# Ilmarinen's interim report

## 1 January to 30 June 2020

ILMARINEN

# Coronavirus causes return on investments to fluctuate, cost-effectiveness of operations improved as expected

## January–June financial performance in brief

- The total result for Ilmarinen's H1 was EUR –1,099 million (EUR 931 million 1 Jan–30 Jun 2019) due to the slump in return on investments caused by the coronavirus early in the year.
- Premiums written fell to EUR 2.7 billion (EUR 2.9 billion) as a result of an increase in temporary layoffs and a temporary discount in the employers' TyEL contribution. Net customer acquisition was EUR 76 million (EUR 110 million) measured in premiums written. A total of EUR 3.1 billion (EUR 3.0 billion) in pensions was paid to 458,936 pensioners.
- Operating expenses financed using loading income fell EUR 7 million and the loading profit was EUR 21 (27) million. The ratio of operating expenses to expense loading components weakened to 74 (71) per cent due to a decline of 6.9 per cent in the expense loading rate and lower loading income.
- The return on Ilmarinen's investment portfolio was –2.0 per cent (6.0 per cent), i.e. EUR –1.0 billion (EUR 2.7 billion). Ilmarinen quickly recovered from the dramatic early-year plummet and the Q2 return on the investment portfolio rose to 5.9 per cent. At the end of June, the market value of investments stood at EUR 48.8 billion (EUR 50.5 billion on 31 Dec 2019).
- The long-term average nominal return on investments was 5.6 per cent, corresponding to a 4.1 per cent annual real return.
- Due to the negative investment return, solvency capital declined to EUR 9,649 (10,792) million. The solvency ratio was 124.0 (126.6) per cent.
- Outlook: Owing to growing unemployment and the temporary discount on employers' TyEL contributions, premiums written will fall considerably year-on-year. The declining premiums written will reduce Ilmarinen's loading income and thus the loading profit and the ratio of operating expenses to expense loading components compared to the year before. Thanks to the improvement in cost-effectiveness, loading profit is expected to be at the same level in H2 as it was in H1.

| Key Figures | 1–6/2020 | 1–6/2019 | 2019 |
|---|---|---|---|
| Premiums written, EUR mill. | 2,747 | 2,907 | 5,758 |
| Pension expenditure, EUR mill. | 3,100 | 3,013 | 6,078 |
| Operating expenses covered by loading income, EUR mill. | 61 | 67 | 130 |
| Loading profit, EUR mill. | 21 | 27 | 55 |
| Ratio of operating expenses to expense loading components, % | 74 | 71 | 70 |
| Return on investment, % | -2.0 | 6.0 | 11.8 |
| Total result at current value, EUR mill. | -1,099 | 931 | 2,040 |
| Value of investment assets, EUR mill. | 48,834 | 47,759 | 50,528 |
| Solvency capital, EUR mill. | 9,649 | 9,772 | 10,792 |
| Solvency ratio, % | 124.0 | 124.9 | 126.6 |

The interim report result comparison figures are the figures for the corresponding period of 2019. Unless otherwise indicated, the comparison figures for the balance sheet and other cross-sectional items are the figures for the end of 2019.

## PRESIDENT AND CEO JOUKO PÖLÖNEN'S REVIEW

"In the second quarter, Ilmarinen's investment portfolio yielded 5.9 per cent and solvency strengthened to 124 per cent as the equity markets recovered rapidly from the dramatic stock price plummet caused by the corona pandemic earlier in the year. Meanwhile, the global economy fell into a record-deep depression and the outlook continues to be exceptionally uncertain. However, the massive support measures by the central banks and governments are expected to guarantee the liquidity of the financial markets and companies, as a result of which the equity markets rebounded vigorously, credit risk margins narrowed and interest rates fell. The return on investments for the whole of H1 was still 2 per cent below zero. The H1 return on equity investments was –4.2 per cent and on fixed income investments –2.9 per cent. The best returns came from other investments at +10.6 per cent and real estate investments at +1.8 per cent. The long-term average nominal return on investments was 5.6 per cent, corresponding to a 4.1 per cent annual real return.

Ilmarinen's premiums written for January–June fell to EUR 2.7 billion due to a decline in employment and the temporary 2.6 per cent discount granted on employers' pension contributions, which was EUR 160 million less than a year ago. At the same time, pension expenditure continues to grow and EUR 3.1 billion was paid in pensions to some 460,000 pensioners. Finns do not need to be worried about their pensions as the payment of pensions is secured also during emergencies.

Strong development in cost-effectiveness continued in H1 and operating expenses financed using loading income declined by EUR 7 million from the comparison period. Due to a decline of 6.9 per cent in the expense loading rate and lower loading income, the loading profit was EUR 21 million and the ratio of operating expenses to expense loading components was 74 per cent. Thanks to the improvement in cost-effectiveness, loading profit is expected to be at the same level in H2 as it was in H1.

Through its own measures, the earnings-related pension sector has helped to build a bridge for companies over the worst of the coronavirus crisis. Together with other pension companies and authorities, we prepared a fixed-term change in the insurance terms and conditions which allows for a three-month extension on the term of payment for statutory earnings-related pension contributions to ease the situation of our customer companies suffering from the corona crisis. This opportunity was applied to around 20 per cent of the pension contributions of Ilmarinen's customers, and it was in force for contributions falling due between 20 March and 30 June 2020.

In operational terms, we successfully navigated through the exceptional first half of the year. Our customer service has operated as normal throughout the period and we have managed to further speed up pension processing. Of old-age pension applicants, more than 95 per cent received a decision either sufficiently fast or faster than they expected. During the second quarter, more than half of old-age pension decisions were granted in two days. During the same period, close to four in every five old-age pension applications came through the online service and digital applications increased by 30 per cent. The fastest way to receive a decision is to apply for pension digitally. Also in disability pensions, almost half of the applicants received their decisions faster than they expected.

Most of Ilmarinen's employees started working from home in spring, as recommended. The personnel's energy level remained excellent according to our surveys and the willingness to recommend their workplace rose despite the exceptional circumstances. Finns' work energy in general seems to have developed well during the coronavirus period. Altogether 10,000 employees from different sectors have responded to the work-energy questionnaire offered by Ilmarinen to its customers and the results have improved in almost all areas compared to the pre-crisis period. On the other hand, the extensive remote work also involves concerns such as a lack of social interaction and support and the blurring of the lines between employees' work and free time. With the coronavirus pandemic easing up, it is critical to ensure that workplaces are safe to return to and that the positive aspects of remote work and in-office work can be combined as successfully as possible.

Finland was successful in combatting the first wave of the coronavirus and in limiting human suffering. The pandemic continues to spread globally, however, and infection figures in some European countries have also taken a worrying growth trend. A key factor in terms of future development is how well a resurgence of the virus can be prevented without extensive lockdown measures, which would exacerbate the economic crisis and unemployment. Measures are still required for economic recovery and for strengthening the economy and employment in the long term. In addition to the economic consequences, the prolongation of the epidemic has very serious economic, social and health consequences, which we must try to prevent in any way possible. This necessitates using the lessons we have learned, extensive co-operation and proactive and responsible action from authorities, businesses and each of us as individuals."

## Operating environment and investment market

The global spread of the coronavirus weakened total production especially in the second quarter and the global economy fell into an unprecedented depression. In order to slow the spread of the virus, people's movement was restricted in several countries and global logistics chains were disrupted, as a result of which economic activity fell significantly. The global economy shrank by close to 10 per cent during the second quarter of this year. In the US and the euro zone, total production shrank in the second quarter by more than 30 per cent from the previous quarter.

The lightening and lifting of restrictions allowed the economy to begin improving as the summer progressed. Economic recovery is, however, expected to be more sluggish than earlier predicted. In June, the IMF slashed the global economy's growth forecast by a further two percentage points and expects the economy to shrink by some five per cent on the previous year, while at the start of the year it still expected growth of three per cent.

With the spread of the coronavirus, Finland's economic and employment outlook also weakened dramatically. Finland's economy dwindled already in the first quarter and the downward trend deepened in the second quarter as the restrictions to limit the virus's spread were put in place. As a result of the sudden crisis, the number of temporary layoffs increased rapidly, pushing the employment rate and the payroll trend downward. According to Ilmarinen's business cycle index, the number of employees fell 4.4 per cent in January–June year-on-year. The restrictions caused the greatest harm to hotel and catering sector businesses, whose employee numbers fell by more than 20 per cent in the first half year. Due to the successful prevention of the virus's spread, restrictions were gradually lifted in early summer and thus most of the layoffs remained temporary. However, the Finnish economy is expected to shrink by around six per cent year-on-year in the wake of the global economy.

In an effort to curb the shrinking of economies and avoid bankruptcies and mass unemployment, central banks and governments have initiated unprecedented monetary and fiscal policy measures. The stimulus measures are extensive and new stimulus packages are being planned in both the EU and the US. Following the stimulus measures, public deficits and indebtedness and central banks' balance sheets will grow significantly.

After the record-fast stock price plunge in the first quarter, the quick reactions of the central banks and extensive stimulus packages allowed an almost equally strong recovery in the second quarter from March's rock bottom levels. In June, the US managed to get close to the start-of-the-year stock price level. In Europe, stock prices at the end of June were still more than 10 per cent lower than at the start of the year.

Government bond interest rates fell as economic activity expectations weakened. Long-term interest rates in the US were clearly lower at the end of June than at the start of the year, while in Germany they were only slightly weaker. During spring, especially the interest rates on debt issued by companies with lower credit ratings rose significantly, but the situation began to settle towards the end of Q2. Companies' credit risk premiums fell in May after having previously risen in March. The narrowing of credit risk premiums is a reflection more of the central banks' support measures than of companies' short-term outlook.

The markets expect the central banks' significant support measures to guarantee the liquidity of the financial markets and companies. As a result, net asset values have risen across the board during May and June. The spread of the coronavirus has been prevented in many European countries, including Finland. In the US, the spread of the virus continues, especially in the southern states. This limits the recovery of the real economy although there are clear signs that economic activity is recovering in Asia, Europe and the United States. Leading economic indicators forecast recovery in economies in the second half of the year, which, together with the plentiful liquidity offered by the central banks, has supported the positive development on the equity markets. The economic outlook is still exceptionally uncertain and this uncertainty can quickly increase on the markets if the spread of the coronavirus escalates again.

## Impacts of the coronavirus crisis on pension system legislation

The coronavirus crisis impacts the financing of the pension system through both premiums written and return on investments. The crisis weakens employment and payroll development, reducing pension institutions' premiums written. As a result of the crisis, several changes were made to the earnings-related pension system and pension contributions in the first half of the year.

Due to the change in insurance terms and conditions, it was possible to receive for pension contributions falling due between 20 March and 30 June 2020 a term of payment that is three months longer than normal. In addition, there is a temporary 2.6 percentage point discount on employers' TyEL contributions between 1 May and 31 December 2020. The cost impact on the whole pension system is some EUR 1.05 billion, and it will be financed from the earnings-related pension system's provision for pooled claims. The contribution reduction will be compensated for by raising employers' contributions in 2022–2025.

Employment pension insurance companies will refrain from paying client bonuses to customer companies during the period in which the employers' contribution is reduced. The client bonus for 2020 will thus only be a third of a normal year's client bonus. These bonuses will be paid in 2021.

Insurance terms and conditions were changed also for TyEL premium loans starting on 1 April 2020. The possibility to restrict premium lending in order to secure liquidity was added to the terms and conditions. In a challenging economic situation, declining premiums written and growing demand for premium loans are putting pressure on pension companies' liquidity.

The Ministry of Social Affairs and Health has been preparing temporary reliefs on the solvency regulations in a bid to avoid employment pension insurance companies having to sell their investment assets in an unfavourable market situation. A draft bill will be presented to Parliament if the financial market development requires it. The time frame granted to pension institutions potentially facing solvency problems for preparing a plan to improve their financial position was extended from the current one year to three years. The change came into force as of 27 March 2020.

## Insurance operations

Resulting from the contracting of the economy, the employment rate and payroll fell. The H1 payroll of employees insured with Ilmarinen was EUR 10.8 billion (EUR 11.0 billion), which is 1.5% lower than in the comparison period. In January–June, the company's premiums written stood at EUR 2.7 (2.9) billion. The number of insurance policies fell and was a total of 147,056 (151,156) at the end of June. The number of TyEL insurance policies was 71,276 (76,348). Measured in premiums written, net customer acquisition was EUR 76 (110) million. Customer retention was 95.3 per cent on an annual level.

At the end of June, Ilmarinen had altogether 458,936 (458,643) pensioners, to whom a total of EUR 3,100 (3,013) million was paid in benefits since the start of the year. Ilmarinen made a total of 19,078 (17,558) new pension decisions in January–June. The number of disability pension decisions increased by approximately 2.2 per cent year-on-year. The increase can be explained by higher processing efficiency, as the disability pension application processing times have been substantially reduced. New rehabilitation decisions totalled 2,401 (2,291). The total number of pension decisions made was 36,292 (33,208).

Application processing times shortened in both disability pensions and old-age pensions. The processing time of disability pension applications was 44 days (77) and that of old-age pension applications was 11 days (32).

## Return on investments

At the end of June, Ilmarinen's total investments at current value were EUR 48,834 million (50,528). The return on investments at current value was –2.0 (6.0) per cent. Inflation in Q1 was –0.4 per cent and the real return on Ilmarinen's investments amounted to –1.6 per cent in January–June. Calculated at current value, the average annual return over the last five years has been 3.9 per cent, which corresponds to an average annual real return of 3.2 per cent. Calculated from 1997, the average annual return at current value for Ilmarinen's investments has been 5.6 per cent

### New pension decisions 1 January–30 June 2020

| | 1–6/2020 | 1–6/2019 | Change, % |
|---|---|---|---|
| Old-age pensions | 7,509 | 6,592 | 14 % |
| Early old-age pensions | 1,676 | 1,908 | -12 % |
| Disability pensions | 5,005 | 4,419 | 13 % |
| Survivors' pensions | 22 | 8 | 175 % |
| Right to rehabilitation | 2,465 | 2,340 | 5 % |
| Years-of-service pensions | 2,401 | 2,291 | 5 % |
| **New pension decisions, total** | **19,078** | **17,558** | **9 %** |

per annum. This corresponds to an annual real return of 4.1 per cent.

Fixed income investments accounted for a total of 32.1 (33.7) per cent of the investment portfolio and their return at current value was –2.9 (2.8) per cent. Their total market value was EUR 15,697 (17,015) million. Bonds accounted for a total of 26.5 (29.7) per cent of Ilmarinen's investment assets and their return was –3.2 (2.9) per cent. Other financial market instruments and deposits accounted for 2.9 (1.8) per cent of the investment assets, and their return was –1.2 (1.6) per cent. Loan receivables made up 2.8 (2.2) per cent of the investment assets, with a return of –1.0 (1.7) per cent. The modified duration of bonds was 2.0 (1.8) years.

Listed and non-listed equities and shares as well as private equity investments made up 46.1 (47.0) per cent of all investments. Their value at the end of June stood at EUR 22,533 (23,736) million. In the risk breakdown, listed equities and shares accounted for 33.5 (36.6) per cent. Finnish equities made up 27.3 (28.0) per cent of listed equity investments. The return on equities, calculated at current value, was –4.2 (10.9) per cent. The return on listed equity investments was –5.0 (12.7) per cent.

Real estate investments at the end of June stood at EUR 6,499 (6,386) million. They accounted for 13.3 (12.6) per cent of all investments, with indirect investments making up 1.3 (1.2) percentage points. The total return on real estate investments was 1.8 (2.0) per cent. The return on direct real estate investments was 2.1 (1.9) per cent.

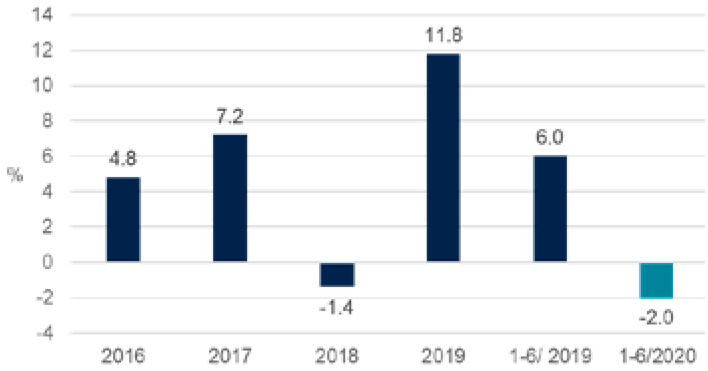
Investments in hedge funds and commodities, and other investments made up 8.4 (6.7) per cent of the market value of the investments at the end of June. Their total return was 10.6 (–0.4) per cent, and their value at the end of June was EUR 4,106 (3,391) million.

## Result and solvency

Ilmarinen's total result at current value for H1 came to EUR –1,099 (931) million. Investment income at current value was EUR –1,099 (922) million, the underwriting result was EUR –21 (–18) million, and the loading profit was EUR 21 (27) million. The ratio of operating expenses to the expense loading components available for them, measuring cost-efficiency, was 74 (71) per cent in H1.

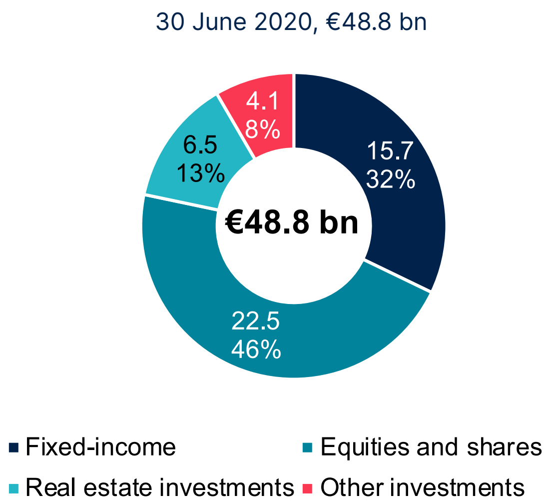
Solvency weakened by 2.6 percentage points compared to the situation at the turn of the year. Solvency capital at the end of June stood at EUR 9,649 (10,792) million. Capital and reserves included in the solvency capital were EUR 187 (183) million, the valuation difference between current and book values was EUR 8,754 (9,084) million, and the provision for future bonuses was EUR 754 (1,573) million.

## Return on investments 2016–Q2/2020



Average nominal return on investments over 5 years 3.9 % and real return 3.2%.

## Breakdown of investments



The technical provisions amounted to EUR 41,825 (42,150) million. The EUR 40,271 (40,550) million in solvency technical provisions do not include the provision for future bonuses or the earnings-related pension contributions that remain open receivables in the basic insurance under YEL.

## Personnel

The average number of personnel in January–June was 618 (658). The energy level of Ilmarinen's personnel has been monitored closely through the Työvire pulse survey. According to the surveys, personnel's energy level has remained excellent despite the exceptional circumstances caused by the coronavirus epidemic (4.2 on a scale of 1–5). Personnel's willingness to recommend their workplace (eNPS) improved to +42 (on a scale of –100 to +100).

Ilmarinen's operations have proceeded well despite the coronavirus pandemic and ab-

### Total result 2016–Q2/2020, eur mill.


### Solvency 2010–Q2/2020

sences due to illness are at an exceptionally low level. Most employees (more than 90%) began working from home as recommended. Remote work is nothing new at Ilmarinen and the company has effective tools and practices in place. We supported personnel during the exceptional circumstances in a number of ways, including offering them the opportunity to have their workplace lunches delivered to their homes, arranging a remote childcare centre to help combine work and family and by acquiring face masks for personnel. Supervisors were offered support and training in remote management. The average score of the responses to a personnel survey on remote work was 4.3 (on a scale of 1–5). Experiences of remote work have been largely positive and many people have felt that the flexibility and efficiency of work has improved.

Ilmarinen is renewing its work ability and customer account service models, and as part of this, co-determination negotiations were carried out earlier this year. Behind this are FIN-FSA's adjusted guidelines concerning disability risk management. In future, a risk-based approach and effectiveness will be given even more emphasis in managing work ability risks and personnel's expertise and competence will be strengthened further. The co-determination negotiations at Ilmarinen covered 94 employees in positions related to customer account services and disability risk management. The reorganisation led to the termination of 10 employment relationships, but at the same time new positions opened up, which are meant to enhance the management of mental health related disability risks and improve customer relationship management, among other things. The new organisation started operations on 1 May 2020.

## Future prospects and key uncertainties

According to a forecast by the IMF in June, the global economy is expected to shrink by some five per cent year-on-year during 2020. This forecast is some 2 per cent lower than the forecast in April and economic recovery is forecast to be slower than expected. What is key in terms of the economic outlook is how well the spread of the coronavirus can be inhibited without major lockdown measures. Uncertainty linked to forecasts remains significant.

In Finland, the economy is expected to dwindle by some six per cent during this year. Owing to growing unemployment and the temporary discount on employers' TyEL contributions, pension insurance companies' premiums written will fall considerably year-on-year. The declining premiums written will reduce Ilmarinen's loading income and thus the loading profit and the ratio of operating expenses to expense loading components compared to the year before. Thanks to the improvement in cost-effectiveness, loading profit is expected to be at the same level in H2 as it was in H1.

The uncertainty in the investment markets is expected to continue until the spread of the coronavirus is under control and confidence in economic recovery has been restored. Investment market uncertainty is aggravated by the possible escalation of geopolitical and trade policy crises and the presidential election to be held in the United States at the end of the year. Central banks and governments are expected to continue their stimulus measures to support markets.

The key risks affecting Ilmarinen's operations and the earnings-related pension system in the longer term are related to the development of employment and payroll, the ascending trend in disability prevalence, performance of the investment markets and the development of demographics and the birth rate, which has been exceptionally low in recent years.

## For more information, please contact:


- Jouko Pölönen, President and CEO, tel. +358 50 1282
- Mikko Mursula, Chief Investment Officer, tel. +358 50 380 3016
- Liina Aulin, Executive Vice President, Communications and Corporate Responsibility, tel. +358 40 770 9400

## Tables

| Key figures in brief | 1.1.–30.6.2020 | 1.1.–30.6.2019 | 1.1.–31.12.2019 |
|---|---|---|---|
| Premiums written, EUR mill. | 2,747 | 2,907 | 5,758 |
| Net return on investments at fair value, EUR mill. | -981 | 2,744 | 5,375 |
| ROCE, % | -2.0 | 6.0 | 11.8 |
| | 30.6.2020 | 30.6.2019 | 31.12.2019 |
| Technical provisions, EUR mill. | 41,825 | 42,213 | 42,150 |
| Solvency capital, EUR mill. 1) | 9,649 | 9,772 | 10,792 |
| in relation to solvency limit | 1.6 | 1.6 | 1.6 |
| Pension assets, EUR mill. 2) | 49,920 | 48,991 | 51,342 |
| solvency capital (solvency ratio) | 124.0 | 124.9 | 126.6 |
| TyEL payroll, EUR mill. 3) | 21,309 | 22,010 | 21,923 |
| YEL payroll, EUR mill. 3) | 1,664 | 1,948 | 1,678 |

1) Calculated according to the regulations in force at the time (the same principle also concerns other solvency key figures).
2) Technical provisions + solvency capital in accordance with section 11, item 10, of the Ministry of Social Affairs and Health's decree (614/2008.)
3) Estimated TyEL and YEL payroll for the whole year.

| Solvency capital and limits | 30.6.2020 | 30.6.2019 | 31.12.2019 |
|---|---|---|---|
| Solvency limit, EUR mill. | 5,976.1 | 6,117.4 | 6,614.7 |
| Maximum solvency capital, EUR mill. | 17,928.4 | 18,352.2 | 19,844.0 |
| Solvency capital, EUR mill. | 9,648.9 | 9,772.3 | 10,791.8 |
| Solvency ratio, % 1) | 124.0 | 124.9 | 126.6 |
| Solvency position 2) | 1.6 | 1.6 | 1.6 |

1) Pension assets in relation to technical provisions as referred to in Section 11, item 10, of the Ministry of Social Affairs and Health's decree 614/2008.
2) Solvency capital in relation to solvency limit.

| Result analysis, eur mill. | 1.1.–30.6.2020 | 1.1.–30.6.2019 | 1.1.–31.12.2019 |
|---|---|---|---|
| Source of profit | | | |
| Technical underwriting result | -21.5 | -18.1 | -50.3 |
| Return on investments at fair value | -1,099.0 | 921.6 | 2,062.6 |
| + Net return on investments at fair value | -981.2 | 2,743.7 | 5,375.4 |
| - Return requirement on technical provision | -117.8 | -1 822.1 | -3,312.8 |
| Loading profit | 21.4 | 27.4 | 54.5 |
| Other profit | 0.0 | 0.4 | -27.1 |
| Total result | -1,099.1 | 931.2 | 2,039.7 |

| Breakdown of investments (current value) | Basic breakdown | | | | | | Risk breakdown | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 30.6.2020 | | 30.6.2019 | | 31.12.2019 | | 30.6.2020 | | 30.6.2019 | 31.12.2019 |
| | EUR mill. | % | EUR mill. | % | EUR mill. | % | EUR mill. | % | % | % |
| **Fixed-income investments total** | **15,696.8** | **32.1** | **15,982.8** | **33.5** | **17,014.6** | **33.7** | **15,465.4** | **31.7** | **27.3** | **25.6** |
| Loan receivables [1] | 1,352.7 | 2.8 | 896.5 | 1.9 | 1,096.5 | 2.2 | 1,352.7 | 2.8 | 1.9 | 2.2 |
| Bonds | 12,932.0 | 26.5 | 14,062.3 | 29.4 | 14,998.9 | 29.7 | 8,901.6 | 18.2 | 15.0 | 18.0 |
| Other money market instruments and deposits [1] [2] | 1,412.2 | 2.9 | 1,024.0 | 2.1 | 919.1 | 1.8 | 5,211.2 | 10.7 | 10.4 | 5.4 |
| **Equities and shares total** | **22,533.1** | **46.1** | **22,430.1** | **47.0** | **23,736.1** | **47.0** | **21,636.0** | **44.3** | **45.3** | **47.0** |
| Listed equities and shares[3] | 17,254.0 | 35.3 | 17,613.6 | 36.9 | 18,485.3 | 36.6 | 16,356.9 | 33.5 | 35.2 | 36.6 |
| Private equity investments[4] | 4,298.1 | 8.8 | 3,953.6 | 8.3 | 4,305.6 | 8.5 | 4,298.1 | 8.8 | 8.3 | 8.5 |
| Non-listed equities and shares [5] | 980.9 | 2.0 | 862.9 | 1.8 | 945.2 | 1.9 | 980.9 | 2.0 | 1.8 | 1.9 |
| **Real estate investments total** | **6,498.9** | **13.3** | **6,134.2** | **12.8** | **6,385.7** | **12.6** | **6,516.5** | **13.3** | **12.9** | **12.7** |
| Direct real estate investments | 5,880.8 | 12.0 | 5,573.1 | 11.7 | 5,777.5 | 11.4 | 5,881.7 | 12.0 | 11.7 | 11.4 |
| Real estate funds and joint investments | 618.1 | 1.3 | 561.2 | 1.2 | 608.2 | 1.2 | 634.8 | 1.3 | 1.2 | 1.2 |
| **Other investments total** | **4,105.5** | **8.4** | **3,211.4** | **6.7** | **3,391.3** | **6.7** | **4,327.2** | **8.9** | **11.6** | **9.7** |
| Hedge fund investments [6] | 2,739.9 | 5.6 | 2,307.4 | 4.8 | 2,481.9 | 4.9 | 2,739.9 | 5.6 | 4.8 | 4.9 |
| Commodity investments | 108.3 | 0.2 | 11.3 | 0.0 | 20.4 | 0.0 | 129.0 | 0.3 | -0.2 | 0.1 |
| Other investments [7] | 1,257.4 | 2.6 | 892.7 | 1.9 | 889.1 | 1.8 | 1,458.3 | 3.0 | 7.0 | 4.7 |
| **Investments total** | **48,834.4** | **100.0** | **47,758.6** | **100.0** | **50,527.8** | **100.0** | **47,945.1** | **98.2** | **97.1** | **95.0** |
| Effect of derivatives | | | | | | | 889.3 | 1.8 | 2.9 | 5.0 |
| **Investment return at current value total** | **48,834.4** | **100.0** | **47,758.6** | **100.0** | **50,527.8** | **100.0** | **48,834.4** | **100.0** | **100.0** | **100.0** |

The modified duration of bond investments was 2 years.

1) Includes accrued interest.
2) Includes cash at bank and in hand and consideration receivables and debt.
3) Also includes mixed funds unless they can be allocated elsewhere.
4) Includes private equity funds, mezzanine funds and infrastructure investments.
5) Also includes unlisted real estate investment companies.
6) Includes all types of hedge fund units regardless of the fund's strategy.
7) Includes items that cannot be allocated to other investment classes.

| Net ROCE of investments | Net Investment Return Market Value[8)] | Capital employed[9),] | ROCE, % | ROCE, % | ROCE, % |
|---|---|---|---|---|---|
| | 30.6.2020 | 30.6.2020 | 30.6.2020 | 30.6.2019 | 31.12.2019 |
| | EUR mill. | EUR mill. | % | % | % |
| **Fixed-income investments total** | **-492.9** | **16,779.2** | **-2.9** | **2.8** | **4.7** |
| Loan receivables [1)] | -11.5 | 1,132.5 | -1.0 | 1.7 | 2.5 |
| Bonds | -467.3 | 14,476.4 | -3.2 | 2.9 | 5.0 |
| Other money market instruments and deposits [1) 2)] | -14.1 | 1,170.3 | -1.2 | 1.6 | 2.6 |
| **Equities and shares total** | **-978.4** | **23,473.8** | **-4.2** | **10.9** | **20.8** |
| Listed equities and shares [3)] | -910.0 | 18,170.8 | -5.0 | 12.7 | 22.5 |
| Private equity investments [4)] | -99.5 | 4,351.9 | -2.3 | 5.4 | 15.6 |
| Non-listed equities and shares [5)] | 31.1 | 951.2 | 3.3 | 3.3 | 13.2 |
| **Real estate investments total** | **115.4** | **6,343.3** | **1.8** | **2.0** | **8.4** |
| Direct real estate investments | 119.1 | 5,721.1 | 2.1 | 1.9 | 8.8 |
| Real estate funds and joint investments | -3.8 | 622.2 | -0.6 | 2.7 | 4.4 |
| **Other investments total** | **389.8** | **3,674.9** | **10.6** | **-0.4** | **-2.1** |
| Hedge fund investments [6)] | 49.0 | 2,582.5 | 1.9 | 4.4 | 5.3 |
| Commodity investments | 20.1 | 61.3 | - | - | - |
| Other investments [7)] | 320.7 | 1,031.1 | 31.1 | -11.8 | -19.6 |
| **Investments total** | **-966.2** | **50,271.3** | **-1.9** | **6.1** | **11.9** |
| Unallocated income, costs and operating expenses | -15.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Investment return at current value total** | **-981.2** | **50,271.3** | **-2.0** | **6.0** | **11.8** |

1) Includes accrued interest.
2) Includes cash at bank and in hand and consideration receivables and debt.
3) Also includes mixed funds unless they can be allocated elsewhere.
4) Includes private equity funds, mezzanine funds and infrastructure investments.
5) Also includes unlisted real estate investment companies.
6) Includes all types of hedge fund units regardless of the fund's strategy.
7) Includes items that cannot be allocated to other investment classes.
8) Change in market value between the beginnig and end of the reporting period less cash flows during the period. (Cash flow means the difference between purchases/costs and sales/revenues.)
9) Capital employed = market value at the beginning of the reporting period + daily/monthly time-weighted cash flows.