

Annual Report

2013

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Introduction

2013 was an exciting and eventful year.

Two activities in the investments area were particularly interesting in 2013:

At the start of the year, Industriens Pension invested 100 mio. EUR in the new Butendiek offshore wind farm in the North Sea. The building work is expected to generate jobs for more than 1,000 people in the construction phase, and for around 350 people once the wind turbines are in operation. The offshore wind farm will provide green electricity corresponding to the consumption of 370,000 households, and it will be completed in 2015. This investment will ensure customers in our pension scheme a solid return for many years to come.

We are also pleased with our investment in our new partnership with Region Zealand and the KPC construction group on expanding radiotherapy at Næstved hospital. This expansion will give the hospital the capacity to carry out an additional 10,000 radiotherapy treatments annually, meaning that even more cancer patients can be treated locally. This will cut the time patients spend getting into treatment programmes by 50%; an important factor in improving quality of life for cancer patients. The project is also creating jobs, and, at the same time, we are securing a good and stable return for our customers.

More investments in infrastructure, Public-Private Partnerships (PPP) and properties

These two investments helped ensure the increase in investments in infrastructure and PPPs, which were among our objectives in the investment area for 2013.

The objective is to continue to increase investments in infrastructure, PPPs and properties in the coming years. These

investment assets enable us to earn stable, long-term returns which, with the current low interest rates, are significantly higher than the returns on mortgage-credit bonds and government bonds.

Costs reduced even further

Over the years, Industriens Pension has been extremely focused on keeping administration costs low. In the past five years, costs have been reduced by DKK 34 mill.

Despite significant development tasks, costs were also reduced in 2013. The cost reductions were facilitated by a well-functioning IT platform, rendering it relatively simple to adjust the pension scheme, and making it possible to digitise service functions as far as this is relevant. In 2013, our customers paid DKK 30 per month for administration of their pension scheme. In 2014, this amount will be lowered to DKK 28 per month. This places Industriens Pension among one of the least expensive and also most cost-effective pension companies in Denmark.

DKK 2.8 bn. for the Central Customs and Tax Administration (SKAT) after conversion of capital pensions

In connection with the most recent tax reform, capital pensions were discontinued in their previous form, and replaced by a new old-age insurance. Just like capital pensions, this new type of pension savings will be payable as a lump sum, however, contributions for old-age insurance are not tax deductible. Payments are tax-free, however.

In 2013, all citizens with a capital pension were given the possibility to obtain a tax allowance by converting their capital pension to old-age insurance. The capital pension is subject to 40% on payment. However, pension

customers who chose to transfer their capital pension to old-age insurance in 2013 only needed to pay a 37.3% charge to the state.

To make it easy and simple for customers to obtain this tax advantage, we informed our customers that they should only contact Industriens Pension if they did *not* wish to change their capital pension and obtain this rebate.

A total of 340,000 customers settled their capital pension at this attractive rate. These customers obtained an overall tax allowance of DKK 200 mill. As a consequence of the conversion, Industriens Pension paid a DKK 2.8 bn. charge to the state.

Loans of DKK 2 bn. for customers

When Industriens Pension changed from average interest rate to market interest rate, joint savings of DKK 13.3 bn. were transferred to customers in 2012. Afterwards, the Central Customs and Tax Administration (SKAT) charged DKK 2 bn. tax on yields of certain pension-scheme assets on this amount, even though our customers had already paid tax on the money. By legislation SKAT cannot pay this money back until 2017.

We did not want our customers to have to wait this long for their money. Therefore, we

decided to pay out the money, and transferred it to our customers in 2013.

Industriens Pension has been in a dialogue with the Central Customs and Tax Administration (SKAT) for a long time in order to avoid this delay. Unfortunately, our request has not been accommodated. However, we are pleased that legislation has been amended to the effect that the money will now be subject to interest whilst deposited with the Central Customs and Tax Administration (SKAT).

Three European championships in five years

In 2013, for the third time in five years, Industriens Pension was honoured as the best labour-market pension company in Europe.

We are also pleased that a major study of the Danish pension market showed that Denmark's pension savers named Industriens Pension as their preferred pension company.

As parties to the agreement behind the pension scheme, we focus strongly on maintaining customers' satisfaction with their pension scheme. Support from our customers shows how much they appreciate the valuable collective-agreement benefit in Industriens Pension.

Mads Andersen
Chairman

Kim Graugaard
Deputy Chairman

The past year

January

Least expensive pension company in Denmark

Industriens Pension lowered its costs and charged DKK 30 per month in administration in 2013. This makes Industriens Pension the least expensive pension company in Denmark - this is shown in the comparison tool of the pension sector, Facts on Pension (*Fakta om Pension*).

February

DKK 10 bn. for offshore wind farm

Industriens Pension is investing DKK 10 bn. in a new offshore wind farm in the North Sea. The offshore wind farm has an overall capacity to cover the electricity consumption of about 370,000 households. The erection of this offshore wind farm will generate jobs for more than 1,000 people in the construction phase and for about 350 people once the turbines are in operation.

March

No more paper correspondence

Industriens Pension will no longer send out paper correspondence. In future, customers will receive their annual review of pensions and any other correspondence via E-Boks (electronic mail service) and they can retrieve post only using their secure code on NemID. This means that all pension documents are available in one place, and costs for printing, enveloping and postage are reduced. Customers may continue to receive mail on paper if they so request.

DKK 200 mill. tax allowance

More than 340,000 customers in Industriens Pension changed their capital pension to the new old-age insurance. These customers thus achieved an overall tax allowance of DKK 200 mill.

April

Change due to early retirement pension reform

As a consequence of the reform on flex-jobs and early retirement pension, citizens with reduced ability to work must undergo a process of 1-5 years 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 early retirement pension. The disability pension from the pension scheme will be deducted 100% from benefits received from the state during the process. Therefore, insurance terms in the pension scheme have been changed and payment of the regular disability pension will be suspended, if the recipient does not benefit from this money.

In Industriens Pension, the award of disability pension is independent from the award of early retirement pension from the state. This means that customers who suffer a permanent loss of at least half of their ability to work will continue to receive a tax-free insurance sum. Customers who suffer a permanent loss of two-thirds of their ability to work are also ensured the same old-age pension as they would have received, if they had continued making contributions, and they will receive disability pension both before and after having undergone a process aimed at improving their ability to work. This disability pension is typically set at DKK 5,000 per month in order prevent deductions in the state early retirement pension.

May

Industriens Pension offers old-age insurance

The tax reform means it is no longer possible to make contributions to a capital pension. Industriens Pension offers its customers the option to use part of their pension

contributions for old-age insurance. On retirement, customers may thus have a lump sum paid out which is not deductible in benefits from the state.

June

Customers use self-service online

The number of users of the Industriens Pension website reached the highest level ever in the first half year with about 1,000 different users per day, every day. Customers can log on to their personal page using their secure NemID code, and they can always find updated data about their pension, costs, insurance cover and contributions. In addition, the website provides access to a number of self-service functions. About 60% of customers who change their insurance cover or insert a beneficiary make the change themselves via the Internet.

August

More employees join healthcare scheme

More and more employers choose to pay for their employees' healthcare scheme through Industriens Pension. From January 2012 to August 2013, the number of customers with a healthcare scheme tripled.

October

First Danish Public-Private Partnerships project in the hospital area

Industriens Pension and the KPC construction group entered into an agreement with Region Zealand on expansion of radiotherapy at the Næstved hospital. The expansion will give the hospital capacity to carry out an additional 10,000 radiotherapy treatments annually.

November

Customers and experts commend Industriens Pension

For the third time in three years, Investment & Pension Europe (IPE) was selected as the best labour-market pension company in Europe.

Industriens Pension peaked *Branche Index Pension*; a major impartial survey on Danes' relationship with their pension company. The survey was carried out by Loyalty Group and showed that customers in Industriens Pension are the most satisfied with their pension company.

December

Tax-free pension scheme for customers abroad

As a new service, Industriens Pension offers the growing number of customers working abroad the option to join a pension scheme in Industriens Pension which is not subject to the general taxation regulations for pension schemes. This means that customers can gain greater returns from their pension contributions.

Loans of DKK 2 bn. for customers

When the pension scheme was changed to market interest rate, customers received DKK 13.3 bn. In compliance with legislation, the Central Customs and Tax Administration (SKAT) afterwards deducted tax on yields of certain pension-scheme assets from this amount, even though tax had already been paid. The Central Customs and Tax Administration (SKAT) will pay back the money, but not until 2017. Industriens Pension has paid this money in advance and transferred DKK 2 bn. to its customers to avoid the long waiting time.

Financial and operating data

DKK mill.	2009	2010	2011	2012	2013
Income statement items					
Premiums	5963	6206	6485	6624	6528
Investment return	8075	13254	3635	12176	7006
Insurance benefits	-2227	-2151	-1994	-1638	-4708
Total changes in life-assurance provisions	-9820	-14473	-7360	-14477	-7712
Tax on yields of certain pension-scheme assets	-1197	-1948	-556	-1853	-1060
Insurance operating costs	-162	-138	-131	-136	-128
Technical profit or loss of accident and sickness insurance	62	13	-259	25	30
Other items	-318	-374	8	-364	73
Profit/loss for the year	376	389	-172	357	29
Assets					
Investment assets	74034	92584	19566	23859	21771
Investment assets attached to unit-linked contracts	53	92	80783	95768	102450
Other assets	1365	1297	849	3396	4240
Total assets	75452	93973	101198	123023	128461
Equity and liabilities					
Total equity and liabilities	3662	4051	3880	4237	4266
Total provisions for insurance and investment contracts	67487	82285	90015	105234	113283
Other equity and liabilities	4303	7638	7303	13551	10912
Total equity and liabilities	75452	93973	101198	123023	128461
Sufficient capital base of the company	1826	2143	1348	1260	1223
Capital base	6179	6966	6904	7748	7975
Key figures					
Return before tax on yields of certain pension-scheme asset	13.5%	18.9%	4.2 %	12.9%	6.7%
Ratio of bonus potential to provisions	15.4%	25.0%	21.0%	39.2%	37.7%
Costs as a percentage of premiums	2.7 %	2.2%	2.0%	2.0%	1.9%
Expenses per insured party	DKK 369	DKK 316	DKK 307	DKK 311	DKK 288
Number of customers carried forward	403,496	396,374	391,967	399,784	404,631

Profit/loss for the year

Table 1 Profit/loss for the year	2013
	<i>DKK mill.</i>
Return on equity	-3
Percentage of return on risk for the period	0
Percentage of result of sickness and accident insurance	17
Percentage of result of unit-link	8
Percentage of result of health care scheme	0
Percentage of change in capital requirement in relation to group life	13
Payment of unguaranteed pensioner's bonus	-7
Profit/loss before tax on yields of certain pension-scheme assets	29
Percentage of equity capital of tax on yields of certain pension-scheme assets	0
Profit/loss for the year	29

Results

The year 2013 saw a profit of DKK 29 mill. against a loss of DKK 357 mill. in 2012. Profit for the year was transferred to equity which subsequently amounted to DKK 4,266 mill.

Profit for the year is slightly less than anticipated, as the return expected on investment assets linked to the company's equity was not obtained. However, the total return for Industriens Pension is higher than expected for 2013.

The result realised with regard to life assurance for 2013 was DKK 340 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 with an average interest rate on the other. Calculation of the realised result is before crediting bonuses to members and before payment of tax on yields of certain pension-scheme assets.

Table 2 Results realised with regard to life assurance	2013
	<i>DKK mill.</i>
Technical result of life assurance	2
Percentage excluded from the result (group life, unit link, etc.)	-37
Tax on yields of certain pension-scheme assets	-23
Transferred from investment return on life	-3
Bonus allocated	135
Change in special bonus provision	177
Interest on special bonus provision, type A	-10
Change in collective bonus potential	-121
Change in applied bonus potential on paid-up policy benefits	0
Distribution of special bonus provision	219
Realised result	340

Assets

At the end of 2013, total assets amounted to DKK 128.5 bn. Assets in 2013 increased by DKK 5.4 bn., and in the past five years, total assets increased by more than DKK 50 bn.

Capital base

Capital base, which comprises equity as well as special bonus provisions less intangible assets, represented a total of DKK 8.0 bn. at the end of 2013. The adequate capital base, determined by the individual solvency need, represented DKK 1.2 bn. Thus, at the end of 2013, Industriens Pension had excess cover of DKK 6.8 bn. Out of the capital base, DKK 3.7 bn. belongs to customers in the form of special bonus provisions.

Insurance provisions

At the end of 2013, total insurance provisions

amounted to DKK 113.3 bn. Of these, the provision for unit-linked contracts, for customers with a pension carrying a market interest rate amounted to DKK 96.5 bn., whilst the life-assurance provision for customers with a pension carrying an average interest rate amounted to DKK 5.4 bn.

The collective bonus potential for customers with a pension carrying an average interest rate amounted to DKK 1.7 bn. The ratio of bonus potential to provisions represents 38% as the rate of interest on members' savings in 2013 continued to be 6%.

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.

Customers

Customers

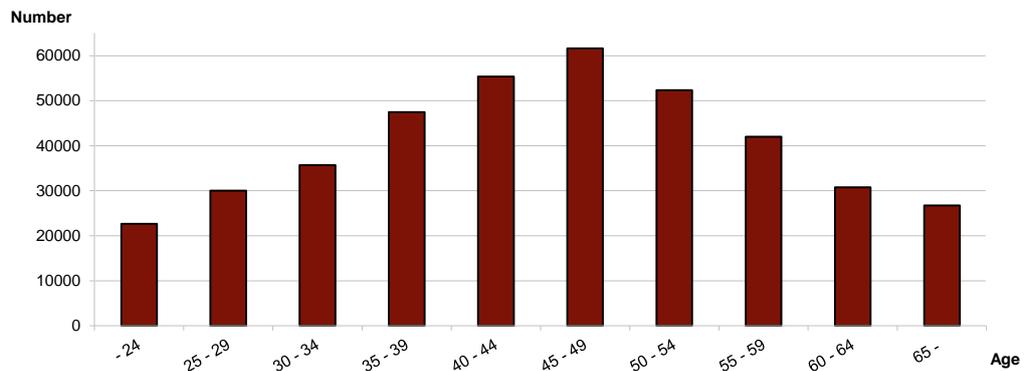
Overall, the number of customers in the pension scheme increased slightly in 2013.

The number of pensioners increased by 12% whilst the number of paying customers fell slightly in 2013.

Table 3 Number of members at the end of the year

	2009	2010	2011	2012	2013
Customers paying contribution through employer	165,143	155,706	162,019	158,992	157,982
Self-paying customers	7,552 #	11,714 #	12,606	12,836	11,001
Apprentices and trainees	0	0	4,216	3,542	2,699
Customers exempt from paying contributions	51,119	34,668	30,325	30,602	29,881
Total active customers	223,814	202,088	209,166	205,972	201,563
Passive customers	158,954	170,034	154,881	162,066	167,669
Old-age pensioners	10,793	13,892	16,824	20,299	23,882
Disability pensioners	9,935	10,360	11,096	11,447	11,517
Total	403,496	396,374	391,967	399,784	404,631

Figure 1 Distribution by age



OLD-AGE INSURANCE FOR FUN AND GAMES

When Peder Haahr Pedersen leaves the labour market he can look forward to receiving about DKK 80,000. This is money he has put aside to ensure a good start on retirement for him and his wife



Each month, part of Peder Haahr Pedersen's pension savings is deposited in an old-age insurance policy. Together with the capital pension he saved up previously, this means that he can look forward to receiving about DKK 80,000 as a lump sum when he retires. "The money is aimed at ensuring a good start to our life as pensioners. The money has not been earmarked for house repairs, a new car or other "boring" stuff; it's for fun and games," said Peder Haahr Pedersen who is

Department Chairman in *Fødevareforbundet NNF Sydjylland*.

He and his wife have always agreed that they wanted to receive a good lump sum on the day they leave the labour market. "Even if it means that the monthly pension payments are slightly smaller," said the Department Chairman, who has always taken an interest in his pension scheme and who is extremely satisfied with the way Industriens Pension manages his money:

"You also get really good service. I can practically follow my pension hour-by-hour," he said.

The pension scheme

In 2013, a new old-age insurance was introduced, as it is no longer possible to make contributions to the previous age sum. The

contents of the pension scheme can be seen in table 4.

Table 4 Contents of the pension scheme

	Standards	Options
Critical illness		
Lump sum payment	DKK 100,000	DKK 0 - 150,000
Loss of ability to work		
Lump sum payment	DKK 100,000	DKK 150,000
Monthly disability pension	DKK 5,000	
Payment exemption	✓	
Death		
Lump sum payment	DKK 300,000	DKK 0 - 600,000
Instalment insurance	✓	
Ekstrapension		✓
Pensions		
Lump sum payment	(✓)	
Annuity pension	✓	
Pensions	✓	
Ekstrapension		✓
Healthcare scheme	(✓)	✓

Lump sum payment

Due to new tax legislation, contributions can no longer be made for capital pensions. The majority of our pension-scheme customers have transferred their capital pension savings to the new old-age insurance, where contributions are not tax-deductible. Contributions to old-age insurance are not made automatic, however, customers may choose to allocate 5% of their pension contribution to old-age insurance.

Preventive measures

The healthcare scheme is part of the pension scheme in individual collective agreement areas. Companies may purchase a healthcare scheme and thus offer their employees treatment of pain and other problems in joints, muscles and vein. The healthcare scheme also includes counselling by phone with psychiatrist, substance abuse therapist and nurse.

Table 5 Contributions

<i>DKK mill.</i>	2009	2010	2011	2012	2013
Contributions, life assurance	6,162	6,326	6,237	5,981	5,877
Deposits and transfers	299	386	756	1,121	1,178
Contributions, sickness/accident insurance	556	212	454	657	670
Contributions, investment contracts	31	36	47	54	72
Total contributions	7,048	6,960	7,494	7,813	7,797

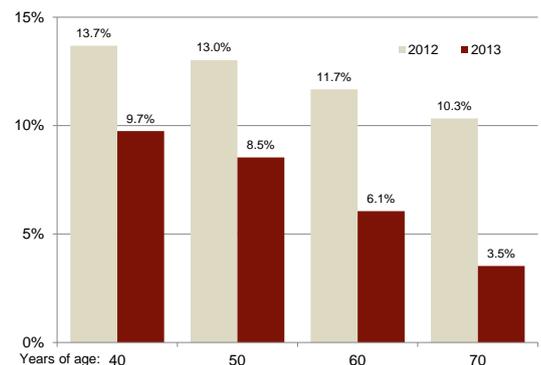
Total contributions amounted to DKK 7.8 bn. which is on a par with 2012 contributions.

Deposits and transfers from other pension companies were maintained at the high level from 2012.

In 2012, Industriens Pension introduced a lifecycle product which, from the beginning, did not comprise all non-retired customers. The scheme is a market-interest-rate scheme with higher investment risk for young customers.

This risk lessens the customer comes closer to retirement.

In 2012, as well as in 2013, the more risky assets (shares, etc.), and thus the youngest customers in Industriens Pension, received the highest returns.

Figure 2 Return distribution by age

In 2013, paid out benefits increased by DKK 3.1 bn. to DKK 5.0 bn. Of this, DKK 2.8 bn. represented a pre-tax payment of the age sum for 340,000 customers, who thus obtained savings on charges of 2.7% and a total tax allowance of DKK 200 mill.

Table 6 Benefits paid

<i>DKK mill.</i>	2009	2010	2011	2012	2013
Payments for old-age pensions	457	541	514	779	958
Payments for loss of ability to work	361	394	489	519	503
Payments on death	200	175	259	266	283
Sum for certain critical illnesses	73	104	107	109	111
Transfers on change of jobs	1,146	1,147	747	153	294
Other payments	42	33	171	61	75
Payment of old-age sum					2,765
Total payments	2,279	2,394	2,287	1,887	4,988

Each year, new payments are set up for a large number of customers and their relatives, either as regular benefits or as lump sums.

Both in 2012 and 2013, payments were awarded to more than 10,000 customers. The distribution of awards can be seen in table 7.

Danish Insurance Complaints Board

Industriens Pension is attached to the Danish Insurance Complaints Board. In 2013, there were 21 complaints against our decisions. This is two fewer cases than in the previous year.

The Complaints Board settled 24 of Industriens Pension's cases in 2013. Our decisions were upheld in 21 of the cases. Industriens Pension lost one case and in two cases, the customer's claim was wholly or partly 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.

Table 7 Number of persons awarded payments

	2012	2013
Payment due to certain critical illness	1,130	1,113
Payment due to disability rate between 50-67%	351	202
New disability pensioners (disability rate above 67%)	886	504
Payment to relatives in connection with death	886	1,012
Age insurance paid (customer not retired)	249	592
Age pension (pension paid as one sum)	2,770	2,971
New age-pensioners	3,802	3,916



THE SENIOR SCHEME IS FANTASTIC!

45 years in the labour market with hard physical work has taken its toll, so when machinist Erling Svendsen, at the age of 58, was able to reduce his working hours and still maintain most of his salary, he said 'yes'!

The wish to reduce his working hours arose a couple of years ago when Erling Svendsen, who lives in Northern Denmark, began seriously to feel

the ramifications of 45 years of hard physical work. The soon-to-be 62-year-old machinist needed to work fewer hours without leaving the labour market altogether. He talked with his union representative, who told him about a new senior scheme where you can reduce your working hours without taking any noticeable pay cuts. Instead you contribute less to your pension savings.

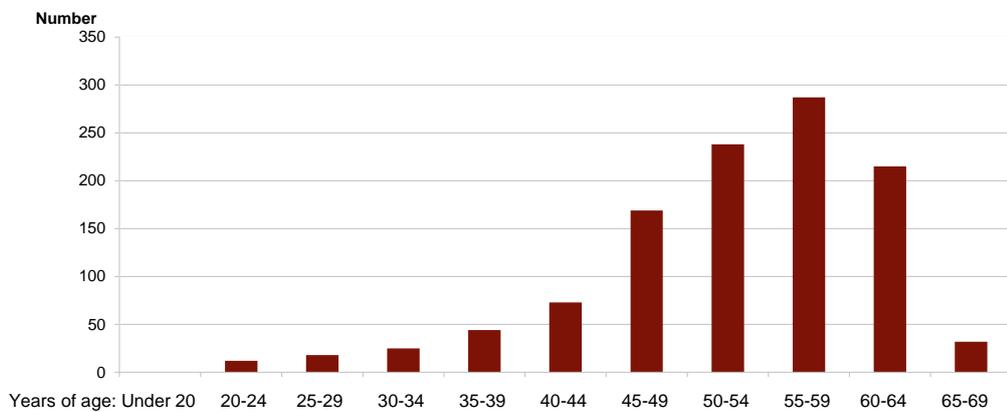
"My trade union told me that this would not have a particularly significant impact on my pension savings, as we were talking about a very short period of time, and from there on, things just worked out," said Erling Svendsen, who negotiated a scheme where he has every Friday off. Even though Erling Svendsen is paid about DKK 1,000 less every month and contributes less to his pension, he has no doubts at all:

"This senior scheme has worked out perfectly for me. I'd recommend it to anyone," said the machinist, who will go on voluntary early retirement this year.

In 2013, Industriens Pension paid a total of 1,113 insurance sums due to certain critical

illnesses. This is on a par with payments made in 2012.

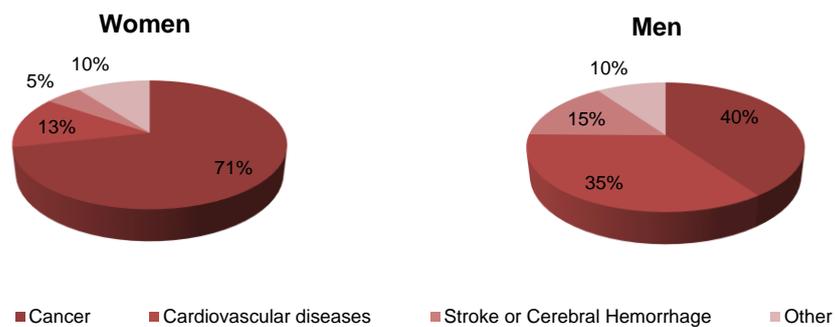
Figure 3 Age distribution in connection with payment of insurance sum in the event of certain critical illness



The most frequent reason for payment of an insurance sum in the event of certain critical illnesses continues to be different types of

cancer. In relation to men, insurance sums are also often paid as a result of heart and cardiovascular diseases.

Figure 4 Reason for payment of the insurance sum in the event of certain critical illnesses



INSURANCE BROUGHT TEARS TO MY EYES

It was not until Gunnar Peedu Pedesk was diagnosed with prostate cancer that he found out he had an insurance with Industriens Pension which covers certain critical illnesses. Fortunately, it was not too late.



"We hugged each other and cried our eyes out." This is how Gunnar Peedu Pedesk described the day in September last year when he opened a letter from Industriens Pension.

Around three weeks before, the former elevator service technician had received another letter which surprised him. The letter was from SSI (Serum Institutttet) encouraging him to apply to Industriens Pension for payment because he had been diagnosed

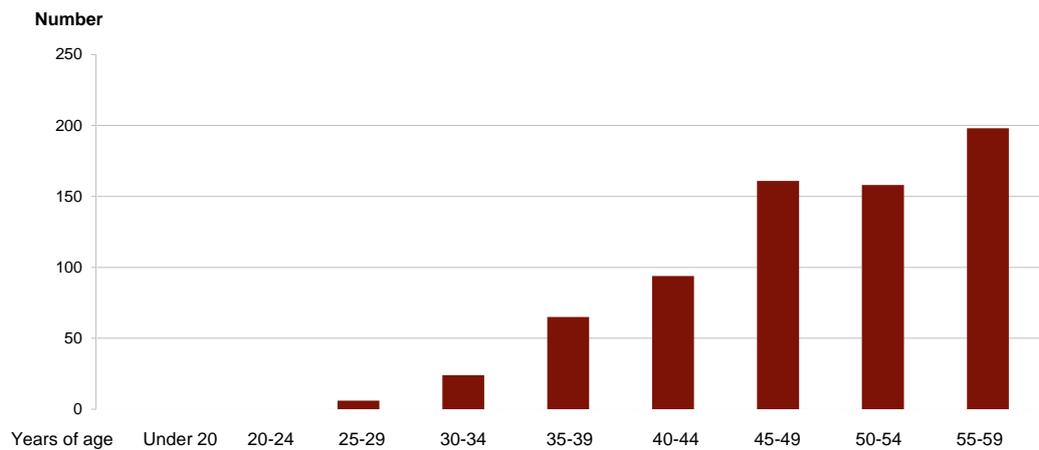
with prostate cancer shortly before. Gunnar Peedu Pedesk was not in the least aware that he had such insurance with his pension company, and was still sceptical:

"I told my wife that I could try, but I was not sure that I'd get anything out of it. You hear all kinds of stories about how difficult it can be to get anything out of ordinary insurance companies," he said.

This is why he was so overwhelmed and happy when he received the letter from Industriens Pension. It said that he would receive DKK 100,000 on account of his illness.

"I thought, 'No way, it can't be', but on the following Monday the money had been deposited to our account," said Gunnar Peedu Pedesk, who calls it a huge consolation. He has spent the money on a boat that he has been dreaming of for 20 years. On top of this, his prognosis with the prostate cancer is promising, so Gunnar Peedu Pedesk believes that he has good reason to feel happy and grateful.

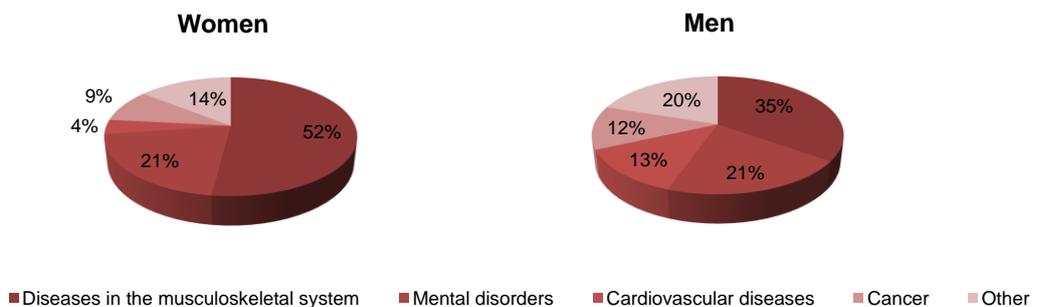
Figure 5 Age distribution in connection with payment of insurance sum in the event of loss of ability to work



To women as well as men, diseases of the musculoskeletal system are the main cause for payment of insurance sum in the event of loss of ability to work, whereas mental disorders make up about one-fifth of payments.

In 2013, a total of 706 members lost at least half of their ability to work and were paid an insurance sum. Of these, 504 customers with a loss of ability to work of at least two-thirds were awarded a monthly disability pension.

Figure 6 Reason for payment of the insurance sum in the event of loss of ability to work



AMAZING THAT SOMEONE DOES THIS

Robert Egerton Simonsen had resigned himself to not being entitled to disability pension, but then the rules changed. He was contacted by Industriens Pension and is now being paid DKK 5,000 every month.



In 2013, Robert Egerton Simonsen was awarded a slightly delayed and extraordinary Christmas present; DKK 60,000 per year until he reaches retirement age. After he retires he will receive the same pension as if he had continued contributing to the pension scheme.

In 2011, at 48 years of age, Robert Egerton Simonsen suffered a blood clot to the brain. He had to stop working in the furniture storage facility where he had been employed

for more than 20 years, and the impairment was so severe that he would probably never be able to take on ordinary employment again.

The blood clot resulted in a lump sum payment of DKK 200,000 tax-free from Industriens Pension for loss of ability to work and critical illness. However, his application for disability pension was rejected because he had started working in a flex-job for people with reduced ability to work.

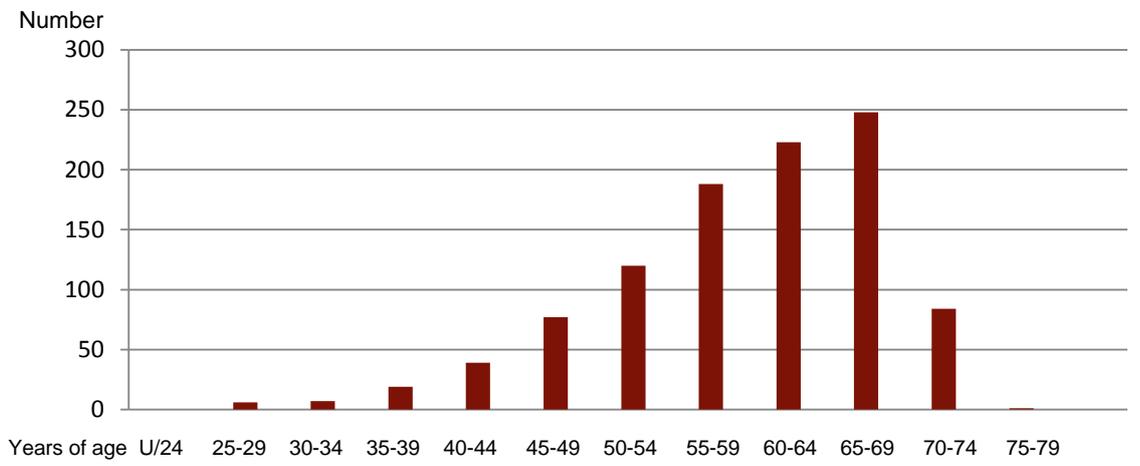
"I had resigned myself to that. It's the rules," he said.

But then the rules were changed. The changed rules mean that Robert Egerton Simonsen is now entitled to monthly disability pension even though he is working for about ten hours per week at the local public school. He was practically overthrown that Industriens Pension had contacted him automatically without any pre-warning. And being awarded the money with retrospective effect was just unbelievable:

"I find it amazing that someone would do something like this without any pre-warning," he said.

In 2013, surviving relatives of just under 1,000 customers received payment.

Figure 7 Distribution by age



Investment activities

RETURN

The result of investment activities before tax on yields of certain pension-scheme assets and administration costs was DKK 7.0 mill. in 2013, compared with DKK 12.2 mill. in 2012. This corresponds to an overall return of 6.7% in 2013.

Increasing share markets

Another year with increasing share markets, though not in emerging markets, and a steady return on high-yield corporate bonds was the main reason for the positive returns. Interest rate increases brought yields on government and mortgage-credit bonds downwards.

The portfolio of Danish shares generated a return of more than 37%. Among other things, Vestas affected results positively with a return of 400%.

Foreign shares generated a return of 20%.

The high return was particularly due to American shares, which rose by almost 30%, whereas European shares rose by 17%. Shares from emerging markets affected the return negatively with a fall of 6%.

The large increase in American shares was due to improved key economic figures for the USA throughout 2013 and continued good earnings in American companies. European countries in critical difficulty also showed signs towards a more positive development and this was backed up by investors' risk tolerance to investments in European shares. Shares on emerging markets were affected by negative developments in economic figures and political turbulence in a number of countries. The effect of this was amplified by falling commodities prices.

Good returns on credit bonds

The good returns on high-yield credit bonds were generated due to continued very favourable monetary policy maintaining low central bank interest rates, as well as good earnings in companies, particularly in the USA. The portfolio of high-yield credit bonds of Industriens Pension generated a return of 8.7%. Investment-grade corporate bonds were affected by the increasing interest rate level and yielded a return of 1.7%.

The return on the portfolio of nominal government and mortgage-credit bonds of Industriens Pension was 0.1%. The portfolio of index-linked bonds yielded a return of minus 5.7%, which in addition to the increasing interest rate level, is due to falling expectations in the course of 2013 for inflation in the coming years.

Unlisted share investments yielded a return of 13.1%, whereas the return on infrastructural assets was 5.2%. In relation to property investments, the return was 11.5%.

Continued good results in the market-interest-rate environment

Customers with Industriens Pension have their savings invested in a lifecycle product on market-interest-rate terms. The lifecycle product basically means that the investment risk of the individual customer is reduced in line with the customer's age. However, a customer will always keep a minimum of risky assets, regardless of age.

Customers who were pensioners when Industriens Pension changed products from

average interest rate to market interest rate at the end of 2011 continue to have their savings invested in average-interest-rate products.

The overall return in the market-interest-rate products was 7.8% in 2013. Customers with 25 years or more until retirement achieved a return of 9.7% but also customers with shorter time until retirement and thus fewer shares in their savings achieved positive returns of more than 5%. Young customers 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 product, the return was -1.0% in 2013. The main reason for the low return is that a greater part of the savings in bonds has been invested in the average interest-rate product which yielded a low return in 2013. Therefore, it was necessary to use the solid buffers in the form of collective bonus potential in order to provide a return on the savings in the average interest-rate product of 6% in 2013.

Active investment strategy

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

The investment assets are managed on the basis of an active strategy where the goal is to produce 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.

In 2013, the active strategy yielded a return which was 0.7 percentage points higher than the strategic benchmark set. This is primarily due to the fact that management of gilt-edged bonds and corporate bonds generated higher returns than the benchmarks set.

Over the past decade, the Industriens Pension investment strategy has generated an average return of 9.2% 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.

Continued focus on infrastructure and properties

Industriens Pension has invested more than DKK 5 bn. in infrastructure, and is planning to increase this investment in the coming years.

Some of the investments in infrastructure have been made as PPP investments (Public-Private Partnerships). These are investments where public and private partners collaborate on development and operation of various infrastructure installations, e.g. establishment and operation of roads, schools, hospitals, courthouse buildings, bus terminals, residences for the elderly and student accommodation.

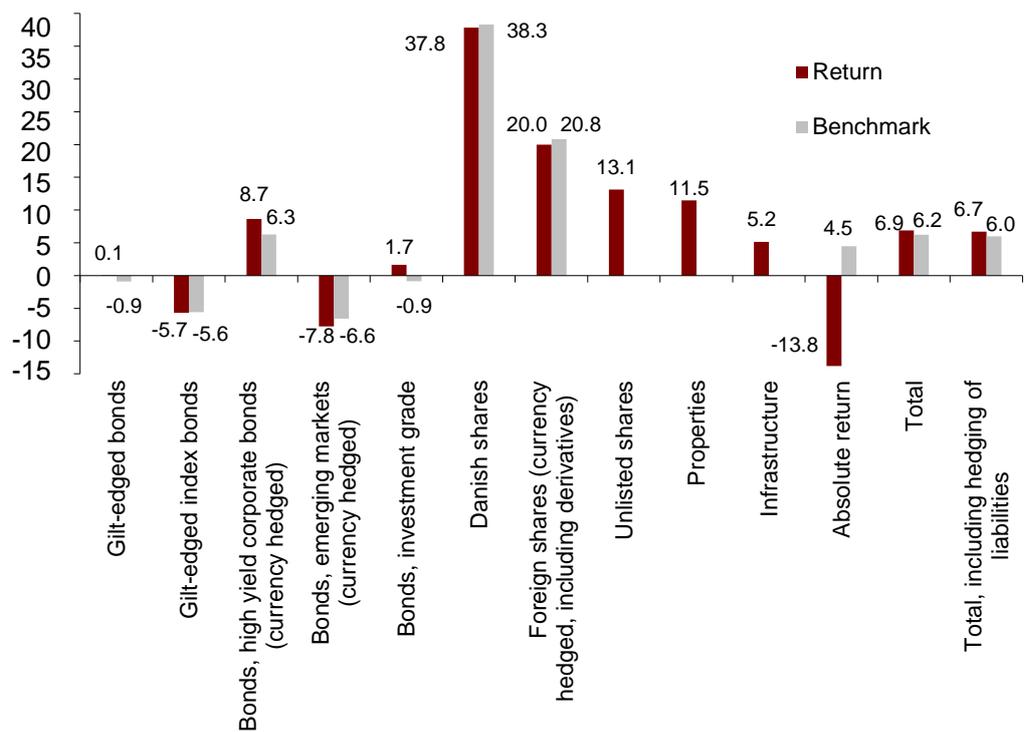
Previously, all investments in infrastructure were made through foundations, but in 2013, Industriens Pension started making direct investments in infrastructural assets. Investments have also been made in the establishment of a large wind farm in the North Sea and in a PPP project which will expand radiotherapy at Næstved hospital.

In relation to property, Industriens Pension will

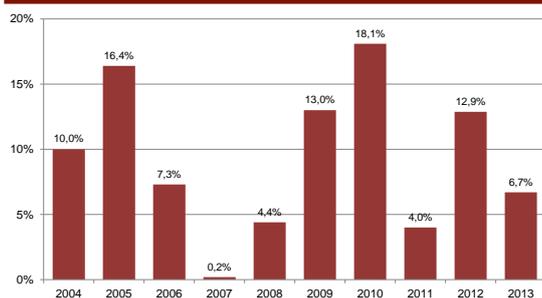
also be enhancing its exposure in the coming years. At the beginning of 2013, the property portfolio made up DKK 2.8 bn. Until now, Industriens Pension has primarily made property investments abroad, but the main

part of new property 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 8 Return on asset types and their benchmarks for 2013



Note: Calculated as time-weighted return

Figure 9 Returns in the past decade

Note: Official return ratios (N1) up to and including 2011. For 2012 and 2013, this includes returns on total investment assets.

Investment costs represented 0.72% of the assets in 2013. 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 banks, commissions, wages for staff, etc. As seen in table 8, investment costs vary considerably across classes of assets.

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 Industriens Pension strategy, with active portfolio management and 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.

Table 8 Investment costs in 2013 by classes of assets

Asset type	DKK mill.	%
Gilt-edged bonds	3.0	0.01
Gilt-edged index bonds	0.5	0.01
Emerging market bonds	46.7	0.47
High yield corporate bonds	35.4	0.31
Investment grade corporate bonds	42.3	0.54
Danish shares	23.4	0.28
Foreign shares	102.0	0.45
Unlisted shares	316.4	2.00 *
Properties	39.9	0.87 *
Infrastructure	102.8	1.32 *
Infrastructure core	8.6	2.07
Absolute return	10.7	2.56
Undistributed costs	74.0	-
Ekstra Pension	0.7	-
Total investment costs	806.3	0.72

* As a percentage of average investment commitments

INVESTMENT ASSETS

Investment assets increased from DKK 110.2 bn. at the end of 2012 to DKK 116.1 bn. at the end of 2013.

This increase is due to an increase in the market value of assets, as well as a net increase in pension contributions.

Table 9 Distribution of asset types

Asset type	Exposures carried forward 2012		Exposures carried forward 2013	
	DKK mill.	%	DKK mill.	%
Gilt-edged bonds	29,253	26.5	26,717	23.0
Gilt-edged index bonds	10,074	9.1	8,806	7.6
Emerging market bonds	10,621	9.6	9,325	8.0
High yield corporate bonds	9,858	8.9	11,759	10.1
Investment grade corporate bonds	7,790	7.1	7,915	6.8
Danish shares	7,501	6.8	9,402	8.1
Foreign shares	21,071	19.1	20,847	18.0
Unlisted shares	7,520	6.8	8,774	7.6
Properties	2,282	2.1	2,767	2.4
Infrastructure	3,311	3.0	5,344	4.6
Absolute return	789	0.7	200	0.2
Money market *	120	0.1	4,197	3.6
Total	110,191	100.0	116,052	100.0

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

INVESTMENT STRATEGY

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.

The investment assets are divided into two sub-portfolios with high or low risk, respectively. The two sub-portfolios each have their own principle framework. The individual customers, equity, etc. are subject to an individually adapted risk level by investing varying percentages in the two sub-portfolios.

Table 10 Investment framework and scope of the low-risk portfolio

Asset type	Principle investment framework		Principle investment framework	
	2013	Latitude	2014	Latitude
	%	%	%	%
Nominal gilt-edged bonds	65	60-100	50	25-100
Indexed gilt-edged bonds	30	0-60	30	0-60
Investment grade corporate bonds	0	0-20	7.5	0-20
Properties (core)	5	0-10	7.5	0-15
Infrastructure (core)	0	0-10	5	0-15
Absolute return investments	0	0-5	-	-
Cash	0	0-5	0	0-5
Financial instruments	0	-	0	-
Total	100	-	100	-

Table 11 Investment framework and scope of the high-risk portfolio

Asset type	Principle investment framework		Principle investment framework	
	2013	Latitude	2014	Latitude
	%	%	%	%
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	7.5	0-20
High yield corporate bonds	10	0-20	10	0-20
Emerging markets bonds	12.5	0-25	12.5	0-25
Danish listed 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	7.5	0-12.5
Absolute return	2.5	0-10	-	-
Other credit	0	0-10	2.5	0-10
Other strategies	-	-	0	0-5
Commodities	0	-5-5	0	-5-5
Cash	0	0-10	0	0-5
Financial instruments	0	-	0	-
Actively managed assets	100	-	100	-

Risk

Industriens Pension is working systematically on regular assessment and control of the company's risk.

The Board of Directors lays down the overall frameworks for the Group's risk and risk management by preparing risk and security policies, as well as guidelines for the Board of Management.

Industriens Pension's view on risk

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 include preparation of policies and guidelines, as well as establishment of internal controls.

Through this process, a culture has been created, where the Board of Directors and Board of Management are able to make well-considered decisions that maximise the relationship between return and risk.

Risk identification and assessment

The most important element of Industriens Pension's risk management is to ensure that all significant risks from the company's activities are identified, quantified, evaluated, managed and reported.

The Board of Directors plays an active role in identifying risks. In connection with the annual adoption of Industriens Pension's business model, and in connection with other significant changes, the Board of Directors also establishes the risks linked to the business model adopted.

In collaboration with the Board of Management, the Board of Directors evaluates all the risks derived from the business model adopted, or from other matters pertaining to the company.

Generally, the risk assessment takes into account the uncovered risk, and any risk-reducing initiatives are decided. This applies to e.g. establishment of investment limits and decisions on reinsurance.

The assessment of individual risks also takes into account customers' circumstances, as well as the size of the capital base to cover current capital requirements.

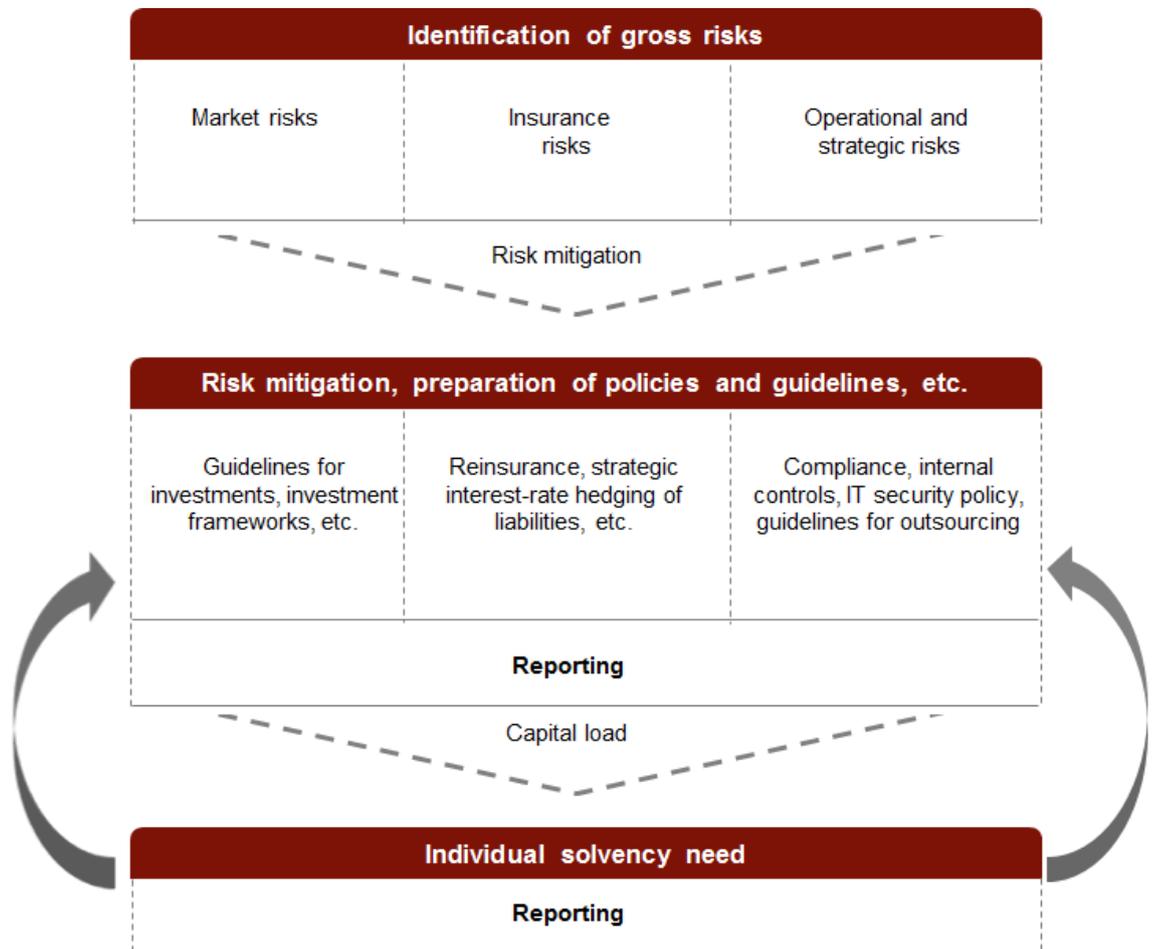
The majority of customers have a market-interest-rate product, where each person carries the main part of the risks.

A key element of the risk assessment is for the Board of Directors to ensure that individual customers are not subject to an inappropriate risk. This was carried out by introducing a lifecycle product for which the risk depends on the investment horizon of each customer, determined on the basis of the age of the individual customer.

For the remaining part of customers with an average interest rate, as well as the

company's capital base, etc. the risk assessment takes into account the impacts of individual risks on the size of the individual solvency need to be covered by capital.

The overall risk-management process is illustrated by the figure below.



Risk management in 2013

In spring 2013, the Board of Directors approved an update of the business model of Industriens Pension.

Further to this, and similar to previous practice, the Board of Directors identified the risks linked to the business model, and a detailed assessment was carried out of the

individual risks, as well as any consequences for customers and the capital requirement to be covered by the company's capital base. On the basis of this, the overall risk environment was established and the risk-reducing initiatives required were determined.

In the subsequent meeting of the Board of Directors, the Board adopted the updated risk

management policies, incorporating conclusions from the risk identification.

Practical work on implementing management of the individual risks is rooted with the staff responsible in the individual departments. An internal Risk and Finances Committee has been set up to ensure overall coordination of risk management.

This Committee is also responsible for systematic and regular reporting to the Board of Management and the Board of Directors.

Development of risk management is ongoing and includes ensuring optimum IT support of coordination and reporting. This work will continue in 2014, among other things to ensure a systematic relationship between registration of risk assessments, associated internal controls and the occurrence of operational errors.

Most significant risks for Industriens Pension

Current risks can be divided into market risks, business risks, as well as operational and strategic risks.

Market risks

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

The Board of Directors establishes the frameworks for risk levels in policies and guidelines which regulate investments in great detail.

For customers who still have a pension scheme with average interest rate, the most important financial risks are linked to the

interaction between investment assets and current insurance obligations.

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 risk of changes in exchange rates is only 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 risks cover the risk of losses because of changes in mortality rates, life expectancy, loss of ability to work as well as critical illness.

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. This disaster risk is reduced by taking out 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 this 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.

Responsibility for making regular updates of the operational risk environment is rooted in the relevant individual manager.

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 in the future included in the ongoing assessment of the individual risks and may, among other things, result in changes in the current internal control level.

Individual solvency need

As an insurance company, Industriens Pension must regularly calculate an individual solvency need. 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.

The individual solvency need at the end of 2013 was calculated in accordance with the model, parameters and buffers laid down in the Danish Financial Supervisory Authority Executive Order on Solvency and Operating Plans, which entered into force on 1 January 2014.

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

At the end of 2013, the individual solvency need was calculated at DKK 1,223 mill. The specification of risks contributing to the scope of the solvency need is shown in table 12.

Table 12 Individual solvency need

<i>DKK mill.</i>	31.12.2012	31.12.2013
Insurance		
Longevity risk (risk of longer lifetime)	381	365
Invalidity risk	409	321
Disaster risk	51	52
Other insurance and cost risks	37	40
Insurance and cost risks	878	778
Market risks		
Interest-rate risk	375	567
Share-price risk	885	893
Other market and credit risks	772	735
Total market risks	2,032	2,195
Counterparty risks	26	23
Total loss on basic risks	2,936	2,996
Diversification	-1,216	-1,264
Diversified loss on basic risks	1,720	1,732
Covered by buffers	-716	-756
Individual solvency need on basic risks	1,004	976
Operational risks		
Operational risks	73	69
Strategic risks	183	178
Total operational and strategic risks	256	247
Individual solvency need	1,260	1,223

Corporate social responsibility

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

Integration of environmental, climate, social, as well as managerial aspects

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.

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:

If dialogue ends 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.

Responsible investments in government bonds

In 2013, Industriens Pension continued to work with responsible investments in government bonds. This work is intended to structure integration of responsible investments in government bonds and follow internationally recognised standards for making responsible investments in the area. In 2013, the Danish Council for Corporate Responsibility, as well as the organisation behind UN-backed principles for responsible investments, have worked on preparing guidelines for responsible investments in government bonds.

Industriens Pension does not consider it possible to exercise active ownership when making investments in government bonds. Investment in government bonds does not provide joint ownership or influence, as is the case with investments in shares. With the interest rate demanded by investors to purchase a country's government bonds they can indicate whether there are aspects and risks requiring extra payment. Alternatively, investors may completely abstain from investing in the relevant country, if circumstances are sufficiently unacceptable.

This may lock a country in a bad situation, and therefore it is necessary to focus on whether a country is experiencing a positive ESG development.

Whether or not a country is an interesting investment is determined on the basis of an assessment of the extent to which the country

is willing and able to live up to its contractual obligations. This assessment is based on more tangible factors such as the expected future cash flows and a number of ESG factors.

ESG factors included in the assessment of a country’s creditworthiness:

- Respect for human rights
- Good governance, including level of corruption, political stability, the institutional strength of the state and transparency in governance and in the exercise of public authority etc.
- Social conditions such as poverty, inequality and access to health and security
- Respect for employment rights
- Nature conservation and biodiversity
- Resource efficiency

Activities in 2013

In 2013, 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

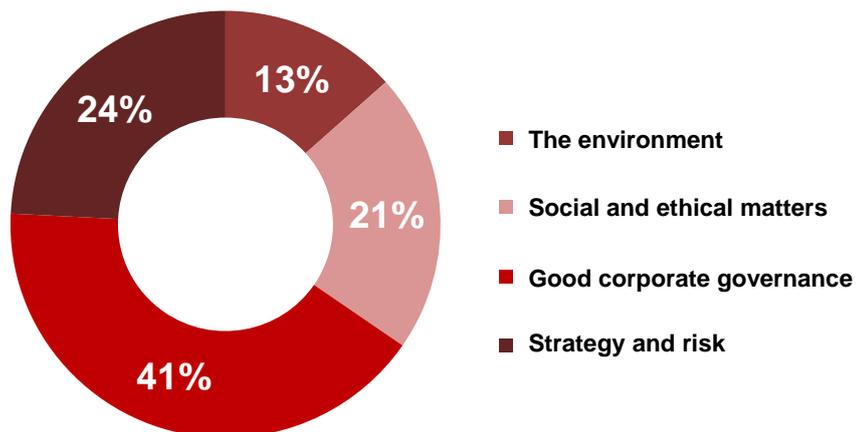
violations of international standards (as well as violations which are not acknowledged by companies). The selection of companies for investigation is based on different factors such as country, sector or a specific theme. Generally, Industriens Pension believes that it is better to engage in active ownership and try to influence the companies rather than selling off investments.

At the end of 2013, Industriens Pension was in contact with 216 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.

Industriens Pension has been in contact with companies about environmental, social, as well as managerial matters. All talks have been different in nature and severity, and there has often been ongoing contact to understand how companies act, and not necessarily to encourage behavioural change.

If a company does not wish to enter into a dialogue or make significant behavioural changes, the company may end up on our list of excluded companies.

Figure 10 Reason for dialogue



Principles for Responsible Investment

Industriens Pension's ethical guidelines are based on "Guidelines for responsible investment" and on the UN Principles for Responsible Investment. The guidelines obligate investors to strengthen their focus on the environment, social conditions and corporate governance in connection with investment. Companies are encouraged to implement these conditions in the investment process and ensure that these are managed through active ownership.

In 2009, Industriens Pension joined the private organisation working to promote the UN Principles for Responsible Investment (PR). In 2013, Industriens Pension decided that it will no longer support this organisation after significant changes were made to its articles of association, membership democracy and transparency surrounding the activities of the organisation.

Industriens Pension will, however, continue backing the six principles originally promoted by the organisation.

Development goals

Industriens Pension wants to continue strengthening 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 in situations where Industriens Pension is in a position to influence corporate

social responsibility.

Gender-related composition in management

In accordance with new legislation on the gender-related composition in management of financial companies, in 2013 the Board of Directors adopted target figures and policies for the gender composition of the Board of Directors and other managerial levels.

After the annual general meeting, the 14 members of the Board of Directors in Industriens Pension comprised three women and 11 men. This means that the share of the under-represented gender makes up just about 21%, which complies with the target figure laid down for the new representation of the Board of Directors.

For other managerial levels, CEOs, heads of department and team managers with managerial responsibility, a policy has been prepared aimed at increasing the share of the under-represented gender, if the share of the under-represented gender is less than 40%. The current distribution in Industriens Pension is ten women and 12 men, corresponding to a relative distribution of 45%/55%.

The Board of Directors has adopted a policy according to which, if a person is recommended for employment at managerial level, a person from the under-represented gender must be recommended, unless another candidate is considered more qualified for the job.

Value creation by the Board of Directors in 2013

In all meetings in 2013, the Board of Directors has taken into account changes in the labour market pension.

Among other things, the Board of Directors has changed the disability pension as a consequence of the reform of flex-jobs (for people with reduced ability to work) and early retirement pensions. In addition, the Board of Directors has specified rules on transfer, and the Board of Directors has tightened the rules on surrender.

At the last meeting of the Board of Directors for the year, the Board of Directors decided that, sometime in 2014, it would introduce the option to choose a guaranteed old-age pension for ten years.

The Board of Directors regularly compares with other companies' products to ensure that the pension scheme in Industriens Pension is the optimum choice for its customers.

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.

Among other things, the Board of Directors has discussed investment costs paid by Industriens Pension due to the Board's decision to carry out an active investment policy.

Moreover, the Board of Directors has discussed direct investments in properties. In this connection, the Board of Directors has prioritised extra time to discuss fundamental concepts in direct investments in properties.

Setting risks was also a key subject for the Board of Directors in 2013. The Board's work in this respect has led to a more logical structure and breakdown between policies, guidelines and procedures during 2014.

Finally, the Board of Directors has carried out a service check of the division of responsibility between the Board of Directors and the Board of Management in relation to relevant legislation.

Additionally, four meetings were held by the Investment Committee, three meetings were held by the Ethics Committee, two were held by the Accounting Committee, in addition to nine 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 Accounting Committee is a new committee set up by the Board of Directors in 2013. The Accounting Committee has tasks similar to those applicable for an Audit Committee, and the Committee is responsible for monitoring the effectiveness of the accounting process and audit. The committee is also tasked to monitor the effectiveness of controls.

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. The Board Of Directors regularly evaluates the performance of the committees.

Evaluation by the Board of Directors

As in previous years, the Board of Directors conducted a self-audit in 2013. The 2013 self-audit has not resulted in any need for changes in the composition of the Board of Directors.

The Board of Directors has decided to carry out training programmes for the Board of Directors in 2014.

All resumes (CVs) for the individual members of the Board of Directors are available on the Industriens Pension website.

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.

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 DK	0.08%
Serviceforbundet	0.04%

REMUNERATION POLICY

Every year, the Board of Directors establishes a remuneration policy which is subsequently approved by the general meeting. At a meeting on 12 March 2013, the Board of Directors decided to change its remuneration policy. This means that a lump sum may be paid out which does not encourage increased

risk-taking and which does not exceed DKK 100,000. The Board of Directors also decided to expand the group of employees whose activities significantly influence the risk profile of Industriens Pension to include the IT manager and the investment manager.

BOARD OF MANAGEMENT

Laila Mortensen (born 1965) 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 3.5 mill. The Board of Management has no bonus schemes or performance-related pay agreements. Remuneration is not paid to members of the Board of Management for board positions in other companies of the group.

Other board of directors and board of management positions in intra-group companies:

- . Chairman of the board of directors in IP Butendiek Wind K/S
- . Chairman of the board of directors in IP Butendiek Wind Komplementar ApS
- . Chairman of the board of directors in IP Finans 1 Aps
- . Chairman of the board of directors in IP Infrastruktur Komplementar ApS
- . Chairman of the board of directors in IP Infrastruktur P/S
- . Chairman of the board of directors in IP OPP Holstebro P/S
- . Chairman of the board of directors in IP Komplementar ApS
- . Chairman of the board of directors in IP Ejendomme 2013 ApS

- . Member of the board of directors in Industriens Pension Portfolio f.m.b.a.
- . Chief Executive of Industriens Pension Service A/S.

Other companies:

- . Member of the board of directors of the Danish Insurance Association (Forsikring og Pension)
- . Member of the board of directors of Spar Nord Bank A/S

- . Member of the board of directors of DSEB
- . Member of the board of directors in Komplementarselskabet OPP Psykiatrisk Afdeling Vejle - Industriens Pension ApS
- . Member of the board of directors in P/S OPP Psykiatrisk Afdeling Vejle – Industriens Pension

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

DAY-TO-DAY MANAGEMENT

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

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

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.

Emoluments of the Board of Directors

The Chairman and the Deputy Chairman receive annual emoluments of DKK 220,000 for their board work. This fee also covers participation in any committees in Industriens

Pensionsforsikring A/S.

Other members of the Board of Directors receive annual emoluments of DKK 110,000. Other members who are also members of the Investment Committee or Accounting Committee in Industriens Pensionsforsikring A/S annually receive an emolument of DKK 60,000 in addition to the ordinary emolument for the Board of Directors. The chairman of the Accounting Committee receives annual emoluments of DKK 80,000.

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.

Joined on 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) 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

Joined on 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 in Industriens Pensionsforsikring A/S.

Chairman of the Accounting Committee in Industriens Pensionsforsikring A/S.

Joined on 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
- . IFU/IØ-fondene, member of the Board of Directors

Erik Bredholt (born 1966)

Livlande Holding Holding A/S.

Member of the board of directors of Industriens Pensionsforsikring A/S

Joined on 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

Claus Jensen (born 1964)

Trade Union President, Danish Metalworker's Union.

Chairman of the Central Organisation of Industrial Employees.

Member of the board of directors of Industriens Pensionsforsikring A/S

Joined on 25 April 2013.

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
- . Industriens Uddannelses- og Samarbejdsfond, IUS, Deputy Chairman of the Board of Directors
- . Industriens Kompetenceudviklingsfond, IKUF, Chairman of the board of directors
- . A/S A-Pressen, member of the board of directors
- . Economic Council of Labour Movement, AE, member of the board of directors and council member
- . Arbejderbevægelsens Kooperative Finansieringsfond, AKF, member of the board of directors
- . Arbejdernes Landsbank A/S, member of the Board of Directors
- . Ulandssekretariatet, 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

Joined on 28 April 2011.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . 3F Storkøbenhavn, chairman of the board of directors

Bjarne Graven Larsen (born 1964)

FIH Erhvervsbank A/S, CEO

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

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

Joined on 25 April 2013.

Appointed by the Confederation of Danish Industries.

Other board of directors and board of management positions:

- . FIH Leasing og Finans A/S, member of the board of directors
- . FIH PARTNERS A/S, member of the board of directors
- . FIH Holding A/S, member of the board of management

Nina Movin (born 1959)

Threadneedle Investment, regional sales director

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

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

Joined on 25 April 2013.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . Dansk Vækstkapital, 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.

Joined on 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

- . Friland A/S, member of board of directors

- . 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, chairman of the board of directors

- . Pierre.dk A/S, chairman of the board of directors

- . Royal Unibrew A/S, member of the board of directors

Jukka Pertola (born 1960)

CEO in Siemens A/S

Member of the board of directors of Industriens Pensionsforsikring A/S

Joined on 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
- . Executive Committee of the Danish Confederation of Trade Unions, member of the board of directors
- . 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
- . Siemens A/S, member of the board of directors
- . Siemens AS (Norway), 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

Rasmus Sejerup Rasmussen (born 1974)

Union representative in Babcock & Wilcox Vølund A/S

Member of the board of directors of Industriens Pensionsforsikring A/S

Joined on 25 April 2013.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- . Babcock & Wilcox Vølund A/S, member of the board of directors
- . Metal Vest, member 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

Joined on 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 1961) 1961)

Deputy director general of the Confederation of Danish Industries.

Member of the board of directors of Industriens Pensionsforsikring A/S

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

Joined on 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 committee of representatives
- . Foreningen Pension for Funktionærer, member of the board of directors
- . Industriens Kompetenceudviklingsfond, deputy chairman

- . Industriens Uddannelses- og samarbejdsfond, chairman
- . Customer council of PDF, member

Ole Wehlast (born 1959) 1959)
Trade Union President Fødevareforbundet NNF.

Member of the board of directors of Industriens Pensionsforsikring A/S

Joined on 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 committee of representatives
- . ALKA, member of the board of directors
- . Arbejdernes Landsbank, member of the board of representatives

Outlook for 2014

Customers and contributions

The number of customers of Industriens Pension is expected to decrease by about 25,000 in 2014. Customers are expected to number about 380,000. The number of member companies is expected to remain unchanged at about 8,000.

A committee has been set up for the purpose of collecting minor dormant pensions. Committee work is still unknown and therefore a certain uncertainty is connected with this expectation.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 7.4 bn. in 2014. Out of this, DKK 0.5 bill. is expected to be paid to the government by way of social security contributions.

Costs

In 2014, Industriens Pension will continue to focus on the size of costs. In 2014, customers will pay a total of DKK 336 to cover administration costs. This is a fall of DKK 24 compared with 2013.

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 2014 is organised on the basis of the principle investment

framework adopted by the Board of Directors. 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 2014, the return on the company's investment assets is expected to represent DKK 4.4 bn. before tax on yields of certain pension-scheme assets. This is based 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.

Rate of interest on customers' savings

The rate of interest on customers' 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 2014. For customers 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 2014

Profit for the year depends greatly on the return achieved on the assets linked to equity. With the above assumptions regarding return, a profit of around DKK 100 to 120 mill. is expected for the financial year of 2014.

Statement by management

We have today presented the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2013.

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, 19 March 2014

Board of Management

Laila Mortensen
CEO

Board of Directors:

Mads Andersen
Chairman

Kim Graugaard
Deputy Chairman

Lars Andersen

Erik Bredholt

Claus Jensen

Heidi Jensen

Bjarne Graven Larsen

Nina Movin

Jens Due Olsen

Jukka Pertola

Rasmus Sejerup Rasmussen

Bo Stærmosé

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 2013 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 statements, 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 2013 and of the results of the company's activities for the financial year 1 January to 31 December 2013, 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, 19 March 2014

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup

State-Authorised Public Accountant

Jacques Peronard

State-Authorised Public Accountant

Income statement and statement of comprehensive income

Note	2013 DKK mill.	2012 DKK mill.	
2	Gross premiums	6,528	6,624
3	Reinsurance premiums ceded	0	-1
	Total premium income net of reinsurance	6,527	6,623
12	Income from group undertakings	1,012	1,094
13	Income from associated undertakings	6	8
	Interest income and dividends, etc.	2,886	2,409
4	Value adjustments	3,323	8,883
	Interest paid	0	-1
7	Administrations costs in connection with investment activities	-222	-217
	Total investment return	7,006	12,176
5	Tax on yields of certain pension-scheme assets	-1,060	-1,853
	Investment return after tax on yields of certain pension-scheme assets	5,946	10,323
6	Benefits paid	-4,593	-1,510
	Change in claims provisions	3	-18
	Transferred to other technical provisions	-117	-110
	Total insurance benefits net of reinsurance	-4,708	-1,638
15	Change in life-assurance provisions	304	-421
	Total change in life-assurance provisions net of reinsurance	304	-421
18	Change in bonus provisions for group life scheme	138	124
17	Change in collective bonus potential	121	-942
19	Change in special bonus provisions	-177	-518
	Total bonus	83	-1,336
20	Change in provisions for unit-linked contracts	-8,099	-12,720

Income statement and statement of comprehensive income (cont.)

Note		2013 DKK mill.	2012 DKK mill.
7	Administration costs	-128	-136
	Investment return transferred	77	-650
	TECHNICAL RESULT	2	45
8	TECHNICAL RESULT OF ACCIDENT AND SICKNESS INSURANCE	30	25
	Investment return on equity	-3	339
	PROFIT/LOSS BEFORE TAX	29	410
	Tax on yields of certain pension-scheme assets for equity capital	0	-53
	PROFIT/LOSS FOR THE YEAR	29	357
	STATEMENT OF COMPREHENSIVE INCOME		
	Profit/loss for the year	29	357
	TOTAL OTHER COMPREHENSIVE INCOME	-	-
	TOTAL INCOME FOR THE YEAR	29	357

Balance sheet

	ASSETS	31.12.2013 DKK mill.	31.12.2012 DKK mill.
Note			
9	INTANGIBLE ASSETS	9	31
10	Operational resources	0	0
11	Owner-occupied property	63	63
	TOTAL TANGIBLE ASSETS	63	63
12	Equity investments in group undertakings	1,235	697
	Loans to group undertakings	251	-
13	Equity investments in associated undertakings	7	8
	Total investments in group undertakings	1,492	706
	Equity investments	1,497	2,010
	Investment association units	299	403
	Bonds	18,353	20,364
	Other loans	6	-
	Deposits with credit institutions	71	350
14	Other financial investment assets	52	26
	Total other financial investment assets	20,279	23,154
	TOTAL INVESTMENT ASSETS	21,771	23,859
20	INVESTMENT ASSETS ATTACHED TO UNIT-LINKED CONTRACTS	102,450	95,768
	Amounts receivable from policy holders	566	550
	Receivables from group undertakings	0	5
	Other receivables	580	7
	TOTAL RECEIVABLES	1,146	562
	Current tax assets	9	7
	Deferred tax assets	2,273	1,877
	Cash at bank and in hand	102	123
	TOTAL OTHER ASSETS	2,384	2,007
	Interest and rent receivable	584	686
	Other accruals	54	46
	TOTAL ACCRUALS	638	732
	TOTAL ASSETS	128,461	123,023

Balance Sheet (cont.)

	EQUITY AND LIABILITIES	31.12.2013	31.12.2012
Note		DKK mill.	DKK mill.
	Share capital	110	110
	Reserve for tax-free retained earnings	3,625	3,596
	Retained earnings	531	531
	TOTAL EQUITY	4,266	4,237
	Provision for unearned premiums	73	76
	Guaranteed benefits	5,336	5,652
	Bonus potential on paid-up policies	25	13
15	Total life-assurance provisions	5,361	5,665
16	Claims provisions	5,150	5,125
17	Collective bonus potential	1,724	1,845
	Provisions for bonus and premium rebates	408	165
18	Provisions for group life scheme	388	526
19	Special bonus provisions	3,718	3,542
20	Provisions for unit-linked contracts	96,461	88,291
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	113,283	105,234
	Creditors arising out of direct insurance operations.	5	6
	Debt to group undertakings	-	0
	Current tax liabilities	1,426	3,711
21	Other debt	9,481	9,834
	TOTAL DEBT	10,912	13,551
	TOTAL LIABILITIES	128,461	123,023
22	Collateral and contingent liabilities		
23	Related parties		
24	Five-year summary and key figures		
25-26	Specifications for investment assets		
27	Sensitivity information and risks		

Statement of changes in equity

Equity

	Share capital	Retained earnings	Reserves	Total
Equity brought forward for 2013	110	531	3.596	4.237
Profit/loss for the year			29	29
Other comprehensive income			-	-
Equity as at 31 December 2013	110	531	3.625	4.266

	Share capital	Retained earnings	Reserves	Total
Equity brought forward for 2012	110	531	3.239	3.880
Profit/loss for the year			357	357
Other comprehensive income			-	-
Equity at the end of 2012	110	531	3.596	4.237

The Company's share capital of DKK 110 mill. issued shares of DKK 1,000 or multiples thereof.

Capital base and solvency requirement

	31.12.2013 DKK mill.	31.12.2012 DKK mill.
Equity	4.266	4.237
Intangible assets	-9	-31
Special bonus provision type A	406	426
Special bonus provision type B	3.312	3.116
Capital base	7.975	7.748
Calculated solvency margin, life assurance	828	835
Calculated solvency requirement, sickness and accident insurance	177	177
Total calculated solvency requirement	1.005	1.012

Notes

Note

1 Accounting policies used

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 FSA on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (Executive Order on the Presentation of Financial Statements).

The accounting policies used are unchanged compared with 2012.

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.

Pursuant to section 134(1) of the Executive Order on Presentation of Financial Statements, no consolidated financial statements are presented for the company. The company and its subsidiaries, see note 12 of these financial statements, are, together with the affiliate Industriens Pension Service A/S, included in the consolidated financial statements of IndustriPension Holding A/S (CVR no. 15893230).

Adjustment of comparative figures

In the 2012 annual report, premiums paid for sickness and accident insurance from insurance policies carrying market interest rate were recognised in total gross premiums.

Comparative figures for 2012 have been adjusted such that these premiums of DKK 375 mill. are solely included in the regular premiums for sickness and accident insurance (see note 8 to these financial statements). Notes and financial ratios, etc. in which total premiums are included have also been adjusted in accordance

herewith. Furthermore, comparative figures for 2012 also include a few minor re-classifications of no significance to results or equity.

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.

Insurance contract liabilities

The calculation of insurance contract liabilities is based on 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, the size of liabilities is affected by the current interest rate level which determines the discounting yield curve applied in the calculation of the present value of the liabilities.

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 financial 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.

Notes (cont.)

Note

1 Accounting policies used cont.

Intragroup transactions

The company has entered into agreements on supply of administration services to the parent company, IndustriPension Holding A/S, and other group enterprises, see note 12 of the financial statements.

Fees for these services are fixed on a cost-recovery basis.

The company has also entered into an agreement on supply of portfolio management to the subsidiary, Industriens Pension Portfolio f.m.b.a. Fees for these services are fixed market terms.

Finally, loans and guarantees have been provided to finance investment activities of the subsidiary, IP Finans 1 ApS. Payment in this respect (interest rates, etc.) are determined on market terms.

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.

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. Gains and losses that exist between the exchange rate at the transaction date and the settlement date are recognised in the income statement. On the reporting date, monetary assets and liabilities are translated into foreign currency at the exchange rate ruling on the reporting date.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Income from insurance activities

Premium income net of reinsurance

Comprises premiums pertaining to 2013.

Premiums recognised as revenue, not paid as of 31 December 2013, 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 reduced by reinsurance premiums ceded.

Notes (cont.)

Note

1 Accounting policies used

cont.

Income from investment assets

Income from group companies

Includes the company's share of the result in subsidiaries.

Income from associated undertakings

Includes the company's share of the result after tax in associated undertakings.

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 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

The capital and reserves tax on yields of certain pension-scheme assets for the financial year are recognised in the income statement. Tax includes tax on the return ascribed individually to customers' deposits as well as tax on the return ascribed to collective reserves (equity and collective bonus potential, etc.). Tax is calculated at 15.3% of the fee basis which is calculated on the basis of the annual investment

return. Deferred tax on yields of certain pension-scheme assets is also provided at 15.3%.

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.

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 years with a negative realised result on the insurance portfolio after deduction of bonus already allocated, this item will use the collective bonus potential provided in 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 customers have contributed during the year.

Change in special bonus provisions (type B)

Notes (cont.)

Note

1 Accounting policies used cont.

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

The change in unit-linked contracts is the difference between start and end value of the provisions for unit-linked contracts, except for premiums and insurance benefits on investment contracts without a right to bonus (ekstrapension).

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.

Investment return transferred

Investment return transferred makes up the part of the investment return not included in the insurance technical result. Investment return transferred also comprises investment returns regarding sickness and accident insurance, as well as equity on investment return.

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. In accordance with this, the result is specified in the notes.

BALANCE SHEET

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 date of revaluation after deduction of accumulated depreciation. Revaluations are recognised directly as part of equity, unless therevaluations 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

Group enterprises and associated undertakings

Companies in which Industriens Pension exercise controlling influence are recognised as group enterprises enterprises (see note 12 of these financial statements). Companies in which Industriens Pension holds between 20 and 50% of the votes and exercises significant influence are recognised as associated undertakings (see note 13 of these financial statements).

Group undertakings and associated undertakings are measured at initial recognition at cost, and subsequently according to the equity method with recognition of the proportionate share of the companies' result and equity method, calculated according to accounting policies of Industriens Pension.

Notes (cont.)

Note

1 Accounting policies used cont.

Loans for group undertakings and associated undertakings are measured at amortised cost.

Financial investment assets

Purchase and sale of financial investment assets are recognised on the trading day at fair value which generally corresponds to the cost.

Listed equity investments and investment units are measured at fair value, calculated at the official closing prices on the reporting date. For equity investments and investment units that are not actively traded, a calculated rate is used.

Unlisted equity investments and investment units are measured at fair value using recognised valuation methods.

Listed bonds are also measured at fair value, calculated at the official closing prices on the reporting date. For bonds that are not actively traded, a calculated rate is used. Bonds that are sold and repurchased forward (genuine sale and repurchase transactions) are part of the bond portfolio. The fair value including the end of the financial year is shown in note 22 of these financial statements on collateral ceded.

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.

Information on prices etc. appearing after the closing date of the financial statements will only be recognised if these are material to the assessment of the annual financial statements.

Investment assets attached to unit-linked contracts

Investment assets linked to unit-linked contracts includes assets linked to market interest rates, including assets linked to investment contracts without a right to bonus (ekstrapension). Assets are measured according to the same principles as other investment assets.

Deferred tax assets

Deferred tax on yields of certain pension-scheme assets calculated on the basis of a negative tax basis is recognised as an asset in the balance sheet for offsetting in the positive tax on yields of certain pension-scheme assets of the following year. The deferred tax asset has primarily arisen in connection with the distribution of collective bonus potential, etc. on transition to market interest rate in 2011. The part of this tax asset not utilised on offsetting in positive tax on yields of certain pension-scheme assets within five years after distribution will be paid to the company by the Central Customs and Tax Administration (SKAT), including interest from 1 January 2013.

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.

Life-assurance provisions

Life-assurance provisions are made by the company chief actuary based on the technical

Note (cont.)

Note

1 Accounting policies used cont.

basis notified to the Danish Financial Supervisory Authority. Life-assurance provisions are calculated as the present value of the total commitments on expected future insurance benefits based on a discounting yield curve and assumptions on insurance risks (mortality rate and disability, etc.) and costs, fixed at best estimate. The statement of the life-assurance provisions recognises a premium relating to the uncertainty of fixing best estimate on insurance risk. As discount rate, the yield curve is applied which is defined in the Executive Order on Presentation of Financial Statements. The Danish FSA calculates and publishes the yield curve on a daily basis.

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.

Bonus potential on future premiums covers the present value of commitments to pay bonuses which, with the current discounting yield curve, are linked to agreed premiums not yet due.

The liabilities are calculate as the difference between the value of the guaranteed paid-up

policy benefit and the value of the guaranteed benefits where the 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 net present value of the guaranteed paid-up policy benefits plus the net 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, which, with the current discounting yield curve, are linked to 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. 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 as the present value of the expected future payments applying the discounting yield curve as defined in the Executive Order on Presentation of Financial Statements.

Note (cont.)

Note

1 Accounting policies used

cont.

Collective bonus potential

Collective bonus potential covers the insurance portfolio share of realised 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

Provisions for group life scheme for death, disability and critical illness denote saved up profits from the scheme for use in reducing future premiums.

Special bonus provisions

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 the customers 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 investment contracts without a right to bonus (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.

Contingent liabilities

Commitments regarding guarantees and sureties etc. on non-insurance matters are disclosed in a note to the annual report (see note 22).

Notes (cont.)

Note	2013 DKK mill.	2012 DKK mill.
2		
Gross premiums		
Current premiums	6.619	6.692
Contributions incl. transfers	1.178	1.121
Social security contributions	-527	-514
Total gross premiums	7.270	7.299
Of which, concerning accident and sickness insurance	-670	-620
Of which, premiums concerning investment contracts with no right to bonus	-72	-54
Total gross premiums on insurance contracts	6.528	6.624
Premiums broken down according to subscription ratio:		
Insurance subscribed as part of an employment relationship	7.198	7.245
Individually subscribed investment contracts	72	54
	7.270	7.299
Premiums concerning insurance:		
Insurance with a right to bonus	9	14
Insurance without a right to bonus	7.189	7.231
Investment contracts without a right to bonus	72	54
	7.270	7.299
Customers with collective agreement-based schemes	404.631	399.784
Customers with group life assurance	231.570	235.248
Customers with individually subscribed contracts	19.914	18.913

All insurance policies have been taken out with bonus right based on 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	2013 DKK mill.	2012 DKK mill.
3 Profit or loss on reinsurance		
Reinsurance premiums ceded to other companies - life	0	-1
Reinsurance premiums ceded to other companies - sickness and accident insurance	-1	-1
Total profit or loss on ceded business	-1	-2
4 Value adjustments		
Investment association units	5.252	4.345
Investment association units	-493	946
Bonds	-2.330	2.725
Deposits with credit institutions	-16	12
Other financial investment assets	910	855
Total value adjustments	3.323	8.883
5 Tax on yields of certain pension-scheme assets		
Tax on yields of certain pension-scheme assets for settlement	1.432	3.729
Regulation in deferred tax asset	-374	-1.877
Tax on yields of certain pension-scheme assets concerning the previous year	3	2
Total tax on yields of certain pension-scheme assets	1.060	1.853
6 Benefits paid		
Insurance sums on death	154	154
Insurance sums on disability	68	103
Insurance sums on critical illness	111	109
Other coverage	129	112
Disability benefits	40	39
Sums at expiry	529	429
Pension and interest benefits	422	343
Transfers to other labour-market pension schemes	294	153
Surrender (disbursement of small dormant accounts)	72	60
Payment of old-age sum	2.765	-
Unguaranteed supplementary pension	7	7
Health-promoting costs	3	1
Total benefits paid	4.593	1.510

Notes (cont.)

Note	2013 DKK mill.	2012 DKK mill.
7 Administration costs		
In the items for administration costs, costs in connection with investment activities, as well as profit/ loss of sickness and accident insurance, the expenses specified below have been recognised:		
Staff expenses		
Staff wages and salaries	105	90
Pension contributions	13	11
Other expenses for social security	2	1
Payroll tax	12	10
Total staff expenses	132	112
Auditor's fee for external auditor elected by general meeting		
Statutory audit of financial statements	0,7	0,6
Other declaration assignments with collateral	0,2	0,4
Tax counselling	0,0	0,2
Other services	0,6	0,3
Total fee for audit	1,4	1,6
Management and board emoluments		
Board of Management, 1 person	3,5	3,4
Board of Directors, 14 persons	2,0	1,4
Number of employees whose activities significantly influence the risk profile, 5 persons*	9,3	7,1
Total emoluments for the Board of Management and the Board of Directors, etc.	14,8	12,0
Average number of full-time employees in the accounting period	146	138

* In 2012, 4 persons were covered.

The Board of Management or other employees with significant influence on the risk profil have no bonus scheme or performance-related pay agreements. In 2013, no allowances were paid for new employment or resignation.

Compensation is not paid to members of the Board of Management for board positions in other companies of the group.

Notes (cont.)

Note	2013 DKK mill.	2012 DKK mill.
8 Technical profit/loss on sickness and accident insurance		
Current premiums	670	620
Transferred from unit-linked provisions	117	110
Total gross premiums	787	730
Reinsurance premiums ceded	-1	-1
Change in premium provisions	3	2
Premium income net of reinsurance	789	732
Technical interest	9	19
Benefits paid	-395	-377
Change in gross claims provisions	-87	-174
Costs of claims net of reinsurance	-482	-552
Change in bonus and premium rebates	-243	-104
Insurance operating costs net of reinsurance	-19	-19
Technical profit/loss	54	77
Investment return	40	17
Return on insurance provisions	-64	-68
Investment return after technical interest	-24	-51
Total technical profit/loss from sickness and accident insurance	30	25

With a claims frequency of 0.30% (0.39%), in 2013 a total of 595 (813) claims were paid with an average claims amount of DKK 749,000 (DKK 751,000). The numbers in brackets are corresponding figures for 2012.

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.
9 Intangible assets		
Accumulated cost, brought forward	33	-
Acquisitions during the year	-	33
Accumulated cost, carried forward	<u>33</u>	<u>33</u>
Accumulated depreciation/amortisation, brought forward	2	-
Depreciation/amortisation for the year	22	2
Accumulated depreciation/amortisation, carried forward	<u>24</u>	<u>2</u>
Carrying amount, carried forward	<u>9</u>	<u>31</u>
10 Equipment		
Accumulated cost, brought forward	1	1
Accumulated cost, carried forward	<u>1</u>	<u>1</u>
Accumulated depreciation/amortisation, brought forward	1	0
Depreciation/amortisation for the year	0	0
Accumulated depreciation/amortisation, carried forward	<u>1</u>	<u>1</u>
Carrying amount, carried forward	<u>0</u>	<u>0</u>
11 Owner-occupied property		
Revalued amount, brought forward	63	61
Acquisitions	-	2
Depreciation/amortisation	0	0
Revalued amount, carried forward	<u>63</u>	<u>63</u>
External experts have not been involved in measuring the owner-occupied property.		
Rate of return	<u>5,50</u>	<u>5,25</u>

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.	
12 Equity investments in group undertakings			
Carrying amount, brought forward	13,485	7,317	
Deposit/issue for the year	14,432	5,074	
Capital reduction/redemption for the year	-504	-	
Share of profit/loss for the year	1,012	1,094	
Carrying amount, carried forward	28,424	13,485	
Equity investments in the balance sheet items:			
Equity investments in group undertakings	1,235	697	
Investment assets attached to unit-linked contracts	27,189	12,787	
Equity investments in group undertakings consist of:			
Name	Ownership interest	Result 2013	Equity 31.12.2013
Industriens Pension Portfolio f.m.b.a.	100%	1,070	28,292
IP Butendiek Wind ApS	100%	0	0
IP Finans 1 ApS	100%	0	4
IP Butendiek Wind K/S	100%	-58	127
IP Ejendomme 2013 P/S	100%	0	1
IP Komplementar ApS	100%	0	0
IP Infrastruktur P/S	100%	0	1
IP Infrastruktur Komplementar ApS	100%	0	0
IP OPP Holstebro P/S	100%	0	0

Industriens Pension Portfolio f.m.b.a. invests in shares and bonds etc. while other group undertakings are involved with activities in properties, infrastructure and wind turbines.

All companies are domiciled in Copenhagen.

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.	
13	Equity investments in associated undertakings		
Carrying amount, brought forward	160	97	
Deposit/issue for the year	-	55	
Capital reduction/redemption for the year	-	-	
Share of profit/loss for the year	6	8	
Carrying amount, carried forward	166	160	
Equity investments in the balance sheet items:			
Equity investments in group undertakings	7	8	
Investment assets attached to unit-linked contracts	159	152	
Equity investments in associated undertakings consist of:			
Name	Ownership interest	Result 2013	Equity 31.12.2013
EjendomsSelskabet Norden IV K/S	32.4%	18	512
P/S OPP Psykiatrisk Afdeling Vejle - Industriens Pension	50.0%	0	0
Komplementarselskabet OPP Psykiatrisk Afdeling Vejle - Industriens Pension ApS	50.0%	0	0
Ejendomsselskabet Norden IV K/S has activities in the property area whereas the other associated undertakings have activities in infrastructure.			
Ejendomsselskabet Norden IV K/S is domiciled in Copenhagen, other undertaking in Herning.			
14	Other financial investment assets		
Foreign-exchange contracts	38	31	
Options and futures	14	-5	
Total other financial investment assets	52	26	

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.
15 Life-assurance provisions		
Gross life-assurance provisions brought forward	5,665	5,244
Accumulated value adjustment brought forward	-954	-953
Retrospective provisions brought forward	4,711	4,291
Gross premiums	9	13
Addition of interest	238	-1
Insurance benefits	-408	-424
Costs supplement after addition of costs bonus	-5	-5
Risk gain after addition of risk bonus	5	-15
Transferred to other technical provisions	0	1
Transferred to/from provisions for unit-linked contracts	27	815
Distribution of special bonus provisions	1	36
Retrospective provisions carried forward	4,577	4,711
Accumulated value adjustment carried forward	784	954
Gross life assurance provisions before use of bonus potential	5,361	5,665
Used bonus potential on paid-up policy benefits	-	-
Gross life-assurance provisions carried forward	5,361	5,665
Change in gross life-assurance provisions	-304	421
The bonus potential on paid-up policy benefits has been raised by	710	871
<i>Breakdown of life assurance provisions</i>		
Guaranteed benefits	5,336	5,652
Bonus potential on paid-up policy benefits	25	13
Life-assurance provisions	5,361	5,665

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.
16		
Claims provisions		
Provisions for insurance sums on death	148	149
Provisions for insurance sums on disability	112	120
Provisions for insurance sums on critical illness	79	74
Total provisions for claims outstanding net of ance concerning life assurance activities	340	342
Total provisions for claims outstanding net of reinsurance concerning sickness and accident insurance	4,811	4,782
Total provisions for claims outstanding net of reinsurance	5,150	5,125
17		
Collective bonus potential		
Collective bonus potential brought forward	1,845	902
Transferred to life assurance provisions	-	157
Change in collective bonus potential	-121	785
Collective bonus potential carried forward	1,724	1,845
18		
Bonus provisions for group life scheme		
Bonus provisions for group life scheme brought forward	526	650
Change in bonus provisions for group life scheme	-138	-124
Bonus provisions for group life scheme carried forward	388	526

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.
19 Special bonus provisions		
Provisions brought forward	3,542	3,024
Change in special bonus provisions	177	518
Special bonus provisions carried forward	3,718	3,542
Special bonus provision type A	406	426
Special bonus provisions type B	3,312	3,116
Special bonus provisions carried forward	3,718	3,542

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.
20 Provisions for unit-linked contracts		
Provisions for unit-linked contracts brought forward	88,291	75,518
Gross premiums	6,587	6,665
Premiums for group cover	-	-85
Return after tax on yields of certain pension-scheme assets	6,072	8,471
Insurance benefits	-3,852	-719
Additional costs	-498	-491
Risk gain	-1	-73
Distribution of special bonus provisions	218	53
Transferred to/from life assurance provisions	-27	-815
Transferred to sickness and accident insurance	-117	-110
Transferred to group scheme	-213	-124
Provisions for unit-linked contracts carried forward	96,461	88,291
Change in provisions for unit-linked contracts	8,169	12,773
Of which, directly recognised in the balance sheet	70	53
Charged to the income statement	8,099	12,720
Equity investments in group undertakings	27,189	12,787
Loans to group undertakings	311	-
Equity investments in associated undertakings	159	152
Shares	33,258	37,713
Investment association units	6,635	7,568
Bonds	32,534	34,555
Deposits with credit institutions	1,481	2,405
Other financial investment assets	882	587
Investment assets for unit-linked contracts	102,450	95,768
Other receivables concerning unit-linked contracts	342	7
Receivable interest concerning unit-linked contracts	383	442
Tax on yields of certain pension-scheme assets receivable, unit-linked contra	-1,083	-1,521
Other debt concerning unit-linked contracts	-5,631	-6,404
Investment assets for unit-linked contracts, net	96,461	88,291

Notes (cont.)

Note	31.12.2013 DKK mill.	31.12.2012 DKK mill.
21 Other debt		
Liability concerning sales and repurchase transactions	8,364	6,259
Negative market value on other derivative instruments	532	1,053
Debt concerning unsettled transactions	503	2,458
Other debt	81	63
Total other debt	9,481	9,834
22 Collateral		
For technical provisions, shares have been registered at a carrying amount of:		
Equity investments	33,893	35,251
Investment association units	35,226	21,456
Bonds	42,449	45,376
Deposits to credit institutions	2,388	3,599
Total registered assets	113,955	105,682
Bonds for collateral for loans after standard repurchase contracts	8,364	6,259
Bonds issued as collateral for fair value of derivative financial instruments	479	1,268
Bonds received as collateral for fair value of derivative financial instruments	997	853
Leasing liabilities	1	1
Commitment for investment in properties, unlisted shares and equity investments.	13,270	11,283

Notes (cont.)

Note**23 Related parties**

Related parties Industriens Pensionsforsikring A/S own a number of fully owned undertaking, see note 12. IndustriPension Holding A/S which is domiciled in Copenhagen is the parent undertaking of the company.

Transactions with closely related parties are entered into and settled on market terms or on a cost-recovery basis. In 2013, the company concluded the following transactions and balances with group undertakings:

- Supply of administrative services for the parent undertaking IndustriPension Holding A/S, as well as to the subsidiary undertaking Industriens Pension Service A/S, and the fully owned subsidiaries. Fees for these services are fixed on a cost-recovery basis.
- Provision of portfolio management for the subsidiary Industriens Portefolio f.m.b.a. The fee is fixed on market terms.
- Provision of loan (about EUR 75 mill.) and guarantee for loan framework (about EUR 83 mill.) for the subsidiary IP Finans 1 ApS' investment activities. Payment in the form of interest rates (8.95% per annum) and guarantee commission (0.25% per annum) fixed on market terms.

Notes (cont.)

Note	2009	2010	2011	2012	2013
24 Five-year financial summary of key figures and financial ratios in DKK mill.					
Key figures					
Premiums	5,963	6,206	6,485	6,624	6,528
Insurance benefits	2,227	2,151	1,994	1,638	4,708
Investment return	8,075	13,254	3,635	12,176	7,006
Insurance operating costs	162	138	131	136	128
Profit/loss of reinsurance	-3	-3	-2	-2	-1
Technical result	-21	-5	97	45	2
Technical result of sickness and accident insurance	62	13	-259	25	30
Profit/loss for the year	376	389	-172	357	29
Provisions for insurance and investment contracts	67,487	82,285	90,015	105,234	113,283
Equity	3,662	4,051	3,880	4,237	4,266
Assets	75,452	93,973	101,198	123,023	128,461
Financial ratios for sickness and accident insurance					
Gross claims ratio	156.2%	132.7%	111.6%	88.0%	88.7%
Gross expense ratio	5.2%	3.7%	2.6%	3.0%	3.5%
Combined ratio	161.7%	136.6%	114.3%	91.2%	92.3%
Operating ratio	129.9%	115.4%	102.0%	81.9%	82.4%
Relative run-off profit/loss	11.3%	5.3%	3.9%	2.7%	12.5%
Return ratios					
Return before tax on yields of certain pension-scher	13.0%	18.1%	4.0%	11.6%	-0.8%
Return before tax on yields of certain pension-scher	-	-	4.6%	13.0%	7.8%
Return before tax on yields of certain pension-scher	13.1%	19.0%	4.6%	15.9%	-1.0%
Return before tax on yields of certain pension-scher	12.0%	12.2%	-0.3%	8.4%	0.0%
Cost ratios					
Costs as a percentage of premiums (N3)	2.7%	2.2%	2.0%	2.0%	1.9%
Expenses as a percentage of provisions (N4)	0.3%	0.2%	0.2%	0.2%	0.1%
Expenses per insured party (N5)	369 kr	316 kr	307 kr	311 kr	288 kr
Profit/loss on costs (N6)	0.57%	0.56%	0.49%	0.42%	0.39%
Risk figures					
Insurance risk profit or loss (N7)	0.11%	0.04%	0.13%	0.10%	0.00%
Consolidating financial ratios					
Ratio of bonus potential to provisions (N8)	15.4%	25.0%	21.0%	39.2%	37.7%
Ratio of customers' funds to provisions (N9)	4.8%	5.0%	70.5%	75.2%	81.2%
Ratio of equity to provisions (N10)	7.0%	6.9%	90.4%	89.9%	93.2%
Ratio of excess solvency to provisions (N11)	8.4%	8.2%	136.3%	143.6%	152.3%
Solvency ratio (N12)	338%	325%	511%	768%	793%
Return on equity ratios					
Return on equity before tax (N13)	12.5%	11.8%	-4.4%	10.1%	0.7%
Return on equity after tax (N14)	10.8%	10.1%	-4.3%	8.8%	0.7%
Return on insurance provisions (N15)	10.9%	16.9%	4.8%	17.3%	-0.9%
Return on special bonus provisions type A (N18)	3.4%	4.0%	3.6%	2.3%	2.4%
Return on special bonus provisions type B (N19)	13.2%	12.4%	-4.1%	10.4%	0.8%

The development in the consolidation financial ratios from 2010 to 2011 reflects the transition from average interest rate to market interest rate. The statutory financial ratios as laid down by the Danish FSA are entitled N1-N19.

Notes (cont.)

Note

25 Specification of assets and returns on these

<i>DKK mill.</i>	Market value		Net investments	Return as % before PAL
	31.12.2012	31.12.2013		
1.1 Land and buildings directly owned	63	63	0	5.5%
1.2 Property companies	5,593	8,111	2,058	6.7%
1. Total land and buildings	5,657	8,174	2,058	6.6%
2. Other subsidiaries	0	0	0	0.0%
3.1 Listed Danish shares	7,024	9,321	-351	37.2%
3.2 Unlisted Danish shares	883	888	-227	26.2%
3.3 Listed foreign equity investments	19,956	23,590	-67	18.2%
3.4 Unlisted foreign equity investments	7,426	8,086	-1	8.5%
3. Total other equity investments	35,288	41,885	-646	18.8%
4.1 Government bonds (Zone A)	15,370	15,843	711	-1.5%
4.2 Mortgage-credit bonds	22,408	19,095	-3,465	0.7%
4.3 Index-linked bonds	10,074	8,806	-730	-5.7%
4.4 Investment grade credit bonds	7,790	7,915	0	1.6%
4.5 Credit bonds non-investment grade	20,261	20,699	1,400	-4.7%
4.6 Other bonds	0	0	0	0.0%
4. Total bonds	75,903	72,358	-2,085	-2.0%
5. Loans secured by mortgages	0	0	0	-
6. Other financial investment assets	-3,583	-7,431	-4,025	-
7. Derivative financial instruments	-433	402	31	-

The calculated return on the individual investment assets, as well as total investment assets, is calculated according to the time-weighted method, i.e. daily calculations of return are carried out during the year. This method is recommended by the global guidelines on calculation of return – GIPS (Global Investment Performance Standards) introduced in 1999.

Notes (cont.)

Note

26 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%	1.1%	2.8%	0.4%	0.0%	0.3%	0.0%	0.0%	4.7%
Materials	0.4%	0.5%	1.1%	0.4%	0.2%	0.1%	0.0%	0.0%	2.9%
Industry	5.9%	1.4%	3.8%	0.5%	0.8%	0.4%	0.0%	0.0%	12.8%
Consumption goods	1.8%	1.4%	3.2%	0.3%	0.8%	0.5%	0.1%	0.0%	8.1%
Consumer goods	1.8%	1.8%	1.9%	0.4%	0.2%	0.4%	0.2%	0.0%	6.8%
Health care	7.3%	2.1%	3.2%	0.1%	0.2%	0.1%	0.0%	0.0%	13.0%
Finance	4.9%	2.4%	6.5%	1.3%	0.9%	1.7%	0.1%	0.0%	17.8%
IT	0.3%	2.3%	4.5%	0.1%	0.4%	0.8%	0.0%	0.0%	8.4%
Telecommunication	0.4%	0.4%	0.6%	0.0%	0.2%	0.2%	0.1%	0.0%	1.8%
Supply	0.0%	0.2%	1.1%	0.0%	0.1%	0.2%	0.0%	0.0%	1.6%
Not broken down	2.2%	9.3%	10.3%	0.0%	0.0%	0.1%	0.0%	0.1%	21.9%
Total	24.9%	22.9%	39.1%	3.5%	4.0%	4.9%	0.5%	0.2%	100.0%

Notes (cont.)

Note					
27 Sensitivity information and risks					
Event					
DKK mill.	Maksimum effect on capital base	Maksimum effect on collective bonus potential	Maksimum effect on bonus potential on paid-up policy benefits before change in applied bonus potential on paid-up policy benefits	Maksimum effect on applied bonus potential on paid-up policy benefits	
Interest rate rise of 0.7 percentage points	-260	-393	41	0	
Interest rate drop of 0.7 percentage points	260	333	-17	0	
Country spread (interest-rate increase)	11	-36	0	0	
Country spread (interest-rate fall)	11	-56	0	0	
Fall in share prices of 12%	-160	-103	0	0	
Fall in property prices of 8%	-6	-4	0	0	
Exchange-rate risk (VaR 99 %)	-23	-15	0	0	
Loss on counter-parties of 8%	-91	-57	0	0	
Mortality rate intensity:					
- drop of 10%	0	-146	-11	0	
- increase of 10%	0	124	18	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.