



**Varma's Interim Report**  
**1 January–30 September 2024**

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VARMA

# Key figures 1–9/2024

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Return on  
investments

**7.7%**



Value of  
investments

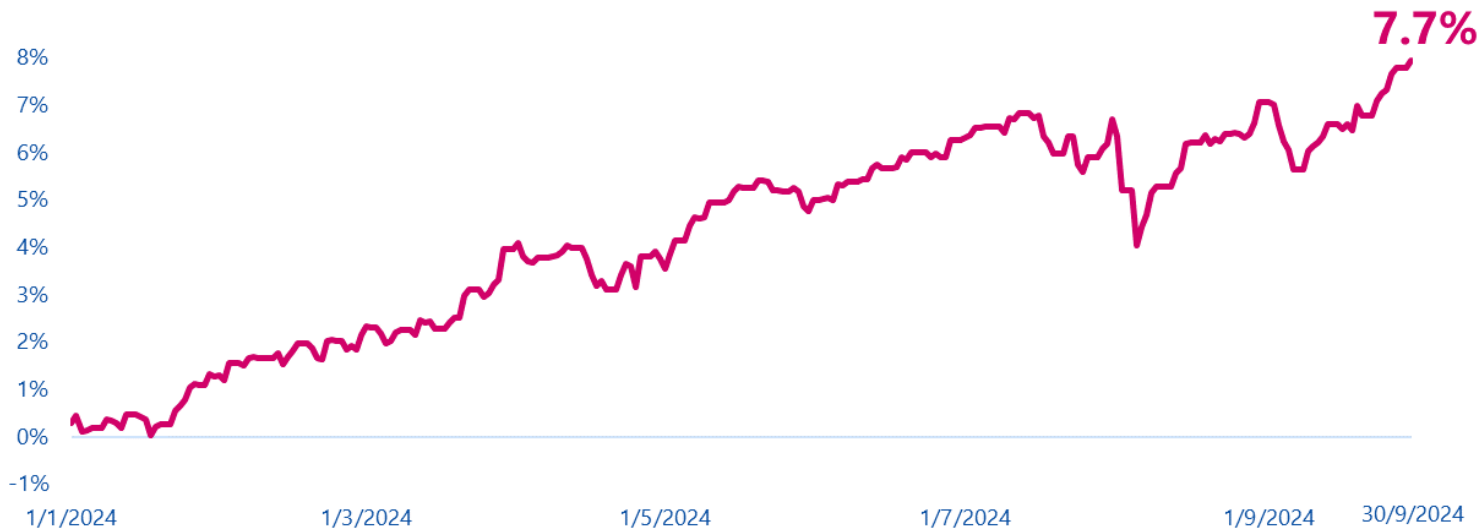
**€63.2 bn**



Solvency

**€16.1 bn**

# 7.7 per cent return on Varma's investments

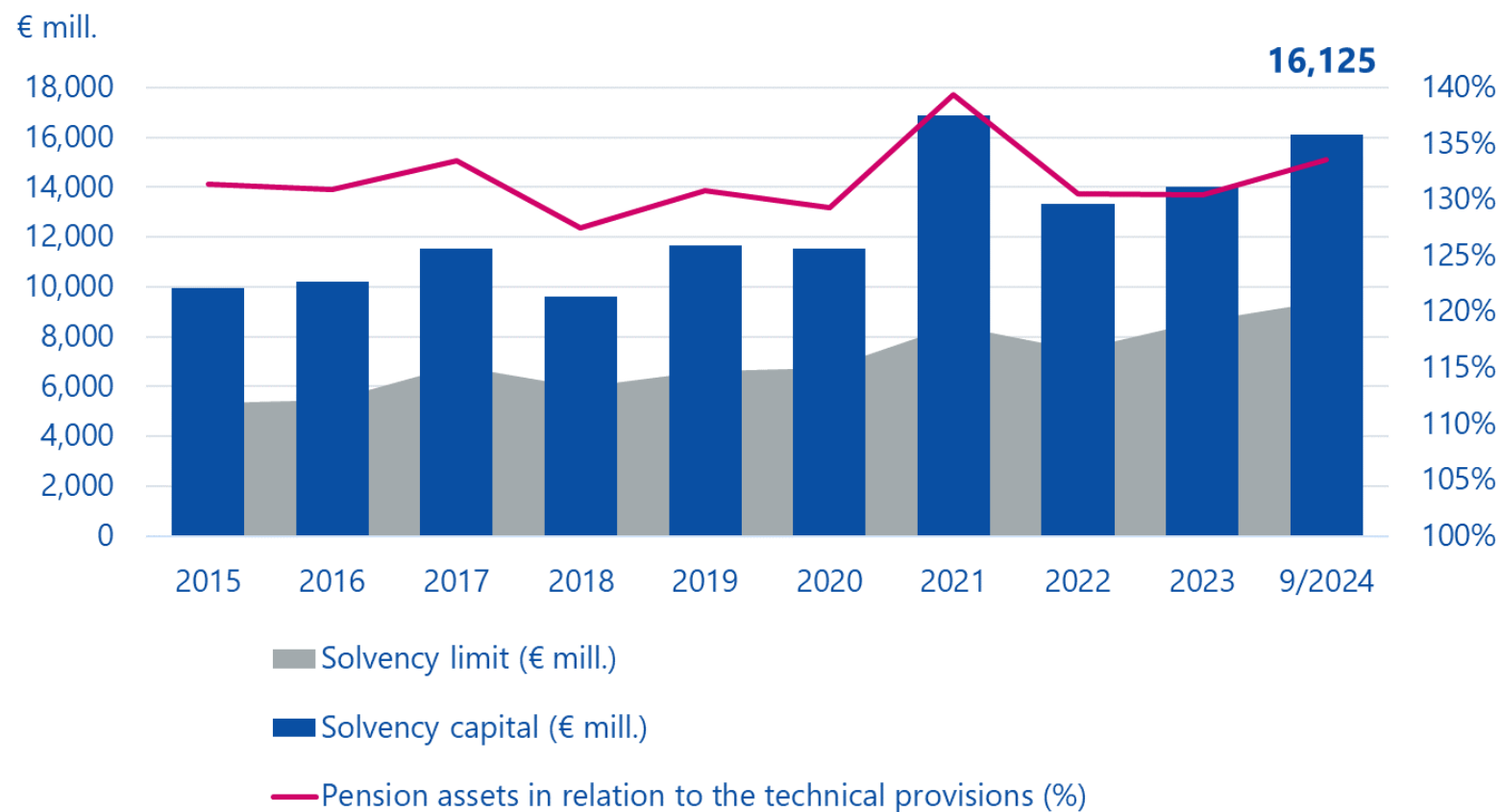


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2024 has been a good year for pension investors – the sentiment has been very different than it generally is in the Finnish economy. The fall in interest rates that started in summer will ease the situation for households, but unfortunately similar relief for industry is not yet in sight.

**Risto Murto**, President and CEO

# Varma is the most solvent earnings-related pension company



- Varma’s solvency capital remained strong, **at EUR 16.1 billion.**
- Solvency capital was **1.7 times** the solvency limit.
- The solvency ratio was **133.6** 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

	1-9/2024	1-9/2023	12 months	1-12/2023
Investment return (MWR)	7.7%	2.8%	11.1%	6.0%

	9/2024	9/2023	12/2023
Solvency capital (€ mill.)	16,125	13,316	14,010
Solvency capital / solvency limit	1.7	1.7	1.6
Solvency ratio (%)	133.6	129.6	130.4
Investments at fair value (€ mill.)	63,156	57,455	59,078

A photograph of two men in work attire next to a white van. The man on the left is standing, wearing a blue jacket over an orange shirt and brown pants, looking at his phone. The man on the right is sitting on the van's step, wearing a grey hoodie, blue pants, and a yellow cap, looking towards the camera. The van's rear door is open, showing some equipment inside. The background shows a paved area and some greenery.

# Insurance and pensions

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# Varma takes care of the pension cover of 981,000 people

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Insured  
employees and  
entrepreneurs

**630,200**



Pensioners

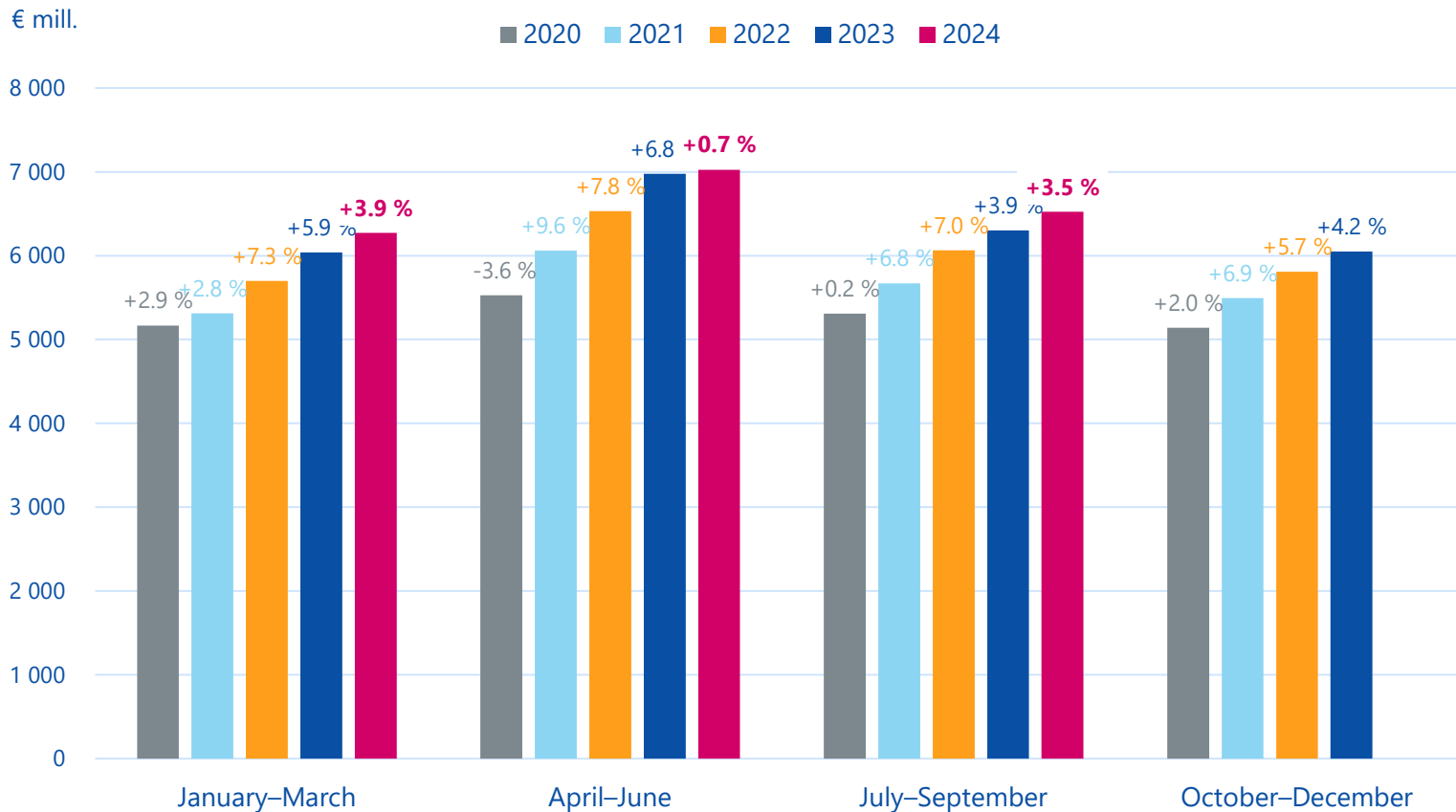
**350,600**



Pensions paid

**€5.6 bn**

# Solid growth in total TyEL payroll of Varma's client base



The TyEL payroll of Varma's client base grew **3.5 per cent** in July–September compared to the same period last year.

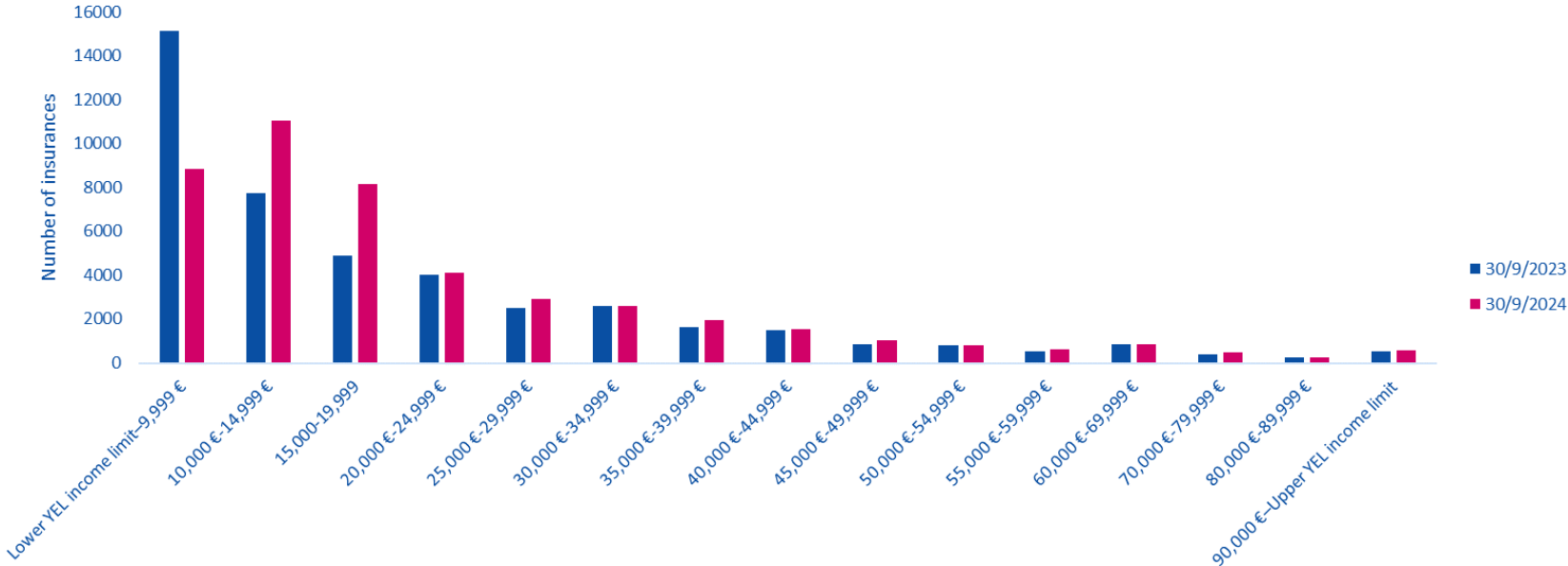
Growth in January–September was **2.6 per cent** compared to a year ago.

The percentage indicates the change from the same period last year.



# YEL income on the rise

YEL income has risen in the lowest income groups.



- Earnings-related pension insurance companies must review the YEL income of entrepreneurs every three years.
- This year, Varma is reviewing the income of entrepreneurs whose YEL income is between EUR 15,000 and EUR 24,999 and whose income was last confirmed over three years ago. The income of 7,000 entrepreneurs is scheduled for a review. The YEL income of 19 per cent of those entrepreneurs was already at the correct level.
- So far, the average increase in YEL income following the reviews was EUR 3,879.
- The right level of YEL income strengthens both an entrepreneur’s pension accrual and their other social security.

# International pension comparison: Integrity of Finland's pension system still number one

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- Finland's pension system ranked seventh in the Mercer CFA Institute Global Pension Index, falling one spot from last year.
- In terms of pension system integrity, however, Finland still ranked number one in the comparison.
- Finland's points for pension adequacy were quite good also this year, at 77 out of 100. Finland's sustainability score clearly fell compared to last year.
- The Mercer comparison suggests that the pension security operating environment is more challenging in Finland than in the other top countries. The countries ahead of Finland are all at the top of the comparison in terms of financial sustainability.

(Finnish Centre for Pensions)



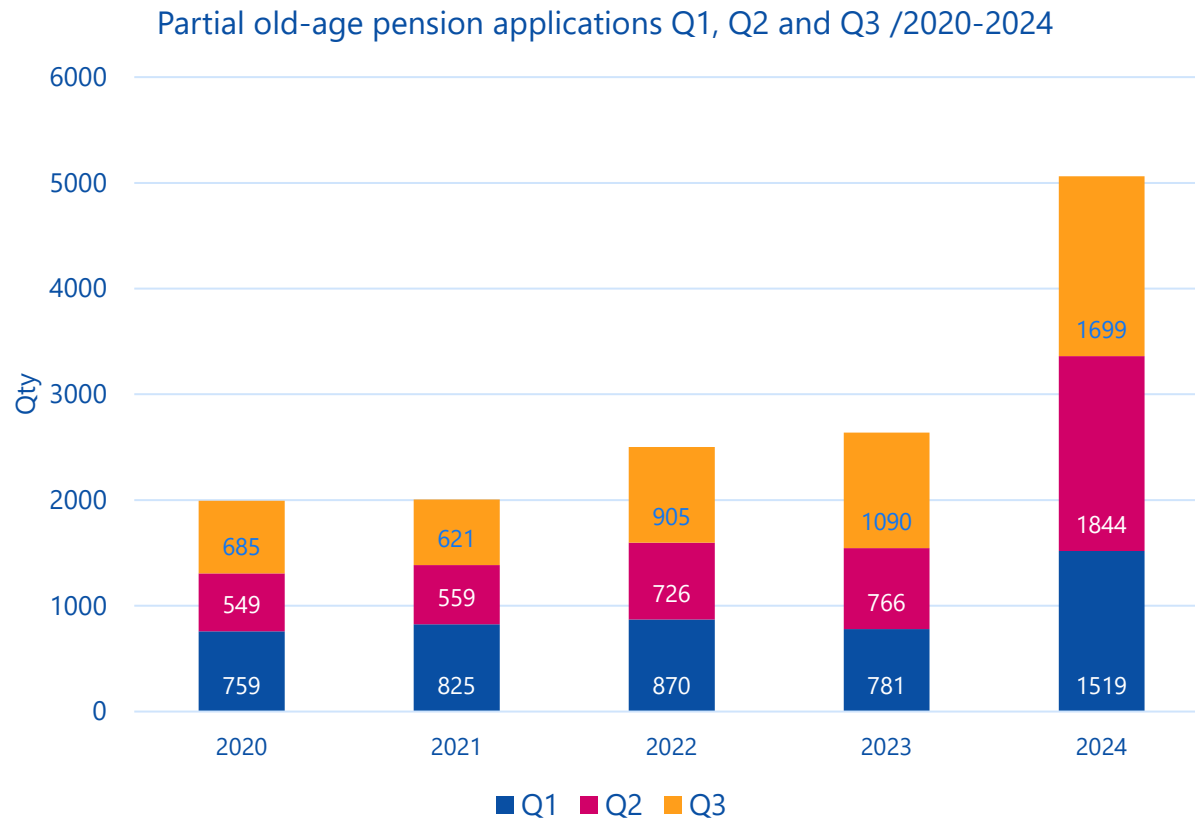
# Current information about pensions

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- The number of new pension decisions in January–September was 18,700. This is eight per cent more than the same period last year.
- The total number of Varma’s pension decisions was 38,100 (+1.8 per cent).
- As of the beginning of 2025, the earnings-related pension index will increase pensions by 1.3 per cent. The increase in the wage coefficient is expected to be 2.1 per cent. The indices will be confirmed at the end of October. The proposed increase is more moderate than the two previous years.
- The increase in line with the annually adjusted earnings-related pension index protects the purchasing power of the pensions being paid.



# Applications for partial old-age pension still coming in strongly, but compared to last year, growth started to slow in Q3



- Nearly double the number of applications have come in compared to last year, and the total number of applications received in 2023 was reached already in mid-September this year.
- The number of new pensions granted was 4,594. Men accounted for just under two thirds of the applicants.
- The amount of the pension is 25 or 50 per cent of the person's accrued pension. The larger pension is more popular, accounting for 77 per cent of newly granted partial old-age pensions.
- The average starting age of retirement was 61 years, 10 months. The lower age limit for those born before 1964 is 61.
- The lower age limit for those born in 1964 is 62 years. For this age group and younger, the age limit is 3 years lower than the lowest retirement age.

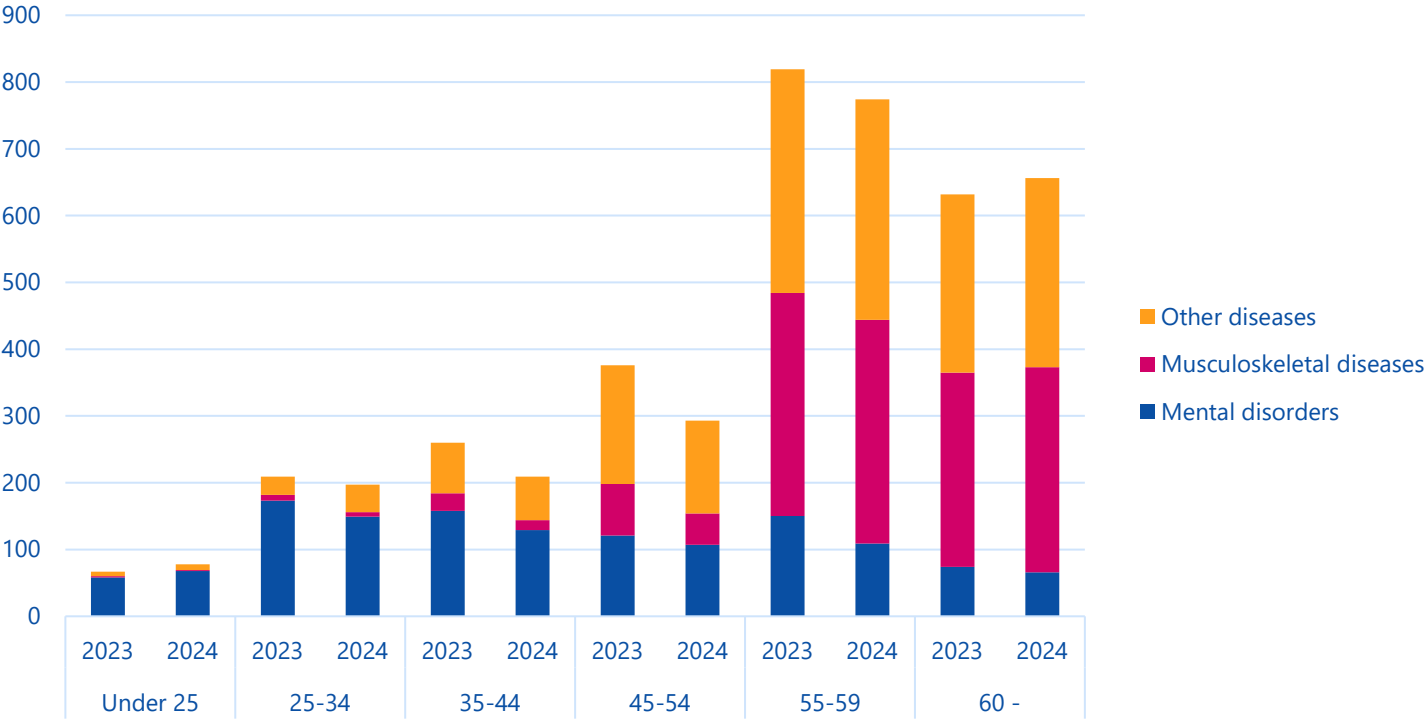
# Managing disability risks

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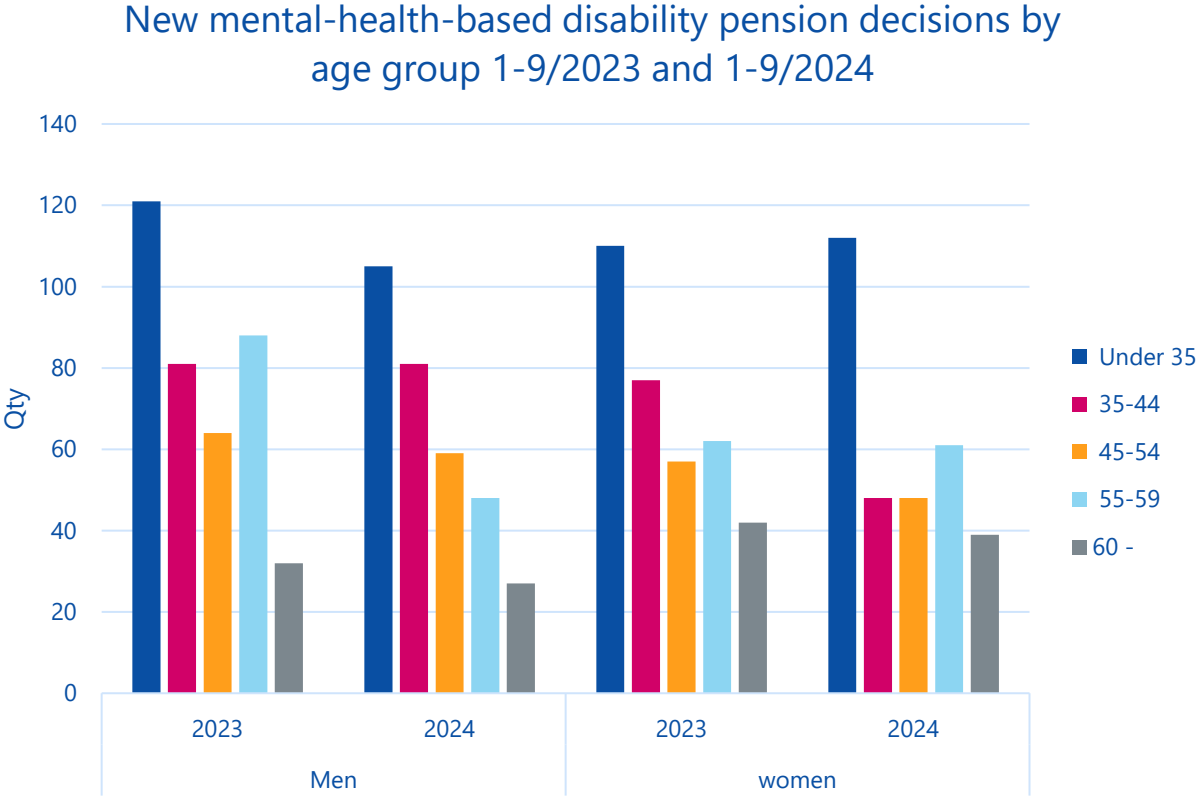
# Fewer new disability pensions granted, with the exception of those under 25 and over 60 years of age

New disability pensions by age group 1-9/2023 and 1-9/2024



- New disability pensions have decreased in all age cohorts, except for those under the age of 25 and those over 60.
- In the under-45 age group, mental health disorders were clearly the main cause of disability.
- For those 55 and over, musculoskeletal and other diseases, such as cardiovascular disease, were the primary reason for the loss of work ability.
- Obesity and related diseases as well as poor physical condition affect the work ability of older age cohorts in particular.

# Under-35-year-olds accounted for the highest number of new disability pensions granted for mental health reasons.



- The number of new disability pensions granted for mental health disorders fell in several age cohorts.
- The biggest numerical decrease in disability pensions granted on the basis of mental health disorders was seen among men aged 55–59 and women between the ages of 35 and 44.
- Most new disability pensions for mental health reasons were again granted to those aged under 35.
- Factors behind disability based on mental health issues included, e.g. increased anxiety disorders, lack of community support, unhealthy lifestyles, but also treatment delays and ineffectiveness.

# Rehabilitation applications in decline

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- The number of applications for vocational rehabilitation decreased 11 per cent compared to the same period last year.
- The number of applications increased for women under the age of 35. Applications from older age groups decreased. Among men, applications declined in all age groups, with the exception of those over 60.
- The most common reason for a rejected application was that the applicant was not found to be at risk of disability according to the criteria for vocational rehabilitation.
- Of all the positive rehabilitation decisions, 42 per cent were issued in connection with the processing of a disability pension application.
- The highest number of positive vocational rehabilitation decisions in the two previous years were issued to those aged between 45 and 54. This year, rehabilitation was granted almost equally to those aged 45–54 and 55–60.
- The most common reason for receiving vocational rehabilitation was musculoskeletal diseases (43 per cent). The share rose slightly (+3 per cent) compared to last year. The share of mental health disorders as a reason for rehabilitation declined 5 per cent compared to last year.







**Sustainability**

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**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.

# Latest developments in sustainability



## Varma assessed the biodiversity policies of its investees

Varma for the second time now surveyed its portfolio companies' approach to and preparedness for biodiversity loss. Thirty-nine per cent of the companies had set targets for addressing the prevention of biodiversity loss in their operations.

The survey covered 318 companies operating in high-risk sectors, in which companies Varma had either direct investments or investments in ETFs.



## Monitoring the sustainability of investees

Varma has committed to comply with national laws and international agreements, such as the UN Global Compact initiative, the ILO's labour standards and the OECD's Guidelines for Multinational Enterprises. Varma also requires its investee companies to comply with laws and agreements.

In the event of sustainability norm violations, Varma's representative will contact the company and place the company on an observation list.



## Varma will publish a sustainability statement in spring 2025

Varma is gearing up to report in accordance with the CSRD directive for the first time in its 2024 Report of the Board of Directors. This will be the company's first CSRD report.

In the report, we will report on the sustainability topics that are material to Varma. These include climate change mitigation and adaptation, the realisation of our clients' rights, income security, and looking after the working conditions and equality of Varma employees.

# Investment outlook

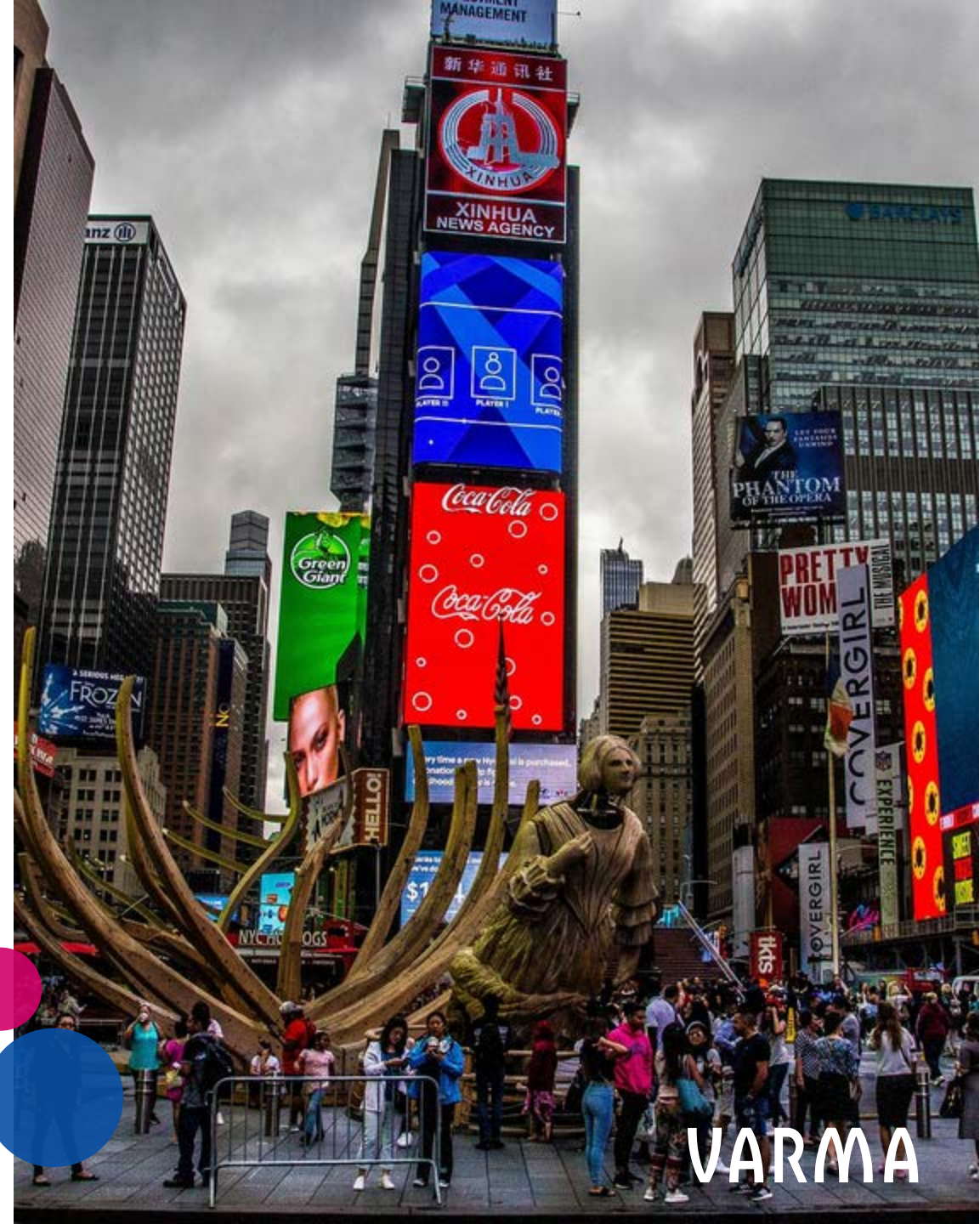
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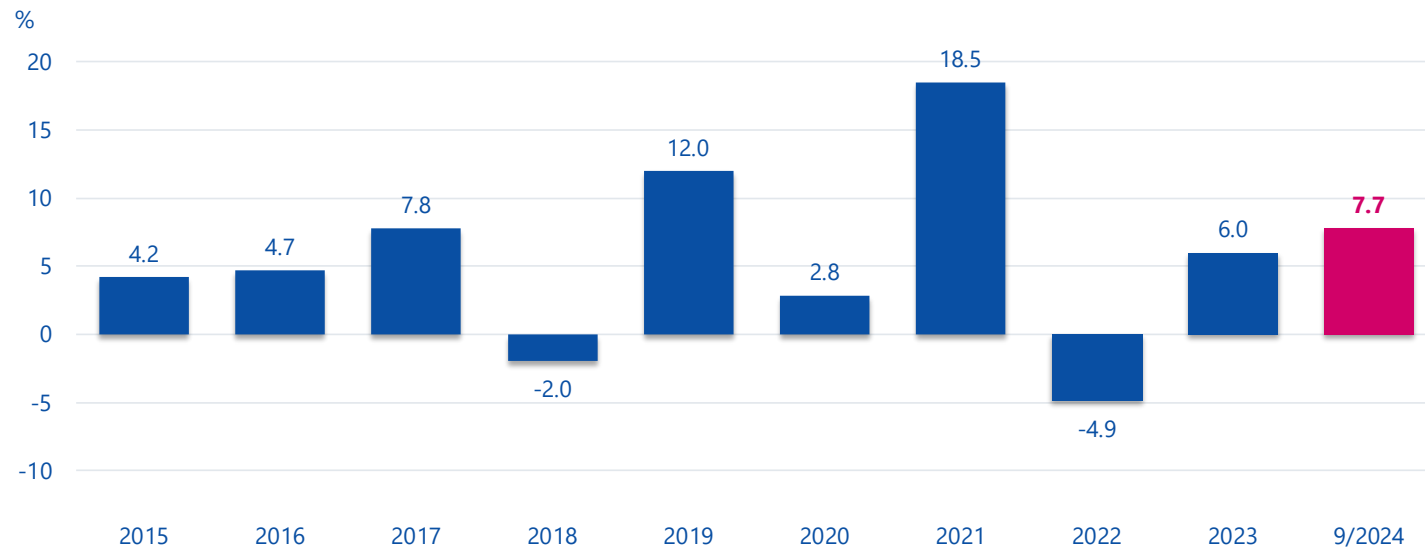
# Outlook for the economy

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- Inflation fell close to the target level, and with the decline in interest rates, the central banks have turned their attention to economic growth.
- The Fed's monetary policy has rapidly eased, but expectations of future rate cuts have moderated.
- Employment has remained good in the USA.
- The dominance of the US equity market has carried into autumn, and stock valuations have climbed back up to a very high level.
- There are significant geographical differences in economic growth, and Europe's industry outlook is weak.
- The US presidential elections will take place in the beginning of November.
- The geopolitical situation remains tense.



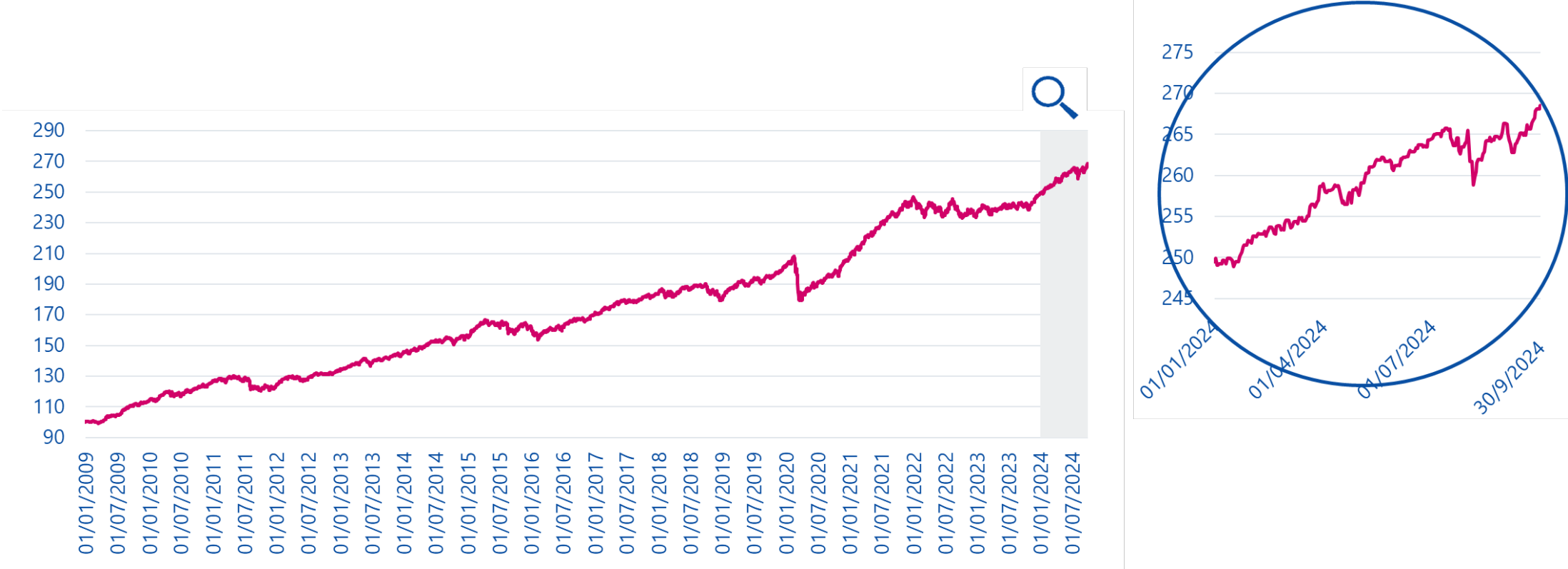
# Return on investments



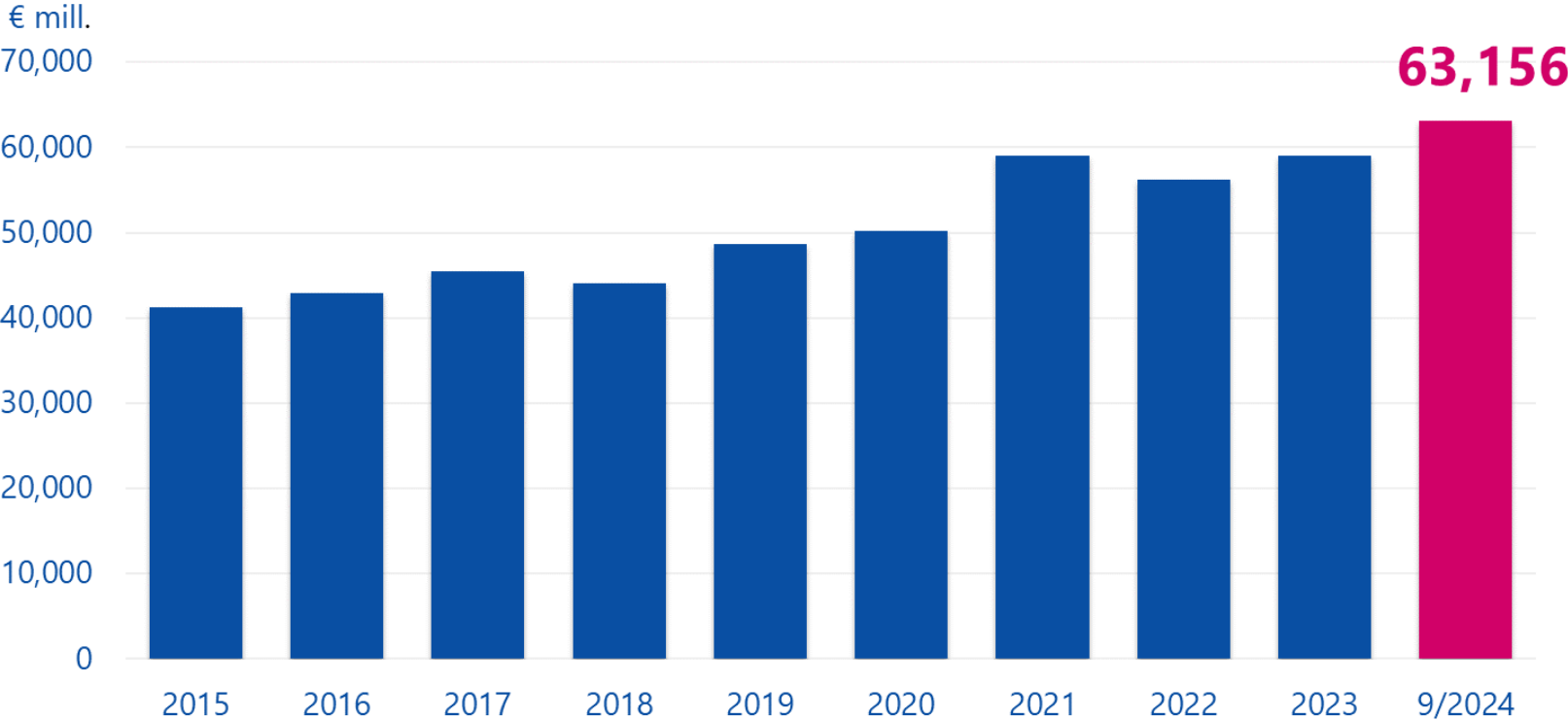
The average nominal return on investments over ten years is approx. 5.6%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **7.7** per cent in January–September 2024.
- The investment portfolio amounted to EUR **63.2** billion at the end of September.

# Return on investments since 2009: EUR 41.5 billion, i.e. 168,5 per cent

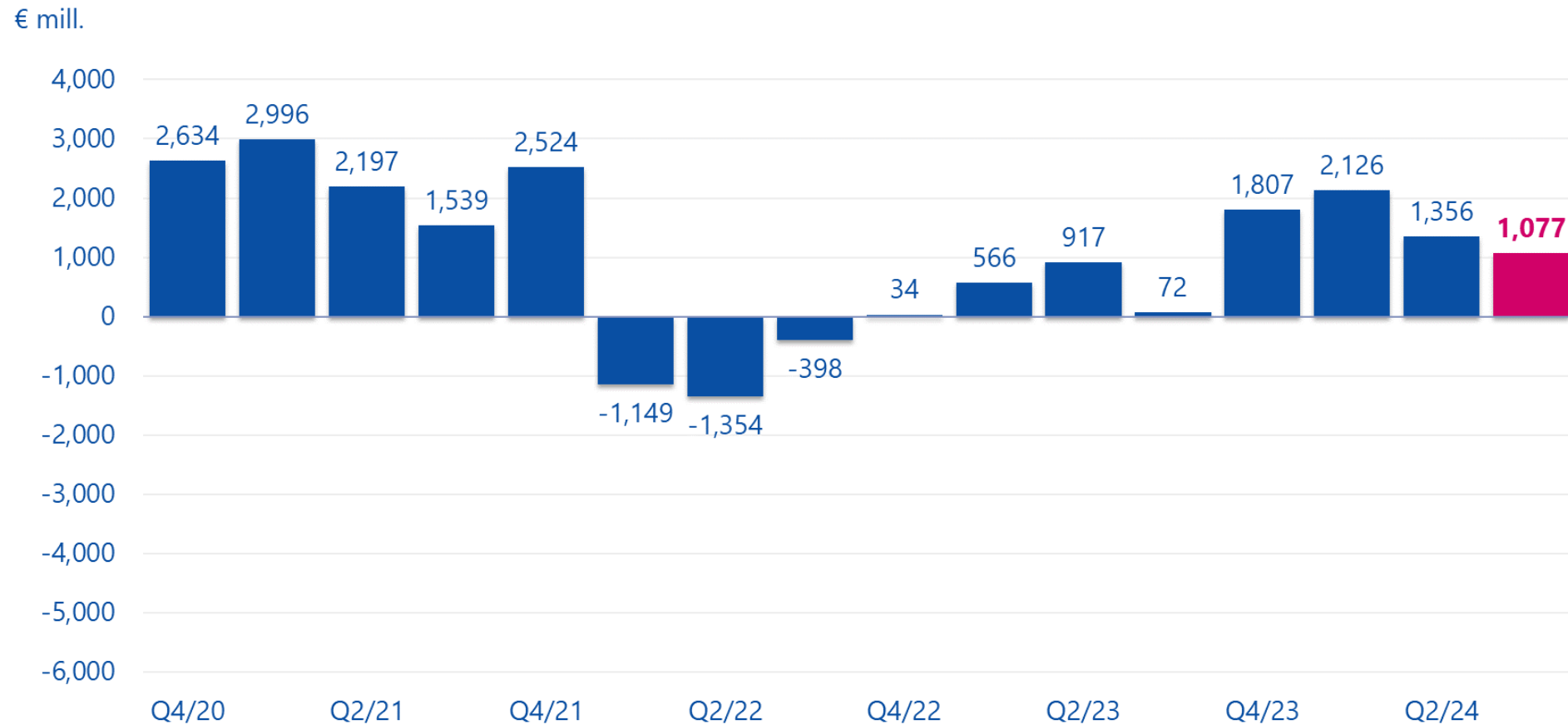


# The value of Varma's investments was EUR 63.2 billion

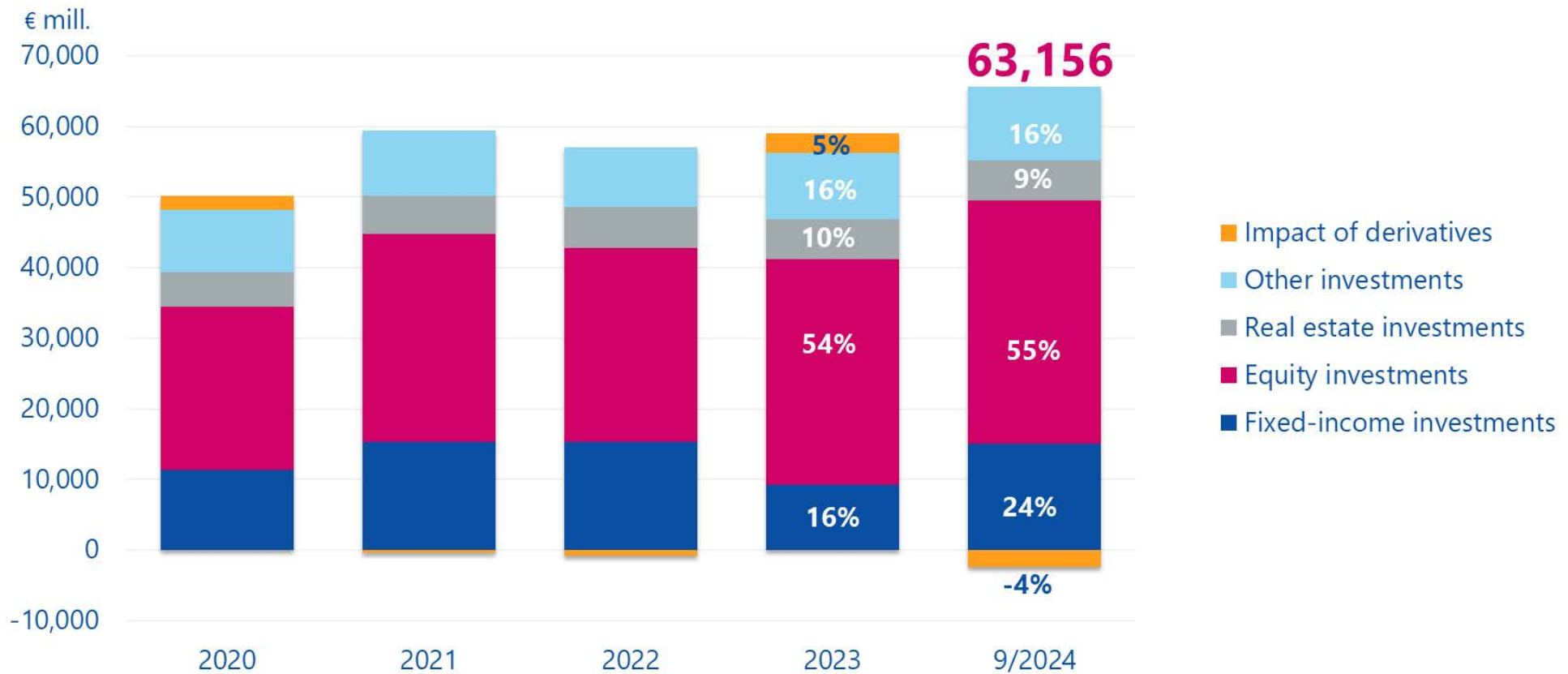




# Return on investments at fair values by quarter



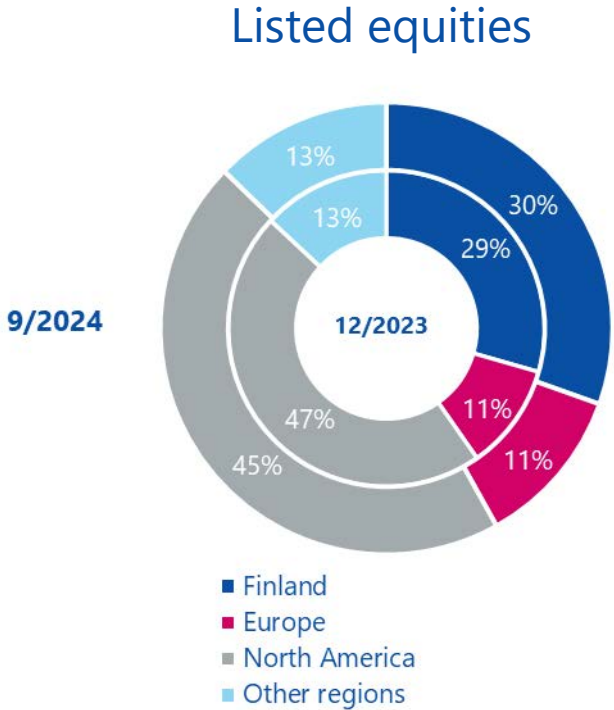
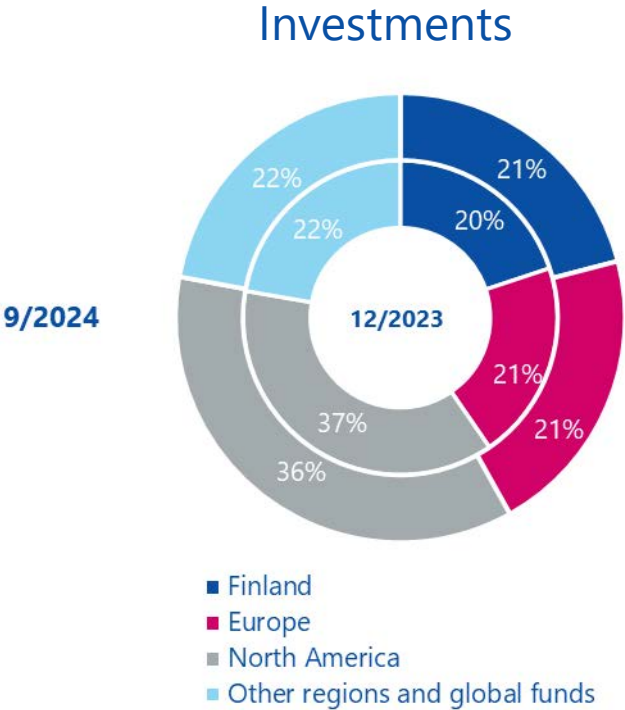
# 55 per cent of investment assets in equities



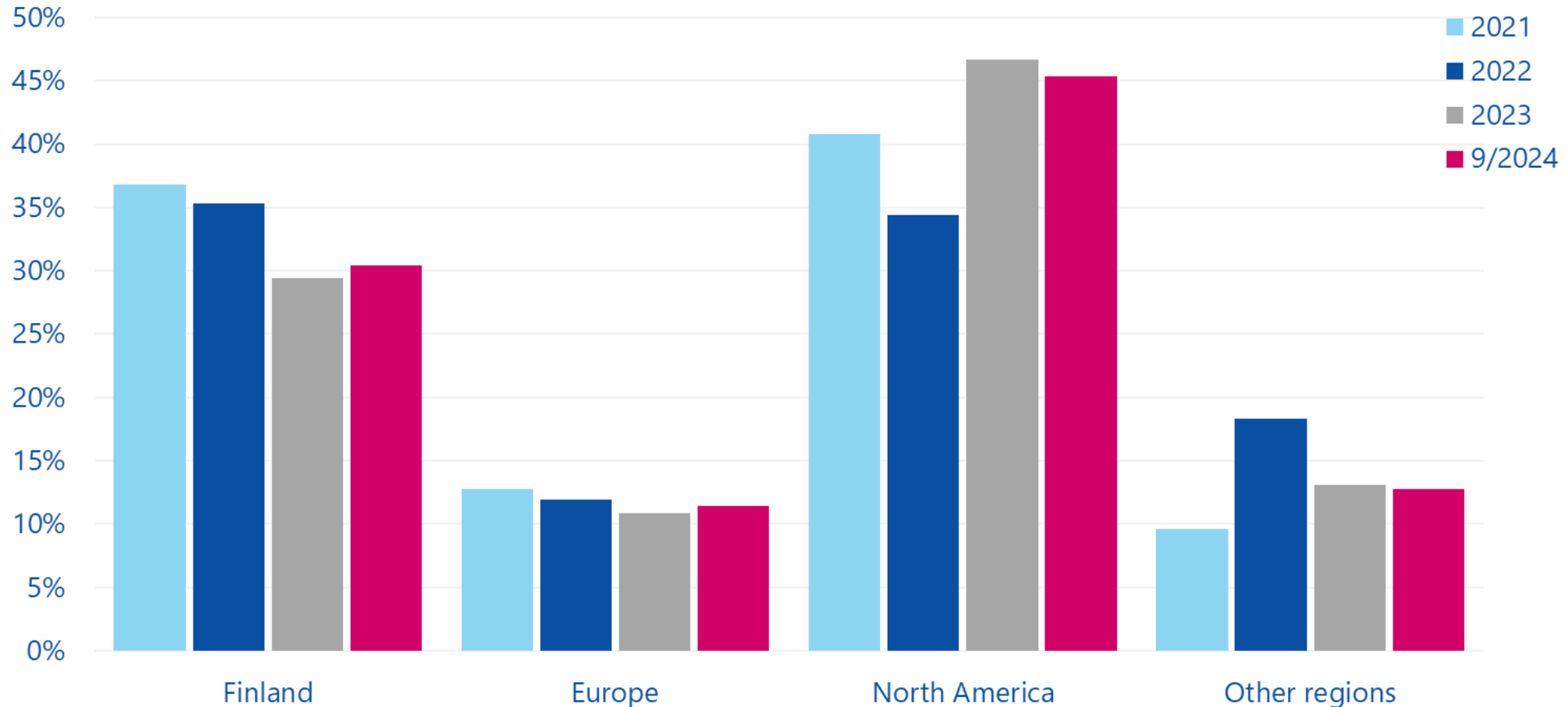
# Investments classified according to risk

	30 Sep 2024				31 Dec 2023		01-09/2024
	Market value				Market value		Return
	Market Value		Risk position		Risk position		MWR
	mill. €	%	mill. €	%	mill. €	%	%
<b>Fixed-income investments</b>	<b>12,845</b>	<b>20</b>	<b>15,062</b>	<b>24</b>	<b>9,307</b>	<b>16</b>	<b>4.7</b>
Loan receivables	2,253	4	2,253	4	2,598	4	5.8
Bonds	8,112	13	9,615	15	8,967	15	5.0
Other money-market instruments and deposits	2,479	4	3,194	5	-2,259	-4	2.0
<b>Equity investments</b>	<b>34,239</b>	<b>54</b>	<b>34,432</b>	<b>55</b>	<b>31,866</b>	<b>54</b>	<b>11.2</b>
Listed equities	22,287	35	22,480	36	20,626	35	14.8
Private equity	10,980	17	10,980	17	10,425	18	4.4
Unlisted equities	972	2	972	2	815	1	9.0
<b>Real estate investments</b>	<b>5,723</b>	<b>9</b>	<b>5,723</b>	<b>9</b>	<b>5,641</b>	<b>10</b>	<b>-2.1</b>
Direct real estates	3,057	5	3,057	5	3,021	5	-0.2
Real estate funds	2,666	4	2,666	4	2,620	4	-4.3
<b>Other investments</b>	<b>10,350</b>	<b>16</b>	<b>10,337</b>	<b>16</b>	<b>9,480</b>	<b>16</b>	<b>6.5</b>
Hedge funds	10,345	16	10,345	16	9,480	16	6.7
Other investments	5	0	-8	0	0	0	
<b>Total investments</b>	<b>63,156</b>	<b>100</b>	<b>65,554</b>	<b>104</b>	<b>56,294</b>	<b>95</b>	<b>7.7</b>
Impact of derivatives			-2,397	-4	2,784	5	
<b>Investment allocation at fair value</b>	<b>63,156</b>	<b>100</b>	<b>63,156</b>	<b>100</b>	<b>59,078</b>	<b>100</b>	

# Geographical distribution of investments

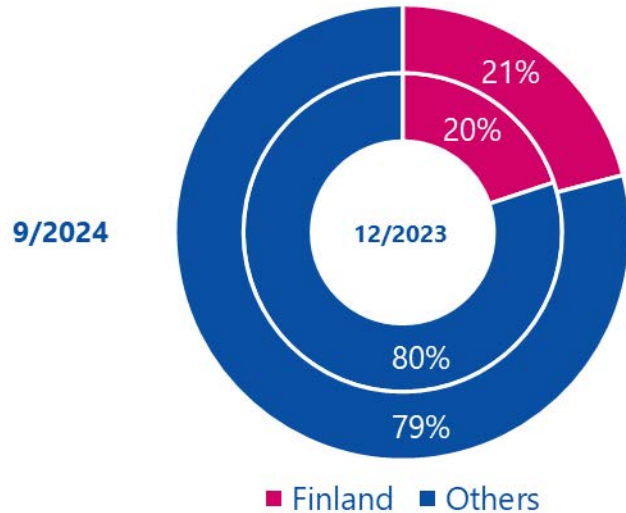


# Largest number of listed equities in North America

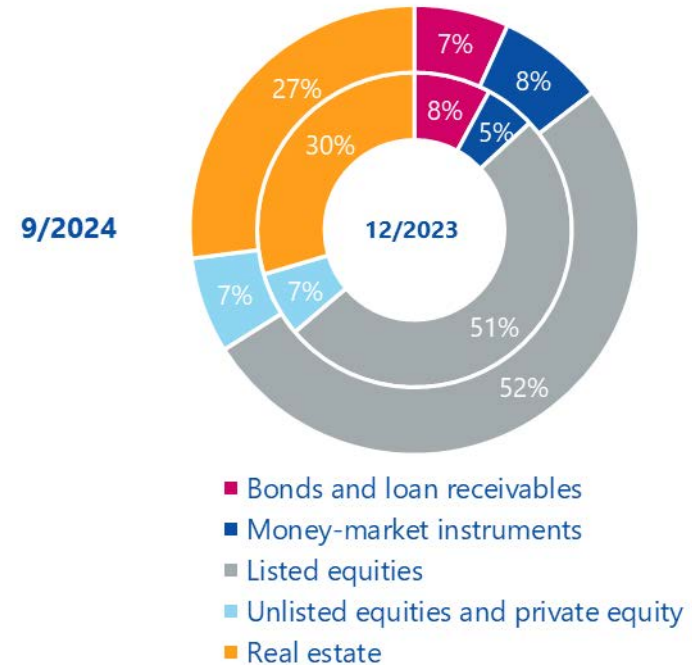


# Investments in Finland 21 per cent, i.e. EUR 13.3 billion

Investments in Finland

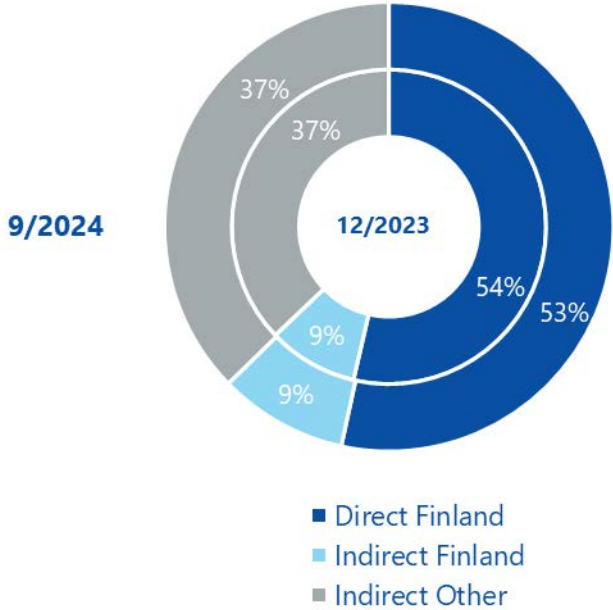


Distribution of Finnish investments

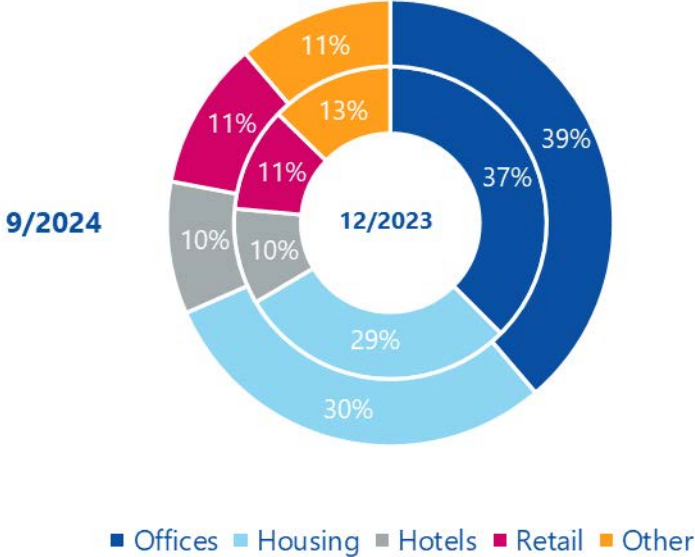


# 63 per cent of real estate investments, i.e. EUR 3.6 billion, in Finland

Real Estate Investments, € bn 5.7

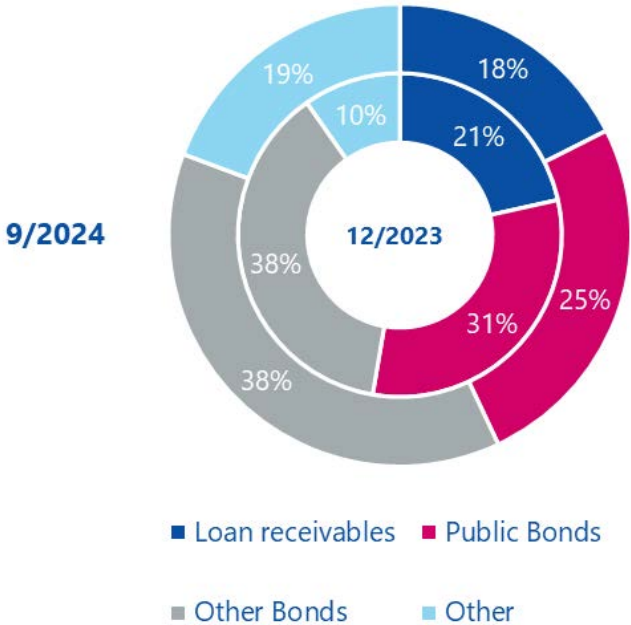


Direct Real Estate Investment Finland, € bn 3.1

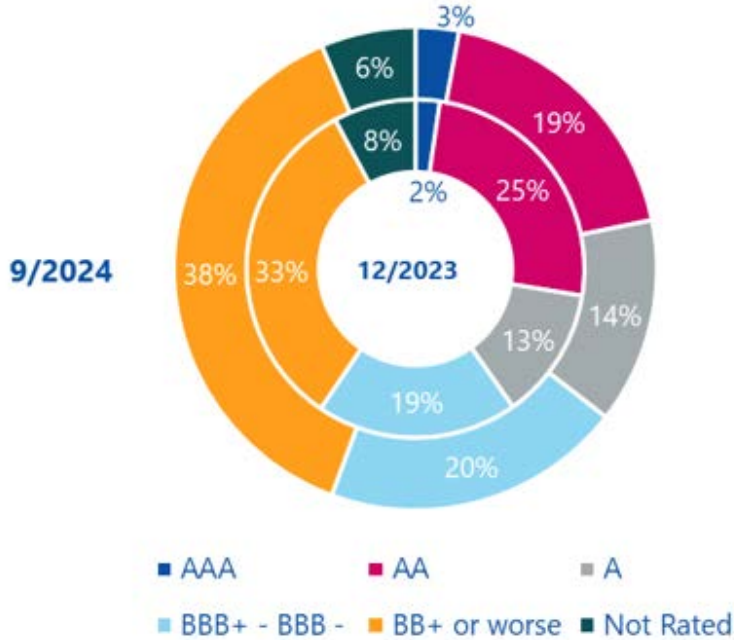


# Of fixed income investments, 38% invested in other bonds

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
1-9/2024	7.7	8.8	11.7	22.1	1.9	3.7
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
<b>Average nominal return</b>						
5 years	6.4	7.4	8.5	16.0	-2.6	-0.5
10 years	5.6	9.0	7.1	13.4	0.5	1.0
Since 1999 *	5.7	8.1	5.2	8.2	3.2	3.3
<b>Average real return</b>						
5 years	2.9	3.9	4.9	12.2	-5.8	-3.8
10 years	3.6	6.9	5.0	11.2	-1.4	-0.9
Since 1999 *	3.7	6.1	3.2	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

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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