

A photograph of two women in an office environment. The woman on the left has brown hair, wears glasses, a yellow top, and a black blazer, and is smiling at the camera. The woman on the right has blonde hair and is wearing a dark floral top, also smiling. They are in a modern office with other people and equipment visible in the background.

# Varma's Interim Report 1 January–31 March 2017

## Good first quarter for Varma



Solvency capital, €

10.8 bn

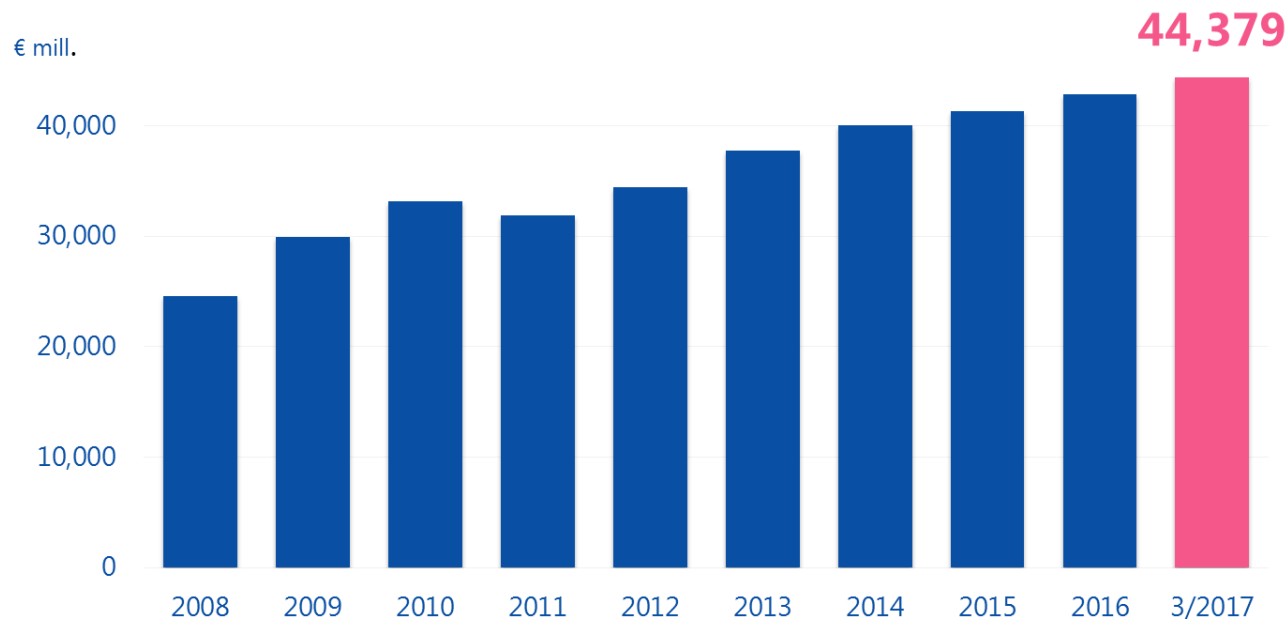
Market value  
of investments, €

44.4 bn

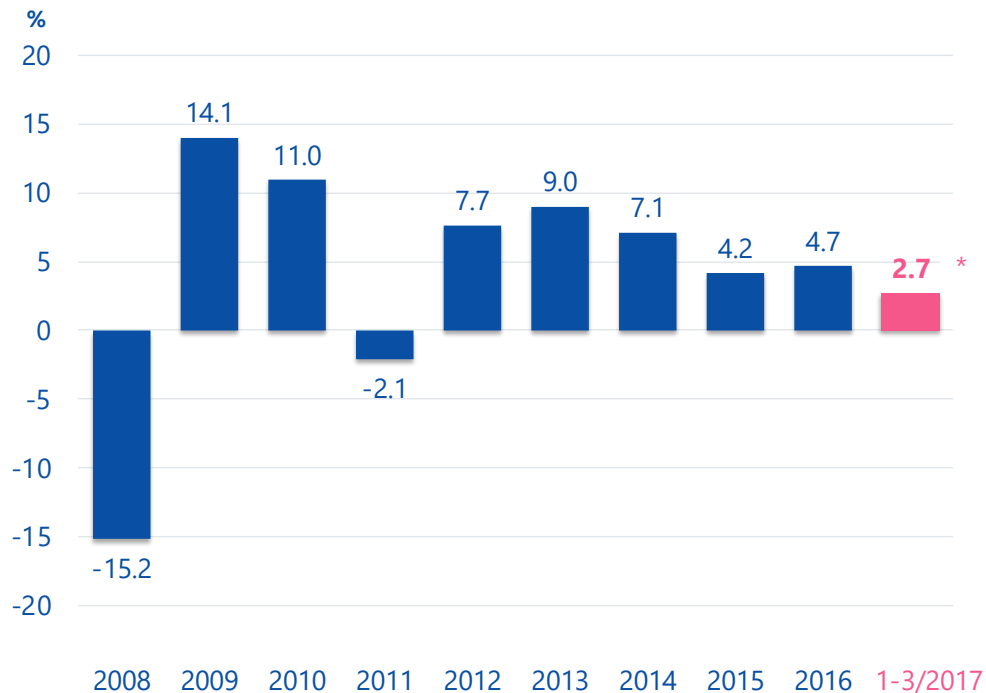
Return on  
investments

2.7%

## Value of investments grew to EUR 44.4 billion



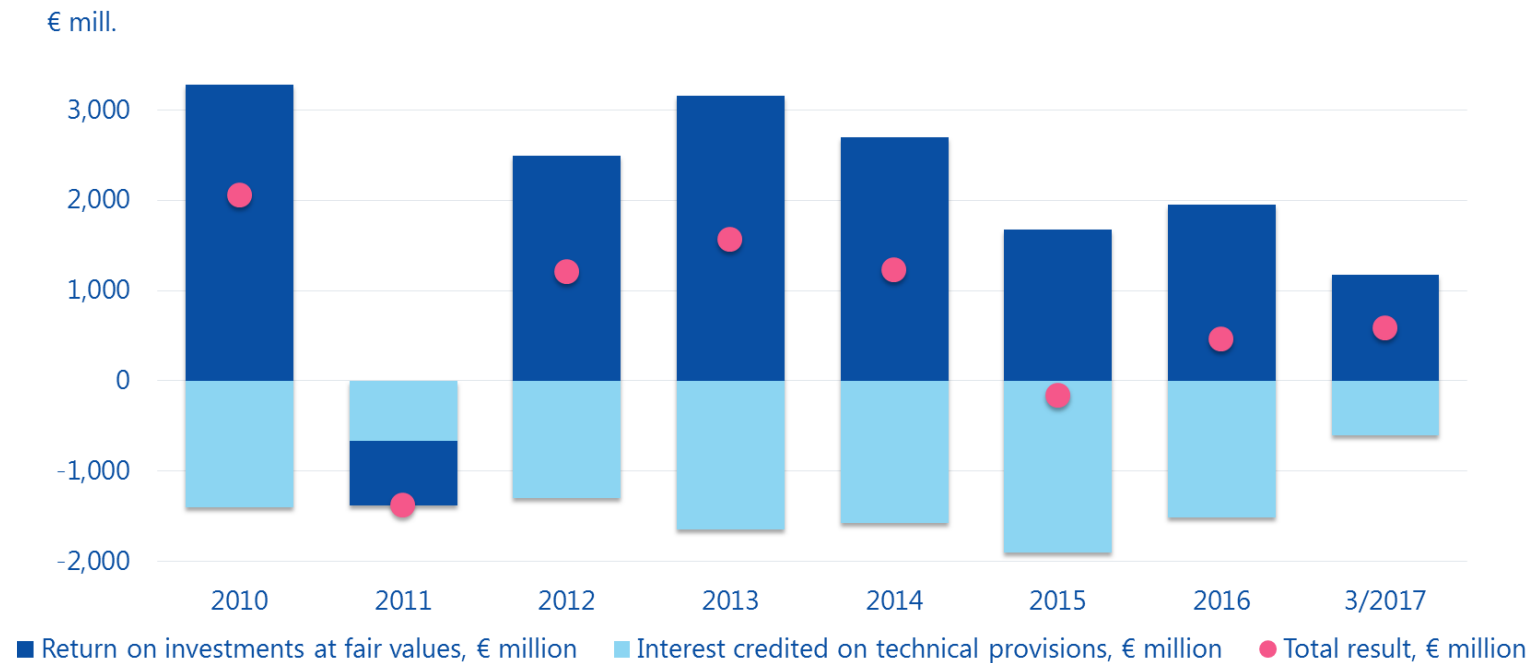
## Investment returns 2008–2016



\* 1-3/2016 return on investment was -1,4 %

The average nominal return on investments over ten years is approx.  
4.3%, calculated in accordance with the recommendations issued by TELA.

## Composition of the investment result



**Since 2009, the cumulative return on Varma's investments is 75.1%, i.e. €19.3 billion**



# Investments classified according to risk

	31-March-2017		31-December-2016				1-3/2017	1-3/2016	1-12/2016	24 m
	Market value		Market value				Return	Return	Return	
	Risk position		Risk position				MWR	MWR	MWR	Vola-
	€ mill.	%	€ mill.	%	€ mill.	%	%	%	%	tility
<b>Fixed-income investments <sup>1</sup></b>	<b>3,071</b>	<b>7</b>	<b>13,695</b>	<b>32</b>	<b>18,066</b>	<b>42</b>	<b>1.4</b>	<b>0.2</b>	<b>4.2</b>	
Loan receivables	1,432	3	1,432	3	1,432	3	1.1	0.8	4.2	
Bonds	12,250	28	11,435	27	12,780	30	1.6	0.3	5.3	3.4
Public bonds	4,433	10	4,092	10	5,374	13	1.4	1.1	1.8	
Other bonds	7,817	18	7,343	17	7,406	17	1.7	-0.3	7.8	
Other money-market instruments and deposits	-10,611	-24	828	2	3,854	9	0.1	-0.1	-0.4	
<b>Equity investments</b>	<b>19,683</b>	<b>44</b>	<b>18,333</b>	<b>43</b>	<b>18,527</b>	<b>43</b>	<b>4.3</b>	<b>-3.1</b>	<b>6.4</b>	
Listed equities	15,748	35	14,599	34	14,793	35	4.9	-5.0	4.5	12.5
Private equity	2,898	7	2,794	7	2,794	7	1.9	2.5	11.2	
Unlisted equities	1,037	2	940	2	940	2	1.3	8.2	23.7	
<b>Real estate investments</b>	<b>3,721</b>	<b>8</b>	<b>3,643</b>	<b>9</b>	<b>3,643</b>	<b>9</b>	<b>1.5</b>	<b>1.2</b>	<b>-0.9</b>	
Direct real estates	2,906	7	2,897	7	2,897	7	1.2	1.2	-2.6	
Real estate funds	815	2	746	2	746	2	3.1	1.4	6.8	
<b>Other investments</b>	<b>7,886</b>	<b>18</b>	<b>7,182</b>	<b>17</b>	<b>7,320</b>	<b>17</b>	<b>1.9</b>	<b>-2.1</b>	<b>5.3</b>	
Hedge funds	6,859	15	7,184	17	7,184	17	1.6	-2.0	5.6	3.1
Commodities	197	0	-1	0	137	0				
Other investments	830	2	-2	0	-2	0				
<b>Total investments</b>	<b>34,361</b>	<b>77</b>	<b>42,852</b>	<b>100</b>	<b>47,555</b>	<b>111</b>	<b>2.7</b>	<b>-1.4</b>	<b>4.7</b>	<b>5.1</b>
Impact of derivatives	10,018	23			-4,703	-11				
<b>Investment allocation at fair value</b>	<b>44,379</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 3.0.

The open currency position is 23.9% of the market value of the investments.

<sup>1</sup>Includes accrued interest

## Investment returns for Varma and the markets

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
03/2017	2.7	4.4	6.1	6.1	-1.6	0.3
2016	4.7	13.3	1.7	12.0	3.3	4.7
2015	4.2	15.9	9.6	1.4	1.6	-0.7
<b>Average nominal return</b>						
5 years	6.2	14.9	10.8	13.3	5.0	4.4
10 years	4.3	5.4	3.2	7.5	4.8	4.4
Since 1999 *	5.6	8.7	4.4	5.6	4.6	4.5
<b>Average real return</b>						
5 years	5.4	14.1	10.0	12.5	4.3	3.7
10 years	2.7	3.9	1.6	5.9	3.3	2.9
Since 1999 *	3.9	6.9	2.7	4.0	3.0	2.8

\* 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)

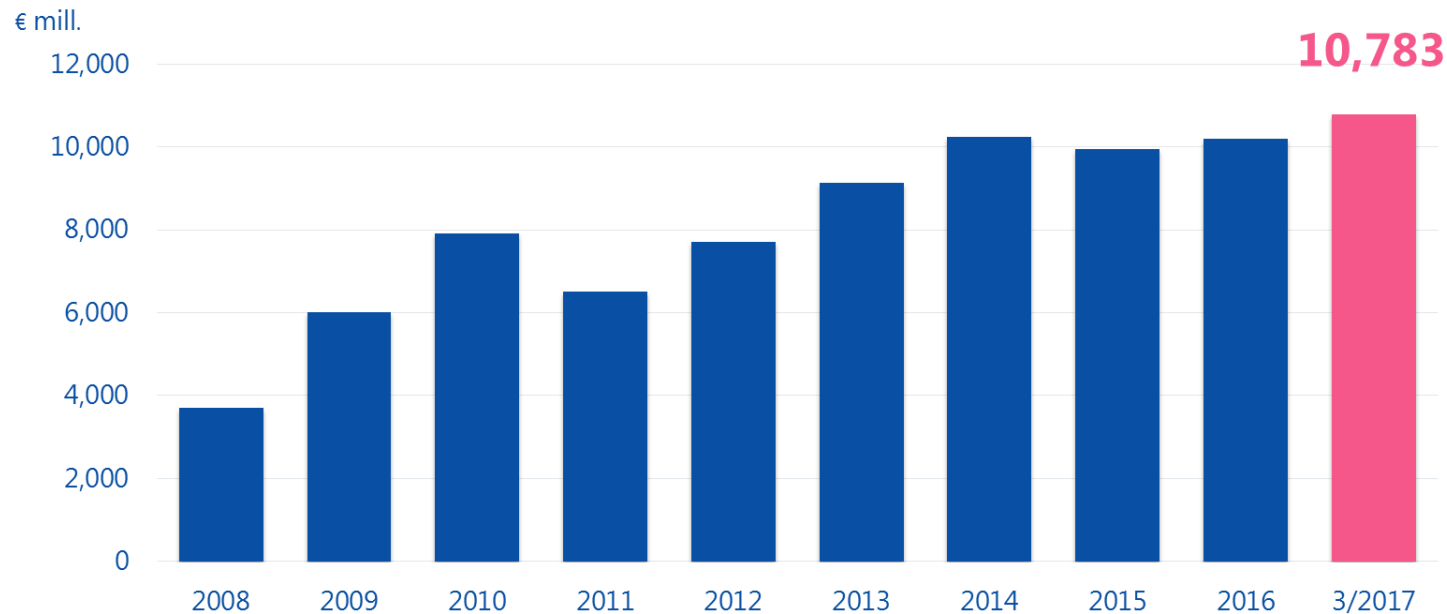
European equities = Stoxx 600 Total Return Index EUR

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

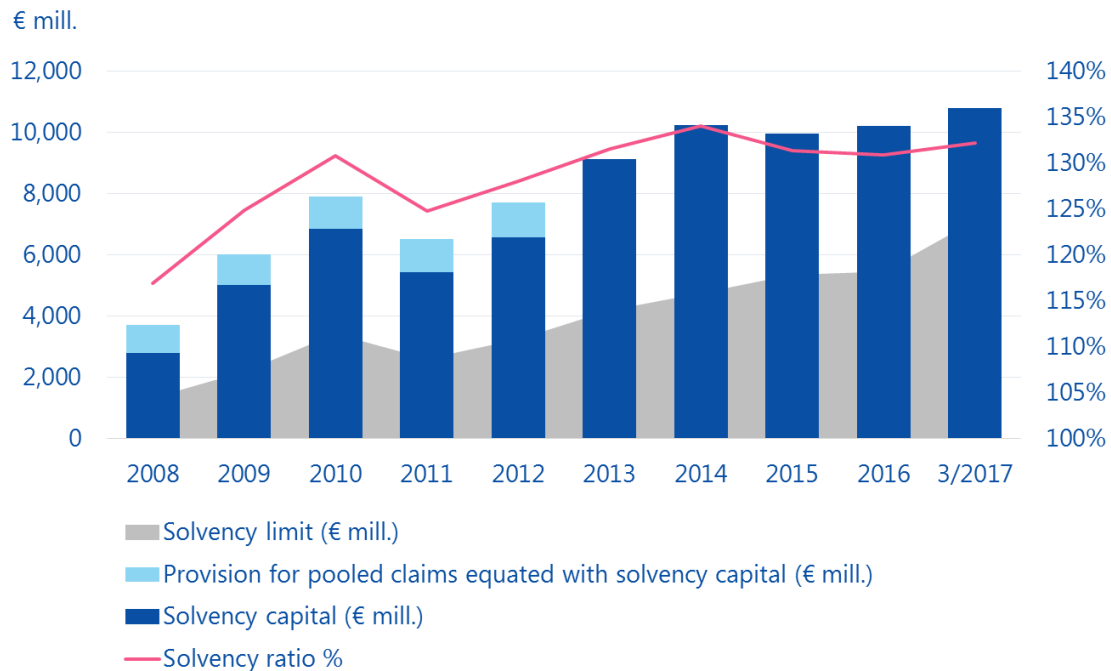
US equities = S&P500 Total Return Index



## Solvency capital continued to strengthen



## New solvency legislation took effect at the start of 2017



The figures comply with the legislation valid at the time.

- New regulations concerning the calculation of the solvency limit and investment diversification took effect in 2017
- All the relevant investment risks and insurance risks are taken into account in the calculation of the solvency limit. Separate regulations on the assets covering the technical provisions were abolished

A man and a woman are sitting at a table, looking down at a tablet computer. The woman is on the left, wearing a yellow patterned top, and the man is on the right, wearing a blue and white checkered shirt. They are both focused on the screen. In the background, there are other people and office equipment, suggesting a busy, collaborative work environment.

# Customer Service

## Varma's customer service rates high in 'Customer's Voice' competition

- Pension Services' customer service winner in the category of large customers.
- Pension specialist **Outi Viljanen** won the award for best customer service agent.
- The insurance services' telephone service came in fifth place nationwide.
- The awards are based on feedback forms sent by SN4 Oy immediately following a customer service situation. The survey material contains customer feedback from more than 400,000 Finns who were in touch with the Contact Center.



## Latest developments for customers

Customer service is being developed to meet customers' changing needs

- We have extended our customer service opening hours: service by phone and chat is available weekdays between 8 am and 6 pm.
- Pension and rehabilitation customers can opt to become an e-customer.
- With the 'Varma Hack' competition, we are developing digital services to support rehabilitation.
- The new partial early old-age pension was granted to 870 people.
- The rules governing client bonuses will be gradually renewed: Varma will distribute the full amount of loading profit savings to its customers.

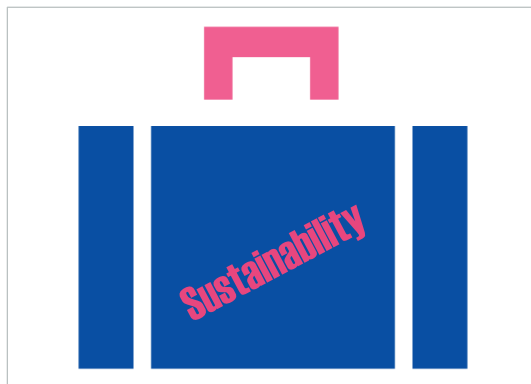






# Responsibility

# CSR actions in the first quarter of 2017



## Responsibility reporting

- We published Varma's first GRI-standard-compliant CSR Report.
- The report also takes into account the statutory requirements concerning the reporting of non-financial and diversity data.

## Mitigating climate change

- The climate policy for investments is reflected in actions and results: The CO<sub>2</sub> footprint was reduced in equities, corporate bonds and real estate.
- The sustainable development equity portfolio (€400 mill.) was recognised as the best achievement in responsible investment.

## Responsibility in 2017

- We updated our CSR Programme and established development measures for 2017.
- Our efforts this year will focus on, among other things, updating the share ownership policy, responsible procurements and customer work, and promoting equality.

## Varma's CSR focus areas



Responsibility for Varma employees



Cost-effective use of funds



Open and pro-active  
communication



Ethical and transparent  
business



Responsibility  
in investment  
operations



Mitigating climate  
change



Securing  
solvency



High-quality implementation  
of pension provision



Promoting workability  
and longer careers





# Current economic issues

## Current economic issues

- The outlook for the global economy has strengthened.
- We have finally received some good news about the Finnish economy.
- Political risks remain at the forefront.
- Next in focus is the French presidential election.
- The markets have had high expectations of the economic impacts of tax cuts promised by President Trump. Concrete actions are yet to be seen, however, and investors' expectations have shifted.



**VARMA**