

Quarterly report

Fourth quarter of 2011

▪ Coverage ratio:	97%
▪ Assets under management:	€110.7 billion
▪ 2011 return:	8.4%

The coverage ratio of Pensioenfonds Zorg en Welzijn stood at 97% at the end of 2011. The rise in the final quarter resulted partly from the decision taken by the Dutch Central Bank (DNB) to allow the coverage ratio at the end of 2011 to be calculated on the basis of an average interest rate over the final three months of the year. In round figures, this measure had an impact of 4 percentage points on PFZW's coverage ratio.

Modest progress in tackling the European debt crisis, an improved economic outlook particularly in the United States and hedging of the interest rate risk led to positive returns on investments. By contrast, long-term interest rates fell further in the final quarter of 2011.

Peter Borgdorff, Managing Director of Pensioenfonds Zorg en Welzijn: "The past year failed to bring the hoped-for restoration of calm to the financial markets, which we so urgently need. The picture therefore remains gloomy. But fortunately there was also a small bright spot at the beginning of 2012: DNB now shares our opinion that the current extremely low level of interest rates gives a distorted picture of the financial position of pension funds. Therefore, we are now permitted to base our calculations on the average interest rate over the final three months of the year. This easing of the rule is a drop in the ocean, but an important drop nonetheless for PFZW. It means we are just above the critical level, with a crucial consequence for our pensioners and participants: we do not have to take any additional painful measures at present. If DNB shares our analysis, PFZW pensions will not now decrease.

But we are far from being out of the woods yet. It is essential that we see a return of confidence in the markets and a rise in interest rates in 2012."

Key figures

	Yearly average since 1971	Cumulative 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Cumulative 2010	Q4 2010
Coverage ratio (quarter end)			97%	91%	110%	111%		104%
Total return	8.2%	8.4%	6.9%	0.6%	0.4%	0.4%	12.6%	1.3%
Interest rate			2.75%	2.72%	3.80%	3.81%		3.45%

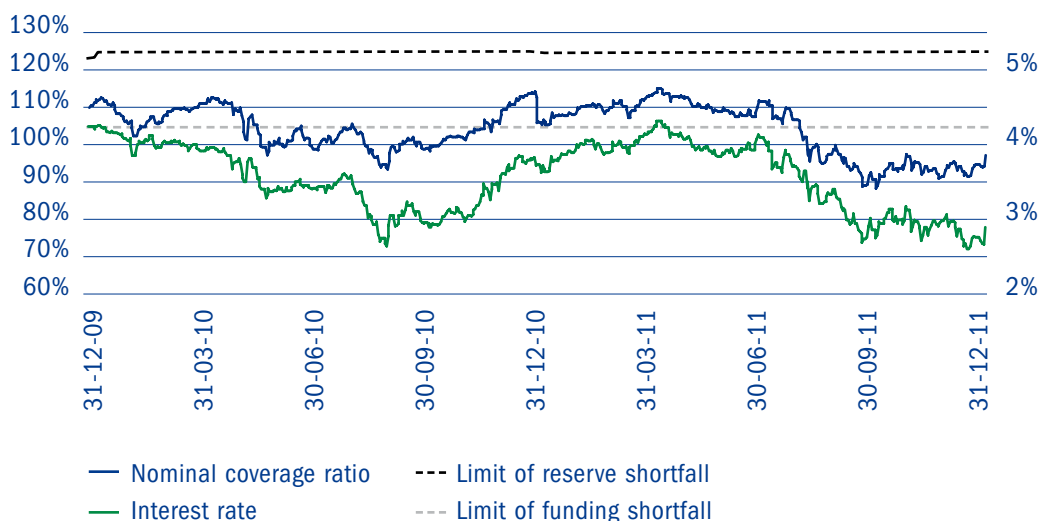
The total return includes the result of the partial hedging of the interest rate and inflation risk.

The average annual return since 1971, the year in which the pension fund began operating, is 8.2%. This long-term return supports Pensioenfonds Zorg en Welzijn's view that a broadly diversified portfolio can generate a high and relatively stable average return in the long term, even if the annual return fluctuates widely, as in recent years.

Coverage ratio

The coverage ratio rose from 91% to 97% in the fourth quarter of 2011. This was due to the adjustment in the interest rate term structure and a positive investment return in the fourth quarter. As a result of this adjustment, the interest rate used to determine the liabilities rose to 2.75% at the end of December 2011. The combination of the return and the hedging of the interest rate risk had a positive impact of 6 percentage points on the coverage ratio. As the interest rate effect on the liabilities is almost neutral due to the adjustment, the result is a net rise of 6 percentage points in the coverage ratio. The coverage ratio has fluctuated widely in the last two years. This was due to fluctuations in interest rates and returns. As a result of DNB's interest rate adjustment, the coverage ratio rose from 93% to 97% at the end of the fourth quarter of 2011. At 93%, the coverage ratio is below the limit specified in the short-term recovery plan (funding shortfall) and below the limit in the long-term recovery plan (reserve shortfall). At 97%, both the short-term and long-term recovery plans can be expected to be fulfilled without additional measures.

Coverage ratio and interest rate



Investment portfolio and return

	<i>Investments</i>		<i>Return</i>	
	<i>31-12-2011</i>		<i>YTD 2011</i>	<i>Q4 2011</i>
	<i>in mln €</i>	<i>in %</i>	<i>in %</i>	<i>in %</i>
Return Assets	69,635	62.9%	-1.6%	5.2%
Equities	40,208	36.4%	-4.3%	6.7%
Real Estate & Infrastructure	16,536	14.9%	1.1%	3.4%
High Income Bonds	7,988	7.2%	4.8%	4.0%
Additional risk-return sources	4,903	4.4%	3.3%	1.0%
Commodities	2,186	2.0%	2.5%	11.9%
Interest Rate and Inflation Risk	34,668	31.3%	30.4%	8.1%
Interest rate and inflation mandate	30,650	27.7%	34.5%	9.1%
Corporate Bonds	3,883	3.5%	3.5%	1.8%
Short-term Government Bonds	135	0.1%	-11.0%	-4.0%
Other	4,199	3.8%		
Total	110,688	100.0%	8.4%	6.9%

Better-than-expected economic growth in the United States and an improved economic outlook led to cautious optimism among investors in the fourth quarter, even though European data were disappointing. The optimism was bolstered by the agreement among heads of government at the end of October on the way to tackle the European debt crisis. Although a great deal of uncertainty remains with regard to the actual policy measures, the politicians appear increasingly aware of the urgent need to tackle this crisis. Despite the improved outlook, interest rates sank further. The European 30-year swap rate fell by 0.2 percentage points to 2.56%.

Almost all investments contributed to the positive return in the fourth quarter. Equities posted a return of 6.7%, benefiting from the improved outlook and positive sentiment. A rise of almost \$20 in the oil price meant that commodity investments achieved a high return. Due to the economic circumstances, it was decided to reduce the weight of commodities in the strategic allocation at the beginning of October. Bonds and the interest rate and inflation mandate benefited from the lower interest rates. The return on corporate and high-yield bonds was strengthened by the fact that credit spreads also declined. The euro/dollar exchange rate fell by five cents to just below 1.30 at the end of 2011. Short-term bonds show a negative return due to writedowns on a small part of the portfolio.

Profile of Pensioenfonds Zorg en Welzijn

Pensioenfonds Zorg en Welzijn is responsible for the pension policy and pension assets of over 2.4 million current and former employees in the care and welfare sector. The pension fund is the owner of the pension assets, which amounted to €111 billion at the end of December. The fund is governed by representatives of employee and employer organisations. The board reports to the Pension Council, which consists of participants, pensioners and employers. The Pension Council is also the co-determination body and issues recommendations on proposed decisions.

Pensioenfonds Zorg en Welzijn has outsourced the administration of the pension scheme and the management of the pension assets to PGGM.

Disclaimer

PGGM, acting as the implementing organisation under the authority of Pensioenfonds Zorg en Welzijn, has taken the utmost care in compiling this quarterly report. The published information may nevertheless be incomplete or inaccurate. Neither Pensioenfonds Zorg en Welzijn nor PGGM accepts any liability in this regard.

Pensioenfonds Zorg en Welzijn and PGGM also decline any liability for damage resulting from or relating to the use of (or inability to use), reliance on, or actions or omissions in response to, the information published in this quarterly report.

In case there might be discrepancies between the Dutch version and the English version of the Quarterly Report the Dutch version will prevail.

All 2011 figures stated in this quarterly report are provisional, unaudited figures.

The assumption that no additional measures are required at present under the recovery plan is subject to DNB's approval of the evaluation of the recovery plan. This evaluation will be sent to DNB around mid-February 2012.

Zeist, 19 January 2012

Further information is available from:

Bram van Els

Spokesperson on behalf of Pensioenfonds Zorg en Welzijn

Telephone 030 - 277 97 35

bram.van.els@pggm.nl

www.pfzw.nl