

News Release 20.4.2017

The return on Varma's investments in the first quarter of the year was EUR 1.2 billion, i.e. 2.7%

Varma's investments in January–March yielded a return of 2.7 (-1.4) per cent, and the market value of the investments rose to EUR 44.4 (41.1) billion. Equities generated the strongest return; all asset classes yielded positive returns. Solvency capital strengthened to EUR 10.8 billion (10.2 on 1 Jan.).

"Varma had a good first quarter, and we achieved a strong return on our investments. The outlook for the global economy improved in the early months of the year. The economic tailwind is the strongest it has been in six years," says Varma's President & CEO, **Risto Murto**.

"We have finally received some good news about the Finnish economy. First various economic confidence indicators rallied, and now the latest statistical data is reflecting an upswing," Murto adds.

Despite the political risks, the markets are confident about a pickup in the economy

"Equity investments had the clearest impact on Varma's first-quarter return trend. Despite numerous political risks, we maintained a relatively high equity weight and it paid off," says Varma's CIO **Reima Rytsölä**.

Equities yielded the highest returns of all asset classes, at 4.3 (-3.1) per cent, with listed equities and Finnish equities performing especially well, at 4.9 (-5.0) per cent and 4.7 (-6.3) per cent respectively. The return on real estate investments was 1.5 (1.2) per cent during the quarter.

Fixed income investments again generated good returns, at 1.4 (0.2) per cent, even though the interest rate level increased slightly during the first quarter. Growing inflation expectations and interest rate hikes by the Fed slightly increased the market's interest rate levels.

"The markets have experienced a strong rise since Trump became the US President. Expectations of the Trump administration's planned tax cuts and stimulus packages have been high, but investors' confidence has been put to the test, as the implementation of the reforms has been hit by setbacks. Economic leading indicators have, however, been strong on both sides of the Atlantic, which has been instrumental in encouraging the equity market," says Rytsölä.

Solvency strengthened

Varma's solvency capital strengthened in the first quarter of the year to EUR 10.8 billion (10.2 on 1 Jan.), and the solvency ratio was 132.2 per cent (130.9 on 1 Jan.). Legislation governing how earnings-related pension institutions' solvency is calculated changed as of the start of 2017.

Customers interested in new type of pension

Partial early old-age pension under the reformed pension act was granted to 870 people; 1,023 applications for the new pension were received during the first quarter. Of the applicants, 79 per cent were wage-earners and 21 per cent were entrepreneurs; one fifth of the applicants were unemployed. Eighty per cent of the applications were received electronically via Varma's eServices.

"The new type of pension introduced with the pension reform sparked a lot of interest. It brings greater flexibility to retirement, but at the same time underscores the individual's responsibility for their pension cover," says Murto.

At the end of March, 532,000 employees and self-employed persons were insured with Varma (530,000 on 1 Jan.), and Varma was paying EUR 1.3 billion in pensions to 341,000 pensioners (340,000 pensioners on 1 Jan.) The number of new pension decisions increased by as much as 20 per cent, to 6,778.

Varma Mutual Pension Insurance Company is the most solvent earnings-related pension company and largest private investor in Finland. The company is responsible for the statutory earnings-related pension cover of some 873,000 people in the private sector. Premiums written totalled EUR 4.7 billion in 2016 and pension payments stood at EUR 5.3 billion. Varma's investment portfolio amounted to EUR 44.4 billion at the end of March 2017.

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Attachments:

Interim Report (pdf)

Interim report presentation (pdf)

Financial information and investments:

<https://www.varma.fi/en/other/about-varma/financial-information-and-investments/>

Annual Report and CSR Report: <https://www.varma.fi/annualreport>