

Satisfactory full-year performance with solid returns for customers

Danica Pension presented a satisfactory full-year financial performance for 2020 after a turbulent year marked by the corona crisis and financial market volatility in March. The year saw solid returns for pension customers and a reduced loss on our health and accident business due to a lower number of new claims.

For 2020, Danica Pension reported a profit after tax of DKK 1,796 million, against a profit of DKK 1,044 million for 2019. After the first quarter of 2020, Danica Pension's profit before tax stood at DKK 22 million, but strong investment results and an improved health and accident result together produced a satisfactory profit for the full year. The improved profit relative to 2019 was also in part due to Danica Pension's impairment writedown of goodwill on the acquisition of SEB Pension in Denmark last year as a result of increased capital requirements following regulatory changes.

Danica Pension's Chief Executive Officer, Ole Krogh Petersen, comments on the Danica Group's financial statements:

"2020 was a highly unusual year, and with this in mind, we are pleased that we provided our customers with significant positive and competitive net returns. In 2020, we also focused our attention on what we could do to help our customers, companies and society get through the crisis as safely and securely as possible. Finally, we launched a number of new solutions for our customers, among other things to reduce sickness absence and to offer our customers the option of investing their savings with even more focus on sustainability with Danica Balance Sustainable Choice."

Positive returns for most customers

In 2020, we generated positive and competitive net returns for our customers. Customers with Danica Balance Mix, medium risk profile and 20 years to retirement saw a return of 9.5% net of expenses, as compared with a negative net return of 15.0% after the first quarter. Across risk profiles and investment horizons, Danica Pension's net returns for 2020 were among the best in the industry.

"In light of the market collapse in March and the uncertainty following in its wake, we are pleased to have generated significant positive returns for our customers in 2020, as this contributes to creating financial security in terms of their pension savings. All along, we have advised our customers to keep their cool and not react to the turmoil, and this approach has proven to be the right one. It is important to keep in mind that pension is a long game, and we are pleased that, since introducing our current investment strategy five years ago, we have secured competitive net returns for our customers," says Ole Krogh Petersen.

Over the past five years, Danica Pension customers with a medium risk profile and 20 years to retirement have seen a return of 44% net of expenses, which is among the best in the industry.

Green transition investments almost tripled

In 2020, we heightened our focus on investing in the green transition. In 2020 alone, investments in the green transition grew from DKK 10.3 billion to DKK 27.0 billion. This means that we are well under way to meeting the ambitious target we set in autumn 2019 of investing DKK 30 billion in the green transition by 2023, DKK 50 billion by 2025 and DKK 100 billion by 2030.

"It is key to us that our investment in the green transition goes hand in hand with attractive returns for our customers, and we are confident that this is the case, as there is strong demand for green solutions in Denmark and the rest of the world, on top of which the corona crisis has brought about a heightened focus on sustainability and a green restart of our society. That is why we almost tripled our investments in the green transition in 2020, without compromising our customers' returns," states Ole Krogh Petersen.

Growth in premiums

In Danica Pension Denmark, total premiums amounted to DKK 27,878 million in 2020, compared with DKK 27,039 million in 2019 - a 3.1% increase. Danica Pension's total premiums grew 2.1% in 2020 from DKK 29,640 million to DKK 30,250 million. In Norway, premiums were down in DKK terms due to the low NOK/DKK exchange rate. Measured in local currency, premiums in the Norwegian business also grew, however.

"We are satisfied that 2020 saw an increase in premiums as well as profitable growth. It is essential to us that our business is sound, so that we can provide financial security for our customers. We have a strong market position as a result of our good advisory services, competitive returns and strong healthcare offering," says Ole Krogh Petersen.

New sustainable investment solution

In October, we launched our new investment solution, Danica Balance Sustainable Choice, giving Danica Pension's around 800,000 customers the option of investing their pension savings with a special sustainability focus. The solution was well received by our customers, who in just four months have already invested DKK 807 million in Danica Balance Sustainable Choice.

"Giving our customers the option of investing their savings with even more focus on sustainability in 2020 was a milestone as well as a natural next step for us. Our customers' approximately DKK 500 billion in savings with us is an enormously powerful tool that we can use to influence society in a more sustainable direction. We developed this new investment solution in collaboration with our customers, and we are very pleased that it has been well received," states Ole Krogh Petersen.

Improved health and accident result

The loss on Danica Pension's health and accident business significantly improved in 2020 from a loss of DKK 888 million in 2019 to a loss of DKK 644 million, an improvement of DKK 244 million, or 27%. The reduced loss was due to fewer claims as a result of stronger early action and an improved investment result.

"The loss on our health and accident business remains unsatisfactory, but we are now on the right track, as we are starting to see the effects of the initiatives we launched over the past couple of years, particularly healthcare and prevention measures. While we still face uncertainty in 2021 with respect to the coronavirus pandemic and postponed surgery in the public healthcare system, we are certain that we are doing the right thing in terms of prevention and early action to reduce absence due to illness among our customers," explains Ole Krogh Petersen.

In healthcare, Danica Pension has introduced a number of new solutions aimed at reducing our customers' absence due to illness. They include Danica Pension Step Care, which is a unique treatment method offering individual customers a personalised course of treatment, and Healthy Performance, which helps customers improve their focus, take mental breaks and prioritise their tasks.

"We want to be our customers' financial security provider, and the need is greater than ever. This is why we are focused on providing the best solutions in healthcare and prevention and treatment of long-term illness. With these measures, we hope to reduce the number of cases of long-term illness and help those who are ill recover and return to work sooner, in addition to which our solutions make it simple, easy and more secure to be a Danica Pension customer," states Ole Krogh Petersen.

In 2021, customers with a Danica Pension health package will be able to consult a psychologist, a doctor or a dietician without a referral from either Danica Pension or their own doctor. We also expect this to contribute to making our customers feel more secure and, in time, reduce absence due to illness.

DKK billions	2020	2019
Premiums, continuing operations	30.3	29.6
Premiums in Denmark	27.9	27.0
Return on customer funds - Danica Balance Mix, medium risk profile and 20 years to retirement (%)	9.5	19.7
Return on customer funds - Danica Pension Traditionel (%)	6.0	10.3
Return on customer funds - Danica Pension Traditionel after change in additional provisions, (%)	3.1	6.5
Profit before tax (DKKm), continuing operations	1,796	1,044
Total pension assets	465	444

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Solvency ratio disclosure			
December 31th 2020	Danica Pension Livsforsikringsaktieselskab	Danica Pension Group	Danica Group
SCR (DKKm)	14,175	14,333	14,278
Solvency rate	204%	202%	191%

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