

ANNUAL REPORT 2016



sampension
mere værd

CONTENTS

	2016 HIGHLIGHTS	6-9
1	MANAGEMENT'S REVIEW	12-35
	Financial highlights of 2016	13
	Markets, customers and products	14
	Expenses	21
	Investments and returns	22
	Financial results, solvency requirements and total capital	29
	Corporate social responsibility	32
	Outlook for 2017	34
	Other matters	35
2	COMPANY DETAILS	38-45
	Management structure	38
	Group structure and organisation chart	41
	Other directorships held by members of the Board of Directors and the Executive Board	43
3	FINANCIAL STATEMENTS	49-82
	Consolidated and Parent Company financial statements	49
	Statement of changes in equity	52
	Notes, Accounting policies	53
	Notes to the financial statements	59
	Overview of Group equity investments	77
	Statement by Management	79
	Internal auditors' report	80
	Independent auditors' report	81



” Det er det bedste regnskab, jeg har været med til i Sampension. Hele vejen rundt har vi fremgang og stærke tal. ”



Solid returns and strong collaboration with pension funds

2016 was a year of extreme volatility in the financial markets. It opened on a rather lukewarm note, but closed with strong returns for both Sampension and our customers. The total return was DKK 14.2 billion and policyholders with market-rate products were treated to returns of up to 9.7%. In today's market, that is quite a high rate of return and one of the best in the pensions sector.



The rate of return is particularly important to our customers insofar as the investment return is the single most important factor for the rate of growth in their savings. The second most important driver is low expenses. And again, we delivered high returns to our policyholders.

Sampension experienced robust growth in customer pension contributions of just under 5% in 2016. We are pleased that we were able to sustain growth even after the sharp increase in pension contributions in 2015. Combined with our high investment returns, this sent Sampension's total assets up by DKK 18 billion to DKK 268 billion.

In terms of capital, Sampension has a very strong position with a solvency coverage ratio of a staggering 427%. At the same time, we comply with all Solvency II requirements.

In-house, 2016 was characterised by the huge and successfully completed task of welcoming the Architects' Pension Fund (Arkitekternes Pensionskasse) and the Pension Fund for Agricultural Academics and Veterinary Surgeons (Pensionskassen for Jordbrugsakademikere & Dyr læger) to our community. Extending over most of 2016, this project proceeded according to plan and was completed on time, and the business case turned out even better than expected. Our combination exercise has brought lower expenses for the members of both pension funds, who can all expect significantly lower member fees going forward.

At Sampension, we also managed to cut expenses per policyholder in 2016, and we therefore decided to lower pension administration fees for all customers from DKK 40 to DKK 35 per month effective 1 January 2017. This demonstrates the value of our business model, which is built on the conviction that growth creates benefits for all customers, new and existing alike. Our business model also encompasses a scalable delivery system that can be adjusted without inflating costs.

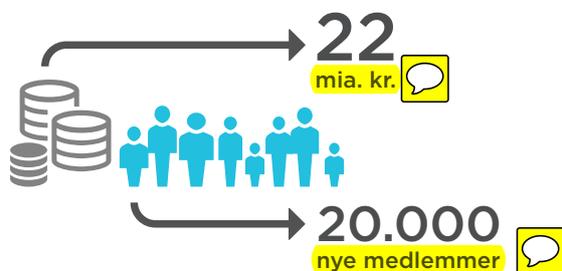
We expect the market to continue consolidating in the years ahead, and our collaboration model is open to even more pension funds. The underlying idea behind our collaboration model is to offer independence and an own identity to life insurance companies along with the economies of scale provided by an administrative alliance.

Hasse Jørgensen
CEO

Q1

Programme for transferring two new pension funds to Sampension

Sampension started the year by designing a programme for migrating the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons and their almost 20,000 members and total assets of DKK 22 billion to Sampension's systems at the end of 2016. At its peak, the programme employed some 40 people building a new insurance solution for the two pension funds in Sampension's systems.



Reality catches up with pension dreams

Before they retire, Danish pension savers dream of travels and adventures with their children and grandchildren. However, when they actually retire, according to a survey conducted by research company Wilke on behalf of Sampension, they are overtaken by everyday life and end up spending their savings on ordinary consumption. The survey also showed that 55% of the Danish population would like to work part-time in their old age.

Q2

Investing in Sitecore

Together with, among others, the EQT private equity group, Sampension acquired a majority interest in IT consultants Sitecore. This investment is consistent with Sampension's long-term strategy of co-investing in unlisted businesses.

The best chief investment officer in the Nordic region

In April, our CIO, Henrik Olejasz Larsen, was named best chief investment officer in the Nordic region by his Nordic colleagues. At the same time, Charlotte Mark, Head of Equities, and her team won the Best Use of Equity award. These awards were presented at the Nordic Peer-to-Peer Awards ceremony in Stockholm.

Still very few complaints

According to the annual statistics of the Danish Insurance Complaints Board, the number of complaints filed against Sampension relative to our market share remains low. Sampension received only six complaints – much fewer than our share of the pension market would otherwise warrant.

Acquiring Lyngby Søpark

In pursuance of our strategy to acquire rental properties in Denmark, we acquired Lyngby Søpark. Demand for relatively low-priced rental homes in and around the large Danish cities continues to rise and rental properties pay reasonable, stable returns. The property consists of eight apartment blocks with a total of 150 rental apartments totalling 10,000 sqm. Overall, Sampension has invested some DKK 17 billion in properties in and outside Denmark.

Q3

One-minute videos

Sampension developed a new concept featuring one-minute videos discussing current investment or pension topics. These videos were launched on Sampension's LinkedIn page, on our website and in the new Berlingske Business app.

Complex pension initiative

In September, the Danish government revealed its 2025 plan called "Unified plan for a stronger Denmark". Among other initiatives, the plan addresses the issue of offsetting pension income against public benefits. "We welcome any initiative that motivates people to save more. Saving up for your pension should be attractive. Unfortunately, the proposed solution appears to be very complex," commented Sampension CEO Hasse Jørgensen.

Improved critical illness insurance

We updated our critical illness insurance to align it with the relevant diagnoses, allowing, among other things, a cancer diagnosis to trigger the payment of benefits twice if the diagnoses are ten years or more apart. At the same time, we expanded our children's health insurance programme.

Sportmaster's new pension provider

Effective 1 November 2016, Sportmaster, Denmark's largest sports retailers, chose Sampension as their new company pension provider. Sportmaster has more than 100 retail shops across Denmark. Sportmaster cited the combination of efficient administration and the ability to provide attractive returns and insurance cover as the main reason for choosing us.

Introducing firmapension.nu

We launched the firmapension.nu website, which provides information about Sampension's company pension programme to company pension decision-makers and pension brokers. The site is marketed via the Berlingske Business app, LinkedIn and banner advertising.



CFO of the year is from DSV

Sampension co-hosted Berlingske Media's CFO of the year award. Through this collaboration, Sampension wishes to raise awareness of the CFO's role and responsibilities in today's business world and to display our qualities to this target group. The CFO of the year was Jens Lund of DSV. This was the fifth CFO of the year ceremony in Denmark. Previous award winners are Vestas, ISS, Novo Nordisk and Carlsberg.

Q4

Acquiring 11 onshore wind farms

In October, we acquired a portfolio of ten onshore wind farms in Germany and one in Sweden from NordEnergie Renewables A/S. Comprising 67 wind turbines from Vestas, Enercon and Nordex, the wind farms have a total capacity of 146 MW. This acquisition goes hand in hand with our strategy of building a low-risk portfolio of direct infrastructure exposures.

Buying 543 youth apartments

In December, we acquired most of housing association Ungbo's youth apartment portfolio, including 543 apartments in and around Copenhagen, for just over DKK 450 million. At the same time, we obtained an option to buy Ungbo's six remaining residential properties comprising 218 apartments in Copenhagen, Aarhus, Odense and Aalborg.

Generation common sense – wealthy pensioners

The current generation of pensioners is characterised by sensible, tidy and rock-solid finances, according to a major study performed by Epinion on behalf of Sampension. More than 5,000 Danish pensioners between the ages of 65 and 75 shared information about their finances. The average pensioner had assets of DKK 280,000, a monthly disposable income of DKK 10,000 and regular expenses of DKK 8,000.

New customer magazine on sampension.dk

We introduced a brand new digital magazine concept targeted at all Sampension customers and setting out to communicate engaging stories and get closer to our customers through the use of videos, articles, pictures and graphics. We plan to release the magazine twice a year and to make special editions for members of the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons.

Danish pension companies rejoin PRI

In December, Danish pension providers ATP, PFA, PKA and Sampension rejoined the UN-supported PRI (Principles for Responsible Investments) network. The companies had left the organisation in 2013 after criticising PRI's in-house governance. Following three years of dialogue, the four pension companies have decided to reendorse the organisation after it has responded to the criticism and implemented a number of significant changes.

Sampension scores top rating in customer satisfaction survey

Sampension came in a joint first in the annual customer satisfaction survey among labour market pension providers. The survey was performed by Aalund Business Research, who interviewed more than 2,000 customers. We were best-in-class on five out of the 14 survey parameters.

Kundetilfredshed
Best-in-class



1
sampension

The rate on policyholder savings remains at 5.3% in 2017

At 1 January 2017, Sampension fixed the rate on policyholders' savings at 5.3% before tax for all average-rate policies with declaration-of-intent benefits. The rate was thus kept at the high 2016 level and applies to all average-rate policies with declaration-of-intent benefits.

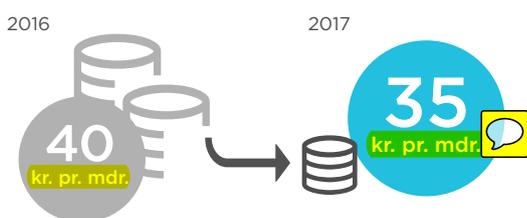


A top performer in customer loyalty survey

The highest climber of all since 2014, Sampension outperformed rivals such as Danica and PFA in Loyalty Group's customer loyalty survey, wrote Danish business daily Børsen. An independent expert pointed to factors such as strong product development, impressive returns and a visible profile as the main reasons for the advancement.

Prepared to fund Copenhagen harbour tunnel

Several media argued that pension companies, in addition to other PPP projects, should fund the construction of a harbour tunnel from the north to the south end of Copenhagen Harbour. Sampension is part of a consortium that has declared itself prepared to invest in this project through a public-private partnership.



Administration fee lowered by 12.5%

In December, the Board of Directors decided to lower the monthly administration fee paid by customers to DKK 35 in 2017. In 2015 and 2016, the monthly administration fee was DKK 40.

Massive increase in investment assets

We grew our net investment assets by just over DKK 14 billion or almost 8% in 2016. Just under DKK 8 billion of these assets are invested in listed equities. The significant increase in the proportion of assets invested in listed equities should be seen in the light of the rate of growth in the market-rate environment and non-guaranteed reinsurance. At end-2016, net assets invested in market-rate products were on the same level as assets invested in conventional average-rate products.

New pension fund portals

As planned, we opened two new portals, arkitekt-pension.dk and pjd-pension.dk, on the last day of the year, marking the successful transition to Sampension of the members of the two pension funds. Member schemes were converted as planned during the third week of 2017, following which the new members were able to log on to check their own pension information.

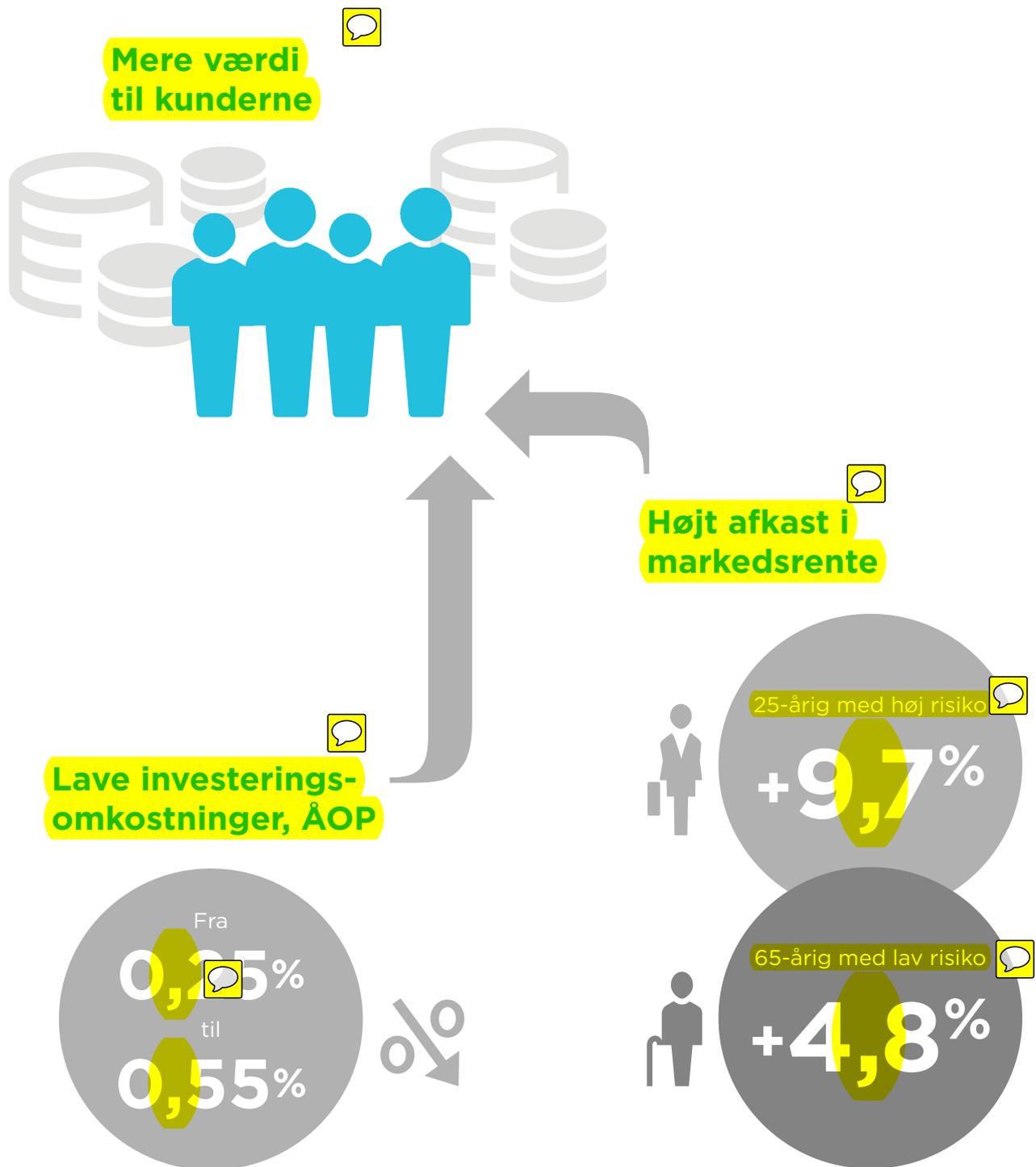




1

Management's review

Financial highlights of 2016	13
Markets, customers and products	14
Expenses	21
Investments and returns	22
Financial results, solvency requirements and total capital	29
Corporate social responsibility	32
Outlook for 2017	34
Other matters	35



Fortsat lave investeringsomkostninger og høje afkast skabte i 2016 mere værdi til vores kunder.

Financial highlights of 2016

We sustained our strong performance in 2016, reporting decent growth in policyholder contributions, lower expenses and solid investment returns in both the market-rate and the average-rate environments. Contributions totalled DKK 9.0 billion, an increase of 4.9% over 2015. Expenses per policyholder were down by 3.6% to DKK 397 from the already low level of DKK 412. Total investment expenses (APR) were 0.43% in the market-rate segment. In the average-rate segment, investment expenses were only 0.50%, among the very lowest in the market.

The investment return was DKK 14.2 billion, up from DKK 3.0 billion in 2015. This enabled Sampension to pay market-rate policyholders a total return of 7.2%, ranging between 4.8% and 9.7% depending on policyholders' age and risk profile. Average-rate policyholders received a 5.3% return on their savings. These returns were some of the best in the market.

Total assets were DKK 268 billion, an increase of DKK 18 billion over 2015. Sampension's strong capital position is evident from its solvency coverage ratio of 427%, up from 252% in 2015. Both calculated after implementation of all Solvency II requirements, these numbers show that Sampension is well positioned for the future in terms of capital.

SELECTED FINANCIAL HIGHLIGHTS	2016 DKKm	2015 DKKm
Total premiums	9,017	8,597
Total benefits paid	8,100	7,216
Total investment return	14,189	3,021
 Total assets	 267,658	 249,624
	%	%
Investment return before tax on pension returns		
Total	8.1	1.8
Market rate	4.8 til 9.7	1.4 til 5.2
Total market rate	7.2	3.6
Conventional average rate before interest rate hedging	3.8	2.2
Conventional average rate	9.6	1.0
Expenses per policyholder (DKK)	397	412
Investment expenses, market rate (APR)	0.25 til 0.55	0.26 til 0.54
Solvency coverage (Solvency II)	427	252

Markets, customers and products

A customer-owned pension company offering labour market and company pensions on commercial terms, Sampension is Denmark's third-largest pension provider in terms of assets under management. Our key responsibility is to offer our policyholders the best pensions possible. Accordingly, our main focus is on what adds value to pension schemes – low expenses, solid returns, flexible products and competent advice and customer service. Sampension has some 270,000 policyholders, most of whom are employed in the municipal sector or with the state or regional authorities. Sampension also provides pension plans for private enterprises and acts as a reinsurer to most of Denmark's municipal authorities in respect of some 18,000 civil servants.

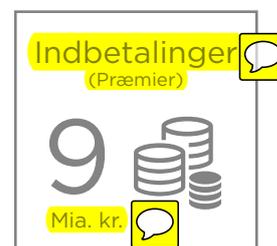
A modern pension plan contains both savings and insurance components covering loss of earning capacity, death, certain critical illnesses and in some cases health insurance. Listed in the table below are Sampension's general savings products:

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

Growing premium income

Premium income passed the DKK 9.0 billion mark in 2016, up from DKK 8.6 billion in 2015. In other words, policyholders paid 4.9% more into their pension schemes with Sampension, even after the relatively large 10.8% increase in contributions in 2015.

PREMIUM INCOME DKKm	2016	2015	Change in %
Regular premiums	4,497	4,351	3.3
Group life premiums	2,371	2,291	3.5
Single premiums	1,242	1,253	-0.8
Premiums, direct insurance	8,110	7,895	2.7
Premiums, indirect insurance	908	702	29.3
Total gross premiums	9,017	8,597	4.9
Of which market-rate policies	6,328	6,037	4.8



Regular premiums including group life premiums were up by 3.4%, boosted mainly by new collective agreements in which the labour market parties agreed to strengthen the pension component.

Single premiums were at the same high level as in 2015, which is very positive considering that single premiums for 2015 were favourably affected by the new pension scheme provided to IT group KMD.

The net increase in directly insured policyholders was about 5,000, or 1.8%, in 2016.

NUMBER OF POLICYHOLDERS	2016	2015	Change in %
Premium payers	111,625	111,473	0.1
Paid-up policies etc.	104,604	102,692	1.9
Pensioners	55,376	52,638	5.2
Total directly insured	271,605	266,803	1.8
Indirectly insured	18,369	18,578	-1.1
Group life insured	716,840	720,677	-0.5

Benefits paid

Total direct insurance benefits paid amounted to DKK 6.4 billion in 2016, against DKK 5.7 billion in 2015. The growing number of pensioners and the increase in savings per policyholder drove regular benefit payments up by DKK 190 million, or 8.0%, over 2015.

BENEFITS PAID DKKm	2016	2015	Change in %
Pension benefits paid	2,550	2,360	8.0
Sums insured	695	766	-9.2
Group life bonus	1,635	1,442	13.4
Transfers etc.	1,406	970	44.9
Bonus capital	114	97	17.7
Direct insurance benefits	6,401	5,635	13.6
Indirect insurance benefits	1,699	1,581	7.5
Total benefits paid	8,100	7,216	12.3

Transfers were up by more than DKK 400 million, driven by the growing industry focus on combining pension schemes for policyholders changing jobs.

Strategic focus on innovation and growth

Sampension's future development is driven by our business strategy, which builds on our ambition to be Denmark's best pension provider. This strategy contains four general themes supported by goals and projects: Financial Strength, Attractive Products and Services, Critical Mass and A Positive Reputation.

In 2016, Sampension launched a strategic programme to further digitise customer services with a view to significantly improve the customer experience in 2017 and the years ahead.

Sampension aims to develop in all four strategic areas simultaneously so as to create value for both new and existing customers. In that context, growth helps

us to operate more efficiently, keep prices down and continue to develop new services and advisory concepts.

Our growth strategy is based on retaining existing customers, which we strive to accomplish through, among other things, efforts to increase customer satisfaction. We also work to attract new customers, who, in addition to creating economies of scale, enable us to improve our product and service offering. This, in turn, rubs favourably off on customer satisfaction and thus creates a positive reciprocal effect. We accomplished both of these things in 2016.

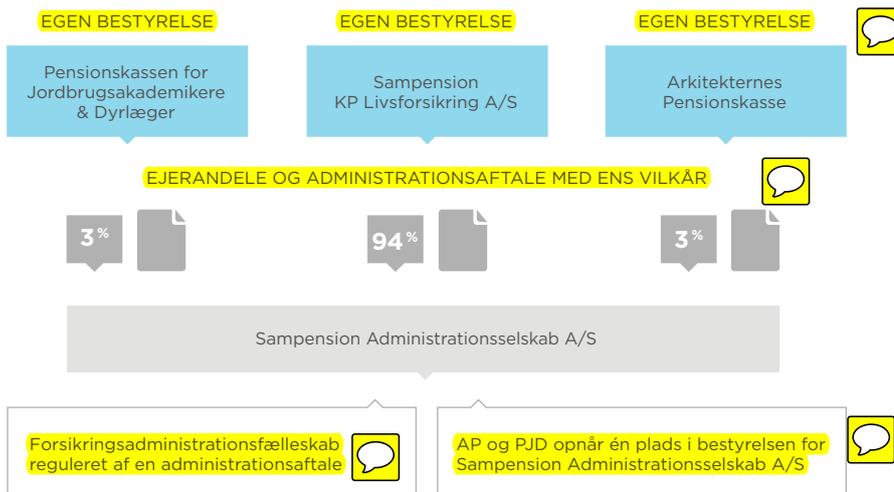
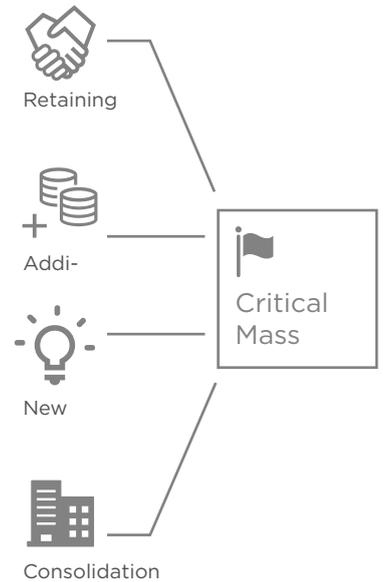
Welcoming new pension funds

Throughout 2016, we worked to implement the administration of the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons and their some 20,000 members and total capital of DKK 22 billion. During most of the year, a team representing 15% of Sampension's staff worked on a programme to separate the two pension funds from their previous provider and migrate them to Sampension's systems. The migration was successful and as from 1 January 2017 all operations, customer services, advisory services, finance functions, investments and board of directors services are provided by Sampension.

Already from 2017, the members of the two pension funds will be reaping the benefits of economies of scale in the form of markedly lower expenses and an improved advisory and service offering. The collaboration regarding the change of suppliers was so smooth that the underlying business case indicates a payback period of less than a year.

We expect the market consolidation to continue in the years ahead, and our new collaboration model is open to even more pension funds. The underlying idea behind our collaboration model is to offer independence and an own identity to life insurance companies along with the economies of scale provided by an administrative alliance.

Critical Mass is achieved through a four-track process



Growth in company pension schemes

At Sampension, we wish to grow our share of the corporate pension market to the extent that this growth brings synergies and scalability for the benefit of both existing and new customers.



A distinctive feature of the market for company pension schemes is that pension brokers handle pension tenders on behalf of the companies. In an effort to raise awareness of Sampension among pension brokers and corporate decision-makers, we launched the website firmapension.nu in the autumn of 2016, which gives decision-makers and pension brokers access to information about Sampension's company pension schemes.

Sampension has successfully strengthened its profile with pension brokers, evidenced by our increased tender participation in 2016.

In April 2016, IT services provider Tech Mahindra and its 60 employees signed a pension agreement with Sampension, and in September, Sportmaster and its 800 staff decided to switch to Sampension effective 1 November. Both pension agreements include healthcare plans.

Cooperating with trade unions and companies

A significant share of Sampension's information activities is performed in close collaboration with trade unions procuring pension schemes for their members through collective agreements. The key objective of this collaboration is to stimulate members' interest in their pension schemes and thus to strengthen our value proposition to individual members.

This collaboration is unfolded through the respective organisations' information channels, professional activities and shop stewards.

A number of major trade unions within Sampension's sphere of interest held conferences in 2016. We set up an information stand and organised various activities at these conferences.

In the company pension area, our information activities were conducted in close collaboration with the respective companies' human resources departments. We work on the basis of an annual plan that combines recurring activities with special focus areas targeted at, for instance, senior staff, new staff or healthcare promotion.

In 2016, we held almost 300 information meetings, training courses and other activities with organisations, employers and other contacts relevant to Sampension customers. We maintain an ongoing dialogue with 2,000 shop stewards subscribing to our newsletter, TR-Nyt.

One-on-one advice

All of Sampension's customers are entitled to quality advice when they need it, irrespective of time and place. The interaction between pensions and other economic factors such as public pensions is significant and often complicated. Through our digital advisory tools, Pensionstjek and Pensionsplan, policyholders can get a quick overview of their pensions.

We offer all-inclusive pension advice at no extra cost to the policyholder:

- **Self-service advice** on the Sampension website – policyholders can complete their own pension checks. The tool produces a report showing the policyholder's financial situation and Sampension's recommendations.
- **On-screen advice** - Advice provided by telephone and online chat – the policyholder decides where the consultation takes place, e.g. from home or from work.
- **On-site advice** – personal advice provided at the policyholder's place of work or another location.



Sampension's advisory services may be divided into the following categories:

Registration and changes – Committed to ensuring that new policyholders get off to a positive start with the right pension plan and the right insurance cover, Sampension in 2016 developed a new welcome programme including a digital universe on Sampension.dk. This programme takes new customers through a number of important pension-related issues, illustrated by short videos, and encourages them to complete a pension check or contact a pension adviser. New customers who do not contact Sampension at their own initiative are contacted and offered a pension check.

Sampension also offers qualified advice in connection with major life changes such as an addition to the family, marriage, buying a house, change of jobs, divorce or illness. Once a year, all policyholders are encouraged to review their pension schemes and complete a pension check, either at Sampension.dk or with an adviser.

Advisory services for high net worth customers – customers with large assets require special attention. These services are provided by Sampension's wealth management advisers.

Inpatriated/expatriated customers – advisory services for policyholders inpatriated from other countries or expatriated abroad. This advice centres particularly on tax issues.

Senior advice – the interaction between pensions, tax and public benefits is a major challenge for most policyholders. As the order of payments is often material to a policyholder's future finances, it is important that seniors consult Sampension's advisers. For that end, we employ our unique senior advisory tool, Pensionsplan, which, taking into account the policyholder's overall financial situation, helps organise and optimise his or her finances during the payout period.

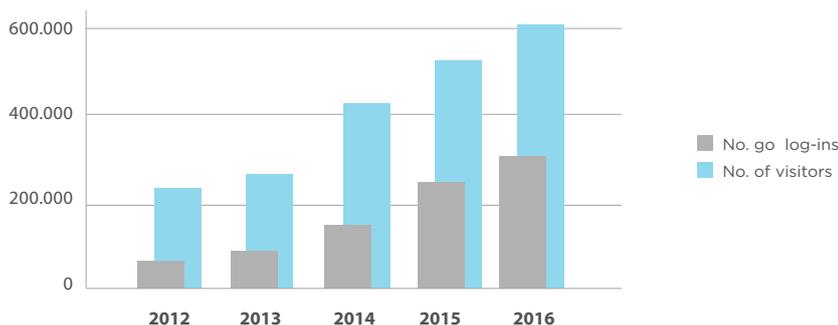
We completed some 21,000 all-inclusive pension consultations in 2016 against just over 20,000 the year before. In addition, we completed some 90,000 telephone consultations compared with 82,000 in 2015.

Digital customer services

2016 saw another substantial increase in policyholders' use of our digital offerings. The number of log-ins was up by 29% to 310,000. The total number of visits to sampension.dk was up by 17% to exceed 610,000. The use of digital self-service solutions rose correspondingly. This trend helps keep expenses down, and the options available make it easy and simple for policyholders to adjust their pension plans.



TRAFFIC AT SAMPENSION.DK





Each policyholder has a digital mailbox at sampension.dk used to receive information from and to communicate with Sampension. Customers can access their mailbox by using their NemID. When Sampension sends a communication to the customer's digital mailbox, the customer will be notified by e-mail and/or a text message that he or she has new mail. Customers can also access their pension schemes with Sampension through the shared Pensionsinfo portal, where Sampension registered just over 192,000 log-ins in 2016 against 172,000 the year before.

We implemented a variety of new customer portal functions and options in 2016 and also worked to further customise our online solutions. We launched a new healthcare universe for Grafisk Pension, developed a new and improved new-policy universe supported by videos, supplied a subsite and a link solution to Sportmaster, developed a new digital film-based customer magazine for all policyholders and developed a new digital employer-reporting solution. We also developed portals for the two pension funds joining our community.

Growing customer satisfaction

At Sampension, we evaluate all on-screen, on-site and phone consultations immediately after the conversation. Customers rated our on-screen consultations 4.6 and our on-site consultations 4.8 on a scale from 1 to 5. At 4.5, our phone consultations also scored a top rating.

In addition to these regular performance surveys, Sampension participates in a major external benchmarking survey, the so-called Aalund AMP Barometer. A total of 2,100 customers in seven labour market pension companies and pension funds were interviewed between May and October 2016. Scoring an overall satisfaction rating of 4.0 on a scale from 1 to 5, Sampension advanced from joint fourth place in 2014 to joint first place in 2016.

We were best-in-class on five out of 14 survey parameters:

- Access to adjust pension schemes as required
- Personal advice
- Advice and guidance
- Whether customers are well-informed about their pension schemes
- Retirement advice.

The improved customer satisfaction rating was also driven by a significantly higher score on general information and website user satisfaction. In another customer satisfaction survey conducted by Loyalty Group among conventional company pension providers and labour market pension companies, Sampension made the strongest advance in terms of customer loyalty. The only company to report increasing customer loyalty in each of the years since 2014, Sampension outperformed most conventional providers. Customers' growing loyalty is driven by factors such as:

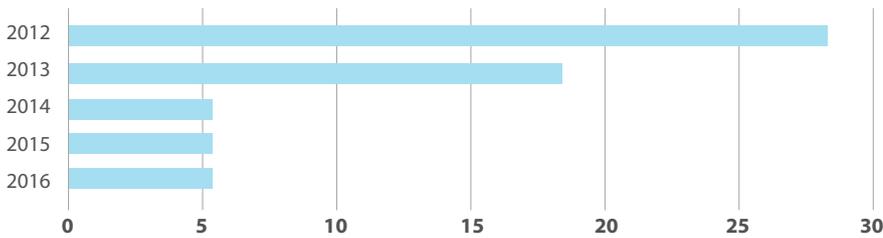
- A strong advisory concept with top-of-the-class digital advisory tools
- A high degree of accessibility with extended opening hours till 9 p.m. four days a week
- Strong skills at the advisory centre where customers get answers right away and are not transferred to someone else
- Special focus on new customers and on ensuring they are contacted and counselled by skilled advisers
- The digital website platform, which has more than 600,000 visitors every year.

Loyalty Group's survey is based on 4,500 interviews.

Limited number of customer complaints

Another parameter reflecting growing customer satisfaction was the continued low number of customer complaints. Sampension received six complaints in 2016 – the same low number as in the past two years and significantly below the level that might be expected based on Sampension’s market share.

COMPLAINTS FILED WITH THE INSURANCE COMPLAINTS BOARD



Preventive healthcare plans

A number of Sampension’s pension agreements include a healthcare plan with a range of measures intended to prevent long-term absence due to illness. Just under 8,000 policyholders have a healthcare plan with Sampension.

Our Healthcare Centre provides information about the benefits available under the healthcare plan along with advice on health promotion and disease prevention. It also provides advice on the **interac-tion** between pension schemes, healthcare plans and public benefits, ensuring that all relevant offers are in play and thus helping policyholders to remain on the labour market.

Sampension offers close dialogue with policyholders and, where relevant, businesses about retention on and return to the labour market, and in that connection prepares a report addressing the factors that may result in injuries and sickness absence and recommending health-promoting measures.

We also provide general health analysis at individual workplaces by means of innovative screening tools. It is imperative that resources are spent on the right measures to avoid unsuccessful investments.

Reinsuring civil servant pension obligations

For decades, 86 municipalities have safeguarded their long-term financial robustness by hedging pension benefits for former and retired civil servants. Through our special expertise in this field, we help to ease the pressure on municipal finances and provide advice and services that help the municipalities in their financial planning for these obligations.

Since 2014, municipalities and other employers seeking to reinsure their pension obligations to civil servants have had the option of choosing a non-guaranteed model. Sampension continuously adjusts investment strategies to give municipal authorities and other employers better coverage against inflation risk. Interest on the accumulated funds is used to finance the revaluation of retired civil servant pension benefits. This feature is not included in the guaranteed model.



Lav ÅOP

Med en ÅOP for investeringsomkostninger i markedsrente på 0,43 % er Sampension særdeles konkurrencedygtig på markedet.



At end-2016, 94% of the insured municipalities had switched to the non-guaranteed model. When switching to the non-guaranteed model, municipalities release capital resources that are placed in the relevant municipality's bonus account. The funds in this account are essential to sustaining the adjustment mechanism that secures reinsurance benefits as wages generally increase, inflating municipal expenses for civil servant pensions.

Expenses

Keeping expenses low is important to our policyholders because that means that a greater share of their contributions and returns will be allocated to savings. Throughout a number of years, we have made targeted efforts to reduce our expenses, which are among the lowest in the industry.

A modern, well-run IT platform

A modern, flexible and well-run IT platform is fundamental to efficient administration. At Sampension, we believe in using technology to improve the services we provide to our policyholders and to keep expenses low. Having outsourced much of our IT operations and development activities for many years, we insourced IT operations in the first quarter of 2016 to cut expenses by some DKK 5 million a year.

Efficient administration

Day-to-day services and case processing are the backbone of our insurance business. We handled 122,000 inquiries, 4,000 new old-age pensioners and 3,000 new claims in 2016, in addition to monthly benefits to 60,000 benefit recipients, contributions from almost 4,000 employers and the provision of civil servant services to 86 municipalities and other employers.

Investment expenses (APR) of 0.43%

Investment management expenses comprise administration fees, custody fees, front-end fees, management fees and performance fees in relation to funds and securities trading costs.

Our website, sampension.dk, provides information to policyholders on annual investment expenses expressed in Danish kroner and as a percentage (APR). These expenses include expenses incurred by Sampension, which are disclosed directly in the financial statements, and indirect expenses incurred in connection with investing in external funds, investment associations, etc. The APR investment expenses calculated on policyholder savings for 2016 and 2015 are shown in the table below:

INVESTMENT EXPENSES IN % (APR)	2016	2015
3 i 1 Livspension, selected generation pools (moderate risk):		
25 years	0.55	0.54
45 years	0.51	0.50
65 years	0.30	0.31
3 i 1 Livspension total (average)	0.43	0.43
Conventional average rate	0.50	0.47
Non-guaranteed reinsurance	0.36	0.36

Overall, investment expenses were unchanged at 0.43% for 3 i 1 Livspension. Investment expenses increased moderately for the younger generation pools with the largest proportion of alternative investments, while expenses for the older generation pools were reduced.

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

Administrative expenses per policyholder of DKK 397

Key ratios for insurance-related administrative expenses fell relative to 2015:

- Expenses per policyholder amounted to DKK 397 in 2016 against DKK 412 in 2015. The reduction was driven by continued automation and simplification projects.
- Expenses as a percentage of policyholder accounts were unchanged from 2015 at 0.10%.

In the coming years, Sampension will stay focused on keeping expenses low so policyholder contributions can be used mostly for pension savings.

Investments and returns

The global economy and financial markets

Although contained by stagnant global trade, the economic recovery continued in 2016. Concerns about political developments especially in connection with Brexit and the US presidential elections in November left a strong mark on markets and economies in the past year.

The USA remained the key growth locomotive among the advanced economies, but the eurozone gathered momentum and reported moderately higher economic activity. In Japan, the positive economic growth appeared to have finally taken hold. Among the emerging market economies, India reported continued growth, while the Chinese economy lost additional speed. Brazil and in particular Russia appeared to be emerging from the past few years' deep recession, supported by increasing commodity prices as particularly oil recovered.

Political conflicts and turmoil continued to curtail economic growth in 2016, clearly demonstrated by South Africa and Turkey. Especially in the advanced economies, the relatively moderate rate of economic growth translated into weaker growth in physical investments, which in turn subdued global trade. On the other hand, economic growth was supported by domestic demand, very low levels of interest rates and inflation, rising employment and, after all, relatively modest oil prices.

After the US Federal Reserve hiked its key lending rates in December 2015, 2016 opened with plunging equity markets and the financial market turmoil continued through the first few months of the year. Then the turmoil subsided and the markets regained momentum until mid-June, when the turmoil flared up in connection with the Brexit vote. However, the financial markets suffered much less this time than at the beginning of the year and equity markets quickly regained the lost ground and more. From early September, general interest

rates embarked on a slightly bumpy upward trend. The presidential elections in the USA and the constitutional referendum in Italy both created ripple effects in the financial markets, but the impact was nothing compared to the turmoil registered at the beginning of the year and in connection with the Brexit vote.

In the fixed income markets, the 30Y euro swap rate dropped to a record-low of 0.71% at end-July, but by the close of 2016 it had recovered to 1.25%, which was still significantly below the level at the beginning of the year. Interest rates remained low in the eurozone due to the very lenient monetary policy combined with the low rate of inflation.

The value of the global equity markets, as measured by the MSCI All Country World Index in local currencies, was up by 9.5% in a very turbulent 2016. US equities drove the index performance in 2016, reporting gains of more than 11%, while European equities gained slightly over 4% and emerging market stocks just under 9%. The Danish equity market lost 5.7%, the main detractor from performance being Novo Nordisk.

DEVELOPMENTS IN THE VALUE OF GLOBAL EQUITY MARKETS AND THE EURO SWAP RATE



Investment return of DKK 14.2 billion or 8.1%

Sampension had a good year in 2016, achieving a healthy investment return of DKK 14.2 billion before tax on pension returns, compared with DKK 3.0 billion in 2015. The table below shows a breakdown of the return under environments:

INVESTMENT RETURN DKKm	2016	2015
3 i 1 Livspension	4,948	2,300
Linkpension	10	11
Non-guaranteed reinsurance	1,865	-195
Conventional average rate:		
Investment portfolio	2,338	1,630
Hedge portfolio	5,026	-725
Total return	14,189	3,021

After suffering massive losses at the beginning of the year, the financial markets, the US market in particular, regained momentum. Illiquid investments in unlisted equities, real estate and infrastructure were major drivers of the year's performance, along with the exposure to rising US interest rates and capital gains on interest rate hedges. Combined, this brought the total investment



→ Sampension investerede sammen med EQT i softwarevirksomheden Sitecore i 2016.



return across investment environments to 8.1% before tax on pension returns.

All asset classes contributed to the total investment return. Listed and unlisted equities and credit bonds produced impressive returns, while global hedge fund investments generated minor, but positive, returns.

Breakdown of net investments

Half of Sampension's total net investment assets are placed in low-risk bonds and almost 25% in listed shares. See the figure to the right.

Negative interest rates

Interest rates hit a new record low in 2016. However, while European interest rates remain very low, change seems to be underway. Following a period of decent economic growth, decreasing unemployment, increasing wages and rising inflation in the USA, the US Federal Reserve hiked its key lending rates yet again and indicated more of the same. This coincided with rising commodity prices and the election of a president promising substantial fiscal policy stimuli.

3 i 1 Livspension had a strong exposure to increasing US interest rates. Coupled with robust returns on the rest of the bond portfolio, including credit bonds, this helped generate attractive returns in a world driven by market appreciation and an environment of low returns on bonds and other fixed-income instruments.

Investing in new assets

While keeping an unchanged overall investment risk and management strategy in 2016, we continued to develop our portfolio of direct investments in loans, unlisted equities and real estate.

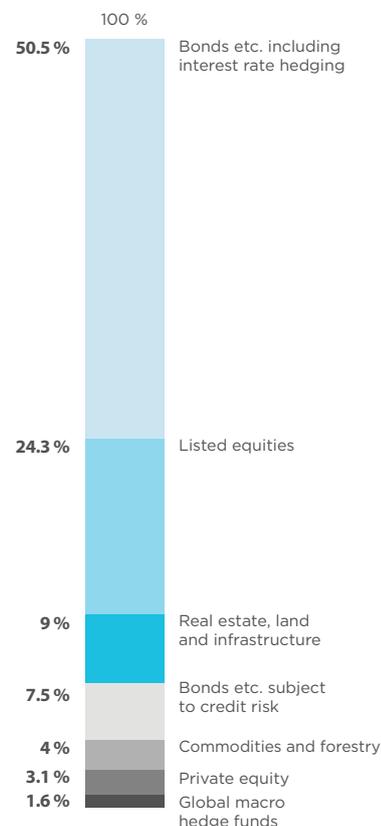
Together with EQT, the private equity group, and other co-investors, we acquired a majority interest in software providers Sitecore in the second quarter of 2016, and in the first half of the year we also acquired the residential rental property Lyngby Søpark in Kongens Lyngby near Copenhagen with a total of 150 rental apartments, and the property Strømmen in Nørresundby near Aalborg. Both these properties were acquired as low-risk assets with a very limited reletting risk.

In addition, we provided direct loan funding to a portfolio of Finnish logistics properties.

In the autumn of 2016, we acquired most of housing association Ungbo's youth apartment portfolio, including 543 apartments in and around Copenhagen, for just over DKK 450 million. At the same time, we obtained an option to buy Ungbo's six remaining residential properties comprising 218 apartments in Copenhagen, Aarhus, Odense and Aalborg.

In October, we acquired 11 on-shore wind farms in Germany and Sweden from NordEnergie Renewables A/S. Representing total capacity of 146 MW, this portfolio comprises ten wind farms in Germany and one in Sweden and a total of 67 wind turbines produced by Vestas, Enercon or Nordex. Sampension acquired all shares in NordEnergie Renewables A/S in a DKK 1.4 billion transaction. At the same time, NordEnergie Renewables A/S changed its name to Sampension Renewables P/S. Purchasing these wind farms goes hand in hand with Sampension's strategic goal of building a portfolio of direct infrastructure exposures at the low end of the risk spectrum.

Fordeling af nettoinvesteringsaktiver



Investment environment performances

Sampension's investment strategy aims to provide the highest possible return within the given risk management framework with due consideration to Sampension's responsible investment policy. Investments are generally divided into market-rate products (3 i 1 Livspension and Linkpension) and average-rate products (conventional average-rate environment and non-guaranteed benefit reinsurance).

The market-rate and average-rate environments generally participate in the same investments, only at different weightings and volumes. Combined, 3 i 1 Livspension and non-guaranteed reinsurance have a relatively larger share of investments in risky assets than the conventional average-rate environment.

Cost-efficient asset management

Cost efficiency is very important to Sampension, both in terms of internal and external management, and we achieve it by using the same underlying investment structures in the various environments. In addition, much of the management of the individual asset classes has been outsourced to external managers. We use cost-benefit analysis to assess on a regular basis whether the various portfolios should be managed internally or externally.

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

Market-rate environment investments

The objective of 3 i 1 Livspension is to maximise the return relative to a risk determined by the policyholder's age and risk profile. For the younger generation pools, the target return is close to that of the equity market in general, but with a lower risk through risk diversification, and the older generations have a risk profile similar to that of the bond market, but with a higher expected return through risk diversification. The asset composition for the younger generations should also provide long-term protection against inflation.

The age-specific distribution of investments in 3 i 1 Livspension is determined by way of the generation pools' mix of investments in the base funds: equities, bonds and alternative investments. Policyholders have a choice of three investment profiles with low, moderate or high risk, respectively. The allocation strategy follows a conventional lifecycle approach during the savings period of scaling down the risk as policyholders grow older.

Returns on 3 i 1 Livspension

The table below illustrates the value of 3 i 1 Livspension's share of holdings and returns in each of the three base funds. The overall investment return before tax on pension returns for 3 i 1 Livspension was 7.2%.

BASE FUNDS 3 i 1 LIVSPENSION

	Market Value 31.12.2016 DKKm	Distribution %	Return %
Equities	33,666	44.5	10.2
Bonds	25,475	33.7	3.9
Alternative investments	16,465	21.8	5.7
Total	75,606	100.0	7.2

Repo transactions are recognised on a net basis.

Listed equities, which make up most of the equity base fund, returned 11.3% in 2016. For a more detailed specification of holdings and returns in 3 i 1 Livspension, see note 22 to the financial statements.

Returning up to 9.7%

3 i 1 Livspension generated positive returns for all policyholders across investment profiles in 2016. As illustrated by the returns of selected pools shown in the table below, the youngest generation pools, which have a larger equity and alternative share, had the highest returns.

GENERATION POOLS 3 i 1 LIVSPENSION, SELECTED

Return in %	Investment profile		
	Low	Moderate	High
25 years	7.5	9.1	9.7
45 years	7.0	8.4	8.9
65 years	4.8	5.2	5.7

Non-guaranteed reinsurance return of 5.6%

Indexation of civil servant pension assets is based on salary trends, and thus makes up a significant risk factor in a municipality's pension obligations. The pension benefits paid by a municipality to civil servants increase over time and will be further accelerated in case of high rates of salary growth in the future. As a result, our investment strategy serves two purposes:

- To mitigate the risk of the return falling short of the increase in a municipality's reinsured obligations indexed by the rate of salary growth; and
- To achieve the maximum return achievable while covering the inflation risk on a municipality's obligations.

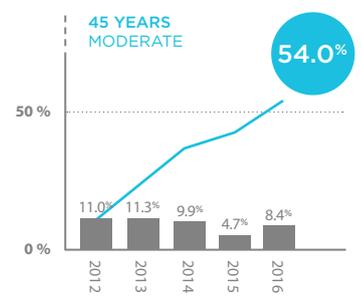
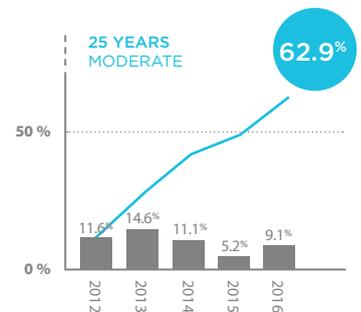
Asset allocation is determined on the basis of the municipalities' future payment obligations. Investments are made in the same base funds in which 3 i 1 Livspension invests. Investments are also made in the inflation base fund.

Investment of funds relating to non-guaranteed reinsurance of civil servant pension obligations produced a satisfactory return of 5.6% in 2016. For a more detailed specification of holdings and returns in the non-guaranteed reinsurance segment, see note 22 to the financial statements.

Return of 8.8% in the conventional average-rate environment

Sampension has defined its investment strategy for the conventional average-rate product on the basis of two key considerations, listed below in order of priority:

Moderate-risk policyholders receive 5-year returns in 3 i 1 Livspension of up to 62.9%



■ Annual returns
■ Accumulated returns

Policyholders with Sampension's lifecycle product have obtained high investment returns over the past five years. Depending on their age, customers with a moderate risk profile have obtained returns of up to 62.9%.

- To achieve reasonable assurance that Sampension will be able to meet its pension obligations and declarations of intent both in the short term and in the long term; and
- To assume investment risks in anticipation of a higher return.

Provisions for pensions are stated at market value, which means that the value will depend on interest rate levels. In order to mitigate this risk, Sampension has set up an independent hedge portfolio for this environment. The objective of this portfolio is to obtain reasonable assurance that we will be able to honour the declarations of intent issued to policyholders.

The overall allocation of investments in the average-rate environment at 31 December 2016 and the return contributions for the year are set out in the table below.

CONVENTIONAL AVERAGE RATE			
	Market Value 31.12.2016	Distribution	Contribution
	DKKm	%	%
Total investment portfolio	61,418	79.2	3.8
Total portfolio of interest rate hedges	16,132	20.8	5.0
Total investment assets	77,549	100.0	8.8

Around 62% of Sampension's total net investment assets in the conventional average-rate environment of just under DKK 78 billion were placed in bonds etc., while 7% were invested in listed equities, 21% in the portfolio of interest rate hedges and just over 10% in illiquid assets.

The overall return (time-weighted) for 2016 was 8.8% before tax on pension returns and inclusive of the hedge portfolio. Calculated as the financial ratio "Rate of return related to average-rate products" (N1), the overall investment return was 9.6% (money-weighted).

Excluding the hedge portfolio, the return was 3.8%. The hedge portfolio generated a return of DKK 5.0 billion, equal to a return contribution of 5.0%, while pension obligations were up by DKK 1.7 billion due to the lower level of interest rates. Combined, the investment portfolio, the hedge portfolio and changes in provisions produced a return of DKK 4.7 billion, equal to 6.8%, after tax on pension returns.

For a more detailed specification of holdings and returns in the conventional average-rate segment, see note 22 to the financial statements.

Financial results, solvency requirements and total capital

Loss of DKK 147 million

Sampension reported a loss of DKK 147 million after tax in 2016 against a loss of DKK 324 million in 2015. In both years, the losses were caused by the allocation of bonus capital to policyholders, which was expensed in accordance with applicable accounting rules. The loss for the period further reflects the proportionate share of the investment portfolio return attributable to equity and the risk premium in accordance with the contribution principle.

Disregarding the expensed bonus capital, the net result for the year slightly outperformed expectations. Net results are less relevant in a customer-owned company inherently focused on the performance of policyholder savings.

The Board of Directors proposes that the loss for the year be covered by prior year "Retained earnings" under equity. This will bring equity in the parent company to DKK 3.6 billion, compared with DKK 3.7 billion at 31 December 2015. Consolidated equity at 31 December 2016 was DKK 4.6 billion against DKK 7.0 billion at 31 December 2015. The difference between consolidated and parent company equity is the non-controlling interests' share, which is essentially due to Lønmodtagernes Dyrtdidsfond's (LD Pensions) investment in Kapitalforeningen Sampension Invest's Global Equity Index sub-fund. The decline in consolidated equity can be put down to Lønmodtagernes Dyrtdidsfond downsizing its investment in Sampension Invest in 2016.

Solvency requirements and total capital

The Solvency II rules took effect on 1 January 2016. Solvency II has introduced both a solvency capital requirement (SCR) and a lower minimum capital requirement (MCR). Sampension computes both capital requirements using the so-called standard model. The transition to Solvency II has resulted in a number of changes, the most important of which are:

Equity risk: Sampension calculates equity risks based on a transitional arrangement permitting a stress factor of 22% to be applied in 2016 to equities purchased before 31 December 2015 and the remaining factor to be phased in over seven years for both listed and unlisted equities, to 39% and 49%, respectively.

Credit spread: Sampension has a large portfolio of securitisation products that will be affected by the new rules. Under the new rules, ratings from two rating agencies are required to reduce the solvency capital requirement in accordance with the credit quality. Sampension has chosen to purchase ratings from one rating agency only, which increases the risk element of the solvency calculation compared with the previous rules.

Volatility adjustment (VA): Sampension has received permission from the Danish Financial Supervisory Authority (FSA) to apply VA, which is an add-on to the discount curve intended to mitigate procyclical investment behaviour. Applying VA reduces the solvency capital requirement.

Overall, the solvency capital requirement is considered to be met. The table below shows the solvency capital requirement and the total capital at 31 December 2016:

SOLVENCY CAPITAL REQUIREMENT AND TOTAL CAPITAL		
DKKm	31.12.2016	31.12.2015
Total capital	7,882	7,790
Solvency capital requirement (SCR)	1,845	3,086
Minimum capital requirement (MCR)	461	772
Excess capital	6,037	4,704
Solvency coverage relative to SCR	427%	252%
Solvency coverage relative to MCR	1709%	1010%

The solvency coverage ratio (total capital relative to solvency requirement) was up to 427% at 31 December 2016. The higher solvency coverage ratio is partially explained by the fact that the transitional equity risk rules had not taken full effect at the beginning of January 2016, which they subsequently have. Several municipalities switching from guaranteed to non-guaranteed reinsurance and a decrease in the portfolio of securitisation products due to prepayments are other reasons for the increase.

Bonus potential and bonus rate

The Danish FSA's Executive Order on Financial Reports was amended effective 1 January 2016 to implement the Solvency II rules. Accordingly, provisions recognised in the financial statements are calculated according to the same principles as those applied under Solvency II, and both the individual and the collective bonus potential in relation to policyholder accounts are now included in the calculation of the bonus rate ratio. Previously, the ratio only reflected the collective bonus potential.

The table below shows bonus potentials and bonus rates broken down under contribution interest rate groups:

BBONUS POTENTIAL AND BONUS RATER	31.12.2016		31.12.2015	
	Bonus potential DKK m	Bonus rate %	Bonus potential DKK m	Bonus rate %
Interest rate group A (average basic rate of interest 3.5%-4.5%)	2,135	11.6	2,211	10.6
Interest rate group B (average basic rate of interest 2.5%-3.5%)	840	22.0	1,877	29.3
Interest rate group C (average basic rate of interest 1.5%-2.5%)	4,952	46.8	5,115	44.7
Interest rate group D (average basic rate of interest 0.5%-1.5%)	1,229	54.9	1,239	64.4
Interest rate group E (average basic rate of interest below 0.5%)	9	381.3	120	234.3
Interest rate group F (non-guaranteed)	100	11.1	107	12.5
Conventional average rate, total interest rate groups	9,265	-	10,667	-
Non-guaranteed reinsurance	4,188	12.6	2,261	9.3
Total bonus potential in interest rate groups	13,453	-	12,928	-

The total bonus potential increased by DKK 0.5 billion in 2016, and most groups reported higher bonus rates. The increased bonus rate in interest rate group A with the highest average basic rates of interest represents a positive performance.

Increasing provisions for insurance contracts

Life insurance provisions for conventional average-rate policies are computed at market value based on assumptions of costs, longevity, disability risk, retirement age and probability of policy surrenders and conversions into paid-up policies. Market value is calculated based on the risk-free yield curve including volatility adjustment published by EIOPA in accordance with the Solvency II Directive. Provisions are also determined using the Danish FSA's benchmark for expected future longevity improvements. The accumulated market value adjustment of life insurance provisions increased by a net DKK 0.9 billion in 2016, including the annual update of longevity assumption, which increased the market value adjustment by DKK 0.7 billion.

Provisions for average-rate products amounted to DKK 110.4 billion at end-2016 against DKK 104.4 billion at the end of 2015. The increase was primarily due to the previously described adjusted return (investment portfolio return, hedge portfolio return and change in provisions) of DKK 4.7 billion.

Provisions for market-rate policies increased by DKK 7.7 billion to stand at DKK 74.9 billion at 31 December 2016. The increase was driven especially by the DKK 4.9 billion investment return and by premiums received, as 87% of Sampension's premium-paying policyholders had 3 i 1 Livspension, and all new policyholders get this product.

Corporate social responsibility

Socially responsible conduct

In addition to safeguarding our policyholders financially, Sampension contributes – being a part of the Danish labour market pension system – to the sustainable development of the Danish economy and to maintaining a healthy balance between public-sector benefits and labour-market benefits. Labour market pensions, which constitute a significant pillar of the Danish welfare model, have contributed to the steady development of a secure and responsible labour market since the 1980s.

Sampension has a responsibility for managing its pension schemes in a way that serves the best interest of our policyholders. We meet that responsibility by staying focused on what is important, i.e. growing the value of our pension schemes by keeping expenses low, generating high returns, offering a flexible pension product and providing personalised customer service and comprehensive advisory tools.

These factors are also key to meeting our corporate social responsibility. We conduct our policy on corporate social responsibility as business-driven CSR, which we seek to achieve through actions taken in our business areas. Our fundamental objective is to provide attractive pension schemes to our policyholders, as also reflected by the fact that Sampension does not pay dividends to its owners. Instead, all profit is allocated to policyholders' pension savings.

Sampension's role in society

Sampension's approach to responsible investment is explained in detail below. Reference is also made to the review of objectives and the efforts made in general governance, investing and company operations discussed in the statutory report on corporate social responsibility available at www.sampension.dk under 'Financial information' at 'About Sampension'; <http://www.sampension.dk/Forside/Om-Sampension/Finansiell-information/aarsrapporter/Samfundsansvar-2016>.

Memberships and affiliations

Sampension is a signatory member of a number of organisations that in each their own way promote responsible investment:

2016

→ In 2016, Sampension rejoined PRI, the UN-supported Principles for Responsible Investments network. The decision to rejoin followed three years of critical dialogue with the board of PRI that was based on dissatisfaction with the governance of the organisation. During the period in which we had withdrawn our membership, Sampension complied with the six UN-supported principles for responsible investment that PRI is based on.

2011

→ Since 2011, Sampension has supported IIGCC (the Institutional Investors Group on Climate Change).

2010

→ Sampension has been a part of the CDP (Carbon Disclosure Project) since 2010, an independent, international not-for-profit organisation working to promote openness and dialogue on corporate climate strategies and carbon emissions.

2008

→ In the autumn of 2008, Sampension was a co-founder of the Danish Social Investment Forum (DANSIF), a network for professional investors, advisers and others in Denmark involved in socially responsible investments.



I 2016 blev Sampension igen medlem af organisationen PRI, som er FN-støttet.

Responsible investment policy and guidelines based on UN conventions

Our socially responsible investment policy is based on the United Nations' conventions on basic human rights. Portfolio companies are screened for a number of requirements, such as not using illegal child labour, respect for equal rights regardless of gender, race and religious background, respect for the right of the individual to unionise, avoiding the use of forced labour and working against all kinds of corruption, including extortion and bribery.

Environmentally responsible investment

Companies are also screened for requirements for environmentally responsible conduct, including national environmental legislation in each country they operate in. Companies must also respect all ILO conventions on working environment and must work for a cleaner environment by, among other things, being committed to reducing carbon emissions and supporting the objectives of the COP21 agreement. Companies are also required to support the development and diffusion of environmentally friendly technologies.

No investment in weapons manufacturers

Sampension does not invest in companies producing anti-personnel mines or components intended for such mines contrary to the Ottawa Treaty or that are in any way involved in developing or proliferating weapons of mass destruction, such as nuclear arms and biological or chemical weapons.

Management responsibility of listed companies

When screening listed companies and voting on shareholdings, Sampension applies a number of corporate governance principles. Those principles apply to board composition and organisation, to whether the right skills are present for the board to perform its strategic governance and controlling duties. A company's board of directors must demonstrate its ability to strike a reasonable balance between replacement and continuity, be accessible to a proper extent, act independently of special interests and safeguard the interests of their shareholders. A company's board of directors must as a minimum have set up an audit committee and a remuneration committee.

Screening also looks at how the board of directors achieves value creation in a responsible manner and clearly communicates its objectives, strategy, competitive position, operations and risk management to the effect that existing and prospective shareholders may make informed decisions on taking an ownership interest in the company.

A listed company must have systems in place with which to analyse, measure and manage risk in all operational activities. The board of directors must ensure that the company's capital structure keeps its capital costs at a minimum with due consideration to the company's strategy, stability and general economic conditions and that matters such as remuneration and taxes are handled in a balanced manner.

Screening of countries when investing in government bonds

When investing in government bonds, Sampension only invests in paper from government issuers that have not been banned because the country or key persons in that country are subject to international sanctions or bans by the UN of the EU or because severe human rights abuses occur in the country with no signs of material improvement.

These principles are based on the UN Guiding Principles on Business and

Human Rights (UNGP). Sampension may decide not to apply or may defer a ban if it is believed such action would significantly worsen the situation of the country's general population.

The above factors would carry the most weight in Sampension's considerations of whether or not to invest in a country's government bonds. Other factors that in an overall evaluation may contribute to a ban are:

- the level of corruption in the country, in its political leadership and in its organisations;
- its level of democracy;
- the degree to which labour rights are secured;
- the degree to which the country's government is committed to its environmental responsibility; and
- equal rights in terms of education and in the labour market.

Managing the policy on responsible investments

The current screening of listed companies in our equity portfolio, defined as shares and similar ownership interests in business undertakings, must be conducted by a professional and independent screening company.

Based on the information provided by such screening company, Sampension assesses whether a company is unacceptable, acceptable or possibly should be placed on a surveillance list pending further investigations or initiation of a dialogue with the company. After engaging with a company, Sampension will categorise it either as acceptable or unacceptable. Shares in unacceptable companies are added to the exclusion list and sold off.

Unlisted equities are subject to the same guidelines as listed shares. The policy on responsible investments is applied during the due diligence process and implemented by way of the necessary agreements with asset managers.

Results

Sampension cooperates with EIRIS, a provider of research and risk assessment on a wide range of ethical aspects, such as how a company addresses climate risk, corruption risk, international labour rights and global human rights. Through EIRIS, Sampension has initiated critical dialogue with a total of 200 companies. Currently, 75 companies are blacklisted from the investment universe. Sampension publishes a current blacklist every six months.

A total of 164 of these 200 dialogues have been concluded. A total of 76 of them (38%) were concluded with the positive result of the company implementing changes. In 72 cases, Sampension concluded the matter without achieving the desired results, either because the companies in question did not wish to engage in dialogue or because the dialogue was being drawn out by a lack of commitment to change. In 16 cases, the company in question was blacklisted from Sampension's investment universe.

Outlook for 2017

Sampension expects moderate growth in premium income in 2017, as no collective agreements are due for renegotiation during the year. Nor was 2016 a negotiating year for collective agreements that could lead to higher pension contributions.



Sampension har ekskluderet 75 selskaber fra sit investeringsunivers. Eksklusionslisten offentliggøres sammen med halvårs- og årsregnskaberne.

The number of policyholders is expected to rise slightly, the increase in particular involving policyholders receiving benefits. Total insurance-related administrative expenses are expected to remain at the nominal 2016 level, whereas APR investment expenses are expected to fall in the years ahead.



Sampension maintains its rate on policyholders' savings at 5.3% in 2017 for all average-rate policies with declaration-of-intent benefits. The rate of interest on policyholders' savings in non-guaranteed reinsurance is reduced to 3.0% effective 1 January 2017 (from 5.3%).

For market-rate schemes, the return will depend on developments in the financial markets. Following a year that was as difficult and challenging for bond and equity markets as predicted, the economic recovery is now taking hold. That trend is expected to spread, and 2017 may take its cue from the way 2016 ended, although uncertainty about global events may still hamper the upside potential. The persistently very low underlying level of interest rates combined with rising credit premiums is severely restricting expected returns, and the main purpose of bond investments will be to retain value rather than chasing excess returns.

For equity markets to remain buoyant in 2017, it is imperative that company earnings forecasts do not disappoint the markets. Some volatility is expected, mainly to be triggered by political uncertainty resulting from important European elections and by the potential impact US President Trump's policies may have on global trade.

Sampension's financial results will also depend on developments in the financial markets. Based on an unchanged level of interest rates, Sampension expects a return on equity after tax of approximately DKK 50 million in 2017. The guidance does not factor in any additional allocation of bonus capital.

Other matters



Uncertainty in recognition and measurement

In preparing the financial statements, management makes a number of estimates and assumptions of future events that affect the carrying amount of assets and liabilities. The areas in which management's estimates and judgements have the most material effect on the financial statements are provisions for insurance contracts and the fair value of non-marketable assets such as unlisted financial instruments and property, for example. See the note on accounting policies for further details.

The Audit Committee and the company's Board of Directors review the estimates and valuation methods applied in Sampension's financial statements.

Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the date of this document which may change the assessment of the Annual Report.





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Company details

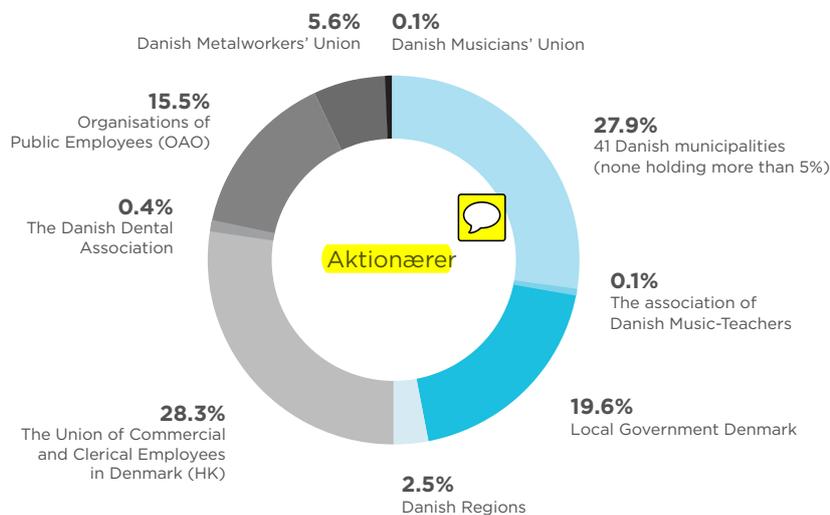
Management structure	38
KGroup structure and organisation chart	41
Other directorships held by members of the Board of Directors and the Executive Board	43

Management structure

Shareholders

Sampension KP Livsforsikring A/S is owned by the parties to the collective agreements for which Sampension is a pension provider. Sampension's share capital is held equally by employee organisations on the one hand and by employers and employer organisations on the other.

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



Board of Directors

Sampension's Board of Directors consists of shareholder representatives, two Board members recommended by the Board of Directors and representatives of the Group's employees. Until the end of 2016, Sampension KP Livsforsikring a/s and Sampension Administrationssselskab a/s had identical boards of directors. At 1 January 2017, Erik Bisgaard Madsen, chairman of the Pension Fund for Agricultural Academics and Veterinary Surgeons, was appointed to the Board of Directors of Sampension Administrationssselskab A/S.

Information about other directorships of the members of the Board of Directors and the Executive Board is provided on page 37.

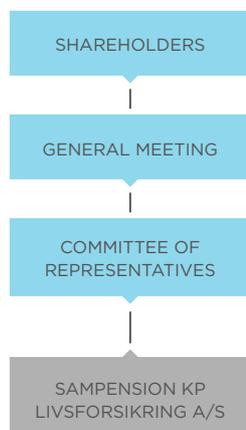
Audit Committee

Torben Nielsen, former governor of the Danish central bank, was appointed chairman of the Audit Committee. Through his professional career and educational background, he complies with the requirements of independence and qualifications according to the rules on audit committees.

The two other members appointed by the Board of Directors to serve on the Audit Committee in 2016 were: Anker Boye (chairman of the Board) and Johnny Søtrup (member of the Board).

The Audit Committee held four meetings in 2016. The framework for the Audit Committee's work is defined in a terms of reference. The principal duties of the Audit Committee are:

The Sampension organisational structure



The shareholders elect the members of the Committee of Representatives, which in turn appoints the Board of Directors.

The Board of Directors appoints the Audit Committee. Sampension KP Livsforsikring A/S is the parent company.

- to monitor the financial reporting process;
- to monitor the efficiency of Sampension's internal control system, internal audit function and risk management systems;
- to monitor the statutory audit of the financial statements; and
- to monitor and verify the independence of the auditors.

Sampension set up a financial whistleblower programme in 2014, giving the employees a dedicated and independent channel for reporting any violation of financial regulations by the company. Reports to the whistleblower program are directed to the chairman of the Audit Committee and to Sampension's compliance function. No reports were filed in 2016 or in previous years.

Boards of customer groups and contact committees

Sampension gives high priority to working closely together with various policyholder groups, and various models have been developed to help each policyholder group influence pension schemes in their particular area.

In two sectors, policyholder boards with representatives of the contracting parties in those sectors. These boards determine the contents of their particular schemes within the shared framework defined by Sampension's Board of Directors. They also discuss the overall developments in Sampension as well as its investment strategy and financial situation.

For most sectors, contact committees have been established with a view to preparing and communicating requests for changes to pension schemes as well as following up on administrative and advisory services and communications with policyholders of that particular sector. Representatives of employee organisations and possibly of employers or employer organisations behind the pension schemes serve on contact committees.

Organisation and management

The Executive Management is in charge of the overall day-to-day management of the Company. The Sampension organisation also consists of five executive divisions, which are in charge of day-to-day operations, and an executive secretariat:

Policyholder services – KAdvising policyholders and providing service to pension customers, engaging with the parties to the collective agreements and providing services to the employers.

Products – The Products division is in charge of Sampension's products, spanning from classic actuarial functions to product and IT development, project portfolio and rules and collective agreement compliance.

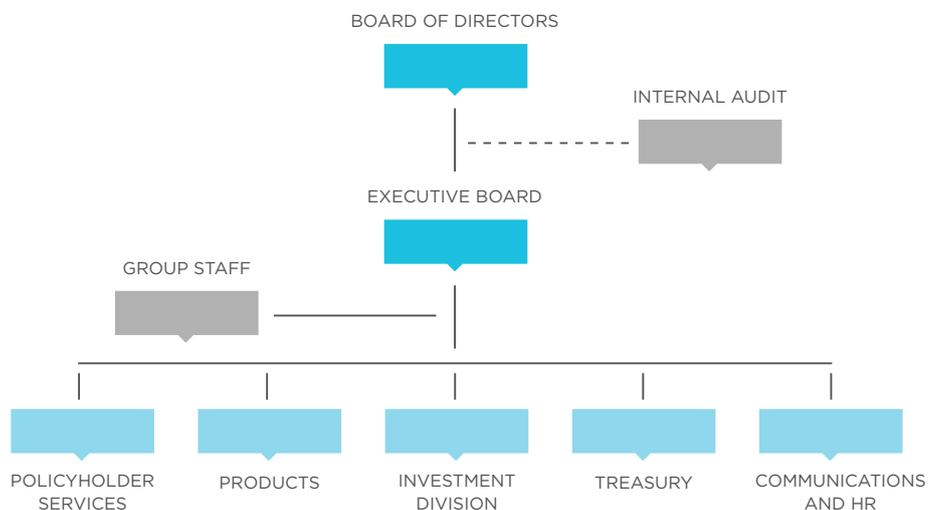
Investment division – Manages investment portfolios managed by Sampension, including the investment research, equities and alternative assets, and fixed income departments.

Treasury – In charge of fund management, financial reporting for all group companies, risk management and compliance as well as cost management. The division is also in charge of IT operations, the IT architecture and IT security.

Communications and HR – In charge of external communications, press relations, sales support, website, internal communications, HR, staff canteen and in-house services.

Executive Secretariat – In charge of arranging AGMs, serves the boards and the executive management, handles enquiries with authorities, strategic follow-up and strategic projects.

The Sampension organisation



In response to the implementation of the Solvency II rules, Sampension has established the following central functions: A risk management and compliance function, an actuarial function and internal audit function. The heads of the respective departments have been identified as key persons performing controlled functions in respect of the work of the department in question. In addition to meeting the Solvency II requirements, these functions contribute to efficient management at Sampension.

Remuneration

The Board of Directors has defined a remuneration policy that is consistent with the provisions of section 71 (1)(ix) and sections 77 (a) and 77(d) of the Danish Financial Business Act. The remuneration principles applied at Sampension are intended to ensure that the management and the employees are remunerated in a manner that best supports the company's business and long-term strategic goals.

The remuneration provided by Sampension should reflect and support Sampension's ability to recruit and retain a competent and responsible management that promotes healthy and efficient risk management and that does not motivate excessive risk-taking.

Pursuant to current regulations, the company is required to disclose certain information regarding its remuneration policy etc. See note 4 to the financial statements or go to www.sampension.dk/godselskabsledelse, for more information about Sampension's remuneration policy and other governance issues.

Gender diversity in management

The Board of Directors of Sampension KP Livsforsikring A/S and Sampension Administrationselskab A/S has defined a target for the underrepresented gender to make up at least 40% of board members, corresponding to four of the nine board members not including the employee-elected representatives. The target applies for a four-year period and the intention is to achieve compliance by March 2017, as board members are rarely replaced during the term of their service on the board.

In an update of its guidelines, the Danish Business Authority has introduced a more lenient interpretation of what is considered equal gender distribution. According to the revised guidelines, a gender breakdown of one third and two

thirds on a board of directors with nine elected members, equal to three of one gender and six of the other, is considered to be equal gender distribution. At the end of 2016, the Board had three female and six male members. In future, the gender distribution of the employee-elected board members will be included in the gender diversity context, as recommended in the updated guidelines of the Danish Business Authority.

The Board of Directors will work with the Company's owners to promote equal opportunity for men and women to serve on the Board. In the recruiting process, this will include identifying both female and male candidates with the necessary qualifications. In addition, the Board of Sampension KP Livsforsikring A/S has adopted a diversity policy aiming to promote diversity in terms of qualifications and competencies in the broad sense among the Board members. This issue forms part of its self-evaluation process with a view to ensuring a dynamic and diverse Board of Directors.

The Board aims to have equal gender distribution in management positions and has defined a target for the underrepresented gender in Sampension Administrationselskab A/S to make up at least 40% of managers with HR responsibility. At the end of 2016, the annual follow-up on the gender distribution in management positions with HR responsibility showed that 27% were women and 73% were men. Accordingly, the target was not achieved. The number of female managers declined relative to 2015 when 29% of Sampension's managers were women and 71% were men. Two management positions were discontinued for efficiency-enhancement purposes, reducing the number of each gender by one.

In its policy for gender diversity in management, the Company makes it a priority to ensure a broad recruitment base with equal opportunities for both genders. In addition, if at all possible, there should be at least one applicant of each gender among the candidates being considered for a position. Implementation of this policy is expected to gradually increase the proportion of the underrepresented gender at the Company's management levels.

Group structure

In addition to the parent company Sampension KP Livsforsikringsselskab A/S and the subsidiary Sampension Administrationselskab A/S, the Sampension Group comprises a number of subsidiaries and associates, which between them operate the Group's business areas.

Sampension Administrationselskab A/S

The objective of Sampension Administrationselskab A/S is to provide administrative services to life insurance companies, pension funds and pension companies as well as general asset management services and other related business. The company's objective is also to own, lease and manage real property and any other business related thereto.

Companies currently under management are all members of the Sampension Group. Effective from 1 January 2017, the group will also include the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons. As a result, the group of owners of Sampension Administrationselskab A/S are: Sampension KP Livsforsikring A/S (94 %), the Architects' Pension Fund (3 %) and the Pension Fund for Agricultural Academics and Veterinary Surgeons (3 %).

Sampension Administrationselskab A/S has developed a solution targeting pension funds and corporate pension funds in which Sampension manages all or parts of the operations and the administrative tasks in policy management and customer service, plus a number of optional related financial services, such as treasury services or actuarial assignments.

Through Sampension's efficient administrative processes and a state-of-the-art IT platform, our skilled employees ensure efficient operations and a flexible product and services offering at a competitive cost for the benefit of each pension fund and its members.

Sampension Alternative Asset Management A/S

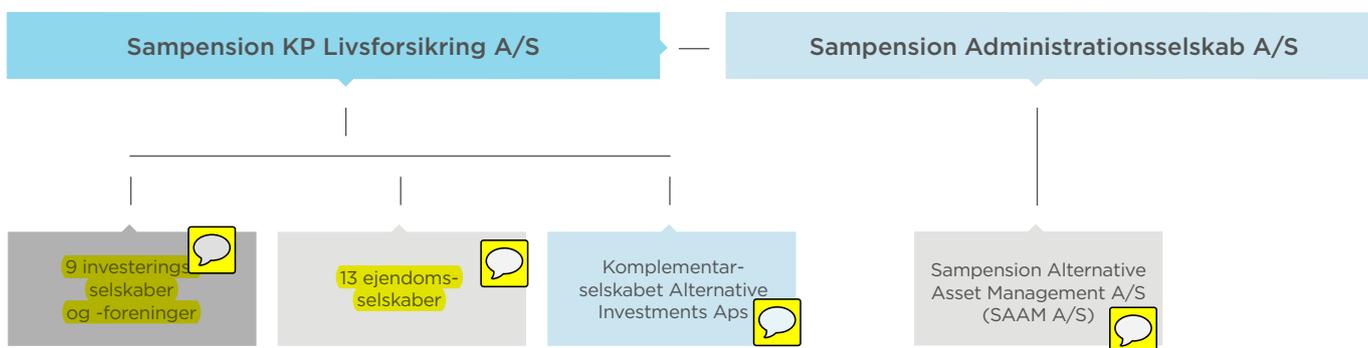
This company operates an investment advisory business under the rules of part 20a of the Danish Financial Business Act.

Other companies

The Group also has several property companies, which own substantial parts of the Group's property portfolio, and a number of investment companies and one capital association, primarily covering alternative investments and shares in both average-rate and market-rate environments.

Company details

Group structure at 31 December 2016



See the note on Equity investments on page 82 for further information on Group enterprises.

Name and address

Sampension KP Livsforsikring A/S
Tuborg Havnevej 14
2900 Hellerup
Denmark

Municipality of registered office: Gentofte
Tel.: (+45) 7733 1877
Website: www.sampension.dk
E-mail: sampension@sampension.dk
Company reg. (CVR) no.: 55 83 49 11
Established: 1945

Management and other directorships held

Board of Directors

Sampension's Board of Directors consists of shareholder representatives, including the parties to collective agreements behind the majority of the pension schemes provided by Sampension, two board members recommended by the Board of Directors and representatives of the Group's employees.

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

Anker Boye, former Mayor of Odense, Chairman
Johnny Søtrup, Mayor of Esbjerg
H. C. Østerby, Mayor of Holstebro

Members representing negotiating organisations of the policyholders are:

Kim Simonsen, (Deputy Chairman) Chairman of HK/Denmark
Bodil Otto, Deputy Chairman of HK/Municipal Authorities
Rita Bundgaard, Deputy Chairman HK/Government Authorities
Henrik Kjærgaard, Deputy Chairman of the Danish Metalworkers' Union

Members recommended by the Board of Directors:

Torben Nielsen, former governor of the Danish central bank
Anne Louise Eberhard, Executive vice president, Lindorff AS

Board members elected by the employees are:

Christian Dorow, Social services adviser
John Helle, Pension adviser
Bjørn Kroghsbo, Portfolio manager
Morten Lundsgaard, WEB coordinator
Majbritt Pedersen, Team leader

Executive Board

Hasse Jørgensen, CEO

Management team

Hasse Jørgensen, CEO
Søren P. Espersen, Communications and HR Director
Henrik Olejasz Larsen, Chief Investment Officer
Morten Lund Madsen, CFO
Ole B. Tønnesen, Customer Director
Flemming Windfeld, Mathematical Director

Chief Actuary

Flemming Windfeld

Internal audit

Gert Stubkjær, Group Chief Internal Auditor

Independent auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44, 2900 Hellerup, Denmark

Annual General Meeting

The Annual General Meeting will be held on 21 March 2017 at the Company's address.

Other directorships held by members of the Board of Directors and the Executive Board

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

Board of Directors

ANKER BOYE, FORMER MAYOR, CHAIRMAN, BORN 1950

(resigned as mayor at 1 January 2017)

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

Deputy chairman of the board of directors of Odense Havn

Deputy Chairman of the boards of directors of Naturgas Fyn I/S and NGF Nature Energy Holding A/S

Member of the board of directors of Odense Teater

Member of the board of directors of NGF Nature Energy Biogas A/S

Member of the board of directors of Kommunekredit

KIM SIMONSEN, CHAIRMAN OF HK/DENMARK, DEPUTY CHAIRMAN, BORN 1961

Chairman of the board of directors of ALKA A/S

Chairman of the board of directors of Forbrugsforeningen af 1886 A/S

Chairman of the board of directors of Knudemosen A/S

Chairman of the board of directors of Refshaleøen Holding A/S (including one subsidiary)

Chairman of the board of directors of Fonden LO-skolen Helsingør (including one subsidiary)

Chairman of the board of directors of Kommanditselskabet Christiansminde

Chairman of the board of directors and CEO of ASX7 ApS, Svendborg

Deputy chairman of the board of directors of Sampension Administrationssselskab A/S

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

Member of the board of directors of A/S A-Pressen

Member of the board of directors of Copenhagen Business Academy

Member of the board of directors of Erhvervsskolen Nordsjælland

Member of the board of directors of Fonden for Entreprenørskab - Young Enterprise

RITA BUNDBAARD, DEPUTY CHAIRMAN OF HK/GOVERNMENT AUTHORITIES, BORN 1960

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

Member of the board of directors of AUB (Arbejdsgivernes Uddannelsesbidrag)

Member of the board of directors of Forenede Gruppeliv

Member of the board of representatives of Forbrugsforeningen af 1886 A/S

ANNE LOUISE EBERHARD, EXECUTIVE VICE PRESIDENT, BORN 1963

Executive Vice President, Member of the Executive Committee, Lindorff AS, Norway

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

Member of the board of directors of Solix Group AB, Sweden

Member of the board of directors of Finansiell Stabilitet

HENRIK KJÆRGAARD, DEPUTY CHAIRMAN, BORN 1962

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

TORBEN NIELSEN, FORMER GOVERNOR OF THE DANISH CENTRAL BANK, BORN 1947

Chairman of the board of directors of Investeringsforeningen Sparinvest

Chairman of the board of directors of EIK Banki P/F, Faroe Islands

Chairman of the board of directors and of the risk committee of Sydbank A/S

Deputy chairman of the board of directors and chairman of the audit committee and risk committee of Tryg Forsikring A/S

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

Member of the board of directors and chairman of the audit committee of DLR Kredit A/S

BODIL OTTO, DEPUTY CHAIRMAN HK/MUNICIPAL AUTHORITIES, BORN 1957

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

Member of the board of directors of PKA A/S

Member of the board of directors of Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale A/S (including one subsidiary)

Member of the board of representatives of Forbrugsforeningen af 1886 A/S

JOHNNY SØTRUP, MAYOR OF ESBJERG, BORN 1949

Chairman of the board of directors of Region of Southern Denmark, Brussels Office

Chairman of Den Erhvervsdrivende Fond Musikhuset Esbjerg

Chairman of SOSU-skolen i Esbjerg

Deputy chairman of Business Development Esbjerg

Deputy chairman of the Port of Esbjerg

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

Member of the board of representatives of Sydenergi

H. C. ØSTERBY, MAYOR OF HOLSTEBRO, BORN 1955

Chairman of the board of directors of Karup Airport a.m.b.a.

Deputy chairman of the board of directors of Holstebro-Struer Havn

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

Member of the board of directors of Den Erhvervsdrivende Fond Nupark

Member of the board of directors of Den Erhvervsdrivende Fond Nr. Vosborg

CHRISTIAN DOROW, SOCIAL SERVICES ADVISER, BORN 1970

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

JOHN HELLE, PENSION ADVISER, BORN 1964

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

BJØRN KROGHSBO, PORTFOLIO MANAGER, BORN 1958

Chairman of the board of directors of Kapitalforeningen Sampension Invest

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

Member of the board of directors of Boozt AB, Sweden

MORTEN LUNDSGAARD, WEB COORDINATOR, BORN 1968

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

MAJBRIIT PEDERSEN, TEAM LEADER, BORN 1962

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

Executive Board**HASSE JØRGENSEN, CEO, BORN 1962**

CEO of Sampension Administrationssselskab A/S

Deputy chairman of the board of directors of the Danish Insurance Association

Member of the board of directors of Refshaleøen Holding A/S (including one subsidiary)

Member of the board of directors of the Danish Finance Society

From 1 January 2017:

CEO of the Architects' Pension Fund

CEO of the Pension Fund for Agricultural Academics and Veterinary Surgeons

Member of the board of directors of Komplementarselskabet Arkitekternes Ejendomme ApS

Member of the board of directors of Komplementarselskabet Sorte Hest ApS