

The ATP Group

# Annual report 2018



atp=

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**= Management's  
review**

# Highlights

## Results

**DKK (5.5)bn**

net results for the year before life expectancy update and increase in pensions

**DKK (20.0)bn**

life expectancy update

**DKK (25.5)bn**

net results for the year

## Return and expenses

**(3.2) per cent**

investment return (before tax and expenses) relative to bonus potential<sup>1</sup>

**8.0 per cent**

average annual return for the past 20 years (N1)

**0.34 per cent**

annual expenses in per cent

## Net assets and pension benefits

**DKK 92bn**

bonus potential

**DKK 785bn**

ATP member assets

**DKK 23,600**

full annual lifelong ATP pension for a 65-year-old in 2018

## Accumulated results 2014-2018

**DKK 46.0bn**

results before life expectancy update and increase in pensions

**DKK (46.8)bn**

life expectancy update and increase in pensions

**DKK (0.8)bn**

results

<sup>1</sup> Definition: The ATP Group's Investment return (excluding minority interests) relative to the bonus potential at the beginning of the year.

The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount 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 2018 of DKK 307.5bn) than the bonus potential, but within the same risk budget.



# Winds of change swept over ATP in 2018

2018 was a year of change for ATP. The financial markets fluctuated sharply from one quarter to the next. And ATP's reputation faced both headwinds and tailwinds in 2018.

Spikes of volatility and growing uncertainty left their mark on the financial markets. Our balanced investment portfolio reduced the loss in a difficult period, but overall investment activity results of a negative 3.2 per cent of the bonus potential is not satisfactory. But our long-term investment horizon and balanced risk approach provide a solid foundation for preserving the real value of our members' pensions, although we expect returns to be moderate in the coming years.

Our life expectancy model was given a thorough review in 2018, and the good news is that we expect our members to live longer than previously assumed. This prompted us to transfer DKK 20bn to the guaranteed pensions to ensure that ATP's members are still guaranteed lifelong pensions. Given that ATP has delivered strong results in recent years, the bonus potential remains robust.

In 2018, we maintained a strong focus on meeting the special social responsibility that ATP is, quite rightly, required to meet. We aim to ensure that responsibility is aligned with seeking the best possible returns, and we continue our efforts to increase openness and transparency. Active ownership remains a key issue to ATP, as clearly demonstrated in our dialogue about Danske Bank and TDC. These cases also showcased that ATP's reputation is vulnerable and that expectations for ATP are high. 2018 was also our initial experience with ATP's new and more far-reaching tax policy, introduced in early 2018, under which we seek both national and international partnerships with a view to maximising our initiatives in this area.

In addition to the continuous efforts of simplifying and improving individual business areas, ATP's Processing

Business, which manages tasks on behalf of the Danish government, municipalities and the social partners, has had a particular focus on consolidating the large number of additions to ATP's portfolio of tasks in recent years. For instance, we rolled out another IT system and continued our efforts to realise the tendering programme of Udbetaling Danmark – Public Benefits Administration.

Organisation-wise, 2018 was also a year of change for ATP. In February, Torben M. Andersen took office as new Chairman of the Supervisory Board. In May, as part of the simplification of the organisation, changes were made to the Group Management, and at the end of November Christian Hyldahl stepped down as CEO. However, ATP will maintain a strong focus on integrity, consolidation, simplification and responsibility in 2019.

The Danish Finance Act (*Finansloven*) for 2019 contemplates the establishment of a Mandatory Pension Scheme for Benefit Recipients under which contributions are paid into ATP Lifelong Pension and managed by ATP. The legal process work will be ongoing in 2019.

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 785bn to leverage returns and keep expenses low.



Bo Foged  
acting CEO

” Our balanced investment portfolio minimised the loss during a difficult investment period.

# 2018 in review

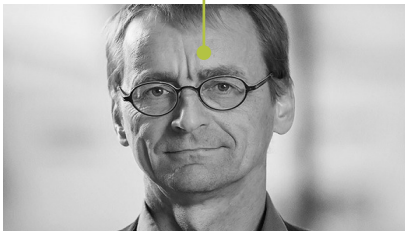
February

April

May

March

April



Torben M. Andersen takes office as new Chairman of ATP's Supervisory Board.



ATP invests, in partnership with a consortium, in TDC and delists the company.



Through its active ownership activities, ATP has engaged in dialogue with companies that rely on coal for more than 50 per cent of their electricity generation. ATP divests its investments in a number of companies with no realistic plans for phasing out coal in the long term.



ATP implements new specialist system in Udbetaling Danmark – Public Benefits Administration.



As part of the relocation of public sector jobs, the administration department of LG – The Employees' Guarantee Fund is moved to Fredrikshavn.

June

July

November

December

December



ATP expands infrastructure investments with forestry investments in the USA.



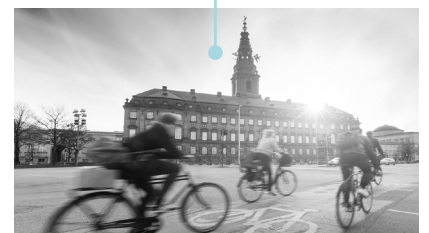
ATP formulates a new responsibility strategy, integrating the initiatives implemented by ATP during the year.



ATP makes provisions of DKK 20bn for increased life expectancy following a thorough review of the life expectancy model.



Christian Hyldahl steps down as ATP CEO and the Supervisory Board appoints CFO/COO Bo Foged as acting CEO.



The Danish Finance Act contemplates the establishment of a Mandatory Pension Scheme for Benefit Recipients under which contributions are paid into ATP Lifelong Pension and managed by ATP.

# Vision and values

## 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.**

## 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.

# Five-year summary for the ATP Group

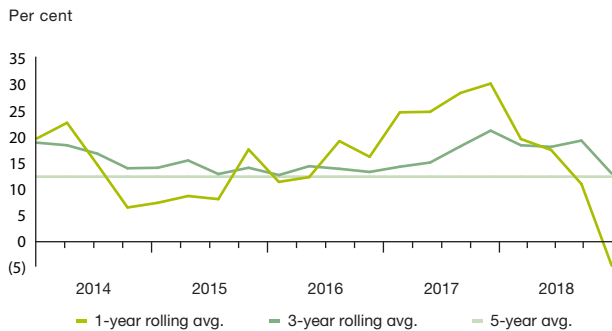
DKKm	2018	2017	2016	2015	2014
<b>Investment</b>					
Investment return	(3,714)	29,737	15,340	16,548	6,097
Expenses	(953)	(858)	(823)	(837)	(720)
Tax on pension savings returns and income tax	949	(4,399)	(1,989)	(2,259)	(579)
<b>Investment activity results</b>	<b>(3,718)</b>	<b>24,480</b>	<b>12,528</b>	<b>13,452</b>	<b>4,798</b>
<b>Hedging</b>					
Change in guaranteed pensions due to discount rate and maturity reduction <sup>1</sup>	(27,866)	10,032	(47,816)	7,628	(111,601)
Return in hedging portfolio	32,932	(10,089)	56,371	(7,992)	132,221
Tax on pension savings returns	(5,039)	1,544	(8,625)	1,223	(20,230)
<b>Results of hedging of guaranteed pensions<sup>1</sup></b>	<b>27</b>	<b>1,487</b>	<b>(70)</b>	<b>859</b>	<b>390</b>
Change in guaranteed pensions due to yield curve break <sup>2</sup>	(3,106)	(2,993)	(4,064)	(3,130)	(1,142)
<b>Hedging activity results</b>	<b>(3,079)</b>	<b>(1,506)</b>	<b>(4,134)</b>	<b>(2,271)</b>	<b>(752)</b>
<b>Investment and hedging activity results</b>	<b>(6,797)</b>	<b>22,974</b>	<b>8,394</b>	<b>11,181</b>	<b>4,046</b>
<b>Pension</b>					
Contributions	9,871	9,703	9,572	9,055	9,049
Pension benefits	(16,878)	(16,075)	(15,454)	(14,566)	(13,661)
Change in guaranteed pensions due to contributions and payouts	8,505	8,289	6,956	6,688	6,043
Administration expenses	(197)	(191)	(239)	(283)	(300)
Other items	9	8	8	155	10
<b>Pension activity results before life expectancy update</b>	<b>1,310</b>	<b>1,734</b>	<b>843</b>	<b>1,049</b>	<b>1,141</b>
<b>Business processing, external parties</b>					
Income	2,458	2,042	1,545	1,251	1,450
Expenses	(2,450)	(2,033)	(1,529)	(1,229)	(1,426)
Income tax	(1)	0	(1)	(1)	8
<b>Business processing results, external parties</b>	<b>7</b>	<b>9</b>	<b>15</b>	<b>21</b>	<b>32</b>
<b>Results before bonus allowance and life expectancy update</b>	<b>(5,480)</b>	<b>24,717</b>	<b>9,252</b>	<b>12,251</b>	<b>5,219</b>
Life expectancy update	(20,025)	(1,006)	(9,901)	(3,723)	96
Bonus allowance for the year	-	(6,406)	-	(3,017)	(2,772)
<b>Net results for the year</b>	<b>(25,505)</b>	<b>17,305</b>	<b>(649)</b>	<b>5,511</b>	<b>2,543</b>
Guaranteed pensions	693,373	650,881	658,797	603,972	608,592
Bonus potential	92,086	117,695	100,454	101,242	95,831
<b>Net assets</b>	<b>785,459</b>	<b>768,576</b>	<b>759,251</b>	<b>705,214</b>	<b>704,423</b>
<b>All figures in per cent</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Administration expenses relative to net assets	0.03	0.02	0.03	0.04	0.04
Direct and indirect investment expenses relative to net assets	0.31	0.31	0.28	0.38	0.35
<b>Overall annual expenses in per cent relative to net assets</b>	<b>0.34</b>	<b>0.33</b>	<b>0.31</b>	<b>0.42</b>	<b>0.39</b>
<b>Bonus rate</b>	<b>13.3</b>	<b>18.1</b>	<b>15.2</b>	<b>16.8</b>	<b>15.8</b>
<b>Return ratios</b>					
Investment return (before expenses and tax) relative to bonus potential	(3.2)	29.5	15.0	17.3	6.5
Investment return (after expenses and tax) relative to bonus potential	(3.2)	24.3	12.2	14.0	5.1
Results before life expectancy update and bonus relative to guaranteed pensions	(0.8)	3.8	1.4	2.0	0.9

<sup>1</sup> Before effect of yield curve break

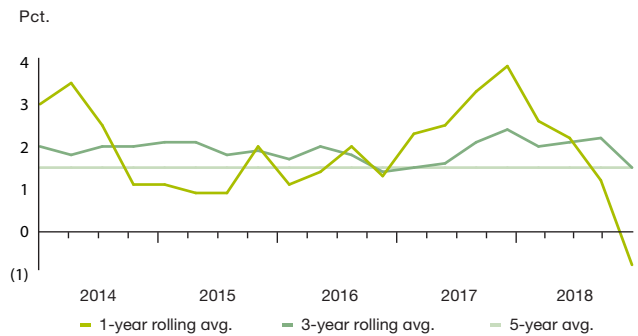
<sup>2</sup> 'Yield curve break' is the point on the yield curve at 40 years where the guaranteed pensions shift from being discounted by a fixed rate to being discounted by a market rate.

# Return and results over time

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



**Rolling results before life expectancy update and bonus allowance relative to guaranteed pensions**



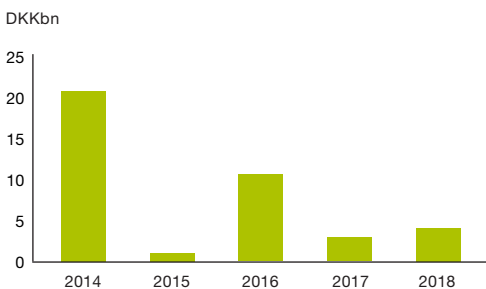
**Risk-adjusted returns in the investment portfolio**



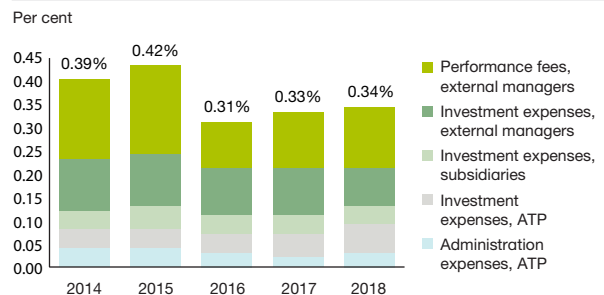
**Use of past five years' results before life expectancy and bonus**



**Tax on pension savings returns and income tax**



**Overall annual expenses in per cent (annual expenses in per cent)**



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



# Management's review

## HIGHLIGHTS OF THE YEAR

In 2018, the ATP Group recorded negative results of DKK 5.5bn before the life expectancy update. The financial markets faced growing uncertainty, especially in Q4, reflected in a difficult year for risky assets.

ATP recorded a negative return in the investment portfolio of 3.2 per cent of the bonus potential, which is not satisfactory. A high degree of risk diversification in the investment portfolio helped to reduce the negative return, and illiquid investments, in particular, made a positive contribution to returns in 2018. Moreover, ATP purchased options at mid-year to hedge the portfolio of international equities against large negative returns, which helped to reduce the loss on listed international equities.

The life expectancy of ATP's members is increasing faster than previously predicted, resulting in the transfer of DKK 20bn to the guaranteed pensions.

Having made an overall assessment of the investment activity results, inflation and increased life expectancy, the Supervisory Board has decided not to raise pensions this year.

ATP's net results for the year were negative by DKK 25.5bn after the life expectancy update.

ATP's free reserves – its bonus potential – stood at DKK 92.1bn at year-end 2018, equivalent to a bonus rate of 13.3 per cent. At year-end 2018, the value of the guaranteed pensions totalled DKK 693.4bn, taking net assets to DKK 785.5bn.

In 2018, ATP allocated DKK 4.1bn 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 promises issued to members. 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 2018.

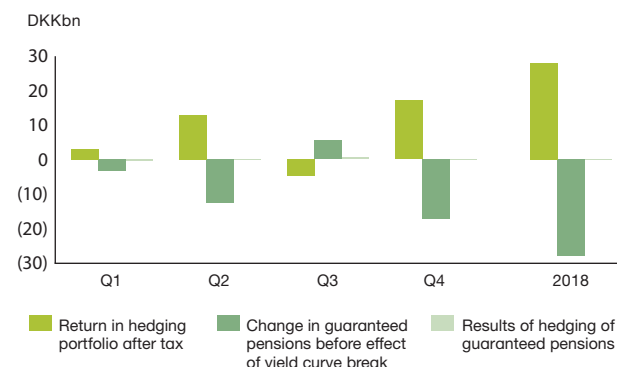
The principal objective of the investment portfolio is to generate a return that will allow ATP both to build reserves for unforeseen events such as increased life expectancy to ensure that ATP members receive lifelong pensions and to raise the guaranteed pensions, thereby preserving the real value of pensions.

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 of 11 per cent of the bonus potential at the beginning of the year. For 2018, this is equivalent to DKK 12.9bn, and with investment and hedging activity results of a negative DKK 6.8bn, the performance target was not achieved.

## Hedging

Overall, hedging activity results were negative by DKK 3.1bn. The value of the guaranteed pensions increased due to the decline in European interest rates in 2018. The hedging portfolio is designed to protect pensions against interest rate fluctuations, and the hedges once again served their purpose in 2018. Hedging activity results before the

### Hedging safeguards the guaranteed pensions

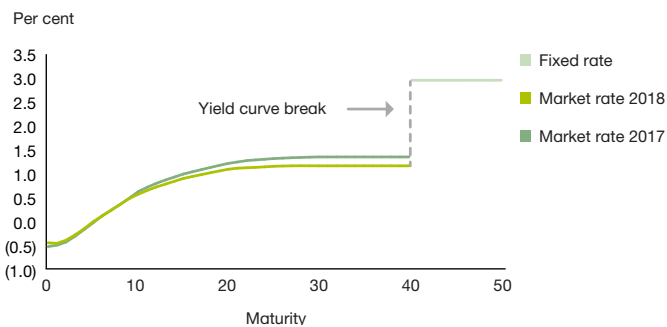


effect of the yield curve break amounted to DKK 27m, or less than 0.005 per cent of the guaranteed pensions.

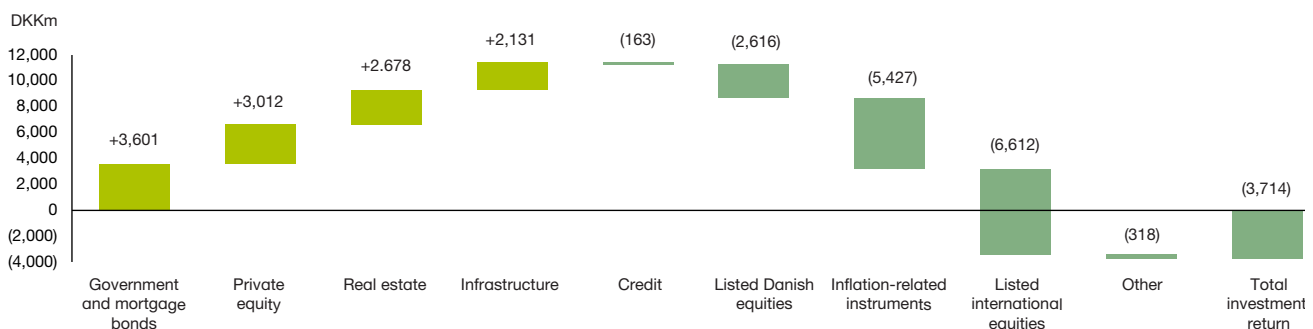
For guarantees up to 40 years, hedging of the guaranteed pensions can be effected at a market rate equivalent to the rate used for the valuation of the guaranteed pensions. This means that hedging can be effective. Guarantees extending beyond 40 years are valued at a fixed rate of 3 per cent.

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 2018, the market rate was below 3 per cent, resulting in a loss of DKK 3.1bn on hedging activities. Due to this loss, funds will be transferred from the bonus potential to the guaranteed pensions. Consequently, this does not affect ATP's aggregate assets.

### ATP yield curve at year-end



### Composition of investment return



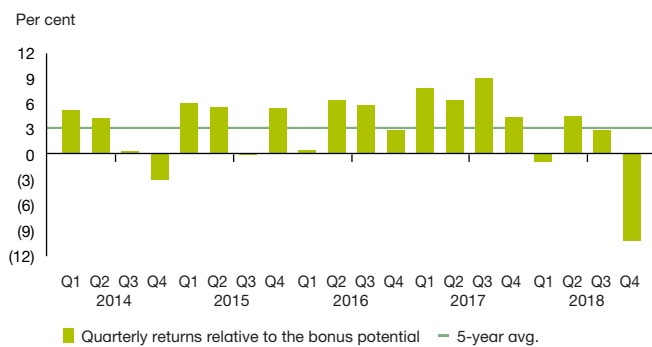
### Investment

The investment return before expenses and tax was negative by DKK 3.7bn, equivalent to a negative 3.2 per cent relative to the bonus potential. After expenses and tax, the return was also a negative DKK 3.7bn in 2018.

In a well-diversified portfolio with a high degree of risk diversification, some investment types will outperform others. In 2018, investments in government and mortgage bonds, private equity, real estate and infrastructure made positive contributions to performance. The largest positive return, DKK 3.6bn, came from the portfolio of government and mortgage bonds, while investments in private equity, real estate and infrastructure delivered returns of DKK 3.0bn, DKK 2.7bn and DKK 2.1bn, respectively. The main detractors were listed international equities, inflation-related instruments and listed Danish equities, producing negative returns of DKK 6.6bn, DKK 5.4bn and DKK 2.6bn, respectively.

ATP has been generating high returns in recent years, but has expected returns to moderate going forward. ATP will continue to assume investment risk within its risk budget to generate returns in the face of market uncertainty. That way, ATP expects to achieve satisfactory long-term results despite continued pressure on the return environment. Over the past five years, ATP has delivered an average annual return of 12.3 per cent in the investment portfolio and achieved positive returns in 16 out of the last 20 quarters.

### Historical quarterly returns in the investment portfolio before expenses and tax relative to the bonus potential



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. The market value of the investment portfolio stood at DKK 307.5bn at year-end 2018.

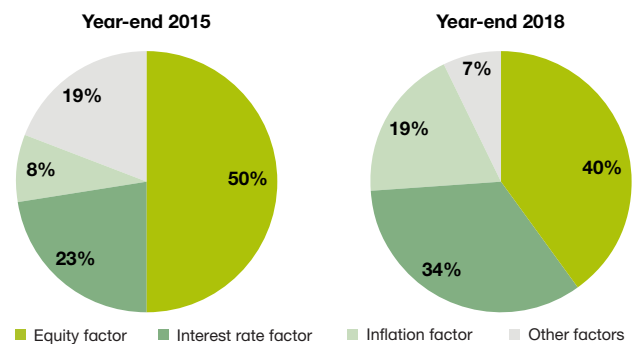
In 2018, the risk-adjusted return was a negative 0.11, and over the past five years it was 0.51.

Risk-adjusted return is a Sharpe ratio-based return target, expressing the ratio of realised return to the expected market risk in the 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,

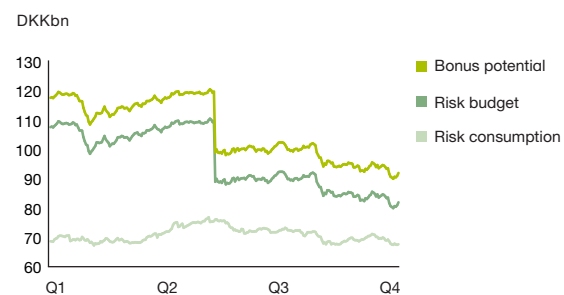
depending on the types of risk to which the investment is exposed. Moreover, the investments are composed to achieve the desired level of risk diversification. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. Other than a 3 per cent shift from the Equity factor to the Interest rate factor, the relative risk in the four risk factors was relatively unchanged over the year.

### Risk allocation in the investment portfolio



As part of the efforts to achieve a high expected long-term return, the market risk in the investment portfolio was increased by approx. DKK 20bn in 2017 and 2018. Furthermore, the increase in life expectancy resulted in the transfer of DKK 20bn from the bonus potential at the end of H1. As a result, the risk budget fell, and, consequently, utilisation of the risk budget increased substantially in 2018.

### Risk consumption in 2018



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 were a profit of DKK 1.3bn.

Pension payouts totalled DKK 16.9bn. At the end of 2018, 1,060,200 pensioners were receiving ATP Lifelong Pension, and for about 40 per cent of Denmark's old-age pensioners, ATP Pension is their only pension income besides the state-funded old-age pension. The full annual ATP Lifelong Pension for a 65-year-old pensioner is DKK 23,600, equivalent to 32 per cent of the basic amount of the state-funded old-age pension.

Contribution payments for the year totalled DKK 9.9bn. Contribution payments are divided into guarantee contributions and bonus contributions. The guarantee contribution, accounting for 80 per cent of ATP contributions, is earmarked for the acquisition of pension. The bonus contribution, accounting for 20 per cent, is transferred to the bonus potential to be used for unforeseen events such as increased life expectancy and for increases in pensions. The ATP contribution is fixed in Danish kroner (DKK) and has not been adjusted since 2016.

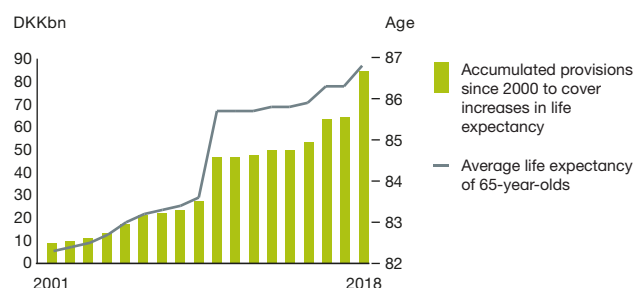
### ATP's life expectancy model

The ATP pension is lifelong and guaranteed. Therefore, the life expectancy of its members is key to ATP. In 2018, ATP conducted a thorough review of its life expectancy model, resulting in an upward adjustment of life expectancy assumptions. Thus, a baby girl born today is expected to live to age 95, while a baby boy is expected to live to age 92.

In 2018, ATP conducted a thorough review of its life expectancy model. ATP's life expectancy model is based on the assumption that Danish life expectancy increases track international increases. In 2018, ATP has been working to achieve a better understanding of life expectancy patterns in individual countries. One result is that the USA has been eliminated from the data material, given that causes of death among Americans deviate significantly from those observed among Danes and other Europeans. As the USA historically accounted for approx. 40 per cent of the data

material, this has a notable impact on the predictions of life expectancies. Following the elimination of the USA, among others, a change can be observed in the pace of life expectancy increases from around 1970. Therefore, the start of the data period has been adjusted from 1950 to 1970. Moreover, it has become clear that life expectancy for men is slowly catching up to that for women, which is now reflected in the model. Overall, these changes have resulted in a transfer of DKK 20bn from the bonus potential to the guaranteed pensions.

### Additional provisions due to life expectancy



Note: In 2010, ATP switched to the SAINT life expectancy model for measurement of all ATP's pension liabilities.

Since 2000, ATP has provided DKK 84.3bn for increased life expectancy.

## LOW EXPENSES

Low expenses provide a contribution to higher pensions, and 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 focuses on ensuring that investments are made in the most expedient manner in which factors such as cost effectiveness, tax issues, responsibility, ownership and risk are weighted against each other.

ATP's direct and indirect investment expenses amounted to DKK 2.5bn in 2018, representing a 6 per cent increase on 2017. Investment expenses account for 0.31 per cent of the aggregate assets managed by ATP at year-end 2018. In

2018, the expense level was positively impacted by a higher degree of internal processing and negatively affected by i) increased risk consumption and increased investment portfolio diversification with a view to preserving the real value of pensions; ii) portfolio restructuring to allow for ESG issues, both to strengthen the strategy of increased execution of active ownership activities within investment and to enhance the transparency of investments; and iii) positive private equity returns.

### Administration expenses

In 2018, administration expenses for ATP were DKK 197m, a 3 per cent increase on 2017. Administration expenses account for 0.03 per cent of net assets.

Over the past five years, administration expenses have been reduced significantly due primarily to declining depreciation and amortisation and to ATP benefiting from up-to-date and stable IT support. As indicated in previous years, administration expenses are expected to show a marginal increase in the coming years. One reason is the expected need to reinvest in the IT platform, another is investment in IT security and operational risk management.

### BUSINESS PROCESSING, EXTERNAL PARTIES

In addition to the administration of ATP Lifelong Pension, the ATP Group performs administration tasks on behalf of the social partners, the Danish government and local authorities. These tasks are performed by ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense – and operating expenses are managed based on ambitious objectives of efficient and competitive operations. In 2018, business processing expenses, external parties, of DKK 2.5bn were incurred. Efficient operations have absorbed higher expenses, while, at the same time, development activities with the addition of new business processing tasks have been high in recent years. In 2018, a new specialist rent subsidy system was implemented in Udbetaling Danmark – Public Benefits Administration, among other initiatives.

### RISKS

ATP is committed to identifying and managing the most significant risks relating to ATP Lifelong Pension, the Group

and the activities of the schemes managed.

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 focus on strong investment processes.

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.

### Tax policy

Tax is a key parameter in investment, especially in investment across countries with different tax laws. For all new unlisted direct investments, ATP has engaged in dialogue on the tax structure to be used and has managed to impact several structures to bring them in line with ATP's tax policy.

For instance, in spring 2018, ATP invested in TDC through a consortium with two other Danish pension providers (PFA and PKA) and MIRA (Macquarie Infrastructure and Real Assets). The TDC consortium has entered into an agreement under which all dividend and interest rate payments to the owners must, de facto, be approved by the three Danish pension providers. When dividends are paid to the owners, the consortium's holding company withholds the full amount of Danish withholding tax, unless MIRA obtains a binding pre-approval from the Danish Customs and Tax Administration, confirming that MIRA is entitled to reduced tax payments.

Operational risks at ATP are the risk of loss arising from the operational performance of tasks. One implication could be negative reputation, which could affect ATP's potential earnings. To address such risks, ATP has policies in place, e.g. for management of critical errors, a policy of responsibility and a tax policy etc.

## RESPONSIBILITY

Through the integration of responsibility into investments, ATP acts as a responsible investor within the framework of the Supervisory Board's Policy on Responsibility in Investments, Policy of Active Ownership 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 promotes 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.

### ESG

ESG is short for Environmental, Social and Governance issues.

ESG integration and dialogue play 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.

This has, for instance, been the case in the Danske Bank money laundering case, where ATP has exercised active

ownership by putting pressure on the company and by seeking solutions in partnership with other investors. Faced with the choice between dialogue and exclusion, ATP prefers dialogue, as long as a potential for improvement is believed to exist.

In 2018, ATP took steps to increase its transparency, for example by publishing its holdings of corporate bonds, names of companies with which ATP conducts 'thematic engagements' and a list of specific projects co-financed by ATP through the purchase of green bonds. ATP continues to work with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations for investors and in 2018 initiated work to understand how climate scenario analyses can provide inputs and new insights for investment processes. ATP has also established a voting site, posting its voting data at the AGMs of listed companies in which ATP holds equities.

Through its active ownership activities, ATP has engaged in dialogue about sustainability and green transformation with electricity producers that rely on coal for more than 50 per cent of their electricity generation. Based on this dialogue, ATP divested its investments in a number of companies with no realistic plans for phasing out coal in the long term.

ATP support 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.

### Report on the ATP Group – Responsibility Report 2018

For further information about ATP's responsibility work, please see the ATP Group's Responsibility Report 2018 at [www.atp.dk](http://www.atp.dk) ([www.atp.dk/en/responsibility/responsibility-reports/2018](http://www.atp.dk/en/responsibility/responsibility-reports/2018)), which constitutes both the statutory report and ATP's Communication on Progress to the UN Global Compact.



## CORPORATE GOVERNANCE ISSUES

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, pay policy and remuneration report, see pages 131-142 and Further information at [www.atp.dk/en](http://www.atp.dk/en).

Torben M. Andersen took office as Chairman of ATP's Supervisory Board in February 2018.

Christian Hyldahl resigned as CEO at the end of November, and at an extraordinary Supervisory Board meeting held on 26 November, the Supervisory Board appointed Bo Foged to serve as acting CEO while a search began for Hyldahl's replacement.

## EVENTS AFTER THE REPORTING DATE

From the reporting date until the date of the presentation of this annual report for 2018, no events have occurred that would materially affect the assessment of the report.

## OUTLOOK FOR 2019

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 life-long pensions as best as possible, the Supervisory Board has set a long-term performance target for investment and hedging activities after tax and expenses. The performance target has been set at 11 per cent of the bonus potential at the beginning of the year, equivalent to DKK 10.1bn for 2019. 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.

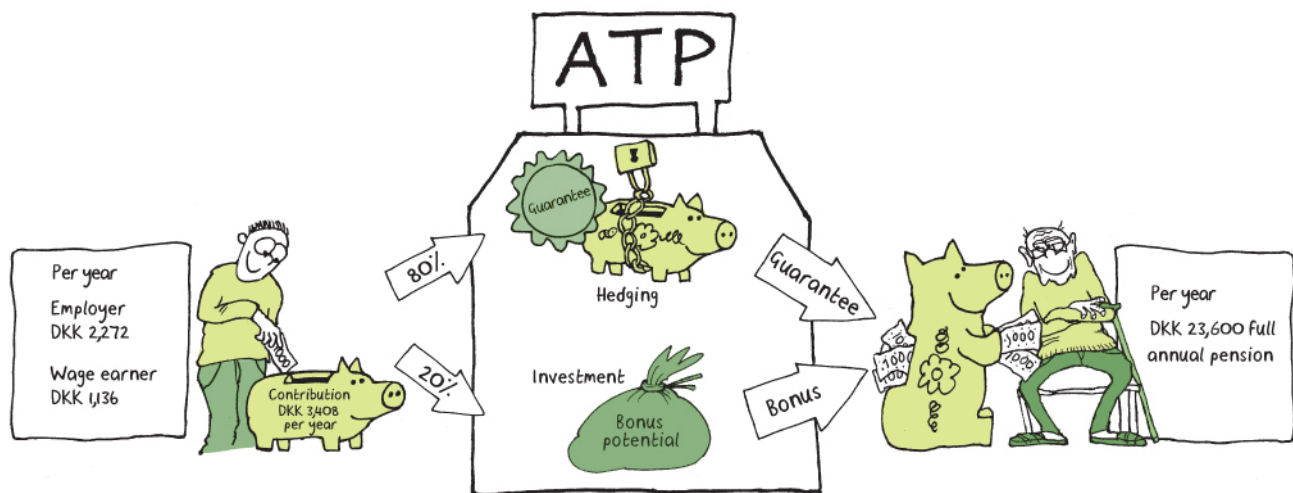
The performance target is based on the principles underlying the target of safeguarding members' interests, aiming to preserve the real value of lifelong pensions in the long term and providing an ambitious target. The objective has also been designed to be realistic given the size of the bonus potential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

The Danish Finance Act for 2019, adopted in December 2018, contemplates the establishment of a Mandatory Pension Scheme for Benefit Recipients, under which contributions are paid into ATP Lifelong Pension and managed by ATP. The legal process work will be ongoing in 2019.

Torben M. Andersen  
Chairman of the Supervisory Board

Bo Foged  
Acting CEO

# ATP's business model



## HOW ATP LIFELONG PENSION WORKS

### Contributions

This year, ATP received member contributions totalling DKK 9.9bn. 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.

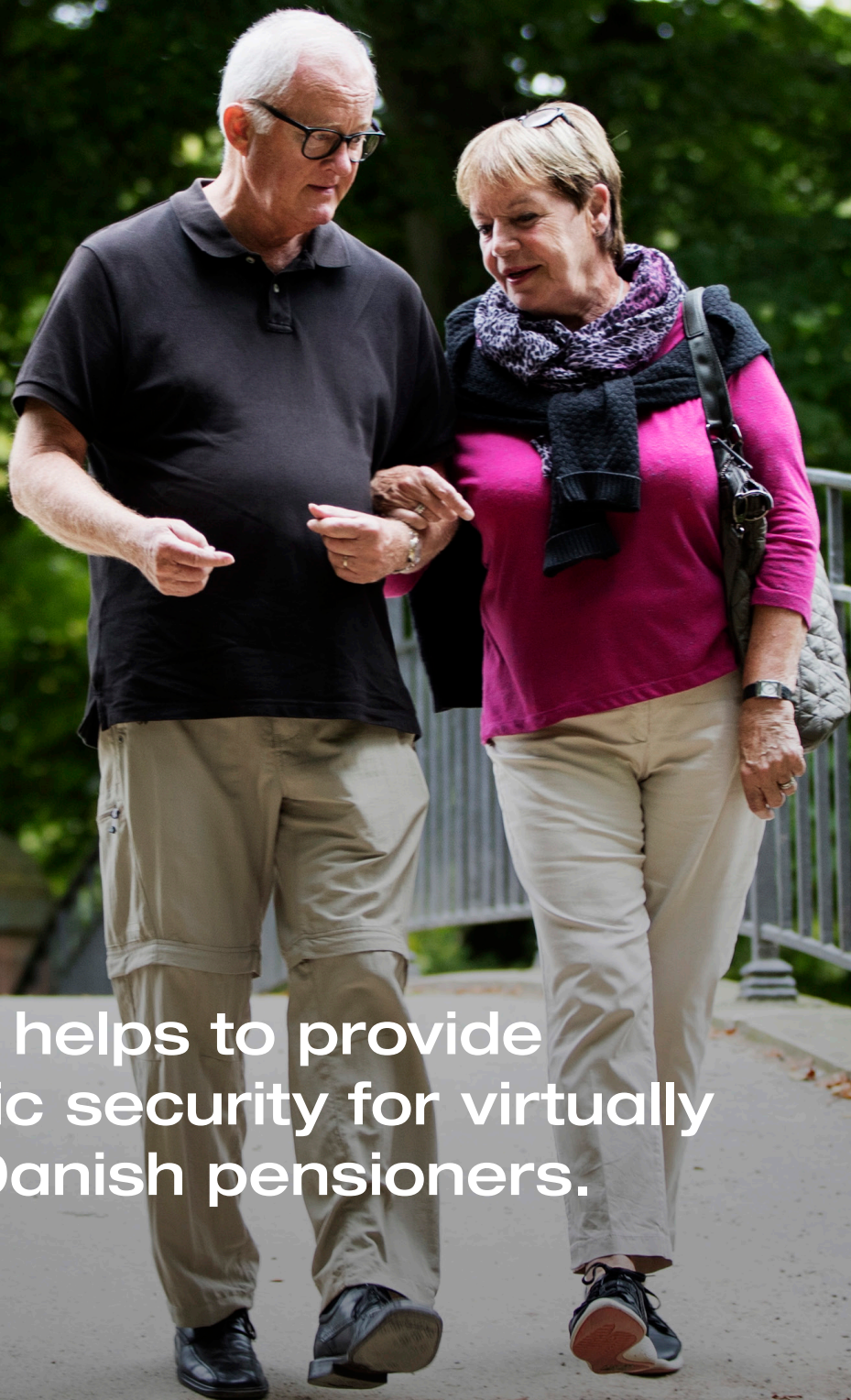
The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount invested. Consequently, with the same risk, it is possible to purchase a larger portfolio of bonds than of equities, which are traditionally more risky. The investment portfolio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

### Disbursements

When a member starts receiving state-funded old-age pension, ATP Lifelong Pension is also disbursed. This year, pensioners received a total of DKK 16.9bn. The payouts comprise the guaranteed pensions, adjusted by any current bonus allowances. The full annual ATP pension for a 65-year-old member who has contributed to ATP throughout his or her working life is DKK 23,600 (in 2018, the annual ATP pension averaged DKK 15,200).

**= pension**





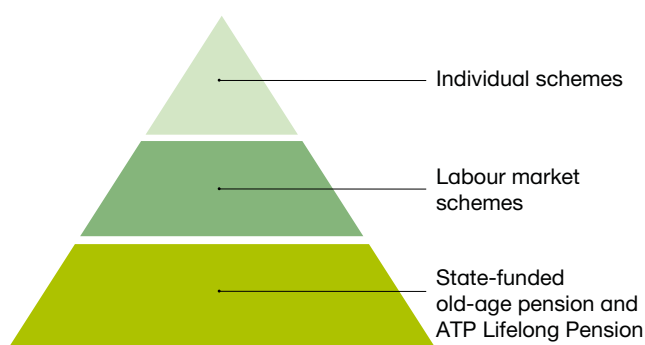
ATP helps to provide basic security for virtually all Danish pensioners.



# Predictable pension – for life

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

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

At the end of 2018, nine out of ten old-age pensioners – 1,060,200 persons – were receiving lifelong pension from ATP, and for about 40 per cent of Danish old-age pensioners, the ATP pension is their only source of pension income besides the state-funded old-age pension.

## ATP members at year-end 2018

<b>Total number of members</b>	<b>5,193,200</b>
<b>Number of members above retirement age</b>	<b>1,209,200</b>
- of whom receiving a current pension	1,060,200
- of whom paying contributions in 2018	111,900
<b>Number of members below retirement age</b>	<b>3,984,000</b>
- of whom paying contributions in 2018	3,143,800

Ninety-two per cent of the Danish population aged 25-60 years paid ATP contributions in 2018, 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 2018, 32,800 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 15.8bn paid out in current pension benefits

Out of the total payouts in 2018 of DKK 16.9bn, DKK 15.8bn went to current pensions and the rest to lump-sum payouts.

In 2018, the full annual payout for a 65-year-old pensioner was DKK 23,600, equivalent to 32 per cent of the basic amount of the state-funded old-age pension. This amount was paid to members who had paid the full ATP contribution from the age of 18 until retirement.

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

In 2018, the ATP pension averaged DKK 15,200 annually. For pensioners who retired at 65 in 2018, the average annual pension was DKK 15,800.

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

<b>Pension payouts in 2018</b>		
	<b>Number</b>	<b>DKKm</b>
<b>Current old-age pensions</b>	<b>1,096,400</b>	<b>15,800</b>
- personal pensions	1,093,100	15,789
- spouse pensions	3,300	11
<b>Lump-sum benefits</b>	<b>30,600</b>	<b>1,078</b>
- personal pensions	5,700	117
- spouse/common-law partner benefits	20,700	802
- child benefits	2,500	125
- estate benefits	1,700	34

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 2018, the survivor benefit contribution amounted to DKK 59 per member.

In 2018, 20,700 spouses and common-law partners and 2,500 children under 21 received a lump sum from ATP. The number of payouts to spouses and common-law partners has been on the rise over recent years, while the number of payouts to children has remained unchanged. Between them, spouses and common-law partners received DKK 802m, while children received DKK 125m.

#### **ATP contributions**

Just under 3.3 million members paid a total of DKK 9.9bn in ATP contributions in 2018, thus accruing lifelong pension

<b>ATP contributions in 2018</b>	
	<b>DKKm</b>
<b>Total contributions</b>	<b>9,871</b>
Of which in respect of:	
- people in employment	7,712
- recipients of unemployment, sickness or maternity/paternity benefits	882
- recipients of disability pension	518
- recipients of early retirement pension	62
- recipients of other transfer income	697
<b>Number of contributing employers</b>	<b>164,000</b>

rights. Twenty-two 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 is expected to remain unchanged at DKK 3,408 until and including 2020.

### **In recent years, payouts from ATP have exceeded contributions**

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



# ATP's pension product

The ATP pension is a guaranteed lifelong pension

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.

Each year, the individual member's ATP contributions are converted into guaranteed pension. The ATP pension the member receives at retirement is the sum of guaranteed pension purchased in the individual years – possibly increased by bonus.

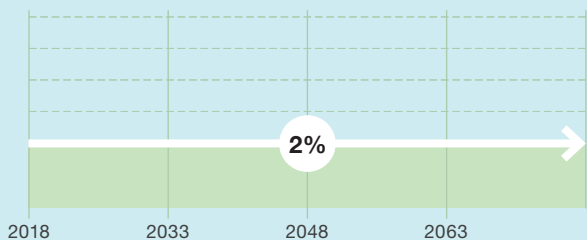
ATP calculates the guaranteed pension from new contributions differently depending on whether the member in question is more or less than 15 years from retirement.

For members with 15 years or less to go before they reach retirement age, the guaranteed return on ATP contributions is fixed at the time of purchase and applies for the rest of the member's life. This type of pension product can be seen as a very long-dated bond with a fixed yield set at the time of purchase.

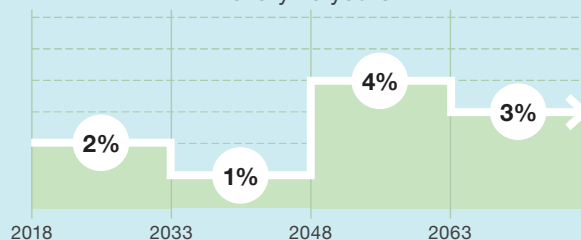
For members with more than 15 years to retirement age, only the next 15 years' return is included in the lifelong guaranteed pension. Subsequently, their guaranteed pension will be revalued every 15 years. This product can be seen as a long-dated bond with interest rate adjustment every 15 years. When the member is less than 15 years from retirement, the interest rate is locked until maturity.

## Example of return on contributions based on time until retirement

15 years or less: Fixed return

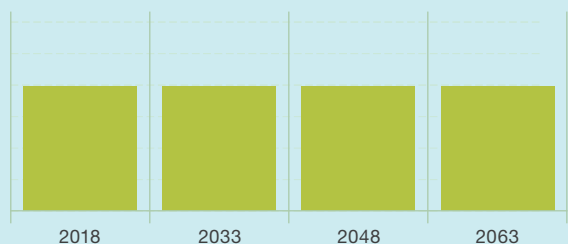


More than 15 years: Interest rate adjustment every 15 years

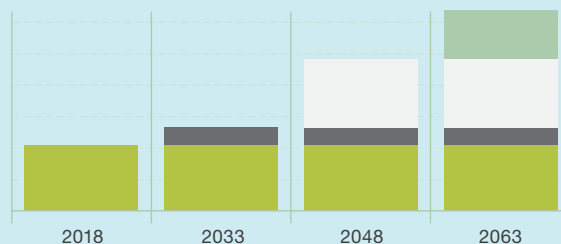


## Example of guaranteed pension based on time until retirement

15 years or less: Fixed guaranteed pension



More than 15 years: Revaluation every 15 years



# Pension activity results

Increased provisions for increases in life expectancy

Pension activity results			
DKKm		2018	2017
Contributions		9,871	9,703
Pension benefits		(16,878)	(16,075)
Change in guaranteed pensions due to ATP contributions and pension benefits etc.		8,505	8,289
Expenses		(197)	(191)
Other items		9	8
<b>Pension activity results before life expectancy update</b>		<b>1,310</b>	<b>1,734</b>
<b>Life expectancy update</b>		<b>(20,025)</b>	<b>(1,006)</b>

Pension activity results before the life expectancy update amounted to DKK 1.3bn, 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 2017 to 2018.

Total pension payouts increased by DKK 803m relative to 2017. The explanation for the increase can be found in the growing number of pensioners among ATP's members. Today, ATP pays out current pensions to more than one million members.

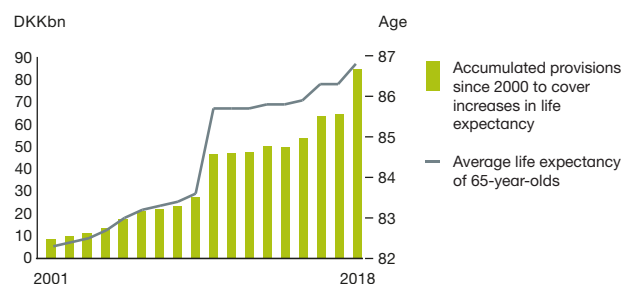
The value of the guaranteed pensions is reduced when ATP pays out pensions and increases when ATP receives contributions. As pension payouts exceed contributions, this will overall result in a decrease in the value of the guaranteed pensions. The reduction in guaranteed pensions as a consequence of contributions and pension benefit payouts etc. of DKK 8.5bn positively impacts the pension activity results.

ATP conducted a thorough review of its life expectancy model in connection with the preparation of the interim report for H1. This review led to additional provisions of DKK 20.0bn, resulting in the transfer of DKK 20.0bn from the bonus potential to the guaranteed pensions. The additional life expectancy provisions were significantly higher than the 2017 level of DKK 1.0bn. Since 2000, the life expectancy of a 65-year-old has risen by approximately five years, and

provisions for increases in life expectancy of DKK 84.3bn have been made during this period.

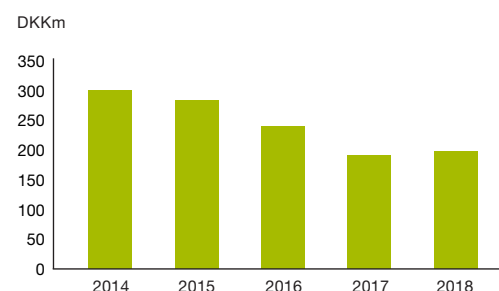
ATP's administration expenses have been declining over the last five years, impacting results positively.

## Additional provisions due to increases in life expectancy



Note: In 2010, ATP switched to the SAINT life expectancy model for measurement of all ATP's pension liabilities.

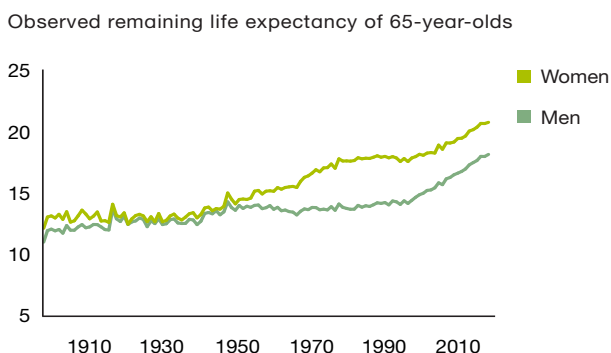
## Administration expenses



# ATP expects Danes to live longer

Review of ATP's life expectancy model

## Forecast of life expectancy in Denmark



Life expectancy developments have a significant impact on the results of a pension provider with lifelong pensions. ATP's calculation of the size of the amounts to be paid to current and future pensioners is based on a life expectancy model. The model is based on a number of future life expectancy assumptions. When these assumptions are changed, this has an impact on how long ATP expects to have to pay out pensions.

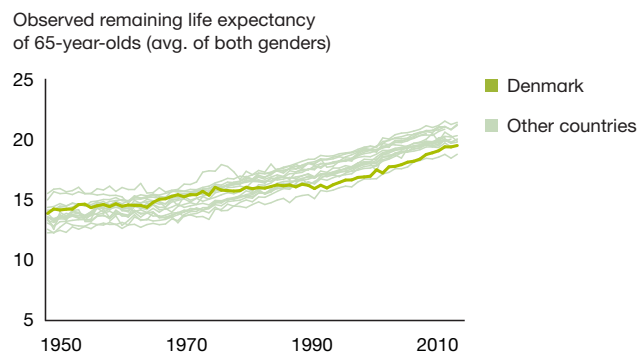
In 2018, ATP conducted a thorough review of its life expectancy model, resulting in an update of the model. ATP now expects Danes to live longer, and in 2018 made provisions of DKK 20.0bn to cover increases in life expectancy.

### Uniform pattern of life expectancy development

Over the past century, life expectancy has been steadily increasing throughout the Western world, albeit with differences from country to country in when and how quickly this increase occurs. And Denmark is no exception. During some periods, Danes have seen large gains in life expectancy and in other periods life expectancy has remained more or less constant. The historical variation in increases in life expectancy makes it difficult to predict how life expectancy will develop in the future.

ATP's life expectancy model is based on the fact that a uniform pattern of life expectancy development is observed across the industrialised world. There is every reason to believe that this development will continue in the future, given that countries in the Western world are similar when it comes to lifestyle, treatment options and socio-economic factors.

## Forecast of life expectancy internationally



Therefore, ATP's life expectancy model relies not just on Danish data but on data from a number of other OECD countries believed by ATP to be comparable with Denmark. This is done to provide a stable forecast of future increases in life expectancy. ATP's life expectancy model is based on the assumption that Danish life expectancy increases track international increases and will approach the international average in the long term. Due to this assumption, it is essential that the countries included in the international data set are comparable with Denmark.

### Epidemiological approach

In 2018, ATP has been working to achieve a better understanding of life expectancy patterns in individual countries. ATP has, for instance, applied an epidemiological approach, considering factors such as birth rates, child mortality and disease patterns. Improvements in public health are directly reflected in life expectancy. In order for a country to be comparable with Denmark, the country's development must be assumed to reflect Danish devel-

ATP's expectations for 0-year-olds		
	2017	2018
Life expectancy, girls	93.4	95.3
Life expectancy, boys	88.7	92.4
Percentage living to the age of 100, girls	33 per cent	40 per cent
Percentage living to the age of 100, boys	18 per cent	29 per cent

opments. For instance, countries with over-accelerated growth in life expectancy cannot be assumed to be representatives of what we expect to observe in Denmark.

In the review of the individual countries, it is observed that in recent times US life expectancies are stagnant for some age groups. If we zoom in on the USA, Americans are dying of causes that are not as prevalent in Europe. For instance, causes of death such as murder and traffic accidents are much more prevalent in the USA. Moreover, suicide and drug-related deaths are increasingly slowing life expectancy gains for younger Americans. Thus, life expectancy developments in the USA in recent decades are not similar to those of other industrialised countries.

Conversely, data show that Portugal has almost closed the gap in life expectancy between Portugal and Western Europe. In other words, Portugal has been experiencing highly accelerated growth of life expectancy in recent decades.

#### Update of the life expectancy model

Against this backdrop, ATP has assessed that life expectancy developments neither in the USA nor Portugal are representative of what is likely to be observed in Denmark; accordingly, these countries should not be included in the international data material. On the other hand, Luxembourg and Scotland have been included to ensure that the international data set more fully reflects Western Europe.

As the USA previously accounted for approx. 40 per cent of the international data material, the country is highly significant to the overall assessment of life expectancy. Following the elimination of the USA, it has become clear that, internationally, the pace of life expectancy gains has been faster from 1970 onwards than before 1970. Consequently, ATP's life expectancy model has been adjusted to be based on life expectancies from 1970 onwards, rather than on 1950 as previously done.

Women live longer than men, both internationally and in Denmark. Previously, life expectancy for US men, in particular, put downward pressure on life expectancy overall. After the elimination of the USA from the overall

data basis, it is clear in the overall international data set that life expectancy for men is catching up to that for women. Therefore, ATP's life expectancy model now reflects that, over time, life expectancy for men will become increasingly similar to that for women. In other words, women are likely to lose their historic edge in life expectancy.

Following the update, ATP's life expectancy model uses life expectancy data for the period from 1970 onwards from 18 industrialised OECD countries with about 330 million inhabitants.

#### Comparison with the Danish Financial Supervisory Authority's (FSA) life expectancy benchmark

In 2011, the Danish FSA introduced a life expectancy benchmark to ensure that pension providers had sufficient funds to ensure that current and future pensioners are paid their pensions.

The characteristics of the Danish FSA's life expectancy model are different from those of ATP's model. The Danish FSA's model uses Danish data dating back 20 years to predict future increases in life expectancy. The Danish FSA's population consists of people who are all covered by insurance. As ATP's population also includes people who are not covered by insurance, the two populations are not directly comparable.

If ATP's pension liabilities were measured using the Danish Financial Supervisory Authority's life expectancy model, they would be DKK 7.1bn lower than measured using ATP's life expectancy model.

Life expectancy (years)		
Age in 2018	Men	Women
0	92	95
20	90	93
40	87	90
60	85	88
80	89	90
100	102	102

# Pension scheme for disability pensioners

More than four out of ten disability pensioners pay voluntary SUPP contributions

SUPP – Supplementary Labour Market Pension Scheme for Disability Pensioners – is a voluntary scheme, giving disability pensioners an attractive opportunity to save for life-long pension. For every disability pensioner paying contributions of DKK 174 per month to SUPP in 2018, the Danish government topped up this amount by a further DKK 348. 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 2018, total payouts for current old-age pensions amounted to DKK 77m. In 2018, the average annual pension

to SUPP members was DKK 2,300. For SUPP members retiring at age 65 in 2018, 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 2018, DKK 34m was disbursed from SUPP on the death of SUPP members – an average amount of DKK 20,100 per deceased person. Survivor benefit payments amount to 9 per cent of contributions on average.

In 2018, the full annual SUPP contribution was DKK 6,264, and SUPP members paid total contributions of DKK 532m. The SUPP contribution is adjusted annually by the rate adjustment percentage, thus amounting to DKK 6,384 in 2019.

### SUPP members at year-end 2018

Total number of members	131,400
Members below the retirement age for the state-funded old-age pension	95,200
Members over the retirement age for the state-funded old-age pension	36,100
New SUPP members in 2018	6,300

### Pension payouts and contributions in 2018

Payouts	Number	DKKm
Current pensions	36,500	77
Lump-sum benefits	30	1
Survivor benefits	1,700	34
Contributions		
Members below retirement age for the state-funded old-age pension paying contributions in 2018	98,000	
SUPP contributions after social security contributions		532

**= Hedging**





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**ATP's hedging portfolio is designed to protect pensions against interest rate fluctuations, and, once again, the hedging strategy was successful in 2018.**



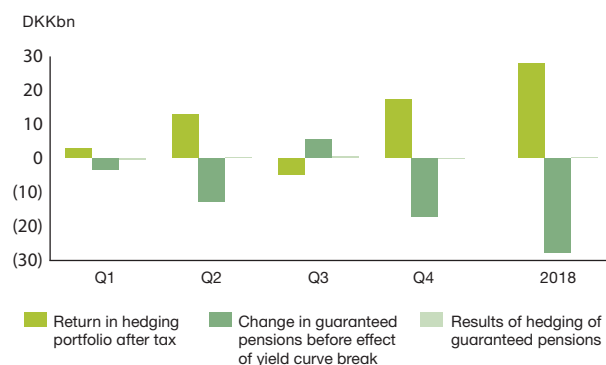
# Strong protection against interest rate fluctuations

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

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 the guaranteed pensions when interest rates change.

The interest rate fluctuations in 2018 caused the value of the guaranteed pensions to fluctuate over the year. The value of the guaranteed pensions increased in Q1 and Q2, driven by the decline in interest rates in H1, decreased in Q3 and increased again in Q4. Over the year as a whole, the guaranteed pensions ended the year higher than they started. The hedging portfolio is designed to protect pensions against interest rate fluctuations, and the hedges once again served their purpose in 2018.

## Hedging safeguards the guaranteed pensions

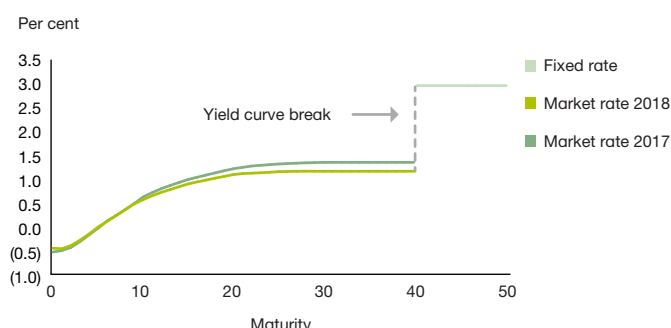


## ATP's yield curve for valuation of pension liabilities

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 the projection of the long-term return. Guarantees between 0 and 40 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 rate after 30 years has been maintained at the level of 30-year market rates. After 40 years, the yield has been set at 3 per cent.

## ATP yield curve at year-end



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. Hedging is to ensure that ATP's bonus potential remains intact regardless of changes in interest rates. DKK 38.0bn, equivalent to 5.5 per cent of ATP's guaranteed pensions, lies more than 40 years into the future.

At year-end 2018, the value of the guaranteed pensions was DKK 693.4bn, determined using ATP's yield curve, and the bonus potential was DKK 92.1bn. Had ATP used the yield curve published by the European Insurance and Occupational Pensions Authority (EIOPA), the guaranteed pensions would have amounted to DKK 617.9bn at year-end 2018, and the bonus potential would have been DKK 75.5bn 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 a rate of interest of 3 per cent, which is also the fixed rate used for discounting pension liabilities more than 40 years into the future.

Interest rate swaps in the hedging portfolio do not tie up liquidity to the same extent as bonds. Funds not tied up in the hedging portfolio can be lent for investment in the investment portfolio. Such lending must be within a pre-defined risk budget. A market rate is paid to hedging activities on the funds borrowed by the investment portfolio.

### Hedging activity results

Overall, hedging activity results were negative by DKK 3.1bn. Guaranteed pensions reflect the value of ATP's lifelong

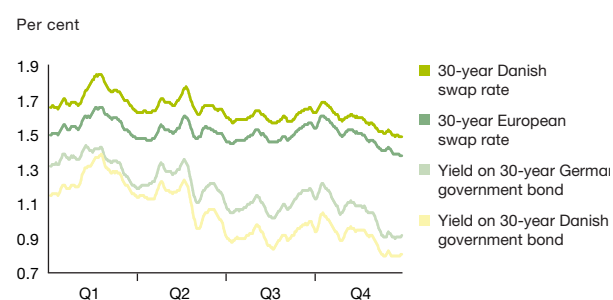
Hedging activity results		
DKKm	2018	2017
Change in guaranteed pensions due to change in discount rate <sup>1</sup>	(19,958)	18,014
Change in guaranteed pensions due to maturity reduction	(7,908)	(7,982)
<b>Change in guaranteed pensions<sup>1</sup></b>	<b>(27,866)</b>	<b>10,032</b>
Return in hedging portfolio	32,932	(10,089)
Tax on pension savings returns	(5,039)	1,544
<b>Return in hedging portfolio after tax</b>	<b>27,893</b>	<b>(8,545)</b>
<b>Results of hedging of the guaranteed pensions<sup>1</sup></b>	<b>27</b>	<b>1,487</b>
Change in guaranteed benefits due to yield curve break <sup>2</sup>	(3,106)	(2,993)
<b>Hedging activity results</b>	<b>(3,079)</b>	<b>(1,506)</b>

<sup>1</sup>Before effect of 'yield curve break'

<sup>2</sup>'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.

pension commitments to members. The value of the guaranteed pensions increased by DKK 20.0bn as a result of the decline in interest rates in 2018. They increased by a further DKK 7.9bn 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 increased by DKK 27.9bn in 2018 before the effect of the yield curve break. Similarly, the hedging portfolio generated a positive return of DKK 32.9bn. Tax on pension savings returns amounted to DKK 5.0bn, and the hedging portfolio thus

### Yield developments in 2018



produced an after-tax return of DKK 27.9bn. The overall negative hedging activity results in 2018 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 2018, the market-based segment of the yield curve was significantly below 3 per cent. As a result, hedging activities incurred a loss of DKK 3.1bn in 2018. The loss means that funds are transferred from the bonus potential to the guaranteed benefits, without this affecting ATP's aggregate assets. If market rates remain unchanged, the break in the yield curve at 40 years will result in losses for hedging activities also in the future. However, such losses will gradually become smaller, since, over time, ATP will have fewer guaranteed benefits with a maturity of more than 40 years.


### Yield curve for valuation of pension liabilities and actual hedging at year-end 2018

	Yield curve per cent	Hedging per cent
Interest rate swaps denominated in Danish kroner	15	16
Interest rate swaps denominated in euros	35	36
Danish government bonds	25	25
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.

**= investment**





The investment return before expenses and tax was negative by DKK 3.7bn, equivalent to a negative rate of return of 3.2 per cent relative to the bonus potential.



# Investment portfolio

The investment portfolio generated a negative return of DKK 3.7bn. Listed international equities and inflation-related instruments were the main detractors from performance, while investments in government and mortgage bonds and private equity were the primary positive contributors.

In 2018, the ATP Group's overall investment activity results after expenses and tax were negative by DKK 3.7bn.

Investment activity results		
DKKm	2018	2017
Investment return	(3,714)	29,737
Expenses	(953)	(858)
Tax on pension savings returns and income tax	949	(4,399)
<b>Investment activity results</b>	<b>(3,718)</b>	<b>24,480</b>

## Investment portfolio

In 2018, the investment portfolio generated a negative return before expenses and tax of DKK 3.7bn, equivalent to a negative rate of return of 3.2 per cent relative to the bonus potential. Over the past five years, ATP has delivered an average annual return of 12.3 per cent in the investment portfolio and achieved positive returns in 16 out of the last 20 quarters.

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



In a well-diversified portfolio with a high degree of risk diversification, some investment types will outperform others. In 2018, investments in government and mortgage bonds, private equity, real estate and infrastructure made positive contributions to performance. The largest positive return, DKK 3.6bn, came from the portfolio of government and mortgage bonds, while investments in private equity, real estate and infrastructure delivered returns of DKK

3.0bn, DKK 2.7bn and DKK 2.1bn, respectively. The main detractors were listed international equities, inflation-related instruments and listed Danish equities, producing negative returns of DKK 6.6bn, DKK 5.4bn and DKK 2.6bn, 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<sup>1</sup>. In 2018, the risk-adjusted return was a negative 0.11, and over the past five years it was 0.51.

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

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 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.

<sup>1</sup> Risk-adjusted return is a Sharpe ratio-based return target, expressing the ratio of realised return to the expected market risk in the portfolio, i.e. a measure of whether the utilisation of risk is effective. Modelling of expected market risk is based on historical observations, dating back to the beginning of 2008.



A market rate is paid to hedging activities on the funds used by the investment portfolio.

**Monetary policy tightening and growing uncertainty set the tone on the financial markets in 2018**

In 2018, financial market developments were affected by the tightening of US monetary policy and growing uncertainty about the outlook for global economic growth, the UK's withdrawal from the EU (Brexit) and the trade conflict between, primarily, the USA and China. 2018 was a difficult year for risky assets due to tighter monetary policy and growing uncertainty about the global economy.

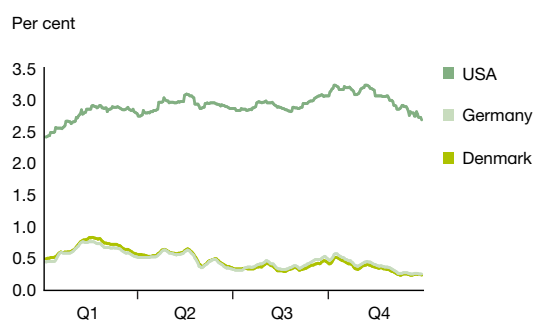
The US economy was booming, with corporate earnings growth, unemployment at historic lows and limited inflation. The pace of economic growth in Europe was more modest, and H2 showed signs of decreasing growth. Growth remained high in China, but with signs that the growth momentum will slow in the future.

In Europe, there was still a great deal of uncertainty about the outcome of the Brexit negotiations in 2018. The withdrawal agreement with the EU still had not been approved by the UK Parliament, and the vote was deferred. 2018 also saw an escalating international trade conflict, primarily between the USA and China. However, the USA also imposed general tariffs on steel and aluminium, and Europe responded by introducing retaliatory EU tariffs on a number of US goods. The trade conflict may escalate further, which could dampen growth, primarily in the USA and China, but also in other countries.

*Bond markets*

In response to strong US growth, the US Federal Reserve gradually tightened monetary policy in 2018 by raising the target range for the federal funds rate, which happened on four occasions in 2018. This caused yields on US government bonds, both short- and long-dated, to rise. The European Central Bank (ECB), on the other hand, kept interest rates unchanged, but tapered its asset purchase programme (APP) in Q4 after which time it will end. Over the year as a whole, yields on German and Danish government bonds ended the year slightly lower than they started.

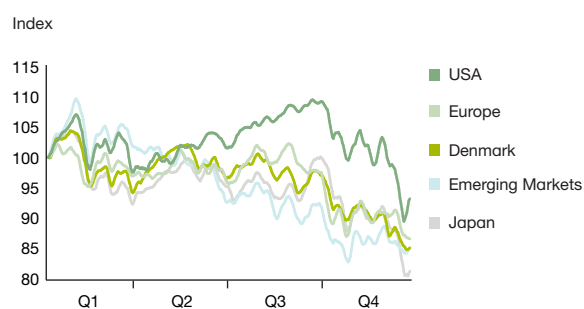
**Yield development for 10-year government bonds in 2018**



*Equity markets*

2018 was a difficult year for global equity markets. Over the year as a whole, the Danish benchmark equity index ended 13 per cent lower, while the European benchmark equity index ended 14 per cent lower. US equity markets decreased by 6 per cent, while equity markets in emerging markets and Japan decreased by 15 per cent and 18 per cent, respectively.

**Equity price developments in 2018**



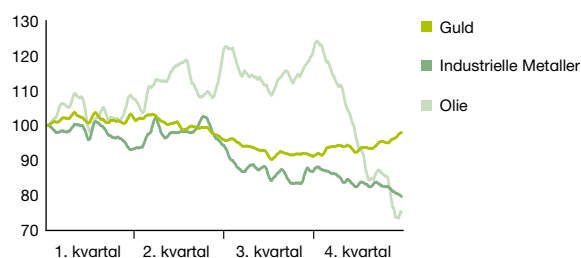
*Real estate markets*

Continued growth in most European economies in 2018 was reflected in positive developments in the real estate markets in Europe, including Denmark. Investment appetite from institutional investors remained strong. Economic growth, combined with the continued low interest rate environment and demand for investment properties, had a positive effect on real estate prices. US real estate markets also continued to see strong investment appetite and considerable liquidity.

### Commodity markets

Global commodity prices, including, in particular, prices of oil and industrial metals, ended the year lower than they started, driven, among other factors, by uncertainty about the outlook for global economic growth and the risk of further escalation of the US-China trade conflict.

#### Commodity price developments in 2018



Note: Beregnet som 5 dages glidende gennemsnit.

### Currency markets

In the currency markets, the euro depreciated by just under 5 per cent against the US dollar in 2018, reflecting stronger US growth.

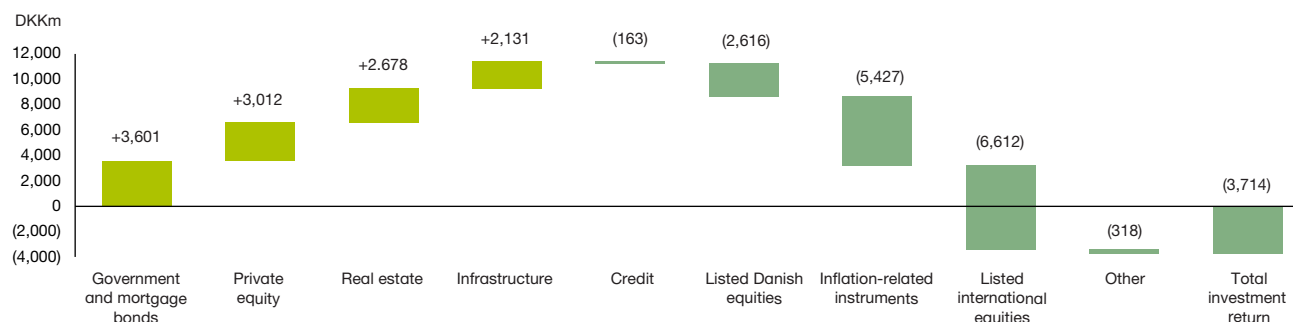
### Investment return

The return in ATP's investment portfolio before tax and expenses was a negative DKK 3.7bn in 2018.

### Equities

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a negative return of DKK 6.2bn.

#### Composition of investment return



Listed Danish equities produced a negative return of DKK 2.6bn. Holdings in Ørsted A/S, Coloplast A/S and Vestas Wind Systems A/S were the main positive contributors to performance, while holdings in Danske Bank A/S, Pandora A/S and A.P. Møller - Mærsk A/S were the main detractors.

Listed international equities recorded a negative return of DKK 6.6bn. Listed Japanese equities were the main negative contributors to performance, but equity investments in other economies also made negative contributions. In 2018, ATP purchased options to protect the portfolio of listed international equities against large negative returns. In 2018, these options generated a positive return, thus helping to reduce the loss from listed international equities.

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. The overall portfolio of private equity generated a return of DKK 3.0bn. The return in ATP Private Equity Partners accounted for DKK 2.5bn, reflecting a generally positive trend in the underlying portfolio companies' earnings and debt repayment.

### Government and mortgage bonds

Government and mortgage bonds generated a return of DKK 3.6bn. Mortgage bonds, consisting exclusively of Danish mortgage bonds, yielded a return of DKK 1.2bn. The portfolio of government bonds, consisting, inter alia, of exposure to US and European government bonds, produced a return of DKK 2.4bn, driven primarily by a positive contribution from European government bonds due to the decline in European interest rates.

### Real estate

Real estate investments generated a return of DKK 2.7bn. These investments are made through direct ownership of real estate and indirectly through investments in unlisted real estate funds and joint ventures. Direct as well as indirect investments are made both in Denmark and abroad.

Direct real estate investments posted a return of DKK 1.5bn, with the direct return (excluding value adjustments) accounting for DKK 1.3bn. Indirect real estate investments recorded a return of DKK 1.2bn, with the direct return (excluding value adjustments) accounting for DKK 0.7bn.

In 2018, new real estate investments totalling DKK 2.4bn were made, including investments of DKK 1.5bn in a portfolio of primarily European hotels and DKK 0.7bn in Danske Shoppingcentre P/S. Moreover, investments were made in a small number of Danish properties. Major reconstruction work, totalling DKK 0.9bn, was carried out in the Danish real estate portfolio in 2018. In the indirect portfolio, gains were realised on real estate disposals in 2018.

#### ATP's five largest real estate investments

Address	Type	Market value year-end 2018 DKKm
17 Danish shopping malls (50 per cent ownership interest)	Shopping mall	7,762
North Galaxy, Brussels, Belgium	Offices	3,338
Nesa Allé 1, Gentofte, Denmark	Offices	2,183
Strandgade 3, Copenhagen K, Denmark	Offices	1,806
Waterfront, Bremen, Germany	Shopping mall	1,627

### Infrastructure

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 2.1bn.

The return was achieved broadly across the portfolio. In

#### Selected infrastructure investments in 2018

In 2018, in addition to its investment in TDC, ATP invested in a company owning forests in a number of southern US states. ATP's share of the forests covers an area the size of half of the Danish island of Funen. ATP's new infrastructure investments in 2018 also included an investment in a company owning and operating Venice Airport and several other airports in northern Italy and Belgium. ATP also acquired additional equities in Copenhagen Airport and increased its investments in a company owning and operating infrastructure for the distribution of natural gas to consumers and businesses in Spain.

2018, a number of new direct investments were made, including in TDC, Venice Airport and a major US forest.

### Credit

Credit investments yielded a negative return of DKK 0.2bn. 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 as well as loans to credit institutions and funds. Bonds issued by companies with low credit ratings or by emerging markets and financial instruments posted a negative return of DKK 0.7bn, driven particularly by a widening of credit spreads for this type of bonds, which translated into price decreases and negative returns. Loans to credit institutions and funds that invest, among other things, in bank loans, real estate-related loans and corporate loans, produced a positive return of DKK 0.6bn, derived primarily from current interest income on corporate loans.

**Market value of ATP's investment portfolio, year-end 2018**

DKKbn	Direct	Funds	Financial derivatives	Total
Listed Danish equities	28.8	0.0	0.0	28.9
Listed international equities	38.0	0.0	2.6	40.6
Private equity	9.1	21.6	0.0	30.7
Credit	16.4	12.0	0.3	28.7
Government and mortgage bonds	86.9	0.0	2.0	88.9
Inflation-related instruments	1.1	0.0	(7.0)	(5.9)
Infrastructure	29.3	10.0	(0.1)	39.3
Real estate	36.7	11.1	0.0	47.8
Other	8.5	0.0	0.1	8.6
<b>Total market value</b>	<b>254.9</b>	<b>54.7</b>	<b>(2.1)</b>	<b>307.5</b>

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.

*Inflation-related instruments*

Inflation-related instruments, consisting of commodity-related financial contracts, index-linked bonds, inflation swaps and long-term hedging strategies against inflation increases, produced an overall negative return of DKK 5.4bn. Investments in commodity-related financial contracts generated a negative return of DKK 2.7bn, driven primarily by investments in industrial metals. Inflation swaps posted a negative return of DKK 1.8bn, driven primarily by falling inflation expectations in Europe and the USA.

The portfolio of long-term hedging strategies against inflation increases consists of swaptions to hedge against infla-

tion increases on a relatively simple and effective basis. The portfolio recorded a negative return of DKK 0.9bn, one reason being that long-dated European swap rates ended 2018 lower than they started, another reason being falling volatility of long-dated yields in Europe. Index-linked bonds posted a return of DKK 45m.

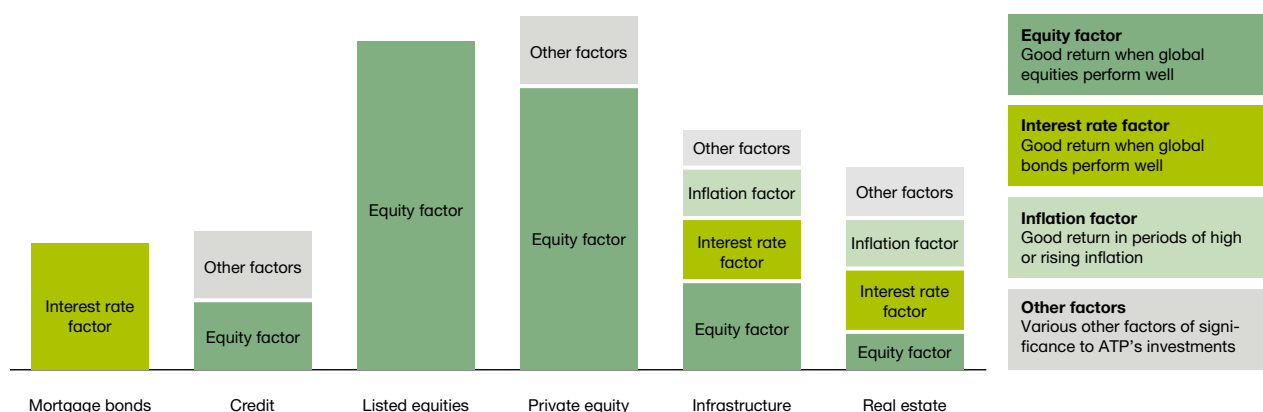
*Other items*

Other items produced a negative return of DKK 0.3bn. This portfolio primarily consists of externally managed portfolios. The portfolio also includes interest payments to the hedging portfolio, among other things.

# Developments in ATP's investing approach

ATP's scope of opportunity, organisation of investment processes and benchmarking of returns

## Factor-based risk composition of selected assets



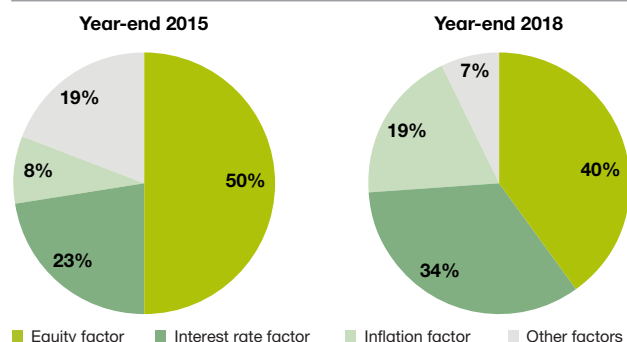
To maintain a robust and diversified investment portfolio with a stable return and the greatest possible independence from cyclical variations, investment decisions are informed by a strategy of risk diversification.

Since 2015, ATP has been developing its investing approach towards managing investments through the use of risk factors: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. The idea is that all investments consist of a number of basic building blocks – factors – which can be combined in various ways to achieve an investment portfolio with the desired risk profile. This enables comparison of all investment activities on the same basis, which is particularly important when it comes to alternative illiquid investments. The risk profile of illiquid investments, such as private equity, infrastructure, real estate and certain types of credit, seems less transparent than that of more traditional liquid investments such as bonds and listed equities. By building all asset classes around the same four key factors, a clear framework for our risk understanding is created. Alternative illiquid investments are thus composed of the same four key factors that are found in the traditional liquid investment universe.

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. This guideline should be seen as a long-term 'anchor' for risk allocation.

ATP's long-term guideline is a balanced greater risk for the two major factors the Equity factor (35 per cent) and the Interest rate factor (35 per cent), while the Inflation factor and Other factors play a lesser role (15 per cent each). Given a significant diversification gain, the total risk is less than the sum of the four risk factors. The actual portfolio allocation may deviate from the guideline at any one time due to market conditions and active investment decisions.

## Risk allocation in the investment portfolio 2015-2018



The factor investing approach has strengthened ATP's investment processes through a shared understanding of risk, which has been the basis of a substantial expansion of investment activities.

Since 2015, ATP has increased its investment risk by just over 50 per cent, entailing that the expected returns in the

investment portfolio now provide a better opportunity for preserving the long-term purchasing power of pensions, and at the same time ATP has restructured its investment portfolio to a balanced portfolio which is far more robust to variations in the investment climate.

### Developments in investment portfolio risks 2016-2018



Development of investment processes to support the factor investing approach was a key focus area in the past year and will continue to be so over the coming years. The primary focus of the investment processes has been these four areas:

- What is the scope of opportunity for ATP's investment risk, and how is the scope of opportunity best utilised?
- What is the best way to manage investments to enable the factor investing approach – which is a means, but not an absolute truth – to provide the framework for the investment work without becoming a limitation?
- How can ESG principles be included in the factor investing approach?
- What does ATP's investment return look like when benchmarked against the returns of other investors applying a similar approach?

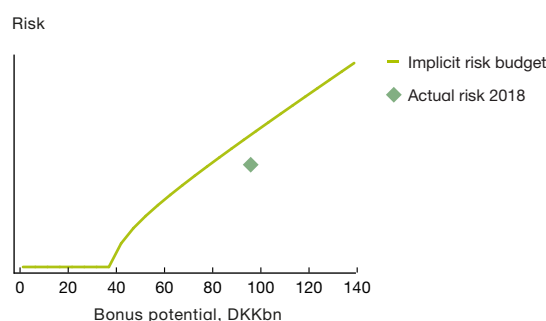
### ATP's scope of opportunity

The overall role of the investment portfolio is to generate a long-term return that is sufficient to ensure that ATP will still be able to provide lifelong pensions, despite greater-than-expected increases in life expectancy, while at the same time preserving the long-term purchasing power of pensions. In modern financing theory, long-term returns are generally seen as compensation for taking investment risk,

that is: for being willing to lose some of the funds invested. This compensation for investment risk comes on top of real interest rates and compensation for expected inflation. With prospects of continued low real interest rates, or rates in negative territory, and low and controlled inflation, compensation for investment risk is the key source of long-term returns.

ATP's scope of opportunity defines the possible investment risk in the investment portfolio. When the investment risk is within the scope of opportunity, the probability that ATP will lose its reserves over a one-year horizon is very small.

### Risk and implicit risk budget for the investment portfolio



Note: Market risk in the investment portfolio expresses the average of the 1 per cent highest losses over a three-month time frame. The implicit risk budget for the investment portfolio is produced by adjusting the overall risk budget for the risk consumption for other market risks, longevity risks, counterparty risks and operational risks.

Within its scope of opportunity, ATP has defined a strategy for the size of the investment risk in various situations. This strategy ensures that ATP keeps some distance to the edge of the scope of opportunity to avoid that sudden spikes in the market cause the investment risk to fall outside the scope. With this strategy, ATP regularly has to adjust its investment risk. Therefore, the investment portfolio is designed to ensure that the need for frequent changes can be managed using highly liquid instruments with the lowest possible transaction costs. In the longer term, the strategy will be procyclical, meaning that, in some situations, ATP may have to reduce its investment risk in periods of market instability. While this may be inexpedient, it reflects that ATP prioritises not losing its reserves over the opportunity to get a small additional return. Moreover, ATP designs its investment portfolio to reduce the effects of procyclicality.



The factor investing approach enables ATP to maximise the return from the investment risk undertaken. Within the scope of opportunity, the best return is achieved with a balanced portfolio. The overall portfolio aims at a relatively static allocation and is not adjusted based on short-term tactical considerations. The possibilities of predicting markets, time frameworks and of efficiently executing large overall portfolio changes are limited. Thus, value creation from building and maintaining a balanced portfolio in terms of types of risk, markets and geography, with investments based on professional substance and thorough implementation, is higher than from regular tactical restructuring of the overall allocation of the investment portfolio. The investment philosophy behind the balanced investing approach 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.

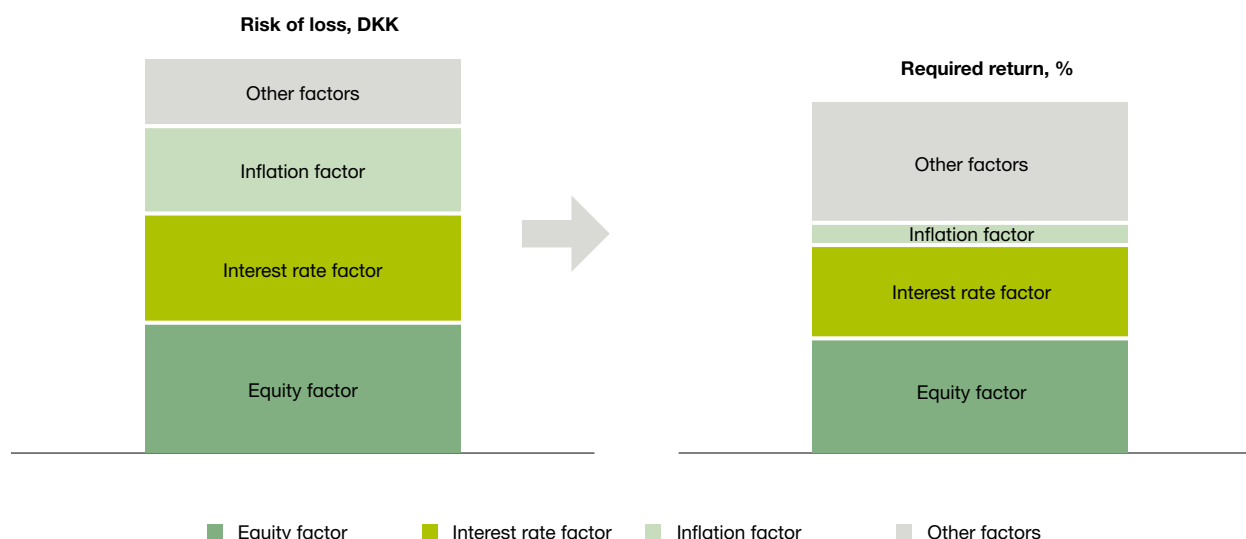
**Management of ATP's investments**

The overall portfolio aim of a relatively static allocation does not mean that the portfolio does not change. Investments are regularly made in sub-portfolios of the investment portfolio, based on short-term considerations as well as on a number of other considerations. Investments in

the portfolio are divided into sub-portfolios, each with a well-defined investment universe and applying an investing approach tailored to the individual investments. This approach enables analysis and comparison of investments across asset type, and hence the factor investing approach is included to assist in investment decisions. For instance, the expected return on an investment can be determined based on a comparison with the return on other investments with the same underlying risks. This is particularly relevant for alternative illiquid investments, where it is difficult to determine the required rate of return.

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 consistent and uniform framework. Market prices can be determined for each of the four risk factors included in an infrastructure investment, based on size, reflecting 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 illiquidity, than for the same exposure to the Equity factor.

**Example of structure of required return on an illiquid investment**



Note: The market price for exposure to a risk factor is not the same for all four risk factors.

The sub-portfolios of the investment portfolio are managed through the delegation of mandates to investment teams. The investment teams are mostly internal teams and ATP's investment subsidiaries, including ATP Ejendomme and ATP Private Equity Partners. Over recent years, ATP has been working to define clear investment mandates for the various investment teams to ensure that overall decisions on investment allocations are separate from the specific selection and day-to-day management of individual investments. This means that decisions are delegated to specialists within various investment areas, ensuring optimum utilisation of the risk budgets allocated to investment teams.

#### **ESG principles and the factor investing approach**

Under the factor-based investment strategy, the risk associated with each investment is determined on the basis of the four risk factors, depending on the types of risks to which the investment is exposed. The factor investing approach includes ESG-related elements for sub-portfolios where relevant. For instance, climate considerations are integrated in investments through inclusion of the companies' implementation of the TCFD recommendations (Task Force on Climate-related Financial Disclosures). Moreover, governance criteria are included in ATP's assessment of listed equities. Reference is made to the ATP Group's Report on Responsibility in Investments 2018.

#### **Benchmarking the investment return**

ATP's investing approach is driven by a clear focus on risk, which is reflected in the division of ATP's investments into 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. The principal objective of the investment portfolio is to generate a return that will allow ATP both to build reserves for unforeseen events such as increased life expectancy to ensure that ATP members receive lifelong pensions and to raise the guaranteed pensions, thereby preserving the real value of pensions.

The investment portfolio generally consists of funds from the bonus potential. ATP takes advantage of the fact that funds which are not tied up in the hedging portfolio as a result of the use of financial instruments are available for investment in the investment portfolio. 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.

When ATP is to benchmark its investment return, it is reasonable to compare with other investors with similar portfolio management opportunities. In order to be able to compare returns, among other things, ATP cooperates with a number of other investors with similar portfolio allocations. The allocations of the various investors' portfolios pursue the same general principles of risk diversification and portfolio management, but are, obviously, very different at individual investment level. Thus, to assess whether ATP performs well in terms of the investment return, the comparison should be seen over a long period of time.

To benchmark the investment return, the overall portfolio is divided into sub-portfolios for which the investing approach makes it possible to find comparable investments. For some sub-portfolios, for instance Danish equities, using conventional return comparisons makes sense. For other sub-portfolios, for instance private equity, this is difficult, and ATP has decided to use the division into risk factors for comparison of the return of private equity with the return of listed equities with the same risk. This ensures a comparison of 'apples with apples' rather than 'apples with oranges' in terms of risk.

Benchmarking of the liquid sub-portfolio will remain a focus area for ATP in 2019.

**= Ratios**

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In 2018, ATP's overall investment and administration expenses were 0.34 per cent of aggregate assets.

# Expenses remain low

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

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 2018, overall investment and administration expenses were 0.34 per cent of net assets.

## Investment expenses

ATP's direct and indirect investment expenses amounted to DKK 2.5bn in 2018, representing a 6 per cent increase on 2017. Investment expenses account for 0.31 per cent of the net assets managed by ATP at year-end 2018.

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.

## Indirect management fees

Several investments made through external managers have been sold, and instead the risk is used and managed internally, which reduced indirect expenses for management fees in 2018. In the past few years, insourcing has

generally reduced the level of indirect expenses to external managers.

## Investment expenses in ATP and subsidiaries

The implementation of the 2018 investment strategy with a higher risk level in the investment portfolio translated into a higher level of, for instance, transaction costs directly in ATP and also resulted in increased diversity of the investment portfolio with higher transaction costs.

ATP also restructured several investments to allow for ESG considerations, both to strengthen the strategy of increased execution of active ownership activities and to enhance the transparency of investments.

## Performance fees

As part of ATP's illiquid portfolio, private equity investments produced positive returns in 2018, with a derived impact on the size of performance fees.

Overall, the low expense level was maintained, and the changes in the composition of expenses are all the result of active decisions regarding increased direct investment expenses, which are expected to contribute to an additional return going forward as well as more active ownership of the investment portfolio.

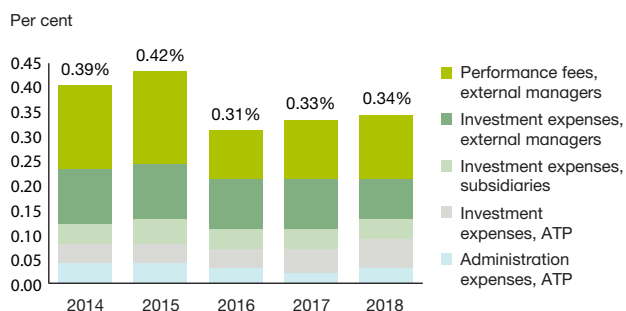
## Annual expenses in per cent<sup>1,2</sup>

	2018			2017		
	DKKm	DKK per member	Percentage relative to net assets	DKKm	DKK per member	Percentage relative to net assets
Administration expenses, ATP	197	38	0.03%	191	38	0.02%
Investment expenses, ATP	458	89	0.06%	382	75	0.05%
Investment expenses, subsidiaries	281	55	0.04%	283	55	0.04%
Investment expenses, external managers	627	122	0.08%	733	144	0.10%
Performance fees, external managers	1,095	212	0.13%	928	183	0.12%
<b>Total investment expenses</b>	<b>2,462</b>	<b>478</b>	<b>0.31%</b>	<b>2,326</b>	<b>457</b>	<b>0.31%</b>
<b>Total expenses</b>	<b>2,659</b>	<b>516</b>	<b>0.34%</b>	<b>2,517</b>	<b>495</b>	<b>0.33%</b>

<sup>1</sup> Expenses have been calculated in accordance with the industry standard.

<sup>2</sup> This ratio has been calculated exclusive of expenses in NOW Pensions (DKK 214m). 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.

### Development in total direct and indirect expenses (annual expenses in per cent)



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

### Administration expenses

ATP also focuses on minimising administration expenses. In 2018, administration expenses for ATP Pension were

DKK 197m – equivalent to DKK 0.03 per cent of net assets. Despite a 3 per cent increase on 2017, expenses still remain very low. Administration expenses have been reduced by 34 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.

In line with ATP's long-term development strategy, reinvestments are made in the IT platform on an ongoing basis to ensure that the platform is always up-to-date and supports IT security and operational risk management. As stated in previous years, the expense level may thus go up again.

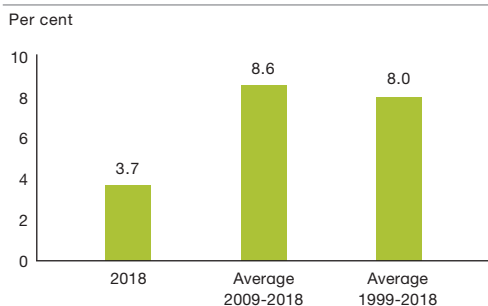


# The Danish Financial Supervisory Authority's (FSA) return ratios

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

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.

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



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

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 3.7 per cent in 2018.

**= Risk**



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

# Risk and risk management

## Risk management on difficult markets

### 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.

#### Overall risk management process



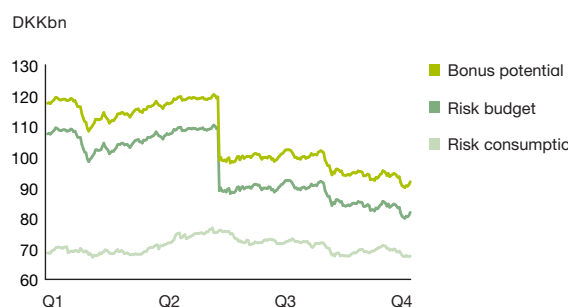
The responsibility for including the most significant risks and weighing the various risks in relation to each other rests with ATP's Supervisory Board, which establishes the overall risk management principles in a policy. The Supervisory Board attaches particular importance to ensuring that ATP's financial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

In line with other pension funds, ATP performs an Own Risk and Solvency Assessment (ORSA).

#### ATP's overall risks

ATP determines its risk consumption, i.e. ATP's 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 2018, the risk consumption amounted to DKK 67.8bn. As long as the bonus potential exceeds the risk consumption, ATP is able to cover its risks. At year-end 2018, ATP's bonus potential (free reserves) amounted to DKK 92.1bn.

### Risk consumption in 2018



Note: The decline in the bonus potential and risk budget in June 2018 was due to provisions for increases in life expectancy.

ATP's Supervisory Board has established a risk budget, providing the upper limit for the risk consumption. The risk budget reflects the Supervisory Board's risk appetite. For 2018, the risk budget was set at the bonus potential less provisions of DKK 10bn. Thus, the risk budget changes dynamically with the bonus potential.

### HOW ATP MANAGES ITS MOST SIGNIFICANT RISKS

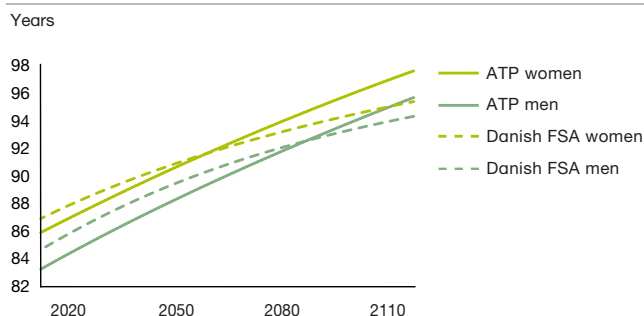
#### Longevity risks

ATP disburses a monthly lifelong pension to its members. Accordingly, increasing life expectancy (longevity risk) 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 providers use life expectancy assumptions developed by the Danish 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 2.8 million customers and demographic data from across Denmark. ATP's model is based both on information about its just over 5 million members and on information about approximately 330 million inhabitants in 18 OECD countries.



### 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.

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.

#### 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.

#### 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.

#### Risk diversification

The market risk of the assets in ATP's investment portfolio 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.

#### Focus on strong investment processes

ATP's investment processes are based on professional substance, knowledge sharing, documentation and thorough implementation along with ongoing evaluation and control.

### 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 on its obligations. 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 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, reputational or compliance implications resulting from inexpedient or insufficient internal procedures, human errors or system errors or resulting from ATP's partnership with external business partners and suppliers. Operational risks in the Processing Business tend to manifest themselves as reputational implications and relate to risks of errors or delays in bulk disbursements, among other things. Operational risks associated with pension and investment activities tend to manifest themselves as financial losses

and relate to risks of errors in the processing of trading and transactions 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 investments**

ATP invests in infrastructure, private equity, real estate and certain types of credit, referred to as alternative investments. Risks associated with these investments are, to some extent, comparable with investments in traditional liquid 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 procedures are regularly expanded and adjusted.

### **New measurement of total risk from 2019**

To simplify ATP's risk measurement, the Supervisory Board has determined that total risk in the form of risk consumption will be measured in a new manner starting in 2019. This means that the risk target and risk consumption time frame will be changed to Expected Shortfall (ES) with a confidence level of 99 per cent and a three-month time frame. As the risk target and the risk consumption time frame are changed, the Supervisory Board has set a new risk budget of 50 per cent of the bonus potential which is to apply the same level of protection as the current risk budget.

Read more about risk and risk management at ATP's website ([www.atp.dk/en/results-and-reports](http://www.atp.dk/en/results-and-reports)).



**= responsibility**





**ATP's Policy of Responsibility in Investments and Policy of Active Ownership constitute the overall framework for the work on responsibility.**



# 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

As pension fund to the Danes, ATP seeks to fulfil its responsibility. ATP's 5 million members, Danish and international NGOs and other stakeholders have – often diverging – expectations with regard to how ATP should exercise responsibility. At the same time, institutional investors are faced with constant dilemmas in terms of responsibility in investments, including in their assessments of specific companies. ATP takes this responsibility seriously and does its best to navigate in an area characterised by diverse expectations, dilemmas and complex issues within the framework of ATP's Policy of Responsibility in Investments and Policy of Active Ownership.

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.

## Sustainable developments as the precondition for good future returns

The precondition for high future returns is long-term and sustainable business value creation. Therefore, it is important that the companies in which ATP invests establish long-term goals and take responsibility for the societies in which they operate. By acting responsibly, the businesses maintain their legitimacy and licence to operate, which is fundamental to continued growth and development. The companies' long-term growth contributes directly to generating solid returns for the benefit of ATP's members. At the same time, experience has shown that better investment decisions are made by integrating ESG information with knowledge of other business aspects into the decision-making basis.

### ESG information

ESG information is an umbrella term for knowledge and data about companies' work on Environmental, Social and Governance (ESG) issues.

## Embedded ESG dilemmas

Institutional investors are faced with constant dilemmas in terms of responsibility in investments, including in their assessments of specific companies.

As an investor with a global, diversified portfolio, ATP has investments in various sectors and geographical locations. As a result, ATP's portfolio companies are exposed to a variety of risks and opportunities associated with, say, the UN's Sustainable Development Goals or specific themes related to human rights, labour rights, environment and climate, anti-corruption and corporate governance.

ATP may find that a portfolio company contributes positively to one goal (SDG), but negatively to another. For instance, companies that construct hydroelectric power plants contribute to achieving SDG 7 on stable and sustainable energy. However, hydroelectric power plants – especially in developing countries – are known to present challenges in terms of contributing to the protection of the rights of indigenous peoples and biodiversity (SDG 15).

As a long-term investor whose purpose it is to provide good pensions to its members, ATP has a strong interest in the sustainable social and environmental development of the planet and the economy. Therefore, ATP takes an active position on this type of dilemma in its efforts to integrate ESG into its investment processes and active ownership.

## ATP's Policy of Responsibility in Investments

The Policy of Responsibility in Investments constitutes the overall framework for the work on responsibility across asset classes and investment methods. The policy establishes basic principles and minimum criteria for the conduct of portfolio companies. Among other things, the policy states that ATP does not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

### ATP's Policy of Active Ownership

ATP's Policy of Active Ownership establishes the principles and processes that guide ATP's active ownership 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 active ownership activities have a high priority, and ATP therefore engages in direct dialogue with the companies. Two processes, in particular, are used to exercise active ownership 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 2018

#### Green bonds

In 2018, ATP increased its investments in green bonds. At year-end, ATP owns green bonds worth approx. DKK 10bn. Transparency is important to ATP, and ATP engages in ongoing dialogue with issuers of green bonds. Specifically, ATP wants to enhance the quality and volume of data from bond issuers to provide investors with detailed information about the projects and climate and environmental improvements financed by the bond. Ultimately, ATP wants investors to be able to follow the exact projects funded by purchasing specific green bonds as well as the purpose of these projects.

#### Dialogue in the Danske Bank money laundering case

In 2018, the Danske Bank money laundering case attracted a lot of attention – both in the media and among investors – and quite rightly. Improper behaviour was revealed to have taken place in Danske Bank's Estonian branch in 2007-2015, and regulators from several countries are investigating whether the bank violated anti-money laundering legislation by failing to have sufficient controls in place.

Money laundering is a clear violation of ATP's Policy of Responsibility in Investments, and from early on in the process, ATP exercised active ownership activities. ATP believes that ATP's interests are best served by putting pressure on Danske Bank to make improvements through dialogue rather than resorting to exclusion of Danske Bank from our investment universe.

Moreover, ATP's dialogue with Danske Bank has demonstrated that considerable efforts are being made to strengthen the bank's compliance function going forward, and ATP believes that this clearly reduces the risk of similar violations in the future.

ATP's dialogue with Danske Bank has taken place at three levels. We have been in direct dialogue with the bank's Board of Directors, the bank's Executive Board and the bank's Chief Compliance Officer. Last, but not least, we have been in dialogue with a few other investors. In parallel with the dialogue, we have raised public criticism of Danske Bank's handling of the case, both in the media and at the AGM in March 2018.

The aim of the dialogue was to assert ATP's influence relative to the bank in terms of making improvements in the handling of the actual case, but also to develop a better understanding of the specific case and the initiatives taken by Danske Bank to strengthen its compliance function going forward.

The case escalated over the summer/autumn of 2018. Due to the scope and severity of the case, it was clear to ATP that a major management reshuffle at Danske Bank was required to move the Bank forward after the serious accusations. Consequently, our dialogue escalated to include other investors such as AP Møller Holding. As a result of this dialogue, in November 2018 ATP supported AP Møller Holding's initiative to convene an extraordinary general meeting. The purpose of the extraordinary general meeting was to replace the Chairman of the Board of Directors and the Chairman of the Audit Committee and to appoint Karsten Dybvad new Chairman of the Board of Directors of Danske Bank.

## At year-end, ATP held a portfolio of green bonds worth DKK 10bn.

### Systematic work on climate-related financial risks

In 2018, ATP continued its work with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations for investors. Through its active ownership activities, ATP has engaged in dialogue about sustainability and green transformation with electricity producers that rely on coal for more than 50 per cent of their electricity generation. Based on this dialogue, ATP divested its investments in a number of companies with no realistic plans for phasing out coal in the long term. Moreover, as part of its voting process, ATP also contacted 69 companies to influence them to monitor climate risks and report data on their carbon emissions.

ATP also included the TCFD recommendations in its own efforts. In 2017, for the first time ATP published the carbon footprint of its equity investments, and in 2018 ATP calculated the footprint of its corporate bonds. In 2018, as part of its work on implementing the TCFD recommendations on climate-related financial risk disclosures, ATP began the process of trying to understand how scenario analyses can provide inputs and new insights for the investment processes. ATP has been focusing particularly on the UN climate panel's RCP scenarios and the CMIP5 climate model data. ATP has applied these data to the forests owned by ATP through ATP Timberland Invest K/S.

### More transparency in ATP's active ownership activities

In 2018, ATP implemented a range of transparency initiatives, including the publication of its portfolio of corporate bonds. In this connection, ATP also calculated the carbon footprint of the corporate bond portfolio. Moreover, ATP publishes the names of companies with which ATP has engaged in 'thematic engagements'. ATP also publishes names of companies that have received voting intentions. When ATP issues a voting intention, it basically means that ATP wants to explain to the companies how our vote should be interpreted.

ATP always seeks to inform the company of ATP's intentions and motivation ahead of the general meeting if, on one or more voting items, ATP intends to vote against the Board of Directors and the company's own recommendations. Finally, ATP also publishes names of specific projects funded by ATP's green bonds from issuers reporting on these projects in a transparent manner.

Further information about ATP's responsibility work is available in the ATP Group's Responsibility Report 2018 at [www.atp.dk](http://www.atp.dk) ([www.atp.dk/en/responsibility/responsibility-reports/2018](http://www.atp.dk/en/responsibility/responsibility-reports/2018)), which constitutes both the statutory report and ATP's Communication on Progress to the UN Global Compact.

# Tax contribution and tax policy

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 contributions

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

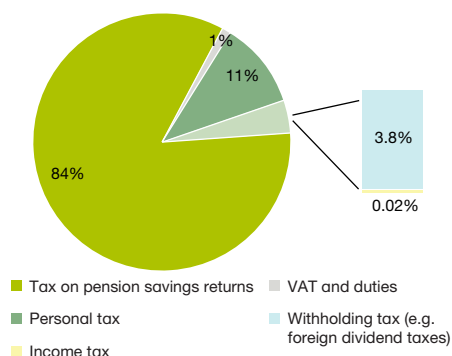
ATP pays Danish tax on pension savings returns (15.3 per cent) on all investments, regardless of where the returns are generated. The tax on pension savings returns and income tax payable by ATP vary from year to year, but the total tax amount for the past five years has been DKK 39.4bn.

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 2018, ATP's total tax contribution was DKK 4.76bn, including withholding taxes paid abroad.

For all new unlisted direct investments, ATP has engaged in dialogue on the tax structure to be used and has managed to impact structures that were not in line with ATP's tax policy. For example, in one case ATP managed to change the company and tax structure of an investment from an original setup where an intermediate country had been interposed between the location where the investment was made and Denmark, to a structure where ATP invested directly in the country.

ATP has also imposed investment restrictions and disclosure obligations on all new funds in which ATP invests. ATP has found that the funds are generally sympathetic to ATP's desire for dialogue, investment structures and ATP's negative list.

## Tax footprint 2018 – allocation of DKK 4.76bn



Note: Tax footprint 2018 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.

## Predominantly positive experience with the implementation of ATP's tax policy

Tax is a key parameter in investment, especially in investment across countries with different tax laws. The globalised economy has created complex legal structures that allow taxable returns and earnings to be moved across borders. Tax constitutes a financial and operational risk, which is handled by ATP through its tax policy, among other measures.

## ATP's negative list

ATP's negative list provides a set of guidelines defining investments in which ATP does not participate:

- ATP does not invest in jurisdictions that have not adopted the Common Reporting Standards (CRS)/ FATCA at the time of investment.
- ATP does not invest in jurisdictions that are on the EU's blacklist (EU list of non-cooperative tax jurisdictions) at the time of investment.
- ATP does not use financial instruments for tax planning purposes
- ATP does not engage in and does not allow its shareholdings to be available for lending.

ATP is in the process of selecting external managers whose practices are consistent with the intentions of the tax policy, knowing that this is no guarantee that it will be followed. Consequently, ATP carries out regular spot checks of the structures put in place by ATP's external managers. The aim of the spot checks is to provide assurance that the investments made continue to comply with ATP's tax policy. In 2018, ATP conducted spot checks in four of the funds in which ATP has invested. The spot checks have provided ATP with insight into the structures used by the funds, which have not led to comments in relation to ATP's tax policy.



### **Learnings from the year's practices prompted revision of ATP's tax policy by the Supervisory Board**

Tax is a dynamic and complex area in which society's norms evolve over time. ATP seeks to make a positive difference, acknowledging that this requires constant adjustment and development of ATP's tax policy and implementation of the policy in specific transactions.

During the year, ATP learned that dialogue with the funds early on in the investment process is important to align expectations for the tax planning and structure of the investment. ATP has found that the increased focus on tax has given ATP an even deeper understanding of the risk aspects of potential investments – both commercially and in terms of tax.

A key learning during the year was that the dialogue as well as negotiations with potential external managers might be hampered by the fact that ATP's tax policy in some respects was not clear and specific enough for ATP's counterparties to understand what ATP demands from them.

Thus, in late 2018, ATP's Supervisory Board decided to undertake a review of ATP's tax policy in order to further clarify and specify ATP's tax requirements in connection with unlisted investments.

It is ATP's hope that a more detailed tax policy will provide even better opportunities for ATP to promote its tax policy in 2019.

### **Critical dialogue with Macquarie**

In autumn 2018, several European media uncovered a number of cases involving major alleged dividend tax fraud across large parts of Europe, and the Australian Macquarie Bank was mentioned as a participant in the tax speculation scheme.

In spring 2018, ATP invested in TDC through a consortium with two other Danish pension providers (PFA and PKA) and MIRA (Macquarie Infrastructure and Real Assets). MIRA is an entity of the Macquarie Group, which is separate from Macquarie Bank. MIRA manages infrastructure investments for a range of international pension and insurance providers.

In light of the new information about Macquarie Bank, ATP, along with the Danish pension providers PFA and PKA, entered into a critical dialogue with the Macquarie Group in an effort to understand the extent of the company's involvement in trades motivated by dividend tax refunds.

Macquarie has stated that the bank has participated in so-called CumEx trades in Germany on three occasions. There are currently no outstanding amounts in any of the three cases, as all dividend tax refunds have been paid back to the German tax authorities. Macquarie has stated that their Danish company has not been engaging in trade in Danish equities at any time, and that Macquarie has not requested payment of dividend tax in Denmark at any time. Moreover, Macquarie has no knowledge of having lent money to funds that have subsequently claimed a refund of dividend tax in Denmark.

A critical dialogue with Macquarie is ongoing, as ATP awaits more detailed documentation from Macquarie, to the extent that such documentation can be procured. ATP has demanded that Macquarie implement an adequate self-cleaning process, including documentation that any compensation ordered has been granted, documentation for active cooperation with the authorities and the implementation of appropriate and adequate measures to prevent further breaches, such measures to be certified by a third party. ATP will not engage in new business dealings with Macquarie before the critical dialogue and self-cleaning process at Macquarie has been completed to our satisfaction.

The TDC consortium has entered into an agreement under which all dividend and interest rate payments to the owners must, de facto, be approved by the three Danish pension providers. When dividends are paid to the owners, the consortium's holding company generally withholds the full amount of Danish withholding tax, unless MIRA obtains a binding pre-approval from the Danish Customs and Tax Administration, confirming that MIRA is entitled to reduced tax payments. The investment in TDC is ATP's only investment in a company in the Macquarie Group.

# Resource consumption and diversity

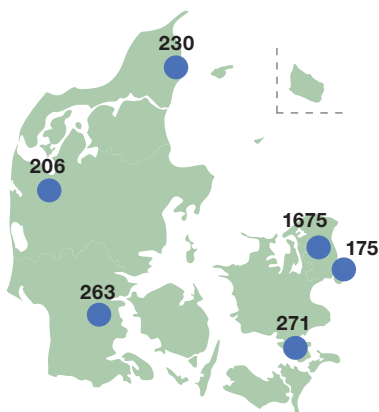
Follow-up on ATP's environmental impact, employee satisfaction and target figures for the under-represented gender

## Employees in the ATP Group

In 2018, the ATP Group employed a total of 2,948 full-time staff (avg), based primarily at locations in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn and 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.

## Employees, distributed in Denmark



Note: Average number of full-time employees in 2018 in Denmark.

## Employee welfare



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

## Employee satisfaction surveys

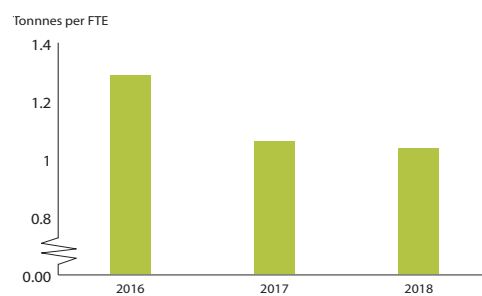
ATP is constantly working to create an attractive workplace which is able to attract and retain motivated, dedicated and competent managers and employees.

Employee satisfaction is measured annually against the following three targets: happiness at work, job satisfaction and motivation. For 2018, the indices for all three targets were (in line with previous years) at 75, 74 and 75, respectively.

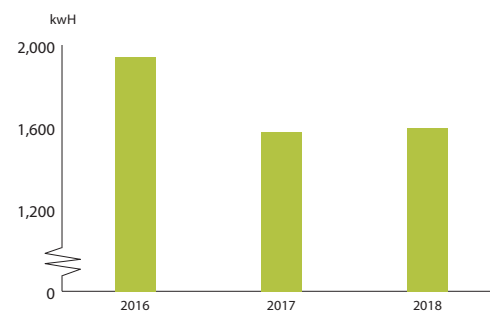
## Environmental impact

In the table on the following page, 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, Lillerød and Østerbro and the offices of ATP's subsidiaries in Copenhagen.

## Carbon emissions per employee



## Power consumption per employee



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

	2018	2017	2016
<b>Facts about ATP</b>			
Number of locations	10	9	8
Number of sq.m.	76,654	73,933	60,714
Number of full-time employees (FTE) <sup>1</sup>	2,948	2,966	2,445
<b>Consumption data</b>			
Power consumption (MWh)	4,420	4,198	3,864
Heat consumption (MWh) <sup>2</sup>	6,355	5,667	4,943
Heating degree day-adjusted heat consumption (MWh)	6,959	6,703	5,687
Water consumption (m <sup>3</sup> ) <sup>3</sup>	18,747	15,710	15,593
<b>KPIs</b>			
Area per employee (sq.m.)	27	27	30
Power consumption per employee (kWh)	1,567	1,545	1,893
Power consumption per sq.m. (kWh)	58	57	64
Heating degree day-adjusted heat consumption per employee (kWh)	2,467	2,466	2,793
Heating degree day-adjusted heat consumption per sq.m. (kWh)	91	91	94
Water consumption per employee (m <sup>3</sup> )	7.02	5.78	7.66
Water consumption per sq.m. (M <sup>3</sup> )	0.25	0.21	0.26
<b>Carbon emissions <sup>4</sup></b>			
Carbon emissions, heat consumption (tonnes)	1,076	1,057	910
Carbon emissions, power consumption (tonnes)	982	1,189	926
Carbon emissions, transport (own vehicles, taxis and aircraft travel) (tonnes)	552	479	447
Total carbon emissions (tonnes)	2,610	2,725	2,283
Carbon emissions per employee (tonnes per FTE)	0.92	1.00	1.12

<sup>1</sup> Number of employees is determined as the average number of full-time employees in Denmark.

<sup>2</sup> Consumption figures for Lillerød are measured using the latest available figures plus an estimate to obtain the expected annual consumption.

<sup>3</sup> Water consumption figures were not available for Lillerød. To determine the environmental impact, this figure is adjusted to account for the consumption in Lillerød to proportionally reflect total carbon emissions.

<sup>4</sup> 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'.

### Initiatives in 2018, focusing on ATP's responsibility

#### Energy-saving initiatives

ATP is constantly seeking to improve its environmental performance and reduce carbon emissions from consumption. When ATP's buildings are reconstructed, it is assessed whether it would be beneficial to install new LED lighting fixtures to save energy.

At the same time, quality is assessed to ensure optimum lighting with the least environmental impact.

To ensure streamlined transition to more energy-friendly lighting, the plan is to install LED fixtures throughout the Hillerød location in 2019. This is expected to generate savings on both kWh consumption and carbon emissions of more than 50 per cent.

### *Foodwin campaign*

In 2018, ATP conducted a foodwin campaign focusing on food waste. In the spring, canteen employees learned how to make the most of ingredients and surplus food. The initiative increased the range of available meal options in the canteen, enhancing customer satisfaction and reducing food waste by more than 20 per cent. The savings generated by the initiative were used to increase the amount of organic products on offer in the canteens.

As part of its ongoing efforts to increase employee satisfaction, ATP stepped up its focus on nutrition, exercise and job satisfaction. The aim is to measure the effectiveness of the Group's job satisfaction survey going forward by including questions about the canteen's contribution to mental and nutritional health at ATP.

### *Working environment*

ATP is aware of its social impact and has a firm focus on its responsibility. ATP also keeps this in mind when negotiating new agreements. In 2018, a new cleaning agreement was signed which included a commitment to a healthy working environment. Night shifts have been changed to afternoon and evening shifts, which is better for employee health. In addition, the use of cleaning machines will be increased to minimise the strain of repetitive movements experienced by cleaning staff. The contract complies with ATP's policy of avoiding chemicals in cleaning products to reduce the environmental impact and protect the employees handling the products. The aim of the new contract is to improve the working environment for the cleaning staff, while also improving the cleaning standards in ATP and reducing the environmental impact.

### *Smoke-free workplace*

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

### **Diversity and inclusion**

ATP has a strong track record of commitment to diversity and inclusion, and back 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-Western men and women, vulnerable youths 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 2018 alone, a total of 70 employees were associated with FASE+. Of these, seven employees have entered a basic integration programme, three employees have entered a vocational training programme, while one has begun a traineeship. At year-end 2018, 19 employees previously associated with FASE+ were employed at ATP on standard or special terms.

#### **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.

**Follow-up on target figures for the underrepresented gender**

		2018	2017	2016
Gender distribution among all employees	Women	64%	65%	67%
	Men	36%	35%	33%
Gender distribution on the Supervisory Board and the Board of Representatives	Women	32%	34%	34%
	Men	68%	66%	66%
Gender distribution among managers, excluding executives	Women	51%	52%	51%
	Men	49%	48%	49%

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

ATP's Diversity Policy is adopted by the Supervisory Board and defines a target for the gender distribution of ATP's 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 five). This target must be achieved by 1 April 2019. The target for the Board of Representatives has not been met in full, as ten women served on it in 2018 (32 per cent), nor has the target for the Supervisory Board been met, where the number of women remained unchanged at four in 2018 (31 per cent).

The members of ATP's Board of Representatives and Supervisory Board are appointed by the individual organisations. The election period applicable for members of the Board of Representatives and the Supervisory Board is three years, which means that one third of the members are appointed each year. We are still working towards the gender balance target, which was not met in 2018. The replacements made in 2018 have not altered the balance, as the individual organisations have decided that the most qualified candidates for the open vacancies were male. When filling new posts, the organisations are aware of the need for ensuring a gender-balanced Board of Representatives and Supervisory Board.

The gender balance target also applies to the Supervisory Boards of ATP's subsidiaries. This means that the underrepresented gender should make up at least one third of the Board, the same as the target for ATP's Supervisory Board and within the same time horizon. Specifically as regards the gender balance on the Boards of ATP's subsidiaries, the target has been achieved for two out of 13 companies: Via equity Fond I K/S and Via equity Fond II K/S. The target has not been achieved for the companies ATP Timberland Invest K/S, ATP

Real Estate Partners I K/S, ATP Real Estate Partners II K/S, ATP Ejendomme A/S, ATP Private Equity K/S and the companies ATP Private Equity Partners I-VI 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.

**Target figures for the underrepresented gender**

ATP's executive order on accounting stipulates that ATP is to account for the status of compliance with the target figures set for the underrepresented gender on the Supervisory Board, including why ATP has not achieved the objective set, if this is the case.

At the Group's other management levels, ATP aims for a 60/40 per cent split which meets the gender balance requirements set out in the Danish Act on Gender Equality (*Ligestillingsloven*).

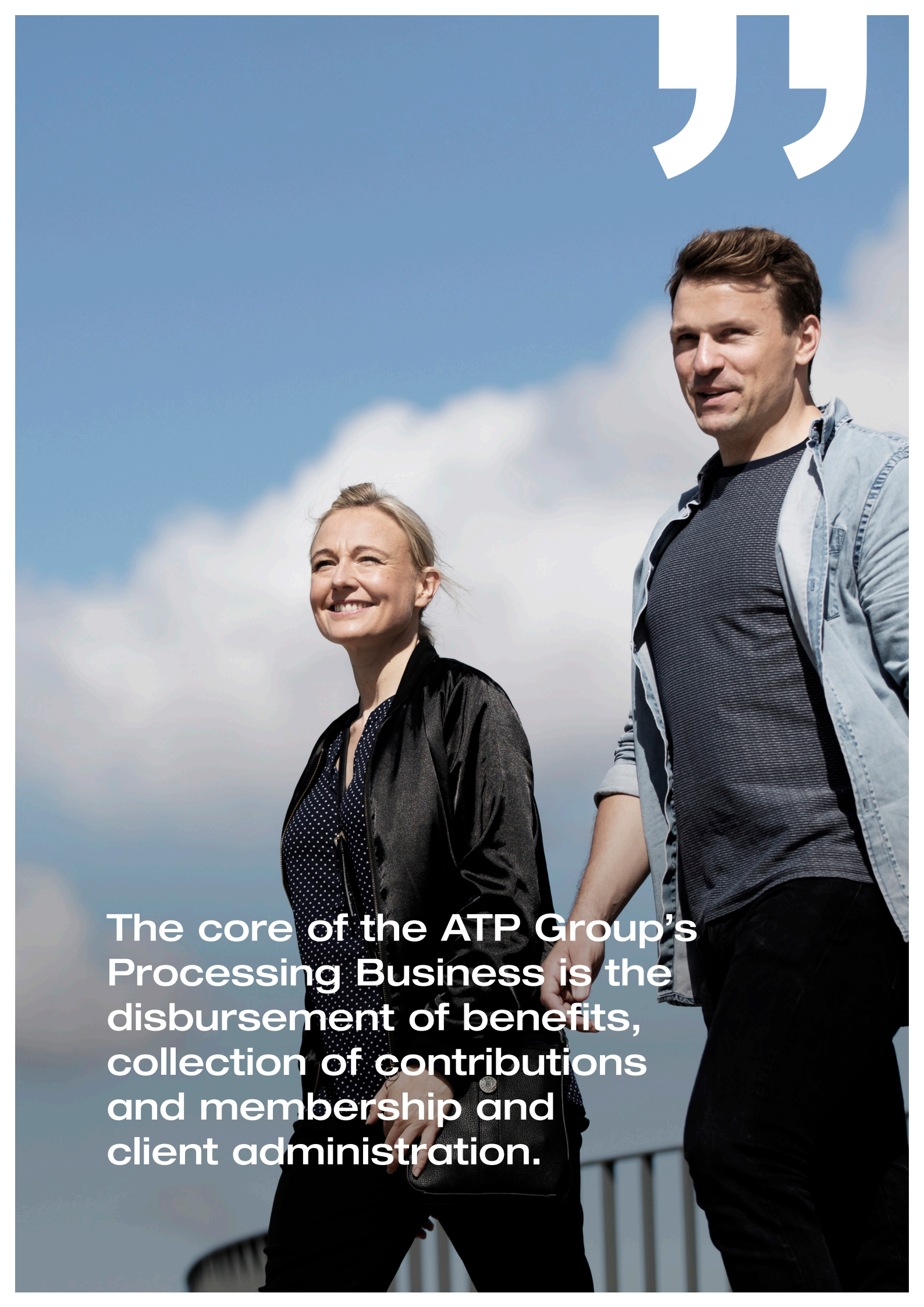
ATP is constantly striving to increase the share of women in management as the gender targets are part of ATP's Diversity Policy. Part of the strategy is to increase the focus and emphasis on diversity in the recruitment of new employees. Efforts are focused on recruiting broadly for the management and 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. The gender balance in management varies according to management level and area. Consequently, the development of managers in all areas will be given special attention in the coming years.



**= Processing  
Business**

”

A man and a woman are walking outdoors, smiling, against a blue sky with clouds. The woman is on the left, wearing a black jacket over a dark polka-dot top and black pants. The man is on the right, wearing a blue denim shirt over a dark t-shirt and black pants. They are holding hands. The background is a bright blue sky with soft white clouds. A metal railing is visible at the bottom of the frame.

The core of the ATP Group's Processing Business is the disbursement of benefits, collection of contributions and membership and client administration.

# Business processing, external parties

The objective of decreasing expenses has been achieved

## Cost-recovery activities

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.

Overall, business processing, external parties can be divided into social security schemes and AES – Labour Market Insurance, whose clients are the social partners, and Udbetaling Danmark – Public Benefits Administration, whose clients are municipalities and the Danish government. Over the years, ATP's role in Denmark has grown – both in terms of social security for employees and disbursement of various social benefits – and, in its capacity as Denmark's largest disburser of welfare benefits in 2018, ATP performed a great social task.

The schemes managed by ATP are managed on a cost-recovery basis with a target figure of a 3 per cent annual reduction in underlying operations and the same quality of delivery. In order to achieve the streamlining of operations agreed upon, digitalisation and automation of ongoing operations and improved capacity utilisation in the individual business processing centres are targeted focus areas. New activities and tasks, agreed with the commissioning parties each year, are also added to the portfolio of tasks.

2018 saw the commissioning of a new specialist rent subsidy system at Udbetaling Danmark – Public Benefits Administration at the end of March. Implementation of the new solution proved to be an extensive process with a subsequent need for maturing. With the commissioning of the new rent subsidy solution, three out of four large implementation projects have been commissioned, and only the commissioning of a new pension solution is now outstanding.

In AES – Labour Market Insurance, the focus in 2018 was on the final leg of the relocation of operations, initiated in 2016, from Østerbro to Hillerød, Vordingborg and Haderslev. The relocation of employees was finally completed at the end of 2018, while premises in Østerbro are expected to be finally

## Schemes and benefits managed by ATP

### Social security schemes

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

### Udbetaling Danmark – Public Benefits Administration

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

handed over to the Danish Building and Property Agency in early 2019. Moreover, the public procurement process for a new, up-to-date case processing system has been initiated, and the provider is expected to be selected in H1 2019.

As regards the social security schemes, efforts were devoted especially to LG – The Employees' Guarantee Fund, which was affected by the relocation of operations from



Hillerød to Frederikshavn in 2018. In addition, the following large development projects should be mentioned:

- Two large development projects for AUB – The Employers' Reimbursement System. These projects relate to the further development of systems for handling *Praktikplads-AUB*, the purpose of which is to ensure more work placements, and to the preparation of AUB's assumption of responsibility for managing the vocationally oriented adult education and continuing training allowance (VEU allowance) as at 1 January 2019.
- Preparation of the implementation of the Danish New Holiday Act (*Ny Ferielov*), with the transitional holiday funds scheme *Lønmodtagernes Feriemidler (LFM)* starting up in 2019.

In 2018, business processing, external parties incurred expenses totalling DKK 2,450m, up DKK 417m on 2017. The primary reason for the increase was Udbetaling Danmark – Public Benefits Administration's assumption of the responsibility in 2018 for payments to KMD for existing IT solutions, previously settled directly with municipalities. Please see below for a description of the individual schemes managed.

**The schemes managed by ATP are managed on a cost-recovery basis with a target figure of a 3 per cent annual reduction in underlying operations.**

### **COST-RECOVERY SCHEMES**

#### **Udbetaling Danmark – Public Benefits Administration** *Udbetaling Danmark – Public Benefits Administration, Municipal*

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. Udbetaling Danmark – Public Benefits Administration disburses a total of about DKK 218bn to just under 2.5 million citizens. In 2018, focus was maintained on ensuring simple, efficient and positive

#### **Business processing expenses, external parties**

DKK m	2018	2017
<i>Udbetaling Danmark – Public Benefits Administration</i>		
Udbetaling Danmark – Public Benefits Administration, Municipal	1,255	800
Udbetaling Danmark – Public Benefits Administration, Government	159	159
Udbetaling Danmark – Public Benefits Administration, other	285	321
<i>AES – Labour Market Insurance</i>		
AES – Labour Market Insurance	382	408
AESU	48	53
<i>Social security schemes</i>		
FK – Holiday Allowance Scheme	74	75
LG – The Employees' Guarantee Fund	68	62
AUB – The Employers' Reimbursement System	89	67
BDK – Maternity/Paternity Compensation Scheme	26	28
AFU – The Danish Labour Market Fund for Posted Workers	9	25
BUS – Maternity/Paternity Compensation Scheme for Self-employed Persons	0	1
FIB – Financing contributions	12	12
SFS – Tax Reductions for Senior Citizens	0	5
Other	43	17
<b>Total</b>	<b>2,450</b>	<b>2,033</b>

citizen experiences through increased user friendliness and personalised communications, among other things, and compliance with the service targets agreed for the operation of Udbetaling Danmark – Public Benefits Administration. In 2018, Udbetaling Danmark – Public Benefits Administration also implemented a series of initiatives designed to meet the cost savings requirements set, including increased automation and improved capacity utilisation at Udbetaling Danmark – Public Benefits Administration's centres in Vordingborg, Haderslev and Frederikshavn. Another focus area was the pending arbitration proceedings against KMD. Udbetaling Danmark – Public Benefits Administration filed the arbitration claim in 2017 following the termination of the contract with KMD on the delivery of a new IT system for disbursement of state-funded old-age pension and disability pension.

Udbetaling Danmark – Public Benefits Administration also implemented a number of legislative and regulatory amendments, including stricter requirements for accrual of state-funded old-age pension and disability pension, faster disbursement of supplements for deferred pension and freezing of property taxes. In 2018, the Supervisory

Board of Udbetaling Danmark – Public Benefits Administration commissioned an external consultancy firm to conduct a budget analysis, showing that Udbetaling Danmark – Public Benefits Administration has met the financial targets set in the initial business case. It was realised in 2015 at unchanged levels of service and quality relative to the municipal task performance. The budget analysis also showed that additional cost savings could be achieved in Udbetaling Danmark – Public Benefits Administration's customer operations through increased investment in automation etc.

2018 also saw the commissioning of a new IT system for rent subsidies. Implementation of the new system proved to be an extensive process with a subsequent need for maturing. At year-end 2018, the system is fully operational for disbursement of housing benefits. New solutions for administration and disbursement of pension benefits and for administration of minor areas are still outstanding. Overall, the commissioning of the new IT systems is expected to contribute efficiency gains and reductions of at least 25 per cent in the municipalities' IT operating expenses.

Business processing expenses in Udbetaling Danmark – Public Benefits Administration Municipal totalled DKK 1,255m in 2018, representing an increase of DKK 455m on 2017. This increase was mainly driven by Udbetaling Danmark – Public Benefits Administration assuming responsibility for payments on account to KMD for existing IT solutions. Other drivers were higher expenses for new IT solutions due to the commissioning of the new IT rent subsidy system. However, these expenses are offset by municipal cost savings for existing KMD IT solutions.

#### *Udbetaling Danmark – Public Benefits Administration, Government*

ATP manages various government schemes, funded by government grants and fee income. International Pension & Social Security (IPOS) handles cases concerning state-funded old-age pension and disability pension for Danes living abroad and social security for Danish employees and companies abroad. Under the temporary job premium scheme, people who have been unemployed for an extended period of time may receive a tax-free job premium for income earned from work or self-employment.

Moreover, as part of the Danish government's plan to relocate public sector jobs, responsibility for a number of tasks was transferred to Udbetaling Danmark – Public Benefits Administration from the Danish Agency for Governmental Administration. These tasks comprise the administration of repayment of loans under the Danish State Education Grants and Loan Scheme ('SU loans'), administration and disbursement of public servant pensions, sick pay for self-employed persons and administration of a number of government subsidies, loans and guarantees. These schemes are collectively referred to as State Financial Schemes. In 2018, focus was on ensuring stable operations and on the start-up of a new system renewal project under which the first systems are expected to be replaced in 2019. The earliest expected completion of the overall system renewal is in 2020.

In 2018, business processing expenses totalled DKK 159m, which was in line with 2017.

#### *Udbetaling Danmark – Public Benefits Administration, other expenses.*

Other expenses of Udbetaling Danmark – Public Benefits Administration mainly comprise development expenses recognised in the income statement under the transition to new IT systems (the Tendering Programme).

#### **AES – Labour Market Insurance**

AES processes cases in which people have been injured at work or fallen ill on account of their jobs. Administration is financed by insurance companies, self-insured authorities and AES Disbursement through fees for completed cases. 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. AES also processes private claims for compensation and, for instance, cases involving compensation for victims of the German occupation. The employer's insurance company, self-insured authorities or AES Disbursement disburses the compensation. AES completed 50,700 cases in 2018. Business processing expenses totalled DKK 382m relative to income of DKK 375m. Both business processing expenses and income declined compared with 2017 due, among other things, to an extraordinary drive in 2017 to settle old



cases. The relocation of operations to Haderslev and Vordingborg, initiated in autumn 2016 following ATP's assumption of authority and responsibility, was completed in 2018 when the last employees were relocated to either Hillerød or Vordingborg. The final handover of the previous premises in Østerbro is expected to take place in early 2019. In 2018, AES also initiated the public procurement process for the new AES processing system, ANS, which is to ensure the development of a new, up-to-date processing solution. The selection of the provider is ongoing and is expected to be completed in H1 2019.

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 Disbursement charges an industrial injury tax on behalf of the Danish Customs and Tax Administration. In 2018, AES disbursed DKK 1.5bn.

Business processing expenses totalled DKK 48m in 2018, equivalent to an average of DKK 21 per wage earner covered by the scheme. Relative to total business processing expenses, this represents a decline of DKK 5m on 2017. The expense reduction is attributable mainly to a decrease in investment expenses due to an expected reduction in the size of funds accumulated.

### **Social security schemes**

#### *FK – Holiday Allowance Scheme*

Employers pay holiday allowance into accounts with FK, and the scheme subsequently pays the allowance to wage earners when the wage earners take holidays or leave the labour market. Approx. 1.1 million wage earners are covered by FK. ATP provides administrative and technical assistance in connection with the administration of FK, while authority and responsibility rests with the Danish Agency for Labour Market and Recruitment (STAR). In 2018, FK disbursed holiday allowance totalling DKK 11.2bn to wage earners and collected DKK 11.8bn from employers. Business processing expenses totalled DKK 74m, which was in line with 2017. Business processing expenses are equivalent to DKK 66 per wage earner.

#### *LG – The Employees' Guarantee Fund*

LG ensures that wage earners will be able to recover pay arrears, holiday allowance etc. from companies going out of business due to bankruptcy, being subject to financial reconstruction etc. The scheme is funded by contributions from private sector employers. In 2018, LG processed approx. 16,000 claims from wage earners and disbursed DKK 533m in pay, compensation and holiday allowance. Business processing expenses totalled DKK 68m, equivalent to a 10 per cent increase on 2017. The increase in expenses in 2018 is due primarily to high legal expenses in relation to a major case. Expenses amounted to DKK 4,271 per claim processed. As part of the relocation of public sector jobs, LG was moved from Hillerød to Frederikshavn in 2018.

#### *AUB – The Employers' Reimbursement System*

The purpose of AUB is to manage reimbursement and subsidy schemes designed to help to provide the necessary number of work placements for education seekers. All public sector and private sector employers contributing to ATP are subject to the rules on AUB contributions.

AUB pays work placement and premium bonuses as well as wage reimbursement to public sector and private sector employers paying wages to apprentices and trainees while they are attending college or in training programmes. In 2018, AUB disbursed a total of DKK 4,334m, including DKK 2,770m in wage reimbursement. Almost all disbursements under AUB are digital.

In addition to employers, apprentices and trainees, colleges and committees may obtain funding from AUB for training, guidance and college stays both in Denmark and abroad.

On 1 January 2019, AUB assumes responsibility for the disbursement of VEU allowance and transport allowance under the tripartite agreement on strengthened and more flexible adult, continuing and further education. The purpose is to achieve simplicity and greater professional sustainability to attract more adults into continuing and further education programmes.

Business processing expenses of AUB totalled DKK 89m in 2018, equivalent to a 32 per cent increase from 2017 to 2018,

attributable, among other factors, to development expenses related to Praktikplads-AUB and the VEU scheme.

#### *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 2018, DKK 687m was reimbursed to employers. Business processing expenses totalled DKK 26m, equivalent to a reduction of about 7 per cent relative to 2017. Business processing expenses are equivalent to DKK 943 per period of maternity/paternity leave.

#### *AFU – The Danish Labour Market Fund for Posted Workers*

AFU is a fund for securing foreign 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. Business processing expenses, totalling DKK 9m in 2018, cover expenses for the collection of contributions through *Samlet Betaling* (joint collection of employer contributions for a number of schemes) from Danish companies and the collection of contributions from foreign employers. Also covered are a number of external expenses for the Danish Business Authority, among others. AFU's business processing expenses also cover IT support, reporting and auditing, maintenance of joint public sector digital solutions as well as case processing and customer service. So far, no cases have resulted in disbursements from the fund, but as part of the administration of AFU, system contingency resources are in place to manage disbursements and financial handling. Part of the total business processing expenses are allocated to cover a portion of the IT systems used by other social security schemes, including the SAP payment and disbursement cores. Given that ATP operates on a cost-recovery basis only, AFU's payment of a share of the joint system expenses means that the other social security schemes obtain a small cost reduction. In

2018, it was decided to adjust contributions to the effect that employers were exempt from paying contributions for Q3 and Q4. This decision was made to reduce unnecessary build-up of contingent reserves. In 2018, contributions totalling DKK 8m were recognised as income in the fund.

#### *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, which include the LG contribution. The collection of the contributions is a statutory collection service performed by ATP on behalf of the Danish government and LG. In 2018, ATP collected FIB contributions totalling DKK 803m. The annual FIB rate per full-time employee was DKK 546 in 2018. Business processing expenses totalled DKK 12m.

#### *SFS – Tax Reductions for Senior Citizens*

As the SFS scheme was discontinued as at 31 December 2017, there were no new cases in 2018. However, in 2018, the Danish Parliament agreed to open up the possibility for senior citizens to have their employment rate recalculated up until 31 March 2019. Other than that, the rules for qualifying for tax reductions are unchanged. Consequently, the SFS scheme will reopen to process these cases in 2019.

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

The administration services sold by ATP on an arm's length basis are managed via the subsidiary ATP PensionService A/S. In 2018, ATP PensionService A/S managed only DAB – Maternity/Paternity Compensation Scheme.

#### *DAB – Maternity/Paternity Compensation Scheme*

The ATP Group manages DAB 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 January 2019, given that the Confederation of Danish Employers no longer wants to outsource the administration of the scheme.

# **Consolidated financial statements**

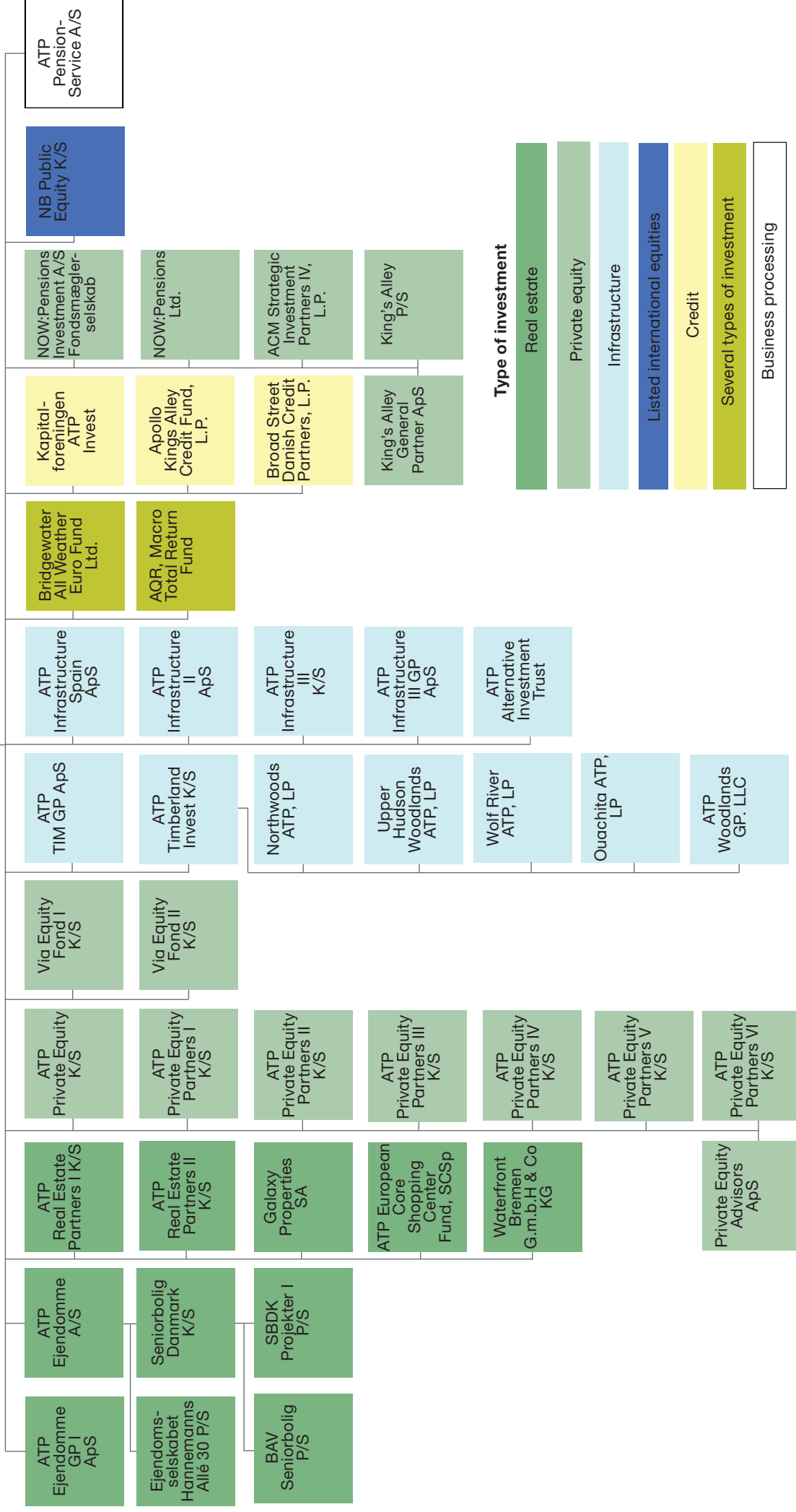






# Overview of the ATP Group

## ATP



### Type of investment

- Real estate
- Private equity
- Infrastructure
- Listed international equities
- Credit
- Several types of investment
- Business processing

Note: NOW Pensions Ltd. has five subsidiaries with no activity  
 Note: In addition to the companies stated above, ATP owns several general partnerships to support limited partnerships and partnerships



# 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 2018.

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 ATP's assets, liabilities and financial position as at 31 December 2018 and of the financial performance and cash flows of the Group and ATP for the financial year 1 January to 31 December 2018.

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, 6 February 2019

**Executive Board:**

Bo Foged  
acting CEO

**Supervisory Board:**

Torben M. Andersen  
Chairman of  
the Supervisory Board

Jacob Holbraad  
Member of  
the Supervisory Board

Torben Dalby Larsen  
Member of  
the Supervisory Board

Lizette Risgaard  
Member of  
the Supervisory Board

Arne Grevsen  
Member of  
the Supervisory Board

Kim Graugaard  
Member of  
the Supervisory Board

Anne Broeng  
Member of  
the Supervisory Board

Bente Sorgenfrey  
Member of  
the Supervisory Board

Kim Simonsen  
Member of  
the Supervisory Board

Anne Jæger  
Member of  
the Supervisory Board

Martin Damm  
Member of  
the Supervisory Board

Lars Qvistgaard  
Member of  
the Supervisory Board

Jan Walther Andersen  
Member of  
the Supervisory Board

Adopted by the Board of Representatives.

Copenhagen, 6 February 2019

**Board of Representatives:**

Torben M. Andersen  
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 2018. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)' (available in Danish only).

### Basis of opinion

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

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

Management, as well as evaluating the overall presentation of the consolidated financial statements and parent company financial statements.

We participated in the audit of risk and 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 2018 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2018 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)' (available in Danish only), we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent company financial statements.

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

Copenhagen, 6 February 2019

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 2018, 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 2018 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2018 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 10 years up to and including the financial year 2018. 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 2018. 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	<p>Unlisted investments amount to DKK 136.2bn as at 31 December 2018 (2017: DKK 107.5bn) for the Group.</p> <p>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.</p> <p>Assumptions involving significant management judgement comprise:</p> <ul style="list-style-type: none"> <li>• Assessment of future cash flows</li> <li>• Determination of required rates of return</li> <li>• Determination of valuation multiples</li> <li>• Determination of yield curves and credit spread premiums.</li> </ul> <p>Management has provided further information on the measurement of unlisted investments in note 12 'Financial assets and liabilities' and note 20 'Fair value disclosure'.</p>
How the matter was addressed in our audit	<p>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.</p> <p>Our examination included the following elements:</p> <ul style="list-style-type: none"> <li>• Evaluating controls for the valuation of unlisted investments, including procedures for determining assumptions.</li> <li>• Evaluating assumptions involving significant management judgements.</li> <li>• Evaluating the methodology and models applied based on our industry knowledge and experience, focusing, among other things, on changes relative to the previous year.</li> </ul>

Measurement of guaranteed benefits	
Key audit matter	<p>Guaranteed benefits for the Group amount to DKK 693.4bn as at 31 December 2018 (2017: DKK 650.9bn).</p> <p>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.</p> <p>Areas of significant management judgement comprise:</p> <ul style="list-style-type: none"> <li>• Models for the valuation of guaranteed benefits</li> <li>• Calculation of future life expectancies (the SAINT life expectancy model)</li> <li>• Determination of the discount rate.</li> </ul> <p>Management has described the measurement of guaranteed benefits in note 22, 'Guaranteed benefits', in the consolidated financial statements.</p>
How the matter was addressed in our audit	<p>Based on our risk assessment, we have examined the valuation of guaranteed benefits made by Management and evaluated the methodology applied and assumptions determined.</p> <p>Our audit procedures included the following elements, where we also made use of our internationally qualified actuaries:</p> <ul style="list-style-type: none"> <li>• Evaluating controls over the actuarial models, data collection and analysis as well as procedures for determining assumptions.</li> <li>• Independent actuarial evaluation of the data, methodology, models and assumptions used compared with generally accepted actuarial standards, historical developments and trends.</li> <li>• Evaluating changes in assumptions used and methodology and models applied relative to the previous year and against developments in industry standards and practice.</li> <li>• Independent recalculation of guaranteed benefits in a proprietary model based on ATP's data.</li> </ul>

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

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

**Auditors' responsibility for the audit of the consolidated financial statements and parent company financial statements**

Our goal is to obtain reasonable assurance that the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report with an opinion. Reasonable assurance is a reasonable level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards and in accordance with additional Danish disclosure requirements 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 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, 6 February 2019

Deloitte  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56

Kasper Bruhn Udam  
State Authorised Public Accountant  
MNE no. 29421

Lars Kronow  
State Authorised Public Accountant  
MNE no. 19708



# Income statement

DKKm	Group	ATP			
		2018	2017	2018	2017
Note					
<b>Investment</b>					
		-	-	4,074	6,072
		2,197	1,699	1,703	1,138
4	Income from investment properties	1,019	1,077	24	18
	Consulting fee and fee income	1,422	1,157	1,259	1,085
5	Interest income and dividends etc. related to investment activities	6,272	5,019	5,759	4,177
5	Market value adjustments related to investment activities	(10,833)	23,493	(13,348)	19,308
5	Interest expenses related to investment activities	(3,791)	(2,708)	(3,791)	(2,656)
6	Investment activity expenses	(953)	(858)	(458)	(382)
9	Tax on pension savings returns in respect of investment activities	983	(4,344)	983	(4,344)
	Income tax in respect of investment activities	(34)	(55)	-	-
	<b>Investment activity results</b>	<b>(3,718)</b>	<b>24,480</b>	<b>(3,795)</b>	<b>24,416</b>
<b>Hedging</b>					
5	Interest income related to hedging activities	15,492	16,466	15,492	16,466
5	Market value adjustments related to hedging activities	17,735	(26,196)	17,735	(26,196)
5	Interest expenses related to hedging activities	(295)	(359)	(295)	(359)
9	Tax on pension savings returns in respect of hedging activities	(5,039)	1,544	(5,039)	1,544
22	Change in guaranteed benefits due to change in discount rate	(23,064)	15,021	(23,064)	15,021
22	Change in guaranteed benefits due to maturity reduction	(7,908)	(7,982)	(7,908)	(7,982)
	<b>Hedging activity results</b>	<b>(3,079)</b>	<b>(1,506)</b>	<b>(3,079)</b>	<b>(1,506)</b>
	<b>Investment and hedging activity results</b>	<b>(6,797)</b>	<b>22,974</b>	<b>(6,874)</b>	<b>22,910</b>
<b>Pension</b>					
10	Contributions	9,871	9,703	9,871	9,703
11	Benefit payouts	(16,878)	(16,075)	(16,878)	(16,075)
22	Change in guaranteed benefits due to contributions and pension benefits	8,505	8,289	8,505	8,289
5	Interest income related to pension activities	12	12	12	12
5	Interest expenses related to pension activities	(2)	(2)	(2)	(2)
6	Pension activity expenses	(197)	(191)	(197)	(191)
9	Tax on pension savings returns in respect of pension activities	(1)	(2)	(1)	(2)
	<b>Pension activity results before change in life expectancy</b>	<b>1,310</b>	<b>1,734</b>	<b>1,310</b>	<b>1,734</b>
22	Change in guaranteed benefits due to life expectancy update	(20,025)	(1,006)	(20,025)	(1,006)
	<b>Pension activity results</b>	<b>(18,715)</b>	<b>728</b>	<b>(18,715)</b>	<b>728</b>
<b>Business processing</b>					
7	Other income	2,458	2,042	2,469	2,059
6, 8	Other expenses	(2,450)	(2,033)	(2,465)	(2,052)
	Income tax in respect of business processing	(1)	-	-	-
	<b>Business processing results</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>7</b>
	<b>Results before bonus</b>	<b>(25,505)</b>	<b>23,711</b>	<b>(25,585)</b>	<b>23,645</b>
	Bonus allowance for the year	-	(6,406)	-	(6,406)
	<b>Net results for the year</b>	<b>(25,505)</b>	<b>17,305</b>	<b>(25,585)</b>	<b>17,239</b>
	Minority interests' share of net results for the year	82	66	-	-
	The ATP Group's share of net results for the year	(25,587)	17,239	(25,585)	17,239
	<b>Allocated results</b>	<b>(25,505)</b>	<b>17,305</b>	<b>(25,585)</b>	<b>17,239</b>

# Statement of comprehensive income

DKKm	Group		ATP	
	2018	2017	2018	2017
Note				
<b>Net results for the year</b>	<b>(25,505)</b>	<b>17,305</b>	<b>(25,585)</b>	<b>17,239</b>
<b>Other comprehensive income</b>				
<b>Items that may not be reclassified to results:</b>				
25 Value adjustments of owner-occupied properties	(26)	2	(28)	2
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	4	0	4	0
<b>Total</b>	<b>(22)</b>	<b>2</b>	<b>(24)</b>	<b>2</b>
<b>Total other comprehensive income</b>	<b>(22)</b>	<b>2</b>	<b>(24)</b>	<b>2</b>
<b>Comprehensive income for the year</b>	<b>(25,527)</b>	<b>17,307</b>	<b>(25,609)</b>	<b>17,241</b>
Minority interests' share of comprehensive income for the year	82	66	-	-
The ATP Group's share of comprehensive income for the year	(25,609)	17,241	(25,609)	17,241
<b>Allocated comprehensive income</b>	<b>(25,527)</b>	<b>17,307</b>	<b>(25,609)</b>	<b>17,241</b>

# Statement of financial position

DKKm	Note	Group		ATP	
		2018	2017	2018	2017
	<b>ASSETS</b>				
	Cash and demand deposits	8,201	8,492	5,835	7,228
12	Bonds	563,457	552,927	554,705	542,906
12	Equity investments	125,907	111,814	91,174	80,860
12, 13	Financial derivatives	76,537	71,412	76,506	71,435
12	Loans	7,666	8,662	5,438	7,003
12	Loans to group subsidiaries	-	-	3,250	2,920
12	Receivables from group subsidiaries	-	-	6	7
12, 14	Investments in group subsidiaries	-	-	74,023	69,958
12, 15	Investments in associates and joint ventures	44,040	38,413	36,429	30,663
24	Intangible assets	1,055	885	1,008	838
16	Investment properties	22,950	21,617	-	-
25	Owner-occupied properties	860	870	809	820
	Operating equipment	18	24	11	17
	Tax receivable on pension savings returns and income tax	172	-	172	-
12	Interest receivable	3,185	3,156	3,027	3,006
12	Contributions receivable	2,647	2,594	2,647	2,594
12	Receivables from credit institutions	37,994	62,859	37,797	62,342
12	Other receivables	13,383	10,606	12,933	9,954
	Other prepayments	970	938	965	932
	<b>Total assets</b>	<b>909,042</b>	<b>895,269</b>	<b>906,735</b>	<b>893,483</b>
	<b>EQUITY AND LIABILITIES</b>				
12, 13	Financial derivatives	62,249	57,206	61,655	57,543
	Tax payable on pension savings returns and income tax	4,241	2,822	4,234	2,816
	Deferred tax on pension savings returns and income tax	224	201	-	-
12	Payables to credit institutions	47,907	53,775	47,887	53,747
12	Other payables	8,479	12,263	7,500	10,801
	<b>Total payables</b>	<b>123,100</b>	<b>126,267</b>	<b>121,276</b>	<b>124,907</b>
22	Guaranteed benefits	693,373	650,881	693,373	650,881
23	Bonus potential	92,086	117,695	92,086	117,695
	<b>Total pension provisions</b>	<b>785,459</b>	<b>768,576</b>	<b>785,459</b>	<b>768,576</b>
	Minority interests	483	426	-	-
	<b>Total equity and liabilities</b>	<b>909,042</b>	<b>895,269</b>	<b>906,735</b>	<b>893,483</b>

# Cash flow statement

DKK m

	Group		ATP	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Contributions and fees received	9,817	9,658	9,817	9,658
Pension benefit payouts	(16,901)	(16,108)	(16,901)	(16,108)
Pension activity expenses paid	(84)	(87)	(84)	(87)
Interest income received in respect of pension activities	12	12	12	12
Interest expenses paid in respect of pension activities	(2)	(2)	(2)	(2)
Tax paid on pension savings returns in respect of pension activities	(1)	(2)	(1)	(2)
<b>Cash flows from pension activities</b>	<b>(7,159)</b>	<b>(6,529)</b>	<b>(7,159)</b>	<b>(6,529)</b>
Interest income etc. received in respect of investment and hedging activities	23,900	20,039	23,413	18,958
Interest expenses etc. paid in respect of investment and hedging activities	(4,086)	(3,067)	(4,086)	(3,015)
Return received on investment properties and consulting fee	2,469	2,254	1,270	1,013
Investment activity expenses paid	(952)	(859)	(465)	(382)
Tax paid on pension savings returns in respect of investment and hedging activities	(2,806)	(10,538)	(2,806)	(10,538)
<b>Cash flows from investment and hedging activities</b>	<b>18,525</b>	<b>7,829</b>	<b>17,326</b>	<b>6,036</b>
Income received in respect of business processing	2,355	2,066	2,398	2,081
Business processing expenses paid	(2,344)	(1,939)	(2,355)	(1,962)
<b>Cash flows from business processing</b>	<b>11</b>	<b>127</b>	<b>43</b>	<b>119</b>
Income tax paid	(11)	(1)	-	-
<b>Cash flows from operating activities</b>	<b>11,366</b>	<b>1,426</b>	<b>10,210</b>	<b>(374)</b>
<b>Cash flows from investment activities</b>				
Sale of bonds	82,491	117,590	71,444	94,991
Bond drawings	20,636	38,628	20,624	27,269
Purchase of bonds	(112,076)	(155,014)	(102,430)	(134,336)
Sale of equity investments	78,157	70,277	80,389	89,434
Purchase of equity investments	(97,326)	(101,811)	(99,822)	(110,108)
Financial derivatives	(2,704)	11,893	(2,056)	10,509
Sale of investment properties	98	778	-	8,162
Purchase of investment properties	(1,167)	(899)	-	(134)
Sale and purchase, net, intangible assets, property, plant and equipment and owner-occupied properties	(140)	(194)	(140)	(187)
Loans, receivables from and payables to credit institutions	20,418	19,373	20,390	18,506
<b>Cash flows from investment activities</b>	<b>(11,613)</b>	<b>621</b>	<b>(11,601)</b>	<b>4,106</b>
<b>Cash flows from financing activities</b>				
Loan, capital increase and dividend from/to minority shareholder	(85)	(57)	-	-
<b>Cash flows from financing activities</b>	<b>(85)</b>	<b>(57)</b>	<b>-</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>(332)</b>	<b>1,990</b>	<b>(1,391)</b>	<b>3,732</b>
Foreign currency translation adjustments	41	(296)	(2)	(49)
<b>Cash and cash equivalents as at 1 January</b>	<b>8,492</b>	<b>6,798</b>	<b>7,228</b>	<b>3,545</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>8,201</b>	<b>8,492</b>	<b>5,835</b>	<b>7,228</b>

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

Cash flows from financing activities include a loan from a minority shareholder, totalling DKK 271m as at 31 December 2018 compared with DKK 341m a year earlier. In 2018, repayments on the loan totalled DKK 60m.



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## Note 1 General accounting policies

 The consolidated financial statements and the parent company financial statements of ATP for 2018 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'.

In the preparation of the financial statements, 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 financial statements. 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 2017.

### Accounting policies

#### Materiality in presentation

In the preparation of the financial statements, the Supervisory and Executive Boards assess how to present the financial statements. In this context, it is taken into account that the contents of the financial statements 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 financial statements provide 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 73.

#### 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 minority interest transactions for the financial year.

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

##### Bonus potential

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

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. If ATP's Supervisory Board decides to allow bonus and increase members' pensions, the bonus allowance is recognised as an expense in the income statement.

## Note 1 General accounting policies, continued

### Accounting policies for notes without a specific note attached

#### Income tax

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

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

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

#### Operating equipment


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

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

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

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

## Note 2 Significant accounting estimates

 In the preparation of the financial statements 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 and interpretations that are effective for annual periods beginning on or after 1 January 2018 have been implemented in the consolidated financial statements and the parent company financial statements of ATP.

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers and amendments to IFRS 15
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40, Transfer of Investment Properties
- Annual improvements to IFRS Standards 2014-2016 Cycle

### IFRS 9, Financial Instruments

Up until and including the 2017 financial statements, the following assets and liabilities were recognised at fair value in the income statement in accordance with the IAS 39 fair value option.

- Bonds
- Equity investments, including investments in group subsidiaries and associates as well as joint ventures
- Loans, including loans to group subsidiaries
- Receivables from and payables to credit institutions

Under IFRS 9, classification and measurement of financial assets is based on the business model for the financial assets and the associated contractual cash flows. This means that financial assets must be classified in one of the following categories:

- Financial assets held to collect contractual cash flows and where the contractual cash flows consist solely of payments of principal and interest on the amounts outstanding are measured, subsequent to initial recognition, at amortised cost ('AMC').
- Financial assets held in a mixed business model where financial assets are held to 'collect and sell' and where the contractual cash flows in the mixed business model consist solely of payments of principal and interest on the amounts outstanding are measured, subsequent to initial recognition, at fair value through other comprehensive income ('FVTOCI').
- Financial assets that do not belong under any of the above business models, or where the contractual cash flows do not consist solely of payments of principal and interest on the amounts outstanding are measured, subsequent to initial recognition, at fair value in the income statement ('fair value through profit or loss, FVTPL'). This category of measurement comprises, for instance, equity investments, including investments in group subsidiaries and associates as well as joint ventures, financial derivatives and financial assets that are either part of a risk management system or an investment strategy based on fair values and are included in the internal management reporting on this basis.

Under ATP's business model, assets and liabilities are managed and assessed based on fair value changes in accordance with ATP's risk management strategy; therefore, most financial assets, including bonds, loans and receivables from credit institutions, are measured at fair value with value adjustment through profit or loss.

For financial liabilities, the principles are largely unchanged from IAS 39. Financial derivatives that constitute a liability must always be measured at fair value. Financial liabilities that are part of a risk management system or an investment strategy based on fair values can be measured at fair value (option). Consequently, ATP's payables to credit institutions resulting from repo transactions are recognised and measured at fair value with recognition of fair value changes in the income statement. However, the portion of fair value changes that is attributable to changes in ATP's own credit risk must be recognised in 'Other comprehensive income'. Due to ATP's strong financial position and the short maturity of the repo transactions, the impact of ATP's credit risk is assessed as being insignificant. Other financial liabilities are recognised and measured at amortised cost.

The implementation of IFRS 9 has not had any monetary implications. The table below shows the changed classification for the Group's statement of financial position as at 1 January 2018.

Financial assets	IAS 39			IFRS 9		
	Fair value with value adjustment through profit or loss			Fair value with value adjustment through profit or loss		
	FVTPL (fair value option)	Trading assets	Amortised cost	Business model	Cash flow characteristics	Amortised cost
Cash and demand deposits	-	-	8,492	-	-	8,492
Bonds	552,927	-	-	552,927	-	-
Equity investments	111,814	-	-	-	111,814	-
Financial derivatives	-	71,412	-	-	71,412	-
Loans	8,662	-	-	8,662	-	-
Investments in associates and joint ventures	38,413	-	-	-	38,413	-
Interest receivable	-	-	3,156	-	-	3,156
Contributions receivable	-	-	2,594	-	-	2,594
Receivables from credit institutions	62,859	-	-	62,859	-	-
Other receivables	-	-	10,606	-	-	10,606
<b>Total financial assets</b>	<b>774,675</b>	<b>71,412</b>	<b>24,848</b>	<b>624,448</b>	<b>221,639</b>	<b>24,848</b>



## Note 3 New accounting regulations, continued

Financial liabilities	IAS 39			IFRS 9		
	Fair value with value adjustment through profit or loss			Fair value with value adjustment through profit or loss		
	FVTPL (fair value option)	Trading liabilities	Amortised cost	Fair value option applied	Trading liabilities	Amortised cost
Financial derivatives	-	57,206	-	-	57,206	-
Payables to credit institutions	53,775	-	-	53,775	-	-
Other payables	-	-	12,263	-	-	12,263
<b>Total financial liabilities</b>	<b>53,775</b>	<b>57,206</b>	<b>12,263</b>	<b>53,775</b>	<b>57,206</b>	<b>12,263</b>

Other new provisions of IFRS 9 on 'impairment of financial assets' and 'hedge accounting' have had no material impact on ATP's financial statements, given that ATP does not apply hedge accounting provisions and has an insignificant amount of assets that are subject to the new impairment provisions.

### IFRS 15, Revenue from Contracts with Customers

The implementation of IFRS 15 has not had any material impact on the consolidated financial statements or the parent company financial statements of ATP for 2018. IFRS 15 introduces a single model for revenue recognition. The core principle of IFRS 15 is that the entity must recognise revenue to reflect the transfer of goods or services to customers, measured at the amount to which the entity expects to be entitled in exchange for those goods or services.

ATP's and the ATP Group's revenue subject to IFRS 15 comprises ATP's sale of administration services to schemes, sale of administration services to external parties in ATP PensionService A/S and ATP Ejendomme A/S, fee income from 'management and investment services' and sale of timber from forestry investment companies. The shift from a 'risk and reward' concept to a 'control concept' has not had any impact on the recognition of the revenue mentioned.

All standards and interpretations, including IFRS 9 and IFRS 15, have been implemented without impacting recognition and measurement in the consolidated financial statements or the parent company financial statements for 2018.

### Standards and interpretations that have not yet taken effect

#### IFRS 16, Leasing

IFRS 16 'Leasing' is effective for annual periods beginning on or after 1 January 2019. ATP acts as lessee to a very limited extent only. Therefore, the implementation of the standard is expected to result in the capitalisation of a leased asset of approx. DKK 40m. The implementation of the standard is not expected to have any impact on ATP as lessor.

#### IFRS 17, Insurance Contracts

IFRS 17 'Insurance Contracts' is effective for annual periods beginning on or after 1 January 2021, but is expected to be deferred until 1 January 2022. 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 financial statements for 2018. 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	
	2018	2017	2018	2017
Rental income from investment properties	1,315	1,350	49	69
Income from forestry investment properties	87	53	-	-
Property management expenses	(265)	(253)	(25)	(45)
Operating expenses, forestry properties	(107)	(56)	-	-
Maintenance expenses in respect of investment properties	(11)	(17)	-	(6)
<b>Total income from investment properties</b>	<b>1,019</b>	<b>1,077</b>	<b>24</b>	<b>18</b>
Operating expenses excl. forestry investment properties incl. repairs and maintenance in respect of:				
Rented floor space	(241)	(238)	(25)	(47)
Non-rented floor space	(35)	(32)	-	(4)
<b>Total</b>	<b>(276)</b>	<b>(270)</b>	<b>(25)</b>	<b>(51)</b>

### § 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	2018			2017		
	Interest income and dividends etc.	Interest expenses	Market value adjustments	Interest income and dividends etc.	Interest expenses	Market value adjustments
<b>Investment</b>						
Equity investments	3,187	-	(1,132)	2,350	-	7,552
Bonds	2,088	-	(146)	1,813	-	(496)
Loans	623	-	180	643	-	(1,063)
Loans from hedging activities	-	(517)	-	-	(847)	-
Financial derivatives	347	(3,237)	(10,179)	205	(1,804)	16,611
Other	27	(37)	180	8	(57)	532
Financial assets and liabilities recognised at fair value in the income statement	6,272	(3,791)	(11,097)	5,019	(2,708)	23,136
Investment properties	-	-	264	-	-	357
<b>Total</b>	<b>6,272</b>	<b>(3,791)</b>	<b>(10,833)</b>	<b>5,019</b>	<b>(2,708)</b>	<b>23,493</b>
<b>Hedging</b>						
Bonds	9,206	-	11,626	10,035	-	(14,259)
Loans for investment activities	517	-	-	847	-	-
Receivables from and payables to credit institutions	360	(295)	(27)	351	(359)	(32)
Financial derivatives	5,409	-	6,174	5,233	-	(11,909)
Other	-	-	(38)	-	-	4
Financial assets and liabilities recognised at fair value in the income statement	15,492	(295)	17,735	16,466	(359)	(26,196)
<b>Total</b>	<b>15,492</b>	<b>(295)</b>	<b>17,735</b>	<b>16,466</b>	<b>(359)</b>	<b>(26,196)</b>
<b>Pension</b>						
Other	12	(2)		12	(2)	
Financial assets and liabilities at amortised cost	12	(2)		12	(2)	
<b>Total</b>	<b>12</b>	<b>(2)</b>		<b>12</b>	<b>(2)</b>	

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

DKKm	2018			2017		
	Interest income and dividends etc.	Interest expenses	Market value adjustments	Interest income and dividends etc.	Interest expenses	Market value adjustments
<b>Investment</b>						
Equity investments	2,749	-	(5,065)	1,910	-	5,048
Bonds	1,621	-	170	1,110	-	1,230
Loans	491	-	148	532	-	(969)
Loans from hedging activities	-	(517)	-	-	(847)	-
Financial derivatives	887	(3,249)	(8,638)	617	(1,804)	14,048
Other	11	(25)	37	8	(5)	(49)
Financial assets and liabilities recognised at fair value in the income statement	5,759	(3,791)	(13,348)	4,177	(2,656)	19,308
<b>Total</b>	<b>5,759</b>	<b>(3,791)</b>	<b>(13,348)</b>	<b>4,177</b>	<b>(2,656)</b>	<b>19,308</b>
<b>Hedging</b>						
Bonds	9,206	-	11,626	10,035	-	(14,259)
Loans for investment activities	517	-	-	847	-	-
Receivables from and payables to credit institutions	360	(295)	(27)	351	(359)	(32)
Financial derivatives	5,409	-	6,174	5,233	-	(11,909)
Other	-	-	(38)	-	-	4
Financial assets and liabilities recognised at fair value in the income statement	15,492	(295)	17,735	16,466	(359)	(26,196)
<b>Total</b>	<b>15,492</b>	<b>(295)</b>	<b>17,735</b>	<b>16,466</b>	<b>(359)</b>	<b>(26,196)</b>
<b>Pension</b>						
Other	12	(2)		12	(2)	
Financial assets and liabilities at amortised cost	12	(2)		12	(2)	
<b>Total</b>	<b>12</b>	<b>(2)</b>		<b>12</b>	<b>(2)</b>	

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

### § Accounting policies

#### 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

DKKm	Group		ATP	
	2018	2017	2018	2017
Investment activity expenses	953	858	458	382
Pension activity expenses	197	191	197	191
Business processing expenses	2,450	2,033	2,465	2,052
<b>Total expenses</b>	<b>3,600</b>	<b>3,082</b>	<b>3,120</b>	<b>2,625</b>
Audit fees:				
Total fees paid to auditors can be broken down as follows:				
Statutory audit	2.9	3.3	1.3	1.5
Other assurance engagements	0.1	0.1	0.0	0.0
Tax and VAT services	0.8	1.1	0.5	0.2
Other services	0.3	1.3	0.2	0.3
<b>Total audit fees</b>	<b>4.1</b>	<b>5.8</b>	<b>2.0</b>	<b>2.0</b>

Fees for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab in 2018 total DKK 1.2m. These services include the issuance of various statements and valuation reports, provision of tax and VAT advice and other accounting advice.



## Note 6 Expenses, continued

	Group		ATP	
	2018	2017	2018	2017
DKKm				
Depreciation, amortisation and impairment losses:				
Depreciation and impairment losses, operating equipment and owner-occupied properties	13	16	10	13
Amortisation and impairment losses, intangible assets	120	147	120	146
<b>Total depreciation, amortisation and impairment losses</b>	<b>133</b>	<b>163</b>	<b>130</b>	<b>159</b>
Staff expenses:				
Pay	1,553	1,520	1,418	1,374
Pension contributions	242	231	226	216
Other social security expenses	26	29	20	21
<b>Total staff expenses</b>	<b>1,821</b>	<b>1,780</b>	<b>1,664</b>	<b>1,611</b>
Average number of full-time staff	2,948	2,966	2,722	2,701

	Group		Group	
	2018	Of which pension contributions	2017	Of which pension contributions
DKKm				
<b>Remuneration paid to the CEO</b>	<b>Total remuneration</b>		<b>Total remuneration</b>	
<b>CEO</b>				
Christian Hyldahl, CEO, resigned on 24 November 2018	13.9	1.7	6.8	0.9
Bo Foged, acting CEO, took office on 26 November 2018	0.6	0.1	-	-
<b>Total remuneration paid to the CEO</b>	<b>14.5</b>	<b>1.8</b>	<b>6.8</b>	<b>0.9</b>

<sup>1</sup> The remuneration paid to Christian Hyldahl in 2018 includes pay during the release period.

<sup>2</sup> The CEO receives fixed remuneration, pension contributions and a number of work-related employee benefits, including a company car.

Reference is made to page 138 of the remuneration report for further information. 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, please visit [www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group](http://www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group).

### § Accounting policies

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

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

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

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

## Note 7 Other income

	Group		ATP	
	2018	2017	2018	2017
DKKm				
Sale of administration services by group subsidiaries	12	13	-	-
ATP's sale of administration services	2,446	2,029	2,469	2,059
<b>Total other income</b>	<b>2,458</b>	<b>2,042</b>	<b>2,469</b>	<b>2,059</b>

### § 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	
	2018	2017	2018	2017
DKKm				
Expenses related to the sale of administration services by group subsidiaries	7	10	-	-
ATP's expenses related to the sale of administration services	2,443	2,023	2,465	2,052
<b>Total other expenses</b>	<b>2,450</b>	<b>2,033</b>	<b>2,465</b>	<b>2,052</b>

### § 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 the 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/tax-atp](http://www.atp.dk/en/responsibility/tax-atp).

## Note 9 Tax on pension savings returns, continued

DKKm	Group		ATP	
	2018	2017	2018	2017
<b>Investment activities:</b>				
Tax on pension savings returns	(4,206)	(2,862)	(4,206)	(2,862)
Prior year adjustments	153	60	153	60
Tax on pension savings returns transferred to hedging activities	5,039	(1,544)	5,039	(1,544)
Tax on pension savings returns transferred to pension activities	1	2	1	2
Pension returns transferred to 'Other comprehensive income' (bonus potential)	(4)	0	(4)	0
<b>Total tax on pension savings returns in respect of investment activities</b>	<b>983</b>	<b>(4,344)</b>	<b>983</b>	<b>(4,344)</b>
<b>Hedging activities:</b>				
Tax on pension savings returns transferred from investment activities	(5,039)	1,544	(5,039)	1,544
<b>Total tax on pension savings returns in respect of hedging activities</b>	<b>(5,039)</b>	<b>1,544</b>	<b>(5,039)</b>	<b>1,544</b>
<b>Pension:</b>				
Tax on pension savings returns transferred from investment activities	(1)	(2)	(1)	(2)
<b>Total tax on pension savings returns in respect of pension activities</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>
<b>Other comprehensive income:</b>				
Tax on pension savings returns transferred from investment activities	4	0	4	0
<b>Tax on pension savings returns Total other comprehensive income</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>
<b>Total tax on pension savings returns</b>	<b>(4,053)</b>	<b>(2,802)</b>	<b>(4,053)</b>	<b>(2,802)</b>
Investment activity results before tax on pension savings returns	(4,701)	28,824	(4,778)	28,760
Hedging activity results before tax on pension savings returns and change in guaranteed benefits	32,932	(10,089)	32,932	(10,089)
Interest income and interest expenses, pension activities	10	10	10	10
Value adjustments of owner-occupied properties	(27)	2	(28)	2
	28,214	18,747	28,136	18,683
Calculated 15.3% of which	(4,317)	(2,868)	(4,305)	(2,858)
Tax effect of different methods of calculating accounting and tax returns on transparent entities etc.	68	(24)	56	(34)
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)	43	30	43	30
Tax on pension savings returns for the year	(4,206)	(2,862)	(4,206)	(2,862)
Prior year adjustments	153	60	153	60
<b>Total tax on pension savings returns</b>	<b>(4,053)</b>	<b>(2,802)</b>	<b>(4,053)</b>	<b>(2,802)</b>
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.

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](http://www.atp.dk/en/responsibility/responsible-investments/tax-atp).

## Note 10 Contributions

	Group		ATP	
	2018	2017	2018	2017
DKKm				
ATP contributions	10,723	10,546	10,723	10,546
Social security contributions	(852)	(843)	(852)	(843)
<b>Total contributions</b>	<b>9,871</b>	<b>9,703</b>	<b>9,871</b>	<b>9,703</b>

### § 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

	Group		ATP	
	2018	2017	2018	2017
DKKm				
Personal pension (current)	15,789	15,031	15,789	15,031
Spouse pension (current)	11	14	11	14
Personal pension (capitalised)	117	118	117	118
Spouse pension (capitalised)	802	759	802	759
Child benefits (capitalised)	125	128	125	128
SUPP estate amount (capitalised)	34	25	34	25
<b>Total benefit payouts</b>	<b>16,878</b>	<b>16,075</b>	<b>16,878</b>	<b>16,075</b>

### § 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.

	Group		ATP	
	2018	2017	2018	2017
DKKm				
<b>Financial assets:</b>				
Financial derivatives	76,537	71,412	76,506	71,435
Investments in group subsidiaries	-	-	74,023	69,958
Investments in associates and joint ventures	44,040	38,413	36,429	30,663
Equity investments	125,907	111,814	91,174	80,860
Bonds	563,457	552,927	554,705	542,906
Loans	7,666	8,662	5,438	7,003
Loans to group subsidiaries	-	-	3,250	2,920
Receivables from credit institutions	37,994	62,859	37,797	62,342
<b>Financial assets measured at fair value in the income statement (mandatory)</b>	<b>855,601</b>	<b>846,087</b>	<b>879,322</b>	<b>868,087</b>
Contributions receivable	2,647	2,594	2,647	2,594
Receivables from group subsidiaries	-	-	6	7
Interest receivable	3,185	3,156	3,027	3,006
Other receivables	13,383	10,606	12,933	9,954
<b>Financial assets measured at amortised cost</b>	<b>19,215</b>	<b>16,356</b>	<b>18,613</b>	<b>15,561</b>

## Note 12 Financial assets and liabilities, continued

	Group		ATP	
	2018	2017	2018	2017
DKKm				
<b>Financial liabilities:</b>				
Financial derivatives	62,249	57,206	61,655	57,543
<b>Financial liabilities measured at fair value in the income statement (mandatory)</b>	<b>62,249</b>	<b>57,206</b>	<b>61,655</b>	<b>57,543</b>
Payables to credit institutions	47,907	53,775	47,887	53,747
<b>Financial liabilities measured at fair value in the income statement (chosen)</b>	<b>47,907</b>	<b>53,775</b>	<b>47,887</b>	<b>53,747</b>
Other payables	8,479	12,263	7,500	10,801
<b>Financial liabilities measured at amortised cost:</b>	<b>8,479</b>	<b>12,263</b>	<b>7,500</b>	<b>10,801</b>

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

### § Accounting policies

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

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

#### Financial assets

Due to ATP's business model, the following financial assets are measured at fair value subsequent to initial recognition:

1. Bonds
2. Loans, including loans to group subsidiaries
3. Receivables from credit institutions (reverse transactions)

The assets specified above are managed and assessed based on fair value in accordance with the Group's risk management strategy, see the section 'Risks and risk management', and are therefore measured at fair value with value adjustment through profit or loss.

The financial assets specified below are not based on cash flows consisting of payment of principal and interest, and therefore they are measured at fair value subsequent to initial recognition:

1. Equity investments, including investments in group subsidiaries and associates as well as joint ventures
2. Financial derivatives

Other financial assets are measured at amortised cost subsequent to initial recognition.

#### Financial liabilities

Financial derivatives with a negative market value must be recognised at fair value, while it has been decided to recognise payables to credit institutions resulting from repo transactions at fair value with value adjustment through profit or loss, as they are managed and assessed based on fair value in accordance with the Group's risk management strategy.

Other financial liabilities are subsequently measured at amortised cost.

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. As regards payables to credit institutions resulting from repo transactions, the portion of the fair value changes that is attributable to changes in ATP's own credit risk is recognised in 'Other comprehensive income'. Due to ATP's strong financial position and the short maturity of the repo transactions, the impact of ATP's credit risk is assessed as being insignificant.

#### 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 statement of financial position 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, a partial sale or based on the value of comparable companies.



## Note 12 Financial assets and liabilities, continued

### § Accounting policies

#### *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.

Assets whose 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 assets measured under level 3 in the fair value hierarchy, see note 20.

	2018		2017	
	DKKm	Per cent	DKKm	Per cent
Bonds	10,703	8%	8,687	8%
Equity investments	52,429	38%	46,834	44%
Loans	7,666	6%	8,662	8%
Investments in associates and joint ventures	42,407	31%	21,713	20%
Investment properties	22,950	17%	21,617	20%
	<b>136,155</b>	<b>100%</b>	<b>107,513</b>	<b>100%</b>

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-indexed 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

### Interest rate contracts

	Group				ATP			
	2018		2017		2018		2017	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Interest rate swaps	64,609	(45,000)	59,993	(47,907)	64,598	(44,959)	59,993	(47,905)
Interest rate swaptions	4,177	(8,403)	3,897	(7,571)	4,177	(8,403)	3,897	(7,571)
Interest rate futures	1,702	(23)	204	(484)	1,700	(23)	204	(484)
Cross-currency swaps	4	(71)	41	-	4	(71)	41	-
<b>Total interest rate contracts</b>	<b>70,492</b>	<b>(53,497)</b>	<b>64,135</b>	<b>(55,962)</b>	<b>70,479</b>	<b>(53,456)</b>	<b>64,135</b>	<b>(55,960)</b>

### Equity contracts

	2018		2017		2018		2017	
	Fair value		Fair value		Fair value		Fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Equity-indexed futures	218	(200)	192	(69)	189	(166)	192	(69)
Equity-indexed options	3,068	(137)	159	(111)	3,068	(114)	159	(111)
Contracts for difference	-	(3)	-	-	-	-	-	-
<b>Total equity contracts</b>	<b>3,286</b>	<b>(340)</b>	<b>351</b>	<b>(180)</b>	<b>3,257</b>	<b>(280)</b>	<b>351</b>	<b>(180)</b>

### Inflation contracts

	2018		2017		2018		2017	
	Fair value		Fair value		Fair value		Fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Inflation swaps	230	(1,203)	837	(43)	230	(1,203)	837	(43)
<b>Total inflation contracts</b>	<b>230</b>	<b>(1,203)</b>	<b>837</b>	<b>(43)</b>	<b>230</b>	<b>(1,203)</b>	<b>837</b>	<b>(43)</b>

### Commodity contracts

	2018		2017		2018		2017	
	Fair value		Fair value		Fair value		Fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Commodity futures	348	(2,280)	974	(61)	336	(2,255)	974	(61)
<b>Total commodity contracts</b>	<b>348</b>	<b>(2,280)</b>	<b>974</b>	<b>(61)</b>	<b>336</b>	<b>(2,255)</b>	<b>974</b>	<b>(61)</b>

### Credit contracts

	2018		2017		2018		2017	
	Fair value		Fair value		Fair value		Fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Credit default swaps	859	(384)	1,822	(45)	832	(367)	1,817	(43)
<b>Total credit contracts</b>	<b>859</b>	<b>(384)</b>	<b>1,822</b>	<b>(45)</b>	<b>832</b>	<b>(367)</b>	<b>1,817</b>	<b>(43)</b>

### Foreign exchange contracts

	2018		2017		2018		2017	
	Fair value		Fair value		Fair value		Fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Non-deliverable forward	192	(79)	94	(46)	192	(79)	94	(46)
Forward exchange contracts	1,130	(4,466)	3,199	(869)	770	(3,984)	3,198	(857)
Forward exchange contracts, inter-company	-	-	-	-	410	(31)	29	(353)
<b>Total foreign exchange contracts</b>	<b>1,322</b>	<b>(4,545)</b>	<b>3,293</b>	<b>(915)</b>	<b>1,372</b>	<b>(4,094)</b>	<b>3,321</b>	<b>(1,256)</b>

### Total financial derivatives

<b>Total financial derivatives</b>	<b>76,537</b>	<b>(62,249)</b>	<b>71,412</b>	<b>(57,206)</b>	<b>76,506</b>	<b>(61,655)</b>	<b>71,435</b>	<b>(57,543)</b>
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## 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

DKKm	Group		ATP	
	2018	2017	2018	2017
Fair value as at 1 January	-	-	69,958	85,957
Additions during the year	-	-	19,076	15,378
Disposals during the year	-	-	(19,087)	(37,449)
Fair value adjustment for the year	-	-	4,076	6,072
<b>Fair value as at 31 December</b>	<b>-</b>	<b>-</b>	<b>74,023</b>	<b>69,958</b>

### § 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.

Investments in group subsidiaries are managed and assessed based on fair value changes in accordance with ATP's risk management and investment strategies. The reporting to the Supervisory and Executive Boards of the ATP Group is also based on this, and, consequently, ATP has chosen to apply the IAS 27 option of recognising investments in group subsidiaries in accordance with the IFRS 9 rules. Cash flows from investments in group subsidiaries do not consist of payment of principal and interest, and investments in group subsidiaries are therefore recognised at fair value with value adjustment through profit or loss.

Minority interests' share of the equity of group subsidiaries accounts for a total of DKK 483m (2017: DKK 426m), and the share of net results for the year is DKK 82m (2017: DKK 66m). 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 73, and the accounting information provided below, which is according to the most recently published annual report.

## Note 14 Investments in group subsidiaries, continued

2018	Domicile	Ownership interest, per cent	Company equity, DKKm	Net results, DKKm
ATP Ejendomme A/S	Denmark	100.0	15,320	783
Galaxy Properties S.A. <sup>2</sup>	Belgium	90.0	786	96
ATP European Core Shopping Center Fund <sup>2</sup>	Luxembourg	100.0	1,728	68
Waterfront Bremen G.m.b.H. & Co. KG <sup>2</sup>	Germany	94.9	1,565	8
ATP Ejendomme GP I ApS	Denmark	100.0	0	0
Seniorbolig Danmark K/S	Denmark	100.0	113	(1)
SBDK Projekter I P/S	Denmark	100.0	45	3
BAV Seniorbolig P/S	Denmark	100.0	-	-
Ejendomsselskabet Hannemanns Allé 30 P/S	Denmark	100.0	12	(4)
NOW: Pensions Investment A/S Fondsmæglerselskab	Denmark	100.0	29	2
NOW: Pensions Ltd. <sup>3</sup>	UK	100.0	34	(117)
Kapitalforeningen ATP Invest	Denmark	100.0	10,709	(416)
ATP PensionService A/S	Denmark	100.0	13	3
Private Equity Advisors ApS	Denmark	100.0	16	2
ATP PE GP ApS	Denmark	100.0	1	0
ATP Private Equity K/S	Denmark	99.9	1,865	122
ATP Private Equity Partners I K/S	Denmark	99.9	251	(81)
ATP Private Equity Partners II K/S	Denmark	99.9	2,225	123
ATP Private Equity Partners III K/S	Denmark	99.9	3,570	277
ATP Private Equity Partners IV K/S	Denmark	99.9	8,283	1,406
ATP Private Equity Partners V K/S	Denmark	99.9	5,759	692
ATP Private Equity Partners VI K/S	Denmark	99.9	0	(3)
ATP Real Estate Partners I K/S	Denmark	100.0	2,251	37
ATP Real Estate Partners II K/S	Denmark	99.9	509	54
ATP Real Estate GP ApS	Denmark	100.0	0	0
ATP TIM GP ApS	Denmark	100.0	0	0
ATP Timberland Invest K/S	Denmark	100.0	2,386	92
ATP Woodlands GP, LLC <sup>1</sup>	USA	100.0	1,139	(5)
Northwoods ATP LP <sup>1</sup>	USA	100.0	-	-
Upper Hudson Woodlands ATP LP <sup>1</sup>	USA	100.0	-	-
Wolf River ATP LP <sup>1</sup>	USA	100.0	-	-
Ouachita ATP LP <sup>1</sup>	USA	100.0	-	-
VIA equity Fond I K/S	Denmark	99.8	221	41
VIA equity Fond II K/S	Denmark	99.8	375	72
ATP Alternative Investment Trust <sup>2</sup>	Australia	100.0	2,189	379
ATP Alternatives (Aust) PTY Ltd. <sup>2</sup>	Australia	100.0	-	-
AQR Macro Total Return Lux Fund	Luxembourg	100.0	-	-
NB Public Equity K/S	Denmark	99.5	901	175
Apollo Kings Alley Credit Fund, L.P. <sup>2</sup>	USA	97.5	955	59
ATP Infrastructure Spain ApS	Denmark	100.0	930	56
ATP Infrastructure II ApS	Denmark	100.0	4,264	199
ATP Infrastructure III K/S	Denmark	100.0	3,428	0
ATP Infrastructure III GP ApS	Denmark	100.0	1	0
Broad Street Danish Credit Partners, L.P. <sup>2</sup>	Scotland	100.0	853	(54)
ACM Strategic Investment Partners IV, LP <sup>2</sup>	Cayman Islands	97.3	448	59
Bridgewater All Weather Portfolio IV, Ltd. <sup>1</sup>	Cayman Islands	100.0	-	-
King's Alley P/S	Denmark	100.0	-	-
King's Alley General Partner ApS	Denmark	100.0	-	-

<sup>1</sup> Included in the consolidated financial statements based on the most recent reporting as at 30 November 2018

<sup>2</sup> Included in the consolidated financial statements based on the most recent reporting as at 30 September 2018

<sup>3</sup> NOW Pensions Ltd. has five subsidiaries with no activity

## 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. <sup>2</sup>	Belgium	90.0	687	78
ATP European Core Shopping Center Fund <sup>2</sup>	Luxembourg	100.0	1,686	108
Waterfront Bremen G.m.b.H. & Co. KG <sup>2</sup>	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. <sup>3</sup>	UK	100.0	127	(139)
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 <sup>1</sup>	USA	100.0	1,003	(139)
Northwoods ATP LP <sup>1</sup>	USA	100.0	-	-
Upper Hudson Woodlands ATP LP <sup>1</sup>	USA	100.0	-	-
Wolf River ATP LP <sup>1</sup>	USA	100.0	-	-
Ouachita ATP LP <sup>1</sup>	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 <sup>2</sup>	Australia	100.0	2,085	387
ATP Alternatives (Aust) PTY Ltd. <sup>2</sup>	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. <sup>2</sup>	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. <sup>2</sup>	Scotland	100.0	1,154	103
ACM Strategic Investment Partners IV, LP <sup>2</sup>	Cayman Islands	97.3	320	(7)

<sup>1</sup> Included in the consolidated financial statements based on the most recent reporting as at 30 November 2017

<sup>2</sup> Included in the consolidated financial statements based on the most recent reporting as at 30 September 2017

<sup>3</sup> NOW Pensions Ltd. has five subsidiaries with no activity



## Note 15 Investments in associates and joint ventures

DKKm	Group		ATP	
	2018	2017	2018	2017
Fair value as at 1 January	38,413	17,084	30,663	11,487
Additions during the year	5,059	23,713	3,436	20,800
Disposals during the year	(3,284)	(3,808)	(1,018)	(2,827)
Reclassification from equity investments	1,601	-	1,601	-
Fair value adjustment for the year	2,251	1,424	1,747	1,203
<b>Fair value as at 31 December</b>	<b>44,040</b>	<b>38,413</b>	<b>36,429</b>	<b>30,663</b>

At year-end 2018, loans to associates and joint ventures, presented as an integral part of investments in associates and joint ventures, amount to DKK 6.7bn (2017: DKK 6.6bn). These loans are unsecured, and none of them are overdue.

### § 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 IAS 28, ATP and the ATP Group have decided to recognise and measure investments in associates and joint ventures under the provisions of IFRS 9. Cash flows from investments in associates and joint ventures do not consist of payment of principal and interest, and investments in associates and joint ventures are therefore recognised and measured at fair value with value adjustment through profit or loss.

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. Loans that are an integral part of the investment in the associate or joint venture are recognised and measured at fair value.

An overview of the Group's associates and joint ventures in 2018 and 2017 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 the ATP Group'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

2018	Owner	Domicile	Ownership interest, per cent	Voting rights, per cent	JV/As-soc.*	Activity
ATPFA K/S	ATP	Denmark	49.7	49.7	Assoc.	Property
ATP-IP P/S	ATP	Denmark	50.0	50.0	JV	Property
ATP-IP Komplementar ApS	ATP	Denmark	50.0	50.0	JV	Property
Ejendomselskabet 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 Lauruphøj I/S	ATP	Denmark	50.0	50.0	JV	Property
Samejet Tegholmegade 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
Ejendomselskabet Axelortov 2 P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet Axelortov 2 Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet 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 ApS	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre FC ApS	ATP	Denmark	50.0	50.0	JV	Property
Capital four – Strategic Lending Fund K/S	ATP	Denmark	33.0	33.0	Assoc.	Credit
Nordic Alpha Partners Fund I K/S	ATP	Denmark	42.0	42.0	Assoc.	Private Equity
FIH Holding A/S	ATP	Denmark	49.4	49.4	Assoc.	Financial
ATP PEP I GP K/S	ATP	Denmark	30.0	30.0	Assoc.	Private Equity
ATP PEP II GP K/S	ATP	Denmark	26.0	26.0	Assoc.	Private Equity
ATP REP GP II K/S	ATP	Denmark	29.0	29.0	Assoc.	Property
ATP REP II ApS	ATP	Denmark	29.0	29.0	Assoc.	Property
3i Managed Infrastructure Acquisitions LP	ATP	UK	45.0	45.0	Assoc.	Infrastructure
Kastrup Airports Parent ApS	ATP	Denmark	49.5	50.0	JV	Infrastructure (airport)
RAI Hotel CV	ATP	Netherlands	50.0	50.0	JV	Property
HOCH3 EQ	ATP	Germany	50.0	50.0	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
Bridgewater Pure Alpha Major Markets, Ltd.	ATP	Cayman Islands	50.0	50.0	Assoc.	Several types of investment
Basilisk Holdings Inc.	ATP	USA	20.0	20.0	Assoc.	Private Equity
EarlyBird S.C.A.	ATP	Luxembourg	28.5	28.5	Assoc.	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
Ejendomselskabet 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	28.0	28.0	Assoc.	IT
EnviHold A/S (Envidan A/S)	VIA equity Fond II K/S	Denmark	33.0	33.0	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	40.6	40.6	Assoc.	IT
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	33.3	33.3	Assoc.	Infrastructure (natural gas)
Redexis Gas Finance B.V.	ATP Infrastructure II ApS	Netherlands	33.3	33.3	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

2018

### Financial information for significant associates and joint ventures

DKKm	Current as-sets	Non-current assets	Current debt	Non-current debt	Revenue	Results after tax	Other comprehensive income	Total comprehensive income
ATPFA K/S	74	5,791	16	18	249	623	-	623
Danske Shoppingcentre P/S	49	12,441	53	207	713	395	-	395
Harbour P/S	7	2,373	603	81	87	104	-	104
Kastrup Airports Parent ApS	672	6,298	766	6,378	-	(501)	-	(501)
Redexis Gas S.A.	2,834	15,240	1,056	10,714	1,615	371	(2)	369
Queenspoint S.L.	52	1,550	17	363	6	141	-	141
Hancock Queensland Plantations Pty Ltd.	189	5,314	1,277	3,091	1,627	347	2	349
3i Managed Infrastructure Acquisitions LP	167	5,744	1	30	-	1,130	-	1,130
ATPPD Kgs. Nytorv A/S	3	2,225	46	1,359	103	38	-	38
Bridgewater Pure Alpha Major Markets, Ltd.	-	-	-	-	-	-	-	-
Basilisk Holdings Inc.	-	-	-	-	-	-	-	-

Bridgewater Pure Alpha Major Markets, Ltd. and Basilisk Holdings Inc. are newly formed companies that 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	384	-	-	384
Joint ventures	500	-	-	500

## Note 15 Investments in associates and joint ventures, continued

2017	Owner	Domicile	Ownership interest, per cent	Voting rights, per cent	JV/As-soc.*	Activity
ATPFA K/S	ATP	Denmark	49.7	49.7	Assoc.	Property
ATP-IP P/S	ATP	Denmark	50.0	50.0	JV	Property
ATP-IP Komplementar ApS	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 Tegholmegade 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
Ejendomsselskabet 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	49.4	49.4	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.	Property
ATP REP II ApS	ATP	Denmark	29.1	29.1	Assoc.	Property
3i Managed Infrastructure Acquisitions LP	ATP	UK	45.0	45.0	Assoc.	Infrastructure
Kastrup Airports Parent ApS	ATP	Denmark	49.5	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

### Financial information for significant associates and joint ventures

DKKm	Current as-sets	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 16 Investment properties

DKKm	Group		ATP	
	2018	2017	2018	2017
Fair value as at 1 January	21,617	21,139	-	8,028
Additions during the year	1,167	899	-	134
Disposals during the year*	(98)	(665)	-	(8,162)
Fair value adjustment for the year	264	244	-	-
<b>Fair value as at 31 December</b>	<b>22,950</b>	<b>21,617</b>	<b>-</b>	<b>-</b>

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

Forestry investment properties account for DKK 1,104m of the investment properties specified above (2017: DKK 1,112m).

## § Accounting policies

### 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.



## Note 16 Investment properties, continued

### 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.

### ! 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	
	2018	2017	2018	2017
Weighted average required rate of return	4.9%	4.9%	-	-
Maximum required rate of return	8.5%	8.5%	-	-
Minimum required rate of return	4.3%	4.3%	-	-

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.

#### 2018

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 (DKKbn)	Market value per sq.m. (DKK/sq.m.)
Denmark	Greater Copenhagen area and Aarhus	Offices	53	607.2	12.7	4.9	625	20,500
Denmark	Major Danish towns and cities	Retail properties	27	102.1	2.6	5.0	124	25,600
Germany	Bremen	Shopping centre	1	94.3	1.7	4.7	85	18,059
Belgium	Brussels	Offices	1	121.8	3.9	5.3	174	31,844
Denmark	Greater Copenhagen area	Other <sup>1</sup>	7	-	1.0	-	24	-

<sup>1</sup> '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 2018 by DKK 1,032m.

#### 2017

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 (DKKbn)	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	121.8	3.8	5.3	155	25,200
Denmark	Greater Copenhagen area	Other <sup>1</sup>	3	-	0.6	-	15	-

<sup>1</sup> '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.

## 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

	As at 31 December 2018	As at 31 December 2017
Investment	38,803	40,042
Hedging	5,961	4,156

### 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. The ATP Supervisory Board has set a long-term guideline and upper and lower limits for each risk factor's share of the overall risk of the investment portfolio.

### Investment portfolio risk broken down by factors

	Expected Shortfall in DKKm		Relative risk allocation (per cent)		Long-term guideline
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017	
Equity factor	30,101	31,710	40.1	44.3	35.0
Interest rate factor	25,592	22,901	34.1	32.0	35.0
Inflation factor	14,321	10,785	19.1	15.0	15.0
Other factors	5,016	6,209	6.7	8.7	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

	As at 31 December 2018	As at 31 December 2017
Guaranteed benefits' DKK duration after tax, DKKm	(98,145)	(90,659)
Hedging portfolio's DKK duration after tax, DKKm	97,333	90,098
Hedging ratio in per cent	99.2	99.4

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 EUR. 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 2018

Including foreign currency hedging	Foreign currency exposure DKKbn	Per cent of financial instruments measured at fair value
<i>Currency</i>		
EUR	167.3	21.3
USD	1.1	0.1
Total other currencies	(2.5)	(0.3)

Excluding foreign currency hedging	Foreign currency exposure DKKbn	Per cent of financial instruments measured at fair value
<i>Currency</i>		
EUR	220.5	28.1
USD	49.4	6.3
Total other currencies	49.0	6.2

#### ATP's currency exposure as at 31 December 2017

Including foreign currency hedging	Foreign currency exposure DKKbn	Per cent of financial instruments measured at fair value
<i>Currency</i>		
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
<i>Currency</i>		
EUR	189.0	24.6
USD	66.7	8.7
Total other currencies	31.3	4.1

## 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, CDSs, credit funds, loans 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 bonds involve a credit risk. As regards government bonds excluding emerging markets, the credit risk is assessed as being close to zero, as 98 per cent of this portfolio consisted of German and Danish government bonds at year-end 2018. As regards mortgage bonds, bonds issued by international organisations (supranationals) and bonds issued by publicly guaranteed authorities (agencies), the credit risk is assessed as being moderate.

### Market value as at 31 December

DKKbn	2018	2017
Credit investments*	29	31
Mortgage bonds	115	117
Government bonds, excluding emerging markets	421	419
Bonds issued by supranationals or agencies	11	2
Unlisted financial derivatives, net (before provision of collateral)	12	13
Unlisted financial derivatives, net (after provision of collateral)	0	0
Cash and cash equivalents	8	8
Other receivables	13	13

\* The market value of credit investments includes CDSs with a market value at year-end 2018 of DKK 0.5bn (2017: DKK 1.8bn) and a principal amount at year-end 2018 of DKK 59bn (2017: DKK 48bn). In addition, at year-end 2018, ATP had guarantees issued of DKK 1.3bn (2017: DKK 1.5bn).

Other receivables mainly consist of unsettled transactions, ATP contributions receivable and rent receivable. Provisions are made for expected losses on ATP contributions receivable and rent receivable based on a simplified provision matrix where a fixed provision rate applies depending on the number of days that the receivable is outstanding. The provision rate is based on historical data.

As at 31 December 2018, overdue receivables for which no impairment losses have been recorded were included in the Group's receivables at DKK 4m (2017: DKK 6m).

At year-end 2018, impairment losses on receivables for the ATP Group amounted to DKK 54m (2017: DKK 54m). For ATP, impairment losses amounted to DKK 51m at year-end 2018 (2017: DKK 49m).

## 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.

2018 Group						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	6,008	24,820	46,911	18,528	10,585	106,852
Gross-settled financial derivatives, payments received	(2,002)	(12,383)	(29,810)	(12,213)	(7,148)	(63,556)
Financial derivatives, settled net	5,791	5,230	2,960	866	105	14,952
<b>Total derivative financial liabilities*</b>	<b>9,797</b>	<b>17,667</b>	<b>20,061</b>	<b>7,181</b>	<b>3,542</b>	<b>58,248</b>
<i>Other financial liabilities</i>						
Guaranteed benefits	17,250	87,418	200,235	106,057	473,394	884,354
Payables to credit institutions	47,907	-	-	-	-	47,907
Income tax and tax on pension savings returns payable	4,241	-	-	-	-	4,241
Other payables	8,010	175	293	-	-	8,478
<b>Total other financial liabilities</b>	<b>77,408</b>	<b>87,593</b>	<b>200,528</b>	<b>106,057</b>	<b>473,394</b>	<b>944,980</b>
<b>Total</b>	<b>87,205</b>	<b>105,260</b>	<b>220,589</b>	<b>113,238</b>	<b>476,936</b>	<b>1,003,228</b>
2017 Group						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
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
<b>Total derivative financial liabilities*</b>	<b>6,631</b>	<b>14,567</b>	<b>26,069</b>	<b>9,574</b>	<b>5,528</b>	<b>62,369</b>
<i>Other financial liabilities</i>						
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
<b>Total other financial liabilities</b>	<b>84,845</b>	<b>86,990</b>	<b>194,892</b>	<b>102,630</b>	<b>456,642</b>	<b>925,999</b>
<b>Total</b>	<b>91,476</b>	<b>101,557</b>	<b>220,961</b>	<b>112,204</b>	<b>462,170</b>	<b>988,368</b>

## Note 19 Liquidity risk, continued

2018 ATP						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	5,180	24,820	46,893	18,528	10,585	106,006
Gross-settled financial derivatives, payments received	(1,177)	(12,383)	(29,810)	(12,213)	(7,148)	(62,731)
Financial derivatives, settled net	5,365	5,185	2,965	866	105	14,486
<b>Total derivative financial liabilities*</b>	<b>9,368</b>	<b>17,622</b>	<b>20,048</b>	<b>7,181</b>	<b>3,542</b>	<b>57,761</b>
<i>Other financial liabilities</i>						
Guaranteed benefits	17,250	87,418	200,235	106,057	473,394	884,354
Payables to credit institutions	47,887	-	-	-	-	47,887
Tax payable on pension savings returns	4,234	-	-	-	-	4,234
Other payables	7,387	113	-	-	-	7,500
<b>Total other financial liabilities</b>	<b>76,758</b>	<b>87,531</b>	<b>200,235</b>	<b>106,057</b>	<b>473,394</b>	<b>943,975</b>
<b>Total</b>	<b>86,126</b>	<b>105,153</b>	<b>220,283</b>	<b>113,238</b>	<b>476,936</b>	<b>1,001,736</b>

2017 ATP						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
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
<b>Total derivative financial liabilities</b>	<b>6,516</b>	<b>14,567</b>	<b>26,069</b>	<b>9,574</b>	<b>5,528</b>	<b>62,254</b>
<i>Other financial liabilities</i>						
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	0	-	-	10,801
<b>Total other financial liabilities</b>	<b>83,738</b>	<b>86,914</b>	<b>194,599</b>	<b>102,630</b>	<b>456,642</b>	<b>924,523</b>
<b>Total</b>	<b>90,254</b>	<b>101,481</b>	<b>220,668</b>	<b>112,204</b>	<b>462,170</b>	<b>986,777</b>

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.

\* CCP swaps and futures with daily margin settlement are not included in the maturity analysis statement of financial derivatives. For both ATP and the ATP Group, the market value of these amounts to DKK 2,122m and DKK 1,815m, respectively (2017: DKK 489m and DKK 6m, respectively).



## 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 assets and liabilities is determined.

Disclosures are not provided specifically for the ATP Parent Company. Apart from the size of amounts, these disclosures are identical to those of the Group. All fair value measurements disclosed are recurring value measurements.

### Group

	Fair value	Fair value	Fair value hierarchy	Valuation method used	Observable/unobservable inputs/ranges used	Fair value sensitivity to changes in unobservable inputs
	31.12.2018	31.12.2017				
	DKKm	DKKm				
Bonds, listed	544,587	535,178	1	Closing rates of relevant stock exchange.	-	-
Bonds, observable inputs	8,167	9,062	2	Discounting to net present value using relevant yield curve with addition of a spread.	Yields curves, spreads	-
Bonds, unobservable inputs	10,703	8,687	3	Discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.	Credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the fair value changes by DKK (323)m.
Equity investments, listed	70,005	63,400	1	Closing rates of relevant stock exchange.	-	-
Equity investments, unlisted	3,473	1,580	2	Purchase price of recent transactions	-	-
Equity investments, unlisted	47,812	44,632	3	Reported fair value <sup>1</sup>	-	-
Equity investments, unlisted	2,712	2,202	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are changed by (10) per cent, the fair value changes by DKK (395)m.
Equity investments, unlisted	1,905	-	3	Discounting of expected future cash flows to net present value	Applied discount factor	If the discount factor changes +/- 0.5 per cent, the market value will change by +/- DKK 16m.
Financial derivatives, listed (net)	2,698	804	1	Closing rates of relevant stock exchange. <sup>2</sup>	-	-
Financial derivatives, unlisted (net)	11,590	13,402	2	Linear financial instruments (e.g. interest rate swaps) are valued using inputs of relevant curves, indices, spreads for calculating future payments and discounting using the relevant yield curve. For non-linear financial instruments, volatilities and methods reflecting applicable market practice for the valuation of these instruments are also used. <sup>2</sup>	Yields curves, spreads	-
Loans	7,666	8,662	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 (142)m.
Investments in associates and joint ventures	1,633	16,700	2	Purchase price of recent transactions	-	-
Investments in associates and joint ventures	25,566	19,595	3	Reported fair value <sup>1</sup>	-	-
Investments in associates and joint ventures	384	554	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 (4)m.
Investments in associates and joint ventures	15,866	1,053	3	Discounting of expected future cash flows to net present value	Applied discount factor	If the discount factor changes by +/- 0.5 per cent, the market value will change by DKK (1,908)m/DKK 2,447m.
Investments in associates and joint ventures	591	511	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are reduced by (10) per cent, the fair value changes by DKK (83)m.
Investments in group subsidiaries (ATP)	74,023	69,958	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 <sup>1</sup>	-	-
Investment properties	22,950	21,617	3	Return-based model. Reference is made to note 16 for a further description.	Required rates of return (4.3) per cent to of 4.9 per cent (25 bps), the fair value of the Group's investment properties changes by DKK (1,032)m.	If the average required rate of return increases by 0.25 per cent (25 bps), the fair value of the Group's investment properties changes by DKK (1,032)m.
Receivables from credit institutions	37,994	62,859	2	Discounting to net present value using relevant yield curve.	Yield curves	-
Payables to credit institutions	(47,907)	(53,775)	2	Discounting to net present value using relevant yield curve.	Yield curves	-

<sup>1</sup> 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.

<sup>2</sup> Financial derivatives are presented net (asset less liability), since disclosures are identical for assets and liabilities apart from 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, e.g. from unobservable to observable. If this is the case, the asset or liability is transferred out of the relevant level and into the new level from the time the input variables changed.

### Group

DKKm

	Quoted prices		Observable inputs		Unobservable inputs		Total	
	Level 1		Level 2		Level 3			
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Assets</b>								
Bonds	544,587	535,178	8,167	9,062	10,703	8,687	563,457	552,927
Equity investments	70,005	63,400	3,473	1,580	52,429	46,834	125,907	111,814
Financial derivatives	5,334	1,528	71,203	69,884	-	-	76,537	71,412
Loans	-	-	-	-	7,666	8,662	7,666	8,662
Investments in associates and joint ventures	-	-	1,633	16,700	42,407	21,713	44,040	38,413
Investment properties	-	-	-	-	22,950	21,617	22,950	21,617
Receivables from credit institutions	-	-	37,994	62,859	-	-	37,994	62,859
<b>Total</b>	<b>619,926</b>	<b>600,106</b>	<b>122,470</b>	<b>160,085</b>	<b>136,155</b>	<b>107,513</b>	<b>878,551</b>	<b>867,704</b>
<b>Liabilities</b>								
Payables to credit institutions	-	-	47,907	53,775	-	-	47,907	53,775
Financial derivatives	2,636	724	59,613	56,482	-	-	62,249	57,206
<b>Total</b>	<b>2,636</b>	<b>724</b>	<b>107,520</b>	<b>110,257</b>	<b>-</b>	<b>-</b>	<b>110,156</b>	<b>110,981</b>

There were no significant transfers between levels 1 and 2 in 2018 and 2017.

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

	Bonds		Equity Investments		Loans		Investments in associates		Investment properties		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Statement of financial position 1 January	8,687	5,933	46,834	58,585	8,662	11,879	21,713	17,084	21,617	21,139	107,513	114,620
Realised/unrealised gains or losses for the period, recognised in results	240	(17)	7,822	4,742	549	(611)	2,251	1,424	264	244	11,126	5,782
Purchase/contribution	5,887	3,835	16,153	9,527	13,951	13,237	3,427	7,013	1,167	899	40,585	34,511
Sale/distribution	(4,111)	(1,064)	(20,551)	(26,020)	(15,496)	(15,843)	(3,284)	(3,808)	(98)	(665)	(43,540)	(47,400)
Reclassification	-	-	(1,601)	-	-	-	1,601	-	-	-	-	-
Transfer into level 3	-	-	3,778	-	-	-	16,699	-	-	-	20,477	-
Transfer out of level 3	-	-	(6)	-	-	-	-	-	-	-	(6)	-
<b>Statement of financial position 31 December</b>	<b>10,703</b>	<b>8,687</b>	<b>52,429</b>	<b>46,834</b>	<b>7,666</b>	<b>8,662</b>	<b>42,407</b>	<b>21,713</b>	<b>22,950</b>	<b>21,617</b>	<b>136,155</b>	<b>107,513</b>
Losses/gains on assets held	83	(120)	7,782	5,783	204	(254)	2,152	1,280	264	385	10,485	7,074

In 2018, the transfer into level 3 represents equity investments and investments in associates that were valued at 'the purchase price of the most recent transactions' (level 2) at year-end 2017 while, in 2018, they are valued based on a valuation model using unobservable inputs.

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	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Assets</b>								
Bonds	537,178	525,157	6,867	9,062	10,660	8,687	554,705	542,906
Equity investments	66,706	60,179	45	1,580	24,423	19,101	91,174	80,860
Financial derivatives	5,292	1,528	71,214	69,908	-	-	76,506	71,436
Loans, including loans to group subsidiaries	-	-	-	-	8,688	9,923	8,688	9,923
Investments in group subsidiaries	-	-	-	-	74,023	69,958	74,023	69,958
Investments in associates	-	-	1,633	16,700	34,796	13,963	36,429	30,663
Receivables from credit institutions	-	-	37,797	62,342	-	-	37,797	62,342
<b>Total</b>	<b>609,176</b>	<b>586,864</b>	<b>117,556</b>	<b>159,592</b>	<b>152,590</b>	<b>121,632</b>	<b>879,322</b>	<b>868,088</b>
<b>Liabilities</b>								
Payables to credit institutions	-	-	47,887	53,747	-	-	47,887	53,747
Financial derivatives	2,557	724	59,098	56,819	-	-	61,655	57,543
<b>Total</b>	<b>2,557</b>	<b>724</b>	<b>106,985</b>	<b>110,566</b>	<b>-</b>	<b>-</b>	<b>109,542</b>	<b>111,290</b>

There were no significant transfers between levels 1 and 2 in 2018 and 2017.

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

	Bonds		Equity investments		Loans, including loans to group subsidiaries		Investments in group subsidiaries		Investments in associates		Investment properties		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Statement of financial position 1 January	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
Realised/unrealised gains or losses for the period, recognised in results	234	(17)	3,355	2,274	586	(478)	4,076	6,072	1,747	1,203	-	-	9,998	9,054
Purchase/contribution	5,813	3,835	9,858	5,021	13,296	13,272	19,076	15,378	1,803	4,100	-	134	49,846	41,740
Sale/distribution	(4,074)	(1,064)	(7,869)	(9,416)	(15,117)	(15,677)	(19,087)	(37,449)	(1,018)	(2,827)	-	(8,162)	(47,165)	(74,595)
Reclassification	-	-	(1,601)	-	-	-	-	-	1,601	-	-	-	-	-
Transfer into level 3	-	-	1,579	-	-	-	-	-	16,700	-	-	-	18,279	-
Transfer out of level 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Statement of financial position 31 December</b>	<b>10,660</b>	<b>8,687</b>	<b>24,423</b>	<b>19,101</b>	<b>8,688</b>	<b>9,923</b>	<b>74,023</b>	<b>69,958</b>	<b>34,796</b>	<b>13,963</b>	<b>-</b>	<b>-</b>	<b>152,590</b>	<b>121,632</b>
Losses/gains on assets held	77	(120)	3,883	1,430	193	(174)	3,603	4,258	1,723	1,088	-	-	9,479	6,482

In 2018, the transfer into level 3 represents equity investments and investments in associates that were valued at 'the purchase price of the most recent transactions' (level 2) at year-end 2017 while, in 2018, they are valued based on a valuation model using unobservable inputs.

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.

2018 Group		Related amounts not offset in the statement of financial position				
Financial assets	Recognised in the statement of financial position	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
DKKm	assets, gross					
Financial derivatives	76,537	-	76,537	(52,846)	(21,987)	1,704
Receivables from credit institutions	37,994	-	37,994	(11,624)	(26,370)	-
<b>Total</b>	<b>114,531</b>	<b>-</b>	<b>114,531</b>	<b>(64,470)</b>	<b>(48,357)</b>	<b>1,704</b>

2018 Group		Related amounts not offset in the statement of financial position				
Financial liabilities	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	62,249	-	62,249	(52,846)	(9,358)	45
Payables to credit institutions	47,907	-	47,907	(11,624)	(36,132)	151
<b>Total</b>	<b>110,156</b>	<b>-</b>	<b>110,156</b>	<b>(64,470)</b>	<b>(45,490)</b>	<b>196</b>

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

2017 Group		Related amounts not offset in the statement of financial position				
Financial liabilities	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)	-
<b>Total</b>	<b>110,981</b>	<b>-</b>	<b>110,981</b>	<b>(83,116)</b>	<b>(27,865)</b>	<b>-</b>

## Note 22 Guaranteed benefits

	Group		ATP	
	2018	2017	2018	2017
DKKm				
Fair value as at 1 January	650,881	658,797	650,881	658,797
Change in provisions for the year:				
Contributions	9,871	9,703	9,871	9,703
– of which transferred to bonus potential	(1,974)	(1,941)	(1,974)	(1,941)
Pension benefits	(16,878)	(16,075)	(16,878)	(16,075)
Change due to life expectancy update	20,025	1,006	20,025	1,006
Change due to change in discount rate	23,064	(15,021)	23,064	(15,021)
Bonus allowance for the year	-	6,406	-	6,406
Change due to maturity reduction	7,908	7,982	7,908	7,982
Other changes	476	24	476	24
<b>Total change in provisions for the year</b>	<b>42,492</b>	<b>(7,916)</b>	<b>42,492</b>	<b>(7,916)</b>
<b>Fair value as at 31 December</b>	<b>693,373</b>	<b>650,881</b>	<b>693,373</b>	<b>650,881</b>
<b>Change in provisions for the year, broken down by the Group's and ATP's business areas:</b>				
<b>Hedging activities:</b>				
Change due to maturity reduction	7,908	7,982	7,908	7,982
Change due to change in discount rate	23,064	(15,021)	23,064	(15,021)
	<b>30,972</b>	<b>(7,039)</b>	<b>30,972</b>	<b>(7,039)</b>
<b>Pension activities:</b>				
Contributions	9,871	9,703	9,871	9,703
– of which transferred to bonus potential	(1,974)	(1,941)	(1,974)	(1,941)
Pension benefits	(16,878)	(16,075)	(16,878)	(16,075)
Other changes	476	24	476	24
Change in guaranteed benefits due to contributions and pension benefits	(8,505)	(8,289)	(8,505)	(8,289)
Change due to life expectancy update	20,025	1,006	20,025	1,006
	<b>11,520</b>	<b>(7,283)</b>	<b>11,520</b>	<b>(7,283)</b>
<b>Other results:</b>				
Bonus allowance for the year	-	6,406	-	6,406
<b>Total</b>	<b>42,492</b>	<b>(7,916)</b>	<b>42,492</b>	<b>(7,916)</b>
<b>Sensitivity disclosures:</b>				
Change in provisions at the following changes:				
Interest rate increase of 1 percentage point	(87,617)	(80,950)	(87,617)	(80,950)
Interest rate fall of 1 percentage point	108,104	99,741	108,104	99,741
Mortality rate increase of 10 per cent	(22,205)	(21,700)	(22,205)	(21,700)
Mortality rate fall of 10 per cent*	24,476	23,961	24,476	23,961

\* In 2018, a 10 per cent fall in the mortality rate was equivalent to a 1.0 year increase in life expectancy (2017: 1.0 year).



## Note 22 Guaranteed benefits, continued

### § 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 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.

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

*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'. The assumptions on which the assessment is based 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%
- Interest rate swaps denominated in euros – 35%
- Danish government bonds – 25%
- German government bonds – 25%

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 (EUR), 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 2018 and 2017.

Yield curve points	2018	2017
1 year	(0.47)%	(0.47)%
5 years	(0.02)%	0.07%
10 years	0.55%	0.69%
15 years	0.87%	1.05%
20 years	1.07%	1.26%
30 years	1.14%	1.39%
Inflation	0.69%	0.80%

The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIOPA at year-end 2018, are available at ATP's website ([www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group](http://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

<b>2018 Group</b>				
DKKm	Revaluation reserve	Other	Retained earnings	Total
Bonus potential as at 1 January	54	12	117,629	117,695
Net results for the year	-	-	(25,587)	(25,587)
Other comprehensive income:				
Value adjustments of owner-occupied properties	(26)	-	-	(26)
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	4	-	-	4
<b>Total other comprehensive income</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>(22)</b>
<b>Comprehensive income for the year</b>	<b>(22)</b>	<b>-</b>	<b>(25,587)</b>	<b>(25,609)</b>
<b>Bonus potential as at 31 December</b>	<b>32</b>	<b>12</b>	<b>92,042</b>	<b>92,086</b>

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	1,676
Bonus potential that must be retained as unallocated bonus	90,410
<b>Total</b>	<b>92,086</b>

<b>2017 Group</b>				
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:				
Value adjustments of owner-occupied properties	2	-	-	2
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	0	-	-	0
<b>Total other comprehensive income</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Comprehensive income for the year</b>	<b>2</b>	<b>-</b>	<b>17,239</b>	<b>17,241</b>
<b>Bonus potential as at 31 December</b>	<b>54</b>	<b>12</b>	<b>117,629</b>	<b>117,695</b>

Bonus potential that could be used to increase guaranteed benefits	-
Bonus potential that must be retained as unallocated bonus	117,695
<b>Total</b>	<b>117,695</b>

## Note 23 Bonus potential, ATP

<b>2018 ATP</b>			
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as at 1 January	40	117,655	117,695
Net results for the year	-	(25,585)	(25,585)
Other comprehensive income:			
Value adjustments of owner-occupied properties	(28)	-	(28)
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	4	-	4
<b>Total other comprehensive income</b>	<b>(24)</b>	<b>-</b>	<b>(24)</b>
<b>Comprehensive income for the year</b>	<b>(24)</b>	<b>(25,585)</b>	<b>(25,609)</b>
<b>Bonus potential as at 31 December</b>	<b>16</b>	<b>92,070</b>	<b>92,086</b>

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	1,676
Bonus potential that must be retained as unallocated bonus	90,410
<b>Total</b>	<b>92,086</b>

<b>2017 ATP</b>			
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:			
Value adjustments of owner-occupied properties	2	-	2
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	0	-	0
<b>Total other comprehensive income</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Comprehensive income for the year</b>	<b>2</b>	<b>17,239</b>	<b>17,241</b>
<b>Bonus potential as at 31 December</b>	<b>40</b>	<b>117,655</b>	<b>117,695</b>

Bonus potential that could be used to increase guaranteed benefits	-
Bonus potential that must be retained as unallocated bonus	117,695
<b>Total</b>	<b>117,695</b>

## 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 not to increase members' pensions in 2019.*

## Note 24 Intangible assets

DKKm	Group		ATP	
	2018	2017	2018	2017
<b>Goodwill:</b>				
Cost as at 1 January	221	221	-	-
Additions	-	-	-	-
<b>Cost as at 31 December</b>	<b>221</b>	<b>221</b>	<b>-</b>	<b>-</b>
Impairment losses as at 1 January	(177)	(177)	-	-
Impairment losses for the year	-	-	-	-
<b>Impairment losses as at 31 December</b>	<b>(177)</b>	<b>(177)</b>	<b>-</b>	<b>-</b>
<b>Carrying amount as at 31 December</b>	<b>44</b>	<b>44</b>	<b>-</b>	<b>-</b>
<b>Internal development projects:</b>				
Cost as at 1 January	2,044	1,748	2,029	1,736
Additions during the year	290	296	290	293
<b>Cost as at 31 December</b>	<b>2,334</b>	<b>2,044</b>	<b>2,319</b>	<b>2,029</b>
Amortisation as at 1 January	(1,203)	(1,056)	(1,191)	(1,045)
Amortisation and impairment losses for the year	(120)	(147)	(120)	(146)
<b>Amortisation as at 31 December</b>	<b>(1,323)</b>	<b>(1,203)</b>	<b>(1,311)</b>	<b>(1,191)</b>
<b>Carrying amount as at 31 December</b>	<b>1,011</b>	<b>841</b>	<b>1,008</b>	<b>838</b>
<b>Total intangible assets:</b>				
Cost as at 1 January	2,265	1,969	2,029	1,736
Additions during the year	290	296	290	293
<b>Cost as at 31 December</b>	<b>2,555</b>	<b>2,265</b>	<b>2,319</b>	<b>2,029</b>
Amortisation and impairment losses as at 1 January	(1,380)	(1,233)	(1,191)	(1,045)
Amortisation and impairment losses for the year	(120)	(147)	(120)	(146)
<b>Amortisation and impairment losses as at 31 December</b>	<b>(1,500)</b>	<b>(1,380)</b>	<b>(1,311)</b>	<b>(1,191)</b>
<b>Carrying amount as at 31 December</b>	<b>1,055</b>	<b>885</b>	<b>1,008</b>	<b>838</b>

### § 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.



## Note 24 Intangible assets, continued

### Significant accounting estimates

#### Impairment test for goodwill

As at 31 December 2018, 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	
	2018	2017	2018	2017
<b>Goodwill</b>				
NOW: Pension Ltd.	177	177	-	-
ATP Ejendomme A/S*	44	44	-	-
	<b>221</b>	<b>221</b>	-	-
<b>Recoverable amount</b>				
NOW: Pension Ltd.	-	-	-	-
ATP Ejendomme A/S	44	44	-	-
	<b>44</b>	<b>44</b>	-	-

\* 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 the tendering of the contract for IT systems totalled DKK 842m as at 31 December 2018 (2017: DKK 679m). 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 2018 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 2018, 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 2019-2023 as approved by the Supervisory and Executive Boards.

## Note 25 Owner-occupied properties

	Group		ATP	
	2018	2017	2018	2017
DKKm				
Cost as at 1 January	865	846	825	807
Additions during the year	21	19	21	18
<b>Cost as at 31 December</b>	<b>886</b>	<b>865</b>	<b>846</b>	<b>825</b>
Revaluations as at 1 January	54	52	40	38
Revaluations for the year	-	2	-	2
Reversal of revaluations due to value adjustment	(26)	-	(28)	-
<b>Revaluations as at 31 December</b>	<b>28</b>	<b>54</b>	<b>12</b>	<b>40</b>
Depreciation and impairment losses as at 1 January	(49)	(44)	(45)	(40)
Depreciation for the year	(5)	(5)	(4)	(5)
<b>Depreciation and impairment losses as at 31 December</b>	<b>(54)</b>	<b>(49)</b>	<b>(49)</b>	<b>(45)</b>
<b>Fair value as at 31 December</b>	<b>860</b>	<b>870</b>	<b>809</b>	<b>820</b>

### § 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	
	2018	2017	2018	2017
DKKm				
Rental income for the year from property rental	1,315	1,350	49	69
Lessees are under contractual obligation for an average of (years)	8	8	3	4
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	1,097	1,058	33	31
Between 1 and 5 years	2,933	2,835	125	119
After 5 years	3,029	3,168	39	40
<b>Total rental income</b>	<b>7,059</b>	<b>7,061</b>	<b>197</b>	<b>190</b>

## 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:

DKKm	Group		ATP	
	2018	2017	2018	2017
<b>Assets provided as collateral:</b>				
Bonds	66,258	68,177	66,062	67,659
Loans	2,486	4,104	2,436	4,104
Cash and cash equivalents	1,503	478	787	441
<b>Total assets provided as collateral</b>	<b>70,247</b>	<b>72,759</b>	<b>69,285</b>	<b>72,204</b>
<b>Assets received as collateral:</b>				
Bonds	57,345	80,939	57,298	80,913
Cash and cash equivalents	1	-	-	-
<b>Total assets received as collateral</b>	<b>57,346</b>	<b>80,939</b>	<b>57,298</b>	<b>80,913</b>
<b>Investment and loan commitments</b>				
Investment commitments, equity investments	15,086	13,644	2,027	430
Investment commitments, real estate funds	698	795	660	708
Investment commitments, Danish properties	99	279	7	12
Investment commitments, infrastructure	5,586	7,504	5,586	7,504
Investment commitments, credit funds	5,794	2,019	5,794	2,019
Loan commitments, businesses	19,578	19,147	19,578	19,147
Loan commitments, credit funds	14,357	9,834	14,357	9,834
Investment commitments, group subsidiaries	-	-	34,475	24,945
Loan commitments, group subsidiaries	-	-	1,185	1,585
<b>Other contingent liabilities</b>				
Rental/lease obligations and contractual obligations for the purchase of intangible assets	562	720	555	702
Potential deferred tax related to real estate <sup>1</sup>	238	217	-	-
Other contingent liabilities <sup>2</sup>	1,294	1,486	1,242	1,434

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.

<sup>1</sup> 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 2018, ATP Ejendomme A/S met the conditions for tax exemption.

<sup>2</sup> Other contingent liabilities comprise mainly contingent liabilities related 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 this connection, ATP has filed a financial claim against KMD, and KMD has filed a counterclaim against ATP, including Udbetaling Danmark – Public Benefits Administration. 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 under the contract. 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.

### § 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:

2018							
DKKm	Sale	Purchase	Contributions	Distributions	Debt	Receivables/Loans	Contingent liabilities
Associates and joint ventures	7	-	2,085	1,794	6	2	2,725
Independent schemes managed by ATP	2,446	-	-	-	901	321	-
<b>Total related party transactions</b>	<b>2,453</b>	<b>-</b>	<b>2,085</b>	<b>1,794</b>	<b>907</b>	<b>323</b>	<b>2,725</b>

2017							
DKKm	Sale	Purchase	Contributions	Distributions	Debt	Receivables/Loans	Contingent liabilities
Associates and joint ventures	8	-	760	2,965	-	2	4,612
Independent schemes managed by ATP	2,029	-	-	-	723	284	-
<b>Total related party transactions</b>	<b>2,037</b>	<b>-</b>	<b>760</b>	<b>2,965</b>	<b>723</b>	<b>286</b>	<b>4,612</b>

Sales to associates, joint ventures 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 2018 total DKK 0.0m (2017: DKK 0.0m).

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

Remuneration details for the Supervisory and Executive Boards are set out in note 6 and on page 138 of the remuneration report.

## 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:

2018 DKK m	Sale	Purchase	Forward contracts, net, and interest on loans	Contributi- ons	Distributions	Payables <sup>1</sup>	Receivables/ loans <sup>1</sup>	Contingent liabilities
Associates and joint ventures	-	-	-	1,794	954	-	-	2,478
Group subsidiaries	23	31	699	18,990	19,268	31	3,666	35,660
Independent schemes managed by ATP	2,446	-	-	-	-	901	321	-
<b>Total related party transactions</b>	<b>2,469</b>	<b>31</b>	<b>699</b>	<b>20,784</b>	<b>20,222</b>	<b>932</b>	<b>3,987</b>	<b>38,138</b>
2017 DKK m	Sale	Purchase	Forward contracts, net, and interest on loans	Contributi- ons	Distributions	Payables <sup>1</sup>	Receivables/ loans <sup>1</sup>	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	-
<b>Total related party transactions</b>	<b>2,059</b>	<b>31</b>	<b>(434)</b>	<b>16,467</b>	<b>40,360</b>	<b>1,073</b>	<b>3,240</b>	<b>30,613</b>

<sup>1</sup> 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 81m (2017: DKK 78m).

Contributions include capital contributions in group subsidiaries as well as associates and joint ventures, while distributions include distributions, including dividends. Contingent liabilities to associates, joint ventures and group subsidiaries comprise 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 2018 total DKK 0.0m (2017: 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 contractual agreement with ATP.

Remuneration details for the Supervisory and Executive Boards are set out in note 6 and on page 138 of the remuneration report.

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



## Note 29 Non-current and current assets and liabilities

	Group		ATP	
	2018	2017	2018	2017
DKKm				
<b>Non-current assets:</b>				
Bonds	531,721	519,222	523,205	510,673
Equity investments	121,775	111,814	91,174	80,860
Financial derivatives	71,067	65,309	71,049	65,308
Loans	7,616	8,625	5,438	7,003
Loans to group subsidiaries	-	-	3,250	2,920
Investments in group subsidiaries	-	-	74,023	69,958
Investments in associates and joint ventures	44,040	38,413	36,429	30,663
Intangible assets	1,055	885	1,008	838
Investment properties	22,950	21,617	-	-
Owner-occupied properties	860	870	809	820
Operating equipment	18	24	11	17
<b>Total non-current assets</b>	<b>801,102</b>	<b>766,779</b>	<b>806,396</b>	<b>769,060</b>
<b>Current assets:</b>				
Cash and demand deposits	8,201	8,492	5,835	7,228
Bonds	31,736	33,705	31,500	32,233
Equity investments	4,132	-	-	-
Financial derivatives	5,470	6,103	5,457	6,127
Loans	50	37	-	-
Receivables from group subsidiaries	-	-	6	7
Tax receivable on pension savings returns and income tax	172	-	172	-
Receivables from credit institutions	37,994	62,859	37,797	62,342
Interest receivable	3,185	3,156	3,027	3,006
Contributions receivable	2,647	2,594	2,647	2,594
Other receivables	13,383	10,606	12,933	9,954
Other prepayments	970	938	965	932
<b>Total current assets</b>	<b>107,940</b>	<b>128,490</b>	<b>100,339</b>	<b>124,423</b>
<b>Total assets</b>	<b>909,042</b>	<b>895,269</b>	<b>906,735</b>	<b>893,483</b>
<b>Non-current liabilities:</b>				
Financial derivatives	55,316	53,925	55,253	53,925
Deferred tax on pension savings returns and income tax	69	69	-	-
Other payables	466	1,068	113	694
Guaranteed benefits	676,304	634,003	676,304	634,003
Bonus potential	92,086	117,695	92,086	117,695
Minority interests	483	426	-	-
<b>Total non-current pension provisions and liabilities</b>	<b>824,724</b>	<b>807,186</b>	<b>823,756</b>	<b>806,317</b>
<b>Current liabilities:</b>				
Guaranteed benefits	17,069	16,878	17,069	16,878
Financial derivatives	6,933	3,281	6,402	3,618
Deferred tax on pension savings returns and income tax	155	132	-	-
Tax payable on pension savings returns and income tax	4,241	2,822	4,234	2,816
Payables to credit institutions	47,907	53,775	47,887	53,747
Other payables	8,013	11,195	7,387	10,107
<b>Total current liabilities</b>	<b>84,318</b>	<b>88,083</b>	<b>82,979</b>	<b>87,166</b>
<b>Total equity and liabilities</b>	<b>909,042</b>	<b>895,269</b>	<b>906,735</b>	<b>893,483</b>

## Note 29 Non-current and current assets and liabilities, continued

### § 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)	2018	2017	2016	2015	2014
Contributions	9,871	9,703	9,572	9,055	9,049
Pension benefits	(16,878)	16,075	15,454	14,566	13,661
Investment return	24,108	15,879	60,149	6,584	116,752
Total pension-related operating expenses	197	191	239	283	300
Technical profit	(25,589)	17,232	(797)	5,385	2,466
Net results for the year	(25,585)	17,239	(785)	5,402	2,481
Bonus potential	92,086	117,695	100,454	101,242	95,831
Total pension provisions	785,459	768,576	759,251	705,214	704,423
Total assets	906,735	893,483	869,746	781,228	812,433
Members (number in thousands)	5,193	5,118	5,044	4,971	4,901
Pensioners (number in thousands)	1,060	1,033	1,004	975	944
<b>Key figures</b>					
<b>Return ratios<sup>1</sup></b>					
Return before tax on pension savings returns (per cent)	3.7	2.5	10.1	1.1	23.3
Return after tax on pension savings returns (per cent)	3.2	2.1	8.6	0.9	19.8
<b>Expense ratios</b>					
Expense ratio for provisions	0.03	0.03	0.04	0.05	0.05
Expenses per member (DKK)	38	38	48	57	62
<b>Other ratios</b>					
Bonus rate (per cent)	13.3	18.1	15.2	16.8	15.8

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).

<sup>1</sup>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 2018		Return p.a. before tax on pension savings returns
	DKKm		per cent
	Beginning of year	End of year	
<b>Land and buildings</b>	<b>40,115</b>	<b>43,601</b>	<b>6.4</b>
Listed equity investments	60,350	72,409	(5.5)
Unlisted equity investments	68,457	78,774	9.2
<b>Total equity investments</b>	<b>128,807</b>	<b>151,183</b>	<b>1.9</b>
Government and mortgage bonds	528,335	531,799	3.9
Index-linked bonds	8,972	15,639	0.5
Credit bonds and emerging market bonds	19,372	18,479	4.4
Loans etc.	12,426	11,134	6.0
<b>Total bonds and loans</b>	<b>569,105</b>	<b>577,051</b>	<b>3.8</b>
<b>Subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
<b>Other investment assets</b>	<b>18,840</b>	<b>(7,286)</b>	<b>(31.6)</b>
<b>Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities</b>	<b>10,983</b>	<b>14,905</b>	<b>583.7</b>
<b>Total investment assets</b>	<b>767,850</b>	<b>779,454</b>	<b>4.2</b>

## Specifications

### ATP's value creation ratios

The financial statements reflect the annual results of ATP's business and describe how the profit for the year is 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](http://www.atp.dk).

<b>Value creation, per cent</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Value creation from guarantees	3.5	3.7	3.7	3.8	3.9
Value creation from bonus potential	(7.0)	22.5	7.3	10.9	3.6
Total value creation	1.5	7.3	4.4	5.2	3.8

# Supervisory Board

## Chairman

Chairman of the Supervisory Board  
Torben M. Andersen

## Employer representatives

Director General  
Jacob Holbraad

Former Chairman  
Torben Dalby Larsen

Deputy Director General  
Kim Graugaard

Professional Board Member  
Anne Broeng

Group Chief Compliance Officer  
Anne Jæger

Mayor  
Martin Damm

## Employee representatives

President  
Lizette Risgaard

Vice President  
Arne Grevsen

President  
Bente Sorgenfrey

President  
Kim Simonsen

President  
Lars Qvistgaard

Director  
Jan Walther Andersen



# Board of Representatives

## **Chairman:**

Torben M. Andersen, Chairman of the Supervisory Board

## **Employer representatives**

### **Appointed by the Confederation of Danish Employers (DA):**

Jacob Holbraad, Director General  
Torben Dalby Larsen, former Chairman  
Anne Broeng, Professional Board Member  
Kim Graugaard, Deputy Director General  
Steen Nielsen, Deputy Director  
Camilla Khokhar, General Manager  
Pernille Knudsen, Deputy Director  
Steen Müntzberg, General Manager  
Christina Bjørnbak Hallstein, Senior Executive Consultant  
Charlotte Vester, General Manager

### **Appointed by the Danish Minister of Finance:**

Anne Jæger, Group Chief Compliance Officer

### **Appointed by Danish Regions:**

Carsten Kissmeyer, member of the Regional Council, Central Denmark Region

### **Appointed by Local Government Denmark (LGDK):**

Ole Vive, 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  
Kim Simonsen, President  
Ole Wehlast, President  
Claus Jensen, President  
Per Christensen, President  
Jørgen Juul Rasmussen, 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 etc. and Executive Board

## **Executive Committee**

Torben M. Andersen (Chairman)  
Jacob Holbraad  
Lizette Risgaard

## **Audit Committee**

Torben M. Andersen (Chairman)  
Jacob Holbraad  
Lizette Risgaard

## **ORSA Committee**

Torben M. Andersen (Chairman)  
Anne Broeng  
Anne Jæger  
Jan Walther Andersen

## **Executive Board**

Bo Foged, acting CEO

## **Other members of the Group Management**

Kasper Ahrndt Lorenzen, Executive Vice President, Chief Investment Officer (CIO)  
Kim Kehlet Johansen, Executive Vice President, Risk & Compliance, Chief Risk Officer (CRI)  
Annemette Moesgaard, Chief Communications Officer  
Anne Kristine Axelsson, Executive Vice President, Pension, Social Security & Labour Market Insurance (AES)  
Carsten Bodal, Executive Vice President, Udbetaling Danmark – Public Benefits Administration

## **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

## Torben M. Andersen, Chairman of the Supervisory Board

**Born:** 1956

**Seniority:** joined the Supervisory Board in 2018 – current term expires in 2021

### Skills:

- Extensive experience with and knowledge of economics – including development and application of economic models
- Directorships and chairmanships of a number of government-appointed commissions and committees
- 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 evaluation committees
- International networking experience

### Education:

- PhD CORE Université Catholique, Louvain-la-Neuve, Belgium
- PhD in Economics and Management (lic.oecon.) Aarhus University
- MSc London School of Economics
- Participation in ATP's CBS Executive Board Programme

### Other directorships:

- Chairman of the Supervisory Board of LG – The Employees' Guarantee Fund
- Chairman of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Board of Politiken-Fonden and of A/S Politiken Holding
- Member of the Board of Forskningsfondens Ejendomsselskab A/S
- Member of the Board of the Danish Industry Foundation
- Member of the Board of DREAM-modelgruppe
- Member of the Board of Aarhus University Research Foundation
- Member of the Board of Aarhus Institute of Advanced Studies
- Member of the Board of Economic Policy Research Network (University of Copenhagen)
- Member of the Board of the Danish Economic Society
- Owner of Østergaard-Stutteri Reskelund v/Andersen og Mahler
- Co-owner and Chairman of the Board of Handelsvidenskab ApS

### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended six meetings out of six
- Executive Committee – has attended seven meetings out of seven
- Audit Committee – has attended five meetings out of five
- ORSA Committee – has attended three meetings out of three

## Employer representatives

### Jacob Holbraad, Director General

**Born:** 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
- Participation in ATP's CBS Executive Board Programme

### 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

### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended seven meetings out of seven
- Executive Committee – has attended eight meetings out of eight
- Audit Committee – has attended five meetings out of five

### Torben Dalby Larsen, former Chairman

**Born:** 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 Boards 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
- Participation in ATP's CBS Executive Board Programme

### 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
- 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 Board of Liselundfondet
- Member of the Board of Representatives of Sparekassen Sjælland-Fyn

### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended six meetings out of seven

## Kim Graugaard, Deputy Director General

**Born:** 1961

**Seniority:** joined the Supervisory Board in 2003 – current term expires in 2021

### 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 the Boards 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 the Board 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

### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended six meetings out of seven

## Anne Broeng, Professional Board Member

**Born:** 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
- Participation in ATP's CBS Executive Board Programme

### Other directorships:

- Chairwoman of the Board of Velliv, Pension & Livsforsikring A/S
- 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 Chairwoman 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
- Member of the Board of Directors and Chairman of the Audit Committee of NNIT A/S
- Member of the Board of Directors of NASDAQ Nordic Ltd.
- Member of the Board of Directors and Chairwoman of the Audit Committee of Aquaporin A/S
- Vice Chairwoman of the Board of Directors of Bruhn Holding ApS
- Member of the Supervisory Board of Købmand Ferdinand Sallings Mindefond
- Member of the Supervisory Boards of Bikubenfonden and Kollegiefonden Bikuben

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended seven meetings out of seven
- ORSA Committee – has attended three meetings out of three

### Anne Jæger, Group Chief Compliance Officer

**Born:** 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 (Switzerland), Group Chief Auditor of Assicurazioni Generali S.p.A. (Italy), (2015-2017), RSA Insurance Group (London, Denmark), (2001-2015), KPMG, lecturer at CBS 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
- In-depth 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 Administration and Auditing, Copenhagen Business School (CBS)
- Supervisory Board training: Rotman ICPM Board Effectiveness Programme
- RSA Executive development programme
- Certified Professional Coach, Henley University
- Participation in ATP's CBS Executive Board Programme

#### Other directorships:

- Group Chief Compliance Officer in 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
- Member of the Boards of I C Worldwide Group Holding A/S, C Worldwide Holding A/S and C Worldwide Asset Management Fondsmæglerselskab A/S

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended five meetings out of seven
- ORSA Committee – has attended three meetings out of three

### Martin Damm, Chairman

**Born:** 1963

**Seniority:** Board of Representatives from 2010. Served on the Supervisory Board from 2012 to 2014 and re-joined the Supervisory Board in 2018 – current term expires in 2019

#### Skills:

- Long-standing supervisory board experience from companies and institutions, including in the financial sector.

#### Education:

- Electrical mechanic
- BSc in Business Administration and Economics
- Master in Public Management (MPM)
- Basic course for Supervisory Board members, the Danish Insurance Association

#### Other directorships:

- Mayor of Kalundborg Municipality
- Member of the Board of Kalundborg Forsyning Holding A/S, including of the Boards of six wholly-owned subsidiaries
- Vice Chairman of Local Government Denmark (LGDK)
- Chairman of the Board of Directors of Kombit A/S
- Member of the Board of Sompension Administrationselskab A/S, Sompension Livsforsikring A/S
- Member of the Supervisory Board of Kalundborg Trade Council
- Member of the Supervisory Board of EUC Nordvestsjælland

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended five meetings out of six

### Employee representatives

#### Lizette Risgaard, President

**Born:** 1960

**Seniority:** joined the Supervisory Board in 2007 – current term expires in 2021

#### 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
- Participation in ATP's CBS Executive Board 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) (FH – Danish Trade Union Confederation after 1 January 2019)
- 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
- Chairwoman 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 Supervisory Board and the Board of Representatives of the Economic Council of the Labour Movement
- 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
- Chairwoman of Konventum, Elsinore
- 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 Confederation)
- Member of the Executive Committee of NFS (Council of Nordic Trade Unions)

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended six meetings out of seven
- Executive Committee – has attended eight meetings out of eight
- Audit Committee – has attended five meetings out of five

### Arne Grevsen, Vice President

**Born:** 1956

**Seniority:** joined the Supervisory Board in 2015 – current term expires in 2021

#### 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
- Participation in ATP's CBS Executive Board Programme
- Gardener
- Forwarding agent

#### Other directorships:

- Vice-president of the Danish Confederation of Trade Unions (LO) (FH – Danish Trade Union Confederation after 1 January 2019)
- 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
- 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

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended seven meetings out of seven

### Bente Sorgenfrey, President

**Born:** 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 & 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
- Participation in ATP's CBS Executive Board Programme
- 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) (Vice-president of FH – Danish Trade Union Confederation after 1 January 2019)
- 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)

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended six meetings out of seven

#### Kim Simonsen, President

**Born:** 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 the Board of ALKA Forsikring and member of the Audit Committee and as Vice Chairman of the Board 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 the Union of Commercial and Clerical Employees in Denmark (HK) and the Danish Confederation of Trade Unions (LO)
- Board training programmes from Bestyrelsesakademiet
- Participation in ATP's CBS Executive Board Programme
- 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)
- Vice-president of the Union of Commercial and Clerical Employees in Denmark (HK), unemployment insurance fund
- Chairman of the Boards of Refshaleøens Ejendomsselskab and Refshalvøen Holding A/S
- Chairman of the Board of Kommanditselskab Christiansminde Chairman and Director of ASX7 ApS
- Vice Chairman of the Board of Directors of Sampension Administrationselskab 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 HK/Danmarks Almennyttige fond
- Member of the Supervisory Board of HK Danmarks Uddannelsesfond
- Member of the General Council and the Executive Committee of FH – Danish Trade Union Confederation
- 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 A-Pressen
- Member of the Board of Directors of Copenhagen Business Academy
- Member of the Supervisory Board of U-nord
- Member of the Supervisory Board of the Danish Foundation for Entrepreneurship
- Member of the Supervisory Board of Nordisk Investeringsdepot
- Member of the Supervisory Board of the Economic Council of the Labour

#### Movement

- Chairman of Erhvervsskolernes Bestyrelsesforening (Supervisory Board of Danish vocational schools)
- Member of the Board of Directors and the Board of Representatives of Arbejdernes Landsbank A/S
- Chairman of the Board of Directors of AKF-Holding ApS
- Chairman of the Board of Directors of AKF Invest CPH A/S
- Member of the Supervisory Board of Højstrupfonden
- Chairman of the Board of Interessentskabet Danske Erhvervsskoler og -Gymnasier (partnership of Danish vocational schools and upper secondary schools)

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended seven meetings out of seven

#### Lars Qvistgaard, President

**Born:** 1967

**Seniority:** joined the Supervisory Board in 2016 – current term expires in 2021

#### 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 & 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
- Participation in ATP's CBS Executive Board Programme

#### Other directorships:

- Chairman of the Danish Confederation of Professional Associations (Akademikerne)
- Member of the Central Federation of State Employees' Organisations (CFU)
- Vice Chairman of the Danish Association of Local Government Employees' Organisations (Forhandlingsfællesskabet)
- Deputy Chairman of the Board of Lån & Spar Bank A/S
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Supervisory Board of LD – The Employees' Capital Pension Fund
- Chairman of the Board of Scherffenberg-Møllet Fond

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended seven meetings out of seven

#### Jan Walther Andersen, Director

**Born:** 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:

- Participation in ATP's CBS Executive Board Programme
- 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

#### Meeting attendance, ordinary meetings:

- Supervisory Board – has attended seven meetings out of seven
- ORSA Committee – has attended three meetings out of three



# General Management

ATP is managed by a Board of Representatives, a Supervisory Board and a Chief Executive Officer (CEO). The composition of ATP's Board of Representatives and Supervisory Board is prescribed by the Danish ATP Act. The CEO is appointed by the Supervisory Board. The Board of Representatives comprises fifteen employer representatives, fifteen employee representatives and a Chairman appointed by the Board of Representatives. The Chairman must not be affiliated with any employer or employee organisations. The Board of Representatives convenes ordinarily 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 convened ordinarily seven times in 2018. 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 pertai-

ning to investment and employment conditions. ATP's Executive Committee convened ordinarily seven times in 2018.

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 monitoring and controlling matters relating to accounting and auditing and matters relating to internal control and risk management principles at ATP: The Audit Committee convenes ordinarily four times a year. The Terms of Reference of the Audit Committee are determined by the Supervisory Board. It should be noted that – after the Board of Representatives' final approval of the annual report in February 2019 – the Audit Committee will be expanded by one member, bringing the membership of the Audit Committee to a total of four. Moreover, in future, the Chairman of the Supervisory Board will no longer be Chairman of the Audit Committee.

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, discussing key issues relating to the risk management system and helping to provide the best possible basis for the work of the Audit Committee and the Supervisory Board. It should be noted that – after the Board of Representatives' approval of the annual report in February 2019 – the ORSA Committee will be established as an independent Supervisory Board committee, named the Risk Committee, to clarify a broader framework for the Committee's tasks and responsibilities. The Risk Committee will maintain its former composition.

≡ For further information on corporate governance, please visit [www.atp.dk](http://www.atp.dk).



# Remuneration report

See Recommendations on Corporate Governance

According to the Recommendations on Corporate Governance, companies should prepare a remuneration report. ATP provides such reporting below.

## RECOMMENDATIONS ON CORPORATE GOVERNANCE

4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.

ATP also complies with the recommendations on remuneration of management (Guidelines for Remuneration Policy) issued by the Committee on Corporate Governance.

ATP's Supervisory Board and Board of Representatives have established a Pay Policy with rules governing remuneration and a number of associated disclosure obligations that resemble the rules applicable to the financial sector.

## PURPOSE OF ATP'S PAY POLICY

The overarching purpose of the Pay Policy is to support ATP's vision of securing basic financial security, simple administration and high returns.

The Pay Policy also serves to support ATP's business model and commercial objectives, including making it possible, by means of a suitable remuneration structure, to attract and retain the best possible competences on competitive terms of employment, so that ATP's ambitious, long-term performance targets can be achieved.

All members of ATP's Board of Representatives, Supervisory Board and Supervisory Board committees, the CEO and members of the Group Management as well as the Chief Actuary, the Chief Compliance Officer and the Chief Auditor receive fixed remuneration only. Members of the Group Management receive fixed remuneration, pension contribution of up to 18 per cent and a number of work-related employee benefits, including a company car.

## Principal contents of severance schemes

Under their contracts, each member of the Group Management has a 12-month term of notice. At retirement after 12 and 17 years, one and three months' pay, respectively, is awarded.

In addition, severance pay equivalent to one year's remuneration is awarded to the CEO at retirement. This is the only, and thus also the highest, severance pay awarded to a single person.

## Remuneration paid to the Group Management in 2018

DKKm	2018		2017	2016
	Fixed remuneration	Release-from-duties compensatory payment	Total remuneration	Total remuneration
<b>Group Management, year-end 2018</b>				
Bo Foged, acting CEO, took office on 26 November 2018	0.6	-	<b>0.6</b>	-
Bo Foged, CFO and COO (until 26 November 2018)	4.0	-	<b>4.0</b>	4.1
Kasper Ahrndt Lorenzen CIO (took office on 1 June 2016)	4.2	-	<b>4.2</b>	4.1
Kim Kehlet Johansen, Executive Vice President, Chief Risk Officer (CRO) (took office on 1 October 2018)	0.9	-	<b>0.9</b>	-
Carsten Bodal, Executive Vice President, Udbetaling Danmark – Public Benefits Administration (took office on 7 May 2018)	1.7	-	<b>1.7</b>	-
Anne Kristine Axelsson, Executive Vice President, Pension, Social Security & Labour Market Insurance (AES) (took office on 7 May 2018)	1.8	-	<b>1.8</b>	-
Annetette Moesgaard, Chief Communications Officer (took office on 1 March 2017)	1.9	-	<b>1.9</b>	1.5
<b>Resigned from the Group Management at year-end 2018</b>				
Christian Hyldahl, CEO, took office on 1 January 2017, resigned on 24 November 2018	7.0	6.9	<b>13.9</b>	6.8
Mads Smith Hansen, Executive Vice President, Chief Risk Officer (CRO) (took office on 1 April 2016, resigned on 21 December 2018)	3.1	1.0	<b>4.1</b>	2.9
Lilian Mogensen, Chief Operating Officer (COO) of Processing Business (resigned on 7 May 2018)	1.1	6.1 <sup>1</sup>	<b>7.2</b>	3.3
Dewi Dylander, Chief Legal Officer (took office on 1 March 2017, resigned on 7 May 2018)	0.7	-	<b>0.7</b>	1.4
Bård Grande, Chief HR Officer (took office on 1 November 2017, resigned on 7 May 2018)	0.8	-	<b>0.8</b>	0.3
Carsten Stendevad, CEO, resigned as CEO on 31 December 2016	-	-	-	-
Henrik Gade Jepsen, Chief Investment Officer (CIO) (resigned on 31 May 2016)	-	-	-	-
<b>Total Group Management<sup>2</sup></b>	<b>27.8</b>	<b>14.0</b>	<b>41.8</b>	<b>24.4</b>

<sup>1</sup> The release-from-duties compensatory payment includes the severance pay.

<sup>2</sup> Members of the Group Management receive fixed remuneration, pension contribution and a number of work-related employee benefits, including a company car.

<sup>2</sup> None of the members of the Group Management receive any kind of variable pay or incentive schemes.

### Remuneration paid to the Group Management in 2018

Remuneration paid to the Group Management in 2018 totals DKK 41.8m, an increase of DKK 17.4m on 2017. Releases from duties of three members of the Group Executive Board and severance pay to one of the released Group Executive Board members account for DKK 14.0m of this amount.

The increase is due to changes in the composition of the Group Management during the year. Effective on 7 May, Lilian Mogensen, Chief Operating Officer (COO) of Processing Business and HR, resigned from the Group Management and also resigned from her position at ATP. Lilian Mogensen received severance pay and was released from her duties during her notice period. On the same date, Anne Kristine Axelsson, Executive Vice President, Pension, Social Security & Labour Market Insurance (AES), and Carsten Bodal, Executive Vice President, Udbetaling Danmark – Public Benefits Administration, joined the Group Management. At the

same time, Bård Grande, Chief HR Officer, and Dewi Dylander, Chief Legal Officer, resigned from the Group Management. In September, Dewi Dylander resigned from her position at ATP.

Mads Smith Hansen, Chief Risk Officer (CRO), handed in his notice and left the Group Management on 1 October, and from December he was released from his duties during the remainder of his notice period. On 1 October, Kim Kehlet took office as Chief Risk Officer (CRO), Risk & Pensions, and Executive Vice President, Risk & Compliance.

On 24 November, Christian Hyldahl, CEO, handed in his notice and resigned from the Group Management. Effective from 26 November, the Supervisory Board appointed Bo Foged, ATP's Chief Financial Officer (CFO), acting CEO. Effective from December, Christian Hyldahl was released from his duties during the remainder of his notice period.

### Remuneration paid to the Board of Representatives, the Supervisory Board and the Supervisory Board committees

The Board of Representatives approves the Supervisory Board's pay policy and sets fees for members of the Board of Representatives, the Supervisory Board and Supervisory Board committees on the recommendation of the Supervisory Board.

Members of the Board of Representatives, the Supervisory Board and, if relevant, the Supervisory Board committees, are paid a fixed annual fee, which reflects the number of board and committee meetings. They are not covered by any variable pay agreements, incentive schemes, pension agreements or severance pay agreements.

### Remuneration paid to ATP's Supervisory Board and Board of Representatives

DKKm	2018	2017	2016
Total remuneration paid to the ATP Supervisory Board	2.0	2.1	2.0
Total remuneration paid to the ATP Board of Representatives	0.2	0.2	0.2
Total remuneration paid to the ATP Executive Committee	0.2	0.2	0.2
Total remuneration paid to the ATP Audit Committee	0.2	0.2	0.2
Total remuneration paid to the ATP ORSA Committee	0.2	0.2	0.2
<b>Annual remuneration in DKK thousands paid to:</b>			
Chairman of the Supervisory Board (total remuneration)	715	715	715
Member of the Executive Committee	80	80	80
Member of the Supervisory Board (including remuneration for the Board of Representatives)	120	120	120
Member of the Board of Representatives	13	13	13
Member of the Audit Committee	60	60	60
Member of the ORSA Committee	60	60	60

### Remuneration paid to the ATP Supervisory Board

DKK '000	Supervisory Board fees	Executive Committee	Audit Committee	ORSA Committee	Total 2018	2017	2016
<b>Chairman of the Supervisory Board:</b>							
Torben M. Andersen	463	72	54	54	<b>643</b>	-	-
Jørgen Søndergaard	54	8	6	6	<b>74</b>	715	715
<b>Employer representatives:</b>							
Jacob Holbraad	120	80	60		<b>260</b>	260	260
Torben Dalby Larsen	120				<b>120</b>	120	120
Kim Graugaard	120				<b>120</b>	120	120
Anne Broeng	120			60	<b>180</b>	180	180
Anne Jæger	120			60	<b>180</b>	180	180
Martin Damm	90				<b>90</b>	-	-
Bent Hansen	30				<b>30</b>	120	120
<b>Employee representatives:</b>							
Lizette Risgaard	120	80	60		<b>260</b>	260	260
Arne Grevsen	120				<b>120</b>	120	120
Bente Sorgenfrey	120				<b>120</b>	120	120
Kim Simonsen	120				<b>120</b>	120	120
Lars Qvistgaard	120				<b>120</b>	120	108
Jan Walther Andersen	120			60	<b>180</b>	180	180
<b>Total</b>	<b>1,957</b>	<b>240</b>	<b>180</b>	<b>240</b>	<b>2,617</b>	<b>2,615</b>	<b>2,603</b>

Note: Fees paid to members of ATP's Board of Representatives who do not serve on the Supervisory Board total DKK 13k.

# 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, and the Supervisory Board approves an annual audit plan.

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 ATP's purchase of non-audit services from the external auditor. 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 ATP's Supervisory Board.

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.

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.

# Further information

## [www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group/](http://www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group/) Further information 2018

### GENERAL MATTERS

- Recommendations on corporate governance
- Terms of Reference of the Audit Committee
- Procedures of the Executive Committee
- Terms of Reference of the Risk 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).

### FINANCIAL CALENDAR

- Interim and annual reporting 2019

### INVESTMENT AND HEDGING

- Recommendations on active ownership
- Breakdown of the ATP Group's portfolio of government bonds, broken down by issuer country
- Exposure to equity indices in financial derivatives
- Financial instruments used by ATP

### VALUE CREATION

- Definition of value creation ratios

### SUPPLEMENTARY ACCOUNTING INFORMATION

- Breakdown of the ATP Group's listed Danish equities
- Breakdown of the ATP Group's listed international equities
- Breakdown of the ATP Group's private Danish equity in which the Group's ownership exceeds 5 per cent
- Breakdown of the ATP Group's private international equity in which the ATP Group's ownership exceeds 5 per cent
- Breakdown of the ATP Group's corporate bonds
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIOPA, at year-end 2018
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIOPA, at the end of H1 2018

### RESPONSIBILITY

- Responsibility Report ([www.atp.dk/en/responsibility/responsibility-report-2018](http://www.atp.dk/en/responsibility/responsibility-report-2018)).

