

Annual Report 2019



pensionskassen
Arkitekter & Designere

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The English version of the Annual Report is a translation of the original document in Danish for information purposes only. In case of any discrepancies of legal disputes, the Danish original will prevail.

“Responsible investments and how we support the transition to a zero emissions economy were high on our agenda in 2019”



Taking a more responsible approach and working on offering a more modern pension product in 2019

Our members' pension savings accrued interest at a rate of 2.6% on policyholders' savings in 2019. All our members received the same rate of interest, and it will also apply in 2020. Over the past five years, our members have received an accumulated rate of interest on their policyholders' savings of 22.3%. The return in 2019 was 10.3%, mainly supported by listed equities.

Pension contributions reached DKK 388 million in 2019, of which DKK 36 million constituted additional contributions from members who either made extra contributions to their pension savings or pooled their pension savings with us, which remains free of charge. Our members consulted us for advisory services 3,439 times last year and gave us an average satisfaction rating score of 4.7 out of 5.

The Board of Directors believes that members are best served with a modern and transparent pension product, in which the risk is adjusted according to age and current life situation and with maximum allocation of funds to the members' savings. We thus look forward to offering our members a unit-linked pension product.

It was the intention of the Board of Directors to collectively change members schemes to unit-linked products in 2019. After long discussions, however, the Danish FSA rejected our application in May. We do not agree with the Danish FSA's decision and have appealed to the Danish Company Appeals Board (Erhvervsankenævnet). While we are awaiting their decision, we will move forward with our plans to offer our members the option to switch to a unit-linked product during 2020.

2019 was a strong year in terms of growth for the Sampension community, which has more than DKK 300 billion under management, including for our members. The Sampension community has welcomed many new customers who contribute to ensuring economies of scale benefiting everyone in the community. The joint management model has proven its worth through good returns on a responsible basis, fair prices anchored in low expenses, good customer service, advisory services tailored to the needs of the individual member and long-term collaborations. In 2019, this created value for our members, who also enjoyed some of the lowest administration and investment expenses for members of academic pension funds.

Responsible investments and how we support the transition to a zero emissions economy were high on our agenda in 2019. The total carbon footprint of our investments must fall, and we will regularly evaluate companies' ability and willingness to transition to the future low-emissions society. We have strengthened our engagement programme and decided not to invest in companies generating 30% or more of their revenue from coal or tar sand operations. This is an important step in ensuring that our responsible investments can contribute to a sustainable future.

We also focused on transparency and information on the pension fund's values. You can read more about this in our report "Ansvarlige investeringer 2019" available (in Danish only) on our website. In addition, we have set up a blog, where we will post information about new efforts and results within responsible investments, for examples from exclusions, votings at general meetings and progress resulting from engagement dialogues.



Cecilie Therese Hansen
Chairman of the Board of Directors





Management's review

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Five-year key figures and financial ratios

Five-year key figures DKK.	2019	2018	2017	2016	2015
Premiums	387.7	373.0	351.8	336.6	325.5
<i>Pension benefits paid. profit/loss</i>	-253.1	-258.0	-274.7	-240.6	-223.6
<i>Pension benefits paid. equity</i>	-76.6	-63.9	-39.9	-45.3	-36.9
Total pension benefits paid	-329.7	-322.0	-314.7	-286.0	-260.5
Investment return	920.5	-193.3	606.3	600.1	388.2
Total pension operating expenses	-4.9	-5.4	-5.1	-9.8	-11.4
Technical result	9.9	4.4	7.9	40.7	8.3
Profit/loss for the year	186.1	-34.9	130.7	162.1	85.3
Total pension provisions	7,132.1	6,450.4	6,461.4	6,032.7	5,632.4
Excess capital	506.0	462.5	470.5	440.4	407.6
Equity	2,159.2	2,049.8	2,148.6	2,057.9	1,939.8
Total assets	10,516.7	9,542.6	9,636.8	8,690.6	8,137.3

Five-year financial ratios	2019	2018	2017	2016	2015
Return ratios					
Rate of return related to average-rate products	10.2%	-2.1%	7.1%	7.5%	5.1%
Expense ratios					
Expenses as a percentage of pension provisions	0.08%	0.08%	0.08%	0.17%	0.21%
Expenses per member (DKK)	486	547	540	1,042	1,263
Other return ratios					
Return on equity after tax	8.8%	-1.7%	6.2%	8.1%	4.5%
Return on excess capital	10.4%	-2.1%	7.5%	7.5%	5.1%
Capital structure ratios					
Solvency coverage	256%	282%	377%	428%	492%

Reference is made to "Definitions of financial ratios" on page 50.

Members and pension schemes

The Architects' Pension Fund (AP) is a member-owned pension fund established in 1957. AP has just over 10,000 members, most of whom are qualified architects or designers or have similar educational backgrounds. The pension fund also admits employees of enterprises or associations affiliated with the architectural profession.

AP is part of the Sampension joint management company (Sampension). In addition to AP, the joint management company comprises the Sampension Livsforsikring Group (Sampension Liv), the Pension Fund for Agricultural Academics and Veterinary Surgeons (PJD) and, since 1 July 2019, the Pension Fund for Technicians and Bachelors of Engineering (ISP). The group of owners of Sampension Administrationsselskab A/S comprises: Sampension Liv (88%), PJD (3%), AP (3%) and ISP (6%).

Pension schemes with AP consist of pension savings and, for most premium-paying and inactive members, insurance components covering certain critical illnesses, loss of earning capacity and death. Pension savings earn interest according to an average-rate principle, which means that the rate of interest on policyholders' savings reflects the average return achieved over time. The rate of interest on policyholders' savings is fixed by the pension fund according to collective principles.

Premiums and benefits

Premium income

Premiums grew by 4.0% to DKK 387.7 million in 2019 from DKK 373.0 million in 2018. Regular premiums grew by DKK 10.1 million, while single premiums and transfers increased by DKK 4.7 million.

Premium income of

DKKm **388**

Premium income DKKm.	2019	2018	Ændring i %
Regular premiums	351.5	341.4	3.0
Single premiums etc.	36.2	31.6	14.8
Total premiums	387.7	373.0	4.0

The number of members at 31 December 2019 was 10,090 against 9,922 at 31 December 2018, an increase of 1.7%.

Number of members	31.12.2019	31.12.2018	Ændring i %
Premium-paying members in active employment	4,912	4,977	-1.3
Paid-up policies etc.	2,880	2,721	5.8
Pensioners	2,298	2,224	3.3
Total number of members	10,090	9,922	1.7

Benefit payments

Total benefits paid amounted to DKK 329.7 million in 2019 against DKK 322.0 million in 2018, including supplementary pensions financed via equity. The increase was primarily attributable to regular pension benefits.

Expenses

For a number of years, Sampension has made targeted efforts to reduce its expenses, which are among the lowest in the industry: The lower the expenses, the greater the proportion of contributions and returns will be allocated to savings. Ensuring low investment and administration expenses is a priority at the Sampension community.

Efficient investment management

Internal and external management efficiency is very important to the joint management company. Cost-benefit analysis is used 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. A number of investments in higher-risk credit bonds are made through external managers, and most alternative investments in, e.g., forestry, hedge funds and unlisted equities are managed by external managers.

Investment expenses

Investment expenses include expenses incurred by AP, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc. Investment expenses as a percentage of member savings were 0.57% in 2019 compared with 0.52% in 2018. The increase was driven especially by expenses for the increased investments in property funds.

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 members' pension savings.

Administrative expenses per member of DKK 486

Pension administrative expenses amounted to DKK 4.9 million in 2019 against DKK 5.4 million in 2018.

- Expenses per member amounted to DKK 486 in 2019 against DKK 547 in 2018.
- Expenses expressed as a percentage of provisions was 0.08%.

Total APR of 0.9%

Our website, arkitektpension.dk, provides information to members on annual expenses expressed in Danish kroner and as a percentage (APR). The total APR for 2019 was 0.9% against 0.6% in 2018, calculated for a member with savings of DKK 1 million and annual contributions of DKK 50,000. APR includes an annual administration fee of DKK 480 per member, 0.25% of members' regular premiums, investment expenses as set out above and a risk premium of 0.25%. The APR for 2019 rose because the risk premium for 2018 was nil due to the negative investment return. The APR for 2019 includes a risk premium.

**Administrative
expenses per
policyholder**

DKK **486**

Investments and returns

The global economy and financial markets

Global economic uncertainty grew in 2019, particularly due to the trade war between the USA and China and Brexit complications. Despite the easing of monetary and fiscal policies in many countries, economic growth fell worldwide. The slowing growth was mainly reflected in many countries' industrial production. The effect could have spread to the service sector, but it has not yet showed any distinct signs of weakness. Developments have meant that consumer spending is underpinning economic growth in most countries, while investments have contributed negatively to growth due to developments in the industrial sector.

In 2019, financial markets were characterised by surging equity markets and low returns on bonds. Interest rates have plummeted virtually everywhere, which ties in well with the lenient monetary policies pursued. In 2019, the US Federal Reserve – after having gradually hiked its key policy rate since 2015 – announced a number of rate cuts, while the European Central Bank eased its monetary policy by cutting its key policy rate and stepping up its bond-buying programme using fresh funds. Equity markets all over the world surged. The US equity market was the best performer with an impressive 31% increase, closely followed by Danish equities at 29% and European equities at 26%, while the Asian, the UK and emerging markets trailed with increases of about 18%. Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets.

Investment return of

10.3%

Investment return of DKK 920.5 million or 10.3%

Our investment strategy aims to maximise the long-term return in a responsible manner within the given risk framework. AP's total return was 10.3% in 2019. All asset classes made positive contributions to the total return. With a return of 21.8% in DKK terms, listed equities was the largest contributor, see the table below. Private equity, real estate and infrastructure as well as commodities and forestry also performed well, but their impact on the total return was limited due to relatively moderate asset holdings.

Investment return by asset class	Distribution (%) at 31.12.2018	Return (%)
Bonds etc. subject to low credit risk	36.8	0.5
Bonds etc. subject to high credit risk	10.7	10.7
Listed equities	31.0	21.8
Private equity	7.7	21.6
Real estate, land and infrastructure	9.6	12.0
Commodities and forestry	2.0	26.5
Global macro hedge funds	2.2	3.1
Net return after currency hedging etc.		10.3

AP's overall return in 2019 was DKK 920.5 million before tax on pension returns, compared with a negative return of DKK 193.3 million in 2018. For a more detailed specification of holdings and returns, see note 16 to the financial statements.

Five-year returns

Over the past five years, DKK 100 worth of savings has grown to DKK 131.



Five-year return of

30.7%

Sharpe ratio (risk-adjusted return)

The table below shows the risk-adjusted return measured for the period 2017-2019. The risk-adjusted return illustrates the performance of the return relative to the assumed risk. The risk is measured on the basis of the historical volatility (standard deviation) over a given period of time. The higher the risk-adjusted return, the better the investment. If the risk-adjusted return is calculated on the basis of the excess return relative to a risk-free interest rate (of 0%), it is referred to as the Sharpe ratio.

Sharpe ratio 2017-2019	Accumulated return	Annualised return	Annualised standard deviation	Risk adjusted return
AP	15.6%	5.0%	4.2%	1.2

Corporate social responsibility

Our approach to corporate social responsibility is governed by our ambition to comply with and implement international United Nations conventions, including the ten principles of the UN Global Compact, the OECD Guidance for Responsible Business Conduct for Institutional Investors and the climate targets of the Paris Agreement.

The responsible investment policy applies to all four parties of the Sampension joint management company. The boards of directors have set up a cross-functional committee to screen and submit recommendations for responsible investments. The committee’s objective is to consider and discuss the social, environmental and governance aspects of investment decisions made by the four pension providers with a view to agreeing on the principles that should apply to the pension companies’ policy on responsible investment.

Increased focus on climate

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. In 2019, we adopted a new policy and guidelines for responsible investments, which includes an increased focus on climate. This is expressed in three initiatives in the equity portfolio:

1. We measured the carbon footprint of the Sampension community’s equity portfolio for the first time at the end of 2018. The target for the equity portfo-

lio's carbon footprint has now been specified: it must fall over time and must at all times be less than what the equity portfolio would have caused had the equity investments been made passively in the equity markets.

2. Unfortunately, the world will remain dependent on fossil fuels for a number of years to come, but it is possible to support the transition to the low-emissions society of the future, and going forward we will not invest in companies causing the largest environmental impact. More specifically, we will not invest in companies generating 30% or more of their revenue from coal or tar sand operations.
3. The transition to the future low-emissions society will affect the business models of all companies. Going forward, we will regularly evaluate the companies' ability and willingness to adapt to the future low-emissions society.

Active ownership

As an investor, AP aims to exert its influence through an active ownership approach, and we work continually to promote responsible conduct by the companies we are invested in. In this context, we have decided to strengthen our engagement programme to supplement engagements on improvement by engaging in critical dialogues with companies which do not comply with international standards and conventions in the ESG area. This will probably lead to more exclusions from AP's portfolio than has previously been seen.

Unlisted equities are subject to the same guidelines as listed equities and are assessed in terms of responsibility in the course of the same due diligence process. For investments in credit bonds managed in-house, Sampension does not invest in bonds issued by companies placed on the exclusion list. For government bonds managed in-house, we regularly monitor and assess countries based on UN Guiding Principles on Business and Human Rights (UNGPs). If severe human rights abuses occur in the country with no indications of material improvements being made, the country will be excluded from our investment universe. For bonds managed in external funds, we will mainly apply active ownership during the due diligence process prior to the investment commitment.

Our separate report "Ansvarlige investeringer 2019" (in Danish only) provides additional information on the responsible investment approach pursued by the joint management company. Reference is also made to the review of objectives and initiatives forming part of our general governance, investments and company operations discussed in the statutory report on corporate responsibility available (in Danish only) at arkitektpension.dk/aarsrapport.

Profit, solvency capital requirement and total capital

Profit of DKK

DKK **186.1** mill.

Profit of DKK 186.1 million

AP realised a profit of DKK 186.1 million for 2019 against a loss of DKK 34.9 million for 2018. The profit or loss for the year consists mainly of the share of the investment return for the year allocated to equity and the risk premium for the year. The profit for 2019 outperformed expectations.

The Board of Directors proposes that the profit for the year be transferred to equity. Equity stood at DKK 2,159 million at 31 December 2019 compared with DKK 2,050 million at 31 December 2018. A total of DKK 77 million was distributed as supplementary pension benefits in 2019.

Solvency requirements and total capital

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

Solvency requirements and total capital DKKm.	31.12.2019	31.12.2018
Total capital	2,665	2,512
Solvency capital requirement (SCR)	1,040	891
Minimum capital requirement (MCR)	260	223
Excess capital	1,626	1,621
Solvency coverage ratio relative to SCR	256%	282%
Solvency coverage ratio relative to MCR	1026%	1128%

The solvency coverage ratio - i.e. total capital relative to the solvency capital requirement - was 256% at 31 December 2019. The decline relative to 31 December 2018 was mainly attributable to the net effect of positive investment returns and a higher market risk due to an increase in equity holdings. The solvency coverage ratio is still at a very robust level.

For more information, see 'Rapport om solvens og finansiel situation 2019', which is available (in Danish only) at arkitektpension.dk/aarsrapport. This report also provides information on risk sensitivities in accordance with section 126 of the Danish Executive Order on Financial Reports.

Provisions for pension contracts

Pension provisions are computed at market value based on assumptions of mortality and disability and probability of policy surrenders and conversions into paid-up policies. Market values are calculated using the Solvency II discount curve. Provisions are also determined using the Danish FSA's benchmark for expected future increases in longevity. AP has determined a number of conditions for the reduction of basic rate of interest, one of which is tied to the level of interest rates. The drop in interest rates throughout 2019 led to activation of the rate condition, and the basic rate of interest was thus reduced from 0% to minus 0.75%.

Pension provisions stood at DKK 7,132 million at 31 December 2019 compared with DKK 6,450 million at 31 December 2018. The increase was mainly driven by positive investment returns.

At 31 December 2018, the collective bonus potential failed to cover the year's negative investment return which reduced the individual bonus potential by DKK 57 million. Due to the positive investment return, the DKK 57 million was repaid to the individual bonus potential and DKK 371 million was transferred to collective bonus potentials.

The bonus ratio, reflecting the bonus potential in relation to members' savings, rose to 34.2% at 31 December 2019.

Bonus potential and bonus ratios	31.12.2019		31.12.2018	
	DKKm.	%	DKKm.	%
	Bonus potentials	Bonus ratio	Bonus potentials	Bonus ratio
Collective bonus potential	371	-	0	-
Individual bonus potential	1,921	-	2,057	-
Total bonus potentials	2,292	34.2	2,057	31.9

Outlook for 2020

Interest rate of

2.6%

AP anticipates moderate growth in the number of members and premiums in 2020.

Expenses per member are expected to be at the same low level as in 2019. At 1 January 2020, the interest rate on policyholders' savings was fixed at 2.6% before tax on pension returns for conditionally guaranteed pensions.

The return on equity depends on developments in the financial markets. Based on an investment return scenario in which listed equities outperform bonds by 3.5 percentage points, the return on equity after tax on pension returns is expected to be about DKK 60 million for 2020.

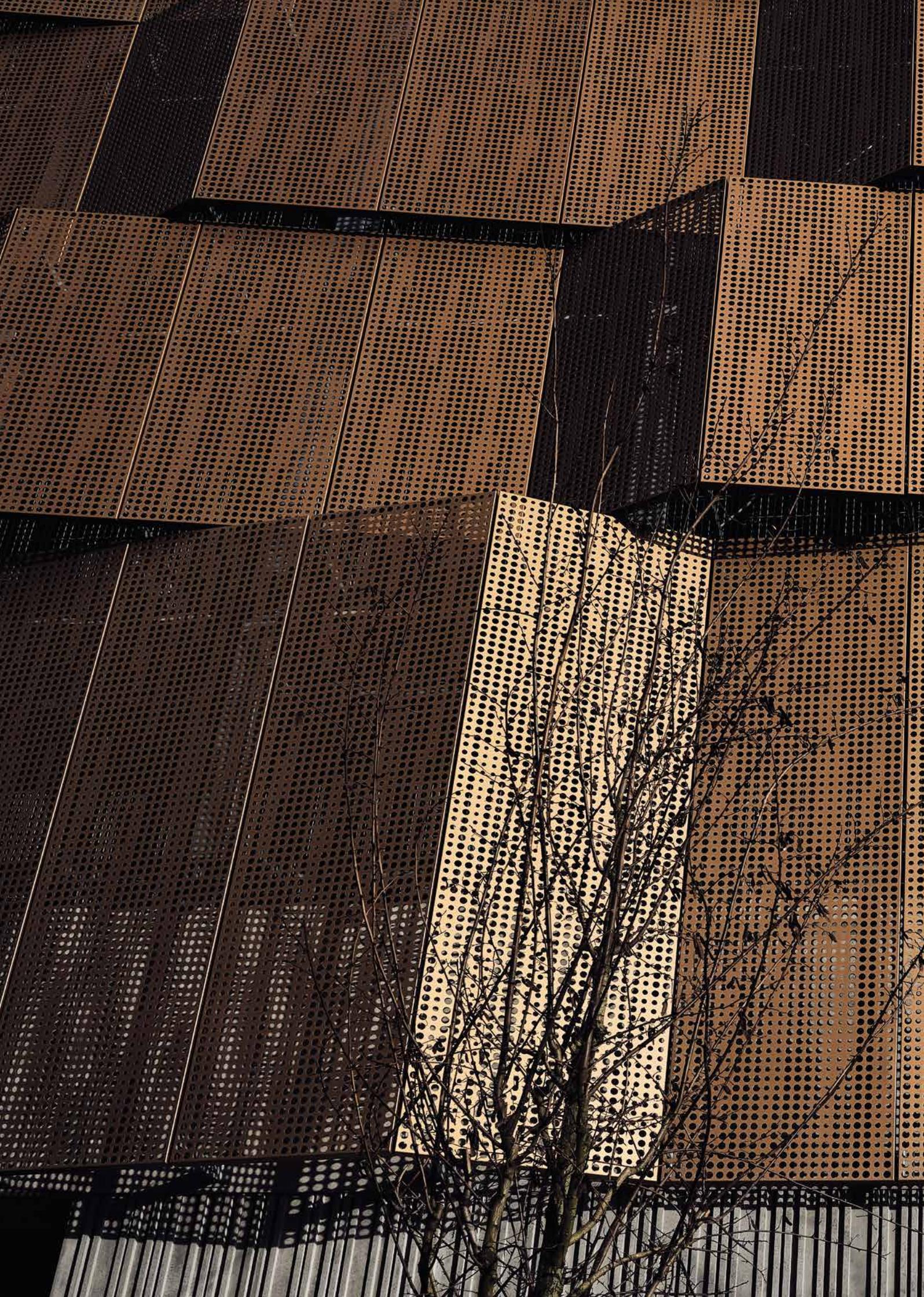
Other matters

Uncertainty in recognition and measurement

In preparing the annual report, 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 pension provisions and on the calculation of fair values of non-marketable assets such as unlisted financial instruments. 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 AP's financial statements on an annual basis.

Events after the balance sheet date

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





About the pension fund

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Management structure

AP is a multi-employer occupational pension fund owned by its members. The supreme authority of the pension fund is the general meeting.

Board of Directors

The Board of Directors consists of seven members: Four are elected by and among the pension fund's members, one is appointed by the Academic Association of Architects (AA), one is appointed by the Union of Architects and Designers (FAOD) and one is elected by the pension fund's members in general meeting following nomination by the Board of Directors. The last-mentioned board member must have the qualifications required to be an expert member of the Audit and Risk Management Committee.

In a vote by ballot held after the pension fund's general meeting on 9 April 2019, Mads Gudmand-Høyer was elected as a new member of the Board of Directors, replacing the then chairman of the Board of Directors, Mette Carstad. The Board of Directors elected Cecilie Therese Hansen as its new chairman and Per Frølund Thomsen as deputy chairman.

The Board of Directors held five ordinary meetings and one joint seminar in 2019.

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on pages 13-16.

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 AP has established an Audit and Risk Management Committee.

The Audit and Risk Management Committee is chaired by Søren Kaare-Andersen, MSc (Econ.). By virtue of his professional career and educational background, Søren Kaare-Andersen meets the qualification requirements set out in the rules on audit committees. He also complies with the requirements of independence.

The two other members appointed by the Board of Directors to serve on the Audit and Risk Management Committee in 2019 were: Cecilie Therese Hansen (Chairman, member of the Committee until 20 May 2019), Per Frølund (Deputy Chairman, member of the Committee from 20 May 2019) and Rikke Sylow Francis (Board member).

The Audit and Risk Management Committee held four meetings in 2019.

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 pension fund's capital, solvency and operational matters;
- to monitor 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.

A financial whistleblower hotline has been set up to give 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 Kromann Reumert, which manages our whistleblower

hotline. Subsequently, Kromann Reumert informs the Audit and Risk Management Committee and the person in charge of the compliance function. No reports were filed in 2019.

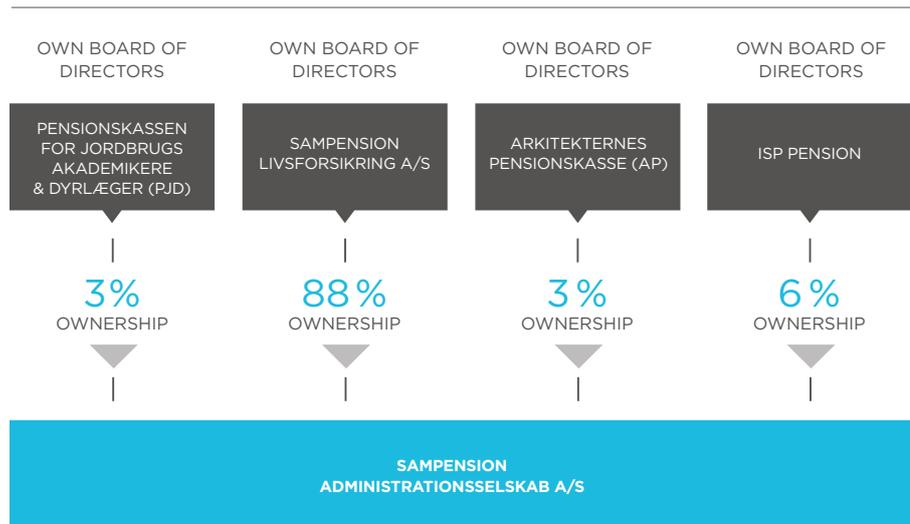
Committee for responsible investment

The responsible investment policy applies to all four parties of the joint management company. The boards of directors have set up a cross-functional committee to make proposals for ESG-related decisions. The committee is charged with considering the social, environmental and governance aspects of investment decisions made by the four pension providers with a view to agreeing on the principles to be included in the pension companies' policy on responsible investment.

Organisation and management

AP is part of the joint management company. In addition to AP, the joint management company comprises the Sampension Livsforsikring Group, the Pension Fund for Agricultural Academics and Veterinary Surgeons and, since 1 July 2019, the Pension Fund for Technicians and Bachelors of Engineering. The group of owners of Sampension Administrationselskab A/S comprises: Sampension Livsforsikring A/S (88%), the Pension Fund for Agricultural Academics and Veterinary Surgeons (3%), the Architects' Pension Fund (3%) and the Pension Fund for Technicians and Bachelors of Engineering (6%).

The joint management company:



▼ Ownership and administrative agreements with equal conditions

The Executive Board is in charge of the overall day-to-day management of Sampension. The organisation also consists of five executive divisions, which are in charge of day-to-day operations and development, and an executive secretariat. A detailed presentation of the organisation can be found at sampension.dk/organisation.

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 designated as key persons performing controlled functions in respect of the work of the joint management company.

Remuneration

The boards of directors of the financial enterprises managed by Sampension have drawn up a 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 5 to the financial statements or, for more information (in Danish only), go to arkitektension.dk/bestyrelse.

Gender composition of the Board of Directors

The current composition of the Board of Directors represents an equal gender distribution with three of the members, corresponding to 42.9%, being men and four members, corresponding to 57.1%, being women. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors.

We have accounted for the gender composition at other management layers in the statutory report on corporate responsibility (in Danish only) available at arkitektension.dk/aarsrapport.

Management and other directorships

Executive Board

Hasse Jørgensen, CEO

Chief actuary

Steen Ragn

Internal audit

Gert Stubkjær, Chief Internal Auditor

Independent auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Other directorships

Other directorships held by the members of the Board of Directors and the Executive Board are shown below.

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
Cecilie Therese Hansen, born 1966, Chairman	Architect, MAA, client adviser with Emcom A/S	11 years	April 2018 to April 2021, elected by members	Yes	Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering
Per Frølund Thomsen, born 1954, Deputy Chairman	Owner of Frølund Consult IVS	5.5 years	April 2017 to April 2020, re-appointed by the Academic Association of Architects (AA)	Yes	Chairman of the board of directors of Henperium IVS, member of the Audit and Risk Management Committee of the Architects' Pension Fund, CEO of Frølund Consult IVS
Anne Marie Øhlenschläger Christensen, born 1949	Architect, MAA, owner of AplusB	6.5 years	June 2019 to April 2022, elected by the members	Yes	Member of the board of representatives NRGi, member of the board of directors of the Academic Association of Architects, member of the board of representatives of the Academic Association of Architects, member of the management board of the Academic Association of Architects, East Jutland chapter, member of the board of representatives of the Danish Board of Technology Foundation, member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering, owner of AplusB
Rikke Sylow Francis, born 1966	MSc in insurance science, chief actuary of Industriens Pension	6 years	January 2017 to April 2020, re-appointed by the Union of Architects and Designers (FAOD)	No	Member of the Audit and Risk Management Committee of the Architects' Pension Fund
Mads Johan Wilian Gudmand-Høyer, born 1966	Architect, MAA, Cost engineer, Engineering consultant, National Building Foundation	1 year	June 2019 to April 2022, elected by the members	Yes	Member of the board of directors of AB Hesseløhus

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
Søren Kaare-Andersen, born 1958	MSc (Econ.), CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben	4.5 years	April 2018 to April 2021, elected at the general meeting following nomination by the Board of Directors	No	Chairman of the Audit and Risk Management Committee of the Architects' Pension Fund, chairman of the Audit and Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons, chairman of the advisory committee of Nasdaq OMX Cph, chairman of the board of directors of Høbbet A/S, chairman of the board of directors of Bifi A/S, chairman of the board of directors of Næstformand for bestyrelsen i Roskilde Kulturservice A/S, chairman of the board of directors of Skitse ApS, deputy chairman of the board of directors of the Hjem til Alle alliance, deputy chairman of the board of directors of Enkotec A/S, deputy chairman of the board of directors of Fonden for Sociale Investeringer member of the board of directors of the Pension Fund for Agricultural Academics and Veterinary Surgeons, member of the board of the Museum Council of the National Museum of Denmark, member of the board of the Foundation for Social Responsibility, member of the board of NunaFonden, member of the board of KAB, member of the board of H. P. Lorentzens Stiftelse, CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben
Kirsten Schmidt Sander, born 1949	Architect, owner of KS Miljø og Arkitektur	2.5 years	April 2017 to April 2020, elected by the members	Yes	Member of the board of directors of Dansk Solvarme forening, member of the board of representatives of the Academic Association of Architects, member of the board of directors of Foreningen Stråtag, owner of KS Miljø og Arkitektur, fully liable participant of I/S DIFKO Samsø I

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
<p>Hasse Jørgensen, born 1962, CEO</p>	-	-	-	-	<p>CEO of Sampension Livsforsikring A/S, CEO of Sampension Administrations-selskab A/S, CEO of the Pension Fund for Agricultural and Bachelors of Engineering, CEO of Komplementarselskabet Sorte Hest ApS, chairman of the board of directors of Komplementarselskabet Alternative Investments ApS, chairman of the board of directors of Sampension KP Danmark A/S, chairman of the board of directors of Sampension KP International 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</p>



Financial statements

3

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Pension Fund Financial Statements

INCOME STATEMENT			
Note	DKKt.	2019	2018
2	Premiums	387,735	372,960
	Premiums	387,735	372,960
3	Interest income, dividends etc.	106,356	98,672
4	Market value adjustments	840,345	-275,347
	Interest expenses	-708	-542
	Investment management expenses	-25,453	-16,048
	Total investment return	920,540	-193,265
	Tax on pension returns	-139,133	29,733
6	Benefits paid	-253,065	-258,006
	Total insurance benefits	-253,065	-258,006
9	Total change in provisions	-681,678	10,987
8	Change in surplus capital	-43,482	8,062
5	Administrative expenses	-4,867	-5,360
	Total net operating expenses	-4,867	-5,360
	Transferred return on investments	-176,183	39,262
	TECHNICAL RESULT	9,868	4,373
	Investment return on equity	209,765	-45,732
	PROFIT BEFORE TAX	219,633	-41,360
	Tax on pension returns for equity	-33,582	6,470
	PROFIT FOR THE YEAR	186,051	-34,889
	TOTAL OTHER COMPREHENSIVE INCOME	0	0
	NET PROFIT FOR THE YEAR	186,051	-34,889

Pension Fund Financial Statements (Continued)

BALANCE SHEET		2019	2018
Note	DKKt.		
ASSETS			
	Investments	2,085,461	1,695,175
	Units in mutual funds	3,322,716	2,826,728
	Bonds	4,609,892	4,602,624
	Loans secured by mortgage	28,800	53,389
7	Derivative financial instruments	135,939	62,761
	Deposits with credit institutions	187,921	66,935
Total other financial investment assets		10,370,729	9,307,612
TOTAL INVESTMENT ASSETS		10,370,729	9,307,612
Total receivables arising from direct insurance contracts		5,876	0
Other receivables		16,441	16,236
TOTAL RECEIVABLES		22,317	16,236
	Cash and cash equivalents	76,617	101,849
	Other	1,180	73,693
TOTAL OTHER ASSETS		77,797	175,542
	Interest and rent receivables	30,435	28,096
	Other prepayments	15,412	15,111
TOTAL PREPAYMENTS		45,847	43,207
TOTAL ASSETS		10,516,690	9,542,597
EQUITY AND LIABILITIES			
Retained earnings		2,159,247	2,049,813
TOTAL EQUITY		2,159,247	2,049,813
8	Surplus capital	505,966	462,485
TOTAL SUBORDINATED LOAN CAPITAL		505,966	462,485
9	Pension provisions	7,132,101	6,450,423
TOTAL INSURANCE PROVISIONS, NET OF REINSURANCE		7,132,101	6,450,423
10	Payables to credit institutions	118,920	264,627
11	Other payables	600,456	315,230
TOTAL DEBT		719,376	579,857
TOTAL DEFERRED INCOME		0	19
TOTAL EQUITY AND LIABILITIES		10,516,690	9,542,597
1	ACCOUNTING POLICIES		
12	CONTINGENT ASSETS AND LIABILITIES		
13	CHARGES		
14	REALISED RESULT AND DISTRIBUTION OF REALISED RESULT		
15	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE		
16	OVERVIEW OF ASSETS AND RETURNS		
17	FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, PENSION FUND		
18	RISK MANAGEMENT		

Statement of changes in Equity

DKKt.	31.12.2019	31.12.2018
Equity at 1 January	2,049,813	2,148,647
Profit for the year	186,051	-34,889
Supplementary pensions	-76,617	-63,944
Equity at 31 December	2,159,247	2,049,813
Total capital		
Equity	2,159,247	2,049,813
Surplus capital	505,966	462,485
Total	2,665,213	2,512,298

Notes to the financial statements

1 Accounting policies

GENERAL INFORMATION

The Annual Report of the pension fund 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).

The accounting policies and estimates are consistent with those applied last year.

Information on the placement of assets and liabilities within the fair value hierarchy

Effective from 2019, the Executive Order on Financial Reports introduced new note requirements for disclosure of the techniques and data applied in the measurement of assets and liabilities at fair value on the basis of the so-called fair value hierarchy.

The fair value hierarchy comprises the three levels below for assets and liabilities measured at fair value:

- level 1 – measurement based on quoted prices in an active market.
- level 2 – measurement based on observable inputs.
- level 3 – measurement based on unobservable inputs.

Disclosure is particularly required for level 3 assets. Comparatives are not required in the first year of application of the new rules.

The placement of assets and liabilities within the three levels of the fair value hierarchy is disclosed in note 15.

Distribution of realised result

The following rules on the calculation and distribution of results between equi-

ty, excess capital and the members have been reported to the Danish FSA:

A proportionate share of the return for the year on the investment portfolio is allocated to equity and excess capital (total capital).

An amount (risk premium) representing 0.5% of custody accounts is allocated to pension agreements with unconditional commitments and 0.25% of custody accounts is allocated to pension agreements with conditional commitments. The remainder, corresponding to the realised result for the year less the calculated amount allocated to total capital, is allocated to members.

Recognition and measurement

In the income statement, all income is recognised as earned, and all expenses are recognised as incurred. All gains and losses, value adjustments, amortisation, depreciation, impairment losses as well as reversals of amounts previously recognised in the income statement are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the pension fund 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 pension fund is probable and the value of the liability can be reliably measured.

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

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

On initial recognition, assets and liabilities are measured at cost, which is equal to fair value. Subsequently, assets and liabilities are generally measured at fair value. Further details are provided under the individual items.

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

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

Accounting estimates

In preparing the financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities.

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

The areas in which management's estimates and judgments have the most material effect on the financial statements are:

- pension provisions
- investment assets measured using alternative valuation methods, which are at level 3 in the fair value hierarchy.

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

The pricing of level 3 investment assets is subject to greater uncertainty than level 1 and level 2 assets due to their non-marketability. In addition to the uncertainty related to fair value, as explained in the section on risk management, there is a risk that large volumes of non-marketable assets cannot be sold over a short period of time at the same prices as smaller volumes can. In practice, however, the pension fund is not subject to any notable risk of having to sell non-marketable assets on unfavourable terms. The value of the most marketable assets at level 1 in the fair value hierarchy exceeds the annual payment obligations by a substantial margin.

The most significant level 3 investment assets are:

- unlisted equity investments, including private equity, real estate and forestry funds, and
- unlisted bonds, including credit bonds and structured bonds.

INCOME STATEMENT

Technical result

Premiums

Premiums comprise premiums due for the year and single premiums relating to the financial year. Premium income is stated net of labour market contributions.

Investment return

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.

Market value adjustments

The item covers realised and unrealised net gains/losses on investment assets, including foreign exchange adjustments.

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

Foreign currency assets and liabilities 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.

Interest expenses

The item Interest expenses mainly covers interest expenses relating to investment activity for the financial year.

Investment management charges

The item comprises management fees, part of direct administrative expenses incurred, deposit fees, front-end fees and performance fees in relation to funds as well as securities trading costs.

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

Tax on pension returns

The tax on pension returns computed for the financial year is recognised as an expense in the income statement. The tax charge comprises tax on the return allocated to individual member accounts as well as tax on the return allocated to the collective bonus potential, equity and excess capital. Tax is calculated at 15.3% of the tax base, which is determined on the basis of the investment return for the year, with due consideration for any exempt values.

The share of the tax on pension returns allocated to equity and excess capital is computed on the basis of the share of the realised result.

Benefits paid

Benefits paid comprise the pension benefits paid in the year. However, the share of pension benefits paid

allocated to equity is recognised directly in equity.

Change in pension provisions

The item comprises the change in pension provisions, including the change in collective bonus potential.

Change in excess capital

The item comprises the year's change in excess capital, which consists of individual special bonus provisions.

Pension operating expenses

Pension operating expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationssselskab A/S and direct expenses incurred. Administrative expenses are divided into pension business and investment business.

Transferred return on investment

The technical result stated is net of transferred investment returns, which constitute the investment return on equity.

Tax on pension returns allocated to equity

The item comprises the share of the total tax on pension returns allocated to equity.

OTHER COMPREHENSIVE INCOME

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

BALANCE SHEET

Investment assets

Investments and units in mutual funds

Listed investments and units in mutual funds are measured at fair value at the balance sheet date, usually equal to the investments' quoted prices in an active market (closing price).

Notes to the financial statements (continued)

Unlisted investments and units in mutual funds are measured at an estimated fair value. At year end, this is normally based on fund managers' third-quarter reporting, adjusted for subsequent capital increases, capital reductions or dividends up to the reporting date. Furthermore, the value of individual investments is adjusted on a discretionary basis where the adjusted equity value is not deemed to reflect fair value.

Bonds

Listed bonds are measured at fair value at the balance sheet date, usually equal to the bonds' quoted prices in an active market (closing price). The valuation of bonds for which no quoted price in an active market exists is based on one of the following:

- quoted prices of similar bonds, adjusted for any differences,
- indicative prices from investment banks,
- a DCF model based on estimates of, e.g. discount curve, risk premiums, prepayments and the amount of default losses and dividends on underlying loans.

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. For listed instruments, fair value is based on the closing price, whereas for OTC instruments it is determined according to generally accepted methods based on observable inputs.

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.

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

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 tax on pension returns receivable, among other things.

Prepayments

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

Subordinated loan capital

Excess capital

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

Excess capital is accumulated as 5% of premiums.

Pension provisions

The provisions are measured at market value according to the principles reported to the Danish FSA. The provisions are computed applying the yield curve published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto. The compu-

tation furthermore applies assumptions of mortality, disability, conversions into paid-up policies, surrender charges and an estimate of future increases in life expectancy defined as the Danish FSA's benchmark.

The pension fund has a single contribution group.

Guaranteed benefits

Guaranteed benefits comprise obligations to pay benefits. Guaranteed benefits are calculated as the present value of the benefits guaranteed by the insurance policy (conditional or unconditional) plus the present value of the expected future administration costs and less the present value of the agreed future contributions.

Individual bonus potential

Individual bonus potential comprises obligations to pay bonuses. Individual bonus potential is calculated as the value of members' savings less guaranteed benefits. Members' 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 pension fund's reported profit allocation rules.

Collective bonus potential

The collective bonus potential comprises the members' share of the realised results not yet allocated to the individual policy.

Profit margin

The profit margin is the net present value of expected future profit in the remaining periods of pension agreements entered into by the pension fund. The profit margin on the pension fund's pension agreements is nil, as all profit is allocated to the members.

Risk margin

A risk margin is added to pension provisions. The risk margin is the amount

expected to be payable to another pension company to assume the risk of the cost of settling the portfolio of pension agreements deviating from the calculated net present value of expected future cash flows. The risk margin is calculated according to the Cost of Capital method.

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.

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 includes payable tax on pension returns.

Deferred income

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

FINANCIAL HIGHLIGHTS

The pension fund'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 50.

Notes to the financial statements (continued)

Note	DKKt.	2019	2018
2	Premiums		
	Regular premiums	351,501	341,404
	Single premiums	36,234	31,556
	Total premiums	387,735	372,960
	Premiums by policyholder's address		
	Denmark	349,052	339,159
	Other EU-countries	1,718	1,441
	Other countries	731	804
	Total	351,501	341,404
	Number of policyholders	10,090	9,922
3	Interest income and dividends etc.		
	Dividends from investments	21,605	10,875
	Dividends from units in mutual funds	0	2,473
	Interest from bonds	75,595	69,785
	Interest on loans secured by mortgage	1,072	1,157
	Other interest income	959	892
	Indexation	0	5,251
	Interest swap instruments	7,123	8,239
	Total interest income, dividends, etc.	106,356	98,672
4	Market value adjustments		
	Investments	311,511	64,942
	Units in mutual funds	716,831	-129,849
	Bonds	87,102	-18,338
	Loans secured by mortgage	1,105	-1,180
	Derivative financial instruments	-276,066	-193,583
	Cash and demand deposit	-139	2,660
	Total value adjustments	840,345	-275,347

Note	DKKt.	2019	2018
5	Administrative expenses		
	The AP pension fund has signed a management agreement with Sampension Administrationssselskab A/S and forms part of this joint management company. All employees are employed with and paid by Sampension Administrationssselskab A/S. The pension fund's share of these payroll costs are settled through the management fee. Remuneration payable to the Board of Directors is paid directly by the pension fund. The CEO and control function staff are also employed with the pension fund. Administrative expenses relating to pension and investment activities include the following staff costs:		
	Remuneration to the Board of Directors	-937	-942
	Total staff costs	-937	-942
	Remuneration to the Executive Board, the Board of Directors and material risk takers		
	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 Administrationssselskab A/S. AP has a 3 % (2018: 3 %) ownership interest in Sampension Administrationssselskab A/S. AP's share of CEO Hasse Jørgensen's total remuneration of DKK 6.1 million (2018: DKK 5.9 million) is DKK 0.183 million (2018: DKK 0.177 million).		
	Board remuneration		
	Cecille Therese Hansen	-211	-170
	Per Frølund Thomsen	-137	-90
	Mette Elisabeth Carstad (resigned 18.05.2019)	-92	-240
	Anne Marie Øhlenschläger Christiansen	-102	-102
	Rikke Sylow Francis	-110	-110
	Mads Gudmand-Høyer (joined 19.05.2019)	-55	-
	Søren Kaare-Andersen	-140	-140
	Kirsten Schmidt Sander	-90	-90
		-937	-942
	No. of people	7	7
	Fixed salary, including pension, of employees whose activities have a material impact on the company's risk profile*)	-447	-436
	No. of people	8	8
	Remuneration to chief actuary		
	The fee is paid by the joint management company and settled through the management fee.	-100	-107

*)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.

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 arkitektpension.dk/ap/loenpolitik.

Note 5 continued on next page

Notes to the financial statements (continued)

Note 5 continued

Note	DKKt.	2019	2018
Remuneration for auditors elected by the Annual General Meeting			
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab			
	Statutory audit	-150	-144
	Assurance engagements	-27	-44
	Tax advice	-104	-19
	Other services	0	0
		-281	-206

All amounts and rates are stated including VAT.

In addition to the statutory audit of the financial statements and other statutory reports, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has performed a review of the calculation of tax on pension returns and provided tax assistance and issued a report on annual expenses expressed as a percentage and as an amount.

6 Benefits paid			
	Retirement and annuity benefits	-280,258	-270,973
	Payment at surrender etc.	-38,894	-46,964
	Premium relating to group life schemes	-10,530	-4,014
	Total pension benefits paid	-329,682	-321,950
	Recognised in the income statement	-253,065	-258,006
	Distributed from equity	-76,617	-63,944
	Total benefits paid	-329,682	-321,950

7 Derivative financial instruments			
2019		Positive fair value	Negative fair value
	Interest rate hedging instruments etc.:		
	Interest swaps	80,306	-124,415
	CAP's	1,839	-886
	Swaptions	11,413	-12,912
	CDS's	20,724	0
	Option on futures	106	-3,367
	Total interest rate hedging instruments	114,387	-141,580
	Currency-based derivative financial instruments	20,302	-81,091
	TRS Equity	1,250	0
	Total derivative financial instruments	135,939	-222,671
	Fair value included in the item Derivative financial instruments	135,939	
	Fair value included in the item other debt see note 11		222,671
	Net carrying value (liability)		86,732

Note 7 continued on next page

Note 7 continued

Note	DKKt.	2019	2018
	Agreements have been concluded to post collateral for derivative financial instruments The pension fund has received collateral in the form of liquid bonds and cash equal to a fair value of	27,897	17,017
	The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of (liability)	-163,184	-89,335
	Net collateral	-135,287	-72,318

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -237 million (2018: DKK 158 million). Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -812 million (2018: DKK -995 million). As gain/losses are settled on current basis, the fair value is nil.

2018	Positive fair value	Negative fair value
Interest rate hedging instruments etc.:		
Interest swaps	26,323	38,923
CAP's	1,026	652
Swaptions	13,159	11,959
CDS's	10,945	410
Total interest rate hedging instruments	51,453	51,944
Currency-based derivative financial instruments	11,307	78,687
Investments futures	1	0
Total derivative financial instruments	62,761	130,632
Fair value included in the item Derivative financial instruments	62,761	
Fair value included in the item other debt see note 11		130,632
Net carrying value (liability)		67,871

Note	DKKt.	2019	2018
8	Surplus capital		
	Surplus capital beginning of year	462,485	470,547
	Transferred to equity, adjustment	0	-713
	Transferred from pension provisions	19,352	19,033
	Paid out to customers	-18,514	-17,894
	Return for the year	42,644	-8,489
	Total surplus capital	505,966	462,485

Notes to the financial statements (continued)

Note	DKKt.	2019	2018
9	Pension provisions		
	Change in gross pension provisions is specified as follows		
	Pension provisions, beginning of year	6,450,423	6,461,410
	Collective bonus potential, beginning of year	0	-222,838
	Accumulated value adjustment, beginning of year	-45,737	-43,867
	Individual bonus used to cover losses, beginning of year	57,317	0
	Retrospective provisions, beginning of year	6,462,004	6,194,705
	Total premiums	387,735	372,960
	Addition of interest after tax on pension returns	131,051	174,287
	Insurance benefits	-224,021	-236,099
	Cost addition after addition of cost bonus	-5,677	-5,604
	Risk gain/loss after addition of risk bonus	-7,331	-11,322
	Group life premiums	-7,232	-7,673
	Transferred to excess capital	-19,352	-19,033
	Other	-5,031	-217
	Retrospective provisions, end of year	6,712,146	6,462,004
	Accumulated value adjustment, end of year	48,562	45,737
	Collective bonus potential, end of year	371,393	0
	Individual bonus used to cover losses, end of year	0	-57,317
	Pension provisions, end of year	7,132,101	6,450,423
	Pension provisions are specified as follows		
	Guaranteed benefits	4,778,796	4,340,444
	Individual bonus potential	1,921,061	2,056,965
	Collective bonus potential	371,393	0
	Risk margin	60,851	53,014
	Total pension provisions	7,132,101	6,450,423
	Profit margin on pension agreements is nil, as all profit is allocated to members.		
	Change in provisions are specified as follows		
	Change in pension provisions	-681,678	10,987
	Change in provisions, income statement	-681,678	10,987
	Pension provisions categorised by technical rate of interest		
	The pension fund has a single contribution group, but it categorises provisions on the basis of the nature of the guarantees.		
	Unconditional guarantees (technical rate of interest 1.5% - 4.25%)	58,219	60,099
	Conditional guarantees (technical rate of interest 2019: -0.75%, 2018: 0%)	6,702,488	6,447,642
	Pension provisions categorised by technical rate of interest	6,760,708	6,507,740
	Collective bonus potential	371,393	0
	Individual bonus used to cover losses	0	-57,317
	Total Pension provisions	7,132,101	6,450,423
	Supplementary ratios relating to pension provisions		
	Bonus rate	34.2%	31.9%
	Return on customer funds after costs but before tax	10.0%	-2.2%

Note	DKKt.	2019	2018
10	Payables to credit institutions		
	Repos	118,920	264,627
	Total payables to credit institutions	118,920	264,627
	From the bank loans the following fall due in the coming year	118,920	264,627
	After five years the outstanding balance will be	0	0
11	Other debt		
	Derivative financial instruments, according to note 7	222,671	130,632
	Payables relating to bond purchase	57,882	0
	Debt relating to settlement of repos	250,825	132,480
	Provision for tax on pension returns payable and other	69,079	52,118
	Total other debt	600,456	315,230
12	Contingent liabilities		
	The Company has committed itself at a later date to invest in funds etc. amounting to	1,263,022	1,041,472
	Total contingent liabilities	1,263,022	1,041,472
13	Charges		
	Bonds sold as part of repo debt	118,868	218,043
	Net assets registered in cover of 'Total provisions for insurance, net of reinsurance amounting to	7,378,683	6,676,187
	Investments and units in mutual funds	3,772,543	2,996,873
	Bonds	3,606,140	3,679,314
	Total assets earmarked as security for policyholders' savings	7,378,683	6,676,187
14	Realised result and distribution of realised result		
	Investment return before tax on pension returns	920,540	-193,265
	Change in market value adjustment	-2,825	-1,870
	Basic rate of interest added	-1,369	-1,496
	Expense result	810	244
	Risk result	7,331	11,322
	Other	5,031	217
	Realised result	929,518	-184,848
	Tax on pension returns	-139,133	29,733
	Available for allocation after tax on pension returns	790,385	-155,116
	Allocated to pension savers:		
	Bonus added	-129,682	-172,791
	Transferred to collective bonus potential, interest rate groups	-371,393	222,838
	Individual bonus used to cover losses	-57,317	57,317
	Investment return and risk premium allocated to base capital	231,992	-47,751
	Expense result in DKK	810	244
	Expense result as a percentage of technical provisions	0.013%	0.004%
	Risk result in DKK	7,331	11,322
	Risk result as a percentage of technical provisions	0.11%	0.18%

Notes to the financial statements (continued)

Note

15 Financial instruments recognised at fair value

Investment assets and financial liabilities are recognised at fair value or amortised cost. See Note 1. Fair value is the price obtainable in a sale of an asset or payable on transfer of a liability in an arm's length transaction between independent parties at the time of measurement. Fair value is determined on the basis of the following hierarchy:

Level 1 - quoted market prices

Quoted prices are used where an active market exists for the individual assets. Generally, the price used is the closing price at the balance sheet date.

Level 2 - observable inputs

Where the closing price of listed securities does not reflect their fair value, fair value is determined using quoted prices of similar assets or liabilities or using other valuation methodology based on observable market inputs, e.g. inputs from banks etc. For derivative financial instruments, valuation techniques based on observable market inputs such as yield curves, exchange rates, etc. are used.

Level 3 - non-observable inputs

For a significant part of investments, their valuation cannot be based on observable market data alone. For such assets, valuation models are used which may include estimates of current market conditions and future developments thereof. The valuation methodologies applied are described in Note 1, Accounting policies.

DKKt.	Level 1	Level 2	Level 3
Financial assets			
Investments	541,110	0	1,544,352
Units in mutual funds	3,322,716	0	0
Bonds	2,964,526	589,513	1,055,853
Loans secured by mortgage	0	0	28,800
Derivative financial instruments	0	135,939	0
Deposits with credit institutions	187,921	0	0
Total financial assets at 31 December 2019	7,016,273	725,452	2,629,005
Financial liabilities			
Repos	118,920	0	0
Derivative financial instruments	0	222,671	0
Payables relating to bond purchase and settlement of repos	308,706	0	0
Total financial liabilities at 31 December 2019	427,626	222,671	0
Total net assets at 31 December 2019	6,588,646	502,781	2,629,005

Specification of valuation based on Level 3

DKKt.	Value at 1 Jan. 2019	Value adjustments included in market value adjustments	Purchase/ sale/ settlement	Value at 31 Dec. 2019
Investments	1,248,100	110,626	185,625	1,544,352
bonds	628,846	7,899	419,108	1,055,853
Loans secured by mortgage	53,389	1,105	-25,694	28,800
Total	1,930,335	119,631	579,039	2,629,005

For further details on valuation techniques and inputs, see Note 1 Accounting Policies.

Note

16 Overview of assets and returns

Assets and return DKKm.	Market value		Reurn 2019 % p.a.
	Beg. of year	End of year	
Land and buildings	859	972	15.2%
Listed investments	2,831	3,390	25.0%
Unlisted investments	692	960	19.9%
Total Investments	3,522	4,350	24.1%
Government- and mortgage bonds	3,367	2,911	0.3%
Index-linked bonds	325	238	1.5%
Credit bonds, investment grade and non-investment grade	1,006	1,481	8.5%
Loans etc.	54	29	4.2%
Total bonds and loans etc.	4,751	4,658	2.5%
Other investment assets	-172	-108	28.1%
Derivative financial instruments to hedge the net change in assets and liabilities	-64	-60	-
Total	8,896	9,812	10.3%

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.

On the company website: arkitektpension.dk/ap/Om-pensionskassen/Finansiel-information/Investeringsaktiver the combined equity portfolio of the Architects' Pension Fund can be found.

17 Five-year financial highlights and ratios

Five-year key figures

DKKm.	2019	2018	2017	2016	2015
Premiums	387.7	373.0	351.8	336.6	325.5
Benefits	-253.1	-258.0	-274.7	-240.6	-223.6
Total investment return	920.5	-193.3	606.3	600.1	388.2
Total net operating expenses	-4.9	-5.4	-5.1	-9.8	-11.4
Technical result	9.9	4.4	7.9	40.7	8.3
Profit for the year	186.1	-34.9	130.7	162.1	85.3
Total provisions for insurance contracts	7,132.1	6,450.4	6,461.4	6,032.7	5,632.4
Surplus capital	506.0	462.5	470.5	440.4	407.6
Total equity	2,159.2	2,049.8	2,148.6	2,057.9	1,939.8
Total assets	10,516.7	9,542.6	9,636.8	8,690.6	8,137.3

Five-year financial ratios

	2019	2018	2017	2016	2015
Return ratios					
Rate of return related to average-rate products	10.2%	-2.1%	7.1%	7.5%	5.1%
Expense ratios					
Expense ratio for provisions	0.08%	0.08%	0.08%	0.17%	0.21%
Expenses in DKK. per policyholder	486	547	540	1.042	1.263
Return ratios					
Return on equity after tax	8.8%	-1.7%	6.2%	8.1%	4.5%
Return on surplus capital	10.4%	-2.1%	7.5%	7.5%	5.1%

Reference is made to "Definitions of financial ratios" on page 50.

18 Risk management

The pension fund's risks may be divided into two general categories: Risks that are within the company's control and can generally be managed, measured and mitigated as required, such as investment risk, and risks that are beyond the company's control and are largely framework conditions. External risks comprise regulatory risk, reputational risk and a number of other external and strategic risks. These risks are monitored by the Executive Board and certain parts of the organisation and are reflected in the company's strategy.

The general objective of the management of investment assets and pension provisions is to maximise the return and provide the best insurance covers to members with due consideration for risk.

The Board of Directors 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 as part of its assessment of the pension fund's own risk and solvency.

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

Pension schemes and total capital

The pension fund has one common investment portfolio for its pension provisions and total capital, i.e. equity and excess capital. The majority of the pension fund's members have pension schemes that are conditionally guaranteed, meaning that the members generally bear the financial risks.

In addition, the pension fund has a small portfolio of unconditional pension schemes, in which the risks relating to the correlation between investment assets and pension provisions.

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

The pension fund applies the Solvency II discount curve exclusive of volatility adjustment for the computation of pension provisions. The discount curve is based on market rates up until the 20-year mark, after which the curve converges towards an ultimate forward rate equal to long-term inflation and real growth forecasts.

FINANCIAL RISK

Given the members' conditionally guaranteed pensions, the financial risks arise mainly from investments relating to total capital and partly from the portfolio of unconditional pensions.

The portfolio comprises exposures to listed equities, bonds subject to material credit risk, real estate and infrastructure as well as private equity.

Due to the pension fund's large bonus potentials and conditionally guaranteed pensions, there is no current need to hedge the interest rate risk on the pension provisions. The interest rate risk is thus a relatively insignificant risk factor for the pension fund.

The pension fund hedges the currency risks 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, between 50% and 100% of the currency exposure is hedged, depending on the asset.

The pension fund invests in non-marketable assets, for which valuation and risk measurement are subject to greater uncertainty than listed equities, for example. Non-marketable assets involve 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 non-marketable 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 Liv having to sell on unfavourable terms is very low.

The pension fund 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 consolidated companies.

Responsible investments

Investing responsibly is a prerequisite for being able to generate high long-term returns. Climate targets, fiscal transparency and active ownership are defining characteristics of responsible investments from the pension fund's point of view. With a view to ensuring that Sampension invests responsibly, the Board of Directors has defined a number of requirements and conditions in policies and guidelines.

INSURANCE RISK

Insurance risk includes the risk of increased longevity, changes in disability rates, conversions into paid-up policies and surrenders. The various risk elements are analysed on an ongoing basis. Insurance risks are less significant due to the conditionally guaranteed pensions.

The pension fund calculates pension provisions using the Danish FSA's model for longevity assumptions based partially on the pension fund's own past experience and partially 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 pension fund'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.

In order to reduce operational risk, PJD has set up procedures to monitor and minimise risk in relation to the pension business and the investment business. Sampension records operational incidents on an ongoing basis and follows up and reports to the Audit and Risk Management Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

OUTSOURCING

The pension fund has outsourced tasks in significant areas of activity with a view to reducing costs, gaining access to investment management skills, 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. This is ensured by risk identification and risk assessment in connection with the conclusion of new contracts as well as in connection with changes to or renewal of contracts. For the outsourced activities, 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.

SOLVENCY AND FINANCIAL CONDITION REPORT

The pension fund's risk management processes are 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 arkitektension.dk/aarsrapport.

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the Annual Report of the Architects' Pension Fund for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the pension fund's assets, liabilities and financial position at 31 December 2019 and of the results of the pension fund's operations for the financial year ended 31 December 2019.

In our opinion, the Management's review includes a fair review of developments in the pension fund's activities and financial position together with a description of the principal risks and uncertainties that the pension fund faces.

Hellerup, 12 March 2020

Executive Board

Hasse Jørgensen
Chief Executive Officer

/ Morten Lund Madsen
Chief Financial Officer

Board of Directors

Cecilie Therese Hansen
(Chairman)

Per Frølund Thomsen
(Deputy Chairman)

Anne Marie Øhlenschläger Christiansen

Rikke Sylow Francis

Mads Johan Wilian Gudmand-Høyer

Søren Kaare-Andersen

Kirsten Schmidt Sander

Internal auditor's report

Opinion

In our opinion, the financial statements of the Architects' Pension Fund give a true and fair view of the pension fund's assets, liabilities and financial position at 31 December 2019, and of the results of the pension fund's operations for the financial year ended 31 December 2019 in accordance with the Danish Financial Business Act in respect of the financial statements of the pension fund.

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 financial statements of the Architects' Pension Fund for the financial year ended 31 December 2019. The 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 etc. and in accordance with international standards on auditing with respect to the planning and performance of the audit procedures.

We planned and performed the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. We participated in the audit of 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 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 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 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We have not identified any material misstatement of the Management's review.

Hellerup, 12 March 2020

Gert Stubkjær
Chief Auditor

Independent Auditor's Report

To the members of Arkitekternes Pensionskasse

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Pension Fund at 31 December 2019 and of the results of the Pension Fund's operations for the financial year 1 January - 31 December 2019 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 Financial Statements of Arkitekternes Pensionskasse for the financial year 1 January - 31 December 2019 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies. 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 pension fund 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 Arkitekternes Pensionskasse on 4 April 2017 for the financial year 2017. We have been reappointed annually by the general assembly for a total period of uninterrupted engagement of 3 years including the financial year 2019.

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 2019. 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>Measurement of pension provisions</p> <p>The pension funds pension provisions total DKK 7,132 million (2018: DKK 6,450 million), which constitutes 68 percent (2018: 68 percent) of the pension funds balance sheet total.</p> <p>The provisions primarily consist of traditional life insurance provisions and profit margin.</p> <p>The statement is based on actuarial principles and involves material Management 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.</p> <p>We focused on measurement of pension provisions as the statement of the provisions is complex and involves considerable Management estimate.</p> <p>We refer to the mention of “accounting estimates” in note 1 and note 9, “Pension provisions”, to the Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls established to ensure that pension provisions are complete and correctly measured.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the pension fund 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>Measurement of unlisted investment assets</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"> • Investments • Bonds • Derivative financial instruments <p>The negative value of derivative financial instruments is moreover included in the item “Other payables”.</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 “accounting estimates” in note 1 and note 7, “Derivative financial instruments”, to the Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant 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 fund managers.</p> <p>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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 Pension Fund'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 Pension Fund 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 Pension Fund'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 Pension Fund'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 Pension Fund 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.

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, 12 March 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Per Rolf Larssen
State Authorised Public Accountant
mne24822

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 reports for insurance companies and multi-employer occupational pension funds.

Pension

$$\text{Rate of return} = \frac{\text{Investment return on average-rate products} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate products}}$$

The financial ratio is calculated on a money-weighted basis.

$$\text{Expenses as a percentage of provisions} = \frac{\text{Operating expenses relating to pension activities for the year} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate products}}$$

$$\text{Expenses per policyholder (DKK)} = \frac{\text{Operating expenses relating to pension activities for the year}}{\text{Average no. of members}}$$

$$\text{Return on equity after tax} = \frac{\text{Profit after tax} \times 100}{\text{Weighted average equity}}$$

$$\text{Return on surplus capital, allocated at same rate as equity} = \frac{\text{Return on surplus capital before tax} \times 100}{\text{Weighted average surplus capital}}$$

$$\text{Solvency coverage ratio} = \frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at year end}}$$

Supplementary financial ratios

$$\text{Bonus rate (\%)} = \frac{\text{Individual and collective bonus potentials at year end} \times 100}{\text{Total custody accounts at year end}}$$

$$\text{Return on customer funds after deduction of expenses and before tax} = \frac{(\text{Weighted average provisions} + \text{Weighted average surplus capital} + \text{tax on pension returns}) \times 100}{\text{Pension provisions at beginning of year plus surplus capital at beginning of year} + \text{weighted average cashflows}}$$

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

Sharpe ratio

The risk-adjusted return illustrates the performance of the return relative to the assumed risk. The risk is measured on the basis of the historical volatility (standard deviation) over a given period of time. The higher the risk-adjusted return, the better the investment. If the risk-adjusted return is calculated on the basis of the excess return relative to a risk-free interest rate, it is referred to as the Sharpe ratio.

$$\text{The risk-adjusted return} = \frac{\text{Return}}{\text{Risk}}$$

$$\text{Sharpe ratio} = \frac{\text{Return} - \text{risk-free interest rate}}{\text{Risk}}$$

PHOTO
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