

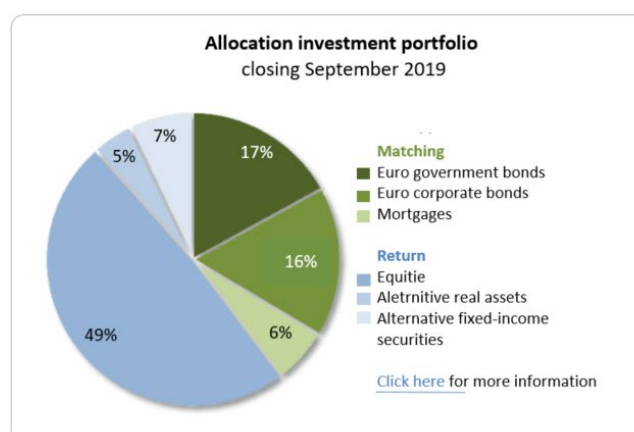
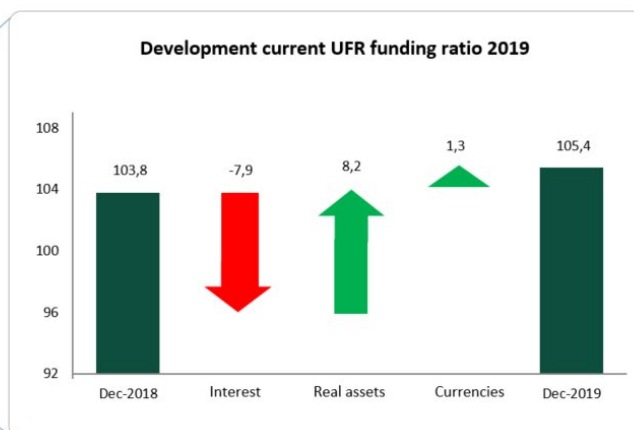
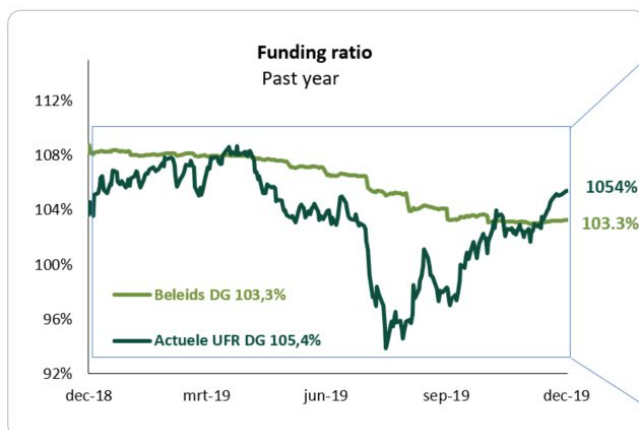
Key points:

- Policy funding ratio 31 December 2019: 103.3% (down 5.4% compared to year-end 2018)
- Current UFR funding ratio 31 December 2019: 105.4% (up 1.6% compared to year-end 2018)
- Return on investments since year-end 2018: 16.0% (increase of 1.2% in the fourth quarter of 2019)
- Invested assets as at 31 December 2019: € 29.9 billion

Ruud Degenhardt, Chairman of the Board of Pensioenfond PGB: “Fortunately our financial situation has strongly improved in the fourth quarter of 2019 compared to the poor third quarter, in which the interest rate dropped to an all-time low. We are ultimately at a better position at the end of 2019 than at the end of 2018, but we are not yet back at the level of two years ago. The interest rate is very low, despite the increase in the past few months. It is also substantially lower than at the end of last year. As a result, we have to add almost the entire investment return of 16% in 2019 to our reserves. We now have close to € 30 billion in pension assets, which is needed in order to guarantee that we will be able to pay out the pensions in the future. In our figures this is reflected in the current coverage ratio: despite the high return, it has increased only a little compared to year-end 2018. Our outlook for 2020 is unfortunately not very optimistic. We anticipate another difficult year, with continued low interest rates, uncertainty in the financial markets and stricter calculation rules for pension funds.”

Overview of 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

In the fourth quarter the interest rate rose and equities showed a positive return. As a result, the fund’s financial situation improved. The current UFR coverage ratio rose from 98.3% to 105.4% in the fourth quarter. The policy coverage ratio decreased from 104.1% to 103.3% in the fourth quarter. The two coverage ratios do not move consistently because the current UFR coverage ratio is a snapshot in time (end of December), whereas the policy coverage ratio is the average of the current UFR coverage ratios of the past twelve months. These coverage ratios are benchmarks for any indexation or reduction (i.e. an increase or decrease of your pension). This is assessed annually. Because our policy coverage ratio was 103.3% on 31 December 2019, fortunately we do not have to reduce the pensions. Unfortunately, our financial situation is not good enough to increase the pensions. We can only do so when our coverage ratio is higher than 110%. This will take place in small steps: just above 110%, the expected increase will still be very small.

Investment return

Since the end of 2018, the return on investments is 16.0%. The investments to hedge the interest rate risk (Matching) have shown a 11.7% return since the end of 2018. In the fourth quarter, the return of Matching decreased as a result of the higher interest rate. Real assets (Return), such as equities, have shown a return of 19.0% since the end of 2018. Stock markets were positive in the fourth quarter. This was partly due to the expected trade agreement between the United States and China.

Allocation of investments

The value of the pension liabilities increases or decreases as a result of interest rate movements. As at 31 December, approximately 30% of the effect of this movement on our financial position (interest rate hedging) was absorbed by investments in the Matching Portfolio (including euro government bonds). The aim of the Return Portfolio (which also includes equities) is to create additional returns in order to be able to increase pensions. The value of the total investments is € 29.9 billion. Since 2018, Pensioenfond PGB has been buying share options. These options protect the pension fund against large price drops on the stock markets. As a result, the coverage ratio falls less rapidly when the value of shares falls.

Investment returns defined contribution schemes

A number of participants have a capital sum via a defined contribution scheme. The details vary according to the pension scheme. For each age category, we have put together a suitable investment portfolio. Younger investors invest a larger portion of their pension capital in the Return Portfolio (RP). A little more risk is taken with this portfolio. Older participants invest more in the portfolio involving less risk (Matching Portfolio, MP); in this way their pension capital is better protected against decreases in interest rates and drops in share prices.

| Result per cohort | Weight | | U yield | |
|----------------------------|--------|-----|---------|-------|
| | MP | RP | Q4 2019 | 2019 |
| Age up to and including 37 | 15% | 85% | 17,9% | 17,9% |
| Age 38-47 | 25% | 75% | 17,2% | 17,2% |
| Age 48-57 | 35% | 65% | 16,5% | 16,5% |
| Age 58-68 | 45% | 55% | 15,7% | 15,7% |

Pension liabilities

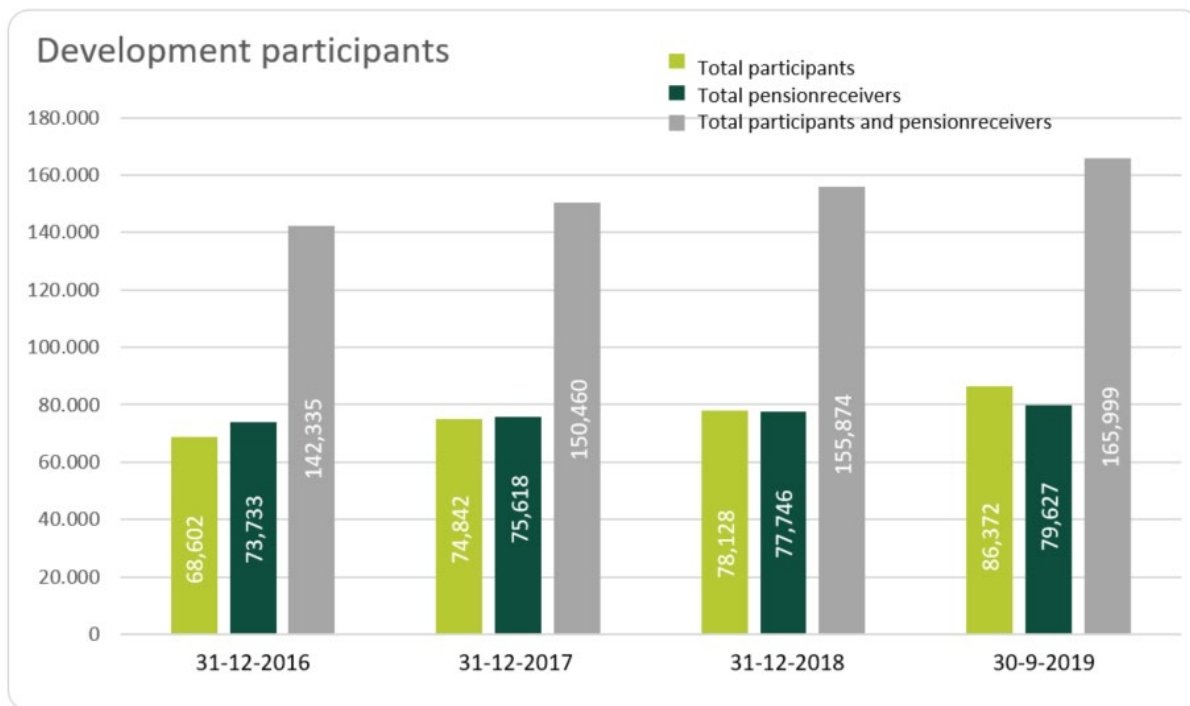
Liabilities (UFR): The value of the liabilities has risen since the end of 2018, from € 27.0 billion to € 28.4 billion. The actuarial interest rate of the Dutch Central Bank has fallen since the end of 2018, from 1.4% to 0.7% as at 31 December 2019.

Developments at Pensioenfonds PGB

- [Sustainable investment policy PGB scores well](#)

The number of participants accruing pension with Pensioenfonds PGB - including allocation on account of disability - increased in 2019, from 78,128 to 86,372, an increase of 10.6%. The number of participants receiving pension rose from 77,746 to 79,627 in 2019; an increase of 2.4%. In total, 165,999 participants were accruing or receiving pension at the end of 2019.

Table 2: development group of participants (31 December 2019)



The total number of participants - including participants who have left their pension with Pensioenfonds PGB after departure (called 'deferred participants' or 'sleepers'), was approximately 323,000 at the end of 2019.

Annex

Explanation of key concepts

Matching (Portfolio)

Investments that depend in particular on interest rate movements, such as, for example, Euro Government Bonds. The Dutch government issues loans which are financed by, for example, Pensioenfond's PGB. The risk of these investments is limited, because it is common practice for governments to repay the loans. Pensioenfond's 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 coverage 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.

Currencies

Part of the Return Portfolio is invested in foreign currencies (i.e., not 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.