

Quarterly report: ABP Q1 2022

- Current coverage ratio increases to 117.4% (110.6% as at end 2021)
- Return at -3.9% (-€21 billion)
- Decrease in pension liabilities by €47 billion due to higher interest rates (+0.5%)
- Policy coverage ratio rises to 106.5% (102.8 as at end 2021)

Heerlen/Amsterdam, April 21, 2022. In the first quarter of 2022, ABP's latest coverage ratio will rise by 6.8% to 117.4%. This is a big plus point in a challenging and uncertain quarter. The increase is entirely due to the rise in interest rates, which means that the fund needs much less capital (-€47 billion) to pay out all current and future pensions. This more than mitigates the loss on investments (-€21 billion). As the latest coverage ratio increases, the policy coverage ratio also rises: to 106.5%. However, under the current rules, that is not yet enough for us to increase pensions.

Harmen van Wijnen, Chairman of the Board of Trustees: "It was a turbulent quarter due to the ongoing pandemic, doubtless exacerbated by the Russian invasion of Ukraine. This is causing a great deal of suffering in Ukraine and is also affecting people outside the country. The stock markets are responding accordingly, with financial markets taking a bad hit. While this has caused ABP to consume its assets, ABP's coverage ratio is nevertheless rising sharply. This is because the higher interest rates caused our liabilities to decrease even faster. We are one step closer to increasing pensions, and it would be beneficial if the limit for increasing pensions were relaxed as of July 1. In recent years, we have argued for the possibility of increasing pensions earlier as we move towards the new pension contract. If that possibility presents itself, the ABP Board of Trustees intends to utilize it. We will then decide what to do based on a balanced consideration of the interests of all participants."

What can ABP participants expect?

While there will certainly be no pension cuts in 2022, pension increases aren't quite in sight—the policy coverage ratio is still too low for increases. The limit for increasing pensions is currently at a policy coverage ratio of 110%. A bill has been submitted to the Dutch parliament to lower this limit to 105% as of July 1. If this is adopted and ABP still has a policy coverage ratio of over 105%, the ABP Board of Trustees will adopt a resolution on a possible pension increase, taking into account the interests of all groups of participants.

ABP's coverage ratios rise in the first quarter of 2022

In the first three months of 2022, ABP's latest coverage ratio will rise from 110.6% to 117.4%.

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 (€531 billion) and its liabilities, which are all the current and future pension payments (€452 billion).

The policy coverage ratio (the average of the latest coverage ratios over the past twelve months) will increase in the first quarter of 2022 from 102.8% to 106.5%. This coverage ratio, which is important for increasing pensions, will therefore remain below the current required level of 110%.

How did ABP's investments and liabilities fare in the first quarter of 2022?

The ongoing pandemic and the Russian invasion of Ukraine are having a major impact on financial markets. Consequently, ABP posted a negative return of -3.9% (-€21.3) billion in the first quarter. This has nothing to do with the decision to sell ABP's Russian investments, which comprise only a fraction (0.1%) of our investment portfolio. The loss is mainly due to the depreciation in value of categories of equities and bonds,

as well as to losses on protection against interest rate and currency risks. ABP spreads investment risks and therefore has a broad portfolio. There are also investment categories that show positive returns (the commodities category is by far the best performer, with a return of +26.5%). (For returns per category and the total, please see the appendix).

The actuarial interest rate will rise by 0.5% (from 0.6% to 1.1%) in this quarter. As a result, the value of the pensions that ABP has to pay out now and in the future fell from €499 billion at the end of 2021 to €452 billion at the end of March 2022. When interest rates rise, a fund does not have to keep as much capital to meet all its liabilities.

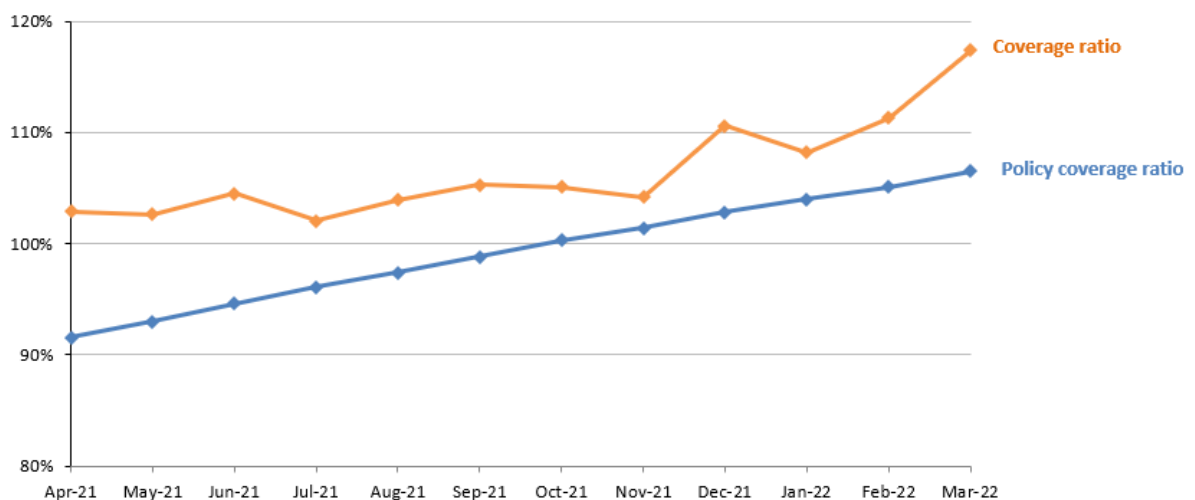
Investment outlook

The pension fund's financial situation is improving significantly thanks to rising interest rates. As a result, the value of the pension liabilities is decreasing more than the value of the investments. The value of investments may be further squeezed if high inflation continues for a long time and/or if the economy slips into recession (for example, as a result of the war in Ukraine). The more diverse the portfolio, the better it is able to withstand such shocks.

Kerncijfers	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Actuele dekkingsgraad (%)	100,5	104,5	105,3	<i>110,6</i>	117,4
Beleidsdekkingsgraad (%)	89,8	94,6	98,8	102,8	106,5
Beschikbaar vermogen (€ miljard)*	499	523	528	552	531
Verplichtingen (€ miljard)	497	500	502	499	452
Rekenrente (%)	0,5	0,5	0,5	0,6	1,1

* The key factors causing movements in available assets are the investment return achieved, contributions received, and benefits paid.
Note: In the above table, some key figures for Q4 2021 (in italics) have been adjusted following the adoption of and in accordance with the final financial statements for 2021

Development of coverage ratios at the end of the month



1. The policy coverage ratio is based on a 12-month average of the monthly coverage ratios reported to DNB.

2. The weekly and monthly coverage ratios are based on provisional figures for the investments and provisions for pension liabilities. Quarterly end-of-year figures are based on final figures.

ABP investment portfolio composition and returns

Q1-2022	Weight in %	Q1 2022		2022		2021	
		Return in %	Return in € billion	Return in %	Return in € billion	Return in %	Return in € billion
Fixed-income securities	38.9	-5.8	-12.7	-5.8	-12.7	-0.9	-1.5
Government bonds	9.6	-5.5	-2.5	-5.5	-2.5	-3.5	-1.6
Long-term government bonds	12.3	-10.0	-7.1	-10.0	-7.1	-7.0	-3.6
Corporate bonds	11.0	-4.3	-3.1	-4.3	-3.1	4.8	3.4
Emerging market bonds	5.8	0.1	0.0	0.1	0.0	0.9	0.3
Inflation-linked bonds	0.1	1.8	0.0	1.8	0.0	4.0	0.0
Equities	29.0	-5.2	-9.4	-5.2	-9.4	23.0	37.1
Equities, developed countries	21.8	-4.7	-6.7	-4.7	-6.7	28.8	35.3
Equities, emerging markets	7.1	-6.7	-2.6	-6.7	-2.6	4.3	1.8
Alternative investments	22.6	9.1	10.6	9.1	10.6	34.5	30.8
Private equity	8.4	0.0	0.0	0.0	0.0	44.6	14.1
Commodities	6.4	26.5	8.6	26.5	8.6	45.4	11.1
Infrastructure	4.2	2.9	0.6	2.9	0.6	16.1	2.8
Hedge funds	3.5	8.2	1.4	8.2	1.4	16.9	2.6
Real estate	10.6	1.0	-	1.0	-	23.1	10.3
Real estate	10.6	1.0	-	1.0	-	23.1	10.3
Portfolio return (before overlay)	101.1	-2.0	-10.9	-2.0	-10.9	15.5	76.6
Overlay *	-1.1	-1.9	-10.4	-1.9	-10.4	-4.1	-20.3
Interest and inflation hedge *		-1.4	-7.8	-1.4	-7.8	-1.2	-6.2
Currency hedging *		-0.6	-3.1	-0.6	-3.1	-2.3	-11.4
Cash and other *		0.1	0.5	0.1	0.5	-0.6	-2.8
Total	100.0	-3.9	-21.3	-3.9	-21.3	11.4	56.3