

A family of four is walking in a parking lot. In the foreground, the rear of a light blue car is visible, including the taillight and trunk. The family consists of a woman in a pink dress and denim jacket, a young girl in a brown fur-lined jacket and pink pants, a man in a tan jacket and glasses, and a young boy in a blue puffer jacket. They are all carrying brown paper shopping bags. The background shows green trees and a clear sky.

Varma's Interim Report

1 January–30 September 2022

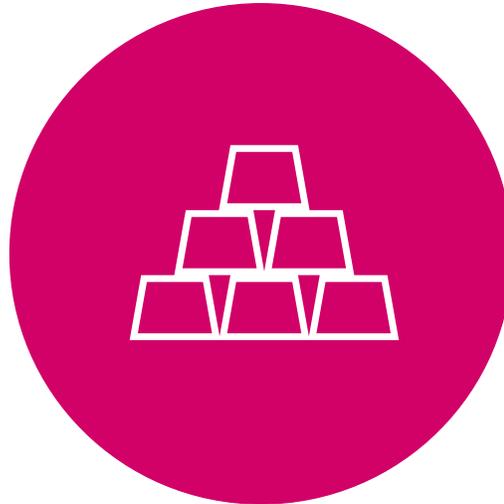
VARMA

Key figures 1–9/2022



Return on investments

-4.9%



Value of investments

€56.4 bn



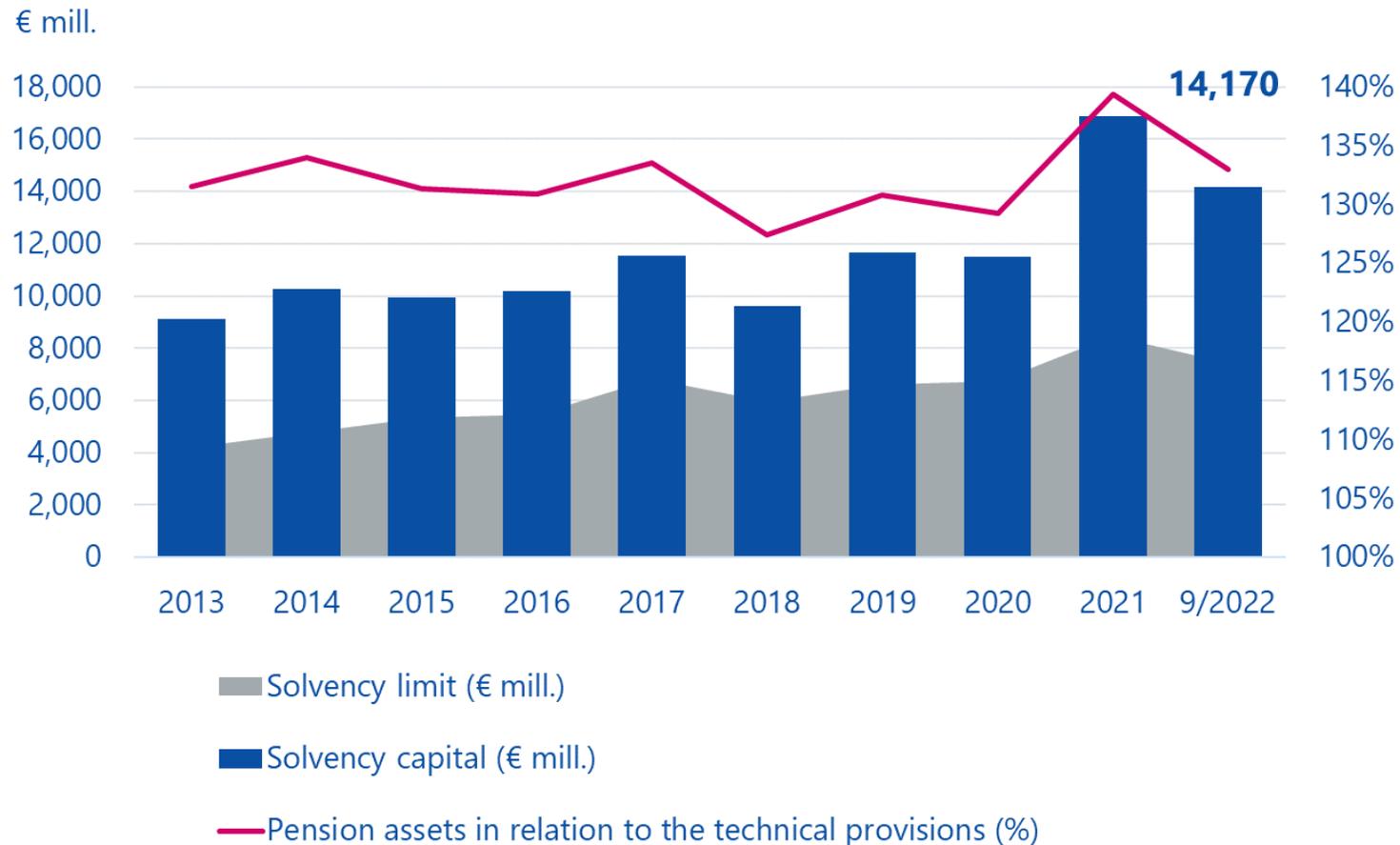
Solvency

€14.2 bn

Varma's investment period 2022



Solvency remained strong



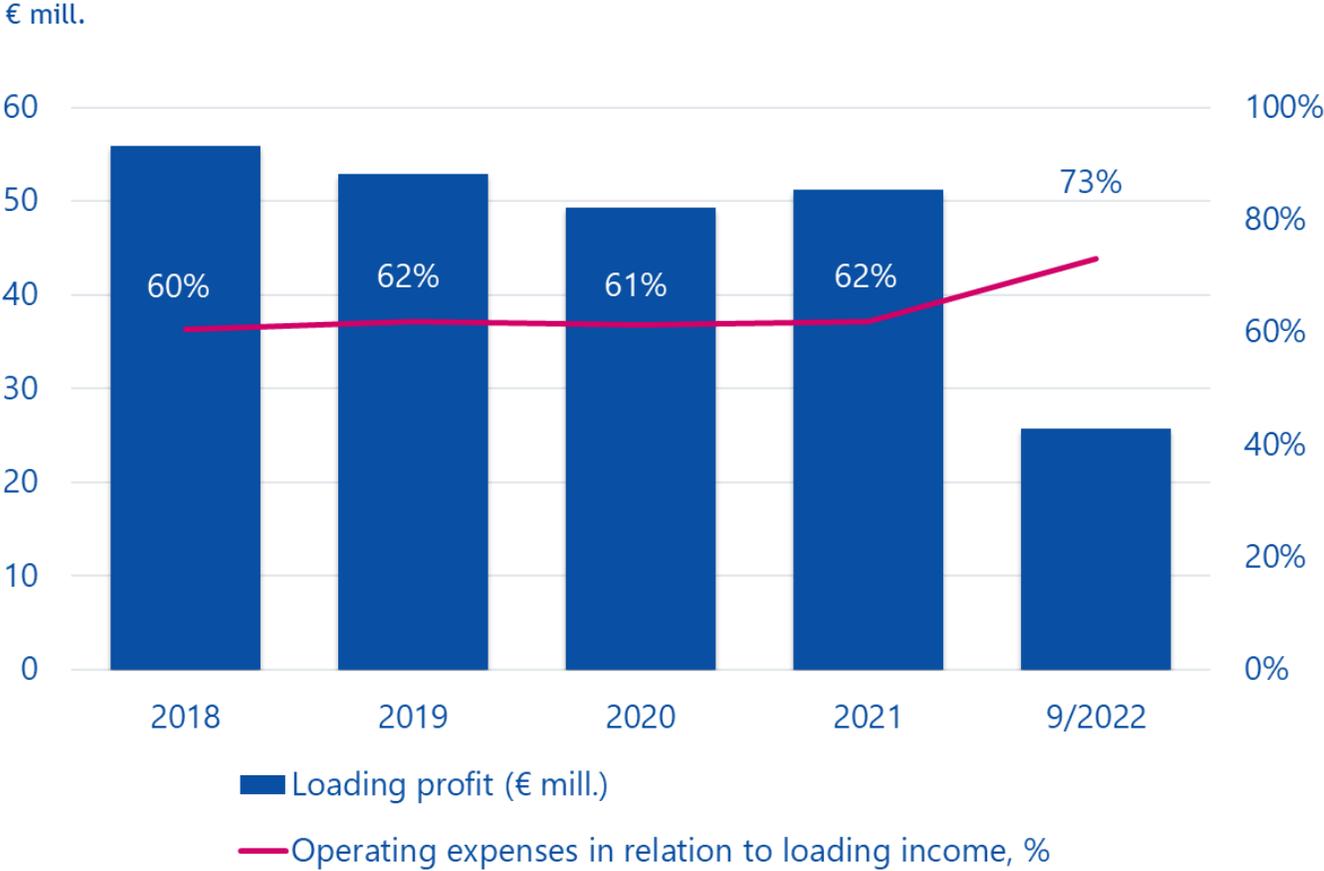
- Varma's solvency capital remained strong, **at EUR 14.2 billion**.
- Solvency capital was **1.9 times** the solvency limit.
- The solvency ratio was **133.0** per cent.
- Solvency capital, which serves as a risk buffer for investment operations, provides protection against volatility in investment market returns.

Development of investment returns and solvency

	1-9/2022	1-9/2021	12 months	1-12/2021
Investment return (MWR)	-4.9%	13.5%	-0.7%	18.5%

	9/2022	9/2021	12/2021
Solvency capital (€ mill.)	14,170	15,701	16,890
Solvency capital / solvency limit	1.9	1.9	2.0
Solvency ratio (%)	133.0	137.7	139.4
Investments at fair value (€ mill.)	56,384	56,616	59,024

Loading profit





Insurance and pensions

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Insured employees and entrepreneurs

596,800



Pensioners

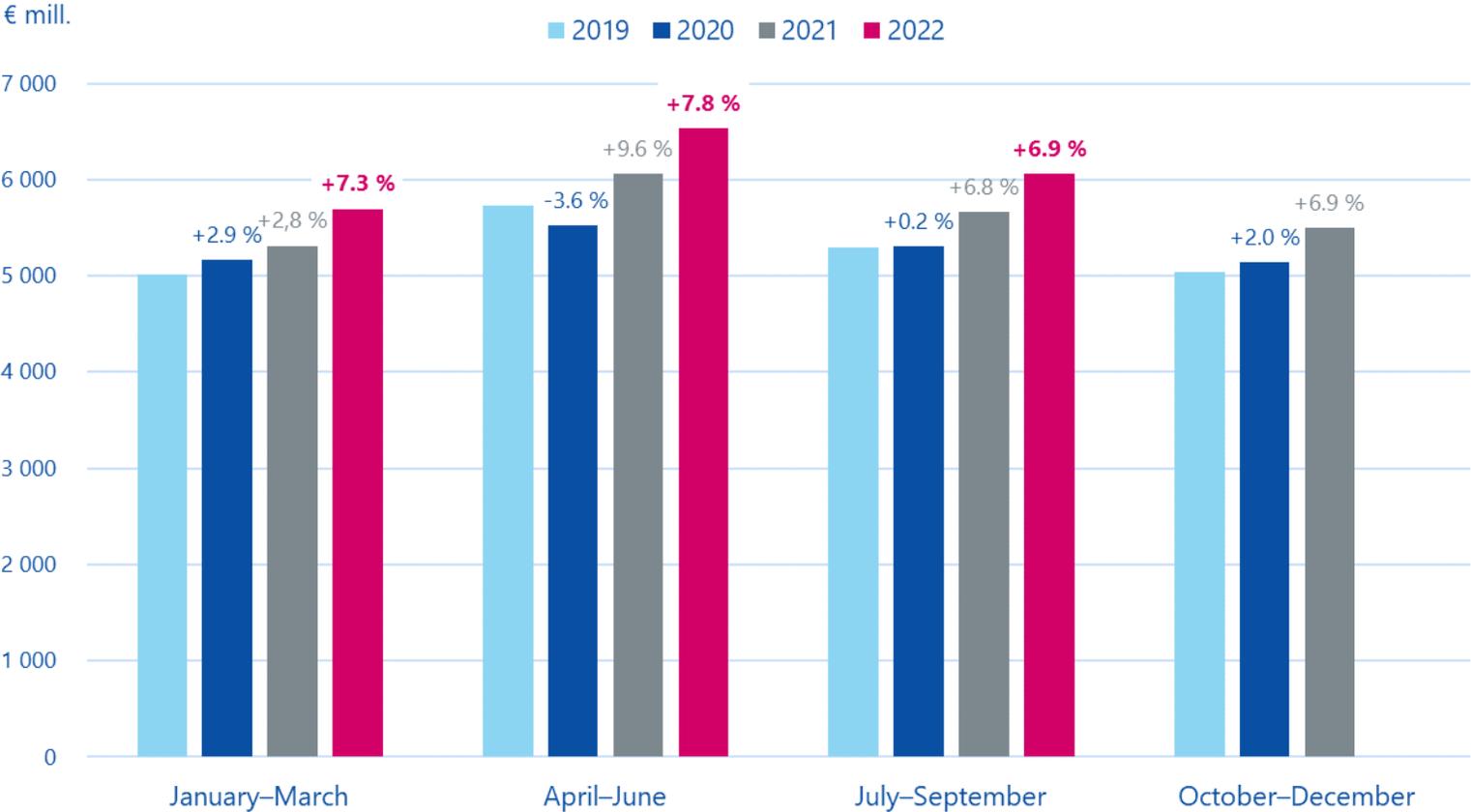
348,400



Pensions paid

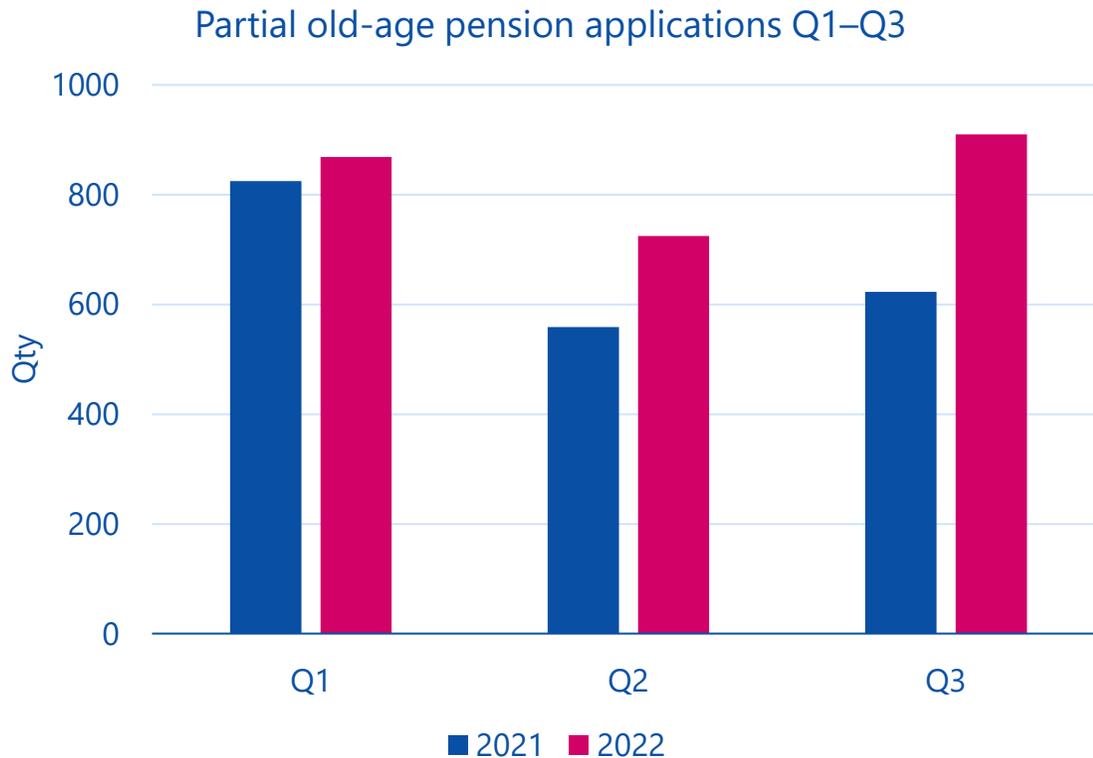
€4.8 bn

Strong TyEL payroll development continued



- The TyEL payroll of Varma’s client companies grew **6.9** per cent in July–September compared to the same period last year.
- Growth in January–September was 7.3 per cent compared to the previous year.
- Growth was especially strong in the information and communication sector. Recovery in the hospitality sector also continued well.

Applications for partial old-age pension on the rise



- In January–September, the number of applications for partial old-age pension received by Varma was up 25 per cent from the same period last year.
- This increase is partially explained by the 6.8 per cent raise in the earnings-related pension index as of the beginning of 2023 which the applicant receives if the payment of pension begins no later than at the beginning of December.
- A person who has turned 61, can draw 25 per cent or 50 per cent of their accrued pension without having to give up working.
- In October, the number of applications may be nearly tenfold compared to the same month last year.

Current information about pensions

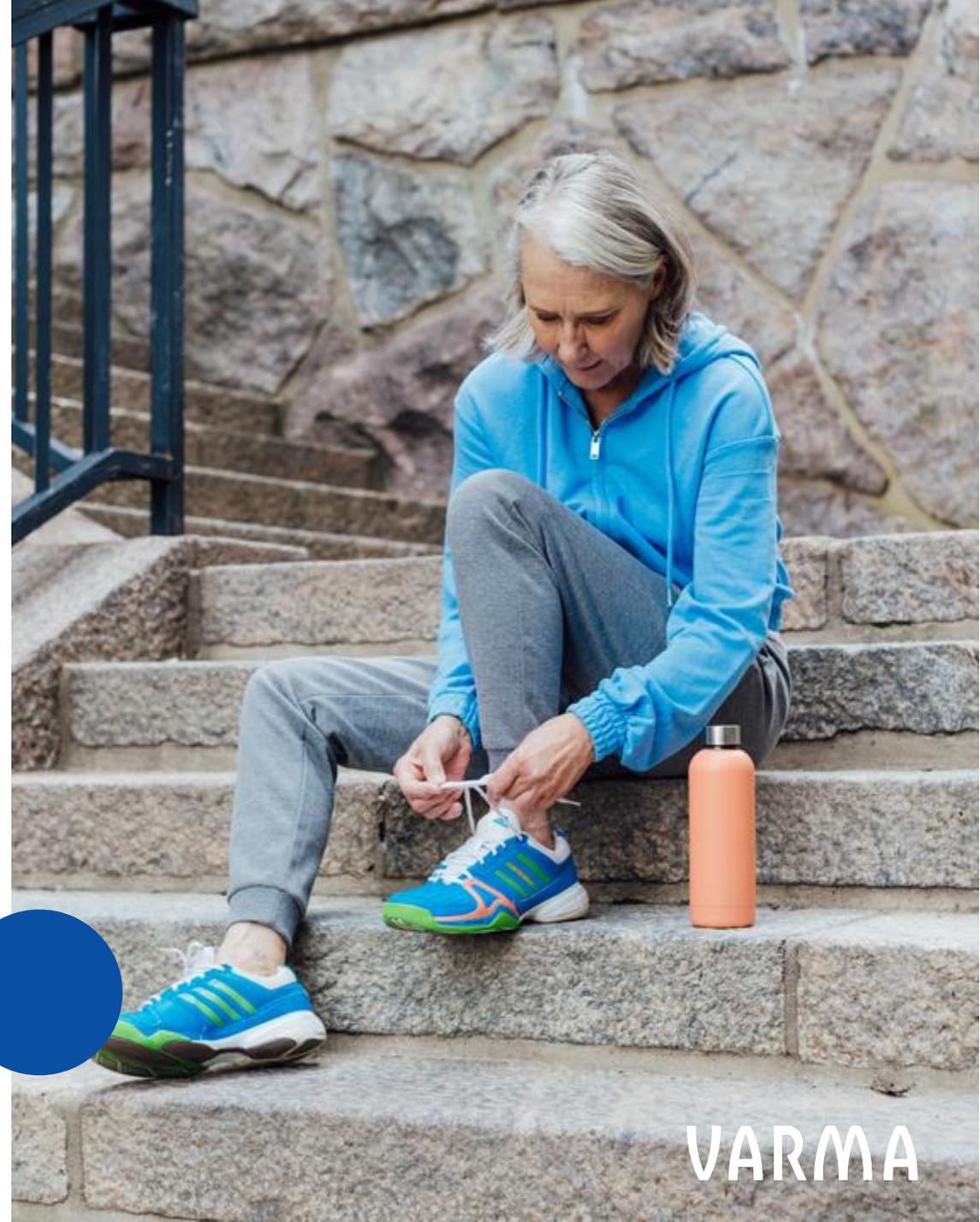
- By the end of September, 17,900 new pension decisions had been made, which is 8 per cent more than in the corresponding period last year.
- New partial old-age pension decisions increased 23 per cent, and new survivors' pension decisions increased 12 per cent.
- The average processing time for pension applications was 18 days.
- We issued old-age pension decisions in an average of four days. More than half of partial old-age pension applicants receive a pension decision from Varma in the same day.



International comparison: Finland has the most reliable and transparent pension system

- The Finnish pension system ranked fifth in the Global Pension Index comparative study. Finland's ranking improved by two places from the previous year.
- In the same study, Finland's pension system was ranked number one in terms of reliability and transparency of governance for the ninth time.

Source: Finnish Centre for Pensions

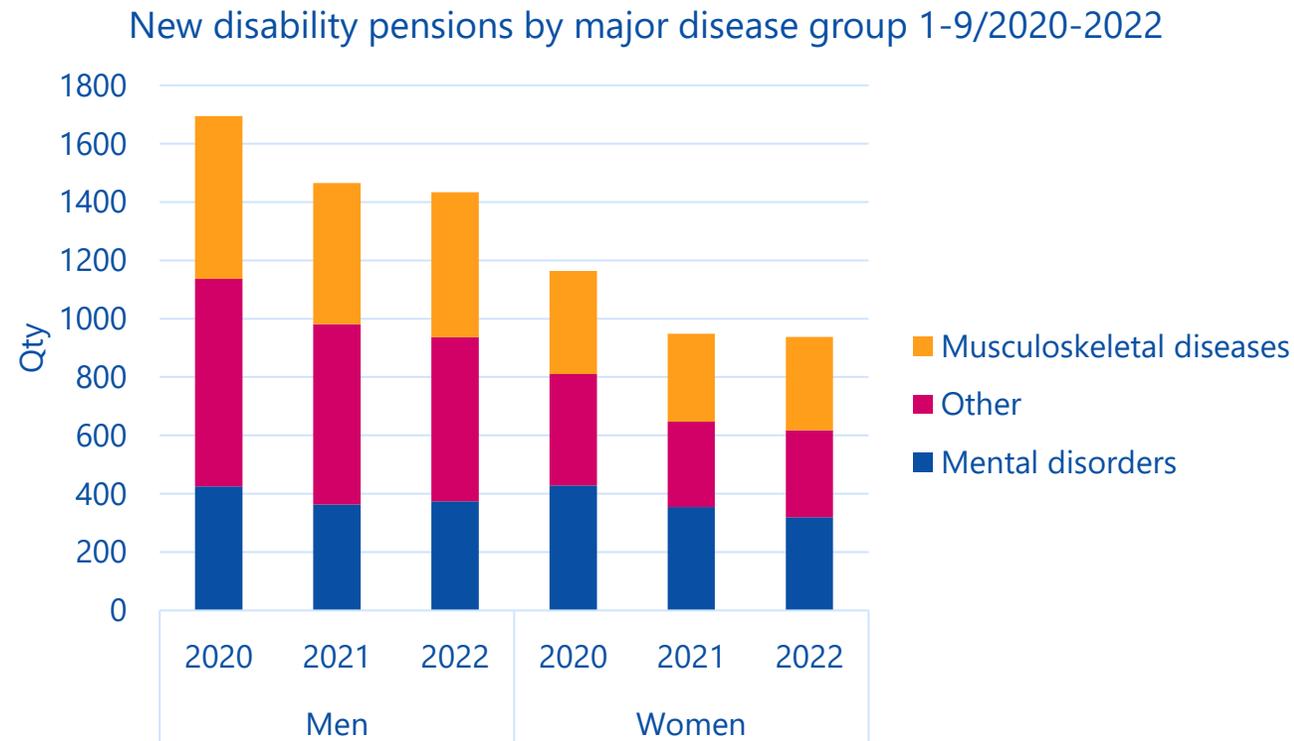


A man in a dark blue long-sleeved shirt is standing with his back to the camera, pointing at a whiteboard. He is holding a yellow sticky note. A woman in a pink sweater is standing to his left, looking at the whiteboard. The whiteboard has a graph with a curve and some text. There are other sticky notes on the whiteboard. The background is a blue wall.

Managing disability risks

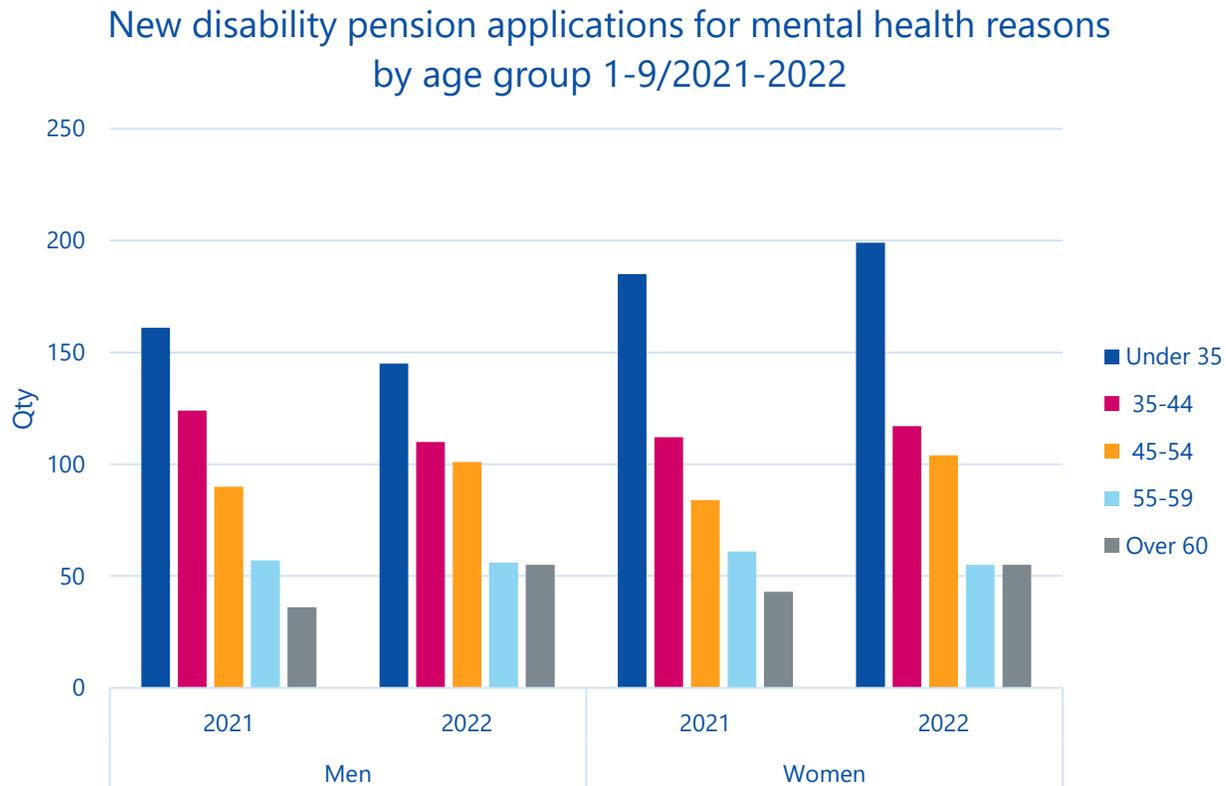
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Number of new disability pensions remained at last year's level



- In 1–9/2022, the total number of new disability pensions was at same level as in the corresponding period in 2021. Men still accounted for a significantly larger share of granted disability pensions than women.
- Among women, the number of disability pensions granted for mental health reasons equalled the number of pensions granted for musculoskeletal diseases.
- Among men, disability pensions granted for musculoskeletal diseases clearly outnumbered those granted for mental health disorders.

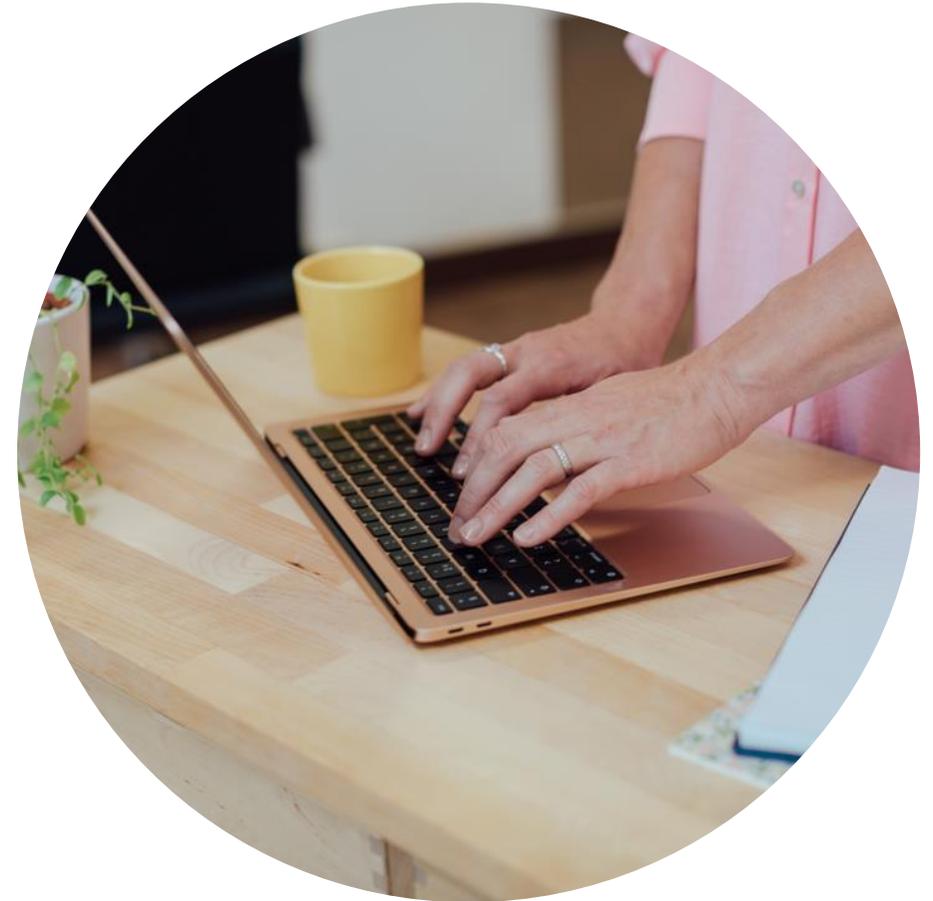
Disability pension applications for mental health reasons on the rise among young women



- Surveys show that young adults feel that their work ability has declined and assess it to be weaker than others (e.g. 'Miten Suomi voi' (How is Finland doing) research project, Finnish Institute of Occupational Health, 2022).
- Varma's statistics show that the number of those who have applied for disability pension on the basis of mental health disorders has remained almost unchanged among those under 35. Gender differences have become more pronounced: applications among men have declined (-9.9%) but have increased among women (7.6%).
- In the under-35 age group, women accounted for 58 per cent of those who had received a disability pension decision (granted/rejected) on the basis of mental health reasons.
- The 'Getting young people employed' programme by Varma and the Deaconess Institute's Vamos youth service promotes efforts to find employment for young people at risk of exclusion.
- Varma is also involved in network co-operation co-ordinated by Mieli Mental Health Finland. The aim is to prepare a well-being programme for young people to support the work of decision-makers.

Rehabilitation applications in decline

- Rehabilitation applications have declined during the current year. By the end of September, 11 per cent fewer applications were made than in the corresponding period in 2021.
- In the third quarter, the decline in rehabilitation applications ceased, however, and there was an upward turn. More applications than the previous year were received from those over 45 and especially between 55 and 60.
- Employers are 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.
- Uncertainty surrounding the future has raised people's threshold for changing their profession through vocational rehabilitation.



A woman with long reddish-brown hair, wearing a grey wool coat over a white lace-knit top and an orange ribbed beanie, is shown in profile. She is holding a silver metal can in her right hand, looking at it intently. The background is a blurred industrial setting with metal structures, suggesting a recycling plant. The overall tone is professional and focused on sustainability.

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 in Varma's business



Varma joins investor statement to governments

Varma signed the 2022 Global Investor Statement to Government on the Climate Crisis, aimed at governments and political leaders. In the global joint statement, investors call for governments to set more ambitious climate targets by 2030.



Varma joins Science Based Targets initiative

Varma signed the Science Based Targets initiative (SBTi), which drives climate action through science-based emissions reduction targets. Companies that are part of the global joint initiative set their own short- and long-term targets concerning emissions reduction. The SBTi focuses on limiting global temperature rise to 1.5 degrees Celsius and reaching net-zero emissions by 2050.



First place in a comparative study on responsible investment

Varma was tied for first place in the Global Pension Transparency Benchmark's (GPTB) category Responsible investment. The international benchmark included 75 pension funds from 15 countries. The GPTB looked into the transparency of pension funds using four factors: cost, governance, performance and responsible investment.



Current economic issues

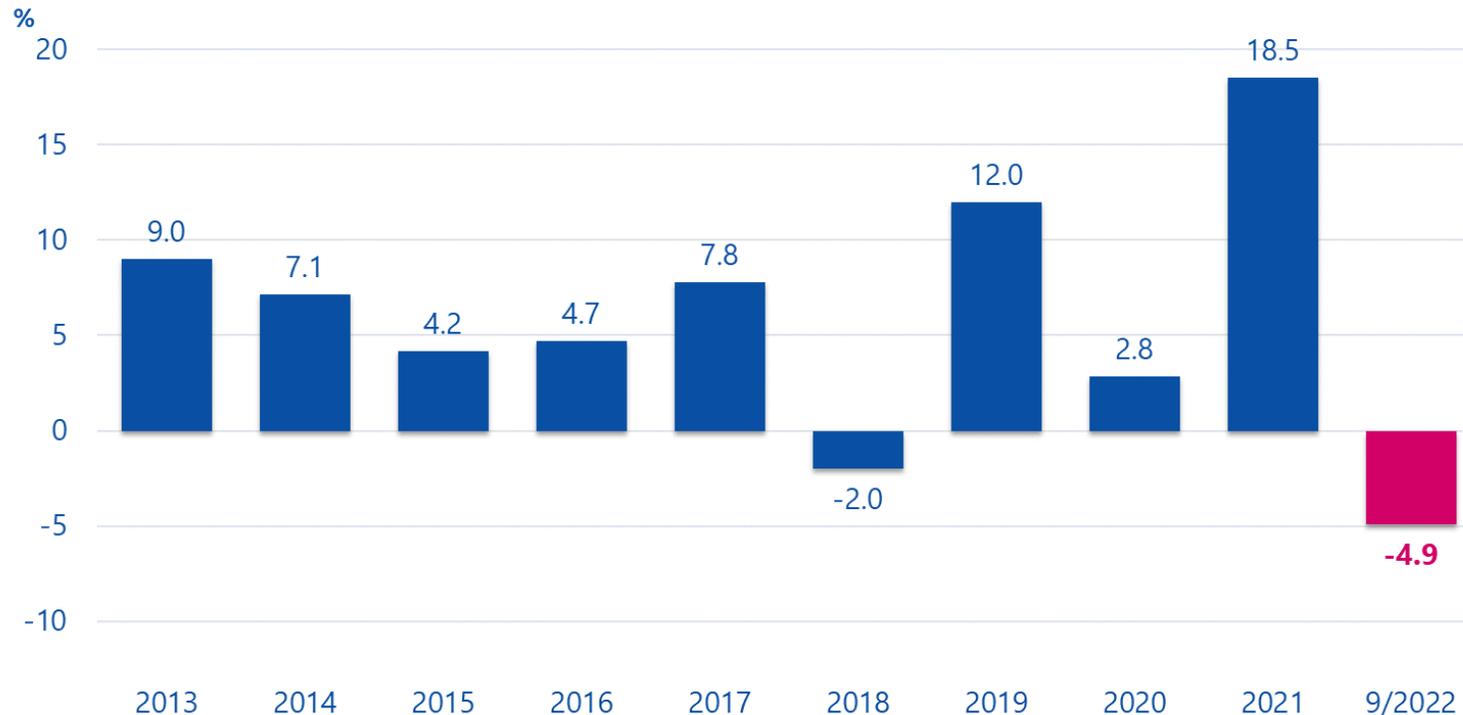
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Economic outlook

- In the wake of rising inflation and central banks' interest rate hikes, market movements have been steep
- In Europe, bleak signs for the economy are caused by the energy crisis and the ongoing war in Ukraine
- In the USA, economic issues are linked to a classic overheating in the labour markets and excessive stimulus measures
- We will not see economic stability until accelerated inflation comes to a halt and the central banks can contain interest rate hikes
- In Europe, the war and severing the links to Russia will continue to have an effect next year



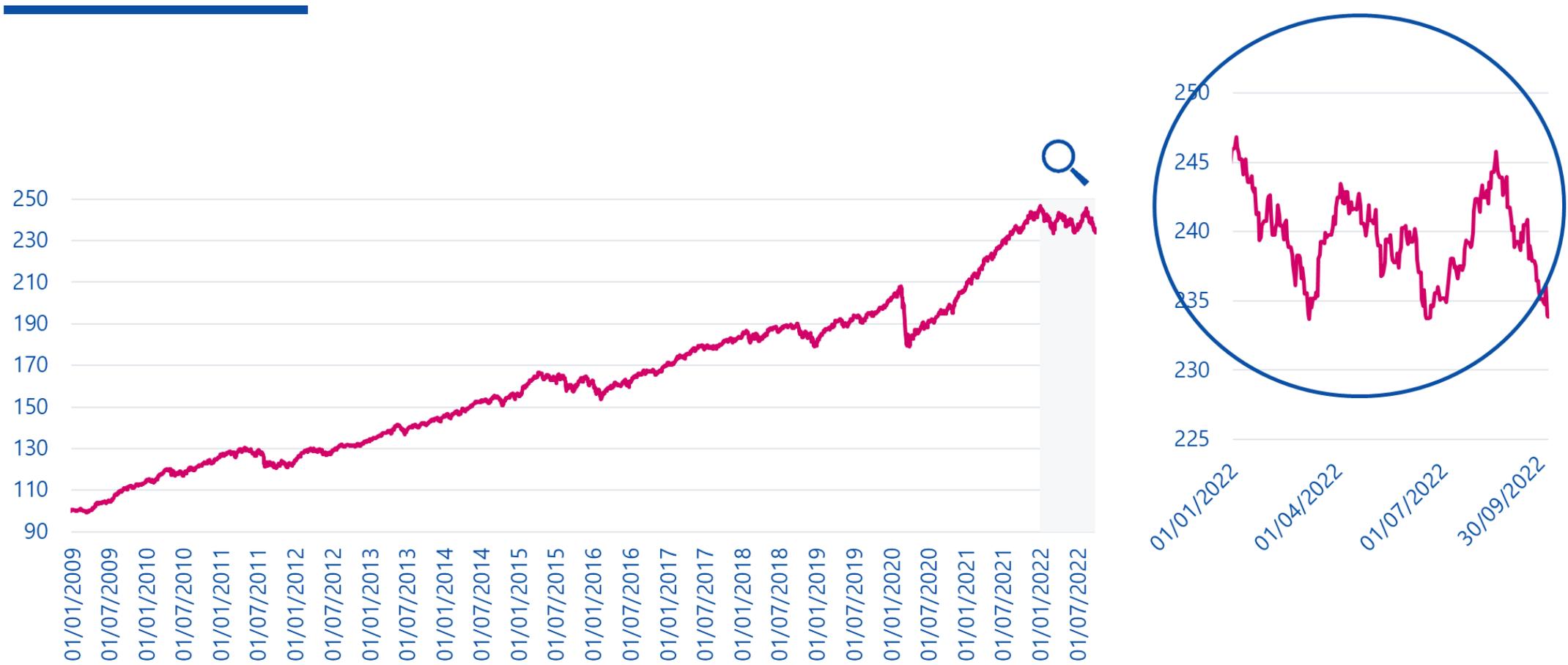
Return on investments



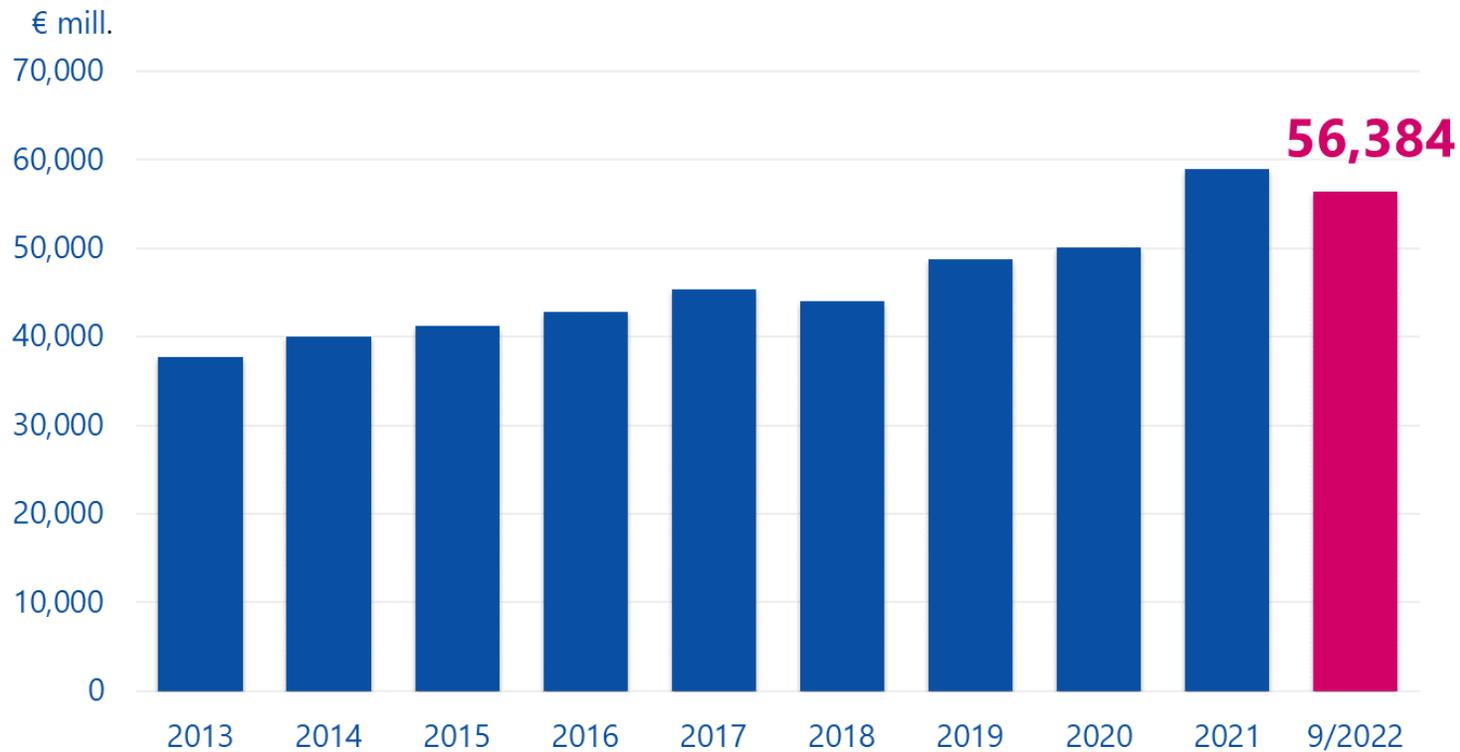
The average nominal return on investments over ten years is approx. 5.9%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **-4.9** per cent in January–September 2022.
- The investment portfolio amounted to EUR **56.4** billion at the end of September.

Return development since 2009: cumulative return 133.9%, i.e. €33.5 bn



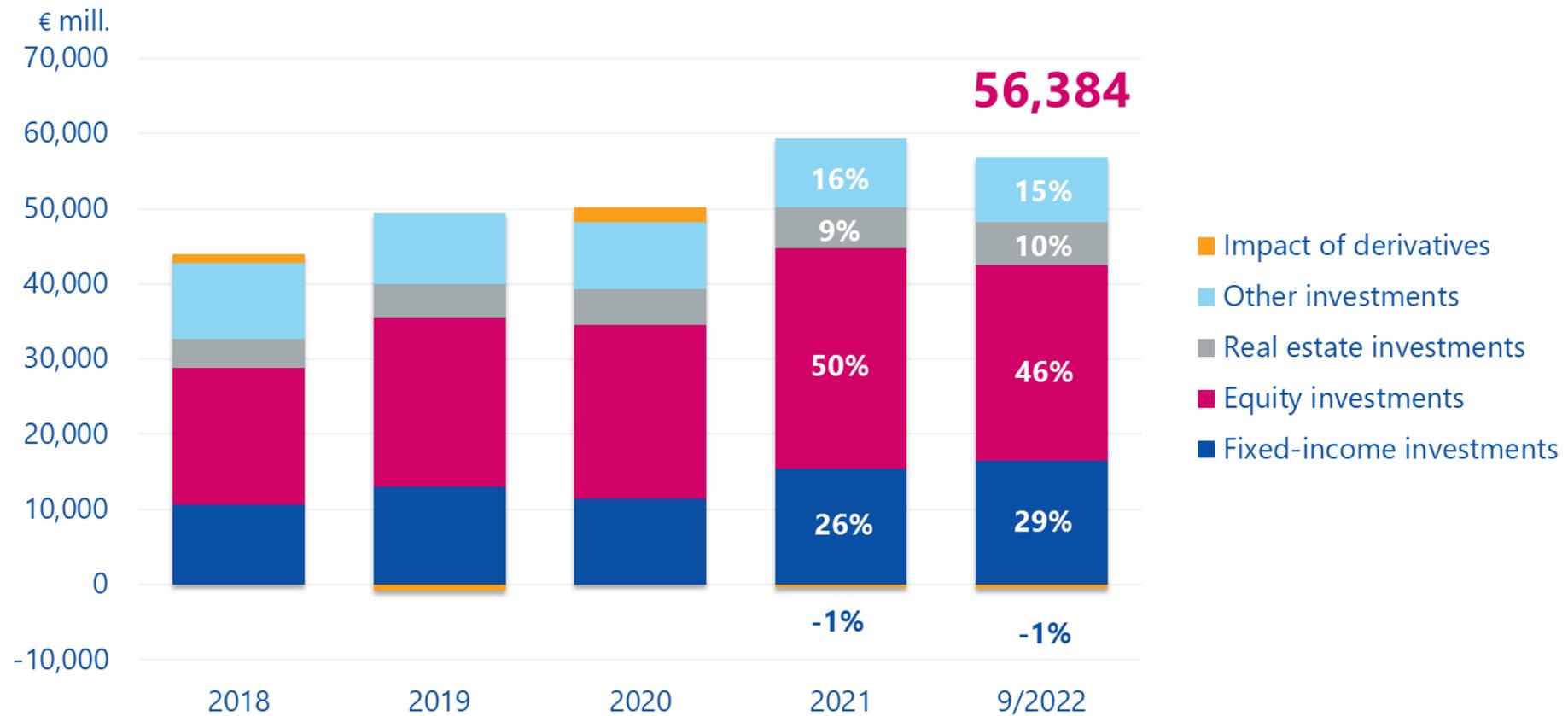
Market value of investments EUR 56.4 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	30 Sep 2022				31 Dec 2021		01-09/2022	01-12/2021	24 m
	Market value				Market value		Return	Return	Vola- tility
	Market Value		Risk position		Risk position		MWR	MWR	
	€ mill.	%	€ mill.	%	€ mill.	%	%	%	
Fixed-income investments ¹	16,270	29	16,513	29	15,402	26	-6.4	1.9	
Loan receivables	2,715	5	2,715	5	2,711	5	2.1	5.4	
Bonds	7,702	14	7,963	14	10,281	17	-11.6	1.4	4.5
Public bonds	3,569	6	3,433	6	6,189	10	-15.2	-1.2	
Other bonds	4,133	7	4,530	8	4,092	7	-8.0	4.2	
Other money-market instruments and deposits	5,853	10	5,834	10	2,409	4	-0.2	-0.9	
Equity investments	25,704	46	25,984	46	29,352	50	-9.1	32.2	
Listed equities	15,207	27	15,487	27	20,217	34	-19.3	26.4	15.5
Private equity	9,912	18	9,912	18	8,663	15	13.5	49.6	
Unlisted equities	585	1	585	1	471	1	18.2	26.3	
Real estate investments	5,730	10	5,730	10	5,442	9	5.5	5.9	
Direct real estates	3,136	6	3,136	6	3,086	5	3.8	4.1	
Real estate funds	2,594	5	2,594	5	2,356	4	7.8	8.5	
Other investments	8,680	15	8,681	15	9,187	16	5.8	15.3	
Hedge funds	8,679	15	8,679	15	9,184	16	5.6	15.3	3.0
Commodities	0	0	-6	0	0	0			
Other investments	1	0	1	0	3	0			
Total investments	56,384	100	56,908	101	59,382	101	-4.9	18.5	6.2
Impact of derivatives			-524	-1	-358	-1			
Investment allocation at fair value	56,384	100	56,384	100	59,024	100			

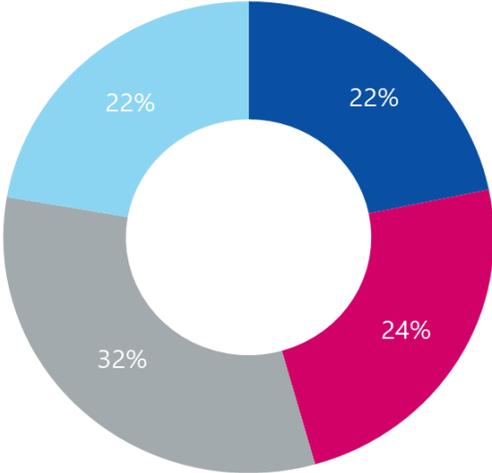
The modified duration for all the bonds is 3.51.

The open currency position is 23.5% of the market value of the investments.

¹ Includes accrued interest

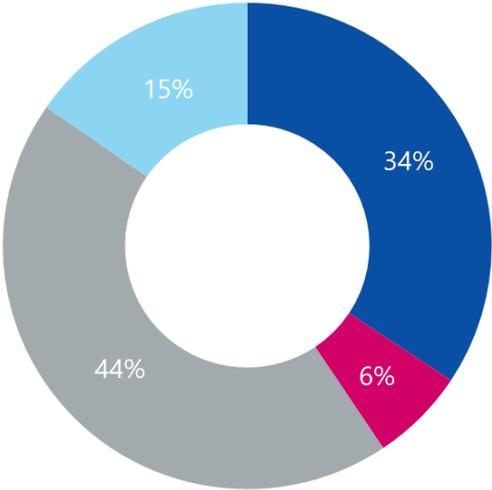
Geographical distribution of investments

Investments



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

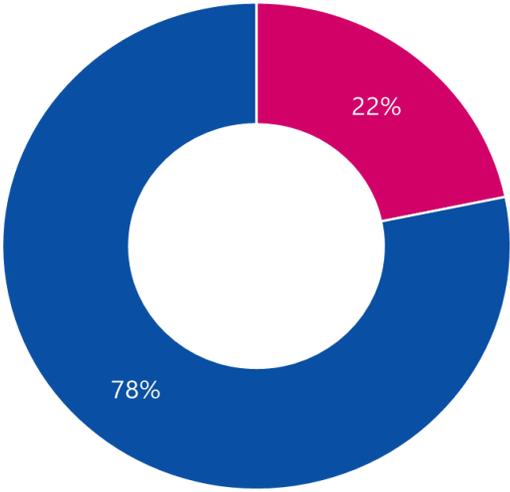
Listed equities



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

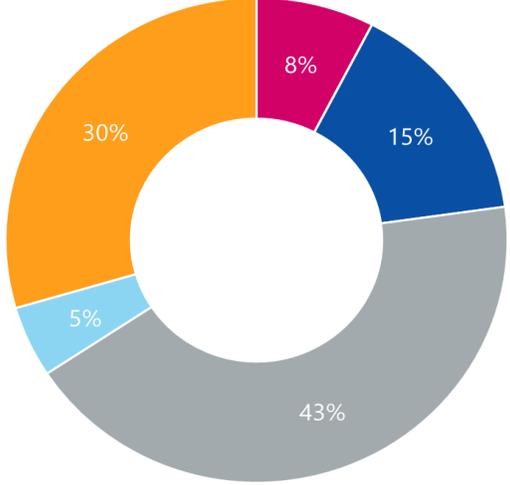
We invested EUR 12.4 billion in Finland

Investments in Finland



■ Finland ■ Others

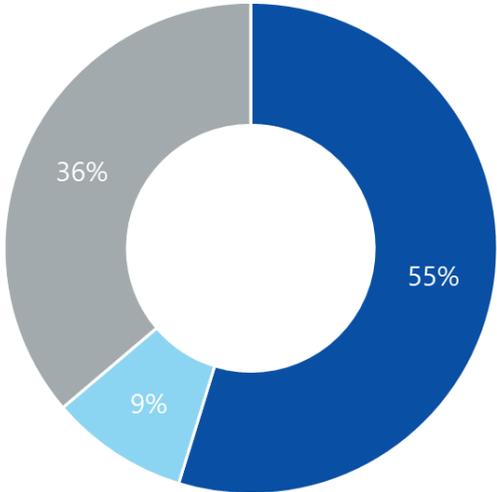
Distribution of Finnish investments



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

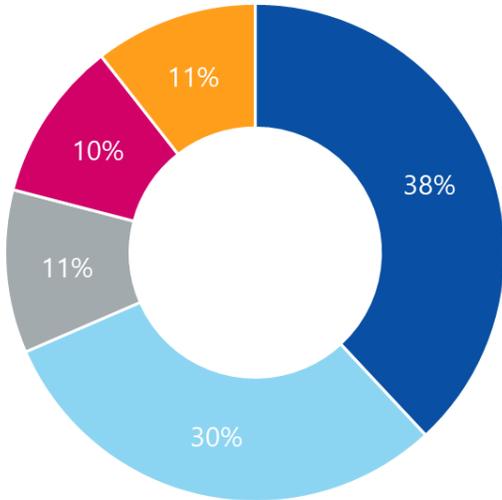
64% of real estate investments, i.e. EUR 3.7 billion, in Finland

Real Estate Investments, € bn 5.7



■ Direct Finland ■ Indirect Finland
■ Indirect Other

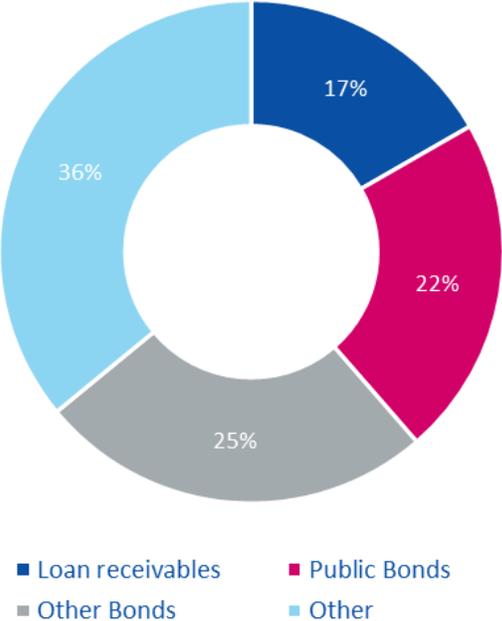
Direct Real Estate Investment Finland, € bn 3.1



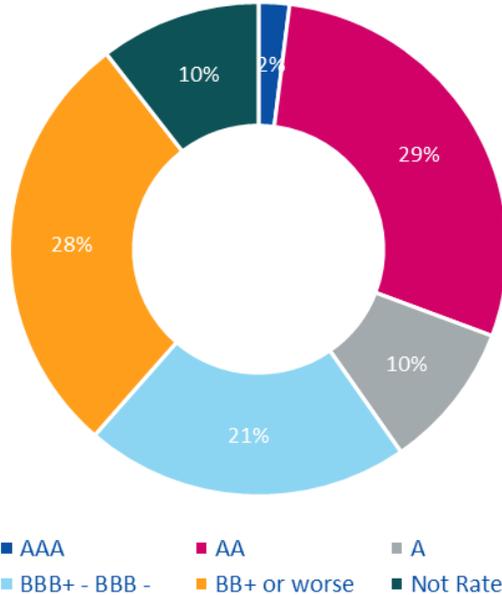
■ Offices ■ Housing ■ Hotels
■ Retail ■ Other

Over a third of fixed income investments in other money market instruments

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
1-9/2022	-4.9	-21.0	-18.6	-23.9	-16.7	-15.2
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	5.2	5.5	2.5	9.2	-1.8	-1.9
10 years	5.9	11.7	6.5	11.7	1.3	0.9
Since 1999 *	5.6	8.2	4.1	6.6	3.2	3.1
Average real return						
5 years	2.6	2.9	0.0	6.5	-4.2	-4.3
10 years	4.3	9.9	4.9	10.0	-0.3	-0.6
Since 1999 *	3.7	6.3	2.2	4.7	1.4	1.3

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

Finnish equities = OMX Helsinki Cap Index

Euro government bonds = IBOXX Eurozone EUR (Total Return)

European equities = Stoxx 600 Total Return Index EUR

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

US equities = S&P500 Total Return Index

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