

Varma's half-year result
1 January–30 June 2023

VARMA

Key figures 1-6/2023



Return on
investments

2.6%



Value of
investments

€57.4 bn



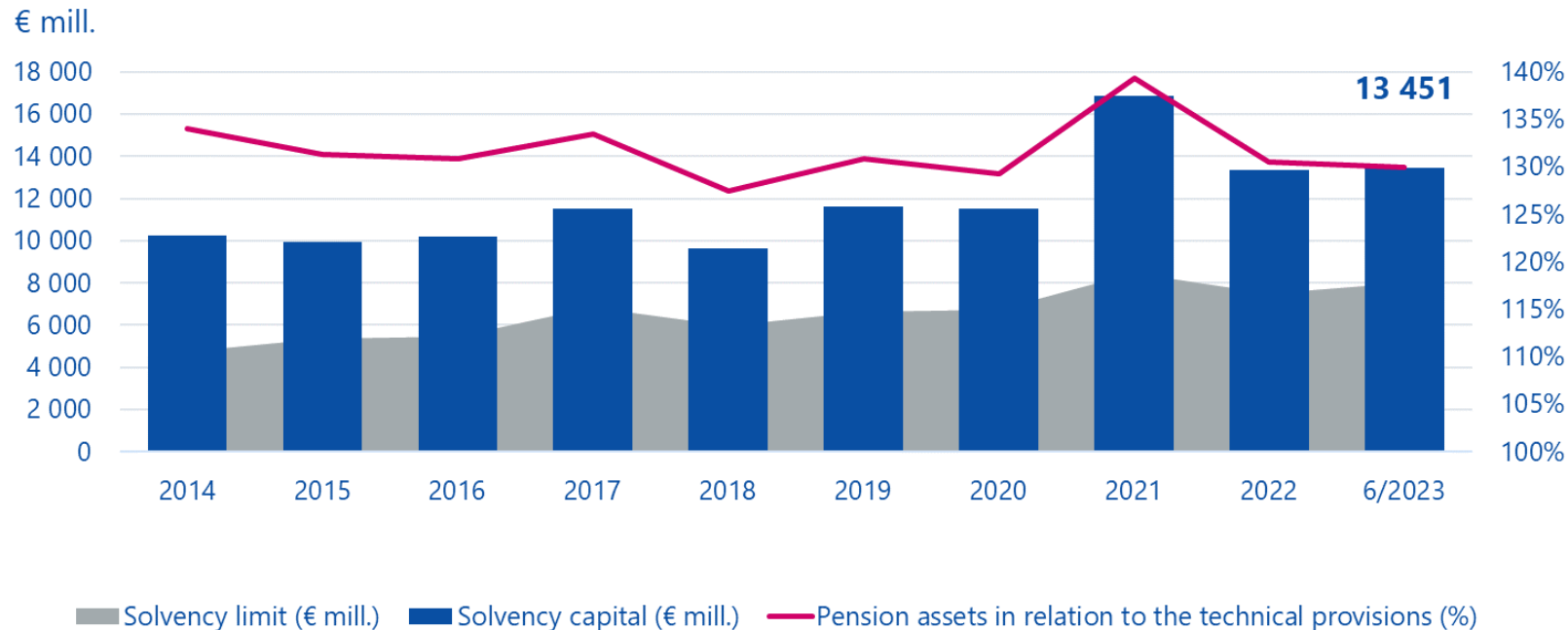
Solvency

€13.5 bn

Varma's investment year 2023



Solvency remained strong



- Varma's solvency capital remained strong, **at EUR 13.5 billion.**
- Solvency capital was **1.7 times** the solvency limit.
- The solvency ratio was **129.9 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

	1-6/2023	1-6/2022	12 months	1-12/2022
Investment return (MWR)	2.6%	-4.3%	2.0%	-4.9%

	6/2023	6/2022	12/2022
Solvency capital (€ mill.)	13,451	14,780	13,344
Solvency capital / solvency limit	1.7	1.8	1.8
Solvency ratio (%)	129.9	134.5	130.5
Investments at fair value (€ mill.)	57,370	56,675	56,204

A woman with dark hair pulled back, wearing a black jacket over a white top, holds a pair of black work gloves in her right hand. She is looking towards the right with a slightly surprised or questioning expression. Next to her stands a man with a beard and short brown hair, wearing a black jacket over a bright blue hoodie. He is looking towards the left. They are standing in front of a light-colored stone wall. A black downspout is visible on the left side of the wall.

Insurance and pensions

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Insured
employees and
entrepreneurs

629,800



Pensioners

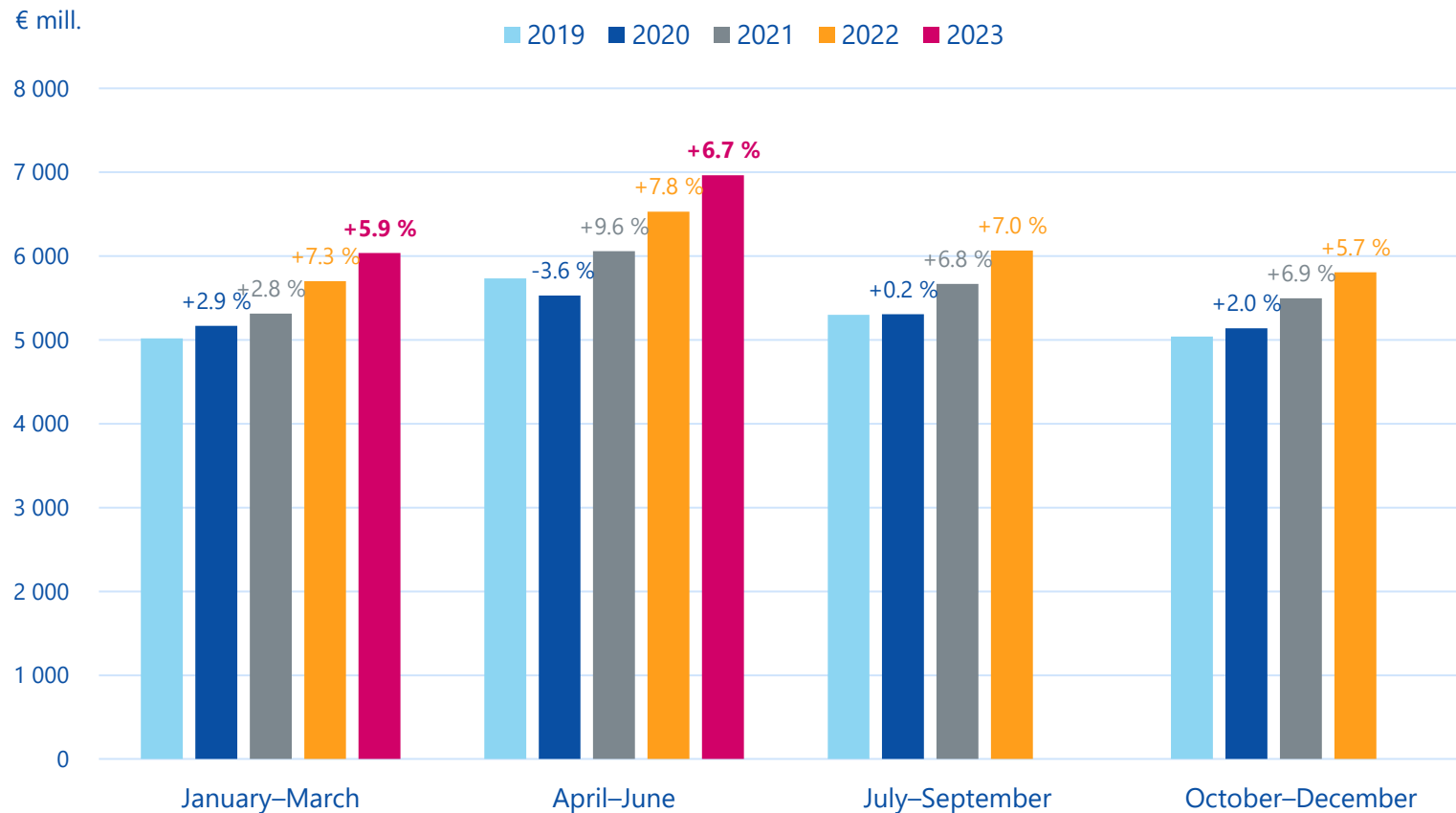
350,500



Pensions paid

€3.5 bn

Solid growth in TyEL payroll continued in January – June



- The TyEL payroll of Varma’s client companies grew **6.7 per cent** in April–June compared to the same period last year.
- Growth in January–June was **6.3 per cent** compared to a year ago.
- The percentage in the figure indicates the change from the same period last year.

Current information about pensions

- New pension decisions in January–June totalled 10,861 (-7.0 per cent). In the first quarter, the number of applications declined but returned to the normal level during the second quarter.
- Among partial old-age pension applicants, the share of those aged 61 grew. An increasing number of people applied for partial old-age pension as soon as it became possible. In January–June, Varma made 1,417 (1,488) new partial old-age pension decisions.



Finnish Centre for Pensions' Pension Barometer: Trust in the pension system is high

- Two thirds of Finns trust the pension system, and almost as many think that pension assets are managed reliably.
- The level of trust has somewhat decreased from the previous year.
- Roughly half think that younger generations have to pay too big a share of future pensions.
- Almost 60 per cent of Finns predict that they will have a reasonable standard of living in retirement.

Source: Finnish Centre for Pensions

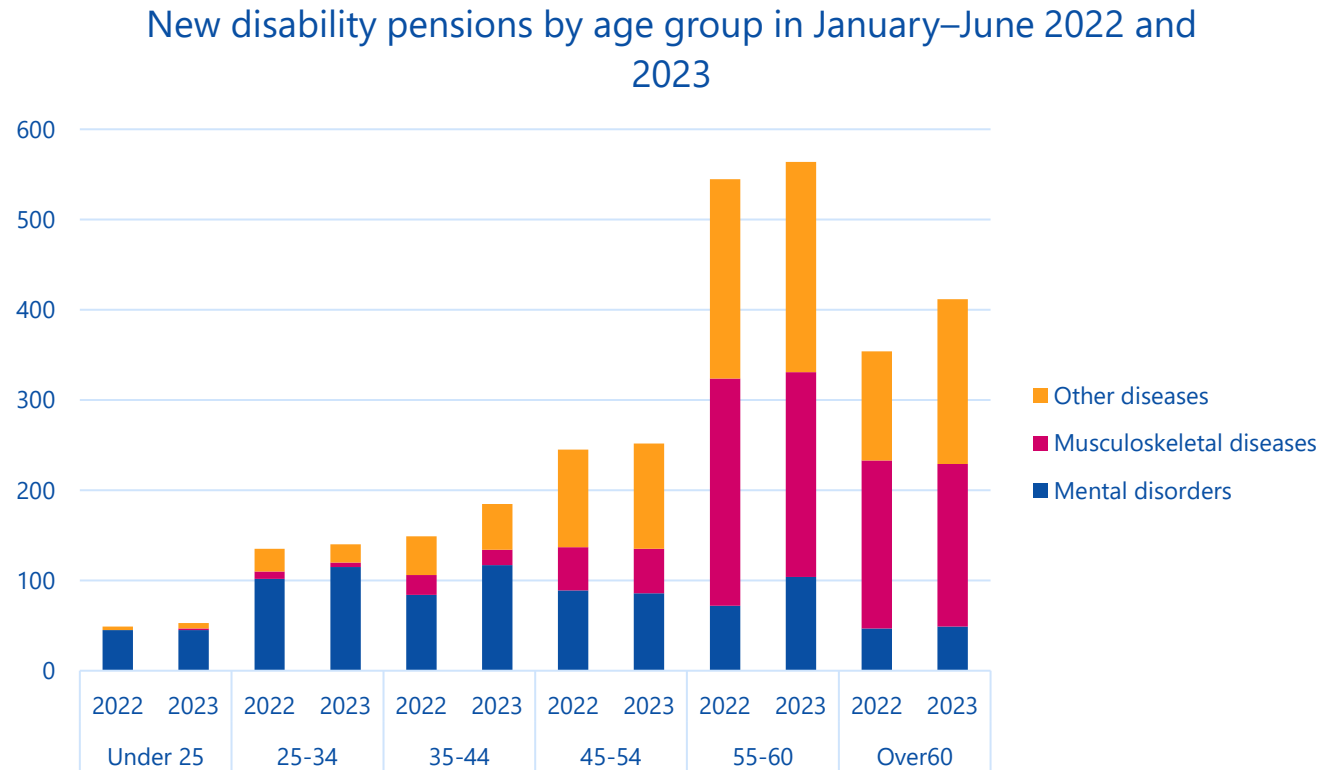




Managing disability risk

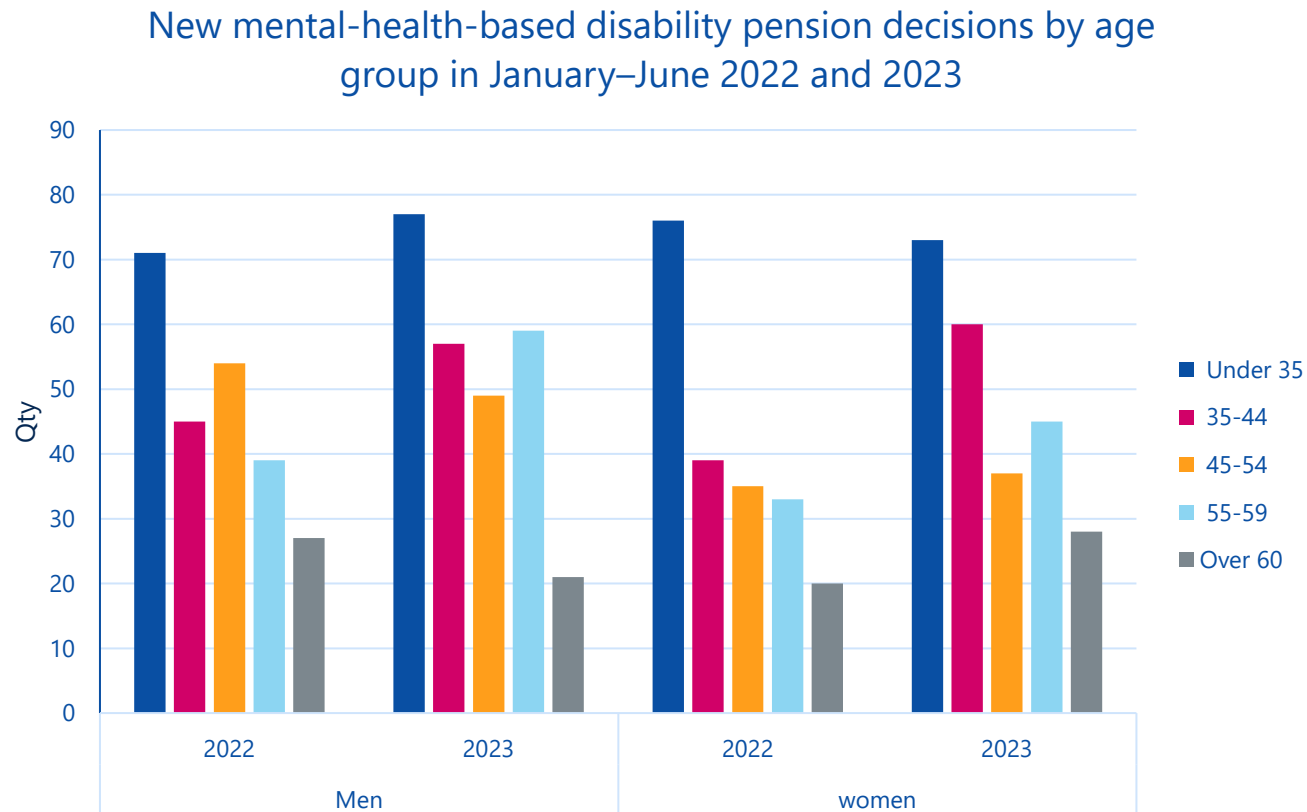
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The number of new disability pensions granted has continued to increase



- The number of new disability pensions granted has grown in all age cohorts compared to the same period in 2022.
- The share of mental disorders as the key reason for disability has increased in almost all age cohorts.
- The share of mental disorders as the key reason for disability is the biggest in age cohorts below 45 years. Among those aged 45 and over, musculoskeletal diseases and other diseases, such as cardiovascular diseases and neurological diseases, are the main reasons for disability.

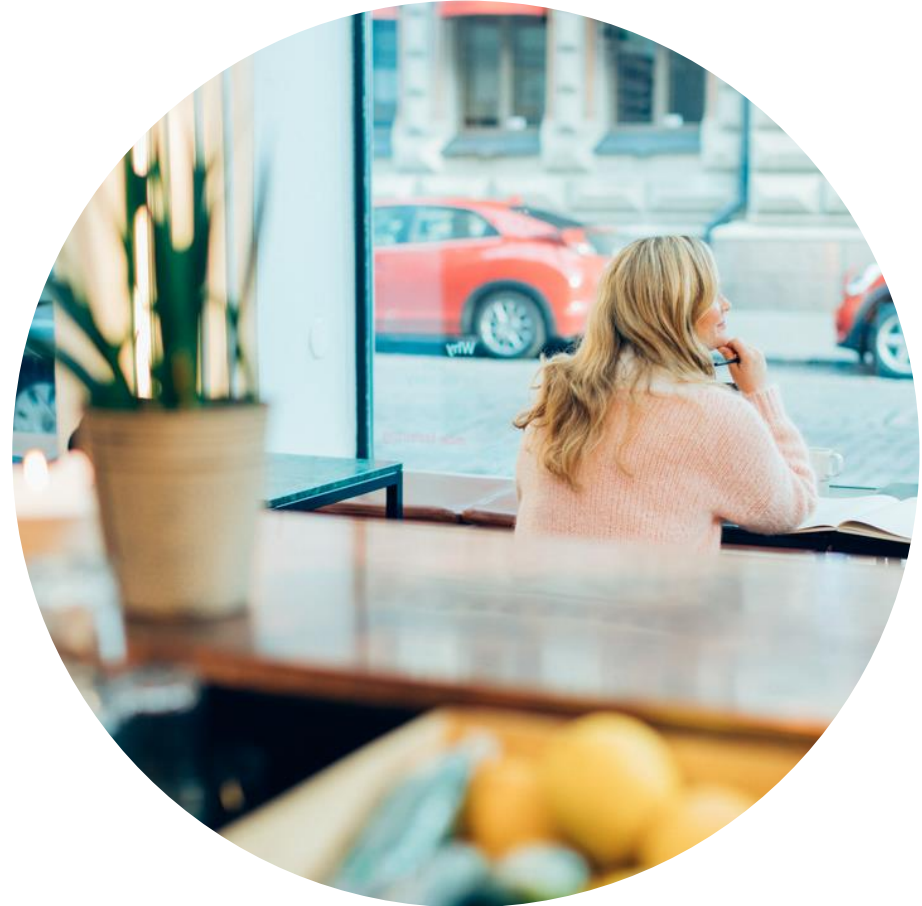
Highest number of new disability pension decisions for mental health reasons issued to young people



- The number of new disability pension decisions issued based on mental disorders has grown compared to the same period in 2022.
- Among women, the number of disability pension decisions for mental health reasons has grown in all age cohorts, except for those aged under 35. Among men, the number of disability pension decisions for mental health reasons has grown for those under 45 and those aged 55–59.
- The highest number of disability pension decisions for mental health reasons were issued to those aged under 35.

More than 86 per cent of rehabilitants returned to the labour market

- The number of rehabilitation applications, which started to grow last year, has continued to increase clearly (18.5 per cent). Growth was stronger among women.
- The proportion of successfully completed rehabilitation programmes has remained high in the first half of the year. In April–June, a larger number of student rehabilitants completed their degree than in January–March, which raised the percentage of those returning to the labour market.
- Of Varma’s rehabilitants, 86.3 per cent were available to the labour market at the end of rehabilitation.
- Employers are also increasingly using other means to support work ability, such as work arrangements, partial sickness allowance and work trials carried out by decision of occupational healthcare.



Sustainability



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.

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Latest developments in sustainability



Varma ranked third in a responsible investing comparison

Varma received international recognition for the transparency of responsible investing and was ranked third in a comparison that included 75 pension companies from 15 countries. Varma was one point short of being ranked number one in the world. Norway's oil fund and BOUW, a Dutch construction industry pension fund topped the list together.



Varma is committed to promoting human rights

During spring 2023, Varma participated in the Business & Human Rights Accelerator programme organised by UN Global Compact in an effort to help companies move from commitment to action on human rights. Twenty-eight organisations from Finland completed the programme.



Varma surveyed its investees' exposure to biodiversity loss

Varma continued its own biodiversity work by looking into how companies in sectors exposed to biodiversity loss take risks of biodiversity loss into consideration. In the analysis, we surveyed, based on publicly available information, biodiversity policies in our listed equity investments. European companies were ahead of those operating in North America and Asia.

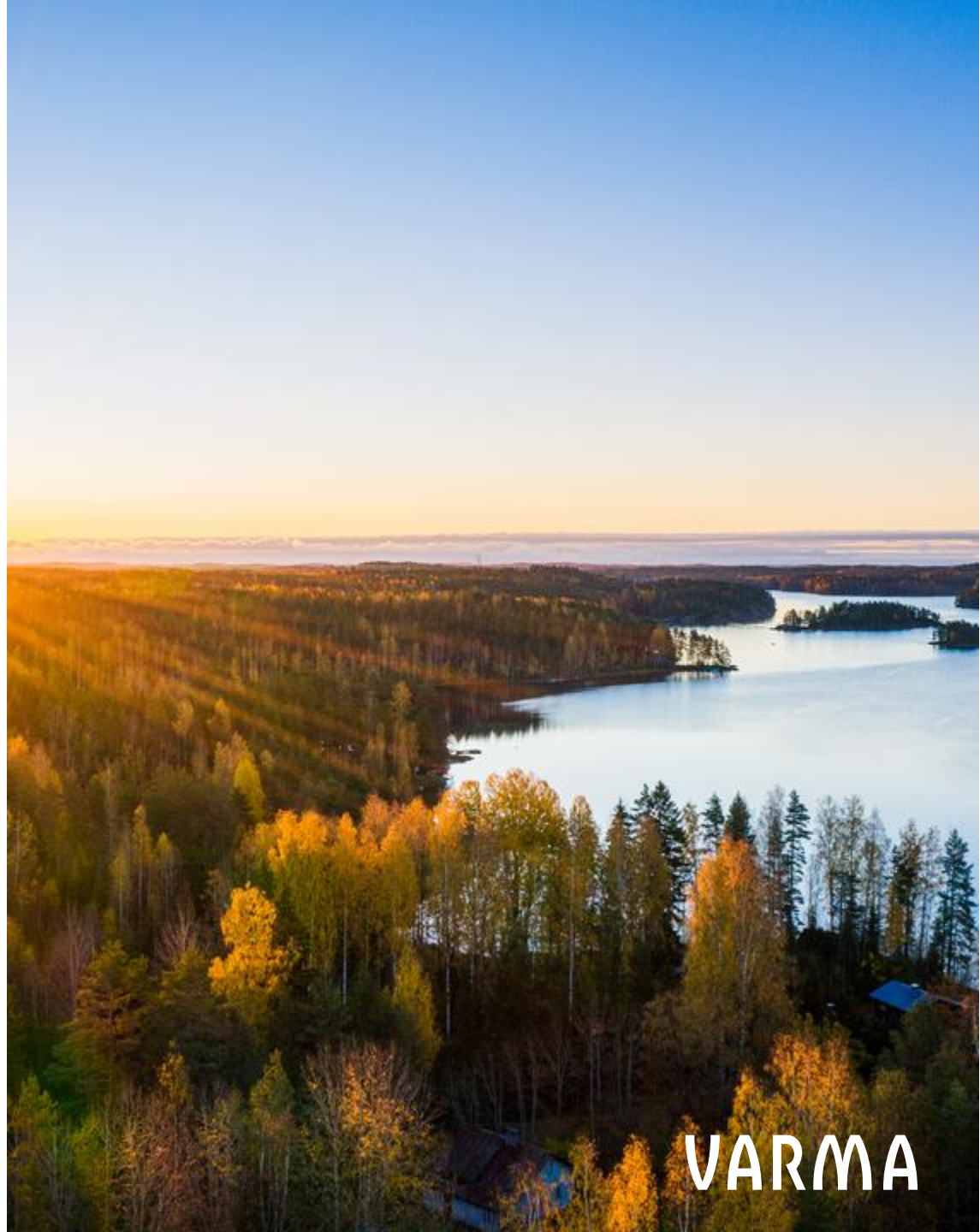
Biodiversity survey for listed equities

- We continued our biodiversity work by looking into the biodiversity policies of companies operating in high-risk sectors. The analysis focussed on **listed equities**.
- For the analysis, the publicly available biodiversity policies were divided into three categories: **(1)** expression of the will to take action, **(2)** commitment and detailed targets for considering biodiversity and **(3)** a detailed action plan for delivering on the commitment. If no policies were found, the category 0 was applied.

Category	Companies/ number
0	62
1	144
2	62
3	14
	282

Results of the analysis

- Of the companies, 27 per cent had set targets on the consideration of biodiversity in their operations.
- A clearly larger proportion, just over half of the companies (51 per cent), had expressed their intent to take action for considering or compensating biodiversity loss.
- Five per cent of all companies had a concrete action plan. Over a fifth (22 per cent) of the companies had not considered biodiversity issues in their public policies at all.
- European companies were more advanced compared to companies operating in North America and Asia.
- The most committed sectors in the analysis were paper & forest products, construction materials and electricity generation. Companies operating in the transport, beverage and textiles apparel & luxury goods presented the fewest policies on biodiversity loss.





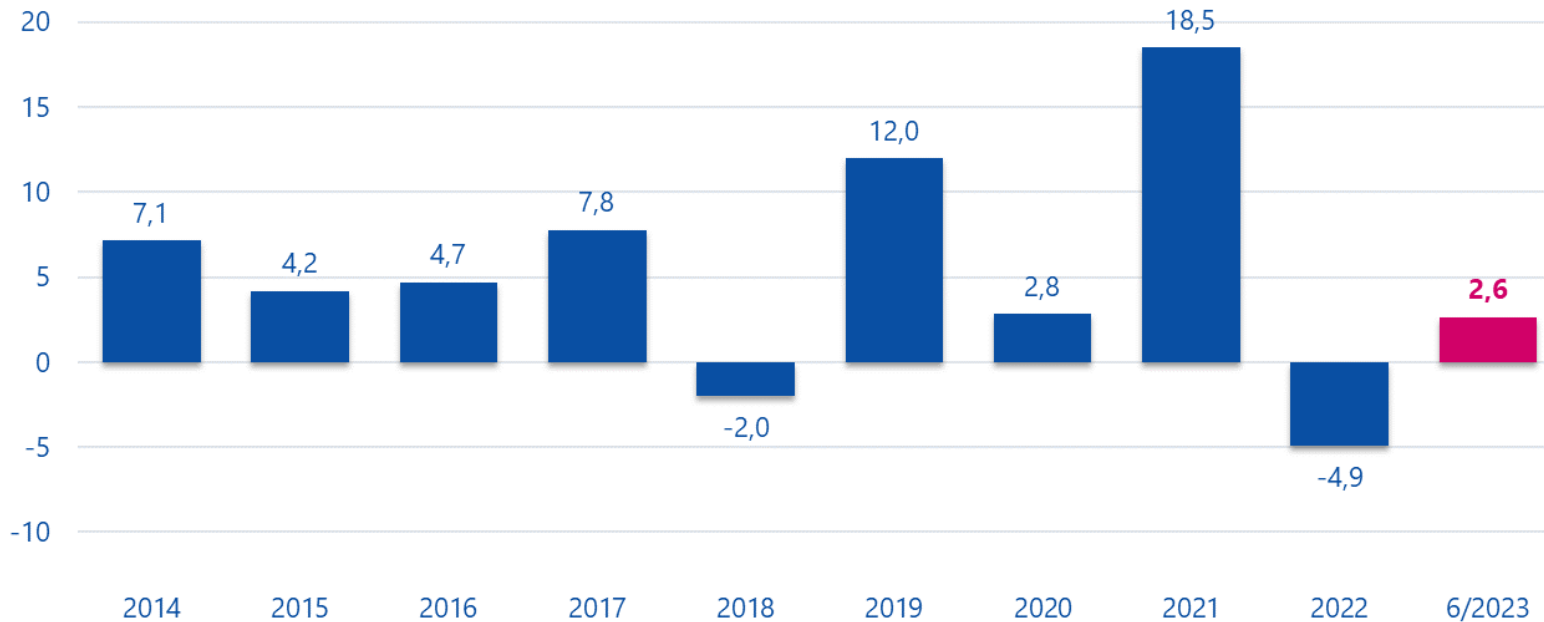
Outlook for the economy

Outlook for the economy and the investment markets

- The investment markets are divided: return differences between asset classes have been large. US equities performed well, the performance of Finnish equities has been exceptionally weak compared to other industrialised countries.
- In the USA, economic growth has continued stronger than expected, driven by demand for services.
- Growth is soft in Europe; industrial production in particular is struggling.
- The global economy did not slide into a recession in the first half of the year, yet it remains a threat.
- The tight monetary policy of the central banks has slowed inflation, interest rates are expected to peak soon.
- Interest rates are anticipated to remain high for a long time.



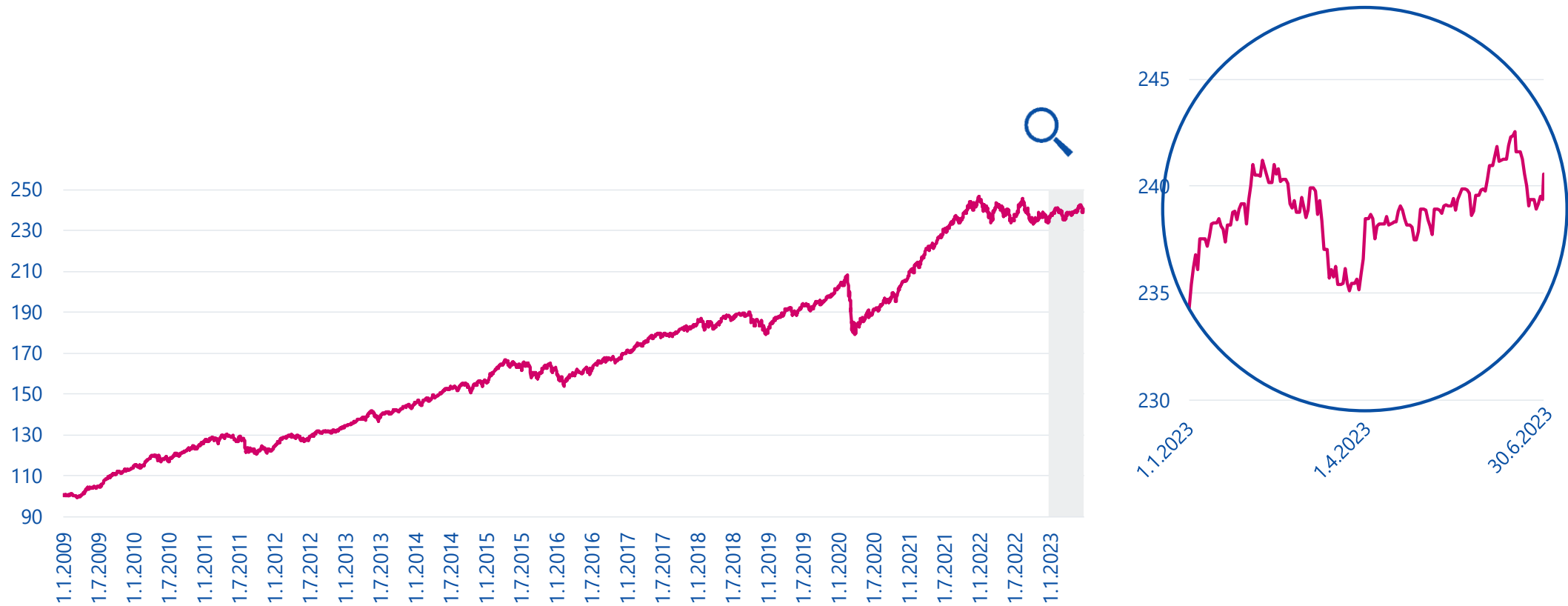
Return on investments



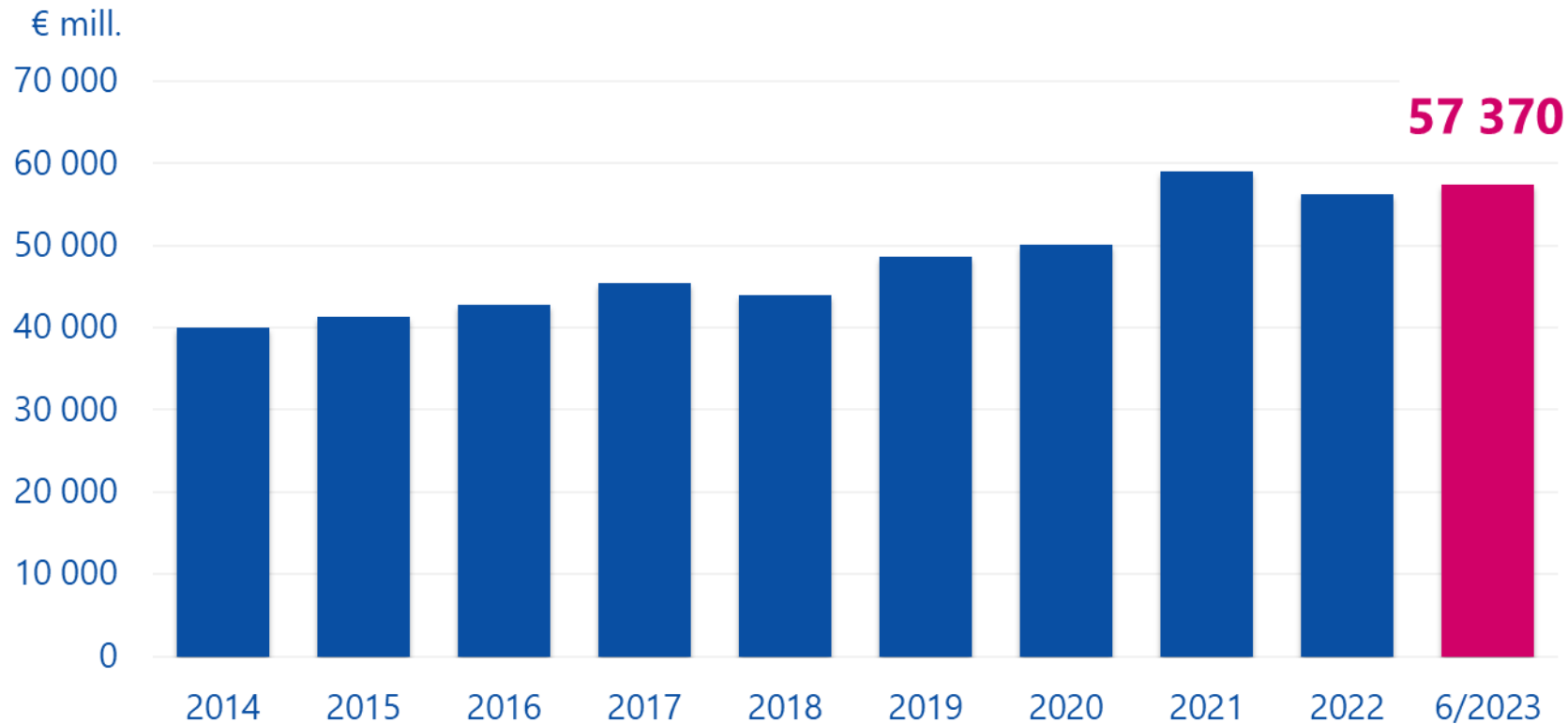
The average nominal return on investments over ten years is approx. 5.7%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **2.6 per cent** in January–June 2023.
- The investment portfolio amounted to **EUR 57.4** billion at the end of June.

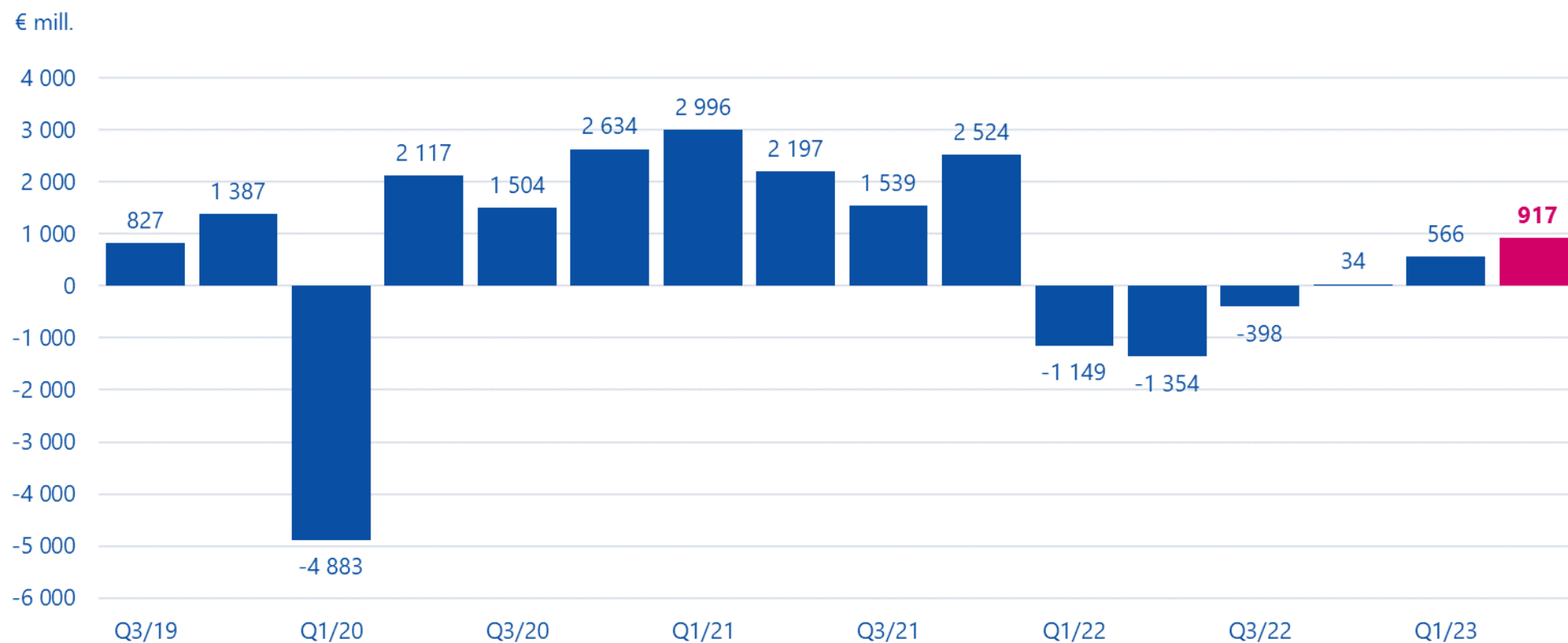
Return development since 2009, cumulative return 140.6%, €35.0 bn



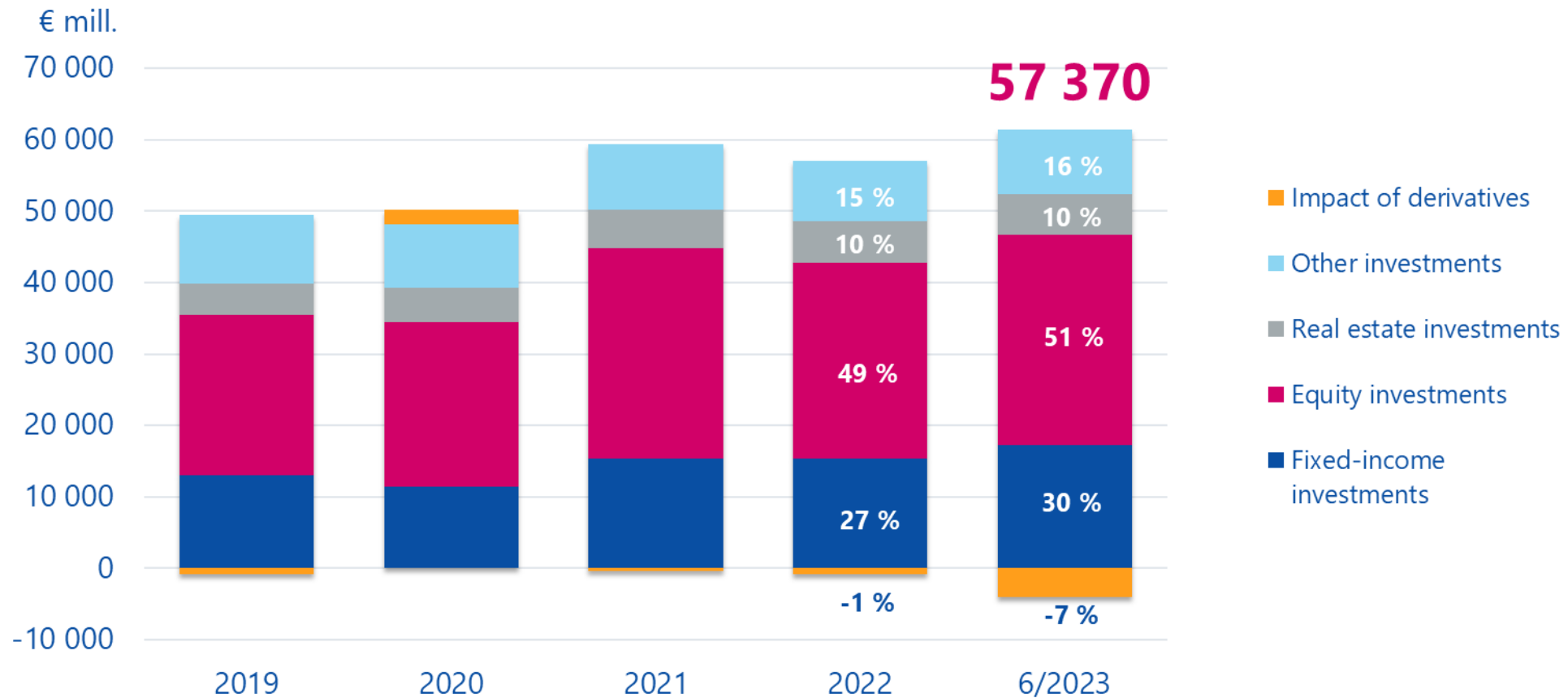
Market value of investments EUR 57.4 billion



Return on investments at fair values by quarter



Investment allocation



Investments classified according to risk

	30 Jun 2023				31 Dec 2022		01-06/2023	01-12/2022	24 m Vola- tility
	Market value				Market value		Return	Return	
	Market Value		Risk position		Risk position		MWR	MWR	
	milj. €	%	milj. €	%	milj. €	%	%	%	
Fixed-income investments ¹	13,293	23	17,216	30	15,302	27	1.8	-5.2	
Loan receivables	2,639	5	2,639	5	2,829	5	2.9	3.9	
Bonds	9,263	16	11,774	21	8,878	16	1.7	-10.2	5.1
Public bonds	4,746	8	7,156	12	4,844	9	1.3	-13.7	
Other bonds	4,517	8	4,619	8	4,033	7	2.2	-6.5	
Other money-market instruments and deposits	1,391	2	2,803	5	3,595	6	0.7	-0.1	
Equity investments	29,441	51	29,525	51	27,533	49	4.6	-8.7	
Listed equities	18,578	32	18,661	33	17,342	31	5.2	-16.8	14.2
Private equity	10,147	18	10,147	18	9,498	17	3.9	7.9	
Unlisted equities	717	1	717	1	692	1	0.3	40.7	
Real estate investments	5,623	10	5,623	10	5,741	10	-3.3	5.7	
Direct real estates	3,039	5	3,039	5	3,171	6	-2.9	4.2	
Real estate funds	2,584	5	2,584	5	2,570	5	-3.8	7.6	
Other investments	9,013	16	9,015	16	8,438	15	1.9	2.7	
Hedge funds	9,027	16	9,027	16	8,433	15	2.4	2.3	3.2
Commodities	2		4						
Other investments	-16		-16		6				
Total investments	57,370	100	61,379	107	57,014	101	2.6	-4.9	5.1
Impact of derivatives			-4,009	-7	-810	-1			
Investment allocation at fair value	57,370	100	57,370	100	56,204	100			

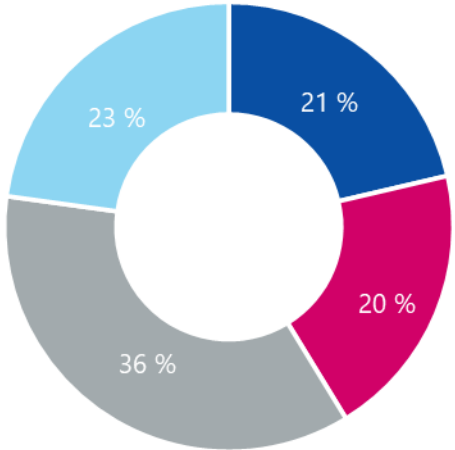
The modified duration for all the bonds is 4.96.

The open currency position is 27.5% of the market value of the investments.

¹ Includes accrued interest

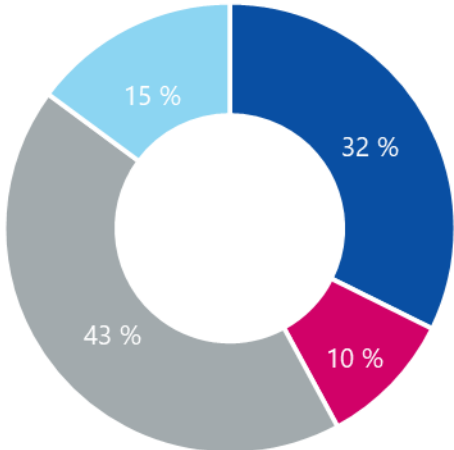
Geographical distribution of investments

Investments



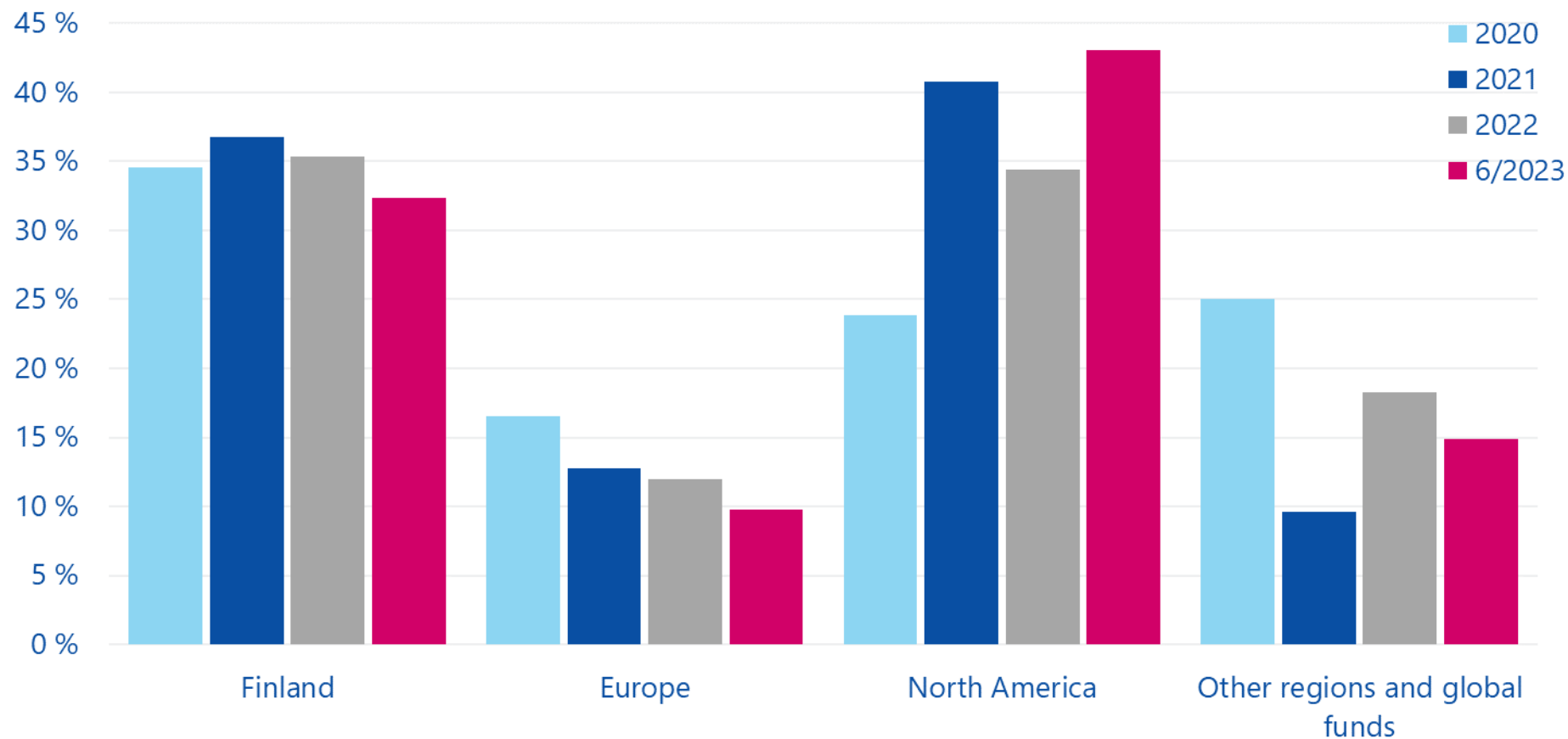
- Finland
- Europe
- North America
- Other regions and global funds

Listed equities



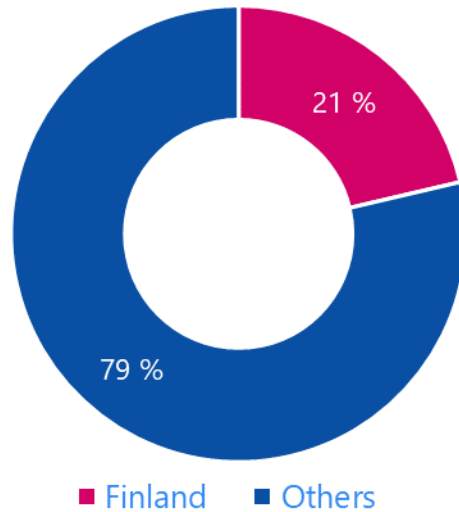
- Finland
- Europe
- North America
- Other regions and global funds

Listed equity investments focussed on Finland and North America

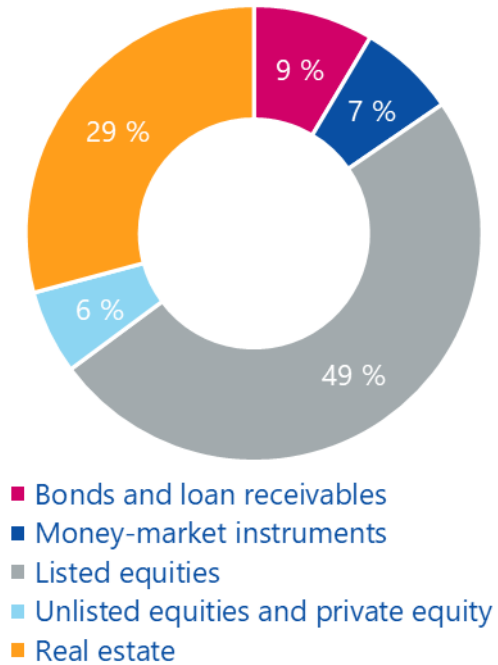


Investments in Finland 21%, EUR 12.2 billion

Investments in Finland

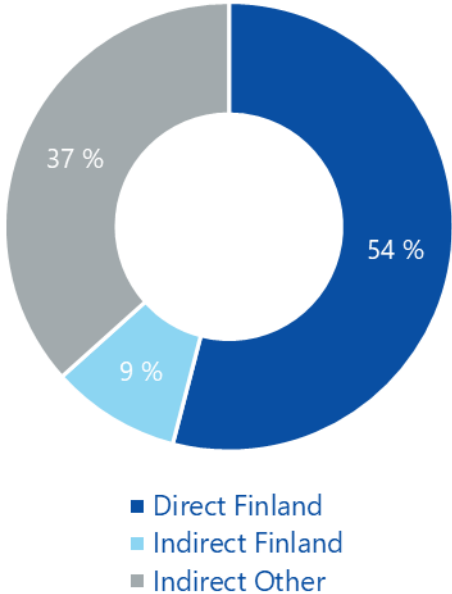


Distribution of Finnish investments

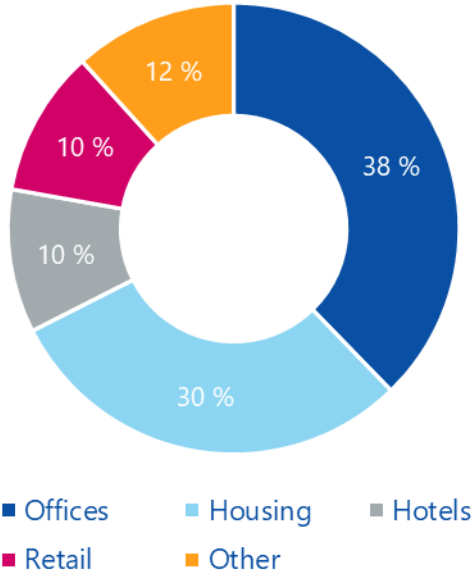


63% of real estate investments, i.e. EUR 3.6 billion, in Finland

Real Estate Investments, € bn 5.6

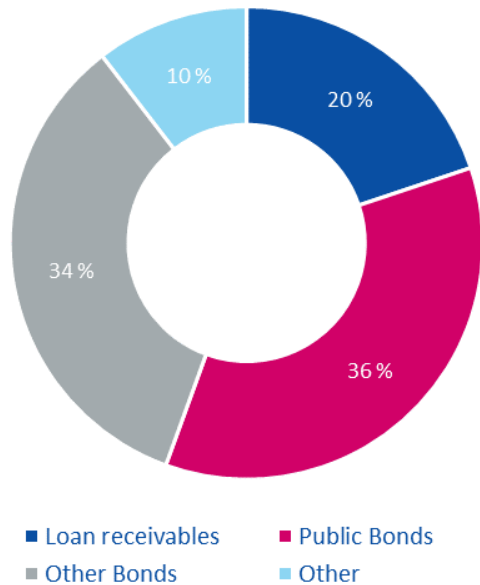


Direct Real Estate Investments in Finland, € bn 3.0

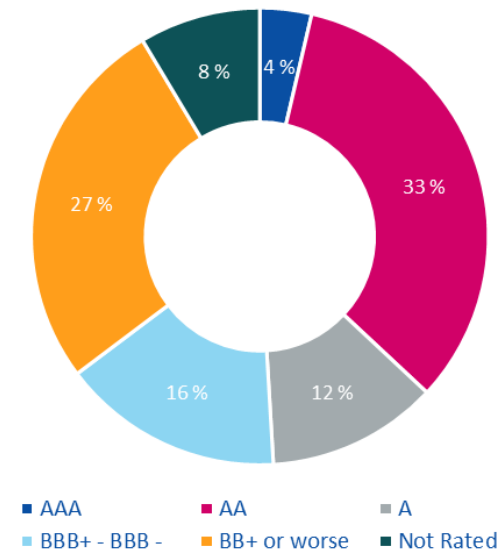


Over a third of fixed income investments in public bonds

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
1-6/2023	2,6	-2,8	10,9	16,9	2,5	2,2
2022	-4,9	-12,7	-10,6	-18,1	-18,4	-14,2
2021	18,5	25,3	24,9	28,7	-3,4	-1,1
Average nominal return						
5 years	5,1	5,4	6,6	12,3	-1,9	-1,2
10 years	5,7	11,1	7,7	12,9	1,0	1,0
Since 1999 *	5,5	8,1	4,8	7,4	3,1	3,1
Average real return						
5 years	1,7	2,0	3,1	8,7	-5,1	-4,4
10 years	3,6	9,0	5,6	10,7	-0,9	-1,0
Since 1999 *	3,5	6,1	2,8	5,3	1,2	1,1

* 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

	1-6/2023	1-6/2022	1-12/2022
Premiums written, € million	3 228	2 986	6 119
Net investment income at fair value, € million	1 484	-2 503	-2 868
Return on invested capital, %	2,6	-4,3	-4,9
	6/2023	6/2022	12/2022
Technical provisions, € million	46 433	45 291	45 373
Solvency capital, € million	13 451	14 780	13 344
in relation to solvency limit	1,7	1,8	1,8
Pension assets, € million	58 379	57 575	57 120
% of technical provisions	129,9	134,5	130,5
TyEL payroll, € million	25 610	24 000	24 103
YEL payroll, € million	934	860	867

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