



Varma's Interim Report

1 January–31 March 2023

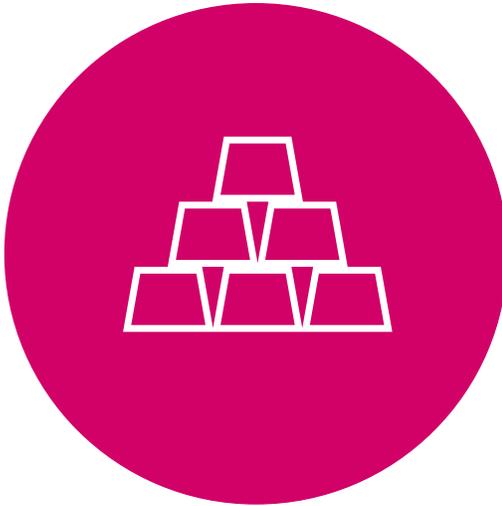
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Key figures 1-3/2023



Return on
investments

1.0 %



Value of
investments

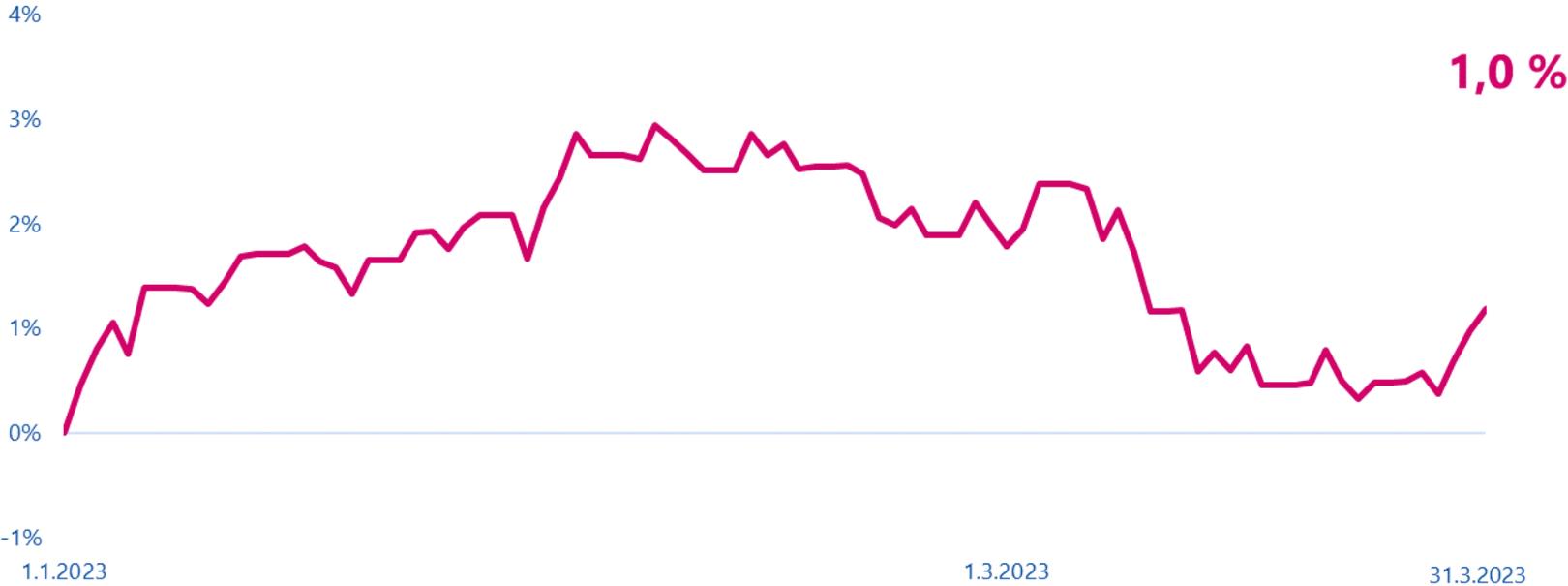
€56.6 bn



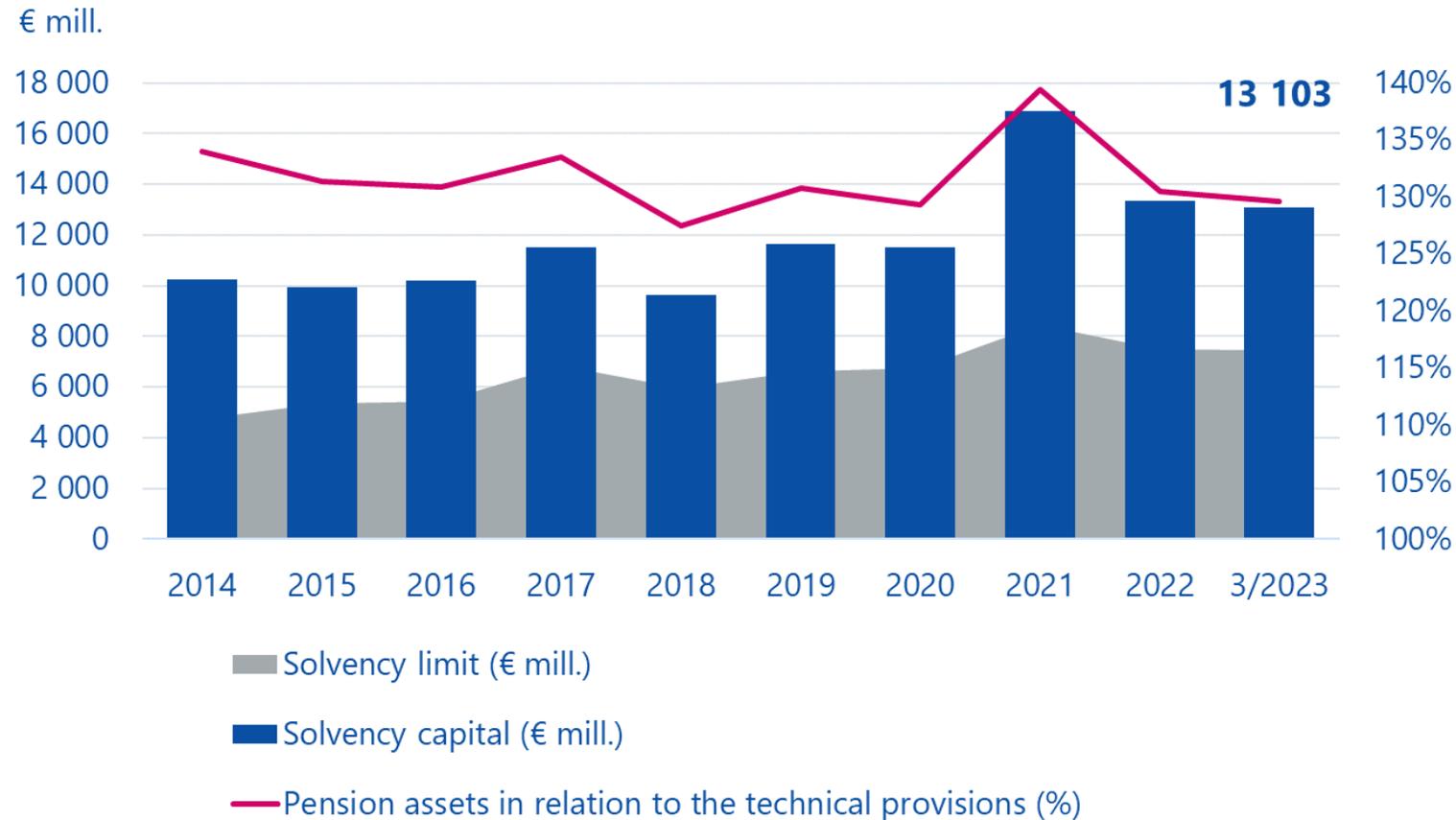
Solvency

€13.1 bn

Varma's investment period January–March 2023



Solvency at a sustainable level



- Varma’s solvency remained strong, at **EUR 13.1 billion**.
- Solvency capital was **1.8 times** the solvency limit.
- The solvency ratio was **129.6 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

	1-3/2023	1-3/2022	12 months	1-12/2022
Investment return (MWR)	1,0%	-1,9%	-2,0%	-4,9%

	3/2023	3/2022	12/2022
Solvency capital (€ mill.)	13 103	15 840	13 344
Solvency capital / solvency limit	1,8	1,8	1,8
Solvency ratio (%)	129,6	137,3	130,5
Investments at fair value (€ mill.)	56 604	57 573	56 204

Insurance and pensions

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Insured
employees and
entrepreneurs

591 400



Pensioners

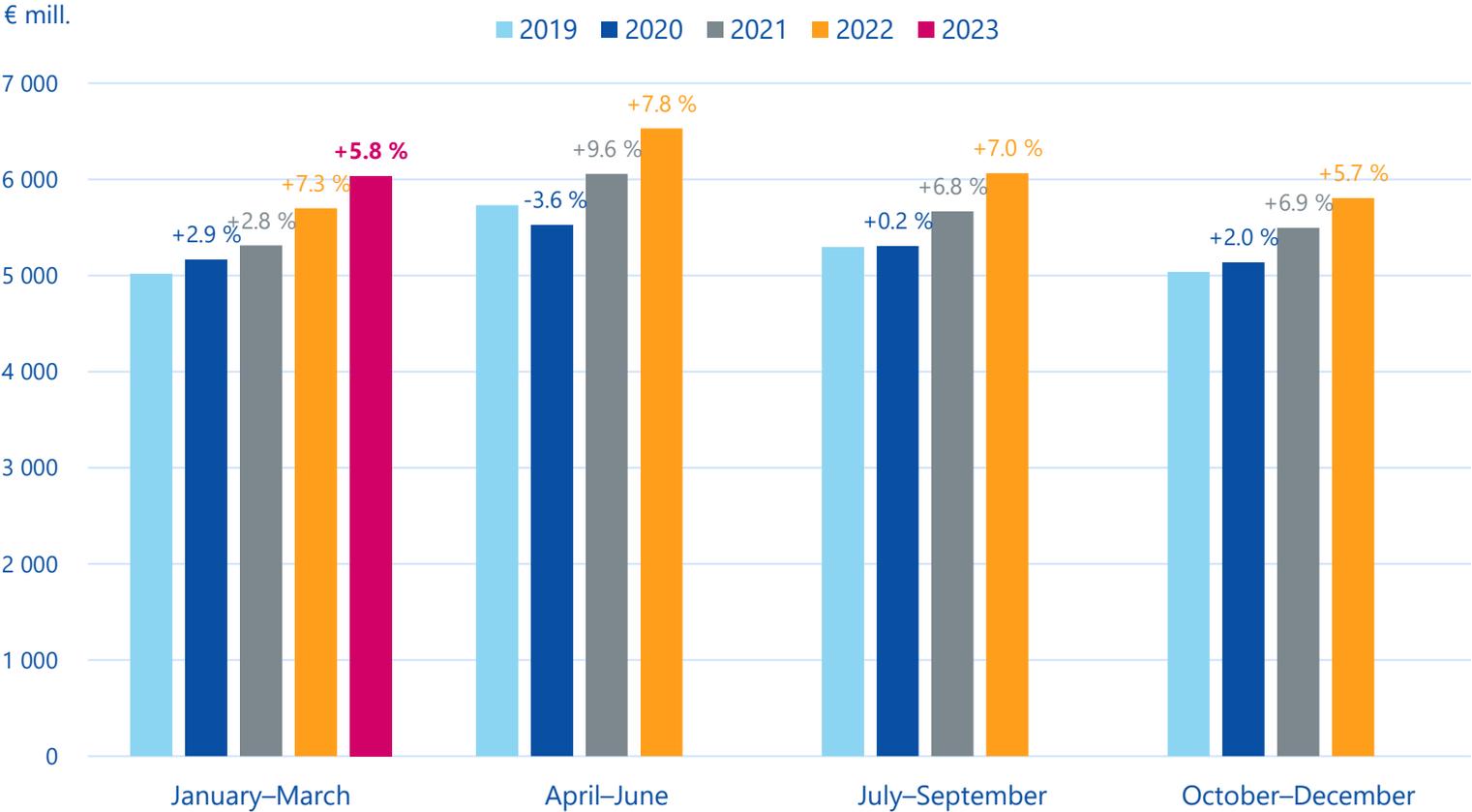
350 700



Pensions paid

€1.8 bn

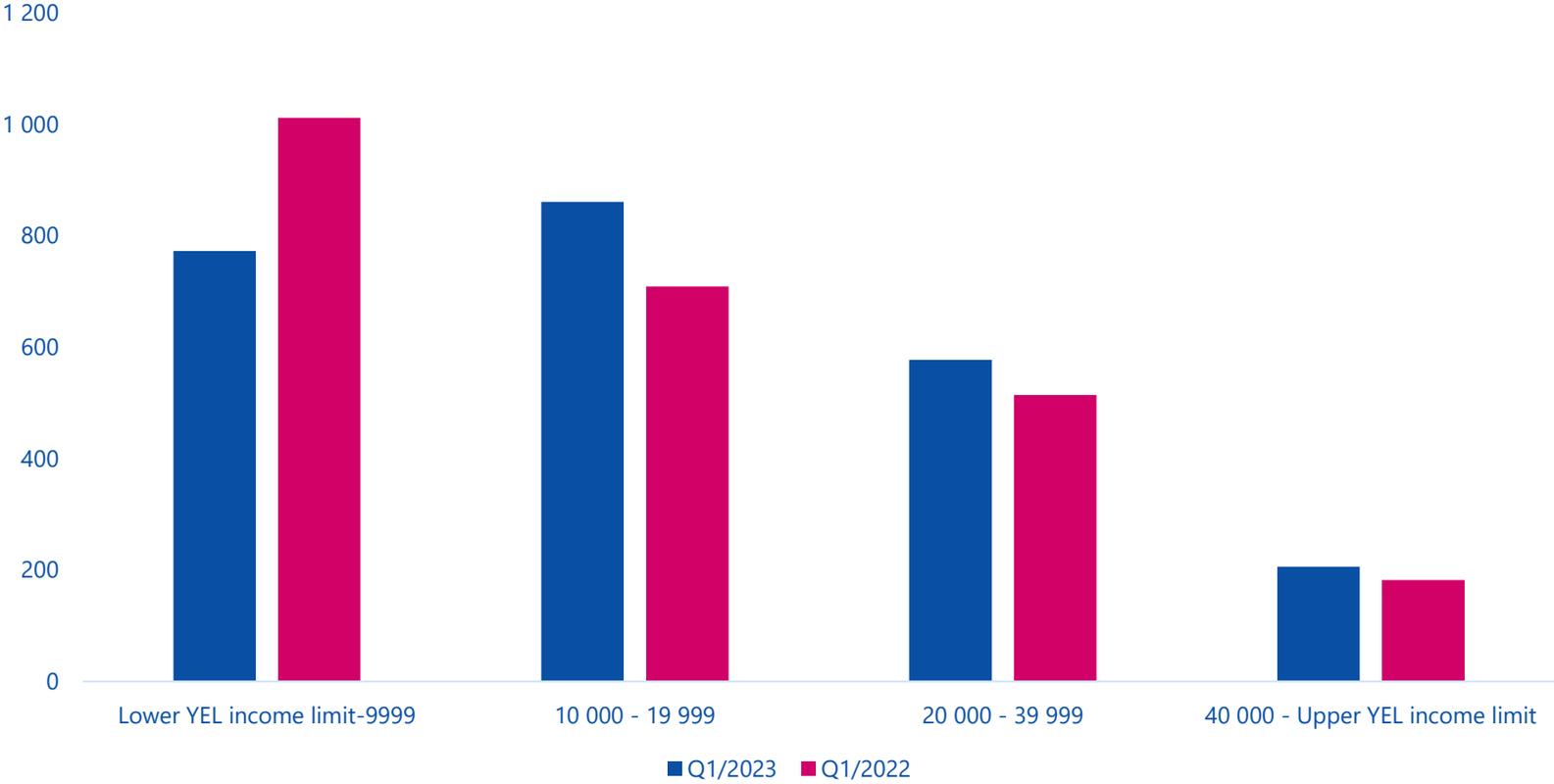
Solid growth in TyEL payroll continued in the first quarter



The TyEL payroll of Varma’s client companies grew **5.8 per cent** in January–March compared to the same period last year.

The percentage in the figure indicates the change from the same period last year.

YEL income for new policies on the rise



Current information about pensions

- The number of new pension decisions made in the first quarter was 4,930. At the beginning of this year, no age group reached the statutory old-age retirement age, which reduced the number of decisions compared to last year.
- The pension application processing times are at a good level. In March, the processing time for old-age pension applications at Varma was four days, while it is nine days in the industry on average.
- Partial early old-age pension applications returned to the normal level when the spike of applications caused by the index increase made to the pensions levelled out. The number of partial early old-age pension applications received in January–March was 781 (870).

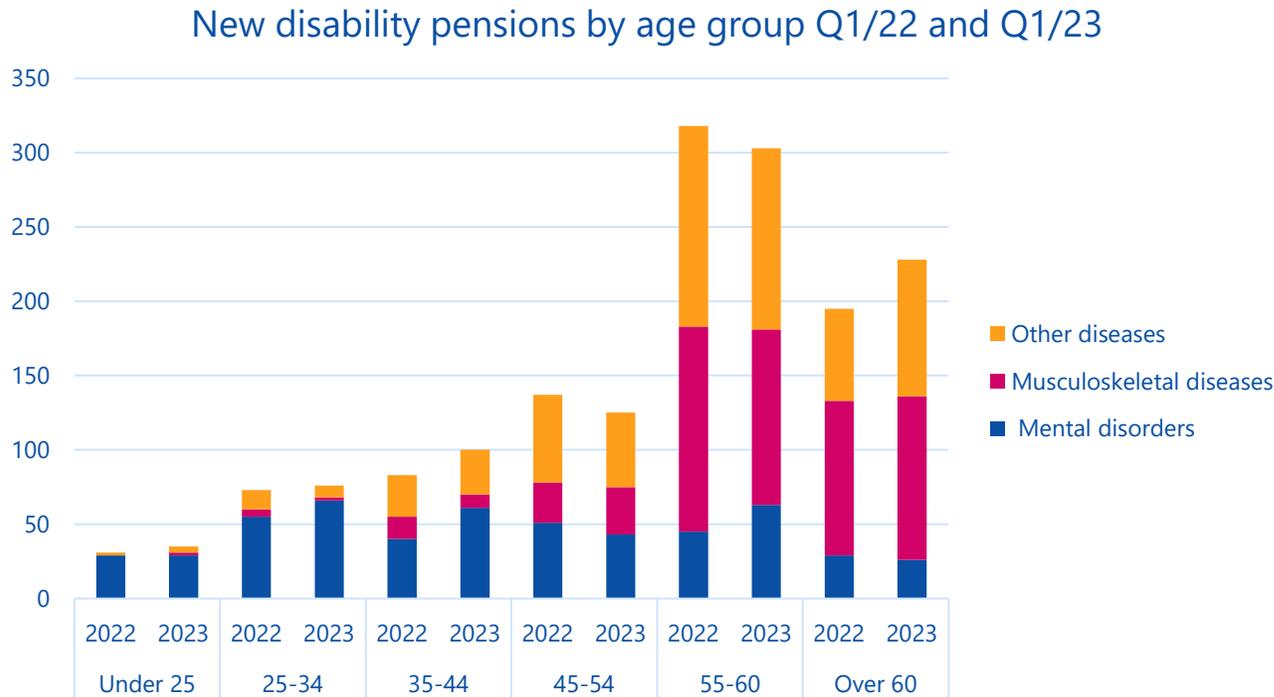




Disability risk management

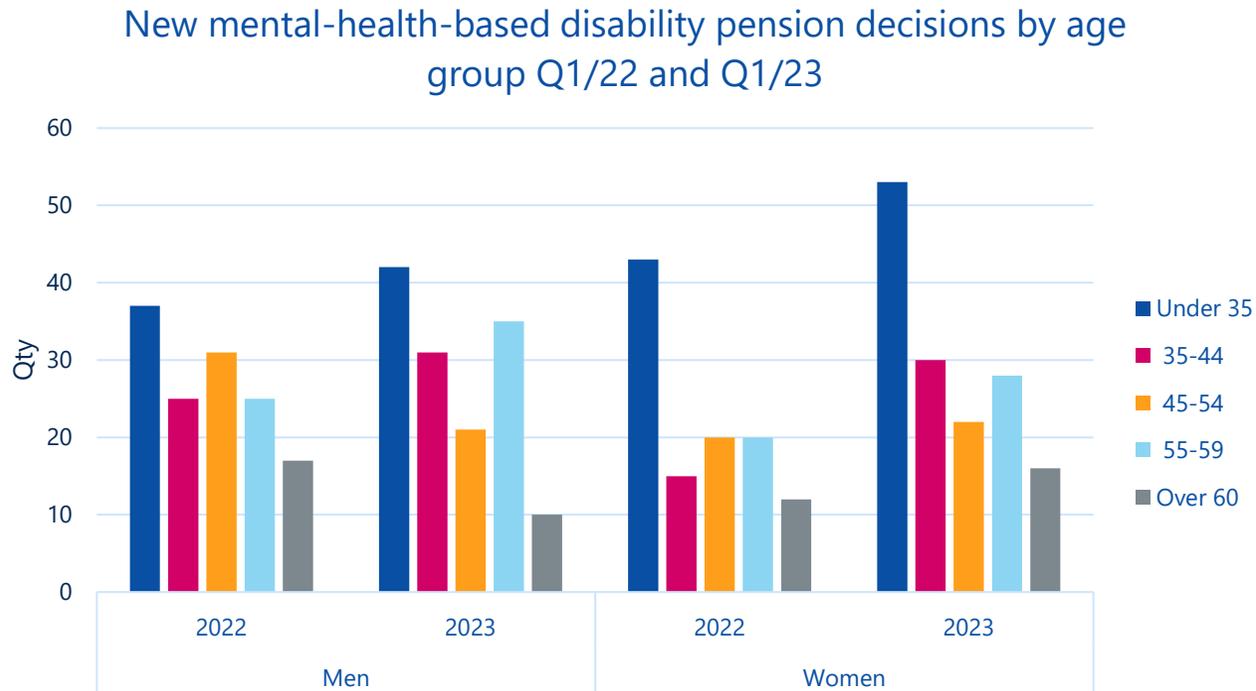
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The number of new disability pensions, which started to grow last year, has continued to increase



- The number of new disability pensions granted to under 45-year-olds has grown compared to the same period last year. The number of disability pensions granted to those aged 45–60 contracted while the number of disability pensions granted to over 60-year-olds increased.
- The growth in the number of new disability pensions granted to over 60-year-olds indicates that people are transitioning to disability pension later on average and retiring on old-age pension at an older age than before.

Distribution of new disability pension decisions based on mental health by age group



- The number of new disability pensions granted based on mental disorders has increased.
- Among women, the number of disability pensions granted based on mental disorders has grown in all age groups. Among men, the number of disability pensions for mental health reasons has contracted in some age groups, in addition to which growth has been smaller than among women.
- The highest number of disability pensions for mental health reasons were granted to those aged under 35.

More than 84 per cent of rehabilitants returned to the labour market

- The number of rehabilitation applications, which started to grow in autumn, has continued to increase clearly (18.8 per cent). Men's applications grew by 11.1 per cent and women's by 28.4 per cent.
- The proportion of successfully completed rehabilitation programmes is high. Of Varma's rehabilitants, 84.5 per cent were available to the labour market at the end of rehabilitation.
- A positive rehabilitation decision was issued to 454 (472) applicants. This includes decisions based on applications for disability pension or right to rehabilitation.
- Employers are also increasingly using other means to support work ability, such as work arrangements, partial sickness allowance and work trials carried out by decision of occupational healthcare.



Work ability reports provide researched data for work ability management

Varma publishes sector-specific reports on well-being at work, workload factors and workload management. The latest sector-specific report concerned the social and healthcare sector. According to the report, absences due to illness are at a high level in the social and healthcare sector, and workload factors include shift and night work, haste, personnel shortage, restlessness in the work environment and the threat of violence. Awkward working positions and moving patients make the work physically strenuous.

The reports are part of Varma's 'Information about work ability' series. Previously, four sector-specific reports have been published, addressing work ability in data-driven work, the service sector, the transport sector and industry. The reports are available at www.varma.fi/tutkimus.



Sustainability

VARMA

A secure future for everyone

Through our sustainability work we are building a better world for current and future generations.



Investing for change

We aim for better returns and reduced risks through responsible investment.



Ensuring secure pensions

We build trust in pension security and a sustainable future.



For sustainable working life

We support work ability in a world that's going through incredible change.

Latest developments in sustainability



Climate allocation close to the target

At year-end, 24.2 (18.2) per cent, i.e. EUR 13 billion, of Varma's investment portfolio was invested in climate-friendly investments, i.e. the climate allocation. Our target is for the climate allocation to represent 25 per cent of the investment portfolio by 2025.



Active ownership is an important part of engagement

Active ownership and engagement are cornerstones of responsible investment at Varma. In early 2023, Varma has voted at a total of 207 general meetings both in Finland and abroad.



Varma published its Annual and Sustainability Report 2022

In Varma's Annual and Sustainability Report, we disclose the key results of our operations and discuss our actions. In 2022, we published a new sustainability programme, sharpened our climate targets and prepared a biodiversity roadmap for investments.



Current economic issues

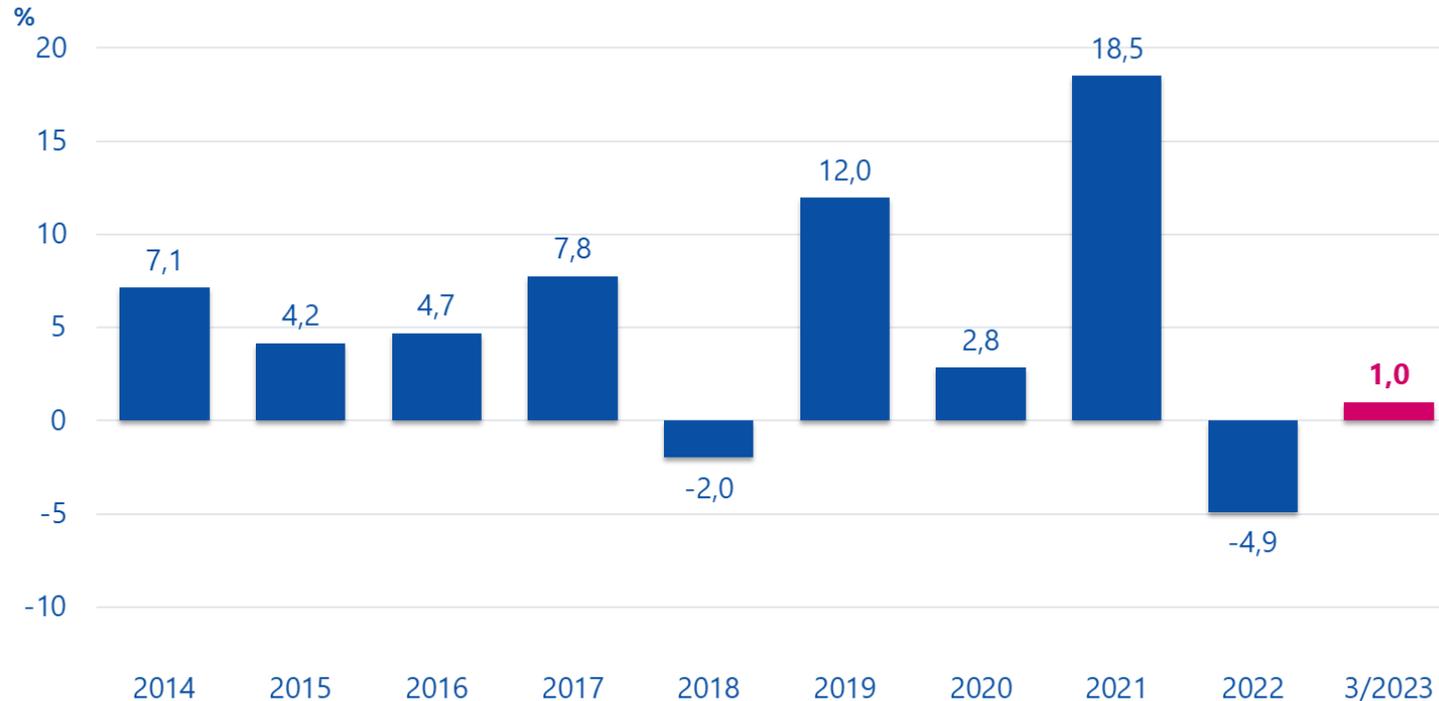
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Outlook for the economy and the investment markets

- Market sentiment is divided: energy prices have come down but central banks still need to maintain tight monetary policy
- The housing market has slowed and banks have tightened lending conditions
- European equities have outperformed their US peers in the first quarter
- In Finland, inflation is eating into consumers' purchasing power, which shows in purchase behaviour
- Unemployment figures have not started to rise, and employment continues to be good despite the challenges faced by the economy
- The green transition that provides solutions for clean energy generation and circular economy attracts investments to Finland



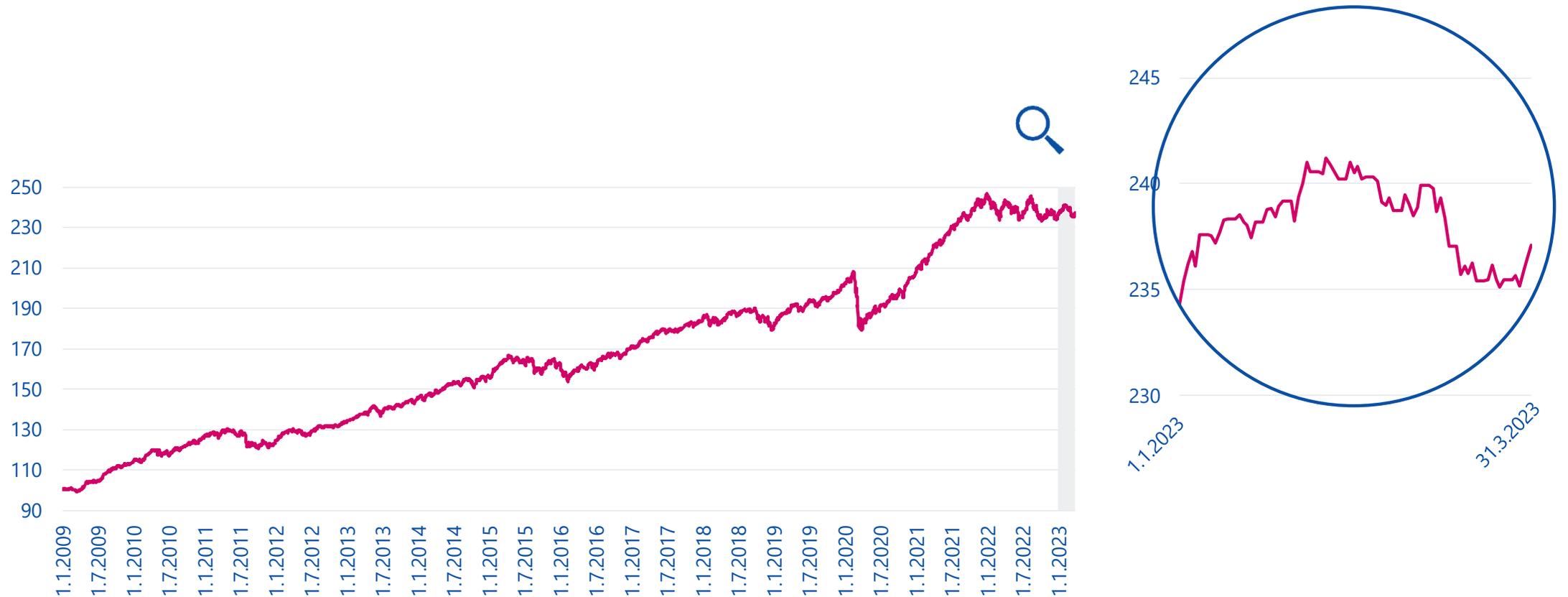
Return on investments



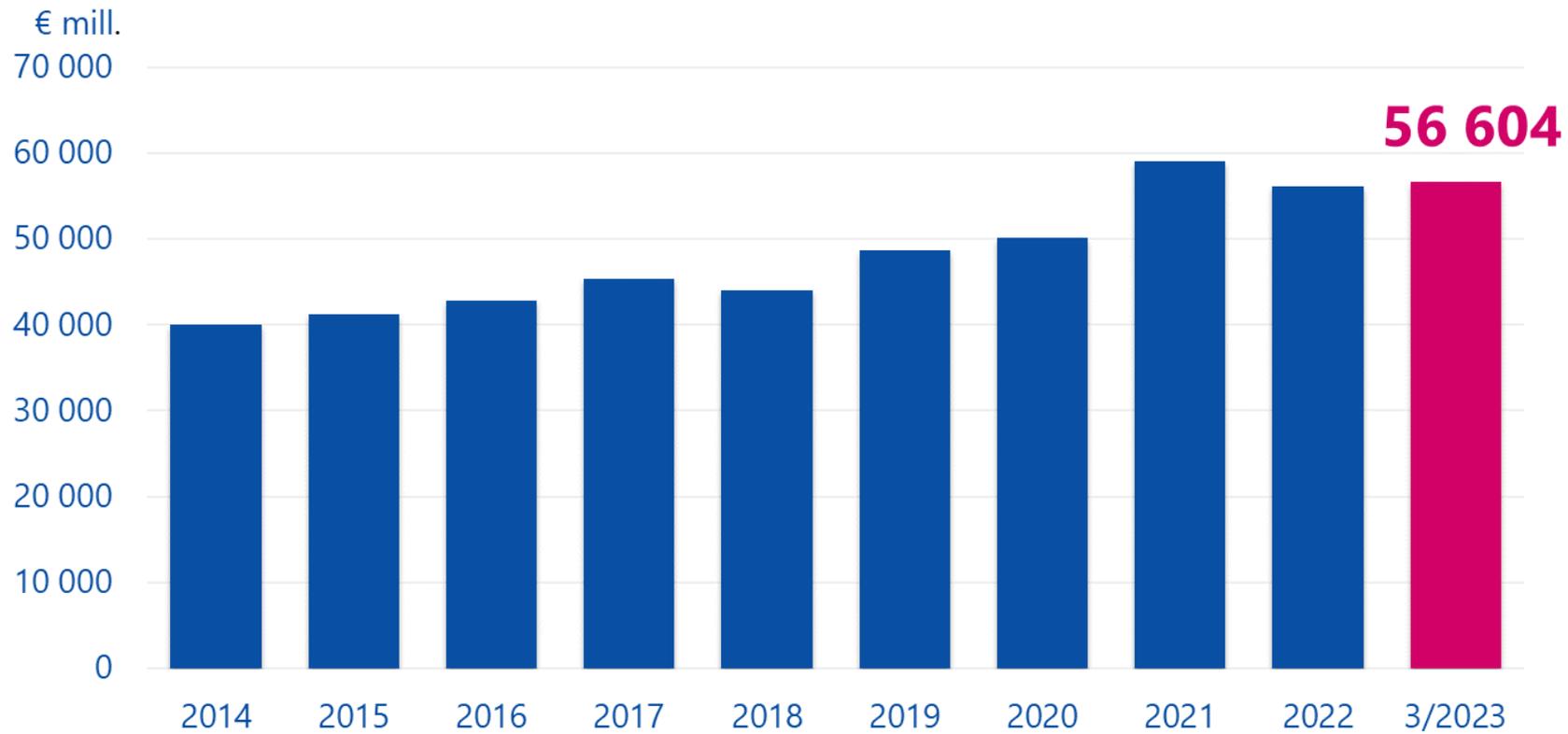
The average nominal return on investments over ten years is approx. 5.5%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **1.0 per cent** in January–March 2023.
- The value of investments was **EUR 56.6 billion** at the end of March.

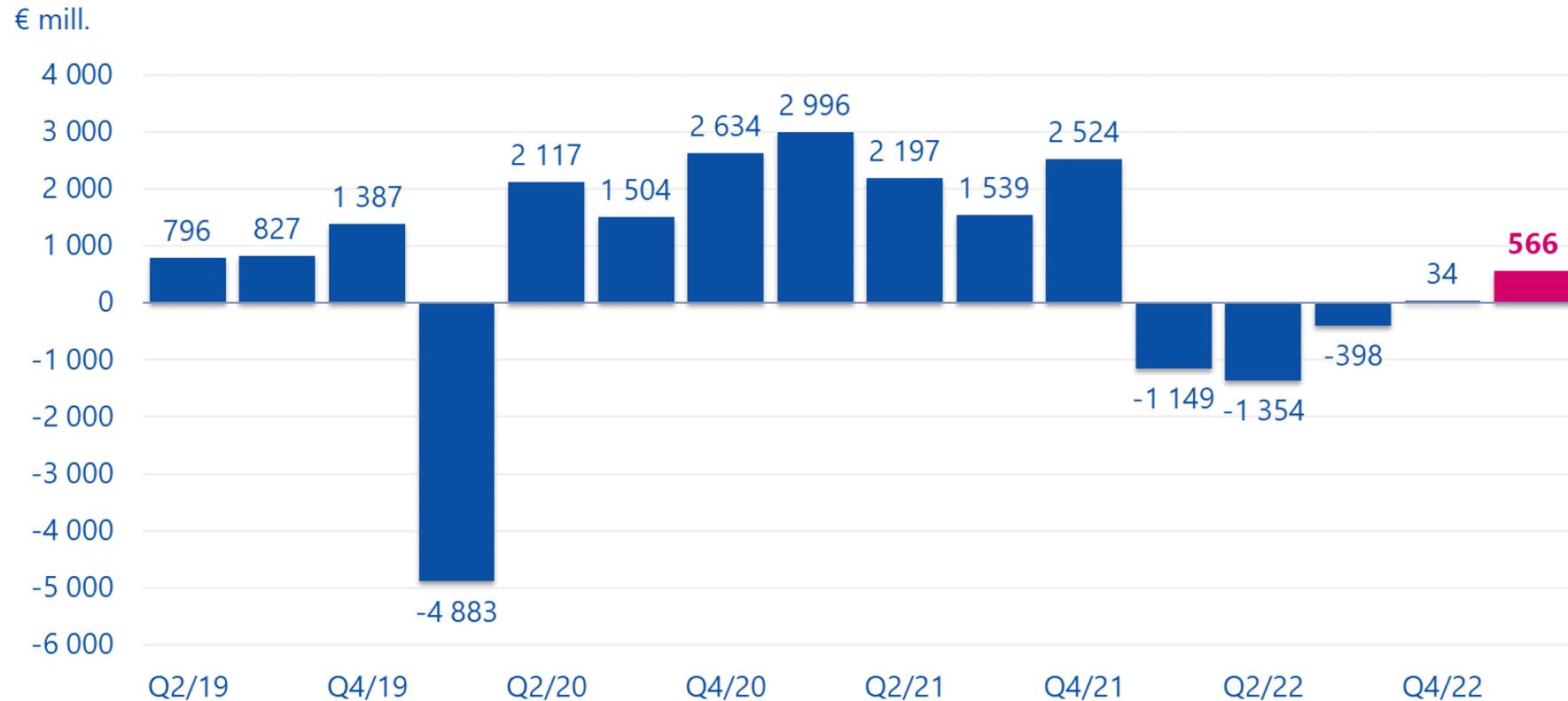
Return development since 2009: cumulative return 137.1%, i.e. €34.1 bn



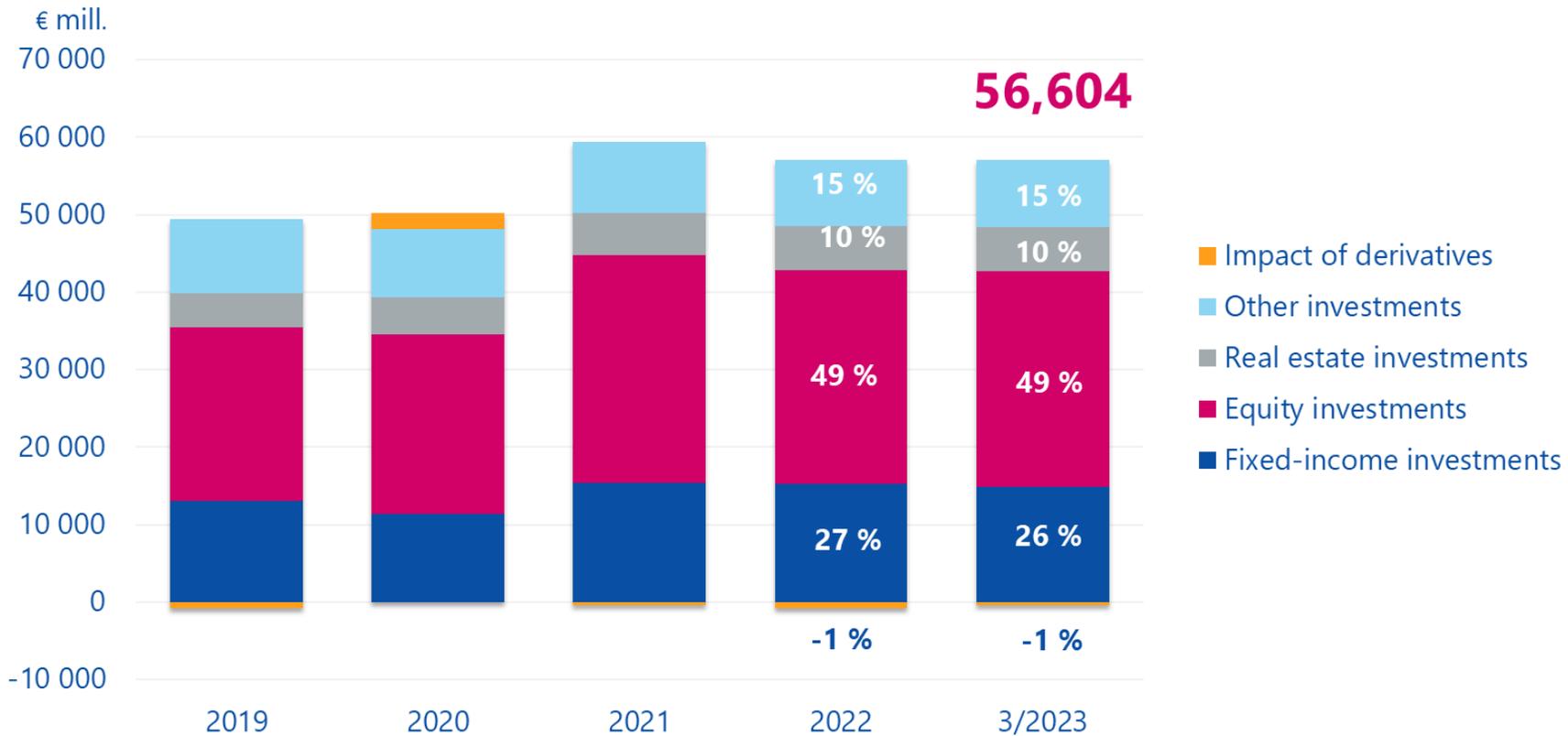
Market value of investments EUR 56.6 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	31 Mar 2023				31 Dec 2021				01-03/2023	01-12/2022	24 m
	Market value				Market value				Return	Return	Vola- tility
	Market Value		Risk position		Market Value		Risk position		MWR	MWR	
	€ mill.	%	%	%							
Fixed-income investments ¹	14 214	25	14 847	26	14 566	26	15 302	27	1,2	-5,2	
Loan receivables	2 772	5	2 772	5	2 829	5	2 829	5	1,5	3,9	
Bonds	9 251	16	9 606	17	8 563	15	8 878	16	1,4	-10,2	5,2
Public bonds	4 698	8	5 062	9	4 611	8	4 844	9	2,0	-13,7	
Other bonds	4 554	8	4 544	8	3 952	7	4 033	7	0,8	-6,5	
Other money-market instruments and deposits	2 190	4	2 468	4	3 174	6	3 595	6	0,3	-0,1	
Equity investments	28 005	49	27 815	49	27 459	49	27 533	49	2,0	-8,7	
Listed equities	17 657	31	17 467	31	17 268	31	17 342	31	2,9	-16,8	14,4
Private equity	9 657	17	9 657	17	9 498	17	9 498	17	0,7	7,9	
Unlisted equities	691	1	691	1	692	1	692	1	-2,2	40,7	
Real estate investments	5 715	10	5 715	10	5 741	10	5 741	10	-0,8	5,7	
Direct real estates	3 185	6	3 185	6	3 171	6	3 171	6	1,0	4,2	
Real estate funds	2 529	4	2 529	4	2 570	5	2 570	5	-2,9	7,6	
Other investments	8 671	15	8 668	15	8 438	15	8 438	15	-1,2	2,7	
Hedge funds	8 678	15	8 678	15	8 433	15	8 433	15	-1,1	2,3	3,2
Commodities	0	0	-6	0	0	0	0	0			
Other investments	-9	0	-9	0	6	0	6	0			
Total investments	56 604	100	57 044	101	56 204	100	57 014	101	1,0	-4,9	5,3
Impact of derivatives			-441	-1			-810	-1			
Investment allocation at fair value	56 604	100	56 604	100	56 204	100	56 204	100			

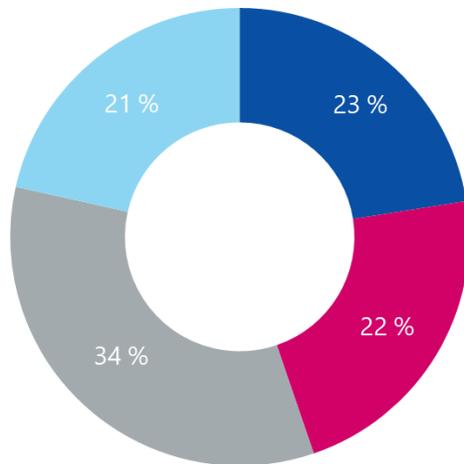
The modified duration for all the bonds is 3.90.

The open currency position is 22.5% of the market value of the investments.

¹ Includes accrued interest

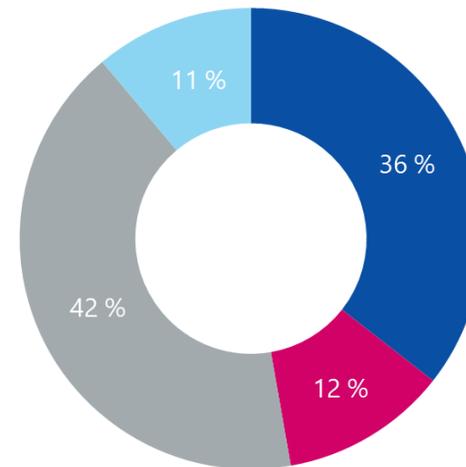
Geographical distribution of investments

Investments



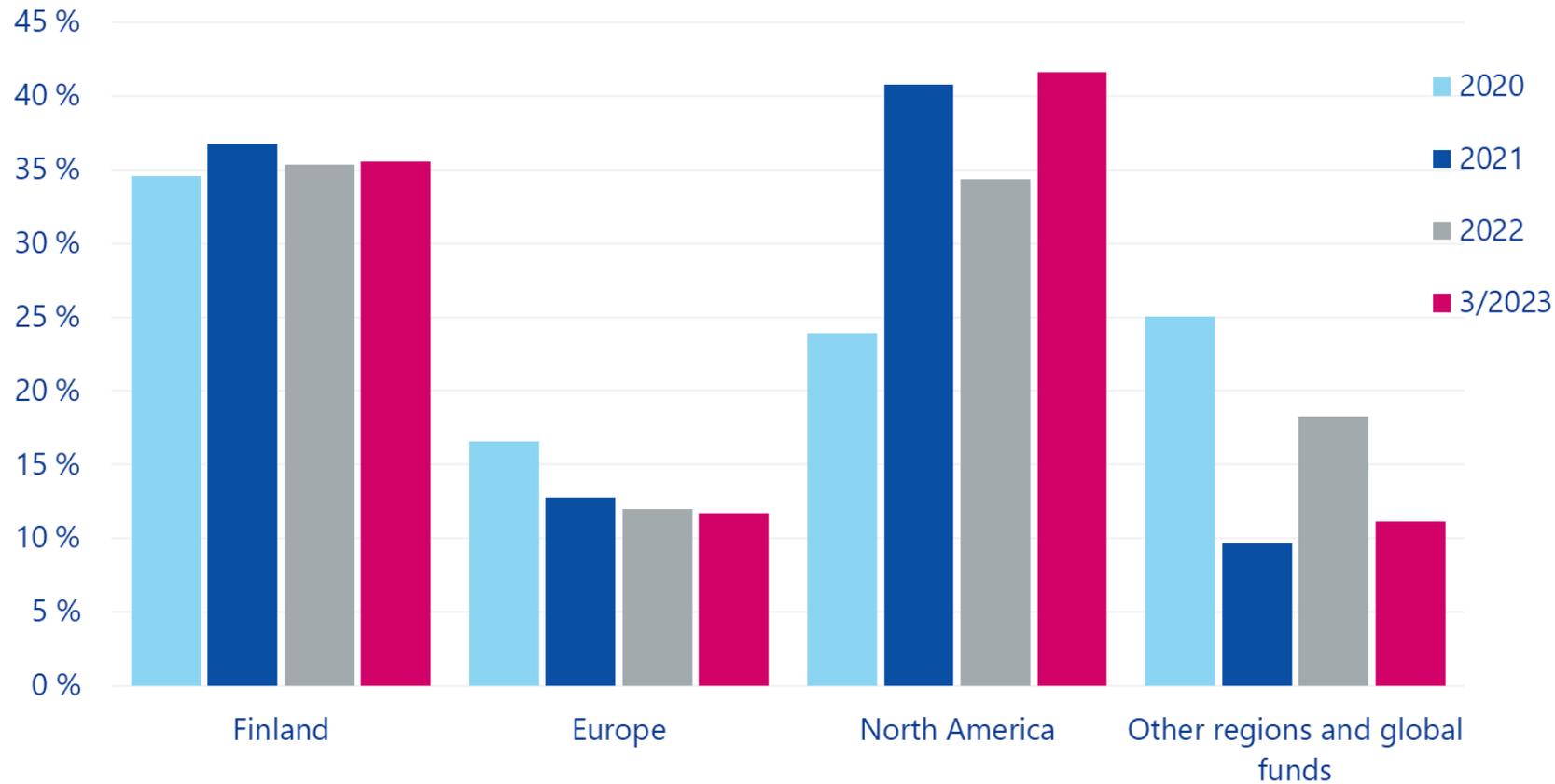
■ Finland
■ Europe
■ North America
■ Other regions and global funds

Listed equities



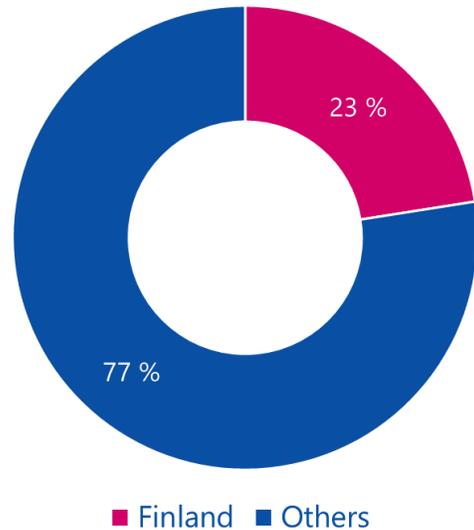
■ Finland
■ Europe
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■ Other regions and global funds

Listed equity investments focussed on Finland and North America

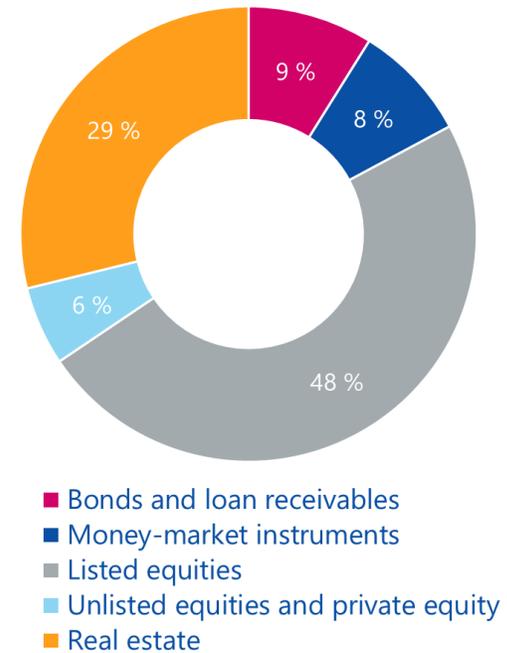


Investments in Finland 23 per cent, i.e. EUR 12.8 billion

Investments in Finland

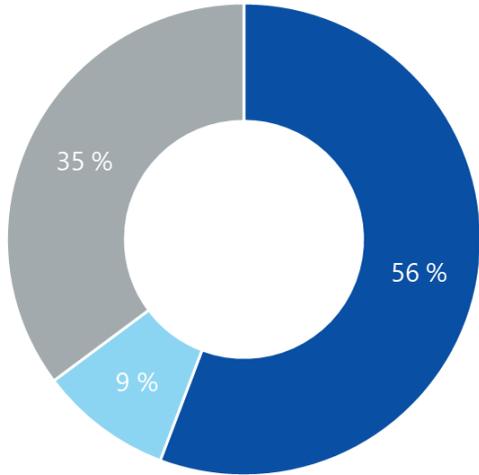


Distribution of Finnish investments



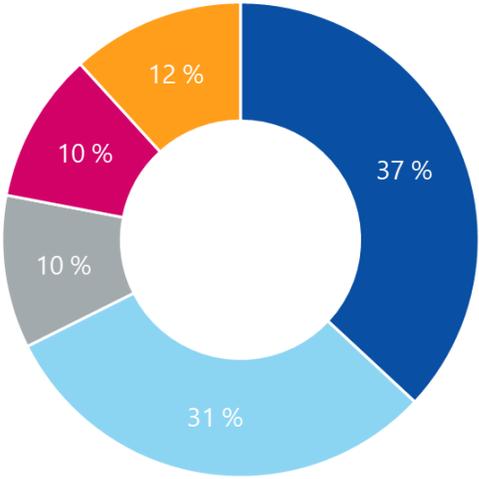
65 per cent of real estate investments, i.e. EUR 3.7 billion, in Finland

Real Estate Investments, €5.7 bn



■ Direct Finland ■ Indirect Finland
■ Indirect Other

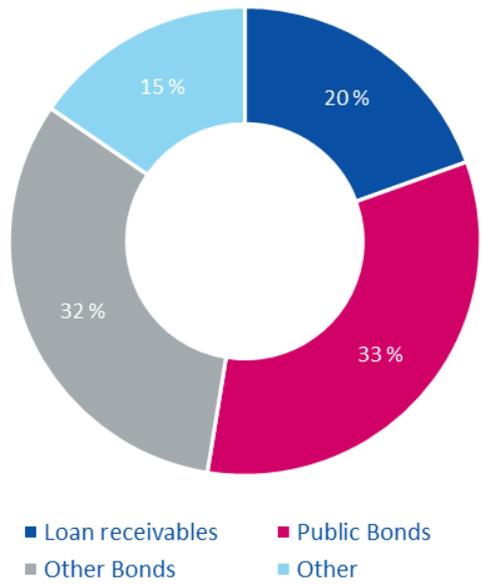
Direct Real Estate Investment Finland, €3.2 bn



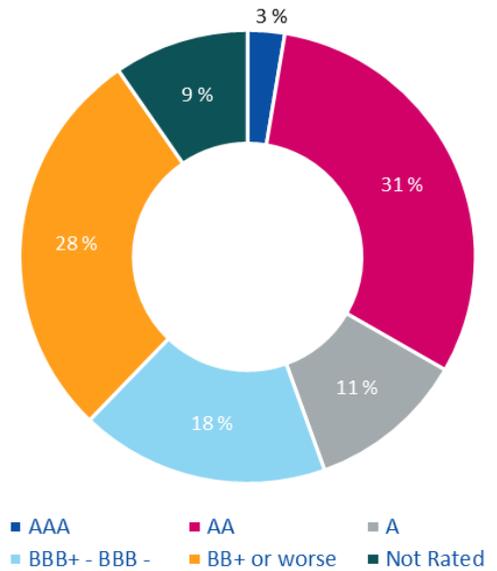
■ Offices ■ Housing ■ Hotels
■ Retail ■ Other

33 per cent of fixed income investments in public-sector bonds

Fixed-income Investments by Market value



Bonds by Credit Rating



Varma's and the markets' investment returns

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
1-3/2023	1,0	2,1	8,4	7,5	2,4	1,7
2022	-4,9	-12,7	-10,6	-18,1	-18,4	-14,2
2021	18,5	25,3	24,9	28,7	-3,4	-1,1
Average nominal return						
5 years	5,2	7,7	7,0	11,2	-2,1	-1,3
10 years	5,5	11,5	7,3	12,2	1,0	0,9
Since 1999 *	5,5	8,4	4,7	7,1	3,2	3,1
Average real return						
5 years	1,9	4,3	3,5	7,6	-5,2	-4,5
10 years	3,5	9,4	5,3	10,1	-0,9	-1,0
Since 1999 *	3,5	6,4	2,7	5,1	1,2	1,2

* 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

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