

## Quarterly report for 1st quarter - 3rd quarter 2023

26 October 2023

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# ATP's guaranteed pensions remain intact - and the bonus capacity is strong

**ATP's 5.6 million members' pension guarantees are intact. The relationship between the guaranteed pensions and the interest hedging means that ATP continues to have the funds to pay what we have promised. The bonus capacity is stable after a period where rising interest rates in particular posed a challenge to the investment portfolio.**

ATP Livslang Pension (Lifelong Pension) is a guaranteed lifelong pension, and today it covers virtually everyone in Denmark. Members must be able to count on their pension. The basic principle of ATP's investment approach is therefore that members must have a very high degree of security in the lifelong pensions while we also make every effort to secure the real value of the pensions over time. The pension is particularly important for the members whose ATP Livslang Pension (Lifelong Pension) is their only pension income besides their state pensions - this group represents approximately 40 per cent of pensioners.

A significant part of ATP's value creation is generated through the interest calculated into the guarantees. Rising interest rates are a strong foundation for creating good pensions in a guaranteed and lifelong pension product such as ATP's pension. The rising interest rates over the past few years benefit the members as they get a larger ATP pension from their contributions.

Over the course of the first three quarters, developments in the financial markets were particularly characterised by rising interest rates. The rising interest rates resulted in the value of ATP's pension liabilities decreasing. Conversely, the hedging portfolio generated negative returns so that the hedging portfolio fell to the same extent as the pension liabilities. The relationship between the guaranteed pensions and the interest hedging thus worked as intended, and the total result for the Hedging Portfolio amounted to DKK 1.3bn.

*"ATP prioritises security. We need to deliver a fixed and guaranteed pension each month to Danish pensioners and we do that - regardless of what happens on the financial markets. When interest rates rise, this means higher pensions for members over time,"* says ATP's CEO, Martin Præstegaard.

ATP's finances are healthy. The bonus capacity, which represents the ratio between the value of ATP's bonus potential and ATP's total liabilities towards its members, increased in 2023 to 18.4 per cent. The bonus capacity provides a good representation of ATP's financial health. The funds from the bonus potential can, besides covering risk taking and unforeseen expenses, also at length be used to increase the ATP pensions.

The bonus capacity is affected by several factors including the investment portfolio, which generated a negative return of DKK -4,4bn for the period. Before tax that amounts to -3,6 per cent of the bonus potential. The negative return was particularly generated by the holdings of government and mortgage credit bonds.

*“ATP is in a strong position. With a bonus capacity of over 18 per cent, we have a very good ratio between the value of the pensions we have guaranteed on the one hand and our financial buffer in the form of the bonus potential on the other hand. It is the bonus capacity - and not the size of ATP’s statement of financial position - which is the most important factor in our decision making. And this is what ultimately allows us to increase the pensions,”* Martin Præstegaard says.

At the end of the third quarter of 2023, ATP’s bonus capacity amounted to DKK 100.4bn, the total pension liabilities amounted to DKK 510.9bn and ATP members’ assets totalled DKK 644.7bn.