



**Annual Announcement  
of Financial Statements  
2020**

# ATP in brief

## ATP LIVSLANG PENSION (LIFELONG PENSION)



The ATP pension is a **lifelong, guaranteed benefit** which is paid for the entire pension period.

# 23.3%

**return** relative to bonus potential.  
20.2% on average over the past 5 years

# DKK 14.6bn

**PAL tax** for the year contributed to the Treasury



Mandatory pension scheme launched **Even more people on benefits are now saving up for their pension**

Low **expense ratio**

# 0.30%



Together with a group of other Danish pension companies, ATP has developed a joint **Tax Code of Conduct** for unlisted investments. Several foundations have joined this partnership in 2020

## BUSINESS PROCESSING – EXTERNAL PARTIES – PAYMENT OF WELFARE BENEFITS

Ensures **uniform case handling**, correct and timely payments, and **cost-effective** administration within **specified risk tolerances**

Udbetaling Danmark (Public Benefits Administration) has completed its major IT tender project and secured

annual savings of **30%** **for municipalities**



**ATP handles Covid-19 related tasks of critical importance to the larger society** Such as early payment of frozen holiday pay, payment of DKK 1,000 to benefit recipients, concluding a tripartite Employer's Reimbursement System (AUB) agreement to support apprentices and others



**Senior Pension** ready for launch on 1st January 2021

# Five-year summary for the ATP Group

DKKm	2020	2019	2018	2017	2016
<b>Investments</b>					
Investment return	29,901	40,705	(3,714)	29,737	15,340
Expenses	(886)	(937)	(953)	(858)	(823)
Tax on pension savings returns and corporate income tax	(4,378)	(5,723)	949	(4,399)	(1,989)
<b>Investment activity results</b>	<b>24,637</b>	<b>34,045</b>	<b>(3,718)</b>	<b>24,480</b>	<b>12,528</b>
<b>Hedging activities</b>					
Change in guaranteed pensions due to discount rate and maturity reduction	(56,807)	(72,337)	(27,866)	10,032	(47,816)
Return on the hedging portfolio	66,484	86,710	32,932	(10,089)	56,371
Tax on pension savings returns	(10,172)	(13,267)	(5,039)	1,544	(8,625)
<b>Result of hedging of guaranteed pensions</b>	<b>(495)</b>	<b>1,106</b>	<b>27</b>	<b>1,487</b>	<b>(70)</b>
Change in guaranteed pensions due to yield curve break <sup>2</sup>	(6,523)	(5,248)	(3,106)	(2,993)	(4,064)
<b>Hedging activity results</b>	<b>(7,018)</b>	<b>(4,142)</b>	<b>(3,079)</b>	<b>(1,506)</b>	<b>(4,134)</b>
<b>Investment and hedging activity results</b>	<b>17,619</b>	<b>29,903</b>	<b>(6,797)</b>	<b>22,974</b>	<b>8,394</b>
<b>Pension</b>					
Contribution	10,744	10,061	9,871	9,703	9,572
Pension benefits	(17,180)	(17,054)	(16,878)	(16,075)	(15,454)
Change in guaranteed pensions due to contributions and payouts	8,239	8,099	8,505	8,289	6,956
Administration activity expenses	(210)	(201)	(197)	(191)	(239)
Other items	6	7	9	8	8
<b>Pension activity results before life expectancy update</b>	<b>1,599</b>	<b>912</b>	<b>1,310</b>	<b>1,734</b>	<b>843</b>
<b>Business processing, external parties</b>					
Income	2,297	2,436	2,458	2,042	1,545
Expenses	(2,297)	(2,435)	(2,450)	(2,033)	(1,529)
Corporate income tax	0	0	(1)	0	(1)
<b>Business processing result, external parties</b>	<b>(1)</b>	<b>1</b>	<b>7</b>	<b>9</b>	<b>15</b>
<b>Results before bonus allowances and life expectancy update</b>	<b>19,217</b>	<b>30,816</b>	<b>(5,480)</b>	<b>24,717</b>	<b>9,252</b>
Life expectancy update	1,130	3,231	(20,025)	(1,006)	(9,901)
Bonus addition for the year	-	-	-	(6,406)	-
<b>Net profit for the year</b>	<b>20,347</b>	<b>34,047</b>	<b>(25,505)</b>	<b>17,305</b>	<b>(649)</b>
Guaranteed pensions	813,589	759,628	693,373	650,881	658,797
Bonus potential	146,221	125,980	92,086	117,695	100,454
<b>Net assets</b>	<b>959,810</b>	<b>885,608</b>	<b>785,459</b>	<b>768,576</b>	<b>759,251</b>

## Key points of the past five years:

DKK **108** bn investment return before tax

**20.2** per cent average annual investment return relative to bonus potential

DKK **33** bn reserved for longer life expectancy and pension increases

DKK **51** bn PAL tax contributed to the Treasury.

**5.3** per cent average value added for members

**0.32** per cent average APR retained

## ATP value ratios

	2020	2019	2018	2017	2016
<b>Return ratios</b>					
Return on investment before tax relative to the bonus potential (avg.) in per cent <sup>1</sup>	23.3	44.2	(5.6)	29.4	15.3
Risk-adjusted return	0.8	1.2	(0.1)	1.2	0.7
Danish FSA ratios (N1), in per cent	10.8	16.2	3.7	2.5	10.1
<b>Bonus rate</b>	<b>18.0</b>	<b>16.6</b>	<b>13.3</b>	<b>18.1</b>	<b>15.2</b>
Value creation from guarantees in per cent	3.4	3.4	3.5	3.7	3.7
Value creation from bonus potential in per cent	13.3	30.3	(7.0)	22.5	7.3
<b>Total value creation in per cent</b>	<b>5.5</b>	<b>8.0</b>	<b>1.5</b>	<b>7.3</b>	<b>4.4</b>
<b>Expense ratios in per cent</b>					
Administration expenses relative to assets	0.02	0.02	0.03	0.02	0.03
Direct and indirect investment expenses relative to assets	0.28	0.30	0.31	0.31	0.28
<b>Total expenses relative to assets (APR)</b>	<b>0.30</b>	<b>0.32</b>	<b>0.34</b>	<b>0.33</b>	<b>0.31</b>

<sup>1</sup>Return on investment is calculated as a daily time weighted return on the bonus potential. In previous years the return was calculated using an average of the opening and closing balances of the bonus potential. This year the method has changed since it was assessed that the daily time weighted return is more correct. The comparative numbers have been updated.

## Management's review

# An unusual year – also for ATP

2020 was a year unlike anything we have experienced before. This is true for ATP, for Denmark – indeed, for the whole world. After a year with the new virus as a constant companion, we are left with the feeling that the world as we knew it before 2020 has fundamentally changed.

Covid-19 affected ATP in many ways. This could be seen during the spring of 2020 when the financial markets realised historic downturns as the virus spread from Asia to the rest of the world, causing sudden lockdowns of large parts of the world economy. The ATP business model once more showed its strength with the lifelong guarantees staying intact in spite of disruptions of historic proportions. Conversely, our investment result, after a strong start to 2020, took a significant downturn to the negative in Q1 in common with many other portfolios. The Covid-19 effect of shutting down several of the world's largest economies really became apparent during Q2, although we managed to regain some of the losses from the start of the year. Early on in Q3, we managed to regain all the lost ground – and even more. At the end of 2020, the return was at DKK 29.9bn before expenses and tax. This is a remarkable result, particularly in the light of the situation after Q1.

On the basis of ambition to secure the real value of pensions, the Supervisory Board had set a target for the result after expenses and tax for Investments and Hedging Activities which in isolation for 2020 was DKK 13.9bn. The result of DKK 17.6bn for Investments and Hedging Activities means that the target result was achieved and exceeded. We consider this to be highly satisfactory.

Covid-19 also affected ATP as a workplace, and in just a few days we arranged for 3,000 colleagues to work from home.

In terms of the investment area, our investment team and others, individually working from home, were navigating financial markets marked by significant turmoil. Initially, there were extreme downturns in the equity markets – even harsher and deeper than during the 2008-2009 financial crisis. Investor losses were substantial, and the same applied to ATP's investment portfolio. This made 2020 an unusual stress test of the durability of our investment strategy. Our results for 2020 as a whole show that in spite of even the most extreme financial market fluctuations, ATP is still able to safely navigate and secure the pensions of Danish citizens.

Covid-19 was also a call for all hands on deck for our administration business, where you can find a large number of our employees. After all, in a situation where no one could predict how bad things could get – whether in terms of the pandemic or the economy – it was important that Danes could count on receiving, for example, their pensions, maternity/paternity benefits and rent subsidies as usual. In parallel with this, a new pension solution was launched.

It has been a positive experience to find out that we have been able to maintain productivity and delivery of services across the group, while surrounded by a new reality. This is reassuring when considering that the extensive use of working from home may become a necessity beyond 2020.

**As a major player in a Danish and European context, we work to integrate sustainability in everything we do. We take a clear position on dilemmas and stick to our positions relative to our stakeholders. In this way, we chart a direction both for ourselves and the industry, giving us influence extending beyond our DKK 960bn in net assets.**

**Bo Foged, CEO (Chief Executive Officer), ATP**

This year, ATP once again exceeded the Supervisory Board's target for Investments and Hedging Activities with a result of

DKK **17.6** bn.

This also reflects well on our many employees who once more made a difference for ATP and for Denmark.

The financial fallout of Covid-19 to Danish society resulted in political decisions to assist those financially affected by the new reality. This resulted in new urgent tasks for ATP. One outcome was that ATP was tasked with paying out frozen holiday funds and the DKK 1,000 politically agreed for all benefit recipients. When the Danish Parliament decided to create a Covid-19 related recovery fund for suffering Danish export companies, ATP was elected to manage it. ATP was also entrusted with the task of realising the tripartite agreement regarding the Employer's Reimbursement System, aimed at providing extraordinary assistance to trainees and apprentices. Meanwhile, we have made the preparations for being able to manage and assign senior pension for qualifying workers.

ATP is proud to be entrusted with tasks of such significant societal importance. As the communal pension fund for all Danish citizens, the manager of one of Europe's largest pension funds and the administrator of a substantial proportion of public benefits in Denmark, ATP holds great responsibility. We aim to make balanced and long-term decisions. Sustainable choices which create value for our members and our other stakeholders, because we believe that this is how to live up to that responsibility and to maintain the trust that others have in us.

I am often asked if sustainability and solid returns are not opposites. The response is no; to me, the two are insolubly linked. ATP's returns have to contribute to pensions in the long term. In order to deliver, our investment decisions must be sustainable – that is, they must have long-term durability. This makes sustainability a central and integral guideline for ATP. To us, sustainability means thinking long-term, holistically, and that we create a balance between various considerations.

We wish to take ATP in an even more sustainable direction and to do so at four levels: as an organisation; via our investments; via our active ownerships, and via relations to our external partners.

ATP's primary task is to ensure basic financial security for all of Denmark whether the financial markets go up or down. Danish citizens must be able to trust that ATP will steer safely through hard times in order for its net assets and guarantees to remain intact. We are tasked with securing a life-long supplement to the state pension – ATP is the only supplement to public pensions for 40 per cent of the population – and we manage and pay out 2/3rds of all Danish welfare benefits.

**Bo Foged,**  
CEO (Chief Executive Officer), ATP

## Strategic focal points

With Strategy 2023 'A sustainable ATP', the Supervisory Board has defined six strategic focal points aimed at ensuring that ATP remains a relevant and trusted partner for our stakeholders. The strategy sets a clear direction and defines the action areas for continued value creation.



### Strong customer and stakeholder focus

As a monopoly we must never forget our customers, and the role that ATP plays in society makes it crucial that we enjoy the support and trust of our stakeholders – members, citizens, politicians and clients.



### Long-term sustainable business model

Long-term sustainable business models must in the short and longer term ensure that ATP stays relevant as a sustainable supplier of basic financial security.



### Social responsibility

Through all parts of the Group, ATP makes its mark on the society that we are a part of. This makes it essential that we consider responsibility across the ATP value chain.



### Balanced cost efficiency

Quality, risk and cost efficiency are all components which it is essential to balance for ATP's business model.



### Governance and risk management

The precondition for supplying basic financial security is that ATP is trusted. This makes it important to ensure a reliable level of risk management and governance in everything that we do.



### Attractive place to work

Competent and motivated employees with a high level of professionalism is a precondition for ATP to be able to realise the business targets.

# Net profit for the year

## Net profit for the year

DKK **20.3** bn.

The result for the year was a profit of DKK 20.3bn. Reserves – the bonus potential – stood at DKK 146.2bn at the end of 2020, and guaranteed pensions totalled DKK 813.6bn. Net assets thus totalled DKK 959.8bn.

For 2020, ATP has reserved DKK 14.6bn for tax on pension savings returns.

Based on an ambition of preserving the long-term purchasing power of pensions as high as possible, the Supervisory Board has set a long-term performance target for investment and hedging activities after tax. For 2020 in isolation, the target was DKK 13.9bn, and with profit on investment and hedging of DKK 17.6bn, this target was more than achieved. The result is considered to be very satisfactory, particularly in the light of a very turbulent year. Considered across the latest 5-year period, we also exceeded our target.

In order to maintain an appropriate margin for investment activities to hedge the real value of future pensions, particularly in the light of the strong increase in the value of guaranteed pensions and continued uncertainty related to Covid-19, the Supervisory Board has decided to not increase pensions in 2020.

### Events after the reporting date

From the reporting 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 2021

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 the ambition, the Supervisory Board has once again in 2021 maintained the long-term performance objective for investment and hedging activities after tax. This is an absolute objective which should not necessarily be achieved every year. The target result for 2021 is set to 14.6bn after expenses and 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.

On the basis of extensive analyses, ATP's Supervisory Board decided at the end of 2020 to adjust the business model in order to improve the ability to hedge the real value of pensions, while ensuring that ATP can maintain its guarantees. The adjustment will require legislative changes, which the Danish Parliament is expected to consider before the summer of 2021, while the effect of the adjustment will not be evident for some years to come.

### Social responsibility

ATP's statutory statement and progress report for the UN Global Compact can be found at  
→ [www.atp.dk/en/responsibility-reports-and-publications](http://www.atp.dk/en/responsibility-reports-and-publications)

### Corporate governance

ATP's corporate governance framework is set out in the Danish ATP Act (ATP-loven). For further information on ATP's corporate governance, including compliance with the Recommendations on Corporate Governance, remuneration policy and remuneration report, see  
→ [www.atp.dk/en/dokument/statement-of-remuneration-2020](http://www.atp.dk/en/dokument/statement-of-remuneration-2020)

# The ATP Group Income statement

DKKm	2020	2019	Q4 2020	Q4 2019
<b>Pension and investment activities</b>				
<b>Investments</b>				
Returns on investment activities	29,901	40,705	24,706	3,762
Investment activity expenses	(886)	(937)	(233)	(226)
Tax on pension savings returns concerning investment activities	(4,338)	(5,680)	(3,730)	(396)
Income tax concerning investment activities	(40)	(43)	(8)	12
<b>Investment activity results</b>	<b>24,637</b>	<b>34,045</b>	<b>20,734</b>	<b>3,152</b>
<b>Hedging activities</b>				
Returns concerning hedging activities	66,484	86,710	5,418	(58,318)
Tax on pension savings returns concerning hedging activities	(10,172)	(13,267)	(829)	8,922
Change in guaranteed benefits due to change in discount rate and maturity reduction	(56,807)	(72,337)	(4,570)	49,611
<b>Results of hedging of guaranteed benefits</b>	<b>(495)</b>	<b>1,106</b>	<b>19</b>	<b>215</b>
Change in guaranteed benefits due to yield curve break	(6,523)	(5,248)	(1,659)	(1,557)
<b>Hedging activity results</b>	<b>(7,018)</b>	<b>(4,142)</b>	<b>(1,640)</b>	<b>(1,342)</b>
<b>Investment and hedging activity results</b>	<b>17,619</b>	<b>29,903</b>	<b>19,095</b>	<b>1,810</b>
<b>Pension</b>				
Contribution	10,744	10,061	2,854	2,601
Benefit payouts	(17,180)	(17,054)	(4,312)	(4,276)
Change in guaranteed benefits due to contributions and pension benefits	8,239	8,099	1,892	2,142
Pension activity expenses	(210)	(201)	(55)	(59)
Other items	6	7	1	1
<b>Pension activity results before change in life expectancy</b>	<b>1,599</b>	<b>912</b>	<b>380</b>	<b>411</b>
Change in guaranteed benefits due to life expectancy update	1,130	3,231	0	0
<b>Pension activity result</b>	<b>2,729</b>	<b>4,143</b>	<b>380</b>	<b>411</b>
<b>Administration</b>				
Other income	2,297	2,436	640	600
Other expenses	(2,297)	(2,435)	(634)	(594)
<b>Administration activity result</b>	<b>(1)</b>	<b>1</b>	<b>6</b>	<b>6</b>
<b>Result before bonus</b>	<b>20,347</b>	<b>34,047</b>	<b>19,480</b>	<b>2,227</b>
Bonus addition for the year	-	-	-	-
<b>Net profit for the year</b>	<b>20,347</b>	<b>34,047</b>	<b>19,480</b>	<b>2,227</b>

# Statement of comprehensive income

DKKm	2020	2019	Q4 2020	Q4 2019
<b>Net profit for the year</b>	<b>20,347</b>	<b>34,047</b>	<b>19,480</b>	<b>2,227</b>
<b>Items that may not be reclassified to the result:</b>				
Revaluation of owner-occupied properties	(10)	0	(15)	0
Pension returns on revaluation of owner-occupied properties	2	0	3	0
<b>Total</b>	<b>(8)</b>	<b>0</b>	<b>(12)</b>	<b>0</b>
<b>Other comprehensive income</b>	<b>(8)</b>	<b>0</b>	<b>(12)</b>	<b>0</b>
<b>Comprehensive income for the period</b>	<b>20,339</b>	<b>34,047</b>	<b>19,468</b>	<b>2,227</b>
Minority interests' share of total comprehensive income for the period	99	154	(19)	36
The ATP Group's share of total comprehensive income for the period	20,241	33,894	19,488	2,191
<b>Allocated comprehensive income</b>	<b>20,339</b>	<b>34,047</b>	<b>19,469</b>	<b>2,227</b>

# The ATP Group Statement of financial position

DKKm	FY 2020	FY 2019
<b>ASSETS</b>		
Cash and on-demand deposits	11,451	7,020
Bonds	657,960	630,329
Equity investments	187,352	139,346
Financial derivatives	151,680	111,856
Loans	7,288	8,867
Investments in associates and joint ventures	45,369	51,445
Intangible assets	1,178	1,196
Investment properties	25,906	24,069
Owner-occupied properties	886	923
Operating equipment	9	12
Tax receivable on pension savings returns and income tax	288	307
Contributions receivable	2,887	2,718
Receivables from credit institutions	37,165	33,417
Other receivables	11,532	14,094
Other prepayments	1,003	938
<b>Total assets</b>	<b>1,141,955</b>	<b>1,026,539</b>
<b>EQUITY AND LIABILITIES</b>		
Financial derivatives	97,338	82,322
Tax payable on pension savings returns and income tax payable	14,493	19,115
Deferred tax on pension savings returns and income tax	289	261
Payables to credit institutions	45,930	27,333
Other payables	23,451	11,288
<b>Total payables</b>	<b>181,501</b>	<b>140,319</b>
Guaranteed benefits	813,589	759,628
Bonus potential	146,221	125,980
<b>Total pension provisions</b>	<b>959,810</b>	<b>885,608</b>
Minority interests	645	611
<b>Total liabilities</b>	<b>1,141,955</b>	<b>1,026,539</b>