

A man and a woman are walking together in a snowy urban environment. The man is wearing a mustard yellow winter jacket and a matching knit beanie. The woman is wearing a pink winter jacket, a pink scarf, and a white knit beanie with a pom-pom. She is holding a black umbrella over both of them. They are both smiling and looking towards the right. The background shows a street with snow and buildings.

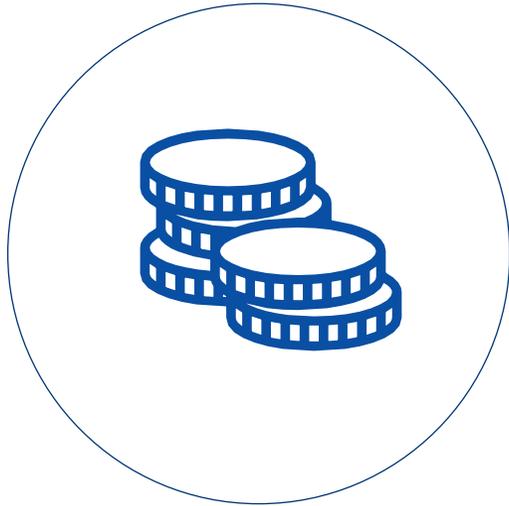
# Varma's Interim Report 1 January–30 September 2021

---

**VARMA**

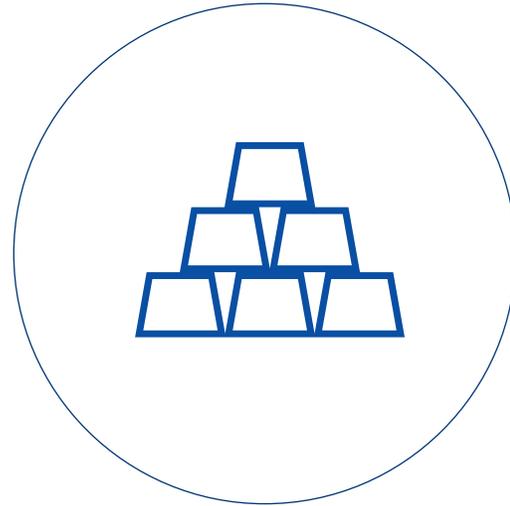
# Key figures 1–9/2021

---



Return on investments

**13.5%**



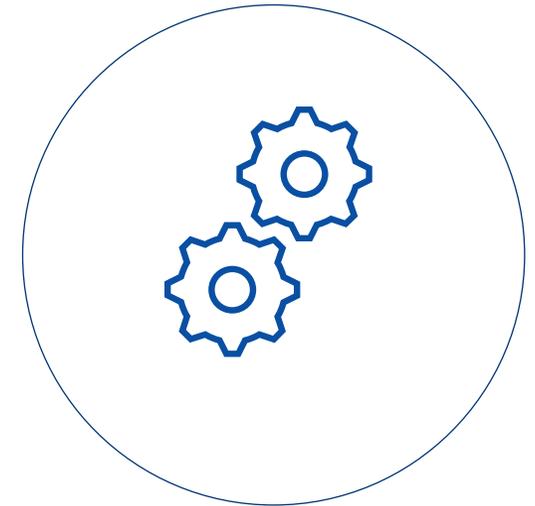
Value of investments

**€56.6 bn**



Solvency

**€15.7 bn**



Efficiency

**63%**

# Development of investment returns and solvency

	<b>1-9/2021</b>	<b>1-6/2021</b>	<b>1-3/2021</b>	<b>12 months</b>	<b>1-9/2020</b>
Investment return (MWR)	13.5%	10.4%	6.0%	19.8%	-2.6%

	<b>9/2021</b>	<b>6/2021</b>	<b>3/2021</b>	<b>12/2020</b>	<b>9/2020</b>
Solvency capital (€ mill.)	15,701	14,664	13,462	11,517	9,719
Solvency capital / solvency limit	1.9	1.8	1.7	1.7	1.7
Solvency ratio (%)	137.7	135.6	133.5	129.3	125.7
Investments at fair value (€ mill.)	56,616	55,033	52,923	50,157	46,791

# Varma's investment period January–September 2021



# Customers' situation improved along with the economy

---

- The positive development in the Finnish economy and the situation of companies was reflected at Varma as fewer payment difficulties among customers and growth in the TyEL payroll.
- The total TyEL payroll of Varma's client companies grew nearly 7 per cent in July–September compared to the pre-pandemic third quarter of 2019.
- The payroll of the travel and restaurant industry, which suffered the most from the pandemic, grew since the end of June, but nevertheless fell short of the third-quarter 2019 figure.



Customers' payment difficulties eased and the payroll grew.

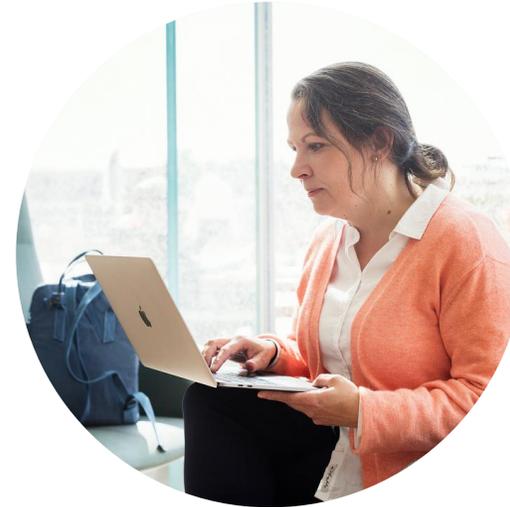
# Disability pension applications down by 5 per cent – 13 coronavirus-related applications processed

---



## Fewer disability pension applications

The number of disability pension applications received by Varma was down five per cent in January–September compared to the same period last year. In addition to mental health-based applications, the share of musculoskeletal-based applications of new disability pension applications increased slightly compared to the full year 2020.



## In the first nine months of the year, 13 coronavirus-related disability pension applications were processed

In January–September, Varma processed 13 disability pension applications in which the long-term effects of the coronavirus were indicated as the main reason for disability. Of these, two people were granted disability pension until further notice, and six were granted the cash rehabilitation benefit for a fixed term.

# Finland's earnings-related pension system does well in assessments

---



## **International pension comparison: Finland's pension system ranked as the world's most reliable and transparent**

Finland's pension system was once again ranked as the world's most reliable and transparent in the Mercer Global Pension Index. Finland's pension system ranked in 7th place overall.

Source: The Finnish Centre for Pensions ETK



## **Assessment of Finland's pension system: It functions well, but the pension system must prepare for future financial challenges**

Finland's pension system efficiently alleviates poverty and provides a reasonable income for pensioners, according to the recent report. Pension security is, however, starting to face a financial challenge that must be prepared for by either raising pension contributions or strengthening the adjustment mechanisms, estimates Danish Professor Torben M. Andersen.

Source: Finnish Centre for Pensions ETK

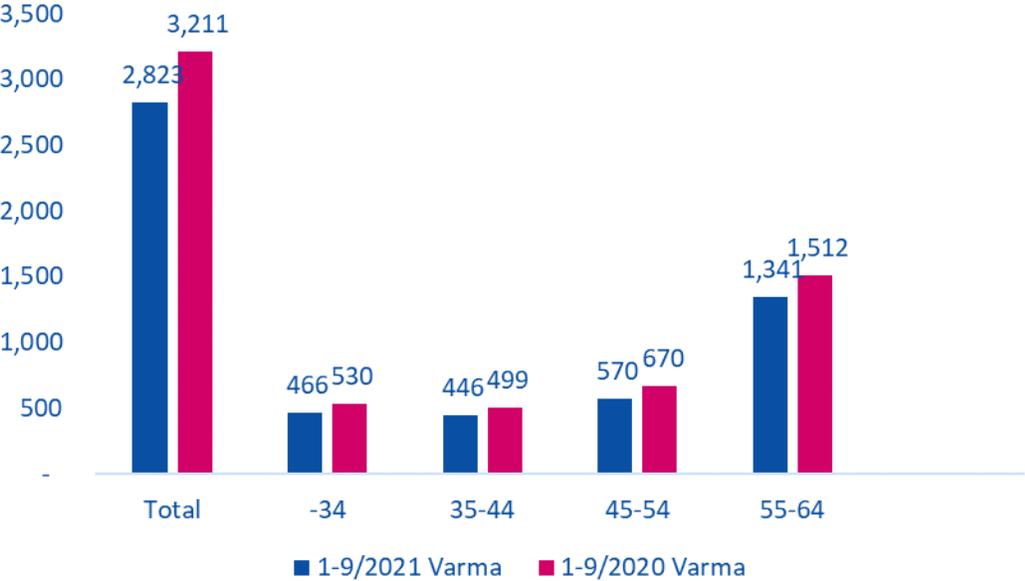


# Disability risk management

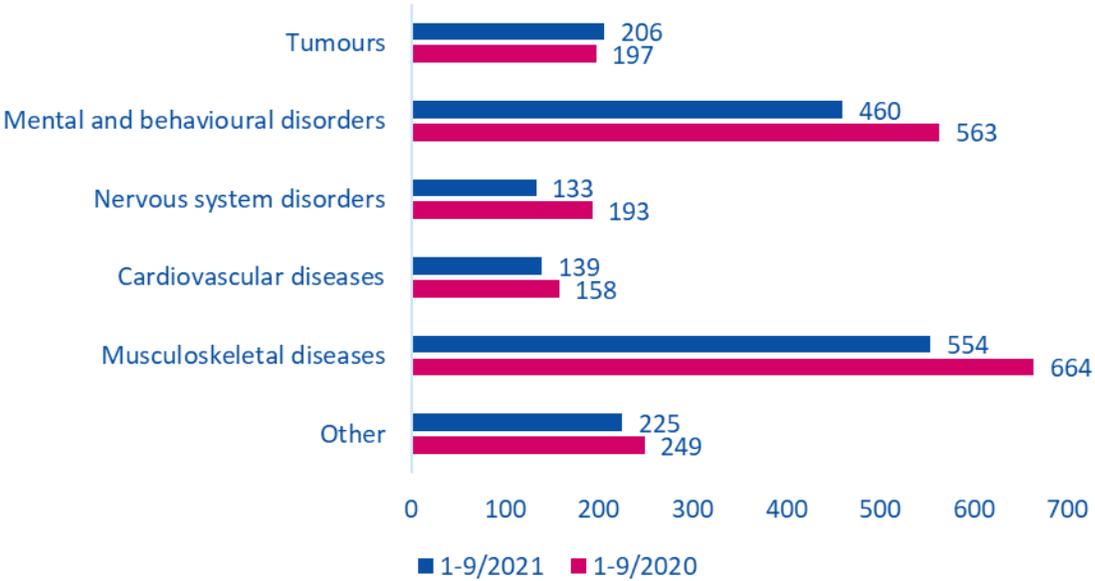
---

# The number of disability pension applications was down five per cent in January–September compared to the same period in 2020

New disability pension decisions by age group (incl. rejected applications)



Reasons behind new disability pension Decisions (pensions granted)



## Promising results from the Individual Placement and Support (IPS) programme for mental health rehabilitants

- The initial results from the IPS programme for mental health rehabilitation piloted by Varma and the career coaching company Spring House are promising. The project has been under way for a year.
- The operating model was developed to help individuals suffering from mental health disorders find gainful employment in the open labour market such that the work supports them in their rehabilitation.
- In this phase of the pilot, 34 per cent of the customers taking part in the programme find employment, while the corresponding figure for the reference group is 13 per cent.
- Based on experiences, the operating model speeds up participants' access to gainful employment and is useful in vocational rehabilitation.

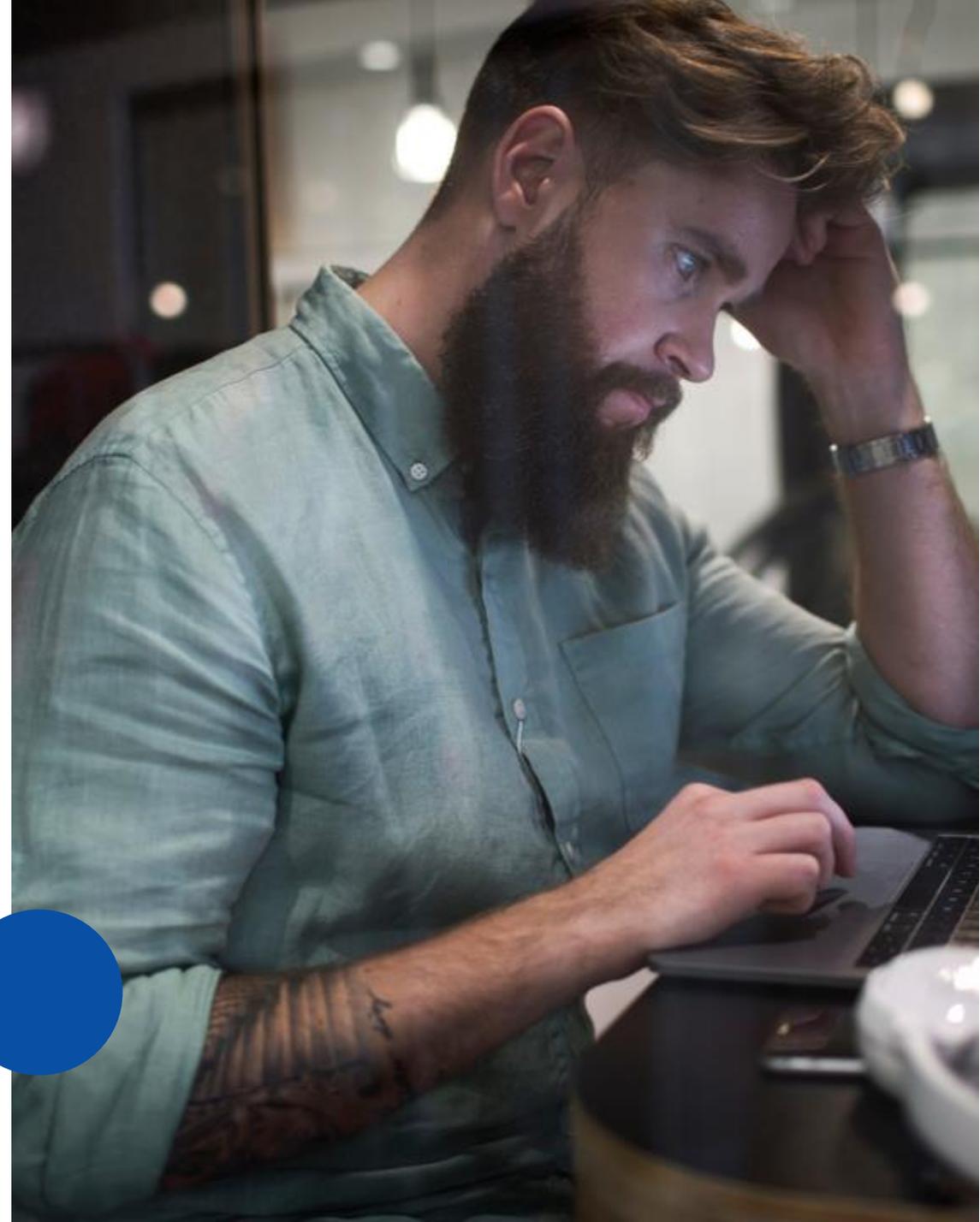
The pilot project was chosen as a finalist in Rekrygaala's 'Recruitment Deed of the Year' category.

Mental health disorders are the most common reason for retiring on a disability pension.

Mental health problems cause **workplaces €2.5 bn in costs** annually, calculated as the value of lost work input.

## Data reveals our corporate customers' biggest risk and workload factors

- Varma's data reveals the biggest risk and workload factors that our corporate customers face.
- The most significant diagnosis group in disability pension and rehabilitation applications is **musculoskeletal diseases** (39 per cent), the main factor influencing work ability as reported by the applicants is an **increase in the amount of work** (34 per cent) and the most common workload factor is **physical strain** (47 per cent).





# Insurance and pensions

---

VARMA



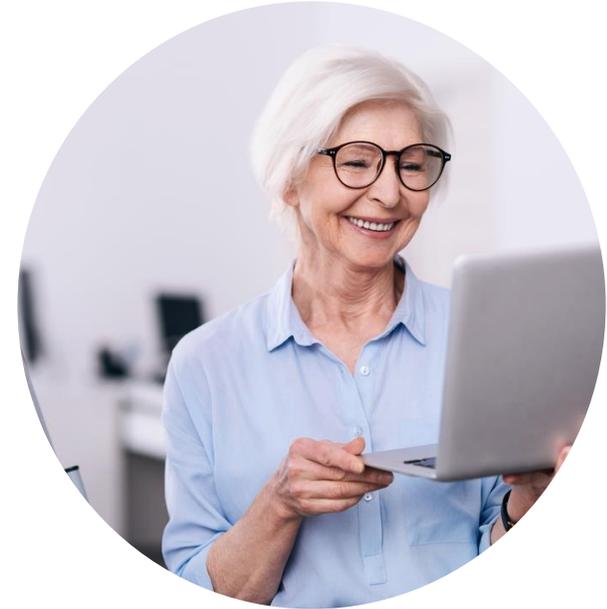
**Insured employees  
and entrepreneurs**

**571,000**



**Pensioners**

**347,000**

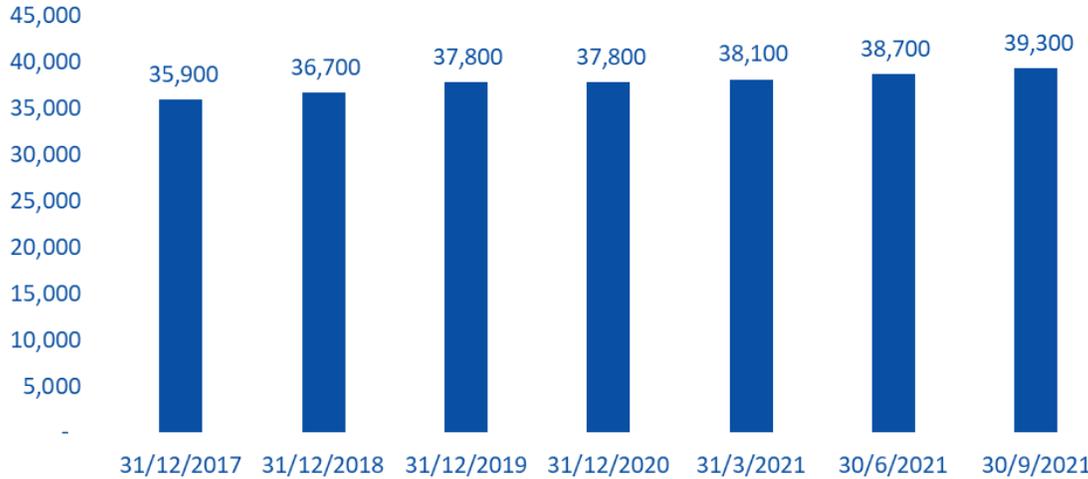


**Pensions paid**

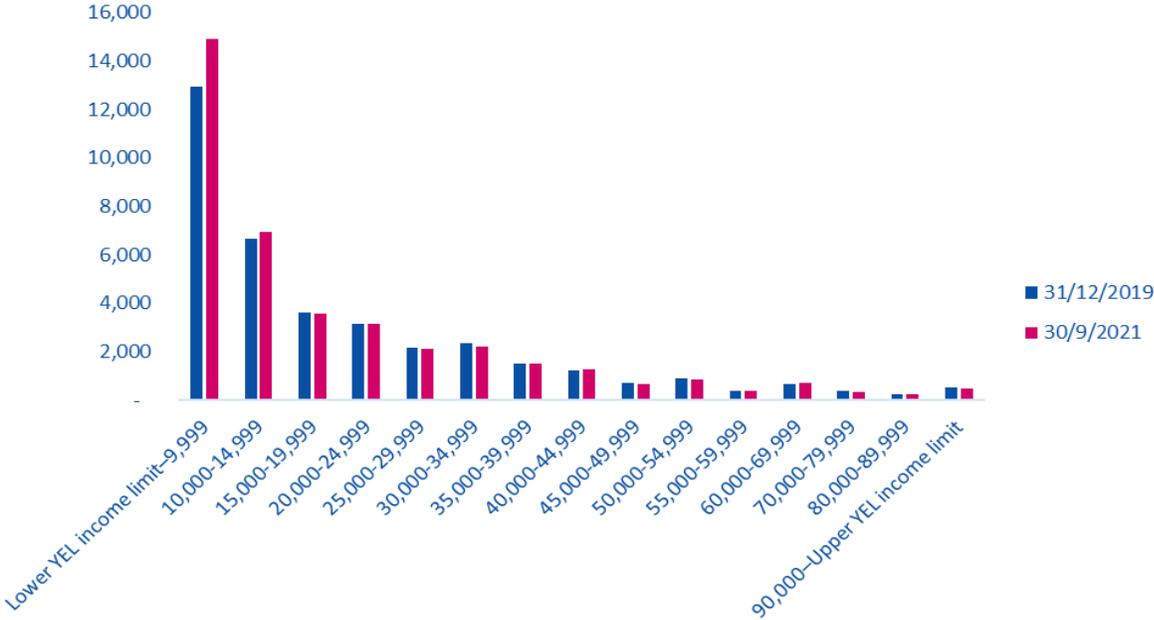
**EUR 4.7 bn**

# Roughly 1,500 new pension policies for the self-employed since the turn of the year

Number of YEL insurance policies

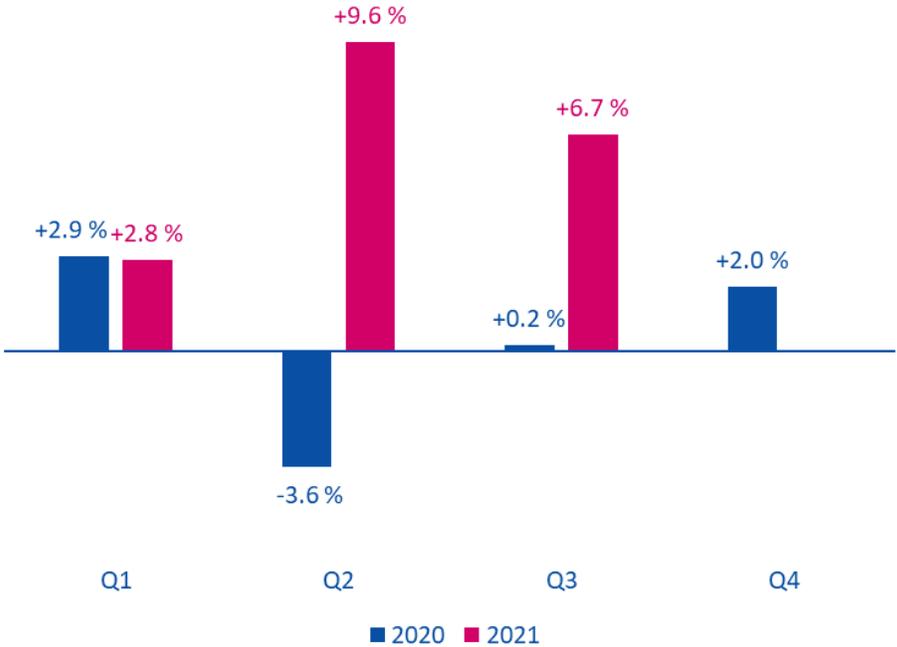


YEL confirmed income now and before the pandemic



# The TyEL payroll has already increased above the pre-coronavirus level

Quarterly change in the TyEL payroll compared to the same period last year



The total TyEL payroll of Varma’s client companies grew nearly **7 per cent** in July–September compared to the pre-pandemic third quarter of 2019. Compared to the corresponding period last year, growth was 6.7 per cent.

## Survey: Pensioners very keen to continue working while drawing pension

---

- Roughly half of the respondents to Varma's survey have worked while drawing a pension.
- The main reason is the impact of earnings on their livelihood; they also consider appreciation of their competence to be important.
- Working once in a while or as needed is the most prevalent (54 per cent).
- 42 per cent said they worked regularly, either part time or full time.



Some 1,100 of Varma's pensioners responded to the customer survey.

The survey was carried out in August–September 2021.

# Current information about pensions

- By the end of September, 16,538 new pension decisions had been made, which is 3 per cent more than in the corresponding period last year.
- Pensions are processed an average of two days faster compared to last year.
- The biggest improvement has been in disability pension applications, with applications being processed in an average of one month and in rehabilitation applications, with a decision being issued within two weeks.

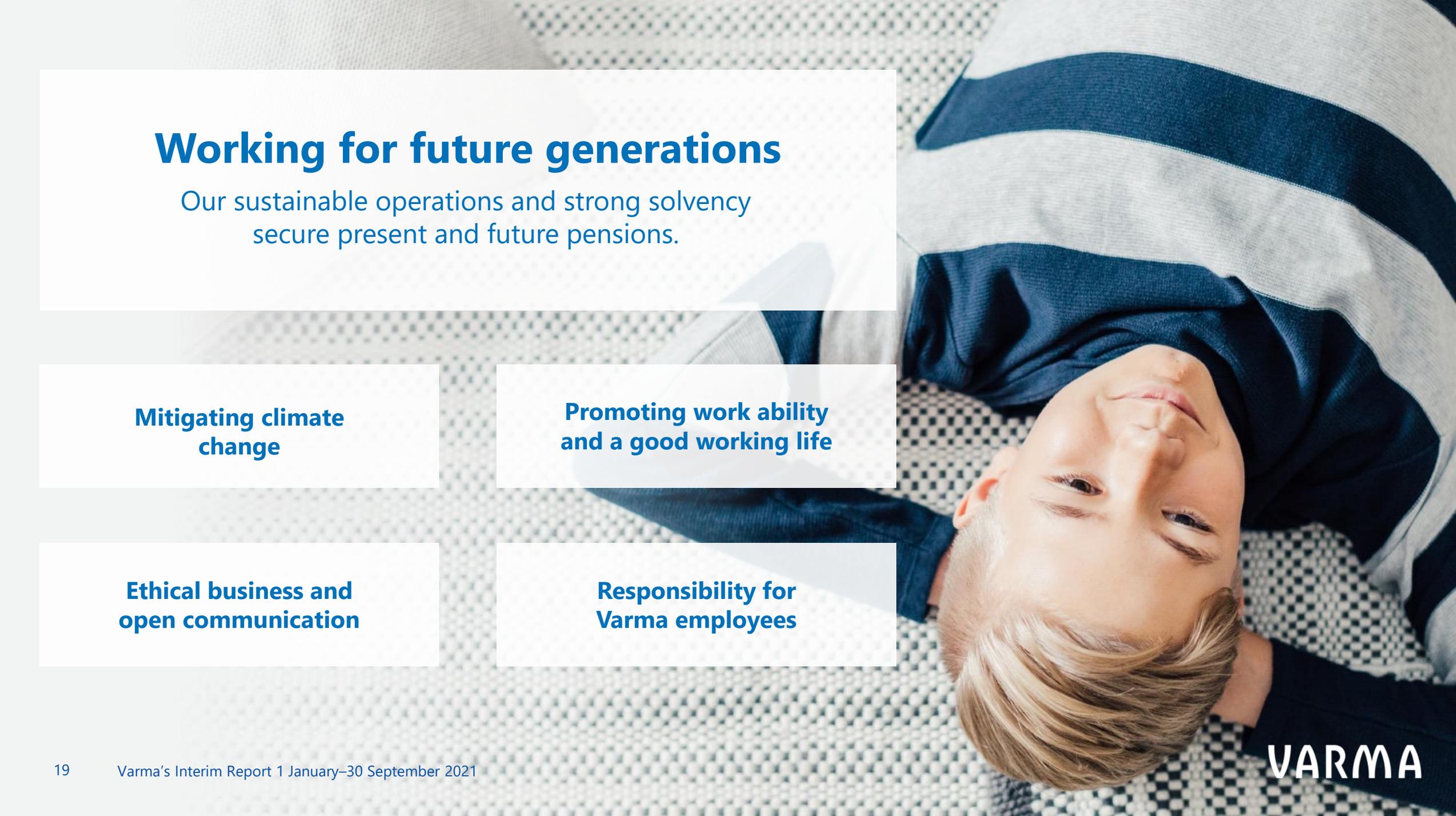


A woman with long brown hair, wearing a white jacket with a green lining, stands in a lush green forest. She is looking upwards with a thoughtful expression. To her left is a tree trunk with a green protective wrap. In the bottom right corner, she is holding a clipboard with a white sheet of paper.

**Sustainability**

---

**VARMA**



# Working for future generations

Our sustainable operations and strong solvency secure present and future pensions.

**Mitigating climate change**

**Promoting work ability and a good working life**

**Ethical business and open communication**

**Responsibility for Varma employees**

## Sustainability progress in hedge funds and real estate

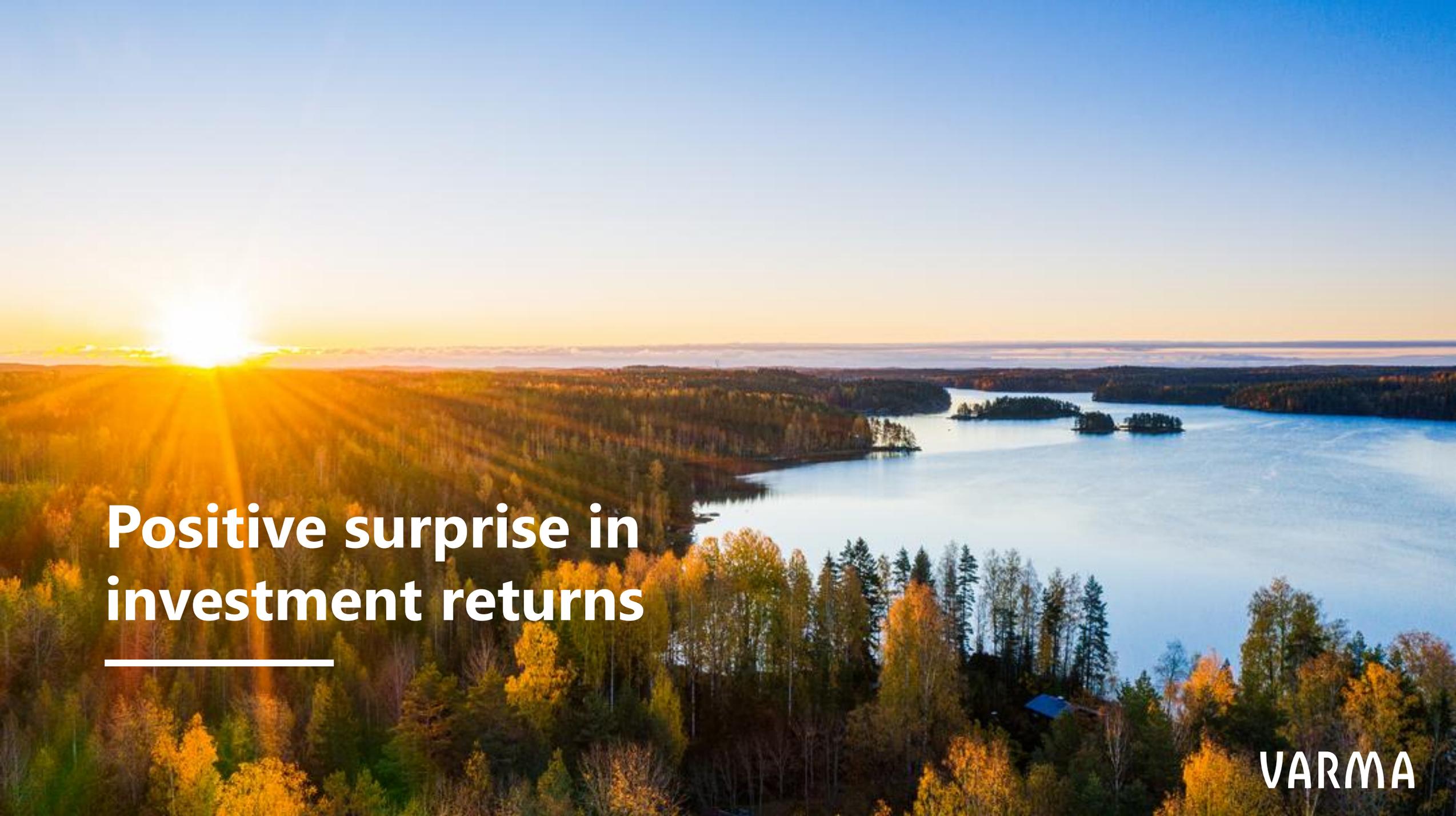
---

- Thanks to Varma's engagement efforts, approximately 95 per cent of Varma's hedge fund investments have responsible investment policies in place, and the UN Global Compact corporate sustainability initiative has been incorporated into 40 per cent of the responsible investment principles.
- The focus has also been on developing the monitoring of the carbon intensity of hedge funds.
- In addition, in 2021 Varma made significant new fund commitments in renewable energy and in funds focussing on the energy transition.



**Real estate:**

Varma ranked among the top ten northern European investors in the Global Real Estate Sustainability Benchmark (GRESB).

An aerial photograph of a large lake surrounded by a dense forest. The sun is rising on the left side of the frame, creating a bright glow and long rays of light across the sky and the forest. The water in the lake is a deep blue, and the trees are in various shades of green and yellow, suggesting an autumn setting. The overall scene is peaceful and scenic.

**Positive surprise in  
investment returns**

---

**VARMA**

# Outlook for the economy and the investment markets

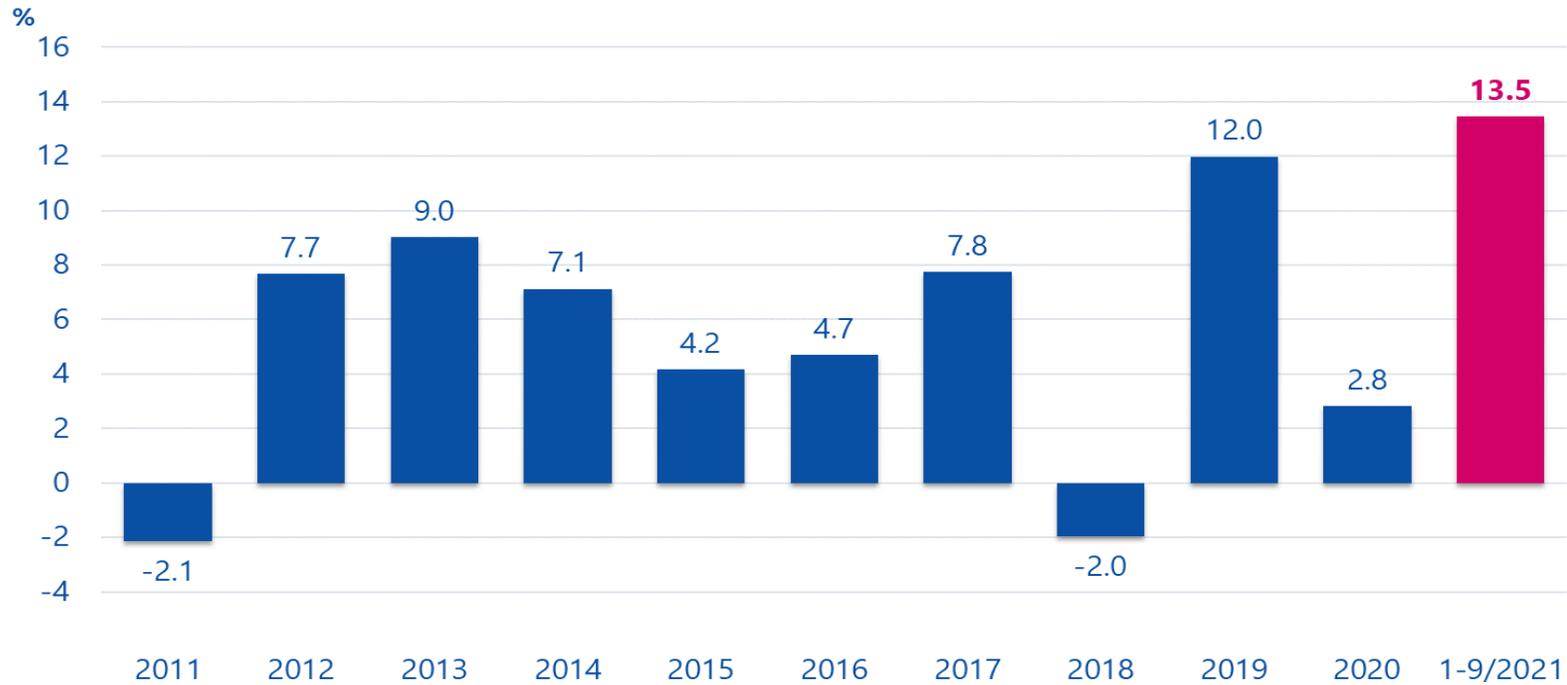
---

- So far, it has been a good year for the pension system. The trend in both investment returns and employment has been a positive surprise, but the fastest acceleration in the economy is probably already behind us.
- Although the rally in the listed equity markets levelled out, our investments continued to perform strongly in the third quarter. All asset classes yielded consistent returns, and private equity investments performed exceptionally well.
- There are currently two divergent forces driving the investment markets: The pandemic-related restrictions are being lifted globally, which is supporting economic growth, but on the other hand, production bottlenecks and rising energy prices are slowing down growth worldwide.
- Inflation is rising, and the markets are monitoring whether this is a temporary phenomenon and how the central banks will adjust their monetary policy in an environment of rising prices.



Maintaining long-term growth in Finland will require investments and labour force.

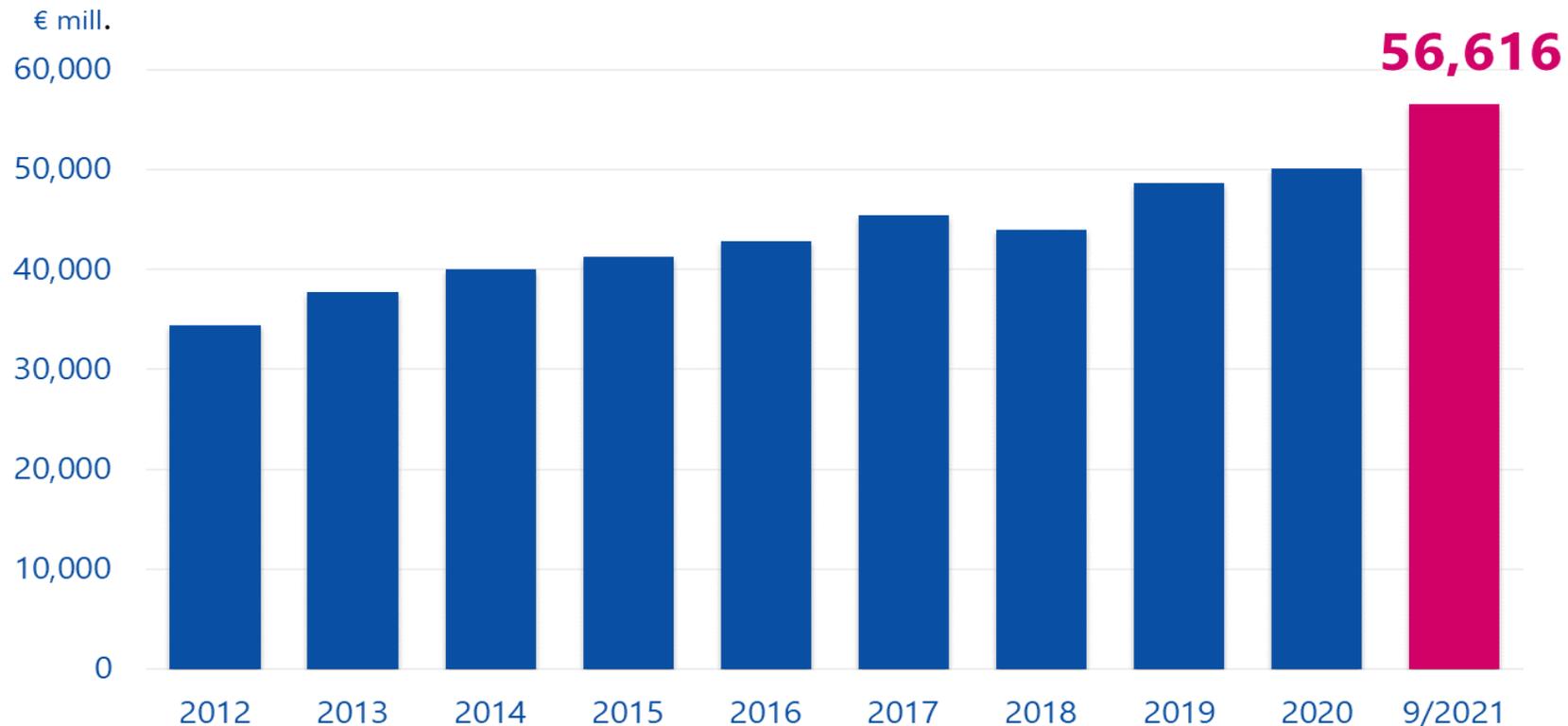
# Return on investments 2011–Q3/2021



- The return on Varma's investments was **13.5** per cent, i.e. EUR **6.7** billion, in January–September 2021.
- The value of the investments grew to EUR **56.6** billion at the end of September.

The average nominal return on investments over ten years is approx. 6.8%, calculated in accordance with the recommendations issued by TELA. In 1-9/2020 return on investment was -2.6%.

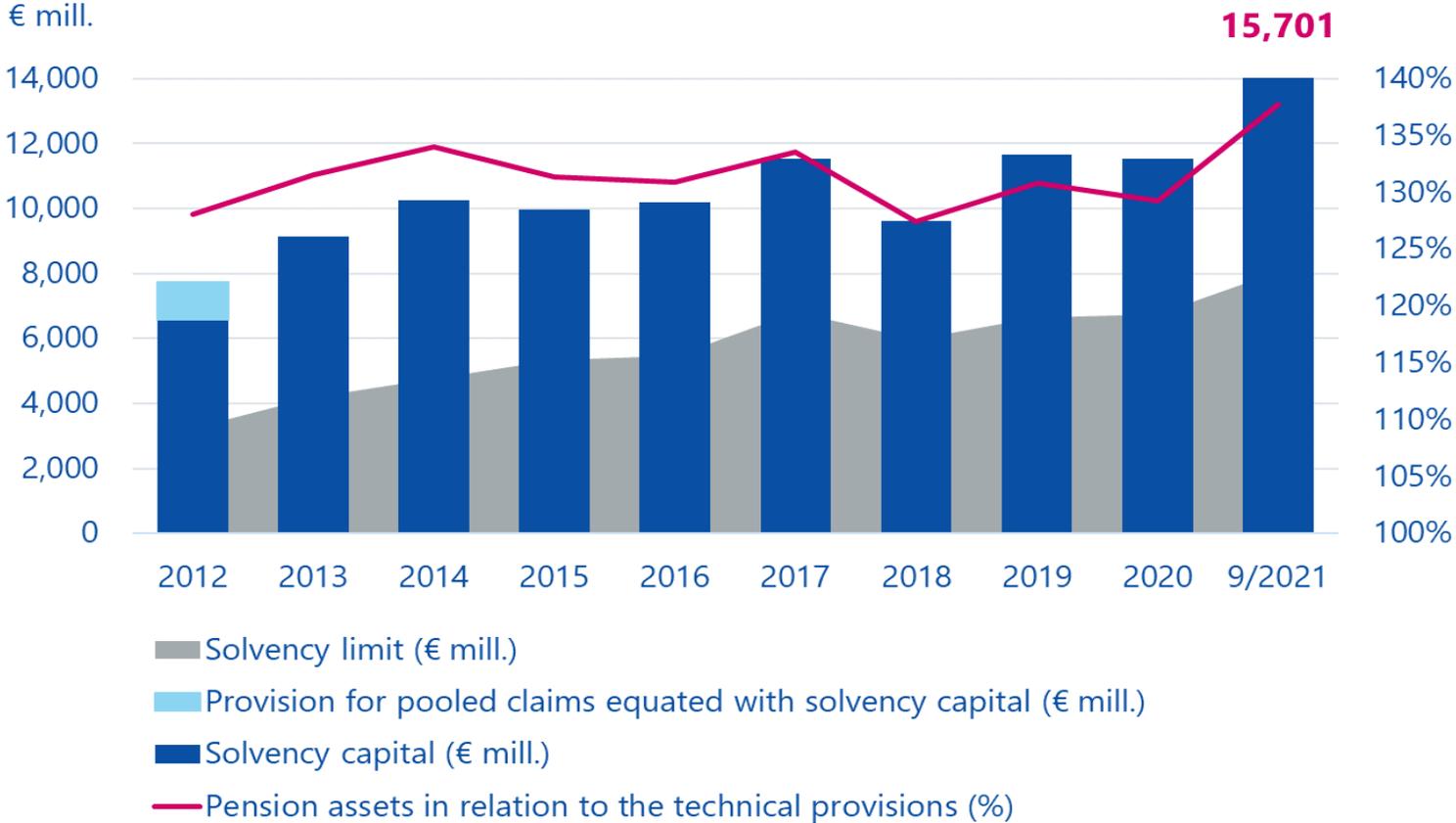
# Market value of investments rose to almost EUR 57 billion



# Return on investments at fair values increased to EUR 6.7 billion at the end of September

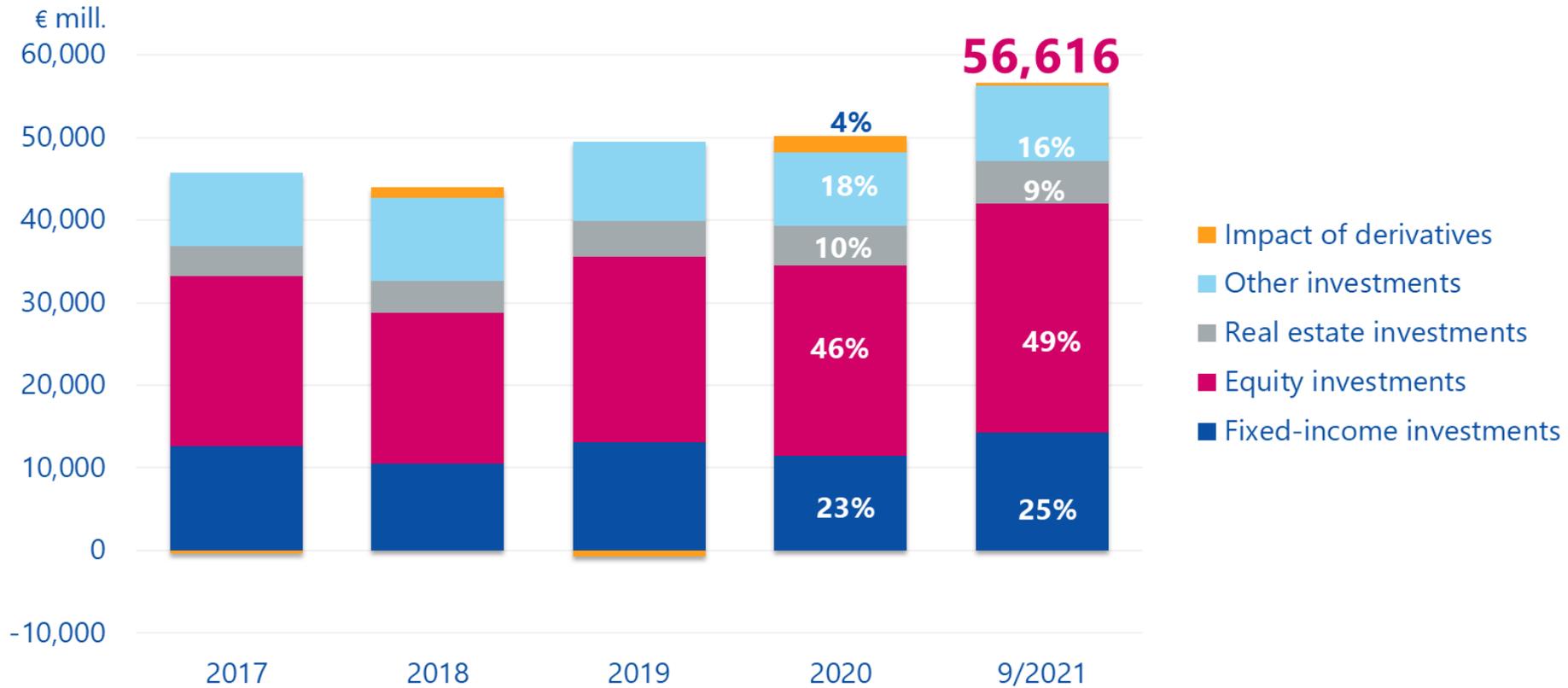


# Varma's solvency reached a new record thanks to strong investment returns



- Thanks to good investment returns, Varma's solvency capital reached a new record high of **EUR 15.7 billion**.
- Solvency capital was **1.9 times** the solvency limit.
- Varma's solvency capital, which serves as a risk buffer for investment operations, provides protection against volatility in investment market returns.

# Breakdown of investments



# Investments classified according to risk

	30 Sep 2021				31 Dec 2020		01-09/2021	01-12/2020
	Market value				Market value		Return	Return
	Market Value		Risk position		Risk position		MWR	MWR
	€ mill.	%	€ mill.	%	€ mill.	%	%	%
<b>Fixed-income investments <sup>1</sup></b>	<b>14,456</b>	<b>26</b>	<b>14,321</b>	<b>25</b>	<b>11,410</b>	<b>23</b>	<b>1.5</b>	<b>1.9</b>
Loan receivables	2,848	5	2,848	5	2,711	5	3.0	0.5
Bonds	8,577	15	9,844	17	7,459	15	1.4	3.0
Public bonds	4,529	8	5,796	10	2,490	5	-0.9	6.1
Other bonds	4,048	7	4,048	7	4,969	10	3.5	1.0
Other money-market instruments and deposits	3,031	5	1,628	3	1,240	2	-0.1	-1.0
<b>Equity investments</b>	<b>27,838</b>	<b>49</b>	<b>27,641</b>	<b>49</b>	<b>23,083</b>	<b>46</b>	<b>23.1</b>	<b>5.9</b>
Listed equities	19,365	34	19,168	34	16,807	34	17.6	5.2
Private equity	8,079	14	8,079	14	5,958	12	39.9	7.8
Unlisted equities	394	1	394	1	318	1	10.4	8.6
<b>Real estate investments</b>	<b>5,235</b>	<b>9</b>	<b>5,235</b>	<b>9</b>	<b>4,828</b>	<b>10</b>	<b>4.1</b>	<b>2.0</b>
Direct real estates	3,036	5	3,036	5	2,875	6	4.1	3.4
Real estate funds	2,199	4	2,199	4	1,953	4	4.2	-0.2
<b>Other investments</b>	<b>9,087</b>	<b>16</b>	<b>9,088</b>	<b>16</b>	<b>8,827</b>	<b>18</b>	<b>11.5</b>	<b>-2.0</b>
Hedge funds	9,087	16	9,087	16	8,818	18	11.6	-1.0
Commodities	0	0	0	0	0	0		
Other investments	-1	0	-1	0	9	0		
<b>Total investments</b>	<b>56,616</b>	<b>100</b>	<b>56,285</b>	<b>99</b>	<b>48,149</b>	<b>96</b>	<b>13.5</b>	<b>2.8</b>
Impact of derivatives			332	1	2,008	4		
<b>Investment allocation at fair value</b>	<b>56,616</b>	<b>100</b>	<b>56,616</b>	<b>100</b>	<b>50,157</b>	<b>100</b>		

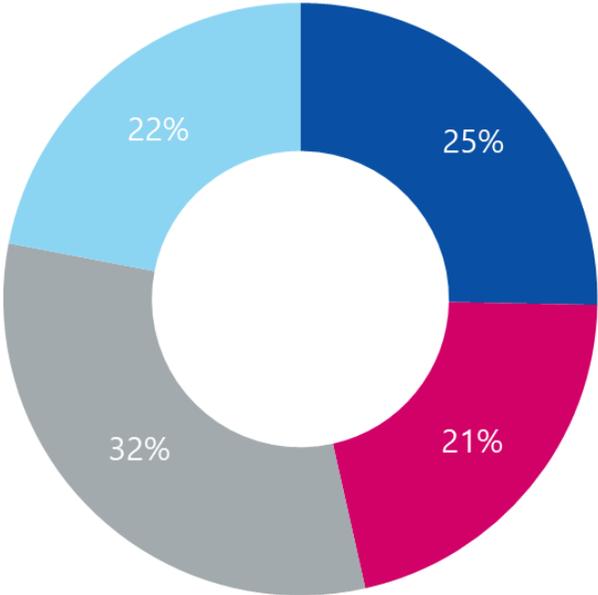
The modified duration for all the bonds is 4.24.

The open currency position is 24.0% of the market value of the investments.

<sup>1</sup> Includes accrued interest

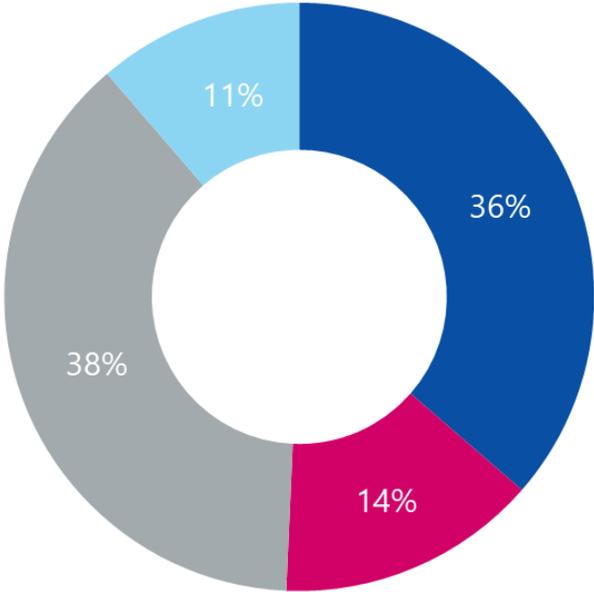
# Geographical distribution of investments

Investments



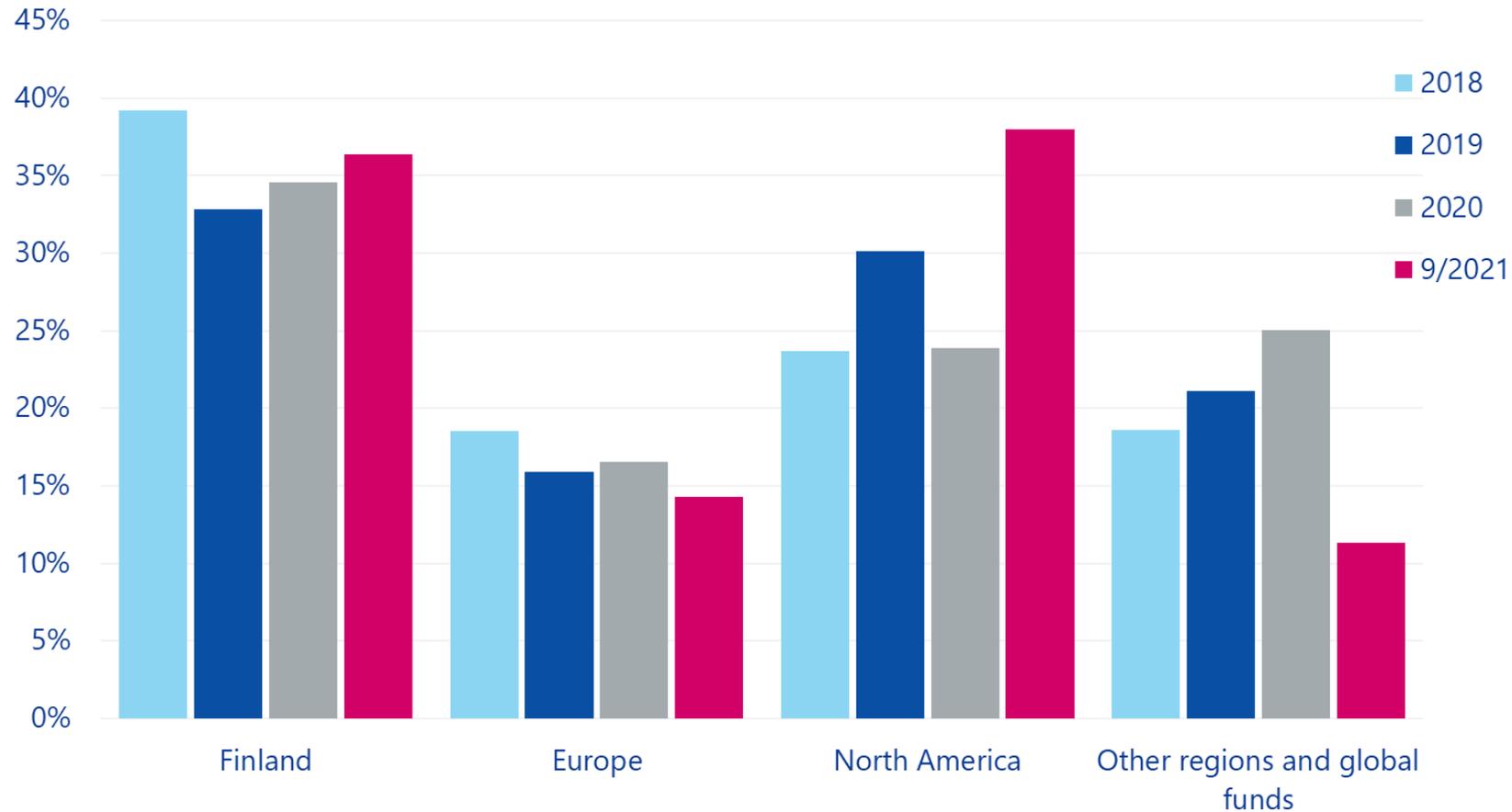
■ Finland ■ Europe ■ North America ■ Other regions and global funds

Listed equities



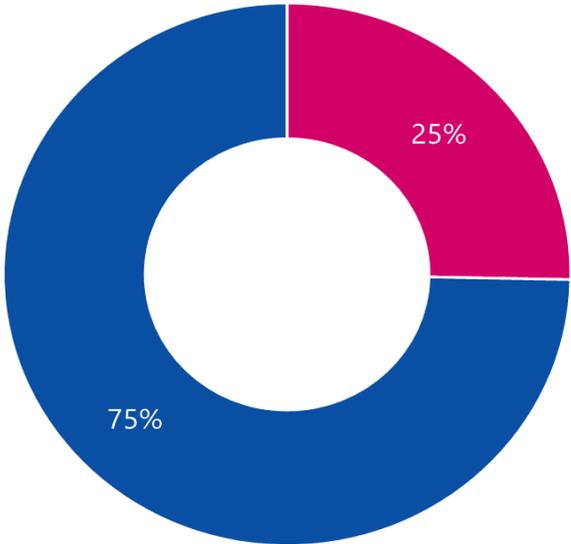
■ Finland ■ Europe ■ North America ■ Other regions and global funds

# Listed equity investments focussed on Finland and North America



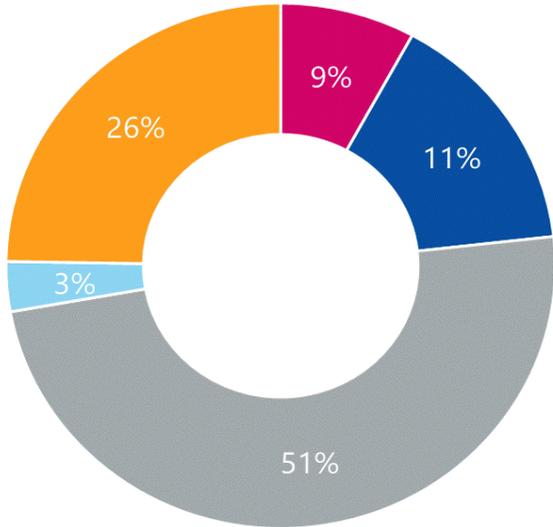
# Investments in Finland 25 per cent, i.e. EUR 14.2 billion

Investments in Finland



■ Finland ■ Others

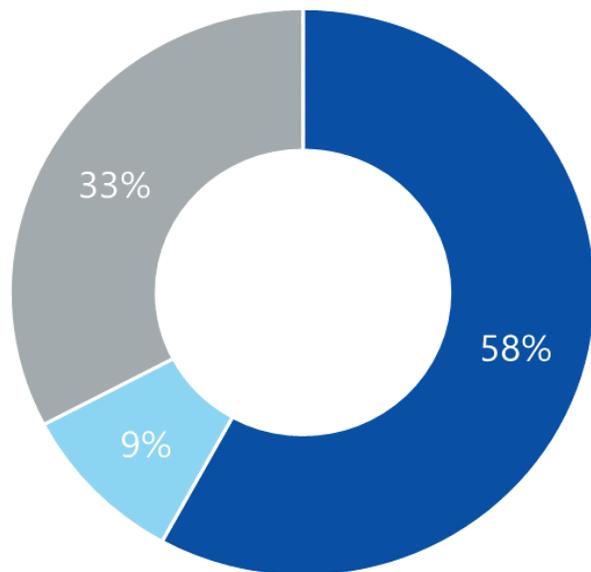
Distribution of Finnish investments



■ Bonds and loan receivables ■ Money-market instruments  
■ Listed equities ■ Private equity  
■ Real estate

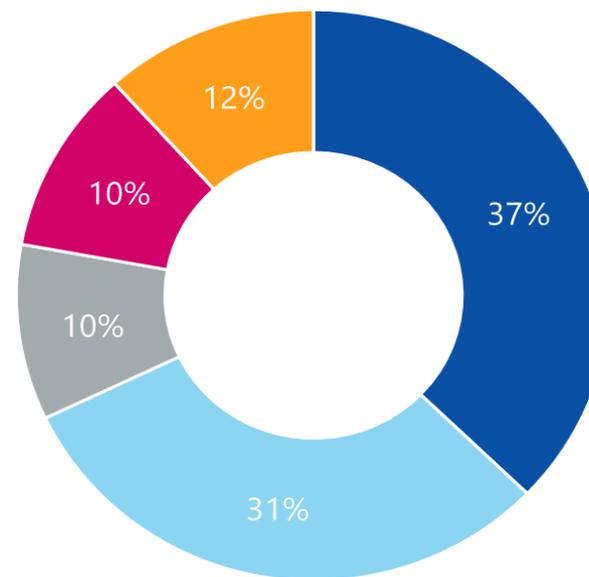
# 67% of real estate investments, i.e. EUR 3.5 billion, in Finland

Real Estate Investments, € bn 5.0



■ Direct Finland ■ Indirect Finland ■ Indirect Other

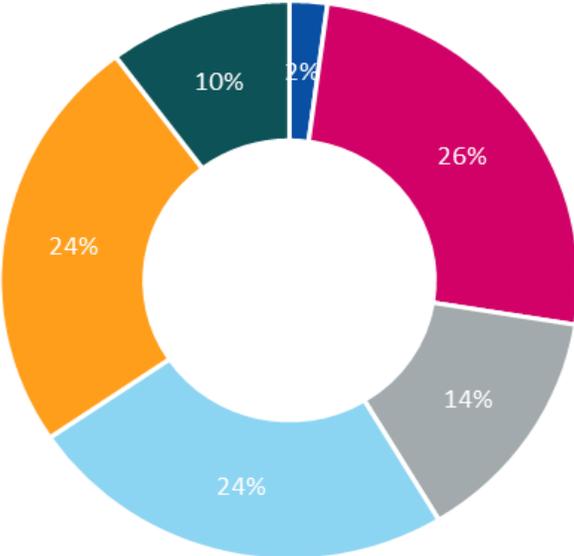
Direct Real Estate Investment Finland, € bn 2.9



■ Offices ■ Housing ■ Hotels ■ Retail ■ Other

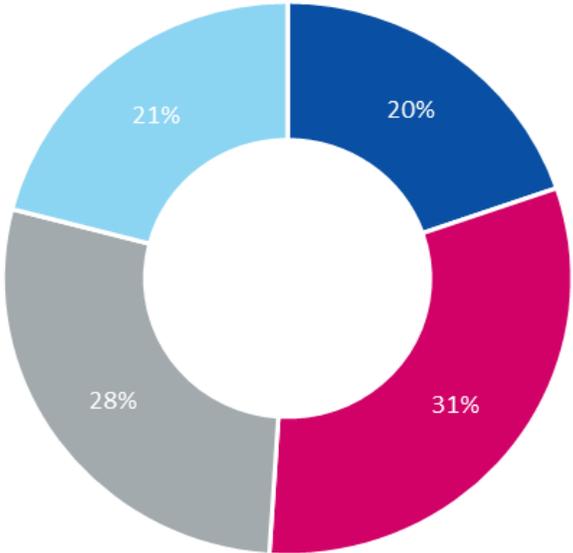
# 31% of fixed income investments in public-sector bonds

Bonds by Credit Rating



■ AAA ■ AA ■ A ■ BBB+ - BBB- ■ BB+ or worse ■ Not Rated

Fixed-income Investments by Market value



■ Loan receivables ■ Public Bonds ■ Other Bonds ■ Other

# Varma's and the markets' investment returns

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
1-9/2021	13.5	19.0	16.1	15.9	-2.9	-0.4
2020	2.8	15.7	-2.0	18.4	5.0	2.7
2019	12.0	20.4	26.8	31.5	6.7	6.3
<b>Average nominal return</b>						
5 years	7.0	13.1	8.5	16.9	1.3	1.7
10 years	6.8	15.0	10.2	16.6	4.0	3.8
Since 1999 *	5.8	9.4	4.8	7.7	4.2	4.0
<b>Average real return</b>						
5 years	5.8	11.9	7.4	15.6	0.2	0.5
10 years	5.7	13.7	9.0	15.4	2.9	2.7
Since 1999 *	4.3	7.8	3.3	6.1	2.7	2.4

\* 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

	<b>1-9/2021</b>	<b>1-9/2020</b>	<b>1-12/2020</b>
Premiums written, € million	4,249	3,733	4,931
Net investment income at fair value, € million	6,732	-1,262	1,372
Return on invested capital, %	13.5	-2.6	2.8
	<b>9/2021</b>	<b>9/2020</b>	<b>12/2020</b>
Technical provisions, € million	44,505	38,620	40,726
Solvency capital, € million	15,701	9,719	11,517
in relation to solvency limit	1.9	1.7	1.7
Pension assets, € million	57,337	47,530	50,829
% of technical provisions	137.7	125.7	129.3
TyEL payroll, € million	22,369	20,982	21,142
YEL payroll, € million	817	807	807

**VARMA**