

Interim report – first half 2021

Danica Pension, Livsforsikringsaktieselskab



Danica Pension

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This Interim Report - First Half 2021 is a translation of the original report in the Danish language (Delårsrapport - 1. halvår 2021). In case of discrepancy, the Danish version prevails.

SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

	H1	H1	Full year
(DKK millions)	2021	2020	2020
PREMIUMS INCLUDING INVESTMENT CONTRACTS	19,877	15,268	30,250
INCOME STATEMENT			
Technical result, Life	1,312	1,277	2,517
Technical result, Health and accident insurance	-362	-300	-644
Return on investment allocated to shareholders' equity, etc.	68	-85	-77
Profit before tax	1,018	892	1,796
Taxation	-228	-197	-295
Profit for the period	790	695	1,501
BALANCE SHEET			
Total assets	650,696	671,983	669,415
Technical provisions, health and accident insurance	17,871	17,871	18,130
Total provisions for insurance and investment contracts	472,579	429,023	458,261
Total shareholders' equity	23,178	21,568	22,377
KEY FIGURES AND RATIOS (%)			
Return related to average rate products	-1.3	1.4	6.0
Return related to unit-linked products	7.4	-3.0	8.3
Risk on return related to unit-linked products	4.50	4.50	4.50
Net return before tax on pension returns on average-rate products ¹⁾	3.1	-1.0	3.1
Expenses as per cent of provisions	0.16	0.17	0.35
Expenses per policyholder (DKK)	708	638	1,349
Return on equity after tax	3.5	3.3	6.9
Solvency coverage ratio (Group) ²⁾	215	172	191
Solvency coverage ratio (Parent) ³⁾	218	172	191
RATIOS FOR HEALTH AND ACCIDENT INSURANCE			
Gross claims ratio	125	127	124
Gross expense ratio	9	9	8

¹⁾ Includes change in accumulated value adjustment.

²⁾ At 30 June 2021, the Group's solvency capital requirement (SCR) was DKK 13,321 million and its total capital was DKK 28,648 million.

³⁾ At 30 June 2021, the Parent Company's solvency capital requirement (SCR) was DKK 13,168 million and its total capital was DKK 28,648 million.

Comments on selected financial highlights for the Group

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

DANICA PENSION'S STRATEGY AND THE FIRST SIX MONTHS 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.

Growth and development in premiums

We saw strong growth in premium payments. In the first six months of the year, premiums grew by 30.2% relative to the year-earlier period. In the Danish part of the business, premium payments were up 24.5%, covering increases of 4.0% in regular premiums and 56.8% 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 with 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. It is essential to us that the growth is also profitable.

Return on investment

After a very turbulent 2020, the first six months of 2021 were characterised primarily by positive financial market trends, which meant solid net returns of up to 13.1% for Danica Pension customers with unit-linked products. For customers with a medium risk profile and 20 years to retirement, the net return was 9.6%, which was among the highest in the commercial pension market.

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.

Status of sustainable investments in the green transition

It is Danica Pension's ambition to invest DKK 100 billion in the green transition by 2030. Our 2023 goal of investing DKK 30 billion in the green transition was already reached in the first half of 2021. To date, we have invested DKK 35 billion.

When we make investments in the green transition, we are always mindful of not compromising on our customers' returns in the process. In fact, we believe

that the companies that will do well in the future are those with a clear focus on the green transition and the sustainability agenda in general.

Loss-making health and accident business

Danica Pension's health and accident business produced a loss for the first six months of 2021. The loss was DKK 362 million, compared with a loss of DKK 300 million for the same period last year. The increased loss was solely attributable to an additional provision of DKK 270 million for possible pension returns tax in the health and accident area in the first half of 2021.

While the underlying loss on our health and accident business remains unsatisfactory, we are nonetheless on the right track, as we are starting to see the effects of the initiatives launched over the past couple of years, particularly healthcare and prevention measures. However, the corona crisis and its after-effects – mental and otherwise – is an unknown factor, and we are not yet able to predict how this will impact our customers or, consequently, our health and accident business.

In order to ensure a high quality in our healthcare offering and a better balance between income and expenditure, we have already launched a number of initiatives in the health and accident business. Among these is an improved health package providing quick and easy access to doctors, psychologists and dieticians with the aim of helping our customers before their challenges grow and lead to long-term absence due to illness. In the first half of 2021, 6,750 customers used the new healthcare solutions and, as an example, more than one in four 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 what is hopefully the final part of the coronavirus pandemic, and we want to help them return to normal life as painlessly as possible with tips and advice and the above-mentioned healthcare solutions.

It is important to note, however, that the expected positive effects of these initiatives will appear over time, and the long-term effects of the corona crisis remain highly uncertain. Achieving the desired balance between income and expenses will therefore be a long haul.

In June 2021, the Danish FSA submitted a draft revised executive order on life insurance companies' health and accident insurance activities to consultation. Danica Pension supports the objective of achieving a better balance between income and expenditure, and during the consultation period we will assess the draft together with Insurance and Pension Denmark.

Status of the One-Step-Ahead strategy and proactive advisory services

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.

We aim to help at least 500,000 people or companies increase their financial security in the period from 2019 to 2025. In accordance with this aim, we had provided advisory services and online customer solutions to 182,900 customers to increase their financial security at the end of the first half of 2021.

Discrimination of pregnant women

In 2020, we became aware that we have, regrettably, for a number of years discriminated pregnant women by wrongfully denying coverage of expenses for treatment of illnesses and conditions linked to pregnancy under our health insurance. Danica Pension has issued an apology to those concerned and has identified about 380 women who have wrongfully been denied coverage since 1997. All the customers in question have been contacted and offered coverage of their previous expenses plus interest and payment of additional compensation. We are not aware of any previously decided cases with the Danish Board of Equal Treatment (Ligebehandlingsnævnet) determining the level of compensation in this respect, but in two similar cases DKK 5,000 was awarded in compensation. Having consulted external legal advisers, who deem this to be the likely outcome of the Board of Equal Treatment's hearing of these cases, we have therefore decided for the time being to pay DKK 5,000 in compensation to customers with wrongfully denied claims in addition to coverage of their expenses. Should further subsequent cases from the Board of Equal Treatment indicate that the rightful compensation exceeds this amount, we will pay additional compensation to the affected customers in comparable cases. In addition to this, we have reviewed all relevant insurance conditions and terms for all other Danica Pension products to ensure that there is no other unlawful discrimination of pregnant women.

In July, the Danish FSA has issued criminal complaints and orders against Danica Pension and 13 other pension and insurance providers. Danica Pension has taken note of this and is naturally collaborating with the authorities and complying with the orders.

Close collaboration with Danske Bank for the benefit of customers

In the first six months of 2021, it remained a priority 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 for 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.

Focus on growth in Norway

In the first six months of 2021, Danica Pension's Norwegian subsidiary, Danica Pensjonsforsikring, focused on meeting its ambitious growth, cost control and compliance targets. Synergies through its close collaboration with Danske Bank and Danica Pension in Denmark are a central part of the strategy.

A major regulatory change to the Norwegian pension market took effect in Norway on 1 January 2021 with the introduction of the so-called Egen Pensjonskonto. Under the new rules, Norwegians will be even more free to decide how they make pension savings, as employers will no longer have the sole right to offer pension schemes. This has presented challenges, but also significant growth opportunities, particularly through the collaboration with Danske Bank in Norway and strategic partnerships.

Changes to the Executive Board and Board of Directors

In the first half of 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 Krogh 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 internal restructuring in the Danske Bank Group.

In addition to the changes to the Executive Board and Board of Directors, Danica Pension has established

a risk committee in 2021 chaired by board member Annette Olesen. 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.

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.

We launched a sustainable pension solution in October 2020. With Danica Balance Sustainable Choice, customers have the option to invest part or all of their pension savings in companies that are committed to making a difference within the scope of the UN Sustainable Development Goals. At 30 June 2021, our customers had chosen to invest DKK 1.6 billion in this solution.

To support the transition to a carbon-neutral economy, Danica Pension has joined the UN-convened Net-Zero Asset Owner Alliance. As a member of the alliance, we are committed to transitioning our investment portfolios to net-zero carbon emissions by 2050. We have furthermore set new interim goals to reduce carbon emissions for five key sectors by 2025. The five sectors are energy, utilities, transport, cement and steel. Our ambition is to help reduce carbon emissions for these key sectors by between 15% and 35% relative to the 2019 level.

To contribute further to the transition towards a climate-friendly society, Danica Pension regularly increases our investments in the green transition, as described above. We have also lowered our threshold in terms of the percentage of a company's revenue that may be generated from coal, peat or tar sand. In future, Danica Pension will not invest in companies if more than 5% of their revenue comes from these activities. Previously, the threshold was 30%.

The status is that Danica Pension's relative carbon emissions are 17% below global benchmarks for equities and corporate bonds, measured against scopes 1, 2 and 3 (direct and indirect emissions). Seen in isolation, our equity investments' carbon emissions are 26% below the global equity benchmark.

Financial security is another theme central to our ESG efforts. During the first half of 2021, we further highlighted financial security through population surveys, campaigns and media coverage. We focus, among other things, on the importance of checking one's pension scheme when life-changing events happen, such as getting married, having children, moving, etc.

We also want to drive the development towards a healthier society with less absenteeism. To this end, we work actively on prevention, treatment and helping customers return to work after illness. In March 2021, we hosted an online conference with the University of Copenhagen focusing on 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 a theme of Danica Pension's podcast series "Sunde stemmer". In 2021, the topics of the series have included the fourth age, the post-coronavirus workplace and digital healthcare.

In 2021, Danica Pension has also focused on the mental health consequences of the coronavirus pandemic, such as the mental health challenges of working from home for an extended period as well as the challenges of returning to the workplace. Danica Pension has developed tips and guidelines for managers and employees and has set the agenda externally through media campaigns.

Lastly, we continually strive to lift our ambitions in the area of responsible investments. Most recently, we updated our tax and investment principles 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.

FINANCIAL REVIEW

Special matters

Insurance companies merged

The merger of the companies Forsikringselskabet 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.

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

Additional pension returns tax on health and accident business

Danica Pension is in dialogue with the Danish tax authorities concerning a claim for possible additional pension returns tax on the health and accident business. The tax authorities have initially indicated that, in its opinion, 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.

While Danica Pension awaits the tax authorities' final decision, we have made an additional provision of DKK 270 million to cover any claim for additional tax on pension returns.

If the tax authorities' decision is not in Danica Pension's favour, we expect to appeal.

Profit for the period

For the first half of 2021, the Danica Group realised a profit before tax of DKK 1,018 million, against DKK 892 million in the first half of 2020. Profit after tax for the first half of 2021 amounted to DKK 790 million, against DKK 695 million for the first half of 2020.

DANICA GROUP (DKK millions)	H1 2021	H1 2020
Technical result, Life insurance	1,312	1,277
Technical result, Health and accident	-362	-300
Result of insurance business	950	977
Return on investment allocated to shareholders' equity, etc. ¹⁾	68	-85
Profit before tax	1,018	892
Taxation	-228	-197
Profit for the period	790	695

1) Including other income and other expenses

The result of insurance business for the first half of 2021 was in line with the guidance in the 2020 annual report.

The technical result of life insurance for the first half of 2021 amounted to DKK 1,312 million, against DKK 1,277 million in the first half of 2020. As has been the case in the past few years, Danica Pension was able to book the full risk allowance for all interest rate groups in the first half of 2021.

The technical result of health and accident insurance for the first half of 2021 was a loss of DKK 362 million, against a loss of DKK 300 million in the first half of 2020. The development was due to a lower investment result in the health and accident business, affected by the above-mentioned DKK 270 million provision for possible additional tax on pension returns. The performance of the underlying business was as expected and on a par with that of the year-earlier period. The total result of health and accident insurance was still a loss, however, and as previously mentioned Danica Pension has launched initiatives to further reduce the loss going forward.

Return on investment allocated to shareholders' equity, etc. was generally affected by a positive investment return for the first half of 2021 and commissions received from fund managers.

Profit before tax in Danica Norway was DKK 47 million in the first half of 2021, against DKK 49 million in the first half of 2020.

In consideration of the financial performance, the calculated special allotments to policyholders from the former Statsanstalten for Livsforsikring were DKK 25 million for the first half of 2021, against DKK 15 million for the first half of 2020. The amount for full year 2021 will depend on developments in Danica's earnings and business volume and on dividend payments.

Gross premiums

Gross premiums were up 30.2%, from DKK 15.3 billion in the first half of 2020 to DKK 19.9 billion in the first half of 2021. The main reason for this increase was an inflow of new large business customers.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS) - H1 (DKK billions)					
	2021	2020	2019	2018	2017
Denmark					
Life insurance	16.6	13.2	12.8	12.0	11.9
Health and accident	0.8	0.8	0.8	0.8	0.7
Non-Danish units					
Norway	2.5	1.3	1.4	1.2	1.3
Total premiums	19.9	15.3	15.0	14.0	13.9

Total premiums in the Danish business amounted to DKK 17.4 billion in the first half of 2021, up 24.5% from DKK 14.0 billion in the first half of 2020.

Premiums in the Norwegian business increased by 91.8%, from DKK 1.3 billion in the first half of 2020 to DKK 2.5 billion in the first half of 2021. The increase was attributable to a growing number of customers following the introduction of Egen Pensjonskonto in Norway.

Return on investment

Unit-linked products generated an aggregate return before tax on pension returns of DKK 19,226 million in the first half of 2021, equivalent to 7.4% before tax on pension returns.

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

RETURN BEFORE TAX, H1 2021				
RISK (%)	30y to retire- ment	20y to retire- ment	15y to retire- ment	5y to retire- ment
Balance Mix				
High risk profile	13.1	13.1	11.2	7.7
Medium risk profile	12.1	9.6	8.0	5.0
Low risk profile	10.5	6.2	5.0	2.7

The returns were affected by the positive financial market developments, primarily driven by returns on equities and alternative investments.

For the first half of 2021, the return on investment of customer funds before tax on pension returns for conventional products was negative at DKK 2,816 million or 1.3%. Adjusted for a change in life insurance provisions, the return was 3.1% before tax on pension returns.

Claims and benefits

Claims and benefits amounted to DKK 14.2 billion in the first half of 2021, which was in line with the first half of 2020. Surrenders including investment contracts amounted to DKK 11.4 billion in the first half of 2021, against DKK 10.3 billion in the first half of 2020.

Expenses

In the life business, insurance-related operating expenses in the first half of 2021 amounted to DKK 729 million.

EXPENSES AS PER CENT OF PROVISIONS	H1 2021	H1 2020
Danica Group	0.16	0.17

The Group's expenses as per cent of provisions were reduced by 0.01 of a percentage point compared with the first half of 2020. The reduction was primarily driven by an increase in provisions.

Tax

The tax charge amounted to DKK 228 million, consisting solely of calculated tax regarding the first half of 2021.

Other comprehensive income

Other comprehensive income amounted to DKK 11 million in the first half of 2021, against a negative DKK 14 million in 2020. Other comprehensive income comprises the effect of foreign currency translation (including hedging) of foreign entities, including any tax effect.

Balance sheet

The Group's total assets fell from DKK 669 billion at 31 December 2020 to DKK 651 billion at 30 June 2021. The reduction was mainly caused by reduced values of derivative financial instruments recognised as assets and liabilities, respectively.

DANICA GROUP, BALANCE SHEET (DKK millions)		
	30/06/2021	31/12/2020
ASSETS:		
Intangible assets	2,623	2,687
Tangible assets	36	40
Investment assets ¹⁾	636,118	654,797
Debtors	3,168	1,670
Other assets	2,115	3,113
Prepayments and accrued income	6,636	7,108
TOTAL ASSETS	650,696	669,415
LIABILITIES AND EQUITY:		
Technical provisions	472,579	458,261
Other liabilities ²⁾	154,939	188,777
Shareholder's equity	23,178	22,377
TOTAL LIABILITIES AND EQUITY	650,696	669,415

¹⁾ Including investment assets related to unit-linked products

²⁾ Other liabilities than technical provisions

Intangible assets amounted to DKK 2.6 billion, comprising goodwill and the value of customer relationships taken over. 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 636 billion at 30 June 2021. Adjusted for derivative financial instruments with negative values, total investment assets rose from DKK 505 billion at 31 December 2020 to

DKK 517 billion at 30 June 2021.

Provisions for insurance and investment contracts totalled DKK 473 billion, against DKK 458 billion at 31 December 2020. The change covered an increase in provisions related to unit-linked products and a decrease in provisions related to average rate products.

Life insurance provisions for average-rate products were down DKK 8 billion to DKK 176 billion. This development supports the expected reduction in average-rate policies.

Life insurance provisions related to unit-linked products rose from DKK 249 billion at 31 December 2020 to DKK 271 billion at 30 June 2021. The increase was mainly attributable to positive returns in the first half of 2021 increasing customers' pension savings.

Equity grew by DKK 0.8 billion to DKK 23.2 billion.

Solvency statement and capital requirements

At 30 June 2021, the Danica Group's solvency coverage ratio was 215%, against 191% at 31 December 2020. The Danica Group still maintains strong excess solvency.

DANICA GROUP, SOLVENCY (DKK millions)	30/06 2021	31/12 2020
Total capital	28,648	27,239
Solvency capital requirement (SCR)	13,321	14,278
Excess capital base	15,327	12,961

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.

Events after the balance sheet date

No events have occurred between 30 June 2021 and the date of the signing of the interim financial statements that, in the opinion of the management, will materially affect the company's financial position.

Outlook for 2021

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

RISK EXPOSURE AND SENSITIVITY INFORMATION

Information on risk and risk management are set out in note 8 to the financial statements. The below table shows the effects on the Group's total capital and solvency coverage ratio of isolated changes in various risk categories, see section 126 g[2] and section 373[4] of the Danish Financial Business Act. For each sensitivity stress, we indicate the degree of stress it would require for the solvency coverage ratio to drop to 125% and 100%, respectively, however limited to the maximum stress levels set out in the Danish Executive Order on Sensitivity Analyses for Group 1 Insurance Companies. A further description of the stress scenarios in the various risk categories is provided in the Danish Executive Order on Sensitivity Analyses for Group 1 Insurance Companies.

Sensitivity information – Solvency capital requirement (SCR)

	SCR 125%			SCR 100%		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	-189	28,602	125	-200	28,070	118
Equity risk	75	20,530	125	92	16,859	100
Property risk	74	24,816	125	100	21,854	101
Credit spread risk:						
- Danish government bonds, etc.	16	24,692	125	23	22,549	100
- Other government bonds, etc.	38	26,032	125	57	23,306	100
- Other bonds	52	24,708	125	74	21,723	100
Currency spread risk						
USD	100	27,158	158	100	27,158	158
GBP	100	28,511	208	100	28,511	208
SEK	100	28,574	211	100	28,574	211
Counterparty risk		28,648	205			
Longevity risk	52	24,298	125	59	22,164	100
Life insurance option risk	858	21,946	145	858	21,946	145
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

Sensitivity information – Minimum capital requirement (MCR)

	MCR 125%			MCR 100%		
	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)	Stress (%)	Total capital (DKK millions)	Solvency coverage ratio (%)
Interest rate risk	-200	28,070	277	-200	28,070	277
Equity risk	100	15,039	157	100	15,039	157
Property risk	100	21,854	235	100	21,854	235
Credit spread risk:						
- Danish government bonds, etc.	39	12,787	125	43	10,696	100
- Other government bonds, etc.	100	13,442	133	100	13,442	133
- Other bonds	100	16,595	170	100	16,595	170
Currency spread risk						
USD	100	27,158	316	100	27,158	316
GBP	100	28,511	411	100	28,511	411
SEK	100	28,574	417	100	28,574	417
Counterparty risk						
Longevity risk	76	13,654	125	79	11,944	100
Life insurance option risk	858	21,946	278	858	21,946	278
Non-life catastrophe risk	N/A	N/A	N/A	N/A	N/A	N/A

The above table was prepared on the basis of total capital of DKK 28,648 million and a solvency coverage ratio of 215%. Please note that for credit spread risk, a decline in bonds without an increase in EIOPA's discount yield curve is assumed. Accordingly, the results are based on the assumption that the volatility adjustment (VA), which is a component of EIOPA's discount curve, is unchanged.

Financial highlights - Danica Group

DKKm	First half 2021	First half 2020	Full year 2020
INCOME STATEMENT			
Life insurance			
Premiums	16,994	13,759	27,364
Claims and benefits	-14,187	-14,229	-26,547
Return on investment	14,134	-2,838	32,651
Total operating expenses relating to insurance	-729	-660	-1,395
Profit/loss on business ceded	-6	-4	-12
Technical result, Life	1,312	1,277	2,517
Health and accident insurance			
Gross premium income	790	740	1,536
Gross claims	-925	-916	-1,937
Total operating expenses relating to insurance	-67	-65	-126
Profit/loss on business ceded	-12	-16	-35
Return on investment less technical interest	-94	-5	-106
Technical result of health and accident insurance	-362	-300	-644
Net profit for the period	790	695	1,501
Other comprehensive income	11	-14	-11
BALANCE SHEET			
Total assets	650,696	671,983	669,415
Insurance assets, health and accident insurance	250	273	223
Technical provisions, health and accident insurance	17,871	17,871	18,130
Total shareholders' equity	23,178	21,568	22,377
Total provisions for insurance and investment contracts	472,579	429,023	458,261
KEY FIGURES AND RATIOS (%)			
Rate of return related to average rate products	-1.3	1.4	6.0
Rate of return related to unit-linked products	7.4	-3.0	8.3
Risk on returns related to unit-linked products	4.50	4.50	4.50
Expenses as per cent of provisions	0.16	0.17	0.35
Expenses per policyholder (DKK)	708	638	1,349
Return on equity after tax	3.5	3.3	6.9
RATIOS FOR HEALTH AND ACCIDENT INSURANCE			
Gross claims ratio	125	127	124
Gross expense ratio	9	9	8
Combined ratio	135	138	134
Operating ratio	135	138	134
Relative run-off (%)	0.0	0.0	0.7
Run-off, net of reinsurance (DKK millions)	0	4	97

The ratios are defined in accordance with the Danish FSA's Executive Order on financial reports

Income statement & Other comprehensive income - Danica Group

Note	DKKm	First half 2021	First half 2020
3	Gross premiums	16,994	13,759
	Reinsurance premiums ceded	-25	-21
	Total premiums, net of reinsurance	16,969	13,738
	Income from associates	1,217	-437
	Income from investment property	304	329
	Interest income and dividends, etc.	11,242	12,764
	Value adjustments	12,119	-6,533
	Interest expenses	-7,850	-9,554
	Administrative expenses related to investment activities	-396	-294
	Total investment return	16,636	-3,725
	Tax on pension returns	-2,502	887
	Claims and benefits paid	-14,187	-14,229
	Reinsurers' share received	4	6
	Total claims and benefits, net of reinsurance	-14,183	-14,223
	Change in life insurance provisions	-14,974	5,455
	Change in reinsurers' share	13	9
	Total change in life insurance provisions, net of reinsurance	-14,961	5,464
	Change in profit margin	-190	31
	Acquisition costs	-141	-137
	Administrative expenses	-588	-523
	Reinsurance commissions and profit sharing	2	2
	Total operating expenses relating to insurance, net of reinsurance	-727	-658
	Transferred investment return	270	-237
	TECHNICAL RESULT OF LIFE INSURANCE	1,312	1,277

Income statement & Other comprehensive income - Danica Group

Note	DKKm	First half 2021	First half 2020
(cont'd)			
HEALTH AND ACCIDENT INSURANCE			
	Gross premiums	839	843
	Reinsurance premiums ceded	-57	-53
	Change in unearned premiums provision	-49	-103
	Change in profit margin and risk margin	-4	10
	Change in unearned premiums provision, reinsurers' share	12	9
	Premiums, net of reinsurance	741	706
	Claims paid, gross	-1,064	-1,048
	Reinsurers' share received	20	23
	Change in outstanding claims provision	139	132
	Change in risk margin	-33	-77
	Change in outstanding claims provision, reinsurers' share	12	3
	Claims, net of reinsurance	-926	-967
	Bonus and premium discounts	-17	29
	Acquisition costs	-21	-21
	Administrative expenses	-46	-44
	Reinsurance commissions and profit sharing	1	2
	Total operating expenses relating to insurance, net of reinsurance	-66	-63
	Return on investment	-94	-5
	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-362	-300
	Return on investment allocated to equity	20	-93
	Other income	48	70
	Other expenses	-	-62
	PROFIT BEFORE TAX	1,018	892
	Tax	-228	-197
	NET PROFIT FOR THE PERIOD	790	695
	Net profit for the period	790	695
	Other comprehensive income:		
	Translation of units outside Denmark	34	-58
	Hedging of units outside Denmark	-29	57
	Tax relating to other comprehensive income	6	-13
	Total other comprehensive income	11	-14
	NET COMPREHENSIVE INCOME FOR THE PERIOD	801	681

Balance sheet - Danica Group

Assets

Note	DKKm	30 June 2021	31 December 2020	30 June 2020
4	INTANGIBLE ASSETS	2,623	2,687	2,751
	Domicile property	36	40	40
	TOTAL TANGIBLE ASSETS	36	40	40
	Investment property	17,588	17,516	16,866
	Holdings in associates	9,588	9,674	9,835
	Loans to associates	632	665	865
	Total investments in associates	10,220	10,339	10,700
	Holdings	31,024	30,543	23,929
	Unit trust certificates	11,479	11,958	13,031
	Bonds	156,248	166,180	181,756
	Other loans	1,614	1,466	1,051
	Deposits with credit institutions	7,820	6,150	1,819
	Derivatives	87,362	116,367	127,787
	Total other financial investment assets	295,547	332,664	349,373
	TOTAL INVESTMENT ASSETS	323,355	360,519	376,939
	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	312,763	294,278	279,694
	Unearned premiums provision, reinsurers' share	13	1	10
	Life insurance provisions, reinsurers' share	78	64	75
	Outstanding claims provision, reinsurers' share	237	222	263
	Total technical provisions, reinsurers' share	328	287	348
	Amounts due from policyholders	449	458	652
	Amounts due from insurance companies	-	118	103
	Other debtors	2,391	807	3,022
	TOTAL DEBTORS	3,168	1,670	4,125
	Assets in temporary possession	362	296	113
	Current tax assets	6	6	45
	Cash and cash equivalents	1,747	2,811	1,601
	TOTAL OTHER ASSETS	2,115	3,113	1,759
	Accrued interest and rent	6,149	6,625	6,176
	Other prepayments and accrued income	487	483	499
	TOTAL PREPAYMENTS AND ACCRUED INCOME	6,636	7,108	6,675
	TOTAL ASSETS	650,696	669,415	671,983

Balance sheet - Danica Group

Liabilities and equity

Note	DKKm	30 June 2021	31 December 2020	30 June 2020
LIABILITIES				
	Unearned premiums provision	1,804	1,781	1,833
	Life insurance provisions, average rate products	176,276	184,243	182,719
	Life insurance provisions, unit-linked products	270,887	248,561	221,925
	Total life insurance provisions	447,163	432,804	404,644
	Profit margin on life insurance and investment contracts	7,545	7,327	6,508
	Outstanding claims provision	14,838	15,147	14,861
	Risk margin on non-life insurance contracts	1,181	1,156	1,136
	Provisions for bonuses and premium discounts	48	46	41
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	472,579	458,261	429,023
	Deferred tax	1,277	1,291	1,265
	Other provisions	274	170	160
	TOTAL PROVISIONS FOR LIABILITIES	1,551	1,461	1,425
	Amounts owed, direct insurance	366	97	153
	Amounts owed to reinsurers	139	130	182
	Amounts owed to credit institutions	17,123	20,733	29,466
	Amounts owed to group undertakings	-	-	1,700
	Current tax liabilities	484	66	477
	Other creditors	125,301	156,105	178,465
	Other accruals and deferred income	6,067	6,227	5,543
5	Subordinated debt	3,908	3,958	3,981
	TOTAL CREDITORS	627,518	647,038	650,415
EQUITY				
	Share capital	1,101	1,101	1,101
	Revaluation reserve	1	1	1
	Contingency fund	1,882	1,882	1,882
	Retained earnings	20,194	19,393	18,584
	TOTAL SHAREHOLDERS' EQUITY	23,178	22,377	21,568
	TOTAL LIABILITIES AND EQUITY	650,696	669,415	671,983

Statement of capital - Danica Group

DKK m

Changes in shareholders' equity	Share capital	Revaluation reserve	Foreign currency translation reserve *	Contingency funds	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2020	1,101	1	-46	1,882	19,439	-	22,377
Profit for the period	-	-	-	-	790	-	790
Other comprehensive income:							
Translation of units outside Denmark	-	-	34	-	-	-	34
Hedges of units outside Denmark	-	-	-29	-	-	-	-29
Tax on other comprehensive income	-	-	6	-	-	-	6
Total other comprehensive income	-	-	11	-	-	-	11
Comprehensive income for the period	-	-	11	-	790	-	801
Shareholders' equity at 30 June 2021	1,101	1	-35	1,882	20,229	-	23,178
Shareholders' equity at 31 December 2019	1,101	1	-35	1,882	17,938	-	20,887
Profit for the period	-	-	-	-	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 period	-	-	-11	-	1,501	-	1,490
Shareholder's equity, 31 December 2020	1,101	1	-46	1,882	19,439	-	22,377

* Recognised in the balance sheet under other 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 1,101,000 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	30 June 2021	31 December 2020
Total capital		
Shareholders' equity	23,178	22,377
Valuation differences between financial statements and Solvency II		
Provisions for insurance and investment contracts	4,420	3,677
Deferred tax	-235	-86
- Intangible assets	-2,623	-2,687
Supplementary capital	3,908	3,958
Total capital	28,648	27,239

Cash flow statement - Danica Group

DKK m	First half 2021	Full year 2020	First half 2020
Cash flow from operations			
Profit before tax	1,018	1,796	892
Adjustment for non-cash operating items:			
Non-cash items relating to premiums and benefits	14,162	23,399	-5,750
Non-cash items relating to reinsurance	-28	14	2
Non-cash items relating to investment return	-14,136	-27,841	7,116
Non-cash items relating to tax on pension returns	-1,355	752	-4,516
Non-cash items relating to expenses	-660	-1,705	-2,829
Net investment, customer funds	8,171	9,694	-4,638
Payments received and made, investment contracts	-1,237	-3,287	-1,815
Tax paid	-87	-246	-
Cash flow from operations	5,848	2,576	-11,538
Cash flow from investing activities			
Purchase of bonds	-4,092	-11,111	-4,911
Sale of bonds	2,529	11,223	4,828
Purchase of derivatives	-1,215	-36	-
Sale of derivatives	1,147	-	-
Cash flow from investing activities	-1,631	76	-83
Cash flow from financing activities			
Debt to credit institutions	-3,611	1,498	10,230
Cash flow from financing activities	-3,611	1,498	10,230
Cash and cash equivalents at 1 January	8,961	4,811	4,811
Change in cash and cash equivalents	606	4,150	-1,391
Cash and cash equivalents, end of period	9,567	8,961	3,420
Cash and cash equivalents, end of period			
Deposits with credit institutions	7,820	6,150	1,819
Cash in hand and demand deposits	1,747	2,811	1,601
Total	9,567	8,961	3,420

Notes – Danica Pension Group

Note

1 ACCOUNTING POLICIES – DANICA PENSION

GENERAL

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

The interim report has not been reviewed or audited. The interim report is condensed and should be read in conjunction with the annual report for 2020.

Change in applied accounting policies

On 1 January 2021, the Danica Pension Group implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions).

The implementation of the amendments had no impact on the Danica Pension Group's financial statements. Except for these changes, the Group has not changed its significant accounting policies from those applied in the Annual Report 2020. Annual Report 2020 provides a full description of the significant accounting policies.

Merger of companies

At 1 January 2021, the Danica Group merged the companies Danica Pension, Livsforsikringsaktieselskab, and Forsikrings-selskabet Danica Skadeforsikringsaktieselskab af 1999, with Danica Pension, Livsforsikringsaktieselskab as the continuing company. The merger, is effected using the pooling of interests method.

Significant accounting estimates and judgments

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

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

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

Goodwill

Goodwill is tested for impairment annually, or more frequently if there are indications of impairment. As a result of the COVID-19 pandemic, the assessment of indications of impairment was made on the basis of the expected impact of the pandemic on the solvency capital requirement and other known changes since the most recent impairment testing in the fourth quarter of 2020. Based on this assessment it was concluded that there was no indication of impairment.

Notes - Danica Group

Note	DKKm	First half 2021	First half 2020		
2	BUSINESS SEGMENTS				
	The group consists of one business segment as shown below				
	Gross premiums from external sales	19,877	15,268		
	- Gross premiums on investment contracts	-2,044	-666		
	Gross premiums in the income statement	17,833	14,602		
	Return on investment allocated to technical result	14,404	-3,075		
	Claims and benefits paid	-15,251	-15,277		
	Change in provisions for insurance and investment contracts	-15,128	5,477		
	Total operating expenses relating to insurance	-796	-725		
	Result of reinsurance	-18	-20		
	Other income, net	48	8		
	Technical result	1,092	990		
	Return on investment, shareholders' equity	20	-93		
	Return on investment, health and accident	-94	-5		
	Profit before tax	1,018	892		
	Other segment information				
	Interest income	9,431	11,088		
	Interest expenses	-7,850	-9,554		
	Income from associated undertakings at book value	1,217	-437		
	Impairment, depreciation and amortisation charges	-67	-67		
	The Danica Group has no single customers generating 10% or more of the combined revenue.				
	GEOGRAPHICAL SEGMENTS				
	Premium income from external customers are allocated to the country in which the contract was sold. Assets comprise only intangible assets, tangible assets, investment property and holdings in associated undertakings in accordance with IFRS and do not provide a useful description of the Group's assets for management purposes. Goodwill is allocated to the country in which activities are performed, whereas other assets are allocated on the basis of their location.				
		Premiums	Assets		
		First half 2021	First half 2020	30 June 2021	30 June 2020
	Denmark	17,382	13,967	29,752	29,409
	Norway	2,495	1,301	84	84
	Total	19,877	15,268	29,836	29,493
3	GROSS PREMIUMS, incl. payments received under investment contracts				
	Direct insurance:				
	Regular premiums	8,955	8,535		
	Single premiums	10,083	5,890		
	Total direct insurance	19,038	14,425		
	Total gross premiums	19,038	14,425		
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:				
	Regular premiums	154	129		
	Single premiums	1,890	537		
	Total premiums paid	2,044	666		
	Total gross premiums included in the income statement	16,994	13,759		

Notes - Danica Group

Note	DKKm	30 June 2021	31 December 2020
4	INTANGIBLE ASSETS		
	Cost, beginning of year	3,831	3,837
	Exchange rate adjustment	3	-6
	Cost, end of period	3,834	3,831
	Impairment and amortisation, beginning of year	-1,144	-1,011
	Amortisation during the period	-67	-133
	Impairment and amortisation, end of period	-1,211	-1,144
	Carrying amount, end of period	2,623	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 Pension on 7. June 2018. The customer value will be depreciated linearly over a period of 10 years starting 1st June 2018.

5 SUBORDINATED DEBT

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

Currency	Borrower	Note	Nominal	Interest rate	Year of issue	Maturity	Re- demption price		
EUR	Danica Pension	a)	500	4.38	2015	29.9.45	100	3,718	3,720
Subordinated debt								3,718	3,720
Discount								-15	-17
Hedging of interest rate risk								205	255
Included in the capital base								3,908	3,958

a) The loan was issued on 29 September 2015 and is listed on the Irish Stock Exchange. The loan can be repaid from September 2025.

The loan carries interest at a rate of 4.375% p.a. until 29 September 2025, at which point a step-up will occur.

The interest expense amounted to DKK 55 million for the first half of 2021 (DKK 116 million in 2020).

Fair value of the subordinated debt is estimated at DKK 4,216 million end of June 2021 and DKK 4,245 million end of 2020.

Notes - Danica Group

Note	DKKm	30 June 2021	31 December 2020
6	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	Assets have been deposited as collateral for policyholders' savings with a total of:	467,344	473,457
	As collateral for derivative transactions, the Group has delivered bonds and cash equal to a total fair value of	23,307	28,343
	The Group has rent commitments with a remaining lease of 5 years and annual gross rent of	52	50
	Minimum lease payments regarding cars amount to	3	5
	The Group has undertaken contractual obligations to purchase, construct, convert or extend investment properties or to repair, maintain or improve these at an amount of	1,637	1,904
	The Group has undertaken to participate in alternative investments with an amount of	15,975	16,918
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	1,108	899
	As a participant in partnerships, the Group is liable for a total debt of	13	12
	The Group's companies are jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.		
	Danica Pension is in dialogue with the Danish tax authorities concerning the taxation of the health and accident business and may be met with an additional tax demand in this respect.		
	The Danish group companies are registered jointly for financial services employer tax and for VAT for which they are jointly and severally liable.		
	Danica Pension is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
	Owing to its size and business volume, the Group is continually a party to various lawsuits and disputes. The Group does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

Notes - Danica Group

Note DKKm

7 FINANCIAL INSTRUMENTS

30 June 2021	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		31,024				31,024
Unit trust certificates		11,479				11,479
Bonds		156,248				156,248
Other loans		1,614				1,614
Deposits with credit institutions		7,820				7,820
Derivatives	87,362					87,362
Unit-linked investments		312,763				312,763
Debtors				2,391		2,391
Deposits with credit institutions				1,747		1,747
Total financial assets	87,362	520,948		4,138		612,448
Provisions for unit-linked products, investment contracts		34,193				34,193
Due to credit institutions	17,123					17,123
Derivatives	119,380					119,380
Subordinated loan capital			205		3,703	3,908
Total financial liabilities	136,503	34,193	205		3,703	174,604
31 December 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
Unit-linked investments		294,278				294,278
Debtors				807		807
Deposits with credit institutions				2,811		2,811
Total financial assets	116,367	510,575		3,618		630,560
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
Total financial liabilities	170,499	29,052	255		3,703	203,509

Recognition as income:

Exchange rate adjustment of debtors and creditors measured at amortised cost were recognised under value adjustments at DKK 39 million in H1 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

7
(cont'd)

Financial instruments at fair value

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

- Level 1: Quoted prices
Fair value measurement is based on quoted prices generated in transactions in active markets.
Where an active market exists for listed equity investments, bonds, derivative financial instruments, etc., the instrument is generally measured at the closing price at the balance sheet date.
- Level 2: Observable input
In the absence of a listed closing price, another publicly available price presumed to be the closest thereto, in the form of indicative prices from banks/brokers, is used. Assets in this category include hedge funds, CDOs and credit bonds. In the case of listed securities for which the closing price does not represent fair value, valuation techniques or other observable data are used to determine fair value. Where no active market exists for a financial instrument, valuation techniques with input based on observable market data are used. Depending on the nature of the asset or liability, these may be calculations based on underlying parameters such as yields, exchange rates and volatility or with reference to transaction prices for similar instruments.
- Level 3: Non-observable input
In some cases, the valuation cannot be based on observable market data alone. Where this is the case, valuation models are used which may include estimates of future events as well as of the nature of the current market situation. This level includes unlisted equities and investment property.

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

At 30 June 2021, Danica had financial assets as set out below in the amount of DKK 608,310 million, of which 96% was attributable to insurance obligations to policyholders and 4% was attributable to shareholders' equity. Accordingly, changes in various valuation parameters would therefore have an insignificant impact on shareholders' equity, as the risk is assumed by policyholders.

30 June 2021	Quoted prices	Observable input	Non-observable input	Total
Holdings	18,758	1,522	10,744	31,024
Unit trust certificates	7,548	3,719	212	11,479
Bonds	140,405	14,632	1,211	156,248
Other loans	-7	-	1,621	1,614
Derivatives	158	86,173	1,031	87,362
Unit-linked investments	233,681	42,044	37,038	312,763
Deposits with credit institutions	7,820	-	-	7,820
Total financial assets	408,363	148,090	51,857	608,310
Due to credit institutions	17,123	-	-	17,123
Derivatives	122	118,716	542	119,380
Subordinated loan capital	-	205	-	205
Provisions for unit-linked contracts	-	34,193	-	34,193
Total financial liabilities	17,245	153,114	542	170,901

Notes - Danica Group

Note DKKm

7
(cont'd)

31 December 2020	Quoted prices	Observable input	Non- observable input	Total
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
Unit-linked investments	202,512	57,609	34,157	294,278
Deposits with credit institutions	6,150	-	-	6,150
Total financial assets	384,062	194,723	48,334	627,119
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
Total financial liabilities	20,745	178,328	733	199,806

At 30 June 2021, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 42,324 million and illiquid bonds DKK 7,018 million.

During the first half of 2021 DKK 9,373 million was transferred from quoted prices to observable input (DKK 15,581 million in 2020).

During the first half of 2021 DKK 13,056 million was transferred from observable input to quoted prices (DKK 10,577 million in 2020).

Valuation based on non-observable input				30 June 2021	31 December 2020
	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	5,214	95	-724	4,585	-581
Purchase	5,264	446	67	5,777	10,814
Sale	-5,551	-830	-25	-6,406	-10,307
Transferred from quoted prices and observable input					2,422
Transferred to quoted prices and observable input	-259		17	-242	-788
Fair value, end of period	42,324	7,018	1,973	51,315	47,601

In the first half of 2021, unrealised market value adjustments were recognised at DKK 3,727 million (2020: DKK -506 million) on financial instruments valued based on non-observable input.

Notes – Danica Group

8 RISK MANAGEMENT AND SENSITIVITY INFORMATION

RISK MANAGEMENT

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

The Group is exposed to a number of different risks.

Financial risks	Insurance risks	Non-financial risks
Interest rate risk	Longevity	Model risk
Equity risk	Mortality	Operational risk
Property risk	Disability	Product risk
Currency risk	Health and accident	Financial crime risk
Credit spread risk	Critical illness	Compliance risk
Inflation risk	Healthcare	Sustainability risk
Volatility risk	Surrender	
Liquidity risk	Expenses	
Counterparty risk	Concentration	
Concentration risk		

Financial risks

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

The Group has three sources of financial risk:

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

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

The most significant financial risk of the Group is the market risk relating to Danica Pension's conventional life insurance products.

Investments relating to conventional products

The Group's conventional products are policies with guaranteed benefits and collective investments.

The market risk of conventional products consists of the relationship between investment assets and guaranteed benefits for each interest rate group.

If the return on investment of customer funds for the year for an individual interest rate group is inadequate to cover the return on customer funds and the required strengthening of life insurance obligations etc., the shortfall is covered first by the collective bonus potential and then by the individual bonus potential of paid-up policies of that interest rate group. If the bonus potentials are insufficient to absorb losses, the assets attributable to shareholders' equity will cover the residual loss.

Insurance obligations are calculated by discounting the expected cash flows using a discount yield curve defined by EIOPA as part of the Solvency II rules.

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

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

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

Notes – Danica Group

Counterparty risk is mitigated by demanding security for financial derivatives and limiting the conclusion of derivative contracts with counterparties with high credit ratings. In addition, Danica seeks to minimise the proportion of cash and cash equivalents, which also reduces counterparty risk.

Currency risk is mitigated by means of currency hedging instruments.

Liquidity risk is mitigated by placing a major portion of investments in liquid listed bonds and equities which are highly marketable.

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

The Board of Directors has defined a separate investment strategy for assets allocated to conventional products.

Investments relating to unit-linked products

The financial risk associated with investments for unit-linked products is primarily borne by policyholders, particularly on contracts without investment guarantees. Customers who have chosen to add a guarantee to their product pay an annual fee for this guarantee.

Danica Pension hedges the risk on financial guarantees in unit-linked products with financial derivatives and by adjusting the investment allocation during the period leading up to retirement. The investment allocation is adjusted according to the guarantee amount, the investment horizon, etc.

The Group's risk exposure on unit-linked products primarily relates to its income from managing customers' savings and insurance contracts. The profit margin is the present value of expected future income/expenses on insurance contracts expected to be recognised in the income statement concurrently with the provision of insurance cover and any other benefits related to the contract. In the event of adverse financial market developments, such as an equity market decline, the profit margin on policyholders' savings will be reduced, in continuation of which the Company will see a lower profit margin, resulting in a reduction of the Group's total capital to cover the solvency capital requirement.

Investments relating to assets allocated to shareholders' equity

Shareholders' equity is exposed to financial risk on assets in which the shareholders' equity is invested and on investments relating to the health and accident business and relating to the group Egen Gruppe, which also falls under the risk exposure of shareholders' equity.

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

Insurance risks

Insurance risks are linked to trends in mortality, disability, critical illness and other variables. For example, an increase in longevity lengthens the period during which benefits are payable under certain pension plans. Similarly, trends in mortality, sickness and recoveries affect life insurance and disability benefits. The principal insurance risks are longevity risk and the risk of increased surrenders.

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

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

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

Non-financial risks

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

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

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 mitigates operational risks by establishing internal controls that are regularly updated and adjusted to the Group's current business volume and identified risks.

SENSITIVITY INFORMATION

Sensitivity information is described on page 8 of the management's review.

Financial highlights - Danica Pension

DKKm	First half 2021	First half 2020	Full year 2020
INCOME STATEMENT			
Premiums	15,905	12,687	25,427
Claims and benefits	-13,416	-13,931	-25,980
Return on investment	15,047	-3,410	31,252
Total operating expenses relating to insurance	-613	-551	-1,184
Depreciation of goodwill			
Profit/loss on business ceded	-4	-3	-8
Technical result, Life	1,119	1,244	2,540
Gross premium income	736	710	1,482
Gross claims	-895	-865	-1,751
Total operating expenses relating to insurance	-63	-58	-110
Profit/loss on business ceded	-11	-6	-20
Return on investment less technical interest	-96	-15	-122
Technical result of health and accident insurance	-383	-302	-639
Net profit/loss for the period	790	695	1,501
Other comprehensive income	11	-14	-11
BALANCE SHEET			
Total assets	628,358	655,977	650,344
Insurance assets, health and accident insurance	142	193	130
Technical provisions, health and accident insurance	17,198	17,284	17,488
Total shareholders' equity	23,178	21,568	22,377
Provisions for insurance and investment contracts	452,020	413,858	440,363
KEY FIGURES AND RATIOS (%)			
Rate of return related to average rate products	-1.3	1.4	6.0
Rate of return related to unit-linked products	7.2	-3.0	8.3
Risk on returns related to unit-linked rate products	4.50	4.50	4.50
Expenses as per cent of provisions	0.14	0.14	0.29
Expenses per policyholder (DKK)	829	733	1,584
Return on equity after tax	3.5	3.3	6.9
RATIOS FOR HEALTH AND ACCIDENT INSURANCE			
Gross claims ratio	130	131	127
Gross expense ratio	9	8	8
Combined ratio	140	140	136
Operating ratio	140	140	136
Relative run-off (%)	0.0	0.0	0.6
Run-off, net of reinsurance (DKK millions)	0	4	89

The ratios are defined in accordance with the Danish FSA's Executive Order on financial reports

Income statement - Danica Pension

Note	DKKm	First half 2021	First half 2020
2	Gross premiums	15,905	12,687
	Reinsurance premiums ceded	-13	-10
	Total premiums, net of reinsurance	15,892	12,677
	Income from group undertakings	529	-244
	Income from associated undertakings	1,075	31
	Income from investment property	9	16
	Interest income and dividends, etc.	9,862	11,470
	Value adjustments	11,925	-4,935
	Interest expenses	-7,847	-9,550
	Administrative expenses related to investment activities	-506	-198
	Total investment return	15,047	-3,410
	Tax on pension returns	-2,502	887
	Claims and benefits paid	-13,416	-13,931
	Reinsurers' share received	1	2
	Total claims and benefits, net of reinsurance	-13,415	-13,929
	Change in life insurance provisions	-13,483	5,767
	Change in reinsurers' share	8	5
	Total change in life insurance provisions, net of reinsurance	-13,475	5,772
	Change in profit margin	-102	17
	Acquisition costs	-76	-80
	Administrative expenses	-537	-471
	Total operating expenses relating to insurance, net of reinsurance	-613	-551
	Transferred investment return	287	-219
	TECHNICAL RESULT	1,119	1,244
3	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-383	-302
	Return on investments allocated to equity	6	-102
	Other income	301	102
	Other expenses	-39	-62
	PROFIT BEFORE TAX	1,004	880
	Tax	-214	-185
	NET PROFIT FOR THE PERIOD	790	695
	Net profit for the period	790	695
	Other comprehensive income:		
	Translation of units outside Denmark	34	-58
	Hedging of units outside Denmark	-29	57
	Tax relating to other comprehensive income	6	-13
	Total other comprehensive income	11	-14
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	801	681

Balance sheet - Danica Pension

Assets

Note DKKm	30 June 2021	31 December 2020	30 June 2020
INTANGIBLE ASSETS	2,539	2,603	2,667
Investment properties	372	759	827
Holdings in group undertakings	19,511	19,412	19,175
Loans to group undertakings	2,565	2,768	2,706
Holdings in associated undertakings	886	1,797	1,691
Total investments in group undertakings and associates	22,962	23,977	23,572
Holdings	29,269	28,856	23,583
Unit trust certificates	21,369	22,907	22,775
Bonds	146,331	155,284	170,863
Other loans	1,614	1,466	1,051
Deposits with credit institutions	7,817	6,147	1,817
Other (derivatives)	87,362	116,368	127,786
Total other financial investment assets	293,762	331,028	347,875
TOTAL INVESTMENT ASSETS	317,096	355,764	372,274
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	293,345	277,397	265,437
Unearned premiums provision, reinsurers' share	11	-	9
Life insurance provisions, reinsurers' share	46	39	48
Outstanding claims provision, reinsurers' share	131	130	184
Total technical provisions, reinsurers' share	188	169	241
Amounts due from policyholders	376	389	582
Amounts due from insurance companies	-	112	95
Amounts due from group undertakings	5,358	3,891	4,306
Other debtors	1,123	298	2,464
TOTAL DEBTORS	7,045	4,859	7,688
Assets in temporary possession	362	296	113
Cash and cash equivalents	1,341	2,323	1,129
TOTAL OTHER ASSETS	1,703	2,619	1,242
Accrued interest and rent	6,143	6,619	6,170
Other prepayments and accrued income	487	483	499
TOTAL PREPAYMENTS AND ACCRUED INCOME	6,630	7,102	6,669
TOTAL ASSETS	628,358	650,344	655,977

Balance sheet - Danica Pension

Liabilities and equity

Note DKKm	30 June 2021	31 December 2020	30 June 2020
Share capital	1,101	1,101	1,101
Contingency fund	1,882	1,882	1,882
Retained earnings	20,195	19,394	18,585
TOTAL SHAREHOLDERS' EQUITY	23,178	22,377	21,568
SUBORDINATED LOAN CAPITAL	3,908	3,958	3,981
Unearned premiums provision	1,406	1,400	1,480
Life insurance provisions, average rate products	176,026	183,976	182,463
Life insurance provisions, unit-linked products	251,356	231,589	207,654
Total life insurance provisions	427,382	415,565	390,117
Profit margin on life insurance and investment contracts	7,440	7,310	6,457
Outstanding claims provision	14,592	14,915	14,656
Risk margin on non-life insurance contracts	1,152	1,127	1,107
Provisions for bonuses and premium discounts	48	46	41
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	452,020	440,363	413,858
Deferred tax	1,177	1,191	1,094
Other provisions	274	170	160
TOTAL PROVISIONS FOR LIABILITIES	1,451	1,361	1,254
Amounts owed, direct insurance	332	45	136
Amounts owed to reinsurers	113	112	166
Amounts owed to credit institutions	17,031	20,733	29,465
Amounts owed to group undertakings	120	37	2,091
Current tax liabilities	482	44	428
Other creditors	123,656	155,087	177,487
TOTAL CREDITORS	141,734	176,058	209,773
ACCRUALS AND DEFERRED INCOME	6,067	6,227	5,543
TOTAL LIABILITIES AND EQUITY	628,358	650,344	655,977

Notes – Danica Pension

Note

1 ACCOUNTING POLICIES – DANICA PENSION

GENERAL

The financial statements of the Parent Company, Danica Pension, are presented in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order No. 937 of 27 July 2015. As well as the Executive Order of amendment, A688 of 1 June, effective from 1 July 2016 and BK No. 1442 of 3 December 2018 and BK No. 1592 of 9 November 2020.

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

Merger of companies

At 1 January 2021, the Danica Pension Group merged the companies 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, 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	DKKm	First half 2021	First half 2020
2	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	8,080	7,766
	Single premiums	8,540	5,447
	Total direct insurance	16,620	13,213
	Total gross premiums	16,620	13,213
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	60	52
	Single premiums	655	474
	Total premiums paid	715	526
	Total gross premiums included in the income statement	15,905	12,687
3	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	763	754
	Reinsurance premiums ceded	-25	-23
	Change in unearned premiums provision	-27	-44
	Change in profit margin and risk margin	-4	-27
	Change in unearned premiums provision, reinsurers' share	11	9
	Premiums, net of reinsurance	718	669
	Claims paid, gross	-1,025	-1,018
	Reinsurers' share received	3	10
	Change in outstanding claims provision	130	153
	Change in risk margin	-33	-70
	Change in outstanding claims provision, reinsurers' share	0	-2
	Claims, net of reinsurance	-925	-927
	Bonus and premium discounts	-17	29
	Acquisition costs	-19	-18
	Administrative expenses	-44	-40
	Total operating expenses relating to insurance, net of reinsurance	-63	-58
	Return on investment	-96	-15
	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-383	-302

Notes - Danica Pension

Note	DKKm	30 June 2021	31 December 2019
4	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	Assets have been deposited as collateral for policyholders' savings with a total of:	467,344	455,173
	As collateral for derivative transactions, the company has delivered bonds equal to a total fair value of	23,230	28,343
	The company has undertaken to participate in alternative investments with an amount of	15,855	16,877
	The company is voluntarily registered for VAT on certain properties, and a residual VAT		
	The company has rent commitments with a remaining lease of 5 years and annual gross rent of	52	50
	Minimum lease payments regarding cars amount to	3	5
	The company is jointly taxed with all units in the Danske Bank Group and is jointly and severally liable for their Danish income tax, withholding tax etc.		
	Danica Pension is in dialogue with the Danish tax authorities concerning the taxation of the health and accident business and may be met with an additional tax demand in this respect.		
	The company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is 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, 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.		

Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the interim financial statements of Danica Pension, Livsforsikringsaktieselskab for the six months ended 30 June 2021.

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

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2021 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the period 1 January - 30 June 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.

Copenhagen, 23 July 2021

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

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