

Quarterly announcement Q1 2017

27 April 2017

ATP delivers strong Q1 with a DKK 7.8bn return in the investment portfolio

In Q1, ATP generated a return before tax and expenses in the investment portfolio of DKK 7.8bn, equivalent to a return relative to ATP's bonus potential of 7.8 per cent. The return was achieved broadly across the portfolio, but equity investments and credit investments yielded significant positive contributions. In the past five years, ATP has delivered an average return of 3.7 per cent per quarter and achieved positive returns in the investment portfolio in 18 out of 20 quarters.

Strong investment return

In Q1, the financial markets in Europe were characterised by price increases in the equity markets and moderate increases in interest rates, while interest rates in the USA ended up at roughly the same level as at the beginning of the year. The largest positive return came from listed Danish equities with a contribution of DKK 2.3bn, but listed international equities, private equity and credit investments also contributed high positive returns. ATP's long-term hedging strategies against rising inflation produced a negative result of DKK 0.1bn.

"The really strong return for the first three months of the year – in fact, the highest quarterly return in the past five years – is very good news for our members, and something which I am very pleased with. But we should not be measured on our short-term returns. We are here to create long-term value for our members, and historically we have been very good at doing just that. Looking ahead, the prospect is of great uncertainty – economically and politically – both in Europe and in the USA, and delivering similarly impressive returns in the coming quarters and years will indeed be a challenge. However, we will continue to take risks to generate returns, but we will do so based on an extremely disciplined approach to both portfolio construction and risk management as a way of ensuring that we create satisfactory results in the long term despite the fact that we are operating in an environment characterised by low and uncertain returns." says ATP CEO Christian Hyldahl.

Hedging protects pension guarantees

The hedging of pension guarantees is designed to ensure that members receive the ATP pensions promised, regardless of whether interest rates rise or fall. Primarily due to rising interest rates in Europe, the value of the guaranteed pension liabilities fell by DKK 11.2bn in Q1 2017. In contrast, ATP's hedging portfolio generated a negative return after tax of DKK 10.8bn. All in all, the hedging activities resulted in a loss of DKK 0.4bn on pension guarantees with a total value of DKK 646bn. The hedging strategy was thus successful.

Profit for the period

The result for Q1 2017 was a profit of DKK 6.5bn. At the end of Q1, the bonus potential – ATP's free reserves – totalled DKK 106.9bn, while assets amounted to DKK 753.2bn.

Further information:

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Financial highlights and ratios for the ATP Group

| DKKm | Q1 2017 | Q1 2016 | FY 2016 |
|--|----------------|----------------|----------------|
| Investment | | | |
| Investment return | 7,849 | 418 | 15,340 |
| Expenses | (208) | (194) | (823) |
| Tax on pension savings returns and income tax | (1,149) | 104 | (1,989) |
| Investment activity results | 6,492 | 328 | 12,528 |
| Hedging | | | |
| Change in guaranteed pensions due to discount rate and maturity reduction ¹ | 11,210 | (53,528) | (47,816) |
| Return in hedging portfolio | (12,793) | 63,740 | 56,371 |
| Tax on pension savings returns | 1,957 | (9,752) | (8,625) |
| Results of hedging of pension liabilities | 374 | 460 | (70) |
| Change in guaranteed pensions due to yield curve break ² | (800) | (784) | (4,064) |
| Hedging activity results | (426) | (324) | (4,134) |
| Investment and hedging activity results | 6,066 | 4 | 8,394 |
| Pension | | | |
| Contributions | 2,386 | 2,331 | 9,572 |
| Pension benefits | (4,009) | (3,856) | (15,454) |
| Change in guaranteed pensions due to contributions and benefit payments | 2,080 | 1,826 | 6,956 |
| Administration expenses | (54) | (62) | (239) |
| Other items | 2 | 0 | 8 |
| Pension activity results before life expectancy update | 405 | 239 | 843 |
| Business processing, external parties | | | |
| Income | 491 | 307 | 1,545 |
| Expenses | (469) | (287) | (1,529) |
| Income tax | 0 | 0 | (1) |
| Business processing results, external parties | 22 | 20 | 15 |
| Results before bonus and life expectancy update | 6,493 | 263 | 9,252 |
| Life expectancy update | 0 | 0 | (9,901) |
| Bonus allowance for the period | 0 | 0 | 0 |
| Net results for the period | 6,493 | 263 | (649) |
| Guaranteed pensions | 646,307 | 656,343 | 658,797 |
| Bonus potential | 106,936 | 101,497 | 100,454 |
| Net assets | 753,243 | 757,840 | 759,251 |

| Return ratios | Q1 2017 | Q1 2016 | FY 2016 |
|---|--------------------|---------------------|---------------------|
| Investment return before expenses and tax relative to bonus potential, per cent | 7.8 | 0.4 | 15.2 |
| Investment return after expenses and tax relative to bonus potential, per cent | 6.4 | 0.3 | 12.2 |
| | Past 4 quarters | Past 12 quarters | Past 20 quarters |
| Average quarterly investment return before tax and expenses relative to bonus potential, per cent | 5.7 | 3.4 | 3.7 |

¹ Before effect of yield curve break

² '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.

Facts about ATP

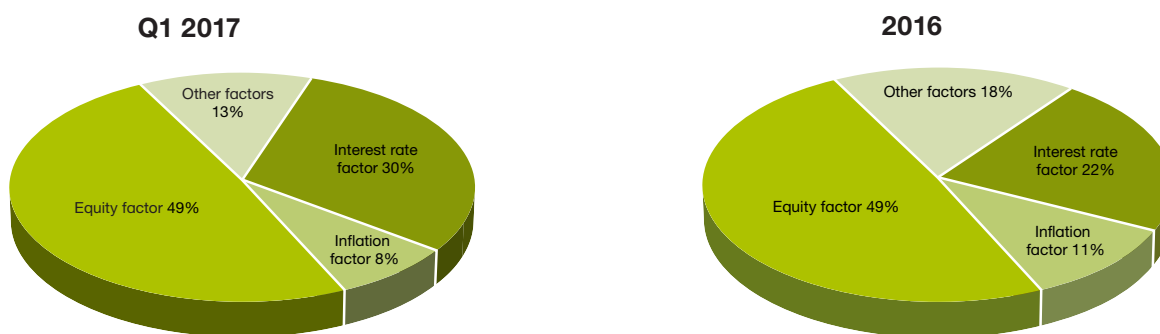
ATP is a mandatory pension scheme with 5,054,000 members. At the end of Q1 2017, 1,010,000 pensioners were receiving ATP Lifelong Pension. In Q1 2017, ATP paid out DKK 4.0bn in pension benefits. For half of all Danish old-age pensioners, ATP Lifelong Pension is their only source of pension income other than their state-funded old-age pension. The full ATP Lifelong Pension for a 65-year-old pensioner is DKK 23,500, equivalent to 32 per cent of the basic amount of the state-funded old-age pension.

Investment portfolio

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

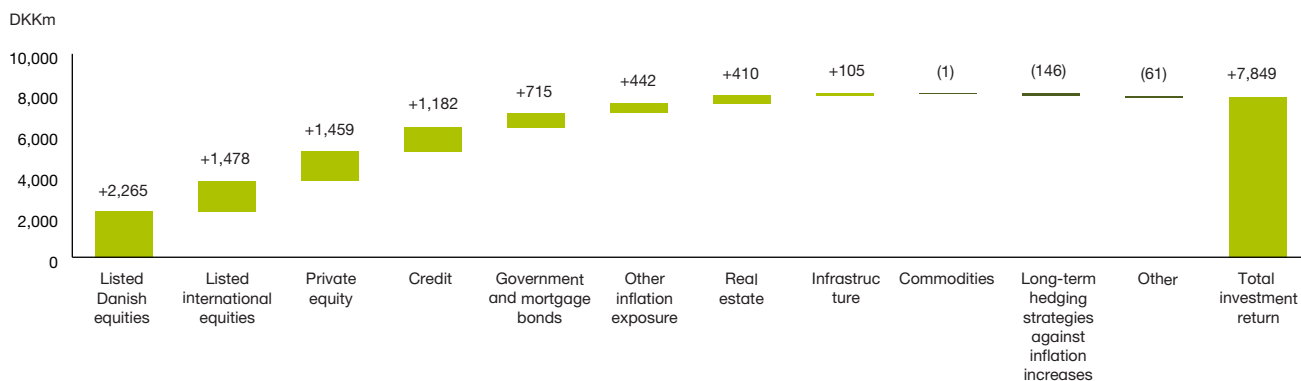
The factor investing approach provides a basis for investment decisions, and this approach allows analysis and comparison of investments without reference to asset type. The factor investing approach is primarily an internal risk management tool, and in the external reporting on returns, ATP refers to the traditional asset classes. You can read more about this approach in the article 'The factor investing approach' in the ATP Group's annual report for 2016.

Average risk allocation of the investment portfolio¹



¹ The average risk allocation in Q1 2017 is exclusive of the Supervisory Board's long-term strategies against inflation increases.

Composition of investment return in Q1 2017



Note: 'Total investment return' corresponds to a return relative to ATP's bonus potential of 7.8 per cent.

Quarterly returns on the investment portfolio before tax and expenses for the past 5 years relative to the bonus potential at the beginning of the quarter

