

Danica Pension: Strong second quarter drives satisfactory half-year earnings

Danica Pension's earnings and our customers' returns saw a strong recovery in the second quarter after the severe impact of the corona crisis in the first quarter. With a financial market upturn in the second quarter and a reduced deficit in the health and accident business, Danica Pension delivers satisfactory first half results.

Profit before tax for the first half of 2020 was DKK 892 million, against DKK 766 million in the same period of 2019. This 16.5% improvement was primarily due to a reduced deficit on the health and accident business compared with the year-earlier period.

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

“Considering how turbulent and unusual the first half was, I am pleased with the results we produced for our customers and for Danica Pension. Since March, we have truly had to put action behind our words in terms of being our customers' financial security provider, and we have successfully introduced a number of extraordinary measures. We continued to pursue our strategy and in the second quarter recovered a large proportion of the losses our customers' had incurred in March. A strong second quarter produced an overall satisfactory performance for Danica Pension in the first half,” says Ole Krogh Petersen.

Recovering returns

Danica Pension's customers saw negative returns on their pension savings for the first six months of 2020. Customers with Danica Balance Mix, medium risk profile and 20 years to retirement saw a negative return of 4.3% after expenses, as compared with a negative return of 15.0% after the first quarter.

“Naturally, it is frustrating that our policyholders had negative returns for the first half, but we are pleased to have recovered such a large part of the loss over the past few months by maintaining our investment strategy. In 2020, it has been particularly important to keep in mind that pension is a long game, and I am happy to note that we have consistently been guided by this principle,” says Ole Krogh Petersen.

Increased investments in the green transition

In the first half, Danica Pension continued to focus on investing in the green transition. In the first six months of 2020 alone, our green investments grew from DKK 10.3 billion to DKK 19.6 billion. This means that we are well under way to meeting our target of investing DKK 30 billion in the green transition by 2023, DKK 50 billion by 2025 and DKK 100 billion by 2030. Danica Pension also joined the UN-convened Net-Zero Asset Owner Alliance, under which we have made the commitment that Danica Pension's investments will be carbon neutral by 2050 - to be followed up by interim targets in the intermediate term.

“While it is important that we have ambitious long-term goals, it is equally important that we take action now. We want to use our investments to help ensure that we pass on a sustainable world to future generations. Given the strong global demand for green solutions, we are confident that investing in the green transition can be combined with generating attractive returns for our customers,” explains Ole Krogh Petersen.

Premiums growth

Premiums in Danica Pension Denmark were up 2.8% from DKK 13,585 million the first half of 2019 to DKK 13,967 million in the first half of 2020. For Danica Pension as a whole, total premiums grew 1.9% from DKK 14,983 million to DKK 15,268 million in the first half.

“Welcoming 200,000 new customers from SEB Pension in Denmark to Danica Pension has been a huge task, but we have now reached a stage where we can shift our focus to attracting new customers, while on a daily basis working extremely hard to make all our customers feel even more well cared for and secure,” says Ole Krogh Petersen.

Reduced deficit on health and accident business

For the first half of 2020, Danica Pension posted a loss of DKK 300 million on the health and accident business, against a loss of DKK 504 million in the same period of 2019. The improvement was largely due to an improved investment result.

“We are not satisfied with incurring a loss of this magnitude on the health and accident business, but we are pleased to see things moving in the right direction,” states Ole Krogh Petersen. He continues:

“It is essential that we provide security for our customers in the health and accident area. If we can do this, and if we succeed in reducing absence due to illness, it will benefit our customers individually, businesses and society at large, and naturally also Danica Pension.”

In early 2020, we launched Danica Pension Step Care™, a new healthcare initiative aimed at prevention as well as at improving the treatment of our customers’ physical and mental issues by offering uniform treatment all over Denmark, fast action without a doctor’s referral and a more coaching approach with a single point of contact.

Ready to help during a difficult time

In keeping with our aim to be our customers’ financial security provider, we have focused a great deal on how best to promote security in the severe and extraordinary circumstances brought on by the corona crisis in the first half of 2020.

“It is important that we take responsibility in an uncertain and insecure situation like this. We have therefore sought to help our customers and society in every way we can. In the health and accident area, for example, we have introduced a number of new initiatives to reduce absence due to illness. We have lent a helping hand to our many self-employed customers, and we have been in dialogue with a number of commercial tenants concerning a deferment of their rent payments. Going forward, we will continue to focus on what we can do to help our customers, businesses and society get through the crisis as well as possible,” says Ole Krogh Petersen and continues:

“It is also important that we learn from this crisis, and one thing we have learned is that our customers have thoroughly embraced our digital solutions for general pension advice as well as in the health and accident area, as we are currently helping many more customers than before the crisis via video consultations – and this is entirely because our customers are demanding, and are happy with, our digital solutions.”

DKK billions	H1 2020	H1 2019
Premiums, continuing operations	15.3	15.0
- Premiums in Denmark	14.0	13.6
Return on customer funds - Danica Balance Mix, medium risk profile and 20 years to retirement (%)	-4.3	12.1
Return on customer funds - Danica Pension Traditionel (%)	1.4	8.0
Return on customer funds - Danica Pension Traditionel after change in additional provisions, (%)	-1.0	1.6
Profit before tax (DKK m), continuing operations	892	766
Total pension assets	429	435

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Solvency ratio disclosure			
June 30th 2020	Danica Pension Livsforsikringsaktieselskab	Danica Pension Group	Danica Group
SCR (DKK m)	15.036	15.077	15.059
Solvency rate	184%	184%	172%

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