

## ABP Annual Report 2021

- **Current coverage ratio as at end 2021: 110.2% (93.5% as at end 2020)**
- **Annual return of +11.1% (+€54.7 billion)**
- **Assets as at end 2021: €550 billion (€495 billion as at end 2020)**
- **Decrease in pension liabilities by €31 billion mainly due to higher interest rates**
- **Policy coverage ratio still too low to increase pensions**

Heerlen/Amsterdam, January 27, 2022. In 2021, ABP's current coverage ratio increased by 16.7% to 110.2% at the end of the year. Despite the uncertain economic outlook at the beginning of the year, it was a good investment year for ABP, with the return for 2021 at 11.1%. ABP's assets grew to €550 billion by the end of 2021, mainly due to favorable conditions on the financial markets. Interest rates also rose during the year, which had the positive effect of reducing the value of the liabilities (all pension payments now and in the future) for the fund. The policy coverage ratio also increased (by 15.2% to 102.8% by the end of 2021), but ended up below the level at which pension increases are possible.

**Chairman of the Board of Trustees, Harmen van Wijnen:** "2021 was another tough year for many due to the pandemic. It was, however, a good year for ABP's financial position. Our coverage ratio went up by leaps and bounds: At the end of December, it reached its highest level since 2011. Our investors achieved good results, and the rise in interest rates also helped. There is no danger of pension cuts, and we can even start to cautiously think about raising pensions. In recent years, we have argued for the possibility of raising pensions earlier and would be happy if this were once again possible. As of July 1 this year, the minimum policy coverage ratio at which we are allowed to increase pensions will most likely drop from 110% to 105%. As soon as we are allowed to increase pensions, it is our intention to do so. We are investigating the date from which we can implement this, should the policy coverage ratio exceed 105% in the course of this year. The current policy coverage ratio of 102.8% is still too low."

### What can ABP participants expect?

While there will certainly be no pension cuts in 2022, pension increases aren't quite part of the picture – the policy coverage ratio is still too low for increases. If ABP's policy coverage ratio exceeds 105% over the course of the year, the fund will investigate the possibilities of increasing pensions. ABP intends to do this as soon as possible. Any pension increase will be at most equal to price inflation.

### ABP coverage ratios rise in 2021

The current coverage ratio increased from 93.5% to 110.2% in 2021, with the biggest increases in the first, second, and fourth quarter. On January 1, 2022, ABP implemented the second of four steps to change (reduce) the interest rate prescribed by De Nederlandsche Bank (DNB). The effect of this change on the coverage ratio was a decrease of 0.9%

The coverage ratio of a pension fund gives an indication of whether it will be able to pay out all current and future pensions. It expresses the ratio between ABP's available assets (€550 billion) and liabilities, which are all the current and future pension payments (€499 billion).

The policy coverage ratio (the average of the coverage ratios over the past twelve months) increased from 87.6% to 102.8% over the course of 2021. This coverage ratio, which is important for increasing pensions, therefore remained below the current required level of 110%.

### How did ABP's investments and liabilities fare in 2021?

Despite the coronavirus pandemic, ABP's available assets grew in 2021 from €495 billion at the end of 2020 to €550 billion. ABP reported a positive return of 11.1% over the whole of 2021, with particularly favorable results in the equities, alternative investments (private equity, commodities, hedge funds) and real estate categories. In the fourth quarter, the return was +4.1% (€21.6 billion).

The notional interest rate increased by 0.4% in 2021 (from 0.2% to 0.6%). As a result, the value of the pensions that ABP has to pay out now and in the future fell from €530 billion at the end of 2020 to €499 billion at the end of December 2021. This decrease contributed to the increase in the coverage ratio. When interest rates rise, a fund does not have to keep as much capital to meet all its liabilities. The rule of thumb is that a 1% increase in interest rates will raise the coverage ratio by about 13%.

### ABP announces departure from joint board model (equal representation) and fossil fuel producers in 2021

2021 was the last year in which ABP had a joint board model (equal representation). From January 1, 2022, ABP will have a one-tier board structure known as a "mixed inverse model." With three full-time executive directors and a non-executive board, ABP aims to operate more efficiently and decisively while ensuring proper representation of employees, employers, and retired employees.

In October 2021, ABP announced that the fund wants to stop investing in producers of fossil fuels, as it believes that the energy transition should be accelerated. ABP tightened its policy in response to leading climate reports from the IEA and IPCC. This was also a response to calls from a growing number of participant groups and employers for the fund to pull out of fossil fuel investments. The fund expects to have sold these stakes by Q1 2023 and does not expect any negative impact on the fund's return.

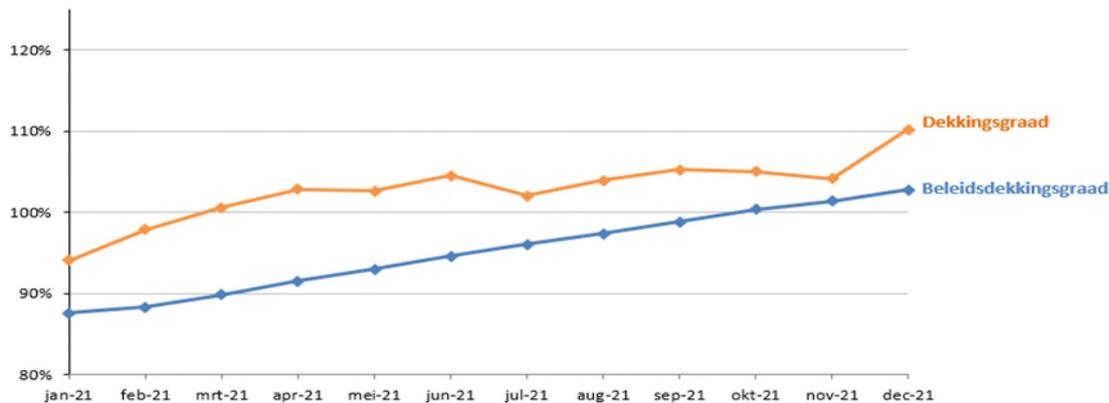
### Investment outlook

The pension fund's financial position has improved. The most important market risk for ABP remains the premature withdrawal of monetary support by central banks, such as in response to a surge in inflation. That would cause the value of the investment portfolio to decline. But this risk also has a positive side, as a rise in interest rates reduces the value of the pensions to be paid out. If the value of the investments falls by more than the value of the liabilities, this could weaken the financial position of the pension fund. Of course, a resurgence of the COVID-19 pandemic continues to pose a risk.

<b>Kerncijfers</b>	<b>Q4 2020</b>	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2021</b>
Actuele dekkingsgraad (%)	93,5	100,5	104,5	105,3	110,2
Beleidsdekkingsgraad (%)	87,6	89,8	94,6	98,8	102,8
Beschikbaar vermogen (€ miljard)*	495	499	523	528	550
Verplichtingen (€ miljard)	530	497	500	502	499
Rekenrente (%)	0,2	0,5	0,5	0,5	0,6

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

### Ontwikkeling dekkingsgraden per maandeinde



1. De beleidsdekkingsgraad is gebaseerd op een 12 maands gemiddelde 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.

### ABP investment portfolio composition and returns

	Weight in %	Q4 2021		2021		2020	
		Return in %	Return in € billion	Return in %	Return in € billion	Return in %	Return in € billion
<b>Fixed-income securities</b>	<b>39.0</b>	<b>0.8</b>	<b>1.7</b>	<b>-0.9</b>	<b>-1.5</b>	<b>3.7</b>	<b>6.3</b>
Government bonds	6.5	0.0	0.0	-3.6	-1.6	4.2	1.8
Long-term government bonds	12.6	1.4	0.8	-7.1	-3.6	11.6	4.2
Corporate bonds	14.1	0.9	0.7	4.8	3.4	1.3	0.7
Emerging market bonds	5.6	0.4	0.1	1.0	0.3	-4.3	-0.6
Inflation-linked bonds	0.1	1.7	0.0	4.1	0.0	2.8	0.3
<b>Equities</b>	<b>30.2</b>	<b>7.4</b>	<b>12.8</b>	<b>23.0</b>	<b>37.2</b>	<b>8.7</b>	<b>13.8</b>
Equities, developed countries	23.2	9.4	12.5	28.9	35.4	8.2	9.8
Equities, emerging markets	7.0	0.8	0.3	4.3	1.8	10.7	3.9
<b>Alternative investments</b>	<b>21.2</b>	<b>6.3</b>	<b>6.9</b>	<b>32.6</b>	<b>29.1</b>	<b>0.2</b>	<b>1.1</b>
Private equity	7.9	9.8	3.9	39.4	12.4	21.0	5.4
Commodities	6.2	3.7	1.2	45.4	11.1	-20.5	-3.1
Infrastructure	3.8	6.1	1.2	16.1	2.8	-1.3	-0.2
Hedge funds	3.2	3.6	0.6	16.7	2.6	-4.2	-0.9
<b>Real estate</b>	<b>10.0</b>	<b>9.8</b>	<b>4.9</b>	<b>23.0</b>	<b>10.2</b>	<b>-10.2</b>	<b>-4.8</b>
Real estate	10.0	9.8	4.9	23.0	10.2	-10.2	-4.8
<b>Portfolio return (before overlay)</b>	<b>100.4</b>	<b>5.0</b>	<b>26.3</b>	<b>15.1</b>	<b>75.0</b>	<b>3.6</b>	<b>16.5</b>
<b>Overlay</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-4.7</b>	<b>-4.1</b>	<b>-20.2</b>	<b>3.0</b>	<b>14.1</b>
Interest and inflation hedge		-0.1	-0.4	-1.2	-6.2	1.1	5.1
Currency hedging		-0.6	-3.3	-2.3	-11.4	1.7	8.0
Cash and other		-0.2	-1.0	-0.5	-2.7	0.2	1.1
<b>Total</b>	<b>100.0</b>	<b>4.1</b>	<b>21.6</b>	<b>11.1</b>	<b>54.7</b>	<b>6.6</b>	<b>30.6</b>