

# Annual Report 2019

**PENSIONSKASSEN**  
Jordbrugsakademikere & Dyrlæger



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

“Pension contributions reached DKK 422 million in 2019, of which DKK 43 million constituted additional contributions from members”



# Towards a more modern pension product in 2019

The Board of Directors looks forward to offering the pension fund's members a more modern pension product in the form of a unit-linked pension scheme. We believe that our members are best served with a transparent lifecycle product, in which the risk is adjusted according to age and current life situation and with maximum allocation of funds to the individual members' savings.

The Board of Directors intended to offer a collective change of members' pension schemes in 2019, but unfortunately the Danish FSA rejected our application in May. We appealed their decision to the Danish Company Appeals Board (Erhvervsankenævnet) and will move forward with our plans to offer our members the option to switch to a unit-linked product during 2020, irrespective of whether the change will be collective or individual.

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

Pension contributions reached DKK 422 million in 2019, of which DKK 43 million constituted additional contributions from members who either made extra contributions to their pension savings or pooled their pension savings with the pension fund, which remains free of charge.

Our members consulted us for advisory services 3,935 times last year and gave us an average satisfaction rating score of 4.6 out of 5.

2019 was a strong year in terms of growth for the Sampension community, which has more than DKK 300 billion under management, including for the pension fund's members. The joint management model is based on maximising economies of scale and proves its worth through good returns and fair prices anchored in low expenses, good customer service, professional advisory services and long-term collaborations. In 2019, this created value for the many new members who joined the Sampension community and the pension fund's members, who also enjoyed some of the lowest administration and investment expenses for members of academic pension funds.

We remain strongly committed to responsible investing, and in 2019 the Board of Directors expanded its policy to include an increased focus on climate and a strengthened engagement programme. This is expressed in three new initiatives launched in 2019, applying to all parties of the joint management company:

- The climate footprint of the equity portfolio must be reduced.
- We do not invest in companies generating 30% or more of their revenue from coal or tar sand operations.
- We will regularly evaluate the companies' ability and willingness to adapt to the low-emissions society of the future.

You can read much more about this in our joint report "Ansvarlige investeringer 2019" (in Danish only), which is released together with this annual report.

The report is available on the pension fund's website. In 2019, we had more than 47,000 visits to our website, and our members logged on to check their personal pension information more than 22,000 times. At the turn of the year, we updated our website with a new, modern design and even more functions, making it easy for our members to contact the pension fund's employees. I hope that you will make use of our website when you have questions about your pension savings.



**Erik Bisgaard Madsen**

Chairman of the Board of Directors



# Management's review

## 1

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# Five-year key figures and financial ratios

<b>Five-year key figures</b> DKKm	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Premiums	421.5	411.3	386.1	374.8	368.6
<i>Pension benefits paid, profit/loss</i>	-259.7	-289.2	-282.4	-268.7	-258.6
<i>Pension benefits paid, equity</i>	-87.9	-60.0	-38.8	-44.6	-35.7
Total pension benefits paid	-347.6	-349.1	-321.3	-313.4	-294.3
Investment return	1,409.7	-325.1	1,048.0	959.2	544.5
Total pension operating expenses	-5.1	-5.8	-5.6	-10.7	-13.0
Technical result	14.8	-10.0	2.4	68.9	-2.2
Technical result of health and accident insurance	-1.5	-0.1	1.7	-0.6	-0.1
Profit for the year	312.7	-82.7	236.4	279.2	114.3
Total pension provisions	10,487.5	9,513.9	9,587.7	8,883.7	8,302.7
Surplus capital	794.7	728.9	735.9	685.9	632.9
Equity	3,697.3	3,472.5	3,615.2	3,417.7	3,185.8
Total assets	15,960.0	14,458.2	14,688.0	13,230.9	12,317.0
Total consolidated assets	15,961.1	14,459.3	14,689.1	15,453.0	14,083.1

<b>Five-year financial ratios</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Return ratios</b>					
Rate of return related to average-rate products	10.3%	-2.3%	8.1%	7.9%	4.7%
<b>Expense ratios</b>					
Expenses as a percentage of pension provisions	0.05%	0.06%	0.06%	0.13%	0.16%
Expenses per member (DKK)	489	560	552	1,065	1,319
<b>Other return ratios</b>					
Return on equity after tax	8.7%	-2.3%	6.7%	8.5%	3.6%
Return on excess capital	10.3%	-2.3%	8.3%	7.9%	4.7%
<b>Capital structure ratios</b>					
Solvency coverage	316%	283%	360%	451%	520%
<b>Health and accident insurance</b>					
Gross claims ratio	183.4%	95.2%	22.2%	147.6%	111.9%
Gross expense ratio	5.8%	5.9%	6.9%	6.0%	6.0%
Combined ratio	189.2%	101.2%	29.1%	153.6%	117.9%
Operating ratio	189.2%	101.2%	29.1%	153.6%	117.9%

Reference is made to "Definitions of financial ratios" on page 53.

# Members and pension schemes

The Pension Fund for Agricultural Academics and Veterinary Surgeons (PJD) is a member-owned pension fund established in 1983. PJD has just over 10,000 members, most of whom are graduates of the Faculty of Life Sciences at the University of Copenhagen (formerly the Royal Veterinary and Agricultural University) or have similar educational backgrounds. The pension fund also admits employees of enterprises or associations affiliated with the profession.

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

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

## Premiums and benefits

### Premium income of

DKKm **421.5**

#### Premium income

Premiums grew by 2.5% to DKK 421.5 million in 2019 from DKK 411.3 million in 2018. Regular premiums grew by DKK 16.0 million, while single premiums and transfers decreased by DKK 5.7 million.

Premium income DKKm	2019	2018	Change (%)
Regular premiums	378.1	362.1	4.4
Single premiums etc.	43.4	49.1	-11.6
<b>Total premiums</b>	<b>421.5</b>	<b>411.3</b>	<b>2.5</b>

The number of members at 31 December 2019 was 10,632 against 10,394 at 31 December 2018, an increase of 2.3%.

Number of members	31.12.2019	31.12.2018	Change (%)
Premium-paying members in active employment	5,455	5,352	1.9
Paid-up policies etc.	2,795	2,731	2.3
Pensioners	2,382	2,311	3.1
<b>Total number of members</b>	<b>10,632</b>	<b>10,394</b>	<b>2.3</b>

#### Benefit payments

Total benefits paid amounted to DKK 347.6 million in 2019 against DKK 349.1 million in 2018, including supplementary pensions financed via equity. The decline was driven especially by lump sum payouts.

# Expenses

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

## Efficient investment management

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

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

## Investment expenses

Investment expenses include expenses incurred by PJD, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc. Investment expenses as a percentage of member savings were 0.54% in 2019 compared with 0.51% in 2018. The increase was driven especially by expenses for the increased investments in property funds.

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

## Administrative expenses per member of DKK 489

Pension administrative expenses amounted to DKK 5.1 million in 2019 against DKK 5.8 million in 2018.

- Expenses per member amounted to DKK 489 in 2019 against DKK 560 in 2018.
- Expenses expressed as a percentage of provisions was 0.05% compared with 0.06% in 2018.

## Total APR of 0.8%

Our website, [pjdpension.dk](http://pjdpension.dk), provides information to members on annual expenses expressed in Danish kroner and as a percentage (APR). The total APR for 2019 was 0.8% against 0.6% in 2018, calculated for a member with savings of DKK 1 million and annual contributions of DKK 50,000. APR includes an annual administration fee of DKK 480 per member, 0.25% of members' regular premiums, investment expenses as set out above and a risk premium of 0.25%. The APR for 2019 rose because the risk premium for 2018 was nil due to the negative investment return. The APR for 2019 includes a risk premium.

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Administrative  
expenses per  
policyholder

DKK **489**

# Investments and returns

## The global economy and financial markets

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

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

Investment return of

**10.3 %**

## Investment return of DKK 1,409.7 million or 10.3%

Our investment strategy aims to maximise the long-term return in a responsible manner within the given risk framework. PJD's total return was 10.3% in 2019. All asset classes made positive contributions to the total return. With a return of 20.8% in DKK terms, listed equities was the largest contributor, see the table below. Private equity, real estate and infrastructure as well as commodities and forestry also performed well, but their impact on the total return was limited due to relatively moderate asset holdings.

Investment return by asset class	Distribution (%) at 31.12.2018	Return (%)
Bonds etc. subject to low credit risk	37.7	0.5
Bonds etc. subject to high credit risk	10.2	11.1
Listed equities	31.0	20.8
Private equity	7.7	22.1
Real estate, land and infrastructure	9.4	12.0
Commodities and forestry	1.9	27.2
Global macro hedge funds	2.1	3.1
<b>Net return after currency hedging etc.</b>		<b>10.3</b>

PJD's overall return in 2019 was DKK 1,409.7 million before tax on pension returns, compared with a negative return of DKK 325.1 million in 2018. For a more detailed specification of holdings and returns, see note 20 to the financial statements.

## Five-year returns

Over the past five years, DKK 100 worth of savings has grown to DKK 132.



Five-year return of

**31.6 %**

## Sharpe ratio (risk-adjusted return)

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

Sharpe ratio 2017-2019	Accumulated return	Annualised return	Annualised standard deviation	Risk- adjusted return
PJD	16.5%	5.2%	4.3%	1.2

## Corporate social responsibility

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

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

### **Increased focus on climate**

We believe that being focused on climate and the environment, social issues and corporate governance contributes to a company's ability to create a return for its investors. In 2019, we adopted a new policy and guidelines for responsible investments, which includes an increased focus on climate. This is expressed in three initiatives in the equity portfolio:

1. We measured the carbon footprint of our equity portfolio for the first time at the end of 2018. The target for the equity portfolio's carbon footprint has now been specified: it must fall over time and must at all times be less than what the equity portfolio would have caused had the equity investments been made passively in the equity markets.
2. Unfortunately, the world will remain dependent on fossil fuels for a number of years to come, but it is possible to support the transition to the low-emissions society of the future, and going forward we will not invest in companies causing the largest environmental impact. More specifically, we will not invest in companies generating 30% or more of their revenue from coal or tar sand operations.
3. The transition to the future low-emissions society will affect the business models of all companies. Going forward, we will regularly evaluate the companies' ability and willingness to adapt to the future low-emissions society.

### **Active ownership**

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

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

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

# Profit, solvency capital requirement and total capital

## Profit of DKK 312.7 million

PJD realised a profit of DKK 312.7 million for 2019 against a loss of DKK 82.7 million for 2018. The profit or loss for the year consists mainly of the share of the investment return for the year allocated to equity, the risk premium and the result of health and accident insurance for the year. The profit for 2019 outperformed expectations.

The Board of Directors proposes that the profit for the year be transferred to equity. Equity stood at DKK 3,697 million at 31 December 2019 compared with DKK 3,473 million at 31 December 2018. A total of DKK 88 million was distributed as supplementary pension benefits in 2019.

## Solvency requirements and total capital

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

Solvency requirements and total capital DKKm	31.12.2019	31.12.2018
Total capital	4,492	4,201
Solvency capital requirement (SCR)	1,423	1,486
Minimum capital requirement (MCR)	356	372
Excess capital	3,069	2,715
<b>Solvency coverage ratio relative to SCR</b>	<b>316%</b>	<b>283%</b>
Solvency coverage ratio relative to MCR	1263%	1131%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 316% at 31 December 2019. The increase relative to 31 December 2018 was mainly due to the positive investment return for the year. The solvency coverage ratio is still at a very robust level.

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

## Provisions for pension contracts

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

Pension provisions stood at DKK 10,487 million at 31 December 2019 compared with DKK 9,514 million at 31 December 2018. The increase was mainly driven by positive investment returns.

At 31 December 2018, the collective bonus potential failed to cover the year's negative investment return which reduced the individual bonus potential by DKK 57 million. Due to the positive investment return in 2019, the DKK 57 million was

Profit of

DKK **312.7** mill

repaid to the individual bonus potential and DKK 614 million was transferred to collective bonus potentials.

The bonus ratio, reflecting the bonus potential in relation to members' savings, rose to 35.6% at 31 December 2019.

Bonus potential and bonus ratios	31.12.2019		31.12.2018	
	DKKm Bonus potentials	% Bonus ratio	DKKm Bonus potentials	% Bonus ratio
Collective bonus potential	614	-	0	-
Individual bonus potential	2,869	-	2,926	-
<b>Total bonus potentials</b>	<b>3,483</b>	<b>35.6</b>	<b>2,926</b>	<b>31.0</b>

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Interest rate of

**2.6**  
%

## Outlook for 2020

PJD anticipates moderate growth in the number of members and premiums in 2020. Expenses per member are expected to be at the same low level as in 2019.

At 1 January 2020, the interest rate on policyholders' savings was fixed at 2.6% before tax on pension returns for conditionally guaranteed pensions.

The return on equity depends on developments in the financial markets. Based on an investment return scenario in which listed equities outperform bonds by 3.5 percentage points, the return on equity after tax on pension returns is expected to be about DKK 100 million for 2020.

## Other matters

### Uncertainty in recognition and measurement

In preparing the annual report, management makes a number of estimates and judgments of future events. Such estimates and judgments may influence the carrying amount of assets and liabilities. Management's estimates and judgments have the most material effect on pension provisions and on the calculation of fair values of non-marketable assets such as unlisted financial instruments and real estate. 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 PJD's financial statements on an annual basis.

### Events after the balance sheet date

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

We expect Sorte Hest Ejendomspartnerselskab to merge with PJD on 12 March 2020 with retroactive effect at 1 January 2020.





# About the pension fund

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# Management structure

PJD 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 nine members. Five are elected by and among the pension fund's members, one is appointed by JA, one is appointed by the Trade Union for Employed Veterinarians (ADO) and two are elected at the general meeting following nomination by the Board of Directors. One of the last-mentioned two board members must have the qualifications required to be an expert member of the Audit and Risk Management Committee. The other must have experience from the pension industry or the financial sector.

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

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on pages 21-23.

## 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 PJD has established an Audit and Risk Management Committee.

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

The two other members appointed by the Board of Directors to serve on the Audit and Risk Management Committee in 2019 were: Johannes Elbæk (Deputy Chairman) and Anders Larsen (Board member).

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

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

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

A financial whistleblower hotline has been set up to give the employees of the joint management company a dedicated and independent channel for reporting any violation of financial regulations by the company. Reports to the whistleblower hotline are directed to Kromann Reumert, which manages our whistleblower hotline. Subsequently, Kromann Reumert informs the Audit and Risk Management Committee and the person in charge of the compliance function. No reports were filed in 2019.

## Committee for responsible investment

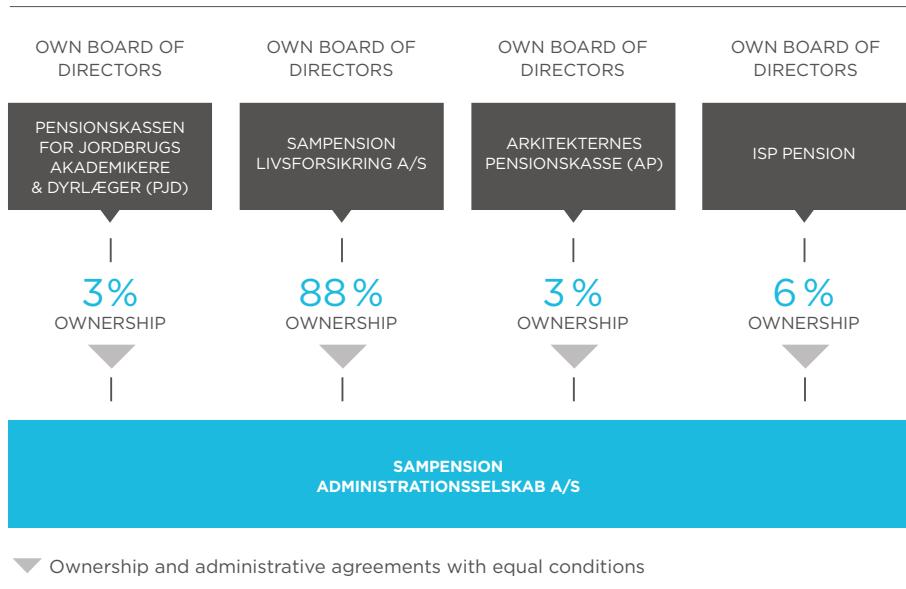
The responsible investment policy applies to all four parties of the joint management company. The boards of directors have set up a cross-functional committee

to make proposals for ESG-related decisions. The committee is charged with considering the social, environmental and governance aspects of investment decisions made by the four pension providers with a view to agreeing on the principles to be included in the pension companies' policy on responsible investment.

### Organisation and management

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

### 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](http://sampension.dk/organisation).

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

### Remuneration

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

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

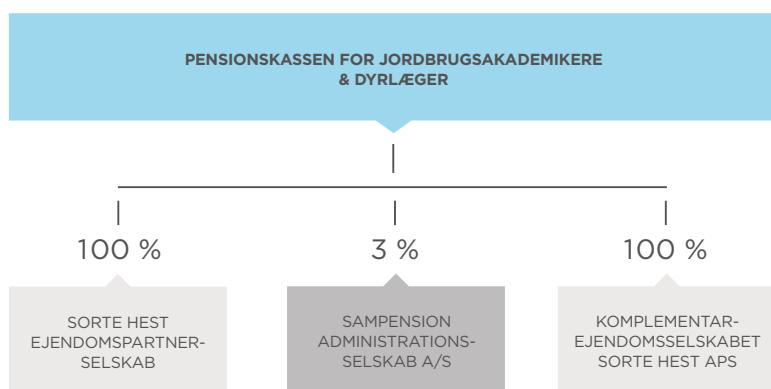
See note 5 to the financial statements or, for more information (in Danish only), go to [pjdpension.dk/bestyrelse](http://pjdpension.dk/bestyrelse).

## Gender composition of the Board of Directors

The current composition of the Board of Directors represents an equal gender distribution with three of the members, corresponding to 33.3%, being women and six members, corresponding to 66.7%, being men. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors.

We have accounted for the gender composition at other management layers in the statutory report on corporate responsibility (in Danish only) available at [pjd-pension.dk/aarsrapport](http://pjd-pension.dk/aarsrapport).

## Group structure



## Management and other directorships

### 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

## Other directorships

Other directorships held by the members of the Board of Directors and the Executive Board are shown below. The list does not include directorships in wholly-owned subsidiaries of the Pension Fund for Agricultural Academics and Veterinary Surgeons.

Name and basic data	Education and employment	Years on the Board	Term/appointment	Member of PJD	Other directorships and fiduciary positions
Erik Bisgaard Madsen, born 1955, Chairman	MSc (Veterinary Medicine), Ph.D., Associate Dean Politics & Communication, Faculty of Life Sciences, University of Copenhagen	24 years	April 2019 to April 2022, elected by the members	Yes	Chairman of the University of Copenhagen Housing Foundation of 2008, deputy chairman of the board of directors of Danish Food Cluster, member of the board of directors of Sampension Administrationsselskab A/S, member of the board of directors of the Danish Dairy Research Foundation, member of the board of directors of Hallegård Slagtehus ApS, member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering
Johannes Elbæk, born 1961, Deputy Chairman	MSc (Agriculture), HD, Director of Agricultural Centre, Vestjysk Bank	19 years	April 2019 to April 2022, elected by the members	Yes	Member of the Audit and Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons, director of Agricultural Centre, Vestjysk Bank A/S, owner of J.Elbæk Consulting
Louise Bundgaard, born 1979	MSc (Veterinary Medicine), Ph.D., Postdoc at the Department of Clinical Veterinary Medicine at the University of Copenhagen	3 years	April 2017 to April 2020, reappointed by the Trade Union for Employed Veterinarians (ADO)	Yes	Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering, member of the board of the Biomedicine Profession, DVA, member of the board of directors of European Tissue Repair Society, member of the Animal Experiments Inspectorate

Name and basic data	Education and employment	Years on the Board	Term/appointment	Member of PJD	Other directorships and fiduciary positions
Henning Otte Hansen, born 1959	MSc (Agriculture) and MSc (Economics and Business Administration), HD, Ph.D., Senior Adviser, Department of Food and Resource Economics (IFRO) at the University of Copenhagen	2 years *)	May 2018 to April 2021, elected by the members	Yes	Chairman of the board of directors of Disposal CC Holding IVS, member of the executive committee of Statsautoriseret revisor Oluf Christian Olsen og hustru Julie Rasmine Olsens mindefond, member of the board of directors of JA, chairman of the Negotiation Committee of JA
Hans-Henrik Bramaholm Jørgensen born 1955	MSc (Agriculture), Chief Consultant, Danish Agriculture & Food Council	17 years	November 2019 to December 2021, reappointed by JA	Yes	Chairman of the board of directors of JA
Søren Kaare-Andersen, born 1958	MSc (Econ.), CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben	4,5 years	April 2018 to April 2021, elected at the general meeting following nomination by the Board of Directors	No	Chairman of the Audit and Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons, chairman of the audit and risk management committee of the Architects' Pension Fund, chairman of the advisory committee of Nasdaq OMX Cph, chairman of the board of directors of Høbbet A/S, chairman of the board of directors of Bifi A/S, chairman of the board of directors of Roskilde Kulturservice A/S, chairman of the board of directors of Skitse ApS, deputy chairman of the board of directors of the Hjem til Alle alliance, deputy chairman of the board of directors of Enkotec A/S, deputy chairman of the board of directors of Fonden for Sociale Investeringer, member of the board of directors of the Architects' Pension Fund, member of the board of the Museum Council of the National Museum of Denmark, member of the board of the Foundation for Social Responsibility, member of the board of NunaFonden, member of the board of KAB, member of the board of H. P. Lorentzens Stiftelse, CEO of the Bikuben Foundation, CEO of Kollegiefonden Bikuben

\*) Henning Otte Hansen was elected to the Board of Directors on 22 May 2018. Henning Otte Hansen also served on the Board from 10 November 2009 to 9 April 2018

Name and basic data	Education and employment	Years on the Board	Term/appointment	Member of PJD	Other directorships and fiduciary positions
Anders Larsen, born 1967	MSc. (Econ.), HD Diploma (finance and accounting) Partner with Whitecroft Capital Management	2 years	April 2018 to April 2022, elected at the general meeting following nomination by the Board of Directors	No	Member of the Audit and Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons
Ilse Ankjær Rasmussen, born 1956	MSc (Agriculture), member of the academic staff of the International Centre for Research in Organic Food Systems (Aarhus Universitet)	2 years	April 2018 to April 2021, elected by the members	Yes	
Kirsten Holst Sørensen, born 1963	MSc (Agriculture), HD (Organisation and Management), department head, Organic Farming/Innovation, SEGES	8 years	April 2017 to April 2020, elected by the members	Yes	Member of the board of directors of ICROFS, member of the board of Økologi Inspiration til Jordbrugeren, member of the management team of SEGES (L&F), special adviser to the Ecological Council
Hasse Jørgensen, born 1962, CEO	-	-	-	-	CEO of Sampension Livsforsikring A/S, Livsforsikring A/S, CEO of Sampension Administrations selskab A/S, CEO of the Architects' Pension Fund, CEO of the Pension Fund for Technicians and Bachelors of Engineering, chairman of the board of directors of Komplementarselskabet Alternative Investments ApS, chairman of the board of directors of Sampension KP Danmark A/S, chairman of the board of directors of Sampension KP International A/S, member of the board of directors of Refshaleøen Holding A/S (including one subsidiary), member of the board of directors of the Danish Insurance Association, member of the board of directors of the Danish Finance Society





# Financial statements

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# Group and Parent Company Financial Statements

Note	INCOME STATEMENT DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
2	Premiums	421,525	411,271	421,525	411,271
	<b>Premiums</b>	<b>421,525</b>	<b>411,271</b>	<b>421,525</b>	<b>411,271</b>
9	Income from group enterprises	-	-	1,620	1,437
	Income from investment properties	1,546	1,453	0	0
3	Interest income, dividends etc.	156,457	138,083	156,462	138,092
4	Market value adjustments	1,288,998	-441,096	1,288,886	-441,113
	Interest expenses	-960	-1,061	-894	-1,034
	Investment management expenses	-36,358	-22,457	-36,392	-22,460
	<b>Total investment return</b>	<b>1,409,682</b>	<b>-325,078</b>	<b>1,409,682</b>	<b>-325,078</b>
	<b>Tax on pension returns</b>	<b>-213,783</b>	<b>45,683</b>	<b>-213,783</b>	<b>45,683</b>
6	Benefits paid	-259,678	-289,159	-259,678	-289,159
	<b>Total insurance benefits</b>	<b>-259,678</b>	<b>-289,159</b>	<b>-259,678</b>	<b>-289,159</b>
12	<b>Total change in provisions</b>	<b>-972,255</b>	<b>73,336</b>	<b>-972,255</b>	<b>73,336</b>
11	<b>Change in surplus capital</b>	<b>-65,834</b>	<b>7,027</b>	<b>-65,834</b>	<b>7,027</b>
5	Administrative expenses	-5,138	-5,758	-5,138	-5,758
	<b>Total net operating expenses</b>	<b>-5,138</b>	<b>-5,758</b>	<b>-5,138</b>	<b>-5,758</b>
	<b>Transferred return on investments</b>	<b>-299,678</b>	<b>72,723</b>	<b>-299,678</b>	<b>72,723</b>
	<b>TECHNICAL RESULT</b>	<b>14,840</b>	<b>-9,955</b>	<b>14,840</b>	<b>-9,955</b>
7	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-1,493</b>	<b>-120</b>	<b>-1,493</b>	<b>-120</b>
	<b>Investment return on equity</b>	<b>356,049</b>	<b>-84,894</b>	<b>356,049</b>	<b>-84,894</b>
	<b>PROFIT BEFORE TAX</b>	<b>369,396</b>	<b>-94,969</b>	<b>369,396</b>	<b>-94,969</b>
	<b>Tax on pension returns for equity</b>	<b>-56,737</b>	<b>12,267</b>	<b>-56,737</b>	<b>12,267</b>
	<b>PROFIT FOR THE YEAR</b>	<b>312,660</b>	<b>-82,702</b>	<b>312,660</b>	<b>-82,702</b>
	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>NET PROFIT FOR THE YEAR</b>	<b>312,660</b>	<b>-82,702</b>	<b>312,660</b>	<b>-82,702</b>

# Group and Parent Company Financial Statements (continued)

Note	BALANCE SHEET DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>ASSETS</b>					
8	<b>Investment properties</b>	<b>9,539</b>	<b>9,428</b>	<b>0</b>	<b>0</b>
9	Investments in group enterprises	-	-	18,471	16,851
	<b>Total investments in group enterprises</b>	<b>0</b>	<b>0</b>	<b>18,471</b>	<b>16,851</b>
10	Investments	3,084,963	2,260,629	3,084,963	2,260,629
	Units in mutual funds	5,145,236	4,849,701	5,145,236	4,849,701
	Bonds	7,084,919	6,863,184	7,084,919	6,863,184
	Loans secured by mortgage	43,200	79,774	43,200	79,774
	Derivative financial instruments	209,345	94,229	209,345	94,229
	Deposits with credit institutions	217,277	30,551	217,277	30,551
	<b>Total other financial investment assets</b>	<b>15,784,941</b>	<b>14,178,068</b>	<b>15,784,941</b>	<b>14,178,068</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>15,794,480</b>	<b>14,187,496</b>	<b>15,803,412</b>	<b>14,194,919</b>
	<b>Total receivables arising from direct insurance contracts</b>	<b>17,477</b>	<b>12,816</b>	<b>17,477</b>	<b>12,816</b>
	<b>Other receivables</b>	<b>17,671</b>	<b>16,409</b>	<b>17,618</b>	<b>16,348</b>
	<b>TOTAL RECEIVABLES</b>	<b>35,148</b>	<b>29,225</b>	<b>35,094</b>	<b>29,164</b>
	Cash and cash equivalents	69,523	76,713	59,555	68,262
	Other	0	110,351	0	110,351
	<b>TOTAL OTHER ASSETS</b>	<b>69,523</b>	<b>187,064</b>	<b>59,555</b>	<b>178,613</b>
	Interest receivables	46,215	39,897	46,215	39,897
	Other prepayments	15,732	15,627	15,732	15,627
	<b>TOTAL PREPAYMENTS</b>	<b>61,947</b>	<b>55,524</b>	<b>61,947</b>	<b>55,524</b>
	<b>TOTAL ASSETS</b>	<b>15,961,098</b>	<b>14,459,309</b>	<b>15,960,009</b>	<b>14,458,220</b>

Note	BALANCE SHEET DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>EQUITY AND LIABILITIES</b>					
	<b>Retained earnings</b>	<b>3,697,278</b>	<b>3,472,542</b>	<b>3,697,278</b>	<b>3,472,542</b>
	<b>TOTAL EQUITY</b>	<b>3,697,278</b>	<b>3,472,542</b>	<b>3,697,278</b>	<b>3,472,542</b>
11	<b>Surplus capital</b>	<b>794,744</b>	<b>728,910</b>	<b>794,744</b>	<b>728,910</b>
	<b>TOTAL SUBORDINATED LOAN CAPITAL</b>	<b>794,744</b>	<b>728,910</b>	<b>794,744</b>	<b>728,910</b>
12	Pension provisions	10,482,029	9,509,774	10,482,029	9,509,774
7	Provision for claims outstanding	5,425	4,155	5,425	4,155
	<b>TOTAL PENSION PROVISIONS</b>	<b>10,487,454</b>	<b>9,513,929</b>	<b>10,487,454</b>	<b>9,513,929</b>
13	Payables to credit institutions	309,811	247,342	309,811	247,342
14	Other payables	671,811	496,586	670,721	495,498
	<b>TOTAL DEBT</b>	<b>981,622</b>	<b>743,928</b>	<b>980,532</b>	<b>742,839</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,961,098</b>	<b>14,459,309</b>	<b>15,960,009</b>	<b>14,458,220</b>
1	<b>ACCOUNTING POLICIES</b>				
15	<b>CONTINGENT ASSETS AND LIABILITIES</b>				
16	<b>CHARGES</b>				
17	<b>INTRA GROUP TRANSACTIONS</b>				
18	<b>REALISED RESULT AND DISTRIBUTION OF REALISED RESULT</b>				
19	<b>FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE</b>				
20	<b>OVERVIEW OF ASSETS AND RETURNS</b>				
21	<b>FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, GROUP AND PENSION FUND</b>				
22	<b>RISK MANAGEMENT</b>				

## Statement of changes in Equity

DKKt.	GROUP		PENSION FUND	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Equity at 1 January	3,472,542	3,615,221	3,472,542	3,615,221
Profit for the year	312,660	-82,702	312,660	-82,702
Supplementary pensions	-87,924	-59,976	-87,924	-59,976
<b>Equity at 31 December</b>	<b>3,697,278</b>	<b>3,472,542</b>	<b>3,697,278</b>	<b>3,472,542</b>
<b>Total capital</b>				
Equity			3,697,278	3,472,542
Surplus capital			794,744	728,910
<b>Total</b>			<b>4,492,022</b>	<b>4,201,452</b>

# Notes to the financial statements

## 1 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).

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

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

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

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

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

Disclosure is particularly required for level 3 assets. Disclosure should be made on a consolidated basis. Comparatives are not required in the first year of application of the new rules.

The placement of assets and liabilities within the three levels of the fair value hierarchy is disclosed in note 19.

### Distribution of realised result

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

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

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

The technical result of health and accident insurance is allocated to total capital.

### Recognition and measurement

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

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

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

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

On initial recognition, assets and liabilities are measured at cost, which is equal

to fair value. Subsequently, assets and liabilities are generally measured at fair value. Further details are provided under the individual items.

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

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

### Accounting estimates

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

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

#### pension provisions

- investment assets measured using alternative valuation methods, which are at level 3 in the fair value hierarchy.
- The valuation of pension provisions is subject to particular uncertainty in respect of the recognised expected future life expectancy trend, determined as the Danish FSA's benchmark.

The pricing of level 3 investment assets is subject to greater uncertainty than level 1 and level 2 assets due to their non-marketability. In addition to the uncertainty related to fair value, as

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

The most significant level 3 investment assets are:

- tangible investment assets, comprising properties.
- unlisted equity investments, including private equity, real estate and forestry funds, and
- unlisted bonds, including credit bonds and structured bonds.

## Corporate information and consolidation policies

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

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

Investments in group enterprises are set off against the 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 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

### 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

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

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

Foreign currency assets and liabilities are translated into Danish kroner at the closing exchange rates at the balance sheet date. Transactions during the year are translated using the exchange rates at the date of transaction, and realised and unrealised foreign exchange gains and losses are recognised in the income statement.

#### Interest expenses

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

#### Investment management charges

The item comprises management fees, part of direct administrative expenses incurred, deposit fees, front-end fees and performance fees in relation to funds as well as securities trading costs. Costs relating to funds etc. are recognised to the extent that information thereon has been received.

#### Tax on pension returns

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

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

#### Benefits paid

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

#### Change in pension provisions

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

#### Change in excess capital

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

#### Pension operating expenses

Pension operating expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationsselskab A/S and direct expenses incurred. Adminis-

# Notes to the financial statements (continued)

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trative expenses are divided into pension business and investment business.

## Transferred return on investment

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

## Technical result of health and accident insurance

The technical result of health and accident insurance is calculated in accordance with the rules governing non-life insurance.

Premium income consists of premiums falling due during the year.

Claims expenses represent claims paid during the year and adjusted for changes in outstanding claims provisions. The investment return includes the share of the overall investment return attributable to health and accident insurance and is calculated in accordance with the rules governing life insurance. The technical result of health and accident insurance is recognised in a single line of the income statement and is specified in a note.

## Tax on pension returns allocated to equity

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

## OTHER COMPREHENSIVE INCOME

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

## BALANCE SHEET

### Investment assets

#### Investment property

On initial recognition, investment properties are measured at cost, consisting of the acquisition cost of the property and any directly associated costs.

Subsequently, investment properties are measured at fair value.

For investment properties, fair values are determined according to the DCP method. Fair values determined according to the DCF method are based on the expected cash flow from income and expenses on individual properties for a relevant planning period, the terminal value at the end of the planning period and a discount curve corresponding to the planning period.

Properties that the company plans to sell at the balance sheet date are measured at fair value, corresponding to the expected selling price less any costs in connection with the sale.

#### 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 value 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, usually equal to the investments' quoted prices in an active market (closing price).

Unlisted investments and units in mutual funds are measured at an estimated fair value. At year end, this is normally based on fund managers' third-quarter reporting, adjusted for subsequent capital increases, capital reductions or dividends up to the reporting date. Furthermore, the value of individual investments is adjusted on a discretionary basis where

the adjusted equity value is not deemed to reflect fair value.

#### Bonds

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

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

The fair value of drawn bonds is measured at present value.

#### Loans secured by mortgage

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

#### Derivative financial instruments

Derivative financial instruments are measured at fair value at the balance sheet date. For listed instruments, fair value is based on the closing price, whereas for OTC instruments it is determined according to generally accepted methods based on observable inputs.

Value adjustments are made through profit or loss under Market value adjustments.

#### Deposits with credit institutions

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

#### Receivables

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

## **Other assets**

### **Cash and cash equivalents**

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

### **Other**

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

### **Prepayments**

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

### **Excess capital**

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

Excess capital is accumulated as 5% of premiums.

### **Pension provisions**

#### **Pension provisions**

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

The pension fund has a single contribution group.

#### **Guaranteed benefits**

Guaranteed benefits comprise obligations to pay benefits. Guaranteed benefits are calculated as the present value of the benefits guaranteed by the

insurance policy (conditional or unconditional) plus the present value of the expected future administration costs and less the present value of the agreed future contributions.

#### **Individual bonus potential**

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

#### **Collective bonus potential**

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

#### **Profit margin**

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

#### **Risk margin**

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

#### **Outstanding claims provisions**

Outstanding claims provisions relating to health and accident insurance consist of amounts in cover of claims incurred but not yet paid at year-end. Outstanding claims provisions relating to health and accident insurance are calculated on the basis of information on the size of claims plus an amount estimated on the basis of past claims experience

in cover of incurred but not reported claims (IBNR provisions). Outstanding claims provisions relating to health and accident insurance run off by way of regular benefits are calculated at their present value using actuarial principles by discounting expected future payments. Discounting is calculated by applying the yield curve published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto.

## **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.

## **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 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.

# Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>2 Premiums</b>					
Regular premiums		378,095	362,125	378,095	362,125
Single premiums		43,430	49,146	43,430	49,146
<b>Total premiums</b>		<b>421,525</b>	<b>411,271</b>	<b>421,525</b>	<b>411,271</b>
<b>Premiums by policyholder's address</b>					
Denmark		373,750	358,366	373,750	358,366
Other EU-countries		2,873	2,366	2,873	2,366
Other countries		1,472	1,393	1,472	1,393
<b>Total</b>		<b>378,095</b>	<b>362,125</b>	<b>378,095</b>	<b>362,125</b>
Number of policyholders		10,632	10,394	10,632	10,394
<b>3 Interest income and dividends etc.</b>					
Dividends from investments		34,706	16,300	34,712	16,309
Dividens from units in mutual funds		0	3,301	0	3,301
Interest from bonds		106,248	97,212	106,248	97,212
Interest on loans secured by mortgage		1,602	1,728	1,602	1,728
Interest from group enterprises		0	1	0	1
Other interest income		1,498	915	1,498	915
Indexation		932	5,631	932	5,631
Interest swap instruments		11,471	12,995	11,471	12,995
<b>Total interest income, dividends, etc.</b>		<b>156,457</b>	<b>138,083</b>	<b>156,462</b>	<b>138,092</b>
<b>4 Market value adjustments</b>					
Investment properties		112	30	0	0
Investments		458,279	115,905	458,279	115,919
Units in mutual funds		1,160,230	-247,624	1,160,230	-247,624
Bonds		116,110	-23,265	116,110	-23,265
Loans secured by mortgage		1,646	-562	1,646	-562
Derivative financial instruments		-450,236	-289,001	-450,236	-289,001
Cash and demand deposit		2,857	4,614	2,857	4,614
Other		0	-1,193	0	-1,193
<b>Total value adjustments</b>		<b>1,288,998</b>	<b>-441,096</b>	<b>1,288,886</b>	<b>-441,113</b>

Note	DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>5</b>	<b>Administrative expenses</b>				
The PJD pension fund has signed a management agreement with Sampension Administrationsselskab A/S and forms part of this joint management company. All employees are employed with and paid by Sampension Administrationsselskab A/S. The pension fund's share of these payroll costs are settled through the management fee. Remuneration payable to the Board of Directors is paid directly by the pension fund. The CEO and control function staff are also employed with the pension fund. Administrative expenses relating to pension and investment activities include the following staff costs:					
Remuneration to the Board of Directors		-1,163	-1,160	-1,163	-1,160
<b>Total staff costs</b>		<b>-1,163</b>	<b>-1,160</b>	<b>-1,163</b>	<b>-1,160</b>
<b>Remuneration to the Executive Board, the Board of Directors and material risk takers</b>					
Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests to the units that form a part of and are owners of the joint management company Sampension Administrationsselskab A/S. PJD has a 3% (2018: 3%) ownership interest in Sampension Administrationsselskab A/S. PJD's share of CEO Hasse Jørgensen's total remuneration of DKK 6.1 million (2018: DKK 5.9 million) is DKK 0.183 million (2018: DKK 0.177 million).					
<b>Board remuneration</b>					
Erik Bisgaard Madsen		-240	-240		
Johannes Elbæk		-182	-182		
Lars Bloch (resigned 22.05.2018)		-	-39		
Louise Bundgaard		-90	-90		
Henning Otte Hansen		-90	-89		
Hans-Henrik Bramaholm Jørgensen		-90	-90		
Søren Kaare-Andersen		-140	-140		
Anders Larsen (joined 09.04.2018)		-135	-90		
Frank Bøgh Nielsen (resigned 22.05.2018)		-	-43		
Ilse Ankjær Rasmussen (joined 22.05.2018)		-94	-55		
Kirsten Holst Sørensen		-102	-102		
		-1,163	-1,160		
Number of people		9	9		
<b>Fixed salary, including pension, of employees whose activities have a material impact on the company's risk profile*)</b>					
		-447	-436		
Number of people		8	8		
<b>Remuneration to chief actuary</b>					
The fee is paid by the joint management company and settled through the management fee.		-100	-107		

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

No special incentive programmes have been set up for management, nor has variable remuneration been paid. No pension commitments other than regular pension contributions are included in the above-mentioned 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 [pjdpension.dk/om-pensionskassen/struktur-og-ledelse/bestyrelse](http://pjdpension.dk/om-pensionskassen/struktur-og-ledelse/bestyrelse)

Note 5 continued on next page

# Notes to the financial statements (continued)

Note 5 continued

Note	DKKt.	GROUP		PENSION FUND		
		2019	2018	2019	2018	
<b>Remuneration for auditors elected by the Annual General Meeting</b>						
<b>PricewaterhouseCoopers, Statsautoriseret</b>						
<b>Revisionspartnerselskab</b>						
Statutory audit	-189	-156	-150	-156		
Assurance engagements	-27	-44	-27	-44		
Tax advice	-104	-19	-104	-19		
Other services	0	0	0	0		
	<b>-319</b>	<b>-219</b>	<b>-280</b>	<b>-219</b>		

All amounts and rates are stated including VAT.

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

## 6 Benefits paid

Retirement and annuity benefits	-288,054	-283,504	-288,054	-283,504
Payment at surrender etc.	-46,031	-52,577	-46,031	-52,577
Premium relating to group life schemes	-13,517	-13,054	-13,517	-13,054
<b>Total pension benefits paid</b>	<b>-347,602</b>	<b>-349,136</b>	<b>-347,602</b>	<b>-349,136</b>
Recognised in the income statement	-259,678	-289,159	-259,678	-289,159
Distributed from equity	-87,924	-59,976	-87,924	-59,976
<b>Total benefits paid</b>	<b>-347,602</b>	<b>-349,136</b>	<b>-347,602</b>	<b>-349,136</b>

## 7 Technical result of health and accident insurance

Result for the year of disablement insurance:				
Premiums for the year	2,084	2,020	2,084	2,020
Claims paid	-2,553	-2,328	-2,553	-2,328
Claims provisions	-1,270	404	-1,270	404
Expense allowance	-120	-120	-120	-120
Return on investments	366	-97	366	-97
Technical interest	0	0	0	0
<b>Total result for the year of disablement insurance</b>	<b>-1,493</b>	<b>-120</b>	<b>-1,493</b>	<b>-120</b>
Provision for claims outstanding 31. December	5,425	4,155	5,425	4,155

Note	DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>8 Investment properties</b>					
Cost at 1 January		16,000	32,150	0	0
Disposals during the year		0	-16,150	0	0
<b>Cost at 31 December</b>		<b>16,000</b>	<b>16,000</b>	<b>0</b>	<b>0</b>
Write-downs at 1 January		-6,572	-15,698	0	0
Write-downs during the year		112	-743	0	0
Write-downs due to sales		0	9,869	0	0
<b>Write-downs at 31 December</b>		<b>-6,460</b>	<b>-6,572</b>	<b>0</b>	<b>0</b>
<b>Fair value at 31 December</b>		<b>9,539</b>	<b>9,428</b>	<b>0</b>	<b>0</b>
Average rates of return applied to assess the market value at each type of properties:					
Commercial property		16,74	16,82	-	-
Weighted average of rates of return		16,74	16,82	-	-
<b>9 Investments in group enterprises</b>					
Sorte Hest Ejendomspartnerselskab, Gentofte:					
Ownership				100%	100%
Profit				1,593	1,427
Equity				18,247	16,654
Komplementarejendomsselskabet Sorte Hest ApS, Gentofte:					
Ownership				100%	100%
Profit				27	24
Equity				224	197
Included in annual report					
Total equity				18,471	16,851
<b>Total investments in group enterprises</b>				<b>18,471</b>	<b>16,851</b>

# Notes to the financial statements (continued)

		GROUP	PENSION FUND
Note	DKKt.		
<b>10 Derivative financial instruments</b>			
2019		Positive fair value	Negative fair value
Interest rate hedging instruments etc.:			
Interest swaps	120,896	190,501	120,896
CAP's	2,759	1,329	2,759
Swaptions	17,245	19,502	17,245
CDS's	33,503	0	33,503
Option on futures	167	5,051	167
Total interest rate hedging instruments	174,571	216,382	174,571
Currency-based derivative financial instruments	34,774	135,803	34,774
<b>Total derivative financial instruments</b>	<b>209,345</b>	<b>352,185</b>	<b>209,345</b>
Fair value included in the item Derivative financial instruments	<b>209,345</b>		<b>209,345</b>
Fair value included in the item other debt see note 14		<b>352,185</b>	<b>352,185</b>
Net carrying value (liability)		<b>142,840</b>	<b>142,840</b>
DKKt.	2019	2018	2019
Agreements have been concluded to post collateral for derivative financial instruments.			
The Pension fund has received collateral in the form of liquid bonds equal to a fair value of	47,591	23,165	47,591
The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of (liability)	-256,791	-142,876	-256,791
Net collateral	-209,200	-119,711	-209,200
In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -583 million (2018: DKK 259 million). Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -933 million (2018: DKK -1.366 million). As gain/losses are settled on current basis, the fair value is nil.			
2018		Positive fair value	Negative fair value
Interest rate hedging instruments etc.:			
Interest swaps	39,746	59,570	39,746
CAP's	1,538	978	1,538
Swaptions	19,912	18,107	19,912
CDS's	17,552	616	17,552
Total interest rate hedging instruments	78,748	79,270	78,748
Currency-based derivative financial instruments	15,481	123,568	15,481
<b>Total derivative financial instruments</b>	<b>94,229</b>	<b>202,838</b>	<b>94,229</b>
Fair value included in the item Derivative financial instruments	<b>94,229</b>		<b>94,229</b>
Fair value included in the item other debt see note 14		<b>202,838</b>	<b>202,838</b>
Net carrying value (liability)		<b>108,609</b>	<b>108,609</b>

Note	DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>11 Surplus capital</b>					
Surplus capital beginning of year		728,910	735,937	728,910	735,937
Transferred to equity, adjustment		0	7,199	0	7,199
Transferred from pension provisions		20,552	20,906	20,552	20,906
Paid out to customers		-21,453	-20,567	-21,453	-20,567
Return for the year		66,736	-14,565	66,736	-14,565
<b>Total surplus capital</b>		<b>794,744</b>	<b>728,910</b>	<b>794,744</b>	<b>728,910</b>
<b>12 Pension provisions</b>					
<b>Change in gross pension provisions is specified as</b>					
Pension provisions, beginning of year		9,509,774	9,583,110	9,509,774	9,583,110
Collective bonus potential, beginning of year		0	-426,013	0	-426,013
Accumulated value adjustment, beginning of year		-121,410	-85,319	-121,410	-85,319
Individual bonus used to cover losses, beginning of year		56,511	0	56,511	0
<b>Retrospective provisions, beginning of year</b>		<b>9,444,875</b>	<b>9,071,779</b>	<b>9,444,875</b>	<b>9,071,779</b>
Premiums		421,525	411,271	421,525	411,271
Addition of interest after tax on pension returns		190,669	255,208	190,669	255,208
Insurance benefits		-224,708	-255,538	-224,708	-255,538
Cost addition after addition of cost bonus		-5,940	-5,847	-5,940	-5,847
Risk gain/loss after addition of risk bonus		-10,028	-10,593	-10,028	-10,593
Members' group life premiums		-8,861	-10,298	-8,861	-10,298
Transferred to surplus capital		-20,552	-20,906	-20,552	-20,906
Other		-10,599	9,800	-10,599	9,800
<b>Retrospective provisions, end of year</b>		<b>9,776,382</b>	<b>9,444,875</b>	<b>9,776,382</b>	<b>9,444,875</b>
Accumulated value adjustment, end of year		91,952	121,410	91,952	121,410
Collective bonus potential, end of year		613,695	0	613,695	0
Individual bonus used to cover losses, end of year		0	-56,511	0	-56,511
<b>Pension provisions, end of year</b>		<b>10,482,029</b>	<b>9,509,774</b>	<b>10,482,029</b>	<b>9,509,774</b>
<b>Pension provisions are specified as follows:</b>					
Guaranteed benefits		6,914,595	6,509,907	6,914,595	6,509,907
Individual bonus potential		2,869,203	2,925,828	2,869,203	2,925,828
Collective bonus potential		613,695	0	613,695	0
Risk margin		84,536	74,039	84,536	74,039
<b>Total pension provisions</b>		<b>10,482,029</b>	<b>9,509,774</b>	<b>10,482,029</b>	<b>9,509,774</b>
Profit margin on pension agreements is nil, as all profit is allocated to members.					
<b>Change in provisions are specified as follows:</b>					
Change in provisions for pension provisions		-972,255	73,336	-972,255	73,336
<b>Change in provisions, Income statement</b>		<b>-972,255</b>	<b>73,336</b>	<b>-972,255</b>	<b>73,336</b>
<b>Pension provisions categorised by technical rate of interest</b>					
The pension fund has a single contribution group, but it categorises provisions on the basis				nature of the guarantees.	
Unconditional guarantees (technical rate of interest 1.5% - 4.25		132,901	121,097	132,901	121,097
Conditional guarantees (technical rate of					
interest 2019: -0,75 %, 2018: 0 %)		9,735,433	9,445,187	9,735,433	9,445,187
<b>Pension provisions categorised by technical rate of interest</b>		<b>9,868,334</b>	<b>9,566,285</b>	<b>9,868,334</b>	<b>9,566,285</b>
Collective bonus potential		613,695	0	613,695	0
Individual bonus used to cover losses		0	-56,511	0	-56,511
<b>Total Pension provisions</b>		<b>10,482,029</b>	<b>9,509,774</b>	<b>10,482,029</b>	<b>9,509,774</b>
<b>Supplementary ratios relating to pension provisions</b>					
Bonus rate		35.6%	31.0%	35.6%	31.0%
Return on customer funds after costs but before tax		10.1%	-2.3%	10.1%	-2.3%

# Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>13 Payables to credit institutions</b>					
	Repos	309,811	247,342	309,811	247,342
	<b>Total payables to credit institutions</b>	<b>309,811</b>	<b>247,342</b>	<b>309,811</b>	<b>247,342</b>
	From the bank loans the following fall due in the coming year	309,811	247,342	309,811	247,342
	After five years the outstanding balance will be	0	0	0	0
<b>14 Other debt</b>					
	Derivative financial instruments, according to note 10	352,185	202,838	352,185	202,838
	Payables relating to bond purchase	107,848	0	107,848	0
	Debt relating to settlement of repos	102,313	221,802	102,313	221,802
	Sundry financial liabilities	6,058	4,005	6,058	4,005
	Provision for tax on pension returns payable and other	103,407	67,940	102,317	66,852
	<b>Total other debt</b>	<b>671,811</b>	<b>496,586</b>	<b>670,721</b>	<b>495,498</b>
<b>15 Contingent liabilities</b>					
	The Company has committed itself at a later date to invest in funds etc. amounting to	1,790,320	1,498,131	1,790,320	1,498,131
	<b>Total contingent liabilities</b>	<b>1,790,320</b>	<b>1,498,131</b>	<b>1,790,320</b>	<b>1,498,131</b>
<b>16 Charges</b>					
	Bonds sold as part of repo debt provisions for insurance, net of reinsurance amounting to	309,811	247,333	309,811	247,333
		10,845,469	9,840,284	10,845,469	9,840,284
	Investments and units in mutual funds			5,203,114	4,232,226
	Bonds			5,642,355	5,608,058
	<b>Total assets earmarked as security for policyholders' savings</b>			<b>10,845,469</b>	<b>9,840,284</b>
<b>17 Intra group transactions</b>					
	Current intra-group transactions: Interest etc.	0	1	0	1

As regards group enterprises reference is made to note 9.

Note	DKKt.	GROUP		PENSION FUND	
		2019	2018	2019	2018
<b>18 Realised result and distribution of realised result</b>					
	Investment return before tax on pension returns	1,409,682	-325,078		
	Change in market value adjustment	29,458	-36,091		
	Basic rate of interest added	-2,441	-2,435		
	Expense result	802	89		
	Risk result	10,028	10,593		
	Other	10,599	-9,800		
	<b>Realised result</b>	<b>1,458,128</b>	<b>-362,722</b>		
	Tax on pension returns	-213,783	45,683		
	<b>Available for allocation after tax on pension returns</b>	<b>1,244,344</b>	<b>-317,039</b>		
	Allocated to pension savers:				
	Bonus added	-188,229	-252,773		
	Transferred to collective bonus potential	-613,695	426,013		
	Individual bonus used to cover losses	-56,511	56,511		
	<b>Investment return and risk premium allocated to base capital</b>	<b>385,909</b>	<b>-87,288</b>		
	<b>Expense result in DKK</b>	<b>802</b>	<b>89</b>		
	<b>Expense result as a percentage of technical provisions</b>	<b>0.008%</b>	<b>0.001%</b>		
	<b>Risk result in DKK</b>	<b>10,028</b>	<b>10,593</b>		
	<b>Risk result as a percentage of technical provisions</b>	<b>0.11%</b>	<b>0.11%</b>		

# Notes to the financial statements (continued)

## 19 Financial instruments recognised at fair value

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

### Level 1 – quoted market prices

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

### Level 2 – observable inputs

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

### Level 3 – non-observable inputs

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

DKKt.	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Investment properties			
Investments	0	0	9,539
Units in mutual funds	891,972	0	2,192,992
Bonds	5,145,236	0	0
Loans secured by mortgage	4,639,822	925,645	1,519,452
Derivative financial instruments	0	209,345	0
Deposits with credit institutions	0	0	0
<b>Total financial assets at 31 December 2019</b>	<b>10,894,307</b>	<b>1,134,990</b>	<b>3,765,183</b>
<b>Financial liabilities</b>			
Repos	309,811	0	0
Derivative financial instruments	0	352,185	0
Payables relating to bond purchase and settlement of repos	210,161	0	0
<b>Total financial liabilities at 31 December 2019</b>	<b>519,972</b>	<b>352,185</b>	<b>0</b>
<b>Total net assets at 31 December 2019</b>	<b>10,374,335</b>	<b>782,805</b>	<b>3,765,183</b>

### Specification of valuation based on Level 3

DKKt.	Value at 1 Jan. 2019	Value adjustments included in market value adjustments	Purchase/ sale/ settlement	Value at 31 Dec. 2019
Investment properties	9,428	112	0	9,539
Investments	1,786,197	86,675	320,120	2,192,992
Bonds	909,278	10,335	599,839	1,519,452
Loans secured by mortgage	79,774	1,646	-38,219	43,200
<b>Total</b>	<b>2,784,676</b>	<b>98,767</b>	<b>881,740</b>	<b>3,765,183</b>

For further details on valuation techniques and inputs, see Note 1 Accounting Policies and Note 8 Investment properties.

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## 20 Overview of assets and returns, pension fund

Assets and return DKKm.	Market value		
	Beg. of year	Beg. of year	Return 2019 % p.a.
<b>Land and buildings</b>	<b>1,038</b>	<b>1,458</b>	<b>14.9%</b>
Listed investments	4,829	5,254	24.1%
Unlisted investments	1,022	1,400	20.5%
<b>Total Investments</b>	<b>5,851</b>	<b>6,654</b>	<b>23.6%</b>
Government- and mortgage bonds	5,114	4,562	0.2%
Index-linked bonds	435	332	2.0%
Credit bonds, investment grade and non-investment grade	1,478	2,176	8.6%
Loans etc.	80	43	4.2%
<b>Total bonds and loans etc.,</b>	<b>7,107</b>	<b>7,113</b>	<b>2.5%</b>
<b>Other investment assets</b>	<b>-276</b>	<b>-104</b>	<b>39.4%</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>-103</b>	<b>-102</b>	<b>-</b>
<b>Total</b>	<b>13,617</b>	<b>15,019</b>	<b>10.3%</b>

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

On the company website: [pjdpension.dk/om-pensionskassen/finansiel-information/aktiver](http://pjdpension.dk/om-pensionskassen/finansiel-information/aktiver) the combined equity portfolio of the Pension Fund for Agricultural Academics and Veterinary Surgeons can be found.

# Notes to the financial statements (continued)

## 21 Five-year key figures and financial ratios

### Five-year financial highlights

DKKm.	2019	2018	2017	2016	2015
Premiums	421,5	411,3	386,1	374,8	368,6
Benefits	-259,7	-289,2	-282,4	-268,7	-258,6
Investment return	1,409,7	-325,1	1,048,0	959,2	544,5
Total net operating expenses	-5,1	-5,8	-5,6	-10,7	-13,0
Technicls result	14,8	-10,0	2,4	68,9	-2,2
Result of health and accident insurance	-1,5	-0,1	1,7	-0,6	-0,1
Profit for the year	312,7	-82,7	236,4	279,2	114,3
Total provisions for insurance contracts	10,487,5	9,513,9	9,587,7	8,883,7	8,302,7
Surplus capital	794,7	728,9	735,9	685,9	632,9
Total equity	3,697,3	3,472,5	3,615,2	3,417,7	3,185,8
Total assets	15,960,0	14,458,2	14,688,0	13,230,9	12,317,0
Total assets, group	15,961,1	14,459,3	14,689,1	15,453,0	14,083,1

### Five-year financial ratios

	2019	2018	2017	2016	2015
<b>Return ratios</b>					
Rate of return related to average-rate products	10.3%	-2.3%	8.1%	7.9%	4.7%
<b>Expense ratios</b>					
Expense ratio for provision	0.05%	0.06%	0.06%	0.13%	0.16%
Expenses in DKK per policyholder	489	560	552	1.065	1.319
<b>Return ratios</b>					
Return on equity after tax	8.7%	-2.3%	6.7%	8.5%	3.6%
Return on surplus capital, samt rate as equity	10.3%	-2.3%	8.3%	7.9%	4.7%
<b>Healt and accident insurance</b>					
Gross claims ratio	183.4%	95.2%	22.2%	147.6%	111.9%
Gross expense ratio	5.8%	5.9%	6.9%	6.0%	6.0%
Combined ratio	189.2%	101.2%	29.1%	153.6%	117.9%
Operating ratio	189.2%	101.2%	29.1%	153.6%	117.9%

Reference is made to "Definitions of financial ratios" on page 53.

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## 22 Risk management

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

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

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

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

### Pension schemes and total capital

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

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

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

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

## FINANCIAL RISK

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

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

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

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

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

The pension fund also has counterparty risk exposure. This is the risk of suffering losses because a counterparty to a financial contract is unable to meet its obligations. Counterparty risk is managed

# Noter til regnskabet (fortsat)

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through the provision of collateral and limits for net outstanding balances with the relevant financial institutions. Limits have also been defined for the amount of single investments and major concentration risk. For example, limits have been defined for the overall exposure to a state, a regional authority, a company or a group of consolidated companies.

## **Responsible investments**

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

## **INSURANCE RISK**

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

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

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

## **OPERATIONAL RISK**

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

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

## **OUTSOURCING**

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

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

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

## **SOLVENCY AND FINANCIAL CONDITION REPORT**

The pension fund's risk management processes are described in detail in its Solvency and Financial Condition Report' (SFCR). The SFCR is available to the public and can be downloaded (in Danish only) at [www.arkitektpension.dk/aarsrapport](http://www.arkitektpension.dk/aarsrapport).

# Statement by Management

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The Board of Directors and the Executive Board have today considered and approved the Annual Report of the Pension Fund for Agricultural Academics and Veterinary Surgeons for the financial year 1 January – 31 December 2019.

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

In our opinion, the 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 2019 and of the results of the Group's and the pension fund's operations for the financial year ended 31 December 2019.

In our opinion, the Management's review includes a fair review of developments in the 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, 12 March 2020

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## **Executive Board**

Hasse Jørgensen Chief Executive Officer	/ Morten Lund Madsen Chief Financial Officer
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## **Board of Directors**

Erik Bisgaard Madsen (Formand)	Johannes Elbæk (Deputy Chairman)
Louise Bundgaard	Henning Otte Hansen
Hans-Henrik Bramaholm Jørgensen	Søren Kaare-Andersen
Anders Larsen	Ilse Ankjær Rasmussen
Kirsten Sørensen	

# Internal auditor's report

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## Opinion

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

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

## Basis of opinion

We have audited the consolidated and parent company financial statements of the Pension Fund for Agricultural Academics and Veterinary Surgeons for the financial year ended 31 December 2019. 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 the audit of all critical audit areas.

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

## Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Hellerup, 12 March 2020

Gert Stubkjær  
Koncernrevisionschef

# Independent Auditor's Report

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To the members of Pensionskassen for Jordbrugsakademikere & Dyrlæger

## **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 2019 and of the results of the Group's and Pension Fund's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Business Act.

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

## **What we have audited**

The Group Financial Statements and the Parent Financial Statements of Pensionskassen for Jordbrugs-akademikere & Dyrlæger for the financial year 1 January - 31 December 2019 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, 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 Pensionskassen for Jordbrugsakademikere & Dyrlæger on 3 April 2017 for the financial year 2017. We have been reappointed annually by the general assembly for a total period of uninterrupted engagement of 3 years including the financial year 2019.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Measurement of pension provisions</b></p> <p>The Group's pension provisions total DKK 10.487 million (2018: DKK 9,514 million), which constitutes 66 percent (2018: 66 percent) of the Group's balance sheet total.</p> <p>The provisions primarily consist of traditional life insurance provisions, compensation provisions for health and accident insurance as well as profit margin.</p> <p>The statement is based on actuarial principles and involves material Management estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policyholders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of pension provisions as the statement of the provisions is complex and involves a considerable element of Management estimate.</p> <p>We refer to the mention of "accounting estimates" in note 1 and note 12, "Pension provisions" to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls established to ensure that pension provisions are complete and correctly measured.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the Group as well as the calculations made.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p><b>Measurement of unlisted investment assets</b></p> <p>Unlisted investment assets comprise investments in equity funds, infrastructure funds, unlisted shares and corporate bonds, etc as well as derivative financial instruments and are included in the items:</p> <ul style="list-style-type: none"> <li>• Investments</li> <li>• Bonds</li> <li>• Derivative financial instruments</li> </ul> <p>The negative value of derivative financial instruments is moreover included in the item "Other payables".</p> <p>Unlisted investment assets are measured at estimated fair value based on valuation models and assumptions, including Management's estimates, which are not observable by any third party and which have a material effect on the Financial Statements.</p> <p>We focused on the measurement of unlisted investments as the statement is complex and involves a considerable element of estimation by Management.</p> <p>We refer to the mention of "accounting estimates" in note 1 and note 10, "Derivative financial instruments", to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external fund managers.</p> <p>We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations and recalculated on a sample basis the valuation of derivative financial instruments.</p> <p>We challenged Management's estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

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## **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.

## **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.

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- 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, 12 March 2020

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR-nr. 3377 1231

Per Rolf Larsen State Authorised Public Accountant mne24822	Claus Christensen State Authorised Public Accountant mne33687
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# Definitions of financial ratios

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## Danish FSA financial ratios

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

### Pension

Rate of return	= $\frac{\text{Investment return on average-rate products} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate products}}$
	The financial ratio is calculated on a money-weighted basis.
Expenses as a percentage of provisions	= $\frac{\text{Operating expenses relating to pension activities for the year} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate products}}$
Expenses per policy-holder (DKK)	= $\frac{\text{Operating expenses relating to pension activities for the year}}{\text{Average no. of members}}$
Return on equity after tax	= $\frac{\text{Profit after tax} \times 100}{\text{Weighted average equity}}$
Return on surplus capital, allocated at same rate as equity	= $\frac{\text{Return on surplus capital before tax} \times 100}{\text{Weighted average surplus capital}}$
Solvency coverage ratio	= $\frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at year end}}$

### Supplementary financial ratios

Bonus rate (%)	= $\frac{\text{Individual and collective bonus potentials at year end} \times 100}{\text{Total custody accounts at year end}}$
Return on customer funds after deduction of expenses and before tax	= $\frac{(\text{Weighted average provisions} + \text{Weighted average surplus capital} + \text{tax on pension returns}) \times 100}{\text{Pension provisions at beginning of year plus surplus capital at beginning of year} + \text{weighted average cashflows}}$

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

### Health and accident insurance

Gross claims ratio	= $\frac{\text{Gross claims expenses} \times 100}{\text{Gross premium income}}$
Gross expense ratio	= $\frac{\text{Operating expenses relating to insurance activities} \times 100}{\text{Gross premium income}}$
Combined ratio	= $\frac{\text{Gross claims expenses} + \text{Operating expenses relating to insurance activities} \times 100}{\text{Gross premium income}}$
Operating ratio	= $\frac{\text{Gross claims expenses} + \text{Operating expenses relating to insurance activities} \times 100}{\text{Gross premium income} + \text{Technical interest}}$

### Sharpe ratio

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

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

**PHOTO**

Christoffer Regild (s.4 Erik Bisgaard Madsen)

**DESIGN**

Zoulmade.com

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