



# Report

Results in DKK	<b>DKK 12.6</b> bn net results for the period before life expectancy update	<b>DKK (1.0)</b> bn life expectancy update (transferred from bonus potential to guarantees)	<b>DKK 11.6</b> bn net results for the period
Return in per cent and net assets	<b>14.6</b> per cent investment return (before tax and expenses)	<b>DKK 112</b> bn bonus potential	<b>DKK 748</b> bn net assets
Accumulated five-year rolling period – results in DKK	<b>DKK 59.6</b> bn results before life expectancy update and bonus	<b>DKK (25.3)</b> bn life expectancy update and bonus	<b>DKK 34.3</b> bn results



*ATP's investments performed well in H1, generating a return in the investment portfolio of DKK 14.7bn. ATP's projections of life expectancy in Denmark have increased, prompting us to transfer DKK 1.0bn from the free reserves (bonus potential) to the guaranteed benefits," says ATP CEO Christian Hyldahl.*

## Group financial highlights

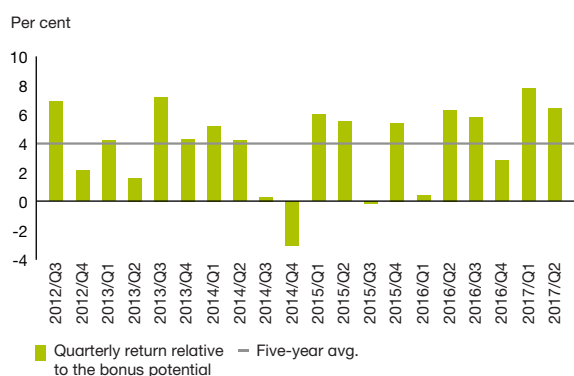
DKKm	H1 2017	H1 2016	FY 2016
<b>Investment</b>			
Investment return	14,675	6,854	15,340
Expenses	(428)	(408)	(823)
Tax on pension savings returns and income tax	(2,160)	(739)	(1,989)
<b>Investment activity results</b>	<b>12,087</b>	<b>5,707</b>	<b>12,528</b>
<b>Hedging</b>			
Change in guaranteed benefits due to discount rate and maturity reduction <sup>1</sup>	20,663	(91,236)	(47,816)
Return in hedging portfolio	(23,091)	108,951	56,371
Tax on pension savings returns	3,533	(16,670)	(8,625)
<b>Results of hedging of guaranteed benefits</b>	<b>1,105</b>	<b>1,045</b>	<b>(70)</b>
Change in guaranteed benefits due to yield curve break <sup>2</sup>	(1,561)	(1,730)	(4,064)
<b>Hedging activity results</b>	<b>(456)</b>	<b>(685)</b>	<b>(4,134)</b>
<b>Investment and hedging activity results</b>	<b>11,631</b>	<b>5,022</b>	<b>8,394</b>
<b>Pension activities</b>			
Contributions	4,819	4,767	9,572
Pension benefits	(7,998)	(7,698)	(15,454)
Change in guaranteed benefits due to contributions and payouts	4,225	3,622	6,956
Administration expenses	(103)	(126)	(239)
Other items	5	0	8
<b>Pension activity results before life expectancy update</b>	<b>948</b>	<b>565</b>	<b>843</b>
<b>Business processing, external parties</b>			
Income	1,034	644	1,545
Expenses	(1,014)	(622)	(1,529)
Income tax	0	0	(1)
<b>Business processing results, external parties</b>	<b>20</b>	<b>22</b>	<b>15</b>
<b>Results before life expectancy update</b>	<b>12,599</b>	<b>5,609</b>	<b>9,252</b>
Life expectancy update	(1,006)	(9,901)	(9,901)
<b>Net results for the period</b>	<b>11,593</b>	<b>(4,292)</b>	<b>(649)</b>
Guaranteed benefits	636,476	703,217	658,797
Bonus potential	112,014	96,909	100,454
<b>Net assets</b>	<b>748,490</b>	<b>800,126</b>	<b>759,251</b>

	H1 2017	H1 2016	FY 2016
<b>Return ratios</b>			
Investment return before expenses and tax relative to bonus potential, per cent	14.6	6.7	15.0
Investment return after expenses and tax relative to bonus potential, per cent	12.0	5.6	12.2

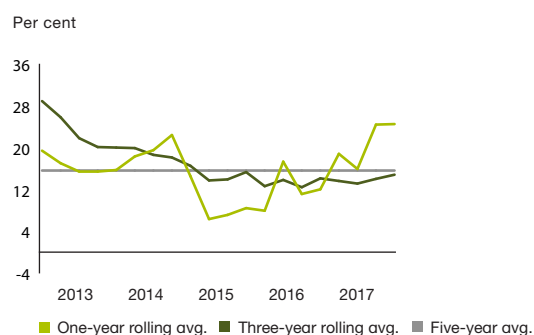
<sup>1</sup> Before effect of yield curve break

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

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



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



## PROFIT FOR THE PERIOD AND AGGREGATE ASSETS – HIGHLIGHTS

In H1 2017, the ATP Group generated a profit of DKK 12.6bn before the life expectancy update, driven by positive returns achieved broadly across the portfolio. The largest positive return came from the portfolio of listed Danish equities, furthermore private equity, listed international equities and credit investments also contributed high positive returns. Over the past five years, ATP has generated an average quarterly return in the investment portfolio of 3.9 per cent relative to the bonus potential, equivalent to an average annual return of 15.8 per cent. Returns have been positive in 18 out of 20 quarters.

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

Following the life expectancy update in H1, ATP thus achieved a profit of DKK 11.6bn.

ATP's reserves – its bonus potential – stood at DKK 112.0bn

at the end of H1 2017, equivalent to a bonus rate of 17.6 per cent. At the end of H1, the value of the guaranteed benefits totalled DKK 636.5bn, taking aggregate assets to DKK 748.5bn.

## INVESTMENT AND HEDGING

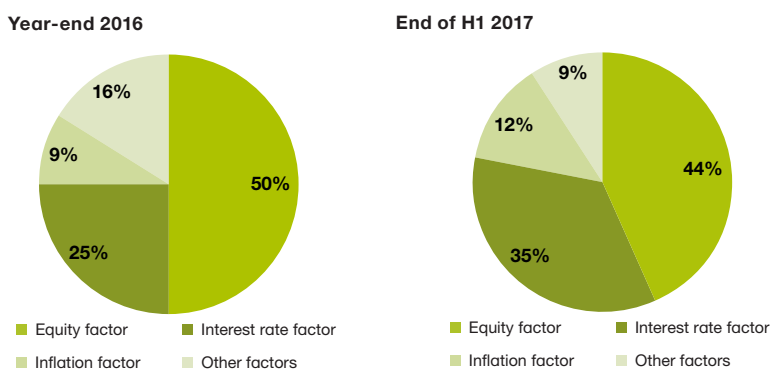
ATP's overall objective is to provide the best possible pensions, so that ATP, in combination with the state-funded old-age pension system, provides the basic pension coverage for the Danish population. ATP has two value creation sources at its disposal: a hedging portfolio and an investment portfolio.

The principal objective of the hedging portfolio is to safeguard the guaranteed return and thus ensure ATP's ability, at all times, to meet its pension liabilities. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with the guaranteed benefits when interest rates change.

The principal objective of the investment portfolio is to generate a return that will allow ATP, in part, to build reserves for, for example, financing increased life expectancy and, in part, for raising the lifelong pensions, thus aiming to preserve the long-term purchasing power of the benefits.

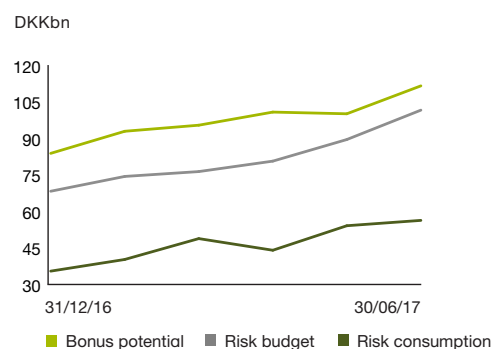
In H1, total investment and hedging activity results were a profit of DKK 11.6bn. The Supervisory Board's long-term per-

## Risk allocation in the investment portfolio<sup>1</sup>



<sup>1</sup>The risk allocation is exclusive of the Supervisory Board's long-term strategies against inflation increases

## Risk consumption in the period 2012 to H1 2017



formance target for 2017, seen separately, is DKK 7.0bn.

### Investment

To achieve 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'.

The factor investing approach informs investment decisions and allows analysis and comparison of investments without reference to asset type. The factor investing approach is primarily an internal risk management tool, and for the sake of clarity, ATP will continue to refer to the traditional asset classes in its return reporting. You can read more about this approach in the article 'The factor investing approach' in the ATP Group's annual report for 2016.

A key element in ATP's investment strategy is the Supervisory Board's issuance of a guideline for the long-term allocation of the four risk factors in ATP's investment portfolio. The long-term guideline specifies that 35 per cent of the risk is allo-

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

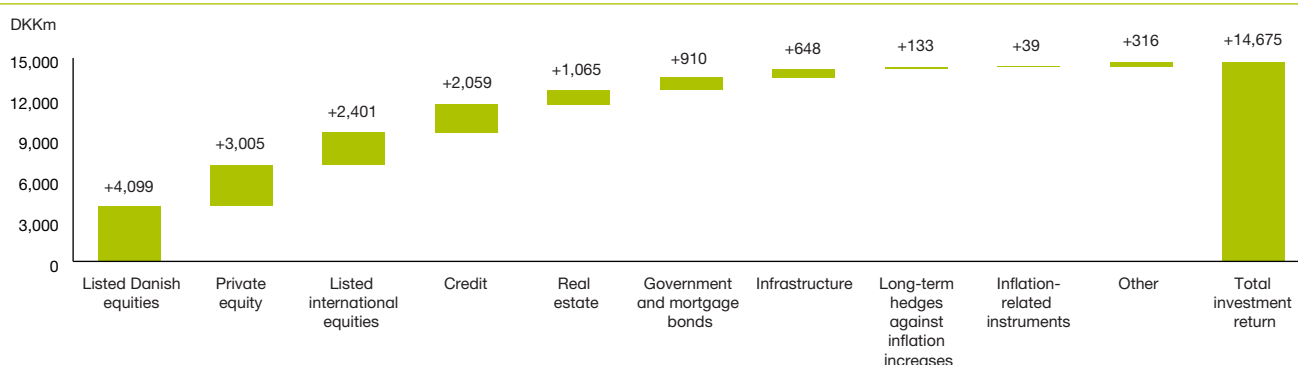
In H1, the absolute risk especially in the Interest rate factor and the Inflation factor increased, while the absolute risk in the Equity factor was in line with the beginning of the year. Thus, the relative risk allocation to the Interest rate factor and the Inflation factor increased in H1, while the relative risk allocation to Other factors and the Equity factor was reduced. At the end of H1, the risk in the Equity factor was higher than the long-term guideline, while the risk in Other factors and in the Inflation factor was lower. The interest rate exposure was increased to ensure the ambition of achieving a more balanced long-term portfolio.

### Investment activity results

ATP's investment activity results after expenses and tax totalled DKK 12.1bn.

In H1, the investment portfolio generated a return before tax

### Composition of the investment return for H1 2017



Note: The item 'Other' primarily consists of externally managed portfolios invested in a wide range of assets and swaptions. Also included are interest payments to the hedging portfolio and expenses in subsidiaries.

and expenses of DKK 14.7bn, equivalent to a rate of return of 14.6 per cent relative to the bonus potential at the beginning of the year.

The positive return was achieved broadly across the portfolio. The largest positive return came from the portfolio of listed Danish equities, in addition to this private equity, listed international equities and credit investments also contributed high positive returns.

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a return of DKK 9.5bn.

*Listed Danish equities* produced a return of DKK 4.1bn. Holdings in Vestas Wind Systems A/S and Genmab A/S were the main positive contributors to performance, while the holding in Pandora A/S was the main detractor.

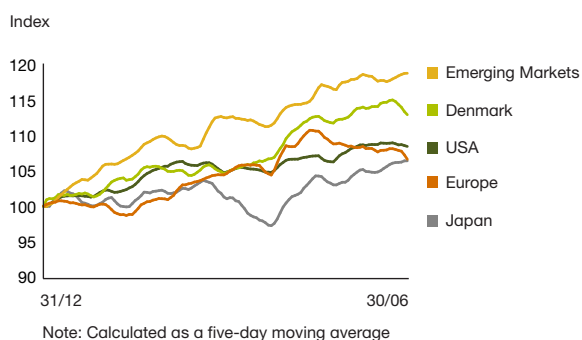
*Listed international equities*, consisting primarily of US, European and Japanese equities, recorded a return of DKK 2.4bn. Listed US equities were the top performers, but listed European and Japanese equities also made positive contributions. For a number of years, investment in listed international equities has been performed extensively through the use of financial derivatives. During H1, the use of financial derivatives for investment in listed international equities was gra-

dually reduced in order to strengthen active ownership in the companies in which ATP invests. ATP's portfolio of direct investments in listed international equities increased by just over DKK 15bn.

The portfolio of *private equity* consists mainly of ATP Private Equity Partners, investing primarily in international private equity funds. Also included in the portfolio are venture investments and direct equity investments, for instance in Leaseplan. The overall portfolio of private equity generated a return of DKK 3.0bn. The return in ATP Private Equity Partners accounted for DKK 1.9bn, which was achieved broadly across most of the portfolio.

*Credit*, consisting primarily of high-yield bonds and loans to credit institutions and funds, produced a return of DKK 2.1bn. High-yield bonds, consisting primarily of bonds issued by companies with low credit ratings or by emerging markets, generated a return of DKK 1.5bn. The positive return in this portfolio was driven primarily by a narrowing of the credit spreads for this type of bonds, which translated into equivalent price increases and positive returns. Loans to credit institutions and funds that invest, among other things, in bank loans, real estate-related loans and corporate loans, produced a positive return of DKK 0.6bn, derived primarily from current interest income on corporate loans.

## Equity price developments in H1 2017



## Development in credit spreads in H1 2017



*Real estate* investments generated a return of DKK 1.1bn. These investments are made, in part, through direct ownership of properties and, in part, indirectly through investments in unlisted real estate funds and associate joint ventures. Direct as well as indirect investments are made both in Denmark and abroad. Direct real estate investments posted a return of DKK 0.8bn, while indirect real estate investments generated a return of DKK 0.3bn. The return in H1 was driven by continued rising real estate prices, especially in Europe and Denmark and, to a lesser extent, in the USA.

*Government and mortgage bonds* generated a return of DKK 0.9bn. The portfolio of government bonds, consisting primarily of US and German government bonds with a term to maturity of approx. 10 years, posted a return of DKK 0.3bn. The positive return was driven mostly by yields on US government bonds with a 10-year term to maturity, which ended H1 lower than they started. Mortgage bonds, which consisted exclusively of Danish mortgage bonds, produced a return of DKK 0.6bn, derived mainly from current interest income.

The portfolio of *infrastructure investments*, which includes forestry investments in North America and Australia as well as investments in alternative energy sources, generated a return of DKK 0.6bn.

The portfolio of *long-term hedging strategies against inflation increases* consists of swaptions to hedge against inflation increases on a relatively simple and effective basis. A sudden

spike in inflation, diluting the purchasing power of pensions, constitutes a significant risk for ATP's pensioners. To address this risk, ATP has been buying long-term hedges against inflation increases since 2009. ATP's hedging against inflation increases is a long-term strategy, with some of the hedges running for up to 20 years.

The value of these hedges is expected to increase when inflation rises and decline when inflation falls. The positive return of DKK 0.1bn in H1 was driven primarily by long-dated European swap rates, which ended H1 slightly higher than they started.

*Inflation-related instruments*, consisting of index-linked bonds, inflation swaps and commodity-related financial contracts, generated a positive return of DKK 39m. Inflation swaps contributed positively to returns, while investments in commodity-related financial contracts detracted following a decline in commodity prices in H1.

*Other items* produced a return of DKK 0.3bn. This portfolio primarily consists of externally managed portfolios invested in a wide range of assets and swaptions. The portfolio also includes interest payments to the hedging portfolio, among other things. Both the externally managed portfolios and the portfolio of swaptions contributed positively to the return.

## Hedging of guarantees

Hedging aims to safeguard the guarantees and ensure that

## Hedging activity results for H1 2017

DKKm	
Change in guaranteed benefits due to change in discount rate <sup>1</sup>	24,538
Change in guaranteed benefits due to maturity reduction	(3,875)
<b>Change in guaranteed benefits<sup>1</sup></b>	<b>20,663</b>
Return in hedging portfolio	(23,091)
Tax on pension savings returns	3,533
<b>Return in hedging portfolio after tax</b>	<b>(19,558)</b>
<b>Results of hedging of guaranteed benefits<sup>1</sup></b>	<b>1,105</b>
Change in guaranteed benefits due to yield curve break <sup>2</sup>	(1,561)
<b>Hedging activity results</b>	<b>(456)</b>

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

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

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

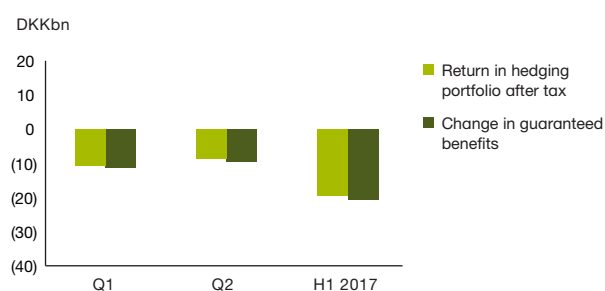
The hedging portfolio consists of bonds and interest rate swaps to hedge the interest rate risk of pension liabilities up to 40 years and an internal loan to the investment portfolio equivalent to the value of the pension liabilities extending beyond 40 years. For this loan, the hedging portfolio receives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

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

### Hedging activity results

In H1, the value of the guaranteed benefits declined by DKK 20.7bn before the effect of the yield curve break. The value of

## Hedging of the guaranteed benefits



the guaranteed benefits decreased by DKK 24.5bn as a result of higher interest rates in H1, and increased by DKK 3.9bn because the pensions guaranteed to members at the beginning of the year are six months closer to payout.

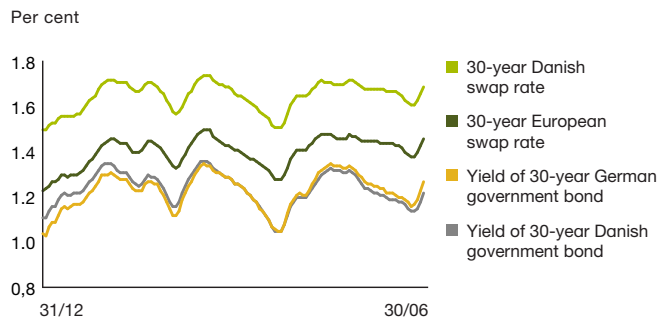
Similarly, the hedging portfolio generated a negative market return of DKK 23.1bn, driven primarily by yields on both government bonds and interest rate swaps, which ended H1 higher than they started. As a result of the negative return, tax on pension savings returns amounted to an income of DKK 3.5bn. Thus, the hedging portfolio produced an after-tax return of DKK 19.6bn.

Hedging provided a negative result of DKK 0.5bn despite a loss of DKK 1.6bn due to the break in the yield curve around the 40-year mark. The negative contribution from the break was due to the market rate, which 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 pension liabilities which change during the year from a rate of interest of 3 per cent to a market rate, depending on whether the market rate is higher or lower than 3 per cent. In H1, the market-based segment of the yield curve was significantly below 3 per cent. As a result, hedging activities incurred a loss of DKK 1.6bn. The loss means that funds are transferred from



## Interest rate developments in H1 2017



Note: Calculated as a five-day moving average

## Pension activity results for H1 2017

<b>DKKm</b>	
Contributions	4,819
Benefit payouts	(7,998)
Change in guaranteed benefits due to contributions and payouts etc.	4,225
Administration expenses	(103)
Other items	5
<b>Results before life expectancy update</b>	<b>948</b>
Change in guaranteed benefits due to life expectancy update	(1,006)
<b>Pension activity results</b>	<b>(58)</b>

the bonus potential to the guaranteed benefits, without this affecting ATP's aggregate assets.

## PENSION

ATP's members obtain guaranteed lifelong pension rights by paying contributions. There is a clear link between the contributions paid and the pension rights accrued by the individual member.

### Pension activity results

Pension activity results before the life expectancy update were a profit of DKK 0.9bn in H1, driven primarily by the share of contribution payments transferred to the bonus potential. In H1, contribution payments totalled DKK 4.8bn. 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 allocated to the bonus potential to be used for potential future increases and extensions of pensions.

This year's life expectancy update resulted in a transfer from the bonus potential to the guaranteed benefits of DKK 1.0bn, equivalent to 0.2 per cent of the value of the guaranteed benefits. The additional provisions reflect that the ob-

served increase in life expectancy – both in Denmark and internationally – was higher than expected in the past year. An increase in life expectancy of just over 0.5 months for women and just over 1.5 months for men has been observed for 65-year-old ATP members in 2017. After the life expectancy update, pension activity results were negative by DKK 0.1bn.

At the end of H1 2017, 1,018,000 pensioners were receiving "ATP Livslang Pension", and pension payouts totalled DKK 8.0bn. Payouts have risen relative to the same period last year, reflecting mainly an increase in the number of pensioners by 28,000.

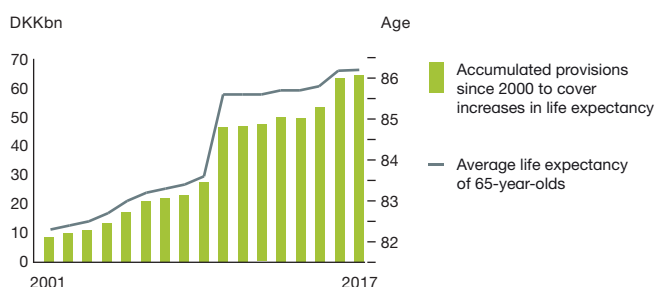
The contribution payments for the period increase ATP's guaranteed benefits, while pension payouts reduce the guaranteed benefits. This is reflected in the item Change in guaranteed benefits due to contributions and pension benefits, which totalled DKK 4.2bn.

### Continued conservative determination of pension liabilities

ATP's yield curve for valuation of pension liabilities is more conservative than that of the Danish Financial Supervisory Authority (FSA). Had ATP used the Danish FSA's yield curve, the guaranteed benefits at the end of H1 would have been DKK 55.0bn lower than the current level of DKK 636.5bn, and

<sup>1</sup> For an illustration of the impact of the Danish FSA's life expectancy model on the determination of ATP's provisions, see note 5.

## Additional provisions due to increases in life expectancy



## Business processing results for H1 2017

DKKbn		DKKm	
		Business processing income, external parties	1,034
		Business processing expenses, external parties	(1,014)
		<b>Business processing results</b>	<b>20</b>

the bonus potential would have been correspondingly higher.

ATP's life expectancy model projects higher increases in life expectancy than those envisaged by the Danish FSA's model'. Had ATP used the Danish FSA's life expectancy model, the guaranteed benefits at the end of H1 would have been DKK 6.1bn lower than the current level, and the bonus potential would have been correspondingly higher.

Overall, the guaranteed benefits would have been DKK 60.4bn lower and the bonus potential would have been correspondingly higher if the Danish FSA's life expectancy model and yield curve were both used.

### Low expenses

Low expenses contribute to good pensions. In H1 2017, ATP's administration expenses totalled DKK 103m, equivalent to 0.01 per cent of aggregate assets, or DKK 20 per member. This represents a decrease on the same period last year. Expenses have been reduced thanks mainly to lower depreciation and amortisation and an efficient IT platform with ever lower maintenance expenses.

ATP's overall direct and indirect investment expenses amounted to DKK 1,216m, equivalent to 0.16 per cent of the aggregate assets managed by ATP in H1 2017, or DKK 241 per member. This represents an increase on the same period last year, due primarily to performance fees. See the overview of expenses on page 29.

## BUSINESS PROCESSING, EXTERNAL PARTIES

Business processing results were DKK 20m. In addition to the administration of ATP Livslang Pension, the ATP Group performs business processing tasks on behalf of the social partners, the Danish government and local authorities. These tasks are assigned to ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense. Operating expenses are managed based on ambitious objectives of efficient and competitive operations.

ATP's Processing Business incurred expenses of DKK 1,014m in H1, which were re-invoiced primarily on a cost-recovery basis. The tasks performed by ATP's Processing Business contribute to economies of scale for the benefit of all of the schemes managed.

## EVENTS AFTER THE REPORTING DATE

From the reporting date until the date of the presentation of this interim report for H1 2017, no events have occurred that would materially affect the assessment of the report.

## OUTLOOK FOR 2017

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

Based on an ambition of preserving the long-term purcha-

sing power of pensions as best as possible, the Supervisory Board has set a performance target for investment and hedging activities after tax and expenses. The performance target has been set at 7 per cent relative to the bonus potential at the beginning of the year, equivalent to DKK 7.0bn for the full year 2017. This is an absolute objective which is to be achieved in the long term, but which is not necessarily achieved each year. The objective is based on the principles underlying the target of safeguarding members' interests, aiming to preserve the purchasing power of pensions and providing an ambitious target. The objective has also been designed to be realistic given the size of the bonus potential and the risk budget, as well as the long-term risk-adjusted return expectations.

Against this backdrop, investment and hedging activity results, a profit of DKK 11.6bn in H1 2017, are considered highly satisfactory.

With the cost savings realised in H1, an expense ratio for administration expenses of DKK 0.03 per cent of aggregate assets, or DKK 40 per member, is expected for 2017 overall. In 2016, the expense ratio was 0.03 per cent of aggregate assets, or DKK 48 per member.

For further information on the interim report for H1, please visit [www.atp.dk/en](http://www.atp.dk/en).

Hillerød, 29 August 2017



Jørgen Søndergaard  
Chairman of the  
Supervisory Board



Christian Hyl Dahl  
Chief Executive Officer

# Statement by the Supervisory and Executive Boards

The Supervisory and Executive Boards have today considered and adopted the interim report of the ATP Group for the period 1 January to 30 June 2017. The interim report for H1 has not been subject to review or audit.

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (*Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tilægspension* – available in Danish only).

The accounting policies applied in this interim report are consistent with those applied in the annual report for 2016. We consider the accounting policies applied to be appropriate and the overall presentation of this interim report to be adequate.

Moreover, in our opinion, the interim report provides a true and fair view of the Group's and ATP's assets, liabilities and financial position as at 30 June 2017 and of the Group's and ATP's financial performance, as well as the Group's cash flows for the period 1 January to 30 June 2017. In our opinion, the management's review also provides a true and fair description of the development in the Group's and ATP's operations and financial position as well as a description of the most significant risks and uncertainties facing the Group and ATP.

Copenhagen, 29 August 2017

## Executive

### Board:

Christian Hyldahl  
Chief Executive Officer

Bo Foged  
Chief Financial Officer

## Supervisory

### Board:

Jørgen Søndergaard  
Chairman of the  
Supervisory Board

Torben Dalby Larsen  
Member of the  
Supervisory Board

Kim Graugaard  
Member of the  
Supervisory Board

Lizette Risgaard  
Member of the  
Supervisory Board

Arne Grevsen  
Member of the  
Supervisory Board

Jacob Holbraad  
Member of the  
Supervisory Board

Anne Broeng  
Member of the  
Supervisory Board

Jan Walther Andersen  
Member of the  
Supervisory Board

Kim Simonsen  
Member of the  
Supervisory Board

## The ATP Group – Income statement

DKKm	H1 2017	H1 2016	Q2 2017	Q2 2016
<b>Investment</b>				
Income from associates	388	273	96	142
Income from investment properties	550	547	283	272
Interest income and dividends etc. related to investment activities	2,506	2,469	1,053	1,286
Consulting fee and fee income	592	113	355	54
Market value adjustments related to investment activities	11,850	4,734	5,646	5,281
Interest expenses related to investment activities	(1,211)	(1,282)	(607)	(599)
Investment activity expenses	(428)	(408)	(220)	(214)
Tax on pension savings returns in respect of investment activities	(2,142)	(725)	(1,002)	(836)
Income tax	(18)	(14)	(9)	(7)
<b>Investment activity results</b>	<b>12,087</b>	<b>5,707</b>	<b>5,595</b>	<b>5,379</b>
Interest income and dividends etc. related to hedging activities	8,292	8,646	4,098	4,272
Market value adjustments related to hedging activities	(31,282)	100,371	(14,326)	40,955
Interest expenses related to hedging activities	(101)	(66)	(70)	(16)
Tax on pension savings returns in respect of hedging activities	3,533	(16,670)	1,576	(6,918)
Change in guaranteed benefits due to change in discount rate	22,977	(89,556)	10,632	(37,075)
Change in guaranteed benefits due to maturity reduction	(3,875)	(3,410)	(1,940)	(1,579)
<b>Hedging activity results</b>	<b>(456)</b>	<b>(685)</b>	<b>(30)</b>	<b>(361)</b>
<b>Investment and hedging activity results</b>	<b>11,631</b>	<b>5,022</b>	<b>5,565</b>	<b>5,018</b>
<b>Pension activities</b>				
Contributions	4,819	4,767	2,433	2,436
Benefit payouts	(7,998)	(7,698)	(3,989)	(3,842)
Change in guaranteed benefits due to contributions and pension benefits	4,225	3,622	2,145	1,796
Interest income related to pension activities	7	6	4	3
Interest expenses related to pension activities	(1)	(6)	0	(3)
Pension activity expenses	(103)	(126)	(49)	(64)
Tax on pension savings returns in respect of pension activities	(1)	0	(1)	0
<b>Pension activity results before change in life expectancy</b>	<b>948</b>	<b>565</b>	<b>543</b>	<b>326</b>
Change in guaranteed benefits due to life expectancy update	(1,006)	(9,901)	(1,006)	(9,901)
<b>Pension activity results</b>	<b>(58)</b>	<b>(9,336)</b>	<b>(463)</b>	<b>(9,575)</b>
<b>Business processing</b>				
Other income	1,034	644	543	337
Other expenses	(1,014)	(622)	(545)	(335)
Income tax in respect of business processing	0	0	0	0
<b>Business processing results</b>	<b>20</b>	<b>22</b>	<b>(2)</b>	<b>2</b>
<b>Results before bonus</b>	<b>11,593</b>	<b>(4,292)</b>	<b>5,100</b>	<b>(4,555)</b>
Bonus allowance for the period	0	0	0	0
<b>Net results for the period</b>	<b>11,593</b>	<b>(4,292)</b>	<b>5,100</b>	<b>(4,555)</b>

## The ATP Group – Statement of comprehensive income

DKKm	H1 2017	H1 2016	Q2 2017	Q2 2016
Net results for the period	11,593	(4,292)	5,100	(4,555)
<b>Items that may not be reclassified to results:</b>				
Revaluation of owner-occupied properties	2	2	1	2
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Other comprehensive income</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Comprehensive income for the period</b>	<b>11,595</b>	<b>(4,290)</b>	<b>5,101</b>	<b>(4,553)</b>
Minority interests' share of total comprehensive income for the period	35	43	23	35
The ATP Group's share of total comprehensive income for the period	11,560	(4,333)	5,078	(4,588)
<b>Allocated comprehensive income</b>	<b>11,595</b>	<b>(4,290)</b>	<b>5,101</b>	<b>(4,553)</b>

## The ATP Group – Statement of financial position

DKKm	H1 2017	FY 2016
<b>ASSETS</b>		
Cash and demand deposits	6,650	6,798
Bonds	536,771	567,999
Equity investments	103,059	87,210
Mutual fund units	0	5,856
Financial derivatives	72,386	88,549
Loans	12,538	14,001
Investments in associates	14,965	14,962
Intangible assets	828	736
Investment properties	21,433	21,139
Owner-occupied properties	854	854
Operating equipment	18	19
Tax receivable on pension savings returns and income tax	81	1
Deferred tax on pension savings returns and income tax	1,339	1
Interest receivable	7,479	3,849
Contributions receivable	2,556	2,566
Receivables from credit institutions	58,334	56,185
Other receivables and other loans	9,159	2,739
Other prepayments	858	851
<b>Total assets</b>	<b>849,308</b>	<b>874,315</b>
<b>EQUITY AND LIABILITIES</b>		
Financial derivatives	60,231	67,621
Tax payable on pension savings returns and income tax	2	10,555
Deferred tax on pension savings returns and income tax	170	154
Payables to credit institutions	34,629	29,801
Other payables	5,344	6,526
<b>Total payables</b>	<b>100,376</b>	<b>114,657</b>
Guaranteed benefits	636,476	658,797
Bonus potential	112,014	100,454
<b>Total pension provisions</b>	<b>748,490</b>	<b>759,251</b>
Minority interests	442	407
<b>Total equity and liabilities</b>	<b>849,308</b>	<b>874,315</b>

## The ATP Group – Cash flow statement, summary

DKKm	H1 2017	H1 2016
<b>Cash flows from operating activities</b>		
Cash flows from pension activities	(2,954)	(2,615)
Cash flows from investment and hedging activities	6,615	6,096
Cash flows from business processing	241	103
Income tax paid and tax paid on pension savings returns	(10,583)	(1,031)
<b>Total</b>	<b>(6,681)</b>	<b>2,553</b>
<b>Net cash flow from investment activities</b>		
Purchase and sale of investment assets	2,112	(9,609)
Intangible assets, property, plant and equipment and owner-occupied properties	(109)	(121)
<b>Total</b>	<b>2,003</b>	<b>(9,730)</b>
<b>Cash flow from financing activities</b>		
Loans from credit institutions etc.	4,769	6,985
<b>Total</b>	<b>4,769</b>	<b>6,985</b>
<b>Change in cash and cash equivalents</b>	<b>91</b>	<b>(192)</b>
Foreign currency translation adjustments	(239)	15
Cash and cash equivalents, beginning of period	6,798	5,491
<b>Cash and cash equivalents, end of period</b>	<b>6,650</b>	<b>5,314</b>



## The ATP Group – Note 1: Accounting policies

### Accounting policies

The interim report of the ATP Group and ATP for the period 1 January to 30 June 2017 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (available in Danish only).

The accounting policies are consistent with those applied in the annual report for 2016. Significant risks faced by the Group and ATP and significant accounting estimates made by the Supervisory and Executive Boards which may affect the Group and ATP are described in detail in the annual report for 2016.

### Changes in accounting policies

Effective from 1 January 2017, the ATP Group and ATP have implemented the following new or revised standards and interpretations:

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

The standards have been implemented without impacting the interim report of the ATP Group and ATP for H1.

None of the new standards have affected recognition and measurement.

The interim report for H1 has not been subject to review or audit.

### Presentation of notes and cash flow statement

The cash flow statement (summary) is presented only for the ATP Group.

Notes 2-4 are presented only for the ATP Group. Apart from the size of amounts, these disclosures are identical to those of the ATP parent company.

Notes 5-7 are presented only for the ATP parent company. These disclosures are identical to those of the Group.

## The ATP Group – Note 2: Contingent liabilities

DKKm	H1 2017	FY 2016
<b>Collateral</b>		
Collateral in respect of financial derivatives and repo transactions	53,868	52,296
<b>Investment and loan commitments</b>		
Investment commitments, equity investments	14,299	13,696
Investment commitments, real estate funds	517	604
Investment commitments, Danish properties	30	102
Investment commitments, infrastructure funds	7,120	6,030
Investment commitments, credit funds	2,921	1,665
Loan commitments, businesses	21,685	24,158
Loan commitments, credit funds	11,640	3,730
<b>Other contingent liabilities</b>		
Rental/lease obligations	477	487
Potential deferred tax related to real estate <sup>1</sup>	197	167
Other contingent liabilities <sup>3</sup>	1,497	1,371

<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 H1 2017, ATP Ejendomme A/S met the conditions for tax exemption.

<sup>2</sup> 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>3</sup> Other contingent liabilities comprise mainly contingent liabilities related to ATP having issued letters of credit to businesses.

## The ATP Group – Note 3: Pension provisions

DKKm	H1 2017	H1 2016
<b>Guaranteed benefits</b>		
Fair value, beginning of period	658,797	603,972
<i>Change in provisions for the period:</i>		
Contributions	4,819	4,767
– of which transferred to bonus potential	(964)	(953)
Pension benefits	(7,998)	(7,698)
Change due to life expectancy update	1,006	9,901
Change due to change in discount rate	(22,977)	89,556
Change due to maturity reduction	3,875	3,410
Bonus allowance for the period	0	0
Other changes	(82)	262
<i>Total change in provisions for the period</i>	(22,321)	99,245
<b>Fair value, end of period</b>	<b>636,476</b>	<b>703,217</b>
<b>Bonus potential</b>		
Bonus potential:		
Balance, beginning of period	100,402	101,191
Changes during the period	11,558	(4,335)
<b>Balance, end of period</b>	<b>111,960</b>	<b>96,856</b>
Revaluation reserve:		
Balance, beginning of period	52	51
Changes during the period	2	2
<b>Balance, end of period</b>	<b>54</b>	<b>53</b>
<b>Total bonus potential</b>	<b>112,014</b>	<b>96,909</b>
<b>Total pension provisions</b>	<b>748,490</b>	<b>800,126</b>

## The ATP Group – Note 4: Fair value measurement of financial instruments

Below the fair value determination of various assets and liabilities is described. Disclosure requirements for the ATP Group in relation to assets and liabilities recognised at fair value, levels 2 and 3, are listed below. See the following page for a definition of levels. Most of the Group's financial assets and liabilities are measured at fair value. All fair value measurements disclosed are recurring value measurements.

	Fair value as at 30 June 2017	Fair value hierarchy	Valuation method used	Unobservable inputs/ranges used	Fair value sensitivity to changes in unobservable inputs
<b>H1 2017 Group</b>					
Bonds, listed	DKKm 513,996	1	Closing rates of relevant stock exchange.	-	-
Bonds, observable input	15,155	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yield curves, spreads.	-
Bonds, unobservable inputs	7,620	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 market value is reduced by DKK 253m.
Equity investments, listed	49,068	1	Closing rates of relevant stock exchange.	-	-
Equity investments, unlisted	49,919	3	Reported fair value. <sup>1</sup>	-	-
Equity investments, unlisted	4,072	3	Multiple analysis / for new investments traded by purchase, acquisition cost is used	Valuation multiples used	If the valuation multiples used are reduced by -10 per cent, the fair value is reduced by DKK 261m.
Financial derivatives, listed (net)	220	1	Closing rates of relevant stock exchange.	-	-
Financial derivatives, unlisted (net)	11,935	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>	Yield curves, spreads.	-
Loans	12,538	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 market value is reduced by DKK 232m.
Investments in associates	12,996	3	Reported fair value. <sup>1</sup>	-	-
Investments in associates	507	3	'Sum-of-the-parts' valuation	Haircuts applied to underlying assets	If the haircut applied to underlying assets increases by 5 per cent, the market value is reduced by DKK 20m.
Investments in associates	619	3	Multiple analysis / for new investments traded by purchase, acquisition cost is used	Valuation multiples used	Decreasing expected value of underlying assets results in a lower fair value.
Investments in associates	843	3	Discounting of expected future cash flows	Applied discount factor	If the discount factor increases by 0.5 per cent, the market value is reduced by approx. DKK 65m.
Investment properties	21,433	3	Return-based model.	Required rate of return – 4.3 cent to 8.5 per cent (avg. 5.1 per cent).	If the average required rate of return of 5.1 per cent increases by 0.25 per cent (25 bps), the fair value of the Group's investment properties is reduced by DKK 927m.
Receivables from and payables to credit institutions (net)	23,705	2	Discounting to net present value using relevant yield curve. <sup>2</sup>	Yield curves.	-

<sup>1</sup>The fair value is 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 and Receivables from/Payables to credit institutions are presented net (asset less liability), since disclosures are identical for assets and liabilities apart from amounts.

## The ATP Group – Note 4: Fair value measurement of financial instruments, continued

In the determination of fair value, the ATP Group uses a predefined hierarchy in IFRS 7, consisting of three levels of inputs.

- Level 1:** Quoted prices in an active market for the same type of instrument (for example listed equities).
- Level 2:** Quoted prices in an active market for similar assets or liabilities or other valuation methods in which all significant inputs are based on observable market data.
- Level 3:** Valuation methods in which significant inputs are not based on observable market data.

H1 2017				
DKKm	Quoted prices	Observable inputs	Non-observable inputs	
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Bonds	513,996	15,155	7,620	536,771
Equity investments	49,068	0	53,991	103,059
Financial derivatives	988	71,398	0	72,386
Loans	0	0	12,538	12,538
Investments in associates	0	0	14,965	14,965
Investment properties	0	0	21,433	21,433
Receivables from credit institutions	0	58,334	0	58,334
<b>Total</b>	<b>564,052</b>	<b>144,887</b>	<b>110,547</b>	<b>819,486</b>
<b>Liabilities</b>				
Financial derivatives	768	59,463	0	60,231
Payables to credit institutions	0	34,629	0	34,629
<b>Total</b>	<b>768</b>	<b>94,092</b>	<b>0</b>	<b>94,860</b>

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

Assets	Statement of financial position as at 1 January 2017	Realised/unrealised/gains or losses for the period, recognised	Purchase	Sale	Reclassifications	Statement of Transfer financial position as at 30 June 2017 of level 3.	Losses/gains on assets held
Bonds	5,933	(106)	2,314	(521)	0	0	7,620 (94)
Equity investments	53,706	(876)	201	(4,621)	5,581	0	53,991 2,940
Mutual fund units	5,856	(275)	0	0	(5,581)	0	0 0
Loans	14,001	(424)	6,958	(7,997)	0	0	12,538 (478)
Investments in associates	14,962	62	2,838	(2,897)	0	0	14,965 81
Investment properties	21,139	84	210	0	0	0	21,433 84
<b>Total</b>	<b>115,597</b>	<b>(1,535)</b>	<b>12,521</b>	<b>(16,036)</b>	<b>0</b>	<b>0</b>	<b>110,547 2,533</b>

In H1 2017, there were no significant transfers between levels.

## The ATP Group – Note 4: Fair value measurement of financial instruments, continued

31 December 2016

DKKm	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Bonds	535,023	27,043	5,933	567,999
Equity investments	33,504	0	53,706	87,210
Mutual fund units	0	0	5,856	5,856
Financial derivatives	386	88,163	0	88,549
Loans	0	0	14,001	14,001
Investments in associates	0	0	14,962	14,962
Investment properties	0	0	21,139	21,139
Receivables from credit institutions	0	56,185	0	56,185
<b>Total</b>	<b>568,913</b>	<b>171,391</b>	<b>115,597</b>	<b>855,901</b>
<b>Liabilities</b>				
Financial derivatives	994	66,627	0	67,621
Payables to credit institutions	0	29,801	0	29,801
<b>Total</b>	<b>994</b>	<b>96,428</b>	<b>0</b>	<b>97,422</b>

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

Assets	Statement of financial position as at 1 January 2016	Realised/un-realised gains or losses for the period, recognised	Purchase	Sale	Transfer into level 3.	Transfer out of level 3.	Statement of financial position as at 31 December 2016	Losses/gains on assets held
Bonds	1,698	66	4,190	(21)	0	0	5,933	66
Equity investments	55,403	726	9,165	(8,317)	0	(3,271)	53,706	3,970
Mutual fund units	5,535	325	10	(14)	0	0	5,856	246
Loans	10,049	504	10,751	(7,303)	0	0	14,001	549
Investments in associates	13,018	1,312	4,116	(3,484)	0	0	14,962	976
Investment properties	20,360	313	584	(118)	0	0	21,139	291
<b>Total</b>	<b>106,063</b>	<b>3,246</b>	<b>28,816</b>	<b>(19,257)</b>	<b>0</b>	<b>(3,271)</b>	<b>115,597</b>	<b>6,098</b>

Transfer out of level 3 of DKK 3,271m relating to equity investments consists of unlisted equity investments which were listed in the financial year.

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'.

## ATP – Income statement

DKKm	H1 2017	H1 2016	Q2 2017	Q2 2016
<b>Investment</b>				
Income from group subsidiaries	2,116	3,398	222	3,013
Income from associates	234	276	121	172
Income from investment properties	13	212	8	104
Interest income and dividends etc. related to investment activities	2,024	1,678	800	830
Consulting fee and fee income	571	103	343	49
Market value adjustments related to investment activities	10,592	2,059	5,774	2,649
Interest expenses related to investment activities	(1,174)	(1,175)	(602)	(557)
Investment activity expenses	(181)	(161)	(91)	(79)
Tax on pension savings returns in respect of investment activities	(2,142)	(725)	(1,002)	(836)
<b>Investment activity results</b>	<b>12,053</b>	<b>5,665</b>	<b>5,573</b>	<b>5,345</b>
<b>Hedging</b>				
Interest income and dividends etc. related to hedging activities	8,292	8,646	4,098	4,273
Market value adjustments related to hedging activities	(31,282)	100,371	(14,326)	40,954
Interest expenses related to hedging activities	(101)	(66)	(70)	(16)
Tax on pension savings returns in respect of hedging activities	3,533	(16,670)	1,576	(6,918)
Change in guaranteed benefits due to change in discount rate	22,977	(89,556)	10,632	(37,075)
Change in guaranteed benefits due to maturity reduction	(3,875)	(3,410)	(1,940)	(1,579)
<b>Hedging activity results</b>	<b>(456)</b>	<b>(685)</b>	<b>(30)</b>	<b>(361)</b>
<b>Investment and hedging activity results</b>	<b>11,597</b>	<b>4,980</b>	<b>5,543</b>	<b>4,984</b>
<b>Pension activities</b>				
Contributions	4,819	4,767	2,433	2,436
Benefit payouts	(7,998)	(7,698)	(3,989)	(3,842)
Change in guaranteed benefits due to contributions and pension benefits	4,225	3,622	2,145	1,796
Interest income related to pension activities	7	6	4	3
Interest expenses related to pension activities	(1)	(6)	0	(3)
Pension activity expenses	(103)	(126)	(49)	(64)
Tax on pension savings returns in respect of pension activities	(1)	0	(1)	0
<b>Pension activity results before change in life expectancy</b>	<b>948</b>	<b>565</b>	<b>543</b>	<b>326</b>
Change in guaranteed benefits due to change in life expectancy	(1,006)	(9,901)	(1,006)	(9,901)
<b>Pension activity results</b>	<b>(58)</b>	<b>(9,336)</b>	<b>(463)</b>	<b>(9,575)</b>
<b>Business processing</b>				
Other income	1,043	656	547	342
Other expenses	(1,024)	(635)	(550)	(341)
<b>Business processing results</b>	<b>19</b>	<b>21</b>	<b>(3)</b>	<b>1</b>
<b>Results before bonus</b>	<b>11,558</b>	<b>(4,335)</b>	<b>5,077</b>	<b>(4,590)</b>
Bonus allowance for the period	0	0	0	0
<b>Net results for the period</b>	<b>11,558</b>	<b>(4,335)</b>	<b>5,077</b>	<b>(4,590)</b>
<b>Danish FSA ratios (per cent)</b>				
Return before tax on pension savings returns – N1	(1.2)	16.4	(0.5)	6.8
Return after tax on pension savings returns	(1.0)	13.9	(0.4)	5.8
<b>Members (number in thousands)</b>	<b>5,067</b>	<b>4,995</b>	<b>5,067</b>	<b>4,995</b>
<b>Expenses</b>				
Pension activity expenses per member (DKK)	20	25	9	13
Investment activity expenses per member (DKK)	36	32	18	16

## ATP – Statement of comprehensive income

DKKm	H1 2017	H1 2016	Q2 2017	Q2 2016
Net results for the period	11,558	(4,335)	5,077	(4,590)
<b>Items that may not be reclassified to results:</b>				
Revaluation of owner-occupied properties	2	2	1	2
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>
Other comprehensive income	2	2	1	2
<b>Comprehensive income for the period</b>	<b>11,560</b>	<b>(4,333)</b>	<b>5,078</b>	<b>(4,588)</b>

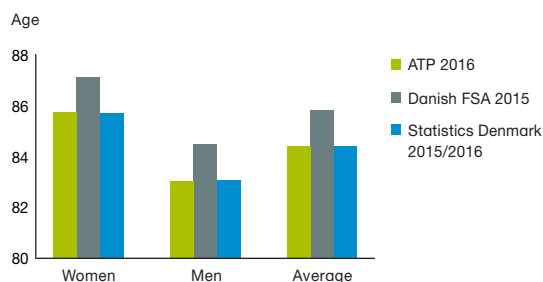


## ATP – Statement of financial position

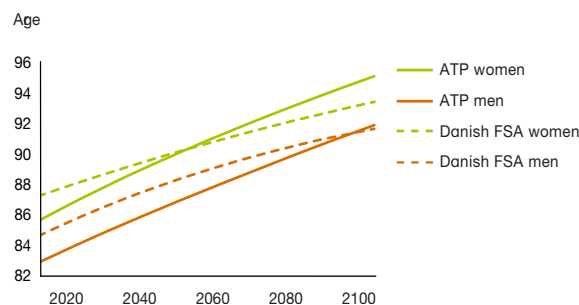
DKKm	H1 2017	FY 2016
<b>ASSETS</b>		
Cash and demand deposits	4,110	3,545
Bonds	524,805	542,835
Equity investments	70,082	51,101
Financial derivatives	72,165	88,498
Loans	10,633	12,107
Loans to group subsidiaries	2,662	2,821
Receivables from group subsidiaries	28	1,124
Investments in group subsidiaries	75,016	85,957
Investments in associates	9,324	9,365
Intangible assets	783	691
Investment properties	521	8,028
Owner-occupied properties	804	805
Operating equipment	13	13
Deferred tax on pension savings returns	1,338	0
Interest receivable	7,314	3,519
Contributions receivable	2,555	2,566
Receivables from credit institutions	58,067	54,762
Tax receivable on pension savings returns	81	0
Other receivables	5,126	1,168
Other prepayments	846	841
<b>Total assets</b>	<b>846,273</b>	<b>869,746</b>
<b>EQUITY AND LIABILITIES</b>		
Payables to group subsidiaries	551	254
Financial derivatives	60,211	67,399
Tax payable on pension savings returns	0	10,554
Payables to credit institutions	34,609	29,726
Other payables	2,412	2,562
<b>Total payables</b>	<b>97,783</b>	<b>110,495</b>
Guaranteed benefits	636,476	658,797
Bonus potential	112,014	100,454
<b>Total pension provisions</b>	<b>748,490</b>	<b>759,251</b>
<b>Total equity and liabilities</b>	<b>846,273</b>	<b>869,746</b>

## ATP – Note 5: Impact of the Danish FSA’s life expectancy model (benchmark) on the determination of ATP’s provisions

Life expectancies for 65-year-olds



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.

The Danish FSA’s life expectancy model – to be used for supervision of life insurance companies and pension funds – consists of two elements: a benchmark for observed current life expectancy and a benchmark for expected future increases in life expectancy.

The observed current life expectancy of the ATP population is lower than the FSA’s benchmark for observed current life expectancy. However, ATP expects higher future increases in life expectancy than the Danish FSA’s benchmark. Overall, the life expectancy model used by ATP is more conservative than the Danish FSA’s life expectancy model.

### Observed current life expectancy

The Danish FSA’s benchmark for observed current life expectancy is based on data from a number of Danish life insurance companies and industry-wide pension funds with a total membership of 2.5 million clients. The observed current life expectancy applied by ATP is based on data relating to ATP’s 5.1 million members.

The current life expectancy of pension company clients is higher than the current life expectancy of ATP’s members. This is in line with international analyses, showing that the life expectancy of insured persons is higher than that of non-insured persons. The difference is shown in the chart above, illustrating life expectancies for 65-year-olds based on the Danish FSA’s life expectancy model, the ATP pension population and data from Statistics Denmark.

### Expected future increases in life expectancy

The Danish FSA’s benchmark for expected future increases in life expectancy is based on life expectancy developments in Denmark over the past 30 years. ATP’s model for expected future increases in life expectancy is based on comparable data for the period 1950-2013 from 18 OECD countries. The model is based partly on information about ATP’s members, partly on information about approx. 565 million inhabitants in the 18 OECD countries.

Expected future increases in life expectancy are higher according to ATP’s model than according to the Danish FSA’s benchmark. This difference is attributable, in particular, to the current shorter life expectancy of Danes relative to the average of the 18 OECD countries. ATP’s model assumes that Danish life expectancy will eventually correspond to the average of the 18 countries. After this period, increases in Danish life expectancy are expected to track international developments.

### ATP’s guaranteed benefits

In addition to the value of ATP’s pension liabilities in the financial statements, ATP also calculates guaranteed benefits based on the current life expectancy of the ATP population in combination with the Danish FSA’s benchmark for expected future increases in life expectancy. Using the Danish FSA’s model, the value of the guaranteed benefits would be DKK 630.4bn as at 30 June 2017 relative to DKK 636.5bn using ATP’s life expectancy model. In other words, ATP’s bonus potential would have been DKK 6.1bn higher if ATP had used the Danish FSA’s model.

## ATP – Note 6: ATP’s value creation from guarantees and bonus potential (after tax)

Per cent	H1 2017	H1 2016
Value creation from guarantees	1.8	1.9
Value creation from bonus potential	11.6	4.5
<b>Total value creation</b>	<b>3.7</b>	<b>2.4</b>

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

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

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

### The three ATP ratios

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

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

*Value creation from the guarantees* illustrates the average return on the promises ATP has issued to members over time, across age groups. This ratio is calculated based on historical contributions and the associated guarantees. In H1 2017, the value creation from the guarantees was 1.8 per cent after tax and all expenses, which is in line with the same period last year. The ratio accumulates steadily over the year. In a declining interest rate environment, this ratio will fall as the new guarantees are more expensive to issue. Conversely, in a rising interest rate environment, the ratio will increase, as ATP will be able to issue new guarantees based on higher interest rates.

*Value creation from the bonus potential* illustrates the return on the bonus potential. In H1 2017, this value creation was 11.6 per cent. This ratio is driven primarily by investment returns, but is impacted also by, for example, 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 H1 2017, the ratio was 3.7 per cent, up from 2.4 per cent in the same period last year. For the past three years, total value creation has averaged 4.7 per cent.

For more information about the definition of ATP’s value creation ratios, see ‘Further Information’ at [www.atp.dk](http://www.atp.dk).

## ATP – Note 7: ATP's yield curve

### The yield curve for valuation of pension liabilities and actual hedging at end-H1 2017

	<u>Yield curve</u> per cent	<u>Hedging</u> per cent
• Interest rate swaps denominated in Danish kroner	15	15
• Interest rate swaps denominated in euros	35	36
• Danish government bonds	25	26
• German government bonds	25	22

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

## ATP – Note 8: ATP's investment return at different calculation methods

### Return for H1 2017 and the full year 2016

<b>Per cent</b>	<b>H1 2017</b>	<b>2016</b>
Investment return before tax and expenses relative to the bonus potential	14.6%	15.0%
Danish FSA ratios N1	(1.9)%	10.1%
Value creation ratios <sup>1</sup>	3.7%	4.4%

<sup>1</sup> For more information about the value creation ratio, see note 6

## ATP – Note 9: ATP's total expenses in per cent

### ATP's total expenses in per cent for H1 2017 and for 2016

Expenses of ATP Livslang Pension in H1 2017			
	DKK m	DKK per member	Per cent of net assets
Administration expenses	103	20	0.01%
Investment expenses	1,216	241	0.16%
<b>Total</b>	<b>1,319</b>	<b>261</b>	<b>0.18%</b>
Annual expenses in 2016 for ATP Livslang Pension			
	DKK m	DKK per member	Per cent of net assets
Administration expenses	239	48	0.03%
Investment expenses	2,156	431	0.28%
<b>Total</b>	<b>2,395</b>	<b>479</b>	<b>0.32%</b>

Note: The determination of investment expenses includes performance fees.

## ATP – Note 10: Market value of ATP's investment portfolio

### Market value of ATP's investment portfolio at end-H1 2017

DKKbn	Investment portfolio 30 June 2017
Listed Danish equities	28.7
Private equity	34.7
Listed international equities	18.3
Credit	32.8
Real estate	35.7
Government and mortgage bonds	45.9
Infrastructure	17.3
Long-term hedging strategies against inflation increases	(4.0)
Inflation-related instruments	2.9
Other	9.1
<b>Total market value</b>	<b>221.4</b>

Note: The investment portfolio contains a number of financial derivatives, including 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.