

PGB QUARTERLY REPORT

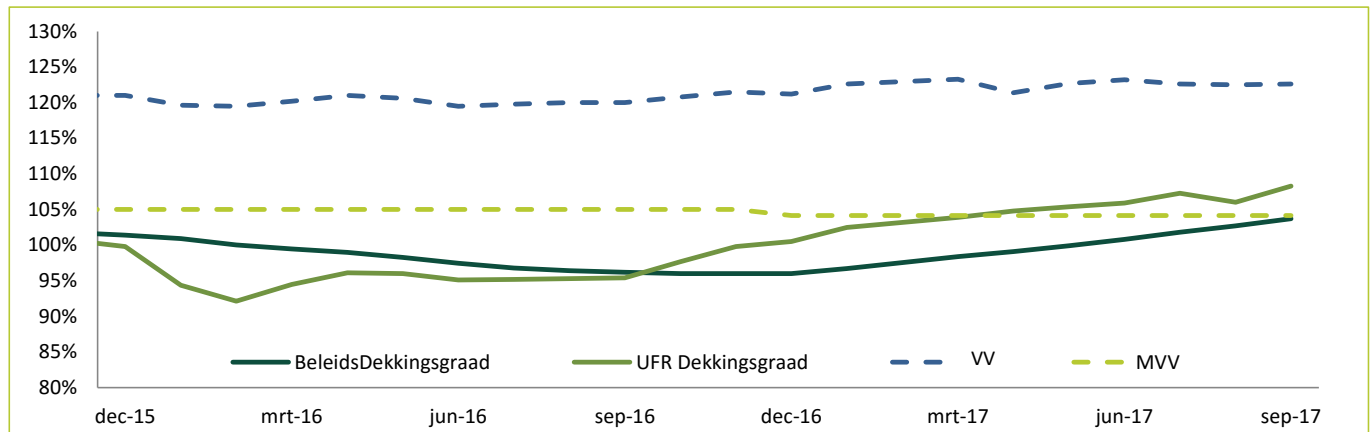
**Highlights:**

- Policy funding ratio 30 September 2017: 103.7% (7.7% increase in 2017)
- Current UFR funding ratio 30 September 2017: 108.3%
- Return on investments in third quarter 2017: 1.9%
- Invested assets 30 September 2017: € 24.9 billion

Ruud Degenhardt, chairman of the Management Board of Pensioenfond PGB: "Our financial situation has further improved during the third quarter of 2017. This is due to higher interest rates and the result on investments. Our policy funding ratio has risen every month since January 2017 and now amounts to 103.7 per cent. Unfortunately, this does not mean that we can now start thinking about increasing the pensions. Only when the policy funding ratio is higher than 110%, will we be able to increase the pensions."

Financial results**Policy funding ratio**

In the third quarter of 2017, the policy funding ratio rose from 100.8% (30 June 2016) to 103.7% (30 September 2017). The policy funding ratio has risen by 7.7% since the end of 2016. The policy funding ratio is an average funding ratio calculated over a twelve-month period (twelve UFR funding ratios).

Chart 1: Development of the funding ratios

Explanation: the required policy funding ratio of Pensioenfond PGB is currently around 123% (Capital Requirement) (VV). PGB must reach this level at the end of 2026. If not, PGB is required to lower the pensions. If the policy funding ratio has been lower than the Minimum Capital Requirement (MVV), the minimum required funding ratio, for a consecutive period of five years, Pensioenfond PGB must lower the pensions. Indexation is only possible if the policy funding ratio exceeds 110%.

Key figures PGB	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Policy funding ratio	103.7%	100.8%	98.4%	96.0%	96.2%
Investment return	1.9%	0.1%	2.0%	-0.3%	2.9%

Return

The return on the investments over the third quarter of 2017 was 1.9%. In the first 9 months of 2017 we made a 4.0% return on our investments. The value of the liabilities decreased by well over 5% in 2017, as a result of higher interest rates. The corresponding investments to cover the interest rate risk (Matching) showed a less sharp decrease. In the first 9 months, the negative return was 1.8%. The investments for a higher return (Return) showed a 9.2% return in 2017.

Table 1: Investments and returns up to and including 30 September 2017

	Investments		Return	
	In mln €	In %	2017	Q3 2017
PGB-total	24,945	100%	4.0%	1.9%
Low-risk investments (Matching)	10,8405	43,5%	-1.8%	0.8%
Government bonds	4,634	18.6%	-2.8%	0.9%
Corporate bonds	3,774	15.14%	0.8%	0.9%
Mortgages	1,450	5.8%	3.6%	1.7%
Euro liquidities	-244	-1.0%	–	–
Inflation-linked bonds	1,106	4.4%	-1.0%	1.6%
Interest coverage	121	0.5%	–	–
Higher-risk investents (return)	14,104	56.5%	9.2%	2.8%
Equities	10,951	43.9%	7.5%	2,3%
Alternative fixed-income securities	973	3.9%	-3.8%	-1.0%
Alternative real assets	1,701	6.8%	3.2%	1.0%
<i>Real estate</i>	775	3.1%	4.0%	1.1%
<i>Infrastructure</i>	8751	3.5%	2.4%	0.7%
<i>Private Equity</i>	51	0.2%	6.6%	2.9%
Liquidities	380	1.5%	–	–
Currency hedging	99	0.4%	–	–

Market developments

The interest rate rose in the third quarter. This had a negative impact on the value of bonds in the matching portfolio. As a result of the dynamic investment policy, among other things, we still had a positive result on this portfolio. The return portfolio, which consists mostly of equities, achieved a positive return in the third quarter. The US dollar fell (again) relative to the euro in the third quarter. This had a negative effect on the value of a number of individual asset classes (in particular alternative fixed-income securities). Much of this loss was set off through currency hedging. This was responsible for a positive return on the return portfolio.

Pension liabilities

Liabilities (UFR): the actuarial interest rate of the Dutch Central Bank rose from 1.5% to 1.6% in the third quarter of 2017. As a result of this increase, the fund had to reserve less for the payment of pensions. The value of the liabilities dropped from 23.1 billion to 23.0 billion euro.

Developments at Pensioenfonds PGB

- The policy for sustainable investing has been adjusted. [There is more focus now on social commitment. The exclusions have been expanded.](#)
- [From this year, the pension statements look different.](#) The new (obligatory) layout is shorter in length and more conveniently arranged.
- On [the annual conference](#) for representatives of social partners and other relations the board has presented its views on the development of the premiums in the next few years, among other things.

Development participants

The number of participants accruing pension with Pensioenfond PGB - including allocation on account of disability - dropped by 383 (0.5%) from 75,253 to 74,870 in the third quarter. The number of participants receiving pension increased from 74,152 to 75,178 in the third quarter; an increase of 1.4%. In total 150,048 participants accrued or received pension at the end of the third quarter.

Table 2: development circle of participants (30 September 2017)

Number of participants	30-09-2017	30-06-2017	31-12-2016	31-12-2015
Graphics media and off-set printing	21,933	21,960	22,332	22,180
Cardboard and flexible packaging business	5,066	5,003	5,300	4,466
Painting and printing ink industry	1,884	1,871	1,831	1,720
Publishing trade	8,993	9,102	9,100	8,111
Plastics and rubber industry	4,359	4,334	1,845	1,791
Paper industry	2,957	2,959	2,347	2,320
Chemicals and pharmaceuticals industry	6,461	6,588	6,263	4,587
Wholesale	2,341	2,167	1,945	1,075
Services industry	1,785	1,835	1,704	1,111
Wholesale in flowers and plants	5,204	5,138	4,523	3,833
Process industry	6,607	6,903	3,878	2,793
Maritime contracting	1,922	1,984	1,995	1,834
Offshore fishing	908	898	908	-
Participants with allocation on account of disability	4,450	4,511	4,631	4,131
Total number of participants including allocation on account of disability	74,870	75,253	68,602	59,952
Total number of recipients of pension	75,178	74,152	73,733	71,492
Total number of participants and recipients of pension	150,048	149,405	142,335	131,444

The total number of participants - including participants who left their pension with Pensioenfond PGB after they left Pensioenfond PGB's service (deferred participants) was approximately 311,000 at the end of September 2017.

Disclaimer

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