

## Press release

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# ATP's lifelong guarantees to members remain intact after the financial unrest in Q1

**ATP's business model and objective of providing basic financial security throughout its members' old age has shown its robustness in a particularly turbulent quarter. Despite substantial drops in the financial markets during Q1, resulting in investment portfolio losses, members' pension guarantees remain intact.**

*"The lifelong guaranteed pension that we have promised our members remains, in spite of the significant drops in the financial markets during the first quarter of the year," says Bo Foged, CEO of ATP.*

The vast majority of members' contributions go to lifelong guaranteed pension benefits to be disbursed when they retire. This is especially beneficial for those members for whom ATP's Lifelong Pension is the largest private pension income, which represents nearly half of all pension recipients in 2020.

*"We are satisfied to see that our model with its substantial guarantee element makes it well through an extreme situation with substantial financial unrest. The guarantees remain intact and our members are receiving exactly what we promised them before the crisis. It has been a pleasure to see how ATP's various investment teams, from each of their own home-based workstations, have managed to navigate the market unrest caused by the Corona pandemic," says Bo Foged, CEO of ATP.*

## Hedging protects pension guarantees

Hedging the guaranteed pensions is intended to ensure that members receive what we have promised them, regardless of financial market developments. Primarily due to interest rate drops for Danish and European state bonds with long residual maturity, the value of guaranteed pensions increased by DKK 32.1bn in Q1. Correspondingly, the hedging portfolio realised positive returns after tax of DKK 30.4bn. The value of the hedging portfolio therefore increased in step with the pension guarantees, and the hedging once more worked as intended, protecting the guarantees. The hedging result before yield curve break of DKK (1.8)bn is equal to 0.2 per cent of the guaranteed pensions, which at the end of March 2020 stood at DKK 791.2bn.

## Investment portfolio

As a result of the substantial drops in the financial markets, the investment portfolio, which is in part invested with a view to maintaining the real value of the guaranteed pensions, saw a negative return of

### *Facts about ATP*

*ATP is a mandatory pension scheme with 5,288,000 members. During the first quarter of the year, ATP's members contributed DKK 2.5bn. By the end of Q1 2020 1,053,000 pensioners were receiving ATP Livslang Pension (ATP Lifelong Pension). During Q1 ATP paid out DKK 4.3bn 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 old age pension. The full annual ATP Livslang Pension for a 66-year-old is DKK 25,200.*

DKK 29.2bn before tax, equal to (26) per cent of the average bonus potential for the period. The investment portfolio was widely affected by the market development of negative returns, including especially international listed equities and inflation-related instruments, while state and mortgage bonds realised positive returns. The total return should, however, be seen in the light of the fact that since 2010 ATP has generated returns of DKK 165bn in the investment portfolio (see figure on page 3), equal to an average return of 4.3 per cent per quarter.

*"After an extended period of strong investment returns, Q1 2020 saw us having to give some of the previous returns back. In spite of the substantial financial market fluctuations caused by the Corona crisis, the investment portfolio has been kept inside the frameworks of our risk models, and at the same time we are maintaining a margin for manoeuvre to allow us to take controlled market risks when and if we should so wish. We maintain our disciplined approach to risk management in order to create satisfactory results in the long term. In the short term, the result will, unfortunately, reduce the possibility of increasing pensions,"* says Bo Foged, CEO of ATP.

### **Net profit for the period and net assets**

The Q1 result was DKK (27.8)bn. At the end of Q1 2020 the bonus potential – ATP's free reserves – totalled DKK 98.3bn. This means that ATP still enjoys a solid capital basis with overhedging of 12.4 per cent relative to guaranteed pensions of DKK 791.2bn. ATP members' net assets amounted to DKK 889.5bn at the end of Q1 2020, which is on level with the end of 2019.

For further info, please contact Head of Press Stephan Ghisler-Solvang, phone: +45 6122 9392, e-mail: [stg@atp.dk](mailto:stg@atp.dk)