



**Varma's Interim Report**  
**1 January–31 March 2024**

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**VARMA**

# Key figures 1-3/2024

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Return on  
investments

**3.6%**



Value of  
investments

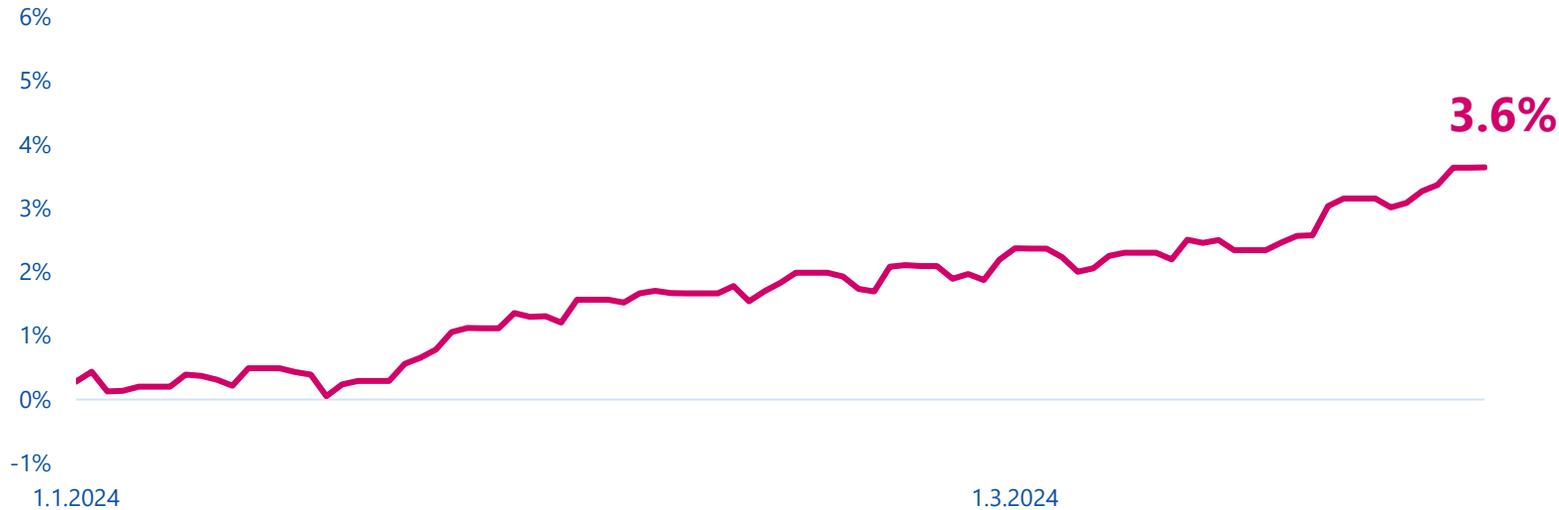
**€60.9 bn**



Solvency

**€15.1 bn**

# 3.6 per cent return on Varma's investments

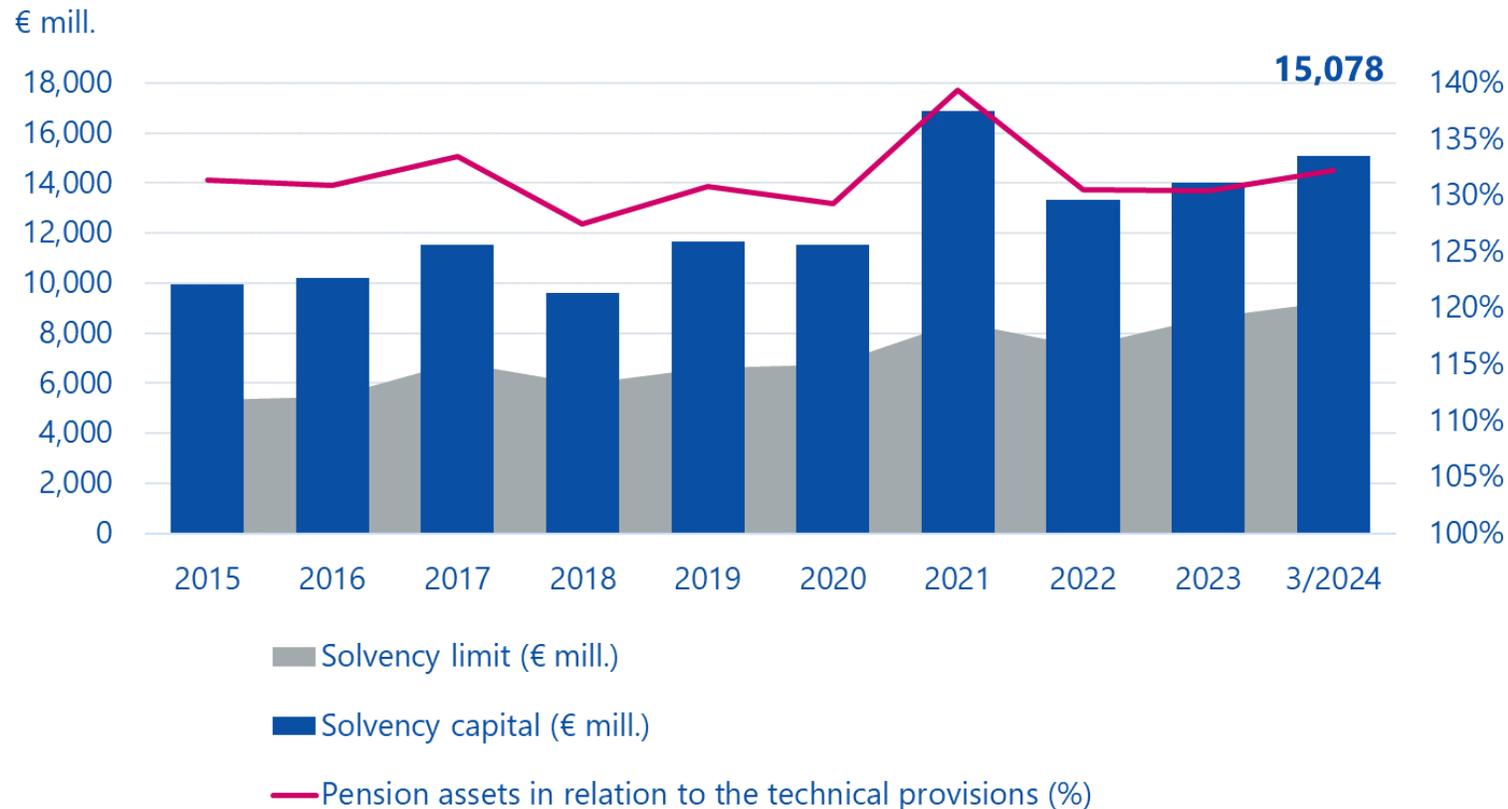


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Equities have performed favourably for five months now, starting at the end of last year. Unfortunately, however, there has been no change for the better in the Helsinki stock exchange. Interest rates are expected to fall in the eurozone, which will eventually bring relief to Finland's economy too.

**Risto Murto**, President and CEO

# Varma is the most solvent earnings-related pension company



- Solvency strengthened in the first quarter of the year.
- Solvency capital was EUR **15.1 billion**.
- Solvency capital was **1.6 times** the solvency limit.
- The solvency ratio was **132.2 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>1-3/2024</b>	<b>1-3/2023</b>	<b>12 months</b>	<b>1-12/2023</b>
Investment return (MWR)	3.6%	1.0%	8.7%	6.0%

	<b>3/2024</b>	<b>3/2023</b>	<b>12/2023</b>
Solvency capital (€ mill.)	15,078	13,103	14,010
Solvency capital / solvency limit	1.6	1.8	1.6
Solvency ratio (%)	132.2	129.6	130.4
Investments at fair value (€ mill.)	60,939	56,604	59,078

# Insurance and pensions

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# Varma takes care of the pension cover of over 941,000 people



Insured  
employees and  
entrepreneurs

**590,900**



Pensioners

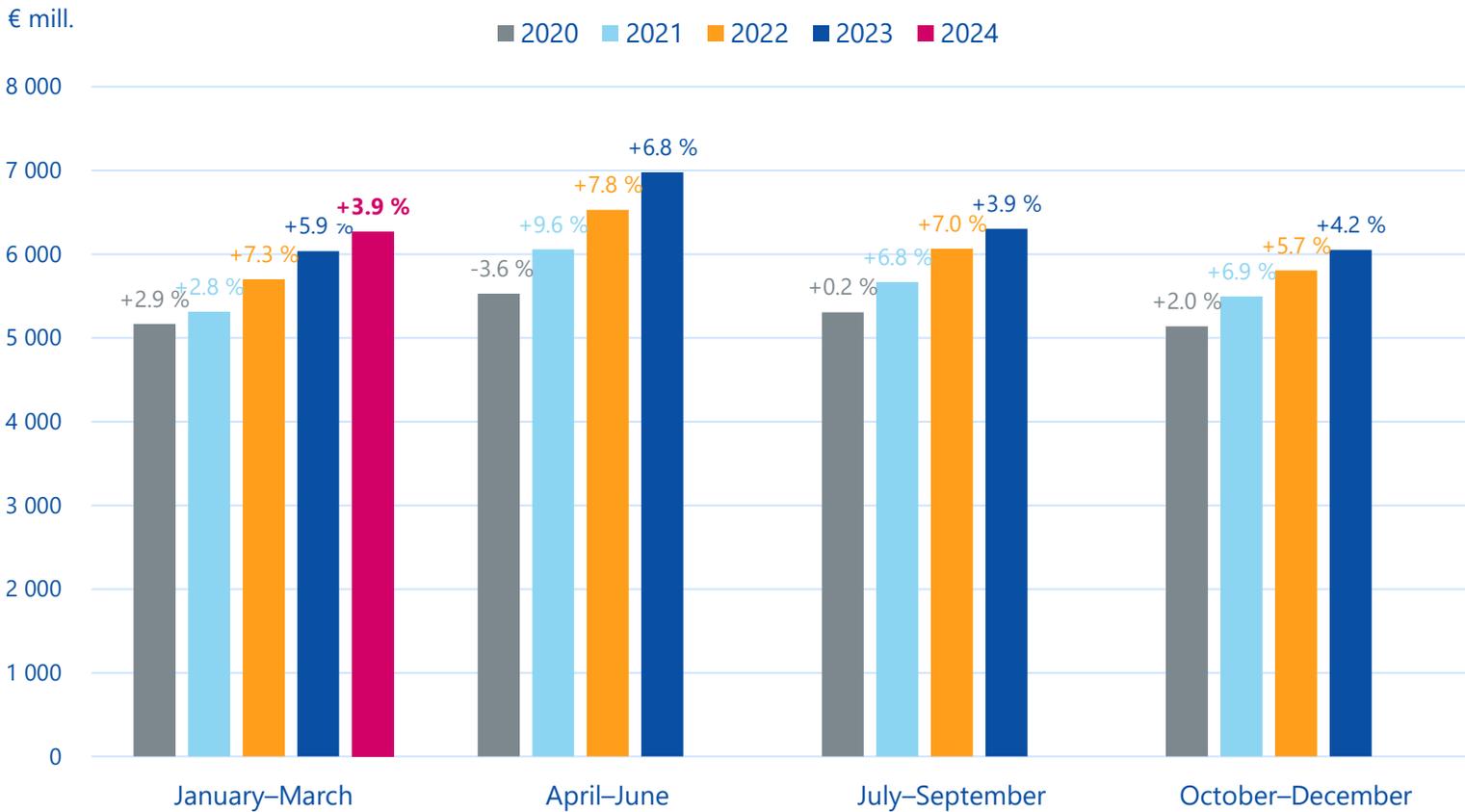
**350,200**



Pensions paid

**€1.9 bn**

# Growth in TyEL payroll continued in January–March

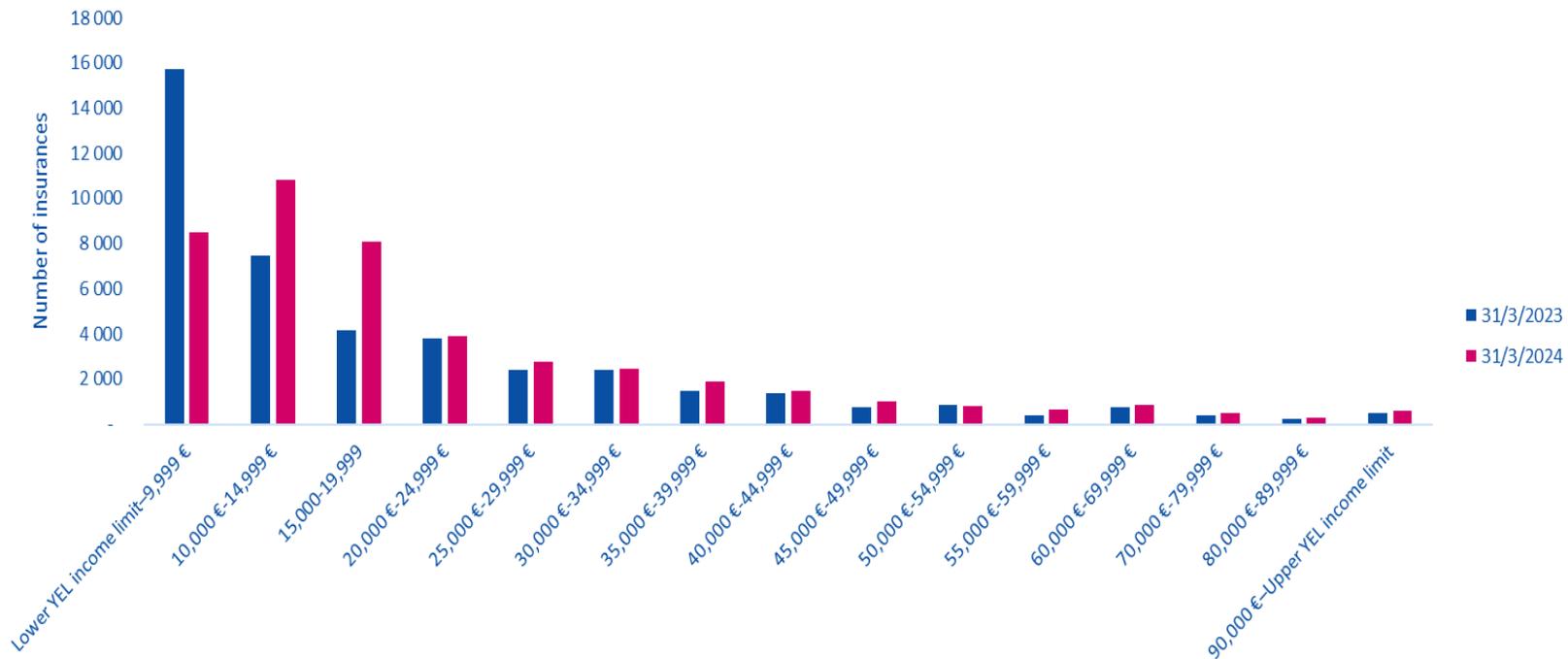


The TyEL payroll of Varma’s clients grew **3.9 per cent** in January–March compared to the same period last year.

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

# YEL income on the rise

The biggest increase in the confirmed income of the self-employed was in the lower YEL income categories



- Last year, in line with an amendment to the YEL act, Varma reviewed the income of self-employed people whose YEL income was less than EUR 15,000.
- Some 85% of entrepreneurs whose income was reviewed received a proposal for a new level of YEL income. The average increase in YEL income was EUR 3,870.
- This year, Varma is reviewing the income of entrepreneurs whose YEL income is under EUR 25,000, and at least three years have elapsed since their income was last confirmed or substantially changed. The income of just under 8,000 entrepreneurs is scheduled for a review this year.
- The right level of YEL income strengthens both an entrepreneur's pension accrual and their social security.

# Current information about pensions

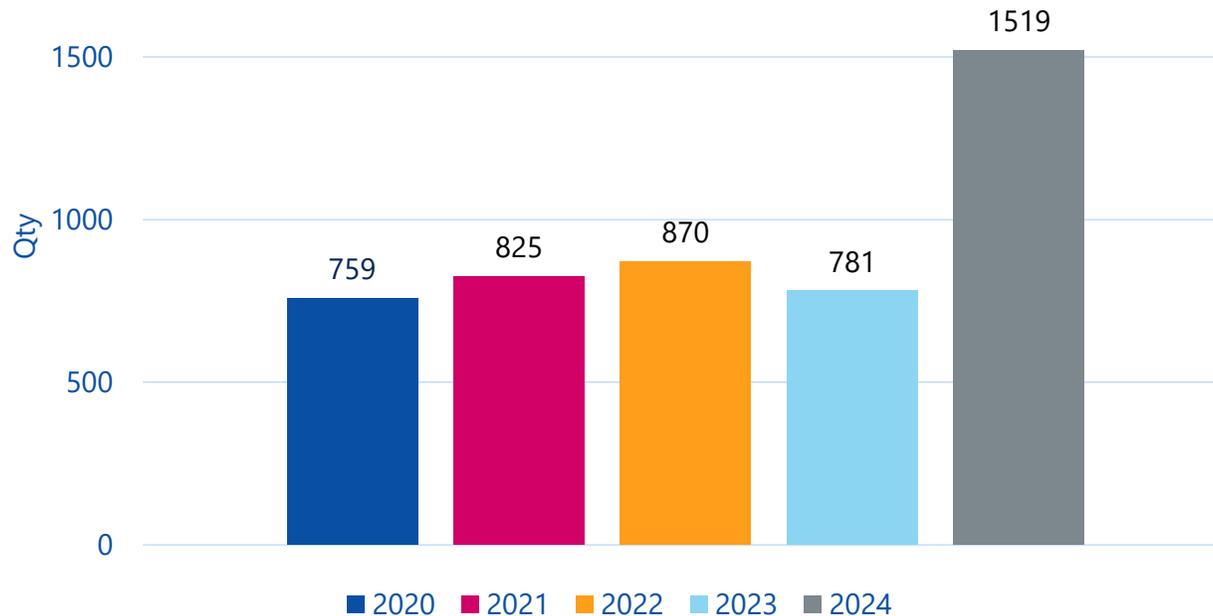
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- 7,400 new pension and preliminary decisions were made in January–March, which is 30% more than the previous year. In last year’s comparison period, not a single age cohort reached their statutory old-age retirement age, which kept the number of decisions low.
- The average age for retiring on old-age pension was 64 years, 9 months. In the first quarter of 2024, the earliest a person born in 1959 could retire on old-age pension was at the age of 64 years and 3 months.
- The increase in life expectancy is reflected in the extended pension periods. At the end of March, Varma had 325 pension recipients who had reached the age of 100. 286 of them were women. The longest some of Varma’s pensioners have been receiving old-age pension is more than 40 years.

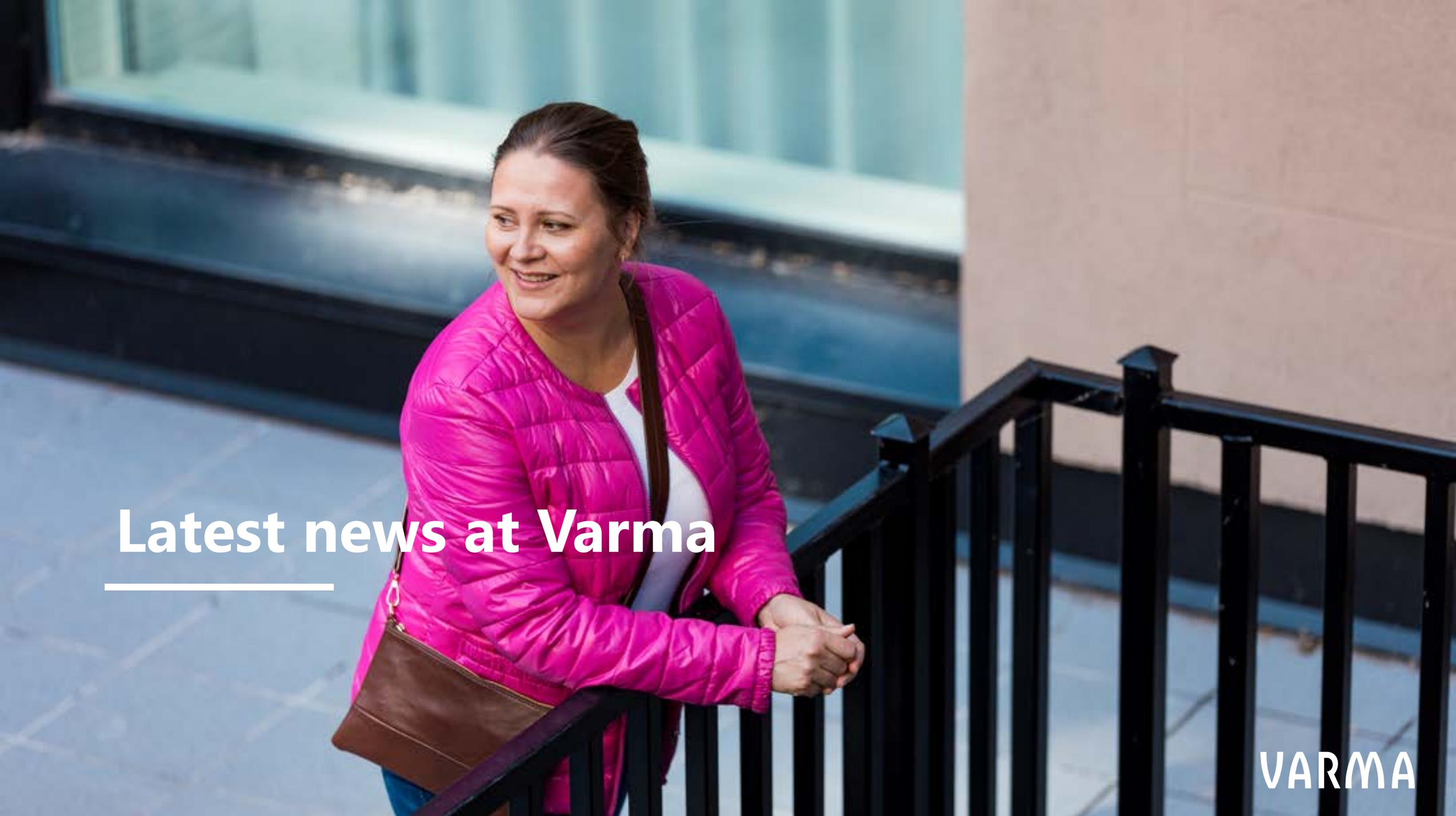


# Partial old-age pension still popular

Partial old-age pension applications Q1/2020-2024



- Partial old-age pension applications increased 94 per cent compared to the same period last year.
- The number of new pensions granted was 1,382.
- The average age of those retiring was 61.9 years. Nearly one third retired immediately after turning 61.
- It is also possible to retire on partial old-age pension after reaching the lowest retirement age, in which case an increase for deferred pension is added to the person's pension. These decisions amounted to 61.
- Men accounted for 67 per cent of the decisions on partial old-age pension.
- The most popular option was the 50% pension, which was granted to more than three quarters of applicants. Women applied for the 25% pension option slightly more than men.
- Additionally, 84 people applied to switch from the 25% pension to the 50% pension option. The average age of those receiving a decision was 62.7.

A woman with dark hair tied back, wearing a vibrant pink quilted jacket over a white top, is leaning on a black metal railing. She is smiling and looking towards the left. A brown shoulder bag is visible. The background shows a building with a window and a light-colored wall.

**Latest news at Varma**

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**VARMA**

# New ethical guidelines for artificial intelligence (AI) steer the use of AI at Varma

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## **Towards ethically sustainable daily AI use**

Varma's ethical guidelines for AI, drawn up by a working group made up of Varma specialists, were published in the spring. They sum up the goals, procedures and limits required by the ethically sustainable use of AI.



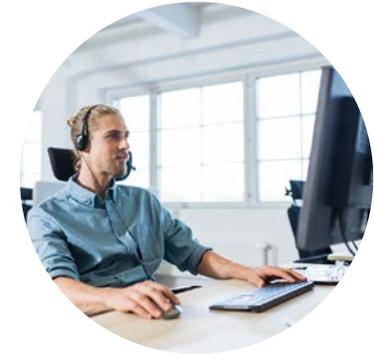
## **AI boosts work efficiency and introduces new ways of working**

New AI tools now support the work of Varma's specialists. In addition to training, continuously sharing ideas and use cases is important to ensure that effective practices become part of the daily work routines and that the work takes shape by harnessing new opportunities.



## **AI pilots for developing processes and services**

At Varma, several AI trials and development projects are underway with the aim of improving efficiency and the customer experience.



## **EU's AI Act**

Varma is preparing for the start of the application of the EU's AI Act through measures that will ensure compliance with the requirements of the Act.



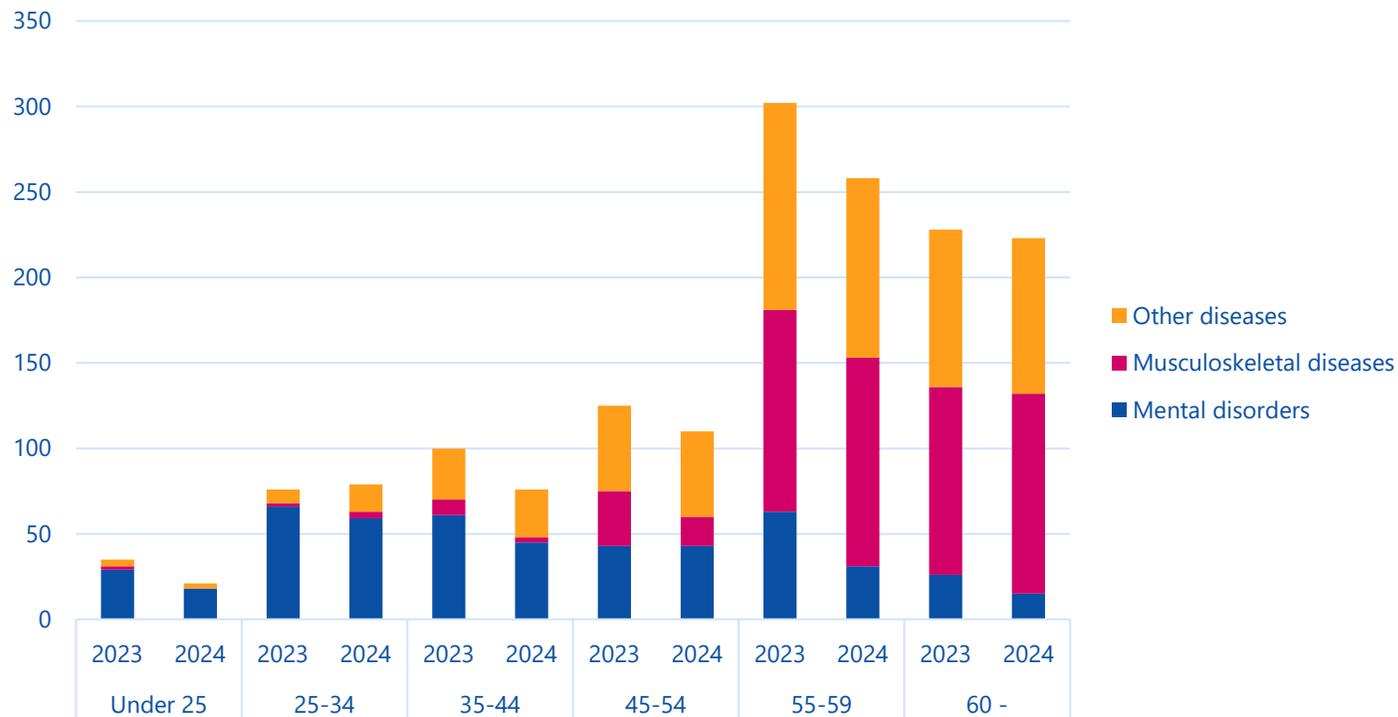
# Disability risk management

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VARMA

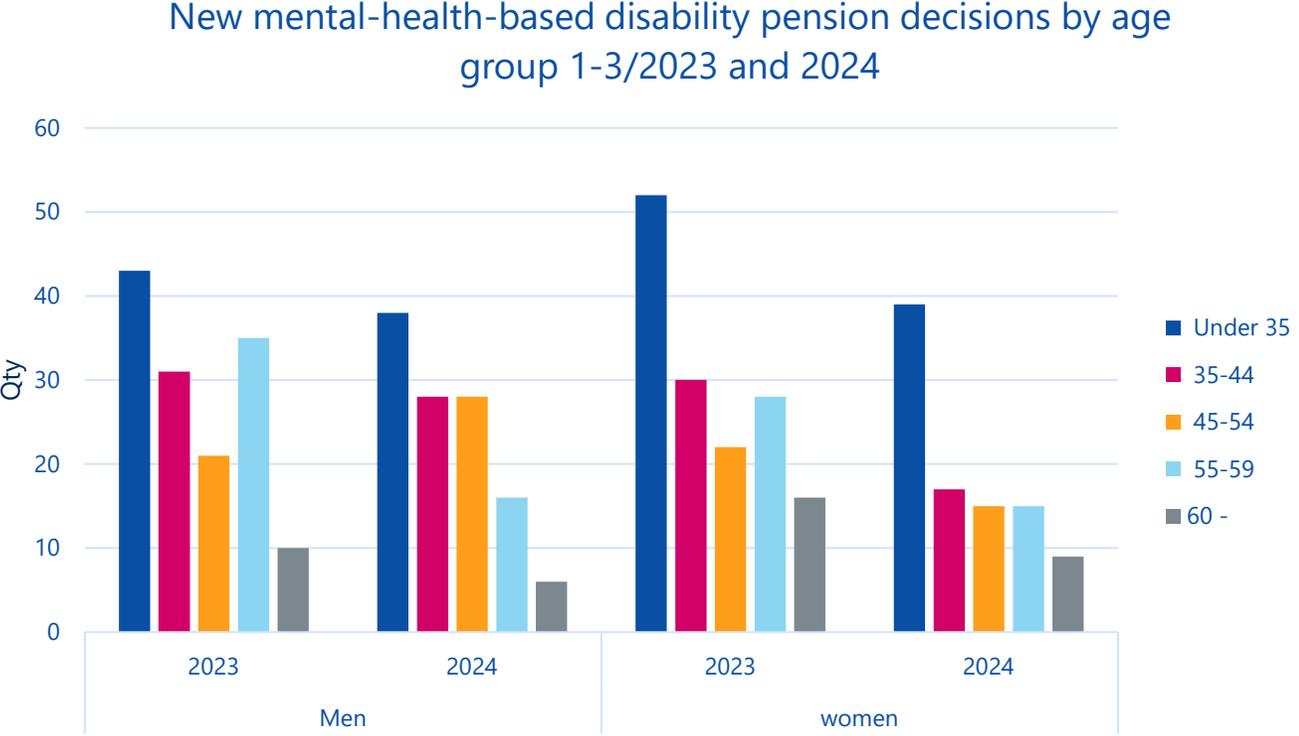
# The number of new disability pensions granted decreased in nearly all age cohorts

New disability pensions by age group 1-3/2023 and 2024



- The number of new disability pension applications increased 10 per cent compared to the same period last year. Most applications came from those between the ages of 55–59.
- 11 per cent fewer new disability pensions were granted compared to the same period last year. The reason for the decrease is the significant increase in the number of rejected applications.
- Mental health disorders accounted for 32 per cent and musculoskeletal diseases for 27 per cent of granted disability pensions.

# Under 35-year-olds again accounted for the highest number of new disability pensions granted for mental health reasons



- The number of new disability pensions granted on the basis of mental health disorders fell 27 per cent compared to the same period last year. The reason for the decrease is the significant increase in the number of rejected applications.
- The biggest relative decrease in disability pensions granted on the basis of mental health disorders was seen in the 55–59 and over 60 age cohorts.
- Most new disability pensions for mental health reasons were again granted to those under 35, as in the previous year.



# Rehabilitation applications in decline in Q1

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- Varma received 13 per cent fewer rehabilitation applications and 14 per cent fewer rehabilitation plans compared to the same period last year.
- Positive rehabilitation decisions were issued to a total of 365 applicants, 156 of whom received the decision along with a disability pension decision.
- In 44 per cent of the positive rehabilitation decisions that were issued, the main diagnosis was musculoskeletal disease.
- More than 80 per cent of Varma's rehabilitants return to the labour market.
- In addition to rehabilitation, employers are 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.



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.

# Varma awarded EcoVadis Platinum Medal

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- The globally recognised business sustainability rating provider EcoVadis rated Varma's sustainability practices as excellent in an independent assessment. Varma ranked in the top 1 per cent of the more than 100,000 companies analysed. EcoVadis gave Varma the Platinum Medal.
- Varma received four out of five stars in the UN-supported Principles for Responsible Investment's (PRI) assessment.
- Varma's Annual and Sustainability Report that was published in March reports on the company's key operational results and sustainable actions from the perspectives of pension cover, investments and sustainable working life.



# Latest developments in sustainability

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## Environment

Varma's updated environmental policy recognises the significance of environmental impacts throughout the value chain and comprehensively takes into account sectors that are exposed to biodiversity loss.



## People and society

Varma was chosen as one of Finland's Most Inspiring Workplaces in Eezy Flow's employee survey for the sixth year in a row.



## Good governance

We started preparing for sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD) by identifying the reporting and development needs and creating a report template. We will report in line with the CSRD in our 2024 financial statements.

# We track the progress of our climate targets

Updated Dec 31, 2023

## SBT targets

**Increase the share of investees committed to the SBT initiative of all investees covered by the target to 51% by 2027**



**Greenhouse gas emissions from Varma's own operations down 60% compared to the 2021 level by 2030**



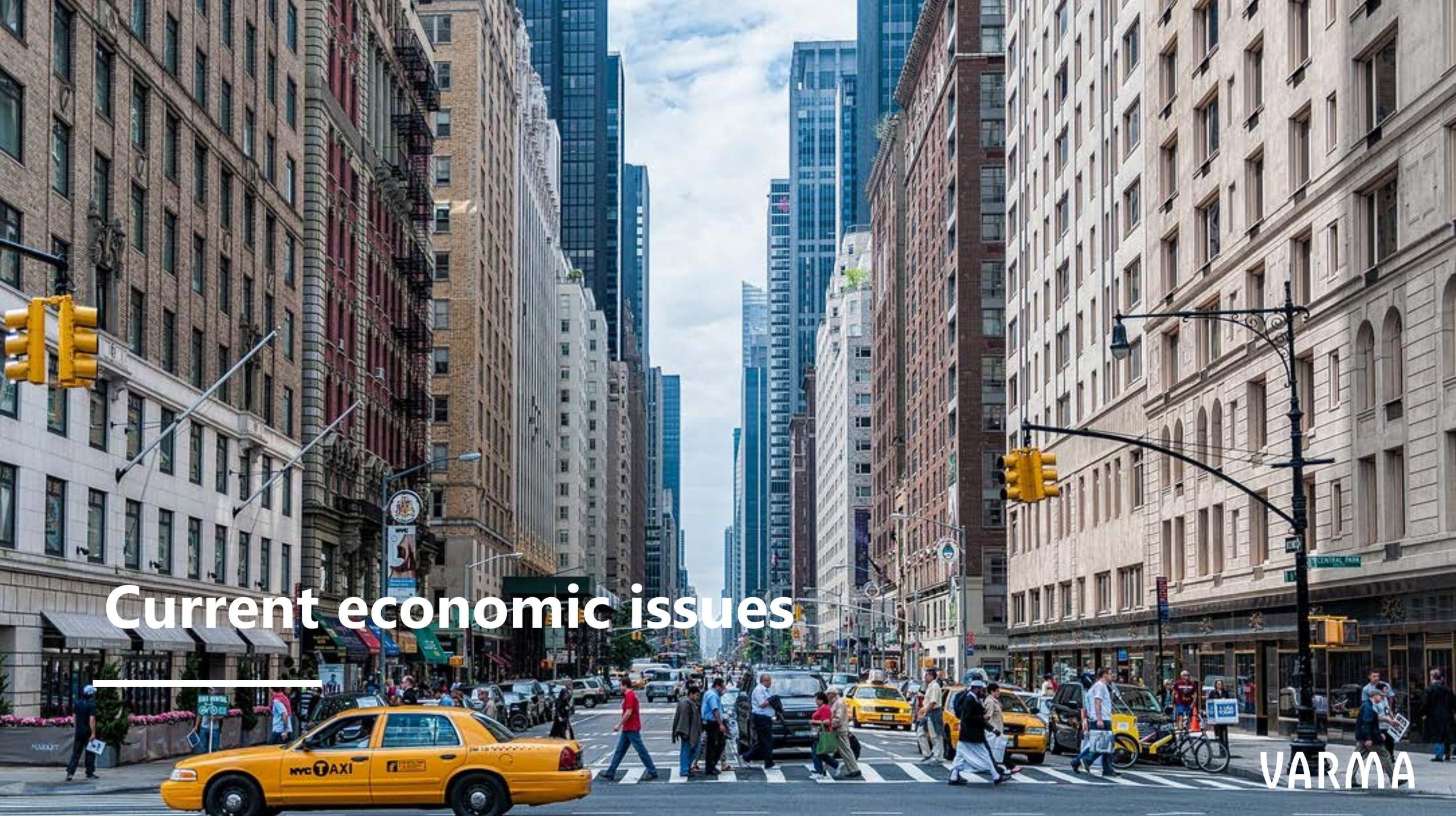
## Investment portfolio's climate targets

**Climate allocation 50% of the portfolio by 2027**



**Investment portfolio's absolute greenhouse gas emissions down 75% compared to the 2021 level by 2035**





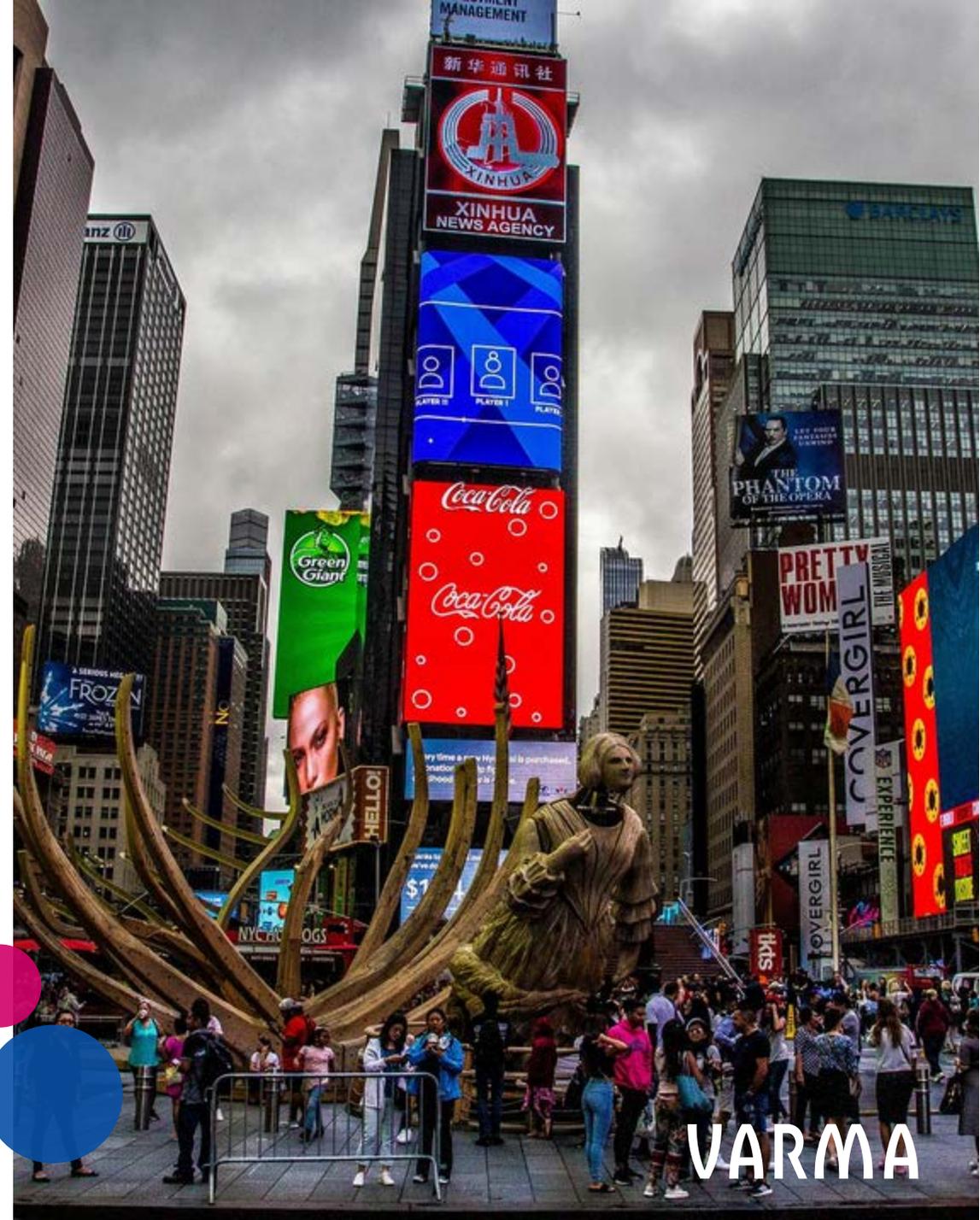
# Current economic issues

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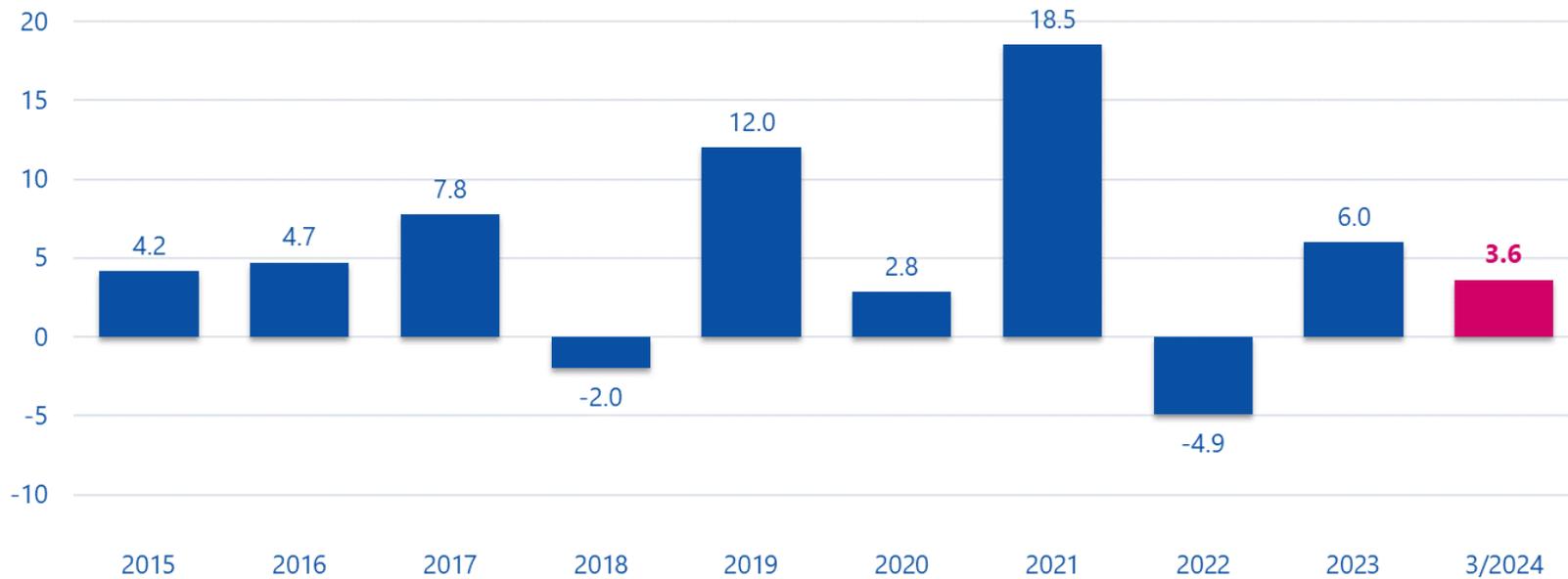
# Outlook for the economy and the investment markets

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- The development of the US economy and labour market has been stronger than expected.
- Economic growth in countries other than the USA has been rather sluggish.
- In Europe, inflation has clearly slowed.
- The ECB has anticipated that it will cut interest rates in June, but the USA's stronger-than-expected economic development may put the brakes on that plan.
- Geopolitical risks are elevated, tensions in the Middle East have increased the risks.
- Finland's economy is expected to pick up with the fall in interest rates.



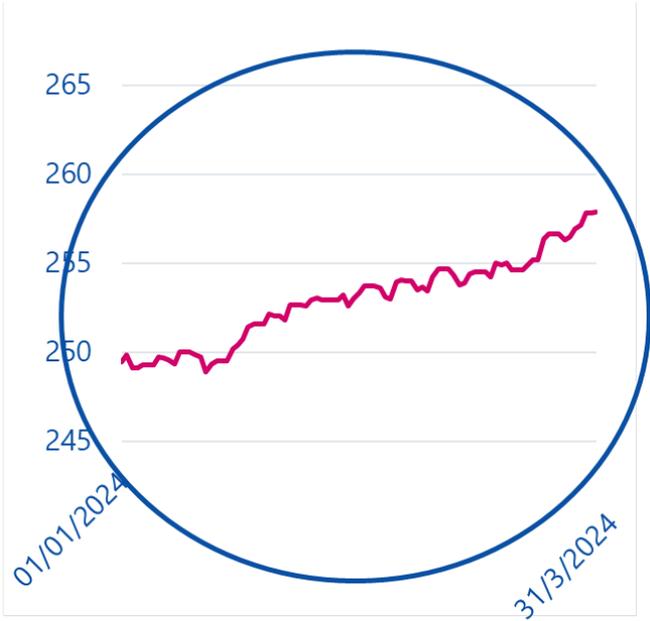
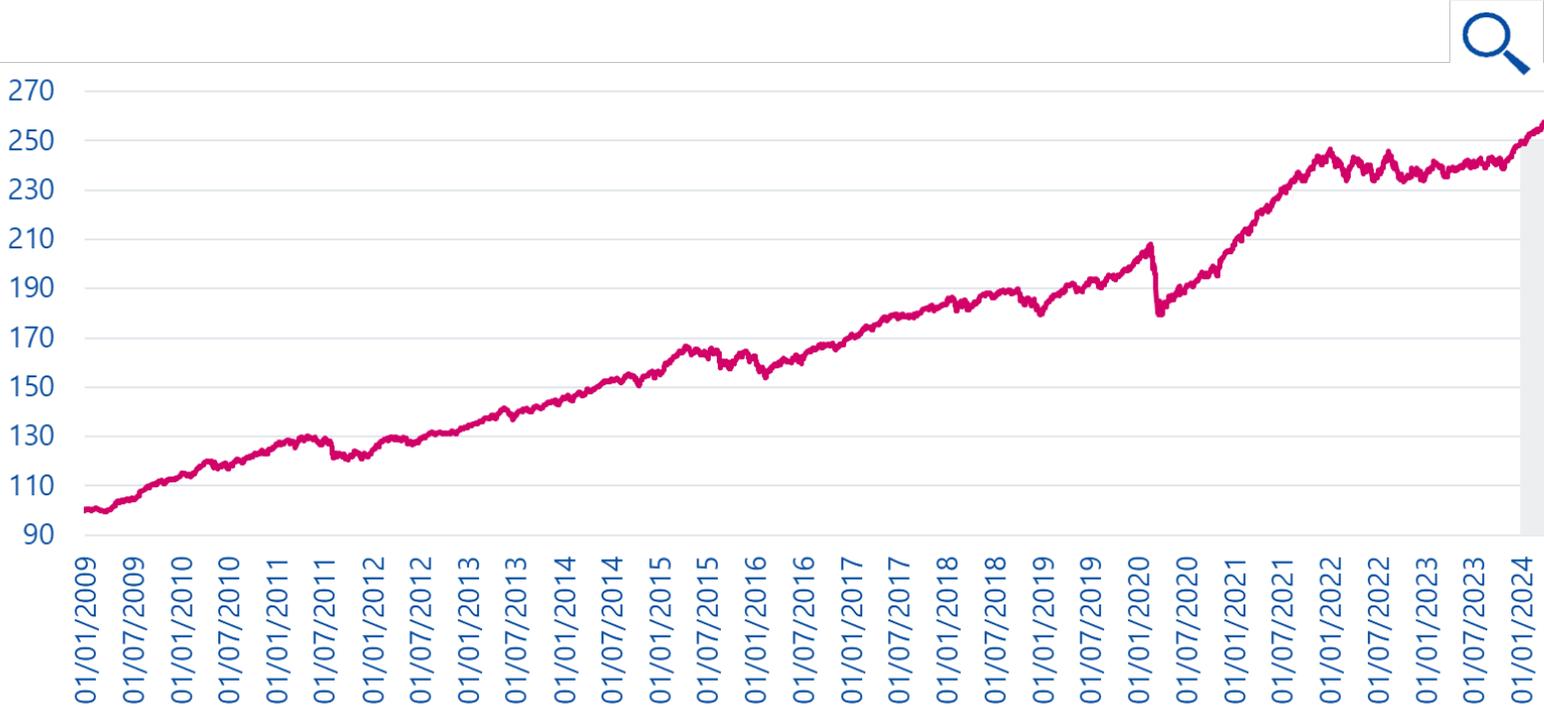
# Return on investments since 2015



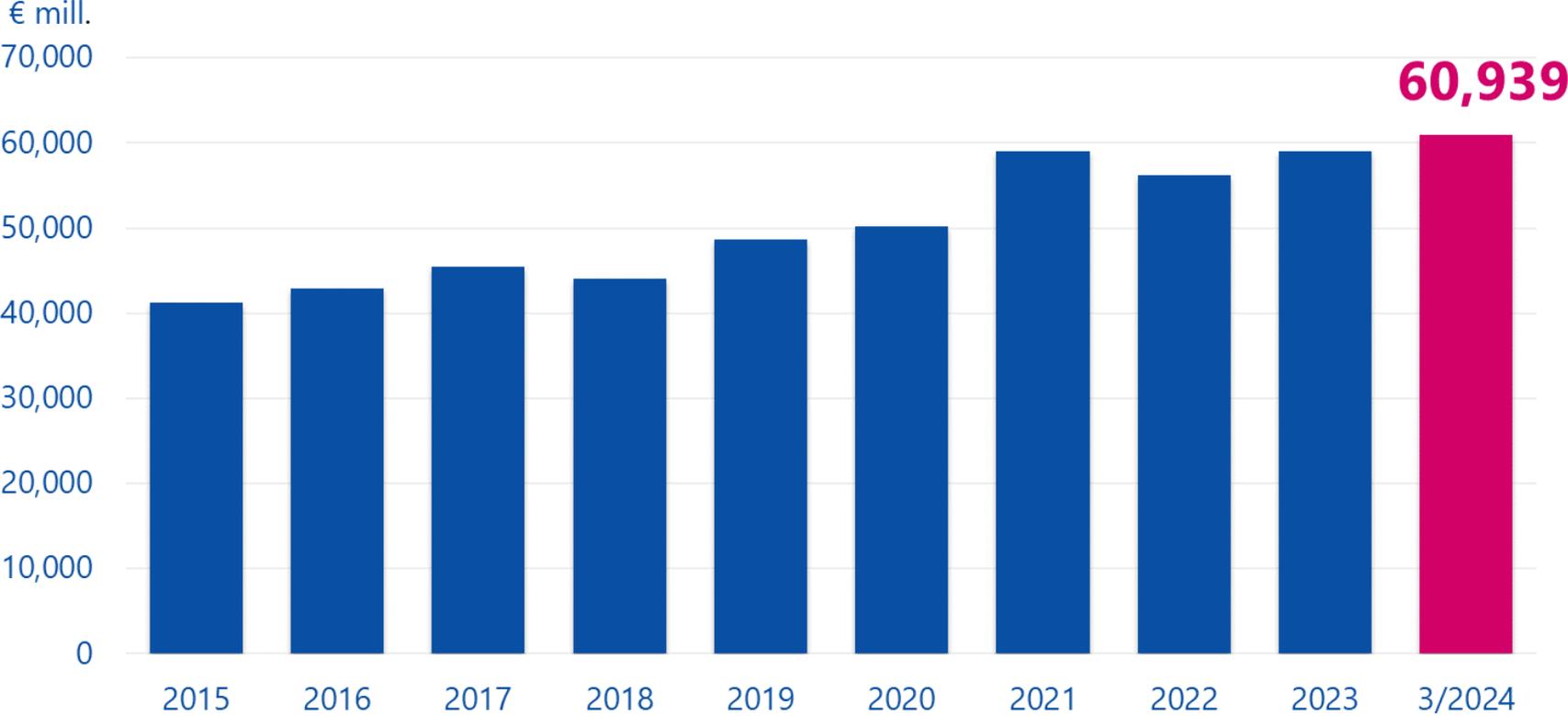
The average nominal return on investments over ten years is approx. 5.6%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **3.6 per cent** in January–March 2024.
- The value of investments was **EUR 60.9 billion** at the end of March.

# Return on investments since 2009: EUR 39 billion, i.e. 157.8 per cent



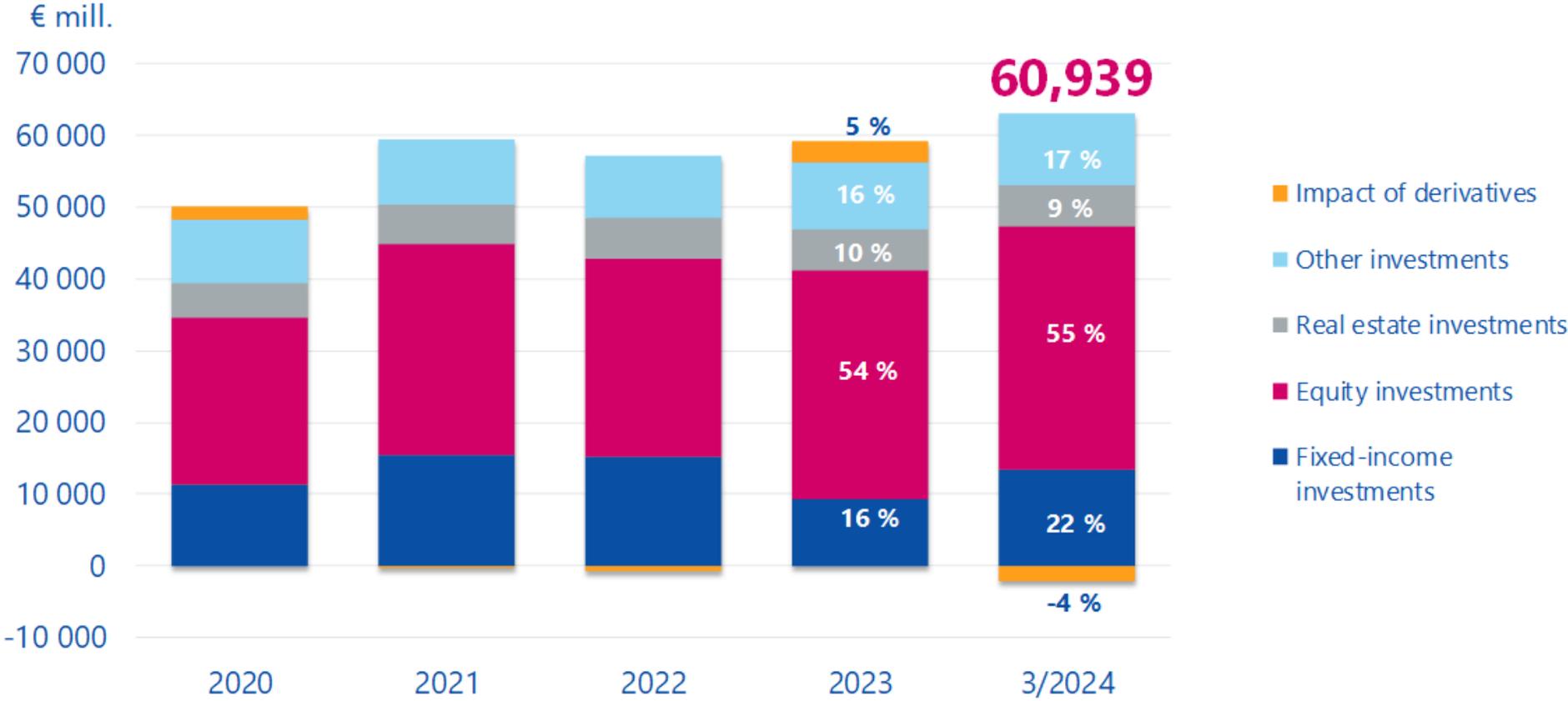
# The value of Varma's investments exceeded EUR 60 billion for the first time



# Return on investments at fair values by quarter



# In the investment allocation, 55% invested in equities

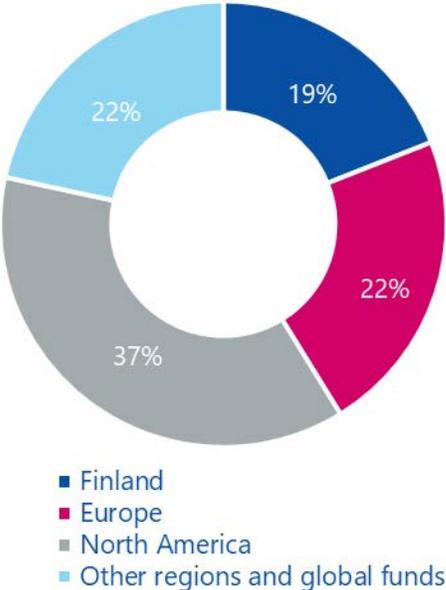


# Investments classified according to risk

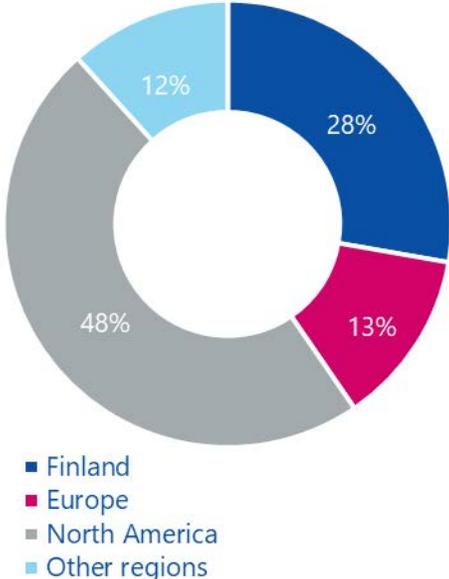
	03/2024				12/2023		01-03/2024
	Market value				Market value		Return
	Market Value		Risk position		Risk position		MWR
	mill. €	%	mill. €	%	mill. €	%	%
<b>Fixed-income investments</b>	<b>11 598</b>	<b>19</b>	<b>13 495</b>	<b>22</b>	<b>9 307</b>	<b>16</b>	<b>1,0</b>
Loan receivables	2 538	4	2 538	4	2 598	4	2,6
Bonds	7 756	13	10 038	16	8 967	15	0,6
Other money-market instruments and deposits	1 305	2	920	2	-2 259	-4	0,4
<b>Equity investments</b>	<b>33 556</b>	<b>55</b>	<b>33 797</b>	<b>55</b>	<b>31 866</b>	<b>54</b>	<b>5,3</b>
Listed equities	21 912	36	22 153	36	20 626	35	6,7
Private equity	10 792	18	10 792	18	10 425	18	3,0
Unlisted equities	852	1	852	1	815	1	1,6
<b>Real estate investments</b>	<b>5 677</b>	<b>9</b>	<b>5 677</b>	<b>9</b>	<b>5 641</b>	<b>10</b>	<b>-0,7</b>
Direct real estates	3 062	5	3 062	5	3 021	5	1,0
Real estate funds	2 615	4	2 615	4	2 620	4	-2,7
<b>Other investments</b>	<b>10 109</b>	<b>17</b>	<b>10 116</b>	<b>17</b>	<b>9 480</b>	<b>16</b>	<b>3,9</b>
Hedge funds	10 100	17	10 100	17	9 480	16	3,9
Other investments	9	0	16	0	0	0	
<b>Total investments</b>	<b>60 939</b>	<b>100</b>	<b>63 085</b>	<b>104</b>	<b>56 294</b>	<b>95</b>	<b>3,6</b>
Impact of derivatives			-2 146	-4	2 784	5	
<b>Investment allocation at fair value</b>	<b>60 939</b>	<b>100</b>	<b>60 939</b>	<b>100</b>	<b>59 078</b>	<b>100</b>	

# Geographical distribution of investments

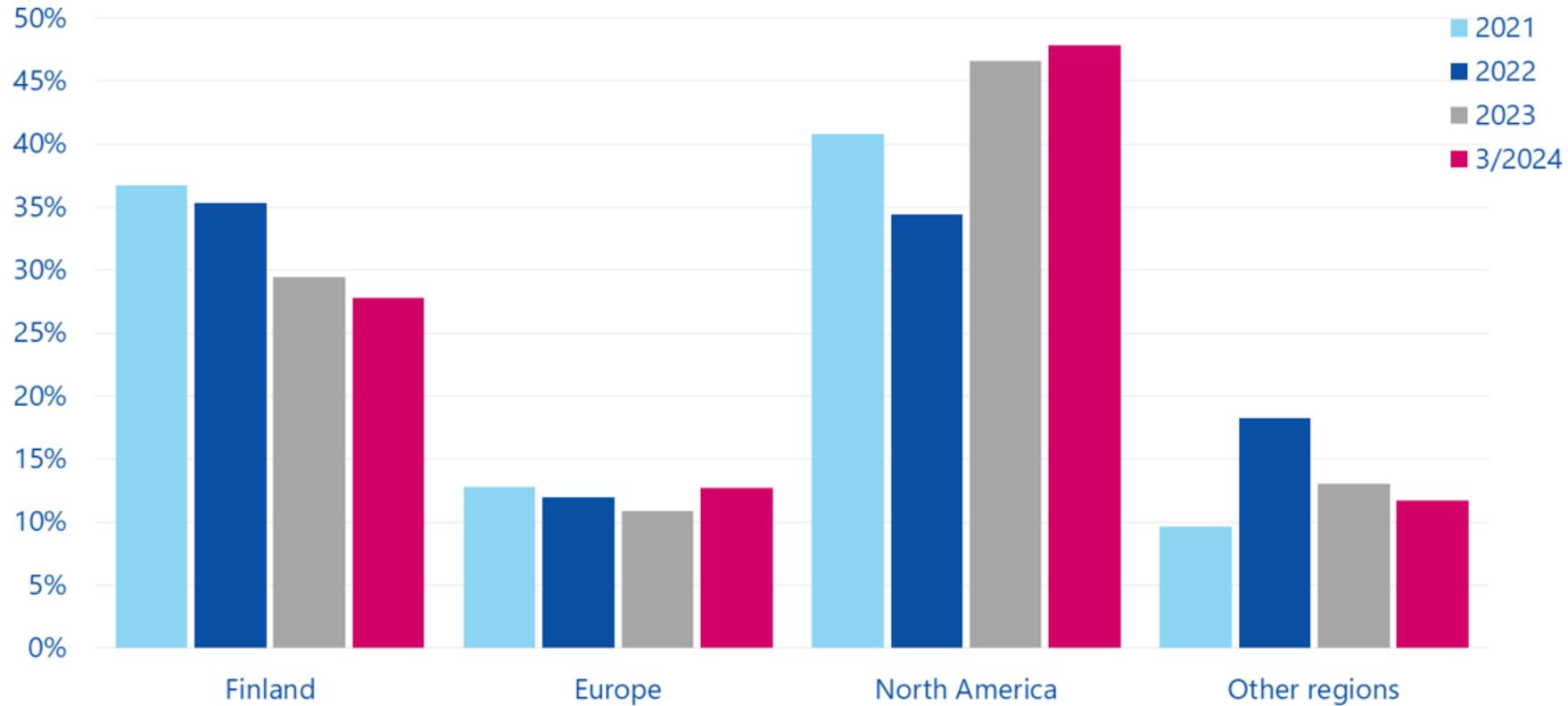
Investments



Listed equities

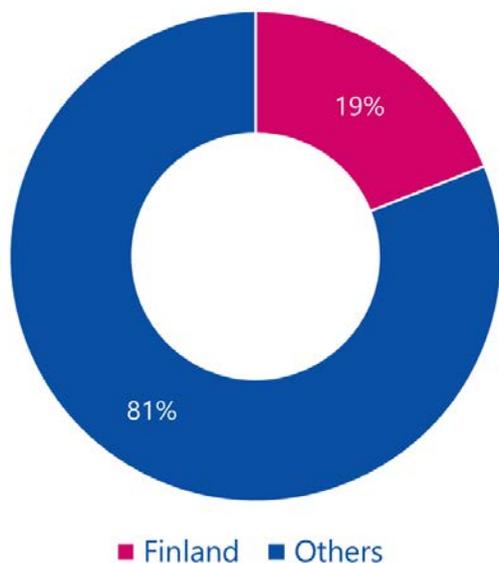


# Largest number of listed equities in North America

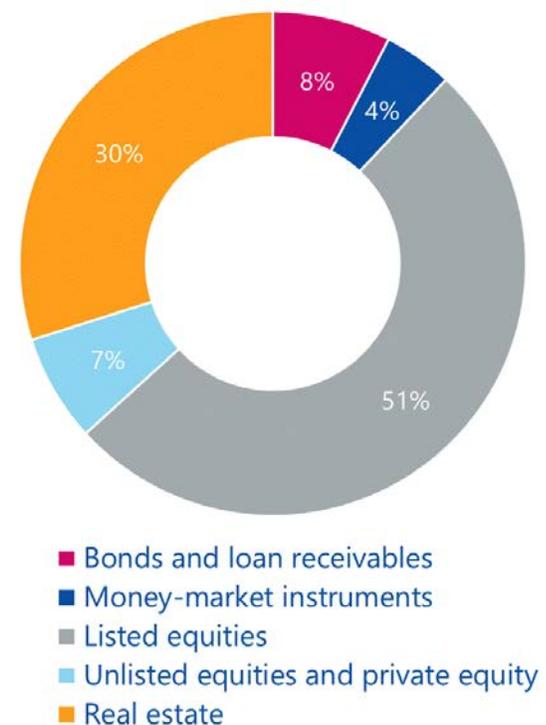


# Investments in Finland 19 per cent, i.e. EUR 12.0 billion

## Investments in Finland

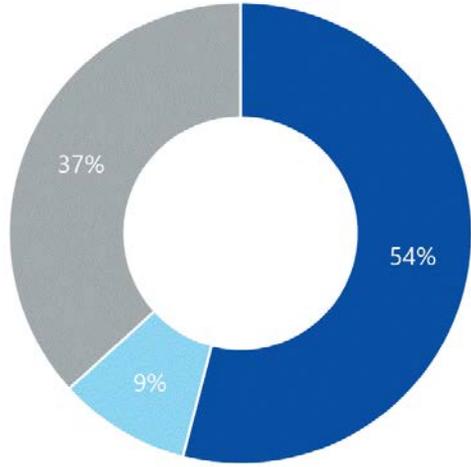


## Distribution of Finnish investments



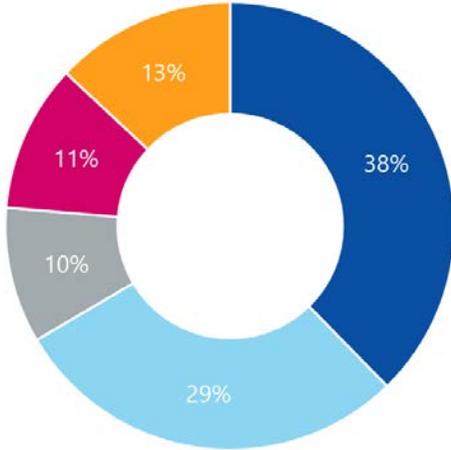
# 63 per cent of real estate investments, i.e. EUR 3.6 billion, in Finland

Real Estate Investments, € bn 5.7



■ Direct Finland   ■ Indirect Finland  
■ Indirect Other

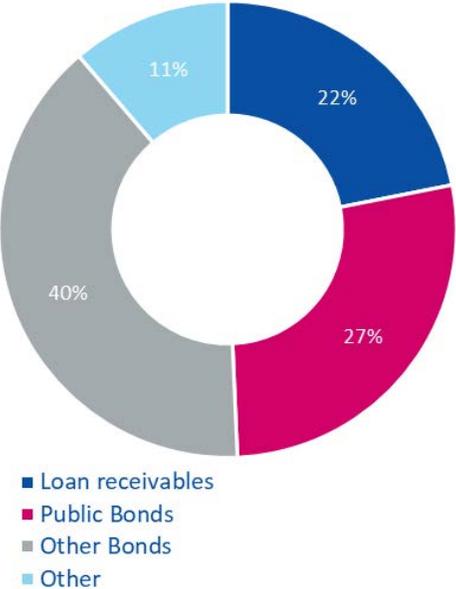
Direct Real Estate Investment in Finland, € bn 3.1



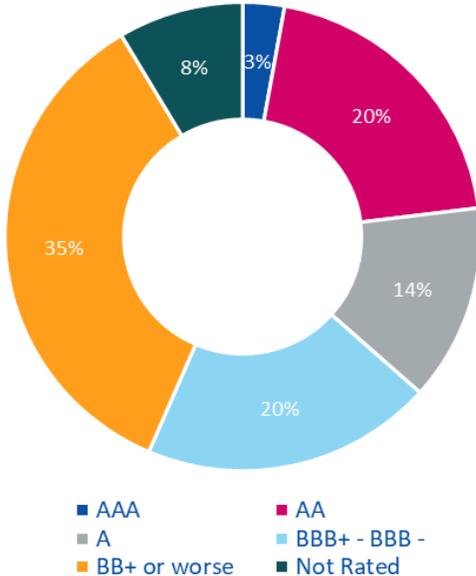
■ Offices   ■ Housing   ■ Hotels   ■ Retail   ■ Other

# Of fixed income investments, 40% invested in other 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
1-3/2024	3.6	0.3	7.7	10.6	-0.7	0.4
2023	6.0	-0.6	15.8	26.3	7.2	8.2
2022	-4.9	-12.7	-10.6	-18.1	-18.4	-14.2
<b>Average nominal return</b>						
5 years	6.3	6.3	8.9	15.0	-1.7	-0.5
10 years	5.6	8.8	7.1	13.0	0.8	1.1
Since 1999 *	5.6	8.0	5.1	7.9	3.2	3.3
<b>Average real return</b>						
5 years	2.7	2.7	5.2	11.1	-5.1	-3.9
10 years	3.5	6.6	5.0	10.7	-1.2	-0.9
Since 1999 *	3.6	5.9	3.1	5.9	1.2	1.3

\* 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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