

Report of the Board of Directors 2025

Economic operating environment

The year 2025 was marked by tensions in the global trade system and geopolitical risks. Despite an eventful year, the global economy continued to grow at a rather steady pace. The start of the year was characterised by a strong increase in inventory building before the USA's import tariffs entered into effect and the subsequent inventory reduction. Global trade did not collapse, however, and instead continued to grow, especially outside the USA.

In the USA, economic growth slowed compared to the previous year, and the labour market weakened, while in Europe, economic growth exceeded expectations and remained reasonable, despite slowing down slightly towards year-end. Germany's measures to strengthen the defence sector and the country's infrastructure will support the eurozone's economic growth in the coming years, but implementation will still take time. In China, economic growth relied on stimulus measures and the strong development of exports, while domestic demand still suffered from problems in the real estate markets and weak private consumption. After a promising first half of the year, Finland's economy once again lapsed into a recession.

Inflation in the eurozone stabilised close to the European central bank's target level, and in June the ECB anchored its deposit rate at two per cent. In the USA, the Fed resumed its rate cuts as the labour market cooled, even though inflation remained above its target level. Throughout the year, monetary policy discussion focussed on the US government's pressure on the Fed to lower its key interest rate.

Geopolitical crises continued. Fierce battles in Ukraine continued, and hopes for peace were perpetually delayed. Implementation of the peace plan for Gaza faltered, and in Latin America, the USA's pressure on Venezuela increased towards the end of the year. China's military operations heightened tensions in Taiwan, while China's and Japan's relations hit their lowest point in years.

Earnings-related pension system

In 2023, the Ministry of Social Affairs and Health and the Ministry of Finance set up a working group to look into reforming the earnings-related pension system. The objective of the working group was to identify the changes that are needed to ensure the financial sustainability of the earnings-related pension system, secure an adequate level of benefits and stabilise the pension insurance contribution level through a rule-based stabilisation mechanism in the long term. The objective was also to strengthen public finances in the long term by approximately 0.4 percentage points in relation to the GDP. In January 2025, the labour market organisations that are part of the working group reached an outcome in the pension reform negotiations. The key points of the reform include the possibility of higher risk-taking in investment activities through an increased equity weight, a lower solvency limit and expanded access to leverage in real estate investments. The working group also agreed on increasing the old-age pension funds, and adopting an index stabiliser to curb index adjustments to earnings-related pensions and a fixed TyEL contribution of 24.4 per cent for the period 2026–2030. The legislation for the pension reform is currently being drafted, and the government proposal is in the consultation phase. The proposal is scheduled to be submitted to Parliament in early 2026.

The Ministry of Social Affairs and Health appointed a rapporteur in December 2024 to determine the development needs of the self-employed persons' pension system. The rapporteur's report was completed in November 2025. The report proposes making the determination of entrepreneurs' income more earnings-based, eliminating the time limit set for the insurance obligation and lowering the income limit. The report also presented perspectives on how the funding of entrepreneurs' pensions could be arranged and implemented. After the report was issued, the Finnish Government initiated a dialogue with entrepreneurs and announced that it is ready to reform the YEL system.

The Ministry of Social Affairs and Health confirmed the earnings-related pension contributions for 2026. The average pension insurance contribution according to the Employees Pensions Act (TyEL) is 24.4 per cent of wages and salaries, whereas in 2025 it was 24.85 per cent. The employer contribution was increased in 2022–2025 to cover the impacts of the temporary reduction in the employer contribution in 2020 due to the Covid pandemic. The impact of the increase in 2025 was 0.45 per cent of the wages and salaries.

In addition, the employee share of the contribution will be harmonised in 2026 with the elimination of the higher contribution paid by employees between the ages of 53 and 62. In 2026, the employee contribution is 7.3 per cent of the wages and salaries of employees of all ages. The contribution for the self-employed in 2026 is 24.4 per cent of their YEL income. The pension contribution of the self-employed will also be more harmonised with the elimination of the higher contribution paid by entrepreneurs aged between 53 and 62.

An earnings-related pension index is used to adjust pensions in payment annually in January to ensure pensions' purchasing power. The Ministry of Social Affairs and Health confirmed the earnings-related pension index for 2026, which will raise pensions by 0.88 per cent.

Pension contributions and return requirement on technical provisions

The average TyEL contribution in 2025 was 24.85 per cent of the wages and salaries. Of this, the employee contribution was 7.15 per cent for those under 53 and over 62, and 8.65 per cent for those between the ages of 53 and 62. The average contribution included a 0.45 percentage point increase, which was used to cover the impacts of the temporary reduction in the employer contribution in 2020 due to the Covid-19 pandemic for the last time. In 2025, entrepreneurs' YEL contribution was 24.1 per cent of the confirmed income for those under the age of 53 and over the age of 62, and 25.6 per cent for those aged 53–62.

The return requirement on technical provisions in 2025 was 6.58 per cent, which consisted of a 3.00 per cent fund rate, a pension liability supplementary factor and the return on equity component. The supplementary factor was 0.92 per cent on average in 2025. The return on equity component in 2025 was 13.30 per cent, and its effect on the return requirement was approximately 2.66 percentage units (a fifth of the return on equity component). The insurance contribution interest rate, used to calculate pension contributions, stood at 2.65 per cent until 30 June, and at 2.10 per cent for the second half of the year. The insurance contribution interest rate rose to 2.20 per cent at the start of 2026. The technical rate of interest, which is used to determine the interest rate of the oldest pension loans to customers and a number of other items, was 5.25 per cent until 30 June, and 5.00 per cent the rest of the year.

Varma's economic development

Varma's total result at fair value stood at EUR 1,603 (2,956) million.

Varma's solvency was on a strong level throughout the year. Solvency capital totalled EUR 18,221 (16,793) million at the end of the financial year. Varma's pension assets in relation to technical provisions (solvency ratio) were 135.7 (134.6) per cent. Solvency capital was at a secure level, i.e. at 1.7 (1.7) times the solvency limit. The solvency limit is changed in accordance with the risk level of the investments. Varma's strategic goal is to maintain the company's strong solvency through stable returns.

The return on investments was EUR 4,768 (6,026) million at fair value, which was 7.5 (10.2) per cent of the invested capital. The return credited on the technical provisions was EUR 3,170 (3,112) million. Thus, the investment result for 2025 totalled EUR 1,598 (2,914) million. Varma's total operating expenses were EUR 132 (135) million. The loading profit was EUR 1 (2) million. Following the introduction of the company-specific administrative cost component, the administrative cost component included in the insurance contribution has been adjusted to reflect Varma's costs. The underwriting result was EUR 3 (38) million and other result was EUR 1 (2) million.

Varma pays out 0.95 per cent of its solvency capital as client bonuses. Before 2025, client bonuses amounted to 1.0 per cent of Varma's solvency capital. The decrease is related to the change in the return requirement, which is used to strengthen the solvency of earnings-related pension companies.

At the end of 2025, EUR 175 (170) million was transferred to the provision for current bonuses reserved for client bonuses. The transfer represents roughly 0.6 (0.6) per cent of the payroll of the insured. Varma's strong solvency ensures competitive client bonuses, and good operational efficiency lowers the administrative cost component included in the pension contribution. Thus, strong solvency and operational efficiency benefit Varma's clients.



Insurance business

The TyEL payroll of those insured by Varma totalled roughly EUR 27.0 (26.1) billion in 2025. The total payroll increased 3.5 per cent from the previous year. Varma's premiums written totalled EUR 6,901 (6,656) million, of which TyEL insurance accounted for EUR 6,652 (6,416) million and YEL insurance for EUR 249 (240) million. At the end of the financial year, 626,435 (620,592) individuals were insured by Varma. At the end of 2025, the number of valid insurance policies totalled 83,300 (82,381), covering 46,345 (45,799) self-employed persons and 580,090 (574,793) employees.

In 2025, a total of 4,281 (4,639) new TyEL insurance policies and 6,654 (6,843) YEL insurance policies came into force at Varma.

During the year, Varma reviewed the incomes of 11,460 self-employed persons in accordance with the Self-employed Persons Pensions Act (YEL), which requires the reviews to be performed every three years. In the first phase, in 2023, the income of self-employed persons whose YEL income was less than EUR 15,000 and whose income had not been significantly adjusted in the past three years was reviewed. In 2024, the income of self-employed people whose income was at least EUR 15,000 but not more than EUR 25,000 was reviewed according to the same principles. In 2025, Varma reviewed the income of self-employed people with an income of at least EUR 25,000.

During the 2025 account transfers, EUR 105 (130) million in net TyEL income was transferred to Varma from other earnings-related pension companies, and EUR 54 (57) million in new TyEL policies were sold. The corresponding impact on YEL premiums written was EUR 26 (28) million.

Varma received 10.6 (10.3) million income and employment notifications from the Incomes Register during 2025. Income data is reported to the Incomes Register regularly after earnings are paid.

Varma provides policyholders with services through its own service channels and through the service networks of If P&C Insurance and the Nordea Group.

In terms of customer service, the Varma Online Service is a key service channel. In Varma's online services, the insured can calculate an estimate of the amount of their pension. The estimate can be made according to any pension start date. Of all pension estimates that were made, 98.1 (98.7) per cent were calculated online. Pensions and rehabilitation can also be applied for and the status of the application can be tracked online. A total of 20,618 (24,513) applications were submitted in the online services during the year. Applications filed online accounted for 71 (73) per cent of all pension and rehabilitation applications. There was a slight decrease in the number of applications received online, because fewer partial old-age pension applications, which are usually submitted online, were received last year.

The insured can see the development of their earnings-related pension in their pension record. Altogether 197,634 (195,809) people checked their pension records online. Varma sends a pension record by post to insured persons who do not view their pension record in the online service. In 2025, Varma sent out a total of 149,228 (161,661) pension records.

Number of insured and insurance policies

	31 Dec 2025	31 Dec 2024	Change
Number of insured			
TyEL	580,090	574,793	5,297
YEL	46,345	45,799	546
Total	626,435	620,592	5,843
Number of insurance policies			
TyEL	36,955	36,582	373

Pensions

In 2025, a total gross amount of EUR 7,695 (7,529) million in pensions was paid out. The number of pension recipients slightly decreased, and at year-end, Varma was paying pensions to 348,000 (351,000) people.

Varma has been improving the processing of pension applications so that its customers receive a decision on their pension as quickly as possible. In 2025, the average processing time for all pension applications was 18 (13) 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 2025, the first pension was paid within the target period to 87.8 (89.7) per cent of new pensioners. The introduction of a new pension payment system had a minor impact on pension processing times at the start of the year.

A total of 22,067 (25,985) new pension decisions were made in 2025. The number of new pension decisions decreased 15.1 per cent compared to 2024, and the total number of all pension decisions was 6.6 per cent lower than in 2024. Most new pension decisions were old-age pensions decisions, which amounted to 10,784 (10,661). Disability pension decisions amounted to 5,341 (5,513), and partial early old-age pension decisions numbered 2,407 (6,298). New partial early old-age pension decisions decreased 61.8 per cent year on year. Continuation decisions on temporary pensions totalled 4,816 (4,754), and other decisions numbered 22,116 (21,676). These include rehabilitation benefit decisions, payment decisions and other decisions required as a consequence of the changes in pension rights.

Varma's goal is to lengthen careers by reducing disability pensions, developing work ability management and providing effective rehabilitation. In 2025, the average disability pension contribution category of Varma's client companies was 3.4 (3.5).

The number of disability pension applications in 2025 remained nearly at the level of the previous year. The number of disability pension applications received by Varma stood at 13,526, which is 0.8 per cent less than in the previous year. New disability pension applications numbered 5,870, down 2.9 per cent. There was a slight increase in the number of applications for the age groups 35–45 and 45–54. The average starting age of granted full disability pensions was 52.7 years. Men accounted for 63.6 per cent of the granted disability pensions, which reflects Varma's insurance portfolio. Preliminary applications for partial disability pension decreased 5.1 per cent in 2025 compared to the previous year. In 2025, Varma rejected 44.6 (46.7) per cent of new disability pension applications. The corresponding rate for the private earnings-related pension sector was 42.5 (43.3) per cent. The Pension Appeal Board changed Varma's disability pension decisions in 7.5 (11.1) per cent of the cases it handled. The corresponding rate for the entire private sector was 8.8 (11.2) per cent.

Mental health disorders were the main reason for new disability pensions. They accounted for 31.9 per cent of new disability pensions. Among women, their share was as high as 40.3 per cent, whereas among men the figure was much lower, at 27.1 per cent. The second most common reason for disability pension was musculoskeletal diseases, at 27.4 per cent. The largest number of disability pensions was granted to employees in the construction and transport sectors, with the dominant reason for their disability being musculoskeletal diseases. The second-largest number of disability pensions was granted to employees in the care and social services sectors. The numbers reflect not only the strenuous nature of these sectors but also the significant proportion of care and social sectors in Varma's insurance portfolio.

Number of pensioners

	31 Dec 2025	31 Dec 2024	Change
Number of pensioners			
Old-age pension	258,517	259,639	-1,122
Early old-age pension	8,677	9,240	-563
Partial early old-age pension	13,383	14,549	-1,166
Disability pension	14,855	14,876	-21
Partial disability pension	2,959	2,970	-11
Survivors' pension	49,764	49,841	-77
Years-of-service pension	122	70	52
Total¹⁾	348,277	351,185	-2,908
 ¹⁾ Those receiving YEL pension	27,645	28,385	-740
Those receiving TEL/YEL supplementary pension	39,271	39,950	-679

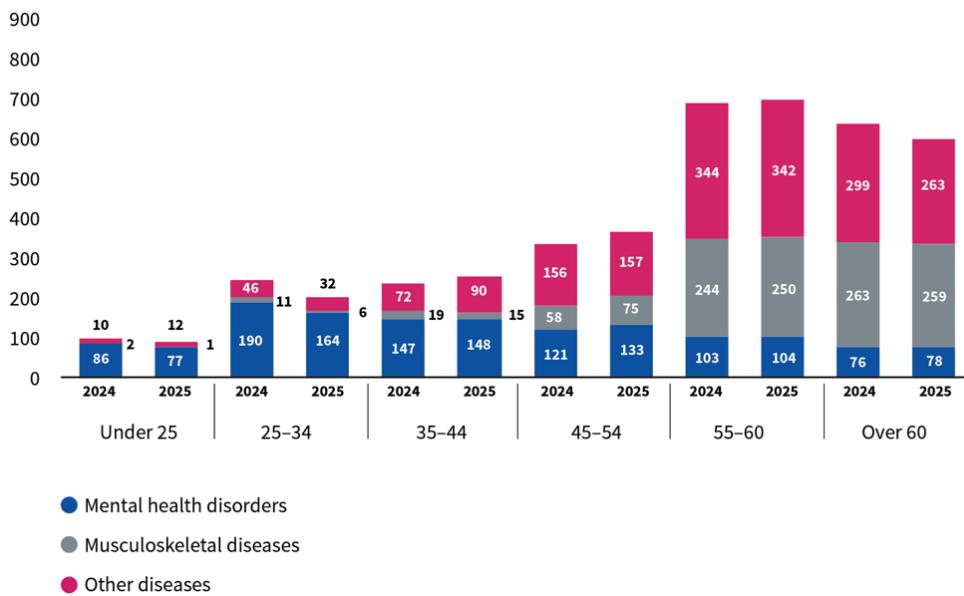
Disability risk management and vocational rehabilitation

Rehabilitation applications continued to decline. The number of applications received by Varma stood at 2,026, which is 3.7 per cent less than in the previous year. The average age of new rehabilitants was 48.0. Men accounted for 58 per cent of the new rehabilitants. The effectiveness of rehabilitation remained at a good level in 2025. Of the participants in the rehabilitation programme, 81 (82) per cent returned to the labour market. Among our rehabilitation customers, the greatest disability threat was caused by musculoskeletal diseases, and the second most common cause was mental health disorders.

Disability risk management services and the service model aimed at corporate customers were renewed such that specialist services, digital services and analytics services now form a consistent whole. The service model now covers all customers, and now even more customers have been reached thanks to the new grouped services. With the renewal, the service coverage has also expanded.

Digital services were developed for disability risk management. In the Varma Online Service, the risk assessment function was renewed, service orders and agreements were digitalised and key work ability indicators for customers were improved. Analytics were expanded by adopting a new forecasting model on lost work years and years of work ability. In addition, new analytics were developed for all customers, including smaller ones. Digital solutions for vocational rehabilitation situations were sought together with rehabilitation partners. In addition, a research report was published on age management, the conditions for successful vocational rehabilitation and the work ability of personal assistants.

New disability pensions by age group



Technical provisions

Varma's technical provisions grew 5.4 (7.0) per cent to EUR 52,984 (50,261) million. In addition to the increased actual provisions for unearned premiums and outstanding claims, the technical provisions contain a provision of EUR 175 (170) million for current bonuses reserved for client bonuses, a provision of EUR 1,858 (1,657) million for future bonuses contained in the solvency capital, and EUR 1,715 (1,334) million in an equity-linked buffer.

Changes in the insurance portfolio

During the financial year, no insurance portfolio transfers to Varma took place, nor did Varma make portfolio transfers to others.

Capital and reserves

Varma's capital of EUR 168 million consists of basic capital (EUR 12 million), other funds (EUR 141 million), profit brought forward from previous financial years (EUR 7 million) and profit for the year (EUR 8 million).

Investments

Strong fluctuation was seen on the markets. The USA announced high import tariffs in early April, but the market risk posed by the tariffs quickly eased as the US government eased its original demands. As the year progressed, investors' attention turned to the USA's expansionary financial policy and continued stronger-than-expected economic growth. Government bond yields fluctuated strongly as the year progressed, and the spreads between the USA and the eurozone narrowed. On the currency markets, the US dollar weakened considerably in the first half of the year, but stabilised in the second half of the year.

Varma's investment returns in 2025 were 7.5 (10.2) per cent, and the value of investments rose to EUR 68,287 (64,354) million. Varma's solvency ratio strengthened to 135.7 per cent (134.6 per cent on 31 Dec 2024).

The equity markets performed strongly after the fall in share prices in the spring, and the return on Varma's equity investments rose to 10.6 (14.9) per cent. Listed equities reached 16.4 (16.5) per cent, due in particular to the excellent performance of Finnish equities. US equities also saw strong gains, but the notable weakening of the US dollar weighed down their return in euros. European equities performed reasonably well, and other markets performed strongly. The return on private equity investments remained negative, at -0.6 (12.0) per cent, mainly due to the depreciated US dollar.

Interest rates fluctuated strongly in the course of the year. In the USA, government bond yields fell, but in Europe, interest rates trended upwards. Germany's expansionary financial policy in particular was a catalyst for the rise in interest rates in Europe. Corporate bond credit spreads narrowed significantly after the market fluctuations at the beginning of the year, which supported their returns. The return on the loan portfolio was reasonable, but not quite as good as listed corporate bonds.

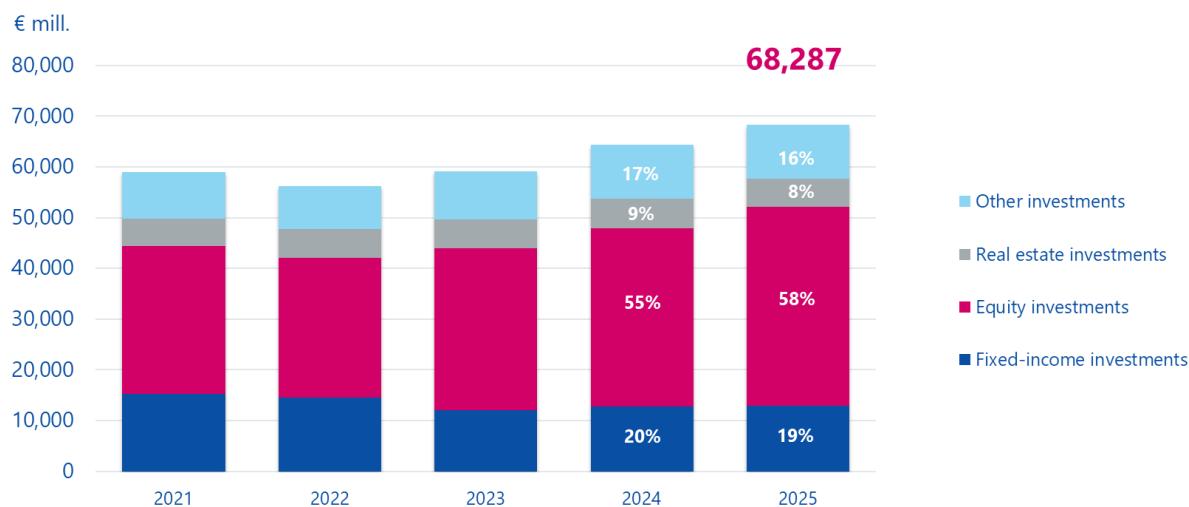
The return on real estate investments was 1.0 (-2.8) per cent. Although the key interest rate environment set by the central banks remained reasonably predictable throughout the year, global geopolitical risks and unstable markets had a negative impact on the return expectations for real estate. This, combined with low transaction volumes, was reflected in low total real estate returns.

The return on other investments reached 4.9 (10.5) per cent. The dispersion of hedge investment returns was large, and the events in the listed markets had a rather mild impact on the performance of the asset class. Due to the low duration, the effects of interest rate changes on hedge investments' returns were limited.

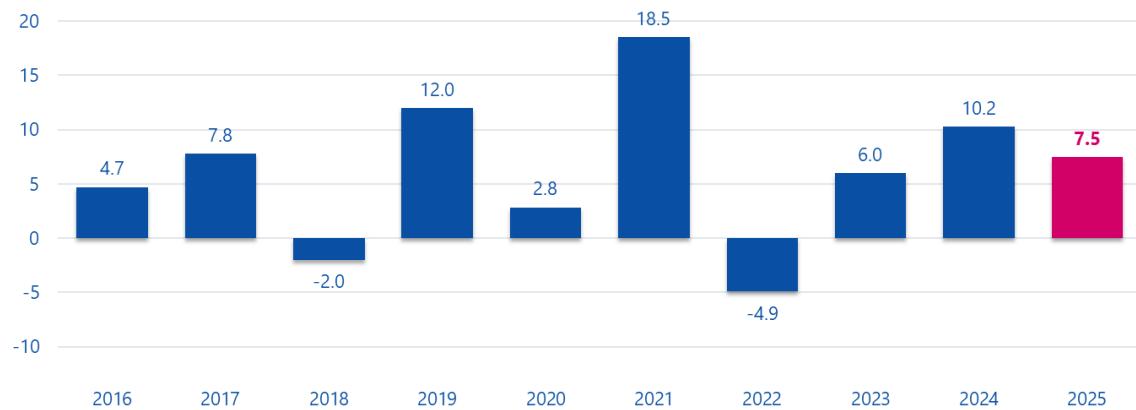
Varma has US-dollar-denominated investments in all asset classes. In accordance with Varma's investment policy, part of the currency risk is hedged. In terms of operations, foreign currency risks are managed as a whole, and in financial reporting, the exchange rate impact is included in the returns of various asset classes. The US dollar depreciated sharply against the euro in 2025, which had a negative impact on Varma's investment returns.

Varma's investment activities focussed on maintaining the company's secure solvency position, broadly diversifying investments and strongly emphasising risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio. The market risk of investments is the greatest risk affecting the company's result and solvency. Equity investments are the biggest source of market risk. The VaR (Value-at-Risk) figure describing the total risk of Varma's investments stood at EUR 2,748 (2,331) million.

Investments



Return on investments

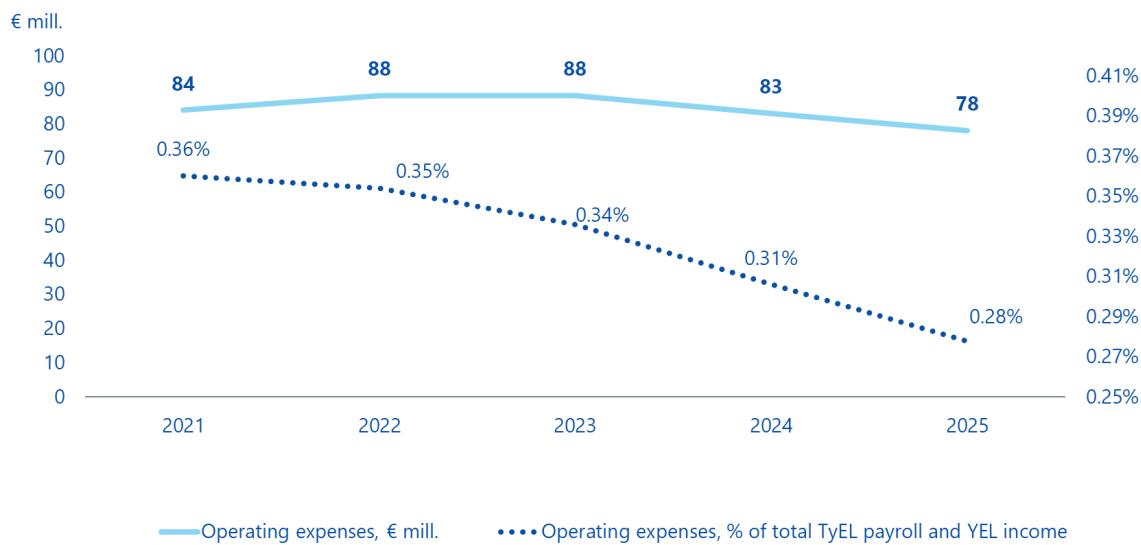


Operating expenses

Controlling operating expenses is a key objective for Varma while simultaneously improving operational efficiency. The determination of the expense loading component included in the TyEL contribution was changed in 2023 such that the earnings-related pension company's operational efficiency has a direct impact on the customer's insurance contribution. The administrative cost component included in the insurance contribution was adjusted to reflect Varma's operating expenses.

Increasing operational efficiency also requires continuous control of human resources and, in particular, IT system expenses, as these account for most of Varma's operating expenses. Total operating expenses decreased 2 per cent, totalling EUR 132 (135) million. The operating expenses (administrative expenses) for Varma's TyEL and YEL activities fell 6 per cent, i.e. EUR 5 million, and totalled EUR 78 (83) million.

Varma is actively involved in the development and administration of the pension sector's joint information systems and expects from the joint systems both cost effectiveness and cost transparency.



Personnel

Varma employed an average of 552 (578) people in 2025. The payroll for the year amounted to EUR 48.5 (49.7) million.

At year-end, Varma's personnel were distributed as follows: pension and insurance services 23 (25) per cent, customer service departments 17 (16) per cent, work ability services 15 (13) per cent, investment operations 15 (14) per cent and other functions 31 (32) per cent.

Further information on Varma employees is given in the sustainability statement section of the Report the Board of Directors, under 'Own workforce'.

Personnel	2025	2024	2023	2022	2021
Average number of personnel	552	578	584	551	544
Salaries and remunerations, EUR mill.	48.5	49.7	49.3	46.3	43.6

Group companies and associates

At the end of 2025, the Varma Group comprised 111 (108) subsidiaries and 18 (15) associates. The most important associates are Alcobendas Investments SL (50.0 per cent) and Aros Sundbyberg Holding AB (48.4 per cent). The Varma Group also owns 50 per cent of the guarantee capital of Kaleva Mutual Insurance Company. Most of the subsidiaries and associate companies are real estate companies.

Governance

Policyholders and the insured have voting rights at Varma's Annual General Meeting. Varma's Annual General Meeting was held on 11 March 2025. The Annual General Meeting appointed three new members to the Supervisory Board: Jari Korpela, Hanna Lylander and Tarja Tyni. The Annual General Meeting approved the financial statements and discharged the Board of Directors, the Supervisory Board and the President and CEO from liability for the financial year 2024.

Continuing as Supervisory Board members were Christoph Vitzthum (Chair), Päivi Leiwo (Deputy Chair), Petri Vanhala (Deputy Chair), Juri Aaltonen, Ari Akseli, Eero Broman, Petri Castrén, Kim Forsström, Lasse Heinonen, Marko Hovinmäki, Mika Joukio, Janne-Olli Järvenpää, Jukka Jäämaa, Risto Kalliorinne, Anne Karjalainen, Ville Kopra, Tapio Korpeinen, Katarina Kravi, Pekka Kuusniemi, Elisa Markula, Maria Mäkynen, Pasi Pesonen, Marko Piirainen, Perttu Puro, Simo Pöyhönen, Mika Rautiainen, Pekka Tiitinen, Jorma Vehviläinen and Anssi Vuorio.

Varma's Supervisory Board held its constitutive meeting on 21 May 2025. Christoph Vitzthum continues as Chair of the Supervisory Board, and Päivi Leiwo and Petri Vanhala continue as deputy chairs.

Varma's auditor and sustainability reporting assurer was Ernst & Young Oy, who appointed Kristina Sandin to act as the chief auditor and key sustainability partner.

In 2025, Varma's Board of Directors was composed of Jaakko Eskola (Chair), Anu Ahokas (Deputy Chair), Antti Palola (Deputy Chair), Riku Aalto, Nina Arkilahti, Eveliina Dahl, Anja Frada, Kristiina Mäkelä, Simon-Erik Ollus, Teo Ottola, Pekka Piispanen and Saana Siekkinen, and deputy members Jari Elo, Jouni Hakala and Ville Talasmäki.

In its meeting on 26 November 2025, Varma's Supervisory Board elected Else-Mai Kirvesniemi as a new member of the Board of Directors as of 1 January 2026. Antti Palola's membership on Varma's Board of Directors ended on 31 December 2025. The Board of Directors elected in its meeting on 14 January 2026 the presiding officers for the 2026 term. Jaakko Eskola was re-elected as Chair of the Board of Directors, Anu Ahokas was re-elected as Deputy Chair, and Else-Mai Kirvesniemi was elected as a new Deputy Chair. As of the beginning of 2026, Varma's Board of Directors is composed of Jaakko Eskola (Chair), Anu Ahokas (Deputy Chair), Else-Mai Kirvesniemi (Deputy Chair), Riku Aalto, Nina Arkilahti, Eveliina Dahl, Anja Frada, Kristiina Mäkelä, Simon-Erik Ollus, Teo Ottola, Pekka Piispanen and Saana Siekkinen, and deputy members Jari Elo, Jouni Hakala and Ville Talasmäki.

An up-to-date Corporate Governance Statement based on the recommendations of the Finnish Corporate Governance Code is presented on Varma's website.

Risk management

The goal of Varma's risk management is to identify and manage, in accordance with the defined risk appetite, risks that the company is exposed to, arising from and centrally linked to its business activities, and to secure continuity of operations. Risk management also secures business continuity. As a responsible operator, Varma considers it vital that the execution of the company's core task as a provider of statutory pension insurance is guaranteed and adequately efficient under all circumstances.

In accordance with the Act on Earnings-Related Pension Insurance Companies, Varma's Board of Directors draws up an annual risk and solvency assessment. The assessment was updated at the end of 2025. Varma's risk management activities are also guided by the principles for the risk management system, which are annually approved by the Board of Directors. Company-level risk management is an element of the finance and actuary functions in order to ensure that risk reporting and risk management are independent of the risk-taking function.

As a provider of statutory earnings-related pension insurance, Varma's main risk is related to solvency management. The single largest risk factor in terms of solvency management is related to investment performance. When investment returns exceed the return requirement on technical provisions, the company's solvency improves, and if they fall short of the return requirement, solvency declines. The principles for investment risk management are determined in the company's investment plan, which is drawn up by the Board of Directors. The plan documents the general security goals set for investments, the diversification and liquidity goals of investments, and the principles for organising currency risk hedging. The Board of Directors assesses the investment risks, which may relate to value changes, expected returns, security, currency movements, and the development of the company's solvency position. The Board of Directors also assesses the investments' security and the company's risk-bearing capacity in terms of investments, including the development of the company's solvency.

The most significant operational risks in 2025 related to ensuring business continuity in possible external and internal information system failures. Risks also applied to developing the business in a changing operating environment.

More information about strategic, financial, investment and operative risks, as well as related quantitative data, is provided in the notes to Varma's financial statements.

Outlook

The outlook for the economic operating environment is somewhat uncertain. The moderate growth of the global economy has continued, and inflation has gradually slowed. The USA's trade policy has had less of an impact on global economic growth than feared, but it will take time for the full effect to show. The effects of trade policy are mitigated by expansionary financial policy on both sides of the Atlantic. The focus of monetary policy easing has shifted from the eurozone to the USA, where the Fed is expected to continue its interest rate cuts. In the eurozone, the cycle of easing monetary policy appears to be over, unless the eurozone economy faces new headwinds.

The USA's trade policy has clearly tightened, but as the scope of the tariffs has gradually come into view, uncertainty has diminished. Equity market valuation levels are high, particularly in the USA. The decline in interest rates and corporate bond spreads has lowered companies' financing costs, but in the uncertain economic situation, companies' investment appetite is strongly sector dependent. Investments in AI and data centres are growing at an unprecedented rate, but the risk of overcapacity has increased the likelihood of potential setbacks. The US dollar has weakened significantly, which on one hand supports the

competitiveness of American exporters, but at the same time increases inflationary pressures through higher import prices. The strengthened euro combined with US import tariffs undermines price competitiveness in the eurozone.

Global risks are elevated. Europe's changed security landscape and decisions by NATO countries to increase defence spending are likely to influence the structure of economic policy and investments in the coming years. However, additional investments in defence and climate change mitigation combined with the cost pressures associated with an aging population also create challenges for the sustainability of financial policy and political cohesion. Artificial intelligence has the potential to significantly improve productivity development in the future but, for now, it is impossible to anticipate its impacts on global growth, employment and productivity.

Varma's strong solvency position and careful risk management create good conditions for the favourable development of investment returns and secure the pension benefits of the insured in various market conditions. Varma continues to effectively implement the earnings-related pension system.