Velliv

Annual Report 2018

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Velliv, Pension & Livsforsikring A/S

Business reg.no. 24260577

Address:
Velliv, Pension & Livsforsikring A/S
Lautrupvang 10
2750 Ballerup

Table of contents

A year with exciting new opportunities

New name

An important milestone was reached in October when the company was renamed Velliv.

The name Velliv signals that we are here for the customers, before as well as after they have retired. With Velliv, we have found a name, which clearly states that we have an ambition to create strong value for our customers - in respect of their mental as well as financial health. As a customer-owned pension company Velliv will continue its focus on being an effective and competitive pension company to the benefit of its customers.

Velliv awarded Pension Company of the Year. Because we do things our way – and because we create growth for our customers.

"We are in a giant transition from being 100% owned by the Nordea Group to now being owned 70% by the customers through Velliv Foreningen - and within a few years, we will be 100% customer owned"

Steen Michael Erichsen, CEO in Velliv

Pension Company of the Year and Growth of the Year

"Velliv wins Growth of the Year-award among the Danish pension companies. Velliv has had a growth in gross premiums of 21% from 2016 to 2017. This is the highest growth among the Danish commercial pension companies. Over the last 5 years Velliv's gross premiums have increased with 55%, which is the second highest growth in the industry."

DKK 368m

was paid as cash bonus to the 340,000 members of Velliv Foreningen in 2018

3 sources of return

Market return

During the last 5 years customers with VækstPension Aktiv Mellem Risiko and 15 years to retirement have realised a return of 32.3%, while customers with VækstPension Index have realised a return of 38%. For both products this is a return in the market's top three.

DinKapital

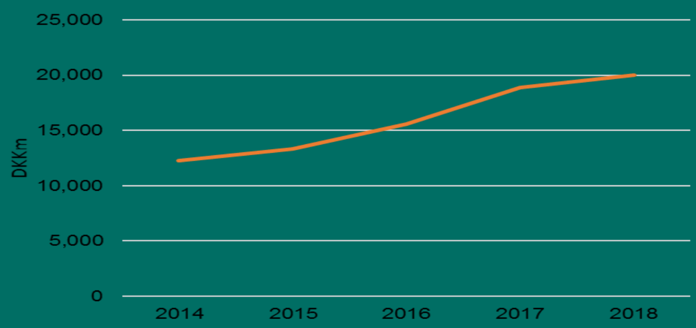
DinKapital allows 5% of the contributions to be placed in DinKapital at a stable rate of 5% at present. A large part of all new customers chooses to attach DinKapital to their pension schemes. The return from DinKapital gives the customers a solid base on their pension schemes – especially in years with negative market yields.

Bonus

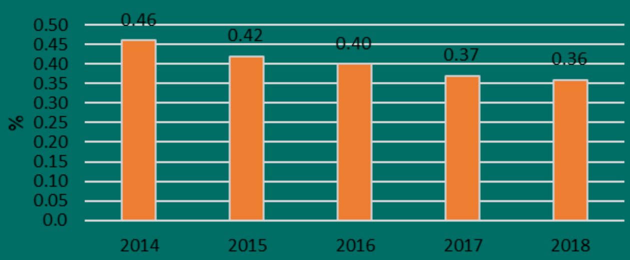
In May 2018, Foreningen Velliv paid a cash bonus to all members, being the 344,000 customers of Velliv. The bonus paid in 2018 corresponds to an average return of DKK 2,680 for every DKK 1m pension savings held by a customer in Velliv.

Key figures and ratios

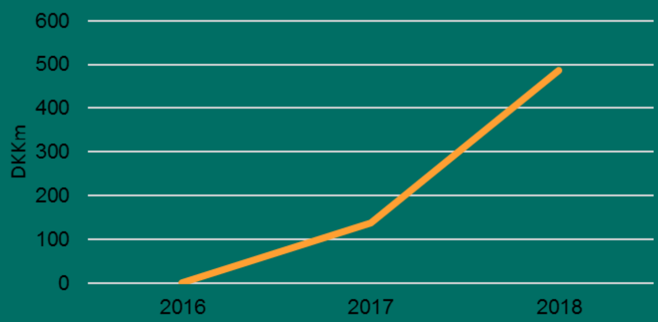
Premium payments above expectations with premiums exceeding DKK 20bn



Declining expense ratio on provisions



Customers invest in Velliv – DinKapital increases



Management's review

Selected events of the year

From commercial company to customer-owned company
The main theme for the company in 2018 has been the transformation from a commercial company to a customer-owned company. There have been several milestones along this journey that began in 2017. In the spring 2018, the authorities approved Velliv Foreningen's (former Foreningen Norliv) purchase of the majority holding of Nordea Liv & Pension. Thereby the customer association now owns 70% of the shares of the company. It has been agreed that during the coming years the company will be 100% customer owned.

New name
Another important milestone was achieved in October when the company was renamed Velliv, Pension & Livsforsikring A/S (Velliv). The name Velliv signals that we are here for the customers, before as well as after they have retired. With Velliv, we have found a name, which clearly states that we have an ambition to create strong value for our customers - in respect of their mental as well as financial health.

As a customer-owned pension company, Velliv will continue its focus on being an effective and competitive pension company to the benefit of its customers.

The new brand

Velliv

The customer association changed name at the same time and is now named Velliv Foreningen.

Issuance of Tier 2 Notes
In the first half of 2018, Velliv issued a listed Tier 2 loan of SEK 2,250m. The loan is listed on Nasdaq Copenhagen. A former loan from Nordea Life Holding AB of DKK 1,500m has been redeemed.

Management changes
Following Velliv Foreningen's purchase of the majority holding of Velliv, a new Board of Directors has been elected at the general meeting. The new Board of Directors has elected Anne Broeng as chairman of the board and Peter Gæmelke as deputy chairman. Karsten Knudsen has been elected as chairman of the audit committee.

As of 1 May 2018, CFO Gitte Aggerholm was appointed member of the Executive Board of Velliv.

Velliv elected Pension Company of the Year
In the spring 2018, Velliv won two prizes at the year's award ceremony for financial companies organised by FinansWatch and Ernst & Young. Velliv received the prize for "Pension Company of the Year" and "Growth of the Year" among the commercial pension companies. We are proud to receive this acknowledgement as it reflects that a high number of customers choose Velliv as their pension provider and that a historically low number of customers leave the company.

New premises
During the summer 2018, Velliv moved to new premises at Lautrupvang 10 in Ballerup. The property was renovated to facilitate a bright and responsible work place for the company's employees. The property is sustainable and supports a green environment.

Dividend
During the first half of 2018, Velliv distributed DKK 400m in dividend to its owners. The dividend was determined with respect to the rules on solvency and stress scenarios as set out in the legislation governing insurance companies.

Transition
With the Velliv Foreningen's purchase of the majority holding of Velliv, the company ceases to be a part of the Nordea Group. In that connection a transition agreement has been agreed, which secures that during a certain period Velliv can continue to use the services provided by Nordea in the areas of e.g. IT and HR. Transition of services progresses according to plan.

The transition programme has been divided into several tracks to ensure safe transfer of the activities. Velliv has already established most of the functions that were previously provided by Nordea such as HR, investment, internal audit, risk control, and procurement, while IT activities are expected to be finally transferred no later than April 2022.

Financial review

The company's business model
Velliv is a large Danish life insurance and pension company based in Ballerup. Velliv conducts life insurance and pension business and other business that is compatible with this area and supply our customers with strong value through well designed pension schemes and life insurance products. We are customer-owned and focus on being an effective and competitive pension company to the benefit of our customers.

Velliv is owned 70% by Velliv Foreningen, a member association constituted by the approx. 344,000 customers of Velliv. The remaining 30% is owned by Nordea Life Holding AB. As part of ensuring strong stable yields for the customers, Velliv invests in a lot of different assets. A large part of the investments is done in properties. These properties are in part owned by several subsidiaries and associated companies.

Annual Report 2018
Velliv prepares parent company financial statements in accordance with the Danish Financial Business Act (Lov om Finansiel Virksomhed), including the Danish Financial Supervisory Authority's Executive Orders no. 937 of 27 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds. Velliv is a subsidiary of Velliv Foreningen, a financial holding company, which prepares consolidated financial statements in accordance with applicable Danish legislation.

During the first half of 2018, Velliv issued a Tier 2 loan listed in Nasdaq Copenhagen. Following this, the company is obliged to prepare and report consolidated financial statements in accordance with the International Financial Reporting Standards and additional requirements in the Danish legislation.

Auditors
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Business reg. no. 33771231.

Significant accounting estimates, assumptions and uncertainties
Significant accounting estimates, assumptions and uncertainties have been mentioned in Note 1, Accounting Policies, page 35.

Significant changes in parameters for determination of technical provisions

Mortality analysis
Velliv produces a mortality analysis every year in accordance with the benchmark model from the Danish Financial Supervisory Authority. This analysis has been carried out and resulted in a reduction of the provisions by DKK 312m at the end of 2018. The reduction is primarily due to a decrease in expected future life improvements.

Surrender and paid-up policy parameters
The annual analysis of surrender and paid-up policy conduct has been carried out based on the number of surrenders and transfers to paid-up policies existing historically in the portfolio. This has resulted in a strengthening of provisions with approx. DKK 81m at the end of 2018.

Expense parameters
The annual analysis of expense parameters has been carried out based on the observed expense level of the company. This has reduced the provisions with DKK 78m.

Profit margin
In 2018, the profit margin amounts to DKK 0m for traditional products and DKK 3,023m for market return products. The decrease in profit margin for market return products from DKK 3,477m in 2017 is due to updated market value parameters.

Surcharge – risk margin
The surcharge has been determined based on a 'cost of capital' method. At the end of 2018, the risk margin amounts to DKK 217m and is coverable at the policy level of individual bonus potential.

The annual report in brief

Profit for the year
The profit for the year for the Velliv Group was DKK 486m against a profit of DKK 527m for 2017. Profit for the year breaks down as follows:

Figure 1 Profit for the year

DKKm.	2018	2017
Traditional	529	594
Market return	228	130
Health and accident	40	16
Other	34	6
Profit from insurance business	**831**	**746**
Equity investment return	22	-15
Other income and expenses	-110	7
Profit before tax	**743**	**738**
Tax	-148	-167
Profit after tax	**595**	**571**
Of which		
Minority interest	109	44
Velliv A/S share	**486**	**527**

The profit is as expected and described in the Annual Report for 2017. The premium income is above expectations while the operating expenses are in line with 2017. The profit is negatively affected by costs of DKK 110m primarily related to the transition of Velliv to an independent company owned by the customers.

Insurance result

Gross premiums above expectations

Velliv experienced growth in gross premiums above expectations in 2018, especially compared to the record year 2017, when the company achieved gross premiums of DKK 18.9bn. Premium payments in 2018 achieved a total of DKK 20.0bn corresponding to growth of 6.1%. Single premiums represent DKK 10.5bn and regular premiums DKK 9.5bn. The largest growth is seen in single premiums, corporate schemes, where payments increased 10% compared to last year.

Benefit disbursements following growth

Disbursed benefits for 2018 amounted to DKK 14.3bn against DKK 12.7bn for 2017. The increase is driven by increased volume and by surrender.

Operating expenses in line with 2017

Net operating expenses amounts to DKK 612m, which is DKK 6m higher than 2017. Transition costs are not included in operating expenses as these are of a one-off character. The operating expenses are in line with 2017 despite the increased volume, which is satisfactory. The expense ratio on provisions amounts to 0.36%. In 2017 the expense ratio amounted to 0.37%.

Improved technical result of life insurance

The technical result for 2018 amounted to DKK 791m after transfer of DKK 1,783m from collective bonus potential. In 2017 the technical result amounted to DKK 730m after transfer of DKK 1,042m to collective bonus potential.

Profit in health and accident insurance

Despite slightly declining premiums in health and accident insurance, the portfolio realised a profit of DKK 40m against DKK 16m in 2017. The profit is driven by decreasing provisions for claims, which is in line with the smaller volume in this segment. The gross claims ratio reflects this and is 53% compared to 109% last year. The gross expense ratio is 18% compared to 17% in 2017. The increase is driven by the declining premium. The profit is affected by a run-off loss of DKK 16m against a run-off loss of DKK 13m for 2017.

Comments on the balance sheet

The total Group balance sheet amounts to DKK 219bn in 2018, which is a decrease of DKK 7bn compared to last year. The decrease is primarily driven by the development in the financial markets, which has impacted the fair value of the investment assets negatively. The total provisions for insurance and investment contracts have increased by DKK1.5bn, which is offset by a decrease in investment related liabilities (derivatives and collateral).

Intangible assets amount to DKK 439m and comprise the new insurance core system, N16, which is being developed in-house.

The increase in tangible assets relates to the furnishing of the new corporate headquarter in Ballerup. The corporate headquarter is also included in the balance sheet as group occupied property with a market value of DKK 96m.

Total investment assets, including investment assets related to market return product, decreased with the development in the market from DKK 217bn to DKK 207bn. Primarily, unit trusts and derivatives are affected by the negative market developments.

Total provisions for insurance and investment contracts increase by DKK 1.5bn from DKK 172.9bn to DKK 174.4bn. The provisions for traditional products decreased while the provisions for market return products increased, which is in line with expectations and reflects the strong growth in the market return segment.

Payables to credit institutions includes debt related to financial repurchase agreements, collateral related to derivatives and loans. The balance was DKK 22bn in 2017 and has decreased to DKK 19.9bn in 2018. The decrease is driven by changes in the collateral position.

Surplus funds (DinKapital) has been positively accepted by the market, and the customers now hold savings of DKK 485m compared to DKK 137m at year-end 2017. The balance currently yields a stable rate of 5% and DKK 13m have been accrued as interest.

Total equity for the Group including minority interest amounts to DKK 5,075m against DKK 4,880m for last year, corresponding to an increase of DKK 195m. The increase comprises the profit for 2018 offset by the payment of dividend for 2017. Minorities share of the equity amounts to DKK 432m.

Investment activities

Velliv's investment assets have been divided into portfolios linked to the traditional product, market return products (including VækstPension and LinkPension), health and accident insurance, and shareholders' equity. The total return on investment before tax on investment return was DKK -3.1bn in 2018, which corresponds to a return of -1.8% on investment assets.

Financial markets

Fuelled by a large tax reform and increased public spending, the US economy enjoyed a year of strong economic growth and breath-taking earnings growth of close to 25% in 2018. The strong growth in the US was more than enough to offset slower growth in Europe and emerging markets with the net result being the highest, global economic growth since 2011.

Despite the good economic backdrop, global equity markets were not able to repeat the stellar performance of the recent years. After several years with rising equity markets and unusually calm financial markets, volatility flared up again in 2018 as central banks began to withdraw liquidity and several geopolitical events came to force.

The equity market initially started the year with a sprint as "fear-of-missing-out" became the dominant theme in January and equity indices reached new all-time highs. By the end of January, the mood quickly changed as rising interest rates stoked concerns and sent the major equity indices tumbling. The equity market dropped close to 10% before it found its feet and started to recover. During the spring, the market was faced with new challenges as a data leakage at Facebook raised concerns about the viability of the business model of the big tech companies. The result was a sharp decline in the market leading FANG+ index covering the biggest tech companies and spill-over effects to the wider market. May saw a new round of market turmoil as the formation of a populist Eurosceptic coalition government in Italy fuelled concerns about the future of the Euro. The market reacted promptly with the yield on 2-year Italian government bonds rising from 0% to 2% in a matter of days. After a summer of rising equity prices, the market was once again sent into tailspin in October as rising interest rates and the negative effects from a global trade war were priced into the market. Global stocks experienced the worst month since May 2012 before recovering some of the lost ground in November. In December, trade war concerns and fear of a US recession led to a re-run of the stock market turmoil seen in October. The S&P 500 experienced the worst December since 1931 and the worst full year since 2008.

In terms of overall performance of the major asset classes, global equities were the worst performer with an annual loss of 9%. Emerging market debt (hard currency) lost 4.6%, while European and US high yield lost 3.6% and 2.0% respectively. US investment grade credit was down 2.5% and European investment grade credit lost 1.3%. The US Dollar strengthened 4.9% against Danish kroner.

Traditional products

The investment assets' composition at the end of 2018 and their returns are shown in the following charts. Listed equity and alternative assets represented 23% of the portfolio, which was an increase compared to 2017. The return for this class of investment assets was 2.6%. Real estate's share of the portfolio was 11%. The return on this portfolio was 7.6%. The value of this portfolio is influenced by its composition and opportunity of property rental. The average property rental rate - calculation based on the number of square metres - came to 91% at the end of the year, and this is equal to 2017. At 66%, fixed income represented most of the investment assets. Thus, the return of -0.3% on this portfolio (including interest rate derivatives) was essential for the total return of traditional products coming to 0.5%. Exchange rates had very little impact on the returns as the portfolios were hedged to a large part.

Based on expectations to the financial markets, Velliv is constantly adjusting the portfolio and especially the allocation to higher risk assets to secure the customers' long-term return. Traditional products have been divided into four interest rate groups which have different asset compositions. This is mainly a result of a differing need for hedging of the interest rate risk. The high interest rate groups have the greatest needs and thereby the greatest share of bonds and other interest rate sensitive assets.

Figure 2 Investment asset allocation

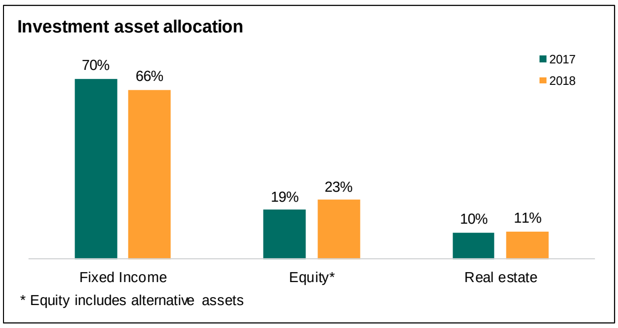


Figure 3 Rate of return for asset classes

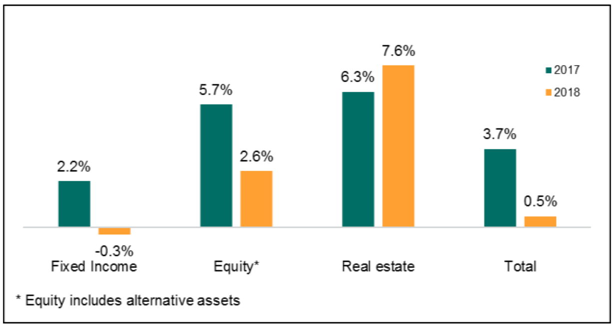


Figure 4 Return for traditional portfolios, 2018

Interest rate group	1	2	3	4
Return, %	-0.8	0.9	2.8	3.3

Market return products
The savings in market return products accrue interest based on the return on the investment funds chosen by the individual customer. If the customer chooses one of the balanced funds, the rate of return is based on the return on portfolios composed by Velliv.

VækstPension Aktiv and VækstPension Index
VækstPension Aktiv is an actively managed life cycle product that is offered with three risk profiles (low, medium and high) as well as a profile with guarantee. They are all composed with a high percentage of listed equity and other risk assets, due to expected higher returns on these assets. Customers with medium risk and more than 15 years until retirement achieved a return of -4.4%. In general, the best returns in 2018 were achieved by customers with low risk. For the passively managed life cycle product, VækstPension Index, the best returns in 2018 were also achieved by customers with low risk and/or few years until retirement.

Figure 5 Return for life cycle products with medium risk, 2018, %

Years to retirement	5	10	>15
VækstPension Aktive	-3.4	-4.2	-4.4
VækstPension Index	-4.2	-5.5	-5.8

LinkPension
Besides an individual choice of investment composition, the customers may choose between a total of ten balanced investment funds differing in risk profiles and management forms that are composed by Velliv. Contrary to the life cycle products, it is left to the customers themselves to carry out the requested changes in risk level in LinkPension. The individual investment funds in LinkPension's offer of funds have been described on the company's website:

https://www.velliv.dk/dk/privat/opsparing/investering/fonde-og-afkast/fonde-i-linkpension

Both LinkPension Aktiv and LinkPension Index offer four risk profiles (low, medium, high and equities). In addition to this, LinkPension Aktiv offers two profiles with guarantee. The returns achieved in 2018 in the eight investment funds without guarantee are shown in the table below, showing that the actively managed LinkPension Aktiv achieved the best return.

Figure 6 Return for LinkPension Aktiv and LinkPension Index, 2018, %

Risk profile	Low	Medium	High	Equity fund
LinkPension Aktiv	-2.4	-3.2	-4.3	-5.6
LinkPension Index	-3.2	-4.9	-6.5	-8.0

Investment policy and its objective

The objective of Velliv's investment policy is to secure the highest expected return in the long term considering factors like risk, tax, legislation, etc. Also, it is a requirement that investments are ethical. Risk diversification on various investment assets is of great importance to the total return and the risk in the long term. Risks are controlled thoroughly.

Responsible investments

In April 2018, a new Policy for Responsible Investments was approved.

It is the ambition of Velliv to create the best possible return to our customers. The purpose of the Policy for Responsible Investments is to support this ambition by contributing to a sustainable value-creation in the companies in which Velliv invests and subsequently ensure that the value-creation is carried out with the largest possible consideration to environment and society.

Velliv believes that a precondition for sustainable value-creation exists when investors – including Velliv – behave like active owners.

Companies must manage their environmental, social and governance related risks (ESG risks), ensure a responsible business conduct in accordance with international principles for corporate responsibility (e.g. the UN Global Compact, the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises), and ensure that they are beneficial for society in general.

2018 was a year of transition for the company's investment activities and framework for responsible investments. In 2019 the company will continue to review and develop the strategic actions with respect to our legacy.

Velliv has decided to report primarily on responsible investment activities within the framework of the Danish recommendation for active ownership, and the Principles for Responsible Investments (the PRI).

You can read more about our new Policy for Responsible Investments and ongoing strategic actions on the company's webpage.

The Group's internal control and risk management systems in relation to accounting and reporting

Primary elements
The Board of Directors and the Executive Board carry the overall responsibility for the Group's internal control and risk management system in relation to accounting and reporting. This also covers compliance with relevant legislation, including other regulation regarding accounting and reporting.

In accordance with the requirements in Danish legislation, the Board of Directors has established the required control instances by appointing an internal auditor and an actuary function managed by the chief actuary. Furthermore, the Board of Directors annually proposes the election of an external audit at the annual general meeting.

The Board of Directors has employed the Executive Board and has also established an audit committee to supervise the process for accounting and reporting. The audit committee reviews reporting on material risks and internal controls on a regular basis and reports back to the Board of Directors. The review includes a review of risks and controls related to accounting and reporting. The internal auditor supports and controls the company's internal control and risk management system. The accounting and reporting process is covered by the operational audit performed by internal audit on a regular basis.

The Management of the company has issued and adopted overall policies, procedures and controls for all material activities related to accounting and reporting. This includes Policy for Disclosure and Reporting, Policy for Internal Control, Policy for Tax Administration, Policy for IT Security, Data Protection Policy, Anti-Money Laundering Policy, and Policy for Compliance, which are all based on the Management's focus on strong internal controls and risk management systems.

The policies and underlying written administrative procedures along with the internal controls and the risk management system have been implemented to ensure that accounting and reporting are handled efficiently and at a high level of quality to reduce or eliminate the risk of errors or omissions. It should, however, be noted that no policies, procedures or controls can provide absolute certainty that there is no mis-use of assets, losses or material errors or omissions in the accounting and reporting - it can only provide a reasonable level of comfort.

Control environment
The Management of the company has established a risk management system, of which the internal control system forms part. Velliv's risk management system is anchored across the Group and ensures that material risk and capital processes are efficient, consistent and cohesive. The processes comprise all activities related to identifying, measuring, supervising, managing and reporting on risks and their consequences for the company's capital requirement.

The internal control system consists of several processes developed to ensure that the necessary controls of the Group's tasks exist and are maintained, that the controls are performed, and the results hereof reported on so that necessary decisions can be made.

On an annual basis, the Board of Directors assesses the structure of the organisation and the adequacy of the staffing for the company's main activities, including activities related to accounting and reporting.

The policies adopted by the Board of Directors reflect the focus on controls and risk management by stipulating clear organisational structures and reporting lines, defined roles as well as responsibilities, authorisation and attestation procedures and segregation of duties, including four-eye principle.

Process descriptions and procedures have been prepared for all main activities in the finance department. These include the preparation of the monthly, bi-annual and annual reporting. The descriptions have been made to always reflect the requirements contained in current legislation and policies approved by the Board of Directors.

Events after the balance sheet date

New strategic partnership
In January 2019, Velliv announced a new strategic partnership with Codan with effect from 1 April 2019. The partnership strengthens both companies' future distribution in the pension and insurance areas, respectively.

The cooperation implies that Velliv's customers will have access to Codan's attractive products in the non-life insurance while Codan's corporate and private customers will be offered attractive pension solutions with advantages such as competitive returns, low costs, DinKapital, and bonus from Velliv Foreningen.

Dividend for 2018
The Board of Directors proposes a dividend payment of DKK 400m for the year 2018. The proposed dividend will be considered at the annual general meeting on 28 March 2019. The dividend proposal is based on the rules on solvency as set out in the legislation governing insurance companies.

Based on its financial position, the company is expected to meet its obligations, in both the short and the long term. The Board of Directors finds that the company's equity is sufficient seen in relation to the size and risks of the company.

Other events
There have been no other events of significance that could have an impact on the Group's and company's financial position from the balance sheet date and until the signing of the annual report.

Outlook for 2019

It is expected that the result after tax for 2019 will be at the same or at a slightly higher level than in 2018. The premium income for 2019 is expected to be at the same level as in 2018 due to an intake of several big customers during the last two years. The costs for 2019 are expected to be a bit higher than they were in 2018, which is related to the insourcing of functions previously administered by the Nordea Group. Due to Vellv Foreningen's purchase of additional shares in Velliv from Nordea Life Holding AB, the company is expecting several non-recurring expenditures in connection with the separation from Nordea. These are expected to be below the level of 2018.

Significant risks and factors of uncertainty

Significant risks and factors of uncertainty have been described in Note 1 of the accounts, see the section 'Significant accounting estimates, assumptions and uncertainties'.

Products and services

Customer influence through Velliv Foreningen
The member association was renamed into Velliv Foreningen following the rebranding of the pension company. The association has around 340,000 members, all of whom are customers of Velliv. The association aims to ensure a strong democratic basis through its members' engagement. The association also works to promote good mental health in Denmark through charitable donations.

Three sources of customers' returns
Customers in Velliv have three sources of return: The market return on their pension savings, the return on their contributions placed in DinKapital, and bonus payment from Velliv Foreningen.

Market return

During the last 5 years customers with VækstPension Aktiv Mellem Risiko and 15 years to retirement have obtained a return of 32.3%, while customers with VækstPension Index have realised a return of 38.0%. For both products this is a return in the market's top three.

DinKapital

DinKapital allows 5% of the contributions to be placed in DinKapital at a stable interest rate of 5% at present. A large part of all new customers chooses to attach DinKapital to their pension schemes. End of 2018, the total amount of capital placed in DinKapital constitutes DKK 485m.

The return on DinKapital provides the customers with a solid ground under their pension scheme especially in periods with negative market returns and high volatility in the financial markets.

Bonus payment

In May 2018, Velliv Foreningen disbursed the first bonus to its members who are Velliv's 344,000 customers. The bonus payment from the member association corresponded to an average additional return of DKK 2,680 for every DKK 1m in pension savings held by a customer in Velliv.

Bonus is disbursed to all customers in Velliv via the customers' NemKonto.

The decision on bonus payment for 2018 will be made by Velliv Foreningen based on the profit for 2018.

Direct, proactive advice services for customers
As a customer-owned company Velliv has an ambition to provide personal advice to our customers about their pension schemes when it is relevant. It is our goal that we get in touch with our customers on an annual basis. To support this, Velliv has developed several tools including an investment guide and a data-based advice tool.

Our new online investment guide will help customers to take a stand with regards to the investment of their pension savings. The new investment guide is based on the new requirements from the Danish Financial Supervisory Authorities (the FSA), the ambition of providing customers with even clearer recommendations, and assuring a better customer experience when choosing an investment form. The new investment guide was developed in cooperation with the customers and with involvement of the digital customer panel, which consists of more than 500 customers.

During the second half of 2018, the data-based advice tool was launched. The tool makes it possible to approach all customers with individually targeted advice services in an efficient way. The proactive advice services are supported by the personal advice services and proactive contact to customers if they get sick.

New digital solutions
Velliv is undergoing a comprehensive development of digital solutions, including a new self-service solution for corporate pension scheme administrators and further development of the app and Netpension.

The self-service solution for corporate pension scheme administrators, Pensionsportalen, implies a simple overview and easy administration of companies' pension schemes. The solution is being developed and continuously expanded in collaboration with users, who participate in an administrator panel. The panel is providing feedback on prototypes.

Regulations etc.

Insurance Distribution Directive
The new insurance mediation act entered into force on 1 October 2018. The act implements the Insurance Distribution Directive (IDD), which is a European directive aimed at increasing consumer protection through information, advisory and other best practice rules. Furthermore, the directive implements new requirements for education and competencies for employees carrying on insurance distribution, along with rules for product supervision.

Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds
In December 2018, a change to the Executive Order on Financial Reports was issued. The changes are effective from 1 January 2019 and applies to financial reporting covering periods beginning on or after 1 January 2019. The changes include the introduction of "Other tangible investment assets", treatment of leasing aligned with the International Financial Reporting Standards (IFRS) (i.e. financial leasing), additional information requirements on assets and liabilities measured at fair value, movement of solvency ratio to the Management's review and removal of sensitivity disclosures based on traffic lights.
The Executive Order may, partly or in full, be pre-adopted for Annual Reports covering periods before 1 January 2019. Velliv has chosen to adopt Section 128a, paragraph 2 and show the key figure, solvency ratio, in the Management's review, where it was previously disclosed in note 47. Velliv has not adopted any other of the changes in the Annual Report for 2018.

Pension Tax Act
On 19 December 2017, the Danish Parliament adopted L 16 - Proposal for a law amending the Pension Tax Act and various other laws (targeting of retirement savings and regulation of erroneous pension payments), which translates the agreement between the government and Dansk Folkeparti (the Danish People's Party) from the pre-summer on "several years in the labour market". The adoption entails significant changes, especially for age savings as a product, and the retirement age is postponed by two years for all pensions created after 1 January 2018. The adoption also follows a legal basis for making negative corrections to erroneous payments on employer schemes.

Corporate governance etc.

Board of Directors
Following Velliv Foreningen's purchase of the majority holding of Velliv, a new Board of Directors has been elected at the general meeting. The new Board of Director has elected Anne Broeng as chairman of the board and Peter Gæmelke as deputy chairman. Karsten Knudsen has been elected as chairman of the audit committee.

Board of Directors:
Anne Broeng, Chairman, Professional board member
Peter Gæmelke, Deputy Chairman, Self-employed farmer and professional board member
Gustaf Sebastian Björnson Unger, Co-Head of Wealth Management
Lene Klejs Stuhr, HR Director
Karsten Sivebæk Knudsen, Professional board member
Mads Skovlund Pedersen, Head of Personal Banking Denmark
Kent Petersen, Chairman of Finansforbundet
Chrilles-Zibrandt Svendsen, Professional board member
Leif Flemming Larsen, Professional board member

Employee-elected members:
Anne Marie Nielsen, Customer Adviser
Per Lyngh Sørensen, Expert IT Developer
Tommy Østerberg, Software Architect
Mogens Edvard Pedersen, Pension Advisor

Role of Board of Directors
The Board of Directors provides for a prudent organisation of the company and, in this connection, ensures that it is being handled in a reassuring way.

To ensure this, the Board of Directors has issued several policies and guidelines as well as instructions for the Management regarding which arrangements may be initiated without the Board of Directors' approval.

Executive Board
As of 1 May 2018, CFO Gitte Aggerholm was appointed member of the Executive Board of Velliv.

Executive Board
Steen Michael Erichsen, CEO
Gitte Minet Aggerholm, Director, CFO

Role of management
The management is responsible for the day-to-day management of the company. The Management reports regularly to the Board of Directors about the daily implementation of the Board of Directors' policies and guidelines, and it ensures that the Board of Directors is notified about any noteworthy circumstances in the company, which may have an impact on the Board of Directors' compliance monitoring of legislation, in-house policies, and guidelines.

Appointed actuary
Charlotte Markussen.

Audit committee
Establishment of the audit committee
The Board of Directors in Velliv has formed an audit committee in compliance with the Danish Audit Regulation, Section 31.

In Velliv the audit committee consists of two members from the Board of Directors. The committee meets the requirements determined regarding qualifications within accounting or auditing.

Members of the committee
The audit committee consists of Karsten Sivebæk Knudsen (chairman) and Chrilles-Zibrandt Svendsen. The Board of Directors has appointed Karsten Sivebæk Knudsen as the qualified member in accounting and auditing. The appointment of members of the audit committee is renewed annually.

Number of meetings in 2018
Six meetings took place in 2018.

Main features for the terms of reference
The responsibilities of the audit committee have been determined in the terms of reference approved by the Board of Directors. The committee's primary role is to assist the Board of Directors in fulfilling its responsibilities to ensure an independent and objective monitoring of Velliv's process of presentation of accounts and the statutory audit of the annual accounts.

In addition to this, the audit committee will monitor the efficiency of the in-house control systems and risk management systems, and, in this connection, monitor the internal audit's effectiveness, as well as the external audit's impartiality and independence.

Management of Velliv

Steen Michael Erichsen

CEO

Gitte Minet Aggerholm

CFO, Director

Anne Broeng

Chairman of the Board of Directors

Other matters

Administration
IT operation has been handled partly by the Nordea Group. Velliv handles the administration for the parent entity, Velliv Foreningen.

Information on remuneration policy and practice
Velliv publishes information on remuneration policy and practice in accordance with Section 23 of the Danish Executive Order on Remuneration. Please refer to our website, here

Corporate responsibility

Corporate Responsibility Report
In 2018, Velliv Foreningen prepared its first report on corporate responsibility for the Velliv Group.

Over the coming years, the new owners and the new Board of Directors will take initiatives that strengthen and build on the current strong basis for social responsibility in the Group.

The Corporate Responsibility Report describes several of our active contributions to the society, which we are all part of and live in every day. Furthermore, we highlight a number of the future initiatives, which customers and employees can expect from one of Denmark's largest pension companies. All activities are based on the values of Velliv: caring, optimism and orderliness.

The Corporate Social Responsibility Report can be found on our website:

https://www.velliv.dk/CSRrapport2018

Statement on gender balance
In accordance with the Danish Financial Business Act, Section 79a regarding gender balance in the Board of Directors, the company has adopted the following target figure: in the company, the underrepresented gender must constitute at least 30% of the board members elected by the general meeting. At the end of 2018 the actual figure was 23%. The target figure is expected to be met in 2022.

The company has also adopted a policy regarding gender balance at other management levels. The company has a balanced gender representation and the policy helps maintain the gender balance in the future. The gender balance in the Executive Board is 50/50 and as such there is no underrepresentation.

For more information on gender balances, please refer to the Corporate Responsibility Report, mentioned above.

Capital position and solvency

Solvency II position

On a regular basis Velliv has reported and monitored the development of the Solvency II position as well as the risk linked to it. At 31 December 2018, the solvency cover ratio was a satisfactory 183% in Velliv. At the end of 2017, the solvency cover ratio was 179%. We are using a partial internal model to calculate the capital requirement.

Monitoring
Velliv is following the solvency and capital situation, the profit and loss risk, and the financial buffers on a weekly basis in a risk report that also contains stressed scenarios of the calculations. The report is sent to the Danish Management.

Figure 7 Solvency, DKKm

	Velliv A/S		
	2018	**2017**	**2016**
Capital base	13,163	13,550	13,377
Capital requirement	7,188	7,584	8,143
Solvency ratio	183	179	164

Management's statement

The Board of Directors and the Executive Board have today considered and adopted the annual report of Velliv, Pension & Livsforsikring A/S for the financial year 1 January – 31 December 2018.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position at 31 December 2018 of the Group and the parent company and of the results of the Group and parent company operations and consolidated cash flows for the financial year 1 January - 31 December 2018.

In our opinion, Management's review includes a true and fair account of the development in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 8 February 2019

Executive Board

Steen Michael Erichsen	Gitte Minet Aggerholm

Board of Directors

Anne Broeng Chairman	Peter Gæmelke Deputy Chairman	Gustaf Sebastian Björnson Unger
Lene Klejs Stuhr	Karsten Sivebæk Knudsen	Mads Skovlund Pedersen
Kent Petersen	Chrilles-Zibrandt Svendsen	Leif Flemming Larsen
Anne-Marie Nielsen	Per Lyngh Sørensen	Tommy Østerberg
Mogens Edvard Pedersen		

The independent auditor's report

To the shareholders of Velliv, Pension & Livsforsikring A/S

Our opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Business Act.

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

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

What we have audited
The Consolidated Financial Statements and the Parent Company Financial Statements of Velliv, Pension & Livsforsikring A/S for the financial year 1 January to 31 December 2018 comprise income statement, other comprehensive income, financial position, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and cash flow statement for the Group. 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 Velliv, Pension & Livsforsikring A/S on 24 April 2015 for the financial year 2015. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 4 years including the financial year 2018.

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

Key audit matter	***How our audit addressed the key audit matter***
Measurement of investment properties The Group owns a number of investment properties, primarily through subsidiaries. The value is DKK 12,660 million (2017: DKK 11,732 million) in total for average interest rate products and market interest rate products. The investment properties mainly consist of Danish residential and commercial property. The investment	We examined, evaluated and tested the procedures and relevant internal controls relating to the measurement of investment properties, including the valuation methods applied by Management. We evaluated the development of the value and the composition of the investment property portfolio.

properties are measured at fair value based on the returns method calculating the value by a systematic assessment of individual properties based on capitalisation of the expected operating income from the properties and a required rate of return determined individually for each property. The method contains assumptions which are non-observable by a third party and which involve significant accounting estimates regarding determination of expected operating income and required rate of return on the individual properties. To support the measurement of investment properties management annually obtains valuations of selected investment properties from real estate brokers. We focused on the measurement of investment properties because this involves significant accounting estimates made by Management. We refer to the section 'Significant accounting estimates, assumptions and uncertainties' in Note 1, 'Investment property' in Note 18, and 'Investment assets related to market return products" in Note 24.	On a sample basis and based on the development of the total investment property portfolio, we • evaluated the key assumptions (net income and required rate of return) based on our knowledge of the individual property and market data • tested the calculation • tested value adjustment entries • evaluated valuations performed by real estate brokers obtained by Management. We challenged Management's estimates which form the basis of fair value calculations based on our knowledge of the portfolio and market development.
Measurement of other unlisted investments Other unlisted investments comprise investments in private equity funds, infrastructure funds, unlisted shares, etc (level 3 investments) specified in Note 40. Other unlisted investments amount to a total of DKK 20,196 million (2017: DKK 21,009 million). Other unlisted investments are measured at an estimated fair value based on valuation models and assumptions, and relevant reporting from external managers including the Management's estimates, which are non-observable for a third party. We focused on the measurement of the unlisted investments because the calculation is complex and involves significant accounting estimates by Management. We refer to the section 'Significant accounting estimates, assumptions and uncertainties' and 'Financial Assets" in Note 1 and 'Financial assets and liabilities" in Note 40.	We examined, evaluated and tested the procedures and relevant internal controls relating to existence, valuation and accuracy in the internal process for verification of measurement of other unlisted investments. We evaluated and tested the valuation methods applied by Management. For a sample of investments, we tested the consistency between the assumptions applied and the calculation of fair values. For a sample of investments, we tested the fair values applied to relevant reporting from fund managers. We challenged Management's estimates, which form the basis of fair value calculations based on our knowledge of the portfolio and market development.
Measurement of provisions for insurance and investment contracts The Group has established provisions for insurance and investment contracts at a total of DKK 174,420 million (2017: DKK 172,933 million), which represents 80% (2017: 77%) of total liabilities. The provisions consist mainly of life insurance provisions for traditional products and market return products, provisions for claims due to sickness and accident insurance, and profit margin. The calculation is based on	We examined, evaluated and tested the procedures and relevant internal controls established to ensure the correct measurement of insurance and investment contracts. As part of the audit, we used our own actuaries in the evaluation of the Group's actuarial models and assumptions, as well as the relevant calculations. We evaluated and challenged the most significant actuarial assumptions, such as yield curve for discounting

actuarial principles and involves significant accounting estimates related to the actuarial assumptions on the scope and timing of future payouts to the policyholders. The actuarial assumptions comprise primarily yield curve for discounting purposes, life expectancy, mortality, disability, surrender and paid-up policy probability, assumed retirement age and costs. We focused on the measurement of provisions for insurance and investment contracts because the calculation of provisions is complex and involves significant accounting estimates and assumptions, which may affect the financial statements considerably. We refer to 'Significant accounting estimates, assumptions and uncertainties' in Note 1, 'Life insurance provisions – traditional products' in Note 26 and 'Life insurance provisions – market return products' in Note 27	purposes, life expectancy, mortality, disability, surrender and paid-up policy probability, assumed retirement age and costs in order to determine, based on our experience and knowledge of the industry. We evaluated whether the assumptions are in accordance with regulatory and accounting requirements including the continuity in the basis of calculation of provisions.

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 Consolidated 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Business Act and for the preparation of 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 or the Parent Company to cease to continue as a going concern.
- 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 achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated 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.

Copenhagen, 8 February 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Business reg. no. 3377 1231

Erik Stener Jørgensen
State Authorised Public Accountant
mne9947

Per Rolf Larssen
State Authorised Public Accountant
mne24822

Financial statements

Income statement

		Velliv Group		Velliv A/S	
	DKKm	2018	2017	2018	2017
Note					
3	Gross written premiums	20,025	18,874	20,025	18,874
6	Ceded insurance premiums	-70	-79	-70	-79
	Total premiums, net of reinsurance	**19,955**	**18,796**	**19,955**	**18,796**
	Income from subsidiaries	0	0	820	569
	Income from associated companies	92	501	82	496
4	Income from investment property	499	421	33	12
5	Interest income and dividends, etc.	4,447	4,724	4,431	4,704
7	Value adjustments	-6,457	6,857	-6,883	6,668
8	Interest expenses	-1,284	-1,819	-1,272	-1,808
	Investment management expenses	-359	-368	-359	-368
	Total investment return	**-3,062**	**10,317**	**-3,150**	**10,275**
	Tax on investment return	770	-1,310	770	-1,310
	Return on investment after tax on investment return	**-2,291**	**9,007**	**-2,379**	**8,965**
9	Benefits disbursed	-14,287	-12,700	-14,287	-12,700
6	Reinsurance cover received	24	35	24	35
	Total insurance benefits, net of reinsurance	**-14,264**	**-12,665**	**-14,264**	**-12,665**
	Change in life insurance provisions	-2,072	-12,951	-2,072	-12,951
6	Change in reinsurers' share	-1	-1	-1	-1
	Total change in life insurance provisions, net of reinsurance	**-2,073**	**-12,952**	**-2,073**	**-12,952**
	Change in profit margin	**462**	**-679**	**462**	**-679**
	Change in surplus funds	**-348**	**-137**	**-348**	**-137**
10	Acquisition costs	-265	-232	-265	-232
	Administrative expenses	-354	-418	-377	-419
	Gross operating expenses relating to insurance	-620	-650	-642	-651
	Reimbursement of costs from group enterprises	8	44	8	44
	Net operating expenses relating to insurance	-612	-606	-634	-608
	Reinsurance commissions and profit sharing	0	0	0	0
11	**Total insurance operating expenses, net of reinsurance**	**-612**	**-606**	**-634**	**-608**
	Transferred investment return	-38	-34	51	8
	TECHNICAL RESULT	**791**	**730**	**770**	**728**
12	**TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE**	**40**	**16**	**40**	**16**
	Investment return on equity	22	-15	-67	-57
13	Other income and expenses	-110	7	-110	7
	PROFIT BEFORE TAX	**743**	**738**	**633**	**694**
14	Tax	-148	-167	-147	-167
	NET PROFIT FOR THE YEAR	**595**	**571**	**486**	**527**
	Non-controlling interests	109	44	0	0
		486	**527**	**486**	**527**

Other comprehensive income

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Note				
Net profit/loss for the year	595	571	486	527
Total other comprehensive income	0	0	0	0
Comprehensive income for the year	**595**	**571**	**486**	**527**
Of which:				
Non-controlling interests	109	44	0	0
Velliv, Pension & Livsforsikring A/S share	**486**	**527**	**486**	**527**

Financial position

DKKm		Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Note					
	ASSETS				
15	Intangible assets	439	352	0	4
	TOTAL INTANGIBLE ASSETS	**439**	**352**	**0**	**4**
16	Tangible assets	18	1	18	1
17	Group occupied property	96	0	96	0
	TOTAL TANGIBLE ASSETS	**114**	**1**	**114**	**1**
18	**Investment property**	**9,110**	**8,574**	**325**	**413**
19	Shares in subsidiaries	0	0	7,266	7,271
20	Shares in associated companies	2,768	2,956	2,609	2,802
	Loan to subsidiaries	0	0	479	504
	Total investment in associated companies	**2,768**	**2,956**	**10,355**	**10,577**
21	Shares	7,564	6,224	7,564	6,224
	Unit trust certificates	22,541	28,093	22,541	28,093
22	Bonds	70,416	68,878	70,416	68,878
23	Derivatives	10,867	23,728	10,867	23,728
	Other	2,191	1,480	1,812	1,098
	Total other financial investment assets	**113,579**	**128,404**	**113,199**	**128,022**
	TOTAL INVESTMENT ASSETS	**125,456**	**139,934**	**123,879**	**139,013**
24	**INVESTMENT ASSETS RELATED TO MARKET RETURN PRODUCTS**	**81,580**	**77,437**	**81,580**	**77,437**
	Life insurance provisions, reinsurers' share	4	4	4	4
	Total insurance contract provisions, reinsurers' share	**4**	**4**	**4**	**4**
	Receivables from policyholders	530	557	530	557
	Total amounts due related to direct insurance contracts	**530**	**557**	**530**	**557**
	Receivables from insurance companies	473	446	473	446
	Receivables from group enterprises	1	9	0	128
	Current tax assets	12	110	0	0
25	Other receivables	4,701	1,949	4,673	1,776
	TOTAL RECEIVABLES	**5,722**	**3,075**	**5,680**	**2,911**
	Cash and cash equivalents	4,460	4,323	4,232	3,937
	TOTAL OTHER ASSETS	**4,460**	**4,323**	**4,232**	**3,937**
	Interest receivable and accumulated rent	718	473	718	473
	Other prepayments and accrued income	363	302	345	302
	TOTAL PREPAYMENTS AND ACCRUED INCOME	**1,081**	**776**	**1,063**	**776**
	TOTAL ASSETS	**218,851**	**225,898**	**216,548**	**224,079**

Financial position

		Velliv Group		Velliv A/S	
	DKKm	2018	2017	2018	2017
Note					
	Liabilities				
	Provisions for unearned premiums	**16**	**17**	**16**	**17**
26	**Life insurance provisions - traditional products**	**89,129**	**93,375**	**89,129**	**93,375**
27	**Life insurance provisions - market return products**	**81,071**	**74,783**	**81,071**	**74,783**
	Profit margin on life insurance and investment contracts	**3,023**	**3,485**	**3,023**	**3,485**
	Provisions for claims	**1,169**	**1,251**	**1,169**	**1,251**
	Risk margin on non-life insurance contracts	**8**	**16**	**8**	**16**
	Provisions for bonuses and premium rebates	**5**	**5**	**5**	**5**
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	**174,420**	**172,933**	**174,420**	**172,933**
	Payables, direct insurance operations	83	52	83	52
	Amounts owed to reinsurers	0	3	0	3
28	Payables to credit institutions	19,934	22,005	18,394	20,959
	Payables to group enterprises	18	21	195	21
	Current tax liabilities	65	81	65	81
	Unsettled purchase of investment assets	2,470	1,446	2,470	1,446
29	Other payables	11,754	19,569	11,368	19,229
	Total liabilities other than provisions	**34,325**	**43,176**	**32,576**	**41,790**
	ACCRUALS AND DEFERRED INCOME	**471**	**834**	**471**	**834**
14	Deferred tax liabilities	735	706	554	537
	TOTAL PROVISIONS	**735**	**706**	**554**	**537**
	Surplus funds 'DinKapital'	485	137	485	137
30	**Other subordinate loan capital**	3,341	3,233	3,341	3,233
	TOTAL SUBORDINATE LOAN CAPITAL	**3,826**	**3,369**	**3,826**	**3,369**
	Total liabilities	**213,777**	**221,019**	**211,847**	**219,464**
	Share capital	**600**	**600**	**600**	**600**
	Contingency fund	**488**	**488**	**547**	**547**
	Retained earnings	**3,155**	**3,068**	**3,155**	**3,068**
	Proposed dividend for financial year	**400**	**400**	**400**	**400**
	Minority interest	**432**	**323**	**0**	**0**
31	**TOTAL SHAREHOLDERS' EQUITY**	**5,075**	**4,880**	**4,701**	**4,615**
	TOTAL EQUITY AND LIABILITIES	**218,851**	**225,898**	**216,548**	**224,079**

Statement of changes in equity

Velliv Group

DKKm	Share Capital	Contingency funds	Retained earnings	Proposed dividends	Minority interest	Total
Note						
Equity 1 January 2017	600	488	2,941	600	279	4,629
Change in equity 2017						
Profit/(loss) for the year	0	0	127	400	44	571
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the year	0	0	127	400	44	571
Distributed dividend	0	0	0	-600	0	-600
Total change in equity 2017	0	0	127	-200	44	-29
Equity 31 December 2017	**600**	**488**	**3,068**	**400**	**323**	**4,880**
Equity 1 January 2018	600	488	3,068	400	323	4,880
Change in equity 2018						
Profit/(loss) for the year	0	0	86	400	109	595
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the year	0	0	86	400	109	595
Distributed dividend	0	0	0	-400	0	-400
Total change in equity 2018	0	0	86	0	109	195
Equity 31 December 2018	**600**	**488**	**3,155**	**400**	**432**	**5,075**

Velliv A/S

DKKm	Share Capital	Contingency funds	Retained earnings	Proposed dividends	Minority interest	Total
Note						
Equity 1 January 2017	600	547	2,941	600	0	4,688
Change in equity 2017						
Profit/(loss) for the year	0	0	127	400	0	527
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the year	0	0	127	400	0	527
Distributed dividend	0	0	0	-600	0	-600
Total change in equity 2017	0	0	127	-200	0	-73
Equity 31 December 2017	**600**	**547**	**3,068**	**400**	**0**	**4,615**
Equity 1 January 2018	600	547	3,068	400	0	4,615
Change in equity 2018						
Profit/(loss) for the year	0	0	86	400	0	486
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the year	0	0	86	400	0	486
Distributed dividend	0	0	0	-400	0	-400
Total change in equity 2018	0	0	86	0	0	86
Equity 31 December 2018	**600**	**547**	**3,155**	**400**	**0**	**4,701**

Cash flow statement

Velliv Group

DKKm	2018	2017
Cash flow from operating activities		
Premiums and benefits disbursed	5,405	5,806
Operating expenses	-583	-570
Paid Tax	-2,070	-1,483
Other cash flow from operating activities	0	-1
	2,752	**3,751**
Cash flow from investing activities		
Purchase and sale of property investments	-824	-714
Other cash flow from investing activities	-2,246	-2,709
	-3,070	**-3,423**
Cash flow from financing activities		
Distributed dividend	-400	-600
Aquired surplus funds	335	135
Aquired other subordinate loan capital	1,633	0
Redeemed other subordinate loan capital	-1,500	0
Aquired other debt to credit institutions	494	439
Paid interests	-107	-110
	454	**-137**
Total cash flow	**136**	**191**
Cash beginning of year	4,323	4,132
Cash end of year	4,460	4,323

Cash flows from financing activities relate to "Surplus funds", "Other subordinate loan capital" and "Other debt to credit institutions". The liabilities regarding financing activities have developed as follows:

Surplus funds, beginning of year	137	0
Payments to surplus funds	335	135
Accrual of interests	13	2
Surplus funds, end of year	**485**	**137**

Surplus funds consist of payments from customers regarding the product DinKapital. Surplus funds are increased with payments from customers and ongoing accrual of interests, while the repayments are made as the benefits are disbursed.

Other subordinate loan capital, beginning of year	3,233	3,233
Aquired other subordinate loan capital	1,609	0
Redeemed other subordinate loan capital	-1,500	0
Other subordinate loan capital, end of year	**3,341**	**3,233**

At the end of the year 2018, other subordinate loan capital consists of one bullet loan at Nordea Life Holding AB of DKK 800m, one at Velliv Foreningen of DKK 933m and issued corporate bonds of SEK 2,250m. The loan at Nordea Life Holding AB of DKK 800m is expected to be repaid as new capital is aquired through the issuing of corporate bonds. The loan at Velliv Foreningen of DKK 933m was acquired in 2016 and is not expected to be repaid in the foreseeable future. In June 2018, Velliv issued corporate bonds for SEK 2,250m, which was used to reedem a bullet loan at Nordea Life Holding AB of DKK 1,500m. The corporate bonds expire in 2028.

Debt to credit institutions, beginning of year	1,046	607
Changes in debt to credit institutions	494	439
Debt to credit institutions, end of year	**1,540**	**1,046**

Other debt to credit institutions primarily coinsists of mortgage loans used to aquire new invesment proberty. The mortgage loans are interest-only for 10 years from the date of issue and are not expected to be repaid in the foreseeable future.

Notes

Notes

1. Accounting policies

Velliv is a pension company placed in Ballerup in Denmark, selling life insurance, health and accident insurance, and pension products.

Consolidated financial statements

The consolidated financial statements have been presented in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) which have been adopted by the EU, with accompanying interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and parts of the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds as specified in the Executive Order on International Accounting Standards for Companies comprised by the Danish Business Act.

Accounting policies are unchanged from the Annual Report for 8 May 2017.

Parent company financial statements

The financial statements for the parent company have been prepared in accordance with the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

Accounting policies are unchanged from the Danish Annual Report for 2017.

General information for consolidated and separate financial statements

Recognition and measurement in the Annual Report is done according to the rules applicable, as mentioned above. The Danish regulation on Financial Reports is largely adjusted to the International Financial Reporting Standards and the Danish regulation also refers to the International Financial Reporting Standards for interpretation or for accounting practices not contained in the Danish regulation.

The only material difference between the two applied practices is deferred tax on security funds, which is provided for in the consolidated financial statements in accordance with IFRS and not provided for in the parent company financial statements.

The amounts disclosed in the income statement, balance sheet and notes are presented in whole numbers of DKKm. The amounts have been rounded separately and consequently the sum of the rounded amounts and totals may differ slightly.
Some reclassifications have been made to the comparison figures. The reclassifications do not impact the net profit for the year, equity, total assets and liabilities or the overall understanding of the financial statements.

When the balances for the Group equal those of the parent company, disclosures are only made for the parent company.

Change of accounting estimates from 2017 to 2018

When updating the cost parameters to market value, Velliv has introduced a change in the estimate method of the administration charge imposed on the individual type of policy. The change of estimate, including adjustment of parameters, implies a strengthening of provisions of DKK 334m.

Moreover, changes have been made to the basis of calculation of the expected future longevity improvements, for which the basis of calculation is based on data over the last 20 years, compared to 30 years previously. This step has implied a strengthening of provisions of DKK 550m.

No further changes of accounting estimates have been carried out.

Significant accounting estimates, assumptions and uncertainties

The accounting value of assets and liabilities are calculated based on assumptions which include the use of accounting estimates. The Management has determined these estimates based on historic experience and assumptions found reasonable and realistic by the Management.

Because of the estimates' nature, the assumptions used may prove to be incomplete, and unexpected future events or circumstances may arise.

The most significant estimates determined by the Management when calculating the carrying amount of assets and liabilities as well as the significant estimation uncertainty associated with the preparation of the consolidated financial statements are listed here:

- Measurement of investment property
- Measurement of unlisted financial instruments and property funds

- Measurement of technical provisions/life insurance provisions

Measurement of investment property

The fair value of investment property is calculated using the yield method, which is based on the properties expected yield and yield requirements for each individual property, in accordance with appendix 7 to the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

Measurement of fair value of unlisted financial instruments and property funds

Where there is no active market, the calculation of the unlisted financial instrument's fair value is subject to an accounting estimate. The valuation is based on models and, where possible, observable data. The estimates are linked to the assumptions upon which the reporting received from the equity funds/asset managers are based. Often it also entails a time lag. To ensure reliability of the calculated estimates, Velliv has set up in-house processes to support the prepared estimates. The time lags between reporting and accounting data must be allowed for by obtaining additional information regarding the price movement. Where this is impossible, further estimates of fair value have been carried out.

When measuring the fair value of derivatives, bid-offer spreads must be considered as the recognition takes place at mid prices. Credit valuation adjustments (CVA) in relation to the calculated values are also considered. The uncertainty is linked to the determination of probability of non-compliance from Velliv's counterparts. Velliv only trades derivatives based on the International Swaps and Derivatives Association (ISDA) and the Credit Support Annex (CSA) agreements to ensure a low counterparty risk due to frequent exchange of collateral. Besides exchange of collateral daily, Velliv's derivative positions are valued by a business partner who is also performing the operational part of the collateral exchange.

Measurement of technical provisions/life insurance provisions

Determination of the accounting value of the technical provisions is linked to an estimate which is connected in particular to the maturity-dependent discount rate and assumptions on mortality, disability, lapse and surrender. The determination of the different assumptions is based on acknowledged actuarial principles.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and it has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group enterprises are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Group enterprises

Payables and receivable amounts owed to Group enterprises include amounts due and amounts owed to companies that form part of the Nordea Group, but are not a part of the Velliv Group. 'Amounts due' and 'amounts owed to Group enterprises' are measured at fair value.

Associates

Associates are all entities over which the Group has significant influence.

The associates are measured at their net asset value according to the equity method.

Foreign currency

Assets and liabilities denominated in foreign currency, including foreign currency hedging instruments, are converted into Danish Kroner after the balance sheet date's exchange rate. Revenues and costs in foreign currency are converted into the exchange rate at the date of transaction. Danmarks Nationalbank's published exchange rate is used at the conversion. All conversion gains and losses are recognised in the income statement in the item 'exchange rate adjustments'.

Segment reporting

The operational business segments in Velliv Group are: traditional return, market return and other. The segment 'traditional' contains traditional life insurance products, pension with guarantees, and 'Forenede Gruppeliv'. The segment 'market return' contains pension products with market returns. The 'other' segment contains health and accident, Liv III, Poland, and the equity. The reclassification column is the difference between the internal reporting and the annual report, which is primarily the segment health and accident. This is reported in a separate line in the annual report.

The chief operating decision makers consist of the Executive Board and Board of Directors.

The segment information is consistent with the internal financial reporting to the chief operating decision makers. The segment information supports the chief decision makers' decision on allocation of resources and the assessment of the Velliv Groups results on a product level. Assets and liabilities are not reported to the chief operating decision makers and are therefore not included in the segment reporting.

Transactions between segments are settled at market price or cost-covering basis. Centrally incurred costs are allocated to the business segments according to specific keys, which are believed to provide the best estimate of assessed resource consumption.

Future standards and interpretations

International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued several amendments and interpretations which have not yet come into force. The standards are explained in the sections below:

IFRS 9 financial instruments, classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. It is measured at fair value through other comprehensive income if the business model is to collect and sell the assets, and the contractual cash flow characteristics are as described above.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. For equity instruments outside the trading portfolio an entity has an irrevocable option on an instrument by instrument basis to recognise fair value changes in other comprehensive income.

The option to designate financial assets at fair value if this eliminates or significantly reduces an accounting mismatch is retained.

The adoption of IFRS 9 will not significantly impact the financial position based on the assumption that Velliv already measures all the financial instruments at fair value through profit and loss. The implementation of IFRS 9 will not change Velliv's recognition and measurement. Velliv do not have any investment contacts pr. 31. December 2018.

The standard is effective as of 1 January 2018. Velliv has the opportunity to postpone the implementation of IFRS 9 due to the company's activities are predominantly connected with insurance contracts and that the company's liabilities connected with insurance activities is greater than 90% of the total liabilities. Velliv has chosen to postpone the implementation of IFRS 9 to 1 January 2022 when IFRS 17 insurance contracts will be applicable.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, is replacing the principles in IAS 18 and other standards on revenue recognition. The standard is applicable from 1 January 2018 and is only applicable where other IFRS's are not. This means that the IFRS is not applicable for insurance contracts. According to IFRS 15, revenue shall be recognised when the obligations linked to contract fulfilment are fulfilled.

The implementation of IFRS 15 will not impact the income statement or the equity materially.

IFRS 16, Leases

IFRS 16, Leases, will be effective for the financial year commencing 1 January 2019. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The implementation of IFRS 16 is not expected to have any material effect on the company's financial position. The changes will not add new risks or have material effect on either profit or loss or equity. Velliv will be affected primarily by lease agreements related to cars. The total impact on 'tangible assets' and 'other payables', using the modified retrospective approach is not expected to exceed DKK 6m.

IFRS 17, Insurance contracts

IFRS 17 is a replacement for IFRS 4, Insurance contracts. It requires a current measurement model where estimates are re-measured for each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the cover period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income.

An optional, simplified premium allocation approach is permitted for the liability for the remaining cover for short duration contracts, which are often established by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts established by life insurers where policyholders share the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. In particular the income statement will be affected, as gross premiums will no longer be presented but will be replaced by insurance income.

The standard is effective as of 1 January 2021. The Management expects to adopt IFRS 17 when it becomes mandatory and has not yet completed the analysis of the impact on the Group's current accounting policies.

Income Statement

In general

The allocation of non-direct attributable costs is carried out in relation to the cost attribution model as specified in-house. The model uses basis of allocation which are based mainly on registered and estimated time consumption as well as the size of gross written premiums, insurance benefits, and life insurance provisions.

Premiums

Premiums, net of reinsurance, comprise the year's gross written premiums due and capital contribution adjusted for ceded reinsurance premiums. The accrual of the premium revenue is adjusted over the unearned premiums provisions.

Investment return

Income from associates includes a share of post-tax profit corresponding to the equity investments in subsidiaries and associates.

Income from investment property includes the property's operating results less a deduction of costs for the property management.

Interest income and dividends etc. comprise the financial year's interests on bonds, including indexation of index-linked bonds, other securities, loans and receivables, and interest rate payments on derivatives. Also included are received dividends from holdings except from dividends from Group enterprises and associates.

Exchange rate adjustments include realised and unrealised gains and losses on investment assets, financial liabilities at a fair value, and foreign exchange rate adjustments of holdings in Group enterprises and associates. The net sum is stated in the income statement.

Interest expenses include the financial year's interest rate payments on loans and derivatives.

Administrative costs in connection with investing activities comprise costs related to the management of investment assets.

Tax on investment return

Pension return tax (PAL) is a tax imposed on the return of investments. PAL is recognised with the sum payable for the financial year and added changes in provision for deferred PAL. Any negative PAL is deductible from the following year's PAL. The item pension return tax comprises PAL for individual policyholders and for the Group.

Insurance benefits

'Insurance benefits, net of reinsurance' are a result from the year's disbursed benefits adjusted for the year's change in provisions for claims and after deduction of the reinsurance share.

Change in life insurance provisions

'Change in life insurance provisions, net of reinsurance' comprises the year's change in life insurance provisions.

Change in profit margin

The recognised change comprises change in profit margin linked to the life insurance provisions.

Insurance operating expenses

'Total insurance operating expenses, net of reinsurance' comprise costs linked to acquisition and administration of the company's portfolio of insurance contracts. The accounting item is adjusted for commissions from reinsurers. The costs for acquisition of the portfolio are recognised at the policy origination.

Transferred investment return

'Transferred investment return' constitute the return transferred to equity, achieved as investment return on the assets allocated to the equity.

Furthermore, a share of the result of investing activities corresponding to the return on its allocated assets will be transferred to the health and accident insurance.

Technical result of health and accident insurance

The technical result of health and accident insurance is calculated according to the rules of non-life insurance.

The investment return is however calculated according to the rules of life insurance. The technical result of health and accident insurance is included in a single item posted in the income statement and specified in a note.

Investment return on equity

Investment return on equity comprises the share of the total investment return, which is allocated to the equity. The investment assets generating the investment return are shares in Velliv IT A/S, loans to subsidiaries and investments in primarily Danish mortgage bonds.

Other income and expenses

'Other income and expenses' comprise income and expenses that cannot be attributed directly to the administration costs, insurance activities or investing activities.

Tax

Tax for the year, consisting of current tax for the year, any change in deferred tax and adjustments relating to previous years, is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The company is subject to the Danish tax prepayment scheme. Additions, deductions and allowances related to tax payments are included in 'interest income' and 'interest expenses'.

Current tax assets and liabilities are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable income for previous years and tax paid on account.

Deferred tax is recognised for all temporary differences between accounting and taxation values of assets and liabilities, except from temporary differences which arise at initial recognition of an asset or a liability if the transaction has affected neither taxable income nor accounting profit. Deferred tax is measured at the tax rate applicable when the temporary difference is expected to be realised. The tax value of tax loss carry forwards is recognised to the extent that is expected to be utilised.

Deferred tax assets, including the value of tax loss carry forwards, and tax on contingency funds, are included in the balance sheet either by a deduction in deferred tax or as net tax assets.

Other comprehensive income

The Group has chosen to present the comprehensive income as a total calculation in continuation of the income statement. Other comprehensive income includes items that are recognised directly in equity through other comprehensive income.

Balance Sheet

In general

The trade date is used as recognition date for all financial assets and liabilities (financial instruments).

Assets

Intangible assets

In-house developed software is recognised in the balance sheet at cost less accumulated depreciation and impairment losses. The cost of in-house development consists of project development costs. Depreciations are made on a straight-line basis over the expected useful life. The depreciation period is no longer than 20 years. Any loss at impairment will be assessed based on a depreciation test. Costs attributed to maintenance of intangible assets will be recognised in the year of payment.

Tangible assets

The item comprises furniture and other tangible assets to be measured at cost, less accumulated depreciations. The depreciations are made on a straight-line basis over the expected useful life of no more than 5 years.

Group-occupied property

Group occupied property is real estate occupied by the Velliv Group for administrative purposes etc.

Group occupied property is measured at fair value according to the same principles as the Group's investment property, ref. the section "Investment property". Positive fair value adjustments of group occupied property are recognised in other comprehensive income, unless the increase counters a value reduction previously recognised in the income statement. Negative fair value adjustments are recognised in the income statement, unless the decrease counters a value increase previously recognised in other comprehensive income.

Group occupied property is depreciated on a straight-line basis, based on the expected scrap value and an estimated useful life of 50 years.

Shares in subsidiaries and associated companies

Shares in subsidiaries are initially recognised at cost price and are subsequently measured according to the equity method, which means that the value is equal to the proportion of the equity in the subsidiaries, which corresponds to the ownership interest and is calculated in accordance with the accounting principles applied by the company.

The profit or loss of the subsidiaries is included in the parent company income statement for the same financial year.

Loan to subsidiaries

Loans to subsidiaries are initially recognised at fair value. Subsequent measure is also done at fair value, and any changes in fair value are recognised in the income statement.

Financial assets

Financial assets are upon initial recognition classified as:

- Financial assets which are measured at fair value with fair value adjustment recognised in the income statement or,
- Loans and receivables which are measured at amortised cost.

Financial assets at fair value with fair value adjustment recognised in the income statement are financial assets which are derivatives or investing activities which are included in this classification at the time of their first recognition, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

All financial assets recognised in 'other financial investments assets' and 'investment assets related to unit-linked contracts are measured at fair value with any value adjustment taken to the income statement.

Investments in assets traded in an active market, including listed derivatives, are measured at the closing price at the balance sheet date or at another published price assumed to correspond to best estimate. The fair value of bonds which have been redeemed, but not yet repaid, is measured at the redemption price of 100.

Repos (sell-buy back) are recognised and measured as secured loans. Bonds sold as part of repo transactions have been included as bonds in the balance sheet at fair value. For investment assets which have not been listed at the stock exchange or where no stock exchange exists to reflect the assets' fair value, the fair value is determined by way of generally acknowledged valuation techniques which include all available data. The market participants are assumed to take these data into consideration at a price determination as the use of relevant observable data will be maximised and the use of non-observable data will be minimised.

Derivatives, which are not listed at a stock exchange, are measured at fair value by using the generally acknowledged pricing models.

Derivatives that are eligible hedges of market risks for investment assets or eligible to achieve a higher return will be included in the balance sheet as an investment asset according to type or liability in the item 'other creditors' if the fair value is negative. Foreign exchange hedging instruments as well as derivatives that are eligible hedges of interest rate risk for life insurance liabilities are included in the balance sheet in the item 'other financial investment assets' and 'other creditors' if the fair value is negative. Derivatives are included in the item 'other' under 'financial investment assets'.

Accounting policy – Alternative investments

Alternative investments are composed of investments in buyout funds, venture capital funds, timberland funds, infrastructure funds, illiquid credit funds, and investment property.

Private equity (buyout and venture capital funds)

Private equity includes both buyout funds and venture capital funds. Velliv acknowledges that the unlisted fair values reported are measured by estimates and assumptions which is why Velliv assesses the subcontractor's valuations when there is a reason to challenge the reported values. Therefore, this does not take place on a regular basis but rather on a relevant basis. Velliv finds it relevant to analyse the valuation when there is a significant difference between quarterly reports/information gathered of the underlying portfolio companies and market data. Velliv strives to perform independent valuations based on a combination of discounted cashflow analysis, market-multiples analysis and transaction-multiples analysis according to standards by the International Private Equity and Venture Capital Valuation (IPEV). Especially for venture capital investments, where no reliable transaction or market data exists, it may be appropriate to apply industry analysis, sector analysis, scenario analysis or milestone analysis instead.

Timberland funds

Fair value of the timberland investments is measured typically once a year by appraisers. Velliv acknowledges that the subcontractors are not independent and that Velliv has the overall responsibility for the quality, which is why Velliv assesses these investments as well. Velliv employs an independent third party with deep subject matter experience in the field to help benchmark the applied assumptions, mainly regarding: biologic growth, operational costs, discount rates, land prices, method, stumpage prices and harvest plans.

Infrastructure funds

Velliv assesses the valuation reported from the infrastructure funds where there is a reason to challenge the reported values. Velliv finds it relevant to analyse the valuation when there is a significant difference between quarterly reports/information gathered of the underlying portfolio companies and market data.

Brownfield investments are measured at fair value based on either one or a combination of the following approaches: discounted cashflow, comparable prices and replacement cost approach. Since infrastructure investments are unique in nature, good comparables rarely exist, which is why Velliv emphasizes in new investments that the fund managers are explicit in their applied assumptions in reported capitalisation models.

For greenfield investments under construction the value is measured at cost until the time when the fair value can be measured reliably. The fair value of other real estate investments besides property are measured in accordance with the methodology that is most appropriate for the asset in question.

Illiquid credit funds
Like other alternative investments, Velliv receives quarterly reports from the fund managers. Through the quarterly reports it is possible to monitor the investments. In addition, Velliv is very keen to check the return that has been reported against appropriate benchmarks in order to track the investments.

Investment property
Investment property is measured at fair value calculated based on the return method. The fair value of the individual property is calculated at a systematic assessment based on a capitalisation of the property's expected rate of return with a required rate of return linked to the individual property.

The properties are assessed periodically by external experts. Property under construction is measured at cost until the time when the fair value can be measured reliably, which is at the time of completion, typically. If indications of impairment exist, the property is tested for impairment immediately and written down to its recoverable amount, which is the higher of its fair value, less costs to sell and its value in use.

Reinsurers' share of insurance contract provisions
The item 'reinsurers' share' comprises the amounts that the Group is owed or is expected to receive from reinsurance undertakings according to reinsurance contracts, including accrued reinsurance premiums. 'Reinsurers' share' comprises health and accident insurance as well as life insurance contracts.

Receivables
Debtors are measured at amortised cost and depreciations are made with an objective indication of impairment.

Cash/Other assets
The item 'cash'/'other assets' is recognised and measured in the balance sheet at fair value, which normally corresponds to face value.

Prepayments and accrued income
The item 'prepayments and accrued income' comprises revenue received no later than on the balance sheet date but relating to the following year. They are measured at the amount paid and received respectively.

Liabilities

Provisions for unearned premiums
The item 'provisions for unearned premiums' comprises the share of the premiums paid for health and accident insurance relating to the following financial year. The item also includes provision for increasing age regarding health and accident insurances. The provision is made for insurances in force on the balance sheet date and covers estimated claims incurred and costs linked to the increasing risk resulting from the policyholders' increasing age that is not covered by a corresponding increase in premiums during the life of the insurances.

Life insurance provisions
Life insurance provisions for traditional product and market interest rate are computed at market value in accordance with the basis of calculation reported to the Danish Financial Supervisory Authority.

Life insurance provisions comprise guaranteed benefits, individual bonus potentials and collective bonus potentials.

Guaranteed benefits
Guaranteed benefits comprise obligations to pay guaranteed benefits to policyholders. Guaranteed benefits are calculated on market terms as the present value of the benefits guaranteed on the insurance plus the present value of the expected future administrative expenses and less the present value of the agreed future premiums. The calculation of guaranteed benefits includes recognition of surrender and paid-up policy options.

The guaranteed policy is computed at present value for each insurance based on a yield curve which has been produced according to principles that agree with the risk-free yield curve with value adjustment published by the European Insurance and Occupational Pensions Authority (EIOPA).

The calculation includes a risk margin. The risk margin has been calculated according to a cost-of-capital method.

When calculating the expected future expenses of administration, a follow-up of the cost parameters which are the basis of the calculation and these are adjusted if the review should give rise to it.

The risk parameters for death and disability are computed based on an analysis of the Group's own portfolio of insurances for the last few years. The analysis includes an assessment of the Group's risk result.

An analysis is carried out of the computed parameters for calculation of mortality in accordance with the benchmark model published on the website of the Danish Financial Supervisory Authority.

Individual bonus potentials

Individual bonus potential comprises obligations to provide bonus and is the part of the policyholders' bonus entitlement that is included in the present savings. The calculation is made as the difference between the value of the policyholders' savings and the value of guaranteed benefits. The bonus potential cannot be negative. If this is the case, it will be covered by the provisions.

Collective bonus potential

The collective bonus potential comprises the part of the policyholders' bonus entitlement not yet allocated to the individual insurances/deposits.

Collective bonus potential is composed by the insurance portfolio's share of realised results which is transferred collectively to bonus-entitled insurances. The collective bonus potential cannot be negative.

Collective bonus potential is divided into a number of contribution groups.

The bonus-entitled insurances' share of a negative realised result is mainly recognised by reducing the collective bonus potential in the relevant contribution group. If the collective bonus potential is not sufficient to detect any result, the individual bonus potential is reduced and then the profit margin to the extent that is possible taking into consideration the rules of the Executive Order on Contribution.

Collective bonus potential regarding interest rate

An allocation of collective bonus potential has been carried out regarding allocation of interest to the four interest rate groups established and reported to the Danish Financial Supervisory Authority in compliance with the current Executive Order on Contribution.

Collective bonus potential regarding risk

An allocation of collective bonus potential has been carried out regarding allocation of risk to the three risk groups established and reported to the Danish Financial Supervisory Authority in compliance with the current Executive Order on Contribution.

Profit margin on life insurance and investment contracts

The profit margin represents the present value of the group's future profit from life insurance contracts expected to be recognised in the income statement as insurance covers and any other benefits are provided under the contract.

Outstanding claims provisions

Outstanding claims provisions are amounts of insurance due but not yet paid, including bonus, together with long-tailed claims.

Outstanding claims provisions regarding health and accident insurance comprise amounts provided for cover of injuries occurred at the end of the year but not yet disbursed as benefit. Outstanding claims provisions regarding health and accident insurance are calculated based on details of the level of injury together with an experience-based determined amount provided for cover of occurred but not yet reported injuries and together with administration costs in connection with the settlement of claims. Outstanding claims provision regarding health and accident insurance settled by regular disbursements are calculated at present value according to actuarial principles of discounting of the expected future disbursements. Discounting takes place based on the zero-coupon yield curve published by the Danish Financial Supervisory Authority.

Profit margin on non-life insurance contracts

Profit margin is the present value of future profit from the non-life insurance contracts. The profit margin is expected to be recognised in the income statement as the insurance covers and other benefits are disbursed under the contract.

Risk margin on non-life insurance contracts

Risk margin is a charge which an acquirer of the company would demand to assume the risk as the costs of liquidating the portfolio may deviate from the present value of the best estimate of the cash flows.

The risk margin has been calculated according to a cost-of-capital method.

Provisions for bonuses and premium rebates

Provisions for bonus and premium discounts regarding health and accident insurances comprise owed premium amounts relating to the financial year and repayable to the policyholders. The repayments are determined based on the claims experience of the financial year.

Other liabilities and accruals and deferred income

The item 'payables to credit institutions' solely comprises liabilities linked to the investment activity, which has been calculated at fair value.

The item 'other payables' in the balance sheet comprises derivatives, which are formed to hedge the interest rate risk on life insurance obligations, foreign exchange hedging instruments and is measured at fair value. Liabilities not connected to the investment activity are measured at amortised cost. The item 'accruals and deferred income' comprises payments made at the latest on the balance sheet date and relating to the following years.

Collateral securities related to financial investments are measured at fair value.

Subordinate loan capital and surplus capital
'Subordinate loan capital' and 'surplus funds' are subordinate loan capital. In the event of the company's voluntary or compulsory winding-up, the subordinate loan capital and surplus funds will not be repaid until after the claims of its ordinary creditors have been met. The items are measured at amortised cost, including transaction costs that are directly attributable to the issue of the subordinate loan capital.

Contingency funds
The contingency funds are separate reserves within equity. Until 1989, the reserves were set aside to strengthen the capital position and were subject to tax relief. Contingency funds may only be used to strengthen the technical provisions or otherwise benefit the customers.

According to the Danish Financial Business Act, including the Executive Orders no. 937 of 27 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, a provision for deferred tax on contingency funds should only be made if it is likely that a situation will arise within the foreseeable future and perhaps result in taxation. In the opinion of the Management, taxation will only take place if the business portfolio is transferred or the company ceases to carry out its business activities.

According to IFRS, a deferred tax liability will be recognised for all taxable temporary differences. Consequently, a deferred tax liability has been recognised on the contingency funds in the consolidated financial statements.

Dividends
The item 'proposed dividend for the financial year' is recognised as a liability at the time of adopting the proposal at the general meeting (time of declaration). Dividends which are expected to be disbursed for the period will be shown as a separate item in the statement of changes in equity.

Shadow account
The shadow account is an account outside of the balance sheet to which any non-recognised risk premium is transferred. Later, when the realised result makes it possible, the owed risk premium will be recognised from the shadow account if this is estimated to be financially prudent.

The last entry from the shadow account has been recognised in 2017.

Cash flow statement
The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. The statement has been presented in accordance with the direct method, whereby payments received and made related to operating activities are presented within cash flows from operations.

Operating activities are the principal revenue generating activities and cash flows are mainly derived from the operating profit for the year excluding non-cash items.

Investing activities include purchases and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities are activities that result in changes in equity and subordinated liabilities.

Cash includes cash, deposits in credit institutions and cash equivalents.

2. Segment reporting

DKKm

Business segments are split by product types. The segment 'Traditional' contains traditional life insurance products, pension with guarantees and 'Forenede Gruppeliv'. The segment 'Market return' contains pension products with market returns. The 'Other' segment contains health and accident, Liv III, Poland and the equity. The equity is carrying the tax obligation for the company.

Segment reporting 2018	Traditional	Market return	Other	Reclassification	Group
Total premiums, net of reinsurance	3,296	16,729	94	-94	20,025
Ceded insurance premiums	-70	0	0	0	-70
Total investment return	306	-3,401	-3	-3	-3,100
Tax on investment return	107	661	2	0	770
Total insurance benefits, net of reinsurance	-6,908	-7,278	-221	144	-14,264
Total change in life insurance provisions and change in profit margin	4,126	-5,835	193	-94	-1,611
Change in surplus funds	-9	-338	0	0	-348
Total insurance operating expenses, net of reinsurance	-317	-314	3	17	-612
Investment return on equity	0	0	-77	99	22
Other income and expenses	0	6	-116	0	-110
Transferred to health and accident	0	0	0	40	40
Profit before tax	530	230	-125	109	743
Tax	0	0	-148	0	-148
NET PROFIT FOR THE YEAR	**530**	**230**	**-274**	**109**	**595**
Non-controlling interests	0	0	0	-109	-109
Total Net profit for the Year	**530**	**230**	**-274**	**0**	**486**

Segment reporting 2017	Traditional	Market return	Other	Reclassification	Group
Total premiums, net of reinsurance	3,435	15,439	100	-100	18,873
Ceded insurance premiums	-79	0	0	0	-79
Total investment return	3,432	6,826	66	-41	10,284
Tax on investment return	-375	-935	0	0	-1,310
Total insurance benefits, net of reinsurance	-7,617	-4,961	-230	143	-12,665
Total change in life insurance provisions and change in profit margin	2,131	-15,836	109	-35	-13,631
Change in surplus funds	-2	-135	0	0	-137
Total insurance operating expenses, net of reinsurance	-331	-275	-18	17	-606
Investment return on equity	0	0	-57	42	-15
Other income and expenses	0	7	0	0	7
Transferred to health and accident	0	0	0	16	16
Profit before tax	592	130	-29	44	738
Tax	0	0	-167	0	-167
NET PROFIT FOR THE YEAR	**592**	**130**	**-196**	**44**	**571**
Non-controlling interests	0	0	0	-44	-44
Total Net profit for the Year	**592**	**130**	**-196**	**0**	**527**

3. Gross written premiums

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Premiums, individual, exclusive of group term life			257	289
Premiums, corporate schemes, exclusive of group term life			8,502	8,234
Premiums, group term life			788	791
Direct insurance, exclusive of single premiums			9,547	9,315
Single premiums, individual			168	198
Single premiums, corporate schemes			10,310	9,361
Direct insurance			20,025	18,874
Indirect insurance			0	0
			20,025	**18,874**
Premiums, direct insurance, broken down by insurance arrangement				
Insurance taken out through employers			18,812	17,595
Insurance taken out by individuals			426	488
Group term life insurance			788	791
			20,025	18,874
Premiums, direct insurance, broken down by bonus arrangement				
Insurance with bonus plans			3,650	3,883
Insurance without bonus plans			85	165
Insurance, policyholder carries the investment risk			16,290	14,826
			20,025	18,874
Number of insured, direct insurance (1,000 units)				
Insurance taken out through employers			312	303
Insurance taken out by individuals			215	217
Group term life insurance			229	234
Premiums, direct insurance, broken down by policyholders' residence				
Denmark			19,630	18,422
Other EU countries			331	350
Other countries			65	102
			20,025	18,874

4. Income from investment property

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Rent	694	609	35	14
Direct costs	-194	-187	-2	-2
	499	**421**	**33**	**12**
Maturity distribution of future minimum lease payments under non-cancellable operating leases				
No later than one year	759	699	33	33
Later than one year and no later than five years	1,316	1,259	134	132
Later than five years	1,155	1,219	55	54
	3,230	3,177	222	219

5. Interest income and dividends, etc.

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Dividend, shares	355	242	355	242
Dividend, private equity funds	1,338	1,081	1,338	1,081
Dividend, hedge funds	23	50	23	50
Dividend, unit trust certificates	186	114	186	114
Dividend, other alternative investments	188	181	188	181
Interest on securities etc.	1,002	1,200	986	1,180
Interest on derivatives	1,184	1,695	1,184	1,695
Indexation of index-linked bonds	170	160	170	160
	4,447	**4,724**	**4,431**	**4,704**

All interest income is derived from assets measured at fair value.

6. Result from reinsurance

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Ceded insurance premiums			-70	-79
Reinsurance cover received			24	35
Change in reinsurers' share of life insurance provisions			-1	-1
			-47	**-44**

7. Value adjustments

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Group occupied property	-11	0	-11	0
Investment property	375	166	-53	-21
Shares	-872	2,970	-870	2,968
Unit trust certificates	-3,108	5,231	-3,108	5,231
Listed bonds exclusive of index-linked bonds	-3,120	-1,029	-3,120	-1,029
Index-linked bonds	-72	-69	-72	-69
Cash on hand and demand deposits	-6	-2	-6	-2
Other	357	-409	357	-409
	-6,457	**6,857**	**-6,883**	**6,668**

8. Interest expenses

	Velliv Group		Velliv A/S	
DKKm	**2018**	**2017**	**2018**	**2017**
Interest expenses	-44	-42	-32	-32
Interest expenses, affiliated companies	-47	0	-47	0
Interest expenses, derivatives	-1,137	-1,672	-1,137	-1,672
Interest expenses, subordinate loans	-56	-104	-56	-104
	-1,284	**-1,819**	**-1,272**	**-1,808**
Interest expenses				
Interest costs related to assets at fair value	-1,228	-1,714	-1,217	-1,704
Interest costs related to liabilities at amortised cost	-56	-104	-56	-104
	-1,284	**-1,819**	**-1,272**	**-1,808**

9. Benefits disbursed

	Velliv Group		Velliv A/S	
DKKm	**2018**	**2017**	**2018**	**2017**
Death benefits			-882	-958
Benefits at critical illness			-191	-173
Disability benefits			-97	-82
Benefits at maturity			-251	-283
Retirement and annuity benefits			-3,634	-3,602
Surrender			-9,230	-7,601
Bonuses disbursed in cash			-3	-1
Total direct insurance contracts			-14,287	-12,700
Indirect insurance			0	0
			-14,287	**-12,700**

10. Acquisition costs

	Velliv Group		Velliv A/S	
DKKm	**2018**	**2017**	**2018**	**2017**
Commission on direct insurance			-97	-81
Other acquisition costs			-169	-151
			-265	**-232**

11. Total insurance operating expenses, net of reinsurance

	Velliv Group		Velliv A/S	
DKKm	2018	2017	2018	2017
*Breakdown of staff costs *):*				
Salaries	-369	-354	-356	-354
Pension contributions	-47	-46	-45	-46
Other social security costs	-5	-5	-5	-5
Fees calculated on basis of staff numbers or total salaries paid	-57	-56	-57	-56
Other	-4	-3	-4	-3
	-482	**-464**	**-466**	**-464**

*) Including payment of employers' contribution to health and accident insurance as well as staff costs relating to the group enterprises for which the company is providing administration services, see Note 37.

Average number of employees (full-time) for the year	486	472	469	471

	2018	2017
Salary to the Executive Board for Velliv Group		
Fixed salary	5.51	3.59
Pension contributions	1.04	0.48
Variable salary*	0.00	1.51
	6.55	**5.59**

* From 2018 the Executive Board does not earn variable fee

Current Board of Directors		
Chairman Anne Broeng, from 17 April 2018	0.45	0.00
Peter Gæmelke	0.33	0.10
Gustaf Sebastian Björnson Unger	0.00	2.22
Kent Petersen	0.18	0.10
Mads Skovlund	0.00	0.10
Lene Klejs Stuhr, from 17 April 2018	0.15	0.00
Karsten Knudsen, from 17 April 2018	0.30	0.00
Chrilles Svendsen, from 17 April 2018	0.23	0.00
Leif Flemming Larsen	0.15	0.00
Per Lyngh Sørensen, from 12 June 2017 (employee representative)	0.18	0.06
Anne Marie Nielsen (employee representative)	0.18	0.10
Mogens Edvard Pedersen, from 25 April 2018 (employee representative)	0.15	0.00
Tommy Østerberg, from 25 April 2018 (employee representative)	0.15	0.00
Total fee for Board of Directors	**2.43**	**2.68**
Previous members of Board of Directors		
Chairman Johan Bertil Ludvig Nystedt, until 1 August 2017	0.00	3.52
Bent Tjørnemark, until 17 April 2018	0.10	0.20
Hanna Sigrid Jacobsson, until 17 April 2018	0.00	0.10
Michael Frisch, until 17 April 2018	0.00	0.10
Hans Arnum, from 1 March 2017 until 17 April 2018	0.00	0.10
Peter Thomsen, until 25 April 2018 (employee representative)	0.07	0.10
Bettina Biel-Courtney, until 25 April 2018 (employee representative)	0.03	0.10
Total fee for previous members of Board of Directors	**0.20**	**4.22**
Total fee for Board of Directors	**2.63**	**6.90**

The Board of Directors consists of 13 members at the end of 2018. During the year, 6 members resigned from the Board of Directors and 7 members joined the Board of Directors, of these there are 2 employee representatives. Remunerations are disbursed to 11 members from the Board of Directors, of these there are 4 employee representatives. The other members receive no remuneration for their tasks as a board member in the company. However, Gustaf Sebastian Björnson Unger and Mads Skovlund receive remuneration as a member of the Board of Directors or Executive Board in another company within the Nordea Group. No variable remuneration or pension contribution is paid in relation to the Board of Directors' remuneration. The breakdown comprises earned remuneration and fees in 2018.

11. Total insurance operating expenses, net of reinsurance

DKKm	Velliv Group 2018	2017	Velliv A/S 2018	2017
Risk-takers*				
Fixed salary			31.33	37.57
Pension contributions of fixed salary			3.76	4.00
Variable salary			4.52	5.95
			39.61	**47.51**

*Number of risk-takers in the company is 26 persons, end of 2018. It was 28 persons, end of 2017.
Breakdown comprises earned remuneration.

Breakdown of salary pursuant to Executive Order to the Danish Financial Business Act, §77d, subsection 3.

Executive Board*				
Steen Michael Erichsen, Chief Executive Officer			4.56	3.69
Gitte Minet Aggerholm, Chief Financial Officer			1.99	0.00
Lene Østerberg, Chief Operating Officer			0.00	1.90

* Breakdown above comprises earned remuneration. Lene Østerberg until 23 June 2017 and Gitte Minet Aggerholm from 1 May 2018.

Cash bonus scheme

Bonus allocated in 2018:
One employee in Velliv is comprised by the EIP (Executive Incentive Programme). A provision of DKKm 0,7 was made in 2018 to be disbursed in a cash bonus scheme. The final sum is to be disbursed with 20% in April 2019 and 80% during a period of 5½ years.

Bonus allocated in 2017:
Three employees in Velliv are comprised by the EIP (Executive Incentive Programme). A provision of DKKm 3.2 was made in 2017 to be disbursed in a cash bonus scheme. The final sum is to be disbursed with 20% in April 2018 and 80% during a period of 5½ years.

Bonus allocated in 2016:
Three employees in Velliv are comprised by EIP (Executive Incentive Programme). A provision of DKKm 2.8 was made in 2016 to be disbursed in a cash bonus scheme. The final sum is to be disbursed with 20% in April 2017 and 80% during a period of 5½ years.

Bonus allocated in 2015:
Two employees in Velliv are comprised by EIP (Executive Incentive Programme). A provision of DKKm 3.3 was made in 2015 to be disbursed in a cash bonus scheme. The final sum is to be disbursed with 20% in April 2016 and 80% during a period of 5½ years.

Bonus allocated in 2014:
Two employees in Velliv are comprised by EIP (Executive Incentive Programme). A provision of DKKm 2.9 was made in 2014 to be disbursed in a cash bonus scheme. The final sum is to be disbursed with 20% in April 2015 and 80% during a period of 5½ years.

Bonus allocated in 2013:
Four employees in Velliv are comprised by EIP (Executive Incentive Programme). A provision of DKKm 3.7 was made in 2013 to be disbursed in a cash bonus scheme. The final sum is to be disbursed with 20% in April 2014 and 80% during a period of 5½ years.

Fees to auditors appointed at the annual general meeting of shareholders - PricewaterhouseCoopers, business registration number 33771231				
Fees for statutory audit of the financial statements	2.1	2.0	1.9	1.9
Fees for other assurance services	0.2	0.1	0.2	0.1
Fee for other services	1.1	0.0	0.0	0.0
	3.4	**2.1**	**2.1**	**2.0**

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has, in addition to the statutory audit of the Group and the parent company annual accounts and the submission of other statutory assurance engagements, provided assistance on strategy and process for the migration of IT systems in connection with Velliv's transition from the Nordea Group, assistance with digital reporting of annual reports for individual group companies, and training activities.

12. Technical result of health and accident insurance

	Velliv Group		Velliv A/S	
DKKm	2018	2017	2018	2017
Gross premiums			92	98
Change in provisions for unearned premiums			2	1
Total earned premiums, net of reinsurance			**93**	**100**
Claims disbursed			-144	-143
Change in provisions for claims			86	40
Change in risk margin			8	-5
Total claims incurred, net of reinsurance			**-49**	**-108**
Bonus and premium rebates			**0**	**0**
Acquisition costs			-7	-7
Administrative expenses			-9	-10
Total insurance operating expenses, net of reinsurance			**-17**	**-17**
Return on investment transferred to health and accident insurance			16	48
Change of discount rate			6	8
Calculated interest yield transferred to 'Technical interest'			-9	-9
Total investment return			**14**	**48**
Return and value adjustments of insurance provisions			**-1**	**-6**
Return on investment after return and value adjustment of insurance provisions			**12**	**42**
			40	**16**
Number of claims			100	68
Average compensation for claims incurred, in DKK			0.5	0.6
Claims frequency (number of claims/number of policies)			0.8%	0.5%

Gross written premium income is only related to policyholders with residence in Denmark.

	2018	2017	2016	2015	2014
Health and accident insurance, key figures					
Gross premiums earned	92	98	105	111	122
Gross claims incurred	-144	-143	-145	-145	-139
Total operating expenses	-17	-17	-19	-20	-22
Result of ceded business	0	0	0	0	0
Technical result	40	16	10	-2	2
Investment return after technical interest	14	48	43	6	32
Run-off profit/(loss)	-16	-13	0	-50	-70
Total technical provisions	1,197	1,290	1,320	1,324	1,380
Health and accident insurance, key ratios (in percentage)					
Gross claims ratio	53	109	108	96	120
Gross expense ratio	18	17	18	18	18
Combined ratio	71	127	126	114	138
Operating ratio	78	139	134	125	115
Comparative run-off profit/(loss)	-2	-1	0	-4	-7

13. Other income and expenses

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Commission relating to investment funds			6	7
Transition costs*			-116	0
			-110	**7**

* With Velliv Foreningens's purchase of the majority holding of Velliv, the Company ceases to be a part of the Nordea Group. During the transition the Company will experience certain costs to be able to operate on a standalone basis. These costs have been accounted for as transition costs.

14. Tax

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Tax for previous years	2	-30	3	-30
Tax for the year	-121	-59	-133	-169
Deferred tax related to previous year(s)	2	14	1	14
Change in deferred tax	-31	-93	-18	18
	-148	**-167**	**-147**	**-167**
Tax reconciliation				
Profit before tax	743	738	633	694
Danish company tax rate	22.0%	22.0%	22.0%	22.0%
Tax calculated	-164	-162	-139	-153
To be adjusted for:				
Non-deductible expenses	-12	-1	-12	-1
Adjustment of deferred tax, beginning of year	2	14	1	14
Adjustment of prior-year tax	2	-30	3	-30
Other changes	23	12	0	2
Calculated tax expenses	-148	-167	-147	-167
Deferred tax liabilities				
Deferred tax relates to:				
Investment property	595	579	595	579
Intangible assets	123	110	0	0
Provisions etc.	-41	-43	-41	-43
Other	59	59	0	0
	735	**706**	**554**	**537**

15. Intangible assets

DKKm	Velliv Group		Velliv A/S	
	Intangible assets under construction	Software	Intangible assets under construction	Software
Acquisition cost				
Balance at 1 January 2017	245	56	245	56
Acquisition during the year	3	102	0	0
Transfer to software	-245	245	0	0
Disposals during the year	0	0	-245	0
Balance at 31 December 2017	3	403	0	56
Balance at 1 January 2018	3	403	0	56
Acquisition during the year	24	84	0	0
Disposals during the year	0	-7	0	-7
Balance at 31 December 2018	27	480	0	49
Impairment and depreciation				
Balance at 1 January 2017	0	-50	0	-50
Depreciation of the year	0	-4	0	-2
Depreciation on disposals during the year	0	0	0	0
Balance at 31 December 2017	0	-54	0	-52
Balance at 1 January 2018	0	-54	0	-52
Depreciation of the year	0	-16	0	1
Depreciation on disposals during the year	0	2	0	2
Balance at 31 December 2018	0	-68	0	-49
	27	**412**	**0**	**0**

16. Tangible assets

	Velliv Group		Velliv A/S	
DKKm	2018	2017	2018	2017
Acquisition cost				
Balance at 1 January			7	7
Acquisition during the year			20	0
Balance at 31 December			27	7
Impairment and depreciation				
Balance at 1 January			-6	-6
Depreciations of the year			-2	0
Balance at 31 December			-9	-6
			18	**1**

17. Group occupied property

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Acquisition cost				
Balance at 1 January			0	0
Additions during the year			108	0
Balance at 31 December			108	0
Impairment and depreciation				
Balance at 1 January			0	0
Depreciations of the year			-1	0
Value adjustment during the year			-11	0
Balance at 31 December			-12	0
			96	**0**

18. Investment property

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Fair value, beginning of year	11,732	10,883	584	492
Acquisition during the year, including improvements	968	843	50	112
Disposals during the year	-145	-130	-97	0
Value adjustment for the year	348	150	-53	-21
Reversed value adjustment on disposed properties	-243	-15	0	0
Fair value 31 December	12,660	11,732	483	584
Of which included in investment assets related to market rate products	-3,550	-3,158	-158	-170
	9,110	**8,574**	**325**	**413**

*Properties are evaluated by external valuers periodically. Furthermore, see Note 36 'Contingent liabilities and undertaking'

Fair value broken down to property type:				
Business properties	2,320	2,121	0	0
Office properties	6,391	6,571	483	584
Apartment buildings	3,950	3,040	0	0
	12,660	11,732	483	584
Rental income derived from investment properties	694	609	35	14
Direct operating expenses (including repairs and maintenance) generating rental income	-193	-184	-2	-2
Direct operating expenses (including repairs and maintenance) that did not generate rental income	-1	-4	0	0

The Group has no restictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The weighted average of rates of return on which fair values of invidual properties were based amounts to:				
Business properties	7.5%	7.5%	0.0%	0.0%
Office properties	6.1%	5.9%	5.3%	5.3%
Apartment buildings	4.4%	4.2%	0.0%	0.0%

18. Investment property

Reconciliation of fair value for the group	Investment properties		
	Business properties	Office properties	Apartment buildings
As at 1 January 2017	2,018	6,510	2,356
Acquisition during the year, including improvements	0	257	586
Disposals during the year	0	-97	-33
Value adjustment for the year	103	-101	148
Reversed value adjustment on disposed properties	0	2	-17
As at 31 December 2017	2,121	6,571	3,040
Acquisition during the year, including improvements	163	96	710
Disposals during the year	0	-99	-46
Value adjustment for the year	36	40	272
Reversed value adjustment on disposed properties	0	-217	-26
As at 31 December 2018	2,320	6,391	3,950

19. Shares in subsidiaries

DKKm				Velliv A/S Equity	Velliv A/S Result 2018
Name	*Ownership*	*Type*	*Location*		
Velliv Ejendomme A/S	100%	Property company	Ballerup	6,868	212
Velliv Ejendomme Logistik A/S	100%	Property company	Ballerup	2,059	248
Velliv Ejendomme OPP P/S	100%	Property company	Ballerup	403	23
Velliv IT A/S	100%	IT company	Ballerup	178	3
Ejendomsselskabet af 31. august 2006 P/S	75%	Property company	Ballerup	1,728	435
Komplementarselskabet af 31 August 2006 ApS	75%	Property company	Ballerup	0	0

See Group overview in the Annual Report. The Group did not lose control of a subsidiaries during the period

20. Shares in associated companies

DKKm	Velliv Group Equity	Velliv Group Result 2018	Velliv A/S Equity	Velliv A/S Result 2018
DNP Ejendomme P/S				
Ballerup, property company, owned 50%	1,093	31	1,093	31
DNP Ejendomme Komplementarselskab ApS				
Ballerup, General Partner to DNP Ejendomme, 50% owned	0	0	0	0
Ejendomspartnerselskabet af 1/7 2003 P/S,				
Ballerup,property company, owned 33%	5,271	231	5,271	231
Samejet Lautruphøj 1-3 I/S				
Ballerup, property company, owned 50%	94	-2	94	-2
Komplementarselskabet af 1/7 2003 A/S,				
Ballerup, General Partner to Ejendomspartnerselskabet af 1/7-2003, 49'	0	0	0	0
Dansk Ejendomsfond I A/S				
Ballerup, property company, owned 56,04 %	1,703	-95	1,703	-95
Aarhus klubben KS				
Århus, property company, owned 20 %	3	-1	3	-1
OPP Kalvebod Brygge PS				
Ballerup, property company, owned 50 %	1,025	12	1,025	12

21. Shares

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Listed shares			15,876	16,044
Unlisted shares			12,665	10,220
			28,542	**26,264**
Of which related to market rate products			20,978	20,040
Of which related to traditional products			7,564	6,224
Total shares			28,542	26,264

22. Bonds

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Listed bonds			71,381	67,425
Unlisted bonds			9,401	12,157
			80,782	**79,582**
Of which related to marked rate products			10,366	10,704
Of which related to traditional products			70,416	68,878
Total bonds			80,782	79,582

23. Derivatives

DKKm

Velliv uses derivatives to control the exposure to foreign currency, interest rate, stock and credit risks. Derivatives are priced at fair value in the financial statement. Agreements have been made on collaterals for part of the derivatives and in this context the Group has received collaterals in the form of bonds equivalent to the fair value of DKK 289m in 2018 and DKK 275m in 2017.

2018	Nominal value	Positive fair value	Nominal value	Negative fair value
Currency contracts	13,169	175	24,151	524
Interest rate contracts	399,744	10,923	857,806	8,349
Stock options	0	0	1	125
Credit contracts	1,193	20	1,865	43
	414,105	**11,118**	**883,823**	**9,042**

2017	Nominal value	Positive fair value	Nominal value	Negative fair value
Currency contracts	31,959	465	6,034	239
Interest rate contracts	511,635	23,660	628,474	16,620
Stock options	1	0	2	20
Credit contracts	4,851	147	1,842	104
	548,446	**24,272**	**636,353**	**16,982**

23. Derivatives

	2018	2017
The positive fair value is included in the groups balance sheet as follows:		
Derivatives	10,867	23,728
Investment assets related to market rate products	251	544

Offsetting of financial assets

	Derivatives	REPO-/Reverse	2018	Derivatives	REPO-/Reverse	2017
Financial assets	11,118	99	11,217	24,358	349	24,707
Financial assets, setoff	(9,042)	-	(9,042)	(17,167)	-	(17,167)
Financial assets, balance sheet	2,077	99	2,175	7,191	349	7,540
Amount, not setoff in the balance sheet:	-	-	-			
Liabilities with setoff	(4,543)	(98)	(4,642)	(7,043)	(347)	(7,390)
Net	(2,467)	1	(2,466)	148	3	150
Financial liabilities, setoff	-	-	-	-	-	-
Financial liabilities	9,042	13,855	22,896	17,167	13,894	31,061
Financial assets, setoff	(9,042)	-	(9,042)	(17,167)	-	(17,167)
Financial liabilities, balance sheet	-	13,855	13,855	-	13,894	13,894
Amount, not setoff in the balance sheet:	-	-	-			
Assets with setoff	(2,241)	(13,981)	(16,222)	(890)	(13,832)	(14,722)
Net	(2,241)	(126)	(2,367)	(890)	62	(828)

The figures in 'Offsetting of financial assets' differ slightly from the fair values in the derivates overview. In 2017 the difference consists of accrued interest.

24. Investment assets related to market return products

	Velliv Group		Velliv A/S	
DKKm	2018	2017	2018	2017
Investment property	3,550	3,158	158	170
Shares in subsidiaries	0	0	3,392	2,987
Shares in associated companies	1,209	1,155	1,209	1,155
Shares	20,978	20,040	20,978	20,040
Unit trust certificates	44,697	41,759	44,697	41,759
Bonds	10,366	10,704	10,366	10,704
Derivatives	251	544	251	544
Other	529	79	529	79
	81,580	**77,437**	**81,580**	**77,437**

Breakdown on schemes with and without guarantee:	With gurantee	Without gurantee
Investment property	15	143
Shares in subsidiaries	223	3,169
Shares in associated companies	79	1,129
Shares	1,339	19,639
Unit trust certificates	2,824	41,873
Bonds	679	9,688
Derivatives	17	235
Other	35	494
Balance at 31 December	5,210	76,369

25. Other receivables

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Receivable pension return tax	1,852	104	1,852	104
Other receivables	6	128	6	0
Receivable dividends	22	214	22	214
Receivable from properties	30	49	2	4
Investment assets, delayed settlement	2,792	1,453	2,792	1,453
	4,701	**1,949**	**4,673**	**1,776**

26. Life insurance provisions - traditional products

DKKm	2018	2017
Life insurance provisions - traditional products beginning of year	93,375	95,599
Profit margin, beginning of year	8	8
Adjustment, beginning of year	0	0
Total technical provisions, beginning of year	93,384	95,607
Collective bonus potential, beginning of year	-8,169	-9,211
Provisions for claims, beginning of year	-314	-426
Accumulated value adjustment, beginning of year	-14,840	-13,936
Retrospective provisions, beginning of year	70,061	72,035
Changes during the year *):		
Gross premiums	3,682	3,853
Accrual of interest	1,782	1,945
Insurance benefits	-7,373	-7,989
Expense loading after addition of cost bonus	-462	-464
Profit on risk after addition of risk bonus	488	382
Change of additional reserves	-12	-25
Rating of negative bonus	296	372
Revaluation of benefits disbursed at migration	10	102
Other changes	-72	-74
Model development and update of parameters	118	-100
Change in quote share etc. relating to share in Forenede Gruppeliv	31	24
Total changes**	-1,512	-1,973
Retrospective provisions, end of year	68,549	70,061
Accumulated value adjustment, end of year	13,845	14,840
Provisions for claims, end of year ultimo	347	314
Collective bonus potential, end of year	6,386	8,169
Total technical provisions, end of year	89,129	93,384
Profit margin, end of year	0	-8
	89,129	**93,375**

*) Changes during the year have been settled without eliminations for internal transfers of premiums and benefits.
**) Changes in profit margin are included in total changes.

Breakdown of changes in gross life insurance provisions		
Change in retrospective provisions	-1,512	-1,973
Change in accumulated value adjustment	-994	904
Change in provisions for claims from beginning of balance to end of balance	34	-113
Change in profit margin Forenede Gruppeliv	8	0
Change in collective bonus potential	-1,783	-1,042
Change in gross life insurance provisions	-4,247	-2,224
Change in quote share etc. relating to share in Forenede Gruppeliv	31	24
Forenede Gruppeliv	0	1
Reservation for death payments	-1	0
Total change recognised in income statement (of opposite sign)	**-4,217**	**-2,200**

26. Life insurance provisions – traditional products

Breakdown of changes in gross life insurance provisions		
Change in guaranteed benefits, from beginning of balance until end of balance	-2,623	-602
Change in risk margin, from beginning of balance until end of balance	-16	52
Change in individual bonus potential, from beginning of balance until end of balance	133	-519
Change in provisions for claims, from beginning of balance until end of balance	34	-113
Change in profit margin Forenede Gruppeliv, from beginning of balance until end of balance	8	0
Change in collective bonus potential, from beginning of balance until end of balance	-1,783	-1,042
Change in gross life insurance provisions	**-4,247**	**-2,224**

Distribution of gross life insurance provisions for portfolios not comprised by the contribution on original basic interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Gross life insurance provisions
Beginning of 2018				
FG	792	0	14	806
U74 etc.	575	0	0	575
	1,367	**0**	**14**	**1,381**
31 December 2018				
FG	771	0	22	793
U74 etc.	475	0	0	475
	1,246	**0**	**22**	**1,268**

Calculation of the provisions is based on the fact that the contacts only include guarenteed annuity options. The surrender and paid-up policy probabilities are depending on the interest rate group and seniority of the policy and are situated in the spread between 1.1 -14%.

Distribution af gross life insurance provisions onto contribution groups	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Gross life insurance provisions
Beginning of 2018				
Interest rate group 1	44,671	341	4,317	49,329
Interest rate group 2	8,531	4	832	9,367
Interest rate group 3	11,087	0	741	11,828
Interest rate group 4	19,205	0	1,625	20,830
Other	1,367	0	654	2,021
	84,861	346	8,169	93,375
31 December 2018				
Interest rate group 1	44,418	472	2,623	47,513
Interest rate group 2	8,174	6	700	8,880
Interest rate group 3	10,311	0	713	11,025
Interest rate group 4	18,115	0	1,900	20,015
Other	1,246	0	451	1,697
	82,264	478	6,386	89,129

26. Life insurance provisions - traditional products

Collective bonus potential		
Cost groups	0	0
Risk groups	428	640
Other	22	14
	451	**654**

Profit margin		
Other	0	8
	0	**8**

Risk margin		
Interest rate group 1	104	111
Interest rate group 2	19	19
Interest rate group 3	28	31
Interest rate group 4	53	57
Other	14	16
	217	**233**

27. Life insurance provisions - market return products

DKKm	2018	2017
Life insurance provisions, market return products, beginning of year	74,783	59,631
Profit margin, beginning of year	3,477	2,798
Technical provisions, beginning of year	78,259	62,429
Provisions for claims, beginning of year	-12	-18
Accumulated value adjustment, beginning of year	-29	-40
Retrospective provisions, beginning of year	78,218	62,371
Changes in the year due to *):		
Gross premiums including single premium	17,254	16,615
Accrual of interest	-3,308	5,892
Insurance benefits	-7,738	-6,100
Change risk margin	-2	12
Expense loading after adding of expense bonus	-554	-460
Other changes	160	-112
Changes in the year due to **)	5,813	15,847
Retrospective provisions, end of year	84,031	78,218
Provisions for claims, end of year	24	12
Accumulated value adjustment, end of year	40	29
Total technical provisions, end of year	84,094	78,259
Profit margin, end of year	-3,023	-3,477
	81,071	**74,783**

*) Changes during the year have been settled without eliminations for internal transfers of premiums and benefits.
**) Changes in profit margin are included in total changes.

Changes of the year regarding provisions for unit-linked contracts - breakdown as follows:		
Change in retrospective provisions	5,813	15,847
Change in accumulated value adjustment	10	-11
Change in provisions for claims	12	-6
Total change recognised in income statement (of opposite sign)	**5,835**	**15,830**
Provisions for unit-linked contracts with and without guarantee		
Provisions for unit-linked contracts with guarantee for disbursement	5,321	5,699
Provisions for unit-linked contracts without guarantee	75,751	69,083
	81,071	**74,783**

27. Life insurance provisions - market return products

Specification of unit-linked contracts taken out with guarantee:

	Guaranteed benefits	Bonus potential, future premiums	Bonus potential, paid-up policy benefits	Gross life insurance provisions
Beginning of 2018				
0% - 1%	5,002	0	0	5,002
1% - 2%	4	0	0	4
> 2%	693	0	0	693
	5,699	**0**	**0**	**5,699**
31 December 2018				
0% - 1%	4,468	0	0	4,468
1% - 2%	6	0	0	6
> 2%	847	0	0	847
	5,321	**0**	**0**	**5,321**

28. Payables to credit institutions

	Velliv Group		Velliv A/S	
DKKm	**2018**	**2017**	**2018**	**2017**
Debt related to financial repurchase agreements	13,852	13,918	13,852	13,918
Collateral related to derivatives	4,542	7,041	4,542	7,041
Other debt to credit institutions	1,540	1,046	0	0
	19,934	**22,005**	**18,394**	**20,959**
Here of: Debt payable after 5 years	1,344	952	0	0

29. Other payables

	Velliv Group		Velliv A/S	
DKKm	**2018**	**2017**	**2018**	**2017**
Derivatives with negative fair value	9,042	16,982	9,042	16,982
Other debt related to investments	725	404	725	404
Debt for tax on pensions	1,039	1,391	1,039	1,391
Deposit and prepaid rent	220	221	0	0
Debt relating to salaries	126	86	125	86
Other debt	602	486	438	366
	11,754	**19,569**	**11,368**	**19,229**

30. Other subordinate loan capital

					Velliv Group		Velliv A/S	
DKKm					**2018**	**2017**	**2018**	**2017**
Total expenses related to repayment of existing subordinate loan							0	0
Total expenses related to establishment of new subordinate loan							4	0
Payments related to subordinate loan capital for the year:								
Interest expenses							-103	-104
Expenses related to repayment and establishment of subordinate loans							-1	0
							-103	**-104**
Share of subordinate loan capital included in the capital base:							3,341	3,233
Contributed sums exceeding 10% of the total subordinate loan capital:								
	Issue date	Due date	Lender	Interest rate %				
Nominal SEKm 2,250 at variable rate*	June 2018	June 2028	Listed bonds	Stibor 3m+2.75			1,609	0
Nominal DKKm 800 at variable rate	June 2008	Indefinite	Internal loan	Cibor 12m+2.18			800	800
Nominal DKKm 1,500 at variable rate	March 2007	Indefinite	Internal loan	Cibor 12m+2.40			0	1,500
Nominal DKKm 932.5 at variable rate	Dec 2016	Indefinite	Internal loan	Cibor 3m+5.25			933	933
							3,341	**3,233**

* The loan was established on 8 June 2018 and is listed on Nasdaq Copenhagen. The loan can be redeemed from June 2023 with approval by the Danish FSA. The loan is recognised at amortised cost including the fair value of the hedge instrument for foreign exchange risk.

The remaining loans are exempt from repayment and can be repaid at the submission of a three-months notice from the borrower if the borrower has the necessary capital base. Repayment cannot take place at the request from the lender and without the approval from the Danish Financial Supervisory Authority. The borrower is entitled to defer the payment of interest if the capital base does not exceed the solvency margin, or if the capital base will be reduced below the level of the solvency margin in case of a payment of interests.

Debt payable after 5 years:				
Other subordinate loan capital			3,341	3,233

31. Total shareholders' equity

	Velliv Group		Velliv A/S	
DKKm	**2018**	**2017**	**2018**	**2017**

Share capital
The share capital has been divided into share units of DKK 1,000 or multiples thereof, corresponding to 600,000 units.

70% of the shares are owned by Foreningen Velliv Fmba, Lautrupvang 10, 2750 Ballerup (Business reg. no. 36741422) who prepares a consolidated financial statement in which Velliv A/S is incorporated, and 30% of the shares are owned by Nordea Life Holding AB, L4460, S-105 71 Stockholm, Sweden (SE663000-0195).
All shares are ordinary shares and have the same rights.

Contingency fund
According to the articles, the contingency funds only come into use for the benefit of the insured members.
DKK 266m out of DKK 547m is untaxed.

See the Statement of Changes in Equity:

Development of shadow account:				
Balance at 1 January			0	27
Added interest			0	0
Written off			0	0
Used/transferred			0	-27
			0	**0**

32. Capital base

	Velliv Group		Velliv A/S	
DKKm	2018	2017	2018	2017
Shareholders' equity			4,701	4,615
Subordinate debt			3,826	3,369
Proposed dividend			-400	-400
Reconciliation reserve			5,475	5,970
Adjustment regarding subsidiaries			-439	-4
Capital base, end of year			**13,163**	**13,550**

Above is shown the difference existing between the capital employed to cover the solvency capital requirement and the shareholders' equity according to the balance sheet (local gaap). The reconciliation reserve refers to the difference in the calculation of profits earned on future cash flows (revenue flows) with reference to the Solvency II balance named PVFP (Present Value of Future Premiums) and the balance sheet. The difference arises as provisions, in compliance with the balance sheet, are calculated based on a deterministic state model and in the Solvency II balance based on a stochastic model. The reconciliation reserve is included with a deduction of deferred taxes. The solvency ratio can be seen in the Management's Review. Capital management is subject to capital policy, in which sizes, such as the solvency ratio and solvency margin limits, are specified. The capital management process is closely linked to Velliv's business plan/budget projections, covering a planning period of three years. The capital policy also shows what actions should be taken if the solvency ratio drops. The actions depend on the level of solvency and they must only be initiated when the solvency ratio falls below the determined solvency ratio. Velliv's CRO is responsible for monitoring and reporting solvency and capital limits. Velliv's CFO is responsible for the composition of the capital base.

33. Leasing

	Velliv Group		Velliv A/S	
DKKm	2018	2017	2018	2017
There are operating lease contracts for company cars and coffee machines.				
Leasing expenses during the year			4.0	4.1
-of which minimum lease payments			4.0	4.1
- of which contingent rents			0.0	0.0
Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:				
DKK milion				
2019			2.8	2.9
2020			2.0	2.5
2021			1.0	1.4
2022			0.4	0.3
Later years			0.1	0.0
			6.3	**7.0**

34. Charges and collateral securities

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017

According to the Executive Order no. 1359 of 30 November 2015 (Executive Order on Registration of Assets in Insurance Companies and Pension Funds) assets have been registered to satisfy the policyholders for the cover of technical provisions. Total provisions covered by registered assets amount to DKK 168.1bn, which results in an excess of 3,8%.

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Registered assets*				
Investment properties			325	413
Equity investments in related group enterprises			6,946	6,965
Equity investments in associates			2,897	3,084
Equity investments			238	282
Unit trust certificates			36,893	41,643
Bonds			48,680	46,897
Investment assets related to market rate products			78,454	74,338
Total cover of insurance provisions			**174,434**	**173,624**

*Values have been calculated according to §2 of the 'Executive Order on Registration of Assets in Insurance Companies and Pension Funds'.

Assets charged or otherwise provided as security:

DKKm	Velliv Group 2018	Velliv Group 2017	Velliv A/S 2018	Velliv A/S 2017
Investment properties				
Issue and registration of owner's mortgages (face value) have been done in the company's investment properties in order to cover for total mortgage debt of			888	888
Carrying amount of investment properties with mortgage debt amounts to			1,746	1,729
Bonds				
Bonds sold as part of repo transactions, recognised in the balance sheet			13,981	13,832
Bonds deposited on a pledge account in order to cover for liabilities related to wind-up of financial instruments			953	800
Cash and cash equivalents				
Credit balance on deposit accounts provided as collateral for liabilities related to wind-up of financial instruments			25	76

In repurchase transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item 'Financial Instruments pledged as collateral', which is included in 'Other debt'.

35. Contingent assets

In 2014 the Court of Justice of the European Union delivered a preliminary ruling according to which certain benefits for life insurance companies and pension funds resembling unit trusts may be exempted from VAT. In 2015 the Eastern High Court in Denmark made a final decision in the case. However, Danish life insurance companies and pension funds are still in an uncertain position. The company or its suppliers may be entitled to a potential claim for disbursement of incorrect VAT charged on the company's purchases. The company has issued a claim against the Government and has requested its suppliers to issue a claim regarding the termination of any limitation. It is expected that it will be possible to assess the probability and scope of possible claims during 2019 and possibly later.

36. Contingent liabilities and undertaking

The company is jointly and severally liable with the other participants in Forenede Gruppeliv A/S for the insurance obligations concerning all the policies administered by Forenede Gruppeliv A/S. As of April 2018, Velliv is no longer jointly taxed with other Danish units in Nordea Danmark, filial af Nordea Bank Abp. Velliv is jointly taxed with Danish subsidiaries and act as the management company for the jointly taxed companies. As a result, the company is unlimited and jointly and severally liable with the other companies in the joint taxation for Danish withholding taxes on dividends, interest and royalties

The company is voluntarily registered for VAT concerning selected land and building. An obligation to adjust VAT of not more than DKK 182m (2017: DKK 6m) rests with the company.

Liabilities relating to insurance cases in progress do not exceed DKK 6m.

The company has committed itself to further investments in alternative investments with a sum not exceeding DKK 11.6bn (2017: DKK 10,1bn).

37. Transactions and contracts with related parties

Group companies and Velliv have entered into pension agreements, reinsurance contracts, loan agreements as well as agreements on payment of interest of regular balances on an arm's length basis. Settlements of services with related companies are made on an arm's length basis or according to cost recovery principles. A considerable part of transactions with securities and financials instrument takes place through Nordea group companies. All transactions and costs associated to this are based on market terms. The shareholder register can be seen in the Group overview. The management's remuneration (considerable control) can be seen in Note 11.

	2018	2017
Internal transactions with Velliv Foreningen (exercising control):		
Income - administration fee and other expenses	13	2
Income - rent	0	0
Payment of interest on subordinate loan	47	48
Payment for takeover of alternative investments	282	0
Internal transactions with companies in Nordea Group (significant influence):		
Income for general maintenance and operation of NSST	1	0
Income for administration for Nordea Life Holding AB	9	40
Payment for handling of IT operations and acquisition of IT equipment to Nordea Danmark, filial af Nordea Bank Abp	96	114
Payment for handling of HR administration and rent on external locations to Nordea Danmark, filial af Nordea Bank Abp	22	27
Payment for sales of life insurances and pension policies as well as portfolio management to Nordea Danmark, filial af Nordea Bank Abp	2	3
Payment of fee for the portfolio management of investment assets to Nordea Investment Management Institutional Clients	110	117
Payment of performance fee to Nordea Investment Management Institutional Clients	2	71
Payment for fund management to Nordea Investment Management Institutional Clients	25	26
Payment for administration of Tier II loan to Nordea Bank abp	3	0
Financial asset and liability transactions with companies in Nordea Group:		
Bonds	11,782	13,006
Derivatives	380	15,546
Cash and cash equivalents	1,886	2,488
Other	475	1
Derivatives	-341	11,226
Other debt related to investment	1,340	13,608
Mortage debt	0	1,322
Other debt	3,203	5
Internal transactions with subsidiaries of Velliv A/S:		
Income - administration fee from Velliv IT A/S	2	0
Income - interest on loan from Velliv IT A/S	10	1
Payment for the use of N16 to Velliv IT A/S	55	6

38. Commitments with or collateral securities for the Management and Board of Directors

The company has had no transactions with, has had no exposures with or collateral securities for the Executive Board, the Board of Directors or companies where these possess directly or indirectly a qualifying holding besides ordinary insurance agreement.

39. Financial assets and liabilities

DKKm	Fair value		Amortised cost		
31 December 2018	Trade	Designated	Receivables	Liabilities	Total
Shares		7,564			7,564
Unit trust certificates		22,541			22,541
Bonds		70,416			70,416
Derivatives	10,867				10,867
Other	2,191				2,191
Investment assets related to market return products	251	77,779			78,030
Other receivables	4,701				4,701
Cash	4,460				4,460
Total financial assets	**22,470**	**178,299**	**0**	**0**	**200,770**
Payables to credit institutions	19,934				19,934
Derivatives	9,042				9,042
Subordinated loan capital				3,826	3,826
Total financial liabilities	**30,900**	**0**	**0**	**3,826**	**32,802**

	Fair value		Amortised cost		
31 December 2017	Trade	Designated	Receivables	Liabilities	Total
Shares		6,224			6,224
Unit trust certificates		28,093			28,093
Bonds		68,878			68,878
Derivatives	23,728				23,728
Other	1,480				1,480
Investment assets related to market return products	544	73,736			74,280
Other receivables	1,949				1,949
Cash	4,323				4,323
Total financial assets	**32,025**	**176,932**	**0**	**0**	**208,956**
Payables to credit institutions	22,005				22,005
Derivatives	16,981				16,981
Subordinated loan capital				3,369	3,369
Total financial liabilities	**38,986**	**0**	**0**	**3,369**	**42,355**

40. Fair value measurement

DKKm				
31 December 2018	**Listed prices Level 1**	**Observable input Level 2**	**Non Observable input Level 3**	**Total**
Shares	1,326	3	6,235	7,564
Unit trust certificates	22,541	0	0	22,541
Bonds	60,604	4,642	5,169	70,416
Derivatives	3,542	7,325	0	10,867
Other	1,812	0	379	2,191
Investment assets related to market return products	69,405	213	8,412	78,030
Total financial assets	**159,230**	**12,183**	**20,196**	**191,609**
Derivatives	-4,445	-4,597	0	-9,042
Total financial liabilities	**-4,445**	**-4,597**	**0**	**-9,042**

31 December 2017	**Listed prices Level 1**	**Observable input Level 2**	**Non Observable input Level 3**	**Total**
Shares	280	0	5,945	6,224
Unit trust certificates	28,093	0	0	28,093
Bonds	20,070	42,893	5,916	68,878
Derivatives	0	23,728	0	23,728
Other	1,098	0	381	1,480
Investment assets related to market return products	60,080	5,434	8,766	74,280
Total financial assets	**109,621**	**72,054**	**21,009**	**202,684**
Derivatives	-20	-16,962	0	-16,982
Total financial liabilities	**-20**	**-16,962**	**0**	**-16,982**

Transfer between levels:

Value adjustment based on non observable input	**2018**	**2017**
Fair value beginning of year	21,009	18,024
Value adjustment over profit and loss in the item 'Value adjustments'	292	-1,251
Purchase	1,533	7,479
Sales	-2,638	-3,244
Fair value end of year	**20,196**	**21,009**

In 2018, unrealised value adjustments of DKK 598m (2017: DKK 83m) relating to financial instruments based on non observable inputs were recognised in the line item 'Value adjustments'.

Classification has been carried out in consideration of the criteria stated below:

Quoted prices, Level 1: Publicly available prices (non-adjusted prices in an active market for identical assets or liabilities accessible by the company at the time of measuring).

40. Fair value measurement

Observable input, Level 2: Observable input for the asset or liability, either direct (i.e. as rates) or indirect (i.e. derived from rates), not included in Level 1.

Non-observable input, Level 3: Input for measuring the asset or liability, not based on observable market data (non-observable input).

Bonds in level 3 are alternative investments with bond-like characteristics.

Determination of level and possible transfers is done on the basis of pricing information obtained from a third party. For the remaining financial assets, level and possibly transfers are determined on the basis of current assessment once a quarter. The ongoing assessment is supported by 'Back-testing' and '4-eyes principle', which look at the ten largest market values and 10 randomly selected securities.

Greatest risk regarding measurement of financial assets relates to assets under Level 3 as there are no observable market data for this category. Mitigation of this risk is described in the note 'Risk Information' in the section 'Financial risks'.

41. Balance sheet broken down on payment periods, Group

DKKm				
	2018		2017	
Assets	< 1 year	> 1 year	< 1 year	> 1 year
Intangible assets		439		352
Tangible assets		114		1
Investment assets	33,224	92,232	41,215	98,719
Investment assets related to market return products	63,606	17,973	63,389	14,048
Receivables	5,722		3,075	
Other assets	4,460		4,323	
Prepayments and accrued income	1,081		776	
	108,093	110,759	112,778	113,120
Liabilities				
Provisions for insurance	1,912	172,508	7,621	165,312
Other liabilities	13,270	26,087	17,634	30,451
	15,181	198,596	25,255	195,764

42. Sensitivity information

DKKm	
Event	Effect on shareholders' equity (DKKm)
Mortality 10 % increase	0.0
Mortality 10 % decrease	-27.3
Disability 10 % increase	-2.4
Interest rate increase of 0.5 percentage point	-5.9
Interest rate decrease of 0.5 percentage point	-4.9
Fall in share value of 12%	-14.6
Decline in property prices of 8%	-8.4
Loss on counterparties of 8%	0.0

The note has been established in accordance with the regulations stated in Appendix 13 in the 'Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds' and also 'Guidelines for reporting template when submitting information about capital and risks in life insurance and non-life insurance companies, reinsurance undertakings, multi-employer occupational pension funds, and industrial injury insurance companies'. The effect of the individual events on the equity has been based on an all-other-things-being-equal scenario.

43. Breakdown of investment assets and their returns for 2018 - traditional products

DKKm	**Beginning of year**	**End of year**	**Return in percentage per year before tax**
1. Land and buildings	**10,462**	**10,169**	**7.4%**
2.1 Listed equity investments	278	237	4.3%
2.2 Unlisted equity investments	10,732	13,911	1.5%
2. Total equity investments	**11,009**	**14,147**	**3.5%**
3.1 Government and mortgage bonds	42,520	43,444	0.8%
3.2 Index-linked bonds	4,175	4,044	2.7%
3.3 Credit and emerging markets bonds	26,952	21,953	-1.1%
3.4 Loans etc.	504	479	2.0%
3. Total bonds and loans	**74,152**	**69,920**	**0.3%**
4. Subsidiaries	0	0	0.0%
5. Other investment assets	**-572**	**1,640**	**0.0%**
6. Derivative financial instruments to hedge net change in assets and liabilities	**6,746**	**2,700**	

The breakdown has been established in accordance to the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, section 96 and Appendix 11. It is not directly comparable to the amount stated on the balance sheet. Unit trust certificates and equity derivaties are grouped according to the nature of the relevant, underlying assets.

44. Breakdown of investment assets and their returns for 2018 - market return products

DKKm	Beginning of year	End of year	Return in percentage per year before tax
1. Land and buildings	**4,425**	**4,872**	**6.9%**
2.1 Listed equity investments	18,726	15,035	-6.1%
2.2 Unlisted equity investments	34,468	41,255	-1.2%
2. Total equity investments	**53,194**	**56,291**	**-2.5%**
3.1 Government and mortgage bonds	6,001	5,857	2.9%
3.2 Index-linked bonds	0	0	0.0%
3.3 Credit and emerging markets bonds	9,919	8,037	1.6%
3.4 Loans etc.	0	0	0.0%
3. Total bonds and loans	**15,920**	**13,893**	**2.1%**
4. Subsidiaries	0	0	0.0%
5. Other investment assets	**1,617**	**4,444**	**0.0%**
6. Derivative financial instruments to hedge net change in assets and liabilities	**420**	**-287**	

The breakdown has been established in accordance to the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, section 96 and Appendix 11. It is not directly comparable to the amount stated on the balance sheet. Unit trust certificates and equity derivaties are grouped according to the nature of the relevant, underlying assets.

Return in per cent of risk - market rate products

Years to pension	% of average provisions	Return in %	Risk
30 years (age 35 years)	1.28%	-4.86%	4.50
15 years (age 50 years)	3.90%	-4.60%	4.50
5 years (age 60 years)	2.15%	-4.30%	4.25
5 years after (age 70 years)	0.10%	-1.90%	3.25
Non life-cycle	8.83%	-4.07%	4.25

45. Risk information

Risk management

In Velliv the associated risk of doing business as an important life insurance company is governed by a risk management system. The risk management system is implemented across Velliv and ensures that substantial risk and capital processes are effective, consistent and interconnected. The processes cover all activities linked to identifying, measuring, monitoring, managing and reporting on the risks and their effects on the company's capital needs.

To secure the effectiveness, consistency and interconnectedness of the risk management system a solid system of internal controls is in place. The internal control system ensures that the necessary controls with the company's tasks and risks are in place and are being maintained/revised. It also ensures that controls are performed, that results are being reported, and that necessary decisions are being made based on these reports.

Most substantial risks

In Velliv the most important risks are categorised within the following areas:

- Financial risks
- Insurance risks
- Operational risks
- Business risks
- Compliance risks

These categories can be divided into sub-categories. The financial risks, insurance risks, operational risks and compliance risks are monitored and managed continuously, whereas the business risks are monitored at a lower frequency.

Financial risks

The financial risks comprise market risk, credit risk and liquidity risk that can be divided into a number of sub-categories. Market risk is divided into interest rate risk, equity risk, property risk, spread risk, currency risk and concentration risk.

The most significant risks are equity risk, spread risk and interest rate risk, where the latter is reduced by a strategic interest rate hedge. The interest rate risk is hedged continuously by way of a combination of bonds and derivatives to protect the bonus potentials, and to minimise interest rate risk in general. The equity risk arises due to investment in listed equity and alternative investments.

Managing the concentration risk has always been an important element. The actual composition of portfolios is characterised by a very high degree of diversification, which contributes to reducing the risks.

Regarding investments in credit instruments, the Board of Directors has set the limits for the total exposure including credit derivates and for the extent of the total commitments with each counterparty. These limits have been set to reduce the risk of loss for Velliv if counterparties are not able to fulfil their obligations. In addition to this, collateral agreement has been entered into to ensure a daily exchange of collateral when the derivatives' market value varies. The risks are monitored in Velliv's solvency model.

Alternative investments are only carried out via fund structures and only in funds with many underlying individual assets and a broad risk diversification in the funds. The broad risk diversification in the individual funds combined with a large diversification on a portfolio level across the managers, the type of underlying investments, geography, investment year, etc. altogether ensure a considerable risk diversification in the portfolio of alternative investments.

An accounting estimate is connected with the determination of a fair value for alternative investments in private equity, timber land, real estate, etc., where there is no active market as the determination is based on models and if possible also observable data. The estimates are especially based on the assumptions supporting the reporting received from investment managers. To secure authenticity of entered estimates, Velliv has ensured that independent audit statements are received from the external alternative investment managers once a year as a minimum. Furthermore, Velliv has established a process where the Investment Operations organisation is carrying out an independent price validation of illiquid fund investments on a sample basis.

The fair value calculations for derivative positions are based on mid-market pricing and take into account credit valuation adjustments (CVA). These adjustments are driven by a dynamic estimation of the probability of default of the counterpart in each transaction. Velliv solely trades OTC derivatives under ISDA and CSA agreements, where frequent exchanges of collateral ensure a low counterparty risk. A partner of Velliv carries out the daily exchange of collateral and produces a valuation of the derivative positions.

The portfolio of real estate investments consists of properties predominantly situated in Denmark. In this way an exposure to Danish economy is achieved, including the inflationary development, which contributes to ensure the real value of the savings measured in Danish Kroner.

The management of market risk is described in Velliv's Investment Policy. The Board of Directors has defined a series of authorisations to the Management, which has been described in guidelines. The lines and limits, benchmarks, and strategic asset allocation have been determined in the policy and guidelines. The purpose of ALM (asset liability management) is to manage the interaction between assets and liabilities and through this to reduce any loss connected to market risk taking into account the solvency and buffers, optimisation of return, and regulatory requirements.

Market risk reports are made regularly regarding the use of limits. The report is sent to the Management. The financial risk reporting is re-estimated on a regular basis in relation to actual risks, sensitivities, etc.

45. Risk information

The management of liquidity risk is also described in the Investment Policy. Liquidity risk is limited by placing a large proportion of investments in liquid listed assets.

The credit risk on the bond portfolio is limited as a significant proportion of the portfolio consists of high rated (AA - AAA) bonds at the international rating agencies.

Insurance risks

The insurance risks comprise risk of longevity, mortality, disability, insurance options, expense, continuation, and catastrophe. The most important risks are longevity risk, disability risk, and lapse risk. Insurance risks are primarily controlled using actuarial methods, i.e. though tariffs, rules for acceptance of customers, reinsurance contracts, stress testing, and setting adequate provisions for risks. Experience analysis and benchmarking are performed at least annually for each underwriting risk. Parameters for the observed mortality, disability and lapse risk are updated annually.

Velliv uses a partial internal model to calculate the longevity shock in the calculation of solvency requirement. Velliv follows changes in society on a continuous basis to ensure that the underwriting base is adequate. Systematic risk is reduced as provisions are made in accordance to the longevity benchmark stated by the Danish Financial Supervisory Authority. Disability risk is managed with a focus on active injury treatment which results in reduced time spent away from the labour market for the injured.

Underwriting is performed in compliance with the Underwriting Policy for Insurance Risk. It is the overall objective of the company to create a sound and solid insurance business.

Risk management includes an assessment of product programmes and products, insurance terms, reinsurance large risks, etc. The risk result is monitored monthly and evaluated regularly. Velliv's policy for reinsurance agreements ensures that the company has an upper limit regarding risk per insurance event. In order to reduce the catastrophe risk, a catastrophe cover is included in Velliv's reinsurance programme.

Operational risks

Operational risk is defined by the risk of direct or indirect financial loss resulting from failed or inadequate internal processes, human or system errors, or resulting from external events including legal risks. Operational risk is inherent across all business areas of the company and is being governed continuously by all business areas of Velliv. Managing operational risk requires training and sound knowledge of operational risks across business areas and is a part of Velliv’s continuously focus on risk awareness within the business.

Operational risk is handled though processes within the overall risk management system. The risk management system consists of a variety of main risk management processes securing risk management in both day-to-day work, in change processes and in the event of crisis.

In second line of defence operational risk management facilitates the processes in the internal control system and monitors the handling of identified significant or severe operational risks.

Business risks

Business risks, including the strategic risks, is risk related to the business uncertainty arising from market development, customer behaviour, technological development, and the financial impact due to reputational conditions. Other risks in relation to the company's business model is also covered by business risk.

As part of providing the best level of life insurance products and service to Velliv’s customers, a new IT core system (N16) has been developed and implemented within the company. At the same time, as the new IT system is operational, the processes throughout the company are being revised. These changes will contribute to alleviate potential business risk by securing more automated processes and further standardisation. As the new system is being implemented, more customers will be migrated from the old IT systems to the new one and the peripheral systems are updated. The focus is set on keeping up with digitalisation and at the same time secure simplification. The risk arising from the implementation of a new IT core system is being managed continuously within the project management and change process management.

45. Risk information

Compliance risks

Compliance risk is the risk that Velliv does not comply with laws, regulations and internal rules. Compliance risks are identified through the processes in the internal control system and through additional compliance processes in accordance with Solvency II requirements and national laws and regulations.

In second line of defence the compliance function ensures that:

- Velliv draws up and maintains adequate governance documents (especially policies and administrative procedures).
- Velliv has effective and efficient processes and methods to monitor upcoming new and altered regulation, assess the impact on the business of laws and regulations and adapting the business activities to new and/or altered regulation.
- Velliv has adequate information systems to support the business efficient handling of compliance risks

Solvency II position

Velliv has reported and monitored the development in the solvency II position throughout 2018 on a regular basis, as well as the risks connected to it. Velliv's solvency cover is 183%, which is well above the minimum limit of the company.

Monitoring

In Velliv the solvency and capital situation as well as the financial buffers are followed on a weekly basis.

46. Calculation of realised result and principles used for its distribution

The year's realised result to be distributed in accordance to the Danish Financial Business Act amounted to DKK - 791m (2017: DKK -42m) and has been distributed with DKK -1,234m (2017: DKK -549m) to the provisions and DKK 443m (2017: DKK 508m) to the equity.

In accordance with the Executive Order on the Contribution Principle and the Guidelines on Market Discipline, the company's profit policy has been notified to the Danish Financial Supervisory Authority. The profit of the year consists of the return on assets allocated to shareholders' equity, the health and accident insurance, the result of Liv III, the result of Forenede Gruppeliv, the result of market interest rate, shareholders fee concerning traditional business, a share of the risk result, and the cost results.

47. Five-year summary of key figures and financial ratios, Parent company

Key financial figures (DKKm)	2018	2017	2016	2015	2014
Income statement					
Premiums including investment contracts	20,025	18,874	15,580	13,320	12,280
Investment return after tax on pension returns	-2,379	8,965	7,868	2,286	17,838
Insurance benefits	-14,287	-12,700	-12,380	-13,444	-16,177
Change in life insurance provisions	-2,072	-12,951	-6,310	-994	-12,174
Change in profit margin	462	-679	-2,798	-	-
Change in surplus funds	-348	-137	-	-	-
Operating expenses	-634	-608	-620	-625	-657
Profit on ceded business	-47	-44	-54	-38	5
Transferred investment return	51	8	-83	12	-122
Technical result of life insurance	**770**	**728**	**1,203**	**518**	**994**
Technical result of health and accident insurance	40	16	10	-2	2
Return on investment allocated to equity	-67	-57	18	-9	13
Other income and expenses	-110	7	6	-14	-6
Profit before tax	**633**	**694**	**1,238**	**493**	**1,004**
Tax	-147	-167	-287	-73	-164
Profit for the year	**486**	**527**	**951**	**420**	**839**
Balance sheet					
Total provisions for insurance and investment contracts	174,420	172,933	159,357	150,282	150,357
Collective bonus potential	6,386	8,169	9,211	8,151	8,540
Total equity	4,701	4,615	4,688	6,533	6,743
Total assets	216,548	224,079	227,045	218,312	213,360
Key ratios in percent					
Rate of return realted to traditional business (1)	0.3	3.7	5.9	0.0	15.8
Rate of return related to market rate products (2)	-4.0	10.2	6.1	5.6	13.7
Risk category on return related to market rate products (3)*	4.25	4.25	4.50	4.25	-
Expense ratio on provisions (4)	0.36	0.37	0.40	0.42	0.46
Expenses per insured in DKK (5)	1,159	1,140	1,193	1,206	1,276
Return on equity after tax (6)	10.6	11.7	13.7	6.3	12.8
Solvency ratio (pre Solvency II)	-	-	-	163	184
Additional key figures and financial ratios					
Bonus rate	10.0	12.2	14.0	11.6	11.9
Expense contributions after addition of expense bonus	1016	924	932	984	972
Operating expenses relating to insurance for the year	634	608	620	625	657
Cost results	382	317	312	359	316
Cost results in percentage	0.22	0.20	0.21	0.24	0.24
Risk results	-488	-382	-150	-269	-184
Risk results in percentage	-0.28	-0.24	-0.10	-0.18	-0.14
Return on customer funds after expenses before tax	-2.5	6.8	4.7	0.2	13.8

Key figures and additional key figures and financial ratios have been calculated in accordance to the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, Appendices 8 and 9.

*Comparative figures have not been calculated for 2014 and earlier since these are not possible to calculate according to the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

Group overview

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest 2018	2017
Subsidiary				
Velliv IT	IT-company	Denmark	100	100
Velliv Ejendomme A/S	Property investment	Denmark	100	100
Velliv Ejendomme Logistik A/S	Property investment	Denmark	100	100
Velliv Ejendomme OPP P/S	Property investment	Denmark	100	100
Ejendomsselskabet af 31. august 2006 ApS	Property investment	Denmark	75	75
Komplementarselskabet af 31. august 2006 ApS	Property investment	Denmark	75	0
The holding company				
Velliv Foreningen		Denmark	70	25
Entity with significant influence over the group				
Nordea Life Holding AB		Sweden	30	75
Associate and joint arrangement in which the group is a joint venturer				
DNP Ejendomme Komplementar ApS	Complements to DNP Ejendomme	Denmark	50	50
Ejendomspartnerselskabet af 1/7 2003 P/S	Property investment	Denmark	33	49
Komplementarselskabet af 1/7 2003 A/S	General Partner to Ejendomspartnerselskabet af 1/7-2003	Denmark	49	49
Samejet Lautruphøj	Property investment	Denmark	50	50
Aarhus Klubben K/S	Property investment	Denmark	20	20
Komplementarselskabet af 1. marts 2006 ApS	General Partner to Ejendomsselskabet af 1. marts 2006	Denmark	0	50
OPP Kalvebod Brygge P/S	Property investment	Denmark	50	50
DNP Ejendomme PS	Property investment	Denmark	50	50
Dansk Ejendomsfond I A/S	Property investment	Denmark	56	56
Ejendomsselskabet af 1. marts 2006 P/S	Property investment	Denmark	0	53

Directorships and executive positions

Board of Directors

At the time of adoption of the annual report, the members of the company's Board of Directors held the following directorships and executive positions in other enterprises.

Anne Broeng, Chairman

Offices held	Company
Board Member and Chairman of the Audit Committee	VKR Holding A/S
Board Member and Chairman of the Audit Committee	Velux A/S
Deputy chairman	Bruhn Holding ApS
Board Member	Bikubenfonden and Kollegiefonden Bikuben
Board Member	IFU
Board Member	Købmand Ferdinand Sallings Mindefond
Board Member and Chairman of the Audit Committee	NNIT A/S
Board Member	Nasdaq Nordic Ltd
Board Member	ATP and Lønmodtagernes Garantifond
Board Member and Chairman of the Audit Committee	Aquaporin A/S

Peter Gæmelke, vice-chairman

Offices held	Company
Chairman	Løvenholm fonden
Chairman	Danske Spil A/S
Chairman	NGF Nature Energy Biogas A/S
Chairman	NGF Denmark Holding ApS
Chairman	NGF General Partner ApS
Chairman	Velliv Foreningen F.M.B.A
Board Member	Gl. Estrup Herregårdsmuseum
Board Member	DLR Kredit A/S
Board Member	Kirkbi A/S
Board Member	Askov Højskole
Board Member	Godsejer Preben Schall Holbergs Fond til vedligeholdelse af Hagenskov Slot og Gods
Board Member	Fællesfonden mellem Søren Chr. Søren-sen og hustrus Mindefond og Forenin-gen af Jyske Landboforeninger

Lene Klejs Stuhr

Offices held	Company
Manager	Agilent Technologies Denmark ApS
Manager	Dako Denmark A/S
Manager	Dako A/S
Board Member	AGILENT DGG POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA

Karsten Sivebæk Knudsen

Offices held	Company
Chairman	Vækst-Invest Nordjylland A/S
Board Member	Dampskibsselskabet Norden A/S
Board Member	K/S Vantaa, Finland
Deputy chairman	Nordsøenheden
Board Member	A/S Motortramp
Board Member	Obel-LFI Ejendomme A/S
Chairman	Polaris IV Invest Fonden
Board Member	Skovselskabet af 13. december 2017 A/S
Board Member	Aktieselskabet Dampskibsselskabet Orient's Fond
Board Member	Polaris Private Equity IV K/S
Board Member	CIV af December 2014 K/S
Manager	Saga I GP ApS
Manager	Saga II GP ApS
Manager	Saga III GP ApS
Manager	Saga IV GP ApS
Manager	Saga V GP ApS
Manager	Saga VI GP ApS
Manager	Saga VII GP ApS
Manager	Saga VII – USD PD AIV K/S
Manager	Saga VII – EUR K/S
Manager	Saga VII – USD K/S

Mads Skovlund Pedersen

Offices held	Company
Board Member	Danbolig A/S
Deputy chairman	Finanssektorens Arbejdsgiverforening
Deputy chairman	Nordea Kredit Realkreditaktieselskab

Kent Petersen

Offices held	Company
Chairman	Finansforbundet
Deputy chairman	Velliv Foreningen F.M.B.A
Chairman	Næstved Autocenter A/S
Board Member	Københavns Sprogcenter
Board Member	Copenhagen FinTech

Leif Flemming Larsen

Offices held	Company
Chairman	IT Optima A/S
Board Member	Jyske Banks Almennyttige Fond
Board Member	Jyske Banks Almennyttige Fonds Holdingselskab A/S
Chairman	Eseebase A/S
Chairman	Eseebase Holding ApS
Board Member	Sparekassen Kronjylland
Board Member	Ferskvandscentret Selvejende Institution
Board Member	Den Selvejende Institution Aqua, Silkeborg
Board Member	Kunstcenter Silkeborg Bad, Selvejende institution

Mogens Edvard Pedersen

Offices held	Company
Board Member and Financial Manager	Assurandør Kredsen
Chairman	Konsulent- & Kundechefforeningen i Nordea Liv & Pension

Members of the Board without other directorships:

Gustaf Sebastian Björnson Unger

Offices held	Company
None	None

Anne Marie Nielsen

Offices held	Company
None	None

Chrilles-Zibrandt Svendsen

Offices held	Company
None	None

Per Lyngh Sørensen

Offices held	Company
None	None

Tommy Østerberg

Offices held	Company
None	None

Executive Board

Pursuant to Section 80 of the Danish Financial Business Act, the Board of Directors of Velliv A/S has approved that the members of the Executive Board of the company held or hold the following directorships and executive positions.

Management:

Steen Michael Erichsen

Offices held	Company
Board Member	Forsikring & Pension, industry association
Board Member	Nordea Ejendomsinvestering A/S
Chairman	Velliv Ejendomme A/S
Chairman	Velliv Ejendomme Logistik A/S
Chairman	Velliv Ejendomme OPP P/S
Chairman	Velliv Ejendomme Komplementar ApS
Chairman	Svend Aage Sørensen A/S
Proprietor	Leisure activity – forestry in Sweden

Gitte Minet Aggerholm

Offices held	Company
Chairman	Velliv IT A/S
Chairman	Administrationsaktieselskabet Forenede Gruppeliv
Board Member	Velliv Ejendomme A/S
Board Member	Velliv Ejendomme Logistik A/S
Board Member	Velliv Ejendomme OPP P/S
Board Member	Velliv Ejendomme Komplementar ApS

Appointed Actuary:

Charlotte Markussen

Offices held	Company
None	None

Internal Audit:

Jesper Dan Jespersen

Offices held	Company
None	None

Velliv

Lautrupvang 10 / 2750 Ballerup / Phone: 70 33 99 99
Kontakt@velliv.dk / www.velliv.dk / Business reg.no. 24260577