

Annual Report *2015*

Forsikringselskabet Danica



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This Annual Report 2015 is a translation of the original report in the Danish language (rapport 2015). In case of discrepancy, the Danish version prevails

SELECTED FINANCIAL HIGHLIGHTS FOR THE DANICA GROUP

(DKK millions)	2015	2014	2013	2012	2011
PREMIUMS INCLUDING INVESTMENT CONTRACTS	29,573	26,821	26,808	24,650	27,277
INCOME STATEMENT					
Technical result, Life	1,451	2,088	921	1,710	-457
Technical result of health and accident insurance	-69	-145	-73	32	181
Return on investment allocated to equity, etc.	573	668	585	612	503
Profit/(loss) before tax	1,955	2,611	1,433	2,354	227
Tax	-499	-608	-122	-576	-64
Net profit/loss for the year	1,456	2,003	1,311	1,778	163
BALANCE SHEET					
Total assets	368,340	358,636	327,749	324,495	303,160
Technical provisions, health and accident insurance	9,583	9,644	8,956	9,106	8,648
Provisions for insurance and investment contracts	320,838	315,833	293,522	289,899	268,937
Collective bonus potential	3,583	2,450	1,125	851	375
Total shareholders' equity	19,608	20,056	18,563	18,015	18,780
KEY FIGURES AND RATIOS (%)					
Return before tax on pension returns including return on unit-linked products	3.1	11.4	3.5	9.8	3.5
Return on unit-linked products in Denmark	4.8	9.4	8.6	11.5	-2.5
Net return before tax on pension returns on customer funds in Danica Pension ¹⁾	5.1	7.2	2.2	5.9	2.1
Expenses as per cent of premiums	4.2	4.2	4.2	4.8	4.6
Expenses as per cent of provisions	0.44	0.42	0.43	0.46	0.52
Expenses per policyholder (DKK)	1,266	1,162	1,151	1,200	1,337
Bonus rate - bonus-paying companies	3.3	2.0	0.8	0.6	0.2
Owners' capital ratio	21.2	16.1	13.8	12.0	11.9
Excess core capital ratio	9.4	7.7	7.2	5.6	6.1
Solvency coverage ratio	231	213	219	195	212
Return on equity before tax	9.7	13.5	7.8	12.2	1.1
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	110	121	109	107	93
Gross expense ratio	10	9	10	12	12

¹⁾ The key figures and ratios include change in accumulated value adjustment

Forsikringselskabet Danica's consolidated financial statements are presented in accordance with IFRS.

In the period 2012-2014, the consolidated financial statements were presented in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds. The change does not affect the financial highlights.

For the full list of financial ratios pursuant to the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds, see page 13.

As described in the report and supplementary/corrective information on the annual report for 2014 dated 22 July 2015, the net profit and other items for 2014 have been changed relative to the original annual report for 2014. In the annual report for 2015, all comparative figures for 2014 have been restated accordingly.

DANICA STRATEGY

Danica Pension's strategy reflects our ambition to become the most trusted pension provider. We pursue this ambition by providing financial security for our customers.

Based on our strategy, we launched several initiatives that make it easy for our customers to make pension scheme decisions. In practice, this means that we focus on accessibility, clear recommendations and sound returns on customers' pension savings.

Collaboration with Danske Bank

The collaboration between Danica Pension and Danske Bank has been intensified over the past few years. In 2015, the collaboration in the personal customer market with Danske Bank's Private Banking unit was strengthened considerably to provide Danske Bank customers with value-adding pension solutions. For example, Danica Pension commenced the roll-out of simple, clear recommendations that optimise the customer's pension scheme and are easy for the customer to act on. "Clear recommendations" is an important step in our efforts to make it easy for our customers to make pension scheme decisions.

In the corporate market, the collaboration between Danica Pension and Danske Bank's Business Banking unit was also strengthened. As a result, Danica Pension employees now form part of the day-to-day Business Banking teams. The closer collaboration and the improved synergies are expected to lead to an increase in the number of joint Danske Bank and Danica Pension customers.

Digitalisation

Increased digitalisation is a natural consequence of Danica Pension's focus on being more accessible to our customers. We aim to be accessible through the channels our customers use and for our digital solutions to be simple to use.

During the year, we introduced several new digital solutions for our customers, including a new tablet solution featuring, for example, Danica Pension Check. The solution allows our customers to adjust their pension cover online and immediately see the effect of their adjustment on their total cover under the pension scheme. We also introduced Pension Start, with which our customers can simply and easily set up their new Danica Pension scheme and get guidance on the right covers for them.

In 2015, more than 350,000 customers used our digital solutions, and customers are generally very interested in our digital self-service solutions. 40% of our customers use our digital solutions outside business hours.

Stronger health concept

The insurance covers and the related health offerings are becoming increasingly important parameters when companies choose their pension provider. At Danica Pension, we strengthened our health offerings in 2015, for example by introducing a new health package with several new offers for our customers, including a stress hotline with personal guidance by authorised psychologists, an annual blood pressure and cholesterol level check, assistance in finding the right public health services and a second opinion in health matters from Best Doctors. Danica Pension's collaboration with Best Doctors is unique in Denmark and is only available to Danica Pension customers. Best Doctors collaborates with 53,000 medical experts from around the world and has more than 25 years' experience in providing second opinions.

Following the introduction of new legislation on anticipatory pension and sickness benefits, Danica Pension's policyholders were no longer adequately covered if they fell ill and had to go through a re-employment programme or a resource programme. Due to stricter rules on offsetting of public benefits, policyholders risked not getting any public benefits and thus experiencing a major income reduction if they fell ill and were no longer able to work. We changed our loss of earning capacity cover so that policyholders' benefits are increased in case of offsetting. As a result, our policyholders can maintain their financial standard of living. The new product applies to all Danica Pension customers and does not require them to provide new health information.

Finally, we also extended our cover for certain critical illnesses to include a wider range of illnesses. We also offer our customers a one-year membership of a number of patient associations if it is relevant to their disease: the Danish Cancer Society, Hjernesagen (brain injury society), the Danish Heart Foundation and the Danish Multiple Sclerosis Society.

Investments

In 2015, Danica Pension focused on implementing a new investment strategy aimed at generating competitive long-term returns for our customers.

Key elements of Danica Pension's new investment strategy are centralisation of all investment decisions and improved risk management across all asset classes. Our investment set-up has also become far more flexible, allowing for the use of more financial instruments to build the right characteristics in the portfolios and more efficiently manage portfolio risk, for example against rising inflation.

The new investment strategy also focuses more on alternative investments, including direct investment in sound companies in Denmark and the rest of the Nordic countries. So far, Danica Pension has invested more than DKK 4 billion directly in Danish and Nordic businesses.

Enhanced Danica Balance

A key element in supporting the new investment strategy is enhancing Danica Balance. To this end, we introduced a new fund featuring investment across asset classes. The composition of the investment portfolio is flexible and varies over time, depending on our market expectations. The additional Danica Balance fund optimises our ability to secure policyholders the best possible returns in all risk profiles.

Focus on property development projects

The development of attractive property projects is another focus area in Danica Pension's investment universe. In the spring of 2015, we invested in the postal services plot opposite Copenhagen Central Station. Here, we will invest more than DKK 5 billion in the development of a brand-new, attractive quarter in the heart of Copenhagen in the period until 2020. We also invested in a future project on the island Papirøen in Copenhagen harbour, a major development project for the coming years.

Bond issue

In 2015, Danica Pension completed a DKK 3.75 billion bond issue in order to strengthen our capital structure and adjust it to reflect the capital structure in the European pension industry in general. In connection with the issue, we received indications of interest in excess of DKK 11 billion. This is testament to investors' satisfaction with our results and confidence in our strategy.

Norway and Sweden

The Swedish business continued its positive trend. Premiums rose 41%, in part due to the intensified collaboration with Danske Bank in Sweden. Other areas, such as brokerage and labour market pensions, also showed progress. The Swedish business launched an innovation lab in 2015 with the principal aim of advancing digitalisation. The results of the project are also intended to be used in other parts of the Danica Group and the Danske Bank Group.

The positive trend in the Norwegian business also continued in 2015 with good increases in premiums and capital management.

After the product Fripoliser med investeringsvalg (paid-up policies with choice of investments) was released at 1 September 2014, the Norwegian business has seen an increase in pension schemes transferred from other pension providers to Danica Pensjon.

On 1 September 2015, Lars Ellehave-Andersen took up the position as CEO of Danica Pensjon in Norway, replacing the CEO for the previous ten years, Jan Petter Opedal.

The collaboration between the Norwegian business and Danske Bank was also intensified, both in the private and the corporate market.

During 2015, the Norwegian business continued to focus on securing long-term returns that are among the highest for customers in the pension market. These efforts were successful and investments in Danica Valg ranked high in the Norwegian market. The Norwegian business also focused on achieving more flexibility in its investment set-up with a broader range of financial instruments and on building the right characteristics in the investment solutions.

FINANCIAL REVIEW

Financial results

The Danica Group realised a profit before tax of DKK 1,955 million, against DKK 2,611 million in 2014. The net profit after tax amounted to DKK 1,456 million, against DKK 2,003 million in 2014. As described in the report and supplementary/corrective information on the annual report for 2014 dated 22 July 2015, the net profit and other items for 2014 have been changed relative to the annual report for 2014. In the annual report for 2015, comparative figures for 2014 have been restated accordingly.

The performance exceeded the profit forecast set out in the interim report for the first half of 2015. The Board of Directors proposes to the annual general meeting that an amount of DKK 3,900 million be distributed in 2016 as dividends for 2015.

DANICA GROUP, PROFIT BEFORE TAX		
(DKK millions)	2015	2014
Technical result, Traditionel	1,328	1,352
Technical result, unit-linked business	573	573
Health and accident result in Denmark (before investment return)	-182	-302
Result of insurance business	1,719	1,623
Investment return	286	459
Transferred to/from shadow account	221	610
Special allotments	-271	-81
Profit before tax	1,955	2,611

The technical result of the conventional business amounted to DKK 1,328 million, against DKK 1,352 million for 2014. Danica was able to book the full risk allowance for the four interest rate groups. Danica was also able to book DKK 221 million from the shadow account for the interest rate groups. Accordingly, at 31 December 2015 the shadow account stood at DKK 313 million.

The technical result of unit-linked products was unchanged at DKK 573 million. It was positively affected by an increase in volume, offset by increased expenses regarding a Swedish pension scheme.

The result of health and accident insurance before investment return was a loss of DKK 182 million, against a loss of DKK 302 million in 2014. The claims ratio for the health and acci-

dent business was 110%, against 121% in 2014. This change was explained by run-off on claims in the Danish business of DKK -175 million in 2014.

The return on investment, comprising the investment returns on shareholders' equity and the health and accident business, was down from DKK 459 million to DKK 286 million, mainly as a result of lower returns on nominal bonds.

As described in the section on contribution in the significant accounting policies note, special allotments amounted to an expense of DKK 271 million. This amount will be deposited in the policyholders' accounts in March 2016. The increase relative to 2014 was due to the company's dividend payment.

As illustrated in the below table, results fluctuated from quarter to quarter. The performance was particularly affected by changes in the shadow account.

DANICA GROUP, PROFIT BEFORE TAX				
(DKK millions)	Q4	Q3	Q2	Q1
Technical result, Traditionel	326	330	339	333
Technical result, unit-linked business	117	156	147	153
Technical result, health and accident business	-65	-36	-45	-36
Result of insurance business	378	450	441	450
Investment return	47	-51	-70	360
Transferred to shadow account	248	-27		
Special allotments	-208	-21	-21	-21
Profit before tax	465	351	350	789
Tax	-127	-83	-104	-185
Profit after tax	338	268	246	604

Gross premiums

Gross premiums amounted to DKK 29.6 billion in 2015, up 10% on 2014.

Premiums for the Danish unit-linked products, Danica Balance, Danica Link and Danica Select, rose by 7%. To this should be added transfers from Danica Traditionel to Danica Balance. Including such transfers, premiums rose 31%, whereas gross premiums for Danica Traditionel dropped 13%.

PREMIUMS (INCLUDING INVESTMENT CONTRACTS)					
(DKK billions)	2015	2014	2013	2012	2011
Danica Balance	18.6	13.5	12.2	12.2	9.4
Danica Link	1.7	1.8	1.9	1.9	2.3
Danica Select	0.6	0.5	0.7	0.1	-
Danica Traditionel	3.6	4.3	5.0	6.0	7.1
Internal transfers	-6.0	-1.8	-2.3	-3.3	-1.3
Health and accident	1.1	1.1	1.1	1.2	1.3
Units outside Denmark	10.0	7.4	8.2	6.6	8.5
Total premiums	29.6	26.8	26.8	24.7	27.3

Premiums in the units outside Denmark rose by 35% in aggregate and accounted for 34% of total premiums. The increase should be considered in light of the extraordinarily large sales in 2015 in the Swedish business.

Return on investment

The return on investment of customer funds in Denmark was 2.2% before tax on pension returns.

Danica Balance, Danica Link and Danica Select saw a total return of DKK 4.5 billion or 4.8% before tax on pension returns.

The return on investment of customer funds in Danica Traditionel was DKK 2.0 billion or 1.0% before tax on pension returns. After reversal of an allocation of DKK 3.9 billion from life insurance provisions, the return was 5.1%. The return after reversal of the allocation was positively affected by a rising interest rate level in 2015.

Collective bonus potential

The collective bonus potential amounted to a total of DKK 3.6 billion at year end 2015 for all contribution groups, up DKK 1.1 billion relative to the beginning of the year. In connection with settlement of tax on capital pensions, the collective bonus potential was reduced by DKK 0.5 billion, recognised directly on the balance sheet.

COLLECTIVE BONUS POTENTIAL *			
(DKK billions)	New business 2015	Total 2015	Total 2014
Return on customer funds (life)	0.8	1.6	21.6
Change in the value of insurance obligations	0.6	3.3	-13.4
	1.4	4.9	8.2
Tax on pension returns	-0.1	0.3	-3.0
Interest added for the period	-0.7	-2.1	-2.0
Cost and risk results	0.0	0.0	0.5
Risk allowance of provisions	-0.3	-1.3	-1.3
Transferred to shadow account	0.0	-0.2	-0.6
Used bonus potential of paid-up policies	0.0	0.0	-0.3
Change in collective bonus potential	0.5	1.6	1.5

* Comprises customer funds with bonus entitlement only.

The increase relative to the end of 2014 in collective bonus potential should be seen in the context of an investment return after change in additional provisions of 5.1% and an interest rate on policyholders' savings of 1.8% before tax on pension returns.

Collective bonus potential, etc. at 31 December 2015 is shown in the following table.

INTEREST RATE AND RISK GROUPS AT 31.12.2015						
(%)	Rate of interest on policyholders' savings before tax on pension returns	Return on investment before tax on pension returns	Collective bonus potential (DKK billions)	Bonus rate		
				2015	2014	
Interest rate group 1 (new customers)	1.8	1.6	1.1	2.8	1.4	
Interest rate group 2 (low guarantee)	1.8	-0.1	0.2	1.3	0.8	
Interest rate group 3 (medium guarantee)	1.8	0.8	0.7	6.9	7.9	
Interest rate group 4 (high guarantee)	1.8	0.8	1.3	3.1	1.1	

At 1 January 2016 the interest rate on policyholders' savings in all groups was unchanged at 1.8% before tax on pension returns.

Claims and benefits

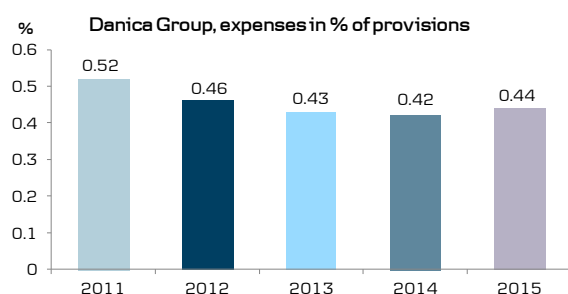
Claims and benefits amounted to DKK 24.7 billion in 2015 against DKK 23.9 billion in 2014. Surrenders including investment contracts amounted to DKK 19.7 billion in 2015 against DKK 17.5 billion in 2014. The increase was mainly due to settlement of tax on capital pensions and surrenders of unit-linked products in Denmark.

Expenses

In life insurance, operating expenses relating to insurance amounted to DKK 1,176 million in 2015, against DKK 1,079 million in 2014. The expense ratio on premiums in the Danica Group was unchanged at 4.2%, whereas in the Danish business it rose from 3.9% to 4.0%.

EXPENSES IN % OF PREMIUMS	2015	2014
Danica Group	4.2	4.2
Danica's Danish activities	4.0	3.9

Expenses amounted to 0.44% of average provisions, against 0.42% in 2014.



The average number of full-time employees was 759 in 2015, against 781 in 2014, and at the end of the year Danica had 742 employees in Denmark and abroad. The reduction happened in the Danish business and was due to the continuing digitalisation and self-service initiatives.

The Danica Group paid DKK 589 million to Danske Bank for investment management, IT operations and development, internal auditing, HR administration, logistics and marketing. In addition,

Danica paid DKK 138 million to the Danske Bank Group for its sale of life insurance policies (see note 31).

Tax

The tax charge amounted to DKK 499 million, positively affected by the reduction of the Danish corporate tax rate. The tax rate will be reduced from 23.5 in 2015 to 22.0 in 2016. The calculation of deferred tax is based on a rate of 22.0%.

Balance sheet

The Group's total assets rose from DKK 358 billion at the end of 2014 to DKK 368 billion at the end of 2015.

Investment assets, including investment assets under unit-linked contracts, rose from DKK 351 billion at year end 2014 to DKK 362 billion at year end 2015 due to a net addition and a positive investment return.

Investment assets adjusted for amounts owed to credit institutions and derivatives rose from DKK 337 billion to DKK 342 billion.

Provisions for insurance and investment contracts totalled DKK 321 billion, against DKK 315 billion at the end of 2014. The increase was attributable to unit-linked products.

At 31 December 2015, life insurance provisions amounted to DKK 147 billion, a decline of DKK 19 billion relative to 31 December 2014, due to the higher level of interest rates which in 2015 caused Danica to reduce additional provisions to meet guarantees from DKK 41 billion in 2014 to DKK 37 billion in 2015. Life insurance provisions were reduced as a result of settlement of tax on capital pensions and conversions to unit-linked products in the amount of DKK 6 billion.

The collective bonus potential at the end of 2015 amounted to DKK 3.6 billion. Additional provisions to meet Danica's guarantees amounted to DKK 37 billion, down as a result of the decline in conventional products.

Provisions for unit-linked contracts rose from DKK 137 billion at the end of 2014 to DKK 161 billion at the end of 2015.

At the end of 2015, shareholders' equity stood at DKK 19.6 billion, against DKK 20.1 billion at the end of 2014. The reduction should be seen in the context of a dividend distribution of DKK 1.9 billion for 2014.

Risk exposure and sensitivity ratios

Note 36 discloses the effect on shareholders' equity and on collective bonus potential and bonus potential of paid-up policies of isolated changes in interest rates and other relevant financial risks as well as changes in the mortality and disability rates. The note also discloses risks and the management thereof.

A 10% decline in the mortality rate, corresponding to an increase in longevity of about one year, would increase the liability by DKK 1.7 billion, of which shareholders' equity covers DKK 0.1 billion.

The pension industry is required by the Danish FSA to adopt the Traffic light stress test of the companies' capital base. Danica Pension is financially well positioned for these stress tests, which include a 12% drop in equity prices and a change in interest rates of 0.7 of a percentage point. A 12% drop in equity prices would at year end 2015 reduce the collective bonus potential by DKK 1.7 billion and shareholders' equity by DKK 0.1 billion. A 0.7 percentage point interest rate increase would reduce the collective bonus potential by DKK 0.9 billion and increase shareholders' equity by DKK 0.1 billion at year end 2015.

Throughout 2015, Danica was in the green light scenario.

In 2016, the FSA's traffic lights will be replaced by an analysis of how significant risks affect the company's calculated own funds, solvency capital requirement and minimum capital requirement.

Financial strength and solvency requirement

As a precursor to the coming Solvency II rules, the Danish FSA in 2007 introduced a requirement for insurance companies to calculate their solvency need. The solvency need is a risk-based capital requirement, calculated according to the company's own risk assessment, to complement the solvency requirement. All Danish insurance companies are required to maintain a capital base corresponding at least to the higher of the solvency requirement and the solvency need. The Danish FSA has issued an executive order which sets out the principles guiding the calculation of solvency need. All companies in the Danica Group complied with this in 2015.

DANICA GROUP, SOLVENCY		
(DKK millions)	2015	2014
Capital base after cost of capital	17,686	17,469
Solvency requirement	7,864	8,432
Solvency need	10,259	10,373
Required capital base	10,259	10,373

The solvency need amounted to DKK 10.3 billion at year end 2015 against DKK 10.4 billion at the beginning of 2015.

At 1 January 2016, a new executive order on solvency and operating plans for insurance companies entered into force (see page 9 on the transition to Solvency II). Risk exposure has been adjusted on an ongoing basis in relation to the management of the size of the capital requirement.

The Danica Group's capital base after cost of capital at 31 December 2015 amounted to DKK 17.7 billion. The Danica Group's total financial strength, i.e. its capital base and collective bonus

potential less the required capital base, amounted to DKK 11.0 billion at year end 2015.

DANICA GROUP, FINANCIAL STRENGTH		
(DKK millions)	2015	2014
Shareholders' equity	19,608	20,056
Subordinated debt	2,565	-
Cost of capital, intangible assets etc.	-587	-688
Proposed dividends	-3,900	-1,899
Capital base	17,686	17,469
Required capital base	-10,259	-10,373
Excess capital base	7,427	7,096
Collective bonus potential	3,583	2,450
Financial strength	11,010	9,546

The financial strength reflects the extra security provided for customers' funds. To this should be added a bonus potential of paid-up policies of DKK 1.2 billion, part of which can be used for loss absorption.

Events after the balance sheet date

No events have occurred between 31 December 2015 and the date of the signing of the financial statements that, in the opinion of the management, will materially affect Danica's financial position.

Outlook for 2016

In 2016, Danica expects to maintain its position as a leading provider of life and pension insurance products in Denmark. Income from insurance activities are expected to be at level with 2015.

The 2016 performance will mainly depend on financial market developments. With the implementation of a new executive order on the contribution principle at 1 January 2016, the booking of risk allowance is expected to become less volatile in future.

Under the new rules, at least 20% of the shadow account carried forward from previous years, at 31 December 2015 amounting to DK 313 million, must be recognised annually, or the right to do so will be forfeited.

Returns and market performance

In 2015, the differences between the USA and Europe and Emerging Markets in terms of economic development and monetary policy remained a major factor impacting the financial markets. The equity markets took a hit in August due to uncertainty about China's growth and foreign exchange policy, in particular. The global equity markets soon recovered, however.

The US economic recovery continued in 2015. Although growth rates were less than impressive, unemployment fell so sharply during the year that, towards the end of the year, the Fed tightened its monetary policy for the first time since the onset of the financial crisis in 2008. While Europe saw

increasing economic activity in 2015, growth was so lacklustre and inflation so low that the ECB chose to ease monetary policy despite the tightening by the Fed. The difference in European and US monetary policies contributed to a significant strengthening of the USD against the Euro for the second year running.

China's economic slowdown continues. This development is a reflection of a gradual transformation of the Chinese economy with an increasingly important service sector and a less important industrial sector. This led to lower demand for raw materials – an important factor in the falling raw materials prices over the course of 2015.

For the year as a whole, the MSCI World All Countries index produced a negative return of 1.4% measured in Danish kroner. The Danish 10-year government bond interest rate ended the year at 0.7%, marginally lower than at the beginning of the year, thus yielding a slight positive return of 0.5%. High-yield corporate bonds produced a negative return of 4.0% and emerging market bonds produced a negative return of 2.3%.

Danica return

Property investments in 2015 yielded a return of 6.4%, against 5.6% in 2014. The 2015 return was adversely affected by the continued high commercial property vacancy rates and positively affected by rising market prices of owner-occupied flats.

Listed equities yielded a return of 5.2%, while alternative investments, consisting of private equity, infrastructure funds, hedge funds, alternative credit and forestry and agriculture, yielded a return of 11.0%.

Danica Balance customers under the medium equity risk profile and with 30 years to retirement age in 2015 had a return of 7.0% before tax on pension returns. Danica Balance customers in 2015 had an overall return before tax on pension returns of DKK 2.8 billion or 4.2%. Over a five-year period, the average return was 6.0% p.a. before tax on pension returns.

DANICA BALANCE, RETURN BEFORE TAX				
Risk	30 years to retirement		5 years to retirement	
	Return	Equities etc. [%]	Return	Equities etc. [%]
Highest risk profile	7.8	100	4.8	59
High risk profile	7.8	100	3.9	48
Medium risk profile	7.0	90	3.1	38
Low risk profile	5.9	75	2.3	27
Lowest risk profile	4.0	49	1.4	16

Average return, Danica Balance was 4.2% and over five years 6.0% p.a.

The majority of the Danica Link customers have opted for Danica Valg with medium risk, and they saw a return before tax on pension returns of 5.6% in 2015. The return before tax on pension returns for Danica Valg customers who have opted for high risk was 6.9% and for customers with a Danica Valg 100% equity share 10.3%. The overall return for Danica Link customers before tax on pension returns was DKK 1.4 billion or an average of 15.4%. Over a five-year period, the average return for all customers was 6.7% p.a. before tax on pension returns.

DANICA VALG PORTFOLIO, RETURN BEFORE TAX		
[%]	2015	2014
Danica Valg Guarantee	2.7	8.9
Danica Valg 100% Bonds	-1.1	5.7
Danica Valg Low Risk	3.6	7.7
Danica Valg Medium Risk	5.6	10.8
Danica Valg High Risk	6.9	12.3
Danica Valg 100% Equities	10.3	14.8

Average return, Danica Link was 5.4% and over five years 6.7% p.a.

The overall return on Danica Balance, Danica Link and Danica Select in 2015 was DKK 4.5 billion before tax on pension returns, equal to 4.8%. Over a five-year period, the return was 6.2% p.a.

The overall return on customer funds in Danica Traditionel before tax on pension returns was 1.0%. The overall return after an increase in technical provisions was 5.1%. Over five years, the average return after changes in technical provisions was 4.7%.

CONVENTIONAL CUSTOMER FUNDS, PORTFOLIO AND RETURN				
(DKK billions)	2015		2014	
	Value	Return %	Value	Return %
Property investments	17.0	6.4	21.2	5.6
Listed equities	3.3	5.2	6.5	9.3
Alternative investments	19.0	11.0	13.9	10.4
Credit investments	13.8	-1.4	21.2	5.6
Global bonds	0	2.9	7.1	8.6
Nominal bonds	74.5	-0.4	70.5	8.9
Index-linked bonds	15.5	4.6	14.2	5.2
Short-term bonds and cash and cash equivalents	12.9	6.5	12.1	0.9
Total bonds, etc.	102.9	0.5	103.9	7.7
Other financial assets	4.5	1.0	9.8	
Total	160.5	1.0	176.5	14.0
Return after change in additional provisions		5.1		7.2

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

FROM INVESTMENT RETURN TO INTEREST RATE ON POLICY-HOLDERS' SAVINGS

(%)	New business 2015	Total 2015	Total 2014
Return on customer funds before investment costs	2.7	1.9	148
Investment costs	-0.9	-0.9	-0.8
Return on customer funds after investment costs	1.6	1.0	14.0
Change in the value of insurance obligations	1.8	4.1	-6.8
Investment return including change in insurance obligations	3.4	5.1	7.2
Tax on pension returns	-0.1	0.2	-2.6
Risk premium for the year	-0.6	-0.8	-0.8
Risk premium transferred to shadow account	-0.1	-0.1	-0.4
Risk and cost results	0.0	0.0	0.0
Transfer from collective bonus potential	-1.2	-1.1	-0.9
Transfer from bonus potential of paid-up policies	0.0	0.0	-0.2
Settlement of tax, switch etc.	0.1	-1.8	-0.8
Average interest rate on policy-holders' savings after tax on pension returns	1.5	1.5	1.5
The share of investment assets for which investment costs are included is	100	100	100

The investment allocation of assets attributed to shareholders' equity at year end 2015 was 15.8% in real property and 84.2% in relatively short-term bonds. Shareholders' equity is furthermore exposed to equities and credit bonds through investments attributable to the health and accident business. The overall return on assets attributed to shareholders' equity and to the health and accident business was 1.5%.

NEW FINANCIAL REPORTING REGULATIONS FROM 1 JANUARY 2016

The Danish FSA issued a new executive order on financial reports presented by insurance companies and lateral pension funds entering into force at 1 January 2016. The objective of the new executive order is to harmonise the financial reporting principles with those governing the calculation of solvency requirements and own funds under the Solvency II rules.

The changes under the new executive order primarily relate to the item "Total provisions for insurance and investment contracts", with a related effect on the adjusting items in the income statement. The overall changes in accounting policies for 2016 have the effect of marginally increasing total provisions by DKK 0.2 billion and reducing shareholders' equity by approximately about DKK 0.2 billion.

The new executive order also includes a major revision of financial ratios.

In conjunction with the new executive order on financial reports presented by insurance companies and lateral pension funds, the Danish FSA also issued a new executive order on the contribution principle, also entering into force at 1 January 2016. Under this executive order, companies risk allowance can only be recognised if it is not exceed the sum of individual and collective buffers. Any remaining balance in the shadow account at 2015 can still be recognised over a five-year period, however. At 31 December 2015, Danica Pension's shadow account balance was DKK 313 million.

Transition to Solvency II

The new EU solvency rules come into force at 1 January 2016. Danica Pension has worked on implementing the new rules for several years and is now ready for the comprehensive regulation and reporting. Most significantly, the changes require extended reporting, the governance and risk management reporting requirements being particularly extensive compared with the previous Danish rules.

In accordance with the Solvency II rules, Danica focuses on reporting channels and the organisational structure in its internal control system. The control system consists of four independent functions: the Risk Management Function, the Compliance Function, the Internal Audit Function and the Actuarial function. Each of the four functions is governed by and refers to Danica's management. Danica's policies and procedures meet the requirements under Solvency II.

On transition to Solvency II, the principal change relative to the existing rules is the calculation of SCR (solvency capital requirement). The IT systems have been adapted to allow Danica to make calculations and report to the FSA under the new rules, the first time for the first quarter of 2016.

As from 2016, a profit margin must be included in the calculation of the capital base. By profit margin is meant a component of the value of an insurance or investment contract representing the fair value of the undertaking's future profit on the contract, which is expected to be recognised in the income statement as the undertaking provides insurance cover and any other benefits under the contract. The increase in the capital base is partially matched by an increased solvency capital requirement.

At 1 January 2016, Danica Pension's solvency coverage ratio is expected to be in excess of 150%.

ORGANISATION, MANAGEMENT AND PARTNERSHIPS

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

Audit Committee, Executive Board and Board of Directors

Danica's Board of Directors consists of eight directors, five of whom are elected by the general meeting and three are elected by the employees. The Board of Directors is in charge of the overall management of the company and generally holds six meetings a year.

The Board of Directors has set up an audit committee to prepare the work of the Board of Directors on financial reporting and audit matters, including related risk matters, which either the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intend to review further. The committee works on the basis of clearly defined terms of reference. The committee is not authorised to make independent decisions; instead they report exclusively to the combined Board of Directors. In 2015, the Audit Committee held six meetings.

Anders Svennesen joined the Executive Board on 1 May 2015 with special responsibility for Investment

The Executive Board is in charge of the day-to-day management of the company and made up of Per Klitgård, CEO, Jacob Aarup-Andersen, Jesper Winkelmann and Anders Svennesen.

Jacob Aarup-Andersen has resigned effective at 31 March 2016 to take up a position as CFO with Danske Bank. Claus Harder, currently Co Head of Currencies, Commodities and Corporates with Danske Bank, will join Danica as CFO on 1 March 2016.

The directorships of the members of the Board of Directors and the Executive Board are listed on page 66. For additional information on the organisation, see page 65.

Diversity policy

At the board meeting held on 3 December 2015, the Board of Directors adopted a diversity policy.

Danica Pension sees diversity as a resource with respect to individual employees as well as to the organisation as a whole.

The diversity policy is required under the regulations enacted by the Danish parliament on 14 December 2012 on the gender composition of the supreme governing body of all large companies in Denmark. 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.

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

Danica's diversity policy is based on the Danske Bank Group's overall diversity and inclusion policy. Danica has defined targets for the proportion of women at each management level.

Danica's gender distribution at 31 December 2015 is set out in the table below.

Management level	Total	Women	Ratio of women	Group target (2015/2017)	Men	Ratio of men
Board of Directors	8	1	12.5%	25%	7	87.5%
Executive Board	13	2	15.4%	25%	11	84.6%
Office/department managers	11	6	54.5%	29%	5	45.5%
Team leaders	50	23	46.0%	42%	27	54.0%

* Employee representatives not included

Remuneration policy and incentive schemes

Danica's remuneration policy fits in with that of the Danske Bank Group and encompasses all employees in the Danica Group. The policy was adopted at the Danica Group's annual general meetings and is available on www.danicapension.dk.

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

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

Competent leadership and high employee satisfaction are key to the performance of the business. Danica Pension gives focused attention to management development and requires all managers to motivate, inspire and develop their employees.

Skills development is another key factor in Danica Pension's value creation, and advisers and other customer-oriented functions in particular undergo structured training programmes to ensure a solid skills base. Individual employees' skills development is arranged and takes place when deemed necessary and is agreed between manager and employee.

CORPORATE RESPONSIBILITY

Corporate Responsibility policy

Corporate responsibility (CR) is key element of Danica's strategy. Danica wants our customers and other stakeholders to be absolutely confident that in operating our business we factor in environmental, social, ethical and governance considerations. Danica believes that responsible business conduct is a prerequisite for a company's long-term value creation.

Danica complies with Danske Bank's Corporate Responsibility policy. Along with the Annual Report 2015, the Danske Bank Group has published Corporate Responsibility 2015 on the Group's corporate responsibility. All relevant Corporate Responsibility data for the Group are available in the Corporate Responsibility Fact Book 2015, which is published along with the Corporate Responsibility report.

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

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

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

Socially responsible investment principles

In 2008, Danica implemented a socially responsible investment (SRI) policy in order to ensure that Danica does not invest customers' money in companies that do not comply with international human rights, environmental and employee rights, weapons and anti-corruption guidelines. Danica also adopted the UN Principles for Responsible Investment (PRI). This decision reflected the Group's ambition to comply with international standards in Danica's environmental, social and ethical guidelines. In 2014, a few companies were excluded from Danica's investment universe based on the Group's socially responsible investment guidelines, while others had made improvements and could be included again.

The list of companies not eligible for investment can be seen at danicapension.dk.

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

Environmental considerations

In 2015, Danica continued implementing measures to reduce paper consumption. Danica continued the digitalisation so that customers can choose to receive most of Danica's letters electronically. At the end of 2015, almost all Danica's Danish customers received electronic mail.

The company regularly monitors heating, electricity, water consumption and mileage on the company's vehicles. Also, all of Danica's vehicles have been replaced by environmentally friendly cars. Danica is included in Danske Bank's CO2 accounts. The complete report is available at Danske Bank's website. From 2014 to 2015, Danica's overall carbon footprint was reduced by 43%. This is explained by Danica's shift in 2015 to purchasing "green electricity".

POWER, HEAT AND WATER CONSUMPTION TRENDS

		2015	2014	2013	Index 15/14
Total power consumption	MWh	1,092	1,293	1,231	84
Total heat consumption	MWh	2,360	2,101	2,431	112
Total water consumption	m ³	4,605	4,987	4,465	92
Mileage	Km'000	1,115	1,117	1,532	100
Paper	tonnes	62	76	71	82

Power, heat and water consumption includes head office and regional offices in Denmark. The consumption covers the period [October 2014 to September 2015].

The heat consumption was up 12% relative to 2014 as a result of a colder winter season in 2014/15 than the previous year.

The drop in paper consumption was explained by Danica's increasing digitalisation.

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

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Financial highlights - Danica Group

DKKm	2015	2014	2013	2012	2011
INCOME STATEMENT					
Life insurance					
Premiums	20,188	19,429	18,943	18,662	19,169
Return on investment after tax on pension returns	9,751	31,219	9,754	23,146	7,712
Claims and benefits	-24,691	-23,989	-22,412	-18,800	-16,663
Change in life insurance provisions and outstanding claims provisions	13,457	-4,458	12,494	-3,193	-4,498
Change in collective bonus potential	-1,627	-1,487	-275	-477	1,403
Change in provisions for unit-linked contracts	-13,880	-16,576	-15,970	-15,541	-5,764
Total operating expenses relating to insurance	-1,176	-1,079	-1,073	-1,117	-1,203
Profit/loss on business ceded	-110	284	-52	168	266
Transferred return on investment	-461	-1,255	-488	-1,138	-879
Technical result, Life	1,451	2,088	921	1,710	-457
Health and accident insurance					
Gross premium income	1,278	1,304	1,307	1,306	1,427
Gross claims	-1,343	-1,519	-1,385	-1,311	-1,243
Total operating expenses relating to insurance	-128	-112	-123	-143	-162
Profit/loss on business ceded	-7	-8	-9	-8	-9
Return on investment less technical interest	251	330	180	318	284
Technical result of health and accident insurance	-69	-145	-73	32	181
Return on investment allocated to equity, etc.	573	668	585	612	503
Profit before tax	1,955	2,611	1,433	2,354	227
Tax	-499	-608	-122	-576	-64
Net profit for the year	1,456	2,003	1,311	1,778	163
BALANCE SHEET					
Total assets	368,340	358,636	327,749	324,495	303,160
Insurance assets, health and accident insurance	93	127	172	198	216
Technical provisions, health and accident insurance	9,583	9,644	8,956	9,106	8,648
Total shareholders' equity	19,608	20,056	18,563	18,015	18,780
Total provisions for insurance and investment contracts	320,839	315,833	293,522	289,899	268,937
Collective bonus potential	3,584	2,450	1,125	851	375
KEY FIGURES AND RATIOS (%)					
Return before tax on pension returns	1.0	12.9	0.0	8.6	6.2
Return before tax on pension returns on customer funds	1.0	14.0	-0.2	9.2	6.8
Expenses as per cent of premiums	4.2	4.2	4.2	4.8	4.6
Expenses as per cent of provisions	0.4	0.4	0.4	0.5	0.5
Expenses per policyholder (DKK)	1,266	1,162	1,151	1,200	1,337
Cost result	-0.14	-0.08	-0.07	-0.09	-0.11
Insurance risk result	0.04	0.06	0.06	0.06	0.04
Bonus rate	3.3	2.0	0.8	0.6	0.2
Owners' capital ratio	21.2	16.1	13.8	12.0	11.9
Excess core capital ratio	9.4	7.7	7.2	5.6	6.1
Solvency coverage ratio	231	213	219	195	212
Return on equity before tax	9.8	13.5	7.8	12.2	1.1
Return on equity after tax	7.3	10.3	7.1	9.2	0.8
Return on customer funds after deduction of expenses before tax	-0.7	11.7	-1.1	8.2	6.0
Return on subordinated debt before tax	0.5	-	-	-	1.7
RATIOS FOR HEALTH AND ACCIDENT INSURANCE					
Gross claims ratio	110	121	109	107	93
Gross expense ratio	10	9	10	12	12
Combined ratio	121	130	120	119	106
Operating ratio	128	141	120	124	108
Relative run-off	-0.1	-2.2	0.1	0.2	1.0
Run-off, net of reinsurance (DKK millions)	-5	-174	6	17	70

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds. As described in the report and supplementary information on the annual report of 22 July 2015, the net profit and other items for 2014 have been changed relative to the annual report for 2014. In the annual report for 2015, comparative figures have been restated accordingly.

Income statement & Other comprehensive income - Danica Group

Note	DKKm	2015	2014
3	Gross premiums	20,188	19,429
	Reinsurance premiums ceded	-33	-33
	Total premiums, net of reinsurance	20,155	19,396
	Income from associates	116	84
4	Income from investment property	898	823
5	Interest income and dividends, etc.	7,804	7,659
6	Value adjustments	3,575	28,239
	Interest expenses	-1,275	-581
	Administrative expenses related to investment activities	-750	-762
	Total investment return	10,368	35,462
	Tax on pension returns	-617	-4,243
	Return on investment after tax on pension returns	9,751	31,219
7	Claims and benefits paid	-24,691	-23,989
	Reinsurers' share received	8	105
	Change in outstanding claims provision	-13	14
	Change in outstanding claims provision, reinsurers' share	1	4
	Total claims and benefits, net of reinsurance	-24,695	-23,866
	Change in life insurance provisions	13,470	-4,472
	Change in reinsurers' share	-90	201
	Total change in life insurance provisions, net of reinsurance	13,380	-4,271
	Change in collective bonus potential	-1,627	-1,487
	Total bonus	-1,627	-1,487
	Change in provisions for unit-linked contracts	-13,880	-16,576
	Total change in provisions for unit-linked contracts, net of reinsurance	-13,880	-16,576
	Acquisition costs	-331	-309
	Administrative expenses	-845	-770
	Reinsurance commissions and profit sharing	4	7
8	Total operating expenses relating to insurance, net of reinsurance	-1,172	-1,072
	Transferred investment return	-461	-1,255
	TECHNICAL RESULT OF LIFE INSURANCE	1,451	2,088

Income statement & Other comprehensive income - Danica Group

Note	DKKm	2015	2014
	(cont'd)		
	HEALTH AND ACCIDENT INSURANCE		
	Gross premiums	1,266	1,263
	Reinsurance premiums ceded	-75	-69
	Change in unearned premiums provision	12	41
	Change in unearned premiums provision, reinsurers' share	1	0
	Premiums, net of reinsurance	1,204	1,235
	Technical interest	-68	-95
	Claims paid, gross	-1,431	-1,396
	Reinsurers' share received	106	87
	Change in outstanding claims provision	88	-123
	Change in outstanding claims provision, reinsurers' share	-41	-35
	Claims, net of reinsurance	-1,278	-1,467
	Bonus and premium discounts	-52	-45
	Acquisition costs	-39	-36
	Administrative expenses	-89	-76
	Reinsurance commissions and profit sharing	2	9
	Total operating expenses relating to insurance, net of reinsurance	-126	-103
	Return on investment	251	330
9	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	-69	-145
	Return on investment allocated to equity	230	372
10	Other income	354	301
	Other expenses	-11	-5
11	PROFIT BEFORE TAX	1,955	2,611
12	Tax	-499	-608
	NET PROFIT FOR THE YEAR	1,456	2,003
	Net profit for the year	1,456	2,003
	Other comprehensive income (items that will be reclassified in a subsequent sale):		
	Translation of units outside Denmark	-10	-35
	Hedges of units outside Denmark	8	32
12	Tax relating to other comprehensive income	-2	-7
	Total other comprehensive income	-4	-10
	NET COMPREHENSIVE INCOME FOR THE YEAR	1,452	1,993

Balance sheet - Danica Group

Assets

Note	DKKm	2015	2014
13	INTANGIBLE ASSETS	79	84
14	Domicile property	43	52
	TOTAL TANGIBLE ASSETS	43	52
15	Investment property	27,606	22,753
16	Holdings in associates	1,140	977
	Loans to associates	157	51
	Total investments in associates	1,297	1,028
17	Holdings	26,508	22,387
	Unit trust certificates	11,087	18,932
18	Bonds	117,903	120,655
	Other loans	2,835	1,315
	Deposits with credit institutions	840	8,342
19	Derivatives	13,913	18,080
	Other	1	200
20	Total other financial investment assets	173,087	189,911
	TOTAL INVESTMENT ASSETS	201,990	213,692
21	UNIT-LINKED INVESTMENT ASSETS	159,874	137,129
	Unearned premiums provision, reinsurers' share	7	5
	Life insurance provisions, reinsurers' share	38	2,143
	Outstanding claims provision, reinsurers' share	100	134
22	Total technical provisions, reinsurers' share	145	2,282
	Amounts due from policyholders	731	708
	Amounts due from insurance companies	269	321
	Other debtors	951	643
	TOTAL DEBTORS	2,096	3,954
	Current tax assets	362	44
	Cash and cash equivalents	1,631	1,082
	TOTAL OTHER ASSETS	1,993	1,126
	Accrued interest and rent	1,832	2,153
	Other prepayments and accrued income	433	446
	TOTAL PREPAYMENTS AND ACCRUED INCOME	2,265	2,599
	TOTAL ASSETS	368,340	358,636

Balance sheet - Danica Group

Liabilities and equity

Note	DKKm	2015	2014
LIABILITIES			
	Unearned premiums provision	696	708
	Guaranteed benefits	143,129	162,496
	Bonus potential of future premiums	2,441	2,688
	Bonus potential of paid-up policies	1,183	862
	Total life insurance provisions	146,753	166,046
23	Outstanding claims provision	9,085	9,138
24	Collective bonus potential	3,584	2,450
	Provisions for bonuses and premium discounts	93	94
25	Provisions for unit-linked contracts	160,628	137,397
26	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	320,839	315,833
12	Deferred tax	1,731	1,468
27	TOTAL PROVISIONS FOR LIABILITIES	1,731	1,468
	Amounts owed, direct insurance	386	419
	Amounts owed to reinsurers	35	24
27	Amounts owed to credit institutions	8,012	7,153
	Amounts owed to group undertakings	-	2
	Current tax liabilities	44	-
28	Other creditors	12,921	13,124
	Other assruals and deferred income	1,033	557
29	Subordinated debt	3,731	-
	TOTAL CREDITORS	348,732	338,580
EQUITY			
	Share capital	1,000	1,000
	Revaluation reserve	-	1
	Other reserves	12,386	13,596
	Retained earnings	2,322	3,560
	Proposed dividend	3,900	1,899
	TOTAL SHAREHOLDERS' EQUITY	19,608	20,056
	TOTAL LIABILITIES AND EQUITY	368,340	358,636

Statement of capital - Danica Group

DKK m

Changes in shareholders' equity	Share capital	Revaluation reserve	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2014	1,000	1	-4	13,600	3,560	1,899	20,056
Profit for the year	-	-	-	1,394	62	-	1,456
Other comprehensive income:							
Translation of units outside Denmark	-	-	-10	-	-	-	-10
Hedges of units outside Denmark	-	-	8	-	-	-	8
Tax on other comprehensive income	-	-	-	-2	-	-	-2
Total other comprehensive income	-	-	-2	-2	-	-	-4
Comprehensive income for the year	-	-	-2	1,392	62	-	1,452
Adjustment, domicile property	-	-1	-	-	-	-	-1
Dividend paid	-	-	-	-	-	-1,899	-1,899
Proposed dividend **	-	-	-	-2,600	-1,300	3,900	0
Shareholders' equity at 31 December 2015	1,000	0	-6	12,392	2,322	3,900	19,608
Shareholders' equity at 31 December 2013	1,000	1	-1	13,504	3,559	500	18,563
Profit for the year	-	-	-	2,002	1	-	2,003
Other comprehensive income:							
Translation of units outside Denmark	-	-	-35	-	-	-	-35
Hedges of units outside Denmark	-	-	32	-	-	-	32
Tax on other comprehensive income	-	-	-	-7	-	-	-7
Total other comprehensive income	-	-	-3	-7	-	-	-10
Comprehensive income for the year	-	-	-3	1,995	1	-	1,993
Dividend paid	-	-	-	-	-	-500	-500
Proposed dividend **	-	-	-	-1,899	-	1,899	0
Shareholders' equity at 31 December 2014	1,000	1	-4	13,600	3,560	1,899	20,056

* Recognised in the balance sheet under other reserves.

** The dividend amounts to DKK 3,900 per share (2014: DKK 1,899). The line shows the effect on shareholders' equity at year end.

Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of Statsanstalten for Livsforsikring (now a part of Danica Pension) if the percentage by which the equity exceeds the required capital base is higher than the percentage that had been maintained by Statsanstalten for Livsforsikring prior to the privatisation of this company in 1990. This comprises any excess either added to shareholders' equity or distributed as dividend. 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 1,000,000 shares of a nominal value of DKK 1,000 each. All shares carry the same rights; there is thus only one class of shares.

Statement of capital - Danica Group

DKKm	2015	2014
Solvency requirement and capital base		
Shareholders' equity	19,608	20,056
Core capital	19,608	20,056
- Proposed dividend	-3,900	-1,899
- Intangible assets	-79	-84
Reduced core capital	15,629	18,073
Supplementary capital	3,731	-
- Limitations to supplementary capital	-1,166	-
Reduced supplementary capital	2,565	-
Capital base	18,194	18,073
Solvency requirement for life insurance	7,490	8,102
Solvency requirement for health and accident insurance	376	371
Total solvency requirement	7,866	8,473
Excess capital base	10,328	9,600

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

Cash flow statement - Danica Group

DKKm	2015	2014
Cash flow from operations		
Profit before tax	1,955	2,611
Adjustment for non-cash operating items:		
Non-cash items relating to premiums and benefits	1,472	20,923
Non-cash items relating to reinsurance	139	-174
Non-cash items relating to investment return	-4,849	-30,019
Non-cash items relating to tax on pension returns	-2,475	2,793
Non-cash items relating to expenses	321	646
Net investment, customer funds	-6,517	3,282
Payments received and made, investment contracts	2,934	1,907
Tax paid	324	-757
Cash flow from operations	-6,696	1,212
Cash flow from investing activities		
Acquisition of investment property	-1,237	-
Acquisition of bonds	-22,022	-11,587
Sale of bonds	20,309	11,182
Sale of derivatives	2	1
Cash flow from investing activities	-2,948	-404
Cash flow from financing activities		
Redemption of subordinated debt	3,730	-
Dividends	-1,899	-500
Debt to credit institutions	860	-1,529
Cash flow from financing activities	2,691	-2,029
Cash and cash equivalents at 1 January	9,424	10,645
Change in cash and cash equivalents	-6,953	-1,221
Cash and cash equivalents, end of year	2,471	9,424
Cash and cash equivalents, end of year		
Deposits with credit institutions	840	8,342
Cash in hand and demand deposits	1,631	1,082
Total	2,471	9,424

Notes – Danica Group

Note

1 SIGNIFICANT ACCOUNTING POLICIES – FORSIKRINGSSELSKABET DANICA

GENERAL

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs), 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 annual reports of issuers of listed bonds.

In 2014, the consolidated financial statements were prepared in accordance with the Danish Financial Business Act, including the Danish FSA's Executive Order No. 112 of 7 February 2013 on financial reports presented by insurance companies and lateral pension funds. The transition to IFRS in 2015 was made because Danica Pension in the autumn of 2015 issued bonds which are listed on the Irish Stock Exchange. In the period 2007-2011, the consolidated financial statements were also presented in accordance with IFRS due to issued, listed bonds, and since 2004 the consolidated financial statements have been included in the consolidated financial statements of the ultimate parent company, Danske Bank A/S, which are presented in accordance with IFRS.

The re-implementation of IFRS does not affect the recognition or measurement of individual income statement and balance sheet items, but solely results in an extension of note disclosures.

In continuation of an inquiry from the FSA, the Group has reassessed its recognition and measurement and presentation of a single pension scheme and, consequently, changed its accounting policy for that pension scheme. For more details, see: Report and supplementary/corrective information on the annual report for 2014 of Forsikringssekskabet Danica.

Accounting estimates and judgments

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

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

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

Measurement of liabilities under insurance contracts

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 expected frequency of surrenders and conversions into paid-up policies. For health and accident insurance, the insurance obligations are calculated on the basis of expected future recoveries and re-openings of old claims. Estimates of future mortality rates are based on the Danish FSA's benchmark, while other estimates are based on empirical data from the Group's own portfolio of insurance contracts. Estimates are updated regularly.

The calculation of life insurance provisions is based on an assumed increase in life expectancy over today's observed lifetime of 1.2 year for a sixty five-year-old man and 1.1 year for a sixty five-year-old woman. A sixty five-year-old man is thus expected to live for approximately 21 more years and a sixty five-year-old woman for approximately 23 more years. The update of mortality rates in 2015 resulted in an increase in provisions of approximately DKK 600 million.

The liabilities also depend on the discount yield curve, which, for maturities of less than two years, is fixed on the basis of a zero-coupon yield curve estimated on the basis of bonds issued to fund interest-reset loans. For maturities between seven and 20 years, the zero-coupon yield curve is estimated on the basis of Euro swap market rates to which is added a country spread between Danish and German government bonds, calculated as a 12-month moving average. A mortgage yield spread is also added as stipulated by the agreement between the Danish Ministry of Business and Growth and the Danish Insurance Association on financial stability in the pension area. (Interest rate curve - agreement of 20.12.2013). Maturities between two and seven years are based on linear interpolation. For maturities of more than 20 years, the forward rate between 20 and 30 years is extrapolated, the forward rate at the 30-year mark being fixed at 4.2% (Ultimate Forward Rate).

Notes – Danica Group

Note

See the sensitivity analysis in note 36 to the financial statements.

Fair value measurement of financial instruments

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

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

Fair value measurement of real property

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

Consolidation

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

Group undertakings

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

For an overview of the companies in the Group, see page 73. The Group is not subject to any restrictions on its ability to access or use the assets or settle the liabilities of the Group

Holdings in associates

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

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

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

Jointly controlled assets and operations

Properties that are owned jointly with other undertakings outside the Group, and where each venturer has control over its share of the future economic benefits through its share of the property, are classified as jointly controlled assets.

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.

Notes – Danica Group

Note

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.

Intragroup transactions

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

Segment reporting

In the financial statements, the Group is broken down into three business segments based on differences in products. The segment Traditional covers traditional life insurance and pension schemes with guaranteed benefits and Forenede Gruppeliv, while the Unit-linked contract segment covers market return pension schemes. The segment Health and accident covers non-life insurance, which in addition to health and accident insurance comprises the products Health insurance, Critical illness and Sundhedsfremmer (health promoter). In the segment reporting, profit before tax is calculated according to the accounting policies applied in the consolidated financial statements. The presentation of the main consolidated income statement items is changed in accordance with the segment reporting used internally by the Group's management to assess earnings and resource allocation. The changes are shown in the reclassification column.

Inter-segment transactions are settled on an arm's-length or a cost recovery basis. Expenses incurred centrally by support, administrative and back-office functions are charged to the business units according to consumption and activity at calculated unit prices or at market prices, if available.

The financial statements also present a geographical segmentation of premiums and assets, broken down into the countries in which the Group has operations, Denmark, Sweden and Norway.

Translation of transactions in foreign currency

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Forsikringselskabet Danica. 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. Net investments include the shareholders' equity and goodwill of the unit as well as holdings in the unit in the form of subordinated loan capital.

Hedge accounting

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

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

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

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

Insurance contracts

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

Notes – Danica Group

Note

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 insurances is divided into four interest rate groups, four cost groups and three risk groups.

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

Within each interest rate group, any losses are absorbed collectively by that group's collective bonus potential and the bonus potential of paid-up policies before any shareholders' equity is required to cover such losses. Any losses on risk and cost groups not absorbed by the collective bonus potential of the individual groups are to be covered by shareholders' equity. Losses related to interest and risk groups that are covered by shareholders' equity are transferred to the shadow account and may be booked at a later date when the technical basis permits.

Danica Pension has an obligation to allocate part of the excess equity to certain policyholders of the former Statsanstalten for Livsforsikring (now part of Danica Pension) if the percentage by which the equity exceeds the statutory solvency requirement is higher than the percentage that had been maintained by Statsanstalten for Livsforsikring prior to the privatisation of this company in 1990.

INCOME STATEMENT

Life insurance premiums

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

Return on investment

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

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

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

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. The rate of tax on pension returns is 15.3%.

Claims and benefits

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

Change in life insurance provisions

Change in life insurance provisions, net of reinsurance, comprises the change for the year in gross life insurance provisions less reinsurers' share.

Notes – Danica Group

Note

Change in collective bonus potential

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

Change in provisions for unit-linked contracts

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

Operating expenses relating to insurance activities

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

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

Performance-based remuneration is expensed as it is earned. Part of the performance-based remuneration for the year may be paid in the form of 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.

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

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

Other income

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

Other expenses

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

Tax

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.

Notes – Danica Group

Note

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

Goodwill on subsidiaries is tested for impairment based on earnings estimates for the budget period, followed by a terminal value. The budget period generally represents the first five years. If earnings are not expected to reach a normalised level within the first five years, the period of explicit earnings estimates is extended to ten years. Expected cash flows are discounted by 9% post-tax, equalling 12% before tax. Goodwill in associated undertakings 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 five 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.

The principal assumptions applied in impairment testing are 6% negative growth in terminal period and 0% inflation.

Domicile property

Domicile property is real property occupied by Danica for administrative purposes etc. The section on investment property below explains the distinction between domicile and investment property. Domicile property is measured at fair value according to the same principles as the Group's investment property, see the section Investment property.

Positive fair value adjustments of domicile property are recognised in other comprehensive income, unless the increase counters a value reduction previously recognised in the income statement. Negative fair value adjustments are recognised in the income statement, unless the decrease counters a value increase previously recognised in other comprehensive income.

Domicile property is depreciated on a straight-line basis, based on the expected scrap value and an estimated useful life of fifty years.

Investment property

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

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

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

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

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 35 *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 fair value basis, the fair value measurement is based on mid-market prices.

Financial investment assets

At initial recognition, financial investment assets are classified as financial assets at fair value through profit or loss, as these assets are managed on a fair value basis, among other things due to their relation to pension obligations. Exceptions from this are derivatives, which by definition are classified as held for trading, and deposits with credit institutions, which are classified as debtors.

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

Notes – Danica Group

Note

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

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

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

Investment assets related to unit-linked contracts

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

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

Debtors

The reinsurers' share of insurance provisions is shown divided into unearned premiums provisions, life insurance provisions, outstanding claims provisions and provisions for unit-linked contracts.

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

LIABILITIES AND EQUITY

Unearned premiums provisions

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

Life insurance provisions

Life insurance provisions are computed for each insurance policy on the basis of a zero-coupon yield curve. The computation of life insurance provisions is based on assumptions of expected future mortality and disability rates. Estimates of future mortality rates are based on the Danish FSA's benchmark, while other estimates are based on historical data derived from the existing portfolio of insurance contracts, including an allowance for risk. The risk allowance has been determined using a margin on mortality intensity.

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

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

Guaranteed benefits comprise obligations to pay guaranteed benefits to policyholders. Guaranteed benefits are calculated as the present value of the current guaranteed benefits plus the present value of expected future administrative expenses less the present value of future premiums. The guaranteed benefits are calculated taking into account future conversion of the policies into paid-up policies and policyholders' surrenders based on empirical data for the Group.

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

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

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

Notes – Danica Group

Note

Outstanding claims provisions

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

Collective bonus potential

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

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

Provisions for bonus and premium discounts

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

Provisions for unit-linked contracts

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

Deferred tax

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

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

Creditors

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

Subordinated debt

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

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

Shareholders' equity

Foreign currency translation reserve

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

Other reserves

Accumulated results of subsidiaries are recognised under other reserves if the parent company is a non-life insurance company. The foreign currency translation reserve should be shown separately according to IFRS, but forms part of other reserves under the Executive Order issued by the Danish FSA on financial reports presented by insurance companies and lateral pension funds.

Revaluation reserve

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

Proposed dividends

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

Notes – Danica Group

Note

Cash flow statement

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

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

Key ratios

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

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of amendments to international financial reporting standards which have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations which have not yet come into force. None of these are expected to materially affect the future financial reporting of the Group. The paragraphs below list the standards and interpretations that are likely to affect the Group's financial reporting.

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, which will replace the principles of IAS 39. IFRS 9 provides principles for classification of financial instruments, impairment concerning credit risk on financial assets recognised in the income statement at amortised cost and general hedge accounting provisions. IASB is still working on new provisions on hedge accounting for portfolio hedges.

Under IFRS 9, financial assets are classified on the basis of the business model within which they are held and their contractual characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows, and where the cash flows are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Assets held both with the objective of collecting contractual cash flows and of selling, and where the cash flows are payments of principal and interest, are measured at fair value through other comprehensive income. Other assets are measured at fair value through profit or loss. As under IAS 39, an entity may designate financial assets as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from recognising assets or liabilities on different bases (the fair value option). The group currently applies this fair value option under IAS 39.

The principles applicable to financial liabilities are largely unchanged from IAS 39.

IFRS 9, which has not yet been adopted by the EU, is to be implemented at 1 January 2018. IASB is currently considering how insurance companies are to handle the fact that IFRS 9 must be implemented before implementation of the amendment of IFRS 4, Insurance Contracts, currently being prepared by IASB. The Group is following the development of this issue, and will, once it has been resolved, consider whether to postpone implementation of IFRS 9 until the implementation of IFRS 4, as is expected to be one of the options available to insurance companies.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which will replace the principles of IAS 18 and other revenue recognition standards. Pursuant to IFRS 15, revenue must be recognised as the performance obligations are satisfied. The standard also includes additional disclosure requirements.

IFRS 15, which has not yet been adopted by the EU, is to be implemented at 1 January 2018. The Group is currently assessing the effects of the standard. It is not possible as yet to assess any accounting effect of the standard.

Amendment of the Danish executive order on financial reports presented by insurance companies

The Danish executive order on financial reports presented by insurance companies has been amended and is to be implemented at 1 January 2016. The amendment is described on page 9 of the management report. The change is implemented at the beginning of 2016, and it is expected that the comparative figures for 2015 are to be restated.

Notes - Danica Group

Note DKKm

2 BUSINESS SEGMENTS

The group's business segments are based on differences in products. The segment Traditional covers conventional life insurance and pension plans offering guaranteed benefits and Forenede Gruppeliv, while the Unit-linked contract segment covers pension plans offering market returns. The Health and accident segment covers non-life insurance, which in addition to health and accident insurance comprises the products Sundhedssikring (health care), Kritisk Sygdom (critical illness) and Sundhedsfremmer (offer of health check).

BUSINESS SEGMENTS 2015	Traditional	Unit-linked contracts	Health and accident insurance	Total	Reclassification	Group
Gross premiums	3,605	24,981	1,266	29,852	-279	29,573
Gross premiums from external sales	3,605	24,981	1,266	29,852	-279	29,573
- Gross premiums on investment contracts		-8,119		-8,119		-8,119
Gross premiums in the income statement	3,605	16,862	1,266	21,733	-279	21,454
Return on investment allocated to technical result	2,001	6,747		8,748	726	9,474
Claims and benefits paid	-15,998	-8,973	-1,430	-26,401	279	-26,122
Change in provisions for insurance and investment contracts	12,194	-14,188	48	-1,946	-56	-2,002
Total operating expenses relating to insurance	-410	-743	-129	-1,282	-23	-1,305
Result of reinsurance	-92	-18	-7	-117		-117
Other income, net	102	886	-4	984	-641	343
Technical result	1,402	573	-256	1,719	6	1,725
Change in shadow account	222			222	-222	0
Special allotment	-271			-271	271	0
Return on investment, shareholders' equity	100		2	102	128	230
Return on investment, health and accident			182	182	-182	0
Profit before tax	1,453	573	-72	1,954	1	1,955
Other segment information						
Interest income	5,506	27	147	5,680		
Interest expenses	-1,256	-16	-3	-1,275		
Income from associated undertakings at book value	116			116		

The Danica Group has no single customers generating 10% or more of the combined revenue.

BUSINESS SEGMENTS 2014

Gross premiums	4,282	21,688	1,263	27,233	-412	26,821
Gross premiums from external sales	4,282	21,688	1,263	27,233	-412	26,821
- Gross premiums on investment contracts	-	-6,129	-	-6,129	-	-6,129
Gross premiums in the income statement	4,282	15,559	1,263	21,104	-412	20,692
Return on investment allocated to technical result	19,197	10,465	-	29,662	539	30,201
Claims and benefits paid	-15,872	-8,529	-1,396	-25,797	412	-25,385
Changes in provisions for insurance and investment contracts	-6,030	-17,014	-127	-23,171	524	-22,647
Total operating expenses relating to insurance	-429	-653	-112	-1,194	3	-1,191
Result of reinsurance	286	-2	-8	276	-	276
Other income, net	-	746	-3	743	-447	296
Technical result	1,434	572	-383	1,623	619	2,242
Change in shadow account	610	-	-	610	-610	0
Special allotment	-81	-	-	-81	81	0
Return on investment, shareholders' equity	216	-	8	224	148	372
Return on investment, health and accident	-	-	235	235	-238	-3
Profit before tax	2,179	572	-140	2,611	0	2,611
Other segment information						
Interest income	5,376	26	22	5,424		
Interest expenses	-562	-19	0	-581		
Income from associated undertakings at book value	84	-	-	84		

The Danica Group has no single customers generating 10% or more of the combined revenue.

Notes - Danica Group

Note	DKKm	2015	2014
2	(cont'd)		
	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, external customers	Assets
		2015	2014
	Denmark	19,617	19,445
	Sweden	8,091	5,744
	Norway	1,865	1,632
	Total	29,573	28,867
			2015
			2014
	Denmark	28,783	23,780
	Sweden	-	-
	Norway	84	84
	Total	28,867	23,864
3	GROSS PREMIUMS, incl. payments received under investment contracts		
	Direct insurance:		
	Regular premiums	13,567	13,550
	Single premiums	14,740	12,008
	Total direct insurance	28,307	25,558
	Total gross premiums	28,307	25,558
	In the above gross premiums, premiums paid on investment contracts which are not included in the income statement constitute:		
	Regular premiums	1,242	1,232
	Single premiums	6,877	4,897
	Total premiums paid	8,119	6,129
	Total gross premiums included in the income statement	20,188	19,429
	Premiums, direct insurance, broken down by insurance arrangement:		
	Insurance taken out in connection with employment	22,887	19,724
	Insurance taken out individually	3,963	4,303
	Group life insurance	1,457	1,531
	Total	28,307	25,558
	Number of insured, direct insurance (1,000):		
	Insurance taken out in connection with employment	476	458
	Insurance taken out individually	408	417
	Group life insurance	461	508
	Premiums, direct insurance, broken down by bonus arrangement:		
	With profits insurance	3,605	4,282
	Without profits insurance	198	205
	Unit-linked insurance	24,504	21,071
	Total	28,307	25,558
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	18,135	17,948
	Other EU countries	8,291	5,967
	Other countries	1,881	1,643
	Total	28,307	25,558

Notes - Danica Group

Note	DKKm	2015	2014
4	INCOME FROM INVESTMENT PROPERTY		
	Rent	1,391	1,340
	Operating expenses	-493	-517
	Total	898	823
	Investment property leases are accounted for as operating leases. Some of the leases are non-terminable by the lessee for a number of years.		
	Rent from non-cancellable leases for the year amounted to	3,236	2,484
	Breakdown of minimum lease payments on non-terminable leases by lease term:		
	Within 1 year	1,041	902
	1 - 5 years	1,405	1,226
	After 5 years	790	356
	Total	3,236	2,484
5	INTEREST INCOME AND DIVIDENDS		
	Interest income	5,680	5,425
	Dividends	2,046	2,136
	Indexation	78	98
	Total	7,804	7,659
6	VALUE ADJUSTMENTS		
	Domicile property	-	6
	Investment property	524	386
	Holdings	3,037	2,445
	Unit trust certificates	7,765	13,801
	Bonds	-1,787	4,033
	Other loans	-33	-44
	Deposits with credit institutions	207	117
	Other	-6,138	7,495
	Total value adjustments	3,575	28,239
7	CLAIMS AND BENEFITS PAID		
	Direct insurance:		
	Insurance amounts on death	-630	-683
	Insurance amounts on disablement	-215	-247
	Insurance amounts on expiry	-1,336	-1,730
	Retirement benefits and annuities	-7,035	-7,090
	Surrender values	-14,632	-13,333
	Cash payments of bonuses	-842	-905
	Total direct insurance	-24,690	-23,988
	Expenses to minimise disablement	-1	-1
	Total claims and benefits paid	-24,691	-23,989
	Some customers converted their capital pension plan to a retirement savings plan:		
	Tax on the customers' custody account included as surrenders amounted to	-4,980	-2,315
	Tax on collective bonus potential regarding customers who converted	-101	-17
	Tax on accumulated value adjustment regarding customers who converted	-386	-139

Notes - Danica Group

Note	DKKm	2015	2014
8	OPERATING EXPENSES RELATING TO INSURANCE		
	Commission on direct insurance	-307	-283
	Fees to the audit firms appointed by the general meeting:		
	Fees to Deloitte:		
	Statutory audit of financial statements	-1.9	-
	Other assurance engagements	-1.3	-
	Other services	-0.4	-
	Total	-3.6	-
	Fees to Ernst & Young:		
	Statutory audit of financial statements	-0.1	-1.0
	Other assurance engagements	-0.3	-0.2
	Tax advisory services	-	-0.1
	Total	-0.4	-1.3
	Fees to KPMG Danmark:		
	Statutory audit of financial statements	-	-0.5
	Tax advisory services	-	-0.1
	Other services	-0.2	-0.1
	Total	-0.2	-0.7
	The increase in audit expenses relative to 2014 was mainly due to Deloitte assuming a number of tasks from the Group's internal audit department internal audit department.		
	Average number of full-time-equivalent employees during the year	759	781
	Number of full-time-equivalent employees, end of year	742	772
	Staff costs:		
	Salaries	-499	-481
	Share-based payment	-4	-2
	Pensions	-104	-83
	Social security and tax	-69	-68
	Other	-53	-45
	Total staff costs earned	-729	-679
	For a more detailed description of the Group's remuneration policy and remuneration paid, see "Remuneration Report 2015", available at the website: www.danicapension.dk . The remuneration report 2015 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.		
	Pension plans		
	Contributions to external defined contribution plans	-26	-14
	Contributions to internal defined contribution plans	-78	-69
	Total	-104	-83

Notes - Danica Group

Note DKKm	2015	2014
8 (cont'd)		
Board of Directors' remuneration (DKK'000)		
Kim Andersen	-340	-340
Thomas Falck	-150	-150
Charlott Due Pihl	-150	-150
Per Sogaard	-150	-150
Total remuneration *	-790	-790
Including fees for board committee membership	-190	-190

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

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

For their positions as members of the boards of directors or executive boards of other companies in the Danske Bank Group in 2015, Thomas F. Borgen received DKK 16.3 million (2014 DKK 16.2 million), Henrik Ramlau-Hansen received DKK 9.4 million (2014 DKK 9.3 million) and Kim Andersen received DKK 0.3 million (2014 DKK 0.3 million) in total remuneration from such companies. In addition, Tonny Thierry Andersen received DKK 9.5 million in 2014.

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 2015, 33 persons outside the Executive Board were designated as material risk takers and combined they received remuneration of DKK 39.8 million (2014 DKK 26.5 million to 14 material risk takers), with fixed remuneration amounting to DKK 34.1 million (2014 DKK 25.0 million) and variable remuneration amounting to DKK 5.7 million (2014 DKK 1.5 million).

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

Notes - Danica Group

Note	DKKm	2015	2014
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8
(cont'd)

Remuneration of the Executive Board 2015

	Per Klitgård	Jesper Winkelmann	Jacob Aarup-Andersen	Anders Svennesen*	
Contractual remuneration	-4.3	-3.0	-4.5	-1.9	-13.7
Pensions	-0.4	-0.6	-	-0.4	-1.4
Variable cash remuneration	-0.4	-0.2	-	-0.3	-0.9
Variable share-based payment	-0.4	-0.2	-	-0.3	-0.9
Total	-5.5	-4.0	-4.5	-2.9	-16.9
Total payment					-15.9

* Anders Svennesen is included the Executive Board as of 1 May 2015

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 2014

	Per Klitgård	Jesper Winkelmann	Jacob Aarup-Andersen**	
Contractual remuneration	-4.3	-3.0	-2.5	-9.8
Pensions	-0.4	-0.6	-	-1.0
Variable cash remuneration	-0.9	-0.4	-	-1.3
Variable share-based payment	-0.3	-0.1	-	-0.4
Total	-5.9	-4.1	-2.5	-12.5
Total payment				-11.9

** Jacob Aarup-Andersen joined the Executive Board on 1 May 2014

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

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

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

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

Jacob Aarup-Andersen will resign from Danica on 31 March 2016 to take up a position as CFO with Danske Bank.

Anders Svennesen may resign his position at three months' notice.

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

Share-based payment

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

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

Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after they are granted provided that the employee, with the exception of retirement, has not resigned from the Group. The exercise price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the bank's annual report plus 10%. No share options remain at the end of 2015.

Effective from 2010, part of the variable remuneration of the Executive Board and selected senior staff and specialists was granted by way of conditional shares.

Rights to Danske Bank shares under the conditional share programme vest after up to five years provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, rights to shares earned in 2011-2015 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 share options and rights to conditional shares are earned, while the time value is accrued over the remaining service period, which is the vesting period up to four years.

Danica has hedged the share price risk.

Notes - Danica Group

Note DKKm

8
(cont'd)

Share-based payment

Share options

	Number			Exercise price [DKK]	Fair value (FV)	
	Executive Board	Other employees	Total		Issue date	End of year
Granted in 2007-2008						
1 January 2014	24,768	46,922	71,690	181,1-269,4	1.7	0.1
Forfeited 2014	-9,911	-6,753	-16,664	-	-	-
Other changes 2014	-	-	0	-	-	-
31 Dec. 2014	14,857	40,169	55,026	181,1-269,4	1.2	0.1
Forfeited 2015	-14,857	-40,169	-55,026	-	-	-
Other changes 2015	-	-	0	-	-	-
31 Dec. 2015	0	0	0	-	-	-

No share options were granted or exercised in 2015

Executive Board members' holdings, end of 2014

Year of grant	2008	
	Number	FV
Per Klitgård	-	-
Jesper Winkelmann	14,857	0.0

No share options were granted or exercised in 2014

Notes - Danica Group

Note DKKm

8
(cont'd)

Share-based payment

Conditional shares	Number			Own contribution price (DKK)	Fair value (FV)	
	Executive Board	Other employees	Total		Issue date	End of year
Granted in 2012						
1. Jan. 2014	3,626	10,496	14,122	0,0-0,9	1.3	1.7
Forfeited 2014	-	-2,061	-2,061	-	-	-
31 Dec. 201	3,626	8,435	12,061	0,0-0,9	1.1	2.0
Vested 2015	-	-8,435	-8,435	0.9	-	-
Forfeited 2015	-	-	0	-	-	-
Other changes 2015	-	-	0	-	-	-
31 Dec. 2015	3,626	0	3,626	0.0	0.3	0.7
Granted in 2013						
Granted 2014	4,047	10,910	14,957	0,0-1,1	1.6	1.8
Forfeited 2014	-	-1,614	-1,614	-	-	-
31 Dec. 2014	4,047	9,296	13,343	0,0-1,1	1.4	2.2
Vested 2015	-	-	0	-	-	-
Forfeited 2015	-	-	0	-	-	-
Other changes 2015	-	-	0	-	-	-
31 Dec. 2015	4,047	9,296	13,343	0,0-1,1	1.4	2.5
Granted in 2014						
Granted 2014	2,051	7,757	9,808	0,0-1,4	1.3	1.6
Vested 2014	-	-619	-619	1	-	-
31 Dec. 2014	2,051	7,138	9,189	-	1.2	1.5
Vested 2015	-	-	0	-	-	-
Forfeited 2015	-	-	0	-	-	-
Other changes 2015	-	-	0	-	-	-
31 Dec. 2015	2,051	7,138	9,189	0,0-1,4	1.3	1.7
Granted in 2015						
Granted 2015	2,888	4,367	7,255	0,0-1,7	1.2	1.3
Vested 2015	-	-884	-884	2	-	-
31 Dec. 2015	2,888	3,483	6,371	0,0-1,7	1.1	1.2

Executive Board members' holdings and fair value thereof, end of 2015

Year of grant	2012-2015	
	Number	FV
Per Klitgård	7,556	1.4
Jesper Winkelmann	4,461	0.8
Jacob Aarup Andersen	595	0.1

Average market price at the vesting date for conditional shares in 2015 was 169.68

Executive Board members' holdings and fair value thereof, end of 2014

Year of grant	2012-2014	
	Number	FV
Per Klitgård	5,967	1.0
Jesper Winkelmann	3,757	0.6

Average market price at the vesting date for conditional shares in 2014 was 161.73

Notes - Danica Group

Note	DKKm	2015	2014	
9	TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE			
	Total run-off regarding prior years:			
	Gross	-	-173	
	Net of reinsurance	-	-174	
	Calculation of technical interest and return on investment:			
	Technical interest amount	106	78	
	Outstanding claims provision, discounted amount	-166	-164	
	Discounted risk increasing with age	-8	-9	
	Technical interest, net of reinsurance, less discounted amount	-68	-95	
	Return on investment allocated to health and accident insurance	231	882	
	Value adjustment of outstanding claims provision	126	-474	
	Total return on investment including value adjustments	357	408	
	Transferred to technical interest	-106	-78	
	Return on investment	251	330	
		Health and accident insurance	Health insurance	Total
	Gross premiums	1,045	221	1,266
	Gross premium income	1,058	220	1,278
	Gross claims	-1,122	-221	-1,343
	Gross operating expenses	-114	-14	-128
	Result of business ceded	-7	-	-7
	Technical interest, net of reinsurance	-69	1	-68
	Technical result	-53	-16	-69
	Number of claims			40,036
	Average amount of claims			0.0
	Claims frequency			5.7%
	Gross premiums, direct insurance, broken down by policyholders' residence:			
	Denmark			1,145
	Other EU countries			17
	Other countries			108
	Total			1,270
10	OTHER INCOME			
	Commission from fund managers etc.			327
	Commission from ancillary activities			2
	Other			25
	Total			354
				299
				2
				0
				301

Notes - Danica Group

Note	DKKm	2015	2014
11	PROFIT BEFORE TAX		
	Danica Pension's technical basis for risk allowance is to be allocated in accordance with the Executive Order on the Contribution Principle.		
	In accordance with the Executive Order on the Contribution Principle and the Guidelines on Market Discipline, the Danish FSA has been notified of Danica Pension's consolidation policy for 2015. The company's profit for the year consists of the return on assets allocated to shareholders' equity, including the results of unit-linked business, Denmark and the two subsidiaries outside Denmark, the result of Forenede Gruppeliv, the health and accident result and a risk allowance of the technical provisions of the four interest rate groups and a share of the risk groups' risk results.		
	To the extent that the Executive Order on the Contribution Principle does not permit the company to recognise full risk allowance, the amount may be booked over the coming years if justified by the technical basis for risk allowance.		
	For this purpose, a shadow account is set up. The shadow account accrues interest at the rate that applies to bonds allocated to shareholders' equity.		
	The calculation of technical basis for risk allowance only comprises policies under contribution, and individual items therefore cannot be reconciled to the Group's income statement.		
	Technical basis for risk allowance:		
	Technical result, life insurance	1,258	1,966
	Change in collective bonus potential	1,620	1,482
	Special allotments	271	81
	Bonus potential of paid-up policies used	-	312
	Addition of bonus	378	91
	Total technical basis for risk allowance	3,527	3,932
	Total technical basis for risk allowance relating to life insurance customers	3,527	3,932
	In accordance with the contribution principle, full risk allowance for 2015 was booked.		
	Specification of risk allowance:		
	Percentage of insurance provisions	1,231	1,179
	40% of the technical basis for risk allowance in risk groups	28	123
	40% of the technical basis for risk allowance in cost groups	34	49
	Total risk allowance	1,293	1,351
	The percentage of insurance provisions was 0.60% in the New business group; 0.70% in Low; 0.80% in Medium and 0.90% in High.		
	Development in shadow account:		
	Shadow account, beginning of year	556	1,204
	Added interest	1	2
	Written off	-	-39
	Reduced as a result of conversions	-22	-1
	Used/set aside	-222	-610
	Shadow account, end of year	313	556
	Shadow account distributed on contribution groups:		
	Interest rate group 2	258	341
	Interest rate group 4	-	160
	Risk groups, total	55	55
	Total	313	556

Notes - Danica Group

Note	DKKm	2015	2014
12	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-499	-608
	Tax on other comprehensive income:		
	Hedges of units outside Denmark	-2	-7
	Total	-501	-615
	Tax on the profit for the year is calculated as follows:		
	Current tax	-210	-708
	Adjustment of prior-year current tax	-25	24
	Adjustment of prior-year deferred tax	-3	-8
	Change in deferred tax due to reduced tax rate	17	-10
	Other changes in deferred tax	-278	94
	Total	-499	-608
	Effective tax rate:		
	Danish tax rate	23.5	24.5
	Adjustment of prior-year tax charge	1.4	-0.3
	Effect of reduction of tax rate	-0.9	0.2
	Non-taxable income and non-deductible expenses	1.5	-13.4
	Effective tax rate	25.5	11.0
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax (liability)	1,731	1,468
	Deferred tax, net	1,731	1,468
	Deferred tax broken down on main items:		
	Intangible assets	-3	-3
	Tangible assets	-10	-13
	Investment property	1,637	1,480
	Financial investment assets	-1	5
	Negative tax on pension returns brought forward	110	1
	Other	-2	-2
	Total	1,731	1,468
	Other than the deferred tax provided for, the Group has no contingent tax liability relating to shares in group undertakings.		
13	INTANGIBLE ASSETS		
	Cost, beginning of year	84	90
	Exchange rate adjustment	-5	-6
	Cost, end of year	79	84
	Carrying amount, end of year	79	84
	Intangible assets mainly consist of goodwill on acquisition of Norwegian activities in 2007.		
	For more details, see note 1.		
14	DOMICILE PROPERTY		
	Cost, beginning of year	48	48
	Cost, end of year	48	48
	Depreciation charges, beginning of year	-4	-4
	Depreciation charges, end of year	-4	-4
	Revalued amount, beginning of year	8	13
	Impairment charges for the year	-9	-5
	Revalued amount, end of year	-1	8
	Carrying amount, end of year	43	52
	Of revaluations for the year, DKK 0 million was recognised in other comprehensive income and transferred to the revaluation reserve in equity, and DKK 0 million was transferred to the collective bonus potential.		
	The weighted average of rates of return on which fair values of individual properties were based amounts to	7.5%	6.5%

Notes - Danica Group

Note	DKKm	2015	2014
15	INVESTMENT PROPERTY		
	Fair value, beginning of year	23,870	22,725
	Property improvement expenditure	3,380	1,333
	Disposals during the year	-209	-474
	Fair value adjustments	565	286
	Fair value, end of year	27,606	23,870
	Amount hereof included in "Unit-linked investment assets"	-	-1,117
	Fair value, end of year	27,606	22,753
	The weighted average of the rates of return on which the fair value of the individual properties is based, for:		
	Shopping centres	5.7%	5.8%
	Commercial properties	5.9%	6.2%
	Residential properties	4.0%	4.4%

Real property consolidated on a pro rata basis is included with the following amounts in:

Investment property	1,744	2,395
Total assets	1,767	2,440
Other creditors	33	65
Total investment return	119	80

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 3.0-10.0% (2014: 4.0-10.0%) and averaged 5.5% (2014: 5.9%). An increase in the required rate of return of 1.0 percentage point would reduce fair value at end-2015 by DKK 3,889 million.

All investment properties fall under level 2 in the fair value hierarchy. For a description of the levels, see note 35.

16	HOLDINGS IN ASSOCIATES		
	Cost, beginning of year	575	571
	Additions	660	4
	Disposals	-156	-
	Cost, end of year	1,079	575
	Revaluations and impairment charges, beginning of year	402	322
	Share of profit	115	84
	Dividends	-456	-4
	Revaluations and impairment charges, end of year	61	402
	Carrying amount, end of year	1,140	977

Holdings in associates consist of:

Name and domicile	Activity	Ownership percentage	Total assets	Liabilities	Income	Result
Hovedbanegårdens Komplementarselskab ApS, København	Property company	50%	0	0	0	0
DNP Ejendomme P/S, København	Property company	50%	1,090	22	76	61
DNP Ejendomme Komplementarselskab ApS, København	Property company	50%	0	0	0	0
DAN-SEB I A/S, København	Property company	50%	77	51	3	1
Udviklingsselskabet CØ ApS, København	Property company	50%	37	30	11	6
Komplementarselskabet CØ ApS, København	Property company	50%	0	0	0	0
Gro Fund I K/S, København	Investment company	100%	317	7	0	-20
ERDA I P/S, Århus	Property company	50%	54	54	0	0
ERDA I Komplementarselskab ApS, Århus	Property company	50%	0	0	0	0

The information disclosed is extracted from the companies' most recent annual reports.

Furthermore, in DES the partnerships consolidated on a pro rata basis are listed (Frederiksberg, Hovedbanegården, Nymøllevej - and formerly SlotsArkaderne). The Group has no associates of material importance.

Notes - Danica Group

Note	DKKm	2015	2014		
17	HOLDINGS				
	Listed holdings	10,609	21,388		
	Unlisted holdings	15,899	999		
	Total	26,508	22,387		
18	BONDS				
	Listed bonds	115,068	119,656		
	Unlisted bonds	2,835	999		
	Total	117,903	120,655		
19	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 36. Derivatives are recognised and measured at fair value.				
	The Group's subordinated debt carries fixed rates and is recognised at amortised cost. Accordingly, the fair value of the hedged interest rate risk on fixed-rate loans is added to the amortised cost of the assets, 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 35.				
	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 4,839 million in 2015 and DKK 11,072 million in 2014.				
		Notional amount	Positive fair value	Notional amount	Negative fair value
	2015				
	Currency contracts				
	Currency contracts	18,113	230	53,326	342
	Options	0	0	0	0
	Interest rate contracts:				
	Interest rate contracts	230,773	10,671	275,211	8,248
	Options	106,957	2,810	98,840	1,145
	Equity contracts:				
	Equity contracts	4	68	5,500	279
	Options	3	134	0	0
	Total derivatives	355,850	13,913	432,877	10,014
	2014				
	Currency contracts				
	Currency contracts	30,290	101	44,486	804
	Options	0	0	0	0
	Interest rate contracts:				
	Interest rate contracts	109,798	14,485	47,347	4,902
	Options	25,383	3,439	65,318	1,861
	Equity contracts:				
	Equity contracts	0	2	2	170
	Options	17	53	6	22
	Total derivatives	165,488	18,080	157,159	7,759
20	OTHER FINANCIAL INVESTMENT ASSETS				
	Comprises the following investments in companies in the Danske Bank Group:				
	Holdings			311	447
	Bonds			27,334	22,412
	Deposits with credit institutions			2,890	3
	Cash in hand and demand deposits			1,628	1
	Other			6,290	5,041

Notes - Danica Group

Note	DKKm		2015	2014
21	UNIT-LINKED INVESTMENT ASSETS			
	Consists of unit trusts in which the underlying assets break down as follows:			
		With guarantee	Without guarantee	
	Investment property		5,779	1,117
	Holdings	7,104	97,198	87,612
	Bonds	18,652	29,533	47,050
	Deposits with credit institutions	1	1,607	1,350
	Total	25,757	134,117	137,129
	Unit-linked investments break down as follows:			
	Insurance contracts		113,814	99,260
	Investment contracts		46,060	37,869
	Total		159,874	137,129
22	PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS, REINSURERS' SHARE			
	Beginning of year		2,282	2,126
	Premiums received		108	102
	Claims and benefits paid		-114	-192
	Added interest on policyholders' savings		-	19
	Fair value adjustment		-	267
	Foreign currency translation		-5	-14
	Change in outstanding claims provision		40	30
	Other changes		-2,166	-56
	End of year		145	2,282
23	OUTSTANDING CLAIMS PROVISION			
	Gross life insurance		291	295
	Gross health and accident insurance		8,794	8,843
	Total outstanding claims provision		9,085	9,138
24	COLLECTIVE BONUS POTENTIAL			
	Distribution on contribution groups:			
	Interest rate group 1		1,066	546
	Interest rate group 2		216	154
	Interest rate group 3		719	865
	Interest rate group 4		1,269	546
	Risk groups, total		266	250
	Cost groups, total		48	89
	Total		3,584	2,450
	Bonus rate (%):			
	Interest rate group 1		2.8	1.4
	Interest rate group 2		1.3	0.8
	Interest rate group 3		6.9	7.9
	Interest rate group 4		3.1	1.1
25	PROVISIONS FOR UNIT-LINKED CONTRACTS			
	Provisions for unit-linked contracts without guarantee		134,541	113,017
	Provisions for unit-linked contracts with investment guarantee		26,087	24,380
	Total provisions for unit-linked contracts		160,628	137,397
	Total provisions for guaranteed unit-linked contracts include:			
	Guaranteed benefits		22,064	20,994
	Guaranteed paid-up policies		23,591	22,781

Notes - Danica Group

Note	DKKm	2015	2014							
26	PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS									
	Beginning of year	315,833	293,522							
	Payments received	28,312	25,521							
	Claims and benefits paid	-29,878	-28,193							
	Added interest on policyholders' savings	9,289	13,037							
	Fair value adjustment	-5,094	13,686							
	Currency translation	589	-2,668							
	Change in outstanding claims provisions	-88	123							
	Change in collective bonus potential	1,627	1,487							
	Other changes	249	-682							
	End of year	320,839	315,833							
	On allocation of the technical basis for risk allowance for conventional life insurance, the bonus potential of paid-up policies was reduced by	-	312							
	For a more detailed description of methods calculation methods used for provisions, see note 1, Significant accounting policies. For an explanation of the development in collective bonus potential, see the section in the management's report on p. 5.									
27	DUE TO CREDIT INSTITUTIONS									
	Repo transactions	7,482	7,148							
	Other amounts due	530	5							
28	OTHER CREDITORS									
	Other creditors comprise:									
	Derivatives with negative fair values	10,014	7,759							
	Tax on pension returns	1,193	3,668							
	Staff commitments	88	89							
29	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 the capital base etc. In accordance with sections 36-38 of the executive order on calculation of capital base for insurance companies and insurance holding companies and calculation of total capital for certain investment firms.									
	Currency	Borrower	Note	Nominal	Interest rate	Year of issue	Maturity	Re-demption price		
	EUR	Danica Pension	a)	500	4.38	2015		100	3,731	-
	Subordinated debt								3,731	-
	Discount								-33	-
	Hedging of interest rate risk at fair value								33	-
	Total, corresponding to fair value								3,731	-
	Included in the capital base								100	
	Establishment and redemption costs								34	-
	Included in the capital base								2,565	-
	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 12 million for 2015.									
	The subordinated debt is stated at amortised cost plus the fair value of the hedged interest rate risk.									

Notes - Danica Group

Note	DKKm	2015	2014
30	ASSETS DEPOSITED AS COLLATERAL AND CONTINGENT LIABILITIES		
	The following assets have been deposited as collateral for policyholders' savings:		
	Domicile property	42	51
	Investment property	25,868	22,862
	Holdings in associates	644	-
	Holdings	24,555	9,512
	Unit trust certificates	9,459	34,205
	Bonds	105,128	107,214
	Other loans	2,835	1,316
	Deposits with credit institutions	688	4,688
	Net other	3,792	9,999
	Unit-linked investment assets	150,057	128,093
	Accrued interest	1,813	2,133
	Total	324,881	320,073
	Mortgages have been issued as collateral for the technical liabilities in a total amount of	75	75
	As collateral for derivative transactions, the Group has delivered bonds equal to a total fair value of	1,577	261
	The Group has rent commitments with a remaining lease of 10 years and annual gross rent of	45	56
	Minimum lease payments regarding cars amounts to	2	1
	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	1,192	1,137
	The Group has undertaken to participate in alternative investments with an amount of	11,231	15,185
	The Group is voluntarily registered for VAT on certain properties. The Group's VAT adjustment liability amounts to	996	853
	As a participant in partnerships, the Group is liable for a total debt of	52	90
	Amount of this included in the Group's balance sheet	34	65
	The Group's companies are jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.		
	The Danish group companies are registered jointly for financial services employer tax and for VAT for which they are jointly and severally liable.		
	Danica Pension is jointly and severally liable with the other participants for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.		
	Owing to its size and business volume, the Group is continually a party to various lawsuits and disputes. The Group does not expect the outcomes of lawsuits and disputes to have any material effect on its financial position.		

Notes - Danica Group

Note	DKKm	2015	2014
31	RELATED PARTIES		
	Danske Bank A/S, domiciled in Copenhagen, wholly owns the share capital of Forsikringsselskabet Danica and consequently exercises control over the Danica Group. Danske Bank A/S is the ultimate parent company of the Danica Group.		
	Transactions with related parties are settled on an arm's-length basis or on a cost-recovery basis. The Group's IT operations and development, internal audit, HR administration, logistics, marketing and the like are handled by Danske Bank. Danske Bank also handles portfolio 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 20		
	It operations and development	-216	-225
	Other administration	-82	-38
	Commission for insurance sales and portfolio management	-138	-124
	Ordinary portfolio management fee	-136	-165
	Performance fee for portfolio management	-117	-135
	Total net custody fees and brokerage for trades in holdings and the like	-37	-35
	Interest income	788	716
	Interest expenses	-15	-16
	Rent from premises	14	14
	Amounts owed to credit institutions	531	5
	Derivatives with negative fair values	11,848	10,603
	Furthermore, the Danica Group manages the labour market pension schemes of the Danske Bank Group and its related parties.		
	Loans to associates comprise subordinated loans granted on equal terms as other investors.		

32 BALANCE SHEET ITEMS BROKEN DOWN BY EXPECTED DUE DATE

	2015		2014	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Intangible assets	-	79	-	84
Tangible assets	-	43	-	52
Investment assets	9,604	192,386	-	213,692
Unit-linked investments	-	159,874	-	137,129
Debtors	2,096	-	3,954	-
Other assets	1,993	-	1,126	-
Prepayments and accrued income	2,265	-	2,599	-
Total assets	15,958	352,382	7,679	350,957
Liabilities				
Provisions for insurance and investment contracts	26,261	294,578	25,772	290,062
Other liabilities	22,431	5,462	21,278	1,468
Total liabilities	48,692	300,040	47,050	291,530

Notes - Danica Group

Note DKKm

33 SPECIFICATION OF ASSETS AND RETURNS 2015

	Carrying amount		Investment, net	% return p.a. before tax on pension returns & corp.tax
	Beginning of year	End of year		
Land and buildings:				
Land and buildings, owned directly	22,476	26,328	2,248	4.8
Property companies	977	496	888	11.9
Total land and buildings	23,453	26,824	3,136	5.6
Other holdings:				
Listed Danish holdings	8	1,040	979	42.7
Unlisted Danish holdings	546	1,382	772	11.9
Listed foreign holdings	11,095	11,107	-69	1.1
Unlisted foreign holdings	11,866	14,824	1,473	11.4
Total other holdings	23,515	28,353	3,155	9.0
Bonds:				
Government bonds (Zone A) *	39,798	32,187	-7,979	
Mortgage bonds *	60,978	70,788	12,136	
Foreign exchange hedging	-92	-108	596	
Government bonds (Zone A) and mortgage bonds including foreign exchange hedging	100,684	102,867	4,753	0.7
Index-linked bonds	14,164	9,932	-4,535	3.8
Credit bonds, investment grade	7,790	6,241	-1,278	0.6
Credit bonds, non-investment grade and emerging market bonds	14,942	9,022	-6,020	-0.6
Other bonds	1,708	2,978	1,184	7.8
Total bonds	139,288	131,040	-5,896	1.2
Other financial investment assets	9,620	1,626	7,994	0.0
Derivative financial instruments to hedge net changes of assets and liabilities	10,781	3,705	-3,810	

* Rate of return before foreign exchange hedge for Government bonds (Zone A) was 2.7 and for Mortgage bonds was -0.3%.
A specification of the company's holdings is available on Danica's website www.danicapension.dk.

34 PERCENTAGE ALLOCATION OF SHARE PORTFOLIOS ON INDUSTRIES AND REGIONS 2015

	Denmark	Rest of Europe	North America	South America	Japan	Rest of Asia/ Pacific	Other countries	Total
Energy	0.0	0.6	3.3	0.0	0.0	0.0	0.2	4.1
Materials	0.3	0.6	0.7	0.0	0.1	0.0	0.2	1.9
Industrials	2.9	1.1	2.3	0.0	0.8	0.0	0.1	7.2
Consumer discretionary	0.3	1.4	3.1	0.0	0.8	0.0	0.1	5.7
Consumer staples	0.2	1.3	2.3	0.0	0.2	0.0	0.1	4.1
Health care	1.2	1.5	3.1	0.0	0.2	0.0	0.2	6.2
Financials	7.1	26.3	19.1	0.0	0.7	0.6	7.1	60.9
Information technology	0.0	0.5	4.7	0.0	0.3	0.2	0.1	5.8
Telecommunications	0.1	0.6	0.4	0.0	0.2	0.1	0.0	1.4
Utilities	0.0	0.5	0.6	0.0	0.7	0.1	0.6	2.5
Non allocated	0.2			0.0	0.0	0.0	0.0	0.2
Total	12.3	34.4	39.6	0.0	4.0	1.0	8.7	100.0

Notes - Danica Group

Note DKKm

35 FINANCIAL INSTRUMENTS

Financial instruments, classification and valuation method

2015	Fair value			Amortised cost		
	Held for trading	Designated	Fair value hedge	Debtors	Liabilities	Total
Holdings		26,508				26,508
Unit trust certificates		11,087				11,087
Bonds		117,903				117,903
Other loans		2,835				2,835
Deposits with credit institutions				840		840
Derivatives	13,913					13,913
Unit-linked investments		159,874				159,874
Debtors				951		951
Cash and cash equivalents				1,631		1,631
Total financial assets	13,913	318,207		3,422		335,542
Provisions for unit-linked contracts		46,060				46,060
Due to credit institutions					8,012	8,012
Derivatives	10,014					10,014
Subordinated loan capital			33		3,698	3,731
Total financial liabilities	10,014	46,060	33		11,710	67,817
2014						
Holdings		22,387				22,387
Unit trust certificates		18,932				18,932
Bonds		120,655				120,655
Other loans		1,315				1,315
Deposits with credit institutions				8,342		8,342
Derivatives	18,080					18,080
Unit-linked investments		137,129				137,129
Debtors				843		843
Cash and cash equivalents				1,082		1,082
Total financial assets	18,080	300,418		10,267		328,765
Provisions for unit-linked contracts		37,869				37,869
Due to credit institutions					7,153	7,153
Derivatives	7,759					7,759
Total financial liabilities	7,759	37,869			7,153	52,781

Recognition as income:

Interest income from debtors measured at amortised cost is recognised in the amount of DKK 23 million in 2015 and DKK 27 million in 2014.

Interest expenses on liabilities measured at amortised cost totalled DKK 63 million in 2015 and DKK 60 million in 2014.

Exchange rate adjustment of debtors and liabilities measured at amortised cost were recognised under value adjustments at DKK 211 million in 2015 and at DKK 113 million in 2014.

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

35
(cont'd)

Financial instruments at fair value

The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties. Fair value is measured on the basis of the following hierarchy:

Level 1: Quoted prices in an active market for identical instruments.

Level 2: Observable input based on quoted prices in an active market for similar assets or liabilities, or other valuation methods where the valuation is based substantially on observable input. This category includes, for example, financial investment assets such as unlisted bonds and investment properties, presented in note 15.

Level 3: Non-observable input where the valuation is not based substantially on observable input. This category includes, for example, unlisted shares.

The measurement of unlisted 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 2015, Danica had financial assets as set out below in the amount of DKK 332,120 million, of which 94% was attributable to insurance obligations to policyholders and 6% 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
2015				
Holdings	11,348	-	15,160	26,508
Unit trust certificates	10,108	-	980	11,088
Bonds	114,126	3,441	335	117,902
Other loans	-	-	2,835	2,835
Derivatives	431	13,482	-	13,913
Unit-linked investments	159,874	-	-	159,874
Total financial assets	295,887	16,923	19,310	332,120
Derivatives	342	9,385	287	10,014
Total financial liabilities	342	9,385	287	10,014
2014				
Holdings	11,278	-	11,109	22,387
Unit trust certificates	17,159	453	1,320	18,932
Bonds	117,533	2,827	294	120,654
Other loans	-	-	1,315	1,315
Derivatives	655	17,426	-	18,081
Unit-linked investments	137,129	-	-	137,129
Total financial assets	283,754	20,706	14,038	318,498
Derivatives	1,115	6,644	-	7,759
Total financial liabilities	1,115	6,644	-	7,759

At 31 December 2015, financial instruments measured on the basis of non-observable input comprised unlisted shares DKK 16,140 million and illiquid bonds DKK 3,170 million.

Valuation based on non-observable input	2015	2014
Fair value, beginning of year	14,039	9,265
Value adjustment recognised through profit or loss in Value adjustments	2,554	1,824
Purchase	6,224	5,292
Sale	-3,507	-2,342
Fair value, end of period	19,310	14,039

Transfers to quoted prices and non-observable input were principally due to a large portfolio of bonds, the latest quoted prices of which are not deemed to reflect their year-end values.

In 2015, unrealised value adjustments were recognised at DKK 1,417 million (2014: DKK 1,235 million) on financial instruments valued based on non-observable input.

Assuming a widening of the credit spread by 50 bps, the fair value would be reduced by DKK 65 million. A narrowing of the credit spread by 50 bps would cause the fair value to be increased by DKK 67 million.

Notes – Danica Group

Note

36 RISK MANAGEMENT AND SENSITIVITY RATIOS

RISK MANAGEMENT

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

The Group is exposed to a number of different risks.

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

Financial risk

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

The Group has three sources of financial risk:

- Investments relating to conventional products
- Investments relating to unit-linked products with investment guarantees attached.
- Direct investments of shareholders' equity

The amount of financial risk differs for the various products in the Group's product range. A list of the Group's companies and activities is shown on page 65.

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

Insurance obligations are calculated by discounting the expected cash flows using a discount yield curve defined by the Danish FSA. Effective as of 12 June 2012, the Ministry of Business and Growth and the Danish Insurance Association signed an agreement that included an adjustment of the discount curve for long-term interest rates which are now assumed to converge towards a fixed long-term level. The agreement was to expire on 31 December 2013, but has been extended. A number of technical assumptions and requirements under Solvency II that affect the determination of, among other things, the yield curve enter into force on 1 January 2016. These mainly relate to the determination of credit and foreign exchange risk adjustment of the curve, volatility adjustment and the method used to compute the yield curve.

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

Since the Danish bond market is not substantial enough and does not have the necessary duration to hedge the liabilities, Danica must also invest in non-Danish interest rate instruments. The investments are sensitive to changes in interest rates. They 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, the company is exposed to basic risk from country and credit spreads.

Notes – Danica Group

Note

The credit spread risk on bond holdings is limited as 71% of the portfolio at the end of 2015 consists of government and mortgage bonds with high credit quality (AA – AAA) with the international credit rating agencies or in unrated bonds with a similar high credit quality. Just 11% of the portfolio is invested in non-investment grade bonds.

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

Foreign exchange risk is insignificant as it is hedged by means of derivatives.

The company mitigates liquidity risk by placing a major portion of investments in liquid listed bonds and equities.

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

Investments relating to unit-linked products

Policyholders assume the financial risk associated with investments under the unit-linked products, Danica Link, Danica Balance and Danica Select, with the exception of contracts with investment guarantees attached. At the end of 2015, 19% of policyholders had investment guarantees in the guarantee period. The guarantees do not apply until the policyholder retires and are paid for by an annual fee.

Danica Pension manages the risk on financial guarantees in Danica Link with financial derivatives and by adjusting the investment allocation during the last five years before retirement. It manages the risk on guarantees in Danica Balance mainly by regularly adjusting the investment allocation for the individual policies during the last ten years before retirement. The investment allocation is adjusted to the guarantee amount, the investment horizon, etc. Because of this risk management strategy, Danica Pension considers the investment risk on guarantees under unit-linked products to be very minor.

Investment guarantees are not available under Danica Select.

Direct investments of shareholders' equity

Shareholders' equity is exposed to financial risk on assets in which shareholders' equity is invested and on investments relating to the health and accident business.

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

Life insurance risk

Life 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. Longevity is the most significant life insurance risk.

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 portfolio diversification and by reinsurance.

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

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

Operational risk

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

Business risk

Business risk comprises strategic risks, reputational risks and other external risk factors.

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

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

Notes – Danica Group

Note

SENSITIVITY INFORMATION

The below table shows the effects of separate changes in interest rates (increases and decreases) and other relevant financial risks and of changes in the mortality and disability rates on shareholders' equity/capital base and on collective bonus potential and the bonus potential of paid-up policies.

A 10% fall in mortality, equal to a increase in longevity of about one year, would increase the insurance obligations by DKK 1.7 billion and reduce shareholders' equity by DKK 0.1 billion.

Of the two interest rate scenarios, an interest rate increase is most severe for the Group. A separate 0.7 percentage point increase in interest rates would reduce the collective bonus potential by DKK 0.9 billion and reduce shareholders' equity by DKK 0.1 billion.

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

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

SENSITIVITY INFORMATION 31.12.2015

(DKKbn)	Minimum effect on capital base	Maximum effect on collective bonus potential	Maximum effect on bonus potential of paid-up policies before change in drawn bonus potential of paid-up policies	Maximum effect on drawn bonus potential of paid-up policies
Interest rate increase of 0.7-1.0 percentage point	-0.1	-0.9	1.5	0.0
Interest rate decrease of 0.7-1.0 percentage point	0.1	-0.5	-0.7	0.0
Decline in equity prices of 12%	-0.1	-1.7	-	0.0
Decline in property prices of 8%	-0.3	-1.2	-	0.0
Foreign exchange risk (VaR 99.0%)	0.0	-0.2	-	0.0
Loss on counterparties of 8%	-0.2	-1.3	-	0.0
Decrease in mortality of 10%	-0.1	-1.6	0.0	0.0
Increase in mortality of 10%	0.0	1.6	0.0	0.0
Increase in disability of 10%	0.0	-0.1	0.0	0.0

Financial statements - contents

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Financial highlights - Forsikrings-selskabet Danica

DKKm	2015	2014	2013	2012	2011
INCOME STATEMENT					
Gross premiums	317	321	327	339	368
Technical interest	-2	-4	-	-2	2
Gross claims	-336	-305	-286	-278	-258
Bonuses and premium discounts	-	-	-1	1	1
Total operating expenses relating to insurance	-20	-17	-24	-26	-41
Technical result	-41	-5	16	34	72
Total profit on investment activities after transfer of technical interest	1,396	2,010	1,299	1,757	116
Other income and expenses etc.	119	-3	-	-	3
Profit before tax	1,474	2,002	1,315	1,791	191
Tax	-19	1	-4	-13	-28
Net profit for the year	1,455	2,003	1,311	1,778	163
Run-off result	-5	0	5	15	34
BALANCE SHEET					
Total assets	19,981	20,457	18,967	18,496	19,328
Holdings in group undertakings	19,423	19,933	18,431	17,894	18,383
Other financial investment assets	545	515	495	591	928
Total shareholders' equity	19,608	20,056	18,563	18,015	18,780
Total technical provisions	325	353	389	432	491
RATIOS (%)					
Gross claims ratio	105.8	95.0	87.9	81.8	70.1
Gross expense ratio	6.2	5.3	7.4	7.5	11.0
Combined ratio	112.0	100.3	95.3	89.3	81.1
Operating ratio	112.4	101.5	95.2	89.8	80.7
Relative run-off result (%)	-1.5	0.0	1.2	3.1	6.3
Equity ratio	7.3	10.3	7.1	9.2	0.8
Solvency coverage ratio	128	128	131	108	122

The ratios are defined in accordance with the Danish FSA's Executive Order on Financial Reports of Insurance Companies and Lateral Pension Funds. As described in the report and supplementary information on the annual report of 22 July 2015, the net profit and other items for 2014 have been changed relative to the annual report for 2014. In the annual report for 2015, comparative figures have been restated accordingly.

Income statement & Other comprehensive income - Forsikringselskabet

Note	DKKm	2015	2014
	Gross premiums	319	319
	Change in unearned premiums provision	-2	2
2	Premiums, net of reinsurance	317	321
3	Technical interest	-2	-4
	Claims paid, gross	-363	-352
	Change in outstanding claims provision	27	47
4	Claims, net of reinsurance	-336	-305
	Acquisition costs	-9	-8
	Administrative expenses	-11	-9
5	Total operating expenses relating to insurance, net of reinsurance	-20	-17
14	TECHNICAL RESULT	-41	-5
	Income from group undertakings	1,394	2,002
	Interest income and dividends, etc.	10	14
6	Value adjustments	-9	3
	Administrative expenses related to investment activities	-1	-1
	Total return on investment	1,394	2,018
	Return on technical provisions	2	-8
	RETURN ON INVESTMENT LESS TECHNICAL INTEREST	1,396	2,010
7	Other income	160	2
8	Other expenses	-41	-5
	PROFIT BEFORE TAX	1,474	2,002
9	Tax	-19	1
	NET PROFIT FOR THE YEAR	1,455	2,003
	Net profit for the year	1,455	2,003
	Other comprehensive income:		
	Translation of units outside Denmark	-10	-35
	Hedges of units outside Denmark	8	32
	Tax relating to other comprehensive income	-2	-7
	Total other comprehensive income	-4	-10
	NET COMPREHENSIVE INCOME FOR THE YEAR	1,451	1,993

Balance sheet - Forsikringssselskabet Danica

Assets

Note	DKKm	2015	2014
	Holdings in group undertakings	19,423	19,933
	Total investments in group undertakings and associates	19,423	19,933
	Bonds	545	515
10	Total other financial investment assets	545	515
	TOTAL INVESTMENT ASSETS	19,968	20,448
	Amounts due from policyholders	-	2
	Other debtors	7	-
	TOTAL DEBTORS	7	2
	Deferred tax assets	1	1
	TOTAL OTHER ASSETS	1	1
	Accrued interest and rent	5	6
	TOTAL PREPAYMENTS AND ACCRUED INCOME	5	6
	TOTAL ASSETS	19,981	20,457

Balance sheet - Forsikringssselskabet Danica

Liabilities and equity

Note	DKKm	2015	2014
	Share capital	1,000	1,000
	Other reserves	12,385	13,595
	Retained earnings	2,323	3,562
	Proposed dividend	3,900	1,899
11	TOTAL SHAREHOLDERS' EQUITY	19,608	20,056
	Unearned premiums provision	8	8
	Outstanding claims provision	313	341
	Provisions for bonuses and premium discounts	4	4
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	325	353
	Amounts owed, direct insurance	12	17
	Amounts owed to group undertakings	4	25
	Current tax liabilities	19	-
	Other creditors	8	3
	TOTAL CREDITORS	43	45
	ACCRUALS AND DEFERRED INCOME	5	3
	TOTAL LIABILITIES AND EQUITY	19,981	20,457

Statement of capital - Forsikringselskabet Danica

DKKm

Changes in shareholders' equity	Share capital	Foreign currency translation reserve *	Other reserves	Retained earnings	Proposed dividend	Total
Shareholders' equity at 31 December 2014	1,000	-4	13,599	3,562	1,899	20,056
Profit for the year	-	-	1,394	61	-	1,455
Other comprehensive income:						
Translation of units outside Denmark	-	-10	-	-	-	-10
Hedges of units outside Denmark	-	8	-	-	-	8
Tax on other comprehensive income	-	-	-2	-	-	-2
Total other comprehensive income	-	-2	-2	-	-	-4
Comprehensive income for the year	-	-2	1,392	61	-	1,451
Dividend paid	-	-	-	-	-1,899	-1,899
Proposed dividend **	-	-	-2,600	-1,300	3,900	0
Shareholders' equity at 31 December 2015	1,000	-6	12,391	2,323	3,900	19,608
Shareholders' equity at 31 December 2013	1,000	-1	13,503	3,561	500	18,563
Profit for the year	-	-	2,002	1	-	2,003
Other comprehensive income:						
Translation of units outside Denmark	-	-35	-	-	-	-35
Hedges of units outside Denmark	-	32	-	-	-	32
Tax on other comprehensive income	-	-	-7	-	-	-7
Total other comprehensive income	-	-3	-7	-	-	-10
Comprehensive income for the year	-	-3	1,995	1	-	1,993
Dividend paid	-	-	-	-	-500	-500
Proposed dividend **	-	-	-1,899	-	1,899	0
Shareholders' equity at 31 December 2014	1,000	-4	13,599	3,562	1,899	20,056

* Recognised in the balance sheet under other reserves.

** The dividend amounts to DKK 3,900 per share (2014: DKK 1,899). The line shows the effect on shareholders' equity at year end.

Statement of capital - Forsikringssselskabet Danica

DKKm	2015	2014
Solvency requirement and capital base		
Shareholders' equity	19,608	20,056
Proportionate share of capital base of insurance subsidiaries	21,836	19,783
- Value of proportionate shares	-19,423	-19,933
Core capital	22,021	19,906
- Proposed dividend	-3,900	-1,899
- Tax assets	-1	-1
- Proportionate shares of capital requirement of insurance subsidiary	-7,785	-8,397
Reduced core capital	10,335	9,609
Capital base	10,335	9,609
Solvency requirement	80	75
Total solvency requirement	80	75
Excess capital base	10,255	9,534

Notes – Forsikringselskabet Danica

Note

1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company, Forsikringselskabet Danica, are presented in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order No. 112 of 7 February 2013 on financial reports presented by insurance companies and lateral pension funds.

The accounting policies are consistent with those applied in the annual report for 2014.

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

Holdings in group undertakings

Holdings in group undertakings are measured in accordance with the equity method, and the profit/loss after tax in subsidiaries is recognised in the item Income from group undertakings.

Holdings in group undertakings comprise Danica Pension, which is a life insurance company and the parent company of a life insurance group.

Key ratios

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

Notes - Forsikringselskabet Danica

Note	DKKm	2015	2014
2	GROSS PREMIUM INCOME		
	Premiums, direct insurance, broken down by policyholders' residence:		
	Denmark	312	316
	Other EU countries	4	4
	Other countries	1	1
	Total	317	321
3	TECHNICAL INTEREST		
	Calculation of technical interest and return on investment:		
	Technical interest rate	1.32%	0.99%
	Technical interest amount	4	4
	Outstanding claims provision, discounted amount	-6	-8
	Technical interest, net of reinsurance less discounted amount	-2	-4
	Total return on investment	1,394	2,018
	Value adjustment of outstanding claims provision	6	-4
	Total return on investment, including market value adjustments	1,400	2,014
	Of which transferred to technical interest	-4	-4
	Return on investment less technical interest	1,396	2,010
4	CLAIMS		
	Total run-off regarding prior years:		
	Gross claims	-5	0
	Net of reinsurance	-5	0
	Run-off, net of reinsurance, relates to health and accident insurance policies.		
5	OPERATING EXPENSES RELATING TO INSURANCE		
	Average number of full-time-equivalent employees during the year	26	-
	Number of full-time-equivalent employees, end of year	26	-
	Staff costs:		
	Salaries	-28	-
	Share-based payment	-2	-
	Pensions	-5	-
	Other social security and tax	-3	-
	Other	-1	-
	Total staff costs earned	-39	-
	Fees to the audit firms appointed by the general meeting:		
	Fees to Ernst & Young:		
	Statutory audit of financial statements	-	-0.5
	Total	-	-0.5
	Fees to Deloitte:		
	Statutory audit of financial statements	-0.7	-
	Other assurance engagements	-0.1	-
	Total	-0.8	-
	The company and its subsidiary Danica Pension share the same Executive Board, actuary and company secretary. Their remuneration is paid by Danica Pension and is included in operating expenses, which are allocated to the Company by Danica Pension.		
6	VALUE ADJUSTMENTS		
	Bonds	-9	3
	Total value adjustments	-9	3

Notes - Forsikringselskabet Danica

Note	DKKm	2015	2014
7	OTHER INCOME		
	Commission income from ancillary activities	2	2
	Asset management	158	-
	Total	160	2
8	OTHER EXPENSES		
	Expenses in relation to ancillary activities	-35	-
	General management expenses	-6	-5
	Total	-41	-5
9	TAX		
	Tax for the year can be broken down as follows:		
	Tax on the profit for the year	-19	1
	Tax on other comprehensive income	-	-7
	Hedging of units outside Denmark	-	-
	Total	-19	-6
	Tax on the profit for the year is calculated as follows:		
	Current tax	-19	1
	Total	-19	1
	Effective tax rate		
	Danish tax rate	23.5	24.5
	Non-taxable income and non-deductible expenses	-22.2	-24.5
	Effective tax rate	1.3	0.0
	Deferred tax:		
	Deferred tax is recognised as follows in the balance sheet:		
	Deferred tax (asset)	0	-1
	Deferred tax, net	0	-1
	Deferred tax assets broken down on main items		
	Intangible assets	0	-1
	Total	0	-1
10	OTHER FINANCIAL INVESTMENT ASSETS		
	Includes investments in undertakings in the Danske Bank Group as follows:		
	Bonds	154	164
	Cash in hand and demand deposits	0	1
11	SHAREHOLDERS' EQUITY		
	Number of shares of DKK 1,000	1,000,000	1,000,000
12	CONTINGENT LIABILITIES		
	The following assets have been deposited as collateral for policyholders' savings:		
	Bonds	393	429
	Accrued interest	3	5
	Total	396	434
	The company has rent commitments with a remaining lease of 10 years and annual gross rent of	45	56
	The company is jointly taxed with all units in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax etc.		
	The company is registered jointly with group undertakings for financial services employer tax and VAT, for which it is jointly and severally liable.		

Notes - Forsikringselskabet Danica

Note DKKm

13 RELATED PARTIES

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

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

Forsikringselskabet Danica is managed by Danica Pension, which settles expenses with the companies it manages on an arm's-length or a cost reimbursement basis. Accordingly, Forsikringselskabet Danica refunded an amount of DKK 20 million to Danica Pension in 2015.

Danske Bank Group also handles portfolio management and securities trading.

14 SPECIFICATION OF CLASSES OF INSURANCE

	Health and accident insurance	Health care insurance	Total
Gross premiums	98	221	319
Gross premium income	97	220	317
Gross claims	-114	-221	-335
Gross operating expenses	-6	-14	-20
Technical interest, net of reinsurance	-3	1	-2
Technical result	-23	-16	-39
Number of claims	1,030	37,935	38,965
Average amount of claims	0.1	0.0	0.1
Claims frequency	0.9%	6.0%	5.9%

15 RISK EXPOSURE AND SENSITIVITY RATIOS 2015

DKKm	Effect on capital base
Interest rate increase of 0.7-1.0 of a percentage point	-137
Interest rate decline of 0.7-1.0 of a percentage point	73
12% fall in equity prices	-125
8% fall in property prices	-257
Foreign exchange risk (VaR 99.0%)	-13
8% loss on counterparties	-193

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

Group overview

	Own- ership	Currency	Net profit/loss for the year	Share capital millions	Share- holders' equity millions	Staff Number ¹⁾	Directorships ²⁾			
							PKLI	JAAR	AS	JW
NON-LIFE INSURANCE										
Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999, Copenhagen		DKK	1,455	1,000	19,608	26	D	D	D	D
LIFE INSURANCE										
Danica Pension, Livsforsikringsaktie- selskab, Copenhagen	100	DKK	1,393	1,100	19,516	571	D	D	D	D
Danica Pension Försäkringsaktiebolag, Stockholm	100	SEK	48	100	255	59	B			
Danica Pensjonsforsikring AS, Trond- heim	100	NOK	72	106	312	86	B			
PROPERTY INVESTMENT										
Danica Ejendomselskab ApS, Copen- hagen	100	DKK	1,498	2,794	25,910	-	B	B	B	
Nygade 1-3 ApS, Copenhagen	100	DKK	3	0	279		B	B	B	
Ejendomselskabet Project Nord P/S	100	DKK	41	1	436					
Komplementarselskabet Project Nord A/S	100	DKK	0	0	0					
PROPERTY INVESTMENT COMPANIES (pro rata consolidation)										
Samejet Nymøllevej, Copenhagen	75	DKK	-54	-	621					
Frederiksberg Centret I/S, Copenhagen	67	DKK	216	-	1,708					
Hovedbanegårdens Forretningscenter K/S, Copenhagen ³⁾	50	DKK	32	-	272					

¹⁾ Comprises employees in group companies at 31 December 2015.

²⁾ Directorships of Per Klitgård (PKLI), Jacob Aarup-Andersen (JAAR), Anders Svennesen (AS) and Jesper Winkelmann (JW).

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

³⁾ Financial year ends 30 September.

Group overview

Companies

Forsikringsselskabet
Danica A/S

Danica Pension A/S

Danica Pension
Försäkringsaktiebolag

Danica Pensjons-
Forsikring AS

Danica
Ejendomsselskab ApS

Activities

Parent company. Its principal activity is non-life insurance, comprising Sundhedssikring (health insurance), Kritisk Sygdom (critical illness) and Sundhedsfremmer (health promoter).

Sale of the unit-linked products Danica Balance, Danica Link and Danica Select in which the return on policyholders' savings equals the market return. Life insurance and disability cover may be attached to the policies. Danica Balance is a lifecycle product combining the advantages of collective investment with individual adjustment options. The customers select an investment profile. Guarantee option. In Danica Link, customers may choose their own investment among 50-55 funds or they may choose an equity share and let Danica handle the investment. Guarantee option.

In Danica Select, customers may make their own investment among 15,000 different equities and securities distributed on 17 European and US stock exchanges.

Sale of conventional life insurance and pension product (Danica Traditionel) and health and accident insurance, including disability cover. Danica Traditionel comprises policies with guaranteed benefits and collective investments, which are managed by Danica Pension. The rate of interest on savings is determined by Danica Pension.

Guaranteed life-long annuities without bonus entitlement. No new policies have been written since 1982.

Sale of unit-linked products and health and accident insurance in Sweden.

Sale of unit-linked products and health and accident insurance in Norway.

Property company investing primarily in commercial property and shopping centres.

Organisation:

Danica Pension's group overview is available at www.danicapension.dk

Management and directorships

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

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

Board of Directors

Thomas F. Borgen
Chairman of the Executive Board of Danske Bank A/S
Born on 27.03.1964
Director of:
Kong Olav V's Fond

Henrik Ramlau-Hansen
Member of the Executive Board of Danske Bank A/S
Born on 02.10.1956
Director of:
Kreditforeningen Danmarks Pensionsafvklingskasse (Chairman)
Realkredit Danmark A/S
LR Realkredit A/S

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

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

Thomas Falck
Senior Pension Specialist, Danica Pension
Born on 09.06.1952

Thomas Mitchell
Head of Personal Banking DK, Danske Bank A/S
Born on 01.12.1962

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

Peter Rostrup-Nielsen
Executive Vice President of Danske Bank A/S
Born on 13.10.1966
Director of:
Danske Bank Oyj (and Chairman of the Audit Committee and Risk Committee)
Peter Rostrup-Nielsen is furthermore member of the Audit Committee of Danica Group's Audit Committee

Malene Stadil
Senior Vice President of Danske Bank A/S
Born on 26.10.1962
Director of:
Danske Markets Inc, Delaware USA
Danske Corporation, Delaware USA
Danske Bank Russia
DDB Invest AB, Sweden

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

Executive Board

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

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

Jacob Aarup-Andersen
Member of the Executive Board
Born on 06.12.1977

Jesper Winkelmann
Member of the Executive Board
Born on 14.02.1958

Anders Hjælmsø Svennesen
Member of the Executive Board
Born on 14.06.1974

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 Forsikringsselskabet Danica for the financial year 2015.

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

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2015. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

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

Copenhagen, 2 February 2016

Executive Board

Per Klitgård

Jacob Aarup-Andersen

Anders Hjælmsø Svenesen

Jesper Winkelmann

The Board of Directors

Thomas F. Borgen
Chairman

Henrik Ramlau-Hansen
Deputy Chairman

Kim Andersen

Thomas Falck

Thomas Mitchell

Charlott Due Pihl

Peter Rostrup-Nielsen

Malene Stadil

Per Søgaard

Independent auditors' report

To the shareholder of Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999 Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999 for the financial year 1 January to 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the accounting policies, for the Group as well as the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility 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 as well as 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.

Auditor's responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Business Act.

Statement on the management commentary

Pursuant to the Danish Financial Business Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 2. February 2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jens Ringbæk
State-Authorised Public Accountant

Lone Møller
State-Authorised Public Accountant

Address

Forsikringselskabet Danica,
Skadeforsikringsaktieselskab af 1999
Parallelvej 17
DK-2800 Kgs. Lyngby, Denmark

Telephone: (+45) 70 11 25 25

Fax: (+45) 45 14 96 16

www.danicapension.dk

Company Registration No.

CVR 25020634

Contact: Ole Fabricius, Head of Finance