



Annual Report 2012

7 February 2013

THE FINANCIAL STATEMENTS DESCRIBE THE ENTIRE DANICA GROUP, INCLUDING BUSINESS ACTIVITIES IN DENMARK, SWEDEN AND NORWAY.

DANICA PENSION IS ONE OF THE LEADING PROVIDERS OF PENSION PLANS, LIFE INSURANCE AND HEALTH CARE INSURANCE IN THE NORDIC COUNTRIES. WE HAVE MORE THAN 13,000 BUSINESS CUSTOMERS AND 850,000 PERSONAL CUSTOMERS.

## Customers receive return of DKK 23.3 billion

- Average return of 11.5% in Danica Balance and Danica Link.
- Expense ratio in Denmark dropped from 4.7% in 2011 to 4.5% in 2012.
- Danica Select - unique new savings product with access to more than 15,000 securities.
- Pre-tax profit of DKK 2,364 million, against DKK 733 million in 2011.

### Strong performance

"In 2012, Danica Pension posted a pre-tax profit of DKK 2.4 billion, against DKK 0.7 billion in 2011. Our continued efforts to enhance operational efficiency, focus on profitability and an extremely good investment return all contributed to this strong performance. We continuously strive to improve the efficiency of our business, and this creates added value for our customers. In 2012, we lowered the prices of Danica Balance by DKK 200 million," says Danica Pension's CEO, Per Klitgård.

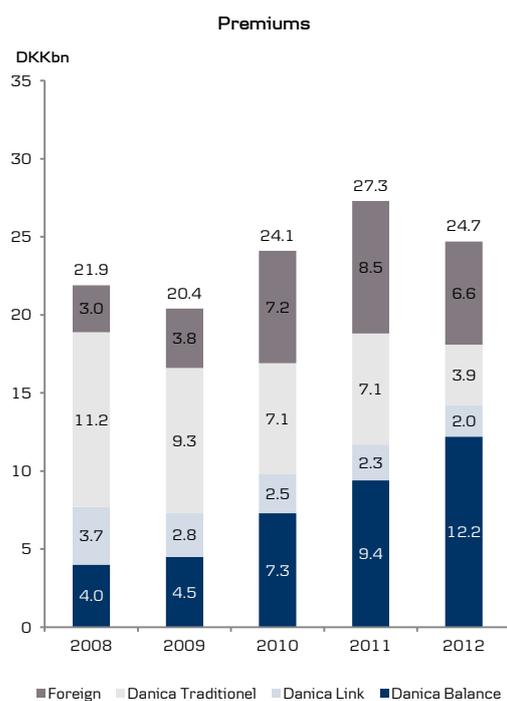
Danica Pension's financial strength is in excess of DKK 8.5 billion and the solvency ratio is 209% after dividends. Among other things, this amount of over DKK 8.5 billion provides security for the customers' payout guarantees and helps Danica Pension optimise our investment composition to ensure that customers get the highest possible returns.

### Premium payments of DKK 24.7 billion

Premiums reached DKK 24.7 billion in 2012 and regular premiums grew by 2%.

"Danica Pension achieved a record premium level in 2011. We took over several large plans in Denmark as well as in Norway. We had no such massive single premium payments in 2012. Consequently, we saw a minor, 4% drop in total pension premiums in Denmark for 2012," explains Per Klitgård.

At group level, premiums were down 10%. In Sweden, pension premiums were down 22%. The drop was explained by the introduction by Swedish banks of a product similar to the one responsible for Danica Pensions major growth in 2011. In Norway, premiums were down 21% due solely to the fact that the company received a very large single premium in 2011. When disregarding this single premium, premiums in Norway grew by 27% in 2012.



### Market products continue gaining ground

Increasingly, customers are opting for the market rate products, which now account for almost 80% of total premiums in Denmark. Of this, Danica Balance premiums account for just over 85%.

"With the prospects of rising interest rates and, consequently, falling bond prices in the foreseeable future, the potential of achieving attractive returns on the conventional product is limited. This makes it attractive to look to Danica Balance, which offers the option of placing a larger share of your savings in equities, properties and other investments that we expect to yield higher returns," explains Per Klitgård.

In October, Danica Pension offered selected customers compensation if they chose to move their pension savings from the conventional pension product to Danica Balance. At the end of the year, the pension customers had chosen to move DKK 1.8 billion. In 2013, an additional 60,000 to 80,000 customers will receive this offer.

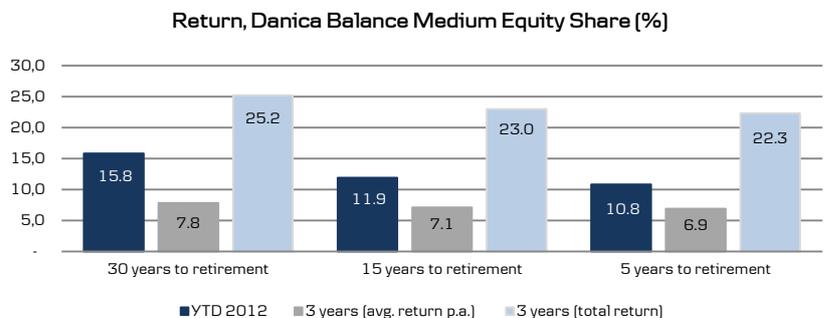
### 2012 was a year of high returns

"Danica Pension customers received a return of DKK 23.3 billion on their pension savings with Danica Pension in 2012. The average return on Danica Balance and Danica Link was 11.5%," says Per Klitgård.

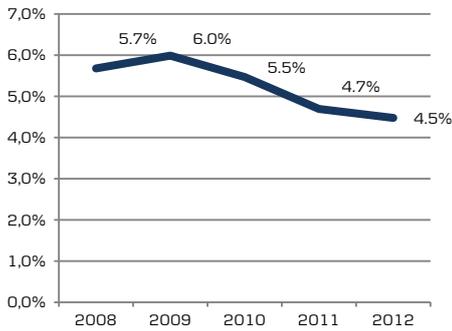
Customers with Danica Traditionel saw an average return of 9.2%. With the falling level of interest rates, Danica has to provide added security to cover the guarantee commitments. Adjusted for the added security, Danica Traditionel customers received a satisfactory 5.9% return in 2012.

Generally, all investment products delivered good returns in 2012 despite the persisting global financial turmoil. Particularly in equities and credit bonds Danica Pension produced strong returns of between 15% and 20%.

Customers with Danica Balance Aggressive Equity Share or High Equity Share and with 30 years to retirement achieved the highest return for the year of 16.8%.



### Expenses as percent of premiums in Denmark



### Yet another drop in expenses

2012 saw another drop in the expense ratio in Denmark to 4.5%. That is the third consecutive annual expense ratio drop in Denmark.

"We continually improve our efficiency for the benefit of our customers, as is reflected in our expense ratio development. This development will continue in 2013 as well", reports Per Klitgård.

### Denmark's best online platform

In 2012, Danica Pension enhanced the company's online solutions. One initiative was the introduction of Mobilpension, which has been named Denmark's best pension app. With Mobilpension, Danica Pension customers always have access to a comprehensive overview of their pension savings.

"In the coming years competition will revolve increasingly around the companies' digitalised service offerings. Danica Mobilpension was released in May. The new app allows the customers to check their pension payments, return rates, costs, savings and insurances. Furthermore, the app indicates, whether or not the customer is putting enough aside for retirement. The media, customers and experts have all commended the new app and its efforts to express pension savings in a simple, intuitive and present manner", states Per Klitgård.

Danica Select was launched in November 2012. This unique new product gives customers the opportunity to invest online in 15,000 equities and securities distributed on 17 European and US stock exchanges using Danske eBanking, tablets or smartphones. The product is aimed particularly at the many Danes who wish to invest their own pension savings.

Danica Select has been well received by experts and media alike, and many customers have already chosen Danica Select as their pension savings product.

### Focus on greater customer satisfaction

In 2012, Danica Pension initiated a new customer satisfaction project. This intensified focus on customer satisfaction ensures higher standards and better service.

"Without question, satisfied customers are the cornerstone of our business. With our new customer satisfaction programme, we will ensure better training for our employees, higher standards and a new method of measuring and following up on our customer satisfaction," says Per Klitgård, continuing:

"By increasingly accurate measurement of the satisfaction of our customers we are able to strengthen our efforts in relation to all customer contacts in those areas that matter the most to our customers."



## What the papers wrote in 2012

**Jyllands-Posten, 17 March 2012**

"Best in test"

In test, Danica Pension's early retirement benefit calculator was found to be the best in Denmark.

**Jyllands-Posten, 29 May**

**2012**"Comprehensible pension for the people"

New pension app from Danica Pension is a hit with Jyllands-Posten and mobile phone experts.

**Børsen, 5 July 2012**

Asset management eats away at your pension"

This unfavourable headline tops an article reporting the news that Danica Pension was the most inexpensive commercial pension company in 2011. The analysis was made by Invesure.

**Berlingske, 11 August 2012**

"Danica to take over ATP's assets"

Danica Pension would be happy to make a bid for the administration of ATP savings if this pension plan were to be put out to tender.

**Børsen, 8 August 2012**

"Danske Bank ready to sell Danica"

When Danske Bank announced its new strategy later in the year, Danica Pension remained firmly on the Danske Bank Group's team.

**Børsen Finans, 30 October 2012**

"Danica turns loss into profit in third quarter"

Strong Q3 financial results produced positive headlines.

**Jyllands-Posten, 28 December 2012**

"New pension could prove lucrative"

An analysis made by Danica Pension clearly indicates that the new retirement savings plan is interesting to Danes paying bottom-bracket tax.

## New member of the Executive Board

Lars Andreasen is joining the Executive Board as CFO. Lars Andreasen will assume primary responsibility for the Financial, Investment and Actuarial departments. He is a state authorised public accountant from KPMG and joined Danske Bank in 1995, where he has held a position in Group Finance. For the past six years he has held the title of Executive Vice President. The exact date of his move to Danica will be set in agreement with Danske Bank. The Executive Board of Danica Pension subsequently consists of Per Klitgård, CEO, Jesper Winkelmann and Lars Andreasen.

## Financial highlights for the Danica Group

DKKbn / %	2012	2011
Total premiums	24.7	27.3
Premiums in Denmark	18.1	18.8
Return on customer funds (%)*	9.2	6.8
Return on customer funds after change in additional provisions, (%)*	5.9	2.1
Expenses as percent of premiums, Denmark	4.5	4.7
Expenses as percent of provisions, Denmark	0.36	0.40
Profit before tax (DKKbn)	2,364	733
Shareholders' equity	19.0	19.7
Total pension savings (total assets)	324	303
Bonus rate	0.6	0.2
Common reserves (collective bonus potential)*	0.9	0.4
Additional provisions*	32.7	25.2

\* Applies to Danica Traditional customers only.

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The Danica Group's financial statements are incorporated in the financial statements of