



**Varma's Interim Report**  
**1 January–31 March 2022**

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VARMA

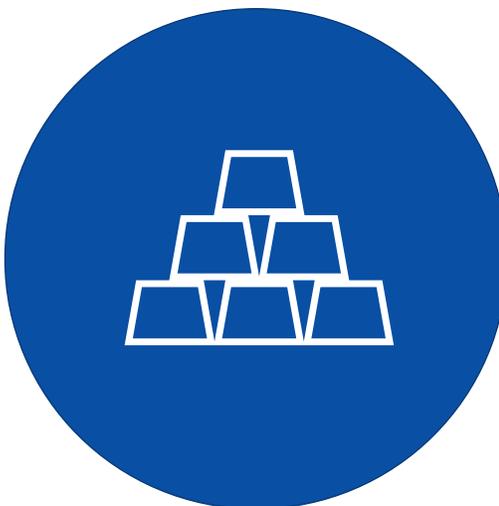
# Key figures 1–3/2022

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Return on investments

**-1.9%**



Value of investments

**€57.6 bn**



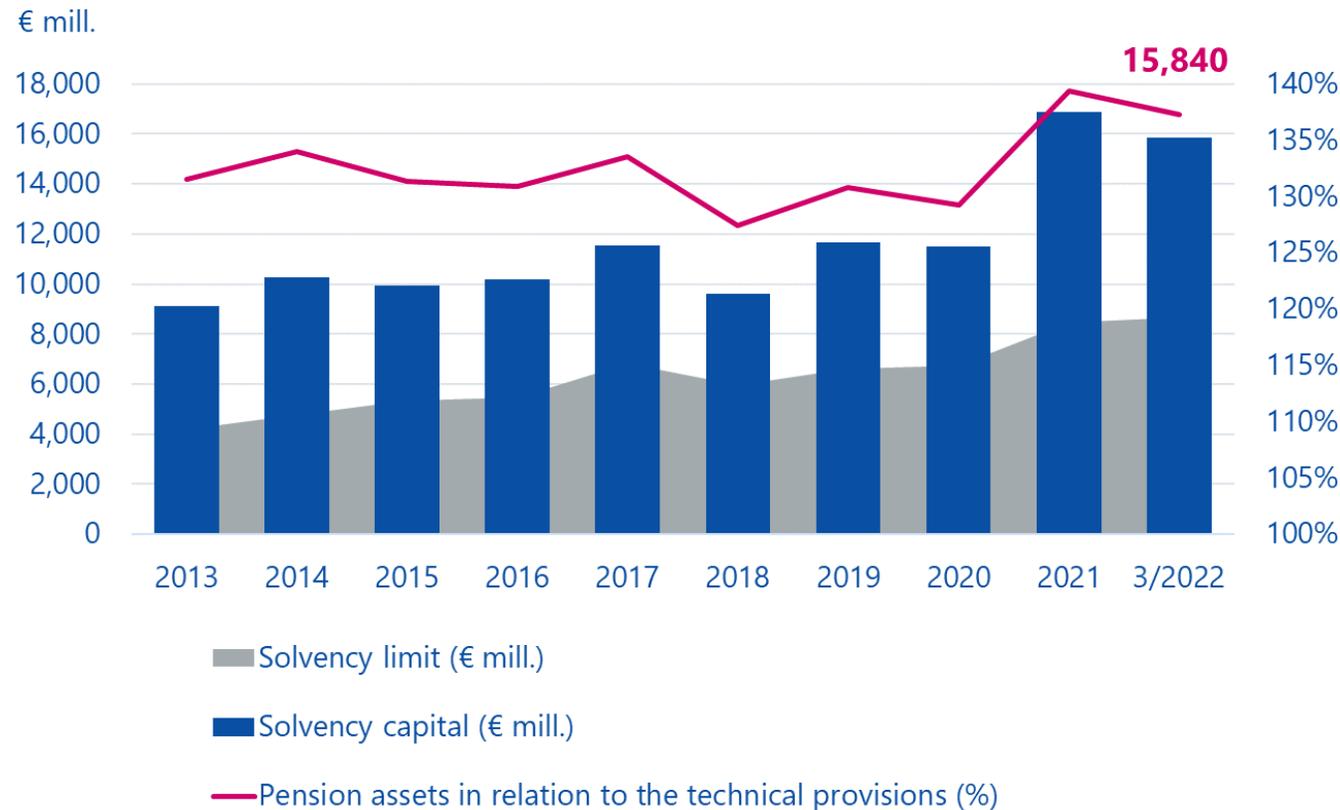
Solvency

**€15.8 bn**

# Varma's investment period January–March 2022



# Solvency remained strong



- Varma’s solvency remained strong, at **EUR 15.8 billion**.
- Solvency capital was **1.8 times** the solvency limit.
- The solvency ratio was **137.3 per cent**.
- Solvency capital, which serves as a risk buffer for investment operations, provides protection against volatility in investment market returns.

# Development of investment returns and solvency

	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>12 months</b>	<b>1-12/2021</b>
Investment return (MWR)	-1.9%	6.0%	9.6%	18.5%

	<b>3/2022</b>	<b>3/2021</b>	<b>12/2021</b>
Solvency capital (€ mill.)	15,840	13,462	16,890
Solvency capital / solvency limit	1.8	1.7	2.0
Solvency ratio (%)	137.3	133.5	139.4
Investments at fair value (€ mill.)	57,573	52,923	59,024

A man and a woman are sitting on a light-colored sofa in a bright, modern office or lounge area. The man, on the right, has long blonde hair and is wearing a blue button-down shirt. He is holding a silver laptop and looking at it with a smile. The woman, on the left, has brown hair and is wearing a grey cardigan over a white shirt. She is looking at the man and smiling. The background features large windows with a view of a city building. A small green plant is visible on the left side of the frame.

# Insurance and pensions

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Insured employees  
and entrepreneurs

**564,000**



Pensioners

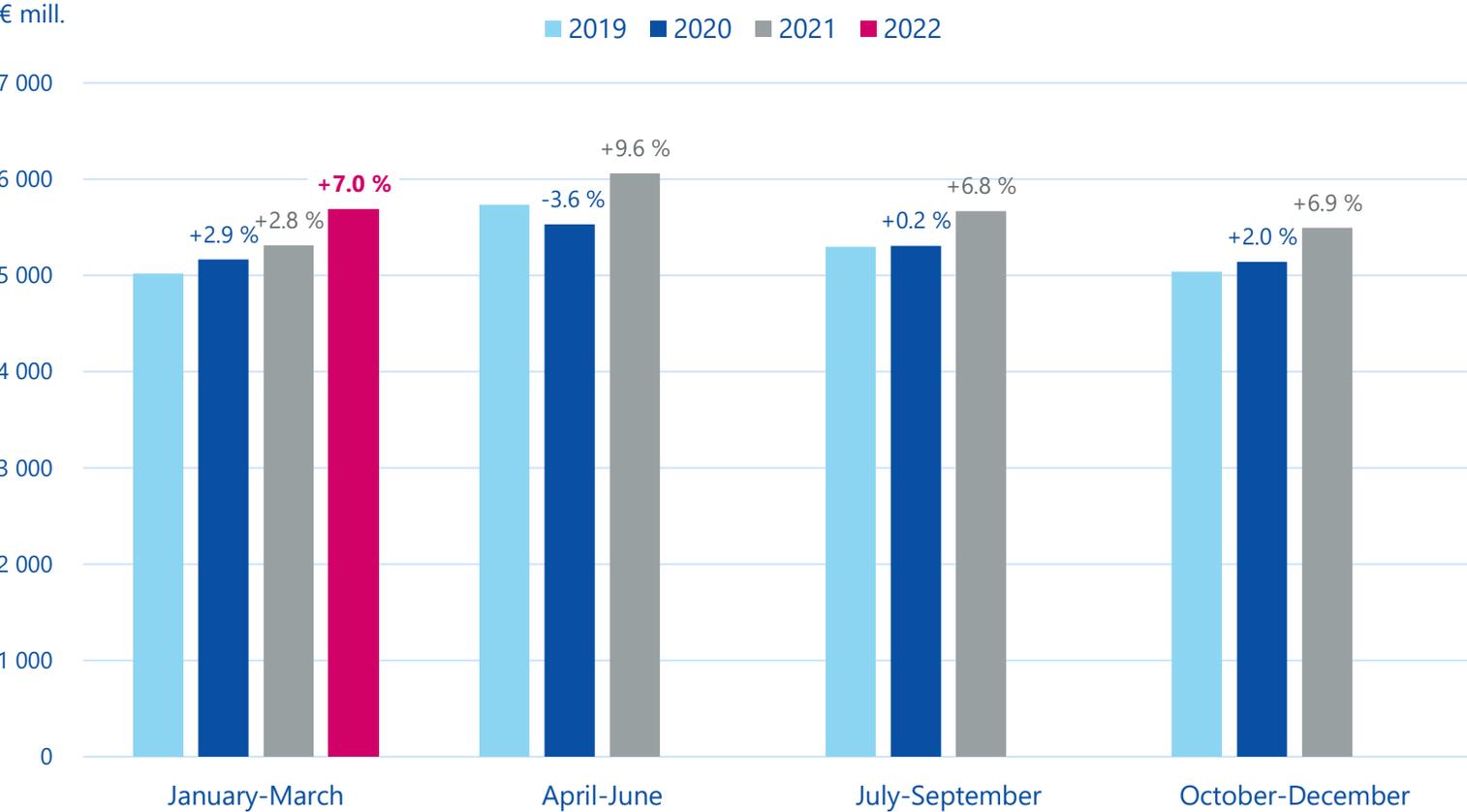
**345,000**



Pensions paid

**€1.5 bn**

# TyEL payroll developed strongly in Q1



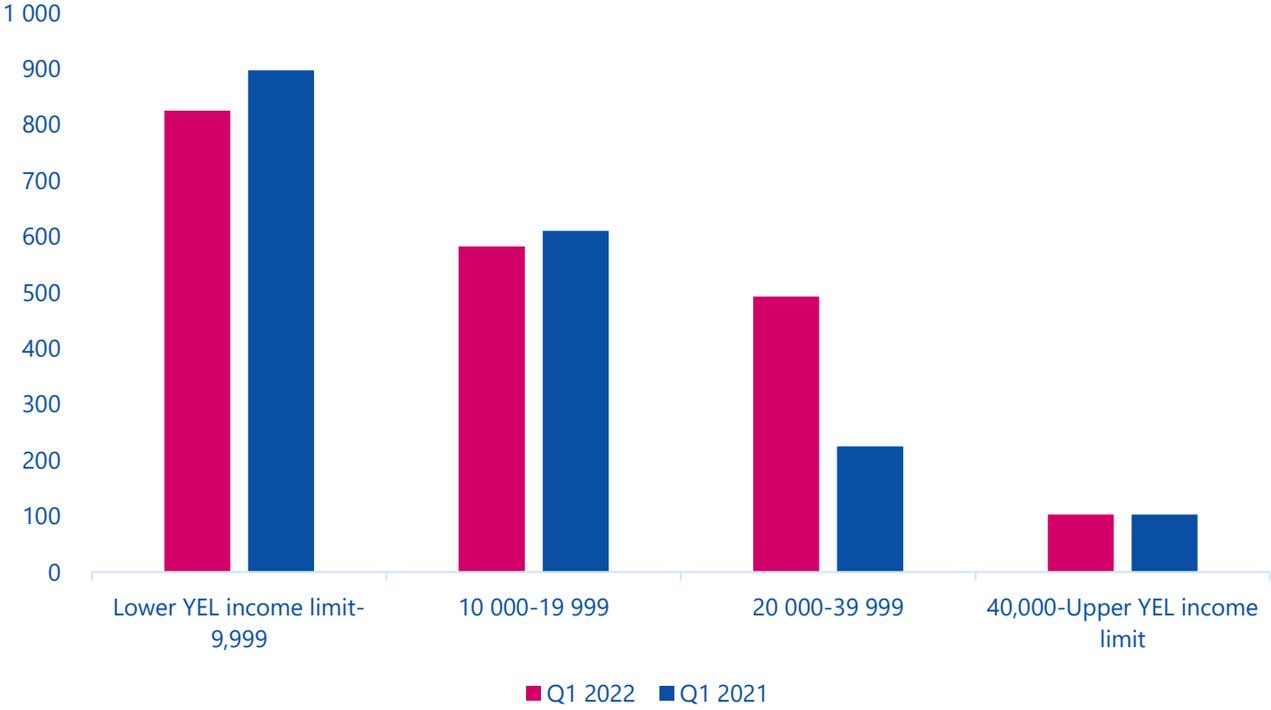
The TyEL payroll of Varma’s client companies grew **7.0%** in January–March compared to the same period last year.

The most positive development in the payroll was seen in employment activities, especially in temporary employment and in business and development services, such as business management consulting.

The payroll in the travel and restaurant industry has recovered rapidly but has not returned to the pre-pandemic level.

# Confirmed income in YEL insurance policies increased, and the number of YEL policies grew

Distribution of YEL confirmed income among new entrepreneurs (eur/year)



The level of confirmed income in new entrepreneurs' pension insurance increased in the first quarter of the year compared with the comparison period.

The confirmed income of a new entrepreneur is increasingly often **at least EUR 20,000** a year.

The change in the confirmation process for YEL income is bringing results. Information on the legal level of confirmed income and the security that YEL insurance brings has been increased in customer discussions with new entrepreneurs.

The number of YEL insurance policies continued to grow and at the end of March, Varma was managing **40,300** YEL policies.

# Popularity of partial early old-age pension continues

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- Partial early old-age pension, which was introduced at the start of 2017, is still popular.
- Varma made a total of 799 new pension decisions concerning this pension type during the first quarter.
- Nearly one in four people retiring on old-age pension in January–March had first retired on partial early old-age pension.

Pension decision  
in 3 days

More than half of  
old-age pension  
applicants receive a  
pension decision  
from Varma in  
three days.



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**Varma's cost level is competitive**

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# IT cost analysis: Varma's infrastructure costs nearly 50 per cent less than those of peer companies

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- According to a cost analysis commissioned by Varma in February and March 2022, the company's IT costs are significantly lower than peer companies in northern and western Europe.
- Varma's costs accounted for **0.85 per cent of its premiums written**, while the peer group's median IT costs were 1.17 of their premiums written.
- **Infrastructure's share** of the costs proved to be particularly efficient and were **almost 50% less than** those of the peer group.
- The comparison confirms that Varma's work on the IT system and the collaboration between Finnish pension companies have been beneficial. A significant proportion of the sector's basic systems is shared, which means their costs are also divided among the companies.



Varma commissioned the analysis on its IT costs in 2021 from an international consulting company.

The peer group in the analysis was 18 pension, non-life and life insurance companies as well as financial institutions from the Nordic countries, the Benelux countries, France, Germany and Italy of about the same size as Varma in terms of premiums written.

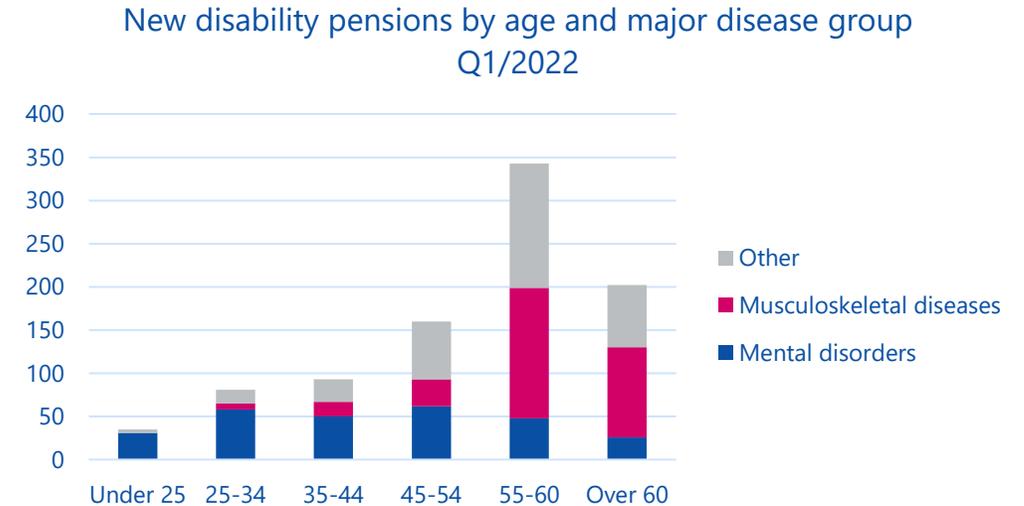
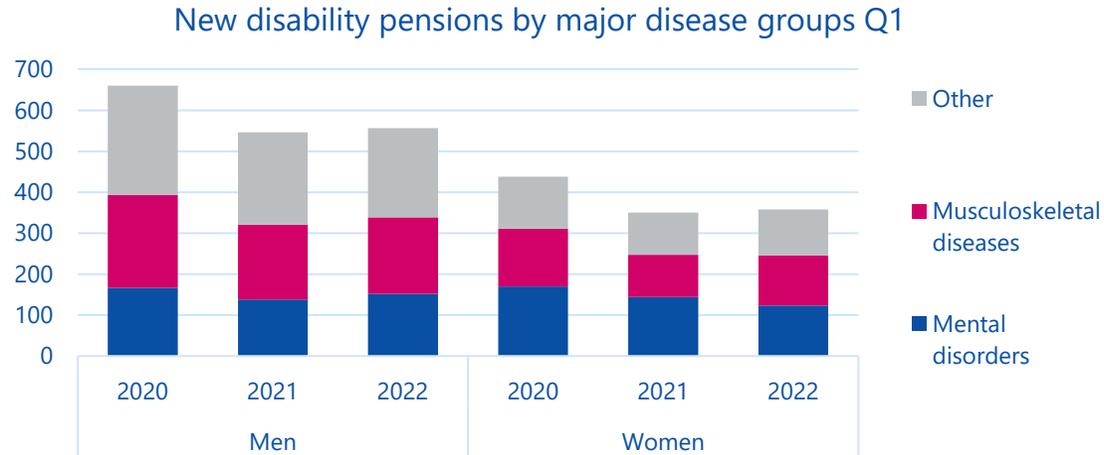
A woman with dark hair tied back, wearing a pink and white striped long-sleeved shirt, is leaning over a white table in a kitchen. She is smiling and looking down at a document or book on the table. Her right hand is resting on the table near the document, and her left hand is also near the document. In the background, there is a kitchen counter with a vase of flowers, a coffee maker, and other kitchen items. The lighting is bright and natural, suggesting a window nearby.

# Managing disability risks

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# Slight growth in disability pensions



- The number of new disability and partial disability pension applications increased 7 per cent in the first quarter of the year compared with the first quarter of last year. The number of applications from both women and men grew in the first quarter of this year compared to the same quarter of 2021.
- Mental health issues as a reason for disability pension applications was higher among women than men, but the number of applications on mental health grounds had increased among men.
- In younger age groups, mental health was the primary reason for disability pension applications, while in older age groups, musculoskeletal diseases were the main reason.
- People over 55 accounted for the largest number of applicants.

# Rehabilitation applications down 15 per cent

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- The number of rehabilitation applications was down roughly 15 per cent in January–March compared to the first quarter of last year.
- The number of applications also decreased in 2020 and 2021.
- Active communication on the conditions for receiving vocational rehabilitation is estimated to have influenced the decrease in the number of applications.
- Awareness of other forms of support for remaining at work has also grown. These are employer work arrangements, partial sickness allowance and a work trial carried out by decision of occupational healthcare.
- It is also possible that work ability problems during the pandemic remained hidden more than before.





**Sustainability**

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# Latest developments in sustainability

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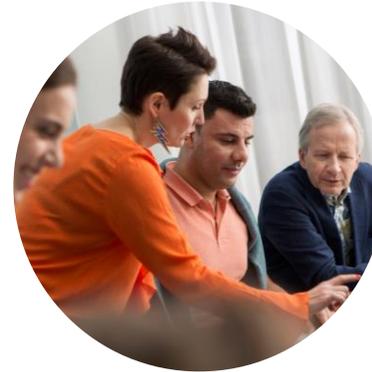
## **Varma named one of Finland's Most Inspiring Workplaces for the 4th time**

In February, Varma was recognised as one of Finland's Most Inspiring Workplaces in Eezy Flow's survey for the fourth time. The result of Varma's personnel survey clearly exceeds the average level of Finnish specialist organisations.



## **Value chain causes 98% of Varma's greenhouse gas emissions**

In March, Varma published for the first time a calculation of its value chain emissions as part of its Annual and Sustainability Report. The calculation showed that approximately 98 per cent of Varma's greenhouse gas emissions are caused by the value chain, or scope 3 emissions, the majority of which are caused by investment activities. Other significant indirect emissions are generated by, for instance, purchased IT services, property renovations and new construction.



## **Training for Varma employees on the corporate responsibility to respect human rights**

At the start of 2022, training on the corporate responsibility to respect human rights was arranged within Varma as part of an assessment of human rights risks and impacts. The training was aimed at Varma employees working in investment operations and acquisitions.



## **New Sustainability Programme and Climate Policy for Investments**

Varma is preparing a new Sustainability Programme and an updated Climate Policy for Varma's Investments, both scheduled for publication in the second quarter of the year. They will guide our sustainable business and investment activities to a new level and also encourage Varma's stakeholders to operate more responsibly.



**Unlisted investments yielded  
positive returns**

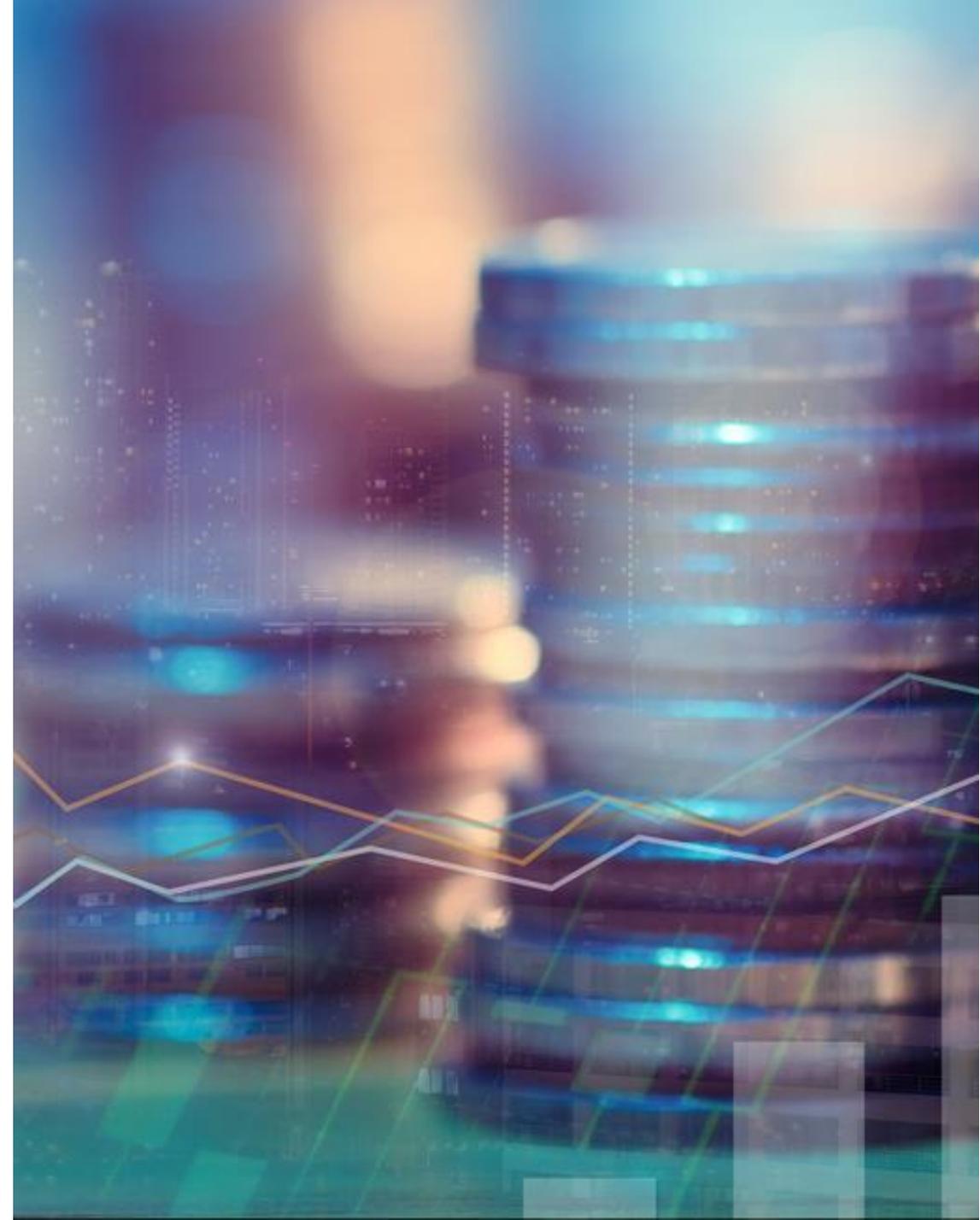
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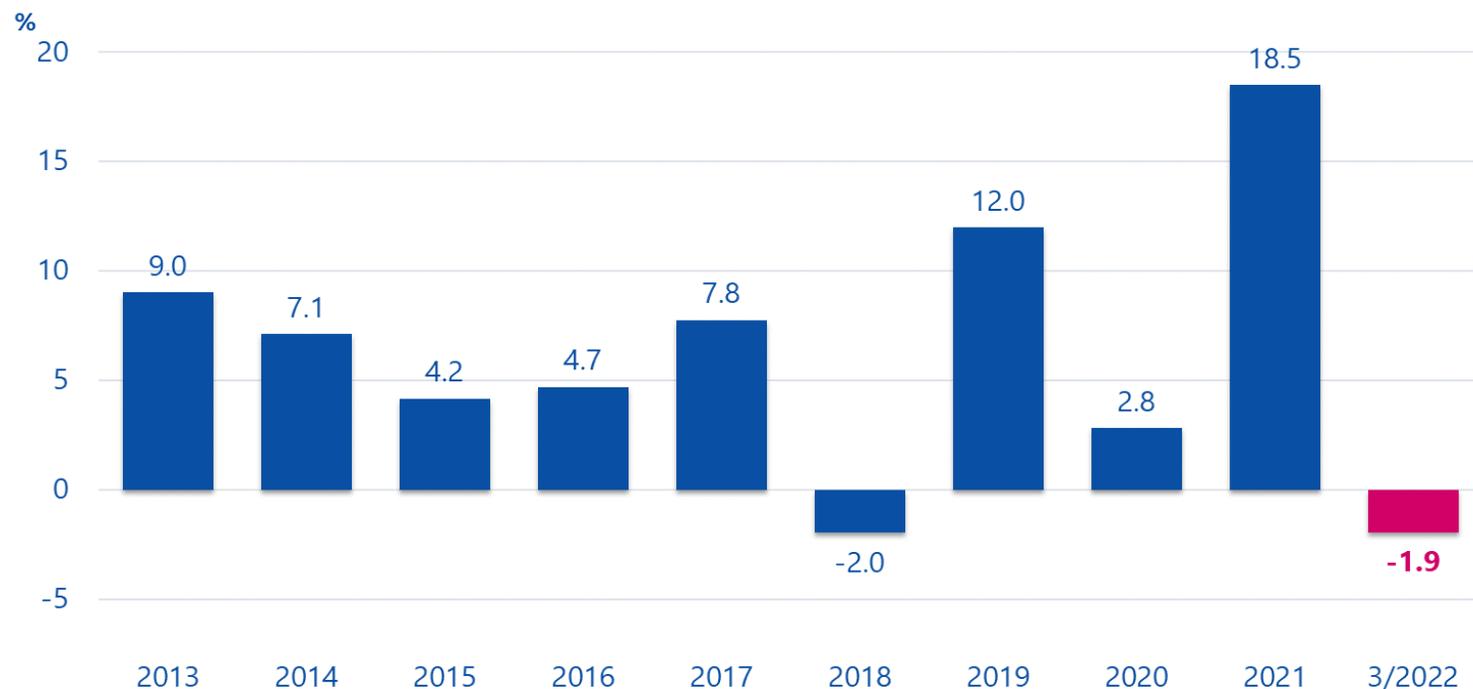
# Outlook for the economy and the investment markets

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- In the first quarter, the market prices of several asset classes were in decline. The combination of decelerating economic growth, rising inflation, bottlenecks in supply and tightening monetary policy is problematic.
- The returns on Varma's listed equity and fixed income investments were negative, while unlisted investments yielded positive returns.
- The war and the economic sanctions imposed on Russia further drove up inflation.
- Despite the strong recovery of share prices, the rest of the year does not look rosy from an investor's point of view.
- There is an urgent need for central banks to tighten their monetary policy, even though the risk of stagflation, i.e. a combination of high inflation and economic stagnation, exists.



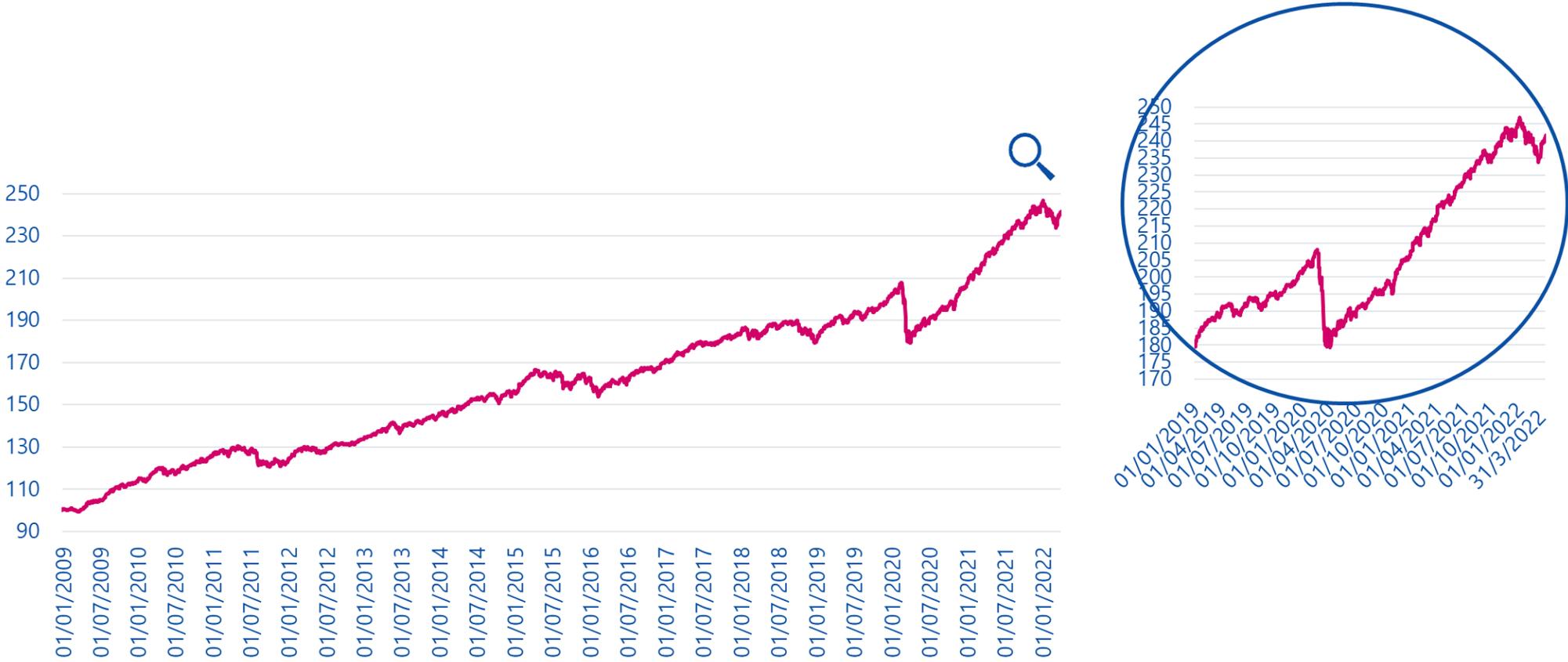
# Return on investments 2013–2022



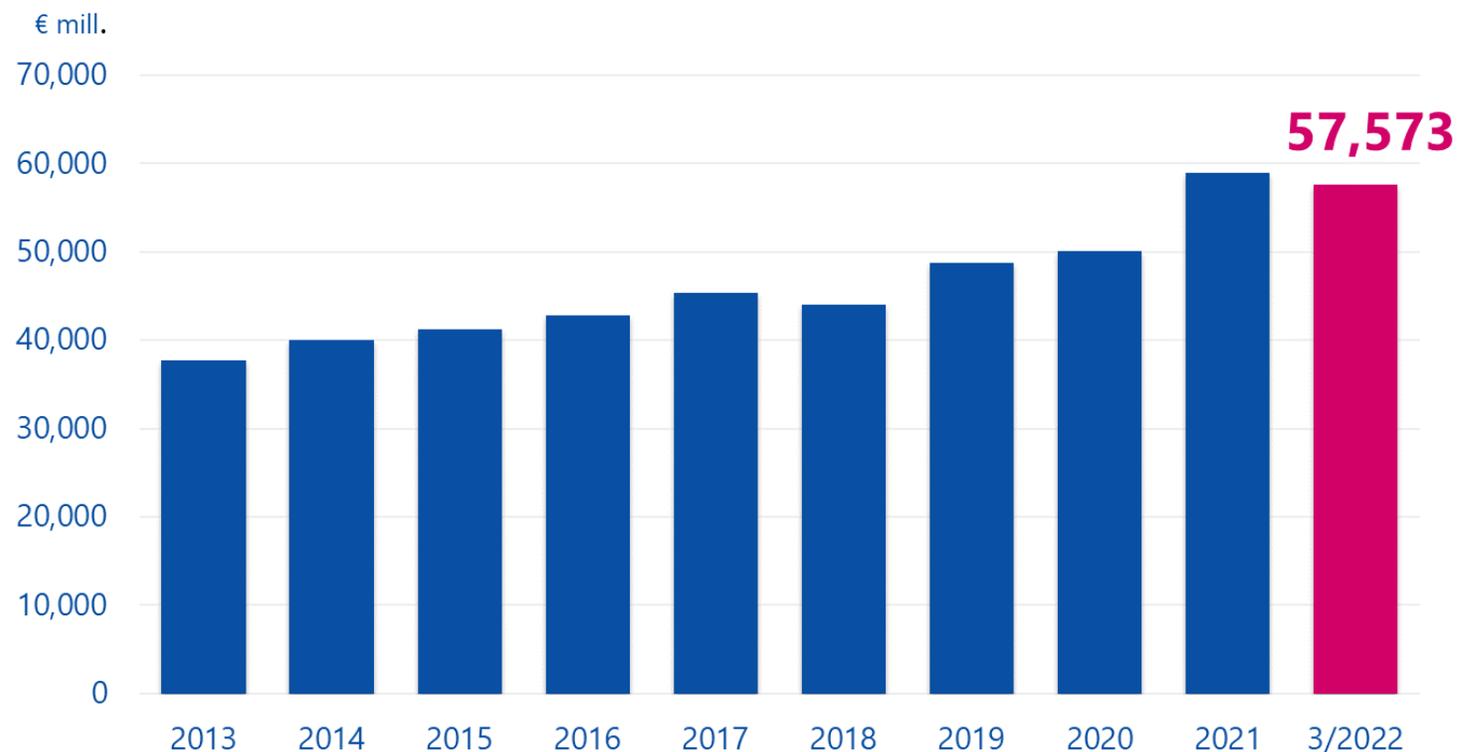
The average nominal return on investments over ten years is approx. 6.4%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **-1.9** per cent in January–March 2022.
- The value of investments was EUR **57.6** billion at the end of March.

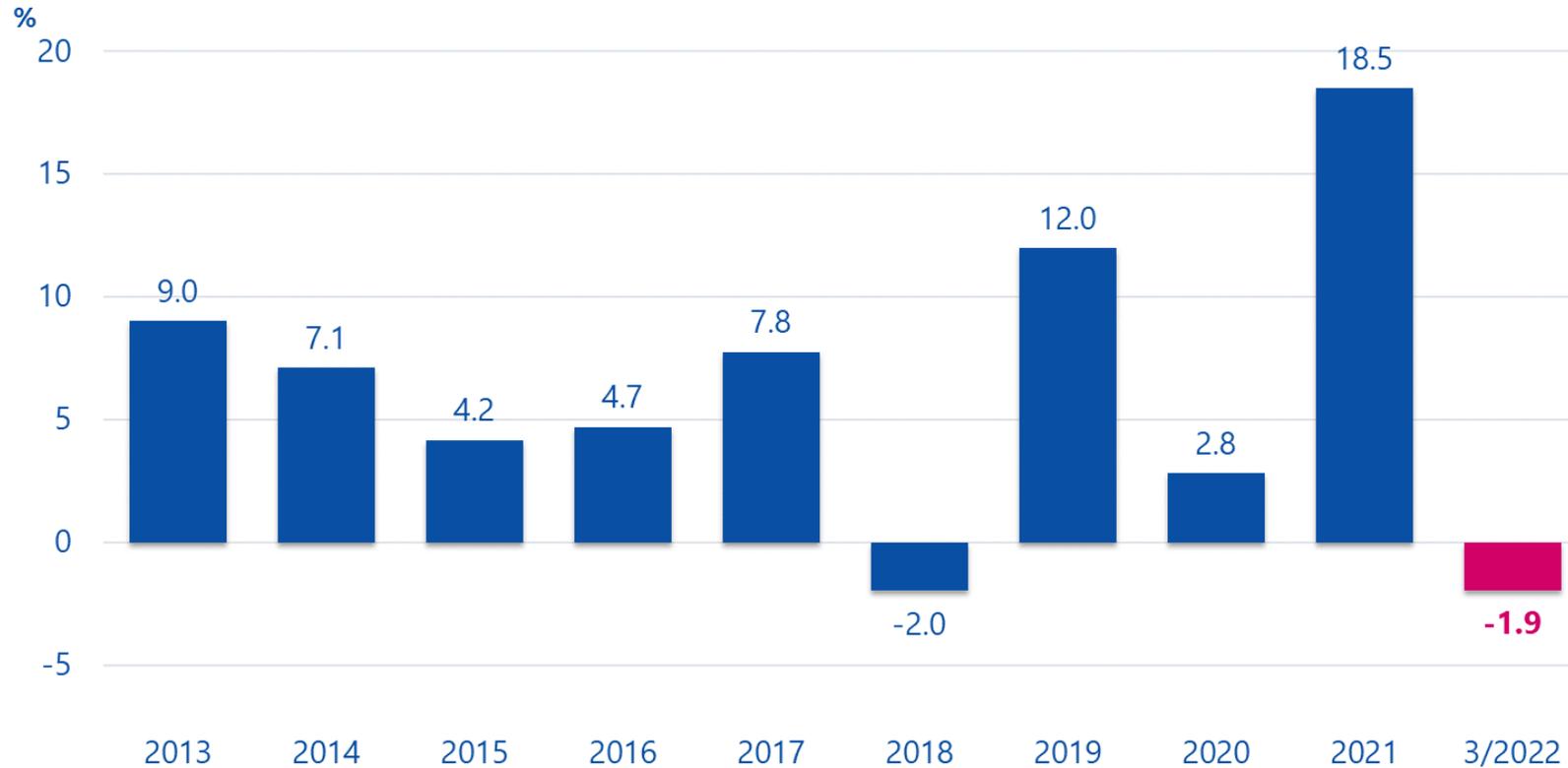
# Return development since 2009: cumulative return 141.6 per cent, i.e. €35.3 bn



# Market value of investments EUR 57.6 billion

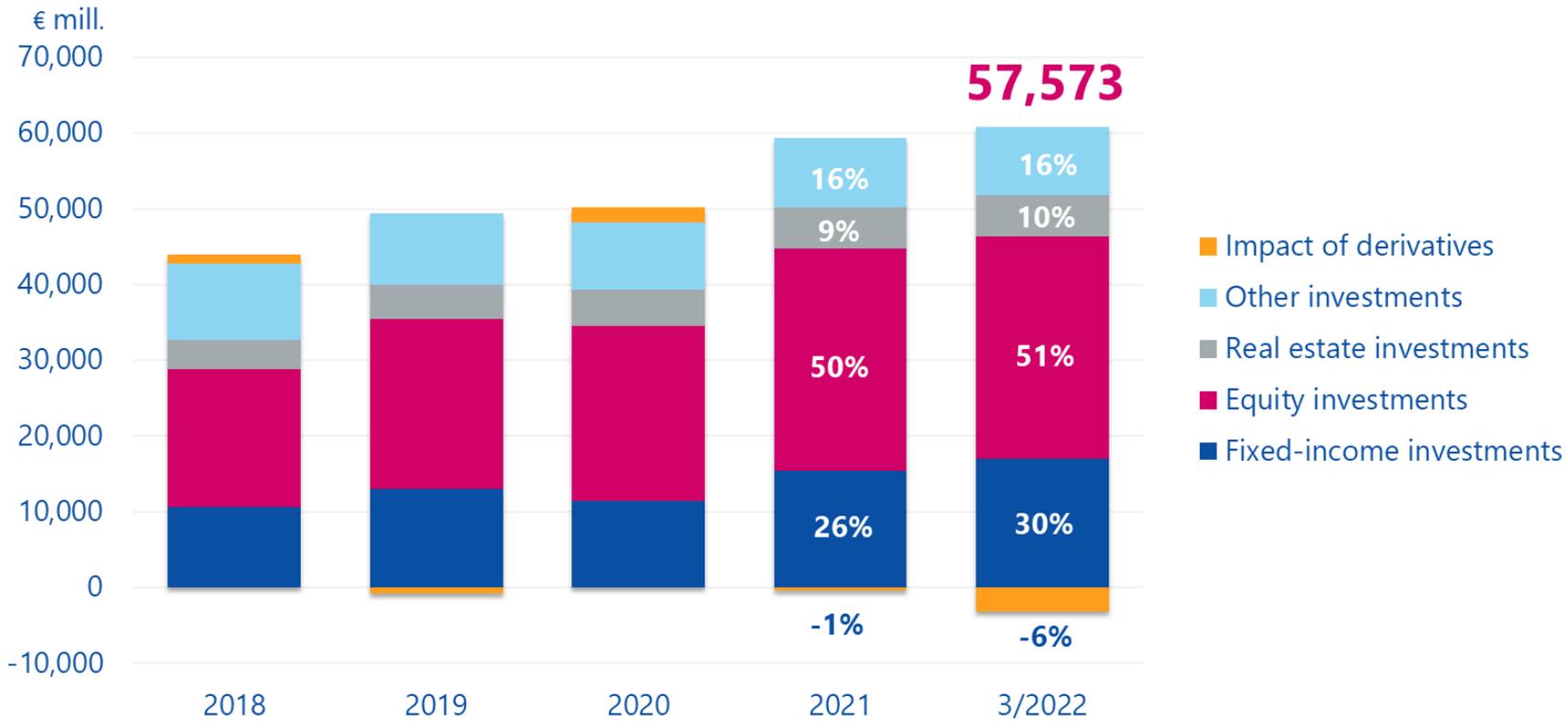


# Return on investments at fair values by quarter



The average nominal return on investments over ten years is approx. 6.4%, calculated in accordance with the recommendations issued by TELA.

# Investment allocation



# Investments classified according to risk

	31 Mar 2022				31 Dec 2021		01-03/2022	01-12/2021	24 m
	Market value				Market value		Return	Return	Vola- tility
	Market Value		Risk position		Risk position		MWR	MWR	
	€ mill.	%	€ mill.	%	€ mill.	%	%	%	
<b>Fixed-income investments <sup>1</sup></b>	<b>13,869</b>	<b>24</b>	<b>16,987</b>	<b>30</b>	<b>15,402</b>	<b>26</b>	<b>-2.7</b>	<b>1.9</b>	
Loan receivables	2,664	5	2,664	5	2,711	5	0.8	5.4	
Bonds	7,841	14	7,962	14	10,281	17	-4.5	1.4	3.4
Public bonds	3,763	7	3,869	7	6,189	10	-5.8	-1.2	
Other bonds	4,078	7	4,093	7	4,092	7	-3.1	4.2	
Other money-market instruments and deposits	3,364	6	6,360	11	2,409	4	0.5	-0.9	
<b>Equity investments</b>	<b>29,221</b>	<b>51</b>	<b>29,338</b>	<b>51</b>	<b>29,352</b>	<b>50</b>	<b>-3.5</b>	<b>32.2</b>	
Listed equities	19,598	34	19,716	34	20,217	34	-7.5	26.4	13.0
Private equity	9,121	16	9,121	16	8,663	15	5.5	49.6	
Unlisted equities	501	1	501	1	471	1	5.2	26.3	
<b>Real estate investments</b>	<b>5,525</b>	<b>10</b>	<b>5,525</b>	<b>10</b>	<b>5,442</b>	<b>9</b>	<b>2.0</b>	<b>5.9</b>	
Direct real estates	3,065	5	3,065	5	3,086	5	0.9	4.1	
Real estate funds	2,460	4	2,460	4	2,356	4	3.4	8.5	
<b>Other investments</b>	<b>8,958</b>	<b>16</b>	<b>8,964</b>	<b>16</b>	<b>9,187</b>	<b>16</b>	<b>2.2</b>	<b>15.3</b>	
Hedge funds	8,944	16	8,944	16	9,184	16	2.1	15.3	2.7
Commodities	0	0	0	0	0	0			
Other investments	14	0	14	0	3	0			
<b>Total investments</b>	<b>57,573</b>	<b>100</b>	<b>60,814</b>	<b>106</b>	<b>59,382</b>	<b>101</b>	<b>-1.9</b>	<b>18.5</b>	<b>5.1</b>
Impact of derivatives			-3,241	-6	-358	-1			
<b>Investment allocation at fair value</b>	<b>57,573</b>	<b>100</b>	<b>57,573</b>	<b>100</b>	<b>59,024</b>	<b>100</b>			

The modified duration for all the bonds is 3.78.

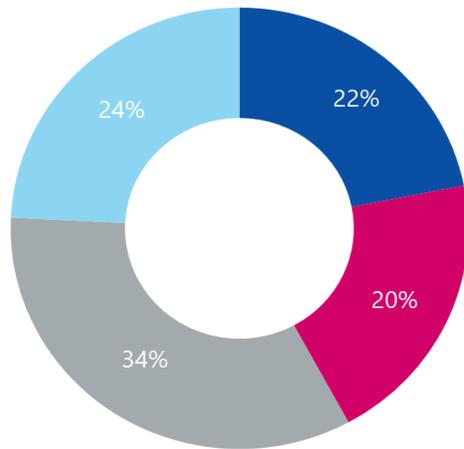
The open currency position is 31.0% of the market value of the investments.

<sup>1</sup> Includes accrued interest

# Geographical distribution of investments

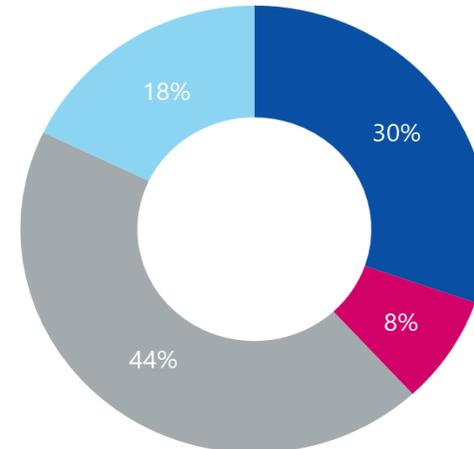
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Investments



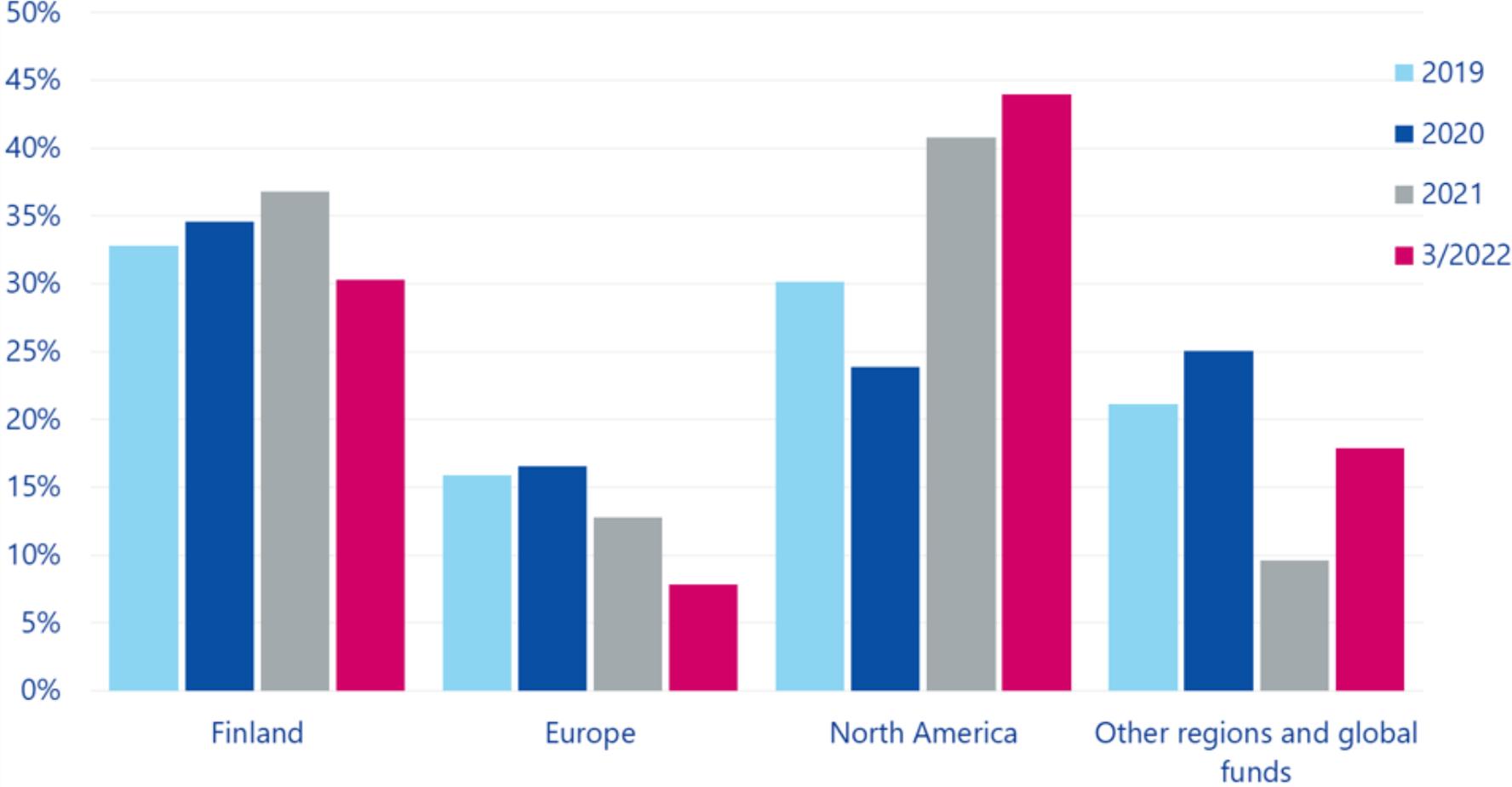
- Finland
- Europe
- North America
- Other regions and global funds

Listed equities



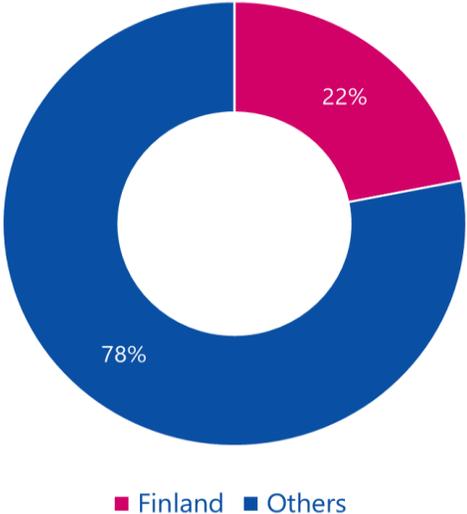
- Finland
- Europe
- North America
- Other regions and global funds

# North America's weight in listed equities has been increased

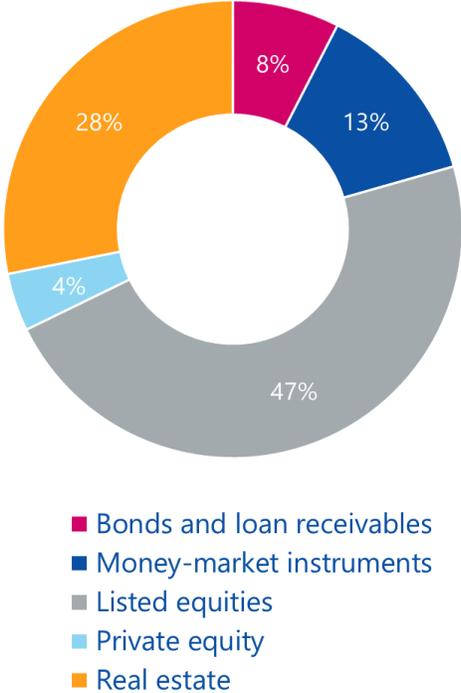


# Investments in Finland 22 per cent, i.e. EUR 12.7 billion

Investments in Finland

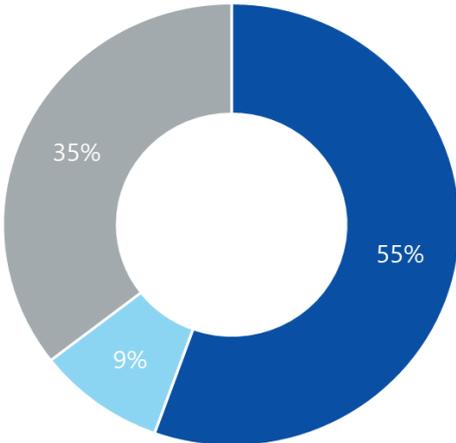


Distribution of Finnish investments



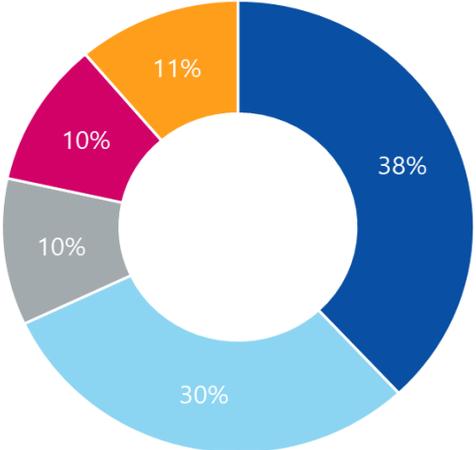
# 64 per cent of real estate investments, i.e. EUR 3.6 billion, in Finland

Real Estate Investments, € bn 5.5



■ Direct Finland    ■ Indirect Finland  
■ Indirect Other

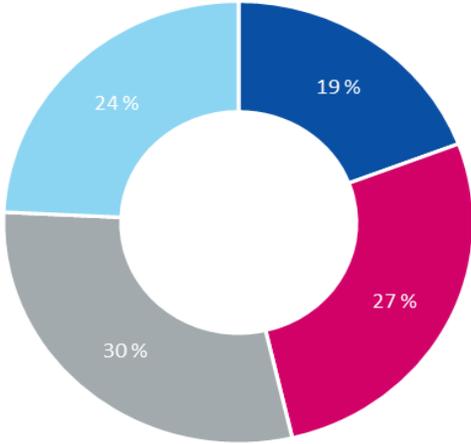
Direct Real Estate Investment Finland, € bn 3.1



■ Offices    ■ Housing    ■ Hotels  
■ Retail    ■ Other

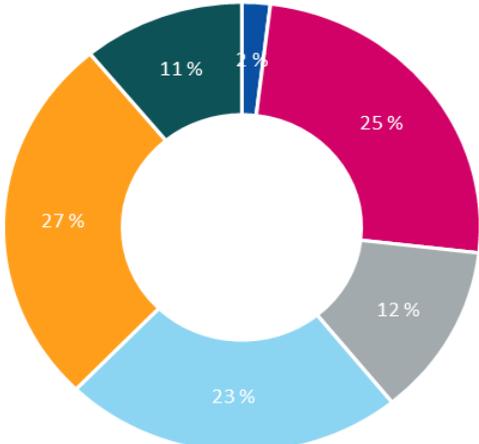
# 27 per cent of fixed income investments in public-sector bonds

Fixed-income investments by market value



■ Loan receivables   ■ Public Bonds  
■ Other Bonds   ■ Other

Bonds by credit rating



■ AAA   ■ AA   ■ A  
■ BBB+ - BBB -   ■ BB+ or worse   ■ Not Rated

# Varma's and the markets' investment returns

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
1-3/2022	-1.9	-10.5	-6.0	-4.6	-5.3	-5.4
2021	18.5	25.3	24.9	28.7	-3.4	-1.1
2020	2.8	15.7	-2.0	18.4	5.0	2.7
<b>Average nominal return</b>						
5 years	6.6	9.9	6.3	16.0	1.0	0.6
10 years	6.4	12.4	8.5	14.6	3.0	2.5
Since 1999 *	5.8	8.9	4.8	7.8	3.9	3.6
<b>Average real return</b>						
5 years	4.6	7.9	4.3	13.8	-0.9	-1.3
10 years	5.0	10.9	7.1	13.2	1.7	1.2
Since 1999 *	4.1	7.1	3.1	6.0	2.1	1.9

\* 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

# Key figures

	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>1-12/2021</b>
Premiums written, € million	1,272	1,285	5,635
Net investment income at fair value, € million	-1,149	2,996	9,256
Return on invested capital, %	-1.9	6.0	18.5
	<b>3/2022</b>	<b>3/2021</b>	<b>12/2021</b>
Technical provisions, € million	45,105	42,552	45,225
Solvency capital, € million	15,840	13,462	16,890
in relation to solvency limit	1.8	1.7	2.0
Pension assets, € million	58,326	53,610	59,754
% of technical provisions	137.3	133.5	139.4
TyEL payroll, € million	23,606	21,942	22,535
YEL payroll, € million	835	817	815

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