

## Varma's Interim Report 1 January–30 June 2017

The comparison figures in parentheses are from 30 June 2016, unless otherwise indicated.

- Total result amounted to EUR 1,051 (–733) million.
- The half-year return on investments was 4.7 (–0.3) per cent, and the market value of investments stood at EUR 45.0 (41.2) billion.
- Solvency capital was strong, at EUR 11,234 (9,136) million, which is 133.3 (128.3) per cent of the technical provisions and 1.7 (2.0)<sup>1</sup> times the solvency limit.

### Economic operating environment

Consumer confidence and companies' economic forecasts in Finland have clearly improved. Finland's economic recovery has been bolstered by global economic growth and a low interest rate level. While Finland's economy has leaned strongly on domestic demand since the financial crisis, the economic growth base is now beginning to widen. Particularly encouraging is the clear recovery in demand for exports, as well as the increase in export volumes and the value of exports. The strengthened economic growth has not yet significantly improved the labour market situation.

Economic recovery continued in Europe, and both consumer and business confidence indicators have improved. The easing of tight public finances has promoted growth in demand. Financial risk factors continue to exist alongside political risks. The EU reached an agreement on a third financial assistance programme for Greece in June, and at least thus far, the Brexit process has resulted in financial difficulties in the UK, where economic growth has declined.

Inflation has been rising for some time in the eurozone, but the core inflation rate has not risen in the longer term, despite the economic recovery. The European Central Bank has kept its key interest rate unchanged, and is continuing with its purchases of bonds from the markets. Moderate inflationary pressures appeared to limit monetary policy for the time being.

The economic cycle in the US is running ahead of Europe's. The Fed expects economic growth to hold strong as it raises its key interest rate. The rate of inflation is not yet at the central bank's target level, but it is expected to accelerate as the economy continues to recover. The planned economic stimulus measures may accelerate economic growth at least temporarily. China's economic growth has slowed, and since the financial crisis, the nation has strongly increased its debt in an effort to revive its economy. Global economic growth is, however, supporting China's exports, and despite the slowdown, its economic growth remains brisk compared to Western economies.

Varma's strong solvency and careful diversification of investments provides some leeway and makes it easier to prepare also for unexpected market situations. Pensions are well secured in Finland's defined-benefit earnings-related pension system.

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<sup>1</sup>Under the new solvency legislation, Varma's solvency limit changed on 1 January 2017. The amount of solvency capital remained at the same level, but with the higher solvency limit, the ratio of solvency capital to solvency limit decreased. The new solvency limit is not directly comparable with the previous limit.

### Earnings-related pension system

Pension act reforms took effect at the start of 2017. Application of the new legislation has not posed significant problems. Varma prepared for the application of the new legislation ahead of its introduction through training and by providing additional advice related to the pension reform. Varma has especially focussed on developing its digital services for private customers, as the reformed pension legislation has increased the need for information. In the first stage of the pension reform, partial early old-age pension garnered the most interest.

The pension reform aims to achieve an economically and socially sustainable pension system, which requires the lengthening of careers. Longer careers are necessary to ensure the sustainability of both the earnings-related pension scheme and public finances. Varma has strong expertise in workability management services. The effectiveness of the services is continuously developed to respond to customers' needs, so that careers can continue to be lengthened as economic structures change.

At the start of the year, the calculation of the solvency limit for pension institutions also changed. The new calculation model takes the risks of investment operations and underwriting risks into account more broadly than before. In concept, however, the new solvency limit is not directly comparable with the previous limit. At the same time, the method of presenting key figures related to solvency also changed.

As part of the pension reform, the equity-linked share of the return requirement on technical provisions was increased from 10 per cent to 15 per cent for the current year, and to 20 per cent as of the beginning of next year. The change increases the joint liability related to the equity risk in the earnings-related pension insurance sector, which enables a higher equity weight in investments.

The Ministry of Social Affairs and Health approved the calculation bases concerning the distribution of customer bonuses for each earnings-related pension insurance company. The calculation bases will come into play for the first time for client bonuses that are to be distributed on the basis of surplus accrued in 2018 and which will lower insurance contributions in 2019. In Varma's criteria for distributing client bonuses, the investment and loading profit is distributed across five customer segments based on how the profit was made.

Client bonuses paid to Varma's customers are based on two factors: Varma's solvency and loading profit efficiency. Operating efficiency is becoming an increasingly important competitive factor, and efficient operations fully benefit our customers. Client bonuses paid for 2017 include the full loading profit that Varma generates through efficient operations. Under the previous legislation, half of the loading profit was retained in the company in order to boost its solvency.

### Varma's financial trends

The total result at fair value for six months amounted to EUR 1,051 (–733) million. The most important component of the total result is the investment result, which was EUR 1,028 (–704) million. The return on investments at fair value was EUR 2,012 (–143) million. The interest credited on the technical provisions was EUR 984 (561) million. The estimated technical underwriting result was EUR 7 (–46) million and the loading profit was EUR 16 (17) million.

Legislation governing how earnings-related pension institutions' solvency is calculated changed as of the start of 2017. The change did not have a material impact on Varma's solvency position. Varma's solvency strengthened compared to the situation at the beginning of the year. The solvency capital, which serves as a risk buffer for investment operations, was EUR 11,234 million at the end of June (10,199 mill. on 1 Jan), and 133.3 per cent in relation to the technical provisions (130.9% on 1 Jan).

The solvency capital was on a sustainable level, i.e. 1.7 (2.0) times the solvency limit.<sup>2</sup> The solvency limits have been calculated in accordance with the regulations in force at the time.

Tables illustrating Varma's financial development are presented as attachments to this interim report.

### Insurance business

Varma's pension recipients numbered 342,000 at the end of June (340,000 at the start of the year). Claims paid in January–June totalled EUR 2,617 (2,446) million. By the end of June, 13,300 new pension decisions were made, which is roughly 16.9% more than in the corresponding period last year. A total of 25,822 pension decisions were made in January–June. An especially popular type of pension was partial early old-age pension, which took effect at the start of the year; a total of 1,636 people were granted the pension in the first half of the year.

At the end of June, Varma provided insurance for 536,000 (530,000 at the start of the year) employees and self-employed persons.

### Investments

Varma's investment returns in January–June experienced a strong and steady increase across all asset classes. The return on investments stood at 4.7 (–0.3) per cent, and at the end of June, the value of investments amounted to EUR 44,989 (41,242) million. Thanks to the good return trend, Varma's solvency grew to the high level of 133.3 per cent in the first half of the year (130.9% on Jan 1.).

Global economic growth forecasts in the first half of the year were revised slightly upwards and, in contrast to the previous years, they project a relatively broad recovery in economic growth. The realised economic data on the US, however, has fallen short of expectations, and confidence in the US president's political ability to enact reforms that support economic growth has been increasingly put to the test. Economic growth expectations in Europe have remained strong and political uncertainty has eased following the French presidential election.

At the same time, inflationary pressures have been conspicuous in their absence. The raw-material-driven rise in inflation that began last year has subsided and, despite improved employment figures, wage pressures have remained very moderate. The gradual strengthening of economic growth and the easing of inflationary pressures mean that there is no rush to unwind the monetary policy stimulus measures.

Strengthened growth expectations for the global economy, combined with low return expectations for fixed-income investments, continued to encourage allocation across internationally diversified equity investments. Effective diversification across asset classes will offset the risks resulting from the strong movements in the equity markets. In Varma's investment allocation, the weight of listed equities was decreased in the second quarter.

Equities generated the strongest return of Varma's investments, and listed equities in particular performed strongly. All other asset classes also yielded very strong returns during the first half of the year. At the end of June, the average nominal investment return over five years was 6.8 per cent, and over ten years 4.2 per cent. The corresponding real returns were 6.1 and 2.7 per cent.

The return on fixed income investments during the first six months of the year was an excellent 2.9 (2.2) per cent in relation to the market interest rate level. Government bond interest rates in the eurozone continue to be remarkably low, although market expectations of a gradual winding down of monetary policy stimulus measures have somewhat raised the interest rate level of government bonds. The credit margins on corporate bonds,

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however, have narrowed as economic growth expectations have improved and political uncertainty has subsided in the eurozone. Eurozone money market interest rates have remained negative. In January–June, the return on the loan portfolio was 2.1 (1.9) per cent, on public-sector bonds 2.9 (3.2) per cent, on other corporate bonds 4.1 (2.9) per cent and on other money-market instruments –1.1 (–0.4) per cent.

Global equity markets experienced a strong upswing in the early part of the year alongside the improvement in global growth expectations and continued monetary policy stimulus measures. In Europe, the equity markets surged as political uncertainty surrounding the French presidential election subsided.

Listed equities yielded a return of 7.9 (–5.5) per cent, private equities 3.6 (4.0) per cent, and unlisted equities 2.9 (13.5) per cent.

Finland's economic growth also strengthened during the first half of the year, thanks to the recovering export outlook. Finnish share prices performed very well in the first six months of the year, pushing the return of Varma's Finnish listed equities to a high 12.3 per cent.

The return on real estate investments rose to 2.5 (2.6) per cent, with real estate investment funds performing especially well. Direct real-estate investments yielded a return of 1.9 (2.6) percent and real-estate investment funds 4.5 (2.9) per cent. Construction work on the Kalasatama Kampus office complex in Helsinki, totalling roughly 35,000 m<sup>2</sup>, began. In addition to the head office of the K Group, the complex will include some 10,000 m<sup>2</sup> of modifiable spaces for other users.

Other investments also yielded good returns, at 3.8 (–0.8) per cent, as expectations of global economic growth improved. The return on hedge fund investments developed consistently during the first quarter, reaching a return of 3.6 per cent. Hedge fund investments effectively diversified the risk caused by market fluctuations in equity and fixed income investments over the long term.

Varma has US-dollar-denominated investments in hedge funds, equities, corporate bonds and private equity funds. In accordance with Varma's investment policy, part of the currency risk is hedged. The considerable weakening of the US dollar during the first half of the year pushed down the return on listed equities. In terms of operations, foreign currency risks are managed as a single entity, while in the performance indicators the exchange rate impact is included in the investment returns of various asset classes.

Varma's investment activities focussed on maintaining the company's strong solvency and broad diversification of investments, with a strong emphasis on risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio.

The market risk of investments is the greatest risk affecting the company's result and solvency. Equities constitute by far the greatest market risk. The VaR (Value-at-Risk) figure describing the total risk of Varma's investments stood at EUR 1,123 (1,608) million.

### **Operating expenses and personnel**

Varma's total operating expenses in the reporting period were EUR 71 (73) million. According to a full-year estimate, Varma will use 75 (75) per cent of the expense loading included in the insurance contributions for operating expenses. The loading profit for the period was EUR 16 (17) million.

Varma's parent company employed an average of 526 (540 in 2016) people in the first half of the year. At the end of June, the employees were distributed as follows: pension and customer service departments 57 per cent (56% at the end of 2016), investment operations 13 (13) per cent and other functions 30 (31) per cent.

## Corporate Governance

Varma's Supervisory Board held its constitutive meeting on 17th May 2017. Kari Jordan continues as Chairman of the Supervisory Board, and Satu Wrede continues as Deputy Chair. Saana Siekkinen was elected as a new Deputy Chair.

At the same meeting, Eija Hietanen was elected as Deputy Chair of Varma's Election Committee. Chairman of the Supervisory Board Kari Jordan acts as the Chairman of the Election Committee. The committee's other members are Jari Paasikivi, Antti Palola, Pekka Piispanen and Kai Telanne.

An up-to-date Corporate Governance Statement based on the recommendations of the Finnish Corporate Governance Code is presented on Varma's website. Varma publishes quarterly interim reports with the aim of ensuring transparent public financial reporting that conforms to best practices.

## Responsibility

Varma's Board of Directors has confirmed the updated share ownership policy, which describes the expectations that Varma, as a major shareholder, has of the companies in which it has a holding. Responsibility has been included as a new section of the share ownership policy. Varma requires that companies comply with international CSR norms and agreements and that they report on the impacts of climate change on their business operations, now and in future.

Varma placed in the top six European investors in an assessment commissioned by the WWF on how aligned Europe's largest investors are with the Paris Agreement's 2-degree climate target. Varma is adapting its investment portfolio in accordance with the two-degree target as stated in its climate policy for investments.

A charging station for electric and hybrid cars is being installed in the parking facility at Varma's head office in Salmisaari, Helsinki. In future, it will be possible to charge electric and hybrid cars in some 250 parking spots in the parking facility, making the system among the largest of its kind in the world. Equipping the parking facility with charging stations supports our target of reducing Varma's carbon footprint and that of its lessees. The vehicles in the parking facility will be charged with green electricity, as the electricity in the property is generated using hydropower.

In February, Varma joined the Climate Partners co-operative network between the City of Helsinki and business partners. The goal is to join forces to reduce greenhouse gas emissions and to mitigate climate change.

Among the key measures of Varma's CSR programme for the second half of the year are charting the supply chain, drawing up criteria for responsible procurements and promoting equality among personnel.

## Risk management

Varma's risk position did not change significantly during the period under review.

Varma's greatest risks are related to investment operations and information processing. Financially the most significant risks are those concerning investments. The risks of pension insurance operations are related to pension and insurance processing and to the effectiveness of the joint systems used in the sector. The Board of Directors has confirmed the principles for the company's internal control and risk management system. More information about insurance, investment, operative and other risks, the means for managing them, as well as related quantitative data, are provided in the notes to Varma's financial statements.

Varma's Board of Directors' investment plan lays down the general security goals for investments, diversification and liquidity goals, and the principles governing the company's foreign currency business. In calculating solvency, investment risks are taken into account according to the actual nature of the risk. The diversification of the investment portfolio is based on allocation that takes into account the return correlations of asset classes.

## Outlook

Finland's financial base has expanded, and we expect continued growth in the near future. Especially encouraging are the pickup in demand for exports and the investments being made in production. Business and trade structures have long been in a state of transformation. In addition to greater cost-competitiveness, the development of Finland's economic structures requires investments in expertise and research, as well as an improvement in employment, which, however, is weakened by structural difficulties in the labour markets.

Finland still faces a considerable deficit in public finances. The significance of the sustainability of public finances will be highlighted in the coming years, as the ageing of the population increases pension and care expenditure. Alongside other pending structural reforms, the progression of the pension reform's targets and the lengthening of careers should be closely monitored.

Risks in the economic operating environment are linked to political, geo-political and monetary policy factors. Global geopolitical risks continue to bear importance, although continued economic recovery can be expected to partly ease the tensions. Central banks' tighter monetary policy represents a significant economic turning point. Thanks to major monetary policy stimulus measures, the economy is moving past the financial and debt crisis, and valuation levels in the markets have risen. The central banks' intention to communicate projected changes in advance facilitates monetary policy changes and market pricing.

Political uncertainty will continue to be a major factor influencing the operating environment in Europe and in the global economy. Finland's economy still faces risks stemming from political uncertainty and a potential increase in protectionism.

Helsinki, 11 August 2017

Risto Murto  
President & CEO

The figures presented in this interim report are unaudited figures of the parent company.

*Varma Mutual Pension Insurance Company is the largest earnings-related pension insurer and private investor in Finland. The company is responsible for the statutory earnings-related pension cover of some 878,000 people in the private sector. Premiums written totalled EUR 4.7 billion in 2016 and pension payments stood at EUR 5.3 billion. Varma's investment portfolio amounted to EUR 45.0 billion at the end of June 2017.*

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**ATTACHMENT: Graphs and charts**

**[www.varma.fi](http://www.varma.fi)**

**[www.varma.fi/annualreport](http://www.varma.fi/annualreport)**

## Balance sheet at fair values, Parent Company

€ million	6/2017	6/2016	12/2016
<b>Assets</b>			
Investments	44,989	41,242	42,852
Receivables	317	358	604
Furniture and fixtures	5	7	4
	<b>45,310</b>	<b>41,607</b>	<b>43,460</b>
<b>Liabilities</b>			
Capital and reserves	121	115	118
Valuation differences	9,302	7,905	9,625
Equalisation provision	0	1,035	1,034
Provision for future bonuses	1,812	81	-578
Off-balance-sheet items	-1		
Solvency capital, total	11,234	9,136	10,199
Provision for current bonuses (for client bonuses)	61	58	122
Equity-linked provision for current and future bonuses	625	1,309	324
Actual technical provision	33,102	30,910	32,599
Total	33,728	32,219	32,923
Other liabilities	288	195	215
	<b>45,310</b>	<b>41,607</b>	<b>43,460</b>

## Income statement at fair values, Parent Company

€ million	1-6/2017	1-6/2016	1-12/2016
Premiums written	2,444	2,324	4,675
Claims paid	-2,617	-2,446	-5,005
Change in technical provisions	-728	-407	-1,063
Net investment income	2,030	-124	1,982
Total operating expenses	-71	-73	-138
Other income/expenses	0	0	14
Taxes	-7	-8	-8
<b>Total result <sup>1)</sup></b>	<b>1,051</b>	<b>-733</b>	<b>457</b>

<sup>1)</sup> Result at fair value before the change in provision for current and future bonuses and equalisation provision

€ million	1-6/2017	1-6/2016	1-12/2016
Underwriting profit/loss	7	-46	-38
Investment result	1,028	-704	441
Loading profit	16	17	39
Other income/expenses	0	0	14
<b>Total result</b>	<b>1,051</b>	<b>-733</b>	<b>457</b>

## Solvency capital and limits

	30/06/2017	30/06/2016	31/12/2016
Solvency limit (€ mill.)	6,559	4,485	5,455
Maximum amount of solvency capital (€ mill.)	19,677	17,938	21,819
Solvency capital (€ mill.)	11,234	9,136	10,199
Solvency ratio %	133.3	128.3	130.9
Solvency capital/Solvency limit	1.7	2.0	1.9

## Solvency development



## Investments at fair value

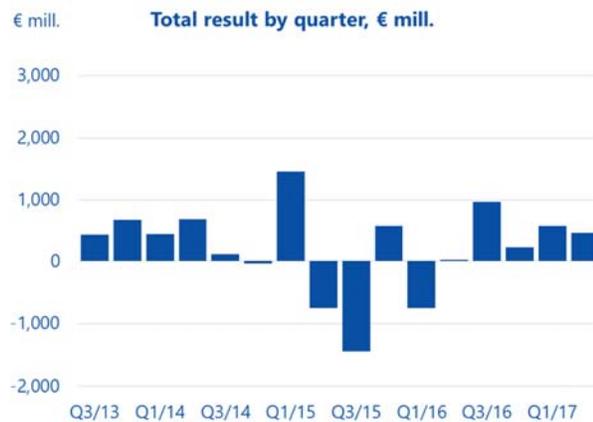
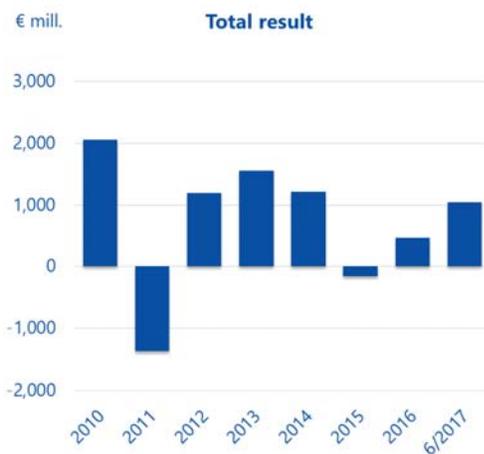
	30-June-2017				30-June-2016				31-December-2016				1-6/2017	1-6/2016	1-12/2016	24 m
	Market value		Risk position		Market Value		Risk position		Market Value		Risk position		Return	Return	Return	Volatility
	€ mill.	%	€ mill.	%	€ mill.	%	MWR	MWR	MWR							
<b>Fixed-income investments<sup>1</sup></b>	<b>17,927</b>	<b>40</b>	<b>9,454</b>	<b>21</b>	<b>15,667</b>	<b>38</b>	<b>14,614</b>	<b>35</b>	<b>13,695</b>	<b>32</b>	<b>18,066</b>	<b>42</b>	<b>2.9</b>	<b>2.2</b>	<b>4.2</b>	
Loan receivables	1,446	3	1,446	3	1,345	3	1,345	3	1,432	3	1,432	3	2.1	1.9	4.2	
Bonds	12,117	27	12,872	29	11,175	27	11,238	27	11,435	27	12,780	30	3.7	3.0	5.3	3.3
Public bonds	4,227	9	5,419	12	4,877	12	4,649	11	4,092	10	5,374	13	2.9	3.2	1.8	
Other bonds	7,891	18	7,454	17	6,297	15	6,589	16	7,343	17	7,406	17	4.1	2.9	7.8	
Other money-market instruments and deposits	4,363	10	-4,864	-11	3,147	8	2,031	5	828	2	3,854	9	-1.1	-0.4	-0.4	
<b>Equity investments</b>	<b>17,190</b>	<b>38</b>	<b>17,506</b>	<b>39</b>	<b>15,234</b>	<b>37</b>	<b>15,266</b>	<b>37</b>	<b>18,333</b>	<b>43</b>	<b>18,527</b>	<b>43</b>	<b>7.0</b>	<b>-3.1</b>	<b>6.4</b>	
Listed equities	13,316	30	13,633	30	11,816	29	11,848	29	14,599	34	14,793	35	7.9	-5.5	4.5	9.7
Private equity	2,815	6	2,815	6	2,592	6	2,592	6	2,794	7	2,794	7	3.6	4.0	11.2	
Unlisted equities	1,058	2	1,058	2	826	2	826	2	940	2	940	2	2.9	13.5	23.7	
<b>Real estate investments</b>	<b>3,654</b>	<b>8</b>	<b>3,654</b>	<b>8</b>	<b>3,855</b>	<b>9</b>	<b>3,855</b>	<b>9</b>	<b>3,643</b>	<b>9</b>	<b>3,643</b>	<b>9</b>	<b>2.5</b>	<b>2.6</b>	<b>-0.9</b>	
Direct real estates	2,839	6	2,839	6	3,154	8	3,154	8	2,897	7	2,897	7	1.9	2.6	-2.6	
Real estate funds	816	2	816	2	701	2	701	2	746	2	746	2	4.5	2.9	6.8	
<b>Other investments</b>	<b>6,218</b>	<b>14</b>	<b>7,104</b>	<b>16</b>	<b>6,485</b>	<b>16</b>	<b>6,808</b>	<b>17</b>	<b>7,182</b>	<b>17</b>	<b>7,320</b>	<b>17</b>	<b>3.8</b>	<b>-0.8</b>	<b>5.3</b>	
Hedge funds	6,259	14	6,259	14	6,505	16	6,505	16	7,184	17	7,184	17	3.6	-0.6	5.6	3.0
Commodities	-19	0	70	0	-8	0	315	1	-1	0	137	0				
Other investments	-22	0	775	2	-13	0	-13	0	-2	0	-2	0				
<b>Total investments</b>	<b>44,989</b>	<b>100</b>	<b>37,718</b>	<b>84</b>	<b>41,242</b>	<b>100</b>	<b>40,544</b>	<b>98</b>	<b>42,852</b>	<b>100</b>	<b>47,555</b>	<b>111</b>	<b>4.7</b>	<b>-0.3</b>	<b>4.7</b>	<b>5.0</b>
Impact of derivatives			7,270	16	0	0	698	2			-4,703	-11				
<b>Investment allocation at fair value</b>	<b>44,989</b>	<b>100</b>	<b>44,989</b>	<b>100</b>	<b>41,242</b>	<b>100</b>	<b>41,242</b>	<b>100</b>	<b>42,852</b>	<b>100</b>	<b>42,852</b>	<b>100</b>				

The modified duration for all the bonds is 4.1.

The open currency position is 21.7% of the market value of the investments.

<sup>1</sup> Includes accrued interest

## Total result



## Summary of the key figures

	1-6/2017	1-6/2016	1-12/2016
Premiums written, € million	2,444	2,324	4,675
Net investment income at fair value, € million	2,012	-143	1,953
Return on invested capital, %	4.7	-0.3	4.7
	6/2017	6/2016	12/2016
Technical provisions, € million	35,601	33,392	33,501
Solvency capital, € million	11,234	9,136	10,199
in relation to solvency limit	1.7	2.0	1.9
Pension assets, € million	45,004	41,301	43,127
% of technical provisions	133.3	128.3	130.9
TyEL payroll, € million	19,225	18,743	18,835
YEL payroll, € million	826	862	831

## Investments at fair value, broken down as per the regulations of the Financial Supervisory Authority

	Market value						Risk position					
	30-Jun-17		30-Jun-16		31-Dec-16		30-Jun-17		30-Jun-16		31-Dec-16	
	€ million	%										
<b>Fixed-Income Investments</b>	<b>17,927</b>	<b>39.8</b>	<b>15,667</b>	<b>38.0</b>	<b>13,695</b>	<b>32.0</b>	<b>9,454</b>	<b>21.0</b>	<b>14,614</b>	<b>35.4</b>	<b>18,066</b>	<b>42.2</b>
Loan receivables	1,446	3.2	1,345	3.3	1,432	3.3	1,446	3.2	1,345	3.3	1,432	3.3
Bonds	12,117	26.9	11,175	27.1	11,435	26.7	12,872	28.6	11,238	27.2	12,780	29.8
Other money-market instruments and deposits	4,363	9.7	3,147	7.6	828	1.9	-4,864	-10.8	2,031	4.9	3,854	9.0
<b>Equity investments</b>	<b>17,190</b>	<b>38.2</b>	<b>15,234</b>	<b>36.9</b>	<b>18,333</b>	<b>42.8</b>	<b>17,506</b>	<b>38.9</b>	<b>15,266</b>	<b>37.0</b>	<b>18,527</b>	<b>43.2</b>
Listed equities	13,316	29.6	11,816	28.7	14,599	34.1	13,633	30.3	11,848	28.7	14,793	34.5
Private equity	2,815	6.3	2,592	6.3	2,794	6.5	2,815	6.3	2,592	6.3	2,794	6.5
Unlisted equities	1,058	2.4	826	2.0	940	2.2	1,058	2.4	826	2.0	940	2.2
<b>Real estate investments</b>	<b>3,654</b>	<b>8.1</b>	<b>3,855</b>	<b>9.3</b>	<b>3,643</b>	<b>8.5</b>	<b>3,654</b>	<b>8.1</b>	<b>3,855</b>	<b>9.3</b>	<b>3,643</b>	<b>8.5</b>
Direct real estates	2,839	6.3	3,154	7.6	2,897	6.8	2,839	6.3	3,154	7.6	2,897	6.8
Real estate funds	816	1.8	701	1.7	746	1.7	816	1.8	701	1.7	746	1.7
<b>Other investments</b>	<b>6,218</b>	<b>13.8</b>	<b>6,485</b>	<b>15.7</b>	<b>7,182</b>	<b>16.8</b>	<b>7,104</b>	<b>15.8</b>	<b>6,808</b>	<b>16.5</b>	<b>7,320</b>	<b>17.1</b>
Hedge funds	6,259	13.9	6,505	15.8	7,184	16.8	6,259	13.9	6,505	15.8	7,184	16.8
Commodities	-19	0.0	-8	0.0	-1	0.0	70	0.2	315	0.8	137	0.3
Other investments	-22	0.0	-13	0.0	-2	0.0	775	1.7	-13	0.0	-2	0.0
<b>Total</b>	<b>44,989</b>	<b>100.0</b>	<b>41,242</b>	<b>100.0</b>	<b>42,852</b>	<b>100.0</b>	<b>37,718</b>	<b>83.8</b>	<b>40,544</b>	<b>98.3</b>	<b>47,555</b>	<b>111.0</b>
Impact of derivatives							7,270	16.2	698	1.7	-4,703	-11.0
<b>Total</b>	<b>44,989</b>	<b>100.0</b>	<b>41,242</b>	<b>100.0</b>	<b>42,852</b>	<b>100.0</b>	<b>44,989</b>	<b>100.0</b>	<b>41,242</b>	<b>100.0</b>	<b>42,852</b>	<b>100.0</b>
<b>Modified duration of the bond portfolio</b>	<b>4.1</b>											

## Net return on invested capital

	Net investment return at fair value	Invested capital	Return % on invested capital	Return % on invested capital	Return % on invested capital
	€ million	30-Jun-17 € million	%	30-Jun-16 %	31-Dec-16 %
<b>Fixed-Income Investments</b>	<b>432</b>	<b>14,721</b>	<b>2.9</b>	<b>2.2</b>	<b>4.2</b>
Loan receivables	30	1,435	2.1	1.9	4.2
Bonds	422	11,452	3.7	3.0	5.3
Other money-market instruments and deposits	-20	1,834	-1.1	-0.4	-0.4
<b>Equity investments</b>	<b>1,252</b>	<b>18,005</b>	<b>7.0</b>	<b>-3.1</b>	<b>6.4</b>
Listed equities	1,123	14,170	7.9	-5.5	4.5
Private equity	100	2,823	3.6	4.0	11.2
Unlisted equities	29	1,012	2.9	13.5	23.7
<b>Real estate investments</b>	<b>90</b>	<b>3,636</b>	<b>2.5</b>	<b>2.6</b>	<b>-0.9</b>
Direct real estates	55	2,868	1.9	2.6	-2.6
Real estate funds	34	768	4.5	2.9	6.8
<b>Other investments</b>	<b>259</b>	<b>6,879</b>	<b>3.8</b>	<b>-0.8</b>	<b>5.3</b>
Hedge funds	249	6,908	3.6	-0.6	5.6
Commodities	-13	-5			
Other investments	23	-24			
<b>Total</b>	<b>2,033</b>	<b>43,241</b>	<b>4.7</b>	<b>-0.3</b>	<b>4.8</b>
Unallocated income, costs and operating expenses from investment activities	-21	9			
<b>Net investment return at fair value</b>	<b>2,012</b>	<b>43,251</b>	<b>4.7</b>	<b>-0.3</b>	<b>4.7</b>