

Danica Pension: Satisfactory start to the year

Danica Pension's financial performance for the first quarter of 2019 was positively affected by the financial market developments and income from Danica Pensionsforsikring (the former SEB Pension Danmark). The customers also saw solid returns, which more than made up for the losses in 2018. Non-recurring costs for additional provisions as a result of regulatory changes (VA) as well as integration costs had an adverse effect on the financial performance.

In the first three months of 2019, Danica Pension recorded a profit before tax from continuing operations of DKK 381 million. This was an increase of 22% compared with the same period of 2018, when the profit before tax was DKK 313 million. The increase was caused primarily by the strong performance of the equity market, in which Danica Pension generated solid positive returns. Income from Danica Pensionsforsikring (the former SEB Pension Danmark) also contributed positively to the profit. However, the positive effect from investment returns was almost entirely offset by non-recurring costs related to regulatory changes (VA), which came into full effect in the first quarter, and by non-recurring costs related to the integration of Danica Pensionsforsikring.

Ole Krogh Petersen, CEO, commented on the Danica Group's interim financial statements:

“Our performance for the first quarter is satisfactory. We are especially pleased that the positive investment returns meant that our customers more than recovered their losses from 2018. At the same time, we are currently in the process of integrating Danica Pensionsforsikring and hiving off Danica Sweden, which will result in a larger, stronger and more focused Danica to the benefit of our customers,” says Ole Krogh Petersen.

Developments in premiums and the continuing integration of Danica Pensionsforsikring

In the first three months of 2019, premium payments to the Danica Group's continuing operations amounted to DKK 7.8 billion, an increase of DKK 0.5 billion relative to the same period of 2018. The increase was driven primarily by premiums from Danica Pensionsforsikring, while a decline in especially single premiums pulled in the other direction.

“The integration of Danica Pensionsforsikring is proceeding as planned. We are currently in the process of welcoming our more than 200,000 new customers to Danica Pension. Obviously, this is a huge task, and for this reason we are very focused on retaining and servicing our existing customers. This has resulted in less focus on obtaining new premiums, which was reflected in a decline in single premiums during the first three months of the year,” says Ole Krogh Petersen.

Solid returns in the first three months of the year

In the first quarter of 2019, Danica Pension's customers saw solid returns on their pension savings. Danica Pension customers with Danica Balance Mix saw returns on their investments of between 2.6% and 12.7%. The return for customers with Danica Balance Mix, medium risk profile and 20 years to retirement was 9.9%. Customers with Markedspension (Danica Pensionsforsikring) saw returns on their investments of between 1% and 12.5%. The return for customers with Markedspension, medium risk profile and with 20 years to retirement was 10.4%. The positive returns occurred after the heavy price falls in December 2018. Indications of a trade deal between the US and China and a continued lenient monetary policy also contributed positively.

Investment is one of several areas in which the larger Danica Pension will be able to benefit from the synergies from the acquisition of the former SEB Pension Danmark. While Danica Pension's team possessed great expertise especially in alternative investments, the former SEB Pension Danmark produced strong results in externally managed investments.

DKK billions	Q1 2019	Q1 2018
Premiums, continuing operations*	7.8	7.3
Premiums in Denmark*	7.2	6.6
Return on customer funds – Danica Balance Mix, medium risk and 20 years to retirement (%)	9.9	-3.1
Return on customer funds – Danica Pensionsforsikring Markedspension, medium risk and 20 years to retirement (%)	10.4	-
Return on customer funds – Danica Pension Traditionel (%)	4.7	-0.2
Return on customer funds – Danica Pensionsforsikring Traditionel (%)	4.5	-
Return on customer funds – Danica Pension Traditionel after change in additional provisions, (%)	0.9	-0.4
Return on customer funds – Danica Pensionsforsikring Traditionel after change in additional provisions, (%)	3.4	-
Result of insurance business, DKKm*	402	335
Profit before tax from continuing operations, DKKm*	381	313
Total pension savings (total assets)	617	415

*Comprising Danica Pensionsforsikring as from takeover on 7 June 2018.

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Solvency ratio disclosure			
31 March 2019	Danica Pension Livsforsikringsaktieselskab	Danica Pension Group	Danica Group
SCR (DKKm)	12.979	15.425	14.994
Solvency rate	209%	181%	171%

Summary of Danica's subordinated loan capital

Issuer	Danica Pension Livsforsikringsaktieselskab
Securities code (ISIN)	XS1117286580
Amount	EUR 500 m
Coupon	4.375 % p.a
Issued	29 September 2015
Matures	29 September 2045
First call date	29 September 2025
Rate of interest will reset on	29 September 2025