

A photograph of a woman in a green long-sleeved shirt and colorful leggings performing a handstand on a sandy beach. She is wearing bright orange sneakers. Two children are watching her; one is in a grey shirt and blue shorts, and the other is in a blue plaid shirt and blue shorts. The background shows a calm body of water and a distant shoreline under an overcast sky.

# Varma's Financial Statements 1 January–30 September 2019

## Key figures



Return on  
investments  
**8.8 %**



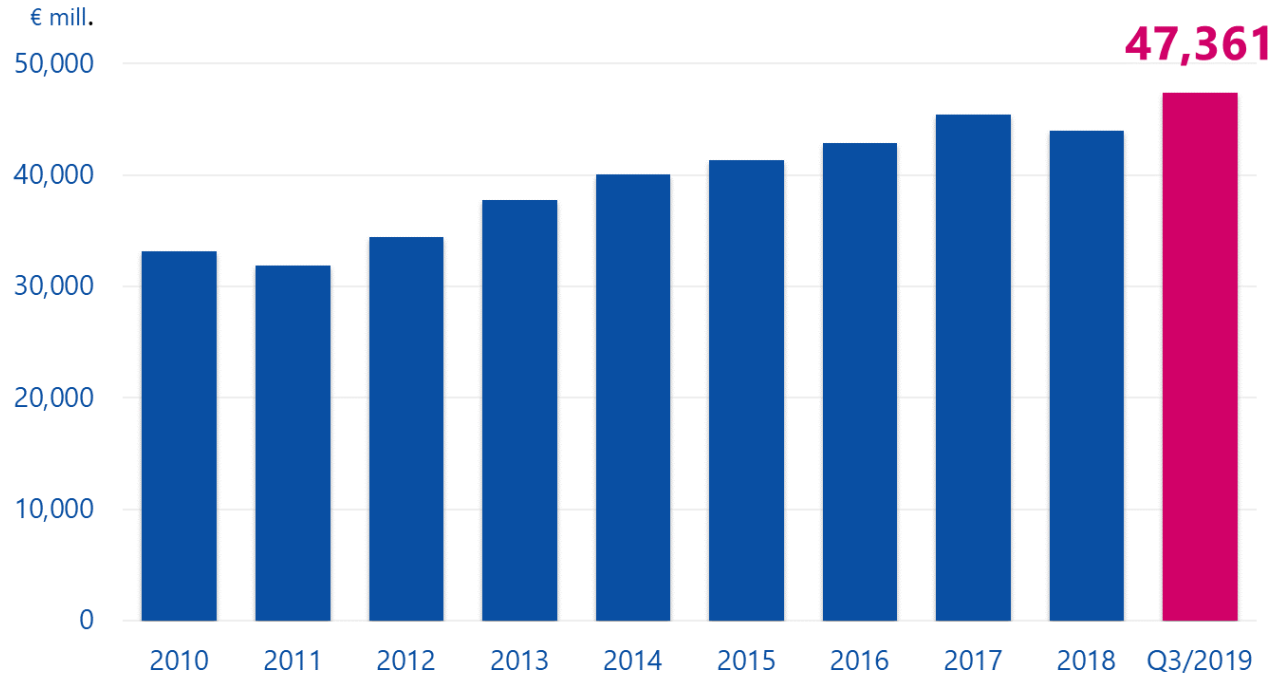
Market value  
of investments, €  
**47.4 bn**



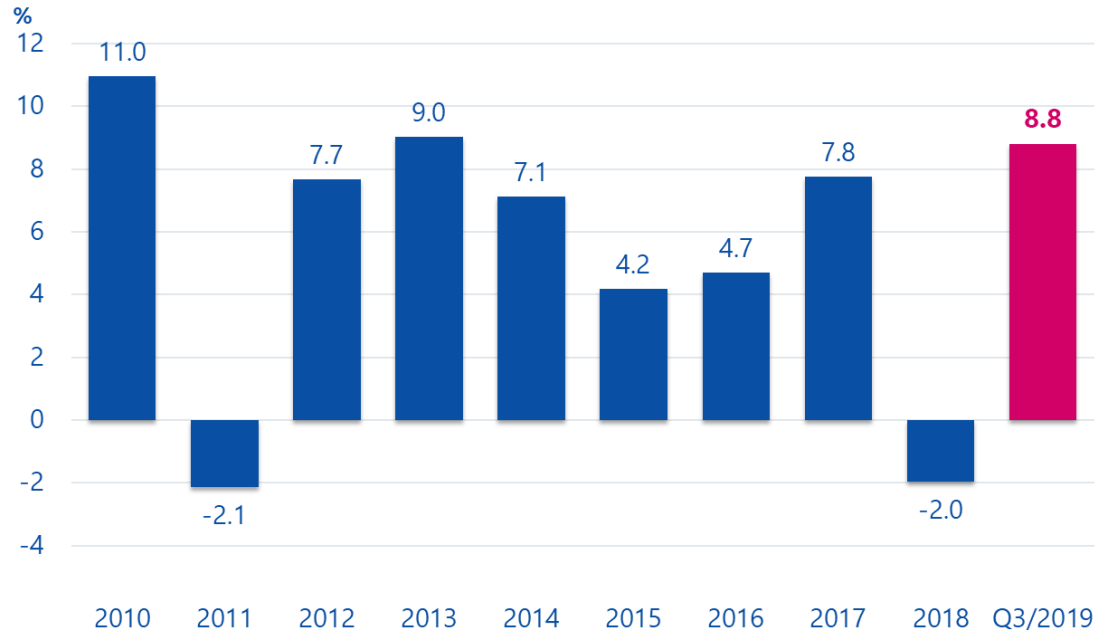
Solvency capital, €  
**11.3 bn**



## Value of investments grew to €47.4 billion



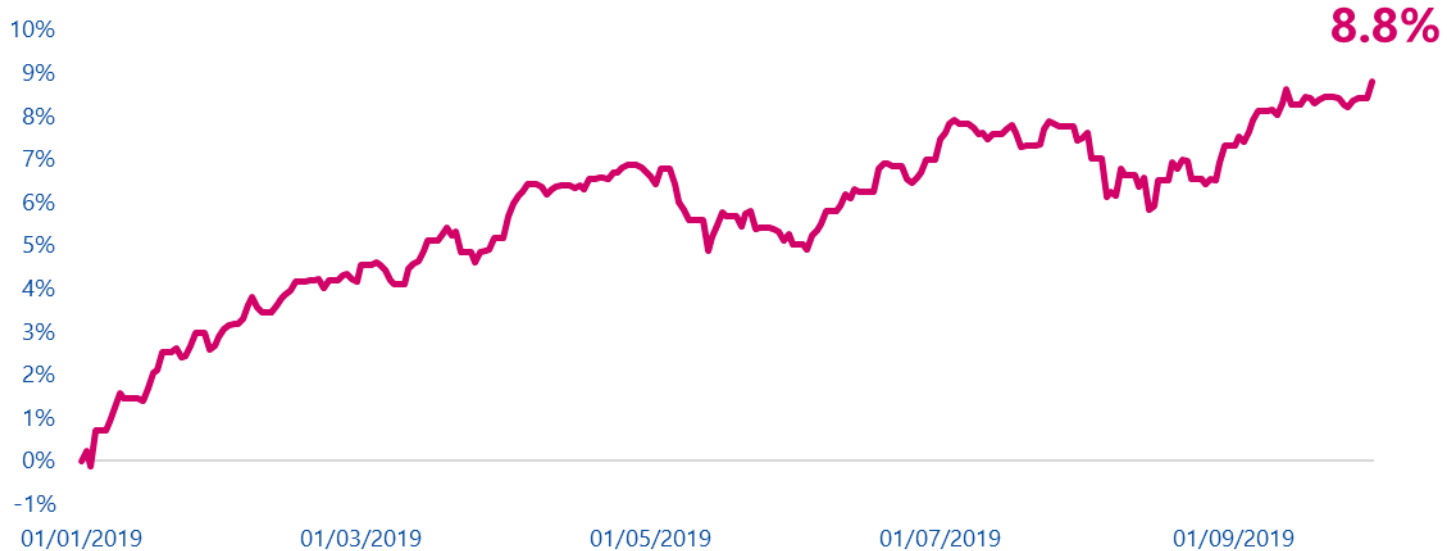
## Investment returns 2010-9/2019



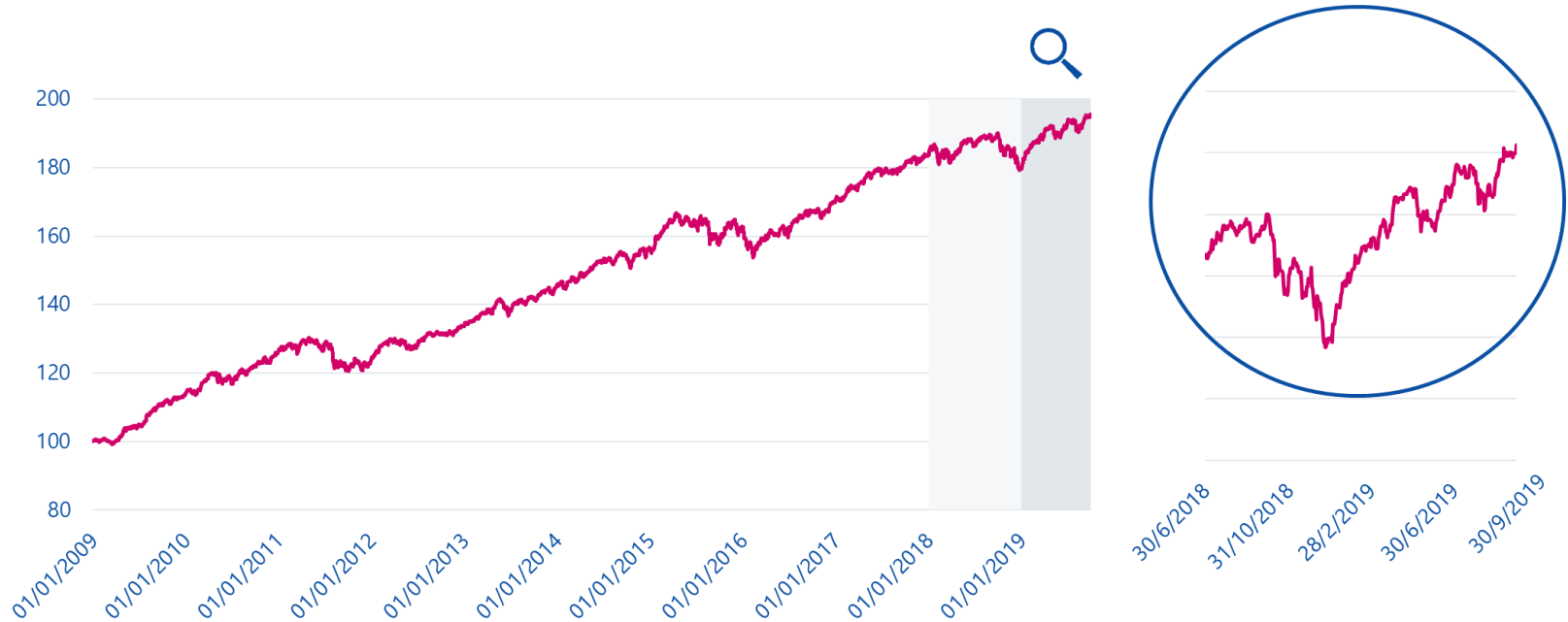
The average nominal return on investments over ten years is approx. 5.8%, calculated in accordance with the recommendations issued by TELA. In 1-9/2018 return on investment was 3.5%.

It has been a strong year on the investment markets. From the perspective of a pension investor, the past ten years have been an exceptionally long period of upward momentum, which has substantially increased the pension assets of Finns.

## The return on Varma's investments was a strong 8.8%, i.e. €3.9 billion



## Following the financial crisis, Varma's cumulative return on investment 95.7%, i.e. €24 bn



## €827 million return on investments in Q3



## Investments classified according to risk

	30 Sep 2019				31 Dec 2018				1-9/2019	1-9/2018	1-12/2018	24 m
	Market value		Risk position		Market value		Risk position		Return	Return	Return	Vola- tility
	Market Value				Market Value				MWR	MWR	MWR	
	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	%	%	%	
<b>Fixed-income investments <sup>1</sup></b>	<b>12,708</b>	<b>27</b>	<b>12,202</b>	<b>26</b>	<b>13,522</b>	<b>31</b>	<b>10,568</b>	<b>24</b>	<b>4.2</b>	<b>-1.2</b>	<b>-1.8</b>	
Loan receivables	2,051	4	2,051	4	1,817	4	1,817	4	2.9	2.7	3.7	
Bonds	9,701	20	10,687	23	10,625	24	9,031	21	4.8	-1.9	-2.9	2.0
Public bonds	3,541	7	4,526	10	4,104	9	2,142	5	3.2	-4.5	-4.2	
Other bonds	6,160	13	6,160	13	6,520	15	6,889	16	5.8	-0.1	-2.0	
Other money-market instruments and deposits	956	2	-535	-1	1,080	2	-280	-1	0.8	0.1	-0.1	
<b>Equity investments</b>	<b>21,596</b>	<b>46</b>	<b>21,271</b>	<b>45</b>	<b>17,916</b>	<b>41</b>	<b>18,222</b>	<b>41</b>	<b>16.3</b>	<b>6.6</b>	<b>-3.6</b>	
Listed equities	16,409	35	16,085	34	13,407	30	13,713	31	18.0	5.5	-8.3	12.4
Private equity	4,935	10	4,935	10	4,255	10	4,255	10	11.9	12.2	17.5	
Unlisted equities	251	1	251	1	254	1	254	1	1.7	7.1	3.8	
<b>Real estate investments</b>	<b>4,100</b>	<b>9</b>	<b>4,100</b>	<b>9</b>	<b>3,879</b>	<b>9</b>	<b>3,879</b>	<b>9</b>	<b>2.6</b>	<b>4.0</b>	<b>5.5</b>	
Direct real estates	3,011	6	3,011	6	2,895	7	2,895	7	2.8	3.2	3.9	
Real estate funds	1,089	2	1,089	2	984	2	984	2	2.0	6.6	10.6	
<b>Other investments</b>	<b>8,958</b>	<b>19</b>	<b>9,911</b>	<b>21</b>	<b>8,699</b>	<b>20</b>	<b>10,037</b>	<b>23</b>	<b>3.3</b>	<b>3.4</b>	<b>-1.4</b>	
Hedge funds	8,970	19	8,970	19	8,703	20	8,703	20	3.6	4.9	1.6	2.3
Commodities	-14	0	-1	0	-8	0	25	0				
Other investments	2	0	942	2	3	0	1,308	3				
<b>Total investments</b>	<b>47,361</b>	<b>100</b>	<b>47,483</b>	<b>100</b>	<b>44,015</b>	<b>100</b>	<b>42,705</b>	<b>97</b>	<b>8.8</b>	<b>3.5</b>	<b>-2.0</b>	<b>4.5</b>
Impact of derivatives			-123	0			1,310	3				
<b>Investment allocation at fair value</b>	<b>47,361</b>	<b>100</b>	<b>47,361</b>	<b>100</b>	<b>44,015</b>	<b>100</b>	<b>44,015</b>	<b>100</b>				

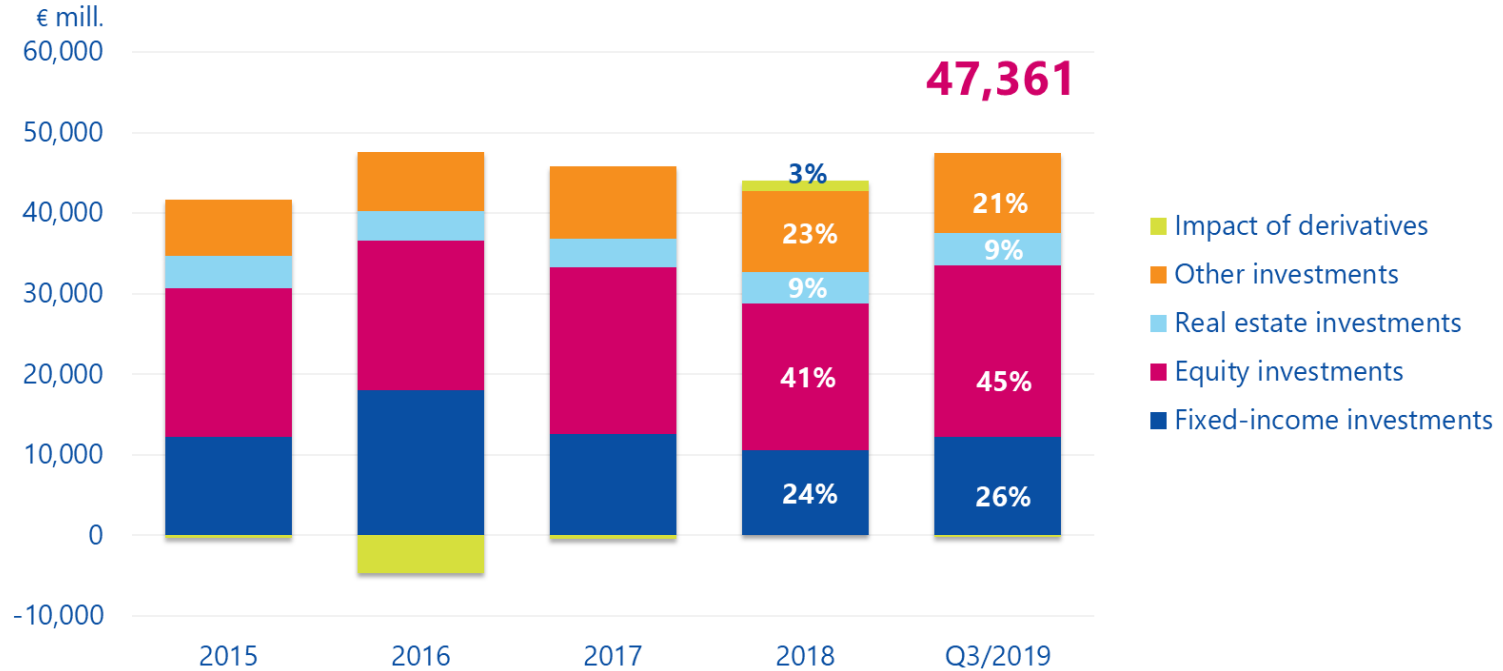
The modified duration for all the bonds is 4.2.

The open currency position is 29.4% of the market value of the investments.

<sup>1</sup> Includes accrued interest

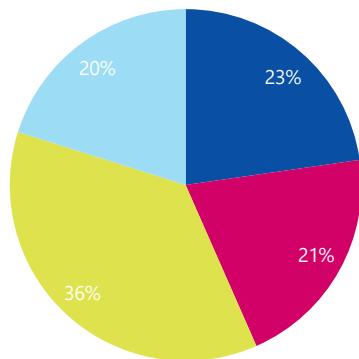


## Distribution of Varma's investments



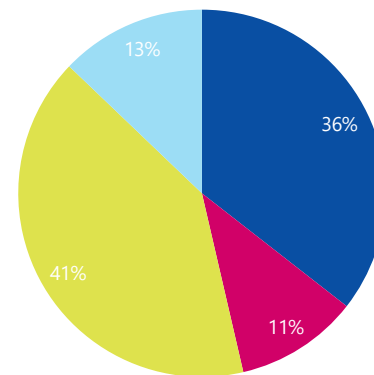
## Geographical distribution of investments

Investments



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

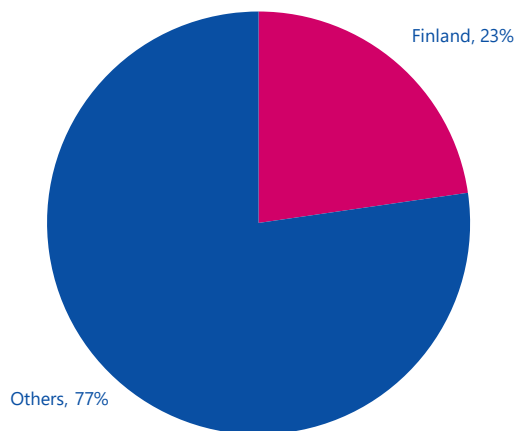
Listed equities



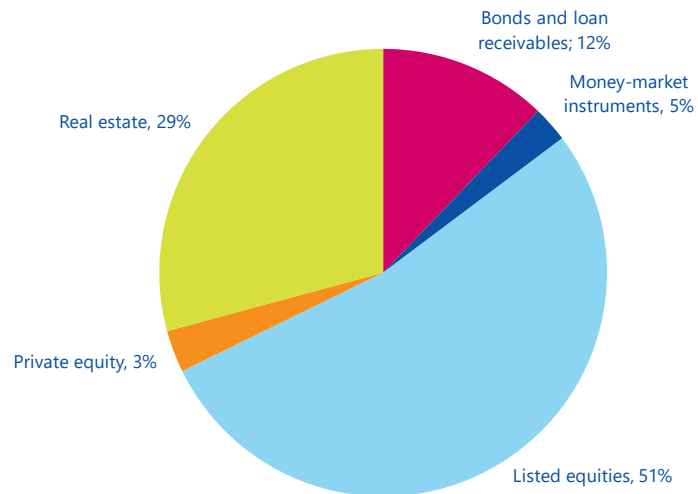
■ Finland ■ Europe ■ North America ■ Other regions and global funds

## Investments in Finland 23%, €10.8 bn

Investments in Finland

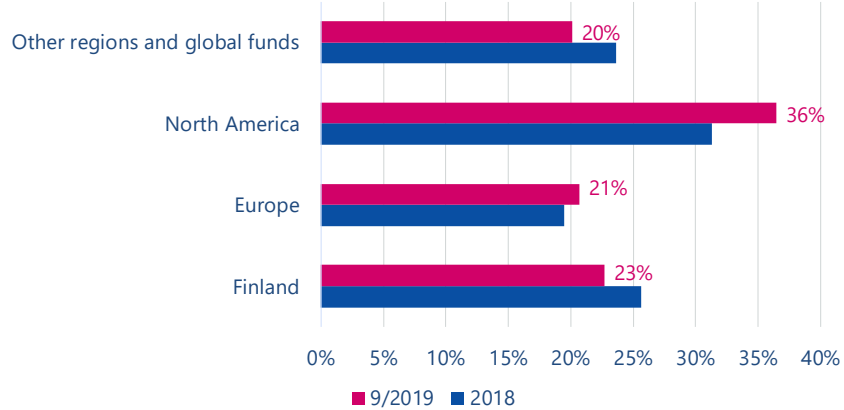


Distribution of Finnish investments

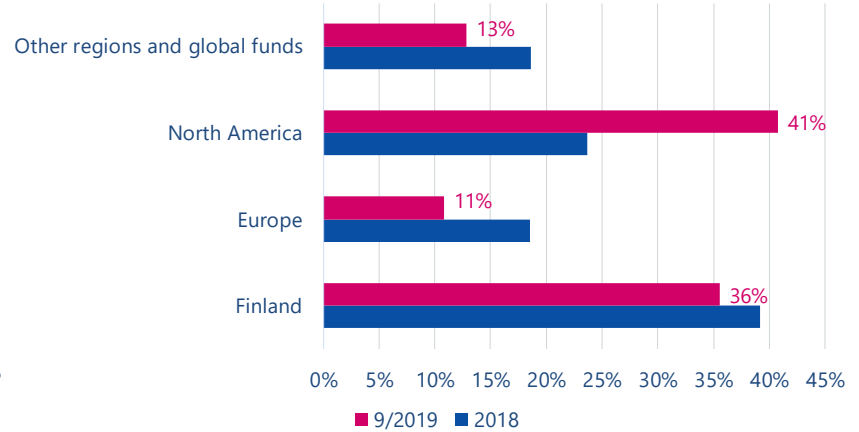


# Changes in the geographical distribution of investments during the year

## Investments



## Listed equities



## Investment returns for Varma and the markets

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
09/2019	8.8	15.2	19.5	20.6	10.0	6.8
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
<b>Average nominal return</b>						
5 years	4.8	10.5	5.7	10.8	3.7	2.6
10 years	5.8	10.7	8.0	13.2	4.6	4.3
Since 1999 *	5.5	8.4	4.4	6.4	4.7	4.3
<b>Average real return</b>						
5 years	4.1	9.8	5.0	10.1	3.0	1.9
10 years	4.5	9.3	6.6	11.8	3.2	3.0
Since 1999 *	3.9	6.8	2.8	4.8	3.1	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

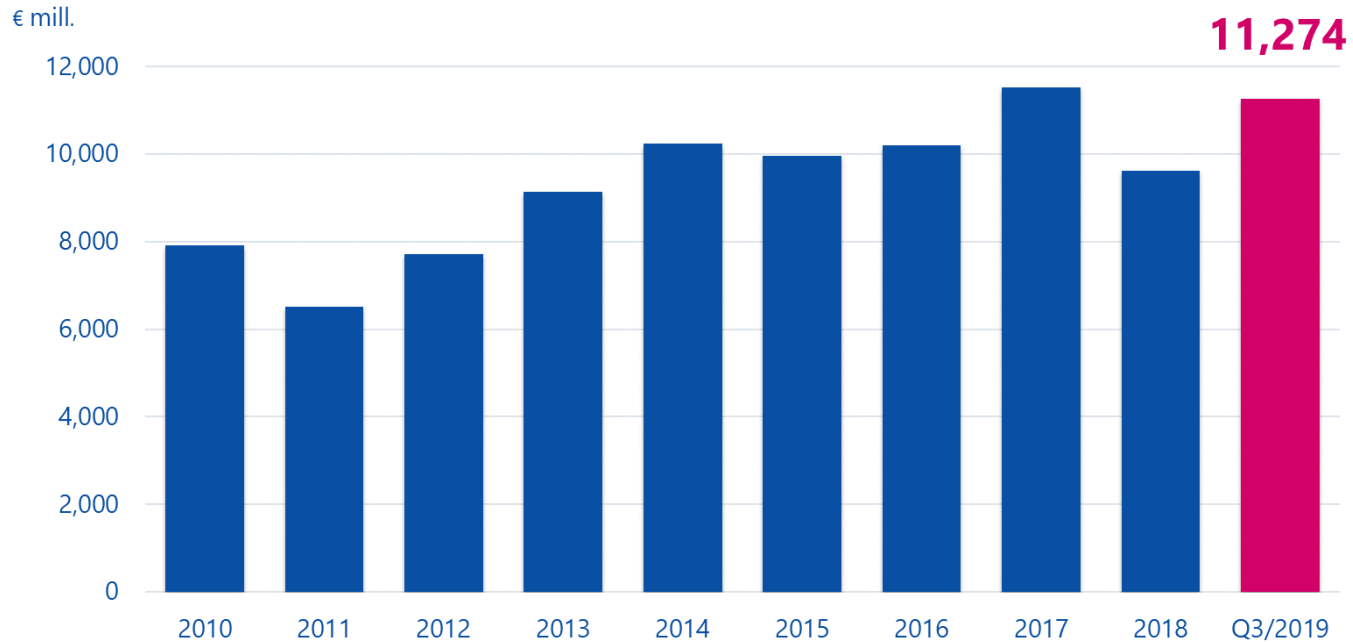
Euro government bonds = IBOXX Eurozone EUR (Total Return)

European equities = Stoxx 600 Total Return Index EUR

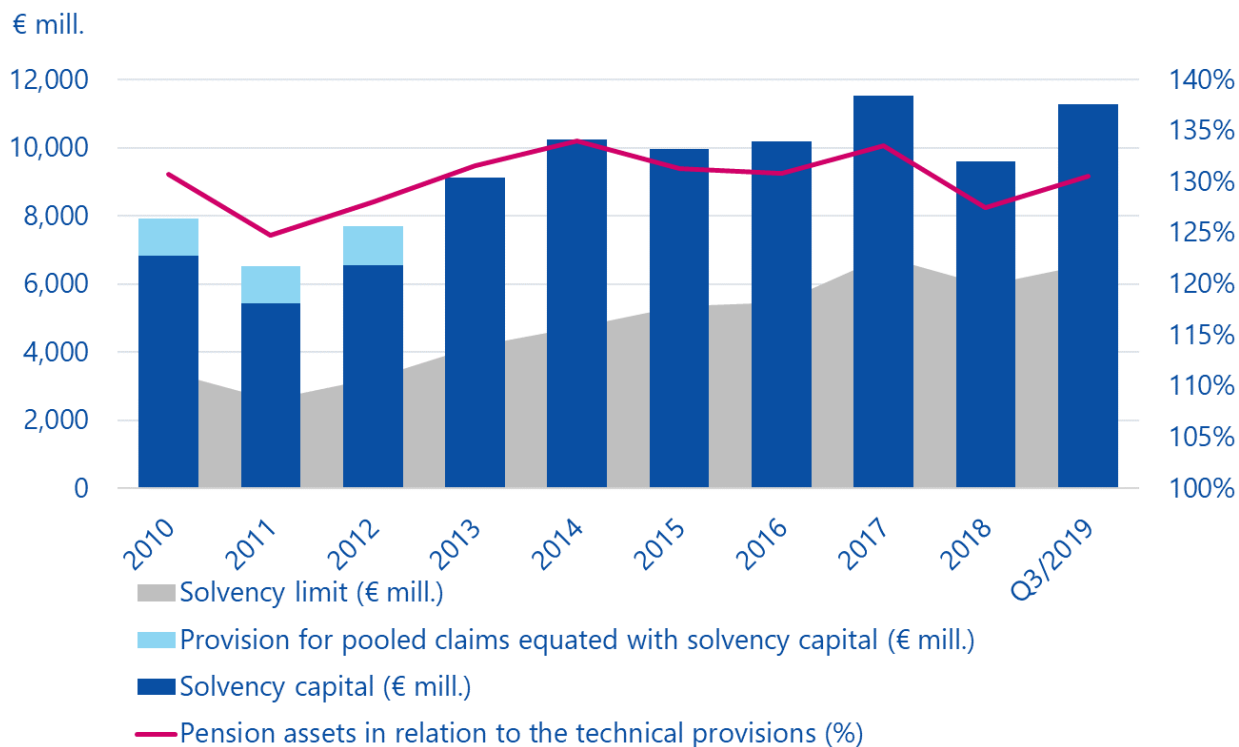
Euro corporate bonds = IBOXX Corporate Overall Performance Index EUR (Total Return)

US equities = S&P500 Total Return Index

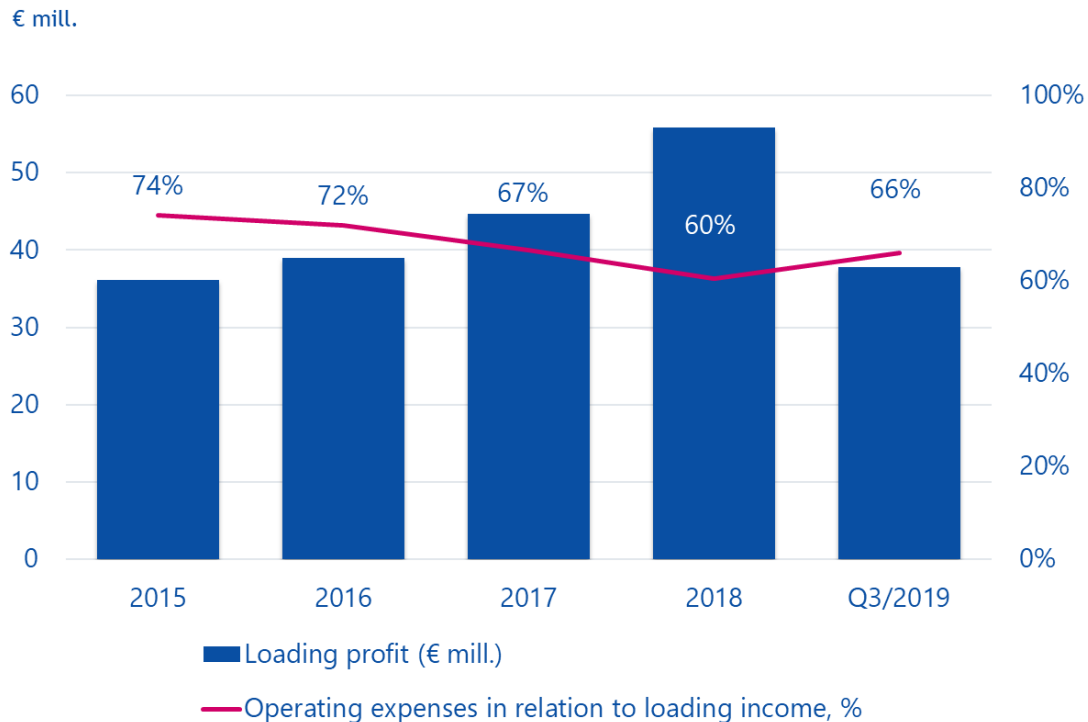
## Solvency remained strong



## Pension assets in relation to technical provisions at a strong level, 130.6%



## Efficiency among the best in the sector



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 woman with brown hair tied back in a ponytail, wearing a white lab coat, is shown in profile from the chest up. She is holding a mobile phone to her ear and appears to be in a conversation. The background is a bright, modern office or laboratory with large windows on the left, rows of chairs, and a clean, minimalist aesthetic. The lighting is soft and even.

# Latest developments for customers



Insured employees and  
entrepreneurs

557,000

Pensioners

343,000

Pensions paid

€4.3 bn

## Latest developments for customers



### Best client bonuses for Varma's customers for 12 years now

Varma's client bonuses have been the highest in the earnings-related pension insurance sector since 2007. For our customers, it means lower pension insurance contributions. Customers benefit from Varma's solvency and efficiency.



### September's TyEL transfers went well

In the TyEL transfer round in September, Varma's customer retention was at a good level. In the first three quarters of the year, altogether EUR 41 million in net TyEL premiums written were transferred to Varma from other pension companies.

## Current pension topics

- New pension decisions amounted to 16,744, which is 1.3% less than in the corresponding period last year.
- Old-age pension applications numbered 7,439, down 9% from last year.
- The popularity of partial old-age pension has grown. There were 1,746 applications for partial old-age pension, up 21% from the same period last year.
- Disability pension applications grew 8% year-on-year, and totalled 9,506.
- 5% fewer rehabilitation applications, 1,848 applications
- By the end of September, the average time it took to process all types of pension was just under 26 days – seven days quicker than the same time last year. The average processing time in private earnings-related pension companies is 12 days longer.





# 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



### PRI included Varma in the Leaders' Group

In an international assessment, the UN-supported PRI included Varma in the PRI Leaders' Group for its responsible investment work. The PRI identified investors with excellent responsible investment practices when selecting and monitoring external investment managers and their operations.



### Varma's sustainable fund listed on London Stock Exchange

A sustainable exchange-traded fund (ETF) developed by Varma was listed on the London Stock Exchange. The ETF was created jointly with the asset management company LGIM and the index investment company Foxberry. The ETF tracks the performance of European equities, taking sustainability criteria broadly into account.



### Decent outcome for Varma in GRESB real estate assessment

Varma took part in the Global Real Estate Sustainability Benchmark (GRESB) assessment of real estate sustainability performance for the first time. With 68 points, the company scored two out of five stars. GRESB assesses the sustainability of the entire direct real estate portfolio.

A cable car cabin is shown from a high-angle perspective, suspended by cables. The cabin is moving over a body of water. In the background, there is a large bridge spanning the water, several ships in the harbor, and a city skyline with tall buildings. The text "Current economic issues" is overlaid in white on the image.

# Current economic issues



## Current economic issues

- Numerous economic risks: trade wars, zero interest rate environment, Brexit
- The US–China trade war may leave lasting impacts, even if progress is made in negotiations
- The central banks have limited opportunities to use monetary policy to maintain economic growth
- Global industrial recession will affect Finland too





Thank you!