

# Annual Report

2017



DISCLAIMER:

This is a translation of Pensionkassen for Jordbrugsakademikere og Dyrlæger's Annual Report 2017 in Danish. In case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

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



# Stronger together

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

The performance of our joint management company with Sampension and the Architects' Pension Fund is testimony to this philosophy. Thanks to this partnership, we were able to cut expenses per policyholder by almost 50% in 2017, to DKK 552. We generated an investment return of DKK 1,048 million, equivalent to 8.1% and slightly higher than last year. For policyholders, this means that DKK 100 worth of savings has grown to DKK 147 over the past five years. That is a fine return.

## Investing responsibly at an appropriate risk exposure for a high return

Our objective when investing policyholders' pension funds is to manage the overall assets in the best way possible. That means maximising long-term returns responsibly and at an appropriate risk exposure. We believe that a strong focus on climate and the environment, social issues and corporate governance contributes to a company's ability to generate returns for its investors. When we say we invest responsibly, we speak for our combined community, which represents assets of almost DKK 300 billion and 300,000 policyholders.

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

## Use your pension scheme – get advice

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

You can access all information concerning your pension scheme at [pjdension.dk](http://pjdension.dk), which makes it easy to get an overview or make changes. On our website, you can also perform a digital pension check, which 3,000 policyholders did in 2017. Our website had a total of 39,000 visits and 20,000 log-ins to private member pages in 2017. We are pleased to note that so many members logged on to check their pension schemes, some of them several times.



**Erik Bisgaard Madsen**

Chairman



# Management's review

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## Five-year financial highlights and ratios for the pension fund

<b>Five-year financial highlights DKKm</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Premiums	386.1	374.8	368.6	364.4	348.7
Pension benefits	-282.4	-268.7	-258.6	-240.7	-234.4
Investment return	1,048.0	959.2	544.5	1,116.3	872.7
Total pension operating expenses	-5.6	-10.7	-13.0	-9.6	-9.5
Technical result	2.4	68.9	-2.2	316.2	238.7
Technical result of health and accident insurance	1.7	-0.6	-0.1	0.5	0.2
Profit for the year	236.4	279.2	114.3	541.5	401.0
Total pension provisions	9,587.7	8,883.7	8,302.7	7,877.1	7,411.4
Surplus capital	735.9	685.9	632.9	610.5	552.7
Equity	3,615.2	3,417.7	3,185.8	3,107.1	2,599.9
Total assets	14,688.0	13,230.9	12,317.0	12,443.8	10,703.7
Total consolidated assets	14,689.1	15,453.0	14,083.1	14,691.9	12,141.3

<b>Five-year financial ratios</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Investment return ratios</b>					
Return, average-rate products	8.1%	7.9%	4.7%	10.5%	8.9%
<b>Expense ratios</b>					
Expenses as a percentage of provisions	0.06%	0.13%	0.16%	0.13%	0.13%
Expenses per policyholder (DKK)	552	1,065	1,319	997	1,000
<b>Other return ratios</b>					
Return on equity after tax	6.7%	8.5%	3.6%	19.0%	16.6%
Return on surplus capital	8.3%	7.9%	4.7%	10.5%	8.9%
<b>Capital structure ratios</b>					
Solvency coverage ratio*)	360%	451%	520%	236%	607%
*) Ratio not subject to audit requirement.					
<b>Health and accident insurance</b>					
Gross claims ratio	22.2%	147.6%	111.9%	88.5%	99.6%
Gross expense ratio	6.9%	6.0%	6.0%	6.0%	6.0%
Combined ratio	29.1%	153.6%	117.9%	94.5%	105.6%
Operating ratio	29.1%	153.6%	117.9%	94.5%	105.6%

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



## Policyholders 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.

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

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

## Premiums and benefits

### Premiums received

Premiums totalled DKK 386.1 million in 2017 compared with DKK 374.8 million in 2016. Regular premiums grew by DKK 12.9 million while single premiums and transfers fell by DKK 1.6 million.

#### Premium income

DKKm **386**

Premiums paid Mio. kr.	2017	2016	Change (%)
Regular premiums	354.3	341.5	3.8
Single premiums etc.	31.8	33.4	-4.8
<b>Total premiums</b>	<b>386.1</b>	<b>374.8</b>	<b>3.0</b>

The number of policyholders at 31 December 2017 was 10,188 against 9,986 at the time of transition to the joint management company at 1 January 2017. The 2.0% membership increase related to paid-up policies and pensioners.

Number of policyholders	31.12.2017	01.01.2017	Change
Premium-paying policyholders in active employment	5,306	5,324	18
Paid-up policies etc.	2,659	2,537	122
Pensioners	2,223	2,125	498
<b>Total number of policyholders</b>	<b>10,188</b>	<b>9,986</b>	<b>202</b>

### Benefits paid

Total pension benefits amounted to DKK 321.3 million in 2017 against DKK 313.4 million in 2016, including supplementary pensions. The increase was primarily attributable to regular pension benefits.

# Expenses

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

## Efficient investment management

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

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

## Investment expenses (APR) of 0.50%

Our website, [pjdension.dk](http://pjdension.dk), provides information to policyholders on annual investment expenses expressed in Danish kroner and as a percentage (APR). These 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. The APR investment expenses calculated on policyholder savings for 2017 were 0.50%.

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

## Administrative expenses per policyholder of DKK 552

Pension administrative expenses amounted to DKK 5.6 million in 2017 against DKK 10.7 million in 2016. Expenses per policyholder amounted to DKK 552 in 2017 against DKK 1,065 in 2016. As a consequence, the ratio has dropped significantly, in line with expectations.

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**Administrative  
expenses per  
policyholder**

**DKK 552**

# Investments and returns

## The global economy and financial markets

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

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

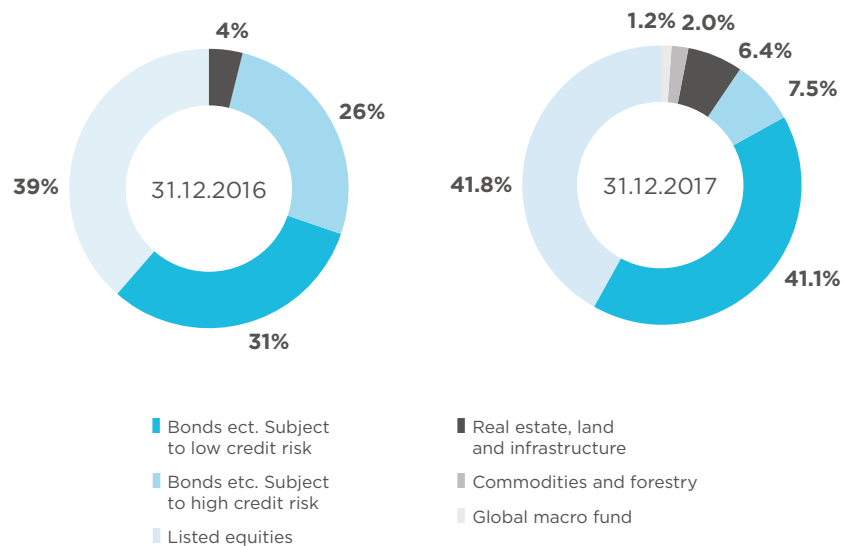
The financial markets performed well in 2017 with interest rates moving higher, the 30Y euro swap rate climbing by 25bp, for example, and large gains by most equity markets. For example, emerging market equities returned 30%, while the US equity market (up 21.1%) and Danish equities (up 18.4%) also performed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

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

### Investment strategy and strategic asset allocation

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

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



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

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

Return of

**8.1%**

### Investment return of DKK 1,048 million or 8.1%

In 2017, PJD generated a total return of 8.1%, which was driven mainly by the equity portfolio, see the table below. Returning 7.7% in DKK terms, equities were the largest contributor to the performance. To this should be added the contribution from hedging of the currency risk on foreign investments. The second largest contribution was from bonds with a moderate credit risk exposure. Only the global macro

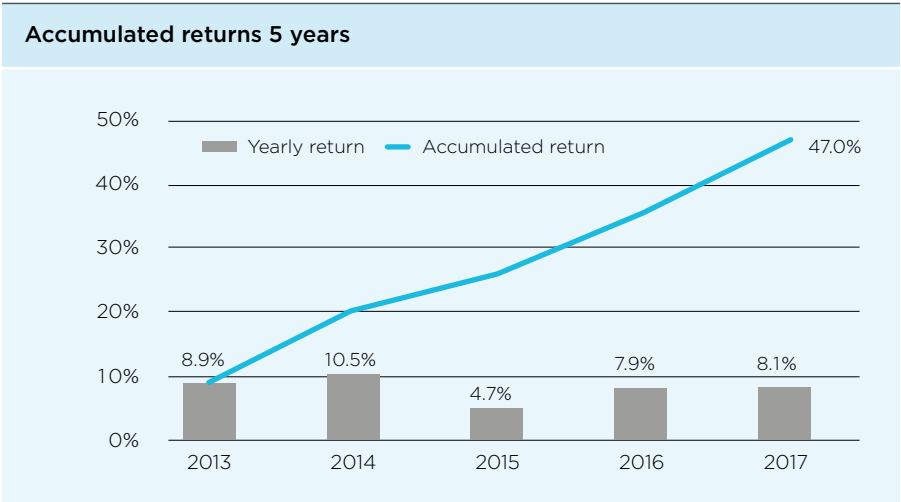
hedge funds asset class produced a negative return. Due to moderate holdings of these assets, the effect was limited, though.

Investment return by asset class	Perc. distribution at 31.12.2017	Return %
Bonds etc. subject to low credit risk	41.1	2.1
Bonds etc. subject to high credit risk	7.5	4.8
Equities	41.8	7.7
Real estate, land and infrastructure	6.4	0.7
Commodities and forestry	2.0	2.9
Global macro hedge funds	1.2	-6.4
Total excluding currency hedging etc.	100.0	4.7
Currency hedging etc.		3.4
<b>Net return after currency hedging etc.</b>		<b>8.1</b>

At DKK 1,048 million before tax on pension returns, PJD’s total investment return for 2017 was up by DKK 89 million over 2016. For a more detailed specification of holdings and returns, see note 19 to the financial statements.

**Five-year returns**

PJD has generated solid returns over the past five years, with each amount of DKK 100 accumulating to DKK 147.



Return over 5 years

**47%**

**Corporate responsibility**

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

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

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

Profit of

DKKm **236**

## Financial results, solvency requirements and total capital

### Profit for the year

PJD reported a profit of DKK 236 million for 2017 compared with DKK 279 million in 2016. The profit for 2016 included a DKK 51 million risk premium receivable relating to prior years.

The profit for the year mainly reflects the share of the investment return for the year allocated to equity as well as the risk premium and the result of health and accident insurance for the year.

The Board of Directors proposes that the profit for the year be taken to equity. Equity stood at DKK 3,615 million at 31 December 2017 compared with DKK 3,418 million at 31 December 2016. A total of DKK 39 million was distributed as supplementary pension benefits in 2017.

The pension fund's total assets grew from DKK 13,231 million at 31 December 2016 to DKK 14,688 million at 31 December 2017. The increase was attributable mainly to the investment return for the year and an increased use of repo transactions.

### Solvency capital requirement and total capital

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

Solvency capital requirement and total capital DKKm	31.12.2017	31.12.2016
Total capital	4,351	4,104
Solvency capital requirement (SCR)	1,210	910
Minimum capital requirement (MCR)	302	228
Surplus capital	3,141	3,194
<b>Solvency coverage ratio relative to SCR</b>	<b>360%</b>	<b>451%</b>
Solvency coverage ratio relative to MCR	1438%	1804%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 360% at 31 December 2017. The decline relative to end-2016 was attributable partly to a change in calculation methods and partly to changes to the composition of the investment portfolio. The solvency coverage ratio is still at a very robust level.

For more information, see Rapport om solvens og finansiel situation 2017, which is available (in Danish only) at [pjdension.dk/pjd/rapporter](http://pjdension.dk/pjd/rapporter).

### Provisions for pension agreements

Pension provisions are computed at market value based on assumptions of mortality and disability and probability of policy surrenders and conversions into paid-

up policies. Market values are calculated using the Solvency II discount curve. In addition, the Danish FSA's benchmark for expected future increases in longevity is used to determine provisions. Guaranteed benefits increased and individual bonus potentials decreased in 2017 due to an update of market value assumptions, including assumptions of policyholders' life expectancy. Provisions grew by DKK 17 million as a result of this update.

Pension provisions stood at DKK 9,588 million at 31 December 2017 compared with DKK 8,884 million at 31 December 2016. The bonus potential included in pension provisions grew by a net DKK 229 million in 2017 to DKK 3,443 million. The collective bonus potential increased on the back of the strong investment return, amply offsetting the decrease in the individual bonus potential in connection with the above-mentioned update of market value assumptions.

The bonus ratio, reflecting the bonus potential in relation to policyholder accounts, rose to 38.0% at 31 December 2017. The relatively moderate increase was based on the DKK 400 million increase in pension accounts during the year.

Bonus potential and bonus ratio	31.12.2017		31.12.2016	
	DKKm	%	DKKm	%
	Bonus potential	Bonus ratio	Bonus potential	Bonus ratio
Collective bonus potential	426	-	162	-
Individual bonus potential	3,017	-	3,052	-
<b>Total bonus potential</b>	<b>3,443</b>	<b>38.0</b>	<b>3,214</b>	<b>37.1</b>

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

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

At 1 January 2018, the interest rate on policyholders' savings was fixed at 3.5% before tax on pension returns for conditional-guarantee pensions.

The return on equity depends on developments in the financial markets. Based on an investment return scenario in which high-risk assets outperform bonds by 3 percentage points, the return on equity after tax on pension returns is expected to be about DKK 100 million for 2018.

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Rate on policies

**3.5%**

## Other matters

### Uncertainty in recognition and measurement

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

### Events after the balance sheet date

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

Effective from 2018, the Danish Financial Supervisory Authority will apply a rolling 20-year data period rather than currently 30 years for estimating expected future longevity improvements. Due to this change, pension provisions at 1 January 2018 increased by a about DKK 10 million, while individual bonus potentials decreased by some DKK 150 million. The pension fund's financial position will not be significantly affected by this change.

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







# About the pension fund

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# Management structure

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 members, two are appointed by the Association of Agricultural Academics, one is appointed by the Danish Veterinary Association and one is elected at the general meeting following nomination by the Board of Directors. The last-mentioned board member must have the qualifications required to be an expert member of the Audit Committee.

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

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

## Audit and Risk Management Committee

Pursuant to the provisions of the EU and of Danish legislation on audit committees in public-interest entities, the Board of Directors of PJD has established a separate Audit Committee. As from the financial year 2018, the Audit Committee has become an Audit and Risk Management Committee.

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

The two other members appointed by the Board of Directors to serve on the Audit Committee in 2017 were: Johannes Elbæk (deputy chairman) and Henning Otte Hansen (board member).

The Audit Committee held four meetings in 2017.

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

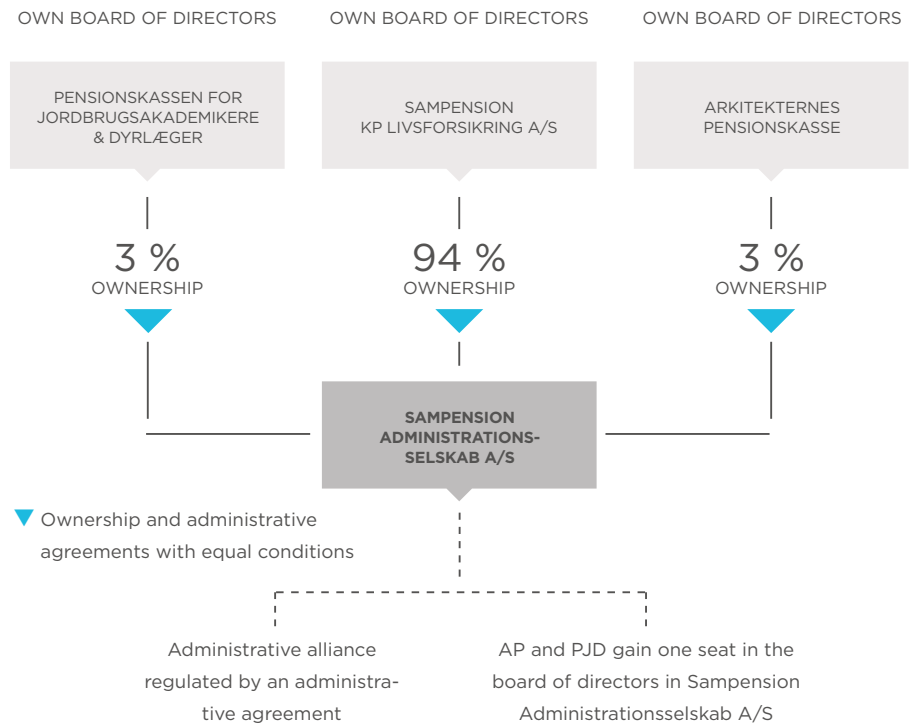
- to monitor the financial reporting process;
- to monitor the efficiency of risk management systems, internal control systems and the internal audit function;
- to monitor the statutory audit of the financial statements; and
- to monitor and verify the independence of the auditors.

A financial whistleblower hotline has been set up to give the employees of the joint management company a dedicated and independent channel for reporting any violation of financial regulations by the company. Reports to the whistleblower hotline are directed to the chairman of the Audit Committee and to the compliance function. No reports were filed in 2017 or in previous years.

## Organisation and management

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

## The joint management company



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

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

### Remuneration

The boards of directors of the three financial enterprises managed by Sampension have defined a joint remuneration policy that is compliant with the provisions of the EU and of Danish legislation. The purpose of the remuneration principles is to ensure that the management and the employees are remunerated in a manner that best supports the business and long-term strategic goals of the organisation. The terms of remuneration reflect and support Sampension's consistent ability to recruit and retain a competent and responsible management that promotes healthy and efficient risk management and that does not motivate excessive risk-taking.

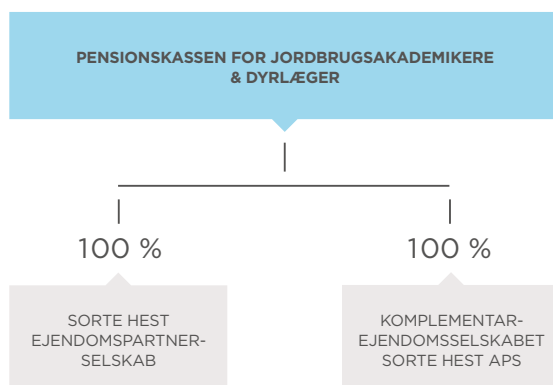
See note 4 to the financial statements or, for more information, go to [pjdension.dk/pjd/loenpolitik](http://pjdension.dk/pjd/loenpolitik)

### Gender composition of the Board of Directors

The Board of Directors has defined a target for the underrepresented gender to make up at least 33.33% of the Board members, corresponding to three of the nine Board members. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors. The target was not met, as the Board currently has two female and seven male members. The target is reviewed annually.

# Group structure

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## Management and other directorships held

### Executive Board

Hasse Jørgensen, CEO

### Chief Actuary

Steen Ragn

### Internal audit

Gert Stubkjær, Group Chief Internal Auditor

### Independent auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup  
Denmark

### Annual General Meeting

The Annual General Meeting will be held in Aarhus on 9 April 2018.

### 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 in Veterinary Medicine, Ph.D., Associate Dean Politics & Communication, Faculty of Life Sciences, University of Copenhagen	22 years	April 2016 to April 2019, elected by the members	Yes	Chairman of the University of Copenhagen Housing Foundation, Member of the board of directors of Sampension Administrationselskab A/S Member of the boards of FoodNexus, Member of the board of directors of Biorefining Alliance, Member of the board of directors of Danish Food Cluster, Member of the board of directors of the Danish Dairy Research Foundation, Member of board of directors of Hallegård Slagtehus ApS
Johannes Elbæk, born 1961, deputy chairman	MSc (Agriculture), HD graduate diploma, Director of Agricultural Centre, Vestjysk Bank	17 years	April 2016 to April 2019, elected by the members	Yes	Medlem af revisions- og risikoudvalget i Pensionskassen for Jordbrugsakademikere & Dyrlæger
Lars Bloch, born 1963	MSc in Veterinary Medicine, elected by the members, DVM Certificate in small animals, Frederiksværk Dyrehospital	8 years	April 2015 til April 2018, elected by the members	Yes	Chairman of the professional committee of veterinary nurses, Chairman of the board of directors of Frederiksværk Dyrehospital ApS, Deputy chairman of the Danish Cat Register
Louise Bundgaard, born 1979	MSc (Veterinary Medicine), Ph.D., Postdoc at the Department of Clinical Veterinary Medicine at the University of Copenhagen	1 years	April 2017 to April 2020, Appointed by the trade union for veterinary employees (ADO)	Yes	Deputy chairman of the Biomedicine Profession, DVA, Member of the Executive Committee in Danish Veterinary Association (DVA)
Kirsten Holst Sørensen, born 1963	MSc (Agriculture) Department head, Organic Farming/ Innovation, SEGES	7 years	April 2017 til april 2020, elected by the members	Yes	Member of the ICROFS Programme Committee, Special adviser to the council on organic foods
Hans-Henrik Bramaholm Jørgensen, born 1955	MSc (Agriculture) Chief consultant, Danish Agriculture & Food Council	15 years	April 2017 to April 2020, Reappointed by the Association of Agricultural Academics (JA)	Yes	Chairman of the board of directors of the Association of Agricultural Academics (JA)

Name and basic data	Education and employment	Years on the Board	Term/appointment	Member of PJD	Other directorships and fiduciary positions
Søren Kaare-Andersen, born 1958	MSc (Econ.), CEO of the Bikuben Foundation and Kollegiefonden Bikuben	2.5 years	April 2015 to April 2018, elected by the members	No	Chairman of the audit and risk management committee of the 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 Bikuben Foundation New York Inc., Chairman of the board of directors of Høbbet A/S, Deputy chairman of the board of directors of Enkotec A/S, Deputy chairman of the board of directors of Fonden Roskilde Festival, Member of the board of directors of the Architects' Pension Fund, Member of the board of directors of Volt ApS, Member of the board of directors of Bifi A/S, Member of the board of directors of the Foundation for Social Responsibility, Member of the board of directors of KAB
Frank Bøgh Nielsen, born 1958	MSc in Veterinary Medicine, Veterinarian	22 years	April 2015 to April 2018, elected by the members	Yes	Co-owner of Frank Bøgh Nielsen Anette Langvad Jensen I/S
Henning Otte Hansen, born 1959	MSc (Agriculture) and MSc (Economics and business administration), Senior Adviser, Department of Food and Resource Economics (IFRO) at University of Copenhagen	9 years	Januar 2017 to April 2020, Reappointed by the Association of Agricultural Academics (JA)	Yes	Deputy chairman of PJD's audit committee, Vice President of The Royal Danish agricultural Society Member of the Executive Committee of "Statsautoriseret revisor Oluf Christian Olsen og hustru Julie Rasmine Olsens mindefond". Chairman of the board of Disposal-CollectionCare IVS

Name and basic data	Education and employment	Years on the Board	Term/appointment	Member of PJD	Other directorships and fiduciary positions
<p>Hasse Jørgensen, born 1962, CEO</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p>CEO of Sampension KP Livsforsikring A/S, CEO of Sampension Administrations-selskab A/S, CEO of the Architects' Pension Fund, CEO of Komplementarselskabet Arkitekternes Ejendomme ApS Chairman of the board of directors of Sampension Alternative Asset Management A/S, Chairman of the board of directors of Komplementarselskabet Alternative Investments ApS, Member of the board of directors of Sampension KP Danmark A/S, Member of the board of directors of Sampension KP International A/S, Member of the board of directors of Refshaleøen Holding A/S (including one subsidiary), Member of the board of directors of the Danish Insurance Association Member of the board of directors of the Danish Finance Society</p>





# Financial statements

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# Group and Parent Company Financial Statements

INCOME STATEMENT		GROUP		PENSION FUND	
Note	DKKt.	2017	2016	2017	2016
1	Premiums	386,110	374,844	386,110	374,844
	<b>Premiums</b>	<b>386,110</b>	<b>374,844</b>	<b>386,110</b>	<b>374,844</b>
8	Income from group enterprises	-	-	2,332	685
	Income from associates	0	411	0	415
	Income from investment properties	2,138	2,069	-2	-18
2	Interest income, dividends etc.	145,801	635,216	145,816	49,765
3	Market value adjustments	919,318	369,148	919,086	920,421
	Interest expenses	-784	-871	-761	-324
	Investment management expenses	-18,487	-46,755	-18,484	-11,728
	<b>Total investment return</b>	<b>1,047,987</b>	<b>959,217</b>	<b>1,047,987</b>	<b>959,217</b>
	<b>Tax on pension returns</b>	<b>-154,437</b>	<b>-144,434</b>	<b>-154,437</b>	<b>-144,434</b>
5	Benefits paid	-282,437	-268,724	-282,437	-268,724
	<b>Total insurance benefits</b>	<b>-282,437</b>	<b>-268,724</b>	<b>-282,437</b>	<b>-268,724</b>
12	<b>Total change in provisions</b>	<b>-706,463</b>	<b>-576,922</b>	<b>-706,463</b>	<b>-576,922</b>
11	<b>Change in excess capital</b>	<b>-50,035</b>	<b>-53,034</b>	<b>-50,035</b>	<b>-53,034</b>
4	Administrative expenses	-5,571	-10,714	-5,571	-10,714
	<b>Total net operating expenses</b>	<b>-5,571</b>	<b>-10,714</b>	<b>-5,571</b>	<b>-10,714</b>
	<b>Transferred return on investments</b>	<b>-232,785</b>	<b>-211,332</b>	<b>-232,785</b>	<b>-211,332</b>
	<b>TECHNICAL RESULT</b>	<b>2,370</b>	<b>68,902</b>	<b>2,370</b>	<b>68,902</b>
6	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>1,697</b>	<b>-583</b>	<b>1,697</b>	<b>-583</b>
	<b>Investment return on equity</b>	<b>277,559</b>	<b>251,681</b>	<b>277,559</b>	<b>251,681</b>
	<b>PROFIT BEFORE TAX</b>	<b>281,625</b>	<b>319,999</b>	<b>281,625</b>	<b>319,999</b>
	<b>Tax on pension returns for equity</b>	<b>-45,244</b>	<b>-40,777</b>	<b>-45,244</b>	<b>-40,777</b>
	<b>PROFIT FOR THE YEAR</b>	<b>236,381</b>	<b>279,222</b>	<b>236,381</b>	<b>279,222</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>236,381</b>	<b>279,222</b>	<b>236,381</b>	<b>279,222</b>

# Group and Parent Company Financial Statements (continued)

BALANCE SHEET		GROUP		PENSION FUND	
Note	DKKt.	2017	2016	2017	2016
<b>ASSETS</b>					
7	<b>Investment properties</b>	<b>16,453</b>	<b>15,884</b>	<b>0</b>	<b>75</b>
8	Investments in group enterprises	-	-	15,414	13,081
9	Loans to group enterprises	-	-	923	12,122
	<b>Total investments in group enterprises</b>	<b>-</b>	<b>-</b>	<b>16,337</b>	<b>25,203</b>
	Investments	2,114,862	5,054,850	2,114,862	188,689
	Units in mutual funds	5,537,917	285,960	5,537,917	12,801,247
	Bonds	6,364,770	8,470,012	6,364,770	0
	Loans secured by mortgage	44,453	0	44,453	0
10	Derivative financial instruments	181,713	107,553	181,713	80,887
	Deposits with credit institutions	209,573	159,367	209,573	0
	<b>Total other financial investment assets</b>	<b>14,453,287</b>	<b>14,077,742</b>	<b>14,453,287</b>	<b>13,070,823</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>14,469,740</b>	<b>14,093,627</b>	<b>14,469,624</b>	<b>13,096,100</b>
	<b>Total receivables arising from direct insurance contracts</b>	<b>11,986</b>	<b>17,101</b>	<b>11,986</b>	<b>17,101</b>
	<b>Other receivables</b>	<b>19,320</b>	<b>585,525</b>	<b>19,303</b>	<b>15,931</b>
	<b>TOTAL RECEIVABLES</b>	<b>31,306</b>	<b>602,626</b>	<b>31,289</b>	<b>33,032</b>
	Cash and cash equivalents	136,700	656,628	135,700	86,020
	Other	95	0	95	0
	<b>TOTAL OTHER ASSETS</b>	<b>136,795</b>	<b>656,628</b>	<b>135,795</b>	<b>86,020</b>
	Interest receivable	36,188	84,314	36,188	0
	Other prepayments	15,106	15,781	15,106	15,762
	<b>TOTAL PREPAYMENTS</b>	<b>51,294</b>	<b>100,096</b>	<b>51,294</b>	<b>15,762</b>
	<b>TOTAL ASSETS</b>	<b>14,689,134</b>	<b>15,452,976</b>	<b>14,688,002</b>	<b>13,230,914</b>

BALANCE SHEET		GROUP		PENSION FUND	
Note	DKKt.	2017	2016	2017	2016
<b>EQUITY AND LIABILITIES</b>					
	Retained earnings	3,615,221	3,417,680	3,615,221	3,417,680
	<b>TOTAL EQUITY</b>	<b>3,615,221</b>	<b>3,417,680</b>	<b>3,615,221</b>	<b>3,417,680</b>
11	Surplus capital	735,937	685,901	735,937	685,901
	<b>TOTAL SUBORDINATED LOAN CAPITAL</b>	<b>735,937</b>	<b>685,901</b>	<b>735,937</b>	<b>685,901</b>
12	Pension provisions	9,583,110	8,876,647	9,583,110	8,876,647
6	Provision for claims outstanding	4,559	7,040	4,559	7,040
	<b>TOTAL PENSION PROVISIONS</b>	<b>9,587,669</b>	<b>8,883,686</b>	<b>9,587,669</b>	<b>8,883,686</b>
13	Payables to credit institutions	356,655	2,177,912	356,655	0
14	Other payables	393,296	280,643	392,164	236,496
	<b>TOTAL DEBT</b>	<b>749,951</b>	<b>2,458,557</b>	<b>748,819</b>	<b>236,496</b>
	<b>TOTAL DEFERRED INCOME</b>	<b>357</b>	<b>7,151</b>	<b>357</b>	<b>7,151</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,689,134</b>	<b>15,452,976</b>	<b>14,688,002</b>	<b>13,230,914</b>
0	<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>OVERVIEW OF ASSETS AND RETURNS</b>				
20	<b>FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, GROUP AND PENSION FUND</b>				
21	<b>RISK MANAGEMENT AND SENSITIVITY INFORMATION</b>				

## Statement of changes in Equity

DKKt.	GROUP		PENSION FUND	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Equity at 1 January	3,417,680	3,185,832	3,417,680	3,185,832
Adjustment beginning of 2016, change of accounting policies	-	-2,739	-	-2,739
Profit for the year	236,381	279,222	236,381	279,222
Supplementary pensions	-38,840	-44,636	-38,840	-44,636
<b>Equity at 31 December</b>	<b>3,615,221</b>	<b>3,417,680</b>	<b>3,615,221</b>	<b>3,417,680</b>
<b>Capital base</b>				
Equity		3,615,221	3,417,680	
Surplus capital			735,937	685,901
<b>Total</b>			<b>4,351,157</b>	<b>4,103,581</b>

# Notes to the financial statements

## 0 Accounting policies

### GENERAL INFORMATION

The Annual Report of the Group and the pension fund has been prepared in accordance with the Danish Financial Business Act and the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds (the "Executive Order on Financial Reports").

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

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

- The shares of jointly managed activities/investments in the former Unipension arrangement attributable to the pension fund were consolidated in the income statement and balance sheet on a pro rata basis. Following the transition, the conditions for pro rata consolidation no longer apply. As a result, the Group's total assets stood at DKK 14,689.1 million at 31 December 2017 compared with DKK 15,453.0 million at 31 December 2016.
- Effective from 2017, administrative expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationselskab A/S and direct expenses incurred. The administrative fee is divided into pension business and investment business.
- In 2016, the administrative expenses relating to investment business were calculated as direct investment costs plus an amount allocated for the remaining cost base corresponding to resources applied by Unipension.
- A few items have been reclassified in the comparative figures for 2016.

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

Apart from the above, the accounting policies are consistent with those applied last year.

#### Changes made to accounting estimates and methods relative to the 2016 Annual Report:

Pursuant to the executive order on financial reporting of insurance companies and lateral pension funds, the fair value of investment properties is recognised and measured according to the Discounted Cash Flows (DCF) method, effective from 2017, rather than as previously according to the capitalised returns method. The change has no effect on the financial statement amounts.

#### Distribution of realised result

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

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

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

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 costs are recognised as incurred. All gains and losses, value adjustments, amortisation, depreciation, impairment write-downs as well as reversals of amounts previous-

ly recognised in the income statement are recognised in the income statement.

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

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

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

On initial recognition, assets and liabilities are measured at cost, which is equal to fair value. Subsequently, assets and liabilities are generally measured at fair value. This is described in further detail under the individual items.

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

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

#### Uncertainty in recognition and measurement

In preparing the consolidated and the parent company financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities. The areas in which management's estimates and judgments have the most material effect on the consolidated financial statements and the pension

fund's financial statements are pension provisions and the fair value of non-marketable assets, such as unlisted financial instruments and properties, etc.

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

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

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

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

### **Corporate information and consolidation policies**

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

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

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

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

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

### **Intra-group transactions**

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

## **INCOME STATEMENT**

### **Technical result**

#### **Premiums**

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

#### **Return on investments**

#### **Income from investments in group enterprises and associates**

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

#### **Income from investment property**

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

#### **Interest income and dividends, etc.**

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

#### **Market value adjustments**

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

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

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

#### **Interest expenses**

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

#### **Investment management charges**

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

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

#### **Tax on pension returns**

The tax on pension returns computed for the financial year is recognised as an expense in the income statement. The tax charge comprises tax on the return allocated to individual policyholder accounts as well as tax on the return allocated to the collective bonus

## Notes to the financial statements (continued)

potential, equity and surplus capital. Tax is calculated at 15.3% of the tax base, which is determined on the basis of the investment return for the year, with due consideration for any exempt values.

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

### **Pension benefits**

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

### **Change in pension provisions**

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

### **Change in surplus capital**

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

### **Pension operating expenses**

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

### **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 costs recognised directly in equity through Other comprehensive income.

## **BALANCE SHEET**

### **Investment assets**

#### **Investment property**

Danish and foreign investment properties are measured at a calculated fair value in accordance with the FSA's Executive Order. The fair value is determined according to the Discounted Cash Flows (DCF) method on the basis of the expected income and expenses on the individual property for a 10-year budget period.

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

#### **Investments in group enterprises**

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

Investments in group enterprises are measured at the proportionate share of the equity values in accordance with the most recent annual reports or other

reporting of the enterprises, restated to the Group's accounting policies.

#### **Loans to group enterprises**

Intra-group loans are made in writing and on an arm's length basis. Intra-group loans are measured at an estimated fair value at the balance sheet date.

#### **Investments and units in mutual funds**

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

#### **Bonds**

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

#### **Loans secured by mortgage**

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

#### **Derivative financial instruments**

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

#### **Deposits with credit institutions**

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

#### **Receivables**

Receivables are measured at nominal value less provision for bad debts. Provision for bad debts is made according



to an individual assessment of each receivable.

### **Other assets**

#### **Cash and cash equivalents**

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

#### **Other**

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

#### **Prepayments**

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

#### **Subordinated loan capital**

#### **Surplus capital**

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

Surplus capital is accumulated as 5% of premiums.

#### **Pension provisions**

##### **Pension provisions**

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

The pension fund has a single contribution group.

##### **Guaranteed benefits**

Guaranteed benefits comprise obligations to pay benefits. Guaranteed

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

##### **Individual bonus potential**

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

##### **Collective bonus potential**

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

##### **Profit margin**

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

##### **Risk margin**

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

##### **Outstanding claims provisions**

Outstanding claims provisions relating to health and accident insurance consists 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.

#### **Prepayments**

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

## **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	
		2017	2016	2017	2016
<b>1</b>	<b>Premiums</b>				
	Regular premiums	354,342	341,487	354,342	341,487
	Single premiums	31,768	33,357	31,768	33,357
	<b>Total premiums</b>	<b>386,110</b>	<b>374,844</b>	<b>386,110</b>	<b>374,844</b>
	<b>Ordinære bidrag fordelt efter medlemmernes bopæl</b>				
	Denmark	350,350	336,047	350,350	336,047
	Other EU-countries	2,356	4,100	2,356	4,100
	Other countries	1,637	1,340	1,637	1,340
	<b>Total</b>	<b>354,342</b>	<b>341,487</b>	<b>354,342</b>	<b>341,487</b>
	Number of policyholders	10,188	9,986	10,188	9,986
<b>2</b>	<b>Interest income and dividends etc.</b>				
	Dividends from investments	12,171	350,725	12,178	49,726
	Dividens from units in mutual funds	22,117	0	22,117	0
	Interest from bonds	96,933	284,483	96,933	0
	Interest on loans secured by mortgage	845	0	845	0
	Interest from group enterprises	0	8	7	39
	Other interest income	488	0	488	0
	Indexation	5,927	0	5,927	0
	Interest swap instruments	7,321	0	7,321	0
	<b>Total interest income, dividends, etc.</b>	<b>145,801</b>	<b>635,216</b>	<b>145,816</b>	<b>49,765</b>
<b>3</b>	<b>Market value adjustments</b>				
	Investment properties	793	-1.102	150	67
	Investments	-5,276	49.656	-4.865	-26,589
	Units in mutual funds	433,597	142.969	433.597	1,149,981
	Bonds	-3,214	407.747	-3.197	0
	Loans secured by mortgage	-49	2.790	-49	0
	Derivative financial instruments	503,911	-235.933	503.911	-202,915
	Cash and demand deposit	-10,524	3.021	-10.524	-123
	Other	81	0	64	0
	<b>Total value adjustments</b>	<b>919,318</b>	<b>369,148</b>	<b>919,086</b>	<b>920,421</b>

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016

#### 4 Administrative expenses

The PJD pension fund has signed a management agreement with Sampension Administrationssselskab A/S and forms part of this joint management company effective from 1 January 2017. All employees are employed with and paid by Sampension Administrationssselskab A/S. The pension fund's share of these payroll costs are settled through the management fee. Remuneration payable to the Board of Directors is paid directly by the pension fund. The CEO and control function staff are also employed with the pension fund. Administrative expenses relating to pension and investment activities include the following staff costs:

Wages and remuneration, etc.:

Staff salaries etc.	-1,150	-6,736	-1,150	-6,736
Staff pensions	0	-638	0	-638
Other social security costs	0	-99	0	-99
Payroll tax	0	-1,085	0	-1,085

<b>Total staff costs</b>	<b>-1,150</b>	<b>-8,559</b>	<b>-1,150</b>	<b>-8,559</b>
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Average number of full-time employees	-	10	-	10
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#### Remuneration to the Executive Board, the Board of Directors and material risk takers

Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests to the units that form a part of and are owners of the joint management company Sampension Administrationssselskab A/S. PJD has a 3% ownership interest in Sampension Administrationssselskab A/S.

	Pension fund 2017		Pension fund 2016	
	No. of people	Salary including pension	No. of people	Salary including pension
<b>Executive Board</b>	1		1	
Jens Munch Holst (1/2 2016 - 31/12 2016)		-		-366
Hasse Jørgensen (joined 1/1 2017)		-167		-
<b>Board of Directors:</b>	9		9	
Erik Bisgaard Madsen		-240		-230
Johannes Elbæk		-182		-172
Søren Kaare-Andersen		-140		-130
Lars Bloch		-94		-84
Louise Bundgaard (joined 01.03.2017)		-77		-
Jens Munck Ebbesen (resigned 28.02.2017)		-13		-80
Henning Otte Hansen		-110		-100
Kirsten Sørensen		-102		-92
Hans-Henrik Bramaholm Jørgensen		-90		-80
Frank Bøgh Nielsen		-102		-92
<b>Employees whose activities have a material impact on the company's risk profile *)</b>	7	-411	3	-256
<b>Remuneration to chief actuary.</b>				
The fee is paid by the joint management company and settled through the management fee.		-179		-

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

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

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

In accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies, the company has disclosed certain information regarding its remuneration policy etc. Such information is provided on [pjdension.dk/pjd/loenpolitik](http://pjdension.dk/pjd/loenpolitik).

## Notes to the financial statements (continued)

Note 4 continued

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
<b>Remuneration for auditors elected by the Annual General Meeting</b>					
<b>Deloitte, Statsautoriseret Revisionspartnerselskab</b>					
	Statutory audit	0	-196	0	-124
	Assurance engagements	0	-30	0	-30
	Tax advice	0	-9	0	-9
	Other services	-12	0	-12	0
		<b>-12</b>	<b>-235</b>	<b>-12</b>	<b>-163</b>
<b>PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab</b>					
	Statutory audit	-156	-	-156	-
	Assurance engagements	-44	-	-44	-
	Tax advice	-19	-	-19	-
	Other services	-188	-	-188	-
		<b>-406</b>	<b>-</b>	<b>-406</b>	<b>-</b>

Effective from 1 January 2017, the pension fund's share of costs of internal and independent auditors is included in the management fee paid to Sampension Administrationselskab A/S. The pension fund's share of the audit fee to the independent auditor is shown above. In addition to a statutory audit of the consolidated and parent company financial statements and other statutory engagements, PricewaterhouseCoopers has provided assistance by way of a review of the tax return.

<b>5</b>	<b>Benefits paid</b>				
	Retirement and annuity benefits	-264,763	-251,584	-264,763	-251,584
	Payment at surrender etc.	-47,930	-51,606	-47,930	-51,606
	Premium relating to group life schemes	-8,584	-10,169	-8,584	-10,169
	<b>Total pension benefits paid</b>	<b>-321,277</b>	<b>-313,359</b>	<b>-321,277</b>	<b>-313,359</b>
	Recognised in the income statement	-282,437	-268,724	-282,437	-268,724
	Distributed from equity	-38,840	-44,636	-38,840	-44,636
	<b>Total benefits paid</b>	<b>-321,277</b>	<b>-313,359</b>	<b>-321,277</b>	<b>-313,359</b>
<b>6</b>	<b>Technical result of health and accident insurance</b>				
	Result for the year of disablement insurance				
	Premiums for the year	1,731	1,888	1,731	1,888
	Claims paid	-2,865	-1,508	-2,865	-1,508
	Claims provisions	2,481	-1,278	2,481	-1,278
	Expense allowance	-120	-113	-120	-113
	Return on investments	470	428	470	428
	Technical interest	0	0	0	0
	<b>Total result for the year of disablement insurance</b>	<b>1,697</b>	<b>-583</b>	<b>1,697</b>	<b>-583</b>
	Provision for claims outstanding 31. December	4,559	7,040	4,559	7,040

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
<b>7</b>	<b>Investment properties</b>				
	Cost at 1 January	32,798	32,798	648	648
	Disposals during the year	-648	0	-648	0
	<b>Cost at 31 December</b>	<b>32,150</b>	<b>32,798</b>	<b>0</b>	<b>648</b>
	Write-downs at 1 January	-16,914	-15,906	-573	-648
	Write-downs during the year	0	-1,083	0	0
	Write-downs due to sales	1,216	75	573	75
	<b>Write-downs at 31 December</b>	<b>-15,698</b>	<b>-16,914</b>	<b>0</b>	<b>-573</b>
	<b>Fair value at 31 December</b>	<b>16,453</b>	<b>15,884</b>	<b>0</b>	<b>75</b>
	Average rates of return applied to assess the market value at each type of properties:				
	Commercial property	9.16	8.60	-	-
	Weighted average of rates of return	9.16	8.60	-	-
<b>8</b>	<b>Investments in group enterprises</b>				
	Sorte Hest Ejendomspartnerselskab, Gentofte:				
	Ownership			100%	100%
	Profit			2,718	671
	Equity			15,241	12,934
	Komplementarejendomsselskabet Sorte Hest ApS, Gentofte:				
	Ownership			100%	100%
	Profit			26	14
	Equity			173	147
				Indgår i årsrapporten	
	Total equity			15,414	13,081
	<b>Total investments in group enterprises</b>			<b>15,414</b>	<b>13,081</b>
<b>9</b>	<b>Loans to group enterprises</b>				
	Sorte Hest Ejendomspartnerselskab, Gentofte	-	-	923	12,122
	<b>Total loans to group enterprises</b>	<b>-</b>	<b>-</b>	<b>923</b>	<b>12,122</b>

## Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
<b>10</b>	<b>Derivative financial instruments</b>				
	<b>2017</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
	Interest rate hedging instruments etc.:				
	Interest swaps	18,765	19,607	18,765	19,607
	Swaptions	13,114	15,674	13,114	15,674
	CDS'er	55,862	0	55,862	0
	Total interest rate hedging instruments	87,741	35,282	87,741	35,282
	Currency-based derivative financial instruments	93,972	9,089	93,972	9,089
	Investment futures	0	27	0	27
	<b>Total derivative financial instruments</b>	<b>181,713</b>	<b>44,398</b>	<b>181,713</b>	<b>44,398</b>
	<b>Fair value included in the item Derivative financial instruments</b>	<b>181,713</b>		<b>181,713</b>	
	<b>Fair value included in the item other debt see note 14</b>		<b>44,398</b>		<b>44,398</b>
	<b>Net carrying value (asset)</b>	<b>137,315</b>		<b>137,315</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	Agreements have been concluded to post collateral for derivative financial instruments				
	The Group has received collateral in the form of liquid bonds equal to a fair value of	131,310	-	131,310	-
	The Group has provided collateral in the form of liquid bonds equal to a fair value of	0	-	0	-
	<b>Net collateral (asset)</b>	<b>131,310</b>	<b>-</b>	<b>131,310</b>	<b>-</b>
	In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK 3 million. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -994 million. As gains/losses are settled on current basis, the fair value is nil.				
	<b>2016</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
	Interest rate hedging instruments etc.:				
	Interest swaps	9,522	21,463	0	0
	Swaptions	3,401	4,794	0	0
	Total interest rate hedging instruments	12,922	26,257	0	0
	Currency-based derivative financial instruments	85,275	90,110	80,887	88,330
	Investment futures	9,356	7,113	0	0
	<b>Total derivative financial instruments</b>	<b>107,553</b>	<b>123,481</b>	<b>80,887</b>	<b>88,330</b>
	<b>Fair value included in the item Derivative financial instruments</b>	<b>107,553</b>		<b>80,887</b>	
	<b>Fair value included in the item other debt see note 14</b>		<b>123,481</b>		<b>88,330</b>
	<b>Net carrying value (liability)</b>		<b>15,928</b>		<b>7,443</b>

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
<b>11</b>	<b>Surplus capital</b>				
	Surplus capital beginning of year	685,901	632,867	685,901	632,867
	Transferred from pension provisions	18,196	18,751	18,196	18,751
	Paid out to customers	-18,425	-18,865	-18,425	-18,865
	Return for the year	50,264	44,743	50,264	44,743
	Transferred from shadow accounts	0	8,405	0	8,405
	<b>Total surplus capital</b>	<b>735,937</b>	<b>685,901</b>	<b>735,937</b>	<b>685,901</b>
<b>12</b>	<b>Pensionshensættelser</b>				
	<b>Change in gross pension provisions is specified as follows</b>				
	Pension provisions, beginning of year	8,876,647	8,296,986	8,876,647	8,296,986
	Adjustment beginning of 2016, change of accounting policies	0	2,739	0	2,739
	Pension provisions, beginning of year	8,876,647	8,299,725	8,876,647	8,299,725
	Collective bonus potential, beginning of year	-162,159	0	-162,159	0
	Accumulated value adjustment, beginning of year	-44,524	-52,334	-44,524	-52,334
	<b>Retrospective provisions, beginning of year</b>	<b>8,669,963</b>	<b>8,247,391</b>	<b>8,669,963</b>	<b>8,247,391</b>
	Premiums	386,110	374,844	386,110	374,844
	Addition of interest after tax on pension returns	307,480	300,459	307,480	300,459
	Insurance benefits	-255,427	-239,689	-255,427	-239,689
	Cost addition after addition of cost bonus	-5,663	-10,240	-5,663	-10,240
	Risk gain/loss after addition of risk bonus	-14,973	24,723	-14,973	24,723
	Members' group life premiums	-9,541	-8,774	-9,541	-8,774
	Transferred to excess capital	-18,196	-18,751	-18,196	-18,751
	Other	12,026	0	12,026	0
	<b>Retrospective provisions, end of year</b>	<b>9,071,779</b>	<b>8,669,963</b>	<b>9,071,779</b>	<b>8,669,963</b>
	Accumulated value adjustment, end of year	85,319	44,524	85,319	44,524
	Collective bonus potential, end of year	426,013	162,159	426,013	162,159
	<b>Pension provisions, end of year</b>	<b>9,583,110</b>	<b>8,876,647</b>	<b>9,583,110</b>	<b>8,876,647</b>
	<b>Pension provisions are specified as follows:</b>				
	Guaranteed benefits	6,069,066	5,394,720	6,069,066	5,394,720
	Individual bonus potential	3,016,851	3,052,243	3,016,851	3,052,243
	Collective bonus potential	426,013	162,159	426,013	162,159
	Risk margin	71,180	267,525	71,180	267,525
	<b>Total pension provisions</b>	<b>9,583,110</b>	<b>8,876,647</b>	<b>9,583,110</b>	<b>8,876,647</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	-705,020	-576,922	-706,463	-576,922
	<b>Change in provisions, Income statement</b>	<b>-705,020</b>	<b>-576,922</b>	<b>-706,463</b>	<b>-576,922</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 of the nature of the guarantees.				
	Unconditional guarantees (technical rate of interest 1.5% - 4.25%)	118,428	133,818	118,428	133,818
	Conditional guarantees (technical rate of interest 0%)	9,038,669	8,580,669	9,038,669	8,580,669
	<b>Pension provisions categorised by technical rate of interest</b>	<b>9,157,097</b>	<b>8,714,487</b>	<b>9,157,097</b>	<b>8,714,487</b>
	Collective bonus potential	426,013	162,159	426,013	162,159
	<b>Total Pension provisions</b>	<b>9,583,110</b>	<b>8,876,647</b>	<b>9,583,110</b>	<b>8,876,647</b>
	<b>Supplementary ratios relating to pension provisions</b>				
	Bonus rate	38.0%	37.1%	38.0%	37.1%
	Return on customer funds after costs but before tax	7.9%	5.2%	7.9%	5.2%

## Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2017	2016	2017	2016
<b>13</b>	<b>Payables to credit institutions</b>				
	Repos	356,655	2,177,912	356,655	0
	<b>Total payables to credit institutions</b>	<b>356,655</b>	<b>2,177,912</b>	<b>356,655</b>	<b>0</b>
	From the bank loans the following fall due in the coming year	356,655	2,177,912	356,655	0
	After five years the outstanding balance will be	0	0	0	0
<b>14</b>	<b>Other debt</b>				
	Derivative financial instruments, according to note 10	44,398	123,481	44,398	88,330
	Payables relating to bond purchase	13,312	0	13,312	0
	Debt relating to settlement of repos	180,963	0	180,963	0
	Provision for tax on pension returns payable and other	154,558	157,162	153,426	148,166
	<b>Total other payables</b>	<b>393,296</b>	<b>280,643</b>	<b>392,164</b>	<b>236,496</b>
<b>15</b>	<b>Contingent liabilities</b>				
	The Company has committed itself at a later date to invest in funds etc. amounting to	1,230,664	1,682,000	1,230,664	1,682,000
	Total contingents	1,230,664	1,682,000	1,230,664	1,682,000
<b>16</b>	<b>Charges</b>				
	Bonds sold as part of repo debt	344,436	2,177,912	344,436	2.177.912
	Net assets registered in cover of 'Total provisions for insurance and investment contracts' amounting to	9,923,237	9,474,326	9,923,237	9.474.326
	Investments and units in mutual funds			4,587,998	9.388.306
	Deposits with credit institutions			0	86.020
	Total assets earmarked as security for policyholders' savings			9,923,237	9.474.326
<b>17</b>	<b>Intra group transactions</b>				
	Current intra-group transactions:				
	Management contracts	0	7,100	0	7.100
	Loan to group enterprises - loan settlement	11,198	0	11,198	0
	Interest etc.	7	0	7	0

As regards group enterprises reference is made to note 8.

The pension fund conducted transactions with group enterprises, associates and jointly-operated companies in 2016. Transactions were conducted on a cost recovery basis.

The pension fund conducted transactions of material amounts (more than DKK 25 thousand) with related parties in 2016: Sorte Hest Ejendomspartnerselskab, Gentofte, provision of administrative services, DKK 0.1 million.

Sorte Hest Ejendomspartnerselskab, Gentofte, interest on loans, DKK 0.0 million.

MP Investement Management A/S, sale of goods and services, DKK 0.6 million.

Unipension I/S in solvent liquidation, purchase of goods and services, DKK 6.3 million.

Unipension I/S in solvent liquidation, sale of goods and services, DKK 0.1 million.



Note	DKKt.	PENSION FUND	
		2017	2016
<b>18</b>	<b>Realised result and distribution of realised result</b>		
	Investment return before tax on pension returns	1,048,749	960,963
	Change in market value adjustment	-40,795	5,071
	Basic rate of interest added	-2,417	-3,612
	Expense result	92	-473
	Risk result	14,973	-25,644
	Other	4,088	0
	<b>Realised result</b>	<b>1,024,690</b>	<b>936,305</b>
	Tax on pension returns	-154,437	-144,434
	<b>Available for allocation after tax on pension returns</b>	<b>870,253</b>	<b>791,871</b>
	Allocated to pension savers:		
	Bonus added	-305,063	-296,847
	Transferred to collective bonus potential	-263,853	-162,159
	<b>Investment return and risk premium allocated to base capital</b>	<b>301,337</b>	<b>332,864</b>
	<b>Cost result in DKK</b>	<b>92</b>	<b>-473</b>
	<b>Expense result as a percentage of technical provisions</b>	<b>0.001%</b>	<b>0.130%</b>
	<b>Risk result in DKK</b>	<b>14,973</b>	<b>-25,644</b>
	<b>Risk result as a percentage of technical provisions</b>	<b>0.18%</b>	<b>-0.30%</b>
	<b>Shadow accounts</b>		
	Shadow accounts at 1 January	0	55,855
	Return of shadow accounts	0	3,737
	Reduction of shadow account during the year, to equity	0	-51,187
	Reduction of shadow account during the year, to excess capital	0	-8,405
	<b>Shadow accounts at 31 December</b>	<b>0</b>	<b>0</b>
<b>19</b>	<b>Overview of assets and returns, pension fund</b>		
	Assets and return	Market value	
	DKKm.	Beg. of year	End of year
			Return 2017 % p.a.
	<b>Land and buildings</b>	<b>292</b>	<b>318</b>
	Listed investments	4,217	5,198
	Unlisted investments	802	1,239
	<b>Total Investments</b>	<b>5,019</b>	<b>6,437</b>
	Government- and mortgage bonds	4,077	5,093
	Index-linked bonds	0	434
	Credit bonds, investment grade and non-investment grade	3,344	1,104
	Loans etc.	0	45
	<b>Total bonds and loans etc.</b>	<b>7,421</b>	<b>6,676</b>
	<b>Other investment assets</b>	<b>82</b>	<b>444</b>
	<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>-5</b>	<b>159</b>
	<b>Total</b>	<b>12,809</b>	<b>14,034</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.

The combined equity portfolio of the Pension Fund for Agricultural Academics and Veterinary Surgeons can be found on the company website: [www.pjdpension.dk/pjd/Om-pensionskassen/Finansiel-information/Investeringsaktiver](http://www.pjdpension.dk/pjd/Om-pensionskassen/Finansiel-information/Investeringsaktiver)

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

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

## 21 Risk management and sensitivity information

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

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

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

### FINANCIAL RISK

#### Investments relating to pension schemes and total capital

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

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

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

#### Financial Risk Management

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

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

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

### INSURANCE RISK

Insurance risk includes the risk of increased longevity, changes in disability rates, conversions into paid-up policies and surrenders. The various risk elements are analysed on an ongoing basis. Members generally bear the insurance risks via the conditionally guaranteed business.

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

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

## OPERATIONAL RISK

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

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

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

## OUTSOURCING

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

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

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

## SENSITIVITY INFORMATION

Event DKKm	Effect on equity
0.7-1.0 p.p. interest rate increase	26
0.7-1.0 p.p. interest rate fall	-30
12% share price depreciation	-239
8% fall in property prices	0
Currency risk (VaR 99%)	-13
8% counterparty loss	-22

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

## SOLVENCY AND FINANCIAL CONDITION REPORT

The Pension fund's risk management is described in detail in its Solvency and Financial Condition Report (SFCR). The SFCR is available to the public and can be downloaded (in Danish only) at [pjdension.dk/pjd/rapporter](http://pjdension.dk/pjd/rapporter).

# 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 ended 31 December 2017.

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

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

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

Hellerup, 7 March 2018

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## **Executive Board**

Hasse Jørgensen  
Chief Executive Officer

/ Morten Lund Madsen  
Chief Financial Officer

## **Board of Directors**

Erik Bisgaard Madsen  
(Chairman)

Johannes Elbæk  
(Deputy chairman)

Lars Bloch

Louise Bundgaard

Kirsten Sørensen

Hans-Henrik Bramaholm Jørgensen

Søren Kaare-Andersen

Frank Bøgh Nielsen

Henning Otte Hansen

# 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 2017, and of the results of the Group's and the pension fund's operations for the financial year ended 31 December 2017 in accordance with the Danish Financial Business Act in respect of the financial statements of the Group and of the pension fund.

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

## Basis of opinion

We have audited the consolidated and parent company financial statements of the Pension Fund for Agricultural Academics and Veterinary Surgeons for the financial year ended 31 December 2017. The consolidated and parent company financial statements are prepared in accordance with the Danish Financial Business Act.

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

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

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

## Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

## The financial ratio 'Solvency coverage'

Management is responsible for the financial ratio 'Solvency coverage' set out in the five-year financial highlights and ratios in note 20 to the consolidated financial statements.

As set out in the five-year key figures in note 20, the financial ratio 'Solvency coverage' is exempt from the audit requirement. Accordingly, our opinion on the parent company financial statements does not cover the financial ratio 'Solvency coverage', and we do not express any form of assurance conclusion on that financial ratio.

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

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

Hellerup, 7 March 2018

Gert Stubkjær  
Group Chief Auditor

# Independent Auditor's Report

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To the members of Pensionskassen for Jordbrugsakademikere & Dyr læger

## Opinion

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

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

### What we have audited

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

## Basis for opinion

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

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

## Independence

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

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

## Appointment

We were first appointed auditors of Pensionskassen for Jordbrugsakademikere & Dyr læger on 3 April 2017 for the financial year 2017.

## Key audit matters

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

Key audit matters	How our audit addressed the key audit matter
<p><b>Measurement of provisions for insurance contracts</b></p> <p>The Group's provisions for insurance contracts total DKK 9,588 million, which constitutes 65 per cent of the Group's balance sheet total. 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 accounting estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policyholders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of provisions for insurance contracts as the statement of the provisions is complex and involves a considerable element of accounting estimate.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 0 and note 12, "Pension provisions", and note 6, "Provisions for claims outstanding", to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We examined, assessed and tested relevant procedures and internal controls established to ensure that provisions for insurance contracts are complete and correctly measured.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the Group as well as the calculations made.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p><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 debt".</p> <p>Unlisted investment assets are measured at estimated fair value based on valuation models and assumptions, including Management's estimates, which are not observable by any third party and which have a material effect on the Financial Statements.</p> <p>We focused on the measurement of unlisted investments as the statement is complex and involves a considerable element of estimation by Management.</p> <p>We refer to the mention of "Uncertainty in recognition and measurement" in note 0 and note 10, "Derivative financial instruments", to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We examined, assessed and tested relevant procedures and internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external managers. We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations and recalculated on a sample basis the valuation of derivative financial instruments.</p> <p>We challenged Management's estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

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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.

## Capital adequacy ratio

Management is responsible for the capital adequacy ratio stated in financial highlights in note 20 to the Financial Statements.

As stated in financial highlights in note 20, the capital adequacy ratio is exempt from the audit requirement. Consequently, our opinion on the Group Financial Statements and the Parent Financial Statements does not comprise the capital adequacy ratio, and we do not express any form of assurance conclusion thereon.

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

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

## Management's responsibilities for the Financial Statements

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

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

## Auditor's responsibilities for the audit of the Financial Statements

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

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



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- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Pension Fund's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
  - Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Pension Fund to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hellerup, 7 March 2018

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Christian F. Jakobsen  
State Authorised Public Accountant  
mne16539

Claus Christensen  
State Authorised Public Accountant  
mne33687

# 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

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

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

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

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

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

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

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

### Supplementary financial ratios

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

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

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

### Health and accident insurance

$$\text{Gross claims ratio} = \frac{\text{Gross claims expenses} \times 100}{\text{Gross premium income}}$$

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

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

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

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