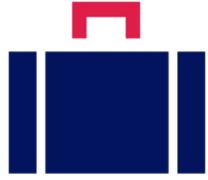




**Varma's half-year result
1 January–30 June 2020**

VARMA

Key figures



Market value of investments

€45.3 bn



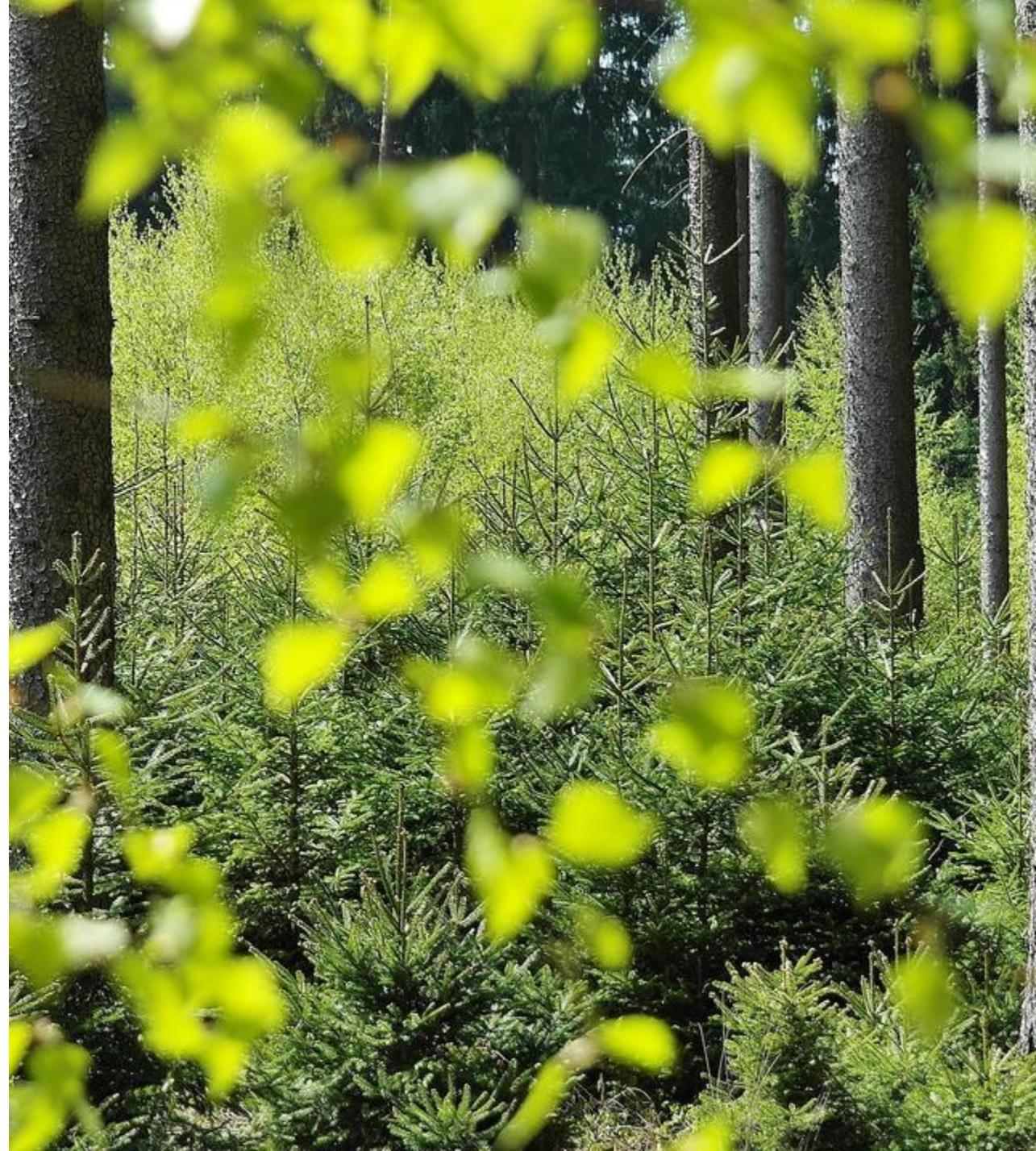
Solvency capital

€8.8 bn



Return on investments

-5.7%



Development of investment returns and solvency

	1-6/2020	1-3/2020	12 months	1-6/2019
Investment return (MWR)	-5.7%	-10.0%	-1.2%	6.9%
	6/2020	3/2020	12/2019	6/2019
Solvency capital (€ mill.)	8,818	7,870	11,646	10,992
Solvency capital / solvency limit	1.7	1.6	1.8	1.9
Solvency ratio (%)	123.5	121.6	130.8	130.2
Investments at fair value (€ mill.)	45,279	43,597	48,709	46,540

Impacts of the coronavirus pandemic on Varma's customers



Small businesses made use of flexible payment options only for a brief period

Of the small companies and entrepreneurs that made use of the payment term flexibility, some 70% postponed payments for only 1 or 2 months. Of the large employers who took advantage of the payment term flexibility, 60% postponed their payments falling due in all three months, April–June.



Electronic applications increased

Of the pension applications Varma received, 58% were sent electronically via Varma's eServices. The share of online applications grew 8% in the first half of the year compared to the situation at the end of last year due to the COVID-19 situation.



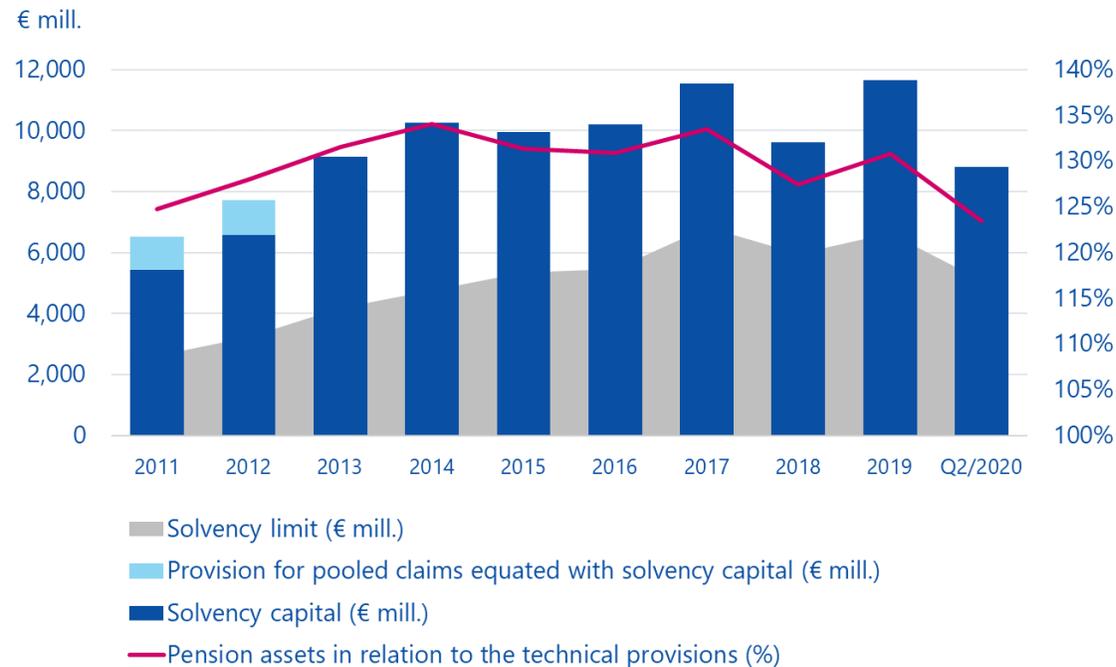
Tenants sought flexibility in their payment terms

Varma gave its cafe and restaurant tenants a two-month relief period in their rental payments for May and June due to the coronavirus. For other tenants, payment period arrangements for rents were negotiated on a case-by-case basis.

A scenic view of a pond with lily pads and a large tree on the left. The text "Solvency remained strong" is overlaid in white. The background shows a large tree with green and yellowing leaves on the left, and a pond with lily pads on the right. The sky is overcast and grey.

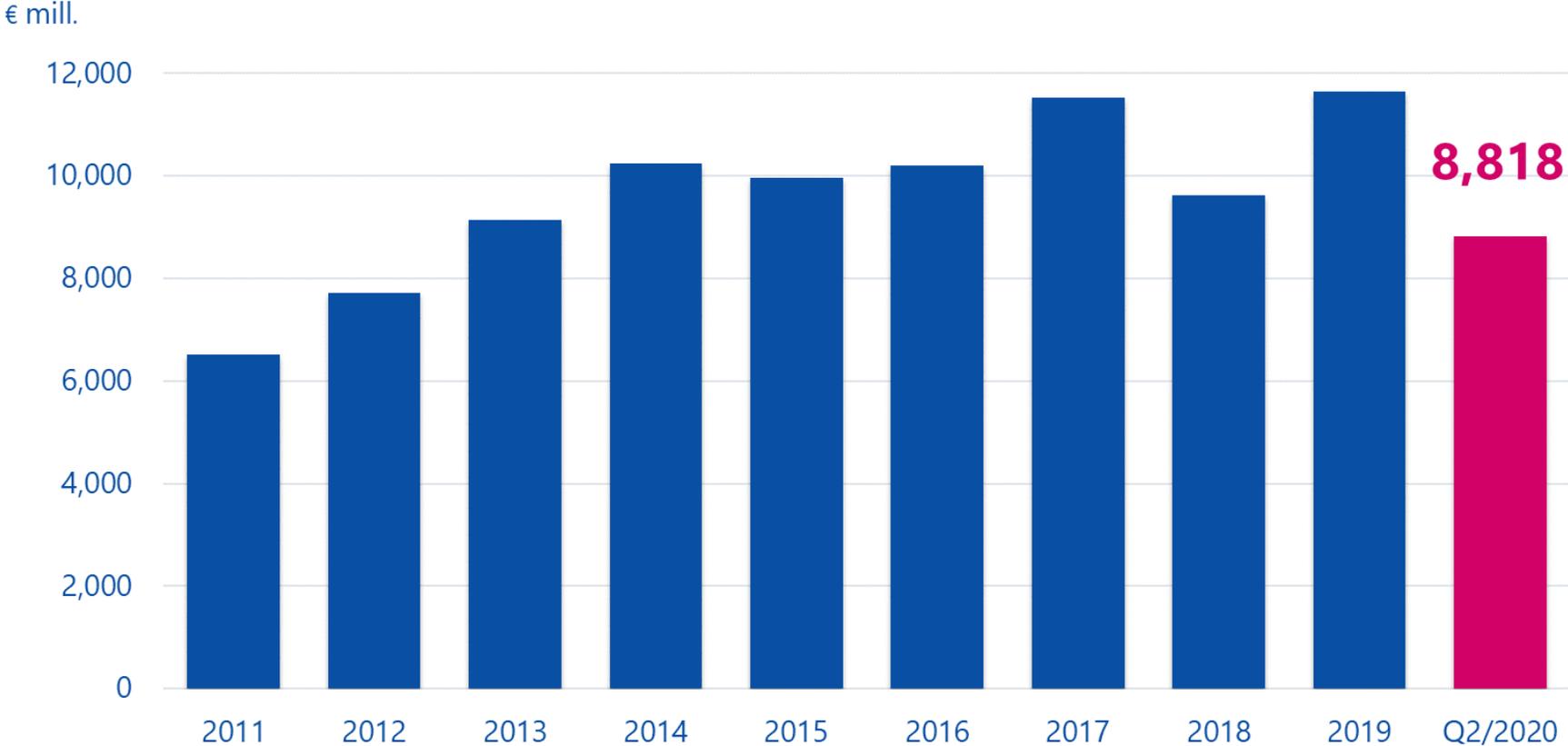
Solvency remained strong

Solvency strengthened in the second quarter



- Varma’s solvency capital strengthened by EUR 0.9 billion to EUR 8.8 billion after the end of March.
- Solvency capital was 1.7 times the solvency limit.
- Varma’s solvency capital, which serves as a risk buffer for investment operations, is still at a strong level and provides protection against volatility in investment market returns.
- Solvency ratio was 123.5%.

Solvency capital





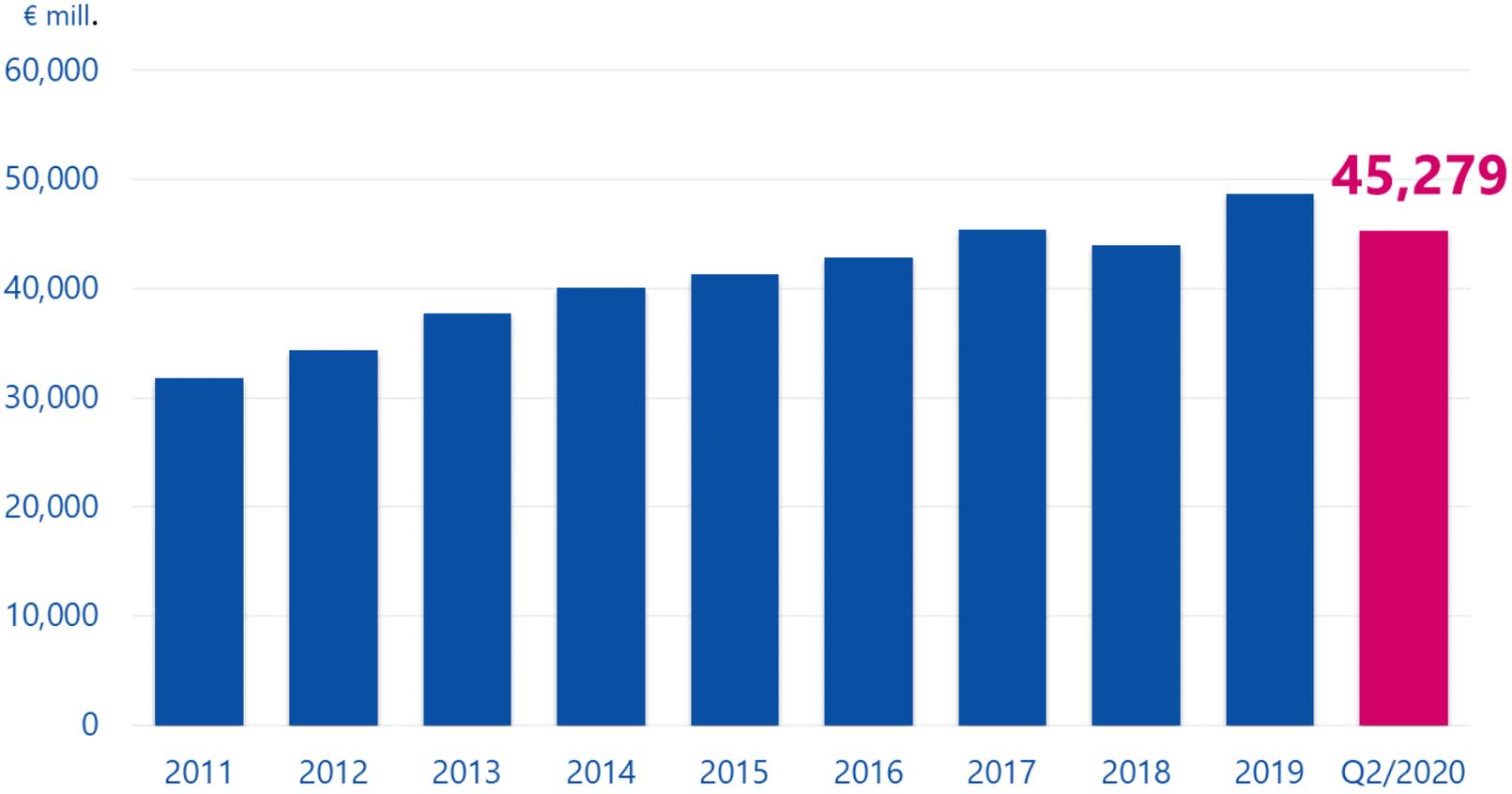
**Investment returns picked up after
the major downturn early in the
year**

Outlook for the economy and the investment markets

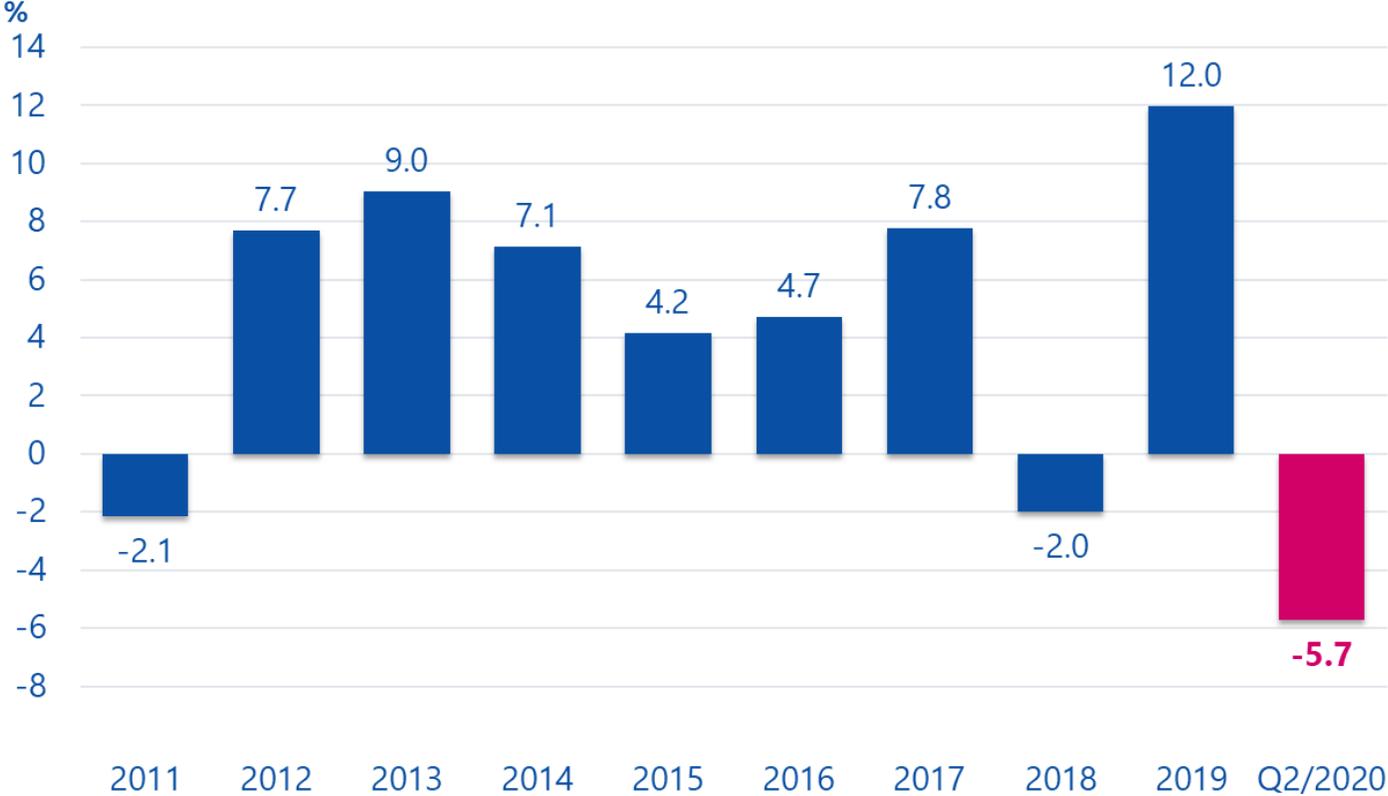
- In the second quarter of the year, Varma's investment returns recovered from the fall in share prices seen early in the year.
- The recovery of the equity markets was led by technology companies.
- The returns on illiquid investments were slower to recover. Hedge fund investments were weighed down in particular by the slow recovery of fixed income investments linked to the U.S. mortgage market.
- As a consequence of strong stimulus measures, the investment market and the real economy have taken divergent paths.
- In terms of the pension system, the development of growth and employment in Finland in the long run are important.



Market value of investments €45.3 bn



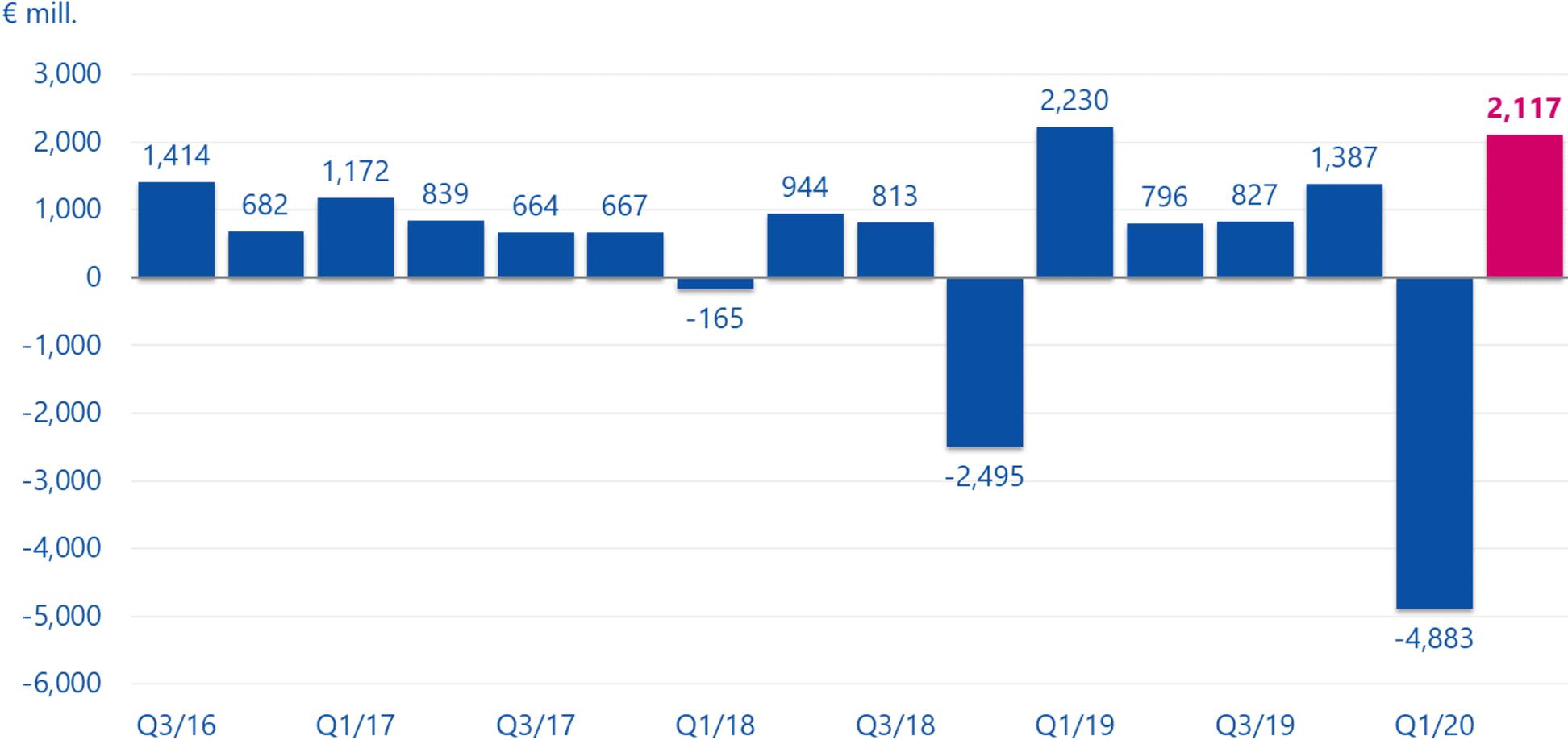
Return on investments 2011-Q2/2020



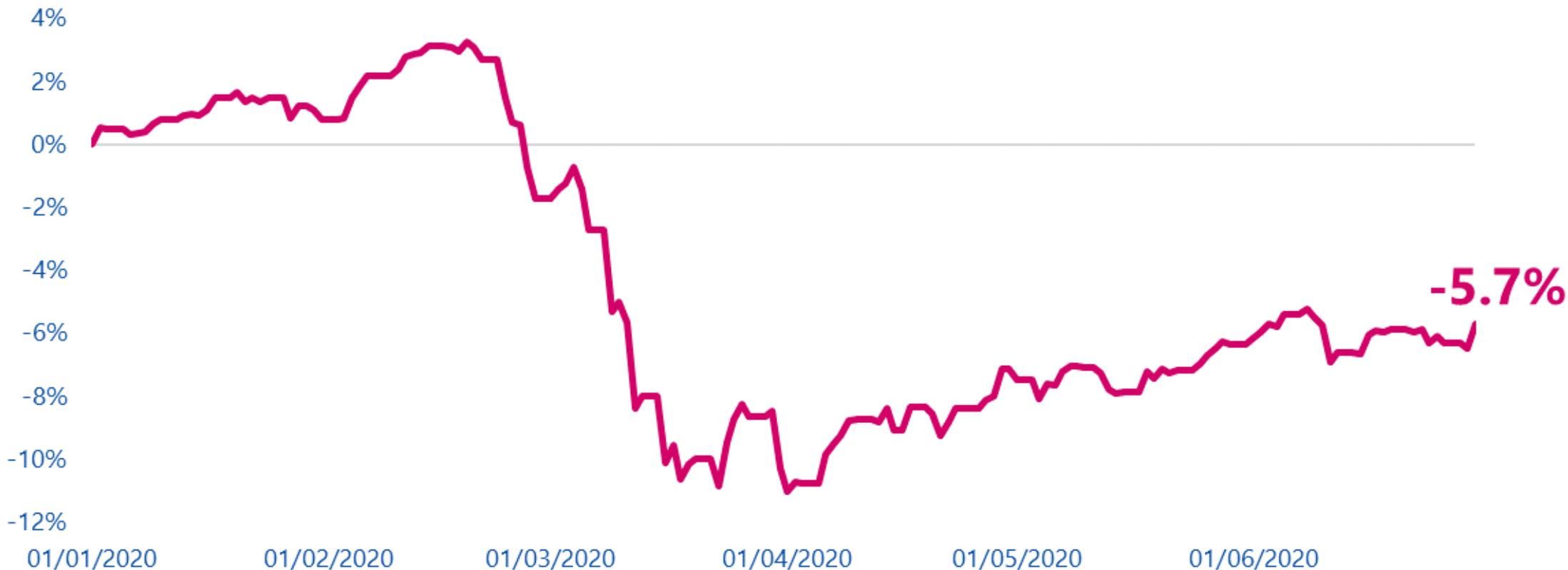
- The equity and corporate bond markets recovered considerably in the second quarter.
- Investment returns increased by EUR 2.1 billion since the collapse of share prices earlier in the year.
- The return on investments in January–June was -5.7% (6.9%), whereas at the end of March, it was -10%.

The average nominal return on investments over ten years is approx. 4.9%, calculated in accordance with the recommendations issued by TELA. In 1-6/2019 return on investment was 6.9%.

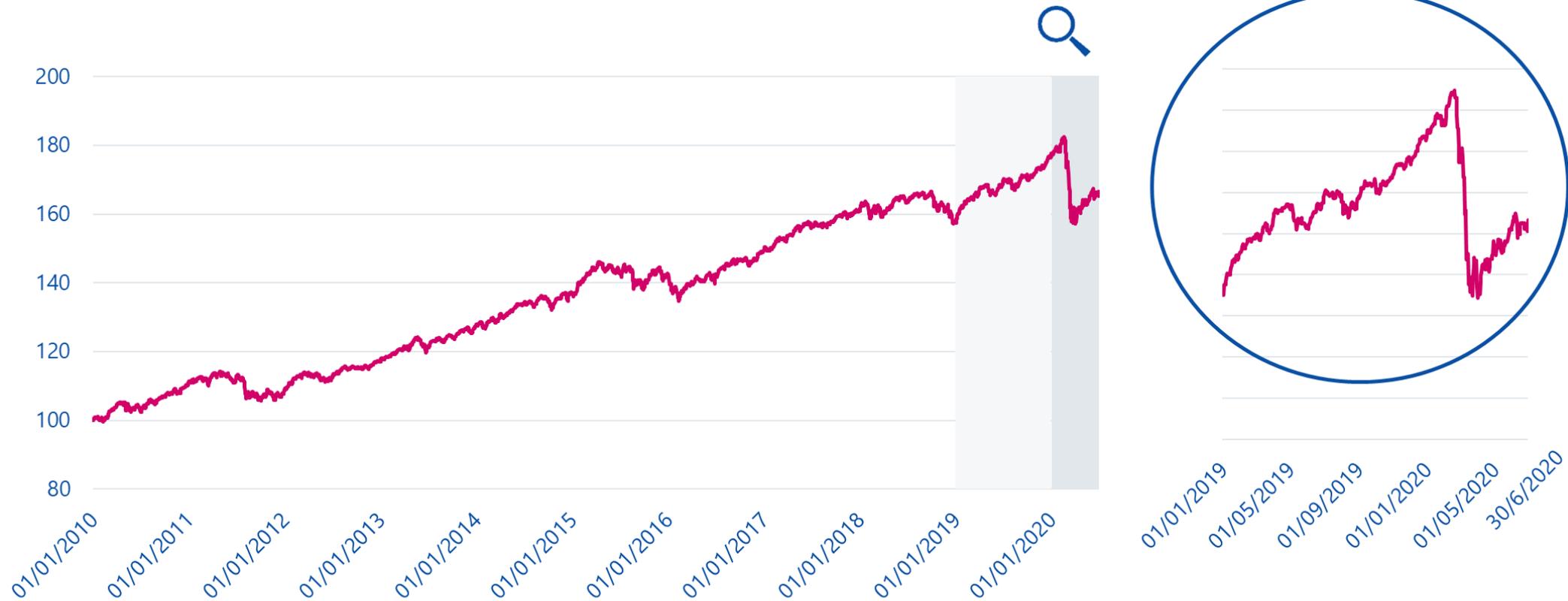
Return on investments at fair values per quarter



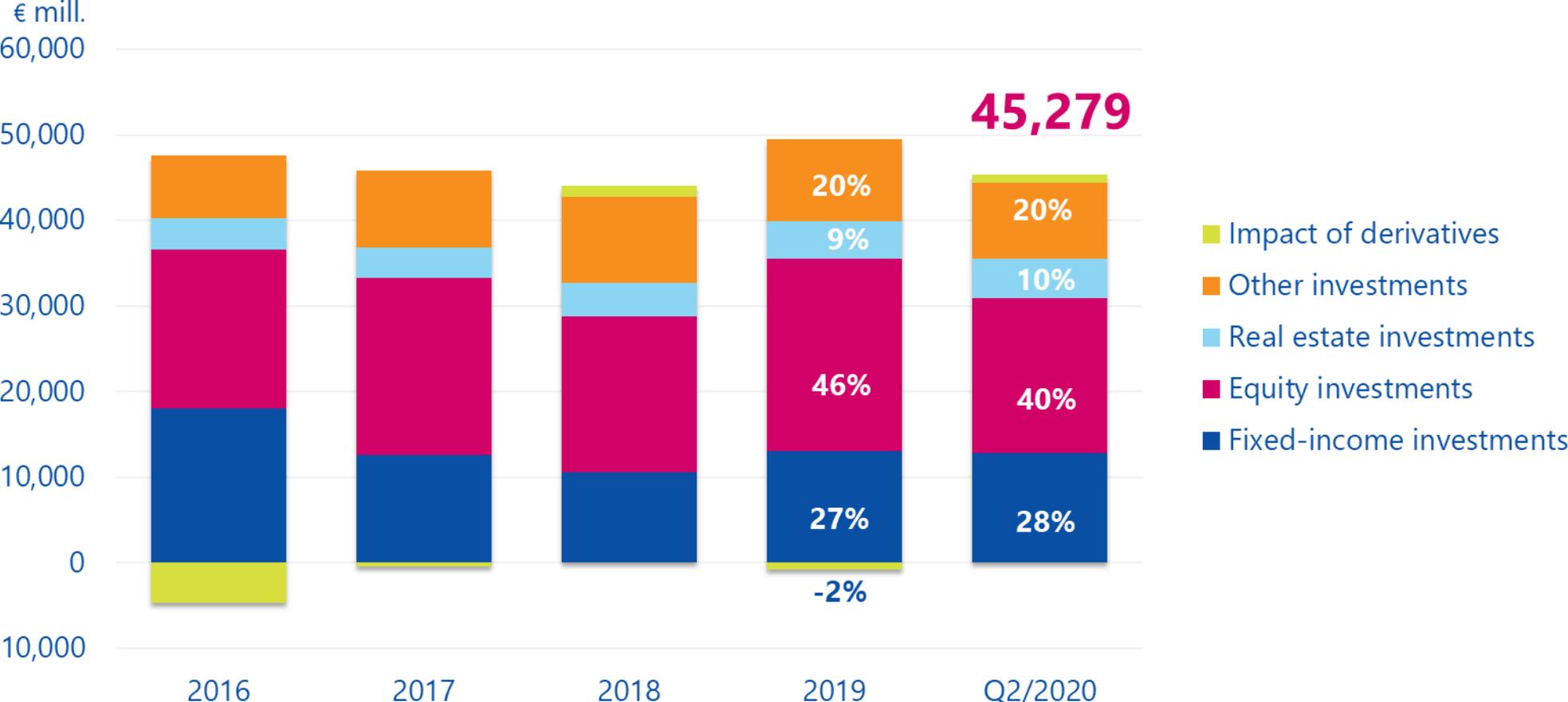
Varma's investment year 2020



Return development since 2010: cumulative return 66.6%, i.e. €19.5 bn



Investment allocation



Investments classified according to risk

	30 Jun 2020				31 Dec 2019				1-6/2020	1-6/2019	1-12/2019	24 m
	Market value				Market value				Return	Return	Return	Vola- tivity
	Market Value		Risk position		Market Value		Risk position		MWR	MWR	MWR	
	€ mill.	%	%	%	%							
Fixed-income investments ¹	12,733	28	12,779	28	12,957	27	13,052	27	-1.3	3.5	4.5	
Loan receivables	2,635	6	2,635	6	2,315	5	2,315	5	0.1	2.1	4.0	
Bonds	7,717	17	7,963	18	9,563	20	10,693	22	-2.0	4.1	5.1	6.1
Public bonds	2,937	6	3,210	7	3,577	7	4,707	10	2.1	2.8	2.6	
Other bonds	4,780	11	4,754	10	5,986	12	5,986	12	-4.3	4.9	6.6	
Other money-market instruments and deposits	2,380	5	2,180	5	1,079	2	44	0	0.0	0.7	0.4	
Equity investments	19,088	42	18,122	40	22,486	46	22,457	46	-8.4	12.5	22.8	
Listed equities	13,656	30	12,690	28	17,252	35	17,223	35	-9.7	15.3	25.4	19.4
Private equity	5,150	11	5,150	11	4,945	10	4,945	10	-5.1	4.5	15.1	
Unlisted equities	282	1	282	1	289	1	289	1	-2.3	-0.2	16.9	
Real estate investments	4,619	10	4,619	10	4,413	9	4,413	9	1.6	1.9	4.1	
Direct real estates	2,822	6	2,822	6	2,792	6	2,792	6	1.8	2.0	3.9	
Real estate funds	1,796	4	1,796	4	1,622	3	1,622	3	1.2	1.6	4.7	
Other investments	8,841	20	8,841	20	8,853	18	9,548	20	-8.9	2.9	4.5	
Hedge funds	8,835	20	8,835	20	8,857	18	8,857	18	-7.9	3.1	5.0	9.8
Commodities												
Other investments	5	0	5	0	-5	0	691	1				
Total investments	45,279	100	44,360	98	48,709	100	49,471	102	-5.7	6.9	12.0	8.7
Impact of derivatives			919	2			-762	-2				
Investment allocation at fair value	45,279	100	45,279	100	48,709	100	48,709	100				

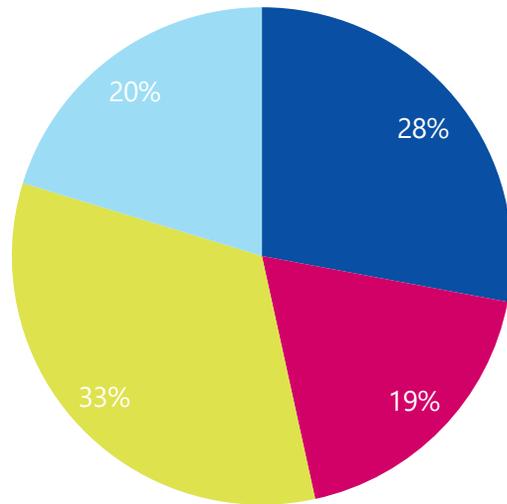
The modified duration for all the bonds is 4.0.

The open currency position is 24.4% of the market value of the investments.

¹ Includes accrued interest

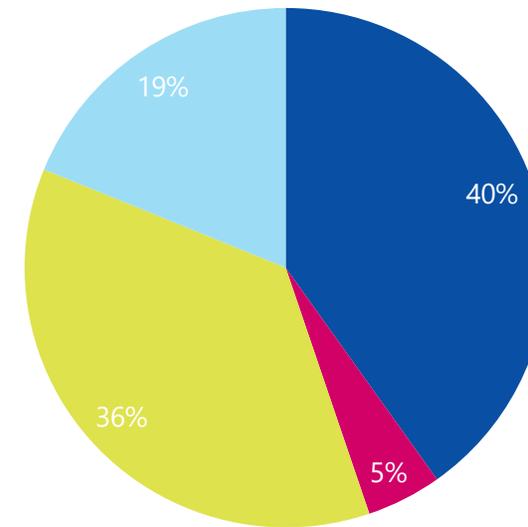
Geographical distribution of investments

Investments



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

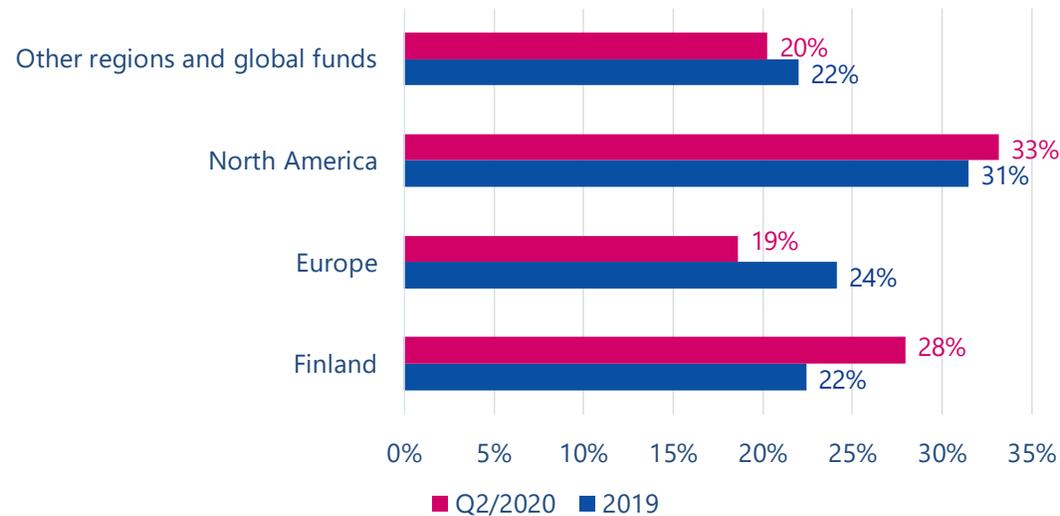
Listed equities



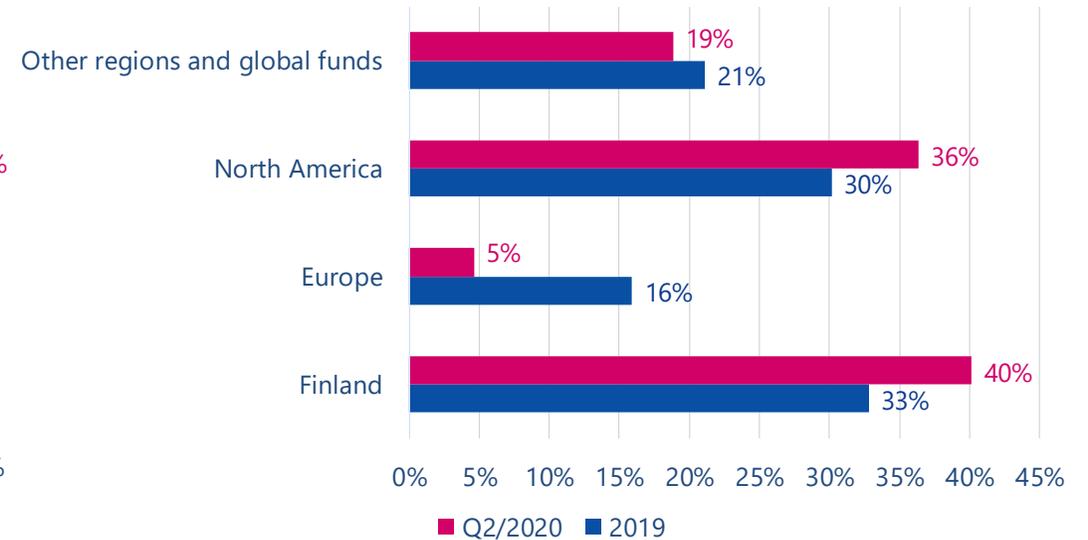
■ Finland ■ Europe ■ North America ■ Other regions and global funds

Changes in the geographical distribution of investments

Investments

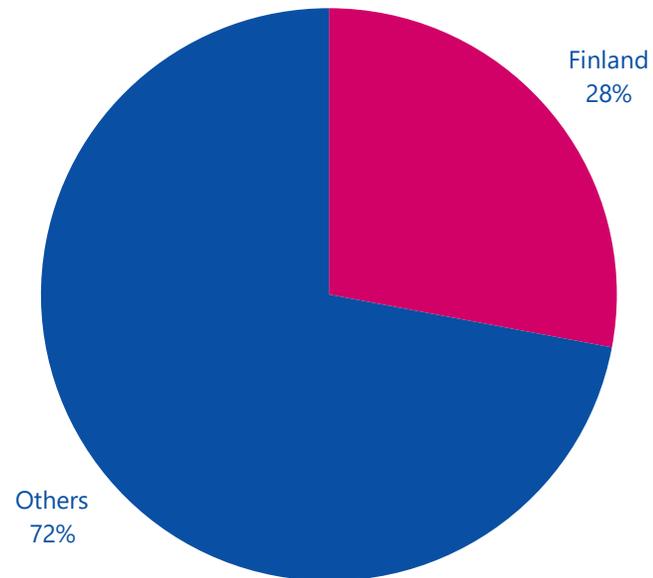


Listed equities

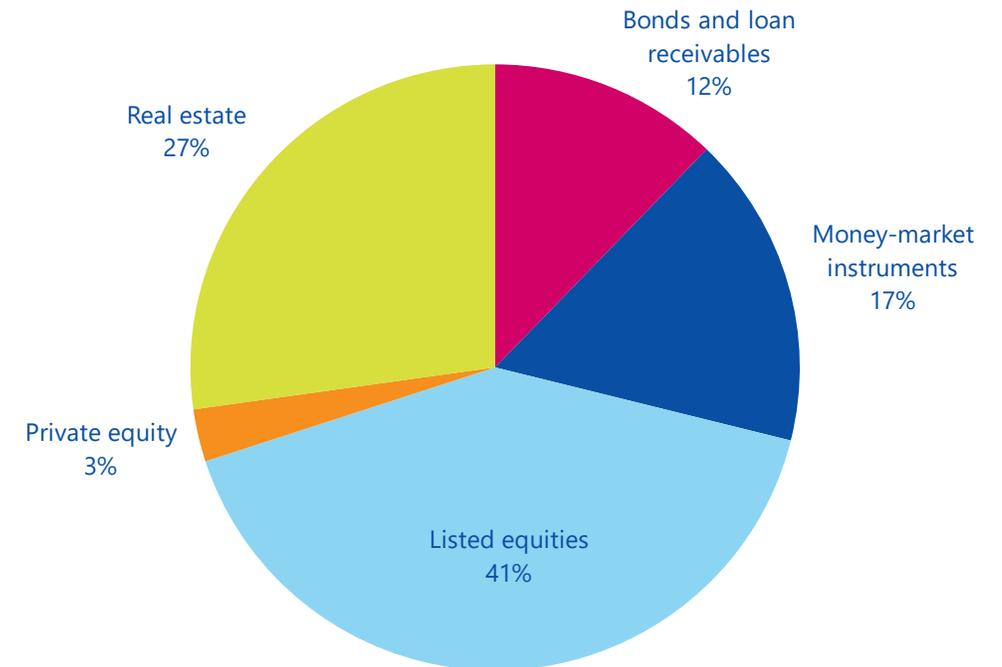


Investments in Finland 28%, €12.4 billion

Investments in Finland



Distribution of Finnish investments



Investment returns for Varma and the markets

%	Varma	Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
6/2020	-5.7	-3.7	-12.1	-3.1	2.0	-1.2
2019	12.0	20.4	26.8	31.5	6.7	6.3
2018	-2.0	-3.9	-10.8	-4.4	1.0	-1.3
Average nominal return						
5 years	3.1	7.8	1.6	10.7	3.2	2.3
10 years	4.9	9.8	7.0	14.0	4.2	3.6
Since 1999 *	5.1	8.2	3.9	6.4	4.5	4.0
Average real return						
5 years	2.5	7.2	0.9	10.0	2.5	1.7
10 years	3.7	8.5	5.7	12.7	3.0	2.4
Since 1999 *	3.6	6.6	2.4	4.9	3.0	2.5

* 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

Key figures

	1-6/2020	1-6/2019	1-12/2019
Premiums written, € million	2,581	2,633	5,286
Net investment income at fair value, € million	-2,766	3,027	5,241
Return on invested capital, %	-5.7	6.9	12.0
	6/2020	6/2019	12/2019
Technical provisions, € million	37,895	37,617	38,608
Solvency capital, € million	8,818	10,992	11,646
in relation to solvency limit	1.7	1.9	1.8
Pension assets, € million	46,354	47,395	49,445
% of technical provisions	123.5	130.2	130.8
TyEL payroll, € million	20,877	21,108	21,084
YEL payroll, € million	809	810	812

¹⁾ Laskettuna kunakin ajankohtana voimassa olleiden säädösten mukaisesti (vastaava periaate koskee myös muita vakavaraisuustunnuslukuja)

²⁾ STM asetuksen (614/2008) 11 §:n 10 kohdan mukainen vastuuvetäjä + vakavaraisuuspääoma.

³⁾ Arvio vakuutettujen koko vuoden palkka- ja työtulosummasta

A woman with blonde hair in a braid, wearing glasses and a blue shirt, is smiling and presenting to a man whose back is to the camera. They are in a meeting room with a whiteboard. The whiteboard has some handwritten text in Finnish: "SSit" and "vs. vapaa-aika". There are three markers and a corkboard on the whiteboard.

Insurance and pensions



Insured employees and
entrepreneurs

538,000

Pensioners

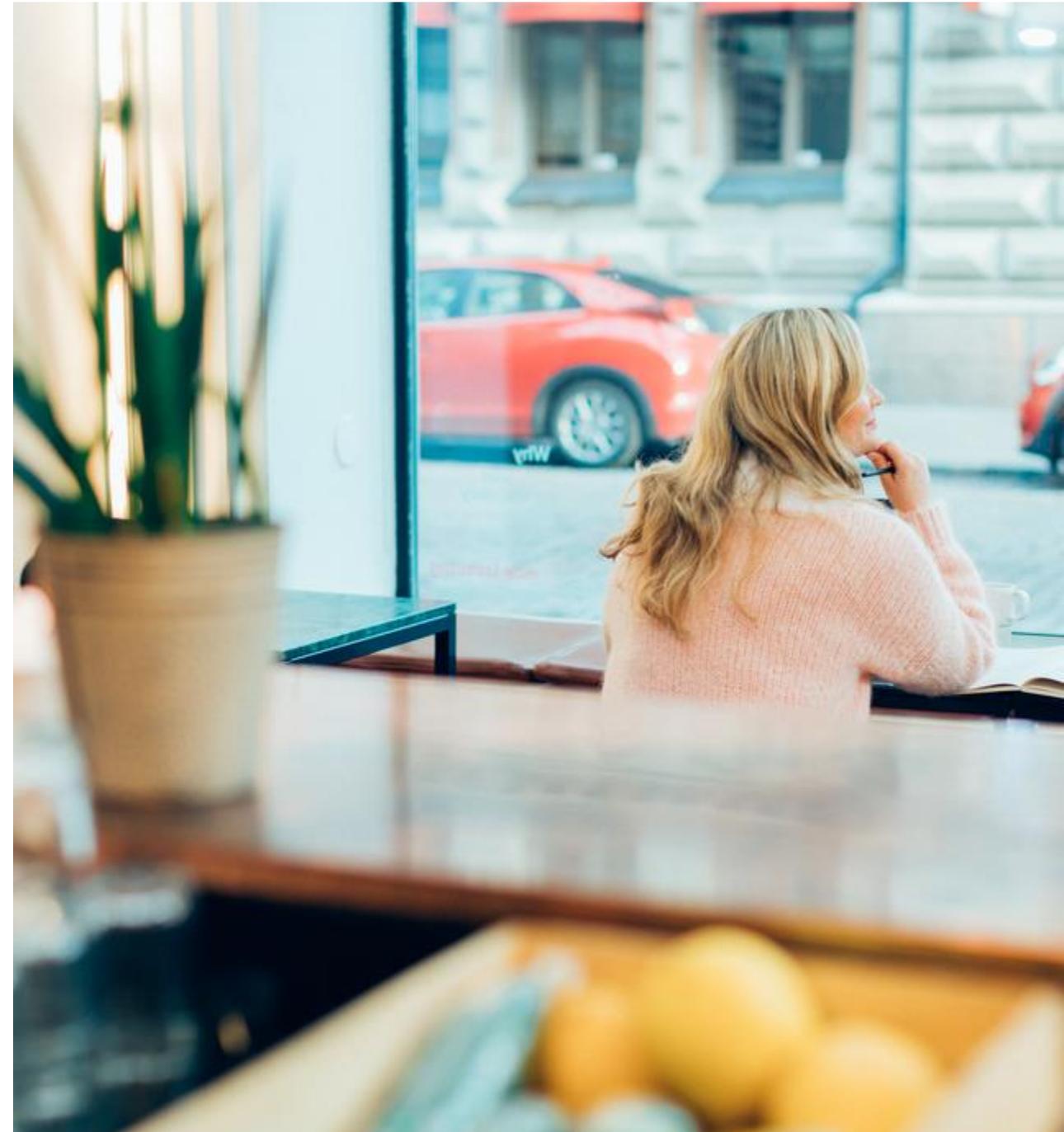
344,000

Pensions paid

€3.0 bn

Current issues in insurance matters

- Varma gained a total of EUR 56 (65) million in premiums written in the first half of the year.
- The coronavirus period significantly increased the number of customer inquiries related to insurance contributions, and Varma amended its insurance terms to offer the possibility of an extended payment term of 3 months with 2% interest for contributions falling due between 20 March and 30 June.
- More than 10% of TyEL policyholders and 14% of YEL entrepreneurs postponed their payments. The payment due dates of approximately 7,000 customers in total were postponed.
- The TyEL insurance contribution percentage was reduced through legislation by 2.6 percentage points from 1 May–31 December 2020, over which period the accumulation of client bonuses is also prohibited. The impact of the reduction will be compensated entirely by increasing the share of earnings-related pension contributions paid by employers in 2022–2025.



Companies' situation improved after May

- The TyEL payroll sums of Varma's client companies and the amount of YEL confirmed income decreased in the second quarter of 2020 compared to the previous year.
- The greatest decrease was in May, after which the situation improved and payroll sums began to increase.
- Payrolls or YEL confirmed income decreased especially among hotel and restaurant operators and companies operating in the cultural and entertainment sectors.



New tools for our customers for managing the work-ability risk



First publication providing information on work ability

“Work ability and the transformation of work – perspectives and tools to support work-ability management”, published in June, is a collection of research information related to work ability and disability. It also offers specialists new practical tools for promoting work ability.



New survey tools for charting work ability and risk factors

With the revamped Know the Work Ability Cycle surveys, our client companies can broadly chart their personnel’s experiences of key factors related to work ability. The surveys offer information on e.g., work resource and stress factors.



Tools for making use of data in managing the disability risk

As of March, Varma’s corporate customers can also take advantage of close to real-time visibility into recurring risk factors in disability and rehabilitation applications, as well as background information pertaining to applications.

Current issues in pension matters

- COVID-19 did not affect the processing of pension applications, i.e. decisions were issued as usual. Pension application processing improved compared to the previous year.
- The share of electronic pension applications grew significantly in the first half of the year. 58% of applications were sent online, i.e. 8% more compared to the end of last year.
- New pension decisions made at Varma by the end of June totalled 11,534 (11,061), which is roughly 4% more than in the corresponding period last year.



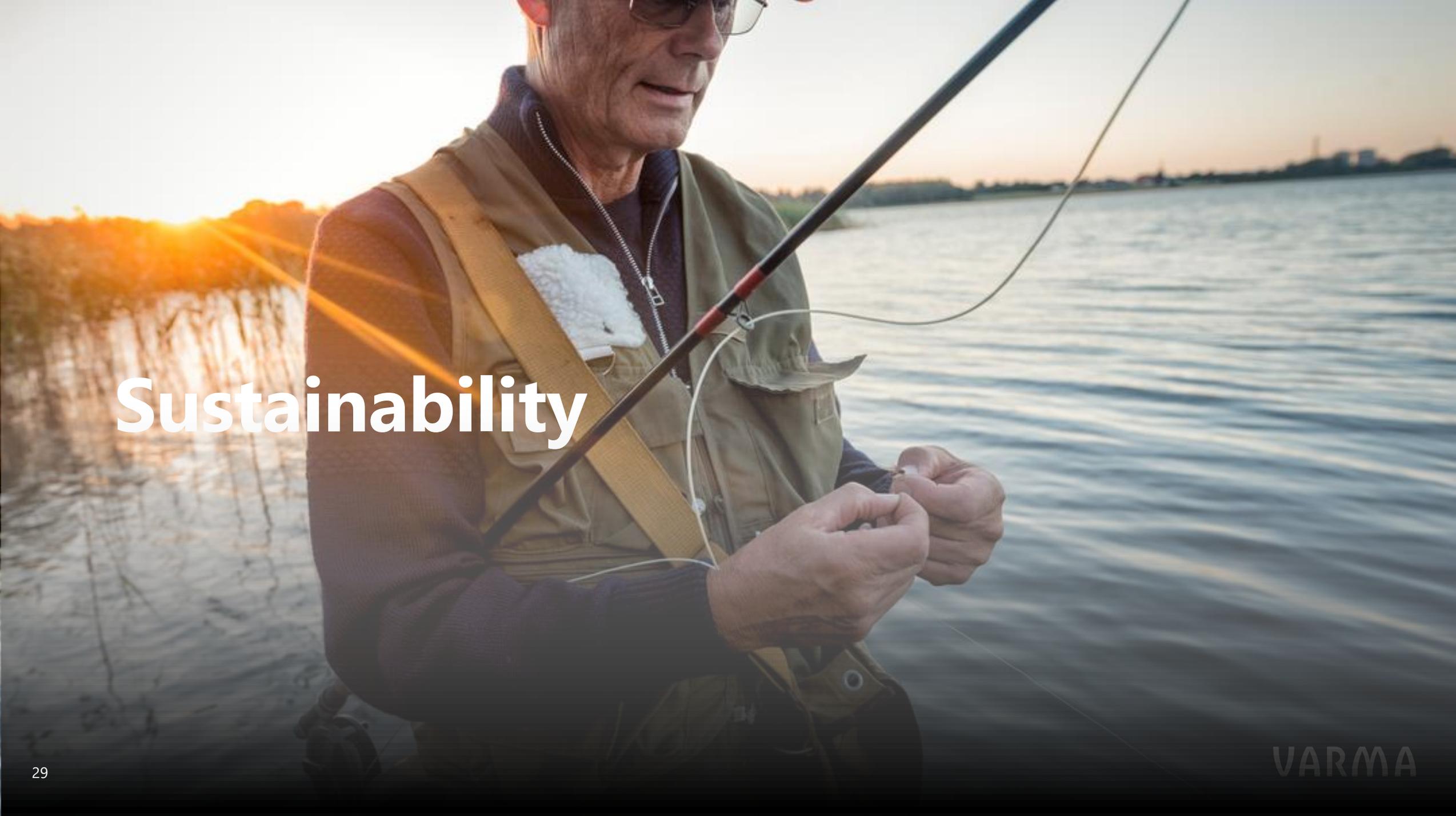
Survey: Coronavirus increased interest in pension matters

In an online survey sent to a panel of our private customers between 18 and 27 May, we asked how they view their situation during the pandemic and what their thoughts are on the future. The number of respondents was 228.

32% said that they or their friends and family have been more interested in pension matters since the pandemic. Entrepreneurs and those outside of working life showed the most interest. The majority (88%) of respondents said that the exceptional situation caused by the pandemic has not affected their retirement plans.



VARMA

A man wearing a fishing vest and glasses is shown in profile, focused on adjusting a fishing line. He is on a boat or pier overlooking a large body of water. The background features a sunset with a bright sun low on the horizon, creating a warm, golden glow and lens flare effects. The water is calm with gentle ripples. The overall mood is peaceful and serene.

Sustainability



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

Current issues in sustainability

- Varma joined the global real estate and construction industry initiative Net Zero Carbon Buildings Commitment, which advocates for carbon-neutral buildings. Varma's goal is to switch to fossil-free energy consumption in the properties it owns by 2030.
- Varma joined a group of investors calling on pharmaceutical companies to develop a coronavirus vaccine and to work together in the fight against COVID-19. The initiative also stresses fair and equitable access to medications and vaccines.
- Varma has begun to chart the implementation of human rights within the company, its investments and supply chains. The objective is, among other things, to update the monitoring processes related to human rights.



VARMA

VARMA