

Annual Report 2017



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“We were able to cut expenses by almost 50% in 2017”



Stronger together

In union is strength. This fundamental idea is what drives our ambitions for a joint pension fund for architects and designers and what guides the work of the Board of Directors. The basic idea is that we can accomplish so much more when we join forces rather than act individually, and we can generate more value for each individual policyholder.

The performance of our joint management company with Sampension and the Pension Fund for Agricultural Academics and Veterinary Surgeons is testimony to this philosophy. Thanks to this partnership, we were able to cut expenses per policyholder by almost 50% in 2017, to DKK 540. We generated an investment return of DKK 606 million, equivalent to 7.1%, which was on a par with last year's high level. For policyholders, this means that DKK 100 worth of savings has grown to DKK 145 over the past five years. That is a fine return.

Investing responsibly at an appropriate risk exposure for a high return

Our objective when investing policyholders' pension funds is to manage the overall assets in the best way possible. That means maximising long-term returns responsibly and at an appropriate risk exposure. 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. When we say we invest responsibly, we speak for our combined community, which represents assets of almost DKK 300 billion and 300,000 policyholders.

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

Use your pension scheme – get advice

In order to derive maximum benefit from your pension scheme, it is important that you check from time to time whether your scheme still matches your needs. As a rule of thumb, you should review your pension scheme every five years to check whether your insurance cover matches your needs, that the beneficiaries named are correct, that your savings are sufficient and so on.

You can access all information concerning your pension scheme at arktektpension.dk, which makes it easy to get an overview or make changes. On our website, you can also perform a digital pension check, which 2,000 policyholders did in 2017. Our website had a total of 35,000 visits and 16,000 log-ins to private member pages in 2017. We are pleased to note that so many members logged on to check their pension schemes, some of them several times.



Mette Carstad
Chairman



Management's review

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Five-year financial highlights and ratios for the pension fund

Five-year financial highlights DKKm	2017	2016	2015	2014	2013
Premiums	351.8	336.6	325.5	319.0	293.5
Pension benefits	-274.7	-240.6	-223.6	-207.2	-201.0
Return on investments	606.3	600.1	388.2	706.9	536.7
Total pension operating expenses	-5.1	-9.8	-11.4	-7.6	-7.8
Technical result	7.9	40.7	8.3	220.0	113.2
Profit for the year	130.7	162.1	85.3	351.7	207.8
Total pension provisions	6,461.4	6,032.7	5,632.4	5,316.2	4,998.1
Surplus capital	470.5	440.4	407.6	388.9	351.0
Equity	2,148.6	2,057.9	1,939.8	1,891.4	1,575.1
Total assets	9,636.8	8,690.6	8,137.3	8,139.2	7,021.9
Total consolidated assets	9,636.8	10,127.1	9,235.9	9,597.6	7,854.6

Five-year financial ratios	2017	2016	2015	2014	2013
Investment return ratios					
Return, average-rate products	7.1%	7.5%	5.1%	10.2%	8.3%
Expense ratios					
Expenses as a percentage of provisions	0.08%	0.17%	0.21%	0.15%	0.16%
Expenses per policyholder (DKK)	540	1,042	1,263	885	932
Other return ratios					
Return on equity after tax	6.2%	8.1%	4.5%	20.3%	14.0%
Return on surplus capital	7.5%	7.5%	5.1%	10.2%	8.3%
Capital structure ratios					
Solvency coverage ratio*)	377%	428%	492%	227%	576%
*) Ratio not subject to audit requirement.					

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.

As of 1 January 2017, Sampension Administrationselskab A/S (the joint management company) took over the management of AP. The transition went smoothly, and AP's management functions have been fully integrated with the joint management company, which also handles the management of the Pension Fund for Agricultural Academics and Veterinary Surgeons and Sampension KP Livsforsikring A/S.

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

Premiums received

Premiums totalled DKK 351.8 million in 2017 compared with DKK 336.6 million in 2016. Regular premiums grew by DKK 17.1 million while single premiums and transfers fell by DKK 2.0 million.

Premium income

DKKm **352**

Premium income DKKm	2017	2016	Change (%)
Regular premiums	328.8	311.7	5.5
Single premiums etc.	23.0	25.0	-7.7
Total premiums	351.8	336.6	4.5

The number of policyholders at 31 December 2017 was 9,687 against 9,368 at the time of transition to the joint management company at 1 January 2017. The 3.4% increase was attributable mainly to policyholders in active employment and pensioners.

Number of policyholders	31.12.2017	01.01.2017	Change (%)
Premium-paying policyholders in active employment	4,889	4,729	3.4
Paid-up policies etc.	2,691	2,653	1.4
Pensioners	2,107	1,986	6.1
Total number of policyholders	9,687	9,368	3.4

Benefits paid

Total pension benefits amounted to DKK 314.7 million in 2017 against DKK 286.0 million in 2016, including supplementary pensions. 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 premiums and returns that 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 have been 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 also managed by external managers.

Investment expenses (APR) of 0.51%

Our website, arkitektpension.dk, provides information to policyholders on annual investment expenses expressed in Danish kroner and as a percentage (APR). These 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. The APR investment expenses calculated on policyholder savings for 2017 were 0.51%. Investment 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 540

Pension administrative expenses amounted to DKK 5.1 million in 2017 against DKK 9.8 million in 2016. Expenses per policyholder amounted to DKK 540 in 2017 against DKK 1,042 in 2016. As a consequence, the ratio has dropped significantly, in line with expectations.

Administrative expenses per policyholder

DKK **540**

Investments and returns

The global economy and financial markets

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

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

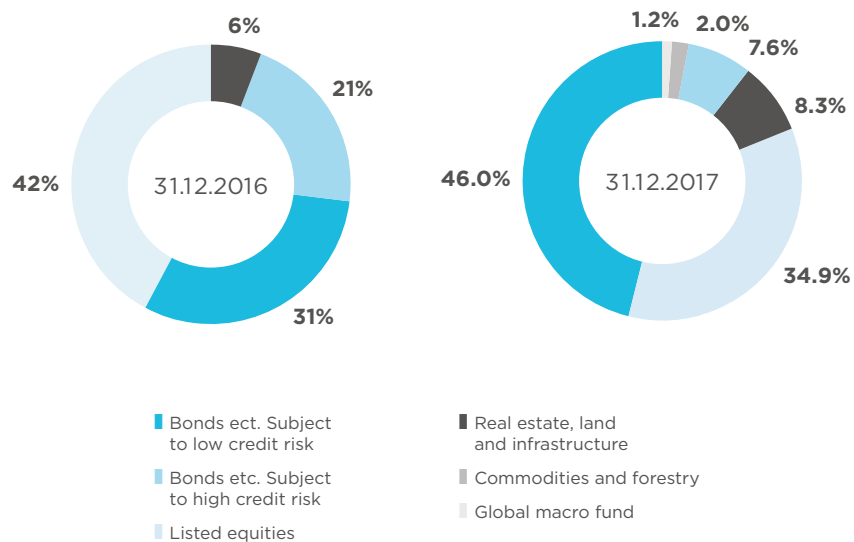
The financial markets performed well in 2017 with interest rates moving higher, the 30Y euro swap rate climbing by 25bp, for example, and large gains by most equity markets. For example, emerging market equities returned 30%, while the US equity market (up 21.1%) and Danish equities (up 18.4%) also performed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

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

Investment strategy and strategic asset allocation

When joining the joint management company on 1 January 2017, we took the opportunity to change the pension fund's strategic asset allocation, as illustrated in the chart below, towards a slightly lower risk exposure. We increased allocations to property funds and investment-grade credit bonds while reducing the funds allocated to equities and bonds etc. subject to high credit risk. We also directed funds towards commodities and forestry as well as hedge funds – with both investments contributing to diversifying risk.

A driving force behind the decision to increase the proportion of alternative investments, i.e. real estate and commodities and forestry, is the low level of bond yields. Also, alternative investments help diversify portfolio risk and are expected to yield solid long-term returns. Real estate makes up the greater part of our alternative investments. Our real estate investment strategy is to exclusively make indirect investments through commitments to property funds, or separately managed investments. In order to diversify risk, the strategy targets global investments but focuses on the European and, to some extent, the North American markets.



In connection with our joining the joint management company, the greater part of our bond portfolio was transferred to in-house management, while the management of listed equities was moved to Kapitalforeningen Sampension Invest.

Assets are managed with a view to maximising the spending power of our policyholders through their savings. Our investment strategy aims to maximise long-term returns within the given risk framework.

Return of

7.1%

Investment return of DKK 606 million or 7.1%

In 2017, AP generated a total return of 7.1%, which was driven mainly by the equity portfolio, see the table below. Returning 7.6% in DKK terms, equities were the largest contributor to the performance. To this should be added the contribution from hedging of the currency risk on foreign investments. The second largest contribution was from bonds with a moderate credit risk exposure. Only two asset classes – real estate, land and infrastructure and global macro hedge funds – de-

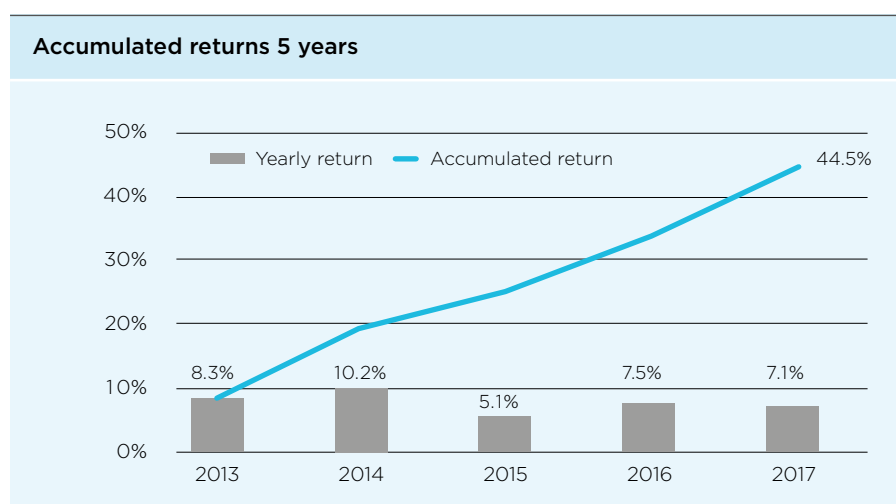
tracted from performance. Due to moderate holdings of these assets, the effect was limited, though.

Investment return by asset class	Distribution (%) at 31.12.2017	Return (%)
Bonds etc. subject to low credit risk	46.0	2.1
Bonds etc. subject to high credit risk	7.6	4.9
Equities	34.9	7.6
Real estate, land and infrastructure	8.3	-0.2
Commodities and forestry	2.0	2.9
Global macro hedge funds	1.2	-6.4
Total excluding currency hedging etc.	100.0	4.4
Currency hedging etc.		2.9
Net return after currency hedging etc.		7.1

At DKK 606 million before tax on pension returns, the total investment return for 2017 was up by DKK 6 million over 2016. For a more detailed specification of holdings and returns, see note 17 to the financial statements.

Five-year returns

AP has generated solid returns over the past five years, with each amount of DKK 100 accumulating to DKK 145.



Return over 5 years

44.5%

Corporate responsibility

Our approach to corporate responsibility rests on our ambition to comply with and implement international United Nations conventions, including the ten principles of the UN Global Compact, the climate targets of the Paris Agreement and the OECD guidelines “Responsible Business Conduct for Institutional Investors”. While all three parties of the joint management company are subject to the responsible investment policy, it does not necessarily have to be identical for all three companies.

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 an active ownership approach, and we work continually to promote responsible conduct by the companies AP invests in.

Our separate ESG report provides additional information on the responsible approach by the parties of the joint management company. Reference is also made to the outline of objectives and efforts made in general governance, investing and company operations in the statutory report on corporate responsibility (in Danish only) available at arkitektension.dk/ap/samfundsansvar2017.

Profit of

DKK 131

Financial results, solvency requirements and total capital

Profit for the year

AP reported a profit of DKK 131 million for 2017 compared with DKK 162 million in 2016. The profit for 2016 included a DKK 29 million risk premium receivable relating to prior years.

The profit for the year mainly reflects the share of the investment return for the year allocated to equity and the risk premium for the year.

The Board of Directors proposes that the profit for the year be taken to equity. Equity stood at DKK 2,149 million at 31 December 2017 compared with DKK 2,058 million at 31 December 2016. A total of DKK 40 million was distributed as supplementary pension benefits in 2017.

The pension fund's total assets grew from DKK 8,691 million at 31 December 2016 to DKK 9,637 million at 31 December 2017. The increase was attributable mainly to the investment return for the year and an increased use of repo transactions.

Solvency capital requirement 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	31.12.2017	31.12.2016
Total capital	2,619	2,498
Solvency capital requirement (SCR)	695	584
Minimum capital requirement (MCR)	174	146
Surplus capital	1,925	1,914
Solvency coverage ratio relative to SCR	377%	428%
Solvency coverage ratio relative to MCR	1508%	1712%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 377% at 31 December 2017. The decline relative to end-2016 was attributable partly to a change in calculation methods and partly to changes to the composition of the investment portfolio. The solvency coverage ratio is still at a very robust level.

For more information, see 'Rapport om solvens og finansiel situation 2017', which is available (in Danish only) at arkitektension.dk/ap/rapporter.

Provisions for pension agreements

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.

In addition, the Danish FSA's benchmark for expected future increases in longevity is used to determine provisions. Guaranteed benefits increased and individual bonus potentials decreased in 2017 due to an update of market value assumptions, including assumptions of policyholders' life expectancy. Provisions grew by DKK 2 million as a result of this update.

Pension provisions stood at DKK 6,461 million at 31 December 2017 compared with DKK 6,033 million at 31 December 2016. The bonus potential included in pension provisions grew by a net DKK 9 million in 2017 to DKK 2,449 million. The collective bonus potential increased on the back of the strong investment return, slightly outweighing the decrease in the individual bonus potential in connection with the above-mentioned update of market value assumptions.

The bonus ratio, reflecting the bonus potential in relation to policyholder accounts, fell to 39.6% at 31 December 2017, which was attributable to the almost DKK 300 million increase in pension accounts during the year.

Bonus potential and bonus ratio	31.12.2017		31.12.2016	
	DKKm	%	DKKm	%
	Bonus potential	Bonus ratio	Bonus potential	Bonus ratio
Collective bonus potential	223	-	94	-
Individual bonus potential	2,226	-	2,346	-
Total bonus potential	2,449	39.6	2,440	41.3

Outlook for 2018

AP anticipates moderate growth in the number of policyholders and premiums in 2018.

Expenses per policyholder are expected to be at the same low level as in 2017.

At 1 January 2018, the interest rate on policyholders' savings was fixed at 3.5% 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 high-risk assets outperform bonds by 3 percentage points, the return on equity after tax on pension returns is expected to be about DKK 50 million for 2018.

Rate on policies

3.5%

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 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

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

Effective from 2018, the Danish Financial Supervisory Authority will apply a rolling 20-year data period rather than currently 30 years for estimating expected future longevity improvements. Due to this change, pension provisions at 1 January 2018 increased by a few million kroner, while individual bonus potentials decreased by some DKK 125 million. The pension fund's financial position will not be significantly affected by this change.

Other than as set out above, no events have occurred in the period from the balance sheet date until the date of this document which may change the assessment of the annual report.





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 Committee.

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

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on page 20.

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 a separate Audit Committee. As from the financial year 2018, the Audit Committee has become an Audit and Risk Management Committee.

Søren Kaare-Andersen, MSc (Econ.), is chairman of the Audit Committee. Through his professional career and educational background, he complies with the requirements of independence and qualifications according to the rules on audit committees.

The two other members appointed by the Board of Directors to serve on the Audit Committee in 2017 were: Cecilie Therese Hansen (deputy chairman) and Rikke Sylow Francis (board member).

The Audit Committee held four meetings in 2017.

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

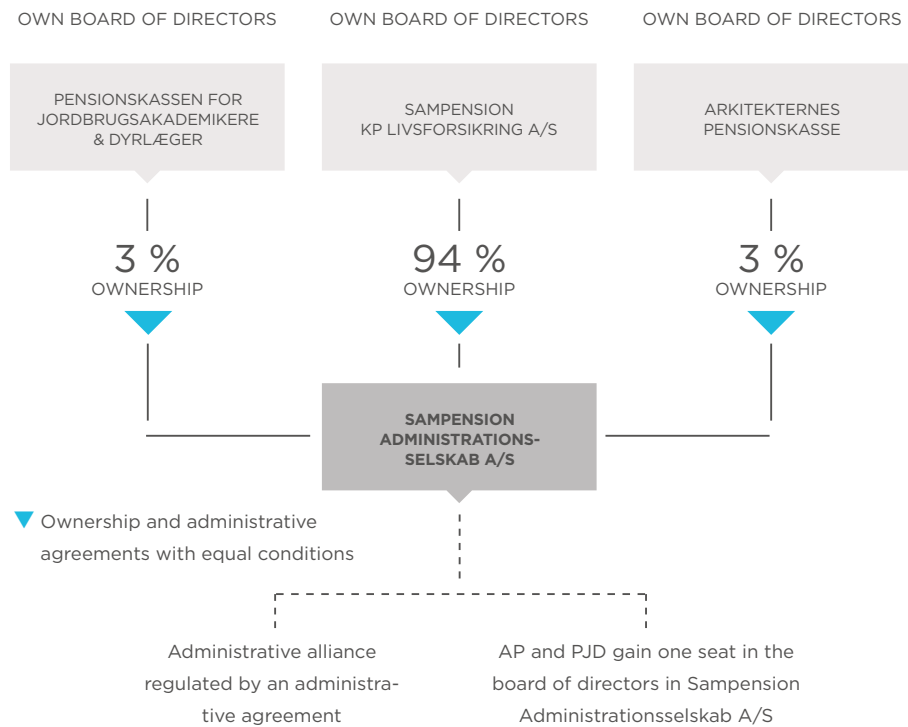
- to monitor the financial reporting process;
- to monitor the efficiency of risk management systems, internal control systems and the internal audit function;
- to monitor the statutory audit of the financial statements; and
- to monitor and verify the independence of the auditors.

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 Committee and to the compliance function. No reports were filed in 2017 or in previous years.

Organisation and management

As of 1 January 2017, AP joined the Sampension insurance management alliance. In addition to AP, the joint management company comprises the Sampension KP Livsforsikring Group and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The group of owners of Sampension Administrationssselskab A/S are: Sampension KP 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 identified as key persons performing controlled functions in respect of the work of the joint management company.

Remuneration

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

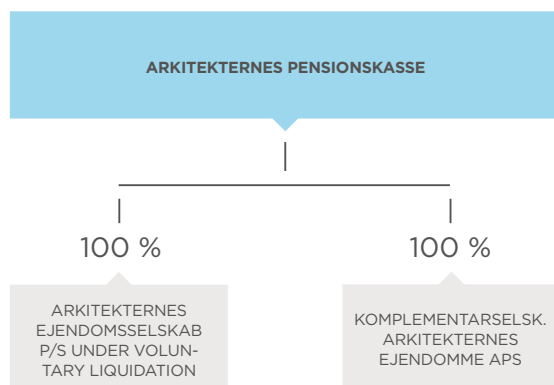
The terms of remuneration reflect and support Sampension's consistent ability to recruit and retain a competent and responsible management that promotes healthy and efficient risk management and that does not motivate excessive risk-taking.

See note 4 to the financial statements or, for more information, go to arkitektpens-ion.dk/ap/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.

Group structure



Management and other directorships held

Executive Board

Hasse Jørgensen, CEO

Chief Actuary

Steen Ragn

Internal audit

Gert Stubkjær, Group Chief Internal Auditor

Independent auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Annual General Meeting

The Annual General Meeting will be held in Aarhus on 10 April 2018.

Other directorships

Other directorships held by the members of the Board of Directors and the Executive Board are shown on next page. The list does not include directorships in the Architects' Pension Fund's wholly-owned subsidiaries.

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	18 years	Juni 2016 to April 2019, elected by the members	Yes	Member of the board of representatives of the Union of Architects and Designers
Cecilie Therese Hansen, born 1966, Deputy Chairman	Architect, MAA, consultant with Emcon	9 years	April 2015 to April 2018, elected by the members	Yes	Member of the Audit and Risk Management Committee of the Architects' Pension Fund
Rikke Sylow Francis, born 1966	MSc in insurance science, chief actuary of Industriens Pension	4 years	Januar 2017 to April 2020, re-appointed by the Union Architects and Designers (FAOD)	No	Member of the Audit and Risk Management Committee of the Architects' Pension Fund
Søren Kaare-Andersen, born 1958	MSc (Econ.), CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben	2.5 years	April 2015 to April 2018, elected by the members	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 Bikuben Foundation New York Inc., chairman of the board of directors of Høbbet A/S, deputy chairman of the board of directors of Enkotec A/S, deputy chairman of the board of directors of Fonden Roskilde Festival, member of the board of directors of the Pension Fund for Agricultural Academics and Veterinary Surgeons, member of the board of directors of Volt ApS, member of the board of directors of Bifi A/S, member of the board of directors of the Foundation for Social Responsibility, member of the board of directors of KAB
Kirsten Schmidt Sander, born 1949	Architect, owner of KS Miljø og Arkitektur	0.5 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

Name and basic data	Education and employment	Years on the board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
Per Frølund Thomsen, born 1954	Owner of Frølund Consult	3.5 years	April 2017 to April 2020, re-appointed by the Academic Association of Architects (AA)	Yes	Chairman of the board of directors of Frølund Consult IVS, chairman of the board of directors of Henperium
Anne Marie Øhlenschläger Christiansen, born 1949	Arkitekt, MAA, owner of AplusB	4.5 years	Juni 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 and two subsidiaries, 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
Hasse Jørgensen, born 1962, CEO	-	-	-	-	CEO of Sampension KP 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 Sampension Alternative Asset Management A/S, 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 Sampension KP International A/S, member of the board of directors of Refshaleøen Holding A/S (including one subsidiary), member of the board of directors of the Danish Insurance Association, member of the board of directors of the Danish Finance Society



Financial statements

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Group and Parent Company Financial Statements

INCOME STATEMENT		GROUP		PENSION FUND	
Note	DKKt.	2017	2016	2017	2016
1	Premiums	351,842	336,646	351,842	336,646
	Premiums	351,842	336,646	351,842	336,646
7	Income from group enterprises	-	-	-1,729	5,210
	Income from associates	0	0	0	460
	Income from investment properties	147	880	-33	-1,322
2	Interest income, dividends etc.	98,849	398,679	98,849	27,586
3	Market value adjustments	522,159	234,631	523,547	578,918
	Interest expenses	-1,122	-841	-603	-303
	Investment management expenses	-13,687	-33,279	-13,686	-10,479
	Total investment return	606,345	600,069	606,345	600,069
	Tax on pension returns	-88,824	-89,752	-88,824	-89,752
5	Benefits paid	-274,745	-240,618	-274,745	-240,618
	Total insurance benefits	-274,745	-240,618	-274,745	-240,618
10	Total change in provisions	-428,674	-401,642	-428,674	-401,642
9	Change in excess capital	-30,144	-32,833	-30,144	-32,833
4	Administrative expenses	-5,149	-9,770	-5,149	-9,770
	Total net operating expenses	-5,149	-9,770	-5,149	-9,770
	Transferred return on investments	-122,780	-121,417	-122,780	-121,417
	TECHNICAL RESULT	7,870	40,682	7,870	40,682
	Investment return on equity	147,169	145,483	147,169	145,483
	PROFIT BEFORE TAX	155,039	186,166	155,039	186,166
	Tax on pension returns for equity	-24,389	-24,066	-24,389	-24,066
	PROFIT FOR THE YEAR	130,651	162,100	130,651	162,100
	TOTAL OTHER COMPREHENSIVE INCOME	0	0	0	0
	NET PROFIT FOR THE YEAR	130,651	162,100	130,651	162,100

Group and Parent Company Financial Statements (continued)

BALANCE SHEET		GROUP		PENSION FUND	
Note	DKKt.	2017	2016	2017	2016
ASSETS					
TANGIBLE ASSETS		0	15	0	0
6	Investment properties	0	123,500	0	0
7	Investments in group enterprises	-	-	147,149	148,437
Total investments in group enterprises		-	-	147,149	148,437
	Investments	1,443,989	3,580,814	1,443,989	125,022
	Units in mutual funds	2,923,146	201,882	2,923,146	8,274,884
	Bonds	4,661,281	5,183,714	4,661,281	0
	Loans secured by mortgage	29,635	0	29,635	0
8	Derivative financial instruments	108,193	57,636	108,193	40,307
	Deposits with credit institutions	162,174	82,791	162,174	0
Total other financial investment assets		9,328,419	9,106,837	9,328,419	8,440,212
TOTAL INVESTMENT ASSETS		9,328,419	9,230,337	9,475,567	8,588,649
Total receivables arising from direct insurance contracts		5,993	5,803	5,993	5,803
Other receivables		18,151	381,619	18,148	13,335
TOTAL RECEIVABLES		24,144	387,422	24,140	19,138
	Cash and cash equivalents	237,977	442,393	90,768	66,252
	Other	50	0	50	0
TOTAL OTHER ASSETS		238,027	442,393	90,818	66,252
	Interest and rent receivable	28,947	50,365	28,947	0
	Other prepayments	17,283	16,583	17,282	16,577
TOTAL PREPAYMENTS		46,229	66,948	46,228	16,577
TOTAL ASSETS		9,636,818	10,127,115	9,636,754	8,690,614

BALANCE SHEET		GROUP		PENSION FUND	
Note	DKKt.	2017	2016	2017	2016
EQUITY AND LIABILITIES					
	Retained earnings	2,148,647	2,057,938	2,148,647	2,057,938
	TOTAL EQUITY	2,148,647	2,057,938	2,148,647	2,057,938
9	Excess capital	470,547	440,403	470,547	440,403
	TOTAL SUBORDINATED LOAN CAPITAL	470,547	440,403	470,547	440,403
10	Pension provisions	6,461,410	6,032,736	6,461,410	6,032,736
	TOTAL INSURANCE PROVISIONS, NET OF REINSURANCE	6,461,410	6,032,736	6,461,410	6,032,736
11	Payables to credit institutions	275,624	1,406,048	275,624	0
	Current tax liabilities	0	6	0	0
12	Other payables	280,573	187,779	280,507	157,277
	TOTAL DEBT	556,197	1,593,834	556,131	157,277
	TOTAL DEFERRED INCOME	18	2,204	18	2,261
	TOTAL EQUITY AND LIABILITIES	9,636,818	10,127,115	9,636,754	8,690,614
0	ACCOUNTING POLICIES				
13	CONTINGENT ASSETS AND LIABILITIES				
14	CHARGES				
15	INTRA GROUP TRANSACTIONS				
16	REALISED RESULT AND DISTRIBUTION OF REALISED RESULT				
17	OVERVIEW OF ASSETS AND RETURNS				
18	FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, GROUP AND PENSION FUND				
19	RISK MANAGEMENT AND SENSITIVITY INFORMATION				

Statement of changes in Equity

DKKt.	GROUP		PENSION FUND	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Equity at 1 January	2,057,938	1,939,833	2,057,938	1,939,833
Adjustment beginning of 2016, change of accounting policies	-	1,350	-	1,350
Profit for the year	130,651	162,100	130,651	162,100
Supplementary pensions	-39,941	-45,346	-39,941	-45,346
Equity at 31 December	2,148,647	2,057,938	2,148,647	2,057,938
Capital base				
Equity		2,148,647	2,057,938	
Excess capital			470,547	440,403
Total			2,619,194	2,498,341

Notes to the financial statements

0 0 Accounting policies

GENERAL INFORMATION

The Annual Report of the Group and 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").

Changes made to the accounting policies relative to the 2016 Annual Report:

Due to the transition to the joint management company with Sampension effective from 1 January 2017, the following accounting policy changes have been made in the annual report for 2017 relative to prior years:

- The shares of jointly managed activities/investments in the former Unipension arrangement attributable to the pension fund were consolidated in the income statement and balance sheet on a pro rata basis. Following the transition, the conditions for pro rata consolidation no longer apply. As a result, the Group's total assets stood at DKK 9,636.8 million at 31 December 2017 compared with DKK 10,127.1 million at 31 December 2016.
- Effective from 2017, administrative expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationselskab A/S and direct expenses incurred. The administrative fee is divided into pension business and investment business.

In 2016, the administrative expenses relating to investment business were calculated as direct investment costs plus an amount allocated for the remaining cost base corresponding to resources applied by Unipension.

- A few items have been reclassified in the comparative figures for 2016.

The changes have no effect on the profit for the period, total assets or equity.

Apart from the above, the accounting policies 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 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 surplus 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 costs are recognised as incurred. All gains and losses, value adjustments, amortisation, depreciation, impairment write-downs as well as reversals of amounts previously recognised in the income statement are recognised in the income statement.

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. This is described in further detail under the individual items.

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

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

Uncertainty in recognition and measurement

In preparing the consolidated and the parent company financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities. The areas in which management's estimates and judgments have the most material effect on the consolidated financial statements and the pension fund's financial statements are pension provisions and the fair value of non-marketable assets, such as unlisted financial instruments and properties, 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 un-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 uncertain and unpredictable. The assumptions may be incomplete and unexpected future events or circumstances may arise.

Corporate information and consolidation policies

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

Up until 31 December 2016, the shares of jointly managed activities/investments in the former Unipension arrangement attributable to the pension fund were consolidated in the income statement and balance sheet on a pro rata basis. Following the transition to the Sampension joint management company, the conditions for pro rata consolidation no longer apply.

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

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

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

Intra-group transactions

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

INCOME STATEMENT

Pension technical result

Premiums

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

Investment return

Income from investments in group enterprises and associates

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

Income from investment property

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

Interest income and dividends, etc.

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

Market value adjustments

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

except for profits and losses relating to group enterprises and associates.

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

Foreign currency assets and liabilities 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 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.

Notes to the financial statements (continued)

Pension benefits

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 surplus capital

The item comprises the change for the year in individual special bonus provisions (surplus capital).

Pension operating expenses

Pension operating expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationselskab 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 costs recognised directly in equity through Other comprehensive income.

BALANCE SHEET

Investment assets

Investment property

Danish and foreign investment properties are measured at a calculated fair value in accordance with the FSA's Executive Order. The fair value is calculated according to the capitalised returns method on the basis of the expected operating return on the individual

property for each financial year and the required rate of return for the individual property.

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

Investments in group enterprises

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

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

Investments and units in mutual funds

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

Bonds

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

Loans secured by mortgage

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

Derivative financial instruments

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

Deposits with credit institutions

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

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 and rent 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. 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.

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 in relation to its pension business. 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.

Prepayments

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

highlights are the same as those for the pension fund with the exception of Total assets. Financial highlights are not prepared for the Group, as it comprises one pension fund only.

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. The consolidated financial

Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
1	Premiums				
	Regular premiums	328,810	311,689	328,810	311,689
	Single premiums	23,032	24,956	23,032	24,956
	Total premiums	351,842	336,646	351,842	336,646
	Premiums by policyholder's address				
	Denmark	326,509	307,774	326,509	307,774
	Other EU-countries	1,439	3,632	1,439	3,632
	Other countries	862	283	862	283
	Total	328,810	311,689	328,810	311,689
	Number of policyholders	9,687	9,368	9,687	9,368
2	Interest income and dividends etc.				
	Dividends from investments	8,071	235,480	8,071	27,587
	Dividends from units in mutual funds	13,369	0	13,369	0
	Interest from bonds	67,843	163,178	67,843	0
	Interest on loans secured by mortgage	563	0	563	0
	Other interest income	337	21	337	0
	Indexation	4,073	0	4,073	0
	Interest swap instruments	4,593	0	4,593	0
	Total interest income, dividends, etc.	98,849	398,679	98,849	27,586
3	Market value adjustments				
	Investment properties	-1,218	2,645	0	-460
	Investments	-1,906	46,684	-1,736	-16,529
	Units in mutual funds	249,527	84,724	249,527	718,112
	Bonds	-3,242	239,083	-3,242	0
	Loans secured by mortgage	10	1,482	10	0
	Derivative financial instruments	288,994	-141,702	288,994	-121,990
	Cash and demand deposit	-10,008	1,715	-10,008	-216
	Total value adjustments	522,159	234,631	523,547	578,918

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
4	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:				
	Wages and remuneration, etc.:				
	Staff salaries etc.	-931	-5,932	-931	-5,932
	Staff pensions	0	-557	0	-557
	Other social security costs	0	-87	0	-87
	Payroll tax	0	-948	0	-948
	Total staff costs	-931	-7,523	-931	-7,523
	Average number of full-time employees	-	9	-	9

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.

	Pension fund 2017		Pension fund 2016	
	No. of people	Fixed salary, incl. pension earned	No. of people	Fixed salary, incl. pension earned
Executive Board	1		1	
Jens Munch Holst (1/2 2016 - 31/12 2016)		-		-319
Hasse Jørgensen (joined 1/1 2017)		-167		-
Board of Directors:	7		7	
Mette Elisabeth Carstad		-240		-230
Cecille Therese Hansen		-170		-160
Rikke Sylow Francis		-110		-100
Søren Kaare-Andersen		-140		-130
Ole Bjørn Petersen (resigned 31.05.2017)		-38		-80
Kirsten Schmidt Sander (joined 01.06.2017)		-53		-
Per Frølund Thomsen		-90		-80
Anne Marie Øhlenschläger Christiansen		-102		-92
Employees whose activities have a material impact on the company's risk profile	7	-411	3	-225
Remuneration to chief actuary.				
The fee is paid by the joint management company and settled through the management fee		-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/loenpolitik

Note 4 continued on next page

Notes to the financial statements (continued)

Note 4 (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
Remuneration for auditors elected by the Annual General Meeting					
Deloitte, Statsautoriseret Revisionspartnerselskab					
	Statutory audit	-	-155	-	-103
	Assurance engagements	-	-26	-	-26
	Tax advice	-	-6	-	-6
	Other services	-12	-31	-12	-31
		-12	-218	-12	-166
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab					
	Statutory audit	-144	-	-144	-
	Assurance engagements	-44	-	-44	-
	Tax advice	-19	-	-19	-
	Other services	-	-	-	-
		-206	0	-206	0

Effective from 1 January 2017, 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. In addition to a statutory audit of the consolidated and parent company financial statements and other statutory engagements, PricewaterhouseCoopers has provided assistance by way of a review of the tax return.

5	Benefits paid				
	Retirement and annuity benefits	-257,820	-240,008	-257,820	-240,008
	Payment at surrender etc.	-47,357	-38,346	-47,357	-38,346
	Premium relating to group life schemes	-9,509	-7,610	-9,509	-7,610
	Total pension benefits paid	-314,686	-285,964	-314,686	-285,964
	Recognised in the income statement	-274,745	-240,618	-274,745	-240,618
	Distributed from equity	-39,941	-45,346	-39,941	-45,346
	Total benefits paid	-314,686	-285,964	-314,686	-285,964
6	Investment properties				
	Cost at 1 January	43,386	127,925	0	83,399
	Additions during the year, including improvements	0	55	0	0
	Disposals during the year	-43,386	-84,595	0	-83,399
	Cost at 31 December	0	43,386	0	0
	Revaluation at 1 January	80,114	76,669	0	0
	Revaluation for the year	0	3,445	0	0
	Reversal of previous revaluation	-80,114	0	0	0
	Revaluation at 31 December	0	80,114	0	0
	Write-downs at 1 January	0	-14,295	0	-14,295
	Write-downs during the year	0	-404	0	-404
	Reversed write-downs	0	14,699	0	14,699
	Write-downs at 31 December	0	0	0	0
	Fair value at 31 December	0	123,500	0	0
	Average rates of return applied to assess the market value at each type of properties:				
	Commercial property	-	3.10	-	-
	Weighted average of rates of return	-	3.10	-	-

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
7	Investments in group enterprises				
	Arkitekternes Ejendomsselskab P/S under likvidation, Gentofte:				
	Ownership			100%	100%
	Profit			-1,567	5,195
	Equity			147,000	148,296
	Komplementarejendomsselskabet Arkitekternes Ejendomme ApS under likvidation, Gentofte:				
	Ownership			100%	100%
	Profit			-5	14
	Equity			135	141
				included in annual report	
	Total equity			147,135	148,437
	Total investments in group enterprises			147,135	148,437
8	Derivative financial instruments				
	2017	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	Interest rate hedging instruments etc.:				
	Interest swaps	12,175	12,966	12,175	12,966
	Swaptions	8,685	10,372	8,685	10,372
	CDS'er	35,676	0	35,676	0
	Total interest rate hedging instruments	56,536	23,338	56,536	23,338
	Currency-based derivative financial instruments	51,657	5,397	51,657	5,397
	Investments futures	0	19	0	19
	Total derivative financial instruments	108,193	28,754	108,193	28,754
	Fair value included in the item Derivative financial instruments	108,193		108,193	
	Fair value included in the item other debt see note 12		28,754		28,754
	Net carrying value (asset)	79,440		79,440	
		2017	2016	2017	2016
	Agreements have been concluded to post collateral for derivative financial instruments				
	The Group has received collateral in the form of liquid bonds equal to a fair value of	74,474	-	74,474	-
	The Group has provided collateral in the form of liquid bonds equal to a fair value of	0	-	0	-
	Net collateral (asset)	74,474	-	74,474	-

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK 2 million. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -713 million. As gain/losses are settled on current basis, the fair value is nil.

Note 8 continued on next page

Notes to the financial statements (continued)

Note 8 (continued)

2016	GROUP		PENSION FUND	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Investment hedging instruments	6,723	10,155	0	0
Total interest rate hedging instruments	6,152	7,768	0	0
Currency-based derivative financial instruments	42,641	64,849	40,307	61,987
Other derivative financial instruments	2,120	2,190	0	0
Total derivative financial instruments	57,636	84,963	40,307	61,987
Fair value included in the item Derivative financial instruments	57,636		40,307	
Fair value included in the item other debt see note 12		84,963		61,987
Net carrying value (liability)		27,327		21,680
	2017	2016	2017	2016
9 Excess capital				
Excess capital beginning of year	440,403	407,570	440,403	407,570
Transferred from pension provisions	16,913	16,765	16,913	16,765
Paid out to customers	-15,705	-16,008	-15,705	-16,008
Return for the year	28,935	28,012	28,935	28,012
Transferred from shadow accounts	0	4,064	0	4,064
Total excess capital	470,547	440,403	470,547	440,403
10 Pension provisions				
Change in gross pension provisions is specified as follows				
Pension provisions, beginning of year	6,032,736	5,632,445	6,032,736	5,632,445
Adjustment beginning of 2016, change of accounting policies	-	-1,350	-	-1,350
Pension provisions, beginning of year	6,032,736	5,631,094	6,032,736	5,631,094
Collective bonus potential, beginning of year	-94,023	0	-94,023	0
Accumulated value adjustment, beginning of year	-22,507	-23,979	-22,507	-23,979
Retrospective provisions, beginning of year	5,916,206	5,607,115	5,916,206	5,607,115
Total premiums	351,842	336,646	351,842	336,646
Addition of interest after tax on pension returns	209,619	202,953	209,619	202,953
Insurance benefits	-249,532	-217,390	-249,532	-217,390
Cost addition after addition of cost bonus	-5,336	-9,027	-5,336	-9,027
Risk gain/loss after addition of risk bonus	-3,614	19,515	-3,614	19,515
Group life premiums	-7,272	-6,840	-7,272	-6,840
Transferred to excess capital	-16,913	-16,765	-16,913	-16,765
Other	-295	0	-295	0
Retrospective provisions, end of year	6,194,705	5,916,206	6,194,705	5,916,206
Accumulated value adjustment, end of year	43,867	22,507	43,867	22,507
Collective bonus potential, end of year	222,838	94,023	222,838	94,023
Pension provisions, end of year	6,461,410	6,032,736	6,461,410	6,032,736
Pension provisions are specified as follows				
Guaranteed benefits	3,962,167	3,337,941	3,962,167	3,337,941
Individual bonus potential	2,225,928	2,345,802	2,225,928	2,345,802
Collective bonus potential	222,838	94,023	222,838	94,023
Risk margin	50,476	254,969	50,476	254,969
Total pension provisions	6,461,410	6,032,736	6,461,410	6,032,736

Profit margin on pension agreements is nil, as all profit is allocated to members.

Note 10 (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
Change in provisions are specified as follows					
	Change in pension provisions	-428,674	-401,642	-428,674	-401,642
Change in provisions, income statement		-428,674	-401,642	-428,674	-401,642
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%)	63,647	82,417	63,647	82,417
	Conditional guarantees (technical rate of interest 0%)	6,174,924	5,856,296	6,174,924	5,856,296
Pension provisions categorised by technical rate of interest		6,238,572	5,938,713	6,238,572	5,938,713
	Collective bonus potential	222,838	94,023	222,838	94,023
Total Pension provisions		6,461,410	6,032,736	6,461,410	6,032,736
Supplementary ratios relating to pension provisions					
	Bonus rate	39.6%	41.3%	39.6%	41.3%
	Return on customer funds after costs but before tax	6.9%	5.0%	6.9%	5.0%
11 Payables to credit institutions					
	Repos	275,624	1,406,048	275,624	0
Total payables to credit institutions		275,624	1,406,048	275,624	0
	From the bank loans the following fall due in the coming year	275,624	0	275,624	0
	After five years the outstanding balance will be	0	0	0	0
12 Other debt					
	Derivative financial instruments, according to note 8	28,754	84,963	28,754	61,987
	Payables relating to bond purchase	8,875	0	8,875	0
	Debt relating to settlement of repos	144,189	0	144,189	0
	Provision for tax on pension returns payable and other	98,756	102,816	98,690	95,290
Total other payables		280,573	187,779	280,507	157,277
13 Contingent liabilities					
	The Company has committed itself at a later date to invest in funds etc. amounting to	854,755	1,165,000	854,755	1,165,000
	Total contingents	854,755	1,165,000	854,755	1,165,000
14 Charges					
	Bonds sold as part of repo debt	266,489	1,406,000	266,489	1,406,000
	Net assets registered in cover of 'Total provisions for insurance and investment contracts' amounting to	6,687,559	6,431,647	6,687,559	6,431,647
	Investments and units in mutual funds			2,774,424	6,365,395
	Bonds			3,913,135	0
	Deposits with credit institutions			0	66,252
	Total assets earmarked as security for policyholders' savings			6,687,559	6,431,647

Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
15	Intra group transactions				
	Current intra group transactions:				
	Management contracts			0	6,300
	As regards group enterprises reference is made to note 7				
	The pension fund conducted transactions with group enterprises, associates and jointly-operated companies in 2016. Transactions were conducted on a cost recovery basis.				
	The pension fund conducted transactions of material amounts (more than DKK 25 thousand) with related parties in 2016: Arkitekternes Ejendomsselskab P/S, Gentofte, provision of administrative services, DKK 0.1 million. MP Investement Management A/S, sale of goods and services, DKK 0.5 million. Unipension I/S in solvent liquidation, purchase of goods and services, DKK 5.6 million. Unipension I/S in solvent liquidation, sale of goods and services, DKK 0.1 million.				
16	Realised result and distribution of realised result				
	Investment return before tax on pension returns			606,883	600,087
	Change in market value adjustment			-21,360	1,472
	Basic rate of interest added			-1,549	-2,995
	Expense result			187	-743
	Risk result			3,614	-19,913
	Other			1,486	0
	Realised result			589,261	577,908
	Tax on pension returns			-88,824	-89,752
	Available for allocation after tax on pension returns			500,437	488,156
	Allocated to pension savers:				
	Bonus added			-208,071	-199,958
	Transferred to collective bonus potential, interest rate groups			-128,815	-94,023
	Investment return and risk premium allocated to base capital			163,551	194,175
	Cost result in DKK			187	-743
	Expense result as a percentage of technical provisions			0.003%	-0.013%
	Risk result in DKK			3,614	-19,913
	Risk result as a percentage of technical provisions			0.1%	-0.3%
	Shadow accounts				
	Shadow accounts at 1 January			0	30,762
	Return of shadow accounts			0	1,955
	Reduction of shadow account during the year, to equity			0	-28,562
	Reduction of shadow account during the year, to excess capital			0	-4,064
	Shadow accounts at 31 December			0	0

Note

17 Overview of assets and returns, pension fund

Assets and return DKKm.	Market value		Return 2017 % p.a.
	Beg. of year	End of year	
Land and buildings	344	366	-1.2%
Listed investments	3,053	2,736	9.2%
Unlisted investments	536	834	0.6%
Total Investments	3,589	3,569	7.3%
Government- and mortgage bonds	2,634	3,700	1.6%
Index-linked bonds	0	360	1.7%
Credit bonds, investment grade and non-investment grade	1,790	729	5.4%
Loans etc.	0	30	1.9%
Total bonds and loans etc.	4,424	4,819	2.4%
Other investment assets	62	432	1.6%
Derivative financial instruments to hedge the net change in assets and liabilities	-20	-63	-
Total	8,400	9,123	7.1%

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: www.arkitektpension.dk/ap/Om-pensionskassen/Finansiel-information/Investeringsaktiver.

18 Five-year financial highlights and ratios for the group and pension fund

The information is accessible on page 8 in the Management's review.

19 Risk management and sensitivity information

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

Investments relating to pension schemes and total capital

The pension fund has one common investment portfolio for its pension provisions and total capital, i.e. equity and surplus 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 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 on the pension fund's own past experience and partially based on the Danish FSA's benchmark for expected future longevity improvements.

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

OPERATIONAL RISK

The 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, we have set up procedures to monitor and minimise risk in relation to the pension business and the investment business. We record operational incidents on an ongoing basis and follow up and report to the Audit and Risk Management Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

OUTSOURCING

The pension fund has outsourced tasks in significant areas of activity with a view to reducing costs, gaining access to investment management competences, etc. The Board of Directors has set out guidelines for outsourcing of significant areas of activity in order to ensure adequate management of the risks associated with outsourcing, including that outsourcing agreements and activities are handled in accordance with the Board of Directors' guidelines and applicable outsourcing legislation.

The guidelines ensure that the Board of Directors is involved in all decisions regarding outsourcing, that requirements as to supplier capabilities and capacity are met, that a number of issues and requirements of the supplier are considered when entering into contracts and that the Danish FSA is informed of the outsourcing agreement. For the outsourced activities, the necessary procedures have been established to ensure regular monitoring of the supplier's performance in terms of time, quality and quantity in accordance with the relevant outsourcing agreement and applicable rules.

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

SENSITIVITY INFORMATION

Event DKKm	Effect on equity
0.7-1.0 p.p. interest rate increase	19
0.7-1.0 p.p. interest rate fall	-23
12% share price depreciation	-129
8% fall in property prices	0
Currency risk (VaR 99%)	-7
8% counterparty loss	-12

The calculations in the table were made on the basis of equity being invested together with investment assets relating to members' funds. The sensitivity values in the table correspond to equity's proportionate share of the investments.

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 arkitektension.dk/ap/rappporter.

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Arkitekternes Pensionskasse for the financial year ended 31 December 2017.

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

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the pension fund's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the pension fund's operations for the financial year ended 31 December 2017.

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

Hellerup, 7 March 2018

Executive Board

Hasse Jørgensen
Chief Executive Officer

/ Morten Lund Madsen
Chief Financial Officer

Board of Directors

Mette Elisabeth Carstad
(Chairman)

Cecilie Therese Hansen
(Deputy Chairman)

Rikke Sylow Francis

Søren Kaare-Andersen

Kirsten Schmidt Sander

Per Frølund Thomsen

Anne Marie Øhlenschläger Christiansen

Internal Auditor's report

Opinion

In our opinion, the consolidated and parent company financial statements of Arkitekternes Pensionskasse give a true and fair view of the Group's and the pension fund's assets, liabilities and financial position at 31 December 2017, and of the results of the Group's and the pension fund's operations for the financial year ended 31 December 2017 in accordance with the Danish Financial Business Act in respect of the financial statements of the Group and 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 consolidated and parent company financial statements of Arkitekternes Pensionskasse for the financial year ended 31 December 2017. The consolidated and parent company financial statements are prepared in accordance with the Danish Financial Business Act.

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

We planned and performed the audit so as to obtain reasonable assurance that the consolidated financial statements and the parent company financial statements are free from material misstatement. We participated in auditing all critical audit areas.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

The financial ratio 'Solvency coverage'

Management is responsible for the financial ratio 'Solvency coverage' set out in the five-year financial highlights and ratios in note 18 to the consolidated financial statements.

As set out in the five-year key figures in note 18, the financial ratio 'Solvency coverage' is exempt from the audit requirement. Accordingly, our opinion on the parent company financial statements does not cover the financial ratio 'Solvency coverage', and we do not express any form of assurance conclusion on that financial ratio.

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

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

Hellerup, 7 March 2018

Gert Stubkjær
Group Chief Auditor

Independent Auditor's Report

To the members of Arkitekternes Pensionskasse

Opinion

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

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

What we have audited

The Group Financial Statements and the Parent Financial Statements of Arkitekternes Pensionskasse for the financial year 1 January - 31 December 2017 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Pension Fund. Collectively referred to as the "Financial Statements".

Basis for opinion

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

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

Independence

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

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

Appointment

We were first appointed auditors of Arkitekternes Pensionskasse on 4 April 2017 for the financial year 2017.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matter
<p>Measurement of provisions for insurance contracts</p> <p>The Group's provisions for insurance contracts total DKK 6,461 million, which constitutes 67 per cent of the Group's 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 accounting estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policyholders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of provisions for insurance contracts as the statement of the provisions is complex and involves a considerable element of accounting estimate.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 0 and note 18, "Pension provisions", to the Group Financial Statements and the Parent Financial Statements</p>	<p>We examined, assessed and tested relevant procedures and 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 Group as well as the calculations made.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p>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 0 and note 8, "Derivative financial instruments", to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We examined, assessed and tested relevant procedures and internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external managers. We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations and recalculated on a sample basis the valuation of derivative financial instruments.</p> <p>We challenged Management's estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

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

Capital adequacy ratio

Management is responsible for the capital adequacy ratio stated in financial highlights in note 18 to the Financial Statements.

As stated in financial highlights in note 18, the capital adequacy ratio is exempt from the audit requirement. Consequently, our opinion on the Group Financial Statements and the Parent Financial Statements does not comprise the capital adequacy ratio, and we do not express any form of assurance conclusion thereon.

During our audit of the Financial Statements, it is our responsibility to consider whether the capital adequacy ratio is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the 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 Group or 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 Group's and 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 Group's and 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 Group and 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.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hellerup, 7 March 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 3377 1231

Christian F. Jakobsen
State Authorised Public Accountant
mne16539

Claus Christensen
State Authorised Public Accountant
mne33687

Definitions of financial ratios

Danish FSA financial ratios

Financial ratios have been calculated in accordance with the Danish FSA's Executive Order on financial 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.

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

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

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

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

$$\text{Solvency coverage ratio} = \frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at 31 December 2017}}$$

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

PHOTO
Christoffer Regild (page 4 Mette Carstad)

DESIGN
Zoulmade.com

PRINT
Bohemian ApS



5041 0457

Svanemærket tryksag

Arkitekternes Pensionskasse
Tuborg Havnevej 14 • 2900 Hellerup
Tlf. 77 55 64 44 • www.arkitektension.dk
Cvr.nr. 22 07 86 15

