

# Annual Report

## 2012

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# Introduction

The year 2012 marked 25 years since the government at that time and the social partners established the "Joint Declaration", which formed the basis for the breakthrough in labour market pensions within the area covered by the Confederation of Danish Trade Unions (*LO*).

On the basis of the "Joint Declaration", the Confederation of Danish Industries (*DI*) and the trade unions under the Central Organisation of Industrial Employees (*CO-industri*) founded Industriens Pension, which celebrated its 20th anniversary in 2012.

Members who have participated in the pension scheme from the beginning, and who are now retiring, typically receive around DKK 3,000 per month from the pension scheme. The pension scheme will be of much greater importance for pensioners of the future. This is because pension contributions laid down by collective agreements have been gradually raised, and because people retiring in the future will have contributed to the pension scheme throughout their entire working life.

Naturally, the size of pensions is also due to Industriens Pension having managed the pension scheme extremely satisfactorily throughout all these years. Industriens Pension is one of the least expensive pension companies in Denmark, and only very few companies come close to generating a return at the same level as Industriens Pension. From the beginning, Industriens Pension has yielded an average return of 8.9% per year.

## **DKK 13.1 bn. distributed to members**

The year 2012 was a milestone in the 20-year lifetime of the pension scheme, as members received a total of DKK 13.1 bn. due to the change in the pension scheme from average interest rate to market interest rate. Members of the scheme consequently received an

extraordinarily high dividend on their savings of 25%.

Members who had retired when the reserves were distributed will continue receiving the average interest rate. Retired members still need their share of the joint savings and thus have not shared in the distribution.

## **New lifecycle product**

In 2012, Industriens Pension launched a new lifecycle product for all members with a pension carrying a market interest rate. Members are automatically ensured a gradual reduction in their investment risk as they grow older. The new lifecycle product also includes a changed payment process intended to regulate pensions with price indices so that members can maintain their purchasing power when they start receiving pension payments.

The change of the pension scheme into market interest rate and the launch of the new lifecycle product were implemented as planned. Members have welcomed the adjustment of the pension scheme, and the entire process up until the launch of the new lifecycle product has been extremely satisfactory.

## **Low administration costs**

Despite considerable development tasks in connection with the transition to a market interest rate and the launch of the new lifecycle product, Industriens Pension continues to be one of the least expensive and most cost-effective pension companies in Denmark.

Over the last five years, administration costs have been reduced by DKK 26 mill. This cost reduction is primarily due to a well functioning IT platform, which enables members to change their pension scheme relatively easily. This modern IT platform has also formed the

basis for extensive digitalisation of service functions.

More than 100,000 members contributing to the pension scheme now receive letters via e-box (electronic e-mail from public and private senders), or use their NemID (logon solution) to download letters from the Industriens Pension website. The upgrading of self-service solutions enables members and their employers to manage more or less all aspects of the pension scheme online.

Industriens Pension has streamlined many workflows such that most tasks can now be completed the minute members call. This has reduced processing time, improved our service, and cut down our costs.

In 2013, members will be charged DKK 30 per month to cover administration costs. Industriens Pension is thus one of the least expensive and also most cost-effective pension companies in Denmark.

### **Competitive return on investments**

Up to the launch of our new lifecycle product on 1 June 2012, Industriens Pension needed to conduct an extremely prudent investment policy, as older members would have difficulties covering any losses incurred shortly before they retired.

After the launch of our new lifecycle product, Industriens Pension has continued this investment policy, and this move has ensured members a significant additional return over the years. Total return for the year for members with a pension carrying a market interest rate amounted to 13.0%.

### **20 years old but still extremely healthy**

Our return is extremely healthy. Costs are low. Our pension scheme is modern and flexible.

Put briefly: 20 years after its establishment, Industriens Pension is still at the top of its game and ready to offer its members financial security in their old age.

Mads Andersen  
Chairman

Kim Graugaard  
Deputy Chairman

## The past year

**January to March**



Industriens Pension organised information meetings all over Denmark concerning the reform on voluntary early retirement.

**February**

The collective agreement between the Central Organisation of Industrial Employees and the Confederation of Danish Industries gave young people a right to pension from the age of 18. This agreement also created the possibility of entering into an agreement on senior schemes with reduced working hours.



**June**



An amount of DKK 13.1 bn. was allocated to members due to the change to market interest rates. Industriens Pension launched a new lifecycle product for all members with a pension carrying market interest rates.

**July**

Members were offered the possibility to extend the period they are insured without making contributions, to 36 months.



**September**



The Danish Parliament (Folketing) adopted a tax reform putting an end to contributions for capital pensions from 1 January 2013.

**October**

The senior scheme agreed through the collective agreement entered into force.



**December**



The Danish Parliament (Folketing) adopted a reform on disability pensions and schemes with light jobs on special conditions (flex jobs). The Board of Directors decided to extend the insurance cover in the event of certain critical illnesses.

## Key figures

DKK mill.	2008	2009	2010	2011	2012
<b>Income statement items</b>					
Premiums	6,748	5,963	6,206	6,485	6,999
Investment return	1,144	8,075	13,254	3,635	12,176
Insurance benefits	-1,703	-2,227	-2,151	-1,994	-2,012
Total changes in life-assurance provisions	-5,666	-9,820	-14,473	-7,360	-14,478
Tax on yields of certain pension-scheme assets	-176	-1,197	-1,948	-556	-1,853
Insurance operating costs	-162	-162	-138	-131	-136
Profit/loss of accident and sickness insurance	24	62	13	-259	25
Other items	-89	-318	-374	8	-364
Profit/loss for the year	117	376	389	-172	357
<b>Assets</b>					
Investment assets	66,402	74,034	92,584	19,566	25,380
Investment assets attached to unit-linked contracts	17	53	92	80,783	94,702
Other assets	1,483	1,365	1,297	849	2,940
Total assets	67,902	75,452	93,973	101,198	123,023
<b>Equity and liabilities</b>					
Total equity	3,287	3,662	4,051	3,880	4,237
Total provisions for insurance and investment contracts	56,934	67,487	82,285	90,015	105,234
Other equity and liabilities	7,681	4,303	7,638	7,303	13,551
Total equity and liabilities	67,902	75,452	93,973	101,198	123,023
Sufficient capital base of the company	1,801	1,826	2,143	1,348	1,260
Capital base	5,385	6,179	6,966	6,904	7,748
<b>Financial ratios</b>					
Return before tax on yields of certain pension-scheme assets	2.0%	13.0%	18.1%	4.0%	11.6%
Ratio of bonus and excess solvency to provisions	17.0%	23.8%	25.0%	21.0%	39.2%
Costs as a percentage of premiums	2.4%	2.7%	2.2%	2.0%	1.9%
Costs per member	DKK 379	DKK 369	DKK 316	DKK 307	DKK 311
<b>Number of members carried forward</b>	<b>406,067</b>	<b>403,496</b>	<b>396,374</b>	<b>391,967</b>	<b>399,784</b>

For information about ownership, management, managerial positions and remuneration policy, see pages 47-51 of this annual report.

## Profit/loss for the year

<b>Table 1 Profit/loss for the year</b>		<b>2012</b>
		<i>DKK mill.</i>
Return on equity		339
Percentage of return on risk for the period		0
Percentage of result of sickness and accident insurance		15
Percentage of result of unit-link		50
Percentage of result of health care scheme		0
Percentage of change in capital requirement in relation to group life		12
Payment of unguaranteed pensioner's bonus		-7
<b>Profit/loss before tax on yields of certain pension-scheme assets</b>		<b>410</b>
Percentage of equity capital of tax on yields of certain pension scheme assets		-53
<b>Profit/loss for the year</b>		<b>357</b>

### Results

The year 2012 saw a profit of DKK 357 mill. against a loss of DKK 172 mill. in 2011. Profit for the year was transferred to equity which subsequently amounted to DKK 4,237 mill.

A profit of approx. DKK 100 mill. was expected for 2012. The difference between the expected and the actual results was primarily due to a considerably higher return than anticipated.

The result realised for 2012 was DKK 1,963 mill. The composition of the realised result is shown in table 2. The realised result is the funds which are to be appropriated between equity and special bonus provision on the one hand, and members on the other hand. Calculation of the realised result is before crediting bonuses to members and before payment of tax on yields of certain pension-scheme assets.

<b>Table 2 Realised results with regard to life assurance</b>		<b>2012</b>
		<i>DKK mill.</i>
Technical result of life assurance		45
Percentage excluded from the result (group life, unit link, etc.)		-104
Tax on yields of certain pension-scheme assets		323
Transferred from investment return on life		287
Bonus allocated		-130
Change in special bonus provision		518
Interest on special bonus provision, type A		-10
Change in collective bonus potential		942
Change in applied bonus potential on paid-up policy benefits		0
Distribution of special bonus provision		91
<b>Realised result</b>		<b>1,963</b>

### **Assets**

At the end of 2012, total assets amounted to DKK 123.0 bn., of which investment assets represented DKK 120.1 bn. Total assets increased by 21.8 bn. in 2012.

### **Capital base**

Capital base which comprises equity as well as special bonus provisions less intangible assets represented a total of DKK 7.7 bn. at the end of 2012. The adequate capital base, determined by the individual solvency need, represented DKK 1.3 bn. Thus, at the end of 2012, Industriens Pension had an excess cover of DKK 6.4 bn., corresponding to 768%.

### **Insurance provisions**

At the end of 2012, total insurance amounted to DKK 105.2 bn. Of these, the provision unit-linked contracts for members with a pension carrying a market interest rate amounted to DKK 88.3 bn., whilst the life assurance provision for members with a pension carrying an average interest rate amounted to DKK 5.7 bn. The collective bonus potential for members with a pension carrying an average interest rate amounted to DKK 1.8 bn.

### **Events after the end of the financial year**

From the reporting date and up to today's date, no matters have occurred which affect the view given in the financial statements.

## Members and companies

### Members and companies

The number of members contributing to the pension scheme fell by approx. 3,000 in 2012.

From 2008 to 2010 employment within industry dropped considerably. Consequently, the number of members paying contributions fell by about 20%. In recent years, the number of members paying contributions has been

fairly stable.

Due to uncertainty about the development of employment within industry in the future, Industriens Pension has sharp focus on adapting the organisation and processes in order to keep costs low and thus avoid an increase in costs, even though there are fewer paying members.

**Table 3 Number of members carried forward for the year**

	2008	2009	2010	2011	2012
Members paying contribution	193,400	165,143	155,706	162,019	158,992
Self-paying members	5,959	7,552	11,714	12,606	12,836
Apprentices and trainees				4,216	3,542
Members exempt from paying contributions	53,041	51,119	34,668	30,325	30,602
Total active members	252,400	223,814	202,088	209,166	205,972
Dormant members	136,326	158,954	170,034	154,881	162,066
Pensioned members	17,341	20,728	24,252	27,920	31,746
<b>Total</b>	<b>406,067</b>	<b>403,496</b>	<b>396,374</b>	<b>391,967</b>	<b>399,784</b>

### Members

At the end of 2012, Industriens Pension had 399,784 members. Of these 175,370 members paid pension contributions. The number of members paying contribution thus fell by 3,471 in the course of the year.

The decline was primarily due to fewer employees in industry being covered by a pension scheme through collective agreements. However, the decline was eased by the fact that more members losing their jobs or coming into employment without a pension scheme, chose to continue

contributing to Industriens Pension. This means that members are able to keep their insurance cover, and possibly continue making contributions for their pension.

Since 2008, the number of self-pay members have doubled. The increase is due to labour market developments, but is also a result of the targeted information provided by Industriens Pension about the possibilities of becoming self-pay members. However, the number of self-pay members still only makes up a small proportion of members.

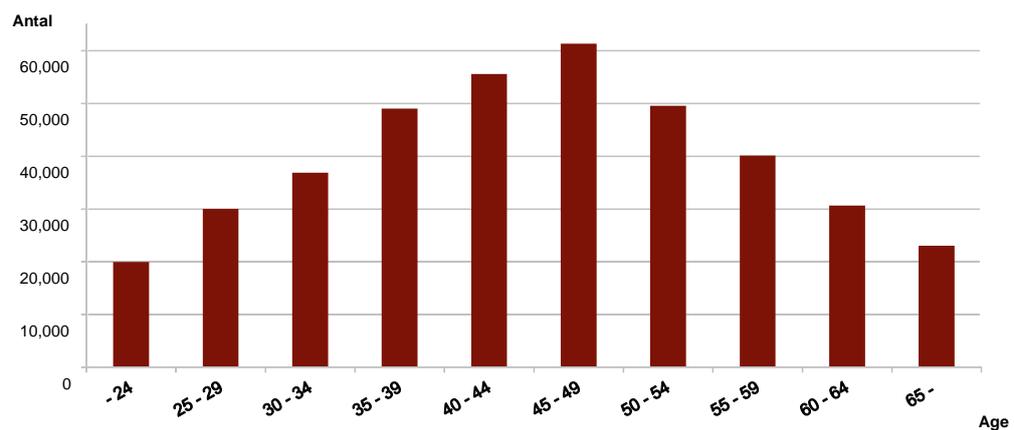


**Peer Sørensen, 45 years old, shop steward at Odense Marcipan:**

"Not many people ask questions about pensions. Therefore, the meetings with Industriens Pension are often a welcome opportunity to be reminded about pensions, and to remind my colleagues what they should consider".

Industriens Pension is always interested in visiting companies and local branches of trade unions to hold information meetings about the pension scheme. Industriens Pension regularly informs companies, shop stewards and local branches about the pension scheme, thereby enabling these to inform their members and answer questions regarding the pension scheme.

**Figure 1 Distribution by age**



**Companies**

In 2012, a total of 7,994 companies paid pension contributions. The size of the pension contributions

is laid down in collective agreements as a percentage of pay. Most companies contribute 12% of pay.

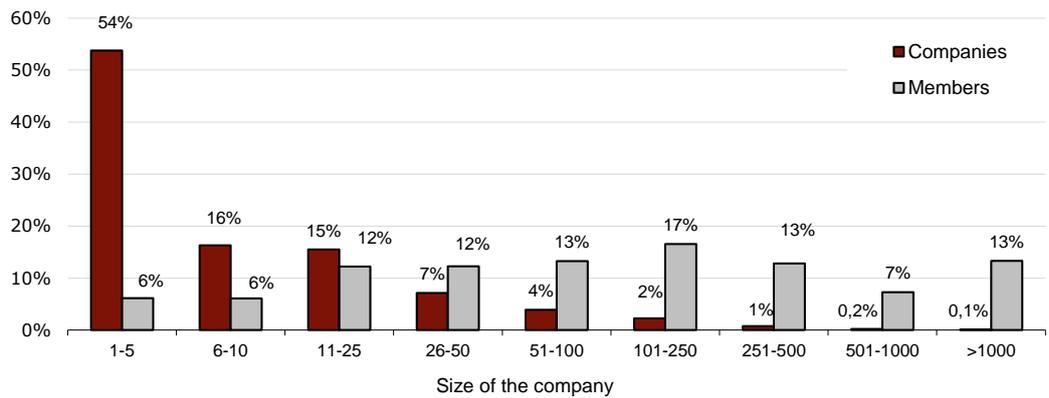
**Contributions**

In 2012, total contributions amounted to 7.8 bn., which is an increase of 4.5% compared with 2011.

The increase is due to more members having decided to transfer their savings to Industriens Pension from pension schemes to which they no longer pay contributions.

Transfers from other pension companies increased to DKK 1.1 bn.; this is an increase of 48%. Industriens Pension has intensified information efforts in this area and is now calling up new members to inform them about the benefits of collecting their pension savings in Industriens Pension, where administration costs are low and the return is historically high, compared with other pension companies.

**Figure 2 Members and companies distributed by company size**



**Jan Kongerslev, HR Manager at Dyrup:**

"Pensions are a low-interest area - up until the day where you need them. Our arrangement with Industriens Pension means that we can make sure that our employees and their families have a safety net. This is more important than ever", said Jan Kongerslev.

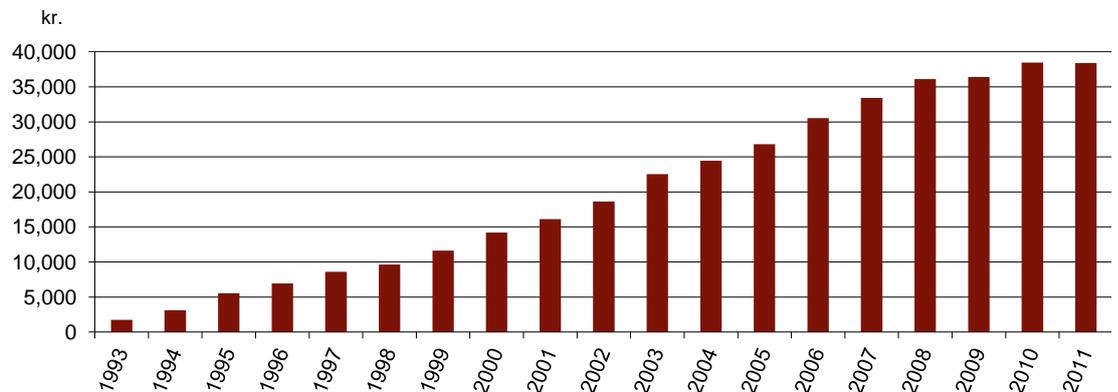
Nearly 8,000 companies contribute to their pension in Industriens Pension each month. Employees are thus ensured savings for old age and insurance in the event of certain critical illnesses, loss of ability to work and death.



Voluntary contributions to the supplementary savings product extrapension (unit-linked contracts) amounted to DKK 55 mill. in 2012 against DKK 48 mill. in 2011.

Average annual contributions to the ordinary savings in Industriens Pension amounted to DKK 38,432 in total per member in 2012.

**Figure 3 Average annual contributions from 1993 to 2012**



*The average annual pension contributions are calculated before deduction of social security contributions. Transfers and deposits are not included in the calculation. For the years 1993 to 2008, the calculation is based on figures from Industriens Pension and not from the merged company. However, this is considered to be well in line with developments in PNN PENSION and PHI pension.*

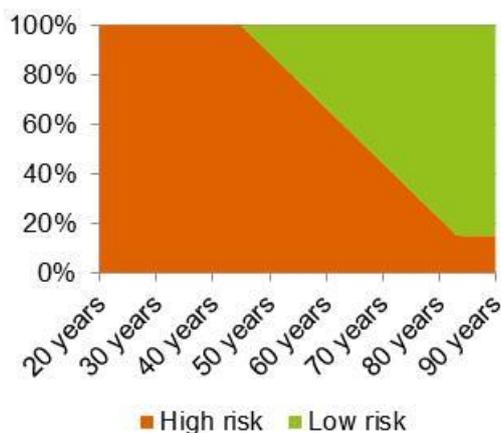
## The pension scheme

In 2012, Industriens Pension launched a new lifecycle product. All members who had not retired by 1 June have had their savings transferred to the new product with investment risk profiles reconciled according to the age of the member.

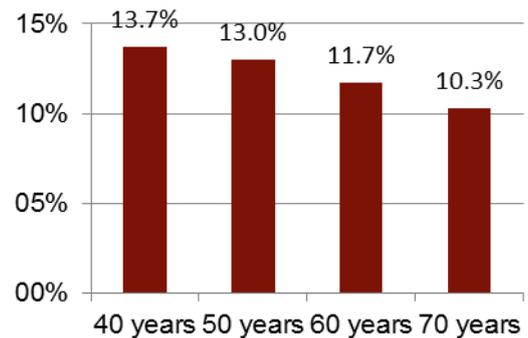
Young members may carry a high risk because they have time to make up any losses. This will generate a high expected return. For older members who are close to retirement, it is important that savings develop more steadily.

Industriens Pension's lifecycle product thus carries a high risk for young members. With age, the risk is scaled down ensuring that members' market risk is suitably low when it is time for retirement. Seen over an entire lifespan, the new market-interest-rate product as a minimum carries the same risk as the former average-interest-rate product of Industriens Pension. Therefore, the new market-interest-rate product is expected to generate a return to the members of at least an equivalent level as the former average-interest-rate product.

**Figure 4** Distribution of risk



**Figure 5** Return distribution by age



### Balancing pension payments

The new lifecycle product differs from similar products, as pensioners are better secured against a reduction and erosion of the purchasing power of the pension. As a minimum, this product is intended to regulate pensions in line with price indices to maintain the purchasing power of the pension once members start receiving payments.

In practice, this is accomplished by beginning with a lower pension than otherwise. This forms the basis for regulating the pension to ensure that it maintains its purchasing power and gives room to settle short-term fluctuations in returns and any lifespan improvements, thus minimising the risk that the pension is reduced.

### New senior scheme

In the most recent collective bargaining rounds, an agreement was reached to the effect that members can agree with their employer to reduce their working hours in the last five years before the age of retirement.

Among other things, the senior scheme means that members over the age of 60 may have part of their ongoing pension contributions paid out as a supplement to their wage in order to compensate for the reduced working hours.

Members choosing to participate in the senior scheme will keep the insurance cover of the pension scheme in the event of certain critical illnesses and death, as a small amount continues to be contributed to the pension scheme.

Naturally, a reduction of contributions to the

pension scheme means that, all things being equal, members will receive a smaller pension payment. The importance of the senior scheme to the overall finances of the members as pensioners depends on how long they would have otherwise been on the labour market and whether they have joined the voluntary early retirement scheme.

At the website of Industriens Pension, members can calculate the significance of their pension payment if they reduce their working hours and payments to the pension scheme.

**Table 4 Contents of the pension scheme**

<b>Old-age pension</b>	<b>Critical illness</b>	<b>Loss of ability to work</b>	<b>Death</b>	<b>Health and prevention</b>
Old-age sum*	Insurance sum of DKK 100,000	Insurance sum of DKK 100,000	Insurance sum of DKK 300,000	Treatment of pain and other problems in joints, muscles and veins
Annuity pension	Members can choose to reduce or increase the insurance sum	Members can choose to raise the insurance sum	Members can choose to reduce or increase the insurance sum	
Lifelong pension		Monthly disability pension	Old-age sum ensured through savings	
The product ekstrapension for members wishing to save up more for their pension		Exemption from paying contributions, ensuring that pension savings continue	Instalment insurance	Counselling by phone with psychiatrist, substance abuse therapist and nurse

\*Due to new tax legislation, part of the pension contributions is no longer designated for the old-age sum.

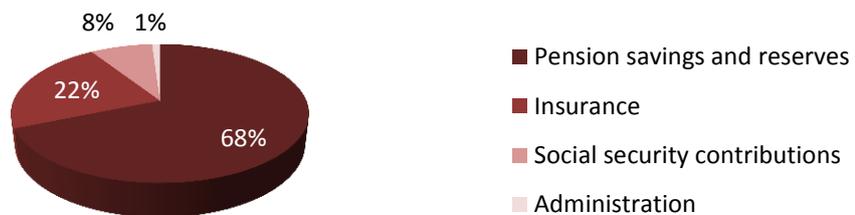
In future, members will be able to choose whether they want to spend part of their contributions on a new type of capital pension where they cannot deduct their contribution for tax purposes.

In 2012, members contributed typically around

DKK 3,000 per month to the pension scheme after deduction of social security contributions.

Payment for insurance cover typically represented about DKK 600 per month. An amount of DKK 32 per month was charged for administration costs.

**Figure 6 Use of pension contributions**



*The figure above shows how the monthly pension contributions were used for a 30-year-old member with a monthly wage of DKK 25,000 paying 12% of this wage to pension.*

#### Insurance without contribution

Members who resign from a job in the company paying their pension contributions, automatically keep their insurance for up to one year after having stopped paying the contribution. Insurance payments are deducted from the pension savings. After this period, members become dormant members. This means that insurance for death, loss of ability to work and certain critical illnesses lapses.

Since 1 June 2012, members have been able to prolong their insurance cover without making contributions. Members can prolong this period for up to 36 months in total.

Members can also keep the insurance policies if they pay for them. An increasing number of members have chosen this option.

#### Payments

In 2012, Industriens Pension paid a total of DKK 1,856 mill. to its members. These payments were DKK 431 mill. lower than in 2011. The most important reason for the drop in payments is fewer transfers to other pension companies.

**Table 5 Payments**

DKK mill.	2011	2012
Payments for old-age pensions	514	779
Loss of ability to work	489	488
Lump sum on death	259	266
Lump sum for certain critical illnesses	107	109
Transfers on change of jobs	747	153
Other payments	171	60
<b>Total</b>	<b>2,287</b>	<b>1,856</b>

### Old-age pension

A total of 6,572 members received their old-age pension in 2012 against 5,506 in the previous year.

A total of 3,802 of these members will in future be paid a pension from Industriens Pension each month for as long as they live. The average annual old-age pensions for new old-age pensioners amounted to DKK 22,807 in 2012 against DKK 21,095 in 2011.

The remaining 2,770 members were paid their savings as a lump sum, as the calculated regular pension was less than DKK 9,700 a year.

**Table 6 Number of new old-age pensioners**

	2011	2012
Old-age pensions paid out as a lump sum	2,214	2,770
New old-age pensions	3,292	3,802
<b>Total</b>	<b>5,506</b>	<b>6,572</b>

Young members who join the pension scheme now and continue making payments throughout their working life, will receive higher payments from Industriens Pension when they retire than from the state, unless the real value of public benefits is considerably raised.

In 2012, a new Tax Act was adopted by the Danish Parliament (the Folketing). Consequently, from 2013, it is no longer possible to make tax deductions for payments to capital pension schemes.

As a consequence of the new Tax Act, part of the pension contributions will no longer go to the age sum, which is a capital pension. The part of contributions previously made for the age sum will now be used to raise the lifelong old-age pension.

In 2013, members will be able to choose whether they want to spend part of their contribution on a new type of capital pension where they cannot deduct their contribution for tax purposes.

### Pensioner Ejvind Sørensen, 68 years-old, Vejle:

"The money from Industriens Pension means the world. I'm so glad that it's there. I bike a lot and would like to take two annual cycling trips to France. The money from Industriens Pension helps fulfil this dream. We use the money to go out, visit the theatre - we enjoy life".

In 2012, a total of 6,572 members retired. Members who retired in 2012 and who receive regular pension payments, on average receive DKK 23,000 annually.



### **Insurance in the event of certain critical illnesses**

In 2012, a total of 1,130 members suffered from one of the critical illnesses covered by the insurance policy and therefore received their insurance sum. In 2011, a total of 1,095 members received their insurance sum.

Some years ago, Industriens Pension took the initiative to coordinate the membership registers of pension companies with the national patient registers of the Danish Health and Medicines Authority in order to ensure that members who become critically ill are informed once again about their insurance. This service helps ensure that members do not lose out on the money to which they are entitled.

Even so, the combination of registers has not resulted in an increase in the number of payments from Industriens Pension. This may be due to the fact that, together with the coordination initiative, Industriens Pension also carried out comprehensive information efforts to spread knowledge about insurance in the event of certain critical illnesses. These efforts generated an increase in the number of payments and also contributed to raising awareness about the insurance.

Members who are paid their insurance sum are also offered one year's membership of a patient's association paid for by Industriens Pension. This is because, in addition to financial assistance, many members also need the support of a patient's association,

which can assist with counselling, lectures and courses, self-help groups, contact to others with the same illness and information about the most recent research, knowledge and help options.

The insurance in the event of certain critical illnesses was extended to include more illnesses from 1 January 2013.

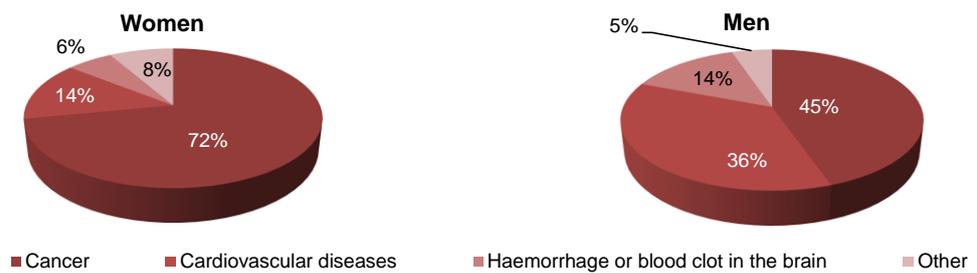
Among other things, the insurance now includes a new definition of the types of cancer of the blood. Furthermore, the cover of illnesses in the brain and nerve system has been extended which means that the insurance also covers e.g. Parkinson's and Alzheimer's disease. The insurance now also covers severe burns, frost-bite or etchings.

Industriens Pension regularly adjusts the insurance to cover the needs of its members as best as possible. Adjustments are based on input from members, dialogue with patient's associations and as treatment and diagnoses of severe illness evolve.

Adjustment of insurance is always done in a way that ensures the correct balance between insurance and savings. If more money is paid for insurance policies, there is less money to ensure the members a good pension.

The changes apply to members with insurance covering certain critical illnesses who, after 1 January 2013, are diagnosed with one of the diagnoses which may give them a right to payment.

**Figure 7 Reason for payment of the insurance sum for certain critical illnesses**



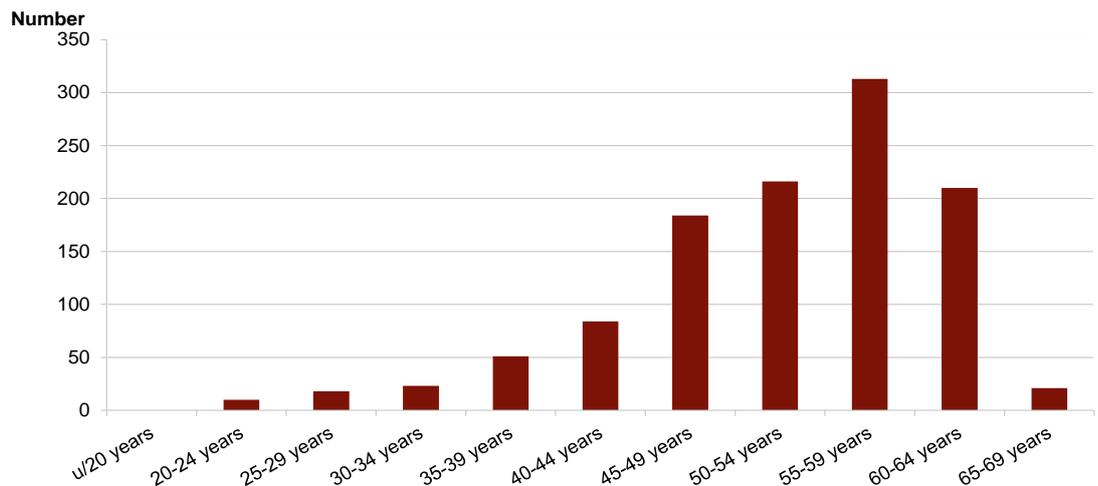
**John Larsen, 55 years old, chauffeur at Danish Crown, Ringsted:**

"I didn't know that my stroke was worth DKK 100,000. Fortunately, one of my colleagues at Danish Crown knew this. I live in the middle of the city but I miss the ocean and its calmness. Even though pills are costly, I've bought a boat and an allotment hut".

In 2012, a total of 1,130 members were paid an insurance sum for certain critical illnesses.

Members who are paid their insurance sum are also offered one year's membership of a patient's association paid for by Industriens Pension. This is because, in addition to financial help, many people also need the support of a patient's association.

**Figure 8 Age distribution in connection with payment of insurance for critical illness**



Cancer as well as heart and cardiovascular diseases trigger 82% of the insurance payments made in the event of critical illness.

For women, cancer is the most frequently diagnosed disease, and among men, heart and cardiovascular diseases trigger most payments.

#### **Loss of ability to work**

A total of 1,237 members lost at least half of their ability to work and were paid an insurance sum. A total of 886 members lost at least two-thirds of their ability to work and were awarded monthly disability pensions as well as exemption from paying contributions, and this helped ensure that they could continue saving up for their old-age pension.

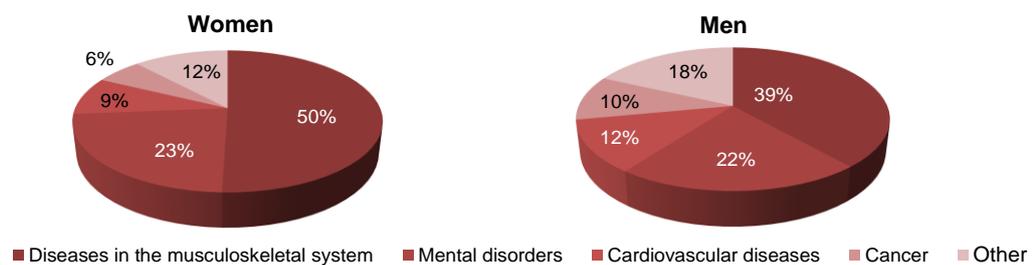
#### **Susanne Holm Jensen, 47 years old, disability pensioner, Vordingborg**

"I miss work, but I only have 30% of my ability to work left, so I can't work. Fortunately, I had savings in Industriens Pension. The money means that we can get by".

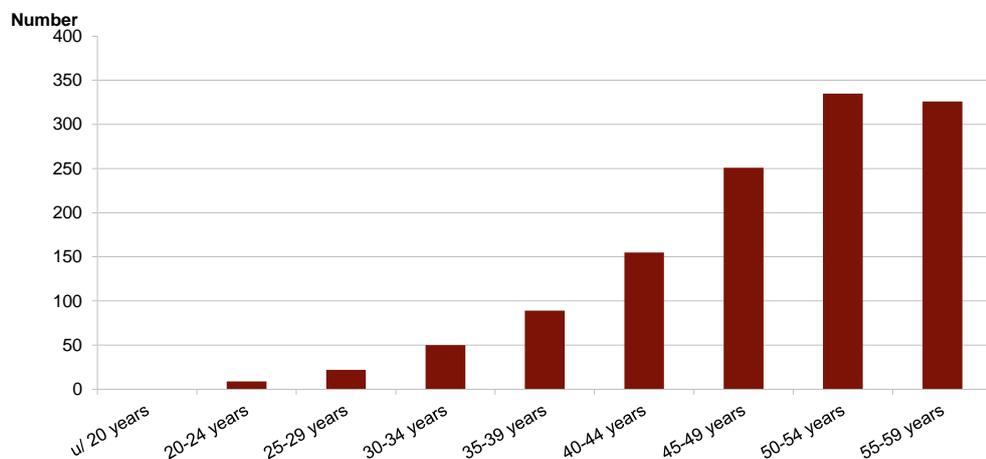
Members who permanently lose at least two-thirds of their ability to work are paid a lump sum and a monthly disability pension. Moreover, they keep their pension savings even though they no longer contribute to the pension scheme. This means the members have financial security throughout their life.



**Figure 9 Reason for payment of the insurance sum in the event of loss of ability to work**



**Figure 10 Age distribution in connection with payment of insurance sum for loss of ability to work**



Injuries to the musculoskeletal system are the cause of 43% of insurance payments made in the event of loss of ability to work. Mental disorders are the cause of 22% of payments.

In 2012, the Danish Parliament (the Folketing) adopted a reform of the rules for disability pensions and light jobs on special conditions. One of the key elements of the reform is that anyone at risk of ending on a disability pension must undergo a process lasting between one and five years.

These changes significantly limit access to disability pensions. In future, it will generally only be possible to receive a disability pension if it is completely clear that any ability to work is lost and cannot be improved. Other people at risk of ending on a disability pension must undergo a process aimed at improving their ability to work. Only if this is unsuccessful and the person concerned has turned 40 years old, could he or she be entitled to receive a disability pension.

Contrary to many other pension companies, Industriens Pension makes its own assessments of whether members have suffered a permanent loss of ability to work, rather than waiting for an assessment from the state. This means that members will receive a faster assessment, and despite the changes to the rules on disability pension and light jobs on special conditions, Industriens Pension can continue to award disability benefits to persons under the age of 40.

Consequently, the reform does not impair the possibilities of our members to obtain the right to a disability sum, disability pension and exemption from paying contributions (continued saving for old age).

Lump-sum payments from pension schemes are not offset in payments from the state, but when a member is undergoing a process to improve their ability to work, regular payments from a pension scheme are fully offset. It is thus being considered to suspend the disability pension from Industriens Pension once members start a process to improve their ability to work.

The purpose of the reform is to ensure that fewer Danes end up on a disability pension, but it is difficult to assess the extent of this decrease. However, Industriens Pension intends to continue to pay all members disability benefits from the pension scheme if, because of health issues, they have suffered a permanent loss of at least half of their ability to work.

### Death

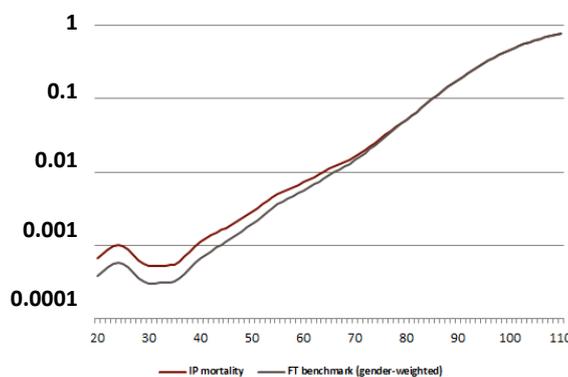
A total of 1,268 members lost their life before they retired. The bereaved thus received payment from Industriens Pension.

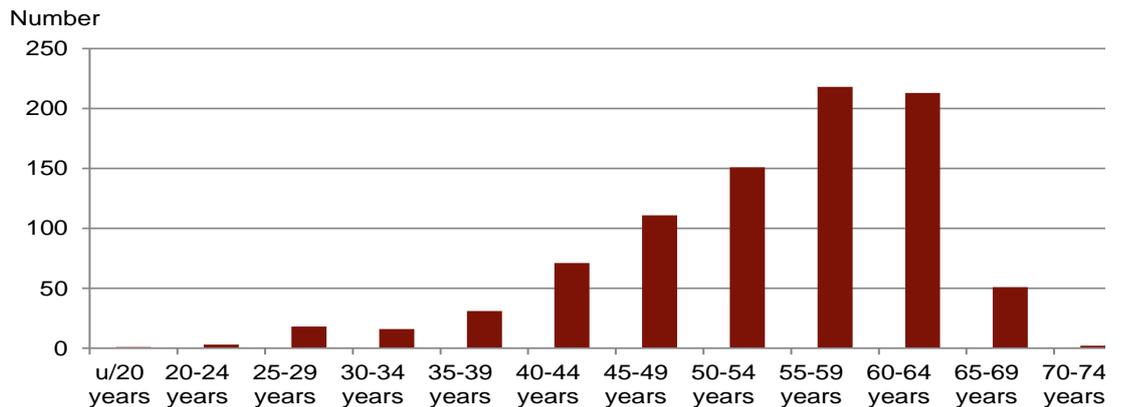
Members of Industriens Pension live ever longer, but compared with the rest of the population, members of Industriens Pension die earlier.

The figure below compares mortality rates in Industriens Pension with the mortality rates of the rest of the population. From the age of around 80, Industriens Pension do not have the necessary data. Therefore, figures from the Danish Financial Supervisory Authority have been used.

The future lifetime improvements will have great effect. In 2013, a 40-year-old will have a life expectancy of 84 years. With future improvements, the Danish Financial Supervisory Authority expects a person who is just two years younger will have a life expectancy of 84.2 years. Thus only two years age difference means 0.2 years extra in expected lifespan.

**Figure 11 Mortality rates in Industriens Pension**



**Figure 12 Death**

### **New model to make it easier to combine the pensions**

Industriens Pension is making great efforts to counsel members about the possibility of combining their pensions, and to telephone all new members because studies have shown that not all members read the correspondence they receive from Industriens Pension.

It is easy for our members to collect their savings in one place at the website of

Industriens Pension.

The Minister for Employment has set up a committee commissioned to make more people collect their savings in one place to avoid paying more pension companies for administration. Industriens Pension has many members with small savings. Depending on the solution chosen, the number of members may thus be reduced considerably.



### **Preben Eigil Deleuran, 68 years old, pensioner, Tune:**

"I look forward to my money every month. It's not so bad being a pensioner this way. The extra payments make it possible for us to afford a little extra holiday".

Members are allowed to supplement payments made through collective agreements. Pensioners will thus have more money to live on. This may particularly be relevant to members who have not contributed to their pension throughout all the years they were on the labour market.

## Service and information

Industriens Pension places great emphasis on simple, clear and understandable communication. To support this, we have standard letters for all processes, and we have defined rules and goals for good telephone service.

Industriens Pension aims at offering members and companies easy accessibility, competent advice and short processing times.

As far as possible, a single employee will respond to

enquiries about the pension scheme from start to finish in order to avoid unnecessary deliveries and prevent the risk of losing information. Members and companies can make most of their enquiries through the website. This means that anyone preferring to help themselves has a 24 hour service, and it also keeps costs low.

Industriens Pension does not ask for unnecessary information or forms. We want to make things as simple as possible.

**Table 7 Compliance of goals in % of service goals**

Type of case	100% treated within	% average 2012
Old-age pension	Day to day	98.6
Change in pension scheme	Day to day	91.4 *
Health insurance	Day to day	100.0
Death cases	14 days**	88.1
Health-related benefits	7 days**	94.4
Critical illness	2 days**	96.5

\* Includes average of self-pay member, ekstrapension and choice of insurance cover.

\*\* After receipt of necessary documentation.

### New members receive a phone call

In previous years, Industriens Pension has developed a new welcome-to-the-company-concept which was launched in 2012. Under this concept, Industriens Pension telephones all new members of the pension scheme. Members are invited to ask questions and are briefly informed about:

- content and coverage of the pension scheme,
- benefits of collecting pension savings in one place in Industriens Pension,

- the possibilities of making extra contributions to the pension scheme,
- the possibilities of adapting insurance cover to one's own needs,
- the importance of ensuring that the right persons are beneficiaries on payments to cover death,
- introduction to "My page" (*Min side*) on the website and electronic mail.

Further to the phone call, members receive an e-mail with the main points of the telephone call as well as relevant links.

### Easier access

It is extremely important to be easily accessible to our members. Opening hours have been extended to 8 pm on Wednesdays and Thursdays so that members can call with questions about the pension scheme in the evenings.

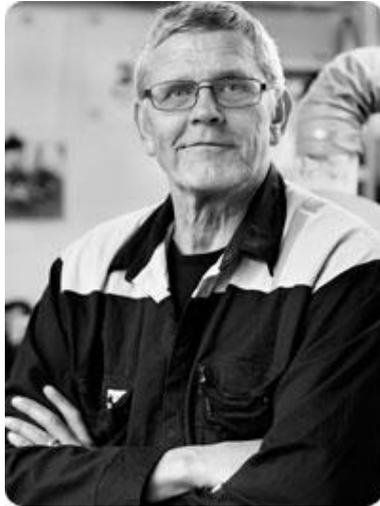
In 2012, members were also given the possibility of booking a personal meeting about the pension scheme. So far the interest in a meeting has been limited. Most members

prefer to call or use the self-service possibilities on the website if they have questions or wish to do something with their pension.

As a new initiative, Industriens Pension created its own page on Facebook at the end of 2012. The aim of the page is primarily to strengthen our accessibility. In 2013, Industriens Pension will evaluate the new page and consider its future presence on social media.

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### Bent Husted Sørensen, 58 years old, member of Industriens Pension since 1993:



"I'm hoping to enjoy the money when I grow old. And I sure hope that I won't be needing all the boring stuff - the insurance I mean".

Members who retired in 2012 and who have contributed to their pension since its establishment 20 years ago typically receive about DKK 3,000 a month in pension payments. Pensioners of the future can look forward to significantly higher payments because they will be contributing throughout their working life, and the pension contribution has now reached up to 12%.

When the pension scheme was established the pension contribution was just 0.9%.

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### Website

The website is becoming increasingly important as a communication channel. The website is part of the layered communication at any level at which members wish to find specific information about the content of the pension scheme, personal information or the legal basis of the pension scheme. The website has made it possible to simplify the

annual review of pensions to a few transparent financial ratios about the pension scheme of the individual member, whilst more detailed information is available at the personal page of the member (my page).

Members can log on to their personal page using NemID where they can always find updated data about their pension, costs,

insurance cover and contributions. They can view historical data and documents in the electronic letter archive and follow the process of a pending case on payment of disability pension or the insurance sum in the event of certain critical illnesses. Members with pending appeals can also follow these on their own page.

In addition, the website provides access to a number of self-service functions: Members can e.g. change the size of their insurance cover and make extra contributions to their pension savings.

In 2012, members were able to use self-service to determine what should happen to their pension if they change job or become unemployed. They may prolong the period exempt from contributions or choose to become dormant members with immediate effect.

A new consequential calculator has also been launched on the website. This was launched in connection with the introduction of the senior scheme according to which members over the age of 60 can be paid part of their ongoing pension contributions as a supplement to their wage to compensate for reduced working hours.

At the website of Industriens Pension,

members can calculate the significance of their pension payment if they reduce their working hours and payments to their pension scheme.

Industriens Pension is currently working to further expand the self-service function of the website to enable processing of all standard types of cases through the online self-service.

Companies can log on to their own page where they can take care of all administration of the pension scheme, insurance schemes for apprentices and the health scheme. At the website, companies and associations can also download material about the pension scheme to their own media and register for the electronic newsletter from Industriens Pension.

The website is an important tool in work on ensuring openness and transparency in the pension scheme. Here members can follow their return on their savings and see a detailed statement of costs, insurance prices and total annual costs in DKK and in percent of their savings.

The public part of the website also features a cost calculator where it is possible to calculate costs based on a number of parameters such as age, wage and contribution to the pension scheme.



**Horst Heinrich Belting, 60 years old, Broager, employed at Siemens:**

"I can actually retire early - I found out when my workplace held pension meetings. And it's comforting to know that my family will actually get a lot more money when I die than I thought".

In 2012, Industriens Pension held 1,200 information meetings about the pension scheme throughout Denmark. Many of

the meetings are held at the workplaces, and at companies with shift work activities, meetings are typically held day, evening and night.

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#### **Meetings with members and companies**

In 2012, a total of 1,200 meetings were held with trade unions, local branches, employer's organisations and companies. This is an increase of 5% compared with 2011.

Industriens Pension visits companies to put focus on the pension scheme of their employees. Companies also receive information about the tools offered by Industriens Pension in order for the companies to incorporate pensions as part of their staff policy, e.g. information meetings and meetings about the pension scheme through the company's intranet and other internal media.

Local branches of the trade unions are generally offered two annual meetings, the

purpose of which is to inform about the current status of the pension scheme and support the work of the branches, e.g. information meetings in collaboration with the unemployment insurance fund. Moreover, amended legislation may lead to increased meeting activity.

In addition, Industriens Pension participates in the training of new union representatives in the United Federation of Danish Workers (3F), the Danish Metalworker's Union and the trade union NNF (*Fødevareforbundet NNF*). The aim is to provide future union representatives with detailed information about the pension scheme and an overview of the tools which the union representative can use in his or her professional work.

## Members are satisfied with the pension scheme

According to a membership study from 2012, carried out together with a number of other labour-market pension companies, 53% of the members are satisfied or very satisfied with Industriens Pension. Only 4% are dissatisfied.

Members expressed greatest satisfaction with the high savings growth and clear and comprehensible communication about the pension scheme.

It was less important for the members to be able to regularly adjust their pension scheme.

Among members who had had direct contact with Industriens Pension, their satisfaction with the pension scheme was mostly based on the advice and service they received. The analysis shows that members are generally very satisfied with the service.

## Costs

Industriens Pension strives to be one of the least expensive yet most cost-effective pension companies in Denmark in terms of administration costs. The goal is to maintain the current cost level and thus the low administration costs despite fewer paying members.

This goal implies tight cost management and regular streamlining of business processes.

In 2012, the number of full-time employees was at the same level as in 2011. Wage rate developments have followed the adjustments agreed through collective agreements and have increased by 2.0%. This includes the increase in payroll tax from 9.13% to 10.5%.

**Table 8 Costs**

	2008	2009	2010	2011	2012
<i>Costs in relation to life assurance (DKK mill.)</i>	162	162	138	131	136
<i>Costs in relation to sickness and accident insurance (DKK mill.)</i>	20	20	20	19	19
Cost rate	2.4%	2.7%	2.2%	2.0%	1.9%
Costs per member (life assurance)	DKK 379	DKK 369	DKK 316	DKK 307	DKK 311
Costs per member (sickness and accident insurance)	DKK 53	DKK 46	DKK 46	DKK 45	DKK 43
Total costs	DKK 432	DKK 415	DKK 362	DKK 352	DKK 354

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**Leif Wibeck-Nielsen, employed in Industriens Pension since 2007:**

"I have 30-40 conversations per day. A good conversation is when the customer understands my answers 100%. I often try different approaches to complicated questions".

It is extremely important to be easily accessible to our members. Opening hours have been extended to 8 pm on Wednesdays and Thursdays so that members can call with questions about the pension scheme in the evenings.

In 2012, members were also given the possibility of booking a personal meeting about the pension scheme. However, most members prefer being called up at home or using the self-serve options on the website if they have questions or wish to make changes to their pension scheme.




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All costs for administration and investments can be viewed at the website of Industriens Pension.

In 2012, members were charged DKK 384 to cover the costs of administration. In 2013, the cost contribution was reduced to DKK 360 per member.

The official cost ratio for administration costs amounted to DKK 311 per member. However, the official financial ratios do not include costs relating to sickness and accident insurance. In 2012, such costs represented on average DKK 43 per member.

In 2012, the cost rate was 1.9% against 2.0% in 2011.

The investment costs are further detailed in the section about investments in this annual report.

In 2006, the Danish Insurance Association launched an 18-point-plan for openness and transparency featuring a number of initiatives to be implemented by pension companies over a five-year period. All 18 points have been implemented, and throughout all the years, Industriens Pension has been ahead of the action plan of the sector.

One of the most recent initiatives is the launch of Facts about Pension (*Fakta om pension*) which is an internet-based comparison tool whereby it is possible to compare e.g. return and costs of different pension companies.

#### **Danish Insurance Complaints Board**

Industriens Pension is attached to the Danish Insurance Complaints Board. In 2012, there were 23 complaints against our decisions. There were six fewer cases than in the previous year.

The Danish Insurance Complaints Board

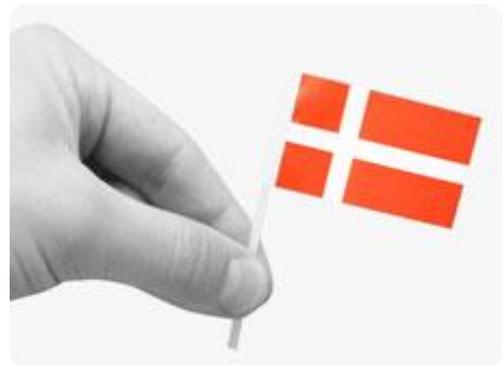
decided 27 of the cases of Industriens Pension in 2012. Our decisions were upheld in 24 of the cases. Industriens Pension lost two cases, and in one case the member's claim was upheld before being heard by the Danish Insurance Complaints Board.

Half the cases are about the degree of incapacity. This means that there is disagreement on the extent to which the requirement in the insurance conditions for medical documentation has been met. This type of complaint has been common in recent years.

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#### **INDUSTRIENS PENSION CELEBRATED ITS 20TH ANNIVERSARY IN 2012**

Members who have participated in the pension scheme from the beginning, and who are now retiring, typically receive around DKK 3,000 per month from the pension scheme. The pensioners of the future will have time to contribute much more to the pension scheme because the pension contribution has been raised and because they will be contributing to their pension throughout their entire working life.



## Investment activities

### RETURN

The result of investment activities before tax on yields of certain pension-scheme assets and administration costs was DKK 12,176 mill. in 2012, compared to DKK 3,635 mill. in 2011. This corresponds to an overall return of 12.9% in 2012.

The official return ratio N1 represents 11.7%. This financial ratio does not include the return on the market-interest-rate product, and the financial ratio therefore deviates from the actual return achieved.

Rising share markets and steady returns on credit bonds were the main reasons for high returns but also gilt-edged bonds generated good positive returns.

The portfolio of Danish shares generated a return of more than 26%. Particularly, Novo Nordisk affected results positively with a return of more than 40%.

Foreign shares generated a return of 17.7%. After some headwind in the 2nd quarter, share markets increased significantly particularly in Europe and in Emerging Markets in the 2nd half year.

This development was partly reflected in increasing growth in China and in the US, and not least in the fact that the European Central Bank introduced a number of initiatives which curbed investors' fears for the collapse of the euro.

Better economic outlook, investors' increasing willingness to invest as well as decreasing interest levels also supported large returns on credit bonds in 2012.

The portfolio of credit bonds of Industriens Pension generated a return of more than 15%. Corporate bonds with high as well as low creditworthiness generated returns of around 15%, whilst the portfolio of government bonds in Emerging Markets generated a return of 15.8%.

Together with successful active management, the falling interest level also supported moderate returns on the gilt-edged bond portfolios. The portfolio of gilt-edged Danish and European nominal government and mortgage-credit bonds yielded a return of 7.6% whilst European index-linked bonds yielded a return of 11.6%. With the currently low level of interest rates it will be difficult to generate corresponding returns on gilt-edged bonds in the future.

Unlisted shares generated a total return of 6.4%. Particularly, a return on unlisted shares of 9.6% and a return of 6.2% on investments in infrastructure affected this positively. Properties generated a return of 1.5% whilst absolute return on investments resulted in a negative return.

#### **A good start for the new market-interest-rate environment**

As part of the change to a market-interest-rate environment, a new lifecycle product was launched in June 2012. The lifecycle product basically means that the investment risk of the individual member is reduced in line with the member's age. However, a member will always keep a minimum of risky assets, regardless of age.

The return on the market-interest-rate

environment was 13% in 2012. Members up to 45 years old achieved a return of 13.7% but also members with shorter time until retirement and thus fewer shares in their savings achieved high two-digit returns. Young members hold a higher proportion of shares than older members because they have a longer investment horizon and thus can invest with higher risk.

In the average interest-rate environment, the return was 15.9% in 2012. The main reason the average interest-rate environment yielded higher returns than the market-interest-rate environment was that long interest rates fell in 2012. On the other hand, all things being equal, in the event of increasing long interest rates, the average interest-rate environment will yield a lower return than the market-interest-rate environment.

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### **Industriens Pension invests in Danish companies**

Industriens Pension has many Danish shares in the portfolio and at the end of 2012, we had invested DKK 7.5 bn. in listed Danish shares. This corresponds to about 7% of the overall investments. This means that Industriens Pension is one of the largest institutional investors in Danish shares and thus also a large investor in Danish jobs.

For a number of years, Danish shares have yielded a much higher return compared with foreign shares. The year 2012 was no exception. In 2012, Industriens Pension achieved a return on Danish listed shares of 26% against 17.7% on foreign shares. A good part of the additional return on the Danish share market is attributable to the large holdings of shares in Novo Nordisk. Novo Nordisk yielded a return of more than 40% in 2012, and since before the start of the financial crisis in the autumn 2007 and up to the end of 2012, Novo Nordisk has yielded a return of just under 230%.



The long period with extraordinarily high price increases on Novo Nordisk shares meant that the Novo Nordisk share came to represent a rather large part of the market-value-weighted index for Danish listed shares.

In order to spread the risk of the portfolio, from 2013, Industriens Pension has started using a benchmark which lays down a ceiling for the proportion of shares held in Novo Nordisk.

This means that in future, the Danish share portfolio of Industriens Pension will be less sensitive towards changes in the Novo Nordisk share than previously, and that capital will be made available to invest more in other Danish listed shares.

With a weight of just under 10% of the total Danish share portfolio, the Novo Nordisk share is however still one of the most prominent shares in the Danish share portfolio of Industriens Pension.

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### Investments of DKK 28 bn. in credit bonds

Over a number years, and not least in 2012, Industriens Pension has increased the number of credit bonds in its portfolio. The overall portfolio of credit bonds represented more than DKK 28 bn. at the end of 2012.

Out of this, just under DKK 11 bn. were government bonds on Emerging Markets, whereas the portfolio of bonds issued by European and American companies represented more than 17 bn. corresponding to 16% of the total investment assets.

DONG is one of the companies to which Industriens Pension (indirectly) lends money by investing in the bonds issued by the company. Members of Industriens Pension are thus helping to finance green investments.

In 2012, credit bonds yielded a return of around 15%.



### Active investment strategy

The Industriens Pension investment strategy aims at attaining a maximum return after costs and tax on yields of certain pension-scheme assets, while also taking into account investment risk.

The investment assets are managed on the basis of an active strategy where the goal is to achieve a return that is better than the general market developments. This strategy is associated with higher costs than a passive strategy orchestrated merely to achieve the market yield.

Historically, Industriens Pension has achieved a substantial additional return by active asset management, after deduction of all costs.

The year 2012 was a good year for the active strategy. The total return was 1.7 percentage points higher than the strategic benchmark set.

This is primarily due to the fact that management of gilt-edged bonds and foreign shares generated higher returns than the benchmarks set, and because of the weighting of investment assets in the course of the year.

Over the past decade, the Industriens Pension investment strategy has generated an average return of 8.9% before tax on yields of certain pension-scheme assets.

Compared with other Danish life-assurance and pension-insurance companies, the Industriens Pension return over a number of years has been among the highest.

### Increasing focus on infrastructure and property

Industriens Pension has invested more than DKK 3 bn. in infrastructure, and is planning to make investments worth more than DKK 6 bn. in the course of a few years. This corresponds to about 5% of the total investment assets.

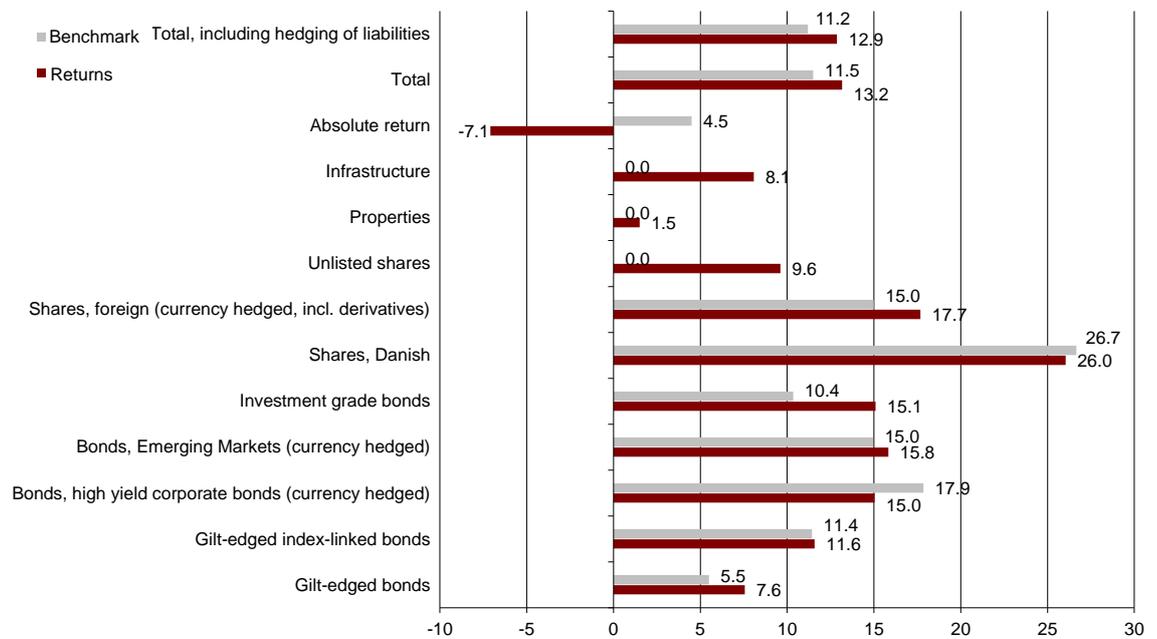
About 10% of the investments made in infrastructure is so-called OPP investments (Public Private Partnership). These are investments where public and private partners collaborate on development and operation of various infrastructure installations. This could be collaboration on e.g. establishment and operation of roads, schools, hospitals, courthouse buildings, bus terminals, residences for the elderly and student houses.

In relation to property, Industriens Pension will also be enhancing its exposure in the coming years.

At the beginning of 2013, the property portfolio amounted to DKK 2.2 bn., corresponding to around 2% of the total investment assets. In the coming years, we plan to increase property investments by DKK 5 bn. to the effect that property investments will represent more than 5% of the total investment assets.

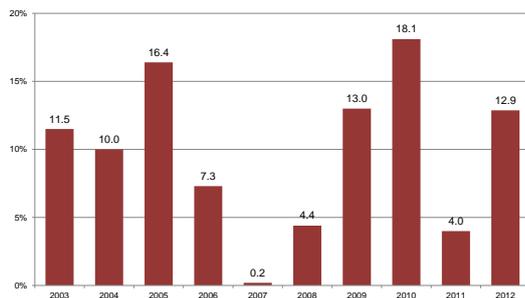
Until now, Industriens Pension has primarily made property investments abroad, but the main part of new investments will be made in Denmark. This is based on a drop in the level of interest rates as well as in Danish property prices. Investments in property are more attractive than gilt-edged bonds.

**Figure 13 Return on asset types and their benchmark 2012**



Note: Calculated as time-weighted return

**Figure 14 Return in the past decade**



Note: Official return ratios (N1) up to and including 2011. In relation to 2012, this includes return on the total investment assets.

Investment costs represented 0.70% of the assets in 2012. This is a fall from 0.76% in 2011. Investment costs comprise all types of expenses in connection with management of the investment assets in the form of fees for portfolio managers, costs for the depository bank, commission, wages for staff, etc. As seen in table 9, investment costs vary considerably across classes of assets.

Among other things, the drop in the percentage share of investment costs from 2011 to 2012 shows that the assets have increased significantly during 2012 due to the high return. In addition, the targeted work on reducing costs for e.g. management of High Yield and Emerging Market bonds has borne fruit. An increase in investment costs for Investment Grade bonds reflects that the managers are paid on the basis of results and performed significantly better than their benchmark in 2012.

The level of investment costs generally reflects the investment strategy selected. A low level of investment costs is therefore not a goal in itself. The active strategy of Industriens Pension with a high percentage of unlisted investments generates relatively high costs, but should also result in higher returns than a passive strategy with passively managed, listed assets.

In 2012, members were distributed DKK 13.1 bn. as a consequence of the change of the pension scheme from average interest rate to market interest rate. Members of the scheme consequently received an extraordinarily high dividend on their savings of 25%.

Members who had retired when the reserves were distributed will continue receiving the average interest rate. Retired members still need their share of the joint savings and thus have not shared in the distribution.



Bruno Hammarkvist, 55 years old, electrician, Frederiksberg: "I would have never saved up this money by myself. When I retire I'd like to continue living like I do now, being able to afford a good steak, red wine, trips to the movies and maybe also an occasional visit to a restaurant."

**Table 9 Investment costs in 2012 by classes of assets**

<b>Asset type</b>	<b>DKK mill.</b>	<b>%</b>
Gilt-edged bonds	3.1	0.01
Gilt-edged index-linked bonds	0.6	0.01
Emerging Market bonds	42.9	0.47
High yield corporate bonds	26.5	0.33
Investment grade corporate bonds	35.3	0.48
Danish shares	19.9	0.29
Foreign shares	92.7	0.48
Unlisted shares	287.8	2.04 *
Properties	33.9	0.88 *
Infrastructure	86.8	1.34 *
Absolute return	24.3	2.98
Unallocated costs	65.4	-
ekstrapension	0.3	0.20
<b>Total investment costs</b>	<b>719.6</b>	<b>0.70</b>

\* In % of average commitments

## INVESTMENT ASSETS

The actively managed assets increased from DKK 93.5 bn. at the end of 2011 to DKK 110.2 bn. at the end of 2012.

The increase is mainly due to a rise in the market value, and to a lesser extent, the net influx of pension contributions.

**Table 10 Distribution of asset types**

Asset type	Exposures carried forward 2011		Exposures carried forward 2012	
	DKK mill.	%	DKK mill.	%
Gilt-edged bonds	29,287	31.3	29,253	26.5
Gilt-edged index-linked bonds	9,069	9.7	10,074	9.1
Opportunistic credit	0	0.0	0	0.0
Emerging Market bonds	7,183	7.7	10,621	9.6
High yield bonds	5,796	6.2	9,858	8.9
Investment grade bonds	5,771	6.2	7,790	7.1
Danish shares	5,708	6.1	7,501	6.8
Foreign shares	14,131	15.1	21,071	19.1
Unlisted shares	6,198	6.6	7,520	6.8
Properties	1,794	1.9	2,282	2.1
Infrastructure	2,524	2.7	3,311	3.0
Absolute return	844	0.9	789	0.7
Money market*	5,202	5.6	120	0.1
<b>Total</b>	<b>93,505</b>	<b>100.0</b>	<b>110,191</b>	<b>100.0</b>

\*Calculated as funds in the bank plus countervalue of financial instruments plus market value of financial instruments.

## INVESTMENT FRAMEWORK FOR 2012

The investment strategy for the actively managed investment assets is based on an overall fundamental allocation between asset types but with a certain latitude within which the asset types may be overweighted or underweighted.

Since the transition to the market-interest-rate environment on 1 June 2012, investment assets have been divided into two sub-portfolios with high or low risk, respectively. The two sub-portfolios each have their own principle framework.

The principal investment frameworks for high and low-risk portfolios were largely unchanged in 2013 compared with the frameworks from June to December 2012.

Compared with the investment framework for the first five months of 2012, shares and credit bonds in the two portfolios in total represent a slightly higher proportion of the total investment assets in 2013.

**Table 11 - Investment framework and scope of the low-risk portfolio**

Asset type	Principle investment framework		Latitude	
	June-December 2012		June-December 2012	
	%	%	%	%
Nominal gilt-edged bonds	70	60-100	65	60-100
Indexed gilt-edged bonds	30	0-60	30	0-60
Investment grade corporate bonds	0	0-20	0	0-20
Properties (core)	0	0-10	5	0-10
Infrastructure (core)	0	0-10	0	0-10
Absolute return investments	0	0-5	0	0-5
Cash	0	0-5	0	0-5
Financial instruments	0	-	0	-
<b>Total</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>-</b>

**Table 12 - Investment framework and scope of the high-risk portfolio**

Asset type	Principle	Latitude	Principle	Latitude
	investment framework		investment framework	
	June-December 2012	June-December 2012	2013	2013
	%	%	%	%
Nominal gilt-edged bonds	10	0-20	10	0-20
Indexed gilt-edged bonds	0	0-20	0	0-20
Investment grade corporate bonds	10	0-20	10	0-20
High yield corporate bonds	10	0-20	10	0-20
Emerging Markets bonds	12.5	0-25	12.5	0-25
Unlisted Danish shares	10	2.5-17.5	10	2.5-17.5
Foreign listed shares	25	5-45	25	5-45
Unlisted shares	12.5	5-20	12.5	5-20
Properties	2.5	0-10	2.5	0-10
Infrastructure	5	0-10	5	0-10
Absolute return	2.5	0-10	2.5	0-10
Opportunistic credit	0	0-10	0	0-10
Commodities	0	-5-5	0	-5-5
Cash	0	0-10	0	0-10
Financial instruments	0	-	0	-
<b>Actively managed assets</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>-</b>

## Risk

The Board of Directors determines the risk policy and overall frameworks for the Group's risk management.

The Industriens Pension business model and the risks attached to this are the basis for preparing the risk-management policy and performing risk management.

The most important element of the risk policy is to ensure that all significant risks from the company's activities are identified, evaluated, managed and reported, to ensure that the risk is at an acceptable level.

### **Industriens Pension's view on risks**

Industriens Pension's view on risks is to acknowledge that results are generated through controlled risk willingness and that risks should therefore be managed and controlled; and not necessarily eliminated.

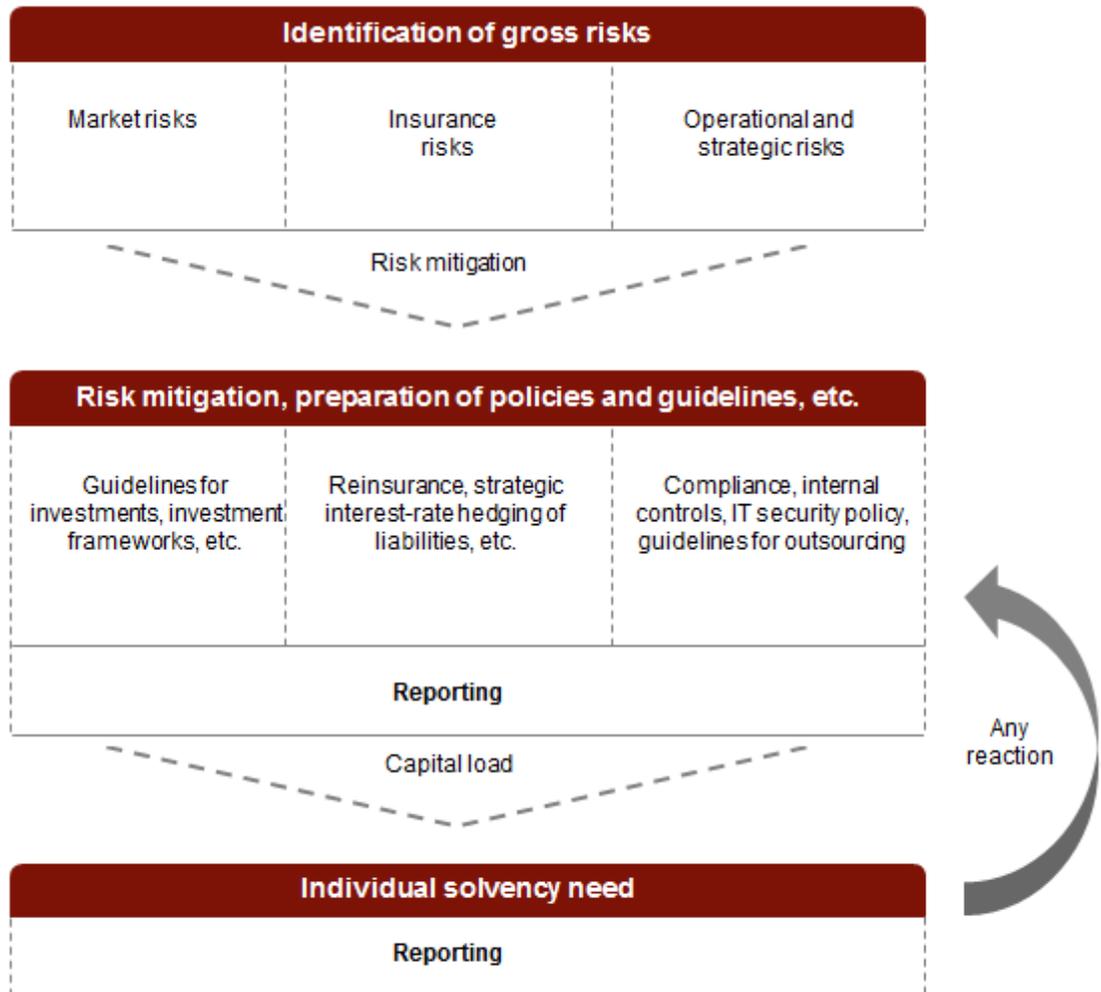
Generally the assessment of the individual risks is made on the basis of an assessment

of the consequences of a risk. If the risk exceeds the acceptable level, the Board of Directors will decide which initiatives to implement in order to minimise the risk to a lower level. Such initiatives typically include preparation of policies and guidelines, as well as establishment of internal controls.

Such risk management creates an environment where the Board of Directors and the Board of Management are able to take well-considered decisions that maximise the relationship between return and risk.

The practical work on risk management is rooted in the individual departments of the company, whereas overall coordination of risks is carried out by a special Risk and Finances committee which is also responsible for preparing regular reports to the Board of Management.

The overall risk-management process can be illustrated by the figure on the next page.



**Transition to market interest rate**

The transition to market interest rate in 2011 did not change the risks to which Industriens Pension is exposed, but the process leading up to an acceptable risk level has changed.

Previously, the risk level was solely measured in relation to the current capital base of Industriens Pension. Now that the majority of the members with market interest rates carry a larger part of the risk, a key element in risk management is also to ensure

that the individual members are not subject to an inappropriate risk. This was carried out by introducing a lifecycle product where the risk depends on the age of the individual member.

**Market risks**

Market risks include risks on investment assets both in relation to losses on interest rates, share prices, currency and property prices. Furthermore, the risk of losses as a consequence of credit and counterparty risks, as well as concentration risks, are included.

The frameworks for the level of risk are laid down in an annual investment framework regulating the investment assets.

In relation to the group of members not carrying a market interest rate, the most significant financial risks are linked to the interplay between the investment assets and the current insurance liabilities.

The risk relates to whether the return on investment assets is sufficient to cover liabilities on insurance contracts. The most important risk is changes in the interest rate.

The interest rate on liabilities is eliminated by hedging with interest-rate derivatives.

Similarly, a significant interest-rate risk is linked to the calculation of provisions for sickness and accident insurance, and fluctuations in the interest rate will therefore impact the accounting results. Such interest-rate risk is also eliminated by using interest-rate derivatives.

The currency risk is limited by using derivatives.

The counterparty risk is generally limited by applying the principle of "delivery versus payment" in connection with securities trading and by demanding collateralisation for positive fair values, over a certain level, on the derivatives utilised.

### **Insurance risks**

Insurance and cost risks comprise the risk of losses because of changes in mortality rates, loss of ability to work, critical illness and losses incurred from unexpected costs. Such risks have been considerably reduced after the transition to market interest rate.

Disaster risks are also included, as a major catastrophe may cause considerable

increases in benefits in the event of death and/or benefits in cases of loss of ability to work. Disaster risks are minimised through reinsurance.

### **Operational and strategic risks**

Operational risks comprise the risk of losses attributable to internal errors and errors in IT systems, incorrect procedures, incomplete internal controls, fraud, etc.

Strategic risks include reputation risks and other risks related to external events and factors.

Industriens Pension applies a risk-management model to carry out overall management of operational and strategic risks. By means of the risk-management model, the common IT tool regularly identifies and assesses the most important operational and strategic risks. The assessment of the individual risks is made on the basis of the consequences of such if they occur and an assessment of the probability that they occur.

This model is supplemented by ongoing registration of operational events which either result in loss or which could have resulted in loss. Such events are then included in the ongoing assessment of the individual risks and may, among other things, result in changes in the current control level.

### **Individual solvency need**

As an insurance company, Industriens Pension must regularly calculate an individual solvency need as a supplement to the solvency regulations. The scope of the individual solvency need depends on the current risk profile.

The Board of Directors identifies the most important risks and approves the methods used to calculate the individual solvency need, as well as the extent of the solvency need.

**Table 13 - Individual solvency need**

	<b>31.12.2012</b> <b>DKK mill.</b>
<b>Insurance</b>	
Longevity risk (risk of longer lifetime)	381
Invalidity risk	409
Disaster risk	51
Other insurance and cost risks	37
<b>Insurance and cost risks</b>	<b>878</b>
<b>Market risks</b>	
Interest-rate risk	375
Share-price risk	885
Other market and credit risks	772
<b>Total market risks</b>	<b>2,032</b>
<b>Counterparty risks</b>	<b>26</b>
<b>Total loss on basis risks</b>	<b>2,936</b>
Diversification	-1,216
<b>Diversified loss on basis risks</b>	<b>1,720</b>
Covered by buffers	-716
<b>Individual solvency need on basis risks</b>	<b>1,004</b>
<b>Operational risks</b>	
Operational risks	73
Strategic risks	183
<b>Total operational and strategic risks</b>	<b>256</b>
<b>Individual solvency need</b>	<b>1,260</b>

The internal auditors of the company perform an independent assessment of the calculation and report the result of this assessment to the Board of Directors. The individual solvency need is reported to the Danish Financial Supervisory Authority.

The individual solvency need is calculated based on the parameters and buffers set by

EIOPA in the QIS 5 test calculations. At the end of 2012, the individual solvency need for Industriens Pension represented a total of DKK 1,260 mill. against DKK 1,348 mill. in 2011. Table 13 shows the extent to which the individual risks contribute to the overall individual solvency need.

### **Solvency II**

Throughout 2012 Industriens Pension has worked on meeting the future requirements for the new common European solvency rules (Solvency II) which are to enter into force in 2014.

Among other things, this work has motivated the development of an IT platform for ongoing calculation of the capital requirement, as expected to be calculated according to Solvency II as well as pursuant to

the existing regulations on calculation of the individual solvency need.

The implementation of Solvency II has now been postponed but the Danish Financial Supervisory Authority is expected to implement the individual parts of the future regulations as soon as in 2013. Development in the rules and ongoing implementation of the rules is monitored by the Risk and Finances committee of Industriens Pension.

## Corporate social responsibility

Industriens Pension is committed to showing social responsibility in its investment strategy and thus ensure that members and companies contributing to the pension scheme, and society as a whole feel secure about the investment of their pension funds.

Industriens Pension practises full openness on all investments. Existing holdings of all investments are shown on the website so that all interested parties can monitor the investment of their pension funds.

Industriens Pension believes that any particular company invested in by Industriens Pension should show its capacity for adapting to developments in attitudes to the environment and ethics on the markets in which the company is operating, this being critical to the success of the company, and thus to the returns earned by Industriens Pension on investing in the company.

Consequently, adaptation by the company to local ethical and environmental standards will form part of investment decisions. It follows that the requirement by Industriens Pension to realise maximum return on investments will, in the long-term, coincide with making ethically and environmentally appropriate investments.

Industriens Pension may exclude shares and bonds in companies wilfully breaking rules laid down by national authorities in their countries of operation, or rules set by international organisations of which Denmark is a member.

Countries covered by sanctions made by organisations of which Denmark is a member, will be treated pursuant to applicable sanctions.

In the assessment of ethical and

environmental affairs, Industriens Pension collaborates with external advisors.

### Active ownership

Active ownership focuses on the relationship between owners (shareholders), the board of directors (owners' representatives) as well as the board of management (day-to-day management) of a company.

Industriens Pension exercises active ownership at several levels. This may be through

- dialogue with management and the board of directors of the companies
- voting at the general meetings of the companies
- exclusion of companies from the investment universe of Industriens Pension.

Generally, the board of directors will always ensure the interests of its shareholders as best as possible, as the goal of the company is to maximise long-term returns for its investors. Therefore, as a general rule, Industriens Pension supports proposals made by the board of directors of the companies in which pension funds have been invested.

Industriens Pension votes at general meetings, if relevant. The overall guidelines for voting are approved by the board of directors.

Industriens Pension may enter into a dialogue with a company in order to influence the company to take a certain decision.

In situations where dialogue and voting have not had or are assessed not to have the desired effect, companies may be excluded from the investment universe of Industriens

Pension.

In the exercise of active ownership Industriens Pension collaborates with external advisors and coordinates with other investors.

### **Integration of environmental, social as well as managerial aspects**

In 2012, Industriens Pension worked with a new model for integration of environmental, social as well as managerial aspects in the investment process which are expected to provide greater insight and opportunity for further targeted action.

Industriens Pension systematically monitors all companies in the investment portfolio, as well as companies included in the overall investment universe of Industriens Pension, as such companies may potentially be included in the portfolio.

The systematic monitoring and review of companies with dubious circumstances result in a focus list of companies which may be acting in contravention of the guidelines of Industriens Pension on responsible investments.

It is often difficult to document and prove violations. Similarly, it is challenging to assess whether the company has launched sufficient measures to prevent any repetition of violations.

Companies on the focus list are regularly monitored to follow developments and to be able to make decisions about the performance of active ownership, if deemed relevant.

As part of the monitoring, Industriens Pension systematically collects data about the companies in addition to monitoring their development. This takes place in close

collaboration with external advisors, specialised in the analysis of companies' environmental conditions and social responsibility.

Industriens Pension enters into a dialogue with companies that violate international standards and guidelines of the pension company on responsible investments in order to achieve a behavioural change in the company in relation to the issues identified. The dialogue follows a structured process which makes it possible to set targets and closely monitor developments along the way:

**1st milestone:** Starting a dialogue with a company

**2nd milestone:** The company recognises the issue

**3rd milestone:** The company prepares an action plan

**4th milestone:** The action plan is implemented.

If Industriens Pension observes changed behaviour from the company in relation to defined issues, the dialogue is considered successful and investments in the company can proceed. In many cases, the issues are difficult to tackle, and if the company seems unable to change its behaviour, further dialogue may be the next step. If dialogue continues without result, or if the company wilfully breaks the rules laid down by the national authorities of the countries where the company is working, or by international organisations of which Denmark is a member, said company may be excluded from the investment universe of Industriens Pension.

### **Activities in 2012**

In 2012, Industriens Pension assessed a number of companies which may potentially be involved in breaches of human rights,

workers' rights, environmental protection or corruption. The companies are analysed on the basis of the UN Global Compact principles and focus is on systematic and serious violations of international standards (as well as violations which are not acknowledged by companies). The selection of companies for investigation is based on different factors such as country, sector or a specific theme.

In 2012, the focus areas for Industriens Pension have been the environment and human rights.

The environmental standards based on the Global Compact encourage companies to take a precautionary approach to environmental challenges, and to promote greater environmental responsibility at their own initiative.

Industriens Pension has been in contact with companies about their environmental responsibility in connection with cleaning up after accidents and their responsibilities in terms of minimising contamination in connection with such accidents and future accidents. Industriens Pension has encouraged companies to present information about their environmental policy and practise on safety, clean-up and contamination, to gain an insight into their future management of similar situations.

The standards of the Global Compact on human rights encourage companies to support and respect internationally proclaimed human rights as well as to ensure that their activities do not contribute to a violation of human rights.

Industriens Pension has decided to enter into a dialogue with a number of companies about their involvement in activities which may contravene certain UN resolutions. Industriens Pension wishes to clarify whether the activities of the companies contravene human rights by violating the free movement of the population, access to resources such as water and electricity and exploitation of natural resources without sufficient compensation.

Generally, Industriens Pension believes that it is better to engage in active ownership and try to influence the companies rather than selling off investments.

At the end of 2012, Industriens Pension was in contact with selected companies. The purpose of this contact is to get an insight into the initiatives taken by the companies to comply with the ethical and environmental requirements for inclusion in the investment universe of Industriens Pension.

Working closely with external experts, the number of companies with which Industriens Pension is in contact, will increase considerably in 2013.

### **Development goals**

In accordance with the accession to the UN Principles for Responsible Investment (UN PRI), Industriens Pension will be strengthening its focus on the environment, social conditions and corporate governance in connection with investment. This will take place in the investment process itself, as well as through active ownership. Industriens Pension intends to increase the extent of dialogue with companies and make use of its voting rights.

## Value creation by the Board of Directors in 2012

At the board meetings and seminars during the year, the Board of Directors has taken a position on the overall strategy of Industriens Pension, as well as matters relating to the Board's performance of its duties.

Additionally, six meetings were held by the Investment Committee, four meetings were held by the Ethics Committee, as well as ten Chairmanship Meetings. These committees contribute to improving efficiency and enhancing the quality of the work carried out by the Board of Directors, and also have a preparatory objective prior to processing by the Board of Directors.

The investment committee thus prepares items on investments for processing by the Board of Directors, e.g. determination of investment frameworks and risk budgets, in addition to providing sparring and more thorough control of the investment field.

The ethics committee monitors developments within ethics and active ownership in the investment area. Work is carried out within the frameworks of the principles on social accountability adopted by the Board of Directors, and the policies and guidelines adopted by the Board in this connection.

In all board committees of Industriens Pension, the Board of Directors has the full responsibility for all decisions prepared by the board committees.

### Evaluation by the Board of Directors

In 2012, the Board of Directors separately discussed the topics "Investment in Denmark" and "Internal controls". The annual board seminar focused on the future Solvency II regulations, communication with the members

as well as the future investment policy in light of the current market scenario with low growth and low interest rates. Finally, the Board of Directors evaluated the work of the Board, including collaboration with the Board of Management. The evaluation only gave rise to minor adjustments.

In connection with the evaluation by the Board of Directors, the Board identified the most significant risks in Industriens Pension's business model:

- Investments in general (investment framework and the associated guidelines)
- Legislation
- Political aspects
- Staffing, organisational matters and competences
- Future perspectives (knowledge about circumstances which may influence business)

The Board of Directors has also assessed the knowledge and experience required, and has decided:

- to draw up a policy of insurance
- for the investment committee to work thoroughly on financial instruments
- to focus on staffing, organisational matters and competences in the future work of the Board of Directors.

The Board of Directors assessed that there was no need to change the business model as a consequence of the self-evaluation made by the Board of Directors.

The Board of Directors noted that the Board does not include a person who has been included in the day-to-day management of a financial undertaking. This is a new Danish FSA requirement from 2012. The Board of

Directors established that the Board could benefit from improvement, particularly in the insurance and pension area.

In connection with the ordinary general meeting in the spring 2013, work is thus being carried out to add competences to the Board of Directors to ensure that the Board has sufficient experience within insurance and pensions and complies with the requirements of the Danish FSA on management of a financial undertaking.

### **Good corporate governance**

The Board of Directors considers corporate governance to be a fundamental element in Industriens Pension's long-term success. The Board of Directors also supports the majority of the recommendations for labour-market pension companies given by the Committee on Corporate Governance. The detailed view of the Board of Directors on the recommendations applicable is available at the website of Industriens Pension and was updated in 2012.

# Ownership, management, managerial positions and remuneration policy

## OWNERSHIP

Industriens Pensionsforsikring A/S and Industriens Pension Service A/S is 100% owned by IndustriPension Holding A/S, and are part of the group together with wholly owned subsidiary undertakings.

Industriens Pension was established by the parties behind industrial collective agreements: the Confederation of Danish Industries (DI) and the CO-industry unions. Together, they paid up the share capital of DKK 125 mill. in the parent company, IndustriPension Holding A/S.

The Confederation of Danish Industries (DI) owns 35% of the share capital.

The CO-industry unions hold 65%, distributed as follows:

3F - United Federation of Danish Workers	40.80%
Danish Metalworker's Union	21.96%
The Danish Electrical Union	2.00%
The Painters' Union in Denmark	0.12%
The Plumber and Pipeline Union in Denmark	0.08%
Serviceforbundet	0.04%

## REMUNERATION POLICY

With effect from 1 January 2010, the Board of Directors laid down a remuneration policy for Industriens Pension A/S subsequently approved by the ordinary general meeting. The Board of Directors

adopted the changes to the remuneration policy on 4 December 2012. The remuneration policy is to promote sound and effective risk management.

## BOARD OF MANAGEMENT

**Laila Mortensen** (born 1965)  
CEO for IndustriPension Holding A/S and the fully owned subsidiary Industriens Pensionsforsikring A/S.

The total remuneration of the Board of Management amounted to DKK 3.4 mill. The Board of Management has no bonus schemes or performance-related pay agreements. Compensation is not paid to members of the board of management for board positions in other companies of the group.

The following positions have been approved by the Board of Directors, cf. section 80(1) of the Danish Financial Business Act.

Other board of directors and board of management positions:

- . Chief Executive of Industriens Pension Service A/S
- . Member of the Board of Directors in IP Butendiek Wind K/S
- . Member of the Board of Directors in IP Butendiek Wind ApS
- . Member of the Board of Directors in IP Finans 1 ApS
- . Member of the Board of Directors of the Danish Insurance Association (*Forsikring og Pension*)
- . Member of the Board of Directors of PensionsInfo
- . Expert representative in insurance matters in Vinnukærunevndini in the Faroe Islands
- . Member of the Board of Directors of Spar Nord Bank A/S

. Member of the Board of Directors of DSEB

## SENIOR MANAGEMENT

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### The management includes:

Laila Mortensen, CEO  
Joan Alsing, Insurance director  
Jan Østergaard, Investment director

### The chief actuary is:

Rikke Sylow Francis, Deputy director

### Good corporate governance

For more information on good corporate governance, please refer to our website: [www.industrienspension.dk](http://www.industrienspension.dk)

### Organisational links

Industriens Pension is a member of the sector organisation the Danish Insurance Association, the Danish Employers' Association for the Financial Sector, the Danish Insurance Complaints Board and PensionsInfo.

## BOARD OF DIRECTORS

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The Board of Directors of Industriens Pensionsforsikring A/S has 14 members: Seven employee members and seven employer members. Employee members will always take the chair, employer members will always put up the deputy chairman.

### Emolument of the Board of Directors

The chairman and the deputy chairman receive an annual emolument of DKK 180,000 for their board work. This fee also covers participation in any committee in Industriens Pensionsforsikring A/S.

Other members of the Board of Directors receive an annual emolument of DKK 90,000. Other members who are also members of the investment committee in Industriens Pensionsforsikring A/S annually receive an emolument of DKK 35,000 in addition to the ordinary emolument for the Board of Directors.

### The Board of Directors includes:

**Mads Andersen** (born in 1969)  
Group chairman in Industrigruppen, 3F  
Deputy chairman in the Central Organisation of Industrial Employees (*CO-industri*).  
Chairman of the Board of Directors of Industriens Pensionsforsikring A/S.  
Chairman of the Investment Committee and the Ethics Committee of Industriens Pensionsforsikring A/S.

Date of taking office: 21 April 2010.  
Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, chairman of the board of directors
- . Industriens Pension Service A/S, chairman of the Board of Directors
- . Industriens Kompetenceudviklingsfond, member of the Board of Directors

- . Industriens Uddannelses- og Samarbejdsfond, member of the Board of Directors
- . Laugesens Have, Kursuscenter A/S, member of the Board of Directors
- . Executive Committee of the Danish Confederation of Trade Unions, member of the Board of Directors
- . Executive Committee of the United Federation of Danish Workers, member of the Board of Directors

**Kim Graugaard** (born 1961)  
 CEO of the Confederation of Danish Industries  
 Deputy chairman of Industriens Pensionsforsikring A/S  
 Member of the Investment Committee and the Ethics Committee of Industriens Pensionsforsikring A/S

Date of taking office: 28 April 2005.  
 Appointed by the Confederation of Danish Industries.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, deputy chairman
- . Industriens Pension Service A/S, deputy chairman
- . ATP, member of the board of directors and the board of representatives
- . Confederation of Danish Employers (DA), member of the Board of Directors
- . Industriens Kompetenceudviklingsfond, member of the Board of Directors
- . Industriens Uddannelses- og Samarbejdsfond, member of the Board of Directors
- . TekSam, chairman of the board of directors

**Lars Andersen** (born 1958)  
 Executive director of Arbejderbevægelsens Erhvervsråd.

Member of the Board of Directors of Industriens Pensionsforsikring A/S  
 Member of the Investment Committee of Industriens Pensionsforsikring A/S.  
 Date of taking office: 28 April 2005.  
 Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, member of the Board of Directors
- . Arbejdernes Landsbank A/S, member of the Board of Directors and chairman of the Audit Committee
- . DSB, member of the Board of Directors
- . IUF/IØ funds, member of the Board of Directors

**Erik Bredholt** (born 1966)  
 CEO

Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 30 November 2009.  
 Appointed by employers in the merged pension funds PHI pension and PNN PENSION.

Other board of directors and board of management positions:

- . Leverandørselskabet Danish Crown Amba, chairman of the board of directors
- . Danish Crown A/S, chairman of the board of directors
- . Confederation of Danish Employers, chairman of the Board of Directors
- . Slagteriernes Arbejdsgiverforening, chairman of the Board of Directors
- . Executive committee of the Confederation of Danish Industries, member of the Board of Directors
- . Friland A/S, member of the Board of Directors
- . Landbrug & Fødevarer, member of the Board of Directors

- . Livlande Holding A/S, member of the Board of Directors
- . Sokolow S.A. (Poland), member of the Board of Directors
- . Tulip Food Company, member of the Board of Directors
- . Tulip Ltd. (UK), member of the Board of Directors

**Heidi Jensen** (born 1973)

Trade Union Representative in Struers A/S.  
Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 28 April 2011.  
Appointed by the Central Organisation of Industrial Employees.

Other board of directors and board of management positions:

- . 3F Storkøbenhavn, chairman of the Board of Directors

**Lars Hansen** (born 1955)

Department chairman Metal Odense.  
Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 28 May 2003.  
Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . Syddansk Erhvervsskole, chairman of the Board of Directors.

**Thorkild E. Jensen** (born 1950)

Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 28 April 2004.  
Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, member of the Board of Directors
- . Industriens Pension Service A/S, member of the Board of Directors
- . Arbejdernes Landsbank A/S, member of the Board of Directors
- . Dansk Erhvervsinvestering, chairman of the board of directors,
- . Fagbevægelsens Erhvervsinvestering A/S, member of the Board of Directors
- . Danish Technological Institute, member of the Board of Directors

**Jens Due Olsen** (born 1963)

CEO

Member of the Board of Directors of Industriens Pensionsforsikring A/S  
Member of the Investment Committee in Industriens Pensionsforsikring A/S.

Date of taking office: 28 May 2002.  
Appointed by the Confederation of Danish Industries.

Other board of directors and board of management positions:

- . Amrop A/S, chairman of the Board of Directors
- . AtchikRealtime A/S, chairman of the Board of Directors
- . Auriga Industries A/S, chairman of the Board of Directors
- . Bladt Industries A/S, deputy chairman and chairman of the Audit Committee
- . Cryptomatic A/S, member of the Board of Directors
- . EG A/S, member of the Board of Directors and chairman of the Audit Committee
- . Heptagon Advanced Micro Optics Inc., member of the Board of Directors and chairman of the Audit Committee
- . Kompan A/S, chairman of the Board of Directors and chairman of the Audit Committee

- . LD Invest 2, member of the Investment Committee
- . NKT Holding A/S, deputy chairman of the board of directors and chairman of the audit committee
- . Pierre.dk A/S, chairman of the board of directors
- . Royal Unibrew A/S, member of the Board of Directors

**Jukka Pertola** (born in 1960)  
CEO in Siemens A/S  
Member of the Board of Directors of  
Industriens Pensionsforsikring A/S

Date of taking office: 22 February 2012  
Appointed by the Confederation of Danish  
Industries.

Other board of directors and board of  
management positions:

- . Akademiet for de Tekniske Videnskaber, member
- . Baltic Development Forum, member of the Board of Directors
- . Copenhagen Capacity, member of the Board of Directors
- . Copenhagen Cleantech Cluster, member of the Board of Directors
- . DELTA Dansk Elektronik, Lys & Akustik, deputy chairman
- . DI ITEK, deputy chairman
- . Industriens Arbejdsgivere i København, member of the Board of Directors
- . Karl Pedersen og Hustrus Industrifond, member of the Board of Directors
- . LEO Pharma A/S, member of the Board of Directors
- . OSRAM A/S, member of the Board of Directors
- . Siemens A/S, member of the Board of Directors
- . Siemens Høreapparater A/S, chairman of the Board of Directors
- . Siemens Wind Power A/S, chairman of the board of directors.

**Bo Stærmose** (born 1948)

CEO in Juliana A/S.

Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 27 February 2006.

Appointed by the Confederation of Danish Industries.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, member of the Board of Directors
- . Executive committee of the Confederation of Danish Industries, member of the Board of Directors
- . Fionia Fond, chairman of the Board of Directors
- . International Chamber of Commerce, member of the Board of Directors
- . Juliana Holding A/S, chairman of the board of directors
- . Juliana A/S, chairman
- . Juliana Ejendomme A/S, chairman of the Board of Directors
- . Otto Mønstedts Fond, member of the Board of Directors
- . Otto Mønsted A/S, member of the Board of Directors
- . Provinsindustriens Arbejdsgiverforening, chairman of the Board of Directors.

**Berit Vinther** (born in 1961)

Deputy director general of the Confederation of Danish Industries.

Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 22 April 2009.

Appointed by the Confederation of Danish Industries.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, member of the Board of Directors
- . Industriens Pension Service A/S, member of the Board of Directors
- . Arbejdsmarkedets Tillægspension, member of the committee of representatives
- . Foreningen Pension for Funktionærer, member of the Board of Directors
- . FunktionærPension, member of the Board of Directors
- . Industriens Kompetenceudviklingsfond, chairman of the board of directors
- . Industriens Uddannelses- og Samarbejdsfond, deputy chairman
- . Customer council of PDF, member

**Ole Wehlast** (born in 1959)

Trade Union President Fødevareforbundet NNF.

Member of the Board of Directors of Industriens Pensionsforsikring A/S

Date of taking office: 30 September 2009.

Appointed by employees in the merged pension funds PHI pension and PNN PENSION.

Other board of directors and board of management positions:

- . AOF Danmark, chairman of the Board of Directors
- . Arbejdsmarkedets Tillægspension, member of the committee of representatives
- . Lønmodtagernes Dyrtidsfond, member of the Board of Directors

## Outlook for 2013

### Members and contributions

The number of members of Industriens Pension is expected to decrease by about 10,000 in 2013. Members are expected to number about 386,000. The number of member companies is expected to remain unchanged at about 8,000.

In addition, an agreement may be made for collection of small pensions. This will result in further decreases in the number of members.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 7.4 bill. in 2013. Out of this, DKK 0.5 bill. is expected to be paid to the government by way of social security contributions.

### Costs

In 2013, Industriens Pension will continue to focus on the size of costs. In 2013, members will pay a total of DKK 360 to cover administration costs. This is a fall of DKK 24 compared with 2012.

Investment costs which vary with the investment strategy selected are expected to increase in line with the increasing scope of investments. However, the cost rate compared with the investment assets is not expected to increase.

### Investment activities

The investment strategy for 2013 is organised on the basis of the principle investment framework adopted. Deviations from the

fundamental framework within the adopted latitude will be made to increase returns.

For the part not carrying a market interest rate, the interest-rate risk liabilities will generally continue to be hedged 100%. This hedging is to ensure that reserves are not affected unintentionally by significant fluctuations in interest rates.

In 2013, the return on the company's investment assets is expected to represent DKK 4.0 bn. before tax on yields of certain pension-scheme assets. This has been budgeted on an assumption of largely unchanged Danish and foreign bond interest rates and a return on listed shares of about three percentage points above the bond yield.

The tax on yields of certain pension-scheme assets for 2013 is expected to represent DKK 0.5 bn.

### Rate of interest on members' savings

The rate of interest on members' savings for those who are still in the average interest-rate environment has so far been set at 6% per annum after tax on yields of certain pension-scheme assets in 2013. For members with savings from PNN PENSION and PHI pension, the rate of interest on members' savings is however set at 2.5% after tax on yields of certain pension-scheme assets.

### Expected result for 2013

A profit of around DKK 100 mill. is expected for the financial year of 2013.

## Statement by management

We have today presented the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2012.

The annual report is presented in accordance with the Financial Business Act.

In our opinion, the financial statements provide a fair presentation of the company's assets and liabilities, financial position and results.

Furthermore, in our opinion, the management's review provides a true review of the development of the activities and financial situation of the company as well as a description of the most significant risks and uncertainty factors that may influence the company.

We recommend that the annual report be adopted at the General Meeting.

Copenhagen, 12 March 2013

Board of Management

Laila Mortensen  
CEO

Board of Directors:

Mads Andersen  
Chairman

Kim Graugaard  
Deputy Chairman

Lars Andersen

Erik Bredholt

Lars Hansen

Heidi Jensen

Thorkild E. Jensen

Jens Due Olsen

Jukka Pertola

Bo Stærmose

Berit Vinther

Ole Wehlast

# The independent auditors' report

## TO THE CAPITAL OWNERS OF INDUSTRIENS PENSIONSFORSIKRING A/S

### Endorsement of financial statements

We have audited the financial statements for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2012 comprising accounting policies, income statement, comprehensive income statement, balance sheet, statement of changes in equity and notes. The financial statements have been prepared according to the Danish Financial Business Act.

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that provide a fair presentation which is in accordance with the Danish Financial Statements Act. Management is also responsible for the internal control deemed necessary by management in order to prepare financial statements without material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements on the basis of our audit. We conducted our audit in accordance with the international auditing standards and further requirements stipulated by Danish accounting legislation. These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit comprises performance of auditing procedures in order to obtain audit evidence of amounts and information in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of risks of material misstatement in the financial state-

ments, whether due to fraud or error. In making risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements and the financial statements. The purpose is to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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 evaluating the overall presentation of the 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.

### Conclusion

In our opinion, the financial statements give a fair presentation of the company's assets, liabilities and financial position as of 31 December 2012 and of the results of the company's activities for the financial year 1 January to 31 December 2012, in accordance with the Danish Financial Business Act.

### Statement on the management's review

We have read through the management's review in accordance with the Danish Financial Business Act. We have not acted further other than the audit carried out of the financial statements.

Furthermore, in our opinion, the information provided in the management's review is in accordance with the financial statements.

Copenhagen, 12 March 2013

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup  
statsautoriseret revisor

Kasper Bruhn Udam  
statsautoriseret revisor

## Income statement and statement of comprehensive income

Note		2012 DKK mill.	2011 DKK mill.
2	Gross premiums	6,999	6,485
3	Reinsurance premiums ceded	-1	-1
	<b>Total premium income net of reinsurance</b>	<b>6,998</b>	<b>6,483</b>
	Income from group undertakings	1,094	257
	Income from associates	8	-2
4	Interest income and dividends, etc.	2,409	2,128
5	Value adjustments	8,883	1,438
	Interest expenses	-1	-2
8	Administration costs in connection with investment activities	-217	-185
	<b>Total investment return</b>	<b>12,176</b>	<b>3,635</b>
6	<b>Tax on yields of certain pension-scheme assets</b>	<b>-1,853</b>	<b>-556</b>
	<b>Investment return after tax on yields of certain pension-scheme assets</b>	<b>10,323</b>	<b>3,079</b>
7	Benefits paid	-1,510	-1,967
	Reinsurance cover received	0	0
	Change in claims provisions	-18	72
	Transferred to other insurance provisions	-485	-99
	<b>Total insurance benefits net of reinsurance</b>	<b>-2,012</b>	<b>-1,994</b>
16	Change in life-assurance provisions	-421	54,304
	Change in reinsurers' share	0	0
	<b>Total change in life-assurance provisions net of reinsurance</b>	<b>-421</b>	<b>54,304</b>
19	Change in bonus provisions for group life scheme	124	74
18	Change in collective bonus potential	-942	13,754
20	Change in special bonus provisions	-518	-109
	<b>Total bonus</b>	<b>-1,336</b>	<b>13,718</b>
21	<b>Change in provisions for unit-linked contracts</b>	<b>-12,720</b>	<b>-75,382</b>

## Income statement and statement of comprehensive income, *continued*

Note		2012 DKK mill.	2011 DKK mill.
8	<b>Administration costs</b>	<b>-136</b>	<b>-131</b>
	<b>Investment return transferred</b>	<b>-650</b>	<b>19</b>
	TECHNICAL PROFIT/LOSS	45	97
9	TECHNICAL PROFIT/LOSS ON SICKNESS AND ACCIDENT INSURANCE	25	-259
	Investment return on equity	339	-11
	<b>PROFIT/LOSS BEFORE TAX</b>	<b>410</b>	<b>-173</b>
	<b>Tax on yields of certain pension-scheme assets for equity capital</b>	<b>-53</b>	<b>2</b>
	NET PROFIT/LOSS FOR THE YEAR	<b>357</b>	<b>-172</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
	Profit/loss for the year	357	-172
	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>
	<b>TOTAL INCOME FOR THE YEAR</b>	<b>357</b>	<b>-172</b>

## Balance

Note		31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>10</b>	<b>INTANGIBLE ASSETS</b>	<b>31</b>	<b>0</b>
<b>11</b>	Operational resources	<b>0</b>	<b>0</b>
<b>12</b>	Registered office property	<b>63</b>	<b>61</b>
	<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>63</b>	<b>62</b>
<b>13</b>	Equity investments in group companies	697	1,467
<b>14</b>	Equity investments in associates	8	19
	<b>Total investments in group companies</b>	<b>706</b>	<b>1,486</b>
	Equity investments	2,010	6,668
	Investment association units	403	1,907
	Bonds	20,364	8,962
	Deposits with credit institutions	350	542
<b>15</b>	Other financial investment assets	26	0
	<b>Total other financial investment assets</b>	<b>23,154</b>	<b>18,080</b>
	<b>Total investment assets</b>	<b>23,859</b>	<b>19,566</b>
<b>21</b>	<b>Investment assets linked to unit-linked contracts</b>	<b>96,216</b>	<b>80,783</b>
	Amounts receivable from policy holders	<b>550</b>	<b>571</b>
	Receivables from group companies	<b>5</b>	<b>0</b>
	Other receivables	<b>0</b>	<b>0</b>
	<b>TOTAL RECEIVABLES</b>	<b>555</b>	<b>571</b>
	Current tax assets	7	5
	Deferred tax assets	1,877	0
	Cash at bank and in hand	123	64
	<b>Total other assets</b>	<b>2,007</b>	<b>69</b>
	Interest and rent receivable	245	108
	Other accruals	46	39
	<b>TOTAL ACCRUALS</b>	<b>291</b>	<b>147</b>
	<b>TOTAL ASSETS</b>	<b>123,023</b>	<b>101,198</b>

## Balance Sheet (cont.)

Note		31.12.2012 DKK mill.	31.12.2011 DKK mill.
	Share capital	110	110
	Reserve for tax-free retained earnings	3,596	3,239
	Retained earnings	531	531
	<b>TOTAL EQUITY</b>	<b>4,237</b>	<b>3,880</b>
	Premium provisions	76	78
	Guaranteed benefits	5,652	5,134
	Bonus potential on future premiums	0	0
	Bonus potential on paid-up policies	13	110
<b>16</b>	<b>Total life-assurance provisions</b>	<b>5,665</b>	<b>5,244</b>
<b>17</b>	<b>Claims provisions</b>	<b>5,125</b>	<b>4,537</b>
<b>18</b>	<b>Collective bonus potential</b>	<b>1,845</b>	<b>902</b>
	Provisions for bonus and premium rebates	165	61
<b>19</b>	<b>Bonus provisions for group life scheme</b>	<b>526</b>	<b>650</b>
<b>20</b>	<b>Special bonus provisions</b>	<b>3,542</b>	<b>3,024</b>
<b>21</b>	<b>Provisions for unit-linked contracts</b>	<b>88,291</b>	<b>75,518</b>
	<b>PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>105,234</b>	<b>90,015</b>
	Amounts payable in connection with direct insurance	6	7
	Amounts payable to group companies	0	0
	Current tax liabilities	3,711	538
<b>22</b>	<b>Other debt</b>	<b>9,834</b>	<b>6,758</b>
	<b>TOTAL DEBT</b>	<b>13,551</b>	<b>7,303</b>
	<b>TOTAL LIABILITIES</b>	<b>123,023</b>	<b>101,198</b>
<b>23</b>	<b>Collateral</b>		
<b>24</b>	Contingent liabilities		
<b>25</b>	Transactions with related parties		
<b>26</b>	Five-year summary and financial ratios		
<b>27-28</b>	Specifications for investment assets		
<b>29</b>	Sensitivity information and risks		

## Statement of changes in equity

	Share capital	Retained earnings	Reserve*	Total
Equity at the beginning of 2012	110	531	3,239	3,880
Profit/loss for the year			357	357
Other comprehensive income			0	0
<b>Equity as at 31 December 2012</b>	<b>110</b>	<b>531</b>	<b>3,596</b>	<b>4,237</b>

	Share capital	Retained earnings	Reserve	Total
Equity at the beginning of 2011	110	531	3,411	4,051
Profit/loss for the year			-172	-172
Other comprehensive income			0	0
<b>Equity at the end of 2011</b>	<b>110</b>	<b>531</b>	<b>3,239</b>	<b>3,880</b>

\*The reserve for tax-free retained earnings is subject to special limitations, cf. section 307 of the Financial Business Act on labour-market related life assurance companies.

The company share capital of DKK 110 mill. is issued in shares each of DKK 1,000, or multiples of same.

### Capital base and solvency requirement

	31.12.2012 DKK mill.	31.12.2011 DKK mill.
Equity	4,237	3,880
Intangible assets	-31	-
Special bonus provision type A	426	432
Special bonus provision type B	3,116	2,593
<b>Capital base</b>	<b>7,748</b>	<b>6,904</b>
Calculated solvency margin, life assurance	835	880
Capital requirement, accident and sickness insurance	177	174
<b>Total calculated solvency margin</b>	<b>1,012</b>	<b>1,054</b>

# Notes

## Note

### 1 Accounting policies

#### **GENERAL**

This annual report has been prepared in accordance with the regulations of the Financial Business Act, as well as the Executive Order from the Danish Financial Supervisory Authority on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

All amounts in the financial statements are presented in whole million DKK. Each figure is rounded separately, which means that there may be differences between the totals stated and the total of the underlying figures.

No consolidated financial statements are presented for the company. The company as well as its subsidiary undertakings, Industriens Pension IT A/S. (up until 30 November 2012) and Industriens Pension Portfolio f.m.b.a. are included in the consolidated financial statements for IndustriPension Holding A/S together with the affiliated company Industriens Pension Service A/S.

#### **Changes in accounting policies**

In contrast to previous years, the investment assets are recognised from and including 31 December 2012 on the trading day against previously on the value date.

This change has not affected the total profit for the year, equity or assets.

#### **Accounting estimates and assessments**

Preparation of the annual report requires that management make a number of estimates and assessments regarding future conditions which could significantly influence the accounting

treatment of assets and liabilities, and thus the result in the current and coming years. The areas where these estimates and assessments have the most important effect on the financial statements include:

- insurance contract liabilities
- fair value of financial instruments.

On 12 June 2012, the Ministry of Business and Growth and the Danish Insurance Association entered into an agreement on changing the discount yield curve. For Industriens Pension, the change in the yield curve has meant a reduction in the provisions for the average-interest-rate product of a total DKK 49 mill.

#### **Insurance contract liabilities**

The calculation of insurance contract liabilities is based on a number of actuarial calculations, which use assumptions of e.g. mortality and disability rates and which are determined on the basis of the best estimate. In addition, liabilities are affected by the actual interest-rate level.

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

There are no significant estimates connected with the valuation of financial instruments with listed prices on an active market, or where valuations are based on accepted valuation models with observable market data.

In relation to instruments where valuation is based on observable market data to a lesser extent, valuation will be affected by estimates. This applies to e.g. unlisted equity investments and certain bonds where there is no active market.

#### **Intragroup transactions**

The company has concluded agreements on the

## Notes (cont.)

### Note

#### 1 Accounting policies continued

supply of administration services to the parent company IndustriPension Holding A/S as well as the subsidiary undertaking Industriens Pension IT A/S (until 30 November 2012) and the affiliated company Industriens Pension Service A/S. Fees for these services are fixed on a cost-recovery basis.

Up until 30 November 2012, the company has purchased IT operations and development services from the subsidiary undertaking Industriens Pension IT A/S, and similarly an agreement on delivery of services for Industriens Pension Portfolio f.m.b.a. has been made. Fees for these services are fixed on market terms.

In connection with the winding-up of the subsidiary undertaking Industriens Pension IT A/S, Industriens Pensionsforsikring purchased the IT platform and applications developed by said subsidiary undertaking. The transfer was made at estimated fair value. Beyond this, there were no material intra-group transactions.

#### **General principle for recognition and measurement**

The income statement recognises all income and expenses as they are earned and incurred.

An asset is recognised in the balance sheet when it is probable that future financial benefits will flow to the company and the value of the asset can be measured reliably.

A liability is recognised in the balance sheet when it is probable that future financial benefits will not accrue to the company, and the value of the liability can be measured reliably.

At initial recognition assets are measured at cost. Measurements after initial recognition take place as described for each item below. At recognition and measurement, unpredictable risks and losses that arise before the annual report is presented, and which confirm or disconfirm conditions that existed on the reporting date, must be taken into account.

#### **INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

##### **Income from insurance activities**

##### ***Premium income net of reinsurance***

Comprises premiums pertaining to 2012. Premiums recognised as revenue, not paid as of 31 December 2012, were included as receivables.

Premium contributions relating to investment contracts with no right to bonus and without a significant risk element, are recognised directly in the balance sheet.

Social security contributions are deducted from premium income according to the guidelines issued by the Danish Financial Supervisory Authority. Gross premiums are adjusted for reinsurance premiums ceded.

##### **Income from investment assets**

##### ***Income from group companies***

Income from associated undertakings includes Industriens Pension's share of the result in subsidiaries.

##### ***Interest income and dividends, etc.***

Interest income and dividends etc. includes the interest earned and dividends received on securities and liquid assets for the financial year. Furthermore, index adjustments on index-linked bonds are included.

***Value adjustments***

Value adjustments covers realized as well as unrealized gains and losses as well as

## Notes (cont.)

### Note

#### 1 Accounting policies continued

exchange rate adjustments on investment assets.

##### **Administration costs in connection with investment activities**

Administration costs in connection with investment activities include fees for external portfolio managers, trading and depositary charges, as well as own costs for administration of investment assets.

##### **Tax on yields of certain pension-scheme assets**

Tax on yields of certain pension-scheme assets for the year which comprises the *Notes (cont.)*

current tax on yields of certain pension-scheme assets for the year as well as changes to deferred tax on yields of certain pension-scheme assets, are recognised as an expense in the income statement.

##### **Expenses of insurance activities**

###### **Insurance benefits paid net of reinsurance.**

Insurance benefits net of reinsurance include pension scheme benefits paid in the year, adjusted by the change in provisions for claims outstanding for the year and after deduction for the reinsurance cover. Insurance benefits net of reinsurance with no right to bonus are recognised directly in the balance sheet.

###### **Change in life-assurance provisions**

The change in life assurance provisions is the difference between start and end value of the provisions for life assurance. In 2011, the item included transfer of part of the portfolio from average interest rate to market interest rate.

###### **Change in collective bonus potential**

Change in collective bonus potential is the part of the realised result accruing to the insurance portfolio beyond the bonus already allocated. In the years when the realised results of the insurance portfolio is negative after deduction of already allocated bonus, the item includes use of the collective bonus potential provided for in the previous years.

###### **Change in bonus provisions for group life scheme**

Profit/loss for the year on the group life scheme is appropriated to bonus and is used to reduce future premiums.

###### **Change in special bonus provisions**

Change in special bonus provisions (type A and type B) includes a return on the amounts net with which members have contributed during the year.

Change in special bonus provisions (type B) includes any risk return for the year and the previous year, and provisions are added a proportionate share of the result of sickness and accident insurance as well as from the market-interest-rate scheme, etc.

###### **Change in provisions for unit-linked contracts**

Change in provisions for unit-linked contracts includes investment return after tax on yields of certain pension scheme-assets and after investment costs relating to unit-linked contracts. For investment contracts with no right to bonus and without a significant risk element, however, only the investment return after taxation on pension returns (PAL) and costs are included.

The change in 2011 also included transfer of market interest rate.  
part of the portfolio from average interest rate to

## Notes (cont.)

### Note

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#### 1 Accounting policies continued

##### **Administration costs**

Administration costs include costs related to life assurance activities. Administration fees from group companies calculated on a cost-recovery basis are recognised herein.

date of revaluation after deduction of

##### **Investment return transferred**

Investment return transferred makes up the part of the investment return not included in the insurance technical result. Investment return transferred covers the investment return on provisions for sickness and accident insurance and investment return on equity.

##### **Insurance technical profit or loss of sickness and accident insurance net of reinsurance**

The result of sickness and accident insurance has been calculated according to the rules of sickness and accident insurance. The result of sickness and accident insurance is specified in the notes.

#### **BALANCE SHEET**

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##### **Intangible assets**

Intangible assets includes the development of an IT platform, etc. measured at acquisition value with deduction of accumulated amortisation. Straight-line depreciation is made over the expected life of assets.

##### **Property, plant and equipment**

###### **Equipment**

Technical equipment etc. is measured at cost less accumulated depreciation. Straight-line depreciation is made over the expected life of assets.

###### **Owner-occupied property**

Owner-occupied property is measured at revalued amount, which is the fair value at the

accumulated depreciation. Revaluations are recognised directly as part of equity, unless the revaluations are a reversal of previous write-downs. Write-downs are recognised in the income statement, unless the write-down is a reversal of previous revaluations.

#### **Investment assets**

##### ***Equity investments in group companies***

Equity investments are included with the proportionate share of the companies' equity. Loans are measured at amortised cost.

##### ***Financial investment assets***

Purchase and sale of financial investment assets are recognised on the trading day at fair value.

Danish and foreign listed equity investments and investment units are measured at official closing prices on the reporting date. A calculated rate is used for equity investments

and investment units in investment associations that are not actively traded.

Unlisted shares and unlisted units in investment associations are measured at fair value using recognised methods.

Bonds are measured at official closing prices on the reporting date. A calculated rate is used for bonds that are not actively traded. Bonds that are sold and repurchased forward (genuine sale and repurchase transactions) are part of the bond portfolio.

Listed derivatives are measured at official closing prices on the reporting date. Futures, purchase and sales options, as well as other derivative financial instruments, are recognised at their current value measured at mid-market prices on the reporting date.

## Notes (cont.)

### Note

#### 1 Accounting policies continued

The contract value of traded and not yet recognised, financial instruments are included in the balance sheet as a supplement or a deduction in the value of the corresponding financial instruments. Information about rates, etc. occurring after the closing date of the financial statements will solely be included if such are significant for the assessment of the financial statements.

##### **Investments linked to unit-linked contracts**

Investments linked to unit-linked contracts includes assets linked to market interest rate as well as the product ekstrapension calculated according to the same principles as corresponding investment assets.

##### **Provisions for insurance and investment contracts**

###### ***Premium provisions***

Premium provisions cover provisions for risk on account of rising age for sickness and accident insurance policies deemed necessary to cover claims and costs in subsequent financial periods for insurance policies in effect on the balance sheet date. *Notes (cont.)*

###### ***Life-assurance provisions***

Life-assurance provisions are calculated as the capital value of the total commitments on expected future insurance benefits based on a yield curve and assumptions on insurance risk and costs, fixed at best estimate relative to mortality and disability rates, etc. In the calculation of the life assurance provisions a supplement is recognised, which is linked to the uncertainty of making the best estimate of an insurance risk. For discounting, the yield curve stipulated in the agreement between the pension sector and the Danish Ministry of Economic and Business Affairs is used, less tax

on yields of certain pension-scheme assets. Life-assurance provisions are made by the company chief actuary based on the technical basis notified to the Danish Financial Supervisory Authority. Life-assurance provisions are divided between guaranteed benefits, bonus potential on future premiums, and bonus potential on paid-up policy benefits.

Guaranteed benefits include commitments to pay benefits attached to the pension scheme. Guaranteed benefits are calculated as the net present value of the benefits guaranteed on the insurance policy, as well as the net present value of the expected future expenses for administration of the insurance policy less the net present value of the agreed future premiums. Guaranteed benefits are calculated taking into account rewriting of contracts to paid-up policy and surrender.

Guaranteed paid-up policy benefits are the benefits guaranteed on the insurance policy if the policy is converted into a paid-up policy. The value of the guaranteed paid-up policy benefits is calculated as the present value of the guaranteed paid-up policy benefits plus the present value of the expected future expenses for administration of the paid-up policies.

Bonus potential on paid-up policy benefits covers the net present value of commitments to pay bonuses on premiums already due etc. Bonus potentials on paid-up policy benefits are calculated as the value of policy holder savings less the guaranteed benefits, bonus potentials on future premiums, and the net present value of the future administration results.

###### ***Provisions for claims outstanding***

These include insurance benefits due but not

yet paid, including bonuses as well as other  
unpaid insurance benefits pertaining to events

occurring in the financial year, or earlier.

## Notes (cont.)

### Note

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#### 1 Accounting policies continued

Provisions for claims outstanding on sickness and accident insurance include amounts to cover claims arising before the end of the year but not yet paid.

Provisions for claims outstanding on sickness and accident insurance settled by regular payments have been calculated at their net present value in accordance with actuarial principles by discounting the expected future payments applying the yield curve stipulated in the agreement between the pension sector and the Danish Ministry of Economic and Business Affairs, less tax on yields of certain pension-scheme assets.

##### **Collective bonus potential**

Collective bonus potential covers the insurance portfolio share of realized results allocated collectively for equalization of bonus allocation.

##### **Provisions for bonus and premium rebates**

Provisions for bonus and premium rebates are amounts in sickness and accident insurance accruing to policy holders owing to a favourable result in the financial year.

##### **Bonus provisions for group life scheme**

Pertaining to amounts to be used for reduction of future premiums in the group life scheme for death, disability, and critical illness.

##### **Special bonus provision**

Special bonus provisions cover both type A and type B. The breakdown into the two types is shown in a note to the annual financial statements. The special bonus provision is venture capital made available by policy holders and constitutes part of the insurance provisions. The provisions are recognised in the base capital ranking equally with equity capital.

##### **Provision for unit-linked contracts**

This provision represents the market value of the assets linked to the market interest rate as well as the product ekstrapension.

The provisions also contain an estimated amount to cover future benefits originating from insured events occurring in the financial year but not registered at the end of the financial year.

##### **Debt**

Amounts payable are measured at amortized cost.

##### **Contingencies**

Commitments regarding guarantees and sureties etc. on non-insurance matters are disclosed in a note to the annual report.

## Notes (cont.)

Note	2012 DKK mill.	2011 DKK mill.
<b>2</b>		
Gross premiums		
Current premiums	6,446	6,285
Contributions incl. transfers	1,121	755
Social security contributions	-514	-508
<b>Total gross premiums</b>	<b>7,053</b>	<b>6,532</b>
Of which premiums concerning investment contracts with no right to bonus	-54	-48
<b>Total gross premiums on insurance contracts</b>	<b>6,999</b>	<b>6,485</b>
Premiums broken down according to subscription ratio:		
Insurance subscribed as part of an employment relationship	6,999	6,485
Individually subscribed investment contracts	54	48
	<b>7,053</b>	<b>6,532</b>
Premiums concerning insurance:		
Insurance with a right to bonus	14	5,814
Insurance without a right to bonus	6,985	670
Investment contracts without a right to bonus	54	48
	<b>7,053</b>	<b>6,532</b>
Members with collective-agreement-based schemes at the end of the year	399,784	391,967
Members with group life assurance at the end of the year	235,248	237,561
Members with individually subscribed contracts at the end of the year	18,913	16,934

All insurance contracts are established on the basis of collective agreements, agreements and similar under which the insurance is a compulsory part of the conditions for employment.

All insurances pertain to direct Danish business.

## Notes (cont.)

Note	2012 DKK mill.	2011 DKK mill.
<b>3</b>		
Profit/loss of reinsurance		
Reinsurance premiums ceded to other companies - life	-1	-1
Reinsurance premiums ceded to other companies - sickness and accident insurance	-1	-1
Reinsurance cover received	0	0
Change in reinsurance reserves	0	0
<b>Total profit/loss on ceded business</b>	<b>-2</b>	<b>-2</b>
<b>4</b>		
Interest income and dividends, etc.		
Interest on securities and deposits	1,350	1,176
Index adjustment	2	0
Dividends on equity investments	1,058	952
<b>Total interest income and dividends etc.</b>	<b>2,409</b>	<b>2,128</b>
<b>5</b>		
Value adjustments		
Registered office property	0	0
Danish listed shares	1,351	-1,132
Foreign listed shares	2,609	-1,326
Unlisted shares	385	248
Investment association units	946	-140
Nominal bonds	281	830
Foreign bonds	1,509	368
Index-linked bonds	935	457
Deposits with credit institutions	12	-31
Derivative financial instruments	398	2,614
Forward foreign-exchange contracts;	456	-450
<b>Total value adjustments</b>	<b>8,883</b>	<b>1,438</b>

## Notes (cont.)

Note	2012 DKK mill.	2011 DKK mill.
<b>6</b>		
Tax on yields of certain pension-scheme assets		
Tax on yields of certain pension-scheme assets	-1,851	-541
Tax on yields of certain pension-scheme assets concerning the previous year	-2	-15
Change in provisions for deferred tax on yields of certain pension-scheme assets	0	0
<b>Total tax on yields of certain pension-scheme assets</b>	<b>-1,853</b>	<b>-556</b>
Exemption fraction, cf. sections 7, 15, and 16 of PAL	0.0	0.0
Reduction for group life assurance recognised in the exemption fraction above.		
<b>7</b>		
Benefits paid		
Insurance sums on death	154	149
Insurance sums on disability	103	135
Insurance sums on critical illness	109	107
Other, in the event of death	112	109
Disability benefits	39	40
Sums at expiry	429	235
Pension and interest benefits	343	276
Transfers to other labour-market pension schemes	153	744
Surrender (disbursement of small dormant accounts)	60	168
Unguaranteed pensioner's bonus	7	2
Health-promoting costs	1	1
<b>Total benefits disbursed</b>	<b>1,510</b>	<b>1,967</b>

## Notes (cont.)

Note	2012 DKK mill.	2011 DKK mill.
<b>8</b>		
Administrative costs		
In the items administration costs, costs in connection with investment activities, as well as profit/loss of sickness and accident insurance, the costs have been recognised as follows:		
Staff expenses		
Staff wages and salaries	90	87
Pension contributions	11	11
Other expenses for social security	1	1
Payroll tax	10	10
<b>Total staff expenses</b>	<b>112</b>	<b>109</b>
Auditor's fee for external auditor approved by the Board of Directors		
Statutory audit of the financial statements	0.6	0.7
Other declaration assignments with collateral	0.4	0.2
Tax counselling	0.2	0.1
Other services	0.3	0.2
<b>Total fee for audit</b>	<b>1.6</b>	<b>1.1</b>
Management and board emoluments		
Board of Management, 1 person	3.4	3.3
Board of Directors, 14 persons	1.4	1.5
Number of employees whose activities significantly influence the risk profile, 4 persons	7.1	6.8
<b>Total emoluments for the Board of Management and the Board of Directors, etc.</b>	<b>12.0</b>	<b>11.5</b>
<b>Average number of full-time employees in the financial period</b>	<b>138</b>	<b>134</b>

No bonus schemes or performance-related pay agreements are linked to employment in the Board of Management or of other employees whose activities significantly influence the risk profile. As part of the emolument, a one-off-emolument of DKK 0.1 mill. will be paid to the Board of Management as well as to employees whose activities significantly influence the risk profile. No compensation for new employment or resignation was paid.

No managerial emolument is paid for the Board of Management for board of directors and board of management positions in the other companies of the group.



## Notes (cont.)

Note	2012 DKK mill.	2011 DKK mill.
<b>9</b>		
Technical profit/loss on sickness and accident insurance		
<i>Premium income</i>		
Current premiums	266	454
Social security contributions	-21	-35
Transferred from unit-linked provisions	485	99
<b>Total gross premiums</b>	<b>730</b>	<b>518</b>
Reinsurance premiums ceded	-1	-1
Change in premium provisions	2	8
<b>Premium income net of reinsurance</b>	<b>732</b>	<b>524</b>
<b>Technical interest</b>	<b>19</b>	<b>36</b>
<b>Costs of claims net of reinsurance</b>		
Benefits paid	-377	-350
Change in gross claims provisions	-174	-477
<b>Costs of claims net of reinsurance</b>	<b>-552</b>	<b>-828</b>
<b>Change in bonus and premium rebates</b>	<b>-104</b>	<b>224</b>
<b>Insurance operating costs net of reinsurance</b>	<b>-19</b>	<b>-19</b>
<b>Technical profit/loss</b>	<b>77</b>	<b>-63</b>
Investment return	17	-110
Return on insurance provisions	-68	-87
<b>Investment return after technical interest</b>	<b>-51</b>	<b>-196</b>
<b>Total technical profit/loss from sickness and accident insurance</b>	<b>25</b>	<b>-259</b>

With a claims rate of 0.39% (0.54%) in 2012, a total of 813 (1,134) claims have been paid with an average indemnity of DKK 751,000. (DKK 748,000).

The figures shown in brackets are the corresponding figures for 2011.

## Notes (*cont.*)

Note	31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>10 Intangible assets</b>		
Accumulated cost brought forward	0	-
Acquisitions during the year	33	-
Disposals during year at cost	0	-
<b>Accumulated cost carried forward</b>	<b>33</b>	<b>-</b>
<i>Depreciation/amortisation</i>		
Accumulated depreciation/amortisation brought forward	0	-
Depreciation/amortisation for the year	2	-
Reversed depreciation/amortisation on assets sold	0	-
<b>Accumulated depreciation/amortisation carried forward</b>	<b>2</b>	<b>-</b>
<b>Carrying amount carried forward</b>	<b>31</b>	<b>-</b>
<b>11 Operational resources</b>		
Accumulated cost brought forward	2	2
Acquisitions during the year	0	0
Disposals during year at cost	0	0
<b>Accumulated cost carried forward</b>	<b>2</b>	<b>2</b>
<i>Depreciation/amortisation</i>		
Accumulated depreciation/amortisation brought forward	2	1
Depreciation/amortisation for the year	0	0
Reversed depreciation/amortisation on assets sold	0	0
<b>Accumulated depreciation/amortisation carried forward</b>	<b>2</b>	<b>2</b>
<b>Carrying amount carried forward</b>	<b>0</b>	<b>0</b>
<b>12 Registered office property</b>		
Revalued amount brought forward	61	61
Acquisitions	2	0
Depreciation	0	0
Value adjustments recognised in income statement	0	0
<b>Revalued amount carried forward</b>	<b>63</b>	<b>61</b>
External experts have not been involved in measuring the registered office.		
<b>Rate of return</b>	<b>5.25</b>	<b>5.50</b>

## Notes (*cont.*)

Note	31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>13 Equity investments in group companies</b>		
Accumulated cost brought forward	6.741	6.739
Acquisitions during the year	5.154	2
Disposals during the year	-120	0
<b>Accumulated cost carried forward</b>	<b>11.775</b>	<b>6.741</b>
Accumulated value adjustments brought forward	576	318
Value adjustments for the year	1.094	257
Value adjustments, disposed equity investments	40	0
<b>Accumulated value adjustments carried forward</b>	<b>1.710</b>	<b>576</b>
<b>Carrying amount carried forward</b>	<b>13.485</b>	<b>7.317</b>
Equity investments as in the items of the balance sheet		
Equity investments in group companies	697	1.467
Investment assets linked to unit-linked contracts	12.787	5.849
<b>The item equity investments in group companies consists of:</b>		
Industriens Pension IT A/S. The chief activity of this company is that of running all IT operations in the group IndustriPension Holding A/S. The company was wound up as of 30 November 2012.		
Equity according to financial statement	-	80
Result for 1 January to 30 November 2012	-2	1
Industriens Pension Professionel f.m.b.a. The association was dissolved as of 30 June 2012	-	7.237
Result for 1 January to 30 June 2012	535	256
Industriens Pension Portfolio f.m.b.a.		
Equity according to financial statement as of 31 December 2012	13.484	-
Result for 1 July to 31 December 2012	868	-
IP Butendiek Wind ApS		
Equity according to financial statement as of 31 December 2012	0	-
Result for 3 to 31 December 2012	0	-
IP Finans 1 Aps		
Equity according to financial statement as of 31 December 2012	0	-
Result for 3 to 31 December 2012	0	-
IP Butendiek Wind K/S		
Equity according to financial statement as of 31 December 2012	0	-
Result for 6 to 31 December 2012	0	-
The object of the investment associations and the companies is to make investments according to the guidelines set by Industriens Pension.		
All companies are domiciled in Copenhagen and fully owned.		

## Notes (cont.)

	31.12.2012	31.12.2011
	DKK mill.	DKK mill.
<b>14</b>	<b>Equity investments in associates</b>	
	Accumulated cost brought forward	99
	Acquisitions during the year	55
	Accumulated cost carried forward	154,045
	Accumulated value adjustments brought forward	-2
	Value adjustments for the year	8
	Accumulated value adjustments carried forward	5,54651
	<b>Carrying amount carried forward</b>	<b>160</b>
	Equity investments as in the items of the balance sheet	
	Equity investments in group companies	8
	Investment assets linked to unit-linked contracts	152
	The item equity investments in associates comprises: EjendomsSelskabet Norden IV K/S. Ownership interest 32.4%. The main object of the company is purchase, sale and rental of properties.	
	Equity according to financial statement as of 31 December 2012	493
	<b>Profit/loss for the year</b>	<b>24</b>
<b>15</b>	<b>Other financial investment assets</b>	
	Forward foreign-exchange contracts	31
	Swaption	0
	Swaps	0
	Options and futures	-5
	<b>Total other financial investment assets</b>	<b>26</b>

## Notes (cont.)

Note	31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>16 Life-assurance provisions</b>		
Gross life-assurance provisions brought forward	5.244	59.548
Accumulated value adjustment brought forward	-953	-904
<b>Retrospective provisions brought forward</b>	<b>4.291</b>	<b>58.643</b>
Gross premiums	13	5.822
Premiums for group life scheme	0	-226
Addition of interest	156	15.619
Insurance benefits	-424	-1.558
Costs supplement after addition of costs bonus	-5	-426
Risk gain after addition of risk bonus	-15	-89
Transferred to other technical provisions	1	-104
Transferred to/from provisions for unit-linked contracts	658	-73.503
Distribution of special bonus provisions	36	111
<b>Retrospective provisions carried forward</b>	<b>4.711</b>	<b>4.291</b>
Accumulated value adjustment carried forward	954	953
Gross life assurance provisions before use of bonus potential	5.665	5.244
Applied bonus potential on paid-up policy benefits	0	0
<b>Gross life-assurance provisions carried forward</b>	<b>5.665</b>	<b>5.244</b>
<b>Change in gross life-assurance provisions</b>	<b>421</b>	<b>-54.304</b>
The bonus potential on future premiums has been raised by	0	0
The bonus potential on paid-up policy benefits has been raised by	871	924
<i>Breakdown of life-assurance provisions</i>		
<b>Guaranteed benefits</b>	5.652	5.134
<b>Bonus potential on paid-up policy benefits</b>	13	110
<b>Life-assurance provisions</b>	<b>5.665</b>	<b>5.244</b>



## Notes (cont.)

Note	31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>17 Claims provisions</b>		
Provisions for insurance sums on death	45	36
Provisions for insurance sums on disability	120	125
Provisions for insurance sums on critical illness	30	33
Provisions for exemption from paying contributions in group schemes	148	131
Claims provisions net of reinsurance concerning total life-assurance activities	<b>342</b>	<b>325</b>
Claims provisions net of reinsurance concerning sickness and accident insurance	<b>4.782</b>	<b>4.212</b>
Claims provisions net of reinsurance	<b>5.125</b>	<b>4.537</b>
<b>18 Collective bonus potential</b>		
Collective bonus potential brought forward	902	14.656
Transferred to/from life-assurance provisions	157	-13.275
Change in collective bonus potential	785	-479
<b>Collective bonus potential carried forward</b>	<b>1.845</b>	<b>902</b>
<b>19 Bonus provisions for group life scheme</b>		
Bonus provisions for group life scheme brought forward	650	723
Change in bonus provisions for group life scheme	-124	-74
<b>Bonus provisions for group life scheme carried forward</b>	<b>526</b>	<b>650</b>

## Notes (*cont.*)

Note	31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>20 Special bonus provisions</b>		
Special bonus provisions brought forward	3.024	2.915
Change in special bonus provisions	518	109
<b>Special bonus provisions carried forward</b>	<b>3.542</b>	<b>3.024</b>
Special bonus provision type A	426	432
Special bonus provisions type B	3.116	2.593
<b>Special bonus provisions carried forward</b>	<b>3.542</b>	<b>3.024</b>
<b>21 Provisions for unit-linked contracts</b>		
Provisions for unit-linked contracts brought forward	<b>75.518</b>	<b>91</b>
Gross premiums	7.040	709
Premiums for group cover	-85	-18
Return after tax on yields of certain pension-scheme assets	8.471	1.292
Insurance benefits	-719	-18
Additional costs	-491	-43
Risk gain	-73	1
Distribution of special bonus provisions	53	1
Transferred to/from life assurance provisions	-815	73.602
Transferred to sickness and accident insurance	-485	-99
Transferred to group scheme	-124	0
<b>Provisions for unit-linked contracts carried forward</b>	<b>88.291</b>	<b>75.518</b>
<b>Change in provisions for unit-linked contracts</b>	<b>12.773</b>	<b>75.427</b>
Of which, directly recognised in the balance sheet	53	45
Charged to the income statement	12.720	75.382
Equity investments in group companies	12.787	5.712
Equity investments in associates	152	78
Shares	37.713	27.500
Investment association units	7.568	7.849
Bonds	34.555	36.966
Cash	2.405	2.232
Other financial investment assets	594	-
Receivable interest concerning unit-linked contracts	442	445
<b>Total investment assets in unit-linked contracts</b>	<b>96.216</b>	<b>80.783</b>
Tax on yields of certain pension-scheme assets receivable, unit-linked contracts	1.521	228
Other debt concerning unit-linked contracts	6.404	5.037
<b>Investment assets for unit-linked contracts, net</b>	<b>88.291</b>	<b>75.518</b>

## Notes (cont.)

Note	31.12.2012 DKK mill.	31.12.2011 DKK mill.
<b>22 Other debt</b>		
Liability concerning sales and repurchase transactions	6.259	5.211
Negative market value on other derivative instruments	1.053	1.469
Debt concerning unsettled transactions	2.458	0
Other debt	63	78
<b>Total other debt</b>	<b>9.834</b>	<b>6.758</b>
<b>23 Collateral</b>		
For collateral for insurance provisions assets have been registered at a carrying amount:		
Equity investments	35.251	31.694
Investment association units	21.456	16.993
Bonds	45.376	39.112
Deposits in credit institutions	3.599	3.017
<b>Total registered assets</b>	<b>105.682</b>	<b>90.817</b>
Bonds for collateral for loans after standard repurchase at market value	6.259	5.179
Bonds for collateral for market value of derivative financial instruments at market value	1.268	1.801
Bonds received as collateral for market value of derivative financial instruments at market value	853	249
<b>24 Contingent liabilities</b>		
There are no mortgages, warranties, guarantees or similar commitments beyond what appears from the annual financial statements.		
As of 31 December 2012, the company has a leasing liability of a total DKK 1.2 mill.		
As of 31 December 2012, a commitment has been granted on investments in property, unlisted shares and equity investments in the amount of DKK 11.1 bn.		

## Notes (cont.)

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**Note****25 Transactions with related parties**

The company has entered into agreements on supply of administration services to the parent company IndustriPension Holding A/S, as well as to the subsidiary undertaking Industriens Pension Service A/S, and the 100% owned subsidiary undertakings. Fees for these services are fixed on a cost-recovery basis.

Furthermore, an agreement has been made as to sale of IT operations and development services with the affiliate. Fees for these services are fixed on market terms.

As of 1 December 2012, Industriens Pensionsforsikring A/S has taken over activities in Industriens Pension IT A/S as a consequence of the winding up of this company. In this connection the existing IT platform was transferred to Industriens Pensionsforsikring A/S. The transfer was made at an estimated fair value, corresponding to DKK 33 mill.

## Notes (cont.)

Note	2008	2009	2010	2011	2012
<b>26 Five-year financial summary of key figures and financial ratios in DKK mill.</b>					
<b>Key figures</b>					
Premiums	6,748	5,963	6,206	6,485	6,999
Insurance benefits	1,703	2,227	2,151	1,994	2,012
Investment return	1,144	8,075	13,254	3,635	12,176
Insurance operating costs	162	162	138	131	136
Profit/loss of reinsurance	-2	-3	-3	-2	-2
Technical result	-9	-21	-5	97	45
Technical result of sickness and accident insurance	24	62	13	-259	25
Profit/loss for the year	117	376	389	-172	357
Provisions for insurance and investment contracts	56,934	67,487	82,285	90,015	105,234
Equity	3,287	3,662	4,051	3,880	4,237
<b>Assets</b>	<b>67,902</b>	<b>75,452</b>	<b>93,973</b>	<b>101,198</b>	<b>123,023</b>
<b>Financial ratios for sickness and accident insurance</b>					
Gross claims ratio	98.0%	156.2%	132.7%	<b>111.6%</b>	<b>88.0%</b>
Gross cost ratio	4.8%	5.2%	3.7%	<b>2.6%</b>	<b>3.0%</b>
Combined ratio	103.2%	161.7%	136.6%	<b>114.3%</b>	<b>91.2%</b>
Operating ratio	83.4%	129.9%	115.4%	<b>102.0%</b>	<b>81.9%</b>
Relative run-off profit/loss	14.0%	11.3%	5.3%	<b>3.9%</b>	<b>2.7%</b>
<b>Return ratios</b>					
Total return before tax on yields of certain pension-scheme assets	2.0%	13.0%	18.1%	<b>4.0%</b>	<b>11.6%</b>
Total return after tax on yields of certain pension-scheme assets	1.7%	11.0%	15.4%	<b>3.4%</b>	<b>9.9%</b>
Return before tax on yields of certain pension-scheme assets, market interest rate				4.6%	13.0%
Return before tax on yields of certain pension-scheme assets, average interest rate		13.1%	19.0%	4.6%	15.9%
Return before tax on yields of certain pension-scheme assets, equity		12.0%	12.2%	-0.3%	8.4%
Return after tax on yields of certain pension-scheme assets, equity		10.2%	10.4%	-0.3%	7.1%
<b>Cost ratios</b>					
Costs as a percentage of premiums	2.4%	2.7%	2.2%	<b>2.0%</b>	<b>1.9%</b>
Costs as a percentage of provisions	0.4%	0.3%	0.2%	<b>0.2%</b>	<b>0.2%</b>
Costs per member	DKK 379	DKK 369	DKK 316	<b>DKK 307</b>	<b>DKK 311</b>
Profit/loss on costs	0.71%	0.57%	0.56%	<b>0.49%</b>	<b>0.42%</b>
<b>Risk figures</b>					
Insurance risk profit/loss	0.14%	0.11%	0.04%	<b>0.13%</b>	<b>0.10%</b>
<b>Consolidating financial ratios</b>					
Ratio of bonus potential to provisions	9.4%	15.4%	25.0%	<b>21.0%</b>	<b>39.2%</b>
Ratio of customers' funds to provisions	4.4%	4.8%	5.0%	<b>70.5%</b>	<b>75.2%</b>
Ratio of equity to provisions	7.0%	7.0%	6.9%	<b>90.4%</b>	<b>89.9%</b>
Ratio of excess solvency to provisions	7.6%	8.4%	8.2%	<b>136.3%</b>	<b>143.6%</b>
Solvency ratio	299%	338%	325%	<b>511%</b>	<b>768%</b>
<b>Return on equity ratios</b>					
Return on equity before tax	4.1%	12.5%	11.8%	<b>-4.4%</b>	<b>10.1%</b>
Return on equity after tax	3.6%	10.8%	10.1%	<b>-4.3%</b>	<b>8.8%</b>
Return on insurance provisions	3.8%	10.9%	16.9%	<b>4.8%</b>	<b>17.3%</b>
Return on special bonus provisions type A	2.6%	3.4%	4.0%	<b>3.6%</b>	<b>2.3%</b>
Return on special bonus provisions type B	4.9%	13.2%	12.4%	<b>-4.1%</b>	<b>10.4%</b>

The development in the consolidation financial ratios from 2010 to 2011 reflects the transition from average interest rate to market interest rate.

## Notes (cont.)

### Note

#### 27 Specification of assets and returns on these

DKK mill.	Market value		Net investments	Return in % before PAL
	31.12.2011	31.12.2012		
1.1 Land and buildings directly owned	61	63	0	5.3%
1.2 Property companies	4,318	5,593	1,076	4.0%
<b>1. Total land and buildings</b>	<b>4,379</b>	<b>5,657</b>	<b>1,076</b>	<b>4.0%</b>
<b>2. Other subsidiary undertakings</b>	<b>80</b>	<b>0</b>	<b>-80</b>	<b>0.0%</b>
3.1 Listed Danish shares	5,708	7,024	-163	25.5%
3.2 Unlisted Danish shares	790	883	-75	20.0%
3.3 Listed foreign equity investments	18,171	19,956	-1,365	17.8%
3.4 Unlisted foreign equity investments	5,408	7,426	1,613	6.3%
<b>3. Total other equity investments</b>	<b>30,077</b>	<b>35,288</b>	<b>10</b>	<b>15.9%</b>
4.1 Government bonds (Zone A)	4,946	15,370	9,316	10.9%
4.2 Mortgage-credit bonds	24,191	22,408	-2,761	4.2%
4.3 Index-linked bonds	9,069	10,074	-57	11.6%
4.4 Investment grade credit bonds	5,771	7,790	1,004	15.0%
4.5 Non-investment grade credit bonds	12,979	20,261	5,239	12.3%
4.6 Other bonds	0	0	0	0.0%
<b>4. Total bonds</b>	<b>56,955</b>	<b>75,903</b>	<b>12,740</b>	<b>9.3%</b>
<b>5. Loans secured by mortgages</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>6. Other financial investment assets</b>	<b>2,950</b>	<b>-3,583</b>	<b>-6,546</b>	<b>-</b>
<b>7. Derivative financial instruments</b>	<b>-711</b>	<b>-433</b>	<b>-484</b>	<b>-</b>

\*The calculated returns on the particular investment assets as well as total investment assets have been calculated using the time-weighted method, i.e. daily return calculations are made throughout the year. This method is recommended in the worldwide guide for calculation of returns - GIPS (Global Investment Performance Standards), introduced in 1999.

## Notes (cont.)

### Note

#### 28 Specification of equity investment in %

	Denmark	Rest of Europe	Northern America	Southern America	Japan	Rest of Far East	Other countries	Not broken down	Total
Energy	0.0%	1.0%	2.9%	0.4%	0.1%	0.6%	0.2%	0.0%	5.1%
Materials	1.5%	0.9%	0.9%	0.4%	0.3%	0.5%	0.4%	0.0%	4.8%
Industry	5.6%	1.4%	3.6%	0.5%	0.8%	0.4%	0.4%	0.0%	12.7%
Consumption goods	0.6%	1.1%	3.3%	0.4%	0.8%	0.8%	0.2%	0.0%	7.2%
Consumer goods	1.7%	2.1%	2.0%	0.6%	0.2%	0.4%	0.3%	0.0%	7.4%
Health care	6.2%	1.1%	3.5%	0.0%	0.2%	0.2%	0.1%	0.0%	11.3%
Finance	3.7%	2.9%	5.1%	0.8%	0.8%	2.8%	1.2%	0.0%	17.3%
IT	0.2%	0.5%	5.1%	0.1%	0.4%	1.2%	0.0%	0.0%	7.5%
Telecommunication	0.8%	0.5%	0.3%	0.0%	0.2%	0.6%	0.0%	0.0%	2.5%
Supply	0.0%	0.4%	1.1%	0.0%	0.1%	0.0%	0.1%	0.0%	1.7%
Not broken down	3.2%	9.8%	9.5%	0.0%	0.0%	0.0%	0.0%	0.0%	22.4%
<b>Total</b>	<b>23.5%</b>	<b>21.5%</b>	<b>37.4%</b>	<b>3.2%</b>	<b>3.9%</b>	<b>7.6%</b>	<b>2.8%</b>	<b>0.0%</b>	<b>100.0%</b>

## Notes (cont.)

Note

### 29 Sensitivity information and risks

Event

DKK mill.	Maximum effect on capital base	Maximum effect on collective bonus potential	Maximum effect on bonus potential on paid-up policy benefits before change in applied bonus potential on paid-up policy benefits	Maximum effect on applied bonus potential on paid-up policy benefits
Interest rate rise of 0.7 percentage points	-293	-446	21	0
Interest rate drop of 0.7 percentage points	302	387	-4	0
Country spread (interest-rate increase)	8	-57	0	0
Country spread (interest-rate fall)	8	-77	0	0
Fall in share prices of 12%	-124	-95	0	0
Fall in property prices of 8%	-5	-4	0	0
Exchange-rate risk (VaR 99.5%)	-40	-30	0	0
Loss on counterparties of 8%	-92	-63	0	0
Mortality rate intensity:				
- drop of 10%	0	-159	-5	0
- increase of 10%	0	140	10	0
Disability intensity:				
- increase of 10%	0	0	0	0

Note: Positive figures mean that the company benefits from the mentioned risk process whereas negative figures means the company's reserves are eaten into.