

## Press Release

29 August 2023

### **ATP's guaranteed pensions are intact – rising equity prices generate billion kroner profits from the investment business**

**Guaranteed pensions are still guaranteed at ATP, which generated returns in its equity portfolio in the first half of 2023. Members will have DKK 2.8bn transferred to the bonus potential.**

After a challenging 2022, ATP's results improved significantly in the first six months of 2023. However, from a technical accounting perspective, the ATP Group will still have a result of zero for the period. This is because as of this year ATP has implemented, and is now following, the new international accounting standard IFRS 17.

"I am satisfied that we have put a difficult 2022 behind us. Our returns are now positive, and the investment strategy gives ATP's members a guarantee that they will be paid what we have promised them when they retire. Our hedging of interest risks means members can rest assured that we have the money we need to meet our commitments," says Martin Præstegaard, CEO, ATP.

Due to the new accounting rules, ATP's financial statements will look different going forward. The rules have an impact on the way ATP calculates, measures and presents its pension liabilities. The purpose of the new international accounting standard is to create transparency regarding pension and insurance companies' earnings. A basic premise of the new rules is that ATP's assets and returns belong to its members, so ATP has no equity. Under the new accounting rules, ATP's total result is, therefore, technically zero when calculating the Hedging, Investment and Insurance Service business areas. In total, ATP generated a result of DKK 2.8bn in Hedging and Investment during the period. This amount of DKK 2.8bn, along with a DKK 1.9bn change in the provisions due to a decrease in projected life expectancy, has been transferred to the bonus potential which thus amounted to DKK 105.2bn at the end of the first half of the year.

#### **Positive investment returns**

ATP must always be able to ensure its ability to pay the lifelong and guaranteed pensions to its 5.5 million members. This is done by hedging the interest risk on the pensions, which worked as intended in the first half of 2023. At the same time, the investment portfolios generated a positive return which, together with an update of our members' life expectancy and a positive result in the hedging portfolio, contributed to a slight increase in bonus capacity on a par with the average of the past 10 years. It was primarily equities that generated positive investment returns, whereas alternative investments did not, overall, contribute significantly in the first half of 2023.

For the remainder of the year, it is expected that the financial markets will continue to be characterised by a great deal of uncertainty. ATP will maintain its disciplined approach to risk management in order to generate the best possible returns, while ensuring that ATP is always capable of meeting its guarantees to its members. In the past 10 years, ATP has generated returns of DKK 126bn in the investment portfolio.

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*ATP provides services to almost all citizens and companies in Denmark. ATP Livslang Pension (Lifelong Pension) is a collective scheme with more than 5.5 million members and pension assets of DKK 684bn. Our task is to ensure good, stable pensions so that people in Denmark have a little more to live on during retirement. In addition, we ensure the payment of a number of welfare and social security benefits. Two out of three Danish kroner spent on welfare in Denmark are paid by the ATP Group. In total, we pay more than DKK 300bn per year on behalf of the Danish state, municipalities and social partners.*

**Administration activity expenses have remained low**

ATP is still focusing strongly on keeping expenses low, as expenses directly impact the size of the pensions. ATP's administration activity expenses amounted to DKK 19 per member in the first half of 2023, or 0.02 per cent of the total assets. This is like last year and continues to be very low in both a Danish and an international context.

**Updating of life expectancy**

This year's updating of life expectancy resulted in a transfer of DKK 1.9bn to the bonus potential, corresponding to 0.3 per cent of the value of the pension liabilities. This transfer is due to a minor adjustment of life expectancy forecasts, as a result of the development in actual life expectancy seen last year.

**Developments in assets**

ATP's reserves – the bonus potential – amounted to DKK 105bn at the end of the first half of the year, while pension liabilities amounted to DKK 542bn. The bonus capacity, representing the relationship between the value of the bonus potential and ATP's total liabilities towards its members, stood at 18.2 per cent at the end of the first half of the year, which is in line with the average for the past 10 years.

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**ATP's key figures are shown below:**

<b>DKK million</b>	<b>H1 2023</b>	<b>H1 2022</b>
<b>Investment</b>		
Return in the investment portfolio	1,363	(57,231)
Tax on pension savings returns and corporate income tax	(263)	8,035
<b>Investment activity results</b>	<b>1,100</b>	<b>(49,197)</b>
<b>Hedging activities</b>		
<b>Interest hedging</b>		
Change due to interest and maturity reduction	(6,401)	165,409
Return in hedging portfolio	9,573	(191,147)
Tax on pension savings returns	(1,460)	29,245
<b>Result from interest hedging</b>	<b>1,712</b>	<b>3,508</b>
<b>Life annuity with market exposure</b>		
Return on market return portfolio	25	(55)
Tax on pension savings returns	(4)	8
Interest on life annuity with market exposure	(21)	46
<b>Result of life annuity with market exposure</b>	<b>0</b>	<b>0</b>
<b>Hedging activity results</b>	<b>1,712</b>	<b>3,508</b>
Insurance income	9,680	9,701
Paid out pensions	(9,166)	(9,017)
Investment activity expenses and hedging	(346)	(441)
Administration activity expenses	(103)	(105)
Change to risk adjustment	(26)	(24)
Other changes	(38)	(113)
<b>Result of insurance service</b>	<b>0</b>	<b>0</b>
<b>Result of ATP Livslang Pension (Lifelong Pension)</b>	<b>2,813</b>	<b>(45,689)</b>
<b>Other income/expenses</b>	<b>26</b>	<b>130</b>
<b>Business processing, external parties</b>		
Income	1,259	1,220
Expenses	(1,259)	(1,220)
<b>Result from business processing, external parties</b>	<b>0</b>	<b>0</b>
<b>Result before interest on bonus potential</b>	<b>2,839</b>	<b>(45,559)</b>
Interest not added to the bonus potential	(2,813)	45,689
Minority interests' share of the result	(26)	(130)
<b>Result for the period</b>	<b>0</b>	<b>0</b>
Guaranteed pensions	538,460	586,294
Life annuity with market exposure	2,189	616
Risk adjustment	861	862
<b>Pension liabilities, total</b>	<b>541,511</b>	<b>587,772</b>
Long-term supplementary provision	36,935	42,094
Bonus potential	105,234	102,746
<b>Net assets</b>	<b>683,679</b>	<b>732,612</b>