

Press release

Quarterly report Q3

Heerlen/Amsterdam, October 20, 2022.

- **Current coverage ratio increases to 124.2%**
- **Return at -5.3% in the third quarter (-€25.8 billion)**
- **Decrease in pension liabilities by €26 billion due to higher interest rates (+0.5%)**
- **Policy coverage ratio rises to 116.4%**

For the third quarter in a row, ABP records a negative return on its investments (-€25.8 billion). However, ABP's financial position will recover in the third quarter thanks to an increase in coverage ratios. In the third quarter of 2022, ABP's latest coverage ratio rose by 1.5% to 124.2%. The increase is, as in the first six months of the year, mainly due to the rise in interest rates, which means that the fund needs much less capital (-€26 billion) to pay out all current and future pensions. This mitigates the loss on investments. As the latest coverage ratio increased, the policy coverage ratio in the third quarter also rose: to 116.4%.

Harmen van Wijnen, Chairman of the Board of Trustees: "Prices are shooting up. This is affecting all of us, and we have regrettably heard about some distressing situations. In light of this, we understand that our participants are looking forward to another pension increase. After all, all participants benefit from this in the short or longer term. Given our financial position, we expect to be able to increase pensions in 2023. Our Board of Trustees must now discuss how much increase is justified—a calculation that requires more than simple arithmetic. First and foremost, we must consider the interests of all groups of participants. If we are going to pay out more pensions, we must also ensure that there is enough left in our collective resources for young people who won't be retiring any time soon. We must also realize that we are living through turbulent times, with poor financial market performance and a loss of wealth. Lastly, ABP must remain financially sound in the long term, so that it can smoothly transition to the new pension system. We must now weigh up what is justified in light of the 12% price rise in real terms. By the end of November, our participants will know where they stand next year."

What can ABP participants expect?

At the end of November this year, ABP will assess whether pensions can be increased in 2023 and, if so, by how much. When doing so, the fund will consider its financial position at the end of October and the price increase between September 2021 and September 2022 (12% according to Statistics Netherlands), taking into account the interests of all groups of participants. The Board of Trustees will then decide what increase is appropriate.

ABP's coverage ratios also rising in the third quarter of 2022

In the third quarter of 2022, the latest coverage ratio rose from 122.7% to 124.2%. This coverage ratio incorporates the effects of increased life expectancy. According to the Dutch Actuarial Association (AG),

people in the Netherlands are expected to live longer: That means longer pension payments and therefore higher liabilities for the fund. This had a -1% effect on ABP's coverage ratio, as reflected in the latest coverage ratio in September. In the first three quarters of this year, ABP's latest coverage ratio rose from 110.6% to 124.2%.

The coverage ratio of a pension fund provides an indication of whether a pension fund is able to pay out all its pensions, now and in the future. It expresses the ratio between ABP's available assets (€460 billion) and its liabilities, which are all of the current and future pension payments (€370 billion).

The policy coverage ratio (the average of the latest coverage ratios over the past twelve months) will increase from 111.6% to 116.4% in the third quarter of 2022. In the first three quarters, this average coverage ratio will rise from 102.8% to 116.4%.

How did ABP's investments and liabilities perform in the third quarter of 2022?

The ongoing COVID-19 pandemic and the war in Ukraine continue to have a negative impact on financial markets. As a result, ABP posts a negative return of -5.3%

(-€25.8 billion) in the third quarter. Over the first three quarters, the return is -16.6% (-€91.5 billion).

The actuarial interest rate rose by 0.5% (from 2.0% to 2.5%) in the second quarter. As a result, the value of the pensions that ABP has to pay out now and in the future fell from €396 billion at the end of June 2022 to €370 billion at the end of September 2022. When interest rates rise, a fund does not have to keep as much capital to meet all its liabilities.

Investment outlook

Rising interest rates are favorable to the pension fund's financial situation. At the same time, the value of investments is being squeezed due to the possibility of rising inflation, economic recession, and global unrest, such as escalation of the war in Ukraine. This squeeze is expected to persist.

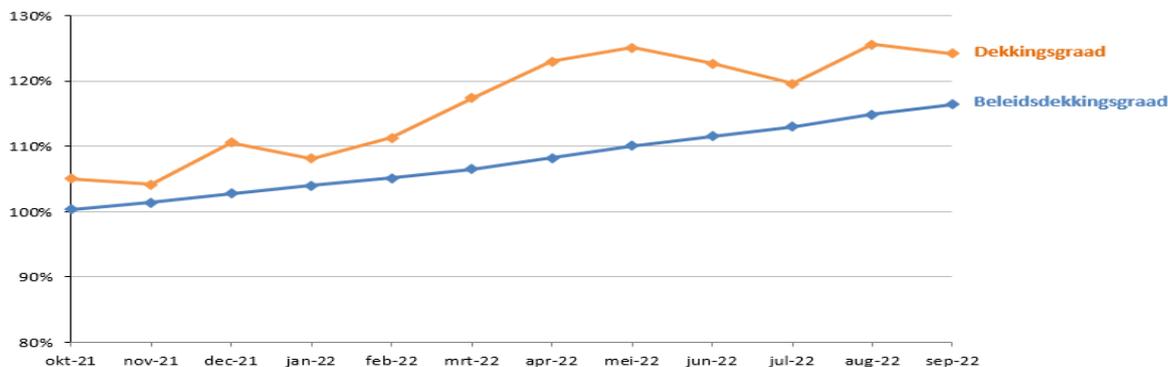
| Kerncijfers | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Actuele dekkingsgraad (%) | 105,3 | 110,6 | 117,4 | 122,7 | 124,2 |
| Beleidsdekkingsgraad (%) | 98,8 | 102,8 | 106,5 | 111,6 | 116,4 |
| Beschikbaar vermogen (€ miljard)* | 528 | 552 | 531 | 486 | 460 |
| Verplichtingen (€ miljard) | 502 | 499 | 452 | 396 | 370 |
| Rekenrente (%) | 0,5 | 0,6 | 1,1 | 2,0 | 2,5 |

* de belangrijkste redenen voor verandering van het beschikbaar vermogen zijn behaald beleggingsrendement, premies en uitkeringen.

Appendix: Investment portfolio composition and returns

| | Weight in % | Q3 2022 | | 2022 | | 2021 | |
|--|----------------|-------------|--------------|--------------|--------------|-------------|--------------|
| | | Return | | Return | | Return | |
| | | in % | in € billion | in % | in € billion | in % | in € billion |
| Fixed-income securities | 40.7 | -5.3 | -10.3 | -18.6 | -41.5 | -0.9 | -1.5 |
| Government bonds | 10.1 | -5.0 | -2.3 | -16.0 | -8.2 | -3.5 | -1.6 |
| Long-term government bonds | 12.7 | -9.6 | -6.4 | -30.4 | -23.3 | -7.0 | -3.6 |
| Corporate bonds | 11.2 | -3.9 | -2.1 | -14.3 | -9.2 | 4.8 | 3.4 |
| Emerging market bonds | 6.6 | 1.5 | 0.4 | -2.6 | -0.8 | 0.9 | 0.3 |
| Equities | 24.1 | -1.3 | -1.2 | -15.4 | -25.2 | 23.0 | 37.1 |
| Equities, developed countries | 17.1 | 0.4 | 0.9 | -14.3 | -18.0 | 28.8 | 35.3 |
| Equities, emerging markets | 7.0 | -6.5 | -2.1 | -18.5 | -7.2 | 4.3 | 1.8 |
| Alternative investments | 25.2 | 1.0 | 1.2 | 16.4 | 18.8 | 32.7 | 29.2 |
| Private equity | 10.2 | 1.1 | 0.5 | 6.1 | 2.7 | 39.4 | 12.5 |
| Commodities | 6.2 | -2.4 | -0.7 | 29.7 | 9.9 | 45.4 | 11.1 |
| Infrastructure | 5.3 | 1.9 | 0.5 | 6.8 | 1.5 | 16.1 | 2.8 |
| Hedge funds (winding down) | 3.5 | 5.7 | 1.0 | 28.9 | 4.6 | 16.9 | 2.6 |
| Real estate | 11.2 | -2.3 | -1.2 | -5.9 | -3.3 | 23.1 | 10.3 |
| Real estate | 11.2 | -2.3 | -1.2 | -5.9 | -3.3 | 23.1 | 10.3 |
| Portfolio return (before overlay) | 101.3 | -2.4 | -11.5 | -9.3 | -51.2 | 15.2 | 75.0 |
| Overlay | -1.3 | -2.9 | -14.3 | -7.3 | -40.3 | -4.1 | -20.3 |
| Interest and inflation hedge | | -1.6 | -8.0 | -4.9 | -27.0 | -1.2 | -6.2 |
| Currency hedging | | -1.3 | -6.3 | -2.8 | -15.5 | -2.3 | -11.4 |
| Cash and other | | 0.0 | 0.0 | 0.4 | 2.2 | -0.6 | -2.8 |
| Total | 100.0 | -5.3 | -25.8 | -16.6 | -91.5 | 11.1 | 54.7 |

Ontwikkeling dekkingsgraden per maandeinde



1. De beleidsdekkingsgraad is gebaseerd op een 12 maandsgemiddelde van de aan DNB gerapporteerde maanddekkingsgraden.

2. De week- en maanddekkingsgraden zijn gebaseerd op voorlopige cijfers van de beleggingen en de VPV. Bij kwartaal ultimo 's zijn de cijfers gebaseerd op definitieve cijfers.