

A photograph of three children playing on a sandy beach. Two children are running away from the camera towards the left, while a third child stands facing the camera on the right. The background shows a calm body of water under a cloudy sky.

Varma's Financial Statements 1 January–31 March 2019

30 April 2019 | Varma's Interim Report 1 January–31 March 2019

Strong early year for Varma – return on investments 5.1%



Return on
investments

5.1%

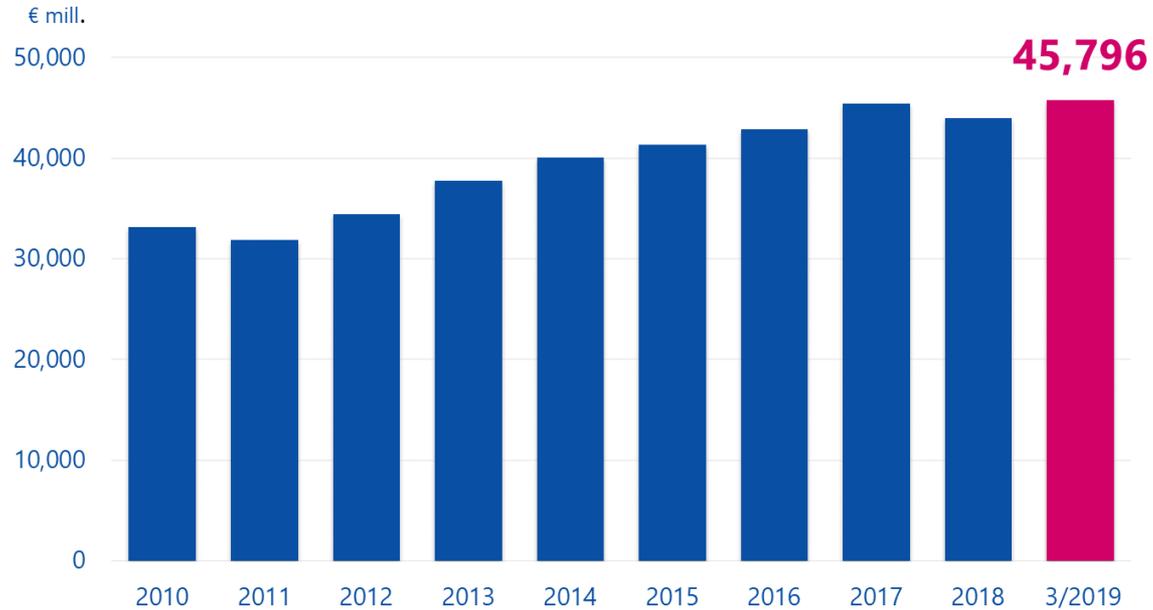
Market value
of investments, €

45.8 bn

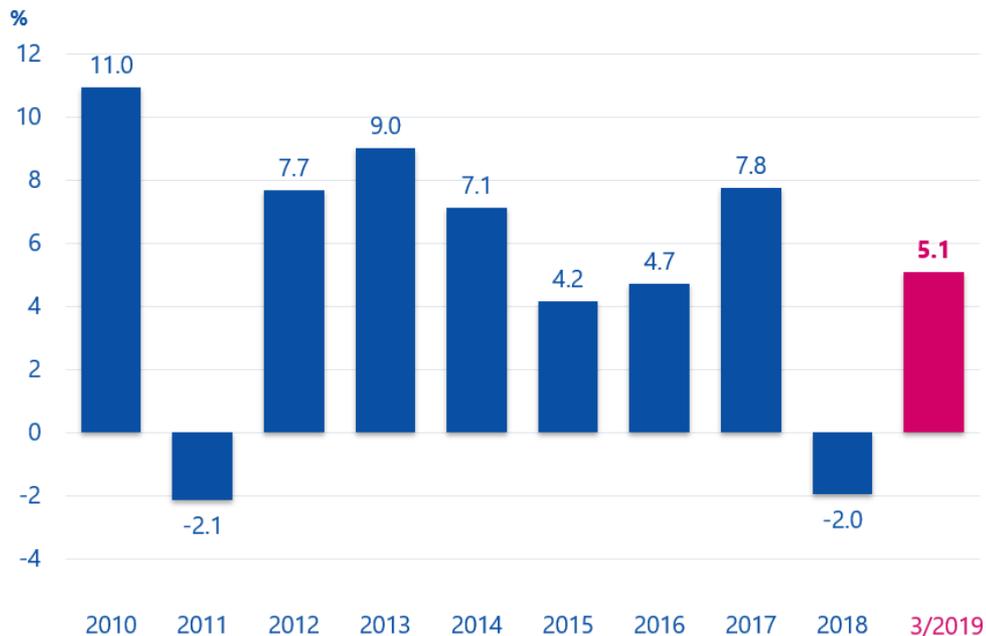
Solvency capital,
€

10.6 bn

Value of investments EUR 45.8 billion



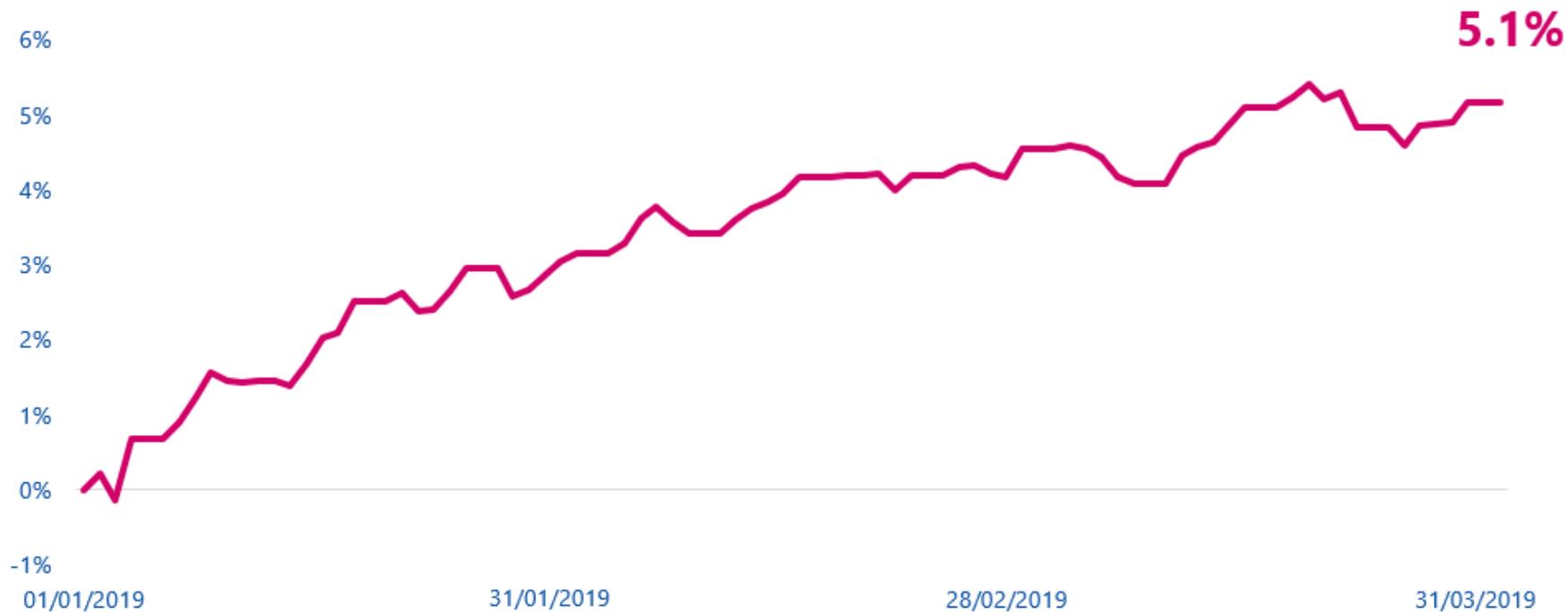
Investment returns 2010-2019



Boosted by the strong performance of the equity and fixed income markets, the early-year returns almost entirely offset the fall of the last quarter of 2018.

The average nominal return on investments over ten years is approx. 6.5%, calculated in accordance with the recommendations issued by TELA.
In 1-3/2018 return on investment was -0.4%.

Return on Varma's investments 1-3/2019



Following the financial crisis, Varma's cumulative return on investment 89.1%, i.e. € 23 bn



Investments classified according to risk

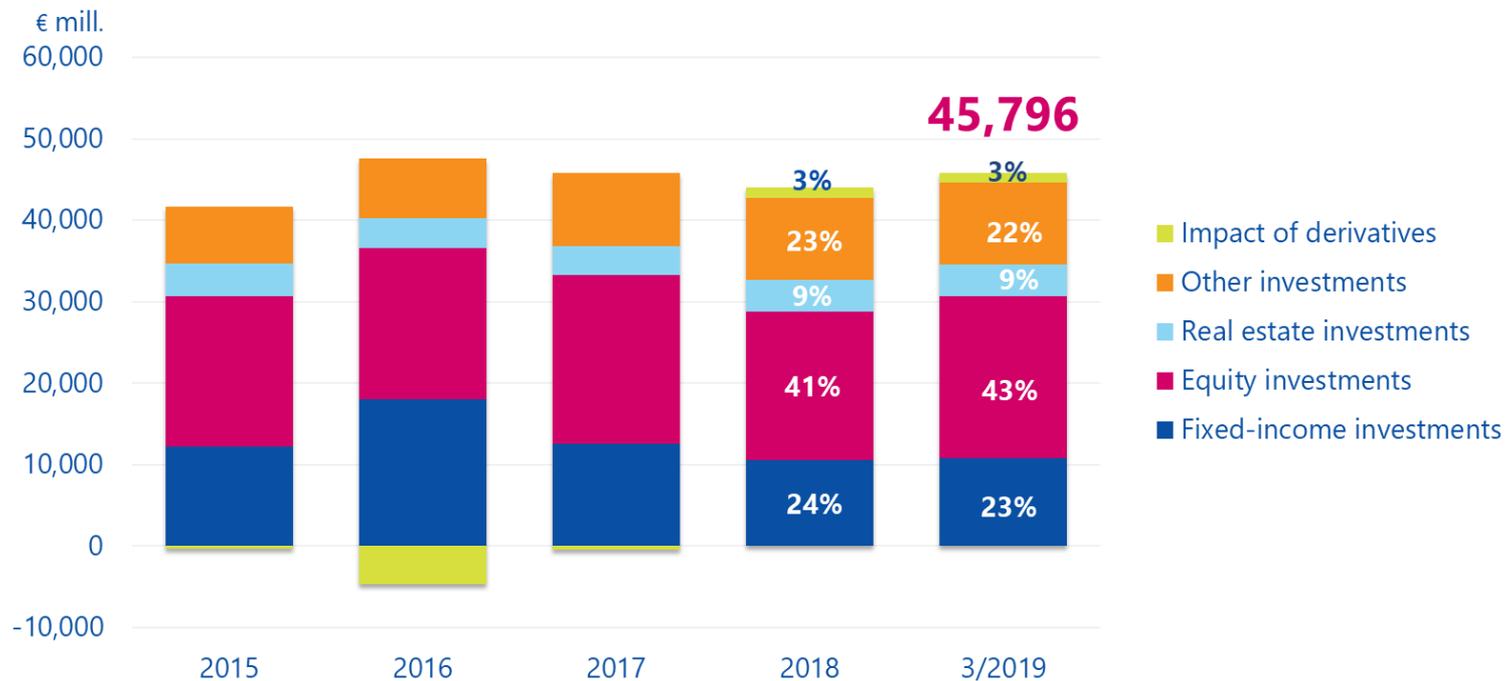
	31 Mar 2019				31 Dec 2018				1-3/2019	1-3/2018	1-12/2018	24 m
	Market value				Market value				Return	Return	Return	Vola- tility
	Market Value		Risk position		Market Value		Risk position		MWR	MWR	MWR	
	€ mill.	%	%	%	%							
Fixed-income investments ¹	13,330	29	10,756	23	13,522	31	10,568	24	1.9	-0.3	-1.8	
Loan receivables	1,890	4	1,890	4	1,817	4	1,817	4	1.1	1.0	3.7	
Bonds	10,321	23	9,134	20	10,625	24	9,031	21	2.1	-0.5	-2.9	2.1
Public bonds	3,910	9	2,723	6	4,104	9	2,142	5	1.1	0.0	-4.2	
Other bonds	6,411	14	6,411	14	6,520	15	6,889	16	2.8	-0.9	-2.0	
Other money-market instruments and deposits	1,118	2	-268	-1	1,080	2	-280	-1	1.2	0.2	-0.1	
Equity investments	19,801	43	19,868	43	17,916	41	18,222	41	10.0	-1.4	-3.6	
Listed equities	15,225	33	15,292	33	13,407	30	13,713	31	13.1	-2.2	-8.3	11.1
Private equity	4,329	9	4,329	9	4,255	10	4,255	10	1.0	2.6	17.5	
Unlisted equities	247	1	247	1	254	1	254	1	-1.8	0.7	3.8	
Real estate investments	3,946	9	3,946	9	3,879	9	3,879	9	0.7	1.2	5.5	
Direct real estates	2,939	6	2,939	6	2,895	7	2,895	7	0.9	1.0	3.9	
Real estate funds	1,007	2	1,007	2	984	2	984	2	0.1	2.2	10.6	
Other investments	8,720	19	10,043	22	8,699	20	10,037	23	1.9	1.8	-1.4	
Hedge funds	8,725	19	8,725	19	8,703	20	8,703	20	2.0	1.9	1.6	2.2
Commodities	-3	0	-17	0	-8	0	25	0				
Other investments	-2	0	1,335	3	3	0	1,308	3				
Total investments	45,796	100	44,613	97	44,015	100	42,705	97	5.1	-0.4	-2.0	4.1
Impact of derivatives			1,183	3			1,310	3				
Investment allocation at fair value	45,796	100	45,796	100	44,015	100	44,015	100				

The modified duration for all the bonds is 3.3.

The open currency position is 27.5% of the market value of the investments.

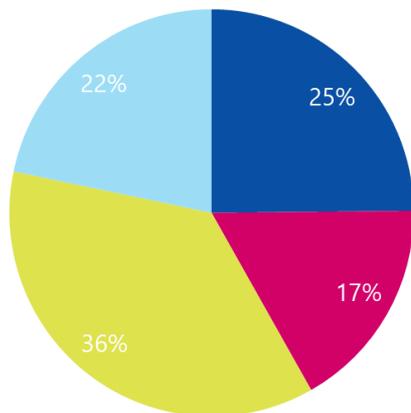
¹ Includes accrued interest

Distribution of Varma's investments



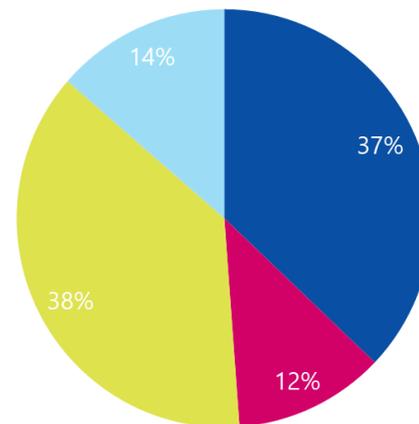
Geographical distribution of investments

Investments



■ Finland ■ Europe ■ North America ■ Other regions and global funds

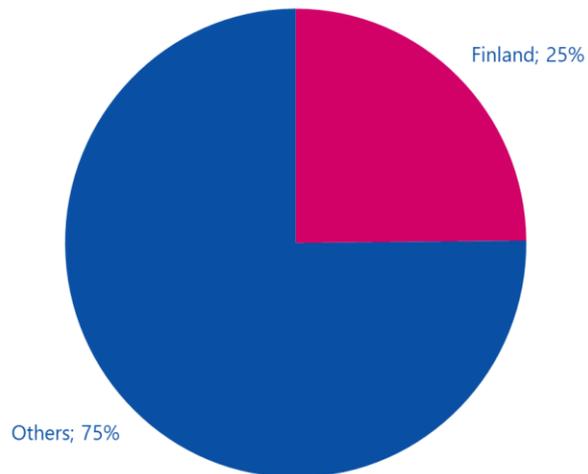
Listed equities



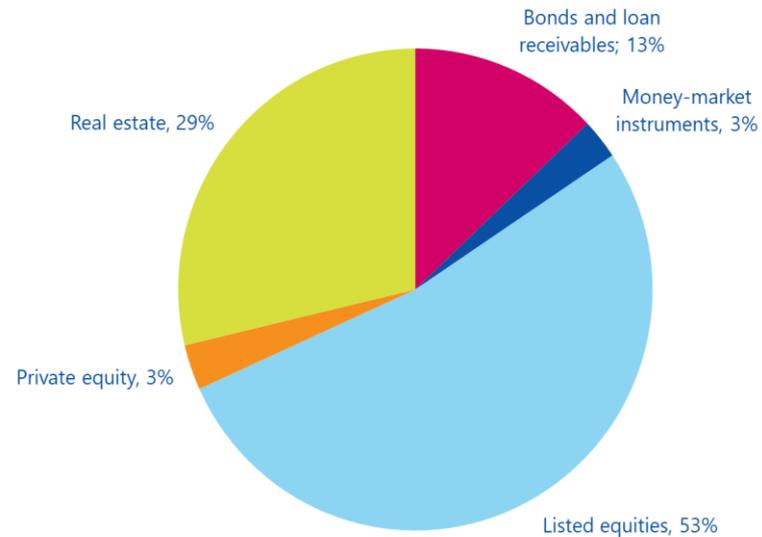
■ Finland ■ Europe ■ North America ■ Other regions and global funds

Investments in Finland 25%, €10.8 bn

Investments in Finland

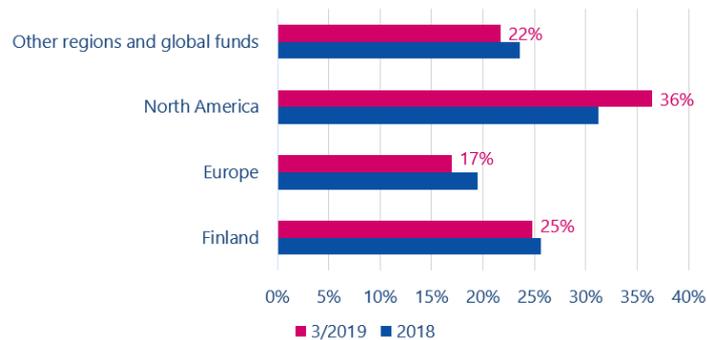


Distribution of Finnish investments

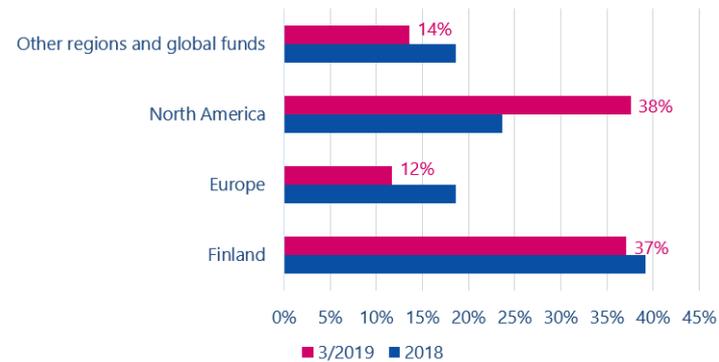


Changes in the geographical distribution of investments during the year

Investments



Listed equities



Investment returns for Varma and the markets

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
03/2019	5.1	11.9	13.0	13.6	2.5	3.2
2018	-2.0	-3.9	-10.8	-4.4	1.0	-1.3
2017	7.8	11.5	10.6	21.8	0.1	2.4
Average nominal return						
5 years	4.9	11.3	5.4	10.9	3.4	2.8
10 years	6.5	15.3	11.1	15.9	4.2	5.5
Since 1999 *	5.4	8.5	4.2	6.2	4.4	4.2
Average real return						
5 years	4.4	10.8	4.9	10.3	2.9	2.3
10 years	5.2	13.9	9.8	14.5	2.9	4.2
Since 1999 *	3.8	6.9	2.6	4.6	2.9	2.6

* Varma, as it is today, was founded in mid-1998, so comparison data earlier than 1999 is not available.

Finnish equities = OMX Helsinki Cap Index

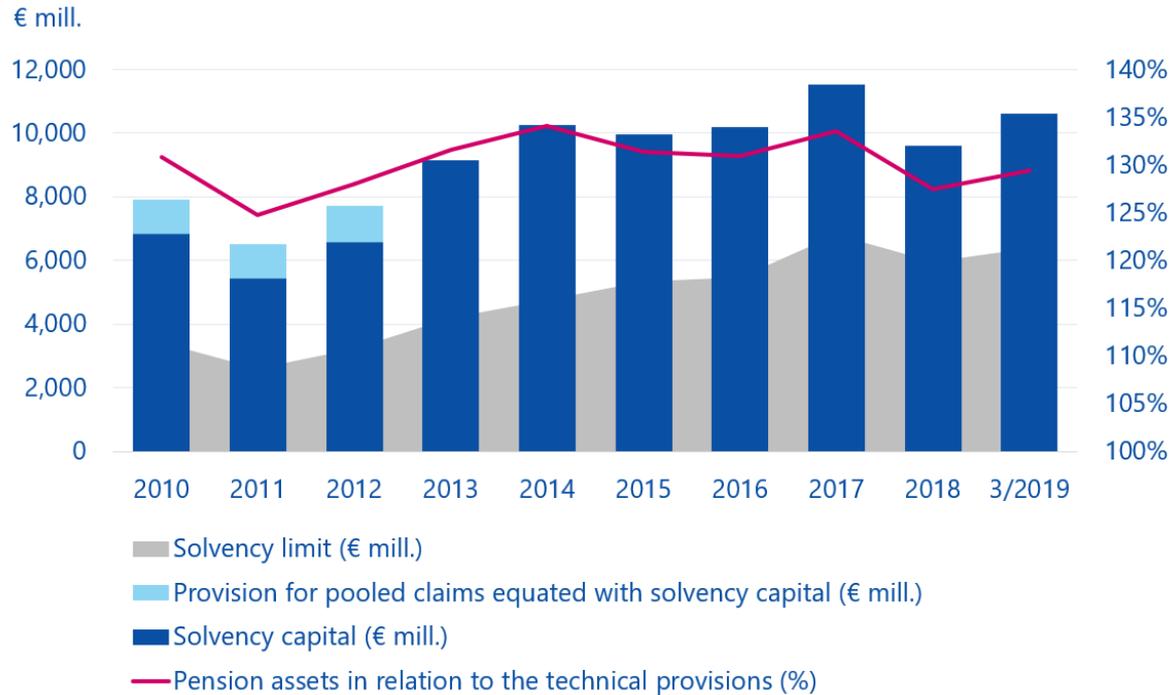
Euro government bonds = IBOXX Eurozone EUR (Total Return)

European equities = Stoxx 600 Total Return Index EUR

Euro corporate bonds = IBOXX Corporate Overall Performance Index EUR (Total Return)

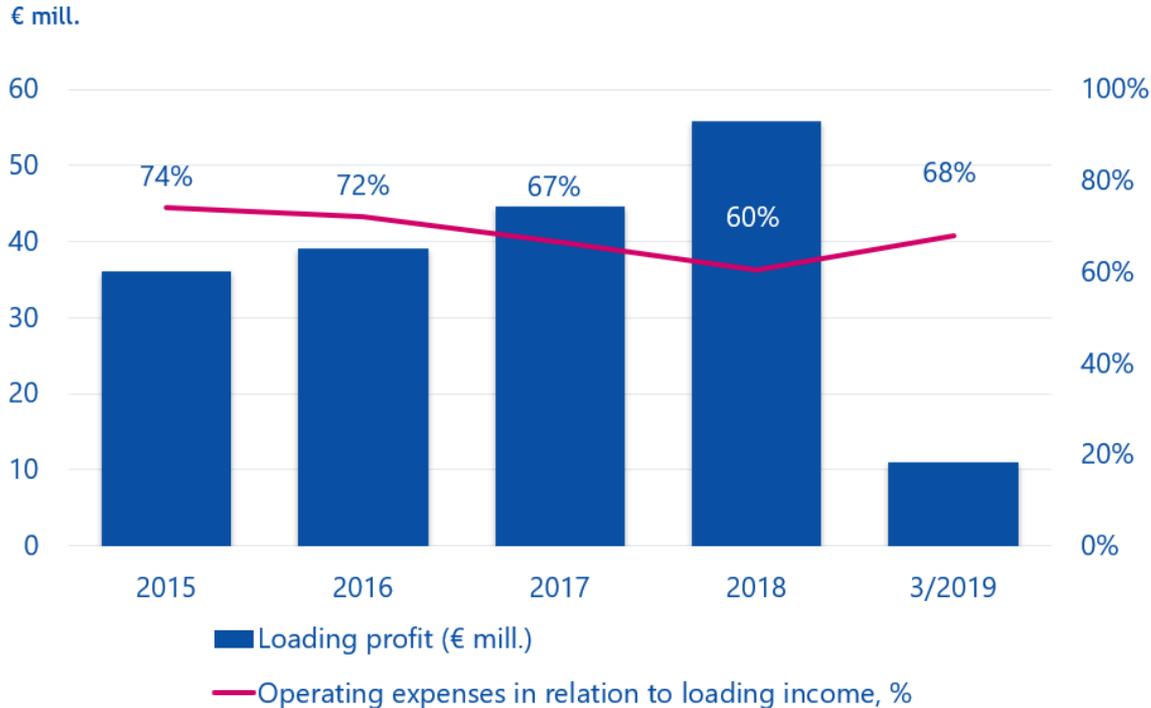
US equities = S&P500 Total Return Index

Pension assets in relation to technical provisions at a strong level, 129.4%



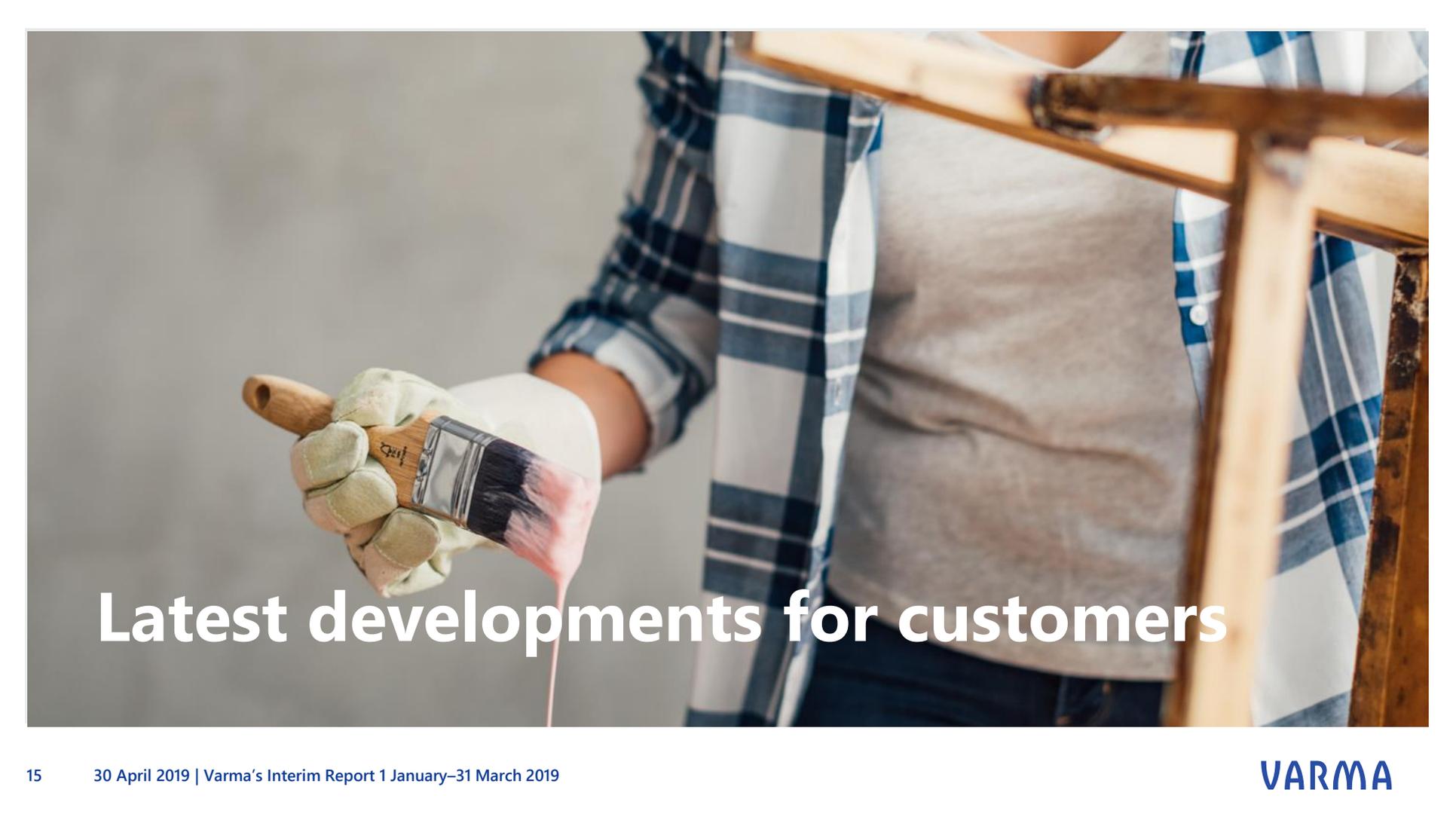
Efficiency among the best in the sector

We used 68 % of the insurance contributions meant for operating expenses



We handle the implementation of pension provision efficiently.

Loading profit, generated through efficient operations, and strong solvency have an impact on the bonuses paid to our clients.

A close-up photograph of a person's hand wearing a white, textured work glove. The hand is holding a paintbrush with a wooden handle and a metal ferrule. The brush is coated with a thick, vibrant pink paint, which is dripping down the side of the bristles. The person is wearing a blue and white plaid shirt over a light-colored t-shirt. In the background, a wooden frame, possibly of a chair or table, is visible. The overall scene suggests a DIY or home improvement project.

Latest developments for customers



Insured employees and
entrepreneurs

566,000

Pensioners

344,000

Pensions paid

€1.4 bn

Latest developments for customers



Fastest customer service

- At the end of March, the average processing time for pension applications was 25 days. That is 9 days quicker than at the same time last year.
- We process applications for all pension benefits faster than average in the sector.

Successful TyEL client acquisition

- Varma was very successful in its customer acquisition in the first quarter. TyEL insurance sales results were positive in all company size categories. The net amount of annual premiums written transferring to Varma amount to EUR 24 million.
- Suvi Hintsanen took up the post of Senior Vice President, Client Services.

Earnings information from the Incomes Register

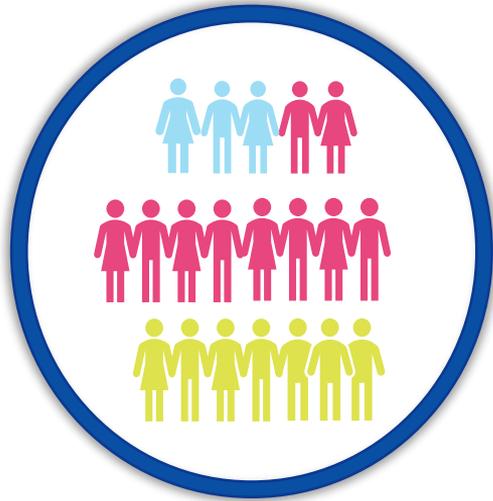
- Varma started using the national Incomes Register, where employers have been submitting employees' earnings information since January.
- Varma is preparing for the next stage of the Incomes Register at the beginning of 2020, when pension and benefit information will also be transferred to the Incomes Register.

Current pension topics

- The number of disability pension applications continued to grow – up 16% from last year.
- The popularity of partial old-age pension on the rise after a decline last year. 720 decisions were made, up 35% year-on-year.
- Years-of-service pension granted to 16 people.
- Approximately 6,300 new pension decisions were made – 18% more than in the corresponding period last year.



New initiatives for identifying workability risks



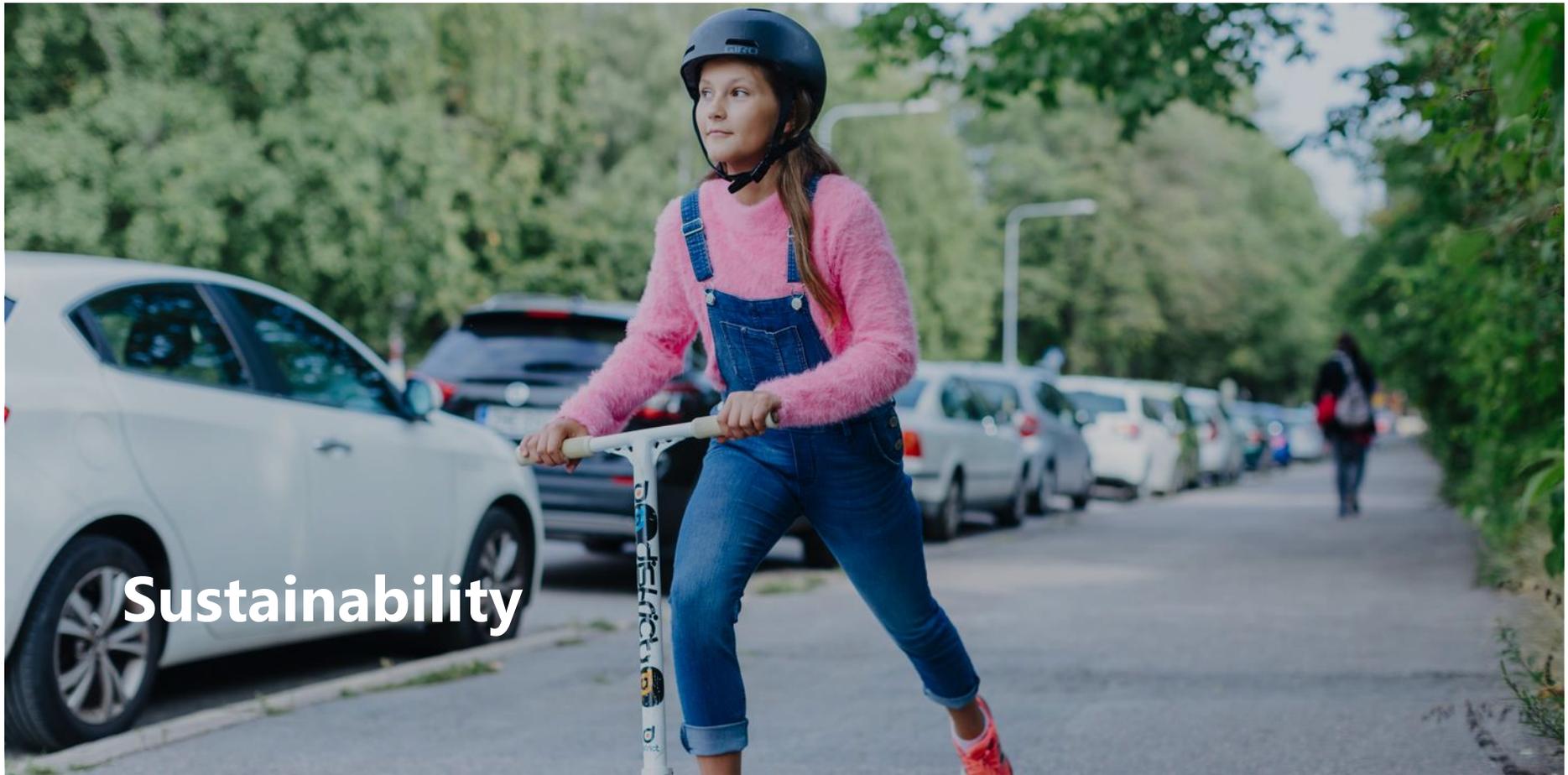
An analysis on the reasons for disability

- Using artificial intelligence, Varma analysed the reasons for disability in the disability pension and rehabilitation applications.
- The analysis shows that mental-health-based disability or the risk thereof among those aged under 45 is often related to challenging sales or care work.



Varma to start research activities

- Varma is launching research activities focussed on workability management and workability risk management.
- Jan Schugk, Varma's Senior Physician as of April 2019, will be incharge of the research activities.



Sustainability



Working for future generations

Our sustainable operations and strong solvency secure present and future pensions.

Mitigating climate change

Promoting workability and a good working life

Ethical business and open communication

Responsibility for Varma employees

VARMA



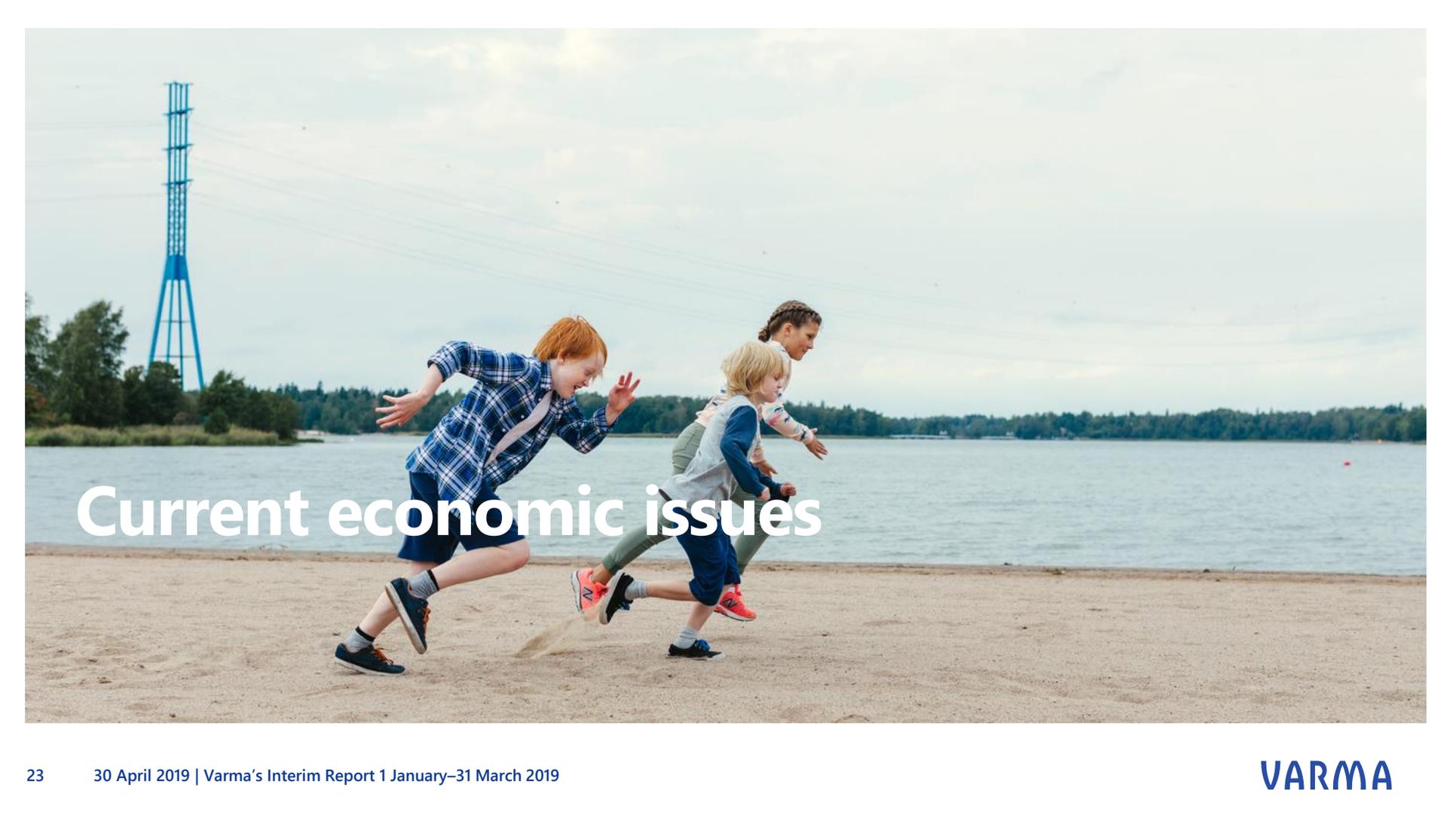
TCFD report on climate risks

- We published our first report on climate-related risks and opportunities according to the TCFD* recommendations.
- The analysis shows that, so far, Varma's equity portfolio is in line with keeping global warming below 1.75 degrees Celsius above the pre-industrial era. Maintaining this situation, however, requires the continuous reduction of emissions in the future.



New commitments to social responsibility initiatives

- The Workforce Disclosure Initiative aims to provide material and comparable information on how employees are managed in companies and in supply chains
- The international Tobacco-Free Finance Pledge highlights the entire finance sector's responsibility to limit investments in the tobacco industry worldwide. Varma has excluded tobacco companies from its investments since as far back as 15 years ago.

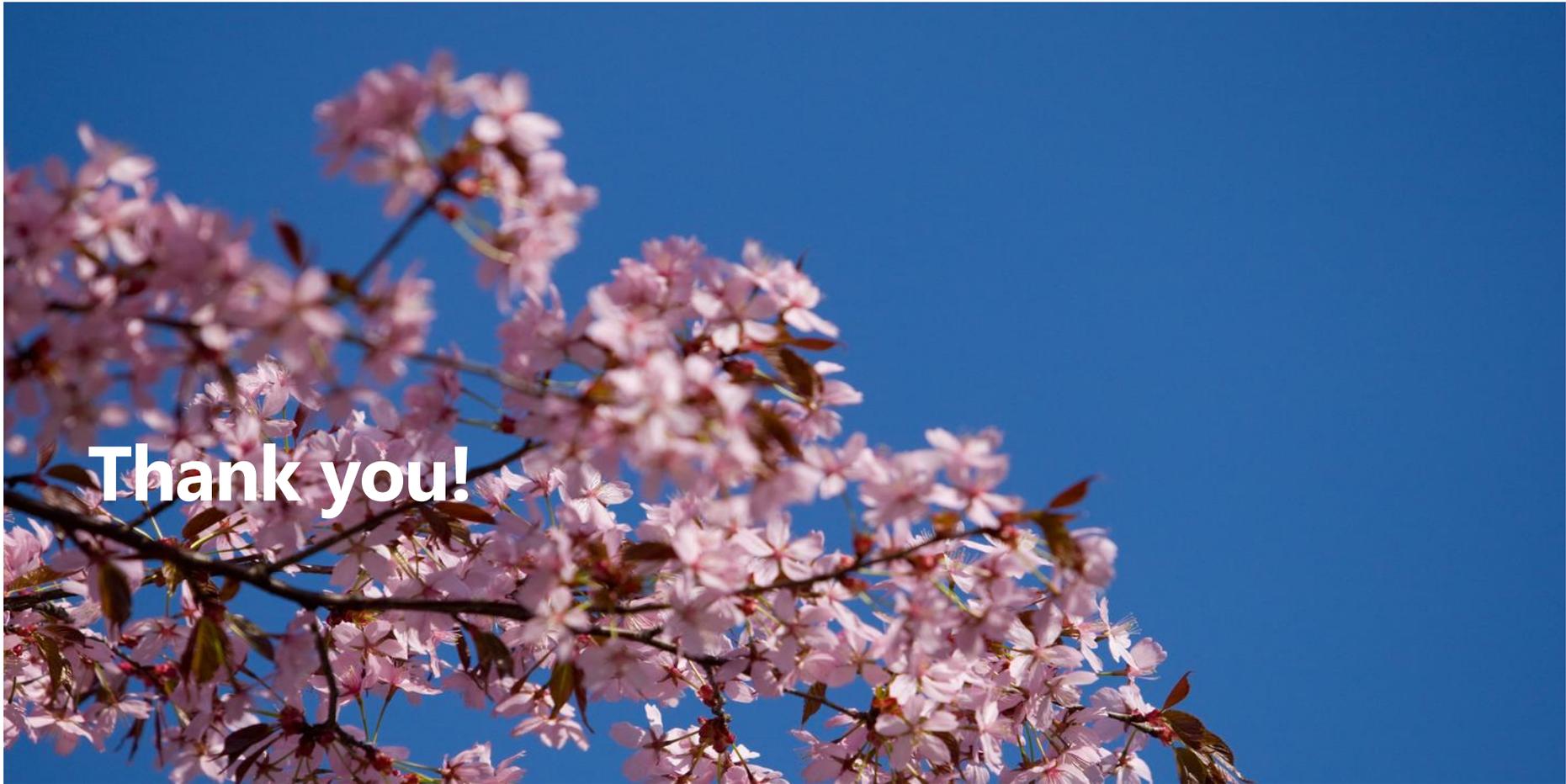


Current economic issues

Current economic issues

- Correction on the markets – share prices made a strong recovery from the low point at the end of 2018
- There are no clear signs of where the real economy is headed, despite the rise in share prices
- In addition to Brexit, Italy's situation has become a lasting problem
- The Finnish economy is strongly dependent on export demand, the outlook is mixed





Thank you!