

The ATP Group – Annual Announcement of Financial Statements 2015

DKK 8.5bn

profit for the year before
bonus

DKK 101bn

free reserves
(bonus potential)

DKK 705bn

ATP member assets

17.2 per cent

return on investment

5.2 per cent

total value creation for
members

9.0 per cent

average annual return
for the past 20 years 'N1'

DKK 23,900

full ATP Pension for a
65-year-old pensioner

974,700

pensioners

4,970,800

members



High investment returns, even lower administration expenses and higher ATP Pensions made 2015 a good year for ATP.



Carsten Stendevad, ATP CEO

2015 was a good year for ATP. We achieved an investment return of 17.2 per cent and cut our administration expenses by 7 per cent to DKK 57 per member. The Supervisory Board decided to increase benefit payments for the current 974,700 pensioners for the third year running, and the ATP Pension paid out is now 4.5 per cent higher than three years ago.

The global markets have been challenged ever since the financial crisis. The European bond markets, where ATP has traditionally been a large investor, have seen historically low interest rates and dried up market liquidity. In other asset classes, such as equities, credits, properties and infrastructure, lenient interest rate policies, rather than the economic fundamentals, had a strong impact on the pricing.

These conditions pose a challenge for a large pension provider and investor such as ATP, and we have therefore worked hard to adapt to the new circumstances. We further developed ATP's hedging strategy in 2013, and we adjusted the ATP Pension product in respect of future payments in 2014. Over the past couple of years, we have also performed a thorough review of all our investment processes and we have redesigned our approach to portfolio con-

struction. Thanks to all these changes, we have increased our investment flexibility and reduced our interest rate exposure, and ATP is now in a strong position to continue to secure good, stable pensions.

2015 was also a good year for ATP's Processing Business, which manages schemes for the Danish government, municipalities and Labour market partners. The expansion of UDK – Public Benefits Administration progressed satisfactorily, and the target of providing 33 per cent savings over a two-year period was achieved. As far as other administration tasks are concerned, we also met our target of delivering competitive operations.

At ATP, we are highly aware of the responsibility associated with the management of almost five million danish ATP Pensions and with case handling and the payment of approx. DKK 200bn for statutory services and labour market schemes. Every day, we strive for high performance – high returns, efficient administration and positive customer experience – and we are pleased to announce that we also succeeded in this in 2015.

Carsten Stendevad
Chief Executive Officer

Five-year summary for the ATP Group

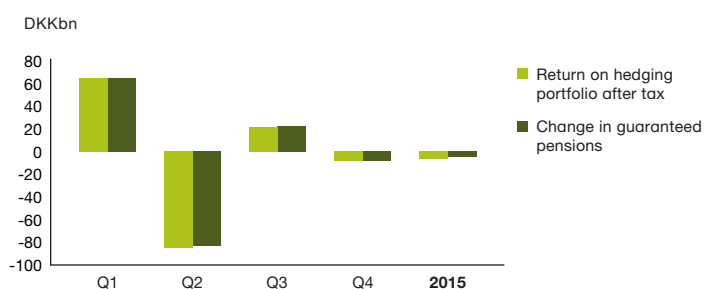
DKKm	2015	2014	2013	2012	2011
Investment					
Investment return	16,548	6,097	15,121	12,558	16,795
Investment activity expenses	(837)	(720)	(668)	(598)	(527)
Tax on pension savings returns and income tax	(2,259)	(579)	(2,249)	(1,752)	(2,185)
Other items	0	0	(13)	(132)	(17)
Investment activity results	13,452	4,798	12,191	10,076	14,066
Hedging					
Change in guaranteed benefits due to discount rate and maturity reduction	4,498	(112,743)	42,012	(37,018)	(103,203)
Return in hedging portfolio etc.	(7,992)	132,221	(49,975)	45,417	107,889
Tax on pension savings returns	1,223	(20,230)	7,646	(6,949)	(16,183)
Hedging activity results	(2,271)	(752)	(317)	1,450	(11,497)
Investment and hedging activity results	11,181	4,046	11,874	11,526	2,569
Pension					
Contributions	9,055	9,049	11,587	8,554	8,602
Pension benefits	(14,566)	(13,661)	(12,741)	(11,903)	(11,080)
Change in guaranteed benefits due to contributions and payments	6,694	6,061	3,665	2,809	4,479
Administration expenses, ATP Pension	(283)	(300)	(310)	(351)	(336)
Other items	149	(8)	10	6	22
Results before life expectancy update	1,049	1,141	2,211	(885)	1,687
Life expectancy update	(3,723)	96	(2,465)	(557)	(248)
Pension activity results	(2,674)	1,237	(254)	(1,442)	1,439
Business processing results					
Business processing income, external parties	1,251	1,450	1,531	793	634
Business processing expenses, external parties	(1,229)	(1,426)	(1,508)	(780)	(637)
Income tax	(1)	8	(3)	(3)	(2)
Business processing results	21	32	20	10	(5)
Results before bonus	8,528	5,315	11,640	10,094	4,003
Bonus addition for the year	(3,017)	(2,772)	(2,472)	-	-
Net results for the year	5,511	2,543	9,168	10,094	4,003
Guaranteed pensions	603,857	608,309	498,951	539,691	504,925
Bonus potential	101,242	95,831	93,344	84,154	74,133
Net assets	705,099	704,140	592,295	623,845	579,058

Key expense figures

Administration expenses, DKK per member	57	62	65	68	68
Investment activity expenses, DKK per member	276	264	250	247	261
Bonus rate	16.8	15.8	18.7	15.6	14.7
Return ratios					
Return on investment relative to bonus potential (before expenses and tax), per cent	17.2	6.5	18.0	16.8	23.9
Return on investment relative to bonus potential (after expenses and tax), per cent	13.9	5.1	14.5	13.6	20.1
Value creation ratios for members, per cent					
Value creation from guaranteed pension	3.8	3.9	3.9	4.0	4.0
Value creation from bonus potential	10.9	3.6	14.2	14.2	3.7
Total value creation	5.2	3.8	5.9	5.8	4.0

Management's review

Large quarterly changes in guaranteed pensions due to interest rate fluctuations



“*ATP's guarantees are well protected against interest rate fluctuations.*”

HIGHLIGHTS OF THE YEAR

The ATP Group recorded a profit of DKK 8.5bn in 2015 before allocation of bonus to pensioners.

The bonus potential was sufficient to increase pensions for all current pensioners by 1.5 per cent at the beginning of 2016. Pensions have thus been raised by 4.5 per cent over the past three years. After allocation of bonus, the profit was DKK 5.5bn.

ATP's free reserves – its bonus potential – increased to DKK 101bn, and total assets now stand at DKK 705bn.

INVESTMENT AND HEDGING

ATP's overall objective is to provide the best possible pensions in the form of a lifelong guarantee which is to enable ATP, along with the state-funded old-age pension system, to provide the basic pension coverage for the Danish population.

ATP has two value creation sources at its disposal: a hedging portfolio and an investment portfolio.

The objective of hedging is to safeguard the guaranteed return and ensure ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio fluctuates in line with the guaranteed pensions when interest rates change.

The objective of the investment portfolio is to generate a re-

turn that is sufficient to raise the guaranteed pensions and thus preserve the long-term purchasing power of the benefits as best as possible.

Total investment and hedging activity results were a profit of DKK 11.2bn.

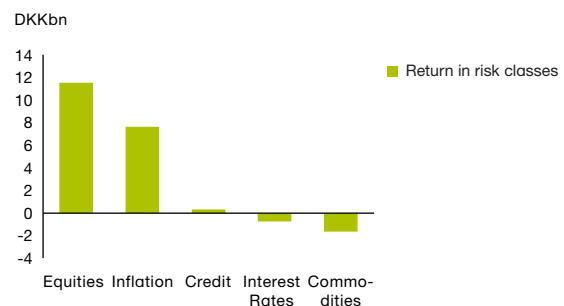
The Supervisory Board has two principal objectives to ensure the desired long-term value creation. ATP must at all times be able to provide a return and deliver on the guarantees issued. Based on an ambition to preserve the purchasing power of pensions as best as possible, the Supervisory Board has also set a performance target for investment and hedging activities after tax and expenses. The performance target after tax and expenses has been set at 7 per cent of the free reserves, bonus potential at the beginning of the year, equivalent to DKK 6.7bn in 2015. With a bonus rate of 16.8 per cent and the profit of DKK 11.2bn generated by investment and hedging activities, both objectives were more than met, which is considered satisfactory.

Due to the interest rate fluctuations throughout 2015, the value of the guaranteed pensions fluctuated considerably and varied by more than DKK 100bn over the course of the year. The value at the end of the year ended up at the same level as at the beginning of the year. The hedging portfolio is designed to protect pensions against such fluctuations, and the hedging strategy was thus also successful in 2015. The overall hedging activity results were a negative DKK 2.3bn,

17.2 per cent

return on investment before tax and expenses relative to the bonus potential

Investment return broken down by risk type



or less than half a per cent of the guaranteed pensions of DKK 603,9bn, which is considered satisfactory.

The bonus potential is managed as part of the investment portfolio. The investment activity results were DKK 13.5bn. Before expenses and tax, the return totalled DKK 16.5bn, equivalent to a return of 17.2 per cent on the bonus potential. The results were primarily driven by good returns on Equity and Inflation risk classes of DKK 11.4bn and DKK 7.5bn, respectively. Danish equities, in particular, contributed significantly with a return of 48.1 per cent. The largest detractors from returns were commodities investments, due primarily to falling oil prices. As ATP's investments are hedged against currency fluctuations in Danish kroner and euros, the significant global currency fluctuations in 2015 had no appreciable impact on the return."

Adjustment of ATP's investment risk approach

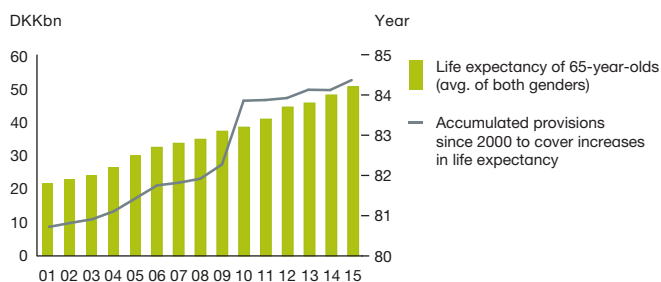
Since the financial crisis, the markets in which ATP operates have been challenged. The traditionally less volatile European bond markets, where ATP has placed investments, have seen historically low interest rates and limited market liquidity. These changes are challenging for a large pension provider and investor such as ATP, and dedicated work has therefore gone into adapting the business to these new circumstances and thus future-proofing ATP members' pensions.

ATP's hedging strategy was further developed in 2013, and the ATP Pension product was adjusted in respect of future payments in 2014. Over the past couple of years, ATP have also performed a thorough review of all investment processes and ATP have redesigned the approach to portfolio construction. Going forward, investment processes and risk management focus on exposure to four risk factors: interest rate risk factor, equity risk factor, inflation risk factor and other risk factors. This risk factor approach offers a number of advantages in that it strengthens the understanding of the underlying risks. All these changes result in increased investment flexibility and reduced interest rate exposure, putting ATP in a strong position to continue to secure good, stable pensions. For further information, please refer to the article 'New portfolio construction' at www.atp.dk.

VALUE CREATION

In 2015, the overall value creation for ATP's members was 5.2 per cent, reflecting the value creation from guarantees and ATP's profit during the year. Value creation from the guarantees promised to ATP's members was 3.8 per cent. The value creation from ATP's bonus potential, which will enable an increase in pensions in the long term, was 10.9 per cent. This ratio was driven primarily by the investment return, but the ratio was affected also by matters relating to hedging and pension.

Additional provisions due to increases in life expectancy



“ Since 2000, ATP has made total provisions of DKK 53bn to cover increases in life expectancy.

PENSION

At the end of 2015, 974,700 pensioners were receiving ATP Pension, and benefit payments totalled DKK 14.6bn. For 50 per cent of Denmark’s old-age pensioners, ATP is their only pension income besides the state-funded old-age pension. The full annual ATP Pension for 65-year-old pensioners who have contributed to ATP throughout their working lives was DKK 23,900 in 2015, equivalent to 33 per cent of the basic amount of the state-funded old-age pension.

ATP’s members attain guaranteed lifelong pension rights by contributing to the scheme. There is a clear link between the contributions and the pension rights accrued by the individual. Contribution payments for the year amounted to DKK 9.1bn.

Pension activity results before life expectancy update etc. were a profit of DKK 1.0bn.

This year’s life expectancy update resulted in an increase in guaranteed pensions of DKK 3.7bn, equivalent to 0.6 per cent of the guaranteed pensions. The additional provision is due to the observed increase in Danish life expectancy over the past year being higher than expected. An increase in life expectancy of 2.5 months for women and 3 months for men has been observed for ATP’s members in 2015. After the life expectancy update, pension activities recorded a loss of DKK 2.7bn.

Allocation of bonus

Under ATP’s bonus policy, it is possible to increase pensions for all current pensioners if reserves exceed 10 per cent of the value of guaranteed benefits. For the third consecutive year, the ATP Supervisory Board decided to increase benefit payments for the current 974,700 pensioners by 1.5 per cent per year, effective from 1 January 2016. This increase has a profit impact of DKK 3.0bn. After allocation of bonus, the bonus rate is 16.8 per cent.

Low expenses for the benefit of members

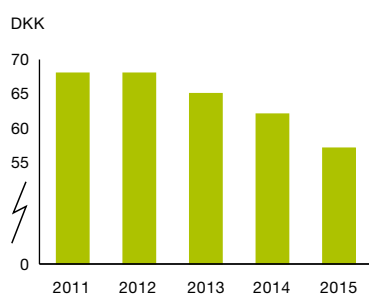
Low expenses provide a significant contribution to higher pensions.

Administration expenses

ATP focuses on minimising administration expenses. In 2015, administration expenses for ATP Pension were DKK 283m – equivalent to DKK 57 per member. The expenses were reduced by DKK 5 per member relative to the year before, and equivalent to a reduction of 7 per cent. The administration expenses have been reduced by 16 per cent over the past three years. This is partly due to the fact that ATP reaps the benefits of well-functioning and increasingly affordable IT support and partly due to a high degree of digitisation with resulting efficiency improvements.

The latest international comparison of expenses in the pensions area (CEM Benchmarking) shows that ATP Pension’s

Administration expenses per member in a historical perspective



“ATP has reduced its administration expenses by 16 per cent over the past three years.”

administration expenses are one tenth of the average for global peer statutory pension funds. The group of comparable peers comprises pension funds with approximately the same size as ATP. This group includes 12 pension funds from Scandinavia, the Netherlands, Canada and the USA.

Investment expenses

ATP also focuses on keeping investment expenses low, while at the same time having its eye on capturing the return potential available from one extra DKK of cost. Expectations of generally lower future returns on the financial markets have resulted in an increased focus on expenses at ATP, both internally and externally. A strategic desire to increase adaptability in the investment portfolio underpins the argument for moving the management services closer to ATP.

ATP's overall direct and indirect investment expenses amounted to DKK 1.4bn, equivalent to 0.19 per cent of the average assets managed by ATP in 2015, or DKK 276 per member.

Total investment expenses increased by 6 per cent relative to 2014. Part of this increase is attributable to increased trading activity in relation to liquid investment strategies, new mandates and increased market values. In 2015, focus was also on illiquid investments with a higher degree of direct control than in the past, and these investments have increased in volume. This investment approach has resulted in better management options in relation to the individual investment and the investment risks, but also offers improved management in

relation to expenses, and the expenses are more clearly reflected in ATP.

ATP's performance target is based on the return after expenses as, apart from the return, the scope of the total expenses plays the most important role, and it is less important whether an expense is visible in ATP's accounts or has been deducted from the investment return.

A recent international comparison of expenses in the investment area (CEM Benchmarking) shows that ATP's total investment expenses are among the very lowest compared with its peers in the global pension community, and 14 per cent lower than the average. The group of comparable global peers comprises pension funds with approximately the same asset size as ATP. This group includes 18 pension funds from Sweden, the Netherlands, the UK, Asia, Canada and the USA.

BUSINESS PROCESSING, EXTERNAL PARTIES

In addition to the administration of ATP Pension, the ATP Group performs business processing tasks on behalf of the social partners, the Danish government and local authorities. These tasks, which are performed as part of ATP's Processing Business, are assigned to ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense. Operating expenses are managed based on ambitious objectives of ensuring efficient and competitive operations. Digitisation and automation once again ensured low operating expenses in 2015.

ATP's Processing Business incurred expenses of DKK 1.2bn.

UDK – Public Benefits Administration achieved its target

In 2012 and 2013, UDK – Public Benefits Administration assumed responsibility for the administration of a number of welfare benefits, including the state-funded old-age pension. UDK – Public Benefits Administration was tasked with delivering efficiency improvements of 33 per cent, equivalent to annual cost savings of close to DKK 300m. On 1 March 2015, this target was achieved on time.

New benefit disbursement services were assigned to UDK – Public Benefits Administration on 1 May 2015 in the form of international health insurance services, funeral benefits, benefits under the Danish flexi-job scheme (benefits paid for less demanding, publicly supported jobs), survivor lump-sum benefits and partial pensions. The potential expense reduction is expected to be 45 per cent after nine months of operations. On 1 May 2015, UDK – Public Benefits Administration also launched a new joint data unit to ensure a better basis for and binding cooperation on the control of municipal social benefits.

Government outsources tasks to ATP

At the end of Q3, the Danish government proposed that ATP be assigned responsibility for the future operation of the Danish National Board of Industrial Injuries and a number of tasks in the Danish Public Administration. This requires a legislative amendment, which is expected to be adopted in the course of 2016.

RISKS

ATP is committed to identifying and managing the most significant risks relating to ATP Pension and the Group's other activities.

ATP disburses a monthly lifelong pension to its members. Accordingly, increasing life expectancy is the greatest pension risk facing ATP. ATP relies on a custom life expectancy

model, based on comparable data from 18 OECD countries, for managing the longevity risk. In addition to factoring in already observed increases in life expectancy, the model allows for expected future increases.

Investment risks are primarily market risks assumed by ATP in relation to investment and hedging activities. The market risks assumed by ATP are closely aligned with its investment strategy, consisting of four main components: Hedging of the interest rate risk of pension liabilities, appropriate risk levels, risk diversification and hedging arrangements to protect against sharp drops in value.

ATP is not covered by the Solvency II Directive, but has chosen to follow the rules of the Directive anyway in all key areas, adapted to ATP's business model. ATP applies an internal model to calculate reserve requirements, and this model is used in the overall risk management.

RESPONSIBILITY

ATP practises business-driven responsibility in investment decisions to achieve the optimum risk-adjusted return for the benefit of members. This is reflected in the Supervisory Board's Policies of Social Responsibility in Investments and Corporate Governance.

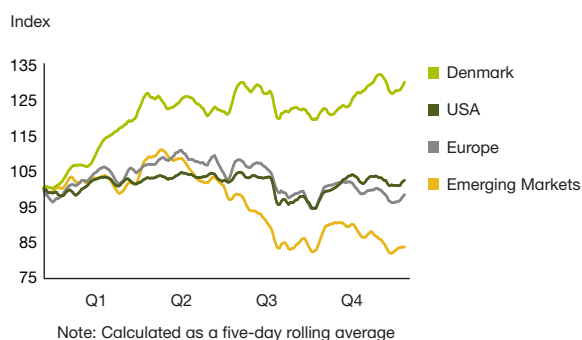
ATP supports the UN-backed Principles for Responsible Investment (PRI), which, in terms of procedure, underpin ATP's work on business-driven responsibility in investment.

ATP is a signatory of the United Nations Global Compact. As a signatory, ATP prepares an annual responsibility report, available under Further Information at www.atp.dk.

CORPORATE GOVERNANCE

ATP's corporate governance framework is laid down in the Danish ATP Act (*ATP-loven*). For further information on ATP's corporate governance, including ATP's compliance with the Recommendations on Corporate Governance, its Pay Policy

Equity price developments in 2015



“ ATP has a long-term absolute performance target.

and its Policy on Diversity, see the annual report and Further Information at www.atp.dk.

The Supervisory Board is grateful to Supervisory Board members Jørn Neergaard Larsen, Harald Børsting, Martin Damm og Finn R. Larsen, who resigned from ATP's Supervisory Board in 2015 after having been board members for nineteen years, eight years, three years and one year, respectively.

OUTLOOK FOR 2016

ATP's investment strategy is to ensure that ATP obtains a fair share of the continued gains in the financial markets, while, at all times, being able to meet the guarantees issued to members.

Based on an ambition to preserve the purchasing power of pensions as best as possible, the Supervisory Board has also set a performance target for investment and hedging activities after tax and expenses. The performance target after tax and expenses has been set at 7 per cent of the free reserves, bonus potential at the beginning of the year, equivalent to a performance target of 7.1bn in 2016. This is an absolute return objective which is to be achieved in the long term, but which is not necessarily achieved each year. The objective is based on the principles underlying the target of safeguarding members' interests, preserving the purchasing power of pensions and providing an ambitious target. The objective has also been designed to be realistic given the size of the bonus potential and the risk budget, as well as the long-term risk-adjusted return expectations.

Jørgen Søndergaard
Chairman of the
Supervisory Board

Carsten Stendeved
Chief Executive Officer

The ATP Group – Income statement

DKKm	FY 2015	FY 2014	Q4 2015	Q4 2014
Pension and investment activities				
Investment				
Income from associates	1,008	927	413	363
Income from investment properties	1,021	896	259	235
Consulting fee and fee income	184	119	83	29
Interest income and dividends etc.	5,808	4,269	1,041	1,308
Market value adjustments	10,607	2,301	4,121	(4,377)
Interest expenses	(2,080)	(2,415)	(460)	(707)
Investment activity expenses	(837)	(720)	(247)	(227)
Investment activity results before tax on pension savings returns	15,711	5,377	5,210	(3,376)
Tax on pension savings returns in respect of investment activities	(2,211)	(579)	(673)	588
Income tax in respect of investment activities	(48)	0	(21)	(34)
Investment activity results after tax on pension savings returns	13,452	4,798	4,516	(2,822)
Hedging				
Interest income and dividends etc.	17,716	18,213	4,332	4,530
Market value adjustments	(25,357)	114,013	(14,138)	45,646
Interest expenses	(351)	(5)	(34)	0
Tax on pension savings returns in respect of hedging activities	1,223	(20,230)	1,506	(7,677)
Change in guaranteed benefits due to change in discount rate	12,172	(102,304)	10,115	(39,695)
Change in guaranteed benefits due to maturity reduction	(7,674)	(10,439)	(2,131)	(2,309)
Hedging activity results	(2,271)	(752)	(350)	495
Pension				
Contributions	9,055	9,049	2,274	2,337
Fees	2	2	1	2
Benefit payouts	(14,566)	(13,661)	(3,683)	(3,456)
Change in guaranteed benefits due to contributions and pension benefits	6,694	6,061	1,708	1,282
Change in provisions for claims outstanding	(6)	(18)	(6)	(18)
Interest income related to pension activities	11	10	3	3
Interest expenses related to pension activities	(4)	0	(4)	0
Administration activity expenses, ATP	(283)	(300)	(72)	(93)
Tax on pension savings returns in respect of pension activities	(1)	(2)	0	(1)
Revenue recognition of Special Pension Savings not withdrawn	147	0	9	0
Results before change in life expectancy	1,049	1,141	230	56
Change in guaranteed benefits due to life expectancy update	(3,723)	96	0	0
Pension activity results	(2,674)	1,237	230	56
Total pension and investment activity results	8,507	5,283	4,396	(2,271)
Business processing				
Business processing income, external parties	1,251	1,450	345	369
Business processing expenses, external parties	(1,229)	(1,426)	(362)	(390)
Income tax in respect of business processing	(1)	8	(1)	11
Business processing results	21	32	(18)	(10)
Results before bonus	8,528	5,315	4,378	(2,281)
Bonus addition for the year	(3,017)	(2,772)	(3,017)	(2,772)
Net results for the year	5,511	2,543	1,361	(5,053)

The ATP Group – Statement of comprehensive income

DKKm	FY 2015	FY 2014	Q4 2015	Q4 2014
Net results for the year	5,511	2,543	1,361	(5,053)
Items that may be reclassified to results:				
Translation adjustment of foreign subsidiaries	0	0	0	0
Fair value adjustment of financial instruments entered into to hedge future cash flows	0	0	0	0
Total	0	0	0	0
Items that may not be reclassified to results:				
Revaluation of owner-occupied properties	9	6	5	0
Total	9	6	5	0
Other comprehensive income	9	6	5	0
Comprehensive income for the year	5,520	2,549	1,366	(5,053)
Minority interests' share of comprehensive income for the year	109	62	8	2
The ATP Group's share of comprehensive income for the year	5,411	2,487	1,496	(5,055)
Allocated comprehensive income	5,520	2,549	1,504	(5,053)

The ATP Group – Statement of financial position

DKKm	FY 2015	FY 2014
ASSETS		
Cash and demand deposits	5,491	5,234
Bonds	520,244	515,714
Equity investments	81,279	78,095
Mutual fund units	5,535	6,603
Financial derivatives	81,932	116,725
Loans to portfolio companies	10,049	5,142
Investments in associates	13,018	10,328
Intangible assets	582	527
Investment properties	20,360	17,871
Owner-occupied properties	847	842
Operating equipment	23	19
Income tax and deferred tax	8	12
Interest receivable and accrued rent	4,273	4,633
Contributions receivable	2,435	2,408
Receivables from credit institutions	35,428	55,835
Other receivables	2,144	2,827
Other prepayments	814	766
Total assets	784,462	823,581
EQUITY AND LIABILITIES		
Financial derivatives	57,782	69,934
Payables to credit institutions	16,070	18,995
Other payables	5,057	30,120
Total payables	78,909	119,049
Guaranteed benefits	603,857	608,309
Provisions for claims outstanding	115	109
Bonus potential	101,242	95,831
Provisions for unit-linked contracts	0	174
Total pension provisions	705,214	704,423
Total minority interests	339	109
Total equity and liabilities	784,462	823,581