

Quarterly Report Q2 2017

ABP's coverage ratio slowly creeping up

Highlights:

- **Current coverage ratio in second quarter rises to 101.3%**
- **Investment return in second quarter: 0.0% (-€ 0.1 billion)**
- **Liabilities in the second quarter declined due to increased interest rate (-€ 7 billion)**
- **Policy coverage ratio rises to 96.3%**

Heerlen/Amsterdam, July 20, 2017. **ABP's financial position slightly improved in the second quarter of 2017. The current coverage ratio rose by 1.5 percentage points to 101.3%. This is primarily due to the increased interest rate. This reduced liabilities by € 7 billion. ABP's available assets stayed the same in the second quarter due to disappointing returns (€ 389 billion).**

Chairman Corien Wortmann-Kool: "The coverage ratio slowly continues to creep up and that in itself is positive. Nevertheless, we do not expect to be able to index pensions much, if at all, in the coming five years. The likelihood of having to lower pensions will continue to be a possibility in the coming years. ABP understands the necessity of modernizing our pension system and therefore supports the outline of the SER Plan as it is currently known. I sincerely hope that the new Cabinet will create the proper basic requirements that will make this possible."

Outlook: Probability of Reduction/Indexation

The policy coverage ratio was 96.3% at the end of June 2017. This coverage ratio (the twelve-month moving average of the current coverage ratios) determines whether it is possible to increase (index) pensions. In the second quarter of 2017, the policy coverage ratio displayed a rising trend: from 94.0% (end-March 2017) to 96.3% end-June. With the current level, ABP does not expect to be able to index pensions much, if at all, in the next five years.

The likelihood that ABP will have to lower pensions in 2018 or subsequent years continues to be a possibility. This would be obligatory if the current coverage ratio were to drop below the critical level ($\pm 88\%$) at the end of 2017 or if the policy coverage ratio were to remain below the required level of 104.2% until the end of the year 2020.

Transfer of accrued benefits can only occur if the policy coverage ratio is at least 100% or higher.

Investments and Liabilities Trends

The available assets in the second quarter stayed the same at € 389 billion. The return in the second quarter was 0.0% (-€ 0.1 billion). The total return over the first six months of the year is 1.9% (€ 7.4 billion). A number of asset classes earned negative returns in the second quarter. The euro's strong position relative to other currencies played a key role in this respect.

Government bonds, inflation-linked bonds, equities in emerging countries, private equity and infrastructure yielded positive returns. (See Appendix)

The value of the liabilities (the total of all the pensions ABP must pay out now and in the future) decreased by € 7 billion to € 383 billion in the second quarter. The increase in the actuarial interest rate by a rounded-off 0.1 percentage point was the key reason for the decrease in liabilities.

Investments Outlook

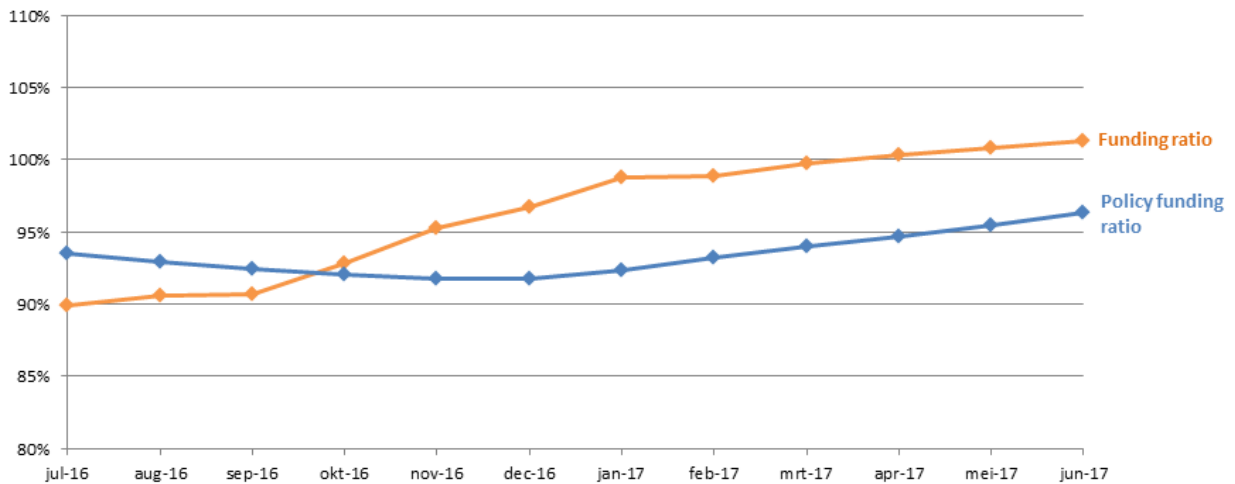
Confidence indicators throughout the world remain strong, but trends among regions are highly divergent. The US appears to have lost some momentum, while the rest of the world, in particular the euro zone and emerging markets, are catching up. The monetary policy is in a state of flux as well, and tightening of

monetary policy may be in the offing. Equity markets for the time being are benefiting from rising operating profits; however, increasing interest rates can have a negative impact on equity as well as bond markets. The acute political risk has dissipated somewhat, following elections in France, the Netherlands and Austria. Furthermore, the probability of a 'hard' Brexit appears to have declined because the Conservatives have lost their majority in Parliament.

Key Figures	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Policy coverage ratio (%)	94.4	92.5	91.7	94.0	96.3
Coverage ratio (%)	90.6	90.7	96.6	99.8	101.3
Available assets (€ billions)*	372	381	382	389	389
Liabilities (€ billions)	411	420	395	390	383
Actuarial interest rate (%)	1.0	0.9	1.3	1.4	1.5

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

Development funding ratio per month



Profile

The General Pension Fund for Public Employees (ABP) is the industry-wide pension fund for employers and employees of government and educational institutions in the Netherlands. ABP has 2.9 million participants and €389 billion in available assets (as at June 30, 2017).

Appendix:

Investment Portfolio Composition and Return

Returns are before currency hedge; some rounding differences may arise.

	Weight %	Q2 2017		2017		2016	
		Return in %	Return in billion €	Return in %	Return in billion €	Return in %	Return in billion €
Fixed Income	38.3	-0.7	-1.1	-1.0	-1.5	5.5	8.0
Treasuries	7.0	0.5	0.2	-0.3	-0.1	2.6	1.3
Treasuries Long Duration	6.1	0.8	0.2	-0.9	-0.2	7.9	0.5
Credits	13.3	-1.9	-1.0	-1.8	-0.9	6.6	3.2
Emerging Market Debt	2.9	-3.8	-0.4	0.2	0.0	14.9	1.3
Inflation Linked Debt	8.9	0.2	0.1	-0.9	-0.3	5.1	1.6
Equity	34.0	-1.4	-1.9	5.2	6.7	12.1	14.2
Equity Developed	24.8	-2.0	-2.0	3.2	3.1	10.9	9.8
Equity Emerging	9.2	0.2	0.1	11.2	3.6	15.1	4.5
Alternative investments	17.5	-4.0	-2.7	-5.2	-3.5	12.5	7.4
Private Equity	4.9	0.6	0.1	0.6	0.1	14.8	2.5
Commodities	4.6	-10.6	-1.8	-15.5	-2.7	16.8	2.4
Opportunity Fund	0.6	-2.1	0.0	-8.1	-0.2	5.0	0.1
Infrastructure	2.7	1.9	0.2	4.2	0.4	13.0	1.0
Hedge Funds	4.7	-5.8	-1.1	-5.9	-1.1	7.9	1.4
Real Estate	10.0	-1.0	-0.4	0.3	0.1	8.4	3.0
Real Estate	10.0	-1.0	-0.4	0.3	0.1	8.4	3.0
Portfolio return (before overlay)	99.8	-1.6	-6.1	0.5	1.8	9.4	32.7
Overlay *	0.2	1.5	6.0	1.5	5.6	0.1	0.3
Interest- and inflationhedge *		-0.3	-1.0	-0.6	-2.2	1.3	4.4
Currency hedge *		1.8	7.1	2.1	7.9	-1.3	-4.7
Other *		0.0	-0.1	0.0	-0.2	0.2	0.6
Total	100.0	0.0	-0.1	1.9	7.4	9.5	33.0

* contribution to total portfolio