Satisfactory first half with positive market sentiment and important milestones

Danica Pension's financial performance for the first half of 2019 was enhanced by financial market developments and by the sale of Danica Pension Sweden. Customers saw robust returns – the highest first-half returns since Danica introduced unit-linked products in 2005. Relative to the first half of 2018, the performance was adversely affected by regulatory changes (VA), lower interest rates and integration costs relating to the acquisition of SEB Pension in Denmark.

In the past year, Danica Pension has successfully welcomed more than 200,000 new customers, and the formal merger of Danica Pensionsforsikring (formerly SEB Pension in Denmark) and Danica Pension received final regulatory approval. Also, the sale of Danica Pension Sweden was finalised and a new partnership was entered into with Tryg Forsikring.

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

"The first half of 2019 was an eventful period. We reported satisfactory results and provided robust investment returns for our customers, whilst also welcoming to Danica Pension the remaining new customers from the former SEB Pension in Denmark. We furthermore finalised the sale of Danica Pension Sweden and signed a new partnership agreement with Tryg Forsikring both in Denmark and in Norway. Here at the beginning of the second half, we are in a strong position to deliver on our vision of making our customers feel financially secure," said Ole Krogh Petersen.

The sale of Danica Pension Sweden was finalised in the first half of 2019 providing proceeds to Danica Pension of DKK 1.3 billion, which will be added to shareholders' equity.

Satisfactory performance

In the first half of 2019, Danica Pension reported a profit before tax on continuing operations of DKK 766 million, against DKK 623 million in the first half of 2018. Danica Pension saw solid positive returns on the back of positive equity market developments, and net fee income was boosted by the recognition of SEB Pension in Denmark. Pulling in the opposite direction were non-recurring expenses in relation to regulatory changes (VA), which took full effect in the first half, combined with declining interest rates and the integration of Danica Pensionsforsikring. The loss generated by the health and accident business also had an adverse impact on the performance compared with the year-earlier period.

Solid returns in the first half

In the first half 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 6.7% for low risk and 0 years to retirement and 15.2% for high risk and 30 years to retirement. For customers with Danica Balance Mix, medium risk profile and 20 years to retirement, the return was 12.1%. These solid first half returns were due, among other things, to positive international news from central banks and the de-escalation of the potential trade wars notably between the US and China and between Europe and China.

"Of course, we are pleased that our customers have had the best first half returns since the introduction of unit-linked products in 2005. However, it is essential to look at returns over a period of several years, and in that light we are satisfied to have provided our customers with robust, competitive returns on their pension schemes in the period since 1 January 2016 when we introduced our new investment strategy," said Ole Krogh Petersen.

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

A larger, stronger and more focused Danica Pension

Since the acquisition of SEB Pension in Denmark was approved by the regulatory authorities on 7 June 2018, Danica Pension has pursued an ambitious integration plan of migrating more than 200,000 new customers and obtaining final regulatory approval of the merger before the end of the first half of 2019.

“Ensuring a fast integration process was a top priority for us in order to be able to give our customers a clear overview and reassurance about their schemes and access to our pension and healthcare advisory services as soon as possible. We have invested a lot of resources in combining the best of both companies for the benefit of our customers, as this is a central element in accomplishing our ambition of making our customers feel financially secure. The integration process continues until this work is completed,” stated Ole Krogh Petersen.

Meanwhile, the sale of Danica Pension Sweden was finalised during the first half and a new distribution agreement signed with Tryg Forsikring to provide Danica's pension products to Tryg’s customers under the Tryg Pension brand.

“Having sold Danica Pension Sweden, we are now able to focus more on our customers in Denmark and Norway, where our business models are more aligned. We also see great potential in our agreement with Tryg Forsikring, which gives us access to a very strong distribution channel that will enable us in the longer term to offer even more customers the advantages of being part of a larger, stronger and more focused Danica Pension,” said Ole Krogh Petersen.

Developments in premiums and the continuing integration of Danica Pensionsforsikring

Total premiums in Danica Pension’s continuing operations amounted to DKK 14,984 million in the first half of 2019, compared with DKK 14,027 million in the year-earlier period. Single premiums were down compared with the first half of 2018.

“Welcoming our new customers to Danica has obviously been a huge task, meaning that we have prioritised and focused on retaining and servicing our existing customers – both from the former SEB Pension in Denmark and from Danica Pension. Receiving more than 200,000 new customers in a single year also meant that we focused less on capturing new customers, and this resulted in a drop in single premiums in the first half of 2019 compared with the same period last year,” explained Ole Krogh Petersen.

Health and accident business affected by integration of Danica Pensionsforsikring

Compared with the first half of 2018, the loss on Danica Pension’s health and accident business grew due to the integration of the former SEB Pension in Denmark, which had a loss-making health and accident business like the rest of the industry.

“We expect the loss on health and accident to grow in 2019 compared with 2018. We are obviously not pleased with this trend, and it is therefore a key focus area for us,” said Ole Krogh Petersen, and he continued:

“It is important to us not to compromise on the quality of our health and accident solutions. Bearing in mind that about one in three women and one in five men need to use their loss of earning capacity insurance at some point in their lives, we must focus on quality in our prevention and healthcare offerings and financial security for our customers if they lose their ability to work.”

DKK billions	H1 2019	H1 2018
Premiums, continuing operations*	15.0	14.0
Premiums in Denmark*	13.6	12.9
Return on customer funds – Danica Balance Mix, medium risk and 20 years to retirement (%)	12.1	-1.8
Return on customer funds – Danica Pension Traditionel (%)	8.0	0.6
Return on customer funds – Danica Pension Traditionel after change in additional provisions, (%)	1.2	0.4
Result of insurance business, DKKm*	1,182	807
Profit before tax from continuing operations, DKKm*	766	623
Total pension assets*	451	472

*Comprising Danica Pensionsforsikring as from takeover on 7 June 2018.
*Total pension assets for H1 2018 includes Danica Pension Sweden with DKK 60 billion. Danica Pension Sweden is not included in total pension assets for H1 2019.

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Solvency ratio disclosure			
30 June 2019	Danica Pension Livsforsikrings-aktieselskab	Danica Pension Group	Danica Group
SCR (DKKm)	14.592	14.698	14.191
Solvency rate	188%	186%	177%

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