

Press release

ABP quarterly report for Q3 2023

Heerlen/Amsterdam, October 19, 2023

- **Current coverage ratio rises to 118.6%**
- **Investment result: Q3 -3.7% (-€17.5 billion), YTD 2023 -0.4% (-€1.7 billion)**
- **Policy coverage ratio falls to 114.5%**
- **At the end of November this year, ABP will decide whether pensions can be increased in 2024**

In Q3, ABP's current coverage ratio leapt from 5% to 118.6%. This was due to the significant increase in interest rates that quarter. As a result of this increase, the value of all pensions that ABP has to pay out also decreased significantly, to €32 billion. The flip side of an increase in interest rates is that it has a negative impact on the financial markets. Consequently, ABP posted a negative quarterly return for the first time: -3.7%. As a result, its available assets decreased to €457 billion. The policy coverage ratio decreased to 114.5%.

Harmen van Wijnen, Chair of the Board of Trustees: "ABP's financial position improved in Q3, as our current coverage ratio increased enormously. Given the awful conflict in the Middle East and the ongoing war in Ukraine, it remains to be seen whether that improvement can be sustained. At the end of November, we will decide whether we will increase pensions next year for both people who are still accruing their pension and for pensioners. As always, we will base this decision on the rise in prices between September last year and September of this year. According to Statistics Netherlands, this year-on-year inflation rate comes to 3%. Furthermore, not only does our financial position need to be sufficiently robust, but we also need to ensure that we maintain a proper balance in terms of the impact of such a decision on all groups of participants. In addition, we need to maintain sufficient reserves so that we can transition in good financial health to the new pension scheme in 2027. In short, we would like to increase pensions to keep them in line with inflation, but we will only do so if it can be done responsibly."

What can ABP participants expect?

In January 2023, ABP increased pensions by almost 12%, thus fully offsetting the rise in prices between September 2021 and September 2022 (11.96%). At the end of November this year, ABP will assess whether pensions can be increased in 2024 and, if so, by how much. When doing so, the fund will consider its financial position at the end of October and the price increase between September 2022 and September 2023 (3.03% according to Statistics Netherlands), taking into account the interests of all groups of participants. The Board will then decide what increase is appropriate.

ABP's coverage ratios in Q3

In Q3 2023, ABP's current coverage ratio rose by 5% from 113.6% to 118.6%. Assets decreased by €18 billion due to a negative return and liabilities decreased significantly by €32 billion. The coverage ratio is an indicator of a pension fund's ability to make current and future pension payments. It expresses the

ratio between ABP's available assets (€457 billion) and its liabilities, which are all of the current and future pension payments (€386 billion).

The policy coverage ratio (the average of the current coverage ratios over the past 12 months) decreased by 1.5% to 114.5%. This decrease is due to the fact that the relatively high current coverage ratios from last year's third quarter are now no longer included in this average coverage ratio.

How did ABP's investments and liabilities fare in Q3 2023?

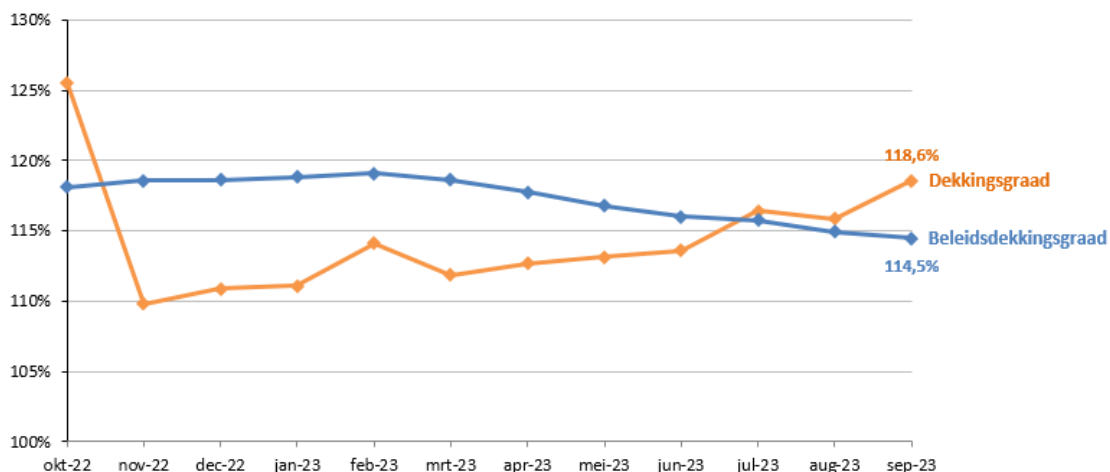
ABP's available assets decreased from €475 billion at the end of June 2023 to €457 billion at the end of September 2023. ABP posted a negative return for Q3 of -3.7% (-€17.5 billion). Negative returns were realized in the fixed-income and equities investment categories. Alternative investments, and commodities in particular, generated a positive return. The return for the first three quarters of 2023 came to -0.4% (-€1.7 billion).

The actuarial interest rate increased by 0.5% (from 2.6% to 3.1%) in Q3. As a result, the value of the pensions that ABP has to pay out now and in the future fell from €418 billion at the end of June 2023 to €386 billion at the end of September 2023. This decrease has had a positive impact on the coverage ratio.

Key figures	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Current coverage ratio (%)	124,2	110,9	111,9	113,6	118,6
Policy coverage ratio (%)	116,4	118,6	118,6	116,0	114,5
Available assets (€ billion)*	460	459	470	475	457
Liabilities (€ billion)	370	414	420	418	386
Actuarial interest rate (%)	2,5	2,6	2,5	2,6	3,1

* The change in available assets was mainly due to the achieved ROI, premiums and payments.

Ontwikkeling dekkinggraden per maandeinde



1. De beleidsdekkinggraad is gebaseerd op een 12 maandsgemiddelde van de aan DNB gerapporteerde maanddekkinggraden.

2. De week- en maanddekkinggraden zijn gebaseerd op voorlopige cijfers van de beleggingen en de VPV. Bij kwartaal ultimo 's zijn de cijfers gebaseerd op definitieve cijfers.

Appendix: explanation of investment portfolio return

	Weighting	Q3 2023		2023		2022	
		Unhedged return		Return		Unhedged return	
		in %	in % in € billion	in %	in % in € billion	in %	in % in € billion
Fixed-income investments	40.3	-4.4	-8.4	-2.3	-4.4	-19.7	-44.1
Government bonds	10.7	-2.3	-1.1	-1.1	-0.5	-17.3	-8.9
Long-term government bonds	12.3	-10.7	-6.7	-8.8	-5.5	-33.0	-25.6
Corporate bonds	10.8	-1.2	-0.6	0.7	0.4	-13.4	-8.6
Emerging-market bonds	6.4	0.0	0.0	4.2	1.2	-3.3	-1.0
Equities	27.1	-1.1	-1.4	8.4	10.5	-15.1	-25.4
Developed-market equities	20.0	-1.4	-1.3	10.4	9.8	-14.2	-18.3
Emerging-market equities	7.1	-0.4	-0.1	2.3	0.7	-18.0	-7.0
Alternative investments	23.5	5.3	5.5	4.9	5.1	10.5	13.1
Private equity	10.1	3.2	1.4	5.3	2.3	-1.7	-0.7
Commodities*	6.3	11.6	3.1	4.8	1.4	24.3	8.7
Infrastructure	5.7	2.8	0.7	4.6	1.1	6.0	1.3
Hedge funds (being wound down)	1.3	4.2	0.2	4.5	0.3	18.9	3.8
Real estate	10.6	-0.3	-0.2	-2.5	-1.2	-8.8	-4.8
Real estate	10.6	-0.3	-0.2	-2.5	-1.2	-8.8	-4.8

Portfolio return (before overlay)	101.6	-1.0	-4.5	2.2	10.0	-11.1	-61.2
Overlay	-1.6	-2.7	-13.0	-2.6	-11.7	-6.5	-35.7
Interest rate and inflation hedge		-2.2	-10.5	-2.2	-9.9	-5.1	-28.3
Currency hedge		-0.6	-2.8	-0.3	-1.6	-1.6	-8.8
Cash and other		0.1	0.3	-0.1	-0.2	0.2	1.4
Total	100.0	-3.7	-17.5	-0.4	-1.7	-17.6	-96.9