3RD QUARTER 2018

PGB QUARTERLY REPORT

pensioenfonds PGB

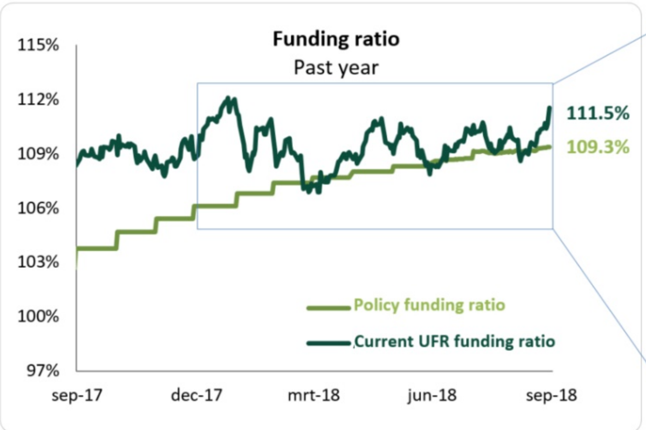
Key points:

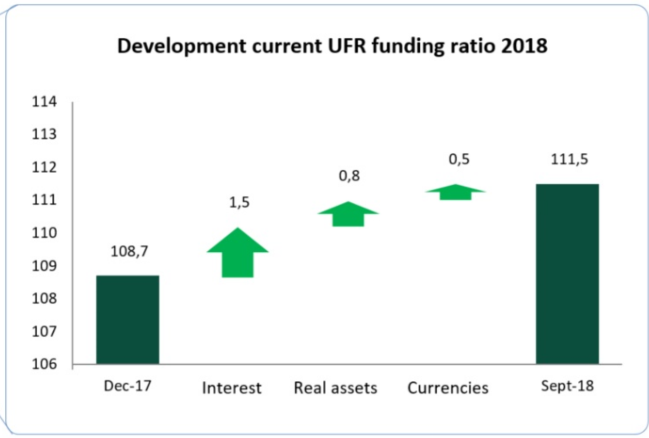
- *Policy funding ratio 30 September 2018: 109.3% (up 3.2% compared to year-end 2017)*
- *Current UFR funding ratio 30 September 2018: 111.5% (up 2.8% compared to year-end 2017)*
- *Return on investments 3rd quarter: +1.0% (since year-end 2017: +2.0%)*
- *Invested assets as at 30 September 2018: € 26.5 billion*

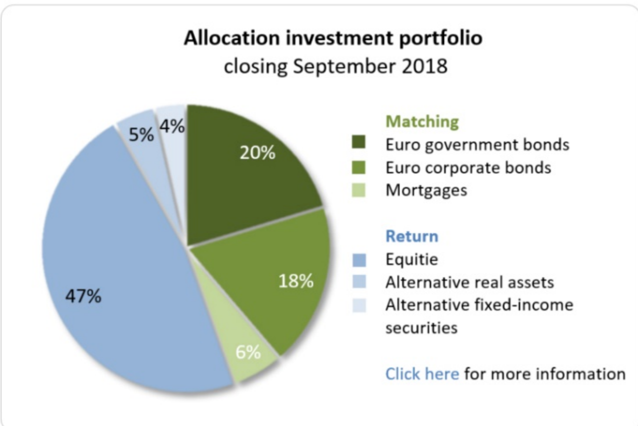
"The current funding ratio increased to 111.5% in the past quarter. This rise is the result of an increase of the interest rate and shares, but also of an actuarial adjustment. As a result of applying a new mortality table, there was an additional increase in the current funding ratio. Partly as a result of this windfall, the policy funding ratio as an average for the past 12 months has risen further from 108.5% at the end of the second quarter to 109.3% at the end of the third quarter.
As is well known, the policy funding ratio determines whether or not pensions may be increased next year. An increase requires a policy funding ratio of at least 110%.
Although things have been moving steadily in the right direction in recent months, the level of 110% on 30 September has not been reached. However, the positive development during the third quarter did not continue during the first weeks of this last quarter of 2018. Several stock exchanges have recently shown strong declines. This has a negative impact on the level of the policy funding ratio and thus on the likelihood of supplements being granted. I would have liked this to be different, but unfortunately that's how it is."

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 108.4% to 111.5% in the third quarter. The policy funding ratio increased from 108.5% to 109.3%. 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 to 5% over a period of 5 years, the pension fund is required by law to reduce the pensions. Because the buffer is 11.5%, the chance of a cutback is small in the next few years.

Investment return
The return on the investments was +1.0% in the third quarter. Since the end of 2017, this is +2.0%. The investments to hedge the interest rate risk (Matching) have shown a positive return of +1.6% since the end of 2017. The investments chosen for a higher return (Return) made a +2.2% return to date. Amongst other things, the possible trade war due to the United States had a negative impact on equities in the first quarter. After the first quarter we saw a rise in the return on shares.

Allocation of investments
The value of the pension liabilities fluctuates as a result of interest rate movements. As at 30 September 2018, the effects of this movement on our financial position are counteracted (interest rate hedging) for 54% 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 the pensions. The value of the total investments is € 26.5 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%	2.0 %	2.1%
Age 38-47	25%	75%	1.7%	2.1%
Age 48-57	35%	65%	1.3%	2.0%
Age 58-68	45%	55%	0.9%	1.9%
Total DC	31%	69%	1.5%	2.0%
Total	47%	53%	1.0%	2.0%

Pension liabilities

Liabilities (UFR): As at 30 September, the value of the liabilities is equal to the value of 30 June (23.8 billion euro). In the third quarter, the Dutch Central Bank increased the actuarial interest rate from 1.44% to 1.5% as at 30 September. Due to a decrease in life expectancy, it is expected that less pension will have to be paid out in the future.

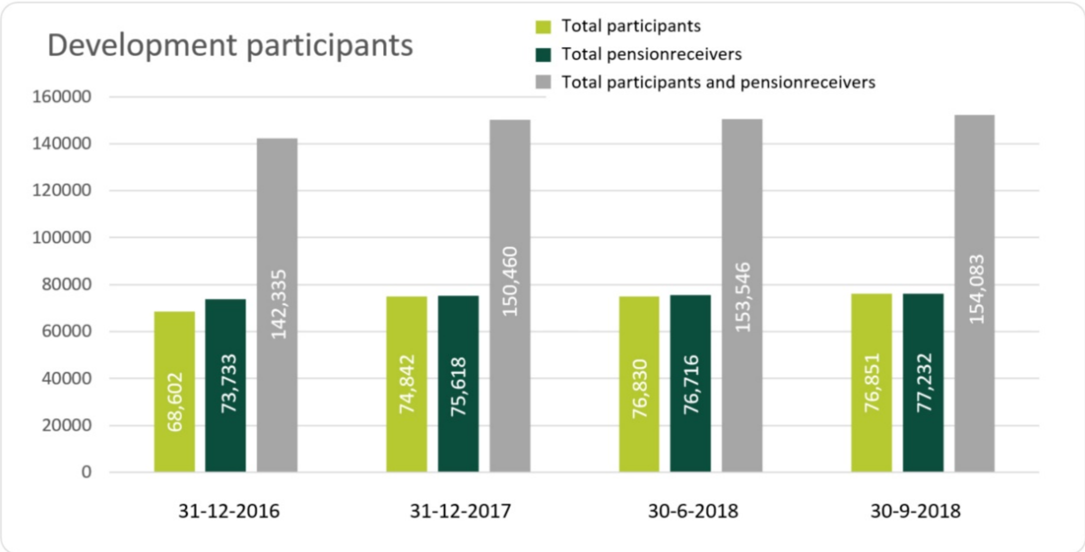
Developments at Pensioenfonds PGB

- No investments in weapons sale to civilians
- Less CO2 emissions in our investments
- Results engagement activities
- Commitment board of directors: to keep contributions at the same level in 2019

Development participants base

The number of participants who build up pension with Pensioenfonds PGB - including allocation for incapacity for work - rose in the 3rd quarter by 21 from 76,830 to 76,851. The number of participants receiving pension rose from 76,716 to 77,232 in the 3rd quarter; an increase of 0.7 percent.
In total, 154,083 participants were building up or receiving pension as at the end of the 3rd quarter.

***Table 2**: development group of participants (30 September 2018)*



(click on the image for a comprehensive overview of the numbers per sector (only in Dutch))

The total number of participants - including participants who have left their pension with Pensioenfonds PGB after departure ('sleepers'), was approximately 319,000 as at the end of September 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, Pensioenfonds PGB. The risk of these investments is limited, because it is common practice for governments to repay loans. Pensioenfonds 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.