



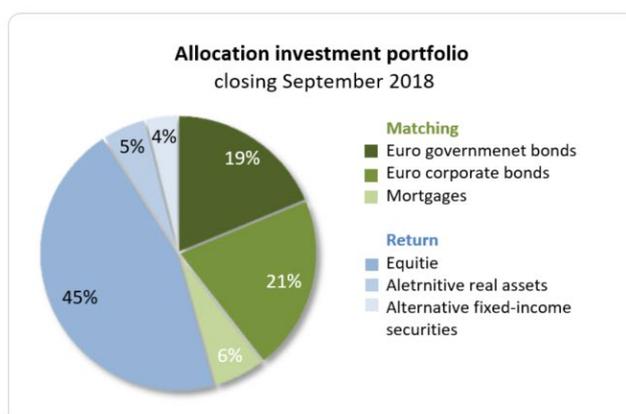
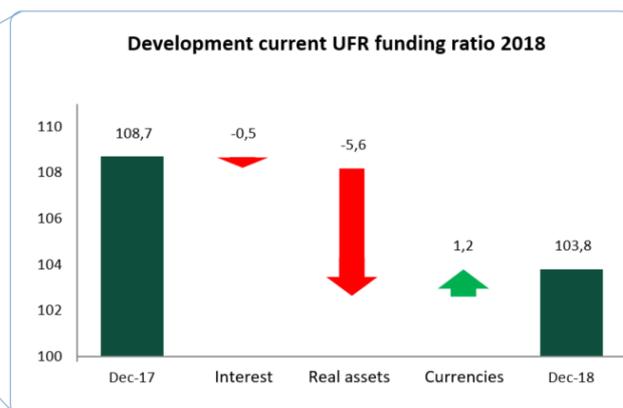
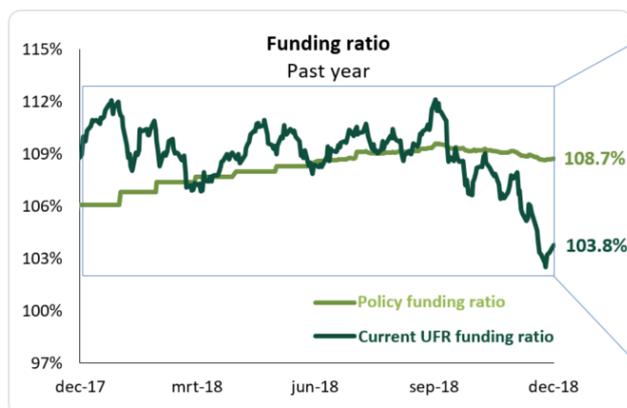
Key points:

- Policy funding ratio 31 December 2018: 108.7% (up 2.6% compared to year-end 2017)
- Current UFR funding ratio 31 December 2018: 103.8% (down 4.9% compared to year-end 2017)
- Return on investments since year-end 2017: -2.3% (-4.2% in 4th quarter 2018)
- Invested assets as at 31 December 2018: € 25.4 billion

Ruud Degenhardt, chairman of the Management Board of Pensioenfond PGB: “Our financial situation deteriorated in the 4th quarter. This is a major setback. We were hoping to continue the upward trend. Our aim is to increase the pensions of our participants in line with inflation; to index-link them. A policy funding ratio of 110% is the statutory lower limit for this. It’s a pity that the prospect of indexation, which looked nearer in the first quarters of 2018, has decreased. Fortunately, the chance of a cut is still very small. Despite the loss on our investments in 2018, we are still in such good shape that we do not currently have to take into account a reduction in pensions in 2020.”

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 decreased in the 4th quarter from 111.5% to 103.8%. The policy funding ratio decreased in the 4th quarter from 109.3% to 108.7%. These 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. The two funding ratios are criteria for any increase or decrease of the pensions. This is assessed annually. Despite the drop in share prices in the 4th quarter, our funding ratios were still sufficiently high as at year-end 2018. As a result, the chance of a reduction of the pensions in 2020 is fortunately very small. Only once our funding ratio exceeds 110%, will be we able to increase the pensions.

Investment return

The return on the investments was -4.2% in the 4th quarter. For the whole of 2018 it was -2.3%. The investments to hedge the interest rate risk (Matching) showed a positive return of +4.5% in 2018. Fixed-income securities (Return), such as equities, made a -7.3% return in 2018. In the 4th quarter, the stock markets fell following an interest rate increase in the US and trade turmoil between the US and China.

Allocation of investments

The value of the pension liabilities moves up or down as a result of interest rate movements. As at 31 December 2018, the effects of this movement on our financial position are counteracted (interest rate hedging) via investments in the Matching Portfolio (which includes 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 pensions. The value of the total investments is € 25.4 billion (as at year-end 2018).

Investment return Defined Contribution schemes

A number of participants has 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 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	Q4 2018	2018
Age up to and including 37	15%	85%	-7,6%	-5,5%
Age 38-47	25%	75%	-6,4%	-4,3%
Age 48-57	35%	65%	-5,1%	-3,1%
Age 58-68	45%	55%	-3,9%	-1,9%

Pension liabilities

Liabilities (UFR): The value of the liabilities rose from €23.8 billion to €24.4 billion in the 4th quarter. In the 4th quarter, the actuarial interest rate of the Dutch Central Bank fell from 1.5% to 1.4% as at 31 December. Due to a decrease in life expectancy, we expect we will have to pay out less pension in the future. This reduces the value of the liabilities. This had a positive effect on the UFR funding ratio of 1.1%.

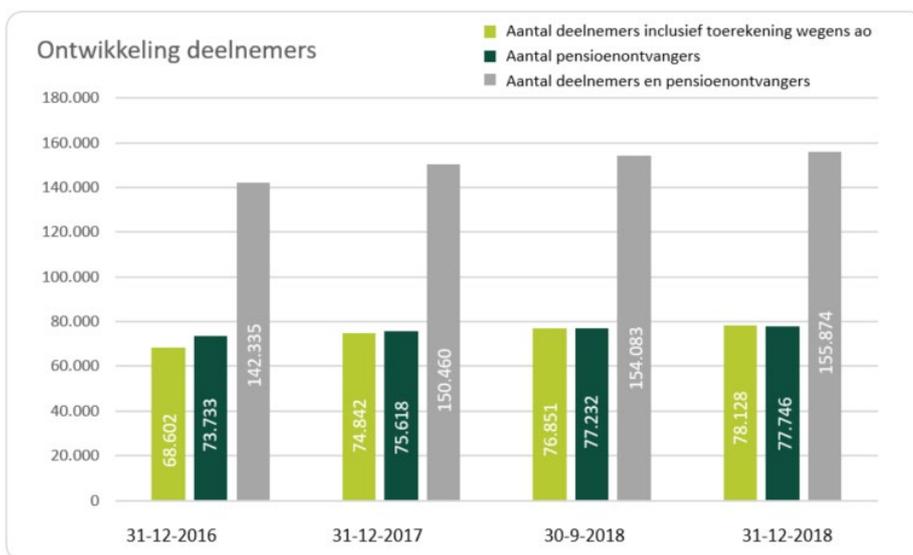
Developments at Pensioenfond's PGB

- [Investment policy Pensioenfond's PGB more sustainable](#)
- [Results engagement activities 3rd quarter of 2018](#)
- [2019 premium and key figures known](#)
- [PGB supports arrangements on responsible investing pension sector](#)
- [Pension at PGB does not increase in line with the increase in the level of prices](#)

Development participants base

The number of participants building up pension with Pensioenfond's PGB - including allocation on account of disability - increased by 1,277, from 76,851 to 78,128 in the 4th quarter. The number of participants receiving pension rose from 77,232 to 77,746 in the 4th quarter; an increase of 0.3 percent. In total, 155,874 participants were building up or receiving pension as at the end of the 4th quarter.

Table 2: development group of participants (31 December 2018)



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

The total number of participants - including participants who have left their pension with Pensioenfond's PGB after departure ('sleepers'), was approximately 322,000 as at the end of December 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.