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**Annual Announcement of
Financial Statements 2021**

ATP in brief

ATP LIVSLANG PENSION (LIFELONG PENSION)



The ATP pension is a **lifelong, guaranteed benefit** which is paid for the entire pension period

DKK 50bn **35%**

Historically high investment return

return in relation to the bonus potential. 24 per cent on average for the past 5 years

DKK 30.4bn

of the high investment return has been used to **increase the members' ATP pensions**

Lower administration activity expense **per member**

DKK 40

Low **cost percentage**

0.54%



In May, the Danish Parliament amended the ATP Act which allows for an implementation of the changed business model



ATP sharpens its climate ambitions: DKK 200bn in green investments in 2030 and **carbon neutrality in 2050**

BUSINESS PROCESSING, EXTERNAL PARTIES – PAYMENT OF WELFARE BENEFITS

Ensures **uniform case handling**, correct and timely payments, and **cost-effective** administration within **specified risk tolerances**

2/3

of Danish welfare spending is paid out by ATP



ATP solves critical societal corona tasks

such as the early payment of frozen holiday pay, assisting with infection contact tracing, etc.



Early retirement pension

ready for applications as of 1 August 2021

ready for payment 1 January 2022

Five-year summary for the ATP Group

DKK million

	2021	2020	2019	2018	2017
Investment activities					
Investment return	49,620	29,901	40,705	(3,714)	29,737
Expenses	(952)	(886)	(937)	(953)	(858)
Tax on pension savings returns and corporate income tax	(7,291)	(4,378)	(5,723)	949	(4,399)
Investment activity results	41,378	24,637	34,045	(3,718)	24,480
Hedging activities					
Change in guaranteed pensions due to discount rate and maturity reduction	48,632	(56,807)	(72,337)	(27,866)	10,032
Return in hedging portfolio	(56,187)	66,484	86,710	32,932	(10,089)
Tax on pension savings returns	8,597	(10,172)	(13,267)	(5,039)	1,544
Result of hedging of guaranteed pensions	1,042	(495)	1,106	27	1,487
Change in guaranteed pensions due to yield curve break	(5,508)	(6,523)	(5,248)	(3,106)	(2,993)
Hedging activity results	(4,466)	(7,018)	(4,142)	(3,079)	(1,506)
Results from Investment and Hedging	36,912	17,619	29,903	(6,797)	22,974
Pension activities					
Contributions	11,497	10,744	10,061	9,871	9,703
Pension benefits	(17,260)	(17,180)	(17,054)	(16,878)	(16,075)
Changes to guaranteed pensions resulting from contributions and payments	8,200	8,239	8,099	8,505	8,289
Administration activity expenses	(213)	(210)	(201)	(197)	(191)
Other items	7	6	7	9	8
Pension activity results before life expectancy update	2,231	1,599	912	1,310	1,734
Business processing, external parties					
Income	2,498	2,297	2,436	2,458	2,042
Expenses	(2,497)	(2,297)	(2,435)	(2,450)	(2,033)
Corporate income tax	0	0	0	(1)	0
Result from business processing, external parties	0	(1)	1	7	9
Results before bonus allowances and life expectancy update	39,143	19,217	30,816	(5,480)	24,717
Life expectancy update	4,796	1,130	3,231	(20,025)	(1,006)
Bonus addition for the year	(30,391)	-	-	-	(6,406)
Net profit for the year	13,548	20,347	34,047	(25,505)	17,305
Guaranteed pensions	787,809	813,589	759,628	693,373	650,881
Bonus potential	159,537	146,221	125,980	92,086	117,695
Net assets	947,346	959,810	885,608	785,459	768,576

Key points of the past five years:

DKK **142** bn realised in investment return before tax

24 per cent average annual investment return in relation to the bonus potential

DKK **37** bn allocated to increase pensions

DKK **39** bn in pension yield tax contributed to the state coffers

6.1 per cent average value growth for members

0.37 per cent annual APR

Ratios for ATP

	2021	2020	2019	2018	2017
Return ratios					
Return on investment before tax relative to the bonus potential in per cent ¹	35.0	23.3	44.2	(5.6)	29.4
Risk-adjusted return	0.9	0.8	1.2	(0.1)	1.2
Danish FSA ratios (N1), in per cent	(0.8)	10.8	16.2	3.7	2.5
Bonus rate	20.3	18.0	16.6	13.3	18.1
Value creation from guarantees in per cent	3.3	3.4	3.4	3.5	3.7
Value creation from bonus potential in per cent	24.5	13.3	30.3	(7.0)	22.5
Total value creation in per cent	8.5	5.5	8.0	1.5	7.3
Expense ratios in per cent					
Administration expenses relative to assets	0.02	0.02	0.02	0.03	0.02
Total investment expenses in terms of assets	0.16	0.16	0.17	0.18	0.19
Performance fees, external managers in terms of assets	0.36	0.12	0.13	0.13	0.12
Total expenses relative to assets (APR)	0.54	0.30	0.32	0.34	0.33

¹Return on Investments is calculated as a daily time weighted return on the bonus potential. In previous years, the return was calculated relative to an average of start of year and end of year.

Sustainability is the goal

ATP is all of Denmark's pension fund with 5.4 million members. We manage one of Europe's biggest assets and also administer two thirds of public welfare benefits. ATP pays out a total of DKK 300bn per year. Our most important task is to deliver basic financial security - both here and now and for future generations. This means that responsibility is integrated into our business - it is in our DNA. Fulfilling this responsibility requires that we think and act in a sustainable manner. Regardless of whether you view ATP as part of a cogwheel in a big machine that helps keep the Danish welfare model running or whether you view us as a significant investor, sustainability is a precondition for us having the trust and support of the world around us.

For ATP, sustainability means that we think with a long-term perspective in a holistic manner and that we balance various considerations, and this has also been demonstrated in 2021 in various ways.

In May, the Danish Parliament (after a great deal of preparatory work) amended the ATP Act. The amendment, which was proposed by ATP's Supervisory Board, is a fundamental factor that will allow ATP to keep delivering attractive returns for our members in the future as well. The amendment of the act gives ATP a little more freedom when it comes to investing with a more long-term and diverse strategy. And in this extremely low interest rate environment, having more freedom to manoeuvre is critical when it comes to ensuring a future sustainable business model for ATP Livslang Pension (Lifelong Pension) that guarantees that the paid out benefits can continually keep up with inflation and not diminish in real value. In 2021, we have prepared ourselves to be able

to implement the first phase of the amended act which entered into force on 1 January 2022. The business model is expected to be implemented from 1 January 2023.

Denmark's largest green investor

Sustainability is a defining factor in our investments. ATP is working to generate the best possible returns for our members while also ensuring that the investment decisions we take are sustainable in the long run. As Denmark's largest pension company and as an institutional investor, we are focused on how we can play an active role in the green transition, both in Denmark and globally, and we are also focused on ensuring that our investments create value for both our members and make the companies we work with both greener and more responsible. More than ever, now we all need to consider how we can each contribute to taking better care of our planet.

ATP's ambition is clear: We want to contribute as Denmark's largest green investor. Our strategy is to act and wield our influence in the areas where we believe we can act most effectively. Therefore, in 2021 we have defined some clear climate ambitions: We will have DKK 100bn in green investments in 2025 and double that - DKK 200bn - in 2030. However, this does of course require that the market conditions allow for it. In 2050, our ambition is to be net carbon neutral as a company and via our investments. We will also continue to build up our billion-kroner portfolio of green bonds and thus contribute to financing the green transition.

We have decided upon these climate ambitions because we cannot afford not to. First of all, it should be obvious to everyone that our planet's climate needs the green tran-



sition and concrete action to be taken right now. This is one of the reasons why we are now specifying a specific target already for 2025.

Secondly, the green transition is a great opportunity for generating good returns over the next many years. This is not least due to the fact that a lot of sectors need to find new business-oriented solutions for existing climate challenges. At ATP, we believe that future winners think and act green. At the same time, climate challenges also pose a significant business risk that can impact our investments and that calls for a greener investment profile.

In the future, we will require that the companies we invest in report on their carbon emissions already in 2025. Climate impacts must be measurable, and this will allow us to monitor whether ATP's climate footprint from our portfolio can fulfil the ambition of being carbon neutral in 2050 and realising a 70 per cent reduction in 2030.

In the coming years, the climate ambition will become an important guiding star for ATP's investment work and our approach will support the overall goal of creating long-term value for all of our members.

ATP supports Danish businesses

As a trendsetting Danish investor, we are an active part of the Danish financial food chain. We believe that this is good both for generating returns for our members and for the Danish business community. Therefore, ATP is continuously working towards ensuring capital, growth and jobs in anything from new start-ups to the large listed companies. In 2021, ATP has supported

the development of Danish businesses by, among other things, establishing a DKK 6bn investment mandate called ATP Long-term Danish Capital which will invest in Danish companies in growth sectors over a 3-year period and generate returns for ATP.

Together with the energy company Ørsted, ATP has launched a partnership that will make a bid on the coming energy island in the North Sea. The establishment of a Danish energy island will set new standards for the utilisation of Danish offshore wind resources and thus contribute notably to both job creation, competitive advantages and strengthening the green transition in both Denmark and Europe at large.

Holiday funds and contact tracing - ATP assisted the authorities during the corona pandemic

2021 was a year where the corona pandemic still had a large impact on our everyday lives. At ATP, we experienced this on a concrete level as during the year we were asked to manage a number of critical societal tasks that would support the Danish economy during a difficult time. Contact tracing was one of these tasks, and when ATP was given the job, it meant that we had to hire 700 employees over the course of a few weeks to staff a newly established virtual call centre. The new staff were working from home and would be calling out in a coordinated manner and advise people about how they should behave if they were either infected with the corona virus themselves or if they were a "close contact" with an infected person. Even though this was not a task that resembled what we normally do, we succeeded in solving it - and as the case numbers began dropping, we were able

ATP's investment returns were historically high in 2021

50bn

The total investment returns over the past three years is now DKK 120bn

to hand the task back to the Danish health authorities after four months.

The corona pandemic was also associated with another significant administrative task in 2021: the second part of the payment of the billions of Danish kroner in frozen holiday pay that had already begun to be paid out in 2020 to support Danish consumption during what seemed to be a serious financial crisis at the time. ATP's rapidly developed IT solution contributed to a total of 2.3 million people in Denmark withdrawing their holiday pay, amounting to a total of DKK 88bn by the time the deadline for withdrawing expired in April 2021.

ATP delivers welfare benefits on time

On 1 January 2021, the new rules concerning who is entitled to an early pension came into effect. It is ATP and Udbetaling Danmark – Public Benefits Administration that administers and makes decisions about applicants under the new scheme, better known in Denmark as the "Arne Pension" ('Arne' was used as an example of a blue collar worker who had worked for a very long time and deserved to retire early). An early retirement pension is for people who have been on the labour market for more than 40 years, which can qualify them for earlier retirement. Since 1 August where it became possible to apply for it, 34,000 have submitted their applications for an early retirement pension.

The senior pension scheme also became part of ATP's administrative portfolio in 2021. Before, it had been administered by the municipalities. This scheme is intended for people in Denmark who are close to the retirement age and have reduced occupational capacity. In 2021, 5,266 people have been awarded a senior pension.

The fact that both of these pension schemes were placed with ATP helps to underscore how big a role ATP really plays in the Danish welfare system. With the DKK 300bn that ATP pays out each year, we are in direct contact with more than 2 million people in Denmark who receive public benefits. For us, we consider it a declaration of trust when we are designated to manage tasks of such social significance. For example, this applies to both early retirement pension and senior pension, where efficiency is highly important, both when it comes to implementing new IT solutions, effecting the payments and managing the costs.

Strong returns result in higher pensions for everyone from 2022

After 2021, ATP is well-equipped to manage its role as a trendsetting Danish investor and provider of basic security. The investment results over the year have been historically high, and this means that ATP's assets now approach DKK 1 trillion. After returns of 35 per cent, ATP's reserves - the bonus potential - are now at DKK 159.5bn, which is the highest ever. Based on the extremely strong financial result, ATP's Supervisory Board decided at the end of 2021 to increase pensions for our 5.4 million members. The pensions will be increased from 1 January 2022, and the increase amounts to DKK 30.4bn. The bonus amounts to a 4 per cent increase of the pension for all members, both current and future pensioners.

Bo Foged,
CEO (Chief Executive Officer), ATP

Strategic focal points

With Strategy 2023 "A sustainable ATP", the Supervisory Board has defined six strategic focal points aimed at ensuring that ATP remains a relevant and trusted business partner for our stakeholders. The strategy sets a clear direction and defines the focus areas for continued value creation.



Strong customer and stakeholder focus

As a monopoly we must never forget our customers, and the role that ATP plays in society makes it crucial that ATP enjoys the support and trust of our stakeholders – members, citizens, politicians and clients.



Long-term sustainable business model

Long-term sustainable business models must in the short and longer term ensure that ATP stays relevant as a sustainable supplier of basic financial security.



Responsibility

Through all parts of the Group, ATP makes its mark on the society that we are a part of. This makes it essential that we consider responsibility across the ATP value chain.



Balanced cost efficiency

Quality, risk and cost efficiency are all components which it is essential to balance for ATP's business model.



Governance and risk management

The precondition for providing basic financial security and being a trusted company is to have a comforting level of risk management and governance in everything we do.



Attractive place to work

Competent and motivated employees with a high level of professionalism is a precondition for ATP to be able to realise the business targets.

The result for the year and expectations for 2022

The result for the year before the updating of life expectancy and allocation of bonuses amounted to DKK 39.1bn. The reserves - the bonus potential - amounted to DKK 159.5bn at the end of 2021, and the guaranteed pensions amounted to DKK 787.8bn. The net assets thus amounted to DKK 947.3bn.

Based on an ambition of the best possible safeguarding of the long-term real value of pensions, the Supervisory Board has set a long-term performance target for the investment and hedging portfolio after tax. For 2021, seen separately, the target was DKK 14.6bn, and with profit on investment and hedging activities of DKK 36.9bn, this target for the year was more than achieved. The result is assessed as being highly satisfactory.

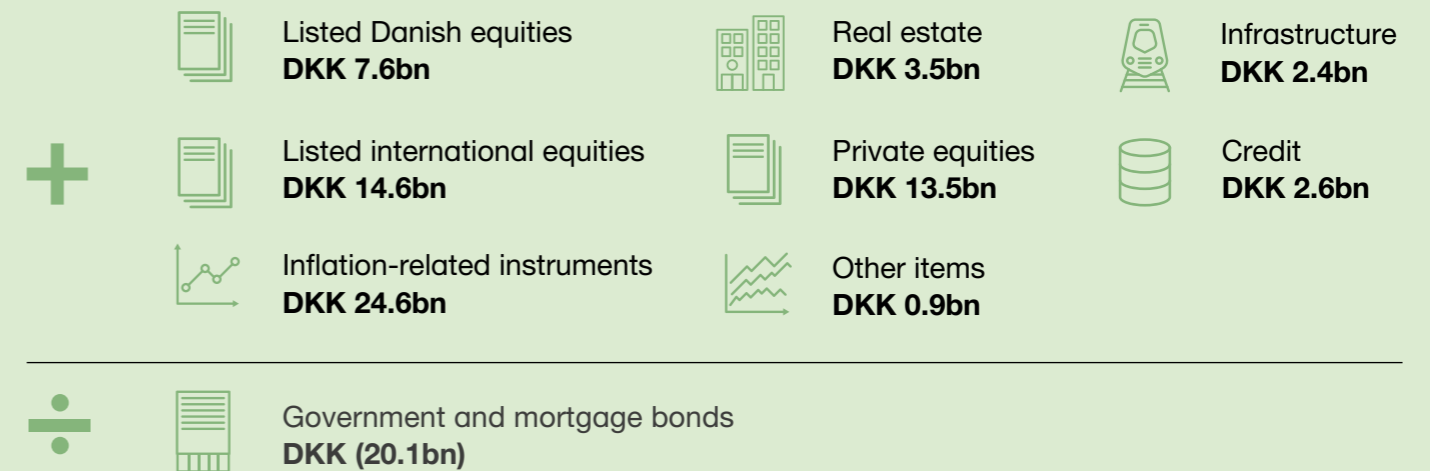
The principal objective of the investment portfolio is to generate a return that will allow, in part, the building of reserves for, e.g., financing increased life expectancy, such that ATP secures pensions for a whole lifetime, and

DKK million	
	2021
Investment activity results	41,378
Hedging activity results	(4,466)
Results from Investment and Hedging	36,912
Pension activity results before life expectancy update	2,231
Result from business processing, external parties	0
Results before bonus allowances and life expectancy update	39,143
Life expectancy update	4,796
Bonus addition for the year	(30,391)
Net profit for the year	13,548

to increase the guaranteed pensions, thereby supporting the real value for pensioners. For the investment portfolio, the year was characterised by rising interest rates and gains in the global equity markets plus rising inflation. 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 49.6bn which, before tax, amounts to 35.0 per cent. It was particularly the overall holdings of equities that made large positive contributions to the return. Investments in inflation-related instruments also contributed with positive returns that almost cancelled out the negative returns from government and mortgage bonds. Therefore, with a balanced and diversified portfolio, it was possible to create very high returns even though ATP's investment strategy is quite heavily weighted towards interest rates. As a long-term investor, ATP's focus is on creating the best possible returns over the course of many years, and the past five years this strategy has definitely paid off, creating annual returns of 24.0 per cent on average.

The hedging portfolio is intended to ensure that ATP is always capable of fulfilling its guarantees. The value of the guaranteed pensions fell by DKK 48.6bn, mainly due to the rising interest rates. Correspondingly, the hedging portfolio generated negative returns (after tax) of DKK 47.6bn. 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. That the total result for hedging activities amounted to DKK -4.5bn is due to a yield curve break when discounting the guaranteed pensions to net present value. This amounts

The investment returns of 2021 of DKK 49.6bn consists of



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

Updating the life expectancy development showed that life expectancies were not increasing as fast as previously though, and therefore the long-term forecast for life expectancies has been adjusted. This means that the pension liability has been reduced by DKK 4.8bn, and these funds in the investment portfolio can now contribute to increasing pensions in the future.

Based on an overall evaluation of the size of the reserves, ATP's Supervisory Board has chosen to increase pensions and ATP Livslang Pension (Lifelong Pension) will thus increase by four per cent from 1 January 2022. The increase applies to all of ATP's members, both the current and future pensioners, for the rest of their lives. This is based on several years of historically strong investment results which have grown ATP's financial reserves to the extent that there is now the capacity to spend DKK 30.4bn to increase ATP members' pensions. For an average 66-year-old pensioner, the increase means that their ATP pension will grow by around DKK 14,300 in total for the remainder of their estimated life expectancy. After increasing pensions by DKK 30.4bn, there is still maintained an appropriate level of space for investment in order to fulfil the goal of ensuring the future real value of pensions.

Events after the reporting date

From the reporting date until the date of the presentation of this annual report, no events have occurred that would

materially affect the assessment of the annual report.

Outlook for 2022

ATP's investment strategy is to ensure that ATP generates the best possible returns, while always being able to meet the guarantees issued to members.

Based on this ambition, the Supervisory Board has also for 2022 maintained the long-term result target for the investment and hedging portfolio after tax. The objective, which for 2022 in isolation is set at DKK 14.9bn, does not necessarily have to be reached every single year.

The objective is based on the principles that members' interests must be a central consideration, that it is the aim to secure the real value of life-long pensions in the long term.

ATP's Supervisory Board does not expect that the high investment returns of the past few years will necessarily be repeated in 2022, among other things, due to the fact that they have been above historical norms and the projected long-term returns.

In 2022, it is expected that there will commence a comprehensive implementation work regarding the changed business model which will be done on the basis of the amendments to the ATP act that were adopted by the Danish Parliament in May. This work is expected to continue into 2023.

Income statement

DKK million	Group		ATP	
	2021	2020	2021	2020
Investment activities				
Returns on investment activities	49,620	29,901	49,004	29,430
Investment activity expenses	(952)	(886)	(653)	(552)
Tax on pension savings returns concerning investment activities	(7,205)	(4,338)	(7,205)	(4,338)
Income tax concerning investment activities	(86)	(40)	-	-
Investment activity results	41,378	24,637	41,146	24,541
Hedging activities				
Returns concerning hedging activities	(56,187)	66,484	(56,187)	66,484
Tax on pension savings returns concerning hedging activities	8,597	(10,172)	8,597	(10,172)
Change in guaranteed benefits due to change in discount rate and maturity reduction	48,632	(56,807)	48,632	(56,807)
Results of hedging of guaranteed benefits	1,042	(495)	1,042	(495)
Change in guaranteed benefits due to yield curve break	(5,508)	(6,523)	(5,508)	(6,523)
Hedging activity results	(4,466)	(7,018)	(4,466)	(7,018)
Results from Investment and Hedging	36,912	17,619	36,680	17,523
Pension activities				
Contributions	11,497	10,744	11,497	10,744
Paid benefit	(17,260)	(17,180)	(17,260)	(17,180)
Change in guaranteed benefits due to contributions and pension benefits	8,200	8,239	8,200	8,239
Pension activity expenses	(213)	(210)	(213)	(210)
Other items	7	6	7	6
Pension activity results before change in life expectancy	2,231	1,599	2,231	1,599
Change in guaranteed benefits due to life expectancy update	4,796	1,130	4,796	1,130
Pension activity result	7,027	2,729	7,027	2,729
Administration				
Other income	2,498	2,297	2,498	2,305
Other expenses	(2,497)	(2,297)	(2,498)	(2,306)
Administration activity result	0	(1)	0	0
Result before bonus	43,939	20,347	43,708	20,251
Bonus addition for the year	(30,391)	-	(30,391)	-
Net profit for the year	13,548	20,347	13,316	20,251
Minority interests' share of net profit for the year	240	99	-	-
ATP's share of net profit for the year	13,308	20,248	13,316	20,251
Allocated profit	13,548	20,347	13,316	20,251

Statement of comprehensive income

DKK million	Group		ATP	
	2021	2020	2021	2020
Net profit for the year	13,548	20,347	13,316	20,251
Other comprehensive income				
Items that may not be reclassified to the result:				
Value adjustments of owner-occupied properties	8	(10)	0	(13)
Tax on pension savings returns regarding value adjustments for owner-occupied properties	0	2	0	2
Total	8	(8)	0	(11)
Total other comprehensive income	8	(8)	0	(11)
Comprehensive income for the year	13,556	20,339	13,316	20,241
Minority interests' share of total comprehensive income for the year	240	99	-	-
ATP's share of total comprehensive income for the year	13,316	20,241	13,316	20,241
Allocated comprehensive income	13,556	20,339	13,316	20,241

Statement of financial position

DKK million	Group		ATP	
	2021	2020	2021	2020
ASSETS				
Cash and on-demand deposits	10,364	11,451	8,320	9,717
Receivables from reverse transactions	49,249	37,165	49,249	37,165
Bonds	651,574	657,960	646,227	649,779
Private equity	117,647	127,509	115,116	124,509
Unlisted equity investments	119,886	105,212	79,931	67,369
Financial derivatives	91,523	151,680	91,559	151,313
Loans	5,327	7,288	1,340	2,416
Loans to group subsidiaries	-	-	3,290	3,166
Investments in group subsidiaries	-	-	77,246	77,545
Intangible assets	1,163	1,178	1,159	1,174
Investment properties	30,076	25,906	-	-
Owner-occupied properties	891	886	831	834
Operating funds	5	9	3	6
Tax receivable on pension savings returns and income tax	303	288	303	288
Deferred pension yield tax and corporate tax	1,267	-	1,267	-
Contributions receivable	3,057	2,887	3,057	2,887
Other receivables	8,043	11,532	7,556	11,224
Other prepayments and accrued income	1,039	1,003	985	954
Total assets	1,091,414	1,141,955	1,087,438	1,140,345
EQUITY AND LIABILITIES				
Debt from repo transactions	51,452	45,930	51,250	45,728
Financial derivatives	81,831	97,338	81,501	97,859
Tax payable on pension savings returns and income tax payable	20	14,493	15	14,492
Deferred corporation tax	373	289	-	-
Other debts	9,597	23,451	7,326	22,456
Total liabilities	143,272	181,501	140,093	180,535
Guaranteed benefits	787,809	813,589	787,809	813,589
Bonus potential	159,537	146,221	159,537	146,221
Total pension provisions	947,346	959,810	947,346	959,810
Minority interests	796	645	-	-
Total equity and liabilities	1,091,414	1,141,955	1,087,438	1,140,345