

ABP press release, first half-year 2009

Main points

- Coverage ratio increases from 90% to 98% during the first six months of 2009
- Return on investments over first half of 2009 is 4.5%
- ABP's recovery plan was approved

Heerlen, 15 July 2009 – Stichting Pensioenfonds ABP's coverage ratio has increased from 90% to 98% in the first six months of 2009. ABP's Board is satisfied with this substantial increase in the coverage ratio, the most important indicator for the Pension Fund's financial position. However, the Board warns against over-optimism: the Board is of the opinion the financial markets are still too unsettled.

The increase in the coverage ratio is in part (50%) due to an increase in the fund's assets resulting from the positive return on investments and, for the remainder, due to a decline in the liabilities – primarily resulting from an increase in the market rate of interest –.

Over the first six months of 2009, the return on investments was 4.5%.

ABP's coverage ratio fluctuated greatly during the first six months of 2009. The coverage ratio was 90% at year-end 2008. It fell to 83% in February 2009, and then increased again to 98% at the end of June. The greatest increase in the coverage ratio was recorded in May.

The return on investments for the first six months of 2009 amounted to 4.5%, primarily due to the equity and fixed-income portfolios.

De Nederlandsche Bank (DNB) approved ABP's recovery plan at the beginning of July. ABP's recovery plan, submitted to the supervisory authority at the end of March, specifies how the Pension Fund will restore the coverage ratio to above the required minimum level of 105% within five years. Pursuant to the recovery plan, ABP's coverage ratio is to be 93% at the end of 2009. The coverage ratio at the end of June exceeds that percentage. However, the Board of ABP points out that is merely a figure at a particular point in time, it is not a straight line up. The coverage ratio of the fund still is volatile, this matches the uncertainty in the financial markets, according to the Board.

Key figures

Period	2008	H1 2009	Change
(balance at end of period)			
Fund position (%)	90%	98%	+8%
Assets (€billion)	173	180.5	+7.5
Liabilities (€billion)	193	184.8	-8.2
Nominal market interest rate (%)	3.6%	4.0%	
(change)			
Return on investment portfolio (%)	-20.2%	4.5%	
Fixed income	0.4%	4.9%	
• Government bonds	8.2%	2.8%	
• Corporate bonds	-2.9%	5.4%	
• Index-linked bonds	-0.1%	5.6%	
Equities and alternative investments	-36.5%	4.7%	
• Equities (incl. participating interest)	-39.4%	9.2%	
• Real estate (incl. real estate funds)	-30.0%	-6.8%	
• Infrastructure	-3.1%	-7.0%	
• Private equity	-24.5%	-2.4%	
• Commodities	-46.2%	8.8%	
Other investments	-5.7%	5.0%	
• Hedge funds	-5.6%	5.6%	
• Innovations	-7.5%	-4.4%	
Overlay (inclusive of duration)	1.0%	-0.4%	
(balance at year-end)			
Composition of the investment portfolio (%)			
Fixed income	44.8	44.7	-0.1%
Equities and alternative investments	49.0	49.0	0.0%
Other investments (including hedge funds and innovations)	6.2	6.3	+0.1%

NB: All returns are inclusive of the currency hedge

Notes to the return on investments in the first six months of 2009

The categories equity, fixed-income, and other investments all recorded positive returns. The equity element of the category equity and alternative investments, in particular, made a favourable contribution. The emerging-market element of equity recorded a return of more than 30%. Commodities, with a return of +9%, have recovered sharply following the decrease in the second half-year of 2008.

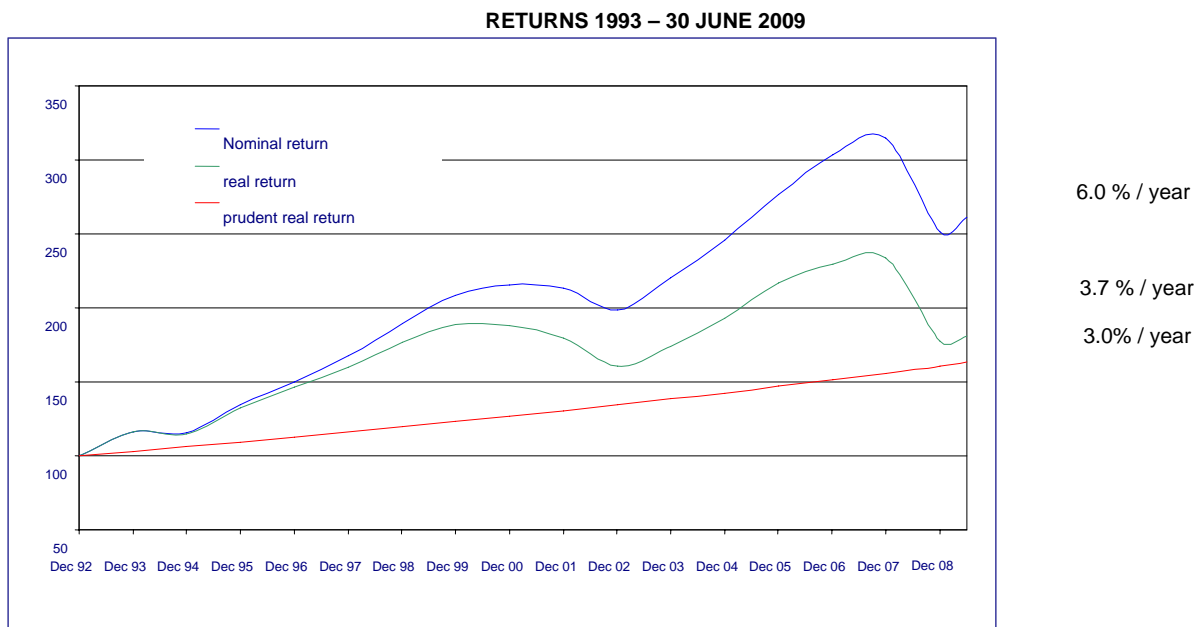
Economic prospects

The financial markets have calmed down in comparison to the second half of 2008, and there is more optimism about the economy. Nevertheless, there is still a great deal of uncertainty about the medium term. The key questions are now the extent to which the national governments and central banks will be able to provide for sustainable growth and whether the economy will be able to continue to recover once the incentives policy is scaled down.

The measures implemented by the central banks and national governments have contributed to the reduced level of panic in the financial markets. The continued restructuring of banks and companies may act as an incentive for a cycle of increasing confidence and economic recovery in the longer term. However, the evident increase in unemployment and the failure of the housing market to recover still give cause for major doubts about recovery. The economies of the USA, Japan, the euro area and the UK contracted in the first quarter of 2009: a further contraction is still a risk within the shorter term. China is one of the few countries to currently record continued growth. Smaller emerging markets that are primarily dependent on exports and foreign financing are having a much more difficult time.

Long-term return

The chart below shows the cumulative return since 1993, both in nominal and in real terms. The value of every €100 invested in 1993 had increased to €262 on 30 June 2009. The average annual return is 6.0%. The return after deduction of wage inflation (real return) is 3.7% over the same period, equivalent to 0.7 percentage points above the 3% adopted for the determination of pension premiums.



The influence of the market interest rate

Pursuant to the Pension Act, pension funds are required to value their liabilities on the basis of what is referred to as the swap interest rate, a market interest rate which is comparable with the interest on (long-term) government bonds. Since pension funds need to make calculations for some 90 years in advance, a movement in this market interest rate exerts a great influence on the pension liabilities. For example, a 1% decline in the interest rate will result in an increase in the liabilities of some 15%. Since fixed-income investments are also sensitive to movements in the interest rate, a 1% decrease in the market interest rate will result in a decline in the coverage ratio of approximately 10% net.

Profile

Stichting Pensioenfondsen ABP (ABP) is the industry-wide pension fund for employers and employees in government and educational institutions in the Netherlands. ABP has 2.7 million clients and invested assets of €180 billion (at 30 June 2009). This makes ABP one of the three largest pension funds in the world.

Disclaimer

This announcement states expectations for the future which are based on current assumptions and insights. ABP cannot accept any obligation to update these to accommodate future insights or events. Moreover, ABP draws attention to the fact that the expectations expressed above are subject to uncertainties and that, as a result, the ultimate returns can exhibit material divergences due, for example, to unforeseen circumstances in markets of relevance to ABP, exchange rates, the interest rate level and developments in the relevant legislation and regulations. The figures in this document are in part based on estimates and have not been verified by the auditor or the external actuary.

For further information:

ABP Communication

Tel. (0031)(0)45 579 2911

Fax (0031)(0)45 579 2194

E-mail communicatie@abp.nl

www.abp.nl