

ATP's profit reaches DKK 30bn – the financial reserves are growing

ATP's pension guarantees provide basic security to its members and, despite rising interest rates, the investment portfolio generated a very decent result.

The investment portfolio

The first three quarters of the year were impacted by rising interest rates both in the United States and Europe. At the same time, the global equity markets pushed higher even though the growth curve began flattening out in the third quarter. The development was driven by the continuing gradual reopening of the global economy due to vaccine rollouts and supported by expansionary monetary and fiscal policies.

The investment portfolio generated a return of DKK 33.0bn which, before tax, amounts to 22.5 per cent of the bonus potential. It was particularly the equity holdings that contributed positively to the returns. Investments in inflation-related instruments also contributed with positive returns that almost cancelled out the negative returns from government and mortgage bonds.

"Over the course of the year, we have managed to generate very high returns even though ATP's investment strategy is heavily weighted towards interest rates. This makes the strategy sensitive to the rising interest rates that have characterised 2021. As a long-term investor, our focus is on providing the best possible return over many years for our 5.4 million members. And, for example, over the past five years our investment strategy has paid off very well for our members, with annual returns in this period amounting to 22 per cent," says Bo Foged, CEO of ATP.

Hedging protects the pension guarantees

ATP's pension products are guaranteed products that contribute to providing our members with basic financial security in their old age. ATP is paid out as a life-long benefit and therefore supplements the Danish state pension throughout a person's retirement. This is especially important for those members for whom ATP Livslang Pension

(Lifelong Pension) is the only pension income beyond the state pension, which is the case for 40 per cent of all pension recipients in 2021.

"Danes need to be able to count on ATP. We provide basic security to pensioners and the payments from ATP Livslang Pension (Lifelong Pension) is the only supplement to the state pension for a very large number of people in Denmark. We provide a guaranteed and lifelong product, and therefore it is extremely essential that the hedging against interest rate risks is effective and thus protecting our guarantees. This allows us to ensure that ATP's members can get paid precisely what we promised them," says Bo Foged, CEO of ATP.

The value of the guaranteed pensions fell by DKK 55.2bn in the first three quarters of the year, mainly due to rising interest rates. Correspondingly, the hedging portfolio generated negative returns (after tax) of DKK 54.8bn. The value of the hedging portfolio thus fell as the value of the pension guarantees fell, and the hedging worked as intended by following the guarantees. The total result for hedging activities amounted to DKK -3.8bn due to a yield curve break when discounting the guaranteed pensions to net present value.

This amounts to less than one per cent of the value of the guaranteed pensions and does not have an impact on ATP's total assets.

Results for the period and assets

The result for the first three quarters of the year amounted to DKK 30.1bn. The bonus potential (ATP's reserves) amounted to DKK 176.1bn at the end of the third quarter. Thus, ATP still has a solid capitalisation with an excess cover of 23.4 per cent in relation to the guaranteed pensions of DKK 751.5bn. ATP member assets amounted to DKK 927.6bn.

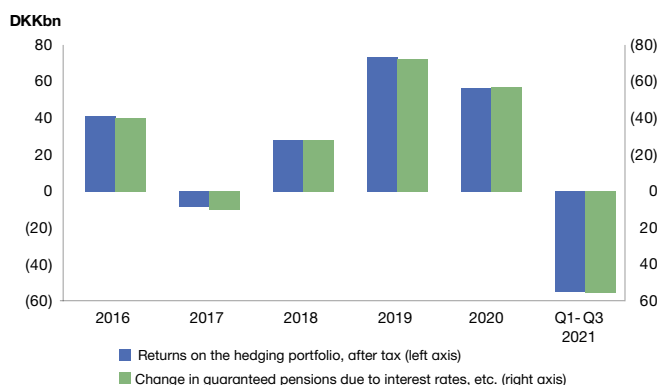
Financial Highlights and Ratios for the ATP Group

DKKm	Q1-Q3 2021	Q3 2021	Q1-Q3 2020	The year 2020
Investments				
Investment return	33,019	6,129	5,195.	29,901
Expenses	(693)	(250)	(653)	(886)
Tax on pension savings returns and corporate income tax	(5,038)	(940)	(639)	(4,378)
Investment activity results	27,289	4,939	3,903	24,637
Hedging activities				
Change in guaranteed pensions due to discount rate and maturity reduction	55,195	1,089	(52,237)	(56,807)
Return in hedging portfolio	(64,702)	(901)	61,066	66,484
Tax on pension savings returns	9,899	138	(9,343)	(10,172)
Result of hedging of guaranteed pensions	392	326	(514)	(495)
Change in guaranteed pensions due to yield curve break	(4,149)	(1,329)	(4,864)	(6,523)
Hedging activity results	(3,757)	(1,003)	(5,378)	(7,018)
Results from Investment and Hedging	23,532	3,936	(1,476)	17,619
Pension				
Contributions	8,551	2,854	7,890	10,744
Pension benefits	(12,920)	(4,278)	(12,868)	(17,180)
Changes to guaranteed pensions resulting from contributions and payments	6,277	2,018	6,347	8,239
Administration activity expenses	(152)	(46)	(155)	(210)
Other items	5	2	5	6
Pension activity results before life expectancy update	1,760	551	1,219	1,599
Business processing, external parties				
Income	1,838	529	1,657	2,297
Expenses	(1,851)	(590)	(1,663)	(2,297)
Corporate income tax	0	0	0	0
Resultat from business processing, external parties	(12)	(61)	(7)	(1)
Results before bonus allowances and life expectancy update	25,280	4,425	(264)	19,217
Life expectancy update	4,796	-	1,130	1,130
Bonus addition for the period	-	-	-	0
The result for the period	30,076	4,425	867	20,347
Guaranteed pensions	751,470	751,470	809,252	813,589
Bonus potential	176,085	176,085	126,861	146,221
Net assets	927,555	927,555	936,113	959,810
Bonus rate	23.4	23.4	15.7	18.0

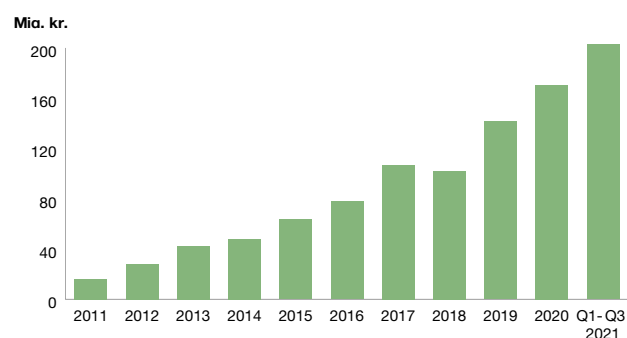
	Q1-Q3 2021	1-year	3-year	5-year
Return ratios				
Return on investment before tax relative to Bonus potential, per cent ¹	22.5	45.1	24.4	22.0
Risk-adjusted return	0.8	1.2	0.8	0.8
Danish FSA ratios (N1), in per cent	(3.4)	(0.4)	8.0	4.3
Value growth for members, in per cent	5.7	9.7	6.0	5.7

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 the third quarter of 2021 was DKK 440.6bn. The market value of the investment portfolio also includes financial derivatives of which the market value will typically be low, zero or negative.

Hedging protects guaranteed pensions 2016 - Q3 2021



Historical accumulated returns on the investment portfolio before tax - 2011 - Q3 2021



The investment portfolio

The primary aim for management of ATP investments is the investment risk, which, first and foremost, includes market risk. At ATP, the investment portfolio market risk is calibrated such that the expected long-term yield is sufficient to real value secure the guaranteed pensions via bonus accrual at the same time as ATP's risks are at all times contained within the risk appetite determined by ATP's Supervisory Board. A central element of the ATP investment strategy is that the investment portfolio market risk is adjusted on an ongoing basis in line with the size of the bonus potential, such that ATP's risks are always contained within the risk appetite.

To maintain a robust investment portfolio with a stable return and the greatest possible independence from cyclical

variations, investment decisions are informed by a strategy of risk diversification. ATP allocates the risk associated with each investment on the basis of four different risk factors, depending on the types of risk to which the investment is exposed. Moreover, the investments are composed to achieve the desired level of risk diversification. The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor', and 'Other factors'.

Dividing the risk into risk factors provides the framework for the composition of investments. In the returns report, ATP also refers to the traditional asset classes. You can read more about the factor-based investment approach in the supplemental information for ATP's 2020 annual report which can be found at www.atp.dk.

Facts about ATP

ATP is a mandatory pension scheme with 5,398,000 members. During the first three quarters of the year, ATP's members contributed DKK 8.6bn. By the end of the third quarter of 2021, 1,037,000 pensioners were receiving ATP Livslang Pension (Lifelong Pension). During the first three quarters of the year, ATP paid out DKK 12.9bn in pensions and lump sum payments. Approximately 40 per cent of the nation's old age pensioners have no other pension income than ATP and the state pension. The full ATP Livslang Pension (Lifelong Pension) for a 66½-year-old is DKK 26,200.