

Quarterly announcement Q1-Q3 2017

26 October 2017

ATP delivers very strong performance with a DKK 24.6bn return in the investment portfolio in Q1-Q3

In Q1-Q3, ATP generated a return in the investment portfolio of DKK 24.6bn before tax and expenses, equivalent to a rate of return of 24.4 per cent relative to ATP's bonus potential. The return was achieved broadly across the portfolio, but was driven, in particular, by equity investments. For Q3 alone, the return was 8.9 per cent relative to the bonus potential. In the past five years, ATP has delivered an average return of 4.0 per cent per quarter in the investment portfolio and achieved positive returns in 18 out of 20 quarters.

"The very strong return achieved in Q1-Q3 is good news indeed for our members. In fact, the Q3 return is the highest quarterly return in the past five years. As a result, our long-term return – over the one, three and five-year horizons – remains stable at a high level. I'm very pleased with this performance," says ATP CEO Christian Hyldahl.

Strong investment return

In Q1-Q3, the financial markets were characterised by price increases in global equity markets and moderate interest rate increases in Europe. The return was achieved broadly across all asset types, but was driven, in particular, by equity investments. Listed Danish equities were major performance contributors, generating a return of DKK 5.3bn.

"Although ATP performs very strongly, a measure of caution is called for. Despite the strong performance, the outlook is for lower returns in the future as central banks tighten liquidity and raise interest rates. While global economic growth seems to be firmly on track, geopolitical uncertainty has increased. Our task remains to invest – to generate a return. We have leeway to take risks, 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 expected low return environment," Christian Hyldahl says.

Hedging protects pension guarantees

Hedging of the guaranteed benefits is designed to ensure that members receive the pensions promised, regardless of whether interest rates rise or fall. Primarily due to rising interest rates in Europe, the value of the guaranteed benefits fell by DKK 17.7bn in Q1-Q3. At the same time, ATP's hedging portfolio generated a negative return after tax of DKK 16.4bn. Thus, the hedging strategy was successful. Overall, hedging activities resulted in a loss of DKK 1.0bn on pension guarantees with a total value of DKK 638bn.

Profit for the period

Results for Q1-Q3 were a profit of DKK 19.8bn. At the end of Q3 2017, the bonus potential – ATP's free reserves – totalled DKK 120.2bn. ATP's aggregate assets amounted to DKK 758.1bn.

Further information:

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Financial highlights and ratios for the ATP Group

DKKm	Q3 2017	Q1-Q3 2017	Q1-Q3 2016	FY 2016
Investment				
Investment return	9,928	24,603	12,534	15,340
Expenses	(193)	(621)	(601)	(823)
Tax on pension savings returns and income tax	(1,499)	(3,659)	(1,577)	(1,989)
Investment activity results	8,236	20,323	10,356	12,528
Hedging				
Change in guaranteed benefits due to discount rate and maturity reduction ¹	(2,932)	17,731	(93,879)	(47,816)
Return in hedging portfolio	3,704	(19,387)	111,895	56,371
Tax on pension savings returns	(567)	2,966	(17,120)	(8,625)
Results of hedging of guaranteed benefits	205	1,310	896	(70)
Change in guaranteed benefits due to yield curve break ²	(707)	(2,268)	(2,988)	(4,064)
Hedging activity results	(502)	(958)	(2,092)	(4,134)
Investment and hedging activity results	7,734	19,365	8,264	8,394
Pension				
Contributions	2,370	7,189	7,142	9,572
Pension benefits	(4,018)	(12,016)	(11,549)	(15,454)
Change in guaranteed benefits due to contributions and payouts	2,154	6,379	5,133	6,956
Administration expenses	(41)	(144)	(184)	(239)
Other items	2	7	1	8
Pension activity results before life expectancy update	467	1,415	543	843
Business processing, external parties				
Income	448	1,482	1,033	1,545
Expenses	(463)	(1,477)	(1,007)	(1,529)
Income tax	0	0	0	(1)
Business processing results, external parties	(15)	5	26	15
Results before bonus and life expectancy update	8,186	20,785	8,833	9,252
Life expectancy update	0	(1,006)	(9,901)	(9,901)
Bonus allowance for the period	0	0	0	0
Net results for the period	8,186	19,779	(1,068)	(649)
Guaranteed benefits	637,961	637,961	705,607	658,797
Bonus potential	120,186	120,186	100,060	100,454
Net assets	758,147	758,147	805,667	759,251

Return ratios	Q3 2017	Q1-Q3 2017	Q1-Q3 2016	FY 2016
Investment return before expenses and tax relative to bonus potential, per cent ³	8.9	24.4	12.3	15.0
Investment return after expenses and tax relative to bonus potential, per cent	7.3	20.2	10.1	12.2

¹ Before effect of yield curve break

² '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.

³ At the beginning of the period, the bonus potential (ATP's free reserves) totalled DKK 100.5bn. At the end of Q3, the market value of ATP's investment portfolio, including the market value of derivatives, amounted to DKK 228.5bn.

Facts about ATP

ATP is a mandatory pension scheme with 5,097,000 members. At the end of Q3 2017, 1,025,000 pensioners were receiving ATP Livslang Pension. In Q1-Q3, ATP paid out DKK 12.0bn in pension benefits. For half of all Danish old-age pensioners, ATP Livslang Pension is their only source of pension income other than their state-funded old-age pension. The full annual ATP Livslang 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 informed by a strategy of risk diversification. ATP allocates the risk associated with each investment on the basis of four 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'.

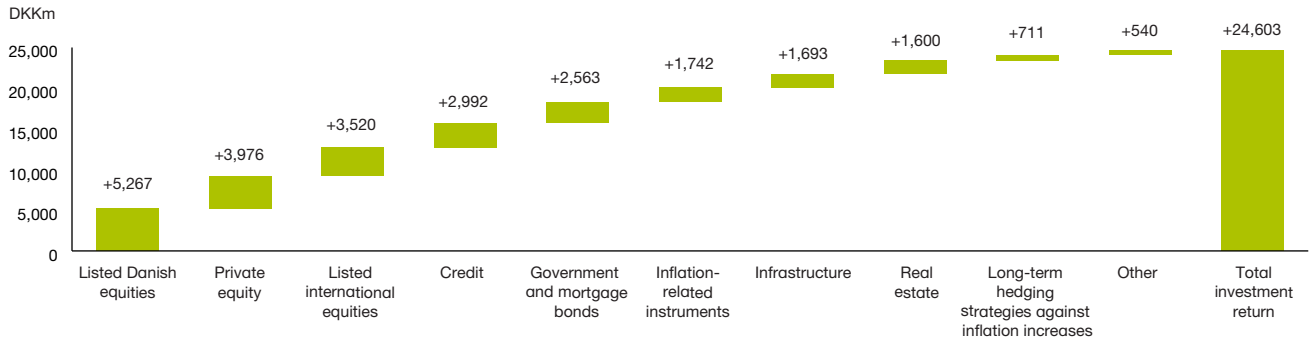
The factor investing approach informs investment decisions, and this approach allows analysis and comparison of investments without reference to asset type. The factor investing approach is primarily an internal risk management tool, and in its external return reporting, ATP refers to the traditional 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.

Risk allocation in the investment portfolio¹

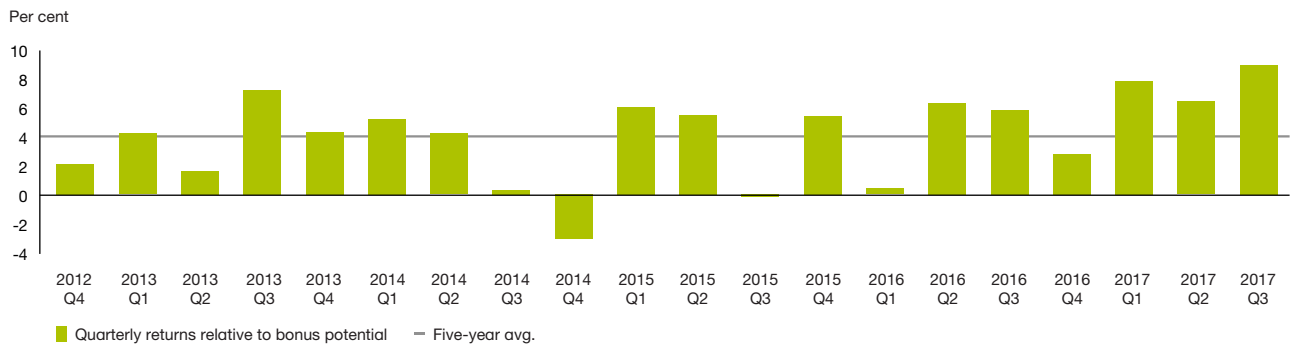


¹The risk allocation is exclusive of the Supervisory Board's long-term strategies against inflation increases.

Composition of investment return in Q1-Q3 2017



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

