

Annual Report 2021



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.

“The pension fund has a clear climate strategy. Our carbon footprint must be reduced, and a number of green investments must be reduced, and the number of green investments must be increased.”



A busy year characterised by strong returns, a new pension scheme and an ambitious climate target

2021 was in many ways an eventful year for the Architects' Pension Fund. After a long journey, we reached another milestone at the annual general meeting in April, after which we were able to offer our members to switch to a more modern and flexible unit-linked pension scheme. This was our biggest task during the year and will continue to require a lot of resources in 2022.

In terms of investments, the pension fund's members saw very strong returns. The total return across investment environments in 2021 was 11.1% relative to 2.4% the year before, corresponding to DKK 1,094 million against DKK 238 million in 2020. A member with the new unit-linked pension scheme and a high risk profile saw a return as high as almost 24%.

Listed equities were the largest contributor to the return, while – at more than 50% – unlisted equities contributed the highest percentage return.

Despite a minor increase in expenses due to the switch, the pension fund continued to be among the absolute cheapest pension providers with administrative expenses of DKK 540 and an APR of 0.6%.

Since the beginning of 2021, all new members of the pension fund were enrolled in the new unit-linked pension scheme. Almost 500 new members of the pension fund benefitted from this during the year. In autumn 2021, we completed the first round of offering our members to switch to the new product, and more than 1,800 members chose the new scheme. Many of our members continue to have average-rate pension schemes, and the Board of Directors will naturally ensure that the interests of those members continue to be safeguarded.

Our efforts to communicate clearly and thoroughly about the significance of the switch have been demanding and comprehensive, and we have gained a lot of experience to be used in the next round of offering, which is to be initiated during spring 2022 according to plan. In this connection, we would like to thank both FAOD and the Danish Association of Architects for assisting us in reaching as broad an audience as possible. We would also like to thank the many workplaces which have hosted information meetings on the new scheme.

Our collaboration with the associations as well as communication and dialogue with members rank high on the Board of Directors' agenda. Accordingly, we saw 48,500 visits and 19,670 log-ins on our website in 2021. We are always attentive and ready to discuss good ideas and new suggestions on how we can create the best pension scheme for our members, and we encourage an open and constructive dialogue on this matter.

The pension fund has a clear climate strategy. Our carbon footprint must be reduced, and the number of green investments must be increased. In 2021, the Sampension community increased its green investments by DKK 3 billion.

Our active ownership focuses on supporting the UN Sustainable Development Goals. We do not invest in companies that do not have a sufficient transition plan. Towards the end of 2021, we decided to define a target of carbon neutrality by 2050 and a 45% reduction by 2030, which is in line with the Paris Agreement.

In 2019 and 2020, the carbon footprint of the pension fund's listed equity portfolio fell. This trend continued in 2021 with a drop of some 27%.



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 DKKm	2021	2020	2019	2018	2017
Premiums	429.0	387.4	387.7	373.0	351.8
<i>Pension benefits paid, profit/loss</i>	-280.7	-265.0	-253.1	-258.0	-274.7
<i>Pension benefits paid, equity</i>	-89.0	-70.1	-76.6	-63.9	-39.9
Total pension benefits paid	-369.7	-335.1	-329.7	-322.0	-314.7
Investment return	1,094.1	237.7	920.5	-193.3	606.3
Total pension operating expenses	-5.7	-4.9	-4.9	-5.4	-5.1
Technical result	0.1	14.6	9.9	4.4	7.9
Profit/loss for the year	189.5	56.7	186.1	-34.9	130.7
Total pension provisions	8,422.4	7,382.9	7,132.1	6,450.4	6,461.4
Surplus capital	564.8	519.4	506.0	462.5	470.5
Equity	2,036.3	2,145.9	2,159.2	2,049.8	2,148.6
Total assets	11,663.0	10,385.9	10,516.7	9,542.6	9,636.8

Five-year financial ratios	2021	2020	2019	2018	2017
Return ratios					
Rate of return related to average-rate products	10.7%	2.4%	10.2%	-2.1%	7.1%
Rate of return related to unit-linked products	19.6%	-	-	-	-
Risk on return related to unit-linked products	4.50	-	-	-	-
Expense ratios					
Expenses as a percentage of pension provisions	0.08%	0.07%	0.08%	0.08%	0.08%
Expenses per member (DKK)	540	479	486	547	540
Other return ratios					
Return on equity after tax	8.7%	2.6%	8.8%	-1.7%	6.2%
Return on surplus capital	10.0%	3.0%	10.4%	-2.1%	7.5%
Capital structure ratios					
Solvency coverage ratio	296%	260%	256%	282%	377%

Reference is made to "Definitions of financial ratios" on page 59.

Members and pension schemes

The Architects' Pension Fund (AP) is a member-owned pension fund established in 1957. AP has 10,712 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 community. In addition to AP, the Sampension community comprises Sampension Livsforsikring A/S (Sampension Liv), the Pension Fund for Agricultural Academics and Veterinary Surgeons (PJD) and the Pension Fund for Technicians and Bachelors of Engineering (ISP). The group of owners of Sampension Administrationselskab A/S (the joint management company) comprises: Sampension Liv (88%), AP (3%), PJD (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.

As of 1 January 2021, all new members of the pension fund get our new 3 i 1 Livspension unit-linked pension product. In autumn 2021, some members were also offered to switch from their average-rate scheme to 3 i 1 Livspension. More than 1,800 members made the switch and at 31 December 2021, almost 2,400 members had unit-linked schemes.

AP provides the following savings products:

Pension schemes	Investments and allocation of returns
Unit-linked 3 i 1 Livspension lifecycle product Linkpension, a unit-linked product	Actual returns are allocated to members each month Savings are invested in generation pools according to the member's age and choice of investment profile. Members determine which investment funds they wish to invest their savings in
Average rate Conventional average rate	Rate of interest on policyholders' savings allocated to members reflects the average return achieved over time Comprises pension schemes with conditional and guaranteed benefits, respectively.

Premiums and benefits

Premium income

Premiums grew by 10.7% from DKK 387 million in 2020 to DKK 429 million in 2021. Regular premiums grew by DKK 25 million, while single premiums and transfers increased by DKK 16 million.

Premium income of

DKK **429** mill.

Premium income DKKm	2021	2020	Change (%)
Regular premiums	383	358	7.0
Single premiums etc.	46	30	56.6
Total premiums	429	387	10.7

The number of members at 31 December 2021 was 10,712 against 10,337 at 31 December 2020, an increase of 3.6%.

Number of members	31.12.2021	31.12.2020	Change (%)
Premium-paying members in active employment	5,273	5,019	5.1
Paid-up policies etc.	2,981	2,941	1.4
Pensioners	2,458	2,377	3.4
Total number of members	10,712	10,337	3.6

Benefit payments

Total benefits paid amounted to DKK 370 million in 2021 against DKK 335 million in 2020, including supplementary pensions financed via equity. The increase was primarily attributable to regular pension benefits.

Expenses

For several years, AP 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 premiums and returns will be allocated to savings. Ensuring low investment and administration expenses is a priority at AP.

Efficient investment management

Internal and external management efficiency is very important to the Sampension community. For that purpose, we invest the pension savings of all our members in the same investment assets, for example. The combination of such assets may vary considerably from member to member depending on their specific savings product and risk profile.

We use cost-benefit analyses 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 investment in bonds and other fixed-income instruments is 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 of 0.52%

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.

Total investment expenses calculated on member savings in 3 i 1 Livspension schemes with moderate risk were 0.52% in 2021. Investment expenses calculated on member savings and unallocated funds in average-rate schemes amounted to 0.57% in 2021 against 0.58% in 2020.

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 540

Pension administrative expenses amounted to DKK 5.7 million in 2021 against DKK 4.9 million in 2020. The increase was primarily attributable to expenses in connection with switches to unit-linked schemes.

Expenses per member amounted to DKK 540 in 2021 against DKK 479 in 2020. Excluding expenses in connection with switches, expenses per member would be in line with 2020.

Administrative
expenses per
policyholder

DKK 540

Expenses expressed as a percentage of provisions amounted to 0.08% in 2021 compared with 0.07% in 2020.

APR of 0.6%

Information on annual expenses expressed in Danish kroner and as a percentage (APR) is available in Description of method – annual expenses expressed in Danish kroner and as a percentage 2021 (in Danish only). APR includes an annual administration fee of DKK 480 per member, 0.1% of members' regular premiums and investment expenses as set out above.

APR depends on members' savings. For a 55-year-old member with a moderate risk profile and savings of DKK 1 million as well as annual premiums of DKK 50,000, the APR for 2021 was at 0.6%.

APR for average-rate products for 2021 was 0.6% against 0.9% for 2020, calculated for a member with conditionally guaranteed benefits and savings of DKK 1 million and annual premiums of DKK 50,000. The fall relative to 2020 was due to a risk premium of 0.25% of pension schemes with conditional guarantees not being calculated as from 1 January 2021.

Investments and returns

The global economy and financial markets

Despite the coronavirus pandemic, the resource-rich economies did not fall into a deep recession in 2021. Rollout of vaccines and experience from spring 2020 were two key factors in preventing this.

After a start to the year where many countries locked down society to contain the coronavirus from spreading, the rollout of vaccination programmes made it possible to reopen society and return to the workplace during the spring months. With this, the relatively limited negative growth seen during the first quarter was more than recovered during the rest of the year.

During lockdown, many countries chose to introduce large fiscal and monetary relief packages, and when the economy was once again up and running, consumers were ready to spend some of the money they had saved up. The increased demand boosted economies massively, and qualified labour, goods and materials quickly fell short. The latter was especially due to supply chain difficulties. Many countries faced the highest inflation rate in nearly 30 years. As a result, central banks announced – and in most cases also initiated – a rollback of their very expansive monetary policies. In late autumn, the Omicron variant of the coronavirus emerged and led to a new, but less severe lockdown. At the same time, people were offered a third vaccine dose. 2021 thus ended with most countries experiencing strong growth, a significant demand pressure on the labour market and a high and increasing inflation rate.

Equity markets began 2021 on an upward trend driven by the very expansive fiscal and monetary policies and by the news of effective vaccines being ready for rollout. As a result, economies quickly picked up. In late summer, inflation rates began to strongly increase in many countries, and concerns that central banks would roll back their expansive policies started to spread. This affected equity markets and, towards the end of 2021, the Omicron variant put a further dampener on the markets.

The global equity market index was up by almost 21% in 2021. The US equity market was the best performer with an impressive 28% increase. The Danish equity market rose by 24%, European equities by 23% and the UK equity market by 18%.

With increases of 6% and 2%, respectively, Asia and the emerging markets lagged significantly behind¹.

Interest rates also took some roller coaster rides in 2021 with an upward trend driven by speculations about what direction central banks will take in the future.

Investment return of DKK 1,094 million or 11.1%

AP's overall return in 2021 was DKK 1,094 million before tax on pension returns, compared with a return of DKK 238 million in 2020. Note that no unit-linked environment existed in 2020. For a more detailed specification of holdings and returns, see note 18 to the financial statements.

AP's total return was 11.1% in 2021, against 2.4% in 2020.

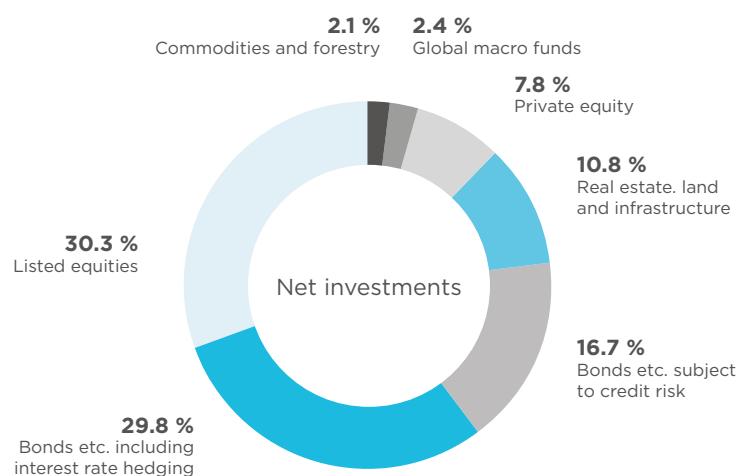
Investment return of

11,1%

Investment returns by environment DKKm	2021	2020
3 i 1 Livspension	43	0
Average rate	1,051	238
Total return	1,094	238

Breakdown of net investments

Almost a third of AP's total net investment assets were placed in low-risk bonds (such as Danish government and mortgage bonds), while almost one third of the assets were placed in listed equities.



Investment strategies in AP's two investment environments

Our investment strategy aims to maximise the long-term return in a responsible manner and within the given risk framework. The unit-linked and average-rate environments generally participate in the same investments, only at different weightings and volumes. The 3 i 1 Livspension product has a relatively larger share of investments in high-risk assets than the conventional average-rate environment.

We are currently in the process of building our portfolio of direct investments in debt, unlisted equities and real estate, and these efforts continued in 2021. Despite the coronavirus pandemic, AP's portfolio of direct investments in debt, unlisted equities and real estate continued to expand throughout 2021. In 2021, AP and

¹ Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets

the other pension providers in the Sampension community invested in 49% of the Aarhus-based energy company NRGi's sustainable energy division and established a partnership with European Energy and Novo Holdings on purchasing and developing agricultural land for wind turbine and solar panel farms, for example. In terms of real estate, we invested in an independent nursing home (frilejehjem) in Valby, senior housing in Frederikssund and an office property in Holte with residential development potential. We also co-invested in a housing complex in Dallas. The private equity portfolio was also expanded in 2021 with two co-investments in software and healthcare as well as in European and US funds focusing on small and medium-sized companies as well as on venture capital. As for our forestry portfolio, the Sampension community and the manager Ressource Management Systems have committed to investing in the world's biggest forest area in southern USA. In the infrastructure portfolio, a co-investment in Molslinjen was made in collaboration with EQT Infrastructure.

Unit-linked environment investments

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

Positive returns for all generation pools in 3 i 1 Livspension

The lifecycle product reported positive returns for all generation pools across risk profiles in 2021. As shown in the table below, the youngest age groups, which have relatively large shares of equities, but also of alternative investments, had the highest returns. The majority of the members have chosen the moderate risk investment profile.

Generation pools 3 i 1 Livspension, selected	Investment profile		
	Low	Moderate	High
Return (%)			
25 years	15.5	21.3	23.7
55 years	13.4	18.6	21.1
65 years	6.6	9.8	12.7

For a more detailed specification of holdings and returns in 3 i 1 Livspension, see notes 18 and 19 to the financial statements.

Return in the average-rate environment of 10.8%

The average-rate environment primarily consists of pension schemes with conditional guarantees. Provisions for pension schemes are calculated at market value. In addition, equity and surplus capital are invested in the average-rate environment.

Investments in the average-rate environment at 31 December 2021 and the return for the year are set out in the table below.

Average rate	Market Value 31.12.2021 DKKm	Return (%), time- weighted
Total investment portfolio	9,325	10.8

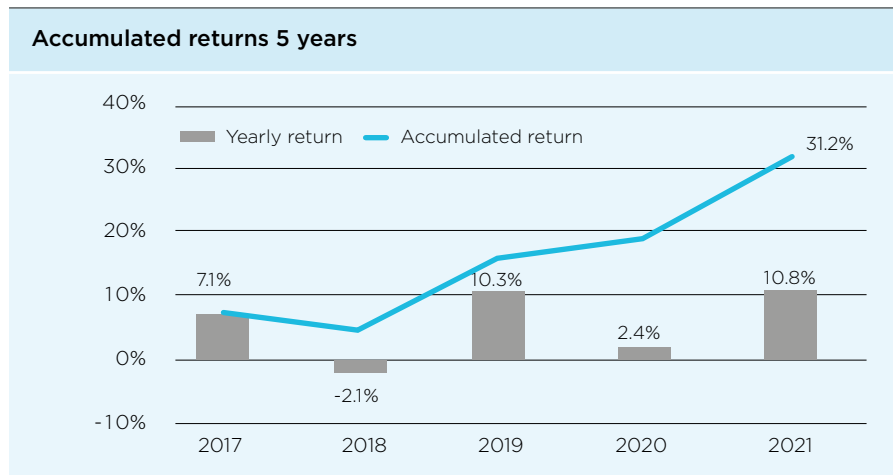
Almost 52% of AP's DKK 9.3 billion net investment assets in the average-rate environment were placed in bonds, etc., while 26% were invested in listed equities and some 22% in alternative investments, etc.

The return for 2021 in the average-rate environment was 10.8% before tax on pension returns.

For a more detailed specification of holdings and returns in the average-rate segment, see note 18 to the financial statements.

Five-year return in the average-rate environment

Over the past five years, a savings amount of DKK 100 has grown to just over DKK 131.



Five-year return of

31.2%

Sharpe ratio (risk-adjusted return) in the average-rate environment

The table below shows the risk-adjusted return measured for the period 2017-2021. 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 2017-2021	Accumulated return	Annualised return	Annualised standard deviation	Risk-adjusted return
AP	31.2%	5.6%	5.9%	0.9

Corporate social responsibility

In addition to contributing to the individual member's financial situation in retirement, being a part of the collective agreements, AP contributes to the sustainable development of the Danish economy and to maintaining a healthy balance between public sector benefits and labour market benefits. Labour market pensions, which constitute a significant pillar of the Danish model, have contributed to the steady development of a secure and responsible labour market since the 1980s.

AP is responsible for managing its pension schemes in a way that serves the best interests of our members. We fulfil that responsibility by staying focused on what is important, i.e. growing the value of the pension schemes through:

- high returns
- low expenses
- flexible pension products
- personalised customer service
- comprehensive advisory tools.

3

initiatives

to increase
responsible
investments

Reduction in carbon
footprint by

27

%

AP thus performs a broad task for society. Our policy on corporate social responsibility is business-driven, which means that we seek to achieve corporate social responsibility through actions taken in our business areas. Our fundamental objective is to provide attractive pension schemes to our members, which is reflected by the fact that profit is allocated to members' pension savings.

Responsible investments

AP's investments are arranged so that they are socially responsible. Our responsible investment policy has three areas of focus:

- Environmental and climate impact of investments
- Social impact of investments
- Corporate governance

Our approach to corporate social responsibility is governed by our ambition to comply with and implement international standards and guidelines, including the ten principles of the UN Global Compact in the areas of human rights, labour rights, the environment and anti-corruption, the OECD Guidance for Responsible Business Conduct for Institutional Investors, the climate targets of the Paris Agreement and the G20 Task Force on Climate-related Financial Disclosures (TCFD).

The responsible investment policy applies to all four parties of the Sampension community. The boards of directors have set up a cross-functional committee which 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 providers' policy on responsible investment.

Every two years, AP conducts customer and member surveys in the responsible investment area to ensure that the policy pursued is reflected in the values and beliefs of the members. A new survey conducted in November 2021 showed that 90% of our members find responsible investments to be very important to their level of satisfaction with their pension fund, and some 80% of our members are either very satisfied or satisfied with AP's responsible investment efforts.

Continued reduction of the carbon footprint of our investments

In 2021, the carbon footprint of the pension fund's listed equity portfolio was reduced by some 27%. In absolute levels (absolute emissions), our carbon emissions dropped from 0.031 million tonnes in 2020 to 0.027 million tonnes in 2021, corresponding to almost 13%.

In 2021, it was possible to include directly owned corporate bonds in the calculation of the carbon footprint. The carbon footprint (absolute emissions) of the directly owned corporate bonds was reduced by 32%, while the level of financed emissions remained unchanged².

Climate-neutral by 2050

The companies in which AP has invested continue their energy efficiency procedures and their transition away from fossil energy sources. AP has defined a target for the carbon footprint of its overall investment portfolio to be reduced by 45% relative to the 2020-level by 2030 and to net zero by 2050. This reduction target will apply to all assets in the portfolio. The carbon footprint is thus reduced most significantly within the first 10 years with the remaining 55% over the subse-

² Going forward, the pension fund will calculate the carbon footprint of the portfolio based on the companies' total financing, i.e. both share capital and debt, the so-called Enterprise Value Including Cash (EVIC) method. The change is made, among other things, based on the fact that this calculation method must be applied in connection with reporting under the Disclosure Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

quent 20 years. To support this, the Sampension community will define continuous sub-targets for the period, both for the overall portfolio and for the various sectors in which we invest with the purpose of providing full transparency on our efforts towards climate neutrality.

Companies of the equity portfolio which are operating within the most heavily emitting sectors are regularly screened for their ability and willingness to transition to a low-carbon economy, and this consideration forms part of our exclusion criteria. In 2021, we excluded five companies based on our criterion of unacceptable environmental practices. The equity portfolio's total adaptability score is measured annually and has significantly increased since 2019.

Moreover, we do not invest in companies generating a predominant share of their revenue from coal or tar sand activities – including the use of coal in utility companies' energy mix.

The Sampension community not only requires changes in the companies in which we directly invest and where we manage the investments ourselves. The requirements also apply to externally managed investments, for example in funds. In addition, the Sampension community works continually on sustainability in its property portfolio. The requirements for transition towards climate neutrality by 2050 therefore apply to all of our investments.

Green investments

Together with the other partners of the Sampension community, AP increased its green investments by DKK 3 billion in 2021 and now has green investments of a total of DKK 19 billion. During the year, we made new green direct investments, for example, in NRGi Renewables, which develops and installs wind turbine and solar panel farms but also aims to explore the opportunities to participate in the development of other types of renewable energy. We also invested in a forest in North America and purchased agricultural land for the purpose of installing a solar panel farm in collaboration with European Energy and Novo Holdings.

Active ownership

AP takes a proactive approach to companies that are found not to act responsibly in an ESG context, e.g. by engaging in dialogue with the company's management and other stakeholders. Through this, we regularly raise the bar for responsibility.

Screening and critical dialogue

Listed companies are continuously monitored by a professional and independent screening provider, and the screening is based on the UN Global Compact and the OECD Guidelines for Multinational Enterprises. If a company's conduct is found to be significantly in conflict with the policy and guidelines for responsible investments, it will be assessed whether the company has acted unacceptably or acceptably, or whether it must be placed on a surveillance list pending further investigation, or whether to engage in dialogue with the company. Shares in unacceptable companies are added to the exclusion list and sold off.

Through the critical dialogue engagement programme, AP and the other partners of the Sampension community engaged in 29 dialogues which were initiated in 2021 on labour rights, human rights, climate and the environment and corporate governance. Two dialogues were concluded with a positive outcome, while 27 are still ongoing or monitored.

In this context, we screened the companies' coal and tar sand activities as well as their adaptability, etc. At the end of 2021, 257 companies were on the Sampension community exclusion list. The majority of these – 190 – are climate-related exclusions.

257

Excluded companies

Dialogue on improvement

To support the UN Sustainable Development Goals, we engage in proactive dialogues on improvement with selected portfolio companies if they are considered to not adequately support the UN Sustainable Development Goals. We particularly focus on companies that are considered to underperform their peers.

Through the programme for dialogue on improvement, we engaged with 44 companies in 2021; 12 on climate adaptation, 13 on fiscal transparency, 8 on responsible water management and 11 on responsible governance. The figures only include listed companies in which AP has invested. In addition, AP engages in a large number of dialogues with companies in which AP is not currently invested but has either previously invested in or could potentially invest in, including 76 dialogues initiated in 2021.

As part of the Sampension community, AP is also part of Climate Action 100+ (CA100+), which is the world's largest investor initiative consisting of 615 investors with combined assets of DKK 390,000 billion. CA100+ engages in dialogue with 167 climate-damaging companies within oil and gas, mining and metals, utilities, transport, consumer products and the industrial sector.

Voting

As part of the Sampension community, AP votes at the general meetings of Danish OMX C25 companies and at the general meetings of listed Danish and international companies in which we represent more than 3% of the voting rights.

For other listed companies, the Sampension community works towards maximising its influence in companies together with other institutional investors through networks. We always vote at general meetings of companies with which we are in an ongoing critical dialogue.

The statutory report on corporate social responsibility 2021 (in Danish only) provides additional information on our responsible investment approach.

Key ESG indicators provide comparability and transparency

Being part of the Sampension community, AP supports the pension industry's request for a common standard by publishing an overview of its ESG ratios calculated according to the guidelines published by FSR – Danish Auditors, Nasdaq and the Danish Finance Society in June 2019, most recent version in December 2020. In addition, ratios have been added in accordance with Insurance & Pension Denmark's industry recommendations on climate reporting. A description of calculation methods is provided in the statutory report on corporate social responsibility 2021. In the following, we only include key indicators directly related to AP, while key indicators for the Sampension community are available in Sampension Liv's statutory report on corporate social responsibility 2021 (in Danish only).

	Unit	2021	2020	2019	2018
E - Environmental data - carbon footprint of investments:					
Carbon emissions by the listed equity portfolio¹					
Absolute emissions	Tonnes/CO ₂ e	27,395	31,367	-	-
Financed emissions (carbon footprint)	Tonnes CO ₂ e/DKKm	7.8	10.7	-	-
Carbon intensity	Tonnes CO ₂ e/DKKm	21.6	23.3	-	-
Weighted average carbon intensity	Tonnes CO ₂ e/DKKm	20.8	21.6	-	-

	Enhed	2021	2020	2019	2018
Carbon emissions by directly owned corporate bonds					
Absolute emissions	Tonnes/CO2e	65	96	-	-
Financed emissions (carbon footprint)	Tonnes CO2e/DKKm	<1	<1	-	-
Carbon intensity	Tonnes CO2e/DKKm	1.22	1.7	-	-
Weighted average carbon intensity	Tonnes CO2e/DKKm	<1	<1	-	-
Active ownership, number of dialogues					
Number of dialogues on climate change	No.	12	-	-	-
Number of dialogues in total	No.	73	-	-	-
S - Social data					
Taxes paid	DKKm	193	160	170	209
G - Governance data					
Gender diversity, Board of Directors	%	43	43	43	29
Board meeting attendance	%	94	100	94	91

¹ Due to a change in the calculation method, it has not been possible to calculate comparative figures for 2019 and 2018.

For more information and definitions, see the statutory report on corporate social responsibility 2021.

Development in the investments' ESG ratios is addressed in the section on corporate social responsibility above the table.

Other ESG ratios:

- The increase in taxes paid is primarily attributable to the fact that payment of three months' tax deducted at source for 2020 was deferred to 2021 due to the Danish government's relief packages.
- Governance data show that the Board of Directors of AP represents an equal gender distribution as defined in the Danish Business Authority's guidelines. Board meeting attendance remains high.

Data ethics

AP has chosen not to define a data ethics policy for 2021, as AP does not process data or apply algorithms for data analysis in excess of what is expected and normal in relation to operating a pension company. This could be information about the employer, employment and state of health. AP's performance of its core task requires access to and processing of extensive amounts of data about members, companies and employees. When AP processes data, the individual person's data is respected as much as possible honouring AP's pension obligations.

Data processing in the form of e.g. detecting member patterns is also not an integral part of AP's current business activities. The member's historical data are naturally considered – after a specific needs assessment – when providing advice.

Data processing at AP must never involve any form of discrimination or partial results. Regardless of how AP collects data, this will always be in accordance with the data protection legislation applicable. AP recognises that the strategic focus on digitalisation and new technologies may result in a need for a data ethics policy in the future.

AP never sells data.

For more information on how AP processes data, see Processing of personal data and digital communications (arkitektension.dk).

Financial results, solvency capital requirement and total capital

Profit of

DKK **190** mill.

Profit of DKK 190 million

AP realised a profit of DKK 190 million for 2021 against a profit of DKK 57 million for 2020. The profit or loss for the year consists mainly of the share of the investment return for the year allocated to equity. The profit for 2021 was significantly higher than expected due to the high investment return of 10.8%.

The Board of Directors proposes that the profit for the year be transferred to equity. In connection with switches to unit-linked schemes, DKK 210 million was distributed from equity in 2021. In addition, DKK 89 million was distributed from equity as supplementary pension benefits. Equity subsequently stood at DKK 2,036 million at 31 December 2021 compared with DKK 2,146 million at 31 December 2020.

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 capital requirements and total capital DKKm	31.12.2021	31.12.2020
Total capital	2,601	2,665
Solvency capital requirement (SCR)	880	1,024
Minimum capital requirement (MCR)	220	256
Excess capital	1,721	1,641
Solvency coverage ratio relative to SCR	296%	260%
Solvency coverage ratio relative to MCR	1,182%	1,041%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 296% at 31 December 2021. The increase relative to 31 December 2020 was mainly attributable to the effect of the higher level of loss absorption due to the high return and rising interest rates. The solvency coverage ratio is at a very robust level.

Further information is available in the report Solvency and financial condition 2021 (in Danish only). This report also provides information on risk sensitivities in accordance with section 126 of the Danish Executive Order on Financial Reports.

Provisions for pension agreements

As a result of the switch to unit-linked schemes in 2021, pension provisions amounting to DKK 1,450 million including contributions to savings were transferred from pension provisions for average-rate products to provisions for unit-linked products.

Pension provisions for average-rate products 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 changing the calculation basis.

Pension provisions for average-rate products amounted to DKK 6,737 million at 31 December 2021, against DKK 7,383 million at 31 December 2020. The drop was due especially to the net effect of the switch to unit-linked schemes and an increase in the discount rate.

The bonus ratio, reflecting the bonus potential in relation to members' savings, increased to 38.7% at 31 December 2021 against 29.5% at 31 December 2020. This was primarily due to an increase in the collective bonus potential resulting from the high investment return and an increase in the individual bonus potentials - relative to savings - due to rising interest rates.

Bonus potential and bonus ratios	31.12.2021		31.12.2020	
	DKKm	%	DKKm	%
	Bonus potentials	Bonus ratios	Bonus potentials	Bonus ratios
Collective bonus potentials	771	-	367	-
Individual bonus potentials	1,513	-	1,683	-
Total bonus potentials	2,284	38.7	2,049	29.5

Provisions for unit-linked products amounted to DKK 1,685 million at the end of 2021. The most significant part concerned switches from average-rate schemes.

Effective at 1 January 2022, AP has divided average-rate policies into two independent contribution groups: A guaranteed and a non-guaranteed group. The guaranteed part amounts to approximately 1% of total average-rate policies. On division, unallocated funds were allocated based on the members' savings. The division into two separate groups does not affect the members, as it neither affects their products, the management of products or the investment strategy. Going forward, these are placed in separate risk communities, however.

The division entails a reduction in AP's solvency capital requirement. The estimated effect results in an increase in the solvency coverage from 296% to approximately 315% at 1 January 2022.

Outlook for 2021

AP expects moderate growth in the number of members and premiums in 2022. Expenses per member excluding any expenses in connection with switches are expected to be at the same low level as in 2021.

At 1 January 2022, the rate of interest on policyholders' savings was fixed at 2.5% before tax on pension returns for conditionally guaranteed pension schemes, against 1.5% at 1 January 2021.

The return allocated to equity depends on financial market developments. Based on an unchanged level of interest rates, AP expects a return on equity after tax on pension returns for 2022 of about DKK 25-40 million.

Interest rate of

2.5%

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 illiquid 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 pension fund'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

After the balance sheet date, war has broken out in Ukraine following the Russian invasion. In April 2021, the Sampension community excluded Russian government bonds and government-controlled companies, and the Architects' Pension Fund's direct exposure to Russia and Ukraine is therefore very limited. Although it is still too early to assess the effects thereof, the management expects that the war will have a very limited direct impact on the results of the coming financial year. However, we must expect to see knock-on effects on the energy supply in Europe, for example, but it is still too early to assess the consequences thereof.



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 Danish 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.

The Board of Directors held 11 board meetings, one strategy seminar and one feature day in 2021.

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on pages 27-28.

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 on the Audit and Risk Management Committee in 2021 were Lene Dammand Lund (Deputy Chairman of the Board) and Klaus Berentsen (Board member).

The Audit and Risk Management Committee held four meetings in 2021.

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

- to oversee 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 oversee the effectiveness of risk management systems, internal control systems and the internal audit function;
- to oversee the statutory audit of the financial statements; and
- to oversee and verify the independence of the auditors.

A whistleblowing scheme has been set up to give the employees of the joint management company a dedicated and independent channel for reporting any violation of relevant regulations by the company, including bribery and corruption, competition law, fraud and financial crime, harassment and discrimination as well as protection of personal data. The whistleblowing scheme is in compliance with new legislation on whistleblowing schemes, which took effect on 1 January 2022.

Reporting to the whistleblowing scheme is made via a whistleblowing IT platform and screened by the Danish law firm Kromann Reumert, which manages the whistleblowing scheme. Subsequently, Kromann Reumert informs the chairman of the Audit and Risk Management Committee and the person in charge of the compliance function via the IT platform. No reports were filed in 2021.

Committee for Responsible Investment

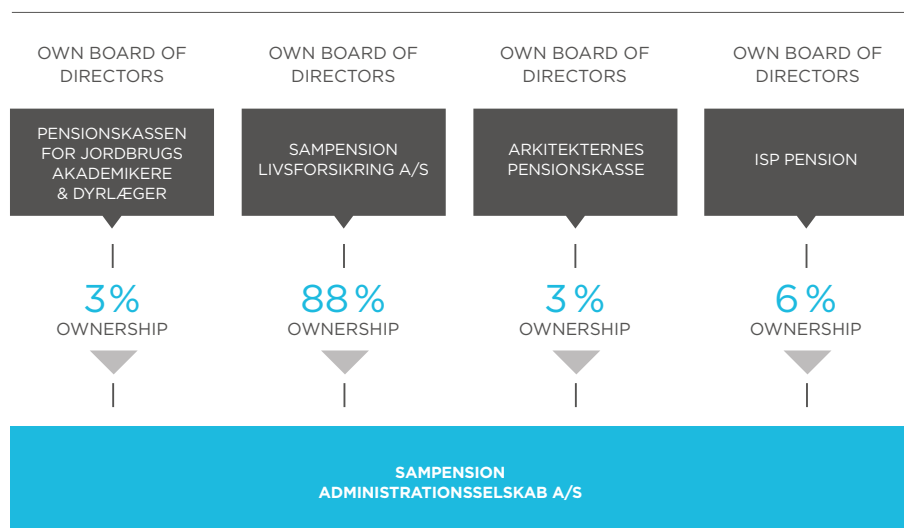
The responsible investment policy applies to all four parties of the Sampension community. The boards of directors have set up a cross-functional committee to make proposals for ESG-related decisions. The Committee is charged with considering the environmental, social and governance aspects of investment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

Cecilie Therese Hansen (Chairman of the Board) and Anne Marie Øhlenschläger Christiansen (Board member) represented AP on the Committee in 2021. The Committee held three meetings in 2021.

Organisation and management

AP is part of the Sampension community. In addition to AP, the Sampension community comprises Sampension Livsforsikring A/S, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering. The group of owners of Sampension Administrations-selskab 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 Sampension community:



▼ Ownership and administrative agreements with equal conditions

The Executive Board is in charge of the overall day-to-day management of Sampension Administrations-selskab A/S. The organisation also consists of five main divisions, which are in charge of day-to-day operations and development, and three staff functions (Executive Secretariat, Communications and HR). A detailed presentation of the organisation can be found at sampension.dk/organisation.

AP's risk management, compliance, actuary and internal audit functions contribute to ensuring efficient management. In addition, the Board of Directors has decided to appoint a chief internal auditor who is in charge of the internal audits of the pension funds in 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 Sampension community.

Remuneration

The boards of directors of the financial enterprises managed by Sampension

Administrationssselskab A/S 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 the joint management company'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. Furthermore, the remuneration principles are to prevent conflicts of interest for the benefit of our members.

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 women and four members, corresponding to 57.1%, being men. 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 social responsibility 2021.

Management and other directorships

Executive Board

Mads Smith Hansen, Chief Executive Officer

Chief actuary

Steen Ragn

Internal audit

Gert Stubkjær, Chief Internal Auditor

Independent auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Annual General Meeting

The Annual General Meeting will be held on 26 April 2022.

Other directorships

The following sets out the directorships in other companies held by the members of the Board of Directors and the Executive Board.

Name and year of birth	Education/employment	Term/appointment, etc.	Other directorships and fiduciary positions
Cecilie Therese Hansen, born 19 September 1966, Chairman	Architect, MAA, client adviser with Emcon A/S	April 2021 to April 2024, elected by the members, member of AP, 13 years on the Board	Member of the board of directors of Sampension Administrationselskab A/S 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
Lene Dammand Lund, born 30 November 1963, Deputy Chairman	Architect, MAA, MBA, rector at the Royal Danish Academy - Architecture, Design, Conservation	July 2020 to April 2023, elected by the members, member of AP, 2 years on the Board	Member of the board of directors of UIA2023 Member of the board of directors of Foreningen Bæredygtighedsrådet (Tomorrow) Member of the Board of Directors of Bygningsarvsfonden Member of the audit and risk management committee of the Architects' Pension Fund Council-elected member of The Royal Danish Academy of Fine Arts
Klaus Berentsen, born 27 November 1959	MSc., CEO of Klaus Berentsen ApS	April 2021 to April 2023, appointed by the Union of Architects and Designers (FAOD), not a member of AP, 2 years on the Board	Member of the audit and risk management committee of the Architects' Pension Fund CEO of Klaus Berentsen ApS Owner of Klaus Berentsen ApS Owner of Stakkesvang 13, Fredericia ApS Owner of K/S Stakkesvang, Fredericia Fully liable participant of Berentsen Consulting v/Klaus Berentsen Member of the board of directors of FORE Brabrand ApS
Holger Ove Bisgaard, born 29 May 1952	Architect, MAA, owner of Bisgaards kontor, external lecturer at the Royal Danish Academy	October 2020 to October 2023, appointed by the Academic Association of Architects (AA), member of AP, 1.5 years on the Board	Chairman of the board of directors of Komponisten Jacob Gades Legat Owner of Bisgaards kontor

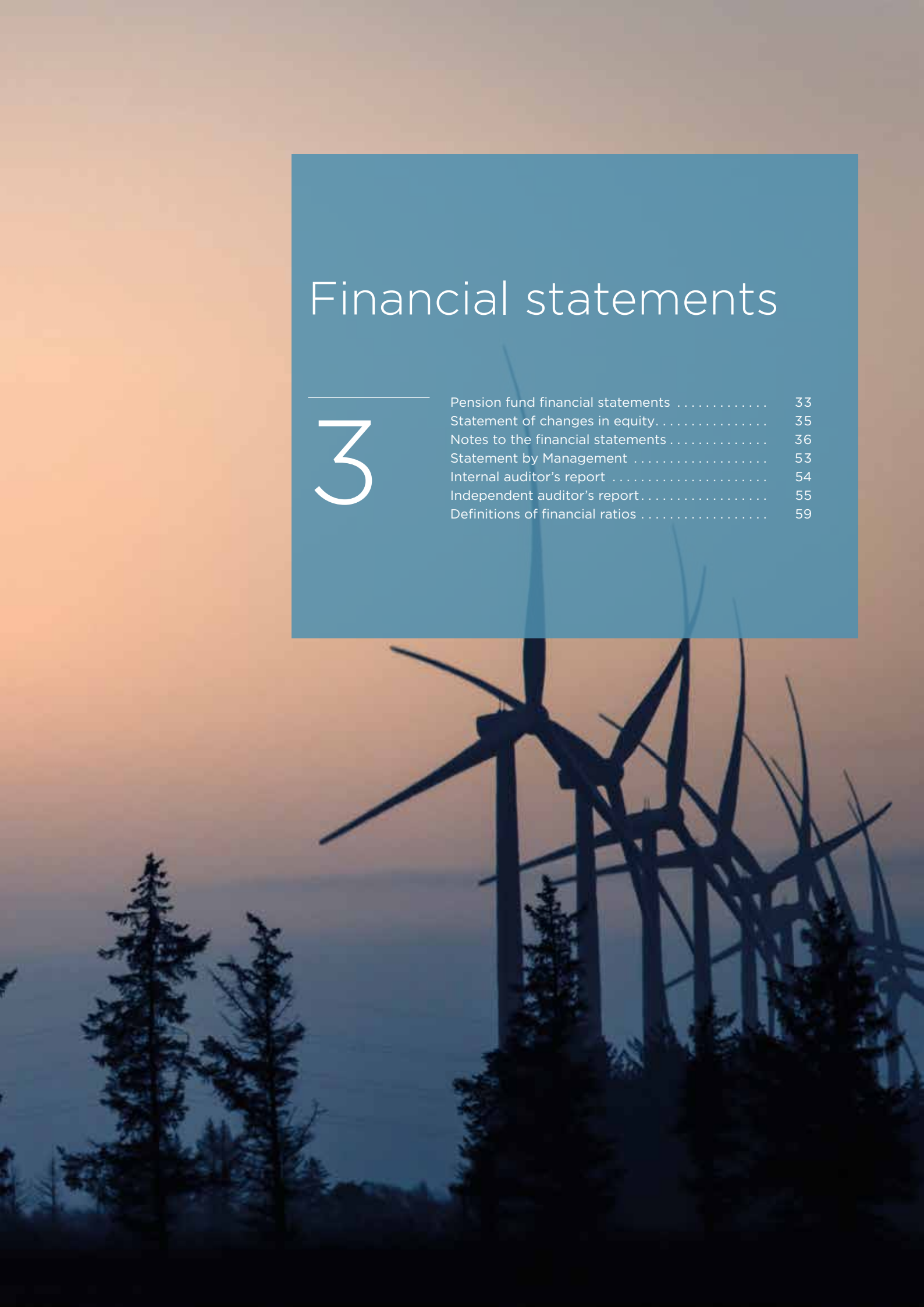
Name and year of birth	Education/employment	Term/appointment, etc.	Other directorships and fiduciary positions
Søren Kaare-Andersen, born 10 September 1958	MSc (Econ.), CEO of the Bikuben Foundation	April 2021 to April 2024, elected at the general meeting following nomination by the Board of Directors, not a member of AP, 7 years on the Board	<p>Formand for revisions- & risikoudvalget i Pensionskassen for Jordbrugsakademikere & Dyrslæger</p> <p>Formand for revisions- & risikoudvalget i Arkitekternes Pensionskasse</p> <p>Formand for det Rådgivende Udvalg i Nasdaq OMX Cph</p> <p>Formand for bestyrelsen i Høbbet A/S</p> <p>Formand for bestyrelsen i Bifi A/S</p> <p>Formand for bestyrelsen i Roskilde Kulturservice A/S</p> <p>Formand for bestyrelsen for Bikuben Foundation New York inc.</p> <p>Næstformand for bestyrelsen i Hjem til Alle alliancen</p> <p>Næstformand for bestyrelsen i Enkotec A/S</p> <p>Medlem af bestyrelsen i Pensionskassen for Jordbrugsakademikere & Dyrslæger</p> <p>Medlem af bestyrelsen i Nationalmuseets Museumsråd</p> <p>Medlem af bestyrelsen i NunaFonden</p> <p>Medlem af bestyrelsen i Københavns Almene Boligselskab (KAB)</p> <p>Medlem af bestyrelsen i H. P. Lorentzens Stiftelse</p> <p>Direktør for Bikubenfonden</p>
Anne Marie Øhlenschlæger Christiansen, born 4 June 1949	Architect, MAA, owner of AplusB	June 2019 to April 2022, elected by the members, member of AP, 9 years on the Board	<p>Member of the board of representatives of NRGi</p> <p>Member of the board of directors of the Danish Association of Architects</p> <p>Member of the board of representatives of the Danish Association of Architects</p> <p>Member of the management board of the Danish Association of Architects, East Jutland chapter</p> <p>Member of the board of representatives of the Danish Board of Technology Foundation</p> <p>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</p> <p>Owner of AplusB</p>
Mads Johan Wilian Gudmand-Høyer, born 8 February 1966	Architect, MAA, cost engineer, engineering consultant, National Building Foundation	June 2019 to April 2022, elected by the members, member of AP, 3 years on the Board	Member of the board of representatives of the Union of Architects and Designers
Mads Smith Hansen, born 6 January 1969, CEO	-	-	<p>COO of Sampension Livsforsikring A/S</p> <p>COO of Sampension Administrationselskab A/S</p> <p>CEO of the Pension Fund for Agricultural Academics and Veterinary Surgeons</p>



Financial statements

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Pension Fund Financial statement

Note	INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME DKKt.	PENSION FUND	
		2021	2020
2	Premiums	428,989	387,355
	Premiums	428,989	387,355
3	Interest income, dividends etc.	129,741	95,372
4	Market value adjustments	1,004,797	168,211
	Interest expenses	-5,284	-1,044
5	Investment management expenses	-35,163	-24,860
	Total investment return	1,094,090	237,680
	Tax on pension returns	-166,520	-34,118
6	Benefits paid	-280,652	-264,962
	Total insurance benefits	-280,652	-264,962
11	Total change in provisions	-835,348	-250,838
9	Change in surplus capital	-45,373	-13,480
5	Administrative expenses	-5,682	-4,897
	Total net operating expenses	-5,682	-4,897
	Transferred return on investments	-189,432	-42,117
	TECHNICAL RESULT	71	14,622
	Investment return on equity	223,617	52,193
	PROFIT BEFORE TAX	223,688	66,815
	Tax on pension returns for equity	-34,185	-10,077
	PROFIT FOR THE YEAR	189,503	56,738
	TOTAL OTHER COMPREHENSIVE INCOME	0	0
	NET PROFIT FOR THE YEAR	189,503	56,738

Pension Fund Financial statement (continued)

Note	BALANCE SHEET DKKt.	2021	2020
	ASSETS		
	Investments	2,368,527	2,337,734
	Units in mutual funds	2,409,667	2,673,008
	Bonds	4,597,723	4,838,944
	Loans secured by mortgage	78,708	27,193
7	Derivative financial instruments	103,211	245,911
	Deposits with credit institutions	36,457	58,458
	Total other financial investment assets	9,594,294	10,181,247
	TOTAL INVESTMENT ASSETS	9,594,294	10,181,247
8	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	1,776,141	0
	Total receivables arising from direct insurance contracts	5,786	6,323
	Other receivables	24,798	18,085
	TOTAL RECEIVABLES	30,585	24,408
	Cash and cash equivalents	212,846	131,851
	Other	10,511	6,250
	TOTAL OTHER ASSETS	223,358	138,101
	Interest and rent receivables	22,311	26,173
	Other prepayments	16,276	15,941
	TOTAL PREPAYMENTS	38,587	42,114
	TOTAL ASSETS	11,662,964	10,385,870
	EQUITY AND LIABILITIES		
	Retained earnings	2,036,319	2,145,878
	TOTAL EQUITY	2,036,319	2,145,878
9	Surplus capital	564,820	519,447
	TOTAL SUBORDINATED LOAN CAPITAL	564,820	519,447
10	Provisions for average-rate products	6,737,162	7,382,939
11	Provisions for unit-linked products	1,685,220	0
	TOTAL INSURANCE PROVISIONS	8,422,381	7,382,939
12	Payables to credit institutions	198,508	35,312
13	Other payables	440,875	302,294
	TOTAL DEBT	639,384	337,606
	TOTAL DEFERRED INCOME	60	0
	TOTAL EQUITY AND LIABILITIES	11,662,964	10,385,870
1	ACCOUNTING POLICIES		
14	CONTINGENT ASSETS AND LIABILITIES		
15	CHARGES		
16	REALISED RESULT AND DISTRIBUTION OF REALISED RESULT		
17	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE		
18	OVERVIEW OF ASSETS AND RETURNS		
19	MARKED-RATE PRODUCT, RETURN ETC. BY INVESTMENT PROFILES		
20	FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, PENSION FUND		
21	RISK MANAGEMENT		

Statement of changes in Equity

DKKt.	31.12.2021	31.12.2020
Equity at 1 January	2,145,878	2,159,247
Profit for the year	189,503	56,738
Contribution from equity in connection with switches	-210,057	0
Supplementary pensions	-89,004	-70,108
Equity at 31 December	2,036,319	2,145,878
Total capital		
Equity	2,036,319	2,145,878
Surplus capital	564,820	519,447
Total	2,601,139	2,665,325

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 accounting estimates are consistent with those applied last year.

Distribution of realised result

The following rules on the calculation and distribution of results between equity, surplus capital and 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 surplus capital (total capital).

For pension agreements with unconditional commitments, an amount (risk premium) representing 0.5% of member savings' is allocated to total capital. No amount is allocated to total capital for 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 primarily 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, i.e. fair value measurement is based on unobservable inputs.

The measurement of pension provisions for average-rate contracts is subject to particular uncertainty in respect of the applied discount curve and the recognised expected future life expectancy trend, determined on the basis of the Danish FSA's model. In addition, the assumptions applied in the measurement are mainly longevity, disability rates, probability of conversion into paid-up policies and surrender charges.

Due to their illiquidity and timing differences, the measurement of level 3 investment assets is subject to greater uncertainty than level 1 and level 2 assets, whose fair values are measured on the basis of quoted prices in an active market or on the basis of observable inputs. As a result, the measurement of level 3 investment assets typically has the highest uncertainty margin, as the measurement is often based on unobservable inputs, meaning that major deviations may occur in relation to another company's measurement of the same asset. 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 illiquid 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 illiquid assets on unfavourable terms. The value of the most liquid 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 – listed according to item size, see note 17 – 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 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 surplus 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 surplus 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 for the year in pension provisions relating to average-rate products as well as unit-linked products.

Change in surplus capital

The item comprises the year's change in surplus 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 is stated net of transferred return on investments, which constitutes the investment return attributable to 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 equity 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).

Unlisted equity 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 measurement 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.

Investment assets related to unit-linked products

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

Receivables

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

Other assets

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

Surplus capital

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

Surplus capital is accumulated as 5% of premiums for average-rate products and 2% of premiums for unit-linked products.

Pension provisions

Pension provisions, average-rate products

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 computation furthermore applies assumptions of mortality, disability, conversions into paid-up policies, surrender charges and an estimate of future improvements in life expectancy defined on the basis of the Danish FSA's benchmark model.

The pension fund has a single contribution group. Effective at 1 January 2022, average-rate policies are divided into two independent contribution groups; one with unconditional commitments and one with conditional commitments.

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 potentials

Individual bonus potential comprises obligations to pay bonuses. Individual bonus potential is calculated as the value of members' savings less the 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 potentials

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 members.

Risk margin

A risk margin is added to pension provisions. The risk margin is the amount expected to be payable to another pen-

sion provider 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.

Provisions for unit-linked products

Provisions for unit-linked products are calculated as the market value of the corresponding net investment assets.

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 59.

Notes to the financial statements (continued)

Note	DKKt.	2021	2020
2	Premiums		
	Regular premiums	382,668	357,772
	Single premiums	46,320	29,582
	Total premiums	428,989	387,355
	Distribution of premiums		
	Contracts including bonus schemes	390,914	387,355
	Unit-linked products	38,075	0
	Total	428,989	387,355
	Premiums by policyholder's address		
	Denmark	379,712	355,606
	Other EU-countries	2,164	1,699
	Other countries	792	467
	Total	382,668	357,772
	Number of members with pension schemes set up as part of their employment	10,712	10,337
	Number of members with unit-linked contracts	2,396	0
3	Interest income and dividends etc.		
	Dividends from investments	49,440	18,214
	Dividends from units in mutual funds	0	31
	Interest from bonds	74,092	75,229
	Interest on loans secured by mortgage	1,191	580
	Other interest income	72	251
	Indexation	4,946	423
	Interest swap instruments	0	644
	Total interest income, dividends, etc.	129,741	95,372
4	Market value adjustments		
	Investments	613,508	-16,150
	Units in mutual funds	661,486	116,122
	Bonds	-112,923	36,662
	Loans secured by mortgage	906	-1,272
	Derivative financial instruments	-165,374	34,009
	Cash and demand deposit	7,193	-1,160
	Total market value adjustments	1,004,797	168,211

Note	DKKt.	2021	2020
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	-942	-942
	Total staff costs	-942	-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 in the units that form a part of and are owners of the joint management company Sampension Administrationssselskab A/S. AP has a 3% (2020: 3%) ownership interest in Sampension Administrationssselskab A/S. AP's share of CEO Mads Smith Hansen's total remuneration of DKK 4.1 million (01.04-31.12.2020: DKK 2.8 million) is DKK 0.127 million (01.04-31.12.2020: DKK 0.085 million). AP's share of CEO Hasse Jørgensen's total remuneration of DKK 1.6 million for the period 01.01-31.03.2020 was DKK 0.049 million.		
	Board remuneration		
	Cecille Therese Hansen	-240	-240
	Lene Dammand Lund (joined 02.07.2020)	-170	-72
	Søren Kaare-Andersen	-140	-140
	Anne Marie Øhlenschläger Christiansen	-102	-102
	Mads Johan Wilian Gudmand-Høyer	-90	-90
	Klaus Berentsen (joined 01.05.2020)	-110	-73
	Holger Ove Bisgaard (joined 23.10.2020)	-90	-17
	Per Frølund Thomsen (resigned 23.10.2020)	-	-126
	Kirsten Schmidt Sander (resigned 02.07.2020)	-	-45
	Rikke Sylow Francis (resigned 30.04.2020)	-	-37
		-942	-942
	Number of individuals	7	7
	Fixed salary, including pension, of employees whose activities have a material impact on the company's risk profile*)	-354	-357
	Number of individuals	7	7
	Remuneration to chief actuary		
	The fee is paid by the joint management company and settled through the management fee.	-86	-161

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

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

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

In accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies, the company has disclosed certain information regarding its remuneration policy etc. Such information is provided on the company's website arkitektension.dk/om-pensionskassen/struktur-og-ledelse/bestyrelse

Note 5 continued on next page

Notes to the financial statements (continued)

Note 5 continued

Note	DKKt.	2021	2020
Remuneration for auditors elected by the Annual General Meeting			
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab			
	Statutory audit	-276	-154
	Assurance engagements	-54	-27
	Tax advice	-23	-77
	Other services	0	0
		-353	-258

In addition to the above fees, costs have been incurred for the pension fund's internal audit.

All amounts and rates are stated including VAT.

In addition to the statutory audit of the financial statements, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has issued other statutory assurance reports and a required report on annual expenses expressed as a percentage and as an amount.

6	Benefits paid		
	Retirement and annuity benefits	-322,792	-288,207
	Payment at surrender etc.	-42,877	-40,944
	Premium relating to group life schemes	-3,987	-5,920
	Total pension benefits paid	-369,656	-335,070
	Recognised in the income statement	-280,652	-264,962
	Distributed from equity	-89,004	-70,108
	Total benefits paid	-369,656	-335,070

7	Derivative financial instruments		
2021		Positive fair value	Negative fair value
	Interest rate hedging instruments etc.:		
	Interest swaps	57,919	-83,498
	Swaptions	10,525	-14,959
	CDS's	20,828	-4,168
	Option on futures	2,670	-2,387
	Total interest rate hedging instruments	91,943	-105,012
	Currency-based derivative financial instruments	20,113	-87,251
	TRS Equity	182	0
	Total derivative financial instruments	112,238	-192,263
	Fair value included in the item Derivative financial instruments	103,211	
	Fair value included in the item Investment assets related to unit-linked contracts, see note 8	9,026	
	Fair value included in the item other debt see note 13		192,263
	Net carrying value (liability)		80,025

Note 7 continued on next page

Note 7 continued

Note	DKKt.	2021	2020
	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	17,723	71,983
	The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of (asset)	-162,075	-24,583
	Collateral, netto	-144,252	47,400

Furthermore, equity futures were used for effective portfolio management purposes in the unit-linked environment with a total negative exposure of DKK 52 million and in the average-rate environment with a total negative exposure of DKK 132 million (2020: DKK -147 million). Bond futures used to hedge interest rate risk in the bond portfolio had a total negative exposure of DKK 6 million in the unit-linked environment and a total negative exposure of DKK 160 million (2020: DKK -252 million) in the average-rate environment. As gains/losses are settled on a current basis, the fair value is nil.

2020	Positive fair value	Negative fair value
Interest rate hedging instruments etc.:		
Interest swaps	130,363	-200,194
Swaptions	8,744	-9,141
CDS's	18,313	0
Option on futures	290	0
Total interest rate hedging instruments	157,710	-209,336
Currency-based derivative financial instruments	88,003	-6,186
TRS Equity	198	0
Total derivative financial instruments	245,911	-215,522
Fair value included in the item Derivative financial instruments	245,911	
Fair value included in the item other debt see note 13		215,522
Net carrying value (asset)	30,389	

8	Investment assets related to unit-linked contracts		
	Investments	513,755	0
	Units in mutual funds	953,414	0
	Bonds	284,354	0
	Loans secured by mortgage	2,784	0
	Deposits with credit institutions	12,808	0
	Derivative financial instruments, see note 7	9,026	0
	Total investment assets related to unit-linked contracts	1,776,141	0

9	Surplus capital		
	Surplus capital beginning of year	519,447	505,966
	Transferred to equity, adjustment	3	-10
	Transferred from pension provisions	19,835	19,311
	Paid out to customers	-20,326	-18,904
	Return for the year	45,862	13,084
	Total surplus capital	564,820	519,447

Notes to the financial statements (continued)

Note	DKKt.	2021	2020
10	Provisions for average-rate products		
	Change in provisions for average-rate products is specified as follows		
	Pension provisions, beginning of year	7,382,939	7,132,101
	Collective bonus potential, beginning of year	-366,681	-371,393
	Accumulated value adjustment, beginning of year	-54,348	-48,562
	Retrospective provisions, beginning of year	6,961,909	6,712,146
	Total premiums	390,914	387,355
	Transferred to surplus capital	-19,237	-19,311
	Addition of interest after tax on pension returns	88,585	135,278
	Transfer between classes I and III	-1,264,984	0
	Insurance benefits	-238,005	-240,138
	Cost addition after addition of cost bonus	-5,057	-5,220
	Risk gain/loss after addition of risk bonus	15,298	-4,307
	Group life premiums	-7,223	-6,872
	Other	-1,616	2,979
	Retrospective provisions, end of year	5,920,583	6,961,909
	Accumulated value adjustment, end of year	45,637	54,348
	Collective bonus potential, end of year	770,942	366,681
	Total pension provisions	6,737,162	7,382,939
	Pension provisions are specified as follows		
	Guaranteed benefits	4,407,660	5,272,610
	Individual bonus potential	1,513,009	1,682,555
	Collective bonus potential	770,942	366,681
	Risk margin	45,551	61,093
	Total pension provisions	6,737,162	7,382,939
	Pension provisions categorised by technical rate of interest		
	The pension fund has a single contribution group at 31 December 2021, but it categorises provisions on the basis of the nature of the guarantees		
	Unconditional guarantees (technical rate of interest 1.5% – 4.25%)	54,111	58,867
	Conditional guarantees (technical rate of interest -0,75 %)	5,912,109	6,957,391
	Pension provisions categorised by technical rate of interest	5,966,220	7,016,258
	Collective bonus potential	770,942	366,681
	Total Pension provisions	6,737,162	7,382,939
	Supplementary ratios relating to pension provisions		
	Bonus rate	38.7%	29.5%
	Return on customer funds after costs but before tax	10.6%	2.2%

Note	DKKt.	2021	2020
11	Provisions for unit-linked products		
	Change in provisions for 3 i 1 Livspension is specified as follows		
	Provisions for 3 i 1 Livspension, beginning of year	0	0
	Total premiums	38,067	0
	Transferred to surplus capital	-597	0
	Investment return before tax on pension returns	43,439	0
	Transfer between classes I and III	1,264,984	0
	Contribution to savings in connection with switch to 3 i 1 Livspension	185,463	0
	Contribution from equity in connection with switch to 3 i 1 Livspension	248,001	0
	Pension returns tax on returns and contributions	-73,679	0
	Insurance benefits	-19,420	0
	Cost addition after addition of cost bonus	-791	0
	Risk gain/loss after addition of risk bonus	-256	0
	Provisions for 3 i 1 Livspension, end of year	1,685,212	0
	Change in provisions for Linkpension is specified as follows		
	Provisions for Linkpension, beginning of year	0	0
	Total premiums	8	0
	Provisions for Linkpension, end of year	8	0
	Total provisions for unit-linked contracts	1,685,220	0
	Insurances taken out without minimum interest rate guarantee		
	Supplementary ratios relating to pension provisions		
	Return on member funds after deduction of expenses and before tax	20,3%	0,0%
	Change in provisions are specified as follows		
	Change in provisions for average-rate products	645,778	-250,838
	Change in provisions for unit-linked products	-1,685,220	0
	Contribution from equity after tax on pension returns recognised directly in the balance sheet	210,057	0
	Premium paid through bonus for group life recognised directly on the balance sheet	-5,963	0
	Change in provision, Income statement	-835,348	-250,838
	Profit margin on pensions agreements is nil, as all the profit is allocated to members.		
12	Payables to credit institutions		
	Repos	180,707	35,312
	Bank loans	17,801	0
	Total payables to credit institutions	198,508	35,312
	From the bank loans the following fall due in the coming year	198,508	35,312
	After five years the outstanding balance will be	0	0
13	Other debt		
	Derivative financial instruments, according to note 7	192,263	215,522
	Payables relating to bond purchase	68,364	13,458
	Other financial liabilities	49	1,688
	Provision for tax on pension returns payable	180,199	71,627
	Total other debt	440,875	302,294

Notes to the financial statements (continued)

Note	DKKt.	2021	2020
14	Contingent liabilities		
	The Company has committed itself at a later date to invest in funds etc. amounting to	1,155,232	772,056
	Total contingent liabilities	1,155,232	772,056
15	Charges		
	Margin deposits relating to futures	45,050	23,027
	Bonds sold as part of repo debt	180,707	0
	Net assets registered in cover of 'Total provisions for insurance, net of reinsurance amounting to	8,737,215	7,638,058
	The amount related to the following items:		
	Investments and units in mutual funds	4,926,512	3,609,274
	Bonds	3,810,703	4,028,784
	Total assets earmarked as security for policyholders' savings	8,737,215	7,638,058
	Off which concerning unit-linked contracts	1,707,512	0
16	Realised result and distribution of realised result		
	Average-rate products		
	Investment return before tax on pension returns	1,050,651	237,681
	Change in market value adjustment	8,712	-5,786
	Basic rate of interest added	50,190	49,558
	Expense result	166	323
	Risk result	-15,042	4,307
	Other	35	-2,979
	Realised result	1,094,712	283,103
	Tax on pension returns	-130,785	-34,118
	Available for allocation after tax on pension returns	963,927	248,985
	Allocated to pension savers:		
	Bonus added	-138,775	-184,837
	Transferred to collective bonus potential, interest rate groups	-589,724	4,712
	Investment return and risk premium allocated to base capital	235,428	68,860
	Expense result in DKK	166	323
	Expense result as a percentage of technical provisions	0.002%	0.005%
	Risk result in DKK	-15,042	4,307
	Risk result as a percentage of technical provisions	-0.20%	0.06%

Note

17 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.	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Investments	697,199	0	2,185,083	2,882,282	708,964	0	1,628,770	2,337,734
Units in mutual funds	3,264,882	0	98,198	3,363,081	2,673,008	0	0	2,673,008
Bonds	3,562,601	68,085	1,251,392	4,882,077	3,505,715	309,023	1,024,206	4,838,944
Loans secured by mortgage	0	0	81,493	81,493	0	0	27,193	27,193
Derivative financial instruments	0	112,238	0	112,238	0	245,911	0	245,911
Deposits with credit institutions	49,265	0	0	49,265	58,458	0	0	58,458
Total financial assets	7,573,946	180,322	3,616,167	11,370,435	6,946,145	554,934	2,680,168	10,181,247
Financial liabilities								
Repos	180,707	0	0	180,707	35,312	0	0	35,312
Bank loans	17,801	0	0	17,801	0	0	0	0
Derivative financial instruments	0	192,263	0	192,263	0	215,522	0	215,522
Payables relating to bond purchase and settlement of repos	68,364	0	0	68,364	13,458	0	0	13,458
Total financial liabilities	266,873	192,263	0	459,136	48,769	215,522	0	264,291
Total net assets	7,307,073	-11,941	3,616,167	10,911,299	6,897,375	339,412	2,680,168	9,916,956
Off which concerning:								
Average-rate products and Total capital	6,097,754	-3,557	3,076,689	9,170,885	6,897,375	339,412	2,680,168	9,916,956
Unit-linked products	1,209,319	-8,384	539,478	1,740,414	0	0	0	0
Total	7,307,073	-11,941	3,616,167	10,911,299	6,897,375	339,412	2,680,168	9,916,956

Note 17 continued on next page

Notes to the financial statements (continued)

Note 17 continued

Note					
Specification of valuation based on Level 3					
DKKt.	Value at 1 January 2021	Value adjustments included in market value adjustments	Purchase/sale/settlement	Transfers Between Levels	Value at 31 December 2021
Investments	1,628,770	568,806	-12,492	0	2,185,083
Units in mutual funds	0	8,808	21,911	67,479	98,198
Bonds	1,024,206	27,450	166,596	33,141	1,251,392
Loans secured by mortgage	27,193	906	53,394	0	81,493
Total	2,680,168	605,969	229,409	100,620	3,616,167
DKKt.	Value at 1 January 2020	Value adjustments included in market value adjustments	Purchase/sale/settlement	Transfers Between Levels	Value at 31 December 2020
Investments	1,544,352	-5,157	89,575	0	1,628,770
Bonds	1,055,853	-12,843	-18,804	0	1,024,206
Loans secured by mortgage	28,800	-1,272	-336	0	27,193
Total	2,629,005	-19,272	70,435	0	2,680,168

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

18 Overview of assets and returns, pension fund

Assets and return DKKkm.	Market value		Return 2021 % p.a.
	Beg. of year	End of year	
Average-rate products			
Land and buildings	968	934	18.4%
Listed investments	2,780	2,460	26.3%
Unlisted investments	1,007	1,097	43.5%
Total Investments	3,787	3,557	31.4%
Government- and mortgage bonds	3,097	2,972	-2.2%
Index-linked bonds	235	119	5.1%
Credit bonds, investment grade and non-investment grade	1,719	1,748	4.2%
Loans etc.	27	79	6.6%
Total bonds and loans etc.	5,078	4,918	0.2%
Other investment assets	139	-27	-45.5%
Derivative financial instruments to hedge the net change in assets and liabilities	84	-56	-
Total	10,056	9,325	10.8%

Note 18 continued on next page

Note 18 continued

Assets and return DKKkm.	Market value		Return 2021 % p.a.
	Beg. of year	End of year	
Unit-linked contracts			
Land and buildings	0	259	18.6%
Listed investments	0	953	25.7%
Unlisted investments	0	221	47.2%
Total Investments	0	1,174	29.3%
Government- and mortgage bonds	0	111	-1.9%
Index-linked bonds	0	5	4.3%
Credit bonds, investment grade and non-investment grade	0	200	6.5%
Loans etc.	0	3	1.8%
Total bonds and loans etc.	0	318	4.4%
Group enterprises and associates	0	0	0.0%
Other investment assets	0	38	16.6%
Derivative financial instruments to hedge the net change in assets and liabilities	0	-16	-
Total	0	1,773	20.1%

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/om-pensionskassen/finansiel-information/aktiver the combined equity portfolio of the Architects' Pension Fund can be found.

19 Unit-linked product, return etc. by investment profiles

	2021			2020		
	% of average provisions	Return % p.a.	Risk	% of average provisions	Return % p.a.	Risk
Lifecycle product 3 i 1 Livspension						
Investment profile with high risk						
Years to retirement						
30 years	0.00%	23.7%	5.50	-	-	-
15 years	0.00%	23.7%	5.50	-	-	-
5 years	0.00%	15.2%	4.50	-	-	-
5 years after	0.00%	11.1%	4.25	-	-	-
Investment profile with moderate risk						
Years to retirement						
30 years	1.37%	21.3%	5.25	-	-	-
15 years	3.01%	21.3%	5.25	-	-	-
5 years	0.00%	12.4%	4.25	-	-	-
5 years after	0.00%	8.1%	3.75	-	-	-
Investment profile with low risk						
Years to retirement						
30 years	0.00%	15.5%	4.50	-	-	-
15 years	0.00%	15.5%	4.50	-	-	-
5 years	0.00%	8.6%	4.25	-	-	-
5 years after	0.00%	5.3%	3.50	-	-	-

A retirement age of 67 is assumed.

Notes to the financial statements (continued)

Note

20 Five-year financial highlights and ratios

Five-year key figures

DKKm.	2021	2020	2019	2018	2017
Premiums	429.0	387.4	387.7	373.0	351.8
Benefits	-280.7	-265.0	-253.1	-258.0	-274.7
Total investment return	1,094.1	237.7	920.5	-193.3	606.3
Total net operating expenses	-5.7	-4.9	-4.9	-5.4	-5.1
Technical result	0.1	14.6	9.9	4.4	7.9
Profit for the year	189.5	56.7	186.1	-34.9	130.7
Total provisions for insurance contracts	8,422.4	7,382.9	7,132.1	6,450.4	6,461.4
Surplus capital	564.8	519.4	506.0	462.5	470.5
Total equity	2,036.3	2,145.9	2,159.2	2,049.8	2,148.6
Total assets	11,663.0	10,385.9	10,516.7	9,542.6	9,636.8

Five-year financial ratios

	2021	2020	2019	2018	2017
Return ratios					
Rate of return related to average-rate products	10.7%	2.4%	10.2%	-2.1%	7.1%
Rate of return related to unit-linked products	19.6%	-	-	-	-
Risk on return related to unit-linked products	4.50	-	-	-	-
Expense ratios					
Expense ratio for provisions	0.08%	0.07%	0.08%	0.08%	0.08%
Expenses in DKK. per policyholder	540	479	486	547	540
Return ratios					
Return on equity after tax	8.7%	2.6%	8.8%	-1.7%	6.2%
Return on surplus capital	10.0%	3.0%	10.4%	-2.1%	7.5%

Reference is made to "Definitions of financial ratios" on page 59.

Note

21 Risk management

AP's risks may be divided into two general categories:

1. Risks that are largely within the company's control and that the pension fund's risk management system regularly identifies, measures, monitors and reports on. These risks comprise investment, insurance and operational risks.
2. Risks that are beyond the company's control and are largely framework conditions, to which the pension fund's activities must be adjusted in case of changes. External risks comprise regulatory risk, reputational risk and a number of other external and strategic risks. These risks are monitored by 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 risk exposure or hedging. 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

Until 2020, AP had one common investment portfolio for its pension provisions and total capital, i.e. equity and surplus capital. As from 2021, new members get 3 i 1 Livspension, which is a unit-linked product with lifecycle investment adjustment and the option of choosing risk profile. In 2021, the pension fund offered certain members to make a voluntary and individual switch to the new product.

The majority of the pension fund's members have average-rate 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 average-rate schemes, in which the risks relate 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 an acceptable level, partly by ensuring appropriate diversification of risk on overall asset classes, partly by establishing a framework for the overall Value-at-Risk (VaR), which is monitored through a proprietary VaR model.

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 determined by the authorities equal to long-term inflation and real growth forecasts.

FINANCIAL RISK

Given the members' conditionally guaranteed or unit-linked pensions, the financial risks arise predominantly from the investments in which the total capital is placed.

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 unconditionally 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's total capital.

The pension fund hedges the currency risks on investments denominated in foreign currency in accordance with the guidelines of the Board of Directors when assets held in an individual 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 illiquid assets, for which valuation and risk measurement are subject to greater uncertainty than listed equities, for example. Illiquidity involves a risk that large selling transactions over a short period of time result in a loss. The Board of Directors has defined a framework for investing in illiquid asset classes that reflects these considerations. The risk management system comprising, among other things, a valuation committee was set up with a view to ensuring ongoing market valuation and management of illiquid assets.

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.

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 the pension fund 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.

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 sums insured are covered for own account. No reinsurance contracts have been concluded for pension insurance. The sum insured is the difference between accumulated reserves and reserves to be provided to meet future pension and insurance benefits in the event of a customer's 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 and cyber risk.

In order to reduce operational risk, AP has set up procedures to monitor and minimise risk in relation to the pension business and the investment business. AP 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 critical or significant areas of activity with a view to reducing costs and gaining access to specialist competencies. The Board of Directors has set out guidelines for outsourcing of critical or 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 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 at Solvency and financial condition 2021.

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 2021.

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 2021 and of the results of the pension fund's operations for the financial year ended 31 December 2021.

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, 14 March 2022

Executive Board

Mads Smith Hansen
Chief Executive Officer

/ Pernille Henriette Vastrup
Chief Financial Officer

Board of Directors

Cecilie Therese Hansen
(Chairman)

Lene Dammand Lund
(Deputy Chairman)

Klaus Berentsen

Holger Ove Bisgaard

Søren Kaare-Andersen

Anne Marie Øhlenschläger Christiansen

Mads Johan Wilian Gudmand-Høyer

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 2021 and of the results of the pension fund's operations for the financial year ended 31 December 2021 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 2021. 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, 14 March 2022

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 2021 and of the results of the Pension Fund's operations for the financial year 1 January - 31 December 2021 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 2021 comprise income statement and statement of other 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 ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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 5 years including the financial year 2021.

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 2021. 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 8,422 million, which constitutes 72 percent of the pension funds balance sheet total.</p> <p>The provisions primarily consist of provisions for average-rate products and unit-linked products.</p> <p>The provisions are based on the fair value of the associated assets in relation to unit-linked products and actuarial principles in relation to other provisions and involves significant accounting estimates, which are linked to the actuarial assumptions concerning the timing and amounts of future payments to members.</p> <p>Significant actuarial assumptions include yield curve used for discounting, life span, mortality, disability, probability of repurchase and paid-up policies as well as costs. We focused on the measurement of pension provisions, because accounting estimates are complex by nature and influenced by subjectivity and thus associated with a high degree of discretionary uncertainty.</p> <p>Reference is made to the mention of “Accounting estimates” in note 1 and “Pension provisions” in note 10 and note 11 to the Financial Statements.</p>	<p>We performed risk assessment procedures in order to gain an understanding of IT systems, business procedures and relevant internal controls regarding the calculation of pension provisions. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls that we planned to base the audit on, we tested whether they were performed on a consistent basis.</p> <p>We used our own actuaries to assess the actuarial methods and models used by the pension fund, as well as the assumptions used and calculations made.</p> <p>We assessed and challenged the methods used, models and significant assumptions in the form of yield curve used for discounting, life span, mortality, disability, probability of repurchase and paid-up policies probability and costs based on our industry knowledge to assess whether these are in accordance with regulatory and accounting requirements. This included an assessment of the continuity of the basis for the calculation of provisions.</p> <p>We tested the calculation of the calculated pension provisions on a sample basis.</p> <p>We assessed whether the information regarding the provisions was appropriate.</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 and are included in the financial line items:</p> <ul style="list-style-type: none"> • Investments • Bonds • Investment assets related to unit-linked products <p>Unlisted investment assets are measured at an estimated fair value. The fair value accounting estimate is based on valuation models, data and significant assumptions that are not directly observable to third parties. Changes in the significant assumptions that are included in the accounting estimate can have a significant impact on the financial statements.</p> <p>We focused on the measurement of unlisted investments because the accounting estimates are complex in nature and influenced by subjectivity and thus associated with a high degree of estimation uncertainty.</p> <p>Reference is made to the mention of “Accounting estimates” in note 1 and note 17, “Financial instruments recognised at fair value”, to the Financial Statements.</p>	<p>We performed risk assessment procedures in order to gain an understanding of IT systems, business procedures and relevant internal controls for measuring unlisted investments.</p> <p>For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls that we planned to base the audit on, we tested whether they were performed on a consistent basis.</p> <p>We assessed and tested the valuation models used by Management.</p> <p>We tested on a sample basis the consistency between the assumptions used, data 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 challenged the accounting estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p> <p>We assessed whether the information regarding the unlisted investments was appropriate.</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.

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- 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, actions taken to eliminate threats or safeguards applied.

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, 14 March 2022
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

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

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

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

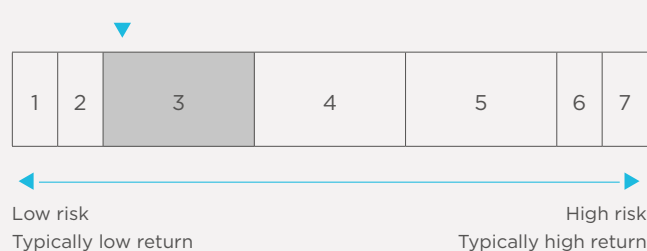
The time-weighted return reflects the return that would have been achieved if no payments had been made to or from the portfolio during the period. The time-weighted return expresses performance and can be used to measure against a benchmark or returns achieved by other investors within the same asset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

Risk on return related to unit-linked products = Calculated as the standard deviation (SD) of the monthly return related to unit-linked products over the past 36 months using the following scale of 1 to -7:

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

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

Return/ Risk profile



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

Expenses per policyholder (DKK) =
$$\frac{\text{Årets pensionsmæssige driftsomkostninger}}{\text{Average number of policyholders}}$$

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

Return on surplus capital, allocated same rate as equity =
$$\frac{\text{Overskudskapitalens afkast før skat} \times 100}{\text{Vægtet gennemsnitlig overskudskapital}}$$

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

Supplementary financial ratios

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

Return on customer funds after deduction of expenses and before tax, per product type =
$$\frac{(\text{Weighted average provisions} + \text{Weighted average surplus capital} + \text{tax on pension returns}) \times 100}{\text{Technical provisions at beginning of year plus surplus capital at beginning of year} + \text{weighted average cash flows}}$$

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.

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

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

