



Press information
August 24, 2016

AP3 interim report for the six months ended 30 June 2016

- AP3 recorded a profit of SEK 4,206 million (18,483) for the first six months of 2016.
- Fund capital reached SEK 304,021 million, an increase of SEK 990 million (16,066) during the period. The Fund capital at 1 January 2016 was SEK 303,031 million.
- AP3 paid SEK 3,216 million (2,417) to the Swedish Pensions Agency during the first half of the year to cover a shortfall between incoming pension contributions and outgoing pensions.
- Total real return was 1.5% (6.5) before expenses and 1.4% (6.4) after expenses. The Inflation, Fixed Income and Currency risk categories made the largest contributions to this performance.
- AP3 has generated average annual returns of 8.3% and 5.7% over the last five and 10 years respectively. This compares to annual increases of 1.8% and 2.5% in the Swedish Income Index over these respective time frames. By outperforming the income index, which is used to keep pensions in line with inflation, AP3 has made a substantial contribution to the pension system during the periods in question.
- Annual real return – return adjusted for inflation – was 7.9% and 4.6% for the last five and 10 years respectively. Average annual real return now stands at 4.1% since inception, meaning that the Fund has surpassed its real return target of 4% per annum over time.
- The asset management cost ratio was on an annual basis 0.12% (0.12) of which operating expenses were 0.06% (0.06).
- From 1 January 2012 to 30 June 2016, AP3's return was 0.3 percentage points lower than the LSP reference portfolio. AP3 has outperformed the LSP by 2.9 percentage points on a yearly basis since the reference portfolio was introduced in 2012.
- To be able to meet increased expectations for sustainable investment and to achieve the climate goals signed in Paris 2015 by the Swedish government, AP3 has adopted sustainability targets for 2018. These include measuring and reducing carbon footprint in the portfolio and further investments in green bonds.

Summary of AP3's results 2016:

	Jan – June 2016	Jan – June 2015	Jan – Dec 2015
Fund capital at 30 June, 2016, SEK m	304,021	304,398	303,031
Income for the year, SEK m	4,206	18,483	19,643
Net flows to the pension system, SEK m	3,216	2,417	4,944
Fund capital at 1 January, 2016, SEK m	303,031	288,332	288,332
Asset management cost ratio – operating expenses %*	0.06	0.06	0.06
Asset management cost ratio incl. commission expenses %*	0.12	0.12	0.12
Return after expenses	1.4	6.4	6.8
Annualised return after expenses 5.0 yrs**	8.3	9.3	8.4
Annualised return after expenses 10.0 yrs**	5.7	6.0	5.7

* In the interim reports, the asset management cost ratio is shown on a full-year basis

** In the interim reports, annualised return is shown as 10.0 and 5.0 years respectively

Income statement

INCOME			
SEK m	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Net interest income	568	725	1,559
Dividends received	4,474	3,569	4,644
Net income from listed shares and investments	-4,930	8,132	4,418
Net income from unlisted shares and investments	545	3,143	6,636
Net income from fixed income assets	4,025	158	-189
Net income from derivatives	-701	-649	-873
Net income from currencies	403	3,585	3,811
Net commission expenses	-86	-84	-170
Total income	4,297	18,579	19,836
Operating expenses			
Staff costs	61	62	115
Other administrative expenses	31	34	77
Total operating expenses	91	96	192
Profit for the period	4,206	18,483	19,643

Balance sheet

ASSETS			
SEK m	2016-06-30	2015-06-30	2015-12-31
Shares and investments			
Listed	146,985	144,378	143,642
Unlisted	41,436	41,805	39,196
Bonds and other fixed income assets	133,246	139,492	132,373
Derivatives	4,287	5,455	5,460
Cash and cash equivalents	1,072	1,386	1,780
Other assets	10,533	21,181	11,569
Prepaid expenses and accrued income	1,004	1,203	1,083
Total assets	338,563	354,899	335,101
FUND CAPITAL AND LIABILITIES			
Liabilities			
Derivatives	6,059	4,237	3,071
Other liabilities	28,349	46,219	28,920
Deferred income and accrued expenses	133	46	79
Total liabilities	34,542	50,501	32,070
Fund capital			
Fund capital at start of period	303,031	288,332	288,332
Net payments to pension system	-3,216	-2,417	-4,944
Profit for the period	4,206	18,483	19,643
Total fund capital	304,021	304,398	303,031
Total fund capital and liabilities	338,563	354,899	335,101

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The Third Swedish National Pension Fund (AP3) is one of five funds that manage the Swedish state pension system's capital buffer. The fund had total capital of SEK 304 billion as at 30 June 2016. Established when the current pension system launched in 2001, AP3 has so far contributed SEK 20 billion to help cover deficits arising within the system. AP3's fund capital stood at SEK 134 billion at inception and the Fund has generated an annual return of 5.4% since 2001. During this period the income index, which is used to keep pensions in line with inflation, has risen by 2.8%.

AP3 published its sustainability engagements in the 2015 annual report and sustainability report. Both these documents can be viewed and downloaded at www.ap3.se.