



Varma's Financial Statements 2024

VARMA

The year 2024 in figures

Solvency

134.6%

Value of investments

64.4 billion €

Return on investments

10.2%

Varma's investments yielded EUR 6 billion during the year. Almost all asset classes performed favourably.

Solvency capital

16.8 billion €

Efficiency (operating expenses for TyEL and YEL activities)

0.31%

Premiums written

6.7 billion €

Pensions paid

7.5 billion €

Climate allocation of the portfolio:

39.3% i.e. **25.3** billion €

Varma's Scope 1 and Scope 2 emissions (compared to 2021):

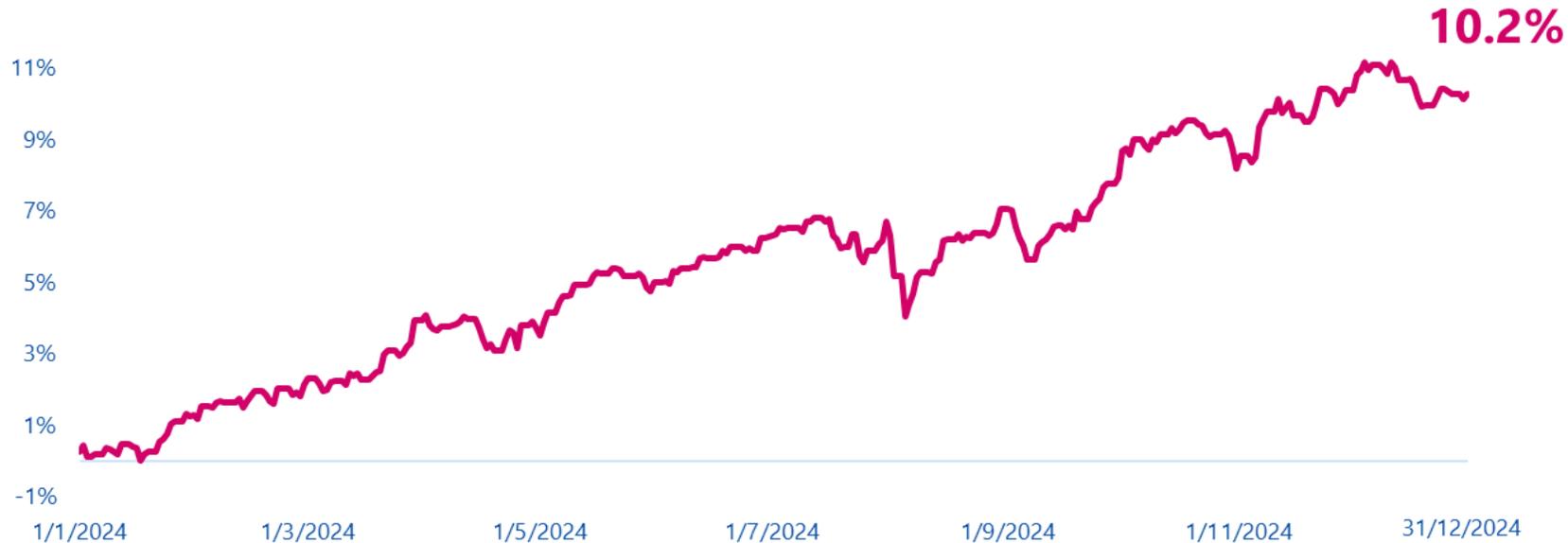
-68%

Absolute emissions (since 2023):

-21%



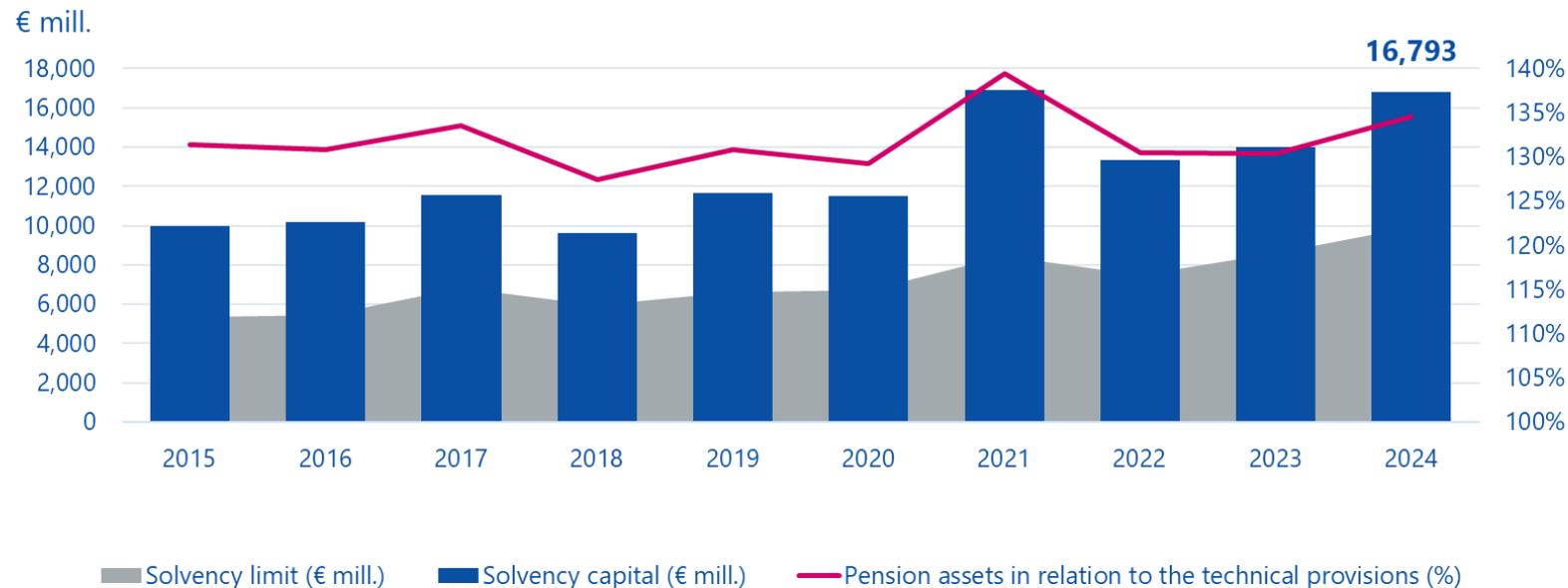
10.2 per cent return on Varma's investments



Pension assets grew remarkably last year, and it was one of the best years for investments for the past decade. The high returns can be attributed to broad diversification and the strong performance of the equity markets. Geographical differences were large.

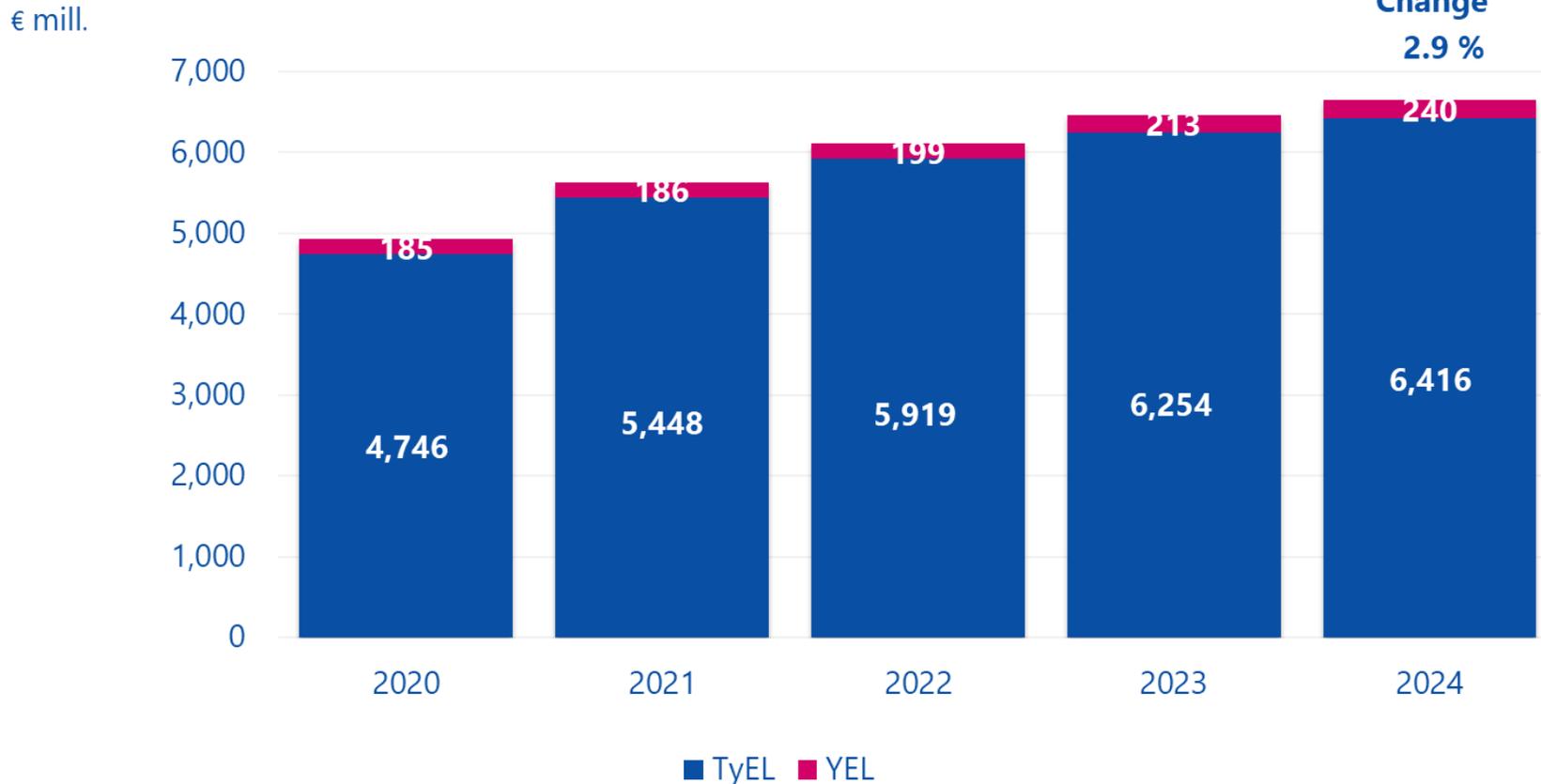
Risto Murto, President and CEO

Varma is the most solvent earnings-related pension company



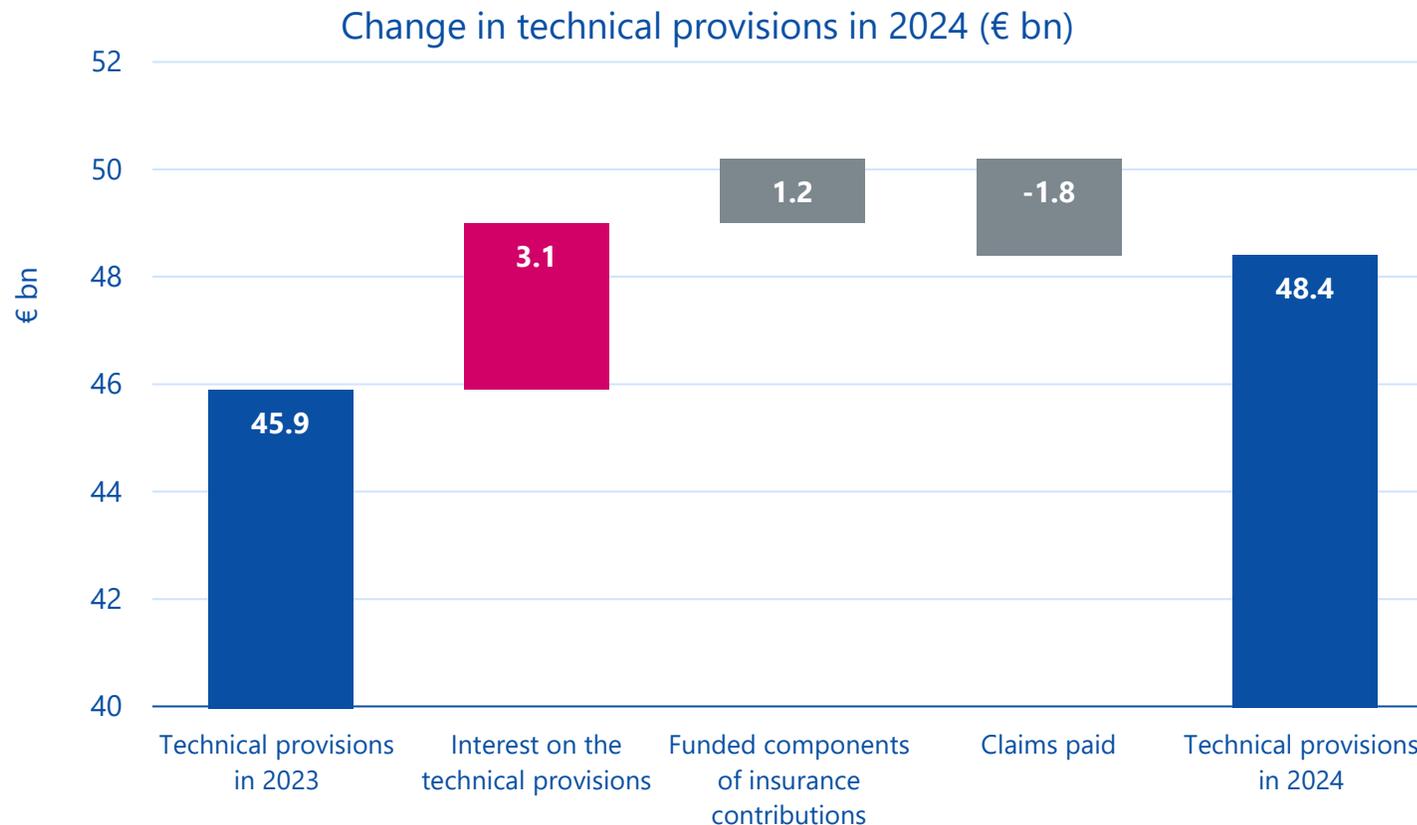
- Varma's solvency remained strong, at **EUR 16.8 billion**.
- Solvency capital was **1.7 times** the solvency limit.
- The solvency ratio was **134.6** per cent.
- The strong solvency gives better opportunities to make use of the equity market's ups and downs in the pursuit of returns.

Premium income



- Varma's premium income totalled **EUR 6.7 billion**, of which TyEL insurance accounted for **EUR 6.4 billion** and YEL insurance for **240 million**.
- Premium income increased **2.9 per cent** compared to 2023.

Technical provisions increased – equity linkage balances investment risk

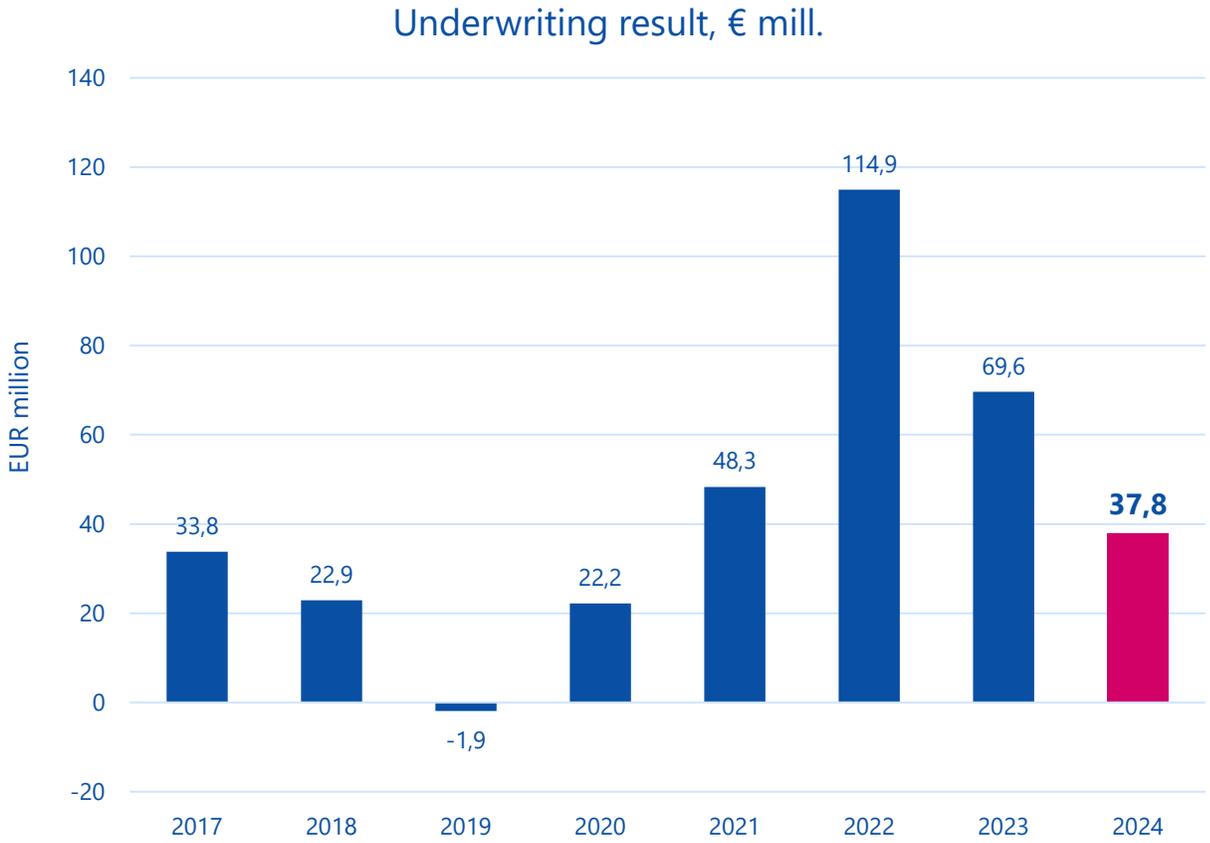


The technical provisions of an earnings-related pension insurance company means the amount of money reserved for paying future pensions.

The technical provisions were increased especially by the interest credited on them, which includes the **EUR 1.35 billion impact arising from the equity linkage of the technical provisions**. The technical provisions balance part of the risk related to equity investments. The technical provisions increase when the return on equities is high and decrease when it is low.

In this context, the technical provisions include technical provision items that are borne by the company, the provision for pooled claims that acts as a buffer for the pay-as-you-go system, and **the equity-linked provision for current and future bonuses**.

The underwriting result returned to a more moderate level



The result of the underwriting business under Varma’s responsibility was EUR 37.8 million in 2024.

The underwriting business consists of the old-age pension and disability pension business and contribution loss.

The underwriting result describes the sufficiency of the contribution components and technical provisions under the company’s responsibility in relation to the company’s claims expenditure.

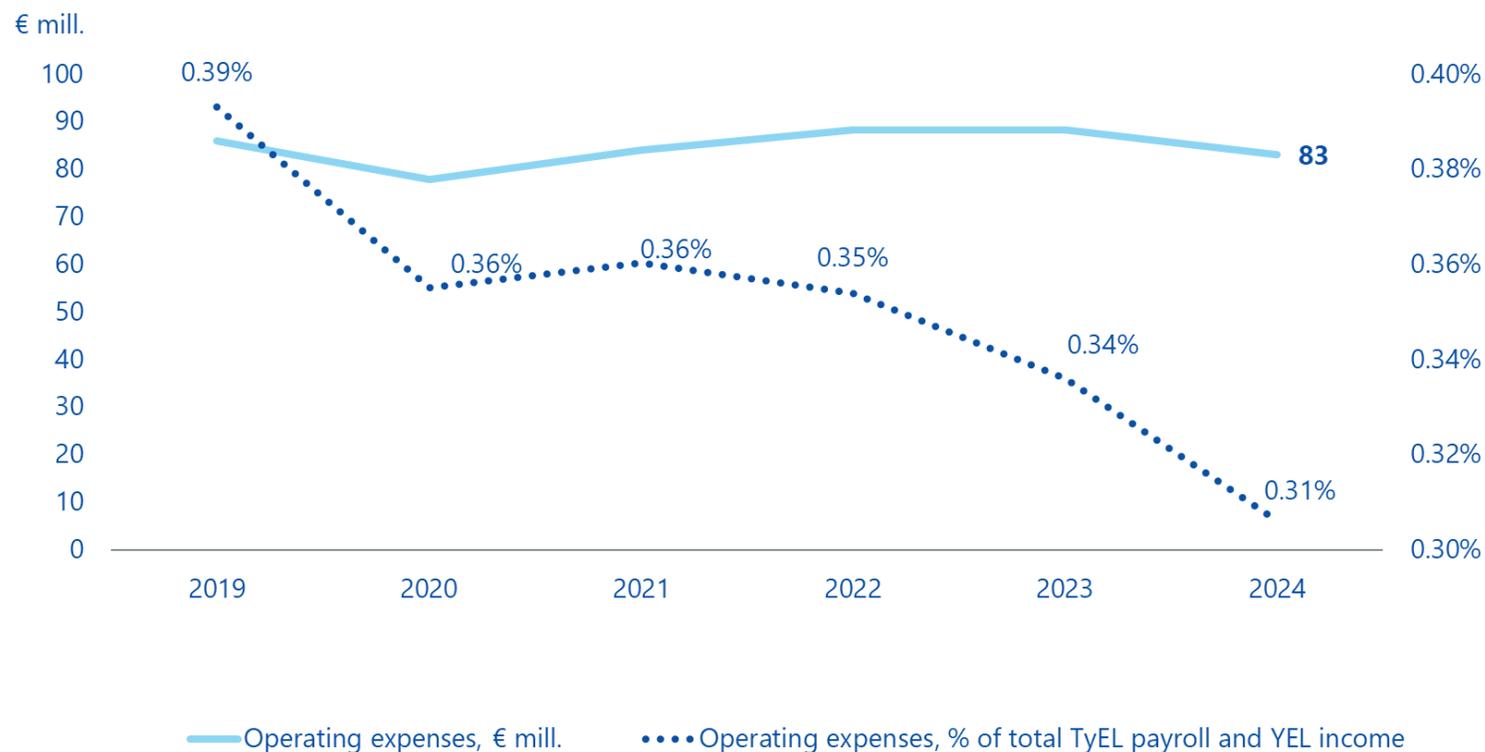
Prudent actuarial principles aim to generate a moderate surplus. The high underwriting result in recent years is explained especially by lower-than-expected disability expenditure, but also by the higher mortality due to the Covid-19 pandemic.

Development of investment returns and solvency

	1-12/2024	12 months	1-12/2023
Investment return (MWR)	10.2%	10.2%	6.0%

	12/2024	12/2023
Solvency capital (€ mill.)	16,793	14,010
Solvency capital / solvency limit	1.7	1.6
Solvency ratio (%)	134.6	130.4
Investments at fair value (€ mill.)	64,354	59,078

Varma's operating expenses decreased by EUR 5 million



- Varma continued to improve its operational efficiency during the year.
- The operating expenses related to TyEL and YEL business decreased by nearly 6 per cent, or EUR 5 million, from the previous year.
- Operating expenses for insurance activities amounted to EUR 83 million.
- Operating expenses totalled 0.31 per cent of total TyEL payroll and YEL income.
- Starting in 2025, the administrative cost contributions of Varma's customers will decrease even further.



Latest news at Varma

VARMA

Strategy was renewed, artificial intelligence adopted in daily work



We renewed our strategy: the strongest earnings-related pensions partner

We renewed our strategy, which will guide our work until 2030. Around 40 Varma employees were involved in the renewal process, and all employees were invited to give their input through a digital tool. In accordance with our strategy, we want to provide the most affordable and smooth services to our customers and be a caring leader in sustainable working life and responsibility.



AI into daily work

In spring 2024, Varma employees adopted the Microsoft 365 Copilot AI assistant. The introduction of the tool, which is under development, required IT-related preparation, proficient project organisation, open communication and co-operation with management. In the spring trainings, a basic understanding of the possibilities of augmented intelligence and its information-secure use with the help of prompts was achieved. The number of users increased during the year.



Varma's work culture awarded as The Most Responsible Workplace

Varma ranked first in Oikotie's Responsible Workplace study in the large employers' category, among 12 organisations. Varma did well in topics related to non-discrimination, meaningful work, professional development and job applicant experience. We continuously develop our unique work culture.

Pension reform strengthens the financing of pensions

- In October 2023, the Ministry of Social Affairs and Health and the Ministry of Finance appointed a working group to investigate the reform of the earnings-related pension system.
- The objective of the working group was to identify the required changes to ensure the financial sustainability of the earnings-related pension system and safeguard an adequate level of benefits.
- The parties came to a negotiation agreement in January 2025. The Ministry of Social Affairs and Health will begin drafting the legislation in February 2025.
- The reform focuses on changes in the investment of pension assets, with the aim of achieving better returns.
- The parties also agreed on an inflation stabiliser, which influences the index increases of earnings-related pensions. No other changes in pensions are expected.
- Falling birth rates, the aging population and weak economic growth challenge the financial sustainability of the pension system.



Pension reform in brief



Better returns on pension assets through increased equity weight

- The increase in risk-taking opportunities aims for better returns on pension assets in the long term.
- The reform promotes an increase in the share of equities in the investment portfolio.
- Pension assets must still be invested profitably and securely.

What else was agreed?

- A TyEL contribution rate of 24.4% for the period from 2026 to 2030 was agreed.
- Additionally, the parties agreed on an assessment of the prevention and treatment of mental health problems in the working-age population and on the development of occupational health care.

Inflation stabiliser curbs index increases in exceptional economic situations

- A new inflation stabiliser will be taken into use in the annual index increases of pensions.
- The inflation stabiliser will curb the annual index increases of earnings-related pensions if consumer prices rise faster than wages over a two-year period.
- The inflation stabiliser can be applied to the annual index increases of pensions for the first time in 2030.



Current pension topics

VARMA

Varma takes care of the pension cover of 971,000 people



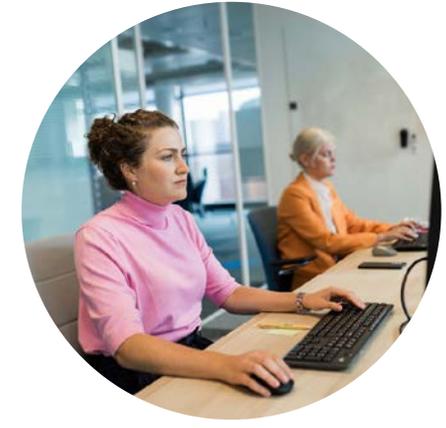
Insured employees
and entrepreneurs

620,600



Pensioners

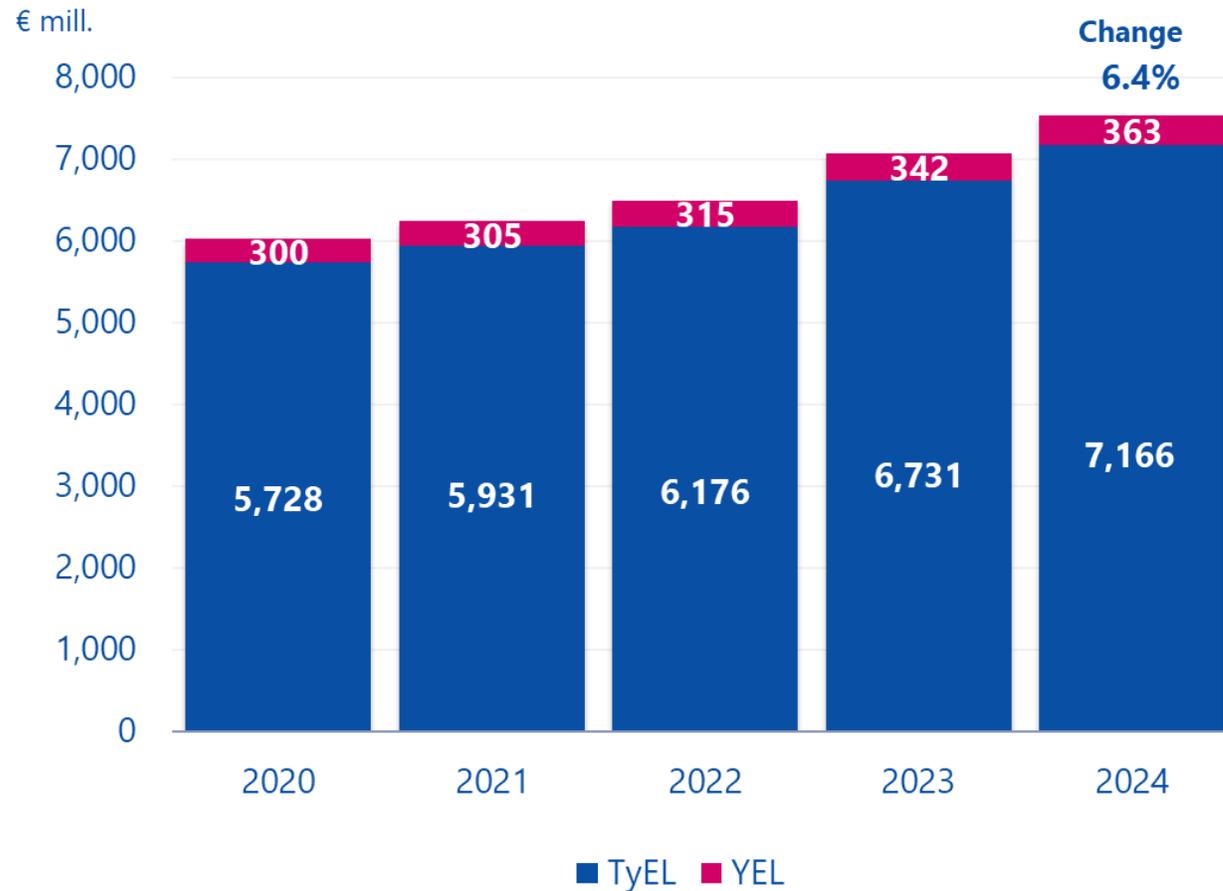
351,000



Pensions paid

€7.5 bn

Pensions paid 2020-2024



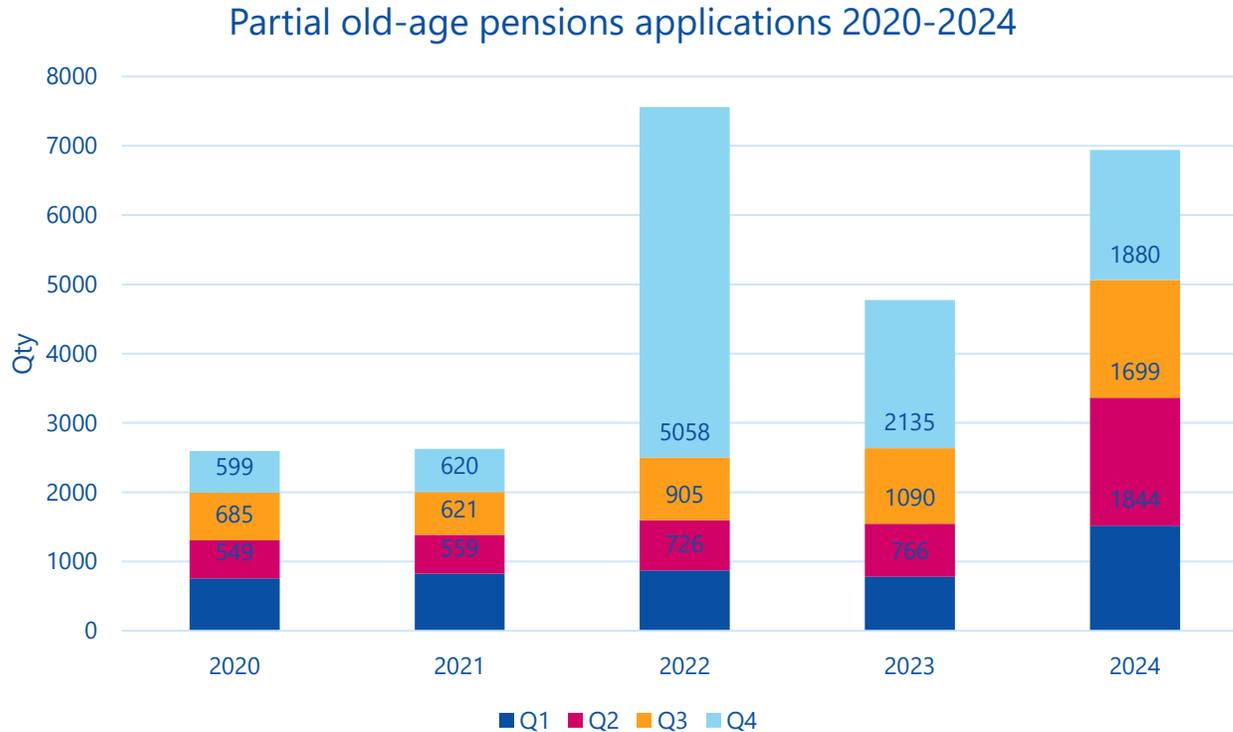
- Varma paid out pensions in the amount of **EUR 7.5 billion**, of which TyEL insurance accounted for **EUR 7.2 billion** and YEL insurance for **EUR 363 million**.
- Pensions paid increased **6.4 per cent** from 2023.

Current information about pensions

- At the beginning of 2025, a 1.3 per cent index increase was made to pensions.
- A total of 26,000 new pension decisions were made in 2024. The number of new pension decisions increased nearly ten per cent compared to 2023, and the total number of all pension decisions was four per cent higher than in 2023.
- Varma has been improving the processing of pension applications so that its customers receive a decision on their pension as quickly as possible. In 2024, the average processing time for all pension applications was 13 (15) days.
- Varma's goal is to ensure that people who are retiring receive uninterrupted income and that pension is paid to their bank account during the first month of their retirement. In 2024, the first pension was paid within the target period to 89.7 per cent of new pensioners.



Partial old-age pension still popular

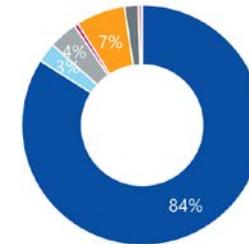


- The number of applications for partial old-age pension increased 45 per cent compared to 2023.
- The flow of applications was steady through the year.
- The average age of those retiring on partial old-age pension was 61.8 years.
- The larger 50 per cent pension was chosen by 76 per cent of the applicants.
- The application numbers are expected to decline in 2025. Not a single new age cohort will reach the lower age limit for partial old-age pension. The minimum age limit for partial old-age pension for those born in 1964 is 62.

A total of 26,000 new pension decisions were made

Pensions paid by pension benefit

First decisions	2024	2023	Change, %
Old-age pension	10,661	10,126	5.3
Part-time pension	6,298	4,320	45.8
Disability benefits	5,513	5,350	3.0
Rehabilitation benefit	1,325	1,364	-2.9
Disability pension	4,188	3,986	5.1
Survivors' pension	3,513	3,891	-9.7
Total	25,985	23,687	9.7



- Old-age pension
- Early old-age pension
- Disability pension
- Partial rehabilitation benefit
- Survivors' pension
- Partial early old-age pension
- Part-time pension
- Rehabilitation benefit
- Funeral grant
- Years-of-service pension

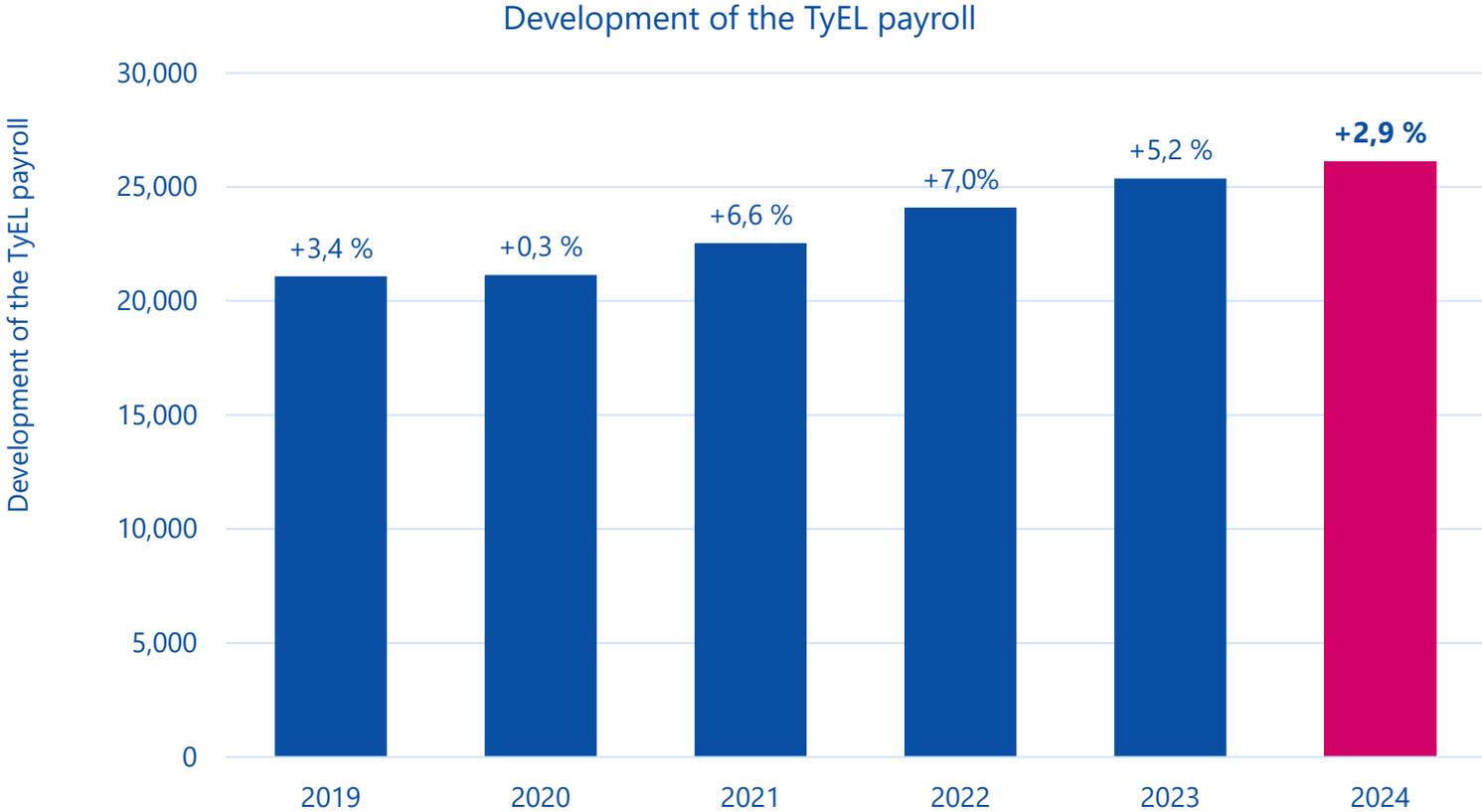
A total of 52,415 pension decisions were made in 2024, i.e. 3.9% more than in the previous year.



Insurance and customer relationships

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Successful customer acquisition supported favourable payroll development



Varma’s TyEL payroll increased 2.9 per cent in 2024. The change was clearly bigger than the annual change in the rest of the TyEL scheme, which was 0.8 per cent*.

Excellent result in customer acquisition contributed to Varma’s better TyEL payroll development.

Within the insurance portfolio, **the biggest growth in payroll was seen in health and social services, and in the finance and insurance sectors.** Payroll development was the weakest in administrative and support service activities and the construction sector.

* Calculated using the Finnish Centre for Pension’s monthly statistics

High customer satisfaction



Further development in digital services

We developed our digital services by improving the usability of our website and increasing the number of digital channels for interaction.

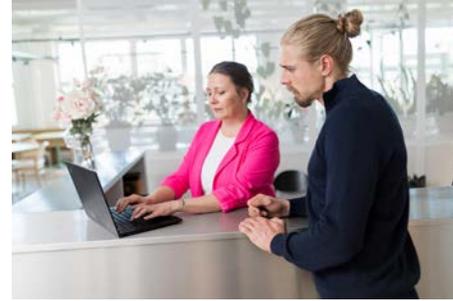
We renewed Varma Academy, the digital learning environment for work ability management for our client companies. The revamp enables the development of learning paths and solutions that better meet our customers' needs. Our new tool for knowledge-based management helps customers switch to predictive work ability management through target setting and systematic planning.



Customers satisfied with Varma's daily customer service

Varma's client companies were very satisfied with the daily customer service and gave it a score of 3.7 (scale: 1–4).

Customers praised Varma employees' open service attitude, genuine interest in the customer's situation, speed of service, expertise and friendliness.



Record year of insurance sales

Varma's sales result in terms of euro-denominated premium income was at an all-time high. EUR 130 million in net TyEL income was transferred to Varma from other earnings-related pension companies, and EUR 57 million in new TyEL policies were sold. In YEL insurance, the corresponding sales result was EUR 28 million.

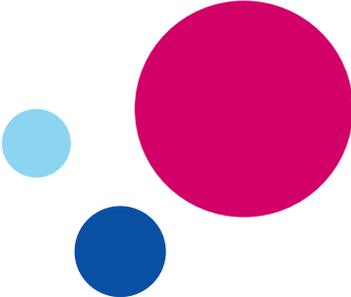
Policyholders have the option to change their earnings-related pension insurance company on four dates a year provided that it has been at least a year since the previous transfer.



Trust in Varma remained at a high level

In the corporate decision-makers' Reputation & Trust survey, the overall score for trust among Varma's own customers was again at an excellent level, at 4.02 (scale 1–5). Of the individual aspects of reputation, the images related to financial performance, leadership and the company as an employer were also at an excellent level among Varma's customers. The most common image spontaneously related to Varma was reliability.

Varma successful in customer acquisition



€736 mill.

2.9% compared to the payroll at the end of the previous year

Net amount of new TyEL customers' payroll



6,450

19% compared to the number of TyEL insurance policies at the end of the previous year

Net number of new TyEL customers



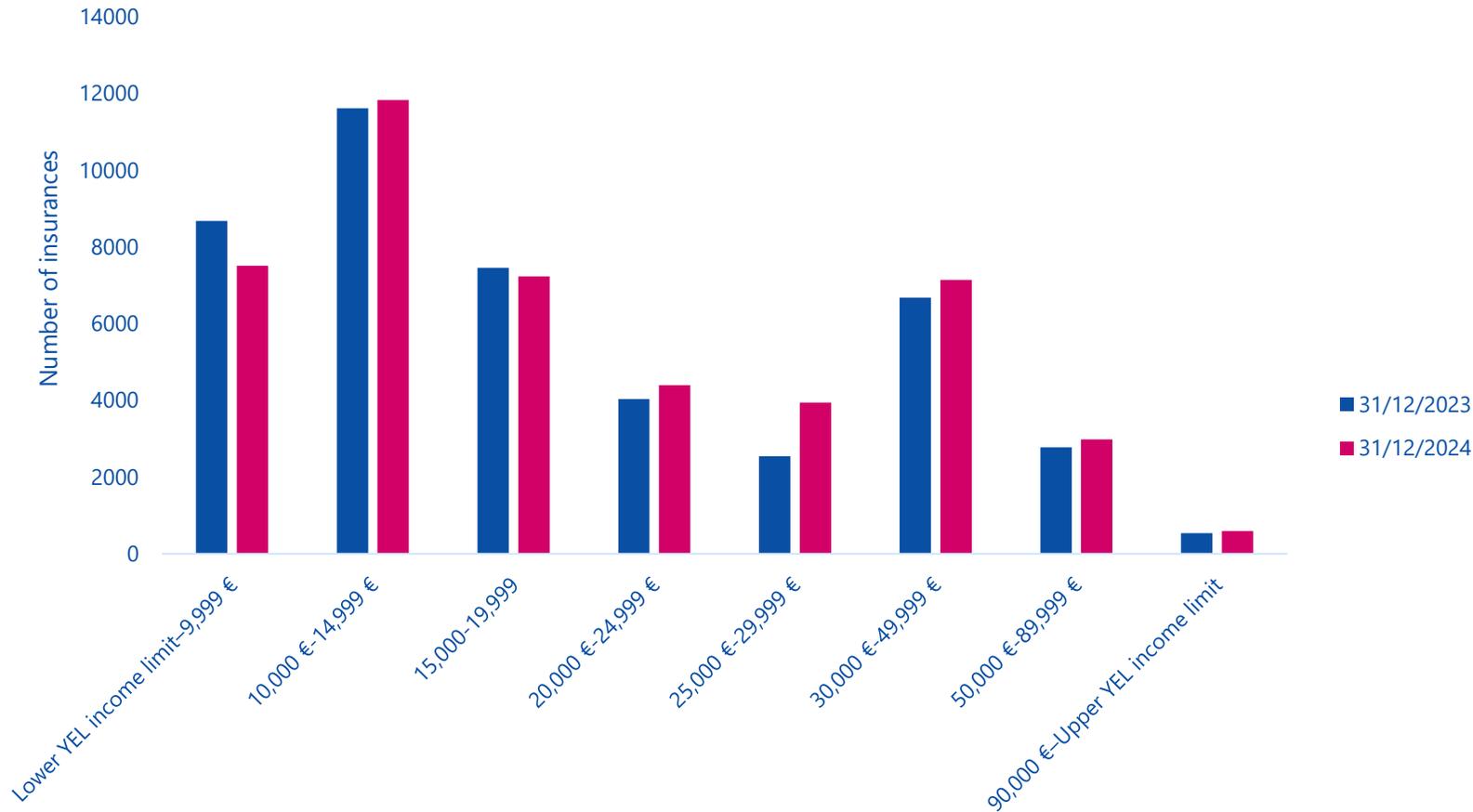
7,650

17% compared to the number of YEL insurance policies at the end of the previous year

Net number of new YEL customers

The figures include new client acquisition and the effect of transfers between pension companies

Confirmed YEL income of the self-employed



- In 2024, Varma reviewed the YEL income of entrepreneurs whose income was between EUR 15,000 and EUR 24,999 and whose income had been last confirmed over three years ago. The review covered 7,000 entrepreneurs. Of them, the YEL income of 21 per cent was already at the correct level.
- The average increase in YEL income following the reviews was EUR 3,836.
- The income reviews are related to the 2023 amendment to the Self-employed Persons' Pensions Act (YEL), according to which earnings-related pension companies must review entrepreneurs' income every three years.
- The reviews of 2025 will apply to approximately 14,000 entrepreneurs.
- The Finnish Government launched an assessment of the need to develop the Self-employed Persons' Pensions Act (YEL).



Disability risk management

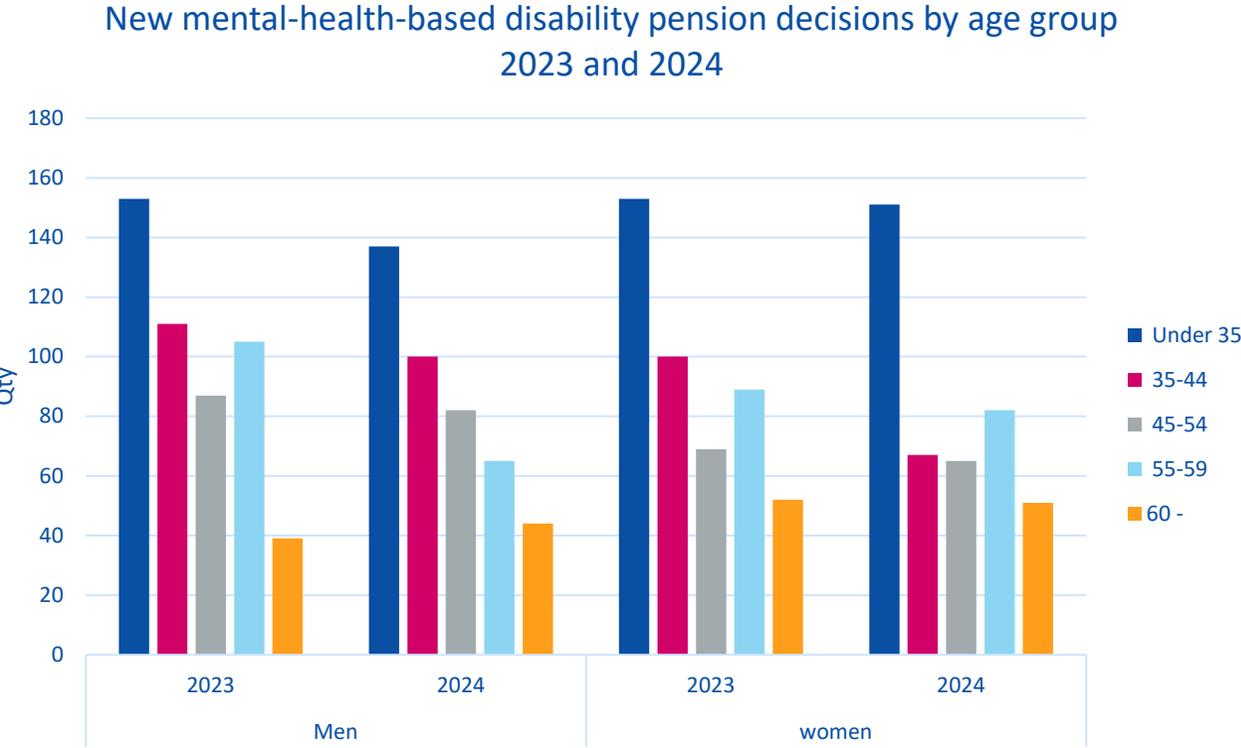
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The number of granted new disability pensions grew only in the age group of 60 and over



- The number of granted disability pensions was highest among the 55+ age groups.
- In the under-35 age groups, new disability pensions remained at the previous level.
- In the 35–59 age group, the number of granted new disability pensions declined.
- Growth was seen only in the 60-and-over age group (6.4%)
- In the under-45 age group, mental health disorders were again clearly the main cause of disability.

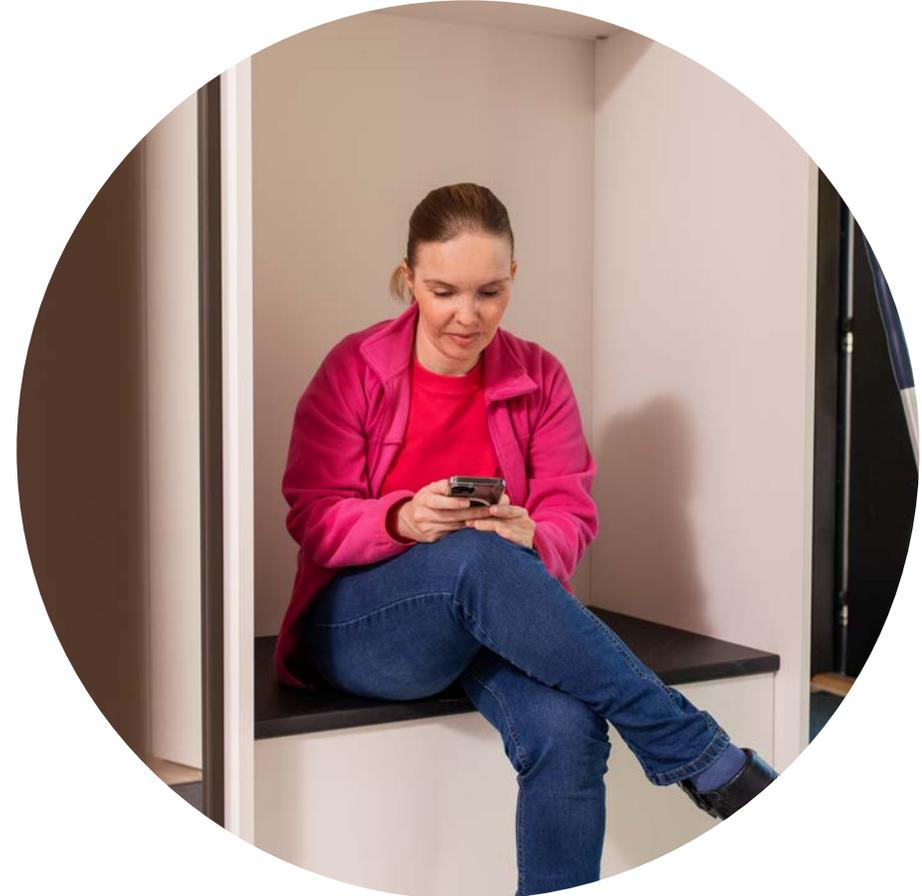
The number of new disability pensions granted for mental health reasons was highest among those aged under 35



- The number of new disability pensions granted for mental health reasons was highest among those aged under 35.
- The number of new disability pensions granted for mental health disorders fell among women in all age cohorts. The same applied to men, except for those aged 60 and over.
- Overall, new disability pensions granted for mental health reasons declined 11.9% compared to 2023.
- Factors behind disability based on mental health issues included matters related to life situation, such as lack of community support, family situation, unhealthy lifestyles, but also treatment delays and lack of follow-up.

Rehabilitation applications declined

- The number of rehabilitation applications received by Varma declined. The number of applications stood at just over 2,000, which is 7.6 per cent less than in the previous year.
- The average age of those who applied was 44. The average age of those who received a positive decision was 48. The rejection rate for young applicants is higher than for older applicants.
- Among our rehabilitation customers, the greatest disability threat was caused by musculoskeletal diseases, and the second most common cause was mental health disorders.
- Among men, musculoskeletal diseases accounted for 43 per cent and mental health disorders for 23 per cent of the rehabilitation decisions. The respective figures for women were 37 and 36 per cent.
- Of the participants in the rehabilitation program, 82 percent returned to the labour market. Work trials are the most commonly used method in rehabilitation.





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.

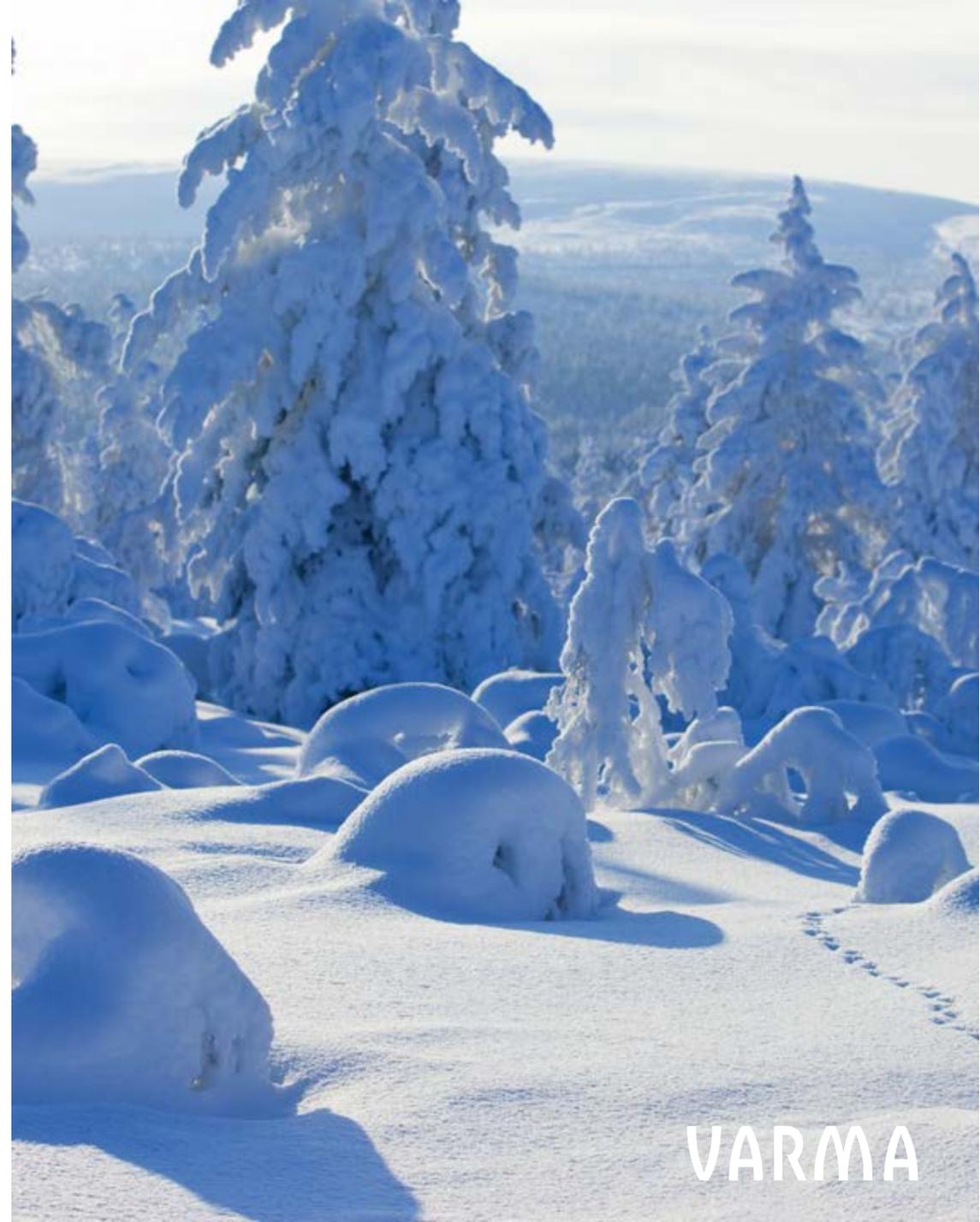
External sustainability assessment: Varma ranked in the top one per cent

- The global provider of sustainability ratings Ecovadis awarded Varma the Platinum medal for the fourth consecutive year.
- The Platinum medal was granted to one per cent of the companies rated by Ecovadis. Last year, Ecovadis rated approximately 150,000 companies.
- Ecovadis assessed the sustainability actions and practices of insurance companies in four areas:
 - environmental issues,
 - labor practices and human rights,
 - ethical business conduct, and
 - supply chain and procurement sustainability.
- The assessment makes use of the ISO standards and the CSRD framework.



Progress towards the climate targets on schedule

- Varma's most significant sustainability objective is the emission reduction targets aligned with the Science Based Targets (SBT) initiative, approved in 2023.
- Varma's SBT target are to reduce its GHG emissions from Varma's own operations as well as indirect greenhouse gas emissions.
- In terms of indirect GHG emissions, Varma's target is to increase the share of companies committed to the SBT initiative in its investment portfolio. The target concerns listed equities and fixed income investments and real estate funds.
- In 2024, Varma's Scopes 1 and Scope 2 emissions were down 68 per cent compared to 2021.
- In 2024, the share of companies that were committed to SBTi targets rose to 47.5 per cent.



Developments in sustainability in 2024



Environment



- We updated our environmental policy to include not only our climate targets but also industries exposed to biodiversity loss.
- We invested a total of EUR 5.3 billion in climate-change ETFs.
- We examined our investee companies' policies concerning biodiversity and biodiversity loss.



People and society



- We joined two new investor joint initiatives related to the use of smart devices and antibiotic resistance.
- We conducted a supplier sustainability survey to explore the human rights risks and processes of our largest suppliers.
- We partnered with Helsinki Pride for the sixth year.



Good governance



- We published our first Sustainability Statement in accordance with the CSRD as part of Varma's Report of the Board of Directors 2024.
- We participated in the annual general meetings of 103 Finnish companies and 597 foreign companies in 2024.



Varma's first Sustainability Statement published

Varma published its first Sustainability Statement in accordance with the Corporate Sustainability Reporting Directive (CSRD) as part of the 2024 Report of the Board of Directors.

The phasing in of the directive started in 2024.

Varma is included in the first phase of reporting, which concerns companies who have more than 500 employees.

Varma's sustainability report is based on the double materiality assessment carried out in the company in 2023. The main material sustainability matters include:

1. climate change mitigation and adaptation
2. the realisation of customer rights and securing income
3. taking care of the working conditions and equality of Varma employees



Current economic issues

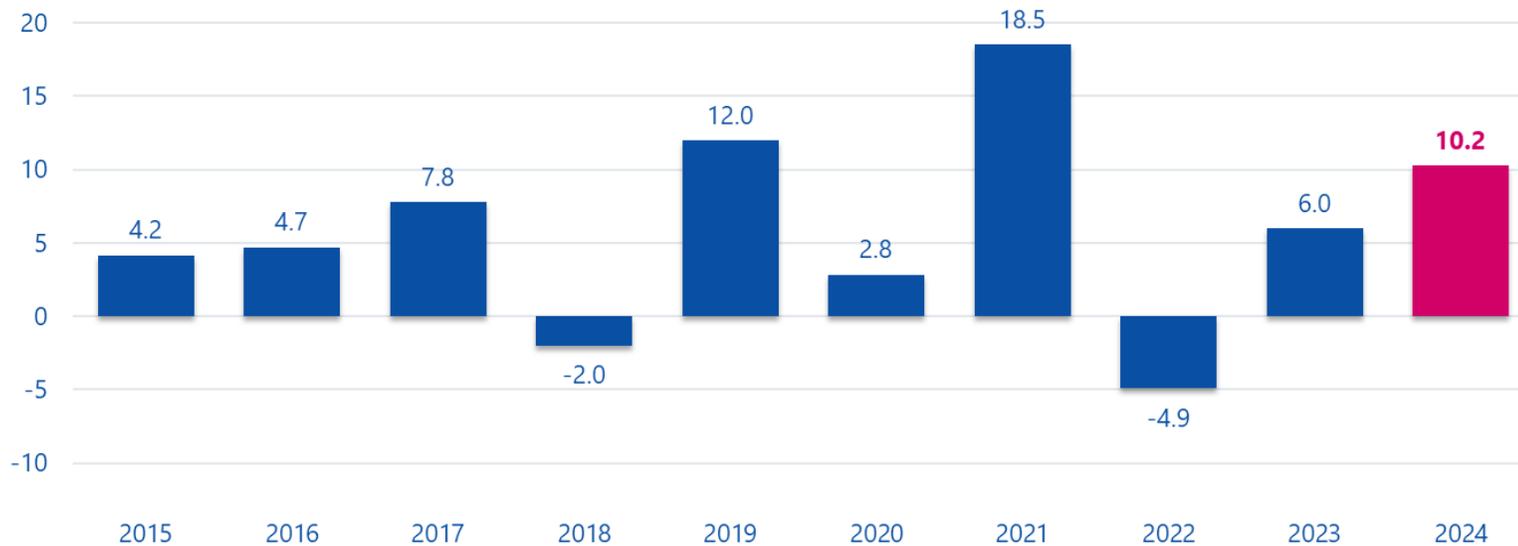
VARMA

Economic outlook

- Trump's second presidency has increased the threat of trade wars – Trump has threatened, for example, Mexico and Canada with tariffs
- Forecasts on economic growth contain a lot of uncertainties – the impacts of the Trump era, e.g. on immigration and labour availability and taxation are difficult to assess right now
- So far, the US economy has continued to grow, equity market development has levelled off in early 2025
- The pace of interest rate cuts by central banks is slowing down, inflation in the USA is still above the target level
- In Europe, economic growth has been slow, pressures for further interest rate cuts persist
- Households' purchasing power slowly recovering



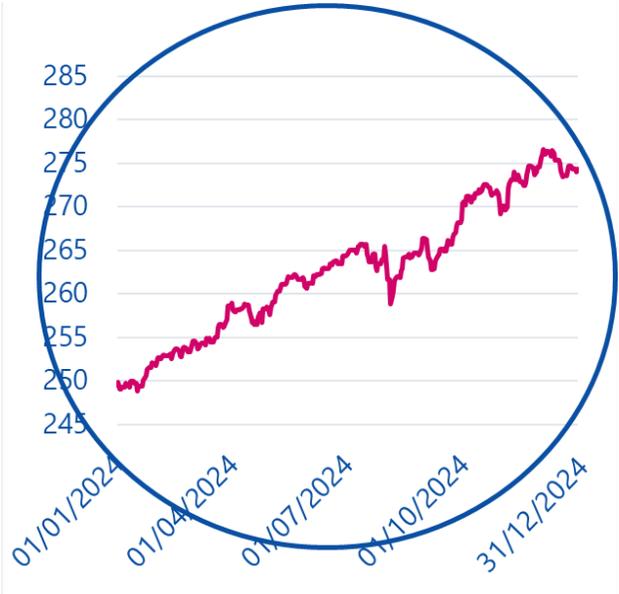
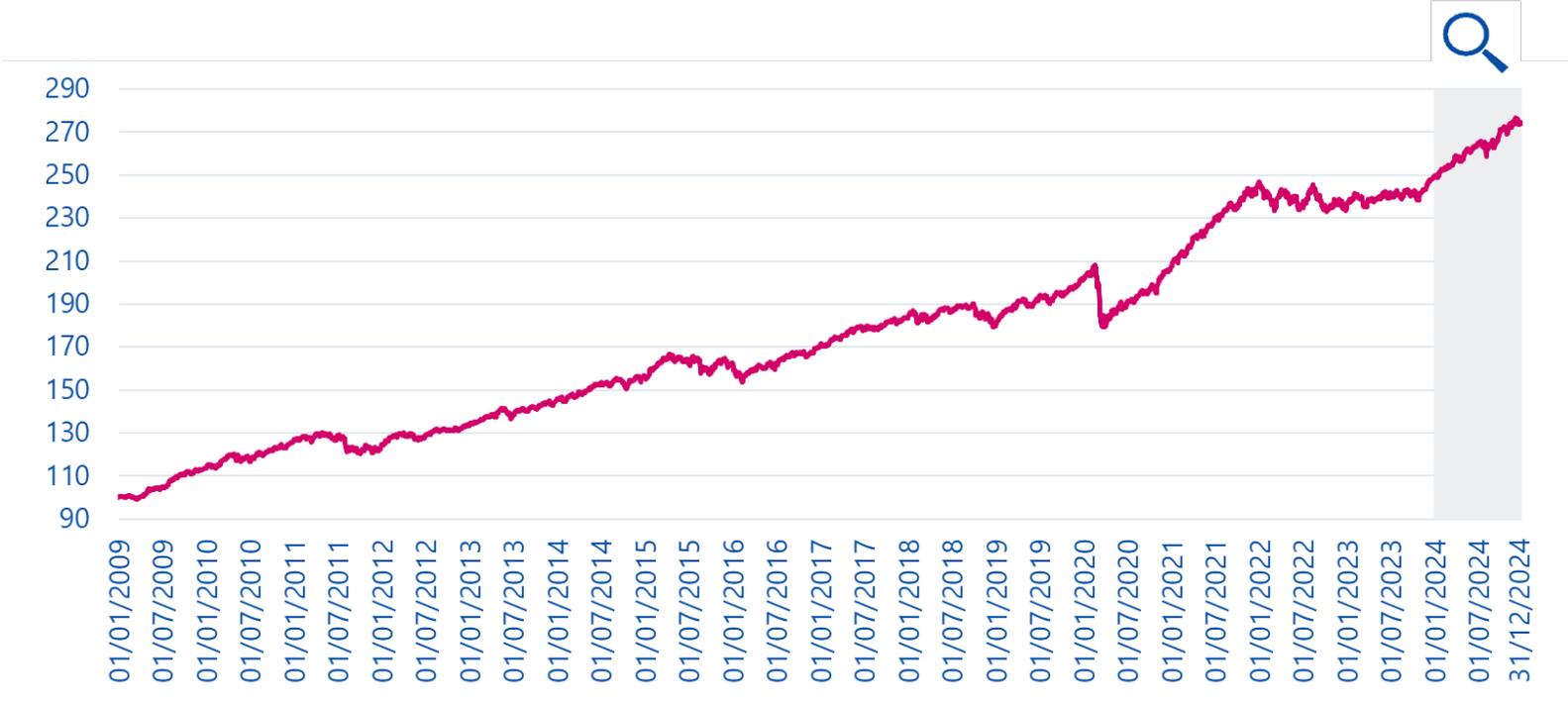
Return on investments



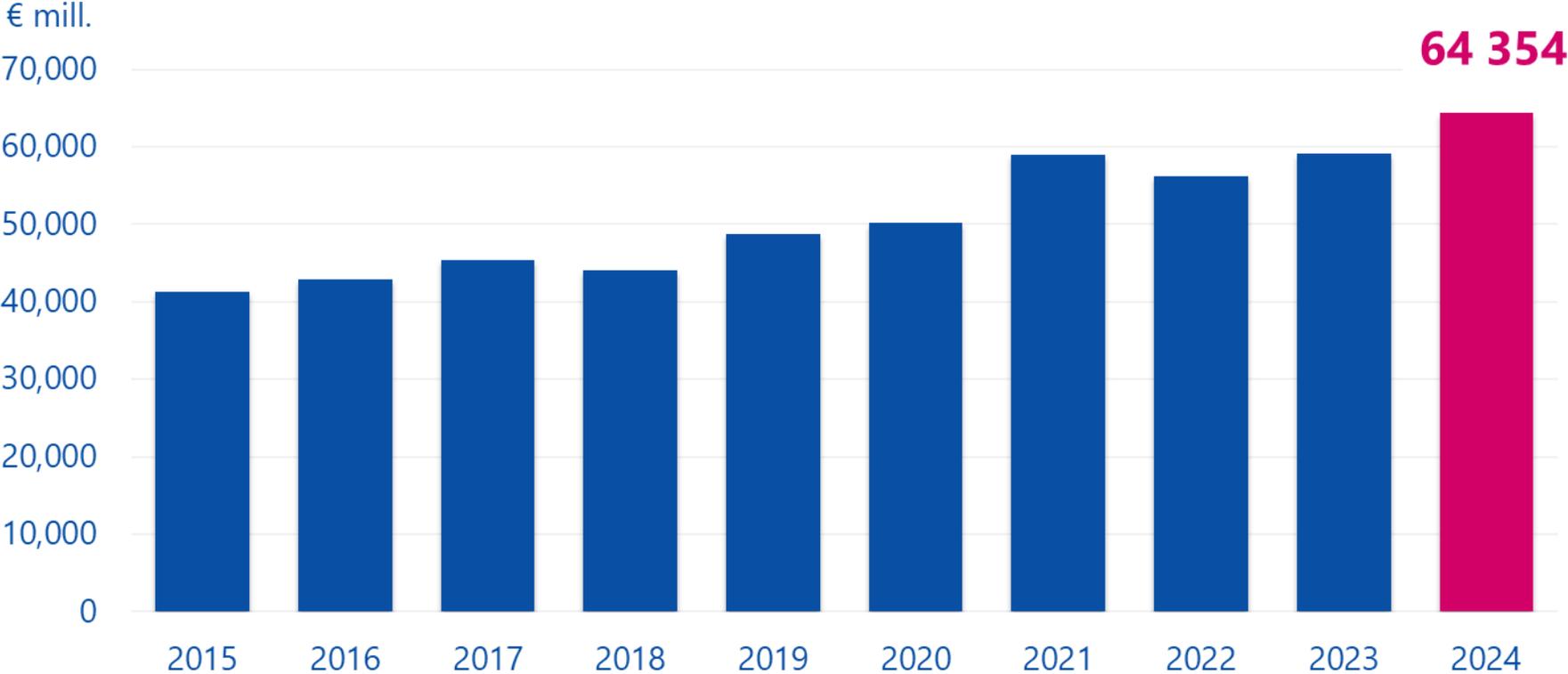
The average nominal return on investments over ten years is approx. 5.7%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **10.2** per cent in the year 2024.
- The investment portfolio amounted to EUR **64.4** billion at the end of the year 2024.

Return on investments since 2009: EUR 42.9 billion, i.e. 174 per cent

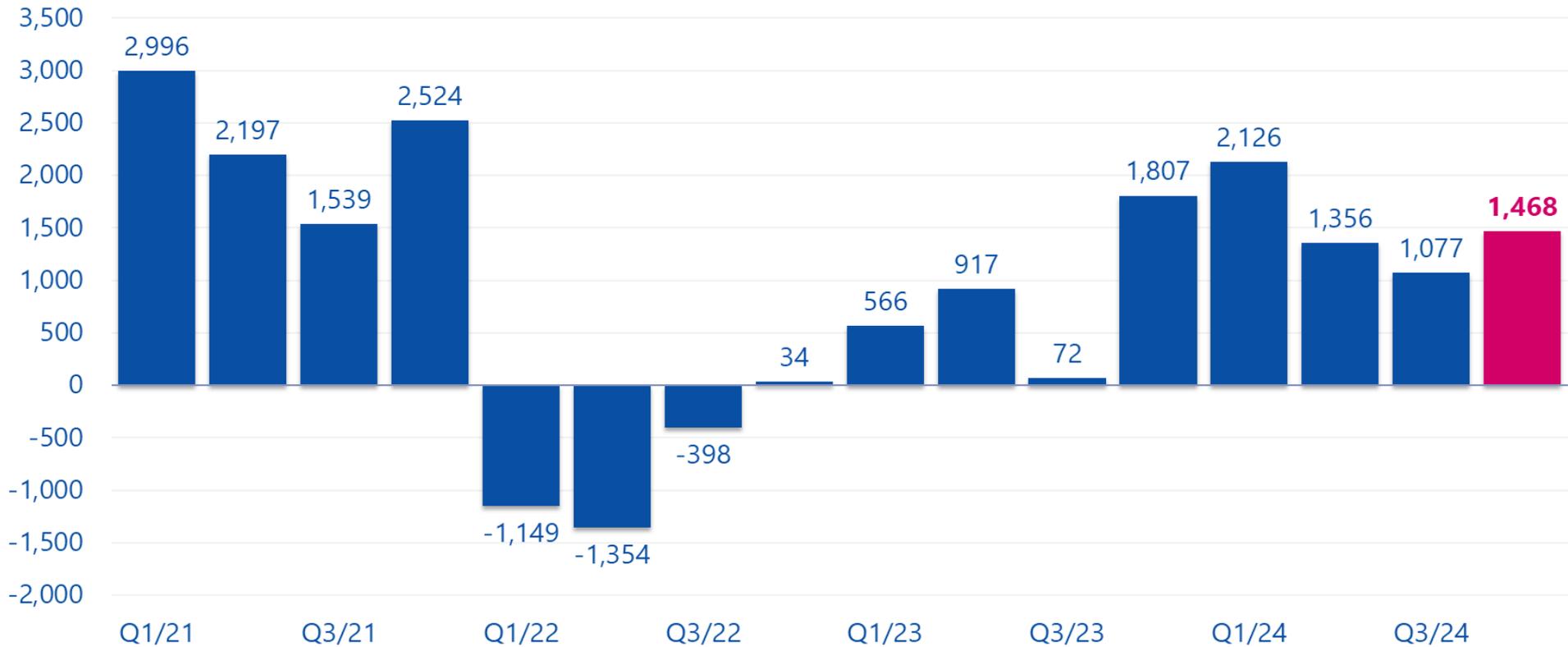


The value of Varma's investments was EUR 64.4 billion

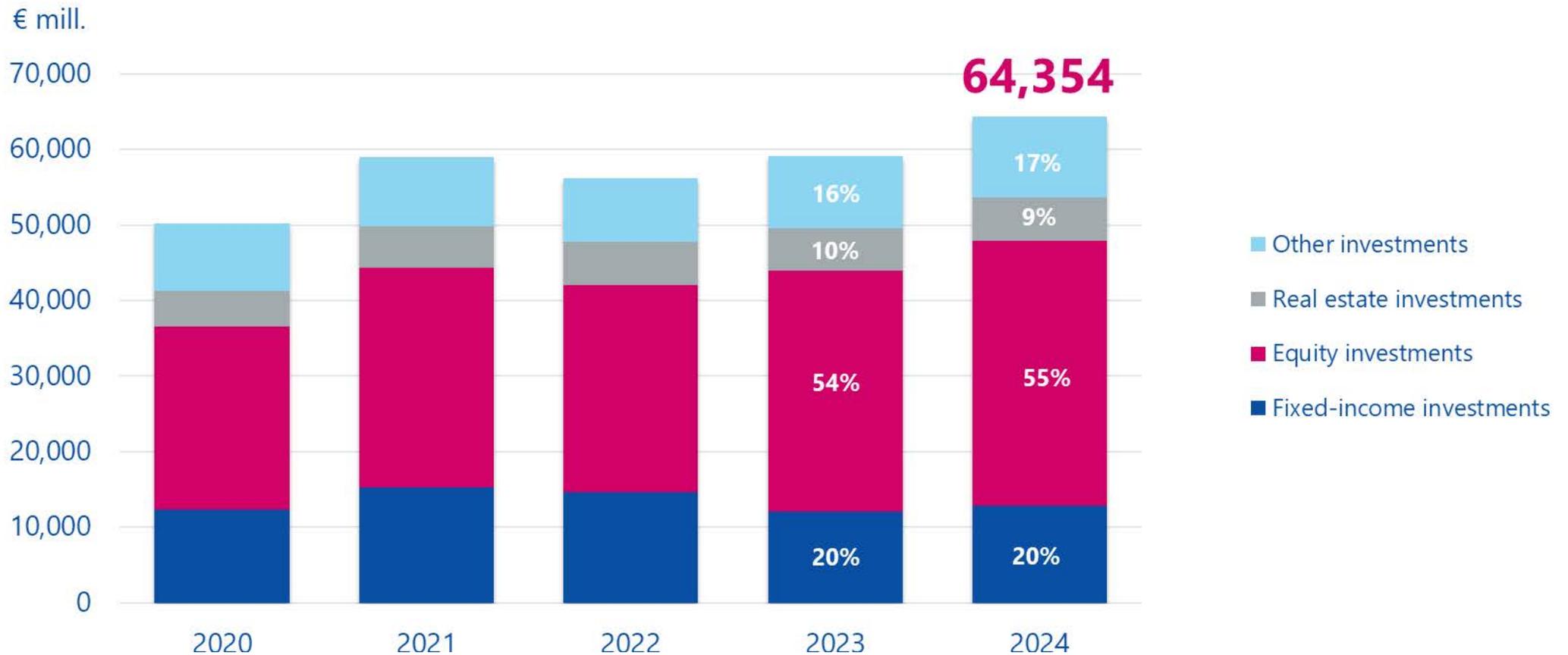


Return on investments at fair values by quarter

€ mill.



55 per cent of investment assets in equities



Investments by asset class

	31 Dec 2024				31 Dec 2023				01-12/2024	01-12/2023	24 m
	Market value				Market value				Return	Return	Vola- tility
	Market Value		Risk position		Market Value		Risk position		MWR	MWR	
	€ mill.	%	%	%							
Fixed-income investments ¹	12,815	20	34,854	54	12,081	20	9,307	16	4.7	5.6	
Loan receivables	2,072	3	2,072	3	2,598	4	2,598	4	7.5	7.3	
Bonds	7,992	12	10,613	16	8,304	14	8,967	15	4.1	5.8	4.5
Public bonds	2,820	4	5,345	8	3,769	6	4,335	7	1.5	4.5	
Other bonds	5,172	8	5,268	8	4,536	8	4,632	8	5.9	7.3	
Other money-market instruments and deposits	2,751	4	22,169	34	1,179	2	-2,259	-4	3.6	2.0	
Equity investments	35,134	55	35,437	55	31,874	54	31,866	54	14.9	8.6	
Listed equities	22,408	35	22,711	35	20,634	35	20,626	35	16.5	10.3	8.5
Private equity	11,704	18	11,704	18	10,425	18	10,425	18	12.0	5.5	
Unlisted equities	1,022	2	1,022	2	815	1	815	1	12.7	8.9	
Real estate investments	5,717	9	5,717	9	5,641	10	5,641	10	-2.8	-4.3	
Direct real estates	3,028	5	3,028	5	3,021	5	3,021	5	-0.9	-4.0	
Real estate funds	2,689	4	2,689	4	2,620	4	2,620	4	-4.9	-4.6	
Other investments	10,687	17	10,696	17	9,481	16	9,480	16	10.5	5.6	
Hedge funds	10,667	17	10,667	17	9,480	16	9,480	16	10.5	6.1	1.9
Commodities	0	0	-6	0	0	0	0	0			
Other investments	21	0	21	0	-1	0	-1	0			
Total investments	64,354	100	86,704	135	59,078	100	56,294	95	10.2	6.0	3.2
Impact of derivatives			-22,350	-35			2,784	5			
Investment allocation at fair value	64,354	100	64,354	100	59,078	100	59,078	100			

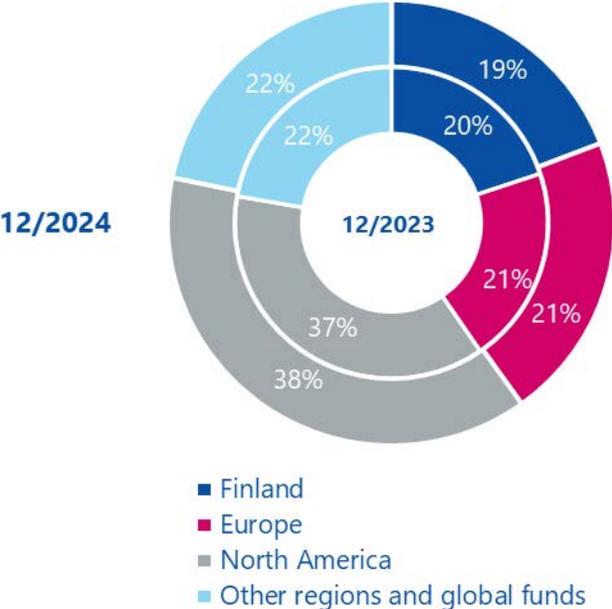
The modified duration for all the bonds is 4.97.

The open currency position is 31.0% of the market value of the investments.

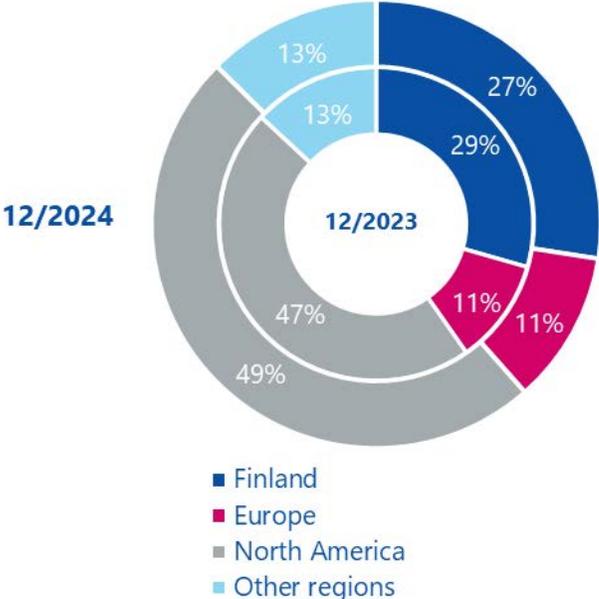
¹ Includes accrued interest

Geographical distribution of investments

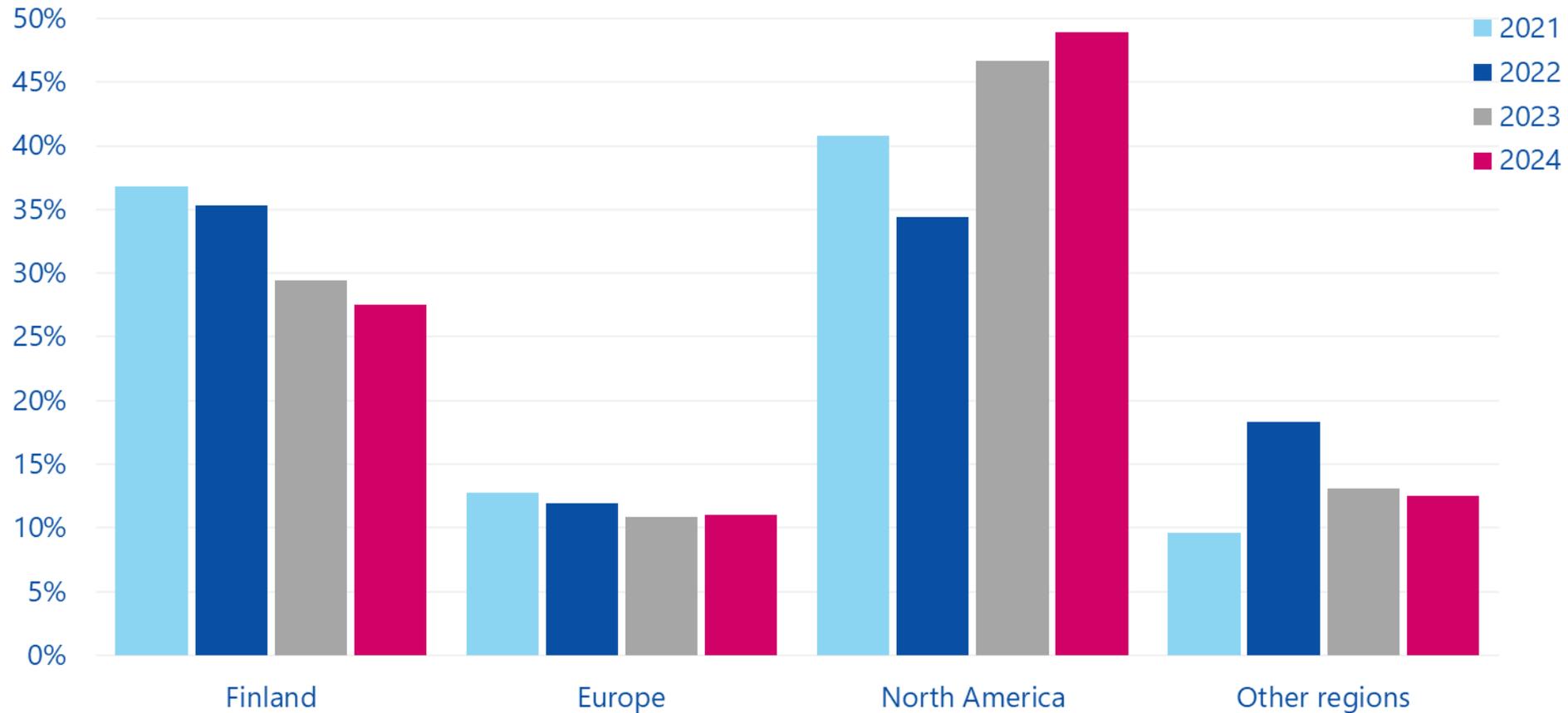
Investments



Listed equities

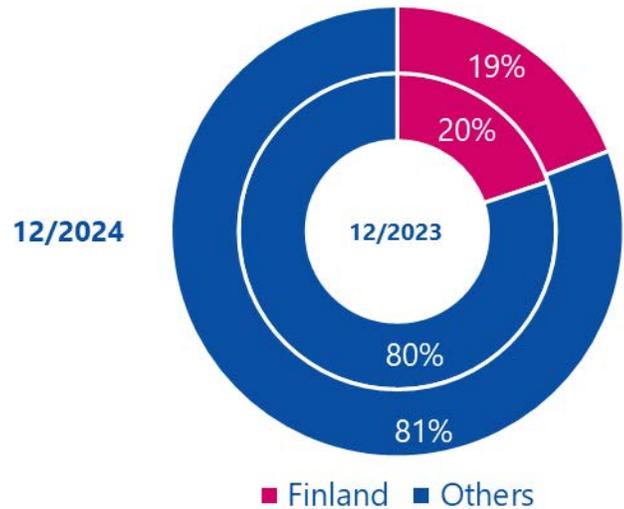


Largest number of listed equities in North America

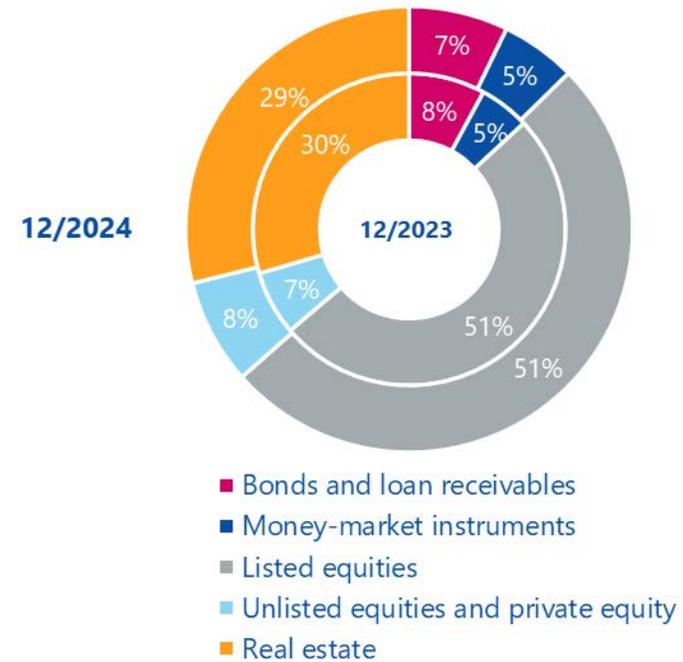


Investments in Finland 19 per cent, i.e. EUR 12.3 billion

Investments in Finland

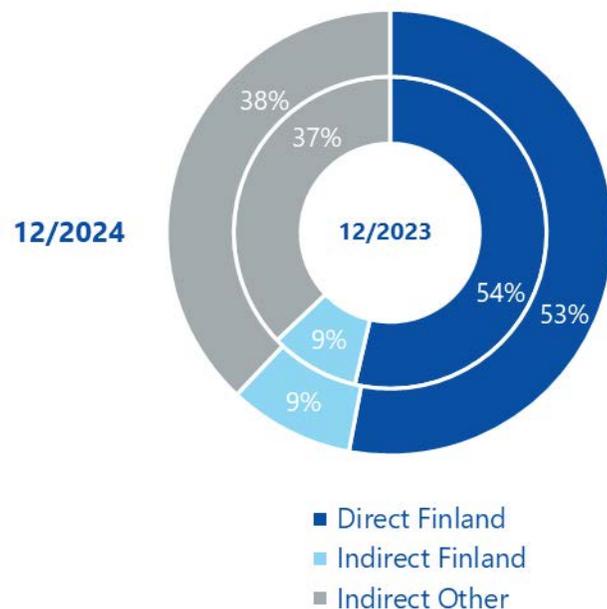


Distribution of Finnish investments

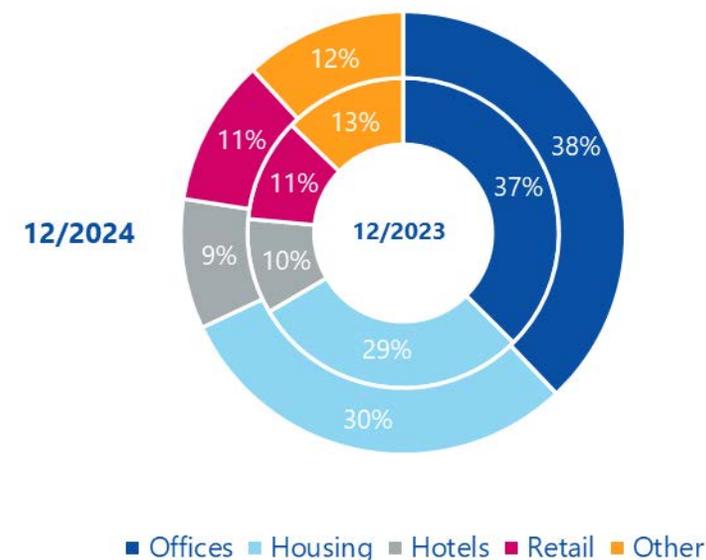


63 per cent of real estate investments, i.e. EUR 3.6 billion, in Finland

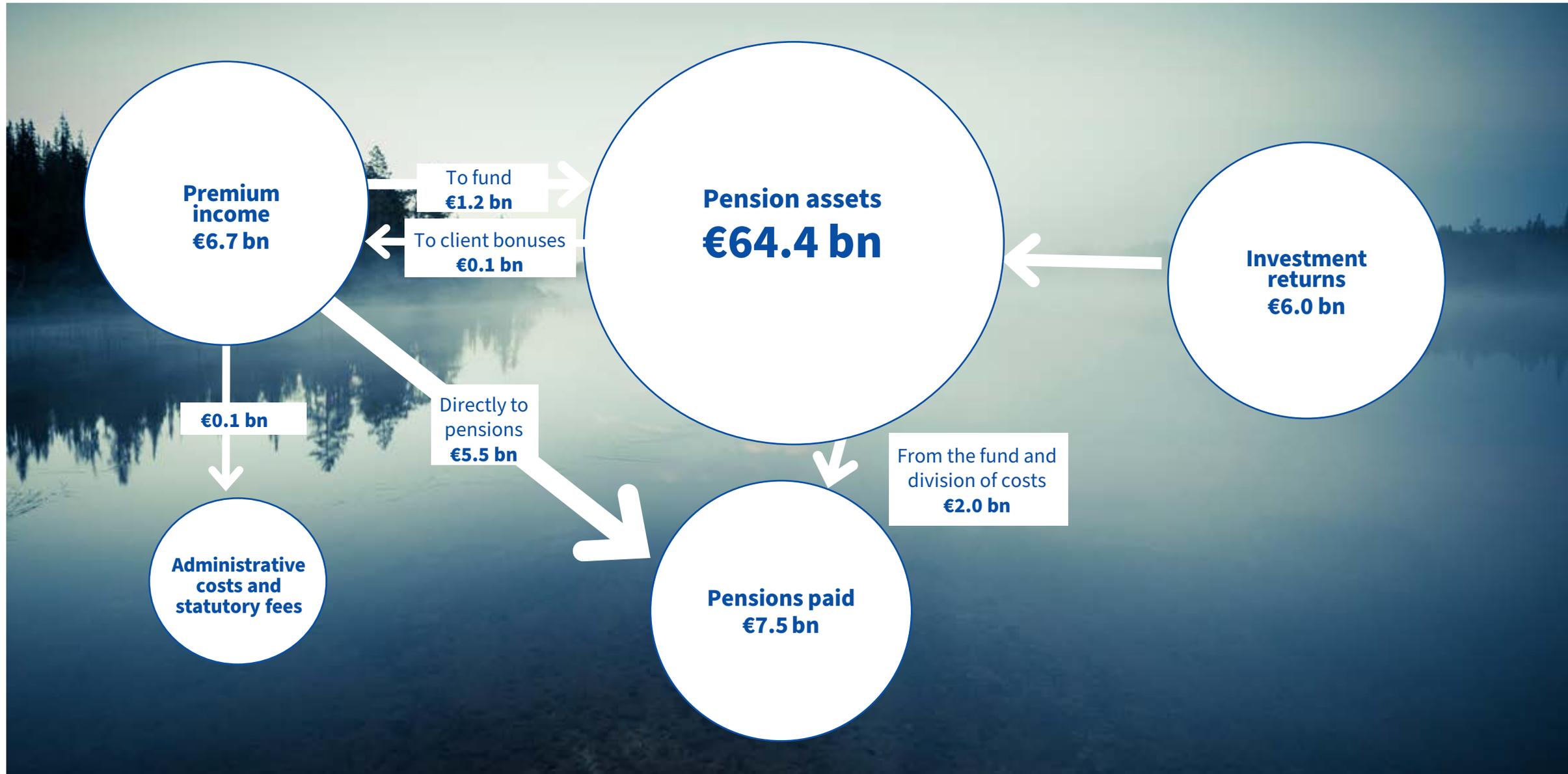
Real Estate Investments, € bn 5.7



Direct Real Estate Investment Finland, € bn 3.0



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
2024	10.2	-0.1	8.8	25.0	1.8	4.6
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
Average nominal return						
5 years	6.3	4.7	6.6	14.5	-2.0	-0.3
10 years	5.7	7.9	6.8	13.1	0.2	1.0
Since 1999 *	5.7	7.7	5.0	8.2	3.2	3.3
Average real return						
5 years	2.8	1.2	3.1	10.8	-5.3	-3.5
10 years	3.7	5.7	4.6	10.9	-1.8	-1.0
Since 1999 *	3.7	5.7	3.1	6.2	1.3	1.4

* 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

European equities = Stoxx 600 Total Return Index EUR

US equities = S&P500 Total Return Index

Euro government bonds = IBOXX Eurozone EUR (Total Return)

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

Key figures

	1-12/2024	1-12/2023
Premiums written, € million	6,656	6,119
Net investment income at fair value, € million	6,026	-2,868
Return on invested capital, %	10.2	-4.9
	12/2024	12/2023
Technical provisions, € million	50,261	45,373
Solvency capital, € million	16,793	13,344
in relation to solvency limit	1.7	1.8
Pension assets, € million	65,365	57,120
% of technical provisions	134.6	130.5
TyEL payroll, € million	26,111	24,103
YEL payroll, € million	1,055	867

VARMA