

Annual Report 2018



pensionskassen
Arkitekter & Designere

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“Members contributed more to their pensions in 2018 in total DKK 373 million of which DKK 32 million came from single premiums and transfers.”



Letter from the Chairman

The extremely volatile nature of the financial markets became very clear in 2018. The year turned out to be the worst investment year for pension companies since the financial crisis. The Architects' Pension Fund (AP) was affected as well, but less so than many others. Overall, our investments generated a return of DKK -193 million, or -2.1%.

All of our members received the same rate of interest, 3.5%, on their savings in 2018, but as of 1 January 2019, we have lowered the rate to 2.6% due to the poor investment returns for 2018 and subdued expectations for investment returns in the years ahead. Still, over the past five years, our members have received aggregate interest on their savings of 25.2% – quite a competitive rate.

We continue to derive economies of scale from our administration alliance with Sampension Liv and the Pension Fund for Agricultural Academics and Veterinary Surgeons in the form of, for example, low administrative expenses, which we were able to keep almost unchanged compared with 2017. Our members paid the same low fee for administration, advice and other services as in 2017.

Single premiums can be transferred to AP free of charge, and 335 members chose to make additional contributions to their savings in 2018. Single premiums grew by 37%, taking total premiums to some DKK 21 million, an increase of 6% compared with 2017.

Architects and designers tend to retire later than most other employee groups, and four out of ten choose to stay in the labour market after turning 65, bolstering their pension savings. Because we live longer, our savings need to go farther. The increasing life expectancies and updated return assumptions are clearly reflected in the pension industry's revised forecasts, which point to lower benefits in the years ahead. In that context, I would recommend all of our members to visit arkitektpens-ion.dk to check whether their insurance cover matches their requirements: Have you designated the right persons as beneficiaries? Are you saving up enough? Are your insurance covers adequate? And so on and so forth. Last year, we had some 30,000 visits to our website and 14,000 member log-ins. While this indicates a good deal of interest in pension matters, we would welcome even more visits.

Together with our partners in the joint management company, we increased our focus on climate change and, among other things, stepped up our efforts to increase transparency of our investments in relation to climate change risks.

Accordingly, we decided to support the international Task Force on Climate-related Financial Disclosures (TCFD) to gain new insights and learn new methods in relation to the climate change area. One of the steps we have taken is to measure the carbon footprint of our equity investments. We do this based on the recommendations and principles of the TCFD, which aim to make investors better able to invest in climate-sustainable business models and businesses.

You can read much more about this in our ESG report for the Sampension community, which is released together with this annual report.



Mette Carstad
Chairman





Management's review

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Five-year key figures and financial ratios

Five-year key figures DKKm	2018	2017	2016	2015	2014
Premiums	373.0	351.8	336.6	325.5	319.0
Benefits paid	-258.0	-274.7	-240.6	-223.6	-207.2
Investment return	-193.3	606.3	600.1	388.2	706.9
Total pension operating expenses	-5.4	-5.1	-9.8	-11.4	-7.6
Technical result	4.4	7.9	40.7	8.3	220.0
Profit/loss for the year	-34.9	130.7	162.1	85.3	351.7
Total pension provisions	6,450.4	6,461.4	6,032.7	5,632.4	5,316.2
Excess capital	462.5	470.5	440.4	407.6	388.9
Equity	2,049.8	2,148.6	2,057.9	1,939.8	1,891.4
Total assets	9,542.6	9,636.8	8,690.6	8,137.3	8,139.2

Five-year financial ratios	2018	2017	2016	2015	2014
Return ratios					
Rate of return related to average-rate products	-2.1%	7.1%	7.5%	5.1%	10.2%
Expense ratios					
Expenses as a percentage of pension provisions	0.08%	0.08%	0.17%	0.21%	0.15%
Expenses per policyholder (DKK)	547	540	1,042	1,263	885
Other return ratios					
Return on equity after tax	-1.7%	6.2%	8.1%	4.5%	20.3%
Return on excess capital	-2.1%	7.5%	7.5%	5.1%	10.2%
Capital structure ratios					
Solvency coverage	282%	377%	428%	492%	227%

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

Policyholders and pension schemes

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

On 1 January 2017, AP joined the Sampension joint management company, which also handles the management of the Sampension Livsforsikring Group and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The group of owners of Sampension Administrationselskab A/S comprises: Sampension Livsforsikring A/S (94%), the Pension Fund for Agricultural Academics and Veterinary Surgeons (3%) and the Architects' Pension Fund (3%).

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

Premiums and benefits

Premium income

Premiums grew by 6% to DKK 373.0 million in 2018 from DKK 351.8 million in 2017. Regular premiums grew by DKK 12.6 million, while single premiums and transfers increased by DKK 8.6 million.

Premium income
of DKKm

373 million

Premium income DKKm	2018	2017	Change (%)
Regular premiums	341.4	328.8	3.8
Single premiums etc.	31.6	23.0	37.0
Total premiums	373.0	351.8	6.0

The number of policyholders at 31 December 2018 was 9,922 against 9,687 at 31 December 2017, an increase of 2.4%.

Number of policyholders	31.12.2018	31.12.2017	Change (%)
Premium-paying policyholders in active employment	4,977	4,889	1.8
Paid-up policies etc.	2,721	2,691	1.1
Pensioners	2,224	2,107	5.6
Total number of policyholders	9,922	9,687	2.4

Benefit payments

Total benefits paid amounted to DKK 322.0 million in 2018 against DKK 314.7 million in 2017, including supplementary pensions financed by equity. The increase was primarily attributable to regular pension benefits.

Expenses

Both investment expenses and administrative expenses have dropped significantly after AP joined the joint management company. The lower the expenses, the greater the proportion of contributions and returns will be allocated to savings.

Efficient investment management

Internal and external management efficiency is very important to the joint management company. Cost-benefit analysis is used to assess whether the various portfolios should be managed internally or externally.

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

Investment expenses

Investment expenses include expenses incurred by AP, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc. Investment expenses as a percentage of policyholder savings were 0.52% in 2018 compared with 0.51% in 2017.

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

Administrative expenses per policyholder of DKK 547

Pension administrative expenses amounted to DKK 5.4 million in 2018 against DKK 5.1 million in 2017.

- Expenses per policyholder amounted to DKK 547 in 2018 against DKK 540 in 2017. The ratio was thus kept at a low level.
- Expenses expressed as a percentage of provisions was 0.08%, unchanged compared with 2017.

Total APR of 0.6%

Our website, arkitektpension.dk, provides information to policyholders on annual expenses expressed in Danish kroner and as a percentage (APR). The total APR for 2018 was 0.6% against 0.8% in 2017, calculated for a member with savings of DKK 1 million and annual contributions of DKK 50,000. APR includes an annual administration fee of DKK 480 per policyholder, 0.25% of policyholders' regular premiums, investment expenses as set out above and a risk premium of 0.25%. The risk premium for 2018 was nil due to the negative investment return. As a result, the APR for 2018 was lower than the 2017 APR, which included a risk premium.

Administrative expenses per policyholder

DKK **547**

Investments and returns

The global economy and financial markets

Most leading economies opened 2018 with growth rates similar to those reported towards the end of 2017. However, this scenario was followed by great uncertainty caused by trade disputes, mainly between the USA and China, and the confusing Brexit process. Except in the US, where growth continued on the back of the Trump administration's expansive fiscal policy, growth faltered in almost all other economies. Mounting concerns about trade restrictions affected most countries, including the Chinese and European economies. Europe was also impacted by turmoil within the EU, relating primarily to Brexit, Italy's budget troubles and the populist tendencies witnessed in several elections among EU member states.

The financial markets were highly volatile and produced negative returns in 2018. While bond yields trended lower in Europe, including in Denmark, yields edged upwards in the US. This is consistent with the US Federal Reserve's ongoing efforts, unlike the approach of the European central bank (ECB), to tighten monetary policy in an attempt to prevent the US economy from overheating. While European interest rate hikes are not imminent, the ECB cut its bond-buying programme by 50% in October 2018 and discontinued it altogether at the end of the year. Equity markets all over the world reported major sell-offs and took a particularly severe drubbing in the last quarter of the year. The US equity market was the best performer with a moderate 4.4% loss, while the UK equity market (down 8.7%) trailed behind together with most other markets, including emerging markets (down 10.2%), Europe (down 10.2%), Denmark (down 10.9%) and Asia (down 12.6%). Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets.

The US dollar appreciated, especially against EUR and, by extension, DKK. The USD appreciated by 5.0% against DKK in 2018.

Investment return of

-2.1%

Investment return of DKK -193.3 million or -2.1%

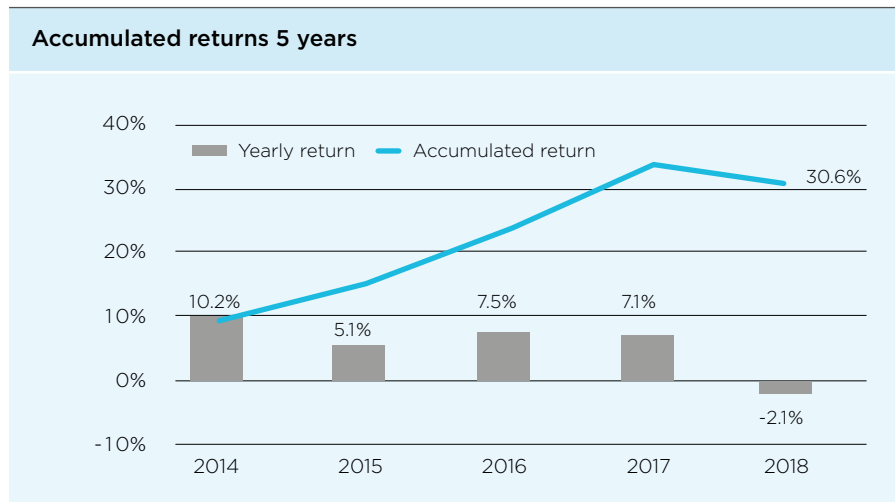
Our investment strategy aims to maximise the long-term return in a responsible manner within the given risk framework. AP's total return was -2.1% in 2018. With a return of -5.5% in DKK terms, listed equities were the main detractor from performance, see the table below. Hedging of the currency risk on foreign investments detracted from performance as well. Severely impacted by plunging equity markets towards the end of the year, the commodities and forestry portfolio generated a return of -22.2%. Due to its small size, the portfolio had a relatively limited impact on the overall return, though. At the opposite end of the scale, private equity and low-risk bonds generated positive returns. The remaining asset classes also generated positive returns, but the total impact was limited due to moderate holdings.

Investment return by asset class	Distribution (%) at 31.12.2018	Return (%)
Bonds etc. subject to low credit risk	45.3	1.2
Bonds etc. subject to high credit risk	6.8	0.8
Listed equities	28.0	-5.5
Private equity	7.6	12.0
Real estate. land and infrastructure	9.4	2.6
Commodities and forestry	1.6	-22.2
Global macro hedge funds	1.3	6.3
Total excluding currency hedging etc.	100.0	-0.4
Currency hedging etc.		-1.7
Net return after currency hedging etc.		-2.1

At DKK -193.3 million before tax on pension returns, the total investment return for 2018 was down by DKK 799.6 million relative to 2017. For a more detailed specification of holdings and returns, see note 16 to the financial statements.

Five-year returns

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



Five-year return of

30.6%

Corporate social responsibility

Our approach to corporate social responsibility is governed by our ambition to comply with and implement international United Nations conventions, including the ten principles of the UN Global Compact, the OECD Guidance for Responsible Business Conduct for Institutional Investors and the climate targets of the Paris Agreement. The responsible investment policy applies to all three parties of the joint management company. The boards of directors have set up a cross-functional committee to make proposals for decisions in the ESG area. The committee is charged with considering the social, environmental and governance aspects of investment decisions made by the three pension providers with a view to agreeing on the principles to be included in the pension companies' policy on responsible investment.

We believe that a strong focus on climate and the environment, social issues and corporate governance contributes to a company's ability to generate returns for its investors. As an investor, AP aims to exert its influence through a stewardship approach, and we work continually to promote responsible conduct by the companies we are invested in.

Our separate ESG report provides additional information on the responsible investment approach pursued by the parties of the joint management company. Reference is also made to the review of objectives and the efforts made in general governance, investing and company operations discussed in the statutory report on corporate responsibility available (in Danish only) at arkitektpensjon.dk/samfundsansvar2018.

Financial results, solvency requirements and total capital

Loss of DKK

34.9 million

Loss of DKK 34.9 million

AP reported a loss of DKK 34.9 million for 2018 compared with a profit of DKK 130.7 million in 2017. The profit or loss for the year consists mainly of the share of the investment return for the year allocated to equity and the risk premium for the year. Due to the negative investment return, no risk premium was allocated in 2018.

The Board of Directors proposes that the loss for the year be covered by equity. Equity stood at DKK 2,050 million at 31 December 2018 compared with DKK 2,149 million at 31 December 2017. A total of DKK 64 million was distributed as supplementary pension benefits in 2018.

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 requirement and total capital DKKm	31.12.2018	31.12.2017
Total capital	2,512	2,619
Solvency capital requirement (SCR)	891	695
Minimum capital requirement (MCR)	223	174
Excess capital	1,621	1,925
Solvency coverage ratio relative to SCR	282%	377%
Solvency coverage ratio relative to MCR	1128%	1508%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 282% at 31 December 2018. The decline relative to 31 December 2017 was mainly due to the negative investment return for the year. The solvency coverage ratio is still at a very robust level.

For more information, see 'Rapport om solvens og finansiel situation 2018', which is available (in Danish only) at arkitektpensjon.dk/rapporter. This report also provides information on risk sensitivities in accordance with section 126 of the Danish Executive Order on Financial Reports.

Provisions for pension contracts

Pension provisions are computed at market value based on assumptions of mortality and disability and probability of policy surrenders and conversions into paid-up policies. Market values are calculated using the Solvency II discount curve. Provisions are also determined using the Danish FSA's benchmark for expected future increases in longevity.

Pension provisions stood at DKK 6,450 million at 31 December 2018 compared with DKK 6,461 million at 31 December 2017. Effective from 2018, the Danish FSA applies a rolling 20-year data period rather than the previous 30-year period for estimating expected future longevity improvements. Due to this change, pension provisions increased by about DKK 2 million, while individual bonus potentials decreased by some DKK 125 million.

The total bonus potential included in pension provisions fell by DKK 392 million in 2018 to DKK 2,057 million. The collective bonus potential was reduced to nil as a result of the negative investment return. The individual bonus potential declined as a result of the above-mentioned longevity change. The failure of the collective bonus potential to cover the year's negative investment return reduced the individual bonus potential by an additional DKK 57 million.

The bonus ratio, reflecting the bonus potential in relation to policyholder accounts, was 31.9% at 31 December 2018.

Bonus potential and bonus ratio	31.12.2018		31.12.2017	
	DKKm Bonus potential	% Bonus ratio	DKKm Bonus potential	% Bonus ratio
Collective bonus potential	0	-	223	-
Collective bonus potential	2,057	-	2,226	-
Total bonus potential	2,057	31.9	2,449	39.6

Outlook for 2019

AP anticipates moderate growth in the number of policyholders and premiums in 2019. Expenses per policyholder are expected to be at the same low level as in 2018. At 1 January 2019, the interest rate on policyholders' savings was fixed at 2.6% before tax on pension returns for conditional-guarantee pensions.

The return on equity depends on developments in the financial markets. Based on an investment return scenario in which listed equities outperform bonds by 3.5 percentage points, the return on equity after tax on pension returns is expected to be about DKK 40 million for 2019.

Interest rate of

2.6%

Other matters

Uncertainty in recognition and measurement

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

Events after the balance sheet date

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





About the pension fund

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Management structure

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

Board of Directors

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

The Board of Directors held five ordinary meetings and one seminar in 2018.

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

Audit and Risk Management Committee

Pursuant to the provisions of the EU and of Danish legislation on audit committees in public-interest entities, the Board of Directors of AP has established an Audit and Risk Management Committee.

The Audit and Risk Management Committee is chaired by Søren Kaare-Andersen, MSc (Econ.). By virtue of his professional career and educational background, Søren Kaare-Andersen meets the qualification requirements set out in the rules on audit committees. He also complies with the requirements of independence. The two other members appointed by the Board of Directors to serve on the Audit and Risk Management Committee in 2018 were: Cecilie Therese Hansen (Deputy Chairman) and Rikke Sylow Francis (Board member).

The Audit and Risk Management Committee held four meetings in 2018.

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

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

A financial whistleblower hotline has been set up to give the employees of the joint management company a dedicated and independent channel for reporting any violation of financial regulations by the company. Reports to the whistleblower hotline are directed to the chairman of the Audit and Risk Management Committee and to the compliance function. No reports were filed in 2018 or in previous years.

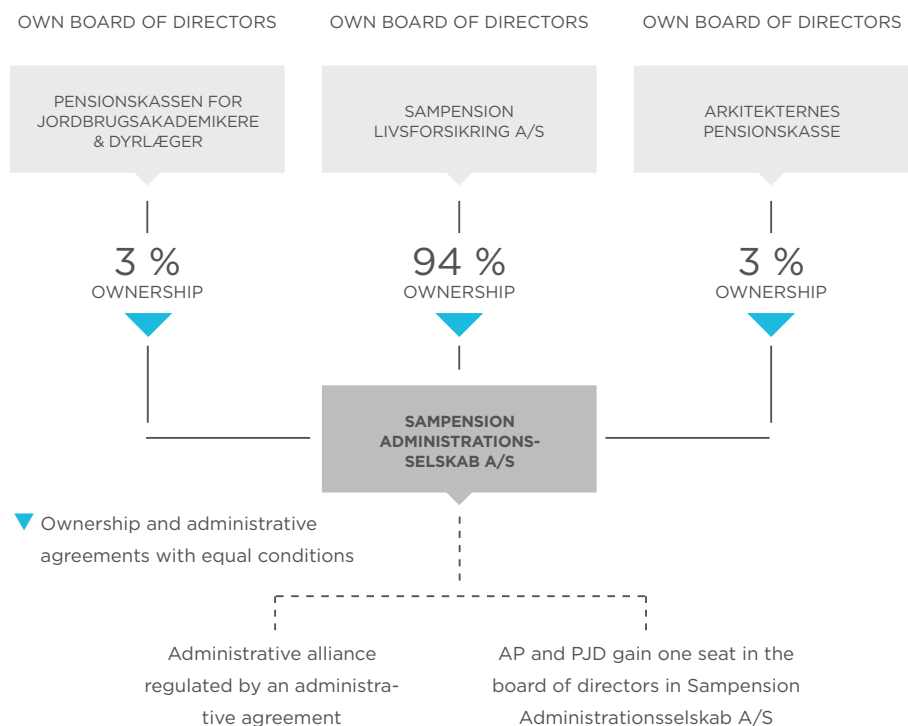
Committee for responsible investment

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

Organisation and management

As of 1 January 2017, AP is a member of the Sampension joint administration alliance. In addition to AP, the joint management company comprises the Sampension Livsforsikring Group and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The group of owners of Sampension Administrationselskab A/S comprises: Sampension Livsforsikring A/S (94%), the Pension Fund for Agricultural Academics and Veterinary Surgeons (3%) and the Architects' Pension Fund (3%).

The joint management company



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

Risk management, compliance, actuary and internal audit functions have been set up to ensure efficient management of the joint management company. The heads of the respective departments have been designated as key persons performing controlled functions in respect of the work of the joint management company.

Remuneration

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

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

See note 5 to the financial statements or, for more information, go to arkitekt-pension.dk/loenpolitik.

Gender composition of the Board of Directors

The current composition of the Board of Directors represents an equal gender distribution with two of the members, corresponding to 28.57%, being men and five members, corresponding to 71.43%, being women. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors.

We have accounted for the gender composition at other management layers in the statutory report on corporate responsibility (in Danish only) available at arkitekt-pension.dk/ap/samfundsansvar2018.

Management and other directorships

Executive Board

Hasse Jørgensen, CEO

Chief actuary

Steen Ragn

Internal audit

Gert Stubkjær, Chief Internal Auditor

Independent auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Annual General Meeting

The Annual General Meeting will be held on 9 April 2019 at the pension fund's address.

Other directorships

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

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
Mette Elisabeth Carstad, born 1961, Chairman	Architect, MAA, head of property management, Municipality of Rudersdal	19 years	June 2016 to April 2019, elected by the members	Yes	Member of the board of representatives of the Union of Architects and Designers, member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons
Cecilie Therese Hansen, born 1966, Chairman	Architect, MAA, client adviser with Emcon A/S	10 years	April 2018 to April 2021, elected by the members	Yes	Member of the Audit and Risk Management Committee of the Architects' Pension Fund
Anne Marie Øhlenschlæger Christensen, born 1949	Architect, MAA, owner of AplusB	5,5 years	June 2016 to April 2019, elected by the members	Yes	Member of the board of directors of the Ecological Council, member of the board of directors of NRGi Medlem af repræsentantskabet i NRGi, A.M.B.A., member of the board of representatives of NRGi, member of the board of directors of the Academic Association of Architects, member of the board of representatives of the Academic Association of Architects, member of the management board of the Academic Association of Architects, East Jutland chapter, member of the board of representatives of the Danish Board of Technology Foundation, member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons, owner of AplusB
Rikke Sylow Francis, born 1966	MSc in insurance science, chief actuary of Industriens Pension	5 years	January 2017 to April 2020, re-appointed by the Union of Architects and Designers (FAOD)	No	Member of the Audit and Risk Management Committee of the Architects' Pension Fund

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
Søren Kaare-Andersen, born 1958	MSc (Econ.), CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben	3,5 years	April 2018 to April 2021, elected at the general meeting following nomination by the Board of Directors	No	Chairman of the Audit and Risk Management Committee of the Architects' Pension Fund, chairman of the audit and risk management committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons, chairman of the Advisory Committee of Nasdaq OMX Cph, chairman of the board of directors of Høbbet A/S, chairman of the board of directors of Bifi A/S, deputy chairman of the board of directors of the Hjem til Alle alliance, deputy chairman of the board of directors of Enkotec A/S, deputy chairman of the board of directors of Roskilde Kulturservice A/S, member of the board of directors of the Pension Fund for Agricultural Academics and Veterinary Surgeons, member of the board of directors of the Museum Council of the National Museum of Denmark, member of the board of directors of the Foundation for Social Responsibility, member of the board of directors of NunaFonden, member of the board of directors of KAB, member of the board of directors of H. P. Lorentzens Stiftelse, CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben
Kirsten Schmidt Sander, born 1949	Architect, owner of KS Miljø og Arkitektur	1,5 years	April 2017 to April 2020, elected by the members	Yes	Member of the board of directors of Dansk Solvarmeforening, member of the board of representatives of the Academic Association of Architects, owner of KS Miljø og Arkitektur
Per Frølund Thomsen, born 1954	Owner of Frølund Consult IVS	4,5 years	April 2017 to April 2020 re-appointed by the Academic Association of Architects (AA)	Yes	Chairman of the board of directors of Henperium IVS, CEO of Frølund Consult IVS

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
<p>Hasse Jørgensen, born 1962, CEO</p>	-	-	-	-	<p>CEO of Sampension Livsforsikring A/S, CEO of Sampension Administrations-selskab A/S, CEO of the Pension Fund for Agricultural Academics and Veterinary Surgeons, CEO of Komplementarselskabet Sorte Hest ApS, chairman of the board of directors of Komplementarselskabet Alternative Investments ApS, member of the board of directors of Sampension KP Danmark A/S, member of the board of directors of KP International A/S, member of the board of directors of Refshaleøen Holding A/S (including one subsidiary), member of the board of directors of the Danish Insurance Association, member of the board of directors of the Danish Finance Society</p>



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Pension Fund Financial Statements

INCOME STATEMENT			
Note	DKKt.	2018	2017
2	Premiums	372,960	351,842
	Premiums	372,960	351,842
7	Income from group enterprises	0	-1,729
3	Interest income, dividends etc,	98,672	98,816
4	Market value adjustments	-275,347	523,547
	Interest expenses	-542	-603
	Investment management expenses	-16,048	-13,686
	Total investment return	-193,265	606,345
	Tax on pension returns	29,733	-88,824
6	Benefits paid	-258,006	-274,745
	Total insurance benefits	-258,006	-274,745
10	Total change in provisions	10,987	-428,674
9	Change in excess capital	8,062	-30,144
5	Administrative expenses	-5,360	-5,149
	Total net operating expenses	-5,360	-5,149
	Transferred return on investments	39,262	-122,780
	TECHNICAL RESULT	4,373	7,870
	Investment return on equity	-45,732	147,169
	PROFIT BEFORE TAX	-41,360	155,039
	Tax on pension returns for equity	6,470	-24,389
	PROFIT FOR THE YEAR	-34,889	130,651
	TOTAL OTHER COMPREHENSIVE INCOME	0	0
	NET PROFIT FOR THE YEAR	-34,889	130,651

Pension Fund Financial Statements (continued)

Note	BALANCE SHEET DKKt.	2018	2017
	ASSETS		
7	Investments in group enterprises	0	147,149
	Total investments in group enterprises	0	147,149
	Investments	1,695,175	1,443,989
	Units in mutual funds	2,826,728	2,923,146
	Bonds	4,602,624	4,661,281
	Loans secured by mortgage	53,389	29,635
8	Derivative financial instruments	62,761	108,193
	Deposits with credit institutions	66,935	162,174
	Total other financial investment assets	9,307,612	9,328,419
	TOTAL INVESTMENT ASSETS	9,307,612	9,475,567
	Total receivables arising from direct insurance contracts	0	5,993
	Other receivables	16,236	18,148
	TOTAL RECEIVABLES	16,236	24,140
	Cash and cash equivalents	101,849	90,768
	Other	73,693	50
	TOTAL OTHER ASSETS	175,542	90,818
	Interest and rent receivable	28,096	28,947
	Other prepayments	15,111	17,282
	TOTAL PREPAYMENTS	43,207	46,228
	TOTAL ASSETS	9,542,597	9,636,754
	EQUITY AND LIABILITIES		
	Retained earnings	2,049,813	2,148,647
	TOTAL EQUITY	2,049,813	2,148,647
9	Surplus capital	462,485	470,547
	TOTAL SUBORDINATED LOAN CAPITAL	462,485	470,547
10	Pension provisions	6,450,423	6,461,410
	TOTAL INSURANCE PROVISIONS, NET OF REINSURANCE	6,450,423	6,461,410
11	Payables to credit institutions	264,627	275,624
12	Other payables	315,230	280,507
	TOTAL DEBT	579,857	556,131
	TOTAL DEFERRED INCOME	19	18
	TOTAL EQUITY AND LIABILITIES	9,542,597	9,636,754
1	ACCOUNTING POLICIES		
13	CONTINGENT ASSETS AND LIABILITIES		
14	CHARGES		
15	REALISED RESULT AND DISTRIBUTION OF REALISED RESULT		
16	OVERVIEW OF ASSETS AND RETURNS		
17	FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, GROUP AND PENSION FUND		
18	RISK MANAGEMENT		

Statement of changes in Equity

DKKt.	31.12.2018	31.12.2017
Equity at 1 January	2,148,647	2,057,938
Profit for the year	-34,889	130,651
Supplementary pensions	-63,944	-39,941
Equity at 31 December	2,049,813	2,148,647
Total capital		
Equity	2,049,813	2,148,647
Surplus capital	462,485	470,547
Total	2,512,298	2,619,194

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).

As the pension fund's group enterprises were dissolved in 2018, consolidated financial statements have not been prepared for 2018.

In 2019, a number of amendments to the Executive Order on Financial Reports will take effect that may be implemented early in full or in part in 2018. Accordingly, the solvency coverage ratio will no longer be disclosed in note 17 to the financial statements, but only in the Management's review. Moreover, sensitivity information will be disclosed in the Management's review in accordance with section 126 of the Executive Order on Financial Reports.

Other than as set out above, the accounting policies and estimates are consistent with those applied last year.

Distribution of realised result

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

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

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

the calculated amount allocated to total capital, is allocated to members.

Recognition and measurement

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

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

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

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

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

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

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

Uncertainty in recognition and measurement

In preparing the financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities. The areas in which management's estimates and judgments have the most material effect on the pension fund's financial statements are pension provisions and the fair value of non-marketable assets, such as unlisted financial instruments, real estate, etc.

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

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

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

The estimates and judgments are based on assumptions that management finds reasonable but which are inherently un-

certain and unpredictable. The assumptions may be incomplete, and unexpected future events or circumstances may arise

INCOME STATEMENT

Technical result

Premiums

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

Return on investments

Income from investments in group enterprises

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

Interest income and dividends, etc.

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

Market value adjustments

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

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 and mortgage interest for the financial year.

Investment management charges

Investment management charges comprise management fees, deposit fees, front-end fees and performance fees in relation to funds and securities trading costs.

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

Tax on pension returns

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 policyholder accounts as well as tax on the return allocated to the collective bonus potential, equity and excess capital. Tax is calculated at 15.3% of the tax base, which is determined on the basis of the investment return for the year, with due consideration for any exempt values.

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

Benefits paid

Benefits paid comprise the pension benefits paid in the year. However, the share of pension benefits paid allocated to equity is recognised directly in equity.

Change in pension provisions

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

Change in excess capital

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

Pension operating expenses

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

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 in group enterprises

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

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

Investments and units in mutual funds

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

Notes (continued)

Bonds

Listed bonds are measured at fair value at the balance sheet date (closing price), or, in the absence of a closing price, another public price deemed to be most similar thereto. In respect of listed bonds which have not been traded for a period of time, specific prices are sourced from banks or are determined at a fair value calculated using generally accepted valuation methods based on estimates of relevant market conditions and risk of losses. Unlisted bonds are measured at an estimated fair value using generally accepted valuation methods. The fair value of drawn bonds is measured at present value.

Loans secured by mortgage

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

Derivative financial instruments

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

Deposits with credit institutions

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

Receivables

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

Other assets

Cash and cash equivalents

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

Other

The item Other includes tax on pension returns receivable, among other things.

Prepayments

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

Subordinated loan capital

Excess capital

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

Excess capital is accumulated as 5% of premiums.

Pension provisions

Pension provisions

The provisions are measured at market value according to the principles reported to the Danish FSA. The provisions are computed applying the yield curve published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto. The computation furthermore applies assumptions of mortality, disability, conversions into paid-up policies, surrender charges and an estimate of future increases in life expectancy defined as the Danish FSA's benchmark.

The pension fund has a single contribution group.

Guaranteed benefits

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

Individual bonus potential

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

benefits. Members' share of a decline in the value of the assets is recognised mainly by reducing the collective bonus potential, see below. If the collective bonus potential is insufficient to absorb such decline in the value of the assets, the individual bonus potential is reduced in accordance with the pension fund's reported profit allocation rules.

Collective bonus potential

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

Profit margin

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

Risk margin

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

Liabilities

Payables to credit institutions

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

Other debt

Other debt, comprising debt related to purchases of bonds as a result of trades with long value dates and derivative financial instruments, is measured at fair value. The item also includes payable tax on pension returns.

Deferred income

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

FINANCIAL HIGHLIGHTS

The pension fund's financial highlights are prepared in accordance with the provisions of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds. For additional information, see Definitions of financial ratios on page 50.

Notes (continued)

Note	DKKt.	2018	2017
2	Premiums		
	Regular premiums	341,404	328,810
	Single premiums	31,556	23,032
	Total premiums	372,960	351,842
	Premiums by policyholder's address		
	Denmark	339,159	326,509
	Other EU-countries	1,441	1,439
	Other countries	804	862
	Total	341,404	328,810
	Number of policyholders	9,922	9,687
3	Interest income and dividends etc,		
	Dividends from investments	10,875	8,071
	Dividends from units in mutual funds	2,473	13,369
	Interest from bonds	69,785	67,843
	Interest on loans secured by mortgage	1,157	563
	Other interest income	892	304
	Indexation	5,251	4,073
	Interest swap instruments	8,239	4,593
	Total interest income, dividends, etc,	98,672	98,816
4	Market value adjustments		
	Investments	64,942	-1,736
	Units in mutual funds	-129,849	249,527
	Bonds	-18,338	-3,242
	Loans secured by mortgage	-1,180	10
	Derivative financial instruments	-193,583	288,994
	Cash and demand deposit	2,660	-10,008
	Total value adjustments	-275,347	523,547

Note	DKKt.	2018	2017
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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 effective from 1 January 2017. 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	-943
Refund benefit		0	12

Total staff costs		-942	-931
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Remuneration to the Executive Board, the Board of Directors and material risk takers

Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests to the units that form a part of and are owners of the joint management company Sampension Administrationssselskab A/S.

AP has a 3% ownership interest in Sampension Administrationssselskab A/S.

	2018		2017	
	No. of people	Fixed salary, incl. pension earned	No. of people	Fixed salary, incl. pension earned
Executive Board	1		1	
Hasse Jørgensen		-177		-167
Board of Directors	7		7	
Mette Elisabeth Carstad		-240		-240
Cecille Therese Hansen		-170		-170
Anne Marie Øhlenschlæger Christiansen		-102		-102
Rikke Sylow Francis		-110		-110
Søren Kaare-Andersen		-140		-140
Ole Bjørn Petersen (resigned 31.05.2017)		-		-38
Kirsten Schmidt Sander (joined 01.06.2017)		-90		-53
Per Frølund Thomsen		-90		-90
Employees whose activities have a material impact on the company's risk profile *)	8	-436	7	-411
Remuneration to chief actuary.				
The fee is paid by the joint management company and settled through the management fee.		-107		-179

*) 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/ap/Om-pensionskassen/Hvem-er-vi/Loenpolitik

Note 5 continued on next page.

Notes (continued)

Note 5 (continued)

Note	DKKt.	2018	2017
Remuneration for auditors elected by the Annual General Meeting			
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab			
	Statutory audit	-144	-144
	Assurance engagements	-44	-44
	Tax advice	-19	-19
	Other services	0	0
		-206	-206

The pension fund's share of costs of internal and independent auditors is included in the management fee paid to Sampension Administrationselskab A/S. The pension fund's share of the audit fee to the independent auditor is shown above.

6	Benefits paid		
	Retirement and annuity benefits	-270,973	-257,820
	Payment at surrender etc,	-46,964	-47,357
	Premium relating to group life schemes	-4,014	-9,509
	Total pension benefits paid	-321,950	-314,686
	Recognised in the income statement	-258,006	-274,745
	Distributed from equity	-63,944	-39,941
	Total benefits paid	-321,950	-314,686

7	Investments in group enterprises		
	Arkitekternes ejendomsselskab P/S under likvidation, Gentofte:		
	Ownership		100%
	Profit	0	-1,567
	Equity	0	147,000
	Komplementarejendomsselskabet Arkitekternes Ejendomme ApS under likvidation, Gentofte:		
	Ownership		100%
	Profit	0	-5
	Equity	0	135
	Selskaberne er opløst ved solvent likvidation i 2018		
			Included in annual report
	Total equity	0	147,135
	Total investments in group enterprises	0	147,135

Note	DKKt.	2018	2017
8	Derivative financial instruments		
		Positive fair value	Negative fair value
	2018		
	Interest rate hedging instruments etc.:		
	Interest swaps	26,323	38,923
	CAP's	1,026	652
	Swaptions	13,159	11,959
	CDS's	10,945	410
	Total interest rate hedging instruments	51,453	51,944
	Currency-based derivative financial instruments	11,307	78,687
	Investments futures	1	0
	Total derivative financial instruments	62,761	130,632
	Fair value included in the item Derivative financial instruments	62,761	
	Fair value included in the item other debt see note 12		130,632
	Net carrying value (liability)		67,871
	DKKt,	2018	2017
	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	17,017	74,474
	The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of (liability)	-89,335	0
	Net collateral	-72,318	74,474
	In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK 158 million (2017: DKK 2 million). Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -995 million (2017: DKK -713 million). As gain/losses are settled on current basis, the fair value is nil.		
		Positive fair value	Negative fair value
	2017		
	Interest rate hedging instruments etc.:		
	Interest swaps	12,175	12,966
	Swaptions	8,685	10,372
	CDS's	35,676	0
	Total interest rate hedging instruments	56,536	23,338
	Currency-based derivative financial instruments	51,657	5,397
	Investments futures	0	19
	Total derivative financial instruments	108,193	28,754
	Fair value included in the item Derivative financial instruments	108,193	
	Fair value included in the item other debt see note 12		28,754
	Net carrying value (asset)	79,440	

Notes (continued)

Note	DKKt.	2018	2017
9	Surplus capital		
	Excess capital beginning of year	470,547	440,403
	Transferred to equity, adjustment	-713	0
	Transferred from pension provisions	19,033	16,913
	Paid out to customers	-17,894	-15,705
	Return for the year	-8,489	28,935
	Total surplus capital	462,485	470,547
10	Pension provisions		
	Change in gross pension provisions is specified as follows		
	Pension provisions, beginning of year	6,461,410	6,032,736
	Collective bonus potential, beginning of year	-222,838	-94,023
	Accumulated value adjustment, beginning of year	-43,867	-22,507
	Retrospective provisions, beginning of year	6,194,705	5,916,206
	Total premiums	372,960	351,842
	Addition of interest after tax on pension returns	174,287	209,619
	Insurance benefits	-236,099	-249,532
	Cost addition after addition of cost bonus	-5,604	-5,336
	Risk gain/loss after addition of risk bonus	-11,322	-3,614
	Group life premiums	-7,673	-7,272
	Transferred to excess capital	-19,033	-16,913
	Other	-217	-295
	Retrospective provisions, end of year	6,462,004	6,194,705
	Accumulated value adjustment, end of year	45,737	43,867
	Collective bonus potential, end of year	0	222,838
	Individual bonus used to cover losses	-57,317	0
	Pension provisions, end of year	6,450,423	6,461,410
	Pension provisions are specified as follows		
	Guaranteed benefits	4,340,444	3,962,167
	Individual bonus potential	2,056,965	2,225,928
	Collective bonus potential	0	222,838
	Risk margin	53,014	50,476
	Total pension provisions	6,450,423	6,461,410
	Profit margin on pension agreements is nil, as all profit is allocated to members,		
	Change in provisions are specified as follows		
	Change in pension provisions	10,987	-428,674
	Change in provisions, income statement	10,987	-428,674
	Pension provisions categorised by technical rate of interest		
	The pension fund has a single contribution group, but it categorises provisions on the basis of the nature of the guarantees		
	Unconditional guarantees (technical rate of interest 1.5% - 4.25%)	60,099	63,647
	Conditional guarantees (technical rate of interest 0%)	6,447,642	6,174,924
	Pension provisions categorised by technical rate of interest	6,507,740	6,238,572
	Collective bonus potential	0	222,838
	Individual bonus used to cover losses	-57,317	0
	Total Pension provisions	6,450,423	6,461,410
	Supplementary ratios relating to pension provisions		
	Bonus rate	31.9%	39.6%
	Return on customer funds after costs but before tax	-2.2%	6.9%

Note	DKKt.	2018	2017
11	Payables to credit institutions		
	Repos	264,627	275,624
	Total payables to credit institutions	264,627	275,624
	From the bank loans the following fall due in the coming year	264,627	275,624
	After five years the outstanding balance will be	0	0
12	Other debt		
	Derivative financial instruments, according to note 8	130,632	28,754
	Payables relating to bond purchase	0	8,875
	Debt relating to settlement of repos	132,480	144,189
	Provision for tax on pension returns payable and other	52,118	98,690
	Total other payables	315,230	280,507
13	Contingent liabilities		
	The Company has committed itself at a later date to invest in funds etc, amounting to	1,041,472	854,755
	Total contingents	1,041,472	854,755
14	Charges		
	Bonds sold as part of repo debt	218,043	266,489
	Net assets registered in cover of 'Total provisions for insurance and investment contracts' amounting to	6,676,187	6,687,559
	Investments and units in mutual funds	2,996,873	2,774,424
	Bonds	3,679,314	3,913,135
	Total assets earmarked as security for policyholders' savings	6,676,187	6,687,559
15	Realised result and distribution of realised result		
	Investment return before tax on pension returns	-193,265	606,345
	Change in market value adjustment	-1,870	-21,360
	Basic rate of interest added	-1,496	-1,549
	Expense result	244	187
	Risk result	11,322	3,614
	Other	217	1,486
	Realised result	-184,848	588,723
	Tax on pension returns	29,733	-88,824
	Available for allocation after tax on pension returns	-155,116	499,899
	Allocated to pension savers:		
	Bonus added	-172,791	-208,071
	Transferred to collective bonus potential, interest rate groups	222,838	-128,815
	Individual bonus used to cover losses	57,317	0
	Investment return and risk premium allocated to base capital	-47,751	163,013
	Cost result in DKK	244	187
	Expense result as a percentage of technical provisions	0.004%	0.003%
	Risk result in DKK	11,322	3,614
	Risk result as a percentage of technical provisions	0.1%	0.1%

Notes (continued)

Note	2018		2017
16	Overview of assets and returns, pension fund		
Assets and return DKKkm.	Market value		Return 2018 % p.a.
	Beg. of year	End of year	
Land and buildings	756	859	2.6%
Listed investments	2,736	2,688	-5.3%
Unlisted investments	834	834	7.2%
Total Investments	3,570	3,522	-2.7%
Government- and mortgage bonds	3,700	3,367	1.4%
Index-linked bonds	360	325	0.2%
Credit bonds, investment grade and non-investment grade	729	1,006	0.8%
Loans etc.	30	54	0.1%
Total bonds and loans etc.	4,819	4,751	1.2%
Other investment assets	-68	-172	-
Derivative financial instruments to hedge the net change in assets and liabilities	46	-64	-
Total	9,123	8,896	-2.1%

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

The combined equity portfolio of the Architects' Pension Fund can be found on the company website: <https://www.arkitektpension.dk/ap/Om-pensionskassen/Finansiel-information/Investeringsaktiver>.

Note

17 Five-year financial highlights and ratios

Five-year key figures

DKKm.	2018	2017	2016	2015	2014
Premiums	373.0	351.8	336.6	325.5	319.0
Benefits	-258.0	-274.7	-240.6	-223.6	-207.2
Total investment return	-193.3	606.3	600.1	388.2	706.9
Total net operating expenses	-5.4	-5.1	-9.8	-11.4	-7.6
Technical result	4.4	7.9	40.7	8.3	220.0
Profit for the year	-34.9	130.7	162.1	85.3	351.7
Total provisions for insurance contracts	6,450.4	6,461.4	6,032.7	5,632.4	5,316.2
Excess capital	462.5	470.5	440.4	407.6	388.9
Total equity	2,049.8	2,148.6	2,057.9	1,939.8	1,891.4
Total assets	9,542.6	9,636.8	8,690.6	8,137.3	8,139.2

Five-year financial ratios

	2018	2017	2016	2015	2014
Return ratios					
Rate of return related to average-rate products	-2.1%	7.1%	7.5%	5.1%	10.2%
Expense ratios					
Expense ratio for provisions	0.08%	0.08%	0.17%	0.21%	0.15%
Expenses in DKK. per policyholder	547	540	1,042	1,263	885
Return ratios					
Return on equity after tax	-1.7%	6.2%	8.1%	4.5%	20.3%
Return on excess capital	-2.1%	7.5%	7.5%	5.1%	10.2%

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

18 Risk management

The general objective of the management of investment assets and pension provisions is to maximise the return to members with due consideration for risk. The objective of managing short-term risks is, among other things, for the investment policy and risk management to work together to ensure that sufficient reserves are available for comfortable excess solvency coverage.

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

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

FINANCIAL RISK

Pension schemes and total capital

The pension fund has one common investment portfolio for its pension provisions and total capital, i.e. equity and excess capital. Members generally bear the financial risks via the conditionally guaranteed business.

The Board of Directors has determined the framework governing the overall investment policy and the financial risks. The general risk budget is based on pension fund benefits, member age composition and the pension fund's solvency ratio. Management of the assets is arranged with a view to providing maximum purchasing power and stability for members' pensions, i.e. the maximum long-term returns after expenses, tax and inflation that is obtainable in compliance with the defined risk limits.

The pension fund invests in non-marketable assets, for which valuation and risk measurement are subject to greater uncertainty than listed equities, for example. Non-marketable assets involve a risk that large selling transactions over a short period of time result in a loss. The Board of Directors has defined a framework for investing in non-marketable asset classes that reflects these considerations. Currently, the value of marketable assets exceeds the annual payment obligations by a substantial margin. As a result, the likelihood of AP having to sell on unfavourable terms is quite low.

Financial risk management

Due to the pension fund's large individual bonus potentials, there is no current need to hedge the interest rate risk on the pension provisions.

The pension fund hedges the currency risk on investments denominated in foreign currency, provided the assets held in each currency represent more than 2% of the total investment assets. For currencies other than DKK and EUR, currency exposure is hedged by between 50% and 100%, depending on the asset.

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

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. Members generally bear the insurance risks via the conditionally guaranteed business.

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

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

OPERATIONAL RISK

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

Management believes that the pension fund has no significant operational risks.

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. We record operational incidents on an ongoing basis and follow up and report to the Audit and Risk Management Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

OUTSOURCING

The pension fund has outsourced tasks in critical or significant areas of activity with a view to reducing costs, gaining access to investment management competences, etc. The Board of Directors has set out guidelines for outsourcing of 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 guidelines ensure that the Board of Directors is involved in all decisions regarding outsourcing, that requirements as to supplier capabilities and capacity are met, that a number of issues and requirements of the supplier are considered when entering into contracts and that the Danish FSA is informed of the outsourcing agreement. For the outsourced activities, necessary procedures have been established to ensure regular monitoring of the supplier's performance in terms of time, quality and quantity in accordance with the relevant outsourcing agreement and applicable rules.

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

SOLVENCY AND FINANCIAL CONDITION REPORT

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

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 ended 31 December 2018.

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 2018 and of the results of the pension fund's operations for the financial year ended 31 December 2018.

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, 7 March 2019

Direktionen

Hasse Jørgensen
Chief Executive Officer

/ Morten Lund Madsen
Chief Financial Officer

Board of Directors

Mette Elisabeth Carstad
(Chairman)

Cecilie Therese Hansen
(Deputy Chairman)

Anne Marie Øhlenschläger Christiansen

Rikke Sylow Francis

Søren Kaare-Andersen

Kirsten Schmidt Sander

Per Frølund Thomsen

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 2018, and of the results of the pension fund's operations for the financial year ended 31 December 2018 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 2018. 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 to obtain reasonable assurance as to whether 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 during 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 did not identify any material misstatement of the Management's review.

Hellerup, 7 March 2019

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 2018 and of the results of the Pension Fund's operations for the financial year 1 January – 31 December 2018 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 2018 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies. Collectively referred to as the "Financial Statements".

Basis for opinion

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

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

Independence

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

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

Appointment

We were first appointed auditors of Arkitekternes Pensionskasse on 4 April 2017 for the financial year 2017. We have been reappointed annually by the general assembly for a total period of uninterrupted engagement of 2 years including the financial year 2018.

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 2018. 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 provisions for insurance contracts</p> <p>The pension funds provisions for insurance contracts total DKK 6,450 million (2017: DKK 6,461 million), which constitutes 68 percent (2017: 67 percent) of the pension funds balance sheet total.</p> <p>The provisions primarily consist of traditional life insurance provisions and profit margin.</p> <p>The statement is based on actuarial principles and involves material management estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policyholders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of provisions for insurance contracts as the statement of the provisions is complex and involves a considerable element of management estimate.</p> <p>We refer to the mention of “Uncertainty in recognition and measurement” in note 1 and note 10, “Pension provisions”, to the Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls established to ensure that provisions for insurance contracts are complete and correctly measured.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the pension fund as well as the calculations made.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p>Measurement of unlisted investment assets</p> <p>Unlisted investment assets comprise investments in equity funds, infrastructure funds, unlisted shares and corporate bonds, etc as well as derivative financial instruments and are included in the items:</p> <ul style="list-style-type: none"> • Investments • Bonds • Derivative financial instruments <p>The negative value of derivative financial instruments is moreover included in the item “Other debt”.</p> <p>Unlisted investment assets are measured at estimated fair value based on valuation models and assumptions, including Management’s estimates, which are not observable by any third party and which have a material effect on the Financial Statements.</p> <p>We focused on the measurement of unlisted investments as the statement is complex and involves a considerable element of estimation by Management.</p> <p>We refer to the mention of “Uncertainty in recognition and measurement” in note 1 and note 8, “Derivative financial instruments”, to the Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external managers. We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations and recalculated on a sample basis the valuation of derivative financial instruments.</p> <p>We challenged Management’s estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

-
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Hellerup, 7 March 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Christian F. Jakobsen
State Authorised Public Accountant
mne16539

Claus Christensen
State Authorised Public Accountant
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Definitions of financial ratios

Danish FSA financial ratios

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

Pension

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

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

$$\text{Expenses as a percentage of provisions} = \frac{\text{Operating expenses relating to pension activities for the year} \times 100}{\text{Average pension provisions}}$$

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

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

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

$$\text{Solvency coverage ratio} = \frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at 31 December 2018}}$$

Supplementary financial ratios

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

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

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

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Christoffer Regild (p.4 Mette Carstad)

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