

→ ABP press release, third quarter 2008

Main points

- Return on investments over first 9 months of 2008 is -9.8%
- ABP feels effects of credit crisis
- Buffers below the required level

Heerlen, 23 October 2008 – The *Stichting Pensioenfonds ABP* announces that the return on investments over the first nine months of 2008 came to -9.8%. As a result, the assets held by ABP are now valued at €195 billion. The value of the nominal pension liabilities rose to €166 billion. The coverage ratio after the first nine months of 2008 came to 118%, partly due to the development in the interest rate.

ABP has notified *De Nederlandsche Bank* (DNB) that the coverage ratio of the pension fund has fallen below the required coverage ratio of about 125%. At the end of the third quarter the coverage ratio was 118%. With this percentage the pension fund still has financial buffers of several tens of billions of euros, but less than pension fund regulator *De Nederlandsche Bank* requires. There is therefore a shortage of reserves.

ABP is now legally required to draw up a recovery plan in which the fund shows that the asset position will satisfy the statutory requirements within a period of 15 years maximum. ABP will present DNB with a recovery plan by the end of this year.

Chairman of the Board of Trustees at ABP Elco Brinkman: "It is rough weather for the financial markets all over the world. And naturally ABP too is feeling the effects of that. ABP however pursues an investment strategy that is focused on the long term. The risks are spread, both in the nature of the investments and geographically. As a result ABP is relatively less affected by the crisis on the stock markets. It is unfortunate that we have now fallen below the required coverage ratio, but there is no reason to be overly concerned. We will continue to pay out pensions. The buffers protecting pension systems in the Netherlands are fortunately ample. In recent times they have proven effective at cushioning enormous blows."

The situation that has arisen has no important consequences for the premium and the fund's investment policy. It cannot yet be indicated at this time what precisely will be the effects of the current situation on indexation as of 1 January 2009. DNB has advised the pension sector by letter to refrain from any hasty decisions regarding the premium and indexation this year, given the situation. Full indexation can take place from a coverage ratio of 135% and higher, indexation may not take place with a ratio of 104% or lower.

The strong developments on the financial markets have continued after the closing of the third quarter. These have negatively impacted ABP's coverage ratio. This ratio, however, is above 105%. This means that there still is a shortage of reserves, but not a shortage of coverage.

Development of the financial position

The coverage ratio fell by 22.0 percentage points over the first nine months of 2008. The following factors are responsible for this development:

	Effect on coverage ratio In % points
Return on investments	-9.8
Addition of interest	-3.6
Decrease in capital market interest rate	-4.6
Denominator effect	-4
Total effect on coverage ratio	-22

The coverage ratio decreased in the first place as a result of the negative return realised on capital. The liabilities increased as a result of the addition of interest and the decrease in the capital market interest rate. The denominator effect arises since the value of the capital exceeds the liabilities. Amongst other factors, this reflects the negative return realised on the financial buffer of ABP.

Return on investments, January – September 2008

In the first nine months of 2008 the ABP investment portfolio achieved a return of -9.8%. The three-year average return currently stands at +1.5%. The five-year average return is +6.1%. As a result of the ongoing credit crisis the return on equities was strongly negative (-24.1%). Real estate also achieved a negative return of -7.2%. Within alternative investments, the categories infrastructure, private equity and commodities were still showing a positive result as per 30 September.

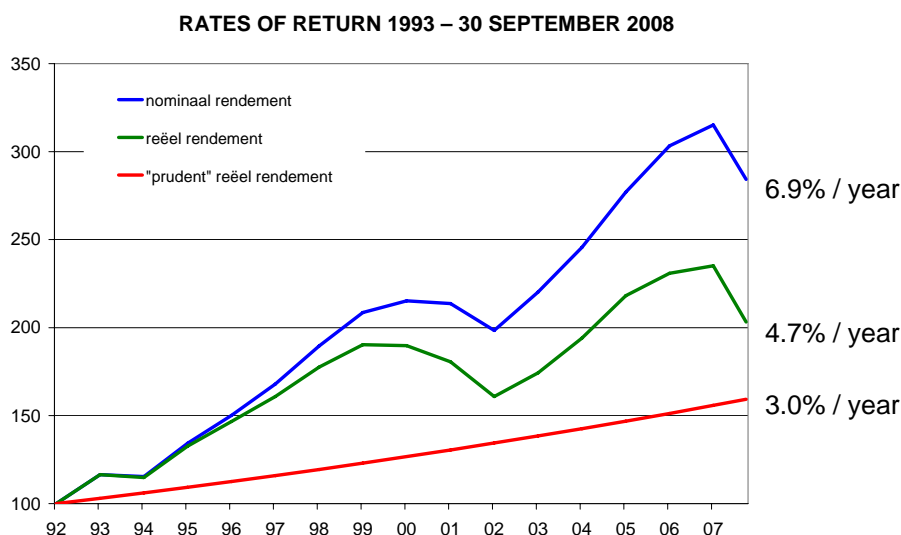
Fixed income investments were directly affected to a much lesser degree by the credit crisis. The returns over the first nine months is -0.5%. The other investment categories (hedge funds and innovative investments) achieved slightly positive returns.

Key figures

	End of 2007	End of second quarter 2008	End of third quarter 2008	Change first half year	Change third quarter	Change first 9 months 2008
Fund position (%)	140%	132%	118%	-8%	-14%	-22%
Capital (€billion)	217	205	195	-12	-10	-22
Liabilities (€billion)	155	155	166	0	+11	+11
Return on investment portfolio (%)	3.8%	-5.1%	-9.8%			
Fixed income investments	1.9%	-0.5%	-0.5%			
Equities and alternative investments	5.2%	-9.1%	-17.5%			
• Equities (incl. participations)	5.3%	-14.8%	-24.1%			
• Real estate (incl. real estate funds)	-9.4%	-8.0%	-7.2%			
• Infrastructure	21.0%	1.3%	1.5%			
• Private equity	29.4%	3.0%	2.1%			
• Commodities	31.0%	44.1%	2.5%			
Other investments	13.2%	6.0%	0.4%			
• Hedge funds	14.4%	7.2%	0.3%			
• Innovative investments	-4.7%	0.6%	0.4%			
Composition of the investment portfolio (%)						
Fixed income investments	40.4	41.3	41.6	+0.9	+0.3	+1.2
Equities and alternative investments	55.2	53.4	53.5	-1.8	+0.1	-1.7
Other investments	4.4	5.3	4.9	+0.9	-0.4	+0.5
Developments in the financial markets						
Capital market interest rate (%)	4.85	4.95	4.53	+0.10	-0.42	-0.32

Long-term return

The diagram below shows the cumulative return since 1993, both in nominal and in real terms. An investment of €100 made in 1993 increased in value to a total of €284 by 30 September 2008. The average annual return is 6.9%. The return after deduction of the wage inflation (real return) is 4.7% over the same period, which is about 1.5 percentage points higher than the 3% used in determining the pension premiums.



nominal return

real return

"prudent" real return

PROFILE

Stichting Pensioenfonds 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 €195 billion (as of 30 September 2008). This makes ABP one of the three largest pension funds in the world.

DISCLAIMER

This announcement contains future expectations. They are based on current assumptions and insights. ABP is not obliged to publicly update these as a result of future insights or events. Furthermore, ABP points out that the expressed expectations are subject to insecurities perforce, as a result of which ultimate returns can substantively deviate, for instance due to unforeseen circumstances in markets relevant to ABP, exchange rates, the interest rate level and developments in legislation. The figures in this document are partly based on estimates and have not been verified by the auditor or external actuary.

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