



Varma's half-year result
1 January–30 June 2022

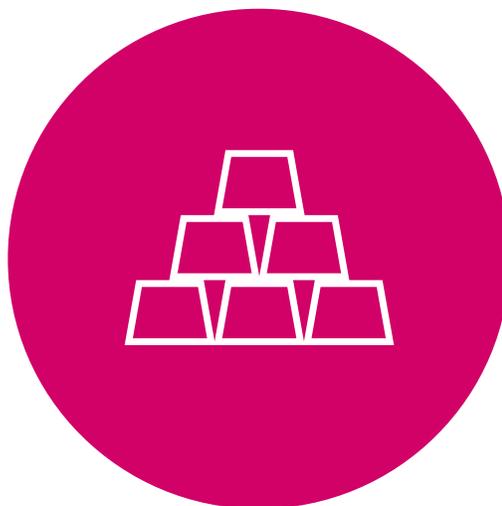
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Key figures 1–6/2022



Return on investments

-4.3%



Value of investments

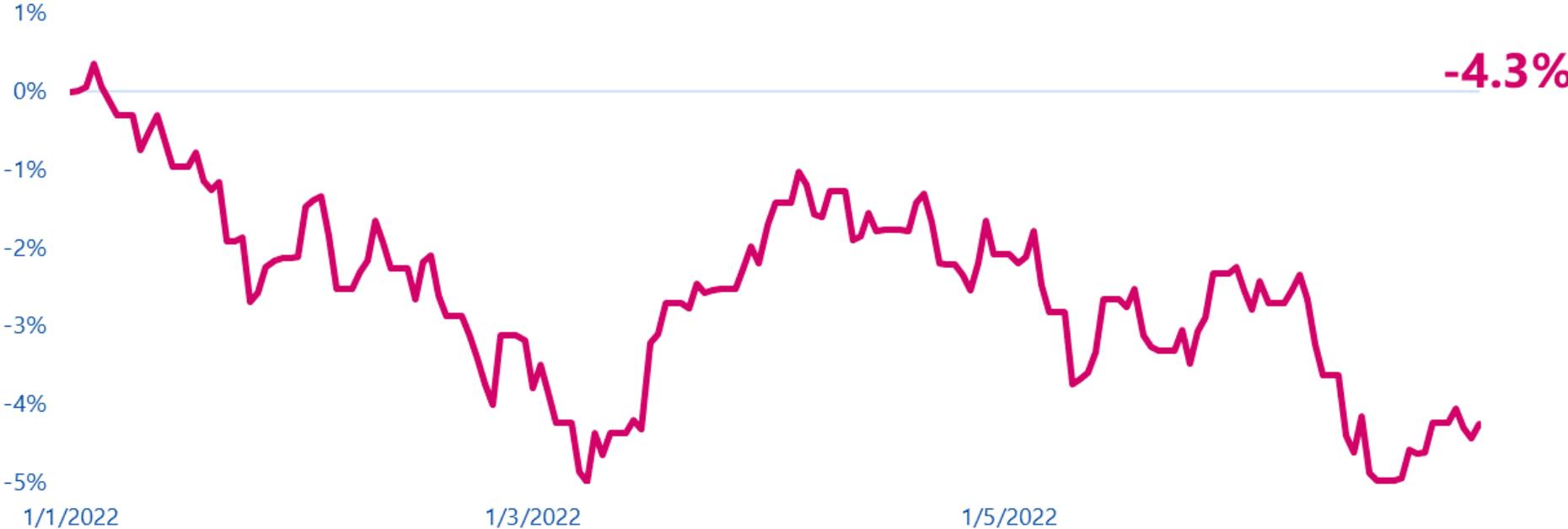
€56.7 bn



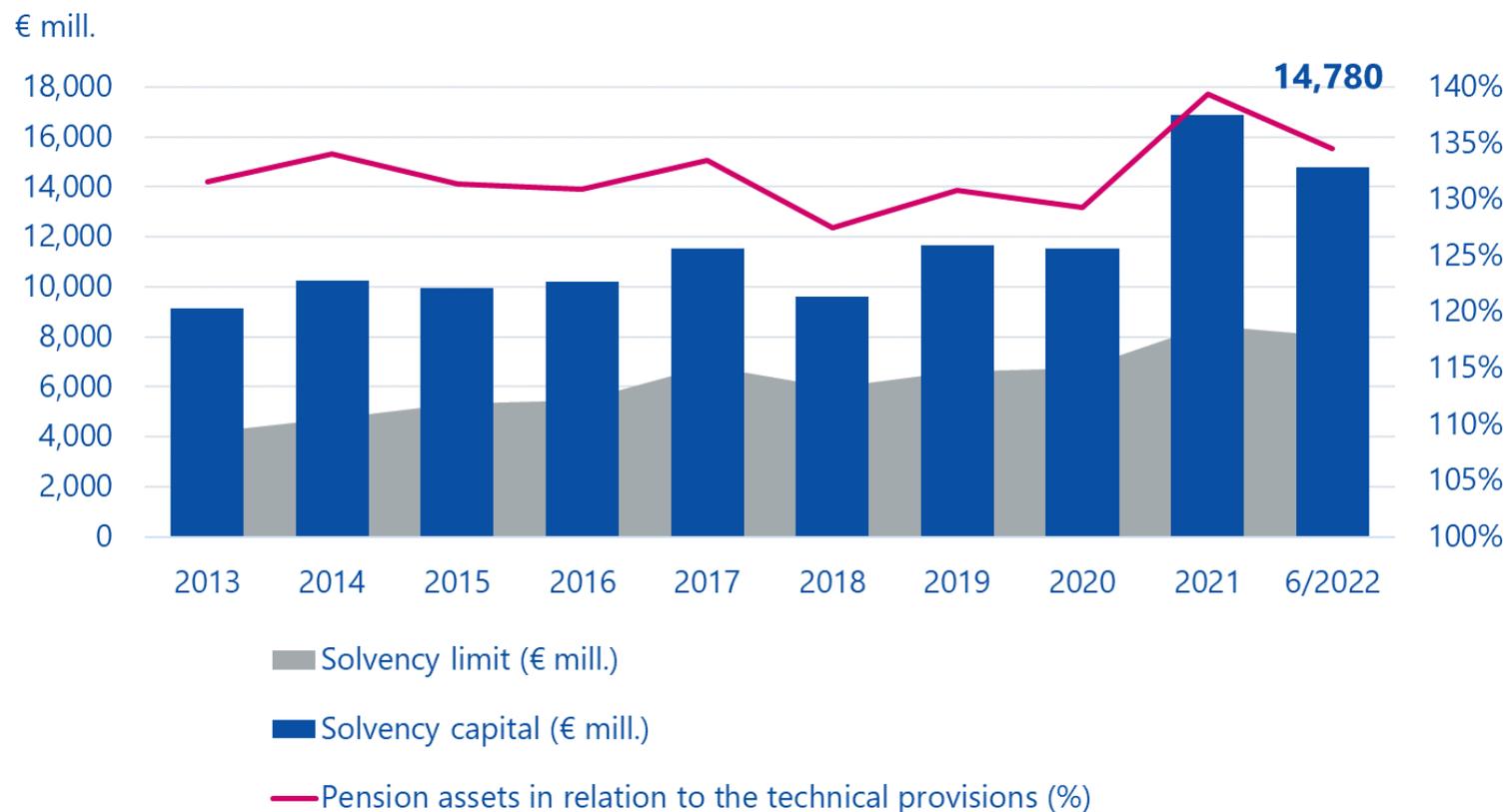
Solvency

€14.8 bn

Varma's investment year 2022



Solvency remained strong



- Varma's solvency capital remained strong, **at EUR 14.8 billion.**
- Solvency capital was **1.8 times** the solvency limit.
- The solvency ratio was **134.5 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

	1-6/2022	1-6/2021	12 months	1-12/2021
Investment return (MWR)	-4.3%	10.4%	2.8%	18.5%

	6/2022	6/2021	12/2021
Solvency capital (€ mill.)	14,780	14,664	16,890
Solvency capital / solvency limit	1.8	1.8	2.0
Solvency ratio (%)	134.5	135.6	139.4
Investments at fair value (€ mill.)	56,675	55,033	59,024

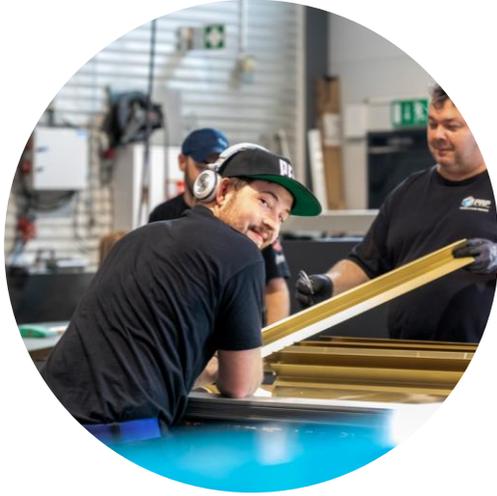
Loading profit





Insurance and pensions

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Insured employees
and entrepreneurs

608,000



Pensioners

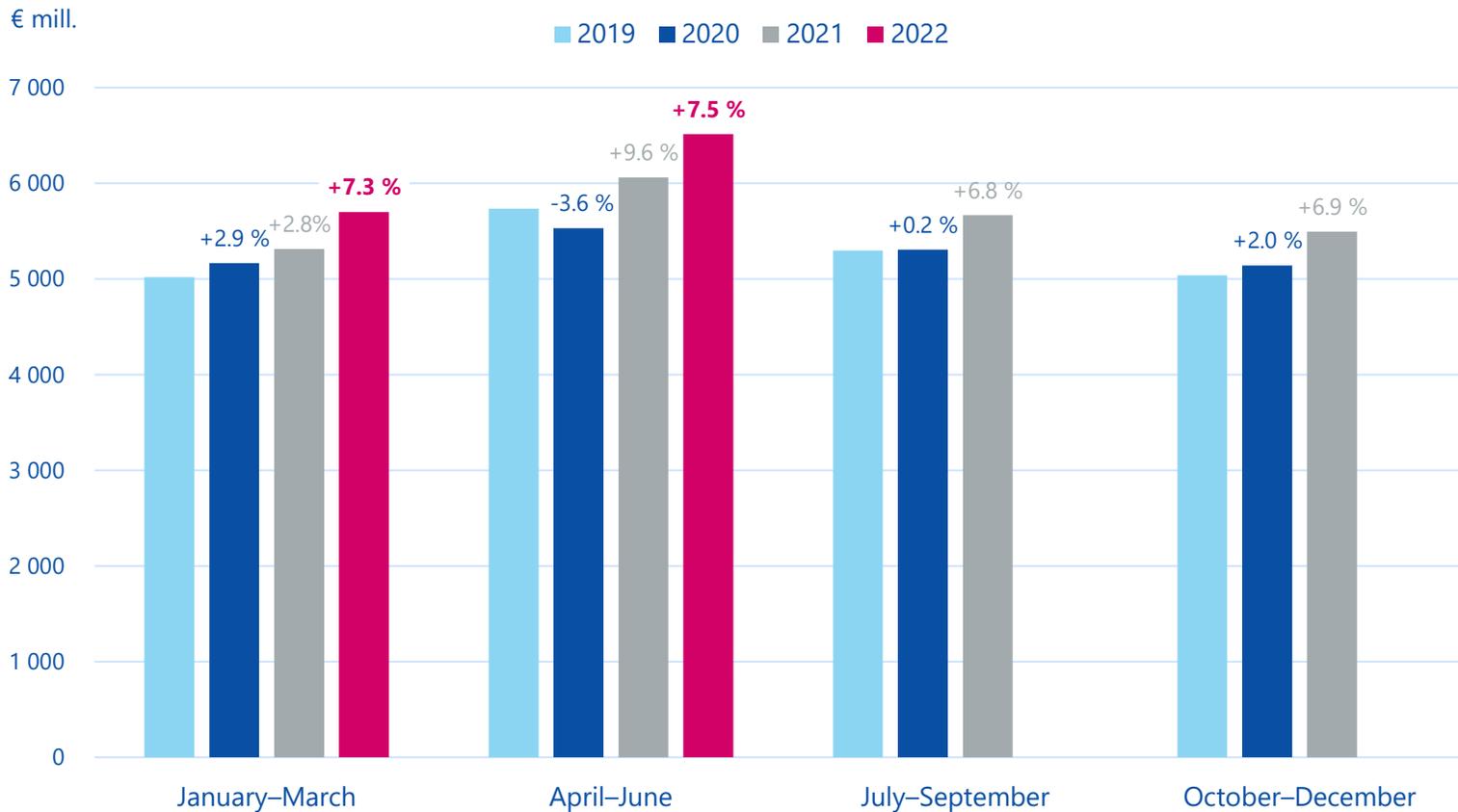
349,000



Pensions paid

€3.2 bn

Strong TyEL payroll development continued



The TyEL payroll of Varma's client companies grew **7.5%** in April-June compared to the same period last year. In January-June, the payroll increased 7.4%.

Growth was brisk during the second quarter, especially thanks to rising employment.

Changes to how TyEL contributions are determined – Varma's efficiency and solvency will directly benefit customers

- Starting next year, earnings-related pension insurance companies will be able to independently determine how much of the TyEL contribution, i.e. the so-called administrative cost component, will be based on its operating expenses and take it into account in the correct amount in the TyEL contributions that are collected directly from customers.
- A legislative amendment to that end entered into force on 1 June 2022 and the Ministry of Social Affairs and Health confirmed the pension insurance company-specific criteria for the administrative cost component on 6 June 2022.
- Going forward, the administrative cost component included in the TyEL contribution will correspond to the operating expenses that the pension company incurs for managing these insurance policies. The operational efficiency of a pension company will thus show directly as a lower TyEL contribution.
- The determination of client bonuses will also change: the amount to be distributed as client bonuses will be based solely on the earnings-related pension company's solvency.
- The change will affect the determination of the administrative cost component of TyEL contributions for the first time in 2023 and customer bonuses that are paid in spring 2024.



Following a legislative amendment, there will be differences in TyEL contributions according to pension company as of 1 January 2023.

Reform of the Self-Employed Persons' Pensions Act to improve the pension security of self-employed persons

- A government proposal on amending the Self-Employed Persons' Pensions Act will be before Parliament during the autumn season.
- The proposal aims to improve self-employed persons' social and pension security and support the implementation of the Self-Employed Persons' Pensions Act.
- The objective is that YEL income would better reflect the value of the self-employed person's work input.
- If the reform passes, it would clarify the position of YEL insurance providers and consolidate the legislative framework based on which earnings-related pension insurance companies confirm self-employed persons' YEL income.
- Without the legislative amendment, it is difficult for pension companies to confirm the YEL income equally for all self-employed persons.
- There will be more detailed instructions on the interpretation and application of the new act if the amendment is adopted.



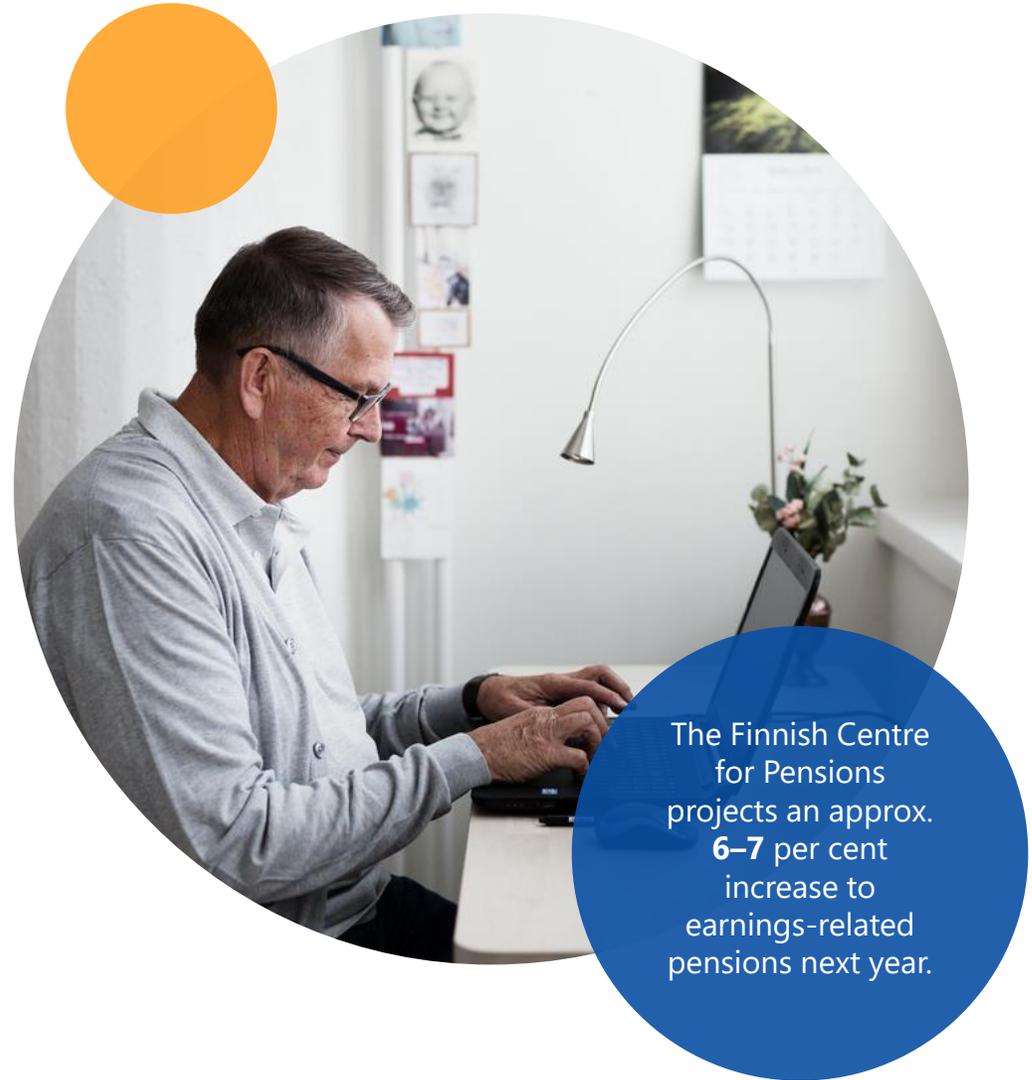
Current information about pensions

- By the end of June, **11,667** new pension decisions had been made, which is 2 per cent more than in the corresponding period last year. A total of **27,409** pension decisions were made in January–June.
- Pension applications take an average of **19** days to be processed at Varma. The processing time is the shortest for partial old-age pension applications.
- We paid pensions totalling EUR **3.2** billion to around **348,800** people in the first half of the year.



Pensions retain their purchasing power

- A substantial index increase will be made to earnings-related pensions as of the start of 2023.
- 80% of the annual index adjustment of current pensions is determined based on the change in consumer prices. The remaining 20% is determined by the change in the earnings level of wage-earners.
- The pension indices are based on the information for July–September 2022.

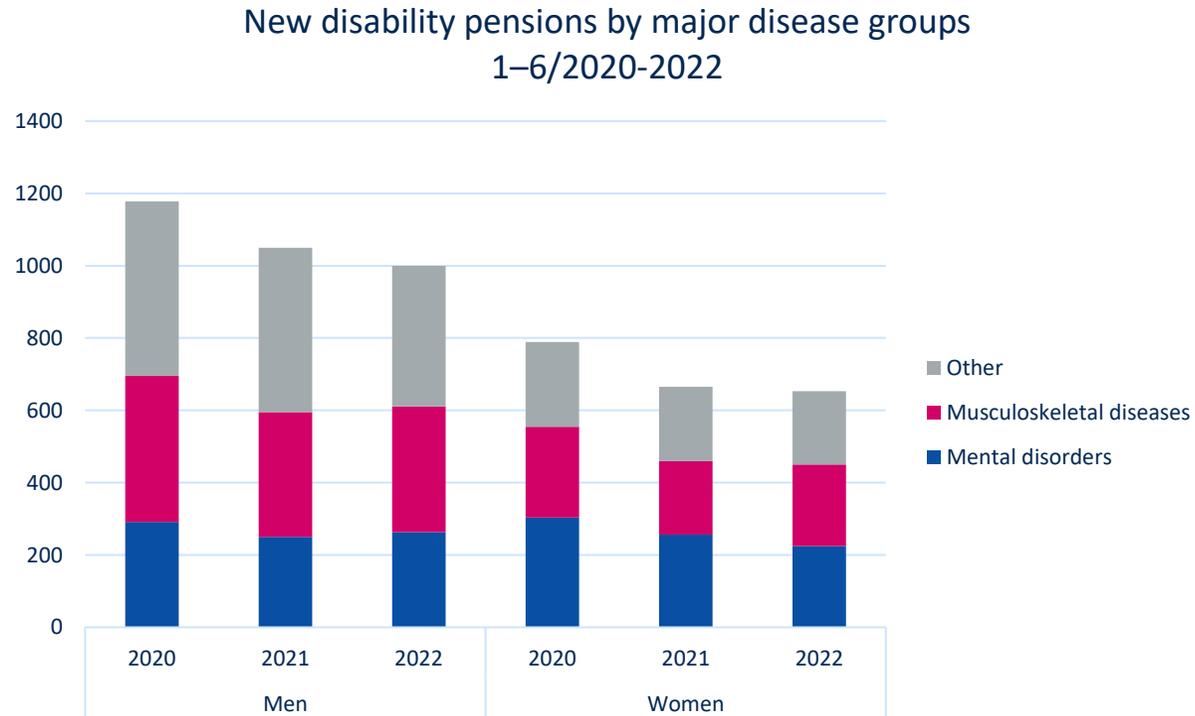


The Finnish Centre for Pensions projects an approx. **6–7** per cent increase to earnings-related pensions next year.



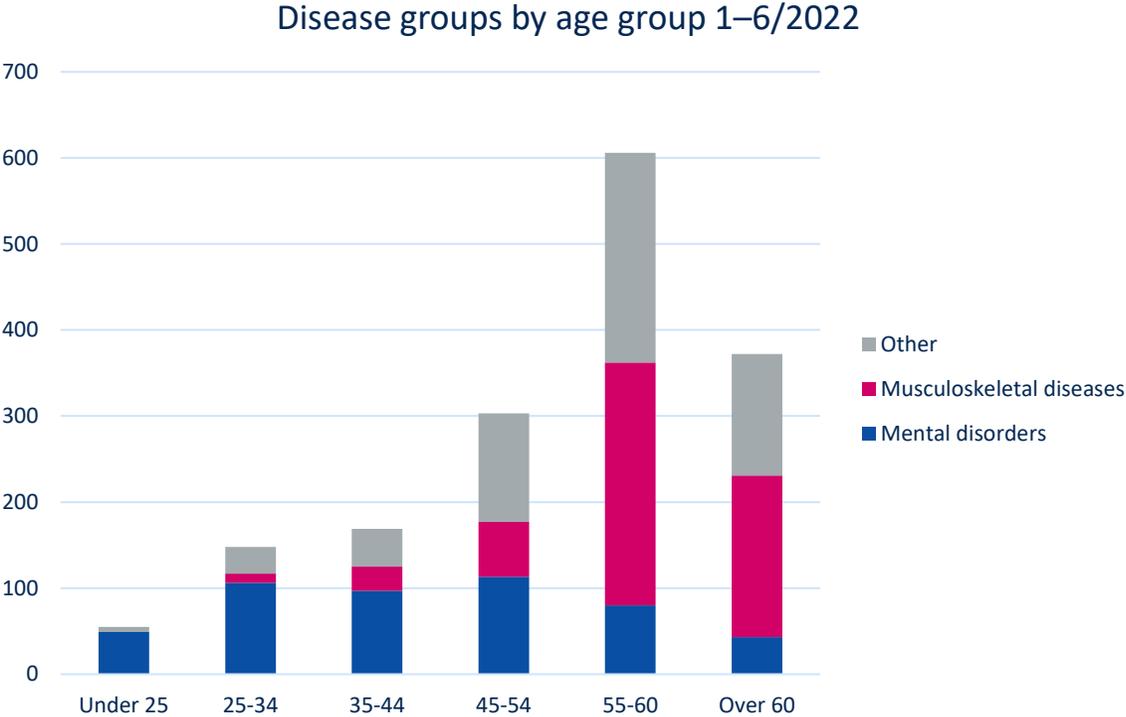
Managing disability risks

Number of disability pensions at last year's level

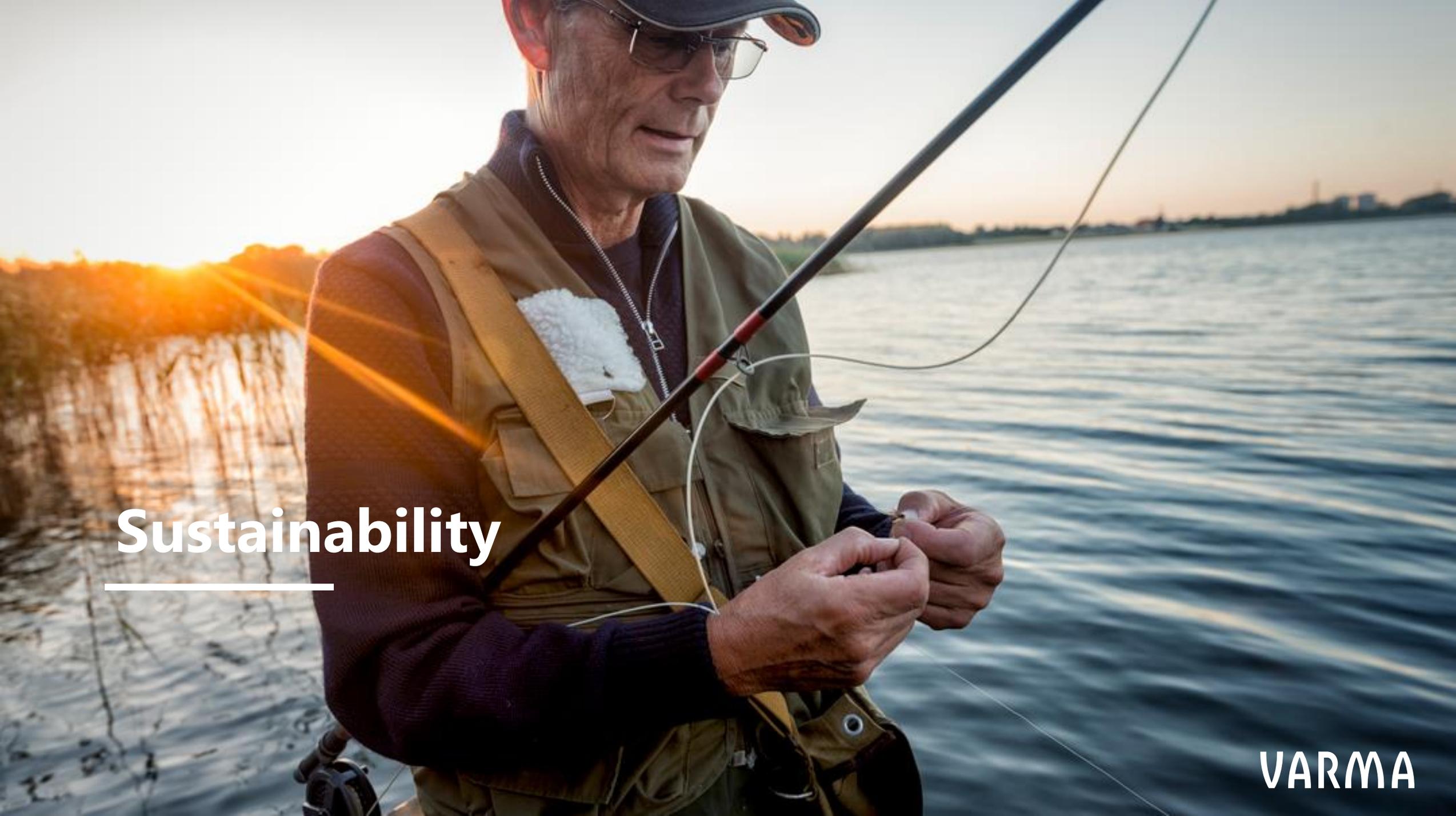


- The number of new disability pension applications took a slight upward turn in the beginning of the year but settled to last year's level during the second quarter.
- Mental disorders were the most common reason for disability pension applications. However, in most cases pension was granted based on a musculoskeletal disease.
- Depression continued to be the clearly most common reason for mental health based disability.

Increase in disability pension applications by young people and those over 60



- In younger age groups, mental health is the primary reason for disability pension applications, while in older age groups, musculoskeletal diseases are the main reason.
- People over 55 accounted for the largest number of applicants. The number of applications has increased among those under 35 and over 60.
- In the longer term, disability has decreased among those aged 45–60 and increased among those over 60. That means that the careers of those aged 45–60 have lasted longer than before.

A man wearing a cap, glasses, and a fishing vest is shown in profile, focused on adjusting his fishing gear. He is holding a fishing rod and reel. The background features a body of water with a sunset or sunrise, creating a warm, golden glow. The overall scene conveys a sense of outdoor recreation and nature.

Sustainability

VARMA

Latest developments in sustainability



Varma made investments in sustainable funds

In April–June, Varma invested a total of EUR 350 million in two sustainable ETFs. One of the funds is a Japan fund tailored for Varma and the other invests in euro-denominated corporate bonds. In addition, the investment policies of Varma’s ETF equity funds investing in the USA and in Europe were aligned with the Paris Agreement in June.



The goal of the new Sustainability Programme is to boost the company’s role as a pioneer in sustainability

In May, Varma published its new Sustainability Programme that steers the development of sustainability at Varma. The Programme’s focus areas are providing pension security, directing investments towards tackling global challenges, such as climate change and biodiversity loss, and promoting sustainable working life.



New Climate Policy: Investment portfolio’s emissions halved by 2030

In June, Varma published the updated Climate Policy for its investments and sharpened investment targets aimed at combating climate change. The goal is to cut the entire investment portfolio’s absolute emissions by 25 per cent by 2025 and by 50 per cent by 2030. Setting absolute emission targets for an entire investment portfolio is rare both in Finland and globally.

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.

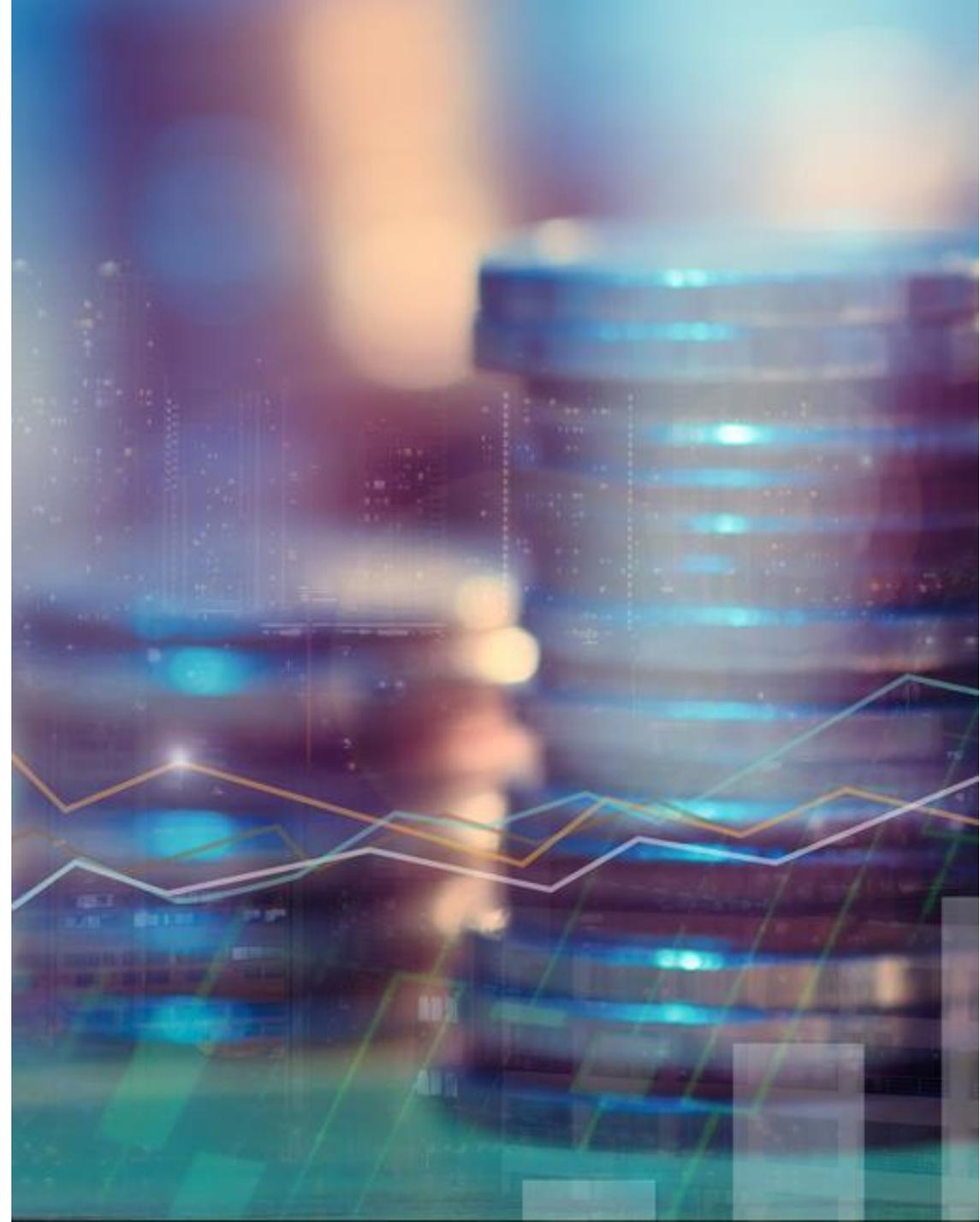


**Broad diversification brought
stability in a challenging market
environment**

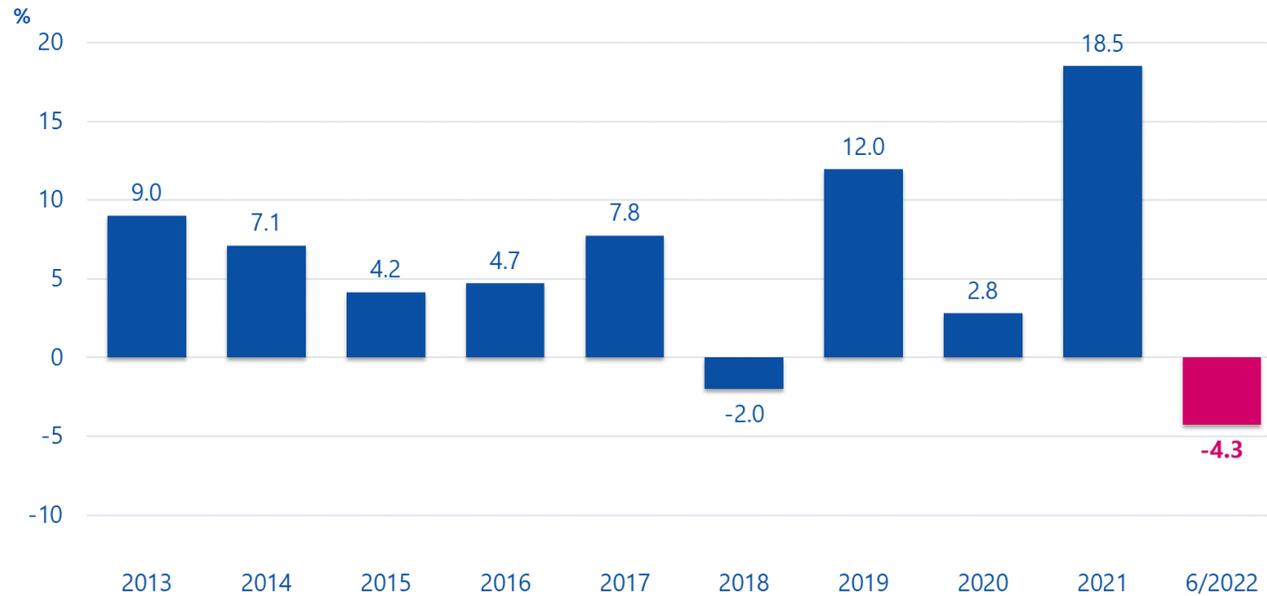
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Outlook for the economy and the investment markets

- Sentiment in the global economy has declined from the upswing experienced after the Covid-19 pandemic and recession risks have increased significantly.
- The outlook has been weakened especially by inflation that has eroded the purchasing power of households.
- Russia's invasion of Ukraine has disrupted the supply of energy and food raw materials in particular and raised their prices.
- Of the main economic regions, Europe has been hit the hardest by the war due to its strong reliance on energy imported from Russia.
- Slowing economic growth, accelerating inflation and tightening monetary policy had an impact on most asset classes in the early part of the year, strongly pushing their prices down.
- The returns on listed fixed income and equity investments were weak. In contrast, the return on unlisted investments remained clearly positive in the first half of the year.



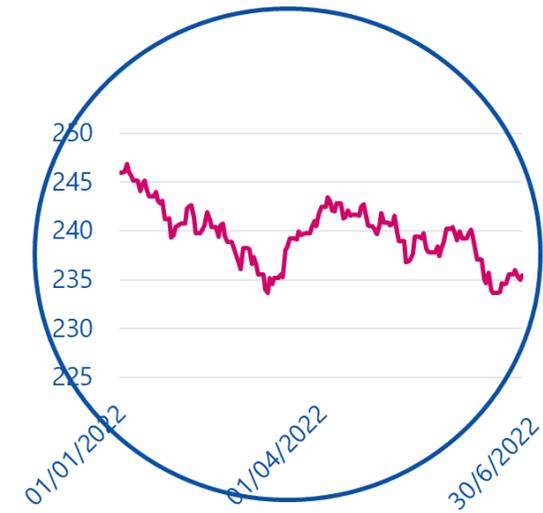
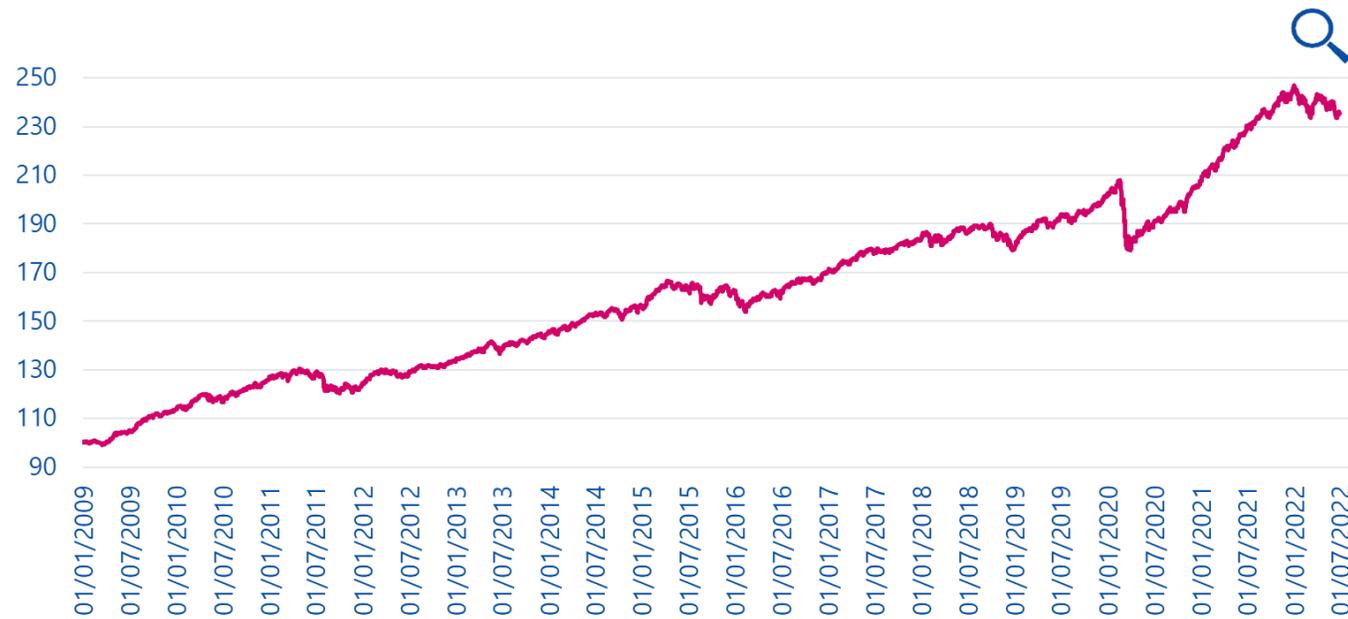
Return on investments 2013–2022



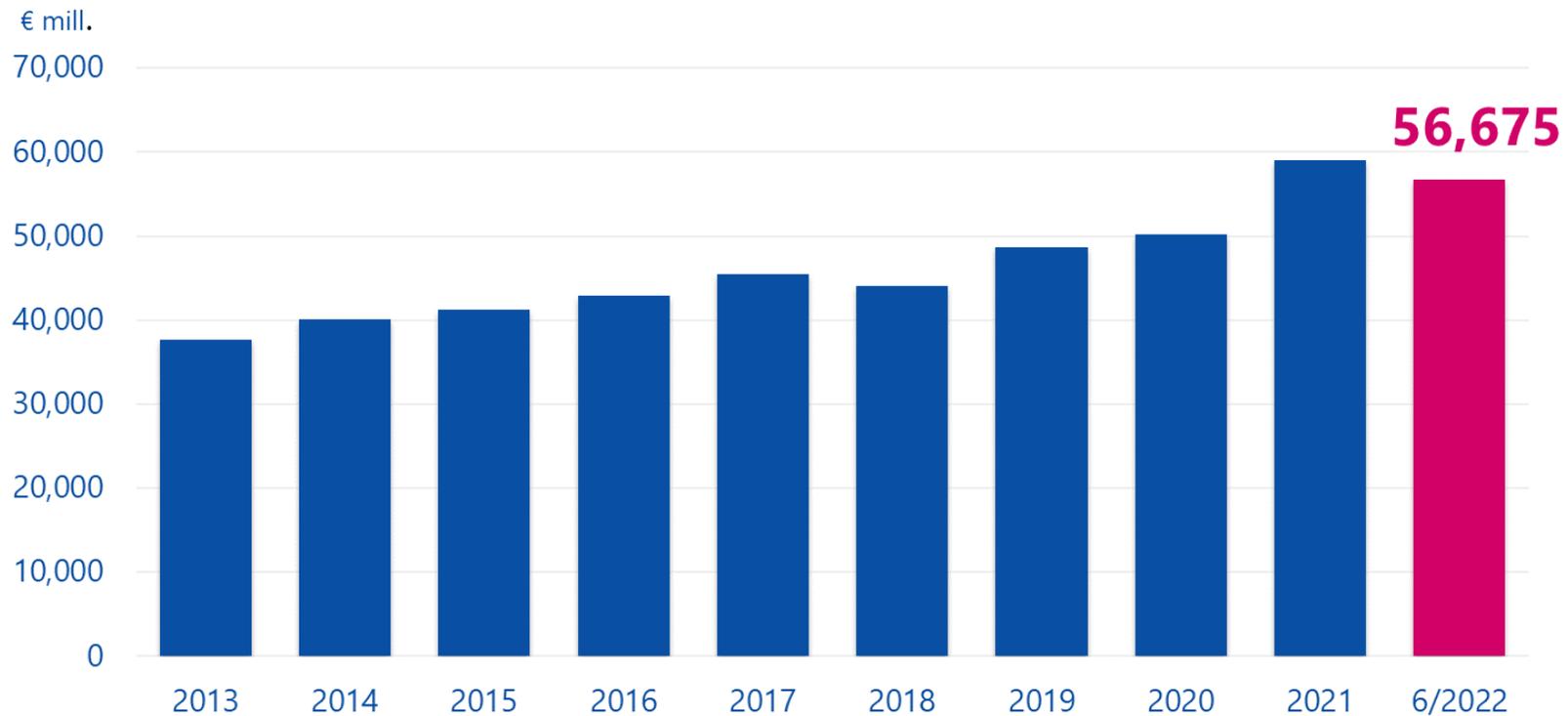
The average nominal return on investments over ten years is approx. 6.2%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **4.3** per cent in January–June 2022.
- The investment portfolio amounted to EUR **56.7** billion at the end of June.

Return development since 2009: cumulative return 135.5%, i.e. €33.9 bn



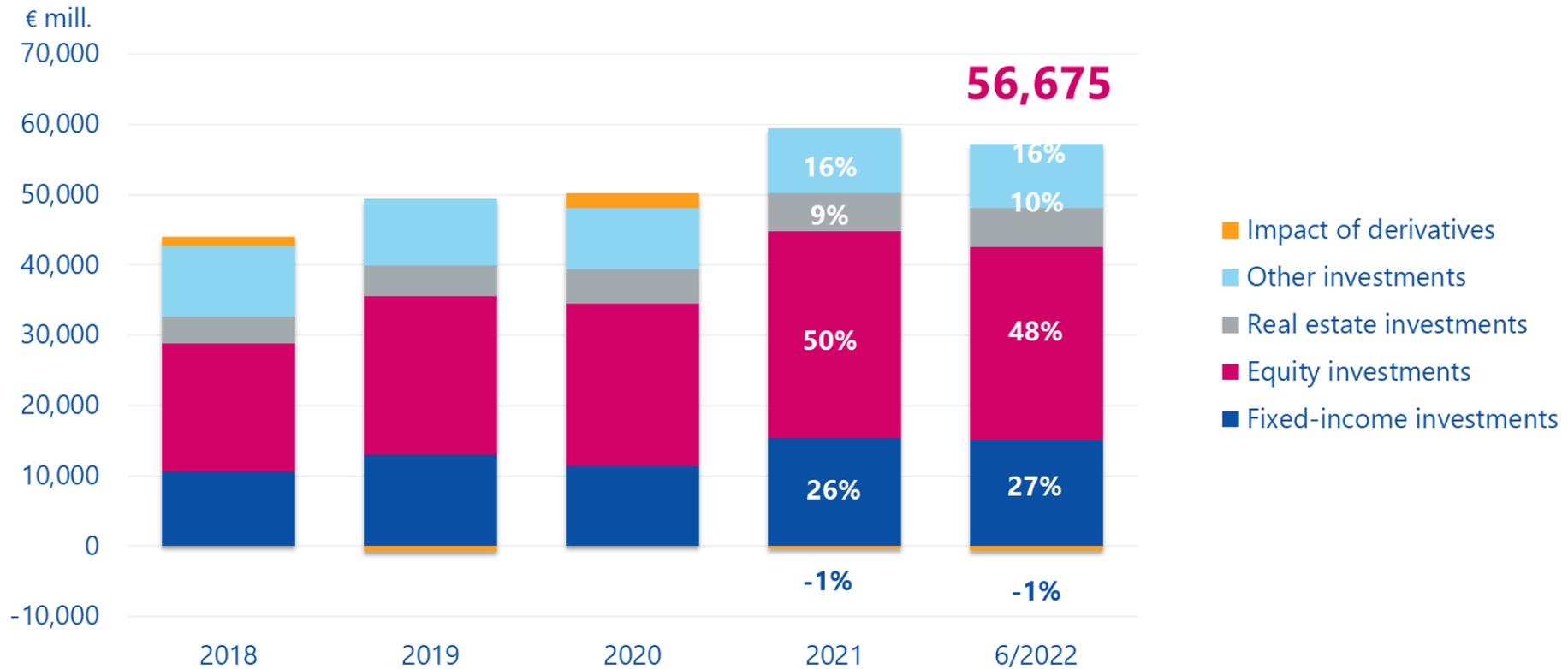
Market value of investments EUR 56.7 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	30 Jun 2022				31 Dec 2021		01-06/2022	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	14,835	26	15,083	27	15,402	26	-4.6	1.9	
Loan receivables	2,698	5	2,698	5	2,711	5	1.5	5.4	
Bonds	7,789	14	7,685	14	10,281	17	-8.3	1.4	3.7
Public bonds	3,777	7	3,645	6	6,189	10	-9.5	-1.2	
Other bonds	4,012	7	4,040	7	4,092	7	-7.0	4.2	
Other money-market instruments and deposits	4,348	8	4,699	8	2,409	4	0.0	-0.9	
Equity investments	27,133	48	27,454	48	29,352	50	-8.2	32.2	
Listed equities	16,773	30	17,094	30	20,217	34	-17.1	26.4	13.1
Private equity	9,829	17	9,829	17	8,663	15	12.1	49.6	
Unlisted equities	531	1	531	1	471	1	8.5	26.3	
Real estate investments	5,581	10	5,581	10	5,442	9	3.8	5.9	
Direct real estates	3,071	5	3,071	5	3,086	5	1.9	4.1	
Real estate funds	2,510	4	2,510	4	2,356	4	6.3	8.5	
Other investments	9,125	16	9,119	16	9,187	16	4.6	15.3	
Hedge funds	9,129	16	9,129	16	9,184	16	4.5	15.3	2.9
Commodities	0	0	0	0	0	0			
Other investments	-4	0	-4	0	3	0			
Total investments	56,675	100	57,237	101	59,382	101	-4.3	18.5	5.4
Impact of derivatives			-562	-1	-358	-1			
Investment allocation at fair value	56,675	100	56,675	100	59,024	100			

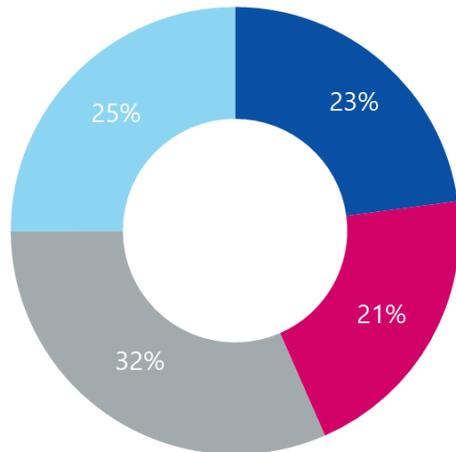
The modified duration for all the bonds is 3.47.

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

¹ Includes accrued interest

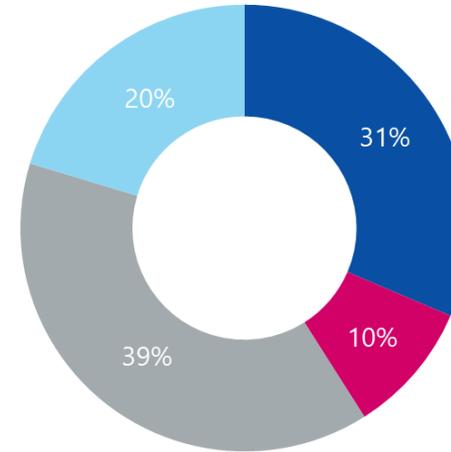
Geographical distribution of investments

Investments



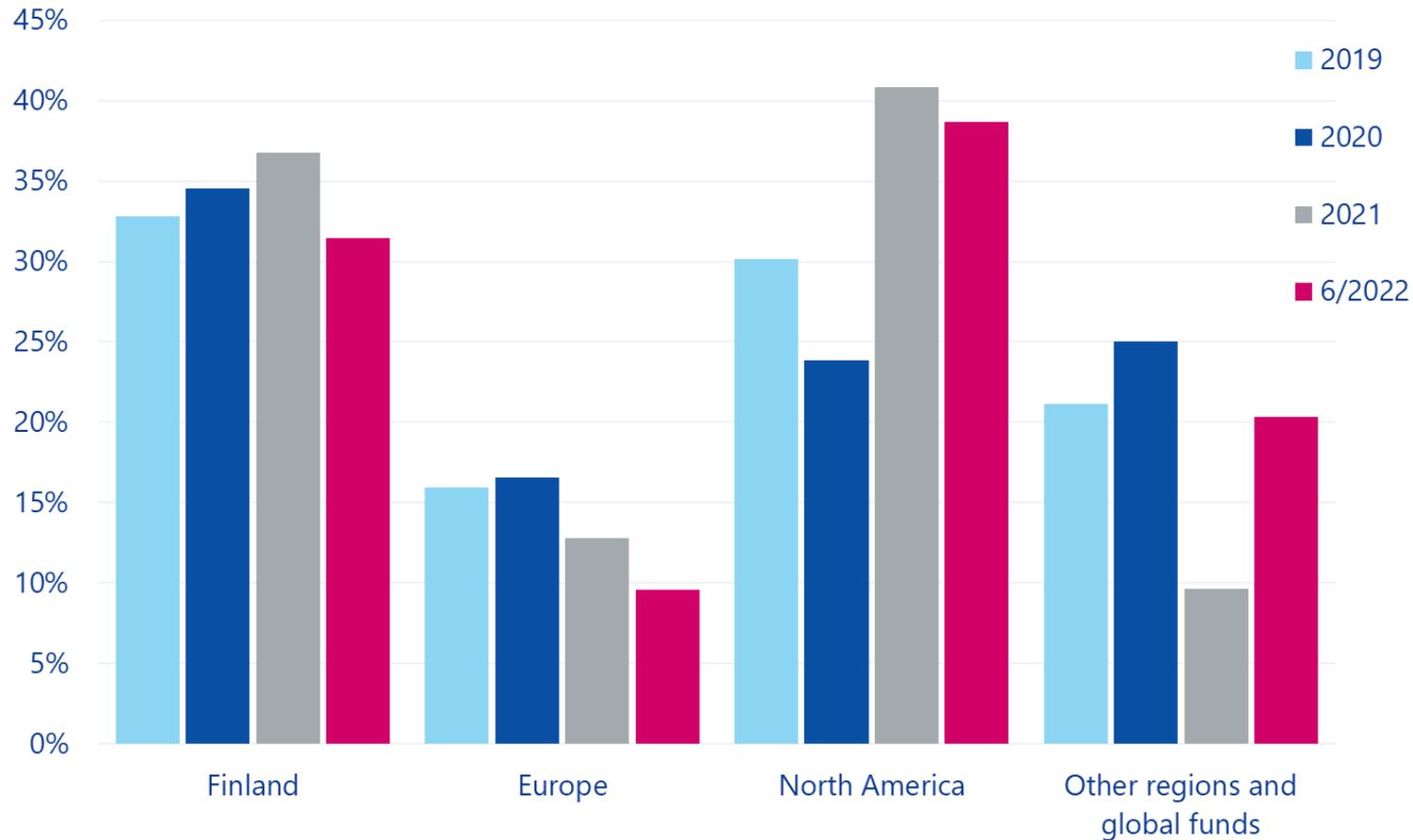
- Finland
- Europe
- North America
- Other regions and global funds

Listed equities



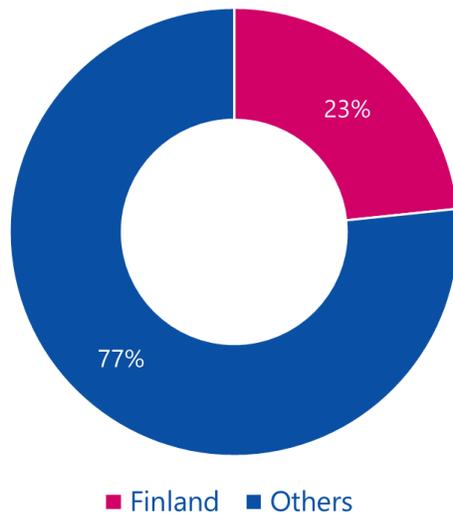
- Finland
- Europe
- North America
- Other regions and global funds

The weight of other regions and global funds in listed equities has been increased

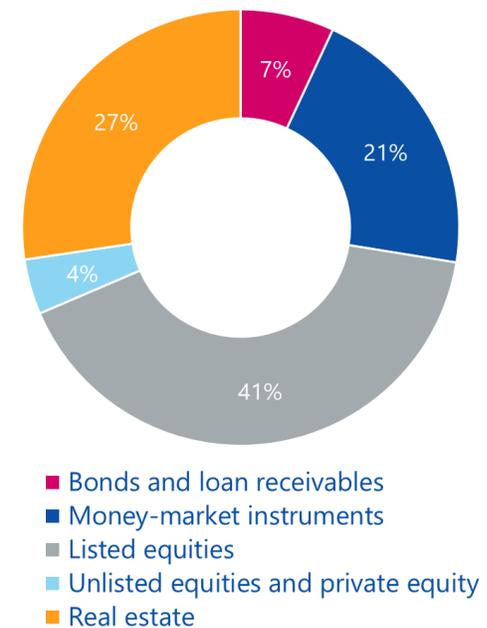


We invested EUR 13.1 billion in Finland

Investments in Finland

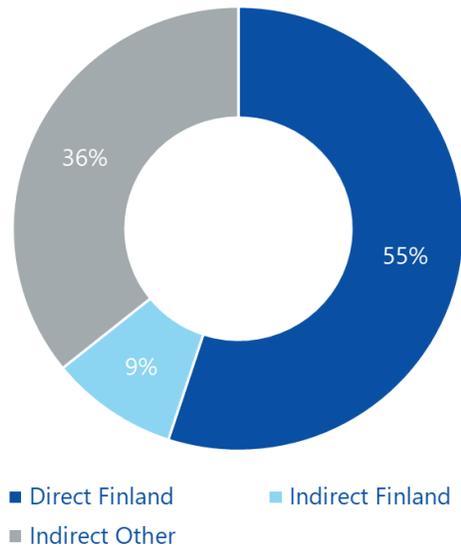


Distribution of Finnish investments

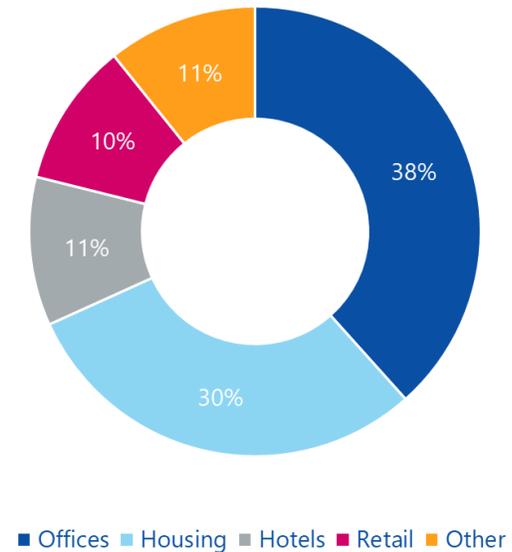


EUR 3.6 billion in real estate investments in Finland

Real Estate Investments, €5.6 bn

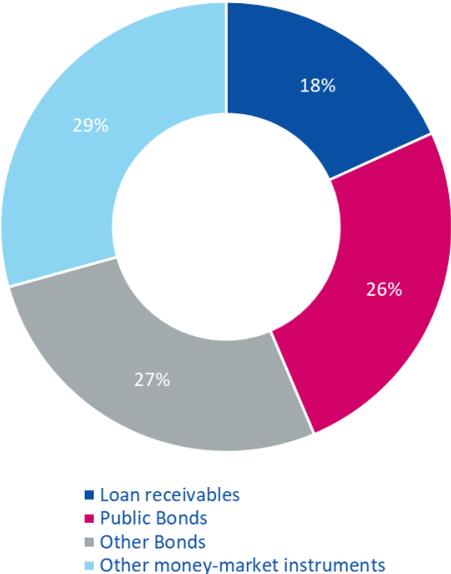


Direct Real Estate Investment Finland, €3.1 bn

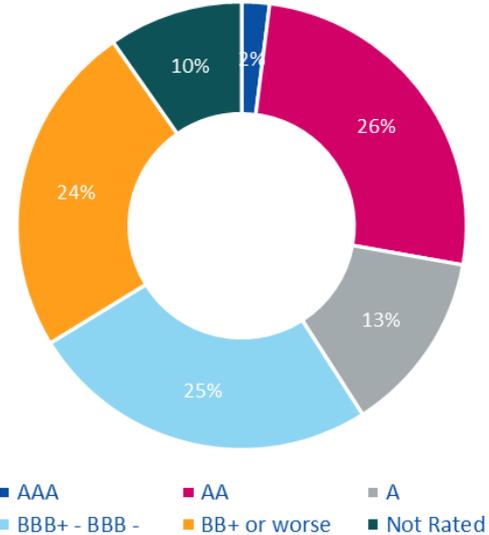


More than 25% of fixed income investments still in other money market instruments

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
1-6/2022	-4.3	-17.7	-15.0	-20.0	-12.3	-12.4
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	5.7	6.7	4.0	11.3	-0.6	-1.0
10 years	6.2	13.0	7.8	13.0	2.2	1.7
Since 1999 *	5.6	8.4	4.3	6.9	3.5	3.2
Average real return						
5 years	3.3	4.3	1.6	8.8	-2.9	-3.3
10 years	4.7	11.3	6.2	11.3	0.7	0.2
Since 1999 *	3.8	6.6	2.5	5.0	1.7	1.5

* 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

European equities = Stoxx 600 Total Return Index EUR

US equities = S&P500 Total Return Index

Euro government bonds = IBOXX Eurozone EUR (Total Return)

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

Key figures

	1-6/2022	1-6/2021	1-12/2021
Premiums written, € million	2,986	2,811	5,635
Net investment income at fair value, € million	-2,503	5,193	9,256
Return on invested capital, %	-4.3	10.4	18.5
	6/2022	6/2021	12/2021
Technical provisions, € million	45,291	43,856	45,225
Solvency capital, € million	14,780	14,664	16,890
in relation to solvency limit	1.8	1.8	2.0
Pension assets, € million	57,575	55,873	59,754
% of technical provisions	134.5	135.6	139.4
TyEL payroll, € million	24,000	22,147	22,535
YEL payroll, € million	860	817	815

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