

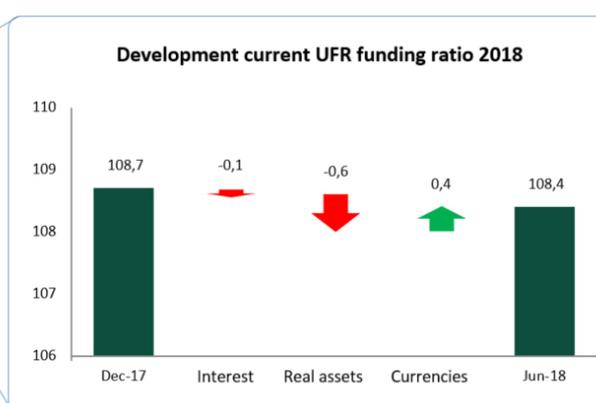
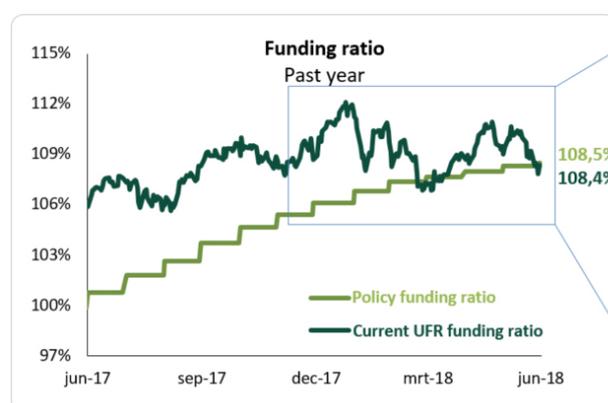
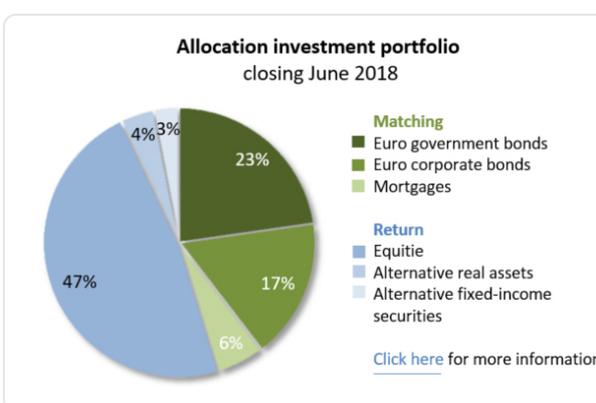


Key points:

- Policy funding ratio 30 June 2018: 108.5% (up 2.4% compared to year-end 2017)
- Current UFR funding ratio 30 June 2018 108.4% (down 0.3% compared to year-end 2017)
- Return on investments 2nd quarter: +2.1% (since year-end 2017: +1.0%)
- Invested assets as at 30 June 2018: € 26.3 billion

Ruud Degenhardt, chairman of the Management Board of Pensioenfond PGB: “Our monthly funding ratio remained reasonably stable in the past six months, and the policy funding ratio (average over 12 months) rose slightly. This means that the chance of a cutback is still very small, as we have a nice buffer. But of course we had hoped for more. In order to be able to increase pensions next year, the policy funding ratio, which is now 108.5%, needs to be higher than 110% at the end of the year. The strongly increasing trend that we saw in 2017 has not been seen so far this year.

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 dropped from 107.2% to 108.4% in the second quarter. The policy funding ratio rose from 107.7% to 108.5%. 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 of your pension). This is assessed annually. If a pension fund does not have a buffer of at least 4 - 5% over a period of 5 years, the pension fund is required by law to reduce pensions. Because the buffer is 8.4%, the chance of a cutback is small in the next few years. If the policy funding ratio exceeds 110% at the end of the year, a partial pension increase may be possible.

Investment return

The return on the investments was +2.1% in the second quarter. Since the end of 2017, this is +1.0%. The investments to hedge the interest rate risk (Matching) have shown a positive return of +2.6% since the end of 2017. The investments chosen for a higher return (Return) made a return of -0.4% to date. Amongst other things, the possible trade war due to the United States had a negative impact on equities in the first quarter. In the second quarter, equities showed a positive return.

Allocation of investments

The value of the pension liabilities moves up or down as a result of interest rate movements. As at 30 June 2018, the effects of this movement on our financial position are counteracted (interest rate hedging) for 52% via investments in the Matching Portfolio (Euro Government Bonds, Euro Corporate Bonds and Mortgages). The aim of the Return Portfolio (Equities, Alternative Real Assets and Alternative Fixed-Income Securities) is to create an extra return, for example to be able to increase pension. The value of the total investments is € 26.3 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 (MP), so that their capital sum is less influenced by interest rate movements.

Result per cohort	Weight		U yield	
	MP	RP	Q2 2018	2018
Age up to and including 37	15%	85%	2.3 %	0.1%
Age 38-47	25%	75%	2.2%	0.4%
Age 48-57	35%	65%	2.2%	0.7%
Age 58-68	45%	55%	2.1%	1.0%
Total DC	31%	69%	2.1%	0.5%
Total	47%	53%	2.1%	1.0%

Pension liabilities

Liabilities (UFR): The value of the liabilities rose in the second quarter of 2018, from 24.0 billion euro to 24.3 billion euro. De actuarial interest rate of the Dutch Central Bank fell in the second quarter from 1.5% to 1.4% as at 30 June.

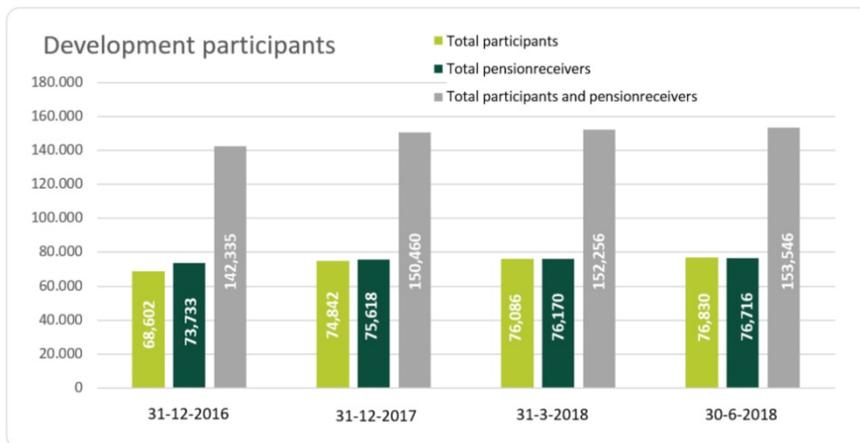
Developments at Pensioenfond PGB

- [Vacancy in board: proposal to re-appoint Tom Vollebergh](#)
- [Customer panel positive on animation film on pension application](#)
- [Pensioenfond PGB publishes quarterly reports on engagement](#)
- [Pensioen Pro receives award for best major pension fund](#)
- [New privacy rules introduced](#)

Development participants base

In the second quarter, the number of participants who are building up pension with Pensioenfond PGB - including allocation on account of disability - increased by 744 (1.0 percent), from 76,086 to 76,830. The number of participants receiving pension rose from 76,170 to 76,716 in the first quarter; an increase of 0.7 percent. In total, 153,546 participants were building up or receiving pension as at the end of the second quarter.

Table 2: development group of participants (30 June 2018)



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

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.