826	95,569	1,620
Interest rate contracts:				
Interest rate contracts	19,893	131,238	3,438	120,672
Options	1,503,365	21,784	1,656,423	25,354
Equity contracts:				
Equity contracts	2,248	10	0	0
Options	0	13	0	0
Total derivatives	1,851,822	162,278	1,827,919	149,766

2019

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

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

Derivatives	116,367	72,043
Investment assets related to unit-linked products	45,911	35,662

23 OTHER FINANCIAL INVESTMENT ASSETS

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

Holdings	453	473
Bonds	44,579	37,269
Deposits with credit institutions	5,571	2,655
Cash in hand and demand deposits	2,532	4,110
Other	16,025	10,551

Notes - Danica Pension Group

Note	DKKm		2020	2019
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	754	6,221	6,975
	Holdings	10,718	130,805	141,523
	Bonds	30,371	64,181	94,552
	Deposits with credit institutions	581	4,737	5,318
	Derivatives	2,434	43,476	45,910
	Total	44,858	249,420	294,278
	Investment assets related to unit-linked products break down as follows:			
	Insurance contracts		264,753	243,054
	Investment contracts		29,525	26,109
	Total		294,278	269,163
25	TOTAL TECHNICAL PROVISIONS, REINSURERS' SHARE			
	Beginning of year		338	393
	Premiums received		31	86
	Claims and benefits paid		-14	-46
	Foreign currency translation		-3	-1
	Change in outstanding claims provision		55	34
	Other changes		-120	-128
	End of year		287	338
26	LIFE INSURANCE PROVISIONS, UNIT-LINKED PRODUCTS			
	Provisions for unit-linked contracts break down as follows:			
	Insurance contracts		219,509	201,924
	Investment contracts		29,052	25,711
	Total life insurance provisions, unit-linked products		248,561	227,635
	Provisions for unit-linked contracts without guarantee		202,312	180,967
	Provisions for unit-linked contracts with investment guarantee		46,249	46,668
	Total life insurance provisions, unit-linked products		248,561	227,635
27	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS			
	Beginning of 2016		437,402	399,247
	Premiums		28,656	27,958
	Claims and benefits paid		-31,127	-33,043
	Added interest on policyholders' savings		21,101	32,295
	Fair value adjustment		6,525	10,003
	Currency translation		-1,113	-136
	Change in outstanding claims provisions		-206	254
	Change in collective bonus potential		-1,134	2,249
	Other changes		-2,215	-1,425
	End of year		457,889	437,402
	For a more detailed description of calculation methods used for provisions, see note 1, Significant accounting policies.			
28	DUE TO CREDIT INSTITUTIONS			
	Repo transactions		10,005	12,591
	Other amounts due		10,729	6,644
	Total		20,734	19,235

Notes - Danica Pension Group

Note	DKKm	2020	2019							
29	OTHER CREDITORS									
	Other creditors comprise:									
	Derivatives with negative fair values	149,766	106,559							
	Tax on pension returns	4,398	5,149							
	Staff commitments	152	100							
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	2045	100	3,720	3,735
	Subordinated debt								3,720	3,735
	Discount								-17	-20
	Hedging of interest rate risk at fair value								255	235
	Total, corresponding to amortised cost plus the fair value of the hedged interest rate risk.								3,958	3,950
	Included in the capital base								3,958	3,950
	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 116 million for 2020 (119 million for 2019).									
	Fair value of the subordinated debt is estimated at DKK 4,245 million (2019: 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:								473,072	450,505
	As collateral for derivative transactions, the Group has delivered bonds equal to a total fair value of								28,343	16,537
	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								1,904	1,251
	The Group has undertaken to participate in alternative investments with an amount of								16,918	24,226
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to								899	727
	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 Pension Group

Note	DKKm	2020	2019
32	RELATED PARTIES		
	Danske Bank A/S, whose registered office is in Copenhagen, Denmark, holds 100% of the share capital in Forsikri the parent company of Danica Pension, and consequently exercises control over the Danica Pension Group. Danske Bank A/S is the ultimate parent company of the Danica Pension 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 Pension 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	-249	-223
	Other administration	-251	-199
	Commission for insurance sales and portfolio management	-220	-198
	Ordinary portfolio management fee	-6	-4
	Total net custody fees and brokerage for trades in holdings and the like	-121	-115
	Interest income	454	592
	Interest expenses	-79	-15
	Amounts owed to credit institutions	3,327	16
	Derivatives with negative fair values	14,314	14,764
	Furthermore, the Danica Group manages the labour market pension schemes of the Danske Bank Group and its related parties.		
	Danica Pension granted a loan to its parent company, Forsikringssselskabet Danica	1,200	1,200
	A part of the sales price from the sale of Danica Sweden in 2019 (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

	2020		2019	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Intangible assets	133	2,638	-	2,916
Tangible assets	-	40	-	40
Investment assets	40,628	319,507	13,125	304,361
Investment assets related to unit-linked products	15,420	278,858	6,486	262,677
Debtors	3,096	-	4,020	-
Other assets	3,112	-	4,130	-
Prepayments and accrued income	7,107	-	8,027	-
Total assets	69,496	601,043	35,788	569,994
Liabilities				
Provisions for insurance and investment contracts	34,261	423,628	30,446	406,956
Other liabilities	187,047	1,461	143,879	1,467
Total liabilities	221,308	425,089	174,325	408,423

Notes - Danica Pension Group

Note DKKm

34 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

2020	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		30,543				30,543
Unit trust certificates		11,958				11,958
Bonds		165,796				165,796
Other loans		1,466				1,466
Deposits with credit institutions		6,150				6,150
Derivatives	116,367					116,367
Investment assets related to unit-linked products		294,278				294,278
Debtors				573		573
Cash and cash equivalents				2,810		2,810
Total financial assets	116,367	510,191		3,383		629,941
Provisions for unit-linked products, investment contracts		29,052				29,052
Due to credit institutions	20,734					20,734
Derivatives	149,766					149,766
Subordinated debt			255		3,703	3,958
Total financial liabilities	170,500	29,052	255		3,703	203,510
2019						
Holdings		23,167				23,167
Unit trust certificates		21,564				21,564
Bonds		170,533				170,533
Other loans		1,308				1,308
Deposits with credit institutions		529				529
Derivatives	72,043					72,043
Investment assets related to unit-linked products		269,163				269,163
Debtors				1,190		1,190
Cash and cash equivalents				3,941		3,941
Total financial assets	72,043	486,264		5,131		563,438
Provisions for unit-linked products, investment contracts		25,711				25,711
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	25,711	235		3,715	155,455

Recognition as income:

Exchange rate adjustment of debtors and liabilities measured at amortised cost were recognised under value adjustments at DKK 12 million in 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 Pension Group

Note DKKm

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(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 2020, Danica had financial assets as set out below in the amount of DKK 626,735 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
2020				
Holdings	19,242	1,346	10,132	30,720
Unit trust certificates	7,890	3,854	214	11,958
Bonds	148,040	16,783	973	165,796
Other loans	-	-	1,466	1,466
Derivatives	19	114,956	1,392	116,367
Investment assets related to unit-linked products	202,512	57,609	34,157	294,278
Cash and cash equivalents	6,150	-	-	6,150
Total financial assets	383,853	194,548	48,334	626,735
Amounts owed to credit institutions	20,734	-	-	20,734
Derivatives	12	149,021	733	149,766
Subordinated debt	-	255	-	255
Provisions for unit-linked contracts	-	29,052	-	29,052
Total financial liabilities	20,746	178,328	733	199,807
2019				
Holdings	9,148	1,249	12,770	23,167
Unit trust certificates	20,080	488	996	21,564
Bonds	154,138	15,469	926	170,533
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
Likvide beholdninger	529	-	-	529
Total financial assets	378,317	132,341	47,649	558,307
Gæld til kreditinstitutter	19,235	-	-	19,235
Derivatives	412	104,539	1,608	106,559
Ansvarlig lånekapital	-	235	-	235
Provisions for unit-linked contracts	-	25,711	-	25,711
Total financial liabilities	19,647	130,485	1,608	151,740

At 31 December 2020, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 37,656 million and illiquid bonds DKK 7,307 million.

During 2020 DKK 15,581 million was transferred from quoted prices to observable input (DKK 3,936 million in 2019). During 2020 DKK 10,577 million was transferred from observable input to quoted prices (DKK 6,022 million in 2019).

Notes - Danica Pension Group

Note	DKKm	2020	2019
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34
(cont'd)

Valuation based on non-observable input

	Holdings	Bonds	Derivatives		
Fair value, beginning of year	40,028	5,251	762	46,041	48,027
Fair value through profit or loss	-904	-103	426	-581	4,163
Purchase	7,634	3,084	96	10,814	29,344
Sale	-7,602	-1,761	-944	-10,307	-34,971
Transferred from quoted prices and observable input	58	836	1,528	2,422	
Transferred to quoted prices and observable input	-1,558	0	770	-788	-522
Fair value, end of year	37,656	7,307	2,638	47,601	46,041

In 2020, unrealised value adjustments were recognised at DKK -506 million (2019: DKK 2,057million) on financial instruments valued based on non-observable input.

Notes - Danica Pension Group

Note DKKm

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(cont'd)

Non-observable input in the annual report

Asset type	Fair value, end of 2020	Applied valuation method	Sensitivity of the Fair value from changes in non-observable input
Investment assets related to traditional products			
<i>Holdings:</i>			
Infrastructure	3,420	Reported fair value 1)	2) DKK 126.9m
Private Equity	4,799	Reported fair value 1)	2) DKK 674.6m
Credit	1,385	Reported fair value 1)	2) DKK 209.7m
Other loans	527	Reported fair value 1)	2) DKK 73.6m
Unlisted deposits with credit institutions	214	Reported fair value 1)	2) DKK 17.4m
<i>Bonds:</i>			
Bonds, not observable input	973	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 0.3m
Other loans	108	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 0.0m
Other loans	1,358	Accounting data, credit quality used for rating	A change in rating by 3 notches and applied multiples will reduce the value by DKK 1.7m
Derivatives	1,090	Discounted cash flow, options-models and nume-risk methods	A rise in yield curve of 1bp: loss of DKK 0.2m. A rise in inflation rate of 1bp: loss of DKK 0.0m A rise in volatility of 1bp: loss of DKK 0.5m A rise in CDS curve of 1bp: loss of DKK 2.8m
Investment assets related to unit-linked products			
<i>Holdings:</i>			
Infrastructure	6,126	Reported fair value 1)	2) DKK 250.0m
Private Equity	8,640	Reported fair value 1)	2) DKK 980.8m
Credit	4,398	Reported fair value 1)	2) DKK 365.2m
Other loans	2,324	Reported fair value 1)	2) DKK 78.6m
Unlisted deposits with credit institutions	559	Reported fair value 1)	2) DKK 40.6m
Investment property	5,963	see note 18	see note 18
<i>Bonds:</i>			
Bonds, not observable input	730	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 37.0m
Other loans	729	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 16.8m
Other loans	2,710	Accounting data, credit quality used for rating	A change in rating by 3 notches and applied multiples will reduce the value by DKK 8.5m
Derivatives	1,548	Discounted cash flow, options-modells and nume-risk methodes	A rise in yield curve of 1bp: loss of DKK 0.2m. A rise in inflation rate of 1bp: loss of DKK 0.1m A rise in volatility of 1bp: loss of DKK 0.7m A rise in CDS curve of 1bp: loss of DKK 1.6m

1) Based on received reporting from relevant companies, in which the underlying assets and liabilities are valued at fair value
2) A fall in the liquid, listed stock markets of 20% will reduce the value by

Notes – Danica Pension 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	Non-financial risks
Interest rate risk	Longevity	Model risk
Equity risk	Mortality	Operational risk
Property risk	Disability	Technological risk
Currency risk	Health and accident	Financial crime
Credit spread risk	Critical illness	Regulatory compliance risk
Inflation risk	Healthcare	Financial control and strategic risk
Volatility risk	Surrender	
Liquidity	Expenses	
Counterparty	Concentration	
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 (average-rate products)
- Investments relating to unit-linked products, to which customers may have attached an investment guarantee
- Investments relating to assets allocated to shareholders’ equity and other products with direct equity exposure

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.

Notes – Danica Pension Group

The credit spread risk on bond holdings is limited in that a large proportion of the portfolio 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. Only a minor proportion of the portfolio is invested in non-investment grade bonds.

Counterparty risk is reduced by demanding security for financial 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 maintains 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 which are highly marketable.

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 2020, 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 policyholders' savings will be reduced, in continuation of which the Company will see a lower profit margin, resulting in a reduction of the Group's total capital to cover the solvency capital requirement.

Investments relating to assets allocated to 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 risk 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.

Non-financial risks

Non-financial risks relate to the risk of losses resulting from inadequate or faulty internal processes, controls, persons and systems or external events and include legal and compliance risks. Non-financial risk events are defined as events that have occurred and may have caused a financial loss, reputational damage or have caused a near loss. This risk category also comprises the model risk related to e.g. Danica Pension's use of a partial internal model to determine longevity risk.

Non-financial risks also comprise risks related to Danica Pension's strategy and business, including risks related to digitalisation and technological development.

Non-financial risks arise in connection with the Group's activities. The Group assumes non-financial risks whenever it accepts business from new customers, introduces new products and hires new employees.

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.

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.

SENSITIVITY INFORMATION

Sensitivity information is described on page 12 of the management's review and is not comprised by the audit.

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Financial highlights - Danica Pension

(DKK millions)	2020	2019	2018	2017	2016
INCOME STATEMENT					
Premiums	25,427	22,432	21,576	21,815	20,591
Claims and benefits	-25,980	-27,345	-26,333	-20,578	-20,273
Return on investment	30,778	52,114	-8,602	14,307	16,801
Total operating expenses relating to insurance	-1,184	-1,185	-1,150	-736	-730
Depreciation of goodwill	-	-800	-	-	-
Profit/loss on business ceded	-8	-7	5	-18	-4
Technical result, Life	2,066	2,452	535	775	1,152
Gross premium income	1,061	1,205	1,377	887	986
Gross claims	-1,401	-1,767	-1,663	-1,020	-1,159
Total operating expenses relating to insurance	-81	-86	-100	-67	-76
Profit/loss on business ceded	-20	-12	-34	4	52
Return on investment less technical interest	-122	-200	24	207	108
Technical result of health and accident insurance	-539	-839	-681	-155	-208
Net profit/loss for the year	1,122	1,918	643	1,225	1,512
Total other comprehensive income	-14	8	-37	-33	-8
BALANCE SHEET					
Total assets	651,467	588,000	491,405	358,217	346,273
Insurance assets, health and accident insurance	130	235	233	-	7
Technical provisions, health and accident insurance	17,116	16,673	13,792	9,370	9,302
Total provisions for insurance and investment contracts	439,991	420,795	385,801	295,155	282,839
Total shareholders' equity	24,142	23,034	21,366	17,947	18,267
KEY FIGURES AND RATIOS (%)					
Rate of return related to average rate products	6.0	10.3	1.0	2.5	6.5
Rate of return related to unit-linked products	8.3	15.6	-5.5	8.1	5.5
Risk on return related to unit-linked products	4.50	4.25	4.25	4.25	4.25
Expenses as per cent of provisions	0.3	0.3	0.4	0.3	0.3
Expenses per policyholder (DKK)	1,584	1,532	1,672	1,261	1,230
Return on equity after tax	4.8	8.6	3.2	6.8	7.9
Solvency coverage ratio (Solvency I)					
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	129	144	128	120	121
Gross expense ratio	7	8	8	8	8
Combined ratio	138	153	138	128	123
Operating ratio	138	153	165	150	136
Relative run-off	0.7	0.0	-0.5	0.1	0.0
Run-off, net of reinsurance (DKK millions)	105	-2	-49	12	0

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, a description can be found in Significant accounting policies.

Danica Pension merged with Danica Pensionsforsikring and Danica Administration on 1 January 2019 with Danica Pension as the continuing company. 2018 contains figures for the merged company from 7.6.2018, when Danica Pension acquired the two companies. Key figures for 2016 and up to 7.6.2018 do not contain the two merged companies.

Income statement & Other comprehensive income - Danica Pension

Note	(DKK millions)	2020	2019
2	Gross premiums	25,427	22,432
	Reinsurance premiums ceded	-10	-8
	Total premiums, net of reinsurance	25,417	22,424
	Income from group undertakings	142	2,544
	Income from associated undertakings	394	176
	Income from investment property	34	39
	Interest income and dividends, etc.	19,714	19,772
3	Value adjustments	27,326	45,661
	Interest expenses	-15,980	-14,934
	Administrative expenses related to investment activities	-852	-1,144
	Total return on investment	30,778	52,114
	Tax on pension returns	-4,360	-6,793
4	Claims and benefits paid	-25,980	-27,345
	Reinsurers' share received	6	7
	Total claims and benefits, net of reinsurance	-25,974	-27,338
5,6	Change in life insurance provisions	-21,240	-33,553
	Change in reinsurers' share	-4	-6
	Total change in life insurance provisions, net of reinsurance	-21,244	-33,559
7	Change in profit margin	-824	-1,424
	Acquisition costs	-157	-239
	Administrative expenses	-1,056	-972
	Reimbursement of costs from group undertakings	29	26
	Depreciation of goodwill	-	-800
8	Total operating expenses relating to insurance, net of reinsurance	-1,184	-1,985
	Transferred investment return	-543	-987
	TECHNICAL RESULT	2,066	2,452
9	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-539	-839
	Return on investment allocated to equity	-58	76
10	Other income	86	230
10	Other expenses	-195	-
11	PROFIT BEFORE TAX	1,360	1,919
12	Tax	-238	-1
	NET PROFIT FOR THE YEAR	1,122	1,918
	Net profit for the year	1,122	1,918
	Other comprehensive income:		
	Translation of units outside Denmark	-41	40
	Hedges of units outside Denmark	34	-42
	Tax relating to other comprehensive income	-7	10
	Total other comprehensive income	-14	8
	NET COMPREHENSIVE INCOME FOR THE YEAR	1,108	1,926

Balance sheet - Danica Pension

Assets

Note (DKK millions)	2020	2019
INTANGIBLE ASSETS	2,687	2,832
13 Investment property	759	818
Holdings in group undertakings	19,412	19,531
Loans to group undertakings	2,768	3,518
Holdings in associated undertakings	1,797	1,595
Total investments in group and associated undertakings	23,977	24,644
Holdings	28,856	22,922
Unit trust certificates	22,907	32,445
Bonds	154,900	158,612
Other loans	1,466	1,308
Deposits with credit institutions	6,147	525
Other	116,368	72,043
14 Total other financial investment assets	330,644	287,855
TOTAL INVESTMENT ASSETS	355,380	313,317
15 INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	277,397	253,699
Life insurance provisions, reinsurers' share	39	44
Outstanding claims provision, reinsurers' share	130	185
Total technical provisions, reinsurers' share	169	229
Amounts due from policyholders	388	594
Amounts due from insurance companies	112	171
Amounts due from group undertakings	5,551	5,382
Other debtors	63	452
TOTAL DEBTORS	6,283	6,828
Assets in temporary possession	296	182
Cash and cash equivalents	2,323	3,122
TOTAL OTHER ASSETS	2,619	3,304
Accrued interest and rent	6,618	7,517
Other prepayments and accrued income	483	503
TOTAL PREPAYMENTS AND ACCRUED INCOME	7,101	8,020
TOTAL ASSETS	651,467	588,000

Balance sheet - Danica Pension

Liabilities

Note	(DKK millions)	2020	2019
	Share capital	1,101	1,101
	Contingency fund	1,882	1,882
	Retained earnings	21,159	20,051
16	TOTAL SHAREHOLDERS' EQUITY	24,142	23,034
	SUBORDINATED DEBT	3,958	3,950
	Unearned premiums provision	1,352	1,377
5	Life insurance provisions, average rate products	183,976	185,689
6	Life insurance provisions, unit-linked products	231,589	211,961
	Total life insurance provisions	415,565	397,650
	Profit margin on life insurance and investment contracts	7,310	6,472
	Outstanding claims provision	14,654	14,269
	Risk margin on non-life insurance contracts	1,068	950
	Provisions for bonus and premium discounts	42	77
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	439,991	420,795
12	Deferred tax	1,191	1,108
	Other provisions	170	186
	TOTAL PROVISIONS FOR LIABILITIES	1,361	1,294
	Amounts owed, direct insurance	35	14
	Amounts owed to reinsurers	112	145
	Amounts owed to credit institutions	20,733	19,235
	Amounts owed to group undertakings	37	435
	Current tax liabilities	34	1
17	Other creditors	154,843	112,334
	TOTAL CREDITORS	175,794	132,164
	ACCRUALS AND DEFERRED INCOME	6,221	6,763
	TOTAL LIABILITIES AND EQUITY	651,467	588,000

Statement of capital - Danica Pension

[DKK millions]

Changes in shareholders' equity

	Share capital	Revaluation reserve*	Contingency fund	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2019	1,101	-60	1,882	20,111	-	23,034
Profit for the year			-	1,122	-	1,122
Other comprehensive income:						
Translation of units outside Denmark	-	-41	-	-	-	-41
Hedges of units outside Denmark	-	34	-	-	-	34
Tax on other comprehensive income	-	-7	-	-	-	-7
Total other comprehensive income	-	-14	-	-	-	-14
Comprehensive income for the year	-	-14	-	1,122	-	1,108
Shareholders' equity at 31 December 2020	1,101	-74	1,882	21,233	-	24,142
Shareholders' equity at 31 December 2018	1,101	-68	1,882	18,451	-	21,366
Effect of accounting policy changes 1 January 2019	-	-	-	-258	-	-258
Adjusted shareholders' equity at January 1, 2019	1,101	-68	1,882	18,193	-	21,108
Profit for the year			-	1,918		1,918
Other comprehensive income:						
Translation of units outside Denmark	-	40	-	-	-	40
Hedges of units outside Denmark	-	-42	-	-	-	-42
Tax on other comprehensive income	-	10	-	-	-	10
Total other comprehensive income	-	8	-	-	-	8
Comprehensive income for the year	-	8	-	1,918	-	1,926
Shareholders' equity at 31 December 2019	1,101	-60	1,882	20,111	-	23,034

* Recognised in the balance sheet under retained earnings.

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

Statement of capital - Danica Pension

(DKK millions)	2020	2019
Capital base		
Shareholders' equity	24,142	23,034
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	3,648	3,297
Deferred tax	-159	-87
Holdings in group undertakings	-20	-15
- Intangible assets	-2,687	-2,832
Supplementary capital	3,958	3,950
Capital base	28,882	27,347

Notes – Danica Pension

Note

1 ACCOUNTING POLICIES – DANICA PENSION

GENERAL

The financial statements of the Parent Company, Danica Pension, are presented in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order No. 937 of 27 July 2015 on financial reports for insurance companies and multi-employer occupational pension funds and Amending Executive Order No. 688 of 1 June 2016, Executive Order No. 1442 of 3 December 2018 and Executive Order No. 1592 of 9 November 2020.

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.

Holdings in group undertakings

Investments in group undertakings are measured according to the equity method, and profit after tax is recognized under "income from group undertakings".

Notes - Danica Pension

Note (DKK millions)	2020	2019	
2	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	15,494	15,771
	Single premiums	10,949	9,734
	Total direct insurance	26,443	25,505
	Total gross premiums	26,443	25,505
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	111	1,546
	Single premiums	905	1,527
	Total premiums	1,016	3,073
	Total gross premiums included in the income statement	25,427	22,432
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	22,264	20,849
	Insurance taken out individually	2,045	2,497
	Group life insurance	2,134	2,159
	Total	26,443	25,505
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	280	288
	Insurance taken out individually	404	410
	Group life insurance	546	584
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profit insurance	4,194	5,283
	Unit-linked insurance	22,249	20,222
	Total	26,443	25,505
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	26,107	25,165
	Other EU countries	264	247
	Other countries	72	93
	Total	26,443	25,505
3	VALUE ADJUSTMENTS		
	Investment property	14	25
	Holdings	1,847	6,244
	Unit trust certificates	8,079	29,605
	Bonds	2,323	3,346
	Other loans	-17	-70
	Deposits with credit institutions	7	-75
	Other	15,073	6,586
	Total value adjustments	27,326	45,661
4	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-1,133	-1,158
	Insurance amounts on disablement	-264	-261
	Insurance amounts on expiry	-885	-898
	Retirement benefits and annuities	-8,067	-8,271
	Surrender values	-14,154	-15,417
	Cash payments of bonuses	-1,475	-1,339
	Total direct insurance	-25,978	-27,344
	Expenses to minimise disablement	-2	-1
	Total claims and benefits paid	-25,980	-27,345

Notes - Danica Pension

Note (DKK millions)	2020	2019
5		
CHANGE IN LIFE INSURANCE PROVISIONS - AVERAGE RATE		
Provisions, beginning of year	185,689	180,826
Profit margin, beginning of year	2,844	2,216
Total technical provisions, beginning of year	188,533	183,042
Collective bonus potential, beginning of year	-13,936	-11,687
Accumulated value adjustment, beginning of year	-53,293	-44,113
Retrospective provisions, beginning of year	121,304	127,242
Changes during the year:		
Gross premiums	4,191	5,226
Interest added	3,623	2,862
Claims and benefits	-12,604	-13,200
Expense supplement after addition of expense bonus	-634	-692
Risk gain after addition of risk bonus	-68	33
Special allotments	40	72
Total changes	-5,452	-5,699
Other changes:		
Transfer of provisions	-640	-165
Change in quota share, Forenede Gruppeliv	-114	-94
Other	51	20
Total other changes	-703	-239
Retrospective provisions, end of year	115,149	121,304
Accumulated value adjustment, end of year	59,132	53,293
Collective bonus potential, end of year	12,801	13,936
Total technical provisions, end of year	187,082	188,533
Profit margin, end of year	-3,106	-2,844
Life insurance provisions, end of year	183,976	185,689
Change in gross life insurance provisions according to the income statement consists of:		
Change in retrospective provisions	-5,452	-5,699
Change in accumulated value adjustment	5,839	9,180
Change in gross life insurance provisions	387	3,481
Return on customer funds after deduction of expenses before tax, %	0.0	0.0

Notes - Danica Pension

Note (DKK millions)	2020	2019
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5
(cont'd)

Life insurance provisions break down as follows by sub-portfolio

2020	Guaranteed benefits	Riskmargin	Individual bonuspotential	Collective bonuspotential	Total life insurance prov.	Rate of return	Bonus rate
Interest rate group D1	36,969	246	157	1,215	38,587	6.5	4.3
Interest rate group D2	16,024	147	-	648	16,819	6.7	5.5
Interest rate group D3	13,476	111	-	803	14,390	6.8	9.7
Interest rate group D4	53,046	714	-	1,629	55,389	6.6	7.1
Interest rate group 1	19,660	72	0	2,013	21,745	5.9	10.8
Interest rate group 2	4,394	12	-	849	5,255	4.9	21.1
Interest rate group 3	3,252	7	-	777	4,036	4.7	26.2
Interest rate group 4	12,374	95	-	3,467	15,936	4.2	40.9
Non allocated	10,239	180	-	1,400	11,819		
I alt	169,434	1,584	157	12,801	183,976		

2019	Garanterede ydelser	Risiko-margen	Individ. bonuspot.	Kollekt. bonuspot.	Liv.hens. I alt	Afkast-procent	Bonusrate
Interest rate group D1	37,094	169	217	1,573	39,053	8.2	5.3
Interest rate group D2	15,803	124	-	876	16,803	10.9	7.1
Interest rate group D3	13,367	96	-	605	14,068	11.1	7.0
Interest rate group D4	53,408	647	-	2,048	56,103	10.4	8.0
Interest rate group 1	19,499	67	8	2,410	21,984	6.9	12.8
Interest rate group 2	4,344	10	-	936	5,290	9.9	23.1
Interest rate group 3	3,261	5	-	799	4,065	10.8	26.7
Interest rate group 4	12,742	75	-	3,505	16,322	10.5	39.5
Non allocated	10,647	170	-	1,184	12,001		
Total life insurance provisions	170,165	1,363	225	13,936	185,689		

Cost groups, total							
Collective bonus potential						272	253
Expense supplement after addition of expense bonus						566	598
Operating expenses relating to insurance						-505	-444
Cost result						61	154
Cost result, %						0.06	0.14
Risk groups, total							
Collective bonus potential						1,128	930
Risk gain after addition of risk bonus						304	243
Risk gain after addition of risk bonus, %						0.11	0.09

Notes - Danica Pension

Note (DKK millions)	2020	2019
6		
CHANGE IN LIFE INSURANCE PROVISIONS - UNIT-LINKED		
Life insurance provisions, beginning of year	211,961	184,769
Profit margin, beginning of year	3,628	3,556
Total technical provisions, beginning of year	215,589	188,325
Accumulated value adjustment, beginning of year	-825	-818
Retrospective provisions, beginning of year	214,764	187,507
Changes during the year:		
Gross premiums	21,236	17,205
Interest added	15,850	27,292
Claims and benefits	-13,376	-14,146
Expense supplement	-1,117	-906
Risk gain	39	57
Other	-29	-82
Total changes	22,603	29,420
Other changes:		
Payments received under investment contracts	1,016	3,073
Payments made under investment contracts	-4,135	-4,533
Transfer of provisions	567	-25
Other	-112	-678
Total other changes	-2,664	-2,163
Retrospective provisions, end of year	234,703	214,764
Accumulated value adjustment, end of year	1,092	825
Total technical provisions, end of year	235,795	215,589
Profit margin, end of year	-4,206	-3,628
Life insurance provisions, end of year	231,589	211,961
Change in provisions for unit-linked contracts breaks down as follows:		
Change in retrospective provisions	22,603	29,420
Change in accumulated value adjustment	267	7
Change in provisions for unit-linked contracts	22,870	29,427
Provisions for unit-linked contracts break downs as follows:		
Insurance contracts	215,953	167,071
Investment contracts	15,636	44,890
Provisions for unit-linked contracts, end of year	231,589	211,961
Provisions for unit-linked contracts break downs as follows:		
Provisions for unit-linked contracts without guarantee	185,396	165,343
Provisions for unit-linked contracts with guarantee	46,193	46,618
Provisions for unit-linked contracts, end of year	231,589	211,961
Return on customer funds after deduction of expenses before tax, %	0.1	0.2
7		
Change in profit margin, life insurance		
Change in profit margin, life insurance before transfer to Health and accident	-839	-702
Transferred to profit margin and risk margin in Health and accident	15	-722
Change in profit margin, life insurance after transfer to Health and accident	-824	-1,424

Notes - Danica Pension

Note (DKK millions)	2020	2019
8 OPERATING EXPENSES RELATING TO INSURANCE		
Commission on direct insurance	-216	-193
Fees to Deloitte:		
Statutory audit of financial statements	-1.3	-1.3
Other assurance engagements	-0.2	-0.3
Tax advisory services	-0.2	-0.1
Other services	-0.1	-0.1
I alt	-1.8	-1.8
Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab in 2020 comprise of objective tax and accounting advice as well as submitting statements.		
Average number of full-time-equivalent employees during the year	674	667
Number of full-time-equivalent employees, end of year	688	662
Staff costs:		
Salaries	-510	-498
Share-based payment	-4	-6
Pensions	-80	-80
Other social security and tax	-69	-64
Other	-48	-45
Total staff costs earned	-711	-693

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

For information on the Board of Directors' and Executive Board's remuneration, see Danica Pension's financial statements.

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

Remuneration of other material risk takers

For 2020, 12 persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 19.2 million (2019 DKK 20.1 million to 8 material risk takers), with fixed remuneration amounting to DKK 16.4 million (2019 DKK 17.5 million) and variable remuneration amounting to DKK 2.8 million (2019 DKK 2.6 million).

The company 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.

Notes - Danica Pension

Note (DKK millions)	2020	2019
9	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	
Gross premiums	1,072	1,149
Reinsurance premium ceded	-13	-14
Change in unearned premiums provision	58	-75
Change in profit margin and risk margin	-69	131
Premiums, net of reinsurance	1,048	1,191
Claims paid, gross	-1,633	-1,585
Reinsurers' share received	49	51
Change in outstanding claims provision	296	-226
Change in risk margin	-64	44
Change in outstanding claims provision, reinsurers' share	-56	-49
Claims, net of reinsurance	-1,408	-1,765
Bonus and premium discounts	24	21
Acquisition costs	-27	-36
Administrative expenses	-54	-50
Total operating expenses relating to insurance, net of reinsurance	-81	-86
Return on investment	-122	-200
TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-539	-839
Total run-off regarding prior years:		
Gross	115	0
Net of reinsurance	105	-2
Calculation of technical interest and return on investment:		
Technical interest, net of reinsurance, less discounted amount	0	
Return on investment allocated to health and accident insurance	601	911
Provisions, discounted amount	-300	-294
Value adjustment of outstanding claims provision	-423	-817
Total return on investment, including value adjustments	-122	-200
Number of claims	1,147	1,451
Average amount of claims	1.3	1.2
Claims frequency	0.4%	0.6%
Gross premiums, direct insurance, broken down by policyholders' residence:		
Denmark	1,115	1,059
Other EU countries	12	11
Other countries	3	4
Total	1,130	1,074
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	0	-262
Transferred to profit margin from Life insurance	-69	236
Transferred to risk margin from Life insurance	0	157
Change in profit margin and risk margin, Health and accident after transfer from Life insurance	-69	131
Value adjustments of provisions, transferred from Life insurance	54	329
10	OTHER INCOME AND OTHER EXPENSES	
Commissions from fund managers etc.	86	230
The profit for the year was affected by a DKK 195 million impairment charge concerning receivables and other assets taken over in connection with the merger with the former SEB Pension.		

Notes - Danica Pension

Note (DKK millions)	2020	2019
11 PROFIT BEFORE TAX		
Danica Pension's technical basis for risk allowance is to be allocated in accordance with the Executive Order on the Contribution Principle.		
In accordance with the Executive Order on the Contribution Principle and the Guidelines on Market Discipline, the Danish FSA has been notified of Danica Pension's consolidation policy for 2020. The company's profit for the year consists of the return on assets allocated to shareholders' equity, including the results of unit-linked business, Denmark, including Tidspension, and the subsidiary outside Denmark, the result of Forenede Gruppeliv, the health and accident result, a risk allowance of the technical provisions of the interest groups and a share of the risk groups' risk results as well as a share of the cost result from the cost groups.		
The calculation of technical basis for risk allowance only comprises policies under contribution, and individual items therefore cannot be reconciled to the Group's income statement.		
Technical basis for risk allowance		
Technical result, life insurance	1,660	1,334
Change in collective bonus potential	-906	2,265
Special allotments	36	65
Addition of bonus	1,163	570
Total technical basis	1,953	4,234
Total technical basis relating to life insurance customers	1,953	4,234
In accordance with the contribution principle, full risk allowance for 2020 was booked in all eight interest rate groups.		
Specification of risk allowance:		
% of the technical provisions	1,443	1,290
Total risk allowance	1,443	1,290
The percentage of insurance provisions was 0,80 % in D1, 0,80 % in D2, 0,90 % in D3, 1,00 % in D4, 0,45% in group 1, 0,60% in group 2, 0,75% in group 3 og 0,90 % in group 4.		
12 TAX		
Tax for the year can be broken down as follows:		
Tax on the profit for the year	-238	-1
Tax on other comprehensive income:		
Hedges of units outside Denmark	-7	10
Total	-245	9
Tax on the profit for the year is calculated as follows:		
Current tax	-275	-316
Adjustment of prior-year current tax	120	-142
Adjustment of prior-year deferred tax	-49	417
Other changes in deferred tax	-34	40
Total	-238	-1
Effective tax rate:		
Danish tax rate	22.0	22.0
Adjustment of prior-year tax charge	-5.2	-14.3
Non-taxable income and non-deductible expenses	0.7	-7.7
Effective tax rate	17.5	0.0
Deferred tax broken down on main items:		
Intangible assets	217	246
Tangible assets	-4	-6
Investment property	961	910
Other	17	-42
Total	1,191	1,108
Other than the deferred tax provided for, the Group has no contingent tax liability relating to holdings in group undertakings.		

Notes - Danica Pension

Note (DKK millions)		2020	2019	
13	INVESTMENT PROPERTY			
	Fair value, beginning of year	1,050	1,033	
	Acquisitions and improvements during the year	17	5	
	Disposals during the year	-19	-	
	Fair value adjustments	-29	12	
	Fair value, end of year	1,019	1,050	
	The year-end fair value is recognised as follows in the balance sheet:			
	Investment property	759	818	
	Investment assets related to unit-linked products	260	232	
	The weighted average of the rates of return on which the fair value of the individual properties is based for:			
	Commercial properties	4.6%	4.3%	
	Residential properties	3.6%	3.7%	
14	OTHER FINANCIAL INVESTMENT ASSETS			
	Comprises the following investments in undertakings in the Danske Bank Group:			
	Holdings	153	132	
	Bonds	31,330	30,471	
	Deposits with credit institutions	1,079	577	
	Cash in hand and demand deposits	2,321	3,117	
	Other	13,772	9,138	
15	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	754	6,221	6,975
	Holdings	10,717	117,623	128,340
	Bonds	29,982	56,945	86,927
	Pantesikrede udlån	387	2,339	2,726
	Deposits with credit institutions	581	4,649	5,230
	Derivatives	2,434	44,765	47,199
	Total	44,855	232,542	277,397
16	SHAREHOLDERS' EQUITY			
	Number of shares of DKK 100	11,010,000	11,010,000	
17	OTHER CREDITORS			
	Other creditors comprise:			
	Derivatives with negative fair values	149,766	106,559	
	Tax on pension returns	4,398	5,149	
	Staff commitments	141	89	

Notes - Danica Pension

Note (DKK millions)	2020	2019
18 ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
Assets have been deposited as collateral for policyholders' savings with a total of:	455,173	433,897
As collateral for derivative transactions, the company has delivered bonds equal to a total fair value of	28,343	16,537
The company has undertaken to participate in alternative investments with an amount of	16,877	24,226
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 company is registered jointly with group undertakings for financial services employer tax and VAT, for which they are jointly and severally liable.		
The company is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
Owing to its size and business volume, Danica Pension is continually a party to various lawsuits. The Company does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		
19 RELATED PARTIES		
Forsikringsselskabet Danica, whose registered office is in Copenhagen, Denmark, holds 100% of the share capital of Danica Pension and thus exercises control. Danske Bank A/S, whose registered office is in Copenhagen, is the ultimate parent company.		
Transactions with related parties are settled on an arm's-length basis. Danica Pension'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.		
Danica Pension entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 14.		
IT operations and development	-215	-197
Other administration	-229	-184
Commission for insurance sales and portfolio management	-193	-172
Ordinary portfolio management fee	-3	-3
Performance fee for portfolio management		
Total net custody fees and brokerage for trades in holdings and the like	-121	-115
Interest income	619	580
Interest expenses	-244	-12
Amounts owed to credit institutions	68	16
Derivatives with negative fair values	14,839	14,764
The insurance companies in the Danica group are managed by Danica Pension, which settles expenses with the companies managed on an arm's-length basis.		
Danica Pension granted a loan to its parent company, Forsikringsselskabet Danica	1,200	1,200
A part of the sales price from the sale of Danica Sweden in 2019 (DKK 70m) is attributable to Danske Bank		
Furthermore, the Danica Group manages the labour market pension schemes of the Danske Bank Group and its related parties.		

Notes - Danica Pension

Note (DKK millions)

20 SPECIFICATION OF ASSETS AND RETURN 2020

TRADITIONAL PRODUCTS	Carrying amount		% return p.a. before tax
	Beg. of year	End of year	
Land and buildings	19,110	16,429	1.1
Listed holdings	14,266	14,658	7.7
Unlisted holdings	14,408	11,806	0.7
Total holdings	28,674	26,464	4.3
Government bonds and mortgage bonds	80,424	98,225	3.9
Index-linked bonds	18,055	17,828	2.5
Credit bonds and emerging market bonds	27,650	27,695	0.5
Total bonds and loans	126,129	143,748	3.0
Holdings in group undertakings	2,588	1,657	15.1
Other investment assets	317	0	-
Derivative financial instruments to hedge net changes of assets and liabilities	1,329	13,008	-

A specification of the company's holdings is available on Danica's Danish website, www.danicapension.dk.

UNIT-LINKED PRODUCTS	Carrying amount		% return p.a. before tax
	Beg. of year	End of year	
Land and buildings	6,587	5,956	2.3
Listed holdings	97,529	110,629	11.4
Unlisted holdings	20,246	22,133	-2.9
Total holdings	117,775	132,762	8.8
Government bonds and mortgage bonds	56,021	59,251	3.1
Index-linked bonds	4,669	4,011	4.9
Credit bonds and emerging market bonds	23,851	28,143	-0.7
Total bonds and loans	84,541	91,405	2.1
Other investment assets	152	202	-
Derivative financial instruments to hedge net changes of assets and liabilities	389	6,033	-

Notes - Danica Pension

Note (DKK millions)

21 SPECIFICATION OF RETURNS FOR UNIT-LINKED PRODUCTS

Danica Balance	Years to retirement	% of average provisions	Return (%)	Risk
High Risk:				
Mix high risk profile	30 years	0.36%	12.23	5.75
Mix high risk profile	15 years	0.60%	10.71	5.50
Mix high risk profile	5 years	0.20%	8.50	4.75
Mix high risk profile	-5 years	0.01%	6.93	4.50
Danica Balance	Non-lifecycle*	2.44%	10.09	N/A
Medium Risk				
Mix medium risk profile	30 years	0.79%	11.39	5.75
Mix medium risk profile	15 years	1.75%	8.5	5.25
Mix medium risk profile	5 years	0.71%	6.95	4.50
Mix medium risk profile	-5 years	0.05%	5.73	4.25
Danica Balance	Non-lifecycle*	5.16%	7.93	N/A
Low Risk				
Mix low risk profile	30 years	0.12%	10.09	5.50
Mix low risk profile	15 years	0.33%	6.64	4.50
Mix low risk profile	5 years	0.22%	5.39	4.25
Mix low risk profile	-5 years	0.03%	4.44	3.75
Danica Balance	Non-lifecycle*	1.45%	5.55	N/A

* Launched on 18 January 2016

22 PERCENTAGE ALLOCATION OF SHARE PORTFOLIOS ON INDUSTRIES AND REGIONS 2020

	Denmark	Rest of Europe	North America	South America	Japan	Rest of Asia/Pacific	Other countries	Total
Energy	0.0	0.6	0.4	0.0	0.0	0.0	0.0	1.0
Materials	0.2	0.9	0.6	0.0	0.1	0.1	0.1	2.0
Industrials	2.2	2.6	1.8	0.0	0.4	0.5	0.4	7.9
Consumer discretionary	0.3	2.5	3.3	0.0	0.7	0.2	0.8	7.8
Consumer staples	0.6	1.5	1.2	0.0	0.1	0.0	0.1	3.5
Health care	2.5	2.1	4.0	0.1	0.3	0.0	0.1	9.1
Financials	38.9	5.9	4.5	0.0	0.2	1.0	0.7	51.2
Information technology	0.8	2.3	8.4	0.0	0.4	1.1	0.8	13.8
Telecommunications	0.0	0.2	1.2	0.0	0.2	0.0	0.0	1.6
Utilities	0.6	0.8	0.5	0.0	0.2	0.0	0.0	2.1
Non allocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	46.1	19.4	25.9	0.1	2.6	2.9	3.0	100.0

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									
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, København		DKK	1,501	1,001.0	22,377	36	D	D	D
LIFE INSURANCE									
Danica Pension, Livsforsikringsaktieselskab, København	100	DKK	1,122	1,101.0	24,142	674	D	D	D
Danica Pensjonsforsikring AS, Trondheim	100	NOK	110	186	1,020	92	C	B	
PROPERTY INVESTMENT									
Danica Ejendomsselskab ApS, København	100	DKK	-20	3,100	23,715	-		C	
Danica Komplementar ApS	100	DKK	0	0	0.2			C	
Helsingørsgade Holding P/S ³	100	DKK							
Helsingørsgade 15 P/S ⁴	100	DKK							
SD Karreen Holding P/S	100	DKK	88	18.0	902	-		C	
SD Karré 1 P/S	100	DKK	91	16.0	798	-		C	
SD Karré 2 P/S	100	DKK	-2.7	2.0	104	-		C	
Ejendomsselskabet Project Nord P/S	100	DKK	-0.6	0.5	745	-		C	
Ejendomsselskabet Project Sunflower P/S	100	DKK	0	0.5	0.4	-		C	
Jægergårdsgade 101A P/S	100	DKK	21	1	284	-		C	
ERDA I P/S	100	DKK	-15	0.5	27	-		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 member of the board of directors and D stands for executive board member.

² Comprises average number of employees in group companies at 31 December 2020

³ Newly established company that has yet to present financial statements

⁴ Newly established company that has yet to present financial statements

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.

The 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 in real 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

Berit Irene Behring

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

Christoffer Møllenbach

Head of Group Finance, Danske Bank A/S
Born on 3.11.1972
Director of:
Danske Leasing A/S

Jesper Koefoed

Executive board member (State-authorized public accountant with deposited license)
Born on 18.06.1964
Member of the Executive Board of:
Koefoed Invest
Director of:
Realkredit Danmark A/S (and Chairman of the Audit Committee)
BNS A/S (Chairman)
Pihl & Søn A/S (Chairman)
LM Byg A/S (Chairman)
Nordic Investment Opportunities A/S (Deputy Chairman)

In addition, Jesper Koefoed is Chairman of the Danica Group's Audit Committee

Ib Katznelson

Retired Head of administration, Danish Ministry for Industry, Business and Financial Affairs
Born on 30.10.1941
(appointed by the Minister of Finance)

Annette Olesen

Head of Group Non-Financial Risk, Danske Bank A/S
Born on 16.04.1970

Claus Harder

Global Head of Markets & Transaction Banking
Born on 3.06.1975
Director of:
Realkredit Danmark A/S
Danske Markets Inc.

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
Member of the governing body of Forsikringsforbundet
Born on 27.03.1968

Anne Charlotte Hovgaard Dahlstrøm

Head of department
Born on 12.08.1973
Director of:
Danica Pension Chefforening
Behrens-Sørensen Advisory P/S
Behrens-Sørensen Advisory Komplementar ApS

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:
Insurance and Pension Denmark
Forsikringsorganisationernes Fællessekretariat F.M.B.A.

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:
Forsikringsakademiet A/S
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 2020.

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 2020 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 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.

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

Copenhagen, 4 February 2021

Executive Board

Ole Krogh Petersen
Chief Executive Officer

Jesper Mølskov Høybye
Member of the Executive Board

Søren Lockwood
Member of the Executive Board

Board of Directors

Berit Irene Behring
Chairman

Christoffer Møllenbach
Vice Chairman

Jesper Koefoed

Ib Katznelson

Claus Harder

Annette Olesen

Kenneth Stricker-Nielsen

Charlott Due Pihl

Anne Charlotte
Hovgaard Dahlstrøm

Independent auditor's report

To the shareholder of Danica Pension, Livsforsikringsaktieselskab

Opinion

We have audited the consolidated financial statements and the parent financial statements of Danica Pension, Livsforsikringsaktieselskab for the financial year 1 January to 31 December 2020, pages 13-82, 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 2020 and of its financial performance and cash flows for the financial year 1 January to 31 December 2020 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 2020 and of its financial performance for the financial year 1 January to 31 December 2020 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 the 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 Danica Pension, Livsforsikringsaktieselskab 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 6 years up to and including the financial year 2020.

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 2020. 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
Measurement of goodwill related to Danica Pensionsforsikring A/S (formerly SEB Pensionsforsikring)	
<p>Goodwill primarily consists of goodwill related to the acquisition of SEB Pensionsforsikring in 2018. In 2020, 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 2020 (DKK 1,543 million at 31 December 2019).</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> • Assessment of future cash flows • Determining a discount rate. <p>Management has provided further information about goodwill in note 16 to the consolidated financial statements.</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>Our examination included the following elements:</p> <ul style="list-style-type: none"> • Testing key controls over the impairment test of goodwill, including the assumptions-setting processes, procedures 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.
Measurement of unlisted investments	
<p>Unlisted investments amount to DKK 44,963 million at 31 December 2020 (DKK 45,279 million at 31 December 2019).</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>The most significant judgements are:</p> <ul style="list-style-type: none"> • Determination of market value in illiquid markets • Definition of required rates 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>	<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>Our examination included the following elements:</p> <ul style="list-style-type: none"> • Testing key controls over the valuation of unlisted investments, including the assumptions-setting processes, procedures for approval of valuations by Management, and the operating effectiveness of such controls. • Sample testing of data for completeness and accuracy. • Challenging the methodology applied by using our industry knowledge and experience, focusing on changes etc since last year. • 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, including any price adjustments needed due to changes in market conditions since the prices last reported by external parties.

Measurement of investment property and investments in associated property companies

Investment property and investments in associated property companies amount to DKK 24,491 million at 31 December 2020 (DKK 23,211 million at 31 December 2019).

The determination of the measurement of investment property is based on the location of each property, future events, future 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.

The most significant judgements are:

- Assessment of future cash flows
- Definition of required rates of return.

Management has provided further information about investment property in note 18 to the consolidated financial statements.

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.

Our examination included the following elements:

- Testing key controls over the valuation of investment property and investments in associated property companies, including the assumptions-setting processes, procedure for approval of valuations 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 and investments in associated property companies, including assessing, on a sample basis, future cash flows and individual required rates of return used for valuation, against historical data and market practice.

Measurement of liabilities under insurance contracts

Liabilities under insurance contracts amount to DKK 457,889 million at 31 December 2020 (DKK 437,402 million at 31 December 2019).

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.

Changes in assumptions and the methodology applied may have a material impact on the measurement of liabilities under insurance contracts.

The most significant judgements are:

- Determining disability rates, recapitalisation, mortality rates, surrender probabilities and provisions for unearned premiums
- Assumptions related to regulatory and reporting requirements, including risk and interest.

Management has provided further information about liabilities under insurance contracts in notes 26 and 27 to the consolidated financial statements.

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.

Our examination included the following elements, where we also made use of our own internationally qualified actuaries:

- Testing of key controls over the actuarial models, data collection and analysis and the assumptions-setting processes.
- Assessing methods, models and data used against market practice, historical development and trends.
- 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 in risk, interest and cost results, by using our industry knowledge and experience.

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 the 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 the 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, 4 February 2021

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Jens Ringbæk

Jacques Peronard

State-Authorised Public Accountant

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