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Quarterly Announcement Q1 2018
25 April 2018

The investment portfolio lost 1 per cent during Q1

On the tail of several years of stable returns, the financial markets were marked by falling prices in the global stock markets and interest rate increases in the US. ATP's investment portfolio lost DKK 1.1bn, equal to a return relative to ATP's bonus potential of -1.0 per cent.

"In a difficult market, a negative return of 1.0 per cent for the first quarter of the year was satisfactory in light of the very high returns realised in 2017. The result indicates that returns are about to be normalised as central banks place a tighter hold on liquidity and ramp up interest rates," says ATP CEO Christian Hyldahl.

The negative return relates especially to foreign listed equities and state bonds, while investments in unlisted equities, infrastructure, and real estate contributed positively to quarterly returns.

"We have been blessed with exceptionally high returns in recent years. Our strategy remains to invest and to take risks in order to create returns in spite of the increasing market uncertainties. We do have the margin to do this, but we also keep a keen eye on our risks and the portfolio composition. In this way we expect to create satisfactory long-term results in spite of continuing pressure on returns," says ATP CEO Christian Hyldahl.

The previous 5 years have realised average investment portfolio returns of 3.9 per cent per quarter. The investment portfolio has realised positive returns in 17 of the previous 20 quarters.

Hedging protects pension guarantees
Hedging of the guaranteed pensions is designed to ensure that members receive the pensions promised, regardless of whether interest rates rise or fall. Due to moderate interest rate drops for European state bonds with long residual maturity, the value of guaranteed pensions increased in Q1. Similarly, the hedging portfolio realised a positive return. All in all, hedging activity results were negative by DKK 1.0bn, corresponding to less than 0.2 per cent of the guaranteed pensions. The hedging therefore worked as intended.

Result for the period
The Q1 result was DKK -1.8bn. At the end of Q1 2018 the bonus potential – ATP's free reserves – totalled DKK 115.9bn, guaranteed assets were at DKK 652.6bn. ATP's aggregate assets amounted to DKK 768.5bn.

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Facts about ATP
ATP is a mandatory pension scheme with 5,129,000 members. At the end of Q1 2018, 1,039,000 pensioners were receiving ATP Livslang Pension (Lifelong Pension). During Q1, ATP paid out DKK 4.2bn in pensions and lump sum payments. Approximately 40 per cent of all Danish old age pensioners have no other pension income than ATP and the state-funded old-age pension. The full ATP Livslang Pension for a 65-year-old is DKK 23,600. This is equivalent to 32 per cent of the basic amount of the state-funded old-age pension.

Financial highlights and ratios for the ATP Group

DKKm	Q1 2018	Q1 2017	FY 2017
Investment activities			
Investment return	-1,132	7,849	29,737
Expenses	-213	-208	-858
Tax on pension savings returns and corporate income tax	223	-1,149	-4,399
Investment activity results	**-1,122**	**6,492**	**24,480**
Hedging activities			
Change in guaranteed pensions due to discount rate and maturity reduction[1]	-3,260	11,210	10,032
Return in hedging portfolio	3,434	-12,793	-10,089
Tax on pension savings returns	-526	1,957	1,544
Results of hedging of pension liabilities	**-352**	**374**	**1,487**
Change in guaranteed pensions due to yield curve break[2]	-682	-800	-2,993
Hedging activity results	**-1,034**	**-426**	**-1,506**
Investment and hedging activity results	**-2,156**	**6,066**	**22,974**
Pension activities			
Contributions	2,416	2,386	9.703
Pension benefits	-4,209	-4,009	-16,075
Change in guaranteed pensions due to contributions and payouts	2,189	2,080	8,289
Administration expenses	-44	-54	-191
Other items	3	2	8
Pension activity results before life expectancy update	**355**	**405**	**1,734**
Business processing, external parties			
Income	602	491	2,042
Expenses	-588	-469	-2,033
Income tax	0	0	0
Business processing results, external parties	**14**	**22**	**9**
Results before bonus allowances and life expectancy update	**-1,787**	**6,493**	**24,717**
Life expectancy update	0	0	-1,006
Bonus addition for the period	0	0	-6,406
Net results for the period	**-1,787**	**6,493**	**17,305**
Guaranteed pensions	652,634	646,307	650,881
Bonus potential	115,882	106,936	117,695
Net assets	**768,516**	**753,243**	**768,576**

Return ratios in per cent	**Q1 2018**	**Q1 2017**	**FY 2017**
Investment return before expenses and tax relative to bonus potential[3]	-1.0	7.8	29.5
Investment return after expenses and tax relative to bonus potential	-1.0	6.4	24.3

[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.

[3] The investment portfolio follows a risk-based investing approach, the focus of which is on risk rather than on the amount of DKK invested. The investment portfolio, as a general rule, consists of funds from the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of derivative financial instruments are available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with a higher statement of financial position (market value Q1-end 2018 of DKK 272.5bn) than the bonus potential, but within the same risk budget.

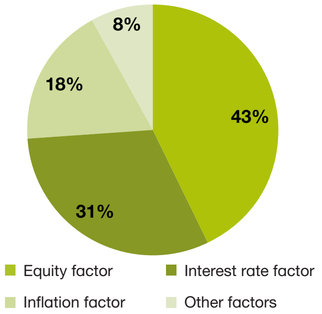
Investment portfolio

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

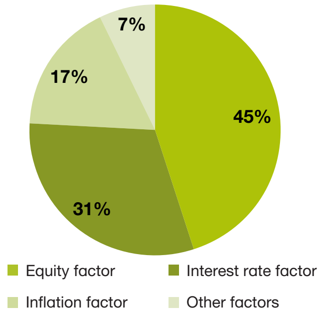
The factor framework gives a shared risk understanding, enabling uniform management of all investment activities and a comparison of returns and risks across asset classes. The approach produces no absolute truths, but it does create a framework for the composition of our investments. In the returns report ATP refers to the traditional asset classes. You can read more about the factor-based investment approach in the article "The factor-based investment approach and alternative illiquid investments" ("Den faktorbaserede investeringstilgang og alternative illikvide investeringer") in the 2017 ATP Group annual report.

Risk allocation in the investment portfolio

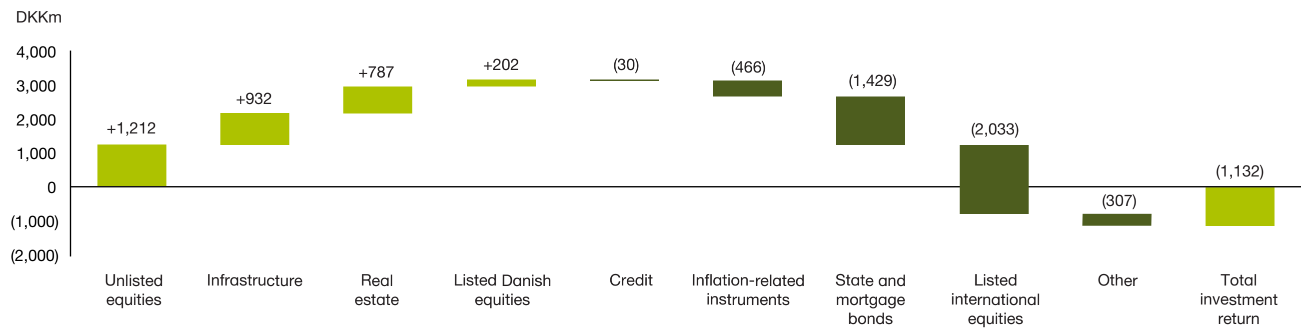
31 December 2017



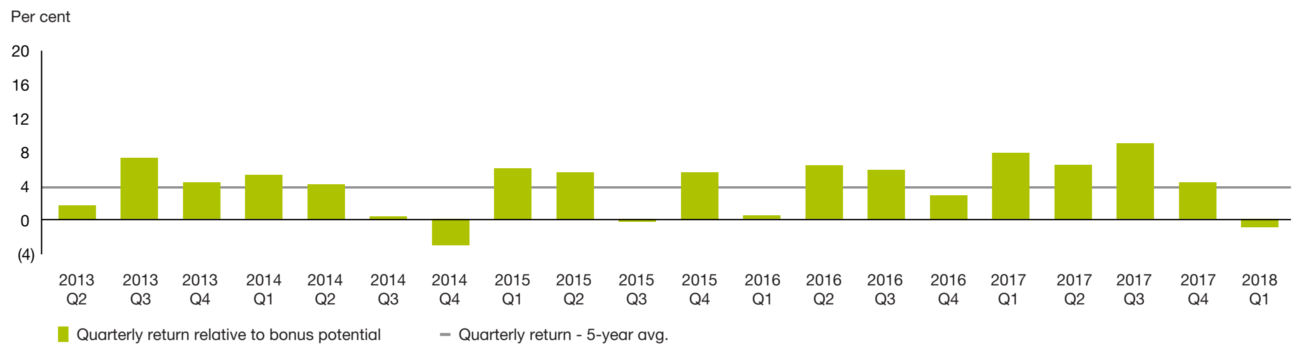
31 March 2018



Composition of investment return, Q1 2018



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



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