

The Velliv logo is rendered in a white, bold, sans-serif font. It is positioned in the upper left corner of the cover. The background is a solid teal color, and a large, thick, orange graphic element, resembling a stylized arrow or a continuous line that loops and points upwards, dominates the right and bottom portions of the page.

**Velliv**

Velliv, Pension & Livsforsikring A/S / Business reg.no.: 24260577

# **Interim Report H1 2019**

# Interim Report H1 2019

## Velliv, Pension & Livsforsikring A/S

Business reg.no. 24260577

**Address:**

Velliv, Pension & Livsforsikring A/S

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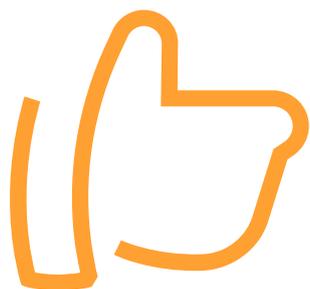
# Table of contents

<b>Six months of success</b>	<b>4</b>
<b>Management's review</b>	<b>6</b>
Selected events of the period	6
Financial review	7
Half-year report in brief	7
Significant risks and factors of uncertainty	8
Investment activities	9
Products and services	10
Regulations etc.	10
Capital position and solvency	10
Events after the balance sheet date	10
Outlook for 2019	11
Corporate governance etc.	11
<b>Management's statement</b>	<b>13</b>
<b>Financial statements</b>	<b>15</b>
<b>Income statement</b>	<b>16</b>
<b>Other comprehensive income</b>	<b>17</b>
<b>Financial position</b>	<b>18</b>
<b>Statement of changes in equity</b>	<b>20</b>
<b>Cash flow statement</b>	<b>21</b>
<b>Notes</b>	<b>24</b>
<b>Group overview</b>	<b>41</b>

# Six months of success

The name Velliv signals that we are here for the customers, before as well as after they have retired. With Velliv, we clearly state that we have an ambition to create strong value for our customers – in respect of their mental as well as financial health.

**Record growth in premium payments – up 9.5% compared to last year**



**One step closer to being fully customer owned. In May 2019, Velliv repurchased own shares for DKK 1.1bn making Velliv 81% customer owned**



## Velliv wins recognised design award

Velliv and its business partner Kontrapunkt were awarded silver for Velliv's new corporate identity at the Creative Circle Award, which outlined the reason for the award to be "a work that impresses and demonstrates courage and willingness to set new standards".



## Strengthened multichannel distribution

In first half of 2019, Velliv entered a new strategic partnership with the insurance company Codan. Velliv has established a new team to provide services to the customers referred from Codan.



# DKK 204m

**was paid as cash bonus to the 340,000 members of Velliv Foreningen in 2019**

Management's review  
p.6



Management's statement  
p.13

Financial statements  
p.15

Notes  
p.23

Group overview  
p.41

# Management's review

## Selected events of the period

### Continued growth in premium payments

Velliv continued to experience growth in regular premiums during the first half of 2019. Once more, the development in single premiums has set a record. Velliv has gained a lot of new customers in the first half of 2019 while existing customers choose to extend their cooperation with Velliv.

This reflects our strong position in the pension market and our attractive business model with three sources of return based on an investment return at the top of the market, an interest rate of 5% on DinKapital, and cash bonus payment from Velliv Foreningen. Over lifetime, three sources of return will ensure customers in Velliv an excess return compared to what is possible to achieve on market conditions.

### Market return has been very positive

Overall, Velliv's customers have achieved an investment return of DKK 12.9bn in first half of 2019.

### DinKapital

DinKapital gives customers an annual, high interest rate of 5%. More than 90% of all new customers chooses DinKapital and the total savings now amount to more than DKK 700m.

The return from DinKapital provides the customers with a solid foundation for their pension savings – not least during periods of negative market returns.

As of end June 2019, Velliv has made it possible for customers to choose DinKapital on total pension savings in addition to regular payments.

### Bonus payment

In May 2019, Velliv Foreningen disbursed cash bonus payments to its members who are Velliv's 340,000 customers. The bonus payments from Velliv Foreningen correspond to an average excess return of DKK 1,450 per saved million DKK for a customer in Velliv. The accumulated bonus for last year and this year amounts to approximately DKK 4,130 per saved million. Bonuses are paid to all customers in Velliv, whether the customers are working or have retired.

### The journey towards becoming a fully customer-owned company continues

Following Velliv Foreningen's acquisition of the majority holding of Velliv in April 2018, Velliv executed a repurchase of own shares in accordance with the decision made at the Annual General Meeting in March 2019. The repurchase was made in May 2019, when Velliv purchased own shares from the Nordea Group at the amount of DKK 1.1bn and thereby reducing the share capital with DKK 85m, from DKK 600m to DKK 515m.

After the share repurchase, Velliv Foreningen owns 81% of Velliv and will increase its stake to 100% during the coming years.

### Strengthened multichannel distribution

In first half of 2019, Velliv entered a new strategic partnership with the insurance company Codan. Velliv has established a new team to provide services to the customers referred from Codan.

Moreover, Velliv has an ambition to be the preferred pension company for self-employed persons. To achieve that ambition, Velliv has, among other things, hired employees competent in the field of e.g. taxation policy, which should benefit the self-employed persons.

### Velliv wins recognised design award

Velliv and its business partner Kontrapunkt were awarded silver for Velliv's new corporate identity at the Creative Circle Award, which outlined the reason for the award to be "a work that impresses and demonstrates courage and willingness to set new standards".

### Management changes

As of 1 March 2019, CCO Morten Møller was appointed member of the Executive Board of Velliv. The Executive Board now consists of CEO Steen Michael Erichsen, CFO Gitte Aggerholm and CCO Morten Møller.

### Dividend

During the first half of 2019, 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.

## 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 supplies 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 81% by Velliv Foreningen, a member association constituted by the approximately 340,000 customers of Velliv. The remaining 19% 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 are placed in properties. These properties are in part owned by several subsidiaries and associated companies.

### Interim Report first half 2019

Velliv prepares parent company financial statements in accordance with the Danish Financial Business Act (Lov om Finansiell Virksomhed), including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Lateral Pension Funds. Velliv is a subsidiary of Velliv Foreningen, a financial holding company, which prepares annual consolidated financial statements in accordance with applicable Danish legislation.

During the first half of 2018, Velliv issued a Tier 2 loan listed on 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.

The interim report for 2019 is unaudited and unreviewed.

## Half-year report in brief

### Profit for the period

In the first half year of 2019 the Velliv Group realised a profit of DKK 242m against a profit of DKK 230m for the same period in 2018. Profit for the period breaks down as follows:

Figure 1 Profit for the year

DKKm.	June 30 2019	June 30 2018
Traditional	222	278
Market return	130	103
Health and accident	16	15
Other	31	2
<b>Profit from insurance business</b>	<b>399</b>	<b>398</b>
Return on shareholder's equity	-25	-31
Other income and expenses	-53	-75
<b>Profit before tax</b>	<b>321</b>	<b>291</b>
Tax	-79	-62
<b>Profit after tax</b>	<b>242</b>	<b>230</b>
Of which		
Minority interest	10	6
<b>Velliv A/S share</b>	<b>232</b>	<b>224</b>

The profit for the first half of 2019 meets the expectations. The profit from insurance business is at the same level as for the first half of 2018 but demonstrates a clear shift in the portfolio from traditional products to market return products. The premium income is above expectations while the operating expenses are higher than expected. The profit before tax is DKK 29m higher than the profit for the first half of 2018.

### Insurance result

#### 10% growth in gross premiums

During the first half of 2019 Velliv realised gross written premiums of DKK 9.9bn, against DKK 9.1bn for the comparable period last year. The 9.5% growth represents a record and covers a 13.8% growth in regular premiums and a 4.1% growth in single premiums. Velliv has gained a lot of new customers in the first half of 2019 while our existing customers choose to extend their cooperation with us.

#### Benefit disbursements show customer satisfaction

In the first half of 2019 disbursed benefits amounted to DKK 6.6bn, which is DKK 0.6bn lower than the comparable period last year. The lower disbursed benefits cover increases in payments of death and critical illness benefits, but also a large decline in benefits related to surrender, which is 18% lower than last year, thus demonstrating Velliv's ability to retain existing customers.

#### Operating expenses

Operating expenses for the first half year are DKK 42m higher than last year and amount to DKK 351m against DKK 308m for the comparable half year. As expected, the operating expenses are higher than last year, primarily caused by increasing acquisition costs to attract new customers. Transition costs are not

included in operating expenses as these are of a one-off character.

#### Technical result of life insurance shows market trend

The technical result (excluding result of health and accident insurance) for the first half of 2019 amounted to DKK 383m after transfer of DKK 243m from the collective bonus potential. In the same period in 2018, the technical result amounted to DKK 379m after transfer of DKK 1,342m from the collective bonus potential.

The technical result includes a material increase in investment return on the customers' pension schemes. The investment return is DKK 15bn for the first half of 2019, where the return for the first half of 2018 was DKK 0.7bn. Particularly shares, unit trust certificates and listed bonds (exclusive of index-linked bonds) have outperformed last year's result.

#### Comments on the balance sheet

The total Group balance sheet reflects the positive trends in the financial markets and amounts to DKK 256bn in the first half of 2019, which is an increase of DKK 37bn compared to year-end 2018. The high yields obtained have impacted the fair value of the investment assets positively and at the same time also impacted the total provisions, which have increased by DKK 16bn.

Intangible assets amount to DKK 427m and comprise the new insurance core system, N16, which is partly being developed in-house.

The increase in tangible assets relates to the furnishing of the new corporate headquarter in Ballerup and the purchase of new computers. The corporate headquarter is also included in the balance sheet as Group occupied property with a market value of DKK 95m.

Total investment assets, including investment assets related to market return product, increased with the development in the market from DKK 209bn to DKK 236bn. The increase is primarily seen in investment assets related to market return product, but also the value of derivatives increases materially.

Other receivables include receivables regarding derivatives and investment assets not yet settled, which amount to DKK 8.4bn against 2.4bn as at 31 December 2018.

Total provisions for insurance and investment contracts increase by DKK 15.4bn from DKK 174.4bn to DKK 189.8bn. The provisions for traditional products increased with DKK 3.1bn, while the provisions for market return products increased with DKK 11.6bn, which is in line with expectations and reflects the growth in the market return segment and the strong financial performance in the period.

Payables to credit institutions include debt related to financial repurchase agreements, collateral related to derivatives, and loans. The balance was DKK 19.9bn at year-end 2018 and has

increased to DKK 24.5bn in 2019. The increase is driven by changes in the collateral position and repurchase agreements.

Surplus funds (DinKapital) has been positively accepted by the market, and the customers now hold savings of DKK 709m compared to DKK 485m at year-end 2018. The balance currently yields a stable rate of 5% and DKK 52m have been paid as interest in this period.

Total equity for the Group including minority interest amounts to DKK 3,817m against DKK 5,075m end of 2018, corresponding to a decrease of DKK 1,258m. The decrease is primarily caused by the purchase of own shares conducted by Velliv in May 2019, whereby Velliv repurchased shares for DKK 1.1bn and reduced the share capital by DKK 85m to DKK 515m. During the first half of 2019, Velliv distributed dividend of DKK 400m to its owners.

## Significant risks and factors of uncertainty

### Significant risks

For a description of significant risks, please refer to Note 18 of this interim report.

### Significant accounting estimates, assumptions and uncertainties

The accounting value of assets and liabilities is 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 of 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

For a further description of significant accounting estimates, assumptions and uncertainties, please refer to Note 1, Accounting Policies in the Annual Report for 2018. The accounting policies are unchanged in this respect.

At the beginning of 2019, a major update of parameters and assumptions for calculations involving disability risk has been implemented. This has resulted in a reduction of the disability

provision of DKK 446m and a corresponding increase in the collective bonus risk reserve.

The previous disability provision model used an approximate method for calculating benefits on disability products with the option of offsetting public benefits. Among other things, the method has been refined using data from Statistics Denmark on realised public processes to ensure a more precise provision.

## Investment activities

### Rising asset prices and slowing growth

The global economy continued to expand in the first half of 2019. In the US, the expansion reached its 10-year anniversary in June thereby making it the longest on record. Despite headwinds from the lagged effects of previous interest rate hikes and a diminishing fiscal impulse in the US, the global economy continued to grow, albeit at a slowing pace. The global manufacturing slow-down that began in 2018 continued to be a drag on growth in the first half of 2019. Strong private consumption underpinned by low unemployment around the globe and fiscal and monetary stimulus out of China was not enough to alter the downward trajectory for the global economy.

Despite the weakening economic backdrop, all types of risky assets delivered impressive returns in the first half of 2019. The strong returns on risky asset were led by global equities rallying 17% followed by 10.6% on emerging markets bonds. The surge in risky assets was driven by the Federal Reserve System pivoting from a hiking bias at the beginning of the period to an easing bias as the first half drew to a close. The change in policy stance from the Federal Reserve System saw US 2-year rates drop 73 basis points during the period as investors began to price in several rate cuts from the Federal Reserve System. The decline in interest rates fueled risky assets higher despite a continuing loss of momentum in the economic data.

On the geopolitical front, the dominant theme of the first half of 2019 has been the ongoing trade war between the US and China. During spring, investors celebrated an expected forthcoming trade deal by bidding up risky assets only to learn that negotiations had stalled as China had reneged on previous agreed promises. This led to whipsaw price action in global equity markets, but by the end of June the two countries agreed to continue trade negotiations. The existing tariffs will be kept in place meaning the global economy is still exposed to lingering downside risks as we enter the second half of the year.

### Traditional products

Pension with average interest rate (Pension med gennemsnitsrente) yielded a return of 7.0% for the four interest groups in average. Interest rates at the end of June were somewhat lower than at the beginning of the year, so the yield on the bonds (including the interest rate hedge), which accounts for the vast majority of the portfolio, was as high as 8.5%.

Furthermore, equities yielded a good return of 3.3%, the alternative investments 2.9% and the real estate portfolio 3.5%.

Figure 2 Return for traditional portfolios, H1 2019

Interest rate group	1	2	3	4
Return, %	6.2	7.2	8.4	7.9

### Market return products

#### Customers' return on market interest rates

Savings in the market return products are yielded based on the return on products and funds chosen by the individual customer. For the balanced products, including the life cycle products, the return is based on returns from funds selected and composed by Velliv.

As the return on assets with a certain risk was somewhat higher than the return on more secure bonds during the period, in general the return increased with the risk level and the number of years to retirement. Therefore, the highest returns were achieved by the customers with a high risk-level and/or many years to retirement.

#### VækstPension

VækstPension is composed with the purpose of providing good, stable returns in the long term while optimising returns relative to the investment risk assumed. This is achieved among other things by a large diversification of investments across different asset classes, including listed equities, different types of credit bonds, real estate, private equity funds and investments in timber and infrastructure.

Velliv's customers are increasingly selecting VækstPension and the product has thus seen a significant increase in customer funds. In line with this growth, investments within all asset classes are continuously expanded with due regard to the company's expectations regarding the financial markets.

VækstPension Mellem risiko achieved satisfactory returns in the period. A customer with 5 years to retirement thus obtained a return of 8.5% while customers with 15 years or more to retirement earned a return of 10.6%.

Figure 3 Return for life cycle products with medium risk, H1 2019, %

Years to retirement	5	10	>15
VækstPension Aktiv	8.5	10.2	10.6
VækstPension Index	9.9	11.8	12.3

#### LinkPension Aktiv

The returns in LinkPension Aktiv were between 6.0 and 12.1% in the first half year depending on the risk profile. LinkPension Aktiv is made up of the same funds as VækstPension, but in contrast there is no automatic adjustment of the customer's risk towards the retirement date.

### VækstPension Index

The returns in the VækstPension Index (Medium risk) ended between 9.9 and 12.3 % in the half year depending on the horizon. Customers with many years to retirement achieved the highest returns. The product is built up of passively managed funds.

### LinkPension Index

The returns in the LinkPension Index ended between 7.4 and 15.5% in the period depending on the risk profile. The product is built up of passively managed funds and does not automatically adjust the customer's risk towards the retirement date.

Figure 4 Return for LinkPension Aktiv and LinkPension Index, H1 2019, %

Risk profile	Equity fund			
	Low	Me-dium	High	
LinkPension Aktiv	6.0	8.2	10.0	12.1
LinkPension Index	7.4	10.1	12.7	15.5

## Products and services

### Podcast: Investment advice

Velliv has launched a new podcast for all customers containing investment advice, news about financial markets and advice on pension related topics. The first episode has received very positive feedback from customers and has been rated third highest out of the fifty rated corporate podcasts. We expect to release 8 episodes a year.

### Focus on personal advice

Advice to our customers is a key issue for Velliv, and we have high standards for our advisors' competencies, integrity and on-going training. Studies show that all customers demand personal advice when it comes to pensions. Therefore, since Velliv became a customer-owned company in the spring of 2018, we have hired many new employees to service and advise our customers. At the same time, we continue to develop our digital tools and concepts so that we are relevant to all our customers.

## Regulations etc.

### Anti-Money Laundering

Velliv will act as a trusted partner and take responsibility to prevent financial crime by performing risk based know-your-customer procedures and transaction monitoring to obtain necessary knowledge and transparency to prevent financial crime.

During the first half year Velliv has implemented a new tool for screening high-risk customers to prevent money laundering. The new tool replaces the tool formerly supporting the process. Velliv has also worked on optimising procedures to enhance customer due diligence by integrating questions and procedures in general workflows. Furthermore, Velliv has

implemented new e-learning on anti-money laundering focusing on actual risk in the life and pension sector.

### Data protection

Following the implementation of the General Data Protection Regulation (GDPR) in 2018, Velliv has enhanced focus on privacy by design in our IT processes, solutions, and requirements to new external parties' delivering new services to Velliv. All mail correspondence has been encrypted and new tools for communication between Velliv and customers using e-Boks has been implemented to secure communication.

Velliv has an on-going focus on learning and sharing of knowledge about data protection, including prevention of loss of data and prevention of unauthorised use or sharing of data. We believe that a high degree of knowledge among all employees can facilitate a better data privacy. During the first half year, Velliv has implemented a new e-learning program for all employees.

## 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 30 June 2019, the solvency cover ratio was a satisfactory 163% in Velliv. At the end of 2018, the solvency cover ratio was 183%. Velliv is using a partial internal model to calculate the capital requirement. The decline in the solvency ratio is attributable to the repurchase of shares reducing the capital base, but also the material changes to the Volatility Adjustment used in calculating the capital requirement. The negative effects are partly offset by a positive development in DinKapital.

### 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.

Figure 5 Solvency, DKKm

	June 30 2019	2018	2017	2016
Capital base	12,736	13,163	13,550	13,377
Capital requirement	7,796	7,188	7,584	8,143
Solvency ratio	163	183	179	164

## Events after the balance sheet date

No 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 interim report have occurred.

## Outlook for 2019

It is expected that the result after tax for 2019 will be at the same level as that of 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 higher than they were in 2018, which is related to higher acquisition costs. Due to Velliv's repurchase of own shares, the company is expecting several non-recurring expenditures in connection with the separation from Nordea. These are expected to be at the same level as for 2018.

## Corporate governance etc.

### 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

Hans Henrik Klestrup, Head of Nordea Private Banking Denmark

Leif Flemming Larsen, Professional board member

Kent Petersen, Chairman of Finansforbundet

Chrilles-Zibrandt Svendsen, 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

On 28 March 2019 Hans Henrik Klestrup entered the board and Mads Skovlund Pedersen stepped down from the board.

### 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

Steen Michael Erichsen, CEO

Gitte Minet Aggerholm, Director, CFO

Morten Møller, CCO, entered 1 March 2019

### 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 H1 2019

Three meetings took place in H1 2019.

#### 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.

### Technology committee

#### Establishment of the committee

The Board of Directors in Velliv has formed a technology committee, which consists of three members from the Board of Directors.

#### Members of the committee

The committee consists of Anne Broeng (chairman), Kent Petersen and Leif Flemming Larsen.

#### Main features for the terms of reference

The purpose of the committee is to contribute to and monitor the digitalisation process in Velliv and the technological development in terms of possibilities and priorities. The committee also monitors the transition of Velliv's it-services from Nordea to new service providers.



Management's review  
p.6

Management's statement  
p.13



Financial statements  
p.15

Notes  
p.23

Group overview  
p.41

# Management's statement

The Board of Directors and the Executive Board have today considered and adopted the Interim Report of Velliv, Pension & Livsforsikring A/S for the financial period 1 January – 30 June 2019.

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 30 June 2019 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 period 1 January - 30 June 2019.

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.

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**Ballerup, 29 August 2019**

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## Executive Board

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Steen Michael Erichsen

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Gitte Minet Aggerholm

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Morten Møller

## Board of Directors

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Anne Broeng  
Chairman

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Peter Gæmelke  
Deputy Chairman

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Gustaf Sebastian Björnson Unger

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Lene Klejs Stuhr

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Karsten Sivebæk Knudsen

---

Hans Henrik Klestrup

---

Kent Petersen

---

Chrilles-Zibrandt Svendsen

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Leif Flemming Larsen

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Anne-Marie Nielsen

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Per Lyngh Sørensen

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Tommy Østerberg

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Mogens Edvard Pedersen



Management's review  
p.6

Management's statement  
p.13

Financial statements  
p.15



Notes  
p.23

Group overview  
p.41

# Financial statements

Income statement	16
Other comprehensive income	17
Financial position	18
Statement of changes in equity	20
Cash flow statement	21

# Income statement

DKKm	Velliv Group			Velliv A/S			
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018	
Note							
3	Gross written premiums	9,998	9,133	20,025	9,998	9,133	20,025
	Ceded insurance premiums	-27	-44	-70	-27	-44	-70
	<b>Total premiums, net of reinsurance</b>	<b>9,970</b>	<b>9,089</b>	<b>19,955</b>	<b>9,970</b>	<b>9,089</b>	<b>19,955</b>
	Income from subsidiaries	0	0	0	258	241	820
	Income from associated companies	260	91	92	257	84	82
	Income from investment property	260	241	499	14	15	33
4	Interest income and dividends, etc.	2,096	2,142	4,447	2,090	2,136	4,431
5	Value adjustments	12,925	-891	-6,457	12,920	-905	-6,883
	Interest expenses	-398	-671	-1,284	-392	-666	-1,272
	Investment management expenses	-187	-193	-359	-187	-193	-359
	<b>Total investment return</b>	<b>14,956</b>	<b>718</b>	<b>-3,062</b>	<b>14,960</b>	<b>712</b>	<b>-3,150</b>
	Tax on investment return	-2,069	-51	770	-2,069	-51	770
	<b>Return on investment after tax on investment return</b>	<b>12,886</b>	<b>667</b>	<b>-2,291</b>	<b>12,891</b>	<b>661</b>	<b>-2,379</b>
6	Benefits disbursed	-6,643	-7,250	-14,287	-6,643	-7,250	-14,287
	Reinsurance cover received	125	19	24	125	19	24
	<b>Total insurance benefits, net of reinsurance</b>	<b>-6,518</b>	<b>-7,231</b>	<b>-14,264</b>	<b>-6,518</b>	<b>-7,231</b>	<b>-14,264</b>
8.9	Change in life insurance provisions	-14,724	-1,804	-2,072	-14,724	-1,804	-2,072
	Change in reinsurers' share	-4	0	-1	-4	0	-1
	<b>Total change in life insurance provisions, net of reinsurance</b>	<b>-14,728</b>	<b>-1,804</b>	<b>-2,073</b>	<b>-14,728</b>	<b>-1,804</b>	<b>-2,073</b>
8.9	<b>Change in profit margin</b>	<b>-618</b>	<b>79</b>	<b>462</b>	<b>-618</b>	<b>79</b>	<b>462</b>
	<b>Change in surplus funds</b>	<b>-225</b>	<b>-128</b>	<b>-348</b>	<b>-225</b>	<b>-128</b>	<b>-348</b>
	Acquisition costs	-153	-127	-265	-153	-127	-265
	Administrative expenses	-197	-189	-354	-214	-187	-377
	Gross operating expenses relating to insurance	-351	-316	-620	-367	-314	-642
	Reimbursement of costs from Group enterprises	0	7	8	0	7	8
	Net operating expenses relating to insurance	-351	-308	-612	-367	-306	-634
	Reinsurance commissions and profit sharing	0	0	0	0	0	0
	<b>Total insurance operating expenses, net of reinsurance</b>	<b>-351</b>	<b>-308</b>	<b>-612</b>	<b>-367</b>	<b>-306</b>	<b>-634</b>
	Transferred investment return	-33	16	-38	-48	29	51
	<b>TECHNICAL RESULT</b>	<b>383</b>	<b>379</b>	<b>791</b>	<b>357</b>	<b>387</b>	<b>770</b>
	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>16</b>	<b>15</b>	<b>40</b>	<b>16</b>	<b>15</b>	<b>40</b>
	Investment return on equity	-25	-31	22	-10	-44	-67
7	Other income and expenses	-53	-72	-110	-53	-72	-110
	<b>PROFIT BEFORE TAX</b>	<b>322</b>	<b>291</b>	<b>743</b>	<b>310</b>	<b>287</b>	<b>633</b>
	Tax	-79	-62	-148	-77	-63	-147
	<b>NET PROFIT FOR THE PERIOD</b>	<b>242</b>	<b>230</b>	<b>595</b>	<b>232</b>	<b>224</b>	<b>486</b>
	Non-controlling interests	10	6	109	0	0	0
		<b>232</b>	<b>224</b>	<b>486</b>	<b>232</b>	<b>224</b>	<b>486</b>

# Other comprehensive income

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Note						
Net profit/loss for the year	242	230	595	232	224	486
Total other comprehensive income	0	0	0	0	0	0
<b>Comprehensive income for the year</b>	<b>242</b>	<b>230</b>	<b>595</b>	<b>232</b>	<b>224</b>	<b>486</b>
Of which:						
Non-controlling interests	10	6	109	0	0	0
<b>Velliv, Pension &amp; Livsforsikring A/S share</b>	<b>232</b>	<b>224</b>	<b>486</b>	<b>232</b>	<b>224</b>	<b>486</b>

# Financial position

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Note						
<b>ASSETS</b>						
Intangible assets	427	338	439	0	2	0
<b>TOTAL INTANGIBLE ASSETS</b>	<b>427</b>	<b>338</b>	<b>439</b>	<b>0</b>	<b>2</b>	<b>0</b>
Tangible assets	35	0	18	35	0	18
Group occupied property	95	0	96	95	0	96
<b>TOTAL TANGIBLE ASSETS</b>	<b>130</b>	<b>0</b>	<b>114</b>	<b>130</b>	<b>0</b>	<b>114</b>
<b>Investment property</b>	<b>9,276</b>	<b>8,736</b>	<b>9,110</b>	<b>325</b>	<b>462</b>	<b>325</b>
Shares in subsidiaries	0	0	0	7,447	7,362	7,266
Shares in associated companies	2,760	3,024	2,768	2,602	2,865	2,609
Loan to subsidiaries	0	0	0	467	492	479
<b>Total investment in associated companies</b>	<b>2,760</b>	<b>3,024</b>	<b>2,768</b>	<b>10,515</b>	<b>10,718</b>	<b>10,355</b>
Shares	7,972	6,494	7,564	7,972	6,494	7,564
Unit trust certificates	21,476	26,091	22,541	21,476	26,091	22,541
Bonds	70,862	69,041	70,416	71,367	69,041	70,416
Derivatives	25,550	14,162	10,867	25,550	14,162	10,867
Other	3,766	1,407	2,191	3,389	1,026	1,812
<b>Total other financial investment assets</b>	<b>129,625</b>	<b>117,194</b>	<b>113,579</b>	<b>129,753</b>	<b>116,814</b>	<b>113,199</b>
<b>TOTAL INVESTMENT ASSETS</b>	<b>141,660</b>	<b>128,954</b>	<b>125,456</b>	<b>140,593</b>	<b>127,994</b>	<b>123,879</b>
<b>INVESTMENT ASSETS RELATED TO MARKET RETURN PRODUCTS</b>	<b>94,827</b>	<b>80,691</b>	<b>81,580</b>	<b>94,323</b>	<b>80,691</b>	<b>81,580</b>
Life insurance provisions, reinsurers' share	0	4	4	0	4	4
<b>Total insurance contract provisions, reinsurers' share</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>4</b>
Receivables from policyholders	635	571	530	635	571	530
<b>Total amounts due related to direct insurance contracts</b>	<b>635</b>	<b>571</b>	<b>530</b>	<b>635</b>	<b>571</b>	<b>530</b>
Receivables from insurance companies	418	432	473	418	432	473
Receivables from Group enterprises	0	4	1	1	4	0
Current tax assets	11	108	12	0	-4	0
Other receivables	10,184	3,515	4,701	10,046	3,334	4,673
<b>TOTAL RECEIVABLES</b>	<b>11,248</b>	<b>4,634</b>	<b>5,722</b>	<b>11,100</b>	<b>4,341</b>	<b>5,680</b>
Cash and cash equivalents	5,681	4,338	4,460	5,198	3,970	4,232
<b>TOTAL OTHER ASSETS</b>	<b>5,681</b>	<b>4,338</b>	<b>4,460</b>	<b>5,198</b>	<b>3,970</b>	<b>4,232</b>
Interest receivable and accumulated rent	1,155	681	718	1,155	681	718
Other prepayments and accrued income	388	368	363	387	368	345
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	<b>1,543</b>	<b>1,049</b>	<b>1,081</b>	<b>1,543</b>	<b>1,049</b>	<b>1,063</b>
<b>TOTAL ASSETS</b>	<b>255,518</b>	<b>220,005</b>	<b>218,851</b>	<b>252,887</b>	<b>218,049</b>	<b>216,548</b>

# Financial position

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Note						
	<b>Liabilities</b>					
	Provisions for unearned premiums	15	17	16	15	17
8	Life insurance provisions - traditional products	92,279	91,209	89,129	92,279	89,129
9	Life insurance provisions - market return products	92,646	78,755	81,071	92,646	81,071
	Profit margin on life insurance and investment contracts	3,641	3,406	3,023	3,641	3,023
	Provisions for claims	1,160	1,226	1,169	1,160	1,169
	Risk margin on non-life insurance contracts	16	8	8	16	8
	Provisions for bonuses and premium rebates	5	6	5	5	6
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>189,763</b>	<b>174,627</b>	<b>174,420</b>	<b>189,763</b>	<b>174,420</b>
	Payables, direct insurance operations	41	66	83	41	83
	Amounts owed to reinsurers	0	3	0	0	0
	Payables to credit institutions	24,477	13,486	19,934	22,599	18,394
	Payables to Group enterprises	2	267	18	119	195
	Current tax liabilities	107	0	65	107	65
	Unsettled purchase of investment assets	3,662	2,624	2,470	3,662	2,470
	Other payables	28,234	19,234	11,754	27,929	11,368
	<b>Total liabilities other than provisions</b>	<b>56,523</b>	<b>35,680</b>	<b>34,325</b>	<b>54,457</b>	<b>32,576</b>
	<b>ACCRUALS AND DEFERRED INCOME</b>	<b>595</b>	<b>648</b>	<b>471</b>	<b>595</b>	<b>471</b>
	Deferred tax liabilities	742	712	735	561	554
	<b>TOTAL PROVISIONS</b>	<b>742</b>	<b>712</b>	<b>735</b>	<b>561</b>	<b>554</b>
	Surplus funds 'DinKapital'	709	265	485	709	485
10	Other subordinate loan capital	3,368	3,364	3,341	3,368	3,341
	<b>TOTAL SUBORDINATE LOAN CAPITAL</b>	<b>4,078</b>	<b>3,629</b>	<b>3,826</b>	<b>4,078</b>	<b>3,826</b>
	<b>Total liabilities</b>	<b>251,701</b>	<b>215,296</b>	<b>213,777</b>	<b>249,454</b>	<b>211,847</b>
11	Share capital	515	600	600	515	600
	Contingency fund	488	488	488	547	547
	Retained earnings	2,372	3,292	3,155	2,372	3,155
	Proposed dividend for financial year	0	0	400	0	400
	Minority interest	442	329	432	0	0
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,817</b>	<b>4,709</b>	<b>5,075</b>	<b>3,434</b>	<b>4,701</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>255,518</b>	<b>220,005</b>	<b>218,851</b>	<b>252,887</b>	<b>216,548</b>

# Statement of changes in equity

## Velliv Group

DKKkm	Share Capital	Contingency funds	Retained earnings	Proposed dividends	Minority interest	Total
Note						
Equity 1 January 2018	600	488	3,068	400	323	4,880
<i>Change in equity first half of 2018</i>						
Profit/(loss) for the period	0	0	224	0	6	230
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	0	0	224	0	6	230
Distributed dividend	0	0	0	-400	0	-400
Share-based payment	0	0	0	0	0	0
Total change in equity first half of 2018	0	0	224	-400	6	-170
<b>Equity 30 June 2018</b>	<b>600</b>	<b>488</b>	<b>3,292</b>	<b>0</b>	<b>329</b>	<b>4,709</b>
Equity 1 July 2018	600	488	3,292	0	329	4,709
<i>Change in equity second half of 2018</i>						
Profit/(loss) for the period	0	0	-137	400	102	365
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	0	0	-137	400	102	365
Distributed dividend	0	0	0	0	0	0
Share-based payment	0	0	0	0	0	0
Total change in equity second half of 2018	0	0	-137	400	102	365
<b>Equity 31 December 2018</b>	<b>600</b>	<b>488</b>	<b>3,155</b>	<b>400</b>	<b>432</b>	<b>5,075</b>
Equity 1 January 2019	600	488	3,155	400	432	5,075
<i>Change in equity first half of 2019</i>						
Profit/(loss) for the period	0	0	232	0	10	242
Share capital reduction	-85	0	-1,015	0	0	-1,100
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	-85	0	-783	0	10	-858
Distributed dividend	0	0	0	-400	0	-400
Share-based payment	0	0	0	0	0	0
Total change in equity first half of 2019	-85	0	-783	-400	10	-1,258
<b>Equity 30 June 2019</b>	<b>515</b>	<b>488</b>	<b>2,372</b>	<b>0</b>	<b>442</b>	<b>3,817</b>

## Velliv AS

DKKkm	Share Capital	Contingency funds	Retained earnings	Proposed dividends	Minority interest	Total
Note						
Equity 1 January 2018	600	547	3,068	400	0	4,615
<i>Change in equity first half of 2018</i>						
Profit/(loss) for the period	0	0	224	0	0	224
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	0	0	224	0	0	224
Distributed dividend	0	0	0	-400	0	-400
Total change in equity first half of 2018	0	0	224	-400	0	-176
<b>Equity 30 June 2018</b>	<b>600</b>	<b>547</b>	<b>3,292</b>	<b>0</b>	<b>0</b>	<b>4,439</b>
Equity 1 July 2018	600	547	3,292	0	0	4,439
<i>Change in equity second half of 2018</i>						
Profit/(loss) for the period	0	0	-137	400	0	263
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	0	0	-137	400	0	263
Distributed dividend	0	0	0	0	0	0
Share-based payment	0	0	0	0	0	0
Total change in equity second half of 2018	0	0	-137	400	0	263
<b>Equity 31 December 2018</b>	<b>600</b>	<b>547</b>	<b>3,155</b>	<b>400</b>	<b>0</b>	<b>4,701</b>
Equity 1 January 2019	600	547	3,155	400	0	4,701
<i>Change in equity first half of 2019</i>						
Profit/(loss) for the period	0	0	232	0	0	232
Share capital reduction	-85	0	-1,015	0	0	-1,100
Other comprehensive income	0	0	0	0	0	0
Comprehensive income for the period	-85	0	-783	0	0	-868
Distributed dividend	0	0	0	-400	0	-400
Share-based payment	0	0	0	0	0	0
Total change in equity first half of 2019	-85	0	-783	-400	0	-1,268
<b>Equity 30 June 2019</b>	<b>515</b>	<b>547</b>	<b>2,372</b>	<b>0</b>	<b>0</b>	<b>3,434</b>

# Cash flow statement

Velliv Group

DKKm	30 June 2019	30 June 2018	2018
<b>Cash flow from operating activities</b>			
Premiums and benefits disbursed	3,492	1,615	5,405
Operating expenses	-620	-337	-583
Paid Tax	-379	-1,384	-2,070
Other cash flow from operating activities	0	0	0
	<b>2,493</b>	<b>-105</b>	<b>2,752</b>
<b>Cash flow from investing activities</b>			
Purchase and sale of property investments	78	-331	-824
Other cash flow from investing activities	-284	486	-2,246
	<b>-206</b>	<b>155</b>	<b>-3,070</b>
<b>Cash flow from financing activities</b>			
Distributed dividend	-400	-400	-400
Aquired surplus funds	209	124	335
Repurchase of shares	-1,100	0	0
Aquired other subordinate loan capital	-46	1,602	1,633
Redeemed other subordinate loan capital	0	-1,500	-1,500
Aquired other debt to credit institutions	338	200	494
Paid interests	-66	-61	-107
	<b>-1,065</b>	<b>-35</b>	<b>454</b>
<b>Total cash flow</b>	<b>1,222</b>	<b>15</b>	<b>136</b>
Cash beginning of year	4,460	4,323	4,323
Cash end of year	5,681	4,338	4,460

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	485	137	137
Payments to surplus funds	209	124	335
Accrual of interests	16	5	13
Surplus funds, end of year	<b>709</b>	<b>265</b>	<b>485</b>

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	3,341	3,233	3,233
Aquired other subordinate loan capital and value adjustment of loans	-46	1,602	1,633
Foreign currency hedge instrument	73	30	-24
Redeemed other subordinate loan capital	0	-1,500	-1,500
Other subordinate loan capital, end of year	<b>3,368</b>	<b>3,364</b>	<b>3,341</b>

At the end of the first half of 2019, 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 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 redeem a bullet loan at Nordea Life Holding AB of DKK 1,500m. The corporate bonds will expire in 2028.

Debt to credit institutions, beginning of year	1,540	1,046	1,046
Changes in debt to credit institutions	338	200	494
Debt to credit institutions, end of year	<b>1,878</b>	<b>1,246</b>	<b>1,540</b>

Other debt to credit institutions consists primarily of mortgage loans used to acquire new investment property. 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. Other debt to credit institutions is included in Payables to Credit institutions in the balance sheet.



Management's review  
p.6

Management's statement  
p.13

Financial statements  
p.15

Notes  
p.23



Group overview  
p.41

# Notes

1.	Accounting policies	24
2.	Segment reporting	25
3.	Gross written premiums	25
4.	Interest income and dividends, etc.	26
5.	Value adjustments	27
6.	Benefits disbursed	27
7.	Other income and expenses	27
8.	Life insurance provisions - traditional products	28
9.	Life insurance provisions - market return products	30
10.	Other subordinate loan capital	30
11.	Total shareholders' equity	31
12.	Capital base	31
13.	Charges and collateral securities	32
14.	Contingent liabilities and undertaking	32
15.	Financial assets and liabilities	33
16.	Fair value measurement	34
17.	Sensitivity information	35
18.	Risk information	36

# Notes

## 1. Accounting policies

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Velliv is a pension providing 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 2018, except for accounting policies regarding leases.

### 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 2018, except for accounting policies regarding leases where we have implemented IFRS 16.

### IFRS 16, Leases

IFRS 16, Leases, is effective for the financial year commencing 1 January 2019. Velliv has implemented IFRS 16 and will recognise leases assets (Right of Use Assets) and leases liabilities in the balance sheet. The implementation of IFRS 16 has no significant impact on profit or loss or equity. Leases assets recognised in the balance sheet comprise of operating equipment. Leases liabilities are recognised in the accounting line "other debt". The total impact on the balance sheet 1 January 2019 using the modified retrospective approach was;

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**Figure 1** Impact of implementing IFRS 16

DKKm	1 January 2019
<b>Assets:</b>	
Tangible assets	8
<b>Total assets</b>	<b>8</b>
<b>Equity and liabilities:</b>	
Other debt	8
<b>Total equity and liabilities</b>	<b>8</b>

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### Comparative figures

Comparative figures in the notes referring to profit and loss are from 30 June 2018 and comparative figures for notes referring to the balance sheet are from 31 December 2018.

## 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 H1 of 2019	Traditional	Market return	Other	Reclassification	Group
Total premiums, net of reinsurance	1,581	8,416	44	-44	9,998
Ceded insurance premiums	-27	0	0	0	-27
Total investment return	6,100	8,790	63	2	14,956
Tax on investment return	-832	-1,236	-1	0	-2,069
Total insurance benefits, net of reinsurance	-3,244	-3,238	-113	77	-6,518
Total change in life insurance provisions and change in profit margin	-3,174	-12,193	29	-8	-15,347
Change in surplus funds	-4	-221	0	0	-225
Total insurance operating expenses, net of reinsurance	-178	-188	-11	26	-351
Transferred investment return	0	0	25	-58	-33
Transferred to health and accident	0	0	0	16	16
Investment return on equity	0	0	-25	0	-25
Other income and expenses	0	3	-57	0	-53
<b>Profit before tax</b>	<b>222</b>	<b>134</b>	<b>-45</b>	<b>12</b>	<b>322</b>
Tax	0	0	-77	-2	-79
<b>NET PROFIT FOR THE PERIOD</b>	<b>222</b>	<b>134</b>	<b>-123</b>	<b>10</b>	<b>242</b>
Non-controlling interests	0	0	0	10	10
<b>Total net profit for the period</b>	<b>222</b>	<b>134</b>	<b>-123</b>	<b>0</b>	<b>232</b>

Segment reporting H1 of 2018	Traditional	Market return	Other	Reclassification	Group
Gross written premiums	1,638	7,495	47	-47	9,133
Ceded insurance premiums	-44	0	0	0	-44
Total investment return	-4	747	-35	11	718
Tax on investment return	110	-165	3	0	-51
Total insurance benefits, net of reinsurance	-3,384	-3,807	-112	72	-7,231
Total change in life insurance provisions and change in profit margin	2,122	-3,894	84	-38	-1,725
Change in surplus funds	-3	-125	0	0	-128
Total insurance operating expenses, net of reinsurance	-157	-149	-9	7	-308
Transferred investment return	0	0	31	-15	16
Transferred to health and accident	0	0	0	15	15
Investment return on equity	0	0	-31	0	-31
Other income and expenses	0	3	-75	0	-72
<b>Profit before tax</b>	<b>278</b>	<b>106</b>	<b>-97</b>	<b>5</b>	<b>291</b>
Tax	0	0	-63	1	-62
<b>NET PROFIT FOR THE PERIOD</b>	<b>278</b>	<b>106</b>	<b>-160</b>	<b>6</b>	<b>230</b>
Non-controlling interests	0	0	0	6	6
<b>Total net profit for the period</b>	<b>278</b>	<b>106</b>	<b>-160</b>	<b>0</b>	<b>224</b>

### 3. Gross written premiums

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Premiums, individual, exclusive of group life				126	108	257
Premiums, corporate schemes, exclusive of group life				4,777	4,174	8,502
Premiums, group life				426	401	788
Direct insurance, exclusive of single premiums				5,329	4,683	9,547
Single premiums, individual				112	70	168
Single premiums, corporate schemes				4,557	4,379	10,310
Direct insurance				9,998	9,133	20,025
Indirect insurance				0	0	0
				<b>9,998</b>	<b>9,133</b>	<b>20,025</b>
<b>Premiums, direct insurance, broken down by insurance arrangement</b>						
Insurance taken out through employers				9,333	8,553	18,812
Insurance taken out by individuals				238	178	426
Group term life insurance				426	401	788
				9,998	9,133	20,025
<b>Premiums, direct insurance, broken down by bonus arrangement</b>						
Insurance with bonus plans				1,732	1,773	3,650
Insurance without bonus plans				139	45	85
Insurance, policyholder carries the investment risk				8,127	7,314	16,290
				9,998	9,133	20,025
<b>Number of insured, direct insurance (1,000 units)</b>						
Insurance taken out through employers				303	315	312
Insurance taken out by individuals				215	199	215
Group term life insurance				229	234	229
<b>Premiums, direct insurance, broken down by policyholders' residence</b>						
Denmark				9,801	8,965	19,630
Other EU countries				166	186	331
Other countries				31	48	65
				9,998	9,199	20,025

### 4. Interest income and dividends, etc.

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Dividend, shares	249	200	355	249	200	355
Dividend, private equity funds	506	602	1,338	506	602	1,338
Dividend, hedge funds	32	22	23	32	22	23
Dividend, unit trust certificates	53	184	186	53	184	186
Dividend, other alternative investments	69	42	188	69	42	188
Interest on securities etc.	526	447	1,002	520	441	905
Interest on derivatives	532	566	1,184	532	566	1,266
Indexation of index-linked bonds	128	77	170	128	77	170
	<b>2,096</b>	<b>2,142</b>	<b>4,447</b>	<b>2,090</b>	<b>2,136</b>	<b>4,431</b>

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

## 5. Value adjustments

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Group occupied property	0	0	-11	0	0	-11
Investment property	6	1	375	0	-14	-53
Shares	888	-666	-872	888	-664	-870
Unit trust certificates	7,907	152	-3,108	7,907	152	-3,108
Listed bonds exclusive of index-linked bonds	4,624	-541	-3,120	4,624	-541	-3,120
Index-linked bonds	-49	-33	-72	-49	-33	-72
Cash on hand and demand deposits	-8	6	-6	-8	6	-6
Other	-442	190	357	-442	190	357
	<b>12,925</b>	<b>-891</b>	<b>-6,457</b>	<b>12,920</b>	<b>-905</b>	<b>-6,883</b>

## 6. Benefits disbursed

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Death benefits				-673	-453	-882
Benefits at critical illness				-104	-90	-191
Disability benefits				-58	-60	-97
Benefits at maturity				-116	-125	-251
Retirement and annuity benefits				-1,828	-1,805	-3,634
Surrender				-3,863	-4,716	-9,230
Bonuses disbursed in cash				0	-2	-3
Total direct insurance contracts				-6,643	-7,250	-14,287
Indirect insurance				0	0	0
				<b>-6,643</b>	<b>-7,250</b>	<b>-14,287</b>

## 7. Other income and expenses

DKKm	Velliv Group			Velliv A/S		
	30 June 2019	30 June 2018	2018	30 June 2019	30 June 2018	2018
Commission relating to investment funds	3	3	6	3	3	6
Transition costs	-57	-75	-116	-57	-75	-116
	<b>-53</b>	<b>-72</b>	<b>-110</b>	<b>-53</b>	<b>-72</b>	<b>-110</b>

## 8. Life insurance provisions - traditional products

DKKm	30 June 2019	30 June 2018	2018
Life insurance provisions - traditional products, beginning of year	89,129	93,375	93,375
Profit margin, beginning of year	0	8	8
Adjustment, beginning of year	0	0	0
Total technical provisions, beginning of year	89,129	93,384	93,384
Collective bonus potential, beginning of year	-6,386	-8,169	-8,169
Provisions for claims, beginning of year	-347	-314	-314
Accumulated value adjustment, beginning of year	-13,845	-14,840	-14,840
Regulation, beginning of year	-446	0	0
Retrospective provisions, beginning of year	68,103	70,061	70,061
<b>Changes during the year *):</b>			
Gross premiums	1,754	1,901	3,682
Accrual of interest	720	969	1,782
Insurance benefits	-3,586	-3,755	-7,373
Expense loading after addition of cost bonus	-219	-228	-462
Profit on risk after addition of risk bonus	300	322	488
Change of additional reserves	-23	16	-12
Rating of negative bonus	170	130	296
Revaluation of benefits disbursed at migration	1	2	10
Other changes	173	-27	-72
Model development and update of parameters	0	0	118
Change in quote share etc. relating to share in Forenede Gruppeliv	0	0	31
<b>Total changes**</b>	<b>-711</b>	<b>-671</b>	<b>-1,512</b>
Retrospective provisions, end of period	67,392	69,391	68,549
Accumulated value adjustment, end of period	18,357	14,606	13,845
Provisions for claims, end of period	385	394	347
Collective bonus potential, end of period	6,144	6,827	6,386
Total technical provisions, end of period	92,279	91,217	89,129
Profit margin, end of period	0	-8	0
	<b>92,279</b>	<b>91,209</b>	<b>89,129</b>
*) 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.			
<i>Breakdown of changes in gross life insurance provisions</i>			
Change in retrospective provisions	-711	-671	-1,512
Change in accumulated value adjustment	4,511	-234	-994
Change in provisions for claims, from beginning of balance until end of balance	38	80	34
Change in profit margin Forenede Gruppeliv	0	0	0
Change in collective bonus potential	-243	-1,342	-1,783
Change in gross life insurance provisions	3,596	-2,166	-4,255
Change in quote share etc. relating to share in Forenede Gruppeliv	0	0	31
Regulation, beginning of year	-446	0	0
Reservation for death payments	0	-3	-1
<b>Total change recognised in income statement (of opposite sign)</b>	<b>3,149</b>	<b>-2,169</b>	<b>-4,225</b>
<i>Breakdown of changes in gross life insurance provisions</i>			
Change in guaranteed benefits, from beginning of balance until end of balance	3,815	-869	-2,623
Change in risk margin, from beginning of balance until end of balance	18	-18	-16
Change in individual bonus potential, from beginning of balance until end of balance	-478	-18	133
Change in provisions for claims, from beginning of balance until end of balance	38	80	34
Change due to change, beginning of year	446	0	0
Change in collective bonus potential, from beginning of balance until end of balance	-243	-1,342	-1,783
<b>Change in gross life insurance provisions</b>	<b>3,596</b>	<b>-2,166</b>	<b>-4,255</b>

## 8. Life insurance provisions - traditional products

*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
<b>Beginning of 2019</b>				
FG	771	0	22	793
U74 etc.	475	0	0	475
	<b>1,246</b>	<b>0</b>	<b>22</b>	<b>1,268</b>
<b>30 June 2019</b>				
FG	771	0	22	793
U74 etc.	454	0	0	454
	<b>1,225</b>	<b>0</b>	<b>22</b>	<b>1,247</b>

Calculation of the provisions is based on the fact that the contacts only include guaranteed 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 of gross life insurance provisions onto contribution groups*

	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Gross life insurance provisions
<b>Beginning of 2019</b>				
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
	<b>82,264</b>	<b>478</b>	<b>6,386</b>	<b>89,129</b>
<b>30 June 2019</b>				
Interest rate group 1	46,862	0	2,695	49,557
Interest rate group 2	8,355	0	691	9,046
Interest rate group 3	10,804	0	556	11,359
Interest rate group 4	18,889	0	1,391	20,280
Other	1,225	0	812	2,037
	<b>86,134</b>	<b>0</b>	<b>6,144</b>	<b>92,279</b>

DKKm	30 June 2019	30 June 2018	2018
<b>Profit margin</b>			
Other	0	8	0
	<b>0</b>	<b>8</b>	<b>0</b>
<b>Risk margin</b>			
Interest rate group 1	112	105	104
Interest rate group 2	19	19	19
Interest rate group 3	31	29	28
Interest rate group 4	57	55	53
Other	17	8	14
	<b>235</b>	<b>215</b>	<b>217</b>

## 9. Life insurance provisions - market return products

DKK m	30 June		2018
	2019	2018	
Life insurance provisions, market return products, beginning of year	81,071	74,783	74,783
Profit margin, beginning of year	3,023	3,477	3,477
Technical provisions, beginning of year	84,094	78,259	78,259
Provisions for claims, beginning of year	-24	-12	-12
Accumulated value adjustment, beginning of year	-40	-29	-29
Retrospective provisions, beginning of year	84,031	78,218	78,218
<b>Changes in the year due to *)</b> :			
Gross premiums including single premium	8,660	7,746	17,254
Accrual of interest	7,553	582	-3,308
Insurance benefits	-3,444	-4,026	-7,738
Change risk margin	1	5	-2
Expense loading after adding of expense bonus	-313	-248	-554
Other changes	-271	-179	160
<b>Changes in the period due to **)</b>	<b>12,187</b>	<b>3,881</b>	<b>5,813</b>
Retrospective provisions, end of period	96,218	82,099	84,031
Provisions for claims, end of period	50	20	24
Accumulated value adjustment, end of period	20	33	40
Total technical provisions, end of period	96,288	82,153	84,094
Profit margin, end of period	-3,641	-3,397	-3,023
	<b>92,646</b>	<b>78,755</b>	<b>81,071</b>
*) 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.			
<i>Changes of the year regarding provisions for unit-linked contracts - breakdown as follows:</i>			
Change in retrospective provisions	12,187	3,881	5,813
Change in accumulated value adjustment	-19	4	10
Change in provisions for claims	26	9	12
<b>Total change recognised in income statement (of opposite sign)</b>	<b>12,193</b>	<b>3,894</b>	<b>5,835</b>
<i>Provisions for unit-linked contracts with and without guarantee</i>			
Provisions for unit-linked contracts with guarantee for disbursement	5,528	5,513	5,321
Provisions for unit-linked contracts without guarantee	87,118	73,243	75,751
	<b>92,646</b>	<b>78,755</b>	<b>81,071</b>

## 10. Other subordinate loan capital

DKK m	Velliv A/S						
	30 June 2019	30 June 2018	2018				
Total expenses related to repayment of existing subordinate loan	0	0	0				
Total expenses related to establishment of new subordinate loan	0	4	4				
<i>Payments related to subordinate loan capital for the year:</i>							
Interest expenses	-52	-51	-103				
Expenses related to repayment and establishment of subordinate loans	0	-1	-1				
	<b>-52</b>	<b>-52</b>	<b>-104</b>				
Share of subordinate loan capital included in the capital base:	3,368	3,364	3,341				
<i>Contributed sums exceeding 10% of the total subordinate loan capital:</i>							
	<u>Issue date</u>	<u>Due date</u>	<u>Lender</u>	<u>Interest rate %</u>			
Nominal SEK 2,250m at variable rate*	June 2018	June 2028	Listed bonds	Stibor 3m+2.75	1,636	1,632	1,609
Nominal DKK 800m at variable rate	June 2008	Indefinite	loan	Cibor 12m+2.18	800	1,733	1,733
Nominal DKK 932.5m at variable rate	Dec 2016	Indefinite	Internal loan	Cibor 3m+5.25	933	0	0
					<b>3,368</b>	<b>3,364</b>	<b>3,341</b>

\* The loan was established on 8 June 2018 and is listed on Nasdaq Copenhagen. The loan can be redeemed from June 2023 when approved 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	3,368	3,364	3,341

## 11. Total shareholders' equity

DKK m	Velliv A/S		
	30 June 2019	30 June 2018	2018
<i>Share capital</i>			
Beginning of period	600	600	600
Repurchase of shares	-85	0	0
<b>End of period</b>	<b>515</b>	<b>600</b>	<b>600</b>

The share capital has been divided into share units of DKK 100 or multiples thereof, corresponding to 5,153,847 units.

81% of the shares is owned by Velliv Foreningen Fmba, Lautrupvang 10, 2750 Ballerup (Business reg. no. 36741422) who prepares a consolidated financial statement in which Velliv A/S is incorporated, and 19% of the shares is 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.

## 12. Capital base

DKK m	Velliv A/S		
	30 June 2019	30 June 2018	2018
Shareholders' equity	3,434	4,439	4,701
Subordinate debt	4,078	3,629	3,826
Proposed dividend	0	0	-400
Changes in technical provisions	7,125	8,093	6,896
Tax	-1,474	-2,484	-1,421
Adjustment regarding subsidiaries	-427	-338	-439
<b>Capital base, end of year</b>	<b>12,736</b>	<b>13,339</b>	<b>13,163</b>

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 Profits) 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 Solvency ratio can be seen in note 13. 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.

### 13. Charges and collateral securities

DKKm	Velliv A/S		2018
	30 June 2019	30 June 2018	
According to the Executive Order no. 11 of 4 January 2019 (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 182.7bn, which results in an excess of 3,1%.			
<b>Registered assets*</b>			
Investment properties	325	365	325
Equity investments in related Group enterprises	7,401	7,047	6,946
Equity investments in associates	2,601	3,163	2,897
Equity investments	265	275	238
Unit trust certificates	36,169	39,602	36,893
Bonds	50,895	51,785	48,680
Investment assets related to market rate products	90,774	77,600	78,454
<b>Total cover of insurance provisions</b>	<b>188,431</b>	<b>179,836</b>	<b>174,434</b>

\*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:*

#### *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

1,673      884      888

Carrying amount of investment properties with mortgage debt amounts to

3,616      1,734      1,746

#### *Bonds*

Bonds sold as part of repo transactions, recognised in the balance  
Bonds deposited on a pledge account in order to cover for liabilities related to wind-up of financial instruments

16,127      7,718      13,981  
1,309      1,982      953

#### *Cash and cash equivalents*

Credit balance on deposit accounts provided as collateral for liabilities related to wind-up of financial instruments

52      142      25

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'.

### 14. 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 310m (2018: DKK 182m) 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 10.8bn (2018: DKK 11.6bn).

## 15. Financial assets and liabilities

DKKm

	Fair value		Amortised cost		Total
	Trade	Designated	Receivables	Liabilities	
<b>30 June 2019</b>					
Shares		7,972			7,972
Unit trust certificates		21,476			21,476
Bonds		70,862			70,862
Derivatives	25,550				25,550
Other	3,766				3,766
Investment assets related to market return products	0	94,827			94,827
Other receivables	10,184				10,184
Cash	5,681				5,681
<b>Total financial assets</b>	<b>45,181</b>	<b>195,137</b>	<b>0</b>	<b>0</b>	<b>240,318</b>
Payables to credit institutions	24,477				24,477
Derivatives	19,533				19,533
Subordinated loan capital				4,078	4,078
<b>Total financial liabilities</b>	<b>30,900</b>	<b>0</b>	<b>0</b>	<b>4,078</b>	<b>48,088</b>
	Fair value		Amortised cost		
	Trade	Designated	Receivables	Liabilities	Total
<b>31 December 2018</b>					
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	81,328			81,580
Other receivables	4,701				4,701
Cash	4,460				4,460
<b>Total financial assets</b>	<b>22,470</b>	<b>181,849</b>	<b>0</b>	<b>0</b>	<b>204,319</b>
Payables to credit institutions	19,934				19,934
Derivatives	9,042				9,042
Subordinated loan capital				3,826	3,826
<b>Total financial liabilities</b>	<b>28,976</b>	<b>0</b>	<b>0</b>	<b>3,826</b>	<b>32,802</b>

## 16. Fair value measurement

DKKm

	Listed prices	Observable input	Non-observable input	Total
	Level 1	Level 2	Level 3	
<b>30 June 2019</b>				
Shares	1,319	0	6,653	7,972
Unit trust certificates	21,476	0	0	21,476
Bonds	65,845	0	5,017	70,862
Derivatives	15,421	10,128	0	25,550
Other	3,387	0	378	3,766
Investment assets related to market return products	83,185	1	8,013	91,200
<b>Total financial assets</b>	<b>190,634</b>	<b>10,129</b>	<b>20,061</b>	<b>220,824</b>
Derivatives	-13,782	-5,751	0	-19,533
<b>Total financial liabilities</b>	<b>-13,782</b>	<b>-5,751</b>	<b>0</b>	<b>-19,533</b>

	Listed prices	Observable input	Non-observable input	Total
	Level 1	Level 2	Level 3	
<b>31 December 2018</b>				
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	8,570	78,188
<b>Total financial assets</b>	<b>159,230</b>	<b>12,183</b>	<b>20,354</b>	<b>191,767</b>
Derivatives	-4,445	-4,597	0	-9,042
<b>Total financial liabilities</b>	<b>-4,445</b>	<b>-4,597</b>	<b>0</b>	<b>-9,042</b>

### Transfer between levels:

	30 June 2019	30 June 2018	2018
<b>Value adjustment based on non-observable input</b>			
Fair value beginning of year	20,354	19,642	19,642
Value adjustment over profit and loss in the item 'Value adjustments'	71	87	292
Purchase	1,239	4,820	3,058
Sales	-1,603	-1,110	-2,638
<b>Fair value, end of year</b>	<b>20,061</b>	<b>23,438</b>	<b>20,354</b>

In 2019, unrealised value adjustments of DKK 103m (2018: DKK 598m) 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).

## 16. Fair value measurement

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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 10 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 Note 18 'Risk Information' in the section 'Financial risks'.

## 17. Sensitivity information

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**DKK**m

Event	Effect on shareholders' equity (DKK)m
Mortality 10% increase	0.0
Mortality 10% decrease	-28.1
Disability 10% increase	-3.9
Interest rate increase of 0.5 percentage point	0.0
Interest rate decrease of 0.5 percentage point	-8.6
Fall in share value of 12%	-15.3
Decline in property prices of 8%	-7.6

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.

## 18. Risk information

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### Main risks

Velliv is exposed to a range of risks related to the insurance business. The most important risks are categorised within the following areas:

- Insurance risks
- Financial 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.

The management of risks is governed by Velliv's Risk Management System and Control Framework.

### Insurance risks

Insurance risk is defined as a risk of loss or a negative change in the technical provisions. A change of value of the technical provisions can arise from changes in level, trend or volatility of mortality risk, longevity risk, disability risk or lapse risk. Changes of the value of the technical provisions could also arise from changes to the overall cost associated with insurance risk.

Insurance risk can be divided into biometric and non-biometric risks. Biometric risk consists of mortality risk, longevity risk, and disability risk and together they provide 39% of the overall level of insurance risk. The non-biometric risk covers the expense risk, policyholder behaviour risk, and catastrophe.

Insurance risks are primarily controlled using actuarial methods, i.e. through 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 risk, disability risk, and lapse risk are updated annually.

#### *Mortality, longevity and disability risk*

Velliv uses a partial internal model to calculate the longevity shock in the calculation of the solvency capital requirement (SCR). 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.

#### *Management of insurance risk*

It is the overall objective of the company to create a sound and solid insurance business. Underwriting is performed in compliance with Velliv's overall underwriting policy, Insurance Risk Policy.

Risk management of insurance risk 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.

The actuarial function identifies risks and provides recommendations of potential changes to the underlying assumptions of the provided insurance products. The scope of this process also covers the policy of insurance risks.

### Financial risks

The financial risks in Velliv cover 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.

Market risk arises due to changes in the level or in the volatility of the market prices or rates of the assets and liabilities. Market risk is mainly related to investments in products with embedded guarantees. Velliv carries the risk of fulfilling these guarantees to policyholders.

## 18. Risk information

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Market risk also arises from the investment of shareholder capital. Shareholder capital is invested separately from policyholder assets and Velliv bears the direct market risk.

In addition, the market return products generate future profits that are included in the Solvency II balance sheet. A potential reduction in the size of this business would reduce the future profits and thereby the available own funds in the Solvency II balance sheet.

Market risks are measured via the Solvency II standard formula, exposure measurement on investment assets, Value-at-Risk analysis, market risk economic capital, forward-looking balance sheet projections, and stress and sensitivity analysis. The results prove that Velliv is resilient to the stresses performed. Market risks are monitored against the risk appetite and risk limits.

#### *Interest rate risk and equity risk*

The most significant financial 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 in order 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.

#### *Property risk*

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

#### *Currency risk*

Velliv invests actively in global assets. Virtually all of the currency exposure is hedged towards the local reporting currencies.

#### *Concentration risk*

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 limits for the total exposure including credit derivatives and for the extent of the total commitments with each counterparty. These limits have been set to reduce the risk of loss if counterparties are not able to fulfil their obligations. The overall level of risks is monitored in Velliv's solvency model.

#### *Alternative investments*

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 to a large degree based on the assumptions supporting the reporting received from the investment managers. To secure authenticity of these estimates, Velliv has ensured that independent audit statements are received from the investment managers once a year as a minimum. Furthermore, Velliv has established a process carrying out an independent price validation of illiquid fund investments on a sample basis.

#### *Credit risk (counterparty default risk)*

Counterparty default risk reflects potential losses from unexpected default of Velliv's counterparties and debtors, bringing into account risk-mitigating contracts, reinsurance, securitisations and derivatives as well as receivables from intermediaries, and any other credit exposures.

## 18. Risk information

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Velliv is exposed to counterparty default risk through its cash and deposits held by counterparties as well as the derivatives used to hedge portfolios.

Velliv has bilateral agreements with derivatives counterparties which define the nature, timing, and quality of eligible collateral. Velliv solely trades OTC derivatives under ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements, where frequent exchanges of collateral based on marked-to-market valuations ensure a low counterparty risk. A partner of Velliv's carries out the daily exchange of collateral and produces a valuation of the derivative positions.

The fair value calculations for derivative positions are based on mid-market pricing and considers credit valuation adjustments. Velliv sets limits for the total amount of deposits and limits to counterparty exposures for each individual counterparty. The limits are monitored on a daily basis and procedures are in place in case of breach or near breach. To mitigate the exposure to unexpected defaults, Velliv ensures diversification by counterparty.

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.

Velliv measures the sensitivity of the Solvency II balance sheet to stressed market scenarios via regular stress and scenario testing. Velliv also monitors counterparty derivative exposures daily. The results prove that Velliv is resilient to the stresses performed.

### *Liquidity risk*

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due.

Liquidity risk arises both from illiquidity of investment assets (market liquidity risk) and from changed cash flows on liabilities as a result of changed claims and/or lapses (funding liquidity risk). Liquidity risk can also arise from short-term payments affecting the short-term liquidity need.

Liquidity risk is primarily measured through liquidity scoring of current investment assets and through forward-looking liquidity projections. All investments backing policyholder liabilities are assigned a liquidity score to ensure that the liquidity profile of any new investment fits with the liquidity profile of the relevant asset portfolio and the applicable investment strategy.

The impact on Velliv's liquidity risk in stressed conditions is measured as part of the Velliv Risk Appetite Framework. Under the risk appetite metric, a forced liquidation of part of the investment portfolio under a lapse or capital stress scenario is applied and the results are compared to investment limits.

Liquidity risk is mitigated through the lines and limits allocated to the individual asset classes, which ensures appropriate allocation of investment capital in liquid asset classes. Furthermore, liquidity contingency plans are in place specifying how to manage changes in expected cash inflows and outflows or how to act in a stressed liquidity situation.

Annual forward-looking liquidity projections are carried out to analyse and assess the future liquidity needs in both the short and long term, under both normal and stressed market conditions. The results prove that Velliv is resilient to the stresses performed.

### *Prudent Person Principle*

The Prudent Person Principle is integral to Velliv's investment process. Velliv utilises both a bottom-up and a top-down approach to the Prudent Person Principle.

The bottom-up approach is used to address the prudence of each building block, such as a mandate or type of fund. The prudence of each building block is addressed in the investment sourcing process, which consists of four steps: Investment due diligence, operational due diligence of asset manager, operational requirements for data and valuation, and legal assessment and agreements.

## 18. Risk information

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The top-down approach looks at the portfolio as a whole and ensures that the combination of assets is prudent and is in line with the objective for each portfolio. The top-down approach consists of five elements: Specifying asset composition and mix of asset classes, choosing the levels of risks and composition among these, determining the expected risk-return characteristics over the long term, assessing performance in various risk scenarios, and balancing short term performance and long-term asset assumptions.

The overall asset sourcing process supports Velliv's ability to adhere to the Prudent Person Principle requirements by only investing in assets for which Velliv can properly identify measure, monitor, manage, and control the resulting risks. The combination of bottom-up and top-down approaches ensure that the investment process is prudent.

### **Operational risks**

Operational risk is inherent across all business areas of the company and is being governed continuously by all business areas of Velliv.

Operational risk is handled through internal control 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 the second line of defence, the 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 risk related 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.

### **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 2019 on a regular basis, as well as the risks connected to it. Velliv's solvency cover is 163%, 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.



Management's review  
p.6

Management's statement  
p.13

Financial statements  
p.15

Notes  
p.23

Group overview  
p.41

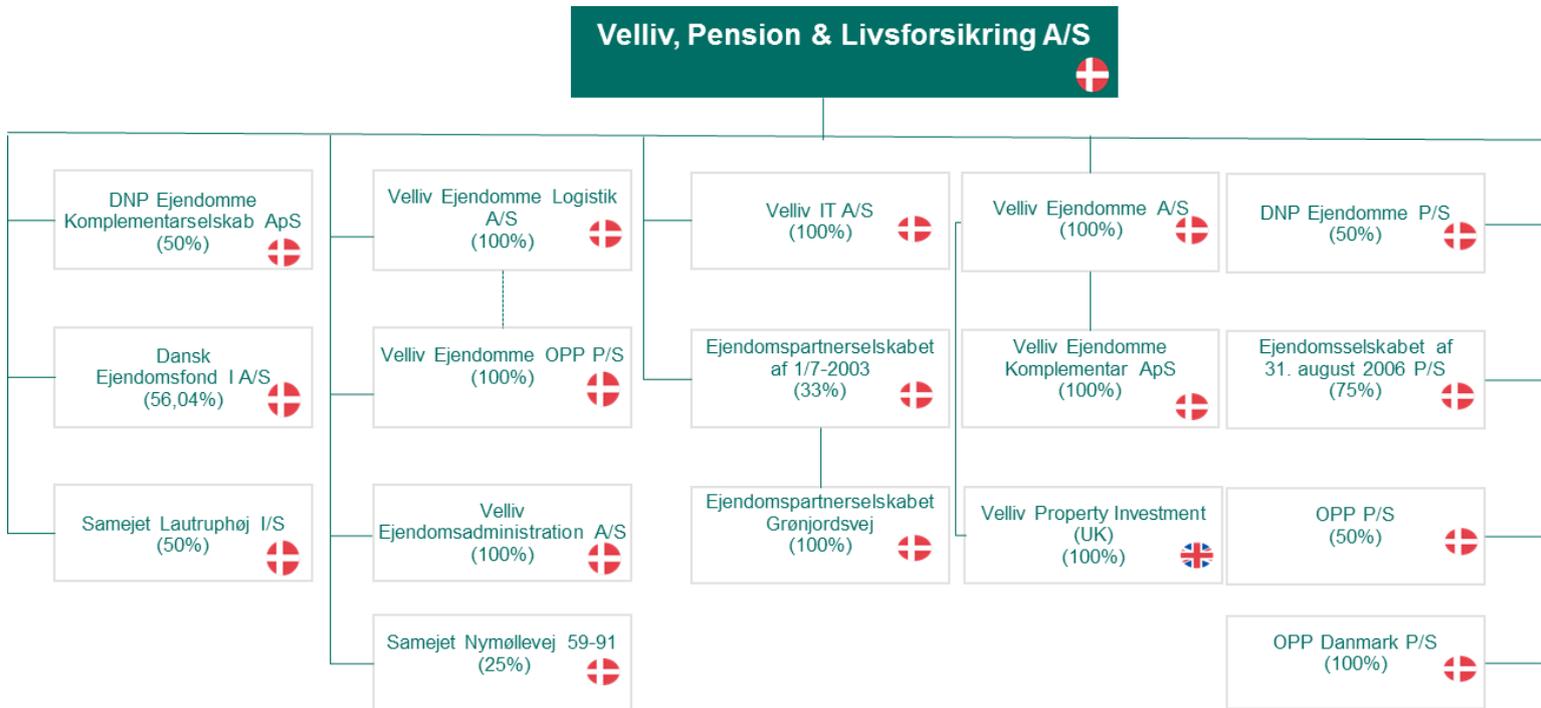


# Group overview

The consolidated financial statements of the group include:

Name	Principal activities	Country of incorporation	% equity interest	
			2019	2018
<b>Subsidiary</b>				
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
Velliv Ejendomsadministration A/S	Administration	Denmark	100	
Ejendomsselskabet af 31. august 2006 ApS	Property investment	Denmark	75	75
Velliv Ejendomme Komplementar ApS	Property investment	Denmark	100	100
<b>The holding company</b>				
Velliv Foreningen		Denmark	81	70
<b>Associate and joint arrangement in which the Group is a joint venturer</b>				
DNP Ejendomme Komplementar ApS	Complements to DNP Ejendomme	Denmark	50	50
Ejendomspartnerselskabet af 1/7 2003 P/S	Property investment	Denmark	33	33
Samejet Lautruphøj	Property investment	Denmark	50	50
OPP 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
OPP Danmark P/S	Property investment	Denmark	50	
Samejet Nymøllevej 59-91	Property investment	Denmark	25	25
Velliv Property Investment (UK)	Property investment	United Kingdom	100	100
Ejendomspartnerselskabet Grønårsvej	Property investment	Denmark	100	100

# Group overview





**Velliv**

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