





Agenda



Understanding Dutch pensions of PostNL

How this translates into accounting

1

Main schemes at PostNL



Dutch main pension plan

- Defined benefit average pay pension scheme
- Applicable for almost all employees with a collective or personal labour agreement
- Retirement age is 67
- Accrual rate of old age pension is *1.875*%
- Pension accrual over pensionable salary
 -/- state pension level of approx. EUR 13,500
- Maximum pensionable salary is EUR 100,000
- Conditional indexation (adjustments to inflation) based on funds available in pension fund

Dutch transitional arrangements

- Various conditional defined benefit arrangements based on years of service and continued employment
- Main arrangement relates to so-called conditional soft pension benefit, which only vests in case of continued employment until retirement or 31 December 2020 the latest

The pension plan and transitional arrangements are negotiated between employer and employees (via unions). In our case the pension fund is involved given the agreed financing elements.

Dutch main pension plan



Insurance

- External execution legally required (insurance, financing, administration)
- External execution via company-only pension fund (Stichting Pensioenfonds PostNL)
- All Dutch pension funds are independent legal entities, not owned or controlled by any other legal entity
- All Dutch pension funds are being supervised by the Dutch Central Bank (DNB) and the Dutch Authority for Financial Markets (AFM)

Financing - regular pension accrual

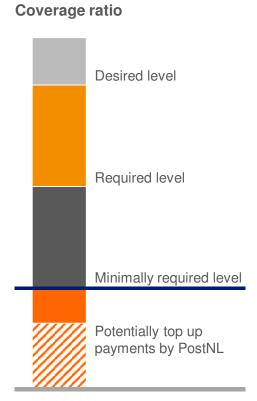
- Total premium level is based on actuarial calculations, however with a minimum of 21.5% and a maximum of 27.5% of the pensionable base
- An increase of 10% (5%) is applied in case the funding ratio is below 120% (130%)
- In case actuarial costs are above the maximum level (f.e. due to low interest rates), the accrual rate is reduced to align with the maximum premium level
- In case actuarial costs are below the minimum level (f.e. due to high interest rates), the excess funding comes at the benefit of the participants
- As from December 2015, the employee contribution for *all* active employees is 6% of their pensionable base

Dutch main pension plan



Financing – contributions related to a funding deficit

- The relevant ratios for assessing the pension fund's financial position are:
 - The month-end coverage ratio (based on applicable rules/regulations) Q3 2015: 104.2%
 - The 12-months average coverage ratio (for decision making) Q3 2015: 107.7%
- Current regulations aim for a 12-months average
 - Minimally required coverage ratio of around 104%*
 - Required coverage ratio of around 116%*
 - Desired coverage ratio of around 124%* (reflecting funding for full indexation)
- Potential contributions by PostNL only apply for situations where the 12-months average coverage ratio falls below the minimally required level of around 104%
- In case of such a funding deficit PostNL contributes at most 1.25% of the pension fund's obligations (at Q3 2015 levels approx. EUR 90 million) per annum, for at most 5 consecutive years, for at most to recover to around 104%
- To determine the contributions to be made by PostNL, the pension fund's own resilience during the remaining time frame (at start 5 years) is taken into account
- On the agreed rules and in case of a full 5 year time frame, the level of the coverage ratio must be lower than around 98%* before top up payments apply
- This level of around 98%* increases when the time frame becomes shorter



^{*} Variable to composition investment mix and market interest rates

Dutch main pension plan



Financing – one-off unconditional contribution

- As a one-off payment for the YE 2013 negotiated pension agreement (with a minimum and maximum premium level, and a limitation of the potential top-up payments),
 PostNL agreed to unconditionally contribute EUR 150 million to the pension fund
- As a one-off payment for the YE 2014 negotiated merge of the former smaller pension fund with the main pension fund (to compensate for the difference in coverage ratio's), PostNL agreed to unconditionally contribute EUR 7 million to the pension fund
- Payment terms of the unconditional amounts are:
 - payable in 5 yearly terms from moment PostNL resumes paying dividend
 - payments start ultimately 10 years after becoming unconditional
- Interest is added to the unpaid part of the unconditional amounts
- Total unconditional outstanding payment at Q3 2015 amounted to EUR 161 million



Dutch transitional arrangements – soft pension



Insurance



- External execution legally required for vested rights / at date of vesting (in our case arranged for with the pension fund)
- During conditional period, internal provisioning via company balance sheet

Financing



- Lump sum payments to the pension fund based on actuarial costs at date of vesting
- Soft pension benefit only vests in case of continued employment until retirement or 31 December 2020 the latest
- Costs are fully born by the employer

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IAS 19 Employee Benefits



Classification as

Defined Benefit

costs ≠ cash
BS provision for difference
between costs and cash

Or Defined Contribution

costs = cash no provision

Defined Benefit – Projected Unit Credit Method

- Valuation of obligations and costs based on projected benefits
- Main assumptions
 - Discount rate
 - based on high quality corporate bonds
 - Rate of expected benefit increases
 - based on expected (adjusted) price inflation
 - Life expectancy (longevity)

Defined Benefit – Balance Sheet

Defined Benefit ObligationAdj. for liability ceiling

+ Plan Assets

(Un)Funded status

- + Adjustment for asset ceiling
- + Adjustment for minimum funding requirement

Balance sheet provision



IAS 19 pension costs

Basis elements



Profit & Loss



Service Cost: increase of the defined benefit obligation over the year, due to participants entitled to one more year of benefits

Curtailments / settlements

Interest Expense/Income on Funded Status: increase in defined benefit obligation and plan assets over the accounting period due to interest (time value of money; based on IAS 19 discount rate)

Within operating expenses

Within financial expenses

Other Comprehensive Income



Recognition of actuarial gains or losses due to:

- Difference between expected and realised outcome
- Assumptions annually updated

IAS 19 pension costs

Special adjustments



Other Comprehensive Income



Recognition of adjustments for:

Asset ceiling: positive funded status which PostNL can not record

as an asset

Minimum funding requirement: (part of) unconditional outstanding payment to be

recorded as liability, to prevent impact from asset

ceiling after payment

• Liability ceiling: unfunded status for which PostNL is not liable

Interest rate sensitivity to equity

- Discount rate below ~3.7%: limited impact on equity position due to application of asset and liability ceiling
- Limited impact partly explained by discount rate changes in relation to unfunded transitional plans
- Discount rate above ~3.7%: positive impact of ~€100 million on equity per 10 bps increase



Example – Disclosure in Annual Report 2014

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	Discount rate	2.3%	3.5%
Life expectancy 65 year old men/women (in years) 20.5/22.8 21.0/2	Rate of benefit increases	1.1%	1.4%
	Life expectancy 65 year old men/women (in years)	20.5/22.8	21.0/22.8



Example – Disclosure in Q3 2015 presentation

€ million	Q3 2015
Return on plan assets lower than assumed	(185)
Defined benefit obligation	(273)
Of which:	
Lower discount rate	(273)
Change in rate of benefit increase	0
Asset ceiling	239
Minimum funding requirement	161
Total pension	(58)
Net effect on equity within OCI	(43)

Profit for the period	18	12	48	1
Attributable to:				
Non-controlling interests				
Equity holders of the parent	18	12	48	
Earnings per (diluted) ordinary share (in €cents) 1	4.1	2.7	10.9	
Earnings from continuing operations per (diluted) ordinary share (in €cents) 1	4.3	2.7	21.1	
Earnings from discontinued operations per (diluted) ordinary share (in €cents) 1	(0.2)	0.0	(10.2)	
1 Based on an average of 44 1288, 138 outstanding ordinary shares (2014: 440,478,832).				
Consolidate distatement of comprehensive income				
in €millions	Q3 2015	Represented Q3 2014	YTD 2015	Repre YT
Profit for the period	18	12	48	
Other comprehensive income that will not be reclassified to the income statement				
Impact pensions, net of tax	(43)	(20)	(12)	
Share other comprehensive income jv's/associates Other comprehensive income that may be reclassified to the income statement			1	
Currency translation adjustment, net of tax	1	1	3	
Gains/(losses) on cashflow hedges, net of tax	(4)	2	1	
Change in value of available-for-sale financial assets	(56)	(125)	113	
Total other comprehensive income for the period	(102)	(142)	106	
Total comprehensive income for the period	(84)	(130)	154	
Attributable to:				
Non-controlling interests				
Equity holders of the parent Total comprehensive income attributable to the equity holders of the parent arising from:	(84)	(130)	154	
Continuing operations	(84)	(131)	197	
Discontinued operations	0	1	(43)	

Thank you!



