

# *Annual Report* *2021*

Danica Pension, Livsforsikringsaktieselskab



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This Annual Report 2021 is a translation of the original report in the Danish language (Årsrapport 2021). In case of discrepancy, the Danish version prevails.

## SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

(DKK millions)	2021	2020	2019	2018	2017
<b>PREMIUMS INCLUDING INVESTMENT CONTRACTS<sup>1)</sup></b>	36,823	27,878	27,039	27,612	24,629
<b>INCOME STATEMENT</b>					
Technical result, Life <sup>2)</sup>	2,638	2,496	2,345	1,735	1,831
Technical result, Health and accident insurance	-465	-641	-914	-635	-198
Return on investment allocated to shareholders' equity, etc.	-95	-155	291	65	130
Profit before tax	2,078	1,700	1,722	1,165	1,763
Taxation	-424	-275	-174	-199	-284
Goodwill impairment	-	-	-800	-	-
Profit after tax from discontinued operations	76	76	1,523	115	130
Profit for the year	1,730	1,501	2,271	1,081	1,609
<b>BALANCE SHEET</b>					
Total assets	679,619	669,415	605,978	565,566	427,035
Technical provisions, health and accident insurance	17,598	18,130	17,606	14,637	10,231
Provisions for insurance and investment contracts	470,191	458,261	437,739	399,522	363,778
Total shareholders' equity	24,122	22,377	20,887	18,897	17,122
<b>KEY FIGURES AND RATIOS (%)</b>					
Return related to average rate products	0.0	6.0	10.3	1.0	2.5
Return related to unit-linked products	13.3	8.3	15.6	-5.5	8.1
Risk on return related to unit-linked products	4.50	4.50	4.25	4.25	4.25
Net return before tax on pension returns on average-rate products <sup>3)</sup>	5.2	3.1	6.5	2.5	3.2
Expenses as per cent of provisions	0.27	0.29	0.31	0.33	0.26
Expenses per policyholder (DKK)	1,596	1,584	1,532	1,672	1,261
Return on equity after tax	7.4	6.9	11.4	6.0	9.0
Solvency coverage ratio (Group) <sup>4)</sup>	210	191	190	193	227
Solvency coverage ratio (Parent) <sup>5)</sup>	212	204	201	261	247
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>					
Gross claims ratio <sup>6)</sup>	142	150	156	137	133
Gross expense ratio	10	8	7	7	7

<sup>1)</sup> Excluding premiums from discontinued operations in Norway (a sales agreement was signed in December 2021 and the sale is expected to be finalised in 2022) and Sweden (sold in 2019)

<sup>2)</sup> Excluding goodwill impairment

<sup>3)</sup> The ratios include change in accumulated value adjustment

<sup>4)</sup> At 31 December 2021, the Group's solvency capital requirement (SCR) was DKK 13,167 million and its total capital was DKK 27,587 million.

<sup>5)</sup> At 31 December 2021, the Parent Company's solvency capital requirement (SCR) was DKK 13,039 million and its total capital was DKK 27,587 million.

<sup>6)</sup> The ratio has been changed for the comparative periods, see significant accounting policies (changed method of calculating discounting and value adjustment of health and accident insurance)

On 25 June 2021, Danica Pension, Livsforsikringsaktieselskab and Forsikringssselskabet Danica Skadesforsikringsaktieselskab were merged, with Danica Pension, Livsforsikringsaktieselskab as the continuing company. Comparative figures for prior periods have been restated.

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

For the full list of financial ratios pursuant to the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, see page 16.

### Comments on selected financial highlights for the Group

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

### Ratios:

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

## DANICA PENSION'S STRATEGY AND THE PERIOD AT A GLANCE

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

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

### Year two with the coronavirus

The coronavirus pandemic played a significant role again in 2021. First, Denmark was in almost total lock-down, then vaccines were rolled out and restrictions lifted, only to be reimposed towards the end of the year.

Whereas large parts of the Danish society and Danica Pension have so far made it through the corona crisis without major financial loss, the crisis has had more of an impact on the population's health. At Danica Pension, we are very focused on proactively using direct communication, the media and marketing activities to reassure our customers that we are here to help them if, for example, the pandemic and the lock-down of society have given them mental health problems. Early action is key, and we apply preventive measures and set in with treatment as soon as the first symptoms appear. One of our most important goals as we move into 2022 is to help our customers make it safely through the corona crisis.

### Strong premium growth

We saw strong growth in premium payments in 2021. Premiums were up 42.7% compared with 2020. In the Danish part of the business, premium payments were up 32.1%, distributed with 6.2% growth in regular premiums and 72.3% growth in single premiums.

The stronger growth rate in the first six months of 2021 was partially driven by a net addition of new business customers, as particularly several large companies selected Danica Pension as their new provider. Our overall value proposition comprising attractive net returns, the market's best healthcare solutions, proactive, relevant advisory services and strong focus on sustainability is the driving force behind our current strong market position, which we intend to maintain and further develop going forward.

### Return on investment

2021 was characterised primarily by positive financial market trends, which meant solid net returns of up to 23.6% for Danica Pension customers with unit-linked products. For customers with a medium

risk profile and 20 years to retirement, the net return was 17.8%, which was among the very highest in the commercial pension market. Over the past three years, customers with a medium risk profile and 20 years to retirement have seen a return of 54.3%, which is the best among all pension providers and pension funds in Denmark.

Danica Pension has delivered returns at the top of the market ever since the launch of a new investment strategy in early 2016. It remains our clear ambition to generate long-term returns among the highest in the pension market for our customers, thereby contributing to their financial security.

### Interest rate on policyholders' savings to be raised

As of 1 January 2022, Danica Pension is raising the rates of interest on policyholders' savings for some 225,000 customers in several of the interest rate groups under the average-rate product.

Danica Pension is raising the interest rates in order to ensure that the saved-up bonus reserve is paid out in a timely manner and in response to the significantly higher-than-expected returns generated for our pension customers in 2021 and the fact that future returns are also expected to be slightly higher than previously.

Average-rate products are closed for new business.

### Strong focus on the self-employed

In September 2021, Danica Pension and Pension for Selvstændige signed a new five-year agreement, which means that 36,000 self-employed customers with total pension savings of DKK 36 billion will continue as Danica Pension customers. For more than 30 years, we have had a strong focus on the self-employed.

Making a difference for the self-employed is deeply imbedded in Danica Pension's DNA – advising them to ensure that they have the right pension schemes and adequate insurance covers if they suffer long-term illness and providing the best healthcare solutions to reduce their sickness absence. We are therefore humbled, proud and pleased to have extended our collaboration with Pension for Selvstændige, so that we can continue to provide financial security to one of the most important pillars of society. It is our ambition that the new agreement will benefit the self-employed as well as Pension for Selvstændige and Danica Pension.

### Proactive advice is a cornerstone

A cornerstone of Danica Pension's value proposition is relevant, proactive advice that promotes a sense of financial security. Danica Pension proactively contacts customers who have given their consent, giving them relevant advice when life-changing events happen, such as if their salary changes or if they move or get married. This relieves our customers of the burden of having to keep track themselves and worrying about whether they have the right pension and insurance covers.

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

In 2021, it remained a priority for Danica Pension to raise our customers' awareness of the advantages of being a customer with both Danica Pension and Danske Bank. When our customers bank exclusively with the Danske Bank Group, we are able to deliver even more financial security and strengthen our relationship. It means that we can advise customers on all aspects of their finances (home, pension and investment of cash funds) while also executing on Danica Pension's clear recommendations. Moreover, customers can often obtain more favourable terms because their pension savings are included in their business volume.

It is a great advantage to Danica Pension that Danske Bank holds a strong position in terms of providing customers with the best and most user-friendly digital solutions, as this also benefits our customers.

In the responsible investment area, it is also a great advantage to us that we are able to draw on Danske Bank's experience and expertise, both in terms of incorporating responsibility in all our investment processes, analyses, reporting, active ownership and in our specific investments.

### **Discrimination of pregnant women**

In 2020, we became aware that for a number of years we like several other companies in the industry had regrettably discriminated pregnant women by wrongfully denying coverage of expenses for treatment of illness and conditions linked to pregnancy under our health insurance. Danica Pension has issued an apology to those concerned and has identified about 600 women who have wrongfully been denied coverage since 1997. All customers in question have been contacted and offered coverage of their previous expenses plus interest and payment of additional compensation. Danica Pension decided to offer women with wrongfully denied claims compensation in the amount of DKK 5,000 in addition to coverage of their expenses. As the first court decisions have been made in these cases, the damages awarded to women with wrongfully denied claims have indeed been set at DKK 5,000, and we have therefore decided to maintain this amount. We have furthermore reviewed all relevant insurance conditions and terms under all other Danica Pension products to ensure that there is no other unlawful discrimination of pregnant women.

### **Reduced loss on health and accident business**

In 2021, Danica Pension posted a loss of DKK 465 million on the health and accident business, against a loss of DKK 641 million in 2020 and a loss of DKK 914 million in 2019. The loss has thus been reduced considerably over the past two years, and the efforts to balance the books continue. In addition to an improved health and accident result, the reduced loss was in large part attributable to positive investment returns.

The health and accident result for 2021 included an additional provision of DKK 327 million for a potential pension returns tax liability. The provision made in this respect for 2020 and 2021 totals DKK 685 million. We do not agree that negative health and accident results are subject to tax on pension returns and we will therefore appeal against SKAT's decision. Whether Danica Pension will be held liable to pay the additional tax is not expected to be settled for a few years yet.

While the underlying loss on our health and accident business remains unsatisfactory, things are moving in the right direction, and we are pleased to note that our customers are reporting fewer claims. This means that the initiatives we have launched over the past few years, particularly in the healthcare and prevention areas, are proving effective. However, the corona crisis and its ramifications, including mental health effects, remain an unknown factor, and we are not yet able to predict what impact it will have on our customers and, consequently, on the result of the health and accident business.

In order to ensure a high-quality healthcare offering and a sounder balance between income and expenditure, we have already launched a number of initiatives in the health and accident business. One such initiative is an improved health package providing quick and easy access to doctors, psychologists and dieticians with the aim of helping customers before their difficulties grow and lead to long-term absence due to illness. In 2021, 8,800 customers used our new healthcare solutions, and 40% of the customers who consulted a psychologist responded that they would not otherwise have sought help. We consider it an important mission to take responsibility for our customers' security and well-being through the corona crisis, and we want to help them with tips and advice as well as the above-mentioned healthcare solutions.

### **New executive order on health and accident insurance**

In November 2021, the Danish FSA issued a new executive order on health and accident insurance effective at 1 January 2022. The aim of the new executive order is to ensure that providers have sustainable business models for both their health and accident business and their life insurance business. In other words, the health and accident business and the life insurance business must both break even without funds systematically being channelled from one business area to the other. The reasoning behind the new executive order is that providers across the industry have for several years reported losses on their health and accident business, as has Danica Pension.

Danica Pension welcomes the new executive order on health and accident insurance. We will meet the new requirements for break-even health and accident results by continuing to focus on preventive

measures and other customer-oriented activities to help customers who are absent due to illness return to work – combined with higher premiums. However, regardless of premium increases on health and accident insurance, we will still have the option of offering discounts in other product areas that are funded through shareholders' equity in order to reduce the overall financial impact on our customers.

#### **Measurement of insurance provisions for solvency purposes**

In January 2020, the Danish FSA ordered almost all life insurance and pension providers in Denmark – including Danica Pension – by 31 December 2022 to calculate their technical provisions for solvency purposes on the basis of expected cash flows from premiums and benefits calculated under a number of different return scenarios.

In response to the order, Danica Pension decided to develop a projection model for the calculation of provisions for solvency purposes. This work is progressing according to plan, but it is too early to predict whether the projection model will result in an increase or a reduction of Danica Pension's solvency capital requirement.

#### **Norwegian business sold**

In December, it was announced that Danica Pension's Norwegian activities have been sold to Norwegian finance group Storebrand. The transaction is pending approval by the relevant authorities, which is expected to happen in the first half of 2022.

With the sale, we are sharpening the focus of our business and are now even better equipped to develop the best pension solutions for our customers in Denmark.

The reason for the sale was that Danica in Norway was at the end of a successful strategy period with great ambitions for the future journey, which would require major investments and focus. We decided that it would be in the best interests of our customers in both Denmark and Norway that we handed over the reins to a new owner.

We are proud of the growth and the results achieved in the Norwegian pension market, as reflected in a very satisfactory selling price of NOK 2,010 million.

## **SOCIETAL IMPACT AND SUSTAINABILITY**

Societal impact and sustainability are key elements of Danica Pension's business strategy. We have therefore defined a 2025 strategy with special focus on three themes – climate and environment, financial security and a healthy working life and senior life – that support the UN Sustainable Development Goals.

#### **Danica Balance Sustainable Choice**

Danica Balance Sustainable Choice offers customers an opportunity to invest part or all of their pension savings with special focus on sustainability. For example, in 2021 we invested DKK 1 billion in

the UN Sustainable Development Goals in collaboration with BlackRock, part of which will be invested via Danica Balance Sustainable Choice. At 31 December 2021, our customers had chosen to invest DKK 2.7 billion in Danica Balance Sustainable Choice.

#### **Climate ambitions**

Danica Pension's original ambition was to invest DKK 30 billion in the green transition by 2023, DKK 50 billion by the end of 2025 and DKK 100 billion by the end of 2030. Investments in the green transition comprise green infrastructure, green bonds, sustainable buildings and equity and bond investments in the green transition. At 31 December 2021, we had invested DKK 33.5 billion in the green transition. Deloitte has verified this amount. This meant that our target for 2023 was already met, and consequently, we raised our climate ambitions even further in 2021. Our revised ambition is to invest DKK 50 billion in the green transition already by the end of 2023.

As a supplement to our statement of green investments, in February 2022 we will issue our first statutory report on the proportion of Danica Pension's activities that is associated with environmentally sustainable economic activities pursuant to the EU Taxonomy Regulation. The report will be available at [www.danicapension.dk/regnskab](http://www.danicapension.dk/regnskab). As the EU taxonomy is extended and the data quality improves, we will revisit our targets for investment in the green transition.

To support the transition to a carbon-neutral economy, Danica Pension has joined the UN-convened Net-Zero Asset Owner Alliance. We have thus committed to making our investment portfolio carbon neutral by 2050 in accordance with the Paris Agreement and its objective to limit global warming to 1.5°C. This objective has been incorporated in Danica Pension's investment policy and policy on responsible investments.

In March 2021, we furthermore set interim goals for carbon emission reductions for five key sectors by 2025. The five sectors are: energy, utilities, transport, cement and steel. Our ambition is to reduce carbon emissions from our investments in these five sectors by between 15% and 35% relative to the 2019 level.

#### **Sustainable properties**

In 2021, Danica Ejendomme launched a sustainable investment strategy. It includes the goal that Danica Ejendomme will increase the proportion of certified sustainable properties. This will happen in part by certifying existing properties and in part by requiring new builds to achieve a DGNB gold certificate. In particular, Danica Ejendomme wants to launch investment projects creating a positive societal impact. One of the projects launched by Danica Ejendomme in 2021 was the construction of 250 youth housing units and a day-care institution at Sluseholmen in Copenhagen.

The overall target is to cut carbon emissions from the Danish property portfolio by 30% by 2023,

37% by 2025 and 69% by 2030 relative to 2019 emissions. During the period from 1 October 2020 to 30 September 2021, carbon emissions were reduced by 40% or by 2,891 tonnes of CO<sub>2</sub> relative to the 2019 level. The significant reduction was mainly due to falling emission factors as a result of the central energy system transitioning to more renewable energy sources. Other factors are the procurement of green power and regular monitoring of the energy consumption.

During 2022, we will review our carbon emissions targets for 2023 and 2025. The 2030 target will be maintained.

#### CLIMATE REPORTING - SUSTAINABLE PROPERTIES<sup>1</sup>

	Unit	Targets	2021
<b>Sustainability of property investments:<sup>2</sup></b>			
Certified sustainable properties		See 3)	
- existing properties	%		8.3
- new builds	%		84.2

1: The figures cover the sustainability certificates DGNB Gold, DGNB Silver and LEED Gold in the Danish property portfolio.

2: See also Danica Pension's reporting on the EU Taxonomy Regulation at [www.danicapension.dk](http://www.danicapension.dk).

3: The target is to reduce carbon emissions from the Danish property portfolio by 69% by 2030.

#### Climate change-related risks

Through the Danske Bank Group, Danica Pension supports the work of Task Force on Climate-related Financial Disclosures (TCFD) focusing on integrating climate-related risks in companies' governance, strategy and risk management.

In 2021, we released Danica Pension's first separate TCFD report. The report revealed that the weighted average carbon intensity of equities and credit bonds was 46% lower than a global market average of carbon emissions from scopes 1, 2 and 3 (direct and indirect carbon emissions). The current status of our total investments is that they are consistent with a 1.5 degree scenario towards 2031, whereas they are consistent with a temperature increase of 2.5 degrees towards 2050. Accordingly, if we are to comply with the Paris Agreement, more companies in the investment portfolio must set more ambitious long-term climate targets. For Danica Balance Sustainable Choice, the current status is that investments are consistent with a 1.5% degree scenario in 2050 and are thus in compliance with the Paris Agreement.

#### CLIMATE REPORTING - INVESTMENTS AND CARBON EMISSIONS<sup>1</sup>

	Unit	Targets	2021
<b>Carbon emissions related to our investments</b>			
Carbon emissions from investment assets - equities and credit bonds (scopes 1 and 2)	Tonnes	See 2)	1,042,597
Carbon emissions from investment assets - equities and credit bonds (scopes 1, 2 and 3)	Tonnes	See 2)	4,574,522
Carbon footprint - equities and credit bonds (scopes 1 and 2)	Tonnes (DKK millions)	See 2)	6.73
Carbon footprint - equities and credit bonds (scopes 1, 2 and 3)	Tonnes (DKK millions)	See 2)	29.51

1: Reporting principles - see Danica Pension's ESG key figures at [www.danicapension.dk](http://www.danicapension.dk)

2: The target is to reduce carbon emissions from the energy, utilities, transport, cement and steel sectors by between 15% and 35% relative to the 2019 level.

For Danica Pension, there is a risk that future climate change - or climate change projections - may reduce the value of our investments. This, in turn, could affect our customers' savings and the value of the assets allocated to Danica Pension's shareholders' equity. We are therefore also mindful of climate risks in relation to our investments. Climate risk may also affect Danica Pension's insurance risks if, for example, future temperature changes affect average longevity or cause new diseases to spread. Our actuaries regularly monitor insurance risks.

#### Reducing our own carbon emissions

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

It is our revised ambition to reduce our own carbon emissions by at least 40% from 2019 to 2023. Environmental data from 2021 in Denmark show that more people are still working from home as a consequence of the coronavirus situation, which reduces the overall carbon emissions. Danica Pension's overall carbon emissions were reduced by 59% between 2019 and 2021.

#### CLIMATE REPORTING - DANICA PENSION'S OWN CARBON EMISSIONS<sup>1</sup>

	Unit	Targets	2021	2020	2019
Carbon emissions - scope 1	Tonnes		7	0	0
Carbon emissions - scope 2	Tonnes		92	123	174
Carbon emissions - scope 3	Tonnes		77	150	251
Carbon emissions, total	Tonnes	See 2)	176	273	426
Renewable energy share - procured	%		36	39	40
Energy consumption	GJ		10,292	11,293	12,978
Paper <sup>1</sup>	Tonnes		1	6	8

1: Reporting principles - Paper consumption is measured as the amount of paper purchased for the year - see Danica Pension's ESG key figures at [www.danicapension.dk](http://www.danicapension.dk)

2: The target is to reduce Danica Pension's own carbon emissions by at least by 40% from 2019 to 2023.

#### Increased financial security

Our aim is to increase the financial security of at least 500,000 individuals or businesses in the period from 2019 to 2025. The status at 31 December 2021 is that, since 2019, Danica Pension in Denmark has increased the financial security of 225,000 individuals and businesses, for example via online Pension Check, Pension Start or advisory meetings with personal or business customers.

A cornerstone of Danica Pension's value proposition is relevant, proactive advice that promotes financial security. We therefore proactively contact customers who have given their consent with relevant advice in connection with legislative changes or life-changing events such as if their salary

changes or if they move or get married. Similarly, Danica Pension has an agreement with Pension for Selvstændige to provide financial security for the self-employed concerning their pension and insurance covers.

In 2021, we enhanced our focus on financial security through population surveys, media coverage and marketing campaigns on TV as well as in print. We focused on the importance of checking one's pension scheme when life-changing events happen, such as getting married, having children, moving, etc.

We continue to follow Insurance & Pension Denmark's data security guidelines based on the three guidelines: Transparency, Personalisation and Prevention. We also take a proactive approach to data ethics, and we actively participate in debates to ensure that we stay compliant in relation to our customers. All relevant information is set out in the relevant customer flows and is easily accessible.

### **Healthcare and focus on prevention**

We want to contribute towards a healthier society with less absenteeism. Our goal is to help at least 200,000 individuals and businesses achieve a healthy working life and senior life before the end of 2025 and to focus more on prevention. The status in December 2021 was that Danica Pension in Denmark had helped 126,900 individuals and businesses with treatment or financial compensation. This included health insurance, cover for loss of earning capacity, cover for critical illness and our health package.

In January 2021, we launched a health package for our customers in Denmark designed to increase the focus on prevention. Our customers have quick and easy access to online consultations with doctors, psychologists and dieticians - without having to report a claim to us or consult their own doctor first. Since January 2021, 8,800 customers have taken advantage of this offer, which has resulted in more men consulting a psychologist, for example.

In March 2021, Danica Pension arranged an online conference with the University of Copenhagen. The aim was to raise awareness of the mental health and well-being of young people at the beginning of their working lives. Getting one's working life off to a good start is also one of the themes in Danica Pension's podcast "Sunde Stemmer". In 2021, the topics addressed in the series included hybrid working, a good senior life and digital healthcare.

In 2021, the mental health consequences of the coronavirus pandemic were in focus, including the mental health challenges of working from home for an extended period of time. Similarly, there were the challenges of having to return to hybrid working. Danica Pension developed tips and externally available guidelines for managers and employees and set the agenda externally through media campaigns.

### **Responsible investments**

We continually strive to lift our ambitions in the area of responsible investments. In 2021, we gave particular attention to enhancing our efforts in the areas of sustainability risk, to extended restrictions and voting guidelines as well as to responsible tax, active ownership and implementation of new EU regulation on sustainable financing.

In 2021, Danica Pension in Denmark and Norway expanded and strengthened our investment restrictions and voting guidelines in order to promote the environmental and social characteristics of our products and take into account the potential adverse societal consequences of our investments. For example, we significantly tightened our requirements with respect to coal and tar sand, so that we no longer invest in companies with more than 5% of their revenue generated from these activities, unless they have a clear plan to phase these out in accordance with the Paris Agreement. Previously, the limit was 30%. The change applies to our ordinary pension products only, as Danica Balance Sustainable Choice does not invest in fossil fuels. In 2021, we also announced a new approach to restrictions on government bonds.

To lift our ambitions in the area of responsible tax, we updated our tax principles on investments in the spring of 2021. The principles now state even more unequivocally that Danica Pension will not in future make any new illiquid investments through countries that are on the EU's or the OECD's tax haven blacklists.

Active ownership is a key element of our responsible investment agenda. The most recent active ownership report for Danica Pension is available at <https://danicapension.dk> and includes statements of voting activity and dialogues with the companies we invest in. The report also includes a statement of dialogues which focused particularly on the climate agenda.

In 2021, we prepared our annual evaluation of external asset managers' efforts to integrate sustainability risks when investing on behalf of Danica Pension in Denmark and Norway. The evaluation revealed that asset managers are generally focusing more on sustainability risks, which is positive for Danica Pension's sustainable investment work.

On 10 March 2021, the first part of the EU Sustainable Finance Disclosure Regulation (SFDR) came into effect in Denmark, a central part of the EU Action Plan for Sustainable Finance. The purpose of the Regulation is to make the sustainability objectives of financial players and investment products more transparent to investors. In support of the SFDR, we updated our responsible investment policy in March 2021 and classified our pension products in accordance with the new requirements. Danica Balance and Danica Balance Sustainable Choice are both classified as Article 8 products, i.e. products that promote environmental or social characteristics and ensure good corporate governance.

### **Volunteering**

'Time to Give' is a programme that gives all the Danske Bank Group's employees the opportunity to spend one day a year doing voluntary work and making a difference to their local community. For example, Danica Pension employees undertook voluntary work in aid of Børnehjælpsdagen and Hus Forbi in 2021, although these activities were severely restricted by the corona crisis in 2021.

### **Statutory reporting on societal impact**

For Danica Pension's statutory reporting on societal impact, we refer to Danske Bank's Sustainability Report 2021 and Sustainability Fact Book 2021.

The Sustainability Report also serves as the Group's Communication on Progress to the UN Global Compact and is available at [danskebank.com/societal-impact](https://danskebank.com/societal-impact).

Danica Pension's statutory reporting under the EU Taxonomy Regulation is available at <https://danicapension.dk>.

## **FINANCIAL REVIEW**

### **Special matters**

#### **Corona (COVID-19)-related risks**

COVID-19 spread across large parts of the globe in the first quarter of 2020, and the pandemic continued to affect both the Danish and the Norwegian society in 2021, particularly in the first half and towards the end of the year. Throughout the COVID-19 pandemic, Danica Pension has maintained comfortable excess solvency and achieved highly satisfactory investment returns in both 2020 and 2021.

COVID-19 may potentially affect longevity and disability frequency trends. The period of observation is yet too short and experience too limited for us to be able to estimate the long-term effects, however. So far, we have only registered an increase in COVID-19-related costs in Danica Pension's healthcare product in relation to stress. COVID-19 has meant that the majority of Danica Pension's employees have periodically been working from home, but we have at all times been able to advise and service our customers and maintain our activities such as day-to-day risk management and product development.

#### **Sale of Norwegian insurance activities**

Danica Pension's Norwegian subsidiary, Danica Pensjonsforsikring AS, has been sold to Norwegian finance group Storebrand. The transaction is pending approval by the relevant authorities, which is expected to happen in the first half of 2022. The proceeds from the sale are expected to be around DKK 400 million and will be recognised in 2022, when the transaction has been approved by the authorities.

Due to the sales agreement, the Norwegian subsidiary is recognised as a discontinued operation and is not included in profit before tax. Comparative figures have been restated accordingly.

### **Insurance companies merged**

The merger of the companies Forsikringsselskabet Danica Skadesforsikringsaktieselskab af 1999 and Danica Pension, Livsforsikringsaktieselskab received regulatory approval on 25 June 2021 and was effected for accounting purposes at 1 January 2021 with Danica Pension, Livsforsikringsaktieselskab as the continuing company. Danica Pension also moved the investment management previously carried out by Forsikringsselskabet Danica Skadesforsikringsaktieselskab af 1999 to the newly established subsidiary Danica Kapitalforvaltning K/S.

The accounting treatment of the merger is described in the significant accounting policies section.

### **Additional pension returns tax on health and accident business**

Towards the end of 2021, the Danish tax authorities made a claim against Danica Pension for additional pension returns tax on the health and accident business. The tax authorities contend that negative risk and cost results in the health and accident business are subject to tax on pension returns. In Danica Pension's opinion, negative results in the health and accident business are not subject to tax on pension returns.

In 2021, Danica Pension made a provision of DKK 327 million in response to the Danish tax authorities' additional pension returns tax claim. Danica Pension has made a total provision for potential additional tax on pension returns for the income years 2017-2021 of DKK 685 million, of which DKK 51 million has been charged by the tax authorities and expensed. Additionally, we have made a DKK 25 million provision for interest expenses to cover any interest charged by the tax authorities in this respect.

Danica Pension expects to appeal against the tax authorities' decision during the first quarter of 2022 before the deadline for objections.

### **Correction of collective bonus potential relating to prior years**

In 2021, Danica Pension discovered that commission costs had mistakenly been charged to the collective bonus potential during the period 2016-2020. To correct the error, we transferred DKK 276 million to the collective bonus potential in 2021, including interest for the period. The amount transferred to the collective bonus potential was charged to shareholders' equity, adversely affecting Danica Pension's technical result of life insurance for 2021.

No customers have been affected, directly or indirectly, by the error, and we have notified the Danish FSA.

## Profit for the year

DANICA GROUP, PROFIT BEFORE TAX		
(DKK millions)	2021	2020
Technical result, Life insurance	2,638	2,496
Technical result, Health and accident insurance	-465	-641
Result of insurance business	2,173	1,855
Return on investment allocated to shareholders' equity, etc. <sup>1)</sup>	-95	-155
Profit before tax and continuing operations	2,078	1,700
Taxation	-424	-275
Discontinued operations	76	76
Profit for the year	1,730	1,501

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

In 2021, Danica Pension realised a profit before tax and discontinued operations of DKK 2,078 million, against DKK 1,700 million in 2020. Profit after tax and discontinued operations amounted to DKK 1,730 million, against DKK 1,501 million in 2020.

The profit for the year was affected by the above-mentioned DKK 327 million provision for potential additional pension returns tax and DKK 276 million correction of the collective bonus potential relating to prior years.

The result of insurance business for 2021 exceeded the level guided in the annual report for 2020 and was on a par with level guided in the interim report for the first six months of 2021. The financial market improvement for 2021 overall was the reason that the result of insurance business exceeded our expectations in 2020.

The technical result of life insurance for 2021 amounted to DKK 2,638 million, against DKK 2,496 million in 2020. The technical result was affected by the financial market improvement during the year, which boosted asset management income. The technical result was adversely affected by the correction of the collective bonus potential relating to prior years. As has been the case in the past few years, Danica Pension was able to book the full risk allowance for the interest rate groups in 2021.

The technical result of health and accident insurance for 2021 was a loss of DKK 465 million, against a loss of DKK 641 million in 2020. The improved health and accident result was favourably affected by fewer new claims. The return on investment from health and accident insurance was in 2021 and 2020 affected by the above-mentioned provision for potential additional tax on pension returns.

The return on investment allocated to shareholders' equity, etc. was impacted by a negative investment return for the year.

Profit after tax from discontinued operations, comprising Danica Norway's profit, amounted to DKK 76 million in 2021 and DKK 76 million in 2020.

The Board of Directors proposes that DKK 2.3 billion be distributed in ordinary dividend for 2021.

## Gross premiums

Gross premiums from the Danish (continuing) operations in 2021 amounted to DKK 36.8 billion, an increase of DKK 27.8 billion compared with 2020.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS)					
(DKK billions)	2021	2020	2019	2018	2017
<b>Denmark/Continuing operations</b>					
Life insurance	35.3	26.4	25.5	26.1	23.4
Health and accident	1.5	1.4	1.5	1.6	1.3
<b>Total</b>	<b>36.8</b>	<b>27.8</b>	<b>27.0</b>	<b>27.7</b>	<b>24.7</b>
<b>Outside Denmark/Discontinued operations</b>					
Norway	6.4	2.4	2.6	2.3	2.4
<b>Total premiums</b>	<b>43.2</b>	<b>30.2</b>	<b>29.6</b>	<b>30.0</b>	<b>27.1</b>

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

The increase in the Danish business was driven by a large increase in single premiums and a smaller increase in regular premiums resulting from new business. Premiums in Norway rose by 168% in 2021, favourably affected by new business following the introduction of Egen Pensjonskonto in Norway.

## Return on investment

The overall return on investment amounted to DKK 35.4 billion, and tax on pension returns amounted to DKK 5.2 billion. The return on investment was affected by the positive financial market performance in 2021.

## Claims and benefits

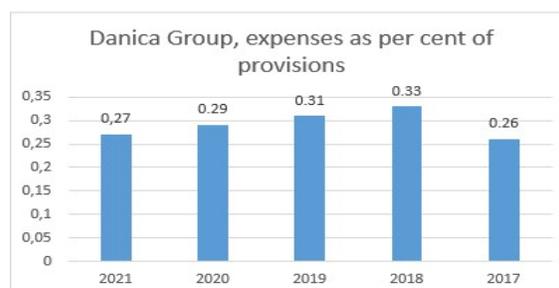
Claims and benefits amounted to DKK 26.2 billion in 2021, against DKK 26.0 billion in 2020.

Surrenders including investment contracts amounted to DKK 19.4 billion in 2021, against DKK 18.0 billion in 2020.

## Expenses

In life insurance, operating expenses relating to insurance amounted to DKK 1,186 million in 2021, against DKK 1,185 million in 2020.

The Group's expenses amounted to 0.27% of average provisions, against 0.29% in 2020. The reduction was due to an increase in provisions in 2021 driven by the financial market developments, as the Group's expenses were in line with 2020.



The average number of full-time employees was 899 in 2021, against 802 in 2020, and at the end of the year the Danica Group employed 960 employees. The increase was attributable to the fact that Danica Pension has taken back several previously outsourced functions. For example, parts of IT operations and IT development are now handled in-house.

The Danica Group paid DKK 515 million to Danske Bank for investment management, IT operations and development, internal auditing, HR administration, logistics and marketing. In addition, Danica paid DKK 242 million to the Danske Bank Group for its sale of life insurance policies (see note 31).

### Tax

The tax charge amounted to DKK 424 million, positively affected by a DKK 33 million adjustment of prior year tax charges.

### Other comprehensive income

Other comprehensive income amounted to DKK 15 million in 2021, against a negative DKK 11 million in 2020. Other comprehensive income comprises the effect of foreign currency translation (including hedging) of foreign entities, including any tax effect.

### Special allotments

Special allotments to former customers of Statsanstalten for Livsforsikring amounted to an expense of DKK 42 million in 2021, against DKK 40 million in 2020. See the section on contribution in the significant accounting policies note.

### Balance sheet

DANICA GROUP, BALANCE SHEET		
(DKK millions)	31/12/2021	31/12/2020
<b>ASSETS:</b>		
Intangible assets	2,606	2,687
Tangible assets	40	40
Investment assets <sup>1)</sup>	640,074	654,797
Debtors	1,882	1,670
Other assets	3,256	2,817
Assets relating to discontinued operations	24,000	296
Prepayments and accrued income	7,761	7,108
<b>TOTAL ASSETS</b>	<b>679,619</b>	<b>669,415</b>
<b>LIABILITIES AND EQUITY:</b>		
Technical provisions	470,191	458,261
Other liabilities <sup>2)</sup>	162,145	188,777
Liabilities relating to discontinued operations	23,161	-
Share-holders' equity	24,122	22,377
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>679,619</b>	<b>669,415</b>

<sup>1)</sup> Including investment assets related to unit-linked products

<sup>2)</sup> Other liabilities than technical provisions

The Group's total assets increased from DKK 669 billion at 31 December 2020 to DKK 680 billion at 31 December 2021. The increase was driven by the

positive growth and the financial market improvement in 2021, leading to a greater increase in investment assets.

Intangible assets were recognised at a value of DKK 2,606 million, mainly consisting of goodwill and the value of customer relationships taken over. Intangible assets also comprised IT development costs in the amount of DKK 48 million. No evidence of impairment of goodwill or customer relationships was identified in 2021. The intangible asset relating to customer relationships is amortised over a period corresponding to the run-off of the customer relationship.

Investment assets, including investment assets related to unit-linked products, fell from DKK 655 billion at 31 December 2020 to DKK 640 billion at 30 December 2021. The decline was due to DKK 23 million in investment assets from the Norwegian business being reclassified to assets relating to discontinued operations and to the value of derivatives with positive fair values declining from DKK 162 billion at 31 December 2020 to DKK 120 billion at 31 December 2021. The value of derivatives with negative fair values also declined relative to 2020, and the net value of derivatives was DKK 0 billion at 31 December 2021, against DKK 13 billion at 31 December 2020. The reduced net value of derivatives was primarily driven by the rising interest rates in 2021. Adjusted for the reclassification of investment assets from the Norwegian business and the decline in the value of derivatives with positive fair values, investment assets grew by DKK 50 billion as a result of the positive financial market performance and the addition of new business.

Provisions for insurance and investment contracts totalled DKK 470 billion at 31 December 2021, against DKK 458 billion at 31 December 2020. The increase was primarily driven by an increase in customer's savings resulting from Danica Pension's positive growth and the positive financial market performance, with the reclassification of provisions from the Norwegian activities to discontinued operations having an adverse effect.

Life insurance provisions for average-rate products were down DKK 12 billion to DKK 172 billion. This development supports the expected reduction in average-rate policies.

Life insurance provisions for unit-linked products rose from DKK 249 billion at the beginning of 2021 to DKK 272 billion at the end of 2021. The increase was primarily attributable to the positive financial market performance in 2021, while the reclassification of DKK 23 billion in provisions from the Norwegian activities to discontinued operations had an adverse effect.

Other provisions include derivatives with negative fair values. The negative value of derivatives was reduced from DKK 150 billion at 31 December 2020 to DKK 116 billion at 31 December 2021.

Shareholders' equity stood at DKK 24.1 billion at 31 December 2021, against DKK 22.4 billion at the end of 2020.

### Solvency statement and capital requirements

At 31 December 2021, the Danica Group's solvency coverage ratio was 210%, against 191% at 31 December 2020. The Danica Group still maintained strong excess solvency at 31 December 2021.

DANICA GROUP		
(DKK millions)	31/12/2021	31/12/2020
Total capital	27,587	27,300
Solvency capital requirement (SCR)	13,167	14,305
Excess capital base	14,420	12,995

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

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

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

### The financial markets

The reopening of society was a dominant theme in 2021, and the combination of vaccine rollouts in large parts of the world, gigantic relief packages in the US and Europe and strong corporate financial results resulted in strong returns, primarily favouring risk-takers.

Global equity returns ended at around 20% and alternatives yielded even higher returns, while credit bond and property returns were more moderate. Conversely, bond portfolios yielded negative returns due to general interest rate increases as illustrated by the 0.5% increase in 10-year US rates. A positive performance by USD exposures was driven by the USD rising by around 7% against the DKK.

### Return on investment

Unit-linked products in Denmark generated an aggregate return of DKK 35.1 billion in 2021, equivalent to 13.3% before tax on pension returns.

The table below shows the returns on the unit-linked products Balance Mix and Balance Sustainable Choice Mix for 2021, broken down by risk profile and number of years to retirement.

2021 RETURN BEFORE TAX (%)			
Risk	30 years to retirement	20 years to retirement	5 years to retirement
<b>Danica Balance Mix</b>			
High risk profile	23.6	23.6	14.4
Medium risk profile	21.8	17.8	10.0
Low risk profile	19.2	12.0	6.1
<b>Danica Balance Sustainable Choice Mix</b>			
High risk profile	20.8	20.8	12.4
Medium risk profile	19.1	15.4	8.4
Low risk profile	16.7	10.2	5.0

The strong returns were driven by the positive financial market performance, in particular rising equity prices.

The return on investment of customer funds in Danica Traditionel was 0.0% before tax on pension returns in 2021. Adjusted for changes in provisions, the return was negative at 5.2% before tax on pension returns.

DISTRIBUTION BY INTEREST RATE GROUP AT 31/12/2021		
(%)	Interest on policyholders' savings before tax on pension returns (p.a.)	Investment return before tax on pension returns
Interest rate group D1	1.0	-0.2
Interest rate group D2	1.8	-0.4
Interest rate group D3	1.8	-0.6
Interest rate group D4	1.8	0.4
Interest rate group 1	2.0	0.9
Interest rate group 2	3.5	1.7
Interest rate group 3	4.0	1.6
Interest rate group 4	8.0	2.3

Effective from 1 January 2022, Danica Pension has raised the interest rate on policyholders' savings in the interest rate groups D1, D2, D3 and D4.

Assets attributed to shareholders' equity was mainly invested in property and relatively short-term bonds. The return on assets attributed to shareholders' equity was a negative 0.7%.

### Events after the balance sheet date

No events have occurred between 31 December 2021 and the date of the signing of the financial statements that, in the opinion of the management, will materially affect Danica Pension's financial position.

### Outlook for 2022

Danica Pension expects a general decline in pre-tax income before tax in 2022 to a slightly lower level than in 2021. A lower return on investment is expected in 2022 than in 2021 and this will negatively affect pre-tax profit. In the opposite direction, the profit before tax for 2022 is expected to be positively affected by a profit on the sale of insurance activities in Norway of around DKK 400 million.

In 2022, we expect to further strengthen Danica Pension's position as a leading provider of life and pension insurance products in Denmark.

## ORGANISATION, MANAGEMENT AND PARTNERSHIPS

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

### Board of Directors, Audit Committee and Executive Board

At 31 December 2021, Danica Pension's Board of Directors consisted of eight members: five elected by the general meeting, two elected by the employees and one appointed by the Danish Minister for Finance. The board members elected by the general meeting are up for election every year and board members elected by the employees are elected for a period of four years, as prescribed by the applicable legislation. The Board of Directors is in charge of Danica's overall management and held six ordinary meetings in 2021.

The Board of Directors has set up an audit committee to prepare the work of the Board of Directors on financial reporting and auditing matters which either the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intends to review further. The committee works on the basis of clearly defined terms of reference. The committee has no independent decision-making powers but reports to the Board of Directors as a whole. In 2021, the audit committee held six meetings and reported regularly to the Board of Directors.

Danica Pension established a risk committee in 2021. The general objective of the risk committee is to advise the Board of Directors on Danica Pension's risks and internal control system and to oversee the adequacy and effectiveness of Danica Pension's risk structure. In 2021, the risk committee held three meetings and reported regularly to the Board of Directors.

The Executive Board is in charge of the day-to-day management of the company. In 2021, the following changes were made to Danica Pension's Executive Board. On 1 June 2021, Thomas Dyhrberg Nielsen took up office as CFO, replacing Jesper Mølskov Høybye, who resigned the position on 5 February 2021. On 1 July 2021, Jesper Grundvad Bjerre joined the Executive Board as COO. Danica Pension's Executive Board subsequently consists of Ole Krøgh Petersen, CEO, Søren Lockwood, CCO, Thomas Dyhrberg Nielsen, CFO and Jesper Grundvad Bjerre, COO.

On 6 April 2021, Berit Irene Behring resigned as Chairman and member of the Board of Directors,

and Glenn Olof Söderholm joined the Board of Directors as Chairman on the same date. The change was due to a reorganisation in the Danske Bank Group.

The directorships of the members of the Board of Directors and the Executive Board are listed on page 80. For additional information on the organisation, see page 79.

### Diversity policy

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

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

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

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

40% of Danica Pension's managers are women, a minor decrease relative to last year. The distribution on the various management levels at 31 December 2021 was as follows:

#### GENDER COMPOSITION OF MANAGEMENT

Management level	Total	Women	Pro-portion of women	Group target of 2021	Pro-portion of men
Board members*	8	3	38%	38%	62%
Senior management/business management	25	8	32%	35%	68%
Other managers	80	34	43%	40%	57%

\* Excluding representative appointed by the Danish Minister of Finance

The targets were still reached for two of the three above-mentioned levels of management. Our efforts to make our recruitment and promotion processes less biased have been successful. We will maintain our focus on increasing the number of female managers, and Danica Pension intends to continue this work in 2022 in close collaboration with Danske Bank and Danica Pension's Chief Diversity Officer.

### Remuneration policy and incentive schemes

Danica Pension's remuneration policy fits in with that of the Danske Bank Group and encompasses all employees in the Danica Group. The policy was

adopted at the Danica Group's annual general meetings and is available on [www.danicapension.dk](http://www.danicapension.dk).

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

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

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

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

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

Danica Pension gives focused attention to management development and requires all managers to motivate, inspire and develop their employees. In a year marked by the pandemic and with increased focus on working from home and the new hybrid workplace, this became more difficult. We have therefore decided to focus even more on management in 2022.

"Danica - Kultur & Mental Sundhed" is a cross-organisational project with representatives of both employees and management organising initiatives to promote social inclusion, even during a period when many are working from home.

Insourcing was a major theme in 2021, as Danica Pension welcomed back employees to the Communications, Legal, IT and Marketing departments. This will further strengthen local work relating to our existing financial security provider strategy.

Despite hybrid working, this year's employee survey showed an impressive increase in our employees' well-being, and with a response rate of 92, our managers have a solid platform for future local efforts.

Skills building is another key factor in Danica Pension's value creation and market position, and with funds from the local skills development pool, we offered training programmes across Danica Pension in 2021 focusing on developing the skills of tomorrow - and this work will continue in 2022. The individual employees' skills development is planned and effected according to individual needs and is agreed between manager and employee.

## RISK EXPOSURE AND SENSITIVITY INFORMATION

Information on risk and risk management are set out in note 34 to the financial statements. The below table shows the effects on the Group's total capital and solvency coverage ratio of isolated changes in various risk categories, see section 126 g of the Danish Financial Business Act. A description of the stress scenarios in the various risk categories is provided in the Danish Executive Order on Sensitivity Analyses for Group 1 Insurance Companies.

### Sensitivity information – SCR

	SCR 125%			SCR 100%		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	-171	27,708	125	-200	26,493	107
Equity risk	69	21,242	125	86	17,413	100
Property risk	68	24,399	125	95	22,403	100
Credit spread risk:						
- Danish government bonds, etc.	14	24,318	125	21	22,485	100
- Other government bonds, etc.	36	25,645	125	55	23,827	100
- Other bonds	48	24,124	125	69	22,062	100
Currency spread risk:						
USD	100	26,164	142	100	26,164	142
GBP	100	27,343	203	100	27,343	203
SEK	100	27,400	204	100	27,400	204
Counterparty risk		27,481	209		27,481	209
Longevity risk	54	24,221	125	61	22,258	100
Life insurance option risk	859	21,177	142	859	21,177	142
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

### Sensitivity information – MCR

	MCR 125%			MCR 100%		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	-200	24,563	256	-200	24,563	256
Equity risk	100	11,981	140	100	11,981	140
Property risk	100	19,562	228	100	19,562	228
Credit spread risk:						
- Danish government bonds, etc.	37	10,830	125	41	8,693	100
- Other government bonds, etc.	100	11,778	136	100	11,778	136
- Other bonds	100	14,072	162	100	14,072	162
Currency spread risk:						
USD	100	23,956	292	100	23,956	292
GBP	100	24,730	399	100	24,730	399
SEK	100	24,783	401	100	24,783	401
Counterparty risk		27,481	209		27,481	209
Longevity risk	79	11,909	125	83	10,348	100
Life insurance option risk	859	18,703	271	859	18,703	271
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

The above table was prepared on the basis of total capital of DKK 27,587 million and a solvency coverage ratio of 210%. Please note that for credit spread risk, we assumed a decline in bonds without an increase in EIOPA's discount yield curve or the volatility adjustment (VA), which is a component of EIOPA's discount curve.

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# Financial highlights - Danica Group

DKKm	2021	2020	2019	2018	2017
<b>INCOME STATEMENT</b>					
Life insurance					
Premiums	33,994	25,427	22,431	21,576	21,816
Claims and benefits	-26,185	-25,979	-27,345	-26,334	-20,578
Return on investment	35,409	31,207	51,180	-7,387	15,372
Total operating expenses relating to insurance	-1,186	-1,185	-1,182	-1,183	-729
Depreciation of goodwill	-	-	-	-	-
Profit/loss on business ceded	-5	-8	-7	3	-19
Technical result, Life	2,638	2,496	1,545	1,735	1,831
Health and accident insurance					
Gross premium income	1,571	1,411	1,525	1,789	1,242
Gross claims	-2,202	-2,156	-2,410	-2,339	-1,600
Total operating expenses relating to insurance	-162	-110	-113	-118	-82
Profit/loss on business ceded	-14	-21	-12	-33	4
Return on investment	360	211	75	325	402
Technical result of health and accident insurance	-465	-641	-914	-635	-198
Profit after tax from discontinued operations	76	76	1,523	115	130
Net profit for the year	1,730	1,501	2,271	1,081	1,609
Other comprehensive income	15	-11	7	-36	-26
<b>BALANCE SHEET</b>					
Total assets	679,619	669,415	605,978	565,566	427,035
Insurance assets, health and accident insurance	69	223	268	301	69
Technical provisions, health and accident insurance	17,598	18,130	17,606	14,637	10,231
Total shareholders' equity	24,122	22,377	20,887	18,897	17,122
Total provisions for insurance and investment contracts	470,191	458,261	437,739	399,522	363,778
<b>RATIOS (%)</b>					
Rate of return related to average rate products	0.0	6.0	10.3	1.0	2.5
Rate of return related to unit-linked products	13.3	8.3	15.6	-5.5	8.1
Risk on return related to unit-linked products	4.50	4.50	4.25	4.25	4.25
Expenses as per cent of provisions	0.3	0.3	0.3	0.4	0.3
Expenses per policyholder [DKK]	1,596	1,584	1,532	1,672	1,261
Return on equity after tax	7.4	6.9	11.4	6.0	9.0
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>					
Gross claims ratio	142	150	156	137	133
Gross expense ratio	10	8	7	7	7
Combined ratio	153	159	164	146	139
Operating ratio	153	159	164	146	139
Relative run-off (%)	1.3	0.6	0.0	-0.4	0.1
Run-off, net of reinsurance [DKK millions]	190	89	-2	-54	12

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

Effective 7 June 2018, Danica Pension acquired the companies Danica Pensionsforsikring A/S and Danica Administration A/S (previously SEB Pension Danmark). The acquired companies are recognised in the Group effective from this date.

## Income statement & Other comprehensive income - Danica Group

Note	DKKm	2021	2020
3	Gross premiums	33,994	25,427
	Reinsurance premiums ceded	-15	-10
	Total premiums, net of reinsurance	33,979	25,417
	Income from associates	1,898	-38
4	Income from investment property	628	534
5	Interest income and dividends, etc.	22,658	21,997
6	Value adjustments	27,330	25,290
7	Interest expenses	-16,375	-15,995
	Administrative expenses related to investment activities	-730	-581
	Total return on investment	35,409	31,207
	Tax on pension returns	-5,242	-4,360
8	Claims and benefits paid	-26,185	-25,979
	Reinsurers' share received	11	6
	Total claims and benefits, net of reinsurance	-26,174	-25,973
	Change in life insurance provisions	-32,804	-21,239
	Change in reinsurers' share	-1	-4
	Total change in life insurance provisions, net of reinsurance	-32,805	-21,243
9	Change in profit margin	-1,169	-824
	Acquisition costs	-359	-320
	Administrative expenses	-827	-865
10	Total operating expenses relating to insurance, net of reinsurance	-1,186	-1,185
	Transferred investment return	-174	-543
	<b>TECHNICAL RESULT OF LIFE INSURANCE</b>	<b>2,638</b>	<b>2,496</b>

## Income statement & Other comprehensive income - Danica Group

Note	DKKm	2021	2020
	(cont'd)		
	<b>HEALTH AND ACCIDENT INSURANCE</b>		
	Gross premiums	1,499	1,435
	Reinsurance premiums ceded	-19	-14
	Change in unearned premiums provision	158	46
	Change in profit margin and risk margin	-86	-70
	<b>Premiums, net of reinsurance</b>	<b>1,552</b>	<b>1,397</b>
	Claims paid, gross	-2,029	-2,026
	Reinsurers' share received	66	49
	Change in outstanding claims provision	251	-58
	Change in risk margin	-424	-72
	Change in outstanding claims provision, reinsurers' share	-61	-56
	<b>Claims, net of reinsurance</b>	<b>-2,197</b>	<b>-2,163</b>
	Bonus and premium discounts	-18	24
	Acquisition costs	-48	-34
	Administrative expenses	-114	-76
	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-162</b>	<b>-110</b>
	Return on investment	360	211
11	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-465</b>	<b>-641</b>
	Return on investment allocated to equity	-128	-58
12	Other income	33	102
12	Other expenses	-	-199
13	<b>PROFIT BEFORE TAX</b>	<b>2,078</b>	<b>1,700</b>
14	Tax	-424	-275
	<b>NET PROFIT FOR THE YEAR, BEFORE DISCONTINUED OPERATIONS</b>	<b>1,654</b>	<b>1,425</b>
15	Profit after tax from discontinued operations	76	76
	<b>NET PROFIT FOR THE YEAR</b>	<b>1,730</b>	<b>1,501</b>
	Net profit for the year	1,730	1,501
	Other comprehensive income (items that will be reclassified in a subsequent sale):		
	Translation of units outside Denmark	52	-38
	Hedges of units outside Denmark	-47	34
14	Tax relating to other comprehensive income	10	-7
	<b>Total other comprehensive income</b>	<b>15</b>	<b>-11</b>
	<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,745</b>	<b>1,490</b>

# Balance sheet - Danica Group

## Assets

Note	DKKm	2021	2020
16	<b>INTANGIBLE ASSETS</b>	2,606	2,687
17	Domicile property	40	40
	<b>TOTAL TANGIBLE ASSETS</b>	40	40
18	Investment property	16,327	17,516
19	Holdings in associates and joint ventures	9,613	9,674
	Loans to associates and joint ventures	406	665
	Total investments in associates	10,019	10,339
20	Holdings	33,760	30,543
	Unit trust certificates	11,301	11,958
21	Bonds	158,092	166,180
	Other loans	1,080	1,466
	Deposits with credit institutions	7,341	6,150
22	Derivatives	96,960	116,367
23	Total other financial investment assets	308,534	332,664
	<b>TOTAL INVESTMENT ASSETS</b>	334,880	360,519
24	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	305,194	294,278
	Unearned premiums provision, reinsurers' share	-	1
	Life insurance provisions, reinsurers' share	37	64
	Outstanding claims provision, reinsurers' share	69	222
	Total technical provisions, reinsurers' share	106	287
	Amounts due from policyholders	450	458
	Amounts due from insurance companies	59	118
	Other debtors	1,267	807
	<b>TOTAL DEBTORS</b>	1,882	1,670
	Assets relating to discontinued operations	24,000	296
	Current tax assets	87	6
	Cash and cash equivalents	3,169	2,811
	<b>TOTAL OTHER ASSETS</b>	27,256	3,113
	Accrued interest and rent	7,263	6,625
	Other prepayments and accrued income	498	483
	<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	7,761	7,108
	<b>TOTAL ASSETS</b>	679,619	669,415

# Balance sheet - Danica Group

## Liabilities and equity

Note	DKKm	2021	2020
<b>LIABILITIES</b>			
	Unearned premiums provision	1,288	1,781
	Life insurance provisions, average rate products	171,722	184,243
25	Life insurance provisions, unit-linked products	272,473	248,561
	<b>Total life insurance provisions</b>	<b>444,195</b>	<b>432,804</b>
	Profit margin on life insurance and investment contracts	8,398	7,327
	Outstanding claims provision	14,583	15,147
	Risk margin on non-life insurance contracts	1,683	1,156
	Provisions for bonus and premium discounts	44	46
26	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>470,191</b>	<b>458,261</b>
14	Deferred tax	1,420	1,291
	Other provisions	308	170
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>1,728</b>	<b>1,461</b>
	Amounts owed, direct insurance	39	97
	Amounts owed to reinsurers	37	130
27	Amounts owed to credit institutions	21,614	20,733
	Current tax liabilities	0	66
28	Other creditors	127,813	156,105
	Liabilities relating to discontinued operations	23,161	-
	Accruals and deferred income	7,062	6,227
29	Subordinated debt	3,852	3,958
	<b>TOTAL CREDITORS</b>	<b>655,497</b>	<b>647,038</b>
<b>SHAREHOLDERS' EQUITY</b>			
	Share capital	1,101	1,101
	Revaluation reserve	1	1
	Contingency fund	1,882	1,882
	Retained earnings	18,838	19,393
	Proposed dividend	2,300	-
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>24,122</b>	<b>22,377</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>679,619</b>	<b>669,415</b>

## Statement of capital - Danica Group

DKKm

Changes in shareholders' equity	Share capital	Revaluation reserve	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2020	1,101	1	-46	1,882	19,439	-	22,377
Profit for the year	-	-	-	-	1,730	-	1,730
Other comprehensive income:							
Translation of units outside Denmark	-	-	52	-	-	-	52
Hedges of units outside Denmark	-	-	-47	-	-	-	-47
Tax on other comprehensive income	-	-	10	-	-	-	10
Total other comprehensive income	-	-	15	-	-	-	15
Comprehensive income for the year	-	-	15	-	1,730	-	1,745
Proposed dividend	-	-	-	-	-2,300	2,300	0
Shareholders' equity at 31 December 2021	1,101	1	-31	1,882	18,869	2,300	24,122
Shareholders' equity at 31 December 2019	1,101	1	-35	1,882	17,938	-	20,887
Profit for the year	-	-	-	-	1,501	-	1,501
Other comprehensive income:							
Translation of units outside Denmark	-	-	-38	-	-	-	-38
Hedges of units outside Denmark	-	-	34	-	-	-	34
Tax on other comprehensive income	-	-	-7	-	-	-	-7
Total other comprehensive income	-	-	-11	-	-	-	-11
Comprehensive income for the year	-	-	-11	-	1,501	-	1,490
Shareholders' equity at 31 December 2020	1,101	1	-46	1,882	19,439	-	22,377

\* Recognised in the balance sheet under retained earnings.

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

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

# Statement of capital - Danica Group

DKKm	2021	2020
Capital base		
Shareholders' equity	24,122	22,377
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	4,737	3,738
Deferred tax	-218	-86
- Proposed dividend	-2,300	-
Intangible assets	-2,606	-2,687
Tier 2 capital	3,852	3,958
Capital base	27,587	27,300

# Cash flow statement - Danica Group

DKKm	2021	2020
<b>Cash flow from operations</b>		
Profit before tax	2,078	1,700
Adjustment for non-cash operating items		
Non-cash items relating to premiums and benefits	27,995	23,495
Non-cash items relating to reinsurance	-12	14
Non-cash items relating to investment return	-32,349	-27,841
Non-cash items relating to tax on pension returns	-1,674	752
Non-cash items relating to expenses	3,605	-1,705
Net investment, customer funds	6,088	9,694
Payments received and made, investment contracts	-3,069	-3,287
Tax paid	-400	-246
Cash flow from operations	2,262	2,576
<b>Cash flow from investing activities</b>		
Acquisition of bonds	-7,196	-11,111
Sale of bonds	5,702	11,223
Purchase of derivatives	-103	-36
Sale of derivatives	2	-
Cash flow from investing activities	-1,595	76
<b>Cash flow from financing activities</b>		
Debt to credit institutions	882	1,498
Cash flow from financing activities	882	1,498
Cash and cash equivalents, beginning of year	8,961	4,811
Change in cash and cash equivalents	1,549	4,150
Cash and cash equivalents, end of year	10,510	8,961
Cash and cash equivalents, end of year		
Deposits with credit institutions	7,341	6,150
Cash in hand and demand deposits	3,169	2,811
Total	10,510	8,961

# Notes – Danica Pension Group

Note

## 1 SIGNIFICANT ACCOUNTING POLICIES – DANICA PENSION

### GENERAL

The Danica Pension Group presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which have been adopted by the EU and with relevant interpretations issued by the IFRS Interpretations Committee. Furthermore, the consolidated financial statements comply with the Danish FSA's disclosure requirements for annual reports of issuers of listed bonds.

As of 1 January 2021, the Danica Pension Group implemented amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 (interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions).

The implementation of the changes has no impact on the Danica Pension Group's financial statements, and apart from the above, the accounting policies have remained unchanged relative to the 2020 annual report.

### Merger of companies

At 1 January 2021, the Danica Pension Group merged the subsidiaries Danica Pension, Livsforsikringsaktieselskab, and Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 with Danica Pension, Livsforsikringsaktieselskab as the continuing company. The merger was effected using the pooling of interests method.

### Changed method of calculating discounting and value adjustment of health and accident insurance

Danica Pension has changed the method of calculating discounting and value adjustment of health and accident insurance. The change in method does not affect either net profit or shareholders' equity but causes a difference between claims net of reinsurance and return on investment in the income statement for the health and accident business. The amount for 2021 is DKK 340 million (2020: DKK 332 million). The change in method also affects the gross claims ratio. Comparative figures for prior periods have been restated.

### Reclassification of acquisition costs

For 2020, Danica Pension has reclassified commission from the item Acquisition costs to the item Administrative expenses. The reclassified amount is DKK 170 million.

### Sale of subsidiary

In December 2021, the Group signed an agreement to sell the Norwegian subsidiary Danica Pensjonsforsikring AS. The sale is subject to regulatory approval in Norway. As a consequence of the sale, the financial statements of Danica Pensjonsforsikring AS are no longer consolidated on a line-by-line basis in the Group's financial statements in accordance with the rules on temporarily held operations/discontinued operations. In the income statement, the company's profit after tax is recognised in the item Profit after tax from discontinued operations, while the company's assets are recognised under debtors in the item Assets relating to discontinued operations and similarly under creditors in the item Liabilities relating to discontinued operations. The comparative figures for 2020 in the income statement have been restated accordingly. The company is measured at equity value, which is lower than expected fair value less costs to sell.

### Capitalisation of software

In 2021, Danica Pension took back parts of IT operations and IT development previously outsourced to Danske Bank and consequently now capitalises acquired software and software developed in-house. The accounting policies relating to software are described below.

### Significant accounting estimates and judgments

Management's estimates and judgments of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the consolidated financial statements. The estimates and judgments that are deemed to be most critical to the consolidated financial statements are:

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

### Measurement of liabilities under insurance contracts

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

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

# Notes – Danica Pension Group

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Note

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The calculation of life insurance provisions is based on an assumed increase in life expectancy over today's observed lifetime of 2.4 years (2020: 2.5 years) for a sixty five-year-old male and 2.3 years (2020: 2.4 years) for a sixty five-year-old female. A sixty five-year-old male is thus expected to live for approximately 23 more years (2020: 23 years) and a sixty five-year-old female for approximately 25 more years (2020: 25 years).

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

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

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

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

For intensities of early release of pensions and conversion into paid-up policies, the risk margin applied constitutes a 10% increase in all intensities for unit-linked and interest rate group 1 and a 10% decrease in all intensities for interest rate groups 2-4 and D1- D4. The intensities are reassessed on an ongoing basis as experience is gained.

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

The liabilities also depend on the discount yield, which is fixed on the basis of a zero-coupon yield curve. The zero-coupon yield curve is estimated on the basis of the euro swap market. The curve is adjusted by a currency and a credit risk deduction as well as a volatility adjustment. For maturities of more than 20 years, the rate is extrapolated based on the forward rate in year 20 and with a constant forward rate at the 60-year mark of 3.6% (Ultimate Forward Rate). Danica uses a yield curve calculated according to principles and based on data resulting in a curve as close as possible to the EIOPA yield curve.

## **Fair value measurement of financial instruments**

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

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

## **Fair value measurement of real property**

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

## **Intangible assets/Goodwill/Customer relationships**

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

Goodwill on acquisition of Danica Pensionsforsikring A/S and Danica Administration A/S amounts to DKK 1,543 million (2020: 1,543 million). The impairment test carried out in November 2021 showed that no impairment had occurred during 2021. For the impairment test in 2021, an unchanged discount rate of 7% was used.

Customer relationships acquired in connection with the business combination are recognised as a separate identifiable intangible asset. The fair value of the customer relationships at the acquisition date represents the net present value of expected future earnings related to the existing customer base in SEB Pension and is calculated based on the estimated future profit margin in the acquired companies at the acquisition date. Customer relationships/contracts will be amortised over 10 years, which represents management's expectations of the period over which the majority of the future earnings on existing customer relationships/contracts will be earned. On objective evidence of impairment, the customer relationship is tested for impairment and, if impaired, written down to the estimated value of the future earnings. No evidence of impairment has been identified in 2021.

## **Consolidation**

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

# Notes – Danica Pension Group

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Note

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

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

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

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

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

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

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

For an overview of the companies in the Group, see page 78. The Group is not subject to any restrictions on its ability to access or use the assets or settle the liabilities of the Group.

## **Materiality**

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

## **Holdings in associates and joint ventures**

Associates are entities, other than group undertakings, in which the Group has holdings and significant but not controlling influence. The Group generally classifies entities as associates if the Company, directly or indirectly, holds 20-50% of the voting rights and has power to control management decisions. If the company, together with one or more external investors, has joint control over a company, it is a joint operation.

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

## **Jointly controlled assets and operations**

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

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

## **Assets held temporarily**

In the income statement, profit after tax is recognised in the item Profit after tax from discontinued operations, while the company's assets are recognised under debtors in the item Assets relating to discontinued operations and similarly under creditors in the item Liabilities relating to discontinued operations. The above-mentioned items also comprise other temporarily held assets. In December 2021, the Group signed an agreement to sell the Norwegian subsidiary Danica Pensjonsforsikring AS. The sale is pending approval by the relevant authorities in Norway, which is expected to happen in the first half of 2022. As a consequence of the sale, the financial statements of Danica Pensjonsforsikring AS are no longer consolidated on a line-by-line basis in the Group's financial statements in accordance with the rules on temporarily held operations/discontinued operations

## **Intragroup transactions**

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

# Notes – Danica Pension Group

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Note

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## **Translation of transactions in foreign currency**

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

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

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

## **Translation of units outside Denmark**

Assets and liabilities of units outside Denmark are translated into Danish kroner at the exchange rates at the balance sheet date. Income and expenses are translated at the exchange rates at the transaction date. Exchange rate gains and losses arising on translation of net investments in units outside Denmark are recognised in other comprehensive income.

## **Hedge accounting**

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

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

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

## **Insurance contracts**

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

## **Contribution**

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

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

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

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

## **INCOME STATEMENT**

### **Life insurance premiums**

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

### **Return on investment**

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

# Notes – Danica Pension Group

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Note

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

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

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

Interest expenses comprise interest on loans and other amounts due.

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

#### **Tax on pension returns**

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

#### **Claims and benefits**

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

#### **Change in life insurance provisions**

Change in life insurance provisions, net of reinsurance comprises the change for the year in gross life insurance provisions less the reinsurers' share, excluding premiums and benefits regarding investment contracts.

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

#### **Change in profit margin**

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

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

#### **Operating expenses relating to insurance activities**

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

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

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

#### **Transferred return on investment**

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

#### **Health and accident insurance**

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

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

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

#### **Other income**

Other income comprises fund management commissions.

# Notes – Danica Pension Group

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Note

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## **Other expenses**

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

## **Taxation**

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

## **BALANCE SHEET**

### **ASSETS**

#### **Intangible assets**

##### **Goodwill**

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

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

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

The impairment test of goodwill is based on dividend expectations, which are calculated on the basis of estimated future earnings and solvency need in the budget and terminal period. The budget period generally represents the first three years. If earnings are not expected to reach a normalised level within the first three years, the period of explicit earnings estimates is extended to ten years. Expected cash flows are discounted by 7% (2020: 7%) after tax, equalling 9% (2020: 9%) before tax. Goodwill in associates is tested for impairment based, among other things, on the financial statements.

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

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

The principal assumptions applied in impairment testing are 0% growth in terminal period and 0% inflation. Sensitivity calculations show that, all other things being equal, a drop in future earnings or an increase in the solvency capital requirement (SCR) would not result in impairment. If the growth in the terminal period is reduced from 0% to -1% or the discount rate is increased from 7% to 8%, furthermore impairment will not be necessary.

##### **Software**

Acquired software is recognised at cost, including costs to prepare the asset for use. Acquired software is amortised on a straight-line basis over the expected useful life, usually three years.

Software developed in-house is capitalised if the development costs can be reliably measured and analyses indicate that the future income from the asset exceeds the development costs. These include preparation costs incurred. When the development of the software is completed, the software is amortised on a straight-line basis over the expected useful life, usually three years. Development costs primarily comprise directly attributable payroll costs and other directly attributable development costs. Costs incurred during the planning stage are expensed as incurred.

Software is tested for impairment if there is an indication of impairment.

##### **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.

# Notes – Danica Pension Group

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Note

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## **Investment property**

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

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

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

The fair value of investment property is measured based on a discounted cash-flow model on the basis of a systematic assessment based on the present value of the expected cash flows from the property. The present value is calculated based on discounting by a required rate of return determined for each property individually. The rate of return of a property is determined on the basis of its location, type, possible uses, layout and condition as well as of the terms of lease agreements, rent adjustment and the credit quality of the lessees. External assessments of market rent and return percentages, among other things, are collected for the purpose of input for the determination of return percentages, but the company's own assessment is the basis for calculating fair value.

## **Financial instruments – general**

The classification of financial assets and liabilities and disclosure of income recognition of interest and value adjustments, etc. are explained in note 33 *Financial instruments*.

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

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

## **Financial investment assets**

On recognition, financial investment assets are classified as financial assets at fair value through profit or loss as these assets are managed on a fair value basis, among other things due to their connection to pension obligations.

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

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

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

Unlisted shareholdings are measured on the basis of the most recent reporting, financial statements and other information received from the individual companies. Unlisted funds are measured on the basis of reports from the fund using IPEV Valuation Guidelines as a basis, after which the underlying investments are measured at fair value on the balance sheet date.

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

## **Investment assets related to unit-linked products**

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

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

# Notes – Danica Pension Group

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Note

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## **Debtors**

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

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

## **LIABILITIES AND EQUITY**

### **Unearned premiums provisions**

The unearned premiums provision represents the net present value of expected future payments in relation to insurance events occurring after the balance sheet date on existing agreements, plus expected administrative expenses, commission and claims processing costs and less premiums due to be received during the risk coverage period. The risk coverage period after the balance sheet date is 6 months for personal schemes and 12 months for company schemes. For company pension agreements with price guarantees, the risk coverage period is the longer of 12 months and the period of the price guarantee.

### **Life insurance provisions**

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

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

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

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

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

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

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

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

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

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

### **Profit margin on life insurance and investment contracts**

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

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

# Notes – Danica Pension Group

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Note

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

#### **Outstanding claims provisions**

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

#### **Risk margin on non-life insurance contracts**

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

#### **Provisions for bonus and premium discounts**

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

#### **Deferred tax**

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

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

#### **Creditors**

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

#### **Subordinated debt**

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

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

#### **Shareholders' equity**

##### **Foreign currency translation reserve**

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

##### **Contingency fund**

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

##### **Revaluation reserve**

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

##### **Proposed dividends**

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

##### **Cash flow statement**

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

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

# Notes – Danica Pension Group

Note

## Key ratios

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

The five-year summary on page 16 presents the following ratios:

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

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

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

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

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



4. Acquisition costs and administrative expenses for the life insurance business relative to average retrospective provisions (see below).
5. Acquisition costs and administrative expenses for the life insurance business relative to the average number of policyholders pursuant to the note on premiums. For group life insurance, the number of policyholders only has a weighting of 10%.
6. Profit after tax relative to average shareholders' equity.

# Notes – Danica Pension Group

Note

## Ratios for health and accident insurance:

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

## Retrospective provisions

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

## Additional provisions

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

## Standards and interpretations not yet in force

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

### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was adopted by the EU in November 2021 and will be effective as from 1 January 2023. IFRS 17 replaces IFRS 4, which was a provisional standard that did not cover the measurement of insurance contracts but was based on existing accounting practice. IFRS 17 is a comprehensive standard and includes principles concerning, among other things, measurement of investment contracts at present value in the balance sheet, recognition of revenue in the income statement and presentation of disclosures regarding the value of insurance contracts. Danica Pension has made an analysis of the impact of the standard on Danica Pension's financial statements. The classification and recognition of Danica's products was examined, and the products were divided into portfolios. Impact studies were made using the three measurement approaches BBA (Building Bloch approach), VFA (Variable Fee approach) and PAA (Premium Allocation approach), including a calculation of CSM (Contractual Service Margin). These impact studies indicate on a preliminary basis that profit before tax will not be materially affected. The presentation in the income statement will change significantly, however.

### European Single Electronic Format (ESEF)

#### Reporting on the ESEF Regulation

The Commission's Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires a special digital reporting format for annual report for publicly listed entities. The ESEF Regulation includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements key elements including Income statement, Statement of comprehensive income, Balance sheet, Statement of capital and Cash flow statement.

Danske Bank Group's iXBRL tagging is prepared in accordance with the ESEF taxonomy, which is included in the appendices of the ESEF Regulation and is developed based on the IFRS taxonomy that is published by IFRS Foundation. For the annual report for 2021, the ESEF Taxonomy 2020-0316 has been applied.

The account balances in the consolidated financial statement is XBRL tagged to the elements in the ESEF Regulation that is assessed to correspond to the content of the account balances. For account balances that are assessed not to be covered by the account balances defined in the ESEF taxonomy, the Group has incorporated entity specific extensions to the taxonomy. These extensions are - except sub-totals - embedded in the elements in the ESEF Taxonomy.

The annual report comprises - in accordance with the requirements of the ESEF Regulation - of a zip-file danicapension-2021-12-31.zip that include an XHTML-file, that can be opened with standard web browsers and a number of technical XBRL files that make automated extracts of the incorporated XBRL data possible.

#### ESEF data

Domicile of entity	Denmark
Description of nature of entity's principal activities	Insurance
Country of incorporation	Denmark
Principal place of business	Denmark
Legal form of entity	A/S (public limited company)
Name of reporting entity	Danica Pension Livsforsikringsaktieselskab
Name of parent	Danske Bank A/S
Name of ultimate parent of the Danica group	Danske Bank A/S
Address of entity's registered office	Holmens Kanal 2-12, DK-1060 København K

## Notes - Danica Group

Note	DKKm	2021	2020
2	<b>BUSINESS SEGMENTS</b>		
	The Group consists of one business segment as shown below		
	Gross premiums from external sales	36,823	27,878
	- Gross premiums on investment contracts	-1,330	-1,016
	Gross premiums in the income statement	35,493	26,862
	Return on investment allocated to technical result	29,993	26,304
	Claims and benefits paid	-28,214	-28,005
	Change in provisions for insurance and investment contracts	-34,092	-22,193
	Total operating expenses relating to insurance	-1,348	-1,295
	Result of reinsurance	-19	-29
	Other income, net	33	-97
	Technical result	1,846	1,547
	Return on investment, shareholders' equity	-128	-58
	Return on investment, health and accident	360	211
	Profit before tax, including discontinued operations	2,078	1,700
	Other segment information:		
	Interest income	19,288	19,229
	Interest expenses	-16,375	-15,995
	Income from associated undertakings at book value	1,898	-38
	Impairment, depreciation and amortisation charges	-154	-133

The Danica Group has no single customers generating 10% or more of the combined revenue. All premiums from external sales originates from Denmark.

# Notes - Danica Group

Note	DKKm	2021	2020
3	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	16,456	15,494
	Single premiums	18,868	10,949
	Total direct insurance	35,324	26,443
	Total gross premiums	35,324	26,443
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	126	111
	Single premiums	1,204	905
	Total premiums	1,330	1,016
	Total gross premiums included in the income statement	33,994	25,427
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	30,671	22,264
	Insurance taken out individually	2,443	2,045
	Group life insurance	2,210	2,134
	Total	35,324	26,443
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	295	280
	Insurance taken out individually	396	404
	Group life insurance	558	546
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profits insurance	3,985	4,194
	Unit-linked insurance	31,339	22,249
	Total	35,324	26,443
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	34,917	26,107
	Other EU countries	319	264
	Other countries	88	72
	Total	35,324	26,443
4	INCOME FROM INVESTMENT PROPERTY		
	Rent	933	929
	Operating expenses	-305	-395
	Total	628	534
	Investment property leases are accounted for as operating leases. Some of the leases are non-terminable by the lessee for a number of years.		
	Breakdown of minimum lease payments on non-terminable leases by lease term:		
	Within 1 year	498	619
	1 - 5 years	880	1,337
	After 5 years	648	870
	Total	2,026	2,826
5	INTEREST INCOME AND DIVIDENDS		
	Interest income from assets at fair value	18,728	18,339
	Interest income from assets at amortised cost	560	890
	Dividends	3,070	2,591
	Indexation	300	177
	Total	22,658	21,997

## Notes - Danica Group

Note	DKKm	2021	2020
6	VALUE ADJUSTMENTS		
	Investment property	70	-97
	Holdings	41,899	1,431
	Unit trust certificates	1,669	-1,979
	Bonds	-6,810	10,945
	Other loans	159	-17
	Deposits with credit institutions	71	7
	Derivatives	-9,870	15,259
	Other	142	-259
	Total value adjustments	27,330	25,290
7	INTEREST EXPENSES		
	Interest expenses on assets at fair value	-16,076	-15,485
	Interest expenses on assets at amortised cost	-299	-510
	Total	-16,375	-15,995
8	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-1,103	-1,133
	Insurance amounts on disablement	-266	-264
	Insurance amounts on expiry	-832	-884
	Retirement benefits and annuities	-7,905	-8,067
	Surrender values	-14,455	-14,154
	Cash payments of bonuses	-1,624	-1,475
	Total direct insurance	-26,185	-25,977
	Expenses to minimise disablement	0	-2
	Total claims and benefits paid	-26,185	-25,979
9	Change in profit margin, life insurance		
	Change in profit margin, life insurance before transfer to Health and accident	-1,087	-839
	Transferred to profit margin and risk margin in Health and accident	-82	15
	Change in profit margin, life insurance after transfer to Health and accident	-1,169	-824

# Notes - Danica Group

Note	DKKm	2021	2020
10	OPERATING EXPENSES RELATING TO INSURANCE		
	Commission on direct insurance	-246	-216
	Fees to the audit firm appointed by the general meeting:		
	Fees to Deloitte:		
	Statutory audit of financial statements	-4.2	-3.2
	Other assurance engagements	-0.2	-0.4
	Tax advisory services	-0.2	-0.2
	Other services	-	-0.2
	<b>Total</b>	<b>-4.6</b>	<b>-4.0</b>
	Fees for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab comprise of objective tax and accounting advice as well as submitting statements.		
	Average number of full-time-equivalent employees during the year	899	802
	Number of full-time-equivalent employees, end of year	960	817
	Staff costs:		
	Salaries	-576	-573
	Share-based payment	-6	-7
	Pensions	-100	-88
	Other social security and tax	-91	-79
	Other	-42	-48
	<b>Total staff costs earned</b>	<b>-815</b>	<b>-795</b>
	For a more detailed description of the Group's remuneration policy and remuneration paid, see "Aflønningsrapport 2021", available at the website: <a href="http://www.danicapension.dk">www.danicapension.dk</a> end of March 2022. The remuneration report 2021 is not covered by the statutory audit.		
	All the Group's pension plans are defined contribution plans, under which the Group makes contributions to insurance companies, principally Danica. Such payments are expensed as incurred.		
	Board of Directors' remuneration (DKK'000)		
	Kim Andersen (until 17.3.2020)	-	-95
	Jesper Koefoed (from 17.3.2020)	-425	-340
	Kenneth Stricker-Nielsen	-175	-169
	Charlott Due Pihl	-175	-169
	Henrik Nielsen (until 17.3.2020)	-	-37
	Anne Charlotte Hovgaard Dahlstrøm (from 17.3.2020 until 14.12.2021)	-175	-138
	Ib Katznelson	-175	-169
	<b>Total remuneration</b>	<b>-1,125</b>	<b>-1,117</b>
	Including fees for board committee membership	-250	-256

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 2021 Glenn Söderholm earned DKK 12.4 million (2020 DKK 12.9 million), Berit Behring earned DKK 11.1 million (2020 DKK 10.3 million), Jacob Aarup-Andersen earned (2020 DKK 4.7 million), Kim Andersen earned (2020 DKK 0.1 million) and Jesper Koefoed earned DKK 0.3 million (2020 DKK 0.3 million) in total remuneration from such companies

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

Remuneration of other material risk takers

For 2021, 29 persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 45.0 million (2020 DKK 34.6 million to 22 material risk takers), with fixed remuneration amounting to DKK 37.5 million (2020 DKK 25.2 million) and variable remuneration amounting to DKK 7.5 million (2020 DKK 9.3 million).

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

The Remuneration Report will be published in March 2021 and will include additional information on the remuneration of material risk takers. The Remuneration Report will be available at [www.danicapension.dk](http://www.danicapension.dk)

# Notes - Danica Group

Note DKKm					2021	2020
10 (cont'd)						
Remuneration of the Executive Board 2021						
	Contractual remuneration	Pensions	Variable cash remuneration	Variable share-based payment		
Ole Krogh Petersen	-3.9	-0.8	-0.6	-0.6	-5.9	
Søren Lockwood	-3.3	-0.7	-0.5	-0.5	-5.0	
Thomas Dyhrberg Nielsen*	-1.6	-0.3	-0.3	-0.2	-2.4	
Jesper Grundvad Bjerre*	-1.2	-0.3	-0.2	-0.1	-1.8	
Jesper Mølskov Høybye	-0.2	-	-0.1	-	-0.3	
Total	-10.2	-2.1	-1.7	-1.4	-15.4	
Total payment					-12.9	

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

## Remuneration of the Executive Board 2020

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

\*Thomas Dyhrberg Nielsen is included in the Executive Board as of 1 June 2021 and Jesper Bjerre as of 1 July 2021.

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

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

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

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

Thomas Dyrberg Nielsen may resign his position at three months' notice.

Danica Pension may terminate Thomas Dyrberg Nielsen 's service contract at eight months' notice. He is not entitled to separate severance payment.

Jesper Grundvad Bjerre may resign his position at three months' notice.

Danica Pension may terminate Jesper Grundvad Bjerre's service contract at eight months' notice. He is not entitled to separate severance payment.

Jesper Mølskov Høybye resigned from the board on 5 February 2021.

### Share based payment

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

Rights to Danske Bank shares under the conditional share programme vest after up to five years provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, rights to shares earned in 2012-2021 vest only if the Group as a whole and the employee's department meet certain performance targets within the next four years.

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

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

Danica has hedged the share price risk.

The exact number of shares granted for 2021 will be determined at the end of February 2022.

# Notes - Danica Group

Note DKKm

10  
(cont'd)

## Share-based payment

### Conditional shares

Conditional shares	Number			Own contribution price (DKK)	Fair value (FV)	
	Executive Board	Other employees	Total		Issue date	End of year
<b>Granted in 2016</b>						
1 Jan. 2020		3,140	3,140	0,0-1,7	0,6	0,3
Vested 2020		-3,140	-3,140			-
31 Dec. 2020	-	0	0		-	-
<b>Granted in 2017</b>						
1 Jan. 2020	242	18,310	18,552	0,0	4,4	2,1
Vested 2020	-242	-14,689	-14,931			
Forfeited 2020		-1,630	-1,630			
31 Dec. 2020	0	1,991	1,991	0,0	0,5	0,2
Vested 2021		-3,621	-3,621			
Other changes 2021		1,630	1,630			
31 Dec. 2021	0	0	0			
<b>Granted in 2018</b>						
1 Jan. 2020	417	10,947	11,364	0,0	2,7	1,3
Forfeited 2020		-1,610	-1,610			
Other changes 2020		-142	-142			
31 Dec. 2020	417	9,195	9,612	0,0	2,3	1,0
Vested 2021	-417	-7,678	-8,095			
Forfeited 2021		-142	-142		-	-
Other changes 2021		1,610	1,610			
31 Dec. 2021	0	2,985	2,985	0,0	0,7	0,3
<b>Granted in 2019</b>						
1 Jan. 2020	1,589	30,783	32,372	0,0	3,1	2,8
Vested 2020		-7,236	-7,236	0,0	-	
Forfeited 2020		-5,037	-5,037			
31 Dec. 2020	1,589	18,510	20,099	0,0	2,5	2,0
Vested 2021		-552	-552			
Other changes 2021		5,037	5,037			
31 Dec. 2021	1,589	22,995	24,584	0,0	3,1	2,8
<b>Granted in 2020</b>						
Granted 2020	13,797	54,919	68,716	0,0	6,6	7,4
Vested 2020	-7,143	-16,191	-23,334	0,0	-	-
Forfeited 2020		-7,431	-7,431			
31 Dec. 2020	6,654	31,297	37,951	0,0	3,7	3,8
Vested 2021	-844		-844			
Other changes 2021		7,431	7,431			
31 Dec. 2021	5,810	38,728	44,538	0,0	4,3	5,0
<b>Granted in 2021</b>						
Granted 2021	15,002	32,359	47,361	0,0		
Vested 2021	-5,212	-12,494	-17,706	0,0		
31 Dec. 2021	9,790	19,865	29,655	0,0	3,0	3,3

# Notes - Danica Group

Note	DKKm	2021	2020
10			
(cont'd)			
Executive Board members' holdings and fair value thereof, end of 2021			
Year of grant		2018-2021	
		Number	FV
Ole Krogh Petersen		4,177	0.5
Soren Lockwood		2,149	0.2
Average market price at the vesting date for conditional shares in 2021 was 111.0			
Executive Board members' holdings and fair value thereof, end of 2020			
Year of grant		2017-2020	
		Number	FV
Ole Krogh Petersen		4,594	0.5
Jesper Molskov Hoybye		2,149	0.2
Soren Lockwood		1,917	0.2
Average market price at the vesting date for conditional shares in 2020 was 93.5			
11	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE		
Total run-off regarding prior years:			
Gross		190	99
Net of reinsurance		190	89
Return on investment allocated to health and accident insurance			
Provisions, discounted amount		301	598
Value adjustment of provisions		60	32
		-1	-419
Return on investment		360	211
	Health and accident insurance	Health insurance	Total
Gross premiums	1,243	256	1,499
Gross premium income	1,368	203	1,571
Gross claims	-1,899	-303	-2,202
Gross operating expenses	-142	-20	-162
Result of business ceded	-14	-	-14
Technical result	-338	-126	-464
Number of claims			53,914
Average amount of claims DKKt			43
Claims frequency			5.9%
			46,528
			39
			5.8%
Gross premiums, direct insurance, broken down by policyholders' residence:			
Denmark			1,551
Other EU countries			16
Other countries			4
Total			1,571
			1,412
CHANGE IN PROFIT MARGIN AND RISK MARGIN, HEALTH AND ACCIDENT INSURANCE			
Change in profit margin and risk margin, Health and accident before transfer from Life insurance		-96	35
Transferred to profit margin from Life insurance		-127	-69
Transferred to risk margin from Life insurance		137	-
Change in profit margin and risk margin, Health and accident after transfer from Life insurance		-86	-34
Value adjustments of provisions, transferred from Life insurance		71	54

## Notes - Danica Group

Note	DKKm	2021	2020
12	OTHER INCOME AND OTHER EXPENSES		
	Commission from fund managers etc.	33	85
	Other	-	17
	Total other income	33	102

The profit for the year 2020 was affected by a DKK 195 million impairment charge concerning receivables and other assets taken over in connection with the merger with the former SEB Pension.

### 13 PROFIT BEFORE TAX

In accordance with the Executive Order on the Contribution Principle and the market discipline guidelines, the Danish FSA has been notified of Danica Pension's profit policy for 2021. Danica Pension's profit for the year comprises the investment return on assets in which shareholders' equity is invested plus the results of unit-linked business the result of Forenede Grupperiv, the health and accident result, plus a risk allowance based on technical provisions from the interest rate groups and a proportion of the risk results of the risk groups and the cost results of cost groups.

In accordance with the contribution principle, full risk allowance for 2021 was booked in all interest rate groups.

# Notes - Danica Group

Note	DKKm	2021	2020
14	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-424	-275
	Tax on other comprehensive income:		
	Hedges of units outside Denmark	10	-7
	<b>Total</b>	<b>-414</b>	<b>-282</b>
	Tax on the profit for the year is calculated as follows:		
	Current tax	-313	-392
	Adjustment of prior-year current tax	33	119
	Adjustment of prior-year deferred tax	0	21
	Other changes in deferred tax	-144	-23
	<b>Total</b>	<b>-424</b>	<b>-275</b>
	Effective tax rate:		
	Danish tax rate	22.0	22.0
	Adjustment of prior-year tax charge	-1.6	-8.2
	Non-taxable income and non-deductible expenses	0.0	2.4
	<b>Effective tax rate</b>	<b>20.4</b>	<b>16.2</b>
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax liabilities	1,420	1,291
	<b>Deferred tax, net</b>	<b>1,420</b>	<b>1,291</b>
	Deferred tax broken down on main items:		
	Intangible assets	188	217
	Tangible assets	-3	-4
	Investment property	1,015	969
	Financial investment assets		8
	Negative tax on pension returns brought forward	160	0
	Other	60	101
	<b>Total</b>	<b>1,420</b>	<b>1,291</b>
	Other than the deferred tax provided for, the Group has no contingent tax liability relating to shares in group undertakings.		
15	PROFIT AFTER TAX FROM DISCONTINUING OPERATIONS		
	Life insurance		
	Premiums	1,976	1,937
	Claims and benefits	-1,263	-567
	Return on investment	2,245	1,406
	Change in insurance provisions	-2,730	-2,539
	Total operating expenses relating to insurance	-218	-210
	Profit/loss on business ceded	-5	-5
	<b>Technical result, Life</b>	<b>5</b>	<b>22</b>
	Health and accident insurance		
	Gross premium income	96	125
	Gross claims	-69	-114
	Total operating expenses relating to insurance	-5	-15
	Profit/loss on business ceded	4	-15
	Investment income	1	15
	<b>Technical result of health and accident insurance</b>	<b>27</b>	<b>-4</b>
	Return on investment allocated to equity	5	24
	Other income	69	54
	<b>Profit before tax</b>	<b>106</b>	<b>96</b>
	Tax	-30	-20
	<b>Net profit for the year</b>	<b>76</b>	<b>76</b>

# Notes - Danica Group

Note	DKKm				2021	2020
16	INTANGIBLE ASSETS					
	2021	Goodwill	Customer value	Fully developed software	Software under development	
	Cost, beginning of year	2,499	1,332	-		3,831
	Exchange rate adjustment					-
	Additions during the year	-	-	21	48	69
	Disposals during the year					-
	Transferred to other items during the year					-
	Other changes					-
	Cost, end of year	2,499	1,332	21	48	3,900
	Impairment and amortisation charges, beg	-800	-344	-		-1,144
	Exchange rate adjustment	4	-	-		4
	Write-downs during the year					-
	Amortisation during the year	-	-133	-	-21	-154
	Write-downs and depreciation during the year					-
	Reversals during the year of prior-year write-downs and depreciation on assets					-
	Impairment and amortisation charges, end	-796	-477	-	-21	-1,294
	Carrying amount, end of year	1,703	855	21	27	2,606
	2020					
	Cost, beginning of year	2,505	1,332			3,837
	Exchange rate adjustment	-6	-			-6
	Cost, end of year	2,499	1,332			3,831
	Impairment and amortisation charges, beg	-800	-211			-1,011
	Amortisation during the year	-	-133			-133
	Impairment and amortisation charges, end	-800	-344			-1,144
	Carrying amount, end of year	1,699	988			2,687
	Intangible assets consist of goodwill on acquisition of Norwegian activities in 2007 as well as goodwill and value of customers (VIF asset) regarding acquisition of the former SEB companies on 7th June 2018, as well as proprietary software and software under development.					
	The customer value will be depreciated linearly over a period of 10 years starting 1st June 2018.					
	Fully developed software will be depreciated linearly over a period of 3 years.					
	For more details, see note 1.					
17	DOMICILE PROPERTY					
	Cost, beginning of year				48	48
	Cost, end of year				48	48
	Depreciation charges, beginning of year				-5	-5
	Depreciation charges, end of year				-5	-5
	Revalued amount, beginning of year				-3	-3
	Revalued amount, end of year				-3	-3
	Carrying amount, end of year				40	40
	The year-end carrying amount is recognised as follows in the consolidated balance sheet:					
	Domicile property				40	40
	Of impairment charges for the year, DKK 0 million was recognised in other comprehensive income and transferred to the revaluation reserve in equity, and DKK 0 million was transferred to the collective bonus potential.					
	The weighted average of rates of return on which fair values of individual properties were based amounts to					
					7.0%	7.5%

## Notes - Danica Group

Note	DKKm	2021	2020
18	INVESTMENT PROPERTY		
	Fair value, beginning of year	24,491	23,211
	Additions during the year, including improvements	3,822	1,808
	Disposals during the year	-2,206	-424
	Fair value adjustments	-156	-104
	Fair value, end of year	25,951	24,491
	The year-end value is recognised as follows in the consolidated balance sheet:		
	Investment property	16,327	17,516
	Investment assets related to unit-linked products	9,624	6,975
	The weighted average of the rates of return on which the fair value of the individual properties is based, for:		
	Shopping centres	4.9%	4.6%
	Commercial properties	4.7%	4.9%
	Residential properties	3.8%	3.8%

Valuations of investment property are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The required rate of return ranged between 2.5-8.0% (2020: 2.0-8.0%) and averaged 4.5% (2020: 4.6%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2021 by DKK 3,645 million.

All investment properties fall under level 3 in the fair value hierarchy. For a description of the levels, see note 33.

# Notes - Danica Group

Note	DKKm	2021	2020				
19	HOLDINGS IN ASSOCIATES AND JOINT VENTURES						
	Cost, beginning of year	9,960	10,125				
	Additions	1,590	268				
	Disposals	-927	-433				
	Cost, end of year	10,623	9,960				
	Revaluations and impairment charges, beginning of year	904	1,192				
	Share of profit	473	-44				
	Dividends	-367	-				
	Reversal of revaluations and impairment charges	-290	-184				
	Currency translation		-60				
	Revaluations and impairment charges, end of year	720	904				
	Carrying amount, end of year	11,343	10,864				
	The year-end carrying amount is recognised as follows in the consolidated balance sheet:						
	Holdings in associates and joint ventures	9,613	9,674				
	Investment assets related to unit-linked products	1,730	1,190				
	Holdings in associates and joint ventures consist of:						
		Owner-ship percentage	Total assets	Liabilities	Income	Result	
	Name and domicile	Activity					
	Udviklingsselskabet CØ P/S, København	Property company	50%	1,642	1,625	0	0
	Komplementarselskabet CØ ApS, København	Property company	50%	0	0	0	0
	Samejet Nymøllevvej 59-91, København	Property company	75%	665	10	31	47
	Danske Shoppingcentre P/S, Høje Taastrup	Property company	50%	15,150	358	749	520
	Komplementarselskabet Danske Shoppingcentre ApS, Høje Taastrup	Property company	50%	0	0	0	0
	Danske Shoppingcentre FC P/S, Høje Taastrup	Property company	50%	1,310	0	0	66
	Komplementarselskabet Magnolieholm ApS, København	Property company	75%	0	0	0	0
	Magnolieholm P/S, København	Property company	75%	1	0	93	3
	P/S Downtown CBD, København	Investment company	50%	384	6	7	7
	Komplementarselskabet Downtown CBD, Købe	Investment company	50%	0	0	0	0
	G.S.V. Holding A/S, Hedehusene	Investment company	22%	1,710	1,017	897	58
	Capital Four - Strategic Lending Fund K/S,	Investment company	33%	1,306	2	25	16
	Gro Fund I K/S, København	Investment company	100%	604	3	866	858
	Gro Fund II K/S, København	Investment company	21%	1,057	1	0	-40
	Maritime Investment Fund I K/S, Hellerup	Investment company	32%	4,951	2,846	786	134
	Maritime Investment Fund II K/S, Hellerup	Administration-company	32%	1,922	1,495	160	42
	Administrationsaktieselskabet Forenede Gruppeliv, Valby	Administration-company	20%	24	16	50	2
	The information disclosed is extracted from the companies' most recent annual reports. The Group has no associates of material importance.						
20	HOLDINGS						
	Listed holdings			22,328		20,411	
	Unlisted holdings			11,432		10,132	
	Total			33,760		30,543	
21	BONDS						
	Listed bonds			157,092		165,207	
	Unlisted bonds			1,000		973	
	Total			158,092		166,180	

# Notes - Danica Group

Note	DKKm	2021	2020
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## 22 DERIVATIVES

The Group uses derivatives, including forwards and swaps, to manage exposure to foreign exchange, interest rate and equity market risks. Derivatives are also used to hedge guaranteed benefit obligations and other interest-bearing liabilities. For a detailed description of risk management, see note 34. Derivatives are recognised and measured at fair value.

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

The Group uses fair value hedge accounting if the interest rate risk on fixed-rate financial liabilities is hedged by derivatives. See note 33.

For some derivatives, the Group has concluded collateral agreements and has received collateral in the form of liquid bonds corresponding to a fair value of DKK 2,222 million in 2021 and DKK 8,196 million in 2020.

2021	Notional amount	Positive fair value	Notional amount	Negative fair value
Currency contracts:				
Currency contracts	80,242	1,209	91,126	3,175
Options	127,008	1,611	77,407	827
Interest rate contracts:				
Interest rate contracts	2,121,850	99,055	2,173,044	93,499
Options	1,248,047	18,092	2,390,113	22,357
Equity contracts:				
Equity contracts	14	0	2,202	61
Options	9	544	8	234
<b>Total derivatives</b>	<b>3,577,170</b>	<b>120,511</b>	<b>4,733,900</b>	<b>120,153</b>

## 2020

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

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

Derivatives	96,960	116,367
Investment assets related to unit-linked products	23,551	45,911

## 23 OTHER FINANCIAL INVESTMENT ASSETS

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

Holdings	521	453
Bonds	44,426	44,600
Deposits with credit institutions	5,467	5,571
Cash in hand and demand deposits	2,406	2,532
Other	8,610	16,025

# Notes - Danica Group

Note	DKKm		2021	2020
24	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS			
	Consists of unit trusts in which the underlying assets break down as follows:			
		With guarantee	Without guarantee	
	Investment property	713	8,911	9,624
	Holdings	11,408	164,015	175,423
	Bonds	26,389	66,509	92,898
	Deposits with credit institutions	304	3,434	3,738
	Derivatives	1,003	22,508	23,511
	Total	39,817	265,377	305,194
	Investment assets related to unit-linked products break down as follows:			
	Insurance contracts		282,784	268,309
	Investment contracts		22,410	25,969
	Total		305,194	294,278
25	LIFE INSURANCE PROVISIONS, UNIT-LINKED PRODUCTS			
	Provisions for unit-linked contracts break down as follows:			
	Insurance contracts		252,121	219,509
	Investment contracts		20,352	29,052
	Total life insurance provisions, unit-linked products		272,473	248,561
	Provisions for unit-linked contracts without guarantee		230,888	202,312
	Provisions for unit-linked contracts with investment guarantee		41,585	46,249
	Total life insurance provisions, unit-linked products		272,473	248,561
26	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS			
	Beginning of year		458,261	437,739
	Disposal discontinued operations		-17,898	-
	Premiums		33,994	28,656
	Claims and benefits paid		33,087	-31,127
	Added interest on policyholders' savings		-26,186	21,172
	Fair value adjustment		-10,250	6,525
	Currency translation		-	-1,113
	Change in outstanding claims provisions		-254	-184
	Change in collective bonus potential		4,855	-1,134
	Other changes		-5,418	-2,273
	End of year		470,191	458,261
	For a more detailed description of calculation methods used for provisions, see note 1, Significant accounting policies.			
27	DUE TO CREDIT INSTITUTIONS			
	Repo transactions		10,571	10,005
	Other amounts due		11,043	10,728
	Total		21,614	20,733
28	OTHER CREDITORS			
	Other creditors comprise:			
	Derivatives with negative fair values		120,153	149,766
	Tax on pension returns		6,071	4,398
	Staff commitments		86	152

# Notes - Danica Group

Note	DKKm	2021	2020																																																																						
29	<b>SUBORDINATED DEBT</b> Subordinated debt is debt which, in the event of the company's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Subordinated debt is included in the capital base etc. in accordance with sections 36-38 of the Executive Order on calculation of capital base for insurance companies and insurance holding companies and calculation of total capital for certain investment firms.																																																																								
	<table border="1"> <thead> <tr> <th>Currency</th> <th>Borrower</th> <th>Note</th> <th>Nominal</th> <th>Interest rate</th> <th>Year of issue</th> <th>Maturity</th> <th>Re-demption price</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>Danica Pension</td> <td>a)</td> <td>500</td> <td>4.38</td> <td>2015</td> <td>29.9.45</td> <td>100</td> <td>3,718</td> <td>3,720</td> </tr> <tr> <td colspan="8">Subordinated debt</td> <td>3,718</td> <td>3,720</td> </tr> <tr> <td colspan="8">Discount</td> <td>-13</td> <td>-17</td> </tr> <tr> <td colspan="8">Hedging of interest rate risk at fair value</td> <td>147</td> <td>255</td> </tr> <tr> <td colspan="8">Total, corresponding to amortised cost plus the fair value of the hedged interest rate risk.</td> <td>3,852</td> <td>3,958</td> </tr> <tr> <td colspan="8">Included in the capital base</td> <td>3,852</td> <td>3,958</td> </tr> </tbody> </table>	Currency	Borrower	Note	Nominal	Interest rate	Year of issue	Maturity	Re-demption price			EUR	Danica Pension	a)	500	4.38	2015	29.9.45	100	3,718	3,720	Subordinated debt								3,718	3,720	Discount								-13	-17	Hedging of interest rate risk at fair value								147	255	Total, corresponding to amortised cost plus the fair value of the hedged interest rate risk.								3,852	3,958	Included in the capital base								3,852	3,958		
Currency	Borrower	Note	Nominal	Interest rate	Year of issue	Maturity	Re-demption price																																																																		
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	a) The loan was raised on 29 September 2015 and is listed on the Irish Stock Exchange. The loan can be repaid from September 2025. The loan carries interest at a rate of 4.375% p.a. until 29 September 2025, at which point a step-up will occur. The interest expense amounted to DKK 111 million for 2021 (116 million for 2020).  Fair value of the subordinated debt is estimated at DKK 4,174 million (2020: DKK 4,245 million)																																																																								
30	<b>ASSETS DEPOSITED AS COLLATERAL, CONTINGENT LIABILITIES AND CONTINGENT ASSETS</b> Assets have been deposited as collateral for policyholders' savings with a total of:	491,538	473,457																																																																						
	As collateral for derivative transactions, the Group has delivered bonds equal to a total fair value of	21,846	28,343																																																																						
	The Group has rent commitments with a remaining lease of 4 years and annual gross rent of	51	50																																																																						
	Minimum lease payments regarding cars amounts to	5	5																																																																						
	The Group has undertaken contractual obligations to purchase, construct, convert or extend investment properties or to repair, maintain or improve these at an amount of	1,725	1,904																																																																						
	The Group has undertaken to participate in alternative investments with an amount of	14,323	16,918																																																																						
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	1,267	899																																																																						
	As a participant in partnerships, the Group is liable for a total debt of	10	12																																																																						
	The Group's companies are jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.  The Danish group companies are registered jointly for financial services employer tax and for VAT for which they are jointly and severally liable.  Danica Pension is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.  Owing to its size and business volume, the Group is continually a party to various lawsuits and disputes.  If Danica is fully or partially successful in its complaint concerning the potential payment of additional pension returns tax on health and accident insurance, see the mention in the management's review, Danica Pension will be able to recognise all or part of the provision for this liability as income. At 31 December 2021, the provision totals DKK 710 million including interest.																																																																								

# Notes - Danica Group

Note	DKKm	2021	2020
31	<b>RELATED PARTIES</b>		
	Danske Bank A/S, domiciled in Copenhagen, wholly owns the share capital of Forsikringselskabet Danica and consequently exercises control over the Danica Group. Danske Bank A/S is the ultimate parent company of the Danica Group.		
	Transactions with related parties are settled on an arm's-length basis. The Group's IT operations and development, internal audit, HR administration, logistics, marketing and the like are handled by Danske Bank. Danske Bank also handles portfolio management and securities trading.		
	The Danica Group entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 23		
	IT operations and development	-161	-259
	Other administration	-236	-264
	Commission for insurance sales and portfolio management	-242	-220
	Ordinary portfolio management fee	-3	-6
	Total net custody fees and brokerage for trades in holdings and the like	-115	-121
	Interest income	1,988	1,966
	Interest expenses	-1,658	-1,591
	Amounts owed to credit institutions	4,705	3,327
	Derivatives with negative fair values	11,005	14,314
	Furthermore, the Danica Group manages the labour market pension schemes of the Danske Bank Group and its related parties.		
	Loans to associates and joint ventures comprises subordinated debt, issued on the same terms as the other investors.		

## 32 BALANCE SHEET ITEMS BROKEN DOWN BY EXPECTED DUE DATE

	2021		2020	
	< 1 year	> 1 year	< 1 year	> 1 year
<b>Assets</b>				
Intangible assets	149	2,457	133	2,554
Tangible assets	-	40	-	40
Investment assets	27,470	307,410	40,628	319,891
Investment assets related to unit-linked products	8,939	296,255	15,420	278,858
Debtors	1,882	-	1,670	-
Other assets	27,256	-	3,113	-
Prepayments and accrued income	7,761	-	7,108	-
<b>Total assets</b>	<b>73,457</b>	<b>606,162</b>	<b>68,072</b>	<b>601,343</b>
<b>Liabilities</b>				
Provisions for insurance and investment contracts		470,191	34,261	424,000
Other liabilities	183,578	1,728	187,316	1,461
<b>Total liabilities</b>	<b>183,578</b>	<b>471,919</b>	<b>221,577</b>	<b>425,461</b>

# Notes - Danica Group

Note DKKm

## 33 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

2021	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		33,760				33,760
Unit trust certificates		11,301				11,301
Bonds		158,092				158,092
Other loans		1,080				1,080
Deposits with credit institutions		7,341				7,341
Derivatives	96,960					96,960
Investment assets related to unit-linked		305,194				305,194
Debtors				1,267		1,267
Cash and cash equivalents				3,169		3,169
<b>Total financial assets</b>	<b>96,960</b>	<b>516,768</b>		<b>4,436</b>		<b>618,164</b>
Provisions for unit-linked products, investment contracts		20,352				20,352
Due to credit institutions	21,614					21,614
Derivatives	120,153					120,153
Subordinated debt			147		3,705	3,852
<b>Total financial liabilities</b>	<b>141,767</b>	<b>20,352</b>	<b>147</b>		<b>3,705</b>	<b>165,971</b>
2020						
Holdings		30,543				30,543
Unit trust certificates		11,958				11,958
Bonds		166,180				166,180
Other loans		1,466				1,466
Deposits with credit institutions		6,150				6,150
Derivatives	116,367					116,367
Investment assets related to unit-linked		294,278				294,278
Debtors				807		807
Cash and cash equivalents				2,811		2,811
<b>Total financial assets</b>	<b>116,367</b>	<b>510,575</b>		<b>3,618</b>		<b>630,560</b>
Provisions for unit-linked products, investment contracts		29,052				29,052
Due to credit institutions	20,733					20,733
Derivatives	149,766					149,766
Subordinated debt			255		3,703	3,958
<b>Total financial liabilities</b>	<b>170,499</b>	<b>29,052</b>	<b>255</b>		<b>3,703</b>	<b>203,509</b>

### Recognition as income:

Exchange rate adjustment of debtors and liabilities measured at amortised cost were recognised under value adjustments at DKK 17 million in 2021 and at DKK 12 million in 2020.

The remaining part of investment return included in the income statement items interest income and dividends, etc., interest expenses and value adjustments relates to financial instruments at fair value.

# Notes - Danica Group

Note DKKm

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(cont'd)

## Financial instruments at fair value

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

### Level 1: Quoted prices

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

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

### Level 2: Observable input

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

### Level 3: Non-observable input

In some cases, the valuation cannot be based on observable market data alone. Where this is the case, valuation models are used which may include estimates of future events as well as of the nature of the current market situation. This level includes unlisted equities and investment property as presented in note 18.

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

At 31 December 2021, Danica had financial assets as set out below in the amount of DKK 613,728 million, of which 97% was attributable to insurance obligations to policyholders and 3% was attributable to shareholders' equity. Accordingly, changes in various valuation parameters would therefore have an insignificant impact on shareholders' equity, as the risk is assumed by policyholders.

	Quoted prices	Observable input	Non-observable input	Total
<b>2021</b>				
Holdings	20,729	1,599	11,432	33,760
Unit trust certificates	7,236	3,828	237	11,301
Bonds	136,911	20,181	1,000	158,092
Other loans	-	-	1,080	1,080
Derivatives	285	95,286	1,389	96,960
Investment assets related to unit-linked products	228,210	35,536	41,448	305,194
Cash and cash equivalents	7,341	-	-	7,341
<b>Total financial assets</b>	<b>400,712</b>	<b>156,430</b>	<b>56,586</b>	<b>613,728</b>
Due to credit institutions	21,614	-	-	21,614
Derivatives	376	118,919	858	120,153
Subordinated loan capital	-	147	-	147
Provisions for unit-linked contracts	-	20,352	-	20,352
<b>Total financial liabilities</b>	<b>21,990</b>	<b>139,418</b>	<b>858</b>	<b>162,266</b>
<b>2020</b>				
Holdings	19,242	1,346	10,132	30,720
Unit trust certificates	7,890	3,854	214	11,958
Bonds	148,249	16,958	973	166,180
Other loans	-	-	1,466	1,466
Derivatives	19	114,956	1,392	116,367
Investment assets related to unit-linked products	202,512	57,609	34,157	294,278
Cash and cash equivalents	6,150	-	-	6,150
<b>Total financial assets</b>	<b>384,062</b>	<b>194,723</b>	<b>48,334</b>	<b>627,119</b>
Due to credit institutions	20,733	-	-	20,733
Derivatives	12	149,021	733	149,766
Subordinated loan capital	-	255	-	255
Provisions for unit-linked contracts	-	29,052	-	29,052
<b>Total financial liabilities</b>	<b>20,745</b>	<b>178,328</b>	<b>733</b>	<b>199,806</b>

At 31 December 2021, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 48,538 million and illiquid bonds DKK 1,710 million.

During 2021 DKK 11,686 million was transferred from quoted prices to observable input (DKK 15,581 million in 2020). During 2021 DKK 9,569 million was transferred from observable input to quoted prices (DKK 10,577 million in 2020).

## Notes - Danica Group

Note	DKKm	2021	2020
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(cont'd)

Valuation based on non-observable input

	Holdings	Bonds	Derivatives		
Fair value, beginning of year	37,656	7,307	2,638	47,601	46,041
Value adjustment recognised through profit or loss in Value adjustments	12,301	249	-1,109	11,441	-581
Purchase	11,282	624	78	11,984	10,814
Sale	-12,393	-2,575	-186	-15,154	-10,307
Transferred from quoted prices and observable input			121	121	2,422
Transferred to quoted prices and observable input	-265			-265	-788
Fair value, end of year	48,581	5,605	1,542	55,728	47,601

In 2021, unrealised value adjustments were recognised at DKK 7,284 million (2020: DKK -506 million) on financial instruments valued based on non-observable input.

# Notes - Danica Group

Note DKKm

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(cont'd)

Non-observable input in the annual report

Asset type	Fair value, end of 2021	Applied valuation method	Sensitivity of the Fair value from changes in non-observable input
<b>Investment assets related to traditional products</b>			
<i>Holdings:</i>			
Infrastructure	3,613	Reported fair value 1)	2) DKK 294.7m
Private Equity	5,119	Reported fair value 1)	2) DKK 588.1m
Credit	2,097	Reported fair value 1)	2) DKK 180.7m
Other loans	603	Reported fair value 1)	2) DKK 44.0m
Unlisted deposits with credit institutions	237	Reported fair value 1)	2) DKK 18.9m
<i>Bonds:</i>			
Bonds, not observable input	1,000	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 45.2m
Other loans	0	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 0.0m
Other loans	1,080	Accounting data, credit quality used for rating	A change in rating by 3 notches and applied multiples will reduce the value by DKK 0.0m
Derivatives	886	Discounted cash flow, options-models and nume-risk methods	A rise in yield curve of 1bp: loss of DKK 8.2m. A rise in inflation rate of 1bp: loss of DKK 0.4m A rise in volatility of 1bp: profit of DKK 11.1m A rise in CDS curve of 1bp: loss of DKK 0.0m
<b>Investment assets related to unit-linked products</b>			
<i>Holdings:</i>			
Infrastructure	7,567	Reported fair value 1)	2) DKK 616.8m
Private Equity	13,364	Reported fair value 1)	2) DKK 1,507.4m
Credit	4,110	Reported fair value 1)	2) DKK 348.7m
Other loans	2,749	Reported fair value 1)	2) DKK 148.7m
Unlisted deposits with credit institutions	512	Reported fair value 1)	2) DKK 41.4m
Investment property	9,316	see note 18	see note 18
<i>Bonds:</i>			
Bonds, not observable input	710	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 7.7m
Other loans	828	Reported fair value 1)	A Widening of the credit spread of 50 bp will reduce the value by DKK 13.9m
Other loans	1,281	Accounting data, credit quality used for rating	A change in rating by 3 notches and applied multiples will reduce the value by DKK 0.0m
Derivatives	656	Discounted cash flow, options-modells and nume-risk methodes	A rise in yield curve of 1bp: loss of DKK 6.0m. A rise in inflation rate of 1bp: loss of DKK 0.3m A rise in volatility of 1bp: profit of DKK 8.0m A rise in CDS curve of 1bp: loss of DKK 0.0m

1) Based on received reporting from relevant companies, in which the underlying assets and liabilities are valued at fair value

2) A fall in the liquid, listed stock markets of 20% will reduce the value by

# Notes – Danica Pension Group

## 34 RISK MANAGEMENT AND SENSITIVITY INFORMATION

### RISK MANAGEMENT

The insurance and pension risk framework is governed by Danica Pension's Board of Directors. On a daily basis, Danica Pension's Risk Management function monitors both the risk and asset liability management (ALM) limits set by its Board of Directors and its solvency capital requirement. The Risk Management function also follows up on investment limits and calculates key risk figures for ALM purposes.

The Group is exposed to a number of different risks.

Financial risks	Insurance risks	Non-financial risks	Cross-taxonomy risk
Interest rate risk	Longevity	Model risk	Sustainability risk
Equity risk	Mortality	Operational risk	Reputational risk
Property risk	Disability	Technological risk	Conduct risk
Currency risk	Health and accident	Financial crime	
Credit spread risk	Critical illness	Regulatory compliance risk	
Inflation risk	Healthcare	Financial control and strategic risk	
Volatility risk	Surrender		
Liquidity	Expenses		
Counterparty	Concentration		
Concentration			

#### *Financial risk*

Financial risks comprise market risk, liquidity risk, counterparty credit risk and concentration risk. Market risk involves the risk of losses because of changes in the fair value of Danica Pension's assets and liabilities due to changing market conditions, such as changes in interest rates, equity prices, property values, exchange rates and credit spreads. Market risk also includes volatility risk, which primarily relates to the value of assets with embedded options, including equity options and swaptions. Inflation risk relates to the adjustment of benefits for part of Danica Pension's health and accident products. Liquidity risk is the risk of losses as a result of a need to release tied-up cash to pay liabilities within a short timeframe. Counterparty credit 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.

Danica Pension has three sources of financial risk:

- Investments relating to with-profits products (conventional, average-rate products)
- Investments relating to unit-linked products (to which customers may have attached an investment guarantee)
- Investments relating to assets allocated to shareholders' equity and other products with direct equity exposure

The amount of financial risk differs for the various products in Danica Pension's product range.

Danica Pension's most significant financial risk is the market risk relating to its with-profit products.

#### **Financial risk related to the Danish with-profits product**

The main source of risk at Danica Pension is the market risk related to the Danish with-profits pension product. This product offers guaranteed benefits based on a technical rate of interest and is called *Danica Traditionel*. It is closed for new business, which means that the portfolio is in run-off.

The with-profits product offers policyholders an annuity or a lump sum consisting of a guaranteed minimum amount in nominal terms. Customers are divided into homogeneous interest rate groups on the basis of the technical rates, and each group has its own investment strategy and asset allocation. In each interest rate group, customers participate in a collective investment pool.

The policyholders earn interest at a rate set at the discretion of Danica Pension, and the rate can be changed at

# Notes – Danica Pension Group

any time.

The difference between the actual (set) interest rate and the return on the policyholders' (collective) assets is allocated to collective buffer accounts owned by the customers. The balances of these buffer accounts are gradually transferred to the individual customer accounts in subsequent years by means of a bonus allocation mechanism. This means that high investment returns may lead to higher benefits than those guaranteed.

The mark-to-market value of the guaranteed benefits depends on the level of the discount curve, which is defined under Solvency II and based primarily on EUR swap rates and also takes into account yields on Danish mortgage, credit and government bonds. The level of the long end of the discount curve, for which no reliable market data is available, is determined by the European Insurance and Occupational Pensions Authority (EIOPA).

Danica Pension will have to cover the shortfall if the value of the assets falls below the value of the liabilities. This will be the case if investment returns become negative (reducing the asset values) or if the discount curve falls (increasing the value of the liabilities). Hence, the market risk on investments is borne by the customers to the extent that the negative returns can be covered by the collective buffer accounts. Once the buffer accounts have been depleted, negative investment returns on customer savings will force Danica Pension to step in with funds to ensure that it is possible to provide the benefits guaranteed to the policyholders.

Furthermore, Danica Pension can book the annual risk allowance fee income for each of the individual interest rate groups only if the collective bonus potential for the interest rate group is sufficient to cover the risk allowance.

Managing the with-profits product thus involves a combination of managing risks on behalf of the policyholders and managing Danica Pension's risk of having to cover losses.

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

Since the Danish bond market does not have the necessary volume and duration to hedge the interest risk on Danica Pension's liabilities, Danica Pension must also invest in non-Danish interest rate instruments. Investments sensitive to changes in interest rates thus comprise a wide range of interest rate-based assets: Danish and European government bonds, Danish mortgage bonds, Danish index-linked bonds and a well-diversified portfolio of global credit bonds. Consequently, Danica Pension is exposed to interest rate spreads between government and credit spreads.

The credit spread risk on bond holdings is limited in that a large proportion of the portfolio consists of government and mortgage bonds with high credit ratings (AA – AAA) from the international credit rating agencies or of unrated bonds issued by an issuer with a similar high credit quality. Only a minor proportion of the portfolio is invested in non-investment grade bonds.

Danica Pension reduces its counterparty credit risk by demanding collateral for financial derivatives and high credit ratings for reinsurance and derivatives counterparties. Danica Pension also uses central clearing and seeks to minimise the proportion of cash and cash equivalents for the purpose of reducing counterparty credit risk.

Danica Pension maintains a moderate level of currency risk by means of currency hedging instruments.

Danica Pension limits its liquidity risk by placing a major portion of investments in liquid listed bonds and highly marketable equities.

Danica Pension limits its concentration risk by investing with a high degree of portfolio diversification and by limiting the number of investments in a single issuer. For mortgage bonds, the issuer is not considered critical to concentration risk because the individual borrower provides collateral for issued mortgage bonds.

## Financial risk related to unit-linked products

In unit-linked policies, policyholders receive the actual return on the investments rather than a fixed interest rate return. However, some of the unit-linked products give the policyholders the option to have their benefits guaranteed.

The market risk associated with unit-linked products is primarily borne by the policyholders, particularly in respect of contracts without an investment guarantee.

Danica Pension hedges the risk on financial guarantees in unit-linked products by means of financial derivatives and by adjusting the investment allocation during the period leading up to retirement. The investment allocation is

# Notes – Danica Pension Group

adjusted according to the guarantee amount, the investment horizon etc. However, if a guarantee is attached to the individual policy, Danica Pension bears the risk for the guarantee.

Danica Pension's main savings product – and the product recommended to most customers – is called *Danica Balance*. *Danica Balance* is a life-cycle product, meaning that the asset allocation between different risk categories (bonds or equities, for example) for each customer is adjusted gradually as the customer gets older and approaches retirement.

## **Financial risk related to assets allocated to shareholders' equity**

Shareholders' equity in Danica Pension is exposed to financial risk on assets in which the shareholders' equity is invested, including investments relating to its health and accident business. Danica Pension has separate investment strategies for these assets.

## ***Insurance risk***

Insurance risks are linked to trends in mortality, disability, critical illness and other variables. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, trends in mortality, sickness and recovery affect life insurance and disability benefits. The principal insurance risks are longevity risk and the risk of increased surrenders (i.e. the risk of customers leaving Danica Pension or ceasing to pay premiums). Most insurance risks materialise over long time horizons during which the gradual changes in biometric conditions deviate from those assumed in contract pricing.

Concentration risk relating to life insurance risk comprises the risk of losses as a result of high exposure to a few customer groups and to a few individuals. Danica Pension limits concentration risk by means of risk diversification of the insurance portfolio and by means of reinsurance.

To limit losses on individual life insurance policies subject to high risk exposure, Danica Pension reinsures a small portion of the risk related to mortality and disability.

The various risk elements are subject to ongoing actuarial assessment for the purposes of calculating insurance obligations and making relevant business adjustments.

## ***Non-financial risk***

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

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

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

The Group closely monitors the development on the markets where the Group operates in order to ensure the competitiveness of prices and customer service. The Group is committed to treating customers fairly and communicating openly and transparently. The Group subjects its business units to systematic assessments to reduce the risk of financial losses due to damage to its reputation.

The Group limits operational risks by establishing internal controls that are regularly updated and adjusted to the Group's current business volume and identified risks. Another measure is segregation of duties.

# Notes – Danica Pension Group

## *ESG risk*

Issues relating to environmental, social and governance (ESG) criteria are factors that have gradually become more and more important to Danica Pension and Danica Pension's customers in recent years. ESG factors also have an impact on the regulation to which Danica Pension is subject.

In particular, the ESG factors have an impact on Danica Pension's:

- reputational risk - for example if customers or other stakeholders find that Danica Pension's ESG efforts are not adequate or if activities related to green investments are marketed as more sustainable than they really are
- regulatory risk - for example if Danica Pension is unable to meet the regulatory requirements for sustainable investments
- financial risk - for example if future climate change - or expected future climate change - affects the valuation of investment assets to cause Danica Pension a loss. Furthermore, Danica Pension may suffer a loss if the valuation of the investments changes, for instance because the companies in which the investments are made will no longer be able to meet the criteria for sustainability
- insurance risk - for example if future climate change affects mortality and disease transmission patterns

## **SENSITIVITY INFORMATION**

Sensitivity information is described on page 14 of the management's review and is not comprised by the audit.

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# Financial highlights - Danica Pension

(DKK millions)	2021	2020	2018	2017	2016
<b>INCOME STATEMENT</b>					
Premiums	33,994	25,427	22,432	21,576	21,815
Claims and benefits	-26,185	-25,980	-27,345	-26,333	-20,578
Return on investment	35,237	31,252	52,105	-8,611	14,308
Total operating expenses relating to insurance	-1,186	-1,184	-1,185	-1,150	-736
Depreciation of goodwill	-	-	-800	-	-
Profit/loss on business ceded	-5	-8	-7	5	-18
Technical result, Life	2,003	2,540	2,443	526	776
Gross premium income	1,571	1,412	1,524	1,789	1,242
Gross claims	-2,202	-2,156	-2,410	-2,338	-1,598
Total operating expenses relating to insurance	-162	-110	-113	-118	-82
Profit/loss on business ceded	-14	-20	-12	-34	4
Return on investment less technical interest	361	211	80	326	405
Technical result of health and accident insurance	-464	-639	-914	-663	-198
Net profit/loss for the year	1,730	1,501	1,918	643	1,225
Total other comprehensive income	15	-11	8	-37	-33
<b>BALANCE SHEET</b>					
Total assets	655,889	650,344	588,198	490,949	357,796
Insurance assets, health and accident insurance	69	130	185	233	-
Technical provisions, health and accident insurance	17,598	17,488	17,011	14,090	9,645
Total provisions for insurance and investment contracts	470,191	440,363	421,133	386,099	295,430
Total shareholders' equity	24,122	22,377	20,887	18,897	17,122
<b>KEY FIGURES AND RATIOS (%)</b>					
Rate of return related to average rate products	0.0	6.0	10.3	1.0	2.5
Rate of return related to unit-linked products	13.3	8.3	15.6	-5.5	8.1
Risk on return related to unit-linked products	4.50	4.50	4.25	4.25	4.25
Expenses as per cent of provisions	0.3	0.3	0.3	0.4	0.3
Expenses per policyholder (DKK)	1,596	1,584	1,532	1,672	1,261
Return on equity after tax	7.4	6.9	11.4	6.0	9.0
Solvency coverage ratio (Solvency I)					
<b>RATIOS FOR HEALTH AND ACCIDENT INSURANCE</b>					
Gross claims ratio	142	150	156	137	133
Gross expense ratio	10	8	7	7	7
Combined ratio	153	159	164	146	139
Operating ratio	153	159	164	146	139
Relative run-off	1.3	0.6	0.0	-0.4	0.1
Run-off, net of reinsurance (DKK millions)	190	89	-2	-54	12

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

Danica Pension merged with Forsikringselskabet Danica 1 January 2021 with Danica Pension as the continuing company.

Danica Pension merged with Danica Pensionsforsikring and Danica Administration on 1 January 2019 with Danica Pension as the continuing company. 2018 contains figures for the merged company from 7.6.2018, when Danica Pension acquired the two companies. Key figures for 2017 and up to 7.6.2018 do not contain the two merged companies.

## Income statement & Other comprehensive income - Danica Pension

Note	(DKK millions)	2021	2020
2	Gross premiums	33,994	25,427
	Reinsurance premiums ceded	-15	-10
	<b>Total premiums, net of reinsurance</b>	<b>33,979</b>	<b>25,417</b>
	Income from group undertakings	1,417	142
	Income from associated undertakings	1,563	394
	Income from investment property	21	34
	Interest income and dividends, etc.	20,117	19,717
3	Value adjustments	29,452	27,329
	Interest expenses	-16,363	-15,981
	Administrative expenses related to investment activities	-970	-383
	<b>Total return on investment</b>	<b>35,237</b>	<b>31,252</b>
	Tax on pension returns	-5,242	-4,360
4	Claims and benefits paid	-26,185	-25,980
	Reinsurers' share received	11	6
	<b>Total claims and benefits, net of reinsurance</b>	<b>-26,174</b>	<b>-25,974</b>
5,6	Change in life insurance provisions	-32,804	-21,240
	Change in reinsurers' share	-1	-4
	<b>Total change in life insurance provisions, net of reinsurance</b>	<b>-32,805</b>	<b>-21,244</b>
7	Change in profit margin	-1,169	-824
	Acquisition costs	-359	-319
	Administrative expenses	-830	-865
	Reimbursement of costs from group undertakings	3	-
8	<b>Total operating expenses relating to insurance, net of reinsurance</b>	<b>-1,186</b>	<b>-1,184</b>
	Transferred investment return	-637	-543
	<b>TECHNICAL RESULT</b>	<b>2,003</b>	<b>2,540</b>
9	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-464</b>	<b>-639</b>
	Return on investment allocated to equity	335	-58
10	Other income	319	202
10	Other expenses	-39	-199
11	<b>PROFIT BEFORE TAX</b>	<b>2,154</b>	<b>1,846</b>
12	Tax	-424	-345
	<b>NET PROFIT FOR THE YEAR</b>	<b>1,730</b>	<b>1,501</b>
	Net profit for the year	1,730	1,501
	Other comprehensive income:		
	Translation of units outside Denmark	52	-38
	Hedges of units outside Denmark	-47	34
	Tax relating to other comprehensive income	10	-7
	<b>Total other comprehensive income</b>	<b>15</b>	<b>-11</b>
	<b>NET COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,745</b>	<b>1,490</b>

# Balance sheet - Danica Pension

## Assets

Note (DKK millions)	2021	2020
<b>INTANGIBLE ASSETS</b>	2,522	2,603
13 Investment property	373	759
Holdings in group undertakings	26,767	19,412
Loans to group undertakings	-	2,768
Holdings in associated undertakings	876	1,797
Total investments in group and associated undertakings	27,643	23,977
Holdings	31,483	28,856
Unit trust certificates	23,115	22,907
Bonds	148,377	155,284
Other loans	1,080	1,466
Deposits with credit institutions	7,341	6,147
Other	96,960	116,368
14 Total other financial investment assets	308,356	331,028
<b>TOTAL INVESTMENT ASSETS</b>	<b>336,372</b>	<b>355,764</b>
15 <b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	305,194	277,397
Life insurance provisions, reinsurers' share	37	39
Outstanding claims provision, reinsurers' share	69	130
Total technical provisions, reinsurers' share	106	169
Amounts due from policyholders	449	389
Amounts due from insurance companies	59	112
Amounts due from group undertakings	53	3,891
Other debtors	880	298
<b>TOTAL DEBTORS</b>	<b>1,547</b>	<b>4,859</b>
Assets in temporary possession		296
Current tax assets	81	
Cash and cash equivalents	2,413	2,323
<b>TOTAL OTHER ASSETS</b>	<b>2,494</b>	<b>2,619</b>
Accrued interest and rent	7,263	6,619
Other prepayments and accrued income	497	483
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>7,760</b>	<b>7,102</b>
<b>TOTAL ASSETS</b>	<b>655,889</b>	<b>650,344</b>

# Balance sheet - Danica Pension

## Liabilities

Note	(DKK millions)	2021	2020
	Share capital	1,101	1,101
	Contingency fund	1,882	1,882
	Retained earnings	18,839	19,394
	Proposed dividend	2,300	-
16	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>24,122</b>	<b>22,377</b>
	<b>SUBORDINATED DEBT</b>	<b>3,852</b>	<b>3,958</b>
	Unearned premiums provision	1,288	1,400
5	Life insurance provisions, average rate products	171,722	183,976
6	Life insurance provisions, unit-linked products	272,473	231,589
	Total life insurance provisions	444,195	415,565
	Profit margin on life insurance and investment contracts	8,398	7,310
	Outstanding claims provision	14,583	14,915
	Risk margin on non-life insurance contracts	1,683	1,127
	Provisions for bonus and premium discounts	44	46
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>470,191</b>	<b>440,363</b>
12	Deferred tax	1,335	1,191
	Other provisions	308	170
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>1,643</b>	<b>1,361</b>
	Amounts owed, direct insurance	39	45
	Amounts owed to reinsurers	37	112
	Amounts owed to credit institutions	21,615	20,733
	Amounts owed to group undertakings	462	37
	Current tax liabilities		44
17	Other creditors	126,865	155,087
	<b>TOTAL CREDITORS</b>	<b>149,018</b>	<b>176,058</b>
	<b>ACCRUALS AND DEFERRED INCOME</b>	<b>7,063</b>	<b>6,227</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>655,889</b>	<b>650,344</b>

## Statement of capital - Danica Pension

[DKK millions]

### Changes in shareholders' equity

	Share capital	Revaluation reserve*	Contingency fund	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2020	1,101	-46	1,882	19,440	-	22,377
Profit for the year			-	1,730	-	1,730
Other comprehensive income:						
Translation of units outside Denmark	-	52	-	-	-	52
Hedges of units outside Denmark	-	-47	-	-	-	-47
Tax on other comprehensive income	-	10	-	-	-	10
Total other comprehensive income	-	15	-	-	-	15
Comprehensive income for the year	-	15	-	1,730	-	1,745
Proposed dividend	-	-	-	-2,300	2,300	0
Shareholders' equity at 31 December 2021	1,101	-31	1,882	18,870	2,300	24,122
Shareholders' equity at 31 December 2019	1,101	-35	1,882	17,939	-	20,887
Profit for the year			-	1,501		1,501
Other comprehensive income:						
Translation of units outside Denmark	-	-38	-	-	-	-38
Hedges of units outside Denmark	-	34	-	-	-	34
Tax on other comprehensive income	-	-7	-	-	-	-7
Total other comprehensive income	-	-11	-	-	-	-11
Comprehensive income for the year	-	-11	-	1,501	-	1,490
Shareholders' equity at 31 December 2020	1,101	-46	1,882	19,440	-	22,377

\* Recognised in the balance sheet under retained earnings.

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

## Statement of capital - Danica Pension

(DKK millions)	2021	2020
Capital base		
Shareholders' equity	24,122	22,377
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	4,682	3,697
Deferred tax	-281	-170
Holdings in group undertakings	35	-20
- Proposed dividend	-2,300	-
- Intangible assets	-2,522	-2,603
Supplementary capital	3,852	3,958
Capital base	27,588	27,239

# Notes – Danica Pension

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Note

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## 1 ACCOUNTING POLICIES – DANICA PENSION

### GENERAL

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

The accounting policies are identical to the Group's measurement under IFRS with such differences as naturally occur between consolidated and parent company financial statements. See the description of significant accounting policies in note 1 to the consolidated financial statements.

### Merger of companies

At 1 January 2021, the Danica Pension Group merged the subsidiaries Danica Pension, Livsforsikringsaktieselskab, and Forsikringsselskabet Danica Skadeforsikringsaktieselskab af 1999 with Danica Pension, Livsforsikringsaktieselskab as the continuing company.

The merger, effected using the pooling of interests method in the Danish FSA's Executive order § 143 section 3, has affected the comparative figures for 2020 which has been adjusted in accordance hereby.

### Holdings in group undertakings

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

## Notes - Danica Pension

Note	(DKK millions)	2021	2020
2	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	16,456	15,494
	Single premiums	18,868	10,949
	Total direct insurance	35,324	26,443
	Total gross premiums	35,324	26,443
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	126	111
	Single premiums	1,204	905
	Total premiums	1,330	1,016
	Total gross premiums included in the income statement	33,994	25,427
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	30,671	22,264
	Insurance taken out individually	2,443	2,045
	Group life insurance	2,210	2,134
	Total	35,324	26,443
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	295	280
	Insurance taken out individually	396	404
	Group life insurance	558	546
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profit insurance	3,985	4,194
	Unit-linked insurance	31,339	22,249
	Total	35,324	26,443
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	34,917	26,107
	Other EU countries	319	264
	Other countries	88	72
	Total	35,324	26,443
3	VALUE ADJUSTMENTS		
	Investment property	4	14
	Holdings	16,992	1,847
	Unit trust certificates	29,058	8,079
	Bonds	-7,027	2,326
	Other loans	159	-17
	Deposits with credit institutions	71	7
	Other	-9,805	15,073
	Total value adjustments	29,452	27,329
4	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-1,103	-1,133
	Insurance amounts on disablement	-266	-264
	Insurance amounts on expiry	-832	-885
	Retirement benefits and annuities	-7,905	-8,067
	Surrender values	-14,455	-14,154
	Cash payments of bonuses	-1,624	-1,475
	Total direct insurance	-26,185	-25,978
	Expenses to minimise disablement	-	-2
	Total claims and benefits paid	-26,185	-25,980

## Notes - Danica Pension

Note (DKK millions)	2021	2020
5		
CHANGE IN LIFE INSURANCE PROVISIONS - AVERAGE RATE		
Provisions, beginning of year	183,976	185,689
Profit margin, beginning of year	3,106	2,844
Total technical provisions, beginning of year	187,082	188,533
Collective bonus potential, beginning of year	-12,801	-13,936
Accumulated value adjustment, beginning of year	-59,132	-53,293
Retrospective provisions, beginning of year	115,149	121,304
Changes during the year:		
Gross premiums	3,985	4,191
Interest added	3,198	3,623
Claims and benefits	-12,096	-12,604
Expense supplement after addition of expense bonus	-597	-634
Risk gain after addition of risk bonus	53	-68
Special allotments	42	40
Total changes	-5,415	-5,452
Other changes:		
Transfer of provisions	-911	-640
Change in quota share, Forenede Gruppeliv	33	-114
Other	116	51
Total other changes	-762	-703
Retrospective provisions, end of year	108,972	115,149
Accumulated value adjustment, end of year	49,419	59,132
Collective bonus potential, end of year	17,657	12,801
Total technical provisions, end of year	176,048	187,082
Profit margin, end of year	-4,326	-3,106
Life insurance provisions, end of year	171,722	183,976
Change in gross life insurance provisions according to the income statement consists of:		
Change in retrospective provisions	-5,415	-5,452
Change in accumulated value adjustment	-9,713	5,839
Change in gross life insurance provisions	-15,128	387
Return on customer funds after deduction of expenses before tax, %	-0.1	0.0

# Notes - Danica Pension

Note (DKK millions)	2021	2020
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(cont'd)

Life insurance provisions break down as follows by sub-portfolio

2021	Guaranteed benefits	Riskmargin	Individual bonuspotential	Collective bonuspotential	Total life insurance prov.	Rate of return	Bonus rate
Interest rate group D1	33,284	170	78	2,219	35,751	-0.2	7.5
Interest rate group D2	14,529	106	-	1,122	15,757	-0.4	9.9
Interest rate group D3	12,180	83	-	1,004	13,267	-0.6	12.7
Interest rate group D4	47,274	547	-	3,181	51,002	0.4	15.3
Interest rate group 1	18,062	86	74	2,667	20,889	0.9	15.0
Interest rate group 2	4,005	8	7	1,039	5,059	1.7	26.7
Interest rate group 3	2,963	4	-	897	3,864	1.6	31.0
Interest rate group 4	11,242	72	-	4,006	15,320	2.3	48.8
Non allocated	9,152	139	-	1,522	10,813		
<b>I alt</b>	<b>152,691</b>	<b>1,215</b>	<b>159</b>	<b>17,657</b>	<b>171,722</b>		

2020	Garanterede ydelser	Risiko-margen	Individ. bonuspot.	Kollekt. bonuspot.	Liv.hens. I alt	Afkast-procent	Bonusrate
Interest rate group D1	36,969	246	157	1,215	38,587	6.5	4.3
Interest rate group D2	16,024	147	-	648	16,819	6.7	5.5
Interest rate group D3	13,476	111	-	803	14,390	6.8	9.7
Interest rate group D4	53,046	714	-	1,629	55,389	6.6	7.1
Interest rate group 1	19,660	72	0	2,013	21,745	5.9	10.8
Interest rate group 2	4,394	12	-	849	5,255	4.9	21.1
Interest rate group 3	3,252	7	-	777	4,036	4.7	26.2
Interest rate group 4	12,374	95	-	3,467	15,936	4.2	40.9
Non allocated	10,239	180	-	1,400	11,819		
<b>Total life insurance provisions</b>	<b>169,434</b>	<b>1,584</b>	<b>157</b>	<b>12,801</b>	<b>183,976</b>		

Cost groups, total							
Collective bonus potential						284	272
Expense supplement after addition of expense bonus						530	566
Operating expenses relating to insurance						-490	-505
Cost result						40	61
Cost result, %						0.04	0.06
Risk groups, total							
Collective bonus potential						1,238	1,128
Risk gain after addition of risk bonus						216	304
Risk gain after addition of risk bonus, %						0.07	0.11

## Notes - Danica Pension

Note	(DKK millions)	2021	2020
6	CHANGE IN LIFE INSURANCE PROVISIONS - UNIT-LINKED		
	Life insurance provisions, beginning of year	231,589	211,961
	Profit margin, beginning of year	4,206	3,628
	Total technical provisions, beginning of year	235,795	215,589
	Accumulated value adjustment, beginning of year	-1,092	-825
	Retrospective provisions, beginning of year	234,703	214,764
	Changes during the year:		
	Gross premiums	30,009	21,236
	Interest added	29,948	15,850
	Claims and benefits	-14,090	-13,376
	Expense supplement	-1,266	-1,117
	Risk gain	76	39
	Other	200	-29
	Total changes	44,877	22,603
	Other changes:		
	Payments received under investment contracts	1,329	1,016
	Payments made under investment contracts	-5,498	-4,135
	Transfer of provisions	770	567
	Other	-189	-112
	Total other changes	-3,588	-2,664
	Retrospective provisions, end of year	275,992	234,703
	Accumulated value adjustment, end of year	553	1,092
	Total technical provisions, end of year	276,545	235,795
	Profit margin, end of year	-4,072	-4,206
	Life insurance provisions, end of year	272,473	231,589
	Change in provisions for unit-linked contracts breaks down as follows:		
	Change in retrospective provisions	44,877	22,603
	Change in accumulated value adjustment	-539	267
	Change in provisions for unit-linked contracts	44,338	22,870
	Provisions for unit-linked contracts break downs as follows:		
	Insurance contracts	252,121	215,953
	Investment contracts	20,352	15,636
	Provisions for unit-linked contracts, end of year	272,473	231,589
	Provisions for unit-linked contracts break downs as follows:		
	Provisions for unit-linked contracts without guarantee	230,888	185,396
	Provisions for unit-linked contracts with guarantee	41,585	46,193
	Provisions for unit-linked contracts, end of year	272,473	231,589
	Return on customer funds after deduction of expenses before tax, %	0.3	0.1
7	Change in profit margin, life insurance		
	Change in profit margin, life insurance before transfer to Health and accident	-1,087	-839
	Transferred to profit margin and risk margin in Health and accident	-82	15
	Change in profit margin, life insurance after transfer to Health and accident	-1,169	-824

## Notes - Danica Pension

Note (DKK millions)	2021	2020
8 OPERATING EXPENSES RELATING TO INSURANCE		
Commission on direct insurance	-246	-216
Fees to Deloitte:		
Statutory audit of financial statements	-2.8	-2.0
Other assurance engagements	-0.2	-0.2
Tax advisory services	-0.1	-0.2
Other services	-	-0.1
<b>I alt</b>	<b>-3.1</b>	<b>-2.5</b>
Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab comprise of objective tax and accounting advice as well as submitting statements.		
Average number of full-time-equivalent employees during the year	773	710
Number of full-time-equivalent employees, end of year	812	724
Staff costs:		
Salaries	-539	-573
Share-based payment	-2	-7
Pensions	-94	-87
Other social security and tax	-84	-79
Other	-38	-49
<b>Total staff costs earned</b>	<b>-757</b>	<b>-795</b>

For a more detailed description of the company's remuneration policy and remuneration paid, see "Remuneration Report 2021", available at the website: [www.danicapension.dk](http://www.danicapension.dk). The remuneration report 2021 is not covered by the statutory audit.

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

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

### Remuneration of other material risk takers

For 2021, 13 persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 17.2 million (2020 DKK 32.5 million to 15 material risk takers), with fixed remuneration amounting to DKK 15.9 million (2020 DKK 23.6 million) and variable remuneration amounting to DKK 1.3 million (2019 DKK 8.9 million).

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

## Notes - Danica Pension

Note	(DKK millions)	2021	2020		
9	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE				
	Gross premiums	1,499	1,436		
	Reinsurance premium ceded	-19	-14		
	Change in unearned premiums provision	158	46		
	Change in profit margin and risk margin	-86	-70		
	Premiums, net of reinsurance	1,552	1,398		
	Claims paid, gross	-2,029	-2,026		
	Reinsurers' share received	66	49		
	Change in outstanding claims provision	251	-58		
	Change in risk margin	-424	-72		
	Change in outstanding claims provision, reinsurers' share	-61	-55		
	Claims, net of reinsurance	-2,197	-2,162		
	Bonus and premium discounts	-18	24		
	Acquisition costs	-48	-34		
	Administrative expenses	-114	-76		
	Total operating expenses relating to insurance, net of reinsurance	-162	-110		
	Return on investment	361	211		
	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-464	-639		
	Total run-off regarding prior years:				
	Gross	190	99		
	Net of reinsurance	190	89		
	Return on investment allocated to health and accident insurance	302	601		
	Provisions, discounted amount	60	29		
	Value adjustment of outstanding claims provision	-1	-419		
	Total return on investment, including value adjustments	361	211		
		Health and accident insurance	Health insurance	Other insurance	Total
	Gross premiums	1,243	256		1,499
	Gross premium income	1,368	203		1,571
	Gross claims	-1,899	-303		-2,202
	Gross operating expenses	-142	-20		-162
	Profit/loss on business ceded	-14	-		-14
	Technical result	-338	-126		-464
	Number of claims				53,914
	Average amount of claims DKKt				43
	Claims frequency				5.9%
	Gross premiums, direct insurance, broken down by policyholders' residence:				
	Denmark				1,551
	Other EU countries				16
	Other countries				4
	Total				1,571
	CHANGE IN PROFIT MARGIN AND RISK MARGIN, HEALTH AND ACCIDENT INSURANCE				
	Change in profit margin and risk margin, Health and accident before transfer from Life insurance				-96
	Transferred to profit margin from Life insurance				-127
	Transferred to risk margin from Life insurance				137
	Change in profit margin and risk margin, Health and accident after transfer from Life insurance				-86
	Value adjustments of provisions, transferred from Life insurance				71
10	OTHER INCOME AND OTHER EXPENSES				
	Commissions from fund managers etc.				319
					202
	The profit for the year 2020 was affected by a DKK 195 million impairment charge concerning receivables and other assets taken over in connection with the merger with the former SEB Pension.				

# Notes - Danica Pension

Note (DKK millions)	2021	2020
<b>11 PROFIT BEFORE TAX</b>		
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 2021. The company's profit for the year consists of the return on assets allocated to shareholders' equity, including the results of unit-linked business, and the subsidiary outside Denmark, the result of Forenede Gruppeliv, the health and accident result, a risk allowance of the technical provisions of the interest groups and a share of the risk groups' risk results as well as a share of the cost result from the cost groups.		
The calculation of technical basis for risk allowance only comprises policies under contribution, and individual items therefore cannot be reconciled to the Group's income statement.		
Technical basis for risk allowance		
Technical result, life insurance	1,613	1,660
Change in collective bonus potential	4,988	-906
Special allotments	38	36
Addition of bonus	1,118	1,163
<b>Total technical basis</b>	<b>7,757</b>	<b>1,953</b>
<b>Total technical basis relating to life insurance customers</b>	<b>7,757</b>	<b>1,953</b>
In accordance with the contribution principle, full risk allowance for 2021 was booked in all eight interest rate groups.		
Specification of risk allowance:		
% of the technical provisions	1,407	1,443
<b>Total risk allowance</b>	<b>1,407</b>	<b>1,443</b>
The percentage of insurance provisions was 0,80 % in D1, 0,80 % in D2, 0,90 % in D3, 1,00 % in D4, 0,45% in group 1, 0,60% in group 2, 0,75% in group 3 og 0,90 % in group 4.		
<b>12 TAX</b>		
Tax for the year can be broken down as follows:		
Tax on the profit for the year	-424	-345
Tax on other comprehensive income:		
Hedges of units outside Denmark	10	-7
<b>Total</b>	<b>-414</b>	<b>-352</b>
Tax on the profit for the year is calculated as follows:		
Current tax	-313	-382
Adjustment of prior-year current tax	33	120
Adjustment of prior-year deferred tax	0	-49
Other changes in deferred tax	-144	-34
<b>Total</b>	<b>-424</b>	<b>-345</b>
Effective tax rate:		
Danish tax rate	22.0	22.0
Adjustment of prior-year tax charge	-1.5	-3.8
Non-taxable income and non-deductible expenses	-0.8	0.5
<b>Effective tax rate</b>	<b>19.7</b>	<b>18.7</b>
Deferred tax broken down on main items:		
Intangible assets	188	217
Tangible assets	-3	-4
Investment property	1,015	961
Negative tax on pension returns brought forward	144	0
Other	-9	17
<b>Total</b>	<b>1,335</b>	<b>1,191</b>
Other than the deferred tax provided for, the Group has no contingent tax liability relating to holdings in group undertakings.		

# Notes - Danica Pension

Note (DKK millions)		2021	2020	
13	<b>INVESTMENT PROPERTY</b>			
	Fair value, beginning of year	1,019	1,050	
	Acquisitions and improvements during the year	10	17	
	Disposals during the year	-275	-19	
	Fair value adjustments	-243	-29	
	<b>Fair value, end of year</b>	<b>511</b>	<b>1,019</b>	
	The year-end fair value is recognised as follows in the balance sheet:			
	Investment property	373	759	
	Investment assets related to unit-linked products	138	260	
	The weighted average of the rates of return on which the fair value of the individual properties is based for:			
	Commercial properties	4.9%	4.6%	
	Residential properties	2.5%	3.6%	
14	<b>OTHER FINANCIAL INVESTMENT ASSETS</b>			
	Comprises the following investments in undertakings in the Danske Bank Group:			
	Holdings	521	153	
	Bonds	44,426	31,351	
	Deposits with credit institutions	5,278	1,079	
	Cash in hand and demand deposits	2,406	2,321	
	Other	8,610	13,772	
15	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>			
	Consists of unit trusts in which the underlying assets break down as follows:			
		With guarantee	Without guarantee	
	Investment property	713	8,911	9,624
	Holdings	11,408	164,015	175,423
	Bonds	26,389	66,509	92,898
	Pantesikrede udlån			-
	Deposits with credit institutions	304	3,434	3,738
	Derivatives	1,003	22,508	23,511
	<b>Total</b>	<b>39,817</b>	<b>265,377</b>	<b>305,194</b>
16	<b>SHAREHOLDERS' EQUITY</b>			
	Number of shares of DKK 100	11,010,000	11,010,000	
17	<b>OTHER CREDITORS</b>			
	Other creditors comprise:			
	Derivatives with negative fair values	120,153	149,766	
	Tax on pension returns	6,071	4,398	
	Staff commitments	86	141	

## Notes - Danica Pension

Note (DKK millions)	2021	2020
18 ASSETS DEPOSITED AS COLLATERAL, CONTINGENT LIABILITIES AND CONTINGENT ASSETS		
Assets have been deposited as collateral for policyholders' savings with a total of:	491,538	455,173
As collateral for derivative transactions, the company has delivered bonds equal to a total fair value of	21,846	28,343
The company has undertaken to participate in alternative investments with an amount of	14,323	16,877
The Group's companies are jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.		
The company has rent commitments with a remaining lease of 4 years and annual gross rent of	51	50
The company is registered jointly with group undertakings for financial services employer tax and VAT, for which they are jointly and severally liable.		
The company is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
Owing to its size and business volume, Danica Pension is continually a party to various lawsuits. The Company does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		
If Danica is fully or partially successful in its complaint concerning the potential payment of additional pension returns tax on health and accident insurance, see the mention in the management's review, Danica Pension will be able to recognise all or part of the provision for this liability as income. At 31 December 2021, the provision totals DKK 710 million including interest.		
19 RELATED PARTIES		
Danske Bank, whose registered office is in Copenhagen, Denmark, holds 100% of the share capital of Danica Pension and thus exercises control.		
Transactions with related parties are settled on an arm's-length basis. Danica Pension's IT operations and development, internal audit, HR administration, logistics, marketing and the like are handled by Danske Bank. Danske Bank also handles portfolio management and securities trading.		
Danica Pension entered into the following significant transactions and balances with other companies in the Danske Bank Group. For more information, see note 14.		
IT operations and development	-143	-225
Other administration	-206	-240
Commission for insurance sales and portfolio management	-211	-193
Ordinary portfolio management fee	402	684
Total net custody fees and brokerage for trades in holdings and the like	-115	-121
Interest income	1,987	2,131
Interest expenses	-1,658	-1,756
Amounts owed to credit institutions	4,705	68
Derivatives with negative fair values	11,005	14,839
Danica Pension granted a loan to its parent company, Forsikringselskabet Danica		
Furthermore, the Danica Group manages the labour market pension schemes of the Danske Bank Group and its related parties.		

# Notes - Danica Pension

Note (DKK millions)

## 20 SPECIFICATION OF ASSETS AND RETURN 2021

TRADITIONAL PRODUCTS	Carrying amount		% return p.a. before tax
	Beg. of year	End of year	
Land and buildings	16,429	23,949	3.1
Listed holdings	14,658	22,050	21.9
Unlisted holdings	11,806	13,579	22.5
Total holdings	26,464	35,629	22.1
Government bonds and mortgage bonds	98,225	85,480	-3.8
Index-linked bonds	17,828	19,257	6.3
Credit bonds and emerging market bonds	27,695	29,164	6.0
Total bonds and loans	143,748	133,901	-0.6
Holdings in group undertakings	1,657	0	0.0
Other investment assets	0	-156	-
Derivative financial instruments to hedge net changes of assets and liabilities	13,008	941	-

A specification of the company's holdings is available on Danica's Danish website, [www.danicapension.dk](http://www.danicapension.dk).

UNIT-LINKED PRODUCTS	Carrying amount		% return p.a. before tax
	Beg. of year	End of year	
Land and buildings	5,956	9,300	3.2
Listed holdings	110,629	148,343	27.1
Unlisted holdings	22,133	28,694	30.7
Total holdings	132,762	177,037	27.7
Government bonds and mortgage bonds	59,251	62,970	-3.3
Index-linked bonds	4,011	5,344	9.6
Credit bonds and emerging market bonds	28,143	27,036	7.0
Total bonds and loans	91,405	95,350	0.3
Other investment assets	202	159	-
Derivative financial instruments to hedge net changes of assets and liabilities	6,033	-2,317	-

# Notes - Danica Pension

Note (DKK millions)

## 21 SPECIFICATION OF RETURNS FOR UNIT-LINKED PRODUCTS

Danica Balance	Years to retirement	% of average provisions	Return (%)	Risk
<b>High Risk:</b>				
Mix high risk profile	30 years	0.54%	23.61	5.75
Mix high risk profile	15 years	0.73%	20.42	5.50
Mix high risk profile	5 years	0.24%	14.41	4.75
Mix high risk profile	-5 years	0.01%	10.23	4.50
Danica Balance	Non-lifecycle*	2.80%	19.19	N/A
<b>Medium Risk</b>				
Mix medium risk profile	30 years	0.95%	21.83	5.75
Mix medium risk profile	15 years	1.77%	14.93	5.25
Mix medium risk profile	5 years	0.72%	9.96	4.50
Mix medium risk profile	-5 years	0.04%	7.19	4.25
Danica Balance	Non-lifecycle*	5.28%	13.33	4.75
<b>Low Risk</b>				
Mix low risk profile	30 years	0.12%	19.19	5.50
Mix low risk profile	15 years	0.28%	10.01	4.50
Mix low risk profile	5 years	0.20%	6.13	4.25
Mix low risk profile	-5 years	0.03%	4.06	3.75
Danica Balance	Non-lifecycle*	1.27%	6.20	N/A

\* Launched on 18 January 2016

Danica Balance Sustainable Choice	Years to retirement	% of average provisions	Return (%)	Risk
<b>High Risk:</b>				
Mix high risk profile	30 years	0.02%	20.79	N/A
Mix high risk profile	15 years	0.01%	17.8	N/A
Mix high risk profile	5 years	0.00%	12.38	N/A
Mix high risk profile	-5 years	0.00%	8.8	N/A
Markedspension	Non-lifecycle*	0.04%	16.65	N/A
<b>Medium Risk</b>				
Mix medium risk profile	30 years	0.01%	19.12	N/A
Mix medium risk profile	15 years	0.02%	12.81	N/A
Mix medium risk profile	5 years	0.00%	8.43	N/A
Mix medium risk profile	-5 years	0.00%	6.09	N/A
Markedspension	Non-lifecycle*	0.03%	11.38	N/A
<b>Low Risk</b>				
Mix low risk profile	30 years	0.00%	16.65	N/A
Mix low risk profile	15 years	0.00%	8.41	N/A
Mix low risk profile	5 years	0.00%	5.00	N/A
Mix low risk profile	-5 years	0.00%	3.31	N/A
Markedspension	Non-lifecycle*	0.00%	5.09	N/A

## Group overview

	Owner-ship	Currency	Profit for the year	Share capital	Shareholders' equity	Employees	Directorships <sup>1</sup>			
	%		millions	millions	millions	No. <sup>2</sup>	OKP	SL	TDN	JGB
<b>LIFE INSURANCE</b>										
Danica Pension, Livsforsikringsaktieselskab, Copenhagen	100	DKK	1,730	1,101	24,122	773	D	D	D	D
Danica Pensjonsforsikring AS, Trondheim	100	NOK	104	186	1,124	97	C			
<b>INVESTMENT MANAGEMENT</b>										
Danica Kapitalforvaltning K/S, Copenhagen	100	DKK	387	10	397	51				
<b>PROPERTY INVESTMENT</b>										
Danica Ejendomsselskab ApS, Copenhagen	100	DKK	953	4,410	35,013	-			C	
Danica Komplementar ApS	100	DKK	0	0	0	-			C	
Helsingørgade Holding P/S	100	DKK	-4	1	41	-			C	
Helsingørgade 15 P/S	100	DKK	-3	1	40	-			C	
SD Karreen Holding P/S	100	DKK	25	18	927	-			C	
SD Karré 1 P/S	100	DKK	22	16	820	-			C	
SD Karré 2 P/S	100	DKK	4	2	108	-			C	
Ejendomsselskabet Project Nord P/S	100	DKK	-1	1	4,685	-			C	
Ejendomsselskabet Project Sunflower P/S	100	DKK	0	1	0	-			C	
Jægergårdsgade 101A P/S	100	DKK	16	1	301	-			C	
ERDA I P/S	100	DKK	37	1	64	-			C	
K/S ERDA II	100	DKK	49	49	103	-			C	
ERDA II Komplementarselskab ApS	100	DKK	0	0	0	-			C	
Ordrup Jagtvej Holding P/S	100	DKK	1	1	118	-			C	
Ordrup Jagtvej 93-109 P/S	100	DKK	1	1	118	-			C	
Bag Søndermarken Holding P/S	100	DKK	-2	1	120	-			C	
Bag Søndermarken 1b-11 P/S	100	DKK	-2	1	120	-			C	

<sup>1</sup> Directorships of Ole Krogh Petersen (OKP), Søren Lockwood (SL), Thomas Dyhrberg Nielsen (TDN), Jesper Grundvad Bjerre (JGB) - C stands for chairman of the board of directors, B stands for member of the board of directors and D stands for executive board member.

<sup>2</sup> Comprises average number of employees in group companies at 31 December 2021

## Group overview

### Companies

Danica Pension

Danica Pensjons-  
Forsikring

Danica Kapitalforvalt-  
ning

Property companies

### Activity

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

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

Sale of Health Insurance and Critical Illness

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

In 2021, Danica Pension signed an agreement to sell the Norwegian subsidiary. The sale is pending approval by the authorities.

Provides investment services to group companies.

Property companies investing in real property and shopping centres.

Danica Pension's group overview is available at [www.danicapension.dk](http://www.danicapension.dk)

### Management and directorships

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

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

### Board of Directors

#### Glenn Olof Söderholm

Head of Personal & Business Customers, Danske Bank A/S

Born on 26 July 1964

Member of the Executive Leadership Team of:

Danske Bank A/S

Director of:

Danske Leasing A/S (chairman)

Realkredit Danmark A/S (chairman)

#### Christoffer Møllenbach

Head of Group Finance, Danske Bank A/S

Born on 3 November 1972

Director of:

Danske Leasing A/S

Christoffer Møllenbach is a member of the Danica Group's Audit Committee and Risk Committee

#### Jesper Koefoed

Member of Executive Board (State-authorized public accountant with deposited license)

Born on 18 June 1964

Member of the Executive Board of:

Koefoed Invest 2019 A/S

Director of:

Realkredit Danmark A/S (chairman of the audit committee)

Pihl Holdings A/S (chairman)

Pihl & Søn A/S (chairman)

Nordic Investment Opportunities A/S (deputy chairman)

BG40-5 A/S

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

#### Ib Katznelson

Retired head of administration, Danish Ministry of Economic and Business Affairs Born on 30 October 1941 (appointed by the Minister for Finance)

#### Annette Olesen

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

Born on 16 April 1970

Annette Olesen is Chairman of the Danica Group's Risk Committee

#### Claus Harder

Global Head of Markets & Transaction Banking

Born on 3 June 1975

Director of:

Realkredit Danmark A/S

Danske Markets Inc.

#### Kenneth Stricker-Nielsen

Pension specialist and Vice Chairman of staff association

Born on 10 February 1985

#### Charlott Due Pihl

Chairman of staff association, Danica Pension

Member of the governing body of Forsikringsforbundet

Born on 27 March 1968

### Executive Board

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

#### Ole Krogh Petersen

Chief Executive Officer

Born on 31 January 1969

Director of:

Insurance and Pension Denmark (deputy chairman)

#### Søren Lockwood

Member of Executive Board

Born on 23 October 1959

Director of:

Red Barnet Danmark (deputy chairman)

Forsikringsakademiet A/S

#### Thomas Dyhrberg Nielsen

Member of Executive Board

Born on 21 February 1971

#### Jesper Grundvad Bjerre

Member of Executive Board

Born on 20 March 1974

# Statement and report

## Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the annual report of Danica Pension for the financial year 2021.

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

In our opinion, the consolidated financial statements and the Parent Company 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 2021 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2021. 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.

Furthermore, in our opinion, the annual report of Danica Pension for 2021 with the file name "danicapension-2021-12-31.zip" has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen, 3 February 2022

### Executive Board

Ole Krogh Petersen  
Chief Executive Officer

Søren Lockwood  
Member of Executive Board

Thomas Dyhrberg Nielsen  
Member of Executive Board

Jesper Grundvad Bjerre  
Member of Executive Board

### Board of Directors

Glenn Olof Söderholm  
Chairman

Christoffer Møllenbach  
Vice Chairman

Jesper Koefoed

Ib Katznelson

Claus Harder

Annette Olesen

Kenneth Stricker-Nielsen

Charlott Due Pihl

## Independent auditor's report

To the shareholder of Danica Pension, Livsforsikringsaktieselskab

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Danica Pension, Livsforsikringsaktieselskab for the financial year 1 January to 31 December 2021, pages 15-87, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies with issued listed securities, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2021, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies with issued listed securities.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2021 and of the results of its operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Business Act.

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

### Basis for opinion

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

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

We were appointed auditors of Danica Pension, Livsforsikringsaktieselskab for the first time on 10 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 7 years up to and including the financial year 2021.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
<b>Measurement of goodwill related to Danica Pensionsforsikring A/S (formerly SEB Pensionsforsikring)</b>	
<p>Goodwill primarily consists of goodwill related to the acquisition of SEB Pensionsforsikring in 2018. In 2021, Management has carried out an impairment test of recognised goodwill in accordance with IAS 36. Net of impairment charges, goodwill amounts to DKK 1,543 million at 31 December 2021 (DKK 1,543 million at 31 December 2020).</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> <li>• Assessment of future cash flows</li> <li>• Determining a discount rate.</li> </ul> <p>Management has provided further information about goodwill in note 16 to the consolidated financial statements.</p>	<p>Based on our risk assessment, we have examined the measurement of goodwill and evaluated the methodology applied for carrying out the impairment test and the assumptions and cash flows applied in this respect.</p> <p>Our examination included the following elements:</p> <ul style="list-style-type: none"> <li>• Testing key controls over the impairment test of goodwill, including the assumptions-setting processes, procedures for approval and changes in estimates by Management, and the operating effectiveness of such controls.</li> <li>• Challenging the methodology applied by using our industry knowledge and experience.</li> <li>• Assessing key assumptions and input underlying the impairment test of goodwill, including an assessment of future cash flows and the discount rate applied for impairment testing, against historical data and market practice.</li> </ul>
<b>Measurement of unlisted investments</b>	
<p>Unlisted investments amount to DKK 54,186 million at 31 December 2021 (DKK 44,963 million at 31 December 2020).</p> <p>Unlisted investments are composed of investments in private equity funds, infrastructure funds, unlisted equities and corporate bonds. The measurement of unlisted investments is affected by management estimates, and changes in assumptions and the methodology applied may also have a material impact on the measurement of unlisted investments.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> <li>• Determination of market value in illiquid markets</li> <li>• Definition of required rates of return</li> <li>• Assessment of future cash flows.</li> </ul> <p>Management has provided further information about unlisted investments in note 33 to the consolidated financial statements.</p>	<p>Based on our risk assessment, we have examined the valuation of unlisted investments and evaluated the methodology applied and the assumptions made.</p> <p>Our examination included the following elements, where we also made use of our own valuation experts:</p> <ul style="list-style-type: none"> <li>• Testing key controls over the valuation of unlisted investments, including the assumptions-setting processes, procedures for approval of valuations by Management, and the operating effectiveness of such controls.</li> <li>• Sample testing of data for completeness and accuracy.</li> <li>• Challenging the methodology applied by using our industry knowledge and experience, focusing on changes etc. compared to last year.</li> <li>• Testing key controls for investments recognised based on prices obtained from external parties and follow-up thereon for the purpose of validating the prices used, including model and preconditions for any price adjustments due to changes in market conditions since the prices last reported by external parties.</li> </ul>

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## Measurement of investment property and investments in associated property companies

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Investment property and investments in associated property companies amount to DKK 25,951 million at 31 December 2021 (DKK 24,491 million at 31 December 2020).

The determination of the measurement of investment property is based on the location of each property, future events, future cash flows and required rates of return. Changes in assumptions and the methodology applied may have a material impact on the measurement of investment property and profit or loss.

The most significant judgements are:

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

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

Based on our risk assessment, we have examined the valuation of investment property prepared by Management and evaluated the methodology applied and the assumptions made.

Our examination included the following elements:

- Testing key controls over the valuation of investment property and investments in associated property companies, including the assumptions-setting processes, procedure for approval of valuations and changes in estimates by Management, and the operating effectiveness of such controls.
- Challenging the methodology applied by using our industry knowledge and experience, focusing on changes etc compared to last year.
- Assessing key assumptions and input underlying the valuation of investment property and investments in associated property companies, including assessing, on a sample basis, future cash flows and individual required rates of return used for valuation, against historical data and market practice.

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## Measurement of liabilities under insurance contracts

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Liabilities under insurance contracts amount to DKK 470,191 million at 31 December 2021 (DKK 458,261 million at 31 December 2020).

Measurement of liabilities under insurance contracts is deemed a key audit matter as the determination of assumptions for the measurement of liabilities under life insurance contracts requires complex judgements about future events.

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

The most significant judgements are:

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

Management has provided further information about liabilities under insurance contracts in notes 25 and 26 to the consolidated financial statements.

Based on our risk assessment, we have examined Management's valuation of liabilities under insurance contracts and evaluated the methodology applied and the assumptions made.

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

- Testing key controls over the actuarial models, data collection and analysis and the assumptions-setting processes.
- Assessing methods, models and data used against market practice based on historical development and trends.
- Evaluating the disability and mortality rates and surrender probabilities used in the calculation against historical data and market practice.
- Evaluating revised principles and assumptions applied to calculate provisions for unearned premiums.
- Assessing key changes in the assumptions against regulatory and reporting requirements and industry standards.
- Analysing developments in risk, interest and cost results, by using our industry knowledge and experience.

## **Statement on the Management's report**

Management is responsible for the Management's report.

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on compliance with the ESEF Regulation**

As part of our audit of the consolidated financial statement of Danica Pension, Livsforsikringsaktieselskab, we performed procedures to express an opinion on whether the annual report for the financial year 1 January to 31 December 2021, with the file name danicapension-2021-12-31.zip, is prepared, in all material respects, in compliance with Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of an annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL-tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The nature, extent and timing of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the Company's iXBRL tagging process and of internal control over the tagging process;

- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the Company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements to the taxonomy where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the anchoring of extensions to elements in the ESEF taxonomy; and
- Reconciling the iXBRL-tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Danica Pension, Livsforsikringsaktieselskab for the financial year 1 January to 31 December 2021, with the file name danicapension-2021-12-31.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 3 February 2022

**Deloitte**  
Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Jens Ringbæk	Jacques Peronard
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE no 27735	MNE no 16613

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## Address

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Danica Pension,  
Livsforsikringsaktieselskab  
Parallelvej 17  
DK-2800 Kgs. Lyngby, Denmark

Telephone: +45 70 11 25 25

Fax: (+45) 45 14 96 16

[www.danicapension.dk](http://www.danicapension.dk)

Company Registration No.

CVR 24256146

Contact: Thomas Dyhrberg Nielsen, CFO