



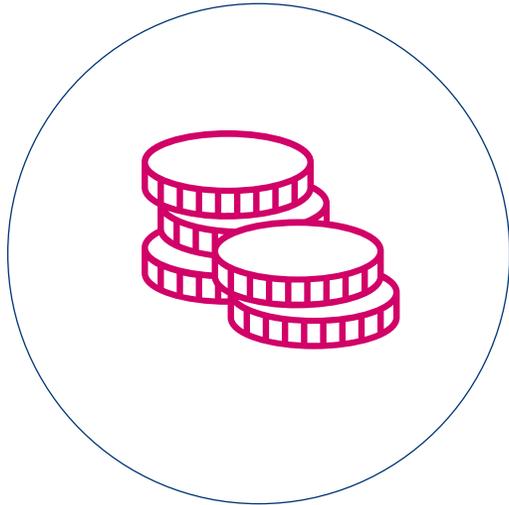
**Varma's half-year result**  
**1 January–30 June 2021**

---

**VARMA**

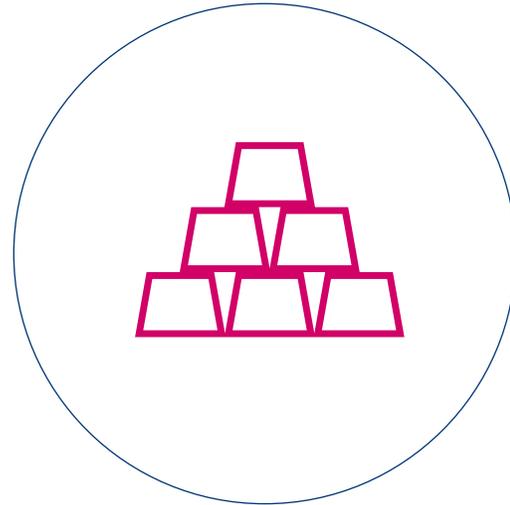
# Key figures 1-6/2021

---



Return on  
investments

**10.4%**



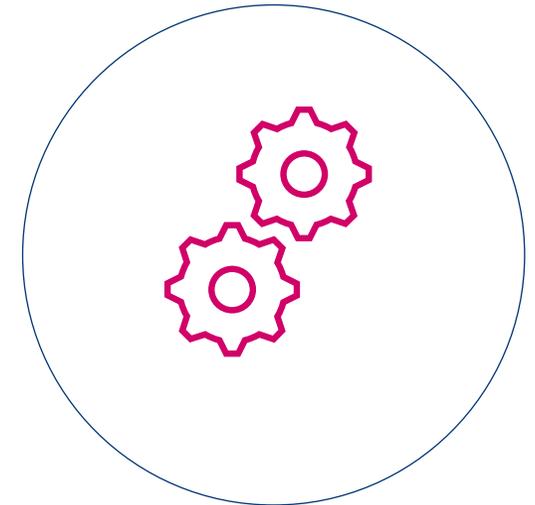
Value of  
investments

**€55.0 bn**



Solvency

**€14.7 bn**



Efficiency

**65%**

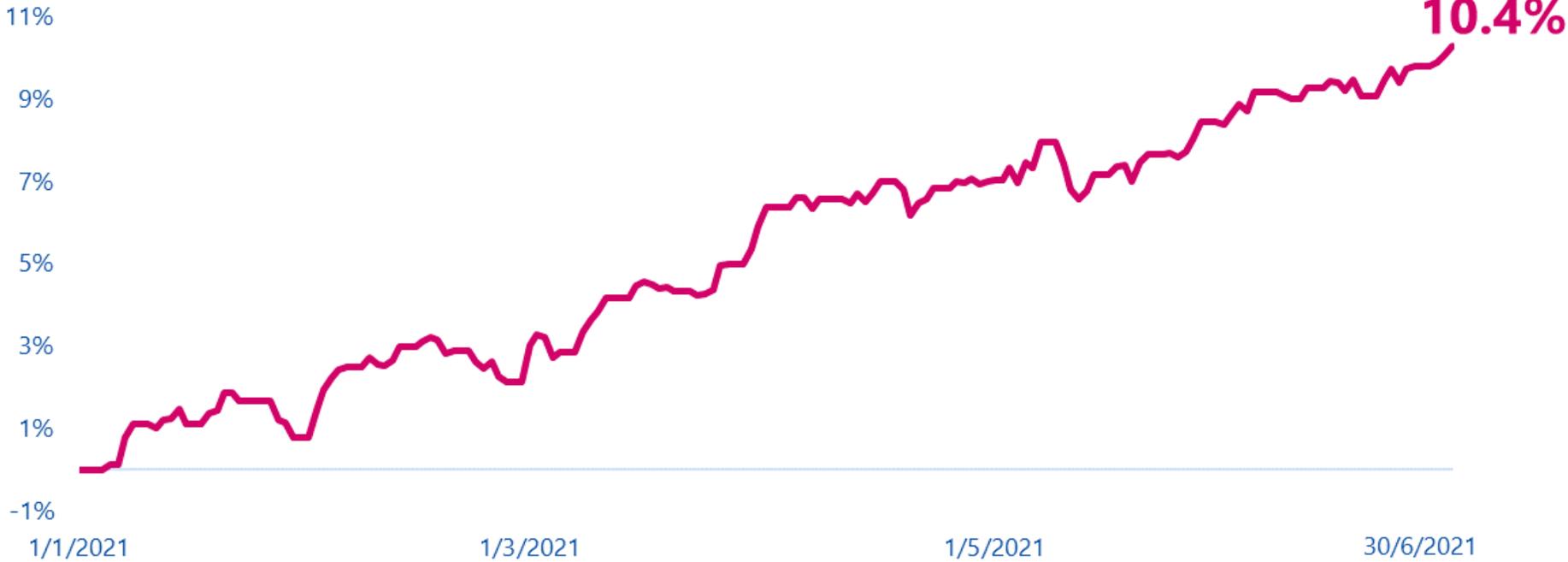
# Development of investment returns and solvency

	<b>1-6/2021</b>	<b>1-3/2021</b>	<b>12 months</b>	<b>1-6/2020</b>
Investment return (MWR)	10.4%	6.0%	20.4%	-5.7%

	<b>6/2021</b>	<b>3/2021</b>	<b>12/2020</b>	<b>6/2020</b>
Solvency capital (€ mill.)	14,664	13,462	11,517	8,818
Solvency capital / solvency limit	1.8	1.7	1.7	1.7
Solvency ratio (%)	135.6	133.5	129.3	123.5
Investments at fair value (€ mill.)	55,033	52,923	50,157	45,279

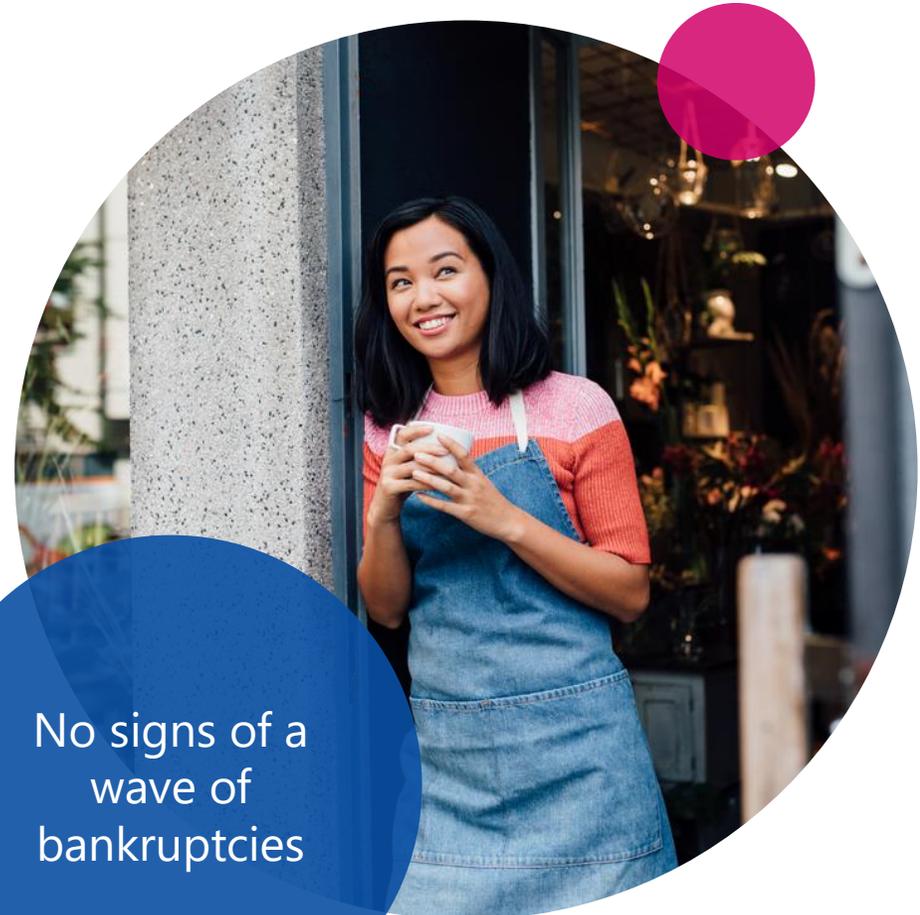
# Varma's investment period January–June 2021



# Customers' financial situation has improved

---

- The financial situation of Varma's customers appears to be better now than it was last year in terms of client companies' payroll development and customers' payment challenges.
- Varma's customers had fewer payment reminders, overdue payment plans and bankruptcies this year compared to last year.
- If the restriction situation continues as it is now, most companies will probably be able to settle the payments they accrued during the pandemic.



No signs of a wave of bankruptcies

# The pandemic's impacts on customers and Varma



## **Client companies' TyEL payroll has already surpassed the pre-pandemic level**

The improved situation among Varma's customers is reflected, for instance, in the growth in the TyEL payroll of client companies. The payroll has already exceeded the pre-pandemic level by nearly 6 per cent. The number of new YEL insurance policies also grew compared to last year.



## **Fewer disability pension applications and a decline in mental-health-based applications**

The number of disability pension applications arriving at Varma decreased in January–June. Disability pension applications on mental health grounds decreased by nearly 13 per cent compared to the same period last year.



## **In the first half of the year, Varma processed 12 coronavirus-related disability pension applications**

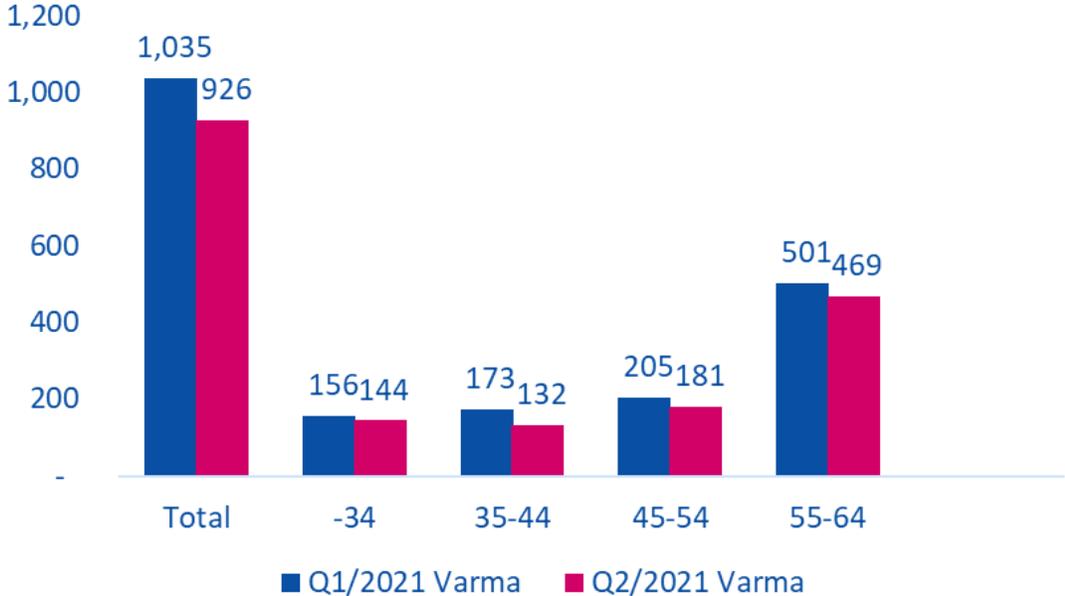
In the first half of the year, Varma processed 12 disability pension applications in which the long-term effects of the coronavirus were indicated as the main reason for disability. Of these, one applicant was granted permanent disability pension and six were granted the fixed-term cash rehabilitation benefit.



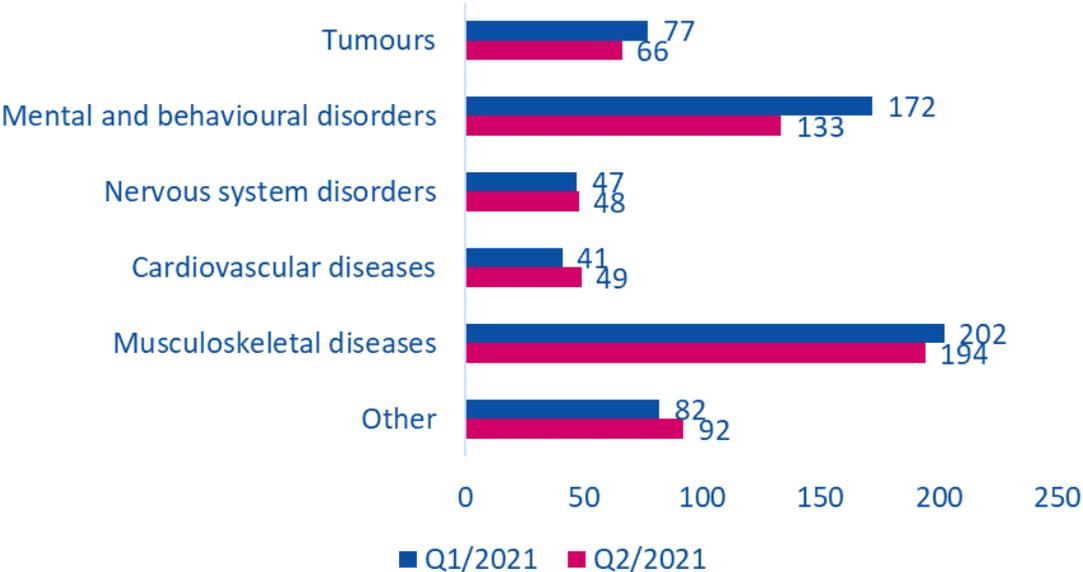
# Disability risk management

# The number of disability pension applications decreased – mental health problems as the reason for disability fell by nearly 13 per cent in January–June

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



Reasons behind new disability pension decisions



In the first half of the year, Varma processed 12 disability pension applications in which the long-term effects of the coronavirus were indicated as the main reason for disability. Of these, one applicant was granted permanent disability pension and six were granted the fixed-term cash rehabilitation benefit.



# Insurance and pensions

---

VARMA



**Insured employees and  
entrepreneurs**

**575,000**



**Pensioners**

**348,000**



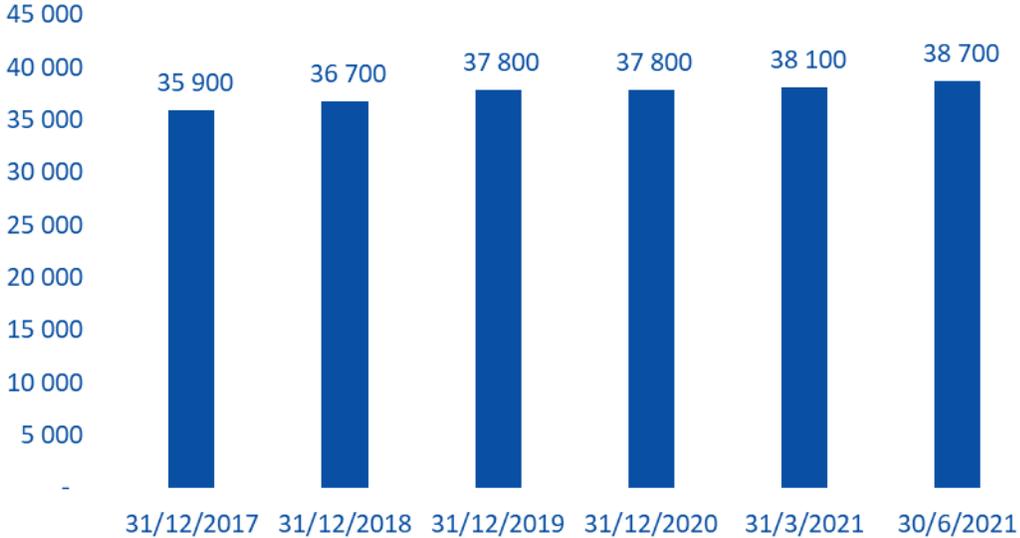
**Pensions and other  
compensations paid**

**€2.9 bn**

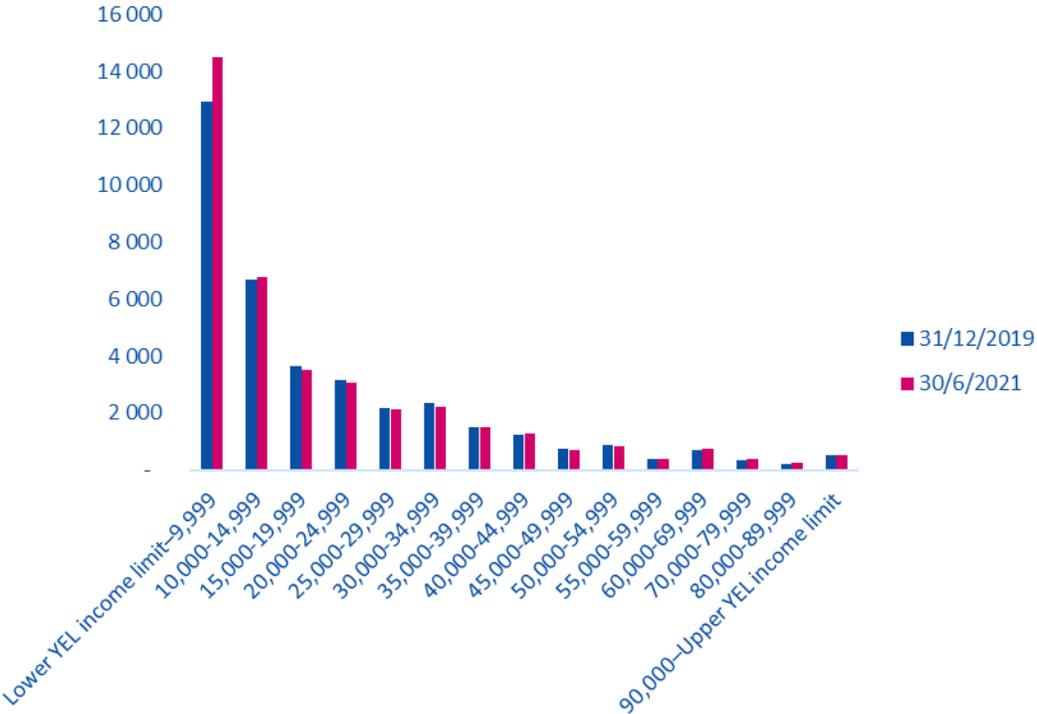


# Roughly 900 new pension policies for the self-employed in the first half of the year

Number of YEL insurance policies

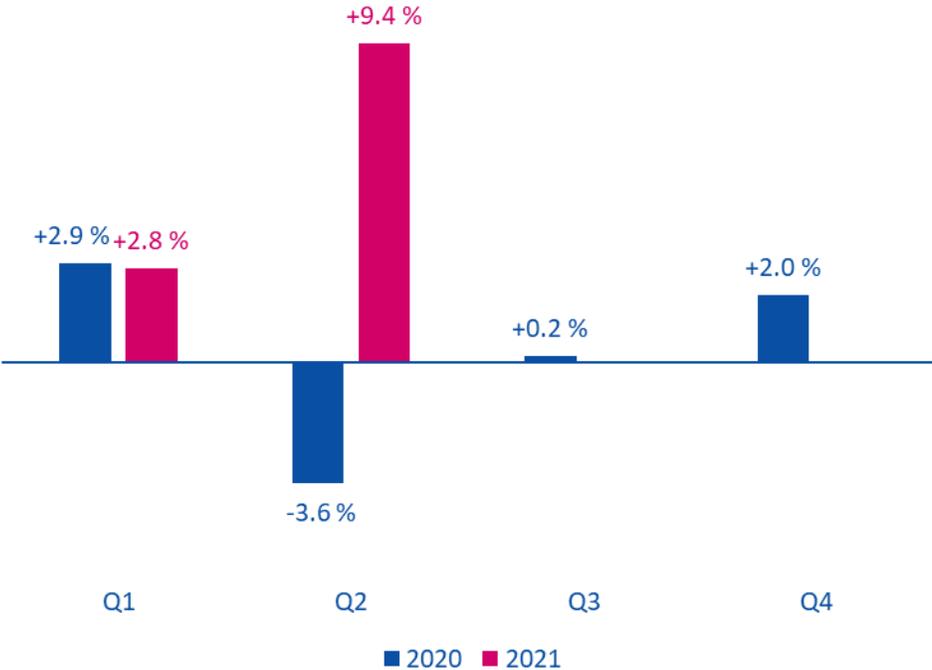


YEL confirmed income



# 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 TyEL payroll of Varma’s client companies grew 9.4 per cent in the second quarter of 2021 compared to the same period last year, when the coronavirus-related restrictions were at their most stringent. The payroll grew 5.7 per cent in January–June compared to the pre-pandemic level.

## Approximately EUR 61 million of the pension liabilities of the transport services sector's pension fund were transferred to Varma

---

- The pension liabilities of the bankrupt pension fund Viabek were transferred to earnings-related pension companies on 30 June 2021. As part of the arrangement, approximately EUR 61 million in liabilities transferred to Varma.
- The management of Viabek's current earnings-related pensions and pension benefits earned by employees and entrepreneurs, as well as most of Viabek's assets, was transferred to four earnings-related pension companies.
- Varma contributed EUR 23 million to help cover the shortfall in Viabek's pension assets.



In the first half of the year, Varma gained a total of **EUR 31 million** in new premiums written.

# Current pension issues

---

- By the end of June, the number of new pension decisions amounted to 11,419, which is one per cent less than in the corresponding period last year.
- Pensions are processed an average of four days faster compared to last year. The most progress has been made in disability pensions, with a decision being issued within an average of one month.
- Use of Varma's electronic service by customers increased by four percentage points in January–June since the end of last year.
- Varma's revamped website and online service were launched at the start of summer.



The intended retirement age has risen by approx. two years in one decade. Many wage-earners plan to continue working past their earliest possible retirement age.

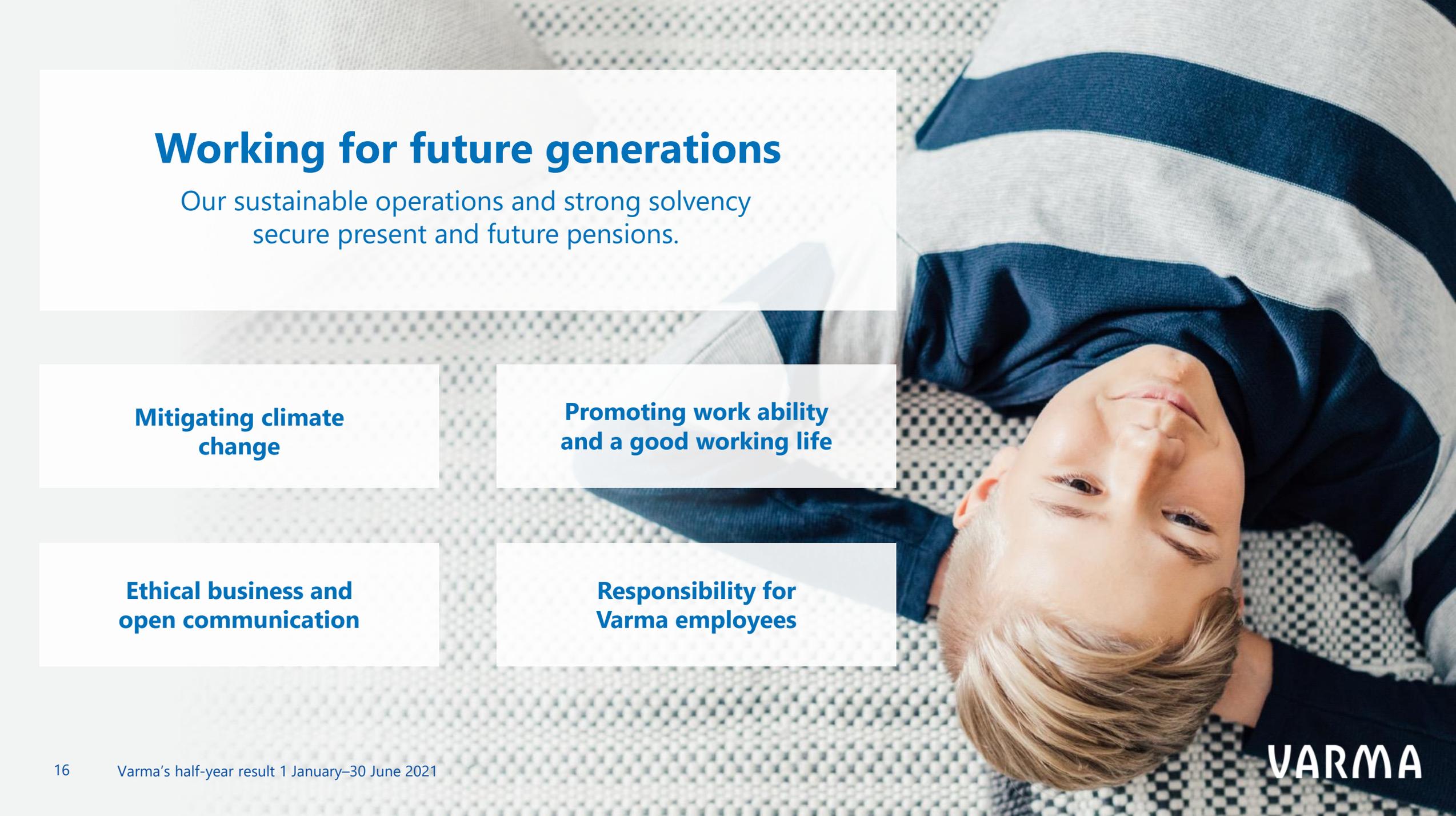
(Source: Study by the Finnish Centre for Pensions in 2021)



**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**

# Latest news in climate change mitigation

---

## EUR 430 million invested to mitigate climate change

Varma continued to build a carbon-neutral investment portfolio as well as its work to mitigate climate change by investing a total of EUR 430 million in two international sustainable ETFs.

## Investor statement on the climate crisis

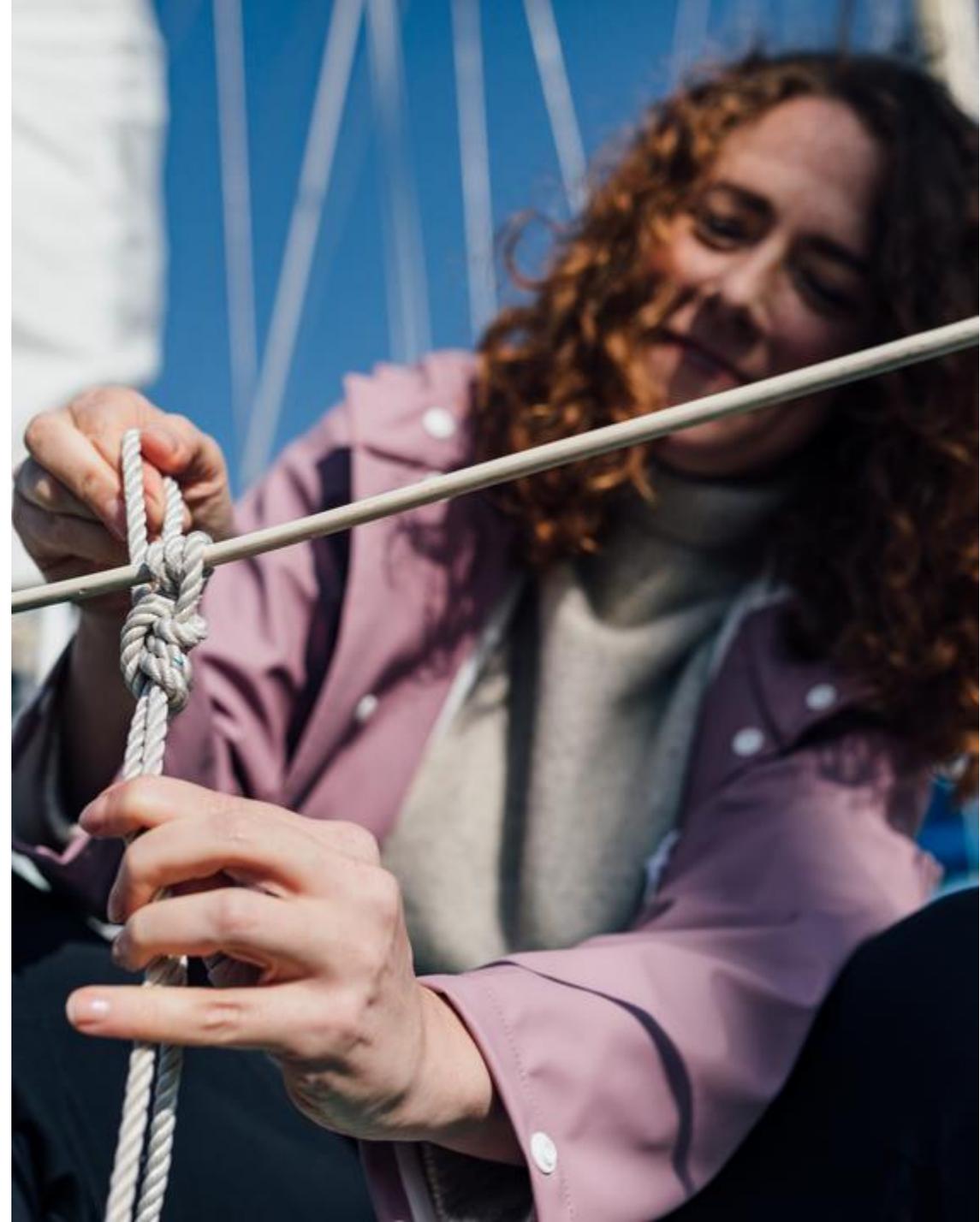
Varma signed the 2021 Global Investor Statement to Governments on the Climate Crisis, which aims to promote investments, for example, in clean technologies and environmentally friendly infrastructure.



# Other sustainability news

---

- Varma launched a series of targeted sustainability webinars aimed at its client companies. The webinars addressed, e.g., how companies can responsibly transition to the post-pandemic period.
- Varma prepared for day-to-day life after the exceptional period by building operating models that support a sense of community and a joint framework based on flexible work principles.
- Varma was once again an official partner of Helsinki Pride in 2021. The key aspects of Varma's Pride work are developing equal practices in working life and sparking discussion.



A close-up photograph of a wheat field. The wheat stalks are golden-brown and have long, thin awns. The background is a clear, bright blue sky. The text is overlaid on the lower-left portion of the image.

**Best half-year investment result in  
Varma's history**

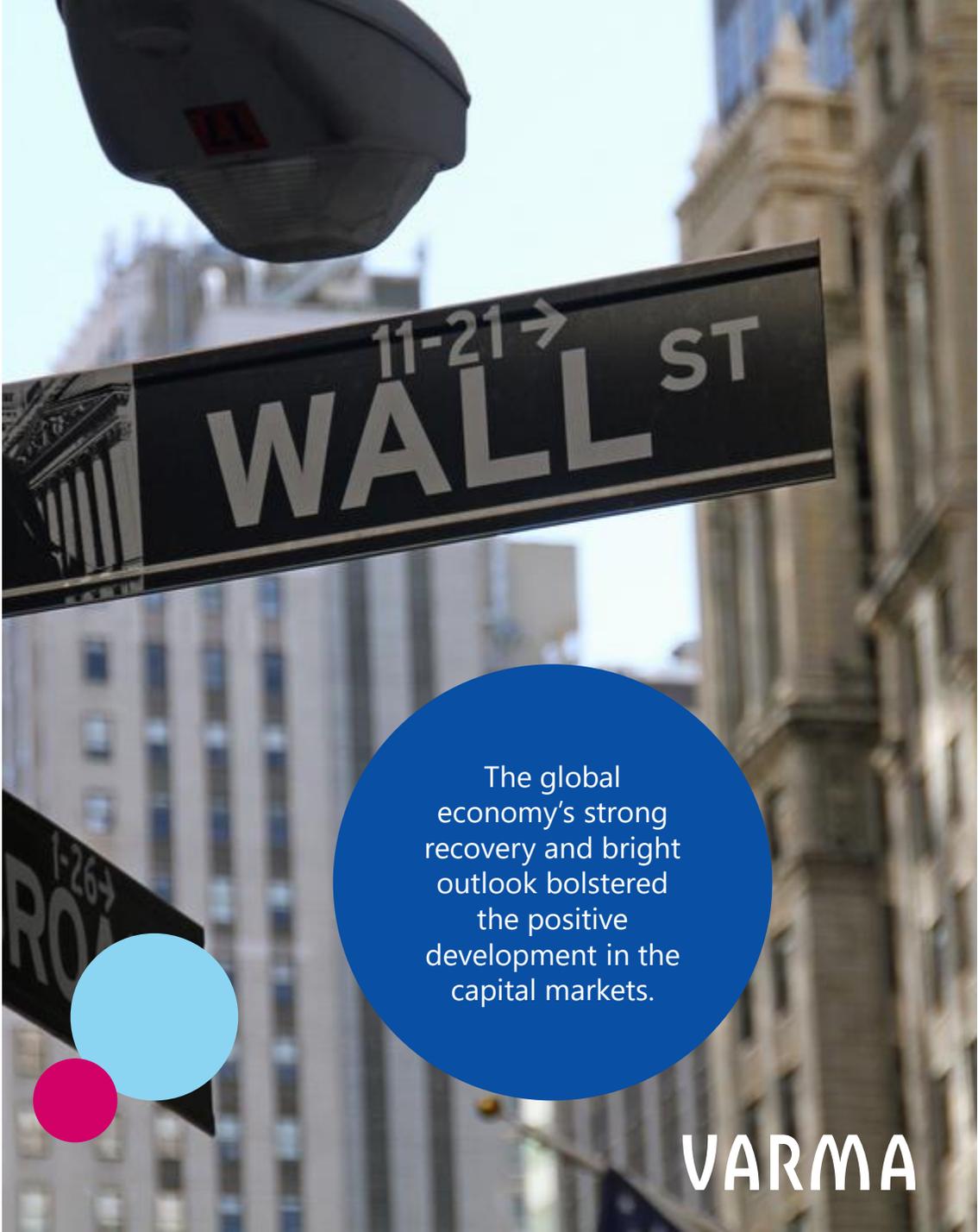
---

**VARMA**

# Outlook for the economy and the investment markets

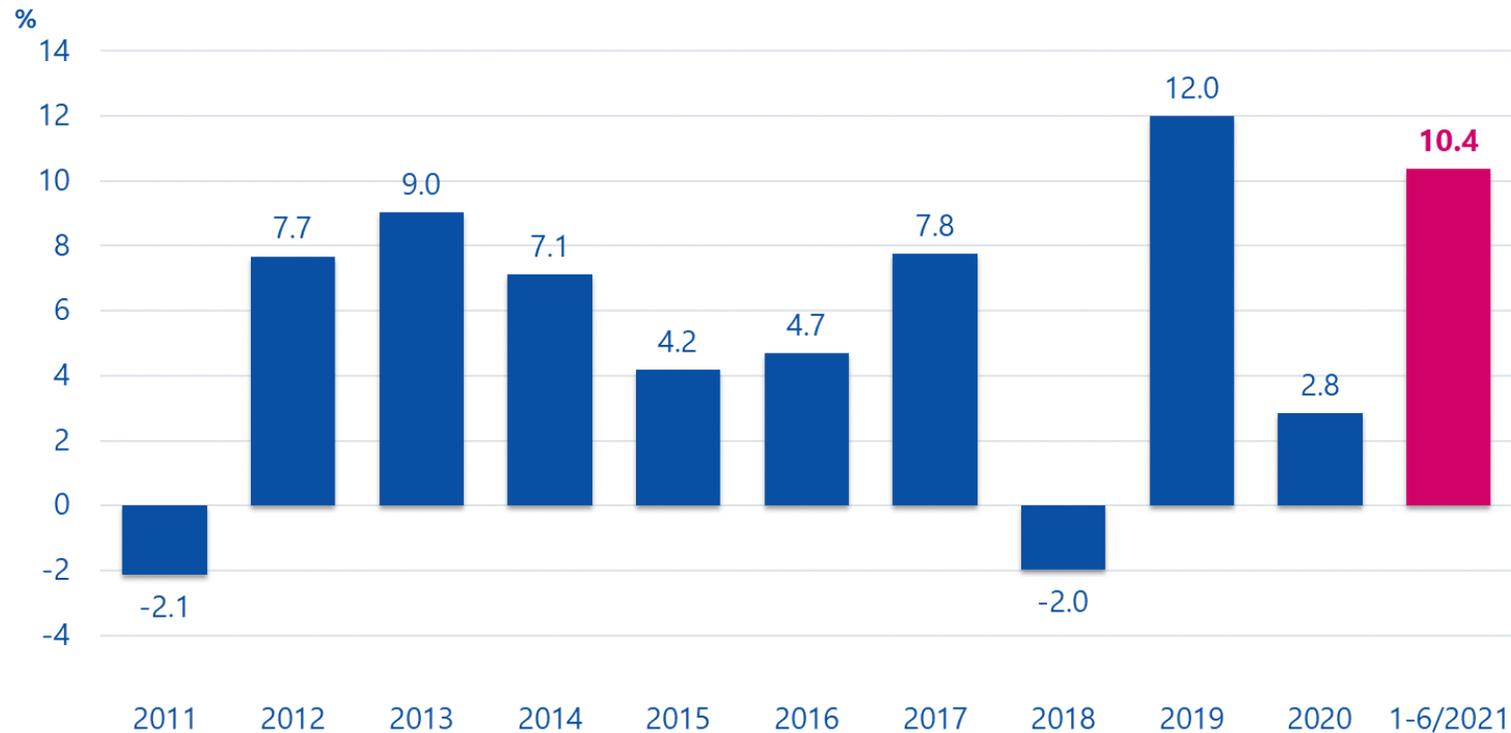
---

- The rapid progress in coronavirus vaccinations in the major developed economies strengthened expectations of brisk economic growth, and the massive monetary and financial policy stimulus supported the investment markets.
- Finland's economy has coped well with the Covid-19 crisis. The spread of the delta variant of the virus is likely to slow the opening up of the service sector somewhat, but fortunately it will not change the underlying economic picture. The outlook right now is exceptionally strong.
- US equities broke records the entire first half of 2021 and continued to do so in July, despite the spread of the delta variant of Covid-19. Companies' earnings season has not brought disappointment following the market growth.
- In the second half of the year, investors will keep an eye on whether the rise in inflation will come to a halt as expected. If the central banks tighten their monetary policy too quickly, economic growth would be at risk.



The global economy's strong recovery and bright outlook bolstered the positive development in the capital markets.

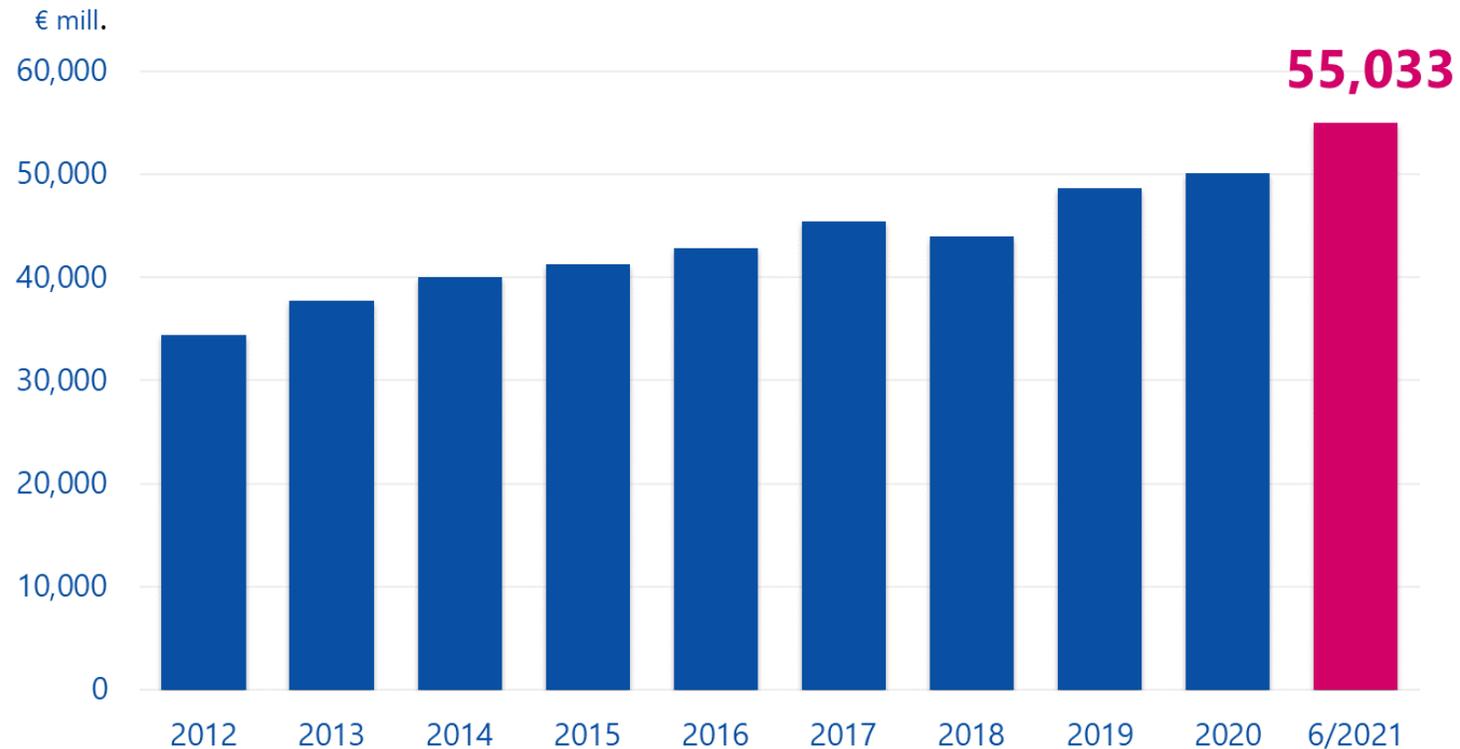
# Return on investments 2011–Q2/2021



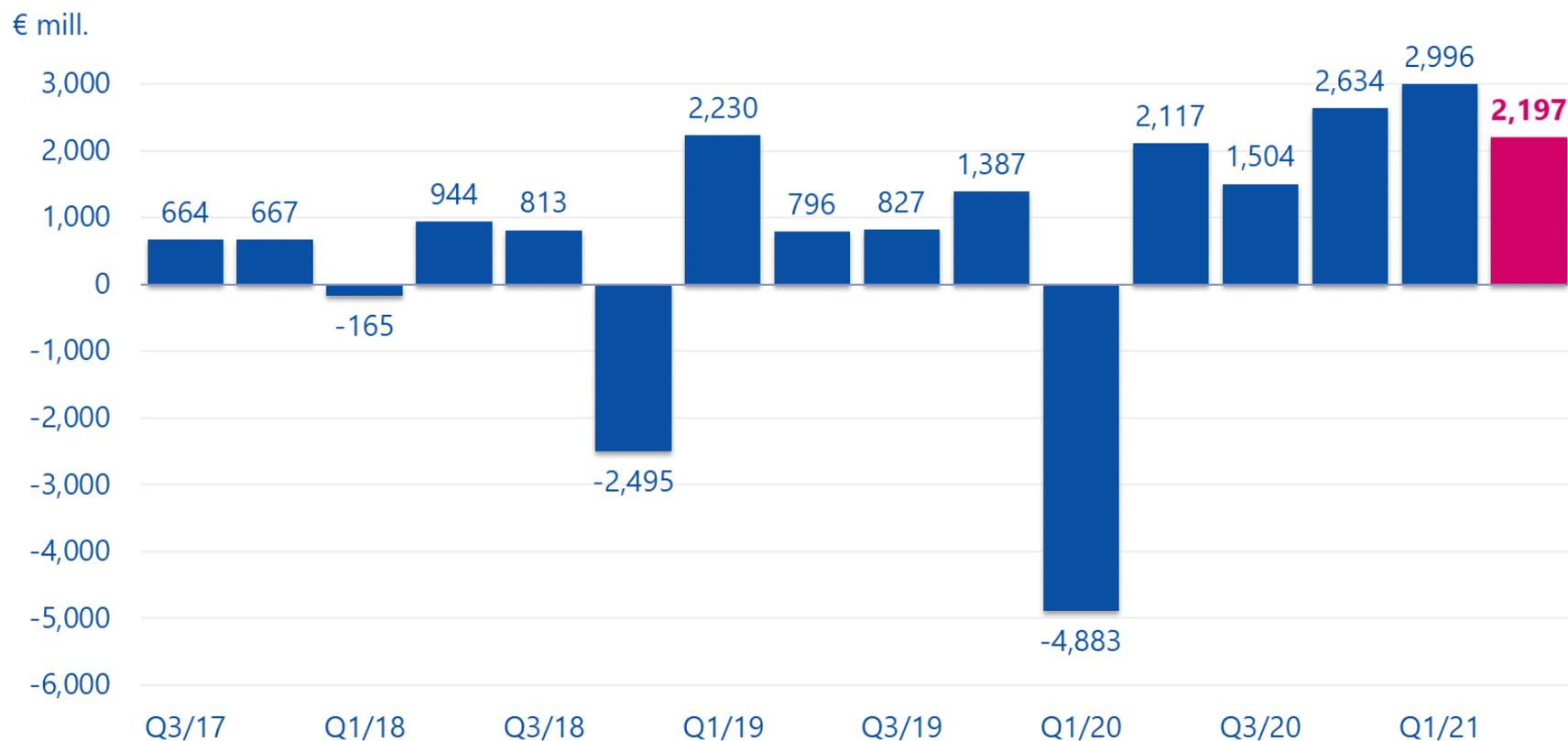
The average nominal return on investments over ten years is approx. 5.9%, calculated in accordance with the recommendations issued by TELA. In 1-6/2020 return on investment was -5.7%.

- The first half of 2021 marked Varma's best half-year investment result in its history.
- The return on investments was **10.4 per cent**, i.e. **EUR 5.2 billion**.
- The value of investments rose to **EUR 55.0 billion**.

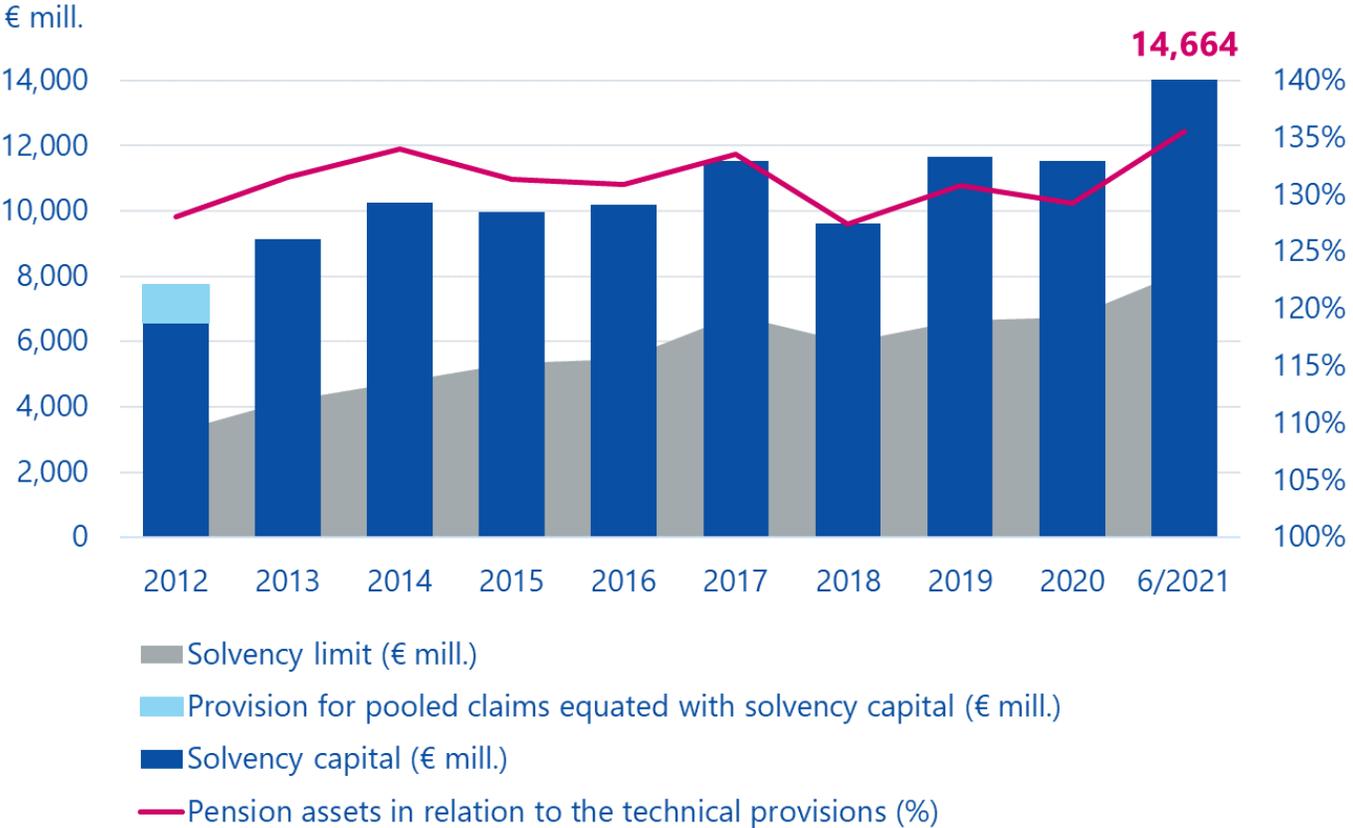
# Market value of investments reached EUR 55 billion



# Return on investments at fair values increased to EUR 5.2 billion at the end of June

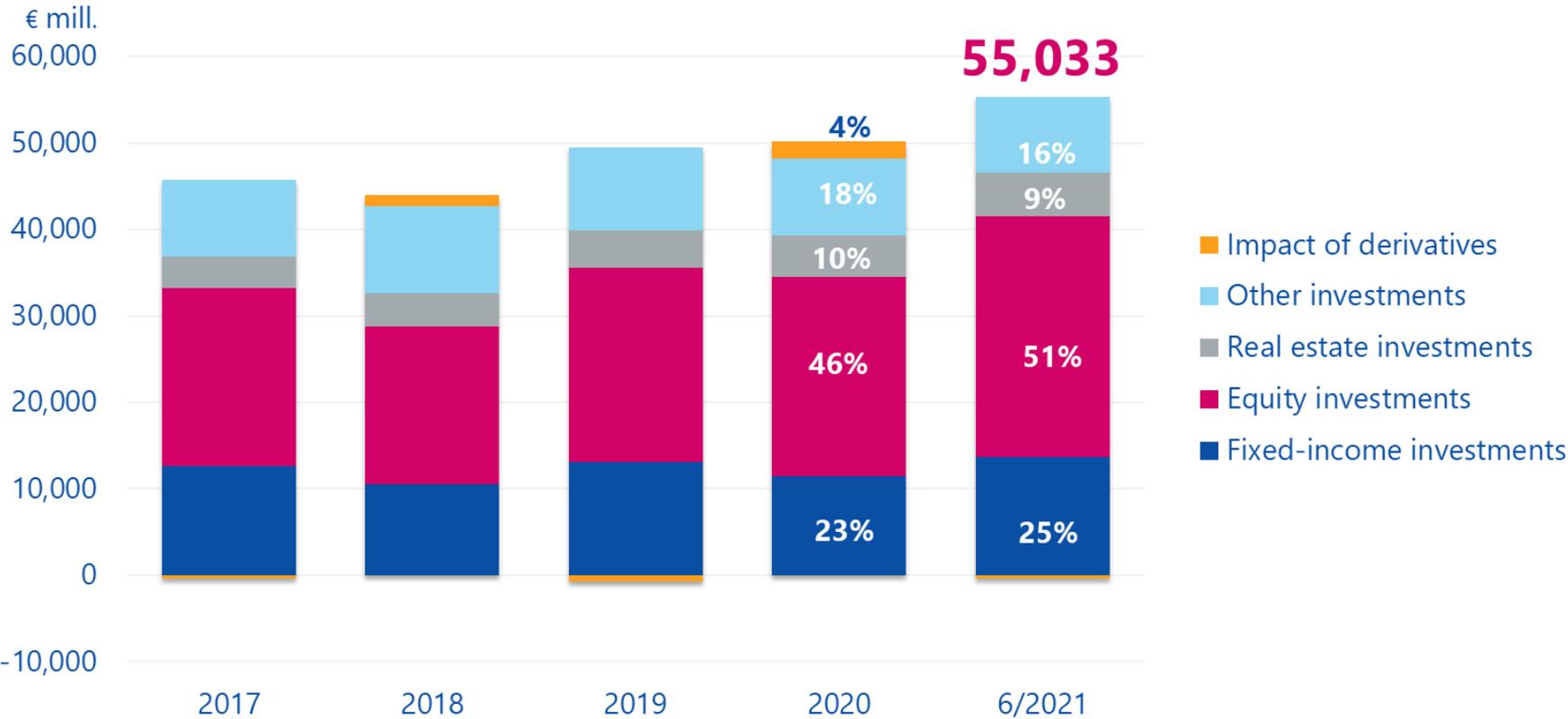


# Varma's solvency reached a new record thanks to strong investment returns



- Varma's solvency capital strengthened by **EUR 3.1 billion to EUR 14.7 billion**, thanks to good investment returns.
- Solvency capital was **1.8 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.

# Investment allocation: The share of equity investments was increased by 4.7 percentage points since the end of last year



# Investments classified according to risk

	30 Jun 2021				31 Dec 2020		01-06/2021	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>13,567</b>	<b>25</b>	<b>13,684</b>	<b>25</b>	<b>11,410</b>	<b>23</b>	<b>0.9</b>	<b>1.9</b>
Loan receivables	2,903	5	2,903	5	2,711	5	1.9	0.5
Bonds	8,482	15	8,800	16	7,459	15	0.8	3.0
Public bonds	4,485	8	4,803	9	2,490	5	-1.1	6.1
Other bonds	3,997	7	3,997	7	4,969	10	2.5	1.0
Other money-market instruments and deposits	2,182	4	1,981	4	1,240	2	-0.2	-1.0
<b>Equity investments</b>	<b>27,681</b>	<b>50</b>	<b>27,889</b>	<b>51</b>	<b>23,083</b>	<b>46</b>	<b>18.3</b>	<b>5.9</b>
Listed equities	20,111	37	20,319	37	16,807	34	16.2	5.2
Private equity	7,221	13	7,221	13	5,958	12	25.2	7.8
Unlisted equities	349	1	349	1	318	1	8.1	8.6
<b>Real estate investments</b>	<b>4,981</b>	<b>9</b>	<b>4,981</b>	<b>9</b>	<b>4,828</b>	<b>10</b>	<b>1.9</b>	<b>2.0</b>
Direct real estates	2,868	5	2,868	5	2,875	6	1.3	3.4
Real estate funds	2,113	4	2,113	4	1,953	4	2.8	-0.2
<b>Other investments</b>	<b>8,804</b>	<b>16</b>	<b>8,819</b>	<b>16</b>	<b>8,827</b>	<b>18</b>	<b>7.4</b>	<b>-2.0</b>
Hedge funds	8,805	16	8,805	16	8,818	18	7.5	-1.0
Commodities	0	0	0	0	0	0		
Other investments	0	0	0	0	9	0		
<b>Total investments</b>	<b>55,033</b>	<b>100</b>	<b>55,372</b>	<b>101</b>	<b>48,149</b>	<b>96</b>	<b>10.4</b>	<b>2.8</b>
Impact of derivatives			-339	-1	2,008	4		
<b>Investment allocation at fair value</b>	<b>55,033</b>	<b>100</b>	<b>55,033</b>	<b>100</b>	<b>50,157</b>	<b>100</b>		

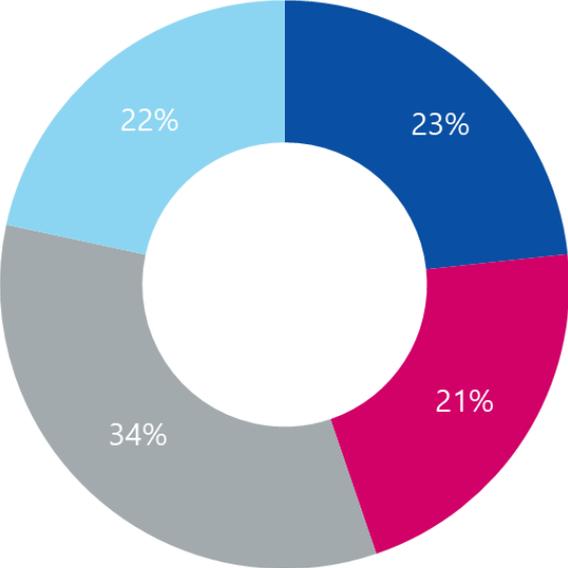
The modified duration for all the bonds is 4.25.

The open currency position is 29.3% of the market value of the investments.

<sup>1</sup> Includes accrued interest

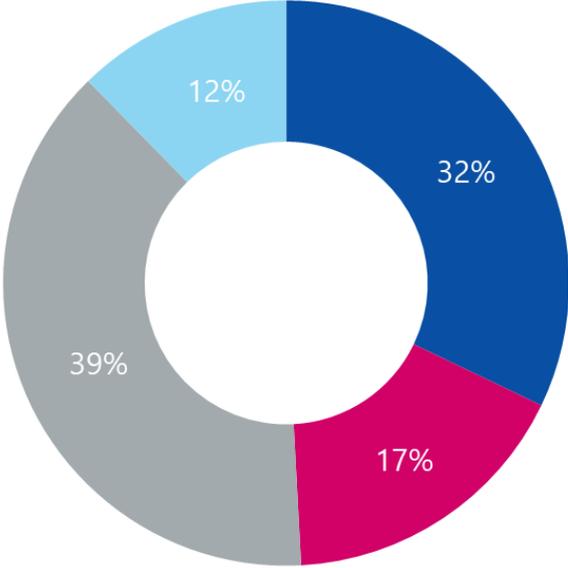
# Geographical distribution of investments

Investments



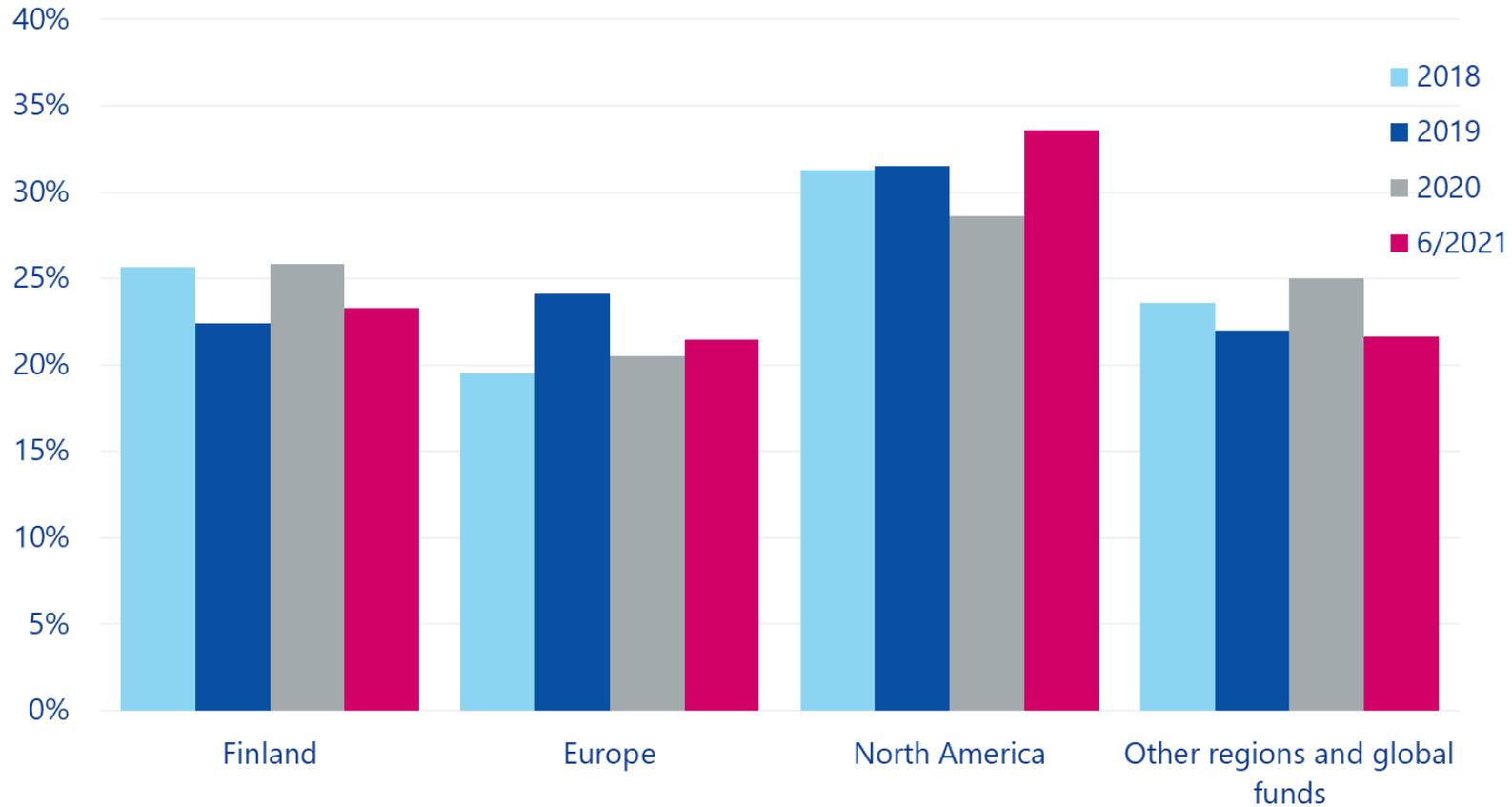
■ Finland ■ Europe ■ North America ■ Other regions and global funds

Listed Equities



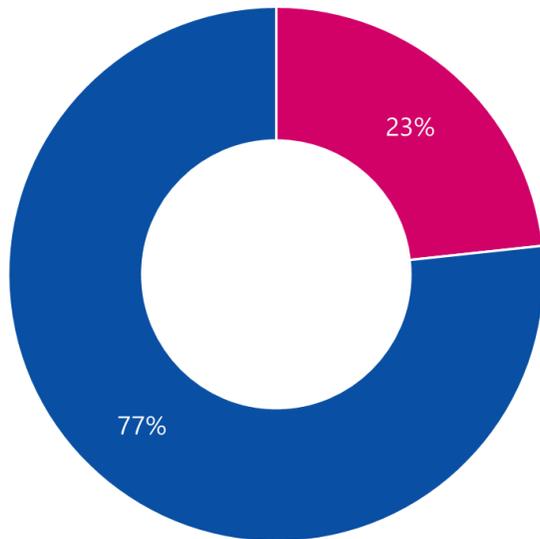
■ Finland ■ Europe ■ North America ■ Other regions and global funds

# Listed equity investments focussed on Finland and North America



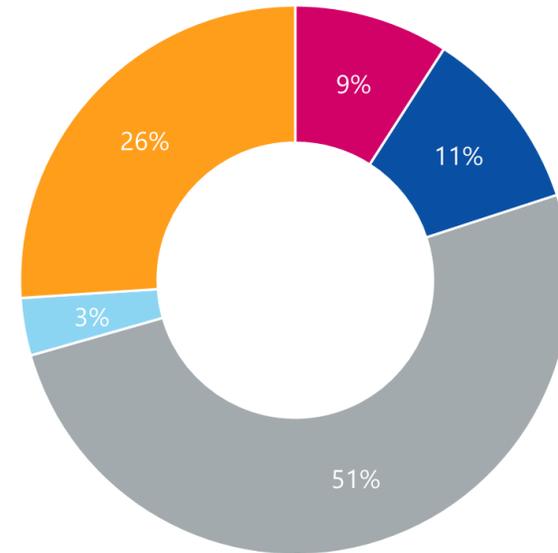
# Investments in Finland 23 per cent, i.e. EUR 12.9 billion

## Investments in Finland



■ Finland ■ Others

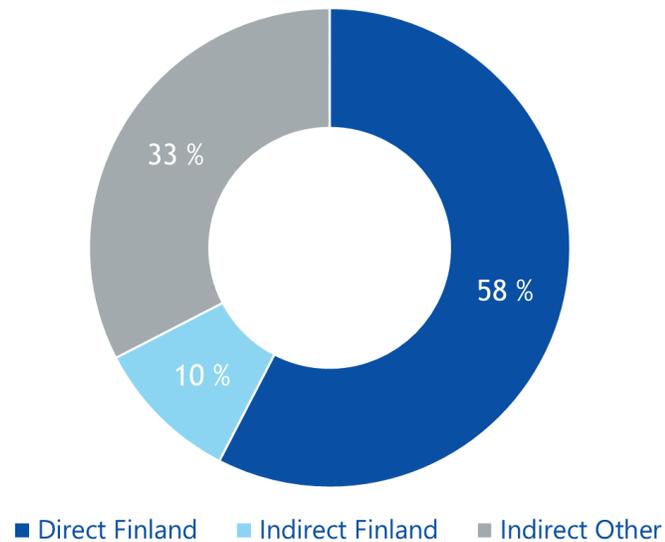
## Distribution of Finnish investments



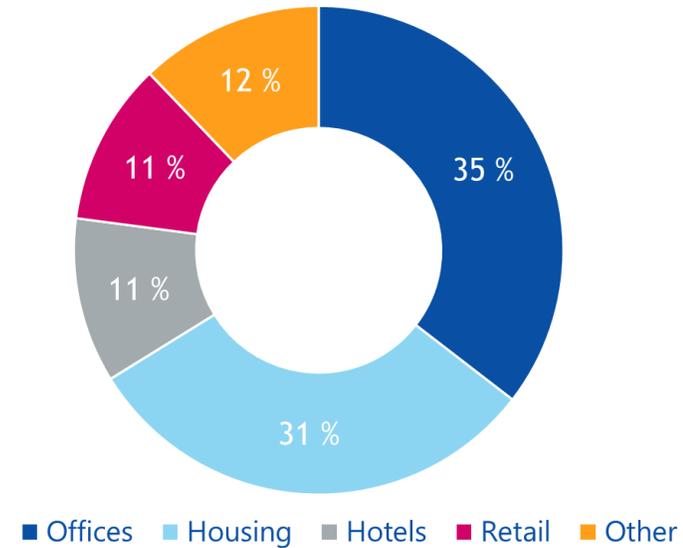
■ Bonds and loan receivables ■ Money-market instruments ■ Listed equities  
■ Private equity ■ Real estate

# 68% of real estate investments, i.e. EUR 3.4 billion, in Finland

Real Estate Investments, €5.0 bn

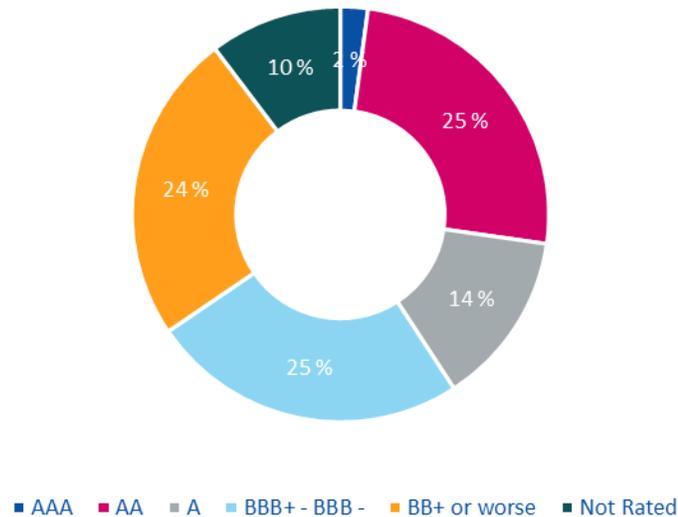


Direct Real Estate Investments Finland, €2.9 bn

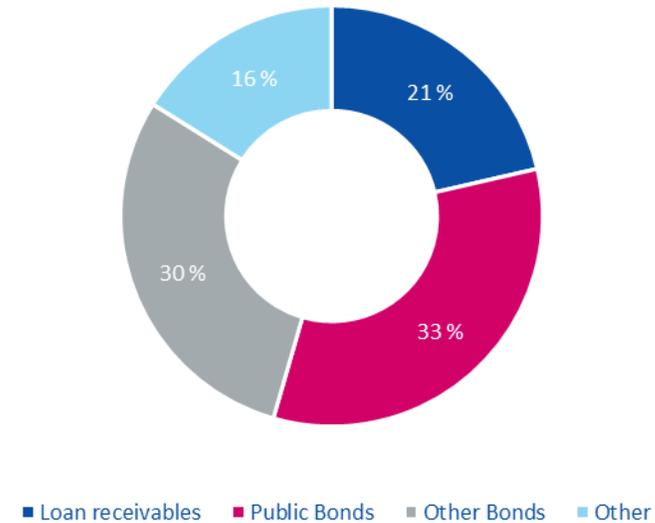


# 33% of fixed income investments in public-sector bonds

Bonds by credit rating



Fixed-income investments by market value



# Varma's and the markets' investment returns

%	Varma Finnish equities	European equities	US equities	Euro government bonds	Euro corporate bonds
1-6/2021	10.4	19.5	15.2	-3.0	-0.5
2020	2.8	15.7	-2.0	5.0	2.7
2019	12.0	20.4	26.8	6.7	6.3
<b>Average nominal return</b>					
5 years	7.1	15.4	9.3	1.4	2.0
10 years	5.9	12.2	8.1	4.3	3.7
Since 1999 *	5.8	9.5	4.9	4.3	4.0
<b>Average real return</b>					
5 years	6.1	14.3	8.2	0.5	1.0
10 years	4.9	11.0	7.0	3.3	2.7
Since 1999 *	4.2	7.9	3.3	2.7	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

	<b>1-6/2021</b>	<b>1-6/2020</b>	<b>1-12/2020</b>
Premiums written, € million	2,811	2,581	4,931
Net investment income at fair value, € million	5,193	-2,766	1,372
Return on invested capital, %	10.4	-5.7	2.8
	<b>6/2021</b>	<b>6/2020</b>	<b>12/2020</b>
Technical provisions, € million	43,856	37,895	40,726
Solvency capital, € million	14,664	8,818	11,517
in relation to solvency limit	1.8	1.7	1.7
Pension assets, € million	55,873	46,354	50,829
% of technical provisions	135.6	123.5	129.3
TyEL payroll, € million	22,147	20,877	21,142
YEL payroll, € million	817	809	807

**VARMA**