

Financial development during the third quarter of 2022

based on provisional figures

Increasing or reducing pensions and pension accrual

PDN aims to increase pension every year and to allow them to grow in line with inflation or wage rises. This is called indexation. The financial position of the fund and the statutory regulations that apply to indexation play a major role during the annual decision-making process in this regard.

The financial position of the pension fund is expressed in the funding level. The funding level is the ratio between the capital of a pension fund and all its pension obligations. Every year, the Board makes a decision on the basis of what is known as the 'policy funding level'. The 'policy funding level' is the average of the last twelve months of monthly funding levels.

The interest rate and the expected development of the interest rate also play an important role in the Board's decision on potential increases. A higher or lower interest rate ensures a higher or lower funding level.

A policy funding level of 110% is required to be able to partially increase pensions.

A full increase is possible with a policy funding level of around 146%. If the policy funding level is below 88%, the Board may decide to reduce pensions. Both figures depend on inflation expectations and can therefore change. DNB determines inflation expectations and PDN must apply these.

The funding level and the policy funding level as these apply at the end of the year determine whether or not pensions are increased or reduced.

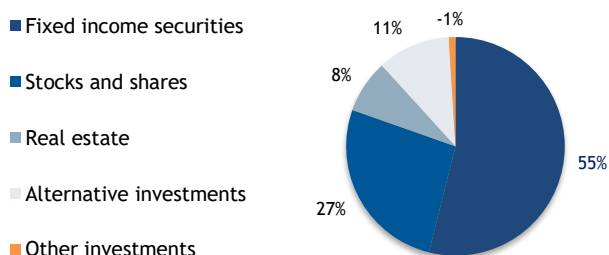


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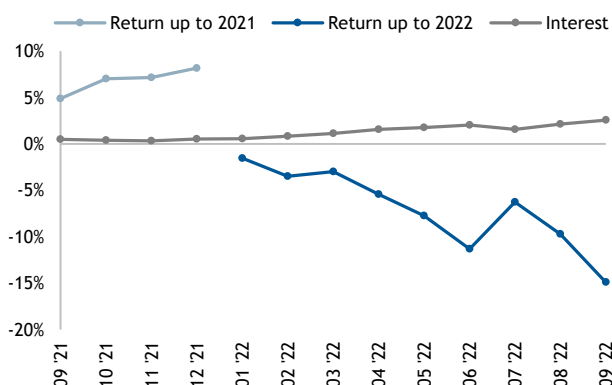
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	2022 Q1	2022 Q2	2022 Q3		2022 Q1	2022 Q2	2022 Q3
Pension assets	7.909	7.207	6.885	Pension liabilities	6.424	5.624	5.193
Funding level	123,1%	128,1%	132,6%	Policy funding level	112,5%	117,5%	122,6%
Return up to	-3,0%	-11,3%	-14,9%	Interest	1,1%	2,0%	2,6%

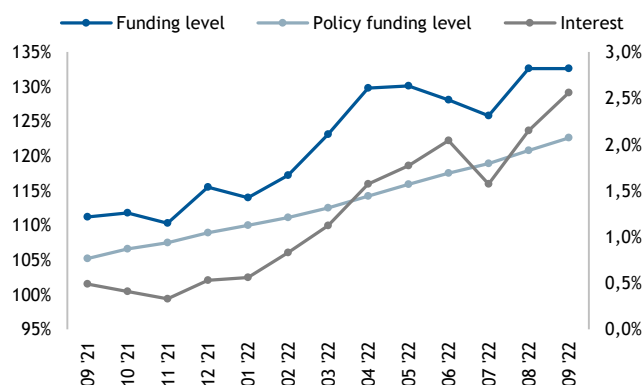
- During the third quarter of 2022, the total investments of the fund produced a negative return of -4.0%. The pension fund assets decreased during the quarter and amounted to €6,885 million at the end of the quarter.
- During the quarter, the provision for pension liabilities decreased by €431 million relative to the previous quarter and therefore reached a total of €5,193 million. The provision is the money that the pension fund must have “in the pot” to be sure that it can pay for all pensions including current ones and those in the future.
- The pension fund assets have been invested in a number of investment categories to spread risk. Below we list the division as it stood at the end of the third quarter of 2022.
- The provision for pension liabilities was calculated as a cash value on the basis of the actuarial interest rate, in line with the regulations of De Nederlandsche Bank. The cash value is the total “pot of money” needed to pay out current pensions and future pensions. This means that when the actuarial interest rate decreases, the amount of the provision increases. As such, this means that the amount of the provision decreases when the actuarial rate increases. Compared with the previous quarter, the actuarial interest rate increased to 2.6%.



Changes in the return and interest



Changes in the (policy) funding level and interest



Disclaimer: Some of the figures in this document are based on estimates and have not been verified by the external auditor and certifying actuary.

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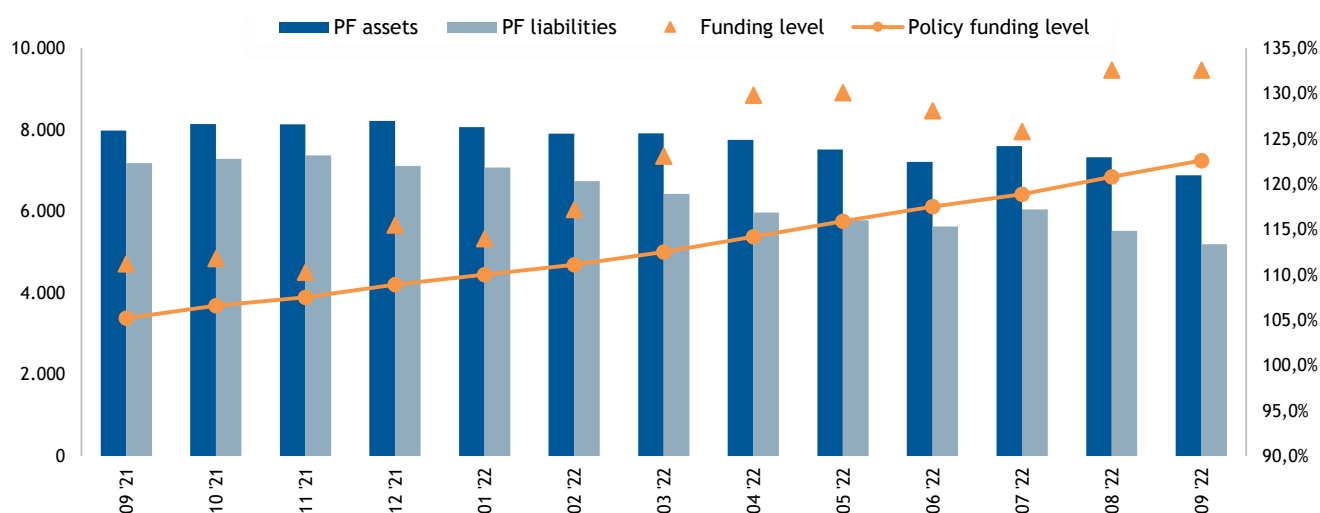
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The funding level indicates whether the pension fund assets of the pension fund are enough to pay out all current and future pensions. At a funding level of 100%, the pension fund can pay out all pensions.

The funding level offers insight into the financial position of the pension fund at a certain point in time. However, the funding level is constantly changing due to the developments on financial markets and as a result of changes to pension obligations.

It is important to maintain reserves to compensate for the noted movements in financial markets and changes to pension obligations. The reserves are not only used to account for the risks in financial markets, but also to increase the pensions of members.

If the financial position allows for it, the pension fund can increase the pensions of members to ensure that the pension payments retain their purchasing power. That is why it is important that the funding level of the pension fund is sufficiently high to account for market risks and to finance increases. The funding level of the pension fund needed for this is 121.1%.



Funding level and Policy funding level

- The funding level is 132.6% and the policy funding level amounts to 122.6%.
- Laws and regulations for pension funds are meant to ensure stable pensions and more transparency.
- The laws and regulations specify a different method to determine the financial position. This method focuses on determining the policy funding level. The policy funding level is the average of the last twelve months of funding levels.
- By averaging the funding level, changes to the investments and/or pension obligations have a less direct effect on the decision making that takes place on the basis of the policy funding level. The consequences of the financial developments of funding level are tempered through this methodology, meaning that the policy funding level does not vary as significantly over time. In this way, the laws and regulations contribute to more stable pensions.

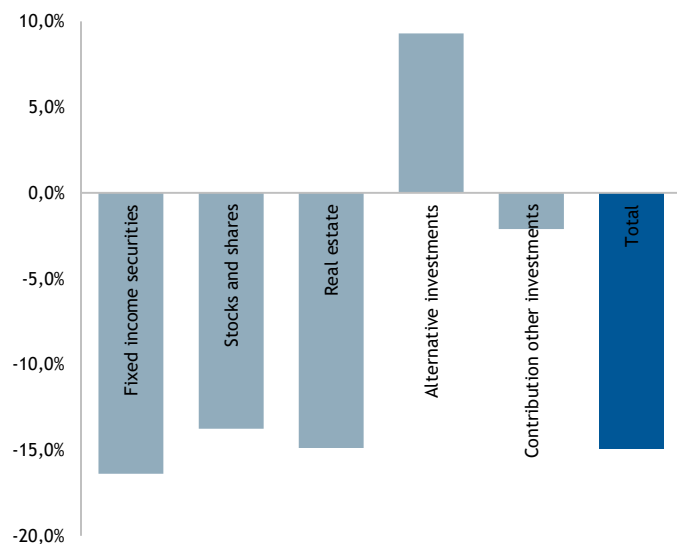


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Returns on the total investments of the fund

- The returns on the investments contributed negatively to the pension fund assets and therefore contributed negatively to the financial position of the fund.
- -4.0% over the third quarter of 2022
-14.9% up to and including the third quarter of 2022
- The below division of achieved returns of the pension fund per investment category up to and including the third quarter of 2022.
- The table below shows the monthly return in 2022 for the PrePensionScheme (PPS)*:



	PPS
January	-1,0%
February	-1,5%
March	-1,9%
April	-2,8%
May	-1,1%
June	-1,9%
July	3,5%
August	-4,1%
September	-3,1%

Return ytd -13,3%

* net return (after costs)

The total return is a weighted average of the different investment categories.



Contact details

DSM Pension Services is responsible for the administration of the pension scheme and asset management. If you have any questions about this information or concerning other pension topics, then please contact us via one of the following means:

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