

Annual Report

2018

sampension
mere værd

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“Pension contributions grew to a total of DKK 9,3 billion, including voluntary contributions and pension transfers of DKK 1,5 billion.”



The talk of the town

2018 was a busy year for Sampension. Pensions were the talk of the town among media and pension savers with discussions focusing on new tax rules, retirement ages and increasing life expectancies. This translated into a historically high level of activity on our website with more than 800,000 visits, half of which led to log-on to the private digital universe providing a full overview of pension schemes and a multitude of options for adapting schemes to individual family needs.

Pension contributions grew to a total of DKK 9.3 billion, including voluntary contributions and pension transfers of DKK 1.5 billion, an impressive increase of 27% compared with 2017. We signed 18,000 new customers and won four contracts for company and organisational schemes in 2018. In addition, the engineers' pension fund, ISP, decided to join the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons in our joint management company, which means that Sampension will handle all pension matters for 12,500 engineers effective 1 July 2019. The underlying idea behind the joint management model is to offer independence and an individual identity to pension companies along with maximising economies of scale in an efficient and productive investment and management alliance.

The higher level of activity in 2018 did not drive up individual customer expenses. Our policyholders paid the same low management, advice and service fee as in 2017. Including investment expenses, the annual percentage rate (APR) was about 0.5% – less than half the rate charged by several other pension providers. Paying half a percentage point less in APR may add some DKK 500,000 to an ordinary savings account over 30 years. That makes Sampension a highly attractive pension provider.

In terms of investing customers' savings, Sampension was among the top performers in 2018, although this was the worst investment year for pension companies since the financial crisis. Overall, we produced an investment return of -1.7% for market-rate policies, but seen over a period of five years, customers up to 41 years have achieved a total return of more than 36%. For conventional average-rate policies, we generated a positive return of 3.0%.

Together with our partners in the joint management company, we increased our focus on climate change and, among other things, stepped up our efforts to increase transparency of our investments in relation to climate change risks. Accordingly, we decided to support the international Task Force on Climate-related Financial Disclosures (TCFD) to gain new insights and learn new methods in relation to the climate change area that will eventually make investors better able to invest in climate-sustainable business models and businesses.

You can read much more about this in our ESG report for the Sampension community, which is released together with this annual report.



Hasse Jørgensen
CEO





Management's review

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Five-year key figures and financial ratios

Five-year key figures for the parent company DKKm	2018	2017	2016	2015	2014
Premiums	9,251	8,784	9,017	8,597	7,758
Benefits paid	-9,107	-8,646	-8,100	-7,228	-7,202
Investment return	-249	10,382	14,188	3,021	25,548
Total insurance operating expenses	-172	-170	-171	-177	-179
Technical result	-88	-110	-285	-378	-389
Profit/loss for the year, parent company's share	-45	41	-147	-324	-228
Total provisions for insurance and investment contracts	194,507	194,530	185,330	171,587	167,143
Excess capital	4,311	4,465	4,458	4,196	3,754
Equity attributable to parent company	3,571	3,616	3,575	3,722	4,049
Total assets	262,283	266,023	267,658	249,624	257,499

Five-year financial ratios	2018	2017	2016	2015	2014
Return ratios					
Rate of return related to average-rate products	1.1%	4.0%	8.7%	0.6%	22.8%
Rate of return related to unit-linked products	-1.7%	7.5%	7.2%	3.6%	9.0%
Risk on return related to unit-linked products	3.75	4.25	4.25	3.75	3.25
Expense ratios					
Expenses as a percentage of provisions	0.09%	0.09%	0.10%	0.10%	0.12%
Expenses per policyholder (DKK)	389	387	397	412	401
Other return ratios					
Return on equity after tax	-1.3%	1.2%	-4.0%	-8.5%	-5.5%
Return on excess capital	1.1%	4.5%	4.3%	3.5%	6.3%
Capital structure ratios					
Solvency coverage (Solvency I for 2015 and before)	444%	601%	427%	466%	368%

Reference is made to "Definitions of financial ratios" on page 69.

Customers and products

Sampension Livsforsikring A/S (Sampension Liv) is a customer-owned pension company offering labour market and company pensions on commercial terms. Our key responsibility is to offer our customers the best pensions possible. Accordingly, our main focus is on what adds value to pension schemes – low expenses, solid returns, flexible products and competent advice and customer service.

Sampension Liv has 278,000 customers and is Denmark's third-largest pension provider in terms of total assets. Most of the people insured are employed in the municipal sector or with the state or regional authorities. Sampension Liv also provides pension plans for private enterprises and acts as a reinsurer to most of Denmark's municipal authorities in respect of just under 18,000 civil servants.

A pension plan contains both savings and insurance components covering loss of earning capacity, death, certain critical illnesses and in some cases health insurance. Sampension Liv provides the following savings products:

Product types	Investments and allocation of returns
Market rate 3 i 1 Livspension lifecycle product Linkpension, a unit-linked product	Actual returns are allocated to policyholders each month Sampension Liv's core product. Savings are invested in generation pools according to the policyholder's age and choice of investment profile Policyholders determine which investment funds they wish to invest their savings in
Average rate Non-guaranteed benefit reinsurance Conventional average rate	Rate of investment return allocated to policyholders reflects the average return achieved over time This product provides reinsurance for employers' future pension obligations in respect of civil servants and contains hedge of inflation risk This group of products consists of pension schemes with declarations of intent, guaranteed direct policies and guaranteed reinsurance

Premiums and benefits

Premium income

Premium income amounted to DKK 9.3 billion, against DKK 8.8 billion in 2017. The increase was mainly due to more policyholders choosing to transfer their pension savings to Sampension from other providers, taking transfers and single premiums to almost DKK 1.5 billion, an increase of 27% compared with 2017. Regular premiums including group life premiums were up by 1.7%.

Premium income

DKK **9,3** billion

Premium income DKKm	2018	2017	Change (%)
Regular premiums	4,605	4,564	0.9
Group life premiums	2,478	2,403	3.1
Total regular premiums	7,083	6,967	1.7
Transfers and single premiums	1,466	1,156	26.8
Premiums, direct insurance	8,549	8,123	5.2
Premiums, indirect insurance	702	661	6.2
Total gross premiums	9,251	8,784	5.3

Sampension Liv won four pension contracts for companies and organisations and wrote insurance for almost 18,000 new customers in 2018. The number of directly insured policyholders increased by almost 3,000, or 1.1%, in 2018.

Number of policyholders	2018	2017	Change (%)
Premium payers	111,344	112,049	-0.6
Paid-up policies etc.	106,117	105,004	1.1
Pensioners	60,618	58,037	4.4
Total directly insured	278,079	275,090	1.1
Indirectly insured	17,969	18,204	-1.3
Group life insured	714,423	710,190	0.6

278 thousand
insured costumers

Benefit payments

Total benefits paid amounted to DKK 9.1 billion in 2018, against DKK 8.6 billion in 2017. The increase was driven by regular benefit payments resulting from the increase in the number of pensioners.

Expenses

For several years, we have made targeted efforts to reduce our expenses, which are among the lowest in the industry. The lower the expenses, the greater the proportion of contributions and returns will be allocated to savings. Ensuring low investment and administration expenses is a priority at Sampension Liv.

Efficient investment management

Internal and external management efficiency is very important to Sampension. For that purpose, we invest the pension savings of all our customers in the same investment assets, although the combination of such investment assets may vary considerably from customer to customer depending on their specific savings product and risk profile. We use cost-benefit analysis to assess whether the various portfolios should be managed internally or externally.

Virtually all of our equity investments are outsourced to external asset managers, while most bonds and other fixed-income instruments are managed in-house. Real estate investments in markets where Sampension has long-standing investment experience are also managed internally. A number of investments in higher-risk credit bonds are made through external managers, and most alternative investments in, e.g., forestry, hedge funds and unlisted equities are managed by external managers.

Investment expenses of 0.47%

Investment expenses include expenses incurred by Sampension Liv, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc. Investment expenses as a percentage of policyholder savings for 2018 and 2017 are shown in the table below:

Investment expenses (as a percentage of policyholder savings)	2018	2017
3 i 1 Livspension, selected generation pools (moderate risk):		
25 years	0.57	0.55
45 years	0.54	0.50
65 years	0.36	0.33
3 i 1 Livspension total (average)	0.47	0.44
Conventional average rate	0.56	0.55

Total investment expenses amounted to 0.47% of 3 i 1 Livspension policyholder savings against 0.44% in 2017. Investment expenses for conventional average-rate products, including expenses for unallocated reserves, amounted to 0.56% of policyholder savings in 2018 compared with 0.55% in 2017. The increase relative to 2017 was driven by alternative investments, with expenses relating to securitisation products (CLOs) and collateralised debt obligations (CDOs) being included from 2018. These are still very competitive rates.

Return ratios are calculated after deduction of direct and indirect investment expenses. The return after investment expenses is the all-important ratio to consider when assessing the performance of policyholders' pension savings.

Administrative expenses per policyholder

DKK **389**

Administrative expenses per policyholder of DKK 389

The ratios for insurance-related administrative expenses were practically unchanged relative to 2017:

- Expenses per policyholder amounted to DKK 389 in 2018 against DKK 387 in 2017. The ratio was thus kept at a low level.
- Expenses expressed as a percentage of policyholders' savings was 0.09%, unchanged compared with 2017.

Total APR of 0.5%

Our website, sompension.dk, provides information to policyholders on annual expenses expressed in Danish kroner and as a percentage (APR). APR includes an annual administration fee of DKK 420 per policyholder and investment expenses, see above. APR depends on policyholders' savings. For a 50-year-old policyholder with savings of DKK 1 million, the APR was unchanged at 0.5% for 3 i 1 Livspension Moderate Risk and unchanged at 0.6% for conventional average-rate products.

Investments and returns

The global economy and financial markets

Most leading economies opened 2018 with growth rates similar to those reported towards the end of 2017. However, this scenario was followed by great uncertainty caused by trade disputes, mainly between the USA and China, and the confusing Brexit process. Except in the US, where growth continued on the back of the Trump administration's expansive fiscal policy, growth faltered in almost all other economies. Mounting concerns about trade restrictions affected most countries, including the Chinese and European economies. Europe was also impacted by turmoil within the EU, relating primarily to Brexit, Italy's budget troubles and the populist tendencies witnessed in several elections among EU member states.

The financial markets were highly volatile and produced negative returns in 2018. While bond yields trended lower in Europe, including in Denmark, yields edged upwards in the US. This is consistent with the US Federal Reserve's ongoing efforts, unlike the approach of the European central bank (ECB), to tighten monetary policy in an attempt to prevent the US economy from overheating. While European interest rate hikes are not imminent, the ECB cut its bond-buying programme by 50% in October 2018 and discontinued it altogether at the end of the year. Equity markets all over the world reported major sell-offs and took a particularly severe drubbing in the last quarter of the year. The US equity market was the best performer with a moderate 4.4% loss, while the UK equity market (down 8.7%) trailed behind together with most other markets, including emerging markets (down 10.2%), Europe (down 10.2%), Denmark (down 10.9%) and Asia (down 12.6%). Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets.

The US dollar appreciated, especially against EUR and, by extension, DKK. The USD appreciated by 5.0% against DKK in 2018.

Investment return of DKK -2.6 billion or -1.4%

The overall return across all investment environments in 2018 was negative at DKK 2.6 billion, compared with a positive return of DKK 10.8 billion in 2017. The overall investment return is measured exclusive of the hedge portfolio in the conventional average-rate environment. The overall return across all investment environments in 2018 inclusive of the hedge portfolio was negative at 0.1% before tax on pension returns, compared with a positive 5.7% in 2017.

In years of falling interest rates, Sampension Liv's investment strategy of hedging the interest rate risk on pension obligations in the conventional average-rate environment produces a gain. After tax on pension returns, this gain is largely offset by the increase in the market value of pension obligations in the conventional average-rate environment. As interest rates increased in 2017, the hedge portfolio produced a negative return, and the pension obligations in the conventional average-rate environment fell.

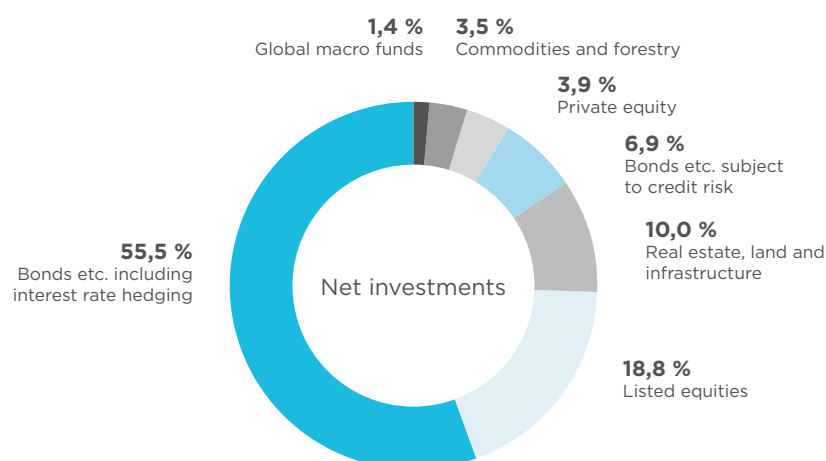
Investment returns by environment DKKm	2018	2017
3 i 1 Livspension	-1,478	5,664
Linkpension	-7	13
Non-guaranteed benefit reinsurance	-1,020	2,385
Conventional average rate:		
- Investment portfolio	-67	2,741
- Hedge portfolio	2,323	-421
Total return	-249	10,382

Negative return of
DKK

249 million

Breakdown of net investments

More than half of Sampension's total net investment assets were placed in low-risk bonds, while just under 20% were placed in listed equities.



Investment strategies in Sampension Liv's various investment environments

Our investment strategy aims to maximise the return in a responsible manner within the given risk framework. The market-rate and average-rate environments generally participate in the same investments, only at different weightings and volumes. The 3 i 1 Livspension and non-guaranteed reinsurance products have a relatively larger share of investments in risky assets than the conventional average-rate environment.

We are currently in the process of building our portfolio of direct investments in debt, unlisted equities and real estate, and these efforts continued in 2018. Large direct investments made in 2018 included DSV's Danish headquarters. We also invested in Nature Energy, the Danish biogas producer, and teamed up with Partners Group to invest in two manufacturers of specialised conveyor belts. Large real estate investments outside Denmark included the acquisition of the Ritz-Carlton hotel just outside Lisbon in association with Carlyle and the acquisition of a plot of land in Brooklyn, New York, on which Sampension and its co-investors plan to erect a three-storied last mile logistics building. In 2018, Sampension sold its shares in IT services provider KMD and also divested Aksen – House of Business, the office complex in Skejby, Aarhus.

Market-rate environment investments

The 3 i 1 Livspension product investments are placed in different generation pools, each with a specific composition of investment assets, to reflect the policyholder's age. Policyholders have three investment profiles to choose from: low risk, moderate risk and high risk.

Return of up to

0.4 %

Difficult market conditions reflected in 3 i 1 Livspension returns

The lifecycle product proved its worth in 2018 with most policyholders aged 65 years and older obtaining positive returns. The automatic risk phase-out for the older generations – who have a larger share of their assets in bonds but still 25% or more in equities and alternative investments – helped safeguard returns in the face of plunging markets.

Generation pools 3 i 1 Livspension, selected	Investment profile		
	Low	Moderate	High
Return in %			
25 years	-2.4	-3.9	-5.7
45 years	-2.0	-3.3	-4.9
65 years	0.4	0.2	-0.8

For a more detailed specification of holdings and returns in 3 i 1 Livspension, see notes 23 and 24 to the financial statements.

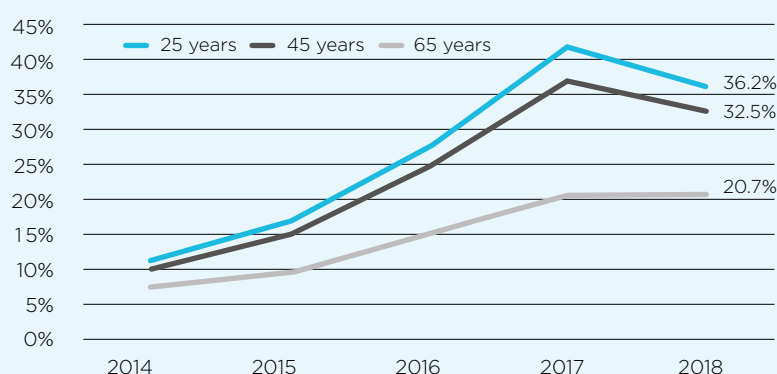
Youngest age groups receive five-year returns in 3 i 1 Livspension of 36.2%

Policyholders with Sampension Liv's lifecycle product have obtained high investment returns over the past five years. All customers with a moderate risk profile up to the age of 41 have had returns of over 36%.

Investment return over 5 years of up to

36.3 %

Accumulated returns 5 years – moderate risk profile



Non-guaranteed benefit reinsurance return of -2.7%

Non-guaranteed benefit reinsurance covers risks relating to civil servant pensions. Indexation of civil servant pension assets is based on salary trends, which is a significant risk factor in a municipality's pension obligations, for example. Asset allocation is determined on the basis of a municipality's expected future net payment obligations on civil servant pension schemes.

Investment of funds relating to non-guaranteed reinsurance of civil servant pension obligations produced an unsatisfactory return of -2.7% in 2018. For a more detailed specification of holdings and returns in the non-guaranteed reinsurance segment, see note 23 to the financial statements.

Return of 3.0% in the conventional average-rate environment

The conventional average-rate environment consists of guaranteed and non-guaranteed pension schemes. Provisions for pensions are stated at market value, which means that the value will depend on interest rate levels, among other things. In order to mitigate the interest rate risk, both for Sampension Liv and the policyholders, we have set up the above-mentioned independent hedge portfolio. The aim of this hedge portfolio is to obtain assurance that Sampension Liv will be able to honour the guarantees and declarations of intent issued to policyholders.

The overall allocation of investments in the average-rate environment at 31 December 2018 and the return contributions for the year are set out in the table below.

Conventional average rate	Market Value 31.12.2018 DKKm	Distribution %	Return contribution as a percentage, time-weighted
Total investment portfolio	58,365	75.7	-0.1
Total portfolio of interest rate hedges	18,778	24.3	3.1
Total investment assets	77,143	100.0	3.0

Return in conventional
average rate of

3.0 %

Some 71% of Sampension's total net investment assets in the DKK +77 billion conventional average-rate environment was placed in bonds etc., while 4% was invested in listed equities, 15% in the portfolio of interest rate hedges and 10% in alternative investments.

The overall time-weighted return for 2018 was 3.0% before tax on pension returns and inclusive of the hedge portfolio. Exclusive of the hedge portfolio, the return was -0.1%. The hedge portfolio produced a return of DKK 2.3 billion, equal to a return contribution of 3.1%.

The higher discount rates reduced pension obligations by DKK 1.0 billion. Combined, the investment portfolio, the hedge portfolio and changes in provisions produced a return of DKK 3.0 billion, equal to 4.2%, after tax on pension returns.

For a more detailed specification of holdings and returns in the conventional average-rate segment, see note 23 to the financial statements.

Corporate social responsibility

Our approach to corporate social responsibility is governed by our ambition to comply with and implement international United Nations conventions, including the ten principles of the UN Global Compact, the OECD Guidance for Responsible Business Conduct for Institutional Investors and the climate targets of the Paris

Agreement. The responsible investment policy applies to all three parties of the joint management company: Sampension Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The boards of directors have set up a cross-functional committee to make proposals for decisions in the ESG area. The committee is charged with considering the social, environmental and governance aspects of investment decisions made by the three pension providers with a view to agreeing on the principles to be included in the pension companies' policy on responsible investment.

At Sampension Liv, we believe that being focused on climate and the environment, social issues and corporate governance contributes to a company's ability to create a return for its investors. As an investor, Sampension Liv aims to exert its influence through a stewardship approach, and we work continually to promote responsible conduct by the companies we are invested in.

Our separate ESG report provides additional information on the responsible investment approach pursued by the parties of the joint management company. Reference is also made to the review of objectives and the efforts made in general governance, investing and company operations discussed in the statutory report on corporate responsibility available (in Danish only) at sampension.dk/samfund-sansvar2018.

Financial results, solvency requirements and total capital

Equity of DKK

3,6 billion

Loss of DKK 45 million

Sampension Liv generated a loss of DKK 45 million after tax for 2018 against a profit of DKK 41 million for 2017. The profit or loss for the year consists mainly of the share of the investment portfolio return for the year allocated to equity and the risk premium for the year. The 2018 performance fell short of expectations.

The Board of Directors proposes that the loss for the year be covered by "Retained earnings" under equity. This brought equity in the parent company to DKK 3.6 billion, which was largely unchanged from 31 December 2017. Consolidated equity at 31 December 2018 was DKK 14.0 billion. The difference between parent company equity and consolidated equity was attributable to the investments in Sampension Invest made by the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons. Investors that are not part of the Sampension Liv Group are stated as non-controlling shareholders under equity in the consolidated financial statements.

Solvency requirements and total capital

Overall, the calculated solvency capital requirement is considered to be adequate relative to the company's risks. Sampension Liv calculates solvency requirements in accordance with the standard model specified in the Solvency II rules.

Solvency capital requirement and total capital DKKm	31.12.2018	31.12.2017
Total capital	7,723	7,934
Solvency capital requirement (SCR)	1,740	1,320
Minimum capital requirement (MCR)	435	330
Excess capital	5,984	6,614
Solvency coverage ratio relative to SCR	444%	601%
Solvency coverage ratio relative to MCR	1776%	2404%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 444% at 31 December 2018. The decline relative to 31 December 2017 was mainly due to changes in provisions relating to the change to a data period of 20 rather than 30 years in estimating future increases in life expectancy, see below, and purchases of CLOs. These products constitute a high-risk element in the solvency calculation despite their low actual risk. The solvency coverage ratio is still at a very robust level.

For more information, see ‘Rapport om solvens og finansiel situation 2018’, which is available (in Danish only) at sampension.dk/solvens. This report also provides information on risk sensitivities in accordance with section 126 of the Danish Executive Order on Financial Reports.

Increasing provisions for insurance contracts

Life insurance provisions for conventional average-rate policies are computed at market value based on assumptions of costs, longevity, disability risk, retirement age and probability of policy surrenders and conversions into paid-up policies. Market values are calculated using the Solvency II discount curve with a volatility adjustment. Provisions are also determined using the Danish FSA’s benchmark for expected future increases in longevity. Effective from 2018, the Danish FSA applies a rolling 20-year data period rather than the previous 30-year period for estimating expected future longevity improvements. While this change caused a DKK 1.0 billion increase in life insurance provisions, as stated in the financial statements, the higher discount rates and the annual update of longevity assumptions for purposes of the market value base reduced provisions by DKK 1.2 billion. The accumulated market value adjustment of life insurance provisions increased by a net DKK 0.2 billion in 2018.

Provisions for average-rate products amounted to DKK 109.8 billion at end-2018 against DKK 111.8 billion at the end of 2017. Collective bonus potential included in provisions for average-rate policies fell by DKK 2.2 billion to stand at DKK 13.0 billion at 31 December 2018. The decline was driven by the negative investment return.

The bonus ratio (reflecting the individual and the collective bonus potential in relation to policyholder accounts) increased for the interest rate groups with the highest average basic rates of interest and fell for all other groups in 2018.

Bonus potential and bonus ratio		31.12.2018		31.12.2017	
Interest rate group	Average basic rate	DKKm Bonus-potential	% Bonus ratio	DKKm Bonus potential	% Bonus ratio
A	3.5% - 4.5%	1,999	12.3	2,090	12.1
B	2.5% - 3.5%	1,126	26.9	976	24.9
C	1.5% - 2.5%	4,664	43.6	5,010	47.3
D	0.5% - 1.5%	1,497	49.1	1,391	52.6
E	Beow 0.5%	15	118.0	15	120.8
F	non-guaranteed	97	9.8	130	13.8
Conventional average rate, total interest rate groups		9,399	-	9,611	-
Non-guaranteed reinsurance		3,658	10.9	5,669	16.9
Total bonus potential		13,057	-	15,280	-

Provisions for market-rate policies increased by DKK 2.0 billion to stand at DKK 84.7 billion at 31 December 2018, driven mainly by premium income as 90% of Sampension Liv’s premium-paying policyholders had 3 i 1 Livspension, and all new policyholders get this product.

Solvency requirement

444 %

Outlook for 2019

Sampension Liv expects moderate growth in premium income in 2019. The number of policyholders is expected to rise slightly, with pensioners expected to account for a growing proportion of policyholders. Total insurance administration expenses are expected to remain at the 2018 level.

Effective 1 January 2019, Sampension Liv adjusted its rates of interest on average-rate policies with declaration-of-intent benefits to 6.5% for the high-interest group and 4.5% for the low-interest group. Individual policies may include both high-interest and low-interest components. The rate of interest for the high-interest group relates to the proportion of the policy with a basic rate of interest of at least 4.25%, while the rate for the low-interest group relates to the proportion of the policy with a basic rate of interest of less than 4.25%.

The rate of interest on policyholders' savings in non-guaranteed reinsurance was unchanged at 3.0% as per 1 January 2019. For market-rate schemes, realised returns are allocated to policyholder accounts on a continual basis.

The return on equity depends on developments in the financial markets. Based on an unchanged level of interest rates, Sampension expects a return on equity after tax of about DKK 70 million in 2019.

Other matters

Uncertainty in recognition and measurement

In preparing the annual report, management makes a number of estimates and judgments of future events. Such estimates and judgments may influence the carrying amount of assets and liabilities. Management's estimates and judgments have the most material effect on provisions for insurance contracts and on the calculation of fair values of non-marketable assets such as unlisted financial instruments and real estate. See the note on accounting policies for further details on estimates and judgments. The Audit and Risk Management Committee and the company's Board of Directors review the estimates and valuation methods applied in Sampension Liv's financial statements.

Events after the balance sheet date

Effective from 2019, EIOPA will change the method for calculating volatility adjustment to the Danish discount curve. As a result, life insurance provisions will increase by some DKK 1 billion.

Other than as set out above, no events have occurred in the period from the balance sheet date until the date of this document which may change the assessment of the Annual Report.





Company details

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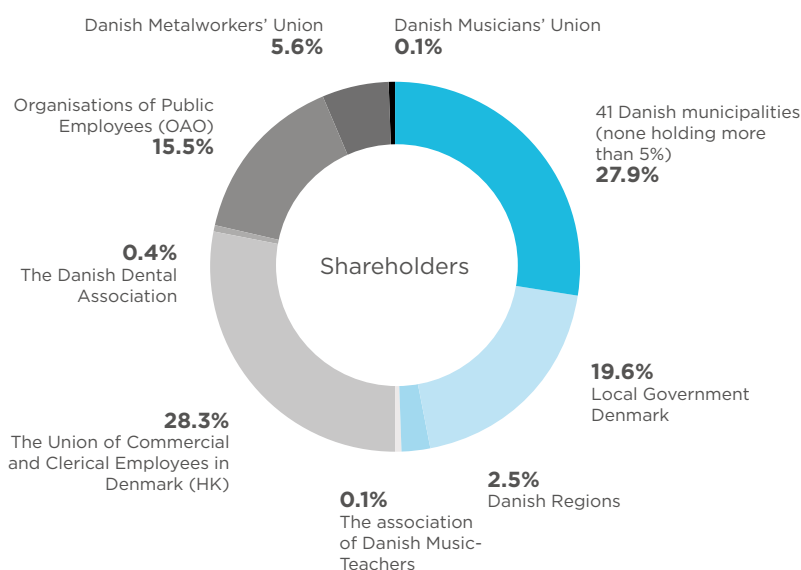
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Management structure

Shareholders

Sampension Liv is owned by the parties to the collective agreements for which Sampension Liv is a pension provider. Sampension Liv's share capital of DKK 800,000 is held equally by employee organisations on the one hand and by employers and employer organisations on the other.

The share capital consists of 800 shares with a nominal value of DKK 1,000 each. According to Sampension Liv's Articles of Association, dividends to shareholders may amount to up to 5%, but not exceeding DKK 40,000. No dividends have been distributed since 2011 due to a wish among the shareholders that the company's profit should benefit the policyholders.



Board of Directors

Sampension Liv's Board of Directors consists of shareholder representatives, two Board members recommended by the Board of Directors and representatives of the Group's employees.

A new Board of Directors was elected at the annual general meeting and meeting of the board of representatives held on 16 April 2018. Jørn Pedersen, Mayor of Kolding, was elected to the Board of Directors and replaced Anker Boye as Chairman. In addition, Martin Damm, Annett Schultz and Søren Sperling were elected to the Board of Directors, while Anker Boye, Johnny Søtrup, Christian Dorow and Bjørn Kroghsbo resigned. Information about other directorships held by the members of the Board of Directors and the Executive Board is provided on page 24.

The Board of Directors held five meetings and one seminar in 2018.

Audit and Risk Management Committee

Pursuant to the provisions of the EU and of Danish legislation on audit committees in public-interest entities, the Board of Directors of Sampension Liv has established a separate Audit and Risk Management Committee.

The Audit and Risk Management Committee is chaired by Torben Nielsen, former governor of the Danish central bank. By virtue of his professional career and educational background, Torben Nielsen meets the qualification requirements set

out in the rules on audit committees. He also complies with the requirements of independence.

The three other members appointed by the Board of Directors to serve on the Audit and Risk Management Committee in 2018 were Jørn Pedersen as from 16 April 2018 (Chairman of the Board), Anker Boye (Chairman until 16 April 2018), Kim Simonsen (Deputy Chairman) and Anne Mette Barfod (Board member).

The Audit and Risk Management Committee held four meetings in 2018.

The framework for the Audit and Risk Management Committee's work is defined in a terms of reference. Its principal duties are:

- to monitor the financial reporting process;
- to prepare the Board of Directors' reviews and resolutions involving risk documents regarding the company's capital, solvency and operational matters;
- to monitor the efficiency of risk management systems, internal control systems and the internal audit function;
- to monitor the statutory audit of the financial statements; and
- to monitor and verify the independence of the auditors.

A financial whistleblower hotline has been set up to give the employees of the joint management company a dedicated and independent channel for reporting any violation of financial regulations by the company. Reports to the whistleblower hotline are directed to the chairman of the Audit and Risk Management Committee and to the compliance function. No reports were filed in 2018 or in previous years.

Committee for responsible investment

The responsible investment policy applies to all three parties of the joint management company. The boards of directors have set up a cross-functional committee to make proposals for decisions in the ESG area. The committee is charged with considering the social, environmental and governance aspects of investment decisions made by the three pension providers with a view to agreeing on the principles to be included in the pension companies' policy on responsible investment.

Organisation and management

The Executive Board is in charge of the overall day-to-day management of Sampension. The organisation also consists of five executive divisions, which are in charge of day-to-day operations and development, and an executive secretariat. A detailed presentation of the organisation can be found at sampension.dk/organisation.

Sampension's risk management, compliance, actuary and internal audit functions contribute to ensuring efficient management of the joint management company. The heads of the respective departments have been designated as key persons performing controlled functions in respect of the work of the joint management company.

Remuneration

The boards of directors of the three financial enterprises managed by Sampension have drawn up a joint remuneration policy that is compliant with the provisions of the EU and of Danish legislation. The purpose of the remuneration principles is to ensure that the management and the employees are remunerated in a manner that best supports the business and long-term strategic goals of the organisation.

The terms of remuneration reflect and support Sampension's consistent ability to recruit and retain a competent and responsible management that promotes healthy and efficient risk management and that does not motivate excessive risk-taking. See note 5 to the financial statements or, for more information (in Danish only), go to sampension.dk/loenpolitik.

Gender diversity in management

The current composition of the Board of Directors represents an equal gender distribution with five of the members, corresponding to 35.7%, being women and nine members, corresponding to 64.3%, being men. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors.

The Board aims to have equal gender distribution at other management levels, including the Executive Board, and has defined a target for the underrepresented gender in Sampension Administrationselskab A/S to make up at least 40% of managers with HR responsibility. The proportion of female managers increased from 29% to 39% in 2018, and the target is thus close to being fulfilled. The target is reviewed annually.

We have accounted for targets, etc. in the statutory report on corporate responsibility (in Danish only) available at sampension.dk/samfundsansvar2018.

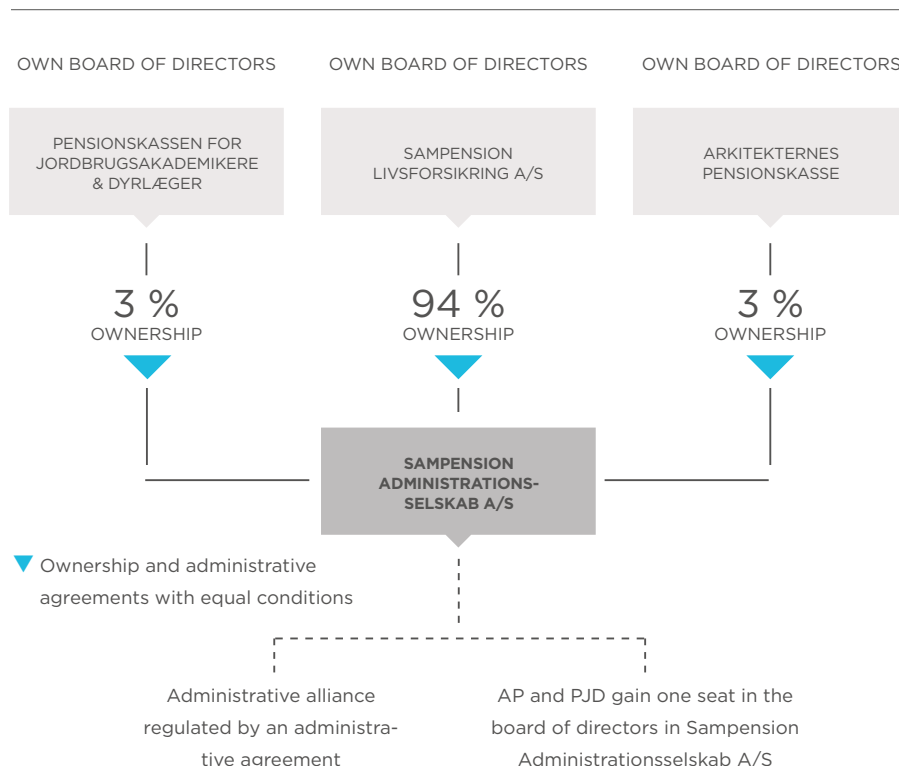
Group structure

The Sampension Group comprises the parent company, Sampension Livsforsikringselskab A/S, the subsidiary Sampension Administrationselskab A/S and a number of other subsidiaries and associates. Between them, they operate the Group's business areas.

Sampension Administrationselskab A/S

The objective of Sampension Administrationselskab A/S is to provide administrative services to life insurance companies, pension funds and pension companies as well as general asset management services and other related business.

The joint management company



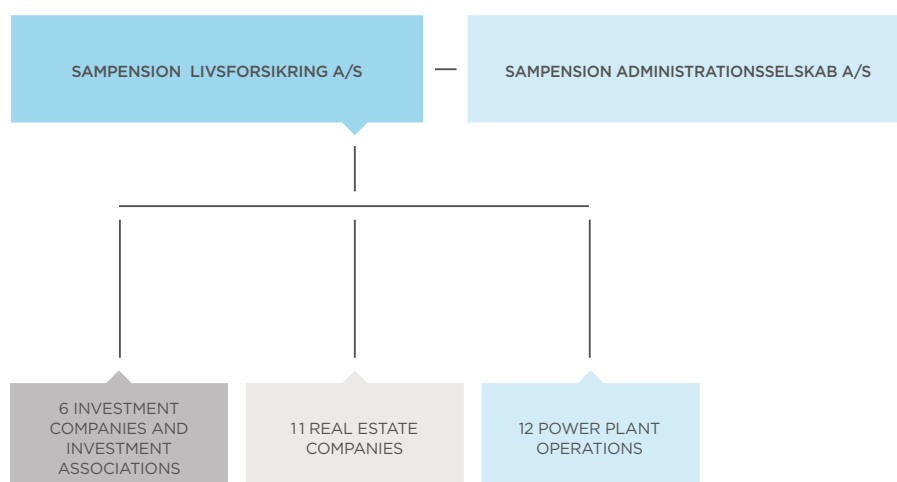
The joint management company currently manages companies of the Sampension Group as well as the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The group of owners of Sampension Administrationselskab A/S comprises: Sampension Livsforsikring A/S (94%), the Architects' Pension Fund (3%) and the Pension Fund for Agricultural Academics and Veterinary Surgeons (3%).

In 2018, Sampension won the contract for the management of all of the activities of the engineers' pension fund, ISP. As at 1 July 2019, ISP will become a co-owner of Sampension Administrationselskab A/S, and Sampension will take over the management of all pension matters for some 12,500 engineers as at the same date.

Other companies

In addition to Sampension Administrationselskab A/S, the Group consists of several real estate companies and a number of investment companies and one capital association, which specifically manages alternative investments and equities for all companies being managed by Sampension's joint management company.

Group structure at 31 December 2018



See the note on Equity investments on page 61 for further information on group enterprises.

Management and other directorships

Board of Directors

Members representing local authorities, regions and jointly-controlled local authority institutions:

Jørn Pedersen, Mayor of Kolding Municipality (Chairman)
Martin Damm, Mayor of Kalundborg Municipality
Hans Christen Østerby, Mayor of Holstebro Municipality

Members representing negotiating organisations of the policyholders:

Kim Simonsen (Deputy Chairman), chairman of HK/Denmark
Rita Bundgaard, deputy chairman of HK/Government Authorities
Bodil Marie Otto, deputy chairman of HK/Municipal Authorities
René Nielsen, deputy chairman of the Danish Metalworkers' Union

Members recommended by the Board of Directors:

Anne Mette Barfod, CFO of the Danish Refugee Council
Torben Henning Nielsen, former governor of the Danish central bank

Members elected by the employees:

John Helle, pension adviser
Morten Lundsgaard, digital communications adviser
Majbritt Pedersen, enterprise architect
Annett Schultz, pension adviser
Søren Sperling, project worker

Executive Board

Hasse Jørgensen, CEO

Management team

Hasse Jørgensen, CEO
Søren P. Espersen, Communications and HR Director
Henrik Olejasz Larsen, Chief Investment Officer
Morten Lund Madsen, CFO
Ole B. Tønnesen, Customer Director
Flemming Windfeld, Mathematical Director
Christian Due, Deputy Director, head of the executive secretariat

Chief actuary

Peter Fledelius

Internal audit

Gert Stubkjær, Group Chief Internal Auditor

Independent auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Annual General Meeting

The Annual General Meeting will be held on 19 March 2019 at the company's address.

Directorships

The following sets out the directorships in other companies held by the members of the Board of Directors and the Executive Board of Sampension Livsforsikring A/S. The list does not include directorships in Sampension's wholly-owned subsidiaries.

Board of Directors

Jørn Pedersen, Mayor, Chairman, born 1968

Chairman of the board of directors of Sampension Administrationsselskab A/S
Chairman of the board of directors of IBA, International Business Academy
Member of the board of directors of Foreningen Business Kolding
Member of the board of directors of Kolding Handelsråd
Member of the board of directors of Erhvervsklubben Kolding
Member of the board of directors of Billund Airport A/S
Member of the board of directors of Koldinghallerne A/S
Member of the board of directors of Slotssøbadets Fond

Kim Simonsen, Chairman of HK/Denmark, Deputy Chairman, born 1961

Chairman of the board of directors of Refshaleøen Holding A/S
Chairman of the board of directors of Refshaleøen Ejendomsselskab A/S
Chairman of the board of directors of AKF Holding A/S
Chairman of the board of directors of AKF Invest CPH A/S
Chairman of the board of directors of Fonden LO-skolen Helsingør (including one subsidiary)
Chairman of the board of directors of Kommanditselskabet Christiansminde
Chairman of the board of directors and CEO of ASX7 ApS
Chairman of the board of directors of HK/Denmark A-Kasse
Chairman of the board of directors of HK-Huset A/S
Chairman of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons
Deputy chairman of the board of directors of Sampension Administrationsselskab A/S
Member of the supervisory board and the board of representatives of Arbejdsmarkedets Tillægspension (ATP)
Member of the board of directors of Aktieselskabet Arbejdernes Landsbank
Member of the board of directors of A-Pressen A/S
Member of the board of directors of Copenhagen Business Academy
Member of the board of directors of Fonden for Entreprenørskab - Young Enterprise
Member of the board of directors of Uddannelser i Nordsjælland
Member of the executive committee of the Danish Refugee Council
Member of the general council and the executive committee of Fagbevægelsens Hovedorganisation

Anne Mette Barfod, CFO, Danish Refugee Council, born 1970

Member of the board of directors of Sampension Administrationsselskab A/S
Member of the board of directors of Investeringsforeningen Alm. Brand Invest
Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons

Rita Bundgaard, Deputy Chairman of HK/Government Authorities, born 1960

Member of the board of directors of Sampension Administrationsselskab A/S
Member of the board of directors of AUB (Arbejdsgivernes Uddannelsesbidrag)
Member of the board of directors of Administrationsaktieselskabet Forenede Gruppeliv
Member of the board of directors of Kommanditselskabet Christiansminde

Martin Damm, Mayor, born 1963

Chairman of the board of directors of Kombit A/S
Member of the board of directors of Sampension Administrationsselskab A/S
Member of the board of directors of Kalundborg Forsyning Holding A/S

René Nielsen, Deputy Chairman, Danish Metalworkers' Union, born 1968

Deputy chairman of the Danish Metalworkers' Union
Member of the board of directors of Sampension Administrationsselskab A/S
Member of the board of directors of the unemployment fund of the Danish Metalworkers' Union
Member of the executive committee of the Central Organisation of Industrial Employees in Denmark
Member of the general council of Fagbevægelsens Hovedorganisation

Torben Henning Nielsen, Former Governor of the Danish Central Bank, born 1947

Chairman of the board of directors of Investeringsforeningen Sparinvest
Chairman of the board of directors of Kapitalforeningen Tryg Invest Funds
Chairman of the board of directors of Ny Holmegaard Fonden
Chairman of the board of directors and of the risk committee of Sydbank A/S
Chairman of the board of directors of Vordingborg Borg Fond
Deputy chairman of the board of directors and chairman of the audit committee and the risk committee of Tryg Forsikring A/S
Deputy chairman of the board of directors of Tryg A/S
Member of the board of directors of Sampension Administrationsselskab A/S

Bodil Marie Otto, Deputy Chairman of HK/Municipal Authorities, born 1957

Member of the board of directors of Sampension Administrationsselskab A/S
Member of the board of directors of PKA A/S
Member of the board of directors of Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale (including one subsidiary)
Member of the board of directors of Forbrugsforeningen af 1886
Member of the board of directors of A/S Knudemosen
Member of the board of representatives of Forbrugsforeningen af 1886

Hans Christen Østerby, Mayor, born 1955

Chairman of the board of directors of Midtjyllands Airport a.m.b.a.
Chairman of the board of directors of Sport Event Denmark
Deputy chairman of the board of directors of Holstebro-Struer Havn
Member of the board of directors of Holstebro Udvikling P/S
Member of the board of directors of Holstebro Udvikling Komplementar ApS
Member of the board of directors of Sampension Administrationsselskab A/S
Member of the board of directors of Den Erhvervsdrivende Fond Nupark
Member of the board of directors of Den Erhvervsdrivende Fond Nr. Vosborg
Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons

John Helle, Pension adviser, born 1964

Member of the board of directors of Sampension Administrationsselskab A/S

Morten Lundsgaard, Digital business developer, born 1968

Member of the board of directors of Sampension Administrationsselskab A/S

Majbritt Pedersen, enterprise architect, born 1962

Member of the board of directors of Sampension Administrationsselskab A/S

Annett Schultz, Pension Adviser, born 1963

Member of the board of directors of Sampension Administrationsselskab A/S

Søren Sperling, Project Worker, born 1967

Member of the board of directors of Sampension Administrationsselskab A/S

Executive Board

Hasse Jørgensen, CEO, born 1962

CEO of Sampension Administrationsselskab A/S

CEO of the Architects' Pension Fund

CEO of the Pension Fund for Agricultural Academics and Veterinary Surgeons

Director of Komplementarselskabet Sorte Hest ApS

Member of the board of directors of Refshaleøen Holding A/S

(including one subsidiary)

Member of the board of directors of the Danish Insurance Association

Member of the board of directors of the Danish Finance Society



A photograph of a man with a beard and glasses sitting on a wooden rocking horse in a park. A young child is also sitting on a wooden rocking horse next to him. The background is filled with green trees and foliage.

Financial statements

3

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Group and Parent Company Financial Statements

Note	INCOME STATEMENT DKKm.	GROUP		PARENT	
		2018	2017	2018	2017
2	Gross premiums	9,251	8,784	9,251	8,784
	Ceded insurance premiums	-1	0	-1	0
	Total premiums, net of reinsurance	9,250	8,784	9,250	8,784
	Income from group enterprises	-	-	-553	9,056
	Income from associates	285	-129	56	74
	Income from investment properties and energy plant	258	216	0	0
3	Interest income, dividends etc,	5,078	6,100	3,702	4,013
4	Market value adjustments	-7,660	13,275	-4,694	2,429
	Interest expenses	-120	-94	-39	-16
5	Investment management expenses	-552	-451	-221	-187
	Total investment return	-2,712	18,916	-1,749	15,368
	Tax on pension returns	93	-1,757	93	-1,757
6	Benefits paid	-9,107	-8,646	-9,107	-8,646
	Total insurance benefits, net of reinsurance	-9,107	-8,646	-9,107	-8,646
15,16	Total change in provisions, net of reinsurance	1,441	-13,540	1,441	-13,540
14	Change in surplus capital	154	-7	154	-7
5	Administrative expenses	-172	-170	-172	-170
	Total net operating expenses, net of reinsurance	-172	-170	-172	-170
	Transferred return on investments	964	-3,690	1	-141
	TECHNICAL RESULT	-88	-110	-88	-110
	Investment return on equity	41	129	-1	141
	Minority interests of investment return	-1,005	3,561	-	-
	Other income	38	35	0	0
	Other expenses	-38	-33	0	0
	PROFIT BEFORE TAX	-1,051	3,581	-89	32
7	Tax	-23	7	24	31
	PROFIT FOR THE YEAR	-1,074	3,589	-65	63
	Other comprehensive income				
	Domicile property revaluation	6	44	0	0
	Translation of units outside Denmark	1,500	-4,986	1,500	-4,986
	Translation of units outside Denmark - minority interests share	406	-1,376	-	-
	Tax on pension returns	-176	580	-176	580
	Change in collective bonus potential	-1,319	4,380	-1,319	4,380
7	Tax	15	-5	16	5
	TOTAL OTHER COMPREHENSIVE INCOME	431	-1,363	20	-21
	NET PROFIT FOR THE YEAR	-643	2,226	-45	41
	Minority interests share	599	-2,185	-	-
	PARENT COMPANY'S SHARE OF PROFIT FOR THE YEAR	-45	41	-45	41

Group and Parent Company Financial Statements (Continued)

Note	BALANCE SHEET DKKm.	GROUP		PARENT	
		2018	2017	2018	2017
	ASSETS				
	INTANGIBLE ASSETS	159	148	0	0
8	Equipment	13	9	0	0
9	Domicile property	145	158	0	0
	TOTAL PROPERTY, PLANT AND EQUIPMENT	158	166	0	0
10	Investment properties	4,674	4,022	0	0
	Investment in energy plants	586	696	0	0
	Investments in group enterprises	-	-	23,684	27,940
11	Loans to group enterprises	-	-	1,212	1,478
	Investments in associates	956	1,162	227	225
11	Loans to associates	120	148	92	116
	Total investments in group enterprises and associates	1,077	1,310	25,216	29,760
	Investments	31,289	36,986	3,700	4,775
	Units in mutual funds	541	211	293	211
	Bonds	93,308	85,145	92,434	83,697
	Loans secured by mortgage	323	391	323	391
12	Derivative financial instruments	37,348	41,643	37,348	41,643
	Deposits with credit institutions	5,067	7,108	4,653	7,107
	Total other financial investment assets	167,876	171,484	138,751	137,825
	TOTAL INVESTMENT ASSETS	174,213	177,512	163,967	167,584
13	INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	91,688	90,977	87,883	89,140
	Total receivables arising from direct and indirect insurance contracts	317	362	317	362
	Receivables from group enterprises	-	-	2,402	1,141
	Other receivables	681	292	73	95
	TOTAL RECEIVABLES	998	654	2,792	1,598
	Current tax assets	22	17	13	14
7	Deferred tax assets	119	95	0	0
	Cash and cash equivalents	1,774	2,535	2,072	2,331
	Other	1,384	1,356	1,289	1,207
	TOTAL OTHER ASSETS	3,298	4,003	3,375	3,553
	Interest and rent receivable	4,088	3,988	4,024	3,923
	Other prepayments	284	255	241	226
	TOTAL PREPAYMENTS	4,372	4,243	4,266	4,149
	TOTAL ASSETS	274,886	277,704	262,283	266,023

Note	BALANCE SHEET DKKm.	GROUP		PARENT	
		2018	2017	2018	2017
	EQUITY AND LIABILITIES				
	Share capital	1	1	1	1
	Other reserves	179	155	93	73
	Total reserves	179	155	93	73
	Retained earnings	3,391	3,460	3,477	3,542
	Minority interests	10,426	11,568	-	-
	TOTAL EQUITY	13,998	15,184	3,571	3,616
14	Surplus capital	4,311	4,465	4,311	4,465
	TOTAL SUBORDINATED LOAN CAPITAL	4,311	4,465	4,311	4,465
15	Provisions for average-rate products	109,785	111,790	109,785	111,790
16	Provisions for unit-linked contracts	84,722	82,740	84,722	82,740
	TOTAL PROVISIONS FOR INSURANCE AND INVESTEMENT CONTRACTS	194,507	194,530	194,507	194,530
7	Deferred tax liabilities	202	198	0	0
	Other provisions	27	22	0	0
	TOTAL PROVISIONS FOR LIABILITIES	229	221	0	0
	Payables arising from reinsurance operations	62	61	62	61
17	Payables to credit institutions	26,471	24,007	24,388	23,126
	Payables to group enterprises	-	-	711	2,566
	Current tax liabilities	3	1	0	0
18	Other debt	35,081	38,961	34,569	37,452
	TOTAL DEBT	61,617	63,030	59,731	63,205
	TOTAL DEFERRED INCOME	224	274	162	207
	TOTAL EQUITY AND LIABILITIES	274,886	277,704	262,283	266,023

1 ACCOUNTING POLICIES

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27 RISK MANAGEMENT

Statement of changes in equity

DKKm.	Share capital	Currency translation adjustments	Domicile	Retained earnings	Minority interests	Total
PARENT COMPANY						
Equity at 1 January 2017	1	95	0	3,480	0	3,575
Profit for the year	-	-	-	63	-	63
Other comprehensive income	-	-21	-	-	-	-21
Equity at 31 December 2017	1	73	0	3,542	0	3,616
Profit for the year	-	-	-	-65	-	-65
Other comprehensive income	-	20	-	-	-	20
Equity at 31 December 2018	1	93	0	3,477	0	3,571
GROUP						
Equity at 1 January 2017	1	94	48	3,432	985	4,559
Profit for the year	-	-	-	28	3,561	3,588
Other comprehensive income	-	-21	35	-	-1,376	-1,363
Minority interests shares - disposals	-	-	-	-	8,398	8,399
Equity at 31 December 2017	1	72	82	3,460	11,568	15,184
Profit for the year	-	-	-	-70	-1,005	-1,075
Other comprehensive income	-	20	4	-	406	431
Minority interests shares - additions	-	-	-	-	-543	-543
Equity at 31 December 2018	1	92	87	3,391	10,426	13,998
Capital base					31.12.2018	31.12.2017
Equity					3,571	3,616
Surplus capital					4,311	4,465
Intangible assets in group enterprises					-159	-148
Total					7,723	7,934

Notes to the financial statements

1 Accounting policies

GENERAL INFORMATION

The Annual Report of the Group and the parent company has been prepared in accordance with the Danish Financial Business Act and the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds (the Executive Order on Financial Reports).

In 2019, a number of amendments to the Executive Order on Financial Reports will take effect that may be implemented early in full or in part in 2018. Accordingly, the solvency coverage ratio will no longer be disclosed in note 26 to the financial statements, but only in the Management's review. Moreover, sensitivity information will be disclosed in the Management's review in accordance with section 126 of the Executive Order on Financial Reports.

Other than as set out above, the accounting policies and estimates are consistent with those applied last year.

Distribution of realised result (contribution principle)

The following rules on the calculation and distribution of results between equity, bonus capital and policyholders have been reported to the Danish FSA:

A proportionate share of the return for the year on the investment portfolio is allocated to equity and excess capital (total capital) less the proportion deriving from the interest rate hedge portfolios. In addition, the profit or loss from Sampension Liv's business in Forenede Gruppeliv is allocated to total capital.

For guaranteed benefit average-rate contracts, an amount (risk premium) representing 0.5% of the proportion of pension savings with a basic rate of interest of at least 4.25% plus an amount representing 0.24% of the proportion

with a basic rate of interest of less than 4.25% are allocated to total capital.

No amount is allocated to total capital for non-guaranteed contracts or for expense and risk groups. The rest is allocated to the policyholders, equalling the realised results for the year, calculated in accordance with the Executive Order on the Contribution Principle, less the calculated amount allocated to total capital.

Recognition and measurement

In the income statement, all income is recognised as earned, and all expenses are recognised as incurred. All gains and losses, value adjustments, amortisation, depreciation, impairment losses as well as reversals of amounts previously recognised in the income statement are recognised in the income statement. Foreign exchange adjustments as a result of translation from functional currency to presentation currency are recognised in other comprehensive income. Unrealised revaluations of domicile properties are also recognised in other comprehensive income. Amounts recognised in other comprehensive income are adjusted for the tax effect.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when an outflow of economic benefits from the company is probable and the value of the liability can be reliably measured.

Financial instruments and derivative financial instruments are recognised at the trading date.

Sampension Liv does not offset financial assets and financial liabilities with the same counterparty despite being allowed to do so as the disposal of the asset and the settlement of the liability do not happen concurrently.

On initial recognition, assets and liabilities are measured at cost, which is equal to fair value. Subsequently, assets and liabilities are generally measured at fair value. Further details are provided under the individual items.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

The measurement currency is Danish kroner. All other currencies are foreign currencies.

Uncertainty in recognition and measurement

In preparing the consolidated and the parent company financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities. The areas in which management's estimates and judgments have the most material effect on the consolidated and the parent company financial statements are provisions for insurance and investment contracts and the fair value of non-marketable assets, such as unlisted financial instruments, real estate, etc.

The valuation of provisions for insurance and investment contracts is subject to particular uncertainty in respect of the recognised expected future life expectancy trend, determined as the Danish FSA's benchmark.

The pricing of non-marketable assets is subject to more uncertainty than the pricing of marketable assets. In addition to the uncertainty related to fair value, as explained in the section on risk management, there is a risk that large volumes of non-marketable assets cannot be sold over a short period of time at the same prices as smaller volumes can.

Notes to the Financial Statements (continued)

However, in practice, Sampension Liv is not subject to any notable risk of having to sell non-marketable assets on unfavourable terms. The value of marketable assets exceeds the annual payment obligations by a substantial margin.

The valuation of investments at the end of the year is based on information from relevant companies, funds and managers available at the preparation of the financial statements. This information mainly pertains to underlying valuations made before the end of the year. Any fair value changes in the period from the date of the received unaudited information to the preparation of this annual report are a source of uncertainty.

The estimates and judgments are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete, and unexpected future events or circumstances may arise.

Corporate information and consolidation policies

Group enterprises are included in the consolidation. The consolidated financial statements are prepared on the basis of the financial statements or other reporting of all consolidated enterprises, restated to the accounting policies applied by the Group.

Consolidation was made by adding items of a uniform nature line by line and by eliminating intra-group balances as well as intra-group income and expenses.

Investments in group enterprises are set off against the parent company's share of the equity value of each group enterprise at the year-end date.

Newly acquired or divested group enterprises are recognised in the consolidated financial statements from the date of acquisition or until the date of divestment, respectively.

Non-controlling interests

Investments in group enterprises that are not wholly owned are recognised in full in the consolidated financial statements. Non-controlling interests are presented in separate lines in connection with the income statements and as part of equity.

Intra-group transactions

Intra-group transactions are made in writing and settled on market terms.

INCOME STATEMENT

Technical result

Premiums, net of reinsurance

Premium income relates to insurance and investment contracts with bonus entitlement made as part of an employment contract as well as reinsurance contracts relating to local governments' obligations to civil servants. Premium income covers premiums and contributions for the year. Premium income is stated net of social security contributions and reinsurance premiums.

Forenede Gruppeliv

Sampension Liv's group life insurance is managed by Forenede Gruppeliv (FG). FG's annual report is included in the relevant items of the annual report on a pro-rata basis.

The item Premiums, net of reinsurance comprises Sampension Liv's share of gross premiums. The item Insurance benefits, net of reinsurance comprises Sampension Liv's share of benefits paid and group life bonuses paid to the owner companies. Group life bonuses are the risk surplus after payment of costs such as administrative expenses and catastrophe risk costs.

Return on investments

Income from investments in group enterprises and associates

Income from investments in group enterprises and associates covers the Group's and the company's proportionate share of total profit after tax, restated to the accounting policies applied by the Group.

Group enterprises are fully recognised in the consolidated financial statements, and non-controlling interests are presented in separate lines in connection with the income statements and as part of equity.

Income from investment property and energy plants

The item covers income from management of investment property and energy plants net of management costs, but before deduction of mortgage interest.

Interest income and dividends, etc.

The item covers interest for the year from financial investment assets and cash and cash equivalents, indexation of index-linked bonds and dividends on equity investments, including equities and investment funds. Interest income from loans to group enterprises is also included.

Market value adjustments

The item covers realised and unrealised net gains/losses on investment assets, including foreign exchange adjustments except for gains and losses relating to group enterprises and associates.

Foreign exchange adjustments comprise value adjustments related to exchange differences arising on translation of foreign currencies into Danish kroner.

Foreign currency assets and liabilities, including assets and liabilities in foreign group enterprises, are translated into Danish kroner at the closing exchange rates at the balance sheet date. Transactions during the year are translated

using the exchange rates at the date of transaction, and realised and unrealised foreign exchange gains and losses are recognised in the income statement. Profits/losses from group enterprises are translated at average exchange rates. Foreign exchange adjustments as a result of translation from functional currency to presentation currency are recognised in other comprehensive income.

Interest expenses

The item Interest expenses mainly covers interest expenses relating to investment activity and mortgage interest for the financial year.

Investment management charges

The item comprises management fees, deposit fees, front-end fees and performance fees in relation to funds as well as securities trading costs.

Costs relating to funds etc. are recognised to the extent that information thereon has been received.

Tax on pension returns

Tax on pension returns consists of both individual and non-allocated tax on pension returns.

Individual tax on pension returns is computed on the basis of the return allocated to policyholders' pension accounts, with due consideration for any exempt values.

The non-allocated tax on pension returns is computed on the basis of the difference between policyholders' share of the investment return for the year and returns allocated to policyholder pension accounts, with due consideration for any exempt values.

The part of the tax on pension returns for the year attributable to profit or loss for the year is recognised in the income statement and the part attributable to other comprehensive income is recognised in the statement of other comprehensive income.

Insurance benefits, net of reinsurance

Insurance benefits, net of reinsurance, comprise benefits paid in respect of direct or indirect insurance less reinsurance cover received. Insurance benefits also include cash group life bonuses. Change in provisions, net of reinsurance The item comprises the change for the year in provisions relating to average-rate products as well as market-rate products.

Change in excess capital

The item comprises the reserve for the year on transfer from equity to individual special bonus provisions (bonus capital), bonus capital paid out to policyholders and the share of investment return and a payment attributable to the bonus capital in accordance with the contribution principle, less tax on pension returns.

Operating expenses, net of reinsurance

Operating expenses for the parent company comprise an administrative fee in accordance with the management contract with the subsidiary Sampension Administrationsselskab A/S and direct expenses incurred. Administrative expenses are divided into insurance business and investment business. The Group's administrative expenses comprise depreciation and amortisation for the financial year on property, plant and equipment and intangible assets.

Transferred return on investment

The technical result is stated net of transferred return on investments, which constitutes the investment return attributable to equity and to non-controlling interests.

Other income

Other income comprises income from administrative services for other enterprises and other income not attributable to the company's insurance business.

Other expenses

Other expenses comprise expenses related to administrative services for other enterprises and other expenses not attributable to the company's insurance business.

Tax

Sampension Livsforsikring A/S acts as a management company in relation to income tax payments to the tax authorities.

The company is taxed jointly with the Danish subsidiaries of which it has exercised control during the financial year. Income tax is fully absorbed within the Group. Accordingly, the company is charged for utilising any negative taxable income from jointly taxed companies and is reimbursed for any tax losses in the company utilised by jointly taxed companies. The charge or reimbursement, as the case may be, corresponds to the value of the utilised tax loss. The taxable income of wholly owned real estate subsidiaries is considered part of Sampension Livsforsikring A/S' taxable income. The total income tax payable on the Danish subsidiaries' tax base is recognised and paid by Sampension Livsforsikring A/S.

Income tax regarding entities not included in the Danish joint taxation is calculated on the basis of the tax rules in the respective countries.

Tax on the profit for the year comprises tax calculated on the taxable income for the year and adjustment of deferred tax. Current tax is calculated on the profit for the year before tax, adjusted for non-taxable income and non-deductible expenses. The part of the tax for the year attributable to profit or loss for the year is recognised in the income statement, and the part attributable to other comprehensive income is recognised in the statement of other comprehensive income.

Notes to the Financial Statements (continued)

The jointly taxed companies are taxed under the Danish tax prepayment scheme. In its capacity as management company, Sampension Livsforsikring A/S is jointly and severally liable with the jointly-taxed companies for any part of income tax, tax paid on account and residual tax plus any surcharges or interest relating to individual companies.

OTHER COMPREHENSIVE INCOME

Other comprehensive income is set out separately below the income statement. Other comprehensive income comprises items recognised directly in equity through Other comprehensive income.

Non-controlling interests

Non-controlling shareholders' proportionate share of the total profit or loss is stated below the income statement and other comprehensive income.

BALANCE SHEET

Intangible assets

IT development projects which are clearly defined and identifiable, where the level of technical utilisation, sufficient resources and a potential future business opportunity for the company can be demonstrated and where the intention is to use the results of the project, are recognised as intangible assets where there is sufficient certainty that the value in use of future earnings covers not only administrative expenses but also actual development costs.

On recognition, IT development projects are measured at cost. Cost comprises costs directly associated with the acquisition up until the time when the asset is ready for use, i.e. costs of materials, components, subcontractors, direct payroll costs and fixed functional costs. Development costs that do not meet the criteria for recognition in the balance

sheet are expensed in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment losses and the recoverable amount. On completion, capitalised development costs are amortised on a straight-line basis over the period in which it is expected to generate economic benefits, not exceeding five years, however.

Property, plant and equipment

Equipment

Operating equipment is measured at cost less accumulated depreciation and impairment.

Cost comprises the acquisition price and costs directly associated with the acquisition up until the time when the asset is ready for use.

Equipment and IT systems are depreciated on a straight-line basis over 2-5 years. Any residual value is determined based on an estimated selling price at the expected date of disposal or replacement.

The Group only has operating leases. Payments in connection with operating leases and other leases are recognised in the income statement over the lease term. Total liabilities with respect to leases and rental agreements are disclosed in the note on contingent liabilities.

Domicile property

The domicile property is the office building occupied by Sampension Ad-ministrationsselskab A/S. The domicile property is measured at a revalued amount less accumulated depreciation and impairment losses. The revalued amount is calculated according to the Discounted Cash Flow (DCF) method on the basis of the expected income and expenses on the property for a 10-year budget period. Any increases in revalued

amounts are recognised in other comprehensive income, unless the increase offsets a decrease in value previously recognised in the income statement. Any decreases in revalued amounts are recognised in the income statement, unless the decrease offsets an increase in value previously recognised in other comprehensive income. Depreciation is recognised in the income statement.

The domicile property is depreciated on a straight-line basis over 40 years, assuming a residual value of 75% of cost.

Investment assets

Investment property

Danish and foreign investment properties are measured at a calculated fair value in accordance with the Danish FSA's Executive Order. The fair value is determined according to the Discounted Cash Flow (DCF) method on the basis of the expected income and expenses for a typical 10-year budget period or until cash flows have stabilised.

In connection with acquisitions or disposals of property, the additions or disposals are recognised at the date of the agreement.

Investments in energy plants

Energy plants in Denmark and abroad are measured at a calculated fair value in accordance with the Discounted Cash Flow method based on expected income and expenses over the expected useful life of the plant, which is up to 25 years. Changes in fair value are recognised in market value adjustments in the income statement.

In connection with acquisitions or disposals of energy plants, the additions or disposals are recognised at the date of the agreement.

Investments in group enterprises

Enterprises in which Sampension Livsforsikring A/S exercises control are recognised as group enterprises. Enterpris-

es in which the Group holds more than 50% of the voting rights are generally classified as group enterprises. However, the determining factor is whether the ownership interest provides real influence, as measured individually for each enterprise by the ability to influence activities, management structures, financial decisions and risk factors.

Investments in group enterprises are measured at the proportionate share of the equity value in accordance with the most recent annual reports or other reporting of the enterprises, restated to the Group's accounting policies.

Investments in group enterprises that are not wholly owned by Sampension Livsforsikring A/S are recognised in full in the consolidated financial statements. Non-controlling interests are presented in separate lines in connection with the income statements and as part of equity.

Loans to group enterprises

Intra-group loans are made in writing and on an arm's length basis. Intra-group loans are measured at an estimated fair value at the balance sheet date.

Investments in associates

Enterprises in which the Sampension Group exercises significant influence but not control are recognised as associates. Enterprises in which the Group holds between 20% and 50% of the voting rights are generally classified as associates. However, the determining factor is whether the ownership interest provides real influence, as measured individually for each enterprise by the ability to influence activities, management structures, financial decisions and risk factors.

Investments in associates are measured at the proportionate share of the equity value in accordance with the most recent annual reports of the enterprises or in accordance with later interim financial statements, if available. Allowance is

also made for subsequent capital increases, capital reductions or dividends up to the reporting date.

Loans to associates

Loans to associates are made in writing and on an arm's length basis. Loans are measured at an estimated fair value at the balance sheet date. Value adjustments are made through profit or loss under Market value adjustments. Investments and units in mutual funds Listed investments and units in mutual funds are measured at fair value at the balance sheet date (closing price). Unlisted investments and units in mutual funds are measured at an estimated fair value.

Bonds

Listed bonds are measured at fair value at the balance sheet date (closing price), or, in the absence of a closing price, another public price deemed to be most similar thereto. In respect of listed bonds which have not been traded for a period of time, specific prices are sourced from banks or are determined at a fair value calculated using generally accepted valuation methods based on estimates of relevant market conditions and risk of losses. Unlisted bonds are measured at an estimated fair value using generally accepted valuation methods. The fair value of drawn bonds is measured at present value.

Loans secured by mortgage

Loans secured by mortgage are measured at fair value at the balance sheet date. Value adjustments are made through profit or loss under Market value adjustments.

Derivative financial instruments

Derivative financial instruments are measured at fair value at the balance sheet date. Value adjustments are made through profit or loss under Market value adjustments.

Deposits with credit institutions

Deposits with credit institutions consist

of fixed-term deposits and are measured at fair value.

Investment assets related to market-rate products

Investment assets related to market-rate products are measured according to the accounting policy described above for the company's investment assets and are specified in a note to this balance sheet item.

Receivables

Receivables are measured at nominal value less provision for bad debts. Provision for bad debts is made according to an individual assessment of each receivable.

Other assets

Current tax assets

Current tax assets relate to tax paid on account and is measured at nominal value.

Deferred tax assets

Deferred tax is recognised based on temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets, including the tax base of tax loss carry-forwards, are measured in accordance with the tax rules in force and at the tax rate expected to apply when the deferred tax is expected to be used, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. Deferred tax assets arising from unused tax losses are recognised to the extent that it is probable that such losses can be offset against taxable income in the following financial year.

Cash and cash equivalents

Cash and cash equivalents consist of deposits with credit institutions. Cash and cash equivalents are measured at fair value.

Other

The item Other includes bonus adjust-

Notes to the Financial Statements (continued)

ment accounts regarding group life schemes, among other things.

Prepayments

Prepayments comprise interest and rent receivable and costs incurred relating to subsequent financial years. Prepayments are measured at amortised cost, which usually corresponds to nominal value.

Equity

Other reserves

Other reserves comprise reserves for foreign exchange adjustments as a result of translation from functional currency to presentation currency and for unrealised value adjustments of the domicile property. Adjustments are made for taxes.

Non-controlling interests

The item comprises the share of equity attributable to non-controlling interests.

Subordinated loan capital

Excess capital

Excess capital comprises individual special bonus provisions (bonus capital). Excess capital accrues interest at the same rate as equity and is included in total capital to cover the solvency capital requirement.

Provisions for insurance and investment contracts

Provisions for average-rate products

Average-rate products comprise insurance contracts, investment contracts with bonus entitlement and reinsurance contracts. Insurance contracts and investment contracts with bonus entitlement are classified as direct insurance, while reinsurance contracts are classified as indirect insurance.

The provisions are measured at market value according to the principles reported to the Danish FSA. The provisions are computed applying the risk-free yield

curve including volatility adjustment published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto. The computation furthermore applies assumptions of mortality, disability, conversions into paid-up policies, surrenders and retirement age determined from the company's past experience and an estimate of future improvements in life expectancy defined as the Danish FSA's benchmark.

Guaranteed benefit policies – direct and indirect insurance.

Guaranteed benefits comprise obligations to pay benefits on the part of the portfolio with guaranteed benefits. Guaranteed benefits are calculated as the present value of the benefits guaranteed by the insurance policy plus the present value of the expected future insurance administration costs and less the present value of the agreed future premiums.

Non-guaranteed benefit policies – direct insurance.

The bonus potential of non-guaranteed benefits comprises the company's direct policies with average-rate products without guaranteed benefits and is calculated as the value of agreed benefits. The value is determined using the same method as is applied for guaranteed benefits.

Individual bonus potential

Individual bonus potential comprises obligations to pay bonuses. Individual bonus potential is calculated as the value of policyholders' savings less the guaranteed benefits or the bonus potential of non-guaranteed benefits. The policyholders' share of a decline in the value of the assets is recognised mainly by reducing the collective bonus potential, see below. If the collective bonus potential is insufficient to absorb such decline in the value of the assets, the individual bonus potential is reduced in accordance with the company's reported profit allocation rules.

Collective bonus potential

The collective bonus potential comprises the policyholders' share of the realised results not yet allocated to individual policyholders according to the contribution principle.

Group life insurance

Provisions relating to group life insurance comprise Sampension Liv's share of provisions in Forenede Gruppeliv. The value is determined using the same method as is applied for other average-rate products.

Profit margin

The profit margin is the net present value of expected future profit in the remaining contract periods of the insurance contracts entered into by the company. The profit margin on life insurance contracts is nil, as all profit is allocated to policyholders.

Risk margin

A risk margin is added to the provisions for the portfolio of guaranteed schemes and non-guaranteed direct insurance. The risk margin is the amount expected to be payable to another insurance company to assume the risk of the cost of settling the portfolio of insurance and investment contracts deviating from the calculated net present value of expected future cash flows. The risk margin is calculated according to the Cost of Capital method.

Non-guaranteed benefit policies – indirect insurance.

Provisions for indirect policies without guaranteed benefits are calculated as the sum of the pension accounts relating to employers having chosen this reinsurance model. If undistributed funds relating to these policies are negative, the provisions are reduced by a corresponding amount.

Provisions for market-rate products

Provisions for market-rate products are calculated as the market value of the corresponding assets.

Provisions

Provisions are recognised when, as a consequence of an event occurring before or at the balance sheet date, the company has a legal or constructive obligation, and it is probable that economic benefits will flow from the company to meet the obligation.

Deferred tax liabilities

Deferred tax is recognised based on temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax liabilities are measured using applicable tax rules and the tax rate expected to apply when the temporary differences are expected to crystallise as current tax.

Other provisions

Statutory provisions pursuant to the Danish Lease and Housing Regulation Act are made in the balance sheet and expensed in the income statement. Actual costs incurred during the financial year are recognised directly in the provision accounts recognised in the balance sheet, and any additional expenditure is recognised in the income statement.

Liabilities

Payables to credit institutions

Payables to credit institutions include debt relating to repo transactions. Repo transactions, i.e. securities sold with a simultaneous repurchase agreement, are recognised in the balance sheet as if the securities remained part of the portfolio. The consideration received is recognised as payables to credit institutions and measured at fair value.

Payables to credit institutions regarding investments in real estate and energy plants are initially recognised at the proceeds received net of transaction costs incurred. Subsequently, the financial liabilities are measured at fair value. The value adjustment is recognised in the income statement.

Other payables

Other payables, which include debt related to direct insurance, deposits received, current tax liabilities and payables to group enterprises and associates, are measured at amortised cost, which usually corresponds to the nominal value.

Other debt

Other debt, comprising debt related to purchases of bonds as a result of trades with long value dates and derivative financial instruments, is measured at fair value.

The item also comprises holiday allowance obligations and other provisions for employee benefits. The obligations are measured at amortised cost, which usually corresponds to nominal value. If the expected term is more than 12 months after the balance sheet date, the provisions are discounted to present value.

Deferred income

Deferred income comprises payments received relating to income in subsequent financial years. Deferred income is measured at amortised cost, which usually corresponds to nominal value.

FINANCIAL HIGHLIGHTS

The company's financial highlights are prepared in accordance with the provisions of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds. For additional information, see Definitions of financial ratios on page 65. Financial highlights are not prepared for the Group as it comprises one life insurance company only.

Notes to the Financial Statements (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
2	Gross premiums				
	Regular premiums	4,605	4,564	4,605	4,564
	Group life contracts	2,478	2,403	2,478	2,403
	Single premiums	1,466	1,156	1,466	1,156
	Premiums, direct insurance	8,549	8,123	8,549	8,123
	Premiums, indirect insurance	702	661	702	661
	Total gross premiums	9,251	8,784	9,251	8,784
	Premiums, direct insurance, broken down by insurance arrangement:				
	Insurance contracts written in connection with employment	6,071	5,720	6,071	5,720
	Group life contracts	2,478	2,403	2,478	2,403
	Total	8,549	8,123	8,549	8,123
	Premiums with profits insurance	3,067	3,246	3,067	3,246
	Unit-linked contracts	5,482	4,877	5,482	4,877
	Total	8,549	8,123	8,549	8,123
	Premium by policyholder's address				
	Denmark	8,522	8,095	8,522	8,095
	Other EU-countries	24	26	24	26
	Other countries	3	2	3	2
	Total	8,549	8,123	8,549	8,123
	Number of policyholders with insurance and investment contracts written as part of their employment (thousands)	278	275	278	275
	Of this number of unit-linked contracts (thousands)	189	183	189	183
	Number of group life insurances (thousands)	714	710	714	710
3	Interest income and dividends etc,				
	Dividends from investments	1,512	1,713	248	277
	Dividends from units in mutual funds	63	3	63	3
	Interest from bonds	2,034	2,721	1,892	2,056
	Interest on loans secured by mortgage	20	20	20	20
	Interest from group enterprises	-	-	61	56
	Other interest income	48	85	18	42
	Indexation	328	163	328	163
	Interest rate hedging instruments	1,073	1,396	1,073	1,396
	Total interest income, dividends, etc,	5,078	6,100	3,702	4,013
4	Market value adjustments				
	Investment properties and energy plants	814	476	0	0
	Investments	-4,420	11,223	-655	248
	Units in mutual funds	-105	26	-103	26
	Bonds	-505	-1,702	-525	-1,052
	Loans secured by mortgage	-8	-1	-8	-1
	Derivative financial instruments	-3,446	3,444	-3,404	3,373
	Cash and demand deposit	27	-159	25	-159
	Other	-17	-33	-23	-7
	Total value adjustments	-7,660	13,275	-4,694	2,429

Note	DKKm.	GROUP 2018	GROUP 2017
5	Administrative expenses		
	All staff are employed with and paid by Sampension Administrationsselskab A/S, which the parent company has concluded a management agreement with. The CEO, the chief actuary and control function staff are also employed with the parent company. Administrative expenses re. insurance and investment activities include the following staff costs:		
	Staff salaries	-214	-198
	Staff pensions	-37	-33
	Other social security costs	-1	-1
	Payroll tax etc.	-35	-33
	Total staff costs	-286	-264
	Average number of full-time employees	289	271

Remuneration to the Executive Board, the Board of Directors and to material risk taker

Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests to the units that form a part of and are owners of the joint management company Sampension Administrationsselskab A/S. Sampension KP Livsforsikring A/S has a 94% ownership interest in Sampension Administrationsselskab A/S.

	No. of people	Salary including pension	No. of people	Salary including pension
Executive Board	1		1	
Hasse Jørgensen		-5.55		-5.22
Board of Directors	15		15	
Jørn Pedersen (joined 16.04.2018)		-0.24		-
Anker Boye (resigned 16.04.2018)		-0.08		-0.31
Kim Simonsen		-0.27		-0.27
Anne Mette Barfod (joined 28.06.2017)		-0.19		-0.09
Erik Bisgaard Madsen (Sampension administrationsselskab A/S)		-0.12		-0.12
Rita Bundgaard		-0.12		-0.12
Martin Damm (joined 16.04.2018)		-0.09		-
Anne Louise Eberhard (resigned 21.03.2017)		-		-0.04
Henrik Kjærgaard (resigned 26.01.2018)		-		-0.12
René Nielsen (joined 26.01.2018)		-0.12		-
Torben Henning Nielsen		-0.23		-0.22
Bodil Marie Otto		-0.12		-0.12
Johnny Søtrup (resigned 16.04.2018)		-0.03		-0.12
Hans Christen Østerby		-0.12		-0.12
Christian Dorow (resigned 16.04.2018)		-0.03		-0.12
John Helle		-0.12		-0.12
Bjørn Kroghsbo (resigned 16.04.2018)		-0.03		-0.12
Morten Lundsgaard		-0.12		-0.12
Majbritt Pedersen		-0.12		-0.12
Anett Schultz (joined 16.04.2018)		-0.09		-
Søren Sperling (joined 16.04.2018)		-0.09		-
Employees whose activities have a material impact on the company's risk profile *)	8	-13.67	7	-12.87

*) Information about variable salaries, including information about the breakdown of variable salaries on granted, paid out and deferred amounts and on the breakdown on cash and subordinated debt has been left out, as it would otherwise reveal salary information pertaining to specific individuals.

No special incentive programmes have been set up for management, nor has variable remuneration been paid. No pension commitments other than regular pension contributions are included in the above-mentioned costs.

No sign-on bonuses or severance payments have been made to members of the Executive Board, Board of Directors or to employees whose activities have a material impact on the company's risk profile.

In accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies, the company has disclosed certain information regarding its remuneration policy etc. Such information is provided on the company's website sampension.dk/loenpolitik

Note 5 continued on next page.

Notes to the Financial Statements (continued)

Note 5 (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
	Remuneration for auditors elected by the Annual General Meeting PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab				
	Statutory audit	-2.99	-2.80	-0.54	-0.64
	Assurance engagements	-0.10	-0.11	-0.07	-0.09
	Tax advice	-0.56	-0.09	-0.15	-0.09
	Other services	-1.22	-1.27	-0.03	-0.02
		-4.87	-4.26	-0.79	-0.84

In addition to the stated remuneration, costs were also incurred for the Group's internal auditing.

In addition to the statutory audit of the consolidated and parent company financial statements and other statutory assurance engagements, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, including its network companies, has provided assistance by way of a review of interim balance sheets for group enterprises, custodian services for group enterprises, assistance in the digital filing of annual reports of certain group enterprises as well as training courses, general accounting advice and tax opinions in connection with investments. PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has also provided tax and VAT advisory services, performed a tax review of statements of income, provided project assistance in connection with the Group's takeover of the management activities of ISP Pension and prepared an evaluation report concerning Sampension's IT environment.

6	Benefits paid				
	Insurance sums payable in the event of death	-284	-308	-284	-308
	Insurance sums payable in the event of critical illness	-245	-238	-245	-238
	Insurance sums payable in the event of disability	-52	-56	-52	-56
	Insurance sums payable in the event of maturity	-85	-92	-85	-92
	Retirement and annuity benefits	-3,057	-2,834	-3,057	-2,834
	Payment at surrender etc.	-1,597	-1,588	-1,597	-1,588
	Bonuses paid in cash	-1,929	-1,713	-1,929	-1,713
	Benefits paid, direct insurance	-7,247	-6,830	-7,247	-6,830
	Benefits paid, indirect insurance	-1,859	-1,816	-1,859	-1,816
	Total benefits paid	-9,107	-8,646	-9,107	-8,646
7	Tax				
	Current corporation tax	-35	-13	0	1
	Change in deferred tax, ordinary	65	9	29	-9
	Adjustment relating to previous years, current tax	5	-6	5	-6
	Adjustment relating to previous years, deferred tax	-15	-18	-5	17
	Other taxes paid etc.	-38	43	0	37
	Write-down of deferred tax asset	-5	-8	-5	-8
	Total tax income statement	-23	7	24	31
	Tax on other comprehensive income can be broken down as follows				
	Domicile property revaluation	-1	-10	-	-
	Translation of units outside Denmark	-313	1,096	-313	1,096
	Tax on pension returns	39	-128	39	-128
	Change in collective bonus potential	290	-964	290	-964
	Tax, other comprehensive income	15	-5	16	5
	Tax reconciliation				
	Profit before tax	-1,051	3,581	-89	32
	Other comprehensive income before tax	416	-1,357	4	-26
	Calculated tax, 22.0%	140	-489	19	-1
	Non-taxable income and non-deductible expenses	-95	481	4	-2
	Other	-38	43	23	37
	Prior-year adjustment	-10	-25	-1	10
	Write-down of deferred tax asset	-5	-8	-5	-8
		-8	3	40	36

Note 7 (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
	Tax provisions				
	Land and buildings	-76	-72	-66	-40
	Energy plants	-126	-127	0	0
	Taxation of tax on pension returns	-140	-134	-140	-134
	IT assets	52	44	0	0
	Other assets	1	3	0	0
	Tax loss carry-forward	1,235	1,206	1,235	1,197
	Write-down of deferred tax asset	-1,029	-1,024	-1,029	-1,024
	Total tax provisions	-83	-104	0	0
	Deferred tax asset	119	95	0	0
	Deferred tax liability	-202	-198	0	0
8	Equipment				
	Cost at 1 January	33	29	0	0
	Additions during the year, including improvements	6	5	0	0
	Disposals during the year	-16	0	0	0
	Cost at 31 December	22	33	0	0
	Write downs and depreciation at 1 January	-24	-24	0	0
	Depreciation for the year	-1	-1	0	0
	Reversal of previous depreciation	16	0	0	0
	Write downs and depreciation at 31 December	-9	-24	0	0
	Carrying value at 31 December	13	9	0	0
9	Domicile property				
	Cost at 1 January	287	287	0	0
	Cost at 31 December	287	287	0	0
	Revaluation at 1 January	104	62	0	0
	Correction previous years	0	-2	0	0
	Revaluation for the year recognised in other comprehensive income	6	44	0	0
	Revaluation at 31 December	110	104	0	0
	Depreciation at 1 January	-24	-24	0	0
	Correction previous years	0	2	0	0
	Depreciation for the year	-2	-2	0	0
	Depreciation at 31 December	-26	-24	0	0
	Revaluated value at 31 December	371	367	0	0
	Fair value included in the item Domicile property	145	158	0	0
	Fair value included in the item Investment assets related to unit-linked contracts, see note 13	226	210	0	0
	Valuation reports from external experts have been obtained.				
	Rates of return applied to assess the market value of the property	4.40	4.72	-	-

Notes to the Financial Statements (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
10	Investeringsejendomme				
	Cost at 1 January	8,283	6,577	0	0
	Correction previous years	13	11	0	0
	Additions during the year, including improvements	3,128	1,696	0	0
	Disposals during the year	-1,433	-1	0	0
	Cost at 31 December	9,992	8,283	0	0
	Revaluation at 1 January	1,821	1,414	0	0
	Correction previous years	78	-13	0	0
	Exchange rate adjustment	4	-35	0	0
	Revaluation for the year	901	457	0	0
	Reversal of previous revaluation	-98	-2	0	0
	Revaluation at 31 December	2,706	1,821	0	0
	Write-downs at 1 January	-743	-631	0	0
	Correction previous years	0	13	0	0
	Exchange rate adjustment	-8	-136	0	0
	Write-downs during the year	-82	-30	0	0
	Reversed write-downs	80	40	0	0
	Write-downs at 31 December	-753	-743	0	0
	Fair value at 31 December	11,945	9,361	0	0
	Fair value included in the item Investment properties	4,674	4,022	0	0
	Fair value included in the item Investment assets related to unit-linked contracts, see note 13	7,271	5,338	0	0
	Valuation reports from external experts have been obtained for most properties.				
	Average rates of return applied to assess the market value each type of properties:				
	Residential property	2.79	3.31	-	-
	Residential property for the elderly	4.86	4.67	-	-
	Commercial property	6.15	5.88	-	-
	Youth housing	3.79	4.44	-	-
	Mixed property	5.42	6.33	-	-
	Foreign commercial property	6.38	5.66	-	-
	Weighted average of rates of return	4.66	4.79	-	-
11	Loans to group enterprises and associates				
	Group enterprises				
	Fallcorner BV, Holland	-	-	212	211
	KP CE s.a., Frankrig	-	-	167	167
	Sampension KP International A/S, Danmark	-	-	634	656
	Sampension Student Housing I A/S, Danmark	-	-	0	158
	Sampension Student Housing II A/S, Danmark	-	-	0	50
	Sampension Student Housing IV A/S, Danmark	-	-	0	109
	Lyngby Søpark ApS, Danmark	-	-	0	117
	Sampension KP Danmark, Danmark	-	-	434	0
	Ejendomsselskabet Hedeager 42 P/S, Danmark	-	-	0	267
	Ejendomsselskabet Hedeager 44 P/S, Danmark	-	-	0	178
	Sampension Renewables P/S, Danmark	-	-	106	27
	Total loans to group enterprises	-	-	1,553	1,939
	Included in the item loans to group enterprises	-	-	1,212	1,478
	Included in the item Investment assets related to unit-linked contracts, see note 13	-	-	341	461

Note 11 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
	Associates				
	OPP Slagelse Sygehus P/S, Danmark	96	100	96	100
	OPP Retten i Svendborg P/S, Danmark	19	23	19	23
	OPP Vejle P/S, Danmark	122	147	122	147
	Ejendomsselskabet Vodroffsvej 26 P/S, Danmark	72	76	0	0
	Total loans to associates	308	346	237	270
	Included in the item loans to associates	120	148	92	116
	Included in the item Investment assets related to unit-linked contracts, see note 13	188	197	144	154

In addition, group enterprises have provided loans to their subsidiaries at no risk for the parent company.

12 Derivative financial instruments					
2018		Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate hedging instruments etc.:					
Interest swaps		37,578	29,656	37,578	29,656
TRS		5	0	5	0
Caps/floors		225	302	225	302
Swaptions		383	335	383	335
CDS'er		172	0	172	0
Total interest rate hedging instruments		38,363	30,294	38,363	30,294
Currency-based derivative financial instruments		456	930	456	921
Total derivative financial instruments		38,819	31,223	38,819	31,215
Fair value included in the item Derivative financial instruments		37,348		37,348	
Fair value included in the item Investment assets related to unit-linked contracts, see note 13		1,471		1,471	
Fair value included in the item other debt see note 18			31,223		31,215
Net carrying value (asset)		7,596		7,604	
DKKm.		2018	2017	2018	2017
Agreements have been concluded to post collateral for derivative financial instruments					
The Group has received collateral in the form of liquid bonds equal to a fair value of		17,600	22,348	17,600	22,348
The Group has provided collateral in the form of liquid bonds equal to a fair value of		-6,443	-6,537	-6,443	-6,537
Net collateral (asset)		11,157	15,811	11,157	15,811

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK 3,008 million (2017: DKK -1,352 million) in the market-rate environment and a total exposure of DKK -1,248 million (2017: DKK -434 million) in the average-rate environment. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -5,002 million (2017: DKK -3,185 million) in the market-rate environment and a total exposure of DKK -11.737 million (2017: DKK -8,328 million) in the average-rate environment. As gains/losses are settled on current basis, the fair value is nil.

Note 12 continued on next page.

Notes to the Financial Statements (continued)

Note 12 (continued)

Note	DKKmn.	GROUP		PARENT COMPANY	
		Positive fair value	Negative fair value	Positive fair value	Negative fair value
2017					
Interest rate hedging instruments etc.:					
Interest swaps		41,110	30,244	41,110	30,244
TRS		1	0	1	0
CAP's		291	363	291	363
Swaptions		301	292	301	292
CDS's		404	0	404	0
Total interest rate hedging instruments		42,105	30,899	42,105	30,899
Currency-based derivative financial instruments		1,426	225	1,426	223
Total derivative financial instruments		43,531	31,124	43,531	31,122
Fair value included in the item Derivative financial instruments		41,643		41,643	
Fair value included in the item Investment assets related to unit-linked contracts, see note 13		1,888		1,888	
Fair value included in the item other debt see note 18			31,124		31,122
Net carrying value (asset)		12,407		12,409	
		2018	2017	2018	2017
13 Investment assets related to unit-linked contracts					
3 i 1 Livspension					
Domicile properties		226	210	0	0
Investment properties and energy plants		8,186	6,263	0	0
Investments in group enterprises		-	-	43,166	42,636
Loans to group enterprises		-	-	341	461
Investments in associates		1,492	1,161	354	299
Loans to associates		188	197	144	154
Investments		40,512	41,192	5,397	6,532
Units in mutual funds		455	466	455	466
Bonds		35,379	32,823	34,679	31,480
Loans secured by mortgage		301	286	301	286
Deposits with credit institutions		3,351	6,355	1,450	4,802
Derivative financial instruments see note 12		1,471	1,888	1,471	1,888
Total investment assets		91,561	90,842	87,758	89,005
Linkpension					
Investments in group enterprises		-	-	49	53
Investments		25	29	1	2
Units in mutual funds		98	105	75	80
Deposits with credit institutions		1	1	0	0
Bonds		2	1	0	0
Total investment assets		127	136	125	135
Total investment assets related to unit-linked contracts		91,688	90,978	87,883	89,140
14 Surplus capital					
Surplus capital beginning of year		4,465	4,458	4,465	4,458
Paid out to customers		-181	-177	-181	-177
Return for the year		46	199	46	199
Transferred from equity		-19	14	-19	14
Provision for tax on pension returns payable		-2	-29	-2	-29
Total surplus capital		4,311	4,465	4,311	4,465

Note	DKKkm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
15	Provisions for average-rate products				
	Change in gross life insurance provisions is specified as follows				
	Life insurance provisions, beginning of year	111,790	110,409	111,790	110,409
	Collective bonus potential, beginning of year	-16,173	-14,149	-16,173	-14,149
	Risk margin covered by collective bonus potential at beginning of year	-196	-207	-196	-207
	Accumulated value adjustment, beginning of year	-24,045	-24,548	-24,045	-24,548
	Retrospective provisions, beginning of year	71,376	71,504	71,376	71,504
	Gross premiums	3,768	3,907	3,768	3,907
	Addition of interest after tax on pension returns	2,786	2,819	2,786	2,819
	Tax on pension returns	-259	-260	-259	-260
	Transfer between classes I and III	-187	-288	-187	-288
	Contributions to savings	0	101	0	101
	Insurance benefits	-6,263	-6,008	-6,263	-6,008
	Cost addition after addition of cost bonus	-166	-166	-166	-166
	Risk gain after addition of risk bonus	-96	-116	-96	-116
	Change in quota Forenede Gruppeliv	37	-19	37	-19
	Other	152	-97	152	-97
	Retrospective provisions, end of year	71,148	71,375	71,148	71,375
	Accumulated value adjustment, end of year	24,283	24,045	24,283	24,045
	Collective bonus potential, end of year	14,139	16,173	14,139	16,173
	Risk margin covered by collective bonus potential at end of year	215	196	215	196
	Life insurance provisions, end of year	109,785	111,790	109,785	111,790
	Change in provisions are specified as follows				
	Change in provisions for average-rate products	2,005	-1,380	2,005	-1,380
	Bonus paid to policyholder accounts	62	59	62	59
	Change in quota Forenede Gruppeliv	37	-19	37	-19
	Change in provisions, Other comprehensive income	1,319	-4,380	1,319	-4,380
	Change in provisions for market-rate products, see note 16	-1,982	-7,819	-1,982	-7,819
	Other	0	0	0	0
	Change in provisions, Income statement	1,441	-13,540	1,441	-13,540
	Life insurance provisions are specified as follows				
	Interest rate group A (average basic rate of interest 3.5% - 4.5%)				
	Guaranteed benefits	2,809	2,941	2,809	2,941
	Bonus potential - non-guaranteed benefits	30,976	32,155	30,976	32,155
	Collective bonus potential	1,999	2,090	1,999	2,090
	Total interest rate group A	35,784	37,185	35,784	37,185
	Interest rate group B (average basic rate of interest 2.5% - 3.5%)				
	Guaranteed benefits	1,958	1,983	1,958	1,983
	Bonus potential - non-guaranteed benefits	5,260	4,800	5,260	4,800
	Collective bonus potential	1,126	976	1,126	976
	Total interest rate group B	8,343	7,759	8,343	7,759
	Interest rate group C (average basic rate of interest 1.5% - 2.5%)				
	Guaranteed benefits	605	589	605	589
	Bonus potential - non-guaranteed benefits	13,119	12,767	13,119	12,767
	Individual bonus potential	0	37	0	37
	Collective bonus potential	4,664	4,973	4,664	4,973
	Total interest rate group C	18,388	18,367	18,388	18,367

Note 15 continued on next page.

Notes to the Financial Statements (continued)

Note 15 (continued)

Note	DKKmn.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
	Interest rate group D (average basic rate of interest 0.5% - 1.5%)				
	Guaranteed benefits	438	423	438	423
	Bonus potential - non-guaranteed benefits	3,304	2,766	3,304	2,766
	Collective bonus potential	1,497	1,391	1,497	1,391
	Total interest rate group D	5,239	4,581	5,239	4,581
	Interest rate group E (average basic rate of interest below 0.5%)				
	Guaranteed benefits	5	5	5	5
	Bonus potential - non-guaranteed benefits	1	1	1	1
	Individual bonus potential	6	6	6	6
	Collective bonus potential	9	9	9	9
	Total interest rate group E	22	21	22	21
	Interest rate group F (special non-guaranteed)				
	Collective bonus potential	989	940	989	940
	Collective bonus potential	97	130	97	130
	Total interest rate group F	1,086	1,070	1,086	1,070
	Total interest rate groups	68,862	68,982	68,862	68,982
	Expense groups				
	Collective bonus potential	126	122	126	122
	Total expense groups	126	122	126	122
	Risk groups				
	Collective bonus potential	891	772	891	772
	Total risk groups	891	772	891	772
	Group life insurance				
	Bonus potential - non-guaranteed benefits	763	699	763	699
	Individual bonus potential	1,607	1,683	1,607	1,683
	Collective bonus potential FG	70	43	70	43
	Total Group life insurance	2,440	2,425	2,440	2,425
	Risk margin				
	Average-rate product	308	324	308	324
	Group life insurance	56	47	56	47
	Total risk margin	364	370	364	370
	Non-guaranteed indirect insurance				
	Bonus potential - non-guaranteed benefits	33,443	33,450	33,443	33,450
	Collective bonus potential	3,658	5,669	3,658	5,669
	Total non-guaranteed indirect insurance	37,101	39,118	37,101	39,118
	Total provisions for average-rate products	109,785	111,790	109,785	111,790
	Total				
	Guaranteed benefits	5,815	5,942	5,815	5,942
	Bonus potential - non-guaranteed benefits	53,649	53,429	53,649	53,429
	Individual bonus potential	6	43	6	43
	Collective bonus potential	10,410	10,462	10,410	10,462
	Group life contracts	2,440	2,425	2,440	2,425
	Risk margin	364	370	364	370
	Non-guaranteed indirect insurance	37,101	39,118	37,101	39,118
	Total provisions for average-rate products	109,785	111,790	109,785	111,790

Note	DKKm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
16	Provisions for unit-linked contracts				
	Change in provisions for 3 i 1 Livspension contracts are specified as follow				
	Provision for 3 i 1 Livspensions contracts, beginning of year	82,587	74,791	82,587	74,791
	Gross premiums	5,467	4,845	5,467	4,845
	Addition of interest after tax on pension returns	-1,476	5,688	-1,476	5,688
	Transfer between classes I and III	187	288	187	288
	Subsidy from transfer	207	323	207	323
	Tax on pension returns and on subsidy from transfer	216	-917	216	-917
	Insurance benefits	-2,495	-2,326	-2,495	-2,326
	Cost addition after addition of cost bonus	-81	-78	-81	-78
	Risk gain after addition of risk bonus	-34	-27	-34	-27
	Provisions for 3 i 1 Livspension, end of year	84,578	82,587	84,578	82,587
	Change in provisions for Linkpension contracts are specified as follows				
	Provision for Linkpension contracts, beginning of year	152	130	152	130
	Gross premiums	16	32	16	32
	Addition of interest before tax on pension returns	-7	13	-7	13
	Tax on pension returns	0	-2	0	-2
	Insurance benefits	-16	-21	-16	-21
	Provisions for Linkpension, end of year	144	152	144	152
	Total provisions for unit-linked contracts	84,722	82,740	84,722	82,740
	The profit margin on life insurance contracts is nil.				
	Change in provisions for unit-linked contracts are specified as follows				
	Total change in provisions	1,982	7,819	1,982	7,819
	Off which:				
	Transfer between classes I and III	-187	-288	-187	-288
	Subsidy from transfer to market interest	-207	-323	-207	-323
	Change in gross provisions, income statement	1,589	7,208	1,589	7,208
	Profit margin on life insurance contracts is nil, as all profit is allocated to policyholders.				
17	Payables to credit institutions				
	Repos	22,126	20,870	22,126	20,870
	Bank loans	4,346	3,137	2,263	2,256
	Total payables to credit institutions	26,471	24,007	24,388	23,126
	From the bank loans and the mortgage loans (index-linked loans) the following fall due in the coming year	26,471	24,007	24,388	23,126
	After five years the outstanding balance (index-linked) will be:	0	0	0	0
18	Other debt				
	Derivative financial instruments, according to note 12	31,223	31,124	31,215	31,122
	Payables relating to bond purchase	95	906	95	900
	Debt relating to settlement of repos	2,682	4,081	2,682	4,081
	Sundry financial liabilities	247	1,099	228	18
	Holiday allowance obligation	51	47	0	0
	Provision for tax on pension returns payable etc,	783	1,704	349	1,332
	Total other debt	35,081	38,961	34,569	37,452

Notes to the Financial Statements (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
19	Contingent liabilities				
	The Company has committed itself at a later date to invest in funds etc. amounting to	12,740	12,031	3,540	810
	Capital increases in group enterprises not yet paid in, which the parent company has committed to paying, amounting to	-	-	9,681	7,374
	Legal proceedings against the company Tribune, which was divested in 2007 and has since gone into bankruptcy.	3	3	3	3
	The jointly taxed companies are taxed under the Danish tax on-account tax scheme. As a management company, Sampension Livsforsikring A/S is jointly and severally liable with the jointly-taxed companies for any part of tax plus any surcharges or interest relating to each individual company.				
	VAT adjustment liability relating to properties	10	14	-	-
	Sampension is jointly and severally liable with the other owner companies for insurance liabilities relating to all policies managed by Forenede Gruppeliv A/S.				
	Sampension KP Denmark A/S are jointly and severally liable for total debt and liabilities in Scandinavian Center I/S, Århus.				
	According to the Annual Report the total debt and liabilities amount to	31	28	-	-
	Commitments regarding concluded lease agreements amount to	3	3	-	-
	Total contingent liabilities	12,786	12,079	13,224	8,187

Note	DKKm.	GROUP		PARENT COMPANY	
		2018	2017	2018	2017
20	Charges				
	Sampension KP Livsforsikring A/S has provided security for Sampension KP International A/S group	27	13	27	13
	Margin deposits relating to futures	666	343	666	343
	Bonds sold as part of repo debt	17,060	11,676	17,060	11,676
	Net assets registered in cover of 'Total provisions for insurance and investment contracts' amount to	200,269	201,151	200,269	201,151
	The amount related to the following items:				
	Total investments in group enterprises			61,260	61,033
	Loans to group enterprises			2,523	1,939
	Investments			14,651	13,092
	Units in mutual funds			13,166	14,281
	Bonds			98,409	95,120
	Currency-based derivative financial instruments			10,260	15,686
	Total assets earmarked as security for policyholders' savings			200,269	201,151
	Off which concerning market interest			84,722	82,740

21	Intra group transactions				
	Sampension's overall administration is handled in accordance with the management agreement with Sampension Ad-ministrationsselskab which undertakes all administrative functions, Administration covers both insurance and investments activities.				
	Sampension pays an administrative fee, distributed on insurance operating expenses and investment management ex-penses with DKK 163 million (2017: DKK 143 million) and DKK 288 million (2017: DKK 258 million) respectively.				
	Current intra group transactions:				
	Management contracts			452	401
	Fixed-term deposits and lending (maximum monthly balance)			6,798	5,477
	Interest etc.			26	34

These services are settled on market terms.

As regards group enterprises and associates, reference is made to note 11, which provides a specification of intra group loans, and to the specification of investments on page 61.

Notes to the Financial Statements (continued)

Note	DKKkm.	PARENT COMPANY	
		2018	2017
22	Realised result for interest rate, expense and risk groups		
	Total interest rate groups		
	Investment return before tax on pension returns	2,239	2,280
	Change in market value adjustment	-238	503
	Basic rate of interest added	-1,191	-1,210
	Other	-106	113
	Realised interest rate result pursuant to the Executive Order on the Contribution Principle	704	1,687
	Tax on pension returns	-298	-228
	Available for allocation after tax on pension returns	406	1,459
	Bonus added	-347	-340
	Transferred to collective bonus potential, interest rate groups	-54	-827
	Investment return and risk premium allocated to equity	5	291
	Expense cost groups		
	Expense contribution	393	419
	Actual administrative expenses	-170	-150
	Realised expense result pursuant to the Executive Order on the Contribution Principle	223	269
	Bonus added	-220	-249
	Transferred to collective bonus potential, cost groups	-4	-21
	Expense result recognised in equity	-1	-1
	Expense result as a percentage of technical provisions	0.00%	0.01%
	Total risk groups		
	Realised risk result pursuant to the Executive Order on the Contribution Principle	-191	-204
	Bonus added	306	402
	Transferred to collective bonus potential, risk groups	-116	-199
	Risk result recognised in capital base	0	0
	Risk result as a percentage of technical provisions	0.06%	0.11%

23 Overview of assets and returns, parent company

Assets and return DKKkm.	Market value		Return 2018 % p.a.
	Beg. of year	End of year	
Average-rate			
Traditional average-rate product			
Land and buildings	4,269	3,940	10.3%
Listed investments	5,916	3,489	-4.3%
Unlisted investments	4,048	3,740	8.8%
Total Investments	9,964	7,229	2.0%
Government- and mortgage bonds	35,721	39,398	1.3%
Index-linked bonds	1,472	1,784	0.0%
Credit bonds, investment grade and non-investment grade	9,784	11,647	1.3%
Loans etc.	1,240	841	0.8%
Total bonds and loans etc,	48,218	53,670	1.3%
Group Enterprises	497	493	-0.8%
Other investment assets	-2,644	-6,967	-1.0%
Derivative financial instruments to hedge the net change in assets and liabilities	16,876	18,778	6.8%
Total	77,181	77,143	3.0%
Non-guaranteed reinsurance			
Land and buildings	3,641	4,071	10.1%
Listed investments	12,459	11,277	-8.0%
Unlisted investments	2,873	2,824	6.0%
Total Investments	15,331	14,101	-5.2%
Government- and mortgage bonds	4,245	2,990	-2.3%
Index-linked bonds	11,495	10,998	-0.4%
Credit bonds, investment grade and non-investment grade	4,170	4,768	0.5%
Loans etc.	103	70	0.3%
Total bonds and loans etc,	20,013	18,826	-0.5%
Other investment assets	-147	141	-16.8%
Derivative financial instruments to hedge the net change in assets and liabilities	187	-249	-
Total	39,026	36,890	-2.7%
Market-rate			
Land and buildings	10,536	12,423	10.1%
Listed investments	28,930	27,561	-6.3%
Unlisted investments	8,269	8,805	6.0%
Total Investments	37,199	36,366	-3.4%
Government- and mortgage bonds	23,765	21,814	1.4%
Index-linked bonds	1,063	1,180	0.0%
Credit bonds, investment grade and non-investment grade	10,019	11,908	0.0%
Loans etc.	750	531	0.3%
Total bonds and loans etc,	35,596	35,434	0.9%
Other investment assets	-163	891	-
Derivative financial instruments to hedge the net change in assets and liabilities	346	-718	-
Total	83,514	84,395	-1.7%

The specifications have been prepared in accordance with the requirements in section 96 of the Danish Financial Supervisory Authority's executive order on financial reports of insurance companies and therefore cannot be reconciled with the figures in the financial statements. The annual return has been calculated as a time-weighted return.

Notes to the Financial Statements (continued)

24 Market-rate product, return etc. by investment profiles

	2018			2017		
	% of average provisions	Return % p.a.	Risk	% of average provisions	Return % p.a.	Risk
Lifecycle product 3 i 1 Livspension						
Investment profile with high risk						
Years to retirement						
30 years	0.03%	-5.7%	4.50	0.04%	13.3%	4.75
15 years	0.07%	-3.9%	4.25	0.08%	10.3%	4.50
5 years	0.05%	-1.8%	3.75	0.03%	7.3%	3.75
5 years after	0.00%	-0.8%	3.50	0.01%	5.8%	3.50
Investment profile with moderate risk						
Years to retirement						
30 years	0.66%	-3.9%	4.25	0.73%	11.2%	4.50
15 years	2.65%	-2.4%	3.75	3.13%	8.5%	4.25
5 years	3.75%	-0.8%	3.50	3.86%	5.9%	3.75
5 years after	1.49%	0.2%	3.25	1.15%	4.5%	3.25
Investment profile with low risk						
Years to retirement						
30 years	0.00%	-2.4%	3.75	0.01%	8.7%	4.25
15 years	0.02%	-1.5%	3.50	0.01%	6.8%	3.75
5 years	0.02%	-0.4%	3.25	0.01%	4.8%	3.50
5 years after	0.00%	0.4%	2.50	0.00%	4.2%	3.25

A retirement age of 65 is assumed.

25 Supplementary product ratios

	2018		2017	
	Return in %	Bonus rate in % p.a.	Return in %	Bonus rate in % p.a.
Traditional average-rate product				
Interest rate group A (average basic rate of interest 3.5% - 4.5%)	3.7%	12.3%	3.0%	12.1%
Interest rate group B (average basic rate of interest 2.5% - 3.5%)	3.2%	26.9%	2.8%	24.9%
Interest rate group C (average basic rate of interest 1.5% - 2.5%)	2.7%	43.6%	2.5%	47.3%
Interest rate group D (average basic rate of interest 0.5 % - 1.5 %)	2.7%	49.1%	2.5%	52.6%
Interest rate group E (average basic rate of interest below 0.5 %)	2.7%	118.0%	2.5%	120.8%
Interest rate group F (special non-guaranteed)	-0.1%	9.8%	3.4%	13.8%
Non-guaranteed indirect insurance	-2.6%	10.9%	6.4%	16.9%
Return on policyholder savings after expenses before tax				
Including return on surplus capital	Total in % p.a.		Total in % p.a.	
Average-rate product	3.0%		2.8%	
Non-guaranteed indirect insurance	-2.6%		6.3%	
Unit-linked contracts (3 i 1 Livspension)	-1.8%		7.3%	

Group life insurance is not included in the calculations as the above information is not relevant for this product.

26 Five-year financial highlights and ratios for the group and parent company

DKKmn.	2018	2017	2016	2015	2014
Five-year financial highlights for the group					
Gross premiums	9,251	8,784	9,017	8,597	7,758
Benefits	-9,107	-8,646	-8,100	-7,228	-7,202
Investment return	-800	12,599	14,371	3,225	25,991
Total net operating expenses	-172	-170	-171	-177	-179
Technical result	-88	-110	-191	-189	79
Parent company's share of profit for the year	-45	41	-147	-324	-228
Minority interest's share of the net profit for the year	-599	2,185	79	-57	322
Total provisions for insurance and investment contracts	194,507	194,530	185,330	171,587	167,143
Surplus capital	4,311	4,465	4,458	4,196	3,754
Total equity, parent company interests	3,571	3,616	3,575	3,722	4,049
Total equity, minority interests	10,426	11,568	985	3,250	5,201
Total assets	274,886	277,704	268,154	253,078	263,106
Five-year financial highlights for the parent company					
Gross premiums	9,251	8,784	9,017	8,597	7,758
Benefits	-9,107	-8,646	-8,100	-7,228	-7,202
Investment return	-249	10,382	14,188	3,021	25,548
Total net operating expenses	-172	-170	-171	-177	-179
Technical result	-88	-110	-285	-378	-389
Parent company's share of profit for the year	-45	41	-147	-324	-228
Total provisions for insurance and investment contracts	194,507	194,530	185,330	171,587	167,143
Surplus capital	4,311	4,465	4,458	4,196	3,754
Total equity, parent company interests	3,571	3,616	3,575	3,722	4,049
Total assets	262,283	266,023	267,658	249,624	257,499
Reference is made to the section on accounting policies. Numbers include amounts recognised in other comprehensive income.					
Five-year financial ratios for the parent company					
Return ratios					
Rate of return related to average-rate products	1.1%	4.0%	8.7%	0.6%	22.8%
Rate of return related to market-rate products	-1.7%	7.5%	7.2%	3.6%	9.0%
Risk on return related to market-rate products	3.75	4.25	4.25	3.75	3.25
Expense ratios					
Expense ratio for provisions	0.09%	0.09%	0.10%	0.10%	0.12%
Expenses in DKK. per policyholder	389	387	397	412	401
Return ratios					
Return on equity after tax	-1.3%	1.2%	-4.0%	-8.5%	-5.5%
Return on surplus capital	1.1%	4.5%	4.3%	3.5%	6.3%

Reference is made to Definitions of financial ratios on page 65.

Key figures for periods before 1 January 2016 have not been restated to reflect the new executive order of 27 July 2015, as this is not possible in practice.

27 Risk management

The general objective of the management of investment assets and life insurance provisions is to maximise the return and provide the best insurance covers to policyholders with due consideration for risk. The objective of managing short-term risks is, among other things, for the investment policy and risk management to work together to ensure that Sampension has sufficient reserves to have comfortable excess solvency coverage and to limit the risk of a reduction in benefits.

The Board of Directors has defined the appetite for the principal risks in policies and guidelines and thereby determined an overall level for assuming or hedging risk. Regular reporting is provided on compliance with the defined guidelines, and the Board of Directors reviews the risk profile and compliance with risk appetite as part of its assessment of the pension fund's own risk and solvency.

The approach to managing the principal risk factors is set out below.

FINANCIAL RISK

Market-rate products and non-guaranteed reinsurance

The financial risks relating to the market-rate products 3 i 1 Livspension and Linkpension and for non-guaranteed benefit reinsurance lie with the policyholders and municipalities, respectively. Hence, they have no effect on Sampension's total capital (equity and excess capital).

Generally, the age-specific allocation in 3 i 1 Livspension is determined by the generation pools' mix of investment in base funds. Three base funds are used for 3 i 1 Livspension: bonds, equities and alternative investments. Policyholders with 3 i 1 Livspension have three investment profiles to choose from: low risk, moderate risk and high risk.

In respect of 3 i 1 Livspension, the objective is to maximise the return to the effect that the younger generations achieve a return that is close to that of the equity market, only with less risk through a certain diversification of risk. The older generations are exposed to a risk close to that of the bond market, but with a higher expected return through a certain diversification of risk. Allocation between the base funds for each generation pool is determined by the Board of Directors.

For non-guaranteed reinsurance, asset allocation is determined on the basis of the expected future pension benefits to be paid by the municipalities. As indexation of civil servant pension assets is based on salary trends, pension benefits due to be paid within the near future are mainly invested in low-risk assets that also hedge the risk of rising inflation. Benefits payable longer term are invested mostly in listed equities and to some extent in alternative asset classes. Investments are placed in the three base funds also used by 3 i 1 Livspension and in an inflation base fund.

The Board of Directors has determined a framework for the type of investments allowed in the base funds and for the distribution of investments by base funds for the individual generation pools. The Board of Directors has also set up a market-risk framework for the base funds.

Conventional average-rate product and total capital

The market risk of the conventional average-rate product depends on the correlation between investment assets, life insurance obligations and total capital. If the investment return is insufficient to sustain the bonus potential level, the deficit is covered first by the collective bonus potential and then by the individual bonus potential. If these bonus potentials are insufficient to fully cover a deficit, the benefits of the non-guaranteed policies may be reduced, whereas total capital is used to cover the guaranteed policies.

The Board of Directors has determined the framework governing the overall investment policy and the financial risks. The overall risk is maintained at a low level in part by ensuring appropriate diversification of risk on overall asset classes, in part by establishing a framework for the overall Value-at-Risk (VaR). Based on Sampension's proprietary model, VaR is calculated as the smallest of the largest losses that would occur at a given, low probability over a specific time horizon.

Sampension Liv applies the Solvency II discount curve including volatility adjustment to compute life insurance provisions. The discount curve is based on market rates up until the 20-year mark, after which the curve converges towards an ultimate forward rate equal to the long-term inflation and real growth forecasts. The VA is intended to mitigate exposure to market volatility and thereby reduce procyclical behaviour. The European Insurance and Occupational Pensions Authority (EIOPA) has decided to change the method for calculating the VA from Q1 2019, which will entail improved reflection of Danish mortgage bond options.

Sampension strives to hedge the discount curve as best as possible to ensure stable reserves in the short term. As a consequence, shorter-term fixed-income instruments are used than if the objective were to hedge a market consistent valuation of expected future payments. As it is not possible to define investment limits that consider both market consistent and regulatory interest rate risk, the Board of Directors has chosen a hedging strategy targeting regulatory risk.

Sampension Liv invests in illiquid assets, for which valuation and risk measurement are subject to greater uncertainty than listed equities, for example. Illiquidity involves a risk that large selling transactions over a short period of time result in a loss, and the Board of Directors has therefore defined a framework for investing in illiquid asset classes that reflects these considerations. Currently, the value of marketable assets exceeds the annual payment obligations by a substantial margin. As a result, the likelihood of Sampension having to sell on unfavourable terms is quite low.

The investment assets relating to the company's total capital are invested together with investment assets relating to the conventional average-rate environment but excluding the hedge portfolios.

Financial risk management

Certain financial risks are managed through derivative financial instruments. In particular, this applies in relation to conventional average-rate products, for which the interest rate risk on pension obligations is largely hedged by way of interest rate swaps, swaptions and government bonds. In addition, interest rate swaps and futures are used in the active management of interest rate risk on the bond portfolio.

Sampension Liv hedges the currency risk on investments denominated in foreign currency, provided the assets held in each currency represent more than 2% of the total investment assets. For currencies other than DKK and EUR, currency exposure is hedged by between 50% and 100%, depending on the asset.

Sampension Liv also has counterparty risk exposure. This is the risk of suffering losses because a counterparty to a financial contract is unable to meet its obligations. Counterparty risk is managed through the provision of collateral and limits for net outstanding balances with the relevant financial institutions. Limits have also been defined for the amount of single investments and major concentration risk. For example, limits have been defined for the overall exposure to a state, a regional authority, a company or a group of companies.

Objective of maximising the probability for avoiding a reduction in benefits

Sampension Liv has discontinued most of its defined benefit guarantees. Sampension Liv continues to arrange investments in the conventional average-rate environment with a view to achieving maximum probability of not having to reduce policy-defined benefits. Achieving this objective requires both short-term and long-term planning.

In the short term, the emphasis is on limiting the risk of a negative change in the value of assets relative to the value of liabilities calculated on the assumption that policy benefits are not reduced. The longer term projections include the fact that a higher expected current return will reduce the risk of policy benefits being reduced.

In the interest hedging of policy benefits written with the highest basic rates of interest, considerable emphasis is placed on protecting the market value of obligations against movements in interest rates. For policy benefits written with lower basic rates of interest, there is some emphasis on protecting the market value of obligations against movements in interest rates, but less than full hedging of the interest rate risk is permitted. This approach has been taken in order to limit the risk of policyholders being left with low interest rates on their pension savings in a situation of rising market rates.

Overall, this is a conservative investment profile for conventional average-rate savings with maximum emphasis on mitigating the short-term risk of a reduction in benefits. For that purpose, the investment funds are placed mostly in relatively low-risk bonds. Sampension also invests, albeit to a limited extent, in assets with a higher expected return and thus subject to higher risk. This also achieves a risk diversification gain for the benefit of the conventional average-rate environment. However, the risk limits in this respect are restrictive, which limits the potential for achieving returns over and above the announced benefits.

Notes to the Financial Statements (continued)

Note 27 (continued)

INSURANCE RISK

For the average-rate environment, insurance risk includes the risk of increased longevity, changes in disability rates, conversions into paid-up policies, surrenders and retirement age. The various risk elements are analysed on an ongoing basis.

An increase in longevity means regular pension benefits will be paid over a longer period. Sampension Liv calculates provisions for average-rate products using the Danish FSA's model for longevity assumptions based partially on the company's own past experience and partially on the Danish FSA's benchmark for expected future longevity improvements.

All risk amounts are covered for own account. No reinsurance contracts have been concluded for pension insurance. The risk sum is the difference between accumulated reserves and reserves to be provided to meet future payments in the event of disability or death.

OPERATIONAL RISK

The company's operational risks comprise the risk of direct or indirect losses resulting from inappropriate or inadequate internal processes, human or system error or losses resulting from external events, including legal risks.

Management believes that Sampension Liv has no significant operational risks.

In order to reduce operational risk, Sampension has set up procedures to monitor and minimise risk in relation to the pension business and the investment business. In addition, insurance cover has been taken out for certain asset classes. We record operational incidents on an ongoing basis and follow up and report to the Audit and Risk Management Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

OUTSOURCING

Sampension Liv has outsourced tasks in critical or significant areas of activity with a view to reducing costs, gaining access to investment management competences, etc. The Board of Directors has set out guidelines for outsourcing of critical or significant areas of activity in order to ensure adequate management of the risks associated with outsourcing, including that outsourcing agreements and activities are handled in accordance with the Board of Directors' guidelines and applicable outsourcing legislation.

The guidelines ensure that the Board of Directors is involved in all decisions regarding outsourcing, that requirements as to supplier capabilities and capacity are met, that a number of issues and requirements of the supplier are considered when entering into contracts and that the Danish FSA is informed of the outsourcing agreement. For the outsourced activities, necessary procedures have been established to ensure regular monitoring of the supplier's performance in terms of time, quality and quantity in accordance with the relevant outsourcing agreement and applicable rules.

The ongoing monitoring of outsourced activities is controlled via business procedures that ensure reporting to relevant management bodies and to the Board of Directors on the supplier's performance of the task, for example in the form of regular operational reports, meetings, random checks, reports by auditors, etc.

SOLVENCY AND FINANCIAL CONDITION REPORT

The company's risk management is described in detail in its Solvency and Financial Condition Report (SFCR). The SFCR is available to the public and can be downloaded (in Danish only) at sampension.dk/solvens.

Overview of Group equity investments

DKKm.	Ownership Interest (%)		Profit in annual report		Equity in annual report		Incl. in annual report
	2018	2017	2018	2017	2018	2017	
Group enterprises							
Management							
Sampension Administrationsselskab A/S, Gentofte	94.0	94.0	-4	1	524	529	493
Investment advisory company							
Sampension Alternative Asset Management A/S, Gentofte	0.0	100.0	0	0	0	35	-
Real estate company and energy plant							
Sampension KP Danmark A/S, Gentofte	100.0	100.0	658	634	6,266	5,618	6,266
Frederiksholms Kanal 6 P/S, Gentofte	100.0	100.0	-7	-7	77	83	-
Frederiksholms Kanal 6 Komplementar ApS, Gentofte ¹⁾	0.0	100.0	0	0	0	0	-
Lyngby Søpark ApS, Gentofte ¹⁾	0.0	100.0	0	27	0	85	-
Bernstorffsvej 135 ApS, Gentofte ¹⁾	0.0	100.0	0	16	0	48	-
K/S Strømmen, Ålborg	95.0	95.0	9	6	89	87	-
Strømmen Komplementar ApS, Ålborg ¹⁾	0.0	96.0	0	0	0	0	-
Sampension Student Housing I A/S, Ålborg ¹⁾	0.0	100.0	0	35	0	87	-
Sampension Student Housing II A/S, Ålborg ¹⁾	0.0	100.0	0	15	0	37	-
Sampension Student Housing IV A/S, Ålborg ¹⁾	0.0	100.0	0	7	0	36	-
Ejendomsselskabet Hedeager Holding P/S, Hedeager	97.8	97.8	119	19	414	294	
K/S Kristensen Partners V., Ålborg ²⁾	95.0	95.0	11	4	148	116	
Sampension KP International A/S, Gentofte	100.0	100.0	191	-9	981	797	970
Fallcorner BV, Holland ⁴⁾	90.0	90.0	99	9	147	44	-
KP CE s,a,, Frankrig	100.0	100.0	108	9	384	274	-
Sampension Renewables P/S, Gladsaxe ²⁾	100.0	100.0	23	-51	594	464	594
Sampension Renewables GP ApS, Gladsaxe	100.0	100.0	0	0	0	0	0
Ulvemosen Wind Park ApS, Gladsaxe	100.0	100.0	1	14	308	301	317
Investment company							
Sampension Forestry K/S, Gentofte ³⁾	100.0	100.0	51	-506	3,251	3,309	3,251
Sampension Global Real Estate K/S, Gentofte ³⁾	100.0	100.0	972	-145	7,845	5,389	7,845
Sampension US Real Estate I, L,P,, USA ⁴⁾	88.5	95.7	188	18	1,203	777	-
Sampension US Real Estate II, L,P,, USA ⁴⁾	84.0	69.4	-34	-3	765	393	
Mermaid Homes L,P,, USA ⁴⁾	89.7	89.7	20	0	327	308	
Sampension Private Equity K/S, Gentofte ³⁾	100.0	100.0	923	746	7,951	7,028	7,951
Sampension Structured Credit K/S, Gentofte ³⁾	100.0	100.0	66	76	1,969	4,403	1,969
SP-Svea AB, Sverige	100.0	-	0	0	0	0	0
Komplementarselskabet Alternative Investments ApS, Gentofte	100.0	100.0	0	0	3	3	3
Kapitalforeningen SAMPENSION INVEST, København V:							
GEM II	83.4	83.4	-226	888	3,932	3,964	3,279
Obligationer	100.0	100.0	2	-1	163	162	163
Danske aktier II	89.4	89.9	-463	486	2,875	3,488	2,570
Aktieindeks Enhanced	77.5	78.8	-2,056	3,850	17,891	20,898	13,865
Aktieindeks	78.1	77.9	-1,734	4,534	19,329	22,465	15,090
GEM Enhanced	73.5	67.3	-247	434	1,901	1,702	1,398
Danske aktier I	72.1	72.1	-107	143	1,215	1,321	876
Group enterprises							66,900
Of which unit-linked contracts							43,215
Total group enterprises							23,684

See definitions next page.

Overview of Group equity investments

DKKm.	Ownership Interest (%)		Profit in annual report		Equity in annual report		Incl. in annual report
	2018	2017	2018	2017	2018	2017	
Associates							
Real estate company							
Refshaleøen Holding A/S, København ⁴⁾	39.0	39.0	0	145	1,400	1,290	545
Interessentskabet af 23, december 1991, Danmark	42.5	42.5	41	36	933	937	453
K/S Kristensen Partners I , Danmark ⁴⁾	36,3	36.3	210	54	624	738	209
Kristensen Partners I ApS, Danmark ⁴⁾	36.3	36.3	0	-	0	-	0
Britannia Invest A/S, Danmark ⁴⁾	21.9	21.9	124	145	1,475	1,310	324
DEAS Invest I Holding A/S, Danmark ⁴⁾	33.3	33.3	122	19	752	606	251
Komplementarselskabet Industri Udvikling II A/S, Danmark ⁴⁾	20.0	20.0	-	-	1	1	0
Panda Power Annex, USA ⁴⁾	39.6	39.8	-127	-	665	1,215	263
PMM Global III, Danmark ⁴⁾	20.5	20.5	191	110	1,634	1,630	325
Ejendomsselskabet Vodroffsvej 26 P/S, København ⁴⁾	50.0	50.0	5	-24	6	2	3
OPP Vejle P/S, Danmark	33.3	33.3	24	21	46	22	15
Komplementarselskabet OPP Vejle ApS, Danmark	33.3	33.3	0	0	0	0	0
OPP Retten i Svendborg P/S, Danmark	33.3	33.3	3	4	12	9	4
Komplementarselskabet OPP Retten i Svendborg ApS, Danmark	33.3	33.3	0	0	0	0	0
OPP Slagelse Sygehus P/S, Danmark	25.0	25.0	15	0	30	15	8
Komplementarselskabet Slagelse Sygehus ApS, Danmark ⁴⁾	25.0	25.0	0	0	0	0	0
OPP HoldCo ApS, Danmark ⁴⁾	50.0	50.0	0	-12	17	17	8
Greystar UK Multifamily Unit Trust, England ⁴⁾	45.0	45.0	-6	-	37	-	39
Associates							2,448
Of which unit-linked contracts							1,492
Total associates							956

1) Merged with Sampension KP Danmark A/S in 2018.

2) Included group enterprises

3) As from 2016, in pursuance of the provisions of the Danish Financial Statements Act, group enterprises that are wholly-owned limited partner-ships will not publish independent annual reports.

4) The financial statements for 2018 are not yet available.

A list of Sampension's total equity portfolio is available on the company's website at sampension.dk/aktiver

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Sampension Livsforsikring A/S for the financial year 1 January – 31 December 2018.

The Annual Report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2018.

In our opinion, the Management's review includes a fair review of developments in the Group's and the parent company's activities and financial position together with a description of the principal risks and uncertainties that they face.

We recommend the Annual Report for adoption at the annual general meeting.

Hellerup, 1 March 2019

Executive Board

Hasse Jørgensen
Chief Executive Officer

/ Morten Lund Madsen
Chief Financial Officer

Board of Directors

Jørn Pedersen
(Chairman)

Kim Simonsen
(Deputy Chairman)

Anne Mette Barfod

Rita Bundgaard

Martin Damm

René Nielsen

Torben Henning Nielsen

Bodil Marie Otto

Hans Christen Østerby

Annett Schultz (employee representative)

John Helle (employee representative)

Søren Sperling (employee representative)

Morten Lundsgaard (employee representative)

Majbritt Pedersen (employee representative)

Internal auditor's report

Opinion

In our opinion, the consolidated and parent company financial statements of Sampension Livsforsikring A/S give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2018 in accordance with the Danish Financial Business Act in respect of the consolidated and the parent company financial statements.

Our opinion is consistent with our long-form audit report to the Audit and Risk Management Committee and the Board of Directors.

Basis of opinion

We have audited the consolidated and parent company financial statements of Sampension Livsforsikring A/S for the financial year ended 31 December 2018. The consolidated and parent company financial statements are prepared in accordance with the Danish Financial Business Act.

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with international standards on auditing with respect to the planning and performance of the audit.

We planned and performed the audit so as to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement. We participated in the audit of all critical audit areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated and parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We have not identified any material misstatement of the Management's review.

Hellerup, 1 March 2019

Gert Stubkjær
Group Chief Auditor

Independent Auditor's Report

To the Shareholders of Sampension Livsforsikring A/S

Opinion

In our opinion, the Group Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit and Risk Committee and the Board of Directors.

What we have audited

The Group Financial Statements and the Parent Company Financial Statements of Sampension Livsforsikring A/S for the financial year 1 January - 31 December 2018 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Sampension Livsforsikring A/S on 30 May 2000 for the financial year 2000. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 19 years including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p>Measurement of provisions for insurance and investment contracts</p> <p>The Group's provisions for insurance and investment contracts total DKK 194,507 million (2017: DKK 194,530 million), which constitutes 71 percent (2017: 70 percent) of the Group's balance sheet total.</p> <p>The provisions primarily consist of traditional life insurance provisions and market linked products as well as of profit margin.</p> <p>The statement is based on actuarial principles and involves material management estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policyholders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of provisions for insurance and investment contracts as the statement of the provisions is complex and involves a considerable element of management estimate.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 1 and note 15, "Provisions for average-rate products", and note 16, "Provisions for unit-linked products", to the Group Financial Statements and the Parent Company Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls established to ensure that provisions for insurance and investment contracts are complete and correctly measured.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the Group as well as the calculations made.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p>Measurement of unlisted investment assets</p> <p>Unlisted investment assets comprise investments in equity funds, infrastructure funds, unlisted shares and corporate bonds, etc as well as derivative financial instruments and are included in the items:</p> <ul style="list-style-type: none"> • Investments • Bonds • Derivative financial instruments • Investment assets related to unit-linked contracts <p>The negative value of derivative financial instruments is moreover included in the item "Other debt".</p> <p>Unlisted investment assets are measured at estimated fair value based on valuation models and assumptions, including Management's estimates, which are not observable by any third party and which have a material effect on the Financial Statements.</p> <p>We focused on the measurement of unlisted investments as the statement is complex and involves a considerable element of estimation by Management.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 1 and note 12, "Derivative financial instruments", to the Group Financial Statements and the Parent Company Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external fund managers. We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations and recalculated on a sample basis the valuation of derivative financial instruments.</p> <p>We challenged Management's estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Group Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of group financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 1 March 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Christian F. Jakobsen
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Definitions of financial ratios

Danish FSA financial ratios

Financial ratios have been calculated in accordance with the Danish FSA's Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

Rate of return =
$$\frac{\text{Investment return on average rate and market-rate products} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate and market-rate products}}$$

The financial ratio is calculated on a money-weighted basis. The target return can be divided into two categories: a money-weighted and a time-weighted return:

The money-weighted return reflects the actual return – or the relative value appreciation – achieved for the portfolio during the reporting period including returns on net contributions for the period. In other words, the money-weighted return expresses the actual return for the period.

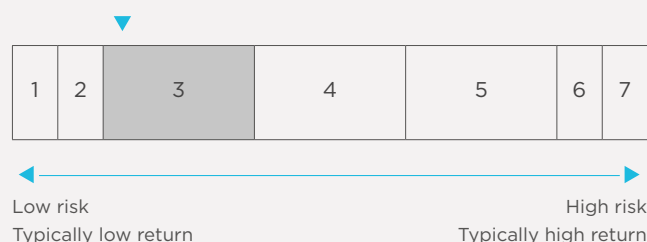
The time-weighted return reflects the return that would have been achieved if no payments had been made to or from the portfolio during the period. The time-weighted return expresses performance and can be used to measure against a benchmark or returns achieved by other investors within the same asset class.

Risk on return related to market-rate products = Calculated as the standard deviation (SD) of the monthly return related to market-rate products over the past 36 months using the following scale of 1 to -7:

Riskclass	%	
	SD≥	SD<
1.00	0.00	0.50
2.00	0.50	2.00
3.25	2.00	3.00
3.50	3.00	4.00
3.75	4.00	5.00
4.25	5.00	6.70
4.50	6.70	8.34
4.75	8.34	10.00
5.25	10.00	11.67
5.50	11.67	13.33
5.75	13.33	15.00
6.00	15.00	25.00
7.00	25.00	

Note that the standard deviation is measured as an average across risk profiles and generation pools. The standard deviation is converted into a risk category using the following scale:

Return/Risk profile



Expenses as a percentage of provisions =
$$\frac{\text{Operating expenses re. insurance activities for the year} \times 100}{\text{Average technical provisions}}$$

Expenses per policyholder (DKK) =
$$\frac{\text{Operating expenses re. insurance activities for the year}}{\text{Average number of policyholders related to direct insurance} + \text{average number of policyholders with group life contracts} \times 0.1}$$

Return on equity after tax =
$$\frac{\text{Profit after tax} \times 100}{\text{Weighted average equity}}$$

Return on surplus capital, allocated same rate as equity =
$$\frac{\text{Return on surplus capital before tax} \times 100}{\text{Weighted average surplus capital}}$$

Solvency coverage ratio =
$$\frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at 31 December 2018}}$$

Supplementary financial ratios

The rates of return of each individual interest rate group are calculated using the above formula.

Bonus rate (%) =
$$\frac{\text{Individual and collective bonus potentials of the interest rate group at year end} \times 100}{\text{Total custody accounts for interest rate group at year end}}$$

Return on customer funds after deduction of expenses and before tax, per product type =
$$\frac{(\text{Weighted average provisions} + \text{Weighted average surplus capital} + \text{tax on pension returns}) \times 100}{\text{Technical provisions at beginning of year plus surplus capital at beginning of year} + \text{weighted average cash flows}}$$

The financial ratio expresses policyholders' total return less expenses and risk premium

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