

2021 – A strong year for customers and for Danica Pension

In 2021, Danica Pension customers' net returns were among the highest in the market. In the Danish business, premiums grew by 32% and the health and accident result improved by DKK 176 million, due in part to fewer claims. This resulted in a substantially improved profit before tax of DKK 2,078 million and a DKK 34 billion increase in pension assets under management to DKK 480 billion. The figures are exclusive of Danica Norway.

For 2021, Danica Pension reported a profit before tax from continuing operations (excluding Danica Norway) of DKK 2,078 million, against DKK 1,700 million for 2020 – an increase of DKK 378 million, or 22%. The improved bottom line was particularly driven by strong investment results, an improved health and accident result and a sound underlying business seeing strong, profitable growth. The profit was net of an extraordinary provision of DKK 327 million for potential future payment of pension returns tax in the health and accident business. In addition to bottom line growth, 2021 also saw significant top line growth in the form of a 32% year-on-year increase in premiums. Danica Norway, which is not included in the above figures, in 2021 realised a profit after tax of DKK 76 million, relative to DKK 76 million in 2020, while pension assets in the Norwegian business grew by DKK 5 billion to DKK 24 billion.

Danica Pension's Chief Executive Officer, Ole Krogh Petersen comments:

"2021 was a strong year for our customers as well as for Danica Pension. Our customers received one of the highest returns in the market, we are experiencing significant growth by virtue of our strong overall value proposition, and we reduced the number of injuries among our customers and, consequently, claims. Overall, this resulted in strong and profitable growth, as reflected in our profit, total pension assets under management and premium income."

Strong premium growth

In Danica Pension Denmark, total premiums amounted to DKK 36,823 million in 2021, compared with DKK 27,878 million in 2020 – a 32.1% increase. For the Danica Pension Group overall, total premiums grew by 43% in 2021 from DKK 30,250 million to DKK 43,180 million.

"We are pleased that so many customers have chosen Danica Pension. The reason is that we offer our customers a strong combined value proposition of proactive advisory services providing financial security, attractive net returns, competitive prices, strong focus on sustainability in our investments and great healthcare solutions. In other words, our success is based on the quality of our overall offering," says Ole Krogh Petersen and continues:

"Our growth is profitable, which is key. We are humbled by this huge vote of confidence by a great number of customers, and we look forward to living up to it," states Ole Krogh Petersen.

The Danica Pension Group's total pension assets under management (AUM) have grown by DKK 39 billion in the past year to DKK 504 billion.

Customers' returns among the highest in the market

In 2021, we once again generated one of the market's strongest net returns for our customers. Customers with Danica Balance Mix, medium risk profile and 20 years to retirement received a return of 17.8% in 2021.

"Good returns help create financial security in retirement, and so we are very pleased that we have once again delivered one of the very highest net returns," states Ole Krogh Petersen.

Danica Pension customers with medium risk profile and 20 years to retirement have in the past three years seen a total net return of 54.3%, which is the best among all pension providers in Denmark.

"As pension savings and investment is a long game, we are pleased to have provided our customers with some of the best returns in the market for several years now. We have a robust investment strategy, which I believe will continue to deliver attractive returns at the top of the market for our customers," says Ole Krogh Petersen and adds that such favourable financial market conditions are not expected to continue in the coming years, and Danica Pension's portfolio composition has been adjusted to account for this.

Improved health and accident result

The loss on Danica Pension's health and accident business in Denmark was DKK 465 million in 2021, against DKK 641 million in 2020. This was an improvement of DKK 176 million, or 27%. The improved health and accident result was due to a combination of an improved investment result and a strengthening of the business area with fewer claims in 2021 than last year. Another contributing factor was that Danica Pension succeeded in helping more customers return to work via our treatment offers, which among other things resulted in more reactivations.

A DKK 327 million provision for potential additional pension returns tax on the health and accident business detracted from the result for 2021. This brings Danica Pension's total provision in 2020 and 2021 for potential additional tax on pension returns for the income years 2017-2021 to DKK 685 million.

"More than anything, we are pleased that our investments in our healthcare solutions and the health and accident business have meant that we have successfully contributed to preventing long-term illness and ensuring that more of our customers return to work more quickly. This is of great benefit to the individual, to companies, to society, as well as to our bottom line," says Ole Krogh Petersen. He continues:

“Our efforts to prevent serious illness and help more customers return to work contribute to achieving the balanced results that we are striving for in accordance with the new executive order on health and accident insurance that came into force at 1 January 2022.

“The coronavirus pandemic and its after-effects – particularly on mental health – remain an unknown factor, however, and we are not yet able to predict how it will impact our customers. We are certain that in this respect, too, it is the right decision for us to focus on prevention and early action to reduce absence due to illness among our customers,” explains Ole Krogh Petersen.

New healthcare solutions proved a great success

In 2021, Danica Pension launched a number of innovative new healthcare solutions for our customers. They mean that Danica Pension customers are now able to get quick and easy online access to a psychologist, a doctor or a dietician without a doctor’s referral with just a few clicks on their PC or mobile phone. The new solutions have been very well received by our customers, 8,800 of whom used the service in 2021. One of the most uplifting aspects is that the new solutions prompt people to seek help who would otherwise not have done so: 40% of the users of our psychologist service responded that they would not have sought help if our online solution had not been available. The corresponding figures for our online doctor and dietician service were 21% and 64%, respectively. Another positive outcome is that men use our psychologist service far more than is the case in society in general.

“It is important that our new, simple and innovative healthcare solutions enable us to help many more customers and that we do so before their problems grow bigger. And I am very pleased that we are now helping customers who have never reached out for help before. I am convinced that this will be a key factor in terms of further reducing our customers’ sickness absence,” says Ole Krogh Petersen.

New targets for sustainable investments in the green transition

During 2021, Danica Pension’s investments in the green transition grew by 24% from DKK 27 billion to DKK 33.5 billion. Our target of investing DKK 30 billion in the green transition by 2023 was thus reached ahead of time. This caused us to bring our deadline of investing DKK 50 billion in the green transition by 2025 forward by two years. Our revised ambition is to invest DKK 50 billion in the green transition already by the end of 2023.

“Action is needed here and now if we are to slow down climate change before it is too late. As a major pension company, we have a responsibility in this respect, and we are certain that we will be able to contribute to ramping up the green transition even more in the coming years, while also delivering attractive returns for our customers,” says Ole Krogh Petersen, pointing out that Danica Pension has more than tripled investments in the green transition from about DKK 10 billion at the end of 2019 to DKK 33.5 billion today and at the same time generated attractive returns for our customers.

“We have chosen to seek external verification of our investments in the green transition. It is also our ambition over time to become compliant with the new EU taxonomy when we set future goals. When and how this is to be achieved will depend on the taxonomy criteria further maturing and on our receiving better data to enable us to assess whether activities are compliant with the taxonomy,” says Ole Krogh Petersen.

(DKK billions)	2021	2020
Premiums	43.2	30.3
Premiums in Denmark (continuing operations)	36.8	27.9
Return on customer funds – Danica Balance Mix, medium risk profile and 20 years to retirement (%)	17.8	9.5
Return on customer funds – Danica Pension Traditionel (%)	0.0	6.0
Return on customer funds – Danica Pension Traditionel after change in additional provisions, (%)	5.2	3.1
Profit before tax (DKK millions), continuing operations	2,078	1,700
Pension assets under management	504	465

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Solvency ratio disclosure		
December 31th 2021	Danica Pension Livsforsikrings- aktieselskab	Danica Group
SCR (DKKm)	13,039	13,167
Solvency rate	212%	210%

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