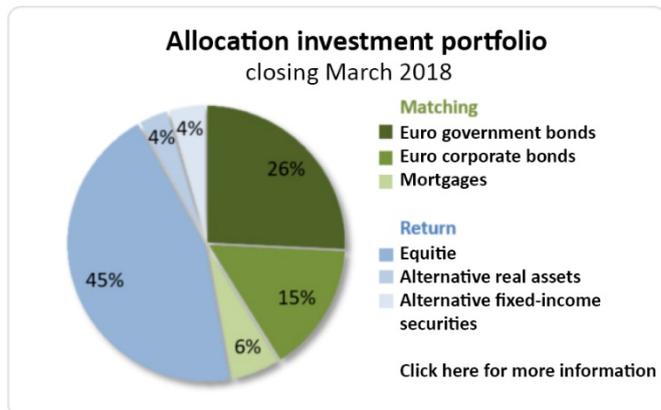
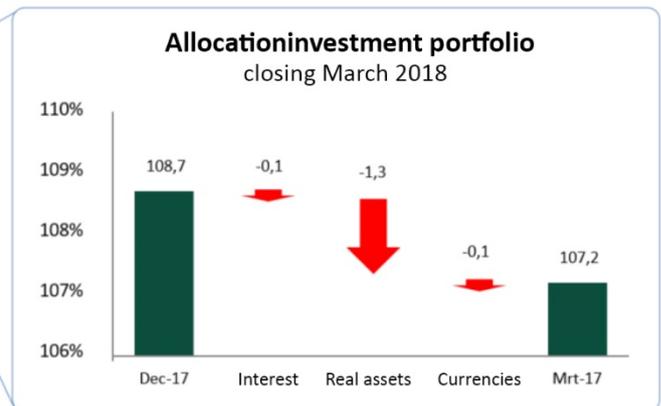
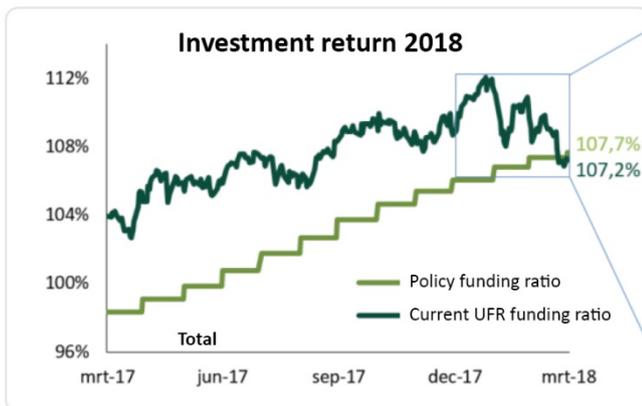


### Key points:

- Policy funding ratio 31 March 2018: 107.7%
- Current UFR policy funding ratio as at 31 March 2018: 107.2%
- Return on investments first quarter 2018: -1.1%
- Invested assets as at 31 March 2018: € 25.8 billion euro

Ruud Degenhardt, chairman Management Board Pensioenfond PGB: “The past quarter showed us how vulnerable the recovery is. After a good start to the year, we were faced with a drop of the stock markets in February and March. As a result, the return lagged behind. Our policy funding ratio rose a little because it’s a 12-month average, and lower funding ratios from 2017 were replaced by higher ones. The chance that we need to reduce pensions in the next few years, remains small. This is because our funding ratio at the end of 2017 was higher than the minimum capital requirement. The threat of an unconditional reduction in 2021 to get to that level, has therefore disappeared. An increase of pensions is possible if the policy funding ratio exceeds 110 percent. This requires a strong recovery. Unfortunately, that was not the case in the past few months.”

### Overview financial position and investment return



\* see the annex on page 4 for an explanation of the main concepts

## Explanation to financial position and investment return

### Financial position

The current UFR funding ratio decreased in the first quarter from 108.7% to 107.2%. The policy funding ratio rose from 106.1% to 107.7%. These two funding ratios do not move consistently because the current UFR funding ratio is a snapshot in time (end of quarter) whereas the policy funding ratio is the average of the current UFR funding ratios of the past twelve months. These funding ratios are criteria for any indexation or reduction (an increase or decrease to your pension). This is assessed annually. The chance of a reduction in the next few years is small. If the policy funding ratio exceeds 110%, a partial increase of the pensions may be possible.

### Investment return

The return on the investments over the first quarter of 2018 was -1.1%. The investments to hedge the interest rate risk (Matching) showed a positive return of 0.8%. The investments chosen for a higher return (Return) achieved a -2.7% return in the first quarter. Amongst other things, the possible trade war due to the United States had a negative impact on equities within Return.

### Allocation of investments

The value of the pension liabilities moves up or down as a result of interest rate movements. As at 31 March 2018, the effects of this movement for our financial position are counteracted for 47% via investments in the Matching Portfolio (Euro Government Bonds, Euro Corporate Bonds and Mortgages). The purpose of the Return Portfolio (Equities, Alternative Real Assets and Alternative Fixed-Income Securities) is to create extra return, for example to be able to increase the pensions. The value of the total investments is € 25.8 billion.

### Investment return Defined Contribution schemes

A number of participants has a capital sum via a defined contribution scheme. The details depend on your pension scheme. For each age category we have constructed a suitable investment portfolio. Younger investors invest a larger part of their capital sum in the Return Portfolio. A little more risk is taken with this portfolio. Older participants invest relatively more in the Matching Portfolio, so that their capital sum is less influenced by interest rate movements.

Resultaat per cohort	Gewicht		Rendement
	MP	RP	2018
Leeftijd 20-37	15%	85%	-2,2%
Leeftijd 38-47	25%	75%	-1,8%
Leeftijd 48-57	35%	65%	-1,5%
Leeftijd 58-67	45%	55%	-1,1%

### Pension liabilities

Liabilities (UFR): The value of the liabilities rose in the first quarter of 2018 from 23.5 billion euro to 24.0 billion euro. This was in particular due to the value transfer from another pension fund. The actuarial interest rate of the Dutch Central Bank as at 31 March 2018 was 1.5%. At the end of 2017 it was also 1.5%.

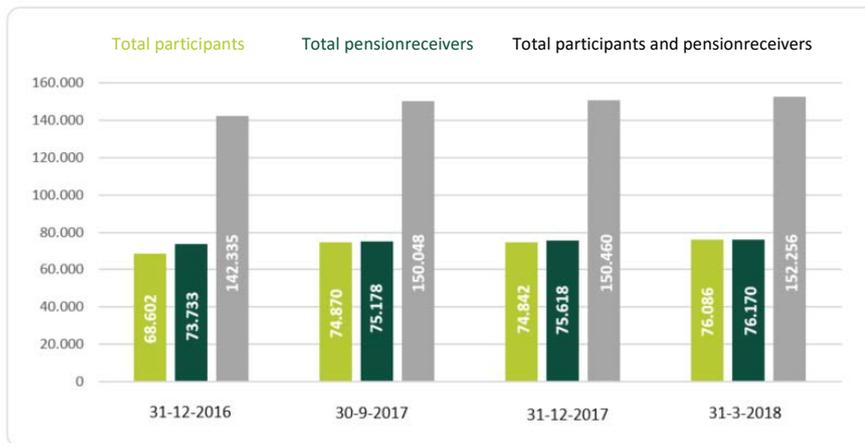
## Developments at Pensioenfonds PGB

- [Freek Busweiler \(67\) appointed as board member.](#)
- [Pensioenfonds PGB has become knowledge partner of thinktank Netspar.](#)
- [Board decides to investigate climate change and CO2 footprint relating to investments](#)
- [Participants survey shows that three quarters of people who are building up pension are worried about their pension.](#)

## Development participants

In the first quarter, the number of participants who are building up pension with Pensioenfonds PGB - including allocation on account of disability - increased by 1,244 (1.7 percent), from 74,842 to 76,086. The number of participants receiving pension rose from 75,618 to 76,170 in the first quarter; an increase of 0.7 percent. In total, there were 152,256 participants who are building up pension or receive pension at the end of the 1st quarter.

**Table 2:** development group of participants (31 March 2018)



*(click on the image for a comprehensive overview of the numbers per sector)*

The total number of participants, including participants who have left their pension with Pensioenfonds PGB after departure ('sleepers'), was approximately 317,000 as at the end of March 2018.

### Disclaimer

The figures in this quarterly report are provisional figures, partly based on estimates, and have not been checked by the certifying accountant and external actuary.

## Annex

### Explanation important concepts

#### **Matching (Portfolio)**

Investments that depend in particular on interest rate movements, such as, for example, Euro Government Bonds. The Dutch government issues loans and these are financed by, for example, Pensioenfond's PGB. The risk of these investments is limited, because it is common practice for governments to repay loans. Pensioenfond's PGB invests in particular in bonds of the Dutch and German governments. All these investments are in euros.

#### **Return (Portfolio)**

These investments are intended to provide an extra return. This category consists of equities (worldwide), alternative real assets (in particular real estate and infrastructure) and alternative fixed-income securities (in particular bonds of emerging countries). These investments are in euros, US dollars and pounds sterling.

#### **Interest rate**

The value of the pension liabilities and the Matching Portfolio will change following any interest rate movement. An increase in interest will usually have a positive influence on the funding ratio, even though the value of the Matching Portfolio will decrease as a result. In case of a drop in interest rate, the reverse is true.

#### **Real assets**

Equities and alternative real assets, which are part of the Return Portfolio.

#### **Currency**

Part of the Return Portfolio is invested in foreign currencies (everything that has not been invested in euros). The value of these foreign currencies can go up or down. Part of this risk is hedged. The part that is not hedged, may lead to a positive or negative result.