The ATP Group
Annual Report 2016

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Contents

Highlights

Results in DKK	DKK **9.3**bn net results for the year before life expectancy update	DKK **(9.9)**bn life expectancy update (transferred from bonus potential to guarantees)	DKK **(0.6)**bn net results for the year
Return in per cent	**15.0** per cent investment return (before tax and expenses) relative to bonus potential	**4.4** per cent total value creation for members	**8.8** per cent average annual return for the past 20 years 'N1'
Net assets and pension benefits	DKK **100**bn bonus potential	DKK **759**bn ATP member assets	DKK **23,600** full ATP Pension for a 65-year-old pensioner
Accumulated 2012-2016 – Results in DKK	DKK **51.5**bn results before life expectancy update and bonus	DKK **(24.8)**bn life expectancy update and bonus	DKK **26.7**bn results

2016 in review

On 1 January, ATP implemented a strengthened approach to dealing with investment risks.

ATP's investments in infrastructure assets were expanded, with ATP investing in metro stations in June.

January

February

March

April

May

June

ATP continued its strategy of more stable direct investments. Throughout the year, ATP invested in hotel properties, among other things.

DONG Energy's IPO took place in June. The investment in DONG Energy, made in 2014, generated an aggregate return of DKK 4.4bn for the benefit of ATP's members.

As a consequence of members' life expectancy increasing more than expected, the ATP Supervisory Board decided to transfer DKK 9.9bn from the bonus potential to the guaranteed pensions. In 2016, a 65-year-old woman could expect to live to be 87.7 years, while the life expectancy of a 65-year-old man was 84.4 years.

On 1 October, ATP assumed authority and responsibility for a number of Danish Public Administration tasks.

July

August

September

October

November

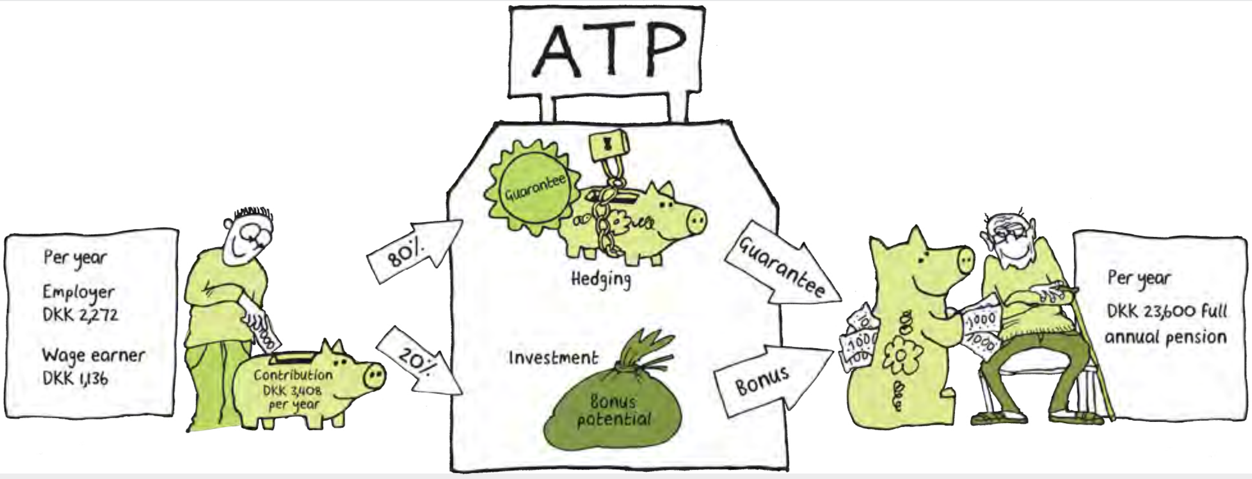
December

On 1 July, ATP assumed authority and responsibility for the Danish National Board of Industrial Injuries as part of the Danish government's plan to relocate government jobs.

Nets went public in September. The investment, made in 2014, generated an aggregate return of DKK 2.5bn for ATP's members.

ATP's senior management was changed following the resignation of Carsten Stendevad on 31 December 2016. On 1 January 2017, Christian Hyldahl took up the position as new CEO.

ATP's business model at a glance



HOW ATP LIFELONG PENSION WORKS

Contributions
This year, ATP received member contributions totalling DKK 9.6bn. DKK 3,408 was paid to ATP on behalf of the average wage earner, two thirds of which is paid by the employer.

At ATP
The largest portion of the contributions – 80 per cent – is guaranteed and hedged to ensure that ATP is always able to deliver on the pension promises issued to members. The average return promised to members over time, across age groups, was 3.7 per cent at end-2016.

The remainder – 20 per cent – is included in the bonus potential and invested broadly in equities, real estate etc. The objective of the investment portfolio is to generate a return that is sufficient to extend the guaranteed pensions in connection with increasing life expectancy, and that is sufficient to raise the guaranteed pensions and thus preserve the long-term purchasing power of the benefits. The return in the investment portfolio (before tax and expenses) relative to the bonus potential came to 15.0 per cent this year.

Payouts
When the wage earner starts receiving state-funded old-age pension, ATP Lifelong Pension is also disbursed. This year, payouts to pensioners totalled DKK 15.5bn. The payouts comprise the originally guaranteed pensions and any current bonus allowances. The full annual ATP pension for a 65-year-old member who has contributed to ATP throughout his or her working life is DKK 23,600.

Five-year summary for the ATP Group

DKKm	2016	2015	2014	2013	2012
Investment					
Investment return	15,340	16,548	6,097	15,121	12,558
Expenses	(823)	(837)	(720)	(668)	(598)
Tax on pension savings returns and income tax	(1,989)	(2,259)	(579)	(2,249)	(1,752)
Other items	0	0	0	(13)	(132)
Investment activity results	**12,528**	**13,452**	**4,798**	**12,191**	**10,076**
Hedging					
Change in guaranteed pensions due to discount rate and maturity reduction[1]	(47,816)	7,628	(111,601)	41,601	(37,018)
Return in hedging portfolio	56,371	(7,992)	132,221	(49,975)	45,417
Tax on pension savings returns	(8,625)	1,223	(20,230)	7,646	(6,949)
Results of hedging of pension liabilities[1]	**(70)**	**859**	**390**	**(728)**	**1,450**
Change in guaranteed pensions due to yield curve break[2]	(4,064)	(3,130)	(1,142)	411	-
Hedging activity results	**(4,134)**	**(2,271)**	**(752)**	**(317)**	**1,450**
Investment and hedging activity results	**8,394**	**11,181**	**4,046**	**11,874**	**11,526**
Pension					
Contributions	9,572	9,055	9,049	11,587	8,554
Pension benefits	(15,454)	(14,566)	(13,661)	(12,741)	(11,903)
Change in guaranteed pensions due to contributions and benefit payments	6,956	6,688	6,043	3,665	2,793
Administration expenses	(239)	(283)	(300)	(310)	(351)
Other items	8	155	10	10	22
Pension activity results before life expectancy update	**843**	**1,049**	**1,141**	**2,211**	**(885)**
Business processing, external parties					
Business processing income	1,545	1,251	1,450	1,531	793
Business processing expenses	(1,529)	(1,229)	(1,426)	(1,508)	(780)
Income tax	(1)	(1)	8	(3)	(3)
Business processing results, external parties	**15**	**21**	**32**	**20**	**10**
Results before bonus and life expectancy update	**9,252**	**12,251**	**5,219**	**14,105**	**10,651**
Life expectancy update	(9,901)	(3,723)	96	(2,465)	(557)
Bonus allowance for the year	-	(3,017)	(2,772)	(2,472)	-
Net results for the year	**(649)**	**5,511**	**2,543**	**9,168**	**10,094**
Guaranteed pensions	658,797	603,972	608,592	499,222	539,965
Bonus potential	100,454	101,242	95,831	93,344	84,167
Net assets	**759,251**	**705,214**	**704,423**	**592,566**	**624,132**

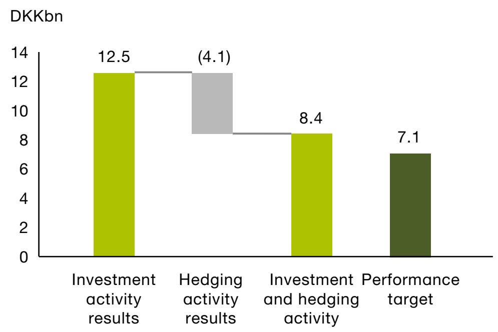
[1] Before effect of yield curve break

[2] 'Yield curve break' is the point on the yield curve where pension liabilities shift from being discounted at a fixed rate after 40 years to being discounted by a market rate up to 40 years, see the description on page 9.

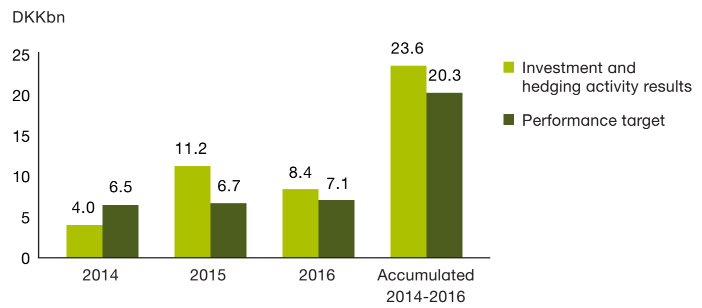
Key expense figures					
Administration expenses, DKK per member	48	57	62	65	68
Investment expenses, DKK per member	272	276	264	250	247
Bonus rate	**15.2**	**16.8**	**15.8**	**18.7**	**15.6**
Return ratios					
Investment return relative to bonus potential (before expenses and tax), per cent	15.0	17.2	6.5	18.0	16.8
Investment return relative to bonus potential (after expenses and tax), per cent	12.2	13.9	5.1	14.5	13.6
Value creation ratios for members, per cent					
Value creation from guaranteed pension	3.7	3.8	3.9	3.9	4.0
Value creation from bonus potential	7.3	10.9	3.6	14.2	14.2
Total value creation	**4.4**	**5.2**	**3.8**	**5.9**	**5.8**

Management's review

Performance relative to performance target



Performance relative to performance target, past three years



HIGHLIGHTS OF THE YEAR

In 2016, the ATP Group achieved a profit of DKK 9.3bn before the life expectancy update, driven primarily by positive returns in private equity and credit investments.

In response to the increases in life expectancy in recent years, both in Denmark and internationally, ATP has adjusted its long-term forecast of life expectancy. The Supervisory Board has decided to set aside a further DKK 9.9bn for increases in life expectancy to enable ATP to ensure its members their lifelong pension. This is done by transferring the amount from ATP's bonus potential to the guaranteed pensions.

ATP subsequently posted a total loss of DKK 0.6bn for 2016.

At year-end 2016, ATP's free reserves – its bonus potential – totalled DKK 100.5bn, equivalent to a bonus rate of 15.2 per cent.

ATP has an indicative bonus policy, applied by the Supervisory Board when deciding on the bonus allowance for the year. At ATP, bonus represents an increase in ATP members' pension beyond that provided by the guaranteed pension. The final decision on whether to allow bonus in the current or subsequent years depends on a specific assessment. For 2016, the guaranteed pensions have been extended based on expectations of increasing life expectancy. The Supervisory Board has decided not also to increase pensions in 2016.

At year-end 2016, the value of the guaranteed pensions totalled DKK 658.8bn, taking aggregate assets to DKK 759.3bn.

ATP has allocated DKK 10.6bn for tax on pension savings returns in 2016.

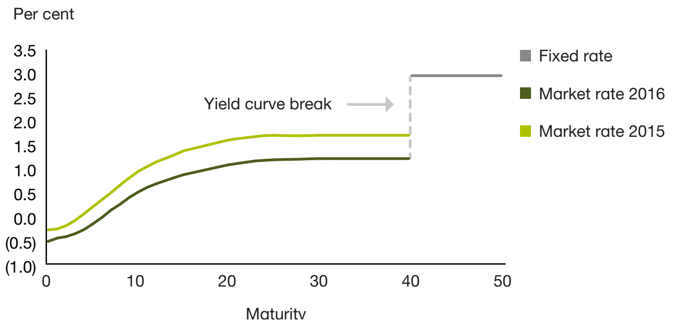
INVESTMENT AND HEDGING

ATP's overall objective is to provide the best possible pensions in the form of a lifelong pension, so that ATP, in combination with the state-funded pension system, provides the basic pension coverage for the Danish population. ATP has two value creation sources at its disposal: a hedging portfolio and an investment portfolio.

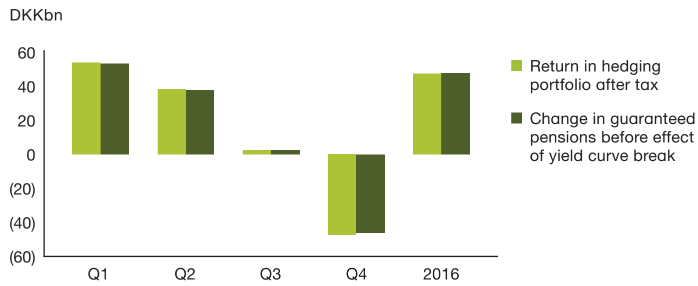
The principal objective of the hedging portfolio is to safeguard the guaranteed return and thus ensure ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with the guaranteed pensions when interest rates change. This objective was met once again in 2016.

The principal objective of the investment portfolio is to generate a return that will allow, in part, to build reserves for,

ATP yield curve at year-end



Hedging safeguards the guaranteed pensions



for example, financing increased life expectancy, and in part, raising the guaranteed pensions and thus aiming to preserve the long-term purchasing power of the benefits.

Based on the ambition of preserving the purchasing power of pensions as best as possible, the Supervisory Board has set a performance target for investment and hedging activities after tax and expenses, which is expected to be met in the long term. The performance target has been set at 7 per cent of the bonus potential at the beginning of the year, equivalent to DKK 7.1bn in 2016. With investment and hedging activity results of DKK 8.4bn, the performance target for 2016, seen separately, was more than achieved. Over the past three years, the performance target has also been met. Total investment and hedging activity results, a profit of DKK 8.4bn, are comprised of positive investment activity results of DKK 12.5bn and negative hedging activity results of DKK 4.1bn.

Hedging

Overall, hedging activity results were negative by DKK 4.1bn.

The value of the guaranteed pensions increased considerably due to the decline in interest rates throughout 2016. The hedging portfolio is designed to protect pensions against interest rate fluctuations, and the hedges once again served their purpose in 2016, as hedging activity results before the yield curve break amounted to DKK (0.1)bn.

For guarantees up to 40 years, hedging of the guaranteed pensions can be effected at a market rate equivalent to the rate used for the valuation of the guaranteed pensions. This means that hedging can be effective. In 2013, ATP chose to reduce the interest rate sensitivity by 25 per cent, thereby increasing its investment flexibility, to enhance the possibility of generating a return for safeguarding the purchasing power of the guaranteed pensions. This also addressed the challenges facing ATP and other major investors due to tighter market liquidity and higher hedging expenses. For guarantees extending beyond 40 years, it was decided to use a fixed rate of 3 per cent for valuation.

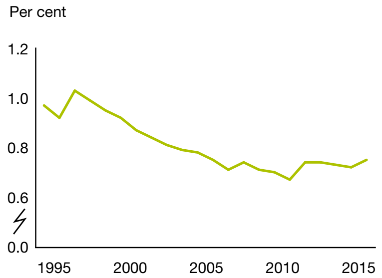
When guarantees change during the year from extending beyond 40 years to being below 40 years, pensions will change from being valued at a fixed rate of 3 per cent to a market rate. When the market rate is lower than the fixed rate of 3 per cent, a loss will be sustained, while a market rate higher than 3 per cent will generate a gain. This is referred to by ATP as a 'yield curve break'.

In 2016, the market rate was below 3 per cent, resulting in a loss of DKK 4.1bn. Due to the loss, funds will be transferred from the bonus potential to the guaranteed pensions. Consequently, this does not affect ATP's aggregated asses.

Investment

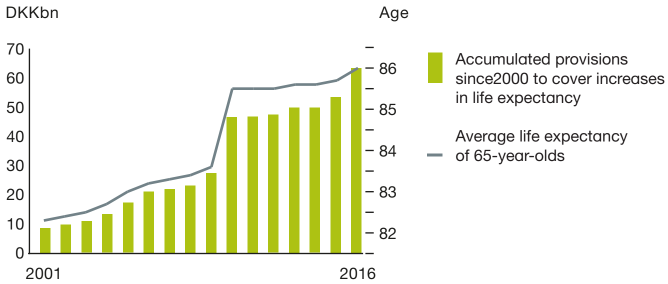
The bonus potential is managed as part of the investment portfolio. Investment activity results were DKK 12.5bn. Before expenses and tax, the return totalled DKK 15.3bn, equivalent to an investment return of 15.0 per cent relative to the bonus potential.

ATP contribution's development as per cent of average pay



Note: Average pay for a full-time employee in the area covered by the Confederation of Danish Employers (DA)

Additional provisions due to increases in life expectancy



Funds not tied up in the hedging portfolio as a result of the use of financial instruments are available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with a higher statement of financial position than the bonus potential, but within the same risk budget. With the same risk, it is, for instance, possible to purchase a larger portfolio of bonds than, say, more risky equities, entailing that the total amount risked is not changed. A market rate is paid to hedging activities on the funds used by the investment portfolio.

The primary drivers of the investment activity results were good returns on equities and credit investments, DKK 7.8bn and DKK 3.8bn, respectively, but real estate, bonds, commodities and infrastructure also contributed positively to the return. The largest negative return of DKK 1.2bn, came from ATP's long-term hedging strategy against inflation increases, which is a long-term strategy with some of the hedges running for up to 20 years.

As ATP's investments are hedged against currency fluctuations in Danish kroner and euros, the significant global currency fluctuations in 2016 had no appreciable impact on the return.

PENSION

Pension activity results before the life expectancy update were a profit of DKK 0.8bn.

Benefit payments totalled DKK 15.5bn. At year-end 2016, 1,003,700 pensioners were receiving ATP Lifelong Pension, and 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 pension for 65-year-old pensioners who have paid contributions to ATP throughout their working lives was DKK 23,600 in 2016, equivalent to 32 per cent of the basic state-funded old-age pension.

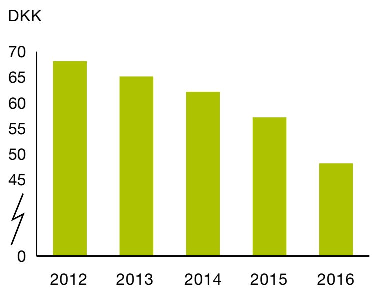
ATP's members obtain guaranteed lifelong pension rights by paying contributions. There is a clear link between the contributions paid and the pension rights accrued by the individual. Contribution payments for the year amounted to DKK 9.6bn.

The ATP contribution was adjusted in 2016. While the adjustment of the contribution rate has little effect on ATP pensions in the short term, continuous adjustment is essential for pensions in the long term. A lack of adjustment of the contribution will basically result in a reduction of the purchasing power of future pensioners, especially when increases in life expectancy are reflected in an extension of the guaranteed pensions.

Following the rapid increases in life expectancy in recent years, both in Denmark and internationally, ATP has adjusted its long-term forecast of life expectancy. The Supervisory Board has decided to transfer a further DKK 9.9bn for increases in life expectancy to enable ATP to ensure its members their lifelong pension.

ATP's expected future increases in members' life expectancy have risen by six months over the past five years.

Development in administration expenses per member



"Over the past four years, ATP's administration expenses have been reduced by 30 per cent, driven primarily by declining depreciations.

65-year-old members are currently expected to live to an average of 86 years. Over the past five years, ATP has therefore made provisions of DKK 16.6bn to cover increases in life expectancy.

VALUE CREATION

In 2016, the overall value creation for ATP's members was 4.4 per cent. The weighted average expresses the value creation from guarantees and ATP's profit during the year. Value creation from the guarantees promised to ATP's members was 3.7 per cent. The value creation from ATP's bonus potential, which will enable an increase in pensions in the long term, was 7.3 per cent. This ratio was driven primarily by the investment return, but was affected also by, for instance, hedging activity results and administration expenses.

EXPENSES

Low expenses for the benefit of members
Low expenses provide a significant contribution to higher pensions.

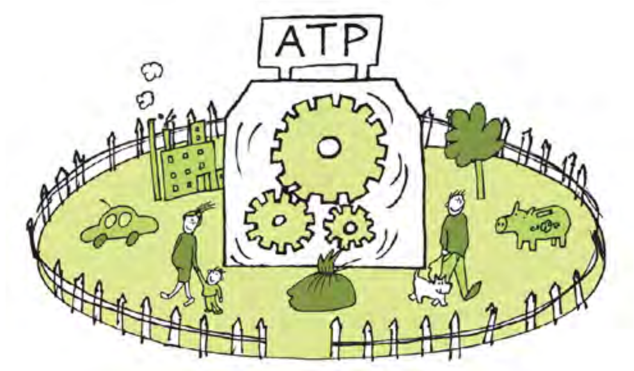
Administration expenses
ATP focuses on minimising administration expenses. In 2016, administration expenses for ATP were DKK 239m – equivalent to DKK 48 per member. The expenses were reduced by DKK 9 per member relative to the year before, equivalent to a reduction of 17 per cent. The administration expenses have been reduced by 30 per cent over the past four years. This is primarily due to declining depreciations and ATP benefiting from effective IT support. With the reductions achieved, the administration expenses are not expected to fall further over the coming years.

According to the latest international benchmarking of administration expenses in the pensions area (CEM Benchmarking), ATP administration expenses are one tenth of the average for peer statutory pension funds globally. The group of peers comprises pension funds of approximately the same size as ATP and 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 capturing any return which may be generated through an increase in expenses. General expectations of lower future returns on the financial markets have resulted in an increased focus on expenses in ATP. This, coupled with a strategic wish to increase the adaptability of the investment portfolio, means that more indirect investments are moved 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 2016, or DKK 272 per member.

In 2016, investment expenses totalled DKK 1.4bn, which was on level with 2015. In 2015 and 2016, the focus was on illiquid investments, and these investments have increased in



volume. Another focus area was a higher degree of direct control of investments than in the past. This investment approach results in the improved management of individual investments and the investment risks, as well as tighter cost control, 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 total level of expenses plays the most important role, and it is less important whether an expense appears from ATP's accounts or has been deducted from the investment return.

According to the most recent international benchmarking of expenses in the investment area (CEM Benchmarking), ATP's total investment expenses are among the very lowest compared with the global pension community, and 8 per cent lower than the average of comparable companies. The group of global peers comprises pension funds with approximately the same asset size as ATP and includes 17 pension funds from Sweden, the Netherlands, the UK, Asia, Canada and the USA.

BUSINESS PROCESSING, EXTERNAL PARTIES

The ATP Group performs business processing tasks on behalf of the social partners, the Danish government and local authorities. These tasks are performed by ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense. Operating expenses are managed on the basis of efficiency and competitive operations objectives. In 2016, digitisation and automation once again ensured low operating expenses.

Business processing expenses, external parties, of DKK 1.5bn were incurred.

The Danish government continues to outsource tasks to ATP

On 1 July, ATP assumed authority and responsibility for the former Danish National Board of Industrial Injuries in the new institution Labour Market Insurance.

On 1 October 2016, under the auspices of Udbetaling Danmark – the Public Benefits Administration, ATP also assumed authority and responsibility for a number of tasks from the Danish Public Administration, including the wish to transfer operations to Jutland.

RISKS

ATP is committed to identifying and managing the most significant risks relating to ATP Lifelong 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. These market risks are closely aligned with the 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 inflation increases.

ATP is not covered by the Solvency II Directive, but the Danish ATP Act (*ATP-loven*) includes elements of Solvency II. ATP uses a proprietary model for the measurement of risk across all risk areas in its 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 Active Ownership. In 2016, ATP's Supervisory Board adopted a new Policy of Active Ownership, which complies with the recommendations of the Committee on 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. In 2013, ATP, along with other Danish pension funds, left the PRI organisation. In the subsequent years, ATP has been in constructive dialogue with the PRI Board, and in 2016, three years after leaving the PRI organisation, ATP decided to rejoin the organisation.

Further information on ATP's responsibility work is available in ATP's Responsibility Report 2016, which also constitutes ATP's Communication on Progress to the UN Global Compact, at www.atp.dk.

CORPORATE GOVERNANCE

ATP's corporate governance framework is laid down in the Danish ATP Act. For further information on ATP's corporate governance, including ATP's compliance with the Recommendations on Corporate Governance and pay policy, see pages 109-115 and Further Information at www.atp.dk.

At year-end 2016, ATP's senior management was changed following the resignation of Carsten Stendevad as CEO. ATP's Supervisory Board has appointed Christian Hyldahl CEO, effective 1 January 2017. The Group Executive Board was also changed in 2016, with the appointment of Kasper Ahrndt Lorenzen as Chief Investment Officer (CIO) and Mads Smith Hansen as Chief Risk Officer (CRO).

OUTLOOK FOR 2017

ATP's investment strategy is to ensure that ATP generates the best possible returns, while, at all times, being able to meet the guarantees issued to members.

Based on an ambition of preserving the purchasing power of pensions as best as possible, the Supervisory Board has set a performance target for investment and hedging activities after tax and expenses. The performance target has been set at 7 per cent of the bonus potential at the beginning of the year, equivalent to DKK 7.0bn in 2017. 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, aiming to preserve 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

Christian Hyldahl
Chief Executive Officer

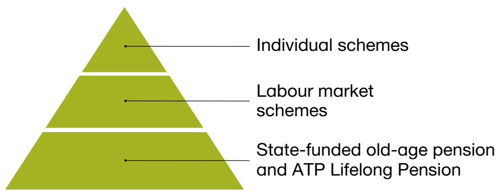
Pension

> The value of ATP's guaranteed pensions increased by DKK 9.9bn in 2016 due to projections of increased life expectancy in Denmark.

Predictable pension – for life

The size of the pension payouts is maintained, but they are paid out for a longer time

The pension pyramid



ATP members at year-end 2016

Total number of members	5,044,200
Number of members above retirement age	1,145,200
- of whom receiving a current pension	1,003,700
- of whom paying contributions in 2016	103,200
Number of members below retirement age	3,899,000
- of whom paying contributions in 2016	3,081,000

ATP was established and set up by statute in 1964 as a supplement to the state-funded old-age pension, and today, it is an integral part of the basic Danish pension cover.

ATP helps to provide basic financial security for virtually all Danish pensioners. ATP contributes to ensuring a high minimum pension in Denmark and is also a part of the foundation upon which other pensions rest.

With more than five million members, ATP is Denmark's biggest supplementary pension scheme.

At the end of 2016, nine out of ten old-age pensioners – 1,003,700 persons – were receiving lifelong pension from ATP, and for 50 per cent of Danish old-age pensioners, the ATP pension is their only source of supplementary pension income besides the state-funded old-age pension.

91 per cent of the Danish population aged 25-60 years paid ATP contributions in 2016, thereby accruing ATP pension rights. ATP is a mandatory scheme for all wage earners and the vast majority of recipients of transfer income.

A few groups – including the self-employed, recipients of voluntary early retirement benefits and recipients of benefits under the Danish flexi-job scheme (benefits paid for less demanding, publicly supported jobs) – are not automatically members of ATP, but can opt to pay voluntary contributions. In 2016, 45,100 people paid voluntary ATP contributions. Recipients of voluntary early retirement benefits were the largest group.

In recent years, payouts from ATP have exceeded contributions. The gap between contributions and payouts will gradually widen over the coming decades.

DKK 14.4bn paid out in current pension benefits

Out of the total payouts in 2016 of DKK 15.5bn, DKK 14.4bn went to current pensions and the rest to lump-sum payouts.

In 2016, the full annual payout for a 65-year-old pensioner was DKK 23,600, equivalent to 32 per cent of the basic amount of the state-funded old-age pension. This amount was paid to members who had paid the full ATP contribution from the age of 18 until retirement.

The amount of the pension payout depends on the individual pensioners' contributions to ATP during their working lives, and their individual contributions are independent of income, but vary according to employment rates.

There is a fairly significant variance in the benefits paid out to members. ATP was set up in 1964, and at that time many of the older current pensioners had already been working for several years. Thus, younger pensioners generally receive more than older pensioners because they have contri-

Pension payouts in 2016

	Number	DKKm
Current old-age pensions	1,036,600	14,446
- personal pensions	1,031,700	14,429
- spouse pensions	4,900	17
Lump-sum benefits	26,600	1,009
- personal pensions	4,100	103
- spouse/common-law partner benefits	18,700	746
- child benefits	2,600	134
- estate benefits	1,200	26

ATP contributions in 2016

	DKKm
Total contributions	9,572
Of which in respect of:	
- people in employment	7,480
- recipients of unemployment, sickness or maternity/paternity benefits	905
- recipients of disability pension	518
- recipients of early retirement pension	89
- recipients of other transfer income	581
Number of contributing employers	157,800

buted to ATP over a longer period of their working lives. On average, men receive a higher annual payout than women because their employment rate is usually higher.

In 2016, the ATP pension averaged DKK 14,700 annually. For pensioners who retired at 65 in 2016, the annual payout from ATP Lifelong Pension averaged DKK 15,700.

Survivor benefits

If a member dies before retirement age, his or her spouse or common-law partner and children under the age of 21 will generally receive lump-sum survivor benefits of DKK 50,000. In 2016, the survivor benefit contribution amounted to DKK 59 per member.

In 2016, 18,700 spouses and common-law partners and 2,600 children under 21 received a lump sum from ATP. This number has stayed fairly constant for a number of years. Between them, spouses and common-law partners received DKK 746m, while children received DKK 134m.

ATP contributions

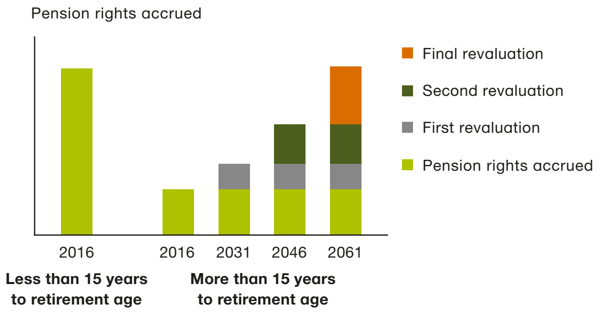
Just under 3.2 million members paid a total of DKK 9.6bn in ATP contributions in 2016, thus accruing lifelong pension rights. Twenty-two per cent of the contributions were paid by recipients of transfer income. The ATP contribution is a fixed amount set by the social partners. The contribution is adjusted as and when agreed by the social partners. In 2016, the standard ATP contribution was DKK 3,408 per year.

A number of public sector collective agreements have provided for particularly low ATP contributions. In 2008, a process was launched to ensure that public sector employees will eventually receive the same ATP Lifelong Pension as employees in the private labour market.

ATP's pension product

Lifelong pension guarantees

Illustration of the accrual of pension rights



The guaranteed ATP pension is paid from the state retirement age and for the rest of the member's life. How much guaranteed pension each member receives for his or her contributions depends on the member's age, the future return on contributions and the member's life expectancy.

Prior to 1 January 2015, the guaranteed return on ATP contributions was fixed at the time of making the contributions to apply for the rest of the member's life.

From 1 January 2015, ATP calculates the guaranteed pension from new contributions differently depending on whether the member in question is more or less than 15 years from retirement.

For members with 15 years or less to go before they reach retirement age, the full future lifelong return is still included in the guaranteed pension.

For members with less than 15 years to retirement age, only the next 15 years' return is included in the guaranteed pension. Subsequently, their guaranteed pension will be revalued every 15 years.

The objective is to better preserve the long-term purchasing power of the benefits, while taking the lower liquidity in the financial markets into account in connection with hedging.

For example, the guaranteed pension of a 20-year-old member's contributions will be raised several times before retirement age. At the time of the contribution payment, ATP guarantees a return, based on the market rate, and the resulting guaranteed lifelong pension for the next 15 years. At the end of the 15-year period, when the member has turned 35, ATP fixes a guaranteed return for the next 15 years and the resulting increase in the guaranteed lifelong pension. This process continues until the member is less than 15 years from retiring, at which time a final guaranteed return and the resulting increase in pension are fixed – this time for the rest of the member's life. The same procedure applies to the member's contributions for all subsequent years until he or she has less than 15 years to retirement.

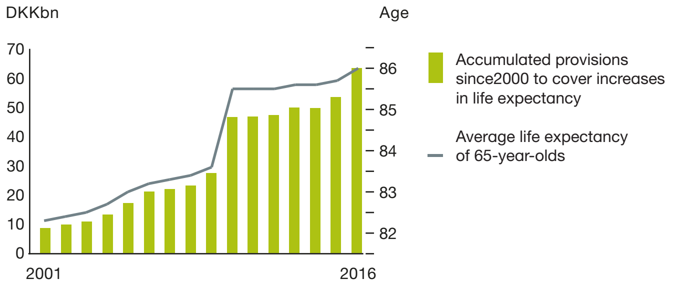
Pension activity results

Increased provisions for increased life expectancy

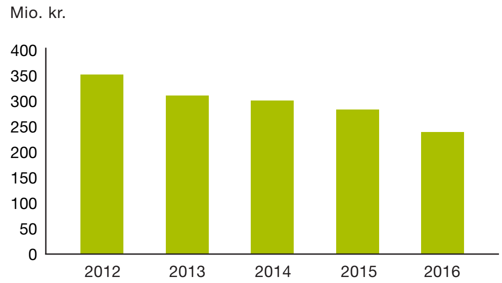
Pension activity results

DKKm	2016	2015
Contributions	**9,572**	**9,055**
Pension benefits	**(15,454)**	**(14,566)**
Change in guaranteed pensions due to ATP contributions and pension benefits etc.	**6,956**	**6,694**
Expenses	(239)	(283)
Other items	8	149
Pension activity results before life expectancy update	**843**	**1,049**
Life expectancy update	(9,901)	(3,723)

Additional provisions due to increases in life expectancy



Expenses



Pension activity results before the life expectancy update amounted to DKK 0.8bn.

Total contribution payments increased by DKK 517m relative to 2015. Most of this increase was attributable to the fact that the standard ATP contribution increased by DKK 168 per year with effect from 1 January 2016.

Total pension payouts increased by DKK 888m relative to 2015. The explanation for the increase can be found in the growing number of pensioners among ATP's members. Today, ATP disburses current pensions to more than one million members.

ATP's guaranteed pensions are reduced when ATP pays out pensions and increase when ATP receives contributions. As pension payouts exceed contributions, this will overall result in a decrease in the value of the guaranteed pensions. The reduction in guaranteed pensions as a consequence of contributions and pension benefit payouts etc. of DKK 6,956m positively affects the pension activity results.

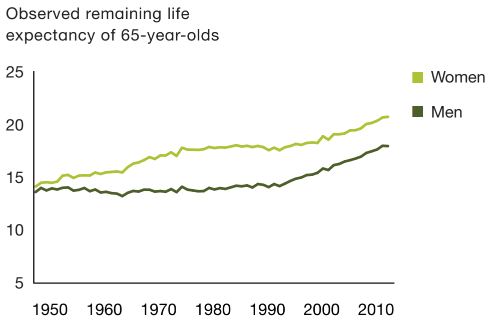
ATP performed the annual update of its life expectancy model in connection with the preparation of the interim report for H1. The update resulted in additional provisions of DKK 9.9bn and thus negatively affects the bonus potential, but not ATP's aggregate assets. Since 2000, the life expectancy of a 65-year-old has risen by approximately four years, and provisions for increased life expectancy of DKK 63.3bn have been made during the same period.

ATP's administration expenses have been declining in recent years, affecting results positively.

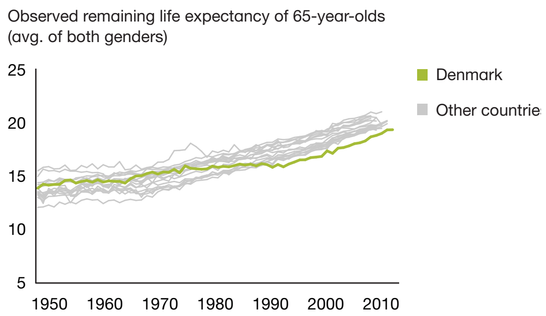
Upward adjustment of members' life expectancy

Upward adjustment of long-term trend in ATP's life expectancy model

Forecast of life expectancy in Denmark



Forecast of life expectancy internationally



The development in life expectancy has a significant impact on the results of a pension provider with lifelong pensions. In 2016, ATP made provisions of DKK 9.9bn to cover increases in life expectancy.

ATP's calculation of the size of the amounts to be paid to current and future pensioners is based on a life expectancy model. In the model, assumptions are made about future developments in life expectancy. When these assumptions are changed, for instance on the basis of new data, this has an impact on how long ATP expects to have to pay out pensions. The value of the guaranteed benefits is DKK 658.8bn, so even relatively small changes in the model parameters have a major impact in financial terms.

ATP's life expectancy model

Life expectancy in Denmark has been increasing over the past many years. In 1950, the remaining life expectancy of a 65-year-old was 14 years on average, and today it is more than 19 years. However, the life expectancy increases have not been the same from year to year. In some periods, the development in life expectancy has almost been stagnant, while significant increases have been seen in other periods. This variation in the increases makes it difficult to predict how life expectancy will develop in the future.

Other countries comparable with Denmark have also seen life expectancy increases, but not always in the same periods as in Denmark. The fact that the countries overall have experienced the same positive development in life expectancy gives cause to believe that these countries share the same long-term trend, from which the individual countries may deviate for short or long periods of time. To get a robust long-term trend for the development in life expectancy, ATP's life expectancy model utilises data from 18 industrialised OECD countries for the period 1950-2012.

Each year, new data on life expectancy developments in the 18 OECD countries are added, with the long-term trend being adjusted accordingly. At the same time, the actual life expectancy of ATP's members may have developed differently than predicted by the model, and it must therefore be adapted to the current level. Both elements lead to an adjustment of the model which has an impact on the value of the guaranteed benefits. In 2016, particularly the long-term trend was raised in the model, resulting in slightly higher life expectancy increases being forecast in the coming years. Factoring in expected future increases, the average remaining life expectancy of a 65-year-old is 21 years.

Age in 2016	Life expectancy		Average
	Woman	Man	
65	87.7	84.4	86.0
60	88.3	84.9	86.6
50	89.5	86.0	87.8
40	90.6	87.1	88.9
30	91.7	88.2	89.9
20	92.7	89.2	91.0
0	94.7	91.1	92.9

Life expectancy of a 65-year-old in ATP's life expectancy model

The life expectancies in the table, factor in the future increases in life expectancy that are included in ATP's life expectancy model. The life expectancies are conditional on the person reaching the age of 65. A 40-year-old woman can thus expect to live to be 90.6 years if she reaches the age of 65.

Pension scheme for disability pensioners

Four out of ten disability pensioners pay voluntary SUPP contributions

SUPP members at year-end 2016

Total number of members	123,600
Members below the retirement age for the state-funded old-age pension	94,600
Members over the retirement age for the state-funded old-age pension	29,000
New SUPP members in 2016	4,300

Pension payouts and contributions in 2016

Payouts	Number	DKKm
Current pensions	29,100	57
Lump-sum benefits	30	1
Survivor benefits	1,200	26
Contributions		
Members below retirement age for the state-funded old-age pension paying contributions in 2016	96,700	
SUPP contributions after social security contributions		556

SUPP – Supplementary Labour Market Pension Scheme for Disability Pensioners – is a voluntary scheme, giving disability pensioners an attractive opportunity to save for lifelong pension. For every disability pensioner contributing DKK 167 per month to SUPP in 2016, the Danish government topped up this amount by a further DKK 335. Thus, The Danish government contributes twice the amount of the disability pensioner.

More than four out of 10 disability pensioners pay contributions to SUPP.

Since 2013, SUPP has been part of ATP. SUPP contributions are managed together with ATP contributions. SUPP members accrue current guaranteed lifelong pension in the same way as ATP members. SUPP members also contribute to the bonus potential in the same manner and are included in ATP's bonus policy.

Pension payouts and contributions

In 2016, total payouts for current old-age pensions amounted to DKK 57m. In 2016, the average annual pension to SUPP members was DKK 2,200. For SUPP members retiring at age 65 in 2016, the average annual pension was DKK 2,900. Lump-sum payouts totalled DKK 1m.

If a SUPP member dies before retirement age, the estate will receive an amount corresponding to 50 per cent of the contributions paid and the added return. This amount will be gradually scaled down after retirement age. In 2016, DKK 26m was disbursed from SUPP on the death of SUPP members – an average amount of DKK 22,700 per deceased person. Survivor benefit payments amount to 9 per cent of contributions on average.

In 2016, the full annual SUPP contribution was DKK 6,024, and SUPP members paid total contributions of DKK 556m. The SUPP contribution is adjusted annually by the rate adjustment percentage, thus amounting to DKK 6,156 in 2017.

Hedging

> ATP's hedging portfolio is designed to protect pensions against interest rate fluctuations, and, once again, the hedging strategy was successful in 2016.

Copenhagen Marriott Hotel

Strong protection against interest rate fluctuations

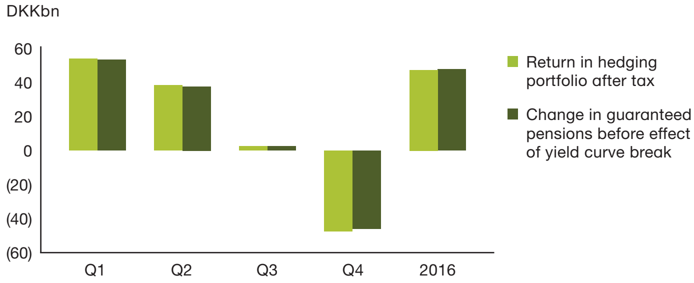
The hedging of the interest rate risk of pension liabilities once again proved its strength in a year of large interest rate fluctuations

ATP's hedging activity results

DKKm	2016	2015
Change in guaranteed pensions due to change in discount rate[1]	(41,487)	15,302
Change in guaranteed pensions due to maturity reduction	(6,329	(7,674)
Change in guaranteed pensions[1]	**(47,816)**	**7,628**
Return in hedging portfolio	56,371	(7,992)
Tax on pension savings returns	(8,625)	1,223
Return in hedging portfolio after tax	**47,746**	**(6,769)**
Results of hedging of pension liabilities	**(70)**	**859**
Change in guaranteed pensions due to yield curve break	(4,064)	(3,130)
Hedging activity results	**(4,134)**	**(2,271)**

[1] Before effect of yield curve break.

Large quarterly changes in guaranteed pensions due to interest rate fluctuations



ATP Lifelong Pension is a guarantee-based product, where the guarantee represents considerable value to members, as it holds a promise of a lifelong return on the contributions made. For further information, please refer to the article 'Value creation in ATP' on page 40.

Hedging aims to safeguard the guarantees and ensure that ATP is able to deliver on the pension commitments made, including providing optimal hedging of the interest rate risk of ATP's pension liabilities. In other words, hedging ensures that members receive the ATP pensions promised, regardless of whether interest rates rise or fall. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with pension liabilities when interest rates change.

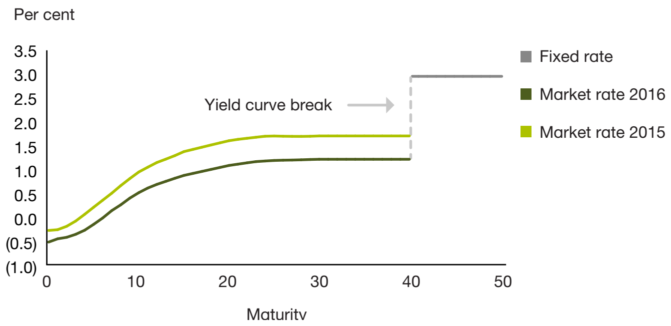
As illustrated by the chart above, the interest rate fluctuations in 2016 caused the value of the guaranteed pensions to fluctuate considerably over the year. The value of the guaranteed pensions increased substantially in Q1 and Q2, driven by the decline in interest rates in H1, and decreased in Q4 due to the increase in interest rates towards the end of the year. Over the year as a whole, the guaranteed pensions ended the year considerably higher than they started. ATP's hedging portfolio is designed to protect pensions against such fluctuations, and, once again, the hedging strategy was successful in 2016.

ATP's yield curve for valuation of pension liabilities

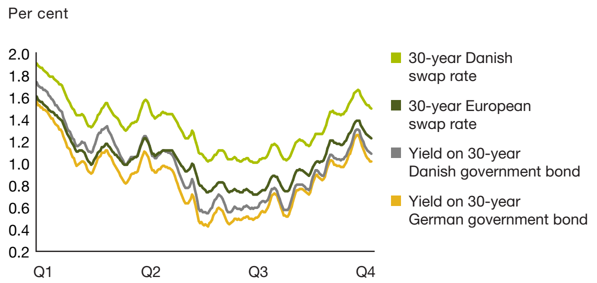
ATP's yield curve for valuation of pension liabilities comprises a market-based segment and a fixed-rate segment. A characteristic of the market-based segment is that it is hedgeable. The fixed-rate segment for valuation of liabilities 40 years or more into the future reflects a conservative projection of the long-term return. Guarantees between 0 and 30 years are measured on the basis of a market yield curve consisting of yields on Danish and German government bonds and interest rate swaps denominated in Danish kroner and euros. For the valuation of guarantees between 30 and 40 years, the 30-year market rate is used, while the interest rate beyond 40 years has been fixed at 3 per cent.

The value of guaranteed pensions fluctuates in line with the market rate. When interest rates decline, the value of the guaranteed pensions up to 40 years goes up. Without hedging, this would lead to a corresponding decrease in the bonus potential (and vice versa when interest rates increase). Thus, hedging ensures that ATP's bonus potential re-

ATP yield curve at year-end



Yield developments in 2016



mains intact regardless of changes in interest rates. DKK 39.8bn, equivalent to 6.0 per cent of ATP's liabilities, lies more than 40 years into the future. Since these liabilities are discounted by a fixed rate of 3 per cent rather than a market rate, they do not contribute to ATP's interest rate sensitivity. This has reduced ATP's need of hedging and enhanced its investment flexibility – and thus the possibility of generating a return to preserve the purchasing power of the guaranteed pensions. ATP's exposure to the financial system has also been reduced, including the risk of market liquidity dry-ups and hedging expenses.

ATP's yield curve for valuation of pension liabilities is more conservative than that of the Danish Financial Supervisory Authority (FSA). At year-end 2016, the value of the guaranteed pension liabilities was DKK 658.8bn, determined using ATP's yield curve, and the bonus potential was DKK 100.5bn. Had ATP used the Danish FSA's yield curve for the valuation of pension liabilities of insurance companies and industry-wide pension funds, the pension liabilities would have amounted to DKK 589.5bn at year-end 2016, and the bonus potential would have been DKK 69.3bn higher.

ATP's hedging portfolio

The hedging portfolio consists of bonds and interest rate swaps to hedge the interest rate risk on pension liabilities up to 40 years and an internal loan to the investment portfolio equivalent to the value of the pension liabilities extending beyond 40 years. For this loan, the hedging portfolio receives the rate of interest used for discounting pension liabilities more than 40 years into the future. In other words, a long-term rate of 3 per cent is received in the hedging portfolio.

Funds not tied up in the hedging portfolio as a result of the use of interest rate swaps rather than bonds can be lent for investment in the investment portfolio, but within a predefined risk budget. A short-term market rate is paid to the hedging portfolio on the funds borrowed by the investment portfolio.

Hedging activity results

Hedging activity results were negative by DKK 4.1bn.

The guaranteed pensions reflect the value of ATP's lifelong pension commitments to members. In 2016, the value of the guaranteed pensions increased by DKK 47.8bn before the effect of the yield curve break. The value of the guaranteed pensions increased by DKK 41.5bn as a result of the decline in interest rates in 2016, and increased by DKK 6.3bn because the pensions guaranteed to members at the beginning of the year are one year closer to payout.

Similarly, the hedging portfolio generated a market return of DKK 56.4bn. Tax on pension savings returns amounted to DKK 8.6bn, and thus the hedging portfolio produced an after-tax return of DKK 47.7bn.

Yield curve for valuation of pension liabilities and actual hedging at year-end 2016

	Yield curve per cent	Hedging per cent
• Interest rate swaps denominated in Danish kroner	15	15
• Interest rate swaps denominated in euros	35	36
• Danish government bonds	25	26
• German government bonds	25	23

The curve is extrapolated after the 30-year mark and has been fixed at 3 per cent after the 40-year mark.

The negative hedging activity results in 2016 were due to the break in the yield curve around the 40-year mark, as the market rate was consistently significantly below 3 per cent.

The break in the yield curve at 40 years means that hedging activities will incur a loss or gain from the valuation of liabilities which change during the year from a rate of interest of 3 per cent to a market rate, depending on whether the market rate is higher or lower than 3 per cent. In 2016, the market-based segment of the yield curve was significantly below 3 per cent. As a result, hedging activities incurred a loss of DKK 4.1bn in 2016. The loss means that funds are transferred from the bonus potential to pension liabilities, without this affecting ATP's aggregate assets.

Investment

> The investment return before expenses and tax was DKK 15.3bn, equivalent to 15.0 per cent relative to the bonus potential.

Hotel, London

Positive returns driven by private equity and credit investments

DKK 15.3bn return in the ATP Group's investment portfolio is driven especially by high contributions from private equity and credit investments

Investment activity results

DKKm	**2016**	**2015**
Investment return	15,340	16,548
Expenses	(823)	(837)
Tax on pension savings returns and income tax	(1,989)	(2,259)
Investment activity results	**12,528**	**13,452**

In 2016, the ATP Group's investment activity results after expenses and tax totalled DKK 12.5bn.

The ATP Group's investment portfolio

In 2016, the ATP Group's investment portfolio generated a return of DKK 15.3bn. Thus, the investment return relative to the bonus potential (before expenses and tax) was 15.0 per cent.

Throughout the year, ATP pursued a patient and flexible investment strategy, in view of the general uncertainty in the financial markets.

In a well-diversified portfolio with a high degree of risk diversification, some investment types will outperform others. In 2016, the top performers were private equity and credit investments, achieving returns of DKK 6.6bn and DKK 3.8bn, respectively, but investments in real estate, bonds, listed Danish equities, commodities, infrastructure and other inflation exposure also contributed positively to the return. With a negative return of DKK 1.2bn, the portfolio of long-term hedging strategies against inflation increases was the largest detractor from returns.

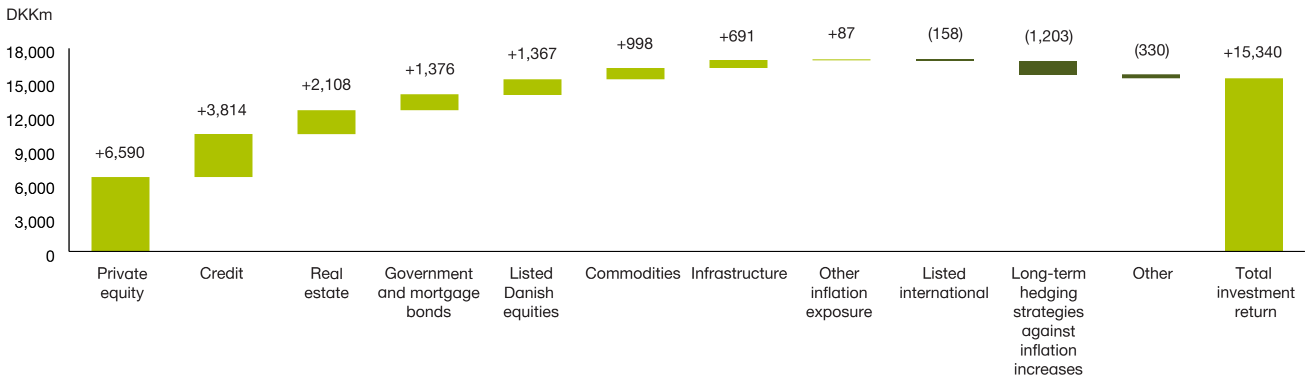
The objective of the investment portfolio is to generate a return that is sufficient to build reserves for, for example, life expectancy updates and to raise the guaranteed pensions and thus aim to preserve the long-term purchasing power of the benefits.

A particular aspect of ATP's investment strategy is that it focuses on asset risk rather than on the amounts invested or the asset class to which an investment belongs. The advantage of focusing on risk rather than on the amount invested is that risk diversification and risk management are improved.

ATP's free reserves – its bonus potential – are managed in the investment portfolio, which is the basis for ATP taking on investment risk in the investment portfolio.

The investment portfolio may also use excess liquidity from the hedging portfolio, which has been key to ATP's risk-based investment strategy since 2006. This means that the investment portfolio can operate with a higher statement of financial position than warranted by the bonus potential, but never with a higher risk. With a bonus potential of DKK 100bn, the composition of the investment portfolio could, for instance, be DKK 75bn equities and DKK 25bn bonds. An alternative portfolio – with the same risk, but using liquidity from the hedging portfolio – could, for example, be DKK 50bn equities and DKK 150bn bonds. While the risk of the former illustrative portfolio is dominated by the equity factor, the latter portfolio has a balanced equity/interest rate risk factor allocation.

Composition of investment return in 2016



The investment portfolio can operate with a higher statement of financial position than warranted by the bonus potential, but not with a higher risk. This makes it relevant to measure the investment return relative to the bonus potential.

A year with substantial uncertainty and diverse economic development in the USA and Europe

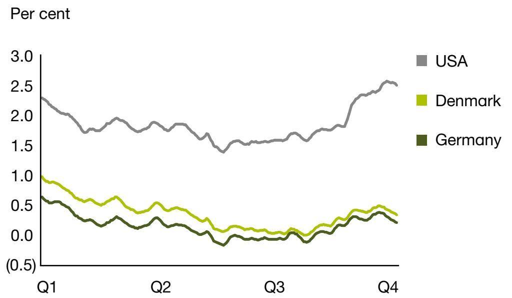
In 2016, the financial markets were characterised by substantial uncertainty caused primarily by the UK referendum on whether to leave the EU ('Brexit') and the US presidential election. The US economy showed progress in the course of the year, but with continued low inflation, while Europe saw limited growth and low inflation in spite of the highly accommodative monetary policy stance maintained by the European Central Bank (ECB).

The result of the UK referendum, which ended with a 'yes' to leaving the EU, led to sharp drops in the pound sterling, and the result is expected to have a negative impact on growth in Europe going forward. The economies in the emerging markets, which have been stuck in economic recession for a long time, showed small signs of improvement in 2016. In Japan, the economy was characterised by limited growth and low inflation in 2016. The Chinese equity market also experienced large fluctuations in 2016, caused primarily by limited growth and rather challenging future prospects, as potential higher US trade tariffs will hit China hard.

Bond markets

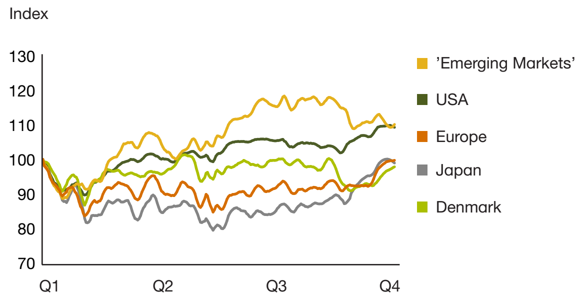
The expectations that the US Federal Reserve (Fed) would tighten its monetary policy in 2016 were quickly put to rest at the beginning of the year when interest rates declined. The European Central Bank (ECB) decided to lower interest rates further and include credit bonds in its asset purchase programme, putting an additional downward pressure on interest rates in the eurozone. The election of the next US president led to rising interest rates at the end of the year as a consequence of expectations of higher economic growth and inflation, and in December, the US Federal reserve raised interest rates by 0.25 percentage points. Over the year as a whole, US interest rates ended the year slightly higher than they started, while interest rates in the eurozone were lower at the end of the year.

Yield development for 10-year government bonds in 2016



Note: Calculated as a five-day rolling average.

Equity price developments in 2016



Note: Calculated as a five-day rolling average.

Equity markets

For the European equity markets, 2016 was a difficult year due to low economic growth in Europe and heavy price falls in the Chinese equity market at the beginning of the year, which also had a negative impact on the US equity market. However, growth in the US economy caused the US equity market to rise again, and the election of the next US president triggered further improvements in the US equity market towards the end of the year, with equity markets in the other developed economies also rising. For the year as a whole, the European, Japanese and Danish benchmark equity indices ended on the same level as at the beginning of the year, while the equity markets in the USA and in the emerging markets gained approximately 10 per cent.

Real estate markets

Despite limited growth in the European economies, the real estate markets in Europe, including Denmark, continued their strong recovery in 2016, seeing a substantial investment appetite from institutional investors, which had a positive knock-on effect on real estate prices. US real estate markets also continued to see strong investment appetite and considerable liquidity, although lower increases in real estate prices are being seen.

Commodity markets

Global commodity prices, not least oil and gold prices, were higher at the end of the year than at the beginning of the year as a consequence of improved growth prospects, especially in the USA, as well as a better balance between supply and demand on the oil market.

Currency markets

In the currency markets, the euro depreciated by approximately 3 per cent against the US dollar in 2016, reflecting weaker economic growth in Europe than in the USA. ATP generally hedges all investments in Danish kroner or euros.

Investment return

The return in ATP's investment portfolio before tax and expenses was DKK 15.3bn in 2016.

Equities

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a return of DKK 7.8bn. Private equity and listed Danish equities both made positive contributions to performance, while listed international equities detracted from the return.

Listed Danish equities produced a return of DKK 1.4bn. Holdings in Genmab A/S, DONG Energy A/S and A.P. Møller-Mærsk A/S were the main positive contributors to performance, while holdings in Novo Nordisk A/S, Bavarian Nordic A/S and Novozymes A/S were the main detractors.

Return on ATP's investment in Nets

DKKm	**2016**	**2014 - 2016**
Credit investment	788	1,674
Equity investment	607	802
Total	**1,396**	**2,477**

Note: The investment in Nets was made in 2014 in the form of a credit investment and an equity investment.

Development in credit spreads in 2016

Note: Calculated as a five-day rolling average.

Listed international equities, consisting primarily of US, European and Japanese equities, recorded a negative return of DKK 0.2bn. Listed US equities made a positive contribution to performance, while both listed European and Japanese equities made negative contributions.

The portfolio of private equity consists mainly of ATP Private Equity Partners, investing in international private equity funds. Also included in the portfolio are venture investments such as NOW: Pensions and direct equity investments in, for instance, DONG Energy until the IPO in early June. The overall portfolio of private equity generated a return of DKK 6.6bn. The return in ATP Private Equity Partners accounted for DKK 2.5bn, which was achieved broadly across most of the portfolio due to generally positive developments in the underlying portfolio companies' earnings and debt repayment. The investment in DONG Energy, made in 2014, generated an aggregate return of DKK 4.4bn, DKK 3.7bn of which relates to 2016.

Credit

Credit, consisting of bonds and loans to credit institutions and funds, produced a return of DKK 3.8bn.

Bonds, consisting primarily of bonds issued by companies with low credit ratings or by emerging markets, generated a return of DKK 2.2bn. The positive return was driven primarily by a narrowing of credit spreads. Credit spreads are the difference between the yields on bonds with the same maturities, but of different credit qualities. The credit spread is the payment for the credit risk associated with the bond – the narrower the spread, the lower the risk of issuer default perceived by the market. The narrowing of the credit spreads for high-yield bonds in the course of 2016 produced increases in the price of this type of bond, reflected in positive returns.

Loans to credit institutions and funds that invest, among other things, in bank loans, real estate-related loans and corporate loans, produced a return of DKK 1.7bn.Until the IPO in September, most of ATP's investment in Nets was included in the portfolio of loans. The investment in Nets and current interest income on corporate loans were the primary drivers of the positive return. The investment in Nets, made in 2014 in the form of an equity investment and a credit investment, generated a total return of DKK 2.5bn, DKK 1.4bn of which relates to 2016.

The five largest real estate investments, year-end 2016

Address	Type	Market value year-end 2016 DKKm
North Galaxy, Brussels, Belgium	Offices	3,299
Nesa Allé 1, Gentofte, Denmark	Offices	2,181
Strandgade 3, Copenhagen K, Denmark	Offices	1,755
Waterfront, Bremen, Germany	Shopping centre	1,604
Aalborg Storcenter, Aalborg, Denmark	Shopping centre	1,283

Real estate

Real estate investments generated a return of DKK 2.1bn. These investments are made, in part, through direct ownership of real estate and, in part, indirectly through investments in unlisted real estate funds and joint ventures. Direct as well as indirect investments are made both in Denmark and abroad.

Direct real estate investments posted a return of DKK 1.6bn, with value adjustments accounting for DKK 0.5bn. Indirect real estate investments generated a return of DKK 0.5bn, with value adjustments accounting for DKK 0.2bn. The return for the year was driven by rising real estate prices, especially in Europe and Denmark, and to a lesser extent in the USA.

In 2016, new real estate investments totalling DKK 2.0bn were made, including DKK 0.9bn in two hotels in London (ownership 50 per cent), DKK 0.5bn in a hotel in Copenhagen (ownership 50 per cent) and two small office properties in Copenhagen. Moreover, an investment commitment totalling approx. DKK 1.4bn was made to invest in a large Copenhagen-based office property. In 2016, gains were realised on disposals, both in the direct and the indirect portfolio.

At year-end 2016, the value of the portfolio of directly owned real estate was DKK 25.1bn, while the value of the portfolio of indirect real estate investments amounted to DKK 9.3bn.

Government and mortgage bonds

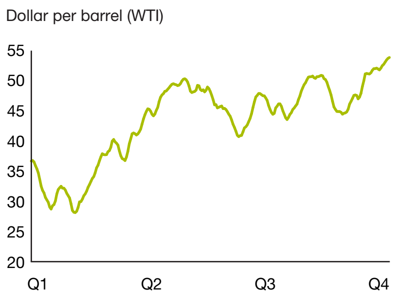
The portfolio of government and mortgage bonds yielded a return of DKK 1.4bn,

driven mainly by the portfolio of US and German government bonds with a term to maturity of approximately 10 years. This portfolio generated a return of DKK 1.0bn, derived mainly from current interest income from the bond holdings. Mortgage bonds, which consisted exclusively of Danish mortgage bonds, produced a return of DKK 0.4bn. The primary driver was interest rates, which ended the year lower than they started.

Commodities

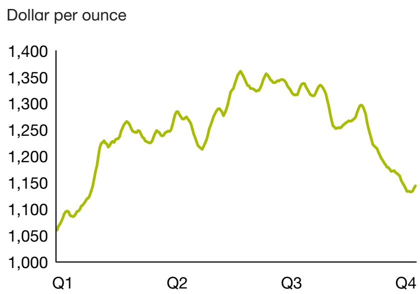
Commodities, consisting of commodity-related financial contracts, generated a return of DKK 1.0bn because commodity prices ended the year higher than they started. The return was achieved broadly across the portfolio, and investments in industrial metals, gold and oil all made positive contributions to performance. ATP has commodity exposure in its portfolio due to the portfolio qualities of commodi-

Oil price developments in 2016



Note: Calculated as a five-day rolling average.

Gold price developments in 2016



Note: Calculated as a five-day rolling average.

ties, for instance as part of risk diversification in relation to inflation and geopolitical instability.

Infrastructure investments

The portfolio of infrastructure investments, which includes forestry investments in North America and Australia as well as investments in alternative energy sources, generated a return of DKK 0.7bn. The return was achieved broadly across the portfolio. In 2016, new direct investments were made in the transport and distribution sector.

Other inflation exposure

Other inflation exposure produced a return of DKK 0.1bn. This portfolio consists of inflation swaps, swaptions, index-linked bonds and an externally managed portfolio invested in a large number of different assets. The externally managed portfolio was the top performer, while the portfolio of swaptions was the largest detractor from performance.

Long-term hedging strategies against inflation increases

The portfolio of long-term hedging strategies against inflation increases consists of swaptions to hedge against inflation increases on a relatively simple and effective basis. A sudden spike in inflation, diluting the purchasing power of pensions, constitutes a significant risk for ATP's pensioners. To address this risk, ATP has been buying long-term hedges against inflation increases since 2009. ATP's hedging against inflation increases is a long-term strategy, with some of the hedges running for up to 20 years.

The value of these hedges is expected to increase when inflation rises and decline when inflation falls. The negative return of DKK 1.2bn was due primarily to long-dated European swap rates, which ended 2016 lower than they started.

Average risk allocation in 2016

To maintain a robust investment portfolio with a stable return and the greatest possible independence from cyclical variations, investment decisions are informed by a strategy of risk diversification. ATP allocates the risk associated with each investment on the basis of up to four different risk factors, depending on the types of risk to which the investment is exposed, and the investments are composed to achieve the desired level of risk diversification. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. For more information on the factor

Investment portfolio exposure by asset type, including financial derivatives

	Portfolio, year-end[1]	
DKKbn	**2016**	**2015**
Equities	**95.3**	**76.0**
Listed Danish equities	27.1	21.6
Listed international equities	31.8	18.2
Private equity	36.4	36.2
Credit	**65.6**	**29.1**
Bonds	46.4	16.4
Loans	19.2	12.7
Real estate	**34.4**	**34.6**
Government and mortgage bonds	**95.4**	**52.0**
Commodities	**7.8**	**4.4**
Infrastructure investments	**15.4**	**13.3**
Other inflation exposure	**14.3**	**12.4**
Long-term hedging strategies against inflation increases	**48.2**	**33.1**

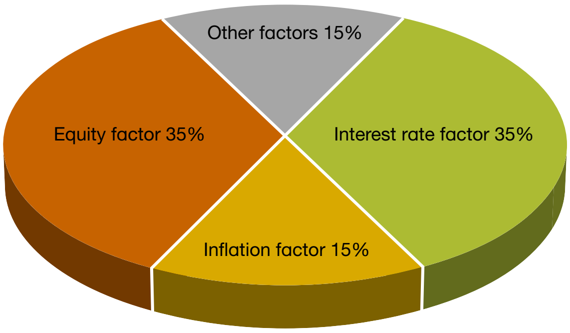
[1]The portfolio of the individual asset types is expressed in terms of exposure. Exposure is the sensitivity of the asset type to changes in asset prices relative to the primary parameter for the relevant asset or underlying asset. The portfolio of government and mortgage bonds, however, is translated into the market value of a portfolio of 10-year German government bonds with the same interest rate risk as the actual portfolio of government and mortgage bonds. The exposure-related values cannot be added together across asset types. Due to asset reclassifications, the exposure-related values at year-end 2015 in the asset types 'private equity', 'infrastructure investments', 'other inflation exposure' and 'long-term hedging strategies against inflation increases' do not correspond to the exposure-related values at year-end 2015 stated in the annual report for 2015.

investing approach, see the article 'The factor investing approach' on page 34.

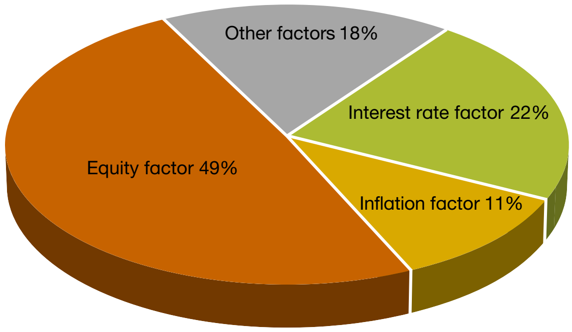
A key element in ATP's investment strategy is the Supervisory Board's issuance of a guideline for the long-term allocation of ATP's portfolio. The long-term guideline specifies that 35 per cent of the risk is allocated to the 'Equity factor', 35 per cent to the 'Interest rate factor', 15 per cent to the 'Inflation factor' and 15 per cent to 'Other factors'. This guideline should be seen as a long-term 'anchor' for risk allocation. Thus, the actual portfolio allocation may deviate from the guideline at any one time due to market conditions. The guideline is not a benchmark for ATP's investments. Instead, the return is assessed against the Supervisory Board's long-term absolute return objective.

In 2016, like in 2015, ATP had a lower risk in the 'Interest rate factor', in particular, than the Supervisory Board's long-term guideline, while the risk in the 'Equity factor', in particular, was higher than the long-term guideline. This should be seen in the context of the highly accommodative monetary policy stance maintained by the central banks, which,

Long-term guideline for the risk allocation of the investment portfolio[1]



Average risk allocation of the investment portfolio[1] in 2016



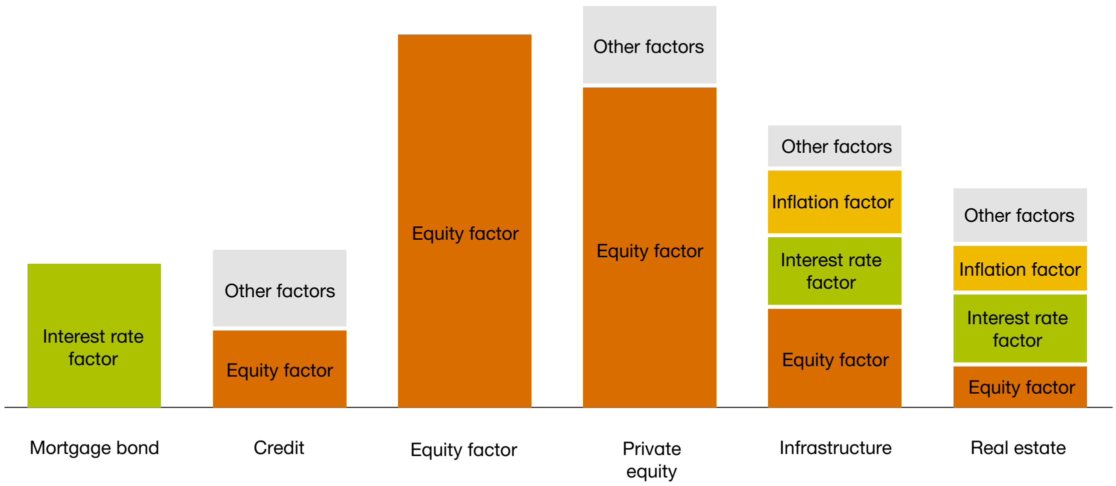
[1] The Supervisory Board's long-term guideline and the average risk allocation in 2016 are exclusive of the Supervisory Board's long-term strategies against inflation increases.

again in 2016, kept yields on safe-haven government bonds pinned at very low levels. This means that both the current return and potential capital gains from bond investments are expected to be limited, and it is uncertain whether safe-haven government bonds, especially European government bonds, can contribute to efficient risk diversification. Consequently, ATP has not retained its long-term strategic portfolio of nominal bonds in the 'Interest rate factor'. Moreover, at year-end, close to half of the risk in the 'Interest rate factor' was associated with illiquid investments. The relatively high risk in the 'Equity factor' could be maintained without significantly increasing the risk of high losses because, in overall terms, ATP's investment risk was low compared to the possible risk exposure defined by the Supervisory Board.

The factor investing approach

How does ATP see the risk of alternative illiquid investments?

Factor-based risk composition of selected assets



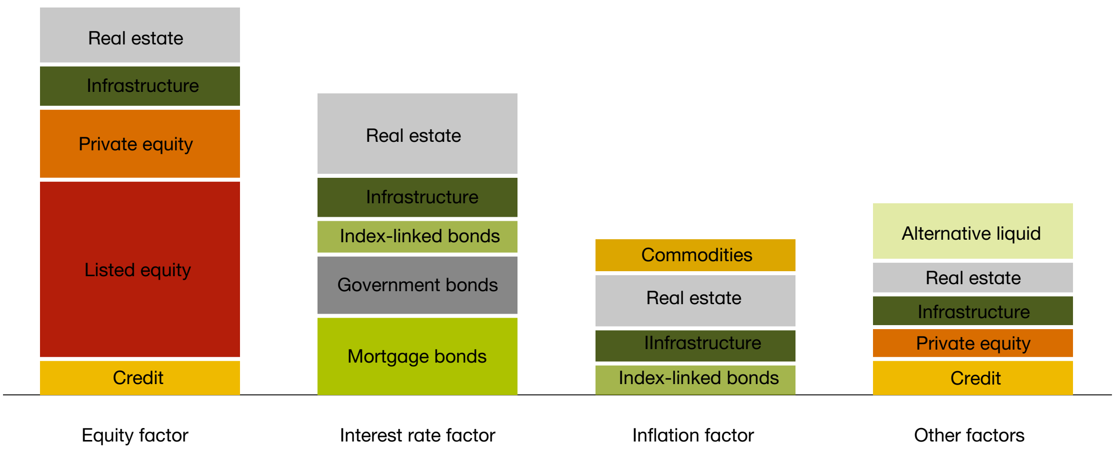
A year ago, ATP launched an investing approach based on risk factors. The idea is that all investments consist of a number of basic building blocks – factors – which can be combined in various ways to achieve an investment portfolio with the desired risk profile. It looks as if the academic factor investing approach is a useful new strategy for ATP and one which is a natural extension of the investment and risk insights which ATP has accumulated over the years.
Having a factor-based framework which makes it possible to compare all investment activities has strengthened ATP's investment processes through a shared understanding of risk. The factor investing model produces no absolute truths, of course, but it does create a framework for our continuous efforts to ensure the optimum composition of our investments. The application of the factor investing model to illiquid alternative investments has been particularly helpful, and this article unfolds some of the sub-elements.

Let's look at two sample portfolios: One portfolio consisting of listed equities and one consisting of private equity. There is significant difference between investing in listed equities and private equity, but the associated risks are nevertheless related, which means that the two portfolios are quite similar in some respects. Looking at the two portfolios through the factor lens, they consist predominantly of the same (reddish brown) building blocks, namely 'equity factor'. This means that the private equity portfolio only to some extent diversifies the risk associated with the listed equity portfolio, and vice versa, and that the effect of risk diversification should therefore not be overrated. A different approach – basing the risk associated with private equity on historical returns – would provide a more favourable picture of the diversification potential between the liquid listed market and the illiquid private market. In case of more enduring market stress, history has shown that it is questionable how different the two markets actually are. ATP therefore regards the risk-based factor investing approach as being more fair and prudent.

Alternative illiquid investments generally consist of liquid factors

The risk profile of alternative illiquid investments, such as private equity, infrastructure, real estate and certain types of credit, is less transparent than that of more traditional liquid investments such as bonds and listed equities. By building all asset classes around the same four key factors, a clear framework for our risk understanding is created. Alter-

Example of risk structure based on the four factors for traditional assets

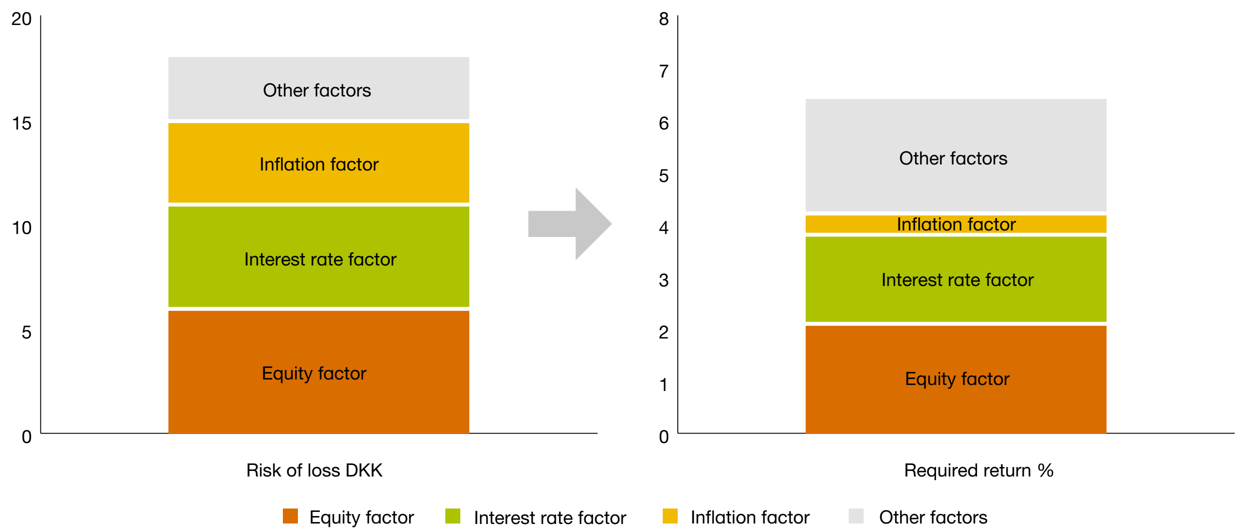


native illiquid investments are thus composed of the same four key factors that are found in the traditional liquid investment universe. However, 'other factors' also include special risks from illiquid investments. In the above example, the portfolio of private equity is, in fact, exposed to 'other factors' to which the listed portfolio is not exposed. While an investment in listed equities can usually be traded via the established markets, investors cannot always expect to be able to sell their private equity. They are illiquid, which means – in other words – that investors are precluded from trading in the equities in the short term; the risk associated with this 'freezing of capital' is included in 'other factors'.

Alternative illiquid investments, such as infrastructure and real estate investments, are exposed to all four risk factors and thus also to the equity factor. Their exposure to the equity factor is due to the close correlation between the equity factor and cyclical factors, which is a considerable risk for real estate and infrastructure investments. Credit investments are exposed to another part of the capital structure of companies, but are still closely related to equity and therefore the equity factor. In other words, the key equity factor can generally be pieced together from a number of closely related sub-factors, and the composition of risk can be summarised as illustrated above. In much the same way as real estate, infrastructure and credit, private equity are exposed to 'other factors', including the sub-factor 'illiquidity'. The risk hits investors when they want or need to sell at times when buyers are few and far between. Unfavourable situations of this kind usually coincide with crises in the financial markets, and the sub-factor calculates risk in the same way as for a divested stock option, which is also loss-making at times of crisis.

ATP's long-term guideline for the composition of risk is a balanced greater risk for the two major factors 'equity factor' (35 per cent) and 'interest rate factor' (35 per cent), while the 'inflation factor' and 'other factors' play a lesser role (15 per cent each). The investment philosophy behind the balanced guideline is known as an 'all-weather' approach with reference to the fact that this portfolio is robust in the face of variations in the investment climate. ATP's complete risk model is based on a considerable number of sub-factors, and only some of these are illustrated above. The management of ATP's market risk based on the four factors therefore constitutes the top level for the management of expo-

Example of structure of required return on an infrastructure investment



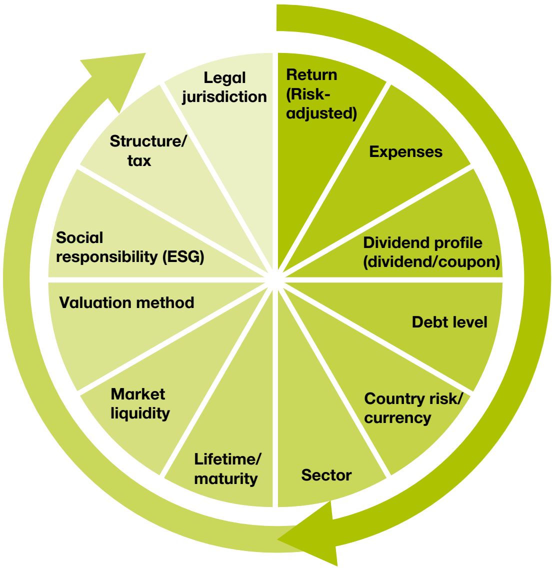
sures to sub-factors. In other words, the four key factors are only the 'tip of the iceberg'. Navigating icy waters can be dangerous if what you can see above sea level is not representative of what is hidden beneath the surface – particularly in bad weather.

Investors should demand an additional return for limited market liquidity

Under the new factor-based investment strategy, the risk associated with each investment is determined on the basis of the four risk factors, depending on the types of risks to which the investment is exposed. Like real estate, infrastructure is another example of an asset class that delivers exposure to all four risk factors. Future income in the form of motorway tolls is typically fully or partially inflation-adjusted. The risk calculation therefore includes both an interest rate element (interest rate sensitivity of future income) and an inflation risk element (inflation risk of future income). The number of toll-paying road users depends on cyclical factors, which are closely associated with the equity factor. Finally, infrastructure investments are illiquid, and the risk of loss in situations where illiquidity makes it particularly difficult to sell a toll road is classified as 'other factors'. Investors should expect to generate an additional return due to such limited market liquidity and the tying-up of capital over long periods of time.

As an investor, it is essential that you can define a required rate of return for all your individual investments within one and the same framework. The factor investing approach provides precisely a consistent and uniform framework for this. Further up, a portfolio of listed equities was described as consisting exclusively of 'reddish brown building blocks', constituting the equity factor. In the same way, an infrastructure investment consists both of reddish brown, green, yellow and grey building blocks, where the size of each building block represents the expected risk of loss. The risk profile is illustrated above. Moreover, a market price may be determined for each of the four building blocks. The market price of a building block depends on its size, which again reflects the potency of the risk of loss. The bigger the building block, the higher the compensation expected by investors. The market price of a building block also depends on its colour as the factors are not necessarily priced in the same

Risk aspects of alternative illiquid investments



way. The market price should generally be relatively high for grey building blocks, which represent the risk of loss from 'other factors', including illiquidity. The composition of the total required rate of return for an infrastructure investment is seen above.

The factor investing approach provides a uniform basis for making informed investment decisions, and the approach therefore increases investment flexibility by allowing analysis and comparison of investments without reference to asset type. The expected return on an investment will thus be determined based on a comparison with the return on other investments exposed to the same underlying risks. This is particularly relevant for alternative illiquid investments, where it is difficult to determine what would be a reasonable level of return.

Qualitative risks outside the factor model

The factor investing approach is a quantitative model for all investments, which is a strong starting point for managing risks and expected returns. However, alternative illiquid investments also involve a number of more qualitative risk elements which are important for the decision-making process. As illustrated above, the analysis of a given investment starts with the return profile. What is the expected return – after expenses – and is the compensation offered for factor risks reasonable? This is supplemented with selected scenario analyses to provide a picture of how good or bad the investment may end up being. The return profile also depends on the extent to which the investment is based on revaluations and capital gains, or whether it is based more on a number of more secure dividend payments. In addition, a large number of other aspects of the specific investment (so-called idiosyncratic risk) are also considered, including country risk, lifetime profile and ownership structure. A very important aspect of investments in general, including alternative illiquid investments, is an understanding of social responsibility and its integration in the investment process. Thus, the qualitative risk elements shown in the illustration all form part of the decision-making process in connection with new investments. At the same time, they constitute an important tool for managing all ATP's illiquid investments.

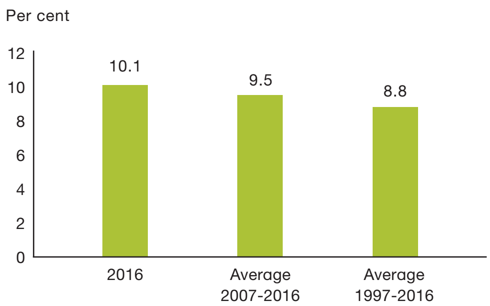
Ratios

For 2016, the total value creation for ATP's members was 4.4 per cent, and ATP's administration expenses were DKK 48 per member in 2016.

The Danish Financial Supervisory Authority's return ratios

ATP does not apply the Danish FSA's one-year return ratio

ATP's returns over 1-year, 10-year and 20-year horizons



Note: Calculated in accordance with the Danish FSA's definition.

Each year, the Danish FSA publishes, among other things, return ratios for average rate products for life insurance companies and industry-wide pension funds. The 'N1' ratios applied by the Danish FSA measure only returns on assets, including the assets of ATP's hedging portfolio, while no allowance is made for changes in the market value of ATP's pension liabilities.

The guarantee element and the hedging of guarantees against interest rate changes mean that short-term interest rate changes do not affect future pension payouts, but may significantly impact the size of ATP's return ratio.

For instance, if interest rates of the assets included in ATP's hedging portfolio go down, the hedging portfolio will generate a significant positive return – a return that is included in the Danish FSA's return ratios. However, this decline in interest rates will also cause the market value of ATP's pension liabilities to increase, the reason being that ATP needs to set aside more funds to be able to meet future pension liabilities. Consequently, the decline in interest rates does not notably affect future pension payouts in the short term.

Moreover, the Danish FSA's return ratios for average rate products do not allow for the cross-company variance in value creation for different companies' guaranteed products. The return ratio of the individual year is focused exclusively on the return on total assets – not on the increase in the guaranteed pension actually obtained by members. In other words, the return achieved by ATP's members in the individual year is not reflected by the Danish FSA's return ratios.

As the Danish FSA's return ratios tend to reflect market value changes in ATP's hedging portfolio that will not notably affect the pension commitments made, and as the return ratio does not allow for the variance in value creation for the pension providers' guaranteed products, the ratio fails to provide a comprehensive view of the value creation for ATP's members for the individual year. Conversely, in the very long term, the ratio rather reflects value creation, as described in the article 'Value creation in ATP' on page 40.

For this reason, ATP does not apply this ratio in the short term. Using the Danish FSA's return ratio, ATP achieved a return of 10.1 per cent in 2016. The high percentage return is, to a great extent, attributable to a substantial positive return in the hedging portfolio as a consequence of interest rates being lower at the end of the year than at the beginning of the year.

Value creation in ATP

Value creation from guarantees and bonus potential after tax

Value creation in per cent	2016	2015	2014	2013	2012
Value creation from guarantees	3.7	3.8	3.9	3.9	4.0
Value creation from bonus potential	7.3	10.9	3.6	14.2	14.2
Total value creation	4.4	5.2	3.8	5.9	5.8

The financial statements show the value creation in ATP from an ownership perspective. However, it may be difficult to understand the value creation from the perspective of the members by looking at the financial statements.

The financial statements reflect the annual results of ATP's business and describe how the net results for the year are transferred to the bonus potential. Hedging of the guarantees is also described in the financial statements, but the return implied by the guarantees is not directly accounted for. The return is a crucial element of the value creation from the perspective of the individual member.

In order to improve the description of ATP's overall value creation, ATP calculates three ratios. These three ratios give a more complete picture of ATP's value creation from its members' point of view than, for example, the Danish Financial Supervisory Authority's (FSA) ratios.

The three ATP ratios

ATP's guaranteed pension product is a promise of certain lifelong benefits – an income stream. Quite literally, the pension is made up of the sum of the promises acquired year by year during a wage earner's working life.

The contributions to ATP are divided in two. The members' pension accounts for 80 per cent, while the remaining 20 per cent is transferred to the bonus potential – ATP's unallocated reserves. This means that the total value creation for ATP's members comes from both sources – the guarantees and the bonus potential.

Value creation from the guarantees illustrates the average return on the promises ATP has issued to members over time, across age groups. This ratio is calculated based on historical contributions and the associated guarantees. In 2016, the value creation from the guarantees was 3.7 per cent after tax and all expenses. In the period from 2012 to 2016, the average value creation was just under 4 per cent. This figure has been decreasing slightly in recent years, reflecting the low interest rates. New guarantees based on lower interest rates will slowly contribute to reducing the average value creation from guarantees. Conversely, in a rising interest rate environment, the ratio will increase, as ATP will be able to issue new guarantees based on higher interest rates.

Value creation from the bonus potential illustrates the return on the bonus potential. In 2016, this value creation was 7.3 per cent. Value creation was positive throughout the period from 2012 to 2016. This ratio is driven primarily by investment returns, but is for example also impacted by hedging activity results and administration expenses.

Total value creation shows ATP's ability to generate overall value creation. This ratio is the weighted average of the two ratios above. For 2016, the overall value creation was 4.4 per cent, and it was positive throughout the five-year period.

For more information about the definition of ATP's value creation ratios, see 'Further Information' at www.atp.dk/en.

Low expenses

ATP's low expenses translate into higher pension payouts for members

ATP expenses

	2016			2015		
	DKKm	per cent[1]	Per member DKK	DKKm	per cent[1]	Per member DKK
Administration expenses	239	0.03	48	283	0.04	57
Direct and indirect investment expenses[4]	1,364[3]	0.19[2]	272	1,363	0.19	276

[1] Expenses have been calculated relative to average assets (guaranteed benefits plus bonus potential).
[2] Expense ratio excluding commitments. Including commitments, the ratio is 0.17 per cent.
[3] In addition, carried interests amount to approximately DKK 800m.
[4] This ratio has been calculated exclusive of expenses in NOW: Pensions (DKK 195m). The expenses in the venture investment relate to actual administration of external assets and are therefore not actual investment expenses for performing ATP's asset management.

Expense levels have a significant impact on future pension payouts. With a long savings period, small differences in expenses can make significant differences in pension payouts. Therefore, ATP aims to keep both investment and administration expenses low, while at the same time having its eye on capturing the return potential available from one extra DKK of cost.

Administration expenses

ATP focuses on minimising administration expenses. In 2016, administration expenses for ATP Pension were DKK 239m – equivalent to DKK 48 per member. The expenses were reduced by DKK 9 per member relative to the year before, equivalent to a reduction of 17 per cent. The administration expenses per member have been reduced by 30 per cent over the past four years.

ATP has always been focusing on keeping expenses low. Given that ATP is a mandatory scheme with a simple product and a large number of members, it has been possible to achieve various economies of scale. Administration expenses primarily comprise payroll and employee-related expenses and IT expenses.

ATP has reduced its administration expenses over the past four years, due primarily to declining depreciation and amortisation and to the fact that ATP is benefiting from effective IT support. In addition, much of the business processing work has been automated, and IT support has provided efficiency gains. In recent years, in particular, another focus has been on digitising significant parts of communications with members.

With the reductions achieved, the administration expenses are not expected to fall further over the coming years.

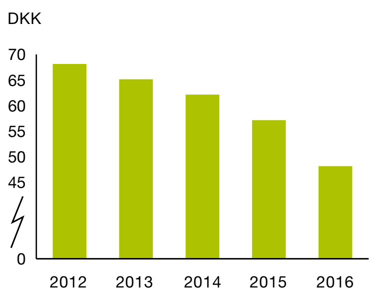
CEM Benchmarking

According to the latest international benchmarking of expenses in the pensions area (CEM Benchmarking), ATP's administration expenses are one tenth of the average for peer statutory pension funds globally. The group of comparable peers comprises pension funds of approximately the same size as ATP. This group includes 12 pension funds from Scandinavia, the Netherlands, Canada and the USA.

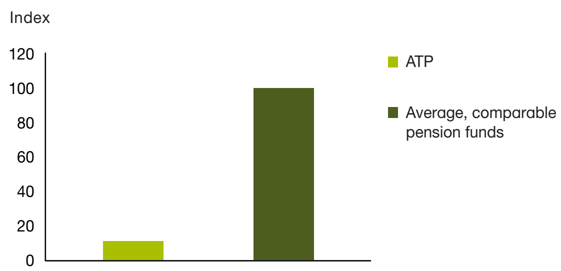
Investment expenses

ATP focuses on ensuring that investments are made in the most expedient and cost-effective manner. In order to incorporate expectations of generally lower future returns in the financial markets, ATP has increased its focus on managing expenses, both internal and external expenses. For instance, it is regularly assessed whether a given return potential should be achieved by purchasing the assets in question, through financial contracts or by use of external managers.

Development in administration expenses per member



Administration expenses



Note: CEM Benchmarking

A strategic desire to increase adaptability in the investment portfolio has strengthened the argument for moving the management services closer to ATP, resulting in higher visible direct investment expenses.

Total direct and indirect investment expenses
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 2016, or DKK 272 per member. The total investment expenses, which in addition to ATP's direct expenses also include expenses in subsidiaries and underlying investments, are on a par with 2015.

In recent years, the focus has been on illiquid investments, and these investments have increased in volume. Another focus area has been a higher degree of direct control than in the past. This investing approach results in improved management of individual investments and investment risks, as well as increased cost control, ensuring that the expenses are more clearly reflected in ATP.

Increased investment expenses are expected to generate an additional return. This can be illustrated, for example, by a direct investment in a property versus a purchase of a government bond, where relatively high purchasing costs are associated with the purchase of a property. At the same time, the expected additional return on a real estate investment is significantly higher than the yield on a government bond. The additional return must compensate for illiquidity and additional risk, but overall, an annual additional return is expected on the real estate investment.

Investment constructions affect the transparency of investment expenses in ATP's annual report.
Had the purchase of the property been made as a construction other than a company, e.g. through an underlying fund to a fund investing in real estate, the purchasing costs would not be directly visible in ATP's annual report; instead, these costs would be deducted from the investment return.

Whatever the construction utilised in connection with new investments, and regardless of whether the expenses are directly visible in the annual report, expenses are always embedded in the return after expenses. This is the reason why ATP's performance target is based on the return after expenses.

CEM Benchmarking
According to the most recent international benchmarking of expenses in the investment area (CEM Benchmarking), ATP's total investment expenses are among the very lowest in the global pension community, and 8 per cent lower than the average of ATP's peers. The group of global peers comprises pension funds with approximately the same asset size as ATP and includes 17 pension funds from Sweden, the Netherlands, the UK, Asia, Canada and the USA.

Risk

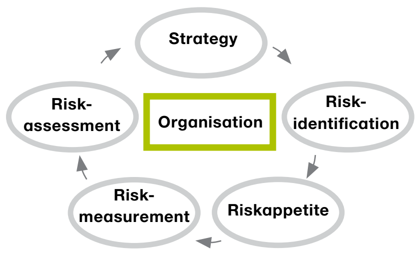
> ATP disburses a monthly lifelong pension to its members. Accordingly, increasing life expectancy is the greatest pension risk facing ATP. In addition to factoring in already observed increases in life expectancy, allowance is made also for expected future increases.

Metro station, Spain

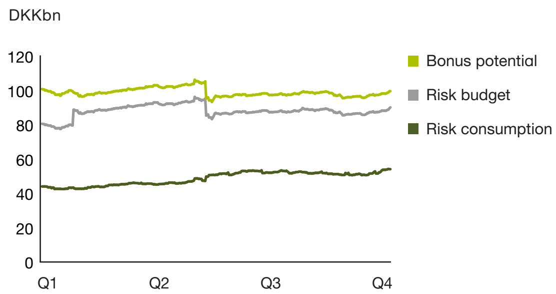
Risk and risk management

Risk management on difficult markets

Overall risk management process (ORSA)



Risk consumption in 2016



OVERALL RISK MANAGEMENT

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

The responsibility for including the most significant risks and weighing the various risks in relation to each other rests with the ATP Supervisory Board. The Supervisory Board attaches particular importance to ensuring that ATP's financial flexibility remains intact – even in very difficult situations.

In line with other pension funds, ATP has structured its overall risk management based on Own Risk and Solvency Assessment (ORSA) principles.

ATP's overall risks

ATP determines its risk consumption, i.e. ATP's quantitative target for total risk, on a daily basis. Risk consumption is determined in a proprietary model that involves risks across all areas. At year-end 2016, the risk consumption amounted to DKK 54.4bn.

As long as the bonus potential exceeds the risk consumption, ATP is able to cover its risks. At year-end 2016, ATP's bonus potential (free reserves) amounted to DKK 100.5bn, or almost twice the risk consumption.

To ensure that the bonus potential always exceeds the risk consumption by a certain margin, the ATP Supervisory Board has set a risk budget, i.e. an upper limit for the risk consumption.

HOW ATP MANAGES ITS MOST SIGNIFICANT RISKS

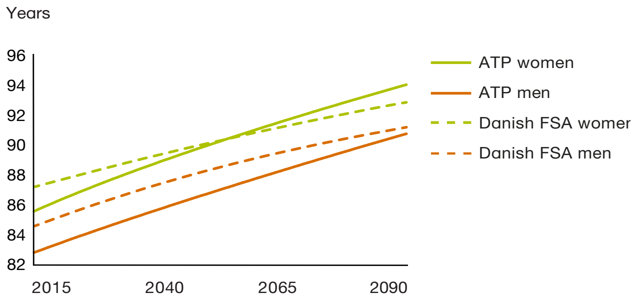
Longevity risks

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 for managing the longevity risk. In addition to factoring in already observed increases in life expectancy, the model allows for expected future increases.

Other Danish pension companies must use a life expectancy model developed by the Danish Financial Supervisory Authority (FSA). The Danish FSA's model is based on data from a number of Danish life insurance companies and industry-wide pension funds with a total membership of 2.5 million. ATP's model is based partly on information about its just over 5 million members and partly on information about approximately 565 million inhabitants in 18 OECD countries. The Danish FSA's population consists of people who are all covered by insurance. As ATP's population also includes people who are not covered by insurance, the two populations are not directly comparable.

If ATP had used the Danish FSA's life expectancy model, the value of ATP's liabilities, the guaranteed pensions, would have been DKK 653.8bn at year-end. With ATP's life expectancy model, the guaranteed pensions total DKK 658.8bn.

Expected future increases in life expectancy



Note: Projected life expectancy (65-year-olds) in ATP's life expectancy model and the Danish FSA's benchmark. ATP's population and the Danish FSA's population are not directly comparable.

Investment risks

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 the investment strategy, consisting of four main components:

Hedging of the interest rate risk of pension liabilities
ATP has a significant interest rate risk when it comes to the value of its pension liabilities and seeks to hedge this risk through its hedging portfolio. Members can therefore be confident that ATP will be able to pay their pensions – regardless of interest rate changes over the coming years.

Appropriate risk level
The overall investment risk is continuously adjusted to ATP's risk budget in order to protect ATP's bonus potential – and thus ATP's financial flexibility.

Risk diversification
The market risk of the assets in ATP's investment portfolio, except long-term strategies against inflation increases, is decomposed into four factors. By diversifying market risk into the four factors: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors', ATP aims to provide a robust portfolio that reduces ATP's exposure to events in individual markets.

Use of hedging strategies
Risk diversification in itself is not always sufficient. To protect its reserves and pensions against sudden spikes in inflation, ATP uses various hedging instruments in some periods.

Counterparty risk

The use of financial instruments, especially for hedging, represents a separate risk to ATP. Changes in the value of these instruments will generate a liability or a receivable between ATP and its counterparties. Consequently, ATP may suffer a loss if a counterparty defaults. In order to reduce counterparty risk, both ATP and its counterparties require that an agreement be concluded on collateral for mutual receivables. In 2016, a body of European legislation on central clearing took effect, under which future transactions in certain financial instruments must be cleared through central clearing. In other words, clearing and documentation of financial transactions must be executed through a central counterparty (CCP). In line with the rest of the Danish pension industry, ATP is exempt from this legislation, but may be expected to comply with the same requirements in the longer term. This will entail that ATP's counterparty risk will change and that ATP will be required to provide more collateral.

Liquidity management

ATP's liquidity management ensures that ATP will, at all times, be able to meet any requirement for the provision of liquidity or pledging of collateral. This applies both in the short term (five banking days) and in the longer term (one year).

Currency risks

ATP's investments are hedged almost exclusively against currency fluctuations in Danish kroner and euros. Thus, the exposure to currencies other than Danish kroner and euros was close to zero at year-end 2016.

Operational risks

ATP's operational risks relate particularly to bulk disbursements by ATP's Processing Business and the processing of trading and transactions in connection with investments and hedging.

Regulatory risks

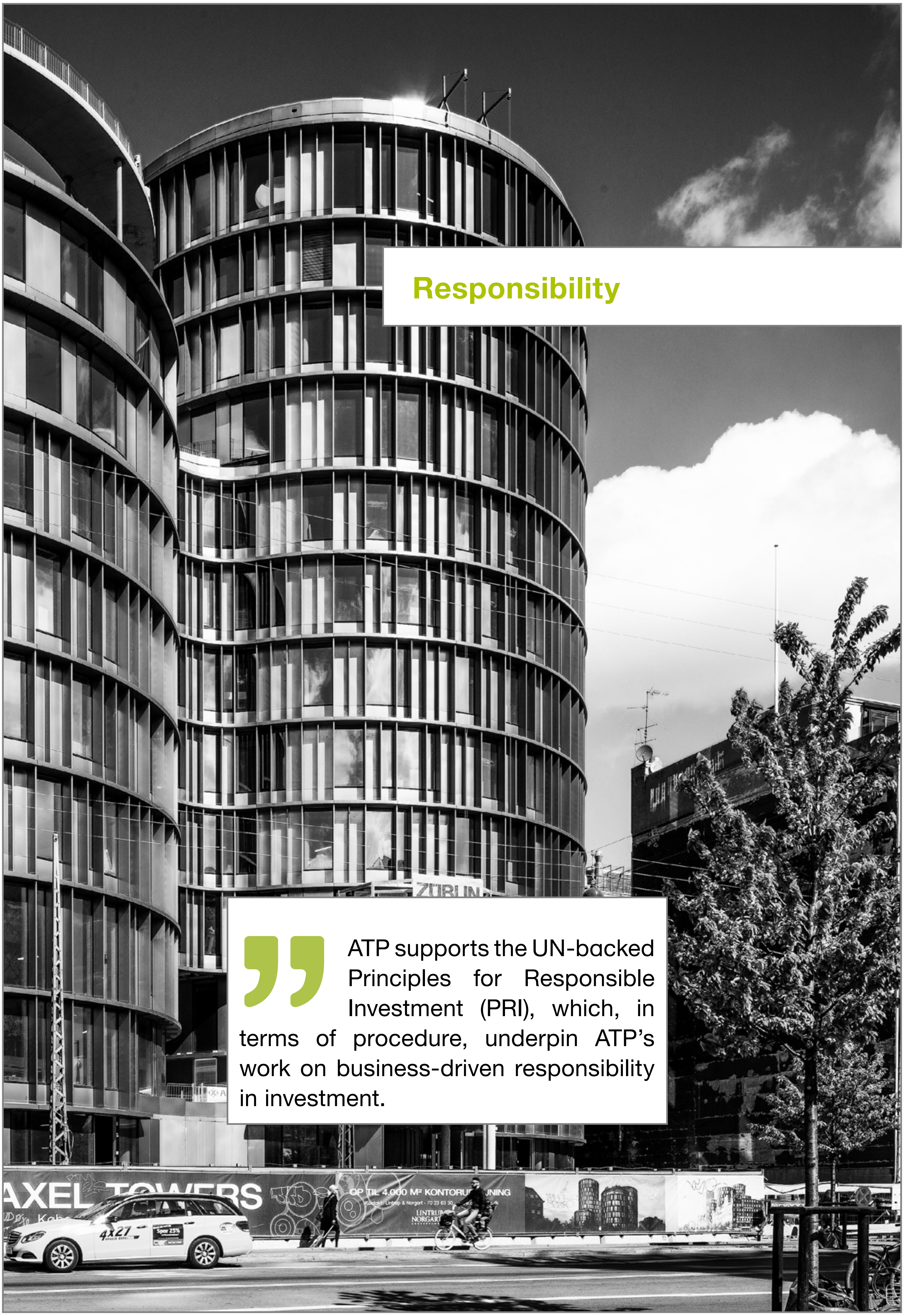
Changes to the international or Danish regulation of the financial markets represent a risk to ATP. For instance, derivatives trading must be expected increasingly to be settled through central clearing counterparties in future. How this will impact the financial markets in the longer term remains to be seen, but ATP is operationally prepared for this.

Moreover, ATP's operations are governed largely by statute or through collective agreements, entailing that the conditions under which these activities are carried out may be changed at relatively short notice.

Alternative investments

ATP invests in infrastructure, forestry, loans and private equity, referred to as alternative investments. Risks associated with these investments are, to some extent, comparable with investments in traditional investment assets and are therefore included in the four factors in the investment portfolio. To this should be added a number of risks associated with managing such investments, including the contractual basis for transactions and low market liquidity. ATP is very well versed in alternative investments and has procedures in place for managing such investments. ATP's Supervisory Board has issued guidelines for the alternative investments specified as well as real estate, which are considered illiquid investments.

Responsibility



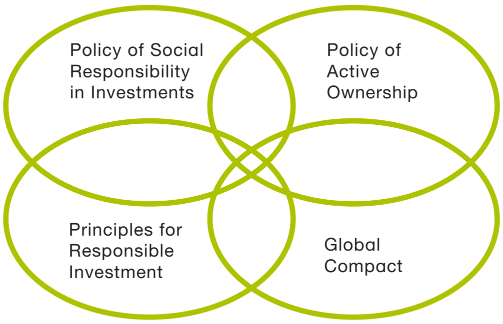
> ATP supports the UN-backed Principles for Responsible Investment (PRI), which, in terms of procedure, underpin ATP's work on business-driven responsibility in investment.

Axel Towers, Copenhagen

Responsibility

ATP practises business-driven responsibility in investment in order to safeguard and increase the return for the benefit of ATP's members.

ATP's framework for practising responsibility



Responsibility

Through all parts of the ATP Group, ATP leaves its 'footprint' on society. ATP believes that investments will have the largest overall impact on society, and special focus is therefore devoted to ATP's investment efforts.

ATP's Supervisory Board has decided to take into account a wide range of Environmental, Social and Governance (ESG) issues in investment analysis and decision-making through the focus on implementing the Policy of Social Responsibility in Investments and the Policy of Active Ownership. This is done, for instance, through screening of ATP's equity investments, continuous dialogue with selected companies and by voting at the companies' general meetings.

The Policy of Social Responsibility in Investments and the Policy of Active Ownership constitute the foundation for the way in which ATP practices business-driven responsibility in investment decisions. The policies also contribute to ensuring that the work on responsibility is consistent, business-driven and based on objective criteria. The Committee for Social Responsibility in Investments, chaired by ATP's CEO, is responsible for coordinating this work.

ATP's Policy of Social Responsibility in Investments

ATP's social responsibility efforts are based on ATP's Policy of Social Responsibility in Investments, listing a number of requirements for the companies in which ATP invests. Firstly, the companies must respect the law of the countries in which they operate. Secondly, they must respect the rules, norms and standards that ensue from conventions and other international agreements ratified by Denmark – this applies irrespective of whether the country in which the company operates has ratified such conventions. Companies in which ATP holds equities must not deliberately and repeatedly violate national law or international rules. ATP's Policy of Social Responsibility in Investments is objectively based and refers to national law and international conventions rather than subjective opinion of what is right and wrong. In the policy work, thorough preparation focusing on integrity, commitment and facts is to ensure the best possible basis for assessment and decision-making. Among other things, ATP implements the policies in its screening and exclusion processes.

ATP's Policy of Active Ownership

As a long-term investor, ATP has an interest in the efficiency of the financial markets and in investors as owners of listed companies being able to understand and control the companies' overall actions, thereby promoting the companies' long-term value creation.

In 2016, to promote companies' long-term value creation, ATP's Supervisory Board decided to revise its Policy of Active Ownership. The Policy of Active Ownership describes the principles on which ATP's active ownership efforts are based and the processes launched by ATP to exercise active ownership.

ATP applies two processes, in particular, in its active ownership activities. Firstly, ATP engages in dialogue with companies by voting at general meetings in all companies in which ATP holds equity investments. Secondly, ATP often engages in continuous dialogue with companies about various issues, including corporate governance. The scope of ATP's Policy of Active Ownership and dialogue with a specific company generally reflects the value of the investment and the size of ATP's ownership interest.

ATP and the Global Compact principles

ATP's Policy of Social Responsibility in Investments is to ensure that a wide range of environmental, social and governance issues are clarified and included in investment decisions. ATP focuses its policy efforts on the conventions on social and environmental issues, human rights and anti-corruption, and as a member of the UN Global Compact, it is reasonable to focus the thematic policy efforts on the principles which also cover issues covered by international agreements and conventions. Over recent years, ATP has been working systematically to incorporate the principles into the screening processes.

ATP and the Principles for Responsible Investment

ATP has been supporting the UN-backed Principles for Responsible Investment for several years. In 2013, ATP, along with other Danish pension funds, left the PRI organisation. In the years since then, ATP has been following the PRI discussions and reforms with interest and has been in constructive dialogue with the PRI Board of Directors. In 2016, three years after leaving the PRI organisation, ATP decided to rejoin the organisation.

SPECIAL MEASURES IN 2016

New Policy of Active Ownership and voting on all listed equities

ATP has a long-standing tradition of exercising active ownership in relation to Danish equity investments. In 2016, ATP's Supervisory Board adopted a new and updated Policy of Active Ownership, laying down principles and processes for ATP's active ownership.

The policy establishes that the active ownership is managed by ATP itself. This means that both the continuous dialogue and the dialogue through companies' general meetings are managed by ATP. ATP therefore always considers and decides on each proposal and voting item and seeks to understand the details of each proposal and place it in the context of the circumstances of the specific company.

In 2016, as a new initiative, ATP has voted at general meetings in all the companies in which ATP holds listed equities. In 2016, ATP chose to report on its voting in respect of listed international equities regarding three main items: election of board members, remuneration and shareholder proposals.

ESG risk analysis

To better understand the ESG risks in the companies in which ATP holds equities, ATP has conducted relevant thematic risk analysis of the total portfolio of listed equities on an ongoing basis in 2016. The investigations have focused on various relevant themes concerning environmental, social and governance issues reflected in the UN Global Compact principles.

The purpose of this thematic and risk-based analysis is not to establish whether a company has breached ATP's Policy of Social Responsibility in Investments. Rather, the purpose is to understand the ESG risks to which the companies in ATP's portfolio are particularly exposed and the extent to which the companies have robust processes in place to address these risks.

The investigations are based on data provided by an external data provider and show, among other things, that ATP's total equity portfolio, on average, is less exposed to general human rights risks, environmental/climate risks and corruption risks than the average risk level for companies in the global equity market.

Munitions screening

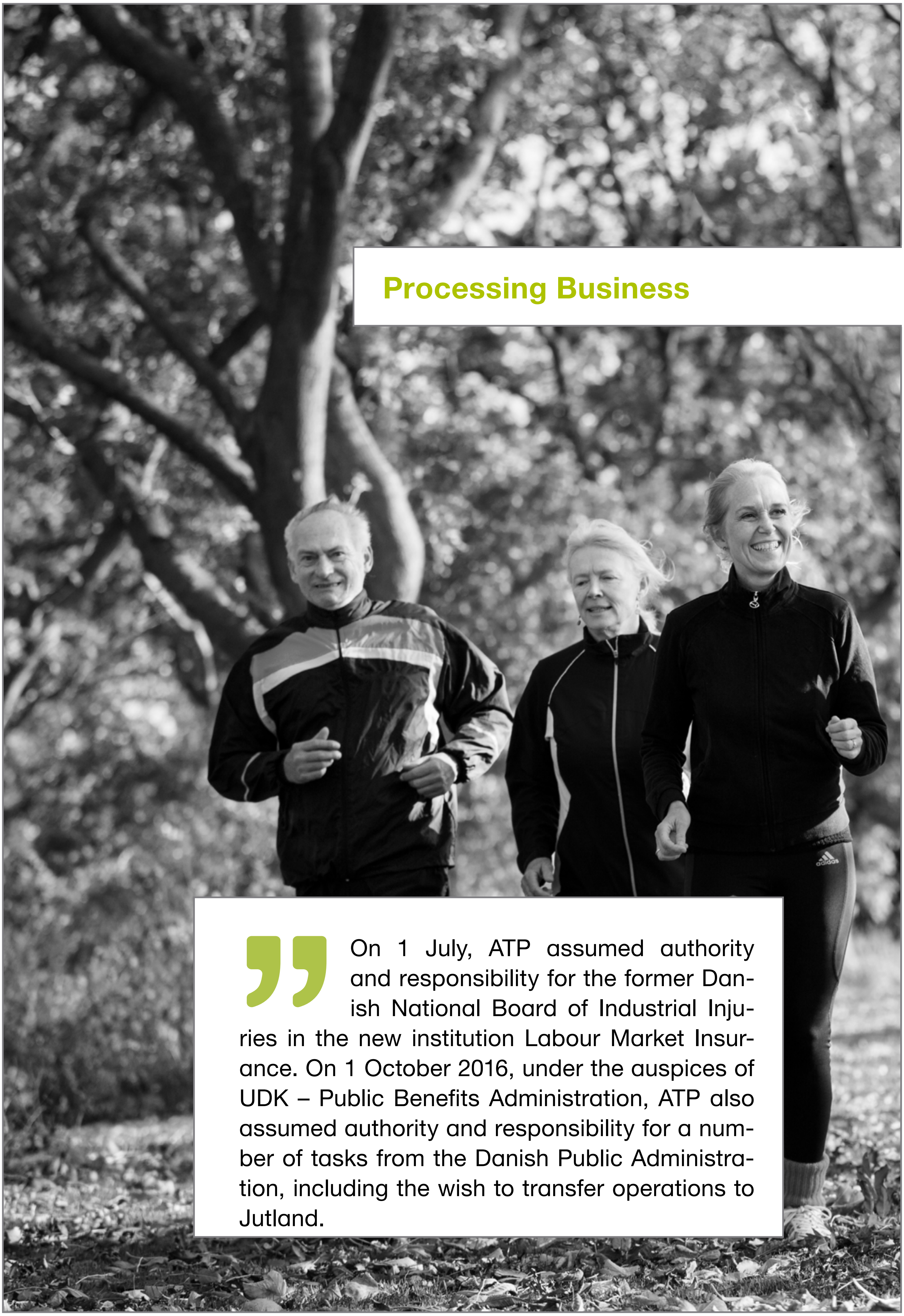
ATP excludes companies which are involved in the development, production and sale of weapons subject to conventions, including cluster bombs and landmines. In 2016, ATP has been working to consolidate its processes for exclusion of companies involved in the development, production and sale of weapons subject to conventions. Internally, ATP has therefore mapped its data provider's methods and its own practice in this field. ATP purchases specialised data from an external data provider with munitions technical knowledge and insight. Several times a year, the data provider submits intelligence on companies that may be associated with weapons subject to conventions, including comprehensive technical knowledge and detailed information on products and ownership, on which ATP bases its exclusion decisions.

Alternative investments

Working systematically with ESG across alternative investments is a relatively new concept among investors, and there is still no cross-sectoral standard solution for integrating responsibility in such investments. In 2016, ATP has, among other things, been engaged in developing ESG solutions and optimising its business processes within real estate and infrastructure investments.

Further information

Further information on ATP's responsibility work is available in ATP's Responsibility Report 2016, which also constitutes ATP's Communication on Progress to the UN Global Compact at ATP's website (www.atp.dk/en/responsibility/responsibility-reports).



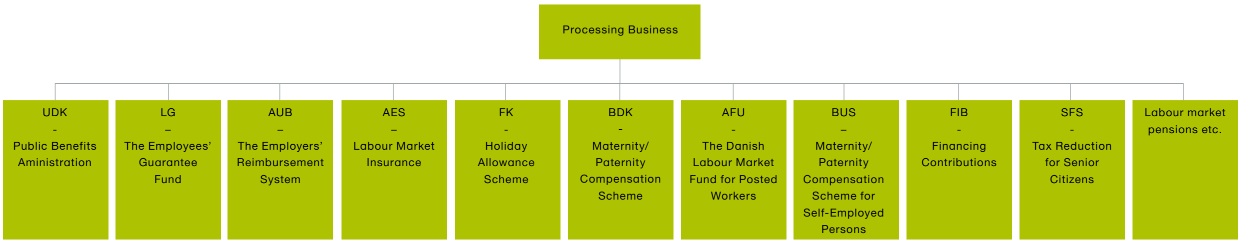
Processing Business

On 1 July, ATP assumed authority and responsibility for the former Danish National Board of Industrial Injuries in the new institution Labour Market Insurance. On 1 October 2016, under the auspices of UDK – Public Benefits Administration, ATP also assumed authority and responsibility for a number of tasks from the Danish Public Administration, including the wish to transfer operations to Jutland.

Business processing, external parties

Savings targets achieved

Business processing, external parties



The core of the ATP Group's Processing Business is the disbursement of benefits, the collection of contributions and membership and client administration for a number of labour market, social security and welfare schemes. ATP is currently Denmark's largest disbursement institution, managing two thirds of the welfare benefits disbursed in Denmark. The tasks are administered on a cost-recovery basis, with the exception of activities in ATP PensionService A/S. Ambitious objectives have been defined for customer satisfaction coupled with efficiency and competitive operations objectives resulting in falling operating expenses.

In 2016, increased automation, digitisation, productivity improvements and efficient operations management once again ensured decreasing operating expenses, which satisfied the budgeted expectations for the individual schemes. At the same time, a number of new schemes were transferred to Processing Business in 2016. In 2016, ATP's Processing Business incurred expenses of DKK 1.5bn, which were re-invoiced to the schemes managed or external parties on a cost-recovery basis. A share of these expenses are development costs recognised in the income statement as a consequence of a large project portfolio for, among other things, the development and maintenance of existing IT systems and customer improvement initiatives as well as a number of projects agreed with customers, such as the implementation of new schemes in ATP and the tendering of the municipal IT solutions under UDK – Public Benefits Administration.

For the schemes managed, there is an annual objective of a 2-3 per cent reduction in operating expenses. In addition, a number of business cases which are to result in further cost reductions have been agreed separately for UDK – Public Benefits Administration.

STATUTORY SERVICES PROVIDED ON A COST-RECOVERY BASIS

UDK – Public Benefits Administration

On behalf of the 98 Danish municipalities, UDK disburses state-funded old-age pension, disability pension, rent subsidies, maternity/paternity benefits and family benefits and handles a number of government tasks, with total disbursements of around DKK 210bn to more than 2.3 million citizens. In 2016, the focus was maintained on positive customer experiences, simplification of rules and compliance with the agreed service levels coupled with streamlining of operations, among other things through productivity improvements, increased automation in customer operations as well as improved utilisation of the capacity in the individual ATP centres to ensure that the planned cost savings are achieved. In addition to the 3 per cent annual cost savings in operations agreed with the Board of UDK, additional cost savings have been achieved as a consequence of a number of joint public digitisation initiatives as well as the realisation of gains from new municipal tasks transferred to ATP in 2015. In terms of customer operations, business processing expenses on behalf of the municipalities totalled DKK 678m, which is in accordance with the agreed objectives, and since the establishment of UDK, the expenses have been reduced by more than the initial business case of DKK 300m relative to the baseline when the tasks were handled by the municipalities. While the financial targets have been achie-

Business processing expenses, external parties

DKKm	2016	2015
UDK – Public Benefits Administration	1,003	882
LG – The Employees' Guarantee Fund	67	70
AUB – The Employers' Reimbursement System	62	68
AES – Labour Market Insurance	232	57
FK – Holiday Allowance Scheme	68	79
BDK – Maternity/Paternity Compensation Scheme	31	33
AFU – The Danish Labour Market Fund for Posted Workers	6	-
BUS – Maternity/Paternity Compensation Scheme for Self-employed Persons	8	20
FIB – Financing Contributions	12	13
SFS – Tax Reductions for Senior Citizens	7	9
Other	33	1
Total	**1,529**	**1,229**

ved in customer operations, there have been challenges in reaching the service levels agreed on several of the municipal schemes.

In parallel with this, a large number of municipal IT solutions will be developed to streamline and modernise business processes and citizen services over the coming years. In 2016, the tendering programme was challenged by delays and increased complexity, but after full commissioning in 2019, the programme is expected to lead to significant efficiency gains and reductions of the municipalities' IT operating expenses by a minimum of 25 per cent from 2020.

International Pension & Social Security (IPOS), which undertakes tasks for the Danish government, handles cases concerning state-funded old-age pension and disability pension for Danes living abroad and social security for Danish employees and companies abroad. IPOS was transferred to UDK in 2013, and in this connection, savings of around 25 per cent were realised in 2016 relative to the baseline at the time of the takeover. The business processing expenses of IPOS totalled DKK 68m in 2016. In 2016, IPOS employees from the administration department in Hillerød were relocated to UDK's centres in Haderslev and Holstebro within the agreed budget, with stable service levels and before the scheduled deadline.

According to plan, on 1 October 2016 UDK assumed authority and responsibility for a number of tasks from the Danish Public Administration, including the transfer of operations to ATP centres in Frederikshavn and Holstebro. The operation of the new scheme, which is now called State Financial Schemes, proceeded with stable service levels in Q4.

LG – The Employees' Guarantee Fund

Funded by contributions from private sector employers, LG ensures that wage earners are able to recover their outstanding salaries and wages from companies being declared bankrupt or becoming insolvent. LG also assists wage earners if companies are subject to financial reconstruction. In 2016, LG processed just over 12,200 claims from wage earners and disbursed DKK 436m in pay, compensation and holiday allowance. Business processing expenses totalled DKK 67m. Activity-defined expenses amounted to DKK 1,163 per wage earner claim processed, a reduction of 4 per cent relative to 2015.

AUB – The Employers' Reimbursement System

Funded by contributions from public and private sector employers, AUB provides financial support to employers, apprentices, trainees, colleges and committees in connection with the vocational training and education of apprentices and trainees to distribute the costs incurred in connection with training and education of apprentices and trainees among the employers. The majority of the disbursements are automated. In 2016, AUB's reimbursement expenses totalled DKK 4,442m, including DKK 2,586m in wage reimbursement. The business processing expenses of AUB totalled DKK 62m, equivalent to DKK 494 per apprentice/trainee, a reduction of 7 per cent relative to 2015.

In addition, ATP administers the government financed schemes under AUB: government subsidies for the colleges' efforts to secure vocational apprenticeships and traineeships; subsidies for transport, tools, protective equipment, apprenticeship exams etc.; and wage subsidies for employers with apprentices and trainees who have lost their apprentice contract through no fault of their own. As from and including 2017, bonus for the basic vocational education and training programme (EGU) is disbursed as a new scheme.

AES – Labour Market Insurance

AES was established on 1 July 2016 through a merger between what was previously the Danish National Board of Industrial Injuries – which was transferred from the Ministry of Employment to ATP in 2016 – and parts of the former Labour Market Occupational Diseases Fund. AES processes cases in which people have been injured at work or fallen ill on account of their jobs. During the case processing, it is determined whether the injury or illness in question can be recognised as an industrial injury, and whether the person in question has a right to compensation as well as the size of compensation. The employer's insurance company or AES Disbursement disburses the compensation. AES also prepares advisory opinions in connection with private claims for compensation, as well as dealing with cases involving compensation for victims of the German occupation. In H2 2016, AES completed 26,033 cases, with business processing expenses totalling DKK 175m relative to revenue of DKK 163m.

In 2016, AES started the relocation of operations to ATP centres in Haderslev and Vordingborg, and this relocation will continue in the coming years.

Funded by contributions from public and private sector employers, AES Disbursement pays compensation to wage earners suffering from recognised occupational diseases. AES makes lump-sum payments and pays out current benefits based on AES's assessment. In addition, AES charges an industrial injury tax on behalf of SKAT (the Danish Customs and Tax Administration). AES Disbursement's expenses for compensation paid out in H2 2016 amounted to DKK 695m, and income from contributions totalled DKK 580m. Business processing expenses totalled DKK 27m. For 2016, this is equivalent to an average of DKK 26 per wage earner covered by the scheme, which is on a par with 2015.

FK – Holiday Allowance Scheme

FK handles the administration of holiday allowance for wage earners not covered by collective schemes. Employers pay holiday allowance into accounts with FK, and the scheme subsequently pays the allowance to wage earners based on holidays reported. Just over one million wage earners are covered by FK. ATP provides administrative and technical assistance in connection with the administration of FK on behalf of the Danish Agency for Labour Market and Recruitment. In 2016, FK disbursed holiday allowance totalling DKK 9.8bn to wage earners and collected DKK 10.5bn from employers. Business processing expenses totalled DKK 68m, equivalent to DKK 67 per wage earner, a fall of 16 per cent relative to 2015 driven by a higher degree of digitisation and thus a reduced need for sending letters.

In 2016, FK's employees from the administration department in Hillerød were relocated to ATP's centre in Frederikshavn within the agreed budget, with stable service levels and before the scheduled deadline.

BDK – Maternity/Paternity Compensation Scheme

BDK is a mandatory maternity/paternity compensation scheme. BDK covers the part of the private sector labour market that is not covered by other approved maternity/paternity compensation schemes. BDK collects contributions for maternity/paternity compensation and reimburses employers who pay wages to employees on maternity/paternity leave. In 2016, DKK 499m was received in contributions from employers, and DKK 462m was reimbursed. Business processing expenses totalled DKK 31m, equivalent to DKK 1,171 per period of maternity/patentity leave, a reduction of 15 per cent relative to 2015.

In 2016, BDK's employees from the administration department in Hillerød were relocated to ATP's centre in Frederikshavn within the agreed budget, with stable service levels and before the scheduled deadline.

AFU – The Danish Labour Market Fund for Posted Workers
AFU, which is a fund for securing posted wage earners' claims for wages in connection with the provision of services in Denmark, was established on 18 June 2016. The fund is financed by ordinary contributions from all employers liable to pay contributions to the Danish Labour Market Supplementary Pension Scheme and all foreign employers with employees engaged in the provision of services in Denmark. Contributions are collected from the employers liable to pay contributions to the Danish Labour Market Supplementary Pension Scheme, and contributions from foreign employers are collected separately based on the company's registrations in the Register for Foreign Service Providers (RUT register). In addition, the fund is financed through extraordinary contributions from companies that have given rise to payouts from the fund.

In 2016, DKK 25m was paid in contributions from employers, but no payouts have been made yet to posted workers. Business processing expenses totalled DKK 6m.

BUS – Maternity/Paternity Compensation Scheme for Self-employed Persons
BUS went on stream with collections from August 2015 and disbursements from October 2015. The collection was suspended, however, as a number of the persons liable to pay contributions could not in fact be deemed to be self-employed. In February 2016, the Danish Parliament therefore decided to terminate the scheme as at 1 April 2016, but self-employed persons who started their leave before this date continued to be covered by the scheme. The last disbursements of maternity/paternity compensation were made at the end of 2016, and the last discontinuation activities will be completed at the beginning of 2017.

FIB – Financing Contributions
Private sector employers pay FIB contributions to finance ATP contributions for employees during spells of absence from the labour market due to unemployment, sickness or maternity/paternity leave. ATP collects FIB contributions with LG contributions. The collection of the contributions is a statutory collection service performed by the ATP Group on behalf of the Danish government and LG under the name FIB (Financing Contributions). In 2016, ATP collected FIB contributions totalling DKK 848m. The annual FIB rate per full-time employee was DKK 614 in 2016. Business processing expenses totalled DKK 12m, a reduction of 5 per cent relative to 2015.

SFS – Tax Reductions for Senior Citizens
ATP administers SFS in cooperation with SKAT. The scheme has been set up to encourage wage earners and self-employed people to remain in the labour market after age 60. ATP's role is to calculate the employment rate of wage earners aged 60 to 64 and notify them of their employment rate, which is calculated based on data from ATP's collections. In 2016, ATP sent almost 120,000 statements to people born in the years from 1949 to 1952. Business processing expenses totalled DKK 7m, a reduction of 25 per cent relative to 2015. The SFS scheme will be discontinued at the end of 2017.

SERVICES PROVIDED ON AN ARM'S LENGTH BASIS (ON MARKET TERMS)

The administration services sold by ATP on an arm's length basis are administered via the subsidiary ATP PensionService A/S.

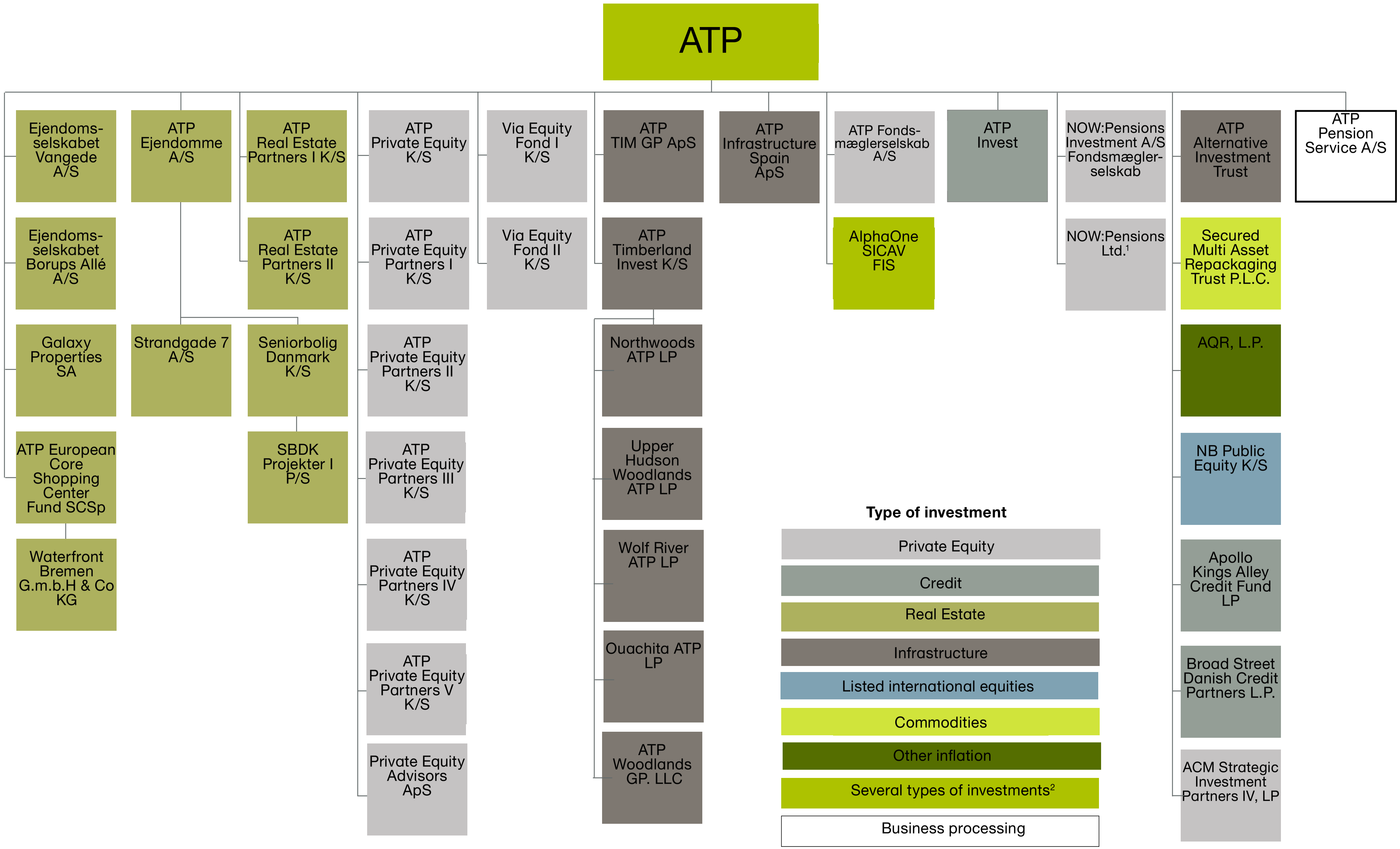
DAB – Maternity/Paternity Compensation Scheme
The ATP Group manages the DAB maternity/paternity scheme on behalf of the Confederation of Danish Employers (DA). The administration involves the collection of contributions from employers and reimbursements to companies with employees on maternity/paternity leave.

Consolidated financial statement

> In 2016, the ATP Group achieved a profit of DKK 9.3bn before the life expectancy update. ATP's free reserves – its bonus potential – totalled DKK 100.5bn at the end of 2016.

Belfast City Airport, Ireland

Overview of the ATP Group



[1]NOW Pensions Ltd. has 5 subsidiaries with no activity
[2]A side from the above mentioned investment types, these also include investments in bonds, listed Danish equities, hedging strategies against inflation increases and other inflation exposure.

Statement by the Supervisory and Executive Boards

The Supervisory and Executive Boards have today considered and adopted the annual report of ATP for the financial year 1 January to 31 December 2016.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (*Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension* – available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and ATP's assets, liabilities and financial position as at 31 December 2016 and of the financial performance and cash flows of the Group and ATP for the financial year 1 January to 31 December 2016.

In our opinion, the management's review also provides a true and fair description of the development in the Group's and the Parent Company's operations and financial conditions, and a description of the most significant risks and uncertainties that may affect the Group and the Parent Company.

We recommend that the annual report be adopted by the Board of Representatives.

Copenhagen, 7 February 2017

Executive Board:

Christian Hyldahl
Chief Executive Officer

/Bo Foged
Chief Financial Officer

Supervisory Board:

Jørgen Søndergaard
Chairman of the Supervisory Board

Torben Dalby Larsen
Member of the Supervisory Board

Kim Graugaard
Member of the Supervisory Board

Lizette Risgaard
Member of the Supervisory Board

Arne Grevsen
Member of the Supervisory Board

Jacob Holbraad
Member of the Supervisory Board

Anne Broeng
Member of the Supervisory Board

Jan Walther Andersen
Member of the Supervisory Board

Kim Simonsen
Member of the Supervisory Board

Anne Jæger
Member of the Supervisory Board

Bent Hansen
Member of the Supervisory Board

Bente Sorgenfrey
Member of the Supervisory Board

Lars Qvistgaard
Member of the Supervisory Board

Adopted by the Board of Representatives.

Copenhagen, 7 February 2017

Board of Representatives:

Jørgen Søndergaard
Chairman of the Board of Representatives

Internal auditors' report

To the Board of Representatives

Auditors' report on the consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2016. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (available in Danish only).

Basis of opinion

We conducted our audit in accordance with the Danish Financial Supervisory Authority's (FSA) executive order on auditing of the Danish Labour Market Supplementary Pension Fund (ATP), the Labour Market Occupational Diseases Fund (AES), the Employees' Capital Pension Fund (LD) and in accordance with international auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements and parent company financial statements are free from material misstatement.

The audit was performed in accordance with the division of responsibilities agreed with the external auditors and included an assessment of the procedures and internal controls established, including the risk management organised by the Management relevant to reporting processes and material business risks. Based on materiality and risk, we examined, on a test basis, the basis of amounts and other disclosures in the consolidated financial statements and parent company financial statements. Furthermore, the audit included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent company financial statements.

We participated in the audit of risk and material areas, and we believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the Group's and the Parent Company's reporting processes and material business risks, are working satisfactorily.

Furthermore, in our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as at 31 December 2016 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2016 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (*Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension* – available in Danish only).

Statement on the management's review

Pursuant to the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only), we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent company financial statements.

On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent company financial statements.

Copenhagen, 7 February 2017

Peter Jochimsen
Chief Auditor

Independent auditors' report

To the Board of Representatives

Opinion
We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2016, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as at 31 December 2016 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2016 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only).

Basis of opinion
We conducted our audit in accordance with international auditing standards and the additional requirements applicable in Denmark. Our responsibility according to these standards and requirements is described in detail in the section 'Auditors' responsibility for the audit of the consolidated financial statements and parent company financial statements' in the auditors' report. We are independent of the Group in accordance with the international code of ethics for accountants (IESBA's 'Code of Ethics for Professional Accountants') and the additional requirements applicable in Denmark, and we have fulfilled our other ethical obligations in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's responsibility for the consolidated financial statements and parent company financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements and parent company financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (available in Danish only).

Management is also responsible for the internal controls considered necessary by Management to prepare consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements and parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue their operations; for providing information on matters relating to the continued operations, where relevant; as well for preparing consolidated financial statements and parent company financial statements based on the going concern basis of accounting, unless Management intends to either liquidate the Group or the Parent Company or cease operations or has no other realistic alternative than doing this.

Auditors' responsibility for the audit of the consolidated financial statements and parent company financial statements
Our goal is to obtain reasonable assurance that the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report with an opinion. Reasonable assurance is a reasonable level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only) will always identify any material misstatement. Misstatements may arise as a result of fraud or error and may be deemed to be material if it could reasonably be expected that they, separately or collectively, affect the financial decisions made by the users on the basis of the consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with international auditing standards and the additional requirements applicable in Denmark, we make professional judgements and maintain professional scepticism during our audit. Moreover:

- We identify and assess the risk of material misstatement in the consolidated financial statements and parent company financial statements, whether due to fraud or error, we design and perform audit procedures in response to these risks and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not identifying material misstatement resulting from fraud is higher than in connection with material misstatement resulting from error as fraud may comprise conspiracy, forgery, deliberate omission, misrepresentation or override of internal controls.

- We obtain an understanding of internal controls 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 company's internal control.

- We determine whether the accounting policies applied by Management are appropriate and whether the accounting estimates and related information prepared by Management are reasonable.

- We express an opinion on whether Management's preparation of the consolidated financial statements and parent company financial statements based on the going concern basis of accounting is appropriate and on whether, based on the audit evidence obtained, material uncertainty is attached to events or conditions that may give rise to significant doubt about the Group's and the company's ability to continue their operations. If we express the opinion that there is material uncertainty, we must in our auditors' report draw attention to information thereon in the consolidated financial statements and parent company financial statements or, if such information is insufficient, we must modify our opinion. Our opinions are based on the audit evidence obtained until the date of our auditors' report. Future events or conditions may, however, result in the Group and the company becoming unable to continue operations.

- We consider the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including disclosures in the notes, and whether the consolidated financial statements and parent company financial statements reflect the underlying transactions and events in such a way that they provide a true and fair view thereof.

- We obtain sufficient and appropriate audit evidence about the financial information regarding the entities or business activities in the Group for use for the purpose of expressing an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the consolidated financial statements audit. We are solely responsible for our audit opinion.

We communicate with the senior management on, among other things, the planned scope and timing of the audit as well as significant audit observations, including any significant deficiencies in internal controls that we identify during our audit.

Statement on the management's review
Management is responsible for the management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not include the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated financial statements and parent company financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or the knowledge obtained during our audit or in any other way appears to contain material misstatement.

It is furthermore our responsibility to consider whether the management's review contains the information required pursuant to the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only).

Based on the work performed, we believe that the management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only). We have not found any material misstatement in the management's review.

Copenhagen, 7 February 2017

Deloitte
Statsautoriseret Revisionspartnerselskab

Henrik Wellejus
State Authorised Public Accountant

Kasper Bruhn Udam
State Authorised Public Accountant

Income statement

DKKm Note		Group 2016	Group 2015	ATP 2016	ATP 2015
	Investment				
	Income from group subsidiaries	-	-	7,870	6,623
	Income from associates	1,653	1,008	866	563
4	Income from investment properties	1,087	1,021	417	419
	Consulting fee and fee income	734	184	707	139
5	Interest income and dividends etc. related to investment activities	5,099	6,286	3,618	4,015
5	Market value adjustments related to investment activities	9,266	10,129	3,477	5,975
5	Interest expenses related to investment activities	(2,499)	(2,080)	(2,307)	(1,922)
6	Investment activity expenses	(823)	(837)	(309)	(254)
9	Tax on pension savings returns in respect of investment activities	(1,944)	(2,211)	(1,944)	(2,211)
	Income tax in respect of investment activities	(45)	(48)	-	-
	Investment activity results	**12,528**	**13,452**	**12,395**	**13,347**
	Hedging				
5	Interest income related to hedging activities	17,431	17,716	17,431	17,716
5	Market value adjustments related to hedging activities	39,249	(25,357)	39,249	(25,357)
5	Interest expenses related to hedging activities	(309)	(351)	(309)	(351)
9	Tax on pension savings returns in respect of hedging activities	(8,625)	1,223	(8,625)	1,223
22	Change in guaranteed benefits due to change in discount rate	(45,551)	12,172	(45,551)	12,172
22	Change in guaranteed benefits due to maturity reduction	(6,329	(7,674)	(6,329)	(7,674)
	Hedging activity results	**(4,134)**	**(2,271)**	**(4,134)**	**(2,271)**
	Investment and hedging activity results	**8,394**	**11,181**	**8,261**	**11,076**
	Pension				
10	Contributions	9,572	9,055	9,572	9,055
	Fees	-	2	-	2
11	Benefit payouts	(15,454)	(14,566)	(15,454)	(14,566)
22	Change in guaranteed benefits due to contributions and pension benefits	6,956	6,688	6,956	6,688
5	Interest income related to pension activities	13	11	13	11
5	Interest expenses related to pension activities	(3)	(4)	(3)	(4)
6	Pension activity expenses	(239)	(283)	(239)	(283)
9	Tax on pension savings returns in respect of pension activities	(2)	(1)	(2)	(1)
	Revenue recognition of Special Pension Savings not withdrawn	-	147	-	147
	Pension activity results before change in life expectancy	**843**	**1,049**	**843**	**1,049**
22	Change in guaranteed benefits due to life expectancy update	(9,901)	(3,723)	(9,901)	(3,723)
	Pension activity results	**(9,058)**	**(2,674)**	**(9,058)**	**(2,674)**
	Processing Business				
7	Other income	1,545	1,251	1,568	1,278
6. 8	Other expenses	(1,529)	(1,229)	(1,556)	(1,261)
	Income tax in respect of business processing	(1)	(1)	-	-
	Processing Business results	**15**	**21**	**12**	**17**
	Results before bonus	**(649)**	**8,528**	**(785)**	**8,419**
	Bonus allowance for the year	-	(3,017)	-	(3,017)
	Net results for the year	**(649)**	**5,511**	**(785)**	**5,402**
	Minority interests' share of net results for the year	140	109	-	-
	The ATP Group's share of net results for the year	(789)	5,402	(785)	5,402
	Allocated results	**(649)**	**5,511**	**(785)**	**5,402**

Statement of comprehensive income

DKKm		Group		ATP	
Note		**2016**	**2015**	**2016**	**2015**
	Net results for the year	**(649)**	**5,511**	**(785)**	**5,402**
	Other comprehensive income				
	Items that may not be reclassified to results:				
25	Revaluation reserve, owner-occupied properties	1	9	(3)	9
	Total	**1**	**9**	**(3)**	**9**
	Other comprehensive income	**1**	**9**	**(3)**	**9**
	Comprehensive income for the year	**(648)**	**5,520**	**(788)**	**5,411**
	Minority interests' share of comprehensive income for the year	140	109	-	-
	The ATP Group's share of comprehensive income for the year	(788)	5,411	(788)	5,411
	Allocated comprehensive income	**(648)**	**5,520**	**(788)**	**5,411**

Statement of financial position

DKKm		Group		ATP	
Note		2016	2015	2016	2015
	ASSETS				
	Cash and demand deposits	6,798	5,491	3,545	2,397
12	Bonds	567,999	520,244	542,835	494,443
12	Equity investments	87,210	81,279	51,101	43,759
12	Mutual fund units	5,856	5,535	-	-
12.13	Financial derivatives	88,549	81,932	88,498	81,930
12	Loans	14,001	10,049	12,107	9,435
12	Loans to group subsidiaries	-	-	2,821	2,695
12	Receivables from group subsidiaries	-	-	1,124	526
12, 14	Investments in group subsidiaries	-	-	85,957	85,460
12, 15	Investments in associates	14,962	13,018	9,365	7,910
24	Intangible assets	736	582	691	537
16	Investment properties	21,139	20,360	8,028	7,749
25	Owner-occupied properties	854	847	805	802
	Operating equipment	19	23	13	19
	Tax receivable on pension savings returns and income tax	1	-	-	-
	Deferred tax on pension savings returns and income tax	1	8	-	-
12	Interest receivable	3,849	4,273	3,519	3,887
12	Contributions receivable	2,566	2,435	2,566	2,435
12	Receivables from credit institutions	56,185	35,428	54,762	35,428
12	Other receivables and other loans	2,739	2,144	1,168	1,010
	Other prepayments	851	814	841	806
	Total assets	**874,315**	**784,462**	**869,746**	**781,228**
	EQUITY AND LIABILITIES				
12	Payables to group subsidiaries	-	-	254	167
12, 13	Financial derivatives	67,621	57,782	67,399	56,811
	Tax payable on pension savings returns and income tax payable	10,555	976	10,554	976
	Deferred tax on pension savings returns and income tax	154	116	-	-
12	Payables to credit institutions	29,801	16,070	29,726	16,070
12	Other payables	6,526	3,965	2,562	1,990
	Total payables	**114,657**	**78,909**	**110,495**	**76,014**
22	Guaranteed benefits	658,797	603,972	658,797	603,972
23	Bonus potential	100,454	101,242	100,454	101,242
	Total pension provisions	**759,251**	**705,214**	**759,251**	**705,214**
	Minority interests	407	339	-	-
	Total equity and liabilities	**874,315**	**784,462**	**869,746**	**781,228**

Cash flow statement

DKKm	Group		ATP	
	2016	2015	2016	2015
Cash flows from operating activities				
Contributions and fees received	9,460	9,020	9,460	9,020
Pension benefit payouts	(15,484)	(14,645)	(15,484)	(14,645)
Pension activity expenses paid	(154)	(258)	(154)	(258)
Interest income received in respect of pension activities	13	11	13	11
Interest expenses paid in respect of pension activities	(3)	(4)	(3)	(4)
Tax paid on pension savings returns in respect of pension activities	(2)	(1)	(2)	(1)
Cash flows from pension activities	(6,170)	(5,877)	(6,170)	(5,877)
Interest income etc. received in respect of investment and hedging activities	22,898	23,898	21,421	21,571
Interest expenses etc. paid in respect of investment and hedging activities	(2,808)	(2,431)	(2,616)	(2,275)
Return received on investment properties and consulting fee	1,758	1,322	1,108	566
Investment activity expenses paid	(849)	(782)	(309)	(254)
Tax paid on pension savings returns in respect of investment and hedging activities	(991)	(15,440)	(991)	(15,440)
Cash flows from investment and hedging activities	20,008	6,567	18,613	4,168
Income received in respect of business processing	1,419	1,282	1,447	1,343
Business processing expenses paid	(1,428)	(1,162)	(1,452)	(1,188)
Cash flows from business processing	(9)	120	(5)	155
Income tax paid	(1)	(2)	-	-
Cash flows from operating activities	**13,828**	**808**	**12,438**	**(1,554)**
Cash flows from investment activities				
Sale of bonds	147,272	142,463	122,102	103,702
Bond drawings	11,981	19,189	11,956	19,148
Purchase of bonds	(181,294)	(191,096)	(158,050)	(146,470)
Sale of equity investments	34,948	51,841	36,031	59,363
Purchase of equity investments	(30,940)	(42,063)	(32,141)	(56,884)
Financial derivatives	16,313	4,159	16,797	9,684
Sale of mutual fund units	-	3,350	-	-
Purchase of mutual fund units	(74)	-	-	-
Sale of investment properties	146	824	311	38
Purchase of investment properties	(584)	(1,750)	(284)	(158)
Sale and purchase, net intangible assets, property, plant and equipment and owner-occupied properties	(59)	(22)	(57)	(20)
Loans	(24,158)	16,276	(21,564)	16,395
Cash flows from investment activities	**(26,449)**	**3,171**	**(24,899)**	**4,798**
Cash flows from financing activities				
Loan, capital increase and dividend from/to minority shareholder	(86)	113	-	-
Loans from credit institutions	13,731	(2,925)	13,656	(2,925)
Cash flows from financing activities	**13,645**	**(2,812)**	**13,656**	**(2,925)**
Change in cash and cash equivalents	**1,024**	**1,167**	**1,195**	**319**
Foreign currency translation adjustments	283	(910)	(47)	45
Cash and cash equivalents as at 1 January	**5,491**	**5,234**	**2,397**	**2,033**
Cash and cash equivalents as at 31 December	**6,798**	**5,491**	**3,545**	**2,397**

The cash flow figures cannot be deduced directly from the figures of the consolidated financial statements.

Contents of notes

Note 1 General accounting policies

The consolidated financial statements and the annual report for ATP for 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension – available in Danish only).

In the preparation of the annual report, the Supervisory and Executive Boards list a number of assumptions that affect the carrying amounts of assets and liabilities, as well as income and expenses. Note 2 specifies the accounting estimates and assessments considered to be material in the preparation of the annual report. Accounting policies and accounting estimates for specific items are set out in the individual notes.

With the exception of the implementation of new and revised accounting standards as described in note 3, the accounting policies are unchanged from 2015. Some comparative figures have been restated.

§ Accounting policies

Materiality in presentation
In the preparation of the annual report, the Supervisory and Executive Boards assess how to present the annual report. In this context, it is taken into account that the content of the annual report must be significant to the reader. In the presentation of the Group's and ATP's assets, liabilities, financial position and performance, it is assessed whether less significant amounts could, with advantage, be aggregated. In the preparation of the notes, the focus is on ensuring that the content is relevant and the presentation is clear. Assessments are always carried out with reference to relevant legislation, international financial reporting and accounting standards and to ensure that the annual report provides an overall true and fair view.

Consolidation
The consolidated financial statements comprise the financial statements of the ATP Parent Company and entities controlled by ATP. ATP controls an entity when ATP is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements are based on the financial statements of the Parent Company and the individual subsidiaries, prepared in accordance with the Group's accounting policies. On consolidation, items of a uniform nature are added together and the following items are eliminated: intercompany income and expenses, equity holdings, intercompany balances and dividends, as well as realised and unrealised gains and losses on transactions between consolidated companies.

A group overview is available on page 57.

Foreign currency translation:

Functional currency and presentation currency
The consolidated financial statements are presented in Danish kroner (DKK), the functional currency and presentation currency of the Parent Company. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. A functional currency is determined for each of the Group's reporting entities. All of the Group's entities use Danish kroner (DKK) as their functional currency.

Translation of transactions and amounts
Transactions in currencies other than the functional currency are foreign currency transactions. Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the transaction date. Investment assets, receivables and payables in foreign currencies are translated into the functional currency at the exchange rate prevailing at the statement of financial position date. Realised and unrealised foreign exchange gains and losses are included in the income statement under 'Market value adjustments related to investment activities' and 'Market value adjustments related to hedging activities'.

Cash flow statement
The Group's cash flow statement shows the cash flows for the year, broken down by operating, investment and financing activities; changes for the year in cash and cash equivalents; and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented directly and calculated as pension contributions received less pension benefit payouts. Moreover, management fees received, payments related to administration activities, payments to suppliers and staff, and direct and indirect taxes are included.

Cash flows from investment activities include purchases and sales for the financial year of bonds, equity investments, financial derivatives, mutual fund units, loans to credit institutions, investment properties, as well as intangible assets and operating equipment.

Cash flows from financing activities include the use of repo transactions and minority interest transactions for the financial year.

Cash and cash equivalents include cash and demand deposits, as well as time deposits with an original term to maturity of less than three months.

Bonus potential
ATP and the ATP Group have no owners in the traditional sense of the word such as a public limited company with shareholders. ATP and the ATP Group therefore do not have equity as such, but the non-distributed bonus potential is regarded as equity as the item is included in the Group's capital base. In addition, ATP and the ATP Group have minority interests in subsidiaries.

The comprehensive income for the year is transferred to ATP's and the Group's bonus potential. The comprehensive income for the year includes net results for the year plus revaluation or impairment losses for owner-occupied properties for the year.

The bonus potential is used to increase the future guaranteed benefits on an ongoing basis. The bonus allowances for the year are recognised as an expense in the income statement.

Changed presentation of provisions for claims outstanding
In the annual report for 2016, the item 'Provisions for claims outstanding' and the item 'Guaranteed benefits' have been added together. Similarly, the item 'Change in provisions for claims outstanding' and the item 'Change in guaranteed benefits due to contributions and pension benefits' have been added together. Comparative figures for 2015 have been restated. The change has not affected results, bonus potential and assets for 2016 and 2015.

Note 1 General accounting policies, continued

Accounting policies for notes without a specific note attached

Income tax
Tax on results for the year, comprising current tax for the year, changes in deferred tax and prior-year adjustments, if any, is recognised in the income statement. Tax payable and deferred tax are recognised under payables, while tax receivable and deferred tax assets are recognised under assets.

Deferred tax resulting from temporary differences between the carrying amount and the tax base of assets and liabilities is measured under the statement of financial position liability method.

The tax value of tax loss carryforwards is included in the calculation of deferred tax if it is likely that the tax loss carryforwards can be utilised. Deferred tax is measured in accordance with the current tax rules and at the tax rates that are expected to apply in the periods in which the temporary differences reverse.

Operating equipment
Operating equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price as well as expenses directly related to the acquisition until such a time as the asset is ready for use. Expenses incurred for repair and maintenance are taken directly to the income statement.

Depreciation of operating equipment is provided on a straight-line basis over the estimated useful economic lives of the assets. The depreciation periods have been determined at two to five years.

Losses or gains on the sale or other disposal of property, plant and equipment are measured as the difference between the selling price and the carrying amount.

The residual value and useful economic lives of the assets are reviewed and adjusted, if appropriate, at each statement of financial position date. If the residual value of the asset exceeds the carrying amount, depreciation is discontinued. In case of changes in the depreciation period or the residual value, the prospective effect of depreciation is recognised as a change in accounting estimate.

Note 2 Significant accounting estimates

In the preparation of the annual report in accordance with generally accepted accounting principles, the Supervisory and Executive Boards make estimates and assumptions that affect the reported amounts of assets and liabilities. The Supervisory and Executive Boards base their estimates on historical experience and on various other factors that are believed to be reasonable and relevant under the circumstances. The Supervisory and Executive Boards of the ATP Group consider the following estimates and related assessments to be significant in the preparation of the consolidated financial statements:

- Estimates related to the determination of the fair value of financial instruments (note 12).
- The discount rate and estimates related to the valuation of pension provisions (note 22).
- Estimates related to the valuation of the Group’s investment properties and owner-occupied properties (notes 16 and 25).

Note 3 New accounting regulations

The following new and revised standards that are effective for financial years beginning on 1 January 2016 have been implemented in the consolidated financial statements and the parent company financial statements for ATP.

- Amendments to IFRS 10, 12, and 28: Investment Entities – Applying the Consolidation Exemption
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards
- Amendments to IAS 16 og IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 og IAS 41: Bearer Plants
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Parts of Annual Improvements to IFRSs 2010-2012 Cycle – various standards

None of the revised standards have affected recognition and measurement in the consolidated financial statements and the parent company financial statements for 2016.

Standards and interpretations not yet in effect
A number of new and revised standards and interpretations have been issued that are not mandatory for the Group and ATP for the preparation of the annual report for 2016. None of these standards and interpretations are expected to have a material impact on the financial reporting of the Group and ATP.

Note 4 Income from investment properties

DKKm	Group		ATP	
	2016	2015	2016	2015
Rental income from investment properties	1,323	1,233	572	572
Income from forestry investment properties	53	51	0	0
Property management expenses	(220)	(199)	(145)	(145)
Operating expenses, forestry properties	(55)	(52)	0	0
Maintenance expenses in respect of investment properties	(14)	(12)	(10)	(8)
Total income from investment properties	**1,087**	**1,021**	**417**	**419**
Operating expenses excl. forestry investment properties incl. repairs and maintenance in respect of:				
Rented floor space	(206)	(182)	(125)	(129)
Non-rented floor space	(28)	(29)	(30)	(24)
Total	**(234)**	**(211)**	**(155)**	**(153)**

§ Accounting policies

Income from investment properties is comprised of the rental income from investment properties for the year and sale of timber from forestry properties less property management and timber expenses. Fair value adjustments of investment properties are recognised in the item ‘Market value adjustments related to investment activities’. The specification is set out in note 5 ‘Investment returns, broken down by asset type’. The determination of the fair value of investment properties is described in detail in note 16 ‘Investment properties’.

Note 5 Investment returns, broken down by asset type, Group

The ATP Group's investment returns are allocated to the Group's three business areas using the following principles. The return in the hedging portfolio consists of interest income and market value adjustments of bonds, interest rate swaps and repo transactions. The return on bonds and interest rate swaps after tax on pension savings returns of 15.3 per cent is largely equivalent to the changes in the guaranteed benefits due to changes in the discount rate and changes in maturity. Hedging using interest rate swaps does not require liquidity in the same manner as bonds, and the liquidity not used is made available for investment activities. Investment activities pay interest on this liquidity, referred to below as 'Loans from hedging activities'. Investment activities use this liquidity to invest in five risk classes within a pre-defined risk budget. See the 'Investment' section for a description of the individual risk classes. A small part of the Group's cash and cash equivalents and the related interest income are attributed to pension activities.

DKKm	2016			2015		
Investment	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**
Equity investments	1,947	-	8,100	3,749	-	15,846
Mutual fund units	-	-	247	-	-	2,282
Bonds	1,786	-	3,209	1,938	-	(1,079)
Loans	1,277	-	455	516	-	786
Loans from hedging activities	-	(1,112)	-	-	(1,169)	-
Other	24	(195)	452	40	(162)	(1,859)
Financial assets and liabilities recognised at fair value in the income statement (chosen)	5,034	(1,307)	12,463	6,243	(1,331)	15,976
Financial derivatives	65	(1,192)	(3,538)	43	(749)	(6,402)
Total trading assets	65	(1,192)	(3,538)	43	(749)	(6,402)
Investment properties	-	-	341	-	-	555
Total	**5,099**	**(2,499)**	**9,266**	**6,286**	**(2,080)**	**10,129**

Hedging	**Interest income etc.**	**Interest expenses**	**Market value adjustments**	**Interest income etc.**	**Interest expenses**	**Market value adjustments**
Bonds	10,773	-	22,274	10,948	-	(13,013)
Loans for investment activities	1,112	-	-	1,169	-	-
Receivables from and payables to credit institutions	254	(309)	-	287	(351)	2
Other	8	-	(71)	-	-	(24)
Financial assets and liabilities recognised at fair value in the income statement (chosen)	12,147	(309)	22,203	12,404	(351)	(13,035)
Financial derivatives	5,284	-	17,046	5,312	-	(12,322)
Total trading assets	5,284	-	17,046	5,312	-	(12,322)
Total	**17,431**	**(309)**	**39,249**	**17,716**	**(351)**	**(25,357)**

Pension	**Interest income etc.**	**Interest expenses**	**Interest income etc.**	**Interest expenses**
Other	13	(3)	11	(4)
Financial assets and liabilities at amortised cost	13	(3)	11	(4)
Total	**13**	**(3)**	**11**	**(4)**

Note 5 Investment returns, broken down by asset type, ATP

DKKm	2016			2015		
Investment	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**
Equity investments	1,293	-	4,526	2,583	-	8,917
Bonds	607	-	1,471	508	-	(1,274)
Loans	1,285	-	384	595	-	786
Loans from hedging activities	-	(1,112)	-	-	(1,169)	-
Receivables from and payables to credit institutions	-	-	-	-	-	-
Other	368	(3)	256	286	(4)	2,144
Financial assets and liabilities recognised at fair value in the income statement (chosen)	3,553	(1,115)	6,637	3,972	(1,173)	10,573
Financial derivatives	65	(1,192)	(3,466)	43	(749)	(4,720)
Total trading assets	65	(1,192)	(3,466)	43	(749)	(4,720)
Investment properties	-	-	306	-	-	122
Total	**3,618**	**(2,307)**	**3,477**	**4,015**	**(1,922)**	**5,975**

Hedging	**Interest income etc.**	**Interest expenses**	**Market value adjustments**	**Interest income etc.**	**Interest expenses**	**Market value adjustments**
Bonds	10,773	-	22,274	10,948	-	(13,013)
Loans for investment activities	1,112	-	-	1,169	-	-
Receivables from and payables to credit institutions	254	(309)	-	287	(351)	2
Other	8	-	(71)	-	-	(24)
Financial assets and liabilities recognised at fair value in the income statement (chosen)	12,147	(309)	22,203	12,404	(351)	(13,035)
Financial derivatives	5,284	-	17,046	5,312	-	(12,322)
Total trading assets	5,284	-	17,046	5,312	-	(12,322)
Total	**17,431**	**(309)**	**39,249**	**17,716**	**(351)**	**(25,357)**

Pension	**Interest income etc.**	**Interest expenses**	**Interest income etc.**	**Interest expenses**
Other	13	(3)	11	(4)
Financial assets and liabilities at amortised cost	13	(3)	11	(4)
Total	**13**	**(3)**	**11**	**(4)**

Note 5 Investment returns, broken down by asset type

§ Accounting policies

Investment

Interest income and dividends etc. include interest for the year on securities and loans, forward premiums related to repo transactions and forward exchange contracts, indexation of index-linked bonds, interest payments on financial derivatives and dividends on equity investments less foreign dividend taxes.

Interest expenses comprise the interest expense for the year payable by investment activities to hedging activities for liquidity made available and for hedging of ATP's long-term liabilities more than 40 years into the future. The interest expense regarding loans of excess liquidity is calculated daily using an internal money market rate, while the payment for hedging of long-term liabilities is fixed at 3 per cent per year. The contra entry is included in interest income related to hedging activities. Also included are all expenses related to forward premiums on repo transactions and forward exchange contracts and interest payments on interest rate and inflation swaps.

Market value adjustments comprise value adjustments for the year of equity investments, bonds, mutual fund units, financial derivatives, loans and investment properties, as well as realised gains and losses on the sale of equity investments, bonds, mutual fund units, financial derivatives, loans and investment properties. Foreign currency translation adjustments are also included.

Hedging

Interest income comprises the interest for the year on securities and loans. The interest income from loans is the income received by hedging activities from investment activities for liquidity made available and for hedging of ATP's long-term liabilities more than 40 years into the future. The interest income from lending of excess liquidity is calculated daily using an internal money market rate, while the payment for hedging of long-term liabilities is fixed at 3 per cent per year. Also included are interest income on bonds and interest rate swaps and forward premiums related to repo transactions.

Interest expenses comprise all expenses related to forward premiums on repo transactions and forward exchange contracts.

Market value adjustments related to hedging activities comprise value adjustments for the year of bonds and financial derivatives. Foreign currency translation adjustments are also included.

Pension

Interest income and interest expenses comprise interest for the year which is not allocated to investment and hedging activities, respectively. Interest income relates primarily to late-payment interest in connection with the collection of ATP contributions.

Note 6 Expenses

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Investment activity expenses	823	837	309	254
Pension activity expenses	239	283	239	283
Business processing expenses	1,529	1,229	1,552	1,261
	2,591	**2,349**	**2,100**	**1,798**
Audit fees:				
Total fees paid to auditors can be broken down as follows:				
Statutory audit	2.8	3.1	1.4	1.3
Other assurance engagements	0.1	0.3	0.0	0.0
Tax and VAT services	1.3	1.6	1.0	0.1
Other services	1.5	0.7	1.0	0.1
	5.7	**5.7**	**3.4**	**1.5**
Depreciation, amortisation and impairment losses:				
Depreciation and impairment losses, property, plant and equipment	13	13	10	10
Amortisation and impairment losses, intangible assets	117	167	117	110
Staff expenses:				
Payroll costs	1,234	1,022	1,094	882
Pension contributions	189	158	173	141
Other social security expenses	24	23	17	15
Total staff expenses	**1,447**	**1,203**	**1,284**	**1,038**
Average number of full-time staff	2,445	1,964	2,172	1,753
Remuneration paid to the CEO	-	-	6.9	6.4
Of which pension contribution	-	-	1.0	1.0
Total remuneration paid to the ATP Supervisory Board	-	-	2.2	2.1
Total remuneration paid to the ATP Board of Representatives	-	-	0.2	0.3
Total remuneration paid to the ATP Audit Committee	-	-	0.2	0.2
Total remuneration paid to the ATP ORSA Committee	-	-	0.2	0.2
Annual remuneration in DKK thousands paid to:				
Chairman of the Supervisory Board (total remuneration)	-	-	715	715
Member of the Executive Committee	-	-	80	80
Member of the Supervisory Board (including remuneration for Board of Representatives)	-	-	120	120
Member of the Board of Representatives	-	-	13	13
Member of the Audit Committee (excluding the Chairman of the Supervisory Board)	-	-	60	60
Member of the ORSA Committee (excluding the Chairman of the Supervisory Board)	-	-	60	60

For information on pay policy and practice for the Board of Representatives, the Supervisory Board, the Executive Board and other significant risk takers as required under the executive order on pay policy and the remuneration disclosure requirements for the Danish Labour Market Supplementary Pension Fund (ATP) and LD – The Employees' Capital Pension Fund, please visit www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group.

§ Accounting policies

Expenses are allocated between the individual business areas either as direct expenses or as an expense allocation based on ATP's internal model for allocation of other expenses.

Investment activity expenses comprise expenses incurred to achieve the investment return for the year. These expenses include direct and indirect expenses related, for example, to pay and remunerations, custody expenses and transaction costs related to the purchase and sale of investment assets. Expenses incurred in investment subsidiaries are also included in these expenses for the Group.

Pension activity expenses comprise expenses incurred in connection with the management of the ATP pension scheme, including SUPP. These expenses include direct and indirect expenses related, for example, to pay and remunerations, IT operations, amortisation of internal development projects and depreciation on property, plant and equipment.

Business processing expenses comprise expenses incurred in connection with the management of a number of large schemes. These expenses include direct and indirect expenses related, for example, to pay and remunerations, IT operations and amortisation of internal development projects. Also included are expenses from the subsidiary PensionService A/S, which sells administration services on market terms.

Note 7 Other income

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Sale of administration services by group subsidiaries	12	14	-	-
ATP's sale of administration services	1,533	1,237	1,568	1,278
Total other income	**1,545**	**1,251**	**1,568**	**1,278**

§ Accounting policies

Other income includes income for the year from the sale of administration services to external clients as well as related parties. Also included is other customary income for the year that cannot be attributed to pension and investment activities.

Note 8 Other expenses

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Expenses related to the sale of administration services by group subsidiaries	(8)	(8)	-	-
ATP's expenses related to the sale of administration services	(1,521)	(1,221)	(1,556)	(1,261)
Total other expenses	**(1,529)**	**(1,229)**	**(1,556)**	**(1,261)**

§ Accounting policies

Other expenses include expenses incurred for the sale of administration services. Also included are other customary expenses for the year that cannot be attributed to Pensions & Investments under the item 'Other expenses'.

Note 9 Tax on pension savings returns

Taxation of ATP and its subsidiaries
In Denmark, ATP is subject to the provisions of the Danish Pension Savings Returns Tax Act (*Pensionsafkastbeskatningsloven*); abroad, ATP is subject to tax under local rules. ATP files income tax returns in Denmark, the UK, Germany and the USA. Local withholding taxes are also paid in a number of other jurisdictions. ATP's Danish subsidiaries, which are separately liable to tax, are subject to tax under the Danish Income Tax Act (*Selskabsskat-teloven*). Returns from subsidiaries that are exempt from tax or not separately liable to tax are included in ATP's tax on pension savings returns and taxed under the provisions of Danish Pension Savings Returns Tax Act.

The method of accounting for returns in the calculation of ATP's tax on pension savings returns is based on the market value principle. The system is that the tax base is comprised of the total return on assets (Danish and international and the returns from subsidiaries already subject to income tax) less deductible interest rates and asset management expenses. In the tax payable, ATP is entitled to relief for taxes paid abroad. However, the relief cannot exceed the amount of the Danish tax on pension savings returns on the international income (measured under Danish rules).

The international taxes typically consist of withholding taxes on dividends, interest rates and US corporate income. These taxes are primarily attributable to ATP's investments in international private equity and listed international equities, international real estate investments and forestry and infrastructure investments.

The principles applied to ATP's international investments are explained in ATP's tax policy at www.atp.dk/en.

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Investment activities:				
Tax on pension savings returns	(10,712)	(1,153)	(10,712)	(1,153)
Prior year adjustments	141	164	141	164
Tax on pension savings returns transferred to hedging activities	8,625	(1,223)	8,625	(1,223)
Tax on pension savings returns transferred to pension activities	2	1	2	1
Tax on pension savings returns in respect of investment activities	(1,944)	(2,211)	(1,944)	(2,211)
Hedging activities:				
Tax on pension savings returns transferred from investment activities	(8,625)	1,223	(8,625)	1,223
Tax on pension savings returns in respect of hedging activities	(8,625)	1,223	(8,625)	1,223
Pension activities:				
Tax on pension savings returns transferred from investment activities	(2)	(1)	(2)	(1)
Tax on pension savings returns in respect of pension activities	(2)	(1)	(2)	(1)

Note 9 Tax on pension savings returns, continued

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Total tax on pension savings returns	**(10,571)**	**(989)**	**(10,571)**	**(989)**
Investment activity results before tax on pension savings returns	14,517	15,711	14,339	15,558
Hedging activity results before tax on pension savings returns and change in guaranteed benefits	56,371	(7,992)	56,371	(7,992)
Interest income and interest expenses, pension activities	10	7	10	7
	70,898	7,726	70,720	7,573
Calculated 15.3 per cent of which	(10,847)	(1,182)	(10,820)	(1,159)
Tax effect of different methods of calculating accounting and tax returns on transparent entities etc.	14	14	(13)	(9)
Tax effect of reduction under section 10 of the Danish Pension Savings Returns Tax Act (reduction regarding life and pension insurance policies, year-end 1982) (Pensionsafkastbeskatningsloven)	121	15	121	15
Tax on pension savings returns for the year	(10,712)	(1,153)	(10,712)	(1,153)
Prior year adjustments	141	164	141	164
Total tax on pension savings returns	**(10,571)**	**(989)**	**(10,571)**	**(989)**
Portion of tax on pension savings returns falling due after more than one year	0	0	0	0

§ Accounting policies

Tax on pension savings returns comprises current tax on pension savings returns for the year, changes in deferred tax on pension savings returns, and prior year adjustments, if any. Tax on pension savings returns is allocated between investment, hedging and pension activities based on the return allocated to investment, hedging and pension activities, respectively.

Current tax liabilities in respect of pension savings returns and current tax receivable in respect of pension savings returns are recognised in the statement of financial position as calculated tax on pension savings returns adjusted for interim payment of tax on pension savings returns.

Deferred tax assets in respect of pension savings returns, including the tax value of tax loss carryforwards, are included at the value at which the asset is expected to be realisable – either by elimination in pension savings returns tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax on pension savings returns is measured in accordance with current tax rules and at the tax rates that are expected to apply in the periods in which the temporary differences reverse.

Note 10 Contributions

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
ATP contributions	10,402	9,842	10,402	9,842
Social security contributions	(830)	(787)	(830)	(787)
Total contributions	**9,572**	**9,055**	**9,572**	**9,055**

§ Accounting policies

Contribution income is recognised as reporting is received.

Contributions comprise ATP contributions reported and collected for the year less social security contributions. Also included is adjustment for the year of impairment losses on contributions receivable.

Note 11 Benefit payouts

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Personal pension (current)	(14,429)	(13,582)	(14,429)	(13,582)
Spouse pension (current)	(17)	(19)	(17)	(19)
Personal pension (capitalised)	(103)	(86)	(103)	(86)
Spouse pension (capitalised)	(745)	(724)	(745)	(724)
Child benefits (capitalised)	(134)	(130)	(134)	(130)
SUPP estate amount (capitalised)	(26)	(25)	(26)	(25)
Total benefit payouts	**(15,454)**	**(14,566)**	**(15,454)**	**(14,566)**

§ Accounting policies

Benefit payouts comprise personal pensions paid, spouse pensions and capitalised benefits for the year. Benefits prepaid are accrued on the statement of financial position and presented under the item 'Other prepayments'.

Note 12 Financial assets and liabilities

In the table below, the Group's and ATP's financial assets and liabilities are broken down by the category in which they are recognised on initial recognition.

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Financial assets:				
Financial derivatives	88,549	81,932	88,498	81,930
Financial assets measured at fair value over the income statement (trading assets)	**88,549**	**81,932**	**88,498**	**81,930**
Investments in group subsidiaries	-	-	85,957	85,460
Investments in associates	14,962	13,018	9,365	7,910
Equity investments	87,210	81,279	51,101	43,759
Mutual fund units	5,856	5,535	-	-
Bonds	567,999	520,244	542,835	494,443
Loans	14,001	10,049	12,107	9,435
Loans to group subsidiaries	-	-	2,821	2,695
Receivables from credit institutions	56,185	35,428	54,762	35,428
Financial assets measured at fair value over the income statement (chosen)	**746,213**	**665,553**	**758,948**	**679,130**
Total financial assets measured at fair value	**834,762**	**747,485**	**847,446**	**761,060**
Contributions receivable	2,566	2,435	2,566	2,435
Receivables from group subsidiaries	-	-	1,124	526
Interest receivable	3,849	4,273	3,519	3,887
Other receivables and other loans	2,739	2,144	1,168	1,010
Financial assets measured at amortised cost	**9,154**	**8,852**	**8,377**	**7,858**

Note 12 Financial assets and liabilities, continued

	Group		ATP	
DKKm	2016	2015	2016	2015
Financial liabilities:				
Financial derivatives	67,621	57,782	67,399	56,811
Financial liabilities measured at fair value over the income statement (trading liabilities)	**67,621**	**57,782**	**67,399**	**56,811**
Payables to credit institutions	29,801	16,070	29,726	16,070
Financial liabilities measured at fair value over the income statement (chosen)	**29,801**	**16,070**	**29,726**	**16,070**
Total financial liabilities measured at fair value	**97,422**	**73,852**	**97,125**	**72,881**
Payables to group subsidiaries	-	-	254	167
Other payables	6,526	3,965	2,562	1,990
Financial liabilities measured at amortised cost:	**6,526**	**3,965**	**2,816**	**2,157**

§ Accounting policies

Purchase and sale of financial assets and liabilities are recognised on the trade date.

Financial assets and liabilities are recognised at fair value on the trading date. Subsequent to initial recognition, financial assets and liabilities are measured at fair value or amortised cost.

Financial assets and liabilities at fair value

In accordance with the fair value option (chosen) of IAS 39, the following assets and liabilities are recognised at fair value in the income statement:

1. Bonds
2. Equity investments, including investments in group subsidiaries and associates
3. Mutual fund units
4. Loans, including loans to group subsidiaries
5. Receivables from credit institutions
6. Payables to credit institutions

The assets and liabilities specified above are managed and assessed based on changes in fair value in accordance with the Group's risk management strategy, see the section 'Risks and risk management'.

In addition, financial derivatives (trading assets and liabilities) are also recognised at fair value on the trading date. Subsequent to initial recognition, financial derivatives are also measured at fair value. Accounting policies for financial derivatives are presented in note 13.

Adjustments of the fair value of financial assets and liabilities are recognised in the income statement under 'Market value adjustments related to investment activities' and 'Market value adjustments related to hedging activities' on an ongoing basis.

Determination of fair value
For financial assets and liabilities that are traded in a market, the official market price is used. Bid prices are used in the measurement of financial assets, while ask prices are used in the measurement of financial liabilities. For other financial assets and liabilities, the fair value determination represents ATP's most objective estimate of the current fair value of financial assets and liabilities, based on the most unambiguous and uniform guidelines possible and, to some extent, supported by management estimates. In the determination of these estimates, the following methods are applied:

1. Bonds, interest-based investment assets and liabilities
For investments in bonds for which no active market exists, yield curves with the addition of yield spreads and investment-specific premiums are used.

2. Equity investments, including investments in group subsidiaries and associates, private equity investments
Private equity investments consist of investments in portfolio funds, direct equity investments, direct equity investments in portfolio companies and real estate funds.

Portfolio funds
For a significant portion of the investments in portfolio funds, the valuation is based on reporting received from portfolio funds. Equity investments in portfolio funds are generally measured using the IPEV Valuation Guidelines under which equity investments are measured at fair value on the reporting date. Listed equity investments in portfolio funds are measured at the closing rate of the relevant stock exchange. For unlisted equity investments for which no quoted price exists, the equity investments are measured on the basis of the latest market price – either in connection with a round of capital increases resulting in a change in ownership or in connection with a partial sale, based on the value of comparable companies and using traditional valuation methods. Market-based multiples are also used for a few investments.

Direct equity investments
Direct private equity investments are measured using one of the following methods: a) multiple analysis where the ratio of the value of comparable listed companies to relevant key figures for these companies is used in the valuation of the company in question; b) if sufficient comparable companies cannot be found, a 'sum-of-the-parts' valuation is performed where each business area of the company in question is measured separately; c) for new investments, the acquisition cost is used.

Note 12 Financial assets and liabilities, continued

§ Accounting policies, continued

Direct equity investments in portfolio companies
Direct equity investments in portfolio companies are measured using traditional valuation methods and as described on the previous page for portfolio funds. The following factors are included in the determination of fair value:

1) Valuation and other significant conditions related to the latest round of financing

2) Significant events related to the company's business, product launches, new clients, changes to the management team

3) Compliance or non-compliance with significant predefined milestones and other conditions assessed to be capable of impacting the fair value, including general changes in market and competition conditions and new technology.

Real estate funds
Private equity investments in real estate funds are measured primarily on the basis of the valuations performed by the real estate funds. The measurement is based on a valuation model that measures the fair value of the equity where the fair value of the underlying properties is reflected on an ongoing basis. The fair value of the real estate is usually determined on the basis of valuations performed by external estate agents and market assessors. In addition, the managers of the funds regularly perform an internal valuation based on changes in market conditions, which is typically reflected in an adjustment of the required rate of return. Other factors such as the stability of the real estate cash flow, market rent level, location and tenant quality are included in the valuation.

3. Mutual fund units are measured on the basis of reporting received from mutual funds. This reporting contains information on fair values of the underlying assets and liabilities of the mutual funds.

4. Loans Valuation of loans is based on discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.

5. Receivables from credit institutions comprise amounts paid under reverse transactions, i.e. the purchase of securities where, as part of the agreement, the buyer agrees to sell back the security at some later date. Securities purchased are not included in the statement of financial position, and the amount paid is therefore included as a receivable. On initial recognition, receivables from credit institutions are recognised at fair value. Subsequent to initial recognition, receivables from credit institutions are measured at fair value. Interest payments received are recognised as income over the term of the reverse contract.

6. Payables to credit institutions comprise amounts received under repo transactions, i.e. sale of securities where, as part of the agreement, the borrower agrees to repurchase the security at some later date. Securities sold are still included in the statement of financial position, and the amount received is included as a liability. On initial recognition, payables to credit institutions are recognised at fair value. Subsequent to initial recognition, payables to credit institutions are measured at fair value. Interest paid is recognised as an expense over the term of the repo contract.

Financial assets and liabilities at amortised cost
Loans and receivables, with the exception of 'Loans' and 'Receivables from credit institutions', are measured at amortised cost. Amortised cost is usually equivalent to nominal value.

If an objective indication of impairment of a loan or receivable is believed to exist, impairment is performed to meet losses on other loans and receivables.

An objective indication of impairment of a loan or receivable exists, for example, if a debtor is facing significant financial difficulties, if a debtor fails to meet its payment obligations under a contract or agreement, or if a debtor is likely to go bankrupt or be subjected to other forms of financial reconstruction.

Write-downs for impairment are made individually. Impairment losses are deducted directly from the related asset items, while the changes in impairment losses for the period under review are recognised in the income statement.

Other liabilities, comprising 'Payables to group subsidiaries' and 'Other payables', are measured at amortised cost, essentially equivalent to nominal value.

! Significant accounting estimates

Significant accounting estimates are associated primarily with the measurement of financial assets and liabilities at fair value where the valuation is based on unobservable inputs. The accounting methods include discounting to net present value of future cash flows and assessment of underlying market conditions. The methods are based on assumptions concerning interest rates, risk premiums, volatility, default, prepayments and other information. The fair value of financial assets and liabilities, including financial derivatives for which no quoted market prices exist, is based on the best information available under the circumstances.

Financial assets where the valuation is based on unobservable inputs include parts of the Group's bonds, equity investments, including investments in associates, mutual fund units, investment properties and loans, see level 3 assets in note 20 'Fair value disclosure'.

Breakdown of the Group's financial assets measured under level 3 in the fair value hierarchy, see note 20.

	2016		2015	
	DKKm		DKKm	
Bonds	5,933	5%	1,698	2%
Equity investments	53,706	47%	55,403	53%
Mutual fund units	5,856	5%	5,535	5%
Loans	14,001	12%	10,049	9%
Investments in associates	14,962	13%	13,018	12%
Investment properties	21,139	18%	20,360	19%
	115,597		106,063	

Most of the Group's equity investments, mutual fund units and investments in associates in level 3 are measured on the basis of the reported fair value. The reported fair value involves a degree of judgement in connection with the determination of the fair value of the underlying statements of financial position of the companies.

Loans are measured by discounting to net present value the future cash flows from the loans. The future cash flows are adjusted for changes in credit risk. The determination of the discount rate and the credit risk involves a degree of judgement, which affects the determination of the fair value.

Investment properties are measured using a return-based model in which the determination of the future operating income and the required rate of return involves a degree of judgement, see note 16.

Note 13 Financial derivatives

The ATP Group uses various financial derivatives such as interest rate swaps, equity futures, inflation swaps and forward exchange contracts as part of its risk management. A characteristic of financial derivatives is that their value depends on developments in the value of an underlying instrument, index or the like. Using financial derivatives makes it possible to increase or reduce the exposure to market risks, among other things.

DKKm	Group				ATP			
Interest rate contracts								
	2016		**2015**		**2016**		**2015**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Interest rate swaps	84,281	(56,165)	78,165	(48,453)	84,281	(56,165)	78,165	(48,453)
Interest rate swaptions	2,386	(5,685)	2,838	(4,132)	2,386	(5,685)	2,838	(4,132)
Interest rate futures	48	(616)	274	(225)	48	(616)	274	(225)
Total interest rate contracts	**86,715**	**(62,466)**	**81,277**	**(52,810)**	**86,715**	**(62,466)**	**81,277**	**(52,810)**
Equity contracts								
	2016		**2015**		**2016**		**2015**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Equity futures	315	(95)	143	(220)	315	(95)	143	(220)
Equity-indexed options	24	(93)	60	(97)	24	(93)	60	(97)
Contracts for difference	34	-	-	(87)	-	-	-	-
Total equity contracts	**373**	**(188)**	**203**	**(404)**	**339**	**(188)**	**203**	**(317)**
Inflation contracts								
	2016		**2015**		**2016**		**2015**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Inflation swaps	1	(60)	59	(1)	1	(60)	59	(1)
Total inflation contracts	**1**	**(60)**	**59**	**(1)**	**1**	**(60)**	**59**	**(1)**
Commodity contracts								
	2016		**2015**		**2016**		**2015**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Commodity futures	-	(190)	-	(877)	-	-	-	-
Total commodity contracts	**-**	**(190)**	**-**	**(877)**	**-**	**-**	**-**	**-**
Credit contracts								
	2016		**2015**		**2016**		**2015**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Credit default swaps	1,070	(22)	25	-	1,065	-	25	-
Total credit contracts	**1,070**	**(22)**	**25**	**-**	**1,065**	**-**	**25**	**-**
Foreign exchange contracts								
	2016		**2015**		**2016**		**2015**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Forward exchange contracts	390	(4,695)	368	(3,690)	378	(4,685)	366	(3,683)
Foreign exchange contracts	**390**	**(4,695)**	**368**	**(3,690)**	**378**	**(4,685)**	**366**	**(3,683)**
Total financial derivatives	**88,549**	**(67,621)**	**81,932**	**(57,782)**	**88,498**	**(67,399)**	**81,930**	**(56,811)**

Note 13 Financial derivatives, continued

§ Accounting policies

On initial recognition, i.e. the trade date, financial derivatives are recognised at fair value. Subsequent to initial recognition, financial derivatives are also measured at fair value. For financial derivatives that are traded in a market, the official market price is used. For financial derivatives that are not traded in a market, various generally accepted valuation methods are used, depending on the type of instrument involved. For interest rate instruments, valuation is based on the market rate expressed as the zero coupon yield curve at the statement of financial position date. Bid prices are used in the measurement of financial assets, while ask prices are used in the measurement of financial liabilities.

Changes in the fair value of financial derivatives are recognised in the income statement as they occur. Financial derivatives with a positive fair value are recognised in the statement of financial position as assets, while financial derivatives with a negative fair value are recognised in the statement of financial position as liabilities. Cash and cash equivalents received as part of a margin settlement are recognised in the statement of financial position, given that ATP has the right of disposal of margin account balances. Securities which, as part of collateral security, have only been formally assigned to ATP's ownership are not recognised in the statement of financial position, given that ATP neither bears the risk nor benefits from the return on these securities. Similarly, securities which ATP only has assigned formally to counterparties as part of collateral security are still recognised in ATP's statement of financial position. ATP enters into foreign exchange contracts with external counterparties on behalf of several of the Group's subsidiaries. The positive or negative market values in relation to subsidiaries are not included in the above, but are presented as 'Receivables from group subsidiaries' and 'Payables to group subsidiaries' in ATP's statement of financial position.

Note 14 Investments in group subsidiaries

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Fair value as at 1 January	-	-	85,460	78,842
Transferred from equity investments	-	-	-	120
Additions during the year	-	-	7,720	41,360
Disposals during the year	-	-	(9,567)	(37,117)
Market value adjustment for the year	-	-	2,344	2,255
Fair value as at 31 December	**-**	**-**	**85,957**	**85,460**

§ Accounting policies

In accordance with the fair value option of IAS 39, investments in group subsidiaries are measured at fair value in ATP's financial statements, see note 12, with earnings from the investments being assessed based on fair value in accordance with ATP's and the ATP Group's risk management and investment strategies. The reporting to the Supervisory and Executive Boards of the ATP Group is based on this.

An overview of ATP's group subsidiaries in 2016 and 2015 is provided below with relevant accounting information according to the most recently published annual report.

	Ownership interest per cent	Share capital DKKm	Assets DKKm	Revenue DKKm	Net results DKKm	Domicile
2016						
ATP Ejendomme A/S	100.0	2,251	3,906	291	250	Denmark
Strandgade 7 A/S	100.0	28	352	48	7	Denmark
Ejendomsselskabet Vangede A/S	100.0	110	2,188	120	150	Denmark
Galaxy Properties S.A.	90.0	570	3,562	251	(5)	Belgium
ATP European Core Shopping Centre Fund	100.0	1,647	1,718	100	73	Luxembourg
Waterfront Bremen G.m.b.H. & Co. KG	94.9	1,695	1,822	149	(3)	Germany
Ejendomsselskabet Borups Alle A/S	100.0	460	517	35	55	Denmark
ATP Ejendomme GP I ApS	100.0	0	0	0	0	Denmark
Seniorbolig Danmark K/S	100.0	43	43	0	(3)	Denmark
Seniorbolig Komplementar ApS	100.0	0	0	-	0	Denmark
SBDK Projekter I P/S	100.0	1	45	1	1	Denmark
Komplementarselskabet SBDK Projekter I ApS	100.0	0	0	-	0	Denmark
ATP Fondsmæglerselskab A/S	100.0	34	62	-	3	Denmark
NOW: Pensions Investment A/S Fondsmæglerselskab	100.0	10	31	-	2	Denmark
NOW: Pensions Ltd. *	100.0	219	195	-	(145)	UK
ATP Invest	100.0	18,915	19,128	-	1,753	Denmark
ATP PensionService A/S	100.0	10	39	12	3	Denmark
Private Equity Advisors ApS	100.0	3	20	-	2	Denmark
ATP PE GP ApS	100.0	0	1	-	0	Denmark
ATP Private Equity K/S	99.9	2,468	2,584	-	134	Denmark
ATP Private Equity Partners I K/S	99.9	827	871	-	(85)	Denmark
ATP Private Equity Partners II K/S	99.9	4,657	4,893	-	305	Denmark
ATP Private Equity Partners III K/S	99.9	7,114	7,412	-	546	Denmark
ATP Private Equity Partners IV K/S	99.9	8,818	9,171	-	1,485	Denmark
ATP Private Equity Partners V K/S	99.9	2,222	2,312	-	134	Denmark
ATP Real Estate Partners I K/S	100.0	3,580	3,703	-	47	Denmark
ATP Real Estate Partners II K/S	99.9	473	473	-	113	Denmark
ATP Real Estate GP ApS	100.0	0	1	-	0	Denmark
ATP TIM GP ApS	100.0	0	1	-	0	Denmark
ATP Timberland Invest K/S	100.0	2,512	2,517	-	(57)	Denmark
ATP Woodlands GP, LLC	100.0	882	1,309	53	57	USA
Northwoods ATP LP	100.0	-	-	-	-	USA
Upper Hudson Woodlands ATP LP	100.0	-	-	-	-	USA
Wolf River ATP LP	100.0	-	-	-	-	USA
Ouachita ATP LP	100.0	-	-	-	-	USA
VIA Equity Fond I K/S	99.8	290	290	-	44	Denmark
VIA Equity Fond II K/S	99.8	655	655	-	661	Denmark
ATP Alternative Investment Trust	100.0	1,790	1,820	-	266	Australia
AlphaOne SICAV-FIS	100.0	14,643	17,196	-	(309)	Luxembourg
Secured Multi Asset Repackaging Trust P.L.C.	100.0	-	-	-	-	Ireland
AQR Offshore Multistrategy Fund XII, L.P.	100.0	3,398	3,398	-	(127)	Cayman Islands
NB Public Equity K/S	99.5	868	871	-	20	Denmark
Apollo Kings Alley Credit Fund, L.P.	97.5	-	-	-	-	USA
ATP Infrastructure Spain ApS	100.0	-	-	-	-	Denmark
Broad Street Danish Credit Partners, L.P.	100.0	-	-	-	-	Ireland
ACM Strategic Investment Partners IV, LP	96.6	-	-	-	-	Cayman Islands

* NOW Pensions Ltd. has five subsidiaries with no activity

Note 14 Investments in group subsidiaries, continued

2015	Ownership interest per cent	Share capital DKKm	Assets DKKm	Revenue DKKm	Net results DKKm	Domicile
ATP Alternative Investments K/S	100.0	1,278	1,339	-	93	Denmark
ATP Ejendomme A/S	100.0	2,250	3,425	226	225	Denmark
Strandgade 7 A/S	100.0	28	390	48	(57)	Denmark
Ejendomsselskabet Vangede A/S	100.0	110	2,149	118	246	Denmark
Galaxy Properties S.A.	90.0	569	3,635	175	(18)	Belgium
ATP European Core Shopping Centre Fund	100.0	1,651	1,779	15	(63)	Luxembourg
Waterfront Bremen G.m.b.H. & Co. KG	94.9	-	-	-	-	Germany
Ejendomsselskabet Borups Alle A/S	100.0	-	498	36	33	Denmark
Borups Alle GP ApS	100.0	0	0	0	0	Denmark
Seniorbolig Danmark K/S	100.0	1	1	-	(5)	Denmark
Seniorbolig Komplementar ApS	100.0	0	0	0	0	Denmark
ATP Fondsmæglerselskab A/S	100.0	34	62	-	3	Denmark
NOW: Pensions Investment A/S Fondsmæglerselskab	100.0	10	33	-	3	Denmark
NOW: Pensions Ltd. *	100.0	160	182	-	(131)	UK
ATP Invest	100.0	19,111	19,198	-	2,976	Denmark
ATP PensionService A/S	100.0	10	43	14	4	Denmark
Private Equity Advisors ApS	100.0	3	20	-	1	Denmark
ATP PE GP ApS	100.0	0	1	-	0	Denmark
ATP Private Equity K/S	99.9	3,383	3,421	-	251	Denmark
ATP Private Equity Partners I K/S	99.9	1,215	1,270	-	108	Denmark
ATP Private Equity Partners II K/S	99.9	5,686	5,766	-	539	Denmark
ATP Private Equity Partners III K/S	99.9	8,392	8,546	-	1,203	Denmark
ATP Private Equity Partners IV K/S	99.9	7,245	7,261	-	749	Denmark
ATP Private Equity Partners V K/S	99.9	879	895	-	(17)	Denmark
ATP Real Estate Partners I K/S	100.0	4,841	4,846	-	443	Denmark
ATP Real Estate Partners II K/S	99.9	1,332	1,340	-	173	Denmark
ATP Real Estate GP ApS	100.0	0	1	-	0	Denmark
ATP TIM GP ApS	100.0	1	1	-	-	Denmark
ATP Timberland Invest K/S	100.0	2,369	2,497	-	179	Denmark
ATP Woodlands GP, LLC	100.0	856	1,213	43	140	USA
Northwoods ATP LP	100.0	-	-	-	-	USA
Upper Hudson Woodlands ATP LP	100.0	-	-	-	-	USA
Wolf River ATP LP	100.0	-	-	-	-	USA
Ouachita ATP LP	100.0	-	-	-	-	USA
VIA Equity Fond I K/S	99.8	270	271	-	25	Denmark
VIA Equity Fond II K/S	99.8	741	772	-	530	Denmark
ATP Alternative Investment Trust	100.0	1,736	1,765	-	229	Australia
AlphaOne SICAV-FIS	100.0	14,953	23,133	-	(945)	Luxembourg
Secured Multi Asset Repackaging Trust P.L.C.	100.0	-	-	-	-	Ireland
AQR Offshore Multistrategy Fund XII, L.P.	100.0	-	-	-	-	Cayman Islands
NB Public Equity K/S	99.5	164	164	-	(22)	Denmark

* NOW Pensions Ltd. has five subsidiaries with no activity

Note 15 Investments in associates

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Fair value as at 1 January	13,018	10,328	7,910	7,157
Transferred from/to equity investments	-	(120)	-	(120)
Additions during the year	4,113	3,080	871	474
Disposals during the year	(3,394)	(1,196)	(127)	(66)
Fair value adjustment for the year	1,225	926	711	465
Fair value as at 31 December	**14,962**	**13,018**	**9,365**	**7,910**

§ Accounting policies

Associates are entities in which the Group has a significant but not controlling interest. Significant interest is typically achieved through direct or indirect ownership or right of disposal of more than 20 per cent of the voting rights, but less than 50 per cent. In the assessment of whether the Group has a significant interest, potential voting rights that may be exercised at the statement of financial position date are taken into account.

In accordance with the fair value option of IAS 39, investments in associates are measured at fair value in the Group's and ATP's financial statements, see note 12, with investments in associates being managed and assessed based on changes in fair value in accordance with ATP's and the ATP Group's risk management and investment strategies. The reporting to the Supervisory and Executive Boards of the ATP Group is based on this.

An overview of the Group's associates in 2016 and 2015 is provided below with relevant accounting information according to the most recently published annual report.

	Owner	Ownership interest per cent	Voting rights per cent	Assets DKKm	Liabilities DKKm	Revenue DKKm	Net results DKKm
2016							
ATPFA K/S	ATP	49.7	49.7	5,304	33	253	448
ATP-IP P/S	ATP	50.0	50.0	564	6	34	72
Ejendomsselskabet Norden I K/S	ATP	22.3	22.3	221	78	7	3
Ejendomsselskabet Norden VIII K/S	ATP	32.8	32.8	1	1	0	(2)
ATPPD Lyngby A/S	ATP	50.0	50.0	751	612	37	31
ATPPD Århus A/S	ATP	50.0	50.0	873	543	44	83
ATPPD Odense A/S	ATP	50.0	50.0	355	280	19	11
ATPPD Kgs. Nytorv A/S	ATP	50.0	50.0	2,234	1,972	102	153
ATPPD Kalvebod A/S	ATP	50.0	50.0	989	703	0	0
Harbour P/S	ATP	45.8	45.8	2,354	1,286	93	194
Harbour Komplementar ApS	ATP	45.8	45.8	0	0	0	0
Datter Rosetum K/S	ATP	25.0	25.0	3,379	1,752	151	197
Ejendomsselskabet Axeltorv 2 P/S	ATP	33.3	33.3	1,323	1,232	0	(153)
Ejendomsselskabet Axeltorv 2 Komplementar ApS	ATP	33.3	33.3	0	0	0	0
Portland P/S	ATP	33.3	33.3	491	12	28	52
Portland Komplementar ApS	ATP	33.3	33.3	0	0	0	0
Capital four – Strategic Lending Fund K/S	ATP	33.3	33.3	1,131	122	-	10
FIH Holding A/S	ATP	48.8	50.0	8,506	2,813	-	71
ATP PEP I GP K/S	ATP	29.8	29.8	8	0	-	1
ATP PEP II GP K/S	ATP	25.7	25.7	16	0	-	2
ATP REP GP II K/S	ATP	29.1	29.1	0	0	-	0
ATP REP II ApS	ATP	29.1	29.1	0	0	-	0
Grace Hotel Investments S.a.r.l.	ATP	50.0	50.0	0	0	0	0
VIA Equity Fond III K/S	ATP Private Equity K/S	49.9	49.9	-	-	-	-
Polaris Private Equity II K/S	ATP Private Equity Partners I K/S	15.0	15.0	601	48	-	143
Aberdeen Real Estate Fund Finland L.P.	ATP Real Estate Partners I K/S	32.8	32.8	2,374	1,141	255	3
AREIM I Fund L.P.	ATP Real Estate Partners I K/S	32.8	32.8	686	169	66	200
CBRE Real Estate Iberian Value Added Fund CV	ATP Real Estate Partners I K/S	20.2	20.2	206	38	39	34
Patroffice B.V.	ATP Real Estate Partners I K/S	46.9	46.9	2,083	1,724	239	(89)
Ejendomsselskabet Norden IV K/S	ATP Real Estate Partners II K/S	32.4	32.4	442	191	1	(8)
Nordic International Holding A/S (Adra Match as)	VIA Equity Fond I K/S	46.0	46.0	48	43	81	7
Adform ApS	VIA Equity Fond I K/S	28.6	28.6	351	251	283	(5)
Frontmatec Holding ApS (Frontmatec A/S)	VIA Equity Fond I K/S	44.1	44.1	145	65	-	9
EnviHold A/S (Envidan A/S)	VIA Equity Fond II K/S	33.2	33.2	280	212	-	4
All NRG Holding A/S	VIA Equity Fond II K/S	49.6	49.6	399	243	555	8
EMS TopCo A/S (Mansoft A/S)	VIA Equity Fond II K/S	48.0	48.0	26	11	-	12
Cloud Supply Company A/S (Hostnordic A/S)	VIA Equity Fond II K/S	49.9	49.9	37	10	-	3
Profit Holding OY (Profit Software OY)	VIA Equity Fond II K/S	47.8	47.8	195	111	80	14
AQR GRPT EL Master Account Ltd.	AQR Offshore Multistrategy Fund XII, L.P.	46.4	46.4	3,830	1,461	-	(291)
AQR Global Macro Master Account	AQR Offshore Multistrategy Fund XII, L.P.	27.9	27.9	2,202	1,255	-	62
AQR Churchill Master Account	AQR Offshore Multistrategy Fund XII, L.P.	47.0	47.0	2,299	1,464	-	(21)
AQR Absolute Return Credit Master Account	AQR Offshore Multistrategy Fund XII, L.P.	42.6	42.6	1,023	438	0	80
Hancock Queensland Plantations Pty Ltd.	ATP Timberland Invest K/S	31.1	31.1	5,339	4,553	1,258	20
Queenspoint S.L.	ATP Infrastructure Spain ApS	50.0	50.0	1,354	383	-	53

Note 15 Investments in associates, continued

	Owner	Ownership interest per cent	Voting rights per cent	Assets DKKm	Liabilities DKKm	Revenue DKKm	Net results DKKm
2015							
ATPFA K/S	ATP	49.7	49.7	5,097	37	252	243
ATP-IP P/S	ATP	50.0	50.0	-	-	-	-
Ejendomsselskabet Norden I K/S	ATP	22.2	22.2	351	211	5	1
Ejendomsselskabet Norden VIII K/S	ATP	32.8	32.8	-	-	-	-
ATPPD Lyngby A/S	ATP	50.0	50.0	729	482	37	48
ATPPD Århus A/S	ATP	50.0	50.0	811	233	44	40
ATPPD Odense A/S	ATP	50.0	50.0	350	211	19	14
ATPPD Kgs. Nytorv A/S	ATP	50.0	50.0	2,095	1,726	101	13
Harbour P/S	ATP	45.8	45.8	2,216	3	92	218
Harbour Komplementar ApS	ATP	45.8	45.8	0	0	0	0
Datter Rosetum K/S	ATP	25.0	25.0	3,170	1,905	142	42
VVP A/S	ATP	44.0	44.0	5	4	17	0
Ejendomsselskabet Axeltorv 2 P/S	ATP	33.3	33.3	1,242	997	0	(14)
Ejendomsselskabet Axeltorv 2 Komplementar ApS	ATP	33.3	33.3	0	0	0	0
Portland P/S	ATP	33.3	33.3	463	11	23	85
Portland Komplementar ApS	ATP	33.3	33.3	0	0	0	0
Capital four – Strategic Lending Fund K/S	ATP	33.3	33.3	-	-	-	-
FIH Holding A/S	ATP	48.8	50.0	23,324	17,704	491	30
ATP PEP I GP K/S	ATP	29.8	29.8	9	0	-	2
ATP PEP II GP K/S	ATP	25.7	25.7	15	0	-	3
ATP REP GP II K/S	ATP	29.1	29.1	0	0	-	0
ATP REP II ApS	ATP	29.1	29.1	0	0	-	0
NEAS Energy A/S	ATP/VIA Equity Fond II K/S	47.8	47.8	1,429	998	11,175	80
Polaris Private Equity II K/S	ATP Private Equity Partners I K/S	15.0	15.0	686	13	0	182
Aberdeen Real Estate Fund Finland L.P.	ATP Real Estate Partners I K/S	32.8	32.8	2,684	1,763	320	(272)
AREIM I Fund L.P.	ATP Real Estate Partners I K/S	32.8	32.8	2,647	951	236	158
CBRE Real Estate Iberian Value Added Fund CV	ATP Real Estate Partners I K/S	20.2	20.2	872	454	53	68
Patroffice B.V.	ATP Real Estate Partners I K/S	46.9	46.9	2,425	1,975	190	16
Ejendomsselskabet Norden IV K/S	ATP Real Estate Partners II K/S	32.4	32.4	327	117	1	13
Retail Support International ApS	VIA Equity Fond I K/S	43.9	43.9	56	0	0	3
Nordic International Holding A/S (Adra Match as)	VIA Equity Fond I K/S	46.0	46.0	55	50	71	12
Beneq Oy	VIA Equity Fond I K/S	25.7	25.7	144	127	170	(28)
Adform ApS	VIA Equity Fond I K/S	25.1	25.1	206	113	203	18
Frontmatec Holding ApS (Frontmatec A/S)	VIA Equity Fond I K/S	44.1	44.1	157	86	-	11
EnviHold A/S (Envidan A/S)	VIA Equity Fond II K/S	45.5	45.5	-	-	-	-
All NRG Holding A/S	VIA Equity Fond II K/S	49.6	49.6	406	261	447	21
UVD Holding A/S	VIA Equity Fond II K/S	47.9	47.9	113	75	0	13
Cloud Supply Company A/S (Hostnordic A/S)	VIA Equity Fond II K/S	49.9	49.9	36	11	0	4
Profit Holding OY (Profit Software OY)	VIA Equity Fond II K/S	49.1	49.1	190	120	19	4
AQR GRPT EL Master Account Ltd.	AQR Offshore Multistrategy Fund XII, L.P.	46.4	46.4	-	-	-	-
AQR Global Macro Master Account	AQR Offshore Multistrategy Fund XII, L.P.	27.8	27.8	-	-	-	-
AQR Churchill Master Account	AQR Offshore Multistrategy Fund XII, L.P.	47.0	47.0	-	-	-	-
AQR Absolute Return Credit Master Account	AQR Offshore Multistrategy Fund XII, L.P.	42.6	42.6	-	-	-	-
Hancock Queensland Plantations Pty Ltd.	ATP Timberland Invest K/S	31.1	31.1	4,915	4,157	1,142	223

Note 16 Investment properties

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Fair value as at 1 January	20,360	17,871	7,749	7,507
Reclassification to/from owner-occupied properties	-	-	-	-
Additions during the year	584	1,750	284	158
Disposals during the year*	(118)	(28)	(263)	(13)
Fair value adjustment for the year	313	767	258	97
Fair value as at 31 December	**21,139**	**20,360**	**8,028**	**7,749**

* In 2016, ATP sold a property to its subsidiary ATP Ejendomme A/S.

§ Accounting policies

Investment properties are properties held by the ATP Group to earn rental income and/or capital gains. Investment properties are properties which the ATP Group does not use for administration etc. as such properties are classified as owner-occupied properties, see note 25. Properties with elements of owner-occupied properties and investment properties are allocated proportionately between the two asset types.

On initial recognition, investment properties are recognised at cost including transaction expenses. Subsequent to initial recognition, investment properties are measured at fair value. A return-based model is used to determine the fair value of the Danish properties. An external assessment has been obtained for the valuation of market rent and required rates of return. These valuations are segmented on the locations and qualities of the properties. The valuation of the Group's international properties is made by external valuers, since local knowledge abroad requires external inputs. The determination of the return in the return-based model for individual properties is based on the expected rental income at full occupancy of the properties. Expected operating, administration and maintenance expenses are deducted. The value subsequently calculated is adjusted for recognised vacancy rent loss for a suitable period and expected expenses related to major maintenance work; deposits and prepaid rent are also added. The required rates of return are determined based on external estate agents' assessment of the market level.

Expenses incurred in the form of new or improved qualities which result in an increase in the fair value determined immediately prior to the incurrence of the expenses, are added to the acquisition price as improvements.

Fair value is determined based on the following rates of required return:

	Group 2016	Group 2015	ATP 2016	ATP 2015
Weighted average required rate of return	5.1%	5.3%	5.3%	5.5%
Maximum required rate of return	8.5%	8.5%	8.5%	8.5%
Minimum required rate of return	4.3%	4.8%	4.8%	4.8%

! Significant accounting estimates

The fair value of the Group's investment properties is influenced by several factors, one of the most significant ones being the predefined required rate of return for the individual properties. The ATP Group uses external estate agents and their valuation of the market level to determine the required rate of return and the market rent. The determination of operating income is affected by estimates to a lesser extent, the determination of vacancy rent being the most significant one.

Changes in the required rate of return have the most significant impact on the fair value of the Group's investment properties. A 0.25 per cent (25 bps) increase in the required rate of return reduces the fair value of the Group's investment properties as at 31 December 2016 by DKK 927m (2015: DKK 876m).

Note 17 Market risks

ATP's risk limits are, in addition to statutory limits, based on an overall risk framework in which market risks are included as well as a number of more specific limits. The overall risk framework is set out in a risk budget, determined on the basis of the bonus potential, while the overall risk is determined using the Value-at-Risk target with a risk tolerance of 0.5 per cent and a one-year time frame. The overall risk framework and the related risk target are determined by the Supervisory Board.

ATP's risk limits – statutory limits, limits set by the Supervisory Board and internally established limits – are monitored and reported on a daily basis in relation to ATP's actual risks, and any deviations from these limits are reported to the ATP Supervisory and Executive Boards.

Market risks for ATP are specified below. As the Group's subsidiaries are included in the risk classes below, the market risks of the Group are identical to those of ATP.

Market risks
Market risks in the ATP investment portfolio are based on the investment portfolio's division into risk factors. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. A number of risk targets are used in the measurement of ATP's market risks, including Expected Shortfall, which is a generally used target for risk in worst-case scenarios. In connection with the determination of the allocation of risk on the four risk factors, Expected Shortfall over a three-month time frame and a 1 per cent quantile (ES, three months, 99 per cent) is used. This risk target expresses the average of the 1 per cent highest losses over a three-month time frame.

Expected Shortfall for ATP's investment portfolio

DKKm

	31.12.2016	**31.12.2015**
Investment portfolio		
Equity factor	26,311	21,692
Interest rate factor	13,114	9,476
Inflation factor	4,957	4,376
Other factors	8,089	7,682

ATP's risk management provides a framework for the allocation of risk on the investment portfolio's four risk factors with a view to ensuring appropriate diversification of ATP's investments. The risk allocation has been determined as each risk factor's share of the sum of risk for the four risk factors. The ATP Supervisory Board has set a long-term guideline and upper and lower limits for each risk factor's share of the overall risk of the investment portfolio.

Relative risk allocation (per cent)

	Year-end 2016	**Year-end 2015**	**Target**
Equity factor	50.1	50.2	35.0
Interest rate factor	25.1	21.9	35.0
Inflation factor	9.4	10.1	15.0
Other factors	15.4	17.8	15.0

Currency risks
ATP's currency risks are, as a general rule, hedged in DKK and euros. However, a limit applies for the currency exposure to other currencies, as it may be inexpedient to hedge some currencies. As a general rule, emerging market currency exposure is not hedged.

ATP's currency exposure as at 31 December 2016

Incl. hedging	**Currency exposure DKKbn**	**Per cent of investment portfolio**
Currency		
EUR	204.0	26.6
USD	(0.5)	(0.1)
Total other currencies	1.1	0.1

Excl. hedging	**Currency exposure DKKbn**	**Per cent of investment portfolio**
Currency		
EUR	201.5	26.3
USD	68.9	9.0
Total other currencies	8.2	1.1

ATP's currency exposure as at 31 December 2015

Incl. hedging	**Currency exposure DKKbn**	**Per cent of investment portfolio**
Currency		
EUR	194.5	27.7
USD	(1.4)	(0.2)
Total other currencies	1.1	0.2

Excl. hedging	**Currency exposure DKKbn**	**Per cent of investment portfolio**
Currency		
EUR	196.6	28.0
USD	60.8	8.7
Total other currencies	8.2	1.2

Note 18 Credit and counterparty risks

The Group's credit risks relate primarily to actual credit investments. As part of the ATP investment strategy, ATP actively assumes credit risks by investing in emerging market government bonds, corporate bonds, loans, CDSs, mezzanine capital etc.

In addition, the Group has a number of business-related credit risks, including receivables, cash and cash equivalents and unlisted financial derivatives with a positive fair value.

Finally, ATP's portfolios of government bonds and mortgage bonds involve a credit risk. As concerns government bonds, the credit risk is assessed as being close to zero, as ATP's portfolio of government bonds consisted exclusively of German and Danish government bonds at year-end 2016, and, in the case of mortgage bonds, the credit risk is assessed as being moderate.

Market value as at 31 December 2016

DKKbn

	2016	**2015**
Credit investments*	40	32
Mortgage bonds	116	111
Unlisted financial derivatives, net (before provision of collateral)	21	25
Unlisted financial derivatives, net (after provision of collateral)	1	0
Cash and cash equivalents	7	5
Other receivables	5	4

* The market value of credit investments includes CDSs with a market value at year-end 2016 of DKK 1.1bn (2015: DKK 25m) and a principal amount at year-end 2016 of DKK 35bn (2015: DKK 2bn). In addition, at year-end 2016 ATP had guarantees issued of DKK 1.3bn (2015: DKK 1.1bn).

As at 31 December 2016, overdue loans and receivables were included in the Group's loans and receivables at DKK 5m (2015: DKK 8m).
At year-end 2016, impairment losses on receivables for the ATP Group amounted to DKK 37m (2015: DKK 30m).

For ATP, impairment losses at year-end 2016 amounted to DKK 35m (2015: DKK 28m).

Note 19 Liquidity risk

Liquidity risk is the risk that the ATP Group will not have sufficient funds available to meet its contractual obligations when they fall due. Liquidity risk is associated, in particular, with hedging activities, but also with contribution payments, pension benefit payouts and payment of tax on pension savings returns.

The Group must at all times be able to meet requirements for paying liquidity or providing collateral in the form of bonds. ATP's management of liquidity risk is based on calculations of liquidity needs and liquidity under various scenarios with related limits for how much liquidity ATP must be able to muster in the short term (five days) and the long term (one year). In addition, current cash budgets are prepared.

The net liquidity effect on contribution payments and pension payouts over the year is stable.

The Group's cash reserves are comprised of cash and cash equivalents and other financial assets and unutilised credit facilities.

Maturity analysis

In the table below, the Group's and ATP's financial liabilities are broken down by contractual maturity including interest. The determination of financial derivatives comprises all financial derivatives, regardless of whether they have positive or negative fair value at the statement of financial position date.

2016 Group	**0-1 year**	**1-5 years**	**6-15 years**	**16-20 years**	**Over 20 years**	**Total**
DKKm						
Financial derivatives						
Gross-settled financial derivatives, payments made	10,978	27,687	99,518	43,118	31,381	212,682
Gross-settled financial derivatives, payments received	(15,608)	(46,051)	(103,472)	(42,761)	(32,401)	(240,293)
Financial derivatives, settled net	4,327	1,503	40	-	60	5,930
Total derivative financial liabilities	(303)	(16,861)	(3,914)	357	(960)	(21,681)
Other financial liabilities						
Guaranteed benefits	16,290	84,661	189,090	100,421	462,983	853,445
Payables to credit institutions	29,868	-	-	-	-	29,868
Income tax and tax on pension savings returns payable	10,555	-	-	-	-	10,555
Other payables	6,129	89	308	-	-	6,526
Total other financial liabilities	62,842	84,750	189,398	100,421	462,983	900,394
Total	**62,539**	**67,889**	**185,484**	**100,778**	**462,023**	**878,713**

2015 Group	**0-1 year**	**1-5 years**	**6-15 years**	**16-20 years**	**Over 20 years**	**Total**
DKKm						
Financial derivatives						
Gross-settled financial derivatives, payments made	8,551	29,174	106,471	47,152	37,937	229,285
Gross-settled financial derivatives, payments received	(13,749)	(46,615)	(111,733)	(47,887)	(40,960)	(260,944)
Financial derivatives, settled net	8,228	(3,247)	-	-	(1)	4,980
Total derivative financial liabilities	3,030	(20,688)	(5,262)	(735)	(3,024)	(26,679)
Other financial liabilities						
Guaranteed benefits	15,716	83,798	185,017	97,823	462,157	844,511
Payables to credit institutions	16,079	-	-	-	-	16,079
Income tax and tax on pension savings returns payable	976	-	-	-	-	976
Other payables	3,580	76	309	-	-	3,965
Total other financial liabilities	36,351	83,874	185,326	97,823	462,157	865,531
Total	**39,381**	**63,186**	**180,064**	**97,088**	**459,133**	**838,852**

Note 19 Liquidity risk, continued

2016 ATP DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
Financial derivatives						
Gross-settled financial derivatives, payments made	7,728	27,687	99,518	43,118	31,381	209,432
Gross-settled financial derivatives, payments received	(12,827)	(46,051)	(103,472)	(42,761)	(32,401)	(237,512)
Financial derivatives, settled net	4,171	1,503	40	-	60	5,774
Total derivative financial liabilities	(928)	(16,861)	(3,914)	357	(960)	(22,306)
Other financial liabilities						
Guaranteed benefits	16,290	84,661	189,090	100,421	462,983	853,445
Payables to credit institutions	29,792	-	-	-	-	29,792
Tax payable on pension savings returns	10,554	-	-	-	-	10,554
Other payables	2,503	48	11	-	-	2,562
Payables to group subsidiaries, payments made	24,710	-	-	-	-	24,710
Receivables from group subsidiaries, payments received	(25,772)	-	-	-	-	(25,772)
Total other financial liabilities	58,077	84,709	189,101	100,421	462,983	895,291
Total	**57,149**	**67,848**	**185,187**	**100,778**	**462,023**	**872,985**

2015 ATP DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
Financial derivatives						
Gross-settled financial derivatives, payments made	7,703	29,174	106,471	47,152	37,937	228,437
Gross-settled financial derivatives, payments received	(12,906)	(46,615)	(111,733)	(47,887)	(40,960)	(260,101)
Financial derivatives, settled net	7,264	(3,247)	-	-	(1)	4,016
Total derivative financial liabilities	2,061	(20,688)	(5,262)	(735)	(3,024)	(27,648)
Other financial liabilities						
Guaranteed benefits	15,716	83,798	185,017	97,823	462,157	844,511
Payables to credit institutions	16,079	-	-	-	-	16,079
Tax payable on pension savings returns	976	-	-	-	-	976
Other payables	1,939	45	6	-	-	1,990
Payables to group subsidiaries, payments made	28,243	-	-	-	-	28,243
Receivables from group subsidiaries, payments received	(28,638)	-	-	-	-	(28,638)
Total other financial liabilities	34,315	83,843	185,023	97,823	462,157	863,161
Total	**36,376**	**63,155**	**179,761**	**97,088**	**459,133**	**835,513**

Note 20 Fair value disclosure

This note discloses how the ATP Group determines the fair value of various financial assets, liabilities and investment properties. Most of the Group's financial assets and liabilities are measured at fair value. The table on the next page, shows how the fair value of various financial assets and liabilities is determined. Disclosures are not provided specifically for the ATP Parent Company. Apart from the size of amounts, these disclosures are identical to those of the Group. All fair value measurements disclosed are recurring value measurements.

Note 20 Fair value disclosure, continued

Group	Fair value as at 31 December 2016 DKKm	Fair value as at 31 December 2015 DKKm	Fair value hierarchy	Valuation method used	Unobservable Observable/ unobservable inputs/ranges used	Fair value sensitivity to changes in unobservable inputs
Bonds, listed	535,023	501,860	1	Closing rates of relevant stock exchange.	-	-
Bonds, observable inputs	27,043	16,686	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yields curves, spreads	-
Bonds, unobservable inputs	5,933	1,698	3	Discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.	Investment-specific credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the fair value is reduced by DKK 243m.
Equity investments, listed	33,504	25,876	1	Closing rates of relevant stock exchange.	-	-
Equity investments, unlisted	50,424	51,725	3	Reported fair value[1]	-	-
Equity investments, unlisted	3,282	3,678	3	Multiple analysis / for new investments traded by purchase, acquisition cost is used	Valuation multiples used	If the valuation multiples used are reduced by -10 per cent, the fair value is reduced by DKK 312m.
Mutual fund units	5,856	5,535	3	Reported fair value[1]	-	-
Financial derivatives, listed (net)	(608)	(943)	1	Closing rates of relevant stock exchange.	-	-
Financial derivatives, unlisted (net)	21,535	25,093	2	Linear financial instruments (e.g. interest rate swaps) are valued using inputs of relevant curves, indices, spreads for calculating future payments and discounting using the relevant yield curve. For non-linear financial instruments, volatilities and methods reflecting applicable market practice for the valuation of these instruments are also used[2].	Yields curves, spreads	-
Loans	14,001	10,049	3	Discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums	Investment-specific credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the market value is reduced by DKK 113m.
Investments in associates	10,865	9,985	3	Reported fair value[1]	-	-
Investments in associates	2,613	2,186	3	'Sum-of-the-parts' valuation	Haircuts applied to underlying assets	If the haircut applied to underlying assets increases by 5 per cent, the market value is reduced by DKK 70m.
Investments in associates	803	-	3	Discounting of expected future cash flows to net present value	Applied discount factor	If the discount factor changes +/- 0.5 per cent, the fair value will change approx. +/- DKK 65m.
Investments in associates	681	847	3	Multiple analysis / for new investments traded by purchase, acquisition cost is used	Valuation multiples used	If the valuation multiples used are reduced by -10 per cent, the fair value is reduced by DKK 76m.
Investments in group subsidiaries (ATP)	85,957	85,460	3	Investments in group subsidiaries consist primarily of investment entities that measure all material assets and liabilities at fair value using the methods described in this note. Since all material assets and liabilities in the group subsidiaries are recognised at fair value, the fair value of the group subsidiaries is equivalent to ATP's share of the reported net asset value[1]	-	-
Investment properties	21,139	20,360	3	Return-based model. Reference is made to note 16 for a further description.	Required rates of return – 4.3 per cent to 8.5 per cent (avg. 5.1 per cent)	If the average required rate of return of 5.1 per cent is increased by 0.25 per cent (25 bps), the fair value of the Group's investment properties is reduced by DKK 927m.
Receivables from credit institutions	56,185	35,428	2	Discounting to net present value using relevant yield curve.	Yield curves	-
Payables to credit institutions	(29,801)	(16,070)	2	Discounting to net present value using relevant yield curve.	Yield curves	-

[1]Reported fair value based on reporting by relevant companies in which underlying assets and liabilities are measured at fair value. If the reporting date is different from the Group's statement of financial position date, adjustment is made for significant changes in the market's observable inputs and the quoted prices of underlying assets.

[2]Financial derivatives are presented net (asset less liability), since disclosures are identical for assets and liabilities apart from the amounts.

Note 20 Fair value disclosure, continued

Financial instruments are recognised in the statement of financial position at fair value or amortised cost, see accounting policies for financial instruments in note 12. In the determination of fair value, the ATP Group uses a predefined hierarchy in IFRS 13, consisting of three levels of inputs.

Level 1 – quoted prices: The market price of the financial instrument is used if an active market exists. The market price can be in the form of a quoted price or price quotation.

Level 2 – observable inputs: If a financial instrument is listed on a non-active market, the valuation is based on the most recent transaction price. Adjustments are made for subsequent changes in market conditions. For some financial assets and liabilities, no actual market exists. The valuation of these assets and liabilities is made using an estimated value based on recent transactions in similar instruments. For financial derivatives, valuation techniques based on market conditions, e.g. yield curves and exchange rates, are widely used.

Level 3 – unobservable inputs: The valuation of certain financial assets and liabilities is based substantially on unobservable inputs. For a significant portion of the Group's equity investments and a small portion of the Group's bond portfolio, the valuation is based on unobservable inputs. Note 12 describes the individual valuation methods used to determine the fair value of these financial assets.

Transfers between levels are assessed, as a minimum, at each closing of quarterly financial statements. For individual financial assets and liabilities, it is assessed whether the most significant input variables in connection with the fair value determination have changed, for example from unobservable to observable. If this is the case, the asset or liability is transferred out of the relevant level and into the new level from the time the input variables changed.

Group

DKKm	Quoted prices		Observable inputs		Unobservable inputs			
	Level 1		Level 2		Level 3		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Bonds	535,023	501,860	27,043	16,686	5,933	1,698	567,999	520,244
Equity investments	33,504	25,876	0	0	53,706	55,403	87,210	81,279
Mutual fund units	0	0	0	0	5,856	5,535	5,856	5,535
Financial derivatives	386	477	88,162	81,455	0	0	88,549	81,932
Loans	0	0	0	0	14,001	10,049	14,001	10,049
Investments in associates	0	0	0	0	14,962	13,018	14,962	13,018
Investment properties	0	0	0	0	21,139	20,360	21,139	20,360
Receivables from credit institutions	0	0	56,185	35,428	0	0	56,185	35,428
Total	**568,913**	**528,213**	**171,391**	**133,569**	**115,597**	**106,063**	**855,901**	**767,845**
Liabilities								
Payables to credit institutions	0	0	29,801	16,070	0	0	29,801	16,070
Financial derivatives	994	1,420	66,627	56,362	0	0	67,621	57,782
Total	**994**	**1,420**	**96,429**	**72,432**	**0**	**0**	**97,422**	**73,852**

There were no significant transfers between levels 1 and 2 in 2016 and 2015.

For assets and liabilities measured at fair value using unobservable data (level 3), the movements for the year are as follows:

	Bonds		Equity investments		Investment fund units		Loans		Investments in associates		Investment properties		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Statement of financial position 01.01	1,698	-	55,403	52,241	5,535	6,603	10,049	5,142	13,018	10,208	20,360	17,871	106,063	92,065
Realised/unrealised gains or losses for the period, recognised	66	32	726	3,987	325	1,643	504	781	1,312	926	313	688	3,246	8,057
Purchase	4,190	907	9,165	8,158	10	0	10,751	6,221	4,116	3,080	584	1,829	28,816	20,195
Sale	(21)	(14)	(8,317)	(8,983)	(14)	(2,711)	(7,303)	(2,095)	(3,484)	(1,196)	(118)	(28)	(19,257)	(15,027)
Transfer into level 3	-	773	-	-	-	-	-	-	-	-	-	-	-	773
Transfer out of level 3	-	-	(3,271)	-	-	-	-	-	-	-	-	-	(3,271)	-
Statement of financial position 31.12	**5,933**	**1,698**	**53,706**	**55,403**	**5,856**	**5,535**	**14,001**	**10,049**	**14,962**	**13,018**	**21,139**	**20,360**	**115,597**	**106,063**
Losses/gains on assets held	66	66	3,970	9,213	246	815	549	1,009	976	1,244	291	580	6,097	12,927

Transfer out of level 3 of DKK 3,271m relating to equity investments consists of unlisted equity investments which were listed in the financial year. In 2015, transfers out of level 2 into level 3 related primarily to parts of the Group's bond holdings where the valuation also included investment-specific credit spread premiums.

Losses and gains related to level 3 are recognised in the income statement in the items 'Market value adjustments related to investment activities' and 'Market value adjustments related to hedging activities'.

Note 20 Fair value disclosure, continued

DKKm	Quoted prices		Observable inputs		Unobservable inputs			
	Level 1		Level 2		Level 3		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Bonds	509,859	476,059	27,043	16,686	5,933	1,698	542,835	494,443
Equity investments	28,902	22,206	-	-	22,199	21,553	51,101	43,759
Financial derivatives	386	477	88,112	81,453	-	-	88,498	81,930
Loans, including loans to group subsidiaries	-	-	-	-	14,928	12,130	14,928	12,130
Investments in group subsidiaries	-	-	-	-	85,957	85,460	85,957	85,460
Investments in associates	-	-	-	-	9,365	7,910	9,365	7,910
Investment properties	-	-	-	-	8,028	7,749	8,028	7,749
Receivables from credit institutions	-	-	54,762	35,428	-	-	54,762	35,428
Total	**539,147**	**498,742**	**169,917**	**133,567**	**146,410**	**136,500**	**855,474**	**768,809**
Liabilities								
Payables to credit institutions	-	-	29,726	16,070	-	-	29,726	16,070
Financial derivatives	803	543	66,596	56,268	-	-	67,399	56,811
Total	**803**	**543**	**96,322**	**72,338**	**-**	**-**	**97,125**	**72,881**

There were no significant transfers between levels 1 and 2 in 2016 and 2015.

For assets and liabilities measured at fair value using unobservable data (level 3), the movements for the year are as follows:

	Bonds		Equity investments		Loans, including loans to group subsidiaries		Investments in group subsidiaries		Investments in associates		Investment properties		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Statement of financial position 01.01	1,698	-	21,553	20,031	12,130	7,326	85,460	78,842	7,910	7,037	7,749	7,507	136,500	120,743
Realised/unrealised gains or losses for the period, recognised	66	32	954	2,034	452	782	2,344	2,255	709	465	258	97	4,783	5,665
Purchase	4,190	907	4,315	3,482	9,483	6,149	7,720	41,480	873	474	284	158	26,865	52,650
Sale	(21)	(14)	(1,928)	(3,994)	(7,137)	(2,127)	(9,567)	(37,117)	(127)	(66)	(263)	(13)	(19,043)	(43,331)
Transfer into level 3	-	773	-	-	-	-	-	-	-	-	-	-	-	773
Transfer out of level 3	-	-	(2,695)	-	-	-	-	-	-	-	-	-	(2,695)	-
Statement of financial position 31.12	**5,933**	**1,698**	**22,199**	**21,553**	**14,928**	**12,130**	**85,957**	**85,460**	**9,365**	**7,910**	**8,028**	**7,749**	**146,410**	**136,500**
Losses/gains on assets held	66	66	644	3,483	460	1,001	2,343	2,311	731	615	258	122	4,502	7,598

Transfer out of level 3 of DKK 2,695m relating to equity investments consists of unlisted equity investments which were listed in the financial year. In 2015, transfers out of level 2 into level 3 related primarily to parts of the Group's bond holdings where the valuation also included investment-specific credit spread premiums.

Losses and gains related to level 3 are recognised in the income statement in the items 'Market value adjustments related to investment activities' and 'Market value adjustments related to hedging activities'.

Note 21 Disclosures about offsetting financial assets and liabilities

This note contains disclosures about offsetting financial assets and liabilities for the ATP Group. The ATP Group does not use offsetting in connection with the settlement of financial liabilities. Thus, there is no difference between the columns 'Recognised assets, gross' and 'Net amounts of financial assets presented in the statement of financial position'. The ATP Group extensively uses collateral provided to and from counterparties when entering into financial contracts. Net amounts thus indicate the exposure after provision of collateral. There are no disclosures specifically for the ATP Parent Company, as the disclosures in all material respects are identical to those provided for the Group.

2016 Group Financial assets				Related amounts not offset in the statement of financial position		
DKKm	Recognised assets, gross	Financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
Financial derivatives	88,549	-	88,549	(62,424)	(26,125)	-
Receivables from credit institutions	56,185	-	56,185	(12,421)	(43,764)	-
Total	**144,734**	**-**	**144,734**	**(74,845)**	**(69,889)**	**-**

Financial liabilities 2016 Group				Related amounts not offset in the statement of financial position		
	Liabilities recognised, gross	Assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
Financial derivatives	67,621	-	67,621	(62,424)	(3,952)	1,245
Payables to credit institutions	29,801	-	29,801	(12,421)	(17,113)	267
Total	**97,422**	**-**	**97,422**	**(74,845)**	**(21,065)**	**1,512**

2015 Group Financial assets				Related amounts not offset in the statement of financial position		
DKKm	Recognised assets, gross	Financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
Financial derivatives	81,932	-	81,932	(53,824)	(28,108)	-
Receivables from credit institutions	35,428	-	35,428	(8,999)	(26,429)	-
Total	**117,360**	**-**	**117,360**	**(62,823)**	**(54,537)**	**-**

Financial liabilities 2015 Group				Related amounts not offset in the statement of financial position		
	Liabilities recognised, gross	Assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
Financial derivatives	57,782	-	57,782	(53,824)	(2,358)	1,600
Payables to credit institutions	16,070	-	16,070	(8,999)	(7,068)	3
Total	**73,852**	**-**	**73,852**	**(62,823)**	**(9,426)**	**1,603**

Note 22 Guaranteed benefits

On 1 January 2015, the guaranteed return on new ATP contributions was changed: the return is fixed for 15-year periods for all contributions from 1 January 2015 onwards. So far, the return has been fixed for life at the time of the contribution payment. The adjustment applies only to members born in 1964 or later. The pension guarantees issued before 2015 are not affected. At the end of each 15-year guarantee period, a new rate is fixed for the next 15-year period, based on the current market rate. This practice continues until the individual member is less than 15 years from retirement. At this point, a guaranteed return is fixed to apply for the rest of the member's life.

	Group		**ATP**	
DKKm	**2016**	**2015**	**2016**	**2015**
Fair value as at 1 January	603,972	608,418	603,972	608,418
Change in provisions for the year:				
Contributions	9,572	9,055	9,572	9,055
– of which transferred to bonus potential	(1,914)	(1,811)	(1,914)	(1,811)
Pension benefits	(15,454)	(14,566)	(15,454)	(14,566)
Change due to life expectancy update	9,901	3,723	9,901	3,723
Change due to change in discount rate	45,551	(12,172)	45,551	(12,172)
Bonus allowance for the year	-	3,017	-	3,017
Change due to maturity reduction	6,329	7,674	6,329	7,674
Other changes	840	634	840	634
Total change in provisions for the year	**54,825**	**(4,446)**	**54,825**	**(4,446)**
Fair value as at 31 December	**658,797**	**603,972**	**658,797**	**603,972**
Change in provisions for the year, broken down by the Group's and ATP's activities:				
Hedging activities:				
Change due to maturity reduction	6,329	7,674	6,329	7,674
Change due to change in discount rate	45,551	(12,172)	45,551	(12,172)
	51,880	(4,498)	51,880	(4,498)
Pension activities:				
Contributions	9,572	9,055	9,572	9,055
– of which transferred to bonus potential	(1,914)	(1,811)	(1,914)	(1,811)
Pension benefits	(15,454)	(14,566)	(15,454)	(14,566)
Other changes	840	634	840	634
Change in guaranteed benefits due to contributions and pension benefits	(6,956)	(6,688)	(6,956)	(6,688)
Change due to life expectancy update	9,901	3,723	9,901	3,723
	2,945	(2,965)	2,945	(2,965)
Not allocated:				
Bonus allowance for the year	-	3,017	-	3,017
Total	**54,825**	**(4,446)**	**54,825**	**(4,446)**
Sensitivity disclosures:				
Change in provisions at the following changes:				
Interest rate increase of 1 percentage point	(83,720)	(74,402)	(83,720)	(74,402)
Interest rate fall of 1 percentage point	103,551	91,809	103,351	91,809
Mortality rate increase of 10 per cent	(21,883)	(19,921)	(21,883)	(19,921)
Mortality rate fall of 10 per cent*	24,151	22,043	24,151	22,043

* In 2016, a 10 per cent fall in the mortality rate was equivalent to a 1.0 year increase in life expectancy (2015: 1.1 years).

§ Accounting policies

Guaranteed benefits are calculated at the fair value of the Group's pension liabilities, i.e. the value in use of guaranteed benefits and rights (the pension commitment) assessed as a function of the current discount rate at the statement of financial position date. Guaranteed benefits comprises unpaid pension benefits due in respect of events having occurred during the financial year or earlier (provisions for claims outstanding).

The discount rate is calculated in accordance with the provision basis reported to the Danish Financial Supervisory Authority (FSA), based on the zero coupon yield curve at the statement of financial position date, reflecting the term of the guaranteed benefits. The rate thus calculated has been reduced by the tax rate under the Danish Pension Savings Returns Act, currently accounting for 15.3 per cent.

The changes for the year in guaranteed benefits are allocated between hedging and pension activities.
Changes related to changes in the market rate and changes in maturity reduction are recognised in hedging activities. Changes related to contribution payments for the year and pension benefit payouts for the year are recognised in pension activities. Other minor changes are also recognised in pension activities. In addition, changes due to the life expectancy update are also recognised in pension activities. The life expectancy update comprises observed and expected future increases in life expectancy. Bonus is not allocated to the Group's business areas.

! Significant accounting estimates

The assessment of pension provisions is based on customary actuarial assumptions, with the most significant assumptions relating to the discount factor being based on the discount rate specified and on life expectancies for ATP's members, see the section 'Risks and risk management'. These assumptions are assumed to reflect current market conditions.

Discount rate
The discount rate curve is comprised of a zero-coupon yield curve, estimated using a recognised method, and a long-term required rate of return of 3 per cent.The assets included in the estimation basis reflect the relevant currency denomination, maturity and liquidity. The percentage breakdown of the assets included in the estimation basis is as follows:

Interest rate swaps denominated in Danish kroner – 15 per cent

Interest rate swaps denominated in euros – 35 per cent

Danish government bonds – 25 per cent

German government bonds – 25 per cent

The zero-coupon yield curve is estimated on the basis of buying and selling rates on the asset side of the breakdown above and determined on the basis of a specific set of maturities up to 30 years. The four input curves, weighted using the zero-coupon yields, are used for this purpose. Other points on the yield curve are determined by linear interpolation between the estimated points.

For interest rate swaps denominated in Danish kroner (DKK), Danish CIBOR fixings and Danish swap rates are used. For interest rate swaps denominated in euros, EURIBOR fixings, euro forward rate agreements and euro swap rates against EURIBOR and EONIA are used. For Danish government bonds, yields on Danish government bonds with a term to maturity of more than two months are used. For German government bonds, yields on German government bonds with a term to maturity of more than two months are used.

From 40 years onwards, the required rate of return of 3 per cent is used.

The table below shows selected points on the zero-coupon yield curve in 2016 and 2015.

Yield curve points	**2016**	**2015**
1 year	(0.46%)	(0.27%)
5 years	(0.16%)	0.19%
10 years	0.49%	0.92%
15 years	0.85%	1.35%
20 years	1.06%	1.58%
30 years	1.09%	1.68%
Inflation	0.30%	0.34%

Life expectancy
ATP guarantees lifelong pensions. Thus, increases in life expectancy have a major impact on the size of the guaranteed benefits. ATP uses the SAINT life expectancy model. SAINT is based on comparable data from 18 OECD countries. In addition to factoring in already observed increases in life expectancy, SAINT allows for projected future life expectancy increases. Projections of future increases in life expectancy involve a degree of judgement and uncertainty.

Change in other actuarial estimates
In 2016, ATP changed the assumptions used in calculating guaranteed benefits within three areas: Estimates for provisions for administration (effect +963m), children and spouse frequencies (effect DKK -785m) and SUPP members' life expectancy relative to ATP's population (effect DKK -210m). Overall, the three changes resulted in a decrease in the value of the guaranteed benefits of DKK 32m. The changes are included in the item 'Other changes'.

Note 23 Bonus potential, Group

Bonus policy
The framework of ATP's bonus policy is defined in section 18.3 of the Danish Consolidated Act on Arbejdsmarkedets Tillægspension (*Bekendtgørelse af lov om Arbejdsmarkedets Tillægspension*), stipulating that the aim is to pursue a long-term bonus policy to ensure that the real value of pensions is preserved.

ATP's bonus policy allows for increasing pensions for all members if the bonus rate exceeds 20 per cent. If the bonus rate exceeds 10 per cent, pensions may be increased for all current pensioners. The bonus rate is defined as bonus potential relative to guaranteed benefits, see note 31.

ATP's bonus policy is indicative. Decisions on whether to increase pensions are made by the ATP Supervisory Board for one year at a time.

In 2016, ATP made additional provisions of DKK 9.9bn in response to increases in life expectancy. As the guarantees have grown in value due to their extension, the ATP Supervisory Board has therefore decided not to increase the pensions with bonus.

2016 Group

DKKm	Revaluation reserve	Other	Retained earnings	Total
Bonus potential as at 1 January	51	12	101,179	101,242
Net results for the year	-	-	(789)	(789)
Other comprehensive income:				
Revaluation reserve in respect of owner-occupied properties	1	-	-	1
Total other comprehensive income	1	-	-	1
Comprehensive income for the year	1	-	(789)	(788)
Bonus potential as at 31 December	**52**	**12**	**100,390**	**100,454**

Under ATP's bonus allocation principles, the bonus potential may be divided into one portion that may be used to increase the guaranteed benefits and one portion that must be retained as unallocated bonus.

Bonus potential that could be used to increase guaranteed benefits	3,265
Bonus potential that must be retained as unallocated bonus	97,189
Total	**100,454**

2015 Group

DKKm	Revaluation reserve	Other	Retained earnings	Total
Bonus potential as at 1 January	42	12	95,777	95,831
Net results for the year	-	-	5,402	5,402
Other comprehensive income:				
Revaluation reserve in respect of owner-occupied properties	9	-	-	9
Total other comprehensive income	9	-	-	9
Comprehensive income for the year	9	-	5,402	5,411
Bonus potential as at 31 December	**51**	**12**	**101,179**	**101,242**

Bonus potential that could be used to increase guaranteed benefits	-
Bonus potential that must be retained as unallocated bonus	101,242
Total	**101,242**

Note 23 Bonus potential, ATP

2016 ATP

DKKm	Revaluation reserve	Other	Retained earnings	Total
Bonus potential as at 1 January	41	-	101,201	101,242
Net results for the year	-	-	(785)	(785)
Other comprehensive income:				
Revaluation reserve in respect of owner-occupied properties	(3)	-	-	(3)
Total other comprehensive income	(3)	-	-	(3)
Comprehensive income for the year	(3)	-	(785)	(788)
Bonus potential as at 31 December	**38**	**-**	**100,416**	**100,454**

Under ATP's bonus allocation principles, the bonus potential may be divided into one portion that may be used to increase the guaranteed benefits and one portion that must be retained as unallocated bonus.

Bonus potential that could be used to increase guaranteed benefits	3,265
Bonus potential that must be retained as unallocated bonus	97,189
Total	**100,454**

2015 ATP

DKKm	Revaluation reserve	Other	Retained earnings	Total
Bonus potential as at 1 January	42	-	95,789	95,831
Correction to beginning of year	(8)	-	8	-
Net results for the year	-	-	5,402	5,402
Other comprehensive income:				
Revaluation reserve in respect of owner-occupied properties	7	-	2	9
Total other comprehensive income	7	-	2	9
Comprehensive income for the year	7	-	5,404	5,411
Bonus potential as at 31 December	**41**	**-**	**101,201**	**101,242**

Bonus potential that could be used to increase guaranteed benefits	-
Bonus potential that must be retained as unallocated bonus	101,242
Total	**101,242**

Note 23 Bonus potential, continued

§ Accounting policies

ATP's and the Group's bonus potential are reserves that are not distributed to ATP's members. The bonus potential is equivalent to the carrying amount of total assets related to ATP less guaranteed benefits and the sum of the carrying amount of ATP's other liabilities.

The reserves can be distributed as bonus. Bonus allowances are transferred to guaranteed benefits over results and comprehensive income. Comprehensive income for the year is transferred to the bonus potential. Revaluations and reversal of revaluations of owner-occupied properties are recognised directly in the bonus potential over other comprehensive income. The bonus potential thus rises and falls with the size of the net results for the year and other comprehensive income.

Note 24 Intangible assets

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Goodwill:				
Cost as at 1 January	221	221	-	-
Additions	-	-	-	-
Cost as at 31 December	221	221	-	-
Impairment losses as at 1 January	(177)	(120)	-	-
Impairment losses for the year	-	(57)	-	-
Impairment losses as at 31 December	(177)	(177)	-	-
Carrying amount as at 31 December	**44**	**44**	-	-
Internal development projects:				
Cost as at 1 January	1,477	1,255	1,465	1,243
Additions during the year	271	225	271	225
Disposals during the year	-	(3)	-	(3)
Cost as at 31 December	1,748	1,477	1,736	1,465
Amortisation as at 1 January	(939)	(829)	(928)	(818)
Amortisation and impairment losses for the year	(117)	(110)	(117)	(110)
Amortisation as at 31 December	(1,056)	(939)	(1,045)	(928)
Carrying amount as at 31 December	**692**	**538**	**691**	**537**
Total intangible assets:				
Cost as at 1 January	1,698	1,476	1,465	1,243
Additions during the year	271	225	271	225
Disposals during the year	-	(3)	-	(3)
Cost as at 31 December	1,969	1,698	1,736	1,465
Amortisation and impairment losses as at 1 January	(1,116)	(949)	(928)	(818)
Amortisation and impairment losses for the year	(117)	(167)	(117)	(110)
Amortisation and impairment losses as at 31 December	(1,233)	(1,116)	(1,045)	(928)
Carrying amount as at 31 December	**736**	**582**	**691**	**537**

§ Accounting policies

Goodwill
On initial recognition, goodwill is recognised in the statement of financial position at cost as described under acquisition of companies, see note 26. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Internal development projects
Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the company can be demonstrated, and where the intention is to produce, market or use the project, are recognised as intangible assets, provided that the cost of these assets can be measured reliably and there is a sufficient degree of certainty of the future value in use. Other development costs are recognised in the income statement as incurred. Development costs include expenses, remunerations and amortisation attributable to the Group's development activities.

Internal development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the estimated useful economic lives of the assets, typically from three to ten years. The useful economic lives of the assets are reviewed and adjusted, if appropriate, at each statement of financial position date.

Note 24 Intangible assets, continued

Significant accounting estimates

Impairment test for goodwill

As at 31 December 2016, the Supervisory and Executive Boards tested the carrying amount of goodwill for impairment, based on the allocation made of the cost of goodwill on cash-generating units.

	Group		ATP	
	2016	**2015**	**2016**	**2015**
Goodwill				
NOW: Pension Ltd.	170	170	-	-
Ejendomsselskabet Vangede A/S	44	44	-	-
	214	214	-	-
Recoverable amount				
NOW: Pension Ltd.	-	-	-	-
Ejendomsselskabet Vangede A/S	44	44	-	-
	44	44	-	-

The recoverable amount is determined as the higher of the value in use and the fair value less selling costs. The recoverable amount is based on the value in use, determined through use of expected net cash flows based on budgets approved by the Supervisory and Executive Boards.

Impairment tests of development projects and other assets

Internal development projects comprise primarily the tendering of the contract for IT systems relating to UDK – Public Benefits Administration. The carrying amount of tendering of the contract for IT systems totalled DKK 499m as at 31 December 2016. The objective of tendering the contract is to reduce IT expenses through procurement of operationally reliable and cost-effective business solutions.

The remaining carrying amount as at 31 December 2016 relates to projects that have been completed for operation and are used mainly by the Group's Processing Business.

In 2016, the Supervisory and Executive Boards conducted an impairment test of the carrying amount of development projects in progress. The assessment is that the recoverable amount exceeds the carrying amount. The assessment of the recoverable amount is based on value-in-use calculations, determined through use of expected cash flows based on budgets for the years 2017-2021 as approved by the Supervisory and Executive Boards.

For other completed development projects, the Supervisory and Executive Boards have assessed the amortisation period determined. For a few projects, the Supervisory and Executive Boards have found that the value in use should be reduced, and, in addition, in 2016 impairment was provided for a few completed projects.

Note 25 Owner-occupied properties

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Cost as at 1 January	835	834	797	797
Additions during the year	11	1	10	-
Cost as at 31 December	846	835	807	797
Revaluations as at 1 January	51	42	41	34
Revaluations for the year	4	9	-	7
Reversal of revaluations due to value adjustment	(3)	-	(3)	-
Revaluations as at 31 December	52	51	38	41
Amortisation and impairment losses as at 1 January	(39)	(34)	(36)	(32)
Depreciation for the year	(5)	(5)	(4)	(4)
Amortisation and impairment losses as at 31 December	(44)	(39)	(40)	(36)
Fair value as at 31 December	**854**	**847**	**805**	**802**

§ Accounting policies

Owner-occupied properties are properties used by the Group for administration purposes. Properties with elements of both owner-occupied properties and investment properties are allocated proportionately between the two asset types by square metre.

Owner-occupied properties are recognised at cost and subsequently measured at fair value using a revaluation model. The fair value of owner-occupied properties is assessed using the principles applied to the Group's investment properties, see note 16.

Depreciation of owner-occupied properties is provided on a straight-line basis over the estimated useful economic lives of the assets. The depreciation periods have been determined at 50 years. No depreciation is provided for land.

Revaluation at the statement of financial position date of property, plant and equipment from cost to fair value is recognised under the bonus potential as a revaluation reserve. Increases in the fair value of a property are recognised directly in the item 'Revaluation reserve' under bonus potential, unless the increase is offset by a corresponding decrease in value previously recognised in the income statement. A decrease in the fair value of a property is recognised in the income statement, unless the decrease is offset by a corresponding increase in value previously recognised directly in the item 'Revaluation reserve' under the bonus potential. In that case, the decrease in value is transferred directly as a reduction in the revaluation reserve.

Note 26 Acquisition of companies

The ATP Group did not acquire any companies in 2016.

In 2015, ATP acquired 100 per cent of the equities in a company in Luxembourg - ATP European Core Shopping Center Fund. The payment totalled DKK 0.0m, and the net assets acquired amounted to DKK 0.0m.

The acquisition did not significantly impact the ATP Group's income statement or statement of financial position. Had the company acquired been owned by the ATP Group throughout the year, the Group's income statement and statement of financial position would not have been significantly impacted either.

§ Accounting policies

Newly acquired or newly formed companies are recognised in the consolidated financial statements from the date of acquisition and the date of formation, respectively. The date of acquisition is the time at which control of the company is actually acquired. Companies that are sold or disposed of are recognised in the consolidated statement of comprehensive income until the date of sale and disposal, respectively.

On the acquisition of new companies in which the Group achieves a controlling interest, the purchase method is applied under which the identifiable assets, liabilities and contingent liabilities of the newly acquired companies are measured at fair value at the date of acquisition. The acquisition payment for a company is the fair value of the payment made for the acquired company. If the determination of the payment is conditional upon one or more future events, these events are recognised at the fair value thereof at the date of acquisition. Expenses related to the acquisition are recognised in the income statement when incurred.

A positive balance (goodwill) between, on the one hand, the acquisition payment for the acquired company and the fair value of equity investments previously acquired and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired is recognised under intangible assets and tested for impairment at least once a year. If the carrying amount of the asset exceeds its recoverable amount, it is written down to the lower recoverable amount, see note 24.

Note 27 Operating leases

The Group acts as lessor for property leases. All leases are offered as operating leases. Assets are recognised in the Group's and ATP's statements of financial position under investment properties.

	Group		**ATP**	
DKKm	**2016**	**2015**	**2016**	**2015**
Rental income for the year from property rental	1,323	1,233	572	572
Lessees are under contractual obligation for an average of (years)	15	11	3	3
At the statement of financial position date, the Group had entered into leases under which future rental income is expected to be distributed as follows:				
Within 1 year	1,053	1,108	472	497
Between 1 and 5 years	2,684	2,779	812	861
After 5 years	3,351	3,792	250	217
Total rental income	**7,088**	**7,679**	**1,534**	**1,575**

Note 28 Contingent liabilities and collateral

The ATP Group provides and receives assets as collateral from clearing centres when entering into financial transactions. The ATP Group is entitled to sell or relend assets received. ATP's counterparties are also entitled to sell or relend the assets received when the ATP Group provides assets as collateral. Bonds and loans provided as collateral continue to be recognised in the Group's statement of financial position.

Assets provided and received as collateral are specified in the table below:

	Group		ATP	
DKKm	2016	2015	2016	2015
Assets provided as collateral:				
Bonds	43,663	26,568	43,587	26,568
Loans	5,978	-	5,978	-
Cash and cash equivalents	2,655	93	455	93
Total assets provided as collateral	**52,296**	**26,661**	**50,020**	**26,661**
Assets received as collateral:				
Bonds	84,979	66,072	83,554	66,072
Total assets received as collateral	**84,979**	**66,072**	**83,554**	**66,072**
Investment and loan commitments				
Investment commitments, equity investments	13,696	13,871	35	255
Investment commitments, real estate funds	604	1,100	390	606
Investment commitments, Danish properties	102	381	47	381
Investment commitments, international properties	-	881	-	881
Investment commitments, infrastructure funds	6,030	3,727	6,030	3,725
Investment commitments, credit funds	5,383	1,960	5,383	398
Loan commitments, businesses	24,158	8,563	24,158	8,563
Loan commitments, credit funds	12	491	12	491
Investment commitments, group subsidiaries	-	-	28,081	32,546
Loan commitments, group subsidiaries	-	-	1,780	2,000
Other contingent liabilities				
Rental/lease obligations	487	504	467	497
Potential deferred tax related to real estate[1]	167	151	-	-
Other contingent liabilities[2]	1,371	1,075	1,319	1,075

Via UDK – Public Benefits Administration, ATP has for a while been in critical dialogue with KMD concerning their delivery of the IT system Pension, which is to be used by UDK for the disbursement of disability pension and state-funded old-age pension to citizens. Depending on the outcome of the dialogue, it may become necessary to cancel the contract, which may indirectly affect the recognition and measurement of the capitalised costs for the IT system Pension. This will also lead to legal proceedings being instituted against KMD. As ATP's business processing tasks on behalf of UDK – Public Benefits Administration are performed on a cost-recovery and risk-free basis, ATP is guaranteed compensation for any loss.

[1] Under certain conditions, the ATP Group is not subject to income tax on the activities of its subsidiaries ATP Ejendomme A/S and Ejendomsselskabet Vangede A/S as of and including 2001

If the conditions for tax exemption are not met, provisions are made for both current and deferred tax in the company. In 2016, ATP Ejendomme A/S and Ejendomsselskabet Vangede A/S met the conditions for tax exemption.

ATP has joint VAT registration with a number of subsidiaries. These subsidiaries are jointly and severally liable for the payment of VAT and payroll tax included in the joint registration for VAT.

[2] Other contingent liabilities comprise mainly contingent liabilities relating to ATP having issued letters of credit to businesses.

§ Accounting policies

Decisions regarding the accounting treatment of contingent assets and liabilities are based on an assessment of the expected outcome of the applicable contingency. If it is almost certain that a future economic benefit will flow to the ATP Group, the asset and the related income are recognised. If, on the other hand, it is probable that a future economic benefit will flow from the ATP Group when discharging the liability, the contingency is recognised as a liability. Where it is not possible to estimate an amount with sufficient certainty, or it is not possible to estimate the outcome of a given matter, information to this effect will be provided. Decisions relating to such matters may generate realised profits or losses in future accounting periods that exceed the amounts recognised in the financial statements.

Note 29 Related party transactions

The ATP Group
Related parties of the ATP Group are associates and independent schemes managed by ATP. For an overview of associates, please refer to note 15.

Members of the ATP Supervisory and Executive Boards and their close family members are also regarded as related parties. Enterprises in which these persons have a controlling or significant interest are also regarded as related parties. No one is considered to have a controlling or significant interest in the Group.

The Group has entered into the following related party transactions:

2016

DKKm	Sale	Purchase	Payables	Receivables/ Loans	Contingent liabilities
Associates	2,685	2,724	0	2,265	638
Independent schemes managed by ATP	1,499	0	589	298	0
Total related party transactions	**4,184**	**2,724**	**589**	**2,563**	**638**

2015

DKKm	Sale	Purchase	Payables	Receivables/ Loans	Contingent liabilities
Associates	5,833	530	0	1,738	637
Independent schemes managed by ATP	1,099	0	178	39	0
Total related party transactions	**6,932**	**530**	**178**	**1,777**	**637**

Sales to schemes comprise a number of administration functions, including accounting functions, IT operations and development, customer service and staff administration etc.

Related party transactions also comprise the statutory labour market pension for members of the ATP Supervisory and Executive Boards and their close family members, as well as enterprises in which these persons have significant interests.

Overall payments to ATP in 2016 total DKK 0.0m (2015 DKK 0.0m).

Transactions with associates comprise loans entered into and interest accrued which are settled on an arm’s length basis (market terms).

Transactions with related parties are settled on a cost recovery basis for schemes. The transactions are subject to contractual agreement with ATP.

Remuneration details for the Supervisory and Executive Boards are set out in note 6.

Note 29 Related party transactions, continued

ATP
Related parties of ATP are associates, group subsidiaries and independent schemes managed by ATP. For an overview of associates and group subsidiaries, please refer to notes 14 and 15.

Members of the ATP Supervisory and Executive Boards and their close family members are also regarded as related parties. Enterprises in which these persons have significant interests are also regarded as related parties.

ATP has entered into the following related party transactions:

2016
DKKm

	Sales *)	Purchases *)	Payables	Receivables/ Loans	Contingent liabilities
Associates	248	302	0	2,122	38
Group subsidiaries	196,934	204,832	254	3,945	29,861
Independent schemes managed by ATP	1,499	0	589	298	0
Total related party transactions	**198,681**	**205,134**	**843**	**6,365**	**29,899**

2015
DKKm

	Sales *)	Purchases *)	Payables	Receivables/ Loans	Contingent liabilities
Associates	3,457	353	0	1,525	487
Group subsidiaries	278,882	278,773	167	3,221	34,546
Independent schemes managed by ATP	1,099	0	178	39	0
Total related party transactions	**283,438**	**279,126**	**345**	**4,785**	**35,033**

* Internal sales and purchases include administration services, interest and internal forward exchange transactions.

Sales to group subsidiaries and schemes comprise a number of administration functions, including accounting functions, IT operations and development, customer service and staff administration etc.Sales to group subsidiaries also comprise hedging activities undertaken by ATP on behalf of group subsidiaries.

Related party transactions also comprise the statutory labour market pension for members of the ATP Supervisory and Executive Boards and their close family members, as well as enterprises in which these persons have a controlling or significant interest.

Overall payments to ATP in 2016 total DKK 0.0m (2015 DKK 0.0m).

Transactions with associates comprise loans entered into and interest accrued which are settled on an arm's length basis (market terms).

Related party transactions are settled on an arm's length basis (market terms) or, in the case of group subsidiaries and schemes, on a cost-recovery basis. The transactions are subject to contractual agreement with ATP.

Remuneration details for the Supervisory and Executive Boards are set out in note 6.

No one is considered to have a controlling interest in the Parent Company.

§ Accounting policies

Related party transactions are settled on an arm's length basis (market terms) or, in the case of group subsidiaries and schemes, on a cost-recovery basis. Transactions are subject to contractual agreement between the Group's companies and schemes managed.

Note 30 Non-current and current assets and liabilities

DKKm	Group 2016	Group 2015	ATP 2016	ATP 2015
Non-current assets:				
Intangible assets	736	582	691	537
Operating equipment	19	23	13	19
Owner-occupied properties	854	847	805	802
Investment properties	21,139	20,360	8,028	7,749
Investments in associates	14,962	13,018	9,365	7,910
Investments in group subsidiaries	-	-	85,957	85,460
Deferred tax on pension savings returns and income tax	1	8	0	0
Total non-current assets	**37,711**	**34,838**	**104,859**	**102,477**
Current assets:				
Cash and demand deposits	6,798	5,491	3,545	2,397
Bonds	567,999	520,244	542,835	494,443
Equity investments	87,210	81,279	51,101	43,759
Mutual fund units	5,856	5,535	0	0
Financial derivatives	88,549	81,932	88,498	81,930
Tax receivable on pension savings returns and income tax	1	0	0	0
Contributions receivable	2,566	2,435	2,566	2,435
Loans	14,001	10,049	12,107	9,435
Loans to group subsidiaries	-	-	2,821	2,695
Receivables from subsidiaries	-	-	1,124	526
Receivables from credit institutions	56,185	35,428	54,762	35,428
Other receivables	2,739	2,144	1,168	1,010
Other prepayments	851	814	841	806
Interest receivable	3,849	4,273	3,519	3,887
Total current assets	**836,604**	**749,624**	**764,887**	**678,751**
Total assets	**874,315**	**784,462**	**869,746**	**781,228**
Non-current liabilities:				
Guaranteed benefits	642,457	588,277	642,457	588,277
Bonus potential	100,454	101,242	100,454	101,242
Deferred tax on pension savings returns and income tax	154	116	-	-
Minority interests	407	339	-	-
Total non-current pension provisions and liabilities	**743,472**	**689,974**	**742,911**	**689,519**
Current liabilities:				
Guaranteed benefits	16,340	15,695	16,340	15,695
Payables to group subsidiaries	-	-	254	167
Financial derivatives	67,621	57,782	67,399	56,811
Tax payable on pension savings returns and income tax payable	10,555	976	10,554	976
Payables to credit institutions	29,801	16,070	29,726	16,070
Other payables	6,526	3,965	2,562	1,990
Total current liabilities	**130,843**	**94,488**	**126,835**	**91,709**
Total equity and liabilities	**874,315**	**784,462**	**869,746**	**781,228**

Note 31 Five-year summary for ATP

Financial highlights (DKKm)	2016	2015	2014	2013	2012
Contributions	9,572	9,055	9,049	11,587	8,554
Pension benefits	15,454	14,566	13,661	12,741	11,903
Investment return	60,149	6,584	116,752	(30,109)	48,552
Total pension-related operating expenses	239	283	300	310	325
Technical profit/(loss)	(797)	5,385	2,466	9,156	10,098
Net results for the year	(785)	5,402	2,481	9,168	10,104
Bonus potential	100,454	101,242	95,831	93,344	84,167
Total pension provisions	759,251	705,214	704,423	592,566	624,132
Total assets	869,746	781,228	812,433	677,497	791,076
Members (number in thousands)	5,044	4,971	4,901	4,839	4,783
Pensioners (number in thousands)	1,004	975	944	915	879
Ratios					
Return ratios[1]					
Return before tax on pension savings returns (per cent)	10.1	1.1	23.3	(5.7)	9.9
Return after tax on pension savings returns (per cent)	8.6	0.9	19.8	(4.8)	8.4
Expense ratios					
Expense ratio for provisions	0.04	0.05	0.05	0.06	0.06
Expenses per member (DKK)	48	57	62	65	68
Other ratios					
Bonus rate (per cent)	15.2	16.8	15.8	18.7	15.6

The five-year summary for ATP has been prepared in accordance with the format requirements of the Danish FSA in line with the methods of accounting used by other pension providers in Denmark. Consequently, the investment return and the return ratios etc. deviate from ATP's format, which is IFRS compliant.

[1]ATP does not apply the Danish FSA's return ratio. The return ratio tends to over-reflect market value changes in ATP's hedging portfolio, which will not notably affect the pensions promised. As the ratio does not allow for variance in the value creation of the guaranteed products, the ratio does not provide a complete picture of the value creation for ATP's members for the individual year. However, in the very long term, the ratio better reflects the value creation.

Note 32 Breakdown of ATP's assets and their returns at market value

	Carrying amount 31.12.2016 DKKm		Return p.a. before tax on pension savings returns per cent
	Beginning of year	End of year	
Land and buildings	**34,165**	**33,824**	**7.0**
Listed equity investments	24,382	31,536	6.2
Unlisted equity investments	51,512	55,093	16.2
Total equity investments	**75,894**	**86,629**	**12.8**
Government and mortgage bonds	496,277	539,486	7.0
Index-linked bonds	738	715	5.5
Credit bonds and emerging market bonds	20,615	25,082	13.1
Loans etc.	12,130	14,945	12.2
Total bonds and loans	**529,760**	**580,228**	**7.5**
Subsidiaries	**16,203**	**15,286**	2.4
Other investment assets	**30,926**	**25,300**	(4.9)
Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities	**16,415**	**25,843**	47.8
Total investment assets	**703,363**	**767,110**	**10.1**

Supervisory Board

Chairman

Chairman of the Supervisory Board
Jørgen Søndergaard

Employer representatives

Chairman
Torben Dalby Larsen

Deputy Director General
Kim Graugaard

Director-General
Jacob Holbraad

Professional Board Member
Anne Broeng

Group Chief Auditor
Anne Jæger

President of Danish Regions
Bent Hansen

Employee representatives

President
Lizette Risgaard

Vice President
Arne Grevsen

Director
Jan Walther Andersen

President
Kim Simonsen

President
Bente Sorgenfrey

President
Lars Qvistgaard

Board of Representatives

Chairman:

Jørgen Søndergaard, Chairman of the Supervisory Board

Employer representatives
Appointed by the Confederation of Danish Employers (DA):
Torben Dalby Larsen, Chairman
Kim Graugaard, Deputy Director General
Jacob Holbraad, Director-General
Christina Bjørnbak Hallstein, Senior Executive Consultant
Charlotte Vester, General Manager
Berit Vinther, CEO
Steen Müntzberg, General Manager
Pernille Knudsen, Deputy Director
Camilla Khokhar, General Manager
Anne Broeng, Professional Board Member

Appointed by the Danish Minister of Finance:
Anne Jæger, Group Chief Auditor

Appointed by Danish Regions:
Bent Hansen, President of Danish Regions

Appointed by Local Government Denmark (LGDK):
Søren Kristensen, 2. Deputy Mayor
Martin Damm, Mayor

Appointed by the Danish Employers' Association for the Financial Sector (FA):
Mariane Dissing, CEO

Employee representatives
Appointed by the Danish Confederation of Trade Unions (LO):
Lizette Risgaard, President
Arne Grevsen, Vice President
Jan Walther Andersen, Director
Ole Wehlast, President
Claus Jensen, President
Per Christensen, President
Jørgen Juul Rasmussen, President
Kim Simonsen, President
Lone Engberg Thomsen, President
Benny Andersen, President

Appointed by the Salaried Employees' and Civil Servants' Confederation (FTF):
Bente Sorgenfrey, President
Kent Petersen, President
Jens Kragh, CEO

Appointed by the Danish Association of Managers and Executives (LH):
Svend Askær, President

Appointed by the Danish Confederation of Professional Associations (Akademikerne):
Lars Qvistgaard, President

Executive Committee, Audit Committee, ORSA Committee, Executive Board and Board of Appeal

Executive Committee
Jørgen Søndergaard (Chairman)
Jacob Holbraad
Lizette Risgaard

Audit Committee
Jørgen Søndergaard (Chairman)
Jacob Holbraad
Lizette Risgaard

ORSA Committee
Jørgen Søndergaard (Chairman)
Anne Broeng
Anne Jæger
Jan Walther Andersen

Executive Board
Chief Executive Officer (CEO): Christian Hyldahl

Members of the Group Executive Board:
Kasper Ahrndt Lorenzen, Chief Investment Officer (CIO), Pensions & Investments
Bo Foged, Chief Financial Officer (CFO)
Mads Smith Hansen, Chief Risk Officer (CRO)
Lilian Mogensen, Chief Operating Officer (COO), Processing Business and HR

Chief actuary: Camilla Fredsgaard Larsen

Appeals Board
The Appeals Board for ATP etc.
Ved Stranden 8, DK-1061 Copenhagen K

Other directorships held by members of the Supervisory Board

Jørgen Søndergaard, Chairman of the Supervisory Board
Seniority: joined the Supervisory Board in 2003 – current term expires in 2018

Other directorships:
Chairman of the Supervisory Board of LG – The Employees' Guarantee Fund
Chairman of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Vice Chairman of the Supervisory Board of Psykiatrifonden
Member of the Board of Directors of All-Ears Telemarketing
Member of the Supervisory Board of Den Danske Forskningfond
Member of the Board of Directors of ProScion A/S

Employer representatives

Torben Dalby Larsen, Chairman
Seniority: joined the Supervisory Board in 2011 – current term expires in 2017

Other directorships:
Chairman of the Confederation of Danish Employers (DA)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Managing Director of Sjællandske Medier A/S
Editor-in-Chief of DAGBLADET, Frederiksborg Amts Avis, Nordvestnyt and Sjællandske
Chairman of the Boards of Directors of the wholly-owned subsidiaries of Sjællandske Medier
Chairman of the news agency Dagbladenes Bureau
Chairman of the Supervisory Boards of PFA Holding A/S, PFA Pension A/S, PFA Fonden and PFA Brug Livet Fonden
Member of the Supervisory Board of the Danish Broadcasting Corporation (DR)
Member of the Supervisory Board of the Danish Newspapers' and Media Employers' Association
Member of the Board of Directors of Deal.dk A/S

Kim Graugaard, Deputy Director General
Seniority: joined the Supervisory Board in 2003 – current term expires in 2018

Other directorships:
Deputy Director General of the Confederation of Danish Industry (DI)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Chairman of TekSam
Vice Chairman of the Supervisory Board of Industriens Pension
Member of the Supervisory Board of the Confederation of Danish Employers (DA)
Judge of the Industrial Court

Jacob Holbraad, Director-General
Seniority: joined the Supervisory Board in 2015 – current term expires in 2017

Other directorships:
Director-General of the Confederation of Danish Employers (DA)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers

Anne Broeng, Professional Board Member
Seniority: joined the Supervisory Board in 2014 – current term expires in 2019

Other directorships:
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Member of the Board of Directors and the Audit Committee of VKR Holding A/S
Member of the Board of Directors and Chairman of the Audit Committee of NNIT A/S
Member of the Supervisory Board of Købmand Herman Sallings Fond
Member of the Supervisory Board of Købmand Ferdinand Sallings Mindefond
Member of the Board of Directors of F. Salling Holding A/S
Member of the Board of Directors of F. Salling Invest A/S
Member of the Supervisory Board of Bikubenfonden
Member of the Board of Directors of NASDAQ OMX Nordic Ltd.
Member of the Supervisory Board of PensionDanmark
Member of the Board of Directors and Chairman of the Audit Committee of Velux A/S
Member of the Board of Directors of Danske Commodities A/S
Member of the Board of Directors of Bruhn Holding ApS

Anne Jæger, Group Chief Auditor
Seniority: joined the Supervisory Board in 2014 – current term expires in 2017

Other directorships:
Group Chief Auditor of Assicurazioni Generali S.p.A., Italy
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers

Bent Hansen, President of Danish Regions
Seniority: joined the Supervisory Board in 2015 – current term expires in 2017

Other directorships:
Chairman of Central Denmark Region
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Chairman of the Board of Danish Regions
Chairman of PKA A/S
Chairman of the Pension Fund for Nurses and Medical Secretaries (Pensionskassen for sygeplejersker og lægesekretærer)
Chairman of the Supervisory Board of Sygeplejerskernes og Lægesekretærernes Ejendomsaktieselskab
Chairman of Growth Forum Central Denmark Region
Member of the Supervisory Board of Fonden for Aarhus 2017
Member of the Supervisory Board of Fonden bag udstilling af skulpturer ved Aarhusbugten
Member of the Supervisory Board of Grenaa Havn
Chairman of the Board of Directors of Ejendomsaktieselskabet Dronningegården

Employee representatives

Lizette Risgaard, President
Seniority: joined the Supervisory Board in 2007 – current term expires in 2018

Other directorships:
President of the Danish Confederation of Trade Unions (LO)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Member of the Supervisory Board of LD – The Employees' Capital Pension Fund
Member of the Supervisory Board of Højstrupfonden
Chairman of the Board of Directors of Højstrupgård A/S
Member of the Board of Directors of ALKA Forsikring
Member of the Supervisory Board and the Board of Representatives of the Economic Council of the Labour Movement (ECLM)
Member of the Board of Directors and the Board of Representatives of Arbejdernes Landsbank
Member of the Economic Council
Member of the Supervisory Board of The Fund for Better Working Environment and Labour Retention
Member of the Supervisory Board and the Board of Representatives of LO-skolen
Member of the Supervisory Board of the LO/FTF Council
Member of the Supervisory Board of DUI-LEG og VIRKE
Vice President of ITUC (International Trade Union Confederation)
Member of the Executive Committee of ETUC (European Trade Union Confederation)
Member of the Executive Committee of NFS (Council of Nordic Trade Unions)

Arne Grevsen, Vice President
Seniority: joined the Supervisory Board in 2015 – current term expires in 2018

Other directorships:
Vice President of the Danish Confederation of Trade Unions (LO)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Member of the Supervisory Board of the Economic Council of the Labour Movement (ECLM)
Chairman of the Board of Directors of A-pressen A/S
Chairman of the Board of Directors of Avisen.dk
Member of the Supervisory Board of Højstrupfonden
Member of the Board of Directors of Højstrupgård A/S
Member of the Supervisory Board of LD – The Employees' Capital Pension Fund

Jan Walther Andersen, Director
Seniority: joined the Supervisory Board in 2014 – current term expires in 2017

Other directorships:
Managing Director of Arbejdernes Landsbank
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Vice Chairman of Forvaltningsinstituttet for Lokale Pengeinstitutter
Member of the Board of Directors of AL Finans A/S
Member of the Board of Directors of BI Holding A/S

Kim Simonsen, President
Seniority: joined the Supervisory Board in 2010 – current term expires in 2019

Other directorships:
President of the Union of Commercial and Clerical Employees in Denmark (HK)
Chairman of HK-huset A/S
Member of the Supervisory Board of HK/Danmark almennyttige fond
Member of the Supervisory Board of HK/Danmark uddannelsesfond
Member of the General Council and the daily management of the Danish Confederation of Trade Unions (LO)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Chairman of ALKA Forsikring
Chairman of Refshaleøens Ejendomsselskab
Chairman of Fonden LO-skolen Helsingør
Chairman of Kommanditselskab Christiansminde
Chairman and Director of ASX7 Aps, Svendborg
Vice Chairman of Sampension Administrationsselskab A/S
Vice Chairman of Sampension KP Livsforsikring A/S
Vice Chairman of Kommunernes Pensionsforsikringsselskab A/S
Member of the Board of Directors of AKF-Holding
Member of the Board of Directors of A-Pressen
Member of the Board of Directors of Copenhagen Business Academy
Member of the Board of Directors of Erhvervsskolen Nordsjælland
Member of the Supervisory Board of Danish Foundation for Entrepreneurship
Member of the Supervisory Board of Nordisk Investeringsdepot
Member of the Supervisory Board of the Economic Council of the Labour Movement
Member of the Supervisory Board of Erhvervsskolernes Bestyrelsesforening (Supervisory Board of Danish vocational schools)
Member of the Board of Representatives of Arbejdernes Landsbank
Chairman of the Board of Directors of Konventum A/S
Member of the Supervisory Board of Højstrupgårdfonden

Other directorships held by members of the Supervisory Board, continued

Bente Sorgenfrey, President
Seniority: joined the Supervisory Board in 2004 – current term expires in 2017

Other directorships:
President of the Salaried Employees' and Civil Servants' Confederation (FTF)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Vice Chairman of UCSJ – University College Zealand
Member of the Supervisory Board of LD – The Employees' Capital Pension Fund
Member of the Board of Directors and the Committee of Directors of Danmarks Nationalbank (central bank)

Lars Qvistgaard, President
Seniority: joined the Supervisory Board in 2016 – current term expires in 2018

Other directorships:
President of the Danish Confederation of Professional Associations (Akademikerne)
Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
Deputy Chairman of Lån & Spar Bank A/S
Member of the Supervisory Board of LD – The Employees' Capital Pension Fund

General Management

ATP is an independent institution, established by statute. ATP manages the pension scheme ATP Lifelong Pension.

ATP is managed by a Board of Representatives, a Supervisory Board and a Chief Executive Officer (CEO). The composition of the ATP Board of Representatives and Supervisory Board is prescribed by the Danish ATP Act. The CEO is appointed by the Supervisory Board. The Board of Representatives comprises fifteen employer representatives, fifteen employee representatives and a Chairman appointed by the Board of Representatives. The Chairman must not be affiliated with any employer or employee organisations. The Board of Representatives ordinarily convenes once a year. The Supervisory Board is composed of members of the Board of Representatives and comprises six employer representatives, six employee representatives and the Chairman of the Board of Representatives. The Supervisory Board ordinarily convenes six times a year. The members of the Board of Representatives and the Supervisory Board are appointed by the Danish Minister for Employment – upon the recommendation of the social partners. The Chairman and the other members of the Supervisory Board and the Board of Representatives are appointed for three-year terms, the aim being to achieve a balanced composition of men and women on the boards. No age limit applies.

The Supervisory Board undertakes an annual self-assessment of all aspects of its performance and evaluates whether its members collectively possess the necessary knowledge and experience to understand ATP's risks and business. The Supervisory Board has a broad composition: some members have short or medium-cycle education, others have higher education, possibly supplemented by continuing education programmes in Denmark or abroad. This composition provides for diverse and nuanced professional approaches to the Supervisory Board tasks. Many of the Supervisory Board members have served on the boards of large organisations and possess general experience with board duties. The Supervisory Board also has skills and management experience from national and international financial business in the areas of pension, insurance and banking.

The ATP Supervisory Board has appointed a three-member Executive Committee – consisting of the Chairman and two Supervisory Board members, appointed by the employer and employee representatives of the Supervisory Board. The Executive Committee is tasked with making decisions and preparing and implementing Supervisory Board resolutions as authorised by the procedures adopted by the Supervisory Board. The Executive Committee is authorised to make a range of decisions, especially pertaining to investment and employment conditions. The Executive Committee convenes ten times a year and also handles the tasks assigned to the Remuneration Committee. The Remuneration Committee prepares Supervisory Board decisions on remuneration, including pay policy and other related decisions that may influence the company's risk management.

The Supervisory Board has appointed an Audit Committee, consisting of the Chairman of the ATP Supervisory Board and two other Board members. The Chairman of the Supervisory Board is the Chairman of the Audit Committee. The Audit Committee has been appointed to assist the Supervisory Board in fulfilling its oversight responsibilities relating to the financial reporting process with a view to ensuring reliability, integrity and transparency in financial reports. The ATP Audit Committee convenes ordinarily five times a year. The Audit Committee's Terms of Reference are determined by the Supervisory Board.

The Supervisory Board has appointed a technical advisory committee under the Audit Committee, called the ORSA Committee, consisting of the Chairman of the Supervisory Board and three members of the Supervisory Board with operational experience and expertise within relevant specialist fields. The objective of this committee is to support the preparation of overall risk and solvency assessments, to discuss key issues relating to the risk management system and to help provide the best possible basis for the work of the Audit Committee and the Supervisory Board.

For further information on corporate governance and incentive schemes, please visit www.atp.dk/en

For further information on the ATP Group's Annual Report, please visit www.atp.dk/en

en/results-and-reports/annual-and-interim-reports/atp-group

GENERAL MATTERS

- Corporate Governance in the ATP Group
- Recommendations on corporate governance
- Terms of reference of the Audit Committee
- Procedures of the Executive Committee
- Terms of reference of the ORSA-committee
- Other directorships of the Group Executive Board

REMUNERATION

- Pay Policy for the Supervisory and Executive Boards, significant risk takers etc. at the Danish Labour Market Supplementary Pension Fund (ATP)

OTHER INFORMATION

Financial calendar

- Interim and annual reporting 2017

Investment and hedging activities

- Recommendations on active ownership
- Breakdown of the ATP Group's portfolio of government bonds, broken down by issuer country, year-end 2016
- Financial instruments used by ATP

Value creation

- Definition of value creation ratios

Supplementary accounting specifications

- Breakdown of the ATP Group's listed Danish equities, year-end 2016
- Breakdown of the ATP Group's listed international equities, year-end 2016
- Breakdown of the ATP Group's private Danish equities in which the ATP Group's ownership exceeds 5 per cent
- Breakdown of the ATP Group's private international equity in relation to which the Group's ownership exceeds 5 per cent
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP and the Danish FSA, at year-end 2016
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP and the Danish FSA, at the end of H1 2016

Responsibility

- Responsibility Report (www.atp.dk/en/responsibility/responsibility-reports).

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