

## Varma's Interim Report 1 January–30 September 2023

The comparison figures in parentheses are from 30 September 2022, unless otherwise indicated.

- The total result was EUR -25 (-2,815) million.
- The nine-month return on investments was 2.8 (-4.9) per cent.
- The market value of investments was EUR 57.5 (56.2 on 1 Jan) billion.
- Solvency capital was EUR 13,316 (13,444 on 1 Jan) million, and 1.7 (1.8 on 1 Jan) times the solvency limit.

### Economic operating environment

Global economic growth was relatively subdued during the review period, and the differences between geographical areas remained large. There were also significant differences in how the various sectors of the economy developed, with industry barely growing and construction declining. As a counterbalance to these cyclical sectors, private consumption and the number of employed people continued to grow. Geographically, the USA was a bright spot for the global economy while growth was muted in Europe and fell clearly short of expectations in China. Nevertheless, the long-anticipated global recession did not happen, although many economic indicators suggested further weakening of the economic trend.

The development of the global economy during the current year has been marked by adaptation to a higher interest rate level. Most major central banks have substantially tightened their monetary policies at an exceptionally rapid pace. However, the resulting impact on economic growth was lower than feared. Fixed-rate loans curbed the rise in debt service costs especially in the USA and in certain countries of continental Europe. The higher interest rate level has impacted lending to companies and households, slowing economic growth in the foreseeable future. Although global inflation took a sharp turn downward as the year progressed, central banks anticipated that they would keep their policy rates at higher levels for quite a while. The fixed income markets adapted to this outlook and long-term interests continued their strong rise.

The deceleration of inflation was attributed to the easing of supply bottlenecks, the fall in the prices of several raw materials and the cooling of total demand. Slower inflation coupled with accelerated wage increases supported purchasing power as the year progressed, although this positive trend was mitigated by the rise in oil prices that started in the summer. From a fiscal policy perspective, the substantial rise in interest rates coupled with high indebtedness was problematic, forcing many countries to tighten their fiscal policies. However, fiscal deficits remained high, with higher debt service costs placing an increasingly significant burden on public expenditure.

The development of the economy and investment markets is still associated with big risks. These include persistent inflation combined with weak growth and the debt service problems arising from the higher interest rate level. The damage to the credibility of central banks may also require that interest rates be kept higher for longer than would be necessary otherwise; this will increase the debt service burden. The geopolitical situation is unstable and the tensions between the world's two greatest economies, the USA and China, might escalate, which would have a significant impact on world trade and investments. Large public deficits and a high interest rate level, in turn, are putting debt sustainability at risk.

### Earnings-related pension system

The earnings-related pension insurance companies have submitted an application concerning the actuarial principles for the 2024 insurance contribution for the private sector to the Ministry of Social Affairs and Health, and the ministry should issue its decision by mid-November. The average TyEL contribution for the private

sector would be 24.81 per cent of the payroll (24.84 per cent in the current year). The contribution would also include a repayment item to compensate in 2022–2025 the temporary reduction in the employer's TyEL pension contribution in 2020. The pension contributions of the self-employed would remain at the same level in 2024 as they were in 2023.

In October, the Ministry of Social Affairs and Health and the Ministry of Finance set up a working group to look into reforming the earnings-related pension system. The objective of the working group is to identify the concrete changes that need to be made to the earnings-related pension legislation to ensure financial sustainability and safeguard an adequate level of benefits. The work should result in concrete ways to stabilise the pension insurance contribution level in the long term, making it possible for the earnings-related pension system to adapt to possible shocks with the help of a rule-based stabilisation mechanism. The working group is looking into long-term changes that will have no impact on pensions in the short term.

In October, the labour market central organisations set up a Pension Negotiation Group to prepare a pension reform. The objective of the organisations is to draft, by the end of January 2025, a joint proposal on the implementation of the pension reform.

The earnings-related pension index of current pensions is adjusted annually in January to ensure pensions' purchasing power. The Finnish Centre for Pensions has submitted a proposal to the Ministry of Social Affairs and Health to raise the earnings-related pension index by 5.7 per cent for 2024. This would influence current pensions as of the beginning of 2024.

The Finnish pension system ranked sixth in the Mercer CFA Institute Global Pension Index comparative study. Finland slipped by one rank from last year. The Finnish pension system was once again ranked as the world's most reliable and transparent. The assessment of integrity places emphasis on, among other things, good regulation of the pension system, understandability of customer communications and reasonableness of administrative costs.

### **Varma's economic and operational development**

Varma's total result at fair value for nine months amounted to EUR -25 (-2,815) million. The total investment result was EUR -63 (-2,914) million. The return on investments at fair value was EUR 1,556 (-2,902) million. The interest credited on the technical provisions was EUR 1,619 (13) million. The estimated technical underwriting result was EUR 38 (57) million. Following the introduction of the company-specific administrative cost component, Varma charges to its customers an administrative cost component that has been calculated to reflect Varma's costs. The loading profit was EUR 1 (26) million. The company's other result was EUR 0 (16) million.

Varma's solvency remained at a good level. The solvency capital, which serves as a risk buffer for investment and insurance operations, was EUR 13,316 (13,344 on 1 Jan) million at the end of September, and 129.6 (130.5 on 1 Jan) per cent in relation to the technical provisions.

Solvency capital was on a solid level, i.e. 1.7 (1.8 on 1 Jan) times the solvency limit.

Tables illustrating Varma's financial development are presented as attachments to this interim report.

### **Insurance business**

Varma's pension recipients numbered 350,300 at the end of September (352,200 on 1 Jan). Claims paid in January–September totalled EUR 5,094 (4,628) million. 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. A total of 37,420 pension decisions were made in January–September. In January–September, 2,965 disability pension decisions were made; this is 14.0 per cent more than in the corresponding period of 2022.

Based on the amendments to the Self-Employed Persons' Pensions Act, Varma has carried out entrepreneurs' YEL income reviews since June. The reviews will continue until the end of the year.

Disability risk management places more and more emphasis on data-driven management. Varma's disability risk management analytics provide companies with insight into the impact of the various causes of disability to improve companies' data-driven work ability management. Advanced analytics have enabled scalable services for as many companies as possible. On the other hand, Varma's research activities provide client companies with information on disability risk factors and means to manage disability. The latest research report addresses work ability management in small companies.

The TyEL payroll of those insured by Varma amounted to EUR 19,311 million during the period under review, up 5.5 per cent from the situation one year ago. The trend in 2023 has been good. At the end of September, 620,400 (590,200 on 1 Jan) employees and entrepreneurs were insured by Varma.

Varma gained a total of EUR 159 (137) million in new premiums written during January–September. This includes the net impact of new sales and premiums written transferred from other pension institutions.

### Investments

The return on Varma's investments during the period under review were 2.8 (-4.9) per cent, and at the end of September, the value of investments amounted to EUR 57,455 (56,384) million. Varma's solvency ratio was 129.6 (133.0) at the end of September.

Overall, the return development in the first part of the year was flattish, but the yield differences between asset classes varied significantly. In the early part of the year, risk sentiment was driven by dissipating recession fears and a downward turn in inflation, but with the markets waking up to the prospect of a prolonged tight monetary policy, this started to weigh on the investment markets in early autumn. This sent interest rates soaring and stock prices sliding.

Equity investments yielded 4.1 (-9.1) per cent during the period under review. The return on listed equities was a moderate 2.7 (-19.3) per cent. The yield differences between geographical areas and business sectors continued to be large, although stock prices broadly fell during the third quarter. Of Varma's equity investments, US equities performed best, driven by stronger-than-expected economic and earnings growth. In contrast, Finnish and European equities delivered the weakest performance. The reported return on private equity investments showed steady, strong growth, reaching 6.7 (13.5) per cent.

Fixed income investments returned 1.5 (-6.4) per cent. The continued and accelerated rise in interest rates limited returns on fixed income investments. The returns were eroded particularly by investments in government bonds, which suffered not only from central banks' fight against inflation, but also from governments' accelerated debt issues. The rise in long-term interest rates also hit the returns on corporate bonds, although high running yields partly protected them from rising interest rates. Of the fixed income investments, the best returns came from loan receivables, which were driven by strong running yields and limited interest rate risk.

The return on real estate investments was -2.6 (5.5) per cent as the markets adapted to a higher interest rate environment and the return requirements set on real estate investments based on that. Net rental income from real estate investments remained stable despite the slump in the real estate market. Markets' expectations of central banks' persistently higher policy rate levels are still putting pressure on the value of real estate investments. The value of Varma's directly owned real estate portfolio was updated in connection with Varma's half-year report in June. Varma will actively monitor the development of the value of real estate also during the final quarter of the year.

The return on other investments reached 4.5 (5.8) per cent. Hedge fund investments benefited from the USA's stronger growth prospects and high running yields, which bolstered the development of corporate bond and mortgage investments in particular. The return on hedge fund investments was 5.0 (5.6) per cent.

Varma has US-dollar-denominated investments in hedge funds, equities, corporate bonds and private equity funds. In accordance with Varma's investment policy, part of the currency risk is hedged. In terms of operations, foreign currency risks are managed as a whole, and in financial reporting, the exchange rate impact is included

in the returns of various asset classes. The US dollar appreciated slightly against the euro during the current year, which somewhat supported Varma's investment returns.

Varma's investment activities focussed on maintaining the company's secure solvency position, broadly diversifying investments and strongly emphasising risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio. The market risk of investments is the greatest risk affecting the company's result and solvency. Equities constitute by far the greatest market risk. The VaR (Value-at-Risk) figure describing the total risk of Varma's investments stood at EUR 2,126 (2,621) million.

### **Operating expenses and personnel**

Varma's total operating expenses in the reporting period were EUR 106 (106) million. The loading profit during the period was EUR 1 (26) million. Varma implements the statutory earnings-related pension cover in an efficient manner. Following the introduction of the company-specific administrative cost component, the size of the administrative cost component included in the insurance contribution equals Varma's operating expenses.

Varma's parent company employed an average of 561 (530) people in the review period. More personnel have been allocated especially to the YEL income review process and customer service and the IT and digitalisation function. At the end of September, Varma's personnel were distributed as follows: pension services 16 per cent, actuarial and insurance services 12 per cent, customer service departments 17 per cent, disability risk management 13 per cent, investment operations 13 per cent, and other functions 29 per cent.

Varma's personnel development has focussed on developing an agile operating culture and strengthening competence. In addition, the promotion of equality and diversity practices has been continued by extensively adopting anonymous recruitment and coaching the entire personnel to consider different minorities in the work community and in customer interaction.

### **Corporate Governance**

An up-to-date Corporate Governance Statement based on the recommendations of the Finnish Corporate Governance Code is presented on Varma's website. Varma publishes quarterly interim reports with the aim of ensuring transparent public financial reporting that conforms to best practices.

### **Sustainability**

Varma comprehensively examined the responsibility of its fund management companies by conducting an extensive survey covering all of Varma's investment asset classes and a total of 57 per cent of its investment portfolio. Of the companies that responded to the survey, 85 per cent had committed to the UN Principles for Responsible Investment (UNPRI), and half had also linked ESG goals to management rewards. Varma will conduct the same survey regularly to ensure follow-up. This will also show in which direction the fund management companies develop their operations and whether responsible investment brings the desired results.

Varma joined 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. The engagement target companies were selected based on their market capitalisation within key sectors and an analysis by the Finance for Biodiversity Foundation of companies with the highest impact on nature.

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

Varma was selected the most responsible summer employer of 2023 in Oikotie's Responsible Summer Job study in the large companies category. Oikotie's Responsible Summer Job campaign annually awards the best summer employers based on the summer employees' assessments.

### **Risk management**

Varma's most significant risks are related to investment operations and information processing. Cyber risks in particular are estimated to remain elevated. The most significant financial risks are those concerning investments. Varma's liquidity remains at a secure level.

The risks of pension insurance operations are related to pension and insurance processing and to the effectiveness of the joint systems used in the sector. The risk level related to these has remained low.

The Board of Directors has confirmed the principles for the company's internal control and risk management system. More information about insurance, investment, operative and other risks, the means for managing them, as well as related quantitative data, are provided in the notes to Varma's financial statements.

Varma's Board of Directors' investment plan lays down the general security goals for investments, diversification and liquidity goals, and the principles governing the company's currency risk hedging. The diversification of the investment portfolio is based on allocation that takes into account the return correlations of asset classes. Varma's risk and solvency assessment describes Varma's key risks and the company's measures to manage them.

### **Outlook**

The biggest risks to the global economy and the investment markets relate to the risk of recession and the impacts of central banks' measures to tighten monetary policy. The rise in interest rates and high indebtedness limit fiscal policy leeway and cut consumers' spending opportunities. Higher interest rates in an environment of weakening economic growth further increase the risk of instability in the financial market.

Geopolitical risks are elevated, holding back companies' investment decisions. Uncertainty about the sufficiency of several critical raw materials and affordable energy also curbs investment appetite especially in Europe. Although inflation has already taken a downward turn, uncertainty related to its future development has raised the price of long-term financing and increased uncertainty about future purchasing power and companies' costs. Expenditure pressures related to the aging population, challenges related to security and energy policy, and clearly higher debt service costs will create major challenges for sustainable economic policy over the coming years. At the same time, carrying out economic policy reforms geared to strengthening productivity growth is challenging in an environment of slow growth and unstable political atmosphere.

However, Varma's strong solvency position and careful risk management ensure good conditions for both performance and securing the pension benefits of the insured in all market conditions. Varma continues to effectively implement the earnings-related pension system.

Helsinki, 27 October 2023

Risto Murto  
President and CEO

The figures presented in this interim report are unaudited figures of the parent company.

*Varma Mutual Pension Insurance Company is a responsible and solvent investor of pension funds. The company is responsible for the statutory earnings-related pension cover of 970,000 people in the private sector. Varma's premiums written totalled EUR 6.1 billion in 2022 and pension payments stood at EUR 6.5 billion. Varma's investment portfolio amounted to EUR 57.5 billion at the end of September 2023.*

FURTHER INFORMATION:

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ATTACHMENT: Graphs and charts

[www.varma.fi/en](http://www.varma.fi/en)

<https://www.varma.fi/annualreport>

## Balance sheet at fair values (Parent Company)

€ million	9/2023	9/2022	12/2022
<b>Assets</b>			
Investments	57,455	56,384	56,204
Receivables	1,173	2,487	1,235
Furniture and fixtures	2	2	2
<b>Total Assets</b>	<b>58,630</b>	<b>58,874</b>	<b>57,441</b>
<b>Liabilities</b>			
Capital and reserves	150	143	145
Valuation differences	11,983	11,860	11,628
Provision for future bonuses	1,187	2,168	1,573
Off-balance-sheet items	-5	-1	-2
Solvency capital, total	13,316	14,170	13,344
Provision for current bonuses (for client bonuses)	0	0	174
Equity-linked provision for current and future bonuses	-607	907	-950
Actual technical provision	45,691	42,109	44,577
Total	45,084	43,016	43,626
Other liabilities	230	1,687	297
<b>Total Liabilities</b>	<b>58,630</b>	<b>58,874</b>	<b>57,441</b>

## Income statement at fair values (Parent Company)

€ million	1-9/2023	1-9/2022	1-12/2022
Premiums written	4,880	4,582	6,119
Claims paid	-5,094	-4,628	-6,238
Change in technical provisions	-1,283	199	-390
Net investment income	1,579	-2,875	-2,833
Total operating expenses	-106	-106	-136
Other income/expenses	0	16	16
Taxes	-1	-3	-4
<b>Total result <sup>1)</sup></b>	<b>-25</b>	<b>-2,815</b>	<b>-3,466</b>

<sup>1)</sup> Result at fair value before the change in provision for current and future bonuses and equalisation provision

€ million	1-9/2023	1-9/2022	1-12/2022
Underwriting profit/loss	38	57	115
Investment result	-63	-2,914	-3,636
Loading profit	1	26	38
Other income/expenses	0	16	16
<b>Total result</b>	<b>-25</b>	<b>-2,815</b>	<b>-3,466</b>

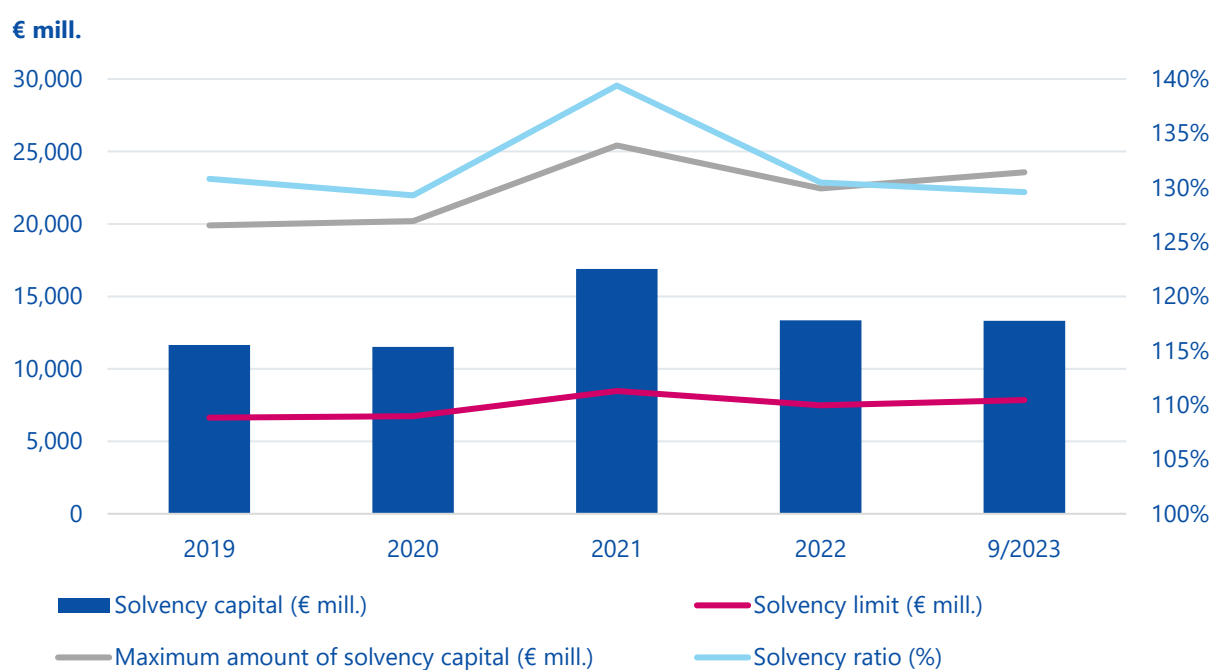
## Solvency capital and limits

	30/09/2023	30/09/2022	31/12/2022
Solvency limit (€ mill.)	7,854	7,440	7,482
Maximum amount of solvency capital (€ mill.)	23,562	22,321	22,447
Solvency capital (€ mill.)	13,316	14,170	13,344
Solvency ratio (%) <sup>1)</sup>	129.6	133.0	130.5
Solvency capital/Solvency limit <sup>2)</sup>	1.7	1.9	1.8

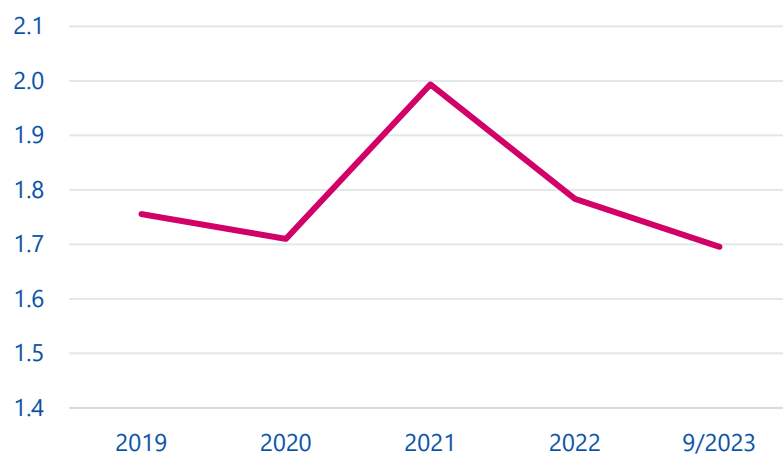
<sup>1)</sup> Pension assets in relation to the technical provisions under §11 of the Ministry of Social Affairs and Health's decree governing pension institutions (614/2008).

<sup>2)</sup> Solvency capital in relation to the solvency limit.

## Solvency development



## Solvency capital in relation to the solvency limit





## Investments at fair value

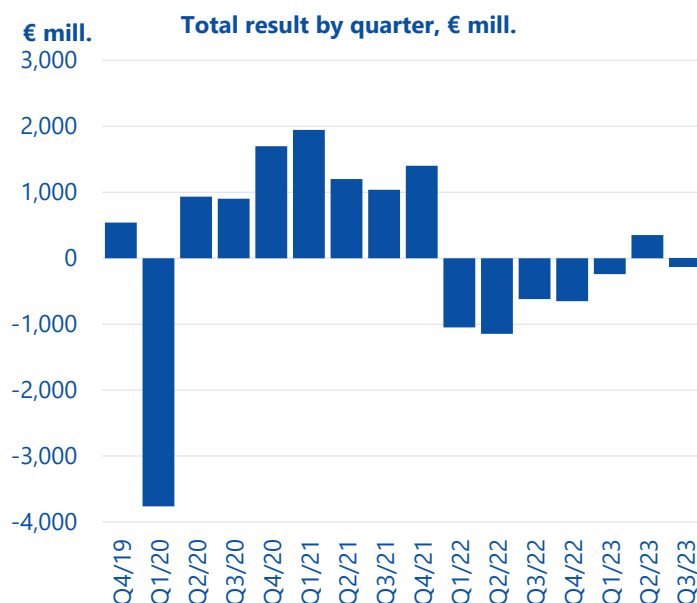
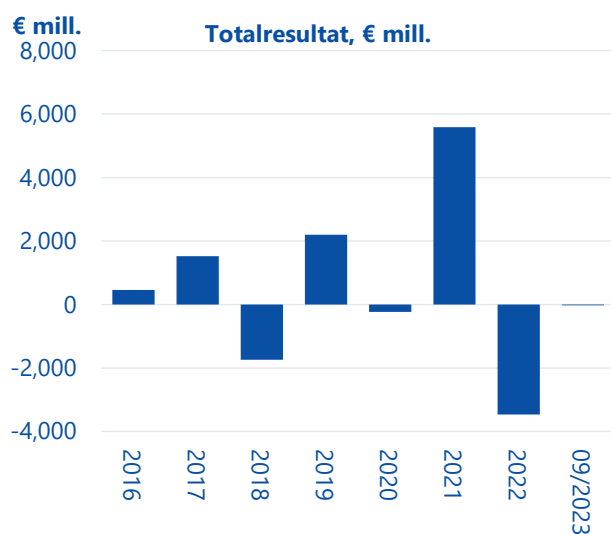
	30 Sep 2023				30 Sep 2022				31 Dec 2022				1-9/2023	1-9/2022	1-12/2022	24 m Volati- lity
	Market Value		Risk position		Market Value		Risk position		Market Value		Risk position		Return	Return	Return	
	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	MWR	MWR	MWR	
<b>Fixed-income investments <sup>1</sup></b>	<b>13,855</b>	<b>24</b>	<b>16,014</b>	<b>28</b>	<b>16,270</b>	<b>29</b>	<b>16,513</b>	<b>29</b>	<b>14,566</b>	<b>26</b>	<b>15,302</b>	<b>27</b>	<b>1.5</b>	<b>-6.4</b>	<b>-5.2</b>	
Loan receivables	2,587	5	2,587	5	2,715	5	2,715	5	2,829	5	2,829	5	4.9	2.1	3.9	
Bonds	9,132	16	11,177	19	7,702	14	7,963	14	8,563	15	8,878	16	0.6	-11.6	-10.2	5.1
Public bonds	4,603	8	6,546	11	3,569	6	3,433	6	4,611	8	4,844	9	-1.5	-15.2	-13.7	
Other bonds	4,529	8	4,631	8	4,133	7	4,530	8	3,952	7	4,033	7	2.8	-8.0	-6.5	
Other money-market instruments and deposits	2,136	4	2,250	4	5,853	10	5,834	10	3,174	6	3,595	6	1.3	-0.2	-0.1	
<b>Equity investments</b>	<b>28,671</b>	<b>50</b>	<b>28,814</b>	<b>50</b>	<b>25,704</b>	<b>46</b>	<b>25,984</b>	<b>46</b>	<b>27,459</b>	<b>49</b>	<b>27,533</b>	<b>49</b>	<b>4.1</b>	<b>-9.1</b>	<b>-8.7</b>	
Listed equities	17,379	30	17,523	30	15,207	27	15,487	27	17,268	31	17,342	31	2.7	-19.3	-16.8	13.9
Private equity	10,538	18	10,538	18	9,912	18	9,912	18	9,498	17	9,498	17	6.7	13.5	7.9	
Unlisted equities	754	1	754	1	585	1	585	1	692	1	692	1	2.3	18.2	40.7	
<b>Real estate investments</b>	<b>5,687</b>	<b>10</b>	<b>5,687</b>	<b>10</b>	<b>5,730</b>	<b>10</b>	<b>5,730</b>	<b>10</b>	<b>5,741</b>	<b>10</b>	<b>5,741</b>	<b>10</b>	<b>-2.6</b>	<b>5.5</b>	<b>5.7</b>	
Direct real estates	3,084	5	3,084	5	3,136	6	3,136	6	3,171	6	3,171	6	-1.7	3.8	4.2	
Real estate funds	2,603	5	2,603	5	2,594	5	2,594	5	2,570	5	2,570	5	-3.7	7.8	7.6	
<b>Other investments</b>	<b>9,242</b>	<b>16</b>	<b>9,243</b>	<b>16</b>	<b>8,680</b>	<b>15</b>	<b>8,681</b>	<b>15</b>	<b>8,438</b>	<b>15</b>	<b>8,438</b>	<b>15</b>	<b>4.5</b>	<b>5.8</b>	<b>2.7</b>	
Hedge funds	9,229	16	9,229	16	8,679	15	8,679	15	8,433	15	8,433	15	5.0	5.6	2.3	2.8
Commodities	2	0	3	0	0	0	1	0	0	0	0	0				
Other investments	11	0	11	0	1	0	1	0	6	0	6	0				
<b>Total investments</b>	<b>57,455</b>	<b>100</b>	<b>59,759</b>	<b>104</b>	<b>56,384</b>	<b>100</b>	<b>56,908</b>	<b>101</b>	<b>56,204</b>	<b>100</b>	<b>57,014</b>	<b>101</b>	<b>2.8</b>	<b>-4.9</b>	<b>-4.9</b>	<b>4.9</b>
Impact of derivatives			-2,304	-4			-524	-1			-810	-1				
<b>Investment allocation at fair value</b>	<b>57,455</b>	<b>100</b>	<b>57,455</b>	<b>100</b>	<b>56,384</b>	<b>100</b>	<b>56,384</b>	<b>100</b>	<b>56,204</b>	<b>100</b>	<b>56,204</b>	<b>100</b>				

The modified duration for all the bonds is 5.18.

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

<sup>1</sup> Includes accrued interest

## Total result



## Summary of the key figures

	1-9/2023	1-9/2022	1-12/2022
Premiums written, € million	4,880	4,582	6,119
Net investment income at fair value, € million	1,556	-2,902	-2,868
Return on invested capital, %	2.8	-4.9	-4.9

	9/2023	9/2022	12/2022
Technical provisions, € million	46,271	45,184	45,373
Solvency capital, € million	13,316	14,170	13,344
in relation to solvency limit	1.7	1.9	1.8
Pension assets, € million	58,375	57,163	57,120
% of technical provisions	129.6	133.0	130.5
TyEL payroll, € million	25,429	24,113	24,103
YEL payroll, € million	943	863	867

## Investments at fair value, broken down as per the regulations of the Financial Supervisory Authority

	Market value						Risk position					
	30 Sep 2023		30 Sep 2022		31 Dec 2022		30 Sep 2023		30 Sep 2022		31 Dec 2022	
	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
<b>Fixed-Income Investments</b>	<b>13,855</b>	<b>24.1</b>	<b>16,270</b>	<b>28.9</b>	<b>14,566</b>	<b>25.9</b>	<b>16,014</b>	<b>27.9</b>	<b>16,513</b>	<b>29.3</b>	<b>15,302</b>	<b>27.2</b>
Loan receivables	2,587	4.5	2,715	4.8	2,829	5.0	2,587	4.5	2,715	4.8	2,829	5.0
Bonds	9,132	15.9	7,702	13.7	8,563	15.2	11,177	19.5	7,963	14.1	8,878	15.8
Other money-market instruments and deposits	2,136	3.7	5,853	10.4	3,174	5.6	2,250	3.9	5,834	10.3	3,595	6.4
<b>Equity investments</b>	<b>28,671</b>	<b>49.9</b>	<b>25,704</b>	<b>45.6</b>	<b>27,459</b>	<b>48.9</b>	<b>28,814</b>	<b>50.2</b>	<b>25,984</b>	<b>46.1</b>	<b>27,533</b>	<b>49.0</b>
Listed equities	17,379	30.2	15,207	27.0	17,268	30.7	17,523	30.5	15,487	27.5	17,342	30.9
Private equity	10,538	18.3	9,912	17.6	9,498	16.9	10,538	18.3	9,912	17.6	9,498	16.9
Unlisted equities	754	1.3	585	1.0	692	1.2	754	1.3	585	1.0	692	1.2
<b>Real estate investments</b>	<b>5,687</b>	<b>9.9</b>	<b>5,730</b>	<b>10.2</b>	<b>5,741</b>	<b>10.2</b>	<b>5,687</b>	<b>9.9</b>	<b>5,730</b>	<b>10.2</b>	<b>5,741</b>	<b>10.2</b>
Direct real estates	3,084	5.4	3,136	5.6	3,171	5.6	3,084	5.4	3,136	5.6	3,171	5.6
Real estate funds	2,603	4.5	2,594	4.6	2,570	4.6	2,603	4.5	2,594	4.6	2,570	4.6
<b>Other investments</b>	<b>9,242</b>	<b>16.1</b>	<b>8,680</b>	<b>15.4</b>	<b>8,438</b>	<b>15.0</b>	<b>9,243</b>	<b>16.1</b>	<b>8,681</b>	<b>15.4</b>	<b>8,438</b>	<b>15.0</b>
Hedge funds	9,229	16.1	8,679	15.4	8,433	15.0	9,229	16.1	8,679	15.4	8,433	15.0
Commodities	2	0.0	0	0.0	0	0.0	3	0.0	1	0.0	0	0.0
Other investments	11	0.0	1	0.0	6	0.0	11	0.0	1	0.0	6	0.0
<b>Total</b>	<b>57,455</b>	<b>100.0</b>	<b>56,384</b>	<b>100.0</b>	<b>56,204</b>	<b>100.0</b>	<b>59,759</b>	<b>104.0</b>	<b>56,908</b>	<b>100.9</b>	<b>57,014</b>	<b>101.4</b>
Impact of derivatives							-2,304	-4.0	-524	-0.9	-810	-1.4
<b>Total</b>	<b>57,455</b>	<b>100.0</b>	<b>56,384</b>	<b>100.0</b>	<b>56,204</b>	<b>100.0</b>	<b>57,455</b>	<b>100.0</b>	<b>56,384</b>	<b>100.0</b>	<b>56,204</b>	<b>100.0</b>

### Modified duration of the bond portfolio 5.2

## Net return on invested capital

	Net investment return at fair value	Invested capital	Return % on invested capital	Return % on invested capital	Return % on invested capital
	€ million	€ million	30 Sep 2023 %	30 Sep 2022 %	31 Dec 2022 %
<b>Fixed-Income Investments</b>	<b>207</b>	<b>13,600</b>	<b>1.5</b>	<b>-6.4</b>	<b>-5.2</b>
Loan receivables	131	2,661	4.9	2.1	3.9
Bonds	53	9,142	0.6	-11.6	-10.2
Other money-market instruments and deposits	23	1,798	1.3	-0.2	-0.1
<b>Equity investments</b>	<b>1,141</b>	<b>27,879</b>	<b>4.1</b>	<b>-9.1</b>	<b>-8.7</b>
Listed equities	472	17,450	2.7	-19.3	-16.8
Private equity	653	9,714	6.7	13.5	7.9
Unlisted equities	16	715	2.3	18.2	40.7
<b>Real estate investments</b>	<b>-151</b>	<b>5,797</b>	<b>-2.6</b>	<b>5.5</b>	<b>5.7</b>
Direct real estates	-54	3,153	-1.7	3.8	4.2
Real estate funds	-97	2,644	-3.7	7.8	7.6
<b>Real estate funds</b>	<b>395</b>	<b>8,786</b>	<b>4.5</b>	<b>5.8</b>	<b>2.7</b>
Hedge funds	435	8,770	5.0	5.6	2.3
Commodities	1	2			
Other investments	-41	14			
<b>Total</b>	<b>1,591</b>	<b>56,062</b>	<b>2.8</b>	<b>-4.9</b>	<b>-4.8</b>
Unallocated income, costs and operating expenses from investment activities	-35	16			
<b>Net investment return at fair value</b>	<b>1,556</b>	<b>56,077</b>	<b>2.8</b>	<b>-4.9</b>	<b>-4.9</b>

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