

# Annual Report

2017



**sampension**



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DISCLAIMER:  
This is a translation of Sampenions Annual Report 2017 in Danish. In case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

“With a return of up to 13.3 % 2017 marked itself as a good year for the pension savers”



## An excellent year with high returns for Sampension policyholders

These are good times for pension savers. At Sampension, our customers in age brackets up to 40 years received returns of up to 13.3% before tax. The slightly older age groups had returns of up to 7.25% for 60-year olds, and even the older age groups with low risk had returns of 4.23%. These are highly satisfactory – and essential – results. Returns constitute the single most important factor for value appreciation of a pension scheme.

The return performance was based on global economic developments in 2017. In fact, we have witnessed one of the most widespread global economic recoveries since the start of the decade, and the upswing in international business cycles produced solid returns in most financial markets. For example, emerging market equities returned 30%, the US equity market gained more than 20% and Danish equities performed respectably at just short of 20%.

This was a very busy year for Sampension. From the beginning of the year, we began providing investment management, service and advice to members of the Architects' Pension Fund (Arkitekternes Pensionskasse) and the Pension Fund for Agricultural Academics and Veterinary Surgeons (Pensionskassen for Jordbrug-sakademikere & Dyrlæger). We expect the market consolidation to continue in the years ahead, and our new joint management model has the capacity to serve even more pension funds. The underlying idea behind the joint management model is to offer independence and an individual identity to pension companies along with maximising economies of scale in an insurance management alliance.

The increase in the level of activity in 2017 did not drive up individual customer costs. On the contrary, while the administrative expenses of the two pension funds were reduced by almost 50 percent, as planned, Sampension Liv also managed to reduce its administrative expenses relative to 2016.

By checking their annual percentage rate (APR), a measure that contains all investing and administration expenses, customers can see if their pension provider is at the expensive or the cheap end of the industry. Sampension has one of the lowest APRs in the industry, making us a very competitive pension provider.

Our objective when investing our customers' pension funds is to manage the overall assets in the best way possible. That means maximising returns responsibly and at a reasonable risk exposure. At Sampension, we strongly believe that being focused on climate and the environment, social issues and corporate governance contribute to a company's ability to create a return for its investors.

Climate was a major issue in our work on corporate responsibility in 2017. From the start of the year, we began to apply the climate targets defined at COP 21 in Paris, and we are currently reviewing the climate impact of the companies in our portfolio. Ensuring tax transparency for multinationals and handling investments in occupied areas, such as the West Bank, were two other major issues of the year. You can read much more about this in our first responsible investment report for the Sampension community, which is released together with this annual report.

A handwritten signature in black ink, appearing to read 'Hasse Jørgensen'.

**Hasse Jørgensen**  
CEO





# Management's Report

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## Five-year financial highlights and key ratios

Five-year financial highlights for the parent company DKKm	2017	2016	2015	2014	2013
Premiums	8,784	9,017	8,597	7,758	8,141
Insurance benefits	-8,646	-8,100	-7,228	-7,202	-7,639
Return on investments	10,382	14,188	3,021	25,548	3,061
Total insurance operating expenses	-170	-171	-177	-179	-178
Technical result	-110	-285	-378	-389	-3,678
Profit for the year, parent company's share	41	-147	-324	-228	-3,539
Total provisions for insurance and investment contracts	194,530	185,330	171,587	167,143	143,924
Surplus capital	4,465	4,458	4,196	3,754	3,226
Equity attributable to parent company	3,616	3,575	3,722	4,049	4,277
Total assets	266,023	267,658	249,624	257,499	195,306

Five-year financial ratios	2017	2016	2015	2014	2013
<b>Return ratios</b>					
Rate of return related to average-rate products	4.0%	8.7%	0.6%	22.8%	-1.6%
Rate of return related to unit-linked products	7.5%	7.2%	3.6%	9.0%	8.9%
Risk on return related to unit-linked products	4.25	4.25	3.75	3.25	3.50
<b>Expense ratios</b>					
Expenses as a percentage of provisions	0.09%	0.10%	0.10%	0.12%	0.12%
Expenses per policyholder (DKK)	387	397	412	401	416
<b>Return ratios</b>					
Return on equity after tax	1.2%	-4.0%	-8.5%	-5.5%	-58.5%
Return on surplus capital	4.5%	4.3%	3.5%	6.3%	-
<b>Capital structure ratios</b>					
Solvency coverage (Solvency I for 2015 and before) *)	601%	427%	466%	368%	308%
Ratio not subject to audit requirement.					

Reference is made to "Definitions of financial ratios" on page 69.

## Customers and products

Sampension KP Livsforsikring A/S (Sampension Liv) is a customer-owned pension company offering labour market and company pensions on commercial terms. Our key responsibility is to offer our customers the best pensions possible. Accordingly, our main focus is on what adds value to pension schemes – low expenses, solid returns, flexible products and competent advice and customer service. Sampension Liv has 275,000 customers and is Denmark's third-largest pension provider in terms of total assets. Most of the people insured are employed in the municipal sector or with the state or regional authorities. Sampension Liv also provides pension 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 pension plan contains both savings and insurance components covering loss of earning capacity, death, certain critical illnesses and in some cases health insurance. Sampension Liv provides the following savings products:

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

## Premiums and benefits

### Premium income

Premium income amounted to DKK 8.8 billion, against DKK 9.0 billion in 2016. Regular premiums including group life premiums were up by 1.4 %. Single premiums for 2017 fell slightly short of the high level recorded in 2016.

### Premium income

DKK **8,8** billion

Premium income DKKm.	2017	2016	Change (%)
Regular premiums	4,564	4,497	1.5
Group life premiums	2,403	2,371	1.3
Total regular premiums	6,967	6,868	1.4
Single premiums	1,156	1,242	-6.9
Premiums, direct insurance	8,123	8,110	0.2
Premiums, indirect insurance	661	908	-27.2
<b>Total gross premiums</b>	<b>8,784</b>	<b>9,017</b>	<b>-2.6</b>



The number of directly insured policyholders increased by almost 3,500, or 1.3 %, in 2017. The proportion of pensioners among our policyholders is growing.

Number of policyholders	2017	2016	Change (%)
Premium payers	112,049	111,625	0.4
Paid-up policies etc.	105,004	104,604	0.4
Pensioners	58,037	55,376	4.8
<b>Total directly insured</b>	<b>275,090</b>	<b>271,605</b>	<b>1.3</b>
<b>Indirectly insured</b>	<b>18,204</b>	<b>18,369</b>	<b>-0.9</b>
<b>Group life insured</b>	<b>710,190</b>	<b>716,840</b>	<b>-0.9</b>

275 thousand  
policy holders

Benefit payments

Total benefits paid amounted to DKK 8.6 billion in 2017, against DKK 8.1 billion in 2016. The increase was driven by regular benefit payments resulting from the increase in the number pensioners and from policy surrenders caused by the growing attention in the industry to combining customers' pension schemes.

Expenses

For several years, we have made targeted efforts to reduce our expenses, which are among the lowest in the industry. The lower the expenses, the greater the proportion of contributions and returns that will be allocated to savings. Ensuring both low investment costs and low administrative expenses is a priority at Sampension Liv.

Efficient investment management

Internal and external management efficiency is very important to Sampension. For that purpose, we invest the pension savings of all our customers in the same investment assets, although the combination of such investment assets may differ considerably from customer to customer depending on their specific savings product and risk profile. We use cost-benefit analysis to assess whether the various portfolios should be managed internally or externally.

Virtually all of our equity investments are outsourced to external asset managers, while most bonds and other fixed-income instruments are managed in-house. 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, while most alternative investments in, e.g., forestry, hedge funds and unlisted equities are managed by external managers.

Investment expenses (APR) of 0.44 %

Our website, sampension.dk, provides information to policyholders on annual investment expenses expressed in Danish kroner and as a percentage (APR). These include expenses incurred by Sampension Liv, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc. The APR investment expenses calculated on policyholder savings for 2017 and 2016 are shown in the table next page:

Investment expenses in % (APR) (percentage of policyholder savings)	2017	2016
3 i 1 Livspension, selected generation pools (moderate risk):		
25 years	0.55	0.55
45 years	0.50	0.51
65 years	0.33	0.30
<b>3 i 1 Livspension total (average)</b>	<b>0.44</b>	<b>0.43</b>
<b>Conventional average rate</b>	<b>0.55</b>	<b>0.50</b>
<b>Non-guaranteed benefit reinsurance</b>	<b>0.35</b>	<b>0.36</b>

The APR for 3 i 1 Livspension was 0.44%. APR increased in 2017 for the older generations because we placed more in alternative investments in 2017 and less in bonds. APR for conventional average-rate products was 0.55% in 2017 compared with 0.50 % in 2016, the increase being due to the fact that expenses also related to unallocated reserves, which have been growing. These are very competitive rates.

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 387

Financial ratios for insurance-related administrative expenses fell relative to 2016:

- Expenses per policyholder amounted to DKK 387 in 2017 against DKK 397 in 2016. The decline was due to an increase in business activity which kept expenses low.
- Expenses expressed as a percentage of policyholders' savings was 0.09% compared with 0.10 % in 2016.

Administrative expenses per policy holder  
DKK 387

Investments and returns

The global economy and financial markets

On the financial side, 2017 was a good year with growth rates consistently climbing in most parts of the world. The recovery in the eurozone was particularly impressive, and indications are that the string of currently 19 consecutive quarters of positive growth will continue. Consumer spending generally contributed to the higher growth rates, supported by higher real wages.

Central banks of several western countries have signalled a switch to a cautious normalisation of monetary policy after a long period of lenient monetary policy since the financial crisis. The US central bank has shown the way by following up on the occasional rate hikes in 2015 and 2016 with a more aggressive interest rate policy and three hikes in 2017.

The financial markets performed well in 2017 with interest rates moving higher, the 30Y euro swap rate climbing by 25bp, for example, and large gains by most equity markets. For example, emerging markets equities returned 30%, while the US equity market (up 21.1%) and Danish equities (up 18.4%) also performed well. On the other hand, eurozone equities (up 12.6%) and the UK equity market (11.9%) trailed the leaders, the latter market probably due to the post-Brexit political uncertainty. The market returns are stated before translation into Danish kroner.

In the currency markets, Danish kroner and the euro appreciated strongly, especially against the US dollar. The DKK/USD cross climbed 12.0% in 2017.

Investment return of DKK 10.8 billion or 6.0%

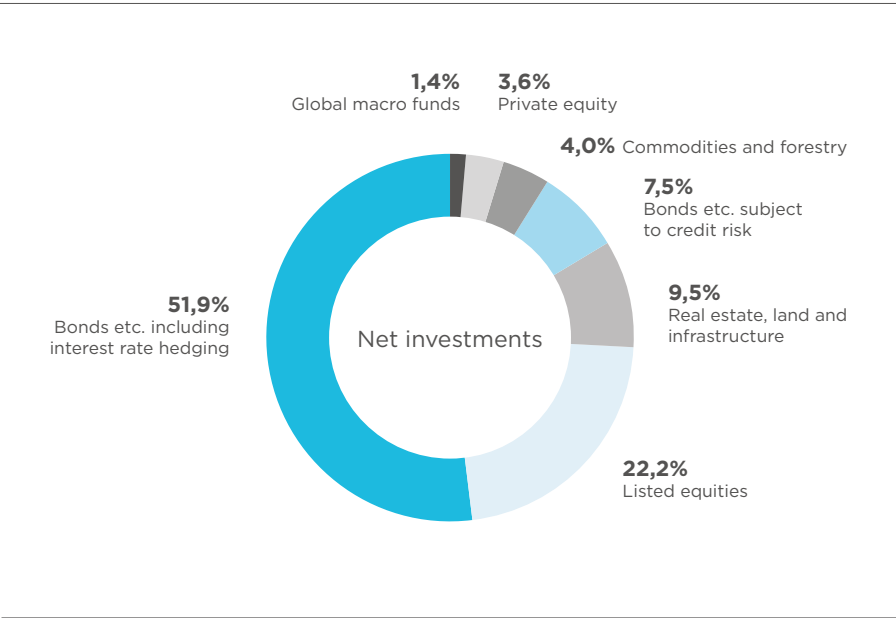
The overall return across all investment environments in 2017 amounted to DKK 10.8 billion, up from DKK 9.2 billion in 2016. The overall investment return is measured exclusive of the hedge portfolio in the conventional average-rate environment. The overall return across all investment environments in 2017 inclusive of the hedge portfolio was 5.7% before tax on pension returns compared with 8.1% in 2016.

In years of rising interest rates, Sampension Liv’s investment strategy of hedging the interest rate risk on pension obligations in the conventional average-rate environment produces a loss. After tax on pension returns, this loss is largely offset by the drop in the market value of pension obligations in the conventional average-rate environment. As interest rates fell in 2016, the hedge portfolio produced a positive return, and the pension obligations in the conventional average-rate environment increased.

Investment Return DKKm	2017	2016
3 i 1 Livspension	5,664	4,948
Linkpension	13	10
Non-guaranteed benefit reinsurance	2,385	1,865
Conventional average rate:		
- Investment portfolio	2,741	2,338
- Hedge portfolio	-421	5,026
Total return	10,382	14,189

Breakdown of net investments

Just over half of Sampension’s total net investment assets are placed in low-risk bonds, while about 25% are placed in listed equities.



DKK **5,7** billion  
in return for market rate costumers

Returns up to

**13,3**%

Investment strategies in Sampension Liv’s various investment environments

Our investment strategy aims to maximise the return within the given risk framework. The market-rate and average-rate environments generally participate in the same investments, only at different weightings and volumes. The 3 i 1 Livspension and non-guaranteed reinsurance products have a relatively larger share of investments in risky assets than the conventional average-rate environment.

We are currently in the process of building our portfolio of direct investments in debt, unlisted equities and real property, and these efforts continued in 2017. Large direct investments made in 2017 included the Skejby Business Center investment properties acquired from Vestas in association with Solstra Capital Partners and Teknikerbyen in Virum (north of Copenhagen) in association with Kristensen Properties. We also teamed up with EGT to invest in US-based fiber network operator Lumos and in UK-based software company Civica in association with Partners Group.

Market-rate environment investments

The 3 i 1 Livspension product investments are placed in different generation pools, each with a specific composition of investment assets, to reflect the policyholder’s age. Policyholders have three investment profiles to choose from: low risk, moderate risk and high risk.

3 i 1 Livpension returning up to 13.3%

3 i 1 Livspension generated positive returns for all policyholders across investment profiles in 2017. The youngest generation pools, which have a larger share of their assets in equity and alternative investments, had the highest returns.

Generation pools 3 i 1 Livspension, selected	Investment profile		
	Low	Moderate	High
Return in %			
25 years	8.7	11.2	13.3
45 years	7.8	9.9	11.8
65 years	4.2	4.5	5.8

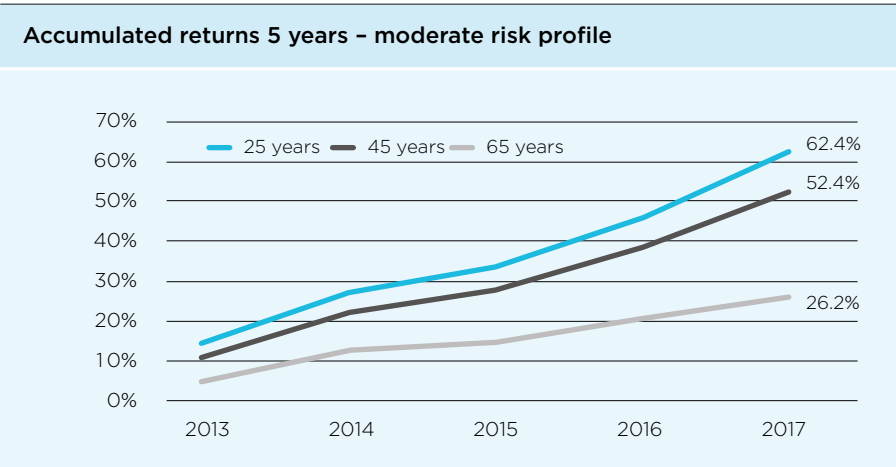
For a more detailed specification of holdings and returns in 3 i 1 Livspension, see notes 22 and 23 to the financial statements.

Youngest age groups receive five-year returns in 3 i 1 Livspension of 62.4%

Policyholders with Sampension Liv’s lifecycle product have obtained high investment returns over the past five years. Depending on their age, customers with a moderate risk profile have had returns of over 62%.

Return over 5 years

**62,4**%



Non-guaranteed benefit reinsurance return of 6.5%

Non-guaranteed benefit reinsurance cover risks relating to civil servant pensions. Indexation of civil servant pension assets is based on salary trends, which is a significant risk factor in a municipality's pension obligations, for example. Asset allocation is determined on the basis of a municipality's expected future net payment obligations on civil servant pension schemes.

Investment of funds relating to non-guaranteed reinsurance of civil servant pension obligations produced a satisfactory return of 6.5 % in 2017. For a more detailed specification of holdings and returns in the non-guaranteed reinsurance segment, see note 22 to the financial statements.

Return of 3.1 % in the conventional average-rate environment

The conventional average-rate environment consists of guaranteed and non-guaranteed pension schemes. Provisions for pensions are stated at market value, which means that the value will depend on interest rate levels, among other things. In order to mitigate the interest rate risk, both for Sampension Liv and the policyholders, we have set up the above-mentioned independent hedge portfolio. The aim of this hedge portfolio is to obtain assurance that Sampension Liv will be able to honour the guarantees and declarations of intent issued to policyholders.

The overall allocation of investments in the average-rate environment at 31 December 2017 and the return contributions for the year are set out in the table below.

Conventional average rate	Market Value 31.12.2017 DKK m	Distribution %	Return contribution as a percentage time-weighted
Investment portfolio, total	59,436	78.3	4.6
Portfolio of interest rate hedges, total	16,454	21.7	-1.6
Investment assets, total	75,890	100.0	3.1

Some 63% of Sampension's total net investment assets in the almost DKK 76 billion conventional average-rate environment was placed in bonds etc., while 7% was invested in listed equities, 22% in the portfolio of interest rate hedges while illiquid assets made up 8%.

The overall time-weighted return for 2017 was 3.1% before tax on pension returns and inclusive of the hedge portfolio. Exclusive of the hedge portfolio, the return was 4.6 %. The hedge portfolio produced a negative return of DKK 0.4 billion, equal to a negative return contribution of 1.6%.

The higher interest rates reduced pension obligations by DKK 0.7 billion. Combined, the investment portfolio, the hedge portfolio and changes in provisions produced a return of DKK 2.5 billion, equal to 3.5%, 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.

DKK 76 billion  
conventional average rate

Corporate responsibility

Our approach to corporate responsibility rests on our ambition to comply with and implement international United Nations conventions, including the ten principles of the UN Global Compact, the climate targets of the Paris Agreement and the OECD guidelines "Responsible Business Conduct for Institutional Investors". The responsible investment policy conduct applies to all three parties of the joint management company: Sampension KP Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons, but it need not be identical for all three.

At Sampension Liv, we believe that being focused on climate and the environment, social issues and corporate governance contributes to a company's ability to create a return for its investors. As an investor, Sampension Liv aims to exert its influence through an active ownership approach, and we work continually to promote responsible conduct by the companies Sampension Liv invests in.

Our separate ESG report provides additional information on the responsible approach by all parties of the joint management company. Reference is made to the review of objectives and the efforts made in general governance, investing and company operations discussed in the statutory report on corporate responsibility (in Danish only) available at [sampension.dk/samfundsansvar2017](http://sampension.dk/samfundsansvar2017).

Financial results, solvency capital requirement and total capital

Profit of  
DKK 41 million

Profit of DKK 41 million

Sampension Liv had a profit of DKK 41 million after tax for 2017 against a loss of DKK 147 million for 2016. The profit for the year consisted mainly of the share of the investment portfolio return for the year allocated to equity and the risk premium for the year. The loss incurred for 2016 was caused by the allocation of bonus capital from equity to policyholders, which was expensed in accordance with applicable accounting rules. The financial results for 2017 were in line with expectations.

The Board of Directors proposes that the profit for the year be transferred to "Retained earnings" under equity. This brought equity in the parent company to DKK 3.6 billion, which was largely unchanged from 31 December 2016. Consolidated equity at 31 December 2017 was DKK 15.2 billion against DKK 4.6 billion at 31 December 2016. The large increase in consolidated equity was mainly due to the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons becoming investors in Sampension Invest from the beginning of 2017. Investors that are not part of the Sampension Liv Group are recognised in consolidated equity as non-controlling shareholders.

Solvency requirements and total capital

Overall, the calculated solvency capital requirement is considered to be adequate relative to the company's risks. Sampension Liv calculates solvency requirements in accordance with the standard model specified in the Solvency II rules.



Solvency capital requirement and total capital DKKm	31.12.2017	31.12.2016
Total capital	7,934	7,882
Solvency capital requirement (SCR)	1,320	1,845
Minimum capital requirement (MCR)	330	461
Surplus capital	6,614	6,037
<b>Solvency coverage ratio relative to SCR</b>	<b>601%</b>	<b>427%</b>
Solvency coverage ratio relative to MCR	2404%	1709%

The solvency coverage ratio (i.e. total capital relative to the solvency capital requirement) had increased to 601% at 31 December 2017. The increase was driven especially by a decline in the portfolio of securitisation products due to prepayments. Securitisation products constitute a high-risk element in the solvency calculation despite their low actual risk. Sampension is focused on opportunities for further investing in such instruments.

For more information, see Rapport om solvens og finansiell situation 2017, which is available (in Danish only) at [sampension.dk/solvens](http://sampension.dk/solvens).

#### Increasing provisions for insurance contracts

Life insurance provisions for conventional average-rate policies are computed at market value based on assumptions of costs, longevity, disability risk, retirement age and probability of policy surrenders and conversions into paid-up policies. Market values are calculated using the Solvency II discount curve with a volatility adjustment. Provisions are also determined using the Danish FSA's benchmark for expected future longevity improvements. The accumulated market value adjustment of life insurance provisions fell by a net amount of DKK 0.5 billion in 2017, including the annual update of longevity assumption, which increased the market value adjustment by DKK 0.4 billion.

Provisions for average-rate products amounted to DKK 111.8 billion at end-2017 against DKK 110.4 billion at the end of 2016. Collective bonus potential included in provisions for average-rate policies increased by DKK 1.8 billion to stand at DKK 15.3 billion at 31 December 2017. The increase was driven by the positive investment return.

The bonus ratio (reflecting the individual and the collective bonus potential in relation to policyholder accounts) increased for most groups in 2017.

Bonus Potential and bonus rates		31.12.2017		31.12.2016	
Interest rate group	Average basic rate	Bonus potential DKKm	Bonus rate %	Bonus potential DKKm	Bonus rate %
A	3,5% - 4,5%	2.090	12,1	2.135	11,6
B	2,5% - 3,5%	976	24,9	840	22,0
C	1,5% - 2,5%	5.010	47,3	4.952	46,8
D	0,5% - 1,5%	1.391	52,6	1.229	54,9
E	Below 0,5%	15	120,8	9	381,3
F	non-guaranteed	130	13,8	100	11,1
Conventional average rate, interest groups, total		9.611	-	9.265	-
Non-guaranteed reinsurance		5.669	16,9	4.188	12,6
<b>Bonus potential, total</b>		<b>15.280</b>	<b>-</b>	<b>13.453</b>	<b>-</b>

#### Solvency requirrement

601%

Provisions for market-rate policies increased by DKK 7.8 billion to stand at DKK 82.7 billion at 31 December 2017. The increase was driven in particular by the investment return for the year of DKK 5.7 billion. Premium income for the year also contributed, as 89% of Sampension Liv's premium-paying policyholders had 3 i 1 Livspension, and all new policyholders get this product.

## Outlook for 2018

Sampension Liv expects moderate growth in premium income in 2018. The number of policyholders is expected to rise slightly, with pensioners expected to account for a growing proportion of policyholders. Total insurance administration expenses are expected to remain at the 2017 level.

Sampension Liv maintains the 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 was unchanged at 3.0% as per 1 January 2018. For market-rate schemes, realised returns are allocated to policyholder accounts on a continual basis. The return on equity depends on developments in the financial markets. Based on an unchanged level of interest rates, Sampension expects a return on equity after tax of about DKK 50 million in 2018.

## Other matters

#### Uncertainty in recognition and measurement

In preparing the financial statements, management makes a number of estimates and judgments of future events. Such estimates and judgments may influence the carrying amount of assets and liabilities. Management's estimates and judgments have the most material effect on provisions for insurance contracts and on the calculation of fair values of non-marketable assets such as unlisted financial instruments and property. See the note on accounting policies for further details on estimates and judgments. The Audit and Risk Management Committee and the company's Board of Directors review the estimates and valuation methods applied in Sampension Liv's financial statements.

#### Events after the balance sheet date

The European Insurance and Occupational Pensions Authority (EIOPA) has decided to apply a new methodology for calculating ultimate forward rates (UFRs) that the discount curve converges against from the 20-year point. The new methodology reduced UFR from 4.20% to 4.05% at 1 January 2018 and will gradually reduce it to 3.65% by 2020. The purpose of the change in methodology is to align the level to changes in long-term forecasts of real interest rates and inflation. The change in the discount curve will not have any material effect on the value of life insurance provisions.

Effective from 2018, the Danish Financial Supervisory Authority will apply a rolling 20-year data period rather than currently 30 years for estimating expected future longevity improvements. The change has increased life insurance provisions as per 1 January 2018. Having the opposite effect is an increase in volatility adjustment of the discount curve resulting from the updated portfolio weights announced by the EIOPA. The net effect of these assumption changes is a DKK 0.6 billion reduction in life insurance provisions.

Other than as set out above, 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.

A large, modern office building with multiple floors. The building features extensive glass walls and balconies. On the left, a large glass-walled office is visible, where a man in a red shirt is standing and pointing at a whiteboard, while two women are seated at a table with laptops. The building's architecture is characterized by white concrete balconies and railings. The right side of the image is partially obscured by a dark grey overlay containing text.

# Company details

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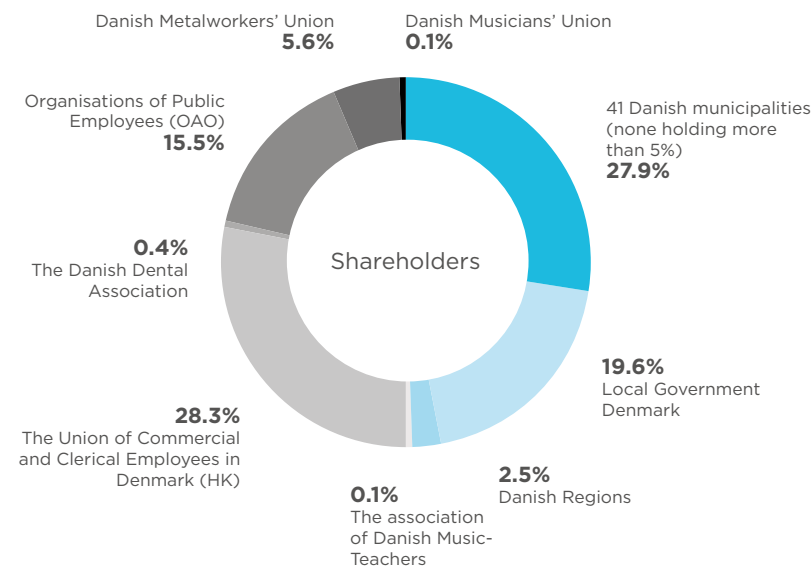


# Management structure

## Shareholders

Sampension Liv A/S is owned by the parties to the collective agreements for which Sampension Liv is a pension provider. Sampension Liv's share capital of DKK 800,000 is held equally by employee organisations on the one hand and by employers and employer organisations on the other.

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



## Board of Directors

Sampension Liv's Board of Directors consists of shareholder representatives, two Board members recommended by the Board of Directors and representatives of the Group's employees.

At an extraordinary meeting of the board of representatives held on 28 June 2017, Anne Mette Barfod, CFO of the Danish Refugee Council, was elected as a Board member, replacing Anne Louise Eberhard, who had resigned. At an extraordinary meeting of the board of representatives held on 26 January 2018, René Nielsen, Deputy Chairman of the Danish Metalworkers' Union, was elected as a Board member, replacing Henrik Kjærgaard, who had resigned. Information about other directorships of the members of the Board of Directors and the Executive Board is provided on page 24.

The Board of Directors held five meetings and one seminar in 2017.

## Audit and Risk Management Committee

Pursuant to the provisions of the EU and of Danish legislation on audit committees in public-interest entities, the Board of Directors of Sampension Liv has established a separate audit and risk management committee.

Torben Nielsen, former governor of the Danish central bank, chairs the Audit and Risk Management 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 three other members appointed by the Board of Directors to serve on the Audit and Risk Management Committee in 2017 were Anker Boye (Chairman of the Board), Kim Simonsen (Deputy Chairman) and Anne Mette Barfod (Board member). Anne Louise Eberhard served on the committee until 31 March 2017, at which time she resigned from the Board.

The Audit and Risk Management Committee held four meetings in 2017.

The framework for the Audit and Risk Management Committee's work is defined in a terms of reference. Its principal duties are:

- to monitor the financial reporting process;
- to prepare the Board of Directors' reviews and resolutions involving risk documents regarding the company's capital, solvency and operational matters.
- monitoring the efficiency of risk management systems, internal control systems and the internal audit function;
- to monitor the statutory audit of the financial statements; and
- to monitor and verify the independence of the auditors.

Sampension has a financial whistleblower hotline giving the employees of the joint management company a dedicated and independent channel for reporting any violation of financial regulations by the company. Reports to the whistleblower hotline are directed to the chairman of the Audit and Risk Management Committee and to the compliance function. No reports were filed in 2017 or in previous years.

## Organisation and management

The Executive Management is in charge of the overall day-to-day management of the Company. The organisation also consists of five executive divisions, which are in charge of day-to-day operations, and an executive secretariat. A detailed presentation of the organisation can be found at [sampension.dk/organisation](http://sampension.dk/organisation).

Sampension's risk management, compliance, actuary and internal audit functions contribute to ensuring efficient management of the joint management company. The heads of the respective departments have been identified as key persons performing controlled functions in respect of the work of the joint management company.

## Remuneration

The boards of directors of the three financial enterprises managed by Sampension have defined a joint remuneration policy that is compliant with the provisions of the EU and of Danish legislation. The purpose of the remuneration principles is to ensure that the management and the employees are remunerated in a manner that best supports the business and long-term strategic goals of the organisation.

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

See note 4 to the financial statements or, for more information (in Danish only), go to [sampension.dk/loenpolitik](http://sampension.dk/loenpolitik).

## Gender diversity in management

The Board of Directors of Sampension Liv A/S has defined a target of complying with the Danish Business Authority's target for the gender composition of man-

agement by March 2022, which is for the underrepresented gender to represent at least 40% of the board members including employee-elected board members. The Board aims to have equal gender distribution in management positions and has defined a target for the underrepresented gender in Sampension Administrationsselskab A/S to make up at least 40% of managers with HR responsibility. The target is reviewed annually.

We have accounted for targets, etc. in the statutory report on corporate responsibility (in Danish only) available at [sampension.dk/samfundsansvar2017](http://sampension.dk/samfundsansvar2017).

## Group structure

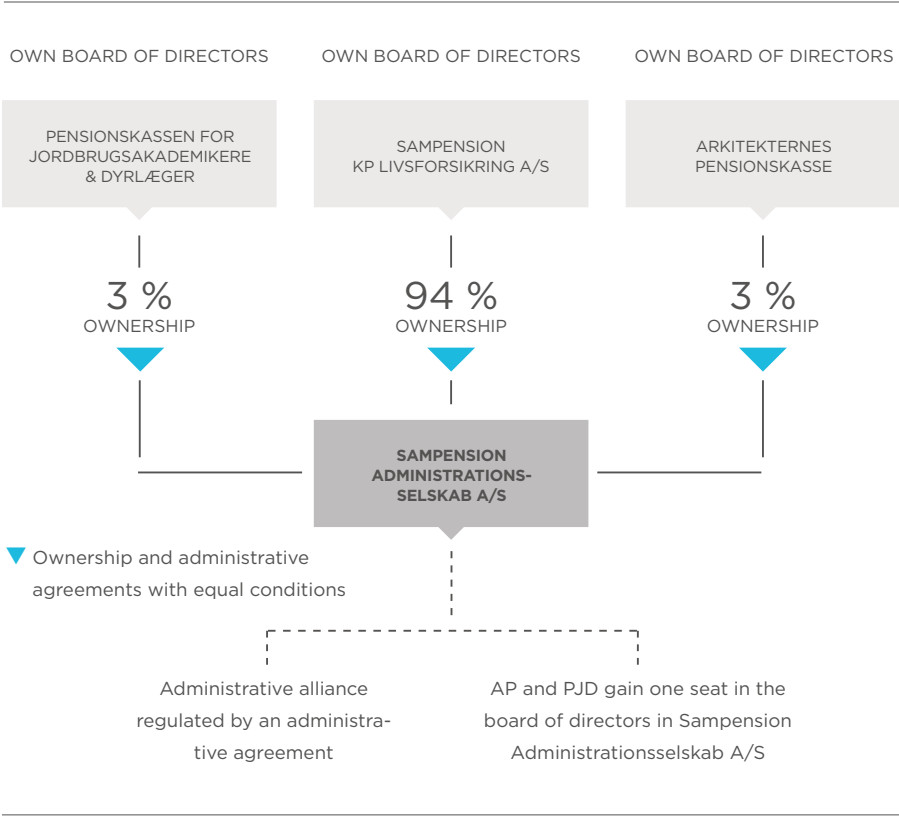
In addition to the parent company Sampension KP Livsforsikringsselskab A/S and the subsidiary Sampension Administrationsselskab A/S, the Sampension Group comprises a number of subsidiaries and associates, which between them operate the Group's business areas.

### Sampension Administrationsselskab A/S

The objective of Sampension Administrationsselskab A/S is to provide administrative services to life insurance companies, pension funds and pension companies as well as general asset management services and other related business.

The joint management company manages companies of the Sampension Group as well as the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The group of owners of Sampension Administrationsselskab 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%).

### The joint management company



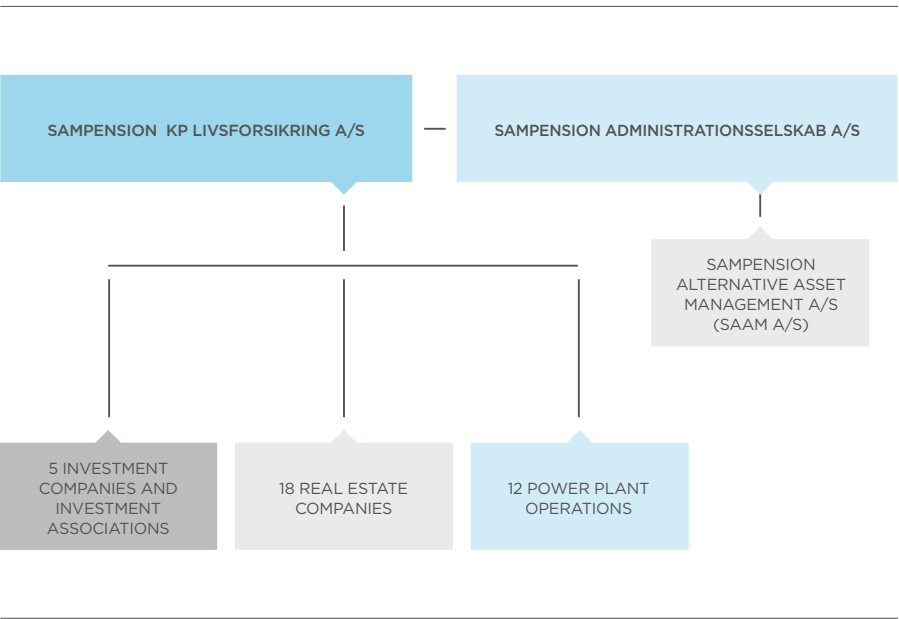
### Sampension Alternative Asset Management A/S

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

### Other companies

In addition to the above-mentioned companies, the Group consists of several property companies and a number of investment companies and one capital association, which specifically manages alternative investments and equities for all companies being managed by Sampension's joint insurance management company.

### Group structure at 31 December 2017



See the note on Equity investments on page 61 for further information on Group enterprises.



# Management and other directorships held

## Board of Directors

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

Anker Boye, former Mayor of Odense, Chairman  
Johnny Søtrup, former 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  
René Nielsen, Deputy Chairman of the Danish Metalworkers' Union

### Members recommended by the Board of Directors:

Torben Nielsen, former governor of the Danish central bank  
Anne Mette Barfod, CFO, Danish Refugee Council

### Board members elected by the employees are:

Christian Dorow, Team leader  
John Helle, Pension adviser  
Bjørn Kroghsbo, Portfolio manager  
Morten Lundsgaard, Digital business developer  
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 16 April 2018 at the Company's address.  
Other directorships held by members of the Board of Directors and the Executive

## Board

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

## Board of Directors

### Anker Boye, Former Mayor, Chairman, born 1950

Chairman of the board of directors of Sampension Administrationsselskab A/S  
Chairman of the board of directors of Gartnerbyen P/S  
Chairman of the board of directors of Gartnerbyen Komplementar ApS  
Chairman of the board of directors of Fjernvarme Fyn Holding A/S  
Chairman of the board of directors of Fjernvarme Fyn Distribution A/S  
Chairman of the board of directors of Fjernvarme Fyn Affaldsenergi A/S  
Chairman of the board of directors of Fjernvarme Fyn Produktion A/S  
Chairman of the board of directors of Fjernvarme Fyn Service A/S  
Deputy chairman of the board of directors of NGF Nature Energy Holding A/S  
Member of the board of directors of NGF Nature Energy Biogas A/S  
Member of the board of directors of Odense Teater  
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 Forsikring A/S  
Chairman of the board of directors of Refshaleøen Holding A/S  
Chairman of the board of directors of Refshaleøen Ejendomsselskab A/S  
Chairman of the board of directors of AKF Holding A/S  
Chairman of the board of directors of 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  
Chairman of the board of directors of HK/Danmark A-Kasse  
Chairman of the board of directors of HK-Huset A/S  
Deputy chairman of the board of directors of Sampension Administrationsselskab A/S  
Member of the Supervisory Board and the Board of Representatives of Arbejdsmarkedets Tillægspension (ATP)  
Member of the board of directors of AFK Holding A/S  
Member of the General Council and Executive Committee of LO  
Member of the board of directors of AFK Invest CPH A/S  
Member of the board of directors of A-Pressen A/S  
Member of the board of directors of Copenhagen Business Academy  
Member of the board of directors of Erhvervsskolen Nordsjælland  
Member of the board of directors of Fonden for Entreprenørskab - Young Enterprise

### Anne Mette Barfod, CFO, Danish Refugee Council, born 1970

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

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

Member of the board of directors of Sampension Administrationsselskab 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

### René Nielsen, Deputy Chairman, Danish Metalworkers' Union, born 1968

Member of the board of directors of Sampension Administrationsselskab 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 and of the risk committee of Sydbank A/S  
Chairman of the Board of Vordingborg Borg Fond  
Deputy chairman of the board of directors and chairman of the audit committee and risk committee of Tryg Forsikring A/S  
Deputy chairman of the board of directors of Tryg A/S  
Member of the board of directors of Sampension Administrationsselskab A/S  
Member of the board of directors and chairman of the audit committee of Dansk Landbrugs Realkredit A/S

**Bodil Otto, Deputy Chairman HK/Municipal Authorities, born 1957**

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

Member of the board of directors of PKA A/S

Member of the board of directors of Pensionskassen for Socialrådgivere,

Socialpædagoger og Kontorpersonale (including one subsidiary)

Member of the board of directors of Forbrugsforeningen af 1886

Member of the board of directors of

Administrationsaktieselskabet Forenede Gruppeliv

**Johnny Søtrup, Former Mayor of Esbjerg, born 1949**

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

Chairman of the board of Den Erhvervsdrivende Fond Musikhuset Esbjerg

Chairman of the board of SOSU-skolen i Esbjerg

Deputy chairman of the board of Business Development Esbjerg

Deputy chairman of the board of directors of the Port of Esbjerg

Member of the board of directors of Sampension Administrationsselskab 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 Midtjyllands Airport a.m.b.a.

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

Member of the board of directors of Sampension Administrationsselskab 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, Team leader, born 1970**

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

**John Helle, Pension adviser, born 1964**

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

**Morten Lundsgaard, Digital business developer, born 1968**

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

**Majbritt Pedersen, Team leader, born 1962**

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

**Executive Board****Hasse Jørgensen, CEO, born 1962**

CEO of Sampension Administrationsselskab A/S

CEO of the Architects' Pension Fund

CEO of the Pension Fund for Agricultural Academics and Veterinary Surgeons

CEO of Komplementarselskabet Sorte Hest ApS

CEO of Komplementarselskabet Arkitekternes Ejendomme ApS

Chairman of the board of directors of Sampension Alternative

Asset Management A/S

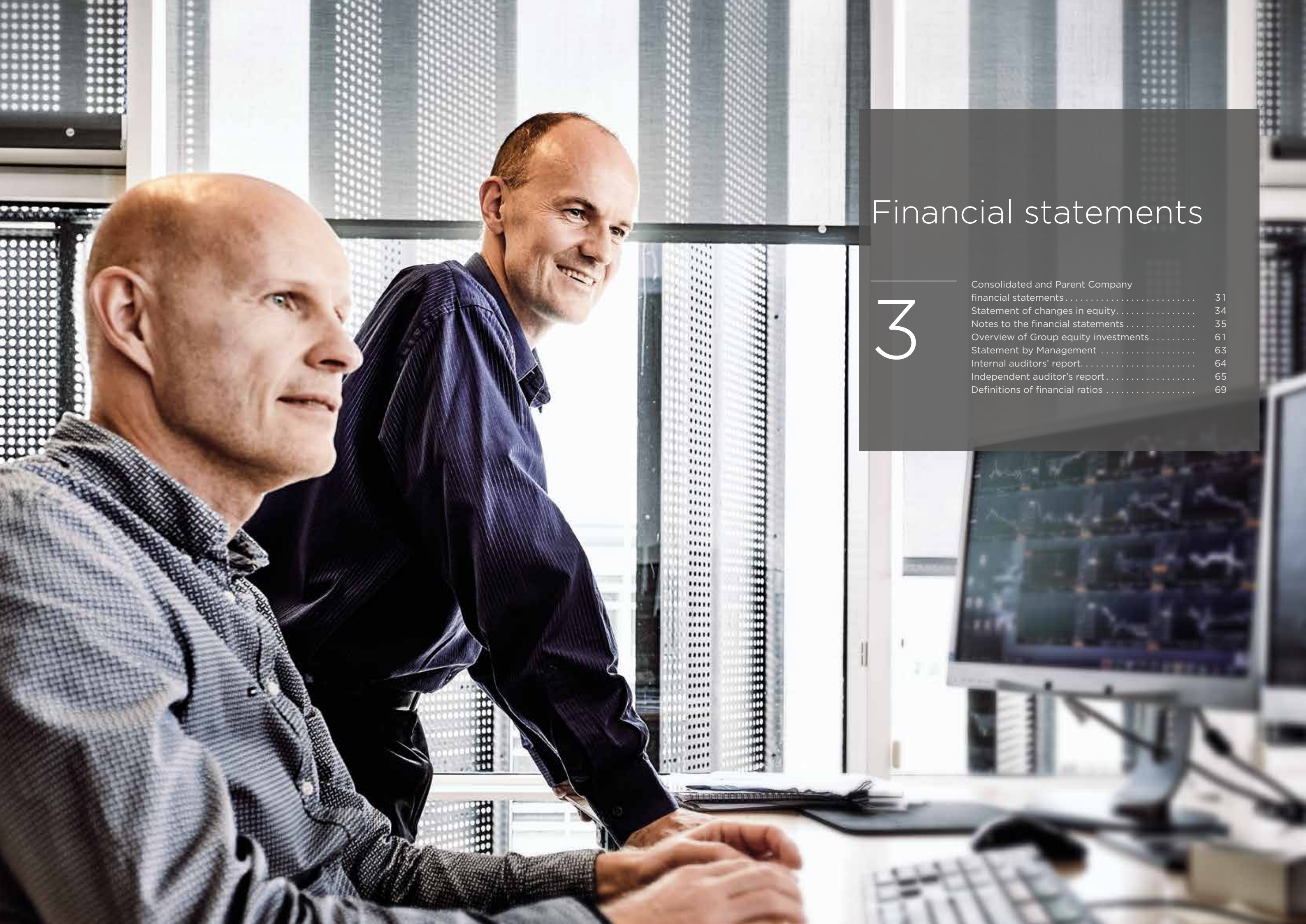
Member of the board of directors of Refshaleøen Holding A/S

(including one subsidiary)

Member of the board of directors of the Danish Insurance Association

Member of the board of directors of the Danish Finance Society





## Financial statements

### 3

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Group and Parent Company Financial Statements

INCOME STATEMENT		GROUP		PARENT COMPANY	
Note	DKKm.	2017	2016	2017	2016
1	Gross premiums	8,784	9,017	8,784	9,017
	<b>Total premiums, net of reinsurance</b>	<b>8,784</b>	<b>9,017</b>	<b>8,784</b>	<b>9,017</b>
	Income from group enterprises	-	-	9,056	5,391
	Income from associates	-129	114	74	-12
	Income from investment properties and energy plant	216	260	0	0
2	Interest income, dividends etc.	6,100	11,734	4,013	10,000
3	Market value adjustments	13,275	7,231	2,429	3,596
	Interest expenses	-94	-6,006	-16	-5,970
4	Investment management expenses	-451	-411	-187	-223
	<b>Total investment return</b>	<b>18,916</b>	<b>12,921</b>	<b>15,368</b>	<b>12,783</b>
	<b>Tax on pension returns</b>	<b>-1,757</b>	<b>-1,009</b>	<b>-1,757</b>	<b>-1,009</b>
5	Benefits paid	-8,646	-8,100	-8,646	-8,100
	<b>Total insurance benefits, net of reinsurance</b>	<b>-8,646</b>	<b>-8,100</b>	<b>-8,646</b>	<b>-8,100</b>
14,15	<b>Total change in provisions, net of reinsurance</b>	<b>-13,540</b>	<b>-12,402</b>	<b>-13,540</b>	<b>-12,402</b>
13	<b>Change in surplus capital</b>	<b>-7</b>	<b>-262</b>	<b>-7</b>	<b>-262</b>
4	Administrative expenses	-170	-171	-170	-171
	<b>Total net operating expenses, net of reinsurance</b>	<b>-170</b>	<b>-171</b>	<b>-170</b>	<b>-171</b>
	<b>Transferred return on investments</b>	<b>-3,702</b>	<b>-185</b>	<b>-141</b>	<b>-140</b>
	<b>TECHNICAL RESULT</b>	<b>-122</b>	<b>-191</b>	<b>-110</b>	<b>-285</b>
	<b>Investment return on equity</b>	<b>141</b>	<b>140</b>	<b>141</b>	<b>140</b>
	<b>Minority interets of investment return</b>	<b>3,561</b>	<b>45</b>	<b>-</b>	<b>-</b>
	<b>Other income</b>	<b>35</b>	<b>8</b>	<b>0</b>	<b>0</b>
	<b>Other expenses</b>	<b>-33</b>	<b>-9</b>	<b>0</b>	<b>0</b>
	<b>PROFIT BEFORE TAX</b>	<b>3,581</b>	<b>-7</b>	<b>32</b>	<b>-145</b>
6	<b>Tax</b>	<b>7</b>	<b>-102</b>	<b>31</b>	<b>-1</b>
	<b>PROFIT FOR THE YEAR</b>	<b>3,589</b>	<b>-110</b>	<b>63</b>	<b>-146</b>
	<b>Other comprehensive income</b>				
	Domicile property revaluation	44	10	0	0
	Translation of units outside Denmark	-4,986	1,405	-4,986	1,405
	Translation of units outside Denmark - minority interests share	-1,376	34	-	-
	Tax on pension returns	580	-161	580	-161
	Change in collective bonus potential	4,380	-1,246	4,380	-1,246
6	Tax	-5	-2	5	0
	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-1,363</b>	<b>41</b>	<b>-21</b>	<b>-1</b>
	<b>NET PROFIT FOR THE YEAR</b>	<b>2,226</b>	<b>-68</b>	<b>41</b>	<b>-147</b>
	<b>Minority interests share</b>	<b>-2,185</b>	<b>-79</b>	<b>-</b>	<b>-</b>
	<b>PARENT COMPANY’S SHARE OF PROFIT FOR THE YEAR</b>	<b>41</b>	<b>-147</b>	<b>41</b>	<b>-147</b>



Group and Parent Company Financial Statements (Continued)

Note	BALANCE SHEET DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	ASSETS				
	INTANGIBLE ASSETS	148	152	0	0
7	Equipment	9	5	0	0
8	Domicile property	158	152	0	0
	TOTAL PROPERTY, PLANT AND EQUIPMENT	166	157	0	0
9	Investment properties	4,022	3,447	0	0
	Investement in energy plants	696	806	0	0
	Investments in group enterprises	-	-	27,940	28,238
10	Loans to group enterprises	-	-	1,478	1,149
	Investments in associates	1,162	1,058	225	216
10	Loans to associates	148	168	116	105
	Total investments in group enterprises and associates	1,310	1,227	29,760	29,708
	Investments	36,986	27,827	4,775	5,811
	Units in mutual funds	211	211	211	211
	Bonds	85,145	87,026	83,697	85,493
	Loans secured by mortgage	391	259	391	259
11	Derivative financial instruments	41,643	48,756	41,643	48,756
	Deposits with credit institutions	7,108	5,129	7,107	5,100
	Total other financial investment assets	171,484	169,207	137,825	145,629
	TOTAL INVESTMENT ASSETS	177,512	174,687	167,584	175,337
12	INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	90,977	85,462	89,140	84,369
	Total receivables arising from direct and indirect insurance contracts	362	261	362	261
	Receivables from group enterprises	-	-	1,141	872
	Other receivables	292	228	95	84
	TOTAL RECEIVABLES	654	489	1,598	1,216
	Current tax assets	17	34	14	30
6	Deferred tax assets	95	56	0	0
	Cash and cash equivalents	2,535	1,770	2,331	1,536
	Other	1,356	824	1,207	736
	TOTAL OTHER ASSETS	4,003	2,685	3,553	2,302
	Interest and rent receivable	3,988	4,268	3,923	4,212
	Other prepayments	255	256	226	222
	TOTAL PREPAYMENTS	4,243	4,524	4,149	4,434
	TOTAL ASSETS	277,704	268,154	266,023	267,658

Note	BALANCE SHEET DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	EQUITY AND LIABILITIES				
	Share capital	1	1	1	1
	Other reserves	155	142	73	95
	Total reserves	155	142	73	95
	Retained earnings	3,460	3,432	3,542	3,480
	Minority interests	11,568	985	-	-
	TOTAL EQUITY	15,184	4,559	3,616	3,575
13	Surplus capital	4,465	4,458	4,465	4,458
	TOTAL SUBORDINATED LOAN CAPITAL	4,465	4,458	4,465	4,458
14	Provisions for average-rate products	111,790	110,409	111,790	110,409
15	Provisions for unit-linked contracts	82,740	74,921	82,740	74,921
	TOTAL PROVISIONS FOR INSURANCE AND INVESTEMENT CONTRACTS	194,530	185,330	194,530	185,330
6	Deferred tax liabilities	198	137	0	0
	Other provisions	22	21	0	0
	TOTAL PROVISIONS FOR LIABILITIES	221	158	0	0
	Payables arising from reinsurance operations	61	66	61	66
16	Payables to credit institutions	24,007	28,290	23,126	27,216
	Payables to group enterprises	-	-	2,566	2,159
	Payables to associates	0	8	0	0
	Current tax liabilities	1	1	0	0
17	Other debt	38,961	45,095	37,452	44,708
	TOTAL DEBT	63,030	73,461	63,205	74,149
	TOTAL DEFERRED INCOME	274	188	207	145
	TOTAL EQUITY AND LIABILITIES	277,704	268,154	266,023	267,658
0	ACCOUNTING POLICIES				
18	CONTINGENT ASSETS AND LIABILITIES				
19	CHARGES				
20	INTRA GROUP TRANSACTIONS				
21	REALISED RESULT FOR INTEREST GROUPS, COST AND RISK GROUPS				
22	OVERVIEW OF ASSETS AND RETURNS				
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Statement of changes in equity

DKKm.	Share capital	Currency translation adjustments	Domicile	Retained earnings	Minority interests	Total
PARENT COMPANY						
Equity at 1 January 2016	1	96	0	3,625	0	3,722
Profit for the year	-	-	-	-146	-	-146
Other comprehensive income	-	-1	-	-	-	-1
Equity at 31 December 2016	1	95	0	3,480	0	3,575
Profit for the year	-	-	-	63	-	63
Other comprehensive income	-	-21	-	-	-	-21
Equity at 31 December 2017	1	73	0	3,542	0	3,616
GROUP						
Equity at 1 January 2016	1	96	40	3,586	3,250	6,972
Profit for the year	-	-	-	-154	45	-110
Other comprehensive income	-	-2	8	-	34	41
Minority interests shares - disposals	-	-	-	-	-2,344	-2,344
Equity at 31 December 2016	1	94	48	3,432	985	4,559
Profit for the year	-	-	-	28	3,561	3,588
Other comprehensive income	-	-21	35	-	-1,376	-1,363
Minority interests shares - additions	-	-	-	-	8,398	8,399
Equity at 31 December 2017	1	72	82	3,460	11,568	15,184
Capital base						
					31.12.2017	31.12.2016
Equity					3,616	3,575
Surplus capital					4,465	4,458
Intangible assets in group enterprises					-148	-152
Total					7,934	7,882

Notes to the Financial Statements

Accounting policies		
GENERAL INFORMATION		
<p>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”).</p>	<p>For guaranteed benefit average-rate contracts, an amount (risk premium) representing 0.5% of the proportion of pension savings with a basic rate of interest of at least 4.25% plus an amount representing 0.24% of the proportion with a basic rate of interest of less than 4.25% are allocated to total capital. No amount is allocated to total capital for non-guaranteed contracts or for expense and risk groups. The rest is allocated to the policyholders, equalling the realised results for the year, calculated in accordance with the Executive Order on the Contribution Principle, less the calculated amount allocated to total capital.</p>	<p>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.</p>
<p><b>Changes made to the accounting policies relative to the 2016 Annual Report:</b></p>		
<p><b>Other comprehensive income</b></p> <p>The item Foreign exchange differences from translation of foreign enterprises has been changed to represent foreign exchange differences arising from translation from functional to presentation currency regarding the share of investments in foreign enterprises attributable to non-controlling interests. Such amounts were previously recognised under Market value adjustments in the income statement. The amounts were DKK 34 million at 31 December 2016 and a negative DKK 1,376 million at 31 December 2017. The changes have not affected total comprehensive income, equity or total assets.</p>	<p><b>Recognition and measurement</b></p> <p>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.</p>	<p>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.</p>
<p>Apart from the above, the accounting policies and estimates are consistent with those applied last year.</p>	<p>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.</p>	<p>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.</p>
<p><b>Distribution of realised result (contribution principle)</b></p> <p>The following rules on the calculation and distribution of results between equity, bonus capital and policyholders have been reported to the Danish FSA:</p> <p>A proportionate share of the return for the year on the investment portfolio is allocated to equity and surplus capital (total capital) less the proportion deriving from the interest rate hedge portfolios. In addition, the profit or loss from Sampension Liv's business in Forenede Gruppeliv is allocated to total capital.</p>	<p>Financial instruments and derivative financial instruments are recognised at the trading date.</p> <p>Sampension Liv does not offset financial assets and financial liabilities with</p>	<p>The measurement currency is Danish kroner. All other currencies are foreign currencies.</p> <p><b>Uncertainty in recognition and measurement</b></p> <p>In preparing the consolidated and the parent company financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities. The areas in which management's estimates and judgments have the most material effect on the consolidated and the parent company financial statements are provisions for insurance and investment contracts and the fair value of non-marketable assets, such as unlisted financial instruments and properties, etc..</p> <p>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.</p> <p>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</p>



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 Liv 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 enterprises, restated to the accounting policies applied by the Group.

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

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

Newly acquired or divested group enterprises are recognised in the consolidated financial statements 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 Liv'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 Liv's share of gross premiums. The item Insurance benefits, net of reinsurance comprises Sampension Liv's share of benefits paid and group life bonuses paid to the owner companies. Group life bonuses are the risk surplus after payment of costs such as administrative expenses and catastrophe risk costs.

Return on investments

**Income from investments in group enterprises and associates**  
Income from investments in group enterprises and associates covers the Group's and the company's proportionate share of total profit after tax, restated

to the accounting policies applied by the Group.

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

**Income from investment property and 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 interest expenses relating to investment activity and 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 surplus capital

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

Operating expenses, net of reinsurance

Operating expenses for the parent company comprise an administrative fee in accordance with the management contract with the subsidiary Sampension Administrationsselskab 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 attributable to equity and to non-controlling interests.

Other income

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

Other expenses

Other expenses comprise expenses related to administrative services for other enterprises 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

# Notes to the Financial Statements (continued)

equity through Other comprehensive income.

## Non-controlling interests

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

## BALANCE SHEET

### Intangible assets

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

On recognition, IT development projects are measured at cost. Cost comprises 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 five 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.

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

#### Domicile property

The domicile property is the office building occupied by Sampension Administrationsselskab 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 for a typical 10-year budget period or until cash flows have stabilised.

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 market 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 and cash equivalents are measured at fair value.

#### Other

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

### Prepayments

Prepayments comprise interest and rent receivable and costs incurred relating to subsequent financial years. 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.



# Notes to the Financial Statements (continued)

## Non-controlling interests

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

## Subordinated loan capital

## Surplus capital

Surplus capital comprises individual special bonus provisions (bonus capital). Surplus 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, conversions into paid-up policies, surrenders and retirement age determined from the company's past experience and an estimate of future improvements in life expectancy defined as the Danish FSA's benchmark.

## Guaranteed benefit policies – direct and indirect insurance.

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

## Non-guaranteed benefit policies

### – direct insurance.

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

### Individual bonus potential

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

### Collective bonus potential

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

### Group life insurance

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

### Profit margin

The profit margin is the net present value of expected future profit in the remaining contract periods of the insurance contracts entered into by the company in relation to its life insurance business. The profit margin on life insurance contracts is nil, as all profit is allocated to policyholders.

### Risk margin

A risk margin is added to the provisions for the portfolio of guaranteed schemes

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

## Non-guaranteed benefit policies – indirect insurance.

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

### Provisions for 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 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. For additional information, see Definitions of financial ratios on page 66. Financial highlights are not prepared for the Group, as it comprises one life insurance company only.

Notes to the Financial Statements (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
<b>1</b>	<b>Gross premiums</b>				
	Regular premiums	4,564	4,497	4,564	4,497
	Group life contracts	2,403	2,371	2,403	2,371
	Single premiums	1,156	1,242	1,156	1,242
	<b>Premiums, direct insurance</b>	<b>8,123</b>	<b>8,110</b>	<b>8,123</b>	<b>8,110</b>
	<b>Premiums, indirect insurance</b>	<b>661</b>	<b>908</b>	<b>661</b>	<b>908</b>
	<b>Total gross premiums</b>	<b>8,784</b>	<b>9,017</b>	<b>8,784</b>	<b>9,017</b>
	<b>Premiums, direct insurance, broken down by insurance arrangement</b>				
	Insurance contracts written in connection with employment	5,720	5,739	5,720	5,739
	Group life contracts	2,403	2,371	2,403	2,371
	<b>Total</b>	<b>8,123</b>	<b>8,110</b>	<b>8,123</b>	<b>8,110</b>
	Premiums with profits insurance	3,246	3,011	3,246	3,011
	Unit-linked contracts	4,877	5,098	4,877	5,098
	<b>Total</b>	<b>8,123</b>	<b>8,110</b>	<b>8,123</b>	<b>8,110</b>
	<b>Premium by policyholder's address</b>				
	Denmark	8,095	8,077	8,095	8,077
	Other EU-countries	26	30	26	30
	Other countries	2	2	2	2
	<b>Total</b>	<b>8,123</b>	<b>8,110</b>	<b>8,123</b>	<b>8,110</b>
	Number of policyholders with insurance and investment contracts written as part of their employment (thousands)	275	272	275	272
	Of this number of unit-linked contracts (thousands)	183	176	183	176
	Number of group life insurances (thousands)	710	717	710	717
<b>2</b>	<b>Interest income and dividends etc.</b>				
	Dividends from investments	1,713	1,489	277	348
	Dividens from units in mutual funds	3	6	3	6
	Interest from bonds	2,721	2,936	2,056	2,330
	Interest on loans secured by mortgage	20	14	20	14
	Interest from group enterprises	-	-	56	38
	Other interest income	85	74	42	51
	Indexation	163	15	163	15
	Interest rate hedging instruments	1,396	7,199	1,396	7,199
	<b>Total interest income, dividends, etc.</b>	<b>6,100</b>	<b>11,734</b>	<b>4,013</b>	<b>10,000</b>
<b>3</b>	<b>Market value adjustments</b>				
	Investment properties and energy plants	476	165	0	0
	Investments	11,223	4,032	248	493
	Units in mutual funds	26	65	26	65
	Bonds	-1,702	2,556	-1,052	2,661
	Loans secured by mortgage	-1	5	-1	5
	Derivative financial instruments	3,311	136	3,239	114
	Cash and demand deposit	-159	245	-159	250
	Other	100	27	126	9
	<b>Total value adjustments</b>	<b>13,275</b>	<b>7,231</b>	<b>2,429</b>	<b>3,596</b>

Note	DKKm.	GROUP		GROUP	
		2017		2016	
<b>4</b>	<b>Administrative expenses</b>				
	All staff are employed with and paid by Sampension Administrationssselskab A/S, which the parent company has concluded a management agreement with. The CEO, the chief actuary and control function staff are also employed with the parent company.Administrative expenses re. insurance and investment activities include the following staff costs:				
	Staff salaries	-198		-176	
	Staff pensions	-33		-30	
	Other social security costs	-1		-1	
	Payroll tax etc.	-33		-23	
	<b>Total staff costs</b>	<b>-264</b>		<b>-230</b>	
	Average number of full-time employees	271		253	
	<b>Remuneration to the Executive Board, the Board of Directors and to material risk takers</b>				
	Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests to the units that form a part of and are owners of the joint management company Sampension Administrationsselskab A/S. Sampension KP Livsforsikring A/S has a 94% ownership interest in Sampension Administrationsselskab A/S.				
		No. of people	Salary including pension	No. of people	Salary including pension
	<b>Executive Board</b>	1		1	
	Hasse Jørgensen		-5.22		-5.54
	<b>Board of Directors</b>	15		14	
	Anker Boye		-0.31		-0.29
	Kim Simonsen		-0.27		-0.20
	Anne Mette Barfod (joined 28.06.2017)		-0.09		-
	Erik Bisgaard (joined 01.01.2017 in Sampension Administrationsselskab A/S)		-0.12		
	Rita Bundgaard		-0.16		-0.16
	Anne Louise Eberhard (resigned 21.03.2017)		-0.04		-0.12
	Henrik Kjærgaard		-0.12		-0,12
	Torben Nielsen		-0.22		-0.20
	Bodil Otto		-0.12		-0.12
	Johnny Søtrup		-0.12		-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>	7	-12.87	3	-8.08

\*) 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: [sampension.dk/loenpolitik](http://sampension.dk/loenpolitik)

Note 4 continued on next page



Notes to the Financial Statements (continued)

Note 4 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	<b>Remuneration for auditors elected by the Annual General Meeting PricewaterhouseCoopers,Statsautoriseret Revisionspartnerselskab</b>				
	Statutory audit	-2.80	-2.27	-0.64	-0.42
	Assurance engagements	-0.11	-0.12	-0.09	-0.12
	Tax advice	-0.09	-0.69	-0.09	-0.10
	Other services	-1.27	-7.36	-0.02	-
		<b>-4.26</b>	<b>-10.44</b>	<b>-0.84</b>	<b>-0.64</b>

In addition to the stated remuneration, costs were also incurred for the Group’s internal auditing.

In addition to a statutory audit of the consolidated and parent company financial statements and statutory assurance engagements, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has provided assistance. Such assistance comprised interim balance sheet for group company, assistance with review of takeover balance sheet, project assistance etc. in connection with the Group taking over the administrative services of the Architects’ Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons, custodian services for group company, assistance in the digital filing of annual reports of certain group companies, training courses, accounting advice and reviews of tax returns.

<b>5</b>	<b>Benefits paid</b>				
	Insurance sums payable in the event of death	-308	-306	-308	-306
	Insurance sums payable in the event of critical illness	-238	-246	-238	-246
	Insurance sums payable in the event of disability	-56	-58	-56	-58
	Insurance sums payable in the event of maturity	-92	-86	-92	-86
	Retirement and annuity benefits	-2,834	-2,613	-2,834	-2,613
	Payment at surrender etc.	-1,588	-1,457	-1,588	-1,457
	Bonuses paid in cash	-1,713	-1,635	-1,713	-1,635
	<b>Benefits paid, direct insurance</b>	<b>-6,830</b>	<b>-6,401</b>	<b>-6,830</b>	<b>-6,401</b>
	<b>Benefits paid, indirect insurance</b>	<b>-1,816</b>	<b>-1,699</b>	<b>-1,816</b>	<b>-1,699</b>
	<b>Total benefits paid</b>	<b>-8,646</b>	<b>-8,100</b>	<b>-8,646</b>	<b>-8,100</b>

<b>6</b>	<b>Tax</b>				
	Current corporation tax	-13	-37	1	-13
	Change in deferred tax, ordinary	9	45	-9	40
	Adjustment relating to previous years, current tax	-6	7	-6	7
	Adjustment relating to previous years, deferred tax	-18	5	17	8
	Other taxes paid etc.	43	-78	37	0
	Write-down of deferred tax asset	-8	-42	-8	-42
	<b>Total tax income statement</b>	<b>7</b>	<b>-102</b>	<b>31</b>	<b>-1</b>

<b>Tax on other comprehensive income can be broken down as follows</b>					
	Domicile property revaluation	-10	-2	-	-
	Translation of units outside Denmark	1,096	-309	1,096	-309
	Tax on pension returns	-128	35	-128	35
	Change in collective bonus potential	-964	274	-964	274

<b>Tax, other comprehensive income</b>	<b>-5</b>	<b>-2</b>	<b>5</b>	<b>0</b>
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<b>Tax reconciliation</b>				
Profit before tax	3,581	-7	32	-145
Other comprehensive income before tax	-1,357	43	-26	-1

Calculated tax, 22.0 %	-489	-8	-1	32
Non-taxable income and non-deductible expenses	481	13	-2	-5
Other	43	-78	37	0
Prior-year adjustment	-25	11	10	14
Write-down of deferred tax asset	-8	-42	-8	-42

	<b>3</b>	<b>-105</b>	<b>36</b>	<b>-1</b>
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Note 6 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	<b>Tax provisions</b>				
	Land and buildings	-72	-66	-40	-8
	Energy plants	-127	-71	0	0
	Taxation of tax on pension returns	-134	0	-134	0
	IT assets	44	33	0	0
	Other assets	3	6	0	0
	Tax loss carry-forward	1,206	1,033	1,197	1,023
	Write-down of deferred tax asset	-1,024	-1,016	-1,024	-1,016

<b>Total tax provisions</b>	<b>-104</b>	<b>-81</b>	<b>0</b>	<b>0</b>
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<b>Deferred tax asset</b>	<b>95</b>	<b>56</b>	<b>0</b>	<b>0</b>
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<b>Deferred tax liability</b>	<b>-198</b>	<b>-137</b>	<b>0</b>	<b>0</b>
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**7 Equipment**

Cost at 1 January	29	28	0	0
Additions during the year, including improvements	5	1	0	0
Disposals during the year	0	0	0	0

<b>Cost at 31 December</b>	<b>33</b>	<b>29</b>	<b>0</b>	<b>0</b>
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Write downs and depreciation at 1 January	-24	-24	0	0
Depreciation for the year	-1	0	0	0
Reversal 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>
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<b>Carrying value at 31 December</b>	<b>9</b>	<b>5</b>	<b>0</b>	<b>0</b>
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**8 Domicile property**

Cost at 1 January	287	287	0	0
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<b>Cost at 31 December</b>	<b>287</b>	<b>287</b>	<b>0</b>	<b>0</b>
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Revaluation at 1 January	62	52	0	0
Correction previous years	-2	0	0	0
Revaluation for the year recognised in other comprehensive income	42	10	0	0
Reversal of previous revaluation	0	0	0	0

<b>Revaluation at 31 December</b>	<b>103</b>	<b>62</b>	<b>0</b>	<b>0</b>
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Depreciation at 1 January	-24	-22	0	0
Correction previous years	2	0	0	0
Depreciation for the year	0	-2	0	0

<b>Depreciation at 31 December</b>	<b>-22</b>	<b>-24</b>	<b>0</b>	<b>0</b>
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<b>Revaluated value at 31 December</b>	<b>367</b>	<b>325</b>	<b>0</b>	<b>0</b>
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<b>Fair value included in the item Domicile property</b>	<b>158</b>	<b>152</b>	<b>0</b>	<b>0</b>
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<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>210</b>	<b>173</b>	<b>0</b>	<b>0</b>
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Valuation reports from external experts have been obtained.

Rates of return applied to assess the market value of the property	4.72	4.77	-	-
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Notes to the Financial Statements (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
<b>9</b>	<b>Investment properties</b>				
	Cost at 1 January	6,577	5,689	0	0
	Correction previous years	11	0	0	0
	Additions during the year, including improvements	1,696	988	0	0
	Disposals during the year	-1	-99	0	0
	<b>Cost at 31 December</b>	<b>8,283</b>	<b>6,577</b>	<b>0</b>	<b>0</b>
	Revaluation at 1 January	1,414	1,260	0	0
	Correction previous years	-13	0	0	0
	Exchange rate adjustment	-35	-107	0	0
	Revaluation for the year	457	302	0	0
	Reversal of previous revaluation	-2	-40	0	0
	<b>Revaluation at 31 December</b>	<b>1,821</b>	<b>1,414</b>	<b>0</b>	<b>0</b>
	Write-downs at 1 January	-631	-523	0	0
	Correction previous years	13	0	0	0
	Exchange rate adjustment	-136	-65	0	0
	Write-downs during the year	-30	-109	0	0
	Reversed write-downs	40	55	0	0
	Reversal of write-downs due to sales	0	11	0	0
	<b>Write-downs at 31 December</b>	<b>-743</b>	<b>-631</b>	<b>0</b>	<b>0</b>
	<b>Fair value at 31 December</b>	<b>9,361</b>	<b>7,361</b>	<b>0</b>	<b>0</b>
	<b>Fair value included in the item Investment properties</b>	<b>4,022</b>	<b>3,447</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>5,338</b>	<b>3,914</b>	<b>0</b>	<b>0</b>
Valuation reports from external experts have been obtained for most properties.					
Average rates of return applied to assess the market value each type of properties:					
	Residential property	3.31	4.04	-	-
	Residential property for the elderly	4.67	4.66	-	-
	Commercial property	5.88	5.30	-	-
	Youth housing	4.44	5.21	-	-
	Mixed property	6.33	-	-	-
	Foreign commercial property	5.66	4.91	-	-
	<b>Weighted average of rates of return</b>	<b>4.79</b>	<b>4.54</b>	<b>-</b>	<b>-</b>
<b>10</b>	<b>Loans to group enterprises and associates</b>				
	<b>Group enterprises</b>				
	Fallcorner BV, Holland	-	-	211	189
	KP CE s.a., Frankrig	-	-	167	166
	Sampension KP International A/S, Danmark	-	-	656	655
	Sampension Student Housing I A/S, Danmark	-	-	158	158
	Sampension Student Housing II A/S, Danmark	-	-	50	50
	Sampension Student Housing IV A/S, Danmark	-	-	109	109
	Lyngby Søpark ApS, Danmark	-	-	117	0
	Ejendomsselskabet Hedeager 42 P/S, Danmark	-	-	267	0
	Ejendomsselskabet Hedeager 44 P/S, Danmark	-	-	178	0
	Sampension Renewables P/S, Danmark	-	-	27	0
	<b>Total loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>1,939</b>	<b>1,327</b>
	<b>Included in the item loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>1,478</b>	<b>1,149</b>
	<b>Included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>-</b>	<b>-</b>	<b>461</b>	<b>179</b>

Note 10 (continued)

Note	DKKkm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	<b>Associates</b>				
	OPP Slagelse Sygehus P/S, Danmark	100	54	100	54
	OPP Retten i Svendborg P/S, Danmark	23	23	23	23
	OPP Vejle P/S, Danmark	147	147	147	147
	Ejendomsselskabet Vodroffsvej 26 P/S, Danmark	76	136	0	0
	<b>Total loans to asociates</b>	<b>346</b>	<b>360</b>	<b>270</b>	<b>223</b>
	<b>Included in the item loans to associates</b>	<b>148</b>	<b>168</b>	<b>116</b>	<b>105</b>
	<b>Included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>197</b>	<b>191</b>	<b>154</b>	<b>119</b>
In addition, group enterprises have provided loans to their subsidiaries at no risk for the parent company.					
<b>11</b>	<b>Derivative financial instruments</b>				
	<b>2017</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
	Interest rate hedging instruments etc.:				
	Interest swaps	41,110	30,244	41,110	30,244
	TRS	1	0	1	0
	Caps/floors	291	363	291	363
	Swaptions	301	292	301	292
	CDS's	404		404	0
	Total interest rate hedging instruments	42,105	30,899	42,105	30,899
	Currency-based derivative financial instruments	1,426	225	1,426	223
	<b>Total derivative financial instruments</b>	<b>43,531</b>	<b>31,124</b>	<b>43,531</b>	<b>31,122</b>
	<b>Fair value included in the item Derivative financial instruments</b>	<b>41,643</b>		<b>41,643</b>	
	<b>Fair value included in the item Investment assets related to unit-linked contracts, see note 12</b>	<b>1,888</b>		<b>1,888</b>	
	<b>Fair value included in the item other debt see note 17</b>		<b>31,124</b>		<b>31,122</b>
	<b>Net carrying value (asset)</b>	<b>12,407</b>		<b>12,409</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	

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	22,348	22,256	22,348	22,256
The Group has provided collateral in the form of liquid bonds equal to a fair value of	-6,537	-8,565	-6,537	-8,565
<b>Net collateral (asset)</b>	<b>15,811</b>	<b>13,691</b>	<b>15,811</b>	<b>13,691</b>

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -1,352 million (2016: DKK -213 million) in the market-rate environment and a total exposure of DKK -434 million (2016: DKK -71 million) in the average-rate environment. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -3,185 million (2016: DKK -4,744 million) in the market-rate environment and a total exposure of DKK -8,328 million (2016: DKK -12,139 million) in the average-rate environment. As gains/losses are settled on current basis, the fair value is nil.

Note 11 continued on next page

Notes to the Financial Statements (continued)

Note 11 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		Positive fair value	Negative fair value	Positive fair value	Negative fair value
	2016				
	Interest rate hedging instruments etc.:				
	Interest swaps	48,357	36,832	48,357	36,832
	TRS	2	0	2	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>	
		2017	2016	2017	2016
12	Investment assets related to unit-linked contracts				
	<b>3 i 1 Livspension</b>				
	Domicile properties	210	173	0	0
	Investment properties and energy plants	6,263	4,830	0	0
	Investments in group enterprises	-	-	42,636	42,107
	Loans to group enterprises	-	-	461	179
	Investments in associates	1,161	889	299	245
	Loans to associates	197	191	154	119
	Investments	41,192	43,241	6,532	7,810
	Units in mutual funds	466	455	466	455
	Bonds	32,823	30,677	31,480	29,695
	Loans secured by mortgage	286	309	286	309
	Deposits with credit institutions	6,355	3,068	4,802	1,822
	Derivative financial instruments see note 11	1,888	1,516	1,888	1,516
	<b>Total investment assets</b>	<b>90,842</b>	<b>85,350</b>	<b>89,005</b>	<b>84,257</b>
	<b>Linkpension</b>				
	Investments in group enterprises	-	-	28	27
	Investments	29	36	2	11
	Units in mutual funds	105	74	105	74
	Bonds	1	2	0	0
	<b>Total investment assets</b>	<b>135</b>	<b>112</b>	<b>135</b>	<b>112</b>
	<b>Total investment assets related to unit-linked contracts</b>	<b>90,977</b>	<b>85,462</b>	<b>89,140</b>	<b>84,369</b>
13	Surplus capital				
	Surplus capital beginning of year	4,458	4,196	4,458	4,196
	Paid out to customers	-177	-158	-177	-158
	Return for the year	199	182	199	182
	Transferred from equity	14	268	14	268
	Provision for tax on pension returns payable	-29	-31	-29	-31
	<b>Total surplus capital</b>	<b>4,465</b>	<b>4,458</b>	<b>4,465</b>	<b>4,458</b>

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
14	Provisions for average-rate products				
	<b>Change in gross life insurance provisions is specified as follows</b>				
	Life insurance provisions, beginning of year	110,409	104,412	110,409	104,412
	Collective bonus potential, beginning of year	-14,149	-12,660	-14,149	-12,660
	Adjustment beginning of 2016, change of accounting policies	-	-327	-	-327
	Collective bonus potential, beginning of year	-14,149	-12,987	-14,149	-12,987
	isk margin covered by collective bonus potential at beginning of year	-207	-252	-207	-252
	Accumulated value adjustment, beginning of year	-24,548	-23,666	-24,548	-23,666
	Adjustment beginning of 2016, change of accounting policies	-	597	-	597
	Accumulated value adjustment, beginning of year	-24,548	-23,069	-24,548	-23,069
	<b>Retrospective provisions, beginning of year</b>	<b>71,504</b>	<b>68,104</b>	<b>71,504</b>	<b>68,104</b>
	Gross premiums	3,907	3,919	3,907	3,919
	Addition of interest after tax on pension returns	2,819	3,425	2,819	3,425
	Tax on pension returns	-260	-265	-260	-265
	Transfer between classes I and III	-288	-278	-288	-278
	Contributions to savings	101	2,488	101	2,488
	Insurance benefits	-6,008	-5,828	-6,008	-5,828
	Cost addition after addition of cost bonus	-166	-162	-166	-162
	Risk gain after addition of risk bonus	-116	-164	-116	-164
	Change in quota Forenede Gruppeliv	-19	48	-19	48
	Other	-97	218	-97	218
	<b>Retrospective provisions, end of year</b>	<b>71,375</b>	<b>71,504</b>	<b>71,375</b>	<b>71,504</b>
	Accumulated value adjustment, end of year	24,045	24,548	24,045	24,548
	Collective bonus potential, end of year	16,173	14,149	16,173	14,149
	Risk margin covered by collective bonus potential at end of year	196	207	196	207
	<b>Life insurance provisions, end of year</b>	<b>111,790</b>	<b>110,409</b>	<b>111,790</b>	<b>110,409</b>
	<b>Change in provsions are specified as follows</b>				
	Change in provisions for average-rate products	-1,380	-5,996	-1,380	-5,997
	Bonus paid to policyholder accounts	59	43	59	43
	Change in quota Forenede Gruppeliv	-19	48	-19	48
	Change in provisions, Other comprehensive income	-4,380	1,246	-4,380	1,246
	Change in provisions for market-rate products, see note 15	-7,819	-7,747	-7,819	-7,747
	Other	0	4	0	4
	<b>Change in provisions, Income statement</b>	<b>-13,540</b>	<b>-12,402</b>	<b>-13,540</b>	<b>-12,402</b>
	<b>Life insurance provsions are specified as follows</b>				
	Interest rate group A (average basic rate of interest 3.5 % - 4.5 %)				
	Guaranteed benefits	2,941	3,204	2,941	3,204
	Bonus potential - non-guaranteed benefits	32,155	33,431	32,155	33,431
	Collective bonus potential	2,090	2,135	2,090	2,135
	<b>Total interest rate group A</b>	<b>37,185</b>	<b>38,770</b>	<b>37,185</b>	<b>38,770</b>
	Interest rate group B (average basic rate of interest 2.5 % - 3.5 %)				
	Guaranteed benefits	1,983	2,092	1,983	2,092
	Bonus potential - non-guaranteed benefits	4,800	4,584	4,800	4,584
	Collective bonus potential	976	840	976	840
	<b>Total interest rate group B</b>	<b>7,759</b>	<b>7,515</b>	<b>7,759</b>	<b>7,515</b>

Note 14 continued on next page



Notes to the Financial Statements (continued)

Note 14 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	Interest rate group C (average basic rate of interest 1.5 % - 2.5 %)				
	Guaranteed benefits	589	599	589	599
	Bonus potential - non-guaranteed benefits	12,767	12,940	12,767	12,940
	Individual bonus potential	37	38	37	38
	Collective bonus potential	4,973	4,914	4,973	4,914
	<b>Total interest rate group C</b>	<b>18,367</b>	<b>18,491</b>	<b>18,367</b>	<b>18,491</b>
	Interest rate group D (average basic rate of interest 0.5 % - 1.5 %)				
	Guaranteed benefits	423	475	423	475
	Bonus potential - non-guaranteed benefits	2,766	2,200	2,766	2,200
	Collective bonus potential	1,391	1,229	1,391	1,229
	<b>Total interest rate group D</b>	<b>4,581</b>	<b>3,904</b>	<b>4,581</b>	<b>3,904</b>
	Interest rate group E (average basic rate of interest below 0.5 %)				
	Guaranteed benefits	5	-5	5	-5
	Bonus potential - non-guaranteed benefits	1	0	1	0
	Individual bonus potential	6	7	6	7
	Collective bonus potential	9	2	9	2
	<b>Total interest rate group E</b>	<b>21</b>	<b>4</b>	<b>21</b>	<b>4</b>
	Interest rate group F (special non-guaranteed)				
	Bonus potential - non-guaranteed benefits	940	905	940	905
	Collective bonus potential	130	100	130	100
	<b>Total interest rate group F</b>	<b>1,070</b>	<b>1,006</b>	<b>1,070</b>	<b>1,006</b>
	<b>Total interest rate groups</b>	<b>68,982</b>	<b>69,690</b>	<b>68,982</b>	<b>69,690</b>
	<b>Expense groups</b>				
	Collective bonus potential	122	101	122	101
	<b>Total expense groups</b>	<b>122</b>	<b>101</b>	<b>122</b>	<b>101</b>
	<b>Risk groups</b>				
	Collective bonus potential	772	574	772	574
	<b>Total risk groups</b>	<b>772</b>	<b>574</b>	<b>772</b>	<b>574</b>
	<b>Group life insurance</b>				
	Bonus potential - non-garanteed benefits	699	752	699	752
	Individual bonus potential	1,683	1,536	1,683	1,536
	Collective bonus potential FG	43	67	43	67
	<b>Total Group life insurance</b>	<b>2,425</b>	<b>2,356</b>	<b>2,425</b>	<b>2,356</b>
	<b>Risk margin</b>				
	Average-rate product	324	340	324	339
	Group life insurance	47	38	47	38
	<b>Total risk margin</b>	<b>370</b>	<b>377</b>	<b>370</b>	<b>377</b>
	<b>Non-guaranteed indirect insurance</b>				
	Bonus potential - non-guaranteed benefits	33,450	33,124	33,450	33,124
	Collective bonus potential	5,669	4,188	5,669	4,188
	<b>Total non-guaranteed indirect insurance</b>	<b>39,118</b>	<b>37,311</b>	<b>39,118</b>	<b>37,311</b>
	<b>Total provisions for average-rate products</b>	<b>111,790</b>	<b>110,409</b>	<b>111,790</b>	<b>110,409</b>

Note 14 (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
	<b>Total</b>				
	Guaranteed benefits	5,942	6,365	5,942	6,365
	Bonus potential - non-guaranteed benefits	53,429	54,060	53,429	54,060
	Individual bonus potential	43	46	43	46
	Collective bonus potential	10,462	9,894	10,462	9,894
	Group life contracts	2,425	2,356	2,425	2,356
	Risk margin	370	377	370	377
	Non-guaranteed indirect insurance	39,118	37,311	39,118	37,311
	<b>Total provisions for average-rate products</b>	<b>111,790</b>	<b>110,409</b>	<b>111,790</b>	<b>110,409</b>
<b>15</b>	<b>Provisions for unit-linked contracts</b>				
	<b>Change in provisions for 3 i 1 Livspension contracts are specied as follows</b>				
	Provision for 3 i 1 Livspensions contracts, beginning of year	74,791	67,051	74,791	67,051
	Gross premiums	4,845	5,087	4,845	5,087
	Addition of interest after tax on pension returns	5,688	4,925	5,688	4,925
	Transfer between classes I and III	288	278	288	278
	Subsidy from transfer	323	299	323	299
	Tax on pension returns and on subsidy from transfer	-917	-798	-917	-798
	Insurance benefits	-2,326	-2,012	-2,326	-2,012
	Cost addition after addition of cost bonus	-78	-75	-78	-75
	Risk gain after addition of risk bonus	-27	37	-27	37
	<b>Provisions for 3 i 1 Livspension, end of year</b>	<b>82,587</b>	<b>74,791</b>	<b>82,587</b>	<b>74,791</b>
	<b>Change in provisions for Linkpension contracts are specified as follows</b>				
	Provision for Linkpension contracts, beginning of year	130	124	130	124
	Gross premiums	32	11	32	11
	Addition of interest before tax on pension returns	13	10	13	10
	Tax on pension returns	-2	-1	-2	-1
	Insurance benefits	-21	-15	-21	-15
	<b>Provisions for Linkpension, end of year</b>	<b>152</b>	<b>130</b>	<b>152</b>	<b>130</b>
	<b>Total provisions for unit-linked contracts</b>	<b>82,740</b>	<b>74,921</b>	<b>82,740</b>	<b>74,921</b>

The profit margin on life insurance contracts is nil.

	<b>Change in provisions for unit-linked contracts are specified as follows</b>				
	Total change in provisions	7,819	7,747	7,819	7,747
	Off which:				
	Transfer between classes I and III	-288	-278	-288	-278
	Subsidy from transfer to market interest	-323	-299	-323	-299
	<b>Change in gross provsions, income statement</b>	<b>7,208</b>	<b>7,169</b>	<b>7,208</b>	<b>7,169</b>

Profit margin on life insurance contracts is nil, as all profit is allocated to policyholders.

## Notes to the Financial Statements (continued)

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
<b>16</b>	<b>Payables to credit institutions</b>				
	Repos	20,870	27,216	20,870	27,216
	Bank loans	3,137	1,059	2,256	0
	Mortgage loans	0	16	0	0
	<b>Total payables to credit institutions</b>	<b>24,007</b>	<b>28,290</b>	<b>23,126</b>	<b>27,216</b>
	From the bank loans and the mortgage loans (index-linked loans) the following fall due in the coming year	24,007	28,290	23,126	27,216
	After five years the outstanding balance (index-linked) will be	0	0	0	0
<b>17</b>	<b>Other debt</b>				
	Derivative financial instruments, according to note 11	31,124	40,290	31,122	40,289
	Payables relating to bond purchase	906	864	900	864
	Debt relating to settlement of repos	4,081	606	4,081	606
	Sundry financial liabilities	1,099	2,296	18	2,290
	Holiday allowance obligation	47	47	0	0
	Provision for tax on pension returns payable etc.	1,704	993	1,332	660
	<b>Total other debt</b>	<b>38,961</b>	<b>45,095</b>	<b>37,452</b>	<b>44,708</b>
<b>18</b>	<b>Contingent liabilities</b>				
	The Company has committed itself at a later date to invest in funds etc. amounting to	12,031	11,793	810	1,136
	Capital increases in group enterprises not yet paid in, which the parent company has committed to paying, amounting to	-	-	7,374	7,930
	Legal proceedings against the company Tribune, which was divested in 2007 and has since gone into bankruptcy.	3	3	3	3
	The jointly taxed companies are taxed under the Danish tax on-account tax scheme. As a management company, Sampension KP Livsforsikring A/S is jointly and severally liable with the jointly-taxed companies for any part of tax plus any surcharges or interest relating to each individual company.				
	VAT adjustment liability relating to properties	14	11	-	-
	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 and Sampension KP Denmark A/S are jointly and severally liable for total debt and liabilities in Scandinavian Center I/S, Århus.				
	According to the Annual Report the total debt and liabilities amount to	28	37	-	-
	Commitments regarding concluded lease agreements amount to	3	4	-	-
	<b>Total contingent liabilities</b>	<b>12,079</b>	<b>11,848</b>	<b>8,187</b>	<b>9,069</b>

Note	DKKm.	GROUP		PARENT COMPANY	
		2017	2016	2017	2016
<b>19</b>	<b>Charges</b>				
	Sampension KP Livsforsikring A/S has provided security for Sampension KP International A/S group	13	18	13	18
	Margin deposits relating to futures	343	487	343	487
	Bonds sold as part of repo debt	11,676	21,372	11,676	21,372
	Net assets registered in cover of 'Total provisions for insurance and investment contracts' amount to	201,151	192,365	201,151	192,365
	The amount related to the following items:				
	Total investments in group enterprises			61,033	65,656
	Loans to group enterprises			1,939	1,551
	Investments			13,092	11,567
	Units in mutual funds			14,281	13,102
	Bonds			95,120	87,032
	Currency-based derivative financial instruments			15,686	13,457
	Total assets earmarked as security for policyholders' savings			201,151	192,365
	Off which concerning market interest			82,740	74,921
<b>20</b>	<b>Intra group transactions</b>				
	Sampension's overall administration is handled in accordance with the management agreement with Sampension Administrationselskab which undertakes all administrative functions. Administration covers both insurance and investments activities.				
	Sampension pays an administrative fee, distributed on insurance operating expenses and investment management expenses with DKK 143 million (2016: DKK 143 million) and DKK 227 million (2016: DKK 192 million) respectively.				
	Current intra group transactions:				
	Management contracts			401	248
	Fixed-term deposits and lending (maximum monthly balance)			5,477	3,569
	Interest etc.			34	16

These services are settled on market terms.

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 61.



Notes to the Financial Statements (continued)

Note	DKKm.	PARENT COMPANY	
		2017	2016
21	Realised result for interest rate, expense and risk groups		
	Total interest rate groups		
	Investment return before tax on pension returns	2,280	7,271
	Change in market value adjustment	503	-882
	Basic rate of interest added	-1,210	-1,328
	Other	113	-155
	Realised interest rate result pursuant to the Executive Order on the Contribution Principle	1,687	4,907
	Tax on pension returns	-228	-340
	Available for allocation after tax on pension returns	1,459	4,567
	Bonus added	-340	-406
	Transferred to collective bonus potential, interest rate groups	-827	-3,914
	Investment return and risk premium allocated to equity	292	246
	Expense cost groups		
	Expense contribution	419	403
	Actual administrative expenses	-150	-153
	Realised expense result pursuant to the Executive Order on the Contribution Principle	269	251
	Bonus added	-249	-218
	Transferred to collective bonus potential, cost groups	-21	-34
	Expense result recognised in equity	-1	-1
	Expense result as a percentage of technical provisions	0.01%	0.02%
	Total risk groups		
	Realised risk result pursuant to the Executive Order on the Contribution Principle	-204	-647
	Bonus added	402	736
	Transferred to collective bonus potential, risk groups	-199	-90
	Risk result recognised in capital base	0	0
	Risk result as a percentage of technical provisions	0.11%	0.05%

22	Overview of assets and returns, parent company			
Assets and return  DKKm.		Market value		Return 2017 % p.a.
		Beg. of year	End of year	
Traditional average-rate product				
Land and buildings	4,538	4,269	2.8%	
Listed investments	5,524	5,916	7.3%	
Unlisted investments	4,050	4,051	0.9%	
Total Investments	9,574	9,967	4.5%	
Government- and mortgage bonds	29,867	35,721	1.5%	
Index-linked bonds	1,374	1,472	1.6%	
Credit bonds, investment grade and non-investment grade	13,154	9,783	1.1%	
Loans etc.	1,092	1,240	1.7%	
Total bonds and loans etc.	45,488	48,217	1.5%	
Group Enterprises	527	497	0.2%	
Other investment assets	1,389	-2,645	6.9%	
Derivative financial instruments to hedge the net change in assets and liabilities	16,192	16,882	6.1%	
Total	77,709	77,188	3.1%	
Non-guaranteed reinsurance				
Land and buildings	3,693	3,641	3.8%	
Listed investments	12,616	12,459	8.5%	
Unlisted investments	2,823	2,873	2.5%	
Total Investments	15,440	15,332	7.3%	
Government- and mortgage bonds	3,594	4,254	0.5%	
Index-linked bonds	8,128	11,495	2.7%	
Credit bonds, investment grade and non-investment grade	6,707	4,170	2.2%	
Loans etc.	102	103	1.4%	
Total bonds and loans etc.	18,530	20,022	2.1%	
Group Enterprises	0	0	0.0%	
Other investment assets	-255	-147	-	
Derivative financial instruments to hedge the net change in assets and liabilities	-367	187	-	
Total	37,041	39,035	6.5%	
Unit-linked contracts				
Land and buildings	8,893	10,536	3.8%	
Listed investments	31,194	28,929	8.8%	
Unlisted investments	7,420	8,269	2.4%	
Total Investments	38,614	37,198	7.4%	
Government- and mortgage bonds	18,542	23,829	1.3%	
Index-linked bonds	1,266	1,063	1.3%	
Credit bonds, investment grade and non-investment grade	10,063	10,018	4.4%	
Loans etc.	661	750	1.4%	
Total bonds and loans etc.	30,533	35,660	2.2%	
Group Enterprises	0	0	0.0%	
Other investment assets	-1,743	-190	7.5%	
Derivative financial instruments to hedge the net change in assets and liabilities	-768	316	-	
Total	75,529	83,520	7.5%	

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

Notes to the Financial Statements (continued)

23 Market-rate product, return etc. by investment profiles						
	2017			2016		
	% of average provisions	Return % p.a.	Risk	% of average provisions	Return % p.a.	Risk
Lifecycle product 3 i 1 Livspension						
Investment profile with high risk						
Years to retirement						
30 years	0.04%	13.3%	4.75	0.02%	9.7%	4.75
15 years	0.08%	10.3%	4.50	0.04%	8.2%	4.50
5 years	0.03%	7.3%	3.75	0.04%	6.6%	3.75
5 år years after	0.01%	5.8%	3.50	0.00%	5.7%	3.50
Investment profile with moderate risk						
Years to retirement						
30 years	0.73%	11.2%	4.50	0.77%	9.1%	4.50
15 years	3.13%	8.5%	4.25	3.53%	7.7%	4.25
5 years	3.86%	5.9%	3.75	3.94%	6.3%	3.75
5 years after	1.15%	4.5%	3.25	1.10%	5.2%	3.25
Investment profile with low risk						
Years to retirement						
30 years	0.01%	8.7%	4.25	0.00%	7.5%	4.25
15 years	0.01%	6.8%	3.75	0.00%	6.5%	3.75
5 years	0.01%	4.8%	3.50	0.00%	5.4%	3.50
5 years after	0.00%	4.2%	3.25	0.00%	4.8%	3.25

A retirement age of 65 is assumed.

24 Supplementary product ratios				
	2017		2016	
	Return in %	Bonus rate in % p.a.	Return in %	Bonus rate in % p.a.
Traditional average-rate product				
Interest rate group A				
(average basic rate of interest 3.5 % - 4.5 %)	3.0%	12.1%	9.7%	11.6%
Interest rate group B				
(average basic rate of interest 2.5 % - 3.5 %)	2.8%	24.9%	9.7%	22.0%
Interest rate group C				
(average basic rate of interest 1.5 % - 2.5 %)	2.5%	47.3%	9.7%	46.8%
Interest rate group D				
(average basic rate of interest 0.5 % - 1.5 %)	2.5%	52.6%	9.7%	54.9%
Interest rate group E				
(average basic rate of interest below 0.5 % )	2.5%	120.8%	9.7%	381.3%
Interest rate group F (special non-guaranteed)	3.4%	13.8%	2.8%	11.1%
Non-guaranteed indirect insurance	6.4%	16.9%	6.3%	12.6%
Return on policyholder savings after expenses before tax				
Including return on surplus capital	Total in % p.a.		Total in % p.a.	
Avarage-rate product	2.8%		9.4%	
Non-guaranteed indirect insurance	6.3%		6.2%	
Unit-linked contracts (3 i 1 Livspension)	7.3%		7.1%	

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

25 Five-year financial highlights and ratios for the group and parent company					
DKKm.	2017	2016	2015	2014	2013
Five-year financial highlights for the group					
Gross premiums	8,784	9,017	8,597	7,758	8,125
Benefits	-8,646	-8,100	-7,228	-7,202	-7,639
Investment return	12,599	14,371	3,225	25,991	4,013
Total net operating expenses	-170	-171	-177	-179	-178
Technical result	-122	-191	-189	79	-2,718
Parent company's share of profit for the year	42	-147	-324	-228	-3,539
Minority interest's share of the net profit for the year	2,185	79	-57	-322	-873
Total provisions for insurance and investment contracts	194,530	185,330	171,587	167,143	143,924
Surplus capital	4,465	4,458	4,196	3,754	3,226
Total equity, parent company interests	3,616	3,575	3,722	4,049	4,277
Total equity, minority interests	11,568	985	3,250	5,201	5,182
Total assets	277,704	268,154	253,078	263,106	200,878
Five-year financial highlights for the parent company					
Gross premiums	8,784	9,017	8,597	7,758	8,141
Benefits	-8,646	-8,100	-7,228	-7,202	-7,639
Investment return	10,382	14,188	3,021	25,548	3,061
Total net operating expenses	-170	-171	-177	-179	-178
Technical result	-110	-285	-378	-389	-3,678
Parent company's share of profit for the year	41	-147	-324	-228	-3,539
Total provisions for insurance and investment contracts	194,530	185,330	171,587	167,143	143,924
Surplus capital	4,465	4,458	4,196	3,754	3,226
Total equity, parent company interests	3,616	3,575	3,722	4,049	4,277
Total assets	266,023	267,658	249,624	257,499	195,306

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

Five-year financial ratios for the parent company

Return ratios					
Rate of return related to average-rate products	4.0%	8.7%	0.6%	22.8%	-1.6%
Rate of return related to market-rate products	7.5%	7.2%	3.6%	9.0%	8.9%
Risk on return related to market-rate products	4.25	4.25	3.75	3.25	3.50
Expense ratios					
Expense ratio for provisions	0.09%	0.10%	0.10%	0.12%	0.12%
Expenses in DKK. per policyholder	387	397	412	401	416
Return ratios					
Return on equity after tax	1.2%	-4.0%	-8.5%	-5.5%	-58.5%
Return on surplus capital	4.5%	4.3%	3.5%	6.3%	-
Capital structure ratios					
Solvency coverage (Solvency I for 2015 and before) *)	601%	427%	466%	368%	308%

\*) Ratio not subject to audit requirement.

Reference is made to Definitions of financial ratios on page 69.

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 possible in practice.



26 Risk management and sensitivity information

The general objective of the management of investment assets and life insurance provisions is to maximise the return and provide the best insurance covers to policyholders with due consideration for risk. The objective of managing short-term risks is, among other things, for the investment policy and risk management to work together to ensure that Sampension has sufficient reserves to have comfortable excess solvency coverage and to limit the risk of a reduction in benefits.

The Board of Directors of Sampension Liv has defined the appetite for the principal risks in policies and guidelines and thereby determined an overall level for assuming or hedging risk. Regular reporting is provided on compliance with the defined guidelines, and the Board of Directors reviews the risk profile and compliance with risk appetite as part of the self-assessment of Sampension's own risk and solvency.

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

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

In respect of 3 i 1 Livspension, the objective 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. Allocation between the base funds for each generation pool is determined by the Board of Directors.

For non-guaranteed reinsurance, asset allocation is determined on the basis of the expected future pension benefits to be paid by the municipalities. Indexation of civil servant pension assets is based on salary trends, and thus makes up a significant risk factor in a municipality's pension commitments. The pension benefits paid by a municipality to civil servants will increase in case of high rates of salary growth in the future. For pension benefits due to be paid within the near future, funds are mainly invested in low-risk assets that hedge the risk of rising inflation. Assets covering benefits payable longer term are invested mostly in listed equities and to some extent in alternative asset classes. Investments are placed in the three base funds also used by 3 i 1 Livspension and in an inflation base fund.

The Board of Directors has determined a framework for the type of investments 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 is too low to be used to finance the rate on policyholders' funds and strengthen life insurance obligations, 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 own 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 Liv applies the Solvency II discount curve to compute life insurance provisions. The discount curve 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. Effective from the beginning of 2018, the curve will converge towards an ultimate forward rate of 4.05%.

Note 26 (continued)

The objective of wanting to hedge the regulatory risk, i.e. to ensure stable reserves in the short term, creates a risk management dilemma in that it leads to less interest rate hedging and the use of shorter-term fixed-income instruments than if the objective were to hedge the financial interest rate risk, i.e. Interest rate risk on pension obligations. 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 Liv emphasises an appropriate diversification of risk within each asset class.

Sampension Liv invests in illiquid assets for which valuation and risk measurement are subject to greater uncertainty than listed equities, for example. Illiquidity involves a risk that large selling transactions over a short period of time result in a loss. The Board of Directors has defined a framework for investing in illiquid asset classes that reflects these considerations. Currently, the value of marketable assets exceeds the annual payment obligations by a substantial margin. As a result, the likelihood of Sampension 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 portfolios.

Financial Risk Management

Sampension Liv'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 Liv hedges the currency risk on investments denominated in foreign currency, provided the assets held in each currency represent more than 2% 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 Liv also has counterparty risk exposure. This is the risk of suffering losses because a counterparty to a financial contract is unable to meet its obligations. Counterparty risk is managed through the provision of collateral and limits for net outstanding balances with the relevant financial institutions. Limits have also been defined for the amount of single investments and major concentration risk. For example, limits have been defined for the overall exposure to a state, a regional authority, a company or a group of companies.

Objective of maximising the probability for avoiding a reduction in benefits

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

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

In the interest hedging of policy benefits written with the highest basic rates of interest, considerable emphasis is placed on protecting the market value of obligations against movements in interest rates. For policy benefits written with lower basic rates of interest, there is some emphasis on protecting the market value of obligations 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.

Notes to the Financial Statements (continued)

Note 26 (continued)

INSURANCE RISK

Insurance risk includes the risk of increased longevity, changes in disability rates, conversions into paid-up policies, surrenders and retirement age. The various risk elements are analysed on an ongoing basis.

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

All risk amounts are covered for own account. No reinsurance contracts have been concluded for 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 Liv 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. In addition, insurance cover has been taken out for certain asset classes. We record operational incidents on an ongoing basis and follow up and report to the Audit and Risk Management Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

OUTSOURCING

Sampension Liv has outsourced tasks in significant areas of activity with a view to reducing costs, gaining access to investment management competences, etc. 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.

The ongoing monitoring of outsourced activities is controlled via business procedures that ensure reporting to relevant management bodies and to the Board of Directors on the supplier's performance of the task, for example in the form of regular operational reports, meetings, random checks, reports by auditors, etc.

SENSITIVITY INFORMATION

Event DKKm.	Effect on equity
0.7-1.0 p.p. interest rate increase	-18
0.7-1.0 p.p. interest rate fall	14
12% share price depreciation	-85
8% fall in property prices	-5
Currency risk (VaR 99%)	-4
8% counterparty loss	-21

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 a proportionate share of the investments attributable to the parent company equity.

SOLVENCY AND FINANCIAL CONDITION REPORT

The company's risk management is described in detail in its Solvency and Financial Condition Report (SFCR). The SFCR is available to the public and can be downloaded (in Danish only) at sampension.dk/solvens.

Overview of Group equity investments

DKKm.	Ownership Interest (%)		Profit in annual report		Equity in annual report		Incl. in annual report
	2017	2016	2017	2016	2017	2016	
Group enterprises							
Management							
Sampension Administrationsselskab A/S, Gentofte	94.0	100.0	1	26	529	527	497
Investment advisory company							
Sampension Alternative Asset Management A/S, Gentofte	100.0	100.0	0	1	35	34	
Real estate company and energy plant							
Sampension KP Danmark A/S, Gentofte	100.0	100.0	634	309	5,618	4,983	5,618
Frederiksholms Kanal 6 P/S, Gentofte	100.0	100.0	-7	2	83	90	-
Frederiksholms Kanal 6 Komplementar ApS, Gentofte	100.0	100.0	0	0	0	0	-
Lyngby Søpark ApS, Gentofte	100.0	100.0	27	5	85	58	-
Bernstorffsvej 135 ApS, Gentofte	100.0	-	16	0	48	0	-
K/S Strømmen, Ålborg	95.0	95.0	6	28	87	88	-
Strømmen Komplementar ApS, Ålborg	96.0	96.0	0	0	0	0	-
Sampension Student Housing I A/S, Ålborg*	100.0	100.0	35	0	87	0	-
Sampension Student Housing II A/S, Ålborg	100.0	100.0	15	0	37	0	-
Sampension Student Housing IV A/S, Ålborg	100.0	100.0	7	0	36	0	-
Ejendomsselskabet Hedeager Holding P/S, Hedeager*	97.8	-	19	0	294	0	
K/S Kristensen Partners V., Ålborg *	95.0	-	4	0	116	0	
Sampension KP International A/S, Gentofte	100.0	100.0	-9	9	797	818	773
Fallcorner BV, Holland***	90.0	90.0	9	-41	44	35	-
KP CE s.a., Frankrig	100.0	100.0	9	31	274	265	-
Sampension Renewables P/S, Gladsaxe*	100.0	100.0	-51	-11	464	497	560
Sampension Renewables GP ApS, Gladsaxe	100.0	100.0	0	0	0	0	0
Ulvemosen Wind Park ApS, Gladsaxe	100.0	100.0	14	8	301	374	376
Investment company							
Sampension Forestry K/S, Gentofte**	100.0	100.0	-506	101	3,309	3,665	3,309
Sampension Global Real Estate K/S, Gentofte**	100.0	100.0	-145	632	5,389	5,522	5,389
Sampension US Real Estate I, L.P., USA***	95.7	99.9	18	55	777	605	-
Sampension US Real Estate II, L.P., USA***	69.4	-	-3	0	393	0	
Mermaid Homes L.P., USA***	89.7	-	0	0	308	0	
Sampension Private Equity K/S, Gentofte**	100.0	100.0	746	740	7,028	5,982	7,028
Sampension Structured Credit K/S, Gentofte**	100.0	100.0	76	487	4,403	4,327	4,403
Komplementarselskabet Alternative Investments ApS, Gentofte	100.0	100.0	0	0	3	3	3
Kapitalforeningen SAMPENSION INVEST, København V:							
GEM II	83.4	100,0	888	140	3,964	2,960	3,306
Obligationer	100.0	100.0	-1	5	162	162	162
Danske aktier II	89.9	100.0	486	73	3,488	3,278	3,136
Aktieindeks Enhanced	78.8	100.0	3,850	1,600	20,898	18,079	16,459
Aktieindeks	77.9	95.3	4,534	1,359	22,465	20,007	17,510
GEM Enhanced	67.3	100.0	434	-2	1,702	13	1,146
Danske aktier I	72.1	-	143	0	1,321	0	953
Group enterprises							70,628
Of which unit-linked contracts							42,688
Total group enterprises							27,940

Se signaturforklaringer næste side.



Overview of Group equity investments (continued)

DKKm.	Ownership Interest (%)		Profit in annual report		Equity in annual report		Incl. in annual report
	2017	2016	2017	2016	2017	2016	
Associates							
Real estate company							
Refshaleøen Holding A/S, København***	39.0	39.0	145	0	1,290	1,145	502
Interessentskabet af 23. december 1991, Danmark	42.5	29.8	36	0	937	901	406
K/S Kristensen German Retail Partners, Danmark***	36.3	36.3	54	135	738	686	260
Kristensen Partners I ApS, Danmark***	36.3	36.3	0	0	0	0	0
Britannia Invest A/S, Danmark***	21.9	21.9	145	52	1,310	1,311	287
DEAS Invest I Holding A/S, Danmark***	33.3	33.3	19	2	606	455	202
Komplementarselskabet Industri Udvikling II A/S, Danmark***	20.0	20.0	0	0	1	1	0
LSI-1 B.V., Holland	-	21.2	-	-	-	-	-
Panda Power Annex, USA***	39.8	-	-	-	1,215	-	313
Sparinvest Property Fund III, Danmark***	20.5	20.5	110	213	1,630	1,753	319
Ejendomsselskabet Vodroffsvej 26 P/S, København***	50.0	50.0	-24	-31	2	27	1
OPP Vejle P/S, Danmark	33.3	33.3	21	0	22	1	7
Komplementarselskaber OPP Vejle ApS, Danmark	33.3	33.3	0	0	0	0	0
OPP Retten i Svendborg P/S, Danmark	33.3	33.3	4	-2	9	2	3
Komplementarselskabet OPP Retten i Svendborg ApS, Danmark	33.3	33.3	0	0	0	0	0
OPP Slagelse Sygehus P/S, Danmark	25.0	25.0	0	0	15	15	4
Komplementarselskabet OPP Slagelse Sygehus ApS, Danmark***	25.0	25.0	0	-	0	-	0
OPP HoldCo ApS, Danmark***	50.0	33.3	-12	-	17	-	8
Greystar UK Multifamily Unit Trust, England***	45.0	-	-	-	-	-	10
Associates							2,323
Of which unit-linked contracts							1,161
Total associates							1,162

\* 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.

\*\*\* The financial statements for 2017 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

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 2017.

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 2017 and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2017.

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 2018

Executive Board

Hasse Jørgensen Chief Executive Officer	/ Morten Lund Madsen Chief Financial Officer
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Bestyrelsen

Anker Boye (Chairman)	Kim Simonsen (Deputy Chairman)
Anne Mette Barfod	Rita Bundgaard
René Nielsen	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)

# Internal Auditor’s report

## 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 2017, and of the results of the Group's and the parent company's operations for the financial year ended 31 December 2017 in accordance with the Danish Financial Business Act in respect of the consolidated and the parent company financial statements.

Our opinion is consistent with our long-form audit report to the Audit and Risk Management Committee and the Board of Directors.

## Basis of opinion

We have audited the consolidated and parent company financial statements of Sampension KP Livsforsikring A/S for the financial year ended 31 December 2017. 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 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 financial highlights and ratios in note 25 to the consolidated financial statements.

As set out in the five-year financial highlights and ratios 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 2018

Gert Stubkjær  
Group Chief Auditor

# Independent Auditor’s Report

To the Shareholders of Sampension KP Livsforsikring A/S

## Opinion

In our opinion, the Group Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Business Act.

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

## What we have audited

The Group Financial Statements and the Parent Company Financial Statements of Sampension KP Livsforsikring A/S for the financial year 1 January - 31 December 2017 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. Collectively referred to as the “Financial Statements”.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

## Appointment

We were first appointed auditors of Sampension KP Livsforsikring A/S on 30 May 2000 for the financial year 2000. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 18 years including the financial year 2017.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p><b>Measurement of provisions for insurance and investment contracts</b></p> <p>The Group's provisions for insurance and investment contracts total DKK 194,530 million, which constitutes 70 per cent of the Group's balance sheet total. The provisions primarily consist of traditional life insurance provisions and market linked products as well as of profit margin.</p> <p>The statement is based on actuarial principles and involves material accounting estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policyholders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of provisions for insurance and investment contracts as the statement of the provisions is complex and involves a considerable element of accounting estimate.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 0 and note 14, "Provisions for average-rate products", and note 15, "Provisions for unit-linked products", to the Group Financial Statements and the Parent Company Financial Statements.</p>	<p>We examined, assessed and tested relevant procedures and internal controls established to ensure that provisions for insurance and investment contracts are complete and correctly measured.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the Group as well as the calculations made.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p><b>Measurement of unlisted investment assets</b></p> <p>Unlisted investment assets comprise investments in equity funds, infrastructure funds, unlisted shares and corporate bonds, etc as well as derivative financial instruments and are included in the items:</p> <ul style="list-style-type: none"><li>Investments</li><li>Bonds</li><li>Derivative financial instruments</li></ul> <p>The negative value of derivative financial instruments is moreover included in the item "Other debt".</p> <p>Unlisted investment assets are measured at estimated fair value based on valuation models and assumptions, including Management's estimates, which are not observable by any third party and which have a material effect on the Financial Statements.</p> <p>We focused on the measurement of unlisted investments as the statement is complex and involves a considerable element of estimation by Management.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 0 and note 11, "Derivative financial instruments", to the Group Financial Statements and the Parent Company Financial Statements.</p>	<p>We examined, assessed and tested relevant procedures and internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external managers. We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations and recalculated on a sample basis the valuation of derivative financial instruments.</p> <p>We challenged Management's estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

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

Capital adequacy ratio

Management is responsible for the capital adequacy ratio stated in financial highlights in note 25 to the Financial Statements.

As stated in financial highlights in note 25, the capital adequacy ratio is exempt from the audit requirement. Our opinion on the Group Financial Statements and the Parent Company Financial Statements does not cover the capital adequacy 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 capital adequacy ratio is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, on this basis, we conclude that the capital adequacy ratio is materially misstated, we are required to report on this. We do not have anything to report in this respect.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 1 March 2018

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 3377 1231

Christian F. Jakobsen  
State-Authorised Public Accountant  
mne16539

Claus Christensen  
State-Authorised Public Accountant  
mne33687

## Definitions of financial ratios

### Danish FSA financial ratios

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

Rate of return

=

Investment return on average rate and market-rate products x 100

Pension provisions at beginning of year + weighted average contributions and benefits paid in respect of average-rate and market-rate products

The financial ratio is calculated on a money-weighted basis. The target return can be divided into two categories: a money-weighted and a time-weighted return:

The money-weighted return reflects the actual return – or the relative value appreciation – achieved for the portfolio during the reporting period including returns on net contributions for the period. In other words, the money-weighted return expresses the actual return for the period.

The time-weighted return reflects the return that would have been achieved if no payments had been made to or from the portfolio during the period. The time-weighted return expresses performance and can be used to measure against a benchmark or returns achieved by other investors within the same asset class.

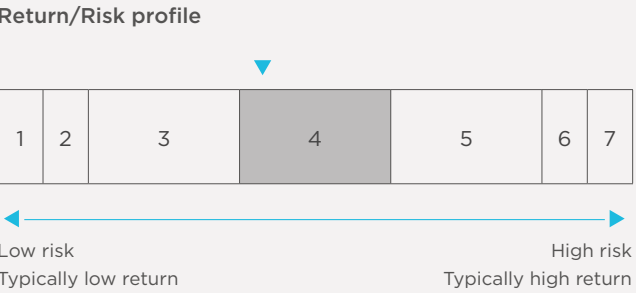
Risk on return related to market-rate products

=

Calculated as the standard deviation (SD) of the monthly return related to market-rate products over the past 36 months using the following scale of 1 to -7:

Riskclass	%	
	SD≥	SD<
1.00	0.00	0.50
2.00	0.50	2.00
3.25	2.00	3.00
3.50	3.00	4.00
3.75	4.00	5.00
4.25	5.00	6.70
4.50	6.70	8.34
4.75	8.34	10.00
5.25	10.00	11.67
5.50	11.67	13.33
5.75	13.33	15.00
6.00	15.00	25.00
7.00	25.00	

Note that the standard deviation is measured as an average across risk profiles and generation pools. The standard deviation is converted into a risk category using the following scale:



Expenses as a percentage of provisions

=

Operating expenses re. insurance activities for the year x 100

Average technical provisions

Expenses per policyholder (DKK)

=

Operating expenses re. insurance activities for the year

Average number of policyholders related to direct insurance + average number of policyholders with group life contracts \* 0.1

Return on equity after tax

=

Profit after tax x 100

Weighted average equity

Return on surplus capital, allocated same rate as equity

=

Return on surplus capital before tax x 100

Weighted average surplus capital

Solvensdækning

=

Solvency capital requirement x 100

Total capital at 31 December 2017

### Supplementary financial ratios

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

Bonus rate (%)

=

Individual and collective bonus potentials of the interest rate group at year end x 100

Total custody accounts for interest rate group at year end

Return on customer funds after deduction of expenses and before tax, per product type

=

(Weighted average provisions + Weighted average surplus capital + tax on pension returns) x 100

Technical provisions at beginning of year plus surplus capital at beginning of year + weighted average cash flows

The financial ratio expresses policyholders' total return less expenses and risk premium

**PHOTO**  
Christoffer Regild  
Jakob Dall (page 4 Hasse Jørgensen)

**GRAPHICS AND DESIGN**  
Zoulmade.com

**PRINT**  
Bohemian ApS



Sampension KP Livsforsikring a/s  
Tuborg Havnevej 14 • 2900 Hellerup  
Tlf. 77 33 18 77 • [www.sampension.dk](http://www.sampension.dk)  
Cvr.nr. 55 83 49 11

