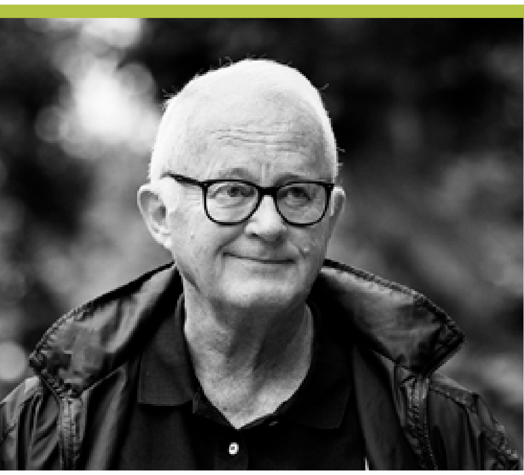
The ATP Group
Annual Report 2017





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Contents

Highlights

Results	Return and expenses	Net assets and pension benefits
DKK 24.7bn net results for the year before life expectancy update and increase in pensions	29.5 per cent investment return (before tax and expenses) relative to bonus potential[1]	DKK 118bn bonus potential
DKK (7.4)bn life expectancy update and increase in pensions	8.1 per cent average annual return for the past 20 years 'N1'	DKK 769bn ATP member assets
DKK 17.3bn net results for the year	0.33 per cent annual expenses in per cent	DKK 23,500 full ATP Pension for a 65-year-old pensioner

Accumulated results 2013-2017

DKK 65.5bn results before life expectancy update and bonus allowance	DKK (31.7)bn life expectancy update and bonus allowance	DKK 33.8bn results

[1] The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount of DKK invested. The investment portfolio generally consists of funds from the free reserves – the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of financial derivatives are available for the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with a higher statement of financial position (market value at year-end 2017 of DKK 267bn) than the bonus potential, but within the same risk budget.

2017 was an exceptionally good year for ATP

> With a total investment return of DKK 29.7bn, we can look back at 2017 as a very successful year.

For close to 50 per cent of Danish old-age pensioners, ATP Lifelong Pension is their only source of pension income besides the state-funded old-age pension. This means that demands on us are high when we seek to ensure the basic financial security of the Danish population by investing ATP's assets of more than DKK 750bn to leverage returns. With an investment return of 29.5 per cent relative to the bonus potential and annual expenses of 0.33 per cent of aggregate assets, we can look back at 2017 as a very successful year.

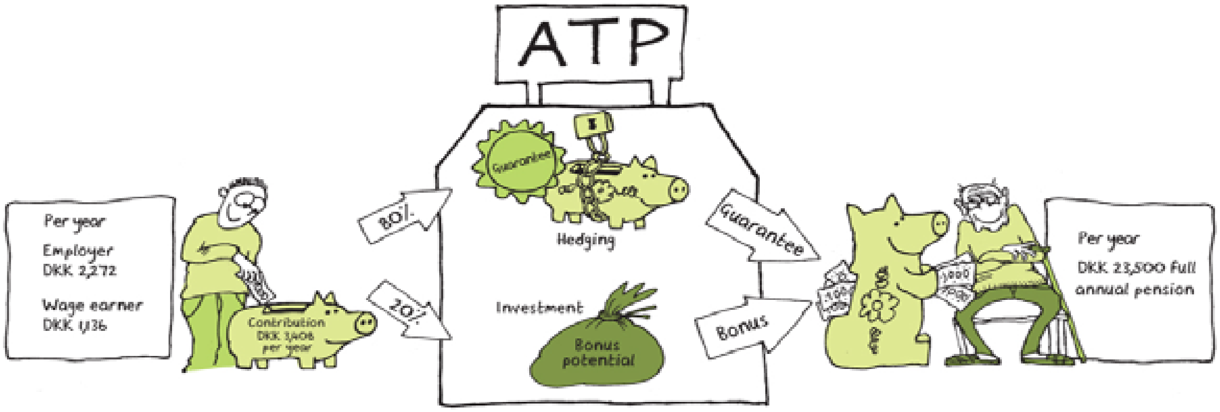
In 2017, once again, we have been focusing on how to achieve reasonable returns in the current low interest investment environment. This year, listed equities and private equity – Danish as well as international – were the primary drivers of the strong returns. The Supervisory Board's decision to raise pensions for all ATP members by 1 per cent, equivalent to DKK 6.4bn, means that the strong performance will benefit both current and future pensioners. Our long-term investment horizon and robust portfolio construction approach provide a solid foundation for preserving the real value of our members' pensions, although we expect returns to moderate in the coming years.

In 2017, we had a keen focus on serving as the role model expected of ATP as an institution that is duty-bound to take responsibility. We have taken steps to become more transparent and will continue these efforts in 2018. Through our stewardship activities, we seek to generate solid long-term returns, while at the same time influencing other companies to contribute to sustainable societal developments. From our perspective, responsibility and high returns go hand in hand.

ATP's Processing Business, which manages tasks on behalf of the Danish government, municipalities and the social partners, also had a successful year. In addition to our continuous efforts to simplify and improve individual business areas, we have had a particular focus on consolidating the latest additions to our portfolio of tasks. This involved the integration of new tasks transferred to Udbetaling Danmark – Public Benefits Administration from the Danish Agency for Governmental Administration, the responsibility for which was transferred in 2016, and the continued efforts to ensure stable and secure operations at Labour Market Insurance. Once again, we ensured good, no-hassle customer experiences through efficient administration and new IT solutions in 2017.

Management of the ATP pensions of more than 5 million Danes and payment of more than DKK 250bn in statutory welfare benefits and through labour market schemes are complex tasks, requiring us to perform to excellence every day. The strong results achieved in 2017 reflect the dedicated and committed efforts of all our employees. To keep the trust of the Danes, we need to continue along the same determined path.

ATP’s business model at a glance



HOW ATP LIFELONG PENSION WORKS

Contributions

This year, ATP received member contributions totalling DKK 9.7bn. 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 used for guaranteed pensions, which are hedged to ensure that ATP is always able to deliver on the pension promises issued to members.

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 29.5 per cent this year.

The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount of DKK invested. Consequently, with the same risk, it is possible to purchase a larger portfolio of bonds than of equities, which are traditionally more risky. The investment portfolio generally consists of funds from the free reserves – the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of financial derivatives are available for 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.

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 16.1bn. The payouts comprise the originally guaranteed pensions, adjusted for 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 23,500 (in 2017, the annual ATP pension averaged DKK 14,900).

Vision and values

ATP's vision and values were updated in 2017. The update was undertaken in partnership with employee representatives from across the ATP Group.

The vision reflects our level of ambition. The values help to provide the framework for our daily work and the way we interact, both internally and externally – and thus also provide the foundation for achieving our business objectives.

ATP's VISION

We are here to ensure basic financial security for all of Denmark – simply and efficiently.

We strive to always be a trusted and relevant enterprise for all Danes.

ATP's CORPORATE STORYTELLING

The story about ATP is a story about taking responsibility – and succeeding together.

About a competent and efficient business which contributes to the pension and welfare system, and which has turned Denmark into an international role model.

About a dynamic organisation that measures up to the best, from investment to administration, and consistently strives to do even better. Both for society and for the individual.

Because ATP is here to ensure basic financial security for all of Denmark. For all Danes, throughout their lives.

We are here to ensure that pension and welfare benefits are managed in a responsible manner in a constantly changing world with intensifying competition.

We have been entrusted with this task because we have demonstrated that we can shoulder it. And with professional competences and dedication, we prove that every single day when we encounter our surroundings with credibility and competence.

We make pension and welfare simple and efficient for the benefit of all of society.

ATP's VALUES

WE TAKE RESPONSIBILITY

ATP plays a special role in Denmark's pension and welfare system, and we are conscious of our responsibility. We prioritise integrity, as we know the Danes' trust is something we must earn every day.

WE ARE INNOVATIVE

We ensure basic financial security in Denmark by being in the forefront of changes in society. We take initiative and always strive to do better.

WE MAKE IT SIMPLE

Pension and welfare are complex issues. But we have the expertise required to navigate these issues while focusing on costs and efficiency. We are therefore able to deliver high returns and simple solutions to the Danes.

WE SUCCEED TOGETHER

We are able to shoulder our task in society, because we do it together. Because we know that strong results come from targeted efforts, job satisfaction and collaboration across areas of expertise.

2017 in review

January

On 1 January 2017, Christian Hyldahl takes up the position as new ATP CEO.

February

As a responsible investor, ATP exercises stewardship activities in the companies invested in. One focus area is greater transparency about executive pay and incentive programmes.

March

ATP Real Estate continues its strategy of direct acquisitions of major international properties with a low risk profile by investing in a hotel project in Amsterdam.

April

May

June

ATP expands its infrastructure investments by acquiring a stake in a gas company in Spain, among other things.

ATP implements new specialist systems for family benefits and maternity/paternity benefits within Udbetaling Danmark – Public Benefits Administration.

July

August

An investment of almost DKK 10bn in Copenhagen Airports represents the largest single investment in ATP's history.

September

In Labour Market Insurance, for which ATP assumed authority and responsibility in July 2016, the 5,000 oldest cases were settled within a matter of just one year.

October

After a preparation period of almost one year, ATP's Supervisory Board adopts a new tax policy on illiquid investments, setting out ATP's requirements for investments and business partners.

November

ATP invests close to DKK 7bn in 16 Danish shopping centres across the country.

December

ATP's Supervisory Board decides to increase pensions by 1 per cent for all members with effect from 1 January 2018.

Five-year summary for the ATP Group

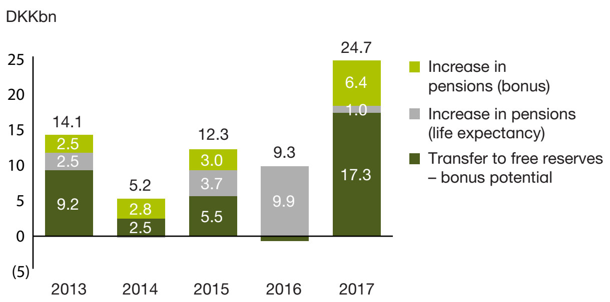
DKKm	2017	2016	2015	2014	2013
Investment					
Investment return	29,737	15,340	16,548	6,097	15,121
Expenses	(858)	(823)	(837)	(720)	(668)
Tax on pension savings returns and income tax	(4,399)	(1,989)	(2,259)	(579)	(2,249)
Other items	0	0	0	0	(13)
Investment activity results	**24,480**	**12,528**	**13,452**	**4,798**	**12,191**
Hedging					
Change in guaranteed pensions due to discount rate and maturity reduction[1]	10,032	(47,816)	7,628	(111,601)	41,601
Return in hedging portfolio	(10,089)	56,371	(7,992)	132,221	(49,975)
Tax on pension savings returns	1,544	(8,625)	1,223	(20,230)	7,646
Results of hedging of guaranteed pensions[1]	**1,487**	**(70)**	**859**	**390**	**(728)**
Change in guaranteed pensions due to yield curve break[2]	(2,993)	(4,064)	(3,130)	(1,142)	411
Hedging activity results	**(1,506)**	**(4,134)**	**(2,271)**	**(752)**	**(317)**
Investment and hedging activity results	**22,974**	**8,394**	**11,181**	**4,046**	**11,874**
Pension					
Contributions	9,703	9,572	9,055	9,049	11,587
Pension benefits	(16,075)	(15,454)	(14,566)	(13,661)	(12,741)
Change in guaranteed pensions due to contributions and payouts	8,289	6,956	6,688	6,043	3,665
Administration expenses	(191)	(239)	(283)	(300)	(310)
Other items	8	8	155	10	10
Pension activity results before life expectancy update	**1,734**	**843**	**1,049**	**1,141**	**2,211**
Business processing, external parties					
Income	2,042	1,545	1,251	1,450	1,531
Expenses	(2,033)	(1,529)	(1,229)	(1,426)	(1,508)
Income tax	0	(1)	(1)	8	(3)
Business processing results, external parties	**9**	**15**	**21**	**32**	**20**
Results before bonus allowance and life expectancy update	**24,717**	**9,252**	**12,251**	**5,219**	**14,105**
Life expectancy update	(1,006)	(9,901)	(3,723)	96	(2,465)
Bonus allowance for the year	(6,406)	-	(3,017)	(2,772)	(2,472)
Net results for the year	**17,305**	**(649)**	**5,511**	**2,543**	**9,168**
Guaranteed pensions	650,881	658,797	603,972	608,592	499,222
Bonus potential	117,695	100,454	101,242	95,831	93,344
Net assets	**768,576**	**759,251**	**705,214**	**704,423**	**592,566**

All figures in per cent	**2017**	**2016**	**2015**	**2014**	**2013**
Administration expenses relative to net assets	0.02	0.03	0.04	0.04	0.05
Direct and indirect investment expenses relative to net assets	0.31	0.28	0.38	0.35	0.35
Total expenses relative to net assets	**0.33**	**0.31**	**0.42**	**0.39**	**0.40**
Bonus rate	**18.1**	**15.2**	**16.8**	**15.8**	**18.7**
Return ratios					
Investment return (before expenses and tax) relative to bonus potential	29.5	15.0	17.3	6.5	18.0
Investment return (after expenses and tax) relative to bonus potential	24.3	12.2	14.0	5.1	14.5

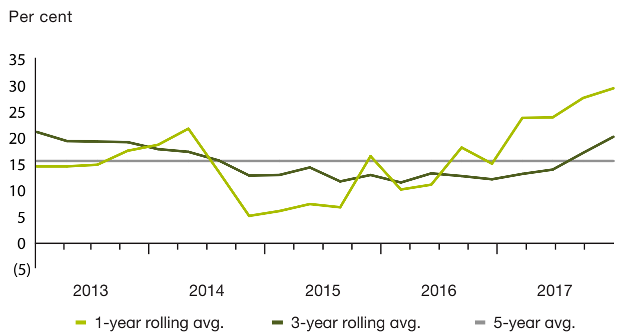
[1] Before effect of yield curve break
[2] 'Yield curve break' is the point on the yield curve at 40 years where the guaranteed pensions shift from being discounted by a fixed rate to being discounted by a market rate.

Management's review

Past five years' results before life expectancy and bonus



Rolling annual returns in the investment portfolio before expenses and tax relative to the bonus potential



HIGHLIGHTS OF THE YEAR

In 2017, the ATP Group achieved a profit of DKK 24.7bn before the life expectancy update and the increase in pensions. Positive returns were achieved broadly across the portfolio, but equity investments were the primary drivers of profit. In the past five years, ATP has delivered an average annual return of 16.6 per cent in the investment portfolio and achieved positive returns in 18 out of the last 20 quarters.

ATP has adjusted its long-term forecast of life expectancy, providing a further DKK 1.0bn for increases in life expectancy. This means that this amount is transferred from the bonus potential to the guaranteed pensions. 65-year-old members are currently expected to live to an average of 86 years.

Based on the bonus rate and an overall assessment of the strong investment results, inflation and expenses for increases in life expectancy, the Supervisory Board has decided to allow bonus to all members this year. This entails that the pensions of all members will be increased by 1 per cent, equivalent to a DKK 6.4bn increase in the guaranteed pensions.

ATP achieved a profit for the year of DKK 17.3bn after the life expectancy update and the increase in pensions.

ATP's free reserves – its bonus potential – stood at DKK 117.7bn at year-end 2017, equivalent to a bonus rate of 18.1 per cent. At year-end 2017, the value of the guaranteed pensions totalled DKK 650.9bn, taking aggregate assets to DKK 768.6bn.

In 2017, ATP allocated DKK 2.9bn for tax on pension savings returns and income tax.

INVESTMENT AND HEDGING

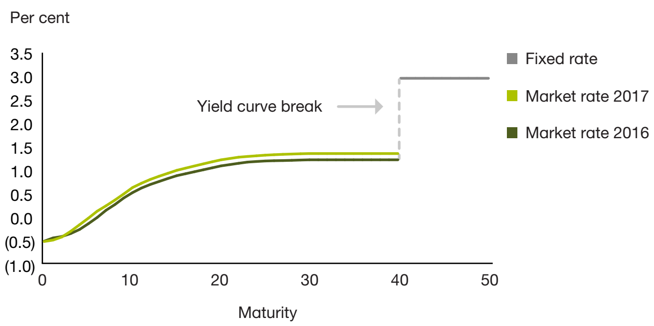
ATP's overall objective is to provide the best possible pensions in the form of a lifelong pension, so that ATP, in combination with the state-funded pension system, provides the basic pension coverage for the Danish population. ATP, in combination with the state-funded pension system, constitutes pillar 1 of the Danish pension system.

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

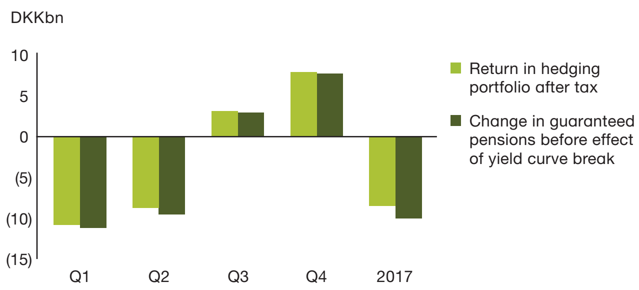
The principal objective of the hedging portfolio is to safeguard the guaranteed return and thus ensure ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with the guaranteed pensions when interest rates change. This objective was met once again in 2017.

The principal objective of the investment portfolio is to generate a return that will allow ATP, in part, to raise the guaran-

ATP yield curve at year-end



Hedging safeguards the guaranteed pensions



teed pensions, thereby preserving the long-term purchasing power of the benefits, and, in part, to build reserves for unforeseen events such as financing increased life expectancy.

Based on an ambition of preserving the real value of pensions as best as possible, the Supervisory Board has set a performance target for investment and hedging activities after tax and expenses of 7 per cent of the bonus potential at the beginning of the year, which is expected to be met in the long term. For 2017, this is equivalent to DKK 7.0bn, and with investment and hedging activity results of DKK 23.0bn, the performance target was more than achieved. Total investment and hedging activity results, a profit of DKK 23.0bn, are comprised of positive investment activity results of DKK 24.5bn and negative hedging activity results of DKK 1.5bn.

Hedging

Overall, hedging activity results were negative by DKK 1.5bn.

The value of the guaranteed pensions decreased due to the rise in interest rates in 2017. The hedging portfolio is designed to protect pensions against interest rate fluctuations, and the hedges once again served their purpose in 2017. Hedging activity results before the effect of the yield curve break amounted to DKK 1.5bn, or less than 0.25 per cent of the guaranteed pensions.

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. Guarantees extending beyond 40 years are valued at a fixed rate of 3 per cent.

Guaranteed pensions that change during the year from extending beyond 40 years to being below 40 years 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'.

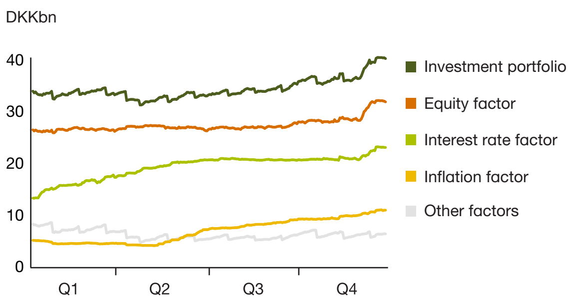
In 2017, the market rate was below 3 per cent, resulting in a loss of DKK 3.0bn. Due to the loss, funds will be transferred from the bonus potential to the guaranteed pensions. Consequently, this does not affect ATP's aggregate assets.

Investment

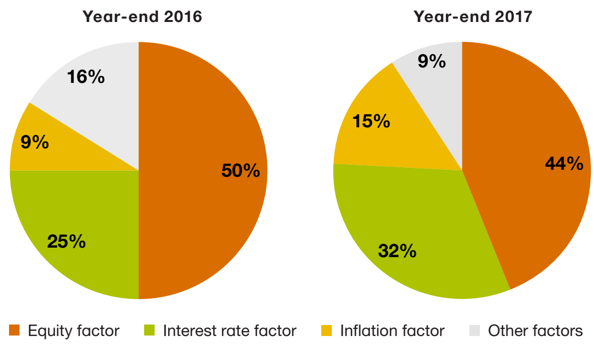
The investment return before expenses and tax was DKK 29.7bn, equivalent to 29.5 per cent relative to the bonus potential. After expenses and tax, the return was DKK 24.5bn in 2017.

In order to generate a return that will allow ATP, in part, to preserve the real value of pensions and, in part, to build reserves for unforeseen events such as increased life expectancy, ATP invests its funds, thereby assuming investment risks. Investment risks mainly comprise market risks, which are managed in the investment portfolio based on a risk budget and risk diversification limits.

Development in risk in the investment portfolio[1] in 2017



Risk allocation in the investment portfolio[1]



[1] The absolute risk and the risk allocation are exclusive of long-term strategies against inflation increases.

The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount of DKK invested. Consequently, with the same risk, it is possible to purchase a larger portfolio of bonds than of equities, which are traditionally more risky.

The investment portfolio generally consists of funds from the free reserves – the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of financial instruments are, moreover, 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. A market rate is paid to hedging activities on the funds used by the investment portfolio.

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 four different risk factors, depending on the types of risk to which the investment is exposed. Moreover, 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'.

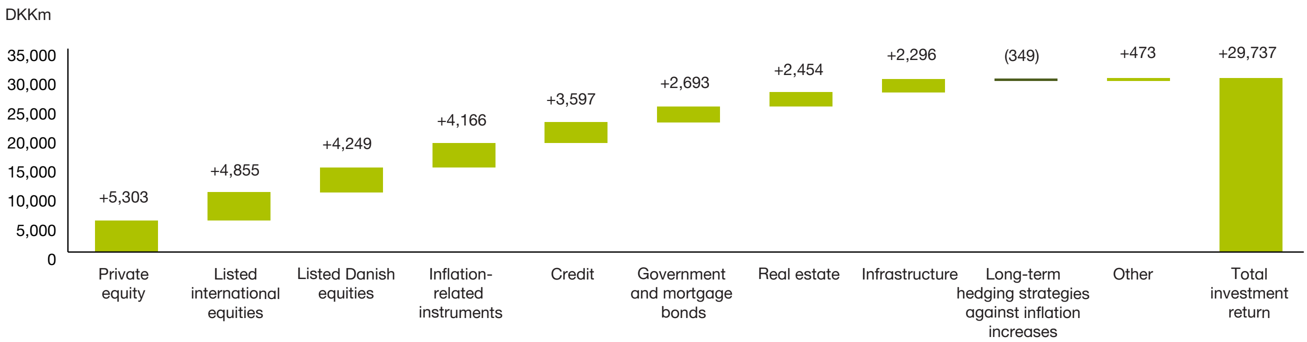
[1] Risk-adjusted return is a Sharpe ratio-based return target, expressing the ratio of realised return to market risk.

A key element in ATP's investment strategy is the Supervisory Board's issuance of a guideline for the long-term allocation of the four risk factors in ATP's investment 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 and active investment decisions.

As part of the efforts to achieve a high expected long-term return, the overall risk in the investment portfolio was increased in 2017, especially towards the end of the year. The absolute risk in the Inflation factor and Interest rate factor increased notably during the year, while the increase in the Equity factor was more moderate. Thus, the relative risk allocation to the Inflation factor and the Interest rate factor increased in 2017, while the relative risk allocation to the Equity factor and Other factors was reduced. The aim of these changes is to achieve a more balanced portfolio. Accordingly, the relative risk allocation ended the year closer to the long-term guideline than it started.

In 2017, the risk-adjusted return[1] was 1.1 and over the past five years it was 0.8.

Composition of investment return in 2017



The return was achieved broadly across all asset types, but was driven, in particular, by equity investments. Private equity alone contributed DKK 5.3bn, but listed Danish and international equities, inflation-related instruments and credit also made notable contributions to performance.

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

PENSION

Pension activity results before the life expectancy update and bonus allowance were a profit of DKK 1.7bn.

Benefit payments totalled DKK 16.1bn.

ATP was established in 1964 as a supplement to the state-funded old-age pension and is an integral part of the basic Danish pension cover (pillar 1 of the Danish pension system). At the end of 2017, 1,032,600 pensioners were receiving ATP Lifelong Pension. For 44 per cent of Danish old-age pensioners, the ATP pension is their only source of pension income besides the state-funded old-age pension. The full annual ATP Pension for 65-year-old pensioners who have paid contributions to ATP throughout their working lives was DKK 23,500 in 2017, equivalent to 32 per cent of the basic state-funded old-age pension.

ATP's members accrue guaranteed lifelong pension rights by contributing to the scheme. There is a clear link between the contributions and the pension rights accrued by the individual. Contribution payments for the year amounted to DKK 9.7bn.

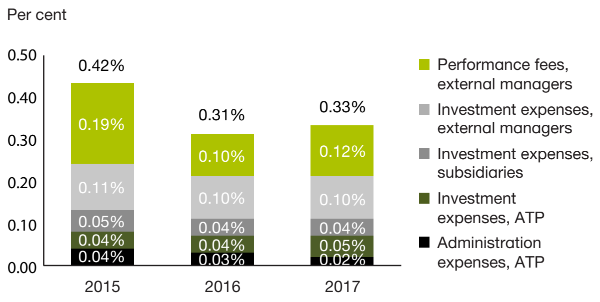
The ATP contribution was not adjusted in 2017. While adjustments of the contribution rate have little effect on ATP pensions in the short term, continuous adjustment is essential for pensions in the long term. Other things being equal, failure to adjust contributions will translate into a reduction in the purchasing power of future pensioners.
In response to increases in life expectancy, both in Denmark and internationally, ATP has adjusted its long-term forecast of life expectancy, providing a further DKK 1.0bn for improved life expectancy. This means that this amount is transferred from the bonus potential to the guaranteed pensions. 65-year-old members are currently expected to live to an average of 86 years.

Based on the bonus rate and an overall assessment of the strong investment results, inflation and expenses for increases in life expectancy, the Supervisory Board has decided to allow bonus to all members this year. This entails that the pensions of all members will be increased by 1 per cent, equivalent to a DKK 6.4bn increase in the guaranteed pensions.

EXPENSES

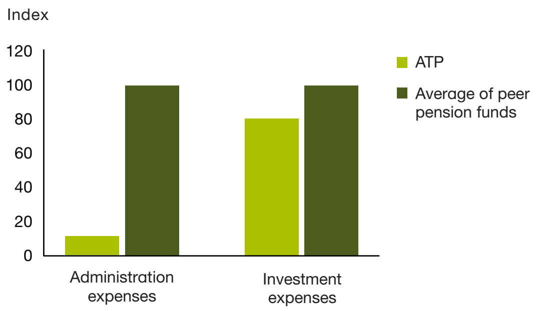
Low expenses for the benefit of members
Low expenses provide a contribution to higher pensions, and

Overall annual expenses in per cent



Note: Expenses have been calculated in accordance with the industry standard.

Administration and investment expenses



Note: CEM Benchmark

ATP focuses on minimising expenses, while at the same time capturing any return which may be generated through an increase in expenses.

Investment expenses

ATP's direct and indirect investment expenses amounted to DKK 2,326m in 2017, equivalent to 0.31 per cent of the aggregate assets managed by ATP at year-end 2017. This represents an 8 per cent increase in investment expenses, which should be seen in the context of the size of the investment return.

ATP focuses on ensuring that investments are made in the most expedient and cost-effective manner. It is regularly assessed whether a given return potential should be pursued by purchasing the assets in question directly, through financial contracts or by use of external managers.

In 2016 and 2017, several investments made through external managers were sold to be purchased directly and managed internally, which has reduced indirect expenses for management and performance fees. This reduction feeds through in 2017 and in the future.

On the other hand, investments especially in private equity have delivered strong returns, and thus performance fees to external manager.

At the same time, most of the international equity portfolio was reallocated from financial derivatives to equities in order to strengthen the stewardship activities. Utilisation of the risk budget was increased, and the focus was on new illiquid investments. These are all active decisions about increased direct investment expenses, which have contributed – and are expected to contribute in the future – to additional returns.

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 19 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.

Administration expenses

In 2017, administration expenses for ATP were DKK 191m – equivalent to DKK 0.02 per cent of aggregate assets.

Administration expenses were reduced by 20 per cent in 2017 relative to the previous year. Over the past five years, administration expenses have been reduced by 41 per cent. This is due primarily to declining depreciation and amortisation and to ATP benefiting from cheaper and stable IT support. With the reductions achieved, the administration expenses are not expected to fall further over the coming years. When, in line with ATP's long-term development strategy, reinvestments are made in the IT platform, expenses may rise again to ensure that the platform is always up-to-date and supports secure and stable operations.

According to the latest international benchmarking of administration expenses in the pensions area (CEM Benchmarking), ATP Lifelong Pension's administration expenses are one tenth of the average for peer pension funds globally. The group of comparable peers comprises pension funds of approximately the same size as ATP and includes 13 pension funds from Scandinavia, the Netherlands, Canada and the USA. One explanation for the low expense level is that ATP is a mandatory ('auto-enrolment') scheme with a simple product and a large number of members, which has enabled ATP to achieve various economies of scale. Moreover, being a mandatory scheme, ATP has no actual sales organisation and a large portion of communications with members have been digitalised over recent years. Automated payment and disbursement processes and a stable, fully depreciated IT platform are also key factors in keeping expenses per member low.

BUSINESS PROCESSING, EXTERNAL PARTIES

In addition to the administration of ATP Lifelong Pension, the ATP Group performs business processing tasks on behalf of the social partners, the Danish government and municipalities. These tasks are performed by ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense – and operating expenses are managed based on ambitious objectives of efficient and competitive operations. Business processing expenses, external parties, of DKK 2.0bn were incurred. Efficient operations have absorbed higher expenses related to information security, increased digitalisation, implementation of the General Data Protection Regulation etc. At the same time, development activities with the addition of new business processing tasks have been high in recent years.

In 2017, new specialist systems were implemented for family benefits and maternity/paternity benefits within Udbetaling Danmark – Public Benefits Administration. Moreover, new tasks from the Agency for Governmental Administration were implemented in Udbetaling Danmark – Public Benefits Administration. In Labour Market Insurance, for which ATP assumed authority and responsibility in July 2016, settling old cases was an important objective. And in 2017, the 5,000 oldest cases were settled within a matter of just one year. At the same time, the relocation of jobs progressed according to plan.

RISKS

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

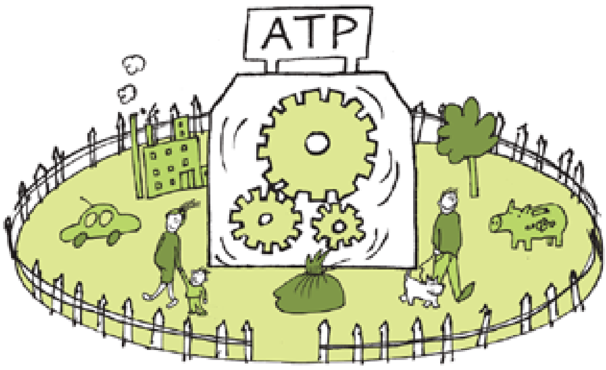
ATP disburses a monthly lifelong pension to its members. Accordingly, increasing life expectancy is the greatest pension risk facing ATP. ATP relies on a custom life expectancy model, based on data from 18 comparable OECD countries, for managing the longevity risk. In addition to factoring in already 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 principles, 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 subject to 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

Through the integration of responsibility into its investments, ATP acts as a responsible investor within the framework of



the Supervisory Board's Policy on Responsibility in Investments, Engagement Policy and tax policy. The aim of these policies is to ensure that ATP's work on responsibility in investments is business-driven, based on stringent criteria and promote long-term, sustainable value creation.

ATP is established by statute, and its aim is to provide stable pensions and basic financial security for its members by investing its pension assets sensibly and responsibly. The ATP Act (*ATP-loven*) does not prevent ATP from acting as a responsible investor. On the contrary, responsibility and high returns go hand in hand.

ESG integration and dialogue plays a key role in ATP's approach to responsibility. ATP's experience has shown that better investment decisions are made by integrating responsibility information with knowledge of other business aspects into the decision-making basis.

By entering into constructive and patient dialogue with the companies invested in, an understanding of the challenges facing the companies can be gained, which, in turn, can be used to make better and more informed investment decisions. Through dialogue, the companies can be encouraged to change where appropriate, thereby minimising risks and promoting their long-term value creation. Faced with the choice between dialogue and exclusion, ATP will always choose dialogue, as long as a potential for improvement is believed to exist.

In 2017, ATP took steps to increase its transparency, for instance by posting voting data at its website atp.dk/voting to give the public access to data about how ATP votes at the AGMs of listed companies.

ATP supports recommendations for corporate disclosures on climate-related financial risks and opportunities on several fronts and has appointed an ATP climate officer to clarify management ownership across investment teams.

In 2017, after a preparation period of almost one year, ATP's Supervisory Board adopted a new tax policy on illiquid investments, setting out ATP's requirements for investments and business partners. This policy establishes that ATP distances itself from aggressive tax planning that constitutes an investment risk, including reputational risk. ATP's business partners and companies in which ATP invests are expected to conduct business in a similarly appropriate, responsible and transparent manner when it comes to tax.

ATP supports a wide range of national and international initiatives. For instance, ATP complies with the Committee on Corporate Governance Stewardship Code, and ATP has adopted the UN-backed Principles for Responsible Investment (PRI), is a member of the UN Global Compact and observes the OECD Guidelines for Multinational Companies.

Further information on ATP's responsibility work is available on page 51. Reference is also made to the ATP Group's Responsibility Report 2017 at www.atp.dk (www.atp.dk/en/responsibility/responsibility-reports/2017), which constitutes both the statutory report and ATP's Communication on Progress to the UN Global Compact.

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 the pay policy, see pages 121-128 and Further Information at www.atp.dk/en.

During the year, ATP's senior management was changed when the Group Management was expanded to include Chief Communications Officer Annemette Moesgaard, Chief Legal Officer Dewi Dylander and Chief HR Officer Bård Grande.

In 2017, Jørgen Søndergaard announced that he will resign as Chairman of the Supervisory Board. ATP's Supervisory Board has nominated Torben M. Andersen as new Chairman of ATP's Supervisory Board.

EVENTS AFTER THE REPORTING DATE

From the reporting date until the date of the presentation of this annual report for 2017, no events have occurred that would materially affect the assessment of the report.

OUTLOOK FOR 2018

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 real value of pensions as best as possible, the Supervisory Board has set a long-term performance target for investment and hedging activities after tax and expenses. In previous years, 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.

ATP's Supervisory Board has decided to increase the long-term performance target from 7 per cent to 11 per cent, starting in 2018, to underpin the objective of preserving the real value of pensions. In 2018, the performance target is equivalent to DKK 12.9bn after tax and expenses. The performance target is an absolute return objective which is to be achieved in the long term, but which is not necessarily achieved each year.

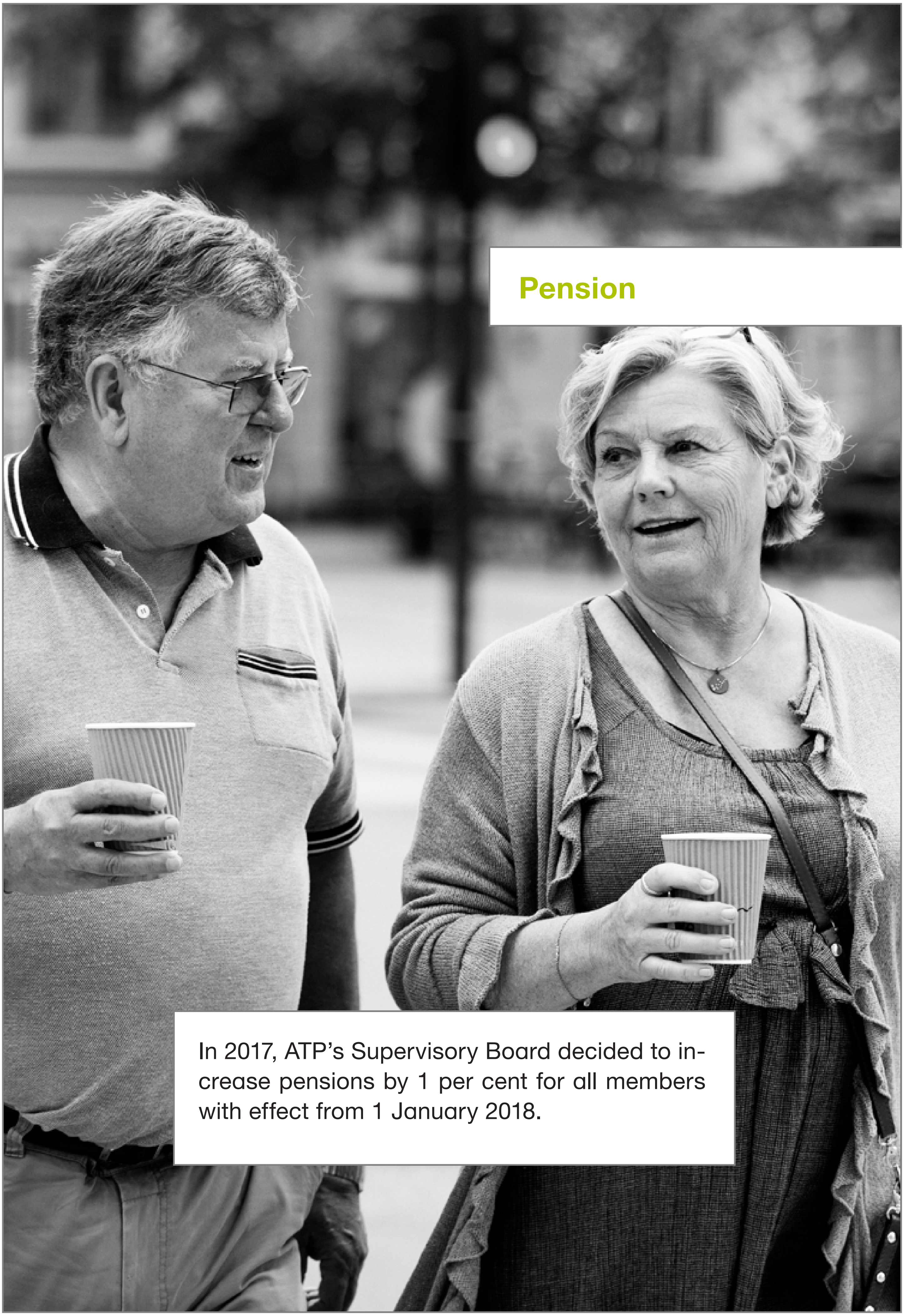
The performance target is based on the principles underlying the target of safeguarding members' interests, aiming to preserve the real value of pensions in the long term and providing an ambitious target. The objective has also been designed to be realistic given the size of the bonus potential and the risk budget, as well as the long-term risk-adjusted return expectations.

In light of the risks associated with unwinding of years of accommodative monetary policy, ATP's Supervisory Board does not expect the exceptionally high investment activity results from 2017 to be repeatable in 2018.

Jørgen Søndergaard
Chairman of the
Supervisory Board

Christian Hyldahl
Chief Executive Officer

Pension

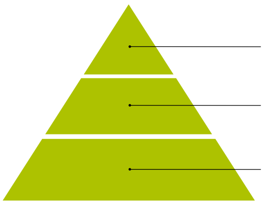


In 2017, ATP's Supervisory Board decided to increase pensions by 1 per cent for all members with effect from 1 January 2018.

Predictable pension – for life

The pensions of all ATP members will increase by 1 per cent in 2018

The pension pyramid



ATP members at year-end 2017

Total number of members	**5,117,500**
Number of members above retirement age	**1,177,900**
- of whom receiving a current pension	1,032,600
- of whom paying contributions in 2017	107,300
Number of members below retirement age	**3,939,600**
- of whom paying contributions in 2017	3,105,100

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, in combination with the state-funded pension system, constitutes pillar 1 of the Danish pension system.

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 5 million members, ATP is Denmark's biggest supplementary pension scheme.

At the end of 2017, nine out of ten old-age pensioners – 1,032,600 persons – were receiving lifelong pension from ATP, and for 44 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 2017, 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 2017, 39,200 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 15.0bn paid out in current pension benefits

Out of the total payouts in 2017 of DKK 16.1bn, DKK 15.0bn went to current pensions and the rest to lump-sum payouts.

In 2017, the full annual payout for a 65-year-old pensioner was DKK 23,500, 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.

In 2017, the ATP pension averaged DKK 14,900 annually. For pensioners who retired at 65 in 2017, the average annual pension was DKK 15,700.

There is a fairly significant variance in the benefits paid out to members. ATP was set up in 1964, and at that time many

Pension payouts in 2017

	Number	DKKm
Current old-age pensions	**1,066,700**	**15,045**
- personal pensions	1,062,600	15,031
- spouse pensions	4,100	14
Lump-sum benefits	**28,400**	**1,030**
- personal pensions	5,500	118
- spouse/common-law partner benefits	19,200	759
- child benefits	2,500	128
- estate benefits	1,200	25

ATP contributions in 2017

	DKKm
Total contributions	**9,703**
Of which in respect of:	
- people in employment	7,584
- recipients of unemployment, sickness or maternity/paternity benefits	872
- recipients of disability pension	515
- recipients of early retirement pension	76
- recipients of other transfer income	656
Number of contributing employers	**160,900**

of the older current pensioners had already been working for several years. Thus, younger pensioners generally receive more than older pensioners because they have contributed 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.

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 2017, the survivor benefit contribution amounted to DKK 58 per member.

In 2017, 19,200 spouses and common-law partners and 2,500 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 759m, while children received DKK 128m.

ATP contributions
More than 3.2 million members paid a total of DKK 9.7bn in ATP contributions in 2017, thus accruing lifelong pension rights. 22 per cent of the contributions were paid by recipients of transfer income. The ATP contribution is a fixed amount set by ATP's Supervisory Board upon the recommendation of the social partners and approved by ATP's Board of Representatives. The contribution is adjusted only if and when agreed by the private sector social partners. Under the new collective agreement, concluded in spring 2017, no adjustment of the ATP contribution was agreed. Given that the collective agreement runs for three years, the annual ATP contribution will remain unchanged at DKK 3,408 for the next three years.

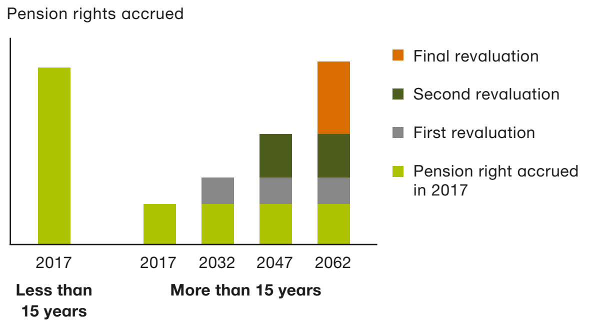
A number of public sector collective agreements have provided for particularly low ATP contributions. In 2008, a process was launched to ensure that public sector employees will eventually receive the same ATP Lifelong Pension as employees in the private labour market.

Bonus
At ATP, bonus represents an increase in ATP members' pension. Once a year, ATP's Supervisory Board decides whether pensions will be increased. This decision is based on an overall assessment of the size of the bonus rate, the investment return for the year, inflation, expenses related to increasing life expectancy and bonus history. In 2017, the Supervisory Board decided that the pensions of all members will be increased by 1 per cent with effect from 1 January 2018. As a result of this increase, an additional DKK 170m will be paid out in 2018 alone, and, overall, the increase will trigger a DKK 6.4bn rise in the guaranteed pensions.

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

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.

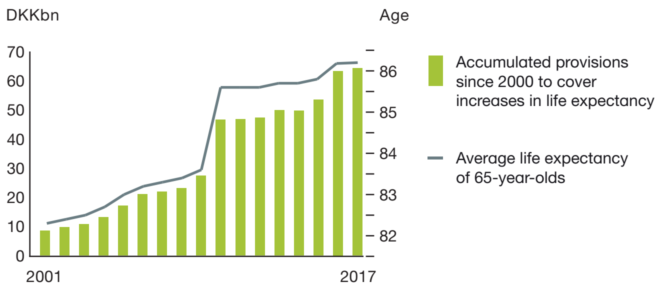
Pension activity results

Lower administration expenses have a positive impact on results

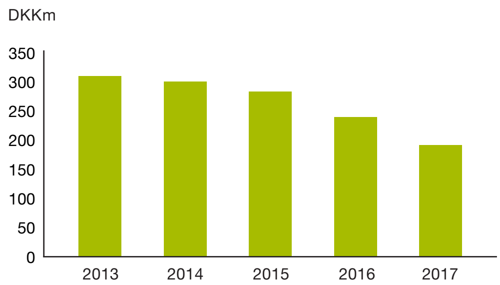
Pension activity results

DKKm	2017	2016
Contributions	9,703	9,572
Pension benefits	(16,075)	(15,454)
Change in guaranteed pensions due to ATP contributions and pension benefits etc.	8,289	6,956
Expenses	(191)	(239)
Other items	8	8
Pension activity results before life expectancy update	**1,734**	**843**
Life expectancy update	**(1,006)**	**(9,901)**

Additional provisions due to increases in life expectancy



Administration expenses



Pension activity results before the life expectancy update amounted to DKK 1.7bn, reflecting a small increase in total contribution payments. Most of this increase is attributable to a rise in the number of contribution-paying members from 2016 to 2017.

Total pension payouts increased by DKK 621m relative to 2016. The explanation for the increase can found in the growing number of pensioners among ATP's members. Today, ATP pays out current pensions to more than one million members.

The value of the guaranteed pensions is reduced when ATP pays out pensions and increases 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 8.3bn positively impacts the pension activity results.

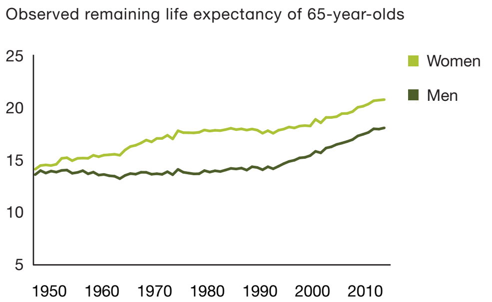
ATP performed the annual update of its life expectancy model in connection with the preparation of the interim report for H1. The update led to additional provisions of DKK 1.0bn, resulting in the transfer of DKK 1.0bn from the bonus potential to the guaranteed pensions, but has no impact on ATP's aggregate assets. The additional life expectancy provisions were significantly lower than the 2016 level of DKK 9.9bn. Since 2000, the life expectancy of a 65-year-old has risen by approximately four years, and provisions for increased life expectancy of DKK 64.3bn have been made during this period.

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

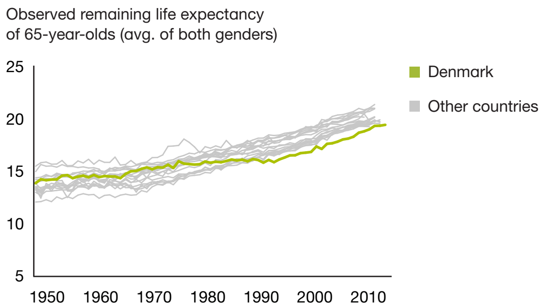
ATP uses custom life expectancy model

This model uses data from 18 benchmark countries

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 2017, ATP made provisions of DKK 1.0bn 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.

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.

Age in 2017	Life expectancy of a 65-year-old[1]		
	Woman	Man	Average
65	87.8	84.5	86.2
60	88.4	85.1	86.8
50	89.7	86.3	88.0
40	90.8	87.4	89.1
30	92.0	88.4	90.2
20	93.0	89.5	91.2
0	95.0	91.5	93.2

[1] The life expectancies are conditional on the person reaching the age of 65

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 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, ATP's life expectancy model utilises data from 18 industrialised OECD countries with approx. 565 million inhabitants during the period from 1950 to 2013.

The data included in a life expectancy model, along with other model characteristics, determine the magnitude of the increases in life expectancy predicted by the model. The Danish Financial Supervisory Authority (FSA) uses a life expectancy model with characteristics that are different from those applied by ATP. While the Danish FSA uses Danish data dating back 30 years, ATP uses an estimation period that is more than twice as long and reflecting to a greater extent the more than 100-year projection period for life expectancy increases.

Despite considerable differences between the models used by ATP and the Danish FSA, the difference between the models is relatively small when it comes to the calculation of the guaranteed pensions. In ATP's life expectancy model, the value of the guaranteed pensions is DKK 650.9bn, while the value is DKK 647.5bn using the Danish FSA's model. The Danish FSA has announced that they consider changing the estimation period used in their life expectancy model from 30 years to 20 years. With a 20-year estimation period, the value of the guaranteed pensions, measured using the Danish FSA's life expectancy model, would be DKK 666.4bn.

Pension scheme for disability pensioners

Four out of ten disability pensioners pay voluntary SUPP contributions

SUPP members at year-end 2017

Total number of members	**127,000**
Members below the retirement age for the state-funded old-age pension	94,500
Members over the retirement age for the state-funded old-age pension	32,500
New SUPP members in 2017	4,800

Pension payouts and contributions in 2017

Payouts	**Number**	**DKKm**
Current pensions	32,700	66
Lump-sum benefits	40	1
Survivor benefits	1,200	25
Contributions		
Members below retirement age for the state-funded old-age pension paying contributions in 2017	96,700	
SUPP contributions after social security contributions		520

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 171 per month to SUPP in 2017, the Danish government topped up this amount by a further DKK 342. Thus, the Danish government contributes twice the amount of the disability pensioner.

More than four out of ten 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 2017, total payouts for current old-age pensions amounted to DKK 66m. In 2017, the average annual pension to SUPP members was DKK 2,200. For SUPP members retiring at age 65 in 2017, the average annual pension was DKK 3,000. 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 2017, DKK 25m was disbursed from SUPP on the death of SUPP members – an average amount of DKK 20,400 per deceased person. Survivor benefit payments amount to 9 per cent of contributions on average.

In 2017, the full annual SUPP contribution was DKK 6,156, and SUPP members paid total contributions of DKK 520m. The SUPP contribution is adjusted annually by the rate adjustment percentage, thus amounting to DKK 6,264 in 2018.

Hedging

ATP's hedging portfolio is designed to protect pensions against interest rate fluctuations, and, once again, the hedging strategy was successful in 2017.

nhow Amsterdam RAI Hotel, Amsterdam

Strong protection against interest rate fluctuations

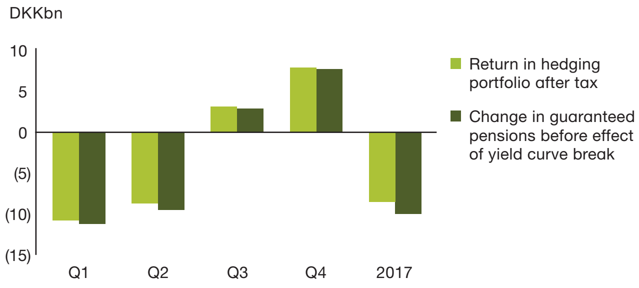
Hedging ensures that ATP will be able to deliver on the guarantees issued to members, regardless of changes in interest rates.

Hedging activity results

DKKm	2017	2016
Change in guaranteed pensions due to change in discount rate[1]	18,014	(41,487)
Change in guaranteed pensions due to maturity reduction	(7,982)	(6,329)
Change in guaranteed pensions[1]	**10,032**	**(47,816)**
Return in hedging portfolio	(10,089)	56,371
Tax on pension savings returns	1,544	(8,625)
Return in hedging portfolio after tax	**(8,545)**	**47,746**
Results of hedging of the guaranteed pensions[1]	**1,487**	**(70)**
Change in guaranteed pensions due to yield curve break[2]	(2,993)	(4,064)
Hedging activity results	**(1,506)**	**(4,134)**

[1]Before effect of 'yield curve break'
[2] 'Yield curve break' is the point on the yield curve at 40 years where the guaranteed pensions shift from being discounted by a fixed rate to being discounted by a market rate.

Hedging safeguards the guaranteed pensions



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

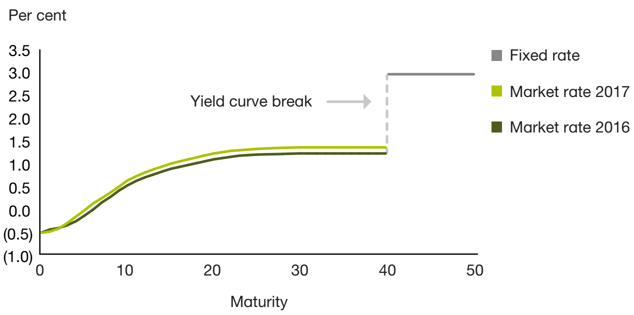
The interest rate fluctuations in 2017 caused the value of the guaranteed pensions to fluctuate over the year. The value of the guaranteed pensions decreased in Q1 and Q2, driven by the rise in interest rates in H1, and increased in Q3 and Q4 due to the fall in interest rates in H2. Over the year as a whole, the guaranteed pensions ended the year lower than they started. The hedging portfolio is designed to protect pensions against interest rate fluctuations, and the hedges once again served their purpose in 2017.

ATP's yield curve for valuation of pension liabilities

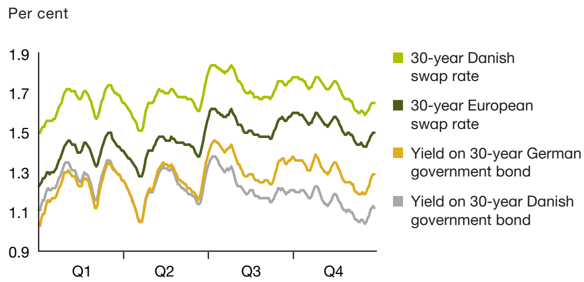
ATP's yield curve for valuation of pension liabilities comprises a market-based segment and a fixed-rate segment. A characteristic of the market-based segment is that it is hedgeable. The fixed-rate segment for valuation of liabilities 40 years or more into the future reflects a conservative projection 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. The 30-year market rate is used for the valuation of guarantees between 30 and 40 years, 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 guaranteed pensions up to 40 years goes up. Without hedging, a corresponding decline would have been recorded in the bonus potential. And vice versa when interest rates increase. Thus, hedging ensures that ATP's bonus potential remains intact regardless of changes in interest rates. DKK 37.4bn, equivalent to 5.8 per cent of ATP's guaranteed pensions, lies more than 40 years into the future.

ATP yield curve at year-end



Yield developments in 2017



Note: Calculated as a 5-day rolling average.

ATP's yield curve for valuation of the guaranteed pensions is more conservative than that of the Danish Financial Supervisory Authority (FSA). At year-end 2017, the value of the guaranteed pensions was DKK 650.9bn, determined using ATP's yield curve, and the bonus potential was DKK 117.7bn. Had ATP used the Danish FSA's yield curve for the valuation of pension liabilities of insurance companies and industry-wide pension funds, the guaranteed pensions would have amounted to DKK 599.2bn at year-end 2017, and the bonus potential would have been DKK 51.7bn higher.

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 pre-defined 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 1.5bn. The guaranteed pensions reflect the value of ATP's lifelong pension commitments to members. The value of the guaranteed pensions decreased by DKK 18.0bn as a result of the interest rate rises in 2017 and increased by DKK 8.0bn because the pensions guaranteed to members at the beginning of the year are one year closer to payout. Thus, the value of the guaranteed pensions decreased by DKK 10.0bn in 2017 before the effect of the yield curve break. Similarly, the hedging portfolio generated a negative market return of DKK 10.1bn. Tax on pension savings returns amounted to an income of DKK 1.5bn, and the hedging portfolio thus produced a negative after-tax return of DKK 8.5bn.

The negative hedging activity results in 2017 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 the guarantees which change during the year from a fixed 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 2017, the market-based segment of the yield curve was significantly below 3 per cent. As a result, hedging activi-

Yield curve for valuation of pension liabilities and actual hedging, 2017

	Yield curve per cent	Actual 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.

ties incurred a loss of DKK 3.0bn in 2017. The loss means that funds are transferred from the bonus potential to the guaranteed benefits, without this affecting ATP's aggregate assets.

Investment

The investment return before expenses and tax was DKK 29.7bn, equivalent to 29.5 per cent relative to the bonus potential.

CPH, Copenhagen Airports

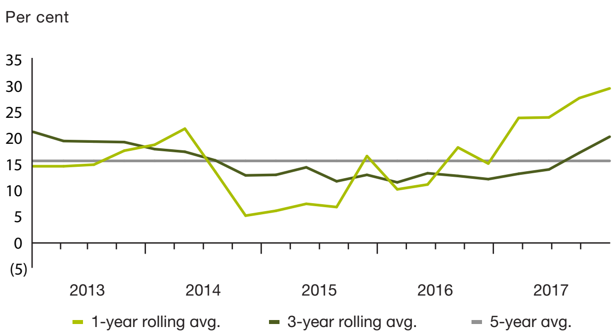
Positive returns achieved broadly across the portfolio

The return in the investment portfolio, DKK 29.7bn, was achieved broadly across the portfolio, but was driven particularly by large positive equity returns

Investment activity results

DKKm	2017	2016
Investment return	29,737	15,340
Expenses	(858)	(823)
Tax on pension savings returns and income	(4,399)	(1,989)
Investment activity results	**24,480**	**12,528**

Rolling annual returns in the investment portfolio before expenses and tax relative to the bonus potential



In 2017, the ATP Group's investment activity results after expenses and tax totalled DKK 24.5bn.

Investment portfolio

In 2017, the investment portfolio generated a return before expenses and tax of DKK 29.7bn, equivalent to a rate of return of 29.5 per cent relative to the bonus potential. In the past five years, ATP has delivered an average annual return of 16.6 per cent in the investment portfolio and achieved positive returns in 18 out of the last 20 quarters.

The positive return on the investment portfolio was achieved broadly across the portfolio in 2017. In a well-diversified portfolio with a high degree of risk diversification, some investment types will outperform others. In 2017, equity investments contributed particularly high returns. The largest positive return, DKK 5.3bn, came from the portfolio of private equity, but listed international equities and listed Danish equities also contributed high positive returns of DKK 4.9bn and DKK 4.2bn, respectively.

The ability to generate high returns relative to the risk assumed can be expressed as risk-adjusted return, calculated as the return/risk ratio[1]. In 2017, the risk-adjusted return was 1.1, and over the past five years it was 0.8.

[1] Risk-adjusted return is a Sharpe ratio-based return target, expressing the ratio of realised return to market risk, with market risk calculated as the standard deviation.

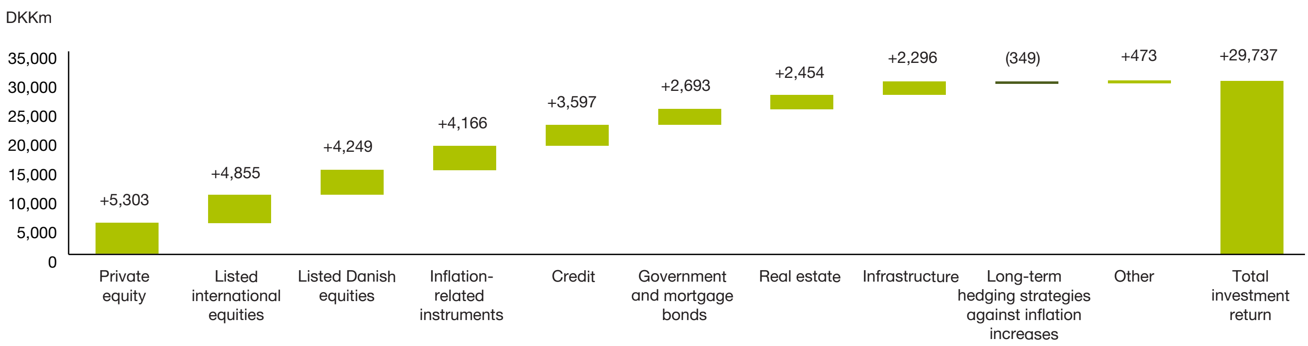
The principal objective of the investment portfolio is to generate a return that will allow ATP both to raise the guaranteed pensions, thereby preserving the long-term purchasing power of the pensions, and to build up reserves for unforeseen events such as increased life expectancies.

To generate a return that meets the objective, ATP invests its funds, thereby assuming investment risks. Investment risks mainly comprise market risks, which are managed in the investment portfolio based on a risk budget and risk diversification limits.

The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount invested. Consequently, with the same risk, it is possible to purchase a larger portfolio of bonds than of equities, which are traditionally more risky.

The investment portfolio generally consists of funds from the free reserves – the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of financial instruments are, moreover, available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with a higher statement

Composition of investment return in 2017



of financial position than the bonus potential, but within the same risk budget. A market rate is paid to hedging activities on the funds used by the investment portfolio.

A year of widespread global economic growth

In 2017, years of accommodative monetary policy finally translated into widespread global economic growth.

After a number of years of subdued global economic growth, growth picked up in 2017, which was reflected in increasing corporate earnings and falling unemployment. At the same time, inflation was limited and in line with expectations at the beginning of the year. Accordingly, the pressure on central banks to rein in monetary policy was low, and the continued accommodative monetary policy underpinned strong growth in the financial markets.

Geopolitical unrest also left its mark on 2017, reflected, for instance, in uncertainty over the terms of Brexit and growing tensions between the USA and North Korea. Towards the end of the year, US President Donald Trump signed a tax reform bill that cut the corporate income tax rate, among other measures.

Bond markets

The US Federal Reserve continued its 'dovish tightening' of monetary policy, raising interest rates three times in 2017. The European Central Bank, ECB, on the other hand, kept rates unchanged and continued its asset purchase programme. Over the year as a whole, yields on short-dated US government bonds ended the year higher than they started, while yields on long-dated US government bonds ended the year slightly lower. Europe saw a slight increase in yields on German and Danish government bonds.

Equity markets

Global equity markets performed well in 2017, driven mainly by rising corporate earnings. Over the year as a whole, the Danish benchmark equity index ended more than 12 per cent higher, while the European benchmark equity index ended just under 7 per cent higher. In the USA and Japan, equity markets surged by almost 20 per cent, while emerging equity markets skyrocketed by close to 40 per cent.

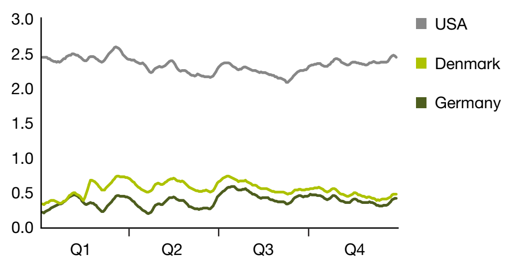
Real estate markets

Spurred by positive growth in most European economies, the real estate markets in Europe, including Denmark, saw a strong recovery in 2017, with keen investment appetite from institutional investors. Economic growth, combined with the continued low interest rate environment, had a positive knock-on effect on real estate prices. US real estate markets also continued to see strong investment appetite, although real estate prices bottomed out in 2017.

Commodity markets

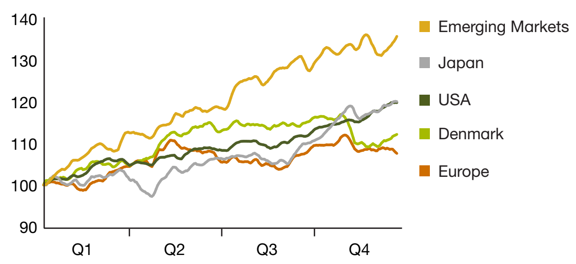
Global commodity prices, including the price of oil, gold and

Yield development for 10-year government bonds in 2017



Note: Calculated as a 5-day rolling average.

Equity price developments in 2017



Note: Calculated as a 5-day rolling average.

industrial metals, ended the year higher than they started, driven, among other factors, by strong global economic growth, which translated into higher demand for commodities.

Currency markets

In the currency markets, the euro appreciated almost 14 per cent against the US dollar in 2017, reflecting improved growth prospects for Europe.

Investment return

The return in the investment portfolio (before tax and expenses) was DKK 29.7bn in 2017.

Equities

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a return of DKK 14.4bn.

Listed Danish equities produced a return of DKK 4.2bn. Holdings in Ørsted A/S, Novo Nordisk A/S and DSV A/S were the main positive contributors to performance, while holdings in Pandora A/S, ALK-Abelló A/S and Genmab A/S were the main detractors.

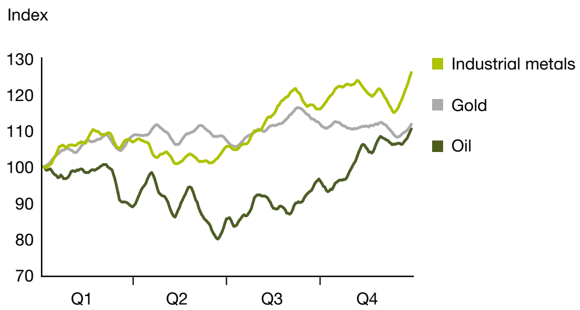
Listed international equities, consisting of US, European, Asian and emerging markets equities, recorded a return of DKK 4.9bn. Listed US equities were the top performers, but listed European, Asian and emerging markets equities also made positive contributions. For a number of years, the exposure to listed international equities has been achieved extensively through the use of financial derivatives. During 2017, the use of financial derivatives through exposure to listed international equities was reduced relatively in order to strengthen active ownership in the companies in which ATP invests. ATP's portfolio of direct investments in listed international equities increased by just under DKK 25bn in 2017.

The portfolio of private equity consists mainly of ATP Private Equity Partners, investing mainly in private equity funds and companies abroad. Also included in the portfolio, to a lesser extent, are venture investments and direct equity investments. The overall portfolio of private equity generated a return of DKK 5.3bn. The return in ATP Private Equity Partners accounted for DKK 3.7bn, reflecting, on the one hand, that in most of the portfolio holdings were sold, generating a positive return, and, on the other, generally positive developments in the underlying portfolio companies' earnings and debt repayment.

Inflation-related instruments

Inflation-related instruments, consisting of index-linked bonds, inflation swaps and commodity-related financial contracts, generated an overall return of DKK 4.2bn. Investments in commodity-related financial contracts produced

Commodity price developments in 2017



Note: Calculated as a 5-day rolling average.

ATP's five largest real estate investments, year-end 2017

Address	Type	Market value year-end 2017 DKKm
16 Danish shopping centres (50 per cent ownership interest)	Shopping centre	6,777
North Galaxy, Brussels, Belgium	Offices	3,291
Nesa Allé 1,Gentofte, Denmark	Offices	2,225
Strandgade 3, Copenhagen K, Denmark	Offices	1,878
Waterfront, Bremen, Germany	Shopping centre	1,593

a return of DKK 3.3bn, derived primarily from investments in industrial metals and oil, but investments in gold also made a positive contribution to performance. Inflation swaps generated a return of DKK 0.9bn, driven particularly by rising inflation expectations in Europe and the USA in H2. Index-linked bonds posted a return of DKK 28m.

Credit

Credit investments yielded a return of DKK 3.6bn. These investments consist of bonds issued by companies with low credit ratings or by emerging markets, and of financial instruments related to this type of bonds and loans to credit institutions and funds. Bonds issued by companies with low credit ratings or by emerging markets and financial instruments posted a return of DKK 2.6bn, driven particularly by a narrowing of credit spreads for this type of bonds, which translated into price increases and 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 1.0bn.

Government and mortgage bonds

Government and mortgage bonds yielded a return of DKK 2.7bn. Mortgage bonds, consisting exclusively of Danish mortgage bonds, generated a return of DKK 2.4bn. During the year, the portfolio of mortgage bonds was increased due to a positive view of this asset class and as part of the continued risk diversification. The portfolio of government bonds, consisting primarily of exposure to US and German government bonds with a term to maturity of approx. 10 years, yielded a return of DKK 0.3bn.

Real estate

Real estate investments generated a return of DKK 2.5bn. These investments are made through direct ownership of real estate, through joint ventures and indirectly through investments in unlisted real estate funds.
Direct as well as indirect investments are made both in Denmark and abroad.

Direct real estate investments posted a return of DKK 1.7bn, with market value adjustments accounting for DKK 0.5bn. Indirect real estate investments generated a return of DKK 0.7bn, with market value adjustments accounting for DKK 0.3bn. 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 2017, new real estate investments totalling DKK 9.1bn were made, including investments in 50 per cent of a portfolio of 16 Danish shopping centres, a hotel in Munich (ownership 48 per cent) and a hotel in Amsterdam (ownership 50 per cent). Moreover, investments were made in a small number of Danish properties. Major reconstruction work, to-

Market value of ATP's investment portfolio, year-end 2017

DKKbn	Direct	Funds	Financial derivatives	Total
Listed Danish equities	29.5	0.0	0.0	29.5
Listed international equities	31.5	0.0	0.6	32.1
Private equity	7.4	24.7	0.2	32.3
Credit	16.5	12.7	2.2	31.5
Government and mortgage bonds	63.3	0.0	(0.4)	62.8
Inflation-related instruments	2.7	0.0	1.1	3.9
Infrastructure	19.5	10.0	0.1	29.6
Real estate	34.2	9.6	0.0	43.9
Long-term hedging strategies against inflation increases	0.0	0.0	(4.5)	(4.5)
Other	0.0	5.1	0.5	5.6
Total market value	**204.6**	**62.2**	**(0.1)**	**266.6**

Note: The division of market values into the three columns 'Direct', 'Funds' and 'Financial derivatives' shows how investments in the sub-portfolios are implemented. Financial derivatives include futures, swaps and options. The market value of futures is equal to zero due to daily settlement of losses/ gains. For other financial derivatives, the market value may be negative.

talling DKK 0.4bn, was initiated in the Danish real estate portfolio in 2017. In the indirect portfolio, gains were realised on disposals in 2017.

Infrastructure investments

The portfolio of infrastructure investments, which includes forestry investments in North America and Australia as well as investments in renewable energy, generated a return of DKK 2.3bn. The return was achieved broadly across the portfolio. In 2017, a number of new direct investments were made, including in Copenhagen Airport and in gas supply and distribution in Spain and the UK, respectively.

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 negative return of DKK 0.3bn was due primarily to falling volatility of long-dated yields in Europe during 2017.

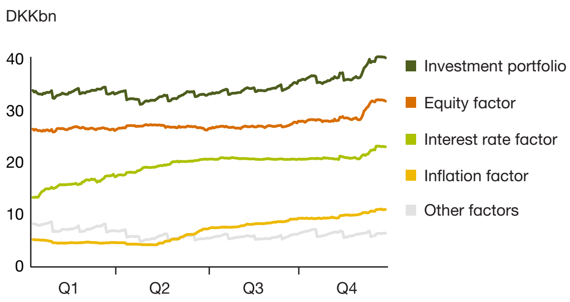
Other items

Other items produced a return of DKK 0.5bn. This portfolio primarily consists of externally managed portfolios and swaptions. The portfolio also includes interest payments to the hedging portfolio, among other things. Both the externally managed portfolios and the portfolio of swaptions contributed positively to the return.

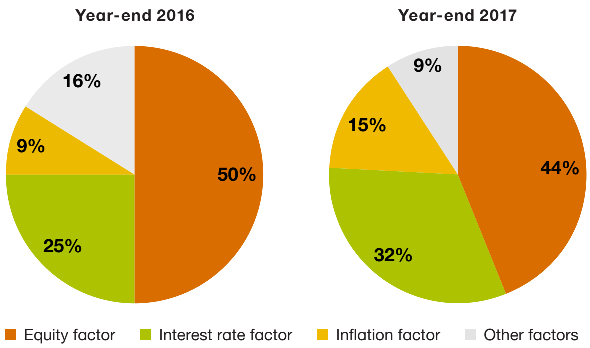
Risk allocation in 2017

To maintain a robust and diversified investment portfolio with a stable return and the greatest possible independence from cyclical variations, investment decisions are informed by a strategy of risk diversification. In order to measure risk and risk allocation, ATP allocates the risk associated with each investment on the basis of four different risk factors, depending on the types of risk to which the investment is

Development in risk in the investment portfolio[1] in 2017



Risk allocation in the investment portfolio[1]



[1] The absolute risk and the risk allocation are exclusive of long-term strategies against inflation increases.

exposed. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. For more information on the factor investing approach, see the article 'The factor investing approach and alternative illiquid investments' on the following page.

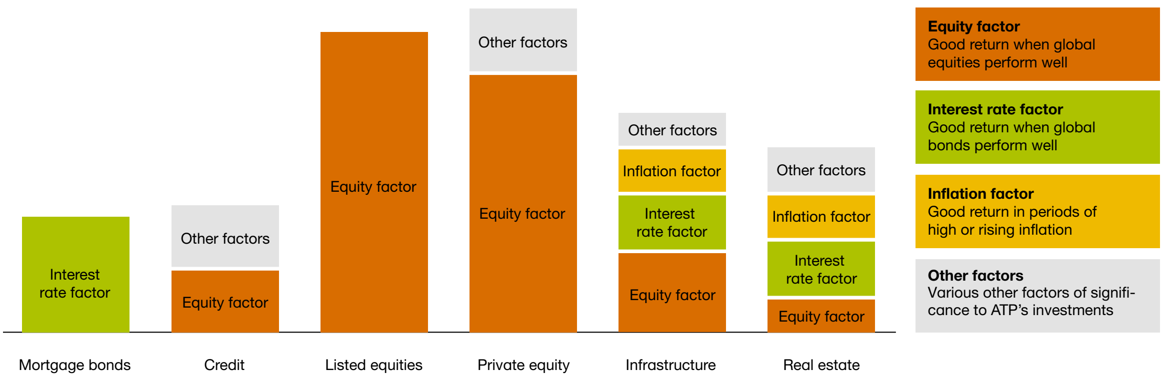
A key element in ATP's investment strategy is the Supervisory Board's issuance of a guideline for the long-term allocation of the four risk factors in the investment portfolio. The long-term guideline specifies that 35 per cent of the risk is allocated to the Equity factor, 35 per cent to the Interest 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 and active investment decisions.

As part of the efforts to achieve a high expected long-term return, the overall risk in the investment portfolio was increased in 2017, especially towards the end of the year. The absolute risk in the Inflation factor and Interest rate factor increased notably during the year, while the increase in the Equity factor was more moderate. Thus, the relative risk allocation to the Inflation factor and the Interest rate factor increased in 2017, while the relative risk allocation to the Equity factor and Other factors was reduced. The aim of these changes is to achieve a more balanced portfolio. Accordingly, the relative risk allocation ended the year closer to the long-term guideline than it started.

Factor investing approach and alternative illiquid investments

ATP manages all of its investments using a common risk framework

Factor-based risk composition of selected assets



In 2015, ATP launched an investing approach based on risk factors. The factor investing approach is essential in ATP's risk and return optimisation and a natural extension of the investment and risk insights accumulated over the years.

The factor investing approach is based on the premise that the risk of any investment is associated with certain basic risk factors. In order to achieve a diversified portfolio, investments are composed to ensure that the risk of the overall portfolio is allocated between all these factors. The factor framework provides a shared understanding of risk, which enables uniform management of all investment activities and comparability of risk and return across asset classes. The factor investing model produces no absolute truths, but it does create a framework for our efforts to ensure the optimum composition of our investments.

The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'[1]. The first three risk factors are referred to as 'liquid factors', given that they reflect common risks related to groups of liquid assets. Other fac tors include two risk categories, i.e. risks from alternative liquid factors (also known as 'alternative risk premiums') and special risks from illiquid investments.

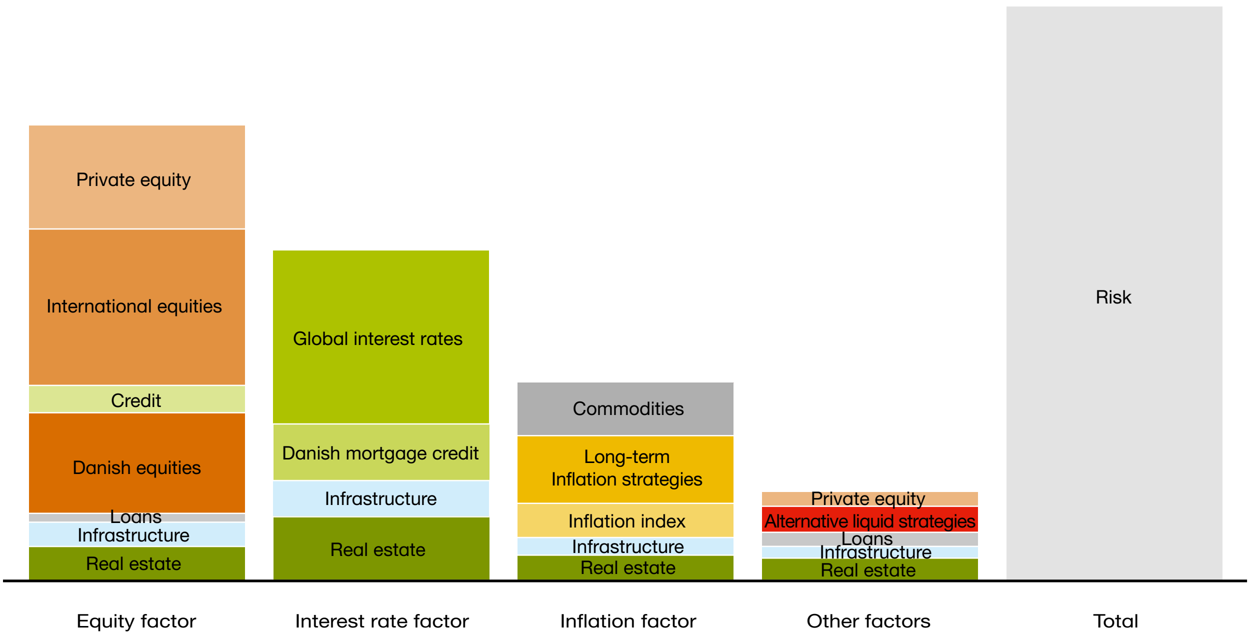
ATP's long-term guideline is a balanced greater risk for the two major factors Equity factor (35 per cent) and Interest rate factor (35 per cent), while the Inflation factor and Other factors play a lesser role (15 per cent each). The investment philosophy behind the balanced guideline is known as an 'all-weather' approach with reference to the fact that this portfolio is robust in the face of variations in the investment climate. Given a significant diversification gain, the total risk is less than the sum of the four risk factors. For further information on the factor investing approach, please refer to the 2015 and 2016 annual reports.

Alternative illiquid investments

The risk associated with alternative illiquid investments such as private equity, infrastructure, real estate and certain types of credit is more difficult to quantify than the risk associated with 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.

[1] ATP's factor 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 exposures to sub-factors.

Decomposition of the risk of the four factors based on traditional assets

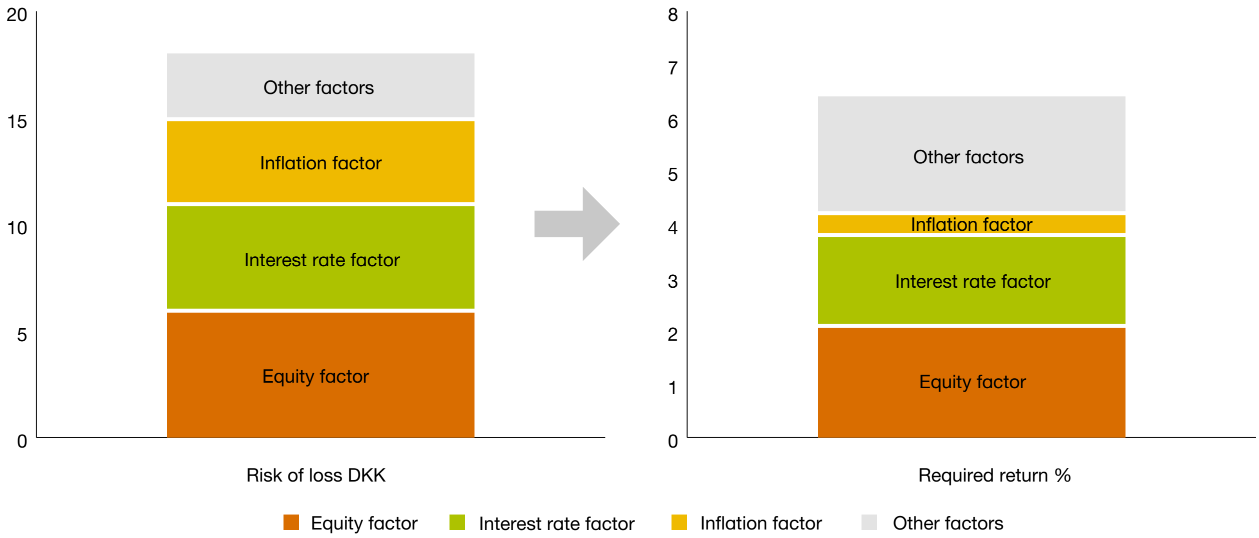


For instance, significant difference is perceived between investing in portfolios of listed equities and portfolios of private equity. But both types of investment are equity investments, i.e. investments in shares in companies operating in the same economy. Due to risk affinity, the two types of investment behave more or less equally in response to cyclical movements. Through the factor lens, the risk of the two investments is associated primarily with the same risk factor: the Equity factor. This means that private equity only to a minor extent diversifies the risk associated with listed equities, and vice versa, and that the effect of risk diversification should therefore not be overrated. ATP therefore regards the risk-based factor investing approach as being more fair than a traditional asset class approach.

However, a significant difference exists between listed equities and private equity. 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. Private equity is illiquid, and an investor looking to sell needs to spend time finding a buyer. This affects investors when they want or need to sell quickly at times when buyers are also few and far between. The investor looking to sell may then have to sell at a much lower price. Unfavourable situations of this kind typically coincide with financial market crises. These special risks arising from illiquid investments are included in Other factors. In addition to exposure to the Equity factor, the portfolio of private equity is also exposed to Other factors, which the portfolio of listed equities is not. In the chart above, private equity is shown with exposure to Other factors in addition to exposure to the Equity factor.

Infrastructure is an 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 risk element (interest rate sensitivity of future income) and an inflation risk element (future income is often adjusted upwards with the rate of inflation). The number of toll-paying

Example of structure of required return on an infrastructure investment



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. The risk associated with alternative illiquid investments is thus composed of the same key factors that are found in the traditional liquid investment universe. The total composition of risk can be summarised as illustrated on page 38.

The expected return depends on the risk

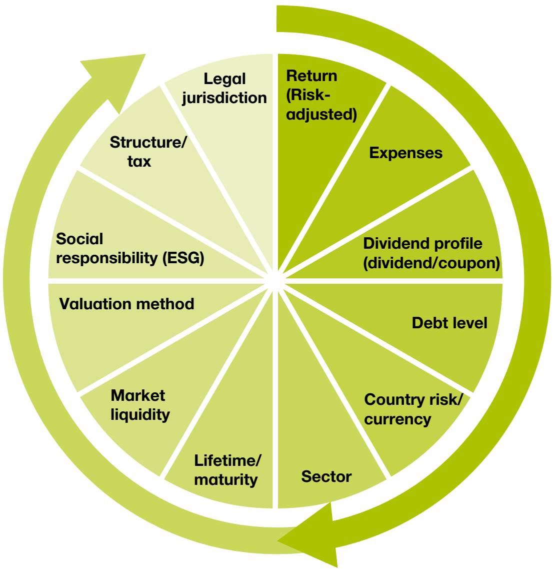
As an investor, it is essential that you can define a required rate of return for all your individual investments within one and the same framework. The factor investing approach provides a uniform basis for making investment decisions. The expected return on an investment will thus be determined based 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 the required rate of return. Accordingly, the factor investing approach increases investment flexibility by allowing analysis and comparison of investments across asset types.

Market prices can be determined for each of the four risk factors included in an investment. These market prices reflect the risk of loss of the risk factors. The higher the exposure to a risk factor, the higher the compensation expected by investors. The market price for exposure to a risk factor is not the same for all four risk factors. An investor will demand higher compensation for exposure to Other factors, including limited market liquidity, than for the same exposure to the Equity factor.

Earlier, a portfolio of listed equities was described as being exposed exclusively to the Equity factor. Similarly, an infrastructure investment is exposed to all four factors, with the size of each exposure representing the expected risk of loss related to the risk factor. The risk profile and composition of the total required rate of return for an infrastructure investment are shown above.

In an assessment of the historical returns of alternative illiquid investments, the factor investing approach may provide for better comparability with liquid investments than traditional return comparisons. The division into risk factors enables a comparison of the return of, for instance, priva-

Risk aspects of alternative illiquid investments



te equity with that of listed equities with the same risk. This ensures a comparison of 'apples with apples' rather than 'apples with oranges' in terms of risk. In ATP's portfolio, private equity – after expenses – has previously outperformed listed equities, but this difference seems to have narrowed in recent years.

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. The analysis of a given investment starts with a return profile assessment. The expected return – after expenses – is assessed, and it is assessed whether the compensation offered for factor risks is 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 to a greater extent on more secure dividend payments.

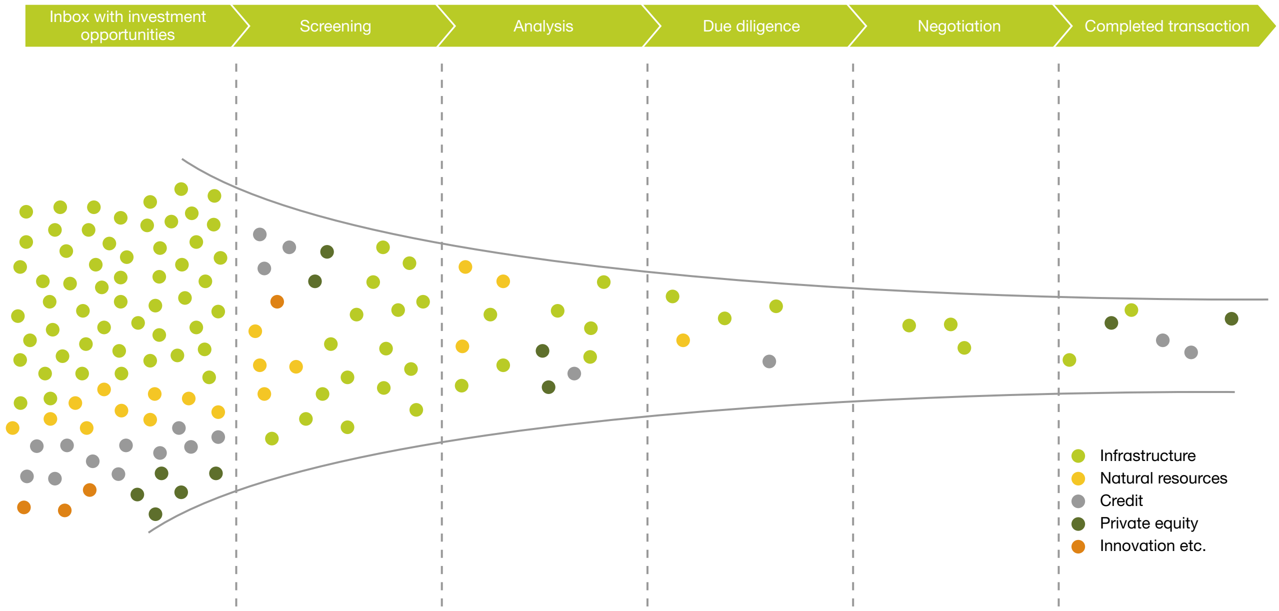
In addition, a large number of other aspects of the specific investment are also considered, including country risk, life expectancy profile and ownership structure. A key aspect is the understanding of Environmental, Social and Governance (ESG) issues and the integration of these issues in the investment process. Thus, qualitative risk elements are important aspects of the decision-making process in connection with new investments, and they also constitute a supplementary tool for managing all ATP's illiquid investments.

Alternative investments require specialist skills

Alternative illiquid investments differ from traditional investments in that they are more complex. They are more difficult to sell, less transparent and investors have to be prepared for a longer investment timeline and detailed ongoing follow-up.

These risks require specialist skills, both in the investment process (due diligence) and in the current active management. Alternative illiquid investments typically involve an extensive process of investment analysis and documentation. The resource consumption in relation to due diligence and

Sorting process of illiquid investments

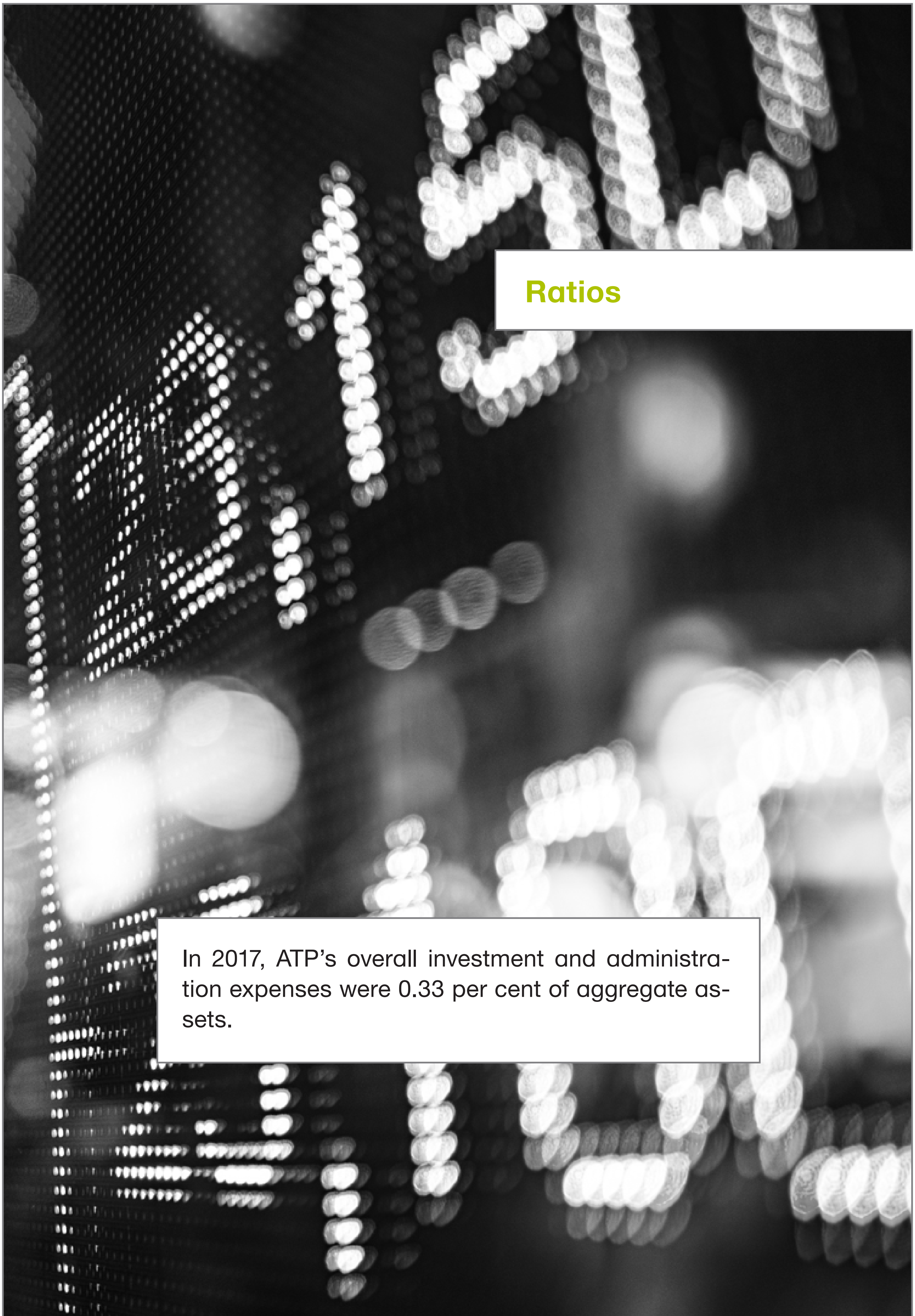


current asset management also depend on whether the investments are made through a fund, a manager or through direct ownership, the latter requiring strong and time-consuming involvement.

ATP has continually expanded the group of employees and the specialist skills required for alternative investments. At year-end 2017, ATP has three investment teams specialising in alternative investments. The teams include investment employees with experience in corporate acquisitions and direct lending and employees supporting the investment processes in areas such as law, tax, accounting treatment and risk, including valuation and social responsibility, as well as administration of managed assets. When it comes to direct investments, external advisers with expertise in the relevant sector, geography and local rules are typically consulted.

Finally, a standardised implementation process for new illiquid investments ensures that the operational setup can manage and administer the given investment, should it be completed.

Ratios

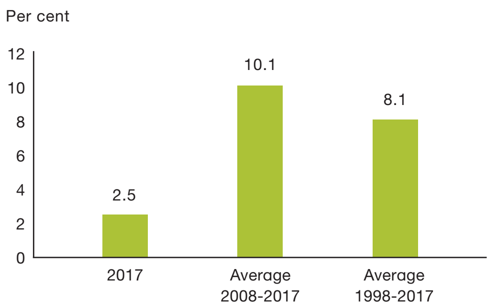


In 2017, ATP's overall investment and administration expenses were 0.33 per cent of aggregate assets.

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, both positively and negatively.

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. However, in the very long term, the ratio better reflects the value creation.

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 2.5 per cent in 2017.

Low expenses

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

Annual expenses in per cent[1,2]

	2017			2016		
	DKKm	**DKK per member**	**Percentage relative to net assets**	**DKKm**	**DKK per member**	**Percentage relative to net assets**
Administration expenses, ATP	*191*	*38*	*0.02%*	*239*	*48*	*0.03%*
Investment expenses, ATP	382	75	0.05%	309	62	0.04%
Investment expenses, subsidiaries	283	55	0.04%	319	64	0.04%
Investment expenses, external managers	733	144	0.10%	736	147	0.10%
Performance fees, external managers	928	183	0.12%	792	158	0.10%
Total investment expenses	*2,326*	*457*	*0.31%*	*2,156*	*431*	*0.28%*
Total expenses	**2,517**	**495**	**0.33%**	**2,395**	**479**	**0.31%**

[1] Expenses have been calculated in accordance with the industry standard.
[2] This ratio has been calculated exclusive of expenses in NOW Pensions (DKK 193m). The expenses in this 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 an impact on ATP's future pension payouts. With a long savings period, small differences in expenses can make for significant differences in pension payouts. Therefore, ATP aims to keep both investment and administration expenses low, while at the same time focusing on capturing any return which may be generated through an increase in expenses. In 2017, overall investment and administration expenses were 0.33 per cent of aggregate assets.

Investment expenses

ATP's direct and indirect investment expenses amounted to DKK 2,326m in 2017, equivalent to 0.31 per cent of the aggregate assets managed by ATP at year-end 2017. This represents an increase relative to 2016, which should be seen in the context of the size of the investment return. Fluctuations in the expense ratio will also occur in the future, given that performance fees, in particular, will naturally vary. The downward trend of recent years is attributable primarily to investment restructuring.

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 pursued by purchasing the assets in question directly, through financial contracts or by use of external managers. An overall assessment is made of the investment relative to expected return, expenses, management opportunities and required resources and specialist knowledge.

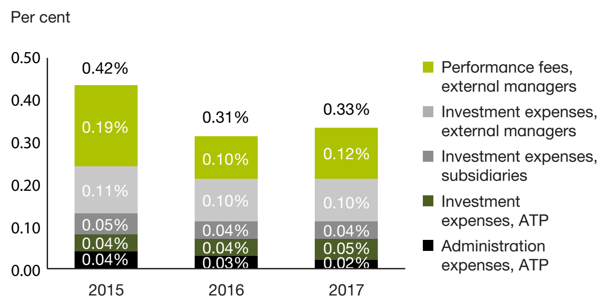
In 2016 and 2017, several investments made through external managers were sold to be purchased directly and managed internally, which has reduced indirect expenses for management fees and performance fees. This reduction will feed through partially in 2017 and fully going forward.

On the other hand, investments especially in private equity have delivered strong returns, and thus performance fees to external manager.

In addition, expenses for the following were incurred in 2017:

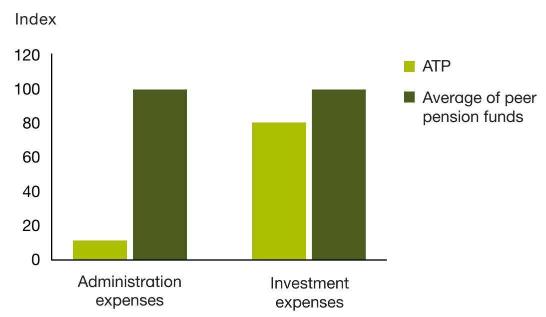
- reallocation of most of the international equity portfolio from financial instruments to equities in order to strengthen the stewardship activities
- increased utilisation of the risk budget
- focus on new illiquid investments, entailing that, in-house, ATP has upgraded specialists and support functions with skills in taxation, transaction law and reporting to be equipped to handle these investments. The reason is that both investment processes, including implementation of illiquid investments, and subsequent operations are more complex and time-consuming than for liquid investments in general.

Development in total direct and indirect expenses



Note: Expenses have been calculated in accordance with the industry standard.

CEM Benchmarking of expenses



Note: CEM Benchmarking

These are all active decisions about increased direct investment expenses, which have contributed – and are expected to contribute in the future – to additional returns.

Overall, expenses declined in 2016 and 2017 relative to previous years.

CEM Benchmarking of investment expenses

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 19 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.

Administration expenses

ATP focuses on minimising administration expenses. In 2017, administration expenses for ATP Pension were DKK 191m – equivalent to DKK 0.02 per cent of aggregate assets. Administration expenses were reduced by 20 per cent relative to the previous year. Administration expenses per member have been reduced by 41 per cent over the past five years.

The trend of lower administration expenses over the past five years is due primarily to declining depreciation and amortisation and increasingly cheaper and efficient IT support. In addition, much of the business processing work has been automated, and in recent years, in particular, focus has been on digitalising significant parts of communications with members.

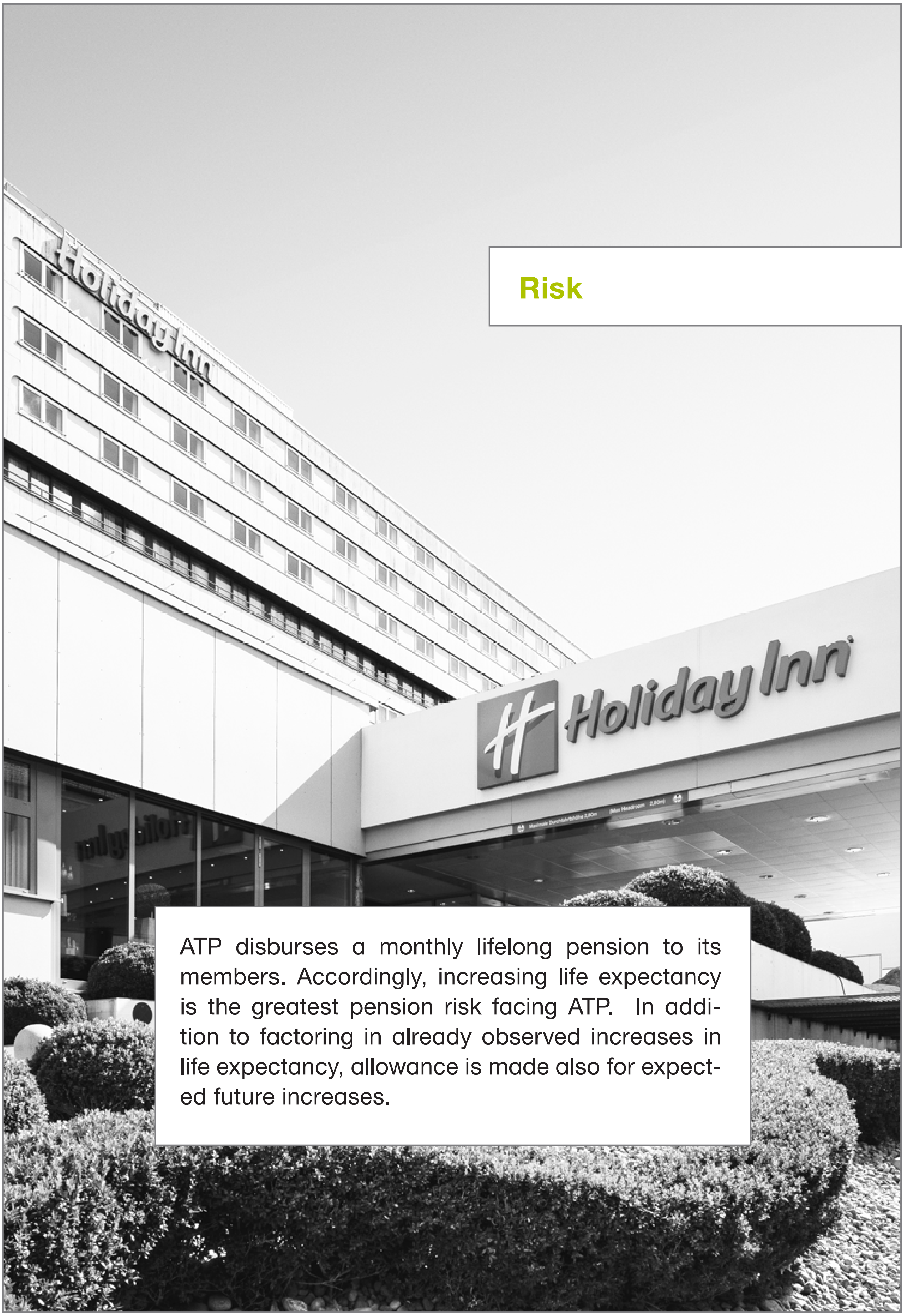
With the reductions achieved, the administration expenses are not expected to fall further over the coming years. When, in line with ATP's long-term development strategy, reinvestments are made in the IT platform, expenses may rise again to ensure that the platform is always up-to-date and supports secure and stable operations.

CEM Benchmarking of administration expenses

According to the latest international benchmarking of administration expenses in the pensions area (CEM Benchmarking), ATP Lifelong Pension's administration expenses are one tenth of the average for peer 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. One explanation for the low expense level is that ATP is a mandatory ('auto-enrolment') scheme with a simple product and a large number of members, which has enabled ATP to achieve various economies of scale. Moreover, being a mandatory scheme, ATP has no actual sales organisation and a large portion of communications with members have been digitalised over recent years. Automated payment and disbursement processes and a stable, fully depreciated IT platform are also key factors in keeping expenses per member low.

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.

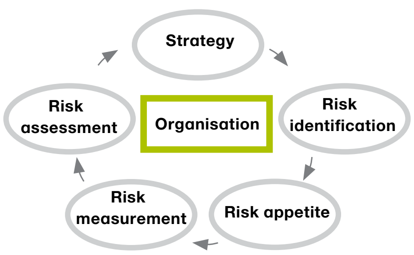


Holiday Inn. München

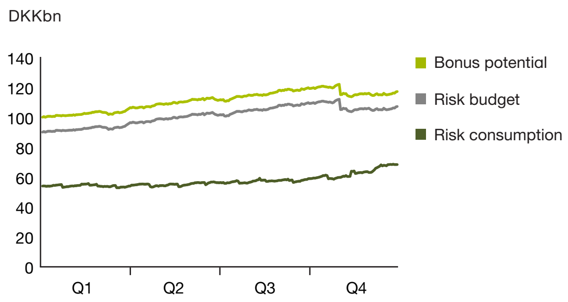
Risk and risk management

Risk management on difficult markets

Overall risk management process



Risk consumption in 2017



OVERALL RISK MANAGEMENT

ATP is committed to identifying and managing the most significant risks relating to the ATP Group's activities. ATP's most significant risks are associated with the three overall risk categories: investment, pension and operational risks.

The responsibility for including the most significant risks and weighing the various risks in relation to each other rests with ATP's Supervisory Board, which establishes the overall risk management principles in a policy. 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 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 risk areas and indicates the total loss of bonus potential that is likely to occur with a 0.5 per cent probability during a year. At year-end 2017, the risk consumption amounted to DKK 68.8bn.

As long as the bonus potential exceeds the risk consumption, ATP is able to cover its risks. At year-end 2017, ATP's bonus potential (free reserves) amounted to DKK 117.7bn. To ensure that the bonus potential always exceeds the risk consumption by a certain margin, ATP's Supervisory Board has set a risk budget that is lower than the bonus potential (free reserves), and which provides the upper limit for the risk consumption.

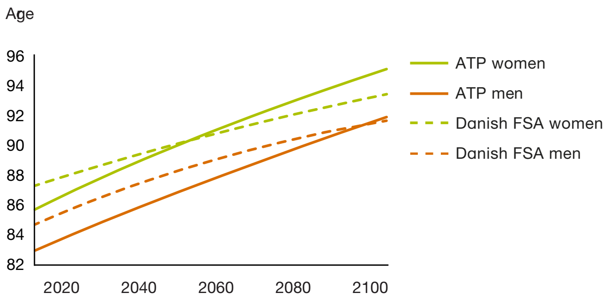
HOW ATP MANAGES ITS MOST SIGNIFICANT RISKS

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 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 of 2.9 million customers and demographic data from across Denmark. ATP's model is based partly on information about its just over 5 million members and partly on information about approximately

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.

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.

Market 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 principles, consisting of four main components.

Hedging of the interest rate risk of pension liabilities

ATP has significant interest rate risk when it comes to the value of its pension liabilities, and hedges 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.

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 basic factors: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. By diversifying market risk into these four 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. ATP uses hedging strategies to supplement its risk diversification. One aim of these strategies is to protect the purchasing power of pensions against sudden spikes in inflation.

Counterparty risks

The use of financial derivatives, especially for hedging purposes, 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.

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 and in the longer term.

Currency risks

ATP's investments are, as a general rule, hedged against currency fluctuations in Danish kroner and euros. Thus, the exposure to currencies other than Danish kroner and euros is very limited.

Operational risks

Operational risks are associated primarily with the risk of financial and reputational losses resulting from inexpedient or insufficient internal procedures, human errors and system errors. Operational risks in the Processing Business tend to manifest themselves as reputational losses and relate to risks of errors or delays in bulk disbursements, among other things. Operational risks associated with Pensions & Investments tend to manifest themselves as financial losses and relate to risks of errors in the processing of trading and translations in connection with investments and hedging.

Regulatory risks

ATP's operations extensively relate to tasks established and governed by statute. Activities may be set up, changed or discontinued by political decision – sometimes at relatively short notice. Similarly, conditions for ATP's operations or parts thereof are affected when significant regulatory conditions change and new, tighter financial, administrative or other requirements are imposed on ATP.

Risks associated with alternative illiquid investments

ATP invests in infrastructure, private equity, real estate and certain types of credit, referred to as alternative illiquid 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 illiquid investments specified. ATP's management of alternative illiquid investments is described in the article 'Factor investing approach and alternative illiquid investments', page 37.

Responsibility

> ATP considers analysis of companies' and countries' ESG issues to be an important and relevant element in ATP's risk management efforts, and these efforts may also identify investment opportunities.

Aguadulce Port, Colombia

Responsibility in investments

ATP considers analysis of companies' and countries' ESG issues to be an important and relevant element in ATP's risk management efforts, and these efforts may also identify investment opportunities.

ATP as a responsible investor
Through the integration of responsibility into its investments, ATP acts as a responsible investor within the framework of the Supervisory Board's Policy on Responsibility in Investments and Engagement Policy. The aim of these policies is to ensure that ATP's work on responsibility in investments is factual, business-driven and based on stringent criteria.

To ensure management ownership of responsibility in ATP's investment decisions, the responsibility efforts are coordinated by a Committee for Responsibility. The Committee is chaired by the ATP CEO, and other members are the CIO (Chief Investment Officer) and the CRO (Chief Risk Officer) as well as relevant investment managers.

ATP's Policy of Responsibility in Investments
ATP's Policy of Responsibility in Investments, which was revised in 2017, constitutes the overall framework for the work on responsibility across asset classes and investment methods. The aim of the policy is to ensure that ATP also includes considerations for the environment, climate, human rights, labour and management issues in its risk management and investment processes.

Consequently, ATP places a number of demands on the companies ATP invests in. 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 treaties ratified by Denmark. The policy refers to international rules and standards and is as such based on stringent criteria rather than moral assessments.

ATP's Engagement Policy
ATP's Engagement Policy establishes the principles and processes that guide ATP's stewardship activities. As a responsible long-term investor, ATP has an interest 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.

The stewardship activities have a high priority, and ATP therefore engages in direct dialogue with the companies. Two processes, in particular, are used to exercise stewardship activities: ATP enters into dialogue with companies by voting at the AGMs of all of its equity investments, and, in many cases, ATP is in continuous dialogue with companies in which ATP has major holdings.

SPECIAL MEASURES IN 2017

ESG integration in ATP's global equity strategies
In 2017, ATP began the task of applying and integrating ESG data directly into the selection process in its quantitative equity strategies. In 2017, ATP has been focusing on building a larger global equity portfolio. To this end, it is examined whether integration of ESG data and market data is possible. This is a complex task (which is still ongoing), and the hypothesis is that ESG data – and governance data, in particular – can be used as input for selecting quality companies. ATP is expected to be able to increase the expected risk-adjusted, long-term return and improve returns in falling markets, in particular, by integrating ESG data.

Systematic work on climate-related financial risks
ATP has several years of experience with the integration of climate considerations in its investments.

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published its overall recommendations for helping businesses disclose climate-related financial risks and opportunities ('Recommendations of the Task Force on Climate-Related Financial Disclosures'). TCFD is a high-level expert group, which was set up in continuation of the Paris Agreement by the Financial Stability Board (FSB) on behalf of the G20 countries.

Thematic engagements

ATP is taking a two-pronged approach to the TCFD recommendations. First in ATP's stewardship activities where ATP encourages companies to embrace climate-related financial disclosures. Second in ATP's work on the TCFD recommendations for asset owners. In 2017, ATP appointed a Climate CIO and set up a climate forum to ensure clearer management ownership and knowledge sharing across ATP's investment teams. Based on the TCFD recommendations, ATP will be publishing its calculations of the carbon footprint of its listed equities.

More transparency in ATP's stewardship activities
ATP exercises stewardship activities by voting at the AGMs of all listed companies in which ATP invests. ATP discloses all votes cast at its vote disclosure site atp.dk/voting.

When ATP votes against the board of directors and a company's own recommendations at an AGM, ATP will seek to inform the company of ATP's intentions and motivation ahead of the AGM.

To ensure a solid, sustained focus on ESG risks in the investment portfolio, ATP's Committee on Responsibility initiated a supplementary stewardship process, referred to as thematic engagements, in 2017. Thematic engagements are structured dialogues with groups of companies in the portfolio on responsibility themes. Like other elements of the stewardship activities, the responsibility dialogues are to enable ATP to better understand the challenges facing companies. In 2017, ATP conducted five thematic engagements with 58 companies.

Collaboration with investors in Principles for Responsible Investment (PRI)
At the beginning of 2017, ATP rejoined the UN-backed PRI organisation. ATP has engaged strongly in the collaboration with other investors in PRI through task forces on the OECD Guidelines for Multinational Enterprises, the UN's 17 Sustainable Development Goals and tax. Moreover, ATP has also become a member of the PRI ESG Engagements Advisory Committee.

Fact-findings related to ATP's listed equities and corporate bonds
Under ATP's Policy of Responsibility in Investments, ATP must not invest in companies that deliberately and repeatedly violate the laws and regulations of the countries in which they operate, or norms that may be deduced from international conventions ratified by Denmark.

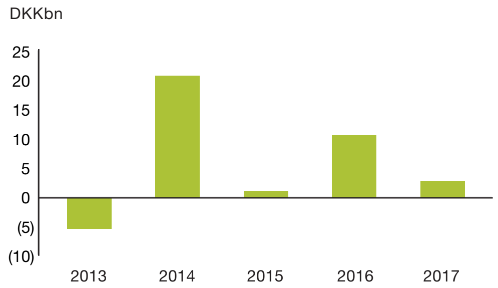
ATP screens its investments to ensure that they are in compliance with the policy, for instance through thorough fact-finding processes. ATP has initiated or completed a total of 22 fact-findings within all areas of the UN Global Compact.

Further information about ATP's responsibility work is available in the ATP Group's Responsibility Report 2017 at www.atp.dk (www.atp.dk/en/responsibility/responsibility-reports/2017), which constitutes both the statutory report and ATP's Communication on Progress to the UN Global Compact.

Tax at the ATP Group

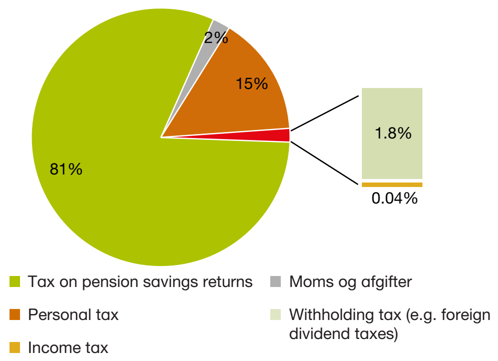
ATP is a responsible investor and is therefore committed to openness and transparency about its tax policy and tax payments. Paying the correct amount of tax – neither too little nor too much – is important to ATP

Tax on pension savings returns and income tax



Note: Tax footprint 2017 does not include VAT and taxes paid locally by foreign companies in which ATP has invested. One example is VAT and income tax paid to local tax authorities by a company located abroad in which ATP has invested. In this case, only withholding tax on dividends and interest paid to ATP is included in the overview.

Tax footprint 2017 – allocation of DKK 3.45bn



Tax contributions

As part of its tax policy, ATP focuses on ensuring that the largest part of its returns is repatriated for taxation in Denmark.

ATP pays Danish tax on pension savings returns (15.3 per cent) on all investments, regardless of where the returns are generated. The tax on pension savings returns and income tax payable by ATP vary from year to year, but the total tax amount for the past five years has been DKK 29.9bn.

In addition to tax on pension savings returns and income tax, ATP also has a positive tax contribution in the form of personal tax (paid on behalf of ATP's employees), VAT and duties. In 2017, ATP's total tax contribution was DKK 3.45bn, including withholding taxes paid abroad for 2016.

New tax policy

As an institutional investor, ATP has a special responsibility, which also applies to tax payments. ATP has adopted a new tax policy to clarify the requirements ATP imposes on itself and its business partners.

With its tax policy, ATP wants to contribute to increased openness and transparency on tax as well as to clarify ATP's expectations of all investment partners within unlisted investments.

Paying the correct amount of tax – neither too little nor too much – is important to ATP in compliance with current tax law and practice in Denmark and the countries in which ATP invests.

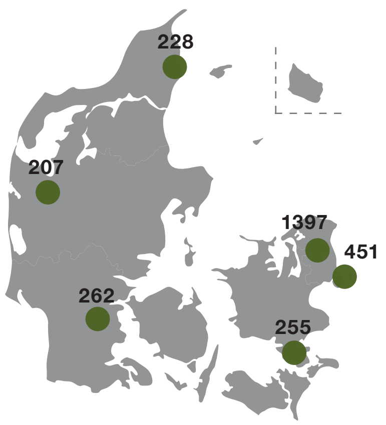
In ATP's opinion, aggressive tax behaviour does not contribute to long-term value creation of investments. ATP does not condone or contribute to tax evasion and expects the same of all of its business partners and companies in which ATP invests.
This is reflected in ATP's expectations of its business partners. ATP expects its business partners to refrain from any tax planning that deliberately conflicts with the OECD BEPS actions. This includes, for instance, that income tax or any similar tax is paid in the country where the economic value is generated.

Moreover, ATP does not invest in jurisdictions that, at the time of investment, have not adopted the Common Reporting Standards (CRS)/FATCA, or in jurisdictions that, at the time of investment, are on the EU blacklist (EU list of non-cooperative tax jurisdictions). Similarly, ATP does not allow its assets to be available for dividend arbitrage and does not use financial instruments for tax planning purposes.

Resource consumption, staff and diversity at the ATP Group

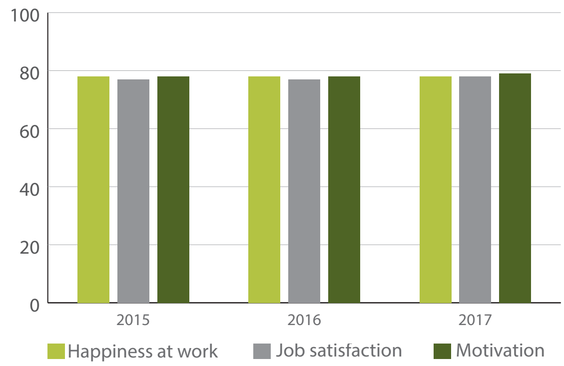
Follow-up on ATP's environmental impact, employee satisfaction and target figures for the underrepresented gender

Employees, distributed in Denmark



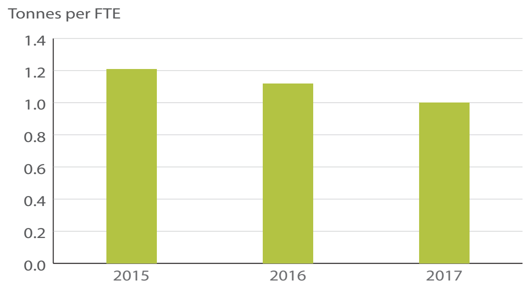
Note: Average number of full-time employees in 2017 in Denmark

Employee welfare

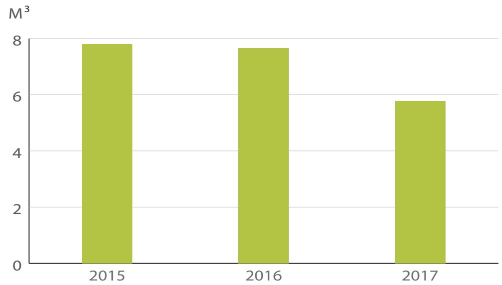


Note: Employee satisfaction survey data based on ATP employees' own ratings of happiness at work, job satisfaction and motivation on a scale from 0 to 100.

Carbon emissions per employee



Water consumption per employee



Employees in the ATP Group

The ATP Group is a large employer. In 2017, the Group employed 2,966 full-time staff (avg), 2,800 of whom were based in locations across Denmark in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn, Greater Copenhagen and at the head office in Hillerød.

As a large employer with many offices, the ATP Group leaves its 'footprint' on society, for example in the form of environmental, climate and employee impacts.

Employee satisfaction surveys

ATP is constantly working to create an attractive workplace which is able to attract and retain motivated, dedicated and competent managers and employees.

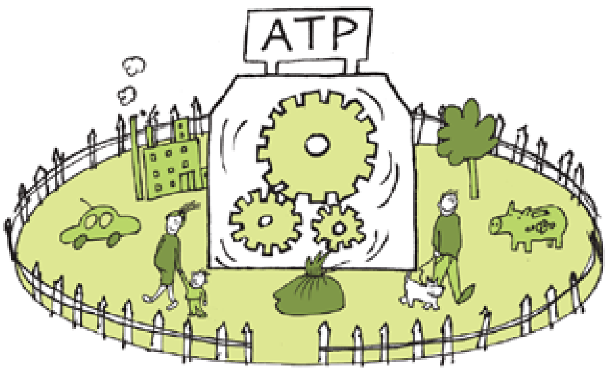
ATP has defined three targets for the achievement of index 80 in employee satisfaction. With indices of 78, 78 and 79, respectively, the indices for happiness at work, job satisfaction and motivation are very close to the target.

In the table overleaf, ATP accounts for environmental impacts, for instance through carbon emissions, electricity, heat and water consumption in ATP's Danish offices in Copenhagen, Haderslev, Holstebro, Vordingborg, Frederikshavn, Hillerød, Allerød and Østerbro and the offices of ATP's subsidiaries in Copenhagen.

Environmental impacts through carbon emissions, electricity, heat and water consumption etc.

	2015	2016	2017
Facts about ATP [1]			
Number of locations	8	8	9
Number of sq. m.	60,545	60,714	73,933
Number of full-time employees (FTE) [2]	1,964	2,445	2,966
Consumption data [3]			
Power consumption (MWh)	3,757	3,864	4,198
Heat consumption (MWh)	5,028	4,943	5,667
Heating degree day-adjusted heat consumption (MWh)	6,414	5,687	6,703
Water consumption (m^3)	14,369	15,593	15,710
KPIs			
Area per employee (sq.m.)	33	30	27
Power consumption per employee (kWh)	2,038	1,893	1,545
Power consumption per sq.m. (kWh)	62	64	57
Heating degree day-adjusted heat consumption per employee (kWh)	3,480	2,793	2,466
Heating degree day-adjusted heat consumption per sq.m. (kWh)	106	94	91
Water consumption per employee (m^3)	7.80	7.66	5.78
Water consumption per sq.m. (m^3)	0.24	0.26	0.21
Carbon emissions [4]			
Carbon emissions, heat consumption (tonnes)	931	910	1,057
Carbon emissions, power consumption (tonnes)	899	926	1,189
Carbon emissions, transport (own vehicles, taxis and aircraft travel) (tonnes)	408	447	479
Total carbon emissions (tonnes)	2,237	2,283	2,725
Carbon emissions per employee (tonnes per FTE)	1.21	1.12	1.00

[1] On 1 June 2017, ATP entered into an agreement on a lease in Lillerød. This lease is not included in the report, given that consumption data for one year are not yet available.
[2] Number of employees is determined as the average number of full-time employees in Denmark. To determine the environmental impact, this figure is adjusted for employees in Lillerød to proportionally reflect total carbon emissions.
[3] In previous periods, consumption data for the water consumption at the Copenhagen location represented the entire property. This year, it was possible to break down water readings on a floor-by-floor basis, which is now reflected in the total water consumption (m^3) for ATP. Comparative figures and derived KPIs have been restated to reflect this breakdown.
[4] The calculated carbon emissions include Scope 1 (emission factors for fossil fuels), Scope 2 (emission factors for power and district heating) and Scope 3 (emission factors for derived transport, power and district heating), calculated using the climate compass 'Klimakompasset.dk'.



ATP's Diversity Policy

At ATP, the working environment is strengthened through diversity. Diversity provides for a more dynamic, vibrant and inspirational working environment – for the benefit of both employees and customers. In other words, diversity among managers and employees is the basis for continuous innovation and competitiveness. Diversity expands ATP's recruitment potential and ensures a wide range of skills in managers and employees. Both managers and employees are expected to help to ensure that diversity flourishes and thrives in the workplace.

FASE+

ATP has a long tradition of commitment to diversity and inclusion, and in 2010 this led to the establishment of the FASE+ department. A common denominator of the employees in FASE+ is that, for various reasons, they need support to return to the labour market. In addition to being unemployed, they also face other challenges. The employees currently associated with FASE+ include non-ethnic men and women and employees with mental disorders. The aim of FASE+ is to help the employees become self-supporting and thus able to manage a job or education on normal or special conditions. In return, the FASE+ employees carry out a number of ATP's service and business processing tasks, relieving other employees of some of their workload. In 2017, 51 employees have been or are associated with FASE+, nine of whom have subsequently enrolled in the basic integration education programme. At year-end 2017, 13 employees previously associated with FASE+ were employed at ATP on standard or special terms.

ATP smoke-free workplace in 2018

Effective from 2018, ATP has introduced smoke-free working hours. This decision is in continuation of a number of initiatives implemented by ATP to ensure a healthy working environment and to generally encourage a healthy lifestyle among its employees – for instance through a focus on nutrition, exercise and alcohol. Before the decision was made, positive experience was obtained from municipalities and other private workplaces. In connection with the designation of ATP as a smoke-free workplace, employees are offered stop-smoking programmes.

The Supervisory and Executive Boards are aware that the strategic decision of designating ATP as a smoke-free workplace could be seen as a contrast to investing in tobacco companies. Based on its employee policies, ATP cannot deviate from the basic principles to which its investment activities are subject. For instance, although ATP is an alcohol-free workplace, ATP also invests in alcohol-producing companies.

Follow-up on target figures for the underrepresented gender

		2015	2016	2017
Gender distribution among all employees	Women	69%	67%	65%
	Men	31%	33%	35%
Gender distribution on the Supervisory Board and the Board of Representatives	Women	36%	34%	34%
	Men	64%	66%	66%
Gender distribution among executives (CEO, CIO, COO, CFO, CRO, Senior Vice Presidents and Vice Presidents)	Women	42%	42%	33%
	Men	58%	58%	67%
Gender composition among managers, excluding executives	Women	52%	52%	54%
	Men	48%	48%	46%

ATP's report on the status of compliance with the target figures set for the underrepresented gender

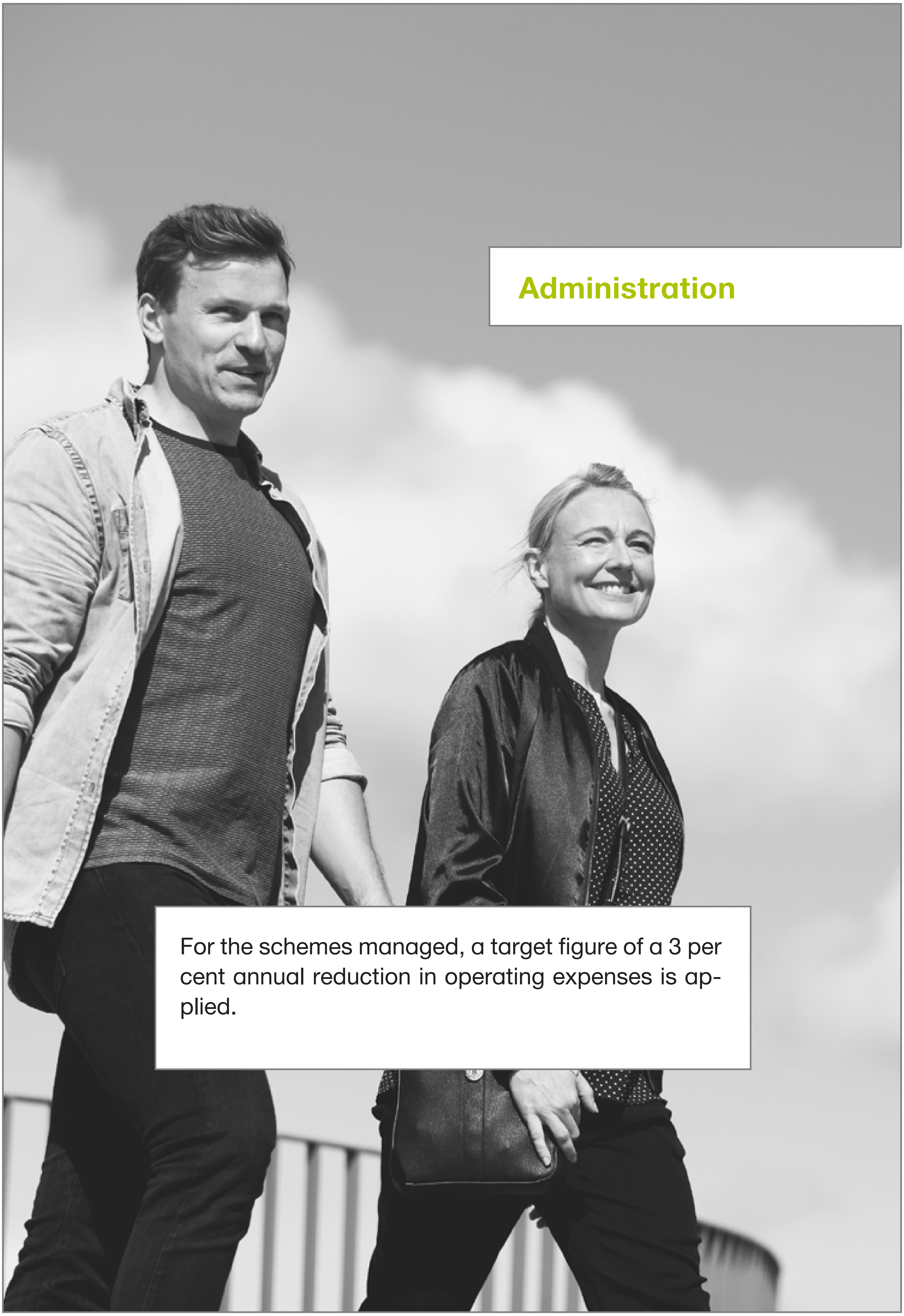
ATP's Supervisory Board has adopted a Diversity Policy with a defined target for the gender distribution of its senior management. The target is to have at least one third of the underrepresented gender on ATP's Board of Representatives (at least 11) and on ATP's Supervisory Board (at least 5). This target must be achieved by 1 April 2019. The deadline has been set in view of the three-year election period applicable for members of the Board of Representatives and the Supervisory Board, which means that one third of the members are appointed each year. The target for the Board of Representatives was met with 11 women in 2017 (35 per cent), while the Supervisory Board continues to work towards its target and had four female members in 2017 (31 per cent), the same number as in 2016.

The gender distribution target also applies to the Supervisory Boards of ATP's subsidiaries. This means that the underrepresented gender should account for at least one third of the Board, the same as the target for ATP's Supervisory Board. Specifically as regards the gender distribution on the Boards of ATP's subsidiaries, the target has been achieved for three out of 12 companies: ATP Timberland Invest K/S, Via Equity Fond I K/S and Via Equity Fond II K/S. The target has not been achieved for the companies Real Estate Partners I K/S, Real Estate Partners II K/S, ATP Ejendomme A/S, Private Equity K/S, Private Equity Partners I K/S, Private Equity Partners II K/S, Private Equity Partners III K/S, Private Equity Partners IV K/S and Private Equity Partners V K/S. The primary reason is that members of ATP's Group Management are appointed to serve on the Boards of the subsidiaries, and in ATP's Group Management, the specialist skills required by the investment subsidiaries are held by men.

ATP is constantly striving to increase the share of women in management, given that the gender targets are part of ATP's Diversity Policy. Part of the strategy is to increase the focus and emphasis on diversity in the recruitment of new employees. Efforts are focused on recruiting broadly for the management and developing internal talents in ATP's talent programme as a way of encouraging more women to take the 'management path'.

There is no gender underrepresentation at other of the ATP Group's management levels. Overall, for all management levels, including executives, the distribution is equitable.

Administration



For the schemes managed, a target figure of a 3 per cent annual reduction in operating expenses is applied.

Business processing, external parties

The objective of decreasing expenses has been achieved

Social security schemes

- AUB – The Employers' Reimbursement System
- AES – Labour Market Insurance
- AFU – The Danish Labour Market Fund for Posted Workers
- DAB – Maternity/Paternity Compensation Scheme
- BUS – Maternity/Paternity Compensation Scheme for Self-employed Persons
- BDK – Maternity/Paternity Compensation Scheme
- FK – Holiday Allowance Scheme
- LG – The Employees' Guarantee Fund
- FIB – Financing Contributions
- SFS – Tax Reductions for Senior Citizens

Udbetaling Danmark – Public Benefits Administration, including:

- Maternity/paternity benefits
- Funeral benefits
- Rent subsidies
- Child and youth benefits, subsidies and contributions
- Partial pension
- Survivor benefits
- Labour market exit benefits under the flexi job scheme
- State-funded old-age pension (state pension)
- Danish state-funded old-age pension abroad
- Disability pension
- International health insurance card
- International social security
- Sick pay insurance
- Public Servant Pension
- Student loans

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 benefit house, managing two thirds of the welfare benefits disbursed in Denmark. The tasks are administered on a cost-recovery basis, and ambitious targets have been defined for customer satisfaction coupled with efficient and competitive operations, resulting in lower operating expenses. ATP also offers a very limited range of administration services on market terms.

For the schemes managed, a target figure of a 3 per cent annual reduction in operating expenses is applied. In addition, a number of business cases have been agreed separately for Udbetaling Danmark – Public Benefits Administration. These cases are to result in further cost reductions beyond the 33 per cent achieved in 2015 when Udbetaling Danmark – Public Benefits Administration was established.

In 2017, ATP's Processing Business has been committed to digitalisation and automation of ongoing operations, for instance through use of new technology such as machine learning, speech recognition and robot technology as well as optimisation of business processes. These efforts have helped to achieve the target of decreasing expenses for the individual schemes.

In parallel with these efforts, the Processing Business has focused on improving the user friendliness and personalisation of the self-service solutions for the benefit of citizens and companies, and has performed a number of development tasks in partnership with the commissioning parties in the form of implementation of new legislation, agreed business cases etc.

In 2017, through extensive efforts, the Processing Business also settled the 5,000 oldest cases in AES – Labour Market Insurance and ensured that the relocation of jobs in AES and SFO – State Financial Schemes progressed according to the agreements concluded.

Moreover, in 2017, ATP commissioned new specialist solutions for maternity/paternity benefits and family benefits un-

Business processing expenses, external parties

DKKm	2017	2016
Udbetaling Danmark – Public Benefits Administration	1,280	1,003
LG – The Employees' Guarantee Fund	62	67
AUB – The Employers' Reimbursement System	67	62
Labour Market Insurance	461	232
FK – Holiday Allowance Scheme	75	68
BDK – Maternity/Paternity Compensation Scheme	28	31
AFU – The Danish Labour Market Fund for Posted Workers	25	6
BUS – Maternity/Paternity Compensation Scheme for Self-employed Persons	1	8
FIB – Financing Contributions	12	12
SFS – Tax Reductions for Senior Citizens	5	7
Other	17	33
Total	**2,033**	**1,529**

der the Udbetaling Danmark – Public Benefits Administration Tendering Programme (KUP) and prepared the public procurement process of the new AES Case Progressing System (ANS).

In 2017, ATP's Processing Business incurred expenses of DKK 2.0bn, which were re-invoiced to the schemes managed 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, tendering and maintenance of existing IT systems and customer improvement initiatives, increased information security and implementation of the General Data Protection Regulation as well as a number of projects agreed with customers.

STATUTORY SERVICES PROVIDED ON A COST-RECOVERY BASIS

Udbetaling Danmark – Public Benefits Administration

On behalf of the 98 Danish municipalities, Udbetaling Danmark – Public Benefits Administration disburses state-funded old-age pension, disability pension, rent subsidies, maternity/paternity benefits and family benefits as well as a number of minor benefits, with total disbursements of around DKK 215bn to more than 2 million citizens. In addition, Udbetaling Danmark – Public Benefits Administration handles a number of government tasks; see below.

In 2017, the focus was maintained on positive customer experiences 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 centres to ensure that the planned cost savings are achieved. Moreover, Udbetaling Danmark – Public Benefits Administration has implemented several major legislative amendments, including the cap on welfare benefits, the job premium scheme and the calendar year model for pensions and rent subsidies. The initial business case, stipulating annual cost savings in customer operations of just under DKK 300m, was achieved in 2015, and in 2017 focus has been on a number of initiatives for continued streamlining of operations, for instance through joint public digitalisation initiatives, realisation of gains from new tasks transferred on 1 May 2015 as well as ongoing streamlining for which 3 per cent annual savings have been agreed with the Board of Udbetaling Danmark – Public Benefits Administration. Aggregate savings of 38 per cent have been achieved relative to the baseline when the task was handled by the municipalities.

2017 saw the commissioning of the new KUP systems for maternity/paternity benefits and family benefits and a new debtor system. Implementation and maturing of the systems proved to be an extensive process, and getting the systems up and running was a huge organisational task. However, at year-end 2017, the commissioning of the systems was completed, and the systems are fully used for the disbursement of maternity/paternity benefits and family benefits. It should also be mentioned that the agreement with KMD on the development of an IT solution for pension benefits was terminated and the contract was retendered, which has delayed the commissioning of the pension system until 2020. Further information is available under contingent liabilities. Overall, the programme is expected to contribute significant efficiency gains and reductions of at least 25 per cent in the municipalities' IT operating expenses.

International Pension & Social Security (IPOS) is a government scheme which 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 Udbetaling Danmark – Public Benefits Administration in 2013, and in that connection, savings of around 25 per cent were realised. At the same time, the case load has increased notably since 2013.

On 1 October 2016, as planned, Udbetaling Danmark – Public Benefits Administration assumed authority and responsibility for a number of tasks from the Danish Agency for Governmental Administration. The operation of the new schemes, now known as State Financial Schemes, was satisfactory in 2017, although the maturing process is still ongoing.

LG – The Employees' Guarantee Fund

LG, which is funded by contributions from private sector employers, ensures that wage earners will be able to recover pay arrears etc. from companies being declared bankrupt or otherwise going out of business. LG also assists wage earners if companies are subject to financial reconstruction. In 2017, LG processed just over 12,000 claims from wage earners and disbursed DKK 500m in pay, compensation and holiday allowance. Business processing expenses totalled DKK 62m, equivalent to a reduction of 7 per cent relative to 2016. Activity-defined expenses amounted to DKK 1,197 per wage earner claim processed. In January 2018, as part of the relocation of public sector jobs, the Danish government decided to move the administration department of LG – The Employees' Guarantee Fund from Hillerød to ATP's regional centre in Frederikshavn.

AUB – The Employers' Reimbursement System

AUB, which is funded by contributions from public and private sector employers, provides financial support to employers, apprentices, trainees, schools and committees in relation to training and education of apprentices and trainees in vocational training – among other things to provide more vocational apprenticeships. Disbursements under AUB are digital. In 2017, AUB disbursed a total of DKK 3,397m, including DKK 2,782m in wage reimbursement.

In August 2016, the government and the social partners entered into an agreement to reward employers who engage in the training of trainees and apprentices under vocational training programmes. Employers who fail to contribute sufficiently to the training of trainees and apprentices are subject to payment of an additional contribution to Praktikplads-AUB (scheme to ensure more work placements). The development of Praktikplads-AUB was a key focus area for ATP's Processing Business in 2017 and will continue to be so in 2018. The scheme took effect on 1 January 2018 and is to contribute to the creation of more work placements.

The business processing expenses of AUB totalled DKK 67m, equivalent to an 8 per cent increase from 2016 to 2017, attributable to development expenses related to Praktikplads-AUB. Business processing expenses are equivalent to DKK 547 per apprentice/trainee.

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 is entitled to compensation and, if so, the size of the compensation. The employer's insurance company or AES Disbursement disburses the compensation. AES also processes private claims for compensation and, for instance, cases involving compensation for victims of the German occupation. AES completed 65,435 cases in 2017. Business processing expenses totalled DKK 408m relative to revenue of DKK 474m.

In 2017, AES launched an ambitious drive to settle its oldest cases, resulting in the settlement of 5,000 cases older than two years. This, coupled with other organisational initiatives to streamline the business processing of AES, reduced the number of pending industrial injury cases by approx. 11,000 in 2017, equivalent to a reduction of about 30 per cent.

In 2016, AES began the relocation of operations to Udbetaling Danmark – Public Benefits Administration's centres in Jutland and Vordingborg and this relocation continued according to plan in 2017. The relocation from Østerbro is scheduled to be completed by the end of 2018. In 2017, AES also prepared the public procurement of the new AES processing system, ANS, which is to ensure the development of a new, up-to-date processing solution.

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 the assessment described above. In addition, AES charges an industrial injury tax on behalf of SKAT (the Danish Customs and Tax Administration). In 2017, AES paid out approx. DKK 1.7bn and collected about DKK 1.1bn in contributions. The gap between compensations paid and contributions collected is attributable primarily to the efforts to reduce the backlog of cases at AES. The ordinary AES contribution for 2017 was not raised similarly – one reason being a wish to reduce the funds accumulated under the scheme. Business processing expenses totalled DKK 53m, equivalent to an average of DKK 23 per wage earner covered by the scheme.

The development in expenses from 2016 to 2017 reflects that Labour Market Insurance was established as a new independent institution managed by ATP on 1 July 2016, entailing that expenses for 2016 relate only to H2 2016.

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. Approx. 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 2017, FK disbursed holiday allowance totalling DKK 10.6bn to wage earners and collected DKK 11.2bn from employers. Business processing expenses totalled DKK 75m, equivalent to a 10 per cent increase on 2016. The rise is attributable to recognition in the income statement of development expenses resulting from legislative amendments and tasks assigned specifically to FK. Business processing expenses are equivalent to DKK 70 per wage earner.

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 2017, DKK 512m was received in contributions from employers, and DKK 463m was reimbursed. Business processing expenses totalled DKK 28m, equivalent to a reduction of about 10 per cent relative to 2016. Business processing expenses are equivalent to DKK 1,020 per period of maternity/paternity leave.

AFU – The Danish Labour Market Fund for Posted Workers

AFU is a fund for securing posted wage earners' claims for wages in connection with the provision of services in Denmark. AFU 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. In addition, the fund is financed through extraordinary contributions from companies that have given rise to payouts from the fund.

In 2017, DKK 16m was paid in contributions from employers and DKK 0m was paid in respect of posted workers' claims for wages. Business processing expenses totalled DKK 25m, most of which related to the development and establishment of the fund, while a small portion was allocated to operating the scheme. Expenses exceed the budget for 2017, which is attributable to the recognition in the income statement of development expenses.

BUS – Maternity/Paternity Compensation Scheme for Self-employed Persons

The Danish Parliament terminated the scheme as at 1 April 2016, but self-employed persons who started their leave be fore this date continued to be covered by the scheme. The last disbursements of maternity/paternity compensation were made in November 2016, and the last discontinuation activities were completed in early 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 2017, ATP collected FIB contributions totalling DKK 895m. The annual FIB rate per full-time employee was DKK 533 in 2017. Business processing expenses totalled DKK 12m.

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 2017, ATP sent almost 61,000 statements to people born in the years from 1949 to 1952. Business processing expenses totalled approx. DKK 5m, a reduction of 29 per cent relative to 2016. The SFS scheme was discontinued as at 31 December 2017.

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

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

DAB – Maternity/Paternity Compensation Scheme

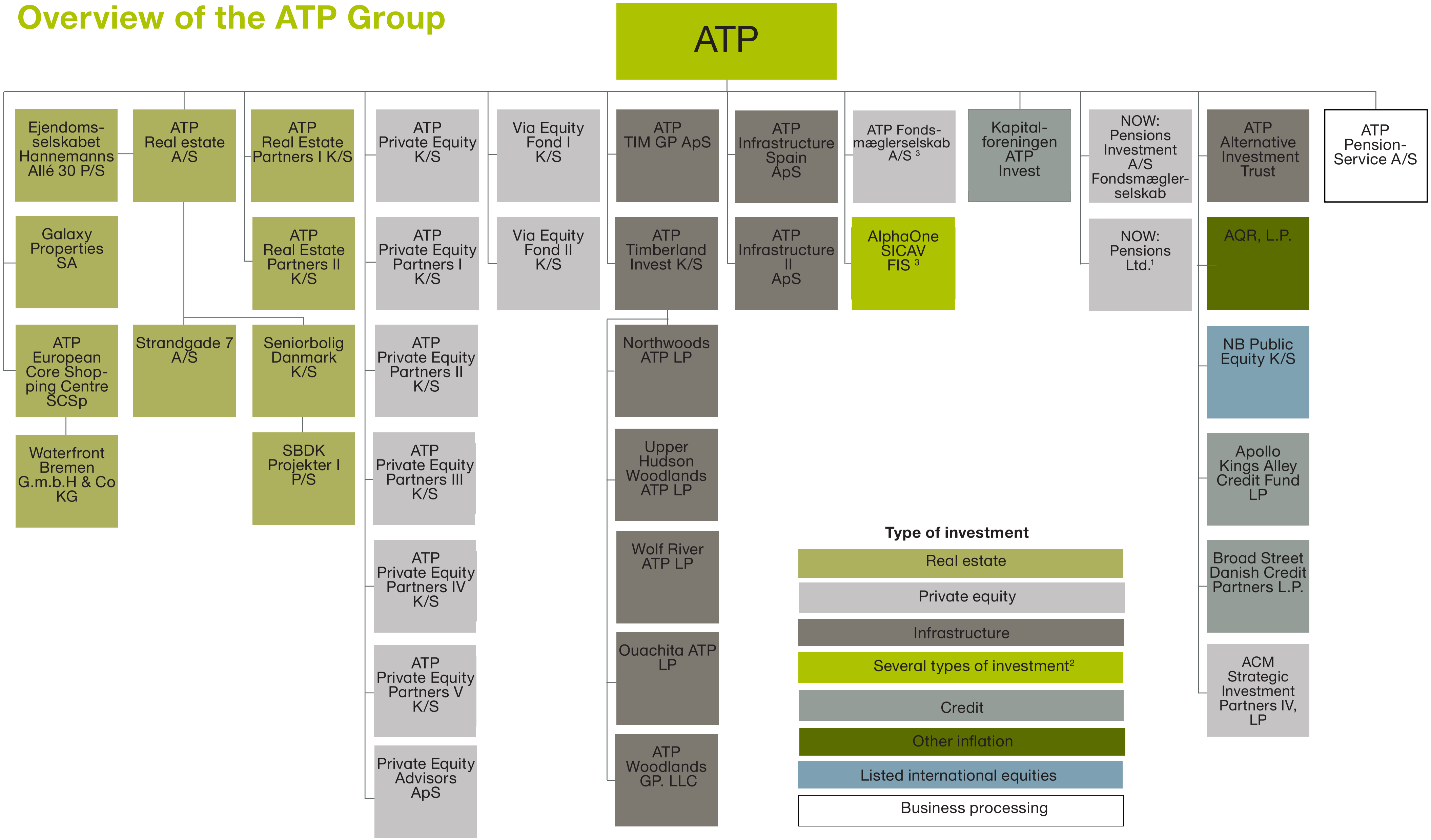
The ATP Group manages the DAB maternity/paternity scheme on behalf of the Confederation of Danish Employers (DA). The administration involves the collection of contributions from employers and reimbursements to companies with employees on maternity/paternity leave. The cooperation agreement between the Confederation of Danish Employers (DA) and ATP has been terminated effective 31 December 2018, given that DA no longer wants to outsource the administration of the scheme.

Consolidated financial statements

In 2017, the ATP Group achieved a profit of DKK 24.7bn before bonus allowance and life expectancy update. ATP's free reserves – its bonus potential – totalled DKK 117.7bn at the end of 2017.

Axel Towers, Copenhagen

Overview of the ATP Group



[1] NOW Pensions Ltd. has five subsidiaries with no activity.
[2] In addition to the investment types specified above, these also include investments in bonds, listed Danish equities, hedging strategies against inflation increases and other exposure to inflation increases.
[3] Companies under solvent liquidation.

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 2017.

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)' (*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 2017 and of the financial performance and cash flows of the Group and ATP for the financial year 1 January to 31 December 2017.

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 2018

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 2018

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 2017. 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)'.

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 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 other material areas, and we believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2017 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2017 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)'.

Statement on the management's review
Pursuant to the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)', 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 2018

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 2017, 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)'.

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 2017 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2017 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)'.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Supervisory Board.

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

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

We were first appointed auditors of the Danish Labour Market Supplementary Pension Fund (ATP) on 4 February 2009. We have been reappointed annually by decision of the Board of Representatives for a contiguous engagement period of nine years up to and including the financial year 2017. We were reappointed following a procurement procedure at the Meeting of Representatives on 4 February 2015.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and parent company financial statements for the financial year 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of unlisted investments	
Key audit matter	Unlisted investments amount to DKK 107.5bn as at 31 December 2017 (2016: DKK 114.6bn) for the Group. Unlisted investments comprise investments in real estate, private equity funds, infrastructure funds, private equity and loan portfolios. Measurement of unlisted investments is determined to be a key audit matter as measurement is affected by management judgement and assumptions of future events. We have determined that the most significant risks are associated with changes in assumptions and methodology and models applied. Changes in assumptions and methodology and models applied may have a material impact on the measurement of unlisted investments. Assumptions involving significant management judgement comprise: • Assessment of future cash flows • Determination of required rates of return • Determination of valuation multiples • Determination of yield curves and credit spread premiums. Management has provided further information on the measurement of unlisted investments in note 12 'Financial assets and liabilities' and note 20 'Fair value disclosure'.

Measurement of unlisted investments	
How the matter was addressed in our audit	Based on our risk assessment, we have examined the valuation of unlisted investments made by Management and evaluated the assumptions made and the methodology and models applied. Our examination included the following elements: • Evaluating and testing the design, implementation and operational efficiency of key controls for the valuation of unlisted investments, including procedures for determining assumptions. • Evaluating assumptions involving significant management judgements. • Evaluating the methodology and models applied based on our industry knowledge and experience, focusing, among other things, on changes relative to the previous year.

Measurement of guaranteed benefits	
Key audit matter	Guaranteed benefits for the Group amount to DKK 650.9bn as at 31 December 2017 (2016: DKK 658.8bn). Measurement of guaranteed benefits is determined to be a key audit matter as the measurement of guaranteed benefits is complex and to a significant extent affected by accounting estimates based on management judgements and assumptions of future events. We have determined that the most significant risks are associated with changes in assumptions and methodology and models applied. Changes in assumptions and methodology and models applied may have a material impact on the measurement of guaranteed benefits. Areas of significant management judgement comprise: • Models for the valuation of guaranteed benefits • Calculation of future life expectancies (the SAINT life expectancy model) • Determination of the discount rate. Management has described the measurement of guaranteed benefits in note 22, 'Guaranteed benefits', in the consolidated financial statements.
How the matter was addressed in our audit	Based on our risk assessment, we have examined the valuation of guaranteed benefits made by Management and evaluated the methodology applied and assumptions determined. Our audit procedures included the following elements, where we also made use of our internationally qualified actuaries: • Evaluating and testing the design, implementation and operational efficiency of key controls over the actuarial models, data collection and analysis as well as procedures for determining assumptions. • Independent actuarial evaluation of the data, methodology, models and assumptions used compared with generally accepted actuarial standards, historical developments and trends. • Evaluating changes in assumptions used and methodology and models applied relative to the previous year and against developments in industry standards and practice. • Independent recalculation of guaranteed benefits in a proprietary model based on ATP's data.

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 Fund (ATP)'. 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 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 as for preparing consolidated financial statements and 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 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 financial statement 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.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

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

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)'.

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)'. We have not found any material misstatement in the management's review.

Copenhagen, 7 February 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central business registration no. 33 96 35 56

Henrik Jacob Vilmann Wellejus
State Authorised Public Accountant
MNE no. 24807

Kasper Bruhn Udam
State Authorised Public Accountant
MNE-no. 29421

Income statement

Note	DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
	Investment				
	Income from group subsidiaries	-	-	6,072	7,870
	Income from associates and joint ventures	1,699	1,653	1,138	866
4	Income from investment properties	1,077	1,087	18	417
	Consulting fee and fee income	1,157	734	1,085	707
5	Interest income and dividends etc. related to investment activities	5,019	5,099	4,177	3,618
5	Market value adjustments related to investment activities	23,493	9,266	19,308	3,477
5	Interest expenses related to investment activities	(2,708)	(2,499)	(2,656)	(2,307)
6	Investment activity expenses	(858)	(823)	(382)	(309)
9	Tax on pension savings returns in respect of investment activities	(4,344)	(1,944)	(4,344)	(1,944)
	Income tax in respect of investment activities	(55)	(45)	-	-
	Investment activity results	**24,480**	**12,528**	**24,416**	**12,395**
	Hedging				
5	Interest income related to hedging activities	16,466	17,431	16,466	17,431
5	Market value adjustments related to hedging activities	(26,196)	39,249	(26,196)	39,249
5	Interest expenses related to hedging activities	(359)	(309)	(359)	(309)
9	Tax on pension savings returns in respect of hedging activities	1,544	(8,625)	1,544	(8,625)
22	Change in guaranteed benefits due to change in discount rate	15,021	(45,551)	15,021	(45,551)
22	Change in guaranteed benefits due to maturity reduction	(7,982)	(6,329)	(7,982)	(6,329)
	Hedging activity results	**(1,506)**	**(4,134)**	**(1,506)**	**(4,134)**
	Investment and hedging activity results	**22,974**	**8,394**	**22,910**	**8,261**
	Pension				
10	Contributions	9,703	9,572	9,703	9,572
11	Benefit payouts	(16,075)	(15,454)	(16,075)	(15,454)
22	Change in guaranteed benefits due to contributions and pension benefits	8,289	6,956	8,289	6,956
5	Interest income related to pension activities	12	13	12	13
5	Interest expenses related to pension activities	(2)	(3)	(2)	(3)
6	Pension activity expenses	(191)	(239)	(191)	(239)
9	Tax on pension savings returns in respect of pension activities	(2)	(2)	(2)	(2)
	Pension activity results before change in life expectancy	**1,734**	**843**	**1,734**	**843**
22	Change in guaranteed benefits due to life expectancy update	(1,006)	(9,901)	(1,006)	(9,901)
	Pension activity results	**728**	**(9,058)**	**728**	**(9,058)**
	Administration				
7	Other income	2,042	1,545	2,059	1,568
6. 8	Other expenses	(2,033)	(1,529)	(2,052)	(1,556)
	Income tax in respect of business processing	0	(1)	-	-
	Processing Business results	**9**	**15**	**7**	**12**
	Results before bonus	**23,711**	**(649)**	**23,645**	**(785)**
	Bonus allowance for the year	(6,406)	0	(6,406)	0
	Net results for the year	**17,305**	**(649)**	**17,239**	**(785)**
	Minority interests' share of net results for the year	66	140	-	-
	The ATP Group's share of net results for the year	17,239	(789)	17,239	(785)
	Allocated results	**17,305**	**(649)**	**17,239**	**(785)**

Statement of comprehensive income

DKKm		Group		ATP	
		2017	2016	2017	2016
Note					
	Net results for the year	**17,305**	**(649)**	**17,239**	**(785)**
	Other comprehensive income				
	Items that may not be reclassified to results:				
25	Revaluation reserve, owner-occupied properties	2	1	2	(3)
	Total	**2**	**1**	**2**	**(3)**
	Total other comprehensive income	**2**	**1**	**2**	**(3)**
	Comprehensive income for the year	**17,307**	**(648)**	**17,241**	**(788)**
	Minority interests' share of comprehensive income for the year	66	140	-	-
	The ATP Group's share of comprehensive income for the year	17,241	(788)	17,241	(788)
	Allocated comprehensive income	**17,307**	**(648)**	**17,241**	**(788)**

Statement of financial position

DKKm Note		Group 2017	Group 2016	ATP 2017	ATP 2016
	ASSETS				
	Cash and demand deposits	8,492	6,798	7,228	3,545
12	Bonds	552,927	567,999	542,906	542,835
12	Investments	111,814	93,066	80,860	51,101
12.13	Financial derivatives	71,412	88,549	71,435	89,611
12	Loans	8,662	11,879	7,003	9,985
12	Loans to group subsidiaries	-	-	2,920	2,821
12	Receivables from group subsidiaries	-	-	7	11
12, 14	Investments in group subsidiaries	-	-	69,958	85,957
12, 15	Investments in associates and joint ventures	38,413	17,084	30,663	11,487
24	Intangible assets	885	736	838	691
16	Investment properties	21,617	21,139	-	8,028
25	Owner-occupied properties	870	854	820	805
	Operating equipment	24	19	17	13
	Tax receivable on pension savings returns and income tax	-	1	-	-
	Deferred tax on pension savings returns and income tax	-	1	-	-
12	Interest receivable	3,156	3,849	3,006	3,519
12	Contributions receivable	2,594	2,566	2,594	2,566
12	Receivables from credit institutions	62,859	56,185	62,342	54,762
12	Other receivables	10,606	2,739	9,954	1,168
	Other prepayments	938	851	932	841
	Total assets	**895,269**	**874,315**	**893,483**	**869,746**
	EQUITY AND LIABILITIES				
12	Payables to group subsidiaries	-	-	-	169
12, 13	Financial derivatives	57,206	67,621	57,543	67,484
	Tax payable on pension savings returns and income tax payable	2,822	10,555	2,816	10,554
	Deferred tax on pension savings returns and income tax	201	154	-	-
12	Payables to credit institutions	53,775	29,801	53,747	29,726
12	Other payables	12,263	6,526	10,801	2,562
	Total payables	**126,267**	**114,657**	**124,907**	**110,495**
22	Guaranteed benefits	650,881	658,797	650,881	658,797
23	Bonus potential	117,695	100,454	117,695	100,454
	Total pension provisions	**768,576**	**759,251**	**768,576**	**759,251**
	Minority interests	426	407	-	-
	Total equity and liabilities	**895,269**	**874,315**	**893,483**	**869,746**

Cash flow statement

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Cash flows from operating activities				
Contributions and fees received	9,658	9,460	9,658	9,460
Pension benefit payouts	(16,108)	(15,484)	(16,108)	(15,484)
Pension activity expenses paid	(87)	(154)	(87)	(154)
Interest income received in respect of pension activities	12	13	12	13
Interest expenses paid in respect of pension activities	(2)	(3)	(2)	(3)
Tax paid on pension savings returns in respect of pension activities	(2)	(2)	(2)	(2)
Cash flows from pension activities	**(6,529)**	**(6,170)**	**(6,529)**	**(6,170)**
Interest income etc. received in respect of investment and hedging activities	20,039	22,898	18,958	21,421
Interest expenses etc. paid in respect of investment and hedging activities	(3,067)	(2,808)	(3,015)	(2,616)
Return received on investment properties and consulting fee	2,254	1,758	1,013	1,108
Investment activity expenses paid	(859)	(849)	(382)	(309)
Tax paid on pension savings returns in respect of investment and hedging activities	(10,538)	(991)	(10,538)	(991)
Cash flows from investment and hedging activities	**7,829**	**20,008**	**6,036**	**18,613**
Income received in respect of business processing	2,066	1,419	2,081	1,447
Business processing expenses paid	(1,939)	(1,428)	(1,962)	(1,452)
Cash flows from business processing	**127**	**(9)**	**119**	**(5)**
Income tax paid	(1)	(1)	-	-
Cash flows from operating activities	**1,426**	**13,828**	**(374)**	**12,438**
Cash flows from investment activities				
Sale of bonds	117,590	147,214	94,991	122,044
Bond drawings	38,628	11,981	27,269	11,956
Purchase of bonds	(155,014)	(181,294)	(134,336)	(158,050)
Sale of equity investments	70,277	34,948	89,434	36,031
Purchase of equity investments	(101,811)	(31,014)	(110,108)	(32,141)
Financial derivatives	11,893	16,313	10,509	16,797
Sale of investment properties	778	146	8,162	311
Purchase of investment properties	(899)	(584)	(134)	(284)
Sale and purchase, net, of intangible assets, property, plant and equipment as well as owner-occupied properties	(194)	(59)	(187)	(57)
Loans and receivables from credit institutions	(4,564)	(24,158)	(5,478)	(21,564)
Cash flows from investment activities	**(23,316)**	**(26,507)**	**(19,878)**	**(24,957)**
Cash flows from financing activities				
Loan, capital increase and dividend from/to minority shareholder	(57)	(86)	-	-
Loans from credit institutions	23,937	13,789	23,984	13,714
Cash flows from financing activities	**23,880**	**13,703**	**23,984**	**13,714**
Change in cash and cash equivalents	**1,990**	**1,024**	**3,732**	**1,195**
Foreign currency translation adjustments	(296)	283	(49)	(47)
Cash and cash equivalents as at 1 January	**6,798**	**5,491**	**3,545**	**2,397**
Cash and cash equivalents as at 31 December	**8,492**	**6,798**	**7,228**	**3,545**

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

ATP does not engage in actual financing activities, but uses repo and reverse transactions as part of its cash management. Cash flows from repo transactions are presented net under the item 'Loans from credit institutions', while cash flows from reverse transactions are presented net under the item 'Loans and receivables from credit institutions'. The fair value of repo transactions amounts to DKK 53,775m as at 31 December 2017 compared with DKK 29,801m as at 31 December 2016, while the fair value of reverse transactions amounts to DKK 62,859m as at 31 December 2017 relative to DKK 56,185m as at 31 December 2016. Repo and reverse transactions all have a maturity of less than one year.

Cash flows from financing activities also include a loan from a minority shareholder, totalling DKK 341m as at 31 December 2017 compared with DKK 331m a year earlier. In 2017, repayments on the loan totalled DKK 10m.

Contents of notes

Note 1 General accounting policies

The consolidated financial statements and the annual report for ATP for 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The annual report has also been prepared in accordance with the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)'.

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 2016. As described in the section 'Changed presentation of loans and intercompany forward exchange contracts', 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 64.

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 business processing, 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, 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.

Note 1 General accounting policies, continued

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.

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 loans and intercompany forward exchange contracts
Some of ATP's and the Group's investments in associates and joint ventures include a loan commitment. Until 2017, these loans were presented under the item 'Loans'. Effective from 2017, the Supervisory and Executive Boards have decided to reclassify loans to the item 'Investments in associates and joint ventures', given that the loans are regarded as an integral part of the capital investment. Comparative figures for 2016 have been restated.

ATP undertakes currency hedging activities on behalf of some of the Group's subsidiaries. Until 2017, intercompany balances from forward exchange contracts were presented under the items 'Receivables from group subsidiaries' and 'Payables to group subsidiaries'. Effective from 2017, the Supervisory and Executive Boards have decided to present the value of intercompany forward exchange contracts under the item 'Financial derivatives' under assets and liabilities, respectively. Comparative figures for 2016 have been restated.

These changes have not affected results, the bonus potential or total assets for 2017 and 2016.

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 2 to 5 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 annual periods beginning on or after 1 January 2017 have been implemented in the consolidated financial statements and the parent company financial statements for ATP.

- Amendments to IAS 7 on disclosure of changes arising from financing activities (changes in an entity's debt)
- Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value
- Annual Improvements to IFRS's 2014-2016 Cycle: clarified that the disclosures required in IFRS 12 also apply to interests in entities classified as 'held for sale'.

None of the revised standards have affected recognition and measurement in the consolidated financial statements and the parent company financial statements for 2017.

Standards and interpretations not yet in effect

IFRS 9
The IASB has published the final version of IFRS 9 'Financial Instruments'. This standard introduces new requirements for 'classification and measurement of financial assets', 'impairment of financial assets' and 'hedge accounting', among other things. The standard is effective for annual periods beginning on or after 1 January 2018.

The implementation of IFRS 9 is not expected to have any material impact on the financial reporting of the Group and ATP, given that the requirements regarding 'impairment of financial assets' and 'hedge accounting' are not relevant to ATP, and given that an analysis of the classification and measurement requirements has shown that most of the statement of financial position items can still be measured at fair value with value adjustment over the income statement. This is due to ATP's business model in which assets and liabilities are managed and assessed based on changes in fair value in accordance with ATP's risk management strategy.

ATP will not utilise the option of deferring the effective date of IFRS 9 until IFRS 17's effective date.

IFRS 16
IFRS 16 'Leasing' is effective for annual periods beginning on or after 1 January 2019. The implementation of this standard is not expected to have any material impact on ATP, given that ATP acts as lessee to a very limited extent only. The implementation of the standard is not expected to have any impact on ATP as lessor.

IFRS 17
IFRS 17 'Insurance Contracts' is effective for annual periods beginning on or after 1 January 2021. The analysis of the impact of this standard on ATP is still ongoing. Thus, it is not yet possible to quantify the impact.

In addition, 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 2017. 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	
	2017	**2016**	**2017**	**2016**
Rental income from investment properties	1,350	1,323	69	572
Income from forestry investment properties	53	53	-	-
Property management expenses	(253)	(220)	(45)	(145)
Operating expenses, forestry properties	(56)	(55)	-	-
Maintenance expenses in respect of investment properties	(17)	(14)	(6)	(10)
Total income from investment properties	**1,077**	**1,087**	**18**	**417**
Operating expenses excl. forestry investment properties incl. repairs and maintenance in respect of:				
Rented floor space	(238)	(206)	(47)	(125)
Non-rented floor space	(32)	(28)	(4)	(30)
Total	**(270)**	**(234)**	**(51)**	**(155)**

§ 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 operating expenses for forestry properties. 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 four risk factors within a pre-defined risk budget. See the 'Investment' section for a description of the individual risk factors. A small part of the Group's cash and cash equivalents and the related interest income are attributed to pension activities.

DKKm	2017			2016		
Investment	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**
Investments	2,350	-	7,552	1,947	-	8,347
Bonds	1,813	-	(496)	1,786	-	3,209
Loans	643	-	(1,063)	1,277	-	455
Loans from hedging activities	-	(847)	-	-	(1,112)	-
Other	8	(57)	532	24	(195)	452
Financial assets and liabilities recognised at fair value in the income statement (chosen)	4,814	(904)	6,525	5,034	(1,307)	12,463
Financial derivatives	205	(1,804)	16,611	65	(1,192)	(3,538)
Total trading assets	205	(1,804)	16,611	65	(1,192)	(3,538)
Investment properties	-	-	357	-	-	341
Total	**5,019**	**(2,708)**	**23,493**	**5,099**	**(2,499)**	**9,266**
Hedging	**Interest income etc.**	**Interest expenses**	**Market value adjustments**	**Interest income etc.**	**Interest expenses**	**Market value adjustments**
Bonds	10,035	-	(14,259)	10,773	-	22,274
Loans for investment activities	847	-	-	1,112	-	-
Receivables from and payables to credit institutions	351	(359)	(32)	254	(309)	29
Other	-	-	4	8	-	(71)
Financial assets and liabilities recognised at fair value in the income statement (chosen)	11,233	(359)	(14,287)	12,147	(309)	22,232
Financial derivatives	5,233	-	(11,909)	5,284	-	17,017
Total trading assets	5,233	-	(11,909)	5,284	-	17,017
Total	**16,466**	**(359)**	**(26,196)**	**17,431**	**(309)**	**39,249**
Pension	**Interest income etc.**	**Interest expenses**		**Interest income etc.**	**Interest expenses**	
Other	12	(2)		13	(3)	
Financial assets and liabilities at amortised cost	12	(2)		13	(3)	
Total	**12**	**(2)**		**13**	**(3)**	

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

DKKm	2017			2016		
Investment	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**	**Interest income and dividends etc.**	**Interest expenses**	**Market value adjustments**
Investments	1,910	-	5,048	1,293	-	4,526
Bonds	1,110	-	1,230	607	-	1,471
Loans	532	-	(969)	1,285	-	384
Loans from hedging activities	-	(847)	-	-	(1,112)	-
Other	8	(5)	(49)	24	(3)	(38)
Financial assets and liabilities recognised at fair value in the income statement (chosen)	3,560	(852)	5,260	3,209	(1,115)	6,343
Financial derivatives	617	(1,804)	14,048	409	(1,192)	(3,172)
Total trading assets	617	(1,804)	14,048	409	(1,192)	(3,172)
Investment properties	-	-	-	-	-	306
Total	**4,177**	**(2,656)**	**19,308**	**3,618**	**(2,307)**	**3,477**
Hedging	**Interest income etc.**	**Interest expenses**	**Market value adjustments**	**Interest income etc.**	**Interest expenses**	**Market value adjustments**
Bonds	10,035	-	(14,259)	10,773	-	22,274
Loans for investment activities	847	-	-	1,112	-	-
Receivables from and payables to credit institutions	351	(359)	(32)	254	(309)	29
Other	-	-	4	8	-	(71)
Financial assets and liabilities recognised at fair value in the income statement (chosen)	11,233	(359)	(14,287)	12,147	(309)	22,232
Financial derivatives	5,233	-	(11,909)	5,284	-	17,017
Total trading assets	5,233	-	(11,909)	5,284	-	17,017
Total	**16,466**	**(359)**	**(26,196)**	**17,431**	**(309)**	**39,249**
Pension	**Interest income etc.**	**Interest expenses**		**Interest income etc.**	**Interest expenses**	
Other	12	(2)		13	(3)	
Financial assets and liabilities at amortised cost	12	(2)		13	(3)	
Total	**12**	**(2)**		**13**	**(3)**	

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, financial derivatives, loans and investment properties, as well as realised gains and losses on the sale of equity investments, bonds, 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

	Group		ATP	
DKKm	**2017**	**2016**	**2017**	**2016**
Investment activity expenses	858	823	382	309
Pension activity expenses	191	239	191	239
Business processing expenses	2,033	1,529	2,052	1,556
Total expenses	**3,082**	**2,591**	**2,625**	**2,104**
Audit fees:				
Total fees paid to auditors can be broken down as follows:				
Statutory audit	3.3	2.8	1.5	1.4
Other assurance engagements	0.1	0.1	0.0	0.0
Tax and VAT services	1.1	1.3	0.2	1.0
Other services	1.3	1.5	0.3	1.0
Total audit fees	**5.8**	**5.7**	**2.0**	**3.4**

Fees for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab total DKK 2.5m. These services include the issuance of various statements and valuation reports, provision of tax and VAT advice in relation to the investment area and other general accounting and tax advice.

Note 6 Expenses, continued

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Depreciation, amortisation and impairment losses:				
Depreciation and impairment losses, operating equipment and owner-occupied properties	16	13	13	10
Amortisation and impairment losses, intangible assets	147	117	146	117
Total depreciation, amortisation and impairment losses	**163**	**130**	**159**	**127**
Staff expenses:				
Payroll costs	1,520	1,234	1,374	1,094
Pension contributions	231	189	216	173
Other social security expenses	29	24	21	17
Total staff expenses	**1,780**	**1,447**	**1,611**	**1,284**
Average number of full-time staff	2,966	2,445	2,701	2,172

Remuneration paid to the Group Management[2]:	Group[1] 2017 Total remuneration	Group[1] 2017 Of which pension contribution	Group[1] 2016 Total remuneration	Group[1] 2016 Of which pension contribution
Chief Executive Officer (CEO):				
Christian Hyldahl, CEO, took office on 1 January 2017	6.8	0.9	-	-
Carsten Stendevad, CEO, resigned as CEO on 31 December 2016	-	-	6.9	1.0
Members of the Group Executive Board:				
Kasper Ahrndt Lorenzen, Chief Investment Officer (CIO), took office on 1 June 2016	4.1	0.5	2.3	0.3
Henrik Gade Jepsen, Chief Investment Officer (CIO), resigned as CIO on 31 May 2016	-	-	3.3	0.4
Bo Foged, Chief Financial Officer (CFO)	4.1	0.5	3.9	0.5
Mads Smith Hansen, Chief Risk Officer (CRO), took office on 1 April 2016	2.9	0.4	2.0	0.2
Lilian Mogensen, Chief Operating Officer (COO) of Processing Business and HR	3.3	0.4	3.2	0.4
Other executives:				
Dewi Dylander, Chief Legal Officer, took office on 1 March 2017	1.4	0.2	-	-
Annemette Moesgaard, Chief Communications Officer, took office on 1 March 2017	1.5	0.2	-	-
Bård Grande, Chief HR Officer, took office on 1 November 2017	0.3	0.1	-	-
Total Group Management	**24.4**	**3.2**	**21.6**	**2.8**

[1] Remuneration paid to the Group Management is presented for the Group only. These disclosures are identical to those of the ATP parent company. The remuneration has been accrued for members joining the Group Management during the year.

[2] Members of the Group Management receive a fixed remuneration, pension contribution and a number of work-related employee benefits, including a company car. None of the members of the Group Management receive any kind of variable pay or incentive schemes.

Remuneration paid to ATP's Supervisory Board and Board of Representatives:	Group 2017	Group 2016	ATP 2017	ATP 2016
Total remuneration paid to the ATP Supervisory Board	2.3	2.2	2.3	2.2
Total remuneration paid to the ATP Board of Representatives	0.2	0.2	0.2	0.2
Total remuneration paid to the ATP Audit Committee	0.2	0.2	0.2	0.2
Total remuneration paid to the ATP ORSA Committee	0.2	0.2	0.2	0.2
Annual remuneration in DKK thousands paid to:				
Chairman of the Supervisory Board (total remuneration)	715	715	715	715
Member of the Executive Committee	80	80	80	80
Member of the Supervisory Board (including remuneration for Board of Representatives)	120	120	120	120
Member of the Board of Representatives	13	13	13	13
Member of the Audit Committee (excluding the Chairman of the Supervisory Board)	60	60	60	60
Member of the ORSA Committee (excluding the Chairman of the Supervisory Board)	60	60	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.

Note 6 Expenses, continued

§ 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

	Group		ATP	
DKKm	2017	2016	2017	2016
Sale of administration services by group subsidiaries	13	12	-	-
ATP's sale of administration services	2,029	1,533	2,059	1,568
Total other income	**2,042**	**1,545**	**2,059**	**1,568**

§ 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

	Group		ATP	
DKKm	2017	2016	2017	2016
Expenses related to the sale of administration services by group subsidiaries	(10)	(8)	-	-
ATP's expenses related to the sale of administration services	(2,023)	(1,521)	(2,052)	(1,556)
Total other expenses	**(2,033)**	**(1,529)**	**(2,052)**	**(1,556)**

§ 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 pension and investment activities 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 (*Selskabsskatteloven*). 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.

ATP's tax policy on unlisted investments is available at www.atp.dk/en/responsibility/responsible-investments/tax-atp.

Note 9 Tax on pension savings returns, continued

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Investment activities:				
Tax on pension savings returns	(2,862)	(10,712)	(2,862)	(10,712)
Prior year adjustments	60	141	60	141
Tax on pension savings returns transferred to hedging activities	(1,544)	8,625	(1,544)	8,625
Tax on pension savings returns transferred to pension activities	2	2	2	2
Total tax on pension savings returns in respect of investment activities	**(4,344)**	**(1,944)**	**(4,344)**	**(1,944)**
Hedging activities:				
Tax on pension savings returns transferred from investment activities	1,544	(8,625)	1,544	(8,625)
Total tax on pension savings returns in respect of hedging activities	**1,544**	**(8,625)**	**1,544**	**(8,625)**
Pension activities:				
Tax on pension savings returns transferred from investment activities	(2)	(2)	(2)	(2)
Total tax on pension savings returns in respect of pension activities	**(2)**	**(2)**	**(2)**	**(2)**
Total tax on pension savings returns	**(2,802)**	**(10,571)**	**(2,802)**	**(10,571)**
Investment activity results before tax on pension savings returns	28,824	14,472	28,760	14,339
Hedging activity results before tax on pension savings returns and change in guaranteed benefits	(10,089)	56,371	(10,089)	56,371
Interest income and interest expenses, pension activities	10	10	10	10
	18,745	70,853	18,681	70,720
Calculated 15.3 per cent of which	(2,868)	(10,841)	(2,858)	(10,820)
Tax effect of different methods of calculating accounting and tax returns on transparent entities etc.	(24)	8	(34)	(13)
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)	30	121	30	121
Tax on pension savings returns for the year	(2,862)	(10,712)	(2,862)	(10,712)
Prior year adjustments	60	141	60	141
Total tax on pension savings returns	**(2,802)**	**(10,571)**	**(2,802)**	**(10,571)**
Portion of tax on pension savings returns falling due after more than one year	-	-	-	-

§ 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 2017	Group 2016	ATP 2017	ATP 2016
ATP contributions	10,546	10,402	10,546	10,402
Social security contributions	(843)	(830)	(843)	(830)
Total contributions	**9,703**	**9,572**	**9,703**	**9,572**

§ 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 2017	Group 2016	ATP 2017	ATP 2016
Personal pension (current)	(15,031)	(14,429)	(15,031)	(14,429)
Spouse pension (current)	(14)	(17)	(14)	(17)
Personal pension (capitalised)	(118)	(103)	(118)	(103)
Spouse pension (capitalised)	(759)	(745)	(759)	(745)
Child benefits (capitalised)	(128)	(134)	(128)	(134)
SUPP estate amount (capitalised)	(25)	(26)	(25)	(26)
Total benefit payouts	**(16,075)**	**(15,454)**	**(16,075)**	**(15,454)**

§ 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 2017	Group 2016	ATP 2017	ATP 2016
Financial assets:				
Financial derivatives	71,412	88,549	71,435	89,611
Financial assets measured at fair value over the income statement (trading assets)	**71,412**	**88,549**	**71,435**	**89,611**
Investments in group subsidiaries	-	-	69,958	85,957
Investments in associates and joint ventures	38,413	17,084	30,663	11,487
Investments	111,814	93,066	80,860	51,101
Bonds	552,927	567,999	542,906	542,835
Loans	8,662	11,879	7,003	9,985
Loans to group subsidiaries	-	-	2,920	2,821
Receivables from credit institutions	62,859	56,185	62,342	54,762
Financial assets measured at fair value over the income statement (chosen)	**774,675**	**746,213**	**796,652**	**758,948**
Total financial assets measured at fair value	**846,087**	**834,762**	**868,087**	**848,559**
Contributions receivable	2,594	2,566	2,594	2,566
Receivables from group subsidiaries	-	-	7	11
Interest receivable	3,156	3,849	3,006	3,519
Other receivables	10,606	2,739	9,954	1,168
Financial assets measured at amortised cost	**16,356**	**9,154**	**15,561**	**7,264**

Note 12 Financial assets and liabilities, continued

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Financial liabilities:				
Financial derivatives	57,206	67,621	57,543	67,484
Financial liabilities measured at fair value over the income statement (trading liabilities)	**57,206**	**67,621**	**57,543**	**67,484**
Payables to credit institutions	53,775	29,801	53,747	29,726
Financial liabilities measured at fair value over the income statement (chosen)	**53,775**	**29,801**	**53,747**	**29,726**
Total financial liabilities measured at fair value	**110,981**	**97,422**	**111,290**	**97,210**
Payables to group subsidiaries	-	-	-	169
Other payables	12,263	6,526	10,801	2,562
Financial liabilities measured at amortised cost:	**12,263**	**6,526**	**10,801**	**2,731**

For financial assets and liabilities recognised at amortised cost, the carrying amount is estimated to be equivalent to the fair value.

§ Accounting policies

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 as well as joint ventures
3. Loans, including loans to group subsidiaries
4. Receivables from and 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 as well as joint ventures

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.

Note 12 Financial assets and liabilities, continued

§ Accounting policies, continued

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.

Direct equity investments in portfolio companies
Direct equity investments in portfolio companies consist of co-investments with portfolio funds and are measured using traditional valuation methods 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. 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.

4. Receivables from and payables to credit institutions comprise repo and reverse transactions, i.e. the purchase/sale of securities where, as part of the agreement, a sell/buy-back at some later date is agreed. In reverse transactions, securities purchased are not included in the statement of financial position, and the amount paid is included as a receivable. In repo transactions, securities sold are still included in the statement of financial position, and the amount received is included as a liability. On initial recognition, receivables from and payables to credit institutions are recognised at fair value. Subsequent to initial recognition, receivables from and payables to credit institutions are measured at fair value. Interest received and paid are recognised over the term of the contracts. Valuation of repo and reverse transactions is based on discounting of expected future cash flows to net present value using relevant yield curves.

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 and joint ventures, 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.

	2017		2016	
	DKKm	Per cent	DKKm	Per cent
Bonds	8,687	8%	5,933	5%
Investments	46,834	44%	58,585	52%
Loans	8,662	8%	11,879	10%
Investments in associates and joint ventures	21,713	20%	17,084	15%
Investment properties	21,617	20%	21,139	18%
	107,513	**100%**	**114,620**	**100%**

Most of the Group's equity investments and investments in associates and joint ventures 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	**2017**		**2016**		**2017**		**2016**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Interest rate swaps	59,993	(47,907)	84,281	(56,165)	59,993	(47,905)	84,281	(56,165)
Interest rate swaptions	3,897	(7,571)	2,386	(5,685)	3,897	(7,571)	2,386	(5,685)
Interest rate futures	204	(484)	48	(616)	204	(484)	48	(616)
Cross-currency swaps	41	-	-	-	41	-	-	-
Total interest rate contracts	**64,135**	**(55,962)**	**86,715**	**(62,466)**	**64,135**	**(55,960)**	**86,715**	**(62,466)**

Equity contracts								
	2017		**2016**		**2017**		**2016**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Equity futures	192	(69)	315	(95)	192	(69)	315	(95)
Equity-indexed options	159	(111)	24	(93)	159	(111)	24	(93)
Contracts for difference	-	-	34	-	-	-	-	-
Total equity contracts	**351**	**(180)**	**373**	**(188)**	**351**	**(180)**	**339**	**(188)**

Inflation contracts								
	2017		**2016**		**2017**		**2016**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Inflation swaps	837	(43)	1	(60)	837	(43)	1	(60)
Total inflation contracts	**837**	**(43)**	**1**	**(60)**	**837**	**(43)**	**1**	**(60)**

Commodity contracts								
	2017		**2016**		**2017**		**2016**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Commodity futures	974	(61)	-	(190)	974	(61)	-	-
Total commodity contracts	**974**	**(61)**	**-**	**(190)**	**974**	**(61)**	**-**	**-**

Credit contracts								
	2017		**2016**		**2017**		**2016**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Credit default swaps	1,822	(45)	1,070	(22)	1,817	(43)	1,065	-
Total credit contracts	**1,822**	**(45)**	**1,070**	**(22)**	**1,817**	**(43)**	**1,065**	**-**

Foreign exchange contracts								
	2017		**2016**		**2017**		**2016**	
	Fair value		**Fair value**		**Fair value**		**Fair value**	
	Positive	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**	**Positive**	**Negative**
Non-deliverable forward	94	(46)	-	-	94	(46)	-	-
Forward exchange contracts	3,199	(869)	390	(4,695)	3,198	(857)	378	(4,685)
Forward exchange contracts, intercompany	-	-	-	-	29	(353)	1,113	(85)
Foreign exchange contracts	**3,293**	**(915)**	**390**	**(4,695)**	**3,321**	**(1,256)**	**1,491**	**(4,770)**
Total financial derivatives	**71,412**	**(57,206)**	**88,549**	**(67,621)**	**71,435**	**(57,543)**	**89,611**	**(67,484)**

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.

Note 14 Investments in group subsidiaries

	Group		ATP	
DKKm	2017	2016	2017	2016
Fair value as at 1 January	-	-	85,957	85,460
Additions during the year	-	-	15,378	7,731
Disposals during the year	-	-	(37,449)	(15,104)
Fair value adjustment for the year	-	-	6,072	7,870
Fair value as at 31 December	**-**	**-**	**69,958**	**85,957**

§ Accounting policies

Group subsidiaries comprise 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.

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 risk management and investment strategies. The reporting to ATP's Supervisory and Executive Boards is based on this.

Minority interests' share of the equity of group subsidiaries accounts for a total of DKK 426m (2016: DKK 407m), and the share of net results for the year is DKK 66m (2016: DKK 140m). Minority interests are not believed to own a significant portion of the group subsidiaries.

For an overview of ATP's group subsidiaries, including types of investment, see 'Overview of the ATP Group', page 64, and the accounting information provided below, which is according to the most recently published annual report.

Note 14 Investments in group subsidiaries, continued

2017	Domicile	Ownership interest per cent	Company equity, DKKm	Net results DKKm
ATP Ejendomme A/S	Denmark	100.0	14,538	947
Strandgade 7 A/S	Denmark	100.0	248	(67)
Galaxy Properties S.A. [2]	Belgium	90.0	687	78
ATP European Core Shopping Centre SCSp [2]	Luxembourg	100.0	1,686	108
Waterfront Bremen G.m.b.H. & Co. KG [2]	Germany	94.9	1,589	27
ATP Ejendomme GP I ApS	Denmark	100.0	-	-
Seniorbolig Danmark K/S	Denmark	100.0	49	3
Seniorbolig Komplementar ApS	Denmark	100.0	-	-
SBDK Projekter I P/S	Denmark	100.0	45	5
Komplementarselskabet SBDK Projekter I ApS	Denmark	100.0	-	-
Ejendomsselskabet Hannemanns Allé 30 P/S	Denmark	100.0	15	59
ATP Fondsmæglerselskab A/S – under solvent liquidation	Denmark	100.0	59	3
NOW: Pensions Investment A/S Fondsmæglerselskab	Denmark	100.0	30	3
NOW: Pensions Ltd. [3]	UK	100.0	127	(139)
Kapitalforeningen ATP Invest	Denmark	100.0	19,169	2,951
ATP PensionService A/S	Denmark	100.0	13	2
Private Equity Advisors ApS	Denmark	100.0	14	1
ATP PE GP ApS	Denmark	100.0	1	-
ATP Private Equity K/S	Denmark	99.9	1,992	142
ATP Private Equity Partners I K/S	Denmark	99.9	629	33
ATP Private Equity Partners II K/S	Denmark	99.9	3,401	669
ATP Private Equity Partners III K/S	Denmark	99.9	5,188	581
ATP Private Equity Partners IV K/S	Denmark	99.9	8,982	2,145
ATP Private Equity Partners V K/S	Denmark	99.9	3,635	232
ATP Real Estate Partners I K/S	Denmark	100.0	2,759	131
ATP Real Estate Partners II K/S	Denmark	99.9	466	7
ATP Real Estate GP ApS	Denmark	100.0	1	-
ATP TIM GP ApS	Denmark	100.0	-	-
ATP Timberland Invest K/S	Denmark	100.0	2,450	164
ATP Woodlands GP, LLC [1]	USA	100.0	1,003	(139)
Northwoods ATP LP [1]	USA	100.0	-	-
Upper Hudson Woodlands ATP LP [1]	USA	100.0	-	-
Wolf River ATP LP [1]	USA	100.0	-	-
Ouachita ATP LP [1]	USA	100.0	-	-
VIA Equity Fond I K/S	Denmark	99.8	215	108
VIA Equity Fond II K/S	Denmark	99.8	301	46
ATP Alternative Investment Trust	Australia	100.0	2,085	387
ATP Alternatives (Aust) PTY Ltd.	Australia	100.0	-	-
AlphaOne SICAV-FIS – under solvent liquidation	Luxembourg	100.0	-	1,089
AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	100.0	3,138	150
NB Public Equity K/S	Denmark	99.5	757	81
Apollo Kings Alley Credit Fund, L.P. [2]	USA	97.5	392	23
ATP Infrastructure Spain ApS	Denmark	100.0	892	99
ATP Infrastructure II ApS	Denmark	100.0	2,687	3
Broad Street Danish Credit Partners, L.P. [2]	Scotland	100.0	1,154	103
ACM Strategic Investment Partners IV, LP [2]	Cayman Islands	96.6	320	(7)

[1] Included in the consolidated financial statements based on the most recent reporting as at 30 November 2017
[2] Included in the consolidated financial statements based on the most recent reporting as at 30 September 2017
[3] NOW Pensions Ltd. has five subsidiaries with no activity

Note 14 Investments in group subsidiaries, continued

2016	Domicile	Ownership interest per cent	Company equity, DKKm	Net results DKKm
ATP Ejendomme A/S	Denmark	100.0	3,533	250
Strandgade 7 A/S	Denmark	100.0	352	7
Ejendomsselskabet Vangede A/S	Denmark	100.0	2,118	150
Galaxy Properties S.A. [2]	Belgium	90.0	608	(5)
ATP European Core Shopping Centre SCSp [2]	Luxembourg	100.0	1,647	73
Waterfront Bremen G.m.b.H. & Co. KG [2]	Germany	94.9	1,695	(3)
Ejendomsselskabet Borups Alle A/S	Denmark	100.0	515	55
ATP Ejendomme GP I ApS	Denmark	100.0	-	-
Seniorbolig Danmark K/S	Denmark	100.0	43	(3)
Seniorbolig Komplementar ApS	Denmark	100.0	-	-
SBDK Projekter I P/S	Denmark	100.0	43	1
Komplementarselskabet SBDK Projekter I ApS	Denmark	100.0	-	-
ATP Fondsmæglerselskab A/S	Denmark	100.0	59	3
NOW: Pensions Investment A/S Fondsmæglerselskab	Denmark	100.0	29	2
NOW: Pensions Ltd. [3]	UK	100.0	145	(125)
Kapitalforeningen ATP Invest	Denmark	100.0	18,846	1,746
ATP PensionService A/S	Denmark	100.0	16	3
Private Equity Advisors ApS	Denmark	100.0	13	2
ATP PE GP ApS	Denmark	100.0	-	-
ATP Private Equity K/S	Denmark	99.9	2,468	134
ATP Private Equity Partners I K/S	Denmark	99.9	827	(85)
ATP Private Equity Partners II K/S	Denmark	99.9	4,657	305
ATP Private Equity Partners III K/S	Denmark	99.9	7,114	546
ATP Private Equity Partners IV K/S	Denmark	99.9	8,818	1,485
ATP Private Equity Partners V K/S	Denmark	99.9	2,222	134
ATP Real Estate Partners I K/S	Denmark	100.0	3,580	47
ATP Real Estate Partners II K/S	Denmark	99.9	473	113
ATP Real Estate GP ApS	Denmark	100.0	1	-
ATP TIM GP ApS	Denmark	100.0	1	-
ATP Timberland Invest K/S	Denmark	100.0	2,512	(57)
ATP Woodlands GP, LLC [1]	USA	100.0	882	57
Northwoods ATP LP [1]	USA	100.0	-	-
Upper Hudson Woodlands ATP LP [1]	USA	100.0	-	-
Wolf River ATP LP [1]	USA	100.0	-	-
Ouachita ATP LP [1]	USA	100.0	-	-
VIA Equity Fond I K/S	Denmark	99.8	290	44
VIA Equity Fond II K/S	Denmark	99.8	655	661
ATP Alternative Investment Trust	Australia	100.0	1,790	266
AlphaOne SICAV-FIS	Luxembourg	100.0	14,643	(309)
Secured Multi Asset Repackaging Trust P.L.C.	Ireland	100.0	-	-
AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	100.0	3,398	(127)
NB Public Equity K/S	Denmark	99.5	868	20
Apollo Kings Alley Credit Fund, L.P. [2]	USA	97.5	-	-
ATP Infrastructure Spain ApS	Denmark	100.0	-	-
Broad Street Danish Credit Partners, L.P. [2]	Scotland	100.0	-	-
ACM Strategic Investment Partners IV, LP [2]	Cayman Islands	96.6	-	-

[1] Included in the consolidated financial statements based on the most recent reporting as at 30 November 2016
[2] Included in the consolidated financial statements based on the most recent reporting as at 30 September 2016
[3] NOW Pensions Ltd. has five subsidiaries with no activity

Note 15 Investments in associates and joint ventures

	Group		ATP	
DKKm	2017	2016	2017	2016
Fair value as at 1 January	17,084	14,330	11,487	9,222
Additions during the year	23,713	5,992	20,800	2,750
Disposals during the year	(3,808)	(4,805)	(2,827)	(1,351)
Fair value adjustment for the year	1,424	1,567	1,203	866
Fair value as at 31 December	**38,413**	**17,084**	**30,663**	**11,487**

At year-end 2017, loans to associates and joint ventures, presented as an integral part of the investment in associates and joint ventures, amount to DKK 6.6bn (2016: DKK 3.2bn). These loans are unsecured, and none of them are overdue.

Additions during the year include three investment properties (DKK 655m) which have been reclassified from joint operations to joint ventures and are therefore recognised as part of 'Investments in associates and joint ventures'.

§ 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. Joint ventures are entities whose activities are jointly controlled by the Group, which is generally the case if the Group holds 50 per cent of the voting rights.

In accordance with the fair value option of IAS 39, investments in associates and joint ventures are measured at fair value in the Group's and ATP's financial statements, see note 12, with investments in associates and joint ventures 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.

Investments in associates and joint ventures are often structured as a combination of equity investments and loans. Where all investors hold the same share of loan and equity investment and where the company has no significant debt financing, the risk of the loan is considered to be identical to the risk of the equity investment. Such loans are presented as an integral part of the investment in the associate or joint venture – both in internal management reporting and in external reporting.

An overview of the Group's associates and joint ventures in 2017 and 2016 is provided below with relevant accounting information, broken down as to whether or not the associates and joint ventures are considered to be significant or non-significant to the ATP Group. Significant associates and joint ventures are defined as entities in which ATP's share of the fair value exceeds DKK 1bn. The information stated is according to the most recently published annual report.

Note 15 Investments in associates and joint ventures, continued

2017	Owner	Domicile	Ownership interest per cent	Voting rights per cent	JV/Assoc.*	Activity
ATPFA K/S	ATP	Denmark	49.7	49.7	Assoc.	Property
ATP-IP P/S	ATP	Denmark	50.0	50.0	JV	Property
Ejendomsselskabet Norden VIII K/S	ATP	Denmark	32.8	32.8	Assoc.	Property
ATPPD Lyngby A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Århus A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Odense A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kgs. Nytorv A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kalvebod A/S	ATP	Denmark	50.0	50.0	JV	Property
Interessentskabet af 23. december 1991	ATP	Denmark	42.5	42.5	Assoc.	Property
Samejet Lautruphøj I/S	ATP	Denmark	50.0	50.0	JV	Property
Samejet Teglholmsgade 41 I/S	ATP	Denmark	50.0	50.0	JV	Property
Harbour P/S	ATP	Denmark	45.8	45.8	Assoc.	Property
Harbour Komplementar ApS	ATP	Denmark	45.8	45.8	Assoc.	Property
Datter Rosetum K/S	ATP	Denmark	25.0	25.0	Assoc.	Property
Ejendomsselskabet Axeltorv 2 P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Axeltorv 2 Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Portland Towers P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet Portland Towers Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Danske Shoppingcentre P/S	ATP	Denmark	50.0	50.0	JV	Property
Danske Shoppingcentre FC P/S	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre P/S	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre FC P/S	ATP	Denmark	50.0	50.0	JV	Property
Capital four – Strategic Lending Fund K/S	ATP	Denmark	33.3	33.3	Assoc.	Credit
Nordic Alpha Partners	ATP	Denmark	45.6	45.6	Assoc.	Private Equity
FIH Holding A/S	ATP	Denmark	48.8	50.0	Assoc.	Financial
ATP PEP I GP K/S	ATP	Denmark	29.8	29.8	Assoc.	Private Equity
ATP PEP II GP K/S	ATP	Denmark	25.7	25.7	Assoc.	Private Equity
ATP REP GP II K/S	ATP	Denmark	29.1	29.1	Assoc.	Private Equity
ATP REP II ApS	ATP	Denmark	29.1	29.1	Assoc.	Private Equity
3i Managed Infrastructure Acquisitions LP	ATP	UK	45.0	45.0	Assoc.	Infrastructure
Kastrup Airports Parent ApS	ATP	Denmark	48.0	50.0	JV	Infrastructure (airport)
RAI Hotel CV	ATP	Netherlands	50.0	50.0	JV	Property
HOCH3 EQ	ATP	Germany	47.0	47.0	Assoc.	Property
Grace Hotel Investments S.a.r.l.	ATP	Luxembourg	50.0	50.0	JV	Property
First Infrastructure Capital LP	ATP	Cayman Islands	23.0	23.0	Assoc.	Infrastructure
VIA Equity Fond III K/S	ATP Private Equity K/S	Denmark	49.9	49.9	Assoc.	Private Equity
Polaris Private Equity II K/S	ATP Private Equity Partners I K/S	Denmark	15.0	15.0	Assoc.	Private Equity
Aberdeen Real Estate Fund Finland L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	Assoc.	Property
AREIM I Fund L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	Assoc.	Property
CBRE Real Estate Iberian Value Added Fund CV	ATP Real Estate Partners I K/S	Netherlands	20.2	20.2	Assoc.	Property
Patroffice B.V.	ATP Real Estate Partners I K/S	Netherlands	46.9	46.9	Assoc.	Property
Ejendomsselskabet Norden IV K/S	ATP Real Estate Partners II K/S	Denmark	32.4	32.4	Assoc.	Property
Souza GP B.V.	ATP Ejendomme GP I ApS	Netherlands	50.0	50.0	JV	Property
Adform ApS	VIA Equity Fond I K/S	Denmark	28.6	28.6	Assoc.	IT
EnviHold A/S (Envidan A/S)	VIA Equity Fond II K/S	Denmark	33.2	33.2	Assoc.	IT
All NRG Holding A/S	VIA Equity Fond II K/S	Denmark	49.6	49.6	Assoc.	Infrastructure (wind turbines)
EMS TopCo A/S (Mansoft A/S)	VIA Equity Fond II K/S	Denmark	48.0	48.0	Assoc.	IT
Cloud Supply Company A/S (Hostnordic A/S)	VIA Equity Fond II K/S	Denmark	49.9	49.9	Assoc.	IT
Profit Holding OY (Profit Software OY)	VIA Equity Fond II K/S	Finland	47.8	47.8	Assoc.	IT
AQR GRPT EL Master Account Ltd.	AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	38.0	38.0	Assoc.	Hedge fund
AQR Global Macro Master Account	AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	26.7	26.7	Assoc.	Hedge fund
Hancock Queensland Plantations Pty Ltd.	ATP Timberland Invest K/S	Australia	31.1	31.1	Assoc.	Forestry
Redexis Gas S.A.	ATP Infrastructure II ApS	Spain	19.9	19.9	Assoc.	Infrastructure (natural gas)
Redexis Gas Finance B.V.	ATP Infrastructure II ApS	Netherlands	19.9	19.9	Assoc.	Infrastructure (natural gas)
Queenspoint S.L.	ATP Infrastructure Spain ApS	Spain	50.0	50.0	JV	Infrastructure (metro stations)

* Indicates whether the investment is classified as a joint venture (JV) or as an associate (assoc.).

Note 15 Investments in associates and joint ventures, continued

2017

Financial information for significant associates and joint ventures

DKKm	Current assets	Non-current assets	Current debt	Non-current debt	Revenue	Results after tax	Other comprehensive income	Total comprehensive income
ATPFA K/S	81	5,380	21	17	256	392	-	392
Danske Shoppingcentre P/S	-	-	-	-	-	-	-	-
Harbour P/S	11	2,343	19	-	93	194	-	194
Kastrup Airports Parent ApS	543	6,298	635	5,879	-	(305)	-	(305)
Redexis Gas S.A.	1,130	14,870	953	9,125	1,468	363	(4)	359
Queenspoint S.L.	81	1,344	10	365	-	128	44	172
Hancock Queensland Plantations Pty Ltd.	178	5,170	1,417	3,102	1,416	75	9	84
3i Managed Infrastructure Acquisitions LP	-	-	-	-	-	-	-	-
AQR GRPT EL Master Account Ltd.	-	4,702	-	2,061	58	447	-	447

AQR GRPT EL Master Account Ltd. is a financial undertaking and does not break down assets and liabilities into current and non-current assets and liabilities. Danske Shoppingcentre P/S and 3I Managed Infrastructure Acquisitions LP are newly founded companies and have yet to publish their first annual reports.

Financial information for non-significant associates and joint ventures

	Results from continuing operations	Results after tax from discontinued operations	Other comprehensive income	Total comprehensive income
Associates	301	-	-	301
Joint ventures	398	45	42	485

Note 15 Investments in associates and joint ventures, continued

2016	Owner	Domicile	Ownership interest per cent	Voting rights per cent	JV/Assoc.*	Activity
ATPFA K/S	ATP	Denmark	49.7	49.7	Assoc.	Property
ATP-IP P/S	ATP	Denmark	50.0	50.0	JV	Property
Ejendomsselskabet Norden I K/S	ATP	Denmark	22.3	22.3	Assoc.	Property
Ejendomsselskabet Norden VIII K/S	ATP	Denmark	32.8	32.8	Assoc.	Property
ATPPD Lyngby A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Århus A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Odense A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kgs. Nytorv A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kalvebod A/S	ATP	Denmark	50.0	50.0	JV	Property
Harbour P/S	ATP	Denmark	45.8	45.8	Assoc.	Property
Harbour Komplementar ApS	ATP	Denmark	45.8	45.8	Assoc.	Property
Datter Rosetum K/S	ATP	Denmark	25.0	25.0	Assoc.	Property
Ejendomsselskabet Axeltorv 2 P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Axeltorv 2 Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Portland Towers P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet Portland Towers Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Capital four – Strategic Lending Fund K/S	ATP	Denmark	33.3	33.3	Assoc.	Credit
FIH Holding A/S	ATP	Denmark	48.8	50.0	Assoc.	Financial
ATP PEP I GP K/S	ATP	Denmark	29.8	29.8	Assoc.	Private Equity
ATP PEP II GP K/S	ATP	Denmark	25.7	25.7	Assoc.	Private Equity
ATP REP GP II K/S	ATP	Denmark	29.1	29.1	Assoc.	Private Equity
ATP REP II ApS	ATP	Denmark	29.1	29.1	Assoc.	Private Equity
Grace Hotel Investments S.a.r.l.	ATP	Luxembourg	50.0	50.0	JV	Property
VIA Equity Fond III K/S	ATP Private Equity K/S	Denmark	49.9	49.9	Assoc.	Private Equity
Polaris Private Equity II K/S	ATP Private Equity Partners I K/S	Denmark	15.0	15.0	Assoc.	Private Equity
Aberdeen Real Estate Fund Finland L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	Assoc.	Property
AREIM I Fund L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	Assoc.	Property
CBRE Real Estate Iberian Value Added Fund CV	ATP Real Estate Partners I K/S	Netherlands	20.2	20.2	Assoc.	Property
Patroffice B.V.	ATP Real Estate Partners I K/S	Netherlands	46.9	46.9	Assoc.	Property
Ejendomsselskabet Norden IV K/S	ATP Real Estate Partners II K/S	Denmark	32.4	32.4	Assoc.	Property
Nordic International Holding A/S (Adra Match as)	VIA Equity Fond I K/S	Norway	46.0	46.0	Assoc.	IT
Adform ApS	VIA Equity Fond I K/S	Denmark	28.6	28.6	Assoc.	IT
Frontmatec Holding ApS (Frontmatec A/S)	VIA Equity Fond I K/S	Denmark	44.1	44.1	Assoc.	IT
EnviHold A/S (Envidan A/S)	VIA Equity Fond II K/S	Denmark	33.2	33.2	Assoc.	IT
All NRG Holding A/S	VIA Equity Fond II K/S	Denmark	49.6	49.6	Assoc.	Infrastructure (wind turbines)
EMS TopCo A/S (Mansoft A/S)	VIA Equity Fond II K/S	Denmark	48.0	48.0	Assoc.	IT
Cloud Supply Company A/S (Hostnordic A/S)	VIA Equity Fond II K/S	Denmark	49.9	49.9	Assoc.	IT
Profit Holding OY (Profit Software OY)	VIA Equity Fond II K/S	Finland	47.8	47.8	Assoc.	IT
AQR GRPT EL Master Account Ltd.	AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	46.4	46.4	Assoc.	Hedge fund
AQR Global Macro Master Account	AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	27.9	27.9	Assoc.	Hedge fund
AQR Churchill Master Account	AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	47.0	47.0	Assoc.	Hedge fund
AQR Absolute Return Credit Master Account	AQR Offshore Multistrategy Fund XII, L.P.	Cayman Islands	42.6	42.6	Assoc.	Hedge fund
Hancock Queensland Plantations Pty Ltd.	ATP Timberland Invest K/S	Australia	31.1	31.1	Assoc.	Forestry
Queenspoint S.L.	ATP Infrastructure Spain ApS	Spain	50.0	50.0	JV	Infrastructure (metro stations)

* Indicates whether the investment is classified as a joint venture (JV) or as an associate (assoc.).

Note 15 Investments in associates and joint ventures, continued

2016

Financial information for significant associates and joint ventures

DKKm	**Current assets**	**Non-current assets**	**Current debt**	**Non-current debt**	**Revenue**	**Results after tax**	**Other comprehensive income**	**Total comprehensive income**
ATPFA K/S	76	5,228	16	17	253	448	-	448
Harbour P/S	8	2,208	3	-	92	218	-	218
FIH Holding A/S	-	5,860	-	29	-	45	-	45
Hancock Queensland Plantations Pty Ltd.	194	5,145	1,434	3,120	1,259	20	(10)	10
AQR GRPT EL Master Account Ltd.	-	3,830	-	1,461	4	(291)	-	(291)

FIH Holding A/S and AQR GRPT EL Master Account Ltd. are financial undertakings and do not break down assets and liabilities into current and non-current assets and liabilities.

Financial information for non-significant associates and joint ventures

	Results from continuing operations	**Results after tax from discontinued operations**	**Other comprehensive income**	**Total comprehensive income**
Associates	666	-	-	666
Joint ventures	323	-	314	637

Note 16 Investment properties

	Group		**ATP**	
DKKm	**2017**	**2016**	**2017**	**2016**
Fair value as at 1 January	21,139	20,360	8,028	7,749
Additions during the year	899	584	134	284
Disposals during the year*	(665)	(118)	(8,162)	(263)
Fair value adjustment for the year	244	313	-	258
Fair value as at 31 December	**21,617**	**21,139**	**-**	**8,028**

* ATP's disposals during the year consist of 39 properties, provided to the subsidiary ATP Ejendomme A/S by way of non-cash contributions (2016: one property) and three properties reclassified as associates.

Forestry investment properties account for DKK 1.1bn of the investment properties specified above (2016: DKK 1.1bn).

§ Accounting

Forestry investment properties
Forestry investment properties comprise planted forest areas held for the purpose of generating income from the sale of timber and for capital appreciation.

On initial recognition, forestry investment properties are recognised at cost including transaction expenses. Subsequent to initial recognition, investment properties are measured at fair value. In the determination of the fair value of forestry investments, a weighted average of the fair values of various models is used. The most commonly used models are models utilising recent sales of similar forestry investment properties, adjusted for size, location and types of timber, and DCF models in which expected future cash flows from sales of forests and land are discounted back to present value.

Fair values are determined by external valuation experts specialising in forestry investment properties.

Investment properties
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. 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. An external assessment has been obtained for the valuation of market rent, and 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.

Note 16 Investment properties, continued

Significant accounting estimates

The fair value of the Group's forestry investment properties is influenced by several factors, including discount factors applied and the weight attached to the various valuation models.

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.

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

	Group		ATP	
Per cent	2017	2016	2017	2016
Weighted average required rate of return	4.9%	5.1%	-	5.3%
Maximum required rate of return	8.5%	8.5%	-	8.5%
Minimum required rate of return	4.3%	4.3%	-	4.8%

Changes in the required rate of return have the most significant impact on the fair value of the Group's investment properties. The table below shows the details of the most significant breakdown of properties.

Country	Location	Type	Number of properties	Number of '000 sq.m.	Market value (DKKbn)	Weighted avg. required rate of return	Sensitivity to change of 25 bps (DKKm)	Market value per sq.m. (DKK/sq.m.)
Denmark	Greater Copenhagen area and Aarhus	Offices	52	592.5	12.3	4.9	616	20,700
Denmark	Major Danish towns and cities	Retail properties	15	85.7	2.2	4.6	113	25,600
Germany	Bremen	Shopping centre	1	84.1	1.7	5.0	75	20,145
Belgium	Brussels	Offices	1	151.0	3.8	5.3	155	25,200
Denmark	Greater Copenhagen area	Other[1]	3	-	0.6	-	15	-

[1] 'Other' mainly consists of properties under construction or reconstruction.

Overall, for all types of 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 2017 by DKK 974m (2016: DKK 927m).

Note 17 Market risks

Market risks in the investment portfolio are managed based on a given risk budget and limits for risk diversification determined by the Supervisory Board. Market risks associated with the guaranteed benefits are managed in the hedging portfolio to ensure that the interest rate risk of the guaranteed benefits is hedged as best as possible.

Market risks for ATP are specified below. As ATP's subsidiaries are included in the statement below and there are no significant minority interests in the subsidiaries, the market risks of the Group are identical to those of ATP.

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. Expected Shortfall over a three-month time frame and a 1 per cent quantile (ES, three months, 99 per cent) expresses the average of the 1 per cent worst losses over a three-month time frame.

ATP's market risk determined using Expected Shortfall

DKKm	Year-end 2017	Year-end 2016
Investment	40,042	34,645
Hedging	4,156	4,686

Market risks in the investment portfolio
ATP's market risks primarily consist of the market risks in the investment portfolio. 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 four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. The risk allocation has been determined as each risk factor's share of the sum of risk for the four risk factors. ATP's 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.

Investment portfolio risk broken down by factors

	Expected Shortfall in DKKm		Relative risk allocation (per cent)		
	Year-end 2017	Year-end 2016	Year-end 2017	Year-end 2016	Long-term guideline
Equity factor	31,710	26,311	44.3	50.1	35.0
Interest rate factor	22,901	13,114	32.0	25.0	35.0
Inflation factor	10,785	4,957	15.0	9.5	15.0
Other factors	6,209	8,089	8.7	15.4	15.0

Market risks in the hedging portfolio

Market risks in the hedging portfolio and the guaranteed benefits consist mainly of interest rate risks. The hedging ratio indicates the ability of the hedging portfolio to hedge the interest rate sensitivity of the guaranteed benefits. ATP aims to ensure that the hedging ratio, measured by DKK duration after tax, remains in a narrow range of about 100 per cent. Accordingly, market risks associated with the hedging portfolio are very limited.

DKK duration and hedging ratio	Year-end 2017	Year-end 2016
Guaranteed benefits' DKK duration after tax, DKKm	(90,681)	(93,815)
Hedging portfolio's DKK duration after tax, DKKm	90,121	93,679
Hedging ratio in per cent	99.4	99.9

Note: The DKK duration indicates the market value impact of a marginal change in interest rates, scaled to take into account a 1 per cent decline in interest rates.

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 2017

Including foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments, measured at fair value
Currency		
EUR	185.3	24.1
USD	(0.9)	(0.1)
Total other currencies	(1.3)	(0.2)

Excluding foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments, measured at fair value
Currency		
EUR	189.0	24.6
USD	66.7	8.7
Total other currencies	31.3	4.1

ATP's currency exposure as at 31 December 2016

Including foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments, measured at fair value
Currency		
EUR	204.0	26.6
USD	(0.5)	(0.1)
Total other currencies	1.1	0.1

Excluding foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments, measured at fair value
Currency		
EUR	201.5	26.3
USD	68.9	9.0
Total other currencies	8.2	1.1

Note 18 Credit and counterparty risks

As part of ATP's investment strategy, ATP actively assumes credit risks in the investment portfolio. The Group's credit risks relate primarily to these actual credit investments. Credit investments comprise investments in corporate bonds, emerging market government 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 other portfolios of government bonds and mortgage bonds involve a credit risk. As concerns government bonds excluding emerging markets, the credit risk is assessed as being close to zero, as 99 per cent of this portfolio consisted of German and Danish government bonds at year-end 2017, and, in the case of mortgage bonds, the credit risk is assessed as being moderate.

Market value as at 31 December

DKKbn

	2017	**2016**
Credit investments*	31	40
Mortgage bonds	117	116
Government bonds excluding emerging markets	419	432
Unlisted financial derivatives, net (before provision of collateral)	13	21
Unlisted financial derivatives, net (after provision of collateral)	0	1
Cash and cash equivalents	8	7
Other receivables	13	5

* The market value of credit investments includes CDSs with a market value at year-end 2017 of DKK 1.8bn (2016: DKK 1.1bn) and a principal amount at year-end 2017 of DKK 48bn (2016: DKK 35bn). In addition, at year-end 2017 ATP had guarantees issued of DKK 1.5bn (2016: DKK 1.3bn).

As at 31 December 2017, overdue loans and receivables were included in the Group's loans and receivables at DKK 6m (2016: DKK 5m).

At year-end 2017, impairment losses on receivables for the ATP Group amounted to DKK 54m (2016: DKK 37m).

For ATP, impairment losses amounted to DKK 49m at year-end 2017 (2016: DKK 35m).

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 was changed in 2017 to comprise only financial derivatives with a negative fair value at the statement of financial position date. Comparative figures for 2016 have been restated.

2017 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	6,462	21,742	57,803	24,416	17,048	127,471
Gross-settled financial derivatives, payments received	(2,359)	(10,186)	(35,198)	(15,414)	(11,531)	(74,688)
Financial derivatives, settled net	2,528	3,011	3,464	572	11	9,586
Total derivative financial liabilities	**6,631**	**14,567**	**26,069**	**9,574**	**5,528**	**62,369**
Other financial liabilities						
Guaranteed benefits	17,068	86,220	194,599	102,630	456,642	857,159
Payables to credit institutions	53,755	-	-	-	-	53,755
Income tax and tax on pension savings returns payable	2,822	-	-	-	-	2,822
Other payables	11,200	770	293	-	-	12,263
Total other financial liabilities	**84,845**	**86,990**	**194,892**	**102,630**	**456,642**	**925,999**
Total	**91,476**	**101,557**	**220,961**	**112,204**	**462,170**	**988,368**

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	10,128	21,503	48,885	20,848	16,058	117,422
Gross-settled financial derivatives, payments received	(4,061)	(5,900)	(26,149)	(11,874)	(9,256)	(57,240)
Financial derivatives, settled net	4,327	1,503	40	-	60	5,930
Total derivative financial liabilities	**10,394**	**17,106**	**22,776**	**8,974**	**6,862**	**66,112**
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	**73,236**	**101,856**	**212,174**	**109,395**	**469,845**	**966,506**

Note 19 Liquidity risk, continued

2017 ATP	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	6,462	21,742	57,803	24,416	17,048	127,471
Gross-settled financial derivatives, payments received	(2,359)	(10,186)	(35,198)	(15,414)	(11,531)	(74,688)
Financial derivatives, settled net	2,413	3,011	3,464	572	11	9,471
Total derivative financial liabilities	**6,516**	**14,567**	**26,069**	**9,574**	**5,528**	**62,254**
Other financial liabilities						
Guaranteed benefits	17,068	86,220	194,599	102,630	456,642	857,159
Payables to credit institutions	53,747	-	-	-	-	53,747
Tax payable on pension savings returns	2,816	-	-	-	-	2,816
Other payables	10,107	694	-	-	-	10,801
Total other financial liabilities	**83,738**	**86,914**	**194,599**	**102,630**	**456,642**	**924,523**
Total	**90,254**	**101,481**	**220,668**	**112,204**	**462,170**	**986,777**

2016 ATP	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	6,878	21,503	48,885	20,848	16,058	114,172
Gross-settled financial derivatives, payments received	(1,280)	(5,600)	(26,149)	(11,874)	(9,256)	(54,159)
Financial derivatives, settled net	4,171	1,503	40	-	60	5,774
Total derivative financial liabilities	**9,769**	**17,406**	**22,776**	**8,974**	**6,862**	**65,787**
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 subsidiaries	169	-	-	-	-	169
Total other financial liabilities	**59,308**	**84,709**	**189,101**	**100,421**	**462,983**	**896,522**
Total	**69,077**	**102,115**	**211,877**	**109,395**	**469,845**	**962,309**

In addition to the financial liabilities stated above, ATP and the ATP Group have made a number of investment and loan commitments, see note 27 'Contingent liabilities and collateral'. It is not possible to determine the expected contractual maturity of these contingent liabilities, and it is uncertain whether the contingent liabilities will result in a drain on the liquidity of ATP and the ATP Group.

Note 20 Fair value disclosure

This note discloses how the ATP Group determines the fair value of various financial assets and financial liabilities as well as investment properties. Most of the Group's financial assets and liabilities are measured at fair value. The table below shows how the fair value of various financial assetand 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 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation method used	Observable/unobservable inputs/ranges used	Fair value sensitivity to changes in unobservable inputs
	DKKm	DKKm				
Bonds, listed	535,178	535,023	1	Closing rates of relevant stock exchange.	-	-
Bonds, observable inputs	9,062	27,043	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yields curves, spreads	-
Bonds, unobservable inputs	8,687	5,933	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 changes by DKK -293m.
Equity investments, listed	63,400	34,481	1	Closing rates of relevant stock exchange.	-	-
Equity investments, unlisted	1,580	-	2	Purchase price of recent transactions	-	-
Equity investments, unlisted	44,632	55,303	3	Reported fair value[1]	-	-
Equity investments, unlisted	2,202	3,282	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are changed by -10 per cent, the fair value changes by DKK -316m.
Financial derivatives, listed (net)	804	(608)	1	Closing rates of relevant stock exchange.[2]	-	-
Financial derivatives, unlisted (net)	13,402	21,535	2	Linear financial instruments (excluding 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	8,662	11,879	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 changes by DKK -203m.
Investments in associates	16,700	-	2	Purchase price of recent transactions	-	-
Investments in associates	19,595	12,802	3	Reported fair value[1]	-	-
Investments in associates	554	2,613	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 changes by DKK -4m.
Investments in associates	1,053	988	3	Discounting of expected future cash flows to net present value	Discount factors applied	If the discount factor changes +/- 0.5 per cent, the market value will change approx. DKK 65/-70m.
Investments in associates	511	681	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are reduced by -10 per cent, the fair value changes by DKK -72.4m.
Investments in group subsidiaries (ATP)	69,958	85,957	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	21,617	21,139	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. 4.9 per cent)	If the average required rate of return of 4.9 per cent is increased by 0.25 per cent (25 bps), the fair value of the Group's investment properties changes by DKK -974m.
Receivables from credit institutions	62,859	56,185	2	Discounting to net present value using relevant yield curve.	Yield curves	-
Payables to credit institutions	(53,775)	(29,801)	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 valued 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 input variables changed.

Group

DKKm	Quoted prices		Observable inputs		Unobservable inputs			
	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Bonds	535,178	535,023	9,062	27,043	8,687	5,933	552,927	567,999
Investments	63,400	34,481	1,580	-	46,834	58,585	111,814	93,066
Financial derivatives	1,528	386	69,884	88,163	-	-	71,412	88,549
Loans	-	-	-	-	8,662	11,879	8,662	11,879
Investments in associates and joint ventures	-	-	16,700	-	21,713	17,084	38,413	17,084
Investment properties	-	-	-	-	21,617	21,139	21,617	21,139
Receivables from credit institutions	-	-	62,859	56,185	-	-	62,859	56,185
Total	**600,106**	**569,890**	**160,085**	**171,391**	**107,513**	**114,620**	**867,704**	**855,901**
Liabilities								
Payables to credit institutions	-	-	53,775	29,801	-	-	53,775	29,801
Financial derivatives	724	994	56,482	66,627	-	-	57,206	67,621
Total	**724**	**994**	**110,257**	**96,428**	**-**	**-**	**110,981**	**97,422**

There were no significant transfers between levels 1 and 2 in 2017 and 2016.

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

	Bonds		Investments		Loans		Investments in associates		Investment properties		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Statement of financial position 1 January	5,933	1,698	58,585	60,938	11,879	8,737	17,084	14,330	21,139	20,360	114,620	106,063
Realised/unrealised gains or losses for the period, recognised in results	(17)	76	4,742	5,251	(611)	1,533	1,424	1,567	244	313	5,782	8,740
Purchase/contribution	3,835	4,190	9,527	9,604	13,237	9,821	7,013	5,992	899	584	34,511	30,191
Sale/distribution	(1,064)	(31)	(26,020)	(13,397)	(15,843)	(8,212)	(3,808)	(4,805)	(665)	(118)	(47,400)	(26,563)
Transfer into level 3	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out of level 3	-	-	-	(3,811)	-	-	-	-	-	-	-	(3,811)
Statement of financial position 31 December	**8,687**	**5,933**	**46,834**	**58,585**	**8,662**	**11,879**	**21,713**	**17,084**	**21,617**	**21,139**	**107,513**	**114,620**
Losses/gains on assets held	(120)	66	5,783	4,920	(254)	605	1,280	1,185	385	291	7,074	7,067

In 2017, there were no transfers into or out of level 3. Transfer out of level 3 in 2016 of DKK 3,831m relating to equity investments consists of unlisted equity investments that were listed in the financial year.

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

ATP

DKKm	Quoted prices		Observable inputs		Unobservable inputs			
	Level 1		Level 2		Level 3		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Assets								
Bonds	525,157	509,859	9,062	27,043	8,687	5,933	542,906	542,835
Investments	60,179	29,879	1,580	-	19,101	21,222	80,860	51,101
Financial derivatives	1,528	386	69,908	89,225	-	-	71,436	89,611
Loans, including loans to group subsidiaries	-	-	-	-	9,923	12,806	9,923	12,806
Investments in group subsidiaries	-	-	-	-	69,958	85,957	69,958	85,957
Investments in associates	-	-	16,700	-	13,963	11,487	30,663	11,487
Investment properties	-	-	-	-	-	8,028	-	8,028
Receivables from credit institutions	-	-	62,342	54,762	-	-	62,342	54,762
Total	**586,864**	**540,124**	**159,592**	**171,030**	**121,632**	**145,433**	**868,088**	**856,587**
Liabilities								
Payables to credit institutions	-	-	53,747	29,726	-	-	53,747	29,726
Financial derivatives	724	803	56,819	66,681	-	-	57,543	67,484
Total	**724**	**803**	**110,566**	**96,407**	**-**	**-**	**111,290**	**97,210**

There were no significant transfers between levels 1 and 2 in 2017 and 2016.

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

	Bonds		Investments		Loans, including loans to group subsi-diaries		Investments in group subsidiaries		Investments in associates		Investment properties		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Statement of financial position 1 January	5,933	1,698	21,222	21,553	12,806	10,818	85,957	85,460	11,487	9,222	8,028	7,749	145,433	136,500
Realised/unrealised gains or losses for the period, recognised in results	(17)	76	2,274	1,435	(478)	1,569	6,072	7,870	1,203	866	-	258	9,054	12,074
Purchase/contribution	3,835	4,190	5,021	4,745	13,272	8,556	15,378	7,731	4,100	2,750	134	284	41,740	28,256
Sale/distribution	(1,064)	(31)	(9,416)	(3,276)	(15,677)	(8,137)	(37,449)	(15,104)	(2,827)	(1,351)	(8,162)	(263)	(74,595)	(28,162)
Transfer into level 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out of level 3	-	-	-	(3,235)	-	-	-	-	-	-	-	-	-	-
Statement of financial position 31 December	**8,687**	**5,933**	**19,101**	**21,222**	**9,923**	**12,806**	**69,958**	**85,957**	**13,963**	**11,487**	**-**	**8,028**	**121,632**	**145,433**
Losses/gains on assets held	(120)	66	1,430	1,212	(174)	604	4,258	7,822	1,088	879	-	258	6,482	10,841

In 2017, there were no transfers into or out of level 3. Transfer out of level 3 in 2016 of DKK 3,235m relating to equity investments consists of unlisted equity investments which were listed in the financial year.

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 assets and 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.

2017 Group				**Related amounts not offset in the statement of financial position**		
Financial assets						
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	71,412	-	71,412	(52,677)	(18,735)	-
Receivables from credit institutions	62,859	-	62,859	(30,439)	(32,420)	-
Total	**134,271**	**-**	**134,271**	**(83,116)**	**(51,155)**	**-**

Financial liabilities				**Related amounts not offset in the statement of financial position**		
2017 Group	**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	57,206	-	57,206	(52,677)	(4,529)	-
Payables to credit institutions	53,775	-	53,775	(30,439)	(23,336)	-
Total	**110,981**	**-**	**110,981**	**(83,116)**	**(27,865)**	**-**

2016 Group				**Related amounts not offset in the statement of financial position**		
Financial assets						
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				**Related amounts not offset in the statement of financial position**		
2016 Group	**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**

Note 22 Guaranteed benefits

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Fair value as at 1 January	658,797	603,972	658,797	603,972
Change in provisions for the year:				
Contributions	9,703	9,572	9,703	9,572
– of which transferred to bonus potential	(1,941)	(1,914)	(1,941)	(1,914)
Pension benefits	(16,075)	(15,454)	(16,075)	(15,454)
Change due to life expectancy update	1,006	9,901	1,006	9,901
Change due to change in discount rate	(15,021)	45,551	(15,021)	45,551
Bonus allowance for the year	6,406	-	6,406	-
Change due to maturity reduction	7,982	6,329	7,982	6,329
Other changes	24	840	24	840
Total change in provisions for the year	**(7,916)**	**54,825**	**(7,916)**	**54,825**
Fair value as at 31 December	**650,881**	**658,797**	**650,881**	**658,797**
Change in provisions for the year, broken down by the Group's and ATP's activities:				
Hedging activities:				
Change due to maturity reduction	7,982	6,329	7,982	6,329
Change due to change in discount rate	(15,021)	45,551	(15,021)	45,551
	(7,039)	**51,880**	**(7,039)**	**51,880**
Pension activities:				
Contributions	9,703	9,572	9,703	9,572
– of which transferred to bonus potential	(1,941)	(1,914)	(1,941)	(1,914)
Pension benefits	(16,075)	(15,454)	(16,075)	(15,454)
Other changes	24	840	24	840
Change in guaranteed benefits due to contributions and pension benefits	(8,289)	(6,956)	(8,289)	(6,956)
Change due to life expectancy update	1,006	9,901	1,006	9,901
	(7,283)	**2,945**	**(7,283)**	**2,945**
Other results:				
Bonus allowance for the year	6,406	-	6,406	-
Total	**(7,916)**	**54,825**	**(7,916)**	**54,825**
Sensitivity disclosures:				
Change in provisions at the following changes:				
Interest rate increase of 1 percentage point	(80,950)	(83,720)	(80,950)	(83,720)
Interest rate fall of 1 percentage point	99,741	103,551	99,741	103,551
Mortality rate increase of 10 per cent	(21,700)	(21,883)	(21,700)	(21,883)
Mortality rate fall of 10 per cent*	23,961	24,151	23,961	24,151

* In 2017, a 10 per cent fall in the mortality rate was equivalent to a 1.0 year increase in life expectancy (2016: 1.0 year).

§ Accounting policies

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 also comprise 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.

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. Until 2015, the return was fixed for life at the time of the contribution payment. The adjustment applied 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.

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 2017 and 2016.

Yield curve points	**2017**	**2016**
1 year	(0.5)%	(0.5)%
5 years	0.1%	(0.2)%
10 years	0.7%	0.5%
15 years	1.1%	0.9%
20 years	1.3%	1.1%
30 years	1.4%	1.1%
Inflation	0.8%	0.3%

The ATP Group's pension provisions, calculated using the discount rates applied by ATP, EIOPA and the Danish FSA at year-end 2017, are available at ATP's website (www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group).

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.

Note 23 Bonus potential, Group

2017 Group

DKKm	Revaluation reserve	Other	Retained earnings	Total
Bonus potential as at 1 January	52	12	100,390	100,454
Net results for the year	-	-	17,239	17,239
Other comprehensive income:				
Revaluation reserve in respect of owner-occupied properties	2	-	-	2
Total other comprehensive income	**2**	**-**	**-**	**2**
Comprehensive income for the year	**2**	**-**	**17,239**	**17,241**
Bonus potential as at 31 December	**54**	**12**	**117,629**	**117,695**

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	0
Bonus potential that must be retained as unallocated bonus	117,695
Total	**117,695**

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**

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**

Note 23 Bonus potential, ATP

2017 ATP

DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as at 1 January	38	100,416	100,454
Net results for the year	-	17,239	17,239
Other comprehensive income:			
Revaluation reserve in respect of owner-occupied properties	2	-	2
Total other comprehensive income	**2**	**-**	**2**
Comprehensive income for the year	**2**	**17,239**	**17,241**
Bonus potential as at 31 December	**40**	**117,655**	**117,695**

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	0
Bonus potential that must be retained as unallocated bonus	117,695
Total	**117,695**

2016 ATP

DKKm	Revaluation reserve	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)**	**0**	**(3)**
Comprehensive income for the year	**(3)**	**(785)**	**(788)**
Bonus potential as at 31 December	**38**	**100,416**	**100,454**

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**

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.

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.

In 2017, ATP changed its bonus policy to the effect that the annual bonus decision is made on the basis of an overall assessment of a number of aspects based on the bonus rate. The bonus rate is defined as bonus potential relative to guaranteed benefits, see note 30. The guideline for a general bonus allowance is 20 per cent, while the guideline for a bonus allowance for all current pensioners is 10 per cent.

Based on the bonus rate and an overall assessment of the investment results, inflation and expenses for increases in life expectancy, ATP's Supervisory Board has decided to increase the pensions of all members by 1 per cent in 2017.

Note 24 Intangible assets

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Goodwill:				
Cost as at 1 January	221	221	-	-
Additions	-	-	-	-
Cost as at 31 December	**221**	**221**	**-**	**-**
Impairment losses as at 1 January	(177)	(177)	-	-
Impairment losses for the year	-	-	-	-
Impairment losses as at 31 December	**(177)**	**(177)**	**-**	**-**
Carrying amount as at 31 December	**44**	**44**	-	-
Internal development projects:				
Cost as at 1 January	1,748	1,477	1,736	1,465
Additions during the year	296	271	293	271
Disposals during the year	-	-	-	-
Cost as at 31 December	**2,044**	**1,748**	**2,029**	**1,736**
Amortisation as at 1 January	(1,056)	(939)	(1,045)	(928)
Amortisation and impairment losses for the year	(147)	(117)	(146)	(117)
Amortisation as at 31 December	**(1,203)**	**(1,056)**	**(1,191)**	**(1,045)**
Carrying amount as at 31 December	**841**	**692**	**838**	**691**
Total intangible assets:				
Cost as at 1 January	1,969	1,698	1,736	1,465
Additions during the year	296	271	293	271
Disposals during the year	-	-	-	-
Cost as at 31 December	**2,265**	**1,969**	**2,029**	**1,736**
Amortisation and impairment losses as at 1 January	(1,233)	(1,116)	(1,045)	(928)
Amortisation and impairment losses for the year	(147)	(117)	(146)	(117)
Amortisation and impairment losses as at 31 December	**(1,380)**	**(1,233)**	**(1,191)**	**(1,045)**
Carrying amount as at 31 December	**885**	**736**	**838**	**691**

§ Accounting policies

Goodwill
On initial recognition, goodwill is recognised in the statement of financial position at cost. 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.

Significant accounting estimates

Impairment test for goodwill

As at 31 December 2017, 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	
	2017	**2016**	**2017**	**2016**
Goodwill				
NOW: Pension Ltd.	170	170	-	-
ATP Ejendomme A/S*	44	44	-	-
	214	**214**	**-**	**-**
Recoverable amount				
NOW: Pension Ltd.	-	-	-	-
ATP Ejendomme A/S	44	44	-	-
	44	**44**	**-**	**-**

* Goodwill related to ATP Ejendomme A/S originally related to the acquisition of Ejendomsselskabet Vangede A/S. On 1 January 2017, Ejendomsselskabet Vangede A/S merged with ATP Ejendomme A/S, with ATP Ejendomme A/S as the surviving company.

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 Udbetaling Danmark – Public Benefits Administration. The carrying amount of tendering of the contract for IT systems totalled DKK 679m as at 31 December 2017 (2016: DKK 499m). 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 2017 relates to projects that have been completed for operation and are used mainly by the Group's Processing Business. The annual review of the recoverable amount did not reveal a need to record impairment losses.

In 2017, the Supervisory and Executive Boards conducted an impairment test of the carrying amount of development projects in progress. It is assessed that the recoverable amount exceeds the carrying amount, except for the mention below of the new Udbetaling Danmark – Public Benefits Administration pension system.

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 2018-2022 as approved by the Supervisory and Executive Boards.

On 14 March 2017, ATP terminated the contract with KMD on the development of a new pension system for Udbetaling Danmark – Public Benefits Administration and launched a retender of the IT solution.
In that connection, ATP's Supervisory and Executive Boards performed an assessment of the portion of the project expenses capitalised for accounting purposes. This assessment revealed a need to record an accounting impairment loss of DKK 56m, which was recorded in 2017.

Note 25 Owner-occupied properties

DKKm	Group 2017	Group 2016	ATP 2017	ATP 2016
Cost as at 1 January	846	835	807	797
Additions during the year	19	11	18	10
Cost as at 31 December	**865**	**846**	**825**	**807**
Revaluations as at 1 January	52	51	38	41
Revaluations for the year	2	4	2	0
Reversal of revaluations due to value adjustment	0	(3)	0	(3)
Revaluations as at 31 December	**54**	**52**	**40**	**38**
Depreciation and impairment losses as at 1 January	(44)	(39)	(40)	(36)
Depreciation for the year	(5)	(5)	(5)	(4)
Depreciation and impairment losses as at 31 December	**(49)**	**(44)**	**(45)**	**(40)**
Fair value as at 31 December	**870**	**854**	**820**	**805**

§ 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 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	2017	2016	2017	2016
Rental income for the year from property rental	1,350	1,323	69	572
Lessees are under contractual obligation for an average of (years)	8	10	4	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	1,058	1,053	31	472
Between 1 and 5 years	2,835	2,684	119	812
After 5 years	3,168	3,351	40	250
Total rental income	**7,061**	**7,088**	**190**	**1,534**

Note 27 Contingent liabilities and collateral

Collateral

The ATP Group provides and receives assets as collateral in connection with repo and reverse transactions as well as providing and receiving assets to clearing centres and other counterparties 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	2017	2016	2017	2016
Assets provided as collateral:				
Bonds	68,177	43,663	67,659	43,587
Loans	4,104	5,978	4,104	5,978
Cash and cash equivalents	478	2,655	441	455
Total assets provided as collateral	**72,759**	**52,296**	**72,204**	**50,020**
Assets received as collateral:				
Bonds	80,939	84,979	80,913	83,554
Total assets received as collateral	**80,939**	**84,979**	**80,913**	**83,554**
Investment and loan commitments				
Investment commitments, equity investments	13,644	13,696	430	35
Investment commitments, real estate funds	795	604	708	390
Investment commitments, Danish properties	279	102	12	47
Investment commitments, infrastructure	7,504	6,030	7,504	6,030
Investment commitments, credit funds	2,019	5,383	2,019	5,383
Loan commitments, businesses	19,147	24,158	19,147	24,158
Loan commitments, credit funds	9,834	12	9,834	12
Investment commitments, group subsidiaries	-	-	24,945	28,081
Loan commitments, group subsidiaries	-	-	1,585	1,780
Other contingent liabilities				
Rental/lease obligations	720	487	702	467
Potential deferred tax related to real estate[1]	256	167	-	-
Other contingent liabilities[2]	1,486	1,371	1,434	1,319

[1] Under certain conditions, the ATP Group is not subject to income tax on the activities of its subsidiary ATP Ejendomme 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 2017, ATP Ejendomme A/S met the conditions for tax exemption.

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

Note 27 Contingent liabilities and collateral, continued

Owing to its size and business volumes, the ATP Group is continually a party to various lawsuits and disputes. Cases are assessed on an ongoing basis, and pending lawsuits and disputes are not believed to have any significant impact on the financial position of the ATP Group.

On 14 March 2017, based on a decision made by the Supervisory Board of Udbetaling Danmark – Public Benefits Administration, ATP terminated the contract on the development, operation and maintenance of a new pension system under the tendering programme. In that connection, ATP filed a financial claim against KMD. The dispute has been submitted to arbitration. The Supervisory and Executive Boards believe that ATP and Udbetaling Danmark – Public Benefits Administration will be awarded damages and compensation. As ATP's business processing tasks on behalf of Udbetaling Danmark – Public Benefits Administration are performed on a cost-recovery and risk-free basis, ATP is guaranteed compensation for any loss.

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.

§ Accounting policies

The accounting treatment of contingent assets and liabilities is 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 28 Related party transactions

The ATP Group

Related parties of the ATP Group are associates and joint ventures as well as independent schemes managed by ATP. For an overview of associates and joint ventures, 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:

2017
DKKm

	Sale	Purchase	Contributions	Distributions	Payables	Receivables/ Loans	Contingent liabilities
Associates and joint ventures	8	-	760	2,965	-	2	4,612
Independent schemes managed by ATP	2,029	-	-	-	723	284	-
Total related party transactions	**2,037**	-	**760**	**2,965**	**723**	**286**	**4,612**

2016
DKKm

	Sale	Purchase	Contributions	Distributions	Payables	Receivables/ Loans	Contingent liabilities
Associates and joint ventures	5	-	3,481	2,739	-	-	639
Independent schemes managed by ATP	1,533	-	-	-	589	298	-
Total related party transactions	**1,538**	-	**3,481**	**2,739**	**589**	**298**	**639**

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

Contributions include capital contributions in associates and joint ventures, while distributions include distributions, including dividends. Contingent liabilities to associates and joint ventures consist of investment and loan commitments.

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 2017 total DKK 0.0m (2016: DKK 0.0m).

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 28 Related party transactions, continued

ATP

Related parties of ATP are associates, joint ventures, group subsidiaries and independent schemes managed by ATP. For an overview of associates, joint ventures 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:

2017
DKKm

	Sale	Purchase	Forward contracts, net, and interest on loans	Contributi-ons	Distributions	Payables [1]	Receivables/ Loans [1]	Contingent liabilities
Associates and joint ventures	-	-	-	760	2,684	-	-	4,083
Group subsidiaries	30	31	(434)	15,707	37,676	350	2,956	26,530
Independent schemes managed by ATP	2,029	-	-	-	-	723	284	-
Total related party transactions	**2,059**	**31**	**(434)**	**16,467**	**40,360**	**1,073**	**3,240**	**30,613**

2016
DKKm

	Sale	Purchase	Forward contracts, net, and interest on loans	Contributi-ons	Distributions	Payables [1]	Receivables/ Loans [1]	Contingent liabilities
Associates and joint ventures	-	-	-	1,059	302	-	-	38
Group subsidiaries	34	70	155	7,163	14,941	254	3,945	29,861
Independent schemes managed by ATP	1,533	-	-	-	-	589	298	-
Total related party transactions	**1,568**	**70**	**155**	**8,222**	**15,243**	**843**	**4,243**	**29,899**

[1] Payables and receivables include positive/negative market values of intercompany forward transactions.

Sales to associates, joint ventures, group subsidiaries and schemes comprise a number of administration functions, including accounting functions, IT operations and development and staff administration etc.

Forward contracts, net, include net payments in respect of intercompany forward exchange transactions made by ATP on behalf of group subsidiaries. Also included is interest on loans to group subsidiaries totalling DKK 78m (2016: DKK 84m).

Contributions include capital contributions in associates, joint ventures and group subsidiaries, while distributions include distributions, including dividends. Contingent liabilities to associates, joint ventures and group subsidiaries consist of investment and loan commitments.

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 2017 total DKK 0.0m (2016: DKK 0.0m).

Loans to group subsidiaries are unsecured, and no impairment losses have been recorded.

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.

Note 29 Non-current and current assets and liabilities

	Group		ATP	
DKKm	2017	2016	2017	2016
Non-current assets:				
Bonds	519,222	520,942	510,673	497,192
Investments	111,814	92,537	80,860	51,101
Financial derivatives	65,309	86,076	65,308	86,076
Loans	8,625	11,879	7,003	9,985
Loans to group subsidiaries	-	-	2,920	2,821
Investments in group subsidiaries	-	-	69,958	85,957
Investments in associates and joint ventures	38,413	17,084	30,663	11,487
Intangible assets	885	736	838	691
Investment properties	21,617	21,139	-	8,028
Owner-occupied properties	870	854	820	805
Operating equipment	24	19	17	13
Total non-current assets	**766,779**	**751,266**	**769,060**	**754,156**
Current assets:				
Cash and demand deposits	8,492	6,798	7,228	3,545
Bonds	33,705	47,057	32,233	45,643
Investments	-	529	-	-
Financial derivatives	6,103	2,473	6,127	3,535
Loans	37	-	-	-
Receivables from group subsidiaries	-	-	7	11
Tax receivable on pension savings returns and income tax	-	1	-	-
Deferred tax on pension savings returns and income tax	-	1	-	-
Receivables from credit institutions	62,859	56,185	62,342	54,762
Interest receivable	3,156	3,849	3,006	3,519
Contributions receivable	2,594	2,566	2,594	2,566
Other receivables	10,606	2,739	9,954	1,168
Other prepayments	938	851	932	841
Total current assets	**128,490**	**123,049**	**124,423**	**115,590**
Total assets	**895,269**	**874,315**	**893,483**	**869,746**
Non-current liabilities:				
Financial derivatives	53,925	61,207	53,925	61,207
Deferred tax on pension savings returns and income tax	69	154	-	-
Other payables	1,068	965	694	550
Guaranteed benefits	634,003	642,457	634,003	642,457
Bonus potential	117,695	100,454	117,695	100,454
Minority interests	426	407	-	-
Total non-current pension provisions and liabilities	**807,186**	**805,644**	**806,317**	**804,668**
Current liabilities:				
Guaranteed benefits	16,878	16,340	16,878	16,340
Payables to group subsidiaries	-	-	-	169
Financial derivatives	3,281	6,414	3,618	6,277
Deferred tax on pension savings returns and income tax	132	-	-	-
Tax payable on pension savings returns and income tax payable	2,822	10,555	2,816	10,554
Payables to credit institutions	53,775	29,801	53,747	29,726
Other payables	11,195	5,561	10,107	2,012
Total current liabilities	**88,083**	**68,671**	**87,166**	**65,078**
Total equity and liabilities	**895,269**	**874,315**	**893,483**	**869,746**

§ Accounting policies

Assets that must, according to contract, be realised within 12 months and assets that are reasonably expected to be realised within 12 months after the reporting period are classified as current assets. In addition, cash and cash equivalents are classified as current unless restricted or earmarked for settling a specific liability more than 12 months after the reporting period.

Current liabilities are liabilities that are due to be settled within 12 months after the reporting period and liabilities for which ATP does not have an unconditional right to defer settlement beyond 12 months after the reporting period. Non-current liabilities are all other liabilities not classified as current liabilities.

Note 30 Five-year summary for ATP

Financial highlights (DKKm)	2017	2016	2015	2014	2013
Contributions	9,703	9,572	9,055	9,049	11,587
Pension benefits	16,075	15,454	14,566	13,661	12,741
Investment return	15,879	60,149	6,584	116,752	(30,109)
Total pension-related operating expenses	191	239	283	300	310
Technical profit/(loss)	17,232	(797)	5,385	2,466	9,156
Net results for the year	17,239	(785)	5,402	2,481	9,168
Bonus potential	117,695	100,454	101,242	95,831	93,344
Total pension provisions	768,576	759,251	705,214	704,423	592,566
Total assets	893,483	869,746	781,228	812,433	677,497
Members (number in thousands)	5,118	5,044	4,971	4,901	4,839
Pensioners (number in thousands)	1,033	1,004	975	944	915
Ratios					
Return ratios[1]					
Return before tax on pension savings returns (per cent)	2.5	10.1	1.1	23.3	(5.7)
Return after tax on pension savings returns (per cent)	2.1	8.6	0.9	19.8	(4.8)
Expense ratios					
Expense ratio for provisions	0.03	0.04	0.05	0.05	0.06
Expenses per member (DKK)	38	48	57	62	65
Other ratios					
Bonus rate (per cent)	18.1	15.2	16.8	15.8	18.7

The five-year summary for ATP has been prepared in accordance with the format requirements of the Danish Financial Supervisory Authority (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.

Please refer to the description of ratios in Appendix 3 in ATP's executive order on accounting issued by the Danish FSA (Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP), Executive Order no. 570 of 2 June 2016).

[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 31 Breakdown of ATP's assets and their returns

	Carrying amount 31 December 2017		Return p.a. before tax on pension savings returns
	DKKm		per cent
	Primo	**End of year**	
Land and buildings	**31,616**	**40,115**	**7.4**
Listed equity investments	31,536	60,350	22.2
Unlisted equity investments	57,301	68,457	11.0
Total equity investments	**88,837**	**128,807**	**15.1**
Government and mortgage bonds	539,473	528,335	(0.3)
Index-linked bonds	715	8,972	(1.4)
Credit bonds and emerging market bonds	25,082	19,372	(2.4)
Loans etc.	14,945	12,426	(3.1)
Total bonds and loans	**580,215**	**569,105**	**(0.4)**
Subsidiaries	**15,286**	**0**	26.7
Other investment assets	**25,300**	**18,840**	36.1
Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities	**25,823**	**10,983**	6.6
Total investment assets	**767,077**	**767,850**	**2.6**

Specifications

Value creation, ATP

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. In order to improve the description of ATP's overall value creation, ATP calculates three ratios.

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.

Value creation from the bonus potential illustrates the return on the bonus potential. 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 more information about the definition of ATP's value creation ratios, see 'Further Information' at www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group.

Value creation, per cent	**2017**	**2016**	**2015**	**2014**	**2013**
Value creation from guarantees	3.7	3.7	3.8	3.9	3.9
Value creation from bonus potential	22.5	7.3	10.9	3.6	14.2
Total value creation	7.3	4.4	5.2	3.8	5.9

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 Compliance Officer
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 Compliance Officer

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

Appointed by Local Government Denmark (LGDK):
Søren Kristensen, 1st 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
Christian Hyldahl, Chief Executive Officer (CEO)

Other members of the Group Management
Lilian Mogensen, Chief Operating Officer (COO) of Processing Business and HR
Kasper Ahrndt Lorenzen, Executive Vice President, Chief Investment Officer (CIO)
Bo Foged, Chief Financial Officer (CFO)
Mads Smith Hansen, Executive Vice President, Chief Risk Officer (CRI)
Dewi Dylander, Chief Legal Officer
Bård Grande, Chief HR Officer
Annemette Moesgaard, Chief Communications Officer

Chief Actuary:
Camilla Fredsgaard Larsen

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

Skills and other directorships etc. held by members of the Supervisory Board

Jørgen Søndergaard, Chairman of the Supervisory Board
Born: 18 January 1949
Seniority: joined the Supervisory Board in 2003 – current term expires in 2018

Skills:
- Executive management experience as Executive Director of SFI – the Danish National Centre for Social Research from 1995 to 2013 and from directorships and chairmanships of a number of government-appointed commissions and committees
- Experience with and knowledge of economics – including development and application of economic models
- Experience with and knowledge of ATP's strategy, tasks and role, including related social and pension issues
- Experience with and knowledge of the General Data Protection Regulation
- Broad knowledge of politics and society, including stakeholder management
- Experience with the design of pension schemes, pension models and risk management
- Long-standing experience with research and communications
- International networking experience

Education:
- Supervisory Board training: Rotman ICPM Board Effectiveness Programme
- 'Stifinderprogrammet for ledelsesudvikling' (programme aimed at experienced leaders and specialists)
- MSc in Economics and Management, Aarhus University

Other directorships:
- Chairman 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 TM A/S
- 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
Born: 5 July 1949
Seniority: joined the Supervisory Board in 2011 – current term expires in 2020

Skills:
- Executive management experience as Managing Director and Editor-in-Chief of Sjællandske Medier A/S and from directorships
- Broad knowledge of politics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. as Chairman of the Board of Directors of PFA Pension A/S and PFA Holding A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- In-depth knowledge of national and international labour market conditions
- Long-standing experience with media and communications

Education:
- Graduate from the Danish School of Media and Journalism

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 Boards of Directors 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
- Member of the Board of Directors of Business Europe

Kim Graugaard, Deputy Director General
Born: 22 September 1961
Seniority: joined the Supervisory Board in 2003 – current term expires in 2018

Skills:
- Executive management experience as Deputy Director General of the Confederation of Danish Industry (DI) and from directorships
- Broad knowledge of politics, economics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. as Vice Chairman of Industriens Pensionsforsikring A/S and Industriens Pension Holding A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- In-depth knowledge of employee and collective agreement issues, pay and employment law, labour market economics, labour environment and international labour market conditions
- Experience with and knowledge of business processing and IT

Education:
- MSc in Political Science, Aarhus University

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 Boards of Directors of Industriens Pensionsforsikring A/S, Industriens Pension Holding A/S and Industriens Pension Service A/S
- Member of the Supervisory Board of the Confederation of Danish Employers (DA)
- Judge of the Industrial Court

Jacob Holbraad, Director General
Born: 31 July 1968
Seniority: joined the Supervisory Board in 2015 – current term expires in 2020

Skills:
- Executive management experience as Director General of the Confederation of Danish Employers (DA) and from executive positions in the civil service
- Long-standing experience with political affairs – including economic policy as well as stakeholder management
- Experience with and knowledge of economic and social affairs and analysis and preparation and implementation of strategies and plans
- Experience with and knowledge of ATP's strategy, tasks and role in society
- In-depth knowledge of national and international labour market conditions

Education:
- MSc in Political Science, University of Copenhagen

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
Born: 26 September 1961
Seniority: joined the Supervisory Board in 2014 – current term expires in 2019

Skills:
- Executive management experience as Chief Financial Officer and Chief Investment Officer in PFA Pension A/S (2009-2014) and from directorships
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc.
- In-depth knowledge of accounting, budgeting and audit issues, inter alia as Chairman of the Audit Committee of NNIT A/S as well as of VKR Holding and Velux A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- Knowledge of and experience with risk management, compliance and actuarial functions
- Knowledge of and experience with technological advances, IT and the General Data Protection Regulation
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Is also a lecturer on the CBS Executive board programmes

Education:
- Executive education programme from Stanford Directors' College
- CBS Board Masterclass
- Executive programmes, DIEU
- MSc in Economics and Management, Aarhus University

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 Board of Directors of PensionDanmark A/S
- Member of the Board of Directors and Chairman of the Audit Committee of Velux A/S
- Member of the Board of Directors and Chairwoman of the risk committee of Danske Commodities A/S
- Vice Chairwoman of the Board of Directors of Bruhn Holding ApS

Anne Jæger, Group Chief Compliance Officer
Born: 7 December 1966
Seniority: joined the Supervisory Board in 2014 – current term expires in 2020

Skills:
- Executive management experience as Group Chief Compliance Officer of Zurich Insurance Group, Group Chief Auditor Assicurazioni Generali S.p.A. (2015-2017), RSA Insurance Group (2001-2015), KPMG and from directorships
- Long-standing experience with insurance and pension activities
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- In-depth knowledge of auditing, including internal auditing as well as of financial statements and budgeting in major international financial groups
- Knowledge of and experience with compliance, risk management, regulatory affairs, corporate governance, internal models, the Solvency II Regulations as well as the anti-money laundering area
- Experience with and knowledge of ATP's strategy, tasks and role in society

Education:
- State Authorised Public Accountant
- MSc in Business Economics and Auditing, Copenhagen Business School (CBS)
- Supervisory Board training: Rotman ICPM Board Effectiveness Programme
- RSA Executive development programme
- Certified Professional Coach, Henley University

Other directorships:
- Group Chief Compliance Officer Zurich Insurance Group, Switzerland
- 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
Born: 6 November 1948
Seniority: joined the Supervisory Board in 2015 – current term expires in 2020

Skills:
- Executive management experience as Chairman of Central Denmark Region and Chairman of Danish Regions and from directorships
- Broad knowledge of politics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including i nvestment and financial markets, pension models, risk management etc. as Chairman of the Board of Directors of PKA A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- In-depth knowledge of labour market conditions

Education:
- MA in Social Science and History, Aarhus University

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 Board of Directors 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 Board of Directors of Fonden bag udstilling af skulpturer ved Aarhusbugten
- Chairman of the Board of Directors of the Port of Grenaa
- Chairman of the Board of Directors of Ejendomsaktieselskabet Dronningegården
- Member of the Board of Directors of Ejendomsselskabet Moesgård A/S

Employee representatives

Lizette Risgaard, President
Born: 15 July 1960
Seniority: joined the Supervisory Board in 2007 – current term expires in 2018

Skills:
- Executive management experience as President of the Danish Confederation of Trade Unions (LO) and Chairwoman of LD – The Employees' Capital Pension Fund and from directorships
- Broad knowledge of politics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. from directorships in ALKA Forsikring A/S and Arbejdernes Landsbank A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- Experience with and knowledge of budgets and financial statements
- In-depth knowledge of national and international labour market conditions

Education:
- Master of Public Administration
- Supervisory Board training: Rotman ICPM Board Effectiveness Programme
- Executive training from FIU (in-house training programmes of Danish trade unions) and the Danish Association of Managers and Executives (LH)
- Business Diploma in Organisation and Management
- Office assistant

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
- Chairwoman 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
- Chairwoman of the Board of Directors of A/S A-Pressen
- Chairwoman of Konventum A/S
- Member of the Board of Directors of ALKA Forsikring A/S
- 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 A/S
- 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
- Chairwoman of the 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
- Member of the Executive Committee of NFS (Council of Nordic Trade Unions)

Arne Grevsen, Vice President
Born: 19 April 1956
Seniority: joined the Supervisory Board in 2015 – current term expires in 2018

Skills:
- Executive management experience as First Vice President of the Danish Confederation of Trade Unions (LO) and from directorships
- Broad knowledge of politics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. from directorships in Arbejdernes Landsbank A/S and PensionDanmark A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- In-depth knowledge of national and international labour market conditions

Education:
- Executive training under the auspices of Danish trade unions and experience from various directorships
- Gardener
- Forwarding agent

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)
- 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
Born: 20 September 1958
Seniority: joined the Supervisory Board in 2014 – current term expires in 2020

Skills:
- Executive management experience as Managing Director of Arbejdernes Landsbank A/S and from directorships
- Long-standing experience with financial undertakings – including investment and financial markets, pension models, risk management, payment services, cash management etc. – as a member of the Executive Board of Arbejdernes Landsbank A/S and the Board of Directors of BI Holding A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- Experience with and knowledge of budgets and financial statements
- Experience with and knowledge of ATP's strategy, tasks, role in society and international activities
- Broad knowledge of politics, economics and society, including stakeholder management

Education:
- Graduate Diploma Programme in Business Administration (Financing)
- Banking background

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
- Member of the Board of Directors of VP Securities A/S

Kim Simonsen, President
Born: 23 April 1961
Seniority: joined the Supervisory Board in 2010 – current term expires in 2019

Skills:
- Executive management experience as President of the Union of Commercial and Clerical Employees in Denmark (HK) and from various executive positions in, inter alia, HK/the Danish Confederation of Trade Unions (LO) and from directorships
- Broad knowledge of politics and society, including stakeholder management
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. – as Chairman of ALKA Forsikring and member of the Audit Committee and as Vice Chairman of Sampension A/S and member of the Audit and Risk Committee
- Experience with and knowledge of technological advances and IT, including the design and implementation of major IT systems at executive level
- In-depth knowledge of national and international labour market conditions

Education:
- Executive training programmes under the auspices of HK and LO
- Board training programmes from Bestyrelsesakademiet
- Executive Programme at Singularity University
- Tax assistant
- Part I of the Graduate Diploma Study Programme (Tax) at the Danish School of Public Administration

Other directorships:
- President of the Union of Commercial and Clerical Employees in Denmark (HK)
- President of the Union of Commercial and Clerical Employees in Denmark (HK), unemployment insurance fund
- Chairman of the Board of Directors of AKF-Holding
- Chairman of the Board of Directors and member of the Audit Committee of ALKA Forsikring
- Chairman of Refshaleøens Ejendomsselskab
- Chairman of Kommanditselskab Christiansminde
- Chairman and Director of ASX7 Aps, Svendborg
- Vice Chairman of the Board of Directors of Sampension Administrationsselskab A/S
- Vice Chairman of the Board of Directors and member of the Audit and Risk Committee of Sampension KP Livsforsikring A/S
- Member of the Supervisory Board of ATP
- 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
- Member of the Board of Directors of Fagbevægelsens hvervsinvestering A/S
- Member of the Board of Directors of Danske A-kasser
- 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 Board of the Danish Foundation for Entrepreneurship Denmark
- 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

Bente Sorgenfrey, President
Born: 28 April 1956
Seniority: joined the Supervisory Board in 2004 – current term expires in 2020

Skills:
- Executive management experience as President of the Salaried Employees' and Civil Servants' Confederation (FTF) and from directorships
- Broad knowledge of politics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. from directorships in RUNA Forsikring A/S and Lån og Spar Bank A/S
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- Experience with and knowledge of budgets, financial statements and auditing
- Experience with and knowledge of business processing and IT, including organisational development
- In-depth knowledge of national and international labour market conditions

Education:
- Master of Public Administration, Copenhagen Business School
- Diploma programme: 'Bestyrelsesarbejde i Arbejdsmarkedspensionskasser' (directorships in labour market pension funds), CBS Executive
- Executive training programme (currently Diploma of Leadership), Royal Danish School of Educational Studies
- Various short-term executive and board training programmes in relation to directorships
- Bachelor in Social Education (Pre-school), Frøbel University College

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 Chairwoman of Absalon University College
- 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
Born: 24 November 1967
Seniority: joined the Supervisory Board in 2016 – current term expires in 2018

Skills:
- Executive management experience as President of the Danish Confederation of Professional Associations (Akademikerne) and from various executive positions in the Association of Danish Lawyers and Economists (DJØF) and from directorships
- Long-standing experience with pension and insurance – including investment and financial markets, pension models, risk management etc. – from directorships in Lån og Spar Bank A/S and Juristernes og Økonomernes Pensionskasse (pension fund of Danish lawyers and economists), including as a member of the Audit Committee
- Experience with the design of pension schemes, including challenges related to pensions, taxation and offsetting
- Experience with and knowledge of budgets, financial statements and auditing
- Broad knowledge of politics and society, including stakeholder management
- Experience with and knowledge of ATP's strategy, tasks and role in society
- Experience with and knowledge of business processing and IT
- In-depth knowledge of labour market conditions

Education:
- Master of Public Governance
- Master of Laws, University of Copenhagen
- Bachelor of Arts, Carroll College, USA

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 ATP Act (*ATP-loven*). 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. For information about other directorships, skills and qualifications held by members of the Supervisory Board and relevant to ATP etc., please see the section 'Skills and other directorships etc. held by members of the Supervisory Board'.

The duties of the Board of Representatives and the Supervisory Board are governed by procedures, and ATP's Supervisory Board has appointed four Supervisory Board committees in the form of an Executive Committee (including a Remuneration Committee), an Audit Committee and an ORSA Committee.

The Executive Committee consists of the Chairman and two Supervisory Board members, appointed by the employer and employee representatives of the Supervisory Board. The task of the Executive Committee is to make decisions and to prepare and implement Supervisory Board resolutions as authorised by the procedures adopted by the Supervisory Board. The Executive Committee has the authority to make a range of decisions, especially pertaining to investment and employment conditions. ATP's Executive Committee ordinarily convenes 10 times a year.

The Executive Committee is responsible for performing the duties of the ATP Remuneration Committee. The duties are integrated in the agendas of the Executive Committee on an ongoing basis and comply with the processes applicable for the Executive Committee. The primary duties of the Remuneration Committee are to prepare Supervisory Board decisions on remuneration, including pay policy and guidelines for incentive programmes.

ATP's Audit Committee consists of the Chairman of ATP's Supervisory Board and two other Board members. The Chairman of the Supervisory Board is the Chairman of the Audit Committee. The purpose of the Audit Committee is 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 Audit Committee convenes ordinarily five times a year. The Audit Committee's Terms of Reference are determined by the Supervisory Board.

The ORSA Committee is an advisory committee under the Audit Committee. The ORSA Committee consists of the Chairman of ATP's Supervisory Board and three members of the Supervisory Board with operational experience and expertise within relevant specialist fields. The ORSA Committee has no decision-making power. It is a technical advisory committee with the objective of supporting 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 programmes, please visit www.atp.dk

The financial reporting process

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

The Danish ATP Act contains provisions on financial reporting and auditing. In addition, the Danish Financial Supervisory Authority (FSA) has issued an executive order on financial reporting by ATP. ATP prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS).

The external auditor is appointed by the Board of Representatives, after the audit assignment has been the subject of an EU tender. The Supervisory Board approves an annual audit plan.

ATP's Audit Committee reviews and discusses ATP's annual report with a focus on significant circumstances relating to the financial reporting process and accounting practice. The Audit Committee is also provided with accounts of analyses performed by Management, describing significant aspects of ATP's financial reporting and estimates made in the preparation of the annual report and interim reports, with particular focus on investment conditions, pension provisions, budgets and cost allocation.

The Audit Committee has been appointed to assist the Supervisory Board in fulfilling its oversight responsibilities for the financial reporting process, with particular focus on ensuring reliability, integrity and transparency in financial reports.

The Audit Committee ensures that ATP's financial reporting process, internal control system, internal audit and risk management systems are effective. The statutory auditing of annual reports and the auditor's independence are also checked, in particular with respect to the provision of additional services to the company. Another Audit Committee duty is the submission of proposals for election of auditors. Finally, the Audit Committee may perform duties subject to specific decisions made by the ATP Supervisory Board.

During the year, the Audit Committee is provided with accounts of analyses performed by Management, describing significant aspects of ATP's financial reporting and estimates made in the preparation of the annual report and interim reports, with particular focus on investment conditions, pension provisions, budgets and cost allocation.

ATP's risk management in connection with financial reporting is based on the internal control system and includes clearly defined organisational areas of responsibility, requirements for business processes, approval procedures and reporting requirements in connection with the financial reporting process.

The most significant elements in ATP's financial reporting are the calculation of pension provisions and the calculation of financial assets and financial liabilities. These items and their calculation are considered to be the key elements in the financial reporting process. Other major focus areas in the financial reporting process are compliance with accounting legislation, calculation of items subject to estimates, unusual transactions and completeness of information.

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

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

GENERAL MATTERS

- 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 held by members of the Group Management

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

- Stewardship Code
- Breakdown of the ATP Group's portfolio of government bonds, broken down by issuer country, year-end 2017
- Exposure to equity indices in financial derivatives
- 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 2017
- Breakdown of the ATP Group's listed international equities, year-end 2017
- 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 2017
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP, EIOPA and the Danish FSA, at the end of H1 2017

Responsibility

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

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