The ATP Group

Interim report for H1 2019

atp=

Highlights

Profit

DKK 24.3bn

net results for the period before life expectancy update and bonus

DKK 3.2bn

life expectancy update (income)

DKK 27.5bn

net result for the period

Return and expenses

32.1 per cent

investment return (before tax and expenses) from investment relative to bonus potential[1]

0.17 per cent

annual expenses (APR) – for H1

1.8 per cent

Risk-adjusted return[2] – for H1

Net assets and pension benefits

DKK 120bn

bonus potential

DKK 881bn

ATP member assets

DKK 24,500

full ATP pension for a person aged 65½

Accumulated net result – 5-year rolling period

DKK 62.6bn

result before life expectancy update and bonus

DKK (43.6bn)

life expectancy update and bonus

DKK 19.0bn

result

[1] 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 end of H1 2019 of DKK 337.3bn) than the bonus potential, but within the same risk budget.
[2] Riskadjusted return is a return measure similar to the Sharpe ratio, which expresses the relationship between actual return and expected market risk of the portfolio, i.e. a measurement to show whether the risk utilisation is efficient. Expected market risk modelling is based on historic observations going back to the beginning of 2008.

Group financial highlights

DKKm	H1 2019	H1 2018	FY 2018
Investment			
Investment return	29,596	4,089	(3,714)
Expenses	(477)	(438)	(953)
Tax on pension savings returns and corporate income tax	(4,286)	(472)	949
Investment activity results	**24,833**	**3,179**	**(3,718)**
Hedging activities			
Change in guaranteed pensions due to discount rate and maturity reduction[1]	(73,284)	(16,001)	(27,866)
Return on the hedging portfolio	87,668	18,505	32,932
Tax on pension savings returns	(13,413)	(2,831)	(5,039)
Result of hedging of guaranteed pensions	**971**	**(327)**	**27**
Change in guaranteed benefits due to yield curve break[2]	(2,091)	(1,431)	(3,106)
Hedging activity results	**(1,121)**	**(1,758)**	**(3,079)**
Investment and hedging activity results	**23,712**	**1,421**	**(6,797)**
Pension			
Contributions	4,960	4,899	9,871
Pension benefits	(8,549)	(8,409)	(16,878)
Change in guaranteed pensions due to contributions and payouts	4,223	4,479	8,505
Administration expenses	(93)	(100)	(197)
Other items	2	5	9
Pension activity results before life expectancy update	**543**	**874**	**1,310**
Business processing, external parties			
Income	1,255	1,269	2,458
Expenses	(1,252)	(1,268)	(2,450)
Corporate income tax	0	0	(1)
Business processing result, external parties	**2**	**1**	**7**
Result before life expectancy update	**24,257**	**2,296**	**(5,480)**
Life expectancy update	3,231	(20,025)	(20,025)
Bonus accrued	0	0	0
Net profit for the period	**27,489**	**(17,729)**	**(25,505)**
Guaranteed pensions	761,294	683,859	693,373
Bonus potential	119,513	99,919	92,086
Net assets	**880,807**	**783,778**	**785,459**

Return ratios	**H1 2019**	**H1 2018**	**FY 2018**
Investment return before expenses and tax relative to bonus potential, per cent	32.1	3.4	(3.2)
Investment return after expenses and tax relative to bonus potential, per cent	26.9	2.7	(3.2)
Risk-adjusted return	1.8	0.2	(0.1)
Result before updating life expectancy and bonus relative to guaranteed pensions	3.2	0.3	(0.8)

[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.

Report

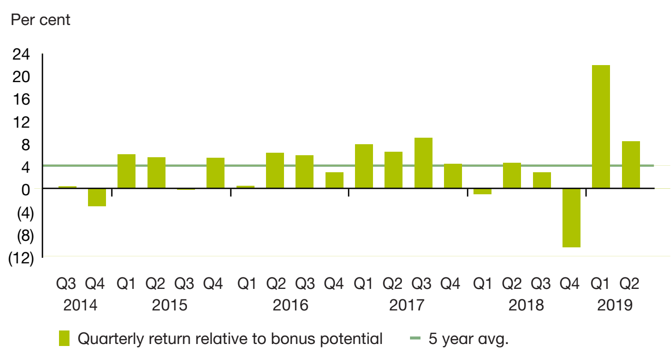
INTERIM SUMMARY

In many ways, H1 2019 was a good period for ATP. For one thing, ATP's members realised a return of just under DKK 25bn after expenses and tax after several years' of dedicated effort on pension and investment activities[1]. Secondly, the decision in March by the Danish Parliament that ATP is to manage a compulsory saving scheme for one million citizens on transfer income. We can also be pleased to know that four of our industry colleagues now join forces with ATP in contributing to responsible tax-related behaviour. And finally, a new CEO was appointed before the summer holiday season. ATP is therefore well prepared for the tasks awaiting us in the second half of the year, and in the future as a long-term investor.

PROFIT FOR THE PERIOD AND AGGREGATE ASSETS – HIGHLIGHTS

For H1 2019. the ATP Group avhieved a result of DKK 24.3bn before update of life expectancy. The result was driven by high returns on the investment portfolio. For H1, especially investments in government and mortgage bonds and in listed Danish and international equities provided large, positive return contributions, while investments in inflation-related instruments contributed negatively.

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

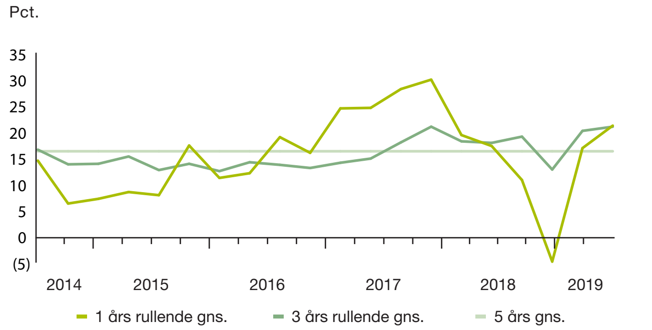


1 For an in-depth understanding of ATP' investment approach, risk profile and performance, please see ATP's annual report for 2018, for example pages 39-42.

In a well-diversified portfolio with a high degree of risk spreading, it should be expected that some types of investment will do better than others. During H1, nearly all assets classes have produced positive returns. This is exceptional and a development which ATP is keeping a close eye on.

Over the past 5 years, the investment portfolio has realised positive returns in 17 of 20 quarters. The scope of returns has fluctuated between quarters, but, as a long-term investor, ATP does not specifically focus on quarterly results.

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



Over the past five years, ATP has realised an average annual return of 16.4 per cent relative to the bonus potential.

Risk-adjusted return on the investment portfolio

The ability to create high returns relative to the risk taken, as expressed by the risk-adjusted return, has been 0.6 p.a. for the past five years.

Primarily motivated by a small drop in life expectancy in Denmark, ATP has adjusted its long-term life expectancy development prognosis. The adjustment results in a transfer of DKK 3.2bn from guaranteed benefits to the bonus potential. 65-year-old members are currently expected to live to an average of 87 years.

Following the life expectancy update in H1 2019, ATP achieved a positive result of DKK 27.5bn.

ATP's reserves – the bonus potential – stood at DKK 119.5bn at the end of H1 2019, and guaranteed pensions totalled DKK 761.3bn. Aggregate assets thus totalled DKK 880.8bn and the bonus rate was 15.7 per cent.

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 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 to always deliver on the guarantees 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.

The principal objective of the investment portfolio is to generate a return that will allow ATP to increase guaranteed pensions, thereby preserving their long-term real value, and to build reserves for unforeseen events such as financing increased life expectancy, such that pensions are secured for life.

The investment portfolio is based on a risk-based investment approach with a focus on risk rather than the amounts invested. This means, for example, that for the same risk, it is possible to acquire a larger stock of bonds than equities which are traditionally higher-risk assets. The investment portfolio, as a general rule, consists of funds from the bonus potential. Funds which as a result of the application of financial instruments are not tied up in the hedging portfolio are also available to the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with greater funds than the bonus potential, but inside the same risk budget. The market value of the investment portfolio at the end of H1 2019 was DKK 337.3bn, cf. note 7.

In H1, total Investment and Hedging activity resulted in a profit of DKK 23.7bn. The Supervisory Board's long-term performance target for all of 2019 is DKK 10.1bn.

Investment

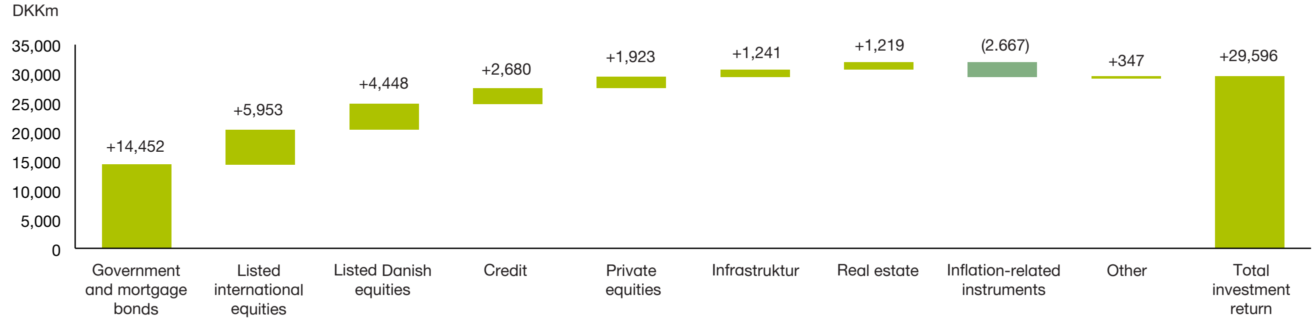
To maintain a robust and diversified investment portfolio with stable returns and the greatest possible independence from cyclical variations, investment portfolio decisions are informed by a strategy of risk diversification across four basic risk factors. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor', and 'Other factors'. The risk associated with each investment is allocated to the four factors based on the types of risk to which the investment is exposed.

The allocation of risk into risk factors enables uniform management of all investment activities and a comparison of returns and risks across asset classes. This provides the framework for the composition of our investments. In the returns report, ATP also refers to the traditional asset classes.

ATP's Supervisory Board determines a guideline for the long-term composition of the four risk factors of the investment portfolio. This guideline should be seen as a long-term 'anchor' for risk allocation.

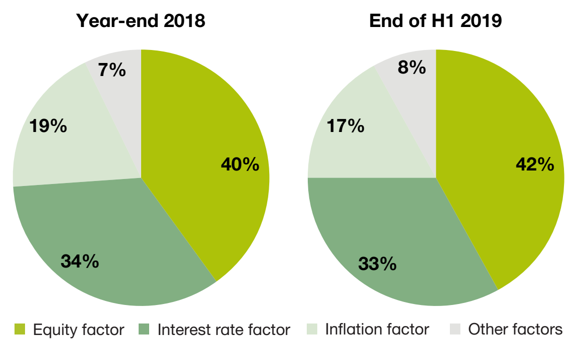
ATP's long-term guideline allocates greater risk to the two major factors 'Equity factor' (35 per cent) and 'Interest rate factor' (35 per cent), while the 'Inflation factor' and 'Other factors' are less significant (15 per cent each). The total risk is less than the sum of risk for the 4 risk factors, since there is a significant diversification gain. The actual portfolio allocation may deviate from the guideline at any one time due to market conditions and active investment decisions.

Composition of the investment return for H1 2019



There was a small increase in the relative risk allocation to ‘Equity factor’ and ‘Other factors’ in H1, while relative risk allocation to ‘Interest rate factor’ and ‘Inflation factor’ was marginally reduced. At the end of H1, risk in the ‘Equity factor’ was especially higher than the long-term guideline, but the risk in ‘Other factors’ especially was below the guideline. The higher risk allocation to ‘Equity factor’ was primarily due to the fact that the illiquid element of the investment portfolio includes investments with a higher content of ‘Equity factor’ than the guideline. The lower risk related to ‘Other factors’ is due to the fact that the portfolio of alternative risk premium strategies included in ‘Other factors’ is under development.

Risk allocation in the investment portfolio



Investment activity results

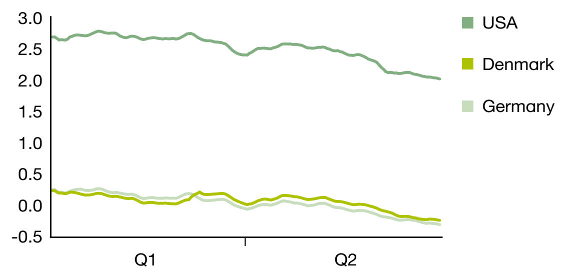
In H1, the investment portfolio generated a return before tax and expenses of DKK 29.6bn, equivalent to a rate of return of 32.1 per cent relative to the bonus potential at the beginning of the year.

In H1, ATP’s investment activity results after expenses and tax totalled DKK 24.8bn.

In a well-diversified portfolio with a high degree of risk diversification, some investment types will outperform others. During H1, government and mortgage bonds in particular, plus listed Danish and international equities provided large, positive return contributions, while investments in inflation-related instruments contributed negatively.

Government and mortgage bonds realised a return of DKK 14.5bn. Mortgage bonds, which have only included Danish mortgage bonds, returned DKK 1.9bn. The government bond portfolio, which included exposure to European and American government bonds, returned DKK 12.6bn, primarily as a result of positive contributions from European and American government bonds as a result of falling European and American interest rates.

Yield development for 10-year government bonds in H1 2019



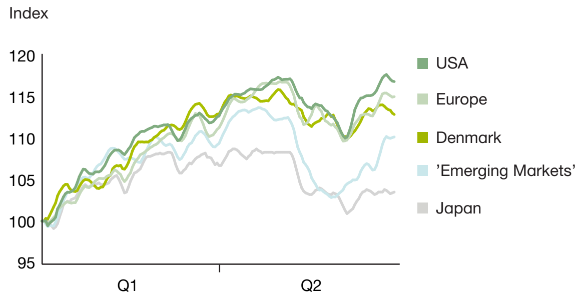
Note: Calculated as a five-day rolling average.

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a return of DKK 12.3bn.

Listed Danish equities produced a return of DKK 4.4bn. Holdings in Ørsted A/S and DSV A/S were especially positive contributors to returns, while holdings in Danske Bank A/S and Bang & Olufsen A/S were the main detractors.

Listed international equities produced a return of DKK 6.0bn. Listed American equities produced the largest positive contribution, but listed equities in other economies also realised positive contributions.

Equity-price developments in H1 2019



Note: Calculated as a five-day rolling average

The portfolio of *private equity* consists mainly of ATP Private Equity Partners, investing mainly in private equity funds and companies abroad. Also included, to a lesser extent, are venture investments. The portfolio of private equities recorded a return of DKK 1.9bn.

Investments in *credit* realised a return of DKK 2.7bn. These investments consist of bonds issued by companies with low credit ratings or by emerging markets, and of financial instruments and loans to credit institutions and funds. Bonds issued by companies with low credit ratings or by emerging markets and financial instruments achieved a return of DKK 2.1bn. Lending to credit banks and funds, which invest in bank loans and company loans, realised a return of DKK 0.5bn.

Real estate investments generated a return of DKK 1.2bn. These investments are made through direct ownership of real estate, via joint ventures, or indirectly through investments in unlisted real estate funds. Direct as well as indirect investments are made both in Denmark and abroad. Direct property investments posted a return of DKK 0.8bn, of which direct return (corrected for value adjustments) accounted for DKK 0.7bn. Indirect property investments recorded a return of DKK 0.5bn, of which direct return (corrected for value adjustments) accounted for DKK 0.2bn.

The portfolio of *infrastructure investments* generated a return of DKK 1.2bn. It includes forestry investments in North America and Australia as well as investments in renewable energy. The return was achieved broadly across the portfolio.

Inflation-related instruments, consisting of raw materials-related financial contracts, index-linked bonds, inflation swaps, and long-term insurance strategies against rising inflation realised a total negative return of DKK 2.7bn. Investments in raw materials-related financial contracts returned DKK 1.8bn. The positive return primarily came from investments in oil-related financial contracts, but investments in industrial metals and gold also contributed positively. Inflation swaps realised a negative return of DKK 1.0bn, primarily due to lower inflation expectations in Europe. The portfolio of long-term hedging strategies against inflation increases consists of swap options. The portfolio realised a negative return of DKK 3.4bn. This is due to European swap interest rates with long residual terms being lower at the end of the H1 period than at the beginning of the year, and due to decreasing volatility in interest rates with long residual terms in Europe during H1.

Other items produced a 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.

Hedging of guarantees

The objective of hedging is to safeguard the guaranteed return and ensure ATP's ability to always deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates at the same pace and extent as the guaranteed pensions when interest rates change.

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 interest of 3 per cent which is also the fixed rate of interest used for discounting pension liabilities beyond 40 years.

Hedging portfolio interest rate swaps do not tie up liquidity to the same extent that bonds do. Funds not tied up in the hedging portfolio can be allocated to loans for investing in the investment portfolio. A market rate is paid to hedging activities on the funds borrowed by the investment portfolio.

The investment portfolio risk is, however, always subject to a fixed, defined risk budget.

Hedging activity results

Overall, hedging activity results were negative by DKK 1.1bn.

Hedging activity results for H1 2019

DKKm	
Change in guaranteed pensions due to change to statement interest[1]	-70,335
Change in guaranteed pensions due to maturity reduction	-2,949
Change in guaranteed pensions[1]	**-73,284**
Return on the hedging portfolio	87,668
Tax on pension savings returns	-13,413
Return on hedging portfolio after tax[1]	**74,255**
Result of hedging of guaranteed pensions	**971**
Change in guaranteed pensions due to yield curve break[2]	-2,091
Hedging activity results	**-1,121**

[1] Before effect of yield curve break

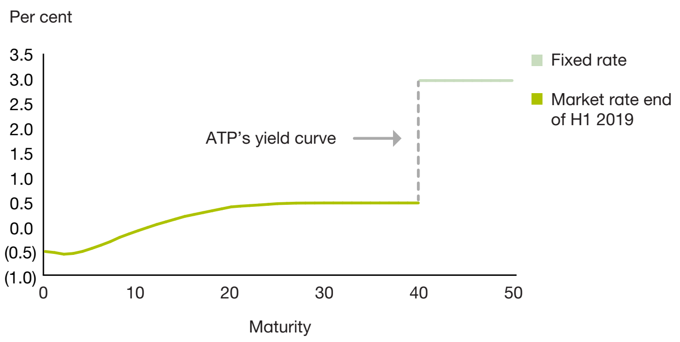
[2] 'Yield curve break' is the point on the yield curve at 40 years where the guaranteed pensions shift from being discounted by a fixed rate to being discounted by a market rate.

Guaranteed pensions reflect the value of ATP's lifelong pension commitments to members. The value of guaranteed pensions increased by DKK 70.3bn as a result of the decline in interest rates in H1. It increased by a further DKK 2.9bn as the pensions guaranteed to members at the beginning of the year had moved half a year closer to payout. The value of the guaranteed pensions thus increased by DKK 73.3bn in H1 before the effect of the yield curve break. Similarly, the hedging portfolio generated a positive return of DKK 87.7bn. Tax on pension savings returns amounted to DKK 13.4bn, and the hedging portfolio thus produced an after-tax return of DKK 74.3bn.

Hedging protects guaranteed pensions

The overall negative hedging activity results of DKK 1.1bn in H1 were, in consequence, due to the break in the yield curve around the 40-year mark, as the market rate was significantly below 3 per cent during H1.

ATP yield curve at year-end



The break in the yield curve at 40 years means that guarantees which change during the year from being valued at a fixed interest rate of 3 per cent to a market rate, will result in a hedging loss or gain, 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 2.1bn. The loss means that funds are transferred from the bonus potential to the guaranteed pensions, but without this affecting ATP's aggregate assets. In case of unchanged market interest rates, the break in the yield curve at 40 years will also result in future hedging activity losses. The losses will, however, decrease, as over time ATP will have fewer guarantees with a 40 year maturity.

PENSION

ATP's members accrue guaranteed lifelong pension rights by contributing to the scheme. There is a clear link between the contributions paid and the pension rights accrued by the individual member.

Pension activity result

Pension activity result before the life expectancy update realised a profit of DKK 0.5bn in H1, driven primarily by the share of contribution payments transferred to the bonus potential.

Pension activity results for H1 2019

DKKm	
Contributions	4,960
Pension benefits	-8,549
Change in guaranteed pensions due to ATP contributions and pension benefits etc.	4,223
Expenses	-93
Other items	2
Pension activity results before life expectancy update	**543**
Life expectancy update	**3,231**

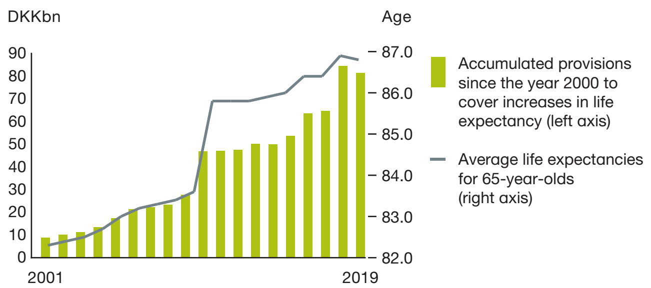
In H1, contribution payments totalled DKK 5.0bn. Contribution payments are divided into guarantee contributions and bonus contributions. The guarantee contribution, accounting for 80 per cent, is earmarked for the acquisition of a pension. The bonus contribution, accounting for 20 per cent, is allocated to the bonus potential to be used for potential future increases and extensions of pensions.

At the end of H1 2019, 1,048,000 pensioners were receiving ATP Livslang Pension (Lifelong Pension), and pension payouts totalled DKK 8.5bn. Payments have increased in comparison with the same period of last year. This is primarily a result of an increase in the number of pensioners.

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

This year's life expectancy update resulted in a transfer from the guaranteed pensions to the bonus potential of DKK 3.2bn, equivalent to 0.4 per cent of the value of the guaranteed pensions. The transfer reflects a small decrease in observed life expectancy in Denmark over the past year. In 2019, a life expectancy decrease for 65-year-old ATP members of 1.5 months has been observed for both women and men.

Additional provisions due to increases in life expectancy



Continued reassuring determination of pension liabilities

The ATP yield curve for valuing pension liabilities results in higher guaranteed pensions than the yield curve published by European Insurance and Occupational Pensions Authority (EIOPA). Had ATP used the EIOPA's yield curve, the guaranteed pensions at the end of H1 would have been DKK 48.0bn lower than the current level of DKK 761.3bn. The bonus potential would have been correspondingly higher.

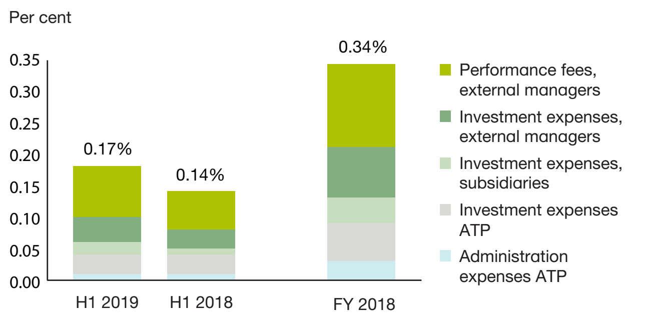
ATP's life expectancy model projects higher increases in life expectancy than those envisaged by the Danish Financial Supervisory Authority's (FSA) model[2]. Had ATP used the Danish FSA's life expectancy model, the guaranteed pensions at the end of H1 would have been DKK 4.7bn lower than the current level. The bonus potential would have been correspondingly higher.

Overall, the guaranteed pensions would have been DKK 53.1bn lower and the bonus potential would have been correspondingly higher if the Danish FSA's life expectancy model and EIOPA'S yield curve were both used.

Low expenses

Low expenses contribute to good pensions. In H1 2019, ATP's administration expenses totalled DKK 93m, equivalent to 0.01 per cent of net assets, or DKK 18 per member. This mirrors the level of the same period last year.

Total annual costs in per cent



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

ATP's overall direct and indirect investment expenses amounted to DKK 1,361m, equivalent to 0.15 per cent of the net assets managed by ATP in H1 2019, or DKK 262 per member. This is a small increase compared with the same period last year, and primarily due to fees for private equity investments, which have also contributed high returns in 2019.

BUSINESS PROCESSING, EXTERNAL PARTIES

Business processing results were DKK 2m.

In addition to the administration of ATP Livslang Pension (Lifelong Pension), the ATP Group performs administration 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 goals for efficient and competitive operations, and 2019 has also seen significant development activities as a result of new tasks being adopted in recent years, including the implementation and commission of new profession-related systems.

Administration activities incurred expenses of DKK 1,252m in H1, which were re-invoiced primarily on a cost-recovery basis.

EVENTS AFTER THE REPORTING DATE

From the reporting date and to the date of presenting this interim report, no events have occurred that would materially affect the assessment of the interim report.

OUTLOOK FOR 2019

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

Based on an ambition of preserving the long-term purchasing power of pensions as best as possible, the Supervisory Board has set a long-term performance objective for investment and hedging activities after tax and expenses. The objective is determined as 11 per cent relative to the bonus potential at the beginning of the year, which for 2019 equals DKK 10.1bn. The target is an absolute objective which must

2 See Note 5 on page 27 for a comparison with the Danish Financial Supervisory Authority model.

be realised in the longer term, but which is not necessarily realised every year. The objective is based on the principles of members' interests must be a central consideration, that it is the aim to secure the purchasing power of life-long pensions in the long term, and that the objective is an ambitious one. It 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 result from investment and hedging activities (seen in isolation for H1) of DKK 23.7bn, more than satisfies the objective for the year.

For further information on the interim report for H1, please visit www.atp.dk/en.

Hillerød, 27 August 2019

Torben M. Andersen	Bo Foged
Chairman of the supervisory Board	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 2019. The interim report 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 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension – available in Danish only).

The accounting policies applied in this interim report are consistent with those applied in the annual report for 2018. 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 of 30 June 2019 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 2019. In our opinion, the management's review also provides a true and fair description of the matters covered by the review.

Copenhagen, 27 August 2019

Executive Board:

Bo Foged
Chief Executive Officer

Board of Directors:

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
Lars Sandahl Sørensen 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	Peter Rahbæk Juel Member of the Supervisory Board	Lars Qvistgaard Member of the Supervisory Board	Jan Walther Andersen Member of the Supervisory Board

The ATP Group – Income statement

DKKm	H1 2019	H1 2018	Q2 2019	Q2 2018
Investment				
Income from associates and joint ventures	860	1,045	557	825
Income from investment properties	496	527	235	266
Interest income and dividends etc. related to investment activities	3,060	2,990	1,375	1,436
Consulting fees and fee income	663	606	344	338
Market value adjustments related to investment activities	25,860	307	7,821	2,950
Interest expenses related to investment activities	(1,344)	(1,386)	(701)	(594)
Investment activity expenses	(477)	(438)	(239)	(225)
Tax on pension savings returns in respect of investment activities	(4,270)	(472)	(1,338)	(684)
Corporate income tax	(16)	0	(11)	(11)
Investment activity results	**24,833**	**3,179**	**8,043**	**4,301**
Hedging activities				
Interest income related to hedging activities	7,689	7,434	3,797	3,539
Market value adjustments related to hedging activities	80,090	11,276	39,964	11,600
Interest expenses related to hedging activities	(111)	(205)	(39)	(68)
Tax on pension savings returns in respect of hedging activities	(13,413)	(2,831)	(6,689)	(2,305)
Change in guaranteed benefits due to change in discount rate	(72,426)	(13,429)	(36,876)	(11,518)
Change in guaranteed benefits due to maturity reduction	(2,949)	(4,003)	(1,316)	(1,972)
Hedging activity results	**(1,121)**	**(1,758)**	**(1,161)**	**(Z24)**
Investment and hedging activity results	**23,712**	**1,421**	**6,882**	**3,577**
Pension				
Contributions	4,960	4,899	2,504	2,483
Benefit payouts	(8,549)	(8,409)	(4,224)	(4,200)
Change in guaranteed benefits due to contributions and pension benefits	4,223	4,479	2,041	2,290
Interest income related to pension activities	5	7	2	4
Interest expenses related to pension activities	(2)	(1)	(1)	(1)
Pension activity expenses	(93)	(100)	(46)	(56)
Tax on pension savings returns in respect of pension activities	(1)	(1)	(1)	(1)
Pension activity results before change in life expectancy	**543**	**874**	**275**	**519**
Change in guaranteed benefits due to life expectancy update	3,231	(20,025)	3,231	(20,025)
Pension activity result	**3,775**	**(19,151)**	**3,506**	**(19,506)**
Administration				
Other income	1,255	1,269	650	667
Other expenses	(1,252)	(1,268)	(674)	(680)
Income tax in respect of administration activities	0	0	0	0
Administration activity result	**2**	**1**	**(24)**	**(13)**
Result before bonus	**27,489**	**(17,729)**	**10,364**	**(15,942)**
Bonus addition for the period	0	0	0	0
Net profit for the period	**27,489**	**(17,729)**	**10,364**	**(15,942)**

The ATP Group – Statement of comprehensive income

DKKm	H1 2019	H1 2018	Q2 2019	Q2 2018
Net profit for the period	**27,489**	**(17,729)**	**10,364**	**(15,942)**
Items that may not be reclassified to the result:				
Revaluation of owner-occupied properties	0	3	0	2
Total	**0**	**3**	**0**	**2**
Other comprehensive income	0	3	0	2
Comprehensive income for the period	**27,489**	**(17,726)**	**10,364**	**(15,940)**
Minority interests' share of comprehensive income for the period	62	50	38	23
The ATP Group's share of comprehensive income for the period	27,427	(17,776)	10,326	(15,963)
Allocated comprehensive income	**27,489**	**(17,726)**	**10,364**	**(15,940)**

The ATP Group – Statement of financial position

DKKm	H1 2019	FY 2018
ASSETS		
Cash and demand deposits	6,731	8,201
Bonds	607,520	563,457
Equity investments	136,684	125,907
Financial derivatives	139,161	76,537
Loans	8,160	7,666
Investments in associates and joint ventures	46,990	44,040
Intangible assets	1,115	1,055
Investment properties	23,535	22,950
Owner-occupied properties	866	860
Operating equipment	14	18
Tax receivable on pension savings returns and income tax	172	172
Deferred tax on pension savings returns and income tax	0	-
Interest receivable	6,856	3,185
Contributions receivable	2,618	2,647
Receivables from credit institutions	33,055	37,994
Other receivables and other loans	11,629	13,383
Other prepayments	952	970
Total assets	**1,026,056**	**909,042**
EQUITY AND LIABILITIES		
Financial derivatives	80,666	62,249
Tax payable on pension savings returns and income tax payable	17,721	4,241
Deferred tax on pension savings returns and income tax	230	224
Payables to credit institutions	29,999	47,907
Other payables	16,090	8,479
Total payables	**144,706**	**123,100**
Guaranteed benefits	761,294	693,373
Bonus potential	119,513	92,086
Total pension provisions	**880,807**	**785,459**
Minority interests	542	483
Total liabilities	**1,026,056**	**909,042**

The ATP Group – Cash flow statement, summary

DKKm	H1 2019	H1 2018
Cash flows from operating activities		
Cash flows from pension activities	(3,169)	(3,192)
Cash flows from investment and hedging activities	6,255	7,603
Cash flows from administration activities	(59)	(66)
Income tax paid and tax paid on pension savings returns	(4,210)	(2,814)
Total	**(1,183)**	**1,531**
Net cash flow from investment activities		
Purchase and sale of investment assets	(188)	(5,610)
Intangible assets, property, plant and equipment and owner-occupied properties	(54)	(67)
Total	**(242)**	**(5,677)**
Cash flow from financing activities		
Loan, capital increase and dividend from/to minority shareholders	(4)	47
Total	**(4)**	**47**
Changes in cash and cash equivalents	**(1,429)**	**(4,099)**
Foreign currency translation adjustments	(41)	22
Cash and cash equivalents, beginning of period	8,201	8,492
Cash and cash equivalents, end of period	**6,731**	**4,415**

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 2019 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with additional Danish disclosure requirements as set out in 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme'(Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension).

Other than the following regarding IFRS 16 and futures, the accounting policies applied remain unchanged relative to the 2018 annual report. 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 2018.

Changes in accounting policies
Effective from 1 January 2019, the ATP Group and ATP have implemented the following new or revised standards and interpretations:

- IFRS 16, Leasing
- IFRIC 23, Uncertainty over Income Tax Treatments
- Amended IFRS 9, Prepayment with negative compensation
- Amended IAS 28, Long-term Investments in Associates and Joint Ventures
- Amended IAS 19, Remeasuring of pension scheme/plan
- Annual improvements to IFRSs 2015-2017 Cycle

IFRS 16, Leasing
The implementation of IFRS 16 has not significantly affected the interim report for the ATP Group and ATP. A consequence of IFRS 16 is that operational and financial leasing are no longer considered separately, meaning that virtually all leasing agreements are to be included in the statement of financial position of the lessee's financial statements.

The ATP Group and ATP have only concluded operational leasing agreements with ATP as the lessee to a very small extent. As of 1 January 2019, the ATP Group's and ATP's statement of financial position increased by DKK 40m under Fixed Assets and Other Payables respectively.

The ATP Group and ATP have applied the modified retrospective transition method, under which comparison figures are not adjusted, but are presented in accordance with the regulations of IAS 17 and IFRIC 4 respectively, and where any effect of the implementation is included in the bonus potential under result brought forward as of 1 January 2019. In addition, the ATP Group and ATP have applied the following available relaxations to the implementation of IFRS 16:

- The ATP Group and ATP have not reassessed whether a contract concluded prior to 1 January 2019 includes a leasing agreement for which the assessment as to whether the contract includes a leasing agreement in accordance with previous accounting policies was performed in accordance with IAS 17 and IFRIC 4.
- Leasing agreements with a remaining duration as of 1 January 2019 of less than 12 months have not been included.
- Direct expenses related to the conclusion of leasing agreements prior to 1 January 2019 have not been included in the leasing asset.
- Leasing assets related to low-value assets are not included.
- The discount rate is stated in total for all leasing agreements.

All standards and interpretations, with the exception of IFRS 16, have been implemented without impacting the interim report of the ATP Group and ATP.

Amended accounting policies for listed futures
Until 1 January 2019, listed futures for which the margin is calculated on a daily basis were measured as the sum of paid or received margin payments. The value of paid and received marginal settlements was included under the accounts item "Financial derivatives" and with a contra entry under "Other receivables" or "Other payables". As of 1 January 2019, management has decided to change the policy such that listed futures shall be considered to be settled on a daily basis, meaning that the market value is included as DKK 0. Result and bonus potential will not be affected by the change. Comparison figures for 2018 have been adjusted, the result of which is that the ATP Group's and ATP'S equity and liabilities have been reduced by DKKm 4,229 as of 31 December 2018.

The interim report 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.
Notes 5-7 are presented only for the ATP parent company.

The ATP Group – Note 2: Contingent liabilities

DKKm	H1 2019	FY 2018
Investment and loan commitments		
Investment commitments, equity investments	19,363	15,086
Investment commitments, property fund	396	698
Investment commitments, Danish properties	56	99
Investment commitments, infrastructure	6,257	5,586
Investment commitments, credit funds	4,975	5,794
Loan commitments, businesses	17,876	19,578
Loan commitments, credit funds	9,074	14,357
Other contingent liabilities		
Rental/leasing liabilities and contractual liabilities related to the acquisition of intangible assets	603	562
Potential deferred tax related to property[1]	253	238
Other contingent liabilities[2]	1,071	1,294

[1] 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 2019, ATP Ejendomme A/S met the conditions for tax exemption.

[2] Other contingent liabilities comprise mainly contingent liabilities relating to ATP having issued “Letters of credit” to businesses.

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.

The ATP Group – Note 3: Pension provisions

DKKm	H1 2019	H1 2018
Guaranteed benefits		
Fair value, beginning of period	693,373	650,881
Change in provisions for the period:		
Contributions	4,960	4,899
– of which transferred to bonus potential	992	-980
Pension benefits	(8,549)	(8,409)
Change due to life expectancy update	(3,231)	20,025
Change due to change in discount rate	72,426	13,429
Change due to maturity reduction	2,949	4,003
Bonus addition for the period	-	-
Other changes	358	11
Total change in provisions for the period	**67,921**	**32,978**
Fair value, end of period	**761,294**	**683,859**
Bonus potential		
Bonus potential:		
Balance, beginning of period	92,054	117,641
Changes during the period	27,427	(17,779)
Balance, end of period	**119,481**	**99,862**
Revaluation reserve:		
Balance, beginning of period	32	54
Changes during the period	0	3
Balance, end of period	**32**	**57**
Total bonus potential	**119,513**	**99,919**
Total pension provisions	**880,807**	**783,778**

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 30/06/2019	Fair value 31/12/2018	Fair value hierarchy	Valuation method used	Applied observable/unobservable inputs	Fair value sensitivity to changes in unobservable inputs
Group	DKKm	DKKm				
Bonds, listed	590,045	544,587	1	Closing rates of relevant stock exchange	-	-
Bonds, observable inputs	3,864	8,167	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yield curves, spreads.	-
Bonds, unobservable inputs	13,611	10,703	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 curve	If investment-specific credit spread premiums increase by 1 percentage point, the fair value is altered by DKK (376)m.
Equity investments, listed	76,903	70,005	1	Closing rates of relevant stock exchange	-	-
Equity investments, unlisted	3,419	3,473	2	Purchase price for recent transactions	-	-
Equity investments, unlisted	54,208	47,812	3	Reported fair value.[1]	-	-
Equity investments, unlisted	0	1,905	3	Discounting of expected future cash flows to net present value	Applied discount factor	-
Equity investments, unlisted	2,154	2,712	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are reduced by (10) per cent, the fair value is altered by DKK (320)m.
Financial derivatives, listed (net)	1,049	2,698	1	Closing rates of relevant stock exchange	-	-
Financial derivatives, unlisted (net)	57,446	11,590	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.[2]	Yield curves, spreads.	-
Loans	8,160	7,666	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 is altered by DKK (120)m.
Investments in associates	0	1,633	2	Purchase price for recent transactions	-	-
Investments in associates	29,799	25,566	3	Reported fair value.[1]	-	-
Investments in associates	381	384	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 altered by DKK (20)m.
Investments in associates	16,208	15,866	3	Discounting of expected future cash flows to net present value	Applied discount factor	If the discount factor changes +/- 0.5 per cent, the fair value will change by DKK (1,325)m/1,330m.
Investments in associates	602	591	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are reduced by (10) per cent, the fair value is altered by DKK (83)m.
Investment properties	23,535	22,950	3	Return-based model.	Return requirement – 4.3 per cent to 8.5 per cent (avg. 5.0 per cent)	If the average return requirement of 5.0 per cent is increased by 0.25 per cent (25 bp.), the fair value of the Group's investment properties changes by DKK (1,043)m.
Receivables from and payables to credit institutions (net)	3,056	37,994	2	Discounting to net present value using relevant yield curve.[2]	Yield curves.	-

[1] 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.

[2]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 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 may 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.

H1 2019

DKKm	Quoted prices	Observable inputs	Non-observable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Bonds	590,045	3,864	13,611	607,520
Equity investments	76,903	3,419	56,362	136,684
Financial derivatives	1,368	137,793	0	139,161
Loans	0	0	8,160	8,160
Investments in associates	0	0	46,990	46,990
Investment properties	0	0	23,535	23,535
Receivables from credit institutions	0	33,055	0	33,055
Total	**668,316**	**178,131**	**148,658**	**995.105**
Liabilities				
Financial derivatives	319	80,347	0	80,666
Payables to credit institutions	0	29,999	0	29,999
Total	**319**	**110,346**	**0**	**110,665**

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 of 01/01/2019	The period's realised/unrealised gains or losses, recognised in the result	Purchase	Sale	Reclassifications	Transfer into/out of level 3	Statement of financial position as of 30/06/2019	Losses/gains on assets held
Bonds	10,703	306	3,510	(908)	0	0	13,611	106
Equity investments	52,429	3,537	11,944	(10,016)	(1,532)	0	56,362	2,919
Loans	7,666	270	7,204	(6,980)	0	0	8,160	151
Investments in associates	42,407	932	1,086	(600)	1,532	1,633	46,990	930
Investment properties	22,950	119	575	(109)	0	0	23,535	118
Total	**136,155**	**5,164**	**24,319**	**(18,613)**	**0**	**1,633**	**148,658**	**4,224**

Transfer into level 3 in 2019 consists of equity investments in associates which were at the end of 2018 valued at "purchase price for recent transactions" (level 2), and which in 2019 will be valued using a valuation method using unobservable inputs.

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

31/12/2018

DKKm	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Bonds	544,587	8,167	10,703	563,457
Equity investments	70,005	3,473	52,429	125,907
Financial derivatives	3,110	71,203	0	74,313
Loans	0	0	7,666	7,666
Investments in associates and joint ventures	0	1,633	42,407	44,040
Investment properties	0	0	22,950	22,950
Receivables from credit institutions	0	37,994	0	37,994
Total	**617,702**	**122,470**	**136,155**	**876,327**
Liabilities				
Payables to credit institutions	0	47,907	0	47,907
Financial derivatives	632	59,613	0	60,245
Total	**632**	**107,520**	**0**	**108,152**

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 01/01/2018**	**Realised/unrealised gains or losses for the period, recognised**	**Purchase/ deposit**	**Sale/ allocation**	**Reclassifications**	**Transfer into/out of level 3**	**Statement of financial position as of 31/12/2018**	**Losses/ gains on assets held**
Bonds	8,687	240	5,887	(4,111)	0	0	10,703	83
Equity investments	46,834	7,822	16,153	(20,551)	(1,601)	3,772	52,429	7,782
Loans	8,662	549	13,951	15,496	0	0	7,666	204
Investments in associates and joint ventures	21,713	2,251	3,427	(3,284)	1,601	16,699	42,407	2,152
Investment properties	21,617	264	1,167	-98	0	0	22,950	264
Total	**107,513**	**11,126**	**40,585**	**(43,540)**	**0**	**20,471**	**136,155**	**10,485**

Transfer into level 3 in 2018 consists of equity investments and equity investments in associates which were at the end of 2017 valued at "purchase price for recent transactions" (level 2), and which in 2018 will be valued using a valuation method 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'.

ATP – Income statement

DKKm	H1 2019	H1 2018	Q2 2019	Q2 2018
Investment				
Income from subsidiaries	4,292	2,577	1,870	2,070
Income from associates and joint ventures	628	646	336	435
Income from investment properties	13	12	7	7
Interest income and dividends etc. related to investment activities	2,430	2,911	1,125	1,445
Consulting fees and fee income	578	524	290	283
Market value adjustments related to investment activities	22,668	(1,461)	6,524	1,431
Interest expenses related to investment activities	(1,345)	(1,384)	(701)	(596)
Investment activity expenses	(225)	(223)	(110)	(112)
Tax on pension savings returns in respect of investment activities	(4,270)	(473)	(1,338)	(685)
Investment activity results	**24,770**	**3,129**	**8,003**	**4,278**
Hedging activities				
Interest income related to hedging activities	7,689	7,434	3,797	3,539
Market value adjustments related to hedging activities	80,090	11,276	39,964	11,600
Interest expenses related to hedging activities	(111)	(205)	(39)	(68)
Tax on pension savings returns in respect of hedging activities	(13,413)	(2,831)	(6,689)	(2,305)
Change in guaranteed benefits due to change in discount rate	(72,426)	(13,429)	(36,876)	(11,518)
Change in guaranteed benefits due to maturity reduction	(2,949)	(4,003)	(1,316)	(1,972)
Hedging activity results	**(1,121)**	**(1,758)**	**(1,161)**	**(724)**
Investment and hedging activity results	**23,649**	**1,371**	**6,842**	**3,554**
Pension				
Contributions	4,960	4,899	2,504	2,483
Benefit payouts	(8,549)	(8,409)	(4,224)	(4,200)
Change in guaranteed benefits due to contributions and pension benefits	4,223	4,479	2,041	2,290
Interest income related to pension activities	5	7	2	4
Interest expenses related to pension activities	(2)	(1)	(1)	(1)
Pension activity expenses	(93)	(100)	(46)	(56)
Tax on pension savings returns in respect of pension activities	(1)	(1)	(1)	(1)
Pension activity results before change in life expectancy	**543**	**874**	**275**	**519**
Change in guaranteed benefits due to change in life expectancy	3,231	(20,025)	3,231	(20,025)
Pension activity result	**3,775**	**(19,151)**	**3,507**	**(19,506)**
Administration				
Other income	1,264	1,277	654	671
Other expenses	(1,261)	(1,276)	(677)	(684)
Administration activity result	**3**	**1**	**(23)**	**(13)**
Result before bonus	**27,427**	**(17,779)**	**10,326**	**(15,965)**
Bonus addition for the period	0	0	0	0
Net profit for the period	**27,427**	**(17,779)**	**10,326**	**(15,965)**
Danish FSA ratios (per cent)				
Return before tax on pension savings returns – N1	14.9	2.9	6.3	2.6
Return after tax on pension savings returns	12.6	2.5	5.4	2.2
Members (number in thousands)	**5,217**	**5,142**	**5,217**	**5,142**
Expenses				
Pension activity expenses per member (DKK)	18	20	9	11
Investment activity expenses per member (DKK)	43	43	21	21

ATP – Statement of comprehensive income

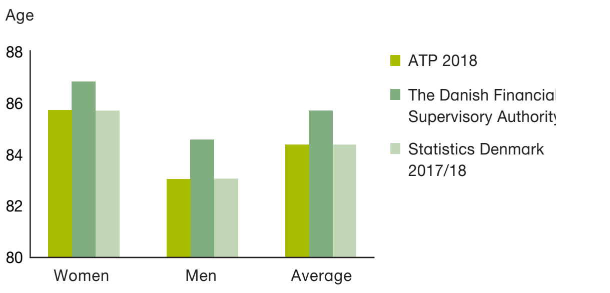
DKKm	H1 2019	H1 2018	Q2 2019	Q2 2018
Net profit for the period	**27,427**	**(17,779)**	**10,326**	**(15,965)**
Items that may not be reclassified to the result:				
Revaluation of owner-occupied properties	0	3	0	2
Total	**0**	**3**	**0**	**2**
Other comprehensive income	**0**	**3**	**0**	**2**
Comprehensive income for the period	**27,427**	**(17.776)**	**10,326**	**(15,963)**

ATP – Statement of financial position

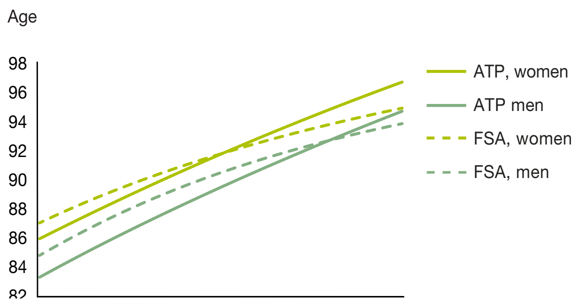
DKKm	H1 2019	FY 2018
ASSETS		
Cash and demand deposits	4,407	5,835
Bonds	597,381	554,705
Equity investments	99,499	91,174
Financial derivatives	138,848	74,282
Loans	4,587	5,438
Loans to subsidiaries	3,370	3,250
Receivables from subsidiaries	2	6
Investments in subsidiaries	80,148	74,023
Investments in associates and joint ventures	39,375	36,429
Intangible assets	1,070	1,008
Owner-occupied properties	816	809
Operating equipment	9	11
Interest receivable	6,720	3,027
Contributions receivable	2,618	2,647
Receivables from credit institutions	33,055	37,797
Tax receivable on pension savings returns and income tax	172	172
Other receivables	11,382	10,929
Other prepayments	909	965
Total assets	**1,024,368**	**902,507**
EQUITY AND LIABILITIES		
Financial derivatives	80,875	59,651
Tax payable on pension savings returns	17,717	4,234
Payables to credit institutions	29,842	47,887
Other payables	15,127	5,276
Total payables	**143,561**	**117,048**
Guaranteed benefits	761,294	693,373
Bonus potential	119,513	92,086
Total pension provisions	**880,807**	**785,459**
Total liabilities	**1,024,368**	**902,507**

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 FSA benchmark.

The Danish Financial Supervisory Authority's (FSA) 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.

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 2.8 million clients. The observed current life expectancy applied by ATP is based on data relating to ATP's approximately 5 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 20 years. ATP's model for expected future increases in life expectancy is based on comparable data for the period 1970-2014 from 18 OECD countries. The model is based on data on ATP members and about approx. 330 million inhabitants of 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 particularly attributable to the current shorter life expectancy in Denmark relative to the average of the 18 OECD countries. ATP's model assumes that Danish life expectancy will eventually approximate the average of the 18 countries.

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 756.6bn at the end of H1, whereas it was DKK 761.3bn using ATP's life expectancy model. In other words, ATP's bonus potential would have been DKK 4.7bn 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 2019	H1 2018	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Value creation from guarantees (after tax)	1.7	1.8	3.5	3.7	3.7	3.8	3.9
Value creation from bonus potential (after tax)	25.3	1.1	(7.0)	22.5	7.3	10.9	3.6
Total value creation (after tax)	**5.7**	**1.6**	**1.5**	**7.3**	**4.4**	**5.2**	**3.8**

The financial statements reflect the annual results of ATP's business, including how profit for the year affects bonus potential. Hedging 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/resultater-rapporter/aars-og-kvartalsrapporter/atp-koncernen.

ATP – Note 7: Market value of ATP's investment portfolio

Market value of ATP's investment portfolio at end-H1 2019

DKKbn	Direct	Funds	Financial derivatives	Total
Listed Danish equities	31.8	0.0	0.0	31.8
Listed international equities	43.3	0.0	1.4	44.7
Private equities	6.4	23.5	0.1	30.0
Government and mortgage bonds	95.3	0.0	6.8	102.1
Credit	17.5	15.9	1.7	35.0
Infrastructure	32.1	11.1	0.2	43.4
Real estate	38.0	10.9	0.1	49.0
Inflation related	1.1	0.0	(10.4)	(9.3)
Other	10.6	0.0	0.0	10.6
Total market value	**276.1**	**61.3**	**(0.2)**	**337.3**

Note: The division of market values into the three columns "Direct", "Funds" and "Financial derivatives" shows how investments in 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.