



Varma's Financial Statements 2023

VARMA

The year in figures

Solvency

130.4%

Value of investments

59.1 billion €

Return on investments

6.0%

Investment returns trended up in 2023.

Solvency capital

14.0 billion €

Efficiency (administrative costs of total TyEL payroll and YEL income)

0.34%

Premiums written

6.5 billion €

Pensions paid

7.1 billion €

Climate allocation of the portfolio:

36.8% i.e. **21.9** billion €

CO₂ emission intensity of real estate's energy consumption (since 2015)

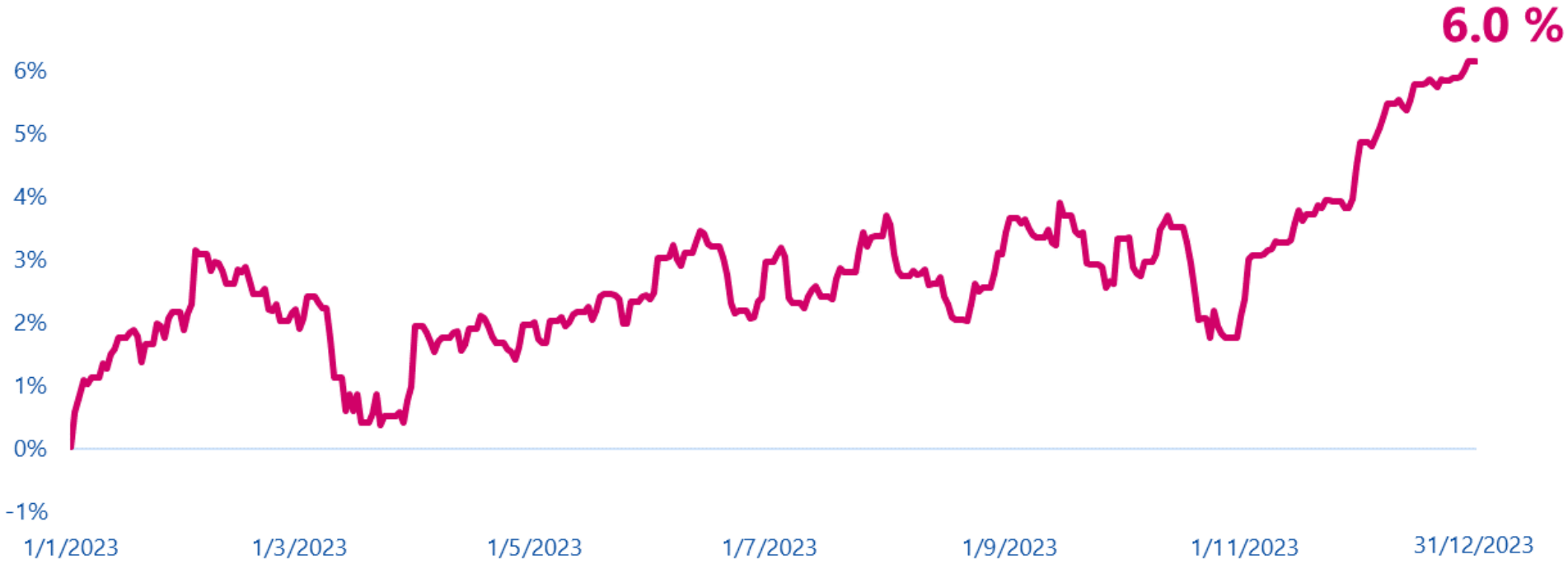
-64%

Absolute emissions (since 2022)

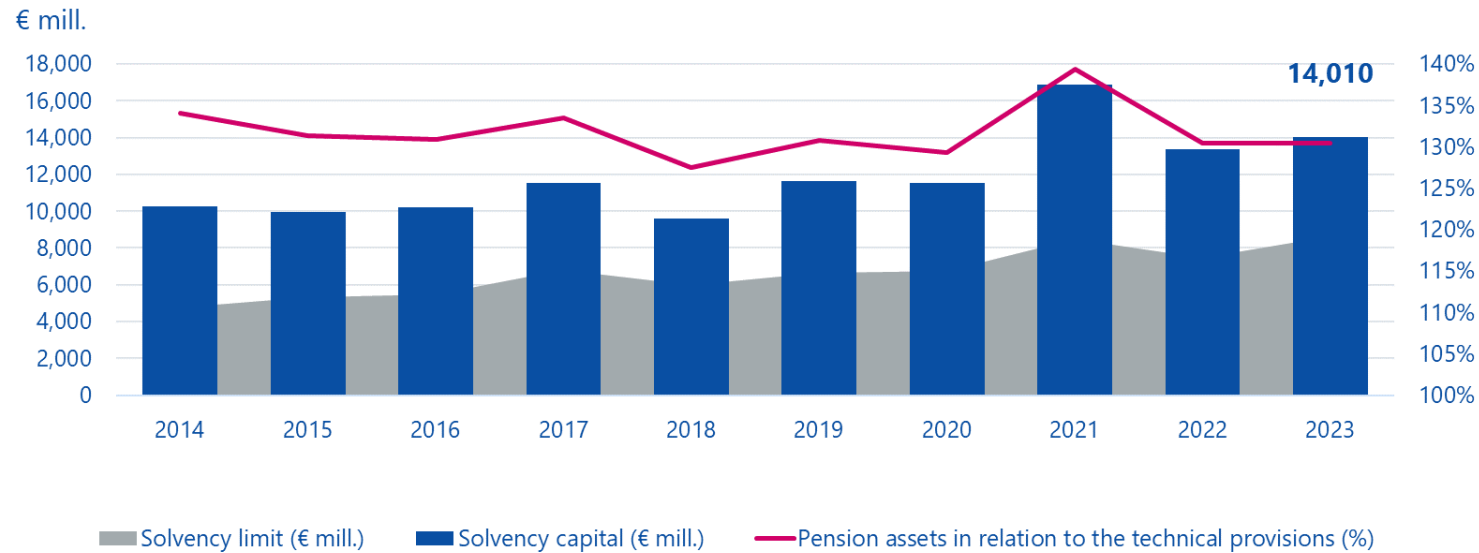
-32%



Varma's investment year 2023



Solvency remained at a secure level



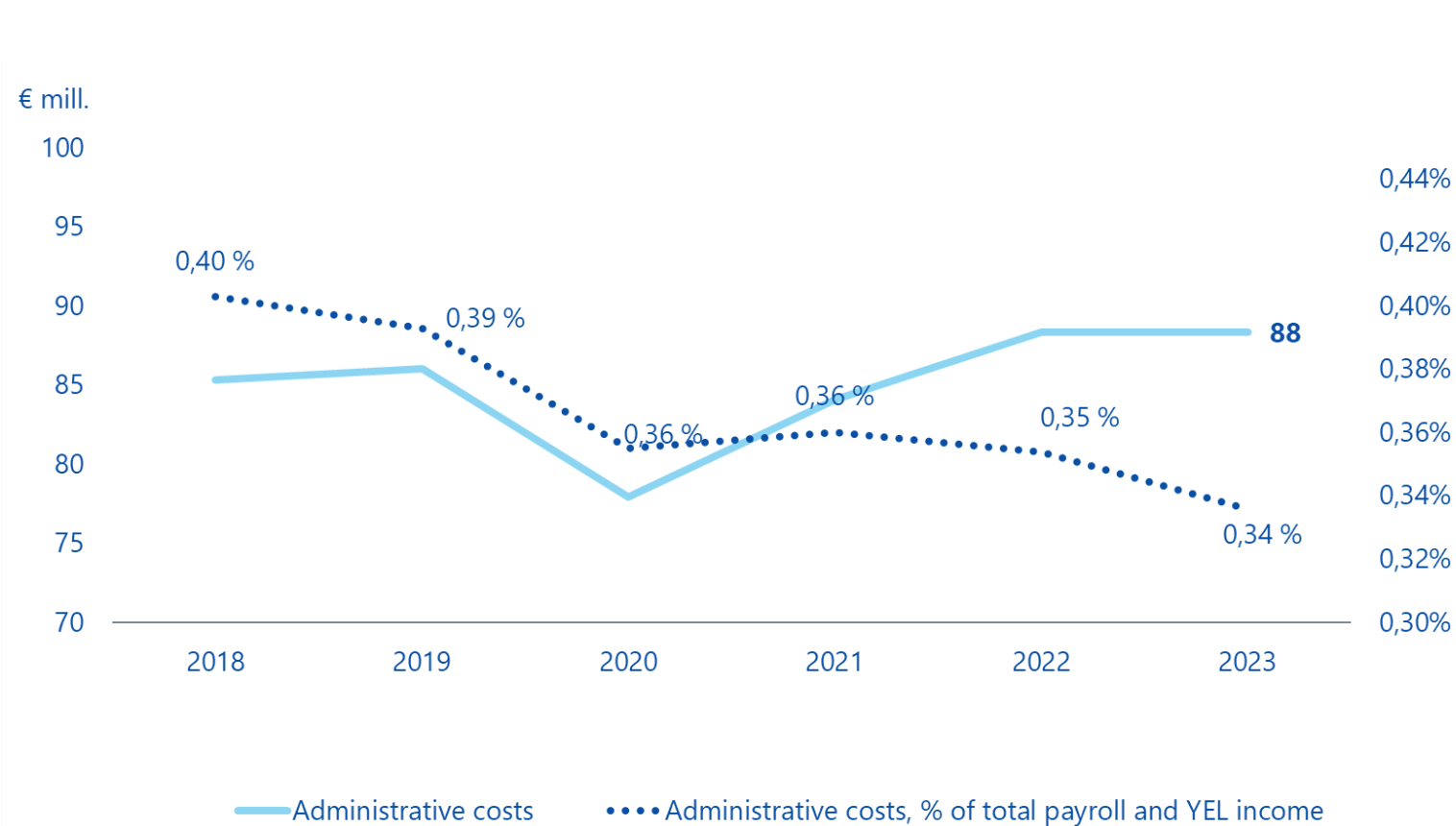
- Varma’s solvency capital remained strong, at **EUR 14.0 billion**.
- Solvency capital was **1.6 times** the solvency limit.
- The solvency ratio was **130.4** per cent.
- Solvency capital, which serves as a risk buffer for investment operations, provides protection against volatility in investment market returns.

Development of investment returns and solvency

	1-12/2023	12 months	1-12/2022
Investment return (MWR)	6.0%	6.0%	-4.9%

	12/2023	12/2022
Solvency capital (€ mill.)	14,010	13,344
Solvency capital / solvency limit	1.6	1.8
Solvency ratio (%)	130.4	130.5
Investments at fair value (€ mill.)	59,078	56,204

Administrative costs (operating expenses for TyEL and YEL activities)



- Varma manages pension cover cost-effectively.
- Administrative costs for insurance activities remained at the previous year's level, amounting to **EUR 88** million.
- Administrative costs totalled **0.34** per cent of total TyEL payroll and YEL income.



Insurance and pensions

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Insured employees
and entrepreneurs

607,500



Pensioners

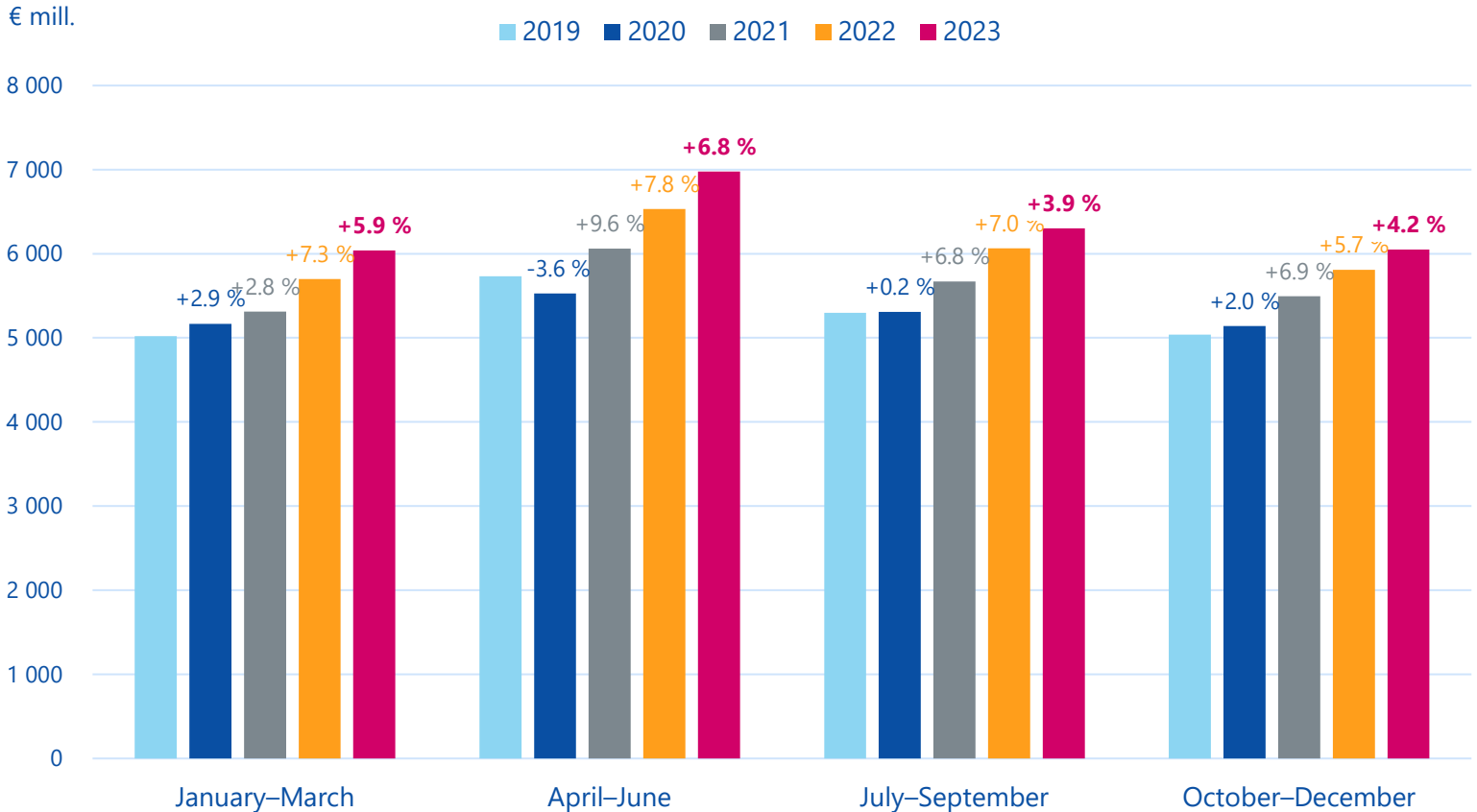
350,500



Pensions paid

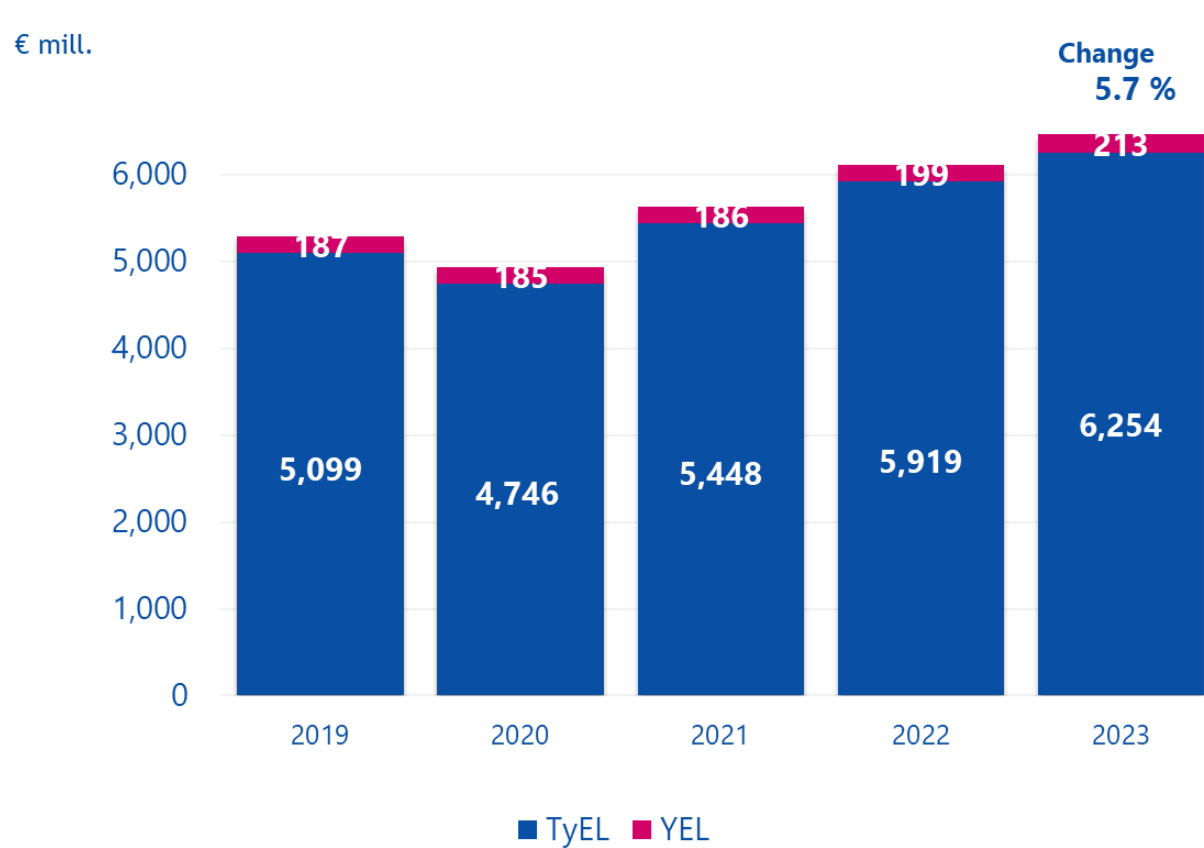
€7.1 bn

Solid growth in total TyEL payroll of Varma's client companies



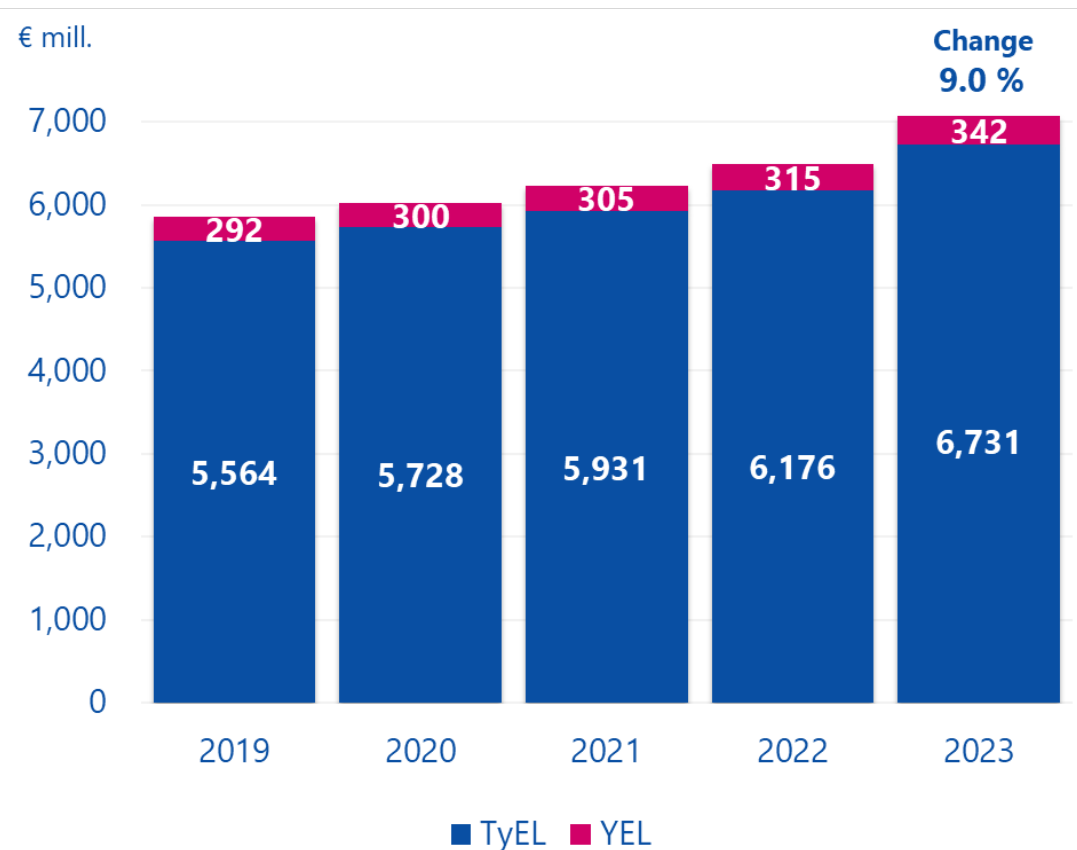
- In 2023, the TyEL payroll of Varma's client companies grew **5.2 per cent** compared to the previous year.
- The payroll increased strongly in professionally, scientifically and technologically specialised sectors, while payroll development was weak in the construction sector.
- The percentage in the figure indicates the change from the same period last year.

Premium income



- Varma's premium income totalled **EUR 6.5 billion**, of which TyEL insurance accounted for **EUR 6.3 billion** and YEL insurance for **213 million**.
- Premium income increased **5.7 per cent** compared to 2022.

Pensions paid

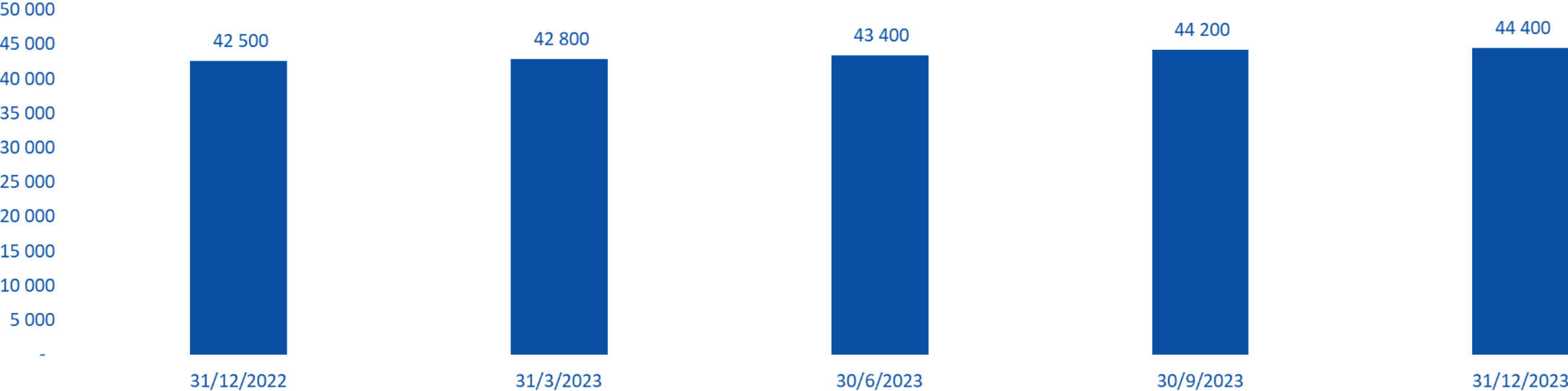


- Varma paid out pensions in the amount of **EUR 7.1 billion**, of which TyEL insurance accounted for **EUR 6.7 billion** and YEL insurance for **EUR 342 million**.
- Pensions paid increased **9.0 per cent** from 2022.

Pension insurance for the self-employed showing steady growth

Strong growth in YEL insurance policies continued

Number of self-employed person's pension insurance policies



The first year of YEL income reviews went as planned

Under the reformed Act, earnings-related pension insurance companies must now review YEL income every three years. The earnings-related pension sector this year reviewed the incomes of self-employed people whose income amounted to less than EUR 15,000. For Varma, that meant 12,000 entrepreneurs. The review was carried out using a new process integrated into the Varma Online Service. In addition to the online guidelines, our customer service personnel helped customers who needed more information.

15% of the entrepreneurs subject to the review were informed that the review had been conducted, their income matched the value of their work input and their YEL income was not changed.

If their YEL income did not match the value of their work input, the entrepreneur received a proposal for a new level of income.

10% of entrepreneurs objected to our YEL income proposal and provided an explanation of the factors affecting the value of their work input, as well as their opinion of their income level. Among the reasons for objecting were insolvency, lack of confidence in the system, information about the wrong company and alternative pension arrangements. A small number of entrepreneurs who received a YEL income decision appealed the decision.

73% of those subject to the review accepted or did not react to the income proposal.

The average increase in YEL income was EUR 3,870.

In 2024, we will review the incomes of self-employed people whose income is between EUR 15,000 and 25,000. At Varma, this group includes 8,000 customers.

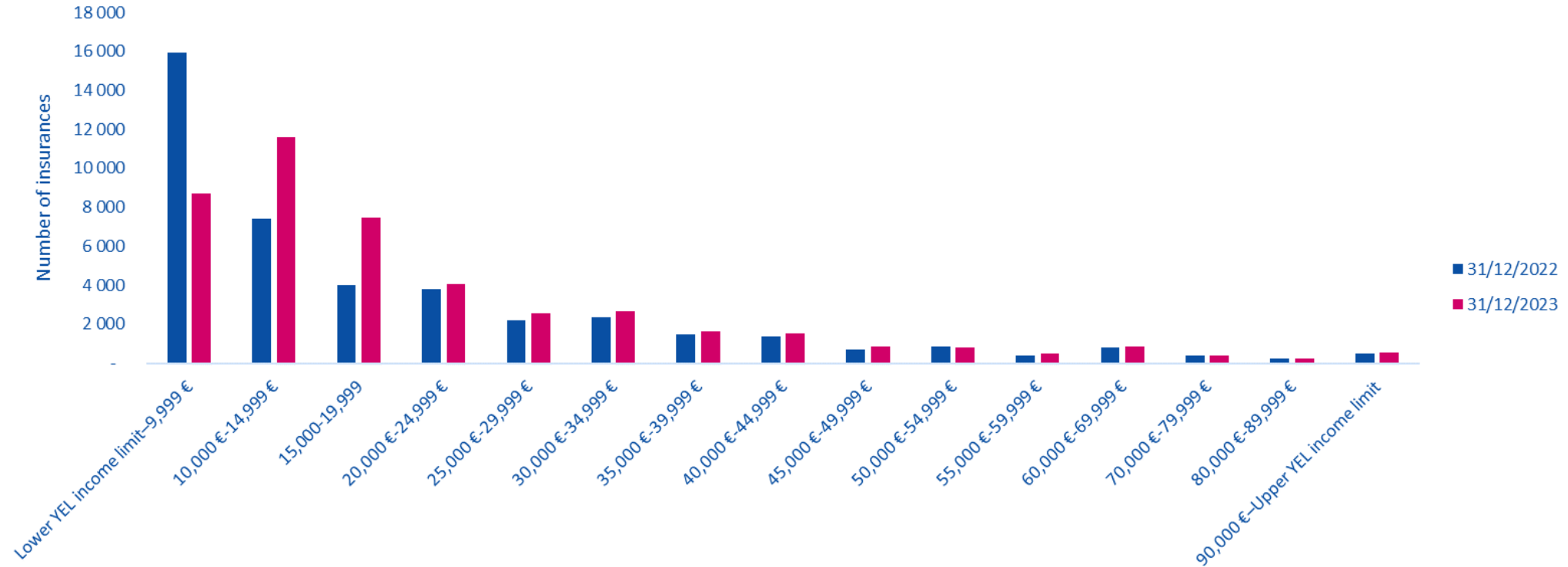


2% of the YEL insurance policies were terminated during the review.

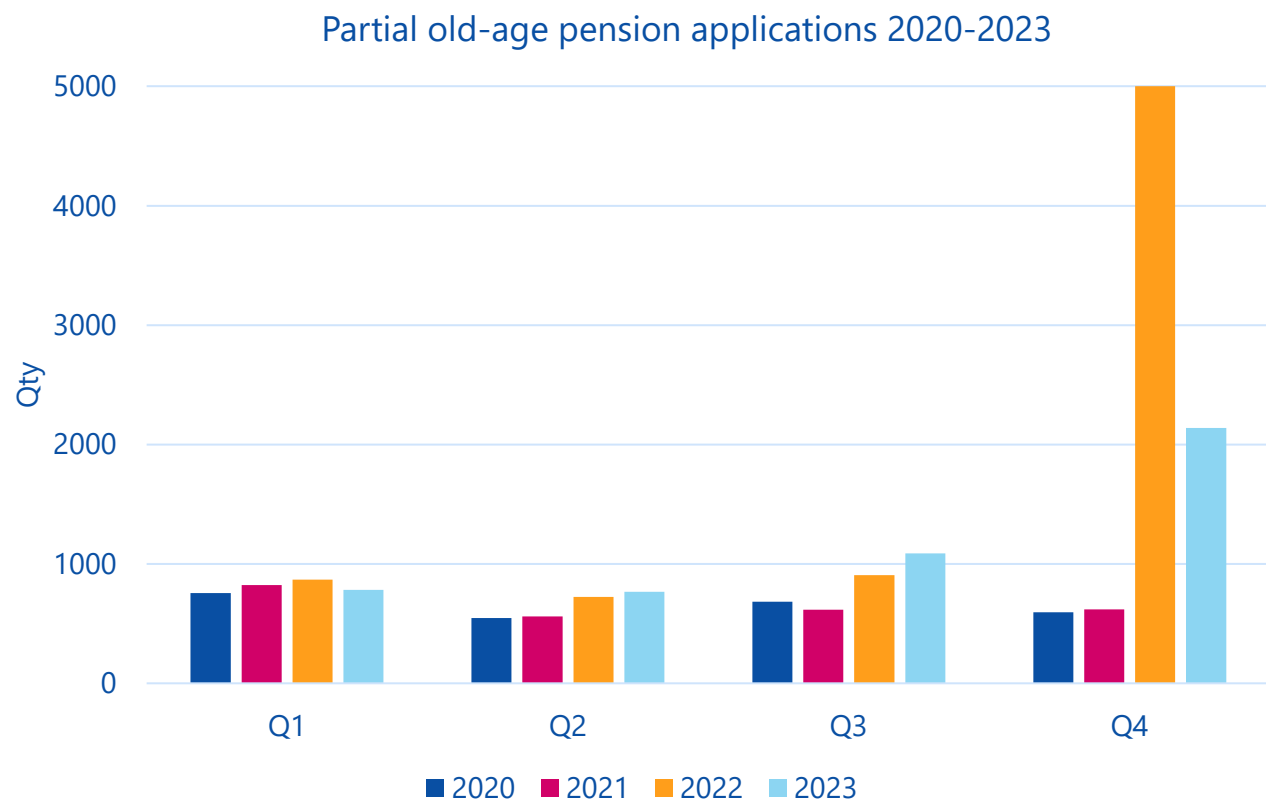
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Confirmed YEL income of the self-employed

Entrepreneurs' income reviews resulted in an income increase among entrepreneurs in the lower YEL income categories.



Partial old-age pension still popular



- Partial old-age pension applications were down 37 per cent. In spite of this, the number of applications in 2023 was the second highest ever. The increase compared to 2020 and 2021 was over 80 per cent.
- Partial old-age pension can be applied for at the age of 61. The age limit will be raised to 62 for those born in 1964.
- The average age of those retiring on partial old-age pension was 62.0 years, and one quarter retired immediately after turning 61.
- As a result of the 2017 pension reform, people have been delaying their retirement on old-age pension. Statistics show that those retiring on partial old-age pension do not work longer than others.
- In a survey conducted in spring 2023 among Varma's pensioners, 12 per cent of the respondents said, however, that drawing partial old-age pension before old-age pension may delay their final retirement.

Current information about pensions

- At the beginning of 2024, a 5.7 per cent index increase was made to pensions. This did not have a significant effect on the number of old-age pension applications at the end of the year.
- A total of 24,800 (28,500) new pension decisions were made during the year. New pension decisions decreased 12.8 per cent from 2022.
- Years-of-service pension was granted to 49 applicants in 2023.
- The average processing time for pension applications was 15 (16) days.



A total of 24,825 new pension decisions were made

First decisions	2023	2022	Change, %
Disability benefits	6,295	5,821	8.1
Rehabilitation benefit	1,439	1,368	5.2
Partial rehabilitation benefit	270	306	-11.8
Disability pension	4,034	3,590	12.4
Partial rehabilitation benefit	552	557	-0.9
Part-time pension	4,317	7,011	-38.4
Years-of-service pension	49	37	-25.0
Survivors' pension	4,028	3,789	6.3
Old-age pension	10,134	11,812	-14.2
Early old-age pension	2	2	0.0
Total	24,825	28,472	-12.8

A total of 52,035 pension decisions were made in 2023, i.e. 10.8% less than in the previous year.

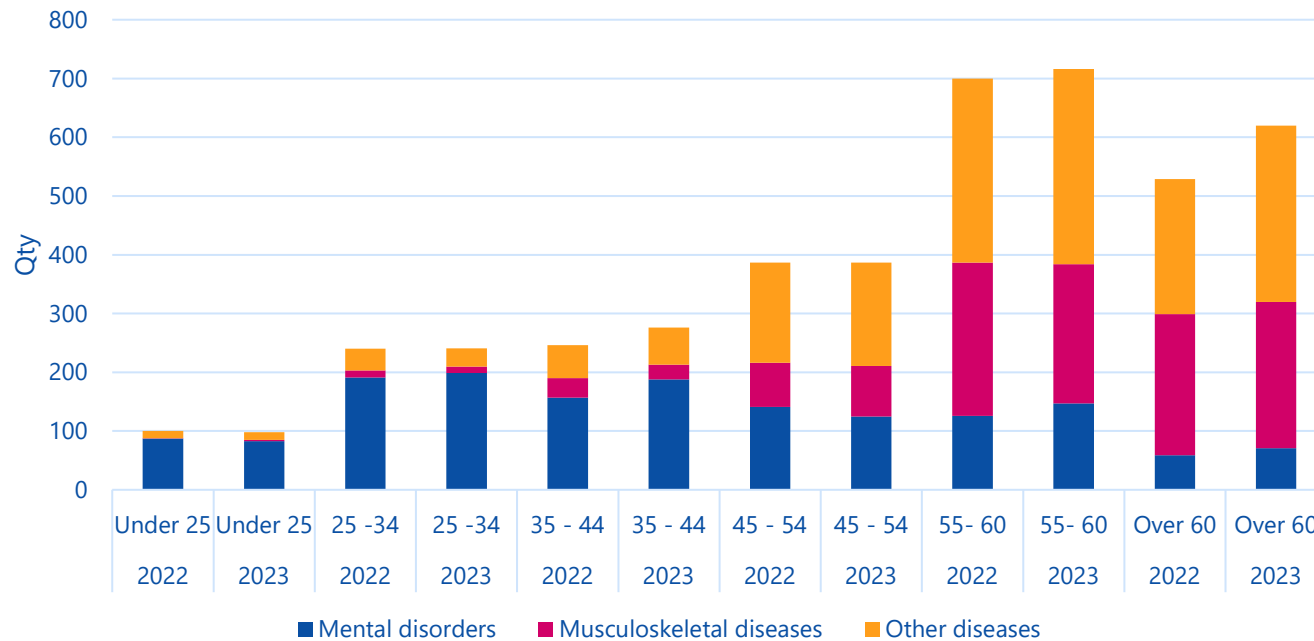


Disability risk management

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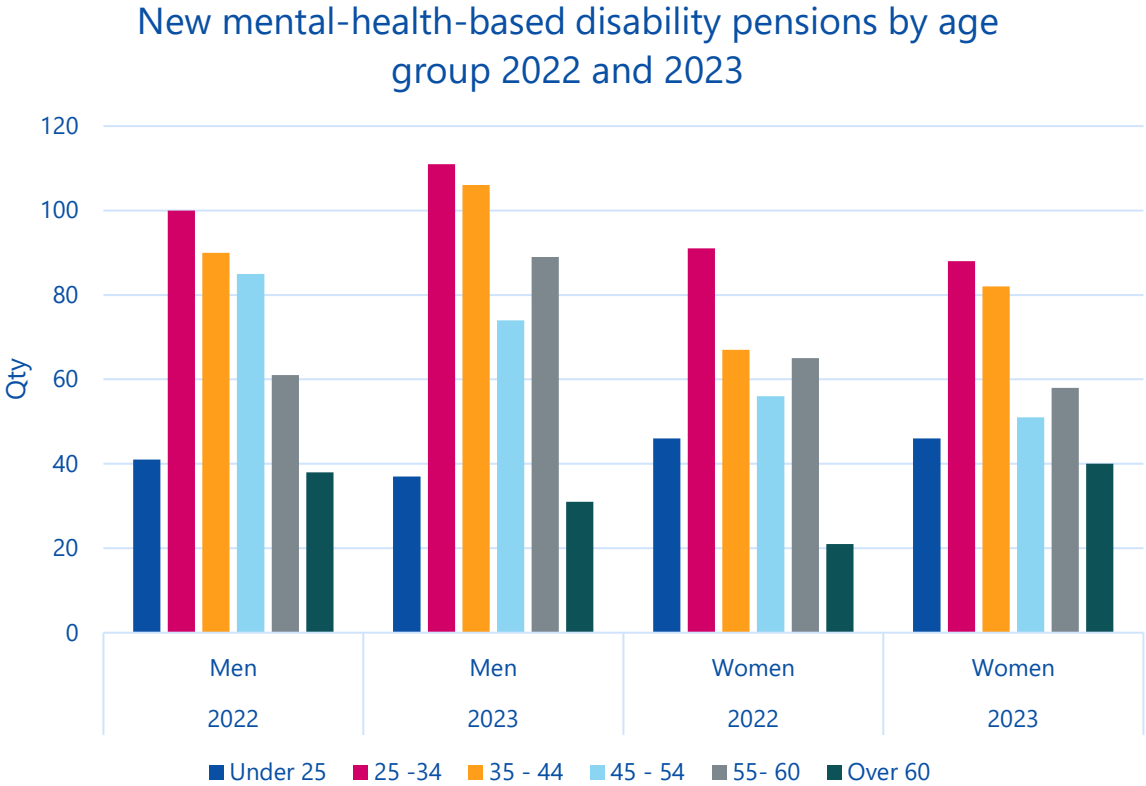
The number of new disability pensions continued to grow

New disability pensions by age group and diagnosis 2022 and 2023



- New disability pensions increased 6.2% compared to the previous year.
- The biggest growth in the number of new disability pensions was seen in the 60+ age group. A slight increase was also seen in the 35–44 and 55–60 age groups.
- Mental health disorders were the primary reason for new disability pensions among all age groups under 45.

Most new mental-health-based disability pensions granted to those aged 25–44



- The number of new disability pensions granted for mental health disorders grew 7 per cent.
- The highest number of new disability pensions for mental health reasons were granted to those aged 25–34, as in the previous year.
- Among women, the number of new disability pensions has increased in the 35–44 and 60+ age groups. Among men, disability pensions for mental health reasons grew in the 25–34, 35–44 and 55–60 age groups.

86 per cent of the rehabilitants returned to the labour market

- The number of rehabilitation applications took an upward trajectory in 2023 after a decline in the previous two years.
- The number of applications received by Varma increased 10.9%, i.e. 2,300 applications. The increase among women was 19.1 per cent, and among men 4.1 per cent.
- The average age of new rehabilitants was 48.
- Men account for 59 per cent of the new rehabilitants.
- Completed rehabilitations were more successful than in the previous year. 86 per cent of the rehabilitants who participated in a rehabilitation programme returned to the labour market.
- Among our rehabilitation customers, the greatest disability threat was caused by musculoskeletal diseases, and the second most common cause was mental health disorders.



Varma provides research data on work ability

- Varma has published sector-specific reports on work ability, workload factors and workload management.
- The reports cover work ability and work-ability management in small companies, knowledge-based work, industry and the construction, social services, services and transport sectors.
- The reports are part of Varma's 'Information about work ability' series. The reports are available at www.varma.fi/tutkimus.
- The reports support Varma's work ability management services for its customers.





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 in 2023



Varma has set emission reduction targets in accordance with the Science Based Targets initiative

Varma received official 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.



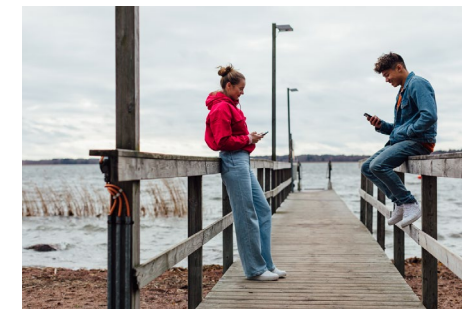
Varma looked into how prepared its investees are to prevent biodiversity

More than a quarter of the listed high-risk sector companies in our investment portfolio have set targets for preventing biodiversity loss. Just over half of the companies, i.e. 51 per cent, had expressed their intent to take action for considering or compensating biodiversity loss. The survey included 282 companies.



Varma awarded as the most responsible summer employer

Varma was selected as 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.

Energy renovations in Varma's rental apartments

- In 2021–2023, Varma carried out energy renovations in 20 of its residential properties, 15 of which switched to geothermal heating. We aim to start two new geothermal heat projects in 2024.
- We have also implemented other energy efficiency and production measures, e.g. installed solar panels and exhaust air heat pumps, modernised building automation systems and installed EV charging provisions.
- Energy-renovated rental flats under Varma's ownership total over 1,300, and 840 of these use geothermal heat.
- A number of our residential properties have switched to CO2-free district heat, produced with renewable energy sources or waste heat.
- We have more than halved the in-use CO2 emissions of our residential properties since 2015. Varma's goal is to switch to fossil-free purchased heat and electricity by 2030 and 2025, respectively, in all of our real estate.
- A sustainability manager for Varma's rental flats started working in September 2023. The manager supports the sites' sustainability management as part of commercial and technical real estate management.



Latest developments in real estate sustainability

- Varma received four out of five stars, i.e. the second highest rating, in the 2023 GRESB real estate sustainability assessment. Varma's score was the highest ever in Varma's five-year GRESB history.
- Varma has drawn up an ESG roadmap for direct real estate investments to steer our targets and actions in the most material sustainability issues related to real estate investments, such as mitigating and adapting to climate change, social aspects and direct real estate investments' ESG management in 2024–2028.



A man with short dark hair and a goatee, wearing a light blue blazer 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.

Current economic issues

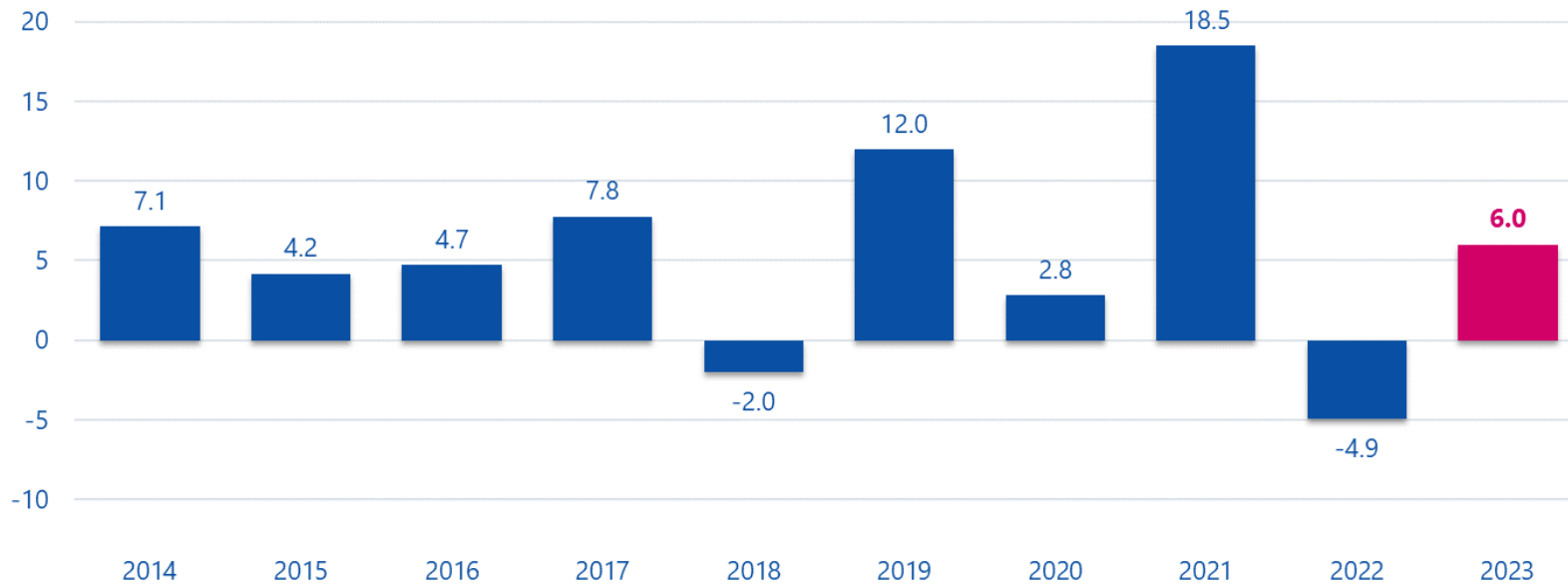
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Economic outlook

- Expectations of inflation levelling off and a return to a more moderate interest rate level have grown.
- Geographical differences remain high and geopolitical risks are elevated.
- Currently, there is no major risk of global recession in sight.
- Finland's economy is more muted than the global economy. The higher interest rate level has had a stronger impact in Finland than in many other western countries.
- Positive expectations in Finland's economy have been driven by investments in the green transition, but unfortunately the projects are under threat of being delayed or cancelled altogether.



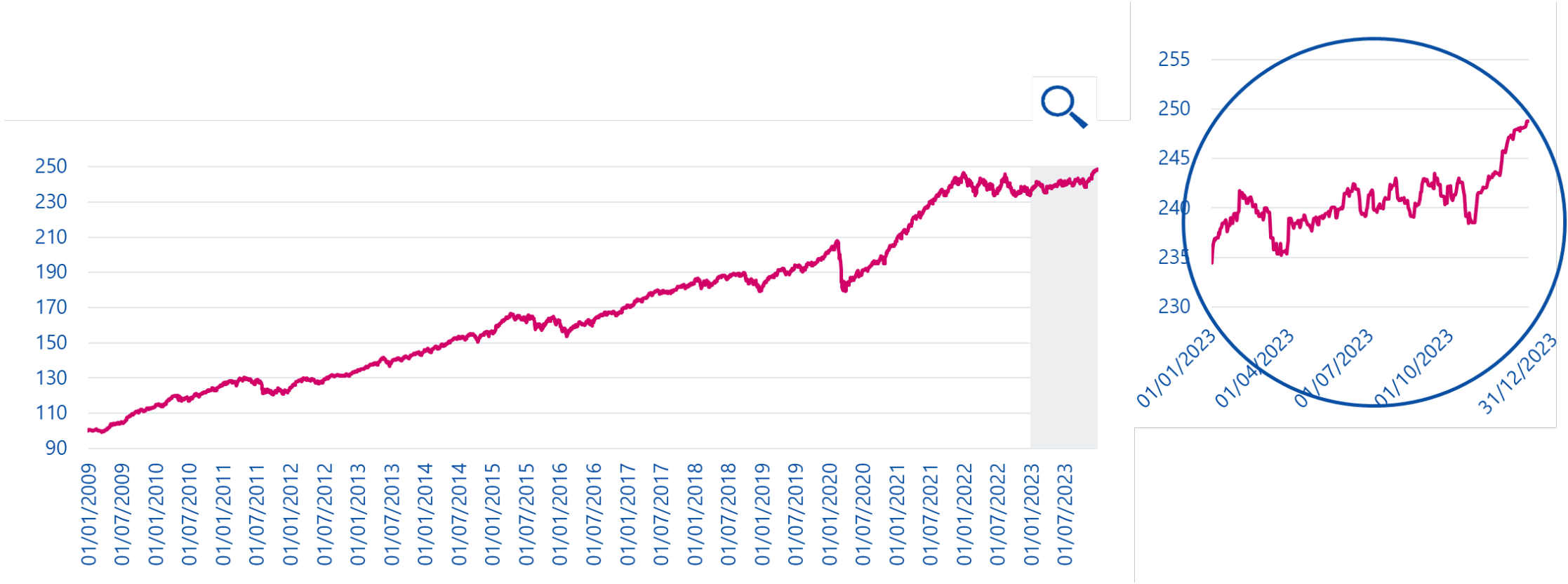
Return on investments



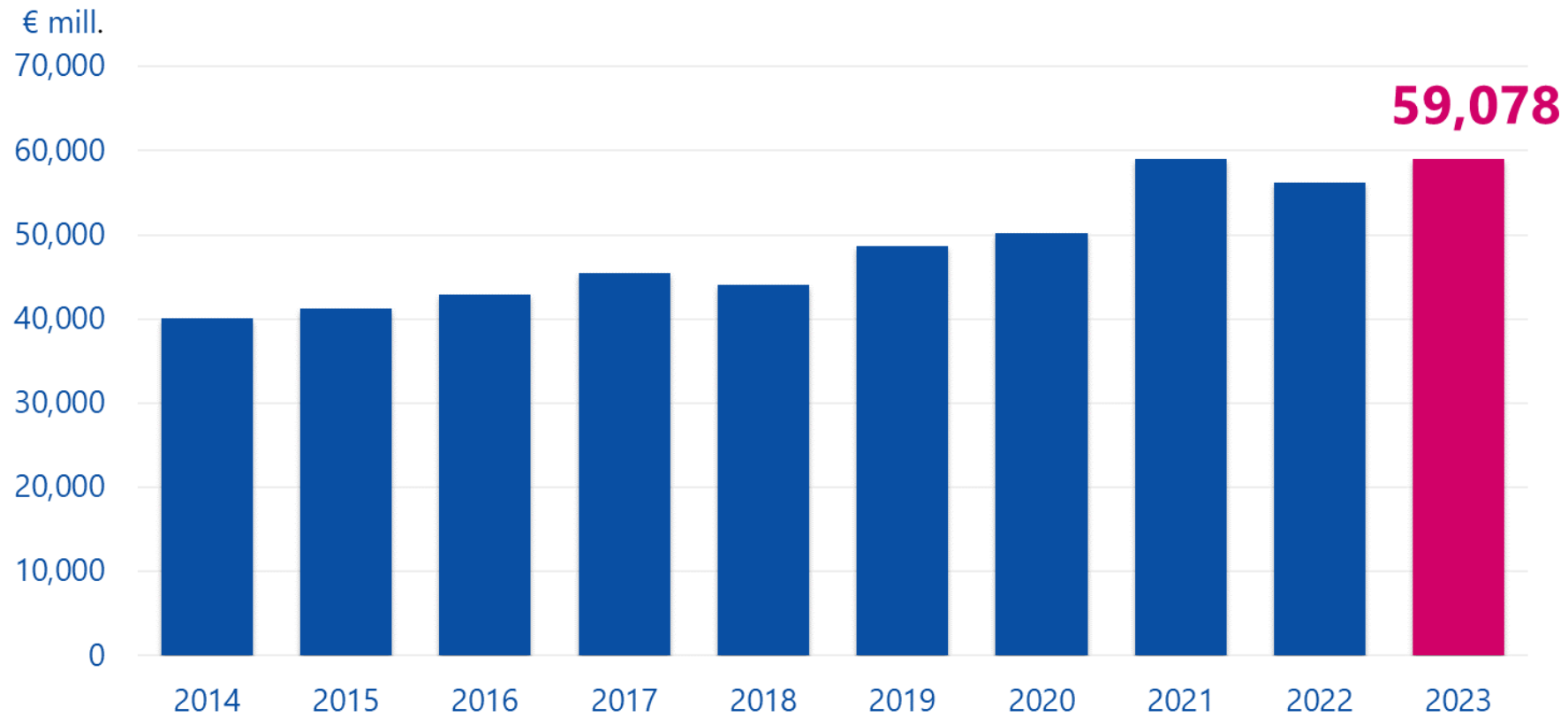
The average nominal return on investments over ten years is approx. 5.4%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **6.0** per cent in 2023.
- The investment portfolio amounted to EUR **59.1** billion at the end of year.

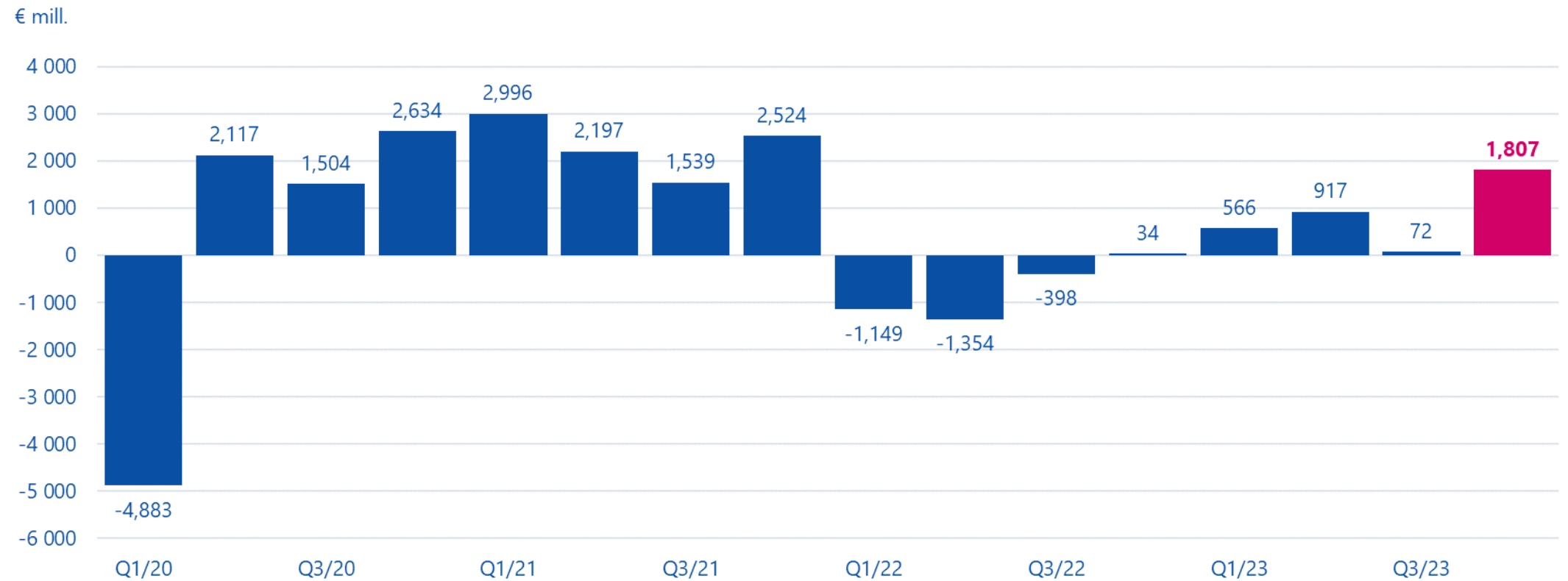
Return development since 2009: cumulative return 148.8%, i.e. €36.9 bn



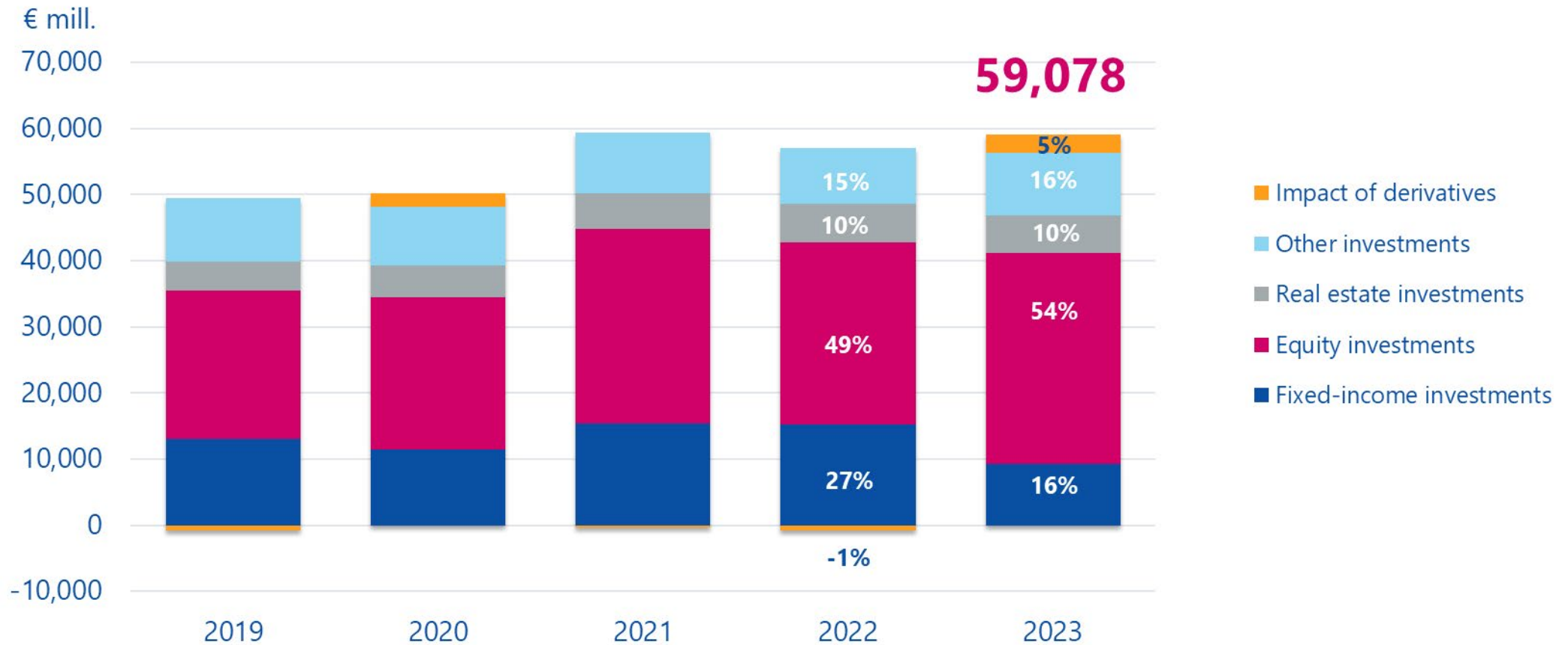
Market value of investments EUR 59.1 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	31 Dec 2023				31 Dec 2022				01-12/2023	01-12/2022	24 m
	Market value				Market value				Return	Return	Vola-
	Market Value		Risk position		Market Value		Risk position		MWR	MWR	tility
	milj. €	%	milj. €	%	milj. €	%	milj. €	%	%	%	
Fixed-income investments ¹	12,081	20	9,307	16	14,566	26	15,302	27	5.6	-5.2	
Loan receivables	2,598	4	2,598	4	2,829	5	2,829	5	7.3	3.9	
Bonds	8,304	14	8,967	15	8,563	15	8,878	16	5.8	-10.2	5.9
Public bonds	3,769	6	4,335	7	4,611	8	4,844	9	4.5	-13.7	
Other bonds	4,536	8	4,632	8	3,952	7	4,033	7	7.3	-6.5	
Other money-market instruments and deposits	1,179	2	-2,259	-4	3,174	6	3,595	6	2.0	-0.1	
Equity investments	31,874	54	31,866	54	27,459	49	27,533	49	8.6	-8.7	
Listed equities	20,634	35	20,626	35	17,268	31	17,342	31	10.3	-16.8	14.6
Private equity	10,425	18	10,425	18	9,498	17	9,498	17	5.5	7.9	
Unlisted equities	815	1	815	1	692	1	692	1	8.9	40.7	
Real estate investments	5,641	10	5,641	10	5,741	10	5,741	10	-4.3	5.7	
Direct real estates	3,021	5	3,021	5	3,171	6	3,171	6	-4.0	4.2	
Real estate funds	2,620	4	2,620	4	2,570	5	2,570	5	-4.6	7.6	
Other investments	9,481	16	9,480	16	8,438	15	8,438	15	5.6	2.7	
Hedge funds	9,480	16	9,480	16	8,433	15	8,433	15	6.1	2.3	2.6
Commodities	2		1								
Other investments	-1		-1		6		6				
Total investments	59,078	100	56,294	95	56,204	100	57,014	101	6.0	-4.9	5.1
Impact of derivatives			2,784	5			-810	-1			
Investment allocation at fair value	59,078	100	59,078	100	56,204	100	56,204	100			

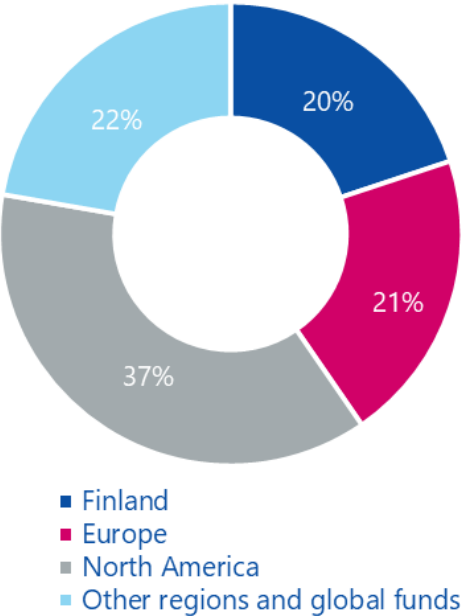
The modified duration for all the bonds is 4.15.

The open currency position is 28.9% of the market value of the investments.

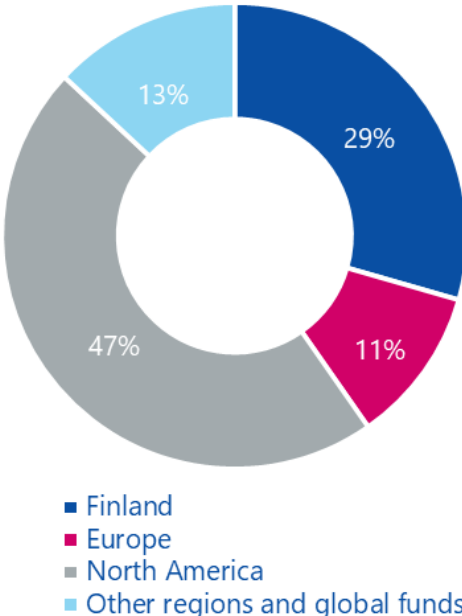
¹ Includes accrued interest

Geographical distribution of investments

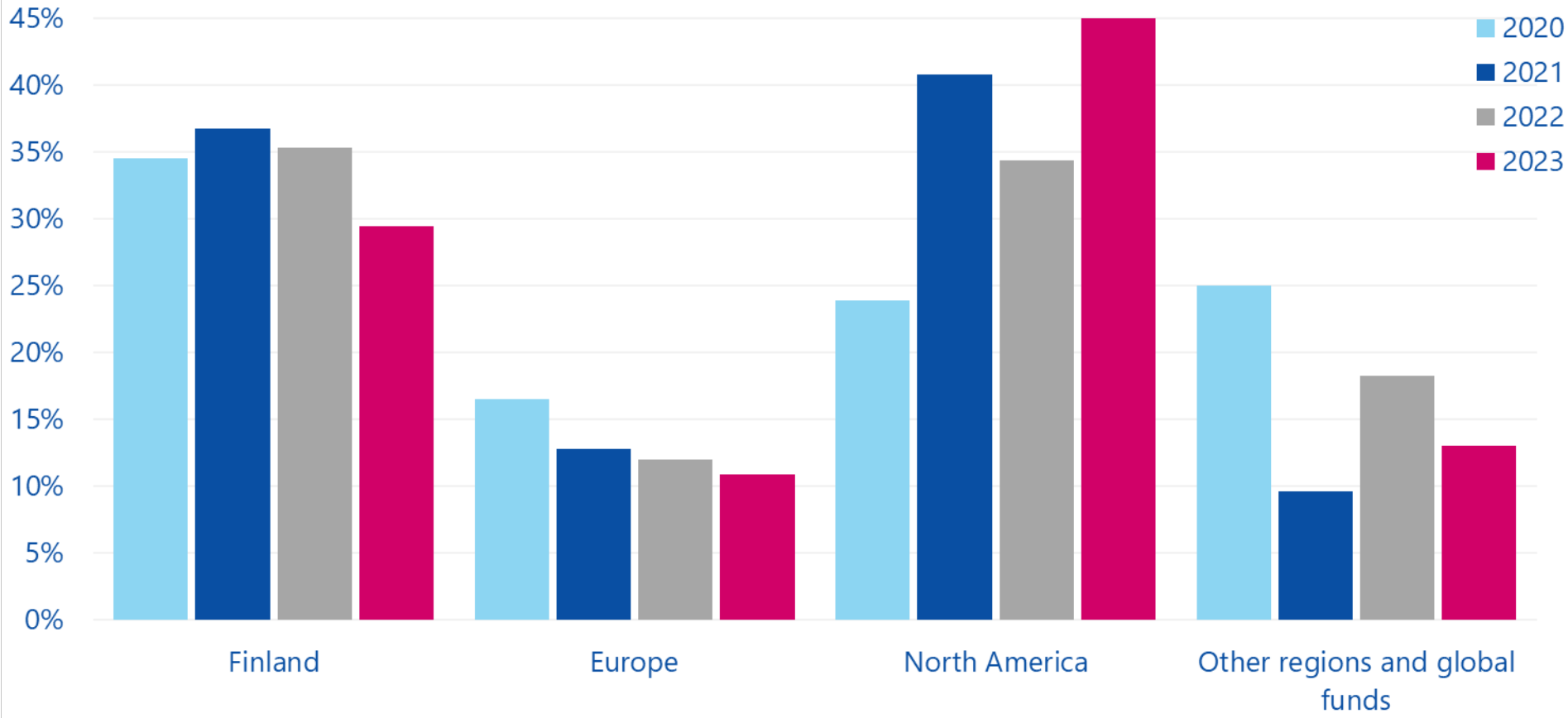
Investments



Listed equities

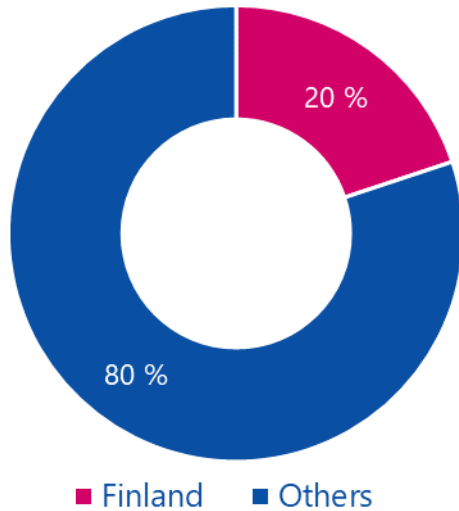


Largest number of listed equities in North America

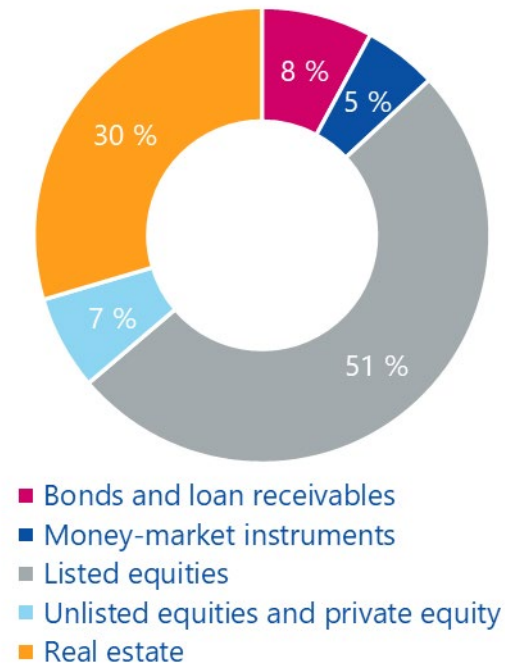


Investments in Finland 20%, EUR 12.0 billion

Investments in Finland

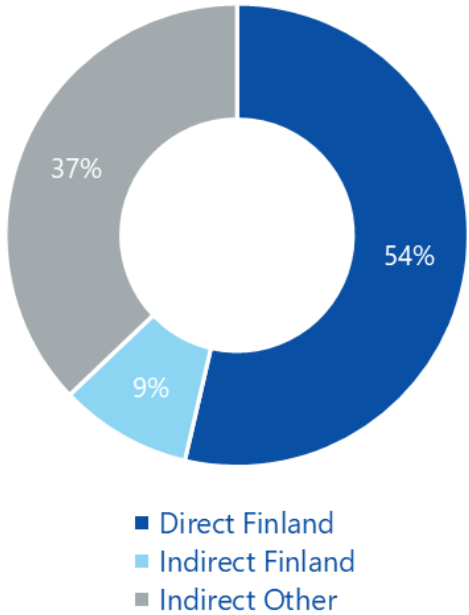


Distribution of Finnish investments

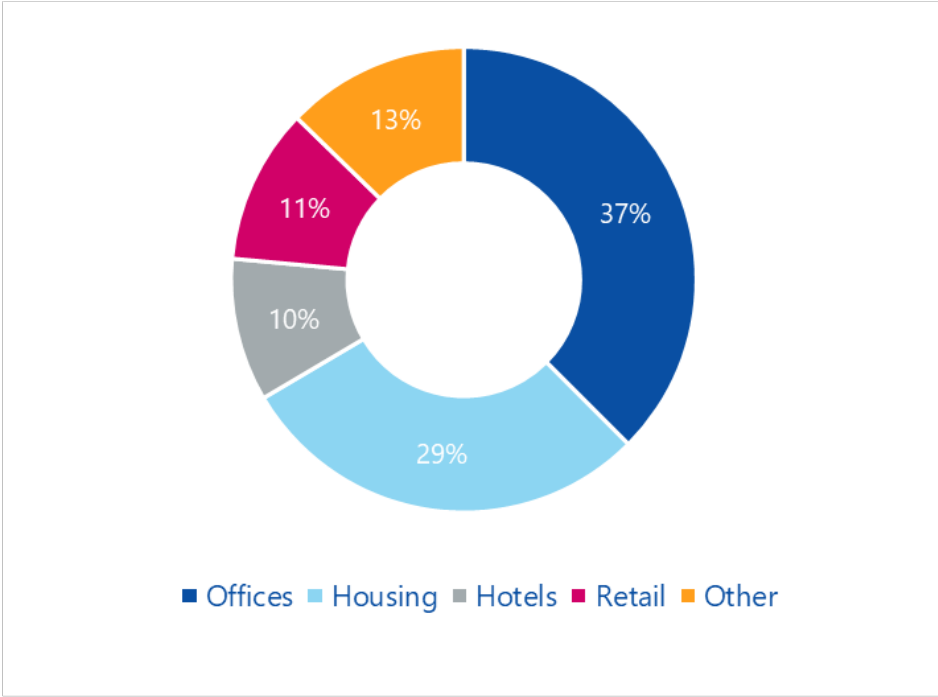


63% of real estate investments, i.e. EUR 3.5 billion, in Finland

Real Estate Investments, € bn 5.6

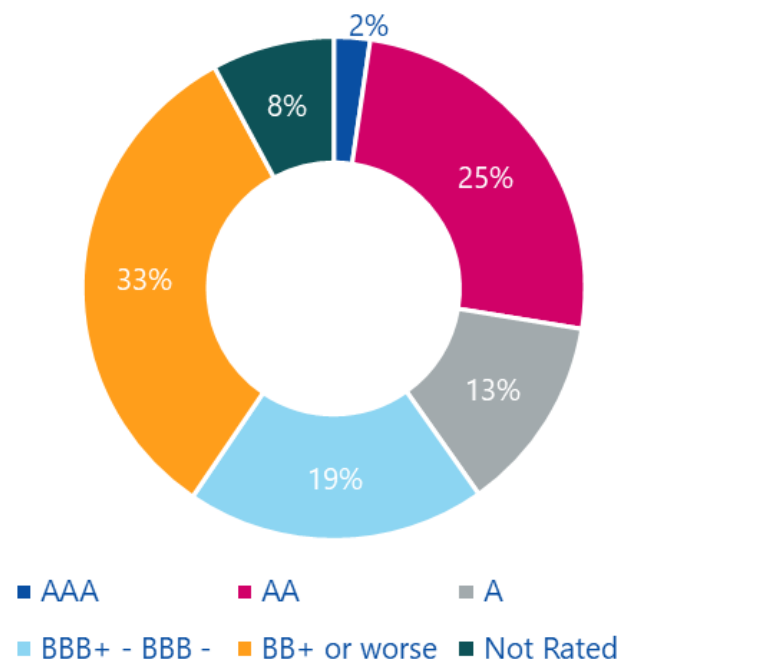


Direct Real Estate Investment Finland, € bn 3.0

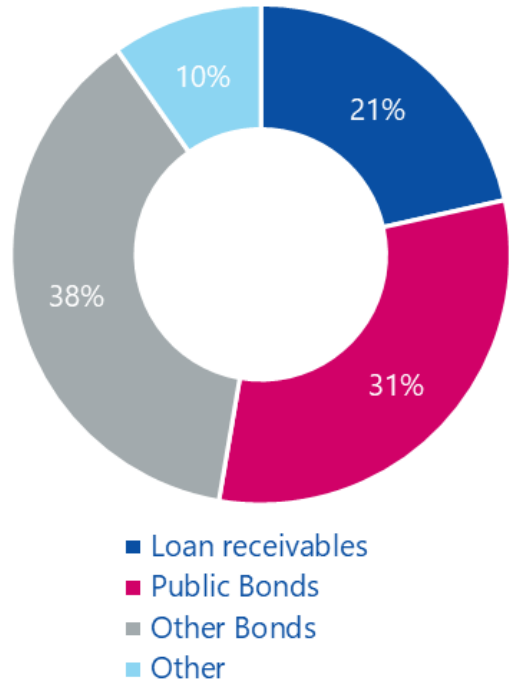


31% of fixed income investments in public bonds

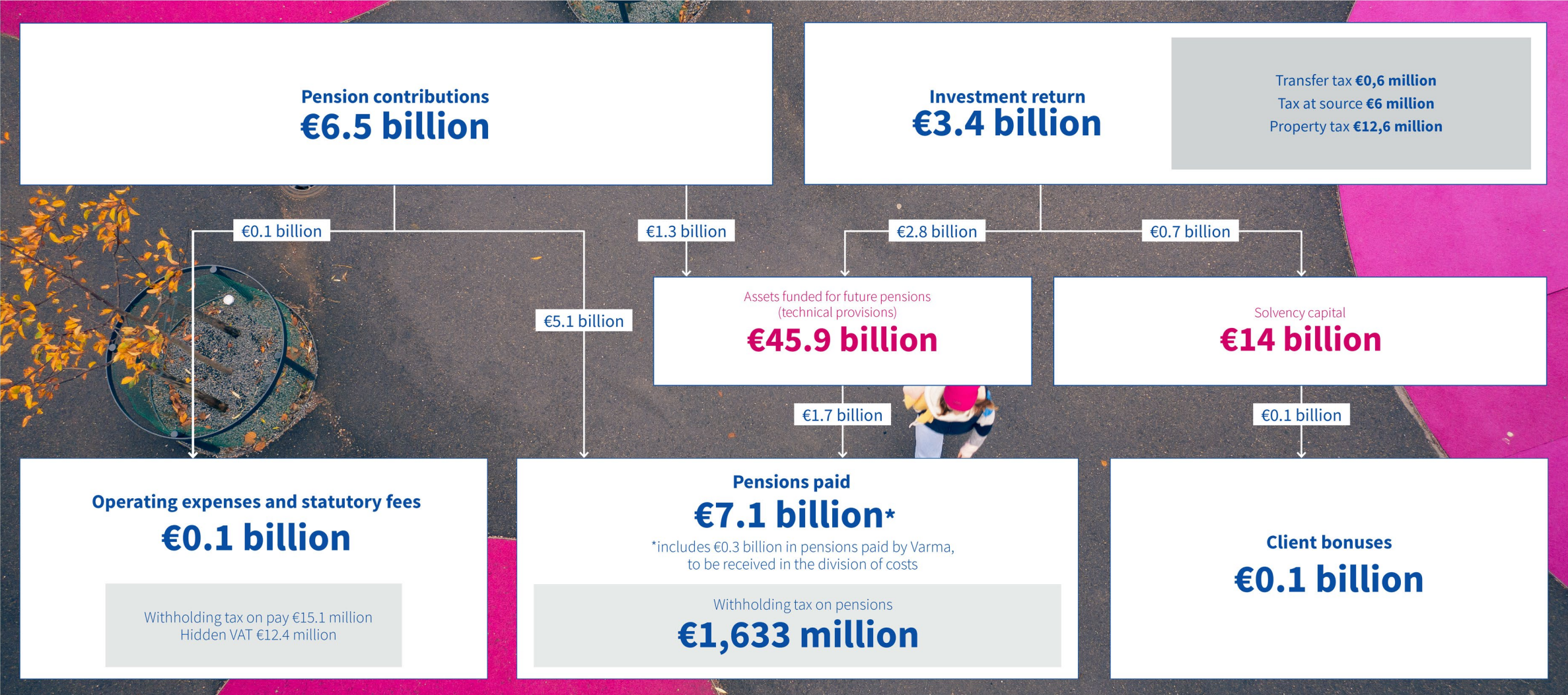
Bonds by Credit Rating



Fixed-income Investments by Market value



Varma's cash flows from pension contributions and investment returns



Varma's and the markets' investment returns

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
1-12/2023	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
2021	18.5	25.3	24.9	28.7	-3.4	-1.1
Average nominal return						
5 years	6.6	8.7	9.9	15.7	-1.1	0.1
10 years	5.4	9.0	6.6	12.0	1.3	1.3
Since 1999 *	5.5	8.0	4.8	7.6	3.2	3.3
Average real return						
5 years	3.1	5.1	6.3	11.9	-4.4	-3.3
10 years	3.4	6.8	4.5	9.8	-0.7	-0.6
Since 1999 *	3.5	6.0	2.9	5.5	1.3	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

Key figures

	1-12/2023	1-12/2022
Premiums written, € million	6,466	6,119
Net investment income at fair value, € million	3,363	-2,868
Return on invested capital, %	6.0	-4.9
	12/2023	12/2022
Technical provisions, € million	46,966	45,373
Solvency capital, € million	14,010	13,344
in relation to solvency limit	1.6	1.8
Pension assets, € million	60,057	57,120
% of technical provisions	130.4	130.5
TyEL payroll, € million	25,367	24,103
YEL payroll, € million	943	867

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