

## Press release

1 September 2020

# ATP achieves investment returns of DKK 17bn for Q2 and catches up with a large share of the investment return loss from Q1

**Despite a challenging market in H1, the members' pension guarantees remain intact, and ATP's objectives of delivering basic financial security have proven to be robust.**

A strong second quarter catches up with a large share of the loss in the investment portfolio from Q1 and from the beginning of August, the investment portfolio has been in the black. In H1 the ATP Group had a total negative investment return before tax and expenses of DKK 11.6 billion. When looking at H1 as a whole, the largest positive contribution came from investments in government and mortgage credit bonds, while the investments in listed international shares generated the largest negative return.

"H1 has been characterised by intense financial unrest. I note that ATP's guarantees have been intact throughout the period, so the members are ensured the basic financial security that we are here to contribute to. Even if the half year ends in red figures, I cannot help having an eye to the development over the summer when the investment portfolio is in the black for 2020", says Bo Foged, managing director of ATP.

The entire return for H1 should thus be seen relative to the fact that since 2010, ATP has generated a return on the bonus potential of DKK 153 billion. For the past 10 years, the average return of ATP has been 15.7 per cent relative to the bonus potential.

### **Hedging protects pension guarantees**

Hedging of the guaranteed pensions is designed to ensure that members receive the pensions promised, regardless of whether interest rates rise or fall. Due to interest rate drops for Danish and European government bonds with long residual maturity, the value of guaranteed pensions increased in H1. Similarly, the hedging portfolio realised a positive return. Overall, the hedging results were negative by DKK 3.5 billion, driven by yield curve break. The result corresponded to 0.4 per cent of the guaranteed pensions, and the hedging thus functioned as intended.

### **Billions of DKK of taxes for the public purse**

Even though the financial markets in H1 generally had negative developments, for this period ATP has made provisions for a total of DKK 6.4 billion in pension yield taxes, which can be attributed to a positive return from the hedging portfolio.

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*The ATP Group is Denmark's largest pension company and processing business. We solve assignments for almost all Danish citizens and companies. ATP Livslang Pension (Lifelong Pension) is a collective scheme with more than 5 million members and pension assets of DKK 918 billion. Our assignment is to ensure good, stable pensions in order that Danes will have a bit more money to live on when they retire. In addition, we ensure payment of a number of welfare and social security benefits. Two out of three Danish kroner (DKK) paid in welfare benefits in Denmark come from the ATP Group. We pay a total of DKK 280 billion a year to 2.4 million citizens on behalf of the state, the municipalities and the social partners.*

**Life expectancy update**

ATP has made an adjustment to its long-term forecasts for developments in life expectancy. The adjustment results in a transfer of DKK 1.1 billion from guaranteed benefits to the bonus potential. 66-year-old members are currently expected to live to an average of 87 years.

**Asset development**

ATP's reserves – the bonus potential – stood at DKK 114.4 billion at the end of H1 2020, and guaranteed pensions totalled DKK 803.5 billion. Aggregate assets thus totalled DKK 917.9 billion, an increase of DKK 32 billion since the start of the year. The bonus rate constituted 14.2 per cent.

**Other activities in the period**

In H1, ATP finished the comprehensive implementation of all Udbetaling Danmark – Public Benefits Administration IT systems, and the Mandatory Pension Scheme was launched at the turn of the year.

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