



Varma's Interim Report

1 January–30 September 2023

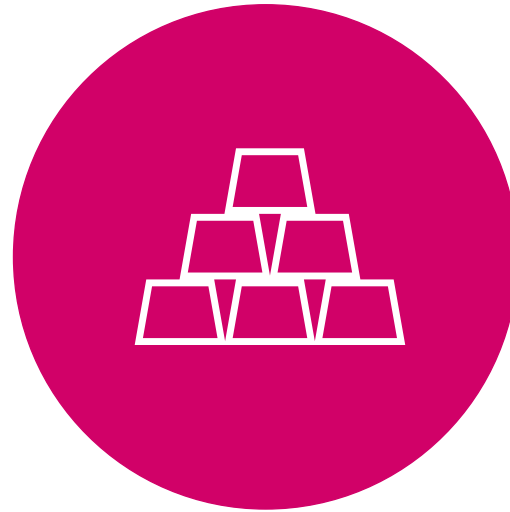
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Key figures 1–9/2023



Return on investments

2.8%



Value of investments

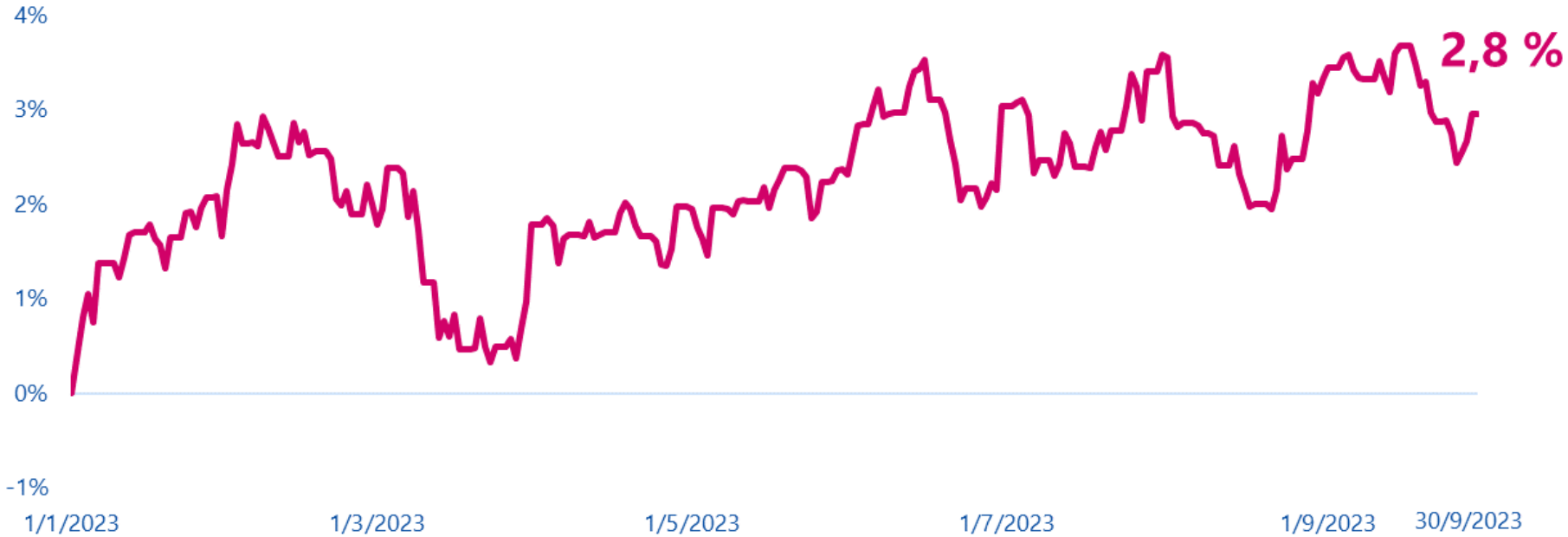
€57.5 bn



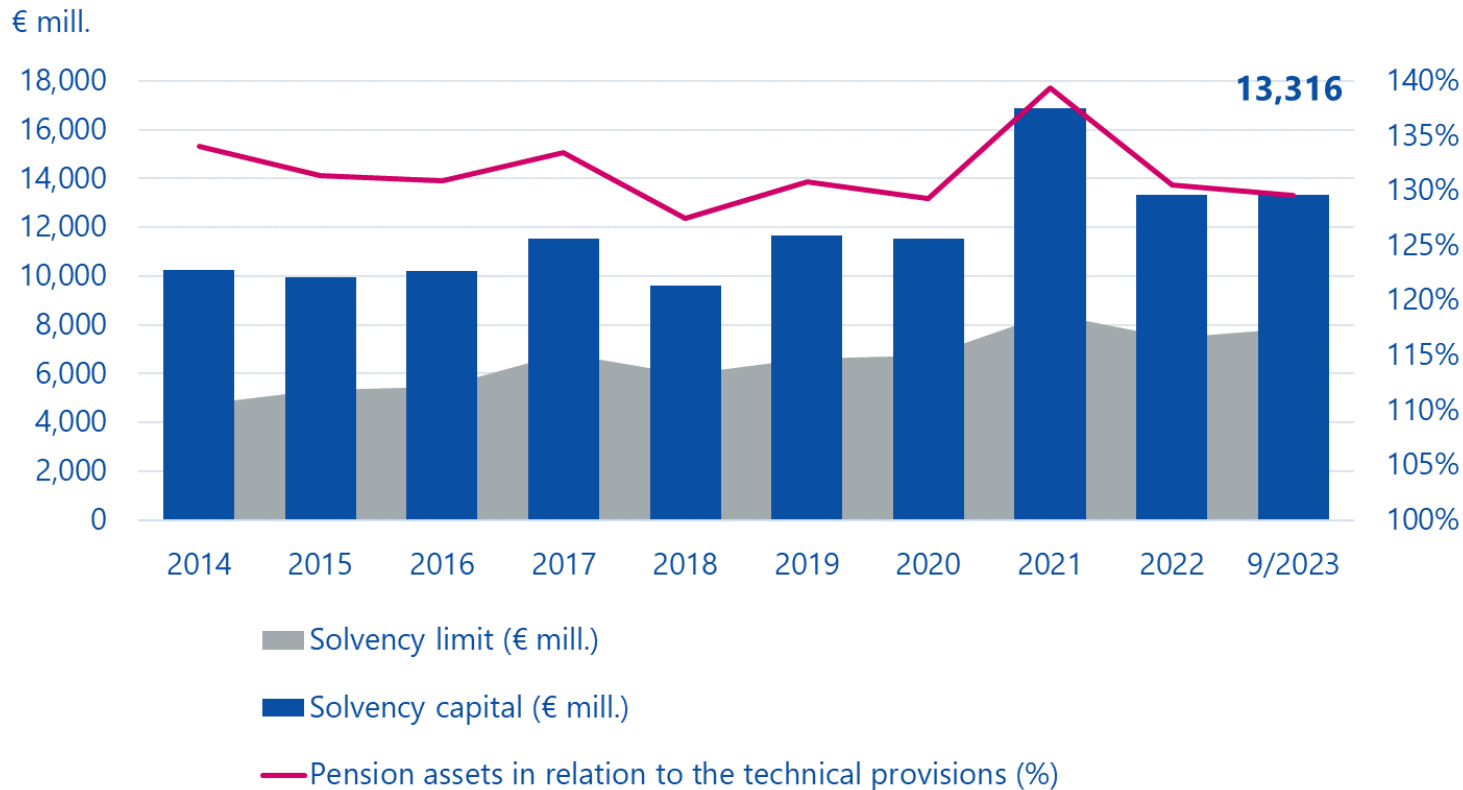
Solvency

€13.3 bn

Varma's investment period 2023



Solvency remained strong



- Varma’s solvency capital remained strong, **at EUR 13.3 billion**.
- Solvency capital was **1.7 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

	1-9/2023	1-9/2022	12 months	1-12/2022
Investment return (MWR)	2.8%	-4.9%	2.8%	-4.9%

	9/2023	9/2022	12/2022
Solvency capital (€ mill.)	13,316	14,170	13,344
Solvency capital / solvency limit	1.7	1.9	1.8
Solvency ratio (%)	129.6	133.0	130.5
Investments at fair value (€ mill.)	57,455	56,384	56,204

A woman with brown hair, wearing a blue blazer and a headset, is seated at a desk in an office. She is looking towards the right side of the frame. In the background, another person is visible, also working at a desk. The office has large windows and modern furniture.

Insurance and pensions

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Insured
employees and
entrepreneurs

620,400



Pensioners

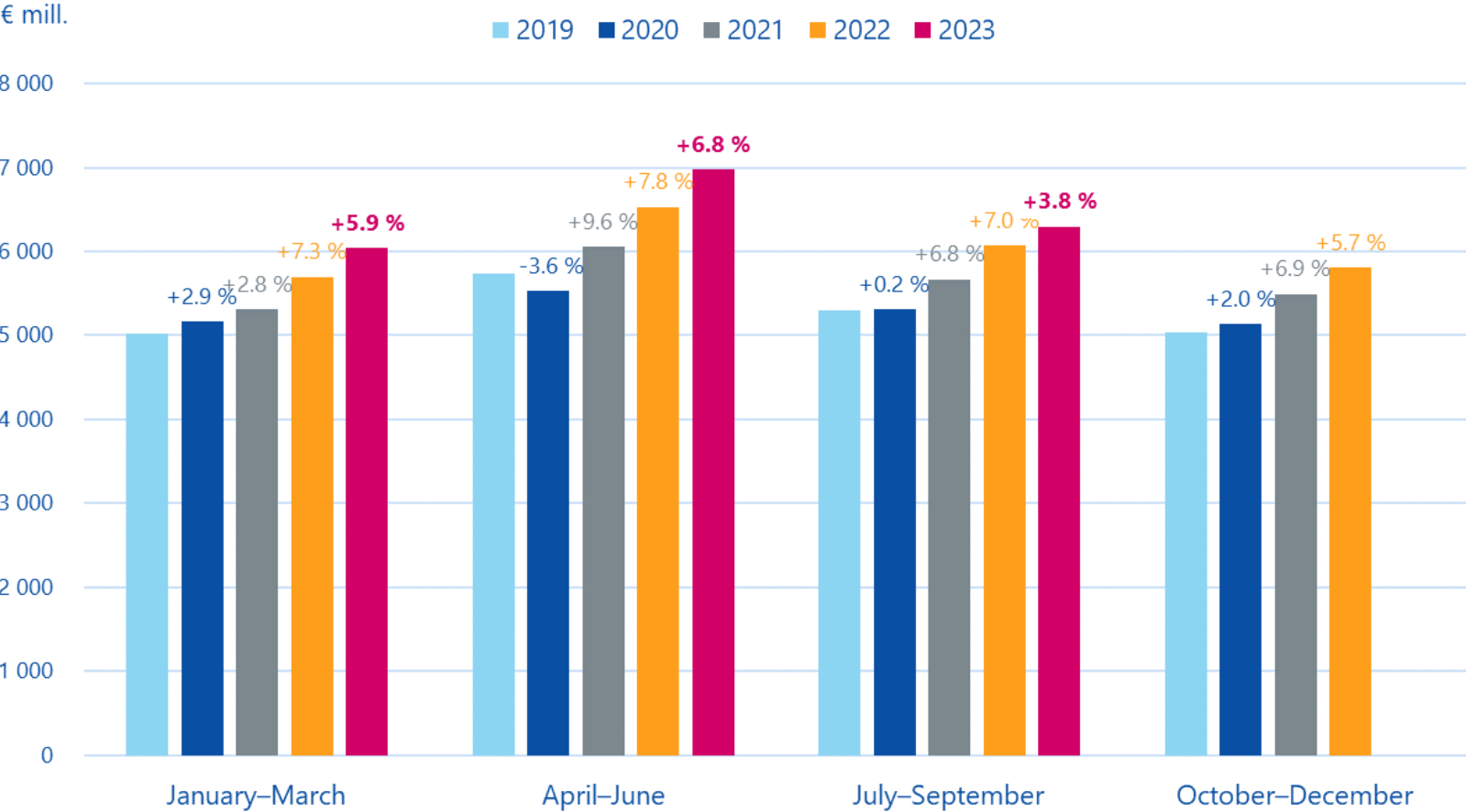
350,300



Pensions paid

€5.3 bn

TyEL payroll growth decelerated marginally during the third quarter of the year



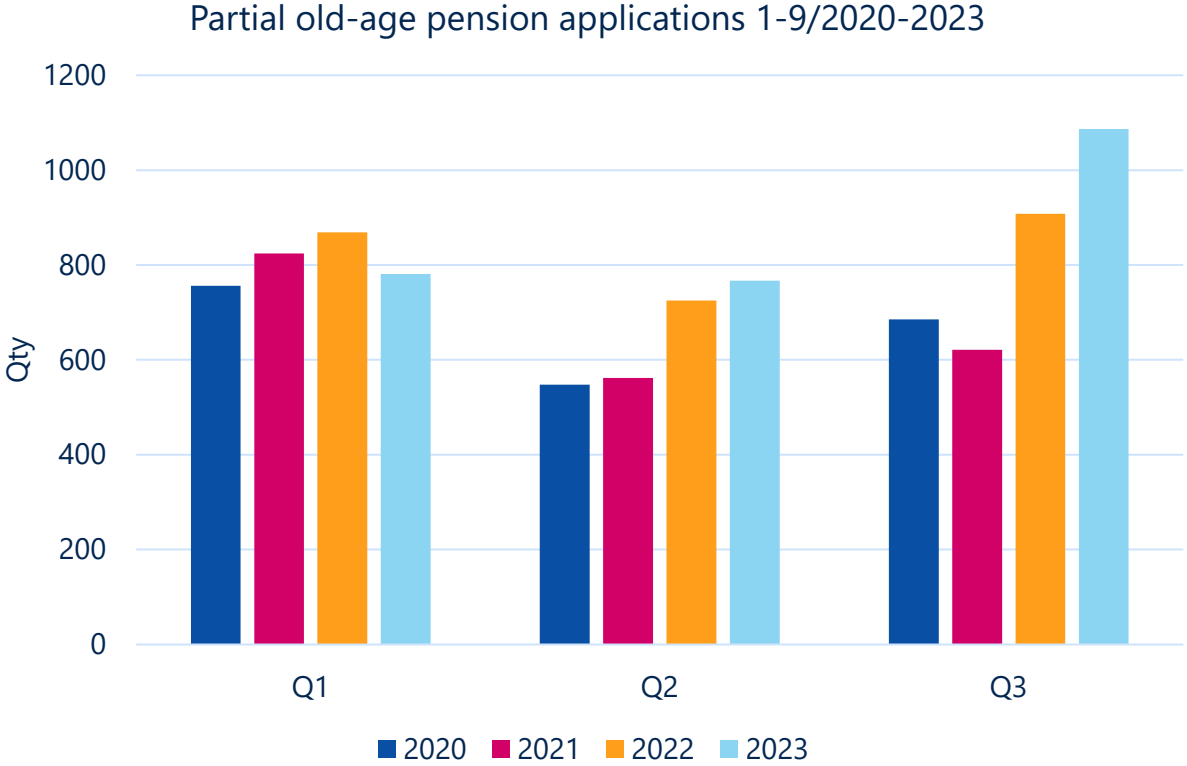
The TyEL payroll of Varma’s client companies grew **3.8 per cent** in July–September compared to the same period last year.

Growth in January–September was 5.5 per cent compared to a year ago.

The weakest development was seen in the construction sector.

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

Popularity of partial old-age pension continued



- Partial old-age pension has retained its popularity. In the early part of the year, the number of applications levelled out after the boom experienced in 2022. At the time, more than 5,000 applications were received within three months.
- The number of partial old-age pension applications received in January–September grew 5.3 per cent.
- In July–September, the number of applications was almost a fifth higher than a year ago, i.e. 1,087. The proportion of 61-year-olds is growing, which means that people apply for partial old-age pension as soon as it is possible.
- The popularity of partial old-age pensions is also reflected in old-age pensions, as in January–September, more than every third new old-age pension granted had begun as partial old-age pension. In 2022, that proportion was less than a quarter.

International comparison: Finland once again has the most reliable and transparent pension system

- The Finnish pension system ranked sixth in the Mercer Global Pension Index comparative study. Finland slipped by one rank from last year, with Australia overtaking Finland.
- For the tenth consecutive time, Finland received the best score for the integrity and transparency of its pension administration.
- In a Nordic comparison, Finland ranks behind Iceland and Denmark but is ahead of Sweden and Norway.

Source: The Finnish Centre for Pensions ETK



Current information about pensions

- By the end of September, 17,292 new pension decisions were made, which is 3.2 per cent less than in the corresponding period last year. The total number of pension decisions made stood at 37,420 (40,262).
- As of the beginning of 2024, the earnings-related pension index will increase pensions by 5.7 per cent while the wage coefficient will rise by 5.1 per cent.
- The increase in line with the annually adjusted earnings-related pension index protects the purchasing power of the pensions being paid. As the difference between the earnings-related pension index and the wage coefficient is not very large, the impact of the future index increase will likely not lead to an increase in pension applications at the turn of the year, unlike last year. Last year, the index rose by 6.8 per cent.



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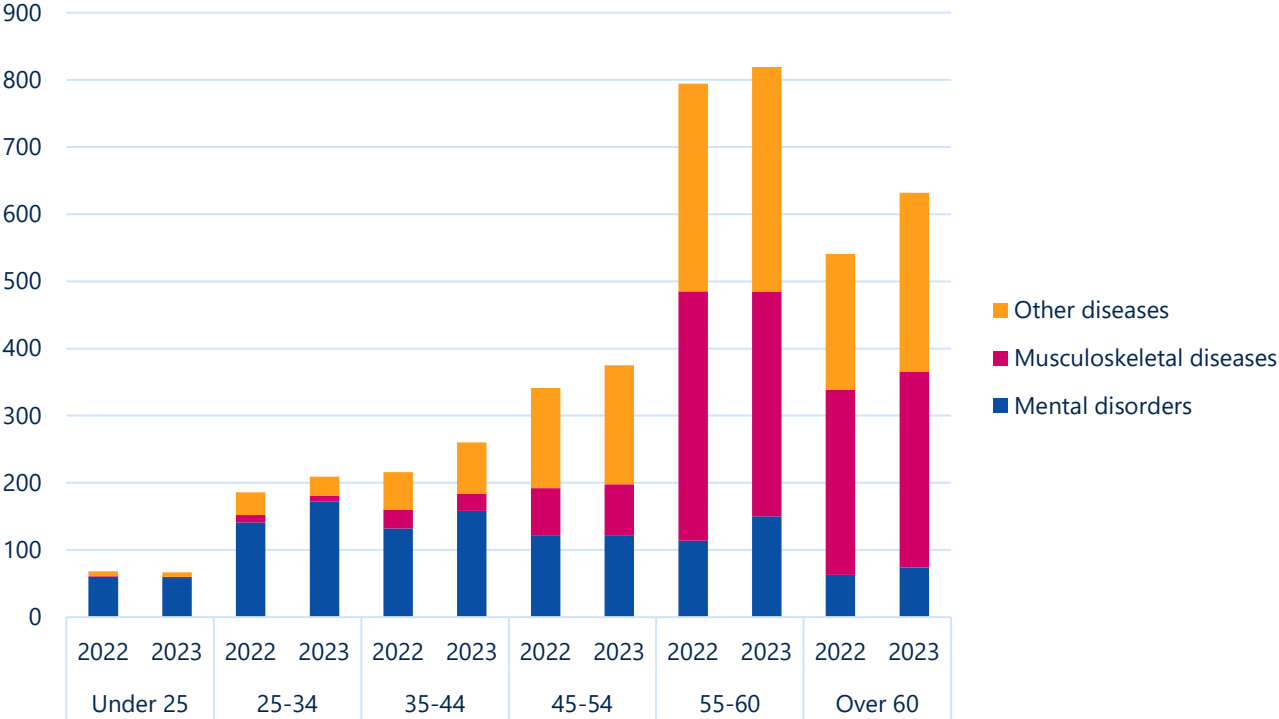
A woman with curly hair, wearing a blue t-shirt, is standing in a gym. She is holding a light blue water bottle with a black cap. She is leaning on a treadmill. The background shows various gym equipment and a door.

Managing disability risks

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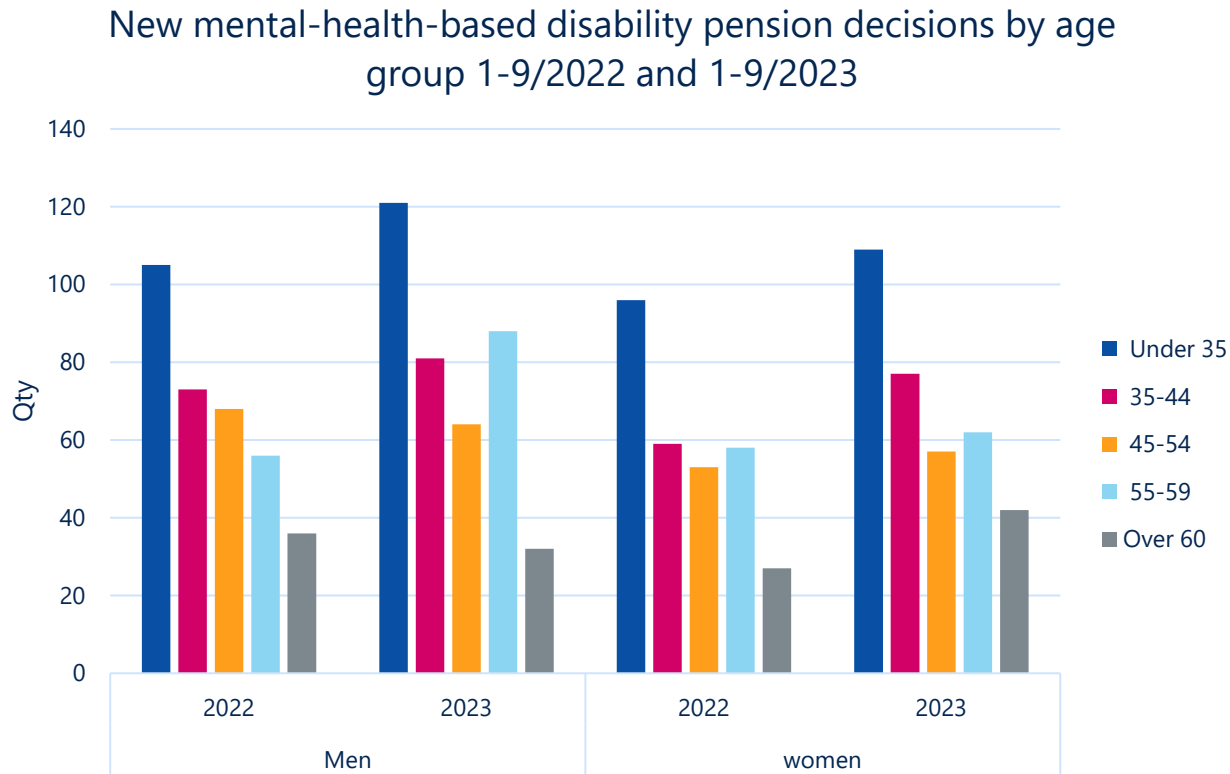
The number of new disability pensions, which started to grow last year, has continued to increase

New disability pensions by age group 1-9/2022 and 1-9/2023



- The number of new disability pensions has increased in all age cohorts, with the exception of those under the age of 25. The most significant growth was among over-60-year-olds.
- 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.
- Among those aged 25–44, mental disorders are clearly the main reason for disability pension. For older age groups, musculoskeletal diseases and other illnesses are the primary reasons.

Highest number of new disability pension decisions for mental health reasons issued to young people



- The number of new disability pension decisions issued based on mental disorders has grown compared to the same period in 2022.
- Among women, the number of disability pension decisions for mental health reasons has grown in all age cohorts. Among men, the number of disability pension decisions for mental health reasons has grown for those under 45 and those aged 55–59.
- The highest number of disability pension decisions for mental health reasons were issued to those aged under 35.

Number of rehabilitation applications growing

- The number of vocational rehabilitation applications increased 11.9 per cent compared to the same period last year. However, the growth rate has decreased after the first half of the year. The number of applications have regained their 2021 levels after last year's decline.
- Of Varma's rehabilitants, 86.3 per cent, or 895 rehabilitants, were available to the labour market at the end of rehabilitation.
- Employers are increasingly using other means to support work ability, such as work arrangements, partial sickness allowance and a work trial carried out by decision of occupational healthcare.
- Uncertainty surrounding the future has raised people's threshold for changing their profession through vocational rehabilitation.



Researched information on work ability in small companies

- Varma publishes sector-specific reports on work ability, workload factors and workload management. The latest report concerns small companies. According to the report, musculoskeletal diseases are the primary cause of disability in small companies. Small companies have implemented substantially fewer measures to support work ability than large ones.
- The reports are part of Varma's 'Information about work ability' series. Previously, five sector-specific reports have been published, addressing work ability in knowledge work, the service sector, the transport sector, industry and social and health-care sector . The reports are available at [Varma's website](#).





Sustainability

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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.

Sustainability in Varma's business



Varma joins Nature Action 100 that aims to prevent biodiversity loss

Varma is involved in Nature Action 100, a global investor initiative focussed on driving action to reverse biodiversity loss. The initiative includes 190 investors and 100 companies from various sectors from around the world.



Varma successful in the Global Real Estate Sustainability Benchmark

Varma received four out of five stars, i.e. the second highest rating, in the 2023 GRESB real estate sustainability assessment. The GRESB assessment examines the sustainability of real estate assets in an investment portfolio.



Varma awarded as the most responsible summer employer

Varma was selected the most responsible employer of 2023 in Oikotie's Responsible Summer Job study in the large companies category. Varma performed particularly well in the areas of orientation and guidance. In the study, 13,162 summer employees evaluated their work experience.



Responsibility principles of fund management companies aligned with Varma's principles

Varma has comprehensively examined the responsibility of its fund management companies. More than four out of five fund management companies managing Varma's investments have signed the UN Principles for Responsible Investment. Responsibility principles were aligned with Varma's principles in 97 per cent of the fund management companies.

Varma has set science-based targets

Varma is Finland's first and the world's third pension insurance company to receive validation for its emission reduction targets, which are based on the Science Based Targets initiative (SBTi). The companies that have joined the SBTi commit to reduce their greenhouse gas emissions in line with the Paris Agreement.

Varma has two short-term SBTs:

1. Reduce the greenhouse gas emissions related to Varma's own operations by 60 per cent by 2030 compared to the 2021 level.
2. Increase the share of companies committed to the SBTi to 51 per cent by 2027. The target concerns listed equities and corporate bonds and real estate funds in the company's investment portfolio.



A man with short dark hair and a goatee, wearing a light blue suit jacket over an orange shirt, is standing on a staircase. He is looking down at a smartphone in his hands. The background is a dark, textured wall. The overall mood is professional and focused.

Outlook for the economy

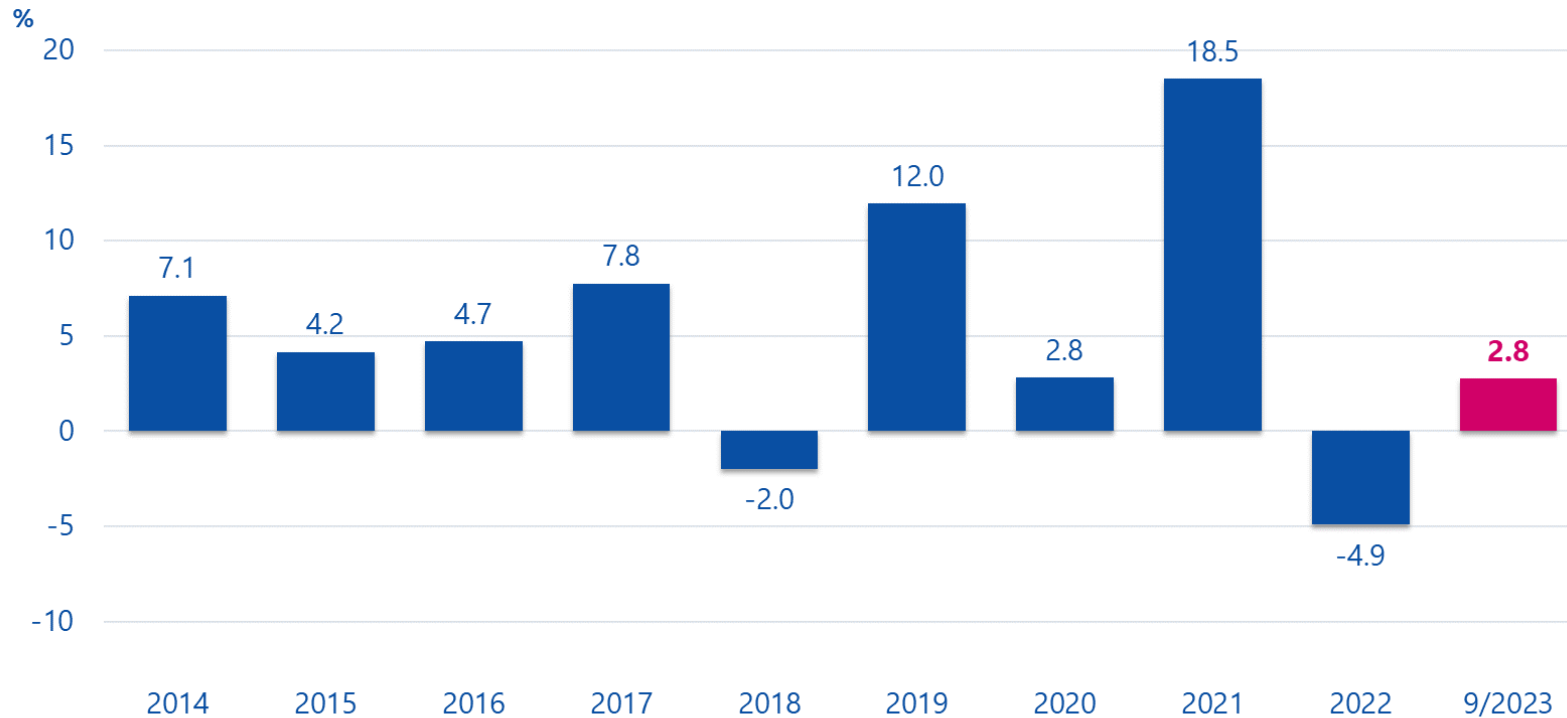
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Outlook for the economy and the investment markets

- Inflationary pressures have eased, but central banks' monetary policies have remained tight
- In the USA, employment has remained good
- The geopolitical situation has become more tense due to the state of war between Hamas and Israel
- Fuel prices were on the rise even before the aggravation of the situation in the Middle East
- The threat of recession has significantly increased in Europe and Finland; consumers' confidence in the economy is declining
- In Finland, the slowdown in growth is driven by higher interest rates and the difficulties faced by the key export markets



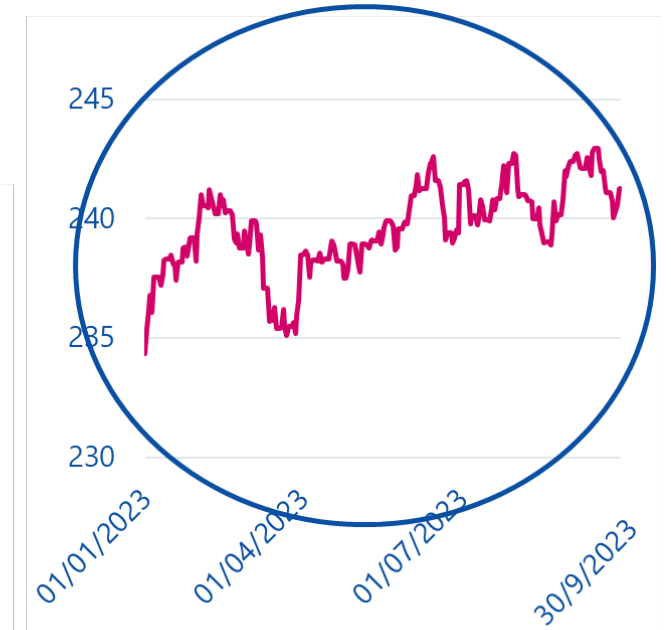
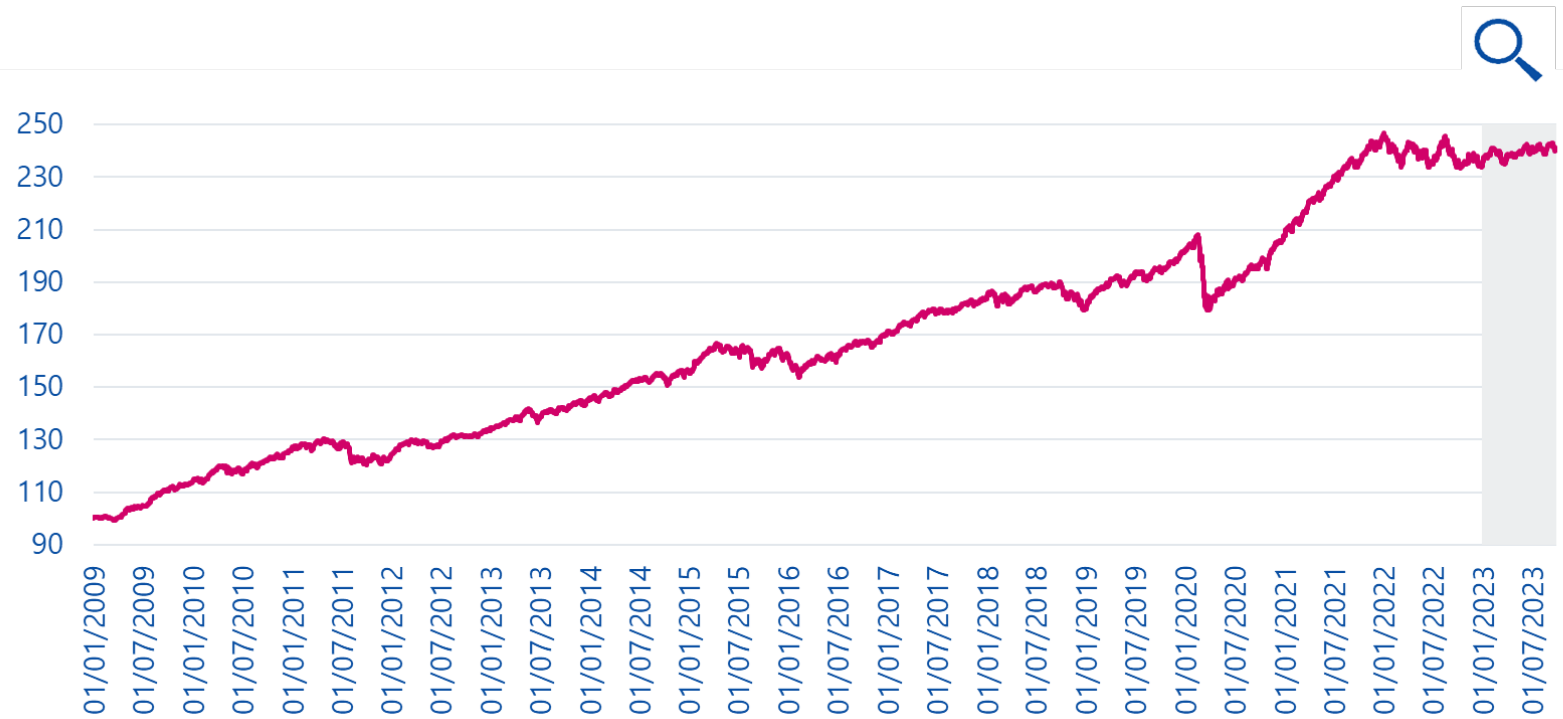
Return on investments



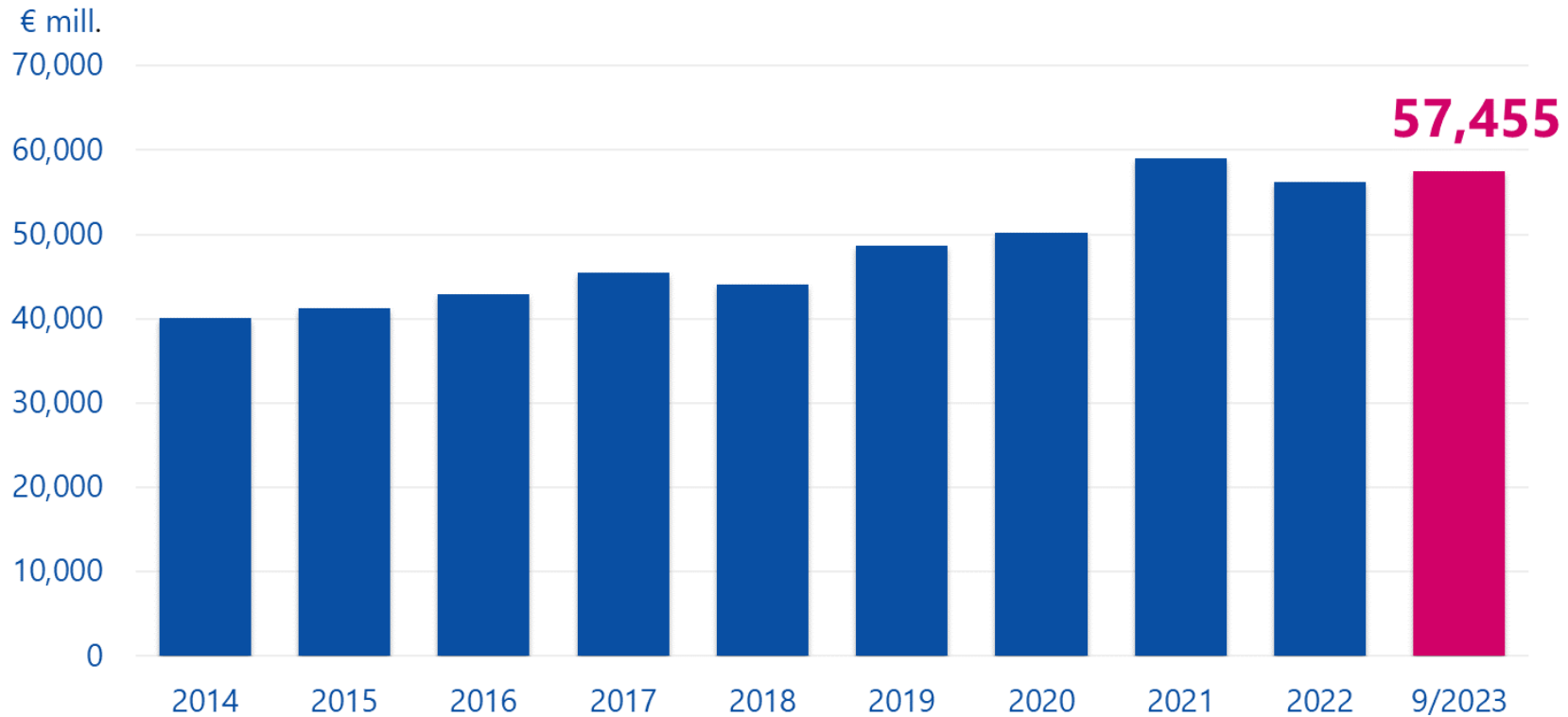
The average nominal return on investments over ten years is approx. 5.4%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **2.8** per cent in January–September 2023.
- The investment portfolio amounted to EUR **57.5** billion at the end of September.

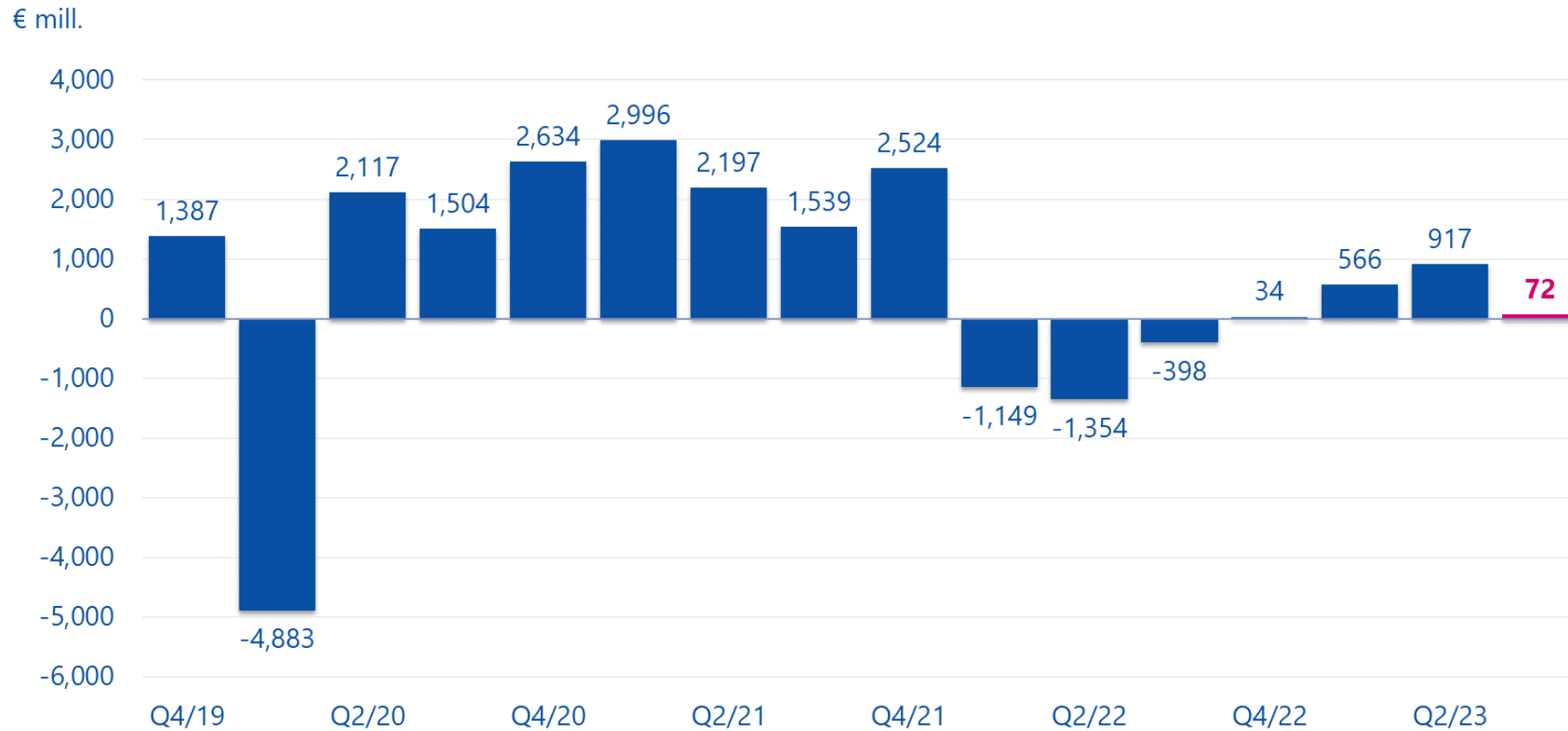
Return development since 2009, cumulative return 141.2%, €35.1 bn



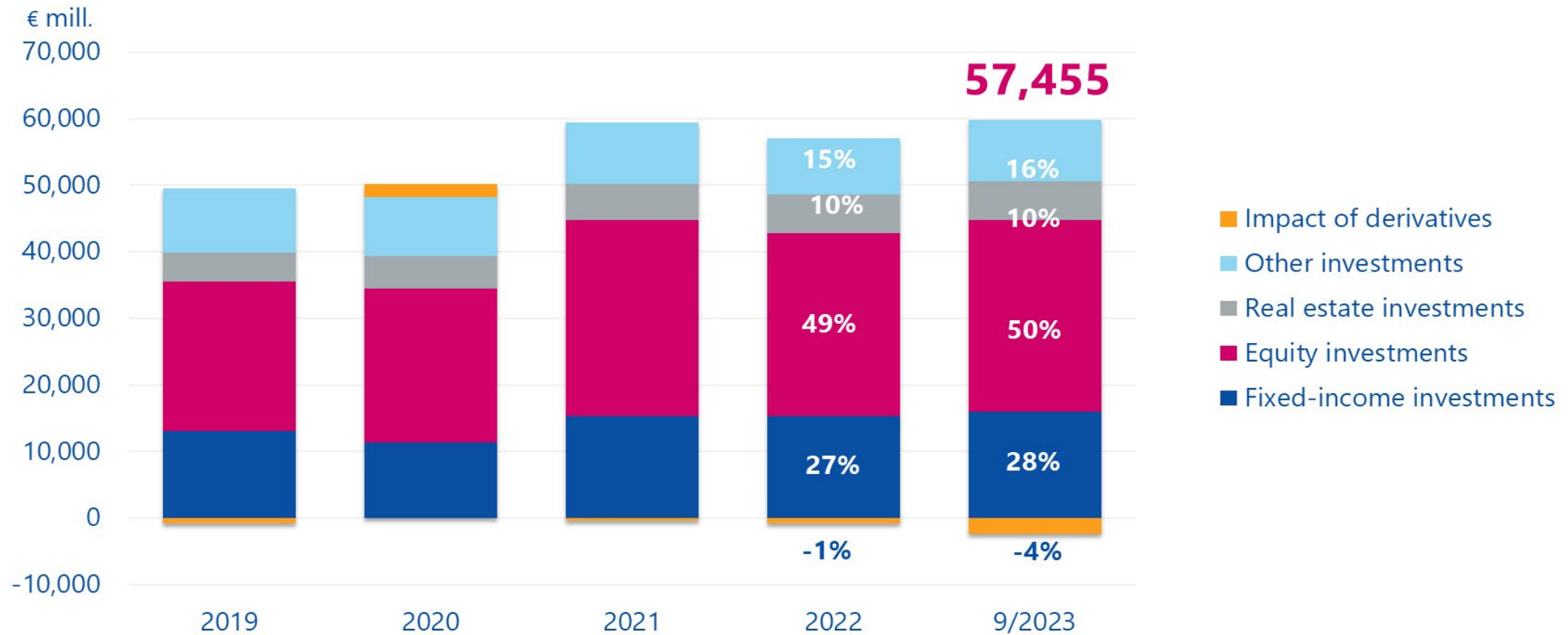
Market value of investments EUR 57.5 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	30 Sep 2023				31 Dec 2022		01-09/2023	01-12/2022	24 m
	Market value				Market value		Return	Return	Vola- tility
	Market Value		Risk position		Risk position		MWR	MWR	
	€ mill.	%	€ mill.	%	€ mill.	%	%	%	
Fixed-income investments ¹	13,855	24	16,014	28	15,302	27	1.5	-5.2	
Loan receivables	2,587	5	2,587	5	2,829	5	4.9	3.9	
Bonds	9,132	16	11,177	19	8,878	16	0.6	-10.2	5.1
Public bonds	4,603	8	6,546	11	4,844	9	-1.5	-13.7	
Other bonds	4,529	8	4,631	8	4,033	7	2.8	-6.5	
Other money-market instruments and deposits	2,136	4	2,250	4	3,595	6	1.3	-0.1	
Equity investments	28,671	50	28,814	50	27,533	49	4.1	-8.7	
Listed equities	17,379	30	17,523	30	17,342	31	2.7	-16.8	13.9
Private equity	10,538	18	10,538	18	9,498	17	6.7	7.9	
Unlisted equities	754	1	754	1	692	1	2.3	40.7	
Real estate investments	5,687	10	5,687	10	5,741	10	-2.6	5.7	
Direct real estates	3,084	5	3,084	5	3,171	6	-1.7	4.2	
Real estate funds	2,603	5	2,603	5	2,570	5	-3.7	7.6	
Other investments	9,242	16	9,243	16	8,438	15	4.5	2.7	
Hedge funds	9,229	16	9,229	16	8,433	15	5.0	2.3	2.8
Commodities	0	0	-6	0	0	0			
Other investments	11	0	11	0	6	0			
Total investments	57,455	100	59,759	104	57,014	101	2.8	-4.9	4.9
Impact of derivatives			-2,304	-4	-810	-1			
Investment allocation at fair value	57,455	100	57,455	100	56,204	100			

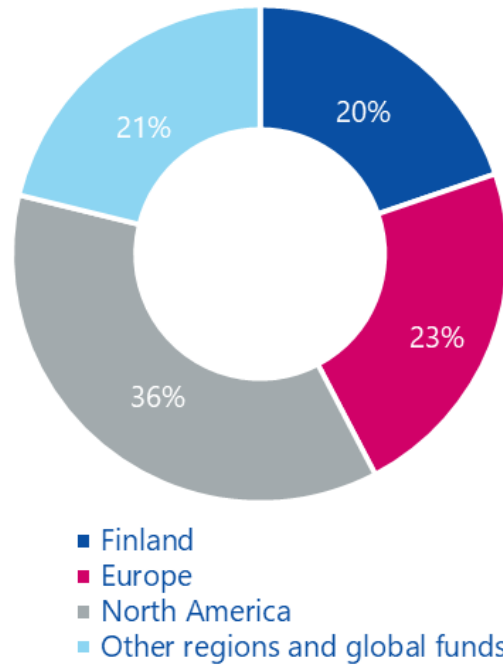
The modified duration for all the bonds is 5.18.

The open currency position is 25.8% of the market value of the investments.

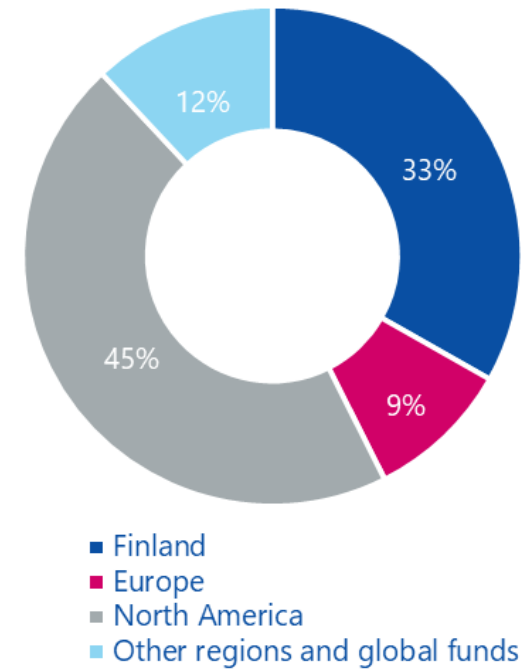
¹ Includes accrued interest [Varma's Interim Report 1 January–30 September 2023](#)

Geographical distribution of investments

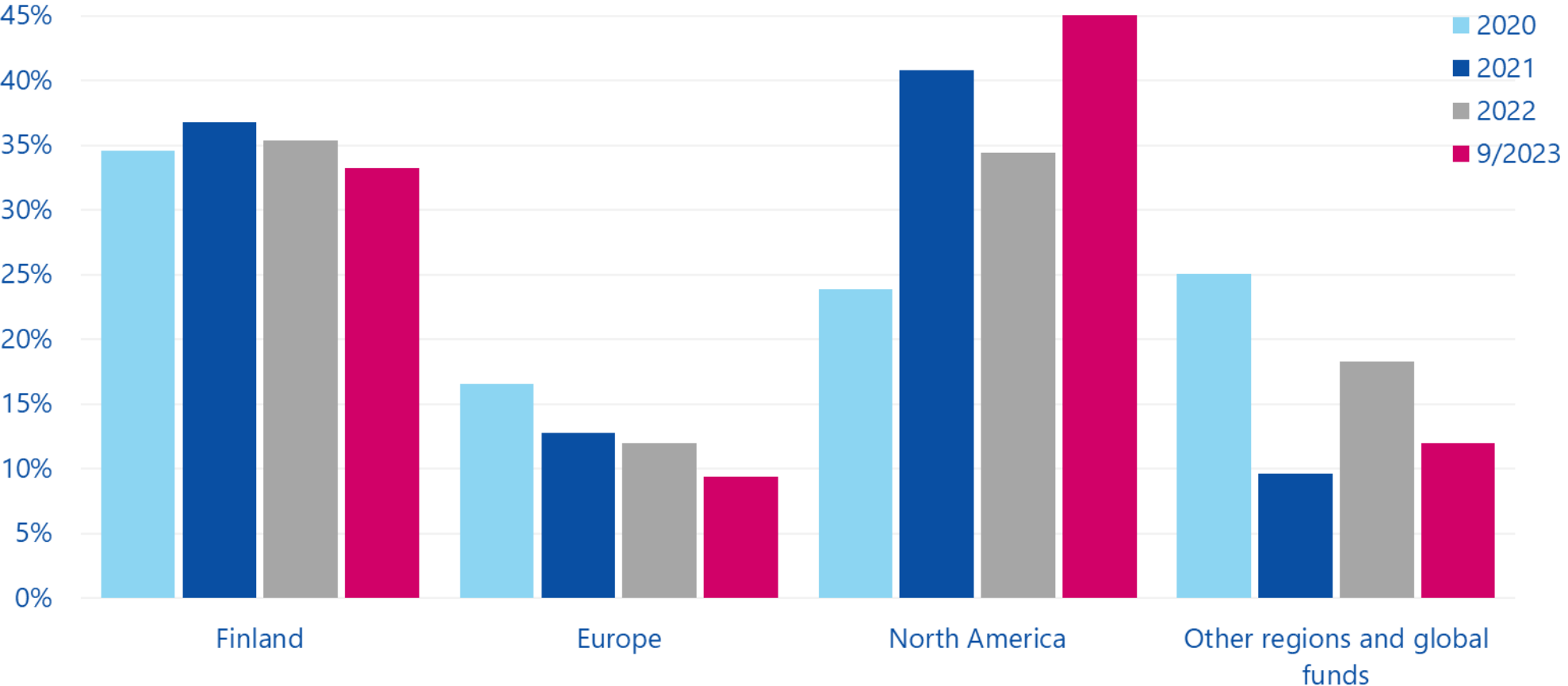
Investments



Listed equities

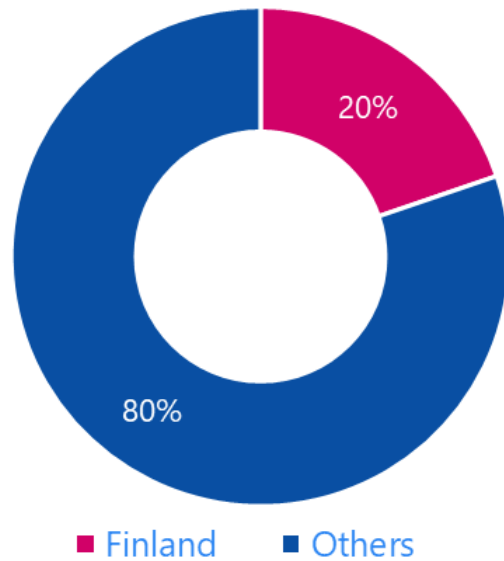


Geographical distribution of listed equities

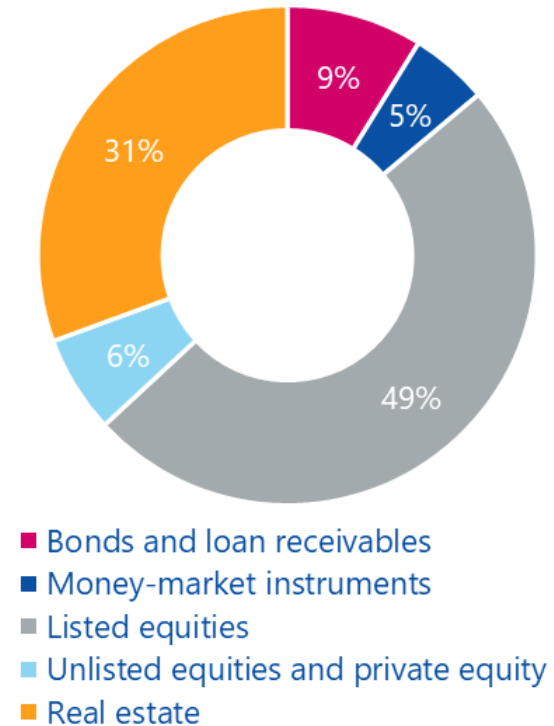


Investments in Finland 20%, EUR 11.8 billion

Investments in Finland

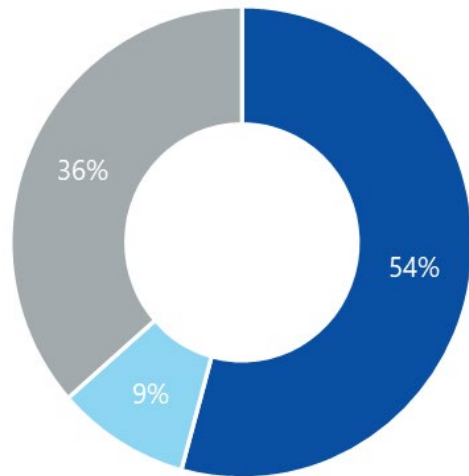


Distribution of Finnish investments



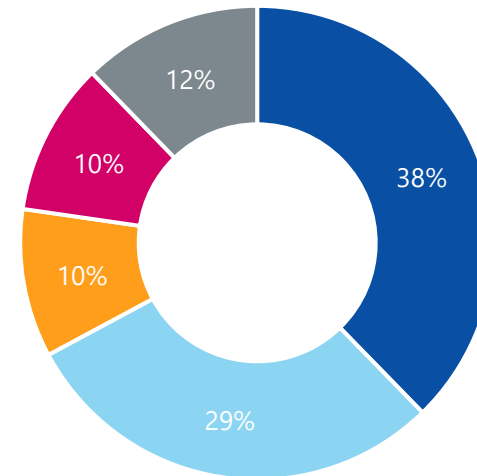
64% of real estate investments, i.e. EUR 3.6 billion, in Finland

Real Estate Investments, € bn 5.7



- Direct Finland
- Indirect Finland
- Indirect Other

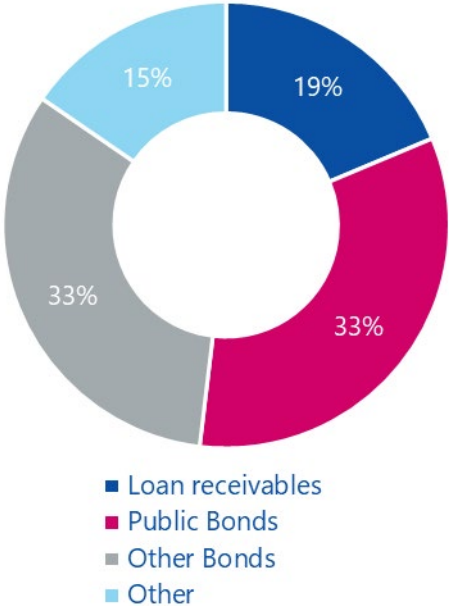
Direct Real Estate Investment Finland, € bn 3.1



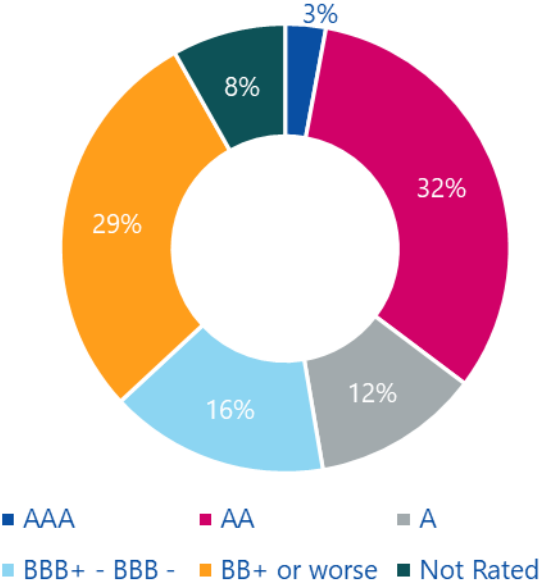
- Offices
- Housing
- Hotels
- Retail
- Other

A third of fixed income investments in public 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
1-9/2023	2.8	-6.6	8.5	13.1	-0.1	2.4
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	4.8	4.0	5.9	9.9	-2.2	-1.2
10 years	5.4	9.0	6.5	11.9	0.7	0.9
Since 1999 *	5.4	7.9	4.6	7.2	3.0	3.1
Average real return						
5 years	1.4	0.6	2.4	6.3	-5.4	-4.4
10 years	3.3	6.8	4.4	9.7	-1.3	-1.1
Since 1999 *	3.4	5.8	2.6	5.1	1.0	1.1

* 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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