



**Annual Announcement of
Financial Statements
2022**

ATP in brief

ATP LIVSLANG PENSION (LIFELONG PENSION)



The ATP pension is a **lifelong, guaranteed benefit** which is paid for the entire pension period – as of 1 January 2022, this was increased by 4 per cent due to bonuses being paid to all members

DKK -64bn

in investment returns in a **very unusual** year. Over the past 5 years, ATP has generated average annual returns of DKK 10bn, which corresponds to a return on the bonus potential of 6 per cent.

17.8%

in continued **stable bonus capacity**

Low administration expenses
DKK

39

per member



ATP continues to focus on green investments and has invested in **geothermal heating** and in **green batteries for electric vehicles** and **solar panels**

Low annual
expense ratio

0.35%

Optimised business model

To contribute to a higher pension over time, a life annuity with market exposure has been implemented in 2022. In 2023, there will be implemented a change to the **hedging strategy**

PAYMENT OF WELFARE BENEFITS

2/3

of welfare spending
in Denmark is paid out
by ATP



Udbetaling Danmark – Public Benefits Administration also implemented an equal sharing of the **child and youth benefits** with a self-service solution in January **earmarked maternity/paternity leave** in August

In 2022, **Udbetaling Danmark** – Public Benefits Administration celebrated its **10-year anniversary**. In total, the establishment of Udbetaling Danmark – Public Benefits Administration now creates **DKK 700 million in annual savings for the Danish people**



In 2022, **47,400 applications for an early retirement pension** were processed and of these, **71 per cent were granted** an early retirement pension

Five-year summary for the ATP Group

DKKm	2022	2021	2020	2019	2018
Investment					
Investment return	(64,364)	49,620	29,901	40,705	(3,714)
Expenses	(823)	(952)	(886)	(937)	(953)
Tax on pension savings returns and corporate income tax	9,396	(7,291)	(4,378)	(5,723)	949
Investment activity results	(55,790)	41,378	24,637	34,045	(3,718)
Hedging activities					
Guaranteed benefits (GB)					
Change in GB due to interest rates and shorter duration	201,741	48,632	(56,807)	(72,337)	(27,866)
Return in hedging portfolio	(244,827)	(56,187)	66,484	86,710	32,932
Tax on pension savings returns	37,459	8,597	(10,172)	(13,267)	(5,039)
Result of hedging of guaranteed pensions	(5,628)	1,042	(495)	1,106	27
Life annuity with market exposure (LAWMA)					
Change in LAWMA due to returns	74	-	-	-	-
Return on market return portfolio	(87)	-	-	-	-
Other items	13	-	-	-	-
Result of life annuity with market exposure	0	-	-	-	-
Change in guaranteed benefits due to yield curve break	(2,652)	(5,508)	(6,523)	(5,248)	(3,106)
Hedging activity results*	(8,280)	(4,466)	(7,018)	(4,142)	(3,079)
Results from Investment and Hedging	(64,071)	36,912	17,619	29,903	(6,797)
Pension					
Contributions	11,951	11,497	10,744	10,061	9,871
Pension benefits	(17,957)	(17,260)	(17,180)	(17,054)	(16,878)
Changes to guaranteed pensions resulting from contributions and payments	9,679	8,200	8,239	8,099	8,505
Administration activity expense	(215)	(213)	(210)	(201)	(197)
Other items	10	7	6	7	9
Pension activity results before life expectancy update	3,467	2,231	1,599	912	1,310
Business processing, external parties					
Income	2,568	2,498	2,297	2,436	2,458
Expenses	(2,569)	(2,497)	(2,297)	(2,435)	(2,450)
Corporate income tax	0	0	0	0	(1)
Result from business processing, external parties	0	0	(1)	1	7
Result before bonus allowances and life expectancy update	(60,604)	39,143	19,217	30,816	(5,480)
Life expectancy update	3,805	4,796	1,130	3,231	(20,025)
Bonus addition for the year	-	(30,391)	-	-	-
Net profit for the year	(56,799)	13,548	20,347	34,047	(25,505)
Assets					
Guaranteed pensions	573,832	787,809	813,589	759,628	693,373
Life annuity with market exposure	1,382	-	-	-	-
Pension liabilities, total	575,214	787,809	813,589	759,628	693,373
Bonus potential	102,593	159,537	146,221	125,980	92,086
Net assets	677,806	947,346	959,810	885,608	785,459

Key points of the past five years

DKK **48** bn in investment returns before tax

6 per cent on average in annual investment return in relation to the bonus potential

DKK **7** bn for increased life expectancy

DKK **30** bn allocated to increasing pensions

3.1 per cent average value growth for members

0.37 per cent average APR

Ratios for ATP

	2022	2021	2020	2019	2018
Return ratios					
Return on investment before tax relative to the bonus potential in per cent ¹	(40.9)	35.0	23.3	44.2	(5.6)
Return per average risk krone ²	(1.5)	0.8	0.7	1.0	(0.1)
Return on market return portfolio, before tax in per cent ³	(15.7)	-	-	-	-
The Danish Financial Supervisory Authority's ratios related to pension liabilities and bonus potential (N1), in per cent	(32.9)	(0.8)	10.8	16.2	3.7
The Danish Financial Supervisory Authority's ratios related to life annuity with market exposure (N2), in per cent	(12.0)	-	-	-	-
Bonus capacity	17.8	20.3	18.0	16.6	13.3
Value creation from guarantees in per cent	3.1	3.3	3.4	3.4	3.5
Value creation from bonus potential in per cent	(38.7)	24.5	13.3	30.3	(7.0)
Total value creation in per cent	(7.2)	8.5	5.5	8.0	1.5
Expense ratios in per cent					
Administration activity expenses relative to assets	0.03	0.02	0.02	0.02	0.03
Investment expenses relative to assets	0.20	0.16	0.16	0.17	0.18
Performance fees, external managers relative to assets	0.12	0.36	0.12	0.13	0.13
Total expenses relative to assets (APR)	0.35	0.54	0.30	0.32	0.34

¹Return on Investments is calculated as a daily time weighted return on the bonus potential. The investment portfolio follows a risk-based investment 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 more funds than the bonus potential. The market value at the end of 2022 was DKK 310.5bn. The market value of the investment portfolio also includes financial derivatives of which the market value will typically be low, zero or negative.

²Return per average risk krone is calculated as the annualised accumulated return for the period compared to the average risk for the same period. The risk result is the Expected Shortfall.

³Return on the market return portfolio is calculated as a daily time-weighted return.

Management's review 2022

2022 was a difficult year, also for ATP.

An energy crisis, inflation, share price decreases, very high interest rate hikes and war in Europe were all seen this year and it had a negative impact on ATP's result.

ATP's pension product provides basic financial security to the Danish people in the form of a lifelong guaranteed pension product. This guarantee is completely firm even after a 2022 with major declines in the financial markets. This is a reflection of the hedging portfolio, where ATP invests the majority of its assets, having moved at the same pace as ATP's liabilities - as it should. Conversely, the results in the investment portfolio, where ATP invests its reserves, has shown a great loss which reflects the negative trend in the markets. Overall, ATP's business model has shown itself to be robust. ATP's bonus capacity, i.e. its ability to pay bonuses to its members, amounts to approximately 18 per cent of the pension liabilities at the end of 2022, whereas this figure was 20 per cent at the end of 2021.

As all of Denmark's pension fund with 5.5 million members that get a guaranteed and lifelong pension from us, we are providers of basic financial security. We are also striving to achieve the best returns over time in our investment portfolio so that we can increase the pensions. We were unable to deliver on those returns in 2022. In fact, the year was characterised by losses for nearly all types of assets. The result for the year was DKK -57bn, of which the investment return amounted to DKK -64bn.

When it comes to investing, there will be both good years and bad news. It turns out that 2022 was a very bad year

for investing - but this should be viewed in the context of a number of prior years with large positive returns. As an investor, we are not satisfied with the return generated in 2022. The losses have generally been seen by financial actors such as ourselves throughout the world after a very unusual year. All investors, both large and small, have had to really take a hard look at their strategy in order to assess whether it is durable in a time where there is so much uncertainty and no signs of the economy improving in the near future. Our business model is designed to do that - and it is not possible to have an investment strategy that only generates large profits.

At ATP, we have adjusted our risk on an ongoing basis. Our business model is also designed to be able to withstand what happens when, not least, interest rates rise quickly. We have a general investment strategy that has over the past 10 years (including 2022) generated DKK 126bn in returns, and we will stick with this strategy even after a year like 2022. We believe that the investment strategy's integrated risk adjustment and the risk appetite of our newly adjusted business model is what will bring ATP, and thus its members, the best possible long-term returns. As a long-term investor, we have charted our course - and this also involves daring to stick to that course during periods where it is hard to generate returns and thereby grow our members' pensions.

The guarantees are ironclad

ATP's most important task is to pay the pensions that we have promised to our members. And we are keeping that promise. Regardless of the major decreases in share



ATP's most important task is to pay the pensions that we have promised to our members. And we are keeping that promise. Regardless of the major decreases in share prices and the major interest rate hikes of 2022, the hedging strategy for our business model ensures that we are always able to pay what we have guaranteed.

Martin Præstegaard, CEO of ATP

prices and the major interest rate hikes of 2022, the hedging strategy for our business model ensures that we are always able to pay what we have guaranteed. Our members know what they will be paid, and that guarantee is an important characteristic of the ATP pension.

The guaranteed pensions are firm despite the financial turbulence of 2022. So is our green ambition to have DKK 100bn allocated to green investments in 2025. With rising interest rates and falling valuations, it has not become easier to meet our ambitions, but we are making progress. During the year, ATP has allocated a total of DKK 27bn to green investments and our total

portfolio of green investments was at DKK 66bn at the end of 2022.

The success of Udbetaling Danmark - Public Benefits Administration

Besides the role of being a pension fund for virtually all of Denmark, ATP has another significant task as the payer of the vast majority of Danish welfare benefits. Via the self-governing institution Udbetaling Danmark - Public Benefits Administration (which is part of the ATP Group), there was for example paid out state pensions amounting to DKK 145bn, maternity/paternity leave benefits of DKK 12bn and rent subsidies of DKK 16bn just in 2022. Almost

half of the residents of Denmark across all age groups are currently benefitting from the benefits paid out from Udbetaling Danmark - Public Benefits Administration which, due to efficient operations, frees up money in the Danish state and municipalities that can be spent on other welfare programmes.

2022 included the 10-year anniversary of Udbetaling Danmark - Public Benefits Administration as a new core authority in the Danish welfare state. It was created to streamline the administration, ensure uniform case processing and support the legal rights of the Danish people. The ambition was originally that Udbetaling Danmark - Public Benefits Administration would ensure savings of DKK 300 million after three years (compared to what it cost when the tasks were handled by municipalities). In addition, Udbetaling Danmark - Public Benefits Administration was to generate savings of at least 25 per cent on IT expenses through a competitive IT system environment - and the financial gains were to be allocated to the municipalities.

The goal of reducing the annual operating expenses by DKK 300 million was reached on schedule in 2015, and subsequently, the ongoing streamlining of operations via more automation and digitalisation has resulted in continually falling operating expenses. In addition, the ambition to expose IT systems to a competitive environment was achieved with annual savings in IT expenses of approximately DKK 260 million, or 30 per cent. The total savings amounted to DKK 700 million.

With a political desire to take advantage of Udbetaling Danmark - Public Benefits Administration's potential in the welfare state, more municipal and state payment and service tasks were allocated over time. The political focus on the opportunity to retire from the labour market early has in the past few years grown ATP's portfolio of tasks, particularly in terms of the Senior Pension and Early Retirement Pension.

Digitalisation is to provide more welfare

So, what are the primary ingredients of the welfare administration that ATP practices? The answer is *data and digitalisation*. ATP has an enormous amount of data at its disposal, and that data is used constructively to develop digital systems that streamline and improve the welfare system. For example, working with customer advisory services in a systematic manner has meant that ATP saves thousands of hours that would otherwise be spent on this. The time that is freed up can then instead be used on solving more tasks and having more contact with the residents of Denmark. This has also allowed ATP to shorten the case processing time significantly for those applying for welfare benefits.

However, it is also important that digitalisation takes place in ways that accommodate everyone. A large group of Danish citizens do not have experience with technology and digital equipment - and for them, digitalisation becomes a difficult hindrance. ATP is also focusing on this group of people, and we view it as an additional challenge that we need to address when designing our customer service.

Overall, however, there are many gains from digitalisation, and in 2022 ATP increased its focus on this area by moving the strategic digitalisation work to the group management team. A new Chief Information and Technology Officer will now focus on strengthening the digital development across the entire business and to equip ATP - both as a pension provider and administrator of welfare services - to face an even more digital future. Together with a new group management team, I look forward to getting to work in 2023.

Martin Præstegaard
CEO, ATP

Strategic focus areas

With Strategy 2023 "A sustainable ATP", the Supervisory Board has defined six strategic focus areas aimed at ensuring that ATP creates value in terms of welfare, sustainability and digitalisation:



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.



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 preconditions for being able to provide basic financial security and being a trusted company is having sufficient levels of risk management and governance in everything that we do.



An attractive place to work

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

Income statement

DKKm	Group			
	2022	2021	Q4 2022	Q4 2021
Investment				
Investment return	(64,364)	49,888	8,094	16,614
Expenses	(823)	(952)	(162)	(259)
Tax on pension savings returns	9,541	(7,473)	(946)	(2,255)
Corporate income tax	(145)	(86)	(1)	(11)
Investment activity results	(55,790)	41,378	6,985	14,089
Hedging activities				
Guaranteed benefits (GB)				
Change in GB due to change in discount rate and maturity reduction	201,741	48,632	5,477	(6,563)
Return in hedging portfolio	(244,827)	(56,187)	(5,436)	8,515
Tax on pension savings returns	37,459	8,597	832	(1,303)
Results of hedging of guaranteed benefits	(5,628)	1,042	873	649
Life annuity with market exposure (LAWMA)				
Change in LAWMA due to returns	74	-	(25)	-
Return on market return portfolio	(87)	-	30	-
Expenses	(1)	-	0	-
Tax on pension savings returns	13	-	(4)	-
Result of life annuity with market exposure	0	-	0	-
Change in guaranteed benefits due to yield curve break	(2,652)	(5,508)	(289)	(1,359)
Hedging activity results*	(8,280)	(4,466)	584	(709)
Results from Investment and Hedging	(64,071)	36,912	7,569	13,380
Pension				
Contributions	11,951	11,497	3,046	2,946
Paid benefits	(17,957)	(17,260)	(4,484)	(4,340)
Changes resulting from contributions and pension benefits	9,679	8,200	2,328	1,923
Pension activity expenses	(215)	(213)	(60)	(60)
Other items	10	7	3	1
Pension activity results before change in life expectancy	3,467	2,231	833	471
Change due to life expectancy update	3,805	4,796	0	0
Pension activity result	7,272	7,027	833	471
Administration				
Other income	2,568	2,498	699	660
Other expenses	(2,569)	(2,497)	(676)	(646)
Administration activity result	0	0	22	12
Result before bonus	(56,799)	43,939	8,425	13,863
Bonus addition for the year	0	(30,391)	0	(30,391)
Net profit for the year	(56,799)	13,548	8,425	(16,528)
Minority interests' share of net profit for the year	156	240	5	26
The ATP Group's share of net profit for the year	(56,955)	13,308	8,420	(16,555)
Allocated profit	(56,799)	13,548	8,425	(16,529)

Statement of comprehensive income

DKKm	Group			
	2022	2021	Q4 2022	Q4 2021
Net profit for the year	(56,799)	13,548	8,425	(16,528)
Other comprehensive income				
Items that may not be reclassified to the result:				
Value adjustments of owner-occupied properties	13	8	12	5
Tax on pension savings returns regarding value adjustments for owner-occupied properties	(2)	0	(2)	0
Total	11	8	10	5
Total other comprehensive income	11	8	10	5
Comprehensive income for the year	(56,788)	13,556	8,435	(16,523)
Minority interests' share of total comprehensive income for the year	156	240	5	26
ATP's share of total comprehensive income for the year	(56,944)	13,316	8,430	(16,548)
Allocated comprehensive income	(56,788)	(13,556)	8,435	(16,523)

Statement of financial position

DKKm	Group	
	2022	2021
ASSETS		
Cash and on-demand deposits	6,792	10,364
Receivables from reverse transactions	25,669	49,249
Bonds	483,354	651,574
Listed equities	50,855	117,647
Unlisted equity investments	114,430	119,886
Financial derivatives	82,270	91,523
Loans	4,328	5,327
Investment properties	24,858	30,076
Investment assets associated with life annuity with market exposure	2,452	-
Owner-occupied properties	909	891
Operating funds	4	5
Intangible assets	1,004	1,163
Tax receivable on pension savings returns and income tax	859	303
Deferred tax on pension savings returns and income tax	48,534	1,267
Collateral regarding financial derivatives	13,380	5,814
Contributions receivable	3,150	3,057
Other receivables	4,763	2,229
Other prepayments and accrued income	1,006	1,039
Total assets	868,617	1,091,414
EQUITY AND LIABILITIES		
Debt from reverse transactions	10,709	51,452
Financial derivatives	172,840	81,831
Tax payable on pension savings returns and income tax payable	2	20
Deferred corporation tax	85	373
Other debts	6,521	9,597
Total liabilities	190,158	143,272
Guaranteed benefits	573,832	787,809
Life annuity with market exposure	1,382	-
Bonus potential	102,593	159,537
Total pension provisions	677,806	947,346
Minority interests	653	796
Total equity and liabilities	868,617	1,091,414

