

Press release

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Significant interest rate fluctuations impacted ATP's 2024 result

Interest rate hikes in the fourth quarter, in particular, had a decisive impact on the return in ATP's investment portfolio and thus on ATP's result for 2024. Over the past 10 years, the total annualised return to members has been DKK 11.6bn.

2024 was another year of significant global unpredictability in financial markets, and following substantial interest rate increases, especially in the US in the closing months of the year, ATP delivered an investment return of DKK -0.1bn in the investment portfolio, which accounts for 20 per cent of total assets.

ATP's investment strategy is based on a balanced and diversified spread of investment risk, with investment in both equities and bonds. Our job is to deliver a lifelong and guaranteed product at all times – and over time raise the pension. As US interest rates in particular rose in 2024, the investment return is below what can be expected for an average year for the investment strategy ATP follows.

"We are exposed to bonds in our investment portfolio. For this reason we were affected by interest rate increases, especially in the US, which resulted in a negative return. Although it was a good year overall for equities, the interest rate development in 2024 is the fundamental reason why we ended the year with a negative return," says Martin Præstegaard, CEO of ATP.

As a long-term investor, ATP is concerned with results in 10-, 20- and 30-year time frames, since its obligations to Danes are lifelong and guaranteed pensions. Despite a few challenging years, over the past 10 years ATP has generated an average annual investment return of DKK 11.6bn, corresponding to 9.4 per cent in relation to the bonus potential in all years.

Calculated after expenses, the 2024 result in the investment portfolio corresponds to -0.6 per cent compared to the bonus potential. In 2024, the largest positive contributions came from investments in listed foreign and Danish equities, which contributed returns of DKK 7.5bn and DKK 2.2bn respectively. On the other hand, negative contributions came from government and mortgage bonds with a return of DKK -9.2bn and private equity with a return of DKK -2.9bn.

"Due to our risk diversification, our returns risk periodically being negatively impacted, even if individual asset classes seen separately yield higher returns. That is the case right now, with single stocks making a huge difference for investors. As a long-term investor and guaranteed pension provider, we fundamentally believe in balanced risk diversification, and 2024 will not change that," says Martin Præstegaard.

ATP's task is to ensure that the lifelong and guaranteed pensions for its members can be paid out at all times. This is done by hedging the interest rate risk on pensions, a hedging strategy that worked as

intended throughout 2024. Even without a positive result in the investment portfolio, the year ended with a bonus capacity at the same level as after 2023.

Guarantees stand firm

ATP hedges the interest rate risk on pensions, which also worked as intended in 2024. This was despite the fact that the investment portfolio, which invests around 20 per cent of assets, did not generate a positive return.

The bonus capacity - which shows the relationship between ATP's bonus potential (free funds) on the one hand and the liabilities to members on the other - is a good indication of ATP's health. It is the bonus capacity, and thus ATP's financial cushioning, that periodically allows for the capacity to increase pensions. ATP's bonus capacity has remained stable between 15-20 per cent over the past 10 years, regardless of the size of the investment result and interest rate movements. At the end of 2024, the bonus ratio was 17.1 per cent - the same as for the previous year.

Total annual expenses kept to a minimum

ATP continues to keep a clear focus on keeping expenses low, as they directly affect the size of pensions. We continuously balance the desire for low expenses with the need to create the best possible returns for members. ATP's administration activity expenses in 2024 totalled DKK 37 per member or 0.03 per cent of the aggregate assets. The total APR for 2024 was 0.32 per cent, which is low in both a Danish and an international context.

Updated life expectancy and asset development

This year's life expectancy update resulted in a transfer of pension liabilities to the bonus potential of DKK 1.5bn, or 0.3 per cent of the value of the pension liabilities. The transfer is an expression of the adjustment to life expectancy due to the actual changes in the past year.

At the end of 2024, the bonus potential amounted to DKK 105bn. Together with the pension liabilities of DKK 574bn and the supplementary provision of DKK 39bn, members' net assets totalled DKK 718bn.

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