

RatingsDirect®

Danica Pension Livsforsikringsaktieselskab

Primary Credit Analyst:

Silke Sacha, Frankfurt + 49 693 399 9195; silke.sacha@spglobal.com

Secondary Contact:

Andreas Lundgren Harell, Stockholm + 46 8 440 5921; andreas.lundgren.harell@spglobal.com

Table Of Contents

Rationale

Outlook

Related Criteria

Danica Pension Livsforsikringsaktieselskab

Rationale

The 'A-' long-term issuer credit rating on Danica Pension

Livsforsikringsaktieselskab (Danica) is based on S&P Global Ratings' view of its role as a core subsidiary of Danske Bank A/S (A+/Stable/A-1). The core status reflects Danica's key role in Danske Bank's financial services offering, as a market-leading life insurer in Denmark, and its strong integration within the group. As a core entity, we rate Danica at the level of the bank's stand-alone credit profile (SACP), since we expect that it would receive support under all foreseeable circumstances if needed. However, we do not believe that it will benefit from the bank's additional loss-absorbing capacity in resolution.

We view Danica as one of the leading life insurers in Denmark, with a market share in 2023 of about 25% by premiums and about 30% by assets under management. We believe that Danica benefits from its strong integration into Danske Bank, with close collaboration and distribution ties. We therefore believe that Danica Pension Group will continue to occupy a top position (second largest) in the Danish market as a life and pensions provider. The group holds an increased market share of 25% as of 2023, with the top three players (PFA, Danica, and Well life) controlling more than 80% of the market. Furthermore, the issuer has prioritized its focus on the Danish market by divesting in Sweden in 2019 and Norway in 2022, thus narrowing its geographic exposure and customer reach. Danica Pension's strategic focus on the Danish market, emphasis on customer returns, and commitment to preventative healthcare position it well for future growth.

In 2023, Danica's premiums grew by 10% to DKK38.6 billion (€38,647 million), up from DKK35.1 billion in 2022, while net profit improved to DKK1.24 billion, up from -DKK1.37 billion in 2022. The improvement is mainly due to favorable financial markets in 2023.

Positive financial markets in 2023, and continued improvement of underlying operations. For 2023, Danica experienced a surge in profitability with a return on equity (ROE) of 5.6% compared with -7.1% in the previous year. The positive numbers could be well attributed to the supportive financial markets in 2023. The five-year average ROE stands strong at about 7.7% (2019-2023).

The health and accident segments continue to report losses from -DKK1.03 billion in 2022 to -DKK924 million in 2023. Conversely, the life segment continues to show a positive swing, improving by about 249% to DKK1.18 billion from -DKK742 million in 2022. Overall, we believe that the issuer should perform well going forward supported by favorable

Operating Company Covered
By This Report

Financial Strength Rating

Local Currency

NR/--/--

investment results. Danica's group solvency coverage ratio remained healthy at 170% as of year-end 2023 (188% in 2022).

Outlook

Our stable outlook on Danica mirrors that on Danske Bank. This is because we regard Danica as a core subsidiary of the bank, so we believe it would receive support under all foreseeable circumstances.

Downside scenario

We could lower the rating on Danica over the next 12-24 months if we revised down our assessment of the group's SACP. Although unlikely, we could also lower the rating if we no longer regarded Danica as a core subsidiary of Danske Bank. That could result from a significant weakening in Danica's operating performance or group integration, or any indication of Danske Bank's reduced commitment to Danica.

Upside scenario

We could raise the rating on Danica over the next 12-24 months if we revised our assessment of Danske Bank's group SACP upward.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions , March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Group Rating Methodology , July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings , June 25, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology , July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Ratings Detail (As Of May 30, 2024)*

Operating Company Covered By This Report

Danica Pension Livsforsikringsaktieselskab

Financial Strength Rating

Local Currency

NR/--/--

Issuer Credit Rating

A-/Stable/--

Ratings Detail (As Of May 30, 2024)*(cont.)

Subordinated	BBB
Related Entities	
Danske Bank A/S	
Issuer Credit Rating	A+/Stable/A-1
<i>Nordic Regional Scale</i>	--/--/K-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	
<i>Foreign Currency</i>	A+/A-1
Commercial Paper	
<i>Foreign Currency</i>	A+/A-1
<i>Local Currency</i>	A-1
Junior Subordinated	BB+
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A+
Senior Unsecured	A+/A-1
Short-Term Debt	A-1
Subordinated	BBB
Danske Bank A/S, Swedish Branch	
Issuer Credit Rating	A+/Stable/A-1
Danske Hypotek AB (publ)	
Senior Secured	AAA/Stable
Realkredit Danmark A/S	
Senior Secured	AA/Stable
Senior Secured	AAA/Stable
Short-Term Secured Debt	A-1+
Domicile	Denmark

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:

Insurance Ratings EMEA; Insurance_Mailbox_EMEA@spglobal.com

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.