



Varma's Financial Statement 2022

VARMA

The year in figures

Return of investments

-4.9%

Value of investments

56.2 € bn

Solvency ratio

130.5 %

Varma's solvency remained at a secure level throughout 2022. Varma's solvency ratio was 130.5 per cent, and solvency capital was 1.8 times the solvency limit.



Solvency capital

13.3 € bn

Efficiency

70 %

Premiums written

6.1 € bn

Climate allocation of the portfolio:

24.2 % i.e. **13.6** € bn

Real estate emissions (Since 2015):

-61 %

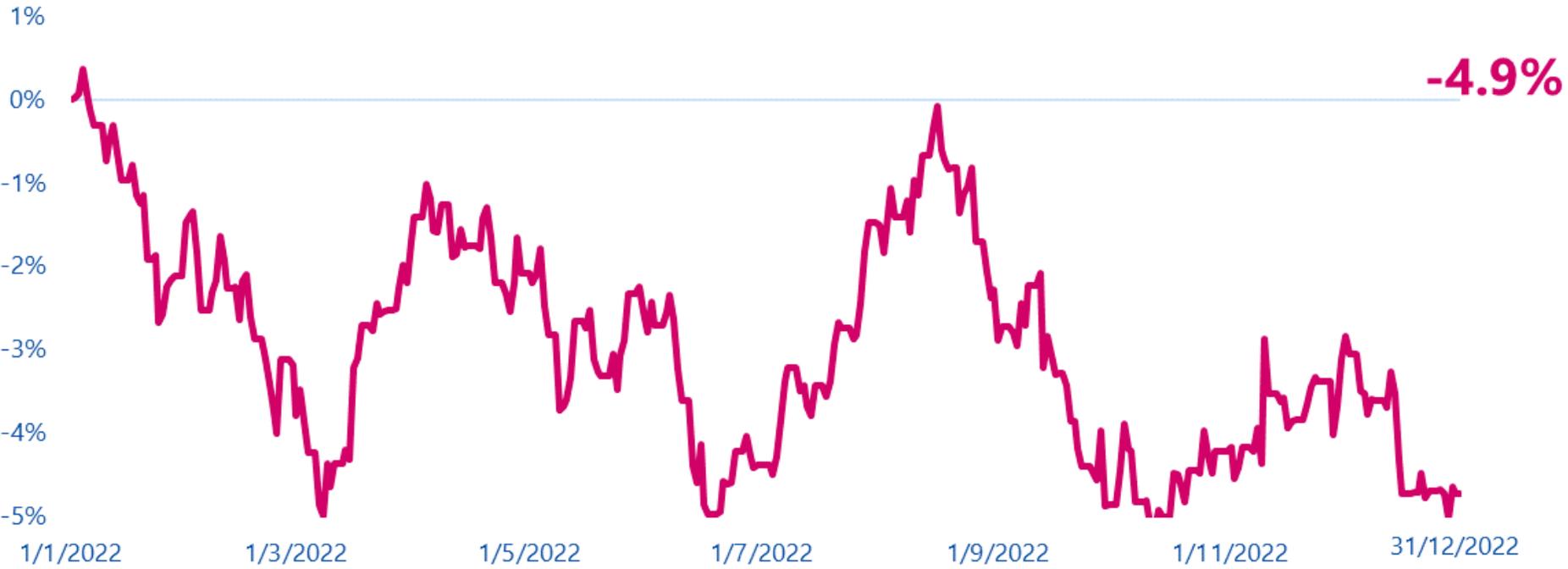
Absolute emissions (Since 2021):

-11 %

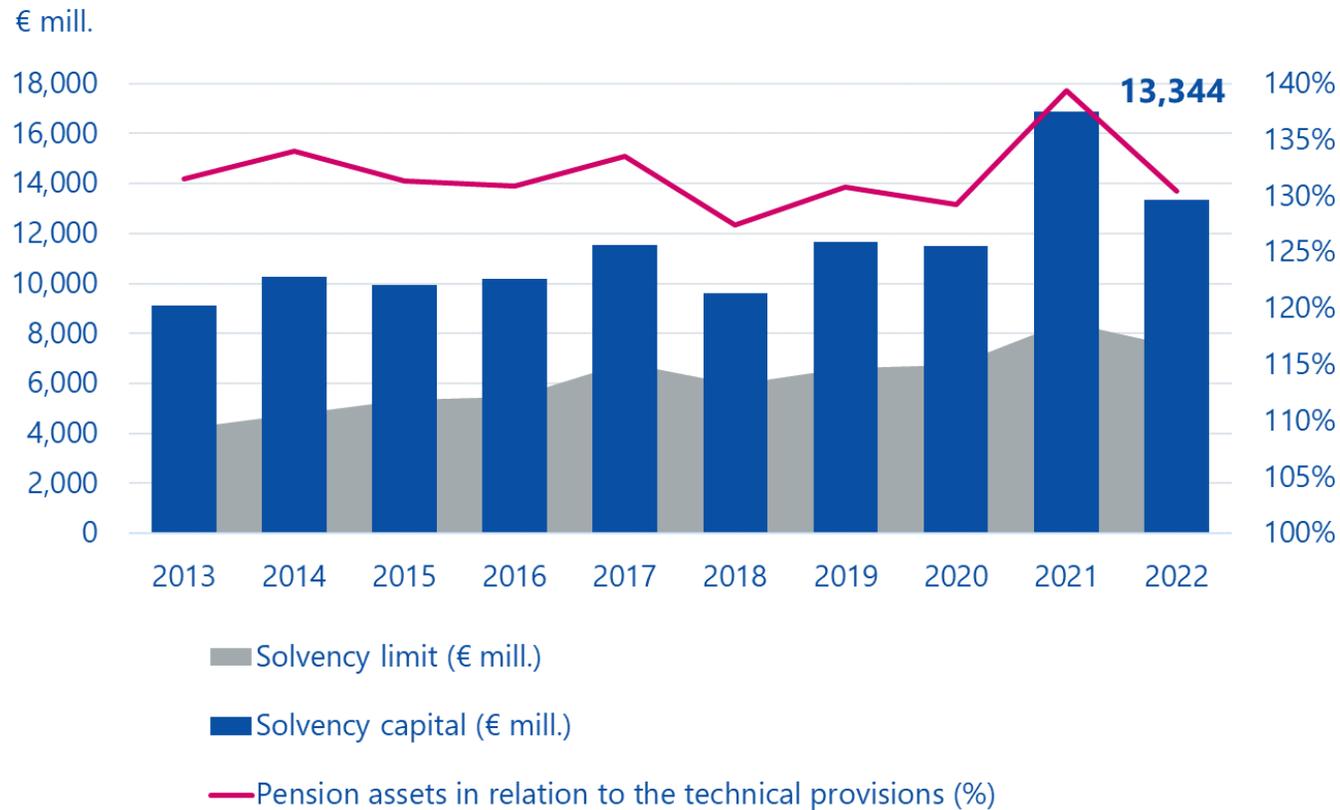


VARMA

Varma's investment year 2022



Solvency remained at a secure level



- Varma's solvency capital remained strong, at **EUR 13.3 billion**.
- Solvency capital was **1.8 times** the solvency limit.
- The solvency ratio was **130.5** 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

	1-12/2022	12 months	1-12/2021
Investment return (MWR)	-4.9%	-4.9%	18.5%

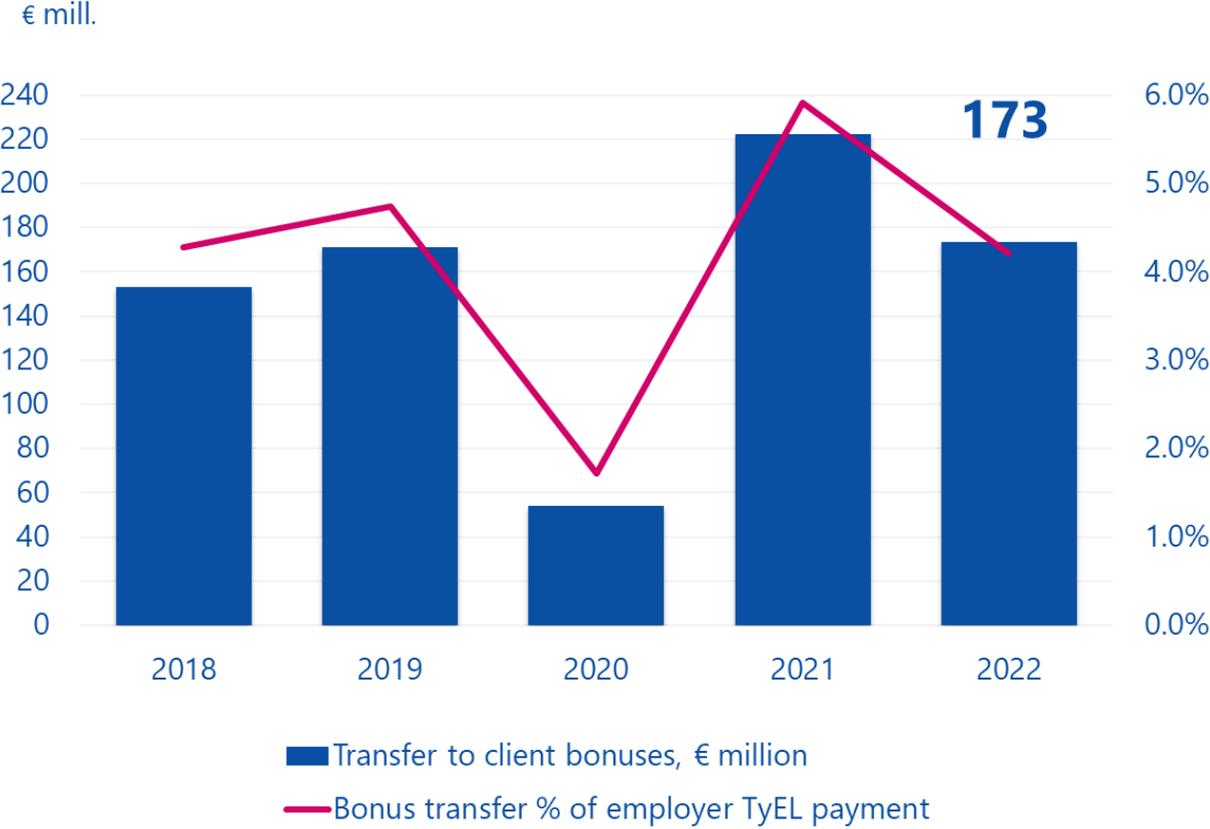
	12/2022	12/2021
Solvency capital (€ mill.)	13,344	16,890
Solvency capital / solvency limit	1.8	2.0
Solvency ratio (%)	130.5	139.4
Investments at fair value (€ mill.)	56,204	59,024

Varma's operational efficiency



- Varma handles pension cover cost-effectively.
- Administrative costs were **70%** of the expense loading included in the insurance contributions.
- The smaller the percentage is, the more efficient the earnings-related pension company is.

Client bonuses EUR 173 million



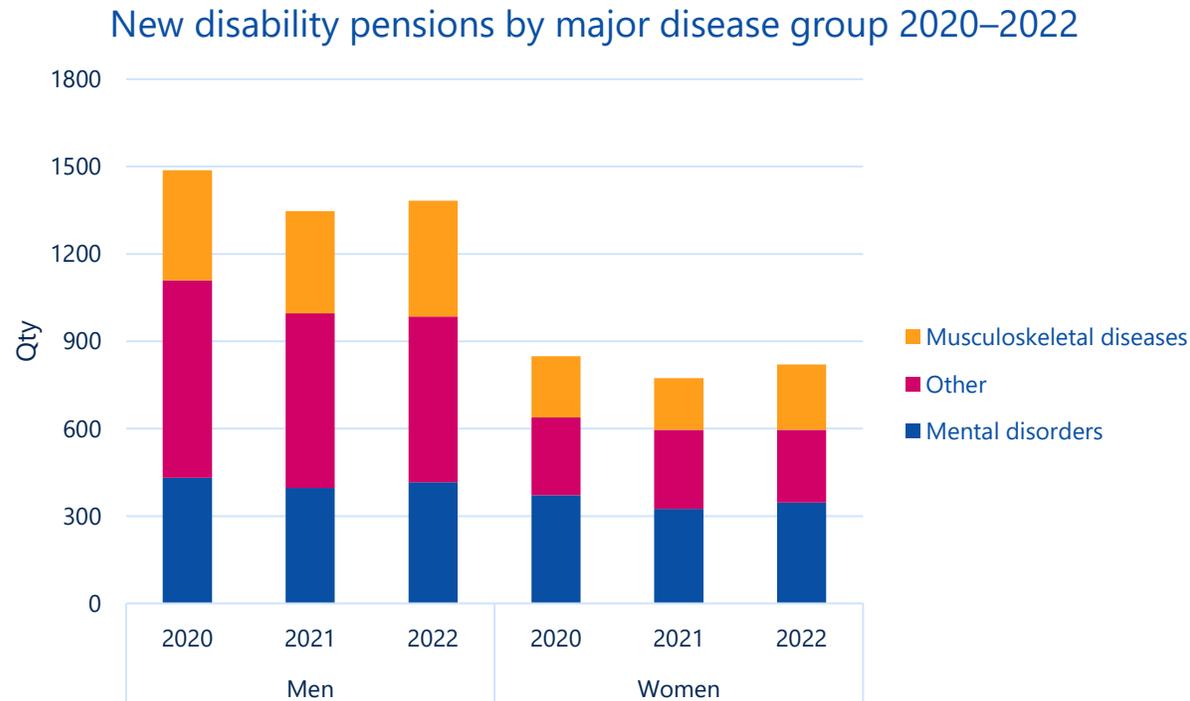
- Varma will refund **EUR 173 million** in client bonuses to its customers.
- The bonuses will lower our customers' TyEL insurance contributions in 2023.

A man with a beard, wearing a blue hoodie and a black jacket, is carrying a large cardboard box filled with green plants. He is looking to his left. In the background, a woman in a black jacket and white shirt is also carrying a similar box. They are in a warehouse or industrial setting with white brick walls and overhead lights.

Disability risk management

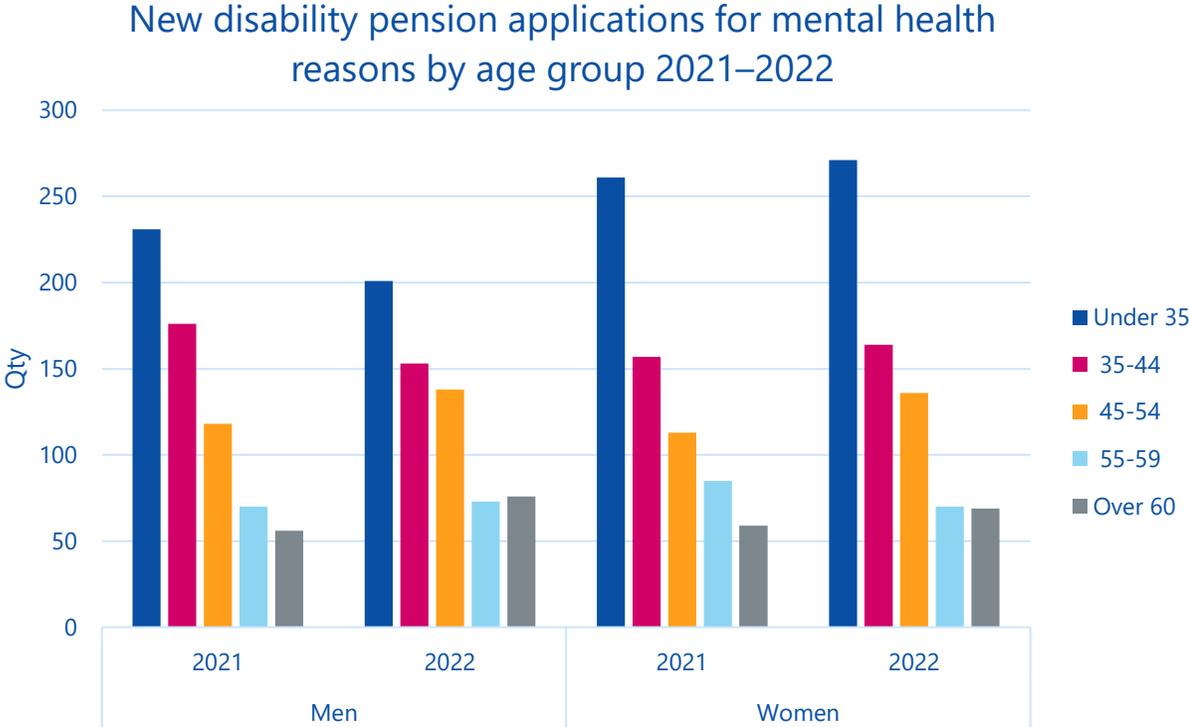
VARMA

Number of new disability pensions increased slightly



- The number of new disability pensions granted in 2022 was slightly higher than in 2021. Men accounted for a clearly larger proportion than women.
- Among both women and men, the number of disability pensions granted for mental health reasons was higher than the number of pensions granted for musculoskeletal diseases.
- Of all disability pensions, women accounted for a larger proportion of mental health-based disability pensions than men.

New disability pension applications for mental health reasons by age group



- The number of disability pension applications submitted by men under the age of 35 on the basis of mental health disorders declined from 2021, while the number of applications among women of the same age increased.
- Among women aged 35–44, the number of applications was also on the rise, while among men of the same age, they decreased.
- Among both women and men, mental health-based disability pension applications focus strongly on the younger age groups.

More than 82% of rehabilitants returned to the labour market

- Early in 2022, the number of rehabilitation applications continued to decrease, as in the previous two years, but towards the end of the year, there was an upturn.
- The total number of applications received by Varma declined 9.1 per cent from the previous year.
- The average age of rehabilitants is on the rise: for new rehabilitants, it is now 49 for men, and 47 for women. Men accounted for 59 per cent of new rehabilitants.
- Of those who participated in Varma's rehabilitation programme, 82.4 per cent returned to the labour market.
- Employers are also 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.



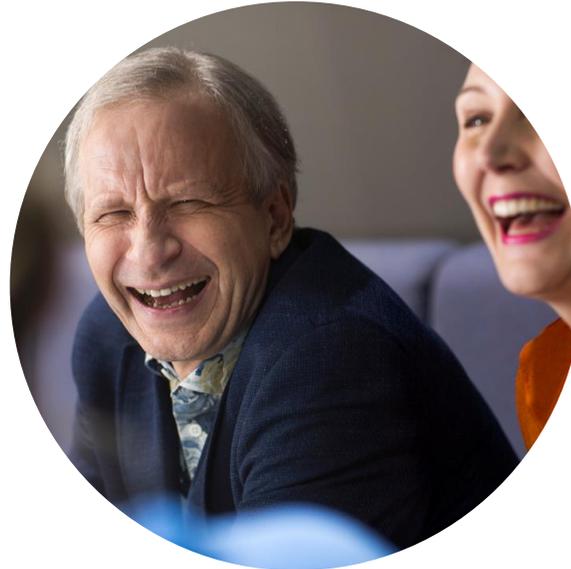
Insurance and pensions

VARMA



Insured
employees and
entrepreneurs

590,000



Pensioners

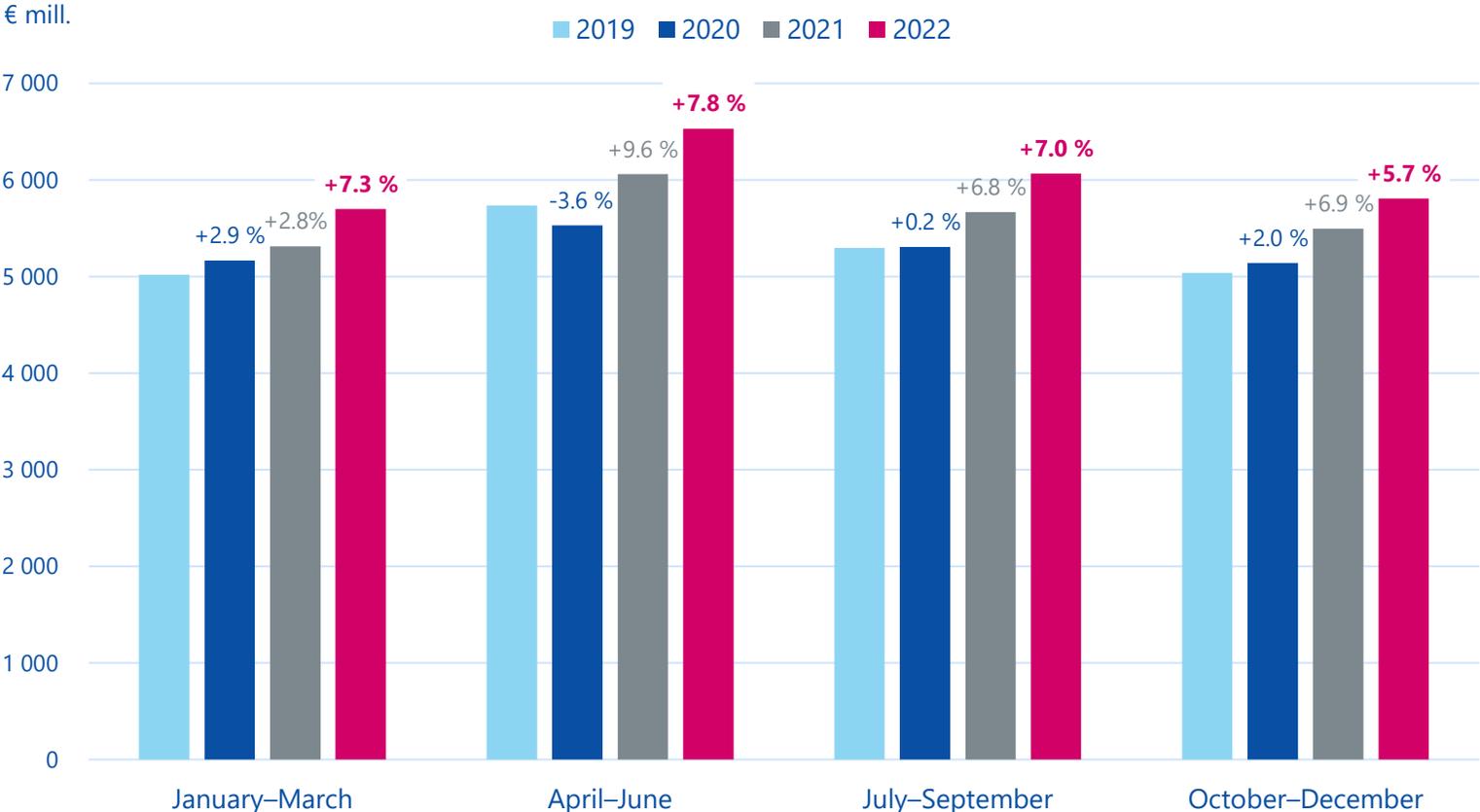
352,000



Pensions paid

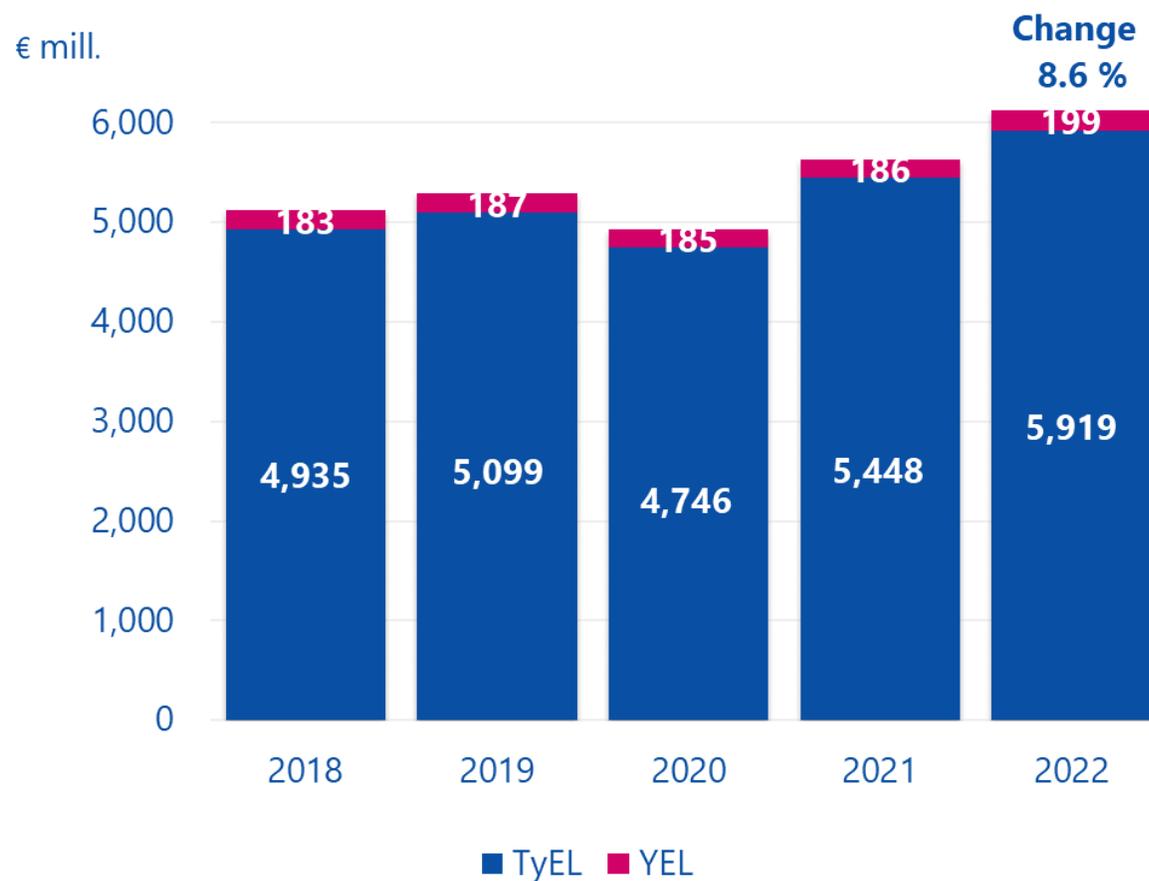
€6.5 bn

The total TyEL payroll of those insured by Varma grew strongly from the previous year



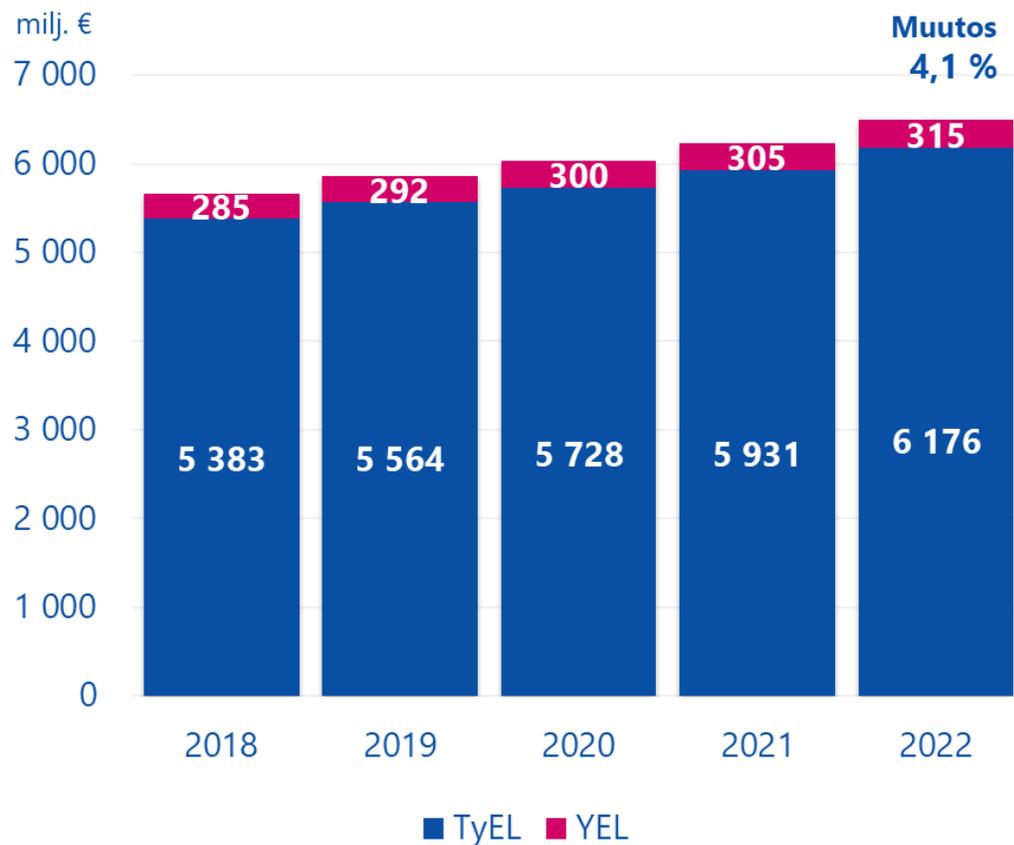
- In 2022, the TyEL payroll of Varma’s client companies grew **7.0 per cent** compared to the previous year.
- The most positive payroll development was seen in the hospitality, arts, entertainment and recreation sectors, which were recovering from the Covid-19 impacts.
- Growth was also strong in the temporary staffing, software and consulting sectors.
- The growth in payroll slowed down slightly towards the end of the year.

Premium income



- Varma's premium income totalled **EUR 6.1 billion**, of which TyEL insurance accounted for EUR 5.9 billion and YEL insurance for 199 million.
- Premium income increased **8.6%** compared to 2021.

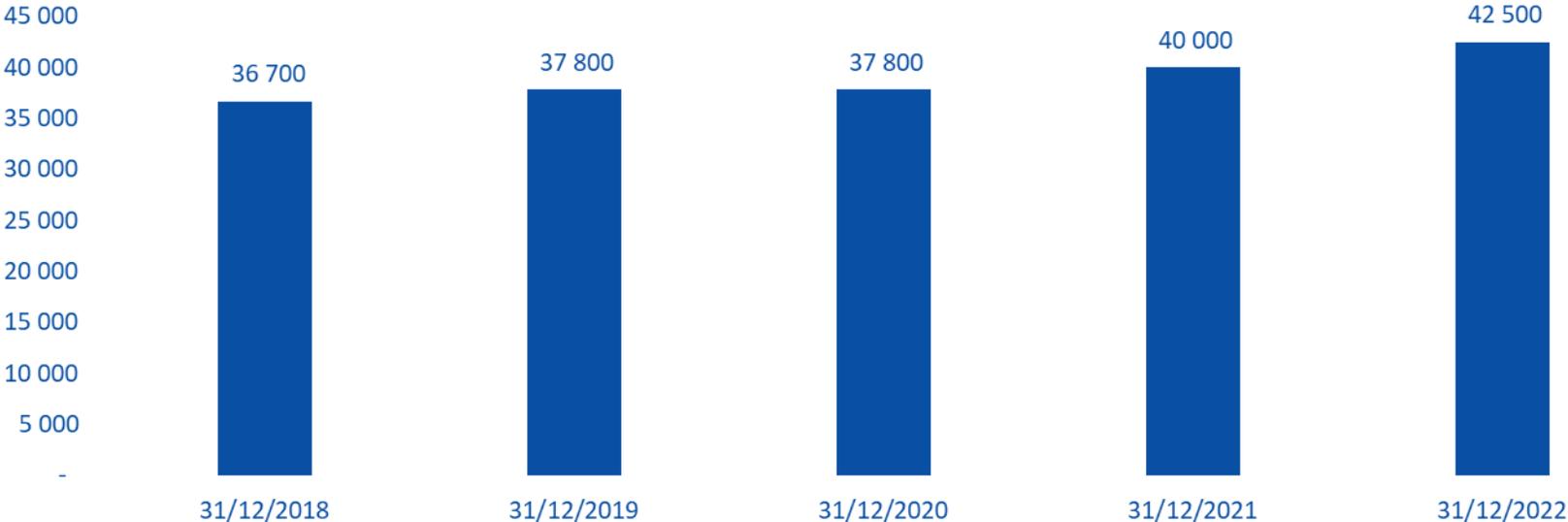
Pensions paid



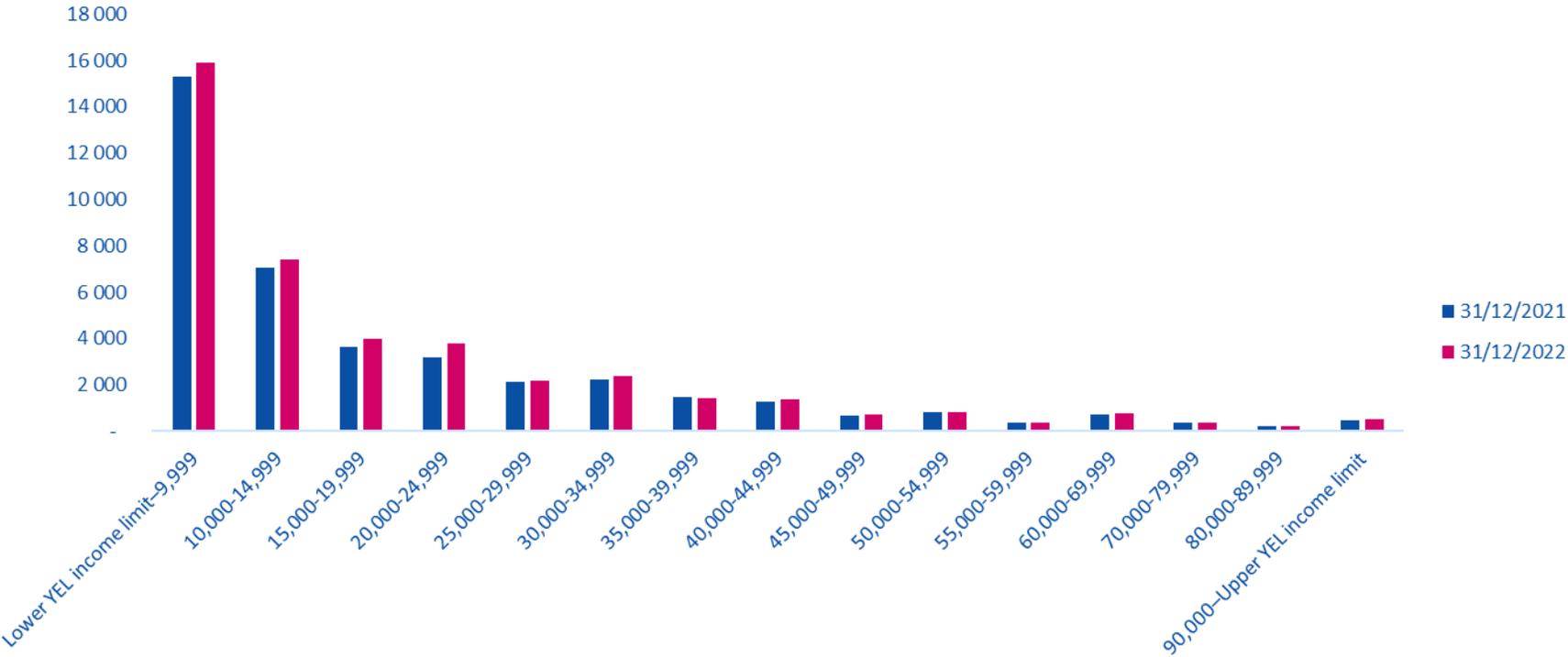
- Varma paid out pensions in the amount of **EUR 6.5 billion**, of which TyEL insurance accounted for EUR 6.2 billion and YEL insurance for EUR 315 million.
- Pensions paid increased **4.1%** from 2021.

Pension insurance for the self-employed showing steady growth

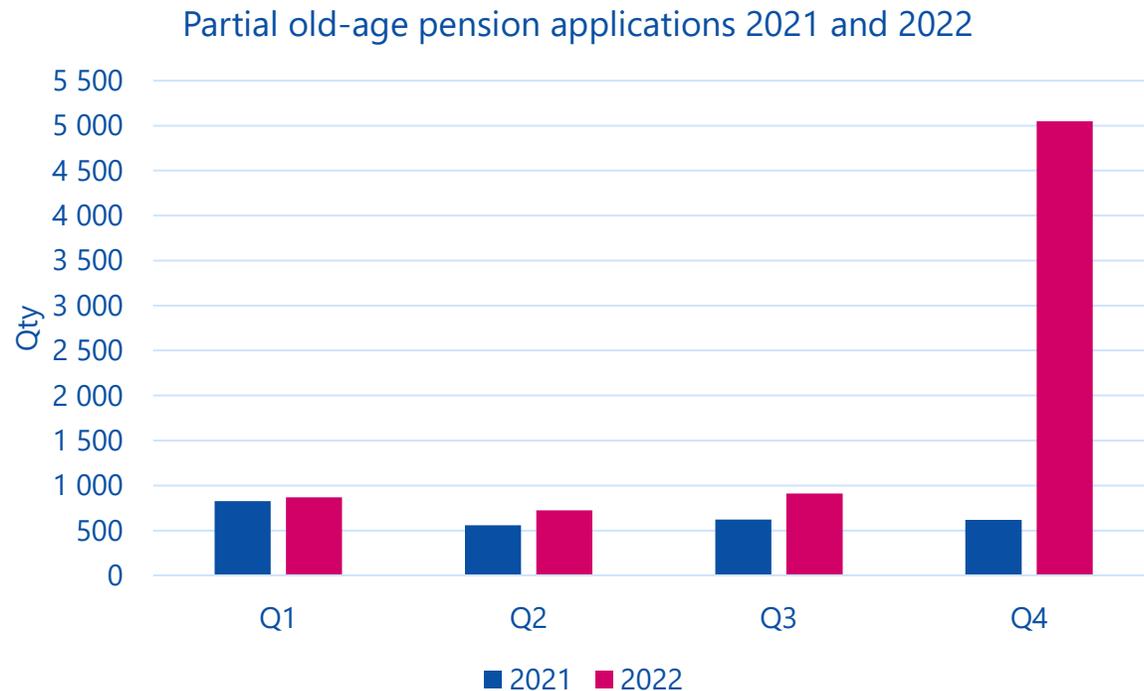
The number of entrepreneurs' pension policies increased by around 2,500 from the previous year.



Confirmed YEL income of the self-employed



Number of partial old-age pension applications nearly tripled



- In 2022, partial old-age applications received by Varma increased by 190 per cent from the previous year.
- This increase is partially explained by the 6.8 per cent rise in the earnings-related pension index as of the beginning of 2023 which the applicant received if the payment of pension began no later than at the beginning of December.
- Nearly 7,000 Varma customers retired on partial old-age pension during the year. The number of new applications peaked in September–November.
- The age of retiring on partial old-age pension increased, however, with the biggest growth among 63-year-olds. As a result, the average age of retirement on partial old-age pension rose by five months, to 62 years and 4 months.
- A person who has turned 61, can draw 25 per cent or 50 per cent of their accrued pension without having to stop working.

Current information about pensions

- The 6.8 per cent increase in pensions at the beginning of 2023 increased the number of pension applications towards the end of the year.
- At year-end, the number of people receiving pension from Varma was 6,500 higher than a year earlier.
- The average processing time for pension applications was 16 (19) days.
- At Varma, the average age of retirement on old-age pension was 64 years and 8 months. In five years, there has been a 12-month increase.



A total of 28,472 new pension decisions were made

First decisions	2022	2021	Change, %
Disability benefits	5,821	5,672	2.6
Rehabilitation benefit	1,368	1,438	-4.9
Partial rehabilitation benefit	306	317	-3.5
Disability pension	3,590	3,385	6.1
Partial rehabilitation benefit	557	532	4.7
Part-time pension	7,011	2,484	182.2
Years-of-service pension	37	21	-25.0
Survivors' pension	3,789	3,453	9.7
Old-age pension	11,812	9,495	24.4
Early old-age pension	2	6	-66.7
Total	28,472	21,131	34.7

A total of 58,304 pension decisions were made in 2022, i.e. 13.4% more than in the previous year.

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.

Sustainability topics in 2022



Sustainability Programme 2022–2025

The focus areas of our sustainability programme launched in 2022 are managing pension assets, responsible investments and a sustainable working life. We invest pension assets profitably and securely, but also responsibly. We help our customers prevent and manage work ability risks.



Principles for Human Rights

We drew up Principles for Human Rights, in which we commit to intervene in human rights violations by our investees, among our personnel and in our supply chains. We monitor the realisation of human rights by screening for norm violations.



EcoVadis awarded Varma the platinum medal

EcoVadis, an international corporate sustainability assessment specialist, has awarded Varma the Platinum EcoVadis Medal. Varma's sustainability practices were rated as excellent, and we ranked in the top one per cent of the 90,000 companies analysed.

Preventing biodiversity loss as a sustainability theme alongside climate



We updated our climate targets

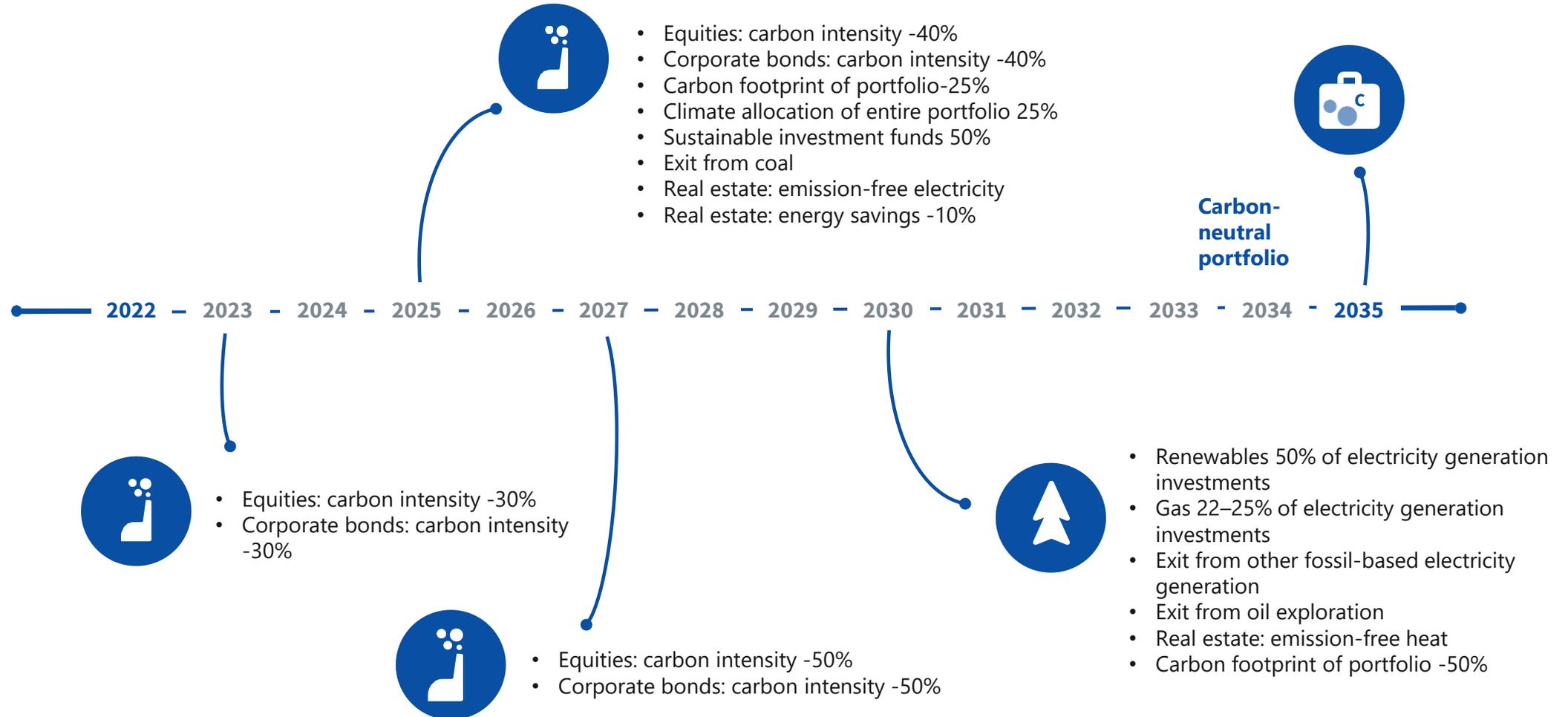
Our goal is to reduce our investment portfolio's absolute emissions by 25 per cent by 2025 and 50 per cent by 2030 compared to the level at the end of 2021. Varma is also committed to setting science-based emission reduction targets according to the Science Based Targets initiative.



Biodiversity Roadmap for preventing biodiversity loss

Varma's Biodiversity Roadmap sets the framework for attending to biodiversity in the company's investments. The biodiversity assessment carried out in 2022 covered 77 per cent of the investment portfolio. A policy steering Varma's biodiversity work will be drawn up in 2023.

Roadmap for Varma's climate targets



Progress towards climate targets in 2022

Climate allocation 25% of the portfolio by 2025



Exclusion of coal from listed corporate bonds and equities
By 2025



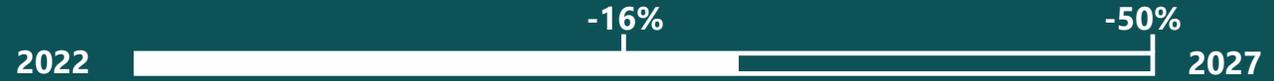
Exclusion of oil exploration from listed corporate bonds and equities
by 2030



Carbon intensity of listed corporate bonds down 50% by 2027



Carbon intensity of listed equities down 50% by 2027



Emission-free electricity in real estate investments
by 2025



Emission-free heating in real estate investments
by 2030



Funds that take climate change explicitly into account

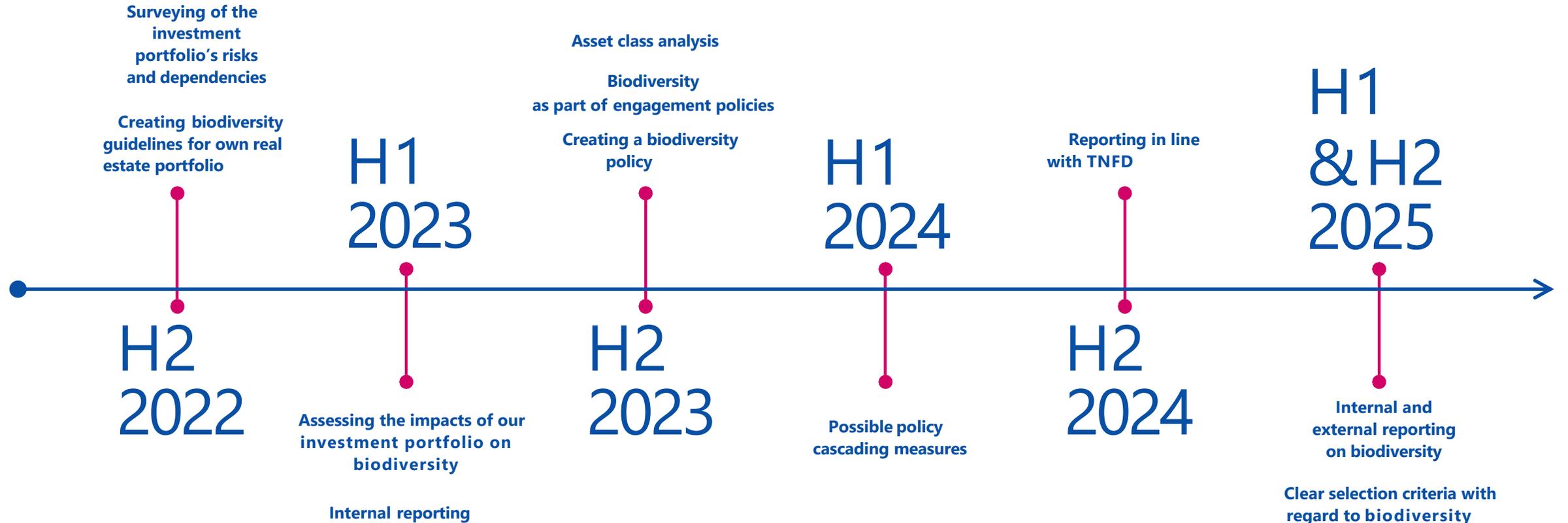


Absolute emissions of investment portfolio



Carbon-neutral investment portfolio by 2035

Biodiversity Roadmap's steps



Latest developments in real estate sustainability



Green Office certificate for Varma

A Green Office audit was carried out at Varma's Salmisaari head office. The auditor reviewed the environmental targets of our Sustainability Programme and audited the different parts of the property. The audit entitles us to continue to use the Green Office certificate.



Varma did well in the GRESB sustainability assessment

Varma scored full points for the entire company's sustainability. Varma was the highest-ranking company in its peer group of Finnish real estate investors and 21st in its peer group of European investors. Varma received full points for the company's sustainability policies and management.



Varma part of the 'Down a degree' campaign

Varma participated in the nationwide energy saving campaign Down a degree, which was organised by Motiva, to ensure there is enough energy to go around. Varma encouraged the tenants of its properties and customers to save energy by sharing energy efficiency tips.

421 rental apartments disconnected from district heating via energy renovations

- In 2022, Varma carried out energy renovations in seven apartment buildings (421 apartments). Two further apartment buildings will switch to geothermal heating in 2023.
- Once the sites that are under renovation are completed, 22 Varma's rental sites will have gone through an energy renovation.
- The energy renovations of Varma's residential properties include various solutions from solar panels and geothermal heating to air-to-air heat pumps and heat recovery systems. Geothermal heating allows apartment buildings to detach from district heating.
- Energy efficiency is also addressed at new sites: The wooden apartment buildings on Terhikintie in Kerava use emission-free electricity and district heat. A new property on Helsinki's Itälahdenkatu street uses geothermal heating and cooling. These are Varma's first residential properties with energy-efficiency class A.



Varma aims for emission-free electricity and heat by 2030.



Current economic issues

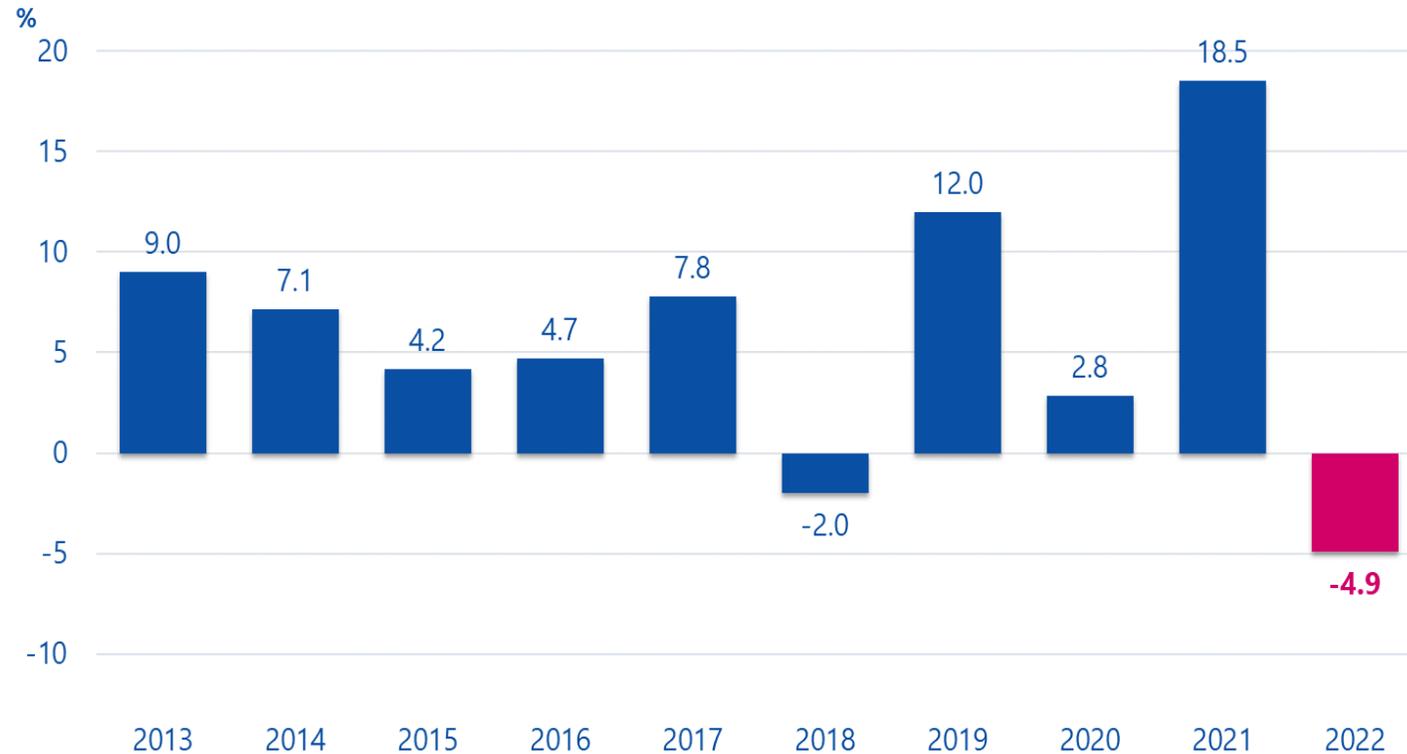
VARMA

Outlook for the economy

- In the wake of inflation and central banks' tight monetary policy, market movements have been steep.
- First signs of inflation slowing down
- Central banks have slowed the pace of interest rate hikes .
- China has been rapidly easing Covid-19 restrictions, and its economic growth is boosting the market.
- The energy situation in Europe is better than expected, due to a mild winter and continued good availability of energy.
- Development in the eurozone has been strong, and share prices have risen strongly since the start of the year.
- The war in Ukraine continues, but there have been no major changes in the situation that impact the markets.



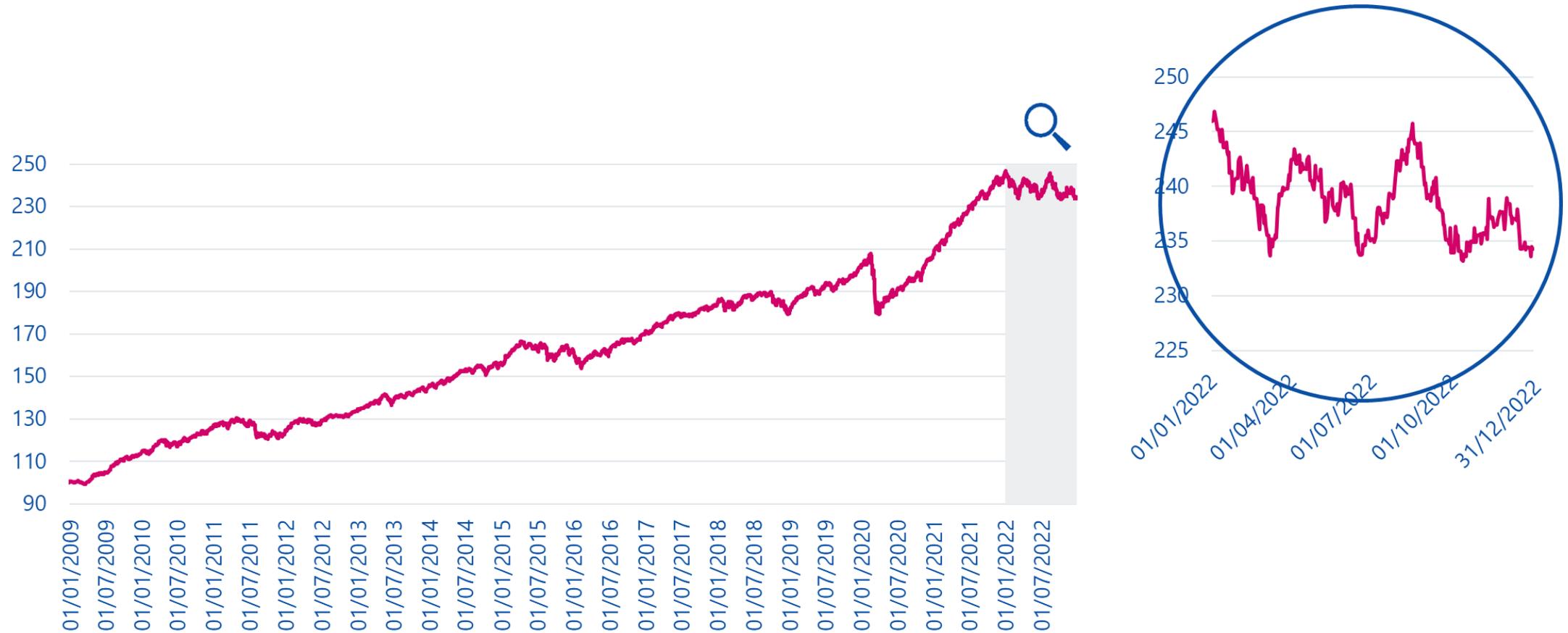
Return on investments



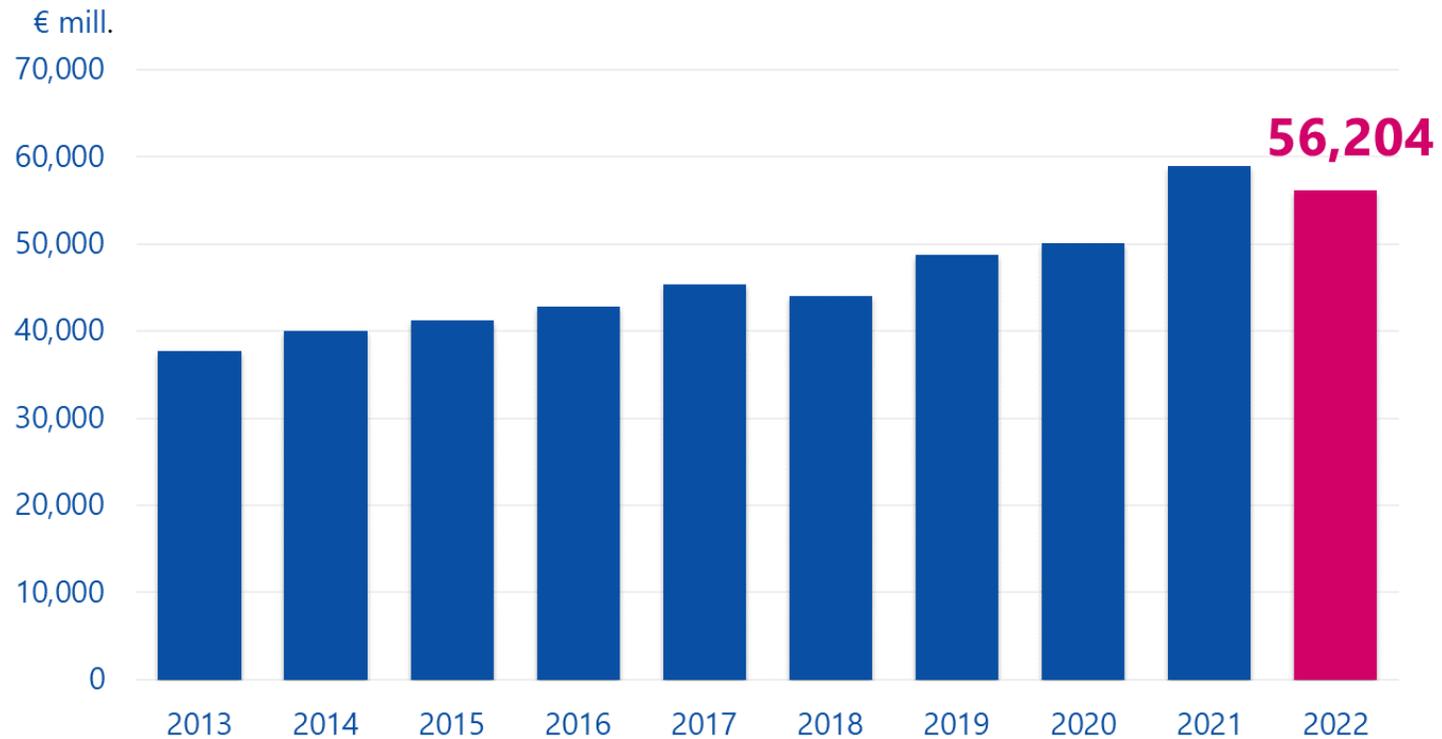
- The return on Varma's investments was **-4.9** per cent in 2022.
- The investment portfolio amounted to EUR **56.2** billion at the end of year.

The average nominal return on investments over ten years is approx. 5.7%, calculated in accordance with the recommendations issued by TELA.

Return development since 2009: cumulative return 134.3%, i.e. €33.5 bn



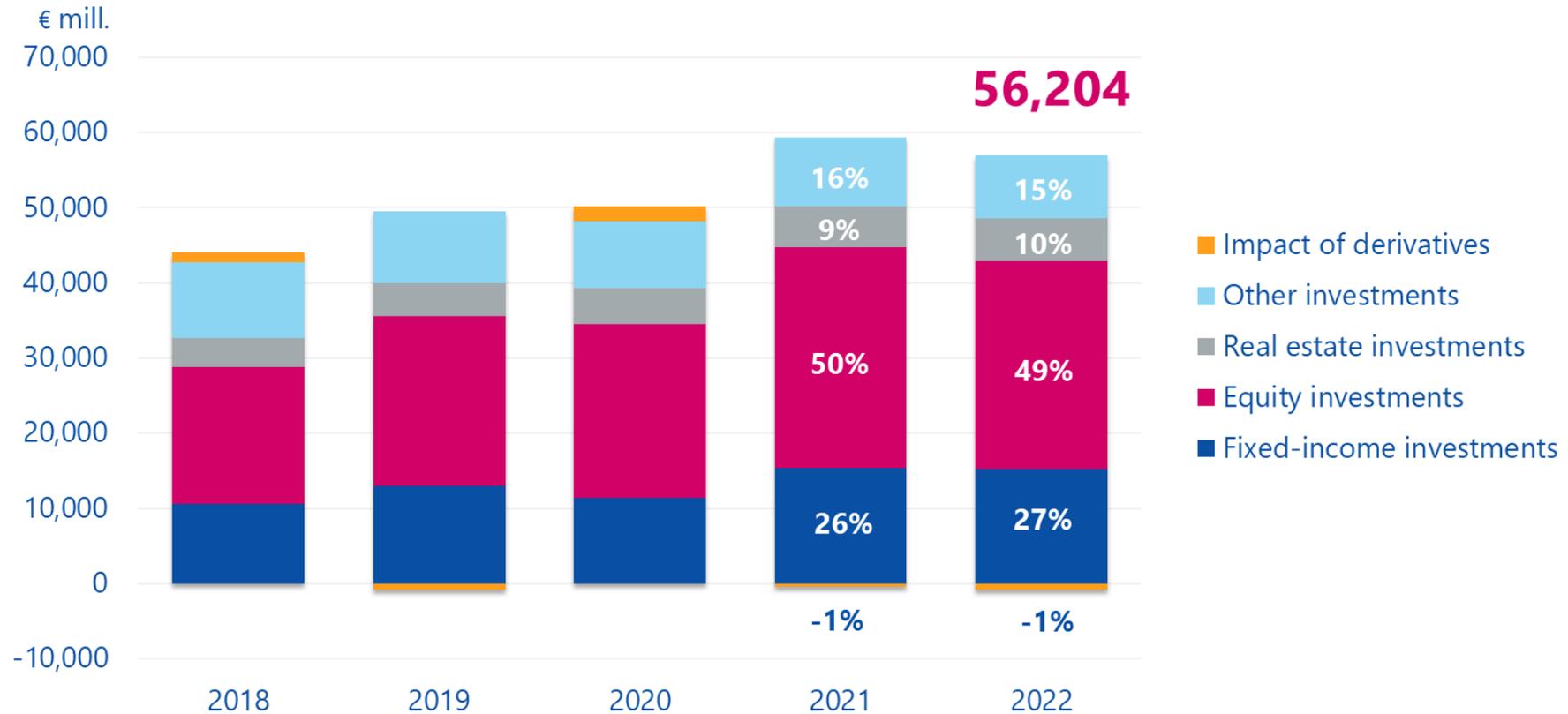
Market value of investments EUR 56.2 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	31 Dec 2022				31 Dec 2021		01-12/2022	01-12/2021	24 m
	Market value				Market value		Return	Return	
	Market Value		Risk position		Risk position		MWR	MWR	Vola-
	€ mill.	%	€ mill.	%	€ mill.	%	%	%	tility
Fixed-income investments ¹	14,566	26	15,302	27	15,402	26	-5.2	1.9	
Loan receivables	2,829	5	2,829	5	2,711	5	3.9	5.4	
Bonds	8,563	15	8,878	16	10,281	17	-10.2	1.4	4.7
Public bonds	4,611	8	4,844	9	6,189	10	-13.7	-1.2	
Other bonds	3,952	7	4,033	7	4,092	7	-6.5	4.2	
Other money-market instruments and deposits	3,174	6	3,595	6	2,409	4	-0.1	-0.9	
Equity investments	27,459	49	27,533	49	29,352	50	-8.7	32.2	
Listed equities	17,268	31	17,342	31	20,217	34	-16.8	26.4	14.4
Private equity	9,498	17	9,498	17	8,663	15	7.9	49.6	
Unlisted equities	692	1	692	1	471	1	40.7	26.3	
Real estate investments	5,741	10	5,741	10	5,442	9	5.7	5.9	
Direct real estates	3,171	6	3,171	6	3,086	5	4.2	4.1	
Real estate funds	2,570	5	2,570	5	2,356	4	7.6	8.5	
Other investments	8,438	15	8,438	15	9,187	16	2.7	15.3	
Hedge funds	8,433	15	8,433	15	9,184	16	2.3	15.3	3.1
Commodities	0	0	-6	0	0	0			
Other investments	6	0	6	0	3	0			
Total investments	56,204	100	57,014	101	59,382	101	-4.9	18.5	5.6
Impact of derivatives			-810	-1	-358	-1			
Investment allocation at fair value	56,204	100	56,204	100	59,024	100			

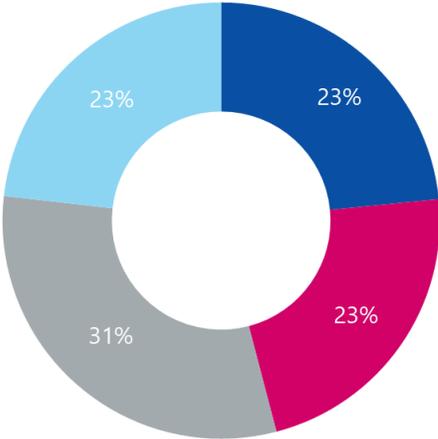
The modified duration for all the bonds is 3.90.

The open currency position is 20.3% of the market value of the investments.

¹ Includes accrued interest

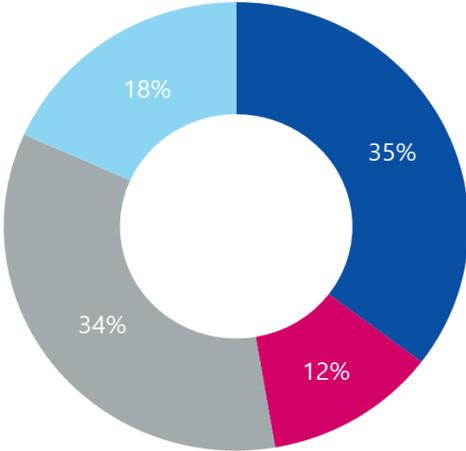
Geographical distribution of investments

Investments



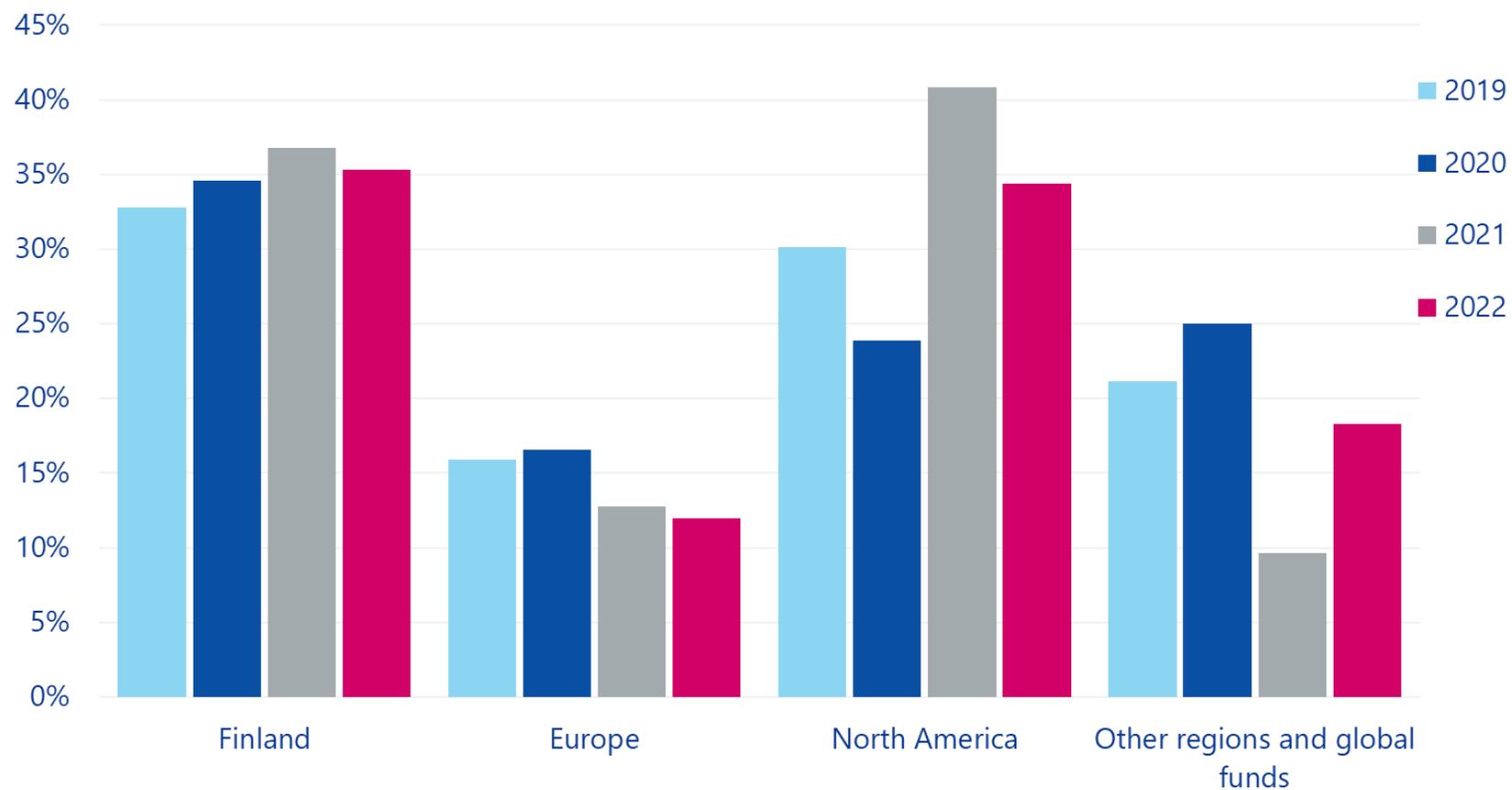
- Finland
- Europe
- North America
- Other regions and global funds

Listed equities



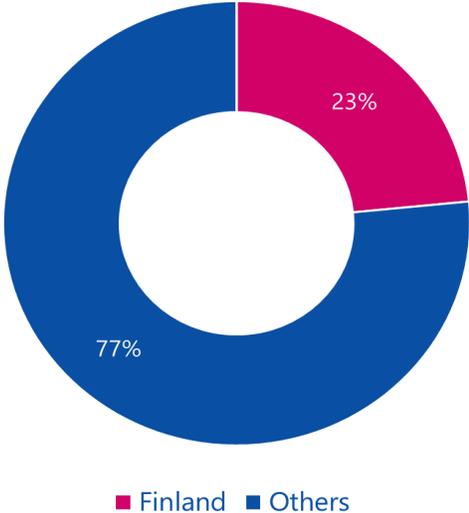
- Finland
- Europe
- North America
- Other regions and global funds

Listed equity investments focussed on Finland and North America

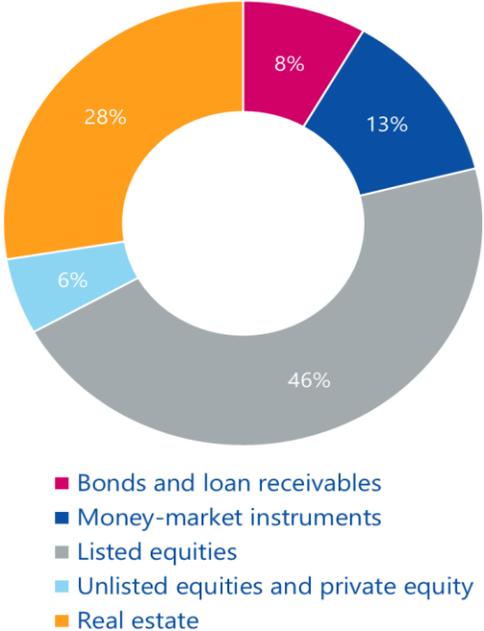


We invested EUR 13.4 billion in Finland

Investments in Finland

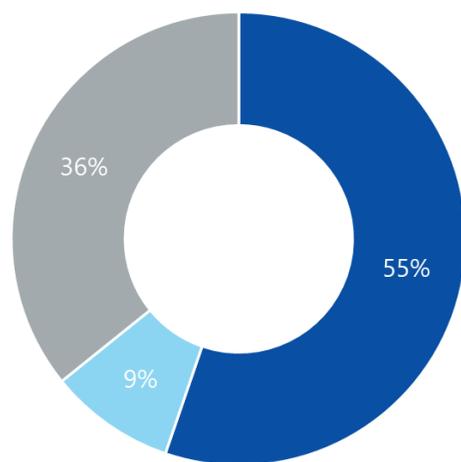


Distribution of Finnish investments



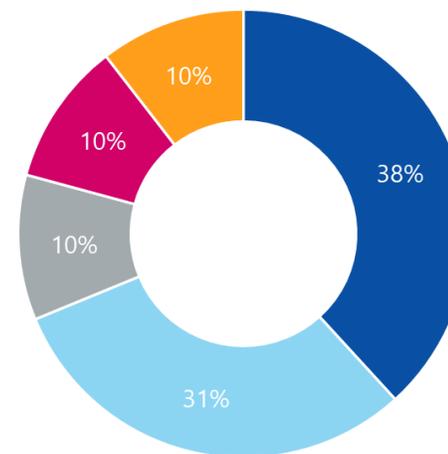
64% of real estate investments, i.e. EUR 3.7 billion, in Finland

Real estate investments, €5.7 bn



■ Direct Finland ■ Indirect Finland
■ Indirect Other

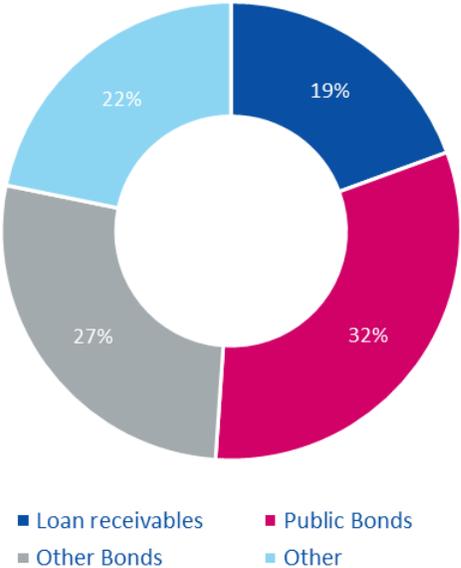
Direct real estate investment Finland, €3.2 bn



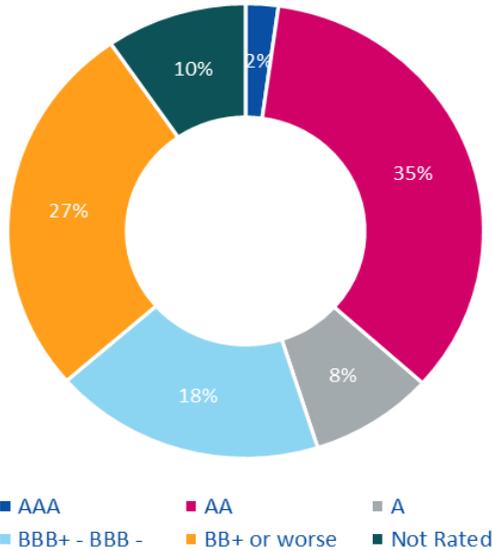
■ Offices ■ Housing ■ Hotels
■ Retail ■ Other

32% of fixed income investments in public-sector bonds

Fixed-income investments by market value



Bonds by credit rating



Varma's and the markets' investment returns

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
1-12/2022	-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
2020	2.8	15.7	-2.0	18.4	5.0	2.7
Average nominal return						
5 years	4.9	7.9	4.4	9.4	-2.3	-1.8
10 years	5.7	12.1	7.0	12.6	0.8	0.8
Since 1999 *	5.5	8.4	4.4	6.8	3.1	3.1
Average real return						
5 years	1.9	4.9	1.4	6.3	-5.1	-4.6
10 years	3.9	10.1	5.2	10.6	-1.0	-1.0
Since 1999 *	3.6	6.4	2.5	4.9	1.2	1.2

* Varma, as it is today, was founded in mid-1998, so comparison data earlier than 1999 is not available.

Finnish equities = OMX Helsinki Cap Index

Euro government bonds = IBOXX Eurozone EUR (Total Return)

European equities = Stoxx 600 Total Return Index EUR

Euro corporate bonds = IBOXX Corporate Overall Performance Index EUR (Total Return)

US equities = S&P500 Total Return Index

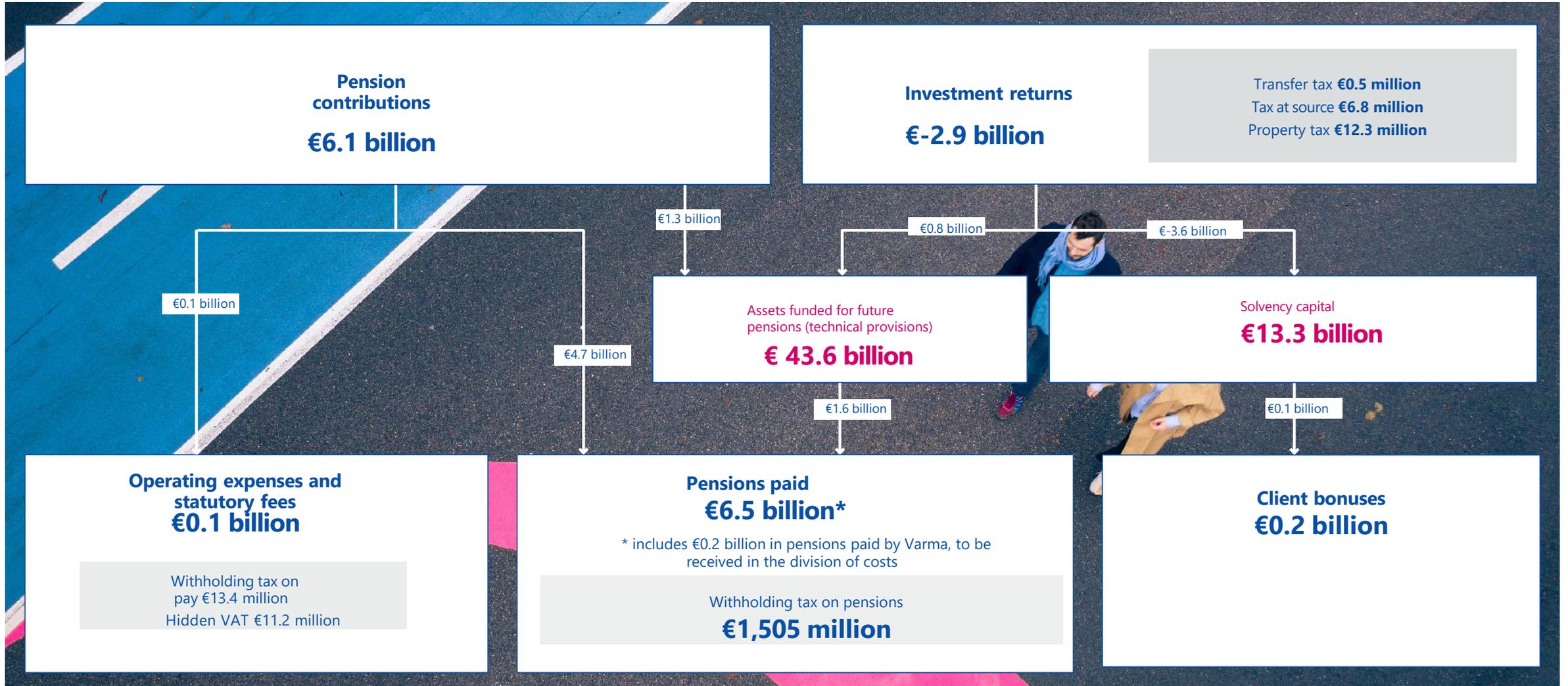
Key figures

	2022	2021
Premiums written, € million	6,119	5,635
Pensions paid, € million ¹	6,492	6,236
TyEL-insured	547,724	531,206
YEL insurance policies	42,494	40,023
Pensioners	352,200	345,700
Investments, € million	56,204	59,024
Return on investment, € million	-2,868	9,256
Return on investment, %	-4.9	18.5
Total result, € million	-3,466	5,587
Loading profit, € million	38	51
Operating expenses as % of loading component	70	62
Technical provisions, € million	45,373	45,225
Solvency capital, € million	13,344	16,890
Solvency ratio % ²	130.5	139.4
Solvency capital/solvency limit	1.8	2.0
Average number of personnel, Parent Company	531	527

¹ Before the reduction of received clearing of pay-as-you-go (PAYG) pensions

² 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).

Varma's cash flows from pension contributions and investment returns



VARMA