

## Technical result up DKK 861 million

### New recommendations and product offering for Danica Pension customers

Per Klitgård, CEO, comments on the Danica Group's interim financial statements for the first half:

*"The performance is as expected and is satisfactory in view of the financial market turmoil, which negatively impacted the performance, causing the total profit before tax to drop to DKK 831 million, against DKK 1,140 million for the same period last year."*

*"During the first half, we introduced a new payout recommendation. With our recommendation, our customers can maintain their level of consumption throughout their retirement. Our introduction of Danica Balance FlexOpsparing and a new savings option for available funds also offer our customers great flexibility in the choice of savings and the timing of their retirement from the labour market."*

#### Selected highlights:

- The technical result was DKK 861 million. Profit before tax was DKK 831 million, against DKK 1,140 million in the first half of 2015. The development was due to financial market turmoil.
- In Denmark, total premiums were up 7% to DKK 10.5 billion. Total premiums for the Danica Group amounted to DKK 15.9 billion at the end of the first half of 2016.
- In the conventional pension product, a risk premium was booked for all interest rate groups as a result of a positive return for the first half.

#### Positive development in premiums in Denmark

The Danica Group's total premiums amounted to DKK 15.9 billion in the first half of 2016, representing a 3% increase compared with the same period of 2015.

Premiums were up 7% to DKK 10.5 billion in Denmark and by 18% to DKK 1.1 billion in Norway. As expected, premiums in Danica Pension Sweden were down 10% due to extraordinarily high premium income in the first half of 2015.

#### Returns affected by financial market turmoil

In the first half of 2016, the financial markets were marked by turbulence, not least in the equity markets. Overall, the first half produced negative equity returns and positive returns on the bond portfolio as a result of the lower level of interest rates.

During the first half of 2016, Danica Pension made several direct investments in Danish companies, including Sitecore A/S, Netcompany A/S, Tandlægerne.dk and Ferrosan Medical Devices. These investments are to provide high long-term returns for our customers. In the first half of 2016, direct investments helped produce solid returns.

For customers with Danica Balance, the total return on alternative investments – including direct investments – was 5.0%, the return on bonds was 4.4% while equities yielded a negative return of 3.2%.

The return for Danica Balance customers with 15 years to retirement was 1.7% for the period. Relative to market developments, the return was satisfactory, in line with the positive trend we have seen since the summer of 2015.

The conventional pension product was positively affected by the declining interest rates, lifting the return to 6.8% before adjustment of additional provisions and 2.3% after additional provisions.

### **New options with Danica Balance FlexOpsparing to save available funds**

In the first half, Danica Pension customers were presented with Danica Balance FlexOpsparing, a new pension product for saving available funds. This product gives our customers an opportunity to place available cash in Danica Balance, giving them access to our portfolio of, among other things, direct investments and alternative investments. With Danica Balance FlexOpsparing, our customers have greater flexibility when they plan their future retirement. They also have the option of making withdrawals from their pension savings.

### **Improved loss of earning capacity cover**

At the beginning of the year, we improved the cover for customers with a loss of earning capacity insurance. With the new cover, customers are able to maintain their financial standard of living regardless of any offsetting of public benefits. The improved product covers all Danica Pension customers with loss of earning capacity insurance.

As a result of the new, improved cover, 30,000 of our customers stood to gain by lowering their cover and increasing their pension benefits instead. The customers in question were contacted with an offer to adjust their cover. On average, these customers can save approximately DKK 100 per month on their insurance covers. For a 40-year-old, this could mean DKK 60,000 in additional pension savings at the time of retirement.

### **Clear recommendation on pension payout based on behavioural studies**

We have introduced a new payout recommendation for customers to maintain an unchanged consumption throughout their life. The payout recommendation is based on new research which shows that the level of consumption during retirement is constant, whether you are 70 or 95 years old. It was previously assumed that consumption was highest in early retirement. However, the study shows that the proportion of our consumption of medicine and care increases over time, countered by a relatively lower consumption of leisure activities, transport, etc. With this new knowledge in mind, we therefore recommend that our customers have a basic, life-long pension that covers their expected consumption. On top of this, we recommend a flexible pension for an agreed number of years paid out as a lump sum or consisting of available funds or home equity. This flexible pension gives customers the financial means for travelling and other activities which fall outside the normal consumption. The analysis was prepared on the basis of consumption data from Statistics Denmark.

### **Danica Pension is part of Danske Bank's Wealth Management**

Effective from 1 January 2016, Danica Pension forms part of Wealth Management in Danske Bank, which combines all of the Danske Bank Group's pension, capital management and wealth management competencies. In Wealth Management, Danica Pension has the optimal environment in which to develop products and services and thereby further expand our product offering to existing and new customers, in the form of both further digital solutions and continued expansion of the holistic advice that we at Danica Pension offer our customers.

## Financial highlights for the Danica Group

(DKK billions)	H1 2016	H1 2015
Premiums	15.9	15.5
Premiums in Denmark	10.5	9.8
Return on customer funds - Unit-linked (%)	-1.9	5.5
Return on customer funds - Traditionel (%)	6.8	-0.3
Return on customer funds after change in additional provisions, (%)*	2.3	3.0
Expenses as percent of net assets in Denmark	0.14	0.13
Technical result, (DKKm)	861	891
Profit before tax (DKKm)	832	1,140
Total pension savings (total assets)	410	365
Additional provisions*	44.1	37.2

\* Applies to Danica Traditionel customers only.

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## Supplementary information for debt investors as of 30 June 2016

Solvency ratio disclosure			
30 June 2016	Danica Pension Livsforsikringsaktieselskab	Danica Pension Group	Danica Group
SCR (DKKm)	12.141	13.051	12.608
Solvency rate	225%	209%	208%

## 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

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