

# Annual Report 2019

**sampension**  
mere værd



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The English version of the Annual Report is a translation of the original document in Danish for information purposes only. In case of any discrepancies of legal disputes, the Danish original will prevail.

“Record-high growth and decent returns bears witness to Sampension’s strong market position and attractive business model.”



# Generating strong high value to customers in 2019

Sampension had a good year in 2019, with record-high growth and decent returns bearing witness to Sampension's strong market position and attractive business model.

Basically, it is all about high returns and fair prices anchored in low expenses, good customer service and long-term collaborations. This is something companies have become aware of and something being noted by pension funds looking for an efficient and fair pension partner able to generate high value to their members.

When it comes to providing pension advice, Sampension has some of the most satisfied customers in the industry. In external surveys conducted in 2019, we were given the highest ratings in terms of personal advisory services and information provided on pension schemes. We do not employ a big sales department but we make it a priority to provide personalised customer service and advice about our modern and flexible products.

Sampension has a solid delivery system, both for existing customers and in relation to on-boarding new customers. Based on fixed targets, we deliver on our promises and on time.

In 2019, we welcomed the Pension Fund for Technicians and Bachelors of Engineering (ISP) and its 12,500 members, among others. ISP has retained its independence and its own identity and now combines that with the benefits of scale provided by our joint management company, just like the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons.

In addition to ensuring the successful integration of ISP, we also welcomed the Army Constables and Corporals Association (HKKF) and Sparekassen Kronjylland. We also entered into other new agreements during the year, including most recently with If Skadeforsikring and HKKF funds, while also welcoming a couple of other companies in 2019.

The growth also benefitted our existing customers, who have experienced an even more improved product and service offering in recent years, while administrative and investment expenses were kept at a minimum. Sampension's annual percentage rate (APR) of 0.5% is still very low by pension industry standards.

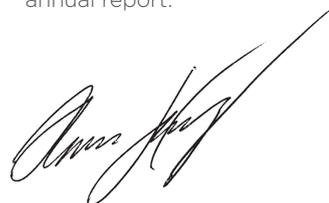
Contributions reached an all-time high in 2019, topping the DKK 10 billion mark, including voluntary contributions and pension transfers of almost DKK 1.8 billion.

We generated returns of more than DKK 20 billion, the second-highest in Sampension history. Customers with unit-linked policies experienced good returns in 2019. The youngest savers with a high-risk profile saw a return of 20.5%, while customers with moderate risk and 10 years to retirement had a return of 10.7%. Over a three-year period, savers with a high-risk profile have achieved a return of up to 28.7%, while the most conservative customers experienced a return of almost 20%.

Sampension remains strongly committed to responsible investing, and in 2019 the Board of Directors expanded its policy to include an increased focus on climate and a strengthened engagement programme. This is expressed in three new initiatives launched in 2019:

- The climate footprint of Sampension's equity portfolio must be reduced.
- We do not invest in companies generating 30% or more of their revenue from coal or tar sand operations.
- We will regularly evaluate the companies' ability and willingness to adapt to the low-emissions society of the future.

You can read much more about this in our report "Ansvarlige investeringer 2019" (in Danish only) for the Sampension community, which is released together with this annual report.



**Hasse Jørgensen**  
CEO



# Management's review

## 1

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## Five-year key figures and financial ratios

Five-year key figures for the parent company DKKm	2019	2018	2017	2016	2015
Premiums	10,129	9,251	8,784	9,017	8,597
Benefits paid	-9,416	-9,107	-8,646	-8,100	-7,228
Investment return	20,102	-249	10,382	14,188	3,021
Total insurance operating expenses	-175	-172	-170	-171	-177
Technical result	-58	-88	-110	-285	-378
Profit/loss for the year, parent company's share	86	-45	41	-147	-324
Total provisions for insurance and investment contracts	211,727	194,507	194,530	185,330	171,587
Excess capital	4,256	4,311	4,465	4,458	4,196
Equity attributable to parent company	3,657	3,571	3,616	3,575	3,722
Total assets	293,330	262,283	266,023	267,658	249,624

Five-year financial ratios	2019	2018	2017	2016	2015
<b>Return ratios</b>					
Rate of return related to average-rate products	9.8%	1.1%	4.0%	8.7%	0.6%
Rate of return related to unit-linked products	10.7%	-1.7%	7.5%	7.2%	3.6%
Risk on return related to unit-linked products	3.75	3.75	4.25	4.25	3.75
<b>Expense ratios</b>					
Expenses as a percentage of provisions	0.09%	0.09%	0.09%	0.10%	0.10%
Expenses per policyholder (DKK)	388	389	387	397	412
<b>Other return ratios</b>					
Return on equity after tax	2.4%	-1.3%	1.2%	-4.0%	-8.5%
Return on excess capital	3.5%	1.1%	4.5%	4.3%	3.5%
<b>Capital structure ratios</b>					
Solvency coverage (Solvency I for 2015)	293%	444%	601%	427%	466%

Reference is made to "Definitions of financial ratios" on page 73.

## 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 284,000 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 schemes 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 scheme 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
<p><b>Unit-linked</b></p> <p>3 i 1 Livspension lifecycle product</p> <p>Linkpension, a unit-linked product</p>	<p><b>Actual returns are allocated to customers each month</b></p> <p>Sampension Liv's core product. Savings are invested in generation pools according to the customer's age and choice of investment profile</p> <p>Customers determine which investment funds they wish to invest their savings in</p>
<p><b>Average-rate</b></p> <p>Non-guaranteed reinsurance</p> <p>Conventional Average-rate</p>	<p><b>Rate of investment return allocated to customers reflects the average return achieved over time</b></p> <p>This product provides reinsurance for employers' future pension obligations in respect of civil servants and contains hedge of inflation risk</p> <p>This group of products consists of pension schemes with declarations of intent, guaranteed direct policies and guaranteed reinsurance</p>

## Premiums and benefits

### Premium income

Premium income amounted to DKK 10.1 billion, against DKK 9.3 billion in 2018. The increase was mainly due to more customers choosing to transfer their pension savings to Sampension from other providers, taking transfers and single premiums to just under DKK 1.8 billion, an increase of 21% compared with 2018. Regular premiums including group life premiums also increased due to new pension schemes during the year and were up by 7%.

### Premium income

DKK **10.1** billion

Premium income DKKm	2019	2018	Change (%)
Regular premiums	4,782	4,605	3.9
Group life premiums	2,801	2,478	13.0
Total regular premiums	7,583	7,083	7.1
Transfers and single premiums	1,769	1,466	20.6
Premiums, direct insurance	9,352	8,549	9.4
Premiums, indirect insurance	777	702	10.6
<b>Total gross premiums</b>	<b>10,129</b>	<b>9,251</b>	<b>9.5</b>

Sampension Liv wrote insurance for 20,000 new customers in 2019. The number of directly insured customers increased by almost 6,000, or 2%, in 2019.

Number of customers	2019	2018	Change (%)
Premium payers	113,570	111,344	2.0
Paid-up policies etc.	107,803	106,117	1.6
Pensioners	62,396	60,618	2.9
<b>Total directly insured</b>	<b>283,769</b>	<b>278,079</b>	<b>2.0</b>
<b>Indirectly insured</b>	<b>17,752</b>	<b>17,969</b>	<b>-1.2</b>
<b>Group life insured</b>	<b>757,544</b>	<b>714,423</b>	<b>6.0</b>

284<sup>thousand</sup>

insured costumers

### Benefit payments

Total benefit paid amounted to DKK 9.4 billion in 2019, against DKK 9.1 billion in 2018. The increase was driven by regular benefit payments resulting from the increase in the number of pensioners.

## Expenses

For several years, Sampension Liv has made targeted efforts to reduce its 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 analyses 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, wind turbines, hedge funds and unlisted equities are managed by external managers.

### Investment expenses of 0.50%

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 customer savings for 2019 and 2018 are shown in the table below:

Investment expenses (as a percentage of customer savings)	2019	2018
3 i 1 Livspension, selected generation pools (moderate risk):		
25 years	0.62	0.57
45 years	0.58	0.54
65 years	0.38	0.36
<b>3 i 1 Livspension total (average)</b>	<b>0.50</b>	<b>0.47</b>
<b>Conventional Average-rate</b>	<b>0.29</b>	<b>0.56</b>

Total investment expenses amounted to 0.50% of 3 i 1 Livspension customer savings against 0.47% in 2018. The increase was mainly due to higher expenses relating to alternative investments. These are still very competitive rates.

Investment expenses for conventional average-rate products amounted to 0.29% of customer savings in 2019 compared with 0.56% in 2018. The reduction was due to investment expenses being calculated in proportion to customer savings plus the unallocated reserves from 2019 onwards. Investment expenses for 2018 was 0.28% if calculated according to the method applied in 2019.

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 customers' pension savings.

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#### Administrative expenses of

DKK **388**

#### Administrative expenses per customer of DKK 388

The ratios for insurance-related administrative expenses were practically unchanged relative to 2018:

- Expenses per customer amounted to DKK 388 in 2018 against DKK 389 in 2018. The ratio was thus kept at a low level.
- Expenses expressed as a percentage of customers' savings was 0.09%, unchanged compared with 2018.

#### Total APR of 0.5%

Our website, sampension.dk, provides information to customers on annual expenses expressed in Danish kroner and as a percentage (APR). APR includes an annual administration fee of DKK 420 per customer and investment expenses, see above. APR depends on customers' savings. For a 55-year-old customer with savings of DKK 1 million, the APR for 2019 was unchanged at 0.5% for 3 i 1 Livspension Moderate Risk. APR for conventional average-rate products fell from 0.6% to 0.3% as per the change in calculation method above.

## Investments and returns

#### The global economy and financial markets

Global economic uncertainty grew in 2019, particularly due to the trade war between the USA and China and Brexit complications. Despite the easing of monetary and fiscal policies in many countries, economic growth fell worldwide. The slowing growth was mainly reflected in many countries' industrial production. The effect could have spread to the service sector, but it has not yet showed any distinct signs of weakness. Developments have meant that consumer spending is underpinning economic growth in most countries, while investments have contributed negatively to growth due to developments in the industrial sector.

In 2019, financial markets were characterised by surging equity markets and low returns on bonds. Interest rates have plummeted virtually everywhere, which ties in well with the lenient monetary policies pursued. In 2019, the US Federal Reserve – after having gradually hiked its key policy rate since 2015 – announced a number of rate cuts, while the European Central Bank eased its monetary policy by cutting its key policy rate and stepping up its bond-buying programme using fresh funds. Equity markets all over the world surged. The US equity market was the best performer with an impressive 31% increase, closely followed by Danish equities at 29% and European equities at 26%, while the Asian, the UK and emerging markets trailed with increases of about 18%. Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets.

## Investment return of DKK 20.1 billion or 10.0%

The overall return across all investment environments in 2019 was a gain of DKK 20.1 billion, relative to a negative return of DKK 0.2 billion in 2018. The overall return was at 10% before tax on pension returns, compared to minus 0.1% in 2018.

The overall return includes return on the hedge portfolio in the conventional average-rate environment. 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 fell in 2019 and in 2018, the hedge portfolio produced great positive returns, and the pension obligations in the conventional average-rate environment increased.

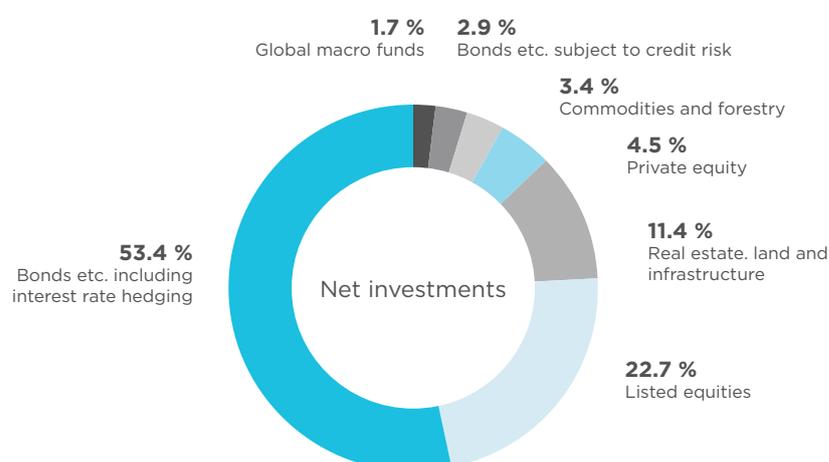
Investment returns by environment DKKm	2019	2018
3 i 1 Livspension	9,222	-1,478
Linkpension	31	-7
Non-guaranteed benefit reinsurance	3,240	-1,020
Conventional Average-rate:		
- Investment portfolio	1,673	-67
- Hedge portfolio	5,935	2,323
<b>Total return</b>	<b>20,102</b>	<b>-249</b>

Investment return of

DKK **20.1** billion

## 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 long-term return in a responsible manner and within the given risk framework. The unit-linked 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 2019. Together with another pension fund, Sampension Liv made a large direct investment in the residential project, Bellakvarteret, in Ørestaden, Denmark in 2019. We also invested in nine hotels situated in the Netherlands and in the residential property Ringparkhuset in Roskilde, Denmark, and we made additional investments in Nature Energy, a Danish biogas producer. In addition, we expanded our forestry portfolio with direct investments in the USA and Tasmania, and we invested in two telecom fibre companies situated in the USA and in the Nordic region, respectively, together with business partners.

### Unit-linked 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 customer's age. Customers have three investment profiles to choose from: low risk, moderate risk and high risk.

Return of up to

20.5 %

### Positive return for all generation pools in 3 i 1 Livspension

The lifecycle product reported positive returns for all generation pools across risk profiles in 2019. As illustrated by the returns of selected pools shown in the table below, the youngest age groups, which have relatively large shares of equities, but also of alternative investments, had the highest returns. The majority of the customers have chosen the moderate risk investment profile.

Generation pools 3 i 1 Livspension. selected	Investment profile		
	Low	Moderate	High
Return (%)			
25 years	12.8	17.0	20.5
45 years	11.5	15.2	18.5
65 years	4.4	5.8	9.0

For a more detailed specification of holdings and returns in 3 i 1 Livspension, see notes 24 and 25 to the financial statements.

Investment return over 5 years up to

43.5 %

### Youngest age groups receive five-year returns of 43.5% in 3 i 1 Livspension

Customers 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 43.5%.



### Non-guaranteed benefit reinsurance return of 8.9%

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.

Invested relating to non-guaranteed reinsurance of civil servant pension obligations produced a positive return of 8.9% in 2019, which we consider to be satisfactory in light of the still very low rate of inflation in Denmark. For a more detailed specification of holdings and returns in the non-guaranteed reinsurance segment, see note 24 to the financial statements.

### Return of 9.7% 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 customers, 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 customers.

The overall allocation of investments in the average-rate environment at 31 December 2019 and the return contributions for the year are set out in the table below.

Conventional average-rate	Market Value 31.12.2019 DKKm	Distribution %	Return contribution as a percentage time-weighted
Total investment portfolio	54,771	68.9	2.7
Total portfolio of interest rate hedges	24,713	31.1	6.9
<b>Total investment assets</b>	<b>79,484</b>	<b>100.0</b>	<b>9.7</b>

Some 54% of Sampension's total net investment assets in the DKK 79 billion conventional average-rate environment was placed in bonds, etc., while 5% was invested in listed equities, 31% in the portfolio of interest rate hedges and 10% in alternative investments.

The overall return for 2019 was 9.7% before tax on pension returns and inclusive of the hedge portfolio. Exclusive of the hedge portfolio, the return was 2.7%.

The hedge portfolio produced a return of DKK 5.9 billion before tax on pension returns, equal to a return contribution of 6.9%. The lower discount rates increased pension obligations by DKK 6.3 billion. Combined, the investment portfolio, the hedge portfolio after tax on pension returns and changes in provisions produced close to a zero return.

For a more detailed specification of holdings and returns in the conventional average-rate segment, see note 24 to the financial statements.

Return in conventional  
Average-rate of

9.7 %

# 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 four parties of the joint management company Sampension (Sampension): Sampension Livsforsikring A/S, the Architects' Pension Fund (AP), the Pension Fund for Agricultural Academics and Veterinary Surgeons (PJD) and the Pension Fund for Technicians and Bachelors of Engineering (ISP). The boards of directors have set up a cross-functional committee to screen and submit recommendations for responsible investments. The committee's objective is to consider and discuss the social, environmental and governance aspects of investment decisions made by the four pension providers with a view to agreeing on the principles that should apply to the pension companies' policy on responsible investment.

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**3** initiatives

**to increase focus  
on climate**

## Increased focus on climate

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. In 2019, Sampension adopted a new policy and guidelines for responsible investments, which includes an increased focus on climate. This is expressed in three initiatives in the equity portfolio:

- 1 We measured the carbon footprint of our equity portfolio for the first time at the end of 2018. The target for the equity portfolio's carbon footprint has now been specified: it must fall over time and must at all times be less than what the equity portfolio would have caused had the equity investments been made passively in the equity markets.
- 2 Unfortunately, the world will remain dependent on fossil fuels for a number of years to come, but it is possible to support the transition to the low-emissions society of the future, and going forward Sampension will not invest in companies causing the largest environmental impact. More specifically, we will not invest in companies generating 30% or more of their revenue from coal or tar sand operations.
- 3 The transition to the future low-emissions society will affect the business models of all companies. Going forward, Sampension will regularly evaluate the companies' ability and willingness to adapt to the future low-emissions society.

## Active ownership

As an investor, Sampension Liv aims to exert its influence through an active ownership approach, and we work continually to promote responsible conduct by the companies we are invested in. In this context, Sampension has decided to strengthen its engagement programme to supplement engagements on improvement by engaging in critical dialogues with companies which do not comply with international standards and conventions in the ESG area. This will probably lead to more exclusions from Sampension's portfolio than has previously been seen.

Unlisted shares are subject to the same guidelines as listed shares and are assessed in terms of responsibility in the course of the same due diligence process. Sampension's directly owned properties are not let out to companies placed on the exclusion list. For investments in credit bonds managed in-house, Sampension does not invest in bonds issued by companies placed on the exclusion list. For government bonds managed in-house, Sampension regularly monitors and assesses

countries based on UN Guiding Principles on Business and Human Rights (UNGP). If severe human rights abuses occur in the country with no indications of material improvements being made, the country will be excluded from our investment universe. For bonds managed in external funds, Sampension will mainly apply active ownership during the due diligence process prior to the investment commitment.

Our separate report “Ansvarlige investeringer 2019” (in Danish only) provides additional information on the responsible investment approach pursued by the joint management company. Reference is also made to the review of objectives and initiatives forming part of our general governance, investments and company operations discussed in the statutory report on corporate responsibility available (in Danish only) at [sampension.dk/aarsrapport](http://sampension.dk/aarsrapport).

## Profit, solvency capital requirement and total capital

### Profit of DKK 80 million

Sampension Liv realised a profit of DKK 80 million after tax for 2019 against a loss of DKK 65 million for 2018. 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 profit for 2019 was in line with expectations.

The Board of Directors proposes that the profit for the year be transferred to “Retained earnings” under equity. After this, parent company equity was DKK 3.7 billion, compared with DKK 3.6 billion at 31 December 2018. Consolidated equity at 31 December 2019 was DKK 20.4 billion. The difference between parent company equity and consolidated equity was attributable to the investments in Sampension Invest made by AP, PJD and ISP and others. 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 requirements and total capital DKKm	31.12.2019	31.12.2018
Total capital	7,731	7,723
Solvency capital requirement (SCR)	2,635	1,740
Minimum capital requirement (MCR)	659	435
Excess capital	5,095	5,984
<b>Solvency coverage ratio relative to SCR</b>	<b>293%</b>	<b>444%</b>
Solvency coverage ratio relative to MCR	1173%	1776%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 293% at 31 December 2019. The decline relative to 31 December 2018 was mainly due to the increase in provisions resulting from a fall in interest rates and in volatility adjustment (VA), see the following section, and additional 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 2019’, which is available (in Danish only) at [sampension.dk/aarsrapport](http://sampension.dk/aarsrapport). This report also pro-

Equity of

DKK **3.7** billion

Solvency requirement

**293** %

vides 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 VA. Furthermore, the Danish FSA's benchmark for expected future increases in longevity are also applied in the calculation of provisions. In 2019, EIOPA implemented an adjusted method for calculating VA to the Danish discount curve. VA dropped by a total of 25 basis points in 2019.

The lower discount rates increased provisions by DKK 6.3 billion in 2019. The annual update of longevity assumptions for purposes of the market value base led to a decline in provisions of DKK 0.4 billion.

At 31 December 2019, Sampension Liv converted average-rate policies for conventional average-rate products to an adjusted technical basis, under which all policies of the former interest rate groups A-E with technical rates of interest of between 0% and 4.5% are grouped together in a single interest rate group, G, with a technical interest rate of 0%. In addition, the adjusted technical basis comprises an increased assumed longevity. In connection with the conversion, customers received contributions to savings after tax on pension returns of DKK 15.4 billion from unallocated funds.

Provisions for average-rate products amounted to DKK 116.0 billion at end-2019 against DKK 109.8 billion at the end of 2018. Collective bonus potentials included in provisions for average-rate policies fell by DKK 2.7 billion to stand at DKK 10.3 billion at 31 December 2019. This was due to the net effect of positive investment returns and the interest rate group conversion.

The bonus ratio reflects individual and collective bonus potentials in relation to customer savings. The bonus ratio of the new interest rate group G is 8.5% following the interest rate group conversion.

As the investment return for the year was significantly higher than the rate of interest on policyholder's savings, the bonus ratio of non-guaranteed reinsurance increased considerably.

Bonus potential and bonus ratios		31.12.2019		31.12.2018	
		DKKm Bonus potentials	% Bonus ratios	DKKm Bonus potentials	% Bonus ratios
Interest rate group	Average basic rate				
A	3.5% - 4.5%	-	-	1,999	12.3
B	2.5% - 3.5%	-	-	1,126	26.9
C	1.5% - 2.5%	-	-	4,664	43.6
D	0.5% - 1.5%	-	-	1,497	49.1
E	Below 0.5%	-	-	15	118.0
F	Non-guaranteed	106	10.1	97	9.8
G	0%	4,281	8.5	-	-
Conventional Average-rate, interest rate groups, total		4,387	-	9,399	-
Non-guaranteed reinsurance		5,924	17.7	3,658	10.9
<b>Total bonus potentials</b>		<b>10,312</b>	<b>-</b>	<b>13,057</b>	<b>-</b>

Provisions for unit-linked policies increased by DKK 11.0 billion to stand at DKK 95.7 billion at 31 December 2019. The increase was driven in particular by the investment return and the premium income for the year, as 90% of Sampension Liv's premium-paying customers had 3 i 1 Livspension, and all new customers get this product.

## Outlook for 2020

Sampension Liv expects growth in premium income in 2020 and an increased customer inflow as a result of new pension schemes offered from the beginning of 2020. Pensioners are expected to account for a growing proportion of customers. Total insurance administration expenses are expected to remain at the 2019 level.

Effective 1 January 2020, Sampension Liv adjusted its rates of interest on average-rate policies with declaration-of-intent benefits to 5.0%.

The rate of interest on policyholders' savings in non-guaranteed reinsurance was unchanged at 3.0% as per 1 January 2020. For unit-linked schemes, realised returns are allocated to customer 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 for 2020 of about DKK 70 million.

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**Interest on average-  
return policies**

**5.0** %

## 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 on an annual basis.

### Events after the balance sheet date

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

## 2

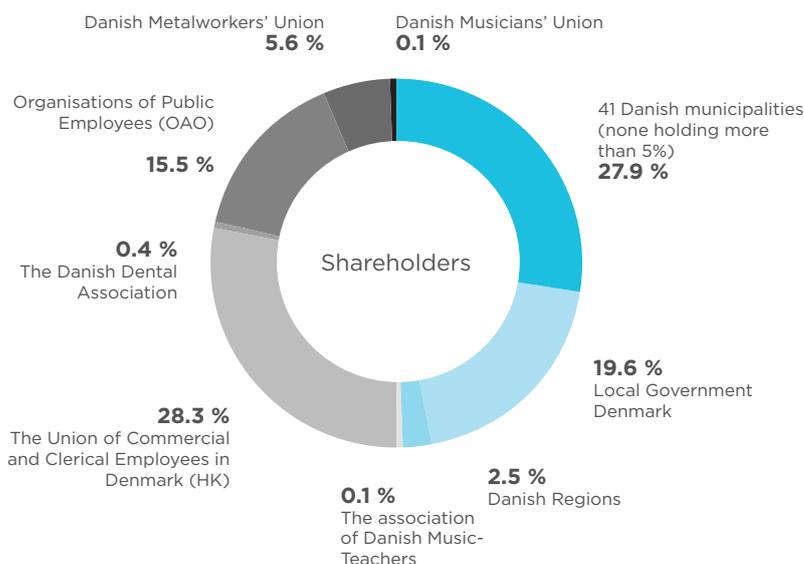
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# Management structure

## 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 customers.



## 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.

At the extraordinary meeting of the board of representatives held on 13 February 2020, Lene Roed Poulsen was elected as a new member of the Board of Directors. She replaced Bodil Otto, who resigned from the Board of Directors. Information about other directorships held by the members of the Board of Directors and the Executive Board is provided on pages 26-29.

The Board of Directors held five meetings and one seminar in 2019.

## 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 2019 were Jørn Pedersen (Chairman of the Board), Kim Simonsen (Deputy Chairman) and Anne Mette Barfod (Board member). The Audit and Risk Management Committee held four meetings in 2019.

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 Kromann Reumert, which manages our whistleblower hotline. Subsequently, Kromann Reumert informs the Audit and Risk Management Committee and the person in charge of the compliance function. No reports were filed in 2019.

### **Committee for responsible investment**

The responsible investment policy applies to all four parties of the joint management company. The boards of directors have set up a cross-functional committee to make proposals for ESG-related decisions. The committee is charged with considering the social, environmental and governance aspects of investment decisions made by the four 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](http://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 financial enterprises managed by Sampension have drawn up a 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/bestyrelse](http://sampension.dk/bestyrelse).

## 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 39% in 2018 to 40% in 2019. As a result, the target was met. The target is subject to an annual review.

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

## Group structure and organisation chart

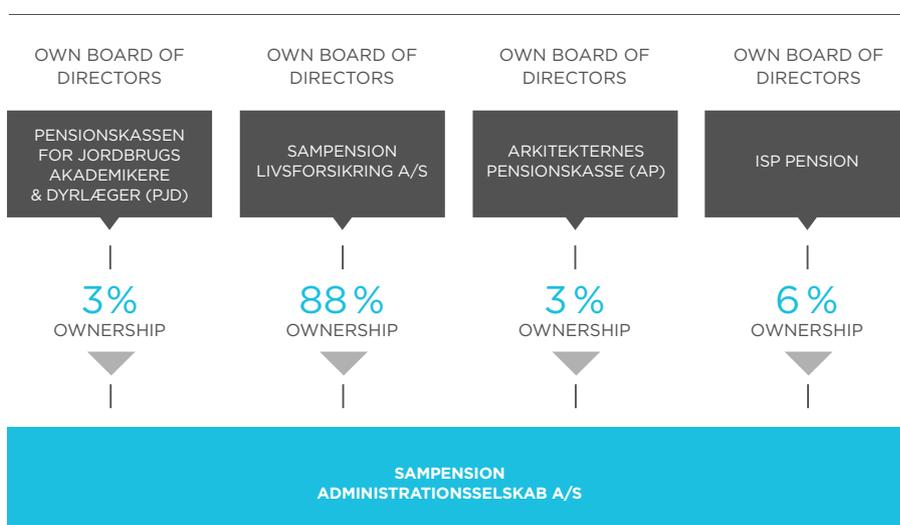
The Sampension Group comprises the parent company, Sampension Livsforsikring A/S, the subsidiary Sampension Administrationselskab A/S and a number of other subsidiaries and associates. Between them, they operate the Group's business areas.

### 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 currently manages companies of the Sampension Group as well as the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and since 2019 the Pension Fund for Technicians and Bachelors of Engineering. The group of owners of Sampension Administrationselskab A/S comprises: Sampension Livsforsikring A/S (88%), the Architects' Pension Fund (3%), the Pension Fund for Agricultural Academics and Veterinary Surgeons (3%) and the Pension Fund for Technicians and Bachelors of Engineering (6%).

### The joint management company:



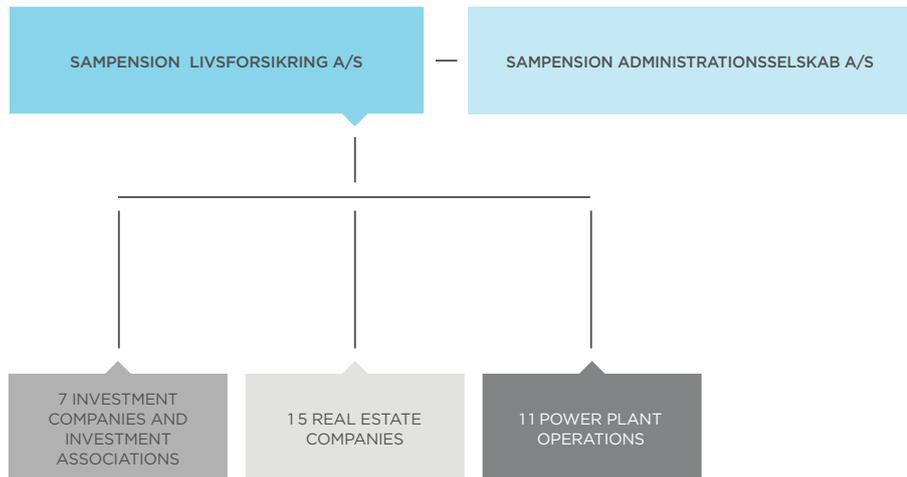
▼ Ownership and administrative agreements with equal conditions

## 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 2019

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See the note on Equity investments on page 65 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 customers:

Kim Simonsen (Deputy Chairman), chairman of HK/Denmark  
Rita Bundgaard, deputy chairman of HK/Government Authorities  
Lene Roed Poulsen 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, scrum master

## 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  
Anne Louise Baltzer Engelund, Product 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 23 March 2020 at the company's address.

## Other 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 Administrationselskab 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 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 Kommanditselskabet Christiansminde  
Chairman of the board of directors and CEO of ASX7 ApS  
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, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering  
Deputy chairman of the board of directors of Sampension Administrationselskab A/S  
Deputy chairman of the board of directors of HK/Danmark A-Kasse  
Member of the supervisory board and the board of representatives of Arbejdsmarkedets Tillægspension (ATP)  
Member of the board 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 (UNORD)  
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**

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

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

Member of the board of directors of Sampension Administrationselskab A/S  
Member of the board of directors of Administrationsaktieselskabet Forenede Gruppeliv  
Member of the board of directors of Kommanditselskabet Christiansminde  
Member of the board of representatives of Forbrugsforeningen af 1886

### **Martin Damm, Mayor, born 1963**

Chairman of the board of directors of Kombit A/S  
Member of the board of directors of Sampension Administrationselskab 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 Administrationselskab 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 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 Administrationssselskab A/S

**Lene Roed Poulsen, Deputy Chairman of HK/Municipal Authorities, born 1963**

Member of the board of directors of Sampension Administrationssselskab 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

**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 Administrationssselskab 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 board of directors of Nupark Innovation A/S  
Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering

**John Helle, Pension Adviser, born 1964**

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

**Morten Lundsgaard, Digital Communications Adviser, born 1968**

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

**Majbritt Pedersen, Enterprise Architect, born 1962**

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

**Annett Schultz, Pension Adviser, born 1963**

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

**Søren Sperling, Project Worker, born 1967**

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

## Executive Board

### **Hasse Jørgensen, CEO, born 1962**

CEO of Sampension Administrationssselskab A/S

CEO of the Architects' Pension Fund

CEO of the Pension Fund for Agricultural Academics and Veterinary Surgeons

CEO of the Pension Fund for Technicians and Bachelors of Engineering

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





# Financial statements

## 3

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# Group and Parent Company Financial Statements

Note	INCOME STATEMENT DKKm,	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
2	Gross premiums	10,129	9,251	10,129	9,251
	Ceded insurance premiums	0	-1	0	-1
	<b>Total premiums, net of reinsurance</b>	<b>10,129</b>	<b>9,250</b>	<b>10,129</b>	<b>9,250</b>
	Income from group enterprises	0	0	11,617	-553
	Income from associates	154	285	69	56
	Income from investment property and other tangible investment assets	309	258	0	0
3	Interest income, dividends etc.	5,130	5,078	3,688	3,702
4	Market value adjustments	16,858	-7,660	3,727	-4,694
	Interest expenses	-215	-120	-54	-39
5	Investment management expenses	-713	-552	-300	-221
	<b>Total investment return</b>	<b>21,524</b>	<b>-2,712</b>	<b>18,747</b>	<b>-1,749</b>
	<b>Tax on pension returns</b>	<b>-3,487</b>	<b>93</b>	<b>-3,487</b>	<b>93</b>
6	Benefits paid	-9,416	-9,107	-9,416	-9,107
	<b>Total insurance benefits, net of reinsurance</b>	<b>-9,416</b>	<b>-9,107</b>	<b>-9,416</b>	<b>-9,107</b>
15,16	<b>Total change in provisions, net of reinsurance</b>	<b>-15,805</b>	<b>1,441</b>	<b>-15,805</b>	<b>1,441</b>
14	<b>Change in surplus capital</b>	<b>55</b>	<b>154</b>	<b>55</b>	<b>154</b>
5	Administrative expenses	-175	-172	-175	-172
	<b>Total net operating expenses, net of reinsurance</b>	<b>-175</b>	<b>-172</b>	<b>-175</b>	<b>-172</b>
	<b>Transferred return on investments</b>	<b>-2,884</b>	<b>964</b>	<b>-106</b>	<b>1</b>
	<b>TECHNICAL RESULT</b>	<b>-58</b>	<b>-88</b>	<b>-58</b>	<b>-88</b>
	<b>Investment return on equity</b>	<b>96</b>	<b>41</b>	<b>106</b>	<b>-1</b>
	<b>Minority interests of investment return</b>	<b>2,791</b>	<b>-1,005</b>	<b>0</b>	<b>0</b>
	<b>Other income</b>	<b>55</b>	<b>38</b>	<b>0</b>	<b>0</b>
	<b>Other expenses</b>	<b>-56</b>	<b>-38</b>	<b>0</b>	<b>0</b>
	<b>PROFIT BEFORE TAX</b>	<b>2,828</b>	<b>-1,051</b>	<b>48</b>	<b>-89</b>
7	<b>Tax</b>	<b>-26</b>	<b>-23</b>	<b>32</b>	<b>24</b>
	<b>PROFIT FOR THE YEAR</b>	<b>2,802</b>	<b>-1,074</b>	<b>80</b>	<b>-65</b>
	<b>Other comprehensive income</b>				
	Domicile property revaluation	88	6	0	0
	Translation of units outside Denmark	1,355	1,500	1,355	1,500
	Translation of units outside Denmark - minority interests share	459	406	0	0
	Tax on pension returns	-163	-176	-163	-176
	Change in collective bonus potential	-1,186	-1,319	-1,186	-1,319
7	Tax	-19	15	0	16
	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>533</b>	<b>431</b>	<b>6</b>	<b>20</b>
	<b>NET PROFIT FOR THE YEAR</b>	<b>3,335</b>	<b>-643</b>	<b>86</b>	<b>-45</b>
	<b>Minority interests share</b>	<b>-3,249</b>	<b>599</b>	<b>0</b>	<b>0</b>
	<b>PARENT COMPANY'S SHARE OF PROFIT FOR THE YEAR</b>	<b>86</b>	<b>-45</b>	<b>86</b>	<b>-45</b>

## Group and Parent Company Financial Statements (Continued)

Note	BALANCE SHEET DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	<b>ASSETS</b>				
	<b>INTANGIBLE ASSETS</b>	<b>183</b>	<b>159</b>	<b>0</b>	<b>0</b>
8	Equipment	13	13	0	0
9	Domicile property	171	145	0	0
	<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>185</b>	<b>158</b>	<b>0</b>	<b>0</b>
10	<b>Investment property and other tangible investment assets</b>	<b>5,621</b>	<b>5,260</b>	<b>0</b>	<b>0</b>
	Investments in group enterprises	0	0	25,840	23,684
11	Loans to group enterprises	0	0	1,272	1,212
	Investments in associates	900	956	245	227
11	Loans to associates	91	120	91	92
	<b>Total investments in group enterprises and associates</b>	<b>990</b>	<b>1,077</b>	<b>27,447</b>	<b>25,216</b>
	Investments	39,718	31,289	4,234	3,700
	Units in mutual funds	597	541	468	293
	Bonds	96,602	93,308	95,885	92,434
	Loans secured by mortgage	126	323	126	323
12	Derivative financial instruments	45,930	37,348	45,929	37,348
	Deposits with credit institutions	8,814	5,067	8,314	4,653
	<b>Total other financial investment assets</b>	<b>191,788</b>	<b>167,876</b>	<b>154,957</b>	<b>138,751</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>198,399</b>	<b>174,213</b>	<b>182,404</b>	<b>163,967</b>
13	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	<b>104,150</b>	<b>91,688</b>	<b>100,193</b>	<b>87,883</b>
	<b>Total receivables arising from direct and indirect insurance contracts</b>	<b>340</b>	<b>317</b>	<b>340</b>	<b>317</b>
	<b>Receivables from group enterprises</b>	<b>0</b>	<b>0</b>	<b>1,019</b>	<b>2,402</b>
	<b>Other receivables</b>	<b>411</b>	<b>681</b>	<b>115</b>	<b>73</b>
	<b>TOTAL RECEIVABLES</b>	<b>752</b>	<b>998</b>	<b>1,474</b>	<b>2,792</b>
	Current tax assets	14	22	8	13
7	Deferred tax assets	48	119	0	0
	Cash and cash equivalents	1,519	1,774	1,516	2,072
	Other	3,658	1,384	3,658	1,289
	<b>TOTAL OTHER ASSETS</b>	<b>5,239</b>	<b>3,298</b>	<b>5,182</b>	<b>3,375</b>
	Interest and rent receivable	3,890	4,088	3,829	4,024
	Other prepayments	308	284	248	241
	<b>TOTAL PREPAYMENTS</b>	<b>4,198</b>	<b>4,372</b>	<b>4,077</b>	<b>4,266</b>
	<b>TOTAL ASSETS</b>	<b>313,106</b>	<b>274,886</b>	<b>293,330</b>	<b>262,283</b>

Note	BALANCE SHEET DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	<b>EQUITY AND LIABILITIES</b>				
	<b>Share capital</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	Other reserves	254	179	99	93
	<b>Total reserves</b>	<b>254</b>	<b>179</b>	<b>99</b>	<b>93</b>
	<b>Retained earnings</b>	<b>3,402</b>	<b>3,391</b>	<b>3,557</b>	<b>3,477</b>
	<b>Minority interests</b>	<b>16,735</b>	<b>10,426</b>	<b>0</b>	<b>0</b>
	<b>TOTAL EQUITY</b>	<b>20,393</b>	<b>13,998</b>	<b>3,657</b>	<b>3,571</b>
14	<b>Surplus capital</b>	<b>4,256</b>	<b>4,311</b>	<b>4,256</b>	<b>4,311</b>
	<b>TOTAL SUBORDINATED LOAN CAPITAL</b>	<b>4,256</b>	<b>4,311</b>	<b>4,256</b>	<b>4,311</b>
15	<b>Provisions for average-rate products</b>	<b>116,002</b>	<b>109,785</b>	<b>116,002</b>	<b>109,785</b>
16	<b>Provisions for unit-linked contracts</b>	<b>95,726</b>	<b>84,722</b>	<b>95,726</b>	<b>84,722</b>
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>211,727</b>	<b>194,507</b>	<b>211,727</b>	<b>194,507</b>
7	Deferred tax liabilities	122	202	0	0
	Other provisions	47	27	0	0
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>168</b>	<b>229</b>	<b>0</b>	<b>0</b>
	Payables arising from reinsurance operations	72	62	72	62
17	Payables to credit institutions	23,359	26,471	20,994	24,388
	Payables to group enterprises	0	0	35	711
	Current tax liabilities	42	3	0	0
18	Other debt	52,864	35,081	52,425	34,569
	<b>TOTAL DEBT</b>	<b>76,337</b>	<b>61,617</b>	<b>73,527</b>	<b>59,731</b>
	<b>TOTAL DEFERRED INCOME</b>	<b>225</b>	<b>224</b>	<b>162</b>	<b>162</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>313,106</b>	<b>274,886</b>	<b>293,330</b>	<b>262,283</b>

1	<b>ACCOUNTING POLICIES</b>
19	<b>CONTINGENT ASSETS AND LIABILITIES</b>
20	<b>CHARGES</b>
21	<b>INTRA GROUP TRANSACTIONS</b>
22	<b>REALISED RESULT FOR INTEREST GROUPS, COST AND RISK GROUPS</b>
23	<b>FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE</b>
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27	<b>FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, GROUP AND PARENT COMPANY</b>
28	<b>RISK MANAGEMENT</b>

## Statement of changes in equity

DKKm.	Share capital	Currency translation adjustment	Domicile	Retained earnings	Minority interest	Total
<b>PARENT COMPANY</b>						
<b>Equity at 1 January 2018</b>	<b>1</b>	<b>73</b>	<b>0</b>	<b>3,542</b>	<b>0</b>	<b>3,616</b>
Profit for the year	-	-	-	-65	-	-65
Other comprehensive income	-	20	-	-	-	20
<b>Equity at 31 December 2018</b>	<b>1</b>	<b>93</b>	<b>0</b>	<b>3,477</b>	<b>0</b>	<b>3,571</b>
Profit for the year	-	-	-	80	-	80
Other comprehensive income	-	6	-	-	-	6
<b>Equity at 31 December 2019</b>	<b>1</b>	<b>99</b>	<b>0</b>	<b>3,557</b>	<b>0</b>	<b>3,657</b>
<b>GROUP</b>						
<b>Equity at 1 January 2018</b>	<b>1</b>	<b>72</b>	<b>82</b>	<b>3,460</b>	<b>11,568</b>	<b>15,184</b>
Profit for the year	-	-	-	-70	-1,005	-1,075
Other comprehensive income	-	20	4	-	406	431
Minority interests shares - disposals	-	-	-	-	-543	-543
<b>Equity at 31 December 2018</b>	<b>1</b>	<b>92</b>	<b>87</b>	<b>3,391</b>	<b>10,426</b>	<b>13,998</b>
Profit for the year	-	-	-	11	2,791	2,801
Other comprehensive income	-	6	69	-	459	533
Minority interests shares - additions	-	-	-	-	3,060	3,060
<b>Equity at 31 December 2019</b>	<b>1</b>	<b>99</b>	<b>155</b>	<b>3,402</b>	<b>16,735</b>	<b>20,393</b>
<b>Capital base</b>					<b>31.12.2019</b>	<b>31.12.2018</b>
Equity					3,657	3,571
Surplus capital					4,256	4,311
Intangible assets in group enterprises					-183	-159
<b>Total</b>					<b>7,731</b>	<b>7,723</b>

# 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).

The accounting policies and estimates are consistent with those applied last year.

#### Information on the placement of assets and liabilities within the fair value hierarchy

Effective from 2019, the Executive Order on Financial Reports introduced new note requirements for disclosure of the techniques and data applied in the measurement of assets and liabilities at fair value on the basis of the so-called fair value hierarchy.

The fair value hierarchy comprises the three levels below for assets and liabilities measured at fair value.

- level 1 – measurement based on quoted prices in an active market.
- level 2 – measurement based on observable inputs.
- level 3 – measurement based on unobservable inputs.

Disclosure is particularly required for level 3 assets. Disclosure should be made on a consolidated basis. Comparatives are not required in the first year of application of the new rules.

The placement of assets and liabilities within the three levels of the fair value hierarchy is disclosed in note 23.

#### 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 portfolio. 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 rec-

ognised 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 Group and 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 Group and 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.

#### Accounting estimates

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.

# Notes to the Financial Statements (continued)

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 unforeseen future events or circumstances may arise.

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
- investment assets measured using alternative valuation methods, which are at level 3 in the fair value hierarchy.

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 level 3 investment assets are subject to greater uncertainty than level 1 and level 2 assets due to their non-marketability. 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. In practice, however, Sampension Liv is not subject to any notable risk of having to sell non-marketable assets on unfavourable terms. The value of the most marketable assets at level 1 in the fair value hierarchy exceeds the annual payment obligations by a substantial margin.

The most significant level 3 investment assets are:

- tangible investment assets, comprising properties, wind turbines and forestry
- unlisted equity investments, including private equity, real estate and forestry funds, and
- unlisted bonds, including credit bonds and structured bonds.

## 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 contribu-

tions for the year. Premium income is stated net of social security contributions and reinsurance premiums.

#### Forenedede Gruppeliv

Sampension Liv's group life insurance is managed by Forenedede 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 other tangible investment assets

The item covers income from management of investment property and other tangible investment assets net of management costs, but before deduction of mortgage interest. The item also includes fair value adjustment of wind turbines.

##### 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

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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, part of direct administrative expenses incurred, 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 tax on pension returns attributable to profit or loss for the year plus any adjustments to prior-year tax on pension returns 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 unit-linked products.

#### **Change in surplus 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 Administrationssselskab 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 insurance business.

#### **Other expenses**

Other expenses comprise expenses related to administrative services for other enterprises and other expenses not attributable to 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.

# Notes to the Financial Statements (continued)

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.

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. Cost comprises costs of materials, components, subcontractors, direct payroll costs with the addition of 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 Administrationssselskab 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.

The most important data when calculating the fair value of the domicile property are the discount rate and assumptions about expected cashflows from income and expenses, e.g. rental income, based on the expected rent level and vacancy period, as well as maintenance costs and the terminal value at the end of the planning 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

On initial recognition, investment properties are measured at cost, consisting of the acquisition cost of the property and any directly associated costs. Subsequently, investment properties are measured at fair value.

For residential properties abroad, fair values are determined based on pub-

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lished prices from regular trading in similar properties.

For other investment properties, fair values are determined according to either the capitalised returns method or the DCF method. Fair values determined according to the capitalised returns method are based on the expected operating return and related required rate of return on individual properties, adjusted for any atypical conditions relating to the property. Fair values determined according to the DCF method are based on the expected cash flow from income and expenses on individual properties for a relevant planning period, the terminal value at the end of the planning period and a discount curve corresponding to the planning period.

Properties that the company plans to sell at the balance sheet date are measured at fair value, corresponding to the expected selling price less any costs in connection with the sale.

#### **Investment in other tangible investment assets**

Investments in other tangible investment assets consist of wind turbines and forestry, where fair values are determined for individual assets according to the DCF method on the basis of cash flows from expected income and expenses within a relevant investment horizon and a discount curve corresponding to the investment horizon.

In connection with acquisitions or disposals of other tangible investment assets, 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. Enterprises 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 values in accordance with the most recent annual or interim reports of the enterprises. Investments are also adjusted for subsequent capital increases, capital reductions or dividends up to the reporting date. Furthermore the value of investments is adjusted on a discretionary basis where the adjusted equity value is not deemed to reflect fair value.

#### **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, usually equal to the investments' quoted prices in an active market (closing price).

Unlisted investments and units in mutual funds are measured at an estimated fair value. At year end, this is normally based on fund managers' third-quarter reporting, adjusted for subsequent capital increases, capital reductions or dividends up to the reporting date. Furthermore, the value of individual investments is adjusted on a discretionary basis where the adjusted equity value is not deemed to reflect fair value.

#### **Bonds**

Listed bonds are measured at fair value at the balance sheet date, usually equal to the bonds' quoted prices in an active market (closing price). The valuation of bonds for which no quoted price in an active market exists is based on one of the following:

- quoted prices of similar bonds, adjusted for any differences
- indicative prices from investment banks
- a DCF model based on estimates of, e.g. discount curve, risk premiums, prepayments and the amount of default losses and dividends on underlying loans.

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. For listed instruments, fair

# Notes to the Financial Statements (continued)

value is based on the closing price, whereas for OTC instruments it is determined according to generally accepted methods based on observable inputs.

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 unit-linked products**

Investment assets related to unit-linked 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 adjustment accounts regarding group life schemes, among other things.

## **Prepayments**

Prepayments comprise interest and rent receivable and costs incurred relating to subsequent financial years. Deferred income is 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 revaluations of the domicile property. Adjustment is made for changes in reserves, tax on pension returns and income tax.

### **Non-controlling interests**

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

### **Subordinated loan capital**

### **Surplus 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 entitle-

ment 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 unit-linked products**

Provisions for unit-linked 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 investment property and other tangible investment assets 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.

#### **Prepayments**

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 73. Financial highlights are not prepared for the Group as it comprises one life insurance company only.

## Notes to the Financial Statements (continued)

Note	DKKm,	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>2</b>	<b>Gross premiums</b>				
	Regular premiums	4,782	4,605	4,782	4,605
	Group life contracts	2,801	2,478	2,801	2,478
	Single premiums	1,769	1,466	1,769	1,466
	<b>Premiums, direct insurance</b>	<b>9,352</b>	<b>8,549</b>	<b>9,352</b>	<b>8,549</b>
	<b>Premiums, indirect insurance</b>	<b>777</b>	<b>702</b>	<b>777</b>	<b>702</b>
	<b>Total gross premiums</b>	<b>10,129</b>	<b>9,251</b>	<b>10,129</b>	<b>9,251</b>
	Premiums, direct insurance, broken down by insurance arrangement:				
	Insurance contracts written in connection with employment	6,551	6,071	6,551	6,071
	Group life contracts	2,801	2,478	2,801	2,478
	<b>Total</b>	<b>9,352</b>	<b>8,549</b>	<b>9,352</b>	<b>8,549</b>
	Premiums with profits insurance	3,457	3,067	3,457	3,067
	Unit-linked contracts	5,895	5,482	5,895	5,482
	<b>Total</b>	<b>9,352</b>	<b>8,549</b>	<b>9,352</b>	<b>8,549</b>
	<b>Premium by policyholder's address</b>				
	Denmark	9,326	8,522	9,326	8,522
	Other EU-countries	24	24	24	24
	Other countries	2	3	2	3
	<b>Total</b>	<b>9,352</b>	<b>8,549</b>	<b>9,352</b>	<b>8,549</b>
	Number of policyholders with insurance and investment contracts written as part of their employment (thousands)	284	278	284	278
	Of this number of unit-linked contracts (thousands)	198	189	198	189
	Number of group life insurances (thousands)	758	714	758	714
<b>3</b>	<b>Interest income and dividends etc,</b>				
	Dividends from investments	1,657	1,512	285	248
	Dividends from units in mutual funds	4	63	4	63
	Interest from bonds	2,134	2,034	2,084	1,892
	Interest on loans secured by mortgage	13	20	13	20
	Interest from group enterprises	0	0	41	61
	Other interest income	162	48	100	18
	Indexation	12	328	12	328
	Interest rate hedging instruments	1,148	1,073	1,148	1,073
	<b>Total interest income, dividends, etc,</b>	<b>5,130</b>	<b>5,078</b>	<b>3,688</b>	<b>3,702</b>
<b>4</b>	<b>Market value adjustments</b>				
	Investment property and other tangible investment assets	795	814	0	0
	Investments	13,528	-4,420	1,301	-655
	Units in mutual funds	150	-105	129	-103
	Bonds	2,916	-505	2,880	-525
	Loans secured by mortgage	15	-22	15	-21
	Derivative financial instruments	-570	-3,446	-653	-3,404
	Cash and demand deposit	16	27	8	25
	Other	7	-3	48	-10
	<b>Total value adjustments</b>	<b>16,858</b>	<b>-7,660</b>	<b>3,727</b>	<b>-4,694</b>

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>5</b>	<b>Administrative expenses</b>				
	All staff are employed with and paid by Sampension Administrationssselskab 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		-230		-214
	Staff pensions		-39		-37
	Other social security costs		-2		-1
	Payroll tax etc.		-40		-35
	<b>Total staff costs</b>		<b>-311</b>		<b>-287</b>
	Average number of full-time employees		303		289
	<b>Remuneration to the Executive Board, the Board of Directors and to material risk takers</b>				
	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 Administrationssselskab A/S. Sampension Livsforsikring A/S has a 88% (2018: 94%) ownership interest in Sampension Administrationssselskab A/S. Sampension Livsforsikring A/S' share of CEO Hasse Jørgensen's total remuneration total remuneration of DKK 6.1 million (2018: DKK 5.9 million) is DKK 5.5 million (2018: DKK 5.6 million).				
	<b>Board remuneration</b>				
	Jørn Pedersen (joined 16.04.2018)		-0.32		-0.24
	Anker Boye (resigned 16.04.2018)		-		-0.08
	Kim Simonsen		-0.28		-0.27
	Anne Mette Barfod		-0.19		-0.19
	Rita Bundgaard		-0.13		-0.12
	Martin Damm (joined 16.04.2018)		-0.13		-0.09
	René Nielsen (joined 26.01.2018)		-0.13		-0.12
	Torben Henning Nielsen		-0.23		-0.23
	Bodil Marie Otto		-0.13		-0.12
	Johnny Søstrup (resigned 16.04.2018)		-		-0.03
	Hans Christen Østerby		-0.13		-0.12
	Christian Dorow (resigned 16.04.2018)		-		-0.03
	John Helle		-0.13		-0.12
	Bjørn Kroghsbo (resigned 16.04.2018)		-		-0.03
	Morten Lundsgaard		-0.13		-0.12
	Majbritt Pedersen		-0.13		-0.12
	Annett Schultz (joined 16.04.2018)		-0.13		-0.09
	Søren Sperling (joined 16.04.2018)		-0.13		-0.09
			-2.28		-2.25
	Number of individuals		14		14
	<b>Fixed salary, including pension, of employees whose activities have a material impact on the company's risk profile*)</b>		<b>-14.25</b>		<b>-13.67</b>
	Number of individuals		8		8

\*) 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.

Koncern 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/bestyrelse](http://sampension.dk/bestyrelse)

Note 5 continued on next page.

# Notes to the Financial Statements (continued)

Note 5 (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>Remuneration for auditors elected by the Annual General Meeting</b>					
<b>PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab</b>					
	Statutory audit	-1.58	-1.51	-0.64	-0.54
	Assurance engagements	-0.05	-0.10	-0.05	-0.07
	Tax advice	-1.24	-0.56	-0.92	-0.15
	Other services	-2.54	-1.22	0.00	-0.03
		<b>-5.40</b>	<b>-3.39</b>	<b>-1.60</b>	<b>-0.79</b>

In addition to the above fees, costs have been incurred for the Group's internal audit.

The stated amounts are exclusive of foreign network companies. All amounts and rates are stated including VAT.

In addition to the statutory audit of the consolidated and parent company financial statements and other statutory assurance engagements, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has provided assistance by way of custodian services for group enterprises, assistance in the digital filing of annual reports of certain group enterprises, general accounting advice and tax opinions in connection with investments. PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has also issued a report on annual expenses expressed as a percentage and as an amount, provided tax and VAT advisory services, performed a tax review of statements of income, provided project assistance in connection with the takeover of the management activities of ISP Pension and prepared a report on IT security and assisted in an analysis of workflow/process optimisation of key processes.

<b>6 Benefits paid</b>					
	Insurance sums payable in the event of death	-337	-284	-337	-284
	Insurance sums payable in the event of critical illness	-284	-245	-284	-245
	Insurance sums payable in the event of disability	-54	-52	-54	-52
	Insurance sums payable in the event of maturity	-77	-85	-77	-85
	Retirement and annuity benefits	-3,190	-3,057	-3,190	-3,057
	Payment at surrender etc.	-1,625	-1,597	-1,625	-1,597
	Bonuses paid in cash	-1,920	-1,929	-1,920	-1,929
	<b>Benefits paid, direct insurance</b>	<b>-7,486</b>	<b>-7,247</b>	<b>-7,486</b>	<b>-7,247</b>
	<b>Benefits paid, indirect insurance</b>	<b>-1,930</b>	<b>-1,859</b>	<b>-1,930</b>	<b>-1,859</b>
	<b>Total benefits paid</b>	<b>-9,416</b>	<b>-9,107</b>	<b>-9,416</b>	<b>-9,107</b>
<b>7 Tax</b>					
	Current corporation tax	-40	-35	0	0
	Change in deferred tax, ordinary	16	65	0	29
	Adjustment relating to previous years. current tax	63	5	31	5
	Adjustment relating to previous years. deferred tax	-22	-15	0	-5
	Other taxes paid etc.	-43	-38	1	0
	Write-down of deferred tax asset	0	-5	0	-5
	<b>Total tax income statement</b>	<b>-26</b>	<b>-23</b>	<b>32</b>	<b>24</b>
<b>Tax on other comprehensive income can be broken down as follows</b>					
	Domicile property revaluation	-18	-1	0	0
	Translation of units outside Denmark	-298	-313	-298	-313
	Tax on pension returns	36	39	36	39
	Change in collective bonus potential	261	290	261	290
	<b>Tax. other comprehensive income</b>	<b>-19</b>	<b>15</b>	<b>0</b>	<b>16</b>
<b>Tax reconciliation</b>					
	Profit before tax	2,828	-1,051	48	-89
	Other comprehensive income before tax	553	416	6	4
	Calculated tax, 22.0 %	-744	140	-12	19
	Non-taxable income and non-deductible expenses				
	Non-taxable income and non-deductible expenses	700	-95	2	4
	Other	-43	-38	9	23
	Prior-year adjustment	41	-10	31	-1
	Write-down of deferred tax asset	0	-5	0	-5
		<b>-46</b>	<b>-8</b>	<b>31</b>	<b>40</b>

Note 7 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	<b>Tax provisions</b>				
	Land and buildings	-46	-76	-46	-66
	Energy plants	-118	-126	0	0
	Taxation of tax on pension returns	-437	-140	-437	-140
	IT assets	42	52	0	0
	Other assets	3	1	0	0
	Tax loss carry-forward	1,621	1,235	1,621	1,235
	Write-down of deferred tax asset	-1,138	-1,029	-1,138	-1,029
	<b>Total tax provisions</b>	<b>-74</b>	<b>-83</b>	<b>0</b>	<b>0</b>
	<b>Deferred tax asset</b>	<b>48</b>	<b>119</b>	<b>0</b>	<b>0</b>
	<b>Deferred tax liability</b>	<b>-122</b>	<b>-202</b>	<b>0</b>	<b>0</b>
<b>8</b>	<b>Equipment</b>				
	Cost at 1 January	22	33	0	0
	Additions during the year, including improvements	4	6	0	0
	Disposals during the year	0	-16	0	0
	<b>Cost at 31 December</b>	<b>26</b>	<b>22</b>	<b>0</b>	<b>0</b>
	Write-downs and depreciation at 1 January	-9	-24	0	0
	Depreciation for the year	-4	-1	0	0
	Reversal of previous depreciation	0	16	0	0
	<b>Write-downs and depreciation at 31 December</b>	<b>-13</b>	<b>-9</b>	<b>0</b>	<b>0</b>
	<b>Carrying value at 31 December</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>0</b>
<b>9</b>	<b>Domicile property</b>				
	Cost at 1 January	287	287	0	0
	<b>Cost at 31 December</b>	<b>287</b>	<b>287</b>	<b>0</b>	<b>0</b>
	Revaluation at 1 January	110	104	0	0
	Correction previous years	0	0	0	0
	Revaluation for the year recognised in other comprehensive in	88	6	0	0
	<b>Revaluation at 31 December</b>	<b>198</b>	<b>110</b>	<b>0</b>	<b>0</b>
	Depreciation at 1 January	-26	-24	0	0
	Correction previous years	0	0	0	0
	Depreciation for the year	-2	-2	0	0
	<b>Depreciation at 31 December</b>	<b>-28</b>	<b>-26</b>	<b>0</b>	<b>0</b>
	<b>Revaluated value at 31 December</b>	<b>457</b>	<b>371</b>	<b>0</b>	<b>0</b>
	<b>Fair value included in the item Domicile property</b>	<b>171</b>	<b>145</b>	<b>0</b>	<b>0</b>
	<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>286</b>	<b>226</b>	<b>0</b>	<b>0</b>
	Valuation reports from external experts have been obtained				
	Rates of return applied to assess the market value of the property	3.56	4.40	-	-

# Notes to the Financial Statements (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>10</b>	<b>Investment property and other tangible investment assets</b>				
	<b>Investment properties</b>				
	Fair value, beginning of year	11,945	9,361	0	0
	Correction previous years	-8	91	0	0
	Additions during the year	929	3,128	0	0
	Disposals during the year	-500	-1,433	0	0
	Fair value adjustment for the year	735	798	0	0
	<b>Fair value, end of year</b>	<b>13,102</b>	<b>11,945</b>	<b>0</b>	<b>0</b>
	<b>Other tangible investment assets, fair value</b>	<b>1,880</b>	<b>1,501</b>	<b>0</b>	<b>0</b>
	<b>Investment property and other tangible investment assets, total fair value</b>	<b>14,982</b>	<b>13,446</b>	<b>0</b>	<b>0</b>
	<b>Fair value included in the item Investment property and other tangible investment assets</b>	<b>5,621</b>	<b>5,260</b>	<b>0</b>	<b>0</b>
	<b>Fair value included in the item Investment assets related to unit-linked contracts, see Note 13.</b>	<b>9,362</b>	<b>8,186</b>	<b>0</b>	<b>0</b>
	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	2.87	2.79	-	-
	Residential property for the elderly	3.35	4.86	-	-
	Commercial property	5.97	6.15	-	-
	Youth housing	3.65	3.79	-	-
	Mixed property	5.41	5.42	-	-
	Foreign commercial property	5.41	6.38	-	-
	<b>Weighted average of rates of return</b>	<b>4.32</b>	<b>4.66</b>	<b>-</b>	<b>-</b>
<b>11</b>	<b>Loans to group enterprises and associates</b>				
	<b>Group enterprises</b>				
	Fallcorner BV, Holland	-	-	211	212
	KP CE s.a., Frankrig	-	-	167	167
	Sampension KP International A/S, Danmark	-	-	688	634
	Sampension KP Danmark, Denmark	-	-	434	434
	Sampension Renewables P/S, Denmark	-	-	144	106
	<b>Total loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>1,645</b>	<b>1,553</b>
	<b>Included in the item loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>1,272</b>	<b>1,212</b>
	<b>Included in the item Investment assets related to unit-linked contracts, see note 13</b>	<b>-</b>	<b>-</b>	<b>373</b>	<b>341</b>

Note 11 continued on next page.

Note 11 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	<b>Associates</b>				
	OPP Slagelse Sygehus P/S, Danmark	91	96	91	96
	OPP Retten i Svendborg P/S, Danmark	19	19	19	19
	OPP Vejle P/S, Danmark	116	122	116	122
	Ejendomsselskabet Vodroffsvej 26 P/S, Danmark	0	72	0	0
	OPP HoldCo ApS	17	0	17	0
	<b>Total loans to associates</b>	<b>242</b>	<b>308</b>	<b>242</b>	<b>237</b>
	<b>Included in the item loans to associates</b>	<b>91</b>	<b>120</b>	<b>91</b>	<b>92</b>
	<b>Included in the item Investment assets related to unit-linked contracts, see note 13</b>	<b>151</b>	<b>188</b>	<b>151</b>	<b>144</b>

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

12 Derivative financial instruments					
	2019	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	Interest rate hedging instruments etc.:				
	Interest swaps	46,803	35,506	46,802	35,506
	TRS	5	0	5	0
	Caps/floors	168	226	168	226
	Swaptions	415	461	415	461
	CDS's	152	0	152	0
	Option on futures	2	37	2	37
	Total interest rate hedging instruments	47,545	36,230	47,544	36,230
	Currency-based derivative financial instruments	598	1,003	598	999
	TRS Equity	21		21	
	<b>Total derivative financial instruments</b>	<b>48,164</b>	<b>37,234</b>	<b>48,163</b>	<b>37,229</b>
	<b>Fair value included in the item Derivative financial instruments</b>	<b>45,930</b>		<b>45,929</b>	
	<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 13</b>	<b>2,234</b>		<b>2,234</b>	
	<b>Fair value included in the item other debt, see note 18</b>		<b>37,234</b>		<b>37,229</b>
	<b>Net carrying value (asset)</b>	<b>10,930</b>		<b>10,933</b>	
	DKKm.	2019	2018	2019	2018
	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	22,552	17,600	22,552	17,600
	The Group has provided collateral in the form of liquid bonds equal to a fair value of	-7,964	-6,443	-7,964	-6,443
	<b>Net collateral (asset)</b>	<b>14,588</b>	<b>11,157</b>	<b>14,588</b>	<b>11,157</b>

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -1,497 million (2018: 3,008 million) in the market-rate environment and a total exposure of DKK -575 million (2018: 1,248 million) in the average-rate environment. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -3,107 million (2018: -5,002 million) in the market-rate environment and a total exposure of DKK -7,597 million (2018: -11,737 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	DKKm.	GROUP		PARENT COMPANY	
		Positive fair value	Negative fair value	Positive fair value	Negative fair value
2018					
Interest rate hedging instruments etc.:					
Interest swaps		37,578	29,656	37,578	29,656
TRS		5	0	5	0
CAP's		225	302	225	302
Swaptions		383	335	383	335
CDS's		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
<b>Total derivative financial instruments</b>					
		<b>38,819</b>	<b>31,223</b>	<b>38,819</b>	<b>31,215</b>
<b>Fair value included in the item Derivative financial instruments</b>					
		<b>37,348</b>		<b>37,348</b>	
<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 13</b>					
		<b>1,471</b>		<b>1,471</b>	
<b>Fair value included in the item other debt see note 18</b>					
			<b>31,223</b>		<b>31,215</b>
<b>Net carrying value (asset)</b>					
		<b>7,596</b>		<b>7,604</b>	
	DKKm.	2019	2018	2019	2018
<b>13</b>	<b>Investment assets related to unit-linked contracts</b>				
<b>3 i 1 Livspension</b>					
Domicile properties		286	226	0	0
Investment property and other tangible investment assets		9,362	8,186	0	0
Investments in group enterprises		0	0	51,293	43,166
Loans to group enterprises		0	0	373	341
Investments in associates		1,498	1,492	406	354
Loans to associates		151	188	151	144
Investments		48,686	40,512	6,500	5,397
Units in mutual funds		644	455	644	455
Bonds		38,131	35,379	37,397	34,679
Loans secured by mortgage		162	301	162	301
Other		3	0	0	0
Deposits with credit institutions		2,843	3,351	883	1,450
Derivative financial instruments see note 12		2,234	1,471	2,234	1,471
<b>Total investment assets</b>					
		<b>104,000</b>	<b>91,561</b>	<b>100,044</b>	<b>87,758</b>
<b>Linkpension</b>					
Investments in group enterprises		0	0	52	49
Investments		29	25	2	1
Units in mutual funds		118	98	95	75
Deposits with credit institutions		1	1	0	0
Bonds		2	2	0	0
<b>Total investment assets</b>					
		<b>150</b>	<b>127</b>	<b>149</b>	<b>125</b>
<b>Total investment assets related to unit-linked contracts</b>					
		<b>104,150</b>	<b>91,688</b>	<b>100,193</b>	<b>87,883</b>
<b>14</b>	<b>Surplus capital</b>				
Surplus capital beginning of year		4,311	4,465	4,311	4,465
Paid out to customers		-187	-181	-187	-181
Return for the year		132	46	132	46
Transferred from equity		1	-19	1	-19
Provision for tax on pension returns payable		0	-2	0	-2
<b>Total surplus capital</b>					
		<b>4,256</b>	<b>4,311</b>	<b>4,256</b>	<b>4,311</b>

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>15</b>	<b>Provisions for average-rate products</b>				
	<b>Change in gross life insurance provisions is specified as</b>				
	Life insurance provisions, beginning of year	109,785	111,790	109,785	111,790
	Collective bonus potential, beginning of year	-14,139	-16,173	-14,139	-16,173
	Risk margin covered by collective bonus potential at beginning of year	-215	-196	-215	-196
	Accumulated value adjustment, beginning of year	-24,283	-24,045	-24,283	-24,045
	<b>Retrospective provisions, beginning of year</b>	<b>71,148</b>	<b>71,376</b>	<b>71,148</b>	<b>71,376</b>
	Gross premiums	4,234	3,768	4,234	3,768
	Addition of interest after tax on pension returns	3,497	2,786	3,497	2,786
	Tax on pension returns	-358	-259	-358	-259
	Contributions to savings on interest rate group conversion	18,096	0	18,096	0
	Tax on pension returns	-2,686	0	-2,686	0
	Transfer between classes I and III	-10	-187	-10	-187
	Insurance benefits	-6,481	-6,263	-6,481	-6,263
	Cost addition after addition of cost bonus	-173	-166	-173	-166
	Risk gain after addition of risk bonus	-107	-96	-107	-96
	Change in quota Forenede Gruppeliv	163	37	163	37
	Other	104	152	104	152
	<b>Retrospective provisions, end of year</b>	<b>87,426</b>	<b>71,148</b>	<b>87,426</b>	<b>71,148</b>
	Accumulated value adjustment, end of year	17,008	24,283	17,008	24,283
	Collective bonus potential, end of year	11,529	14,139	11,529	14,139
	Risk margin covered by collective bonus potential at end of year	39	215	39	215
	<b>Life insurance provisions, end of year</b>	<b>116,002</b>	<b>109,785</b>	<b>116,002</b>	<b>109,785</b>
	<b>Life insurance provisions are specified as follows</b>				
	Interest rate group A (average basic rate of interest 3.5 % - 4.5 %)				
	Guaranteed benefits	-	2,809	-	2,809
	Bonus potential - non-guaranteed benefits	-	30,976	-	30,976
	Collective bonus potential	-	1,999	-	1,999
	<b>Total interest rate group A</b>	<b>-</b>	<b>35,784</b>	<b>-</b>	<b>35,784</b>
	Interest rate group B (average basic rate of interest 2.5 % - 3.5 %)				
	Guaranteed benefits	-	1,958	-	1,958
	Bonus potential - non-guaranteed benefits	-	5,260	-	5,260
	Collective bonus potential	-	1,126	-	1,126
	<b>Total interest rate group B</b>	<b>-</b>	<b>8,343</b>	<b>-</b>	<b>8,343</b>
	Interest rate group C (average basic rate of interest 1.5 % - 2.5 %)				
	Guaranteed benefits	-	605	-	605
	Bonus potential - non-guaranteed benefits	-	13,119	-	13,119
	Collective bonus potential	-	4,664	-	4,664
	<b>Total interest rate group C</b>	<b>-</b>	<b>18,388</b>	<b>-</b>	<b>18,388</b>
	Interest rate group D (average basic rate of interest 0.5 % - 1.5 %)				
	Guaranteed benefits	-	438	-	438
	Bonus potential - non-guaranteed benefits	-	3,304	-	3,304
	Collective bonus potential	-	1,497	-	1,497
	<b>Total interest rate group D</b>	<b>-</b>	<b>5,239</b>	<b>-</b>	<b>5,239</b>

Note 15 continued on next page.

# Notes to the Financial Statements (continued)

Note 15 (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	Interest rate group E (average basic rate of interest below 0.5 % )				
	Guaranteed benefits	-	5	-	5
	Bonus potential - non-guaranteed benefits	-	1	-	1
	Individual bonus potential	-	6	-	6
	Collective bonus potential	-	9	-	9
	<b>Total interest rate group E</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>22</b>
	Interest rate group F (special non-guaranteed)				
	Bonus potential - non-guaranteed benefits	1,057	989	1,057	989
	Collective bonus potential	106	97	106	97
	<b>Total interest rate group F</b>	<b>1,164</b>	<b>1,086</b>	<b>1,164</b>	<b>1,086</b>
	Interest rate group G (average basic rate of interest 0.00 %)				
	Guaranteed benefits	6,335	-	6,335	-
	Bonus potential - non-guaranteed benefits	60,513	-	60,513	-
	Collective bonus potential	4,281	-	4,281	-
	<b>Total interest rate group G</b>	<b>71,128</b>	<b>-</b>	<b>71,128</b>	<b>-</b>
	<b>Total interest rate groups</b>	<b>72,292</b>	<b>68,862</b>	<b>72,292</b>	<b>68,862</b>
	Expense groups				
	Collective bonus potential	137	126	137	126
	<b>Total expense groups</b>	<b>137</b>	<b>126</b>	<b>137</b>	<b>126</b>
	Risk groups				
	Collective bonus potential	1,041	891	1,041	891
	<b>Total risk groups</b>	<b>1,041</b>	<b>891</b>	<b>1,041</b>	<b>891</b>
	<b>Group life insurance</b>				
	Bonus potential - non-guaranteed benefits	886	763	886	763
	Individual bonus potential	1,864	1,607	1,864	1,607
	Collective bonus potential FG	39	70	39	70
	<b>Total Group life insurance</b>	<b>2,788</b>	<b>2,440</b>	<b>2,788</b>	<b>2,440</b>
	<b>Risk margin</b>				
	Average-rate product	330	308	330	308
	Group life insurance	67	56	67	56
	<b>Total risk margin</b>	<b>396</b>	<b>364</b>	<b>396</b>	<b>364</b>
	<b>Non-guaranteed indirect insurance</b>				
	Bonus potential - non-guaranteed benefits	33,423	33,443	33,423	33,443
	Collective bonus potential	5,924	3,658	5,924	3,658
	<b>Total non-guaranteed indirect insurance</b>	<b>39,347</b>	<b>37,101</b>	<b>39,347</b>	<b>37,101</b>
	<b>Total provisions for average-rate products</b>	<b>116,002</b>	<b>109,785</b>	<b>116,002</b>	<b>109,785</b>
	<b>Total</b>				
	Guaranteed benefits	6,335	5,815	6,335	5,815
	Bonus potential - non-guaranteed benefits	61,570	53,649	61,570	53,649
	Individual bonus potential	0	6	0	6
	Collective bonus potential	5,565	10,410	5,565	10,410
	Group life contracts	2,788	2,440	2,788	2,440
	Risk margin	396	364	396	364
	Non-guaranteed indirect insurance	39,347	37,101	39,347	37,101
	<b>Total provisions for average-rate products</b>	<b>116,002</b>	<b>109,785</b>	<b>116,002</b>	<b>109,785</b>

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>16</b>	<b>Provisions for unit-linked contracts</b>				
	<b>Change in provisions for 3 i 1 Livspension contracts are specified as follows</b>				
	Provision for 3 i 1 Livspensions contracts, beginning of year	84,578	82,587	84,578	82,587
	Gross premiums	5,878	5,467	5,878	5,467
	Addition of interest after tax on pension returns	9,215	-1,476	9,215	-1,476
	Transfer between classes I and III	10	187	10	187
	Subsidy from transfer	11	207	11	207
	Tax on pension returns and on subsidy from transfer	-1,408	216	-1,408	216
	Insurance benefits	-2,636	-2,495	-2,636	-2,495
	Cost addition after addition of cost bonus	-83	-81	-83	-81
	Risk gain after addition of risk bonus	-13	-34	-13	-34
	Other	1	0	1	0
	<b>Provisions for 3 i 1 Livspension, end of year</b>	<b>95,554</b>	<b>84,578</b>	<b>95,554</b>	<b>84,578</b>
	<b>Change in provisions for Linkpension contracts are specified as follows</b>				
	Provision for Linkpension contracts, beginning of year	144	152	144	152
	Gross premiums	18	16	18	16
	Addition of interest before tax on pension returns	31	-7	31	-7
	Tax on pension returns	-4	0	-4	0
	Insurance benefits	-17	-16	-17	-16
	<b>Provisions for Linkpension, end of year</b>	<b>172</b>	<b>144</b>	<b>172</b>	<b>144</b>
	<b>Total provisions for unit-linked contracts</b>	<b>95,726</b>	<b>84,722</b>	<b>95,726</b>	<b>84,722</b>
	The profit margin on life insurance contracts is nil.				
	<b>Change in provisions are specified as follows</b>				
	Change in provisions for average-rate products	-6,217	2,005	-6,217	2,005
	Change in provisions for market-rate products, see note 15	-11,004	-1,982	-11,004	-1,982
	Bonus paid to policyholder accounts	63	62	63	62
	Change in quota Forenede Gruppeliv	163	37	163	37
	Change in provisions, Other comprehensive income	1,186	1,319	1,186	1,319
	Other	4	0	4	0
	<b>Change in provisions, Income statement</b>	<b>-15,805</b>	<b>1,441</b>	<b>-15,805</b>	<b>1,441</b>
	The profit margin on life insurance contracts is nil.				
<b>17</b>	<b>Payables to credit institutions</b>				
	Repos	20,994	22,126	20,994	22,126
	Bank loans	2,364	4,346	0	2,263
	<b>Total payables to credit institutions</b>	<b>23,359</b>	<b>26,471</b>	<b>20,994</b>	<b>24,388</b>
	From the bank loans and the mortgage loans (index-linked loans) the following fall due in the coming year	23,359	26,471	20,994	24,388
	After five years the outstanding balance (index-linked) will be	0	0	0	0
<b>18</b>	<b>Other debt</b>				
	Derivative financial instruments, according to note 12	37,234	31,223	37,229	31,215
	Payables relating to bond purchase	900	95	900	95
	Debt relating to settlement of repos	9,041	2,682	9,041	2,682
	Sundry financial liabilities	61	247	59	228
	Holiday allowance obligation	52	51	0	0
	Provision for tax on pension returns payable etc,	5,576	783	5,196	349
	<b>Total other debt</b>	<b>52,864</b>	<b>35,081</b>	<b>52,425</b>	<b>34,569</b>

## Notes to the Financial Statements (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>19</b>	<b>Contingent liabilities</b>				
	The Company has committed itself at a later date to invest in funds etc. amounting to	13,301	12,740	6,645	3,540
	Capital increases in group enterprises not yet paid in, which the parent company has committed to paying, amounting to	0	0	15,246	9,681
	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 KP 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	6	10	0	0
	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	31	0	0
	Commitments regarding concluded lease agreements amount to	3	3	0	0
	<b>Total contingent liabilities</b>	<b>13,344</b>	<b>12,786</b>	<b>21,894</b>	<b>13,224</b>

Note	DKKm.	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
<b>20</b>	<b>Charges</b>				
	Sampension KP Livsforsikring A/S has provided security for Sampension KP International A/S group	25	27	25	27
	Margin deposits relating to futures	499	666	499	666
	Bonds sold as part of repo debt	15,329	17,060	15,329	17,060
	Net assets registered in cover of 'Total provisions for insurance and investment contracts' amount to	219,043	200,269	219,043	200,269
	The amount related to the following items:				
	Total investments in group enterprises			74,575	61,260
	Loans to group enterprises			2,838	2,523
	Investments			7,954	14,651
	Units in mutual funds			12,260	13,166
	Bonds			107,249	98,409
	Currency-based derivative financial instruments			14,167	10,260
	Total assets earmarked as security for policyholders' savings			219,043	200,269
	Off which concerning market interest			95,726	84,722

## 21 Intra group transactions

Sampension's overall administration is handled in accordance with the management agreement with Sampension Administrationssselskab 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 expenses with DKK 166 million (2018: 163 million) and DKK 307 million (2018: 288 million) respectively.

Current intra group transactions:

Management contracts	468	452
Fixed-term deposits and lending (maximum monthly balance)	10,704	6,798
Interest etc.	52	26

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 65.

## Notes to the Financial Statements (continued)

Note	DKKm.	PARENT COMPANY	
		2019	2018
<b>22</b>	<b>Realised result for interest rate. expense and risk groups</b>		
	<b>Total interest rate groups</b>		
	Investment return before tax on pension returns	7,537	2,239
	Change in market value adjustment	7,275	-238
	Basic rate of interest added	-1,170	-1,191
	Other	-23	-106
	<b>Realised interest rate result pursuant to the Executive Order on the Contribution Principle</b>	<b>13,619</b>	<b>704</b>
	Tax on pension returns	-2,222	-298
	<b>Available for allocation after tax on pension returns</b>	<b>11,397</b>	<b>406</b>
	Bonus added	-982	-347
	Tax on pension returns	-15,410	0
	Transferred to collective bonus potential, interest rate groups	5,170	-54
	<b>Investment return and risk premium allocated to equity</b>	<b>175</b>	<b>5</b>
	<b>Expense cost groups</b>		
	Expense contribution	414	393
	Actual administrative expenses	-170	-170
	<b>Realised expense result pursuant to the Executive Order on the Contribution Principle</b>	<b>244</b>	<b>223</b>
	Bonus added	-235	-220
	Transferred to collective bonus potential, cost groups	-10	-4
	<b>Expense result recognised in equity</b>	<b>-1</b>	<b>-1</b>
	<b>Expense result as a percentage of technical provisions</b>	<b>0.00%</b>	<b>0.00%</b>
	<b>Total risk groups</b>		
	<b>Realised risk result pursuant to the Executive Order on the Contribution Principle</b>	<b>-238</b>	<b>-191</b>
	Bonus added	387	306
	Transferred to collective bonus potential, risk groups	-150	-116
	<b>Risk result recognised in capital base</b>	<b>0</b>	<b>0</b>
	<b>Risk result as a percentage of technical provisions</b>	<b>0.08%</b>	<b>0.06%</b>

**23 Financial instruments recognised at fair value**

Investment assets and financial liabilities are recognised at fair value or amortised cost. See Note 1. Fair value is the price obtainable in a sale of an asset or payable on transfer of a liability in an arm's length transaction between independent parties at the time of measurement. Fair value is determined on the basis of the following hierarchy:

**Level 1 – quoted market prices**

Quoted prices are used where an active market exists for the individual assets. Generally, the price used is the closing price at the balance sheet date.

**Level 2 – observable inputs**

Where the closing price of listed securities does not reflect their fair value, fair value is determined using quoted prices of similar assets or liabilities or using other valuation methodology based on observable market inputs, e.g. inputs from banks etc. For derivative financial instruments, valuation techniques based on observable market inputs such as yield curves, exchange rates, etc. are used.

**Level 3 – non-observable inputs**

For a significant part of investments, their valuation cannot be based on observable market data alone. For such assets, valuation models are used which may include estimates of current market conditions and future developments thereof. The valuation methodologies applied are described in Note 1, Accounting policies.

DKKm.	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Domicile property	0	0	457
Investment property	0	433	12,670
Other tangible investment assets	0	0	1,880
Investments in associates	0	0	2,398
Loans to associates	0	0	242
Investments	64,629	0	23,804
Units in mutual funds	1,359	0	0
Bonds	93,952	14,003	26,780
Loans secured by mortgage	0	0	288
Derivative financial instruments	0	48,167	0
Deposits with credit institutions	10,207	0	0
Cash and cash equivalents	2,970	0	0
<b>Total financial assets at 31 December 2019</b>	<b>173,118</b>	<b>62,604</b>	<b>68,519</b>
<b>Financial liabilities</b>			
Repos	20,994	0	0
Payables to credit institutions	2,364	0	0
Derivative financial instruments	0	37,234	0
Payables relating to bond purchase and settlement of repos	10,003	0	0
<b>Total financial liabilities at 31 December 2019</b>	<b>33,361</b>	<b>37,234</b>	<b>0</b>
<b>Total net assets at 31 December 2019</b>	<b>139,756</b>	<b>25,370</b>	<b>68,519</b>
Of which concerning Average-rate products and Total capital	81,498	21,215	32,954
Of which concerning Unit-linked products	58,258	4,155	35,565
<b>Total at 31 December 2019</b>	<b>139,756</b>	<b>25,370</b>	<b>68,519</b>

# Notes to the Financial Statements (continued)

Note	<b>GROUP</b> 2019
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## 23 Financial instruments recognised at fair value (continued)

### Specification of valuation based on Level 3

DKKm.	Value at 1 January 2019	Value adjustments	Purchase/sale/ settlement	Value at 31 Dec. 2019
Domicile property	371	86	0	457
Investment property	11,650	1,041	-21	12,670
Other tangible investment assets	1,501	-109	489	1,880
Investments in associates	2,448	-50	0	2,398
Loans to associates	308	0	-67	242
Investments	20,661	2,636	507	23,804
Bonds	22,130	444	4,206	26,780
Loans secured by mortgage	624	15	-351	288
<b>Total</b>	<b>59,692</b>	<b>4,063</b>	<b>4,763</b>	<b>68,519</b>

Value adjustments are distributed on these items:

Other comprehensive income	88
Income from investment property and other tangible investment assets	-104
Marked value adjustments	4,079
	<b>4,063</b>

For further details on valuation techniques and inputs, see Note 1 Accounting Policies, Note 9 Domicile property and Note 10 Investment property and other tangible investment assets

Note	<b>PARENT COMPANY</b> 2019
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## 24 Overview of assets and returns. parent company

Assets and return DKKm.	Market value		Return 2019 % p.a.
	Beg. of year	End of year	
<b>Average-rate product</b>			
<b>Traditional average-rate product</b>			
<b>Land and buildings</b>	<b>3,941</b>	<b>4,365</b>	<b>11.5%</b>
Listed investments	3,489	3,849	23.9%
Unlisted investments	3,740	4,481	12.4%
<b>Total Investments</b>	<b>7,229</b>	<b>8,330</b>	<b>18.1%</b>
Government- and mortgage bonds	39,398	42,994	1.9%
Index-linked bonds	1,784	1,657	3.7%
Credit bonds, investment grade and non-investment grade	11,642	14,155	3.9%
Loans etc.	1,671	1,432	6.6%
<b>Total bonds and loans etc.</b>	<b>54,496</b>	<b>60,238</b>	<b>2.6%</b>
<b>Group Enterprises</b>	<b>493</b>	<b>474</b>	<b>2.6%</b>
<b>Other investment assets</b>	<b>-7,955</b>	<b>-16,543</b>	<b>-0.4%</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>18,833</b>	<b>24,858</b>	<b>22.4%</b>
<b>Total</b>	<b>77,036</b>	<b>81,722</b>	<b>9.7%</b>

Note 24 (continued)

Assets and return DKKm.	Market value		Return 2019 % p.a.
	Beg. of year	End of year	
<b>Non-guaranteed reinsurance</b>			
<b>Land and buildings</b>	<b>4,111</b>	<b>4,347</b>	<b>10.8%</b>
Listed investments	11,277	12,361	22.8%
Unlisted investments	2,824	2,894	13.4%
<b>Total Investments</b>	<b>14,102</b>	<b>15,255</b>	<b>20.9%</b>
Government- and mortgage bonds	2,999	2,865	-5.7%
Index-linked bonds	10,999	13,018	2.5%
Credit bonds, investment grade and non-investment grade	4,768	3,887	6.5%
Loans etc.	70	0	3.7%
<b>Total bonds and loans etc.</b>	<b>18,836</b>	<b>19,770</b>	<b>2.3%</b>
<b>Other investment assets</b>	<b>100</b>	<b>-43</b>	<b>-58.0%</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>-249</b>	<b>-199</b>	<b>-</b>
<b>Total</b>	<b>36,900</b>	<b>39,132</b>	<b>8.9%</b>
<b>Market-rate</b>			
<b>Land and buildings</b>	<b>12,734</b>	<b>14,738</b>	<b>10.8%</b>
Listed investments	27,561	33,410	25.8%
Unlisted investments	8,805	9,863	13.4%
<b>Total Investments</b>	<b>36,366</b>	<b>43,273</b>	<b>22.8%</b>
Government- and mortgage bonds	21,809	22,259	1.0%
Index-linked bonds	1,180	1,015	1.9%
Credit bonds, investment grade and non-investment grade	11,909	16,526	6.6%
Loans etc.	531	0	3.7%
<b>Total bonds and loans etc.</b>	<b>35,429</b>	<b>39,800</b>	<b>3.2%</b>
<b>Other investment assets</b>	<b>581</b>	<b>-417</b>	<b>-</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>-718</b>	<b>-637</b>	<b>-</b>
<b>Total</b>	<b>84,392</b>	<b>96,756</b>	<b>10.8%</b>

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)

25 Market-rate product. return etc. by investment profiles						
	2019			2018		
	% of average provisions	Return % p.a.	Risk	% of average provisions	Return % p.a.	Risk
<b>Lifecycle product 3 i 1 Livspension</b>						
<b>Investment profile with high risk</b>						
Years to retirement						
30 years	0.04%	20.5%	4.50	0.03%	-5.7%	4.50
15 years	0.10%	16.1%	4.25	0.07%	-3.9%	4.25
5 years	0.04%	11.3%	3.75	0.05%	-1.8%	3.75
5 years after	0.02%	9.0%	3.50	0.00%	-0.8%	3.50
<b>Investment profile with moderate risk</b>						
Years to retirement						
30 years	0.67%	17.0%	4.25	0.66%	-3.9%	4.25
15 years	2.72%	12.9%	3.75	2.65%	-2.4%	3.75
5 years	3.70%	8.5%	3.50	3.75%	-0.8%	3.50
5 years after	1.30%	5.8%	3.25	1.49%	0.2%	3.25
<b>Investment profile with low risk</b>						
Years to retirement						
30 years	0.00%	12.8%	3.75	0.00%	-2.4%	3.75
15 years	0.02%	9.9%	3.50	0.02%	-1.5%	3.50
5 years	0.02%	6.6%	3.25	0.02%	-0.4%	3.25
5 years after	0.00%	4.4%	2.00	0.00%	0.4%	2.50

A retirement age of 65 is assumed.

26 Supplementary product ratios				
	2019		2018	
	Return in % p.a.	Bonus rate in % p.a.	Return in % p.a.	Bonus rate in % p.a.
<b>Traditional average-rate product</b>				
Interest rate group A (average basic rate of interest 3.5 % - 4.5%)				
	9.4%	-	3.7%	12.3%
Interest rate group B (average basic rate of interest 2.5 % - 3.5%)				
	10.5%	-	3.2%	26.9%
Interest rate group C (average basic rate of interest 1.5 % - 2.5%)				
	11.8%	-	2.7%	43.6%
Interest rate group D (average basic rate of interest 0.5 % - 1.5%)				
	11.8%	-	2.7%	49.1%
Interest rate group E (average basic rate of interest below 0.5%)				
	11.8%	-	2.7%	118.0%
Interest rate group F (special non-guaranteed)				
	2.0%	10.1%	-0.1%	9.8%
Interest rate group G (average basic rate of interest 0.00 %)				
	-	8.5%	-	-
Non-guaranteed indirect insurance				
	8.9%	17.7%	-2.6%	10.9%
<b>Return on policyholder savings after expenses before tax</b>				
Including return on surplus capital		<b>Total in % p.a.</b>	<b>Total in % p.a.</b>	
Average-rate product		10.1%	3.0%	
Non-guaranteed indirect insurance		8.6%	-2.6%	
Unit-linked contracts (3 i 1 Livspension)		10.5%	-1.8%	

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

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

DKKm.	2019	2018	2017	2016	2015
<b>Five-year financial highlights for the group</b>					
Gross premiums	10,129	9,251	8,784	9,017	8,597
Benefits	-9,416	-9,107	-8,646	-8,100	-7,228
Investment return	23,426	-800	12,599	14,371	3,225
Total net operating expenses	-175	-172	-170	-171	-177
Technical result	-58	-88	-110	-191	-189
Parent company's share of profit for the year	86	-45	41	-147	-324
Minority interest's share of the net profit for the year	3,249	-599	2,185	79	-57
Total provisions for insurance and investment contracts	211,727	194,507	194,530	185,330	171,587
Surplus capital	4,256	4,311	4,465	4,458	4,196
Total equity, parent company interests	3,657	3,571	3,616	3,575	3,722
Total equity, minority interests	16,735	10,426	11,568	985	3,250
Total assets	313,106	274,886	277,704	268,154	253,078

### Five-year financial highlights for the parent company

Gross premiums	10,129	9,251	8,784	9,017	8,597
Benefits	-9,416	-9,107	-8,646	-8,100	-7,228
Investment return	20,102	-249	10,382	14,188	3,021
Total net operating expenses	-175	-172	-170	-171	-177
Technical result	-58	-88	-110	-285	-378
Parent company's share of profit for the year	86	-45	41	-147	-324
Total provisions for insurance and investment contracts	211,727	194,507	194,530	185,330	171,587
Surplus capital	4,256	4,311	4,465	4,458	4,196
Total equity, parent company interests	3,657	3,571	3,616	3,575	3,722
Total assets	293,330	262,283	266,023	267,658	249,624

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	9.8%	1.1%	4.0%	8.7%	0.6%
Rate of return related to market-rate products	10.7%	-1.7%	7.5%	7.2%	3.6%
Risk on return related to market-rate products	3.75	3.75	4.25	4.25	3.75

#### Expense ratios

Expense ratio for provisions	0.09%	0.09%	0.09%	0.10%	0.10%
Expenses in DKK. per policyholder	388	389	387	397	412

#### Return ratios

Return on equity after tax	2.4%	-1.3%	1.2%	-4.0%	-8.5%
Return on surplus capital	3.5%	1.1%	4.5%	4.3%	3.5%

Reference is made to Definitions of financial ratios on page 73.

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.

## 28 Risk management

Sampension's risks may be divided into two general categories: Risks that are within the company's control and can generally be managed, measured and mitigated as required, such as investment risk, and risks that are beyond the company's control and are largely framework conditions. External risks comprise regulatory risk, reputational risk and a number of other external and strategic risks. These risks are monitored by the Executive Board and certain parts of the organisation and are reflected in the company's strategy.

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 as part of its assessment of the pension fund's own risk and solvency.

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

### **Unit-linked products and non-guaranteed reinsurance**

The financial risks relating to the unit-linked products 3 i 1 Livspension and Linkpension and to non-guaranteed benefit reinsurance lie with the policyholders and municipalities, respectively. Hence, they have no effect on Sampension's total capital (equity and surplus 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 types of investment allowed in the base funds and 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 relatively low level, partly by ensuring appropriate diversification of risk on overall asset classes, partly by establishing a framework for the overall Value-at-Risk (VaR). Based on a 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 (VA) for the computation of 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 long-term inflation and real growth forecasts. The VA is intended to mitigate exposure to market volatility and thereby curb procyclical behaviour.

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. In addition, effective 1 January 2020, the total capital includes a small portfolio of strategic investments, of which Sampension's domicile property is the most important.

## FINANCIAL RISK

Financial risks arise mainly from guaranteed policies in the conventional average-rate environment and from total capital.

Sampension Liv is exposed to VA changes that cannot readily be hedged efficiently. Accordingly, significant VA movements during 2019 resulted in fluctuations in the reserves.

Significant financial risks arise as a result of an intentional risk exposure. Credit spread risk is a major factor, and the risk relates to losses resulting from a widening of the credit spread or from default leading to losses on bonds, loans, etc. Exposures to listed and unlisted equities, real estate and infrastructure are also significant risk factors.

Sampension Liv strives to hedge the discount curve as well as possible to ensure stable reserves in the short term. It does so mainly by way of derivative financial instruments such as interest rate swaps, swaptions and government bonds. The interest rate risk is mitigated by the high hedge ratio.

Currency risk is a less significant risk factor as the risk is hedged when assets held in each currency represent more than 2% of the total investment assets. For currencies other than DKK and EUR, between 50% and 100% of the currency exposure is hedged, depending on the asset. Concentration risk and illiquidity risk are other risks of minor importance.

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 Liv having to sell on unfavourable terms is very low.

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 consolidated companies.

### Responsible investments

Investing responsibly is a prerequisite for being able to generate high long-term returns. Climate targets, fiscal transparency and active ownership are defining characteristics of responsible investments from Sampension's point of view. With a view to ensuring that Sampension invests responsibly, the Board of Directors has defined a number of requirements and conditions in policies and guidelines.

### 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.

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, 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 curtails the potential for achieving returns over and above the announced benefits.

# Notes to the Financial Statements (continued)

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Note 28 (continued)

## INSURANCE RISK

For the conventional 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 life 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 cyber risk.

In order to reduce operational risk, Sampension has set up procedures to monitor and minimise risk in relation to the life insurance business and the investment business. In addition, insurance cover has been taken out for certain asset classes. Sampension records operational incidents on an ongoing basis and follows up and reports 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 skills, 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. This is ensured by risk identification and risk assessment in connection with the conclusion of new contracts as well as in connection with changes to or renewal of contracts. 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 processes are 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 [www.sampension.dk/aarsrapport](http://www.sampension.dk/aarsrapport).

# Overview of Group equity investments

DKKm.	Ownership interest (%)		Profit in annual report		Equity in annual report		included in annual report
	2019	2018	2019	2018	2019	2018	
<b>Group enterprises</b>							
<b>Management</b>							
Sampension Administrationselskab A/S, Gentofte	88.0	94.0	15	-4	539	524	474
<b>Real estate company and energy plant</b>							
Sampension KP Danmark A/S, Gentofte	100.0	100.0	694	658	6,960	6,266	6,960
Frederiksholms Kanal 6 P/S, Gentofte	100.0	100.0	-4	-7	73	77	-
K/S Strømmen, Ålborg	95.0	95.0	12	9	94	89	-
Ejendomsselskabet Hedeager Holding P/S, Hedeager	0.0	97.8	0	119	0	414	-
Ejendomsselskabet Vodroffsvej 26 P/S, Gentofte	100.0	50.0	-5	5	35	6	-
K/S Søndre Ringvej 15, Roskilde	90.0	0.0	19	0	264	0	-
K/S Kristensen Partners V, Ålborg <sup>1)</sup>	95.0	95.0	39	11	208	148	-
Sampension KP International A/S, Gentofte	100.0	100.0	129	191	1,193	981	1,193
Fallcorner BV, Holland <sup>2)</sup>	90.0	90.0	59	99	207	147	-
KP CE s.a., Frankrig	100.0	100.0	15	108	393	384	-
Sampension Renewables P/S, Gladsaxe <sup>1)</sup>	100.0	100.0	20	23	614	594	614
Sampension Renewables GP ApS, Gladsaxe	100.0	100.0	0	0	0	0	0
Ulvemosen Wind Park ApS, Gladsaxe	100.0	100.0	5	1	288	308	296
<b>Investment company</b>							
Sampension Forestry K/S, Gentofte <sup>2)</sup>	100.0	100.0	77	51	3,327	3,251	3,327
Sampension Global Real Estate K/S, Gentofte <sup>2)</sup>	100.0	100.0	729	972	8,586	7,845	8,586
Sampension US Real Estate I, L.P., USA <sup>3)</sup>	88.0	88.5	102	188	1,133	1,203	-
Sampension US Real Estate II, L.P., USA <sup>3)</sup>	84.0	84.0	48	-34	980	765	-
Mermaid Homes L.P., USA <sup>3)</sup>	90.0	89.7	21	20	345	327	-
Sampension American Timberland I, L.P., USA <sup>3)</sup>	81.3	0.0	62	0	631	0	467
Siskiyou LLC, USA	100.0	0.0	0	0	0	0	-
Sampension Private Equity K/S, Gentofte <sup>2)</sup>	100.0	100.0	1,301	923	8,858	7,951	8,858
Sampension Structured Credit K/S, Gentofte <sup>2)</sup>	100.0	100.0	66	66	1,295	1,969	1,295
SP HoldCo af 13.12.2018 AB, Sverige	100.0	100.0	81	0	280	0	280
Komplementarselskabet Alternative Investments ApS, Gentofte	100.0	100.0	0	0	4	3	4
GEM II	87.1	83.4	292	-226	4,322	3,932	3,766
Obligationer	100.0	100.0	4	2	167	163	167
Danske aktier II	100.0	89.4	780	-463	2,974	2,875	2,974
Aktieindeks Enhanced	71.9	77.5	4,317	-2,056	23,308	17,891	16,711
Aktieindeks	73.9	78.1	5,440	-1,734	25,285	19,329	18,653
GEM Enhanced	53.6	73.5	382	-247	2,977	1,901	1,595
Danske aktier I	47.6	72.1	426	-107	2,027	1,215	965
<b>Total group enterprises</b>							<b>77,186</b>
Of which unit-linked contracts							51,345
Of which average-rate products							25,840

See definitions next page.

## Overview of Group equity investments

DKKm.	Ownership interest (%)		Profit in annual report		Equity in annual report		included in annual report
	2019	2018	2019	2018	2019	2018	
<b>Associates</b>							
<b>Associates</b>							
Refshaleøen Holding A/S, København <sup>3)</sup>	39.0	39.0	0	0	1,550	1,400	604
Interessentskabet af 23. december 1991, Danmark	42.5	42.5	277	41	1,162	933	558
K/S Kristensen Partners I, Danmark <sup>3)</sup>	36.3	36.3	2	210	243	624	88
Kristensen Partners I ApS, Danmark <sup>3)</sup>	36.3	36.3	0	0	0	0	0
Britannia Invest A/S, Danmark <sup>3)</sup>	21.9	21.9	110	124	1,615	1,475	371
DEAS Invest I Holding A/S, Danmark <sup>3)</sup>	33.3	33.3	133	122	852	752	284
Komplementarselskabet Industri Udvikling II A/S, Danmark <sup>3)</sup>	20.0	20.0	-	-	0	1	0
Panda Power Annex, USA <sup>3)</sup>	39.6	39.6	-28	-127	618	665	112
PMM Global III, Danmark <sup>3)</sup>	20.5	20.5	30	191	1,279	1,634	251
OPP Vejle P/S, Danmark	33.3	33.3	18	24	45	46	21
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	4	3	12	12	5
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	13	15	15	30	11
Komplementarselskabet Slagelse Sygehus ApS, Danmark <sup>3)</sup>	25.0	25.0	0	0	0	0	0
OPP HoldCo ApS, Danmark <sup>3)</sup>	50.0	50.0	0	1	17	17	8
HoldCo P/S, Danmark	45.6	0.0	0	0	0	0	0
Forenede Gruppeliv adm. selskab, A Aktier	20.0	16.7	2	0	8	0	1
Greystar UK Multifamily Unit Trust, England <sup>3)</sup>	45.0	45.0	17	-6	183	37	82
<b>Total associates</b>							<b>2,398</b>
Of which unit-linked contracts							1,498
Of which average-rate products							900

1) Included group enterprises

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

3) The financial statements for 2019 are not yet available.

A list of Sampension's total equity portfolio is available on the company's website at [sampension.dk/om-sampension/finansiel-information/aktiver](http://sampension.dk/om-sampension/finansiel-information/aktiver)

# Statement by Management

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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 2019.

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 2019 and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2019.

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, 2 March 2020

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## 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

Lene Roed Poulsen

Hans Christen Østerby

John Helle (ME)

Morten Lundsgaard (ME)

Majbritt Pedersen (ME)

Annett Schultz (ME)

Søren Sperling (ME)

(ME): Employee representative

# Internal auditor's report

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## 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 2019 and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2019 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 2019. 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 procedures.

We planned and performed the audit so as to obtain reasonable assurance that 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 financial statements 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 Business Act. We have not identified any material misstatement of the Management's review.

Hellerup, 2 March 2020

Gert Stubkjær  
Group Chief Auditor

# Independent Auditor's Report

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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 2019 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2019 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 2019 comprise income statement and statement of other comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including 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 IESBA 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 20 years including the financial year 2019.

## 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 2019. 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><b>Measurement of provisions for insurance and investment contracts</b></p> <p>The Group's provisions for insurance and investment contracts total DKK 211,727 million (2018: DKK 194,507 million), which constitutes 68 percent (2018: 71 percent) of the Group's balance sheet total.</p> <p>The provisions primarily consist of provisions for average-rate products and unit-linked contracts as well as 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 "Accounting estimates" in note 1 and note 15, "Provisions for average-rate products", and note 16. "Provisions for unit-linked contracts", 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><b>Measurement of unlisted investment assets</b></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"> <li>• Investments</li> <li>• Bonds</li> <li>• Derivative financial instruments</li> <li>• Investment assets related to unit-linked contracts</li> </ul> <p>The negative value of derivative financial instruments is moreover included in the item "Other debt".</p> <p>Unlisted investment assets are measured at an 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 "accounting estimates" 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>

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## 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, 2 March 2020  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR-nr. 3377 1231

Per Rolf Larssen  
State Authorised Public Accountant  
mne24822

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State Authorised Public Accountant  
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# Definitions of financial ratios

## Danish FSA financial ratios

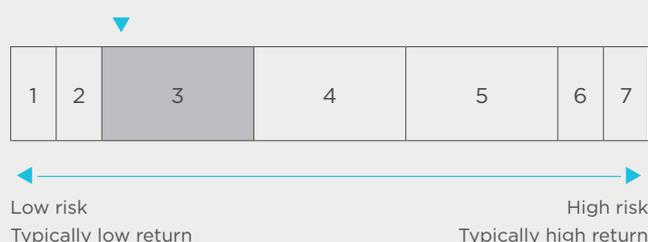
Financial ratios have been calculated in accordance with the Danish FSA's Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

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

### Afkast-/risikoprofil



Expenses as a percentage of provisions	=	$\frac{\text{Operating expenses re. insurance activities for the year} * 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate and market-rate products}}$
Expenses per policyholder (DKK)	=	$\frac{\text{Operating expenses re. insurance activities for the year}}{\text{Average number of policyholders related to direct insurance} + \text{average number of policyholders with group life contracts} * 0.1}$
Return on equity after tax	=	$\frac{\text{Profit after tax} * 100}{\text{Weighted average equity}}$
Return on surplus capital, allocated same rate as equity	=	$\frac{\text{Return on surplus capital before tax} * 100}{\text{Weighted average surplus capital}}$
Solvency coverage ratio	=	$\frac{\text{Solvency capital requirement} * 100}{\text{Total capital at year end}}$

## Supplementary financial ratios

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

Bonus rate (%)	=	$\frac{\text{Individual and collective bonus potentials of the interest rate group at year end} * 100}{\text{Total custody accounts for interest rate group at year end}}$
Return on customer funds after deduction of expenses and before tax, per product type	=	$\frac{(\text{Weighted average provisions} + \text{Weighted average surplus capital} + \text{tax on pension returns}) * 100}{\text{Technical provisions at beginning of year plus surplus capital at beginning of year} + \text{weighted average cash flows}}$ The financial ratio expresses policyholders' total return less expenses and risk premium

**PHOTO**

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**GRAPHICS AND DESIGN**

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