

Interim report Third Swedish National Pension Fund (AP3)

AP3 summary 1 January – 30 June 2017

- AP3 recorded a net result of SEK 17,491 million (4,206) for the first six months of 2017.
- Fund capital rose to SEK 338,179 million, an increase of SEK 13,804 million (990) from the start of the year. Fund capital stood at SEK 324,375 million on 1 January.
- AP3 paid SEK 3,687 million (3,216) to the Swedish Pensions Agency during the period to cover a shortfall between incoming pension contributions and outgoing pensions and to meet pension system costs.
- Return totalled 5.5% (1.5) before expenses and 5.4% (1.4) after expenses. The Equities and Inflation risk categories made the largest contributions to this performance.
- The asset management cost ratio was 0.11% (0.12), of which operating expenses were 0.06% (0.06).
- AP3's costs are 31% lower than those of comparable funds monitored by Canadian company CEM Benchmarking, which conducts an annual global analysis of pension fund cost profiles.
- Return during the period outperformed the LSP benchmark portfolio by 2.0 percentage points.
- AP3's holdings of green bonds totalled SEK 10.9 billion at 30 June and accounted for 13% of the fixed income portfolio.
- The Fund was a lead investor in a new type of catastrophe bond issued by the World Bank to combat pandemics in the world's poorest countries.
- AP3's average annual return stands at 11.1% for the last five years and 5.6% for the last 10 years.
- AP3's anchor investment in LBBW Immobilien under Patrizia's management won two awards from PropertyEU Magazine. AP3, which holds a 25% equity stake in LBBW Immobilien, won the Best Residential Deal of the Decade award and also Award of the Decade, which was nominated by readers.
- The AP funds and Dutch investors won an international Responsible Investors award for their joint statement supporting the UN global sustainable development goals.

Summary of AP3's interim results 2017

	30/6/2017	30/6/2016	31/12/2016
Fund capital at 30 June 2017, SEK bn	338.2	304.0	324.4
Net result for the period, SEK bn	17.5	4.2	28.0
Net payment to the pension system, SEK bn	3.7	3.2	6.6
Fund capital at 1 January 2017, SEK bn	324.4	303.0	303.0
Return after expenses, %	5.4	1.4	9.4
Real return after expenses, %	4.7	0.7	7.6
Asset management cost ratio, operating expenses, percentage of assets under management *	0.06	0.06	0.06
Asset management cost ratio, commission expenses, percentage of assets under management*	0.05	0.06	0.06
Total asset management cost ratio, percentage of assets under management*	0.11	0.12	0.12
Annualised return after expenses, 5.0 yrs, % **	11.1		10.9
Annualised return after expenses, 10.0 yrs, % **	5.6		5.7
Annualised real return after expenses, 10.0 yrs, % **	4.5		

* The interim report shows the asset management cost ratio on a full-year basis

** The interim report shows annualised return for 10.0 and 5.0 years respectively

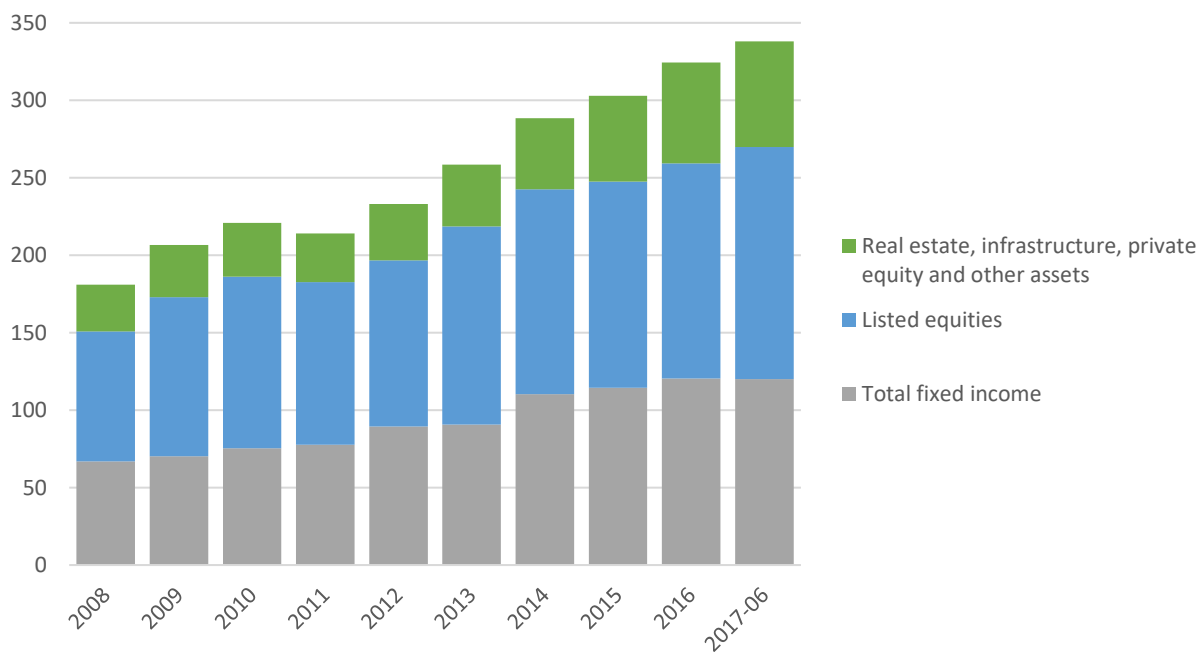
Five-year summary

	30/6/2017	2016	2015	2014	2013
Income and flows					
Net result, SEK bn	17.5	28.0	19.6	35.0	32.4
Net flow from pension system, SEK bn	-3.7	-6.6	-4.9	-5.1	-6.9
Fund capital, SEK bn	338.2	324.4	303.0	288.3	258.5
Return and expenses, total portfolio					
Return before expenses, %	5.5	9.5	6.9	13.8	14.2
Operating expenses, %*	0.06	0.06	0.06	0.07	0.07
Commission expenses, %*	0.05	0.06	0.06	0.06	0.06
Return after expenses, %	5.4	9.4	6.8	13.7	14.1
Income (incl. commission expenses), SEK bn	17.6	28.2	19.8	35.2	32.6
Operating expenses, SEK bn	0.1	0.2	0.2	0.2	0.2
Income after expenses, SEK bn	17.5	28.0	19.6	35.0	32.4
Annualised return after expenses, %					
5.0 yrs**	11.1	10.9	8.4	8.8	9.3
10.0 yrs**	5.6	5.7	5.7	6.8	6.5
Return compared to LSP benchmark portfolio					
Return, percentage points	2.0	2.3	4.3	1.7	2.9
Average annual return since 2012, percentage points	2.6	2.5	2.5	1.9	1.9
Risk					
Risk (1-yr standard deviation), %	4.1	6.2	7.0	4.7	4.9
Risk (1-yr standard deviation) for liquid assets, %	4.0	7.2	8.0	5.2	5.7
Sharpe ratio	2.2	1.6	1.0	2.8	2.8
Sharpe ratio for liquid assets	1.9	1.1	0.5	2.3	2.3
No. of employees at end of period	57	57	51	57	53

* The interim report shows the asset management cost ratio on a full-year basis

** The interim report shows annualised return for 10.0 and 5.0 years respectively

AP3 fund capital, SEK bn

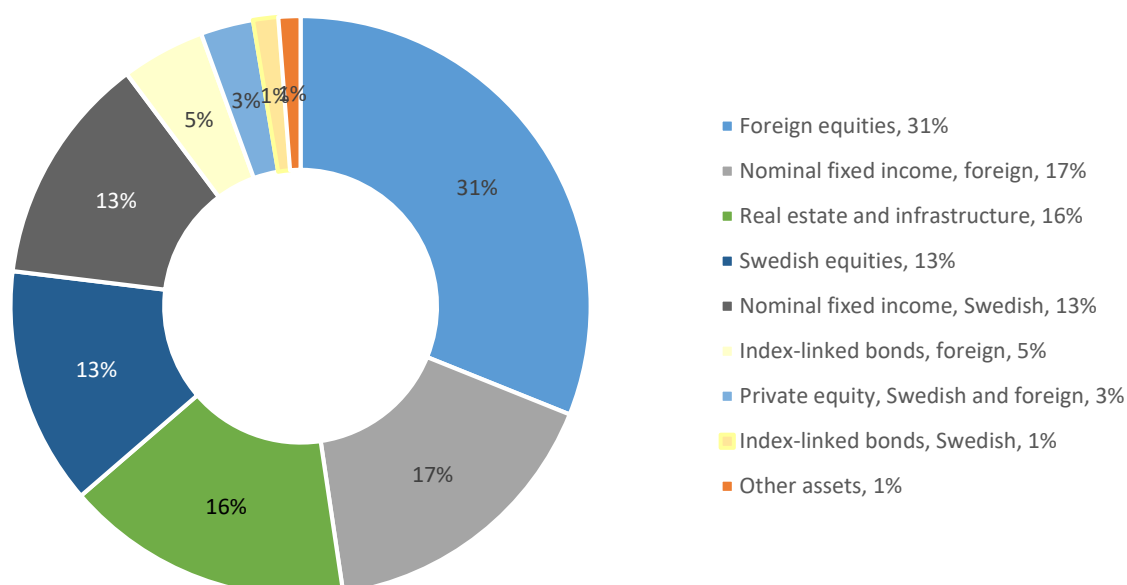


Market value per asset category

	30/6/2017	2016	2015	2014	2013
Total, SEK bn	338.2	324.4	303.0	288.3	258.5
<i>of which</i>					
Swedish equities	44.9	40.3	34.2	31.7	32.6
Foreign equities	105.1	98.4	98.7	100.5	95.4
Nominal fixed income, Swedish	43.4	45.2	35.9	37.8	50.7
Nominal fixed income, foreign	56.0	54.8	59.9	57.2	18.2
Index-linked bonds, Swedish	4.7	4.8	5.8	12.5	14.5
Index-linked bonds, foreign	15.8	15.7	13.0	2.8	7.1
Private equity, Swedish and foreign	9.9	10.0	10.2	10.6	9.8
Real estate and infrastructure	54.2	52.0	42.6	33.4	28.5
Other assets ¹	4.2	3.0	2.7	1.8	1.6
Currency exposure					
Percentage of total portfolio	13.1	17.5	22.8	24.4	20.4
External management					
Percentage of total portfolio	27.0	29.0	31.0	33.2	35.2

1) Other assets include investments in convertible debentures and insurance-related risk

AP3 asset categories



Income statement

Income			
SEK m	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net interest income	-603	568	773
Dividends received	3,927	4,474	5,509
Net income from listed shares and investments	12,151	-4,930	9,811
Net income from unlisted shares and investments	3,999	545	6,110
Net income from fixed income assets	581	4,025	2,764
Net income from derivatives	566	-701	8
Net income from currencies	-2,950	403	3,373
Commission expenses	-77	-86	-180
Total income	17,594	4,297	28,167
Operating expenses			
Staff costs	-65	-61	-121
Other administrative expenses	-38	-31	-65
Total operating expenses	-103	-91	-186
Net result for the period	17,491	4,206	27,981

Balance sheet

ASSETS			
SEK m	30/06/2017	30/06/2016	31/12/2016
Shares and investments			
Listed	161,354	146,985	151,229
Unlisted	53,397	41,436	50,497
Bonds and other fixed income assets	129,245	133,246	131,032
Derivatives	8,475	4,287	4,681
Cash and cash equivalents	814	1,072	1,260
Other assets	5,434	10,533	11,107
Prepaid expenses and accrued income	972	1,004	935
Total assets	359,691	338,563	350,741
FUND CAPITAL AND LIABILITIES			
Liabilities			
Derivatives	3,753	6,059	4,995
Other liabilities	17,710	28,349	21,282
Deferred income and accrued expenses	50	133	89
Total liabilities	21,512	34,542	26,366
Fund capital			
Fund capital at 1 Jan	324,375	303,031	303,031
Net payments to the pension system	-3,687	-3,216	-6,637
Net result for the period	17,491	4,206	27,981
Total fund capital	338,179	304,021	324,375
Total fund capital and liabilities	359,691	338,563	350,741