

Quarterly Report

Improvement of ABP's financial position continues into second quarter of 2021

- **Current coverage ratio as of Q2 104.5%**
- **Return until Q2 inclusive 5.6% (+€27.6 billion)**
- **Available assets €523 billion**
- **No expectation of pensions being reduced or an increase in pensions next year**

Heerlen/Amsterdam, July 22, 2021. **As in the first three months of this year, ABP's current coverage ratio improved in the second quarter. With an increase of 4.0%, the current coverage ratio of the fund stood at 104.5% at the end of June. This means that ABP has enough capital to be able to pay out all the pensions of participants for as long as they live, both now and in the future. For example, during this quarter 102 participants turned 100 years old.**

An increase in pensions does not seem plausible next year. As the interest rate remained approximately the same, our pension liabilities barely changed. In the first quarter, our pension liabilities decreased significantly because of the increased interest rate. The positive results of the investments increased the coverage ratio in the second quarter. The return in the second quarter was +4.6% (+€22.9 billion). Over the first half of 2021, this figure was +5.6% (+€27.6 billion).

Chairman, Corien Wortmann-Kool: "After a rise during the first quarter, interest stabilized in the second quarter. However, our investors achieved a great result this quarter with a return of 4.6% meaning that ABP's coverage ratio increased further. For the first time in quite a while, I can therefore suggest that the likelihood of pensions being reduced next year is very small. However, an increase in pensions is not yet in sight. The government is continuing to work on the implementation of the new pension system. We have also worked with our social partners to make a start on designing a pension scheme that is a good fit for our participants. As such, we continue to strive to implement it as of January 1, 2026."

Pensions expected to remain the same in 2022

Pensions will remain unchanged in 2021. This is expected to be the case for 2022 as well. The likelihood of pensions being reduced is small because ABP's current coverage ratio of 104.5% is far removed from the critical limit of 90%.

ABP does not expect to be able to raise pensions in line with indexation next year. Partial indexation is not possible until the policy coverage ratio, now at 94.6%, exceeds 110%. The limit for full indexation is 123%. The policy coverage ratio has fallen behind because the lower current coverage ratio of the previous twelve months is included in the policy coverage ratio. During the second quarter, the policy coverage ratio increased from 89.8% to 94.6% (see appendix).

Transfer of accrued benefits from pension benefits to another fund is not possible at this time, as this requires a policy coverage ratio of 100%.

How did ABP's investments and liabilities fare?

ABP's available assets also rose during the second quarter, from €499 billion at the end of March 2021 to €523 billion at the end of June 2021. In this quarter, ABP posted a positive return of 4.6%, which equates to €22.9 billion. All asset classes made gains in the second quarter, with raw materials and Private Equity in particular performing well (see Appendix).

In the second period, the actuarial interest rate remained almost equal at a level of 0.5%. This interest impacts the value of the pensions that ABP has to pay out now and in the future. The liabilities increased slightly from €497 billion at the end of March 2021 to €500 billion at the end of June 2021.

Investment outlook

The continuing recovery in financial markets has further improved the financial position of the pension fund. The most important risk for the pension fund, except a sudden resurgence of the pandemic, would be a rapid withdrawal of monetary support measures – for example in response to inflation rising quickly. A step such as that would hit share markets harder than the value of the liabilities and therefore weaken the financial position of the pension fund.

Key figures	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Current coverage ratio (%)	85.2	88.2	93.5	100.5	104.5
Policy coverage ratio (%)	89.7	88.7	87.6	89.8	94.6
Available assets (€ billion)	451	463	495	499	523
Liabilities (€ billion)	529	525	530	497	500
Actuarial interest rate (%)	0.3	0.2	0.2	0.5	0.5

* The key factors causing movements in available assets are the investment return achieved, contributions received, and benefits paid.

Appendices:

Appendix 1 View of participant (Q2)

(a selection of data from the ABP members file)



Meest besproken onderwerp:
De pensioenberekening → 
(offerte voor pensioen)



Aantal uitgekeerde nabestaandenpensioenen:

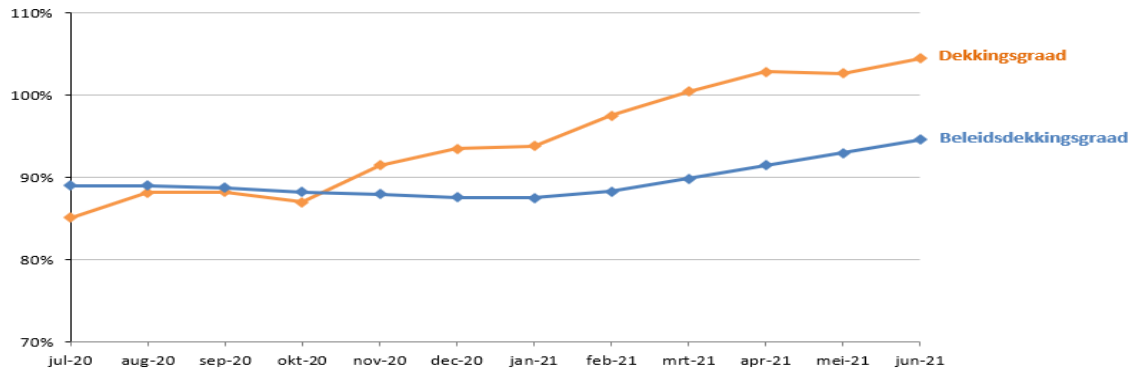


Totaalbedrag uitgekeerd
aan pensioenen

€ 2,5 miljard

Appendix 2

Ontwikkeling dekkingsgraden per maandeinde



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

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.

Appendix 3. Investment portfolio composition and returns

	Weight in %	Q2 2021		2021		2020	
		Return in %	in € billion	Return in %	in € billion	Return in %	in € billion
Fixed-income securities	38.8	1.0	2.0	-2.1	-4.0	3.7	6.3
Government bonds	9.2	0.1	0.0	-3.4	-1.5	4.2	1.8
Long-term government bonds	10.3	0.8	0.4	-8.0	-4.1	11.6	4.2
Corporate bonds	13.6	1.0	0.7	2.0	1.4	1.3	0.7
Emerging market bonds	5.4	2.9	0.8	0.8	0.3	-4.3	-0.6
Inflation-linked bonds	0.3	1.8	0.0	-0.1	0.0	2.8	0.3
Equities	32.7	5.9	10.4	14.4	24.1	8.7	13.8
Equities, developed countries	25.6	6.5	8.9	15.4	19.8	8.2	9.8
Equities, emerging markets	7.1	3.9	1.6	10.9	4.3	10.7	3.9
Alternative investments	19.4	8.7	8.3	16.4	14.7	0.2	1.1
Private equity	6.8	10.5	3.4	12.7	4.0	21.0	5.4
Commodities	5.8	13.4	3.9	33.4	8.2	-20.5	-3.1
Infrastructure	3.4	3.3	0.6	6.2	1.0	-1.3	-0.2
Hedge funds	3.3	2.9	0.5	8.5	1.4	-4.2	-0.9
Real estate	9.4	5.0	2.3	10.6	4.7	-10.2	-4.8
Real estate	9.4	5.0	2.3	10.6	4.7	-10.2	-4.8
Portfolio return (before overlay)	100.3	4.6	23.1	8.0	39.5	3.6	16.5
Overlay	-0.3	0.0	-0.2	-2.4	-11.9	3.0	14.1
Interest and inflation hedge		0.0	0.0	-1.1	-5.5	1.1	5.1
Currency hedging		0.2	0.9	-0.9	-4.5	1.7	8.0
Cash and other		-0.2	-1.1	-0.4	-1.8	0.2	1.1
Total	100.0	4.6	22.9	5.6	27.6	6.6	30.6