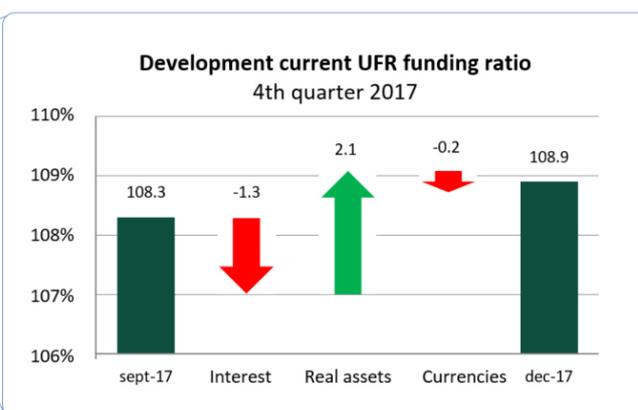
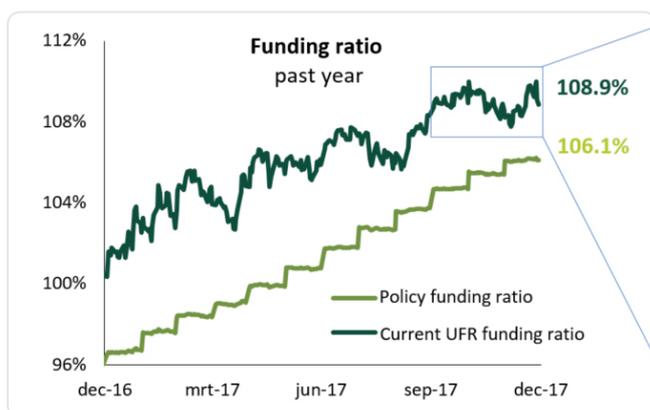


Highlights:

- Policy funding ratio 31 December 2017 : 106.1% (10.1% increase in 2017)
- Current UFR funding ratio 31 December 2017: 108.9%
- Return on investments in fourth quarter 2017: 2.6%
- Return on investments in 2017: 6.7%
- Invested assets 31 December 2017: € 25.5 billion

Ruud Degenhardt, chairman of the Management Board of Pensioenfond PGB: “Our financial status at year-end 2017 is much better than at the beginning. This is due to the somewhat higher interest rate and the investment result of 6.7%. The policy funding ratio rose from 96% to 106.1% in the past year. This is good news for our participants. It means that the threat of a pension cut has decreased. And we find ourselves better positioned to achieve our ambitions for indexation of the pensions in the future.”

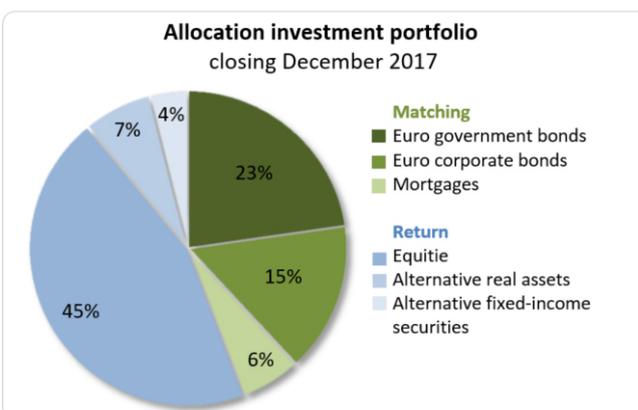
Overview Financial position and Investment return



Explanation

The **policy funding ratio** is the average of the current UFR funding ratios of the past twelve months.

The **current UFR funding ratio** is the ratio between the invested pension capital and the pensions we must pay out now and in the future (liabilities).



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

Explanation Financial position and Investment return

Financial position

Pensioenfonds PGB's financial situation has improved in the fourth quarter of 2017. The current UFR funding ratio rose from 108.3% to 108.9%. The policy funding ratio rose from 103.7% to 106.1%. Over the whole of 2017, the current UFR funding ratio rose by 8.4% and the policy funding ratio rose by 10.1%. These funding ratios are criteria for any indexation or cuts (an increase or decrease of your pension). Annual assessments are carried out to determine whether this takes place. If a pension fund no longer has a buffer of about 4-5%, the pension fund is obliged by law to lower the pensions. Now that the buffer is 6.1%, this risk is no longer present. This means that the chance of a reduction in pensions over the coming years has decreased considerably. If the policy funding ratio is higher than 110%, a partial increase of the pension will be a little nearer.

Investment return

The return on the investments over the 4th quarter of 2017 was 2.6%. Over the whole of 2017, we realised a 6.7% return on our investments. The value of the liabilities decreased by about 4% in 2017 as a result of higher interest rates. The related investments to cover the interest rate risk (Matching) showed a more limited decline (negative return of 0.2%). The investments selected for a higher return showed a 12.8% return in 2017.

Allocation of investments

The value of the pension liabilities moves upward or downward as a result of interest rate fluctuations. The consequence of this movement for our financial position is cushioned at year-end 2017 for about 45% by 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 extra return, for example to allow us to increase the pensions. The value of the total investments is € 25.5 billion.

Investment returns Defined Contribution schemes

Some participants build up a capital sum through a defined contribution scheme. The specifics depend on your pension scheme. For each age category, a fitting investment portfolio has been compiled. Younger participants invest a larger portion of their capital sum in the Return Portfolio. This involves a slightly higher risk. Older participants invest relatively more in the Matching Portfolio, so that their capital sum is better protected against interest rate fluctuations.

Resultaat per Leeftijdscategorie	Gewichtsverdeling		Rendement
	Matching	Return	2017
Leeftijd 20-40	20%	80%	10,2%
Leeftijd 41-57	30%	70%	8,9%
Leeftijd 58-67	50%	50%	6,3%

Pension liabilities

Liabilities (UFR): The actuarial interest rate of the Dutch Central Bank at year-end 2017 was 1.5%. At year-end 2016 it was 1.3%. As a result of this interest rate increase, the fund needs to reserve less for the payment of pensions. The value of the liabilities dropped from € 23.9 billion to € 23.4 billion in 2017.

Developments at Pensioenfond's PGB

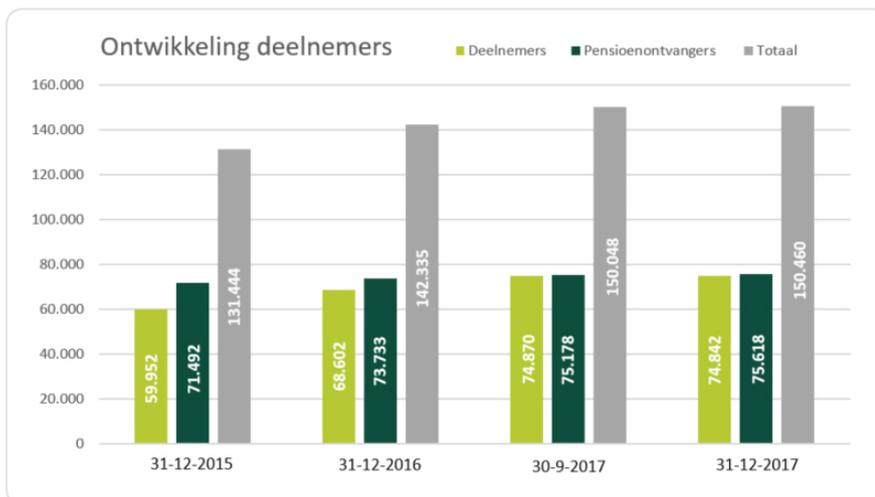
- [No increase \(indexation\) of the pension possible as of 1 January 2018.](#)
- [In Pensioenfond's PGB's pension schemes the pension target age has been increased to 68.](#)
- [The contribution for the basic average salary scheme at Pensioenfond's PGB has remained unchanged and is 24%. What does this mean for the various sectoral schemes can be found on the website, in an overview of the contributions and key figures per sector.](#)
- [At an international pension conference in Prague, Pensioenfond's PGB received an award for its dynamic investment policy.](#)

Development participants

The number of participants (74,842) accruing pension with Pensioenfond's PGB - including allocation on account of disability - remained almost unchanged compared to the third quarter. In the fourth quarter, the number of participants receiving pension increased from 75,178 to 75,618; an increase of 0.6%.

In total, 150,460 participants accrued or received pension at the end of the fourth quarter.

Table 2: development participants group (31 December 2017)



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

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

Annex

Explanation main concepts

Matching (Portfolio)

Investments that depend in particular on interest rate movements, for example Euro government bonds. The Dutch government issues loans which are financed by, for example, Pensioenfond PGB. The risk of these investments is limited, because it is customary for governments to repay the loans. Pensioenfond PGB invests in particular in bonds issued by the Dutch and German governments. All these investments are in euros.

Return (Portfolio)

These investments should ensure extra returns. This asset class consists in particular 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 British pounds sterling.

Interest rates

The value of the pension liabilities and the Matching Portfolio changes as interest rates fluctuate. An increase in interest rates will usually have a positive effect on the funding ratio, even though the value of the Matching Portfolio will drop as a result. If interest rates decrease, it works the other way around.

Real assets

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

Currencies

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