

Interim Report First half 2018

Nordea Liv & Pension, livsforsikringselskab A/S

(Business registration no. 24260577)

Registered address

Nordea Liv & Pension, livsforsikringselskab
Lautrupvang 10
2750 Ballerup

Date for signing of interim report

23 August 2018

Table of contents

Management's Review	2
Message from the Management	2
Financial Review	3
Investment Activities	4
Company Information	6
Statement by the management on the interim financial statements	7
Financial Statement – Nordea Liv & Pension group	
Income statement	8
Other comprehensive income	9
Balance sheet	10
Statement of changes in equity	12
Cashflow statement	13
Notes	14
Financial Statement – Nordea Liv & Pension, Livsforsikringselskab	
Income statement	25
Other comprehensive income	26
Balance sheet	27
Statement of changes in equity	29
Notes	30

Management's Review

Message from the management

Stable premium payments

Nordea Liv & Pension, livsforsikring A/S (hereafter Nordea Liv & Pension) experienced satisfactory growth in regular premiums in the first half of 2018. The development in single premiums has been in line with expectations.

Denmark's new customer-owned pension company

In the spring the authorities approved Foreningen Norliv's purchase of the majority holding of Nordea Liv & Pension. Thereby the customers' association now owns 70% of the shares in Nordea Liv & Pension. It has been agreed that the company will be 100% customer-owned at some point in the coming years. In the autumn the company's name will change to Velliv.

As a customer-owned pension company Nordea Liv & Pension will continue its focus on being an effective and competitive pension company to the benefit of customers and owners.

With Foreningen Norliv's purchase of the majority holding of Nordea Liv & Pension, the company ceases to be a part of the Nordea group. In that connection a transition agreement has been agreed, which secures that Nordea Liv & Pension for a certain period of time can continue to use the services currently provided by Nordea in the areas of e.g. IT and HR.

Issuance of Tier 2 Notes

Nordea Liv & Pension has issued a listed Tier 2 loan of SEKm 2,250. The loan has been listed on the official list of Nasdaq Copenhagen and admitted to trading on Nasdaq Copenhagen's regulated market. A former loan from Nordea Life Holding AB of DKKm 1,500 has been redeemed.

Management changes

Following Foreningen Norliv's purchase of the majority holding of Nordea Liv & Pension, a new Board of Directors has been elected at the general meeting. The new Board of Directors have elected Anne Broeng as chairman of the board and Peter Gæmelke as deputy chairman. Karsten Knudsen has been elected as chairman of the audit committee.

As of 1 May 2018 CFO Gitte Aggerholm was appointed member of the Management of Nordea Liv & Pension.

Three sources of customers' return

Customers in Nordea Liv & Pension have three sources of return: The market return on their pension savings, the return on DinKapital and bonus payment from Norliv.

- **Market return:** In the first half of 2018 customers with VækstPension Aktiv Mellem risiko and 15 years to retirement achieved a return of 1.1%. Customers with VækstPension Index received a return of 0.3%. The return of both products is among the best in the market.

Customers with HøjrentePension have also achieved an attractive return on their pension savings through an interest rate of 3%, which is one of the most competitive interest rates in the Danish market.

- **DinKapital:** DinKapital allows 5% of the contributions to be placed in DinKapital at a stable interest rate of 5% at present. More than 90% of all new customers choose to attach DinKapital to their pension schemes. End of June 2018 the total amount of capital placed in DinKapital constitutes DKKm 265.

The return from DinKapital provides the customers with a solid foundation to their pension schemes – particularly at times of negative market returns and high volatility in the financial markets.

- **Bonus payment:** In May 2018 Foreningen Norliv disbursed the first bonus payments to its

members who are Nordea Liv & Pension's 340,000 customers. The bonus payment from Norliv corresponded to an additional return of DKK 2,680 in average for each customer's DKKm 1 of pension savings in Nordea Liv & Pension.

Direct, proactive advice services for customers

The development of a data-based advice tool, which makes it possible in an efficient way to approach all customers with individually targeted advice services continued in the first half of 2018. As a pilot test, 900 employees with 16 different corporate customer profiles were contacted via the advice tool. Approximately 600 of the employees were recommended to change their pension scheme.

The data-based advice tool will be launched during the second half of 2018 where focus will primarily be put on corporate customers handled by the direct sale force.

The proactive advice services are supported by the personal advice services and proactive contact to customers when they get sick. In addition, Nordea Liv & Pension is easy to reach through digital solutions and personal service by phoning the customer centre.

New online investment guide

Nordea Liv & Pension has developed a new online investment guide, which will help customers take a stand regarding investment of their pension savings. The work with the new investment guide was based on the new requirements from the Danish Financial Supervisory Authority, the ambition of providing customers with even clearer recommendations, and assuring a better customer experience when choosing investment form. The new investment guide was developed in cooperation with the customers and with involvement of the digital customer panel, which consists of more than 500 customers.

Data protection

On 25 May 2018 the General Data Protection Regulation entered into force. The regulation aims at protecting personal information and improving safety in relation to the exchange of data and increased transparency for customers and other stakeholders whose data is registered. It is of the utmost concern for Nordea Liv & Pension to take good care of the personal data of customers, business partners and employees and to assure that data is only deployed to the purpose for which it has been collected.

In order to create increased transparency for customers and others who have data stored in the company, further information has been made available on the company's website and all customers have received information via Netpension on the handling of personal data. Nordea Liv & Pension has also appointed a data protection officer and established a contact point for enquiries regarding personal data on the company's website.

New corporate headquarters

In June 2018 Nordea Liv & Pension moved into its new corporate headquarters, which like the former is situated in Ballerup. The moving to the new headquarters is emphasising the new era of Nordea Liv & Pension as a customer-owned company.

Financial Review

Development in economic conditions

Profit for the period

Profit for the first half of 2018 amounted to DKKm 224 after tax compared to DKKm 240 in the first half of 2017.

Realised result

The realised result for the first half of 2018 to be distributed in accordance with the Danish Financial Business Act amounted to DKKm -790.

The distribution of the realized result is carried out in accordance with the rules notified by Nordea Liv

& Pension to the Danish Financial Supervisory Authority.

The notified distribution is based on an annual distribution and the result allocation for the six months is therefore only preliminary. The final distribution of the realised result for 2018 is based on the profit per 31 December 2018.

Premiums

The gross written premiums for the first half of 2018 amounted to DKKm 9,133 compared to DKKm 9,200 in the first half of 2017, which corresponds to a decrease of 0.7%. Premiums have increased by 1.5% during the period, and single premiums have decreased by 3% compared to the first half of 2017.

Insurance benefits

Disbursed insurance benefits for the first half of 2018 amounted to DKKm 7,250 which corresponds to an increase of DKKb 1.2 in comparison to 2017. The main reason for the increase is surrender.

Operating expenses

Expense ratio on provisions is 0.18% in the first half of 2018, which is marginally lower than in the first half of 2017.

Technical result of life insurance

The technical result for the first half of 2018 amounted to DKKm 379.

Health and Accident insurance

The technical result of health and accident insurance for the first half of 2018 amounts to DKKm 15, which is an improvement of DKKm 5 compared to the first half of 2017.

Investment Activities

A half-year with uncertainty and modest returns

The first half of 2018 was a period of largely positive economic development. Growth was

sound around most of the world and corporate earnings were good. At the same time, also prospects for growth and earnings were positive. Despite this, the financial markets showed great instability and greater fluctuations throughout the period. This was largely due to uncertainty about the monetary policy and the geopolitical situation.

Although it was clear that a tightening of monetary policy in the form of interest rate hikes and a termination of central bank bond purchase programs was imminent, considerable uncertainty about the speed of the implementation was prevailing. This was due, inter alia, to the fact that growth only affected the low inflation to a limited extent.

On the geopolitical front the period offered a threatening trade war between the United States on the one hand and a number of other countries, including China, on the other. At the same time, the tensions sparked between USA and North Korea and in the Middle East. A tougher American pressure on Iran pushed up the oil price. At the end of the period, political unrest in Southern Europe also contributed shortly to uncertainty.

Growth was supported by an expansive fiscal policy in the US that affected the American government interest rate upward. As the government rates on the other side of the Atlantic were not affected accordingly, a strengthening of the dollar was seen against the euro.

Overall, the world index for equities rose by about 1% during the half year, and as returns on most bond types also were modest, almost all products achieved relatively low (but positive) returns.

Traditional products

Pension with average interest rate (Pension med gennemsnitsrente) yielded a return of 0.1% for the four interest groups in average. Best were the alternative investments with a return of 4.1 %, but also the real estate portfolio yielded a good return of 3.6%. Shares achieved a return of 0.0%. Interest

rates at the end of June were at the same level as at the beginning of the year, so the yield on the bonds (including interest rate hedge), which accounts for the vast majority of the portfolio, was modest at 0.8%.

Returns for Pension med gennemsnitsrente, 30 June 2018, in %					
Interest rate group	1	2	3	4	Total
Returns	-7,0	0,2	1,1	1,5	0,1

Market return products

Customers' return on market interest rates

Savings in the market return products are yielded based on the return on products and funds chosen by the individual customer. For the balanced products, including the life cycle products, the return is based on returns from funds selected and composed by Nordea Liv & Pension.

As the return on assets with a certain risk was somewhat higher than the return on more secure bonds during the period, in general the return increased with the risk level and the number of years to retirement. Therefore, the highest returns were achieved by the customers with a high risk level and/or many years to retirement.

VækstPension

VækstPension is composed with the purpose of providing good, stable returns in the long term while optimising returns relative to the investment risk assumed. This is achieved among other things by a large diversification of investments across different asset classes, including listed equities, different types of credit bonds, real estate, private equity funds and investments in timber.

Nordea Liv & Pension's customers are increasingly selecting VækstPension, and the product has thus seen a significant increase in customer funds. In line with this growth, investments within all asset classes are continuously expanded with due regard to the company's expectations for the financial markets.

VækstPension Mellem risiko achieved satisfactory returns in the period. A customer with 5 years to retirement thus obtained a return of 0.5% while customers with 15 years or more to retirement earned a return of 1.1%.

LinkPension Aktiv

The returns in LinkPension Aktiv were between -0.4 and 1.6% in the first half-year depending on the risk profile. LinkPension Aktiv is made up of the same funds as VækstPension, but in contrast there is no automatic adjustment of the customer's risk towards the retirement date.

VækstPension Index

The returns in the VækstPension Index (Medium risk) ended between -0.1 and 0.3% in the half-year. Depending on the horizon, customers with many years to retirement achieved the highest returns. The product is built up of passively managed funds.

LinkPension Index

The returns in the LinkPension Index ended between -0.5 and 0.7% in the period depending on the risk profile. The product is built up of passively managed funds and does not automatically adjust the customer's risk towards the retirement date.

Events after the balance sheet date

No events of material importance to the company's financial position or business affairs have occurred subsequent to 30 June 2018.

Expectations for the profit of the year

It is expected that the profit after tax in 2018 will be lower than the profit for 2017 due to the extraordinary costs associated with the transition from Nordea to Norliv. In addition, the remaining shadow account was taken to income in 2017. However, the expected result for 2018 also depends on developments in the financial markets for the remainder of 2018.

Company Information

Board of Directors

Anne Broeng, Chairman, Professional board member

Peter Gæmelke, Deputy Chairman, Self-employed farmer and professional board member

Gustaf Sebastian Björnson Unger, CEO at Nordea Life Holding AB

Lene Klejs Stuhr, HR Director in Agilent Technologies Denmark ApS

Karsten Sivebæk Knudsen, Professional board member

Mads Skovlund Pedersen, Deputy Head of Banking Nordea

Kent Petersen, President of Finansforbundet

Chrilles-Zibrandt Svendsen, Professional board member

Employee representatives*:

Anne Marie Nielsen, Customer Adviser

Per Lyngh Sørensen, IT Developer

Tommy Østerberg, IT-expert Developer

Mogens Edvard Pedersen, Pension Advisor

Management

Steen Michael Erichsen, CEO

Gitte Minet Aggerholm, Director

Appointed actuary

Charlotte Markussen

Audit

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Business reg. no. 33771231

Address

Nordea Liv & Pension, livsforsikringsselskab A/S

Lautrupvang 10

2750 Ballerup

Business reg. no. 24260577

Telephone 70 33 99 99

www.nordealivogpension.dk

*The appointment of the employee representatives to the Board of Directors was executed at the ordinary general meeting 25 April 2018.

Statement by the management on the interim Financial Statements

The Board of Directors and the Executive Board (the management) have today considered and approved the interim financial statements of Nordea Liv & Pension, Livsforsikringsselskab A/S for the six months ending 30 June 2018.

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

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the period 1 January – 30 June 2018. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 23 August 2018

Management

Steen Michael Erichsen

Gitte Minet Aggerholm

Board of Directors

Anne Broeng
Chairman

Peter Gæmelke
Deputy Chairman

Kent Petersen

Karsten Sivebæk Knudsen

Lene Klejs Stuhr

Gustav Sebastian Björnson Unger

Mads Skovlund Pedersen

Chrilles-Zibrandt Svendsen

Tommy Østerberg

Mogens Edvard Pedersen

Anne Marie Nielsen

Per Lyngh Sørensen

Financial Statement – Nordea Liv & Pension Group

Income statement

DKK million	30 June 2018	30 June 2017	2017
Note			
3			
Gross written premiums	9,133	9,200	18,874
Ceded insurance premiums	-44	-35	-79
Total premiums, net of reinsurance	9,089	9,165	18,796
Income from associates	91	83	501
Income from investment property	233	197	410
Interest income and dividends, etc.	2,142	2,429	4,643
Value adjustments	-891	2,598	6,823
Interest expenses	-670	-866	-1,735
Investment management expenses	-193	-190	-312
Total investment return	712	4,252	10,330
Tax on investment return	-51	-671	-1,310
Return on investment after tax on investment returns	661	3,581	9,019
Benefits disbursed	-7,250	-6,025	-12,700
Reinsurance cover received	19	19	35
Total insurance benefits, net of reinsurance	-7,231	-6,006	-12,665
Change in life insurance provisions	-1,804	-6,530	-12,951
Change in reinsurers' share	0	-2	-1
Total change in life insurance provisions, net of reinsurance	-1,804	-6,532	-12,952
Change in profit margin	79	500	-679
Change in surplus funds	-128	-41	-137
Acquisition costs	-127	-120	-232
Administrative expenses	-189	-218	-418
Gross operating expenses relating to insurance	-316	-339	-650
Reimbursement of costs from group enterprises	7	23	44
Net operating expenses relating to insurance	-308	-316	-606
Reinsurance commissions and profit sharing	0	1	0
Total insurance operating expenses, net of reinsurance	-308	-315	-606
Transferred investment return	22	5	10
TECHNICAL RESULT	379	356	787
TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE	15	10	16
Investment return on equity	-37	-23	-59
Other income and expenses	-72	3	7
PROFIT BEFORE TAX	285	346	751
Tax	-62	-106	-224
NET PROFIT FOR THE YEAR	224	240	527

Other comprehensive income

DKK million	30 June 2018	30 June 2017	2017
Note			
Net profit/loss for the year	224	240	527
Total other comprehensive income	0	0	0
Comprehensive income for the year	224	240	527

Balance sheet

DKK million	30 June 2018	30 June 2017	2017
Note			
ASSETS			
Intangible assets	338	250	352
TOTAL INTANGIBLE ASSETS	338	250	352
Tangible assets	0	1	1
TOTAL TANGIBLE ASSETS	0	1	1
Investment property	8,081	6,956	8,193
Shares in associated companies	3,024	3,401	2,956
Loans to associates	0	224	0
Total investment in associated companies	3,024	3,625	2,956
Shares	6,494	6,627	6,224
Unit trust certificates	26,091	28,707	28,093
Bonds	69,041	68,896	69,228
Derivatives	14,162	24,842	23,728
Other	1,026	332	749
Total other financial investment assets	116,814	129,403	128,023
TOTAL INVESTMENT ASSETS	127,920	139,985	139,171
INVESTMENT ASSETS RELATED TO MARKET RETURN PRODUCTS	80,691	69,017	77,225
Life insurance provisions, reinsurers' share	4	3	4
Total insurance contract provisions, reinsurers' share	4	3	4
Receivables from policyholders	571	434	557
Total amounts due related to direct insurance contracts	571	434	557
Receivables from insurance companies	432	418	446
Receivables from group enterprises	0	7	9
Current tax assets	108	86	110
Other receivables	3,899	6,603	2,329
TOTAL RECEIVABLES	5,014	7,550	3,455
Cash and cash equivalents	4,340	4,073	4,326
TOTAL OTHER ASSETS	4,340	4,073	4,326
Interest receivable and accumulated rent	681	859	473
Other prepayments and accrued income	368	511	302
TOTAL PREPAYMENTS AND ACCRUED INCOME	1,049	1,370	776
TOTAL ASSETS	219,352	222,246	225,305

Balance sheet

DKK million	30 June 2018	30 June 2017	2017
Note			
Liabilities			
Provisions for unearned premiums	17	19	17
Life insurance provisions - traditional products	91,209	93,828	93,375
Life insurance provisions - market return products	78,755	67,932	74,783
Profit margin on life insurance and investment contracts	3,406	2,306	3,485
Provisions for claims	1,226	1,263	1,251
Risk margin on non-life insurance contracts	8	11	16
Provisions for bonuses and premium rebates	6	6	5
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	174,627	165,365	172,933
Payables, direct insurance operations	66	79	52
Amounts owed to reinsurers	3	11	3
Payables to credit institutions	8,649	14,496	14,703
Payables to group enterprises	267	1	5
Current tax liabilities	0	0	81
Unsettled purchase of investment assets	2,624	3,614	1,446
Other payables	23,748	29,496	26,617
Total liabilities other than provisions	35,357	47,697	42,906
ACCRUALS AND DEFERRED INCOME	648	1,001	834
Deferred tax liabilities	712	640	706
TOTAL PROVISIONS	712	640	706
Surplus funds	265	41	137
4.5 Other subordinate loan capital	3,364	3,233	3,233
TOTAL SUBORDINATE LOAN CAPITAL	3,629	3,274	3,369
Total liabilities	214,972	217,976	220,749
Share capital	600	600	600
Contingency fund	488	488	488
Retained earnings	3,292	3,182	3,068
Proposed dividend for financial year	0	0	400
6 TOTAL SHAREHOLDERS' EQUITY	4,380	4,270	4,556
TOTAL EQUITY AND LIABILITIES	219,352	222,246	225,305
Notes not related to P/L and Balance sheet			
1 Accounting policies			
2 Segment reporting			
7 Capital base			
8 Charges and collateral securities			
9 Contingent assets			
10 Contingent liabilities and undertaking			
11 Financial assets and liabilities			
12 Sensitivity information			
13 Risk information			

Statement of changes in equity

DKK million	Share Capital	Contingency funds	Retained earnings	Proposed dividends	Total
Note					
Equity 1 January 2017	600	488	2,941	600	4,629
<i>Change in equity first half of 2017</i>					
Profit/(loss) for the year	0	0	240	0	240
Other comprehensive income	0	0	0	0	0
Comprehensive income for the year	0	0	240	0	240
Distributed dividend	0	0	0	-600	-600
Share-based payment	0	0	0	0	0
Total change in equity first half of 2017	0	0	240	-600	-360
Equity 30 June 2017	600	488	3,182	0	4,270
Equity 1 July 2017	600	488	3,182	0	4,270
<i>Change in equity second half 2017</i>					
Profit/(loss) for the year	0	0	-113	400	287
Other comprehensive income	0	0	0	0	0
Comprehensive income for the year	0	0	-113	400	287
Distributed dividend	0	0	0	0	0
Share-based payment	0	0	0	0	0
Total change in equity second half of 2017	0	0	-113	400	287
Equity 31 December 2017	600	488	3,068	400	4,556
Equity 1 January 2018	600	488	3,068	400	4,556
<i>Change in equity first half of 2018</i>					
Profit/(loss) for the year	0	0	224	0	224
Other comprehensive income	0	0	0	0	0
Comprehensive income for the year	0	0	224	0	224
Distributed dividend	0	0	0	-400	-400
Share-based payment	0	0	0	0	0
Total change in equity first half of 2018	0	0	224	-400	-176
Equity 30 June 2018	600	488	3,292	0	4,380

Cash flow statement

DKK million	30 June 2018	30 June 2017	2017
Cash flow from operating activities			
Premiums and benefits disbursed	1,615	3,141	5,806
Operating expenses	-337	-356	-570
Paid Tax	-1,384	-810	-1,483
Other cash flow from operating activities	0	-1	-1
	-105	1,974	3,751
Cash flow from investing activities			
Purchase and sale of property investments	-271	-235	-567
Other cash flow from investing activities	442	-1,396	-2,593
	171	-1,631	-3,160
Cash flow from financing activities			
Distributed dividend	-400	-600	-600
Debt to credit institutions and Subordinated loan capital	348	198	203
	-52	-402	-397
Total cash flow	14	-59	194
Cash beginning of year	4,326	4,132	4,132
Cash end of year	4,340	4,073	4,326
Surplus funds, beginning of year	137	0	0
Payments to Surplus funds	124	41	135
Accrual of interests	5	0	2
Surplus funds, end of year	265	41	137
Surplus funds consist of payments from customers regarding the product DinKapital. Surplus funds are increased with payments from customers and ongoing accrual of interests, while the repayments are made as the benefits are disbursed.			
Other subordinated loan capital, beginning of year	3,233	3,233	3,233
Acquired other subordinated loan capital	1,632	0	0
Redeemed other subordinated loan capital	-1,500	0	0
Other subordinated loan capital, end of year	3,364	3,233	3,233
At the end of second quarter of 2018 Other subordinated loan capital consist of one bullet loan at Nordea Life Holding AB of DKKm 800, one at Norliv of DKKm 933 and issued corporate bonds of SEKm 2,250. The loan at Nordea Holding AB of DKKm 800 is expected to be repaid as new capital is acquired through the issuing of coporate bonds. The loan at Norliv of DKKm 933 was acquired in 2016 and is not expected to be repaid any time soon. In June 2018 Nordea Liv & Pension issued corporate bonds for SEKm 2,250, which was used to reedem a bullet loan at Nordea Life Holding AB of DKKm 1,500. The corporate bonds expire in 2028.			
Debt to credit institutions, beginning of year	784	607	607
Changes in Debt to credit institutions	150	150	177
Debt to credit institutions, end of year	935	757	784

Notes

Note 1 – Accounting principles

The independent auditor's endorsement

The interim report is unaudited and un-reviewed.

Accounting policies

The interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), which have been adopted by the EU, with accompanying interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and parts of the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds as specified in the Executive Order on International Accounting Standards for Companies comprised by the Danish Business Act.

The amounts disclosed in the income statement, balance sheet and notes are presented in whole numbers of DKKm. The amounts have been rounded separately and consequently the sum of the rounded amounts and totals may differ slightly.

Accounting policies are unchanged from the annual report for 8 May 2017. The annual report for 8 May 2017 contains the full description of accounting policies.

Notes

DKK million

2 Segment reporting

Business segments are split by product types. The segment "Traditional" contains traditional life insurance products, pension with guarantees and "Forenede Gruppeliv". The segment "Market return" contains pension products with market returns. The "Other" segment contains SUL, Liv III, Polen and the equity. The equity is carrying the tax obligation for the enterprise.

Segment reporting 30 June 2018	Traditional	Market return	Other	Eliminations	Group
Gross written premiums	1,857	7,713	47	-482	9,136
Total insurance benefits	-3,725	-4,036	-112	482	-7,391
Change in life insurance provisions	2,196	-4,007	79		-1,732
Operating expenses	-157	-149	-11	0	-316
Investment return	-4	747	7		749
Tax on investment return	110	-165	3		-51
Equity investment return	0	0	-37		-37
Other income	0	3	-75		-72
Ordinary result before tax	278	106	-99		285
Tax	0	0	-62		-62
Net profit for the year	278	106	-160	0	224

Segment reporting 30 June 2017	Traditional	Market return	Other	Eliminations	Group
Gross written premiums	1,851	8,225	50	-911	9,215
Total insurance benefits	-4,249	-2,760	-115	911	-6,213
Change in life insurance provisions	1,864	-7,838	59		-5,915
Operating expenses	-177	-138	-11		-325
Investment return	1,119	3,128	29		4,275
Tax on investment return	-121	-540	-9		-671
Equity investment return	0	0	-23	0	-23
Other income	0	3	0		3
Ordinary result before tax	287	79	-20	0	346
Tax	0	0	-106		-106
Net profit for the year	287	79	-126	0	240

*The difference between the Gross written premiums in the P/L and in the segment statement is reinsurance premiums and premiums in Health & Accident.

	30 June 2018	30 June 2017	2017
3 Gross written premiums			
Premiums, individual, exclusive of group term life	108	121	289
Premiums, corporate schemes, exclusive of group term life	4,174	4,092	8,234
Premiums, group term life	401	403	791
Direct insurance, exclusive of single premiums	4,683	4,616	9,315
Single premiums, individual	70	64	198
Single premiums, corporate schemes	4,379	4,520	9,361
Direct insurance	9,133	9,200	18,874
Indirect insurance	0	0	0
Gross written premiums included in the income statement	9,133	9,200	18,874
Premiums, direct insurance, broken down by insurance arrangement			
Insurance taken out through employers	8,553	8,612	17,595
Insurance taken out by individuals	178	185	488
Group term life insurance	401	403	791
	9,133	9,200	18,874

Notes

DKK million	30 June 2018	30 June 2017	2017
3 <i>continued</i>			
Premiums, direct insurance, broken down by bonus arrangement			
Insurance with bonus plans	1,773	1,852	3,883
Insurance without bonus plans	45	165	165
Insurance, policyholder carries the investment risk	7,314	7,183	14,826
	9,133	9,200	18,874
Number of insured, direct insurance (1,000 units)			
Insurance taken out through employers	315	253	303
Insurance taken out by individuals	199	223	217
Group term life insurance	234	250	234
Premiums, direct insurance, broken down by policyholders' residence			
Denmark	8,965	9,098	18,670
Other EU countries	66	88	175
Other countries	102	15	29
	9,133	9,200	18,874
4 Subordinate loan capital			
<i>Payments related to subordinate loan capital for the year:</i>			
Interest expenses	-27	-52	-104
	-27	-52	-104
Share of subordinate loan capital included in the capital base:	3,364	3,233	3,233
<i>Contributed sums exceeding 10% of the total subordinate loan capital:</i>			
	<u>Due date</u>	<u>Interest rate %</u>	
Nominal SEKm 2,250 at variable rate*	08.06.2028	Stibor 3m + 2.75	0
Nominal DKKm 800 at variable rate	Indefinite	Cibor 12m + 2.18	800
Nominal DKKm 1,500 at variable rate	Indefinite	Cibor 12m + 2.40	1,500
Nominal DKKm 932.5 at variable rate	Indefinite	Cibor 3m + 5.25	933
			3,364
			3,233
			3,233

* The loan was taken on 8 June 2018 and is listed on Nasdaq Copenhagen. The loan can be redeemed from June 2023 with approval by the Danish FSA. The loan is recognized at amortized cost including the fair value of the hedge instrument for foreign exchange risk.

The remaining loans are exempt from repayment and can be repaid at the submission of a three-months notice from the borrower, if the borrower has the necessary capital base. Repayment cannot take place at the request from the lender and without the approval from the Danish Financial Supervisory Authority. The borrower is entitled to defer the payment of interest if the capital base does not exceed the solvency margin, or if the capital base will be reduced below the level of the solvency margin in case of a payment of interests.

The entire subordinate loan capital as per 30 June 2018 is included in the calculation of the capital base.

Notes

DKK million	30 June 2018	30 June 2017	2017
5 Debt payable after 5 years:			
Other subordinate loan capital	3,364	3,233	3,233
6 Total shareholders' equity			
<i>Share capital</i>			
The share capital has been divided into share units of DKK 1,000 or multiples thereof, corresponding to 600,000 units.			
70% of the shares are owned by Norliv - Foreningen for kunder i Nordea Liv & Pension F.M.B.A, Lautrupvang 10, 2750 Ballerup (Business reg. no. 36741422), and 30% of the shares are owned by Nordea Life Holding AB, L4460, S-105 71 Stockholm, Sweden (SE663000-0195).			
All shares are ordinary shares and have the same rights.			
<i>Contingency fund</i>			
According to the articles the contingency funds only come into use for the benefit of the insured members.			
DKK m 266 out of DKK m 547 is untaxed.			
<i>See the Statement of Changes in Equity, page 12.</i>			
7 Capital base			
Shareholders' equity	4,439	4,328	4,615
Subordinated debt	3,629	3,274	3,369
Proposed dividend	0	0	-400
Reconciliation reserve	5,609	5,887	6,307
Intangible assets	-338	-250	-352
Capital base, end of year	13,339	13,239	13,540

Above is shown the difference existing between the capital employed to cover the solvency capital requirement and the shareholders' equity according to the balance sheet (local gaap). The reconciliation reserve refers to the difference in the calculation of profits earned on future cash flows (revenue flows) with reference to the Solvency II balance named PVFP (Present Value of Future Premiums) and the balance sheet. The difference arises as provisions, in compliance with the balance sheet, are calculated based on a deterministic state model and in the Solvency II balance based on a stochastic model. The reconciliation reserve is included with a deduction of deferred taxes. The Solvency ratio can be seen in note 13. Capital management is subject to capital policy, in which sizes, such as the solvency ratio and solvency margin limits, are specified. The capital management process is closely linked to Nordea Liv & Pension's business plan/budget projections, covering a planning period of three years. The capital policy also shows what actions should be taken if the solvency ratio drops. The actions depend on the level of solvency and they must only be initiated when the solvency ratio falls below the determined solvency ratio. Nordea Liv & Pension's CRO is responsible for monitoring and reporting solvency and capital limits. Nordea Liv & Pension's CFO is responsible for the composition of the capital base.

Notes

DKK million	30 June 2018	2017
8 Charges and collateral securities		
<i>Assets charged or otherwise provided as security:</i>		
<i>Investment properties</i>		
Issue and registration of owner's mortgages (face value) have been done in the company's investment properties in order to cover for total mortgage debt of	884	888
Carrying amount of investment properties with mortgage debt amounts to	1,734	1,637
<i>Bonds</i>		
Bonds sold as part of repo transactions, recognised in the balance sheet	7,718	27,519
Bonds deposited on a pledge account in order to cover for liabilities related to wind-up of financial instruments	1,982	590
<i>Cash and cash equivalents</i>		
Credit balance on deposit accounts provided as collateral for liabilities related to wind-up of financial instruments	142	136
In repurchase transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial Instruments pledged as collateral, which is included in Other debt.		

9 **Contingent assets**

In 2014 the Court of Justice of the European Union delivered a preliminary ruling according to which certain benefits for life insurance companies and pension funds resembling unit trusts may be exempted from VAT. In 2015 the Eastern High Court in Denmark made a final decision in the case. However, Danish life insurance companies and pension funds are still in an uncertain position. The company or its suppliers may be entitled to a potential claim for disbursement of incorrect VAT charged on the company's purchases. The company has issued a claim against the Government and has requested its suppliers to issue a claim regarding the termination of any limitation. It is expected that it will be possible to assess the probability and scope of possible claims during 2018 and possibly later.

10 **Contingent liabilities and undertaking**

The company is jointly and severally liable with the other participants in Forenede Gruppeliv A/S for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S.

As of April 2018 Nordea Liv & Pension is no longer jointly taxed with other Danish units in Nordea Danmark, filial af Nordea Bank AB, which is the management company in the Danish national joint taxation in Nordea.

The company is voluntarily registered for VAT concerning selected land and building. An obligation to adjust VAT of not more than DKKm 187 rests with the company.

Lease with set termination middle of 2018, the liability does not exceed DKKm 8.

Liabilities relating to leasing do not exceed DKKm 5.

Liabilities relating to insurance cases in progress do not exceed DKKm 10.

The company has committed itself to further investments in alternative investments with a sum not exceeding DKKb 10.4.

Notes

DKK million

11 Financial assets and liabilities

	Fair value		Amortised cost		Total
	Trade	Designated	Receivables	Liabilities	
30 June 2018					
Shares		6,494			6,494
Unit trust certificates		26,091			26,091
Bonds		69,041			69,041
Derivatives	14,162				14,162
Other	1,026				1,026
Investment assets related to market return products		80,691			80,691
Other receivables	3,899				3,899
Cash	4,340				4,340
Total financial assets	23,427	182,317	0	0	205,744
Payables to credit institutions	8,649				8,649
Derivatives	10,870				10,870
Subordinated loan capital				3,629	3,629
Total financial liabilities	30,900	0	0	3,629	23,148
	Fair value		Amortised cost		
	Trade	Designated	Receivables	Liabilities	Total
31 December 2017					
Shares		6,224			6,224
Unit trust certificates		28,093			28,093
Bonds		69,228			69,228
Derivatives	23,728				23,728
Other	749				749
Investment assets related to market return products		77,225			77,225
Other receivables	2,329				2,329
Cash	4,326				4,326
Total financial assets	31,132	180,770	0	0	211,902
Payables to credit institutions	14,703				14,703
Derivatives	16,981				16,981
Subordinated loan capital				3,369	3,369
Total financial liabilities	31,684	0	0	3,369	35,053

Notes

DKK million

11 continued

30 June 2018	Listed prices Level 1	Observable input Level 2	Non Observable input Level 3	Total
Shares	272	0	6,222	6,494
Unit trust certificates	26,091	0	0	26,091
Bonds	26,263	35,872	6,905	69,041
Derivatives	0	14,162	0	14,162
Other	0	0	0	0
Investment assets related to market return products	60,651	5,163	9,930	75,744
Total financial assets	113,278	55,197	23,057	191,532
Derivatives	-4	-10,866	0	-10,870
Total financial liabilities	-4	-10,866	0	-10,870

31 December 2017	Listed prices Level 1	Observable input Level 2	Non Observable input Level 3	Total
Shares	280	0	5,945	6,224
Unit trust certificates	28,093	0	0	28,093
Bonds	20,419	42,893	5,916	69,228
Derivatives	0	24,842	0	24,842
Other	332	0	0	332
Investment assets related to market return products	60,080	5,434	7,399	72,913
Total financial assets	109,204	73,168	19,260	201,632
Derivatives	-20	-16,962	0	-16,982
Total financial liabilities	-20	-16,962	0	-16,982

Value adjustment based on Non Observable input*

	30 June 2018	2017
Fair value beginning of year	19,260	18,024
Value adjustment over profit and loss in the item "Value adjustments"	87	-1,251
Purchase	4,820	5,731
Sales	-1,110	-3,244
Fair value end of year	23,057	19,260

Notes

DKK million

11 *continued*

In the first half of 2018 unrealized value adjustments of DKK 239 million (2017: -83 million DKK) relating to financial instruments based on non observable inputs were recognized in the line item Value adjustments.

Classification has been carried out in consideration of the criteria stated below:

Quoted prices, Level 1: Publicly available prices (non-adjusted prices in an active market for identical assets or liabilities accessible by the company at the time of measuring).

Observable input, Level 2: Observable input for the asset or liability, either direct (i.e. as rates) or indirect (i.e. derived from rates), not included in Level 1.

Non-observable input, Level 3: Input for measuring the asset or liability, not based on observable market data (non-observable input).

Bonds in level 3 are alternative investments with bond-like characteristics.

Determination of level and possible transfers occurs for bonds on the basis of a list from Nordea Markets. For the remaining financial assets, level and possibly transfers are determined on the basis of current assessment, but at least once a quarter. The ongoing assessment is supported by "Back-testing" and "4 eyes principle", which looks at the ten largest market values and 10 randomly selected securities.

Greatest risk regarding measurement of financial assets relates to assets under Level 3 as there are no observable market data for this category. Mitigation of this risk is described in Note 13 "Risk management" in the section 'Financial risks'.

12 Sensitivity information

Event	Effect on shareholders' equity (DKK Mio)
Mortality increased living with 1 year	31.0
Disability 10 percent increase	2.5
Interest rate increase of 0.7-1.0 percentage point	-16.0
Interest rate decrease of 0.7-1.0 percentage point	-21.7
Fall in share value of 12%	-16.4
Decline in property prices of 8%	-8.7
Foreign exchange rate (VaR 99%)	-0.2
Loss on counterparties of 8%	0.0

The note has been established in accordance with the regulations stated in Appendix 13 in the "Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds" and also "Guidelines for reporting template when submitting information about capital and risks in life insurance and non-life insurance companies, reinsurance undertakings, multi-employer occupational pension funds, and industrial injury insurance companies". The effect of the individual events on the equity has been based on an all-other-things-being-equal scenario.

Notes

DKK million

13 Risk information

Risk management

Nordea Liv & Pension's risk management system has been implemented across the company and ensures that substantial risk and capital processes are effective, consistent and interconnected. The processes comprise all activities linked to identifying, measuring, monitoring, managing and reporting on the risks and their effects on the company's capital needs. The in-house control system is a part of the risk management system and consists of a number of processes, which will ensure that the necessary controls with the company's tasks are in place and are being maintained, that the controls are performed, that results are being reported, and that necessary decisions are being made based on these reports.

Most substantial risks

In Nordea Liv & Pension the most important risks are categorised in the following main areas:

- Financial risks
- Insurance risks
- Operational risks
- Business risks

These categories can be divided into sub-categories.

The financial risks and insurance risks are monitored and managed continuously, whereas the operational risks and business risks are monitored at a lower frequency. Below, the most important risks will be discussed as well as their handling.

Financial risks

The financial risks comprise market risk, credit risk and liquidity risk that can be divided into a number of subcategories. Market risk is divided into interest rates risk, equity price risk, property value risk, credit spread risk, exchange rate risk and concentration risk. The most significant risk is the interest rate risk, which is reduced by a strategic interest rate hedge. When the market parameters are lower than the basis parameters of establishment of new business, the provisions will rise. The interest rate risk is hedged continuously by way of a combination of bonds and derivatives to protect the bonus potentials, and to minimize interest risk in general.

The equity price risk arises due to investment in listed equity and alternative investments. In the work with composing the portfolios, managing the concentration risk has always been an important element. The actual composition of portfolios is therefore characterised by a very high degree of spread, which will contribute to reduce the risks.

Regarding investments in credit instruments, the Board of Directors has set the limits for the total exposure including credit derivatives and for the extent of the total commitments with each counterparty. These limits have been set in order to reduce the risk of loss for Nordea Liv & Pension if the counterparties would not be able to fulfil their obligations. In addition to this, collateral agreement have been entered into to ensure a daily exchange of collateral in case the derivatives' market value varies. The risks are monitored in the company's solvency model.

Investment is only carried out in alternative investment via fund structures and only in funds with an investment mandate to ensure a large number of underlying individual assets and a broad risk spreading in the funds. The broad risk spreading in the individual funds combined with a large spreading on a portfolio level across the trustees, the type of underlying investments, geography, years of investment, etc. - altogether this will ensure a considerable risk spreading in the portfolio of alternative investments.

Notes

DKK million

13 *continued*

Accounting estimates are used in the determination of fair value for alternative investments in shares, forest, properties, etc., where there is no active market as the determination is based on models and to a possible extent also observable data. The estimates are especially linked to assumptions, which are supporting reporting received from investment managers. To secure authenticity of entered estimates, Nordea Liv & Pension has ensured that independent audit statements are received from external private equity investment managers once a year as a minimum. Furthermore, Nordea Liv & Pension has established a process where the Investment Operations organisation is carrying out an independent price validation of illiquid fund investments on a sample basis.

When measuring the derivatives' fair value, consideration is made for bid-offer spreads as the recognition is done at mid prices. Consideration is also made for credit valuation adjustment (CVA) in relation to the determined values. The uncertainty is especially connected to the determination of probability of non-compliance from Nordea Liv & Pension's counterparties. Nordea Liv & Pension only trade in derivatives based on ISDA and CSA agreements that ensure a low counterparty risk due to frequent exchange of collateral. In addition to exchange of daily collateral, Nordea Liv & Pension's derivative positions are valued by Nordea Liv & Pension's partner who is also performing the operational part of the collateral exchange.

The portfolio of property investments consists of properties predominantly located in Denmark. In this way an exposure to Danish economy is achieved, including inflationary developments, which contributes to ensure the actual value of the savings measured in Danish Kroner.

The management of market risk is implemented in the company's Investment and ALM Policy. The Board of Directors has defined a series of authorisations to the Management, which have been described in the guidelines. The lines and limits, benchmarks, and strategic asset allocation have been determined in the policy and guidelines. The purpose of the ALM Policy is to manage the interaction between assets and liabilities and through this to reduce any loss connected to market risk taking into account the solvency and buffers, optimisation of return, and regulatory requirements.

Market risk reports are made regularly regarding the use of limits. The report is sent to the Executive Management. The financial risk reporting is reestimated on a regular basis in relation to actual risks, sensitivities, etc.

The management of liquidity risk is implemented in the company's Investment Policy. Liquidity risk is limited by placing a large proportion of investments in liquid listed bonds and shares, see note 11.

The credit risk on the bond portfolio is limited as 76 percent of the portfolio consists of high rated (AA - AAA) bonds at the international rating agencies.

Insurance risks

The insurance risks comprise risk of longevity, mortality, disability, insurance options, costs, continuation, and disaster. The most important risks are longevity risk, disability risk, and insurance option risk. Nordea Liv & Pension use a partial internal model to calculate the longevity shock in the calculation of the solvency requirement.

Nordea Liv & Pension follows changes in society on a continuous basis to ensure that the underwriting basis applying is adequate. The risk of systematic risks is reduced as provisions are made in accordance with the longevity benchmark stated by the Danish Financial Supervisory Authority.

With regard to the disability risk, there is focus on active injury treatment, which results in reduced time away from the labour market for the injured.

Nordea Liv & Pension has a policy of acceptance. It is the overall objective of the company to create a sound and solid insurance business. In this connection an important element is an evaluation of the company's risk profile. The risk evaluation includes an assessment of product programmes and products, insurance terms, reinsurance large risks, etc. In addition to this a subjective evaluation of the individual customer's risks is also carried out when establishing new business. In general, the risk to be insured must be of ordinary nature in the relevant insurance area.

Notes

DKK million

13 *continued*

The company's policy for reinsurance agreements ensures that the company has an upper limit regarding risk per insurance event. In order to reduce the disaster risk a disaster cover is also included in Nordea Liv & Pension's reinsurance programme.

Determination of the carrying amount on insurance and pension technical provisions involves an estimate that is linked especially to the maturity-dependent discount rate and assumptions related to mortality, surrender, paid-up policy, and disability. The determination of various assumptions is based on actuarial calculations and models of projection.

Operational risks

Operational risk is the risk of financial loss resulting from inexpedient or inadequate in-house procedures, human or system errors, or resulting from external events including legal risks.

The division of responsibilities between the Board of Directors and the Management has been stated in the rules of procedure. The Board of Directors has produced written guidelines for the company's most significant areas of activity, stating the division of labour between the Board of Directors and the Management. The Management is responsible for the control environment and for ensuring compliance with the guidelines adopted by the Board of Directors when procedures and instructions are produced.

The Compliance Officer and the Operational Risk Manager support and assist the Management in ensuring an efficient control environment in relation to operational risk, including compliance risk. Once every year an identification of the company's most significant operational risk is carried out. Furthermore, an annual Internal Control Assessment is carried out, evaluating the compliance with guidelines.

The company's project model ensures that a Quality and Risk Analysis (QRA) is carried out before setting-up projects. The purpose is to identify and handle risks occurring during the project period and the resulting change/development of the project.

Business risks

Business risks, including the strategic risks, comprise risks related to the business uncertainty arising as a result of the market development, customer behaviour, technological progress, and the financial impact due to reputational conditions.

Among the business risks are also the other risks in relation to the company's business model. Nordea Liv & Pension is currently implementing a new IT core system. At the same time, as the new IT system is operational, the processes are being revised. Compared to the previous system, the processes will now be further standardised and automated.

The customers will be migrated from the old IT systems to the new one and the peripheral systems are updated. There is focus on digitalisation and simplification. The central project risks in this connection are handled continuously during the project. When the new IT system is put into operation, risks will arise in connection with the change process occurring as the new IT system is operational. Likewise the employees will have to adjust to other work processes and new standards.

Solvency II position

Nordea Liv & Pension has reported and monitored the development in the Solvency II position throughout the first half of 2018 on a regular basis, as well as the risks connected to it.

The company's solvency cover is at 176%, which is well above the minimum limit of the company.

Monitoring

In Nordea Liv & Pension the solvency and capital situation as well as the financial buffers are followed on a weekly basis in a risk report.

Financial Statement – Nordea Liv & Pension

Livsforsikringselskab

Income statement

DKK million		30 June 2018	30 June 2017	2017
Note				
2	Gross written premiums	9,133	9,200	18,874
	Ceded insurance premiums	-44	-35	-79
	Total premiums, net of reinsurance	9,089	9,165	18,796
	Income from affiliated companies	241	209	569
	Income from associated companies	84	83	496
	Income from investment property	15	14	12
3	Interest income and dividends, etc.	2,136	2,420	4,623
4	Value adjustments	-905	2,578	6,668
	Interest expenses	-666	-861	-1,727
	Investment management expenses	-193	-190	-312
	Total investment return	712	4,252	10,331
	Tax on investment return	-51	-671	-1,310
	Return on investment after tax on investment returns	661	3,581	9,021
5	Benefits disbursed	-7,250	-6,025	-12,700
	Reinsurance cover received	19	19	35
	Total insurance benefits, net of reinsurance	-7,231	-6,006	-12,665
	Change in life insurance provisions	-1,804	-6,530	-12,951
	Change in reinsurers' share	0	-2	-1
	Total change in life insurance provisions, net of reinsurance	-1,804	-6,532	-12,952
	Change in profit margin	79	500	-679
	Change in surplus funds	-128	-41	-137
	Acquisition costs	-127	-120	-232
	Administrative expenses	-187	-218	-419
	Gross operating expenses relating to insurance	-314	-339	-651
	Reimbursement of costs from group enterprises	7	23	44
	Net operating expenses relating to insurance	-306	-316	-608
	Reinsurance commissions and profit sharing	0	1	0
	Total insurance operating expenses, net of reinsurance	-306	-315	-608
	Transferred investment return	29	5	8
	TECHNICAL RESULT	387	356	784
	TECHNICAL RESULT OF SICKNESS AND ACCIDENT INSURANCE	15	10	16
	Investment return on equity	-44	-23	-57
	Other income and expenses	-72	3	7
	PROFIT BEFORE TAX	287	346	751
	Tax	-63	-106	-223
	NET PROFIT FOR THE YEAR	224	240	527

Other comprehensive income

DKK million	30 June 2018	30 June 2017	2017
Note			
Net profit/loss for the year	224	240	527
Total other comprehensive income	0	0	0
Comprehensive income for the year	224	240	527

Balance sheet

DKK million	30 June 2018	30 June 2017	2017
Note			
ASSETS			
Intangible assets	2	250	4
TOTAL INTANGIBLE ASSETS	2	250	4
Tangible assets	0	1	1
TOTAL TANGIBLE ASSETS	0	1	1
Investment property	462	490	413
Shares in affiliated companies	7,362	7,450	7,271
Shares in associated companies	2,865	2,662	2,802
Loans to affiliated companies	492	0	504
Loans to associated companies	0	224	0
Total investment affiliated and associated companies	10,718	10,336	10,577
Shares	6,494	6,627	6,224
Unit trust certificates	26,091	28,707	28,093
Bonds	69,041	68,896	69,228
Other	15,188	25,174	24,477
Total other financial investment assets	116,814	129,403	128,022
TOTAL INVESTMENT ASSETS	127,994	140,230	139,013
INVESTMENT ASSETS RELATED TO MARKET RETURN PRODUCTS	80,691	68,701	77,437
Life insurance provisions, reinsurers' share	4	3	4
Total insurance contract provisions, reinsurers' share	4	3	4
Receivables from policyholders	571	434	557
Total amounts due related to direct insurance contracts	571	434	557
Receivables from insurance companies	432	418	446
Receivables from group enterprises	4	6	128
Other receivables	3,330	6,237	1,776
TOTAL RECEIVABLES	4,341	7,097	2,911
Cash and cash equivalents	3,970	3,591	3,937
TOTAL OTHER ASSETS	3,970	3,591	3,937
Receivable interest and accumulated rent	681	859	473
Other prepayments and accrued income	368	511	302
TOTAL PREPAYMENTS AND ACCRUED INCOME	1,049	1,370	776
TOTAL ASSETS	218,049	221,238	224,079

Balance sheet

DKK million	30 June 2018	30 June 2017	2017
Note			
LIABILITIES			
Share capital	600	600	600
Contingency fund	547	547	547
Retained earnings	3,292	3,182	3,068
Proposed dividend for financial year	0	0	400
TOTAL SHAREHOLDERS' EQUITY			
	4,439	4,328	4,615
Surplus funds	265	41	137
6 Other subordinate loan capital	3,364	3,233	3,233
TOTAL SUBORDINATE LOAN CAPITAL			
	3,629	3,274	3,369
Provisions for unearned premiums	17	19	17
7 Life insurance provisions - traditional products	91,209	93,828	93,375
8 Life insurance provisions - market return products	78,755	67,932	74,783
Profit margin on life insurance and investment contracts	3,406	2,306	3,485
Provisions for claims	1,226	1,263	1,251
Risk margin on non-life insurance contracts	8	11	16
Provisions for bonuses and premium rebates	6	6	5
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS			
	174,627	165,365	172,933
Deferred tax liabilities	543	581	537
TOTAL PROVISIONS			
	543	581	537
Payables, direct insurance operations	66	79	52
Amounts owed to reinsurers	3	11	3
Payables to credit institutions	7,714	13,738	13,918
Payables to group enterprises	397	27	21
Unsettled purchase of investment assets	2,624	3,614	1,446
Other payables	23,360	29,220	26,270
Total liabilities other than provisions			
	34,163	46,689	41,790
ACCRUALS AND DEFERRED INCOME			
	648	1,001	834
TOTAL LIABILITIES			
	218,049	221,238	224,079
Notes without reference			
1 Accounting policies			
9 Capital base			

Statement of changes in equity

DKK million	Share Capital	Contingency funds	Retained earnings	Proposed dividends	Total
Note					
Equity 1 January 2017	600	547	2,941	600	4,688
<i>Changes in equity first half of 2017</i>					
Profit/(loss) for the year	0	0	240	0	240
Other comprehensive income	0	0	0	0	0
Comprehensive income for the year	0	0	240	0	240
Distributed dividend	0	0	0	-600	-600
Share-based payment	0	0	0	0	0
Total change in equity first half of 2017	0	0	240	-600	-360
Equity 30 June 2017	600	547	3,182	0	4,328
Equity 1 July 2017	600	547	3,182	0	4,328
<i>Changes in equity second half 2017</i>					
Profit/(loss) for the year	0	0	-113	400	287
Other comprehensive income	0	0	0	0	0
Comprehensive income for the year	0	0	-113	400	287
Distributed dividend	0	0	0	0	0
Share-based payment	0	0	0	0	0
Total change in equity second of half 2017	0	0	-113	400	287
Equity 31 December 2017	600	547	3,068	400	4,615
Equity 1 January 2018	600	547	3,068	400	4,615
<i>Changes in equity first half of 2018</i>					
Profit/(loss) for the year	0	0	224	0	224
Other comprehensive income	0	0	0	0	0
Comprehensive income for the year	0	0	224	0	224
Distributed dividend	0	0	0	-400	-400
Share-based payment	0	0	0	0	0
Total change in equity first half of 2018	0	0	224	-400	-176
Equity 30 June 2018	600	547	3,292	0	4,439

Notes

Note 1 Accounting policies

The independent auditor's endorsement

The interim report is unaudited and un-reviewed.

Accounting policies

The interim financial statements have been prepared in accordance with the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

The amounts disclosed in the income statement, balance sheet and notes are presented in whole numbers of DKKm. The amounts have been rounded separately and consequently the sum of the rounded amounts and totals may differ slightly.

Accounting policies are unchanged from the Danish annual report for 2017. The annual report for 2017 contains the full description of accounting policies.

Notes

DKK million	30 June 2018	30 June 2017	2017
2 Gross written premiums			
Premiums, individual, exclusive of group term life	108	121	289
Premiums, corporate schemes, exclusive of group term life	4,174	4,092	8,234
Premiums, group term life	401	403	791
Direct insurance, exclusive of single premiums	4,683	4,616	9,315
Single premiums, individual	70	64	198
Single premiums, corporate schemes	4,379	4,520	9,361
Direct insurance	9,133	9,200	18,874
Indirect insurance	0	0	0
Gross written premiums included in the income statement	9,133	9,200	18,874
Premiums, direct insurance, broken down by insurance arrangement			
Insurance taken out through employers	8,553	8,612	17,595
Insurance taken out by individuals	178	185	488
Group term life insurance	401	403	791
	9,133	9,200	18,874
Premiums, direct insurance, broken down by bonus arrangement			
Insurance with bonus plans	1,773	1,852	3,883
Insurance without bonus plans	45	165	165
Insurance, investment risk is assumed by policyholder	7,314	7,183	14,826
	9,133	9,200	18,874
Number of insured, direct insurance (1,000 units)			
Insurance taken out through employers	315	253	303
Insurance taken out by individuals	199	223	217
Group term life insurance	234	250	234
Premiums, direct insurance, broken down by policyholders' residence			
Denmark	8,965	9,098	18,670
Other EU countries	66	88	175
Other countries	102	15	29
	9,133	9,200	18,874
3 Interest income and dividends, etc.			
Dividend of shares	200	150	242
Dividend, private equity funds	602	513	1,081
Dividend, hedge funds	22	1	50
Dividend, unit trust certificates	184	112	114
Dividend, other alternative investments	42	108	181
Interest on securities etc.	441	643	1,180
Financial instruments	566	813	1,613
Indexation of index-linked bonds	77	80	160
	2,136	2,420	4,623

Notes

DKK million	30 June 2018	30 June 2017	2017
4 Value adjustments			
Investment property	-14	-2	-21
Shares	-664	1,550	2,968
Unit trust certificates	152	2,435	5,231
Listed bonds exclusive of index-linked bonds	-541	-1,023	-1,029
Index-linked bonds	-33	-34	-69
Cash on hand and demand deposits	6	-9	-2
Other	190	-338	-409
	-905	2,578	6,668
5 Benefits disbursed			
Death benefits	-453	-477	-958
Benefits at critical illness	-90	-99	-173
Disability benefits	-60	-51	-82
Benefits at maturity	-125	-134	-283
Retirement and annuity benefits	-1,805	-1,786	-3,602
Surrender	-4,716	-3,477	-7,601
Bonuses disbursed in cash	-2	-1	-1
Total direct insurance contracts	-7,250	-6,025	-12,700
Indirect insurance	0	0	0
	-7,250	-6,025	-12,700
6 Other subordinate loan capital			
<i>Payments related to subordinate loan capital for the year:</i>			
Interest expenses	-27	-52	-104
	-27	-52	-104
Share of subordinate loan capital included in the capital base:	3,364	3,233	3,233
<i>Contributed sums exceeding 10% of the total subordinate loan capital:</i>			
	<u>Due date</u>	<u>Interest rate %</u>	
Nominal SEKm 2,250 at variable rate*	08.06.2028	Stibor 3m + 2.75	1,632
Nominal DKKm 800 at variable rate	Indefinite	Cibor 12m + 2.18	800
Nominal DKKm 1,500 at variable rate	Indefinite	Cibor 12m + 2.4	1,500
Nominal DKKm 932.5 at variable rate	Indefinite	Cibor 3m + 5.25	933
			3,364
			3,233
			3,233

* The loan was taken on 8 June 2018 and is listed on Nasdaq Copenhagen. The loan can be redeemed from June 2023 with approval by the Danish FSA. The loan is recognized at amortized cost including the fair value of the hedge instrument for foreign exchange risk.

The remaining loans are exempt from repayment and can be repaid at the submission of a three-months notice from the borrower, if the borrower has the necessary capital base. Repayment cannot take place at the request from the lender and without the approval from the Danish Financial Supervisory Authority. The borrower is entitled to defer the payment of interest if the capital base does not exceed the solvency margin, or if the capital base will be reduced below the level of the solvency margin in case of a payment of interests.

The entire subordinate loan capital as per 30 June 2018 is included in the calculation of the capital base.

Notes

DKK million	30 June 2018	30 June 2017	2017
7 Life insurance provisions - traditional products			
Life insurance provisions - traditional products beginning of year	93,375	95,599	95,599
Profit margin, beginning of year	8	8	8
Total technical provisions, beginning of year	93,384	95,607	95,607
Collective bonus potential, beginning of year	-8,169	-9,211	-9,211
Provisions for claims, beginning of year	-314	-426	-426
Accumulated value adjustment, beginning of year	-14,840	-13,936	-13,936
Retrospective provisions, beginning of year	70,061	72,035	72,035
<u>Changes during the year *):</u>			
Gross premiums	1,901	1,886	3,853
Accrual of interest	969	953	1,945
Insurance benefits	-3,755	-4,268	-7,989
Expense loading after addition of cost bonus	-228	-235	-464
Profit on risk after addition of risk bonus	322	-249	382
Change of additional reserves	16	-21	-25
Rating of negative bonus	130	185	372
Revaluation of benefits disbursed at migration	2	61	102
Other changes	-27	54	-74
Model development and update of parameters	0	13	-100
Change in quote share etc. relating to share in Forenede Gruppeliv	0	0	24
Total changes**	-671	-1,622	-1,973
Retrospective provisions, end of year	69,391	70,412	70,061
Accumulated value adjustment, end of year	14,606	13,604	14,840
Provisions for claims, end of year ultimo	394	559	314
Collective bonus potential, end of year	6,827	9,261	8,169
Total technical provisions, end of year	91,217	93,836	93,384
Profit margin, end of year	-8	-8	-8
Life insurance provisions - traditional products, end of year	91,209	93,828	93,375
*) Changes during the year have been settled without eliminations for internal transfers of premiums and benefits.			
**) Changes in profit margin are comprised in total changes.			
<i>Breakdown of changes in gross life insurance provisions</i>			
Change in retrospective provisions	-671	-1,622	-1,973
Change in accumulated value adjustment	-234	-332	904
Change in provisions for claims from beginning of balance to end of balance	80	133	-113
Change in collective bonus potential	-1,342	50	-1,042
Change in gross life insurance provisions	-2,166	-1,771	-2,224
Change in quote share etc. relating to share in Forenede Gruppeliv	0	0	24
Forenede Gruppeliv	0	0	1
Reservation for payments for death	-3	0	0
Total change recognised in income statement (of opposite sign)	-2,169	-1,771	-2,200

Notes

DKK million	30 June 2018	30 June 2017	2017
7 <i>continued</i>			
<i>Breakdown of changes in gross life insurance provisions</i>			
Change in guaranteed benefits	-869	-2,101	-602
Change in risk margin	-18	57	52
Change in individual bonus potential	-18	90	-519
Change in provisions for claims	80	133	-113
Change in collective bonus potential	-1,342	50	-1,042
Change in gross life insurance provisions	-2,166	-1,771	-2,224

Distribution of gross life insurance provisions for portfolios not comprised by the contribution on original basic interest rate

	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Gross life insurance provisions
Beginning of 2018				
FG	792	0	14	806
U74 a.o.	575	0	0	575
	1,367	0	14	1,381
30 June 2018				
FG	792	0	14	806
U74 a.o.	529	0	0	529
	1,321	0	14	1,335

Calculation of the provisions is based on the fact that the contracts only include guaranteed annuity options. The surrender and paid-up policy probabilities are depending on the interest rate group and seniority of the policy and are situated in the spread between 1.1 - 14%.

Distribution of gross life insurance provisions by contribution groups

	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Gross life insurance provisions
Beginning of 2018				
Interest rate group 1	44,671	341	4,317	49,329
Interest rate group 2	8,531	4	832	9,367
Interest rate group 3	11,087	0	741	11,828
Interest rate group 4	19,205	0	1,625	20,830
Other	1,367	0	654	2,021
	84,861	346	8,169	93,375
30 June 2018				
Interest rate group 1	45,098	324	3,150	48,572
Interest rate group 2	8,414	5	725	9,143
Interest rate group 3	10,607	0	687	11,294
Interest rate group 4	18,614	0	1,681	20,295
Other	1,321	0	585	1,906
	84,054	328	6,827	91,209

Notes

DKK million	30 June 2018	30 June 2017	2017
8 Life insurance provisions - market return products			
Life insurance provisions, market return products, beginning of year	74,783	59,631	59,631
Profit margin, beginning of year	3,477	2,798	2,798
Total technical provisions, beginning of year	78,259	62,429	62,429
Provisions for claims, beginning of year	-12	-18	-18
Accumulated value adjustment, beginning of year	-29	-40	-40
Retrospective provisions, beginning of year	78,218	62,371	62,371
Changes in the year due to *):			
Gross premiums including single premium	7,746	8,244	16,615
Accrual of interest	582	2,587	5,892
Insurance benefits	-4,026	-2,757	-6,100
Change in risk margin	5	0	12
Expense loading after adding of expense bonus	-248	-224	-460
Other changes	-179	-48	-112
Changes in the year due to **)	3,881	7,803	15,847
Retrospective provisions, end of year	82,099	70,174	78,218
Provisions for claims, end of year	20	22	12
Accumulated value adjustment, end of year	33	35	29
Total technical provisions, end of year	82,153	70,230	78,259
Profit margin, end of year	-3,397	-2,298	-3,477
Life insurance provisions - market return products, end of year	78,755	67,932	74,783

*) Changes during the year have been settled without eliminations for internal transfers of premiums and benefits.

***) Changes in profit margin are comprised in total changes.

Changes in the year regarding provisions for unit-linked contracts breakdown as follows:

Change in retrospective provisions	3,881	7,803	15,847
Change in accumulated value adjustment	4	-6	-11
Change in provisions for claims	9	3	-6
Total change recognised in income statement (of opposite sign)	3,894	7,801	15,830

Provisions for unit-linked contracts with and without guarantee

Provisions for unit-linked contracts with guarantee for disbursement	5,513	5,643	5,699
Provisions for unit-linked contracts without guarantee	73,243	62,289	69,083
	78,755	67,932	74,783

9 Capital base

Shareholders' equity	4,439	4,328	4,615
Subordinated loan capital and surplus funds	3,629	3,274	3,369
Proposed dividend	0	0	-400
Reconciliation reserve	5,609	5,887	6,307
Intangible assets	-2	-250	-4
Capital base, end of year	13,675	13,239	13,888

Above is shown the difference existing between the capital employed to cover the solvency capital requirement and the shareholders' equity according to the balance sheet (local gaap). The reconciliation reserve refer to the difference in the calculation of profits earned on future cash flows (revenue flows) with reference to the Solvency II balance named PVFP (Present Value of Future Premiums) and the balance sheet. The difference arises as provisions, in compliance with the balance sheet, are calculated based on a deterministic state model and in the Solvency II balance based on a stochastic model. The reconciliation reserve is included with a deduction of deferred taxes.