

# ANNUAL REPORT 2016



**sampension**  
mere værd



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” Through my years in Sampension this is the best financial statement. In all aspects we are progressing and have strong figures to show. ”



# Solid returns and strong collaboration with pension funds

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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 & Dyrlæger) 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.

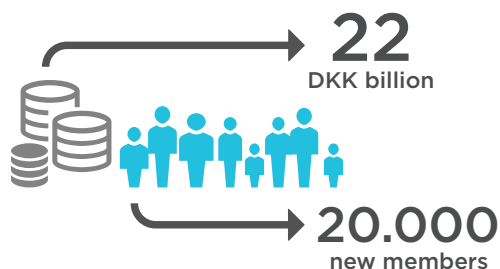
Hasse Jørgensen  
CEO



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.



**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.



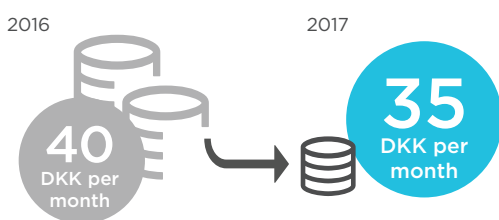


### A top performer in customer loyalty survey

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 pjdension.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

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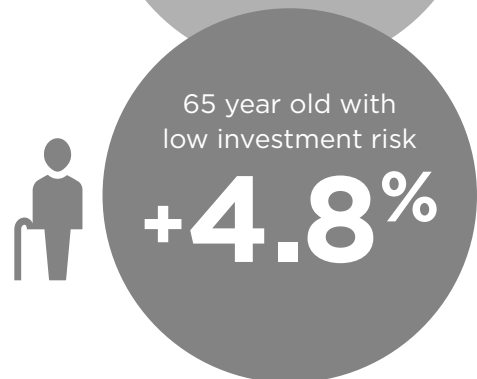
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**More value for the customers**



**High return in market rate products**



**Low investment expence, APR**



## 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.

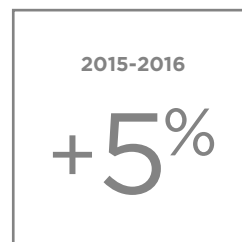
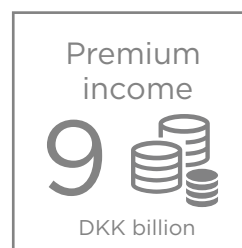
SELECTED FINANCIAL HIGHLIGHTS	2016 DKKm	2015 DKKm
Total premiums	9,017	8,597
Total benefits paid	8,100	7,216
Total investment return	14,189	3,021
 Total assets	 267,658	 249,624
	%	%
Investment return before tax on pension returns		
Total	8.1	1.8
Market rate	4.8 til 9.7	1.4 til 5.2
Total market rate	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><b>Market rate</b></p> <p>Lifecycle product 3 i 1 Livspension</p> <p>Linkpension, a unit-linked product</p>	<p><b>Actual returns are allocated to policyholders as and when achieved</b></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><b>Average rate</b></p> <p>Non-guaranteed benefit reinsurance</p> <p>Conventional average rate</p>	<p><b>Rate of investment return allocated to policyholders reflects the average return achieved over time</b></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
<b>Total gross premiums</b>	<b>9,017</b>	<b>8,597</b>	<b>4.9</b>
<b>Of which market-rate policies</b>	<b>6,328</b>	<b>6,037</b>	<b>4.8</b>



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
<b>Total directly insured</b>	<b>271,605</b>	<b>266,803</b>	<b>1.8</b>
<b>Indirectly insured</b>	<b>18,369</b>	<b>18,578</b>	<b>-1.1</b>
<b>Group life insured</b>	<b>716,840</b>	<b>720,677</b>	<b>-0.5</b>

### 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
<b>Total benefits paid</b>	<b>8,100</b>	<b>7,216</b>	<b>12.3</b>

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.

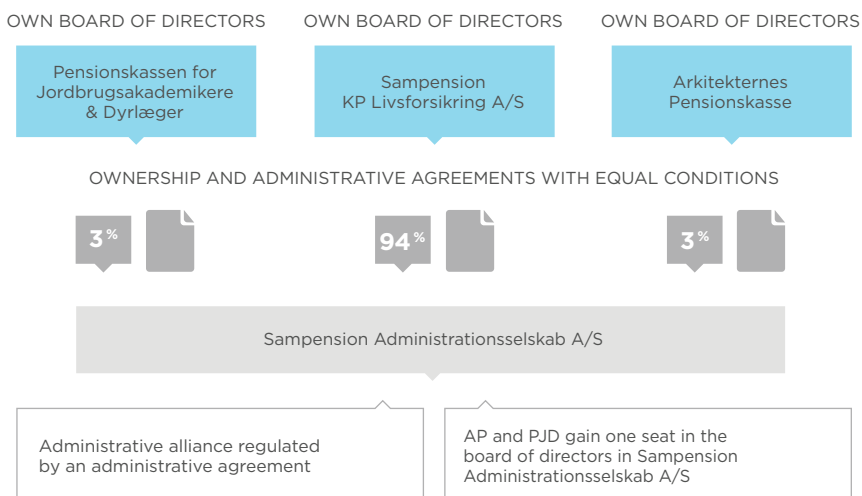
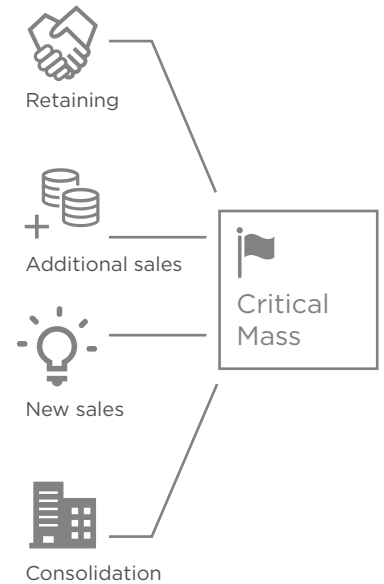
### Welcoming new pension funds

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 a short video, 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.

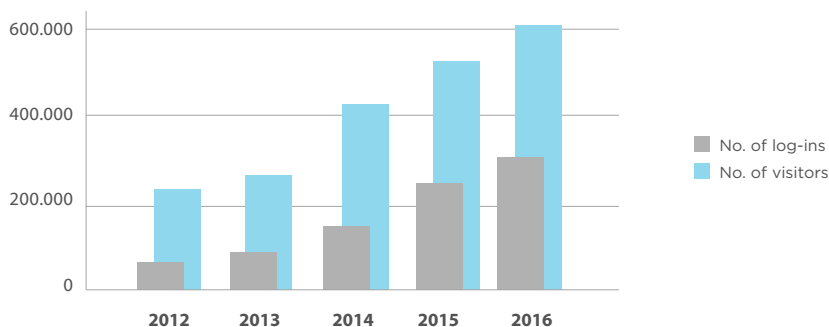
We completed some 21,000 all-inclusive pension consultations in 2016 against just over 20,000 the year before. In addition, we completed some 90,000 telephone consultations compared with 82,000 in 2015.

### 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.

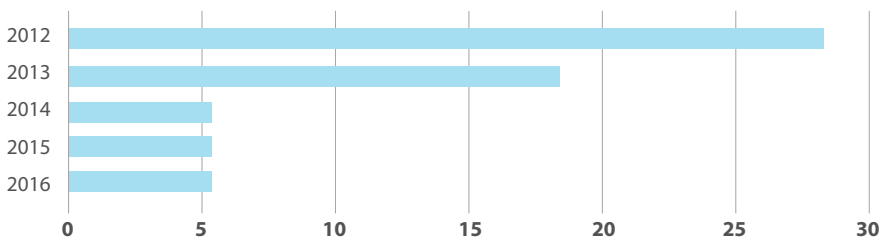
Loyalty Group's survey is based on 4,500 interviews.

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### 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 interaction 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.

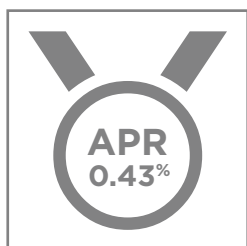
Sampension offers close dialogue with policyholders and, where relevant, businesses about retention on and return to the labour market, and in that connection prepares a report addressing the factors that may result in injuries and sickness absence and recommending health-promoting measures.

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.



### Low APR

With an APR of 0.43% Sompension has a competitive advantage.

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 Sompension, 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, [sompension.dk](http://sompension.dk), provides information to policyholders on annual investment expenses expressed in Danish kroner and as a percentage (APR). These expenses include expenses incurred by Sompension, 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
<b>3 i 1 Livspension total (average)</b>	<b>0.43</b>	<b>0.43</b>
<b>Conventional average rate</b>	<b>0.50</b>	<b>0.47</b>
<b>Non-guaranteed reinsurance</b>	<b>0.36</b>	<b>0.36</b>

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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

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### 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

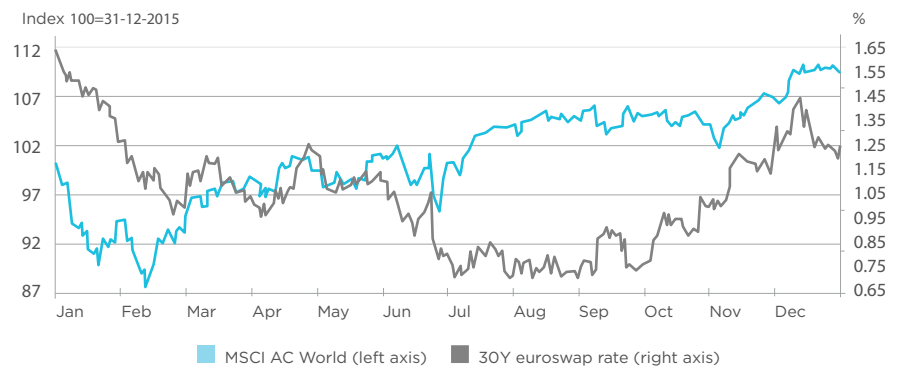


rates embarked on a slightly bumpy upward trend. The presidential elections in the USA and the constitutional referendum in Italy both created ripple effects in the financial markets, but the impact was nothing compared to the turmoil registered at the beginning of the year and in connection with the 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
<b>Total return</b>	<b>14,189</b>	<b>3,021</b>





→ Together with EQT SAMPENSION invested in Danish software company Site-core.







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 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.

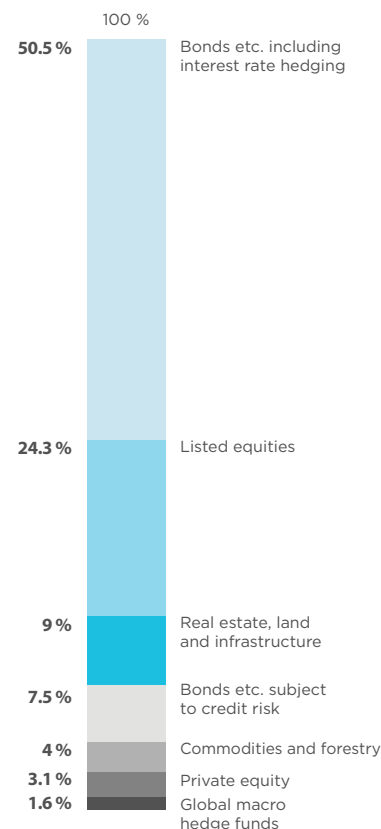
Together with EQT, the private equity group, and other co-investors, we acquired a majority interest in software providers Sitecore in the second quarter of 2016, and in the first half of the year we also acquired the residential rental property Lyngby Søpark in Kongens Lyngby near Copenhagen with a 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

Breakdown of net investments



with Sampension's strategic goal of building a portfolio of direct infrastructure exposures at the low end of the risk spectrum.

### 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
<b>Total</b>	<b>75,606</b>	<b>100.0</b>	<b>7.2</b>

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.

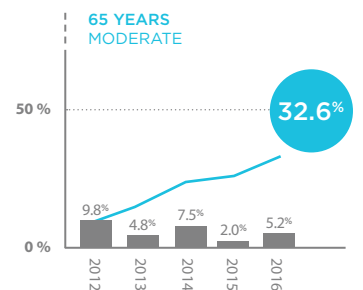
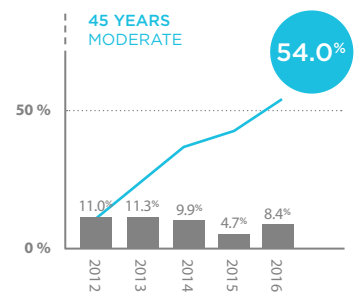
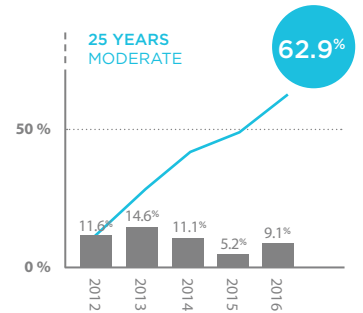
Asset allocation is determined on the basis of the municipalities' future payment obligations. Investments are made in the same base funds in which 3 i 1 Livspension invests. Investments are also made in the inflation base fund.

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.

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

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.

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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		
DKKkm	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
<b>Solvency coverage relative to SCR</b>	<b>427%</b>	<b>252%</b>
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 DKKm	Bonus rate %	Bonus potential DKKm	Bonus rate %
<b>Interest rate group A</b> (average basic rate of interest 3.5%-4.5%)	2,135	11.6	2,211	10.6
<b>Interest rate group B</b> (average basic rate of interest 2.5%-3.5%)	840	22.0	1,877	29.3
<b>Interest rate group C</b> (average basic rate of interest 1.5%-2.5%)	4,952	46.8	5,115	44.7
<b>Interest rate group D</b> (average basic rate of interest 0.5%-1.5%)	1,229	54.9	1,239	64.4
<b>Interest rate group E</b> (average basic rate of interest below 0.5%)	9	381.3	120	234.3
<b>Interest rate group F</b> (non-guaranteed)	100	11.1	107	12.5
Traditionel gns., rentegrupper i alt	9,265	-	10,667	-
Ugaranteret genforsikring	4,188	12.6	2,261	9.3
<b>Samlede bonuspotentialer i rentegrupper</b>	<b>13,453</b>	<b>-</b>	<b>12,928</b>	<b>-</b>

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

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## 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 [sampension.dk](http://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.



In 2016 Sampension rejoined PRI - the UN-supported organisation for responsible investments.

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## **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.

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These principles are based on the UN Guiding Principles on Business and Human Rights (UNGPR). 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

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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.



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Sampension has blacklisted 75 companies from the investment universe. A current blacklist is published in connection with the release of Sampension's half-year and full-year financial statements.

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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

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### 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.





# 2

## Company details

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# Management structure

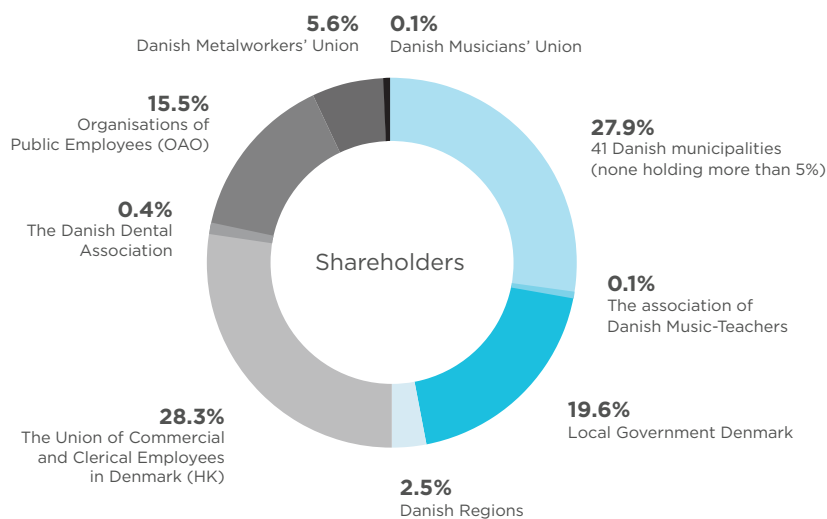
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## Shareholders

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.

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## 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

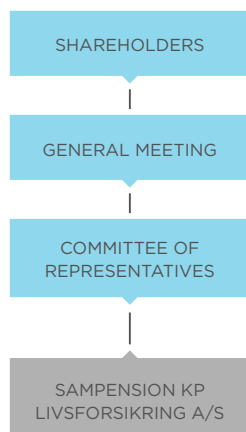
Torben Nielsen, former governor of the Danish central bank, was appointed chairman of the Audit Committee. Through his professional career and educational background, he complies with the requirements of independence and qualifications according to the rules on audit committees.

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** – Advising 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.

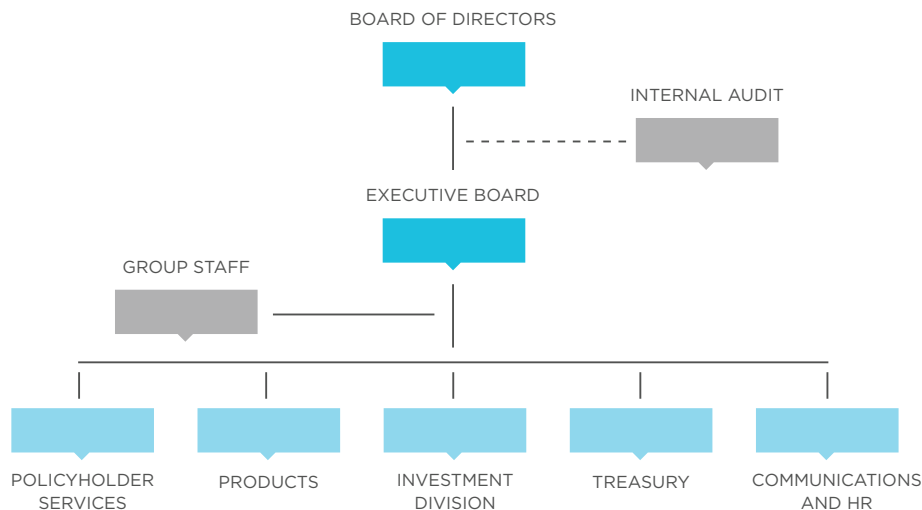
**Communications and HR** – In charge of external communications, press relations, sales support, website, internal communications, HR, staff canteen and in-house services.

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



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## 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](http://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

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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 %).

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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

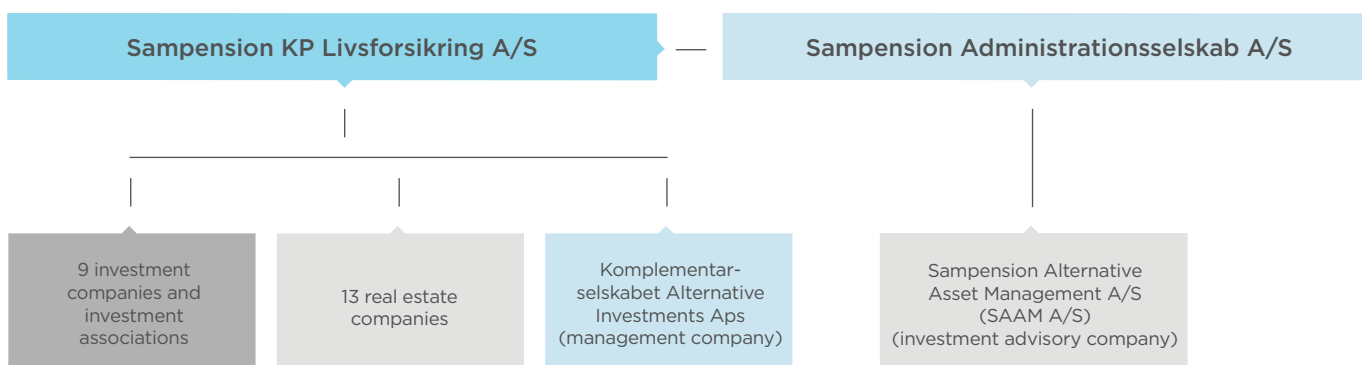
This company operates an investment advisory business under the rules of part 20a of the Danish Financial Business Act.

### 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 77 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](http://www.sampension.dk)  
E-mail: [sampension@sampension.dk](mailto:sampension@sampension.dk)  
Company reg. (CVR) no.: 55 83 49 11  
Established: 1945

# Management and other directorships held

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## 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.



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## 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 BUNDBGAARD, 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





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# 3

## Financial statements

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# Group and Parent Company Financial Statements

Note	INCOME STATEMENT DKKm.	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
1	Gross premiums	9,017	8,597	9,017	8,597
	<b>Total premiums, net of reinsurance</b>	<b>9,017</b>	<b>8,596</b>	<b>9,017</b>	<b>8,596</b>
	Income from group enterprises	-	-	5,391	5,480
	Income from associates	114	389	-12	218
	Income from investment properties and energy plants	260	199	0	0
2	Interest income, dividends etc.	11,734	5,940	10,000	4,331
3	Market value adjustments	7,265	-3,528	3,596	-7,349
	Interest expenses	-6,006	-12	-5,970	-1
4	Investment management expenses	-411	-338	-223	-216
	<b>Total investment return</b>	<b>12,955</b>	<b>2,651</b>	<b>12,783</b>	<b>2,462</b>
	<b>Tax on pension returns</b>	<b>-1,009</b>	<b>255</b>	<b>-1,009</b>	<b>255</b>
5	Benefits paid	-8,100	-7,216	-8,100	-7,216
	<b>Total insurance benefits, net of reinsurance</b>	<b>-8,100</b>	<b>-7,216</b>	<b>-8,100</b>	<b>-7,216</b>
14/15	Total change in provisions, net of reinsurance	-12,402	-3,792	-12,402	-3,792
13	Change in bonus capital	-262	-445	-262	-445
4	Administrative expenses	-171	-177	-171	-177
	<b>Total net operating expenses, net of reinsurance</b>	<b>-171</b>	<b>-177</b>	<b>-171</b>	<b>-177</b>
	<b>Transferred return on investments</b>	<b>-140</b>	<b>-62</b>	<b>-140</b>	<b>-62</b>
	<b>TECHNICAL RESULT</b>	<b>-113</b>	<b>-189</b>	<b>-285</b>	<b>-378</b>
	<b>Investment return on equity</b>	<b>140</b>	<b>62</b>	<b>140</b>	<b>62</b>
	<b>Other income</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>0</b>
	<b>Other expenses</b>	<b>-9</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>PROFIT BEFORE TAX</b>	<b>26</b>	<b>-124</b>	<b>-145</b>	<b>-316</b>
6	Tax	-102	-288	-1	-27
	<b>PROFIT FOR THE YEAR</b>	<b>-75</b>	<b>-412</b>	<b>-146</b>	<b>-344</b>
	<b>Other comprehensive income</b>				
	Domicile properties revaluation	10	15	0	0
	Translation of units outside Denmark	1,405	559	1,405	559
	Tax on pension returns	-161	-60	-161	-60
	Change in collective bonus potential	-1,246	-475	-1,246	-475
6	Tax	-2	-8	0	-4
	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>7</b>	<b>31</b>	<b>-1</b>	<b>20</b>
	<b>NET PROFIT FOR THE YEAR</b>	<b>-68</b>	<b>-381</b>	<b>-147</b>	<b>-324</b>
	<b>Minority interests share</b>	<b>-79</b>	<b>57</b>	<b>-</b>	<b>-</b>
	<b>PARENT COMPANY'S SHARE OF PROFIT FOR THE YEAR</b>	<b>-147</b>	<b>-324</b>	<b>-147</b>	<b>-324</b>

# Group and Parent Company Financial Statements (continued)

Note	BALANCE SHEETS DKKm.	GROUP		PARENT COMPANY	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
	<b>ASSETS</b>				
	<b>INTANGIBLE ASSETS</b>	<b>152</b>	<b>128</b>	<b>0</b>	<b>0</b>
7	Equipment	5	4	0	0
8	Domicile properties	152	152	0	0
	<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>157</b>	<b>157</b>	<b>0</b>	<b>0</b>
9	<b>Investment properties</b>	<b>3,447</b>	<b>3,088</b>	<b>0</b>	<b>0</b>
	<b>Investment in energy plants</b>	<b>806</b>	<b>0</b>	-	-
	Investments in group enterprises	-	-	28,238	23,649
10	Loans to group enterprise	-	-	1,149	1,116
	Investments in associates	1,058	825	216	96
10	Loans to associates	168	251	105	212
	<b>Total investments in group enterprises and associates</b>	<b>1,227</b>	<b>1,075</b>	<b>29,708</b>	<b>25,074</b>
	Investments	27,827	26,442	5,811	6,024
	Units in mutual funds	211	113	211	113
	Bonds	87,026	87,177	85,493	84,943
	Loans secured by mortgage	259	169	259	169
10	Currency-based derivative financial instruments	48,756	47,113	48,756	47,111
	Deposits with credit institutions	5,129	5,604	5,100	5,611
	<b>Total other financial investment assets</b>	<b>169,207</b>	<b>166,618</b>	<b>145,629</b>	<b>143,970</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>174,687</b>	<b>170,782</b>	<b>175,337</b>	<b>169,044</b>
12	<b>INVESTERINGSAKTIVER TILKNYTTET UNIT-LINKED KONTRAKTER</b>	<b>85,462</b>	<b>74,982</b>	<b>84,369</b>	<b>73,901</b>
	<b>Total receivables arising from direct and indirect insurance contracts</b>	<b>261</b>	<b>168</b>	<b>261</b>	<b>168</b>
	<b>Receivables from group enterprises</b>	-	-	<b>872</b>	<b>112</b>
	<b>Other receivables</b>	<b>228</b>	<b>256</b>	<b>84</b>	<b>157</b>
	<b>TOTAL RECEIVABLES</b>	<b>489</b>	<b>424</b>	<b>1,216</b>	<b>436</b>
	Current tax assets	34	4	30	4
6	Deferred tax asset	56	37	0	0
	Cash and cash equivalents	1,770	1,339	1,536	1,101
	Other	824	1,143	736	1,122
	<b>TOTAL OTHER ASSETS</b>	<b>2,685</b>	<b>2,523</b>	<b>2,302</b>	<b>2,227</b>
	Interest and rent receivable	4,268	3,841	4,212	3,798
	Other prepayments	256	241	222	217
	<b>TOTAL PREPAYMENTS</b>	<b>4,524</b>	<b>4,082</b>	<b>4,434</b>	<b>4,015</b>
	<b>TOTAL ASSETS</b>	<b>268,154</b>	<b>253,078</b>	<b>267,658</b>	<b>249,624</b>

Note	BALANCE SHEETS DKKm.	GROUP		PARENT COMPANY	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
	<b>EQUITY AND LIABILITIES</b>				
	<b>Share capital</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	Other reserves	142	135	95	96
	<b>Total reserves</b>	<b>142</b>	<b>135</b>	<b>95</b>	<b>96</b>
	<b>Retained earnings</b>	<b>3,432</b>	<b>3,586</b>	<b>3,480</b>	<b>3,625</b>
	<b>Minority interests</b>	<b>985</b>	<b>3,250</b>	<b>-</b>	<b>-</b>
	<b>TOTAL EQUITY</b>	<b>4,559</b>	<b>6,972</b>	<b>3,575</b>	<b>3,722</b>
13	<b>Excess capital</b>	<b>4,458</b>	<b>4,196</b>	<b>4,458</b>	<b>4,196</b>
	<b>TOTAL SUBORDINATED LOAN CAPITAL</b>	<b>4,458</b>	<b>4,196</b>	<b>4,458</b>	<b>4,196</b>
14	<b>Provisions for average-rate products</b>	<b>110,409</b>	<b>104,412</b>	<b>110,409</b>	<b>104,412</b>
15	<b>Provisions for unit-linked contracts</b>	<b>74,921</b>	<b>67,174</b>	<b>74,921</b>	<b>67,174</b>
	<b>TOTAL INSURANCE PROVISIONS, NET OF REINSURANCE</b>	<b>185,330</b>	<b>171,587</b>	<b>185,330</b>	<b>171,587</b>
6	Deferred tax liabilities	137	39	0	0
	Other provisions	21	3	0	0
	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>158</b>	<b>42</b>	<b>0</b>	<b>0</b>
	Payables arising from reinsurance operations	66	89	66	89
16	Payables to credit institutions	28,290	29,954	27,216	29,651
	Payables to group enterprises	-	-	2,159	401
	Other payables	8	1	0	0
	Current tax liabilities	1	3	0	0
17	Other debt	45,095	40,135	44,708	39,931
	<b>TOTAL DEBT</b>	<b>73,461</b>	<b>70,181</b>	<b>74,149</b>	<b>70,072</b>
	<b>TOTAL DEFERRED INCOME</b>	<b>188</b>	<b>100</b>	<b>145</b>	<b>47</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>268,154</b>	<b>253,078</b>	<b>267,658</b>	<b>249,624</b>

18	<b>CONTINGENT ASSETS AND LIABILITIES</b>
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# Statement of changes in Equity

DKKm.	Share capital	Currency translation adjustments	Domicile	Retained earnings	Minority interests	Total
<b>PARENT COMPANY</b>						
<b>Equity at 1 January 2015</b>	<b>1</b>	<b>76</b>	<b>0</b>	<b>3,972</b>	<b>0</b>	<b>4,049</b>
Profit for the year	-	-	-	-344	-	-344
Distributed dividends	-	20	-	-	-	20
Adjustment at 1 January 2016	-	-	-	-3	-	-3
<b>Equity at 31 December 2015</b>	<b>1</b>	<b>96</b>	<b>0</b>	<b>3,625</b>	<b>0</b>	<b>3,722</b>
Profit for the year	-	-	-	-146	-	-146
Other comprehensive income	-	-1	-	-	-	-1
<b>Equity at 31 December 2015</b>	<b>1</b>	<b>95</b>	<b>0</b>	<b>3,480</b>	<b>0</b>	<b>3,575</b>
<b>GROUP</b>						
<b>Equity at 1 January 2015</b>	<b>1</b>	<b>76</b>	<b>28</b>	<b>3,944</b>	<b>5,201</b>	<b>9,250</b>
Profit for the year	-	-	-	-355	-57	-412
Other comprehensive income	-	20	12	-	-	31
Minority interests shares - additions	-	-	-	-	-1,894	-1,894
Adjustment at 1 January 2016	-	-	-	-3	-	-3
<b>Equity at 31 December 2015</b>	<b>1</b>	<b>96</b>	<b>40</b>	<b>3,586</b>	<b>3,250</b>	<b>6,972</b>
Profit for the year	-	-	-	-154	79	-75
Other comprehensive income	-	-2	8	-	-	6
Minority interests shares - additions	-	-	-	-	-2,344	-2,344
<b>Equity at 31 December 2016</b>	<b>1</b>	<b>94</b>	<b>48</b>	<b>3,432</b>	<b>985</b>	<b>4,559</b>
<b>Capital base</b>					31.12.2016	31.12.2015
Equity					3,575	3,722
Bonus capital					4,458	4,196
Intangible assets in group enterprises					-152	-128
<b>Capital base</b>					<b>7,882</b>	<b>7,790</b>

# Notes, accounting policies

## GENERAL INFORMATION

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

### Relative to the 2015 Annual Report, the following changes have been made to the accounting policies:

#### Provisions for insurance and investment contracts

The Danish FSA's Executive Order on Financial Reports was changed effective at 1 January 2016 to implement the Solvency II rules. Accordingly, provisions made in the financial statements are calculated according to the same principles as those applied under Solvency II. Changes under the new executive order primarily affect the item "Total provisions for insurance and investment contracts" and related items in the income statement.

The changes to the way in which provisions are calculated consist in conversions into paid-up policies being included in expected future payments, and in a changed principle for the calculation of risk premium, which is furthermore renamed risk margin.

Moreover, the Solvency II rules introduce a new yield curve to be used in the solvency statement as from 1 January 2016, and this yield curve is also used in the computation of life insurance provisions for financial reporting purposes.

The provisions are now subdivided into fewer balance sheet items, as outstanding claims provisions and collective bonus potential are no longer presented as separate items.

Special bonus provisions (bonus capital) are no longer included in but are moved to a new item called Excess capital under "Subordinated debt".

These changes are recognised in the balance sheet according to the new method from the earliest possible date, i.e. 1 January 2016. Comparative figures for 2015 and previous years have not been restated, as this is not practically possible.

As a result of the mentioned changes to the accounting policies, total provisions relating to average-rate products have increased by DKK 3 million at 1 January 2016, with a corresponding decrease in equity.

The collective bonus potential has increased by DKK 348 million, while guaranteed and non-guaranteed benefits and individual bonus potential for traditional average rate has decreased by DKK 345 million.

#### Other balance sheet items

Of the asset item Other receivables, DKK 2,136 million has been moved to investment assets, DKK 1,738 million to Bonds and DKK 398 million to Deposits with credit institutions, and DKK 44 million has been moved from Provisions for average-rate products. The items arise from Sampension's pro rata share of Forenede Gruppeliv's financial statements. The balance sheet at 31 December 2016 includes the share of investment assets relating to Forenede Gruppeliv at DKK 2,097 million and the change in at DKK 34 million.

Holiday allowance obligations have been moved from the liability item Pensions and similar liabilities to Other debt. The total amount at 31 December 2015 was DKK 41 million, against DKK 47 million at 31 December 2016.

Repo debt has been moved from the liability item Other debt to Payables to credit institutions. The total amount at 31 December 2015 was DKK 27,392 million, against DKK 27,216 million at 31 December 2016.

The changes affect neither profit/loss nor equity.

The table below illustrates the changes from the balance sheet at 31 December 2015 to the balance sheet at 1 January 2016:

GROUP BALANCE SHEET DKKm	Balance sheet 31.12.2015	Change executive order	Other changes	Balance sheet 01.01.2016
Bonds	85,439	-	1,738	87,177
Deposits with credit institutions	5,206	-	398	5,604
<b>Total investment assets</b>	<b>168,646</b>	-	<b>2,136</b>	<b>170,782</b>
Other receivables	2,392	-	-2,136	256
<b>Total receivables</b>	<b>2,560</b>	-	<b>-2,136</b>	<b>424</b>
<b>Total assets</b>	<b>253,078</b>	-	<b>0</b>	<b>253,078</b>
Retained earnings	3,589	-3	-	3,586
<b>Total equity</b>	<b>6,975</b>	<b>-3</b>	-	<b>6,972</b>
Excess capital	0	4,196	-	4,196
<b>Total subordinated loan capital</b>	<b>0</b>	<b>4,196</b>	-	<b>4,196</b>
Total life insurance provisions / Provisions for average-rate products	91,315	13,053	44	104,412
Outstanding claims provisions	390	-390	-	0
Collective bonus potential	12,660	-12,660	-	0
Bonus capital	4,196	-4,196	-	0
<b>Total provisions for insurance and investment contracts</b>	<b>175,736</b>	<b>-4,193</b>	<b>44</b>	<b>171,587</b>
Pensions and similar obligations	41	-	-41	0
<b>Total provisions</b>	<b>83</b>	-	<b>-41</b>	<b>42</b>
Debt related to direct insurance	133	-	-44	89
Payables to credit institutions	2,562	-	27,392	29,954
Other debt	67,486	-	-27,351	40,135
<b>Total debt</b>	<b>70,184</b>	-	<b>-3</b>	<b>70,181</b>
<b>Total equity and liabilities</b>	<b>253,078</b>	<b>0</b>	<b>0</b>	<b>253,078</b>

Other than the above changes, the accounting policies are unchanged from 2015.

## Contribution principle

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

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

For guaranteed benefit average-rate contracts, a risk premium of 0.5% of the proportion of pension savings with a basic rate of interest of at least 4.25% plus 0.24% of the proportion with a basic rate of interest of less than 4.25% are allocated to total capital. No risk premium is allocated to total capital for non-guaranteed contracts or for cost and risk groups. The rest is allocated to the policyholders, equalling the realised results for the year, calculated in accordance with the Executive Order on the Contribution Principle, less the calculated amount allocated to total capital. Where it is not possible to recognise the full risk premium in total capital in accordance with the Executive Order on the Contribution Principle, the amount is reduced without the possibility of clawing back the amount in subsequent years.

## Recognition and measurement

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

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

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

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

On initial recognition, assets and liabilities are measured at cost, which is equal to fair value. Subsequently, assets and liabilities are generally measured at fair value. This is described in further detail under the individual items.

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

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

## Uncertainty in recognition and measurement

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

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

The pricing of non-marketable assets is subject to more uncertainty than the pricing of marketable assets. In addition to the uncertainty related to fair value, as explained in the section on risk management, there is a risk that large volumes of un-marketable assets cannot be sold over a short period of time at the same prices as smaller volumes can. However, in practice, Sampension is not subject to any notable risk of having to sell non-marketable assets on unfavourable terms. The value of marketable assets exceeds the annual payment obligations by a substantial margin.

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

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

## Corporate information and consolidation policies

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

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

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

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

## Non-controlling interests

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

## Intra-group transactions

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

## INCOME STATEMENT

### Technical result

#### Premiums, net of reinsurance

Premium income relates to insurance and investment contracts with bonus entitlement made as part of an employment contract as well as reinsurance

contracts relating to local governments' obligations to civil servants. Premium income covers premiums and contributions for the year. Premium income is stated net of social security contributions and reinsurance premiums.

#### **Forenede Gruppeliv**

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

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

#### **Return on investments**

##### **Income from investments in group enterprises and associates**

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

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

##### **Income from investment property and energy plants**

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

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

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

##### **Market value adjustments**

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

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

Foreign currency assets and liabilities, including assets and liabilities in foreign group enterprises, are translated into Danish kroner at the closing exchange rates at the balance sheet date. Transactions during the year are translated using the exchange rates at the date of transaction and realised and unrealised foreign exchange gains and losses are recognised in the income statement. Profits/losses from group enterprises are translated at average exchange rates. Foreign exchange adjustments as a result of translation from functional currency to presentation currency are recognised in other comprehensive income.

##### **Interest expenses**

The item Interest expenses mainly covers mortgage interest for the financial year.

##### **Investment management charges**

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

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

##### **Tax on pension returns**

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

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

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

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

##### **Insurance benefits, net of reinsurance**

Insurance benefits, net of reinsurance, comprise benefits paid in respect of direct or indirect insurance less reinsurance cover received. Insurance benefits also include cash group life bonuses.

##### **Change in provisions, net of reinsurance**

The item comprises the change for the year in provisions relating to average-rate products as well as market-rate products.

##### **Change in excess capital**

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

##### **Administrative expenses, net of reinsurance**

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

##### **Transferred return on investment**

The technical result is net of transferred return on investments, which constitutes the investment return on equity.

##### **Other income**

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

##### **Other expenses**

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

##### **Tax**

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

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



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

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

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

## Other comprehensive income

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

## Non-controlling interests

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

## BALANCE SHEET

### Intangible assets

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

On recognition, IT development projects are measured at cost. Cost comprises acquisition price and costs directly associated with the acquisition until the time when the asset is ready to be brought into use. Costs of materials, components, subcontractors, direct payroll costs and

indirect development costs are added to cost.

Development costs that do not meet the criteria for recognition in the balance sheet are expensed in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated depreciation and impairment losses and the recoverable amount.

On completion, capitalised development costs are amortised on a straight-line basis over the period in which it is expected to generate economic benefits, not exceeding ten years, however.

## Property, plant and equipment

### Equipment

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

Cost comprises acquisition price and costs directly associated with the acquisition until the time when the asset is ready to be brought into use.

Equipment and IT systems are depreciated on a straight-line basis over 2-10 years. Any residual value is determined based on an estimated selling price at the expected date of disposal or replacement. Cars are depreciated on a straight-line basis over four years, assuming a residual value of 30% of cost.

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

### Domicile properties

The domicile property is the office building occupied by Sampension Administrationselskab A/S. The domicile property is measured at a revalued amount less accumulated depreciation and impairment losses. The revalued amount is calculated according to the Discounted Cash Flows (DCF) method on the basis of the expected income and expenses on the property for a 10-year budget period. Any increases in revalued amounts are recognised in other comprehensive income, unless the increase offsets a decrease in value previously recognised in the income statement. Any decreases in revalued amounts are recognised in the

income statement, unless the decrease offsets an increase in value previously recognised in other comprehensive income. Amortisation/depreciation is recognised in the income statement.

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

## Investment assets

### Investment property

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

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

### Investments in energy plants

Energy plants in Denmark and abroad are measured at a calculated fair value in accordance with the discounted cash flow method based on expected income and expenses over the expected useful life of the plant, which is 25 years. Changes in fair value are included in market value adjustments in the income statement.

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

### Investments in group enterprises

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

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

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

#### **Loans to group enterprises**

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

#### **Investments in associates**

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

Investments in associates are measured at the proportionate share of the equity value in accordance with the most recent annual reports of the enterprises or in accordance with later interim financial statements, if available. Allowance is also made for subsequent capital increases, capital reductions or dividends up to the reporting date.

#### **Loans to associates**

Loans to associates are made in writing and on an arm's length basis. Loans are measured at an estimated fair value at the balance sheet date. Value adjustments are made through profit or loss under Market value adjustments.

#### **Investments and units in mutual funds**

Listed investments and units in mutual funds are measured at fair value at the balance sheet date (closing price). Unlisted investments and units in mutual funds are measured at an estimated fair value.

#### **Bonds**

Listed bonds are measured at fair value at the balance sheet date (closing price), or, in the absence of a closing price, another public price deemed to be most similar thereto. In respect of listed bonds which have not been traded for a period of time, specific prices are retrieved from banks or are determined at a fair value calculated using generally accepted valuation methods based on estimates of relevant mar-

ket conditions and risk of losses. Unlisted bonds are measured at an estimated fair value using generally accepted valuation methods. The fair value of drawn bonds is measured at present value.

#### **Loans secured by mortgage**

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

#### **Derivative financial instruments**

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

#### **Deposits with credit institutions**

Deposits with credit institutions consist of fixed-term deposits and are measured at fair value.

#### **Investment assets related to market-rate products**

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

#### **Receivables**

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

#### **Other assets**

##### **Current tax assets**

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

##### **Deferred tax assets**

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

#### **Cash and cash equivalents**

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

#### **Other**

The item Other includes bonus adjustment accounts regarding group life schemes, among other things.

#### **Prepayments**

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

#### **Equity**

##### **Other reserves**

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

##### **Non-controlling interests**

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

##### **Subordinated loan capital**

##### **Excess capital**

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

##### **Provisions for insurance and investment contracts**

##### **Provisions for average-rate products**

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

The provisions are measured at market value according to the principles reported to the Danish FSA. The provisions are computed applying the risk-free yield curve including volatility adjustment published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto. The computation furthermore applies assumptions of mortality, disability, con-

versions into paid-up policies, surrenders and retirement age determined from the company's past experience and an estimate of future improvements in life expectancy defined as the Danish FSA's benchmark.

## **Guaranteed benefit policies – direct and indirect insurance**

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

## **Non-guaranteed benefit policies – direct insurance**

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

## **Individual bonus potential**

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

## **Collective bonus potential**

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

## **Group life insurance**

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

## **Profit margin**

The profit margin is the net present value of expected future profit in the remaining contract periods of the insurance contracts entered into by the company in relation to its life insurance business.

## **Risk margin**

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

## **Non-guaranteed benefit policies – indirect insurance**

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

## **Provisions for market-rate products**

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

## **Provisions**

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

## **Deferred tax liabilities**

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

## **Other provisions**

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

## **Liabilities**

### **Payables to credit institutions**

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

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

### **Other payables**

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

### **Other debt**

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

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

### **Prepayments**

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

### **Financial highlights**

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

# Notes to the Financial Statement

DKKkm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>1</b>	<b>Gross premiums</b>			
Regular premiums	4,497	4,351	4,497	4,351
Group life contracts	2,371	2,291	2,371	2,291
Single premiums	1,242	1,253	1,242	1,253
<b>Premiums, direct insurance</b>	<b>8,110</b>	<b>7,895</b>	<b>8,110</b>	<b>7,895</b>
<b>Premiums, indirect insurance</b>	<b>908</b>	<b>702</b>	<b>908</b>	<b>702</b>
<b>Total gross premiums</b>	<b>9,017</b>	<b>8,597</b>	<b>9,017</b>	<b>8,597</b>
<b>Premiums, direct insurance, broken down by insurance arrangement:</b>				
Insurance contracts written in connection with employment	5,739	5,604	5,739	5,604
Group life contracts	2,371	2,291	2,371	2,291
<b>Total</b>	<b>8,110</b>	<b>7,895</b>	<b>8,110</b>	<b>7,895</b>
Premiums with profits insurance	3,011	3,006	3,011	3,006
Unit-linked contracts	5,098	4,889	5,098	4,889
<b>Total</b>	<b>8,110</b>	<b>7,895</b>	<b>8,110</b>	<b>7,895</b>
<b>Premium by policyholder's address:</b>				
Denmark	8,077	7,866	8,077	7,866
Other EU-countries	30	26	30	26
Other countries	2	2	2	2
<b>Total</b>	<b>8,110</b>	<b>7,895</b>	<b>8,110</b>	<b>7,895</b>
Number of policyholders with insurance and investment contracts written as part of their employment (thousands)	272	267	272	267
Of this number of unit-linked contracts in thousands	176	168	176	168
Number of group life insurances in thousands	717	721	717	721
<b>2</b>	<b>Interest income and dividends etc.</b>			
Dividends from investments	1,489	1,502	348	307
Dividends from units in mutual funds	6	3	6	3
Interest of bonds	2,936	2,827	2,330	2,361
Interest on loans secured by mortgage	14	3	14	3
Interest from group enterprises	-	-	38	48
Other interest income	74	5	51	1
Indexation	15	25	15	25
Interest swap instruments	7,199	1,575	7,199	1,582
<b>Total interest income, dividends, etc.</b>	<b>11,734</b>	<b>5,940</b>	<b>10,000</b>	<b>4,331</b>
<b>3</b>	<b>Market value adjustments</b>			
Investment properties	165	605	0	0
Investments	4,066	4,122	493	897
Units in mutual funds	65	-23	65	-23
Bonds	2,556	544	2,661	594
Loans secured by mortgage	5	0	5	0
Derivative financial instruments	136	-8,382	114	-8,372
Cash and demand deposit	245	134	250	108
Other	27	-529	9	-554
<b>Total value adjustments</b>	<b>7,265</b>	<b>-3,528</b>	<b>3,596</b>	<b>-7,349</b>



# Notes to the Financial Statement (continued)

DKKkm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>4 Administrative expenses</b>				
The following staff cost are included in administrative expenses and investment management expenses:				
Staff salaries	-176	-165	-2	-2
Staff pensions	-30	-29	0	0
Other social security costs	-1	0	0	0
Payroll tax etc.	-23	-21	0	0
<b>Total staff costs</b>	<b>-230</b>	<b>-216</b>	<b>-2</b>	<b>-2</b>
Average number of full-time employees	253	245	5	3

	GROUP 2016			GROUP 2015		
	No. of people	Fixed salary including pension earned	Variable salary earned	No. of people	Fixed salary including pension earned	Variable salary earned
<b>Executive Board</b>	<b>1</b>			<b>1</b>		
Hasse Jørgensen		5.54	-		5.30	-
<b>Board of Directors:</b>	<b>14</b>			<b>16</b>		
Anker Boye		0.29	-		0.28	-
Kim Simonsen		0.20	-		0.19	-
Rita Bundgaard		0.16	-		0.16	-
Anne Louise Eberhard (joined 10.04.2015)		0.12	-		0.09	-
Ulrikke Ekelund (resigned 10.04.2015)		-	-		0.04	-
Claus Jensen (resigned 10.04.2015)		-	-		0.04	-
Henrik Kjærgaard (joined 10.04.2015)		0.12	-		0.09	-
Torben Nielsen		0.20	-		0.20	-
Bodil Otto		0.12	-		0.12	-
Johnny Søtrup		0.17	-		0.17	-
H. C. Østerby		0.12	-		0.12	-
Christian Dorow		0.12	-		0.12	-
John Helle		0.12	-		0.12	-
Bjørn Kroghsbo		0.12	-		0.12	-
Morten Lundsgaard		0.12	-		0.12	-
Majbritt Pedersen		0.12	-		0.12	-
<b>Employees whose activities have a material impact on the company's risk profile</b>	<b>3</b>	<b>8.08</b>	<b>*)</b>	<b>3</b>	<b>7.43</b>	<b>*)</b>

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

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

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

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

Note 4 continued

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Remuneration for auditors elected by the Annual General Meeting</b>				
<b>PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab</b>				
Statutory audit	2,27	1,64	0,42	0,48
Assurance engagements	0,12	0,12	0,12	0,12
Tax advice	0,69	0,65	0,10	0,10
Other services	7,36	0,59	0,00	0,22
	<b>10,44</b>	<b>3,00</b>	<b>0,64</b>	<b>0,92</b>
In addition to the stated remuneration, costs were also incurred for the Group's internal auditing				
<b>5 Benefits paid</b>				
Death benefits	-306	-335	-306	-335
Insurance sums payable in the event of critical illness	-246	-221	-246	-221
Disability benefits	-58	-63	-58	-63
Benefits at maturity	-86	-148	-86	-148
Retirement and annuity benefits	-2,613	-2,416	-2,613	-2,416
Payment at surrender etc.	-1,457	-1,011	-1,457	-1,011
Bonuses paid in cash	-1,635	-1,442	-1,635	-1,442
<b>Benefits paid, direct insurance</b>	<b>-6,401</b>	<b>-5,635</b>	<b>-6,401</b>	<b>-5,635</b>
<b>Benefits paid, indirect insurance</b>	<b>-1,699</b>	<b>-1,581</b>	<b>-1,699</b>	<b>-1,581</b>
<b>Total benefits paid</b>	<b>-8,100</b>	<b>-7,216</b>	<b>-8,100</b>	<b>-7,216</b>
<b>6 Tax</b>				
Current corporation tax	-37	-34	-13	-12
Change in deferred tax, ordinary	45	4	40	-7
Adjustment relating to previous years, current tax	7	-13	7	-20
Adjustment relating to previous years, deferred tax	5	-66	8	-66
Other taxes paid etc.	-78	-257	0	0
Write-down of deferred tax asset	-42	78	-42	78
<b>Total tax income statement</b>	<b>-102</b>	<b>-288</b>	<b>-1</b>	<b>-27</b>
<b>Tax , other comprehensive income can be broken down as follows</b>				
Domicile properties revaluation	-2	-4	-	-
Translation of units outside Denmark	-309	-130	-309	-130
Tax on pension returns	35	14	35	14
Change in collective bonus potential	274	112	274	112
<b>Tax, other comprehensive income</b>	<b>-2</b>	<b>-8</b>	<b>0</b>	<b>-4</b>
<b>Tax reconciliation</b>				
Profit before tax	26	-124	-145	-316
Other comprehensive income before tax	9	39	-1	24
Calculated tax, 22,0 % (23,5 % in 2015)	-8	20	32	69
Non-taxable income and non-deductible expenses	13	-58	-5	-91
Other	-78	-257	0	0
Prior-year adjustment	11	-79	14	-87
Write-down of deferred tax asset	-42	78	-42	78
	<b>-104</b>	<b>-296</b>	<b>-1</b>	<b>-31</b>

# Notes to the Financial Statement (continued)

Note 6 continued

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Tax provisions</b>				
Land and buildings	-66	-39	-8	-6
Energy plants	-71	0	0	0
IT assets	33	23	0	0
Other assets	6	2	0	0
Tax loss carry-forward	1,033	985	1,023	979
Write-down of deferred tax asset	-1,016	-974	-1,016	-974
<b>Total tax provisions</b>	<b>-81</b>	<b>-2</b>	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>	<b>56</b>	<b>37</b>	<b>0</b>	<b>0</b>
<b>Deferred tax liability</b>	<b>-137</b>	<b>-39</b>	<b>0</b>	<b>0</b>
<b>7 Intangible assets</b>				
Cost at 1 January	28	29	0	0
Additions during the year, including improvements	1	0	0	0
Disposals during the year	0	0	0	0
<b>Cost at 31 December</b>	<b>29</b>	<b>28</b>	<b>0</b>	<b>0</b>
Write downs and depreciation at 1 January	-24	-24	0	0
Depreciation for the year	0	0	0	0
Reserval of previous depreciation	0	0	0	0
<b>Write downs and depreciation at 31 December</b>	<b>-24</b>	<b>-24</b>	<b>0</b>	<b>0</b>
<b>Carrying value at 31 December</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>8 Domicile properties</b>				
Cost at 1 January	287	287	0	0
<b>Cost at 31 December</b>	<b>287</b>	<b>287</b>	<b>0</b>	<b>0</b>
Revaluation at 1 January	52	36	0	0
Revaluation for the year recognised in other comprehensive income	10	15	0	0
Reversal of previous revaluation	0	0	0	0
<b>Revaluation at 31 December</b>	<b>62</b>	<b>52</b>	<b>0</b>	<b>0</b>
Depreciation at 1 January	-22	-20	0	0
Depreciation for the year	-2	-2	0	0
<b>Depreciation at 31 December</b>	<b>-24</b>	<b>-22</b>	<b>0</b>	<b>0</b>
<b>Revaluated value at 31 December</b>	<b>325</b>	<b>316</b>	<b>0</b>	<b>0</b>
<b>Fair value included in the item Domicile properties</b>	<b>152</b>	<b>152</b>	<b>0</b>	<b>0</b>
<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>173</b>	<b>164</b>	<b>0</b>	<b>0</b>
Sampension has obtained valuation reports from external experts.				
Rates of return applied to assess the market value of each property:	4.77	4.76	-	-

DKKkm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>9</b>	<b>Investment properties</b>			
Cost at 1 January	5,689	5,339	0	0
Additions during the year, including improvements	988	610	0	0
Disposals during the year	-99	-261	0	0
<b>Cost at 31 December</b>	<b>6,577</b>	<b>5,689</b>	<b>0</b>	<b>0</b>
Revaluation at 1 January	1,260	780	0	0
Exchange rate adjustment	-107	81	0	0
Revaluation for the year	302	399	0	0
Reversal of previous revaluation	-40	0	0	0
<b>Revaluation at 31 December</b>	<b>1,414</b>	<b>1,260</b>	<b>0</b>	<b>0</b>
Write-downs at 1 January	-523	-781	0	0
Write-downs during the year	-109	-22	0	0
Reversed write-downs	55	92	0	0
Reversal of write-downs due to sales	11	167	0	0
Exchange rate adjustment	-65	21	0	0
<b>Write-downs at 31 December</b>	<b>-631</b>	<b>-523</b>	<b>0</b>	<b>0</b>
<b>Fair value at 31 December</b>	<b>7,361</b>	<b>6,426</b>	<b>0</b>	<b>0</b>
<b>Fair value included in the item Investment properties</b>	<b>3,447</b>	<b>3,088</b>	<b>0</b>	<b>0</b>
<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>3,914</b>	<b>3,338</b>	<b>0</b>	<b>0</b>
Valuation reports from external experts have been obtained for most properties.				
Average rates of return applied to assess the market value of each type of property:				
Residential property	4,04	3,70	-	-
Residential property for the elderly	4,66	4,11	-	-
Commercial property	5,30	5,79	-	-
Youth housing	5,21	-	-	-
Foreign commercial property	4,91	5,20	-	-
Weighted average of rates of return	4,54	4,22	-	-
<b>10</b>	<b>Loans to group enterprises and associates</b>			
<b>Group enterprises</b>				
Fallcorner BV, Holland	-	-	189	148
KP CE s.a., Frankrig	-	-	166	167
Sampension KP International A/S, Danmark	-	-	655	801
Sampension Student Housing I A/S, Danmark	-	-	158	0
Sampension Student Housing II A/S, Danmark	-	-	50	0
Sampension Student Housing IV A/S, Danmark	-	-	109	0
<b>Total loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>1,327</b>	<b>1,116</b>
<b>Included in the item loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>1,149</b>	<b>1,116</b>
<b>Included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>0</b>
<b>Associates</b>				
OPP Slagelse Sygehus P/S, Danmark	54	6	54	6
OPP Retten i Svendborg P/S, Danmark	23	16	23	16
OPP Vejle P/S, Danmark	147	78	147	78
Ejendomsselskabet Vodroffsvej 26 P/S, Danmark	136	81	0	0
Ulvemosen Wind Park ApS, Danmark	0	112	0	112
<b>Total loans to associates</b>	<b>360</b>	<b>293</b>	<b>223</b>	<b>212</b>
<b>Included in the item loans to associates</b>	<b>168</b>	<b>251</b>	<b>105</b>	<b>212</b>
<b>Included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>191</b>	<b>42</b>	<b>119</b>	<b>0</b>

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



# Notes to the Financial Statement (continued)

11 Derivative financial instruments	GROUP		PARENT COMPANY	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
2016				
Interest rate hedging instruments etc.:				
Interestswaps	48,357	36,832	48,357	36,832
TRS	2	0	2	0
CAP's	0	0	0	0
Swaptions	452	509	452	509
CDS's	406	173	406	173
Forward bonds	267	0	267	0
Total Interest rate hedging instruments	49,483	37,513	49,483	37,513
Currency-based derivative financial instruments	788	2,776	788	2,776
<b>Total derivative financial instruments</b>	<b>50,271</b>	<b>40,290</b>	<b>50,271</b>	<b>40,289</b>
<b>Fair value included in the item Derivative financial instruments</b>	<b>48,756</b>		<b>48,756</b>	
<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>1,516</b>			<b>1,516</b>
<b>Fair value included in the item other debt see note 17</b>		<b>40,290</b>		<b>40,289</b>
<b>Net carrying value (asset)</b>	<b>9,982</b>		<b>9,982</b>	

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Agreements have been concluded to post collateral for derivative financial instruments				
The Group has received collateral in the form of liquid bonds equal to a fair value of	22,256	24,504	22,256	24,504
The Group has provided collateral in the form of liquid bonds equal to a fair value of	8,565	7,017	8,565	7,017
Net collateral (asset)	13,691	17,487	13,691	17,487

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -213 million (2015: DKK 1,216 million) in the market-rate environment and a total exposure of DKK -71 million (2015: DKK 327 million) in the average-rate environment. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -4,744 million (2015: DKK -3,007 million) in the market-rate environment and a total exposure of DKK -12,139 million (2015: DKK -9,069 million) in the average-rate environment. As gain/losses are settled on current basis, the fair value is nil.

2015	GROUP		PARENT COMPANY	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate hedging instruments etc.:				
Interestswaps	46,739	33,238	46,739	33,238
TRS	1	0	1	0
CAP's	56	21	56	21
Swaptions	208	82	208	82
CDS's	237	105	237	105
Forward bonds	0	9	0	9
Total Interest rate hedging instruments	47,241	33,456	47,241	33,456
Currency-based derivative financial instruments	936	374	929	374
Equity futures	3	5	3	5
<b>Total derivative financial instruments</b>	<b>48,180</b>	<b>33,836</b>	<b>48,173</b>	<b>33,836</b>
<b>Fair value included in the item Derivative financial instruments</b>	<b>47,113</b>		<b>47,111</b>	
<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 11</b>	<b>1,067</b>			<b>1,063</b>
<b>Fair value included in the item other debt see note 17</b>		<b>33,836</b>		<b>33,836</b>
<b>Net carrying value (asset)</b>	<b>14,345</b>		<b>14,338</b>	

DKKkm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>12</b>	<b>Total investment assets related to unit-linked contracts</b>			
<b>3 i 1 Livspension</b>				
<b>Investment assets</b>				
Domicile properties	173	164	0	0
Investment properties and energy plants	4,830	3,338	0	0
Investments in group enterprises	-	-	42,107	35,948
Loans to group enterprises	-	-	179	0
Investments in associates	889	826	245	333
Loans to associates	191	42	119	0
Investments	43,241	38,513	7,810	8,523
Units in mutual funds	455	425	455	425
Bonds	30,677	27,915	29,695	26,232
Loans secured by mortgage	309	134	309	134
Deposits with credit institutions	3,068	2,455	1,822	1,141
Derivative financial instruments see note 11	1,516	1,067	1,516	1,063
<b>Total investment assets at 31 December</b>	<b>85,350</b>	<b>74,880</b>	<b>84,257</b>	<b>73,799</b>
<b>Other unit-linked contracts</b>				
<b>Investment assets</b>				
Investments in group enterprises	-	-	27	26
Investments	36	25	11	2
Units in mutual funds	74	75	74	75
Bonds	2	2	0	0
<b>Total investment assets at 31 December</b>	<b>112</b>	<b>102</b>	<b>112</b>	<b>102</b>
<b>Total investment assets related to unit-linked contracts</b>	<b>85,462</b>	<b>74,982</b>	<b>84,369</b>	<b>73,901</b>
<b>13</b>	<b>Excess capital</b>			
Excess capital beginning of year	4,196	3,754	4,196	3,754
Paid out to customers	-158	-121	-158	-121
Return for the year	182	140	182	140
Transferred from equity	268	446	268	446
Provision for tax on pension returns payable	-31	-23	-31	-23
<b>Total excess capital</b>	<b>4,458</b>	<b>4,196</b>	<b>4,458</b>	<b>4,196</b>
<b>14</b>	<b>Provisions for average-rate products</b>			
<b>Change in gross life insurance provisions is specified as follows:</b>				
Life insurance provisions, beginning of year	104,412	105,339	104,412	105,339
Collective bonus potential, beginning of year	-12,660	-11,963	-12,660	-11,963
Adjustment beginning of 2016, change of accounting policies	-327	-	-327	-
Collective bonus potential, beginning of year	-12,987	-11,963	-12,987	-11,963
Risk margin covered by collective bonus potential and total capital at beginning of year	-252	-	-252	-
Accumulated value adjustment, beginning of year	-23,666	-28,254	-23,666	-28,254
Adjustment beginning of 2016, change of accounting policies	597	-	597	-
Accumulated value adjustment, beginning of year	-23,069	-28,254	-23,069	-28,254
<b>Retrospective provisions, beginning of year</b>	<b>68,104</b>	<b>65,122</b>	<b>68,104</b>	<b>65,122</b>

Note 14 continued on the next page

# Notes to the Financial Statement (continued)

Note 14 continued

DKKkm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Gross premiums	3,919	3,708	3,919	3,708
Addition of interest after tax on pension returns	3,425	1,559	3,425	1,559
Tax on pension returns	-265	-103	-265	-103
Transfer between classes I and III	-278	-185	-278	-185
Contributions to savings	2,488	3,672	2,488	3,672
Insurance benefits	-5,828	-5,497	-5,828	-5,497
Cost addition after addition of cost bonus	-162	-166	-162	-166
Risk gain after addition of risk bonus	-164	-51	-164	-51
Change in quota Forenede Gruppeliv	48	91	48	91
Other	218	-111	218	-111
<b>Retrospective provisions, end of year</b>	<b>71,504</b>	<b>68,039</b>	<b>71,504</b>	<b>68,039</b>
Accumulated value adjustment, end of year	24,548	23,666	24,548	23,666
Collective bonus potential, end of year	14,149	12,660	14,149	12,660
Risk margin covered by collective bonus potential and total capital at end of year	207	-	207	-
Life insurance provisions, end of year	110,409	104,365	110,409	104,365
Adjustment beginning of 2016, change of accounting policies	-	47	-	47
<b>Life insurance provisions, end of year</b>	<b>110,409</b>	<b>104,412</b>	<b>110,409</b>	<b>104,412</b>
<b>Change in provisions are specified as follows:</b>				
Change in provisions for average-rate products	-5,997	974	-5,997	974
Bonus paid to policyholder accounts	43	24	43	24
Change in quota Forenede Gruppeliv	48	91	48	91
Change in provisions, Other comprehensive income	1,246	475	1,246	475
Change in provisions for market-rate products, see note 15	-7,747	-5,373	-7,747	-5,373
Other	4	18	4	18
<b>Change in provisions, Income statement</b>	<b>-12,402</b>	<b>-3,792</b>	<b>-12,402</b>	<b>-3,792</b>
<b>Life insurance provisions is specified as follows:</b>				
<b>Rate groups</b>				
Interest rate group A (average basic rate of interest 3.5% - 4.5%)				
Guaranteed benefits	3,204	5,487	3,204	5,487
Bonus potential - non-guaranteed benefits	33,431	32,562	33,431	32,562
Collective bonus potential	2,135	2,211	2,135	2,211
<b>Total interest rate group A</b>	<b>38,770</b>	<b>40,260</b>	<b>38,770</b>	<b>40,260</b>
Interest rate group B (average basic rate of interest 2.5% - 3.5%)				
Guaranteed benefits	2,092	5,739	2,092	5,739
Bonus potential - non-guaranteed benefits	4,584	4,018	4,584	4,018
Collective bonus potential	840	1,877	840	1,877
<b>Total interest rate group B</b>	<b>7,515</b>	<b>11,634</b>	<b>7,515</b>	<b>11,634</b>
Interest rate group C (average basic rate of interest 1.5% - 2.5%)				
Guaranteed benefits	599	827	599	827
Bonus potential - non-guaranteed benefits	12,940	12,611	12,940	12,611
Individual bonus potential	38	301	38	301
Collective bonus potential	4,914	4,813	4,914	4,813
<b>Total interest rate group C</b>	<b>18,491</b>	<b>18,553</b>	<b>18,491</b>	<b>18,553</b>
Interest rate group D (average basic rate of interest 0.5% - 1.5%)				
Guaranteed benefits	475	1,108	475	1,108
Bonus potential - non-guaranteed benefits	2,200	767	2,200	767
Individual bonus potential	0	122	0	122
Collective bonus potential	1,229	1,117	1,229	1,117
<b>Total interest rate group D</b>	<b>3,904</b>	<b>3,113</b>	<b>3,904</b>	<b>3,113</b>
Interest rate group E (average basic rate of interest below 0.5%)				
Guaranteed benefits	-5	-37	-5	-37
Bonus potential - non-guaranteed benefits	0	1	0	1
Individual bonus potential	7	88	7	88
Collective bonus potential	2	32	2	32
<b>Total interest rate group E</b>	<b>4</b>	<b>83</b>	<b>4</b>	<b>83</b>

Note 14 continued

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Interest rate group F (special non-garanteed)				
Bonus potential - non-garanteed benefits	905	855	905	855
Collective bonus potential	100	107	100	107
<b>Total interest rate group F</b>	<b>1,006</b>	<b>962</b>	<b>1,006</b>	<b>962</b>
<b>Total interest rate groups</b>	<b>69,690</b>	<b>74,605</b>	<b>69,690</b>	<b>74,605</b>
<b>Expense groups</b>				
Collective bonus potential	101	68	101	68
<b>Total expense groups</b>	<b>101</b>	<b>68</b>	<b>101</b>	<b>68</b>
<b>Risk groups</b>				
Collective bonus potential	574	452	574	452
<b>Total risk groups</b>	<b>574</b>	<b>452</b>	<b>574</b>	<b>452</b>
<b>Group life insurance</b>				
Bonus potential - non-garanteed benefits	752	664	752	664
Individual bonus potential	1,536	1,425	1,536	1,425
Collective bonus potential	67	92	67	92
<b>Total Group life insurance</b>	<b>2,356</b>	<b>2,181</b>	<b>2,356</b>	<b>2,181</b>
<b>Risk margin</b>				
Average-rate product	340	405	339	405
Group life insurance	38	36	38	36
<b>Total risk margin</b>	<b>377</b>	<b>441</b>	<b>377</b>	<b>441</b>
<b>Non-garanteed indirect insurance</b>				
Bonus potential - non-garanteed benefits	33,124	24,404	33,124	24,404
Collective bonus potential	4,188	2,261	4,188	2,261
<b>Total non-garanteed indirect insurance</b>	<b>37,311</b>	<b>26,664</b>	<b>37,311</b>	<b>26,664</b>
<b>Total provisions for average-rate products</b>	<b>110,409</b>	<b>104,412</b>	<b>110,409</b>	<b>104,412</b>
<b>Total</b>				
Guaranteed benefits	6,365	13,124	6,365	13,124
Bonus potential - non-garanteed benefits	54,060	50,813	54,060	50,813
Individual bonus potential	46	511	46	511
Collective bonus potential	9,894	10,677	9,894	10,677
Group life contracts	2,356	2,181	2,356	2,181
Risk margin	377	441	377	441
Non-garanteed indirect insurance	37,311	26,664	37,311	26,664
<b>Total provisions for average-rate products</b>	<b>110,409</b>	<b>104,412</b>	<b>110,409</b>	<b>104,412</b>

## 15 Provisions for unit-linked contracts

### Change in provisions for 3 i 1 Livspension contracts is specified as follows:

Provision for 3 i 1 Livspensions contracts, beginning of year	67,051	61,681	67,051	61,681
Gross premiums	5,087	4,879	5,087	4,879
Addition of interest after tax on pension returns	4,925	2,256	4,925	2,256
Transfer between classes I and III	278	185	278	185
Subsidy from transfer	299	168	299	168
Tax on pension returns and on subsidy from transfer	-798	-368	-798	-368
Insurance benefits	-2,012	-1,539	-2,012	-1,539
Cost addition after addition of cost bonus	-75	-73	-75	-73
Risk gain after addition of risk bonus	37	-138	37	-138
Other	0	-1	0	-1
<b>Provisions for 3 i 1 Livspension, end of year</b>	<b>74,791</b>	<b>67,051</b>	<b>74,791</b>	<b>67,051</b>



# Notes to the Financial Statement (continued)

Note 15 continued

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Change in provisions for unit-linked contracts is specified as follows:</b>				
Provision for unit-linked contracts, beginning of year	124	121	124	121
Gross premiums	11	9	11	9
Addition of interest before tax on pension returns	10	11	10	11
Tax on pension returns	-1	-2	-1	-2
Insurance benefits	-15	-16	-15	-16
<b>Provisions for unit-linked, end of year</b>	<b>130</b>	<b>124</b>	<b>130</b>	<b>124</b>
<b>Total provisions for unit-linked contracts</b>	<b>74,921</b>	<b>67,174</b>	<b>74,921</b>	<b>67,174</b>
The insurance policies are written without guaranteed minimum return.				
<b>Breakdown of changes in provisions for unit-linked contracts:</b>				
Total change in provisions	7,747	5,373	7,747	5,373
Off which:				
Transfer between classes I and III	-278	-185	-278	-185
Subsidy from transfer to market interest	-299	-168	-299	-168
<b>Change in gross provisions, income statement</b>	<b>7,169</b>	<b>5,019</b>	<b>7,169</b>	<b>5,019</b>
The profit margin on life insurance contracts is nil.				
<b>16 Payables to credit institutions</b>				
Repos	27,216	27,392	27,216	27,392
Bank loans	1,059	2,546	0	2,260
Mortgage loans	16	17	0	0
<b>Total payables to credit institutions</b>	<b>28,290</b>	<b>29,954</b>	<b>27,216</b>	<b>29,651</b>
From the bank loans and the mortgage loans (index-linked loans) the following fall due in the coming year	28,275	29,937	27,216	29,651
After five years the outstanding balance (index-linked) will be:	0	0	0	0
<b>17 Other debt</b>				
Derivative financial instruments, according to note 10	40,290	33,836	40,289	33,836
Payables relating to bond purchase	864	577	864	577
Debt relating to settlement of repos	606	4,510	606	4,510
Sundry financial liabilities	2,296	477	2,290	477
Holiday allowance obligation	47	41	0	0
Other	993	694	660	531
<b>Total other payables</b>	<b>45,095</b>	<b>40,135</b>	<b>44,708</b>	<b>39,931</b>
<b>18 Contingent liabilities</b>				
The Company has committed itself at a later date to invest in funds etc. amounting to	11,793	8,306	1,136	1,275
PPP agreement concluded for an investment in Carlsbergbyen in Copenhagen (vocational college) with expected conversion to loan in mid-July 2016 amounts to	0	400	0	400
Capital increases in group enterprises not yet paid in, which the parent company has committed to paying, amount to	-	-	7,930	8,480
Legal proceedings against the company Tribune, which was divested in 2007 and has since gone into bankruptcy.	3	3	3	3

Note 18 continued

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
The jointly taxed companies are taxed under the Danish tax on-account tax scheme. As a management company, Sampension KP Livsforsikring A/S is jointly and severally liable with the jointly-taxed companies for any part of tax plus any surcharges or interest relating to each individual company.				
The Company is jointly and severally liable with jointly registered companies for the payment of aggregate VAT and payroll taxes				
VAT adjustment liability relating to properties	11	7	-	-
Sampension is jointly and severally liable with the other owner companies for insurance liabilities relating to all policies managed by Forenede Gruppeliv A/S.				
Sampension Administrationselskab A/S is jointly and severally liable for total debt and liabilities in Scandinavian Center I/S, Århus.				
According to the Annual Report the total debt and liabilities amount to	37	27	-	-
Commitments regarding concluded lease agreements amount to	4	7	-	-
<b>Total contingent liabilities</b>	<b>11,848</b>	<b>8,750</b>	<b>9,069</b>	<b>10,158</b>

## 19 Charges

Sampension has provided security for the Sampension KP International A/S group	18	22	18	22
Margin deposits relating to futures	487	598	487	598
Bonds sold as part of repo debt	21,372	22,307	21,372	22,307
Net assets registered in cover of 'Total provisions for insurance and investment contracts' amount to	192,365	178,637	192,365	178,637
The amounts related to the following items:				
Total investments in group enterprises			65,656	57,658
Loans to group enterprises			1,551	1,444
Investments			11,567	15,567
Units in mutual funds			13,102	1,132
Bonds			87,032	79,865
Currency-based derivative financial instruments			13,457	22,971
<b>Total assets earmarked as security for policyholders' savings</b>			<b>192,365</b>	<b>178,637</b>
Off which concerning market interest			74,921	67,498

# Notes to the Financial Statement (continued)

DKKm.	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>20</b>	<b>Intra group transactions</b>			
<p>Sampension's overall administration is handled in accordance with the management agreement with Sampension Administrationselskab which undertakes all administrative function. Administration covers both insurance and investments activities.</p> <p>Sampension pays an administrative fee, distributed on insurance operating expenses and investment management expenses with DKK 143 million (2015: DKK 146 million) and DKK 192 million (2015: DKK 190 million) respectively.</p> <p>Current intra-group transactions:</p>				
Management contracts (on an arm's length basis)			248	256
Fixed-term deposits and lending (maximum monthly balance)			3,569	1,362
Other market-based services			16	25
<p>These services are settled on market terms or on a cost recovery basis. As regards group enterprises and associates, reference is made to note 10, which provides a specification of intra-group loans, and to the specification of investments on page 77</p>				
<b>21</b>	<b>Realised result for interest groups, cost and risk groups</b>			
<b>Interest groups, total</b>				
Investment return before tax on pension returns			7,271	905
Change in market value adjustment			-882	4,588
Basic rate of interest added			-1,328	-1,471
Other			-155	114
<b>Realised interest rate result pursuant to the Executive Order on the Contribution Principle</b>			<b>4,907</b>	<b>4,135</b>
Tax on pension returns			-340	581
<b>Available for allocation after tax on pension returns</b>			<b>4,567</b>	<b>4,716</b>
Allocated to pension savers:				
Bonus added			-406	741
Transferred to collective bonus potential, interest rate groups			-3,914	-5,263
<b>Investment return and risk premium allocated to equity</b>			<b>247</b>	<b>194</b>
<b>Cost groups, total</b>				
Cost contribution			403	402
Actual administrative expenses			-153	-156
<b>Realised cost result pursuant to the Executive Order on the Contribution Principle</b>			<b>251</b>	<b>246</b>
Bonus added			-218	-232
Transferred to collective bonus potential, cost groups			-34	-21
<b>Cost result</b>			<b>-1</b>	<b>-7</b>
<b>Expense result as a percentage of technical provisions</b>			<b>0.02%</b>	<b>0.01%</b>
<b>Risk groups, total</b>				
<b>Realised risk result pursuant to the Executive Order on the Contribution Principle</b>				
Bonus added			-101	279
Transferred to collective bonus potential, risk groups			-90	-141
<b>Risk result recognised in capital base</b>			<b>0</b>	<b>12</b>
<b>Risk result as a percentage of technical provisions</b>			<b>0.05%</b>	<b>0.10%</b>
<b>Shadow accounts</b>				
Shadow account at 1 January			0	12
Shadow account re. loss risk			0	0
Reduction of shadow account during the year			0	-12
<b>Shadow account at 31 December</b>			<b>0</b>	<b>0</b>

## 22 Overview of assets and returns, parent company

Assets and return DKKm.	Market value Beg. of year	End of year	Return 2016 % p.a.
<b>Average-rate product</b>			
<b>Land and buildings</b>	<b>3,318</b>	<b>3,130</b>	<b>8.6%</b>
Listed Danish shares	5,502	5,585	11.5%
Unlisted Danish investments	4,548	3,932	7.9%
<b>Total Investments</b>	<b>10,050</b>	<b>9,518</b>	<b>10.1%</b>
Government- and mortgage bonds	33,925	33,636	4.0%
Index-linked bonds	421	1,411	6.1%
Credit bonds, investment grade and non-investment grade	16,600	13,158	7.3%
Loans etc.	1,045	1,092	-4.5%
<b>Total bonds and loans etc.</b>	<b>51,991</b>	<b>49,297</b>	<b>4.7%</b>
<b>Group Enterprises</b>	<b>501</b>	<b>527</b>	<b>5.2%</b>
<b>Other investment assets</b>	<b>2,319</b>	<b>-2,637</b>	<b>33.2%</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>11,831</b>	<b>17,713</b>	<b>32.7%</b>
<b>Total</b>	<b>80,010</b>	<b>77,549</b>	<b>8.8%</b>
<b>Non-garanteed reinsurance</b>			
<b>Land and buildings</b>	<b>2,731</b>	<b>3,693</b>	<b>7.3%</b>
Listed Danish shares	9,350	12,550	11.5%
Unlisted Danish investments	2,085	2,823	5.5%
<b>Total Investments</b>	<b>11,434</b>	<b>15,374</b>	<b>10.4%</b>
Government- and mortgage bonds	2,633	3,592	5.5%
Index-linked bonds	6,437	8,130	3.9%
Credit bonds, investment grade and non-investment grade	4,365	6,278	6.7%
Loans etc.	69	102	-5.7%
<b>Total bonds and loans etc.</b>	<b>13,504</b>	<b>18,102</b>	<b>5.0%</b>
<b>Group Enterprises</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Other investment assets</b>	<b>-1,076</b>	<b>249</b>	<b>3.1%</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>5</b>	<b>-371</b>	<b>-</b>
<b>Total</b>	<b>26,599</b>	<b>37,046</b>	<b>5.6%</b>
<b>Unit-linked contracts</b>			
<b>Land and buildings</b>	<b>8,099</b>	<b>8,893</b>	<b>7.3%</b>
Listed Danish shares	28,146	31,193	10.9%
Unlisted Danish investments	6,699	7,420	6.0%
<b>Total Investments</b>	<b>34,845</b>	<b>38,614</b>	<b>9.9%</b>
Government- and mortgage bonds	14,771	18,538	3.5%
Index-linked bonds	395	1,286	3.8%
Credit bonds, investment grade and non-investment grade	10,776	10,064	8.3%
Loans etc.	531	661	-5.7%
<b>Total bonds and loans etc.</b>	<b>26,472</b>	<b>30,550</b>	<b>5.1%</b>
<b>Group Enterprises</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Other investment assets</b>	<b>-1,950</b>	<b>-1,675</b>	<b>-</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>-20</b>	<b>-775</b>	<b>-</b>
<b>Total</b>	<b>67,445</b>	<b>75,606</b>	<b>7.2%</b>

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



## Notes to the Financial Statement (continued)

<b>23 Market-rate product, return etc. by investment profiles</b>						
	<b>2016</b>			<b>2015</b>		
	% of average provisions	Return % p.a.	Risk	% of average provisions	Return % p.a.	Risk
<b>Lifecycle product 3 i 1 Livspension</b>						
<b>Investment profile with high risk</b>						
Years to retirement						
30 years	0.02%	9.7%	4.75	0.02%	5.1%	4.75
15 years	0.04%	8.2%	4.50	0.04%	4.1%	4.25
5 years	0.04%	6.6%	3.75	0.01%	3.1%	3.75
5 years after	0.00%	5.7%	3.50	0.00%	2.5%	3.50
<b>Investment profile with moderate risk</b>						
Years to retirement						
30 years	0.77%	9.1%	4.50	0.79%	5.2%	4.50
15 years	3.53%	7.7%	4.25	3.32%	4.1%	4.25
5 years	3.94%	6.3%	3.75	4.01%	2.9%	3.50
5 years after	1.10%	5.2%	3.25	0.65%	2.0%	3.25
<b>Investment profile with low risk</b>						
Years to retirement						
30 years	0.00%	7.5%	4.25	0.02%	4.0%	4.25
15 years	0.00%	6.5%	3.75	0.02%	3.0%	3.75
5 years	0.00%	5.4%	3.50	0.02%	2.0%	3.50
5 years after	0.00%	4.8%	3.25	0.00%	1.4%	3.25
A retirement age of 65 is assumed.						
<b>24 Supplementary product ratios</b>						
	<b>2016</b>		<b>2015</b>			
	Return % p.a.	Bonus rate % p.a.	Return % p.a.	Bonus rate % p.a.		
<b>Average-rate product</b>						
Interest rate group A (average basic rate of interest 3.5 % - 4.5%)	9.7%	11.6%	0.8%	10.6%		
Interest rate group B (average basic rate of interest 2.5 % - 3.5%)	9.7%	22.0%	0.9%	29.3%		
Interest rate group C (average basic rate of interest 1.5 % - 2.5%)	9.7%	46.8%	1.2%	44.7%		
Interest rate group D (average basic rate of interest 0.5 % - 1.5%)	9.7%	54.9%	1.3%	64.4%		
Interest rate group E (average basic rate of interest below 0.5 % )	9.7%	381.3%	1.3%	234.3%		
Interest rate group F (special non-garanteed)	2.8%	11.1%	-	12.5%		
Non-garanteed indirect insurance	6.3%	12.6%	-0.7%	9.3%		
<b>Return on customers funds after expenses before tax</b>						
Including return on excess capital			<b>I alt i pct.</b>		<b>I alt i pct.</b>	
Average-rate product			9.4%		1.0%	
Non-garanteed indirect insurance			6.2%		-0.7%	
Unit-linked contracts (3 i 1 Livspensions)			7.1%		3.5%	

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

## 25 Five-year key figures for the group and parent company

DKKm.	2016	2015	2014	2013	2012
<b>Five-year key figures for the group</b>					
Gross premiums	9,017	8,597	7,758	8,125	7,837
Benefits, net of reinsurance	-8,100	-7,228	-7,202	-7,639	-6,192
Total investment return	14,371	3,225	25,991	4,013	15,060
Total net operating expenses	-171	-177	-179	-178	-192
Business ceded	0	0	0	0	2
Technical result	-113	-189	79	-2,718	241
Parent company's share of profit for the year	-147	-324	-228	-3,539	453
Minority interest's share of the net profit for the year	79	-57	322	-873	0
Total provisions for insurance contracts	185,330	171,587	167,143	143,924	141,591
Excess capital	4,458	4,196	3,754	3,226	0
Total equity	3,575	3,722	4,049	4,277	7,816
Total equity, minority interests	985	3,250	5,201	5,182	9
Total assets	268,155	253,078	263,106	200,878	211,059
<b>Five-year key figures for the parent company</b>					
Gross premiums	9,017	8,597	7,758	8,141	7,837
Benefits, net of reinsurance	-8,100	-7,228	-7,202	-7,639	-6,192
Total investment return	14,188	3,021	25,548	3,061	14,958
Total net operating expenses	-171	-177	-179	-178	-192
Business ceded	0	0	0	0	2
Technical result	-285	-378	-389	-3,678	147
Net profit for the year	-147	-324	-228	-3,539	453
Total provisions for insurance contracts	185,330	171,587	167,143	143,924	141,591
Excess capital	4,458	4,196	3,754	3,226	0
Total equity	3,575	3,722	4,049	4,277	7,816
Total assets	267,658	249,624	257,499	195,306	210,772

Reference is made to the section on accounting policies. Numbers include amounts recognised in other comprehensive income.

### Five-year key figures for the parent company

#### Return ratios

Rate of return related to average-rate products	8.7%	0.6%	22.8%	-1.6%	11.9%
Rate of return related to market-rate products	7.2%	3.6%	9.0%	8.9%	10.7%
Risk on return related to market-rate products <sup>1)</sup>	4.25	3.75	3.25	3.50	3.50

#### Expense ratios

Expense ratio for provisions	0.10%	0.10%	0.12%	0.12%	0.14%
Expenses in DKK. per policyholder (DKK)	397	412	401	416	447

#### Return ratios

Return on equity after tax	-4.0%	-8.5%	-5.5%	-58.5%	6.0%
Return on excess capital, same rate as equity	4.3%	3.5%	6.3%	-	-

#### Capital structure ratios

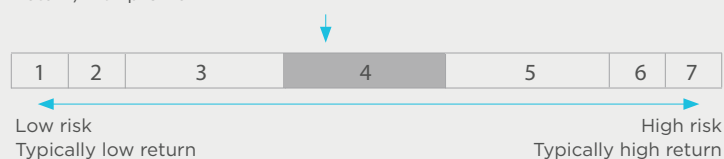
Solvency coverage (Solvency I for 2015 and before) <sup>2)</sup>	427%	466%	368%	308%	326%
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Reference is made to the description of key ratios in schedule 9 of the Danish Financial Supervisory Authority's executive order on financial reports of insurance companies.

Key figures for periods before 1 January 2016 have not been restated to reflect the new executive order of 27 July 2015, see the section on accounting policies, which states that comparative figures for 2015 and previous years have not been restated as this is not practically possible.

1) The risk scale is as follows:

Return/Risk profile



2) The solvency coverage ratio is the ratio reported to the Danish Financial Supervisory Authority and is not comprised by audits.

## 26 Risk management and sensitivity information

The Board of Directors has defined a risk appetite that sets out an overall level for assuming or hedging risk. As part of the self-assessment of Sampension's own risk and solvency, the Board of Directors considers at least once a year whether Sampension complies with the risk appetite and whether its risk profile has changed. The Board will adjust the risk appetite and related policies and guidelines in the event of any major business changes or changes to the risk profile.

Set out below are the risk factors that Sampension can hedge and manage to a material extent.

### FINANCIAL RISK

#### Investments relating to market-rate products and non-guaranteed reinsurance

The financial risks relating to the market-rate products 3 i 1 Livspension and Linkpension and for non-guaranteed reinsurance lie with the policyholders and may lead to a reduction in benefits. Hence, they have no effect on Sampension's total capital (equity and bonus capital).

Generally, the age-specific allocation in 3 i 1 Livspension is determined by the generation pools' mix of investment in the base funds. Three base funds are used for 3 i 1 Livspension: bonds, equities and alternative investments.

In respect of 3 i 1 Livspension, the objective to maximise the return to the effect that the younger generations achieve a return that is close to that of the equity market, only with less risk through a certain diversification of risk and the older generations have a risk close to that of the bond market but with a higher expected return through a certain diversification of risk. The asset composition for the younger generations should also provide long-term protection against inflation. Allocation between the base funds for each generation pool is determined by the Board of Directors.

In addition, policyholders with 3 i 1 Livspension have three investment profiles to choose from: low risk, moderate risk and high risk.

For non-guaranteed reinsurance, asset allocation is determined on the basis of the expected future pension benefits to be paid by the municipalities. Indexation of civil servant pension assets is based on salary developments, 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. For pension benefits due to be paid within the foreseeable future, funds are mainly invested in low-risk assets that are inflation-linked in order to cover the inflation risk (for example, index-linked bonds). Assets covering benefits payable longer term are invested mostly in listed equities and to some extent in fixed real assets in order to capitalise on the potential for a higher return. The Board determines the allocation relative to the time period (years) before pay-out. In addition to the funds used by 3 i 1 Livspension, an inflation base fund is also used.

In order to achieve these objectives, the Board of Directors has determined a framework for the types of investment allowed in the base funds and for the distribution of investments by base funds for the individual generation pools. The Board of Directors has also set up a market-risk framework for the base funds.

#### Investments relating to the conventional average-rate product and total capital

The market risk of the conventional average-rate product depends on the correlation between investment assets, life insurance obligations and total capital. If the return on investment does not cover the rate on policyholders' funds and the necessary strengthening of life insurance obligations etc., the deficit is covered first by the collective bonus potential and then by the individual bonus potential. If these bonus potentials are insufficient to fully cover a deficit, the benefits of the unguaranteed products may be reduced, whereas funds allocated from equity and bonus capital are used to cover the guaranteed policies.

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

Sampension applies the Solvency II discount curve, which consists of a base curve and a volatility adjustment intended to mitigate exposure to market volatility and thereby reduce procyclical investment behaviour. The discount curve will not be affected by market rates beyond the 20-year mark, because the curve converges towards an ultimate forward rate of 4.2% equal to the long-term inflation and real growth forecasts. This raises a risk management dilemma in that the objective of ensuring stable reserves in the short term (hedging of

'regulatory interest rate risk') will lead to less interest rate hedging and use of shorter-term fixed-income instruments than if the objective were to hedge the interest rate risk on future payments reflecting pension obligations (hedging of 'financial interest rate risk'). As it is not possible to define investment limits that consider both financial and regulatory risk, the Board of Directors has chosen a hedging strategy targeting regulatory risk. In addition to diversification of risk on asset classes in general, Sampension emphasises an appropriate diversification of risk within each asset class.

Sampension invests in illiquid assets for which valuation is subject to greater uncertainty than the pricing of more liquid assets. This also entails a risk that large volumes of illiquid assets cannot over a short period of time be sold at the same prices as smaller volumes can. The framework defined by the Board of Directors for investing in these asset classes reflects these considerations. Currently, the value of marketable assets exceeds the annual payment obligations by a substantial margin. As a result, the likelihood of Sampension having to sell on unfavourable terms is quite low.

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

## FINANCIAL RISK MANAGEMENT

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

Sampension's currency risk is hedged on those of the Group's investments denominated in foreign currency, provided the assets held in each currency represent more than 1% of the total investment assets. For currencies other than DKK and EUR, currency exposure is hedged by between 50% and 100%, depending on the asset.

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

### **Objective of maximising the probability for avoiding a reduction in benefits**

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

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

In the interest hedging of policy benefits written with the highest basic rates of interest (minimum of 4.25%), considerable emphasis is placed on protecting the value of guarantees against movements in interest rates. For policy benefits written with lower basic rates of interest (of less than 4.25%), there is some emphasis on protecting value of guarantees against movements in interest rates, but less than full hedging of the interest rate risk is permitted. This approach has been taken in order to limit the risk of policyholders being left with low interest rates on their pension savings in a situation of rising market rates.

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

## INSURANCE RISK

Insurance risk includes developments in longevity and disability rates.

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

# Notes to the financial statements (continued)

Note 26 continued

The various risk elements are analysed on an ongoing basis for the calculation of provisions for insurance obligations.

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

## OPERATIONAL RISK

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

Management believes that Sampension has no significant operational risks. In order to reduce operational risk, we have set up procedures to monitor and minimise risk in relation to the pension business and the investment business. We record operational incidents on an ongoing basis and follow up and report to the audit committee as well as, in exceptional circumstances, directly to the chairmanship of the Board of Directors and the Audit Committee.

Sampension has outsourced tasks in significant areas of activity. The Board of Directors has set out guidelines for outsourcing of significant areas of activity in order to ensure adequate management of the risks associated with outsourcing, including that outsourcing agreements and activities are handled in accordance with the Board of Directors' guidelines and applicable outsourcing legislation.

The guidelines ensure that the Board of Directors is involved in all decisions regarding outsourcing, that requirements as to supplier capabilities and capacity are met, that a number of issues and requirements of the supplier are considered when entering into contracts and that the Danish FSA is informed of the outsourcing agreement. For the outsourced activities, the necessary procedures have been established to ensure regular monitoring of the supplier's performance in terms of time, quality and quantity in accordance with the relevant outsourcing agreement and applicable rules. Also, business procedures are in place to ensure regular control and reporting, for example in the form of regular operational reports, meetings, random checks, reports by auditors, etc., to relevant management bodies and the Board of Directors on the supplier's performance of the task. This ensures that the outsourced activity is performed satisfactorily.

## OVERALL RISKS

The general management process for the interaction between investment assets and life insurance provisions is designed to maximise the return to our pension customers with due consideration for risk.

The objective of managing short-term risks is, among other things, for the investment policy and risk management to work together to ensure that Sampension has sufficient reserves to have comfortable excess solvency coverage and to lower the risk of a reduction in benefits.

## SENSITIVITY INFORMATION

Event DKKm	Effect on equity
0.7-1.0 p.p. interest rate increase	-29
0.7-1.0 p.p. interest rate fall	34
12% share price depreciation	-84
8% fall in property prices	-5
Currency risk (VaR 99%)	-7
8% counterparty loss	-27

The calculations in the table were made on the basis of equity being invested together with investment assets relating to the conventional average-rate environment but excluding the hedge portfolio. The sensitivity values in the table correspond to equity's proportionate share of the investments.



# Overview of Group equity investments

DKKm.	Ownership Interest (%)		Profit in annual report		Equity in annual report		Included in annual report
	2016	2015	2016	2015	2016	2015	
<b>Group enterprises</b>							
Management							
Sampension Administrationssselskab A/S, Gentofte	100.0	100.0	26	29	527	501	527
Investment advisory company							
Sampension Alternative Asset Management A/S, Gentofte	100.0	100.0	1	3	34	33	-
Real estate company and energy plant							
Sampension KP Danmark A/S, Gentofte	100.0	100.0	309	534	4,983	4,275	4,983
Frederiksholms Kanal 6 P/S, Gentofte	100.0	-	2	-	90	-	-
Frederiksholms Kanal 6 Komplementar ApS, Gentofte	100.0	-	0	-	0	-	-
Lyngby Søpark ApS, Gentofte	100.0	-	5	-	58	-	-
K/S Strømmen, Ålborg	95.0	-	28	-	88	-	-
Strømmen Komplementar ApS, Ålborg	96.0	-	0	-	0	-	-
Sampension Student Housing I A/S, Ålborg	* 100.0	-	0	-	0	-	-
Sampension Student Housing II A/S, Ålborg	100.0	-	0	-	0	-	-
Sampension Student Housing IV A/S, Ålborg	100.0	-	0	-	0	-	-
Sampension KP International A/S, Gentofte	100.0	100.0	9	334	818	880	818
Fallcorner BV, Holland	90.0	90.0	-41	26	35	77	-
KP CE s.a., Frankrig	100.0	100.0	31	34	265	234	-
Sampension Renewables P/S, Gladsaxe	* 100.0	-	-11	-	497	-	605
Sampension Renewables GP ApS, Gladsaxe	100.0	-	0	-	0	-	0
Ulvmosen Wind Park ApS, Gladsaxe	100.0	100.0	8	0	374	0	406
Ulvmosen Vindkraft I/S, Gladsaxe	-	44.0	-	0	-	35	-
Investment company							
Sampension Forestry K/S, Gentofte	** 100.0	100.0	101	193	3,665	3,564	3,665
Sampension Global Real Estate K/S, Gentofte	** 100.0	100.0	632	559	5,522	4,348	5,522
Sampension US Real Estate I, L.P., USA	* 99.9	99.9	55	-19	605	482	-
Sampension Private Equity K/S, Gentofte	** 100.0	100.0	740	705	5,982	5,242	5,982
Sampension Structured Credit K/S, Gentofte	** 100.0	100.0	487	410	4,327	3,840	4,327
Komplementarselskabet Alternative Investments ApS, Gentofte	100.0	100.0	0	0	3	2	3
Kapitalforeningen SAMPENSION INVEST, København V:							
GEM II	100.0	100.0	140	-275	2,960	2,718	2,960
Obligationer	100.0	100.0	5	0	162	157	162
Danske aktier II	100.0	100.0	73	780	3,278	3,204	3,278
Aktieindeks Enhanced	100.0	100.0	1,600	-486	18,079	15,376	18,079
Aktieindeks	95.3	82.9	1,359	-144	20,007	18,734	19,066
GEM Enhanced	100.0	100.0	-2	-194	13	14	13
Group enterprises							70,395
Of which unit-linked contracts							42,157
<b>Total group enterprises</b>							<b>28,238</b>

\* Included group enterprises

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

## Overview of Group equity investments (continued)

DKKm.	Ownership Interest (%)		Profit in annual report		Equity in annual report		Included in annual report	
	2016	2015	2016	2015	2016	2015		
<b>Associates</b>								
Real estate company								
Refshaleøen Holding A/S, København	39.0	39.0	0	0	1,145	979	446	
Interessentskabet af 23. december 1991, Danmark	29.8	29.8	0	51	901	863	276	
K/S Kristensen German Retail Partners, Danmark	36.3	36.3	135	58	686	551	249	
Kristensen Partners I ApS, Danmark	36.3	36.3	0	-0	0	0	0	
Britannia Invest A/S, Danmark	21.9	21.9	52	232	1,311	776	289	
DEAS Invest I Holding A/S, Danmark	33.3	33.3	2	0	455	446	152	
Komplementarselskabet Industri Udvikling II A/S, Danmark	20.0	20.0	0	0	1	1	0	
LSI-1 B.V., Holland	***	21.2	-	-	-	-	10	
Greystar, Equity Partners IX, USA		8.9	-	-	2,465	-	157	
Sparinvest Property Fund III, Danmark		20.5	20.5	213	202	1,753	1,310	351
Ejendomsselskabet Vodroffsvej 26 P/S, København		50.0	50.0	-31	8	27	-8	13
OPP Vejle P/S, Danmark		33.3	33.3	0	-	1	-	0
Komplementarselskaber OPP Vejle ApS, Danmark		33.3	33.3	0	-	0	-	0
OPP Retten i Svendborg P/S, Danmark		33.3	33.3	-2	-	2	-	1
Komplementarselskabet OPP Retten i Svendborg ApS, Danmark		33.3	33.3	0	-	0	-	0
OPP Slagelse Sygehus P/S, Danmark		25.0	25.0	0	-	15	-	4
Komplementarselskabet OPP Slagelse Sygehus ApS, Danmark	***	25.0	25.0	-	-	-	-	0
OPP HoldCo ApS, Danmark	***	33.3	33.3	-	-	-	-	0
Associates							1,947	
Of which unit-linked contracts							889	
<b>Total associates</b>							<b>1,058</b>	

\*\*\* The financial statements for 2016 are not yet available.

A list of Sampension's total equity portfolio is available on the company's website at <http://www.sampension.dk/Forside/Om-Sampension/Finansiel-information/Investeringsaktiver>.

# Statement by Management

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The Board of Directors and the Executive Board have today considered and approved the Annual Report of Sampension KP Livsforsikring A/S for the financial year 1 January – 31 December 2016.

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

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2016.

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

We recommend the annual report for adoption at the annual general meeting.

Hellerup, 1 March 2017

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## Executive Board

Hasse Jørgensen  
Chief Executive Officer

/Morten Lund Madsen  
Chief Financial Officer

## Board of Directors

Anker Boye  
(Chairman)

Kim Simonsen  
(Deputy Chairman)

Rita Bundgaard

Anne Louise Eberhard

Henrik Kjærgaard

Torben Nielsen

Bodil Otto

Johnny Søtrup

H. C. Østerby

Christian Dorow  
(employee representative)

John Helle  
(employee representative)

Bjørn Kroghsbo  
(employee representative)

Morten Lundsgaard  
(employee representative)

Majbritt Pedersen  
(employee representative)

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# Internal Auditor's report

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## Opinion

In our opinion, the consolidated and parent company financial statements of Sampension KP Livsforsikring A/S give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2016, and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2016 in accordance with the Danish Financial Business Act in respect of the parent company's financial statements.

## Basis of opinion

We have audited the consolidated and parent company financial statements of Sampension KP Livsforsikring A/S for the financial year ended 31 December 2016. The consolidated and parent company financial statements are prepared in accordance with the Danish Financial Business Act.

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

We have planned and performed the audit so as to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement. We participated in auditing all critical audit areas. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

## The financial ratio 'Solvency coverage'

Management is responsible for the financial ratio 'Solvency coverage' set out in the five-year key figures in note 25 to the consolidated financial statements.

As set out in the five-year key figures in note 25, the financial ratio 'Solvency coverage' is exempt from the auditing requirement. Accordingly, our opinion on the parent company financial statements does not cover the financial ratio 'Solvency coverage', and we do not express any form of assurance conclusion on that financial ratio.

In connection with our audit of the parent company financial statements, our responsibility is to consider whether the financial ratio 'Solvency coverage' is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude on this basis that the financial ratio 'Solvency coverage' contains material misstatement, we are required to report to that effect. We have nothing to report in that connection.

Hellerup, 1 March 2017

Gert Stubkjær  
Group Chief Auditor

# Independent Auditor's Report

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To the Shareholders of Sampension KP Livsforsikring A/S

## **Opinion**

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Company at 31 December 2016, and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Business Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sampension KP Livsforsikring A/S for the financial year 1 January - 31 December 2016 which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial state-ments").

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Statement on Management's Review**

Management is responsible for Management's Review.

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

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

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

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

## **Solvency ratio**

Management is responsible for the key figure "Solvency ratio" evident from the statement of financial highlights and key figures in note 25 of the annual report.

As disclosed in the statement of financial highlights and key figures, the solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the Financial Statements does not cover the solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to consider whether the solvency ratio is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on this, we conclude that the solvency ratio is materially misstated, we are required to report on this. We have nothing to report in this respect.

## **Management's Responsibilities for the Financial Statements**

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Hellerup 1 March 2017  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31

Christian F. Jakobsen  
State Authorised Public Accountant

Claus Christensen  
State Authorised Public Accountant

**PHOTO**

Kristine Bramsen - All photos except  
Jakob Dall - Photo of Hasse Jørgensen  
Bjørn Kroghsbo - Photo of Ulvemosen

**GRAPHICS AND DESIGN**

Flink.

**sampension**

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