

Quarterly Report

ABP's financial position recovers in the first quarter of 2021

- **Current coverage ratio Q1 100.5% (Q4 2020 93.5%)**
- **Return Q1 1.0% (+€4.7 billion)**
- **Available assets €499 billion**
- **Pension liabilities fall by €33 billion in Q1, mainly due to a rise in the interest rate**
- **Likelihood of a pension reduction in the coming years remains real**

Heerlen/Amsterdam, April 22, 2021. **ABP's current coverage ratio rose by 7% from 93.50 to 100.5% during the first quarter of 2021. The main driver behind the improvement in the fund's financial position was the rise in the interest rate. This means that the fund need not have as much capital to meet all future pension liabilities. The positive return of 1.0% (+€4.7 billion) also contributed to the improvement in the coverage ratio.**

Chairman, Corien Wortmann-Kool: "Our coverage ratio is above 100% for the first time since April 2019. Our financial position has improved. In itself, that is good news, but the economic outlook remains uncertain, so unfortunately not much will change as far as the prospects for our participants are concerned. An increase in pensions is still unlikely and the likelihood of a reduction in pensions remains real for the foreseeable future. We are preparing for the implementation of a new pension contract in 2026, and for the sake of our participants we sincerely hope that this date is achievable. We are also keen to give our participants clarity on how the regulations can be implemented based on the new pension contract during the transition period."

Likelihood of an increase/reduction of pension benefits

Pensions will remain unchanged in 2021. The likelihood of reductions in 2022 and the years that follow remains real. According to current regulations, pension funds must reduce pensions if the current coverage ratio, 100.5% as it stands now, falls below 104.2% by the end of the year. There is still uncertainty regarding if and how these rules will be adjusted during the transition period, to bring them in line with the new pension contract by 2026. ABP does not expect to be able to raise pensions in line with indexation in the years to come. Partial indexation is not possible until the policy coverage ratio, now at 89.8%, exceeds 110%. The limit for full indexation is 123%.

Transfer of accrued benefits still not possible

Many of those who change jobs and start accruing pension with another fund would like to transfer their pension assets to their new pension fund. This is known as a transfer of accrued benefits. Pension funds are permitted to transfer the accrued benefits if both the funds concerned have a policy coverage ratio of 100%. The policy coverage ratio is the average coverage ratio taken over the previous 12 months; it is currently standing at 89.8%. Because ABP's coverage ratio has been below 100% since 2019, there are around 37,000 requests for transfer of accrued benefits pending. These requests will be processed once the 100% level is reached. ABP expects that it will be able to expedite this processing once it is allowed to do so again.

ABP's coverage ratios

In the first three months of last year, the coverage ratio plummeted by almost 16% to 82.0% in the wake of the coronavirus crisis. The situation in the first quarter of 2021 was completely different: the current coverage ratio rose from 93.5% (December 31, 2020) to 100.5% at the end of March 2021, a 7% rise. The policy coverage ratio (the average of the current coverage ratio over the previous twelve months) rose in the first

three months by more than 2%, from 87.6% to 89.8%. The policy coverage ratio is slower to rise because it includes the low current coverage ratios for 2020. (See also the appendix with the graph giving coverage ratios)

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 (€499 billion) and liabilities, which are all the current and future pension payments (€497 billion).

How did ABP's investments and liabilities fare?

ABP's available assets also rose during the first quarter, from €495 billion at the end of 2020 to €499 billion at the end of March 2021. In this quarter, ABP posted a positive return of 1.0%, which equates to €4.7 billion. In the first quarter, stock prices were still benefiting from the anticipated economic recovery that followed the coronavirus crisis. During the quarter, the physical or other reopening of the economy was in sight in some places, thanks to vaccination campaigns. This prompted a recovery in real estate prices, while commodities in particular also recovered strongly. That said, because growth was higher than expected, this also prompted a rise in interest rates. The hike in the interest rate saw ABP suffering a loss on its bond investments. (See appendix.)

The actuarial interest rate rose by 0.3% points (from 0.2% to 0.5%) in the first quarter. As a result, the value of the pensions that ABP has to pay out, now and in the future, fell substantially from €530 billion at the end of 2020 to €497 billion at the end of March 2021. The rise in interest rates boosted the coverage ratio. When interest rates rise, a fund does not have to keep as much capital to meet all its liabilities.

Investment outlook

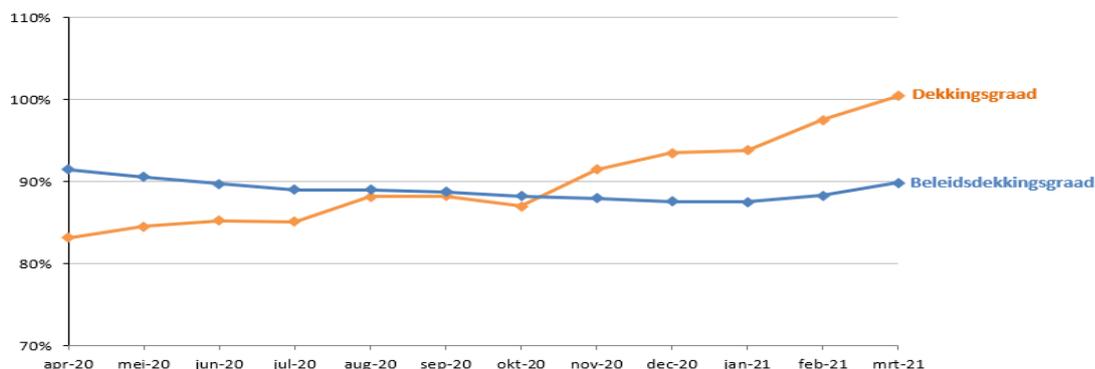
The rising equity markets and interest rates have improved the fund's financial position tremendously. This is closely associated with the expected recovery of the economy. Other than a sudden resurgence of the pandemic, the main market risk facing the fund would be that monetary relief measures are reversed too quickly. If interest rates in the States rise sharply, equity markets fall as a result, while European interest rates remain low, and this will weaken the fund's financial position.

Kerncijfers	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Beleidsdekkingsgraad (%)	93,0	89,7	88,7	87,6	89,8
Dekkingsgraad (%)	82,0	85,2	88,2	93,5	100,5
Beschikbaar vermogen (€ miljard.)*	420	451	463	495	499
Verplichtingen (€ miljard)	512	529	525	530	497
Rekenrente (%)	0,4	0,3	0,2	0,2	0,5

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

Note regarding key figures: In the above table, some key figures for Q4 2020 (in italics) have been adjusted following the adoption of and in accordance with the final financial statements for 2020. The appendix also shows some adjustments to the investment portfolio's composition and returns.

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: Investment portfolio composition and returns

Q1-2021	Gewicht in %	Q1 2021		2021		2020	
		Rendement in %	in mld €	Rendement in %	in mld €	Rendement in %	in mld €
Vastrentende Waarden Nominaal	39,1	-3,1	-6	-3,1	-6	3,7	6,3
Staatsobligaties	9,5	-3,5	-1,6	-3,5	-1,6	4,2	1,8
Langlopende Staatsobligaties	9,8	-8,7	-4,5	-8,7	-4,5	11,6	4,2
Bedrijfsobligaties	14,1	1	0,7	1	0,7	1,3	0,7
Obligaties opkomende landen	5	-2	-0,5	-2	-0,5	-4,3	-0,6
Inflatie gerelateerde obligaties	0,7	-1,9	-0,1	-1,9	-0,1	2,8	0,3
Aandelen	33,8	8	13,7	8	13,7	8,7	13,8
Aandelen ontwikkelde landen	26,4	8,3	11	8,3	11	8,2	9,8
Aandelen opkomende landen	7,4	6,7	2,7	6,7	2,7	10,7	3,9
Alternatieve beleggingen	18,9	7,1	6,4	7,1	6,4	0,2	1,1
Private Equity	6,5	2,1	0,7	2,1	0,7	21	5,4
Grondstoffen	5,5	17,6	4,3	17,6	4,3	-20,5	-3,1
Infrastructuur	3,4	2,8	0,5	2,8	0,5	-1,3	-0,2
Hedge fondsen	3,4	5,4	0,9	5,4	0,9	-4,2	-0,9
Vastgoed	9,3	5,3	2,4	5,3	2,4	-10,2	-4,8
Vastgoed	9,3	5,3	2,4	5,3	2,4	-10,2	-4,8
Portefeuille rendement (voor overlay)	101,2	3,3	16,4	3,3	16,4	3,6	16,5
Overlay *	-1,2	-2,4	-11,7	-2,4	-11,7	3	14,1
Rente- en inflatiehedge *		-1,1	-5,6	-1,1	-5,6	1,1	5,1
Valutahedge *		-1,1	-5,5	-1,1	-5,5	1,7	8
Cash en overig *		-0,1	-0,7	-0,1	-0,7	0,2	1,1
Totaal	100	1	4,7	1	4,7	6,6	30,6

* Contribution to the total return

The fields shaded in gray show (positively) adjusted figures for the total return and private equity category. This adjustment is based on the adoption of and is consistent with the final financial statements for 2020.