

The ATP Group

Annual report 2019



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**= management
review**

Highlights

Result and expenses

DKK 40.7bn

investment return before tax and expenses

0.32 per cent

annual expenses (APR)

DKK 34.0bn

net result for the year

Ratios – returns and yield

39.7 per cent¹

investment return (before tax) from investment relative to bonus potential¹

8.2 per cent

average annual return for the past 20 years (N1)

3.4 per cent

yield on guarantees (avg.)

Net assets and pension benefits

DKK 886bn

ATP member assets

DKK 24,500

full annual ATP pension for a person aged 65½

DKK 16,400

average annual ATP pension for a person aged 65½

Accumulated result – 2015-2019

DKK 71.6bn

result before life expectancy update and pension increases

DKK (40.8)bn

life expectancy update and pension increases

DKK 30.7bn

result

¹ Definition: ATP Group investment return before tax (excluding minority interests) relative to bonus potential (avg.)
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 greater funds than the bonus potential. The market value at the end of 2019 was DKK 355bn. The market value of the investment portfolio also includes financial derivatives of which the market value will typically be low, zero or negative.

2019 was a good year for ATP

ATP created a historically good investment result in 2019. There were several reasons for this, some of which were: beneficial market conditions, several years' targeted work on portfolio construction and the ability and courage to engage in market risk. This has enabled ATP to strengthen the basis of a real value assurance of members' pensions. Over the coming years, in keeping with the market, we expect returns to be more moderate.

In December 2019 ATP was named best European pension company at the European pension industry awards ceremony, 'IPE Awards'. In addition, ATP won a further five awards for separate professional disciplines. This is not just a great result, but also a strong acknowledgement of the work and dedication demonstrated by ATP's staff every single day. I am proud of ATP. To me, the awards show that ATP is performing really well. Not just in a Danish but also in a European context – I am pleased by this, and I look forward to building on this in future years.

The long-term relevance of ATP has also been a management focus area in recent years. For this reason, the Danish Parliament's adoption of Mandatory Pension Savings in the spring and the subsequent appointment of ATP for the management task was good news for ATP in 2019. The same applies to the publishing of their benchmarking report by CEM in Canada. This once more confirmed that ATP has some of the lowest management and investment expenses in a global perspective. This does not change the fact, however, that ATP must still maintain strong focus on expenses, especially in the light of reduced future returns.

In 2019 targeted social responsibility work in ATP continued. As ATP is a significant component of society, we face justifiably high expectations, and we aim to create alignment between good returns and responsibility. As part of our social responsibility effort, we also constantly consider how we act as an organisation. In 2019 we placed several new investments with a sustainability focus. At the same

time we continuously seek out both national and international collaborations with a view to creating the strongest possible effects from our efforts in, for example, the taxation area. To begin with, we have joined forces with three other pension companies on a common tax code to counteract aggressive tax planning and encourage responsible tax behaviour. More parties have subsequently joined.

The ATP management business, handling tasks for the state, municipal and labour market parties, has, in addition to continuously working to simplify and improve the individual business units, focused especially on consolidating the many tasks, with which ATP has been entrusted in recent years. Among other things, we have continued the journey of realising the availability for competitive tendering of the IT systems of Udbetaling Danmark (Public benefits administration), and we expect to be able to conclude this programme in 2020.

2019 was a year of organisational changes in ATP. In June, I assumed the role of Chief Executive Officer after a period as acting CEO. In September, Martin Præstegaard assumed the position of Vice CEO and CFO. Chief Investment Officer Kasper Ahrndt Lorenzen went to PFA, and Mikkel Svenstrup will be our new Chief Investment Officer as of 1 March 2020.

ATP is subject to heavy demands when we try to safeguard the basic financial security of the Danish citizens via the responsible investment of holdings of almost DKK 900bn, at the same time as maintaining low costs. We strive to always live up to these expectations and the great responsibility to the best of our abilities.



Bo Foged
CEO (Chief Executive Officer)



Approximately 40 per cent of the nation's old age pensioners have no other pension income than their state pension and ATPs Lifelong Pension.

2019 in review

March

June

March

May



The Danish Parliament decides that ATP will administer the mandatory pension scheme.



ATP invests 0.7bn in the production of sustainable batteries.



ATP signs an agreement with Netcompany to develop a new case processing solution for Labour Market Insurance (AES).



ATP pledges DKK 1.65bn to a new fund that will invest in green energy in emerging markets.

June



ATP's Supervisory Board appoints Bo Foged as CEO and hires Martin Præstegaard as Deputy CEO and CFO.

August



ATP joins three other Danish pension companies in agreeing on a common tax code.

November



ATP hires a new Chief Investment Officer, Mikkel Svenstrup, effective as of March 2020.

December



ATP was named best European pension company 2019 at the IPE Awards.

Vision and values

OUR VISION

We are here to ensure basic financial security for all of Denmark – simply and efficiently.

We strive to always be a trusted and relevant enterprise for all Danes.

OUR VALUES



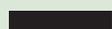
WE TAKE RESPONSIBILITY

ATP plays a special role in Denmark's pension and welfare system, and we are conscious of our responsibility. We prioritise integrity, as we know public trust is something we must earn every day.



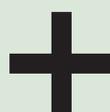
WE THINK INNOVATIVELY

We ensure basic financial security in Denmark by being at the forefront of changes in society. We take initiative and always strive to do better.



WE MAKE IT SIMPLE

Pensions and welfare are complex issues. But we have the expertise required to navigate these issues while focusing on costs and efficiency. We are therefore able to deliver high returns and simple solutions to the Danes.



WE SUCCEED TOGETHER

We are able to shoulder our task in society, because we do it together. Because we know that strong results come from targeted efforts, job satisfaction and collaboration across areas of expertise.

Five-year summary for the ATP Group

DKKm	2019	2018	2017	2016	2015
Investment					
Investment return	40,705	(3,714)	29,737	15,340	16,548
Expenses	(937)	(953)	(858)	(823)	(837)
Tax on pension savings returns and corporate income tax	(5,723)	949	(4,399)	(1,989)	(2,259)
Investment activity results	34,045	(3,718)	24,480	12,528	13,452
Hedging activities					
Change in guaranteed pensions due to interest and duration reduction ¹	(72,337)	(27,866)	10,032	(47,816)	7,628
Return on the hedging portfolio	86,710	32,932	(10,089)	56,371	(7,992)
Tax on pension savings returns	(13,267)	(5,039)	1,544	(8,625)	1,223
Result of hedging of guaranteed pensions¹	1,106	27	1,487	(70)	859
Change in guaranteed pensions due to yield curve break ²	(5,248)	(3,106)	(2,993)	(4,064)	(3,130)
Hedging activity results	(4,142)	(3,079)	(1,506)	(4,134)	(2,271)
Investment and hedging activity results	29,903	(6,797)	22,974	8,394	11,181
Pension					
Contributions	10,061	9,871	9,703	9,572	9,055
Pension benefits	(17,054)	(16,878)	(16,075)	(15,454)	(14,566)
Change in guaranteed pensions due to contributions and payouts	8,099	8,505	8,289	6,956	6,688
Administration expenses	(201)	(197)	(191)	(239)	(283)
Other items	7	9	8	8	155
Pension activity results before life expectancy update	912	1,310	1,734	843	1,049
Business processing, external parties					
Income	2,436	2,458	2,042	1,545	1,251
Expenses	(2,435)	(2,450)	(2,033)	(1,529)	(1,229)
Corporate income tax	0	(1)	0	(1)	(1)
Business processing result, external parties	1	7	9	15	21
Results before bonus allowances and life expectancy update	30,816	(5,480)	24,717	9,252	12,251
Life expectancy update	3,231	(20,025)	(1,006)	(9,901)	(3,723)
Bonus addition for the year	-	-	(6,406)	-	(3,017)
Net profit for the year	34,047	(25,505)	17,305	(649)	5,511
Guaranteed pensions	759,628	693,373	650,881	658,797	603,972
Bonus potential	125,980	92,086	117,695	100,454	101,242
Net assets	885,608	785,459	768,576	759,251	705,214
Per cent	2019	2018	2017	2016	2015
Expense ratios					
Administration expenses relative to net assets	0.02	0.03	0.02	0.03	0.04
Direct and indirect investment expenses relative to net assets	0.30	0.31	0.31	0.28	0.38
Total expenses relative to net assets (APR)	0.32	0.34	0.33	0.31	0.42
Bonus rate	16.6	13.3	18.1	15.2	16.8
Return ratios					
Return on investment before tax relative to the bonus potential (avg.)	39.7	(5.9)	28.4	15.2	16.4
Return on investment after tax relative to the bonus potential (avg.)	33.4	(4.7)	23.7	13.0	13.9
Result before updating life expectancy and bonus relative to guaranteed pensions	4.1	(0.8)	3.8	1.4	2.0

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.

Report

HIGHLIGHTS OF THE YEAR

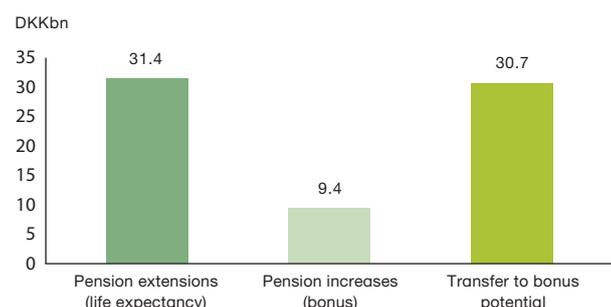
In 2019 the ATP Group realised a result of DKK 34.0bn, which was driven by high returns in the investment portfolio. In 2019 nearly all asset classes have produced positive returns. Particularly investments in government and mortgage bonds plus listed Danish and international equities provided large positive return contributions, while investments in inflation-related instruments contributed negatively.

In keeping with market expectations, ATP expects lower returns and greater fluctuations in the coming years.

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 target for investment and hedging activities after tax. For 2019 in isolation, the target was DKK 10.1bn, and in light of a result on investment and hedging of DKK 29.9bn, this result target was more than met, for which reason the result is considered to be very satisfactory. In order to maintain an appropriate margin for investment manoeuvre with the purpose of real value hedging of future pensions, particularly in the light of the strong increase in the value of guaranteed pensions, the Supervisory Board has decided not to increase pensions this year.

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 poten-

Application of the results of the previous 5 years



tial. 65½-year-old members are currently expected to live to an average of 87 years.

Following the life expectancy update, ATP achieved a positive result of DKK 34.0bn. Reserves – the bonus potential – stood at DKK 126.0bn at the end of 2019, and guaranteed pensions totalled DKK 759.6bn. Net assets thus totalled DKK 885.6bn.

In 2019 ATP has set aside a full DKK 19.0bn for pension savings returns and corporate taxes.

INVESTMENT AND HEDGING

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 guaranteed return and thus ensure ATP's ability to always deliver on the guarantees issued to members.

The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g., financing increased life expectancy, such that ATP secures pensions for the life duration, and to increase the guaranteed pensions, thereby safeguarding the real value for pensioners.

Hedging activities

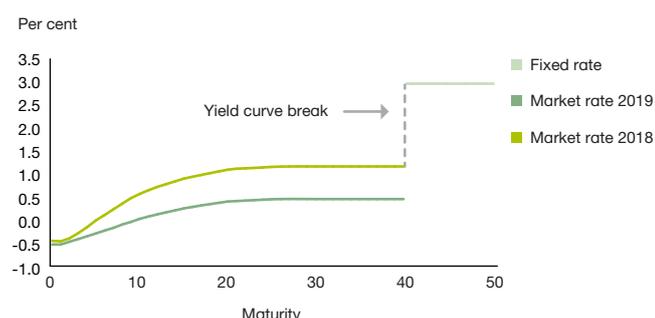
Hedging is planned to ensure that the market value of the hedging portfolio after tax can be expected to fluctuate in line with the guaranteed pensions when interest rates change. This objective was met once again this year.

The value of the guaranteed pensions increased considerably due to the decline in interest rates in Europe throughout 2019. The hedging portfolio is designed to protect pensions against such interest rate fluctuations, and the hedging strategy was thus also successful in 2019.

The result of hedging before yield curve break was DKK 1.1bn.

For guaranteed pensions up to 40 years into the future, hedging is effected at the same market rate as the one

ATP yield curve at year-end



used to value the guaranteed pensions. This means that hedging can be effective. Guarantees beyond 40 years are, in contrast, valued at a fixed interest rate of 3 per cent.

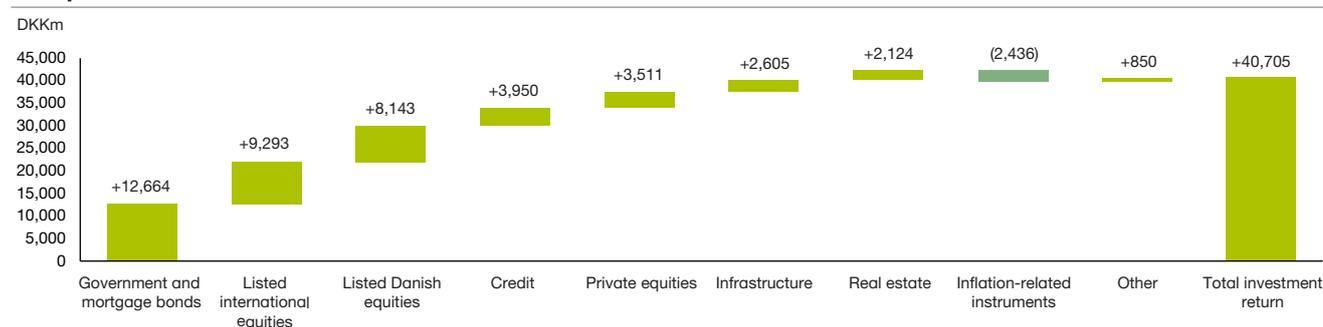
When guarantees change during the year from extending beyond 40 years to being below 40 years, pensions will change from being valued at a fixed rate of 3 per cent to a market rate. When the market rate is lower than the fixed rate of 3 per cent, a loss will be sustained, while a market rate higher than 3 per cent will generate a gain. This is referred to by ATP as a ‘yield curve break’.

In 2019 the market rate was below 3 per cent, resulting in a hedging loss of DKK 5.2bn. The loss results in a transfer of funds from guaranteed benefits to the bonus potential. Consequently, this does not affect ATP’s net assets.

All in all, hedging after yield curve break contributed a negative result of DKK 4.1bn, corresponding to 0.5 per cent of the guaranteed pensions.

Investment

Composition of investment return in 2019

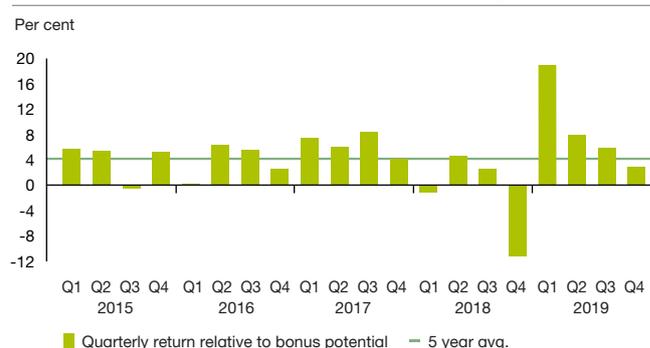


Investment results before expenses and tax was DKK 40.7bn, which is ATP’s highest ever annual returns for the investment portfolio. ATP’s return ratio relative to the bonus potential for the year was 39.7 per cent. The result after tax was DKK 34.0bn for 2019.

The largest positive return of DKK 12.7bn was achieved in portfolio of government and mortgage bonds, while investments in foreign and Danish listed equities provided returns of DKK 9.3bn and DKK 8.1bn, respectively. Credit, private equity, infrastructure and real estate also generated positive returns. On the other hand, inflation-related instruments, which includes long-term insurance against rising inflation, contributed a negative return of DKK 2.4bn.

ATP has realised high returns in recent years and expects to see more moderate returns in the future. Investment risk will still be taken inside the risk budget, and ATP expects to create satisfactory long-term results. In the past five years, an average annual return of 17.2 per cent has been achieved in the investment portfolio, and there have been positive returns in the investment portfolio in 17 out of the last 20 quarters. The investment portfolio follows a risk-based investing ap-

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

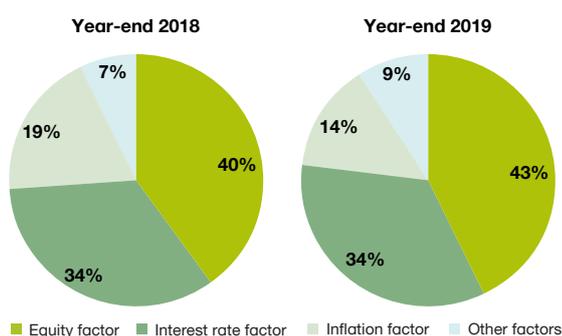


proach, the focus of which is on risk rather than on the amount of DKK invested.

In 2019 the risk-adjusted return¹ was 1.2, and seen across the last five years it was 0.7.

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 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'. In 2019 there was a small increase in the relative risk allocation to 'Equity factor' and 'Other factors', while relative risk allocation to 'Inflation factor' was reduced.

Risk allocation in the investment portfolio



PENSION

Pension activity results before the life expectancy update were a profit of DKK 0.9bn.

The total pension payments amounted to DKK 17.1bn. At the end of 2019 1,057,100 pensioners were receiving ATP Livslang Pension (ATP's Lifelong Pension), and around 40 per cent of the country's old age pensioners have no other pension income than their state pension and ATP.

ATP Livslang Pension is not, however, only relevant to those who have no other pension, but is very much also relevant to those who will run out of other pensions with time. Currently, around 40 per cent of all pension payments are allocated to fixed-term annuity pensions with a standard disbursement period of 10 years. Where this is compared with the fact that a 65½-year-old can expect to receive pension for 21 years on average, this underlines the importance of a Lifelong Pension product such as ATP Livslang Pension (ATP's Lifelong Pension). One in four of the new pensioners can even expect to live to be 95, and anyone lucky enough to live that long will be on a pension for 20 years after the expiry of a 10-year fixed-term annuity pension.

If they had paid contributions from the age of 18, the full ATP Livslang Pension (ATP's Lifelong Pension) in 2019 for people aged 65½ amounted to DKK 24,500. This is the equivalent of 32 per cent of the state pension's basic amount. In 2019 the annual average pension for 65½-year-olds amounted to DKK 16,400.

At pensionsinfo.dk, each ATP member can view the size of their expected ATP Livslang Pension (ATP's Lifelong Pension). The size of the expected pension is based in part on the guaranteed pensions already acquired and in part on the pensions expected to be acquired in the future. Already acquired pensions have been guaranteed for the individual member at the time of payment. This means that current guaranteed pensions are based on different assumptions. ATP's guarantees accrued interest of 3.4 per cent on average in 2019.

Contribution payments for the year totalled DKK 10.1bn. Contribution payments are divided into guarantee contributions and bonus contributions. The guarantee contribution, accounting for 80 per cent, is earmarked for the ac-

¹ Risk adjusted 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. As a general rule, ATP considers a risk-adjusted return of 0.5 or higher as good.

ATP's life expectancy model

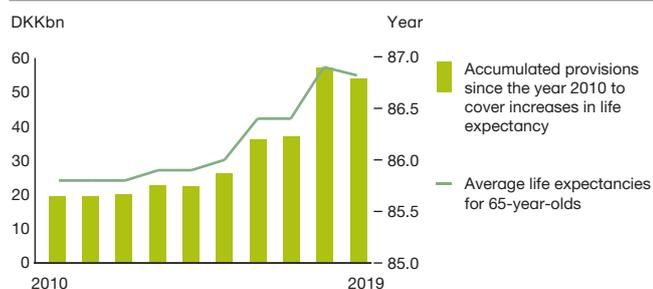
The ATP pension is lifelong and guaranteed. This makes the longevity of members important to ATP. The ATP life expectancy model is based on the assumption that the Danish life expectancy development follows the international development. The life expectancy model is updated once every year. It is currently expected that a girl born in 2019 will reach the age of 95, and a boy will reach the age of 92.

quisition of a pension. The bonus contribution is 20 per cent and is transferred to the bonus potential to be used, in part, to cover, for example, longer expected life expectancy and, in part, pension increases.

Since 2010 ATP has set aside DKK 54bn for longer expected life expectancy. This corresponds to a pension increase of approximately 11 per cent. Conversely, ATP has to a lesser degree increased pensions, which for the same period were DKK 15bn. Provisions for longer expected life expectancy have reduced ATP's bonus potential, but has not, in contrast with for example investment losses, reduced the overall members' net assets. Additional provisions as a result of longer life expectancy, on the other hand, reflect that ATP's members are expected to live longer, and provisions will therefore benefit ATP's members.

LOW EXPENSES

Additional provisions due to increases in life expectancy



Low expenses contribute to higher pensions, and ATP focuses on achieving the lowest possible expenses, whilst putting focus on the return potential associated with additional expenses paid.

Investment expenses

ATP focuses on investing in the most appropriate way, and factors such as risk-adjusted returns, cost efficiency, tax issues, corporate responsibility and ownership are considered.

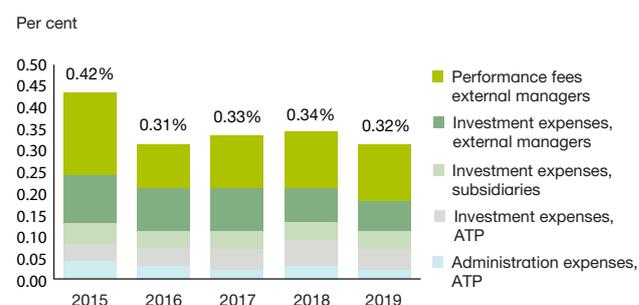
ATP's direct and indirect investment expenses amounted to DKK 2.6bn in 2019, equivalent to 0.30 per cent of the net assets managed by ATP at year-end. APR is 0.32 per cent including administration activity expenses. The investment expenses level increased, among other things, as a result of expenses related to increased diversification in the investment portfolio, and partly as the result of high returns and thereto related performance fees in the underlying private equity funds.

Administration expenses

In 2019 administration expenses for ATP were DKK 201m – the same level as 2018. Administration expenses correspond to 0.02 per cent relative to the net assets, which is low in both a Danish and an international context.

Administration expenses have been significantly reduced across several years, primarily due to ATP harvesting the benefits of stable IT support. Administration expenses are expected to increase marginally in the years to come, primarily as a result of, for instance, the implementation and operation of Mandatory Pension Scheme and participation in shared public digitalisation initiatives.

Total annual costs in per cent (APR)



The total APR has fallen in 2019 to 0.32 per cent, in spite of a slight increase in expenses. The reason is the increasing net assets to which expenses are related.

BUSINESS PROCESSING, EXTERNAL PARTIES

In addition to the administration of ATP Livslang Pension (ATP's Lifelong Pension), the ATP Group performs administration tasks on behalf of the social partners, the Danish government and local authorities. Tasks are placed with ATP on a cost-recovery basis, meaning without profit and expense risk, and operating expenses are managed on the basis of ambitious targets of efficient and competitive operations. In 2019 expenses of DKK 2.4bn were paid in relation to business processing for external parties, and these are off-set by similar income. Continued efficient operations have, on an ongoing basis, absorbed additional expenses for, among other things, compliance, IT security, operational risk management, etc., while at the same time there has been a high level of development activity with the addition of new administration tasks in recent years.

2019 saw the commissioning of the last system for the preparation of competitive tenders for IT systems for Udbetaling Danmark (Public benefits administration), which is expected to result in IT expenses savings for municipalities of at least 25 per cent. Focus was also placed on the selection and development of a new, up-to-date case handling system for Labour Market Insurance and the implementation of the administration of a new Holiday Act.

RISKS

ATP is committed to identifying and managing the most significant risks² relating to ATP Livslang Pension, the Group and activities of managed schemes.

ATP disburses a monthly Lifelong Pension to its members. Accordingly, increasing life expectancy is the greatest pension risk facing ATP. ATP manages the longevity risk via its own life expectancy model, based on comparable data from 18 OECD countries. In addition to factoring in already observed increases in life expectancy, the model allows for expected future increases.

² The EUR/DKK risk is not mentioned here due to the Danish fixed-rate policy.

Investment risks are primarily market risks assumed by ATP in relation to investment and hedging activities. These market risks are carefully aligned with the investment principles which contain three key elements:

- Effective utilisation of risk budget and investment capacity;
- Separation of the hedging and investment portfolios;
- A diversified and risk-balanced investment portfolio.

Operational risks at ATP include the risk of loss arising from the operational performance of business tasks. One consequence could be negative reputation, which can affect ATP's potential earnings, and as part of the management of this ATP has principles for, for example, the management of critical errors, corporate social responsibility policy, tax policy, etc.

SOCIAL RESPONSIBILITY

As the pension funds for Danish citizens, ATP tries to live up to social responsibilities. ATP's five million members, Danish and international NGOs and other stakeholders, have – often diverging – expectations with regard to how social responsibility should be exercised. At the same time institutional investors face constant dilemmas in their social responsibility work with investments – such as when assessing specific companies. ATP tries, as well as it can, to navigate a field marked by different expectations, dilemmas and complex issues related to the framework of our own social responsibility policies related to investments and active ownership.

ESG

ESG represents Environmental, Social and Governance.

In 2019 ATP had discussions with 182 companies about eight different ESG topics, and 24 fact-finding exercises

have been carried out. As the result of fact-finding, one company was excluded for a number of unacceptable human rights and environment issues.

UN's 17 Sustainable Development Goals

ATP fully supports the UN's 17 sustainable development goals. As a long-term investor, ATP has a strong interest in a sustainable development of the world and the economy – socially as well as environmentally.

Compliance with the OECD guidelines for multinational companies and compliance with social responsibility due diligence processes helps move the world towards meeting the sustainability goals, and via the fact-finding work and thematic engagement ATP thereby contributes to sustainable development. It will therefore primarily be via these efforts that ATP will be lifting its development goal responsibilities.

For all ATP investments, some degree of effect on one or more of the UN's 17 sustainable development goals will be evident. Some ATP investments do, however, have a clear connection with the development goals overall or with selected development goals. One area where the connection between ATP investments and the development goals is obvious, is ATP's investment in green bonds, which at year-end accounted for approximately DKK 20bn.

For ATP's real estate investments, the development goals are both a tool for focusing on specific areas of real estate development and for showing how sustainable real estate supports sustainable societal development.

Tax policy and common industry principles

Tax is an important parameter for investment, especially for investments across nations with differing tax legislation. For all new private direct investments ATP has discussed which tax structure to apply and has been able to influence this for the purpose of aligning with ATP's tax policy.

In 2019 ATP and three other Danish pension companies published a set of common tax principles regarding the

non-acceptance of aggressive tax planning and encouraging transparency in tax matters. Other companies have adopted this in January 2020.

CORPORATE GOVERNANCE

Report on 'ATP Group Social Responsibility 2019'

For further information regarding ATP's work on social responsibility please see the report 'ATP Group Social Responsibility 2019' at www.atp.dk/en/responsibility/responsibility-reports, which forms both the statutory report and ATP's Global Compact progress report.

Thematic ESG reports

In addition, ATP reports for 2019 on social responsibility in seven separate thematic reports, which each deals with elements of ATP's social responsibility efforts. There is furthermore a separate report on ATP as a responsible investor. All reports are available at www.atp.dk/en/responsibility/responsibility-reports

ATP's corporate governance framework is laid down in the Danish ATP Act (ATP-loven). For further information on ATP's corporate governance, including ATP's compliance with the Recommendations on Corporate Governance, remuneration policy and remuneration report, see pages 134-148 of the 2019 annual report and www.atp.dk/en/results-and-reports/annual-and-interim-reports/the-atp-group-further-information

In June Bo Foged assumed the role of Chief Executive Officer after a period as acting CEO. In September we also saw Martin Præstegaard assume the position of Vice CEO and CFO.

Chief Investment Officer Kasper Ahrndt Lorenzen left his position in September, and in March 2020 Mikkel Svenstrup will assume the position as new Chief Investment Officer.

EVENTS AFTER THE REPORTING DATE

From the balance-sheet date until the date of the presentation of this annual report, no events have occurred that would materially affect the assessment of the annual report.

OUTLOOK FOR 2020

Performance target

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 hedging the real value of pensions as best as possible, the Supervisory Board has set a long-term performance objective for investment and hedging activities after tax. This is an absolute objective which must be attained in the long term. For 2020 in isolation, the performance objective, which may not necessarily be attained every year, is determined as DKK 13.9bn after tax.

The objective is based on the principles that members' interests must be a central consideration, that it is the aim to secure the real value 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.

Business model

ATP must combine with the state-funded old-age pension to safeguard basic financial security throughout retirement so that Danish pensioners may know what to expect by way of basic pension when retiring from the labour market. This basic rule of thumb affects, among other things, the

total risk that ATP can assume over time. In order to provide members with a guaranteed pension, funds must be invested in secure assets to a higher degree. This contrasts with a market rate product for which there is no guarantee and the individual is left with the investment risk.

Over the years ATP has made a number of changes to the business model, and efforts to optimise the model are continuous within the framework determined, among other things, by the ATP Act.

In light of continued low interest rates, which presents a challenge in general for generating high pensions, it is still relevant to continuously assess various adjustments to the pension product, the hedging and investment strategy, etc. It is the highest priority of the Supervisory Board to ensure that the business model is up-to-date relative to the ATP's objectives. For this reason, targeted efforts have been directed at these subjects in recent years. As these are significant decisions which affect a large number of people, it is important that they are made on the basis of careful analyses. The Supervisory Board's targeted work will continue in 2020, during which it is hoped that some conclusions can be shared with the public.

Mandatory pension scheme (Obligatorisk pensionsordning – OP)

In March the Danish Parliament decided that ATP will manage OP for upwards one million citizens receiving transfer income. The scheme ensures that savings-based pensions are strengthened such that all citizens, including during periods on transfer income, are saving up to their own pension. This strengthens the foundation of the Danish pension system. The scheme will be gradually implemented during the period 2020-2030.

Torben M. Andersen
Chairman of the Supervisory Board

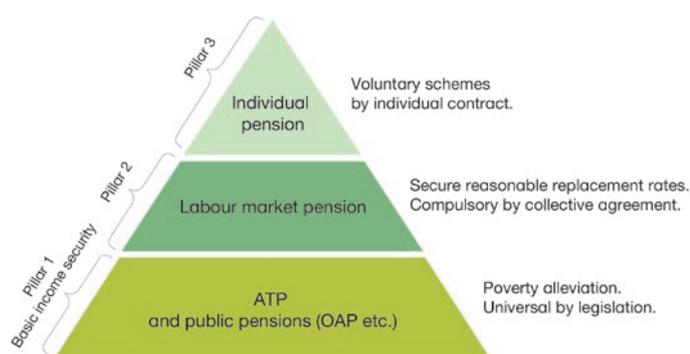
Bo Foged
Chief Executive Officer

ATP's role in the pension system

ATP Livslang Pension (Lifelong Pension)

The current Danish pension is characterised by being constructed as a pyramid in three layers – also referred to as the three pillars of the system.

The pension pyramid



The bottom layer (pillar 1) is called the basic pension, and consists of public pensions and the ATP Livslang Pension (Lifelong Pension). The purpose of ATP is to provide basic financial security throughout old age in combination with the state-funded old-age pension.

Because ATP covers virtually all Danes, was implemented by law and involves contributions independent of income level, ATP is considered part of the basic pension of pillar 1, together with the state-funded old-age pension. As the individual citizen cannot know what type of working life they will experience, ATP helps to provide basic financial security for everyone regardless.

The two remaining pillars – labour market pensions in pillar 2 and individual pensions in pillar 3 – play different roles and have different capabilities. The role of labour market pensions is to safeguard a reasonable financial cover after retirement, in other words, a connection between the income before and after retiring. The role of individual pensions is to safeguard the individual citizen's access to pension savings flexibility.

ATP Livslang Pension (Lifelong Pension) is a guaranteed pension (read more about this below). In recent years, a big proportion of schemes in pillar 2 have moved away from guaranteed products to market rate products with no associated guarantees.

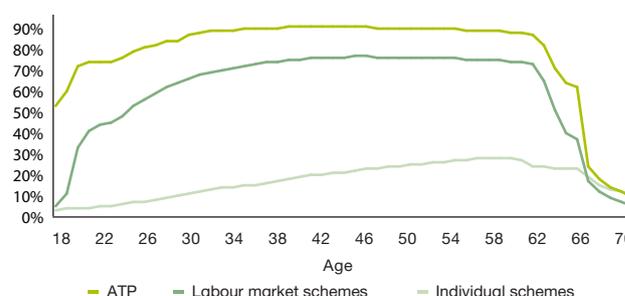
ATP Livslang Pension (Lifelong Pension) is a collective scheme in which all members have a share in the bonus potential. In this way, investment and life expectancy risks are shouldered collectively by all members. The risk of losses in the financial markets and longer than already expected life expectancy are therefore borne via the collective bonus potential, thus ensuring a guaranteed pension throughout the entire retirement period. This differs from market interest products where the customer carries the direct risk for losses in the financial markets or longer life expectancy. ATP has to help to safeguard basic financial security throughout the entire retirement period in such a way that pensioners know what to expect in terms of basic pension upon retirement, which affects the risks that can be taken. Securing the ability to provide a pension guarantee means that funds must to a higher degree be invested in safe assets.

According to the Financial Supervisory Authority, the proportion of pension provisions earmarked for market interest products relative to total pension provisions increased from 3 per cent in 2003 to approximately 44 per cent in 2018, and 69 per cent of all pension contributions were applied to market interest products in 2018.

ATP is Denmark's pension company

ATP Livslang Pension (Lifelong Pension) is not a conventional labour market pension, but instead a mandatory, statutory social security scheme enacted in 1964.

Proportion of population with contributions to pension schemes distributed by age



Source: the "Pension in Numbers" ("Pension i tal") report, data from 2017

92 per cent of the Danish population aged 25-60 years paid ATP contributions in 2019, thereby accruing pension rights. This makes ATP the pension scheme with the widest cover by far in Denmark. Since ATP Livslang Pension (Lifelong

Pension) covers nearly all Danes, and there are relatively small contribution differences, the scheme is suitable for contributing to allowing almost all Danes access to global capital gains.

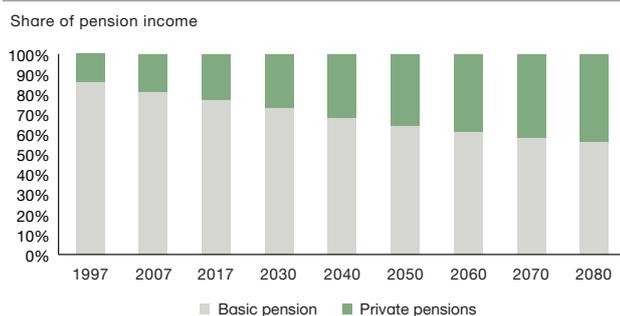
Lifelong payment

ATP is paid out as a lifelong benefit to pensioners. This means that ATP is a supplement to the basic pension throughout the retirement period. The lifelong benefits are valuable, since a large part – approximately 45 per cent – of payments in pillars 2 and 3 relate to annuity pensions or old-age savings.

An ATP analysis of private pension payouts shows that nearly eight in ten experience a loss of purchasing power from their benefit payments during the first 10 years, and for one in five the pension does not go beyond 10 years. In addition, fixed-term annuity pensions, as a general rule, are expected to be paid out over 10 years, which does not stretch very far when one in four of new pensioners can expect to live to 95. A 95-year-old would then have to be a pensioner for a further 20 years when a 10 year fixed-term annuity pension expires.

Although large groupings are now making ongoing labour market pension contributions and have done so since the 1980s, public pensions and ATP still make up by the far the largest proportion of income for most pensioners. Together with the state-funded old-age pension and supplementary social benefits, ATP accounted for 77 per cent of pension income for pensioners in 2017. Private pensions will, however, be both more common and of greater weight in future. The basic pension will, however, still be important, since just over half of the pension payouts are expected to come from this in 2080.

Importance of basic pension relative to total pension income

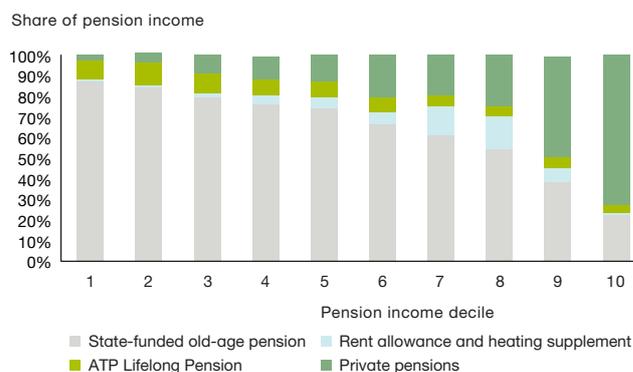


Source: ATP's projection model based on DREAM and Statistics Denmark, 2019

The basic pension is relevant to most pensioners both today and in future, but particularly to the lowest-income pensioners. In fact, public benefits and ATP Livslang Pension (Lifelong Pension) constitute more than 90 per cent of the pension income for the third of pensioners with the lowest income – and ATP Livslang Pension (Lifelong Pension) constitutes approximately 10 per cent of income for the 20 per cent with the lowest income. In 2019 nine out of ten old-age pensioners received continuous payments from ATP Livslang Pension (Lifelong Pension).

Although many receive payments from private pensions, in 2019 approximately 40 per cent of pensioners only receive public benefits and ATP Livslang Pension (Lifelong Pension), and for approximately 50 per cent of all pensioners ATP Livslang Pension (Lifelong Pension) is the largest or the only payment received other than public benefits.

Public benefits and ATP's share of pension income distributed across income deciles



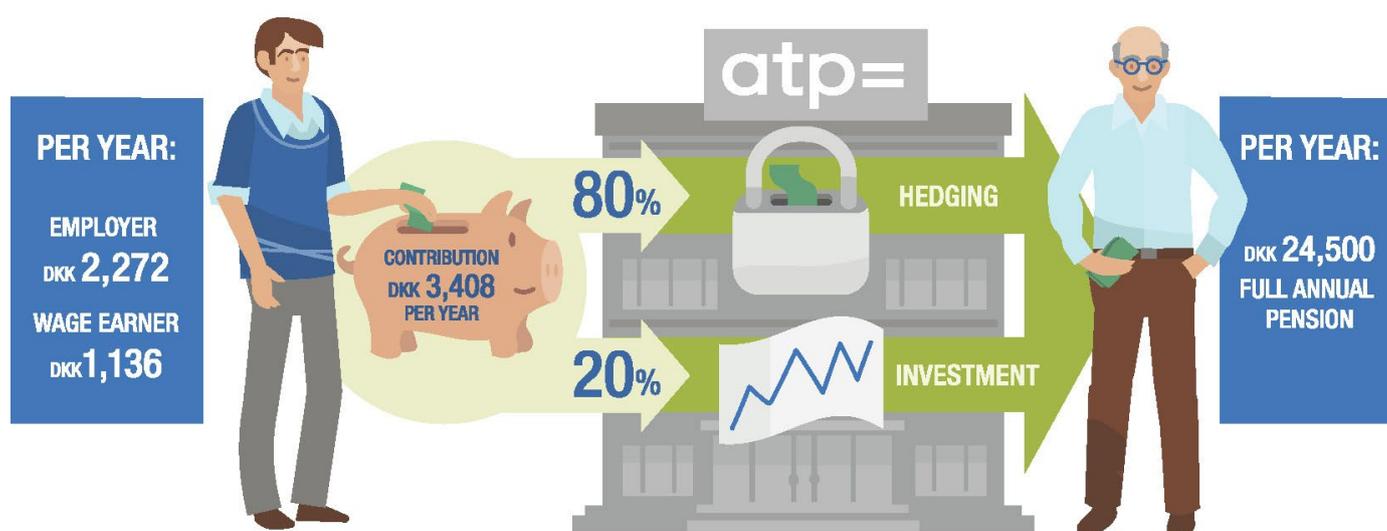
Source: ATP and Statistics Denmark 2019

Note: Income deciles are defined as income distribution by size.

Contribution to public finances

Payments from ATP Livslang Pension (Lifelong Pension) to Danish pensioners does not just help to create financial security – especially for those with the weakest financial basis – but also helps to ease the burden on public finances and contribute positively to financial sustainability, as the scheme is savings based, in contrast to the public benefits which are tax financed. Every year, ATP Livslang Pension (Lifelong Pension) pays out approximately DKK 17bn, thereby helping to ease the burden on public finances. In addition, ATP Livslang Pension (Lifelong Pension) has paid approximately DKK 90bn in pension yield (PAL) tax over the past 10 years.

Business model for ATP Livslang Pension (Lifelong Pension)



HOW ATP LIFELONG PENSION WORKS

Contributions

This year, ATP received member contributions totalling DKK 10.1bn. DKK 3,408 was paid to ATP on behalf of the average wage earner, two thirds of which is paid by the employer.

AT ATP

The largest portion of contributions – 80 per cent – is applied to guaranteed pensions and hedged to ensure that ATP is always able to deliver on the pension promises issued to members.

The remaining proportion of contribution payments – 20 per cent – is included in the bonus potential and invested widely in equities, real estate, etc. The principal objective of the

investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g., financing increased life expectancy, such that ATP secures pensions for life duration, and to increase guaranteed pensions, thereby safeguarding the real value for pensioners.

Payouts

When a member starts receiving state-funded old-age pension, ATP Livslang Pension (Lifelong Pension) is disbursed. This year, pensioners received a total of DKK 17.1bn. The payouts comprise the guaranteed pensions and any bonus allowances continuously credited. A full, annual pension for a 65½-year-old, who has been making contributions throughout an entire working life, is DKK 24,500 for 2019 (the average annual ATP pension for a 65½-year-old was DKK 16,400 in 2019).

Member expectations and value creation

ATP's members can expect a stable and lifelong guaranteed pension

Member expectations

At pensionsinfo.dk, each ATP member can view the size of their expected ATP Livslang Pension (Lifelong Pension). The size of the expected pension is based on the guaranteed pensions already acquired and on the pensions expected to be acquired in future. For a full-time employee, these are calculated on the basis of the current contributions of DKK 3,408, which is adjusted for expected inflation from 2021. Expectations for future bonus based on ATP's current investment combination and the common pension industry return expectations have also been included in the calculation, together with ATP's life expectancy expectations.

ATP Livslang Pension (Lifelong Pension) is a guaranteed pension based on ATP's objectives of simple and efficient safeguarding of basic financial security. This is attempted via a simple product which is guaranteed for the individual member for as long as they live and which is based on a collective investment community and a shared responsibility for, e.g., life expectancy development. The individual member can therefore expect a stable, lifelong supplement to their state-funded old-age pension and any other pension savings.

Already acquired pensions have been guaranteed for the individual member at the time of payment. This means that current guaranteed pensions are based on a variety of different assumptions. In order to illustrate the effect of this, ATP calculates value creation ratios.

Value creation

The financial statements reflect the annual results of ATP's business and describe how profit for the year is transferred to the bonus potential. Hedging guarantees are 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. As shown in the table below, ATP's guarantees have returned 3.4 per cent on average in 2019. In spite of the low interest levels of recent years, ATP is still able to maintain the guarantees and their embedded yield.

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. As a result of the high investment return in 2019, the value creation from the bonus potential is 30.3 per cent.

Total value creation shows ATP's ability to generate overall value creation. This ratio is the weighted average of the two aforementioned ratios and is 8.0 per cent for 2019.

For more information about the definition of ATP's value creation ratios, see 'Further Information' at www.atp.dk.

Value creation, per cent	2019	2018	2017	2016	2015
Value creation from guarantees	3.4	3.5	3.7	3.7	3.8
Value creation from bonus potential	30.3	(7.0)	22.5	7.3	10.9
Total value creation	8.0	1.5	7.3	4.4	5.2

= pension

”

**Contributions to ATP exceeded
DKK 10bn in 2019.**

Predictable pension – for life

Average annual pension of DKK 16,400 for 65½-year-olds

With almost 5.3 million members, ATP is Denmark's biggest supplementary pension scheme.

Nine out of ten old-age pensioners – 1,057,100 persons – received lifelong pension from ATP at the end of 2019, and around 40 per cent of Danish old-age pensioners have no other sources of income than their state-funded old-age pension and ATP.

92 per cent of the Danish population aged 25-60 years paid ATP contributions in 2019, thereby accruing ATP pension rights.

ATP is a mandatory scheme for all wage earners and the vast majority of recipients of benefits.

A few groups – including the self-employed, recipients of voluntary early retirement benefits and recipients of benefits under the Danish flexi-job scheme – are not automatically members of ATP, but can opt to pay voluntary contributions. In 2019 26,200 people paid voluntary ATP contributions. Recipients of voluntary early retirement benefits were the largest group.

ATP members at year-end 2019

Total number of members	5,264,500
Number of members above pensionable age	1,205,200
- of whom receiving a current pension	1,057,100
- of whom paying contributions in 2019	96,800
Number of members below pensionable age	4,059,300
- of whom paying contributions in 2019	3,188,100

In recent years, payouts from ATP have exceeded contributions. The gap between contributions and payouts will gradually widen over the coming decades. Payments to the Mandatory Pension Scheme, for which payments commence in 2020, will, however, reduce the gap.

DKK 16.0bn paid out in current pension benefits

Out of the total payouts in 2019 of DKK 17.1n, DKK 16.0bn went to current pensions and the rest to lump-sum payouts.

In 2019 the state-funded retirement age was raised to 65½, from 65 in the previous year. The full, annual payout for a 65½-year-old was DKK 24,500, equivalent to 32 per cent of the basic amount of the state old-age pension. This amount was paid to members who had paid the full ATP contribution from the age of 18 until retirement.

The size of pension payouts depends on the contributions by the individual to ATP during their working life. The contribution by the individual is independent of income, but varies by employment time.

Nine out of ten state-funded old-age pensioners received pension from ATP at the end of 2019.

The annual ATP pension in 2019 averaged DKK 15,300. For pensioners retired at the age of 65½ in 2019, the average annual pension was DKK 16,400. The size of payments is marked by relatively large differences.

Survivor benefits

If a member dies before retirement age, their spouse or common-law partner and children under the age of 21 will generally each receive lump-sum survivor benefits of DKK 50,000. In 2019 the payment for survivor benefits was DKK 54 per member. As of 2020 the lump-sum survivor benefit has been increased to DKK 75,000 for spouses and common-law partners.

In 2019 20,700 spouses and common-law partners and 2,300 children under 21 received a lump sum from ATP. Between them, spouses and common-law partners received DKK 815m, while children received DKK 119m.

ATP contributions

Just under 3.3 million members paid a total of DKK 10.1bn in ATP contributions in 2019, thus accruing lifelong pension rights. 22 per cent of the contributions were paid by recipients of transfer income.

The ATP contribution is a fixed sum determined by ATP's Supervisory Board on the recommendation of the labour

Pension payouts in 2019		
	Number of	DKKm
Current old-age pensions	1,092,800	16,018
- personal pensions	1,090,100	16,008
- spouse pensions	2,600	9
Lump-sum benefits	28,900	1,036
- personal pensions	4,200	70
- spouse/common-law partner	20,700	815
- child benefits	2,300	119
- estate benefits	1,700	32

ATP contributions in 2019	
	DKKm
Total contributions	10,061
Of which in respect of	
- people in employment	7,827
- recipients of unemployment, sickness or maternity/paternity benefits	889
- recipients of disability pension	542
- recipients of early retirement pension	56
- recipients of other transfer income	745
Number of contributing employers	166,300

market parties and is approved by ATP's Board of Representatives. It is only adjusted as and when the private labour market parties agree to do so. In connection with the most recent collective agreement, concluded in the Spring of 2017, no adjustment of the ATP contribution was agreed. As the collective agreement duration is three years, the annual ATP contribution has remained DKK 3,408 up to and including 2020.

A number of public sector collective agreements have provided for particularly low ATP contributions. In 2008 a process was launched to ensure that public sector employees will eventually receive the same ATP Lifelong Pension as employees in the private labour market. As of 1 April 2020 all members are expected to pay the same ATP contributions.

ATP's pension product

Interest rate adjustment every 15 years for younger members

The guaranteed ATP pension is paid from the state retirement age and for the rest of the member's life. How much guaranteed pension each member receives for his or her contributions depends on the member's age, the future return on contributions and the member's life expectancy. The life expectancy includes future expected improvements.

The individual member's annual contributions are converted to guaranteed pension. The ATP pension received by the member on retirement, therefore, is the sum of guaranteed pension purchased in the individual years in which the member has made contributions – potentially increased by bonus.

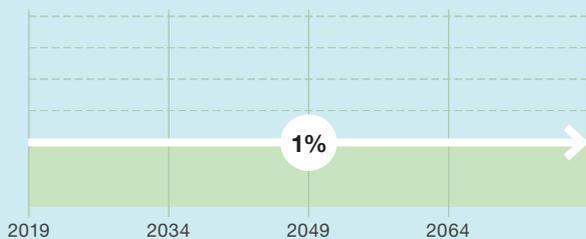
ATP calculates the guaranteed pension from new contributions differently, depending on whether the member in question is more or less than 15 years from retirement age.

For members with 15 years or less to retirement age, the guaranteed return from ATP contributions is determined at the time of contribution and applies for the remainder of their life. This type of pension product can be viewed as a very long-term bond with a fixed interest determined at the time of making contributions.

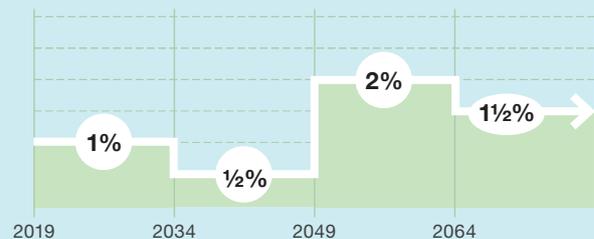
For members with less than 15 years to retirement age, only the next 15 years' return is included in the lifelong guaranteed pension. Subsequently, their guaranteed pension will be revalued every 15 years. This product can be viewed as a long-term bond with interest adjustment every 15 years. When there is less than 15 years to retirement age, the interest is locked until last payment.

Example of return on contributions based on time to retirement

15 years or less: Fixed return

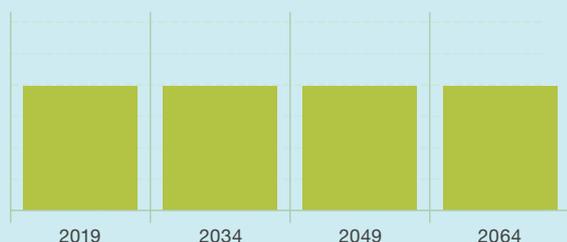


More than 15 years: Interest adjustment every 15 years

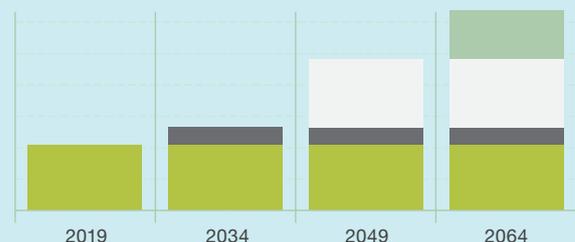


Example of guaranteed pension based on time to retirement

15 years or less: Fixed guaranteed pension



More than 15 years: Revaluations every 15 years



Pension activity result

Later state-funded retirement age results in higher contributions in 2019

Pension activity result		
DKKm	2019	2018
Contributions	10,061	9,871
Pension benefits	(17,054)	(16,878)
Change in guaranteed pensions due to ATP contributions and pension benefits, etc.	8,099	8,505
Expenses	(201)	(197)
Other items	7	9
Pension activity results before life expectancy update	912	1,310
Life expectancy update	3,231	(20,025)

Pension activity results before life expectancy update was DKK 0.9bn. There is a small increase in total contribution payments. The increase is predominantly attributable to a larger number of members contributing to ATP in 2019 than in 2018, primarily as a result of the increase in the state-funded old-age retirement age.

Total pension payouts increased by DKK 176m relative to 2018. The increase is not as high as in the previous year as in 2019 the old-age retirement age was raised to 65½ years, resulting in a small decrease in numbers with a current ATP pension. ATP pays out current pensions to more than one million members.

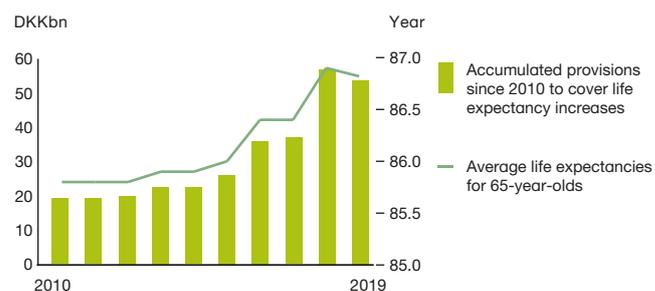
The value of the guaranteed pensions is reduced when ATP pays out pensions and increases when ATP receives contributions. As pension payouts exceed contributions, this will overall result in a decrease in the value of the guaranteed pensions. The reduction in guaranteed pensions as a consequence of contributions and pension benefit payouts, etc. of DKK 8.1bn positively affects the pension activity results.

ATP performed the annual update of its life expectancy model in connection with the interim report for H1. The update resulted in a decrease in the value of guaranteed pensions of DKK 3.2bn and a corresponding increase of the bonus potential. In 2018 a major review was carried out of ATP's life expectancy model, resulting in additional provisions of DKK 20.0bn. As of 2010 provisions have been made for increased life expectancy of DKK 53.8bn, as the

life expectancy for a 65-year-old has increased by more than 3 years since 2009.

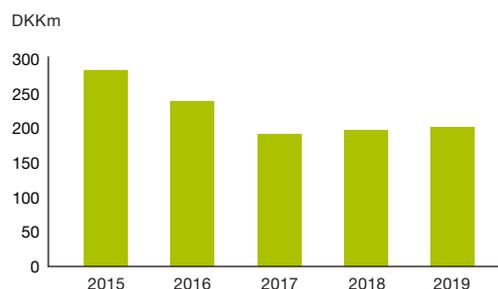
ATP's administration activity expenses have been reduced in recent years and kept at a low level, affecting the result positively.

Additional provisions due to increases in life expectancy



Note: In 2010, ATP started using the life expectancy model SAINT when calculation all ATP pension liabilities.

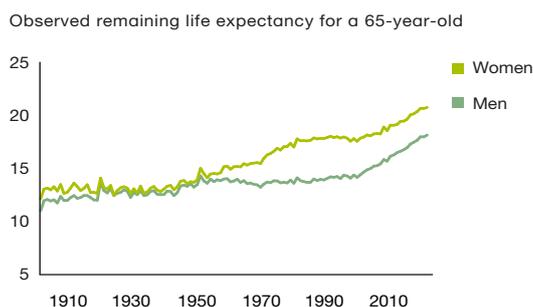
Administration expenses



ATP uses its own life expectancy model

The model uses data from 18 comparable countries

Forecast of life expectancy in Denmark



ATP's calculation of the size of the amounts to be paid to current and future pensioners is based on a life expectancy model. The model is based on a range of assumptions about future developments in life expectancy.

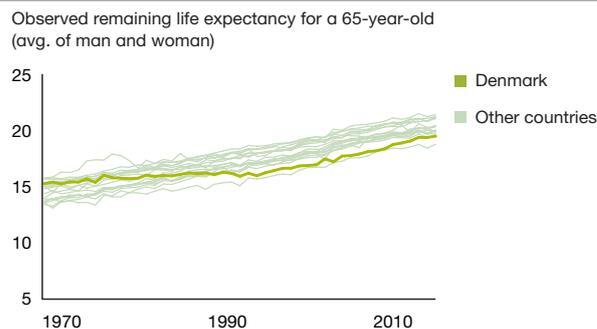
Uniform pattern in life expectancy development

Over the past 100 years, life expectancy in the western world has increased steadily. There are, however, differences between countries in when and how quickly this increase is seen. This applies to Denmark, too. The historical life expectancy improvement variation makes it difficult to predict how life expectancy will develop in the future.

The ATP life expectancy model is based on the fact that there is a uniform pattern of life expectancy development across the industrialised world. There are solid reasons to believe that this development will also continue in future since western nations share commonalities in respect, for example, of lifestyles, treatment opportunities and socio-economic factors.

For this reason, ATP's life expectancy model does not just rely on Danish data, but also includes those of a number of other OECD countries, which, in the view of ATP, are comparable to Denmark. The purpose of this is to provide a stable prognosis for future life expectancy improvements. The ATP life expectancy model is based on the assumption that Danish life expectancy trends follow the international trend, getting closer to the international average in the longer term. This makes it important that the countries included in the international data set are comparable to Denmark. ATP's life expectancy model uses life expectancy

Forecast of life expectancy internationally



data from 1970 and onwards from 18 industrialised OECD countries with a total of approximately 330 million citizens.

Comparison with the Financial Supervisory Authority's life expectancy benchmark

In 2011 the Financial Supervisory Authority introduced a life expectancy benchmark with the purpose of ensuring that pension companies held sufficient funds to secure the pension for current and future pensioners.

The Financial Supervisory Authority's life expectancy model differs from ATP's. The Financial Supervisory Authority's model includes the last 20 years' Danish data to predict future life expectancy improvements. The Danish FSA's population consists of people who are all covered by insurance. As ATP's population also includes people who are not covered by insurance, the two populations are not directly comparable.

If ATP's pension liabilities were calculated on the basis of the Financial Supervisory Authority's life expectancy model, they would be DKK 14.5bn lower than when calculated with ATP's life expectancy model.

Life expectancy (years)		
Age in 2019	Men	Women
0	92	95
20	90	93
40	87	90
60	85	88
80	89	91
100	102	102

Mandatory Pension Scheme (Obligatorisk pensionsordning – OP)

New pension scheme for recipients of transfer income

On 1 January 2020 the Mandatory Pension Scheme (Obligatorisk Pensionsordning – OP) Act for recipients of various transfer incomes will come into force. The purpose of OP is to ensure that savings-based pensions are strengthened such that all citizens, including during periods on transfer income, are saving up for their own pension. The contributions are fully financed by funds previously earmarked for the social initiatives fund (Satspuljen) in order that the individual citizen’s transfer income is not reduced.

It is expected that around one million citizens will be affected by the scheme during 2020. As several areas of transfer income see large ongoing fluctuations, there will be a high replacement rate of citizens for whom the OP contributions will be payable. Over a 20-year period, it is estimated that OP contributions will be paid for around 3 million citizens. It is further estimated that around 98 per cent of the members of OP will also be members of ATP Lifelong Pension.

For 2020 the contribution represents 0.3 per cent of the relevant transfer income, corresponding to total contributions in 2020 of approx. DKK 0.3bn. Contributions increase annually by 0.3 percentage points up to and including 2030, at which time the total contribution will be 3.3 per cent, equal to total contributions of approx. DKK 3.8bn. At this level, the annual OP contributions are expected to represent some 40 per cent of the current ATP contribution payments. A political decision must be reached by no later than 2029 whether the contribution is to be increased beyond the 3.3 per cent.

The authority paying the benefits to the individual recipient, such as unemployment insurance funds, municipalities, Ud-

betaling Danmark – Public Benefits Administration and the Ministry of Education and Research, will be responsible for calculating the OP contributions for the individual transfer income recipient and for making correct payment via eIndkomst and payment to ATP.

The Mandatory Pension Scheme (OP) must be managed by ATP such that the scheme is associated with and fully integrated with ATP Lifelong Pension. Since most transfer income recipients are already paying or have paid contributions to ATP Lifelong Pension, administration expenses can be minimised and kept at a level that will not constitute an erosion of the Mandatory Pension Scheme.

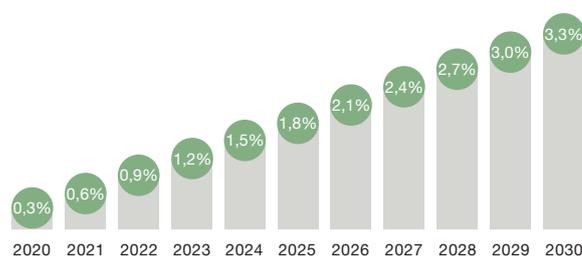
Integration with ATP means that:

- OP is a collective scheme administrated and managed by ATP together with the other net assets, including Supplementary Labour Market Pension Scheme for Disability Pensioners (SUPP).
- OP forms part of the existing shared assets with a common investment policy across all rights and where expenses, investment risks and returns, life expectancy risk and real value hedging are shared and borne jointly and in which a common bonus policy is applied on the basis of a common bonus potential.
- OP is a life annuity paid from the time of state-funded old-age pension age and for the remainder of life. Payment times, capitalisation and deferment regulations will be the same across ATP, SUPP and OP.
- OP contributions purchase pensions on the same terms as ATP contributions.
- OP contributions earn the right to payment of benefits on death together with rights earned via ATP contributions.

Covered by the Mandatory Pension Scheme (Obligatorisk pensionsordning – OP)

Unemployment benefit	Education benefit
Maternity/paternity benefits	Flexi-job contribution
Early retirement pension	Resource course grant
Holiday benefit (feriedagpenge)	Unemployment benefit for persons accepted onto a subsidised flexible employment scheme (ledighedsydelse)
Early retirement allowance for beneficiaries of the subsidised flexible employment scheme (fleksydelse)	Rehabilitation benefits
Disability pension	State Adult Education Grants
Welfare benefits	Sickness benefits

Contribution development as a percentage of transfer income



Pension Scheme for Disability Pensioners

Half of all disability pensioners pay voluntary SUPP contributions

SUPP is a voluntary scheme, giving disability pensioners an attractive opportunity to save for lifelong pension. Where a disability pensioner in 2019 contributed DKK 177 per month to SUPP, the state contributed an additional DKK 355. The state therefore contributes double that of the disability pensioner.

Half of all disability pensioners pay SUPP contributions.

Since 2013 SUPP has been part of ATP. Contributions to SUPP are managed together with ATP contributions. SUPP members accrue current guaranteed lifelong pension in the same way as ATP members. SUPP members also contribute to the bonus potential in the same manner and are included in ATP's bonus policy.

Pension payouts and contributions

Total payments to current old-age pension benefits in 2019 were DKK 82m. Pension paid to SUPP members in 2019 constituted an average of DKK 2,300 per year. For SUPP

members retiring at age 65½ in 2019, the average annual pension was DKK 3,300. Lump-sum payouts totalled DKK 0.2m.

If a SUPP member dies before retirement age, the estate will receive an amount corresponding to 50 per cent of the contributions paid and the added return. This amount will be gradually scaled down after retirement age. In 2019 DKK 32m was disbursed from SUPP on the death of SUPP members – an average amount of DKK 18,900 per deceased person. Survivor benefit payments amount to 8 per cent of contributions on average.

In 2019 the full annual SUPP contribution was DKK 6,384, and SUPP members paid total contributions of DKK 563m. The SUPP contribution is adjusted annually by the rate adjustment percentage, thus amounting to DKK 6,516 in 2020.

SUPP members at year-end 2019	
Total number of members	137,700
Members below the retirement age for the state-funded old-age pension	100,400
Members over the retirement age for the state-funded old-age pension	37,300
New SUPP members in 2019	8,100

Pension payouts and contributions in 2019		
Payouts	Number of	DKKm
Current pensions	37,800	82
Lump-sum benefits	10	0.2
Survivor benefits	1,700	32
Contributions		
Members below retirement age for the state-funded old-age pension paying contributions in 2019	101,100	
SUPP contributions after social security contributions		563

**= Hedging
activities**



ATP's hedging portfolio is designed to protect pensions against interest rate fluctuations, and, once again, the hedging strategy was successful in 2019.

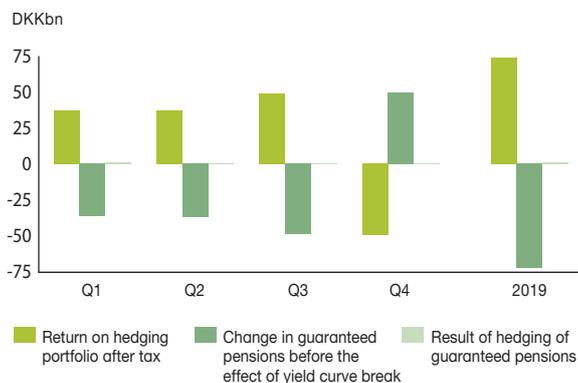
Strong protection against interest rate fluctuations

Hedging ensures that ATP will be able to deliver on its guaranteed pensions, regardless of changes in interest rates

ATP Lifelong Pension is a guarantee-based product and the purpose of hedging is to ensure that ATP can live up to the guarantees at all times. Hedging is planned to ensure that the market value of the hedging portfolio after tax can be expected to fluctuate in line with the guaranteed pensions when interest rates change.

The interest rate fluctuations caused the value of the guaranteed pensions to fluctuate considerably over the year. The value of the guaranteed pensions decreased during Q1-Q3, driven by the fall in interest rates, while the value fell in Q4 due to interest rate increases. Over the year as a whole, guaranteed pensions ended the year at a significantly higher level than they started at. ATP's hedging portfolio is designed to protect pensions against such fluctuations, and, once again, the hedging strategy worked as intended in 2019.

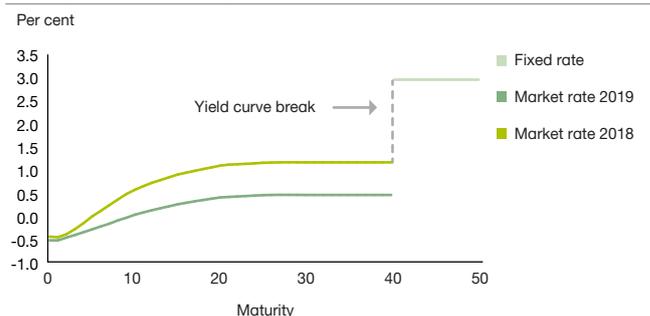
Hedging protects guaranteed pensions



ATP's yield curve for valuation of pension liabilities

ATP's yield curve for valuation of pension liabilities comprises a market-based segment and a fixed-rate segment. In the market-based segment guarantees between 0 and 40 years are measured on the basis of a market yield curve consisting of yields on Danish and German government bonds and interest rate swaps denominated in Danish kroner and Euros. The interest rate after 30 years is kept at the level for 30-year market rates. A characteristic of the market-based segment is that it is hedgeable. In the fixed rate segment for valuation of liabilities 40 years or more ahead, the interest rate is fixed at 3 per cent.

ATP yield curve at year-end



The value of guaranteed pensions fluctuates in line with the market rate. When interest rates decline, the value of guaranteed pensions up to 40 years goes up. Without hedging, a corresponding decline would have been recorded in the bonus potential. The reverse is the case when the interest rate goes up. Hedging is intended to ensure that ATP's bonus potential remains intact regardless of changes in interest rates. DKK 34.5bn, equivalent to 4.5 per cent of ATP's guaranteed pensions, lies more than 40 years into the future.

At year-end 2019 the value of guaranteed pensions was DKK 759.6bn, calculated via the use of ATP's yield curve, and the bonus potential was DKK 126.0bn. If ATP had applied the yield curve published by EIOPA, the guaranteed pensions at year-end 2019 would have been DKK 704.9bn. The bonus potential would then have been DKK 54.8bn higher.

Hedging portfolio

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.

Hedging activity results

Overall, hedging activity results were negative by DKK 4.1bn. equal to approx. 0.5 per cent of guaranteed pensions.

Hedging activity results		
DKKm	2019	2018
Change in guaranteed pensions due to change in discount rate ¹	(68,282)	(19,958)
Change in guaranteed pensions due to maturity reduction	(4,055)	(7,908)
Change in guaranteed pensions¹	(72,337)	(27,866)
Return on the hedging portfolio etc.	86,710	32,932
Tax on pension savings returns	(13,267)	(5,039)
Return on hedging portfolio after tax	73,443	27,893
Result of hedging of guaranteed pensions¹	1,106	27
Change in guaranteed benefits due to yield curve break ²	(5,248)	(3,106)
Hedging activity results	(4,142)	(3,079)

¹Before 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.

The value of guaranteed pensions increased by DKK 68.3bn as a result of the decline in interest rates over the year. It increased by a further DKK 4.1bn as the pensions guaranteed to members at the beginning of the year had moved one year closer to payout. Thus, the value of the guaranteed pensions increased by DKK 72.3bn in 2019 before the effect of the yield curve break. Similarly, the hedging portfolio generated a positive return of DKK 86.7bn. Tax on pension savings returns amounted to DKK 13.3bn, and the hedging portfolio thus produced an after-tax return of DKK 73.4bn. The result from hedging the guaranteed pension was therefore DKK 1.1bn.

The negative hedging activity results in 2019 were due to the break in the yield curve around the 40-year mark, as the market rate was consistently significantly below 3 per cent.

Yield development in 2019



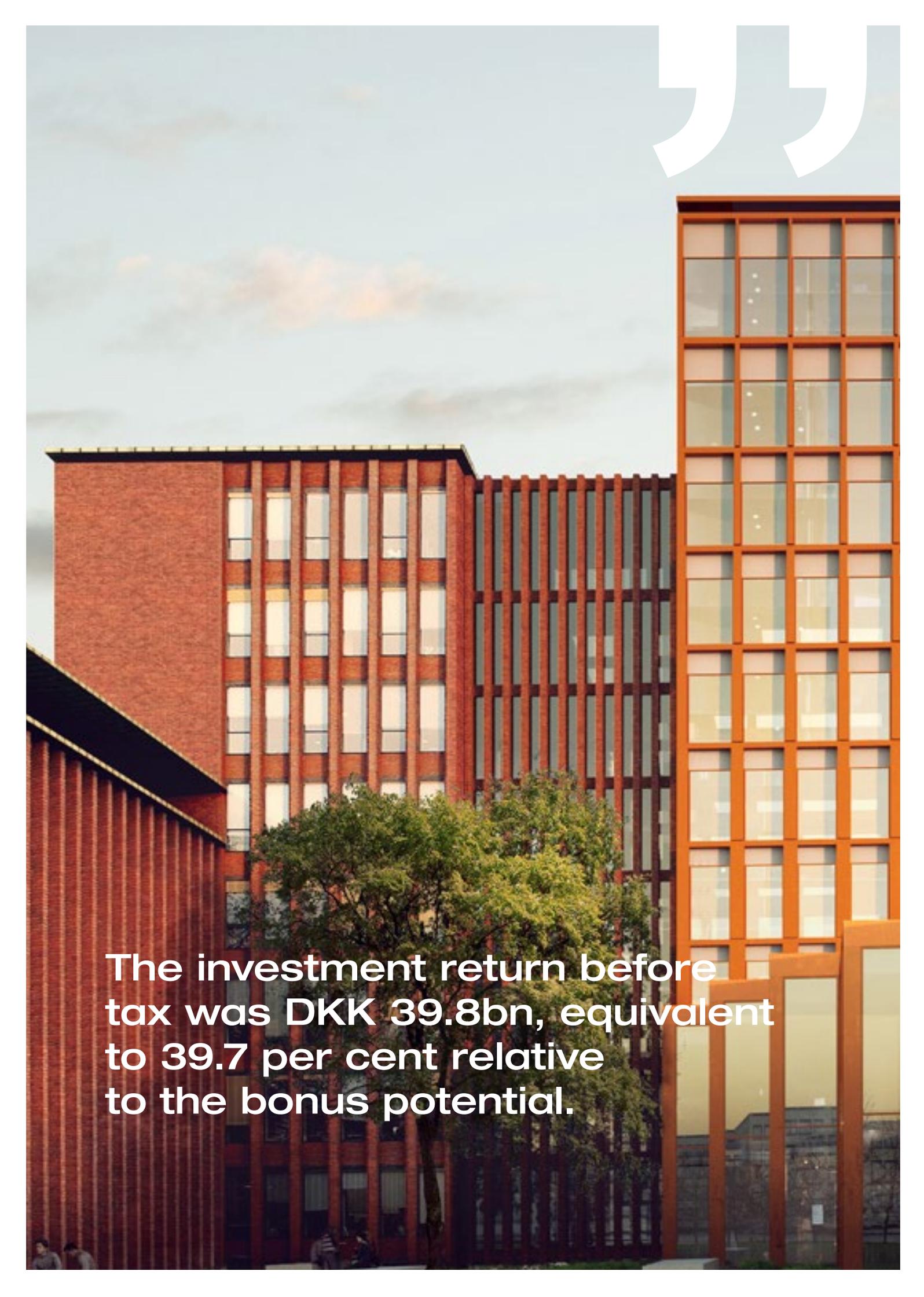
The break in the yield curve at 40 years means that hedging activities will incur a loss or gain from the valuation of the guarantees, which change during the year from a rate of interest of 3 per cent to a market rate, depending on whether the market rate is higher or lower than 3 per cent. In 2019 the market-based segment of the yield curve was notably below 3 per cent. As a result, hedging activities incurred a loss of DKK 5.2bn in 2019. The loss means that funds are transferred from the bonus potential to the guaranteed benefits, without this affecting ATP's net 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.

Yield curve for valuation of pension liabilities and actual hedging at year-end 2019

Yield curve segment	Yield curve Per cent	Hedging activities Per cent
Interest rate swaps denominated in Danish kroner	15	17
Interest rate swaps denominated in Euros	35	35
Danish government bonds	25	24
German government bonds	25	24

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

= investment



The investment return before tax was DKK 39.8bn, equivalent to 39.7 per cent relative to the bonus potential.

Investment portfolio

The investment portfolio returned DKK 39.8bn before tax, the highest return ever in a single year

In 2019 the ATP Group’s investment activity results after tax totalled DKK 34.0bn.

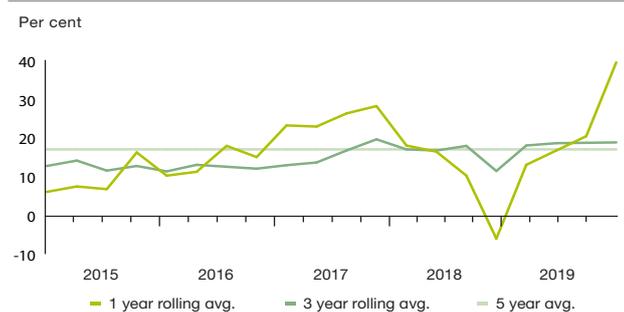
Investment activity results		
DKKm	2019	2018
Investment return	40,705	(3,714)
Expenses	(937)	(953)
Investment return before tax	39,768	(4,667)
Tax on pension savings	(5,723)	949
Investment activity results	34,045	(3,718)

Investment portfolio

In 2019 the investment portfolio generated a return before tax of DKK 39,8bn, equivalent to a rate of return of 39.7 per cent relative to the bonus potential.

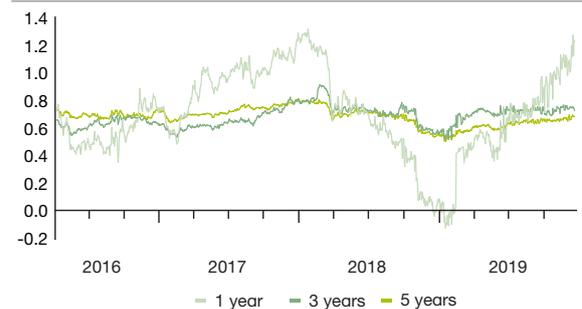
The previous five years ATP has realised average annual investment portfolio returns of 17.2 per cent relative to the bonus potential.

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



The ability to generate high returns relative to the risk taken can be expressed as risk-adjusted return, calculated as the ratio between return and risk¹. In 2019 the risk-adjusted return was 1.2, and seen across the previous 5 years it was 0.7.

Risk-adjusted return in the investment portfolio



The largest positive return of DKK 12.7bn was achieved in portfolio of government and mortgage bonds, while investments in foreign and Danish listed equities provided returns of DKK 9.3bn and DKK 8.1bn, respectively. Credit, private equity, infrastructure and real estate also generated positive returns. On the other hand, inflation-related instructions, which includes long-term insurance against rising inflation, contributed a negative return of DKK 2.4bn.

The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g. financing increased life expectancy, such that ATP secures pensions for the life duration, and to increase the guaranteed pensions, thereby safeguarding the real value of pensions.

Return on investment is primarily seen as compensation for assuming market risk. In order for the investment portfolio to generate sufficiently high returns, ATP therefore actively assumes a certain degree of market risk which is aligned with the bonus potential in order that the risk, of losses does not become too high. This is done by assigning a risk budget and risk diversification frameworks to the investment portfolio.

The investment portfolio market risk is determined such that the expected long-term yield is sufficient to secure the real value of guaranteed pensions via bonus accrual at the same time as ATP’s risks are always kept within the risk budget determined by ATP’s Supervisory Board. A central

¹ Risk adjusted 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. As a general rule, ATP considers a risk-adjusted return of 0.5 or higher as good.

element of the investment strategy is that the investment portfolio market risk is adjusted in line with the size of the bonus potential, such that ATP's risks are always contained within the risk budget.

The investment portfolio follows a risk-based investing approach, the focus of which is on risk rather than on the amount of DKK invested. This means, for example, that for the same risk a larger post of bonds can be purchased than equities which are traditionally riskier assets.

The investment portfolio, generally speaking, consists of funds from the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of financial derivatives are available for investment in the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with greater funds than the bonus potential. The market value of the investment portfolio at the end of 2019 was DKK 354.9bn.

A year marked by weak economic growth and monetary policy easing

Global economic growth was relatively low in 2019, and slightly lower than previous years. Global economy growth in 2019 was thus at its lowest point since the financial crisis, a slow-down driven both by the USA, Europe and developing nations. While growth was relatively modest, unemployment remained low and even fell in several countries. The American economy, for example, is characterised by historically low unemployment. There was a somewhat more varied picture in Europe, with continued relatively high unemployment in, for example Italy, and low unemployment in Germany.

Several elements contributed to the weak growth. The trade war between the USA and China, leading to increased tariffs and greater uncertainty regarding the future of international trade, has contributed to the lowest level of international trade since 2012. Uncertainty related to 'Brexit' also negatively affected growth in the UK and parts of Europe.

As a counter to the weak growth and the geopolitical tension, several central banks introduced monetary policy

easing in 2019, which kept the economic activity slow-down from becoming even worse. This was made possible by a continuing very moderate inflation pressure in spite of the low unemployment level in many economies.

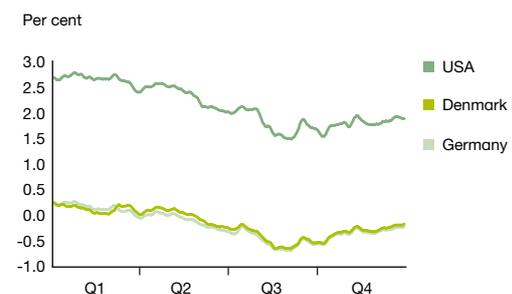
Towards the end of the year the geopolitical tensions eased off somewhat. At the UK elections the Conservatives, under the leadership of Boris Johnson, secured a solid majority in the House of Commons, helping to reduce the uncertainty linked to the British withdrawal from the EU. There was also increased optimism concerning a trade agreement between the USA and China.

Monetary policy easing in combination with a stabilisation of economic growth and reduced uncertainty related to the trade conflict and 'Brexit' meant that riskier assets had a good year.

Bond markets

The American central bank gradually eased its monetary policy in 2019, reducing interest rates three times. It was the first time in more than a decade that the American central bank reduced interests, and the interests on American government bonds with both short and long maturity fell. In Europe, the European Central Bank also eased its monetary policy, reduced the deposit certificate interest and announced renewed purchases of bonds. The interest on 10-year Danish and German government bonds were negative for a large part of the year and finished lower than they started the year.

Yield development for 10-year government bonds in 2019

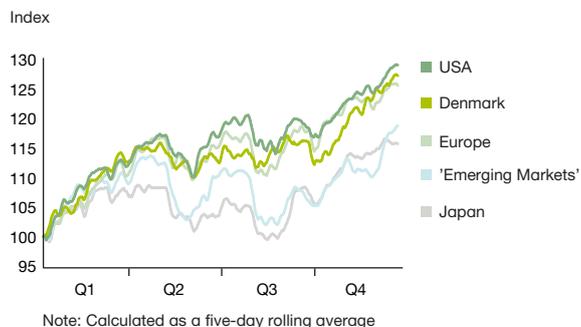


Note: Calculated as a five-day rolling average.

Equity markets

Global equity markets had a good year. Seen across the year as a whole, the dominant equity indices in Denmark, Europe and the USA ended more than 20 per cent higher, while equity markets in developing countries and Japan rose by 18 per cent and 15 per cent, respectively.

Equity price developments in 2019



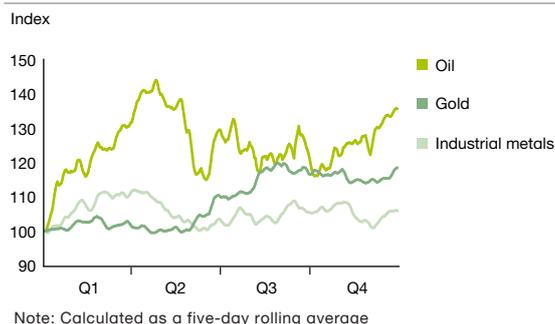
Property markets

In 2019 the continuing low interest level contributed to a positive property market development in Europa, including Denmark. Property markets, especially in western Europe, continued to witness strong investment appetites and significant levels of liquidity, which had a positive effect on property prices.

Commodities markets

Global commodity prices, including particularly the prices of oil and gold, were higher at the end of the year than at the beginning, including as a consequence of the gradual de-escalation of the trade conflict between the USA and China.

Development in commodities prices 2019



Currency markets

In the currency markets, the Euro lost just under 2 per cent against the USD in 2019, reflecting the continuously higher growth in the USA.

Investment return

The return in ATP's investment portfolio before tax was DKK 39.8bn in 2019.

Equities

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a return of DKK 20.9bn.

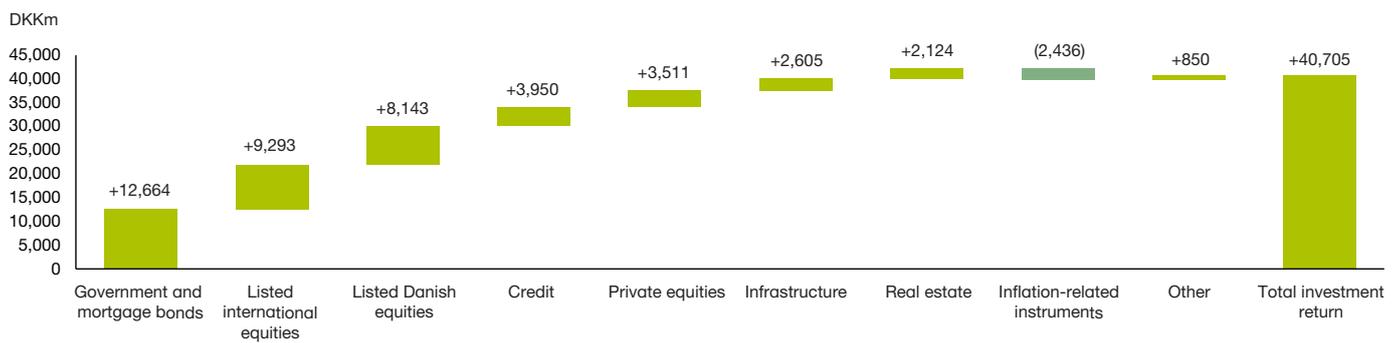
Listed Danish equities generated a return of DKK 8.1bn. Particularly the holdings in Ørsted A/S and Novo Nordisk A/S contributed positively to the return, while especially the holdings in Bang & Olufsen A/S and Danske Bank A/S generated negative returns. Listed international equities produced a return of DKK 9.3bn. Listed American equities produced the largest positive contribution, but listed equities in other economies also realised positive contributions.

The portfolio of private equity consists mainly of ATP Private Equity Partners, investing mainly in private equity funds and companies abroad. The total portfolio of private equity generated a return of DKK 3.5bn, which reflects a generally positive development in the underlying portfolio companies' earnings and debt repayment.

Government and mortgage bonds

Government and mortgage bonds produced a return of DKK 12.7bn. Mortgage bonds, consisting exclusively of Danish mortgage bonds, generated a return of DKK 1.3bn. Government bonds generated a return of DKK 11.3bn, primarily due to positive contributions from European and American government bonds as a result of falling European and American interest rates.

Composition of investment return in 2019



Real estate

Real estate investments generated a return of DKK 2.1bn. Such investments take the form of direct ownership of properties, via joint ventures or indirectly via investing in private real estate funds. Direct as well as indirect investments are made both in Denmark and abroad.

Direct real estate investments posted a return of DKK 1.5bn, with direct return (excluding value adjustments) accounting for DKK 1.3bn. Returns from indirect real estate investments generated a return of DKK 0.6bn of which the direct return (without value adjustments) was DKK 0.5bn.

Infrastructure

The infrastructure portfolio investments generated a return of DKK 2.6bn. The infrastructure investment portfolio includes investments in forestry in North America and Australia and investment in renewable energy. The return was achieved broadly across the portfolio. In 2019 investments included a gas pipeline in the USA.

Investment in gas pipeline in the USA

In 2019 ATP has invested DKK 0.7bn in a gas pipeline to move waste gas from one of the world's largest oilfields, Delaware Basin in western Texas, to Mexico. The natural gas is a by-product of oil drilling. In the past the gas was burned off, but it is now taken away for the production of electricity. The gas thereby replaces some of the need for coal and oil to produce electricity in Texas and Mexico. The natural gas pipeline therefore represents important infrastructure as a solution to support the green transition since gas almost halves the emission of CO₂ when used to replace coal and oil for the production of electricity.

Credit

Investments in credit generated a return of DKK 4.0bn. These investments consist partly of bonds issued to companies with low credit ratings or by emerging markets, partly of financial instruments, partly of loans to credit institutions and funds. Bonds issued by companies with low credit ratings or by emerging markets and financial instruments posted a return of DKK 2.8bn, driven primarily by a narrowing of credit spreads for this type of bonds, which translated into 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 1.1bn, derived primarily from current interest income on corporate loans.

Inflation-related instruments

Inflation-related instruments, consisting of commodities-related financial contracts, index-linked bonds, inflation swaps and swaptions, generated a negative return of DKK 2.4bn. Investments in commodities-related financial contracts generated a return of DKK 2.1bn. Inflation swaps generated a negative return of DKK 1.4bn, primarily due to lower inflation expectations in Europe.

Swaptions, which are long-term insurance strategies against rising inflation, generated a negative return of DKK 3.6bn. This is due to European swap interest rates with long residual terms being lower at the end of the year than at the beginning of the year, and due to decreasing volatility in interest rates with long residual terms in Europe during the year.

Other items

Other items generated a return of DKK 0.9bn. Holdings primarily consist of externally managed portfolios. The portfolio also includes interest payments to the hedging portfolio, among other things.

2019 risk allocation

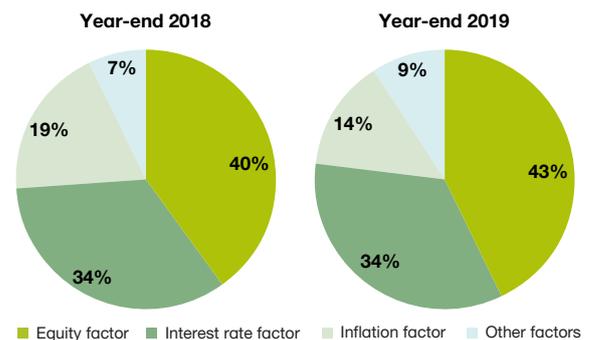
To maintain a robust and diversified investment portfolio with stable returns and the greatest possible independence from cyclical variations, investment portfolio decisions are informed by a strategy of risk diversification across four basic risk factors. The four risk factors are: 'Equity factor',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

four factors, depend on the types of risk the investment in question is exposed to.

The allocation of risk into risk factors enables uniform management of all investment activities and a comparison of returns and risks across asset classes, and it provides the framework for working with the composition of investments.

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.

Risk allocation in the investment portfolio



In 2019, there was a small increase in the relative risk allocation to 'Equity factor' and 'Other factors', while relative risk allocation to 'Inflation factor' was reduced. At the end of the year, risk in the 'Equity factor' was higher than the long-term guideline, but the risk in 'Other factors' 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.

ATP's investment approach

ATP's distribution of investments, factor approach and organisation of investment procedures

ATP's overall objective is to provide the best possible pensions in the form of a guaranteed lifelong pension, so that ATP, in combination with the state-funded pension system, can provide basic pension as pillar 1 of the pension system.

In order to achieve this overall goal, ATP has selected an investment approach which includes three key elements:

- Effective utilisation of ATP's risk budget and investment capacity
- The separation of the purpose of the investments, in which the hedging portfolio secures the guaranteed pension and the investment portfolio supports maintaining the real value of pensions
- A diversified and risk-balanced investment portfolio in which the use of ATP's factor-based investment approach is a significant element in securing risk diversification

These three key elements are meant to ensure that ATP can satisfy the overall target in the longer term – and ensure transparent and agile investment management.

ATP Lifelong Pension offers both guarantee and lifelong pensions. ATP's investment approach, developed over many years, is aligned with the pension product. The basic principle of the investment principle is that ATP's members must have a high degree of security for the guaranteed lifelong pension in the form of ATP having sufficient funds, which, when invested safely, can honour the guaranteed pension benefit payments. This means that ATP ties up a large proportion of the total funds in "safe investments". The remainder of the funds are invested in a riskier portfolio which is expected to provide higher returns than the more secure investments without creating too great risk of not being able to honour the guaranteed pensions. Even if a large proportion of the funds are tied up in the hedging portfolio, the investment approach principles ensures that the expected return in the investment portfolio can real value secure the ATP pension in the longer term and be used to build reserves to maintain a suitable room to manoeuvre

in terms of investing and to cover, for example, longer life expectancy.

The main framework conditions for ATP's investment approach

The framework conditions for the investment approach arise partly from the ATP Act and partly from regulations and frameworks related to accounting and risk management.

The size of pension benefits based on the contributions made is based on the ATP Act. The size of benefit payment relative to contributions changes over time. Members purchase pension for part of the contribution (the guarantee contribution) in accordance with a tariff, based on the interest rate level at the time of determining the tariff which is valid for one year at a time. Over the past three years, the guarantee contribution has been 80 per cent of total contributions after the deduction of a small sum to cover survivor benefits. The pensions purchased constitute ATP's guaranteed pension payout.

ATP calculates the pension provisions at market value. The calculation is based on discounting at market interest rates of expected guaranteed pension payout regardless of life expectancy. The valuation means that the pension provisions are changed when market interest rates change. This makes the value of pension provisions sensitive to changes in market interest rates, and this uncertainty constitutes the interest risk for the guaranteed pensions.

The overall principle for ATP's risk management is that total risk (risk consumption) must be aligned with the bonus potential. The terminology is that there must be "an appropriate level for risk". The bonus potential, which constitutes ATP's reserves, expresses the difference between the value of ATP's total assets and ATP's guaranteed pensions. The larger the bonus potential, the larger capacity ATP has to assume risk, including financial risk. Conversely, a smaller bonus potential will reduce the capacity to assume risk. Specifically, the Supervisory Board has determined that the risk consumption¹ must at all times be less than a risk

¹ The Supervisory Board has determined that risk consumption is measured as Expected Shortfall (ES99 per cent, 3 months.), which indicates the average of the 1 per cent greatest losses in various market scenarios with a 3 month timeframe.

budget determined at half the bonus potential. Risk is measured with a relatively short – 3 months – timeframe.

ATP's investment approach – Hedging

The combination of risk calculation with a short timeframe and the value of guaranteed pensions being safety to changes in market interest rates, is the reason for ATP's investment approach containing a division of investments into a hedging portfolio and an investment portfolio. The purposes of the two portfolios differ: The hedging portfolio aims to reduce the interest risk for guaranteed pensions ("hedging the interest risk"), and the investment portfolio must invest to generate a high return in order that ATP can strive to maintain the real value of pensions in the long term. The results of Hedging and Investment are measured separately in ATP's financial reporting.

ATP's approach to hedging of pension provisions to a great extent eliminates the market risk related to changes in the value of pension provisions ("full hedging"). This provides the greatest possible scope for the investment portfolio being able to assume market risk. From an investing point of view, hedging the interest risk serves to reduce the risk such that total risk capacity can be used to assume other types of market risk which, are expected to generate a higher risk premium.

The hedging portfolio, which primarily consists of long-term bonds and interest swaps, reflects the pension liabilities in terms of risk². The basis for the hedging portfolio³ consists of approx. 85 per cent of ATP's net assets. The principle underlying Hedging goes back to the first half of the "00's", and for more than a decade ATP has worked with full hedging of pension liabilities.

ATP's investment approach – Investment

The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for e.g. financing increased life expectancy, such that ATP secures pensions for the life duration, and to increase the guaranteed pensions, thereby safeguarding the real value for pensioners. In modern finance theory, long-

term returns are predominantly considered as compensation for assuming market risk, in other words to be willing to risk losing part of the funds invested. The compensation for market risk, is additional to real interest and compensation for expected inflation. With the prospect of continuing low (or even negative) interests and low and controlled inflation, the compensation for market risk is the primary source of long-term returns.

The return required in the longer term to maintain the real value can be estimated in a simplified version on the basis of the guarantee contribution in recent years has constituted 80 per cent of total contributions and that the remaining funds have been allocated to the bonus potential. If this 80/20 relation exists over the long term, the return on the bonus potential (the 20 per cent) to increase the value of total assets (the 100 per cent) by, for example 2 per cent, must be 10 per cent. In this simplified example, the required rate of return on the bonus potential is 10 per cent after tax and expenses.

However, the simplified calculation underestimates the need for return on the bonus potential for various reasons. For this reason, ATP's Supervisory Board has determined a result target for Hedging and Investment of 11 per cent of the bonus potential after expenses and tax. This result target is expected to be able to maintain the real value of assets at a long-term inflation level of 1.8 per cent equal to the 1-10 term expectation of Societal Assumptions for 2020 (Samfundsforudsætninger for 2020) from the Pension Prognosis Board (Rådet for Pensionsprognoser) used to calculate pension prognoses in Denmark.

² Hedging reflects the interest rate risk of pension liabilities.

³ Measured as ATP's net assets minus the bonus potential relative to ATP's total net assets.

Market value of ATP's investment portfolio year-end 2019

	DKKbn
Listed Danish equities	32.9
Listed international equities	43.7
Private equities	33.6
Credit	38.9
Government and mortgage bonds	109.2
Inflation-related instruments	(8.6)
Infrastructure	45.1
Real estate	49.6
Other	10.5
Total market value	354.9

Note: Market value is an expression of the funds tied into investments. The investment portfolio market value also includes financial derivatives such as 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.

ATP's investment approach – value creation

If working on the basis of Societal Assumptions 2020 (Samfundsforudsætninger for 2020), which is used to calculate pension prognoses in Denmark, the expected return on various investments is below 10 per cent p.a. So how can ATP expect to realise a net return of 11 per cent measured relative to the bonus potential? This is, generally speaking, down to three issues: i) that ATP utilises its investment capacity effectively, given that funds not tied to the hedging portfolio are available for the investment portfolio; ii) that ATP has a systematic and balanced utilisation of the risk budget via a factor approach, and; iii) that ATP adjusts the risk level of the investment portfolio systematically such that the risk utilisation remains optimal at all times.

Utilisation of investment capacity

Funds that as a result of the use of financial instruments are not tied up in the hedging portfolio are available to the investment portfolio. The fact that ATP has elected to divide investments into a hedging portfolio and an investment portfolio does not mean that the funds are considered to be separate. The division is intended to illustrate the purpose of various parts of the investments and to have a higher degree of transparency in communications regarding ATP's investment results, but not to split up funds.

ATP's investments consist of the hedging portfolio and the investment portfolio together.

ATP's total investment capacity

Measured relative to funds corresponding to the size of the bonus potential, the investment portfolio can invest more funds than the bonus potential. The ratio between total invested funds and the bonus potential can be measured with a variety of methods. The simple approach is to take the ratio between the market value of investment assets in the investment portfolio, DKK 355bn, and the bonus potential, DKK 126bn, which results in a factor of 2.8. This method cannot, however, allow for risk exposure in the portfolio, and this excludes the risk exposure via derivative positions. In order to recognise the risk exposure, including derivatives, the ratio can be measured based on ATP's generally applied model for market risk management and measuring of risk consumption. The risk in ATP's investment assets equals DKK 371bn invested in a standard market rate portfolio with medium risk and 15 years until pension. A risk-based calculation gives a factor of 2.9.

Dividing investments into an investment portfolio and a hedging portfolio makes the bonus potential the "natural" capital for the investment portfolio. However, the investment portfolio invests more funds than funds corresponding to the bonus potential, as the investment portfolio has access to capital (liquidity) from the hedging portfolio. Since ATP can invest further funds than the bonus potential, ATP can expect a higher long-term return than by only investing funds corresponding to the bonus potential.

In addition to the capital from the hedging portfolio, ATP uses derivatives. The use of derivatives is intended to secure a high degree of diversification in the investment portfolio. This also contributes to a high expected return per risk-DKK of the investment portfolio.

ATP manages the invested capital with a risk focus. In this way ATP differs from many other investors, as the primary

limitation on the investment portfolio is risk size rather than capital. The two relevant issues is whether an appropriate amount of risk is taken and whether liquidity may be lacking. Both this issues are subject to comprehensive measuring, management, control and reporting with view to safe-guarding ATP against events, which could jeopardise pensions. ATP also focuses on procedures and competences being aligned with the needs of the investment approach.

ATP’s investment portfolio aims at an absolute return in DKK, partially via a sufficient level of market risk in the portfolio, partially by aiming for a high, risk-adjusted return (RAR). When ATP measures a percentage return for the investment portfolio, it can be calculated relative to the size of the bonus potential. As ATP’s invested capital is larger than the bonus potential, this obviously brings about high percentage returns when things are going well for the investment portfolio and vice versa when things are going less well, which is communicated in connection with financial reports and the like. In ATP’s investment portfolio, the return figure is related to the capital, which carries the investment risk. This is a generally approved principle, and in the case of ATP, the bonus potential carries the investment risk.

Risk diversification and the factor approach

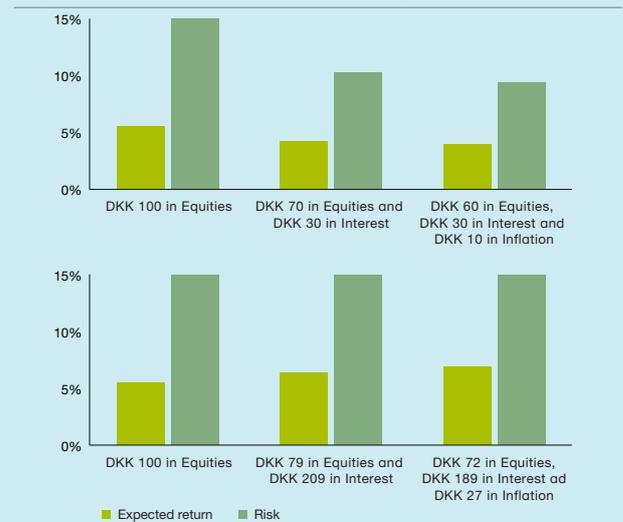
Another source of expected higher return is systematic utilisation of risk diversification. Risk diversification results in a higher return per risk-DKK. This means that with a given risk budget, ATP gets the biggest possible return for the money.

The best possible utilisation of the risk budget is obtained via a widely invested investment portfolio. A significant purpose of ATP’s factor approach (see, for example, the annual report for 2017 for a description of this) is to secure a high degree of risk diversification in the investment portfolio.

The systematic approach to risk diversification means that the investment portfolio has an expected return per risk-DKK (RAR) which is significantly above a traditionally invested portfolio.

⁴ The risk corresponds to the risk of a standard market rate portfolio with medium risk and 15 years to pension.

Expected return and risk for various portfolios⁴



The illustration at the top of the figure above shows expected return and risk for an investor who can place DKK 100 in the following 3 different ways:

- DKK 100 in equities
- DKK 70 in equities and DKK 30 in bonds
- DKK 60 in equities, DKK 30 in bonds and DKK 10 in inflation instruments.

The more instruments in the portfolio, the lower the expected return, but also lower risk.

The illustration at the bottom of the figure above shows expected return and risk for an investor maintaining risk rather than the sum invested: This investor will be able to arrange unlimited borrowing and can place the funds in the following 3 different ways:

- DKK 100 in equities
- DKK 79 in equities and DKK 209 in bonds
- DKK 72 in equities, DKK 189 in bonds and DKK 27 in inflation instruments.

The more instruments in the portfolio, the higher the expected return with the same risk. As the investor in the bottom illustration invests more than DKK 100, this requires access to additional capital. As mentioned, ATP has this access via a division of capital between the hedging portfolio and the investment portfolio and via the use of derivatives.

Dynamic risk level adjustment

A third source of higher return is for ATP to systematically adjust the investment portfolio risk level. This involves adjusting the risk level upwards when the bonus potential grows. The systematic approach makes a long-term contribution to ATP achieving a slightly higher risk level and thereby also a higher return than would otherwise be the case.

Active risk level management enables ATP to make effective use of the risk budget. The “price” of being able to adjust the risk level is that a large proportion of the investments have to be able to be turned over quickly without having a significant effect on the markets. ATP has designed its investment portfolio such that it is possible to significantly reduce the risk level and – in a historical perspective – sufficiently to be able to protect the bonus potential.

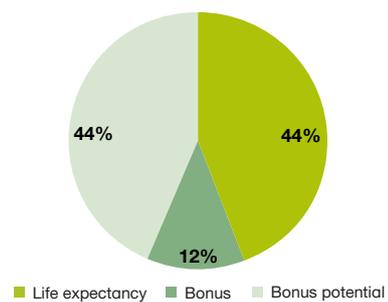
From a risk management point of view, ATP’s investment approach is also based on continuous adjustments to the investment portfolio risk level. This means that the risk is reduced when it becomes too great. This partly mitigates the effect of losses. Dynamic adjustment of ATP’s risk level has been a fixed part of the investment approach at ATP for the past 15 years.

How did ATP do over the past 10 years?

Between 2010-2019 ATP generated accumulated investment returns of DKK 172bn before tax and investment expenses. After tax, investment expenses and provisions following from yield curve break, the investment return was DKK 121bn. Average investment return after tax and investment expenses relative to the bonus potential is 16.3 per cent.

Over the period, the accumulated investment return of DKK 121bn has contributed to increasing the bonus potential by DKK 53bn.⁵ To this should be added that accumulated provisions to cover life expectancy increase amount to DKK 54bn, and the bonus is DKK 15bn.

Distribution of accumulated investment returns 2010-2019



The bonus potential as a proportion of the value of ATP’s guaranteed pensions is called the bonus rate. Developing and maintaining the bonus rate is very important for ATP’s future ability to generate returns and thereby delivering future bonus. Despite the increase in the bonus potential of DKK 61bn, the bonus rate has been reduced over the period, as the interest rate reductions across the period has roughly doubled the value of the guaranteed pensions.

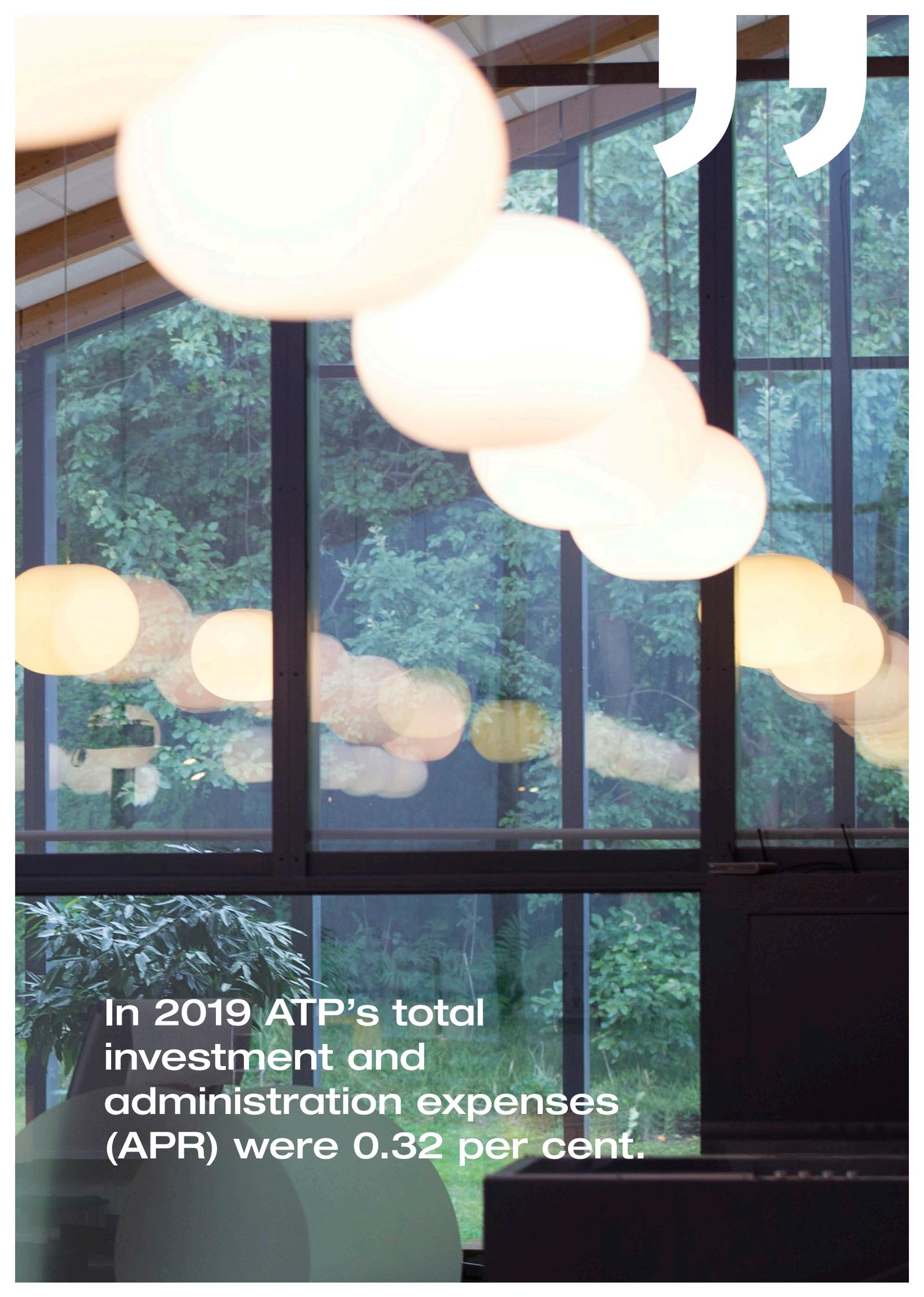
Development in the bonus potential and the guaranteed pensions 2010-2019



Bonus for the period has not been sufficient to secure the real value of the guaranteed pensions measured as the development in the consumer price index. An estimate of the accumulated bonus that would have secured the real value is approx. DKK 60bn, and the accumulated constitutes DKK 15bn. During the same period, the bonus potential was increased by DKK 61bn to be able to maintain suitable room for investment manoeuvring and future-securing the real value of pensions. To this should be added the DKK 54bn earmarked for provisions for longer life expectancy during the same period.

⁵ During the 10-year period, the bonus potential grew by a total of DKK 61bn, of which DKK 53bn is from the investment return and DKK 8bn is from other activities.

= ratios



In 2019 ATP's total investment and administration expenses (APR) were 0.32 per cent.

Continued low annual percentage rate

ATP's low expenses translate into higher pension payouts for members

Expense levels have an impact on ATP's future pension payouts. With a long savings period, small differences in expenses can make significant differences in pension payouts. By focusing on cost efficiency, ATP aims to keep both investment and administration expenses low, while keeping its eye on capturing the return potential available from one extra DKK of cost. Total investment and administration costs were 0.32 per cent relative to net assets in 2019.

Investment expenses

ATP's direct and indirect investment expenses amounted to DKK 2.6bn in 2019, equivalent to 0.30 per cent of the net assets managed by ATP at year-end. Including administration activity expenses, APR is 0.32 per cent. In 2019 the investment expenses level increased primarily as a result of i) expenses related to increased diversification in the investment portfolio and, ii) as the result of high returns and thereto related performance fees in the underlying private equity funds.

ATP focuses on investing in the most appropriate way, and factors such as risk-adjusted returns, cost efficiency, tax

issues, corporate responsibility and ownership are considered. For instance, it is regularly assessed whether a given return potential should be pursued by purchasing the assets in question directly, through financial contracts or by use of external managers.

Investment expenses in ATP and subsidiaries

In 2019 ATP has continued and further developed the investment strategy of previous years in which large parts of the ATP investment portfolio were restructured to be able to support an appropriate risk level, higher diversification and a strong ESG focus.

In 2019 ATP has performed a number of new, strategic investments via subsidiaries in mandates and funds in order to increase the diversification of the balanced investment portfolio without increasing the risk with the purpose of real value securing ATP members' pensions. These initiatives have expanded the cost base.

Indirect management fees

Indirect costs for investment in external mandates in 2019 are in line with 2018. A few private equity investments have

Total annual expenses in per cent (APR)^{1,2}

	2019			2018		
	DKK million	DKK per member	Share relative to net assets	DKK million	DKK per member	Share relative to net assets
Administration expenses ATP	201	38	0.02	197	38	0.03%
Investment expenses, ATP	462	88	0.05%	458	89	0.06%
Investment expenses, subsidiaries	349	67	0.04%	281	55	0.04%
Investment expenses, external managers	665	127	0.08%	627	122	0.08%
Total asset-dependent investment expenses	1,477	282	0.17%	1,366	267	0.18%
Performance fees, external managers	1,130	216	0.13%	1,095	212	0.13%
Total investment expenses	2,606	498	0.30%	2,461	478	0.31%
Total expenses	2,808	537	0.32%	2,659	516	0.34%

¹ Expenses have been calculated in accordance with the industry standard.

² The ratio includes all expenses for administrating and managing ATP's net assets. Expenses related to business processing for external parties in the Processing Business and venture investment NOW Pensions (DKK 125m in 2019) are not included as they relate to administration of external funds.

been scaled down, and conversely ATP has invested in external mandates in the areas of infrastructure, real estate and forestry.

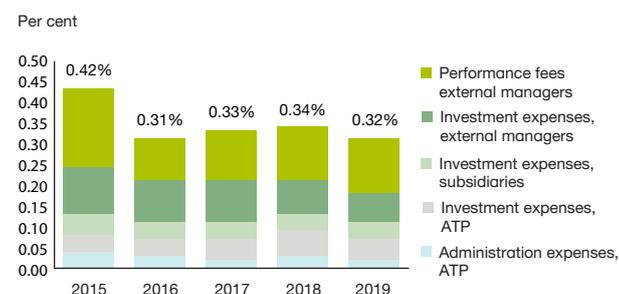
Performance fees

Performance fees are indirect costs directly offset in the return and are highly dependable on the investment return. As part of ATP's illiquid portfolio, investments in private equity have generated positive returns in 2019 with a derived effect on the scope of performance fees in the underlying funds.

Annual expenses in per cent of assets (APR)

The composition of the increased cost base is a result of active decisions regarding increased direct investment costs, which in future are expected to contribute to additional returns without increasing the risk consumption.

Development in total direct and indirect expenses (APR)



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

Based primarily on the falling interest level in 2019 and secondly on ATP's high investment return, the net assets have increased significantly. This means that ATP's APR is reduced to 0.32 per cent despite a slightly increased cost level.

Administration expenses

ATP has a focus on attaining and maintaining low administration expenses. In 2019 administration expenses for ATP

Lifelong Pension were DKK 201m, equal to 0.02 per cent of net assets.

Expenses in 2019 are in line with 2018 despite 2019 include expenses for the implementation of the Mandatory Pension Scheme (Obligatorisk Pensionsordning – OP). Over recent years, administration expenses have been reduced substantially and kept at a low level.

The trend can be attributed to stable and secure operations on a well-functioning IT platform. In addition, a large part of the administration is automated, and there has particularly in recent years been focus on moving large elements of communication with members onto digital systems.

The IT platform is continuously being developed in line with ATP's long-term development strategy to ensure that it remains up-to-date at all times and supports IT security and operational risk management. The level of expenses is expected to rise a little in future, including as a result of activating the Mandatory Pension Scheme and participation in common public digitalisation strategies.

Mandatory Pension Scheme (Obligatorisk Pensionsordning – OP)

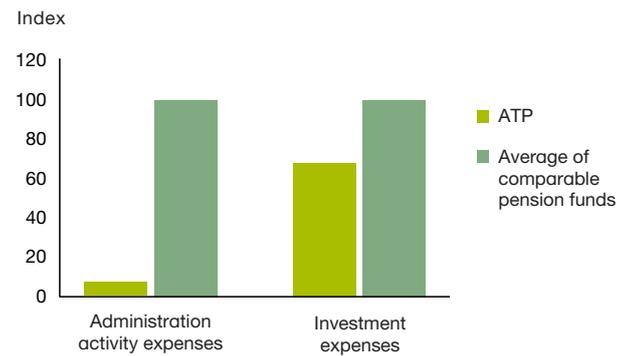
In 2019 the Danish Parliament determined that ATP will administer the new Mandatory Pension Scheme for transfer income recipients. The pension scheme came into force on 1 January 2020 and is administrated in the same way as ATP Lifelong Pension, meaning that expenses in OP are kept low.

International benchmarking of expenses

International benchmarking of investment expenses

The latest international benchmarking of expenses in the investment area (CEM Benchmarking), show that ATP's total investment expenses, adjusted for indirect return-related fees, are among the very lowest in the global pension community, and 32 per cent lower than the average of ATP's peers. The group of global peers comprises pension funds with approximately the same net asset size as ATP and includes 17 pension funds from the Netherlands, Australia, China, Canada and the USA.

International benchmarking of expenses



Note: CEM Benchmarking

International benchmarking of administration activity expenses

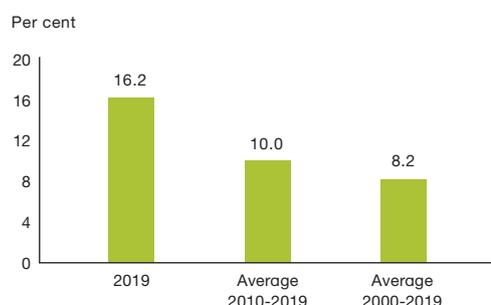
The latest international benchmarking of administration activity expenses for the pension area (CEM Benchmarking) shows that administration activity expenses for ATP Life-long Pension are below 1/10 of the average of comparable, global pension funds. The group of comparable peers comprises pension funds of approximately the same size as ATP. This group includes 12 pension funds from the Netherlands, Canada and the USA. The low expense level is linked, among other things, to ATP being a mandatory scheme with a simple product and a large number of members, making it possible to realise various economies of scale. Being a mandatory scheme, ATP does not have a dedicated sales organisation, and at the same time large portions of communications with members have been digitalised in recent years. Automated deposit and disbursement processes and a stable, fully depreciated IT platform also contribute significantly to the low cost level per member.

The Danish Financial Supervisory Authority's return ratios

ATP does not apply the Danish FSA's one-year return ratio

Each year the Danish FSA publishes, among other things, return ratios for average rate products for life insurance companies and industry-wide pension funds. The 'N1' ratios applied by the Danish FSA measure only returns on assets, including the assets of ATP's hedging portfolio, while no allowance is made for changes in the market value of ATP's pension liabilities.

ATP's returns over 1-year, 10-year and 20-year horizons



Note: Calculated in accordance with the Danish FSA's definition.

The guarantee element and the hedging of guarantees against interest rate changes mean that short-term interest rate changes do not affect future pension payouts, but may significantly impact the size of ATP's return ratio in both a positive and a negative direction.

For instance, if interest rates of the assets included in ATP's hedging portfolio go down, the hedging portfolio will generate a significant positive return – a return that is included in the

Danish FSA's return ratios. However, this decline in interest rates will also cause the market value of ATP's pension liabilities to increase, the reason being that ATP needs to set aside more funds to be able to meet future pension liabilities. Consequently, the decline in interest rates does not notably affect future pension payouts in the short term.

Moreover, the Danish FSA's return ratios for average rate products do not allow for the cross-company variance in value creation for different companies' guaranteed products. The return ratio of the individual year is focused exclusively on the return on total assets – not on the increase in the guaranteed pension actually obtained by members. In other words, the return achieved by ATP's members in the individual year is therefore not reflected by the Danish FSA's return ratios.

As the Danish FSA's return ratios tend to reflect market value changes in ATP's hedging portfolio, that will not notably affect the pension commitments made, and as the ratio does not allow for the variance in value creation for the pension providers' guaranteed products, the ratio fails to provide a comprehensive view of the value creation for ATP's members for the individual year. However, in the very long term the ratio better reflects the value creation.

For this reason, ATP does not apply this ratio in the short term. Using the Danish FSA's return ratios, ATP achieved a return of 16.2 per cent in 2019.

= risk

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ATP is committed to identifying and managing the most significant risks relating to the ATP Group's activities.

Risk and risk management

OVERALL RISK MANAGEMENT

ATP is committed to identifying and managing the most significant risks relating to the ATP Group's activities. The most significant risks relate to the three overall risk categories: Investment, pension and operational risks.

Overall risk management process



The effort related to including the most significant risks and weighing the various risks in relation to each other rests with the ATP Supervisory Board, which will define the overall principles for risk management in a policy. The Supervisory Board attaches particular importance to ensuring that ATP's financial flexibility remains intact – even in very difficult situations.

In line with other pension companies, ATP performs an Own Risk and Solvency Assessment (ORSA).

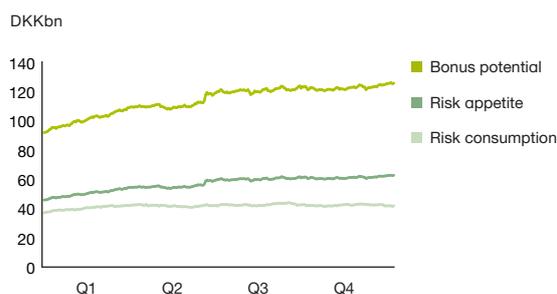
ATP's overall risks

The overall principle for ATP's risk management is that total risk (the risk budget) must be aligned with the bonus potential. The bonus potential, which constitutes ATP's reserves, expresses the difference between the value of ATP's total assets and ATP's guaranteed pensions. The larger the bonus potential, the larger capacity ATP has to assume risks.

ATP's Supervisory Board has defined a risk budget which is the upper limit for the risk consumption. The risk budget for 2019 is defined as 50 per cent of the bonus potential and therefore changes dynamically in line with the bonus potential. At the end of 2019, ATP's bonus potential was DKK 126.0bn, meaning that the risk budget was DKK 63.0bn.

ATP calculates risk consumption on a daily basis in an in-house developed model which includes risk across risk

Risk consumption in 2019



areas and indicates the average of the 1 per cent largest losses of bonus potential over a 3-month period (Expected Shortfall). ATP's Supervisory Board has determined measuring principles for the model for measuring risk consumption in Risk Policy for ATP. The Risk Consumption measuring principles came into force on 1 January 2019, replacing the principles of the previous policy for ATP's internal model. At year-end 2019 risk consumption amounted to DKK 42.2bn.

HOW ATP MANAGES ITS MOST SIGNIFICANT RISKS

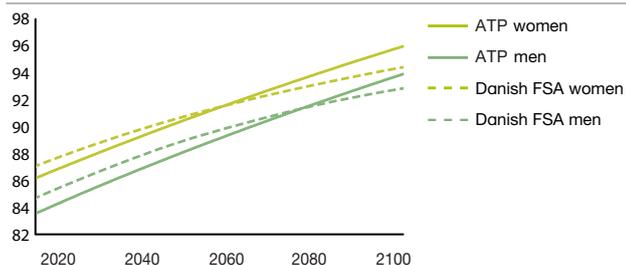
Longevity risks

ATP disburses a monthly lifelong pension for as long as the members' are alive. This makes life expectancy trends the greatest risk facing ATP in the pension area. ATP relies on a custom life expectancy model for managing the longevity risk. In addition to factoring in already observed increases in life expectancy, the model allows for expected future increases.

Other Danish pension companies use life expectancy assumptions developed by the Danish Financial Supervisory Authority (FSA). Danish FSA life expectancy assumptions are based on data from a number of Danish life insurance companies and industry-wide pension funds with a total of 2.9 million customers and demographic data from across Denmark. ATP's model is based on information about its just over 5 million members and on data from approximately 330 million inhabitants in 18 OECD countries.

The Danish FSA's population consists of people who are all covered by insurance. As ATP's population also includes people who are not covered by insurance, the two populations are not directly comparable.

Expected future increases in life expectancy



Note: Projected life expectancy (65-year-olds) in ATP's life expectancy model and FSA benchmark. ATP's population and the Danish FSA's population are not directly comparable.

Market risks

Investment risks are primarily market risks assumed by ATP in relation to investment and hedging. Market risks are risks related to market value changes of assets or liabilities as a result of changes in capital markets, including interest, equities, currency and credit markets.

Return on the investment portfolio is primarily seen as compensation for assuming market risk. In order for the investment portfolio to generate sufficiently high returns, ATP therefore actively assumes a certain degree of market risk which is aligned with the bonus potential in order that the risk of losses does not become too high. This is done by assigning a risk budget and risk diversification framework to the investment portfolio.

ATP invests in infrastructure, private equity, real estate and certain types of credit, and these investments are termed alternative investments. Risks associated with these investments are, to some extent, comparable to investments in traditional, liquid investment assets and are therefore included in the four factors in the investment portfolio. To this should be added a range of risks linked to the management of such investments, including the contract basis for transactions and the low market liquidity. ATP has many years' experience with alternative investments, and the procedures are developed and adjusted on an ongoing basis.

Counterparty risks

The use of financial derivatives, especially for hedging purposes, represents a separate risk to ATP. Changes in the value of these instruments will generate a liability or a receivable between ATP and its counterparties. ATP

can therefore suffer a loss if a counterparty reneges on their obligations. In order to reduce counterparty risk, both ATP and its counterparties require that an agreement be concluded on collateral for mutual receivables.

Liquidity management

ATP's liquidity management ensures that ATP will, at all times, be able to meet any requirement for provision of liquidity or pledging of collateral. This applies both in the short term and in the longer term.

Currency risks

ATP's investments are, as a rule of thumb, hedged against currency fluctuations in Danish kroner and euros. Thus, the exposure to currencies other than Danish kroner and Euros is limited. In light of the high degree of confidence in Denmark's fixed price policy, ATP tolerates a significant exposure to the Euro.

Operational risks

Operational risks link to the risk of financial, reputational, compliance and personal data effects as the result of inappropriate or insufficient internal procedures, human error, system error or as a result of ATP's collaboration with external business partners and suppliers. Operational risks in the Processing Business primarily manifest as reputational effects and relate, among other things, to risk of error or delay in mass payouts. Operational risks linked with Pensions & Investments primarily manifests as financial losses and relate, among other things, to error in the processing of transactions.

Regulatory risks

ATP's operations extensively relate to schemes and tasks established and governed by statute. Activities can be set up, changed or discontinued by political decision – sometimes at relatively short notice. Similarly, conditions for ATP's operations or parts thereof are affected when significant regulatory conditions change and new, tighter financial, administrative or other requirements are imposed on ATP.

Read more about risks and risk management at www.atp.dk/en/atp-as-an-investor/risk/Risk and Financial Condition Report 2019

= social responsibility



ATP's policies for social responsibility in investments and active ownership constitute the overall framework for the work on social responsibility.

Social responsibility in investments

ATP considers analysis of ESG issues as an important and relevant element in the risk management effort, and this can at the same time identify investment opportunities

ATP as a responsible investor

As the pension funds of Danish citizens, ATP tries to live up to social responsibilities. ATP's five million members, Danish and international NGOs and other stakeholders have – often diverging – expectations with regard to how social responsibility should be exercised by ATP. At the same time, institutional investors face constant dilemmas in their social responsibility work with investments – such as when assessing specific companies. ATP tries, as well as it can, to navigate a field marked by different expectations, dilemmas and complex issues related to the framework of our own social responsibility policies related to investments and active ownership.

Sustainable development as a condition for future, positive returns

The preconditions for high future returns are long-term and sustainable business value creation. Therefore, it is also important to us that the companies ATP invests in establish long-term goals and take responsibility for the communities they operate in. By acting responsibly those businesses maintain their legitimacy and license to operate, which is fundamental to continued growth and development. At the same time, experience has shown that we make better investment decisions by integrating ESG information with knowledge of other business aspects into the decision-making basis.

Dilemmas integrated in ESG

Institutional investors face constant dilemmas in their social responsibility work with investments – such as when assessing specific companies.

As an investor with a global, diversified portfolio, ATP holds investments in various sectors and geographic locations. ATP's portfolio companies are therefore also exposed to many different risks and opportunities relative, for example, to the UN sustainable development goals or specific themes linked to human rights, employee rights, environment and climate, anti-corruption and corporate governance.

In 2019 ATP was in dialogue with a company, which operates hydropower plants in South America. From a climate point of view, hydropower expansion is a positive thing, as hydropower has a very low CO₂ intensity per kWh produced. There are, however, a number of issues related to hydro-

power that its positive climate aspects must be contrasted with. This includes, for example, the flooding of areas used as reservoirs for dams, which may have consequences for indigenous peoples. The dialogue is mentioned in our fact-finding report, which forms part of ATP's ESG procedures.

As a long-term investor, ATP has a strong interest in a sustainable development of the world and the economy – socially as well as environmentally. This means that ATP also actively considers this type of dilemma in the effort to integrate ESG in its investment procedures and its active ownership.

ATP's Policy of Social Responsibility in Investments

The Policy of Social Responsibility in Investments constitutes the overall framework for the work on social responsibility across asset classes and investment methods. The policy determines basic principles and minimum criteria for the behaviour of portfolio companies. Among other things, the policy states that ATP does not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

ATP's Policy of Active Ownership

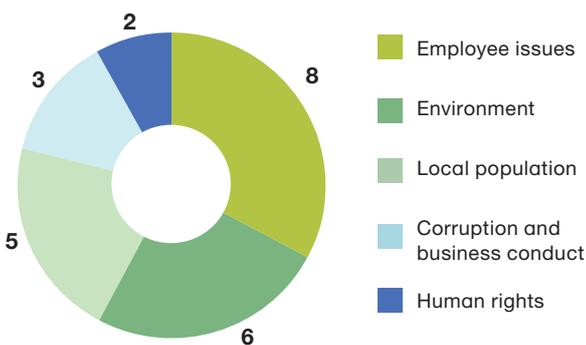
ATP's Policy of Active Ownership determines the principles and processes that guide ATP's work on active ownership. As a responsible long-term investor, ATP has an interest in investors as owners of listed companies being able to understand and control the companies' overall actions, thereby promoting the companies' long-term value creation. Working with active ownership has high priority, for which reason ATP handles communications with companies directly. Especially two processes are used when enacting active ownership: i) ATP communicates with companies via voting at general meetings of all equity investments, and; ii) in many cases, ATP is also in ongoing communication with companies in which ATP has significant holdings.

SPECIAL MEASURES IN 2019

In 2019 ATP conducted a number of thematic engagements, focusing on different elements of the portfolio companies'

value creation. In 2019, ATP communicated with 182 companies about eight different ESG topics and 24 fact-findings have been performed where there has been suspicion of a breach of ATP’s Policy of Social Responsibility for Investments. As the result of fact-finding, one company was excluded for a number of unacceptable human rights and environment issues.

Themes of ATP fact-finding in 2019



UN’s 17 Sustainable Development Goals

ATP fully supports the UN’S 17 sustainable development goals. As a long-term investor, ATP has a strong interest in a sustainable development of the world and the economy – socially as well as environmentally.

Compliance with the OECD guidelines helps move the world towards meeting the sustainability goals, and via our fact-finding work and thematic engagement, ATP thereby contributes to sustainable development. It will therefore primarily be via fact-finding and thematic engagement that ATP will meet its development goal responsibilities.

Therefore, we annually state the contributions which our two fixed processes, fact-finding and thematic engagement and focused initiatives have had on the SDGs.

For all ATP investments, some degree of effect on one or more of the UN’s 17 sustainable development goals will be evident. Some ATP investments do, however, have a clear connection with the development goals overall or with select development goals. One area where the connection

between ATP investments and the development goals is obvious, is ATP’s investment in green bonds.

In 2019 ATP has once more increased its investments in green bonds, such that at year-end ATP held green bonds valued at nearly DKK 20bn. These green bonds are targeted financing for projects and activities contributing to sustainable development. Some of the targets that green bonds are particularly aimed at are Target 7 (sustainable energy), Target 11 (sustainable cities and local communities, Target 13 (climate effort) and Target 15 (life on land). We will talk more of green bonds in our climate report.

In 2019 ATP has also invested in Copenhagen Infrastructure Partners’ new fund which will be investing in renewable energy in developing countries where renewable energy is not yet widespread.

Real estate and construction represent approx. 40% of our total energy consumption in Denmark, and as a real estate investor, ATP can apply positive influence. For ATP’s subsidiary ATP Ejendomme, the sustainable development goals are both a tool for focusing on specific areas of real estate development and for showing how sustainable real estate supports sustainable societal development.

Thematic ESG reports

In 2019 ATP reports on social responsibility in seven separate thematic reports which each deals with elements of ATP’s social responsibility efforts. All reports are available at www.atp.dk/rapporter-om-samfundsansvar: Active ownership, ESG in illiquid investments, Climate, Tax, Fact-finding, Thematic Engagement, Sustainable Development Goals. A separate report is also published on ATP as a responsible investor.

The report ‘ATP Group Social Responsibility 2019’ (‘ATP Koncernen Samfundsansvar 2019’), which constitutes both the statutory report and ATP’s progress report for Global Compact, is available at www.atp.dk/en/responsibility/responsibility-reports.

	Sustainable Development	ESG processes	Focused investments and initiatives
	Abolish poverty		SDG fund
	Stop famine	Fact-finding	SDG fund
	Health and welfare	Fact-finding	Certified real estate
	Quality education	Fact-finding	
	Gender equality	Fact-finding	SDG fund
	Clean water and sanitation	Thematic Engagement	SDG fund
	Sustainable energy	Thematic Engagement	Green bonds, SDG fund, Investments in renewable energy
	Acceptable jobs and economic growth	Thematic Engagement, Fact-finding	SDG fund
	Industry, innovation and infrastructure	Thematic Engagement	
	Reduced inequality	Thematic Engagement, Fact-finding	
	Sustainable cities and local communities		Certified real estate
	Responsible consumption and production	Thematic Engagement, Fact-finding	SDG fund, Certified real estate
	Climate effort	Thematic Engagement	Climate Action 100+, Green bonds, SDG fund, Certified real estate
	Life in the ocean	Thematic Engagement	
	Life on land	Fact-finding	
	Peace, justice and strong institutions	Thematic Engagement, Fact-finding	
	Partnerships for action	Thematic Engagement	Membership of PRI, IIGCC, Climate Action, SDG fund

Tax payment and tax policy

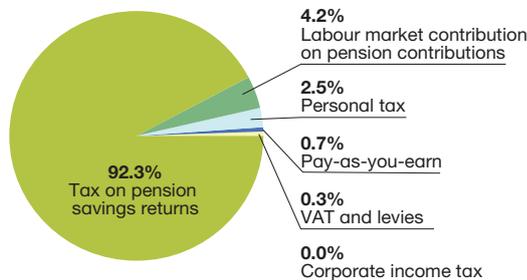
ATP conducts itself as a responsible investor and is therefore committed to openness and transparency about its tax policy and payments. In 2019 there was continued focus on the implementation of a common tax code

Tax contribution

ATP pays Danish tax on pension savings investment returns, no matter where in the world the returns are generated. For 2019 Danish tax on pension savings returns constituted DKK 19.0bn, and for the last 5 years the figure was DKK 37.6bn.

In addition to tax on pension savings returns, payments to the Danish state also include corporation tax, VAT and labour market contributions paid on behalf of members of their ATP contribution payments and personal taxes withheld and paid on behalf of own employees. As a global investor, ATP also pays taxes in several places abroad. In 2019 ATP's total tax contribution was DKK 20.7bn.

Tax footprint 2019 – distribution of DKK 20.7bn.



Note: The overview above only includes tax on ATP's own activities and investments. Tax paid locally by Danish and international companies in which ATP has invested is therefore not included.

Dialogue and control regarding tax

Since 2016, when ATP's Supervisory Board first adopted a specific tax policy, ATP has worked on committing external managers with whom ATP works to acting responsibly in relation to tax. The tax policy was last updated in 2018 where, on the basis of experience, it was made more specific and clearer to counterparties, particularly with regards to private investments. Spot checks are carried out every year to ensure that all investments comply with the tax policy. In 2019 13 spot checks were carried out, and all showed compliance with ATP's Tax Policy. During the year there has also been a series of dialogues on tax practice with foreign pharmaceutical companies in the listed portfolio. The companies were responsive and provided satis-

factory answers to how the companies deal with tax issues. ATP is frequently invited to talk of our work and experience with tax policy enforcement, and in 2019 we have visited investors, attended conferences and visited major auditing firms in Denmark and abroad.

ATP's tax policy

1. To ensure correct payment of taxes

ATP wishes to pay the correct tax – not too little, not too much – and complies with tax legislation and practice.

2. To reduce tax risks

ATP seeks to apply robust and functional tax structures with a view to reducing tax risks which may negatively affect the investment return in the long term, and to minimise risk of structures and transactions being challenged by tax authorities.

3. To present external managers, co-investors and companies with clear expectations

ATP wishes to communicate which tax behaviour is acceptable and not acceptable to ATP and expects that ATP's external managers and companies in which ATP invests will act accordingly. ATP works to ensure that co-investors in shared investments with ATP are bound by agreements which reflect ATP's tax policy.

4. To support increased transparency in the tax area

ATP generally supports increased transparency in the tax area and the majority of international initiatives.

ATP's tax policy for unlisted investments can be found at www.atp.dk (www.atp.dk/en/responsibility/tax-atp/atps-tax-Policy).

ATP's efforts on tax in investments

It is ATP's experience that it is not easy to get everyone to accept the direction against aggressive tax planning. In some cases, this has meant that ATP has turned down investment opportunities. Conversely, ATP has also been

met with positive inclinations towards joining the agenda of contributing to good tax practice and increased transparency. ATP has fixed processes in place for incorporating taxation in our new unlisted investments. In this way, we ensure that we have control of taxation in our investments and that we minimise taxation risks when we step in as owner. We are also working on implementing the tax policy to the greatest extent possible in new and existing investments. ATP is continuously invited to invest in a variety of different projects, and when we abstain from investing for tax reasons, the issue is about the structure used for the investment and what we can support in terms of tax concerns. It is about behaviour, i.e. the choices made in connection with the investment, including the choice of company type and the country for tax purposes. The use of low tax nations is not in itself a sign of aggressive tax planning, unless the country is deliberately used to reduce or avoid taxation. If an investment is based on a tax structure which contains aggressive tax planning, ATP will therefore reject it.

An investment that did not live up to ATP's tax policy

In one case, ATP was offered investment in an investment fund which was to own an insurance group in Bermuda with a number of subsidiaries, among other places in the UK and Germany.

As part of the investment, a portion of the German and British subsidiaries' insurance risk would be transferred from the UK and Germany to Bermuda. In tax terms, the transfer of the insurance risk to Bermuda meant that part of the group's earnings were transferred to Bermuda.

Insurance risk is an attention point for transfer pricing regulations, and it was clear that the structure was a way of moving profits from high-tax countries to a low-tax country in order to pay lower taxes. And since we do not wish to be part of structures with such tax planning intended, we declined participating in the investment.

Industry collaboration for responsible tax behaviour

In 2019 ATP continued to focus on responsible tax behaviour, and in collaboration with a group of Danish pension companies, we have developed a common tax code for unlisted investments, which lays down a number of requirements and expectations for the tax practices of external asset managers. The aim is to influence tax practices in a responsible direction and to avoid aggressive tax planning. It is important to pay the correct taxes in the company structures in which ATP invests. The tax code has been adopted by a large segment of the pension industry in Denmark. With the tax code, we attempt to influence tax behaviour in Denmark and internationally. Hopefully, even more investors will adopt the code over time. If enough investors stipulate requirements for responsible tax behaviour, it will limit the possibilities of the market players who do not want to align their tax practice to match the expectations of ATP and other responsible investors.

The core of the tax code is:

- We do not accept aggressive tax planning
- We reserve the right to request additional reporting and to perform spot checks to check that an external manager does not apply aggressive tax planning
- We appeal for transparency in the tax area
- We appeal to external managers to adopt their own tax policy
- External managers must monitor and manage relevant tax risks responsibly

The tax code can be found in its full version at www.atp.dk (www.atp.dk/en/responsibility/tax-code-of-conduct).

Resource consumption and diversity

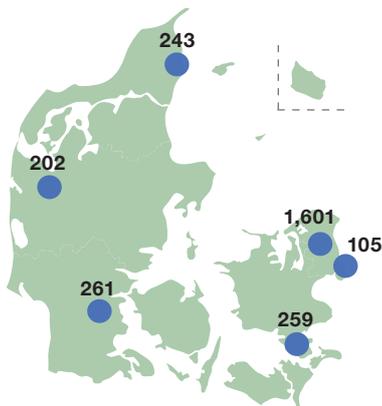
Follow-up on ATP's own environmental, social and governance key figures

EMPLOYEES IN THE ATP GROUP

In 2019 the ATP Group had a total of 2,747 full-time employees (on average), and they were mainly distributed across the units in Vordingborg, Holstebro, Haderslev, Allerød, Lillerød, Frederikshavn, Copenhagen and the headquarters in Hillerød.

As a large employer with many offices, the ATP Group leaves its 'footprint' on society, for example in the form of environmental, climate and employee impacts.

Employees in Denmark



Note: Average number of full-time employees in 2019 in Denmark.

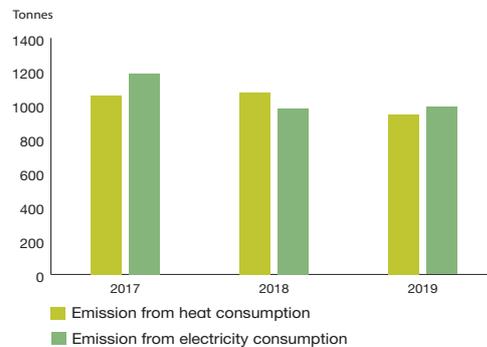
ATP plays a significant role in society and has a social responsibility. ATP is aware of this and has in an effort to increase transparency incorporated relevant recommendations by CFA Society Denmark in the reporting of environmental, social and governance key figures.

KEY FIGURES FOR ENVIRONMENTAL IMPACT

In the table on the next page, ATP accounts for its environmental impacts, for instance through CO₂ emissions, electricity, heat and water consumption in ATP's Danish offices in Copenhagen, Haderslev, Holstebro, Vordingborg, Frederikshavn, Hillerød, Allerød, Lillerød and the offices of ATP's subsidiaries in Copenhagen.

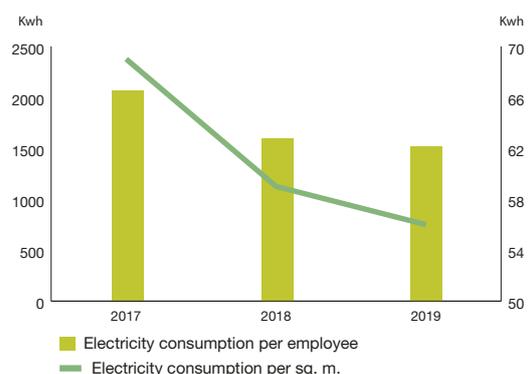
In 2019 ATP's CO₂ emission per employee totalled 1.03 tonnes. The total electricity and water consumption fell compared with 2018, whereas water consumption increased.

CO₂ emission from heat and electricity consumption



KPI development shows a slightly increasing trend for water consumption per employee and m². In future ATP will analyse the possibilities of reducing water consumption. However, the KPIs for electricity and heat consumption per employee and m² show a downward trend, reflecting the reduced total electricity and heat consumption. The total CO₂ emissions for 2019 ended at 2,915 tonnes from electricity and heat consumption and transport.

Electricity consumption



Environmental impact of CO₂, consumption of electricity, heat and water, etc.

	2019	2018	2017
ATP facts			
Number of locations	9	10	9
Number of sq. m.	63,435	76,654	73,933
Number of employees (FTE) ¹	2,747	2,948	2,966
Consumption data²			
Electricity consumption (MWh)	4,288	4,342	4,198
Heat consumption (MWh)	5,879	6,355	5,667
Heating degree day-adjusted heat consumption (MWh)	6,438	7,516	6,519
Water consumption (m ³)	20,301	18,747	15,710
KPIs			
Area per employee	24	27	27
Power consumption per employee (kWh)	1,520	1,567	2,062
Power consumption per sq. m. (kWh)	56	59	69
Heating degree day-adjusted heat consumption per employee (kWh)	2,282	2,765	3,202
Heating degree day-adjusted heat consumption per sq. m. (kWh)	84	102	107
Water consumption per employee (m ³)	7.6	6.9	7.7
Water consumption per sq. m. (m ³)	0.27	0.25	0.26
CO₂ emission			
CO ₂ emission, heat consumption (tonnes)	945	1,076	1,057
CO ₂ emission, electricity consumption (tonnes)	991	982	1,189
CO ₂ emission, transport (own vehicles, taxis and air travel) (tonnes)	979 ³	-	-
CO ₂ Scope 1 (tonnes)	128	133	121
CO ₂ Scope 2 (tonnes)	1,812	1,930	2,128
Total CO ₂ emission (tonnes)	2,915 ³	-	-
CO ₂ emission per employee (tonnes per FTE)	1.03 ³	-	-

¹ Number of employees is stated as the average number of full-time employees.

² Consumption figures for electricity, heat and water are stated using the most recently available figures. In order to make trends in KPIs comparable, these are calculated on the basis of the average number of employees during the period of consumption and the number of sq. m. used in the period of consumption. Moreover, consumption when moving in/out is translated into annual consumption. Therefore, the KPIs cannot be deduced directly from the table.

³ No reference year has been specified due to changed calculation method of the air travel provider.

Initiatives in 2019

Sustainability is a major focus area for ATP as reflected in our activities. We continuously consider how we can keep our carbon footprint at a minimum through procurement and other initiatives. For this reason, we engage in the circular economy, and in 2019 ATP donated used furniture to the local communities, and we aim to use recycled materials as we did when we bought new carpets.

Energy-saving initiatives

ATP continuously seeks to improve our environmental impact and CO₂ emissions from consumption. In 2019 ATP started to install LED lighting throughout the Hillerød location, and this work is expected to be finished at the beginning of 2020. Replacement is expected to generate total CO₂ and kWh savings of up to 50%. Moreover, much of the lighting at the Frederikshavn and Vordingborg locations has already been replaced by LED and such replacement work is carried out continuously at all locations.

At the end of 2019 charging stations for electric cars to be used by the employees were established at several locations. The continued increased focus on a more sustainable ATP also involves several minor initiatives, such as replacement of water softening systems, investigations into the use of heat sources and optimisation of ventilations systems, all of which contribute to the vision of reducing the environmental impact.

Phase-out of disposable tableware

With the aim of reducing the climate footprint of our canteens, ATP started to phase out our use of disposable tableware in 2019. The result is minimum consumption of disposable tableware, which has been replaced by compostable material.

Increased focus on organic food and food waste

In 2019 all canteens in ATP achieved bronze status for organic food within the existing budget. The ambition is still to increase the volume of organic produce. The focus on optimum use of produce and surplus production has raised awareness of food waste and waste separation. This will continue in 2020.

SOCIAL KEY FIGURES

Diversity and inclusion

ATP has a strong trackrecord of commitment to diversity and inclusion, and back in 2010 this led to the establishment of the FASE+ department. One thing all FASE+ employees have in common is that, for various reasons, they need support in order to facilitate their return to the labour market. The employees currently associated with FASE+ include non-Western men and women, vulnerable youths and employees with mental disorders. The aim of FASE+ is to help the employees become self-supporting and thus able to manage a job or education on normal or special conditions. In return, the FASE+ employees carry out a number of ATP's service and administrative tasks, relieving other employees of some of their workload. In 2019 alone a total of 65 employees have been associated with FASE+. At the end of 2019 22 employees who were formerly associated with FASE+ were working for ATP on general or special conditions.

ATP's Policy of Diversity

ATP strengthens our working environment through diversity. Diversity provides for a more dynamic, vibrant and inspirational working environment. In other words, diversity among managers and employees is the basis for continuous innovation and competitiveness. Diversity expands ATP's recruitment potential and ensures a wide range of skills in managers and employees. We expect both managers and employees to help to ensure that diversity flourishes and thrives in the workplace.

Follow-up on social key figures

	2019	2018	2017	
Number of employees (FTE)	2,747	2,948	2,966	
Gender distribution among all employees	Women	64%	64%	65%
	Men	36%	36%	35%
Gender distribution among managers, including CEOs	Women	50%	51%	52%
	Men	50%	49%	48%
Employee turnover rate ¹	16%	16%	14%	
Sickness absence rate (average number of days per FTE)	8.3	8.2	8.6	
Pay difference between genders				
All employees ²	1.4	1.4	1.4	
Customer advisors	0.9	0.9	0.9	

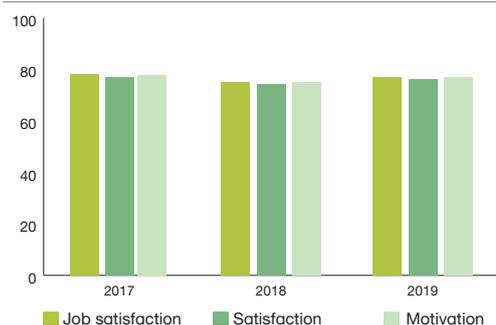
¹ Employee turnover rate is calculated on the basis of all ordinary employees.

² The calculation does not include trainees, people employed under the flexi-job scheme, employments of less than six months, members of the Group Management, CEOs of the subsidiaries and civil servants.

Employee satisfaction surveys

ATP constantly works to create an attractive workplace which is able to attract and retain motivated, dedicated and competent managers and employees.

Employee satisfaction



Note: Employee satisfaction survey data are based on ATP employees' own assessments of job satisfaction, satisfaction and motivation on a scale from 0-100.

Employee satisfaction is measured annually against the following three targets: job satisfaction, satisfaction and motivation. For 2019 the indices for all three targets were at the same level as previous years of 77, 76 and 77, respectively.

Employee turnover rate

ATP's employee turnover rate for 2019 was 16 per cent. The organisation is undergoing major development involving the

management of many new tasks and projects that require a diverse range of qualifications. Some of the employee turnover can be ascribed to relocations and organisational changes. 1 per cent of the reported turnover for 2019 consists of employees who left ATP at the end of December 2018 in connection with the relocation of AES from Østerbro to Hillerød. Adjusted for this, employee turnover decreased from 2018 to 2019.

Sickness absence

Follow-up on sickness absence for ATP's employees shows a level of just over 8 sickness days per year. ATP pays attention to sickness absence and has most recently included questions about stress in the annual employee satisfaction survey. In the management of stress, focus has been on helping people suffering from stress back to work after a period of absence. From 2018 to 2019 there was a small drop in short-term absence whereas long-term absence increased.

Gender balance in management

At the Group's management levels, ATP aims for a 60/40 per cent split, which meets the gender balance requirements set out in the Danish Act on Gender Equality. For 2019 this aim was met as 50% of managers, incl. CEOs, were women. In 2019 all areas had an overrepresentation of women across all employees.

Follow-up on governance key figures

		2019	2018	2017
Gender distribution on the Supervisory Board	Women	31%	31%	31%
	Men	69%	69%	69%
Gender distribution on the Board of Representatives	Women	35%	32%	34%
	Men	65%	68%	66%
Attendance at Supervisory Board meetings ¹		90%	92%	-
CEO worker pay ratio, all employees		11	13	12
CEO worker pay ratio, ATP Livslang Pension (Lifelong Pension) employees		8	9	9

¹ Attendance at Supervisory Board meetings was not calculated in 2017

ATP is constantly focusing on increasing the share of women in management, and the gender targets are part of ATP's Diversity Policy. It is part of ATP's strategy to increase the focus and emphasis on diversity in connection with the recruitment of new employees, and a targeted effort is made to recruit a wide range of candidates for the management and development of in-house talent in ATP's talent programme in order to also get more women into senior management.

Pay difference between genders

ATP is an organisation with great variation in tasks and job types that requires diversity in skills and specialists within many different areas. The pay difference between men and women of 1.4 means that there is a pay difference of 40 per cent between men and women across the entire Group. The difference reflects the variation in tasks and the diversity in the composition of employees across the Group. The largest employee group, customer advisors, which in 2019 counted a total of 1,024 employees, equal to more than 1/3rd of all Group employees, is considered sufficiently homogenous to be able to perform a comparison of salary levels across the organisation relative to gender. The pay difference is a factor 0.9, meaning that the pay for men in customer service is 10% less than that of women.

GOVERNANCE KEY FIGURES

CEO worker pay ratio

The purpose of the key figure CEO worker pay ratio is to show the pay ratio between CEO and employees and to show the development in pay for the CEO compared with the employees.

In ATP the key figure is a factor 11 for 2019, meaning that the remuneration of the CEO corresponds to 11 times the average pay of all employees in ATP. This includes employees carrying out business processing tasks for external parties.

When considering ATP Livslang Pension (Lifelong Pension) and the associated employees in isolation, and in order for the key figures to be comparable to other pension funds, the key figure is a factor 8, meaning that the remuneration of the CEO corresponds to 8 times the average pay of employees.

ATP's report on the status of compliance with the target figures set for the underrepresented gender

ATP's Policy of Diversity has been adopted by the Supervisory Board. The policy also defines a target for the gender distribution of its senior management. The target is to have at least one third of the underrepresented gender on ATP's Board of Representatives (at least 11) and on ATP's Supervisory Board (at least 5). This target should have been achieved no later than 1 April 2019.

The target for the Board of Representatives was met as 11 women served on the Board of Representatives in 2019 (35%). The target for the Supervisory Board was not met, as 4 women still served on the Supervisory Board in 2019 (31%).

The members of ATP's Board of Representatives and Supervisory Board are appointed by the individual organisations. The appointment period for the Board of Representatives and the Supervisory Board is three years, meaning that one third of the members are appointed each year.

We are still working towards the gender balance target. The replacements made in 2019 have not altered the balance on the Supervisory Board, as the individual organisations decided that the most qualified candidates for the open vacancies were men. When filling posts, the organisations are aware of the need for ensuring a gender-balanced Board of Representatives and Supervisory Board.

Target figures for the underrepresented gender

ATP's executive order on accounting stipulates that ATP is to account for the status of compliance with the target figures set for the underrepresented gender on the Supervisory Board, including why ATP has not achieved the target set, if this is the case.

The gender balance target also applies to the Supervisory Boards of some of ATP's subsidiaries. This means that the underrepresented gender should make up at least one third of the Board, the same as the target for ATP's Supervisory Board and within the same timeframe. In the

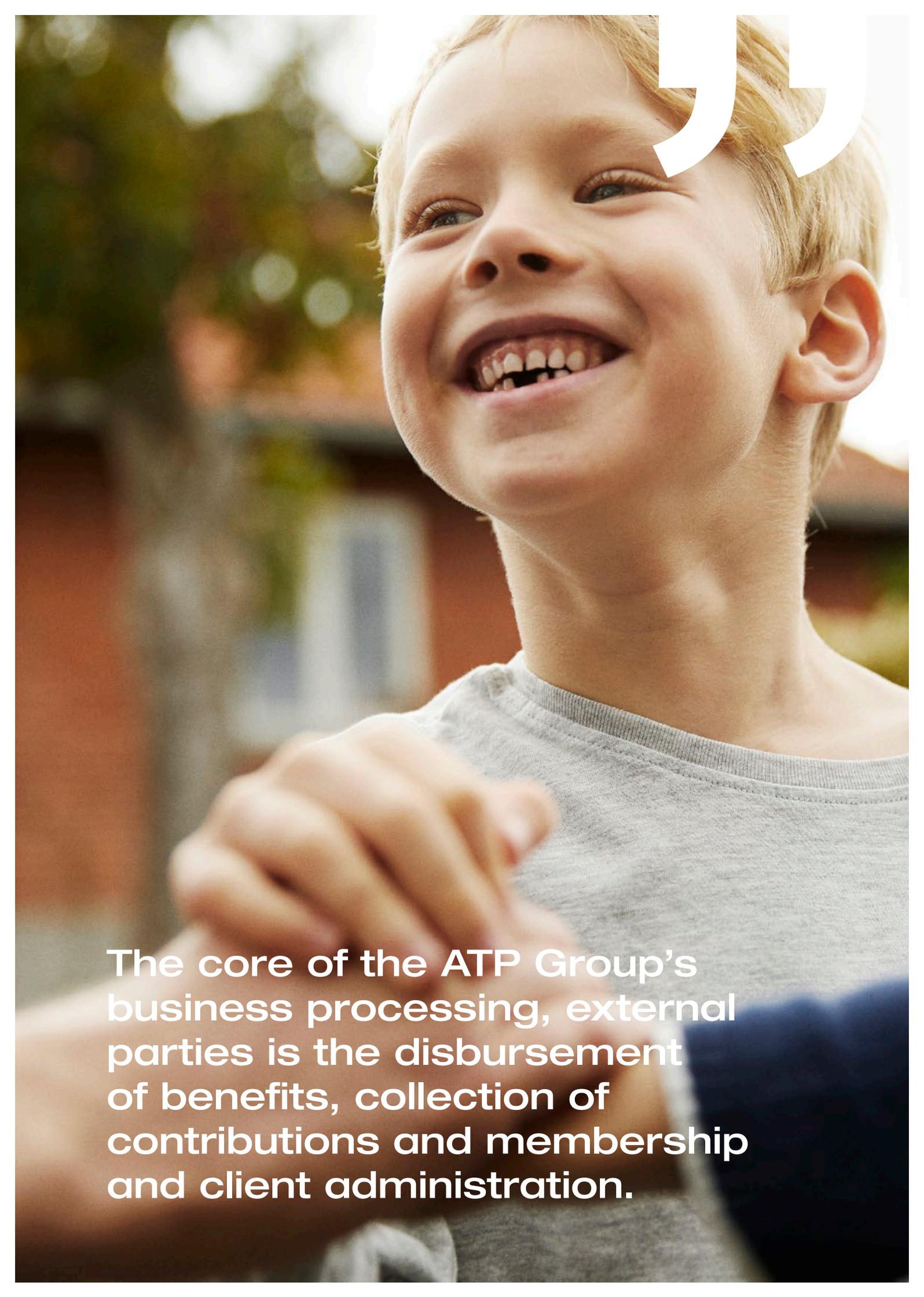
subsidiaries covered by the legislation, the target has not been met. This is the case for the companies Via equity Fond I K/S and Via equity Fond II K/S, ATP Timberland Invest K/S, ATP Real Estate Partners I K/S, ATP Ejendomme A/S, ATP Private Equity K/S and the companies ATP Private Equity Partners I-VI K/S. The reason is that it is primarily members of ATP Group Management who are appointed for the boards of subsidiaries, and that in the Group Management the specialist competencies related to investment subsidiaries are held by men.

As previously mentioned, there is no gender underrepresentation at other management levels in the ATP Group. Overall, for all management levels, including CEOs, the distribution is balanced. The gender balance in management varies according to management level and area.

Focus on sustainability in the Group strategy

Sustainability is an integral part of the Groups' strategy for 2020. ATP will continue its responsibility work and define further environmental, social and governance targets.

ATP fully support the UN'S 17 sustainable development goals. As a long-term investor whose purpose is to provide good pensions to its members, ATP has a strong interest in the sustainable social and environmental development of the world. ATP uses the goals as a source of inspiration for its own initiatives. As an example, ATP Ejendomme has increased focus on sustainability in the construction of new real estate and renovation of old real estate.

A close-up photograph of a young boy with light hair, smiling broadly and clapping his hands. He is wearing a grey t-shirt. The background is blurred, showing green foliage and a wooden fence. A large white quotation mark is in the top right corner.

The core of the ATP Group's business processing, external parties is the disbursement of benefits, collection of contributions and membership and client administration.

Business processing, external parties

Activities based on cost-recovery

Tasks are administered on a cost-recovery basis, and therefore ambitious targets have been defined for efficient and competitive operations with falling operation expenses as a result.

The starting point for administrated schemes in ATP is that they are administered on a cost-recovery basis with a target figure of a 3 per cent reduction in underlying operations per year.

Business processing, external parties, can generally be divided into insurance schemes and Labour Market Insurance (AES), in which clients are concentrated on labour market parties, and Udbetaling Danmark – Public Benefits Administration, for which the clients are municipalities and the state. Over the years, ATP has been given a larger and larger role to play in Danish society – both in terms of providing insurance for wage earners and paying various social benefits. And as Denmark’s largest payer of social benefits in 2019 it has been managing a very important societal task.

The starting point for schemes processed by ATP is that they are handled on a cost-recovery basis with a target figure of a 3 per cent reduction on underlying operations per year. This means that for several schemes agreements are in place regarding further efficiency requirements. In order to reach the agreed efficiency improvements, targeted use is made of digitalisation and automation of daily operations and better capacity utilisation in individual administration centres.

Business processing, external parties, must also be able to handle new activities and tasks on an ongoing basis, for example is the result of changes to legislation and regulations, which is agreed on an annual basis with the board of the relevant scheme/clients.

In respect of *Udbetaling Danmark – Public Benefits Administration*, 2019 was primarily marked by the timely commissioning of the new specialist system for payment of state-funded old-age pension and disability pension on time, mid-November 2019, with a view to discontinuing KMD’s existing pension solution by the end of February 2020. Commissioning the new pension solution means that all implementations subject to the Tendering programme are complete, meaning that the programme can be finalised in 2020.

Labour Market Insurance (AES) concluded a supplier agreement with Netcompany in 2019 for the development of a new and up-to-date case management system (ANS).

Schemes and benefits areas administered by ATP

Insurance schemes

- AUB (the Employers’ Reimbursement System)
- Labour Market Insurance (AES)
- The Danish Labour Market Fund for Posted Workers
- SFS (Tax Reductions for Senior Citizens)
- State schemes under AUB
- Barsel.dk
- FerieKonto
- LG (the Employees’ Guarantee Fund)
- Lønmodtagernes Feriemidler
- FIB (Financing contributions)

Udbetaling Danmark – Public Benefits Administration, including:

- Maternity/paternity benefits
- Danish pension abroad
- Funeral assistance
- Disability pension
- Housing benefits
- International health insurance cards
- Child and youth benefits and contributions
- International social insurance
- Partial pension
- Job premium scheme
- Survivor benefits
- Sick pay for the self-employed
- Early retirement allowance for beneficiaries of the subsidised flexible employment scheme (fleksydelse)
- Student loans
- State-funded old-age pension
- Public servant pension

For *insurance schemes*, the implementation of a new Holiday Act has been especially prominent in 2019, during which the transitional scheme Lønmodtagernes Feriemidler was implemented in 2019.

Total administration activity expenses and benefits areas administrated by ATP

DKKm	2019	2018
Udbetaling Danmark – Public Benefits Administration	1,760	1,699
Arbejdsmarkedets Erhvervssikring (AES)/Labour Market Insurance	397	430
Insurance schemes	278	321
Total	2,435	2,450

In 2019 business processing, external parties, had expenses for DKK 2,435m, which is DKK 15m less than 2018. In 2019 the administration has made total disbursements of DKK 280bn.

A detailed description of individual schemes administrated can be found below.

UDBETALING DANMARK – PUBLIC BENEFITS ADMINISTRATION

Administration activity expenses Udbetaling Danmark – Public Benefits Administration

DKKm	2019	2018
Udbetaling Danmark – Public Benefits Administration – State sector	165	159
- of which state sector financial schemes	83	76
- of which international pension and social insurance	78	68
- of which other state sector schemes	4	15
Udbetaling Danmark – Public Benefits Administration – Municipal sector	1,275	1,263
Udbetaling Danmark – Public Benefits Administration – Other	320	277
Total	1,760	1,699

Udbetaling Danmark – Public Benefits Administration – Municipal sector

Udbetaling Danmark – Public Benefits Administration – handles the payment of state-funded old-age pension, disability pension, housing benefits, maternity/paternity leave benefits, family benefits and a number of minor benefits areas for the 98 municipalities. In total, Udbetaling Danmark – Public Benefits Administration – pays out around DKK 218bn to almost 2.5 million citizens.

In 2019 there has been focus on continued development of the operations of Udbetaling Danmark – Public Benefits Administration – via the fulfilment of strategic targets. This includes securing a good and simple citizen experience, among other things via increased user friendliness and personalised communication and via continuously ensuring the correct payment of public benefits, for example via improved controls. In addition, Udbetaling Danmark – Public Benefits Administration – has implemented a range of initiatives in 2019 with a view to realising fixed savings requirements, including increased automation and better capacity utilisation in their centres.

Udbetaling Danmark – Public Benefits Administration – has implemented a new IT solution for pensions in 2019. The solution is implemented in stages towards March 2020, from which time the existing pension solution has been terminated. Implementing the new specialist solution has been an extensive process, and there is an expectation of subsequent operational maturing required. The pension solution is the last of the tendered specialist solutions. In total, implementing the new IT systems is expected to contribute efficiency gains and savings of municipality expenses for IT operations of at least 25 per cent.

In 2019 there has been a continuing focus on the pending arbitration case against KMD, which ATP started in 2017 after the termination of the contract with KMD for the delivery of a new IT system for payment of state-funded old-age pension and disability pension. The arbitration case is in its final stage and a ruling is expected in Q1 2020.

in 2019 Udbetaling Danmark – Public Benefits Administration – has also implemented a range of changes to legis-

lation and regulations, including the Mandatory Pension Scheme (Obligatorisk Pensionsordning), EESSI (Electronic Exchange of Social Security Information) and the equal division of the child/youth benefits.

Total administrative activity Expenses in Udbetaling Danmark – Public Benefits Administration Municipal – in 2019 were DKK 1,275m, an increase of DKK 11m compared with 2018. The increase is primarily the result of new tasks, including operation and implementation of practice changes in the pension area, equal division of child/youth benefits and expenses for implementing a new pension solution.

Udbetaling Danmark – Public Benefits Administration – State sector

ATP administers a range of state sector schemes, which are financed via state grants and fee income. International Pension & Social Insurance (IPOS) handles cases regarding state-funded old-age pension abroad and social insurance for Danish employees and companies abroad while the temporary job premium scheme, gives anyone who has been unemployed for a period of time the opportunity to receive a tax free sum for salaried work or for being self-employed.

State Sector Financial Schemes (Statslige Finansielle Ordninger – SFO) administer the repayment of student loans, administration and payment of public servant pensions, sick pay for the self-employed and the administration of a range of state subsidies, loans and guarantees.

In 2019 there has been a focus on secure continued stable operations and on realising presumed savings requirements for IPOS and SFO. In addition, a system renewal project has been implemented, with the first systems expected to be completed during 2020. Overall system renewal is expected to be completed in 2021 at the earliest.

Total administration activity expenses in 2019 were DKK 165m, which is DKK 6m higher than 2018. The increase is primarily due to new work, including taking over PENSAB in SFO, the implementation of EESSI and higher IT expenses to KMD regarding IPOS. Conversely, expenses related to Migrant Workers fell as the result of a reduced grant in the 2019 national budget.

Udbetaling Danmark – Public Benefits Administration – Other

Other expenses in Udbetaling Danmark – Public Benefits Administration – primarily consist of depreciation and expensed development costs related to the transition to new IT systems (the Tendering programme).

ARBEJDSMARKEDETS ERHVERVSSIKRING (AES)/ LABOUR MARKET INSURANCE

Labour Market Insurance (AES) processes cases in which people have been injured at work or fallen ill on account of their jobs. AES was established on 1 July 2016. The administration is financed by insurance companies, self-insured authorities and AES Disbursement via tariffs for completed cases. During the case processing, it is determined whether the injury or illness in question can be recognised as an industrial injury, and whether the person in question has a right to compensation, and, if so, the size of compensation. Compensation is paid by the employer’s insurance company, self-insured authorities or AES Disbursement. AES also prepares advisory opinions in connection with private claims for compensation, as well as dealing with cases involving compensation for victims of the German occupation.

Administration activity expenses, Arbejdsmarkedets Erhvervssikring (AES)/Labour Market Insurance		
DKKm	2019	2018
Arbejdsmarkedets Erhvervssikring (AES)/Labour Market Insurance	352	382
Arbejdsmarkedets Erhvervssikring (AES)/Labour Market Insurance - Disbursement	46	48
Total	397	430

Administration activity expenses were DKK 352m against income of DKK 366m. Both income and administration activity expenses have fallen relative to 2018. The fall in income is a combination of lower income from the relocation fund and higher income related to cases processed.

The development of AES’s new case processing system, ANS, which is intended to secure a new, up-to-date case

processing solution, has continued in 2019, in which connection an agreement has been concluded with Netcompany.

AES Disbursement, which is funded by contributions from public and private sector employers, pays compensation to persons suffering from recognised occupational diseases. AES makes lump-sum payments and pays out current benefits based on AES's assessment. In addition, AES charges an industrial injury tax on behalf of SKAT (the Danish Customs and Tax Administration). In 2019 AES disbursed approx. DKK 1.5bn in compensation, while the payment to SKAT totalled DKK 557m.

Administration expenses amounted to DKK 46m in 2019. Relative to total administration expenses, this is DKK 2m less than 2018. The reduction in expenses is primarily due to lower expenses on actuary services and lower expenses on development.

INSURANCE SCHEMES

ATP administers insurance schemes on behalf of the labour market parties. Insurance schemes include a variety of tasks related to claiming contributions and payment of benefits and subsidies.

Administration activity expenses – Insurance schemes

DKKm	2019	2018
FerieKonto	69	74
LG (the Employees' Guarantee Fund)	62	68
AUB (the Employers' Reimbursement System)	86	89
Barsel.dk	25	26
AFU – The Danish Labour Market Fund for Posted Workers	8	9
FIB (Financing contributions)	10	12
SFS (Tax Reductions for Senior Citizens)	2	0
Lønmodtagernes Feriemidler	8	0
Other issuers	6	43
Total	278	321

Administration expenses amounted to DKK 278m in 2019. Individual insurance schemes are described in more detail below.

FerieKonto

FerieKonto receives holiday pay from employers and pays it out to wage earners when the holiday is taken or when the wage earner leaves the labour market. ATP provides administrative and technical assistance in connection with the administration of FerieKonto, while the Danish Agency for Labour Market and Recruitment (STAR) is the governing authority. Total administration activity expenses were DKK 69m, which is DKK 5m less than in 2018. The lower consumption primarily relates to lower development costs and efficiency gains in case handling.

In 2020 FerikeKonto will be affected by the Holiday Act which as of September 2020 will be introducing concurrency holiday. This will both mean more new tasks for FerieKonto and changed procedures.

LG (the Employees' Guarantee Fund)

LG insures wage earners' outstanding wages, holiday allowance, etc., when a company ceases to exist due to bankruptcy, reconstruction or otherwise. The scheme is funded by contributions from private sector employers. Administration activity expenses totalled DKK 62m, a reduction of 9 per cent relative to 2018. The drop from 2018 to 2019 is primarily due to extraordinarily high attorney's fees costs in 2018 in connection with the completion of a major case.

AUB (the Employers' Reimbursement System)

The purpose of AUB is to administer refund and subsidy schemes intended to secure the necessary number of work placement places for those in education. All public-sector and private-sector employers contributing to ATP are subject to the rules on AUB contributions.

Among other things, AUB (Employers' Reimbursement System) pays work placement and benefits bonus and wage refunds to public-sector and private-sector employers who have paid wages to trainees while attending education or training. The vast majority of AUB payments are digital.

In addition to employers, apprentices and trainees, institutions and committees may obtain funding from AUB for training programmes and internships both in Denmark and abroad.

On 1 January 2019 AUB took over the administration of payments of VEU allowances and transportation subsidies as a result of a tripartite agreement on a stronger and more flexible education system for adults. The aim is to generate simplicity and greater professional sustainability such that more people will seek supplementary education and training.

Total administration expenses for AUB amounted to DKK 86m in 2019. This represents a decrease of 3 per cent from 2018 to 2019, which is due to lower operating expenses regarding Work Placement-AUB and the VEU scheme.

Barsel.dk

Barsel.dk is a mandatory maternity/paternity compensation scheme. Barsel.dk covers the part of the private sector labour market that is not covered by other approved maternity/paternity compensation schemes. Barsel.dk collects contributions for maternity/paternity compensation and reimburses employers who pay wages to employees on maternity/paternity leave. Total administration expenses amounted to DKK 25m in 2019. This is a decrease of approx. 3 per cent relative to 2018, as a result of operating efficiency gains.

AFU – the Danish Labour Market Fund for Posted Workers

AFU is a fund for securing posted wage earners' claims for wages in connection with the provision of services in Denmark. The fund is financed by ordinary contributions from all employers liable to pay contributions to the Danish Labour Market Supplementary Pension Scheme and all foreign employers with employees engaged in the provision of services in Denmark. In 2019 the fund has made the first payments of wage earner claims to foreign wage earners.

Administration expenses in 2019 totalled DKK 8m. Administration expenses cover the cost of administering payments,

claiming contributions via Samlet Betaling from Danish companies and claiming contributions from foreign employers. To this should be added a number of expenses, including to the Danish Business Authority. Administration of the scheme also includes IT support, reporting and auditing, maintaining shared public digital solutions and case handling and customer service.

FIB (Financing contributions)

Private sector employers pay FIB contributions to finance ATP contributions for employees during spells of absence from the labour market due to unemployment, sickness or maternity/paternity leave. The collection of the contributions is a statutory collection service performed by the ATP Group on behalf of the Danish Government and LG (the Employees' Guarantee Fund). Administration expenses totalled DKK 10m.

SFS (Tax reductions for senior citizens)

The SFS scheme was closed down on 31 December 2017. The Danish Parliament decided, however, to enable a recalculation of occupation rate until 31 March 2019, for which reason there has been SFS activity in 2019. In 2019, SFS has finalised all cases, including appeals and complaints, and subsequently a new agreement has been concluded with the Danish Customs and Tax Administration regarding shutting down the scheme. Administration expenses totalled just over DKK 2m.

Lønmodtagernes Feriemidler – LFM

LFM is a new fund, set up as part of the transition to the new Holiday Act. The fund manages wage earners' holiday allowance earned during the transition year. The administration contributions to and disbursements from the fund is handled by ATP and financed via ordinary contributions from all employers liable to pay contributions to the Danish Labour Market Supplementary Pension Scheme. The transition year covers the period 1 September 2019-31 August 2020. The operation of the fund therefore started in 2019. Administration expenses in 2019 were DKK 8m, of which DKK 3m relates to operations and DKK 5m relates to development costs as a result of the new Holiday Act.

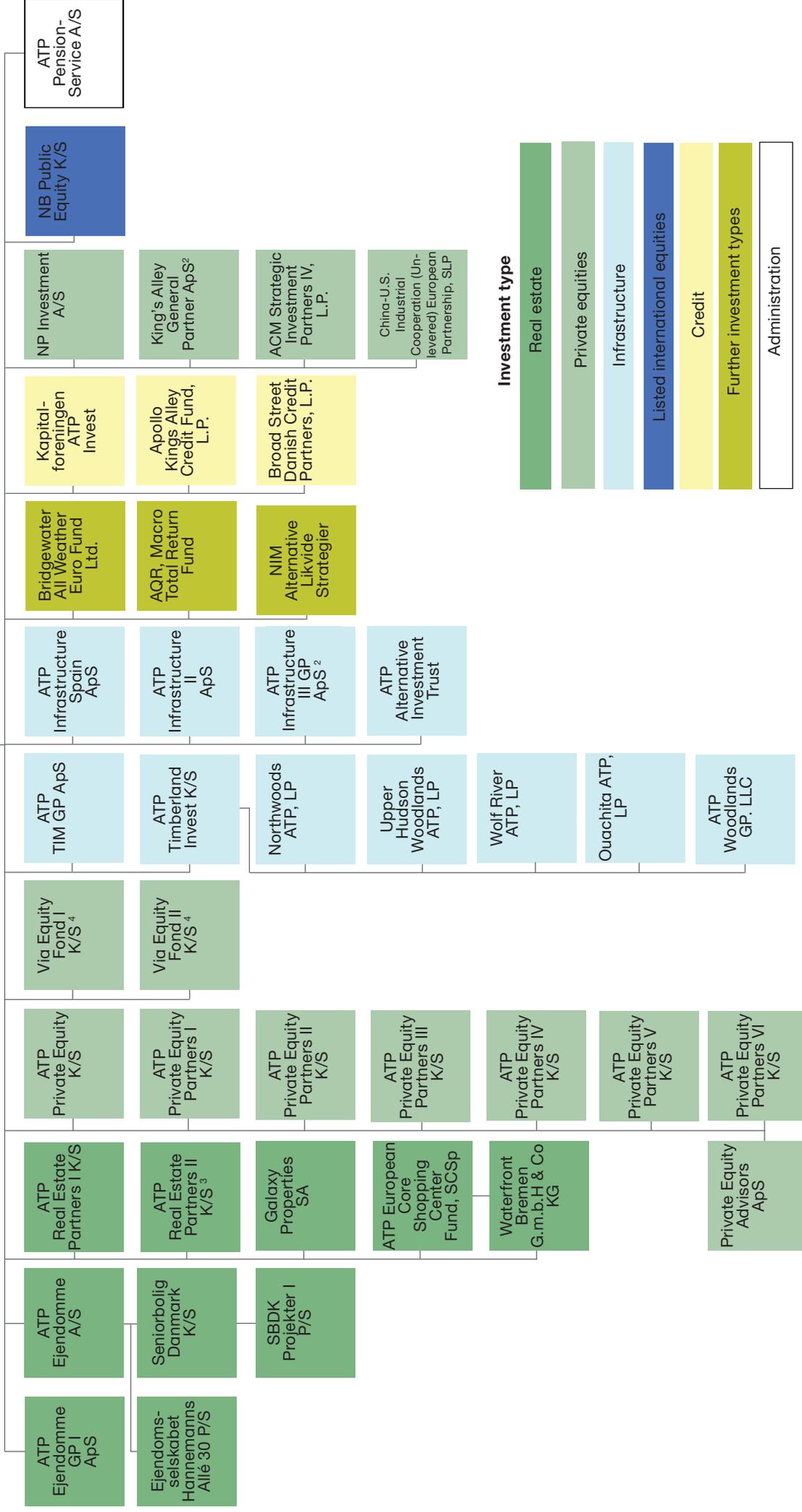
**= consolidated
financial
statements**



**ATP realised a positive overall result of DKK 34.0bn.
Net assets were DKK 885.6bn by the end of 2019.**

Overview of the ATP Group

ATP¹



¹ In addition to the companies listed above, ATP owns a number of general partner companies for the support of limited partner and partnership companies

² The companies went into solvent liquidation in December 2019. A decision regarding final liquidation is expected to be arrived at during 2020.

³ The company went into solvent liquidation on 31 December 2019.

⁴ ATP has decided to sell the VIA funds. A sales process is underway.

Statement by the Supervisory and Executive Boards

The Supervisory and Executive Boards have today considered and adopted the annual report of ATP for the financial year 1 January to 31 December 2019.

The consolidated financial statements and the parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair

view of the Group's and ATP's assets, liabilities and financial position as of 31 December 2019 and of the financial performance and cash flows of the Group and ATP for the financial year 1 January to 31 December 2019.

In our opinion, the management's review also provides a true and fair description of the development in the Group's and the Parent Company's operations and financial conditions, and a description of the most significant risks and uncertainties that may affect the Group and the Parent Company.

We recommend that the annual report be adopted by the Board of Representatives.

Copenhagen 5 February, 2020

Executive Board:

Bo Foged /Martin Præstegaard
Chief Executive Officer Vice CEO and CFO

Supervisory Board:

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

Adopted by the Board of Representatives.

Copenhagen 5 February, 2020

Board of Representatives:

Torben M. Andersen
Chairman of the Board of Representatives

Internal audit statement

To the Board of Representatives

Opinion

We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2019, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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' (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as of 31 December 2019 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2019 in accordance with the International Financial Reporting Standards (IFRS) 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 Tillægspension).

Basis of opinion

We have conducted our audit in accordance with the Financial Supervisory Authority's executive order on auditing of the Danish Labour Market Supplementary Pension Scheme, AES - the Labour Market Occupational Diseases Fund, LD - the Employees' Capital Pension Fund and in accordance with international auditing standards and any additional requirements applicable in Denmark. This requires that we comply with ethical requirements and plan and perform our audit with a view to obtaining reasonable assurance that the consolidated financial statements and

parent company financial statements are free from material misstatement.

The audit is planned and executed in such a way that we have assessed the business processes and internal control procedures, including the risk management planned by the management that is directed towards the rendering of accounts and essential business risks.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in consolidated financial statements and parent company financial statements. The audit procedures selected depend on the auditors' judgement, including an assessment of the risks of material misstatement in the consolidated financial statements and parent company financial statements, whether due to fraud or errors. In making these risk assessments, the auditors consider internal controls relevant to the Danish Labour Market Supplementary Pension Fund's preparation of consolidated financial statements and parent company financial statements that give a true and fair view. The aim is to develop auditing actions that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent company financial statements. Our audit has covered the significant aspects and areas of risk, and we believe that the auditory evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

The management is responsible for the management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not include the management's review, and we do not express any kind of opinion on the management's review.

In connection with our audit of the consolidated financial statements and parent company financial statements, it

is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or the knowledge obtained during our audit or in any other way appears to contain material misstatements.

It is furthermore our responsibility to consider whether the management's review contains the information required pursuant to the 'Executive Order on Financial Reporting by

the Danish Labour Market Supplementary Pension Fund (ATP)'.

Based on the work performed, we believe that the management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)'. We have not found any material misstatement in the management's review.

Copenhagen 5 February, 2020

Christoffer Max Jensen
Chief Auditor

Independent auditors' report

To the Board of Representatives

Opinion

We have audited the consolidated financial statements and parent company financial statements of the Danish Labour Market Supplementary Pension Fund (ATP) for the financial year 1 January to 31 December 2019, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement and notes, including the accounting policies for the Group as well as the Parent Company. The consolidated financial statements and parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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' (available in Danish only).

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as at 31 December 2019 and of the financial performance and cash flows of the Group and the Parent Company for the financial year 1 January to 31 December 2019 in accordance with the International Financial Reporting Standards (IFRS) 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 Tillægspension –available in Danish only).

Our opinion is consistent with our audit statement to the Audit Committee and the Supervisory Board.

Basis for opinion

We have conducted our audit in accordance with international auditing standards and the additional requirements applicable in Denmark. Our responsibility according to these standards and requirements is described in detail in the section 'Auditors' responsibility for the audit of the consolidated financial statements and parent company financial statements' in the auditors' report. We are independent of the Group in accordance with the international code of ethics for accountants (IESBA's 'Code of Ethics for Professional Accountants') and the additional requirements applicable in Denmark, and we have fulfilled our other ethical obligations in accordance with these rules and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the best of our knowledge, no prohibited auditing services have been provided pursuant to Article 5(1) of EU Directive 537/2014.

We were initially selected as auditors for the Danish Labour Market Supplementary Pension Fund on 4 February 2009, and have been re-elected annually by representative vote for a total period of 11 years up to and including fiscal year 2019, including a year after we were re-selected on 6 February 2019 following a tender procedure.

Key audit elements

Key audit elements are those elements which in our professional opinion were most important to our audit of the consolidated financial statements and parent company financial statements for the fiscal year 1 January - 31 December 2019. These elements were processed as a part of our audit of the consolidated statements and parent company financial statements as a whole and the preparing of our opinion regarding this. We do not provide any separate opinion about these elements

Measuring unlisted investments	
Key element	<p>Unlisted investments account for DKK 163.2bn as of 31 December 2019 (2018: DKK 139.1bn) for the Group.</p> <p>Unlisted investments consist of investment in real estate, capital funds, infrastructure funds, private equity and credit portfolios. Measuring unlisted investments is considered a key element for the audit, as such measurement is affected by management estimates and assumptions regarding future events. It is our assessment that the main risks relate to changes to assumptions and the methods and models applied. Changes to assumptions and the methods and models applied can significantly affect the measuring of unlisted investments.</p> <p>Assumptions with the greatest degree of management estimation include:</p> <ul style="list-style-type: none"> • Assessment of future cash-flows • Determination of return requirement • Determination of valuation multiples • Determination of yield curve and credit spread supplement <p>Management has provided details of measurement of unlisted investments in Note 12, Financial assets and Liabilities and in Note 20, Fair value disclosure.</p>
Auditing the key element	<p>Based on our risk assessment, we have reviewed the valuation of unlisted investment performed by Management and assessed the determined assumptions and the methods and models applied.</p> <p>Our review included the following elements:</p> <ul style="list-style-type: none"> • Assessment of controls for valuation of unlisted investments, including procedures for determining assumptions. • Assessment of assumptions with the greatest degree of management estimation. • Assessment of the applied methods and models by applying our industry insight and experience focusing on such issues as changes compared with the previous year.

Measuring guaranteed benefits	
Key element	<p>For the Group, guaranteed benefits represent DKK 759.6bn as of 31 December 2019 (2018: DKK 693.4bn.).</p> <p>Measuring guaranteed benefits is considered a key element of the audit, as the calculation of guaranteed benefits is a complex issue which is to a large extent subject to accounting estimations based on management assessments and assumptions regarding future events. It is our assessment that the primary risks relate to changes to assumptions and applied methods and models. Changes to assumptions and applied methods and models can have significant impact on the measurement of guaranteed benefits.</p> <p>Areas involving the greatest degree of management estimates include:</p> <ul style="list-style-type: none"> • Models for valuing guaranteed benefits • Calculating future life expectancy (the life expectancy model SAINT). • Determining the discount rate. <p>Management has provided a description of the measuring of guaranteed benefits in Note 22 to the consolidated financial statements, Guaranteed Benefits.</p>
Auditing the key element	<p>Based on our risk assessment, we have reviewed the valuation of guaranteed benefits performed by Management and assessed the model applied and the determined assumptions.</p> <p>Our auditing activities, in which we have included our own, internationally qualified actuaries, have included the following elements:</p> <ul style="list-style-type: none"> • Assessment of controls in actuary models, data collection and analysis and procedures for determining assumptions. • Independent actuary assessment of applied data, methods, models and assumptions relative to accepted actuarial standards, the historic development and trends. • Assessment of changes to applied assumptions and applied methods and models relative to last year and developments in industry standards and practices. • Independent recalculation of Guaranteed Benefits in an in-house developed model based on ATP's data.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of the consolidated financial statements and parent company financial statements that provides a fair representation in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with 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 Tillægspension). Management is also responsible for the internal controls considered necessary by Management to prepare consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements and parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue their operations; for providing information on matters relating to the continued operations, where relevant; and for preparing consolidated financial statements and parent company financial statements based on the going concern basis of accounting, unless Management intends to either liquidate the Group or the Parent Company or cease operations or has no other realistic alternative than doing this.

Auditors' responsibility for the audit of the consolidated financial statements and parent company financial statements

Our goal is to obtain a high degree of assurance that the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report with an opinion. A high degree of assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards and in accordance with additional Danish requirements will always identify material misstatement where such exists. Misstatements may arise as a result of fraud or error and may be deemed to be material if it could reasonably be expected that they, separately or collectively, affect the financial decisions made by the users on the basis of the consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with international auditing standards and the additional requirements applicable in Denmark, we make professional judgements and maintain professional scepticism during our audit. Moreover:

- We identify and assess the risk of material misstatement in the consolidated financial statements and parent company financial statements, whether due to fraud or error, we design and perform audit procedures in response to these risks and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not identifying material misstatement resulting from fraud is higher than in connection with material misstatement resulting from error as fraud may comprise conspiracy, forgery, deliberate omission, misrepresentation or override of internal controls.
- We obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the company's internal control.

- We determine whether the accounting policies applied by Management are appropriate and whether the accounting estimates and related information prepared by Management are reasonable.
- We express an opinion on whether Management's preparation of the consolidated financial statements and parent company financial statements based on the going concern basis of accounting is appropriate and on whether, based on the audit evidence obtained, material uncertainty is attached to events or conditions that may give rise to significant doubt about the Group's and the company's ability to continue their operations. If we express the opinion that there is material uncertainty, we must in our auditors' report draw attention to information thereon in the consolidated financial statements and parent company financial statements or, if such information is insufficient, we must modify our opinion. Our opinions are based on the audit evidence obtained until the date of our auditors' report. Future events or conditions may, however, result in the Group and the company becoming unable to continue operations.
- We consider the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including disclosures in the notes, and whether the consolidated financial statements and parent company financial statements reflect the underlying transactions and events in such a way that they provide a true and fair view thereof.
- We obtain sufficient and appropriate audit evidence about the financial information regarding the entities or business activities in the Group for use for the purpose of expressing an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the consolidated financial statements audit. We are solely responsible for our audit opinion.

We communicate with the senior management on, among other things, the planned scope and timing of the audit as well as significant audit observations, including any significant deficiencies in internal controls that we identify during our audit.

We also submit a statement to the senior management to the effect that we have complied with relevant ethical requirements regarding independence and notify it of all relations and other circumstances which can be reasonably

considered to affect our independence and, where relevant, any associated security measures.

On the basis of the conditions communicated to the senior management, we determine which were the most significant conditions in the auditing of the consolidated financial statements and the parent company financial statements for the relevant period of time and which are therefore key auditing conditions. We describe these conditions in our auditor's statement except where legislation or other regulation prohibits the publishing of the matter or in the very rare instance where we determine that the matter should not be included in our auditor's statements because the negative consequences of this can be reasonably expected to be of greater significance than the public interest benefits of such a communication.

Statement on the Management's review

The management is responsible for the management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not include the management's review, and we do not express any kind of opinion on the management's review.

In connection with our audit of the consolidated financial statements and parent company financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or the knowledge obtained during our audit or in any other way appears to contain material misstatement.

It is furthermore our responsibility to consider whether the management's review contains the information required pursuant to the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)'.

Based on the work performed, we believe that the management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP)'. We have not found any material misstatement in the management's review.

Copenhagen 5 February, 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration (CVR) No. 33 96 35 56

Kasper Bruhn Udam
State Authorised Public Accountant
MNE No. 29421

Lars Kronow
State Authorised Public Accountant
MNE No. 19708

Income statement

DKKm Note	Group		ATP	
	2019	2018	2019	2018
Investment				
	-	-	7,875	4,074
	2,156	2,197	1,753	1,703
4	1,055	1,019	26	24
	1,283	1,422	1,144	1,259
5	7,342	6,272	6,256	5,759
5	33,435	(10,833)	27,531	(13,348)
5	(4,567)	(3,791)	(4,553)	(3,791)
6	(937)	(953)	(462)	(458)
9	(5,680)	983	(5,680)	983
	(43)	(34)	-	-
Investment activity results				
	34,045	(3,718)	33,890	(3,795)
Hedging activities				
5	14,926	15,492	14,926	15,492
5	71,995	17,735	71,995	17,735
5	(211)	(295)	(211)	(295)
9	(13,267)	(5,039)	(13,267)	(5,039)
22	(73,530)	(23,064)	(73,530)	(23,064)
22	(4,055)	(7,908)	(4,055)	(7,908)
Hedging activity results				
	(4,142)	(3,079)	(4,142)	(3,079)
Investment and hedging activity results				
	29,903	(6,797)	29,748	(6,874)
Pension				
10	10,061	9,871	10,061	9,871
11	(17,054)	(16,878)	(17,054)	(16,878)
22	8,099	8,505	8,099	8,505
5	11	12	11	12
5	(3)	(2)	(3)	(2)
6	(201)	(197)	(201)	(197)
9	(1)	(1)	(1)	(1)
Pension activity results before change in life expectancy				
	912	1,310	912	1,310
22	3,231	(20,025)	3,231	(20,025)
Pension activity result				
	4,143	(18,715)	4,143	(18,715)
Pension and investment activity results				
	34,046	(25,512)	33,891	(25,589)
Administration				
7	2,436	2,458	2,450	2,469
6. 8	(2,435)	(2,450)	(2,449)	(2,465)
	0	(1)	-	-
Administration activity result				
	1	7	1	4
Result before bonus				
	34,047	(25,505)	33,893	(25,585)
Bonus addition for the year				
	-	-	-	-
Net profit for the year				
	34,047	(25,505)	33,893	(25,585)
Minority interests' share of net results for the year				
	154	82	-	-
The ATP Group's share of net results for the year				
	33,894	(25,587)	33,893	(25,585)
Allocated profit				
	34,047	(25,505)	33,893	(25,585)

Statement of comprehensive income

DKKm	Note	Group		ATP	
		2019	2018	2019	2018
	Net profit for the year	34,047	(25,505)	33,893	(25,585)
	Other comprehensive income				
	Items that may not be reclassified to the result:				
25	Value adjustments of owner-occupied properties	0	(26)	1	(28)
	Tax on pension savings returns regarding value adjustments for owner-occupied properties	0	4	0	4
	Total	0	(22)	1	(24)
	Total other comprehensive income	0	(22)	1	(24)
	Comprehensive income for the year	34,047	(25,527)	33,894	(25,609)
	Minority interests' share of total comprehensive income for the year	154	82	-	-
	The ATP Group's share of total comprehensive income for the year	33,894	(25,609)	33,894	(25,609)
	Allocated comprehensive income	34,047	(25,527)	33,894	(25,609)

Statement of financial position

DKKm	Note	Group		ATP	
		2019	2018	2019	2018
	ASSETS				
	Cash and demand deposits	7,020	8,201	5,021	5,835
12	Bonds	630,329	566,642	619,257	557,732
12	Equity investments	139,346	125,907	105,370	91,174
12, 13	Financial derivatives	111,856	74,313	111,567	74,282
12	Loans	8,867	7,666	4,200	5,438
12	Loans to group subsidiaries	-	-	3,416	3,250
12	Receivables from group subsidiaries	-	-	2	6
12, 14	Investments in group subsidiaries	-	-	79,013	74,023
12, 15	Investments in associates and joint ventures	51,445	44,040	43,615	36,429
24	Intangible assets	1,196	1,055	1,151	1,008
16	Investment properties	24,069	22,950	-	-
25	Owner-occupied properties	923	860	873	809
	Operating equipment	12	18	8	11
	Tax receivable on pension savings returns and income tax	307	172	306	172
12	Contributions receivable	2,718	2,647	2,718	2,647
12	Receivables from credit institutions	33,417	37,994	33,238	37,797
12	Other receivables	14,094	11,379	13,782	10,929
	Other prepayments	938	970	935	965
	Total assets	1,026,539	904,814	1,024,472	902,507
	EQUITY AND LIABILITIES				
12, 13	Financial derivatives	82,322	60,245	82,178	59,651
	Tax payable on pension savings returns and income tax payable	19,115	4,241	19,115	4,234
	Deferred tax on pension savings returns and income tax	261	224	-	0
12	Payables to credit institutions	27,333	47,907	27,246	47,887
12	Other payables	11,288	6,255	10,325	5,276
	Total payables	140,319	118,872	138,864	117,048
22	Guaranteed benefits	759,628	693,373	759,628	693,373
23	Bonus potential	125,980	92,086	125,980	92,086
	Total pension provisions	885,608	785,459	885,608	785,459
	Minority interests	611	483	-	-
	Total equity and liabilities	1,026,539	904,814	1,024,472	902,507

Cash flow statement

DKKm

	Group		ATP	
	2019	2018	2019	2018
Cash flows from operating activities				
Contributions and fees received	10,009	9,817	10,009	9,817
Pension benefit payouts	(17,029)	(16,901)	(17,029)	(16,901)
Pension activity expenses paid	(180)	(84)	(180)	(84)
Interest income received in respect of pension activities	11	12	11	12
Interest expenses paid in respect of pension activities	(3)	(2)	(3)	(2)
Tax paid on pension savings returns in respect of pension activities	(1)	(1)	(1)	(1)
Cash flows from pension activities	(7,193)	(7,159)	(7,193)	(7,159)
Interest income etc. received in respect of investment and hedging activities	22,110	23,900	20,535	23,413
Interest expenses etc. paid in respect of investment and hedging activities	(4,778)	(4,086)	(4,138)	(4,086)
Return received on investment properties and consulting fees	2,420	2,469	1,172	1,270
Investment activity expenses paid	(908)	(952)	(441)	(465)
Tax paid on pension savings returns in respect of investment and hedging activities	(4,200)	(2,806)	(4,200)	(2,806)
Cash flows from investment and hedging activities	14,644	18,525	12,928	17,326
Income received in respect of business processing	2,176	2,355	2,152	2,398
Business processing expenses paid	(2,061)	(2,344)	(2,076)	(2,355)
Cash flows from business processing	115	11	76	43
Income tax paid	(15)	(11)	-	-
Cash flows from operating activities	7,551	11,366	5,811	10,210
Cash flows from investing activities				
Sale of bonds	34,114	82,491	30,639	71,444
Bond drawings	39,181	20,636	39,168	20,624
Purchase of bonds	(110,435)	(112,076)	(105,173)	(102,430)
Sale of equity investments	83,467	78,157	78,415	80,389
Purchase of equity investments	(80,727)	(97,326)	(78,327)	(99,822)
Financial derivatives, net	41,157	(2,704)	42,025	(2,056)
Sale of investment properties	293	98	-	-
Purchase of investment properties	(1,106)	(1,167)	-	-
Sale and purchase, net on intangible assets, property, plant and equipment and owner-occupied properties	(155)	(140)	(155)	(140)
Loans, receivables from and payables to credit institutions	(14,445)	20,418	(13,171)	20,390
Cash flows from investing activities	(8,656)	(11,613)	(6,579)	(11,601)
Cash flows from financing activities				
Loan, capital increase and dividend from/to minority shareholder	(29)	(85)	-	-
Cash flows from financing activities	(29)	(85)	-	-
Change in cash and cash equivalents	(1,134)	(332)	(768)	(1,391)
Foreign currency translation adjustments	(47)	41	(46)	(2)
Cash and cash equivalents as of 1 January	8,201	8,492	5,835	7,228
Cash and cash equivalents as of 31 December	7,020	8,201	5,021	5,835

The cash flow figures cannot be deduced directly from the figures of the consolidated financial statements. Cash flows from financing activities include a loan from a minority shareholder which as of 31 December 2019 is DKKm 268 compared with DKKm 271 as of 31 December 2018. In 2019 DKKm 3 was repaid on the loan.

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Note 1 General accounting policies

 The consolidated financial statements and the annual report of ATP for 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 Tillægspension).

When preparing the consolidated financial statements and the parent company financial statements, Management assumes a number of estimates and assessments regarding future conditions and determines assumptions which affect the accounting value of assets and liabilities as well as income and expenses. Note 2 details the accounting assessments performed by Management in connection with the application of accounting policies and estimates which are considered material for the preparation of the group financial statements and the parent company financial statements. Accounting policies and accounting estimates for specific items are set out in the individual notes.

With the exception of the implementation of new and altered accounting standards as described in Note 3 and a change to the recognising of listed futures and the presentation of receivable interest, accounting policies remain unaltered when compared with 2018.

Accounting policies

Materiality in presentation

When preparing the consolidated financial statements and the parent company financial statements, Management performs an assessment about their presentation. In this context, it is taken into account that the content of the parent company financial statements is significant to the reader. In the presentation of the Group's and ATP's assets, liabilities, financial position and performance, it is assessed whether it would be beneficial to aggregate less significant amounts. In the preparation of the notes, the focus is on ensuring that the content is relevant and the presentation is clear. Assessments are always carried out in relation to legislation, international accounting standards and guidelines and to ensure that the annual report provides an overall true and fair view.

Consolidation

The consolidated financial statements comprise the financial statements of ATP, the Parent Company, and entities controlled by ATP. ATP controls an entity when ATP is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements are based on the financial statements of the Parent Company and the individual subsidiaries, prepared in accordance with the Group's accounting policies. Upon consolidation, items of a uniform nature are added together and the following items are eliminated: intercompany income and expenses, equity holdings, intercompany balances and dividends, as well as realised and unrealised gains and losses on transactions between consolidated companies.

A group overview is available on page 77.

Foreign currency conversion:

Functional currency and presentation currency

The consolidated financial statements are presented in Danish kroner (DKK), the functional currency and presentation currency of the Parent Company. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. A functional currency is determined for each of the Group's reporting entities. All of the Group's entities use Danish kroner (DKK) as their functional currency.

Translation of transactions and amounts

Transactions in currencies other than the functional currency are foreign currency transactions. Foreign currency transactions are converted into the functional currency at the exchange rate prevailing at the transaction date. Investment assets, receivables and payables in foreign currencies are converted into the functional currency at the exchange rate prevailing at the statement of financial position date. Realised and unrealised foreign exchange gains and losses are included in the income statement under 'Market value adjustments related to investment activities' and 'Market value adjustments related to hedging activities'.

Cash flow statement

The Group's cash flow statement shows the cash flows for the year, broken down by operating, investment and financing activities; changes for the year in cash and cash equivalents; and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented directly and calculated as pension contributions received less pension benefit payouts. Also included are management fees received, payments related to administration activities, payments to suppliers and staff, and direct and indirect taxes.

Cash flows from investment activities include purchases and sales for the financial year of bonds, equity investments, financial derivatives, loans to credit institutions, investment properties, as well as intangible assets and operating equipment.

Cash flows from financing activities include minority interest transactions for the financial year.

Cash and cash equivalents include cash and demand deposits, as well as time deposits with an original term to maturity of less than three months.

Note 1 General accounting policies, continued

Accounting policies for notes without a specific note attached

Corporate income tax

Tax on results for the year, comprising current tax for the year, changes in deferred tax and prior-year adjustments, if any, is recognised in the income statement. Tax payable and deferred tax are recognised under payables, while tax receivable and deferred tax assets are recognised under assets.

Deferred tax resulting from temporary differences between the carrying amount and the tax base of assets and liabilities is measured under the statement of financial position liability method.

The tax value of tax loss carryforwards is included in the calculation of deferred tax if it is likely that the tax loss carryforwards can be utilised. Deferred tax is measured in accordance with the current tax rules and at the tax rates that are expected to apply in the periods in which the temporary differences reverse.

Operating equipment

Operating equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price as well as expenses directly related to the acquisition until such a time as the asset is ready for use. Expenses incurred for repair and maintenance are taken directly to the income statement.

Depreciation of operating equipment is provided on a straight-line basis over the estimated useful economic lives of the assets. The depreciation periods have been determined at two to five years.

Losses or gains on the sale or other disposal of property, plant and equipment are measured as the difference between the selling price and the carrying amount.

The residual value and useful economic lives of the assets are reviewed and adjusted, if appropriate, at each statement of financial position date. If the residual value of the asset exceeds the carrying amount, depreciation is discontinued. In case of changes in the depreciation period or the residual value, the prospective effect of depreciation is recognised as a change in accounting estimate.

Note 2 Significant accounting estimates



In the preparation of the annual report in accordance with generally accepted accounting principles, the Management make estimates and assumptions that affect the reported accounting elements.

Accounting assessments

Management has conducted a range of assessments in connection with the application of the Group's accounting policies. The primary accounting assessments relate to the following areas:

Measurement of forestry investment properties

Forestry investment properties consist of biological assets (trees), land and CO2 quotas. ATP considers forestry investment properties as an aggregate and integrated investment asset, due to the fact that realisation of forestry investment properties usually happens via the sale of the total property including land and CO2 quotas and only to a small degree takes the form of harvesting and selling of the biological assets. Forestry investment properties are therefore considered an aggregate unit which is recognised at fair value with value adjustments via the income statement and is presented as a part of 'Investment properties'.

DKK is the functional currency of all subsidiaries

The ATP Group makes investments across the globe and therefore also holds foreign subsidiaries. It is a characteristic of foreign subsidiaries that they act as investment companies with no independent operating activities, since the purpose of these investments, and other Group investments generally, is to invest the members' contributions and to obtain a return that will safeguard stable pension benefits to the members in DKK. It is the assessment of the Management that the relevant currency for measuring and valuing these investments should also be DKK.

ATP's business model

ATP's business model is to manage and value assets and liabilities based on changes to the fair value in keeping with ATP's risk management strategy. For this reason, guaranteed benefits and associated investment assets are measured at fair value with recognising of value adjustment via the income statement, regardless of the fact that some investment assets in essence satisfy the conditions for measuring at amortised cost price, including bonds, loans and receivables from credit institutions.

Capital assets held for sale

The ATP Group makes continuous adjustments to the invested capital, in which connection management decisions are made regarding the sale of assets. This also includes illiquid assets with a longer sale process. The Management may decide, for example, to sell one property rather than investing in other properties which are at a different developmental stage or in another location. ATP considers this to be continuous portfolio management and does not consider the assets as 'assets held for sale' in accordance with IFRS 5.

Measuring associated companies, joint ventures and group subsidiaries at fair value

Associated companies and joint ventures are measured in the consolidated financial statements and the parent company financial statements at fair value in accordance with IFRS 9 with reference to the special provisions of IAS 28, associated companies, applicable to certain investment companies, including pension companies. Capital shares in group subsidiaries are also measured at fair value in ATP's annual accounts. The Management explanation for this policy is that these investments are considered equal to other investments in ATP's business model in which assets and liabilities are managed and assessed on the basis of changes to the fair value in accordance with ATP's risk management strategy in accordance with the above description of ATP's business model.

Presentation of loans forming an integral part of investments in equities

Investments in associated companies and joint ventures and capital shares in other companies are often structured as a combination of equity investment and loans to the companies in question. In such instances where all investors hold proportionally identical shares of both loans and equity investment and where there is no significant external financing in the company generally, the risk of the loan is considered to be identical with the risk of the equity investment. ATP considers such loans as an integral part of the equity investment and therefore presents both the loan and the equity investment as capital shares which are both measured at fair value with value adjustments via the income statement.

Note 2 Significant accounting estimates, continued

The bonus potential

ATP and the ATP Group is a self-governing institution, settled by legislative act, and therefore have no owners in the traditional sense of the word such as a public limited company with shareholders. ATP and the ATP Group therefore do not have equity as such, but non-distributed bonus potential is considered equity by nature as this item is included in the Group capital base and satisfies the definition of equity in accordance with the regulations according to which the ATP Group files its financial statements. For the assessment of accounting regulations (IAS 32, Financial instruments: Presentation) the basis used is that the bonus potential does not constitute a contractual obligation, and that it is ATP's Supervisory Board which, within the framework of the ATP Act, assesses and determines the transfer of bonus to members' guaranteed benefits.

The comprehensive income for the year is transferred to ATP's and the Group's bonus potential. The comprehensive income for the year includes net results for the year plus revaluation or impairment losses for owner-occupied properties for the year.

The bonus potential is used to increase the future guaranteed benefits on an ongoing basis. If ATP's Supervisory Board elects to assign bonus and increase members' pensions, the bonus assignment will be presented as an expense in the income statement.

Accounting estimates

Measuring the accounting value of certain assets and liabilities requires estimations and assumptions regarding future events. The Management base their estimates on historical experience and on various other factors that are believed to be reasonable and relevant under the circumstances. ATP's Management considers the following estimations to be central to the preparation of the consolidated financial statements:

- Estimates related to the determination of the fair value of financial instruments (note 12)
- The discount rate and estimates related to the valuation of pension provisions (note 22)
- Estimates related to the valuation of the Group's investment properties and owner-occupied properties (notes 16 and 25).

Note 3 New accounting regulations



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 features with negative compensation – does not apply to ATP or the ATP Group
- Amended IAS 28, Long-term Investments in Associates and Joint Ventures
- Amended IAS 19, Remeasurement of pension scheme - does not apply to ATP or the ATP Group
- Annual improvements to IFRS, Annual improvements to IFRSs 2015-2017 Cycle.

All standards and interpretations contributions, with the exception of IFRS 16, have been implemented without affecting the annual report of the ATP Group and ATP.

IFRS 16, Leasing

The implementation of IFRS 16 has not significantly affected the annual 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 65m 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 previous regulations of IAS 17 and IFRIC 4 respectively. In addition, the ATP Group and ATP have applied the following available relaxations to the implementation of IFRS 16:

- 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.

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.

Amended presentation of receivable interest

The presentation of receivable interest related to loans and bonds has been amended from being presented as a separate item in the statement of financial position to being presented together with the items to which they relate. The amendment does not affect the recognising and measuring of receivable interest, and comparison figures have been adjusted.

Standards and interpretations that have not yet taken effect

At the time of publishing of this annual report, IASB had published a number of new and amended standards and interpretation contributions. With the exception of IFRS 17 'Insurance contracts', these are not expected to affect the accounts presentation for the Group and ATP.

IFRS 17, Insurance contracts

IFRS 17 'Insurance contracts' applies to fiscal years commencing on 1 January 2021 and is expected to be delayed until 1 January 2022. The analysis of the effect of the standard on ATP is on-going, meaning that it has not been possible to quantify the effect.

Note 4 Income from investment properties

DKKm	Group		ATP	
	2019	2018	2019	2018
Rental income from investment properties	1,326	1,315	51	49
Income from forestry investment properties	44	87	-	-
Property management expenses	(243)	(265)	(25)	(25)
Operating expenses, forestry properties	(61)	(107)	-	-
Maintenance expenses in respect of investment properties	(10)	(11)	-	-
Total income from investment properties	1,055	1,019	26	24
Operating expenses excl. forestry investment properties incl. repairs and maintenance in respect of:				
Rented floor space	(209)	(241)	(25)	(25)
Non-rented floor space	(44)	(35)	-	-
Total	(253)	(276)	(25)	(25)

§ Accounting policies

Income from investment properties is comprised of the rental income from investment properties for the year and sale of timber from forestry properties less property management and operating expenses for forestry properties. Fair value adjustments of investment properties are recognised in the item 'Market value adjustments related to investment activities'. The specification is set out in note 5 'Investment returns, broken down by asset type'. The determination of the fair value of forestry investment properties is described in detail in note 16 'Investment properties'.

Note 5 Investment returns, broken down by asset type, Group

 The ATP Group's investment returns are allocated to the Group's three business units using the following principles. The return in the hedging portfolio consists of interest income and market value adjustments of bonds, interest rate swaps and repo transactions. Return on bonds and interest rate swaps after after tax on pension savings returns of 15.3 per cent is largely equivalent to the changes in the guaranteed benefits due to changes in the discount rate and changes in maturity. Hedging using interest rate swaps does not require liquidity in the same manner as bonds, and the liquidity not used is made available for investment activities. Investment activities pay interest on this liquidity, referred to below as 'Loans from hedging activities'. Investment activities use this liquidity to invest in four risk classes within a pre-defined risk budget. See the 'Investment' section for a description of the individual risk classes. A small part of the Group's cash and cash equivalents and the related interest income are attributed to pension activities.

DKKm	2019			2018		
	Interest income and dividends etc.	Interest expenses	Market value adjustments	Interest income and dividends etc.	Interest expenses	Market value adjustments
Investment						
Equity investments	3,603	-	21,483	3,187	-	(1,132)
Bonds	2,471	-	1,241	2,088	-	(146)
Loans	575	-	301	623	-	180
Loans from hedging activities	-	(517)	-	-	(517)	-
Financial derivatives	651	(4,011)	10,116	347	(3,237)	(10,179)
Receivables from and payables to credit institutions	3	0	-	9	0	0
Financial assets and liabilities recognised at fair value in the income statement	7,302	(4,527)	33,142	6,254	(3,754)	(11,277)
Cash and demand deposits	40	(39)	(13)	18	(37)	180
Financial assets and liabilities at amortised cost price	40	(39)	(13)	18	(37)	180
Investment properties	-	-	305	-	-	264
Total	7,342	(4,567)	33,435	6,272	(3,791)	(10,833)
Hedging activities						
Bonds	8,650	-	26,684	9,206	-	11,626
Loans for investment activities	517	-	-	517	-	-
Receivables from and payables to credit institutions	228	(211)	26	360	(295)	(27)
Financial derivatives	5,524	-	45,319	5,409	-	6,174
Financial assets and liabilities recognised at fair value in the income statement	14,919	(211)	72,029	15,492	(295)	17,773
Cash and demand deposits	7	0	(34)	0	0	(38)
Financial assets and liabilities at amortised cost price	7	0	(34)	0	0	(38)
Total	14,926	(211)	71,995	15,492	(295)	17,735
Pension						
Other issuers	11	(3)		12	(2)	
Financial assets and liabilities at amortised cost price	11	(3)		12	(2)	
Total	11	(3)		12	(2)	

Note 5 Investment returns, broken down by asset type, ATP

DKKm	2019			2018		
	Interest income and dividends etc.	Interest expenses	Market value adjustments	Interest income and dividends etc.	Interest expenses	Market value adjustments
Investment						
Equity investments	2,662	-	16,830	2,749	-	(5,065)
Bonds	1,952	-	300	1,621	-	170
Loans	386	-	170	491	-	148
Loans from hedging activities	-	(517)	-	-	(517)	-
Financial derivatives	1,237	(4,011)	10,243	887	(3,249)	(8,638)
Receivables from and payables to credit institutions	1	0	0	2	0	0
Financial assets and liabilities recognised at fair value in the income statement	6,238	(4,528)	27,543	5,750	(3,766)	(13,385)
Cash and demand deposits	18	(25)	(12)	9	(25)	37
Financial assets and liabilities at amortised cost price	18	(25)	(12)	9	(25)	37
Total	6,256	(4,553)	27,531	5,759	(3,791)	(13,348)
Hedging activities	Interest income etc.	Interest expenses	Market value adjustments	Interest income etc.	Interest expenses	Market value adjustments
Bonds	8,650	-	26,684	9,206	-	11,626
Loans for investment activities	517	-	-	517	-	-
Receivables from and payables to credit institutions	228	(211)	26	360	(295)	(27)
Financial derivatives	5,524	0	45,319	5,409	-	6,174
Financial assets and liabilities recognised at fair value in the income statement	14,919	(211)	72,029	15,492	(295)	17,773
Cash and demand deposits	7	0	(34)	-	-	(38)
Financial assets and liabilities at amortised cost price	7	0	(34)	0	0	(38)
Total	14,926	(211)	71,995	15,492	(295)	17,735
Pension	Interest income etc.	Interest expenses		Interest income etc.	Interest expenses	
Other issuers	11	(3)		12	(2)	
Financial assets and liabilities at amortised cost price	11	(3)		12	(2)	
Total	11	(3)		12	(2)	

Note 5 Investment returns, broken down by asset type

§ Accounting policies

Investment

Interest income and dividends etc. include interest for the year on securities and loans, forward premiums related to repo transactions and forward exchange contracts, indexation of index-linked bonds, interest payments on financial derivatives and dividends on equity investments less foreign dividend taxes.

Interest expenses comprise the interest expense for the year that Investment pays Hedging for liquidity made available and for hedging of ATP's long-term liabilities more than 40 years into the future. The interest expense regarding loans of excess liquidity is calculated daily using an internal money market rate, while the payment for hedging of long-term liabilities is fixed at 3 per cent per year. The contra entry is included in interest income related to hedging activities. Also included are all expenses related to forward premiums on repo transactions and forward exchange contracts and interest payments on interest rate and inflation swaps.

Market value adjustments comprise value adjustments for the year on equity investments, bonds, financial derivatives, loans and investment properties, as well as realised gains and losses on the sale of equity investments, bonds, financial derivatives, loans and investment properties. Foreign currency translation adjustments are also included.

Hedging activities

Interest income comprises the interest for the year on securities and loans. The interest income from loans is the income received by hedging activities from investment activities for liquidity made available and for hedging of ATP's long-term liabilities more than 40 years into the future. The interest expense regarding loans of excess liquidity is calculated daily using an internal money market rate, while the payment for hedging of long-term liabilities is fixed at 3 per cent per year. Also included are interest income on bonds and interest rate swaps and forward premiums related to repo transactions.

Interest expenses comprise all expenses related to forward premiums on repo transactions and forward exchange contracts.

Market value adjustments related to hedging activities comprise value adjustments for the year of bonds and financial derivatives. Foreign currency translation adjustments are also included.

Pension

Interest income and interest expenses comprise interest for the year which is not allocated to investment and hedging activities, respectively. Interest income relates primarily to late-payment interest in connection with the collection of ATP contributions.

Note 6 Expenses

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Investment activity expenses	937	953	462	458
Pension activity expenses	201	197	201	197
Administration activity expenses	2,435	2,450	2,449	2,465
Total expenses	3,573	3,600	3,112	3,120
Audit fees:				
Total fees paid to auditors can be broken down as follows:				
Statutory audit	2.6	2.9	1.3	1.3
Other assurance engagements	0.3	0.1	0.1	0.0
Tax and VAT services	0.2	0.8	0.1	0.5
Other services	0.9	0.3	0.9	0.2
Total audit fees	3.9	4.1	2.3	2.0

Fees for non-audit services supplied by Deloitte Statsautoriseret Revisionspartnerselskab to the Group in 2019 totals DKKm 1.3 and relates to the provision of declarations and assessment reports, tax and VAT advice and other accounting advice.

Note 6 Expenses, continued

DKKm	Group		ATP	
	2019	2018	2019	2018
Depreciation, amortisation and impairment losses:				
Depreciation and amortisation on operating equipment and owner-occupied properties*	22	13	18	10
Depreciation and amortisation, intangible assets	145	120	142	120
Total depreciation and amortisation	167	133	160	130

* Depreciation and amortisation on owner-occupied properties include depreciation of leasing assets of DKKm 10 in 2019. Interest related to the leasing obligation is DKKm 0.

Staff expenses:				
Remuneration	1,429	1,553	1,347	1,418
Pension contributions	236	242	223	226
Other social security expenses	22	26	21	20
Total staff expenses	1,686	1,821	1,591	1,664
Average number of full-time staff	2,747	2,948	2,567	2,722

DKKm	Group ^{1,2}		Group ^{1,2}	
	2019	Of which pension contribution	2018	Of which pension contribution
Remuneration paid to CEO:				
Chief Executive Officer (CEO):				
Bo Foged, acting CEO as of 26 November 2018 and entered into the position on 18 June 2019	6.9	0.9	0.6	0.1
Christian Hyldahl, CEO, departed 24 November 2018	(0.7)	0.0	13.9	1.7
Total CEO	6.2	0.9	14.5	1.8

¹ Remuneration for Christian Hyldahl in 2018 includes salary during release period.

² The CEO remuneration consists of fixed remuneration, pension contributions and a range of work-related perks, including company car.

Additional information is available on page 142 of the remuneration report. For information on pay policy and practice for the Board of Representatives, the Supervisory Board, the Executive Board and other significant risk takers as required under the executive order on pay policy, please visit atp.dk/en/results-and-reports/annual-and-interim-reports

§ Accounting policies

Expenses are allocated between the individual business units either as direct expenses or as an expense allocation based on ATP's internal model for allocation of other expenses.

Investment activity expenses comprise expenses incurred to achieve the investment return for the year. These expenses include direct and indirect expenses related, for example, to pay and remunerations, custody expenses and transaction costs related to the purchase and sale of investment assets. Expenses incurred in investment subsidiaries are also included in these expenses for the Group.

Pension activity expenses comprise expenses incurred in connection with the administration of the ATP pension scheme, including SUPP (Supplementary Labour Market Pension Scheme for Disability Pensioners). These expenses include direct and indirect expenses related, for example, to pay and remunerations, IT operations, amortisation of internal development projects and depreciation on property, plant and equipment.

Administration activity expenses comprise expenses incurred in connection with the management of a number of large schemes. These expenses include direct and indirect expenses related, for example, to pay and remunerations, IT operations and amortisation of internal development projects. Also included are expenses from the subsidiary PensionService A/S, which sells administration services on market terms.

Note 7 Other income

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Sale of administration services by subsidiaries	1	12	-	-
ATP's sale of administration services	2,435	2,446	2,450	2,469
Total other income	2,436	2,458	2,450	2,469

§ Accounting policies

Other income includes income for the year from the sale of administration services to external clients as well as related parties. Also included is other customary income for the year that cannot be attributed to pension and investment activities.

Note 8 Other expenses

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Expenses related to the sale of administration services by subsidiaries	2	7	-	-
ATP's expenses related to the sale of administration services	2,434	2,443	2,449	2,465
Total other expenses	2,435	2,450	2,449	2,465

§ Accounting policies

Other expenses include expenses incurred for the sale of administration services. Also included are other customary expenses for the year that cannot be attributed to Pensions & Investments under the item 'Other expenses'.

Note 9 Tax on pension savings returns

🔍 Taxation of ATP and its subsidiaries

In Denmark, ATP is subject to the provisions of the Danish Pension Savings Returns Tax Act (Pensionsafkastbeskatningsloven); abroad, ATP is subject to tax under local rules. ATP files income tax returns in Denmark, the UK, Germany and the USA. Local withholding taxes are also paid in a number of other jurisdictions. ATP's Danish subsidiaries, which are separately liable to tax, are subject to tax under the Danish Income Tax Act (Selskabsskatteloven). Returns from subsidiaries that are exempt from tax or not separately liable to tax are included in ATP's tax on pension savings returns and taxed under the provisions of Danish Pension Savings Returns Tax Act.

The method of accounting for returns in the calculation of ATP's tax on pension savings returns is based on the market value principle. The system is that the tax base is comprised of the total return on assets (Danish and international and the returns from subsidiaries already subject to income tax) less deductible interest rates and asset management expenses. In the tax payable, ATP is entitled to relief for taxes paid abroad. However, the relief cannot exceed the amount of the Danish tax on pension savings returns on the international income (measured under Danish rules).

The international taxes typically consist of withholding taxes on dividends, interest rates and US corporate income. These taxes are primarily attributable to ATP's investments in international private equity and listed international equities, international real estate investments and forestry and infrastructure investments.

ATP's tax policy for unlisted investments can be found at atp.dk/en/responsibility/tax-atp.

Note 9 Tax on pension savings returns, continued

DKKm	Group		ATP	
	2019	2018	2019	2018
Investment activities:				
Tax on pension savings returns	19,048	4,206	19,048	4,206
Prior year adjustments	(100)	(153)	(100)	(153)
Tax on pension savings returns transferred to hedging activities	(13,267)	(5,039)	(13,267)	(5,039)
Tax on pension savings returns transferred to pension activities	(1)	(1)	(1)	(1)
Pension savings returns transferred to other total income (bonus potential)	0	4	0	4
Tax on pension savings returns in respect of investment activities, total	5,680	(983)	5,680	(983)
Hedging activities:				
Tax on pension savings returns transferred from investment activities	13,267	5,039	13,267	5,039
Tax on pension savings returns in respect of hedging activities, total	13,267	5,039	13,267	5,039
Pension activities:				
Tax on pension savings returns transferred from investment activities	1	1	1	1
Tax on pension savings returns in respect of pension activities, total	1	1	1	1
Other comprehensive income:				
Tax on pension savings returns transferred from investment activities	0	(4)	0	(4)
Tax on pension savings returns, Other comprehensive income, total	0	(4)	0	(4)
Total tax on pension savings returns	18,948	4,053	18,948	4,053
Investment activity results before tax on pension savings returns	39,725	(4,701)	39,570	(4,778)
Hedging activity results before tax on pension savings returns and change in guaranteed benefits	86,710	32,932	86,710	32,932
Interest income and interest expenses, pension activities	8	10	8	10
Value adjustments of owner-occupied properties	0	(27)	0	(28)
	126,443	28,214	126,288	28,136
Calculated 15.3% of which	19,346	4,317	19,322	4,305
Tax effect of different methods of calculating accounting and tax returns on transparent entities etc.	(138)	(68)	(114)	(56)
Tax effect of reduction under section 10 of the Danish Pension Savings Returns Tax Act (reduction regarding life and pension insurance policies, year-end 1982)	(160)	(43)	(160)	(43)
Tax on pension savings returns for the year	19,048	4,206	19,048	4,206
Prior year adjustments	(100)	(153)	(100)	(153)
Total tax on pension savings returns	18,948	4,053	18,948	4,053
Portion of tax on pension savings returns falling due after more than one year	-	-	-	-

§ Accounting policies

ATP is taxed in Denmark pursuant to the regulations of the Danish Pension Savings Returns Tax Act. The tax on pension savings returns is calculated on the basis of the ATP's total return on assets. The rate of tax is 15.3%. The taxation basis is measured on the accrual basis, and therefore includes both realised and non-realised returns, but exclusive of deductible interest and asset management costs. It does not matter where in the world the return is generated. The calculated tax on pension savings returns is partially reduced by an amount equal to ATP's foreign tax payments such that double taxation of ATP's returns is minimised. The foreign tax consists primarily of pay-as-you-go taxes on dividends and interest and tax on American commercial income and is generated by ATP's investments in foreign listed equities and unlisted investments in, among other things, properties, infrastructure and capital funds.

ATP is tax exempt relative to the Danish Income Tax Act, but has subsidiaries which are independently liable for tax and which submit returns pursuant to the Danish Income Tax Act. As a consequence of its investment activities, ATP also has tax return obligations in Germany, Canada and the USA.

Note 10 Contributions

	Group		ATP	
	2019	2018	2019	2018
DKKm				
ATP contributions	10,933	10,723	10,933	10,723
Social security contributions	(872)	(852)	(872)	(852)
Total contributions	10,061	9,871	10,061	9,871

§ Accounting policies

Contribution income is recognised as reporting is received.

Contributions comprise ATP contributions reported and collected for the year less social security contributions. Also included is adjustment for the year of impairment losses on contributions receivable.

Note 11 Benefit payouts

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Personal pension (current)	16,008	15,789	16,008	15,789
Spouse pension (current)	9	11	9	11
Personal pension (capitalised)	70	117	70	117
Spouse pension (capitalised)	815	802	815	802
Child benefits (capitalised)	119	125	119	125
SUPP estate amount (capitalised)	32	34	32	34
Total benefit payouts	17,054	16,878	17,054	16,878

§ Accounting policies

Benefit payouts comprise personal pensions paid, spouse pensions and capitalised benefits for the year. Benefits prepaid are accrued on the statement of financial position and presented under the item 'Other prepayments'.

Note 12 Financial assets and liabilities

In the table below, the Group's and ATP's financial assets and liabilities are broken down by the category in which they are recognised on initial recognition.

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Financial assets:				
Financial derivatives	111,856	74,313	111,567	74,282
Investments in subsidiaries	-	-	79,013	74,023
Investments in associates and joint ventures	51,445	44,040	43,615	36,429
Equity investments	139,346	125,907	105,370	91,174
Bonds	630,329	566,642	619,257	557,732
Loans	8,867	7,666	4,200	5,438
Loans to subsidiaries	-	-	3,416	3,250
Receivables from credit institutions	33,417	37,994	33,238	37,797
Financial assets measured at fair value over the income statement	975,260	856,562	999,676	880,125
Contributions receivable	2,718	2,647	2,718	2,647
Receivables from subsidiaries	-	-	2	6
Other receivables	14,094	11,379	13,782	10,929
Financial assets measured at amortised cost	16,812	14,026	16,502	13,582

Note 12 Financial assets and liabilities, continued

DKKm	Group		ATP	
	2019	2018	2019	2018
Financial liabilities:				
Financial derivatives	82,322	60,245	82,178	59,651
Financial liabilities measured at fair value over the income statement	82,322	60,245	82,178	59,651
Payables to credit institutions	27,333	47,907	27,246	47,887
Financial liabilities measured at fair value over the income statement (chosen)	27,333	47,907	27,246	47,887
Other payables	11,288	6,255	10,325	5,276
Financial liabilities measured at amortised cost	11,288	6,255	10,325	5,276

For financial assets and liabilities recognised at amortised cost price, the carrying amount is estimated to equal the fair value.

§ Accounting policies

Purchase and sale of financial assets and liabilities are recognised on the trade date.

Financial assets and liabilities are recognised at fair value on the trading date. Subsequent to initial recognition, financial assets and liabilities are measured at fair value or amortised cost.

Financial assets

The following financial assets are measured after the initial recognition at fair value as a result of ATP's business model:

1. Bonds
2. Loans, including loans to group subsidiaries
3. Receivables from credit institutions (reverse transactions)

The assets and liabilities specified above are managed and assessed based on fair value in accordance with the Group's risk management strategy, see the section 'Risks and risk management' and are therefore measured at fair value with value adjustment via the income statement.

The financial assets below are not based on cash-flows consisting of payment of principal and interest, and are therefore measured at fair value after initial recognition:

1. Equity investments, including investments in subsidiaries and associates and joint ventures
2. Financial derivatives

Other financial assets are measured after initial recognition at amortised cost price.

Financial liabilities

Financial derivatives with a negative market value must be recognised at fair value, while it has been decided to recognise payables to credit institutions resulting from repo transactions at fair value with value adjustment through the income statement as they are managed and assessed based on fair value in accordance with the Group's risk management strategy.

Other financial liabilities are subsequently measured at amortised cost.

Adjustments of the fair value of financial assets and liabilities are recognised in the income statement under 'Market value adjustments related to investment activities' and 'Market value adjustments related to hedging activities' on an ongoing basis. As regards payables to credit institutions resulting from repo transactions, the portion of the fair value changes that is attributable to changes in ATP's own credit risk is recognised in 'Other comprehensive income.' Due to ATP's strong financial position and the short maturity of the repo transactions, the impact of ATP's credit risk is assessed as being insignificant.

Determination of fair value

For financial assets and liabilities that are traded in a market, the official market price is used. Measuring listed equities and financial assets and liabilities is based on closing prices from relevant stock exchanges while bid prices are used for listed bonds. If, in respect of bonds, there have been no updated external prices inside the previous two trading days prior to the balance sheet date, a theoretical price is calculated and the bonds are registered as 'observable input' in the fair value hierarchy.

For other financial assets and liabilities, the fair value determination represents ATP's most objective estimate of the current fair value of financial assets and liabilities, based on the most unambiguous and uniform guidelines possible and, to some extent, supported by management estimates. In the determination of these estimates, the following methods are applied:

1. Bonds, interest-based investment assets and liabilities

For investments in bonds for which no active market exists, yield curves with the addition of yield spreads and investment-specific premiums are used.

2. Equity investments, including investments in subsidiaries and associates and joint venture.

Private equity investments consist of investments in portfolio funds, direct equity investments, direct equity investments in portfolio companies and real estate funds.

Portfolio funds

For a significant portion of the investments in portfolio funds, the valuation is based on reporting received from portfolio funds. Equity investments in portfolio funds are generally measured using the IPEV Valuation Guidelines under which equity investments are measured at fair value on the reporting date. Listed equity investments in portfolio funds are measured at the closing rate of the relevant stock exchange. For unlisted equity investments for which no quoted price exists, the equity investments are measured on the basis of the latest market price – either in connection with a round of capital increases resulting in a change in ownership or in connection with a partial sale, based on the value of comparable companies.

Note 12 Financial assets and liabilities, continued

§ Accounting policies

Direct equity investments

Direct private equity investments are measured using one of the following methods: a) multiple analysis where the ratio of the value of comparable listed companies to relevant key figures for these companies is used in the valuation of the company in question; b) if sufficient comparable companies cannot be found, a 'sum-of-the-parts' valuation is performed where each business unit of the company in question is measured separately; c) for new investments, the acquisition cost is used.

Direct equity investments in portfolio companies

Direct equity investments in portfolio companies consist of co-investments together with portfolio funds and are valued using traditional valuation methods and as described on the previous page for portfolio funds. The following factors are included in the determination of fair value:

- 1) Valuation and other significant conditions related to the latest round of financing
- 2) Significant events related to the company's business, product launches, new clients, changes to the management team
- 3) Compliance or non-compliance with significant predefined milestones and other conditions assessed to be capable of impacting the fair value, including general changes in market and competition conditions and new technology.

Real estate funds

Private equity investments in real estate funds are measured primarily on the basis of the valuations performed by the real estate funds. The measurement is based on a valuation model that measures the fair value of the equity where the fair value of the underlying properties is reflected on an ongoing basis. The fair value of the real estate is usually determined on the basis of valuations performed by external estate agents and market assessors. In addition, the managers of the funds regularly perform an internal valuation based on changes in market conditions, which is typically reflected in an adjustment of the required rate of return. Other factors such as the stability of the real estate cash flow, market rent level, location and tenant quality are included in the valuation.

3. **Loans** Valuation of loans is based on discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.

4. **Receivables from and debts to credit institutions** comprise repo and reverse transactions, i.e. the purchase/sale of securities where, as part of the agreement, an agreement is concluded regarding selling back/buying back at a later time. In reverse transactions, the securities purchased are not included in the statement of financial position, and the amount paid is recognised as a receivable. In repo transactions, securities sold are still included in the statement of financial position and the amount received is recognised as a liability. On initial recognition, receivables from and debts to credit institutions are recognised at fair value and subsequently measured at fair value. Interest received and paid is recognised across the duration of contracts. Valuation of repo and reverse transactions is based on discounting of expected future cash flows using relevant yield curves.

Financial assets and liabilities at amortised cost

Other receivables, which primarily comprises incomplete transactions, contributions receivable and rent receivable, are measured at amortised cost. Amortised cost is usually equivalent to nominal value.

Provisions are made for expected losses on ATP contributions receivable and rent receivable based on a simplified provision matrix using a fixed provisions percentage depending on how many days the receivable remains overdue. The provision rate is based on historical data. Provisions for expected losses are deducted directly from the asset items to which the provisions relate, while period changes are recognised in the income statement.

Other payables, comprising 'Payables to subsidiaries' and 'Other payables', are measured at amortised cost, essentially equivalent to nominal value.

! Significant accounting estimates

Significant accounting estimates are associated primarily with the measurement of financial assets and liabilities at fair value where the valuation is based on unobservable inputs. The accounting methods include discounting to net present value of future cash flows and assessment of underlying market conditions. Assumptions of interest rates, risk premiums, volatility, default and prepayments and other information are included in the use of these methods. The fair value of financial assets and liabilities, including financial derivatives for which no quoted market prices exist, is based on the best information available under the circumstances.

Financial assets where the valuation is based on unobservable inputs include parts of the Group's bonds, equity investments, including investments in associates and joint ventures, investment properties and loans, see level 3 assets in note 20 'Fair value disclosure'.

Breakdown of the Group's financial assets measured under level 3 in the fair value hierarchy, see note 20.

	2019		2018	
	DKKkm	Per cent	DKKkm	Per cent
Bonds	16,996	10%	10,703	8%
Equity investments	61,941	38%	55,367	40%
Loans	8,793	5%	7,666	6%
Investments in associates and joint ventures	51,445	32%	42,407	30%
Investment properties	24,069	15%	22,950	16%
	163,244	100%	139,093	100%

Most of the Group's equity investments, and investments in associates and joint ventures in level 3 are valued on the basis of the reported fair value. The reported fair value involves a degree of estimation in connection with the determination of the fair value of the underlying statements of financial position of the companies.

Loans are measured by discounting to net present value the future cash flows from the loans. The future cash flows are adjusted for changes in credit risk. The determination of the discount rate and the credit risk involves a degree of judgement, which affects the determination of the fair value.

Investment properties are measured using a return-based model in which the determination of the future operating income and the required rate of return involves a degree of judgement, see note 16.

Note 13 Financial derivatives



The ATP Group uses various financial derivatives such as interest rate swaps, stock index futures, inflation swaps and forward exchange contracts as part of its risk management and investment strategy. Financial derivatives are characterised by the value depending on the development of the value of an underlying instrument, index or similar. Using financial derivatives makes it possible to increase or reduce the exposure to market risks, among other things.

DKKm

	Group				ATP			
	2019		2018		2019		2018	
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Interest rate contracts								
Interest rate swaps	103,332	(64,257)	64,610	(45,000)	103,321	(64,243)	64,599	(44,959)
Interest rate swaptions	3,259	(11,557)	4,177	(8,403)	3,259	(11,557)	4,177	(8,403)
Interest rate futures	7	(10)	2	-	-	-	-	-
Cross-currency swaps	58	(4)	4	(71)	58	(4)	4	(71)
Total interest rate contracts	106,656	(75,828)	68,793	(53,474)	106,638	(75,804)	68,780	(53,433)
Equity contracts								
Stock index futures	82	(20)	29	(34)	-	-	-	-
Equity-indexed options	700	(78)	3,068	(137)	700	(64)	3,068	(114)
Contracts for difference	1	(1)	-	(3)	-	-	-	-
Total equity contracts	783	(99)	3,097	(174)	700	(64)	3,068	(114)
Inflation contracts								
Inflation swaps	674	(2,369)	230	(1,203)	674	(2,369)	230	(1,203)
Total inflation contracts	674	(2,369)	230	(1,203)	674	(2,369)	230	(1,203)
Commodity contracts								
Total return swaps	3	-	-	-	-	-	-	-
Commodity futures	252	(197)	12	(465)	212	(185)	-	(440)
Total commodity contracts	255	(197)	12	(465)	212	(185)	-	(440)
Credit contracts								
Credit default swaps	1,998	(171)	859	(384)	1,948	(157)	832	(367)
Total credit contracts	1,998	(171)	859	(384)	1,948	(157)	832	(367)
Foreign exchange contracts								
Non-deliverable forward	115	(114)	192	(79)	97	(73)	192	(79)
Forward exchange contracts	1,375	(3,544)	1,130	(4,466)	1,117	(3,436)	770	(3,984)
Forward exchange contracts, intra-group	-	-	-	-	181	(90)	410	(31)
Foreign exchange contracts, total	1,490	(3,658)	1,322	(4,545)	1,395	(3,599)	1,372	(4,094)
Financial derivatives, total	111,856	(82,322)	74,313	(60,245)	111,567	(82,178)	74,282	(59,651)

Note 13 Financial derivatives, continued

§ Accounting policies

On initial recognition, i.e. the trade date, financial derivatives are recognised at fair value. Subsequent to initial recognition, financial derivatives are also measured at fair value. For financial derivatives that are traded in a market, the official market price is used. For financial derivatives that are not traded in a market, various generally accepted valuation methods are used, depending on the type of instrument involved. For interest rate instruments, valuation is based on the market rate expressed as the zero coupon yield curve at the statement of financial position date.

Change in the fair value of financial derivatives are recognised in the income statement as they occur. Financial derivatives with a positive fair value are recognised in the statement of financial position as assets, while financial derivatives with a negative fair value are recognised in the statement of financial position as liabilities. Listed futures for which the margin is calculated on a daily basis are considered to be settled for which reason the market value is recognised at DKK 0.

Other cash and cash equivalents received as part of a margin settlement are recognised in the statement of financial position, given that ATP has the right of disposal of margin account balances. Securities which, as part of collateral security, have only been formally assigned to ATP's ownership are not recognised in the statement of financial position, given that ATP neither bears the risk nor benefits from the return on these securities. Similarly, securities which ATP only has assigned formally to counterparties as part of collateral security are still recognised in ATP's statement of financial position. ATP enters into foreign exchange contracts with external counterparties on behalf of several of the Group's subsidiaries.

Note 14 Investments in subsidiaries

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Fair value as of 1 January	-	-	74,023	69,958
Additions during the year	-	-	9,428	19,076
Disposals during the year	-	-	(12,313)	(19,087)
Fair value adjustment for the year	-	-	7,875	4,076
Fair value as of 31 December	-	-	79,013	74,023

§ Accounting policies

Group subsidiaries include entities in which ATP exercises control. ATP controls an entity when ATP is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Equity investments in group subsidiaries are managed and assessed based on fair value in accordance with ATP's and the ATP Group's risk management and investment strategies. Reporting to the ATP Group Management is also based on this, for which reason ATP has selected the option in IAS 27 to recognise equity investments in group subsidiaries in accordance with the regulations of IFRS 9. Cash-flows from equity investments in group subsidiaries do not consist of payment of principal and interest, meaning that equity investments in group subsidiaries are recognised at fair value with value adjustment via the income statement.

Minority interests' share of equity in group subsidiaries total DKKm 611 (2018: DKKm 483) and the share of the result of the year is DKKm 154. (2018: DKKm 82). It is considered that no minority interests own a significant share of the group subsidiaries.

For an overview of ATP's group subsidiaries, including investment types, please see 'ATP Group overview' on page 77 and the accounts information below which reflect the most recently published annual report.

Note 14 Investments in subsidiaries, continued

2019	Domicile	Ownership interest per cent	Company equity DKKm	Net result DKKm
ATP Ejendomme A/S	Denmark	100.0	16,200	880
Galaxy Properties S.A.	Belgium	90.0	545	15
ATP European Core Shopping Center Fund ²	Luxembourg	100.0	1,655	(64)
Waterfront Bremen G.m.b.H. & Co. KG ²	Germany	94.9	1,655	(55)
ATP Ejendomme GP I ApS	Denmark	100.0	0	0
Seniorbolig Danmark K/S	Denmark	100.0	182	5
SBDK Projekter I P/S	Denmark	100.0	46	2
Ejendomsselskabet Hannemanns Allé 30 P/S	Denmark	100.0	26	14
NP Investment A/S ³	Denmark	100.0	27	(0)
Kapitalforeningen ATP Invest ⁴	Denmark	100.0	7,803	104
ATP PensionService A/S	Denmark	100.0	9	(1)
Private Equity Advisors ApS	Denmark	100.0	16	0
ATP PE GP ApS	Denmark	100.0	1	0
ATP Private Equity K/S	Denmark	100.0	1,742	6
ATP Private Equity Partners I K/S	Denmark	99.9	182	(54)
ATP Private Equity Partners II K/S	Denmark	99.9	1,807	(8)
ATP Private Equity Partners III K/S	Denmark	99.9	2,563	399
ATP Private Equity Partners IV K/S	Denmark	99.9	8,167	1,435
ATP Private Equity Partners V K/S	Denmark	99.9	8,315	1,589
ATP Private Equity Partners VI K/S	Denmark	99.9	408	(36)
ATP Real Estate Partners I K/S	Denmark	100.0	2,166	(29)
ATP Real Estate Partners II K/S ⁵	Denmark	100.0	1	6
ATP Real Estate II GP K/S ⁵	Denmark	100.0	0	0
ATP REP II ApS in voluntary liquidation	Denmark	100.0	0	0
ATP TIM GP ApS	Denmark	100.0	0	(0)
ATP Timberland Invest K/S	Denmark	100.0	2,491	166
ATP Woodlands GP, LLC ¹	USA	100.0	1,110	12
Northwoods ATP LP ¹	USA	100.0	-	-
Upper Hudson Woodlands ATP LP ¹	USA	100.0	-	-
Wolf River ATP LP ¹	USA	100.0	-	-
Ouachita ATP LP ¹	USA	100.0	-	-
VIA Equity Fond I K/S ⁶	Denmark	99.8	194	(48)
VIA Equity Fond II K/S ⁶	Denmark	99.8	393	33
ATP Alternative Investment Trust ²	Australia	100.0	2,293	215
ATP Alternatives (Aust) PTY Ltd. ²	Australia	100.0	0	0
AQR Macro Total Return Lux Fund	Luxembourg	100.0	3,768	(115)
NB Public Equity K/S	Denmark	99.5	359	(6)
Apollo Kings Alley Credit Fund, L.P. ²	USA	97.5	776	16
ATP Infrastructure Spain ApS	Denmark	100.0	834	29
ATP Infrastructure II ApS	Denmark	100.0	4,372	182
ATP Infrastructure III GP ApS in voluntary liquidation	Denmark	100.0	1	0
Broad Street Danish Credit Partners, L.P. ²	Scotland	100.0	1,944	135
ACM Strategic Investment Partners IV, LP ²	Cayman Islands	97.3	656	7
Bridgewater All Weather Portfolio IV, Ltd. ¹	Cayman Islands	100.0	2,725	(530)
King's Alley General Partner ApS in voluntary liquidation	Denmark	100.0	0	(0)
China-U.S. Industrial Cooperation (Unlevered) European Partnership, SLP ²	Luxembourg	100.0	-	-

¹ Recognised in Group accounts based on latest report of 30/11/2019

² Recognised in Group accounts based on latest report of 30/09/2019

³ The entity was previous named NOW: Pensions Investment A/S Fondsmæglerselskab

⁴ Kapitalforeningen ATP Invest consists of the departments 'High Risk Bonds' (Højrisikoobligationer) and 'NIM Alternative Liquid Strategies' (NIM Alternative Likvide Strategier)

⁵ The entities were liquidated via solvent liquidation as of 31/12/2019

⁶ ATP has decided to sell VIA Equity I and II. A sales process is underway.

Note 14 Investments in subsidiaries, continued

2018	Domicile	Ownership interest per cent	Company equity DKKm	Net result DKKm
ATP Ejendomme A/S	Denmark	100.0	15,320	783
Galaxy Properties S.A.	Belgium	90.0	786	96
ATP European Core Shopping Center Fund ²	Luxembourg	100.0	1,728	68
Waterfront Bremen G.m.b.H. & Co. KG ²	Germany	94.9	1,565	8
ATP Ejendomme GP I ApS	Denmark	100.0	0	0
Seniorbolig Danmark K/S	Denmark	100.0	113	(1)
SBDK Projekter I P/S	Denmark	100.0	45	3
BAV Seniorbolig P/S	Denmark	100.0	-	-
Ejendomsselskabet Hannemanns Allé 30 P/S	Denmark	100.0	12	(4)
NOW: Pensions Investment A/S Fondsmæglerselskab	Denmark	100.0	29	2
NOW: Pensions Ltd. ³	UK	100.0	34	(117)
Kapitalforeningen ATP Invest	Denmark	100.0	10,709	(416)
ATP PensionService A/S	Denmark	100.0	13	3
Private Equity Advisors ApS	Denmark	100.0	16	2
ATP PE GP ApS	Denmark	100.0	1	0
ATP Private Equity K/S	Denmark	100.0	1,865	122
ATP Private Equity Partners I K/S	Denmark	99.9	251	(81)
ATP Private Equity Partners II K/S	Denmark	99.9	2,225	123
ATP Private Equity Partners III K/S	Denmark	99.9	3,570	277
ATP Private Equity Partners IV K/S	Denmark	99.9	8,283	1,406
ATP Private Equity Partners V K/S	Denmark	99.9	5,759	692
ATP Private Equity Partners VI K/S	Denmark	99.9	0	(3)
ATP Real Estate Partners I K/S	Denmark	100.0	2,251	37
ATP Real Estate Partners II K/S	Denmark	99.9	509	54
ATP Real Estate GP ApS	Denmark	100.0	0	0
ATP TIM GP ApS	Denmark	100.0	0	0
ATP Timberland Invest K/S	Denmark	100.0	2,386	92
ATP Woodlands GP, LLC ¹	USA	100.0	1,139	(5)
Northwoods ATP LP ¹	USA	100.0	-	-
Upper Hudson Woodlands ATP LP ¹	USA	100.0	-	-
Wolf River ATP LP ¹	USA	100.0	-	-
Ouachita ATP LP ¹	USA	100.0	-	-
VIA equity Fond I K/S	Denmark	99.8	221	41
VIA equity Fond II K/S	Denmark	99.8	375	72
ATP Alternative Investment Trust ²	Australia	100.0	2,189	379
ATP Alternatives (Aust) PTY Ltd. ²	Australia	100.0	-	-
AQR Macro Total Return Lux Fund	Luxembourg	100.0	-	-
NB Public Equity K/S	Denmark	99.5	901	175
Apollo Kings Alley Credit Fund, L.P. ²	USA	97.5	955	59
ATP Infrastructure Spain ApS	Denmark	100.0	930	56
ATP Infrastructure II ApS	Denmark	100.0	4,264	199
ATP Infrastructure III K/S	Denmark	100.0	3,428	(0)
ATP Infrastructure III GP ApS	Denmark	100.0	1	(0)
Broad Street Danish Credit Partners, L.P. ²	Scotland	100.0	853	(54)
ACM Strategic Investment Partners IV, LP ²	Cayman Islands	97.3	448	59
Bridgewater All Weather Portfolio IV, Ltd. ¹	Cayman Islands	100.0	-	-
King's Alley P/S	Denmark	100.0	-	-
King's Alley General Partner ApS	Denmark	100.0	-	-

¹ Recognised in Group accounts based on latest report of 30/11/2018

² Recognised in Group accounts based on latest report of 30/09/2018

³ NOW Pensions Ltd. has 5 subsidiaries with no activity

Note 15 Investments in associates and joint ventures

DKKm	Group		ATP	
	2019	2018	2019	2018
Fair value as of 01 January	44,040	38,413	36,429	30,663
Additions during the year	4,840	5,059	4,664	3,436
Disposals during the year	(1,227)	(3,284)	(865)	(1,018)
Reclassification from equity investments	1,532	1,601	1,532	1,601
Fair value adjustment for the year	2,260	2,251	1,855	1,747
Fair value as of 31 December	51,445	44,040	43,615	36,429

At year-end 2019, loans to associates and joint ventures, presented as an integral part of investments in associates and joint ventures, amount to DKK 7.0bn. (2018: DKK 6.7bn). These loans are unsecured and none of them are overdue.

§ Accounting policies

Associates are entities in which the Group has a significant but not controlling interest. Significant interest is typically achieved through direct or indirect ownership or disposal of more than 20 per cent of the voting rights, but less than 50 per cent. In the assessment of whether the Group has a significant interest, potential voting rights that may be exercised at the statement of financial position date are taken into account. Joint ventures include entities whose activities are jointly controlled by the Group, which is generally the case if the Group holds 50 per cent of the voting rights.

In accordance with IAS 28, ATP and the ATP Group have decided to recognise and measure investments in associates and joint ventures under the provisions of IFRS 9. Cash-flows from equity investments in associates and joint ventures do not consist of payment of principal and interest, and investments in associates and joint ventures are therefore recognised and measured at fair value with value adjustment through the income statement.

Investments in associates and joint ventures are often structured as a combination of share equity investment and loans. Where all investors hold proportionally identical shares of both loans and equity investment and where the company has no significant debt financing, the risk of the loan is considered to be identical to the risk of the equity investment. Such loans are presented as an integral part of the investment in the associate or joint venture – both in internal management reporting and in external reporting. Loans that are an integral part of the investment in the associate or joint venture are recognised and measured at fair value.

An overview of the Group's associates and joint ventures in 2019 and 2018 is provided below with relevant accounting information, broken down as to whether the associates and joint ventures are considered to be significant or non-significant to the ATP Group. Significant associates and joint ventures are defined as entities in which the ATP Group's share of the fair value exceeds DKK 1 bn. The information stated is according to the most recently published annual report.

Note 15 Investments in associates and joint ventures, continued

2019	Owner	Domicile	Ownership interest per cent	Voting rights per cent	JV/AV*	Activity
ATPFA K/S	ATP	Denmark	50.0	50.0	JV	Property
ATP-IP P/S	ATP	Denmark	50.0	50.0	JV	Property
Komplementar ApS	ATP	Denmark	50.0	50.0	JV	Property
Ejendomsselskabet Norden VIII K/S	ATP	Denmark	32.8	32.8	AV	Property
ATPPD Lyngby A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Århus A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Odense A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kgs. Nytorv A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kalvebod A/S	ATP	Denmark	50.0	50.0	JV	Property
Interessentskabet af 23. december 1991	ATP	Denmark	42.5	42.5	AV	Property
Samejet Lautruphøj I/S	ATP	Denmark	50.0	50.0	JV	Property
Samejet Tegholmegade 41 I/S	ATP	Denmark	50.0	50.0	JV	Property
Harbour P/S	ATP	Denmark	45.8	45.8	AV	Property
Harbour Komplementar ApS	ATP	Denmark	45.8	45.8	AV	Property
Datter Rosetum K/S	ATP	Denmark	25.0	25.0	AV	Property
Ejendomsselskabet Axeltorv 2 P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Axeltorv 2 Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Portland Towers P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomsselskabet Portland Towers Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Danske Shoppingcentre P/S	ATP	Denmark	50.0	50.0	JV	Property
Danske Shoppingcentre FC P/S	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre ApS	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre FC ApS	ATP	Denmark	50.0	50.0	JV	Property
Capital four – Strategic Lending Fund K/S	ATP	Denmark	33.3	33.3	AV	Credit
Nordic Alpha Partners	ATP	Denmark	42.3	42.3	AV	Private Equity
FIH Holding A/S	ATP	Denmark	49.7	49.7	AV	Financial
ATP PEP I GP K/S	ATP	Denmark	29.8	29.8	AV	Private Equity
ATP PEP II GP K/S	ATP	Denmark	25.7	25.7	AV	Private Equity
3i Managed Infrastructure Acquisitions LP	ATP	UK	45.0	45.0	AV	Infrastructure
Kastrup Airports Parent ApS	ATP	Denmark	49.5	50.0	JV	Infrastructure (Airport)
RAI Hotel CV	ATP	Netherlands	50.0	50.0	JV	Property
IVZ Immobilien GmbH & Co. KG	ATP	Germany	47.5	47.5	AV	Property
Grace Hotel Investments S.a.r.l.	ATP	Luxembourg	50.0	50.0	JV	Property
First Infrastructure Capital LP	ATP	Cayman Islands	23.0	23.0	AV	Infrastructure
Bridgewater Pure Alpha Major Markets, Ltd.	ATP	Cayman Islands	55.2	55.2	AV	Further investment types
Basilisk Holdings Inc.	ATP	USA	20.0	20.0	AV	Private Equity
EarlyBird S.C.A.	ATP	Luxembourg	40.0	40.0	AV	Property
ECE European Prime Shopping Centre II	ATP	Germany	23.0	23.0	AV	Property
Copenhagen Infrastructure New Markets Fund I K/S	ATP	Denmark	24.4	24.4	AV	Infrastructure
Casper TopCo SAS	ATP	France	22.7	22.7	AV	Private Equity
Colombo Topco Limited	ATP	Norway	47.7	47.7	AV	Infrastructure
FIC DBR Co-Invest Partners, L.P.	ATP	USA	22.5	22.5	AV	Infrastructure
2289718 Ontario Limited	ATP	Canada	48.0	48.0	AV	Infrastructure
Skyline Komplementar ApS	ATP	Denmark	50.0	50.0	JV	Property
VIA Equity Fond III K/S ¹	ATP Private Equity K/S	Denmark	49.9	49.9	AV	Private Equity
Polaris Private Equity II K/S	ATP Private Equity Partners I K/S	Denmark	15.0	15.0	AV	Private Equity
Aberdeen Real Estate Fund Finland L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	AV	Property
AREIM I Fund L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	AV	Property
Patroffice B.V.	ATP Real Estate Partners I K/S	Netherlands	46.9	46.9	AV	Property
Souza GP B.V.	ATP Ejendomme GP I ApS	Netherlands	50.0	50.0	JV	Property
Adform ApS	VIA Equity Fond I K/S ¹	Denmark	22.7	22.7	AV	IT
EnviHold A/S (Envidan A/S)	VIA Equity Fond II K/S ¹	Denmark	43.6	43.6	AV	IT
All NRG Holding A/S	VIA Equity Fond II K/S ¹	Denmark	49.6	49.6	AV	Infrastructure (wind turbines)
MS TopCo A/S	VIA Equity Fond II K/S ¹	Denmark	47.4	47.4	AV	IT
Profit Holding OY (Profit Software OY)	VIA Equity Fond II K/S ¹	Finland	40.6	40.6	AV	IT
Hancock Queensland Plantations Pty Ltd.	ATP Timberland Invest K/S	Australia	31.1	31.1	AV	Forestry
Redexis Gas S.A.	ATP Infrastructure II ApS	Spain	33.3	33.3	AV	Infrastructure (natural gas)
Redexis Gas Finance B.V.	ATP Infrastructure II ApS	Netherlands	33.3	33.3	AV	Infrastructure (natural gas)
Queenspoint S.L.	ATP Infrastructure Spain ApS	Spain	50.0	50.0	JV	Infrastructure (metro stations)

* Indicates whether the investment is classified as a joint venture (JV) or an associate (AV)

¹ ATP has decided to sell VIA Equity I, II and III. A sales process is underway.

Note 15 Investments in associates and joint ventures, continued

2019

Financial information for significant associates and joint ventures

DKKm	Current as-sets	Non-current assets	Current payables	Non-current payables	Revenue	Results after tax	Other comprehensive income	Total comprehensive income
ATPFA K/S	75	5,961	19	18	247	383	-	383
Danske Shoppingcentre P/S	146	14,466	203	210	720	686	-	686
Harbour P/S	5	2,397	1	-	95	97	-	97
Kastrup Airports Parent ApS	899	6,884	825	6,660	-	74	-	74
Redexis Gas S.A.	872	15,544	833	10,699	1,653	223	-	223
Queenspoint S.L.	55	1,647	14	376	6	154	-	154
Hancock Queensland Plantations Pty Ltd.	141	5,603	1,225	3,188	1,437	211	(11)	200
3i Managed Infrastructure Acquisitions LP	2	6,594	1	80	-	494	-	494
ATPPD Kgs. Nytorv A/S	3	2,265	48	1,323	105	74	-	74
Bridgewater Pure Alpha Major Markets, Ltd.	5,032	-	611	-	-	135	-	135
Basilisk Holdings Inc.	-	-	-	-	-	-	-	-
Colombo Topco Limited	37	2,657	37	-	-	115	-	115
EarlyBird S.C.A.	18	5,748	67	1,614	-	403	-	403
Casper TopCo SAS	-	-	-	-	-	-	-	-

Casper TopCo SAS is a newly formed company that has yet to publish its first annual report. Basilisk Holdings Inc. does not publish an annual report.

Financial information for non-significant associates and joint ventures

	Results from continuing operations	Results after tax from discontinued operations	Other comprehensive income	Total comprehensive income
Associates	7	-	(3)	4
Joint ventures	460	-	-	460

Note 15 Investments in associates and joint ventures, continued

2018	Owner	Domicile	Ownership interest per cent	Voting rights per cent	JV/AV*	Activity
ATPFA K/S	ATP	Denmark	49.7	49.7	AV	Property
ATP-IP P/S	ATP	Denmark	50.0	50.0	JV	Property
Komplementar ApS	ATP	Denmark	50.0	50.0	JV	Property
Ejendomselskabet Norden VIII K/S	ATP	Denmark	32.8	32.8	AV	Property
ATPPD Lyngby A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Århus A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Odense A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kgs. Nytorv A/S	ATP	Denmark	50.0	50.0	JV	Property
ATPPD Kalvebod A/S	ATP	Denmark	50.0	50.0	JV	Property
Interessentskabet af 23. december 1991	ATP	Denmark	42.5	42.5	AV	Property
Samejet Lauruphøj I/S	ATP	Denmark	50.0	50.0	JV	Property
Samejet Tegholmegade 41 I/S	ATP	Denmark	50.0	50.0	JV	Property
Harbour P/S	ATP	Denmark	45.8	45.8	AV	Property
Harbour Komplementar ApS	ATP	Denmark	45.8	45.8	AV	Property
Datter Rosetum K/S	ATP	Denmark	25.0	25.0	AV	Property
Ejendomselskabet Axeltorv 2 P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet Axeltorv 2 Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet Portland Towers P/S	ATP	Denmark	33.3	33.3	JV	Property
Ejendomselskabet Portland Towers Komplementar ApS	ATP	Denmark	33.3	33.3	JV	Property
Danske Shoppingcentre P/S	ATP	Denmark	50.0	50.0	JV	Property
Danske Shoppingcentre FC P/S	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre ApS	ATP	Denmark	50.0	50.0	JV	Property
Komplementarselskabet Danske Shoppingcentre FC ApS	ATP	Denmark	50.0	50.0	JV	Property
Capital four – Strategic Lending Fund K/S	ATP	Denmark	33.0	33.0	AV	Credit
Nordic Alpha Partners	ATP	Denmark	42.0	42.0	AV	Private Equity
FIH Holding A/S	ATP	Denmark	49.4	49.4	AV	Financial
ATP PEP I GP K/S	ATP	Denmark	30.0	30.0	AV	Private Equity
ATP PEP II GP K/S	ATP	Denmark	26.0	26.0	AV	Private Equity
ATP REP GP II K/S	ATP	Denmark	29.0	29.0	AV	Property
ATP REP II ApS	ATP	Denmark	29.0	29.0	AV	Property
3i Managed Infrastructure Acquisitions LP	ATP	UK	45.0	45.0	AV	Infrastructure
Kastrup Airports Parent ApS	ATP	Denmark	49.5	50.0	JV	Infrastructure (Airport)
RAI Hotel CV	ATP	Netherlands	50.0	50.0	JV	Property
IVZ Immobilien GmbH & Co. KG	ATP	Germany	50.0	50.0	AV	Property
Grace Hotel Investments S.a.r.l.	ATP	Luxembourg	50.0	50.0	JV	Property
First Infrastructure Capital LP	ATP	Cayman Islands	23.0	23.0	AV	Infrastructure
Bridgewater Pure Alpha Major Markets, Ltd.	ATP	Cayman Islands	50.0	50.0	AV	Further investment types
Basilisk Holdings Inc.	ATP	USA	20.0	20.0	AV	Private Equity
EarlyBird S.C.A.	ATP	Luxembourg	28.5	28.5	AV	Property
VIA Equity Fond III K/S	ATP Private Equity K/S	Denmark	49.9	49.9	AV	Private Equity
Polaris Private Equity II K/S	ATP Private Equity Partners I K/S	Denmark	15.0	15.0	AV	Private Equity
Aberdeen Real Estate Fund Finland L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	AV	Property
AREIM I Fund L.P.	ATP Real Estate Partners I K/S	UK	32.8	32.8	AV	Property
CBRE Real Estate Iberian Value Added Fund CV	ATP Real Estate Partners I K/S	Netherlands	20.2	20.2	AV	Property
Patroffice B.V.	ATP Real Estate Partners I K/S	Netherlands	46.9	46.9	AV	Property
Ejendomselskabet Norden IV K/S	ATP Real Estate Partners II K/S	Denmark	32.4	32.4	AV	Property
Souza GP B.V.	ATP Ejendomme GP I ApS	Netherlands	50.0	50.0	JV	Property
Adform ApS	VIA Equity Fond I K/S	Denmark	28.0	28.0	AV	IT
EnviHold A/S (Envidan A/S)	VIA Equity Fond II K/S	Denmark	33.0	33.0	AV	IT
All NRG Holding A/S	VIA Equity Fond II K/S	Denmark	49.6	49.6	AV	Infrastructure (Wind turbines)
EMS TopCo A/S (Mansoft A/S)	VIA Equity Fond II K/S	Denmark	48.0	48.0	AV	IT
Cloud Supply Company A/S (Hostnordic A/S)	VIA Equity Fond II K/S	Denmark	49.9	49.9	AV	IT
Profit Holding OY (Profit Software OY)	VIA Equity Fond II K/S	Finland	40.6	40.6	AV	IT
Hancock Queensland Plantations Pty Ltd.	ATP Timberland Invest K/S	Australia	31.1	31.1	AV	Forestry
Redexis Gas S.A.	ATP Infrastructure II ApS	Spain	33.3	33.3	AV	Infrastructure (natural gas)
Redexis Gas Finance B.V.	ATP Infrastructure II ApS	Netherlands	33.3	33.3	AV	Infrastructure (natural gas)
Queenspoint S.L.	ATP Infrastructure Spain ApS	Spain	50.0	50.0	JV	Infrastructure (metro stations)

* Indicates whether the investment is classified as a joint venture (JV) or an associate (assoc.)

Note 15 Investments in associates and joint ventures, continued

2018

Financial information for significant associates and joint ventures

DKKm	Current as-sets	Non-current assets	Current payables	Non-current payables	Revenue	Results after tax	Other comprehensive income	Total comprehensive income
ATPFA K/S	74	5,791	16	18	249	623	-	623
Danske Shoppingcentre P/S	49	12,441	53	207	713	385	-	385
Harbour P/S	7	2,373	1	-	87	104	-	104
Kastrup Airports Parent ApS	672	6,298	766	6,378	-	(501)	-	(501)
Redexis Gas S.A.	2,834	15,240	1,056	10,714	1,615	371	(2)	369
Queenspoint S.L.	52	1,550	17	363	6	141	-	141
Hancock Queensland Plantations Pty Ltd.	189	5,314	1,277	3,091	1,627	347	2	349
3i Managed Infrastructure Acquisitions LP	167	5,744	1	30	-	1,130	-	1,130
ATPPD Kgs. Nytorv A/S	3	2,225	46	1,359	103	38	-	38
Bridgewater Pure Alpha Major Markets, Ltd.	-	-	-	-	-	-	-	-
Basilisk Holdings Inc.	-	-	-	-	-	-	-	-

Bridgewater Pure Alpha Major Markets Ltd. and Basilisk Holdings Inc. are newly formed companies and have yet to publish their first annual reports.

Financial information for non-significant associates and joint ventures

	Results from continuing operations	Results after tax from discontinued operations	Other comprehensive income	Total comprehensive income
Associates	384	-	-	384
Joint ventures	500	-	-	500

Note 16 Investment properties

DKKm	Group		ATP	
	2019	2018	2019	2018
Fair value as of 01 January	22,950	21,617	-	-
Additions during the year	1,107	1,167	-	-
Disposals during the year	(322)	(98)	-	-
Fair value adjustment for the year	334	264	-	-
Fair value as of 31 December	24,069	22,950	-	-

Of the aforementioned investment properties, forestry investment properties amount to DKKm 1,074. (2018: DKK 1,104m)

§ Accounting

Forestry investment properties

Forestry investment properties include land planted with woodlands that are held for the purpose of generating income from the sale of timber and capital gains from growth.

On initial recognition, forestry investment properties are recognised at cost including transaction expenses. Subsequent to initial recognition, forestry investment properties are measured at fair value. The measuring of forestry investment property fairly is based on a weighted average of fair values of a variety of models. The most commonly applied models include recent sales of comparable forestry investment properties adjusted for size, location and types of timber and DCF models discounting expected future income from the sales of timber and land.

The fair value is determined by external valuing experts specialising in forestry investment properties.

Note 16 Investment properties, continued

Investment properties

Investment properties are properties held by the ATP Group to earn rental income and/or capital gains. Investment properties are properties which the ATP Group does not use for administration etc. as such properties are classified as owner-occupied properties, see note 25. Properties with elements of owner-occupied properties and investment properties are allocated proportionately between the two asset types.

On initial recognition, investment properties are recognised at cost including transaction expenses. Subsequent to initial recognition, investment properties are measured at fair value. A return-based model is used to determine the fair value of the Danish properties. These valuations are segmented on the locations and qualities of the properties. The valuation of the Group's international properties is made by external valuers, since local knowledge abroad requires external inputs. The determination of the return in the return-based model for individual properties is based on the expected rental income at full occupancy of the properties. Expected operating, administration and maintenance expenses are deducted. The value subsequently calculated is adjusted for recognised vacancy rent loss for a suitable period and expected expenses related to major maintenance work; deposits and prepaid rent are also added. An external assessment has been obtained for the valuation of market rent, and required rates of return are determined based on external estate agents' assessment of the market level.

Expenses incurred in the form of new or improved qualities which result in an increase in the fair value determined immediately prior to the incurrence of the expenses, are added to the acquisition price as improvements.

! Significant accounting estimates

The fair value of the Group's forestry investment properties is influenced by several factors, including discount factors applied and the weight attached to the various valuation models.

The fair value of the Group's investment properties is influenced by several factors, one of the most significant ones being the predefined required rate of return for the individual properties. The ATP Group uses external estate agents and their valuation of the market level to determine the required rate of return and the market rent. The determination of operating income is affected by estimates to a lesser extent, the determination of vacancy rent being the most significant one.

Fair value is determined based on the following general rates of required return:

	Group		ATP	
	2019	2018	2019	2018
Weighted average required rate of return	4.9%	4.9%	-	-
Maximum required rate of return	8.5%	8.5%	-	-
Minimum required rate of return	4.3%	4.3%	-	-

Changes in the required rate of return have the most significant impact on the fair value of the Group's investment properties. The table below shows the details of the most significant breakdown of properties.

2019

Country	Location	Type	Number of properties	Number of '000 sq.m.	Market value, DKK bn	Weighted avg. rate of return	Sensitivity to change of 25 bps (DKKm)	Market value per sq.m. (DKK/sq.m.)
Denmark	Greater Copenhagen Area and Aarhus	Offices	47	531.6	12.4	4.8%	613	23,235
Denmark	Major Danish towns and cities	Retail properties	35	112.2	2.9	5.2	135	26,154
Germany	Bremen	Shopping mall	1	94.9	1.7	4.4%	90	17,670
Belgium	Brussels	Offices	1	121.8	4.0	5.5%	173	32,432
Denmark	Greater Copenhagen area	Development projects	6	-	1.1	-	-	-
Denmark	Greater Copenhagen area	Other ¹	3	58.6	1.0	4.8%	49	17,053

¹ Other consists of 1 hotel property, 1 parking building and 2 residential properties for retirees

Overall, for all types of properties, a 0.25 per cent (25 bps) increase in the required rate of return reduces the fair value of the Group's investment properties as of 31 December 2019 by DKKm 1,049.

2018

Country	Location	Type	Number of properties	Number of '000 sq.m.	Market value, DKK bn	Weighted avg. rate of return	Sensitivity to change of 25 bps (DKKm)	Market value per sq.m. (DKK/sq.m.)
Denmark	Greater Copenhagen Area and Aarhus	Offices	52	607.2	12.7	4.9	625	20,500
Denmark	Major Danish towns and cities	Retail properties	27	102.1	2.6	5.0	124	25,600
Germany	Bremen	Shopping mall	1	94.3	1.7	4.7	85	18,059
Belgium	Brussels	Offices	1	121.8	3.9	5.3	174	31,844
Denmark	Greater Copenhagen area	Other ¹	7	-	1.0	-	24	-

¹ Other mainly consists of properties under construction or renovation.

Overall, for all types of properties, a 0.25 per cent (25 bps) increase in the required rate of return reduces the fair value of the Group's investment properties as of 31 December 2018 by DKKm 1,032.

Note 17 Market risks

 Market risks in the investment portfolio are managed based on a given risk budget and limits for risk diversification determined by the Supervisory Board. Market risks associated with the guaranteed benefits are managed in the hedging portfolio to ensure that the interest rate risk of the guaranteed benefits is hedged as best as possible.

Market risks for ATP are specified below. As ATP's subsidiaries are included in the statement below and there are no significant minority interests in the subsidiaries, the market risks of the Group are identical to those of ATP.

A number of risk targets are used in the measurement of ATP's market risks, including Expected Shortfall, which is a generally used target for risk in worst-case scenarios. Expected Shortfall over a three-month timeframe and a 1 percent quantile (ES, three months, 99 per cent) expresses the average of the 1 per cent worst losses over a three-month timeframe.

ATP's market risk determined using Expected Shortfall
DKKm

	As of 31/12/2019	As of 31/12/2018
Investment	43,398	38,803
Hedging activities	7,130	5,961

Note: Market risks in the investment portfolio and the hedging portfolio are calculated before tax and without the interest yield curve break effect.

Market risks in the investment portfolio

ATP's market risk primarily consists of the market risks in the investment portfolio. ATP's risk management provides a framework for the allocation of risk on the investment portfolio's four risk factors with a view to ensuring appropriate diversification of ATP's investments. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'. The risk allocation has been determined as each risk factor's share of the sum of risk for the four risk factors. The ATP Supervisory Board has set a long-term guideline and upper and lower limits for each risk factor's share of the overall risk of the investment portfolio.

Investment portfolio risk broken down by factors

	Expected Shortfall in DKKm		Relative risk allocation (per cent)		Long-term guideline
	As of 31/12/2019	As of 31/12/2018	As of 31/12/2019	As of 31/12/2018	
Equity factor	36,108	30,101	42.9	40.1	35.0
Interest rate factor	28,688	25,592	34.1	34.1	35.0
Inflation factor	11,625	14,321	13.8	19.1	15.0
Other factors	7,684	5,016	9.1	6.7	15.0

Market risks in the hedging portfolio

Market risks in the hedging portfolio and the guaranteed benefits consist mainly of interest rate risks. The hedging ratio indicates the ability of the hedging portfolio to hedge the interest rate sensitivity of the guaranteed benefits. ATP aims to ensure that the hedging ratio, measured by DKK duration after tax, remains in a narrow range of about 100 per cent. Accordingly, market risks associated with the hedging portfolio are very limited.

DKK duration and hedging ratio

	As of 31/12/2019	As of 31/12/2018
Guaranteed benefits' DKK duration after tax, DKKm	(111,646)	(98,145)
Hedging portfolio's DKK duration after tax, DKKm	111,211	97,333
Hedging ratio on per cent	99.6	99.2

Note: The DKK duration indicates the market value impact of a marginal change in interest rates, scaled to take into account a 1 per cent decline in interest rates.

Currency risks

ATP's currency risks are, as a general rule, hedged in DKK and euros. However, a limit applies for the currency exposure to other currencies, as it may be inexpedient to hedge some currencies. As a general rule, emerging market currency exposure is not hedged.

ATP's currency exposure as of 31 December 2019

Including foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments measured at fair value	Including foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments measured at fair value
<i>Currency</i>			<i>Currency</i>		
EUR	215.0	23.9	EUR	167.3	21.3
USD	3.7	0.4	USD	1.1	0.1
Total other currencies	(4.2)	(0.5)	Total other currencies	(2.5)	(0.3)
Excluding foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments measured at fair value	Excluding foreign currency hedging	Currency exposure DKKbn	Per cent of financial instruments measured at fair value
<i>Currency</i>			<i>Currency</i>		
EUR	280.0	31.1	EUR	220.5	28.1
USD	56.8	6.3	USD	49.4	6.3
Total other currencies	67.8	7.5	Total other currencies	49.0	6.2

ATP's currency exposure as of 31 December 2018

Note 18 Credit and counterparty risks

 As a part of ATP's investment strategy, ATP actively assumes credit risks in the investment portfolio. The Group's credit risks relate primarily to these actual credit investments. Credit investments comprise investments in corporate bonds, emerging market government bonds, CDS's, credit funds, loans, etc.

In addition, the Group has a number of business-related credit risks (counterparty risks), including receivables, cash and cash equivalents and unlisted financial derivatives with a positive fair value.

Finally, ATP's other portfolios of bonds involve a credit risk. As regards government bonds, excluding emerging markets, the credit risk is assessed as being close to zero, as 97 per cent of this portfolio consisted of German and Danish government bonds at year-end 2019. As regards mortgage bonds, bonds issued by international organisations (supranationals) and bonds issued by publicly guaranteed authorities (agencies), the credit risk is assessed as being moderate.

Market value as of 31 December

DKKbn	2019	2018
Credit investments*	40	29
Mortgage bonds	125	115
Government bonds excluding emerging markets	463	421
Bonds issued by supranationals or agencies	14	11
Unlisted financial derivatives, net (before provision of collateral)	24	12
Unlisted financial derivatives, net (after provision of collateral)	0	0
Cash	7	8
Other receivables	17	14

Note: * The market value of credit investments includes CDS's with a market value at year-end 2019 of DKK 1.8bn (2018: DKK 0.5bn) and a principal amount at year-end 2019 of DKK 58bn (2018: DKK 59bn). In addition, at year-end 2019 ATP had guarantees issued of DKK 1.0bn (2018: DKK 1.3bn)

Other receivables mainly consist of unsettled transactions, ATP contributions receivable and rents receivable. Provisions are made for expected losses on ATP contributions receivable and rent receivable based on a simplified provision matrix using a fixed provisions percentage depending on how many days the receivable remains overdue. The provision rate is based on historical data.

As of 31 December 2019, overdue loans and receivables are included in the Group's overdue receivables at DKK 5m (2018: DKK 7m) on which amortisation has not been performed.

At year-end 2019, impairment losses on receivables for the ATP Group amounted to DKK 46m (2018: DKK 54m). For ATP, impairment losses at year-end 2018 amount to DKK 43m (2018: DKK 51m).

Note 19 Liquidity risk

 Liquidity risk is the risk that the ATP Group will not have sufficient funds available to meet its contractual obligations when they fall due. Liquidity risk is associated, in particular, with hedging activities, but also with contribution payments, pension benefit payouts and payment of tax on pension savings returns.

The Group must at all times be able to meet requirements for paying liquidity or providing collateral in the form of bonds. ATP's management of liquidity risk is based on calculations of liquidity needs and liquidity under various scenarios with related limits for how much liquidity ATP must be able to muster in the short term (five days) and the long term (one year). In addition, current cash budgets are prepared.

The net liquidity effect on contribution payments and pension payouts over the year is stable.

The Group's cash reserves are comprised of cash and cash equivalents and other financial assets and unutilised credit facilities.

Maturity analysis

In the table below, the Group's and ATP's financial liabilities are broken down by contractual maturity including interest.

2019 Group						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	5,559	19,984	39,513	16,061	7,867	88,984
Gross-settled financial derivatives, payments received	(640)	(4,020)	(12,417)	(6,429)	(2,956)	(26,462)
Financial derivatives, settled net	5,042	4,842	7,419	840	215	18,359
Total derivative financial liabilities*	9,962	20,806	34,514	10,473	5,127	80,881
<i>Other financial liabilities</i>						
Guaranteed benefits	17,397	89,118	202,780	106,384	456,665	872,344
Payables to credit institutions	27,333	0	0	0	0	27,333
Income tax and tax on pension savings returns payable	19,115	0	0	0	0	19,115
Other payables	10,026	970	285	0	9	11,288
Total other financial liabilities	73,871	90,088	203,065	106,384	456,674	930,080
Total	83,833	110,894	237,579	116,857	461,801	1,010,961

2018 Group						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	6,008	24,820	46,911	18,528	10,585	106,852
Gross-settled financial derivatives, payments received	(2,002)	(12,383)	(29,810)	(12,213)	(7,148)	(63,556)
Financial derivatives, settled net	5,791	5,230	2,960	866	105	14,952
Total derivative financial liabilities*	9,797	17,667	20,061	7,181	3,542	58,248
<i>Other financial liabilities</i>						
Guaranteed benefits	17,286	87,561	200,235	106,057	473,394	884,533
Payables to credit institutions	47,907	-	-	-	-	47,907
Income tax and tax on pension savings returns payable	4,241	-	-	-	-	4,241
Other payables	5,787	175	293	-	-	6,255
Total other financial liabilities	75,221	87,736	200,528	106,057	473,394	942,936
Total	85,018	105,403	220,589	113,238	476,936	1,001,184

Note 19 Liquidity risk, continued

2019 ATP						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	5,559	19,984	39,513	16,061	7,867	88,984
Gross-settled financial derivatives, payments received	(640)	(4,020)	(12,417)	(6,429)	(2,956)	(26,462)
Financial derivatives, settled net	4,883	4,835	7,411	840	215	18,184
Total derivative financial liabilities*	9,802	20,799	34,507	10,472	5,126	80,706
<i>Other financial liabilities</i>						
Guaranteed benefits	17,397	89,118	202,780	106,384	456,665	872,344
Payables to credit institutions	27,246	0	0	0	0	27,246
Tax payable on pension savings returns	19,115	0	0	0	0	19,115
Other payables	9,407	918	0	0	0	10,325
Total other financial liabilities	73,165	90,036	202,780	106,384	456,665	929,030
Total	82,967	110,835	237,287	116,856	461,791	1,009,736

2018 ATP						
DKKm	0-1 year	1-5 years	6-15 years	16-20 years	Over 20 years	Total
<i>Financial derivatives</i>						
Gross-settled financial derivatives, payments made	5,180	24,820	46,893	18,528	10,585	106,006
Gross-settled financial derivatives, payments received	(1,177)	(12,383)	(29,810)	(12,213)	(7,148)	(62,731)
Financial derivatives, settled net	5,365	5,185	2,965	866	105	14,486
Total derivative financial liabilities	9,368	17,622	20,048	7,181	3,542	57,761
<i>Other financial liabilities</i>						
Guaranteed benefits	17,286	87,561	200,235	106,057	473,394	884,533
Payables to credit institutions	47,887	-	-	-	-	47,887
Tax payable on pension savings returns	4,234	-	-	-	-	4,234
Other payables	5,163	113	-	-	-	5,276
Total other financial liabilities	74,570	87,674	200,235	106,057	473,394	941,930
Total	83,938	105,296	220,283	113,238	476,936	999,691

In addition to the financial liabilities stated, ATP and the ATP Group have made a number of investment and loan commitments, see Note 27 'Contingent liabilities and collateral'. It is not possible to determine the expected contractual maturity of these contingent liabilities, and it is uncertain whether contingent liabilities will result in a drain on the liquidity of ATP and the ATP Group.

* CCP swaps with daily margin settlement are not included in the maturity analysis statement of financial derivatives. For both ATP and the ATP Group, the market value of these amounts to DKK 3,772m (2018: DKK 2,122m).

Note 20 Fair value disclosure

 This note discloses how the ATP Group determines the fair value of various financial assets, liabilities and investment properties. Most of the Group's financial assets and liabilities are measured at fair value. The table below shows how the fair value of various financial assets and liabilities is determined. Disclosures are not provided specifically for the ATP Parent Company. Apart from the size of amounts, these disclosures are identical to those of the Group. All fair value measurements disclosed are recurring value measurements.

Group

	Fair value 31/12/2019	Fair value 31/12/2018	Fair value hierarchy	Valuation method used	Applied obser- vable/unobservable inputs/ranges	Fair value sensitivity to changes in unobservable inputs
	DKKm	DKKm				
Bonds, listed	600,224	545,844	1	Listed price or price quote.	-	-
Bonds, observable inputs	13,109	10,095	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yields curves, spreads	-
Bonds, unobservable inputs	16,996	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 curves	If investment-specific credit spread premiums increase by 1 percentage point, the fair value is altered by DKK (420m).
Equity investments, listed	77,327	67,067	1	Listed price.	-	-
Equity investments, unlisted	78	3,473	2	Purchase price for recent transactions	-	-
Equity investments, unlisted	55,342	50,750	3	Reported fair value ¹	-	-
Equity investments, unlisted	2,779	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 (364m).
Equity investments, unlisted	3,820	1,905	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 +/- DKK 163m.
Financial derivatives, listed (net)	736	2,478	1	Listed price ² .	-	-
Financial derivatives, unlisted (net)	28,798	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	Yields curves, spreads	-
Loans	8,793	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 (105m).
Investments in associates and joint ventures	-	1,633	2	Purchase price for recent transactions	-	-
Investments in associates and joint ventures	34,194	25,566	3	Reported fair value ¹	-	-
Investments in associates and joint ventures	328	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 (16m).
Investments in associates and joint ventures	16,340	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 (1,843m)/+2,329m.
Investments in associates and joint ventures	583	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 (65m).
Investments in group subsidiaries (ATP)	79,013	74,023	3	Investments in group subsidiaries consist primarily of investment entities that measure all material assets and liabilities at fair value using the methods described in this note. Since all material assets and liabilities in the group subsidiaries are recognised at fair value, the fair value of the group subsidiaries is equivalent to ATP's share of the reported net asset value ¹	-	-
Investment properties	24,069	22,950	3	Return-based model. Reference is made to note 16 for a further description.	Return requirement (4.3) per cent to 8.5 per cent (avg. 4.9 per cent)	If the average return requirement of 4.9 per cent is increased by 0.25 per cent (25 bp.), the fair value of the Group's investment properties changes by DKK (1,049m).
Receivables from credit institutions	33,417	37,994	2	Discounting to net present value using relevant yield curve.	Yield curves	-
Payables to credit institutions	(27,333)	(47,907)	2	Discounting to net present value using relevant yield curve.	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 are presented net (asset less liability), since disclosures are identical for assets and liabilities apart from amounts.

Note 20 Fair value disclosure, continued

Financial instruments are recognised in the statement of financial position at fair value or amortised cost, see accounting policies for financial instruments in note 12. 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. Note 12 describes the individual valuation methods used to determine the fair value of these financial assets.

Transfers between levels are assessed, as a minimum, at each closing of quarterly financial statements. For individual financial assets and liabilities, it is assessed whether the most significant input variables in connection with the fair value determination have changed, for example from unobservable to observable. If this is the case, the asset or liability is transferred out of the relevant level and into the new level from the time the input variables changed.

Group

DKKm	Quoted prices		Observable inputs		Unobservable inputs		Total	
	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets								
Bonds	600,224	545,844	13,109	10,095	16,996	10,703	630,329	566,642
Equity investments	77,327	67,067	78	3,473	61,941	55,367	139,346	125,907
Financial derivatives	1,041	3,110	110,815	71,203	-	-	111,856	74,313
Loans	-	-	74	-	8,793	7,666	8,867	7,666
Investments in associates and joint ventures	-	-	-	1,633	51,445	42,407	51,445	44,040
Investment properties	-	-	-	-	24,069	22,950	24,069	22,950
Receivables from credit institutions	-	-	33,417	37,994	-	-	33,417	37,994
Total	678,592	616,021	157,493	124,398	163,244	139,093	999,329	879,512
Liabilities								
Payables to credit institutions	-	-	27,333	47,907	-	-	27,333	47,907
Financial derivatives	305	632	82,017	59,613	-	-	82,322	60,245
Total	305	632	109,350	107,520	-	-	109,655	108,152

There were no significant transfers between levels 1 and 2 in 2019 and 2018.

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

	Bonds		Equity investments		Loans		Investments in associates		Investment properties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Statement of financial position as of 01 January	10,703	8,687	55,367	46,834	7,666	8,662	42,407	21,713	22,950	21,617	139,093	107,513
Realised/unrealised gains or losses for the period, recognised in results	594	240	7,676	7,822	592	549	2,260	2,251	334	264	11,456	11,126
Purchase/deposit	7,674	5,887	13,894	19,091	13,448	13,951	4,840	3,427	1,107	1,167	40,963	43,523
Sale/distribution	(1,975)	(4,111)	(16,937)	(20,551)	(12,913)	(15,496)	(1,227)	(3,284)	(322)	(98)	(33,374)	(43,540)
Reclassification	-	-	(1,532)	(1,601)	-	-	1,532	1,601	-	-	-	-
Transfer into level 3	-	-	3,473	3,778	-	-	1,633	16,699	-	-	5,106	20,477
Transfer out of level 3	-	-	-	(6)	-	-	-	-	-	-	-	(6)
Statement of financial position as of 31 December	16,996	10,703	61,941	55,367	8,793	7,666	51,445	42,407	24,069	22,950	163,244	139,093
Losses/gains on assets held	135	83	7,133	7,782	341	204	2,250	2,152	290	264	10,153	10,485

Transfer into level 3 in 2019 consists of equity investments and 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.

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'.

Note 20 Fair value disclosure, continued

DKKm	Quoted prices		Observable inputs		Unobservable inputs			
	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets								
Bonds	593,591	540,205	8,696	6,867	16,970	10,660	619,257	557,732
Equity investments	75,578	66,706	78	45	29,714	24,423	105,370	91,174
Financial derivatives	912	3,068	110,655	71,214	-	-	111,567	74,282
Loans, including loans to group subsidiaries	-	-	-	-	7,616	8,688	7,616	8,688
Investments in subsidiaries	-	-	-	-	79,013	74,023	79,013	74,023
Investments in associates	-	-	-	1,633	43,615	34,796	43,615	36,429
Receivables from credit institutions	-	-	33,238	37,797	-	-	33,238	37,797
Total	670,081	609,979	152,667	117,556	176,928	152,590	999,676	880,125
Liabilities								
Payables to credit institutions	-	-	27,246	47,887	-	-	27,246	47,887
Financial derivatives	249	553	81,929	59,098	-	-	82,178	59,651
Total	249	553	109,175	106,985	-	-	109,424	107,538

There were no significant transfers between levels 1 and 2 in 2019 and 2018.

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

	Bonds		Equity investments		Loans, including loans to group subsidiaries		Investments in group subsidiaries		Investments in associates		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Statement of financial position as of 01 January	10,660	8,687	24,423	19,101	8,688	9,923	74,023	69,958	34,796	13,963	152,590	121,632
Realised/unrealised gains or losses for the period, recognised in results	605	234	2,356	3,355	446	586	7,875	4,076	1,855	1,747	13,127	9,998
Purchase/deposit	7,674	5,813	7,899	9,858	11,070	13,296	9,428	19,076	4,664	1,803	40,735	49,846
Sale/distribution	(1,969)	(4,074)	(3,477)	(7,869)	(12,588)	(15,117)	(12,313)	(19,087)	(865)	(1,018)	(31,202)	(47,165)
Reclassification	-	-	(1,532)	(1,601)	-	-	-	-	1,532	1,601	-	-
Transfer into level 3	-	-	45	1,579	-	-	-	-	1,633	16,700	1,678	18,279
Transfer out of level 3	-	-	-	-	-	-	-	-	-	-	-	-
Statement of financial position as of 31 December	16,970	10,660	29,714	24,423	7,616	8,688	79,013	74,023	43,615	34,796	176,928	152,590
Losses/gains on assets held	147	77	1,921	3,883	204	193	7,022	3,603	1,835	1,723	11,120	9,479

Transfer into level 3 in 2019 consists of equity investments and 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.

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'.

Note 21 Disclosures about offsetting financial assets and liabilities

 The ATP Group does not use offsetting in connection with the settlement of financial assets and liabilities. Thus, there is no difference between the columns 'Recognised assets, gross' and 'Net amounts of financial assets presented in the statement of financial position'. The ATP Group extensively uses collateral provided to and from counterparties when entering into financial contracts. Net amounts thus indicate the exposure after provision of collateral. There are no disclosures specifically for the ATP Parent Company, as the disclosures in all material respects are identical to those provided for the Group.

2019 Group		Related amounts not offset in the statement of financial position				
Financial assets	Recognised assets, gross	Financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm						
Financial derivatives	111,856	-	111,856	(77,553)	(33,466)	837
Receivables from credit institutions	33,417	-	33,417	(9,124)	(24,293)	-
Total	145,273	-	145,273	(86,677)	(57,759)	837

2019 Group		Related amounts not offset in the statement of financial position				
Financial liabilities	Liabilities recognised, gross	Assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm						
Financial derivatives	82,322	-	82,322	(77,553)	(4,081)	688
Payables to credit institutions	27,333	-	27,333	(9,124)	(17,923)	285
Total	109,655	-	109,655	(86,677)	(22,004)	973

2018 Group		Related amounts not offset in the statement of financial position				
Financial assets	Recognised assets, gross	Financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm						
Financial derivatives	74,313	-	74,313	(52,846)	(19,763)	1,704
Receivables from credit institutions	37,994	-	37,994	(11,624)	(26,370)	-
Total	112,307	-	112,307	(64,470)	(46,133)	1,704

2018 Group		Related amounts not offset in the statement of financial position				
Financial liabilities	Liabilities recognised, gross	Assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral	Net amounts
DKKm						
Financial derivatives	60,245	-	60,245	(52,846)	(7,354)	45
Payables to credit institutions	47,907	-	47,907	(11,624)	(36,132)	151
Total	108,152	-	108,152	(64,470)	(43,486)	196

Note 22 Guaranteed benefits

DKKm	Group		ATP	
	2019	2018	2019	2018
Fair value as of 01 January	693,373	650,881	693,373	650,881
Change in provisions for the year:				
Contributions	10,061	9,871	10,061	9,871
– of which transferred to bonus potential	(2,012)	(1,974)	(2,012)	(1,974)
Pension benefits	(17,054)	(16,878)	(17,054)	(16,878)
Change due to life expectancy update	(3,231)	20,025	(3,231)	20,025
Change due to change in discount rate	73,530	23,064	73,530	23,064
Bonus addition for the year	-	-	-	-
Change due to maturity reduction	4,055	7,908	4,055	7,908
Other changes	906	476	906	476
Total change in provisions for the year	66,255	42,492	66,255	42,492
Fair value as of 31 December	759,628	693,373	759,628	693,373
Change in provisions for the year, broken down by the Group's and ATP's business units:				
Hedging activities:				
Change due to maturity reduction	4,055	7,908	4,055	7,908
Change due to change in discount rate	73,530	23,064	73,530	23,064
	77,585	30,972	77,585	30,972
Pension activities:				
Contributions	10,061	9,871	10,061	9,871
– of which transferred to bonus potential	(2,012)	(1,974)	(2,012)	(1,974)
Pension benefits	(17,054)	(16,878)	(17,054)	(16,878)
Other changes	906	476	906	476
Change in guaranteed benefits due to contributions and pension benefits	(8,099)	(8,505)	(8,099)	(8,505)
Change due to life expectancy update	(3,231)	20,025	(3,231)	20,025
	(11,330)	11,520	(11,330)	11,520
Other results:				
Bonus addition for the year	-	-	-	-
Total	66,255	42,492	66,255	42,492
Sensitivity disclosures:				
Change in provisions at the following changes:				
Interest rate increase of 1 percentage point	(99,651)	(87,617)	(99,651)	(87,617)
Interest rate fall of 1 percentage point	123,390	108,104	123,390	108,104
Mortality rate increase of 10 per cent	(25,060)	(22,205)	(25,060)	(22,205)
Mortality rate fall of 10 per cent*	27,643	24,476	27,643	24,476

* In 2019, a 10 per cent fall in the mortality rate was equivalent to a 0.9 year increase in life expectancy (2018: 1.0 year).

Note 22 Guaranteed benefits, continued

§ Accounting policies

Guaranteed benefits are calculated at the fair value of the Group's pension liabilities, i.e. the value in use of guaranteed benefits and rights (the pension commitment) assessed as a function of the current discount rate at the statement of financial position date. Guaranteed benefits comprises unpaid pension benefits due in respect of events having occurred during the financial year or earlier (provisions for claims outstanding).

The discount rate is calculated in accordance with the provision basis reported to the Danish Financial Supervisory Authority, based on the zero coupon yield curve at the statement of financial position date, reflecting the term of the guaranteed benefits. The rate thus calculated has been reduced by the tax rate under the Danish Pension Savings Returns Act (Pensionsafkastbeskatningsloven), currently accounting for 15.3 per cent.

The guaranteed return on new ATP contributions is fixed for 15-year periods for all contributions from 1 January 2015 onwards. So far, the return has been fixed for life at the time of the contribution payment. The adjustment applies only to members born in 1964 or later. The pension guarantees issued before 2015 are not affected. At the end of each 15-year guarantee period, a new rate is fixed for the next 15-year period, based on the current market rate. This practice continues until the individual member is less than 15 years from retirement. At this point, a guaranteed return is fixed to apply for the rest of the member's life.

The changes for the year in guaranteed benefits are allocated between hedging and pension activities.

Changes related to changes in the market rate and changes in maturity reduction are recognised in hedging activities. Changes related to contribution payments for the year and pension benefit payouts for the year are recognised in pension activities. Other minor changes are also recognised in pension activities. In addition, changes due to life expectancy update are also recognised in pension activities. The life expectancy update comprises observed and expected future increases in life expectancy. Bonus is not allocated to the Group's business units.

! Significant accounting estimates

The assessment of pension provisions is based on customary actuarial assumptions, with the most significant assumptions relating to the discount factor being based on the discount rate specified and on life expectancies for ATP's members, see the section 'Risks and risk management'. These assumptions are assumed to reflect current market conditions.

Discount rate

The discount rate curve is comprised of a zero-coupon yield curve, estimated using a recognised method, and a long-term required rate of return of 3 per cent. The assets included in the estimation basis reflect the relevant currency denomination, maturity and liquidity. The percentage breakdown of the assets included in the estimation basis is as follows:

- Interest rate swaps denominated in Danish kroner – 15 per cent
- Interest rate swaps denominated in euros – 35%
- Danish government bonds – 25%
- German government bonds – 25%

The zero-coupon yield curve is estimated on the basis of buying and selling rates on the asset side of the breakdown above and determined on the basis of a specific set of maturities up to 30 years. The four input curves, weighted using the zero-coupon yields, are used for this purpose. Other points on the yield curve are determined by linear interpolation between the estimated points.

For interest rate swaps denominated in Danish kroner (DKK), Danish CIBOR fixings and Danish swap rates are used. For interest rate swaps denominated in euros, EURIBOR fixings, euro forward rate agreements and euro swap rates against EURIBOR and EONIA are used. For Danish government bonds, yields on Danish government bonds with a term to maturity of more than two months are used. For German government bonds, yields on German government bonds with a term to maturity of more than two months are used.

From 40 years onwards, the required rate of return of 3 per cent is used.

The table below shows selected points on the zero-coupon yield curve in 2019 and 2018.

Yield curve points	2019	2018
1 year	(0.54%)	(0.47%)
5 years	(0.30%)	(0.02%)
10 years	0.01%	0.55%
15 years	0.24%	0.87%
20 years	0.38%	1.07%
30 years	0.44%	1.14%
Inflation	0.8%	0.7%

The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIOPA at year-end 2019, are available at ATP's website (atp.dk/en/results-and-reports/annual-and-interim-reports).

Life expectancy

ATP guarantees lifelong pensions. Thus, increases in life expectancy have a major impact on the size of the guaranteed benefits. ATP uses the SAINT life expectancy model. SAINT is based on comparable data from 18 OECD countries. In addition to factoring in already observed increases in life expectancy, SAINT allows for projected future life expectancy increases. Projections of future increases in life expectancy involve a degree of estimation and uncertainty.

Note 23 Bonus potential, Group

2019 Group			
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as of 1 January	28	92,058	92,086
Net profit for the year	-	33,894	33,894
Other comprehensive income:			
Value adjustments of owner-occupied properties	0	-	0
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	-	0	0
Total other comprehensive income	0	0	0
Comprehensive income for the year	-	33,894	33,894
Bonus potential as of 31 December	28	125,952	125,980
Under ATP's bonus allocation principles, the bonus potential may be divided into one portion that may be used to increase the guaranteed benefits and one portion that must be retained as unallocated bonus.			
Bonus potential that could be used to increase guaranteed benefits			1,958
Bonus potential that must be retained as unallocated bonus			124,022
Total			125,980

2018 Group			
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as of 1 January	54	117,641	117,695
Net profit for the year	-	(25,587)	(25,587)
Other comprehensive income:			
Value adjustments of owner-occupied properties	(26)	-	(26)
Tax on pension savings returns in respect of value adjustments of owner-occupied properties	-	4	4
Total other comprehensive income	(26)	4	(22)
Comprehensive income for the year	(26)	(25,583)	(25,609)
Bonus potential as of 31 December	28	92,058	92,086
Bonus potential that could be used to increase guaranteed benefits			1,676
Bonus potential that must be retained as unallocated bonus			90,410
Total			92,086

Note 23 Bonus potential, ATP

2019 ATP			
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as of 1 January	12	92,074	92,086
Net profit for the year	-	33,893	33,893
Other comprehensive income:			
Value adjustments of owner-occupied properties	1	-	1
Tax on pension savings returns in respect of value adjustments for owner-occupied properties	-	0	0
Total other comprehensive income	1	0	1
Comprehensive income for the year	1	33,893	33,894
Bonus potential as of 31 December	13	125,967	125,980
Under ATP's bonus allocation principles, the bonus potential may be divided into one portion that may be used to increase the guaranteed benefits and one portion that must be retained as unallocated bonus.			
Bonus potential that could be used to increase guaranteed benefits			1,958
Bonus potential that must be retained as unallocated bonus			124,022
Total			125,980

2018 ATP			
DKKm	Revaluation reserve	Retained earnings	Total
Bonus potential as of 1 January	40	117,655	117,695
Net profit for the year	-	(25,585)	(25,585)
Other comprehensive income:			
Value adjustments of owner-occupied properties	(28)	-	(28)
Tax on pension savings returns in respect of value adjustments for owner-occupied properties	-	4	4
Total other comprehensive income	(28)	4	(24)
Comprehensive income for the year	(28)	(25,581)	(25,609)
Bonus potential as of 31 December	12	92,074	92,086
Bonus potential that could be used to increase guaranteed benefits			1,676
Bonus potential that must be retained as unallocated bonus			90,410
Total			92,086

Note 23 Bonus potential, continued

§ Accounting policies

ATP's and the Group's bonus potential are reserves that are not distributed to ATP's members. The bonus potential is equivalent to the carrying amount of total assets related to ATP less guaranteed benefits and the sum of the carrying amount of ATP's other liabilities.

The reserves can be distributed as bonus. Bonus additions are transferred to guaranteed benefits over results and comprehensive income. Comprehensive income for the year is transferred to the bonus potential. Revaluations and reversal of revaluations of owner-occupied properties are recognised directly in the bonus potential over other comprehensive income. The bonus potential thus rises and falls with the size of the net results for the year and other comprehensive income.

Bonus policy

The framework of ATP's bonus policy is defined in section 18(3) of the Danish Consolidated Act on Arbejdsmarkedets Tillægspension (Bekendtgørelse af lov om Arbejdsmarkedets Tillægspension), stipulating that the aim is to pursue a long-term bonus policy to ensure that the real value of pensions is preserved.

In 2017, ATP changed its bonus policy to the effect that the annual bonus decision is made on the basis of an overall assessment of a number of aspects based on the bonus rate. The bonus rate is defined as bonus potential relative to guaranteed benefits, see note 30. The guideline for a general bonus allowance is 20 per cent, while the guideline for a bonus allowance for all current pensioners is 10 per cent.

Based on the bonus rate and an overall assessment of the investment results, inflation and expenses for increases in life expectancy, the ATP Supervisory Board has decided to not increase members' pensions in 2020.

Note 24 Intangible assets

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Goodwill:				
Cost as of 1 January	221	221	-	-
Disposals related to sales	(177)	-	-	-
Cost as of 31 December	44	221	-	-
Impairment losses as of 1 January	(177)	(177)	-	-
Reversal of impairment losses related to sales	177	-	-	-
Impairment losses as of 31 December	0	(177)	-	-
Carrying amount as of 31 December	44	44	-	-
Internal development projects:				
Cost as of 1 January	2,334	2,044	2,319	2,029
Additions during the year	287	290	286	290
Disposals related to sales during the year	(4)	-	-	-
Cost as of 31 December	2,617	2,334	2,604	2,319
Amortisation as of 01 January	(1,323)	(1,203)	(1,311)	(1,191)
Amortisation and impairment losses for the year	(145)	(120)	(142)	(120)
Reversal of amortisation and impairment losses related to sales	4	0	0	0
Amortisation as of 31 December	(1,464)	(1,323)	(1,453)	(1,311)
Carrying amount as of 31 December	1,152	1,011	1,151	1,008
Total intangible assets:				
Cost as of 1 January	2,555	2,265	2,319	2,029
Additions during the year	287	290	286	290
Disposals related to sales during the year	(181)	-	-	-
Cost as of 31 December	2,661	2,555	2,604	2,319
Amortisation and impairment losses as of 01 January	(1,500)	(1,380)	(1,311)	(1,191)
Amortisation and impairment losses for the year	(145)	(120)	(142)	(120)
Reversal of amortisation and impairment losses related to sales	181	0	0	0
Amortisation and impairment losses as of 31 December	(1,464)	(1,500)	(1,453)	(1,311)
Carrying amount as of 31 December	1,196	1,055	1,151	1,008

§ Accounting policies

Goodwill

On initial recognition, goodwill is recognised in the statement of financial position at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Internal development projects

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the company can be demonstrated, and where the intention is to produce, market or use the project, are recognised as intangible assets, provided that the cost of these assets can be measured reliably and there is a sufficient degree of certainty of the future value in use. Other development costs are recognised in the income statement as incurred. Development costs include expenses, remunerations and amortisation attributable to the Group's development activities.

Internal development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the estimated useful economic lives of the assets, typically from three to ten years. The useful economic lives of the assets are reviewed and adjusted, if appropriate, at each statement of financial position date.

Note 24 Intangible assets, continued

Significant accounting estimates

Impairment test for goodwill

As of 31 December 2019, the Supervisory and Executive Boards tested the carrying amount of goodwill for impairment, based on the allocation made of the cost of goodwill on cash-generating units.

	Group		ATP	
	2019	2018	2019	2018
Goodwill				
NOW: Pension Ltd.	-	177	-	-
ATP Ejendomme A/S*	44	44	-	-
	44	221	-	-
Recoverable amount				
NOW: Pension Ltd.	-	-	-	-
ATP Ejendomme A/S	44	44	-	-
	44	44	-	-

* Goodwill relates to the acquisition of Ejendomsselskabet Vangede A/S, which was subsequently merged with ATP Ejendomme A/S.

The recoverable amount is determined as the higher of the value in use and the fair value less selling costs. The recoverable amount is based on the value in use, determined through use of expected net cash flows based on budgets approved by the Supervisory and Executive Boards.

Impairment tests of development projects and other assets

Internal development projects comprise primarily the tendering of the contract for IT systems relating to UDK – Public Benefits Administration. The carrying amount of tendering of the contract for IT systems totalled DKK 954m as of 31 December 2019 (2018: DKK 842m). The objective of tendering the contract is to reduce IT expenses through procurement of operationally reliable and cost-effective business solutions.

The remaining carrying amount as of 31 December 2019 relates to projects that have been completed for operation and are used mainly by the Group's Processing Business. The annual review of the recoverable amount did not reveal a need for amortisations.

In 2019, the Supervisory and Executive Boards conducted an impairment test of the carrying amount of development projects in progress. It is assessed that the recoverable amount exceeds the carrying amount, except for the mention below of the new Udbetaling Danmark – Public Benefits Administration pension system. The assessment of the recoverable amount is based on value in use calculations, determined through use of expected cash flows based on budgets for the years 2020-2024 as approved by the Supervisory and Executive Boards.

Note 25 Owner-occupied properties

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Cost as of 1 January	886	865	846	825
Additions during the year	67	21	67	21
Cost as of 31 December	953	886	913	846
Revaluations as of 1 January	28	54	12	40
Revaluations for the year	1	0	1	0
Reversal of revaluations due to value adjustment	(1)	(26)	-	(28)
Revaluations as of 31 December	28	28	13	12
Amortisation and impairment losses as of 01 January	(54)	(49)	(49)	(45)
Depreciation for the year	(4)	(5)	(4)	(4)
Amortisation and impairment losses as of 31 December	(58)	(54)	(53)	(49)
Fair value as of 31 December	923	860	873	809

'Owner-occupied properties' include a leasing asset related to leasing of owner-occupied properties on operational leasing contracts. The accounting value of the leasing asset is DKK 56m as of 31 December 2019. (2018: DKK 0m) The leasing liability of DKK 56m is recognised under the item 'Other payables'.

§ Accounting policies

Owner-occupied properties are properties used by the Group for administration purposes. Properties with elements of both owner-occupied properties and investment properties are allocated proportionately between the two asset types by square metre.

Owner-occupied properties are recognised at cost and subsequently measured at fair value using a revaluation model. Revaluation is performed at the end of each quarter. The fair value of owner-occupied properties is assessed using the principles applied to the Group's investment properties, see note 16.

Depreciation of owner-occupied properties is provided on a straight-line basis over the estimated useful economic lives of the assets. The depreciation periods have been determined at 50 years. No depreciation is provided for land.

Revaluation of a property from cost to fair value is recognised under 'Other comprehensive income' and is tied to a special provision under the bonus potential, unless the revaluation is offset by a corresponding decrease in value previously recognised in the income statement. A decrease in the fair value of a property is recognised in the income statement, unless the decrease is offset by a corresponding increase in value previously recognised in the item 'Other comprehensive income'. In that case, the decrease in value is recognised under 'Other comprehensive income'.

In case of sale of an owner-occupied property, previous years' revaluations are not recirculated to the income statement. Instead, there is a transfer from 'Revaluation provisions' to 'Transferred profits' under the bonus potential.

On initial recognition, leasing assets are measured at cost, corresponding to the discounted value of the expected rent payments. The leasing period, which forms the basis for calculating the rent liability, corresponds to the period for which ATP, as the lessee, is entitled and expects to make use of the underlying assets. This period is 7 years on average, and is 1 year for terminated leases.

Subsequently, the leasing asset is measured at cost less accumulated amortisation and depreciation. The leasing asset is amortised across the shorter period of the leasing period and the working life of the leasing asset and amortisations are straight-line recognised in the income statement.

On initial recognition, leasing liabilities are measured at amortised cost and a calculated interest cost is recognised in the income statement.

Note 26 Operating leasing

The Group acts as lessor for property leases. All leases are offered as operational leases. Assets are recognised in the Group's and ATP's statements of financial position under investment properties.

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Rental income for the year from property rental	1,326	1,315	51	49
Lessees are under contractual obligation for an average number of years	8	8	3	3
At the statement of financial position date, the Group had entered into leases under which future rental income is expected to be distributed as follows:				
Within 1 year	1,108	1,097	31	33
Between 1 and 5 years	2,922	2,933	98	125
After 5 years	3,221	3,029	0	39
Total rental income	7,251	7,059	129	197

Note 27 Contingent liabilities and collateral

The ATP Group provides and receives assets as collateral from clearing centres and other counterparties when entering into financial transactions. The ATP Group is entitled to sell or relend assets received. ATP's counterparties are also entitled to sell or relend the assets received when the ATP Group provides assets as collateral. Bonds and loans provided as collateral continue to be recognised in the Group's statement of financial position.

Assets provided and received as collateral are specified in the table below:

DKKm	Group		ATP	
	2019	2018	2019	2018
Assets provided as collateral:				
Bonds	46,207	66,258	46,028	66,062
Loans	1,637	2,486	1,563	2,436
Cash and cash equivalents	1,019	1,503	651	787
Total assets provided as collateral	48,863	70,247	48,242	69,285
Assets received as collateral:				
Bonds	66,799	57,345	66,714	57,298
Cash and cash equivalents	131	1	-	-
Total assets received as collateral	66,930	57,346	66,714	57,298
Investment and loan commitments				
Investment commitments, equity investments	15,346	15,086	1,726	2,027
Investment commitments, property funds	1,293	698	1,255	660
Investment commitments, Danish properties	60	99	34	7
Investment commitments, infrastructure	6,254	5,586	6,254	5,586
Investment commitments, credit funds	4,288	5,794	4,288	5,794
Loan commitments, businesses	15,702	19,578	15,702	19,578
Loan commitments, credit funds	4,947	14,357	4,947	14,357
Investment commitments, group subsidiaries	-	-	23,372	34,475
Loan commitments, group subsidiaries	-	-	945	1,185
Other contingent liabilities				
Rental/leasing liabilities and contractual liabilities related to the acquisition of intangible assets	488	562	486	555
Potential deferred tax related to properties ¹	268	238	-	-
'Letters of credit' to businesses	986	1,242	986	1,242
Other contingent liabilities	52	52	-	-

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.

¹ As of 2001 and under certain conditions, the ATP Group is not subject to income tax on the activities of its subsidiary ATP Ejendomme A/S. If the conditions for tax exemption are not met, provisions are made for both current and deferred tax in the company. In 2019, ATP Ejendomme A/S met the conditions for tax exemption.

Note 27 Contingent liabilities and collateral, continued

Owing to its size and business volume, the ATP Group is continually a party to various lawsuits and disputes. Cases are assessed on an ongoing basis, and pending lawsuits and disputes are not believed to have any significant impact on the financial position of the ATP Group.

On 14 March 2017, based on a decision made by the Supervisory Board of Udbetaling Danmark – Public Benefits Administration, ATP terminated the contract on the development, operation and maintenance of a new pension system under the tendering programme. In this connection, ATP has filed a financial claim against KMD, and KMD has filed a counterclaim against ATP, including Udbetaling Danmark – Public Benefits Administration. The dispute has been submitted for arbitration. The Supervisory and Executive Boards believe that ATP and Udbetaling Danmark – Public Benefits Administration will be awarded damages and compensation under the contract. As ATP's administration of Udbetaling Danmark – Public Benefits Administration are performed on a cost-recovery and risk-free basis, ATP is guaranteed compensation for any loss performed on a cost-recovery and risk-free basis, ATP is guaranteed compensation for any loss.

§ Accounting policies

The accounting treatment of contingent assets and liabilities are based on an assessment of the expected outcome of the applicable contingency. If it is almost certain that a future economic benefit will flow to the ATP Group, the asset and the related income are recognised. If, on the other hand, it is probable that a future economic benefit will flow from the ATP Group when discharging the liability, the contingency is recognised as a liability. Where it is not possible to estimate an amount with sufficient certainty, or it is not possible to estimate the outcome of a given matter, information to this effect will be provided. Decisions relating to such matters may generate realised profits or losses in future accounting periods that exceed the amounts recognised in the financial statements.

Note 28 Related party transactions

The ATP Group

Related parties of the ATP Group are associates and joint ventures and independent schemes managed by ATP. For an overview of associates and joint ventures, please refer to note 15.

Members of the ATP Supervisory and Executive Boards and their close family members are also regarded as related parties. Enterprises in which these persons have a controlling or significant interest are also regarded as related parties. No one is considered to have a controlling or significant interest in the Group.

The Group has entered into the following related party transactions:

2019							
DKKm							
	Sale	Purchase	Contributions	Distributions	Payables	Receivables/ loans	Contingent liabilities
Associates and joint ventures	7	-	1,835	1,135	6	1	4,344
Independent schemes managed by ATP:	2,435	-	-	-	1,050	663	-
Total related party transactions	2,442	-	1,835	1,135	1,056	664	4,344

2018

DKKm

	Sale	Purchase	Contributions	Distributions	Payables	Receivables/ loans	Contingent liabilities
Associates and joint ventures	7	-	2,085	1,794	6	2	2,725
Independent schemes managed by ATP:	2,446	-	-	-	901	321	-
Total related party transactions	2,453	-	2,085	1,794	907	323	2,725

Sales to associates, joint ventures and schemes comprise a number of administration functions, including accounting functions, IT operations and development, customer service and staff administration etc.

Contributions include contributions of capital in associates and joint ventures, while distributions include distributions, including dividends. Contingent liabilities to associates and joint ventures consist of investment and loan commitments.

Related party transactions also comprise the statutory labour market pension for members of the ATP Supervisory and Executive Boards and their close family members, as well as enterprises in which these persons have significant interests.

Overall payments to ATP in 2019 total DKK 0.0m (2018 DKK 0.0m).

Transactions with related parties are settled on a cost recovery basis for schemes. The transactions are subject to contractual agreement with ATP.

Supervisory and Executive Board remuneration is set out in note 6 and the remuneration report on page 142.

Note 28 Related party transactions, continued

ATP

Related parties of ATP are associates, joint ventures, group subsidiaries and independent schemes managed by ATP. An overview of associates, joint ventures and group subsidiaries can be found in notes 14 and 15.

Members of the ATP Supervisory and Executive Boards and their close family members are also regarded as related parties. Enterprises in which these persons have significant interests are also regarded as related parties.

ATP has entered into the following related party transactions:

2019 DKKm								
	Sale	Purchase	Forward contracts, net, and interest on loans	Contributions	Distributions	Payables ¹	Receivables/loans ¹	Contingent liabilities
Associates and joint ventures	-	-	-	1,656	770	-	-	4,252
Group subsidiaries	16	32	1,155	10,765	13,016	90	3,600	24,317
Independent schemes managed by ATP:	2,435	-	-	-	-	1,050	663	-
Total related party transactions	2,450	32	1,155	12,421	13,786	1,140	4,263	28,569

2018

DKKm

	Sale	Purchase	Forward contracts, net, and interest on loans	Contributions	Distributions	Payables ¹	Receivables/loans ¹	Contingent liabilities
Associates and joint ventures	-	-	-	1,794	954	-	-	2,478
Group subsidiaries	23	31	699	18,990	19,268	31	3,666	35,660
Independent schemes managed by ATP:	2,446	-	-	-	-	901	321	-
Total related party transactions	2,469	31	699	20,784	20,222	932	3,987	38,138

¹ Payables and receivables include positive/negative market values of intercompany forward transactions.

Sales to associates, joint ventures, group subsidiaries and schemes comprise a number of administration functions, including accounting functions, IT operations and development and staff administration etc.

Forward contracts, net, include net payments in respect of intercompany forward exchange transactions made by ATP on behalf of group subsidiaries. Also included is interest on loans to group subsidiaries totalling DKK 80m. (2018: DKK 81m).

Contributions include contributions of capital in group subsidiaries, associates and joint ventures, while distributions include distributions, including dividends. Contingent liabilities to associates and joint ventures and group subsidiaries consist of investment and loan commitments.

Related party transactions also comprise the statutory labour market pension for members of the ATP Supervisory and Executive Boards and their close family members, as well as enterprises in which these persons have a controlling or significant interest.

Overall payments to ATP in 2019 total DKK 0.0m (2018 DKK 0.0m).

Loans to group subsidiaries are unsecured, and no impairment losses have been recorded.

Related party transactions are settled on an arm's length basis (market terms) or, in the case of group subsidiaries and schemes, on a cost-recovery basis. The transactions are subject to contractual agreement with ATP.

Supervisory and Executive Board remuneration is set out in note 6 and the remuneration report on page 143.

No one is considered to have a controlling interest in the Parent Company.

Note 29 Non-current and current assets and liabilities

	Group		ATP	
	2019	2018	2019	2018
DKKm				
Non-current assets:				
Bonds	601,782	531,721	591,109	523,205
Equity investments	136,006	121,775	105,370	91,174
Financial derivatives	107,814	71,067	107,802	71,049
Loans	8,793	7,616	4,200	5,438
Loans to subsidiaries	-	-	3,416	3,250
Investments in subsidiaries	-	-	79,013	74,023
Investments in associates and joint ventures	51,445	44,040	43,615	36,429
Intangible assets	1,196	1,055	1,151	1,008
Investment properties	24,069	22,950	-	-
Owner-occupied properties	923	860	873	809
Operating equipment	12	18	8	11
Total non-current assets	932,040	801,102	936,557	806,396
Current assets:				
Cash and demand deposits	7,020	8,201	5,021	5,835
Bonds	28,547	34,921	28,148	34,527
Equity investments	3,340	4,132	-	-
Financial derivatives	4,042	3,246	3,766	3,233
Loans	74	50	-	-
Receivables from subsidiaries	-	-	2	6
Tax receivable on pension savings returns and income tax	307	172	306	172
Receivables from credit institutions	33,417	37,994	33,238	37,797
Contributions receivable	2,718	2,647	2,718	2,647
Other receivables	14,094	11,379	13,782	10,929
Other prepayments	938	970	935	965
Total current assets	94,498	103,712	87,915	96,111
Total assets	1,026,539	904,814	1,024,472	902,507
Non-current liabilities:				
Financial derivatives	77,602	55,316	77,587	55,253
Deferred tax on pension savings returns and income tax	69	69	-	-
Other payables	1,270	466	918	113
Guaranteed benefits	742,477	676,304	742,477	676,304
Bonus potential	125,980	92,086	125,980	92,086
Minority interests	611	483	-	-
Total non-current pension provisions and liabilities	948,010	824,724	946,963	823,756
Current liabilities:				
Guaranteed benefits	17,151	17,069	17,151	17,069
Financial derivatives	4,720	4,929	4,590	4,398
Deferred tax on pension savings returns and income tax	191	155	-	-
Tax payable on pension savings returns and income tax payable	19,115	4,241	19,115	4,234
Payables to credit institutions	27,333	47,907	27,246	47,887
Other payables	10,017	5,789	9,407	5,163
Total current liabilities	78,528	80,090	77,510	78,751
Total equity and liabilities	1,026,539	904,814	1,024,472	902,507

Note 29 Non-current and current assets and liabilities, continued

§ Accounting policies

Assets that must, according to contract, be realised within 12 months and assets that are reasonably expected to be realised within 12 months after the reporting period are classified as current assets. In addition, cash and cash equivalents are classified as current unless restricted or earmarked for settling a specific liability more than 12 months after the reporting period.

Current liabilities are liabilities that are expected to be settled within 12 months after the reporting period and liabilities for ATP does not have an unconditional right to defer settlement beyond 12 months after the reporting period. Non-current liabilities are all other liabilities not classified as current liabilities.

Note 30 Five-year summary for ATP

Financial highlights (DKKm)	2019	2018	2017	2016	2015
Contributions	10,061	9,871	9,703	9,572	9,055
Pension benefits	17,054	16,878	16,075	15,454	14,566
Investment return	107,340	24,108	15,879	60,149	6,584
Total pension-related operating expenses	201	197	191	239	283
Technical profit	33,891	(25,589)	17,232	(797)	5,385
Net profit for the year	33,893	(25,585)	17,239	(785)	5,402
Bonus potential	125,980	92,086	117,695	100,454	101,242
Total pension provisions	885,608	785,459	768,576	759,251	705,214
Total assets	1,024,472	906,735	893,483	869,746	781,228
Members (number in thousands)	5,264	5,193	5,118	5,044	4,971
Pensioners (number in thousands)	1,057	1,060	1,033	1,004	975
Ratios					
Return ratios¹					
Return before tax on pension savings returns (per cent)	16.2	3.7	2.5	10.1	1.1
Return after tax on pension savings returns (per cent)	13.7	3.2	2.1	8.6	0.9
Expense ratios					
Expense ratio for provisions (avg.)	0.03	0.03	0.03	0.04	0.05
Expenses per member (DKK)	38	38	38	48	57
Other ratios					
Bonus rate (per cent)	16.6	13.3	18.1	15.2	16.8

The five-year summary for ATP has been prepared in accordance with the format requirements of the Danish Financial Supervisory Authority in line with the methods of accounting used by other pension providers in Denmark. Consequently, the return on investment and the return ratios etc. deviate from ATP's format, which is IFRS-compliant.

Please refer to the description of ratios in Appendix 3 of ATP's executive order on accounting issued by the Danish FSA (Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP), Executive Order no. 570 of 2 June 2016).

¹ATP does not apply the Danish FSA's return ratio. The return ratio tends to over-reflect market value changes in ATP's hedging portfolio, which will not notably affect the pensions promised. As the ratio does not allow for variance in the value creation of the guaranteed products, the ratio does not provide a complete picture of the value creation for ATP's members for the individual year. However, in the very long term, the ratio better reflects the value creation.

Note 31 Breakdown of ATP's assets and their returns

	Carrying amount as of 2019		Return p.a. before tax on pension savings returns
	DKKm		per cent
	Beginning of year	End of year	
Land and buildings	43,601	45,013	5.2
Listed equity investments	72,409	79,269	22.9
Unlisted equity investments	78,774	91,288	9.8
Total equity investments	151,183	170,557	16.0
Government and mortgage bonds	521,708	593,482	7.1
Index-linked bonds	13,786	13,544	(7.3)
Credit bonds and emerging market bonds	18,976	29,865	14.5
Loans etc.	11,134	10,022	5.3
Total bonds and loans	565,604	646,913	7.0
Subsidiaries	0	0	0.0
Other investment assets	3,684	3,005	*N/A
Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities	15,381	30,658	*N/A
Total investment assets	779,454	896,146	14,7

* The two asset classes 'Other investment assets' and 'Financial derivatives entered into for the purpose of hedging the net change of assets and liabilities' only contain derivatives and their primary purpose is to hedge investment currency risk and guaranteed benefits interest risk respectively. It therefore does not make sense to state separate returns figures for these asset classes.

Please refer to the description of ratios in Appendix 2 of ATP's executive order on accounting issued by the Danish FSA (Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP), Executive Order no. 570 of 2 June 2016).

Supervisory Board

Chairman

Chairman of the Supervisory Board
Torben M. Andersen

Employer representatives

CEO (Chief Executive Officer)
Jacob Holbraad

Professional Board Member
Torben Dalby Larsen

CEO (Chief Executive Officer)
Lars Sandahl Sørensen

Professional Board Member
Anne Broeng

Group Chief Compliance Officer
Anne Jæger

Mayor
Peter Rahbæk Juel

Employee representatives

Chairman
Lizette Risgaard

Vice President
Arne Grevsen

Vice President
Bente Sorgenfrey

President
Kim Simonsen

Chairman
Lars Qvistgaard

CEO (Chief Executive Officer)
Jan Walther Andersen

Board of Representatives

Chairman:

Torben M. Andersen, Chairman of the Board

Employer representatives

Appointed by the Confederation of Danish Employers (DA):

Jacob Holbraad, CEO (Chief Executive Officer)
Torben Dalby Larsen, Professional Board Member
Anne Broeng, Professional Board Member
Lars Sandahl Sørensen, CEO (Chief Executive Officer)
Steen Nielsen, Deputy Director
Camilla Khokhar, Deputy Director
Pernille Knudsen, Deputy CEO
Steen Müntzberg, Deputy Director
Christina Bjørnbak Hallstein, Executive Secretary
Charlotte Vester, Deputy Director

Appointed by the Danish Minister of Finance:

Anne Jæger, Group Chief Compliance Officer

Appointed by Danish Regions:

Carsten Kissmeyer, Region Representative

Appointed by Local Government Denmark (LGDK):

Ole Vive, Mayor
Peter Rahbæk Juel, Mayor

Appointed by the Danish Employers' Association for the Financial Sector (FA):

Mariane Dissing, CEO

Employee representatives

Appointed by Danish Trade Union Confederation, FH:

Lizette Risgaard, President
Bente Sorgenfrey, Vice President
Arne Grevsen, Vice President
Jan Walther Andersen, Director
Kim Simonsen, President of the National Federation of Social Educators
Ole Wehlast, President
Claus Jensen, President
Per Christensen, President
Jørgen Juul Rasmussen, President
Lone Engberg Thomsen, President
Benny Andersen, President
Grete Christensen, President
Anders Bondo Christensen, President

Appointed by the Danish Association of Managers and Executives (LH):

Svend Askær, President

Appointed by the Danish Confederation of Professional Associations (Akademikerne):

Lars Qvistgaard, President

Executive Committee etc. and executive board

Executive Committee

Torben M. Andersen (chairman)
Jacob Holbraad
Lizette Risgaard

Audit Committee

Anne Jæger (chairman)
Torben M. Andersen
Jacob Holbraad
Lizette Risgaard

Risk Committee

Torben M. Andersen (chairman)
Anne Broeng
Anne Jæger
Jan Walther Andersen

Executive Board

Bo Foged, CEO (Chief Executive Officer)

Other members of Group management

Martin Præstegaard, Deputy CEO, Chief Financial Officer
Kim Kehlet Johansen, Executive Vice President, Risk & Compliance, Chief Risk Officer
Annemette Moesgaard, Executive Vice President, Communication & External Relations
Anne Kristine Axelsson, Executive Vice President, Pension & Social Security
Carsten Bodal, COO (Executive Vice President), Udbetaling Danmark

Appointed actuary

Camilla Fredsgaard Larsen

Appeals Board

The Appeals Board for ATP etc.
Holmens Kanal 20, DK-1060 Copenhagen K

Executive Board qualifications, other directorships, etc.

Torben M. Andersen, Chairman of the Board

Born: 1956

Seniority: joined the Supervisory Board in 2018 – current term expires in 2021

Competencies:

- Wide experience and knowledge of economic affairs – including developing and applying economic models
- Board appointments and chairmanships of a large number of government commissions and committees and advisory appointments in a range of countries, OECD and the EU Commission.
- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience in the design of pension schemes, pension models and risk management
- Many years' experience from research and assessment committees
- International network experience

Education:

- Ph.D. CORE Université Catholique, Louvain-la-Neuve, Belgium
- Lic. oecon (Ph.D.) Aarhus University
- M.Sc. London School of Economics
- Participated in ATP's corporate governance program at CBS

Other directorships:

- Chairman of LG (the Employees' Guarantee Fund)
- Chairman of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Board of Politiken-Fonden and A/S Politiken Holding
- Member of the Board of Forskningsfondens Ejendomsselskab A/S
- Member of the Board of Industriens Fond
- Chairman of the Board of DREAM-modelgruppe and MAKRO-modelgruppe
- Member of the Board of Aarhus Universitets Forskningsfond
- Member of the Board of Aarhus Universitets Forskningsfond Holding P/S
- Member of the Board of Aarhus Institute of Advanced Studies
- Member of the Board of Nationaløkonomisk Forening
- Member of the Economic Council
- Owns Østergaard-Stutteri Reskelund v/Andersen og Mahler
- Co-owner and Chairman of the Board of Handelsvidenskab ApS

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7
- Executive Committee – participated in 7 meetings out of 7
- Audit Committee – participated in 4 meetings out of 4
- Risk Committee – participated in 3 meetings out of 3

Employer representatives

Jacob Holbraad, CEO

Born: 1968

Seniority: joined the Supervisory Board in 2015 – current term expires in 2020

Competencies:

- Management experience as CEO of Confederation of Danish Employers (DA) and management positions in public authorities
- Many years' experience with political issues – including financial policy and stakeholder management
- Experience and knowledge of economic and societal issues and analyses and the preparation and implementation of strategies and plans
- Experience and knowledge of ATP's strategy, tasks and role in society
- Thorough knowledge of national and international labour market issues

Education:

- Cand.scient.pol., Copenhagen University
- Participated in ATP's corporate governance program at CBS

Other directorships:

- Director-General of the Confederation of Danish Employers (DA)
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers

- Member of the Economic Council

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7
- Executive Committee – participated in 7 meetings out of 7
- Audit Committee – participated in 4 meetings out of 4

Torben Dalby Larsen, Professional Board Member

Born: 1949

Seniority: joined the Supervisory Board in 2011 – current term expires in 2020

Competencies:

- Management experience as CEO and Editor in Chief for Sjællandske Medier A/S and board memberships
- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience and knowledge of ATP's strategy, tasks and role in society
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management, etc. – as Chairman of the Board for PFA Pension A/S and PFA Holding A/S
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Thorough knowledge of national and international labour market issues
- Many years' experience with media and communications

Education:

- Qualified journalist from Danish School of Media and Journalism (Danmarks Journalisthøjskole)
- Participated in ATP's corporate governance program at CBS

Other directorships:

- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Chairman of the Boards of PFA Holding A/S, PFA Pension A/S, PFA Fonden and PFA Brug Livet Fonden
- Chairman of the Board of Liselundfondet
- Member of the Board of Representatives for Sparekassen Sjælland-Fyn

Participation in ordinary meetings:

- Board – participated in 6 meetings out of 7

Lars Sandahl Sørensen, CEO (Chief Executive Officer)

Born: 1963

Seniority: joined the Supervisory Board in August 2019 – current term expires in 2021

Competencies:

- Extensive management experience, including as CEO of Confederation of Danish Industry (DI), group direct of SAS and board memberships
- Extensive knowledge of national and international corporate and labour market issues
- Wide knowledge of politics, economics and societal matters, including stakeholder management
- Experience and knowledge of ATP's strategy, tasks and role in society

Education:

- MSc in Economics & Management, Kansai Gaidai University, Stanford University and St. Cloud University

Other directorships:

- CEO, Confederation of Danish Industries (DI)
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Supervisory Board of PensionDanmark
- Member of the Board of Industriens Fond
- Member of the Board of A/S af 3. juni 1986
- Member of the Board of Wexø A/S and Wexø Holding A/S
- Owner of Sandahl Sørensen Holding ApS
- Owner of Sandahl v/Lars Sandahl Sørensen
- Member of the Board of Nilfisk A/S
- Member of the Board of NKT A/S

Participation in ordinary meetings:

- Supervisory Board – participated in 1 meeting out of 3

Anne Broeng, Professional Board Member

Born: 1961

Seniority: joined the Supervisory Board in 2014 – current term expires in 2022

Competencies:

- Management experience as group director, Chief Financial Officer and Chief Investment Officer of PFA Pension A/S (2002-2014) and board memberships
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management, etc.
- Thorough knowledge of accounting, budgeting and auditing issues, including as Chairman of the Audit Committee of NNIT A/S and VKR Holding and Velux A/S
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Knowledge and experience relating to risk management, compliance and actuarial issues
- Knowledge and experience relating to technology development, IT and the General Data Protection Regulation
- Experience and knowledge of ATP's strategy, tasks and role in society
- Also teaches on CBS Executive board member courses

Education:

- Board member training at Stanford Directors College
- CBS Board Masterclass
- Management education at DIEU
- Cand.oecon, Aarhus University
- Participated in ATP's corporate governance program at CBS

Other directorships:

- Chairman of the Board of Velliv, Pension & Livsforsikring A/S
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Board and Chairman of the Audit Committee of VKR Holding A/S
- Member of the Board and Chairman of the Audit Committee of Velux A/S
- Member of the Board and Chairman of the Audit Committee of NNIT A/S
- Member of the Board of NASDAQ OMX Nordic Ltd.
- Member of the Board and Chairman of the Audit Committee of Aquaporin A/S
- Vice-Chairman of the Board of Bruhn Holding ApS
- Member of the Board of Rodinia ApS

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7
- Risk Committee – participated in 3 meetings out of 3

Anne Jæger, Group Chief Compliance Officer

Born: 1966

Seniority: joined the Supervisory Board in 2014 – current term expires in 2020

Competencies:

- Management experience from positions such as Group Chief Compliance Officer of Zurich Insurance Group (Switzerland), Group Chief Auditor i Assicurazioni Generali S.p.A. (Italy), (2015-2017), RSA Insurance Group (London, Denmark), (2001-2015), KPMG, lecturer at CBS and holds board appointments
- Many years' experience with insurance and pension activities
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Thorough knowledge of auditing issues, including internal audit issues, and accounting and budgeting in large, international financial organisations
- Thorough knowledge of and experience with compliance, risk management, regulatory issues, Corporate Governance, internal models, Solvency II regulations and the money-laundering area
- Experience and knowledge of ATP's strategy, tasks and role in society

Education:

- State Authorised Public Accountant
- MSc in Business Economics and Auditing, Copenhagen Business School
- Corporate governance programs: Rotman ICPM Board Effectiveness Programme,
- RSA Executive development programme
- Certified Professional Coach, Henley University
- Participated in ATP's corporate governance program at CBS

Other directorships:

- Group Chief Compliance Officer Zurich Insurance Group, Switzerland
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Board of C Worldwide Group Holding A/S, C Worldwide Holding A/S, C Worldwide Asset Management Fondsmæglerselskab A/S

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7
- Audit Committee – participated in 3 meetings out of 3
- Risk Committee – participated in 3 meetings out of 3

Peter Rahbæk Juel, Mayor

Born: 1977

Seniority: joined the Supervisory Board in April 2019 – current term expires in 2022

Competencies:

- Management experience from Odense Municipality and Byg til Vækst as well as board appointments
- Extensive knowledge of politics and societal matters, including stakeholder management

Education:

- BA in History & Social Sciences, University of Southern Denmark
- Senior Executive in State and Local Government, Harvard University

Other directorships:

- Mayor, Odense Municipality
- Vice-Chairman of the Board of Lindø Port of Odense A/S
- Member of the Board of AL Finans A/S
- Member of the Board of HCA Airport and HCA Airport Ejendom P/S
- Member of the Board of Representatives of University of Southern Denmark
- Member of the Board of Erhvervsskolen Nordsjælland
- Member of the Advisory Representatives Board of Arbejdernes Landsbank
- Member of the Board of UCL Erhvervsakademi og Professionshøjskole
- Member of the Board of ErhvervsFyn
- Member of Danmarks Erhvervsfremmebestyrelse
- Member of CPH Vækstkomité
- Member of the Culture, Business and Planning Committee of Local Government Denmark (KL)

Participation in ordinary meetings:

- Board – participated in 4 meetings out of 6

Employee representatives

Lizette Risgaard, President

Born: 1960

Seniority: joined the Supervisory Board in 2007 – current term expires in 2021

Competencies:

- Management experience as President of the Danish Confederation of Trade Unions and LD Pensions and board appointments
- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience and knowledge of ATP's strategy, tasks and role in society
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management, etc. – as member of the Board of ALKA Forsikring A/S and Arbejdernes Landsbank A/S
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Experience and knowledge related to budgeting and accounting
- Thorough knowledge of national and international labour market issues

Education:

- Master of Public Administration
- Corporate governance programs: Rotman ICPM Board Effectiveness Programme
- Participated in ATP's corporate governance program at CBS
- Management education via internal trade union courses, FIU and Ledernes Hovedorganisation
- Diploma in Business Studies, Organisation & Management

- Office clerk

Other directorships:

- President, Danish Trade Union Confederation, FH;
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Chairman of the Board of LD Fonde
- Member of the Board of Højstrupfonden
- Chairman of A/S A-Pressen
- Chairman of Konventum A/S
- Member of the Board and the Board of Representatives of Arbejderbevægelsens Erhvervsråd
- Member of the Board of Directors and the Board of Representatives of Arbejdernes Landsbank A/S
- Member of the Economic Council
- Member of the Board of The Fund for Better Working Environment and Labour Retention
- Chairman of LO-Skolen/Konventum Helsingør
- Chairman of the Board of LO/FTF Ulandssekretariatet
- Member of the Board of DUI-LEG og VIRKE Børn hjælper børn fonden
- Vice President of ITUC (International Trade Union Confederation)
- Member of the Executive Committee of ETUC (European Trade Union Confederation)
- Member of the Executive Committee of NFS (Council of Nordic Trade Unions)
- Member of the Board of Representatives of Danmarks Nationalbank (central bank)

Participation in ordinary meetings:

- Board – participated in 6 meetings out of 7
- Executive Committee – participated in 7 meetings out of 7
- Audit Committee – participated in 3 meetings out of 4

Arne Grevsen, Vice President

Born: 1956

Seniority: joined the Supervisory Board in 2015 – current term expires in 2021

Competencies:

- Management experience as First Vice President of the Danish Confederation of Trade Unions and board appointments
- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience and knowledge of ATP's strategy, tasks and role in society
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management, etc. – as member of the Board of Arbejdernes Landsbank A/S PensionDanmark A/S
- Experience with the design of pension schemes, including problems linked to pensions taxation and off-setting
- Thorough knowledge of national and international labour market issues

Education:

- Management training under trade union auspices and in relation to various board appointments
- Participated in ATP's corporate governance program at CBS
- Gardener
- Freight forwarder

Other directorships:

- Vice President, Danish Trade Union Confederation, FH
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Supervisory Board of the Economic Council of the Labour Movement
- Member of the Board of Højstrupfonden
- Member of the Board of LD Fonde
- Member of the Advisory Representatives Board of Arbejdernes Landsbank A/S
- Member of the Board of Lån & Spar Bank A/S

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7

Bente Sorgenfrey, Vice President

Born: 1956

Seniority: joined the Supervisory Board in 2004 – current term expires in 2020

Competencies:

- Management experience as President of FTF, Vice President of Danish Trade Union Conference, FH, and board

appointments

- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience and knowledge of ATP's strategy, tasks and role in society
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management etc. – as member of the Board of RUNA forsikring A/S and Lån og Spar Bank A/S
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Experience and knowledge related to budgeting, accounting and auditing
- Experience and knowledge related to administration and IT, including organisational development
- Thorough knowledge of national and international labour market issues

Education:

- Master of Public Administration, Copenhagen Business School
- Diploma: Board Member Activities in Labour Market Pension Funds, CBS Executive
- Participated in ATP's corporate governance program at CBS
- Management education (now Diploma in Management), Lærerhøjskolen
- A range of short management and board-related training related to management appointments
- Nursery teacher, nursery seminary Frøbel Højskolen

Other directorships:

- Vice President, Danish Trade Union Confederation, FH
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Vice-Chairman Absalon – Professionshøjskolen Sjælland
- Member of the Board of LD Fonde
- Member of the Board of Directors and the Committee of Directors of Danmarks Nationalbank (central bank)
- Vice President of the European Trade Union Conference

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7

Kim Simonsen, President of the National Federation of Social Educators

Born: 1961

Seniority: joined the Supervisory Board in 2010 – current term expires in 2022

Competencies:

- Management experience as union President of HK and from a range of management positions including HK/Danish Confederation of Trade Unions and board appointments
- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Experience and knowledge of ATP's strategy, tasks and role in society
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management, etc. – as Chairman of the Board of ALKA Forsikring and member of the audit committee and as Vice-Chairman of Sampension A/S and a member of the audit and risk committee
- Experience and knowledge related to technological development and IT, including design and implementation of large IT systems at management level
- Thorough knowledge of national and international labour market issues

Education:

- Management training under the auspices of HK and the Danish Confederation of Trade Unions
- Corporate governance, Bestyrelsesakademiet
- Participated in ATP's corporate governance program at CBS
- Executive Program, Singularity University
- Tax clerk
- Part I of the Diploma in Taxation, Danmarks forvaltningshøjskole

Other directorships:

- President of HK/Danmark
- Vice President of HK/Danmark's unemployment insurance fund
- Chairman of Refshaleøens Ejendomsselskab and Refshaleøen Holding A/S
- Chairman of Kommanditselskab Christiansminde
- Chairman and Director of ASX7 Aps
- Vice-Chairman of the Board of Sampension

- Administrationselskab A/S and member of the audit and risk committee of Sampension KP Livsforsikring A/S
- Member of the Board of HK/Danmark's education fund
- Member of the Management Committee and Executive Committee of the Danish Trade Union Confederation (FH)
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Board of A-Pressen
- Member of the Board of Copenhagen Business Academy
- Member of the Board of U-nord
- Member of the Supervisory Board of Danish Foundation for Entrepreneurship
- Member of the Supervisory Board of Nordisk Investeringsdepot
- Member of the Supervisory Board of the Economic Council of the Labour Movement
- Chairman of Erhvervsskolernes Bestyrelsesforening (Supervisory Board of Danish vocational schools)
- Member of the Board of Directors and the Board of Representatives of Arbejdernes Landsbank A/S
- Chairman of the Board of AKF-Holding ApS
- Chairman of the Board of AKF Invest CPH
- Chairman of Interessentskabet Danske Erhvervsskoler og Gymnasier
- Chairman of the Executive Committee of The Danish Refugee Council

Participation in ordinary meetings:

- Board – participated in 6 meetings out of 7

Lars Qvistgaard, Chairman

Born: 1967

Seniority: joined the Supervisory Board in 2016 – current term expires in 2021

Competencies:

- Management experience as Chairman of the Danish Confederation of Professional Associations (Akademikerne) and a range of management positions in DJØF and board appointments
- Many years' experience with pension and insurance – including investments and financial markets, pension models, risk management etc. – as member of the Board of Lån og Spar Bank A/S and Juristernes og Økonomernes Pensionskasse
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Experience and knowledge related to budgeting, accounting and auditing
- Extensive knowledge of politics and societal matters, including stakeholder management
- Experience and knowledge of ATP's strategy, tasks and role in society
- Experience and knowledge related to administration and IT
- Thorough knowledge of labour market issues

Education:

- Master of Public Governance
- LL.M (Cand.jur.), Copenhagen University
- Bachelor of Arts, Carroll College, USA
- Participated in ATP's corporate governance program at CBS

Other directorships:

- Chairman of the Danish Confederation of Professional Associations (Akademikerne)
- Member of the Central Federation of State Employees' Organisations (Centralorganisationernes Fællesudvalg)
- Vice-Chairman of the common negotiations committee
- Member of the Board and Chairman of the Audit Committee of Lån & Spar Bank A/S
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Member of the Board of LD Fonde
- Chairman of Scherffenberg-Møllers Fond

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7

Jan Walther Andersen, Director

Born: 1958

Seniority: joined the Supervisory Board in 2014 – current term expires in 2020

Competencies:

- Management experience as bank manager at Arbejdernes Landsbank A/S and board appointments
- Many years' experience in financial enterprises – including investments and financial markets, pension models, risk management, payment facilitation, liquidity management, etc. – as member of the Board of Arbejdernes Landsbank and the Board of BI Holding A/S
- Experience with the design of pension schemes, including problems linked to pensions, taxation and off-setting
- Experience and knowledge related to budgeting and accounting
- Experience and knowledge of ATP's strategy, tasks and role in society and international activities
- Wide knowledge of politics, economics and societal matters, including stakeholder management

Education:

- Participated in ATP's corporate governance program at CBS
- Graduate Diploma in Financing
- Banking qualification

Other directorships:

- Director, Arbejdernes Landsbank
- Member of the Supervisory Board of LG – The Employees' Guarantee Fund)
- Member of the Supervisory Board of the Danish Labour Market Fund for Posted Workers
- Vice Chairman of Forvaltningsinstituttet for Lokale Pengeinstitutter
- Member of the Board of AL Finans A/S
- Member of the Board of BI Holding A/S
- Member of the Board of VP Securities A/S

Participation in ordinary meetings:

- Board – participated in 7 meetings out of 7
- Risk Committee – participated in 3 meetings out of 3

General Management

ATP is managed by a Board of Representatives, a Supervisory Board and a Chief Executive Officer (CEO). The composition of ATP's Board of Representatives and Supervisory Board is prescribed by the Danish ATP Act. The CEO is appointed by the Supervisory Board. The Board of Representatives comprises fifteen employer representatives, fifteen employee representatives and a Chairman appointed by the Board of Representatives. The Chairman must not be affiliated with any employer or employee organisations. The Board of Representatives ordinarily convenes once a year. The Supervisory Board is composed of members of the Board of Representatives and comprises six employer representatives, six employee representatives and the Chairman of the Board of Representatives. The Supervisory Board convened ordinarily seven times in 2019. The members of the Board of Representatives and the Supervisory Board are appointed by the Danish Minister for Employment – upon the recommendation of the social partners. The Chairman and the other members of the Supervisory Board and the Board of Representatives are appointed for three-year terms, the aim being to achieve a balanced composition of men and women on the boards. No age limit applies.

The Supervisory Board undertakes an annual self-assessment of all aspects of its performance and evaluates whether its members collectively possess the necessary knowledge and experience to understand ATP's risks and business. The 2019 self-assessment generally produced a positive picture, including the working methods of the Supervisory Board, its composition and procedures. For information about other directorships, skills and qualifications held by members of the Supervisory Board and relevant to ATP etc., please see the section 'Skills and other directorships etc. held by members of the Supervisory Board'.

The duties of the Board of Representatives and the Supervisory Board are governed by procedures, and ATP's Supervisory Board has appointed four Supervisory Board committees in the form of an Executive Committee (including a Remuneration Committee), an Audit Committee and a Risk Committee.

The Executive Committee consists of the Chairman and two Supervisory Board members, appointed by the

employer and employee representatives of the Supervisory Board. The task of the Executive Committee is to make decisions and to prepare and implement Supervisory Board resolutions as authorised by the procedures adopted by the Supervisory Board. The Executive Committee has the authority to make a range of decisions, especially pertaining to investment and employment conditions. ATP's Executive Committee convened ordinarily seven times in 2019.

The Executive Committee is responsible for performing the duties of the ATP Remuneration Committee. The duties are integrated in the agendas of the Executive Committee on an ongoing basis and comply with the processes applicable for the Executive Committee. The primary duties of the Remuneration Committee are to prepare Supervisory Board decisions on remuneration, including pay policy and guidelines for incentive programmes.

ATP's Audit Committee consists of four members of ATP's Supervisory Board. The Chairman of the Audit Committee cannot also be the Chairman of ATP's Supervisory Board. The purpose of the Audit Committee is to assist the Supervisory Board in monitoring and controlling matters relating to accounting and auditing and matters relating to internal control and risk management principles for ATP. The Audit Committee convenes ordinarily four times a year. The Audit Committee's Terms of Reference are determined by the Supervisory Board.

As of 2019, the Risk Committee will be an independent committee under the Supervisory Board. The Risk Committee consists of four members of the Supervisory Board who possess operational experience and expertise within relevant specialist fields. The Risk Committee has no decision-making power, but is rather a technical advisory committee with the objective of supporting the preparation of overall risk and solvency assessments, discussing key issues relating to the risk management system, and helping to provide the best possible basis for the work of the Audit Committee and the Supervisory Board.

≡ For further information on ATP Group corporate governance, please visit www.atp.dk

Remuneration report

According to the Recommendations on Corporate Governance, companies must prepare a remuneration report. ATP provides such reporting below.

ATP also complies with the recommendations on remuneration of management issued by the Committee on Corporate Governance.

ATP's Supervisory Board and Board of Representatives have established a Pay Policy with rules governing remuneration and a number of associated disclosure obligations that resemble the rules applicable to the financial sector.

PURPOSE OF ATP'S PAY POLICY

The overall purpose of the Pay Policy is to support ATP's vision of securing basic financial security, simple administration and high returns.

The Pay Policy also serves to support ATP's business model and commercial objectives, including making it possible, by means of a suitable remuneration structure, to attract and retain the best possible competences on competitive terms of employment, so that ATP's ambitious, long-term performance targets can be achieved.

All members of ATP's Board of Representatives, Supervisory Board and Supervisory Board committee, the CEO and members of the Group Management as well as the Chief Actuary, the Chief Compliance Officer and the Chief Auditor receive fixed remuneration only. Members of the Group Management receive fixed remuneration, pension contribution of up to 18 per cent and a number of work-related employee benefits, including a company car.

Principal contents of severance schemes

Under their contracts, each member of the Group Management has a 12-month term of notice. At retirement after 12 and 17 years, 1 and 3 months' pay, respectively, is awarded.

In addition, severance pay equivalent to one year's remuneration is awarded to the CEO on retirement. This is the only, and thus also the highest, severance pay awarded to a single person.

Remuneration and performance-related pay at ATP

There are two overall principles which ensure that determination of the performance-related pay programmes and the payment of performance-related pay are safely executed:

- No individual is involved in making recommendations or design of performance-related pay schemes applicable to themselves
- It is independently controlled that the programmes are managed in accordance with the determined frameworks

ATP's Supervisory Board defines general frameworks for the performance-related pay schemes in ATP, including:

- Groups of employees who are included
- Types of performance-related pay schemes
- The expected value of the schemes at the time of allotment
- The timeframe over which the various schemes are calculated
- The maximum annual bonus for the various groups of employees.

The Supervisory Board has determined that ATP's CEO and Group Management, the Chief Actuary, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, employees of the Investment Committee, the Risk Committee and the Operations Committee of Pensions & Investments, the manager of the unit in Pensions & Investments performing controls of compliance with risk-taking limits and Portfolio Managers in Pensions & Investments are significant risk-takers.

The Supervisory Board has also determined that the ceiling for variable pay elements for performance-related schemes cannot exceed 100 per cent of the base salary including pension contribution per year. The specific execution of frameworks will be determined by the CEO (Chief

Remuneration paid to the Group Management

DKKm	2019	2018	2017	2016	2015
Group Management					
Bo Foged, CEO and CIO ¹	6.9	4.6	4.1	3.9	3.8
Martin Præstegaard, vice CEO and CFO ²	1.3	-	-	-	-
Kim Kehlet Johansen, Executive Vice President, Chief Risk Officer (CRO)	3.6	0.9	-	-	-
Carsten Bodal, Executive Vice President, Udbetaling Danmark - Public Benefits Administration	2.6	1.7	-	-	-
Anne Kristine Axelsson, Executive Vice President, Social Security & Labour Market Ansurance (AES)	2.7	1.8	-	-	-
Annetette Moesgaard, Chief Communications Officer (CCO)	1.9	1.9	1.5	-	-
Resigned from the Group Management at year-end 2019					
Kasper Ahrndt Lorenzen, Chief Investment Officer (CIO) ³	3.8	4.2	4.1	2.3	-
Christian Hyldahl, CEO ⁴	(0.7)	13.9	6.8	-	-
Mads Smith Hansen, Executive Vice President, Chief Risk Officer (CRO) ⁴	-	4.1	2.9	2.0	-
Lilian Mogensen, Chief Operating Officer (COO) of Business Processing ⁴	-	7.2	3.3	3.2	3.1
Dewi Dylander, Chief Legal Officer	-	0.7	1.4	-	-
Bård Grande, Chief HR Officer	-	0.8	0.3	-	-
Carsten Stendevad, CEO	-	-	-	6.9	6.4
Henrik Gade Jepsen, Chief Investment Officer (CIO)	-	-	-	3.3	4.8
Total Group Management ⁵	22.1	41.8	24.4	21.6	18.1

¹ CFO till 26 November 2018, acting CEO 26 November 2018 - 18 June 2019, CEO 18 June 2019 - . CIO 1 sept. 2019 - .

² Took office 1. September 2019

³ Resigned 1. September 2019

⁴ In 2018 remuneration consist of release-from-duties compensatory payment and/or severance pay. In 2019 reversal of release-from-duties compensatory in connection to Christian Hyldahl's accession in a new conditions of employment in october 2019 are included .

⁵ Members of the Group Management receive fixed remuneration, pension contribution and a number of work-related employee benefits, including a company car. None of the members of the Group Management receive any kind of variable pay or incentive schemes.

Executive Officer) and the CIO (Chief Investment Officer).

The remuneration structure consists of a fixed salary and potentially a performance-related pay component (performance-related pay) the purpose of which is to support business development via a focus on target and results management. In Pensions & Investments, Portfolio Managers in ATP's investment department (Investments) may be able to supplement their fixed salary with a performance-related bonus, and this extends also to investment specialists and employees of a range of ATP's subsidiaries.

Remuneration paid to the Group Management in 2019

Remuneration paid to the Group Management in 2019 totals DKK 22.1m, a significant drop of DKK 19.0m relative to 2018. Releases from duties in 2018 of three members of the Group Executive Board and severance pay to one of

the released Group Executive Board members account for DKK 14.0m of this amount. In 2019, no remuneration in respect of releases or severance was paid to Group Executive Board members.

Changes to Group Management during 2019 consist of Bo Foged assuming the post of CEO on 18 June 2019 following a period as acting CEO. In September 2019, we also saw Martin Præstegaard assume the position of Deputy CEO and CFO after Bo Foged Kasper Ahrndt Lorenzen, CIO, departed on 1 September 2019. Mikkel Svenstrup will assume the position of CIO on 1 March 2020.

The level of Group Management remuneration was normalised during 2019 but is expected to increase in 2020 since a deputy CEO and a CIO were only appointed for a portion of 2019.

CEO Worker pay ratio*	2019	2018	2017	2016	2015
The ATP Group including employees carrying out Business Processing tasks for external parties:					
CEO Worker pay ratio for all employees	11	13	12	12	11
The ATP Group excluding employees carrying out Business Processing tasks for external parties:					
CEO Worker pay ratio for ATP Livslang Pension (Lifelong Pension)	8	9	9	10	8

CEO Worker pay ratio

The purpose of the key figure CEO-Worker pay ratio is to show the pay ratio between CEO and employees and to show the development in pay for the CEO compared to the employees.

In ATP, the key figure is a factor 11 for 2019, meaning that the remuneration of the CEO corresponds to 11 times the average pay of all employees in ATP. This includes employ-

ees carrying out administrative tasks for external parties.

When considering ATP Livslang Pension (Lifelong Pension) and the associated employees in isolation, and in order for the key figures to be comparable to other pension funds, the key figure is a factor 8, meaning that the remuneration of the CEO corresponds to 8 times the average pay of employees.

Significant risk takers

DKKm	2019	2018	2017	2016	2015
Fixed remuneration	75.4	76.8	68.9	62.4	55.2
Variable remuneration	8.1	6.0	11.7	14.1	14.3
Variable remuneration, adjustment in previous years	0.4	(0.6)	0.1	0.2	1.7
Total remuneration	83.9	82.2	80.7	76.7	71.2
Total number of recipient of fixed remuneration	41	46	46	39	34
Total number of recipient of variable remuneration	20	23	21	21	19

Significant risk takers

Variable pay consists of variable pay during the financial year and provisional bonus by the end of the financial year. Final bonus determination is not performed until Q1 of the

following financial year. The difference between provisional bonus and final bonus is recognised under “Adjustment to provisional variable pay from previous year”.

Remuneration paid to ATP's Supervisory Board and Board of Representatives

DKKm	2019	2018	2017	2016	2015
Total remuneration paid to the ATP Supervisory Board	2.1	2.0	2.1	2.0	2.2
Total remuneration paid to the ATP Board of Representatives	0.2	0.2	0.2	0.2	0.2
Total remuneration paid to the ATP Executive Committee	0.2	0.2	0.2	0.2	0.2
Total remuneration paid to the ATP Audit Committee	0.3	0.2	0.2	0.2	0.2
Total remuneration paid to the ATP Risk Committee	0.3	0.2	0.2	0.2	0.2
Annual remuneration in DKK thousands paid to:					
Chairman of the Supervisory Board (total remuneration)	768	715	715	715	715
Member of the Executive Committee	86	80	80	80	80
Member of the Supervisory Board (including remuneration for the Board of Representatives)	129	120	120	120	120
Member of the Board of Representatives	14	13	13	13	13
Chairman of the Audit Committee	84	60	60	60	60
Member of the Audit Committee	64	60	60	60	60
Member of the Risk Committee	64	60	60	60	60

Remuneration paid to members of the Board of Representatives, the Supervisory Board and the Supervisory Board committees

The Board of Representatives approves the Supervisory Board's pay policy and sets fees for members of the Board of Representatives, the Supervisory Board and Supervisory Board committees on the recommendation of the Supervisory Board.

Members of the Board of Representatives, the Supervisory Board and, if relevant, Supervisory Board committees, are a paid a fixed annual fee which reflects the number of board and committee meetings. They are not covered by any variable pay agreements, incentive schemes, pension agreements or severance pay agreements.

Remuneration paid to the ATP Supervisory Board

DKK '000	Supervi- sory Board	Executive Committee	Audit Committee	Risk Committee	Total 2019	2018	2017	2016	2015
Chairman of the Supervisory Board:									
Torben M. Andersen	551	86	66	64	768	643	-	-	-
Jørgen Søndergaard	-	-	-	-	-	74	715	715	715
Employer representatives:									
Jacob Holbraad	129	86	64	-	279	260	260	260	20
Lars Sandahl Sørensen	47	-	-	-	47	-	-	-	-
Peter Rahbæk Juel	96	-	-	-	96	-	-	-	-
Torben Dalby Larsen	129	-	-	-	129	120	120	120	191
Kim Graugaard	80	-	-	-	80	120	120	120	120
Anne Broeng	129	-	-	64	193	180	180	180	180
Anne Jæger	129	-	75	64	268	180	180	180	180
Martin Damm	32	-	-	-	32	90	-	-	30
Bent Hansen	-	-	-	-	-	30	120	120	90
Jørn Neergaard Larsen	-	-	-	-	-	-	-	-	130
Employee representatives:									
Lizette Risgaard	129	86	64	-	279	260	260	260	144
Arne Grevsen	129	-	-	-	129	120	120	120	5
Bente Sorgenfrey	129	-	-	-	129	120	120	120	120
Kim Simonsen	129	-	-	-	129	120	120	120	120
Lars Qvistgaard	129	-	-	-	129	120	120	108	-
Jan Walther Andersen	129	-	-	64	193	180	180	180	180
Harald Børsting	-	-	-	-	-	-	-	-	215
Finn R. Larsen	-	-	-	-	-	-	-	-	120
Total	2,089	258	270	257	2,876	2,617	2,615	2,603	2,560

The financial reporting process

ATP is an independent institution, established by statute. ATP manages the pension scheme ATP Lifelong Pension.

The Danish ATP Act contains provisions on financial reporting and auditing. In addition, the Danish Financial Supervisory Authority has issued an executive order on financial reporting by ATP. ATP prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS).

The external auditor is appointed by the Board of Representatives, after the audit assignment has been the subject of an EU tender, and the Supervisory Board approves an annual audit plan.

The Audit Committee has been appointed to assist the Supervisory Board in fulfilling its oversight responsibilities for the financial reporting process, with particular focus on ensuring reliability, integrity and transparency in financial reports.

The Audit Committee ensures that ATP's financial reporting process, internal control system, internal audit and risk management systems are effective. The statutory auditing of annual reports and the auditor's independence are also checked, in particular with respect to ATP's purchase of non-audit services from the external auditor. Another Audit Committee duty is the submission of proposals for election of auditors. Finally, the Audit Committee may perform duties subject to

specific decisions made by the ATP Supervisory Board.

ATP's Audit Committee reviews and discusses ATP's annual report with focusing on significant circumstances relating to the financial reporting process and accounting practice. The Audit Committee is also provided with accounts of analyses performed by management, describing significant aspects of ATP's financial reporting and estimates made in the preparation of the annual report and interim reports, with particular focus on investment conditions, pension provisions, budgets and cost allocation.

ATP's risk management in connection with financial reporting is based on the internal control system and includes clearly defined organisational areas of responsibility, requirements for business processes, approval procedures and reporting requirements in connection with the financial reporting process.

The most significant elements in ATP's financial reporting are the calculation of pension provisions and the calculation of financial assets and financial liabilities. These items and their calculation are considered to be the key elements in the financial reporting process. Other major focus areas in the financial reporting process are compliance with accounting legislation, calculation of items subject to estimates, unusual transactions and completeness of information.

Further information

www.atp.dk/en/results-and-reports/annual-and-interim-reports/the-atp-group-further-information

GENERAL MATTERS

- Recommendations on corporate governance
- Terms of reference of the Audit Committee
- Procedures of the Executive Committee
- Terms of reference of the Risk Committee
- Other directorships held by members of the Group Management

REMUNERATION

- Pay Policy for the Supervisory and Executive Boards, significant risk takers etc. at the Danish Labour Market Supplementary Pension Fund (ATP).

FINANCIAL CALENDAR

- Quarterly and annual reporting 2020

INVESTMENT AND HEDGING

- Recommendations on active ownership
- Breakdown of the ATP Group's portfolio of government bonds, broken down by issuer country
- Exposure to equity indices in financial derivatives

VALUE CREATION

- Definition of value creation ratios

SUPPLEMENTARY ACCOUNTING INFORMATION

- Breakdown of the ATP Group's listed Danish equities
- Breakdown of the ATP Group's listed international equities
- Breakdown of the ATP Group's private Danish equity
- Breakdown of the ATP Group's private international equity
- Breakdown of the ATP Group's corporate bonds
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIO-PA, year-end 2019
- The ATP Group's pension provisions, calculated using the discount rates applied by ATP and EIO-PA, at the end of H1 2019

SOCIAL RESPONSIBILITY

- ATP Group Social Responsibility 2019
www.atp.dk/en/responsibility/responsibility-reports

