FORSIKRINGSSELSKABET DANICA

ANNUAL REPORT 2012

Danica Pension

Contents

This Annual Report 2012 is a translation of the original report in the Danish language (Årsrapport 2012). In case of discrepancy, the Danish version prevails

SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

(DKK millions)	2012	2011	2010	2009	2008
PREMIUMS INCLUDING INVESTMENT CONTRACTS	24,650	27,277	24,148	20,431	21,879
INCOME STATEMENT					
Technical result, Life	1,739	-18	1,145	1,466	-59
Technical result of health and accident insurance	32	181	261	296	-787
Return on investment allocated to equity, etc.	613	570	869	1,296	-279
Profit/loss before tax	2,364	733	2,275	3,058	-1,125
Tax	-578	-183	-504	-737	305
Net profit/loss for the year	1,786	550	1,771	2,321	-820
BALANCE SHEET					
Total assets	324,495	303,160	288,061	264,085	242,851
Technical provisions, health and accident insurance	9,106	8,648	8,384	8,267	8,084
Provisions for insurance and investment contracts	288,787	267,844	255,459	237,409	218,139
Collective bonus potential	851	375	1,740	2,775	1,553
Total shareholders' equity	18,986	19,743	20,992	19,215	16,886
KEY FIGURES AND RATIOS (%)					
Return before tax on pension returns excl. return on market products	8.6	6.1	5.6	6.7	-0.9
Return before tax on pension returns on customer funds in Danica Pension	9.2	6.8	5.8	7.1	-1.2
Return on market products in Denmark	11.5	-2.5	12.9	24.0	-24.0
Expenses as per cent of premiums	4.8	4.6	5.0	6.0	6.0
Expenses as per cent of provisions	0.46	0.52	0.52	0.55	0.63
Expenses per policyholder (DKK)	1,200	1,337	1,342	1,360	1,466
Insurance risk result	0.06	0.04	0.09	0.08	0.14
Bonus rate – bonus-paying companies	0.6	0.2	1.1	1.7	0.9
Owners' capital ratio	12.7	12.5	14.8	13.5	11.9
Excess core capital ratio	6.3	6.7	8.7	8.7	6.9
Solvency ratio	207	225	276	283	242
Return on equity before tax	11.7	3.5	11.3	16.9	-6.5
Return on customer funds after deduction of expenses before tax	7.7	6.1	4.6	5.5	-1.3
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	107	93	82	96	97
Gross expense ratio	12	12	13	14	15

Forsikringsselskabet Danica's consolidated financial statements are presented in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds. The financial statements for the period 2008-2011 were presented in accordance with IFRS. The change has not had any impact on the financial highlights.

OVERVIEW OF EVENTS IN 2012

In 2012, the pension market was still impacted by the persisting economic downturn and strong competition. Price competition continued, and 2012 was characterised by many tenders for Danica's own and other companies' customers. Under these market conditions, Danica maintained its position as one of Denmark's leading providers of life and pension products.

Regular premiums in the business showed a 2% improvement to DKK 14.0 billion. As a result of a decline in single premiums, total premiums fell by 10% to DKK 24.7 billion.

Total premiums in the Danish business showed a 4% decline to a total of DKK 18.1 billion. The decline was explained by the fact that, while 2011 saw the addition of two major corporate schemes, 2012 was affected by Danica's withdrawal from tender rounds in which the prices were in Danica's opinion unrealistically low. The market products Danica Balance, Danica Link and Danica Select in 2012 totalled DKK 14.2 billion, equalling an improvement of 21%. Some 174,000 customers had chosen market products at the end of 2012. As expected, the premiums for the conventional product lost ground, falling 16% to DKK 6.0 billion.

In the Norwegian unit, premiums fell by DKK 0.4 billion, which was the result of a portfolio transfer in 2011. Not counting this portfolio transfer, the unit improved by 27% due, among other things, to sales through new distribution channels. As announced in 2011, the Irish business was wound up in 2012 and the company is expected to be finally dissolved in 2013. In the Swedish unit, premiums were down by 22%. The decline was due to the fact that Swedish banks in late 2011 introduced a product corresponding to Danica's product "depåforsikring", which brought about a realignment of the market in the first half of 2012, whereas the second half was in line with last year. Furthermore, deposits were impacted by a generally lower propensity to invest.

In Denmark, 2012 was also affected by tax reforms in the pension area. One effect of these reforms was that the cap on deductible annuity pension contributions in Denmark was lowered from DKK 100,000 to DKK 50,000 in 2012. There is still no cap on the deductibility of contributions to life annuities.

In 2012, the Danish pension market also had to prepare for the new tax reform that came into effect on 1 January 2013. With this reform, capital pension plans are being phased out, and as from 1 January customers' contributions to such pension plans are no longer deductible. In return, customers can make a non-deductible contribution of DKK 27,600 to a new retirement savings account. The advantage to customers is that the investment return is taxed at a rate of just 15.3%, which is significantly less than the rate charged on unrestricted funds. Also, benefits paid from such plans are tax exempt.

Danica ensures that customers maintain their deductibility by automatically transferring capital pension plan contributions to an annuity pension plan or a life annuity. During spring 2013, customers will also be given the option of transferring their pension contributions to the new retirement savings account. Customers will maintain the guarantees they already have with Danica.

As part of the tax reform, customers will during the course of 2013 be given an exceptional opportunity to pay a special, low tax rate on their capital pension plan of just 37.3% rather than the ordinary rate of 40%. If a customer chooses to pay the tax in 2013, the pension benefits will be paid out free of tax on retirement. Danica expects many customers to take this opportunity. In connection with this settlement of tax on the savings, Danica is also required to pay a tax on a proportionate share of unallocated customer funds (additional provisions and collective bonus potential). Total capital pension plan savings in Danica amounted to some DKK 50 billion at 31 December 2012.

In autumn 2012, Danica offered customers with high guarantees to change from the conventional product to Danica Balance. A compensation is given to the customers forfeiting their guarantee. In 2012, savings in the amount of DKK 1.8 billion were moved from Danica Traditionel to Danica Balance. In October and November, the offer was given to 20,000 customers and in 2013 it is expected to be extended to 60-80,000 customers.

Danica has taken this initiative in order to support the agreement entered into between the Ministry of Business and Growth and the Danish Insurance Association in June 2012. Under this agreement, pension companies are encouraged to facilitate the customers' move from guaranteed products to market rate products.

In November 2012, Danica Pension launched a unique new pension product under the name of Danica Select, giving customers the opportunity to invest online among 15,000 equities and securities on 17 European and US stock exchanges. Trades can be entered into via Danske eBanking as well as by tablet and smartphone. The product is aimed particularly at customers who wish to manage their pension savings themselves. Customers have the option to select the insurance covers they wish. At year end 2012, some 100 customers with total savings of DKK 0.1 billion had opted for Danica Select.

FINANCIAL REVIEW

Net profit/loss for the year

Danica realised a profit before tax of DKK 2,364 million, against DKK 733 million in 2011. The net profit after tax amounted to DKK 1,786 million, against DKK 550 million in 2011. This was in line with the profit forecast as stated in the interim report for the first half of 2012. On 1 November 2012, Danica distributed dividends of DKK 2,000 million. The Board of Directors proposes to the annual general meeting that an amount of DKK 750 million be distributed in 2013 as dividends in respect of 2012.

DANICA GROUP, PROFIT BEFORE TAX		
(DKK millions)	2012	2011
Technical result, Traditionel	1,232	1,120
Technical result, unit-linked business, Denmark	258	279
Health and accident result in Denmark (before investment return)	-130	-11
Technical result, activities in units outside Denmark	92	12
Investment return	522	585
Transferred to shadow account	407	-1,158
Special allotments	-17	-94
Profit before tax	2,364	733

The profit from insurance operations with respect to the conventional business was DKK 1,232 million, against DKK 1,120 million for 2011. The technical basis for the risk allowance allowed for the booking of risk allowance for three of the four interest rate groups. The risk allowance for the remaining interest rate group of DKK 124 million and a loss of DKK 22 million on one of the risk groups were transferred to the shadow account. It was furthermore possible to book income in the net amount of DKK 407 million from the shadow account, amounting to DKK 763 million at year end 2012.

The technical result of unit-linked business in Denmark amounted to DKK 258 million, against DKK 279 million in 2011. The decline was due to Danica reducing its prices on Danica Balance at the beginning of 2012.

The result of health and accident insurance in Denmark before investment return was a loss of DKK 130 million, against a loss of DKK 11 million in 2011. The claims ratio for the health and accident business was 107%, against 93% in 2011. This change was explained by the fact that the run-off on claims was DKK 15 million in 2012, against DKK 70 million in 2011. The result was furthermore affected by a higher claims ratio, resulting from lower prices in the Danish corporate market.

The technical result of the activities of the units outside Denmark amounted to DKK 92 million, against DKK 12 million in 2011, due among other things to an increase in the result of the Norwegian business from DKK 44 million to DKK 67 million. The result of the Swedish business decreased from DKK 21 million to DKK 15 million mainly as a result of a lower regulatory discount yield curve, strengthening the pension obligation toward the employees. As announced in 2011, the Irish business was wound up in 2012 and the company is expected to be finally dissolved in 2013. While the Irish unit in 2011 generated a loss, in 2012 it generated a minor profit as a result of reversed life insurance provisions and expense provisions.

The return on investment, comprising the investment returns on shareholders' equity and the health and accident business, fell from DKK 585 million to DKK 522 million. The lower return was partially explained by a reduced return on properties.

Special allotments, as described in the section on contribution under the note significant accounting policies, amounted to an expense of DKK 17 million. The amount will be allocated to the customers in 2014, at the earliest, when the accrued amount exceeds 0.1% of life insurance provisions for the policies in question. Interest accrues on the deferred amounts.

Gross premiums

Gross premiums including health and accident insurance and payments received on investment contracts amounted to DKK 24.7 billion in 2012, which was a decrease of DKK 2.6 billion or 9.6% relative to 2011, positively affected by the addition of two major corporate schemes in Denmark and the portfolio transfer in Norway.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS)					
(DKK billions)	2012	2011	2010	2009	2008
Danica Balance	12.2	9.4	7.3	4.5	4.0
Danica Link*	2.0	2.3	2.5	2.8	3.7
Danica Traditionel	6.0	7.1	7.5	8.7	10.8
Internal transfers	-3.3	-1.3	-1.7	-0.7	-0.9
Health and accident	1.2	1.3	1.3	1.3	1.3
Units outside Denmark	6.6	8.5	7.2	3.8	3.0
Total premiums	24.7	27.3	24.1	20.4	21.9

*The figures comprise Danica Select

Premiums for the Danish market products, Danica Balance, Danica Link and Danica Select, rose by 21%, whereas gross premiums for Danica Traditionel dropped by 16%.

Premiums in the units outside Denmark accounted for 27% of total premiums, against 14% in 2008.

Return on investment

In 2012, the Danica Group had a return on investment before tax on pension returns of DKK 26.4 billion or 8.6%. After tax on pension returns, the return was DKK 23.1 billion or 7.5%.

The return on investment of assets allocated to shareholders' equity in Danica Pension, excluding insurance subsidiaries, amounted to DKK 227 million or 1.3% in 2012, against 1.6% in 2011.

Danica Balance, Danica Link and Danica Select saw a total return of DKK 6.1 billion or 11.5%.

The return on investment of customer funds in Danica Traditionel was DKK 17.2 billion or 9.2% before tax on pension returns.

The return was positively affected by higher equity prices, credit investments and nominal bonds in 2012. Following the allocation of DKK 7.6 billion to life insurance provisions, the return was 5.9%.

Collective bonus potential

The collective bonus potential amounted to a total of DKK 0.9 billion at year end 2012, up by DKK 0.5 billion. The draw on the bonus potential of paid-up policies, which in 2011 was used to cover losses, was reduced by DKK 1.5 billion to DKK 0.2 billion. This draw relates to a single interest group only.

COLLECTIVE BONUS POTENTIAL IN DANICA PENSION*

(DKK billions)	New business 2012	Total 2012	Total 2011
Return on customer funds (life)	2.9	16.0	11.2
Change in the value of insurance obligations	-0.5	-7.6	-8.7
	2.4	8.4	2.5
Tax on pension returns	-0.4	-2.2	-1.6
Interest added for the period	-0.6	-2.8	-4.3
Cost and risk results	0.0	0.3	0.3
Risk allowance of provisions	-0.2	-1.3	-1.2
Transferred to shadow account	-0.3	-0.4	1.1
Used bonus potential of paid-up policies	-0.8	-1.5	1.8
Change in collective bonus potential	0.1	0.5	-1.4

* Comprises customer funds with bonus entitlement only.

The increase relative to the end of 2011 in collective bonus potential should be seen in the context of an investment return after change in additional provisions of 5.9% and an interest rate on policyholders' savings of 1.8% before tax on pension returns.

Collective bonus potential, etc. at 31 December 2012 is shown in the table below.

INTEREST RATE AND RISK GROUPS AT 31.12.2012

(%)	Rate of interest on policyholders' savings before tax on pension returns	Return on investement before tax on pension returns	Collective bonus potential (DKK billions)	Bonus rate at 2012	Bonus rate at 2011
Interest rate group 1 (new customers)	1.8	5.7	0.1	0.3	0.0
Interest rate group 2 (low guarantee)	1.8	10.5	-	0.0	0.0
Interest rate group 3 (medium guarantee)	1.8	11.7	0.5	3.6	1.0
Interest rate group 4 (high gurantee)	1.8	11.0	0.0	0.0	0.1
Risk Groups	-	-	0.2	-	-

At 1 January 2013, the interest rate on policyholders' savings in all groups was unchanged at 1.8% before tax on pension returns.

Annual expenses expressed in Danish kroner (ÅOK)

The total annual expenses in the conventional business not only comprise the risk allowance but also the recognition of cost and risk results. Overall, the cost and risk results in 2012 reduced the charge on customer funds by DKK 166 million.

ANNUAL EXPENSES EXPRESSED IN PERCENT, CALCULATED ON TOTAL CUSTOMER FUNDS IN DANICA TRADITIONEL *

(DKK millions)	New business 2012	Total 2012	Total 2011
Risk allowance (share of provisions)	249	1,224	1,185
Subordinated debt	-	-	15
Administrative expenses related to investment	341	630	630
Expenses for the period, interest rate groups	590	1,854	1,830
In % of provisions	1.21	1.05	1.04
Risk allowance (share of risk result)		113	39
Risk result		-111	-36
Cost result		-55	-26
Total costs for the period, excl. shadow account	1,590	1,801	1,807
In % of provisions, excluding shadow account	1.02	1.02	1.03
Transferred from shadow account	253	407	-1,158
Total expenses, including shadow account	843	2,208	649
In % of provisions, including shadow account	1.72	1.25	0.37

* Comprises customer funds with bonus entitlement only

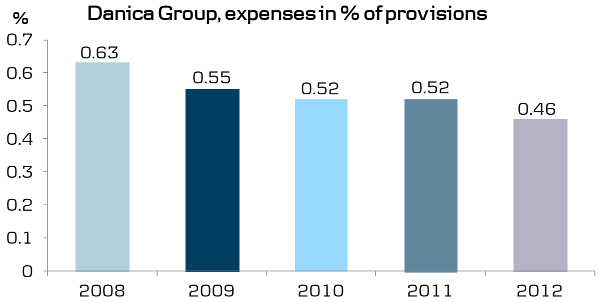
In 2012, total customer expenses excluding change in the shadow account was DKK 1,801 million, or 1.02% of provisions. During the period 2009-2012, the expenses averaged 0.90% excluding the shadow account. Also, in 2012 it was possible to reverse DKK 1,522 million of the bonus potential of paid-up policies for the new business and low guarantee interest rate groups.

Claims and benefits
Claims and benefits amounted to DKK 18.5 billion in 2012 against DKK 16.6 billion in 2011. Surrenders including investment contracts amounted to DKK 14.2 billion in 2012 against DKK 9.8 billion in 2011. The increase was mainly due to the loss of two major corporate schemes and an increase in surrenders in the Swedish business.

Expenses
In life insurance, operating expenses relating to insurance amounted to DKK 1,118 million in 2012, against DKK 1,203 million in 2011 as a result of increased expenses in the business outside Denmark and declining expenses in the Danish business. The expense ratio on premiums in the Danica Group rose from 4.6% to 4.8%, whereas for the Danish business it fell from 4.7% to 4.5%.

EXPENSES IN % OF PREMIUMS	2012	2011
Danica Group	4.8	4.6
Danica's Danish activities	4.5	4.7

Expenses amounted to 0.46% of average provisions, against 0.52% in 2011.



The average number of full-time employees was 817 in 2012, against 845 in 2011, and at the end of the year Danica had 803 employees in Denmark and abroad. The drop in employee numbers is related to continuing digitalisation efforts and self service tools as well as cost cuts in the staff functions.

The Danica Group paid DKK 592 million to Danske Bank for investment management, IT operations and development, internal auditing, HR administration, logistics and marketing. In addition, Danica paid DKK 133 million to the Danske Bank Group for its sale of life insurance policies (see note 21).

At year end 2012, DKK 41 million had been capitalised by the Danske Bank Group in respect of systems development for the Danica Group. This amount will be charged to the Danica Group's income statement over the coming three years.

Corporation tax
Corporation tax amounted to DKK 578 million.

Balance sheet comments
The Group's total assets rose from DKK 303 billion at the end of 2011 to DKK 324 billion at the end of 2012.

Investment assets, including investment assets related to unit-linked contracts, rose from DKK 295 billion at year end 2011 to DKK 316 billion at year end 2012.

Provisions for insurance and investment contracts totalled DKK 289 billion, against DKK 268 billion at the end of 2011.

Life insurance provisions amounted to DKK 182 billion, equal to the amount at year end 2011, breaking down into guaranteed benefits, bonus potential of future premiums and bonus potential of paid-up policies.

In 2011, the Danish FSA introduced the option of using a country-adjusted discount curve, and in February 2012, this curve was adjusted with respect to the mortgage interest rate spread.

Effective as of 12 June 2012, the Ministry of Business and Growth and the Danish Insurance Association signed an agreement that included an adjustment of the discount curve for long-term interest rates. The adjustment, which aligns the rules with the coming Solvency II rules, reduced Danica Pension's life insurance provisions calculated at year end 2012 by DKK 1.5 billion.

The agreement also includes a 2% cap on the rate of interest on policyholders' savings until 1 January 2014 and restrictions on dividend payments.

In autumn 2012, Danica offered customers with high guarantees the option of changing from the conventional product to Danica Balance against appropriate compensation. In 2012, savings in the amount of DKK 1.8 billion were moved from Danica Traditionel to Danica Balance under this option.

The collective bonus potential at the end of 2012 amounted to DKK 0.9 billion. Additional provisions for compliance with Danica's guarantees amounted to DKK 32.7 billion.

Provisions for unit-linked contracts rose from DKK 77 billion at the end of 2011 to DKK 96 billion at the end of 2012.

At the end of 2011, shareholders' equity stood at DKK 19.0 billion, against DKK 19.7 billion at year end 2011. The decline was due to the distribution of dividends of DKK 2.5 billion.

Risk exposure and sensitivity ratios
Note 24 discloses the effect for Danica on shareholders' equity and on collective bonus potential and the bonus potential of paid-up policies of isolated changes in interest rates and other relevant financial risks as well as changes in the mortality and disability rates. The note also discloses risks and the management thereof.

A 10% decline in the mortality rate, corresponding to an increase in life expectancy of about one year, would reduce the collective bonus potential by DKK 0.2 billion and shareholders' equity by DKK 1.6 billion.

The pension industry is required by the Danish FSA to adopt the Traffic light stress test of the companies' capital base. Danica Pension is financially well positioned for these stress tests, which include a 12% drop in equity prices and a change in interest rates of 0.7% percentage point. A 12 percentage point drop in equity prices would at year end 2012 reduce the collective bonus potential by DKK 0.3 billion and shareholders' equity by DKK 0.4 billion. A 0.7% percentage point drop in interest rate would at year end 2012 reduce the collective bonus potential by DKK 0.6 billion and shareholders' equity by DKK 1.8 billion.

Throughout 2012, Danica was in the green light scenario.

Financial strength and solvency requirement
As a precursor to the coming Solvency II rules, the Danish FSA in 2007 introduced a requirement for insurance companies to calculate their solvency need. The solvency need is a risk-based capital requirement, calculated according to the company's own risk assessment, to complement the solvency requirement. All Danish insurance companies are required to have a capital base corresponding at least to the higher of the solvency requirement and the solvency need. All companies in the Danica Group complied with this in 2012.

Danica has developed a model for calculating solvency need. In the model, stress tests are performed of relevant risk factors, including equity prices, property values, interest rates and life expectancy. The solvency need is calculated as the overall capital requirement after stress testing adjusted for collective bonus potential and bonus potential of paid-up policies used. The stress tests are based on the Danish FSA's yellow traffic light scenario, i.e. a 30% drop in equity prices, a 12% drop in property values and a 1.0 percentage point change in interest rates etc. Applying the yellow risk scenario, as Danica has opted to do, constitutes a stricter approach than the red risk scenario that forms part of the Danish FSA's traffic lights. Furthermore, the Danish FSA's stress test regarding life expectancy and disability rates is used, while the capital requirement with respect to other risks is based on an estimate. Finally, the model includes a country spread risk corresponding to the difference between the current value of the moving 12-month average and a spread of 0 bp.

DANICA GROUP, SOLVENCY (DKK millions)	2012	2011
Capital base	18,121	19,095
Solvency requirement	8,749	8,503
Solvency need	10,406	9,444
Required capital base	10,406	9,444

The solvency need amounted to DKK 10.4 billion at end-2012, against a solvency requirement of DKK 8.7 billion. In the following financial strength, the solvency need at year end 2012 is incorporated, as this exceeds the solvency requirement.

The Danica Group's capital base was calculated at DKK 18.1 billion. The Danica Group's total financial strength, i.e. its capital base and collective bonus potential less the required capital base, amounted to DKK 8.6 billion at year end 2012.

DANICA GROUP, FINANCIAL STRENGTH (DKK millions)	2012	2011
Shareholders' equity	18,986	19,743
Intangible assets etc.	-115	-98
Proposed dividends	-750	-550
Capital base	18,121	19,095
Required capital base	-10,406	-9,444
Excess capital base	7,715	9,651
Collective bonus potential	851	375
Financial strength	8,566	10,026

The financial strength reflects the extra security provided for customers' funds. To this should be added a bonus potential of paid-up policies of DKK 2.2 billion, part of which can be used to offset losses.

Events after the balance sheet date
No events have occurred between 31 December 2012 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 2013

In 2013, Danica expects to maintain its position as one of the leading providers of life and pension insurance products in Denmark.

The profit for 2013 will mainly depend on developments in the financial markets, which influence the booking of risk allowance and the potential booking of income from the shadow account.

If Danica is to book the full risk allowance in 2013, at an unchanged interest rate level it will require investment returns of 2-3% for the new business interest rate group and investment returns of 4-5% for the other interest rate groups.

Returns and market performance

2012 was a reasonably good year in terms of financial market returns. Equities and credit bonds yielded fair returns while interest rates remained very low. Towards mid year, the European debt crisis flared up again, for a time causing interest rates to plummet and the equity and credit markets to decline. The ECB's commitment to do everything in its power to keep the eurozone intact dampened the turmoil, and the transition by a number of countries, including Denmark, to discounting pension obligations at a fixed long-term rate of interest produced some long-term interest rate increases.

In the stock market, Europe's mid-year performance declined significantly, and in May the return difference was in excess of 7 percentage points. In the second half, this trend was reversed, and the US and Europe both ended the year with returns around to 16% mark. By comparison, Danish equities yielded returns of 27% in 2012, placing Denmark among the strongest performing stockmarkets in 2012.

Danish government bonds reacted positively to the uncertainty surrounding the Euro, as the Danish krone became a refuge currency in line with the Swiss franc. The long-term 10-year Danish government bond interest rate fell from 1.7% at the beginning of 2012 to 1.1% at the end of the year, whereas the shorter-term 2-year interest rate fell from 0.2% to a negative rate of 0.1%. The 10-year Danish government bond yielded 5.9% in 2012.

The interest rate spread between Danish long-maturity mortgage bonds and Danish government bonds at the end of 2012 was at the level of 1 percentage point, which was a decrease of approximately 0.1 of a percentage point.

Credit bond yields were positively affected by declining risk premiums and the drop in interest rates during the year, and Danica's portfolio of credit bonds with Investment Grade credit quality consequently yielded returns of 13.9%. Bonds with lower credit quality yielded 15.1%.

Property investments in 2012 yielded a return of 2.8%, against 6.2% in 2011. The 2012 return remained under pressure from the continued high commercial property vacancy rates.

Listed equities yielded a return of 19.2%, while alternative investments, mainly consisting of unlisted equities and infrastructure funds, yielded a return of 10.2%. A large part of the foreign exchange exposure was hedged.

Danica Balance customers under the medium equity risk profile and with 30 years to retirement age in 2012 had a return of 15.8% before tax on pension returns. Danica Balance customers in 2012 had an overall return before tax on pension returns of DKK 3.6 billion or 11.5%. Over a three-year period, the average return was 7.0% p.a. before tax on pension returns.

DANICA BALANCE, RETURN BEFORE TAX

(%)	30 years to pensioning		5 years to pensioning	
Risk	Return	Equity share	Return	Equity share
Aggressive	16.8	100	12.8	59
High	16.8	100	11.8	48
Medium	15.8	90	10.8	38
Low	14.4	75	9.7	27
Conservative	11.8	49	8.7	16

Average return, Danica Balance was 11.5% and over three years 7.0% p.a.

The majority of the Danica Link customers have opted for Danica Valg with medium risk, and they saw a return before tax on pension returns of 12.6% in 2012. The return before tax on pension returns for Danica Valg customers who have opted for high risk was 13.2% and for customers with a 100% equity share 15.5%. The overall return for Danica Link customers before tax on pension returns was DKK 2.2 billion or an average of 11.3%. Over a three-year period, the average return for all customers was 7.1% p.a. before tax on pension returns.

DANICA VALG PORTFOLIO, RETURN BEFORE TAX

(%)	2012	2011
Danica Valg Guarantee	11.0	0.9
Danica Valg 100% Bonds	9.5	5.6
Danica Valg Low Risk	10.4	1.9
Danica Valg Medium Risk	12.6	-1.3
Danica Valg High Risk	13.2	-3.4
Danica Valg 100% Equities	15.5	-7.6

Average return, Danica Link was 11.3% and over three years 7.1% p.a.

In the period from 15 November, when customers were first given the option of investing via Danica Select, customers opting for this product received a return of DKK 0.1 million.

The overall return on Danica Balance, Danica Link and Danica Select in 2012 was DKK 6.1 billion before tax on pension returns, equal to 11.5%. Over a three-year period, the return on Danica Balance and Danica Link was 7.0% p.a.

The total return on customer funds in Danica Traditionel before tax on pension returns was 9.2%. The total return after an increase of technical provisions was 5.9%. Over three years, the average return after changes in technical provisions was 4.3%.

DANICA PENSION, CUSTOMER FUNDS HOLDINGS AND RETURNS	2012		2011	
(DKK billions)	Value	Return %	Value	Return %
Property investments	19.7	2.8	19.6	6.2
Listed equities	9.9	19.2	6.9	-8.8
Alternative investments	8.1	10.2	5.3	11.3
Credit investments	31.1	14.4	23.4	2.5
Global bonds	6.6	8.6	6.1	2.8
Nominal bonds	72.8	6.9	81.0	7.2
Index-linked bonds	16.7	7.3	18.3	14.4
Short-term bonds and cash and cash equivalents	21.6	1.7	25.0	1.9
Total bonds, etc.	117.7	6.2	130.4	8.2
Other financial assets	8.6	-	3.4	-
Total	195.1	9.2	189.0	6.8
Return after change in additional provisions		5.9		2.1

The below table illustrates the relationship between investment return and the interest rate on policyholders' savings.

FROM INVESTMENT RETURN TO INTEREST RATE ON POLICYHOLDERS' SAVINGS (%)	New business 2012	Total 2012	Total 2011
Return on customer funds before investment costs	6.4	9.6	7.2
Investment costs	-0.7	-0.4	-0.4
Return on customer funds after investment costs	5.7	9.2	6.8
Change in the value of insurance obligations	-1.1	-3.3	-4.7
Investment return including change in insurance obligations	4.6	5.9	2.1
Tax on pension returns	-0.7	-1.3	-0.1
Risk premium for the year	-0.5	-0.7	-0.7
Risk premium transferred to shadow account	-0.5	-0.2	0.6
Risk and cost results	0.0	0.0	-
Transfer from collective bonus potential	-0.3	-0.3	0.8
Transfer from bonus potential of paid-up policies	-1.6	0.9	1.0
Other adjustments	0.5	-1.0	-1.0
Average interest rate on policyholders' savings after tax on pension returns	1.5	1.5	2.7
The share of investment assets for which investment costs are included is	100	100	100

The investment allocation of assets attributed to shareholders' equity at year end 2012 was 10.8% in real property, and 89.2% in relatively short-term bonds. Shareholders' equity is furthermore exposed to equities through investments attributable to the health and accident business. The return on assets attributed to shareholders' equity and to the health and accident business was 2.6%.

NEW EU SOLVENCY RULES – SOLVENCY II

Danica is closely monitoring the work on the coming EU solvency rules, Solvency II which, among other things, are set to change the existing volume-based capital requirement to a capital requirement that more accurately reflects the risks involved in the operation.

Solvency II was previously set to take effect at 1 January 2014. However, in the autumn of 2012 the European Insurance and Occupational Pensions Authority (EIOPA) announced that this is no longer realistic. Instead, EIOPA expects the new rules to take effect at 1 January 2016. The postponement is due to the many remaining unresolved issues that are holding up the legislative process. A central, unresolved issue is the treatment of long-term guarantees.

Despite the lingering uncertainty as to the effective date of Solvency II, Danica in 2012 continued preparing for the transition to Solvency II.

It is not yet possible to predict what Danica's capital requirement will be under Solvency II as the amounts of long-term guarantees, among other factors, are of great significance to the coming capital requirements. However, Danica does not expect the company's excess core capital to change significantly under the new rules in the form that they are expected to be implemented.

ORGANISATION, MANAGEMENT AND PARTNERSHIPS

Danica handles the Danske Bank Group's activities within pension savings and life insurance for companies, organisations and private individuals.

Danica's Board of Directors consists of six directors elected by the general meeting and three directors elected by the employees. The Board of Directors is in charge of the overall management of the company and holds some six meetings annually.

The Audit Committee examines accounting, auditing and security issues. These are issues that the Board of Directors, the Audit Committee itself, the group chief auditor or the external auditors believe deserve attention before they are brought before the Board of Directors. In 2012, the Audit Committee held four meetings.

The Executive Board is in charge of the day-to-day management of the company and consists of Per Klitgård, CEO and Jesper Winkelmann.

The directorships of the members of the Board of Directors and the Executive Board are listed on page 57.

Remuneration policy and incentive plans
Danica Pension's remuneration policy reflects 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 meeting and is available on www.danicapension.dk.

The Executive Board and senior managers are covered by the incentive plan offered by the Danske Bank Group. The plan consists of cash and conditional shares. Incentive payments reflect individual performance and also depend on financial results in the business area and other measures of value creation in a given financial year.

The remuneration structure has been tightened in a number of areas 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 size 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.

In compliance with international and Danish guidelines, employees in control functions do not receive performance-based remuneration.

Competent leadership and high employee satisfaction are key to the performance of the business. Danica Pension gives focused attention to management development, and this work is anchored in the Danske Bank Group's management platform.

Skills development is another key factor in Danica Pension's value creation, and advisors and other customer-oriented functions in particular undergo structured training programmes to ensure a solid skills base. Individual employees' skills development is arranged in connection with the annual employee performance review.

CORPORATE RESPONSIBILITY

Corporate Responsibility

Danica complies with Danske Bank's Corporate Responsibility policy. Along with the Annual Report 2012, the Danske Bank Group has published Corporate Responsibility 2012 on the Group's corporate responsibility. All relevant Corporate Responsibility data for the Group are available in the Corporate Responsibility Fact Book 2012, which is published along with the Corporate Responsibility report.

The UN Global Compact is the world's largest voluntary network for corporate responsibility, which is based on ten universal principles in the areas of human rights, labour rights, environment and corruption. Since 2007, as a member the Global Compact the Group has been committed to describing in annual progress reports what concrete measures it has taken to comply with the ten principles. The Group fulfils its reporting obligation to the Danish FSA by referring to the annual progress report to the UN, Communication on Progress. The progress report is available on www.unglobalcompact.org.

The Group's Corporate Responsibility reporting complies with the Global Reporting Initiative (GRI) guidelines on sustainability reporting.

On www.danskebank.com/responsibility a GRI index is available which corresponds to the ten universal principles of the Global Compact.

Environmental considerations

In 2012, Danica continued implementing measures to reduce paper consumption. Danica continued the digitalisation so that customers can choose to receive most of Danica's letters electronically. At the end of 2012, Danica had 289,000 customers receiving electronic mail. That the paper consumption nevertheless rose compared with 2011 was caused by several mass letters being distributed, for example in connection with the tax reform.

The company regularly monitors heating, electricity, water consumption and mileage on the company's vehicles. Also, all of Danica's vehicles have been replaced by environmentally friendly cars. Danica is included in Danske Bank's CO2 accounts. The complete report is available at Danske Bank's website.

POWER, HEAT AND WATER CONSUMPTION TRENDS

		2012	2011	2010	Index 12/11
Total power consumption	*MWh*	1,208	1,205	1,224	100
Total heat consumption	*MWh*	2,192	2,578	2,673	85
Total water consumption	*m3*	4,535	4,496	4,700	101
Mileage	*Km'000*	1,751	1,869	2,252	94
Paper	*tonnes*	94	90	112	104

Power, heat and water consumption includes regional offices. The consumption covers the period October 2011 to September 2012.

The heat consumption was down by 15% relative to 2011. For shopping centres managed by Steen &

Strøm an environmental and CSR programme has been set out. It covers environmental targets in terms of energy consumption, including CO2 emissions, waste, etc. Danica's centres have obtained Key2Green certification.

Socially responsible investment principles

In 2008, Danica implemented a socially responsible investment (SRI) policy in order to ensure that Danica does not invest customers' money in companies that do not comply with international human rights, environmental and employee rights, weapons and anti-corruption guidelines. Danica also adopted the UN Principles for Responsible Investment (PRI). This decision reflected the Group's ambition to comply with international standards in Danica's environmental, social and ethical guidelines. In 2012, few companies were excluded from Danica's investment universe based on the Group's socially responsible investment guidelines, while others had made improvements so that they could be included again. The list of companies not eligible for investment can be seen at danicapension.dk.

The requirements in respect of Danica's property portfolio include that Danica's suppliers should comply with the ethical rules of the Danish Construction Association.

Financial statements - contents

Financial highlights - Danica Group

DKKm	2012	2011	2010	2009	2008
INCOME STATEMENT					
Life insurance					
Premiums	18,662	19,169	16,936	15,729	17,904
Return on investment after tax on pension returns	23,147	7,779	15,722	19,671	-9,104
Claims and benefits	-18,800	-16,663	-16,715	-15,125	-14,707
Change in life insurance provisions and outstanding claims provisions	-3,184	-4,059	-1,131	-431	-6,515
Change in collective bonus potential	-477	1,403	1,035	-1,297	11,911
Change in provisions for unit-linked contracts	-15,541	-5,764	-12,570	-14,216	783
Total operating expenses relating to insurance	-1,117	-1,203	-1,143	-1,138	-1,221
Profit/loss on business ceded	168	266	131	33	244
Transferred return on investment	-1,139	-946	-1,120	-1,760	646
Technical result, Life	1,719	-18	1,145	1,466	-59
Health and accident insurance					
Gross premium income	1,306	1,427	1,457	1,459	1,462
Gross claims	-1,311	-1,243	-1,123	-1,326	-1,316
Total operating expenses relating to insurance	-143	-162	-183	-199	-204
Profit/loss on business ceded	-8	-9	-23	8	-14
Return on investment less technical interest	318	284	198	309	-505
Technical result of health and accident insurance	32	181	261	296	-787
Return on investment allocated to equity, etc.	613	570	869	1,296	-279
Profit/loss before tax	2,364	733	2,275	3,058	-1,125
Tax	-578	-183	-504	-737	305
Net profit/loss for the year	1,786	550	1,771	2,321	-820
BALANCE SHEET					
Total assets	324,495	303,160	288,061	264,085	242,851
Insurance assets, health and accident insurance	198	216	227	184	127
Technical provisions, health and accident insurance	9,106	8,648	8,384	8,267	8,084
Total shareholders' equity	18,986	19,743	20,992	19,215	16,886
Provisions for insurance and investment contracts	288,797	267,844	255,459	237,409	218,139
Collective bonus potential	851	375	1,740	2,775	1,553
KEY FIGURES AND RATIONS (%)					
Return before tax on pension returns	8.6	6.1	5.6	6.7	-0.9
Return before tax on pension returns on customer funds	9.2	6.8	5.8	7.1	-1.2
Return after tax on pension returns	7.5	5.3	5.0	5.8	-0.7
Expenses as per cent of premiums	4.8	4.6	5.0	6.0	6.0
Expenses as per cent of provisions	0.5	0.5	0.5	0.6	0.6
Expenses per policyholder (DKK)	1,200	1,337	1,342	1,360	1,466
Cost result	-0.09	-0.11	-0.08	-0.10	-0.14
Insurance risk result	0.06	0.04	0.09	0.08	0.14
Bonus rate	0.6	0.2	1.1	1.7	0.9
Owners' capital ratio	12.7	12.5	14.8	13.5	11.9
Excess core capital ratio	6.3	6.7	8.7	8.7	6.9
Solvency ratio	207	225	276	283	242
Return on equity before tax	11.7	3.5	11.3	16.9	-6.5
Return on equity after tax	8.8	2.6	8.8	12.9	-4.7
Return on customer funds after deduction of expenses before tax	7.7	6.1	4.6	5.5	-1.3
Return on subordinated debt before tax	-	1.7	1.4	2.2	5.7
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	107	93	82	96	97
Gross expense ratio	12	12	13	14	15
Combined ratio	119	106	97	110	114
Operating ratio	124	108	95	101	123
Relative run-off	0.2	1.0	2.2	0.9	1.2
Run-off, net of reinsurance (DKK millions)	17	70	155	61	73

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds.
* From 2011, information on the interest rate on policyholders' savings comprises the new business group.

Income statement - Danica Group

Note	DKKm	2012	2011
2	Gross premiums	18,662	19,169
	Reinsurance premiums ceded	-44	-39
	Total premiums, net of reinsurance	18,618	19,130
	Income from associates	9	45
	Income from investment properties	900	921
	Interest income and dividends, etc.	8,159	8,117
3	Market value adjustments of investments	18,215	1,081
	Interest expenses	-370	-273
	Administrative expenses related to investment activities	-557	-574
	Total investment return	26,356	9,317
	Tax on pension returns	-3,209	-1,538
	Return on investment after tax on pension returns	23,147	7,779
4	Claims and benefits paid	-18,800	-16,663
	Reinsurers' share received	110	114
	Change in outstanding claims provision	169	-61
	Change in outstanding claims provision, reinsurers' share	5	0
	Total claims and benefits, net of reinsurance	-18,516	-16,610
5	Change in life insurance provisions	-3,353	-3,998
	Change in reinsurers' share	92	180
	Total change in life insurance provisions, net of reinsurance	-3,261	-3,818
	Change in collective bonus potential	-477	1,403
	Total bonus	-477	1,403
6	Change in provisions for unit-linked contracts	-15,541	-5,764
	Total change in provisions for unit-linked contracts, net of reinsurance	-15,541	-5,764
	Acquisition costs	-355	-330
	Administrative expenses	-762	-873
	Reinsurance commissions and profit sharing	5	11
7	Total operating expenses relating to insurance, net of reinsurance	-1,112	-1,192
	Transferred investment return	-1,139	-946
	TECHNICAL RESULT OF LIFE INSURANCE	1,719	-18
8	**TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE**	32	181
	Return on investment allocated to equity	361	345
9	Other income	260	233
	Other expenses	-8	-8
10	**PROFIT BEFORE TAX**	2,364	733
11	Tax	-578	-183
	NET PROFIT FOR THE YEAR	1,786	550

		2012	2011
	Net profit for the year	1,786	550
	Other comprehensive income:		
	Translation of units outside Denmark	23	2
	Hedges of units outside Denmark	-22	-2
	Tax relating to other comprehensive income	6	1
	Total other comprehensive income	7	1
	NET COMPREHENSIVE INCOME FOR THE YEAR	1,793	551

Balance sheet - Danica Group

Assets

Note	DKKm	2012	2011
	INTANGIBLE ASSETS	114	98
12	Domicile properties	58	60
	TOTAL TANGIBLE ASSETS	58	60
13	Investment properties	20,794	20,898
	Holdings in associates	851	956
	Loans to associates	73	112
	Total investments in associates	924	1,068
	Holdings	17,285	17,355
	Unit trust certificates	23,373	21,803
	Bonds	140,674	144,824
	Other loans	481	63
	Deposits with credit institutions	8,407	7,525
	Other	8,122	5,723
14	Total other financial investment assets	198,342	197,293
	TOTAL INVESTMENT ASSETS	220,060	219,259
15	**UNIT-LINKED INVESTMENT ASSETS**	95,839	75,797
	Unearned premiums provision, reinsurers' share	5	4
	Life insurance provisions, reinsurers' share	2,080	1,987
	Outstanding claims provision, reinsurers' share	206	218
	Total technical provisions, reinsurers' share	2,291	2,209
	Amounts due from policyholders	424	443
	Amounts due from insurance companies	1,156	1,043
	Other debtors	499	703
	TOTAL DEBTORS	4,370	4,398
	Current tax assets	-	15
	Cash and cash equivalents	1,122	714
	Other	4	1
	TOTAL OTHER ASSETS	1,126	730
	Accrued interest and rent	2,494	2,398
	Other prepayments and accrued income	434	420
	TOTAL PREPAYMENTS AND ACCRUED INCOME	2,928	2,818
	TOTAL ASSETS	324,495	303,160

Balance sheet - Danica Group

Liabilities and equity

Note	DKKm	2012	2011
	Share capital	1,000	1,000
	Revaluation reserve	1	1
	Other reserves	13,677	14,443
	Retained earnings	3,558	3,749
	Proposed dividend	750	550
	TOTAL SHAREHOLDERS' EQUITY	18,986	19,743
	Unearned premiums provision	960	920
	Guaranteed benefits	174,953	173,100
	Bonus potential of future premiums	5,252	4,579
	Bonus potential of paid-up policies	2,226	3,966
	Total life insurance provisions	182,431	181,645
16	Outstanding claims provision	8,369	8,139
	Collective bonus potential	851	375
	Provisions for bonuses and premium discounts	109	108
18	Provisions for unit-linked contracts	96,077	76,657
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	288,797	267,844
11	Deferred tax	1,462	1,368
	Other provisions	-	15
	TOTAL PROVISIONS FOR LIABILITIES	1,462	1,383
	Amounts owed, direct insurance	407	262
	Amounts owed to reinsurers	22	13
	Amounts owed to credit institutions	7,415	6,978
	Amounts owed to group undertakings	2	2
	Current tax liabilities	228	0
19	Other creditors	6,749	6,650
	TOTAL CREDITORS	14,823	13,905
	OTHER ACCRUALS AND DEFERRED INCOME	427	285
	TOTAL LIABILITIES AND EQUITY	324,495	303,160

Statement of capital - Danica Group

DKKm

Changes in shareholders' equity	Share capital	Revalu-ation reserve	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2011	1,000	1	-2	14,445	3,749	550	19,743
Profit for the year	-	-	-	1,747	39	-	1,786
Other comprehensive income:							
Translation of units outside Denmark	-	-	23	-	-	-	23
Hedges of units outside Denmark	-	-	-22	-	-	-	-22
Tax on other comprehensive income	-	-	-	6	-	-	6
Total other comprehensive income	-	-	1	6	-	-	7
Comprehensive income for the year	-	-	1	1,753	39	-	1,793
Dividend paid	-	-	-	-1,770	-230	-550	-2,550
Proposed dividend ***	-	-	-	-750	-	750	0
Shareholders' equity at 31 December 2012	1,000	1	-1	13,678	3,558	750	18,986
Shareholders' equity at 31 December 2010	1,000	1	-2	14,473	3,749	1,771	20,992
Correction of errors in 2010 **			-	-29	-	-	-29
Adjusted shareholders' equity at 1 January 2011	1,000	1	-2	14,444	3,749	1,771	20,963
Profit for the year	-	-	-	465	85	-	550
Other comprehensive income:							
Translation of units outside Denmark	-	-	2	-	-	-	2
Hedges of units outside Denmark	-	-	-2	-	-	-	-2
Tax on other comprehensive income	-	-	-	1	-	-	1
Total other comprehensive income	-	-	0	1	-	-	1
Comprehensive income for the year	-	-	0	466	85	-	551
Dividend paid	-	-	-	-	-	-1,771	-1,771
Proposed dividend ***	-	-	-	-465	-85	550	0
Shareholders' equity at 31 December 2011	1,000	1	-2	14,445	3,749	550	19,743

* Recognised in the balance sheet under retained earnings.

** The implementation of the new contribution rules at the beginning of 2011 and immaterial errors relating to 2010 necessitated minor corrections of opening balances relative to the 2010 year-end closing. The corrections in the opening balance sheet were offset against the collective bonus potential and other creditors.

*** The dividend amounts to DKK 750 per share (2011: DKK 550). The line shows the effect on shareholders' equity at year end.

Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of Statsanstalten for Livsforsikring (now part of Danica Pension) if the percentage by which the equity exceeds the required capital base is higher than the percentage that had been maintained by Statsanstalten for Livsforsikring prior to the privatisation of this company in 1990. In addition, it is the intention not to distribute dividends until 2015. Paid-up capital and interest thereon may, however, be distributed currently.

Moreover, until 1 January 2014 Danica Pension's ability to distribute dividends is limited by the pension companies' agreement with the Ministry of Business and Growth Denmark to limit dividends to a minimum solvency ratio of 175% relative to the solvency requirement.

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

Statement of capital - Danica Group

DKKm	2012	2011
Solvency requirement and capital base		
Shareholders' equity	18,986	19,743
Core capital	18,986	19,743
- Proposed dividend	-750	-550
- Intangible assets	-114	-98
Reduced core capital	18,122	19,095
Capital base	18,122	19,095
Solvency requirement for life insurance	8,383	8,132
Solvency requirement for health and accident insurance	367	371
Total solvency requirement	8,750	8,503
Excess capital base	9,372	10,592

The capital base should at any time exceed the solvency requirement calculated in accordance with the Danish Financial Business Act.

Notes – Danica Group

Note

1 **SIGNIFICANT ACCOUNTING POLICIES – Forsikringsselskabet Danica**

GENERAL

The consolidated financial statements and the Parent Company's financial statements are prepared in accordance with the Danish Financial Business Act, including the Danish FSA's executive order No. 25 of 16 January 2012 on financial reports presented by insurance companies and lateral pension funds and executive order No. 760 of 2 July 2012 to amend executive order No. 25 of 16 January 2012.

The accounting policies have been changed compared with the annual report for 2011, in which the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The change does not affect the recognition or measurement of individual income statement and balance sheet items.

Change in accounting estimates

Effective as of 12 June 2012, the Ministry of Business and Growth and the Danish pension industry signed an agreement that includes an adjustment of the discounte curve for long-term interest rates. The adjustment, which aligns the rules with the expected Solvency II rules, has reduced the Danica Group's life insurance provisions at the end of 2012 by DKK 1.5 billion relative to the previous practice.

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 critical to the consolidated financial statements are:

- measurement of liabilities under insurance contracts
- the fair value measurement of financial instruments
- the fair value measurement of real property

The estimates and judgments are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete and unexpected future events or situations may occur. Therefore, such estimates and judgments are difficult and will always entail uncertainty, even under stable macroeconomic conditions, when they involve mortality and disability rates. Other parties may arrive at other estimated values.

Measurement of liabilities under insurance contracts

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 expected frequency of surrenders 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 2.0 year for a sixty five-year-old man and 1.4 year for a sixty five-year-old woman. A sixty five-year-old man is thus expected to live for some 21 more years and a sixty five-year-old woman for almost 23 more years. At the current level of interest rates, these assumptions result in additional provisions of DKK 12,161 million over the assumptions at the time when the policies were written.

The liabilities also depend on the discount yield, which is fixed on the basis of a zero-coupon yield curve estimated on the basis of Euro swap market rates to which is added a country spread between Danish and German government bonds, calculated as a 12-month moving average. To this is added a mortgage yield spread, cf. the agreement between the Danish Ministry of Business and Growth and the Danish Insurance Association on financial stability in the pension area. For maturities of more than 20 years, the forward rate between 20 and 30 years is extrapolated, the forward rate at the 30-year mark being fixed at 4.2%.

See the sensitivity analysis in note 24 to the financial statements.

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 unlisted shares, certain listed shares 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 measurement of investment property is assessed by the Group's valuers on the basis of a systematic assessment of 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 by insurance companies and lateral pension funds.

Note

Consolidation
Forsikringsselskabet Danica and group undertakings are included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

Group undertakings
The financial statements consolidate Forsikringsselskabet Danica and group undertakings in which the Group has control over financial and operating decisions. Control is said to exist if the Parent Company (Danica), directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating decisions, provided that most of the return on the undertaking accrues to the Group and that the Group assumes most of the risk.

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

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

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

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

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

Holdings in Associates
Associates are businesses in which the Group has holdings and significant but not controlling influence. The Group generally classifies businesses as associates if Danica, directly or indirectly, holds 20-50% of the voting rights.

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 business 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 business 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 Danica's significant accounting policies.

The proportionate share of the profit and loss on transactions between associates and Group undertakings is eliminated.

Jointly controlled assets
Properties that are owned jointly with other undertakings outside the Group, and where each venturer has control over its share of the future economic benefits through its share of the property, are classified as jointly controlled assets. Jointly controlled assets are consolidated on a pro rata basis in the income statement and the balance sheet.

Jointly controlled 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.

Intragroup transactions
The companies in the Danica Group are included in the Danske Bank Group, which comprises a number of independent legal entities. Intragroup transactions are settled on an arm's-length basis. Expenses incurred centrally are invoiced to the undertakings at calculated unit prices according to consumption and activity in accordance with the transfer pricing rules (cost recovery basis) or at market prices, if available.

Translation of transactions in foreign currency
The presentation currency of the consolidated financial statements is Danish kroner.

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

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

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

Note

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.

If the hedge accounting criteria cease to be met, the accumulated value adjustments of the hedged items are amortised and recognised in the income statement over the term to maturity.

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, including amounts recognised in connection with foreign currency translation of the unit outside Denmark, are recognised through profit or loss.

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 are included in the balance sheet item: Unit-linked contracts, 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 Traditionel insurances is divided into four interest rate groups, four cost groups and three risk groups.

The risk allowance can be booked only if it does not exceed the technical basis for risk allowance for the individual group and if the bonus potential of paid-up policies has not been used to absorb losses not covered by the collective bonus potential for the individual group. The technical basis for the risk allowance is essentially the annual investment return less the technical rate of interest used to calculate the guaranteed benefits payable to policyholders and the change in accumulated value adjustment of life insurance provisions. Consequently, the contribution principle entails fluctuating results. If the risk allowance cannot be booked, in whole or in part, the amount is transferred to a shadow account and may be booked at a later date if justified by the return on investment and provided no use of bonus potential of paid-up policies.

Within each interest rate group, any losses are absorbed collectively by that group's collective bonus potential and the bonus potential of paid-up policies 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. Losses related to interest and risk groups that are covered by shareholders' equity are transferred to the shadow account and may be booked at a later date when the technical basis permits.

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 required capital base is higher than the percentage that had been maintained by Statsanstalten for Livsforsikring prior to the privatisation of this company in 1990.

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 associated undertakings comprises the company's share of the associated undertakings' 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 associated undertakings.

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

Interest expenses comprise interest on loans and other amounts due.

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

Note

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

Claims and benefits
Claims and benefits, net of reinsurance, comprises the claims and benefits paid on insurance contracts for the year, adjusted for the change for the year in outstanding claims provisions and 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 reinsurers' share.

Change in collective bonus potential
The change in collective bonus potential comprises the change for the year in collective bonus potential for insurance policies with bonus entitlement.

Change in provisions for unit-linked contracts
The change in provisions for unit-linked contracts comprises the change for the year in the unit-linked provisions other than premiums and benefits relating to investment contracts.

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 between acquisition costs and administrative expenses and between life insurance and health and accident insurance is based on an ABC allocation model. The model uses drivers based on activity registrations.

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 equity-settled options (stopped in 2008) and conditional shares in Danske Bank (suspended in 2009 and 2010). Share options may not be exercised until three years after the grant date and are conditional on the employee's not having resigned from the Group. Rights to conditional shares vest up to five years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights earned from 2010 is conditional on certain targets.

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the options is expensed in the year when the options are earned, whereas the time value is accrued over the remaining service period. Subsequent fair value adjustments are not recognised in the income statement.

The Group's contributions to defined contribution plans for the employees are recognised in the income statement as they are earned by the employees.

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.

Technical interest, which is a calculated return on average technical provisions, net of reinsurance, is transferred from return on investment. The amount is calculated on the basis of the maturity-dependent discount rate determined by the Danish FSA. The proportion of the increased premium and claims provisions attributable to discounting is transferred from premiums/claims and set off against technical interest. Market value adjustment is included in the item Return on investment.

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). 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. Total gross claims are calculated net of reinsurance.

Transferred return on investment is calculated as a proportion of the total investment return, excluding hedges of interest rate risk, the return allocated to shareholders' equity and unit-linked investments. This proportion is calculated in accordance with the ratio of health and accident provisions to total technical provisions.

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

Notes – Danica Group

Note

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

Tax
Calculated current tax on the profit for the year and changes in deferred tax as well as 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.

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 on acquisitions made before 2002 was written off against shareholders' equity in the year of acquisition.

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 associated undertakings is recognised under Holdings in associated undertakings. The unit tested for impairment is the total carrying amount (including goodwill) of holdings in the associated undertaking.

Goodwill in subsidiaries is tested for impairment based on the cash-generating unit's estimated future cash flows for the next ten years and a residual value. The expected cash flows are discounted at a rate of 9% after tax. Goodwill in associated undertakings is tested for impairment based, among other things, on their financial statements.

Other intangible assets
Software acquired is measured at cost, including costs incurred to make each software application ready for use. Software acquired is amortised over the expected useful life, which is usually three years, using the straight-line method.

Costs attributable to the maintenance of intangible assets are expensed in the year of maintenance.

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 Danica 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 at fair value.

Investment property under construction is measured at cost until the date when the fair value can be measured reliably, typically at the date of completion. If indications of impairment exist, the property is tested for impairment and written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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

Note

Financial instruments – general
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 fair value basis, the fair value measurement is based on mid-market prices.

Financial investment assets
At initial 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 relation to pension obligations. Exceptions from this are derivatives, which by definition are classified as held for trading, and deposits with credit institutions, which are classified as debtors.

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

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

The fair value of more complex financial instruments, such as swaptions and other OTC products and unlisted share holdings, 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.

Derivatives comprise derivatives with positive fair values, while derivatives with negative fair values are recognised under Other creditors.

Investment assets related to unit-linked contracts
At initial recognition, unit-linked investments 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 year-end market price 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 insurance provisions is shown divided into unearned premiums provisions, life insurance provisions, outstanding claims provisions and provisions for unit-linked contracts.

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

LIABILITIES AND EQUITY
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 forms part of other reserves under the Executive Order issued by the Danish FSA on financial reports presented by insurance companies and lateral pension funds.

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.

Unearned premiums provisions
Unearned premiums provisions relate to health and accident insurance and are made in accordance with the portion of premiums written that relates to subsequent financial years.

Note

Life insurance provisions
Life insurance provisions are computed for each insurance policy on the basis of a zero-coupon yield curve. The computation of life insurance provisions is based on assumptions of expected future mortality and disability rates. 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 an allowance for risk. The risk allowance has been determined using a margin on mortality intensity.

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

Life insurance provisions are divided into guaranteed benefits, bonus potential on future premiums and bonus potential on paid-up policy benefits.

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. The guaranteed benefits are calculated taking into account future conversion of the policies into paid-up policies and policyholders' surrenders based on empirical data for the Group.

The bonus potential of future premiums comprises obligations to pay a bonus over time in relation to premiums agreed but not yet due. For the portfolio of insurance policies with bonus entitlement, the bonus potential of future premiums is calculated as the difference between the value of the guaranteed paid-up policy benefits and the value of guaranteed benefits. Guaranteed paid-up policy benefits comprise obligations to pay benefits guaranteed under the insurance if the policy is converted into a paid-up policy. Guaranteed benefits under paid-up policies are calculated as the present value of the guaranteed benefits under paid-up policies plus the present value of expected future expenses for the administration of the policies.

The bonus potential of paid-up policies comprises obligations to pay bonuses in relation to premiums already due less claims and benefits paid, etc.
The bonus potential of paid-up policies is calculated as the value of the policyholders' savings less the guaranteed benefits, the bonus potential of future premiums and the present value of future administrative results. The bonus potential of each insurance policy cannot be negative.

The bonus potential of paid-up policies can be used to absorb losses when the collective bonus potential has been used up. If bonus potential of paid-up policies is reduced to such an extent that the provision for each insurance policy is lower than the guaranteed surrender value, the guaranteed benefits for the policy are increased corresponding to the likelihood of surrenders.

Outstanding claims provisions
The outstanding claims provisions are an estimate of expected payments of benefits and benefits due but not yet paid. As regards claims under health and accident insurance policies where benefits are paid successively, the liability is calculated as the present value of expected future payments, including costs to settle claims obligations.

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

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.

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.

Provisions for unit-linked contracts
Provisions for unit-linked contracts 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 and paid-up benefits is calculated on the basis of the methods reported to the Danish FSA.

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.

Other provisions
Other provisions comprise liabilities of uncertain size or timing, but whose settlement will probably require an outflow of resources embodying economic benefits from the Group. Other provisions are measured at the best estimate of the costs required to settle the liability at the balance sheet date. Discounting is made where this has a material effect.

Notes – Danica Group

Note

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.

Key ratios
The key ratios of the Group and the Parent Company are prepared in accordance with the provisions of the executive order on financial reports presented by insurance companies and lateral pension funds. The return ratios are calculated using a composite weighting procedure.

Notes - Danica Group

Note	DKKm	2012	2011
2	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	14,033	13,785
	Single premiums	9,296	12,114
	Total direct insurance	23,329	25,899
	Total gross premiums	23,329	25,899
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	1,029	909
	Single premiums	3,638	5,821
	Total premiums paid	4,667	6,730
	Total gross premiums included in the income statement	18,662	19,169
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	17,836	18,889
	Insurance taken out individually	3,870	5,331
	Group life insurance	1,623	1,679
	Total	23,329	25,899
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	436	417
	Insurance taken out individually	442	453
	Group life insurance	580	633
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profits insurance	6,008	7,148
	Without profits insurance	213	195
	Unit-linked insurance	17,108	18,556
	Total	23,329	25,899
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	16,533	17,130
	Other EU countries	5,171	6,649
	Other countries	1,625	2,120
	Total	23,329	25,899
3	MARKET VALUE ADJUSTMENTS		
	Domicile properties	2	-
	Investment properties	-292	285
	Holdings	1,494	-217
	Unit trust certificates	11,952	-4,919
	Bonds	3,984	4,933
	Other loans	-25	58
	Deposits with credit institutions	241	199
	Cash in hand and demand deposits	0	-1
	Other	859	743
	Total market value adjustments	18,215	1,081
4	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-698	-842
	Insurance amounts on disablement	-259	-268
	Insurance amounts on expiry	-1,134	-1,369
	Retirement benefits and annuities	-7,048	-7,035
	Surrender values	-8,614	-6,148
	Cash payments of bonuses	-1,045	-999
	Total direct insurance	-18,798	-16,661
	Expenses to minimise disablement	-2	-2
	Total claims and benefits paid	-18,800	-16,663

Notes - Danica Group

Note	DKKm	2012	2011
5	CHANGE IN LIFE INSURANCE PROVISIONS, GROSS		
	Provisions, beginning of year	181,644	178,553
	Accumulated value adjustment, beginning of year	-23,427	-16,429
	Retrospective provisions, beginning of year	158,217	162,124
	Changes during the period:		
	Gross premiums	6,222	7,343
	Interest added	3,127	4,714
	Claims and benefits	-13,963	-14,350
	Expense supplement after addition of expense bonus	-511	-568
	Risk gain after addition of risk bonus	-19	28
	Special allotments	17	94
	Other	-608	-261
	Total changes	-5,735	-3,000
	Other changes:		
	Transfer of provisions	-2,984	-1,016
	Change in quota share, Forenede Gruppeliv	-88	-63
	Other	505	173
	Total other changes	-2,567	-906
	Retrospective provisions, end of year	149,915	158,218
	Accumulated value adjustment, end of year	32,515	23,427
	Life insurance provisions, end of year	182,430	181,645
	Change in gross life insurance provisions consists of:		
	Change in retrospective provisions	-5,735	-3,000
	Change in accumulated value adjustment	9,088	6,998
	Change in gross life insurance provisions	3,353	3,998
	Change in gross life insurance provisions consists of:		
	Change in guaranteed benefits	4,421	16,854
	Change in bonus potential of future premiums	673	-5,857
	Change in bonus potential of paid-up policies	-1,741	-6,999
	Change in gross life insurance provisions	3,353	3,998
	Increase in provisions because the bonus potential of future premiums and paid-up policies must be positive for each policy		
	Bonus potential of future premiums	449	461
	Bonus potential of paid-up policies	30,253	22,619
	Reduction of bonus potential of paid-up policies on allocation of technical basis for risk allowance*	1,522	-1,756
	* In 2012 DKK 1,522 million of the reduction from 2011 was reversed.		
	Bonus potential of paid-up policies can generally be used to cover losses. However, on certain policies it can only be used partially due to a guaranteed surrender value.		
	Total bonus potential of paid-up policies, before reduction re. technical basis for risk allowance	2,460	5,722
	Total bonus potential of paid-up policies available to cover losses	2,248	3,259
	Guaranteed benefits are calculated taking into account conversions of policies into paid-up policies and surrenders. A surrender rate of 2% p.a. is used for policies under the old surrender rules, where benefits are not being paid. Also a probability rate of 4% p.a. of conversion into paid-up policy is used. based on experience from Danica Pension's portfolio.		
	The effect on guaranteed benefits amounts to	782	-127

Notes - Danica Group

Note	DKKm	2012	2011

5
(cont'd)

Life insurance provisions break down as follows by sub-portfolio

2012	Non-allocated	Interest rate group 1	Interest rate group 2	Interest rate group 3	Interest rate group 4	Total
Guaranteed benefits	6,054	42,329	22,610	16,235	87,724	174,952
Bonus potential of future premiums	-	4,559	413	107	174	5,253
Bonus potential of paid-up policies	-	1,858	138	116	113	2,225
Total life insurance provisions	6,054	48,746	23,161	16,458	88,011	182,430

2011	Non-allocated	Interest rate group 1	Interest rate group 2	Interest rate group 3	Interest rate group 4	Total
Guaranteed benefits	6,419	42,387	21,505	15,531	87,258	173,100
Bonus potential of future premiums	-	3,723	487	134	235	4,579
Bonus potential of paid-up policies	-	3,584	42	165	175	3,966
Total life insurance provisions	6,419	49,694	22,034	15,830	87,668	181,645

Note		2012	2011
6	CHANGE IN PROVISIONS FOR UNIT-LINKED CONTRACTS		
	Provisions, beginning of year	76,657	66,310
	Accumulated value adjustment, beginning of year	-197	-165
	Retrospective provisions, beginning of year	76,460	66,145
	Changes during the year:		
	Gross premiums	12,440	11,827
	Interest added	7,723	-3,244
	Claims and benefits	-4,650	-2,379
	Expense supplement	-398	-375
	Risk gain	-10	-19
	Other	432	-78
	Total changes	15,537	5,732
	Other changes:		
	Payments received under investment contracts	4,666	6,730
	Payments made under investment contracts	-4,922	-3,106
	Transfer of provisions	3,105	1,123
	Other	1,030	-164
	Total other changes	3,879	4,583
	Retrospective provisions, end of year	95,876	76,460
	Accumulated value adjustment, end of year	201	197
	Provisions, end of year	96,077	76,657
	Change in provisions for unit-linked contracts breaks down as follows:		
	Change in retrospective provisions	15,537	5,732
	Change in accumulated value adjustment	4	32
	Change in provisions for unit-linked contracts	15,541	5,764
	Provisions for unit-linked contracts break downs as follows:		
	Insurance contracts	67,006	52,116
	Investment contracts	29,071	24,541
	Provisions for unit-linked contracts, end of year	96,077	76,657

Notes - Danica Group

Note	DKKm	2012	2011
7	OPERATING EXPENSES RELATING TO INSURANCE		
	Commission on direct insurance	-267	-282
	Fees to the audit firms appointed by the general meeting:		
	Fees to KPMG:		
	Statutory audit of financial statements	-1.8	-1.9
	Tax advisory services	-0.1	-0.1
	Other services	-0.3	-0.2
	Total	-2.2	-2.2
	Fees to PricewaterhouseCoopers Danmark:		
	Statutory audit of financial statements	-	-0.9
	Total	-	-0.9
	Average number of full-time-equivalent employees during the year	817	845
	Number of full-time-equivalent employees, end of year	803	837
	Staff costs:		
	Salaries	-478	-474
	Share-based payment	-2	-2
	Pensions	-91	-81
	Social security and tax	-73	-67
	Other	-52	-56
	Total staff costs earned	-696	-680
	Total staff costs paid	-695	-668

For a more detailed description of the Group's remuneration policy and remuneration paid, see "Remuneration Report 2012", available at the website: www.danicapension.dk. The remuneration report 2012 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.

	2012	2011
Pension plans		
Contributions to external defined contribution plans	-21	-13
Contributions to internal defined contribution plans	-70	-68
Total	-91	-81

Note	DKKm	2012	2011
7 (cont'd)			
	Board of Directors' remuneration (DKK'000)		
	Peter Straarup	-250	-247
	Tonny Thierry Andersen	-190	-173
	Peter Rostrup-Nielsen (from 12.04.2012)	-105	-
	Kim Andersen (from 21.11.2011)	-340	-29
	Lars Andreasen (from 14.03.2011)	-150	-113
	Thomas Falck	-150	-143
	Gitte Jensen (until 13.03.2012)	-30	-143
	Charlott Due Pihl (from 13.03.2012)	-120	-
	Erik Sevaldsen	-150	-143
	Georg Schubiger (from 14.03.2011 until 12.04.2012)	-	-113
	Per Søgaard	-150	-143
	Sven Lystbæk (until 14.03.2011)	-	-45
	Jakob Brogaard (until 14.03.2011)	-	-30
	Total remuneration *	-1,635	-1,322
	Including fees for board committee membership	-190	-16

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

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

For their positions as members of the boards of directors or executive boards of other companies in the Danske Bank Group, in 2012 Peter Straarup received DKK 1.2 million (2011 DKK 12.4 million), Tonny Thierry Andersen DKK 8.9 million (2011 DKK 7.6 million), Georg Schubiger DKK 5.0 million (2011 7.7 million) and Kim Andersen DKK 0.3 million (2011 DKK 0.1 million) in total remuneration from such companies.

Remuneration of other material risk takers
For 2012, four persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 8.3 million (2011 DKK 7.5 million to four material risk takers), with fixed remuneration amounting to DKK 7.9 million (2011 DKK 6.9 million) and variable remuneration amounting to DKK 0.4 million (2011 DKK 0.6 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.

Notes - Danica Group

Note	DKKm			2012	2011

7
(cont'd)

Remuneration of the Executive Board 2012

	Per Klitgård	Jesper Winkelmann	2012	2011
Contractual remuneration	-4.3	-3.0	-7.3	
Pensions	-0.4	-0.6	-1.0	
Variable cash remuneration	-1.5	-0.4	-1.9	
Variable share-based payment	-0.5	-0.1	-0.6	
Total	-6.7	-4.1	-10.8	
Total payment			-9.9	

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 2011

	Per Klitgård *	Jørgen ** Klejnstrup	Jesper Winkelmann	2012	2011
Contractual remuneration	-1.0	-3.0	-2.9		-6.9
Pensions	-0.1	-0.4	-0.6		-1.1
Variable cash remuneration	-0.3	-	-0.4		-0.7
Variable share-based payment	-2.7	-	-0.3		-3.0
Total	-4.1	-3.4	-4.2		-11.7
Total payment					-8.1

* Per Klitgård joined the Executive Board at 1 October 2011.
** Jørgen Klejnstrup resigned at 31 October 2011.

Per Klitgård may resign his position at six months' notice.

Danica Pension may terminate Per Klitgård's service contract at twelve months' notice. If the termination takes place before 30 September 2016, he is entitled to a severance payment equivalent to 12 months' salary. After that date, Per Klitgård is not entitled to severance payment.

Jesper Winkelmann may resign his position at three months' notice.

Danica Pension may terminate Jesper Winkelmann's service contract at eight months' notice, in which case he will receive a severance payment equivalent to 24 months' salary. The severance payment is reduced from the year when the Executive Board member attains 23 years' pension seniority until it is the equivalent of 12 months' salary. Pension contributions paid before the age of 35 are not included in the calculation of pension seniority.

Share-based payment
On entering into his service agreement, Per Klitgård received a one-off fee of DKK 2.5 million which was converted into 32,208 Danske Bank shares based on the average price at the grant date. A third of these are tied up until 1 October 2012 and the remaining two thirds are tied up until 1 October 2014.

Until 2008, the Group offered senior staff and selected other employees an incentive programme that consisted of share options and conditional shares. Incentive payments reflected individual performance and also depended on financial results in the business area and other measures of value creation in a given financial year. The options and shares were granted in the first quarter of the qualifying year.

Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after they are granted provided that the employee, with the exception of retirement, has not resigned from the Group. The exercise price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the bank's annual report plus 10%.

The fair value of the share options at the grant date is calculated according to a dividend-adjusted Black & Scholes formula.
Calculation of the fair value at the end of 2012 is based on the following assumptions: Share price: 96 (2011: 73). Dividend payout ratio: 2.5% (2011: 2.5%). Rate of interest: 0.2-0.3% (2011: 0.8-0.9%), equal to the swap rate. Volatility: 35% (2011: 50%). Average time of exercise: 0-1 years (2011: 0-2 years). The volatility estimate is based on historical volatility.

Effective from 2010, 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 exeception of retirement, has not resigned from the Group. In addition to this requirement, rights to shares earned in 2011 and 2012 vest only if the Group as a whole and the employee's department meet certain performance targets within the next five years.

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

The intrinsic value is expensed in the year in which the share options and rights to conditional shares are earned, while the time value is accrued over the remaining service period, which is the vesting period up to five years.

Danica has hedged the share price risk.

Note	DKKm	2012	2011

7
(cont'd)

Share-based payment

Share options	Number					
	Executive Board	Other employees	Total	Exercise price (DKK)	Fair value (FV) Issue date	End of year
1 Jan. 2011	257,496	20,510	278,006	157,1-294,1	5.4	0.1
Forfeited 2011	-27,778	-	-27,778	-	-	-
Other changes 2011	-158,862	26,043	-132,819	-	-	-
31 Dec. 2011	70,856	46,553	117,409	176,0-272,2	3.0	0.1
Forfeited 2012	-28,345	-	-28,345	-	-	-
31 Dec. 2012	42,511	46,553	89,064	183,0-272,2	2.0	0.0

Executive Board members' holdings, end of 2012

Year of grant	2006-2008	
	Number	FV
Per Klitgård	-	-
Jesper Winkelmann	42,511	0.0

No share options were granted or exercised in 2012

Executive Board members' holdings, end of 2011

Year of grant	2005-2008	
	Number	FV
Per Klitgård	-	-
Jesper Winkelmann	70,856	0.0

Holding and exercise price have been changed as a result of the capital increase in April 2011.
No share options were granted or exercised in 2011

Notes - Danica Group

Note	DKKm	2012	2011

7
(cont'd)

Share-based payment

Conditional shares	Number					
	Executive	Other		Own contribution	Fair value (FV)	
Conditional shares - changes during the year	Board	employees	Total	price (DKK)	Issue date	End of year
Granted in 2007-2008			0			
1 Jan. 2011	5,960	9,848	15,808	1.8	2.9	1.2
Vested 2011	-3,711	-9,848	-13,559	1.8	-	-
Forfeited 2011	-	-	0	-	-	-
Other changes 2011	-2,249	-	-2,249	-	-	-
31 Dec. 2011	0	0	0	-	0.0	0.0
Granted in 2012			0			
Granted 2012	4,263	12,293	16,556	0,0-0,9	1.5	1.6
Vested 2012	-	-893	-893	0.9	-	-
Forfeited 2012	-	-980	-980	-	-	-
Other changes 2012	-	-	0	-	-	-
31 Dec. 2012	4,263	10,420	14,683	0,0-0,9	1.4	1.4

Executive Board members' holdings and fair value thereof, end of 2012

Year of grant	2012	
	Number	FV
Per Klitgård	2,472	0.2
Jesper Winkelmann	1,791	0.2

Average market price at the vesting date for conditional shares in 2012 was 98.3.

Executive Board members' holdings and fair value thereof, end of 2011

Year of grant	2008	
	Number	FV
Per Klitgård	0	0.0
Jørgen Klejnstrup	0	0.0
Jesper Winkelmann	0	0.0

Average market price at the vesting date for conditional shares in 2011 was 125.7.

Notes - Danica Group

Note	DKKm	2012	2011
8	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	1,321	1,378
	Reinsurance premiums ceded	-68	-82
	Change in unearned premiums provision	-15	49
	Change in unearned premiums provision, reinsurers' share	1	0
	Premiums, net of reinsurance	1,239	1,345
	Technical interest	-53	-26
	Claims paid, gross	-1,355	-1,249
	Reinsurers' share received	76	40
	Change in outstanding claims provision	44	6
	Change in outstanding claims provision, reinsurers' share	-23	26
	Claims, net of reinsurance	-1,258	-1,177
	Bonus and premium discounts	-77	-90
	Acquisition costs	-57	-57
	Administrative expenses	-86	-105
	Reinsurance commissions and profit sharing	6	7
	Total operating expenses relating to insurance, net of reinsurance	-137	-155
	Return on investment	318	284
	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	32	181
	Total run-off regarding prior years:		
	Gross	20	95
	Net of reinsurance	17	70
	Calculation of technical interest and return on investment:		
	Technical interest amount	134	195
	Outstanding claims provision, discounted amount	-173	-202
	Discounted risk increasing with age	-14	-19
	Technical interest, net of reinsurance, less discounted amount	-53	-26
	Return on investment transferred to health and accident insurance	778	602
	Market value adjustments of outstanding claims provision	-326	-123
	Total return on investment incl. market value adjustments	452	479
	Transferred to technical interest	-134	-195
	Return on investment	318	284

	Health and accident insurance	Health care insurance	Total
Gross premiums	1,086	235	1,321
Gross premium income	1,073	234	1,307
Gross claims	-1,189	-166	-1,355
Gross operating expenses	-125	-18	-143
Result of business ceded	-9	-	-9
Technical interest, net of reinsurance	-54	2	-52
Technical result	-23	55	32
Number of claims	2,590	29,787	32,377
Average amount of claims	1.0	0.0	0.0

	2012	2011
Gross premiums, direct insurance, broken down by policyholders' residence:		
Denmark	833	1,309
Other EU countries	19	26
Other countries	116	92
Total	968	1,427

Notes - Danica Group

Note	DKKm	2012	2011
9	OTHER INCOME		
	Commission from fund managers etc.	252	221
	Commission from ancillary activities	8	12
	Total	260	233

10 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 2012. 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 and the three subsidiaries outside Denmark, the result of Forenede Gruppeliv, the health and accident result and a risk allowance of the technical provisions of the four interest rate groups and a share of the risk groups' risk results.
To the extent that the Executive Order on the Contribution Principle does not permit the company to recognise full risk allowance, the amount may be booked over the coming years if justified by the technical basis for risk allowance.
For this purpose, a shadow account is set up. The shadow account accrues interest at the rate that applies to bonds allocated to shareholders' equity.

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.

	2012	2011
Technical basis for risk allowance:		
Technical result, life insurance	1,676	-86
Tax on pension returns	2,189	1,656
Change in collective bonus potential	476	-1,403
Special allotments	17	94
Bonus potential of paid-up policies used	1,522	-1,756
Addition of bonus	-1,518	-171
Total technical basis for risk allowance	4,362	-1,666
Total technical basis for risk allowance relating to life insurance customers	4,362	-1,666

In accordance with the contribution principle, no risk allowance for 2012 was booked for three of the four interest rate groups.

	2012	2011
Specification of risk allowance:		
Percentage of insurance provisions	1,223	1,185
40% of the technical basis for risk allowance in risk groups (20% in 2011)	113	39
Total risk allowance	1,336	1,224

The percentage of insurance provisions was 0.50% in the New business group;
0.55% in Low; 0.70% in Medium and 0.85% in High.

	2012	2011
Development in shadow account:		
Shadow account, beginning of year	1,158	-
Added interest	12	-
Used/set aside	-407	1,158
Shadow account, end of year	763	1,158

The amount transferred to the shadow account includes DKK 40 million contributed in 2011 to technical provisions from shareholders' equity as a result of the shortfall of bonus potential of paid-up policies.

	2012	2011
Shadow account distributed on contribution groups:		
Interest rate group 1	-	250
Interest rate group 2	291	166
Interest rate group 4	417	710
Risk groups, total	55	32
Total	763	1,158

Notes - Danica Group

Note	DKKm	2012	2011
11	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-578	-183
	Tax on changes in shareholders' equity	-	10
	Tax on other comprehensive income:		
	Hedges of units outside Denmark	6	1
	Total	-572	-172
	Tax on the profit for the year is calculated as follows:		
	Current tax	-516	-15
	Adjustment of prior-year current tax	-29	27
	Adjustment of prior-year deferred tax	37	-23
	Other changes in deferred tax	-70	-172
	Total	-578	-183
	Effective tax rate:		
	Danish tax rate	25.0	25.0
	Adjustment of prior-year tax charge	-0.2	-0.6
	Non-taxable income and non-deductible expenses	-0.4	0.5
	Effective tax rate	24.4	24.9
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax (liability)	1,462	1,368
	Deferred tax, net	1,462	1,368
	Deferred tax broken down on main items:		
	Intangible assets	-2	-
	Tangible assets	-3	-2
	Investment properties	1,466	1,317
	Other	1	53
	Total	1,462	1,368
	Other than the deferred tax provided for, the Group has no contingent tax liability relating to shares in group undertakings.		
12	DOMICILE PROPERTY		
	Cost, beginning of year	48	48
	Cost, end of year	48	48
	Depreciation charges, beginning of year	-3	-2
	Depreciation charges for the year	-1	-1
	Depreciation charges, end of year	-4	-3
	Revalued amount, beginning of year	15	14
	Revaluation for the year	-	1
	Impairment charges for the year	-1	-
	Revalued amount, end of year	14	15
	Carrying amount, end of year	58	60
	Of revaluations 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	6.5%	6.5%

Notes - Danica Group

Note	DKKm			2012	2011
13	INVESTMENT PROPERTIES				
	Fair value, beginning of year			20,898	20,290
	Property improvement expenditure			1,286	490
	Disposals during the year			-81	-160
	Fair value adjustments			-287	278
	Fair value, end of year			21,816	20,898
	Amount hereof included in "Unit-linked investment assets"			-1,022	-
	Fair value, end of year			20,794	20,898
	The weighted average of the rates of return on which the fair value of the individual properties is based for:				
	Shopping centres			5.8%	6.0%
	Commercial properties			6.1%	6.2%
	Residential properties			5.0%	5.0%
	Real property consolidated on a pro rata basis is included with the following amounts in:				
	Investment properties			2,136	2,127
	Total assets			2,325	2,332
	Other creditors			58	71
	Total investment return			73	199
14	OTHER FINANCIAL INVESTMENT ASSETS				
	Comprises the following investments in companies in the Danske Bank Group:				
	Holdings			209	181
	Bonds			26,540	23,864
	Deposits with credit institutions			6,439	4,151
	Cash in hand and demand deposits			1,216	841
	Other			2,032	1,110
15	UNIT-LINKED INVESTMENT ASSETS				
	Consists of unit trusts in which the underlying assets break down as follows:				
		With guarantee	Without guarantee		
	Investeringsejendomme	-	1,022	1,022	-
	Holdings	4,210	55,120	59,330	46,802
	Bonds	11,503	22,587	34,090	27,533
	Deposits with credit institutions	336	1,061	1,397	1,462
	Total	16,049	79,790	95,839	75,797
16	OUTSTANDING CLAIMS PROVISION				
	Gross life insurance			331	519
	Gross health and accident insurance			8,038	7,620
	Total outstanding claims provision			8,369	8,139
17	COLLECTIVE BONUS POTENTIAL				
	Distribution on contribution groups:				
	Interest rate group 1			135	-
	Interest rate group 3			463	124
	Interest rate group 4			2	73
	Risk groups, total			169	151
	Cost groups, total			82	27
	Total			851	375

Notes - Danica Group

Note	DKKm	2012	2011
18	PROVISIONS FOR UNIT-LINKED CONTRACTS		
	Provisions for unit-linked contracts without guarantee	80,480	64,942
	Provisions for unit-linked contracts with investment guarantee	15,597	11,715
	Total provisions for unit-linked contracts	96,077	76,657
	Total provisions for guaranteed unit-linked contracts include:		
	Guaranteed benefits	11,478	7,270
	Guaranteed paid-up policies	13,401	9,134
19	OTHER CREDITORS		
	Other creditors comprise:		
	Derivatives with negative fair values	2,563	3,506
	Tax on pension returns	2,961	1,746
	Staff commitments	94	86
20	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	At the end of the year, the Group had deposited assets as collateral for policyholders' savings at a total carrying amount of	298,616	278,858
	Mortgages have been issued as collateral for the technical liabilities in a total amount of	75	75
	As collateral for derivative transactions, the Group has delivered bonds equal to a total fair value of	63	1,738
	The company has rent commitments with a remaining lease of 13 years and annual gross rent of	56	53
	Minimums lease payments regarding cars amounts to	2	2
	The Group has undertaken contractual obligations to purchase, construct, convert or extend investment properties or to repair, maintain or improve these at an amount of	824	693
	The Group has undertaken to participate in alternative investments with an amount of	8,271	4,921
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	762	671
	In certain cases, Danica Pension is liable to pay compensation to policyholders who have transferred their pension plan to Danica Pension. The total amount of compensation cannot exceed	4	9
	As a participant in partnerships, the Group is liable for a total debt of	80	100
	Amount of this included in the Group's balance sheet	58	71
	The Danish group companies are registered jointly for financial services employer tax and for VAT for which they are jointly and severally liable.		
	Danica Pension is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
	Owing to its size and business volume, the Group is continually a party to various lawsuits and disputes. The Group does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

Notes - Danica Group

Note	DKKm	2012	2011
21	RELATED PARTIES Danske Bank A/S, domiciled in Copenhagen, wholly owns the share capital of Forsikringsselskabet Danica and consequently exercises control over the Danica Group. Danske Bank A/S is the ultimate parent company of the Danica Group. Transactions with related parties are settled on an arm's-length basis or on a cost-recovery 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 managment and securities trading. The Danica Group entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 14 to the financial statements.		
	It operations and development	-239	-285
	Other administration	-22	-45
	Commission for insurance sales and portfolio management	-133	-146
	Ordinary portfolio management fee	-154	-164
	Performance fee for portfolio management	-110	-103
	Total net custody fees and brokerage for trades in holdings and the like	-68	-74
	Interest income	1,077	1,207
	Interest expenses	-23	-89
	Rent from premises	14	14
	Furthermore, the Danica Group manages the employer pension plans of Danske Bank and its related parties. Loans to associates comprise subordinated loans granted on equal terms as other investors.		

Notes - Danica Group

Note	DKKm	2012	2011

22 SPECIFICATION OF ASSETS AND RETURNS 2012

	Carrying amount Beginning of year	End of year	Investment, net	% return p.a. before tax on pension returns & corp.tax
Land and buildings:				
Land and buildings, owned directly	20,898	20,794	209	2.9
Property companies	956	851	-114	1.2
Total land and buildings	21,854	21,645	95	2.8
Other holdings:				
Listed Danish holdings	16	20	-4	61.2
Unlisted Danish holdings	513	472	-108	15.0
Listed foreign holdings	14,961	12,778	-3,382	17.3
Unlisted foreign holdings	4,388	6,814	1,993	9.0
Total other holdings	19,878	20,084	-1,501	14.7
Bonds:				
Government bonds (Zone A) *	49,517	37,893	-13,356	
Mortgage bonds *	72,294	75,457	2,112	
Foreign exchange hedging	24	-128	323	
Government bonds (Zone A) and mortgage bonds including foreign exchange hedging	121,835	113,222	-10,921	5.2
Index-linked bonds	18,333	16,731	-2,519	7.3
Credit bonds, investment grade	9,051	12,591	2,427	14.0
Credit bonds, non-investment grade and emerging market bonds	13,936	18,223	2,513	14.9
Other bonds	803	1,147	219	20.6
Total bonds	163,958	161,914	-8,281	7.0
Other financial investment assets	7,637	8,480	843	0.8
Derivative financial instruments to hedge net changes of assets and liabilities	2,427	5,373	-1,030	-

* Rate of return before foreign exchange hedge for Government bonds (Zone A) was 8.2% and for Mortgage bonds was 4.3%.
A specification of the company's holdings is available on Danica's website www.danicapension.dk.

23 PERCENTAGE ALLOCATION OF SHARE PORTFOLIOS ON INDUSTRIES AND REGIONS 2012

	Denmark	Rest of Europe	North America	South America	Japan	Rest of Asia/ Pacific	Other countries	Total
Energy	0.0	1.9	2.7	0.3	0.0	0.3	0.7	5.9
Materials	0.2	1.6	1.7	0.4	0.2	0.3	0.5	4.9
Industrials	1.2	2.2	2.7	0.1	0.8	0.1	0.1	7.2
Consumer discretionary	0.2	1.6	4.7	0.1	0.9	0.3	0.5	8.3
Consumer staples	0.3	3.1	2.7	0.2	0.1	0.1	0.6	7.1
Health care	2.0	1.9	3.0	0.0	0.2	0.0	0.2	7.3
Financials	0.6	1.9	4.5	0.4	0.5	1.8	1.6	11.3
Information technology	0.0	0.6	4.9	0.0	0.7	1.0	0.2	7.4
Telecommunications	0.1	0.9	0.9	0.1	0.1	0.4	0.1	2.6
Utilities	0.0	0.4	0.7	0.0	0.1	0.1	0.0	1.3
Non allocated	12.0	12.4	8.9	0.0	0.0	0.0	3.4	36.7
Total	16.6	28.5	37.4	1.6	3.6	4.4	7.9	100.0

Notes – Danica Group

Note

24 RISK MANAGEMENT AND SENSITIVITY RATIOS

RISK MANAGEMENT

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

The Group is exposed to a number of different risks.

Financial risks	Insurance risks	Operational risks	Business risks
Market	Longevity	IT	Reputation
Liquidity	Mortality	Legal	Strategic
Counterparty	Disability	Administrative	
Concentration	Concentration	Fraud	

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

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

The amount of financial risk differs for the various products in the Group's product range. A list of the Group's companies and activities is shown on page 55.

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 investment return on customer funds for the year in each 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 bonus potential of paid-up policies of each interest rate group. If the bonus potentials are insufficient to absorb losses, the assets attributable to shareholders' equity are used.

Insurance obligations are calculated by discounting the expected cash flows using a discount yield curve defined by the Danish FSA. Effective as of 12 June 2012, the Ministry of Business and Growth and the Danish Insurance Association signed an agreement that included an adjustment of the discount curve for long-term interest rates which are now assumed to converge towards a fixed long-term level. The adjustment, which aligns the rules with the coming Solvency II rules, reduced Danica Pension's life insurance provisions at year end 2012 by DKK 1.5 billion.

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

Since the Danish bond market is not large enough and does not have the necessary duration to hedge the liabilities, Danica must invest in non-Danish interest rate instruments. The bond portfolio therefore comprises a wide range of interest rate-based assets: Danish and European government bonds; Danish mortgage bonds, Danish index-linked bonds and a well-diversified portfolio of global credit bonds. Consequently, the Group is exposed to basic risk in the form of country and credit spreads.

The credit spread risk on bond holdings is limited as 74% of the portfolio at the end of 2012 consists of government and mortgage bonds with high credit quality (AA – AAA) with the international credit rating agencies or in unrated bonds with a similar high credit quality. Just 9% of the portfolio is invested in non-investment grade bonds.

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

The exposure to government bond issues by Italy, Spain and Ireland at the end of 2012 was DKK 5.1 billion, DKK 0.8 billion and DKK 0.4 billion, respectively. At the end of 2012, the Group had no exposure to government bonds issued by Greece or Portugal.

Foreign exchange risks are insignificant as they are limited by means of derivatives.

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

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

Investments relating to market products
Policyholders assume the risk on investments assets under market products, Danica Link, Danica Balance and Danica Select, with the exception of contracts with investment guarantees. At the end of 2012, 17% of policyholders had investment guarantees in the guaranteed period. The guarantees do not apply until the policyholder retires and is paid for by an annual fee.

Danica Pension manages the risk on financial guarantees in Danica Link with financial derivatives and by adjusting the investment allocation during the last five years before retirement. It manages the risk on guarantees in Danica Balance by adjusting the investment allocation for the individual policies during the last ten years before retirement. Because of these hedging and risk management strategies, Danica Pension considers the investment risk on guarantees in market products to be minor.

Investment guarantees are not available under Danica Select.

Note

Direct investments of shareholders' equity
Shareholders' equity is subject to financial risk on the investment of assets allocated to shareholders' equity and on investments relating to the health and accident business.

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

Insurance risks
Insurance risks are linked to trends in mortality, disability, critical illness and other variables. For example, an increase in life expectancy 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. Life expectancy is the most significant life insurance risk.

In respect of insurance risk, concentration 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 portfolio diversification and by reinsurance.

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

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

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

Business risks
Business risks comprise strategic risks, reputational risks and other risks relating to external factors.

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

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

SENSITIVITY INFORMATION

The below table discloses, for the Group, the effect on shareholders' equity as well as on collective bonus potential and the bonus potential of paid-up policies of isolated changes in interest rates (increases and decreases) and other relevant financial risks as well as changes in the mortality and disability rates.

A 10% decline in the mortality rate, corresponding to an increase in life expectancy of about one year, would increase liabilities by DKK 0.4 billion, and reduce shareholders' equity by DKK 1.6 billion.

Of the two interest rate scenarios, an interest rate fall would be the worse for the Group. A scenario with an interest rate fall of 0.7 of a percentage point the collective bonus potential would be reduced by DKK 0.6 billion and shareholders' equity by DKK 1.8 billion.

The risk exposure was extended during the year as the proportion of equities, alternative investments and credit bonds was increased.

Except for credit spreads, the financial sensitivities in the table below are defined in the Danish FSA's red traffic light scenario. A company is considered to be in the red light scenario if its capital is insufficient to cover the solvency requirement less 3% of life insurance provisions under the red light scenario. If a company is in the red light scenario, the Danish FSA will become involved in the financial management of the company.

The Group has been in the green light scenario since the FSA's traffic light scenarios were introduced in 2001.

Notes – Danica Group

Note

SENSITIVITY RATIOS 31.12.2011

(DKKbn)	Minimum effect on capital base	Maximum effect on collective bonus potential	Maximum effect on bonus potential of paid-up policies before change in drawn bonus potential of paid-up policies	Maximum effect of drawn bonus potential of paid-up policies
Interest rate increase of 0.7 of a percentage point	-0.9	-0.3	3.1	-1.4
Interest rate fall of 0.7 of a percentage point	-1.8	-0.6	-1.8	-0.1
Share price fall of 12%	-0.4	-0.3	-	-1.1
Fall in property prices of 8%	-0.8	-0.2	-	-0.4
Foreign exchange risk (VaR 99.0)	-0.2	-0.2	-	-0.2
Loss on counterparties of 8%	-1.1	-0.3	-	-0.7
Widening of credit spread of 1.0 percentage point	-0.5	-0.3	-	-0.5
Decrease in mortality rate of 10%	-1.6	-0.2	-0.1	-0.1
Increase in mortality rate of 10%	0.0	1.7	0.1	0.0
Increase in disability rate of 10%	-0.1	0.0	0.0	0.0

Financial statements - contents

Financial highlights - Forsikringsselskabet Danica

DKKm	2012	2011	2010	2009	2008
INCOME STATEMENT					
Gross premiums	339	368	378	355	287
Technical interest	-2	2	7	12	1
Gross claims	-278	-258	-291	-323	-295
Bonuses and premium discounts	1	1	2	-	1
Total operating expenses relating to insurance	-26	-41	-49	-54	-50
Technical result	34	72	47	-10	-56
Total profit on investment activities after transfer of technical interest	1,765	503	1,752	2,355	-748
Other income and expenses etc.	-	3	8	3	3
Profit before tax	1,799	578	1,807	2,348	-801
Tax	-13	-28	-36	-27	-19
Net profit for the year	1,786	550	1,771	2,321	-820
Run-off result	15	34	50	50	13
BALANCE SHEET					
Total assets	19,467	20,291	21,605	19,873	17,575
Holdings in group undertakings	18,865	19,346	18,909	17,241	14,994
Other investment assets	591	928	2,640	2,567	2,475
Total shareholders' equity	18,986	19,743	20,992	19,215	16,886
Total technical provisions	432	491	556	592	649
RATIOS (%)					
Gross claims ratio	81.8	70.1	76.6	90.8	102.3
Gross expense ratio	7.5	11.0	13.0	15.1	17.3
Combined ratio	89.3	81.1	89.6	105.9	119.5
Operating ratio	89.8	80.7	87.9	102.5	119.0
Relative run-off result (%)	3.1	6.3	8.7	7.9	2.1
Equity ratio	8.8	2.6	8.8	12.9	-4.7
Solvency ratio	121	135	180	198	201

Key figures and ratios are set out in the Danish FSA's executive order on financial reports.

Income statement - Forsikringsselskabet Danica

Note	DKKm	2012	2011
	Gross premiums	345	368
	Change in unearned premiums provision	-6	0
1	Premiums, net of reinsurance	339	368
2	Technical interest	-2	2
	Claims paid, gross	-353	-340
	Change in outstanding claims provision	75	82
3	Claims, net of reinsurance	-278	-258
	Bonuses and premium discounts	1	1
	Acquisition costs	-18	-20
	Administrative expenses	-8	-21
4	Total operating expenses relating to insurance, net of reinsurance	-26	-41
13	TECHNICAL RESULT	34	72
	Income from group undertakings	1,747	465
	Interest income and dividends, etc.	26	47
5	Market value adjustments of investments	8	12
	Interest expenses	-1	0
	Administrative expenses related to investment activities	-2	0
	Total return on investment	1,778	524
	Return on technical provisions	-13	-21
	RETURN ON INVESTMENT LESS TECHNICAL INTEREST	1,765	503
6	Other income	8	12
7	Other expenses	-8	-9
	PROFIT BEFORE TAX	1,799	578
8	Tax	-13	-28
	NET PROFIT FOR THE YEAR	1,786	550

Net profit for the year	1,786	550
Other comprehensive income:		
Translation of units outside Denmark	23	2
Hedging of units outside Denmark	-22	-2
Tax relating to other comprehensive income	6	1
Total other comprehensive income	7	1
NET COMPREHENSIVE INCOME FOR THE YEAR	1,793	551

Balance sheet - Forsikringsselskabet Danica

Assets

Note	DKKm	2012	2011
	Holdings in group undertakings	18,865	19,346
	Total investments in group undertakings and associates	18,865	19,346
	Bonds	591	928
9	Total other financial investment assets	591	928
	TOTAL INVESTMENT ASSETS	19,456	20,274
	Amounts due from policyholders	3	6
	TOTAL DEBTORS	3	6
	Deferred tax assets	1	1
	TOTAL OTHER ASSETS	1	1
	Accrued interest and rent	7	10
	TOTAL PREPAYMENTS AND ACCRUED INCOME	7	10
	TOTAL ASSETS	19,467	20,291

Balance sheet - Forsikringsselskabet Danica

Liabilities and equity

Note	DKKm	2012	2011
	Share capital	1,000	1,000
	Other reserves	13,676	14,444
	Retained earnings	3,560	3,749
	Proposed dividend	750	550
10	TOTAL SHAREHOLDERS' EQUITY	18,986	19,743
	Unearned premiums provision	10	9
	Outstanding claims provision	419	478
	Provisions for bonuses and premium discounts	3	4
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	432	491
	Amounts owed, direct insurance	14	11
	Amounts owed to group undertakings	22	6
	Current tax liabilities	1	28
	Other creditors	10	9
	TOTAL CREDITORS	47	54
	ACCRUALS AND DEFERRED INCOME	2	3
	TOTAL LIABILITIES AND EQUITY	19,467	20,291

Statement of capital - Forsikringsselskabet Danica

DKKm

Changes in shareholders' equity	Share capital	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2011	1,000	-2	14,444	3,751	550	19,743
Profit for the year		-	1,747	39	-	1,786
Other comprehensive income:						
Translation of units outside Denmark	-	23	-	-	-	23
Hedging of units outside Denmark	-	-22	-	-	-	-22
Tax on other comprehensive income	-	-	6	-	-	6
Total other comprehensive income	-	1	6	-	-	7
Comprehensive income for the year	-	1	1,753	39	-	1,793
Dividends paid					-2,550	-2,550
Proposed dividend **	-	-	-2,520	-230	2,750	0
Shareholders' equity at 31 December 2012	1,000	-1	13,677	3,560	750	18,986
Shareholders' equity at 31 December 2010	1,000	-2	14,472	3,751	1,771	20,992
Correction of errors in 2010	-	-	-29	-	-	-29
Adjusted shareholders' equity at January 1, 2011	1,000	-2	14,443	3,751	1,771	20,963
Profit for the year	-	-	465	85	-	550
Other comprehensive income:						
Translation of units outside Denmark	-	2	-	-	-	2
Hedging of units outside Denmark	-	-2	-	-	-	-2
Tax on other comprehensive income	-	-	1	-	-	1
Total other comprehensive income	-	0	1	-	-	1
Comprehensive income for the year	-	0	466	85	-	551
Dividends paid	-	-	-	-	-1,771	-1,771
Proposed dividend **	-	-	-465	-85	550	0
Shareholders' equity at 31 December 2011	1,000	-2	14,444	3,751	550	19,743

* Recognised in the balance sheet under retained earnings.
** The dividend amounts to DKK 750 per share (2011: DKK 550). The line shows the effect on shareholders' equity at year end.

Statement of capital - Forsikringsselskabet Danica

DKKm	2012	2011
Solvency requirement and capital base		
Shareholders' equity	18,986	19,743
Proportionate share of capital base of insurance subsidiaries	18,000	18,784
- Value of proportionate share	-18,865	-19,346
Core capital	18,121	19,181
- Proposed dividend	-750	-550
-Tax assets	-1	-1
- Proportionate share of capital requirement of insurance subsidiary	-8,677	-8,428
Reduced core capital	8,693	10,202
Capital base	8,693	10,202
Solvency requirement	72	76
Total solvency requirement	72	76
Excess capital base	8,621	10,126

Notes - Forsikringsselskabet Danica

Note	DKKm	2012	2011
1	GROSS PREMIUM INCOME		
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	333	362
	Other EU countries	5	5
	Other countries	1	1
	Total	339	368
2	TECHNICAL INTEREST		
	Calculation of technical interest and return on investment:		
	Technical interest rate	1.80%	2.73%
	Technical interest amount	8	14
	Outstanding claims provision, discounted amount	-10	-12
	Technical interest, net of reinsurance less discounted amount	-2	2
	Total return on investment	1,778	524
	Market value adjustment of outstanding claims provision	-5	-7
	Total return on investment, including market value adjustments	1,773	517
	Of which transferred to technical interest	-8	-14
	Return on investment less technical interest	1,765	503
3	CLAIMS		
	Total run-off regarding prior years:		
	Gross claims	15	34
	Net of reinsurance	15	34
	Run-off, net of reinsurance, relates to health and accident insurance policies.		
4	OPERATING EXPENSES RELATING TO INSURANCE		
	The company has employed an Exectuive Board, an actuary and a company secretary. No remuneration has been paid to these or to the Board of Directors.		
5	MARKET VALUE ADJUSTMENTS OF INVESTMENTS		
	Bonds	8	12
	Total market value adjustments of investments	8	12
6	OTHER INCOME		
	Commission income from ancillary activities	8	12
	Total	8	12
7	OTHER EXPENSES		
	Expenses in relation to ancillary activities	-	-2
	General management expenses	-8	-7
	Total	-8	-9

Notes - Forsikringsselskabet Danica

Note	DKKm	2012	2011
8	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-13	-28
	Tax on other comprehensive income		
	Hedging of units outside Denmark	6	1
	Total	-7	-27
	Tax on the profit for the year is calculated as follows:		
	Current tax	-13	-28
	Total	-13	-28
	Effective tax rate		
	Danish tax rate	25.0	25.0
	Non-taxable income and non-deductible expenses	-24.3	-20.1
	Effective tax rate	0.7	4.9
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax (asset)	-1	-1
	Deferred tax, net	-1	-1
	Deferred tax assets broken down on main items		
	Tangible assets	-1	-1
	Total	-1	-1
9	OTHER FINANCIAL INVESTMENT ASSETS		
	Includes investments in undertakings in the Danske Bank Group as follows:		
	Bonds	113	150
10	SHAREHOLDERS' EQUITY		
	Number of shares of DKK 1,000	1,000,000	1,000,000
11	CONTINGENT LIABILITIES		
	At the end of the year, assets were provided as security for policyholders' savings at a total carrying amount of	496	564
	The company has rent commitments with a remaining lease of 13 years and annual gross rent of	55	52
	The company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is jointly and severally liable.		

12 RELATED PARTIES

Danske Bank, domiciled in Copenhagen, Denmark, wholly owns the share capital of Forsikringsselskabet Danica and thus exercises control.

The company's IT operations and development, internal audit, HR administration, procurement, marketing and the like are handled by Danske Bank. These services are settled on an arm's-length or a cost reimbursement basis.

Forsikringsselskabet Danica is managed by Danica Pension, which settles expenses with the companies it manages on an arm's-length or a cost reimbursement basis. Accordingly, Forsikringsselskabet Danica refunded an amount of DKK 26 million to Danica Pension in 2012.

Danske Bank Group also handles portfolio management and securities trading.

Notes - Forsikringsselskabet Danica

Note	DKKm	2012	2011

13 SPECIFICATION OF CLASSES OF INSURANCE

	Health and accident insurance	Health care insurance	Total
Gross premiums	110	235	345
Gross premium income	105	234	339
Gross claims	-112	-166	-278
Gross operating expenses	-8	-18	-26
Technical interest, net of reinsurance	-2	2	0
Technical result	-20	55	35
Number of claims	1,137	29,787	30,924
Average amount of claims	0.1	0.0	0.0
Claims frequency	0.9%	6.0%	5.8%

14 RISK EXPOSURE AND SENSITIVITY RATIOS 2012

DKKm	Effect on shareholders' equity
Interest rate increase of 0.7 of a percentage point	-906
Interest rate decline of 0.7 of a percentage point	-1,809
12% fall in equity prices	-450
8% fall in property prices	-755
Foreign exchange risk (VaR 99.0%)	-182
8% loss on counterparties	-1,079
1.0% increase in credit spread	-529

See the description of risk management in note 24 to the consolidated financial statements.

Group overview

	Own-ership	Currency	Net profit/loss for the year	Share capital	Share-holders' equity	Staff	Directorships[2]	
	%		millions	millions	millions	Number[1]	PKLI	JW
NON-LIFE INSURANCE								
Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen		DKK	1,786	1,000	18,986	803	D	D
LIFE INSURANCE								
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	100	DKK	1,747	1,100	18,986	660	D	D
Danica Pension Försåkringsaktiebolag, Stockholm	100	SEK	15	100	79	64	B	
Danica Pensjonsforsikring AS, Trondheim	100	NOK	69	106	267	80	B	
Danica Life Ltd, Ireland	100	EUR	1	5	40	1		
PROPERTY INVESTMENT								
Danica Ejendomsselskab ApS, Copenhagen	100	DKK	585	2,628	21,252	-		
Amager Strand 5 ApS	100	DKK	-2	0	78			
PROPERTY INVESTMENT COMPANIES (pro rata consolidation)								
Samejet SlotsArkaderne, Copenhagen	90	DKK	57	-	1,095	-		
Samejet Nymøllevej, Copenhagen	75	DKK	-21	-	583	-		
Frederiksberg Centret I/S, Copenhagen	67	DKK	42	-	1,062	4		
Hovedbanegårdens Forretningscenter K/S, Copenhagen[3]	50	DKK	18	-	233	-		

[1] Comprises employees in group companies at 31 December 2012.

[2] Directorships of Per Klitgård (PKLI) and Jesper Winkelmann (JW).

B stands for board member and D stands for executive board member.

[3] Financial year ends 30 September.

Group overview

Companies	Activities
Forsikringsselskabet Danica A/S	Parent company. Its principal activity is non-life insurance, comprising the health care and critical illness products Sundhedssikring, Kritisk Sygdom and Sundhedsfremmer.
Danica Pension A/S	Sale of the market products Danica Balance, Danica Link and Danica Select in which the return on policyholders' savings equals the market return. Life insurance and disability cover may be attached to the policies. Danica Balance is a lifecycle product combining the advantages of collective investment with individual adjustment options. The customers select an investment profile. Guarantee option. In Danica Link, customers may choose their own investment among 50-55 funds or they may choose an equity share and let Danica handle the investment. Guarantee option. In Danica Select, customers may make their own investment among 15,000 different equities and securities distributed on 17 European and US stock exchanges. Sale of conventional life insurance and pension product (Danica Traditionel) and health and accident insurance, including disability cover. Danica Traditionel comprises policies with guaranteed benefits and collective investments, which are managed by Danica Pension. The rate of interest on savings is determined by Danica Pension. Conventional life insurance in the form of guaranteed life-long annuities without bonus entitlement. No new policies have been written since 1982.
Danica Pension Försäkringsaktiebolag	Sale of market products and health and accident insurance in Sweden.
Danica Pensjons-Forsikring AS	Sale of market products and health and accident insurance in Norway.
Danica Ireland Ltd	The company's life insurance operations were discontinued in 2012.
Danica Ejendomsselskab ApS	Property company investing primarily in commercial property and shopping centres.

Management and directorships

Under section 80(8) of the Danish Financial Business Act, financial institutions are required to publish information at least once a year about directorships, etc. held with the approval of the Board of Directors by persons employed by the Board according to statutory regulations (section 80(1) of the Act).

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

Board of Directors

Peter Straarup (Chairman)
Retired chairman of the Executive Board of Danske Bank A/S
Born on 19.07.1951
Director of:
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formål (Deputy Chairman)
Oticonfonden
William Demant Invest

Tonny Thierry Andersen (Deputy Chairman)
Member of the Executive Board of Danske Bank A/S
Born on 30.09.1964
Director of:
Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)
Danske Bank Oyj (Chairman)
Danske Bank International S.A. (Chairman)
Realkredit Danmark A/S (Chairman)
Bluegarden Holding A/S
Bluegarden A/S
Nets Holding A/S
Bankernes Kontant Service A/S
Olga og Esper Boels Fond
Finansrådet (Deputy Chairman)
Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser (Deputy Chairman)
YPO, Danmark (CFO)

Kim Andersen
Born on 30.04.1955
Member of the Executive Boards of:
Audio Consult ApS
KA Invest af 2. maj 2003 ApS
Director of:
Realkredit Danmark A/S

In addition, Kim Andersen is a qualified member of the Danica Group's Audit Committee (state authorised public accountant with deposited licence).

Lars Andreasen
Executive Vice President of Danske Bank A/S
Born on 23.11.1964
Director of:
Danske IT and Support Services India Private Ltd.

Thomas Falck
Senior Pension Specialist, Danica Pension
Born on 09.06.1952

Charlott Due Pihl
Chairman of Staff Association, Danica Pension
Born on 27.03.1968

Peter Rostrup-Nielsen
Executive Vice President of Danske Bank A/S
Born on 13.10.1966

Erik Sevaldsen
Executive Vice President of Danske Bank A/S
Born on 01.04.1948
Director of:
Danske Leasing A/S
Danske Markets Inc.
ZAO Danske Bank (Russia)

Per Søgaard
Senior Advisor, Danica Pension
Born on 07.02.1969
Director of:
Witt & Søn A/S
OT-Europlay A/S

Executive Board

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

Per Klitgård
Chief Executive Officer
Born on 11.12.1958
Director of:
The Danish Insurance Association

Jesper Winkelmann
Member of the Executive Board
Born on 14.02.1958

Statement and reports

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 2012.

The consolidated 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 2012 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2012. 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, 7 February 2013

Executive Board

Per Klitgård

Jesper Winkelmann

Board of Directors

Peter Straarup
Chairman

Tonny Thierry Andersen
Deputy Chairman

Kim Andersen

Lars Andreasen

Thomas Falck

Charlott Due Pihl

Peter Rostrup-Nielsen

Erik Sevaldsen

Per Søgaard

INTERNAL AUDITS' REPORT

We have audited the consolidated financial statements, pp. [12-44], and the Parent Company financial statements of Forsikringsselskabet Danica, Skadesforsikringsaktieselskab af 1999, pp. [45-54], for the financial year 2012. The consolidated financial statements and the Parent Company's financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company. The consolidated financial statements and the Parent Company financial statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

We conducted our audit in accordance with the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance with International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free of material misstatement.

We planned and conducted our audit such that we have assessed the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

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 2012 and of the results of the Group's and the Parent Company's operations for the financial year 2012 in accordance with the Danish Financial Business Act.

Furthermore, we believe that the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks, operate effectively.

Copenhagen, 7 February 2013

Jens Peter Thomassen

Group Chief Auditor

INDEPENDENT AUDITORS' REPORT

To the shareholders of Forsikringsselskabet Danica, Skadesforsikringsaktieselskab

Independent auditors' report on the consolidated financial statements and the Parent Company's financial statements

We have audited the consolidated financial statements, pp. [12-44], and the Parent Company financial statements of Forsikringsselskabet Danica, Skadesforsikringsaktieselskab af 1999, pp. [45-54], for the financial year 2012. The consolidated financial statements and the Parent Company's financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company. The consolidated financial statements have been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and the Parent Company's financial statements

Management is responsible for preparing consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control that management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and Parent Company's financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements and the Parent Company's financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

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 and financial position at 31 December 2012 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2012 in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements.

Statement on the management's report

Pursuant to the Danish Financial Business Act, we have read the management's report. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, it is our opinion that the information given in the management's report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Copenhagen, 7 February 2013
KPMG
Statsautoriseret Revisionspartnerselskab

Mona Blønd
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Gerda Retbøll-Bauer
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