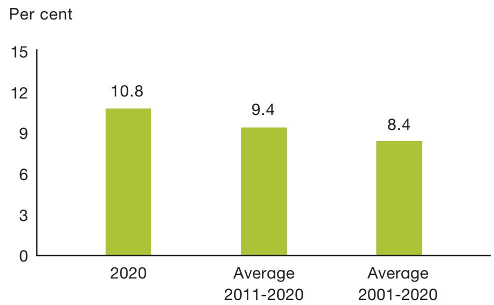
The Danish Financial Supervisory Authority's return ratios

ATP does not apply the Danish FSA's one-year return ratio

Each year, the Danish FSA publishes, among other things, return ratios for average rate products for life insurance companies and industry-wide pension funds. The 'N1' ratios applied by the Danish FSA measure only returns on assets, including the assets of ATP's hedging portfolio, while no allowance is made for changes in the market value of ATP's pension liabilities.

ATP's returns over 1-year, 10-year and 20-year horizons



Note: Measured by the Danish FSA's definition.

The guarantee element and the hedging of guarantees against interest rate changes mean that short-term interest rate changes do not affect future pension payouts, but may significantly impact the size of ATP's return ratio in both a positive and a negative direction.

For instance, if interest rates of the assets included in ATP's hedging portfolio go down, the hedging portfolio will generate a significant positive return – a return that is included in the Danish FSA's return ratios. However, this decline in interest rates will also cause the market value of ATP's pension liabilities to increase, the reason being that ATP needs to set aside more funds to be able to meet future pension liabilities. Consequently, the decline in interest rates does not notably affect future pension payouts in the short term.

Moreover, the Danish FSA's return ratios for average rate products do not allow for the cross-company variance in value creation for different companies' guaranteed products. The return ratio of the individual year is focused exclusively on the return on total assets – not on the increase in the guaranteed pension actually obtained by members. In other words, the return achieved by ATP's members in the individual year is therefore not reflected by the Danish FSA's return ratios.

As the Danish FSA's return ratios tend to reflect market value changes in ATP's hedging portfolio that will not notably affect the pension commitments made, and as the ratio does not allow for the variance in value creation for the pension providers' guaranteed products, the ratio fails to provide a comprehensive view of the value creation for ATP's members for the individual year. However, in the very long term, the ratio better reflects the value creation.

For this reason, ATP does not apply this ratio in the short term. Using the Danish FSA's return ratio, ATP achieved a return of 10.8 per cent in 2020.