

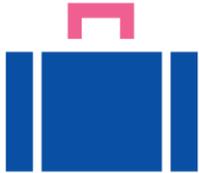
A photograph of two children playing on a beach. The child on the left is seen from the back, wearing a grey and blue long-sleeved shirt and blue shorts. The child on the right is facing forward, wearing a blue and white plaid shirt over a white t-shirt and blue shorts. They are both smiling and appear to be in motion, possibly playing a game. The background shows a calm body of water and a distant shoreline with trees under a clear sky.

Varma's half-year report 1 January–30 June 2019

Key figures



Return on
investments
6.9%



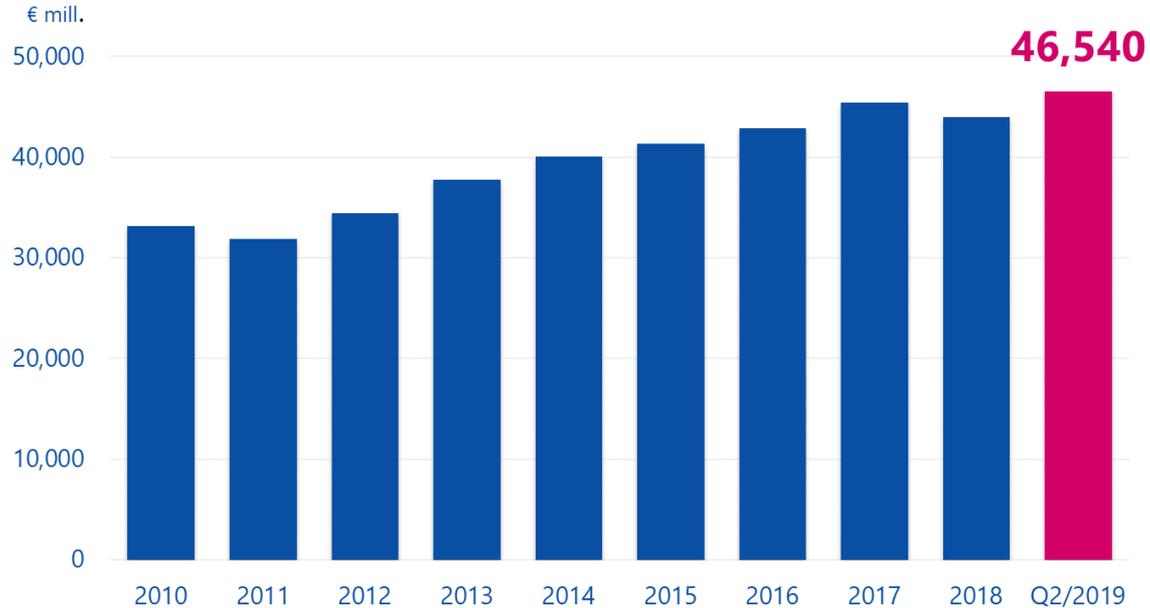
Market value
of investments, €
46.5 bn



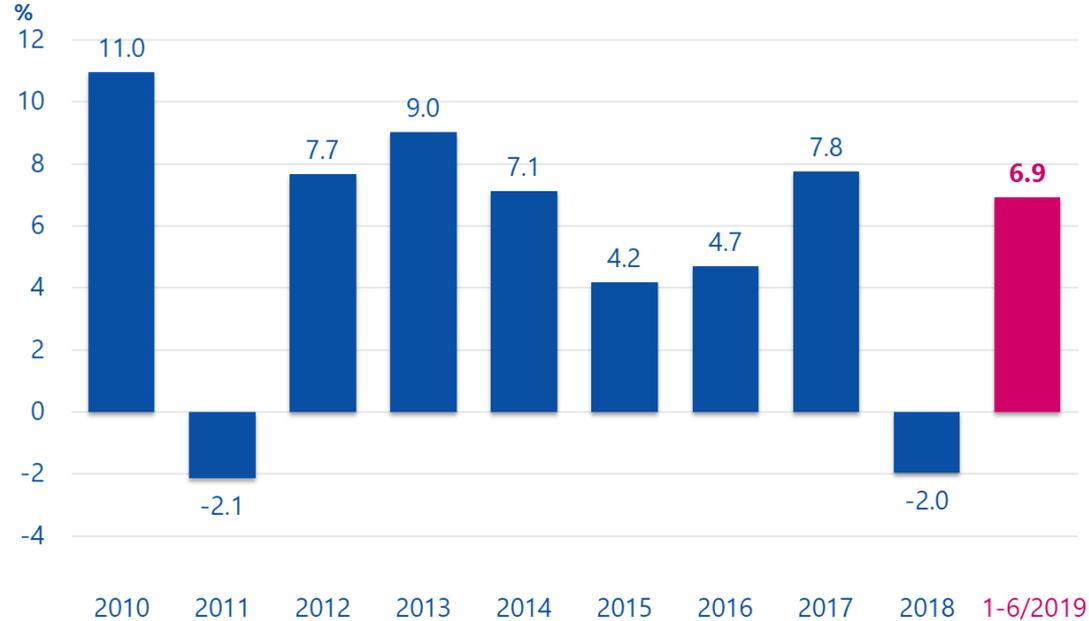
Solvency capital, €
11.0 bn



Value of investments grew to €46.5 billion



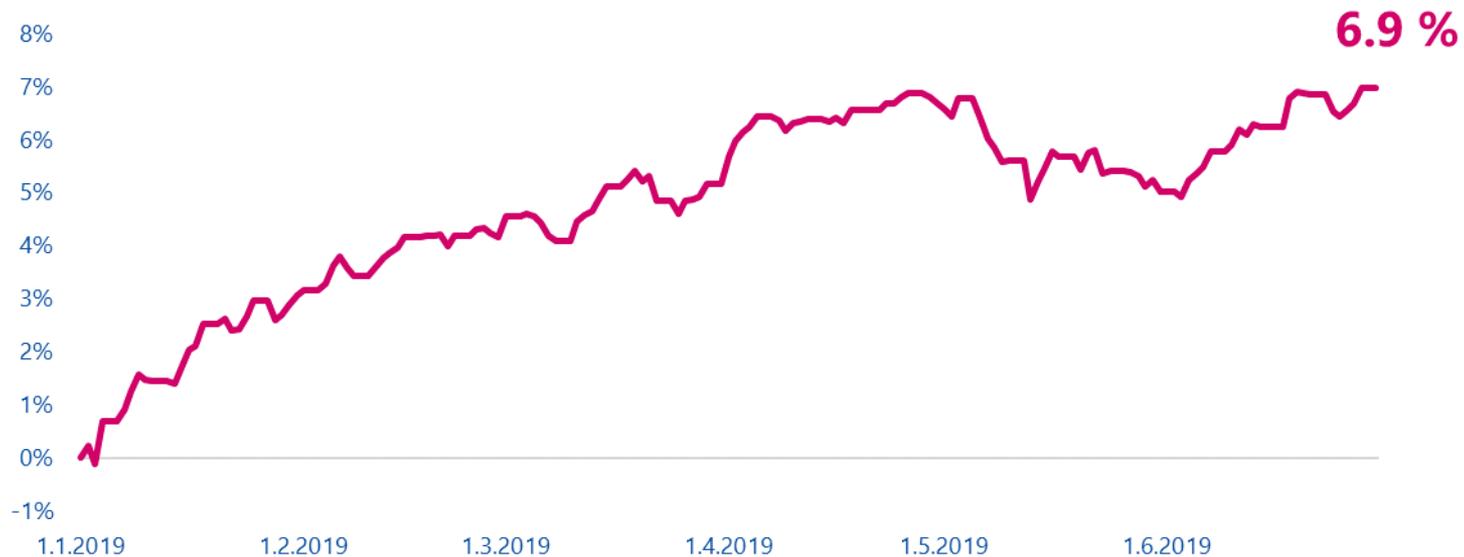
Profitable first half year for Varma, return on investments was 6.9%, i.e. EUR 3.0 billion



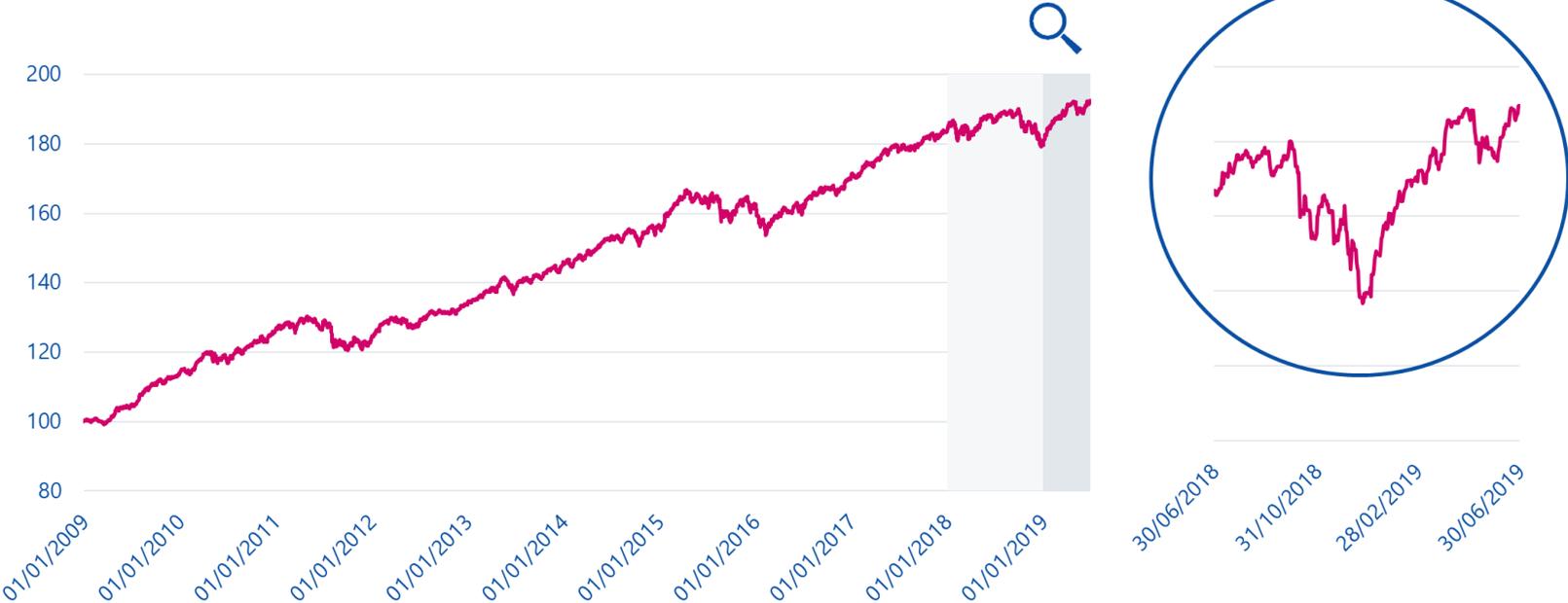
The first six months of the year were good for Varma, despite the clear increase in uncertainty in the real economy.

The average nominal return on investments over ten years is approx. 6.3%, calculated in accordance with the recommendations issued by TELA. In 1-6/2018 return on investment was 1.7%.

Return on Varma's investments 1-6/2019



Following the financial crisis, Varma's cumulative return on investment 92.4%, i.e. €24 bn



Investments classified according to risk

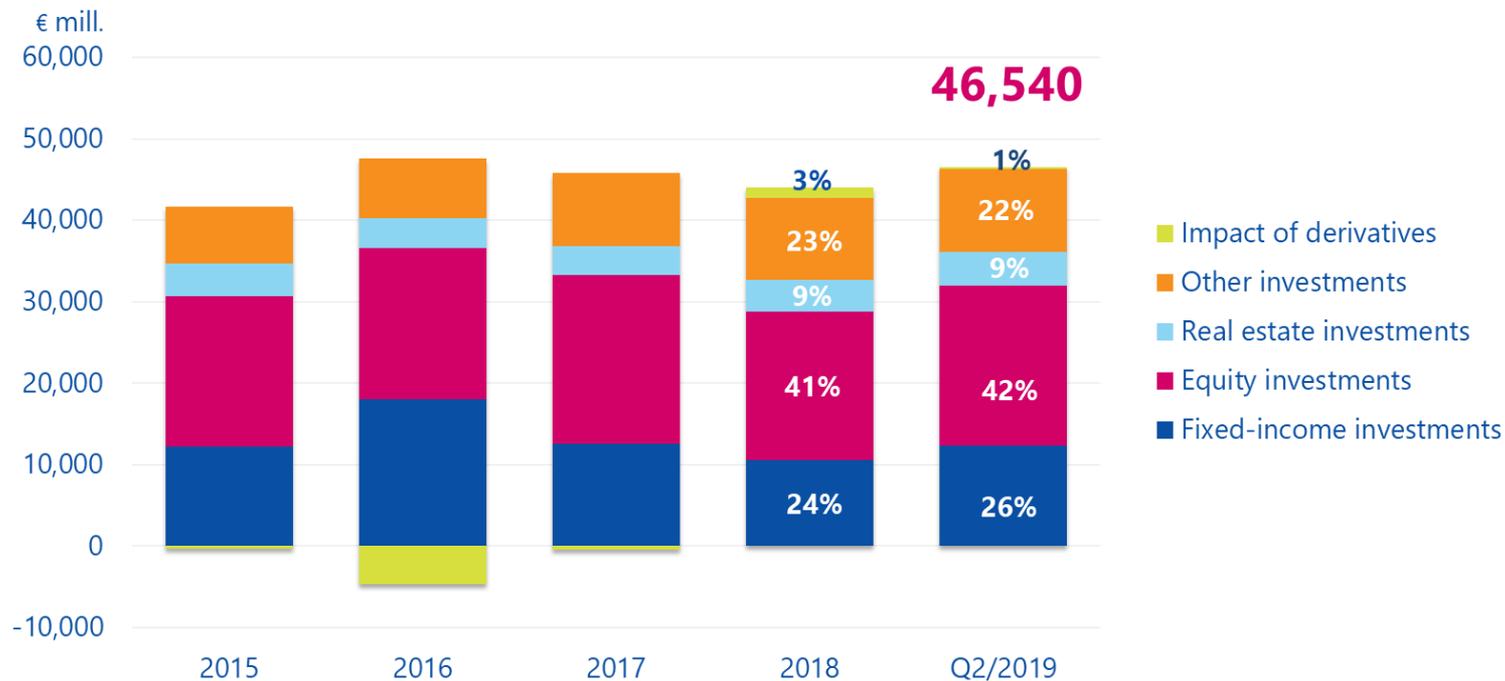
	30 Jun 2019				31 Dec 2018				1-6/2019	1-6/2018	1-12/2018	24 m
	Market value				Market value				Return	Return	Return	Vola- tility
	Market Value		Risk position		Market Value		Risk position		MWR	MWR	MWR	
€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	%	%	%		
Fixed-income investments ¹	13,307	29	12,327	26	13,522	31	10,568	24	3.5	-1.5	-1.8	
Loan receivables	1,968	4	1,968	4	1,817	4	1,817	4	2.1	1.6	3.7	
Bonds	10,458	22	11,002	24	10,625	24	9,031	21	4.1	-2.2	-2.9	2.1
Public bonds	4,015	9	4,559	10	4,104	9	2,142	5	2.8	-4.0	-4.2	
Other bonds	6,443	14	6,443	14	6,520	15	6,889	16	4.9	-1.0	-2.0	
Other money-market instruments and deposits	880	2	-643	-1	1,080	2	-280	-1	0.7	0.2	-0.1	
Equity investments	20,253	44	19,670	42	17,916	41	18,222	41	12.5	3.3	-3.6	
Listed equities	15,467	33	14,884	32	13,407	30	13,713	31	15.3	2.6	-8.3	12.2
Private equity	4,540	10	4,540	10	4,255	10	4,255	10	4.5	7.8	17.5	
Unlisted equities	246	1	246	1	254	1	254	1	-0.2	1.2	3.8	
Real estate investments	4,086	9	4,086	9	3,879	9	3,879	9	1.9	2.7	5.5	
Direct real estates	2,988	6	2,988	6	2,895	7	2,895	7	2.0	1.9	3.9	
Real estate funds	1,098	2	1,098	2	984	2	984	2	1.6	5.4	10.6	
Other investments	8,894	19	10,222	22	8,699	20	10,037	23	2.9	2.4	-1.4	
Hedge funds	8,896	19	8,896	19	8,703	20	8,703	20	3.1	3.4	1.6	2.3
Commodities	-9	0	-1	0	-8	0	25	0				
Other investments	6	0	1,327	3	3	0	1,308	3				
Total investments	46,540	100	46,304	99	44,015	100	42,705	97	6.9	1.7	-2.0	4.5
Impact of derivatives			235	1			1,310	3				
Investment allocation at fair value	46,540	100	46,540	100	44,015	100	44,015	100				

The modified duration for all the bonds is 4.2.

The open currency position is 25.4% of the market value of the investments.

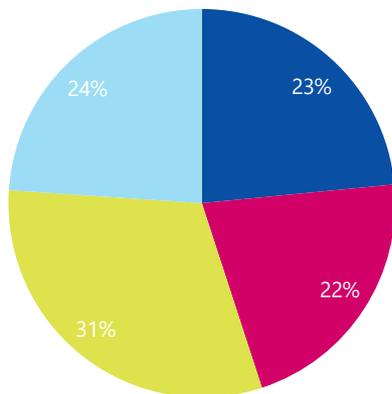
¹ Includes accrued interest

Distribution of Varma's investments



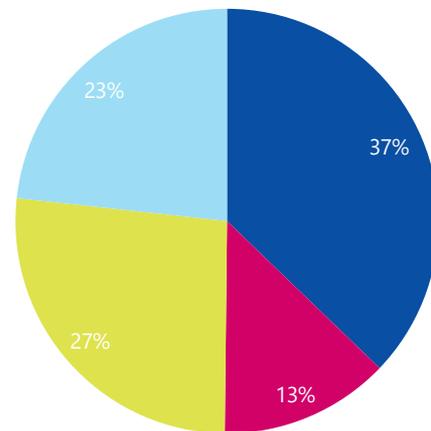
Geographical distribution of investments

Investments



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

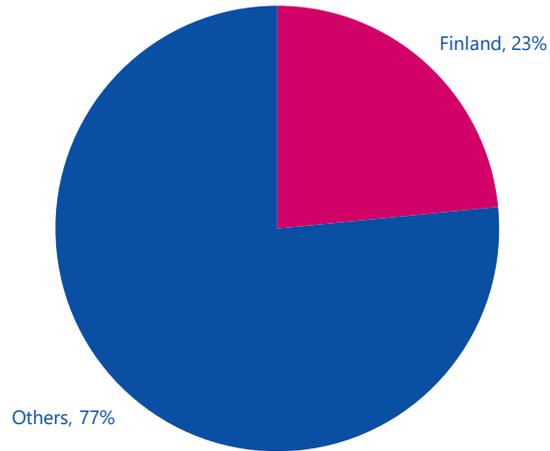
Listed equities



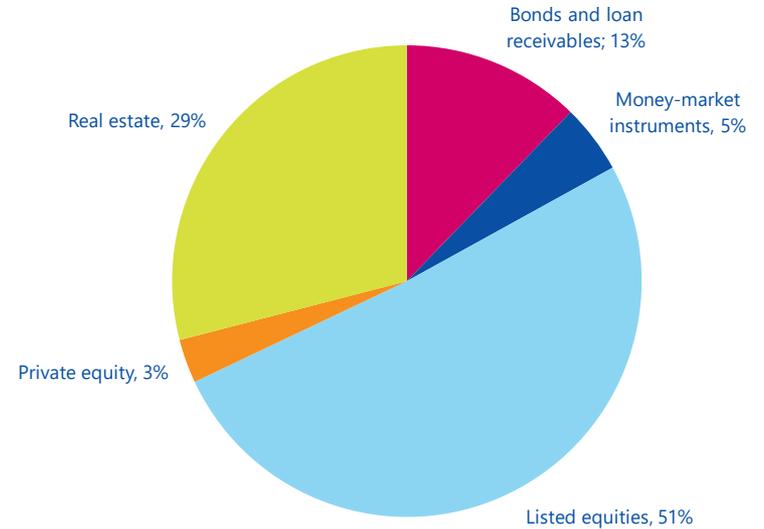
■ Finland ■ Europe ■ North America ■ Other regions and global funds

Investments in Finland 23%, €10.9 bn

Investments in Finland

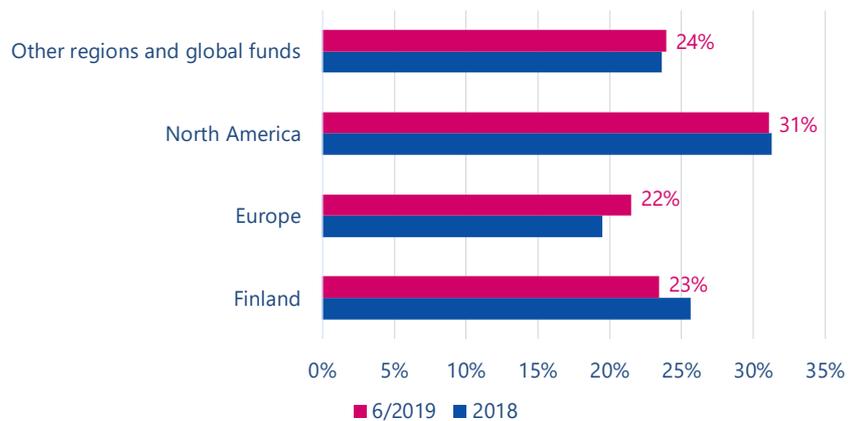


Distribution of Finnish investments

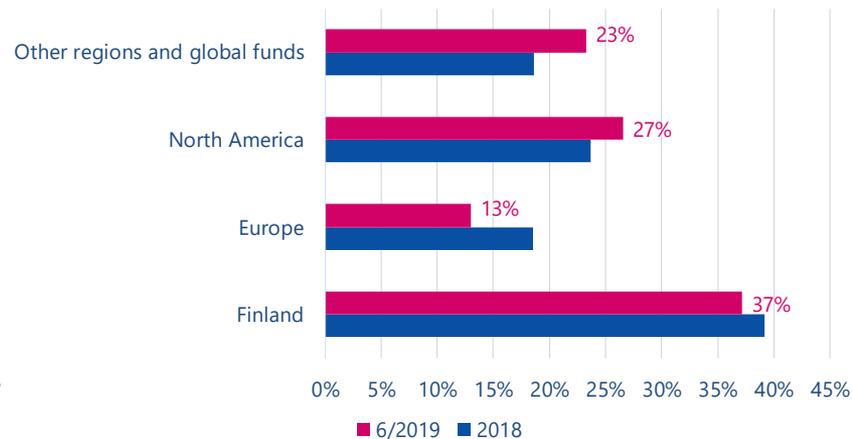


Changes in the geographical distribution of investments during the year

Investments



Listed equities



Investment returns for Varma and the markets

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
06/2019	6.9	13.1	16.5	18.5	6.0	5.5
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	4.7	10.2	5.3	10.7	3.5	2.7
10 years	6.3	12.6	9.5	14.7	4.5	4.8
Since 1999 *	5.5	8.5	4.3	6.4	4.6	4.3
Average real return						
5 years	4.0	9.5	4.6	10.0	2.9	2.1
10 years	4.9	11.2	8.2	13.3	3.2	3.5
Since 1999 *	3.9	6.8	2.7	4.7	3.0	2.7

* 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

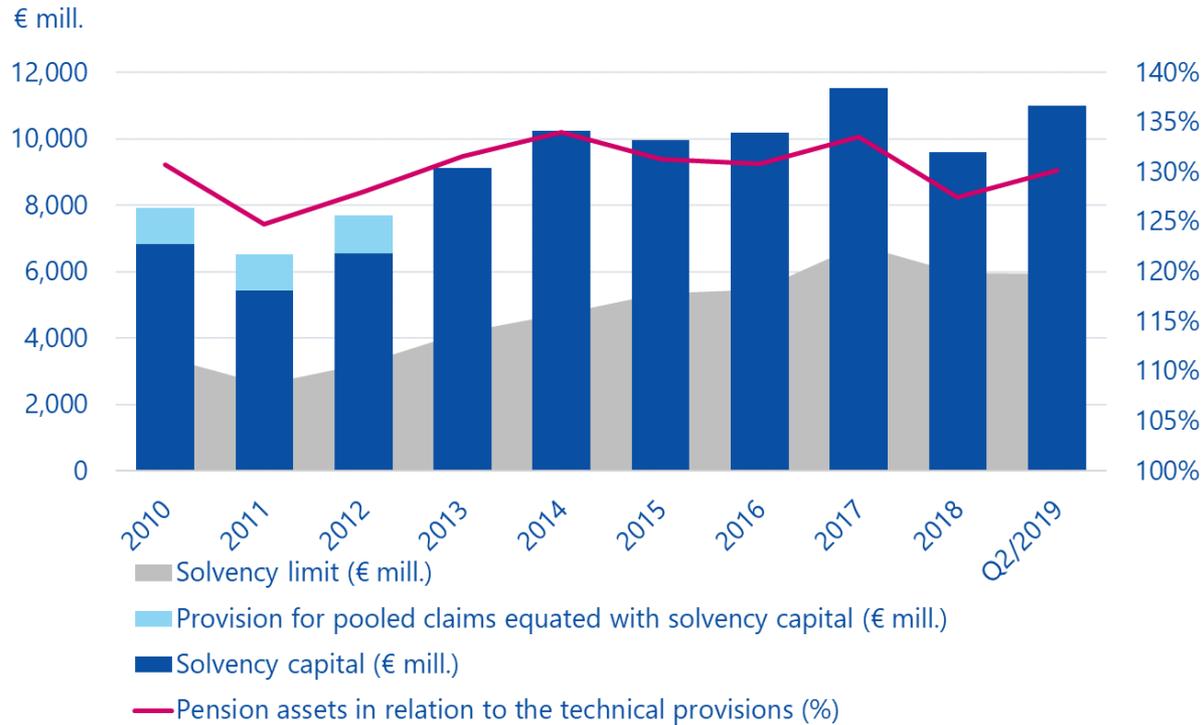
Euro government bonds = IBOXX Eurozone EUR (Total Return)

European equities = Stoxx 600 Total Return Index EUR

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

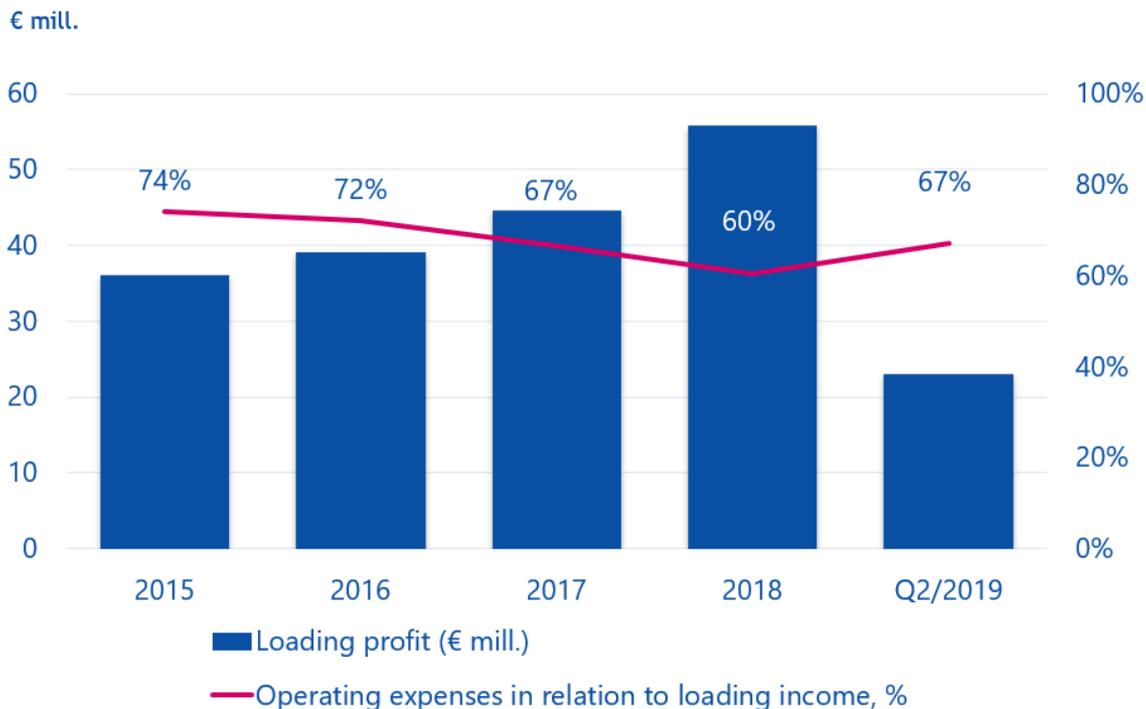
US equities = S&P500 Total Return Index

Pension assets in relation to technical provisions at a strong level, 130.2%



Efficiency among the best in the sector

We used 67% 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

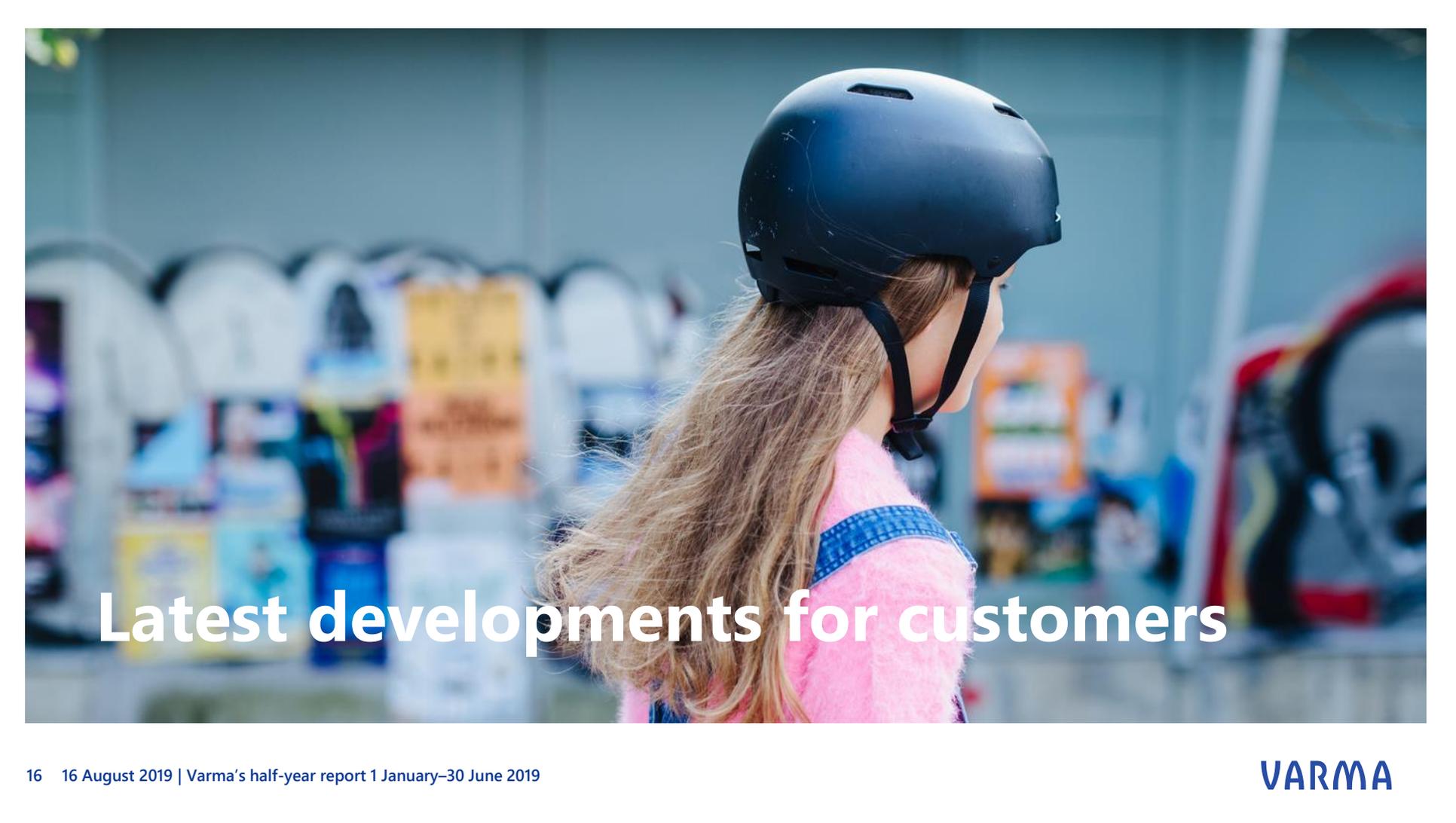
Key figures

	6/2019	6/2018	2018
Premiums written, € million	2,633	2,454	5,118
Pensions paid, € million ¹	2,919	2,819	5,668
TyEL-insured	520,453	513,830	523,270
YEL insurance policies	37,100	36,300	36,700
Pensioners	343,449	342,000	343,400
Investments, € million	46,540	46,359	44,015
Return on investment, € million	3,027	779	-902
Return on investment, %	6.9	1.7	-2.0
Total result, € million	1,374	-186	-1,741
Loading profit, € million	23	24	56
Operating expenses as % of loading component	67	66	60
Technical provisions, € million	37,617	37,087	36,521
Solvency capital, € million	10,992	11,348	9,619
Solvency ratio % ²	130.2	132.4	127.5
Solvency capital/solvency limit	1.9	1.8	1.6
Average number of personnel, Parent Company	536	533	532

¹ Before the reduction of received clearing of pay-as-you-go (PAYG) pensions

² Pension assets in relation to the technical provisions under §11 of the Ministry of Social Affairs and Health's decree governing pension institutions (614/2008).





Latest developments for customers



Insured employees and
entrepreneurs

558,000

Pensioners

343,000

Pensions paid

€2.8 bn

Latest developments for customers



Varma's customer service hailed as the best

Varma was recognised for the third time as having the best customer service in Finland in Bisnode's Voice of the Customer survey. The results are based on approximately 13,000 feedback inputs.



Fastest pension application processing times in the sector

At the end of June, the average processing time for pension applications was 25 days. That is eight days quicker than at the same time last year. The average processing time in the earnings-related pension sector is 15 days longer.



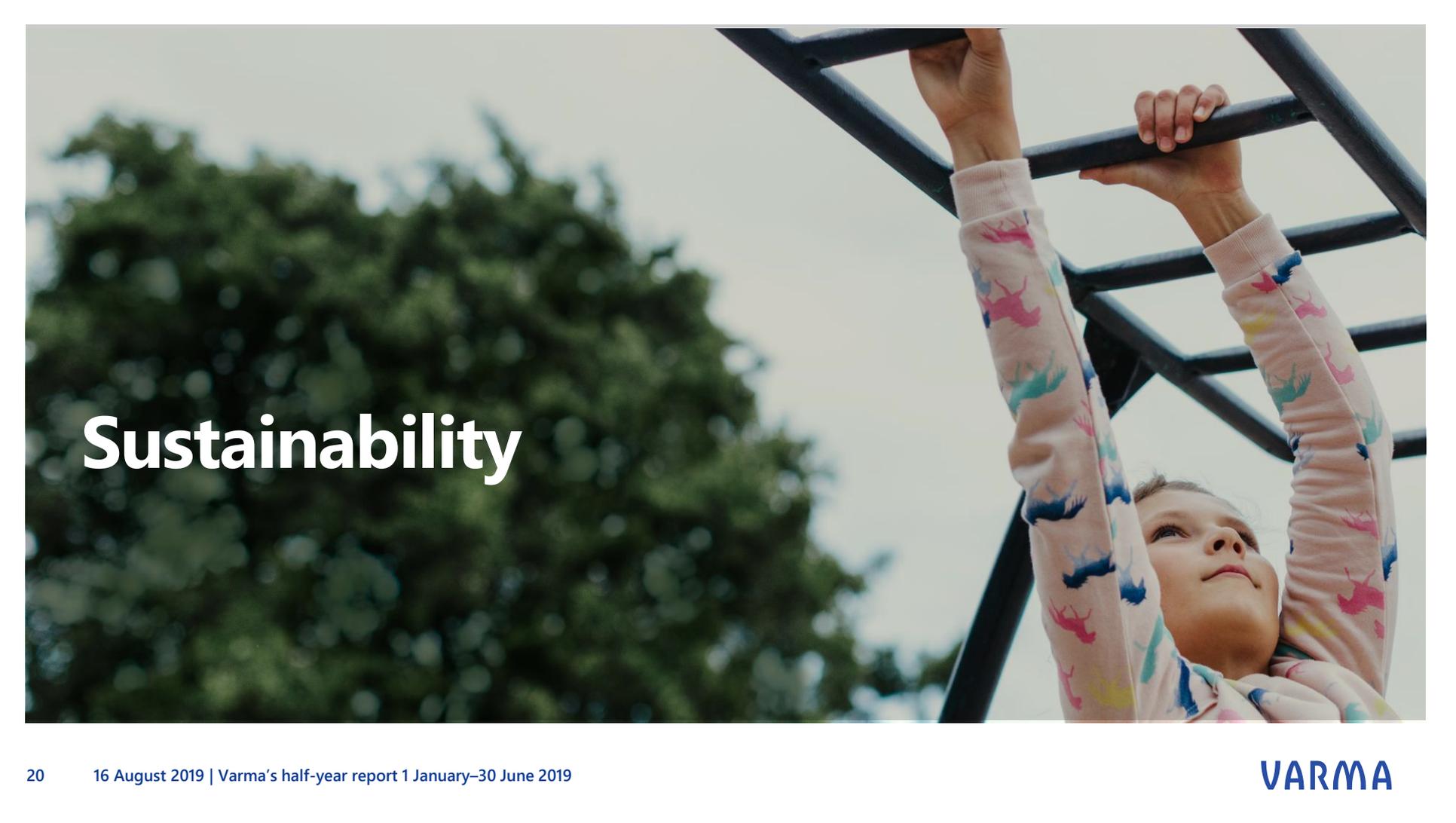
Research programme for identifying work ability risks

Varma is preparing a research programme for managing work ability risks. The objective of the research is to identify and describe emerging and existing work ability risks and how they develop.

Current pension topics

- Number of pension decisions: 25,862, up 4.5%
- Growth in the number of disability pension applications continued: 6,711 applications received, up 9%
- Popularity of partial old-age pensions grew by approx. a quarter: 1,281 decisions issued, up 27%
- Number of rehabilitation applications decreased, down 5%
- Few years-of-service pension applications, positive decisions 10





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

Current sustainability issues



Environmental organisations name Varma as a “climate smart” company

The environmental organisations Greenpeace and Friends of the Earth Finland compared Finnish institutional investors’ views on coal. Varma received the highest rating among Finnish investors, as well as the mention of being “climate smart”. Special emphasis was placed on investors’ policies and measures related to coal.



Helsinki Pride on behalf of equal working life

This year marks the first time that Varma is an official partner of Finland’s largest human rights event, Helsinki Pride. For Varma, the most important aspect of work in Pride is to speak out on behalf of an equal working life. Varma employees have received training related to the theme throughout the year.

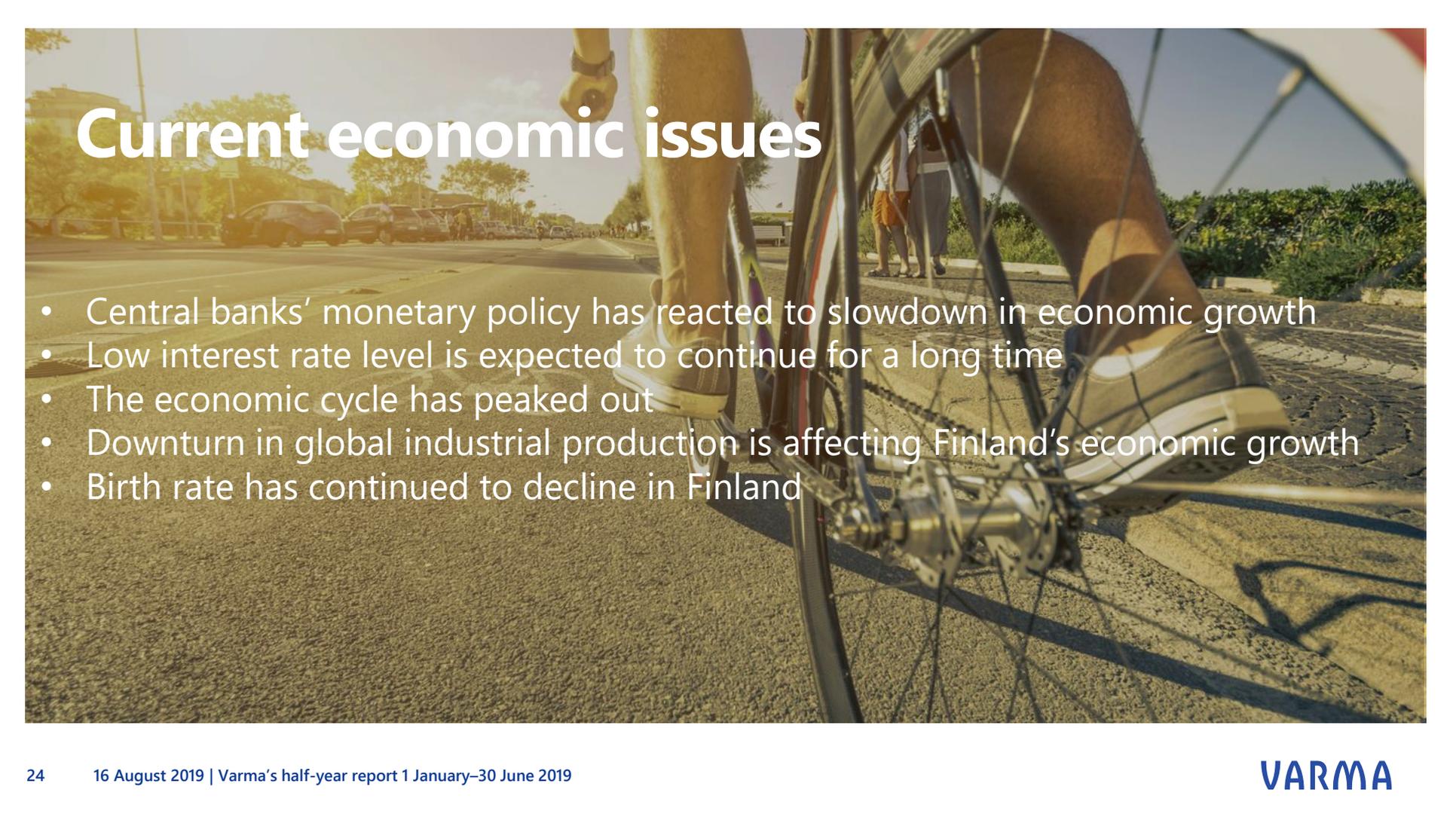


Transparency in supply chains

Varma joined the Workforce Disclosure Initiative, an international initiative to promote decent work. It aims to improve employees’ working conditions in companies’ operations and supply chains.

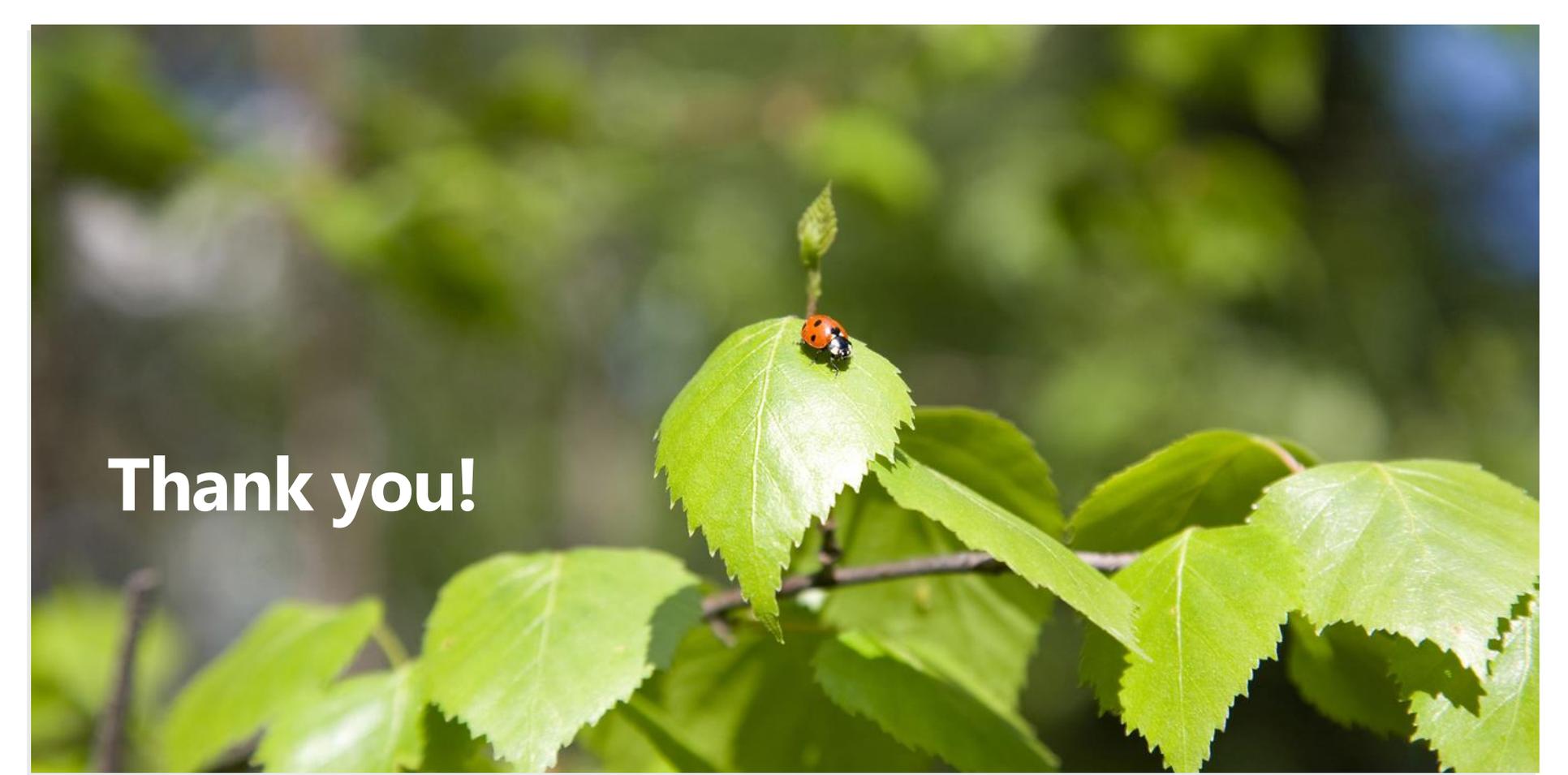


Current economic issues



Current economic issues

- Central banks' monetary policy has reacted to slowdown in economic growth
- Low interest rate level is expected to continue for a long time
- The economic cycle has peaked out
- Downturn in global industrial production is affecting Finland's economic growth
- Birth rate has continued to decline in Finland



Thank you!