

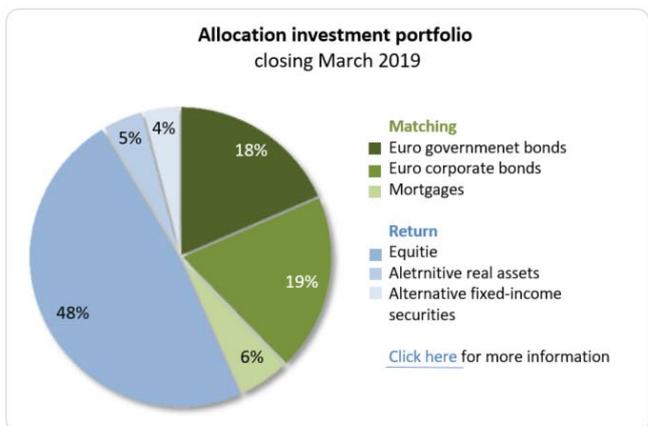
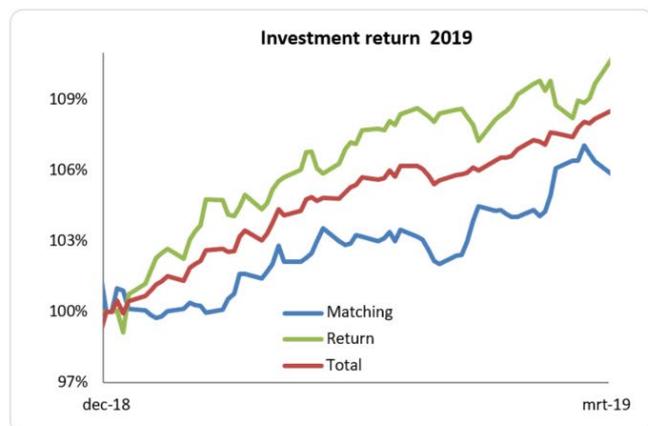
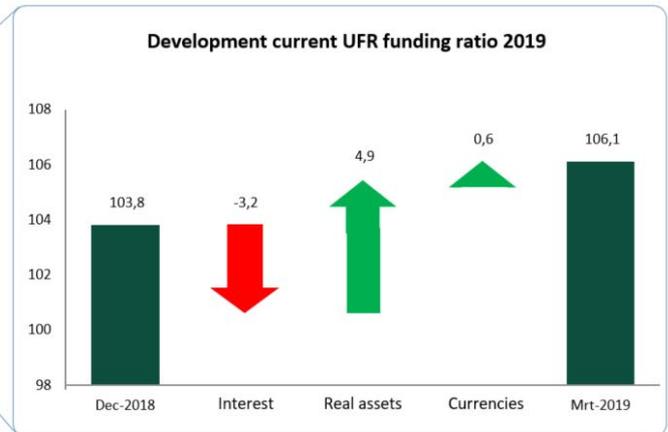
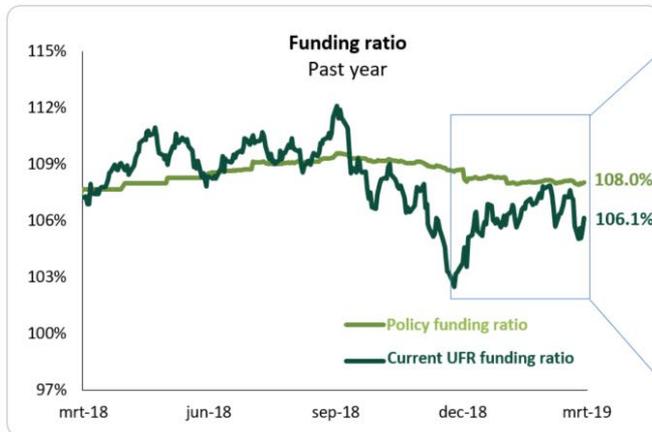
### Key points:

- Policy funding ratio as at 31 March 2019: 108.0% (down 0.7% compared to year-end 2018)
- Current UFR funding ratio as at 31 March 2019: 106.1% (up 2.3% compared to year-end 2018)
- Return on investments 1<sup>st</sup> quarter: 8.2%
- Invested assets as at 31 March 2019: € 27.9 billion

Ruud Degenhardt, chairman of the Management Board of Pensioenfond PGB: “We are pleased that the share prices recovered in early 2019. This has improved our financial situation. At the same time, we have to conclude that the high return of more than 8 percent in the first quarter did not result in a significantly higher current funding ratio. This is due to the lower interest rate. As a result, the pension fund needs more capital to pay out the pensions now and in the future. The chance that we need to reduce pensions next year, fortunately remains very small. Unfortunately the same applies to the chance that we can increase pensions next year by granting a supplement. For this, our policy funding ratio needs to be higher than 110 percent. This is only possible if the funding ratio will considerably increase over the next nine 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 increased from 103.8% to 106.1% in the first quarter. This was in particular due to a strong recovery of the stock market. The policy funding ratio decreased in the first quarter from 108.7% to 108.0%. The two funding ratios do not move consistently because the current UFR funding ratio is a snapshot in time (end of month), 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 of your pension). This is assessed annually.

The chance of a reduction of the pensions in 2020 fortunately remains small. Only once our funding ratio exceeds 110%, will we be able to increase the pensions. This will take place in small steps: just above 110%, the expected increase is still very small.

### Investment return

The return on the investments was 8.2% in the first quarter. The investments to hedge the interest rate risk (Matching) showed a positive return of 6.4% in the first quarter. Fixed-income securities (Return), such as equities, made a 9.7% return in the first quarter. In the first quarter, the stock markets recovered following the decline in late 2018.

### Allocation of investments

The value of the pension liabilities moves up or down as a result of interest rate movements. As at 31 March, 37% of the effect of this movement on our financial position was absorbed (interest rate hedging) by means of investments in the Matching Portfolio (consisting, among other things, of euro government bonds). The aim of the Return Portfolio (consisting of shares, among other things) is to create extra returns, in order to increase pensions. The value of the total investments is € 27.9 billion. Since 2018, Pensioenfond PGB has been buying share options. These options protect the pension fund against large drops in prices on the stock markets. The funding ratio will consequently drop less fast in the event of a drop in the value of shares.

### Investment return Defined Contribution schemes

A number of participants have a capital sum via a defined contribution scheme. The details vary according to the pension scheme. For each age category we have constructed a suitable investment portfolio. Younger investors invest a larger portion of their capital sum in the Return Portfolio (RP). A little more risk is taken with this portfolio. Older participants invest more in the portfolio that involves less risk (Matching Portfolio), therefore their capital sum is more protected against interest rate movements and drops in prices.

Result per cohort	Weight		U yield
	MP	RP	2019
Age up to and including 37	15%	85%	9,2%
Age 38-47	25%	75%	8,9%
Age 48-57	35%	65%	8,6%
Age 58-68	45%	55%	8,2%

**Pension liabilities**

Liabilities (UFR): The value of the liabilities rose in the first quarter from 24.4 billion euro to 27.0 billion euro. The actuarial interest rate of the Dutch Central Bank fell in the first quarter from 1.4% to 1.1% as at 31 March.

**Developments at Pensioenfond's PGB**

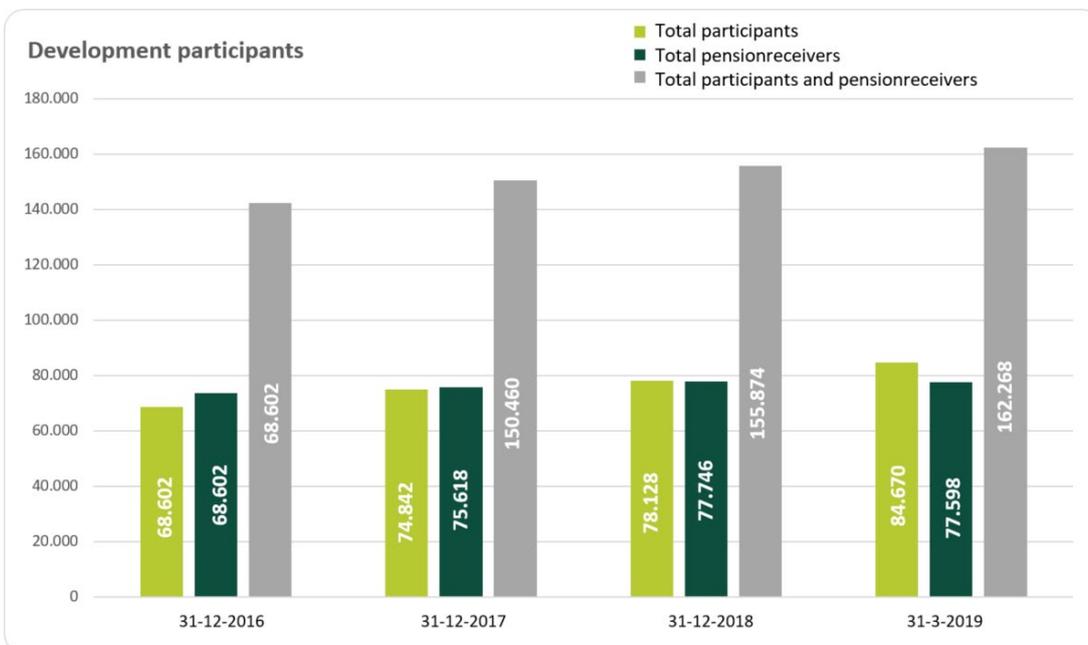
- [More information for participants available in English](#)
- [New rules for small pensions](#)
- [Survey: satisfaction has increased](#)
- [Jochem Dijckmeester new vice chairman](#)
- [Results engagement activities Q4-2018](#)
- [UPA: deregistration employee who retires](#)
- [PGB's Canon](#)
- [Survey: for a financially comfortable position later on in life](#)
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**Development participants base**

In the first quarter, the number of participants building up pension with Pensioenfond's PGB - including allocation on account of disability - increased considerably, by 6,542, from 78,128 to 84,670. This increase is the result of twenty new employers who have joined Pensioenfond's PGB since 1 January 2019.

The number of participants receiving pension fell from 77,746 to 77,598 in the 1st quarter. In total, 162,268 participants were building up or receiving pension at the end of the 1st quarter.

**Table 2:** development group of participants (31 March 2019)



The total number of participants - including participants who have left their pension with Pensioenfond's PGB after departure ('sleepers'), was approximately 329,000 as at the end of March 2019.

## 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 PGB. The risk of these investments is limited, because it is common practice for governments to repay loans. Pensioenfond 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 rates

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.

#### 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.