

## News release 12 February 2015

### Varma's Financial Statement 2014: Value of investments exceeded EUR 40 billion

**In 2014, Varma's return on investments stood at 7.1 per cent. The value of investments increased to EUR 40.0 billion and solvency capital to EUR 10.3 billion.**

"2014 was a successful year for Varma. The return on investments was EUR 2.7 billion, or 7.1 per cent. Owing to the strong investment result, both the value of our investments and our solvency are now at a record-high level. Premiums written and operating expense efficiency also showed positive development," says Varma's President & CEO, **Risto Murto**.

Varma's investment portfolio totalled EUR 40.0 (37.7) billion at year-end. As a result of the good return development, solvency capital was EUR 10.3 (9.1) billion at the end of the year, i.e. 34.0 (31.6) per cent of the technical provisions.

#### Focus on U.S. paid off

Varma's investment result developed strongly during the first half of the year, but uncertainty in the investment markets caused the result to fluctuate considerably during the second half. The last quarter in particular was very turbulent.

"The investment result was improved by a fairly strong focus on the U.S. markets. Instead of stagnant Europe, we were involved in a growing economy," says Varma's CIO **Reima Rytsölä**.

In Varma's broadly diversified portfolio, returns were generated consistently by the different asset classes. Equity investments generated the highest returns, at 9.1 (21.8) per cent. Due to the decline in interest rates, the return on fixed-income investments was also good at 5.5 (1.2) per cent.

Along with fixed-income investments, hedge investments, the weighting of which was increased early in 2014, improved the total return. At year-end, hedge investments accounted for 17 (13) per cent of the investment portfolio and yielded a return of 7.8 (8.8) per cent. The return on real estate investments was reasonable, at 3.8 (3.1) per cent.

"It is realistic to expect lean times for investors. Interest rates are hovering around zero, and if economic growth does not pick up, the return on equities might also remain modest," Rytsölä estimates.

#### Solvency and operating expense efficiency improved client bonuses

Varma improved its operating expense efficiency and used 75 (76) per cent of the expense loading component included in insurance contributions for operating expenses. Strong solvency and efficient operations benefit customers: EUR 117 (105) million was set aside for client bonuses, equalling 0.7 (0.6) per cent of the TyEL payroll.

At the end of 2014, 527,000 people were insured by Varma, and premiums written increased 2 per cent to EUR 4.3 billion. Varma did well in client acquisitions in 2014.

EUR 5.0 (4.8) billion in pensions were paid out, i.e. 4.7 per cent more than in the previous year, to 334,500 pension recipients.

#### Interest rate level indicates problems

The economic environment remains challenging for Finland. The change in the value of the euro and the drop in the price of oil will promote growth this year and next year. Growth forecasts remain moderate with respect to recent history, and for investors the interest rates especially are dramatically low.

"We are used to a situation where low interest rates reflect a strong economy and stable currency, but that is not the case now. The record-low interest rate levels indicate economic problems, not strengths," Murto says.

*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 nearly*

*860,000 people in the private sector. Premiums written totalled EUR 4.3 billion in 2014 and pension payments stood at EUR 5.0 billion. Varma's investment portfolio amounted to EUR 40.0 billion at the end of 2014.*

**For more information, please contact:**

Satu Perälampi, Senior Vice-President, Communications, tel. +358 40 526 3388

**Attachments:**

Report of the Board of Directors (pdf)

Financial Statements slide presentation (pdf)

Risto Murto's video comments on the result (in Finnish, YouTube)

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

Financial information and investments:

<https://www.varma.fi/en/tietoavarmasta/tulostiedot%20ja%20sijoitukset/pages/default.aspx>