



**Varma's half-year result 1 January–30 June 2024**

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**VARMA**

# Key figures 1-6/2024

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Return on  
investments

**5.9%**



Value of  
investments

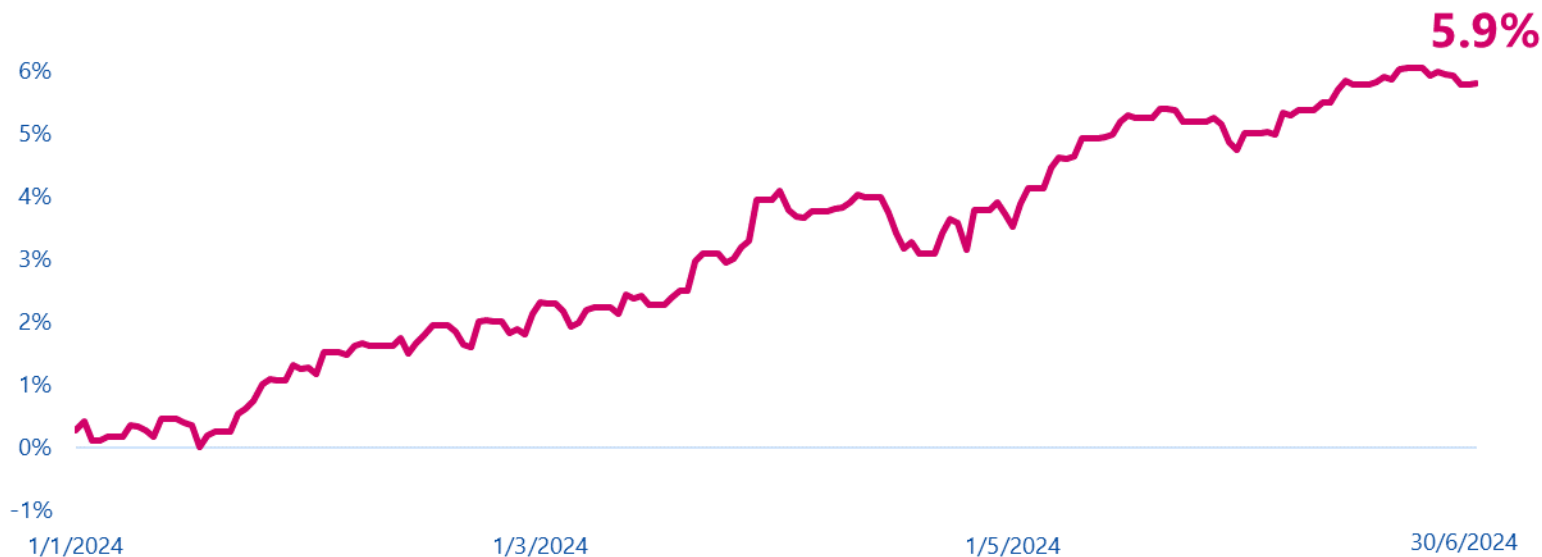
**€62.1 bn**



Solvency

**€15.7 bn**

# 5.9 per cent return on Varma's investments

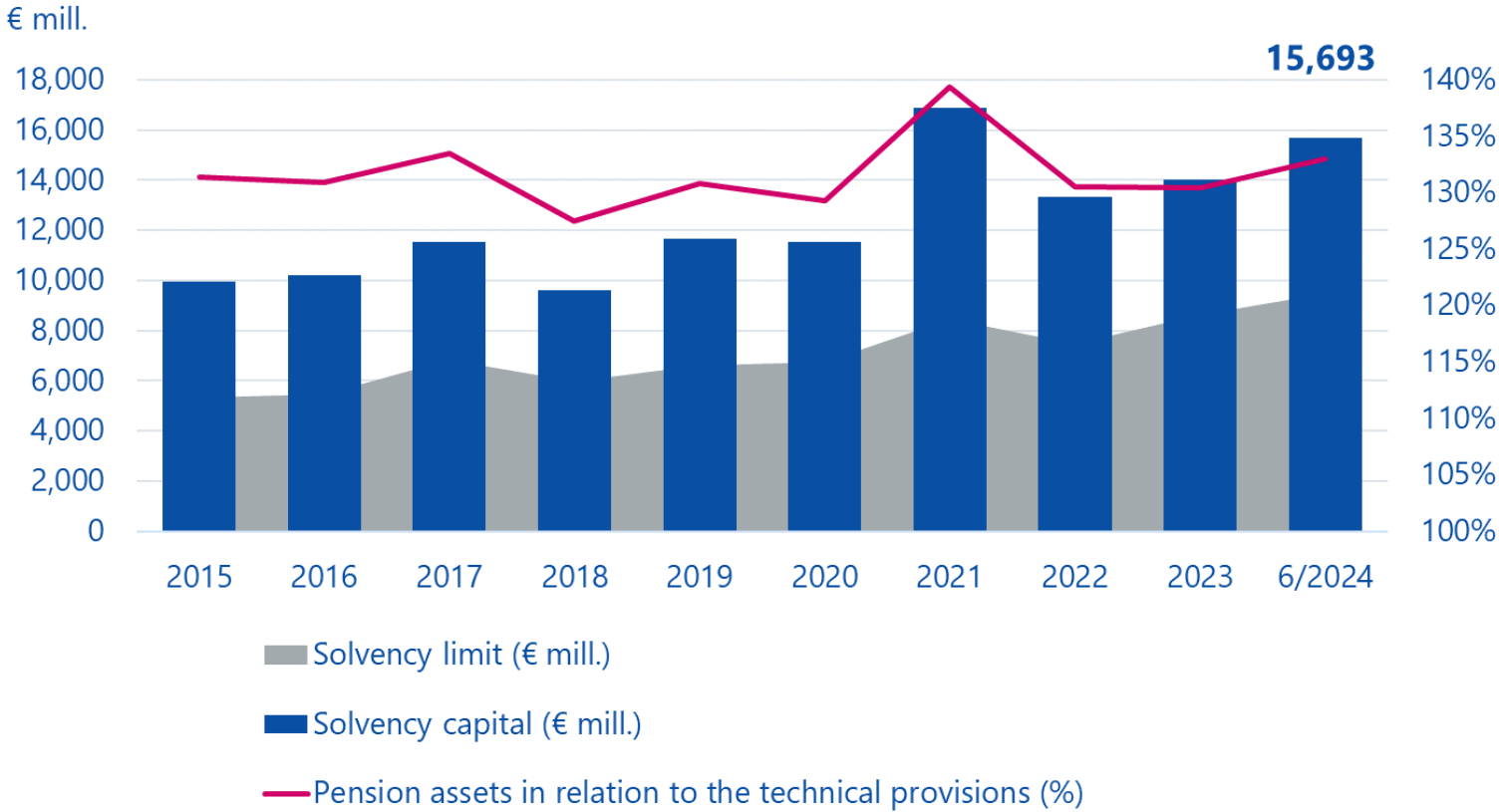


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Varma's solid 5.9 per cent return on investments in the first half of the year can be attributed to the continued strong performance of the global equity markets. The global economy has been growing steadily, but in industry-driven Northern Europe, growth was muted in the first half of the year.

**Risto Murto**, President & CEO

# Varma is the most solvent earnings-related pension company



- Solvency strengthened in the first half of the year.
- Solvency capital was EUR **15.7 billion**.
- Solvency capital was **1.7 times** the solvency limit.
- The solvency ratio was **133.0 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

	<b>1-6/2024</b>	<b>1-6/2023</b>	<b>12 months</b>	<b>1-12/2023</b>
Investment return (MWR)	5.9%	2.6%	9.4%	6.0%

	<b>6/2024</b>	<b>6/2023</b>	<b>12/2023</b>
Solvency capital (€ mill.)	15,693	13,451	14,010
Solvency capital / solvency limit	1.7	1.7	1.6
Solvency ratio (%)	133.0	129.9	130.4
Investments at fair value (€ mill.)	62,069	57,370	59,078

A man wearing a light blue zip-up hoodie, dark blue cargo pants, a brown cap, and black gloves is walking towards the camera. He is carrying a black toolbox in his right hand. He is walking on a paved path next to a wall made of dark grey stones with light-colored mortar. In the background, there are modern buildings with red and blue siding and green foliage.

# Insurance and pensions

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# Varma takes care of the pension cover of 976,000 people

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Insured employees and entrepreneurs

**625,400**



Pensioners

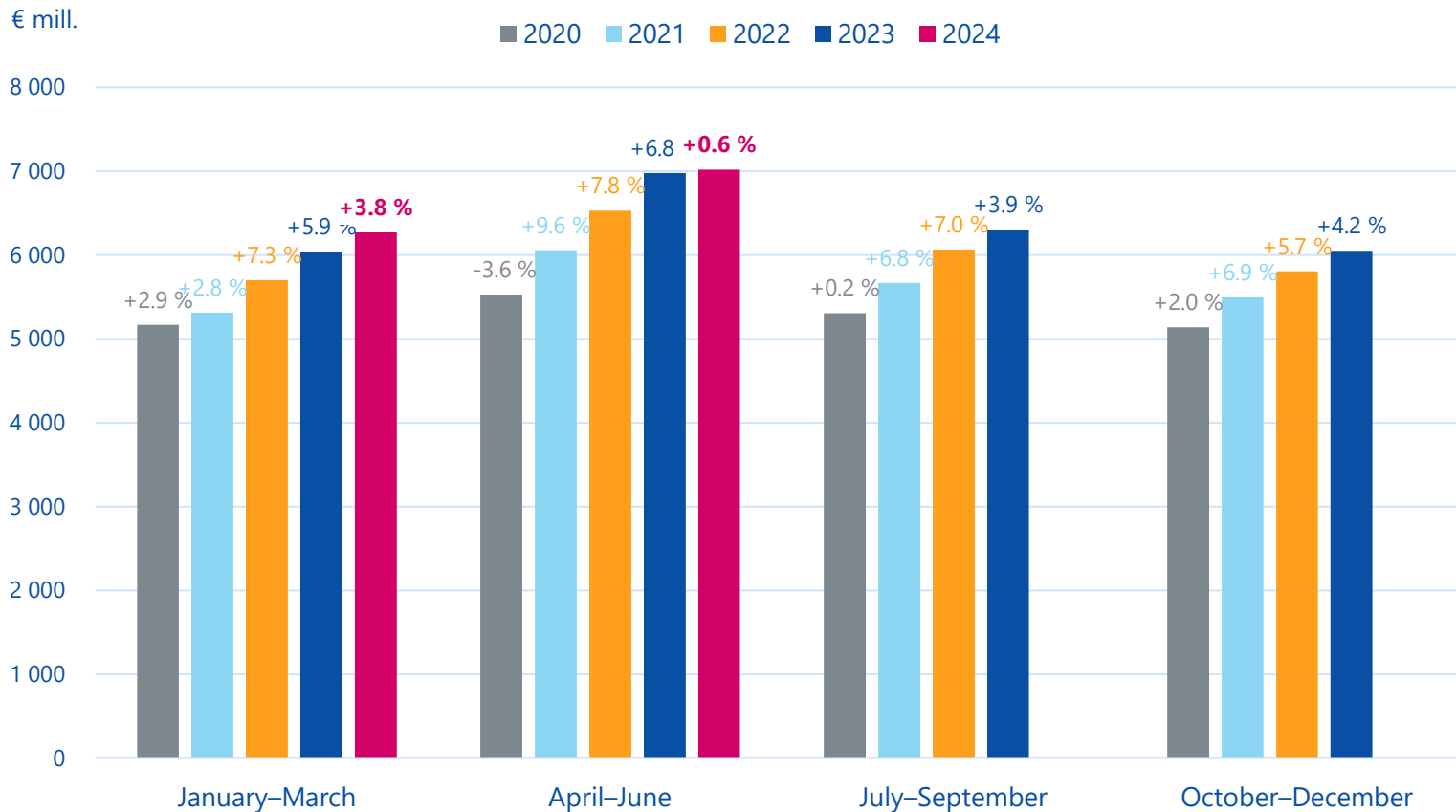
**350,600**



Pensions paid

**€3.8 bn**

# Growth in TyEL payroll slowed



The TyEL payroll of Varma's clients grew **0.6 per cent** in April–June compared to the same period last year.

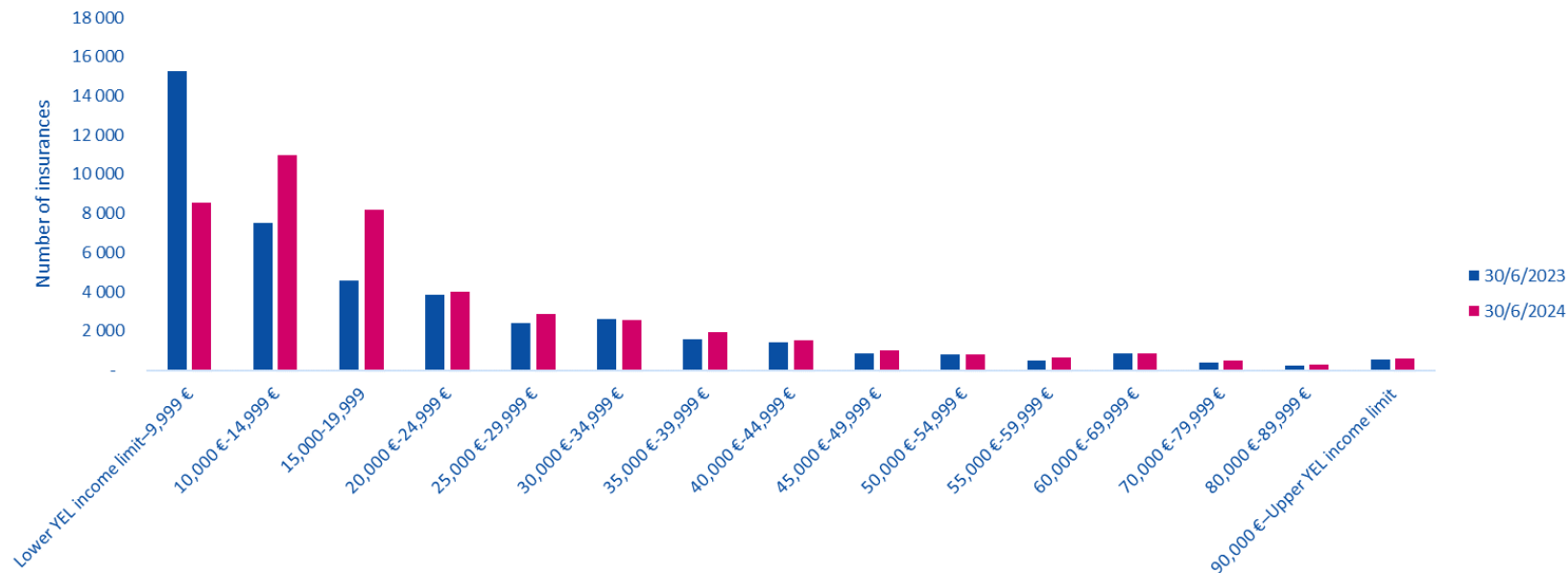
Growth in January–June was 2.1 per cent compared to a year ago.

The percentage in the figure indicates the change from the same period last year.



# YEL income on the rise

YEL income has raised in the lowest income groups.



- YEL income reviews were reflected as raised income levels in the lowest income groups. In accordance with the amended YEL act, earnings-related pension insurance companies must review the YEL income of entrepreneurs every three years.
- This year, Varma is reviewing the income of entrepreneurs whose YEL income is under EUR 25,000 and at least three years have elapsed since their income was last confirmed or substantially changed. The income of just under 8,000 entrepreneurs is scheduled for a review.
- The right level of YEL income strengthens both an entrepreneur's pension accrual and their social security.

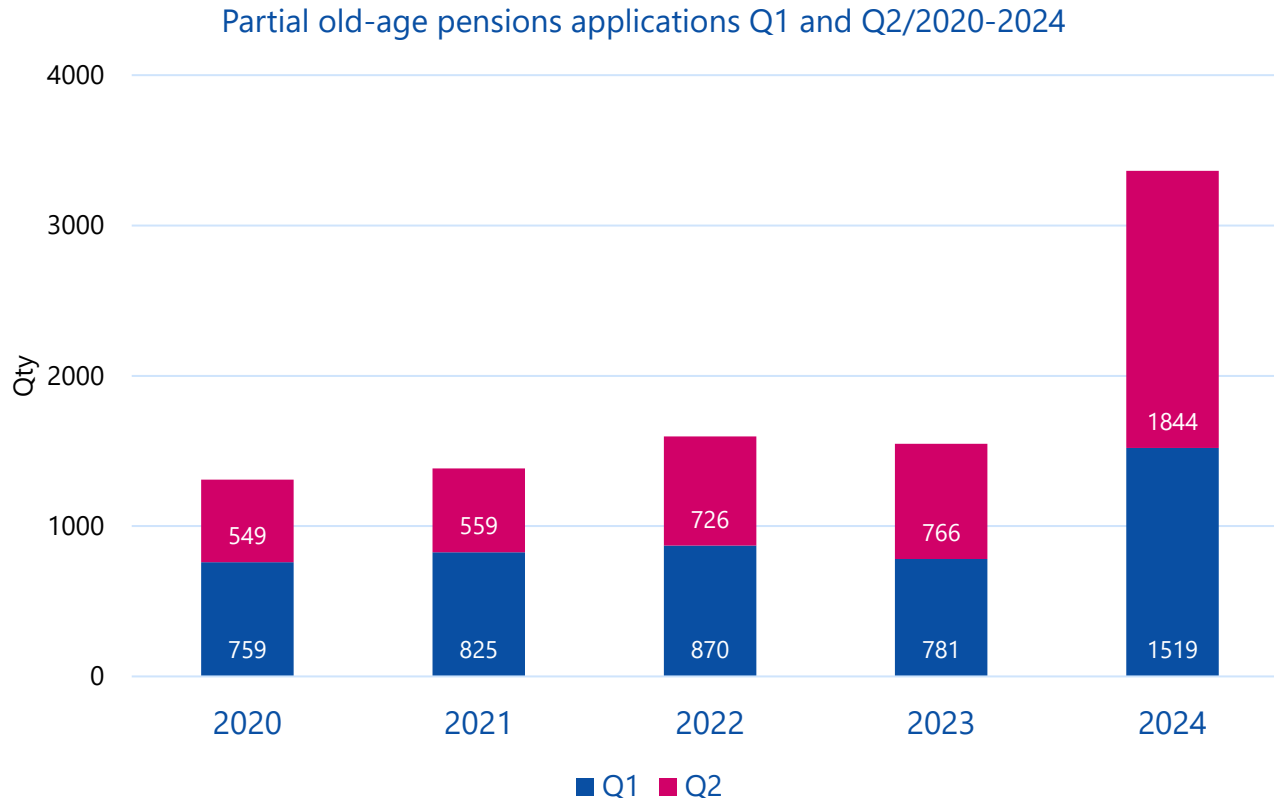
# Current information about pensions

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- In January–June, over 12,000 new pension decisions and preliminary decisions were made, which is roughly 11 per cent more than in the corresponding period last year.
- A total of 25,800 pension decisions were made in January–June.
- The number of pensioners is 350,600, of which 77 per cent are receiving old-age pension. The number of people receiving the years-of-service pension is 81.
- According to statistics, the employment rate for 55–64-year-olds has risen significantly over the past decades.



# More than double the number of applications for partial old-age pension in the first half of the year compared to previous years



- The number of applications increased throughout the first six months of 2024, and in contrast to previous years, more applications were received in the second quarter than in the first.
- The number of new pensions granted was 3,071. Men accounted for roughly two thirds of the applicants.
- The average starting age of retirement was 61 years, 10 months. The minimum age limit for those born before 1964 is 61.
- The age limit will be raised to 62 at the start of next year; in other words, the change will apply to those born in 1964.
- The amount of partial old-age pension is 25 or 50 per cent of the person's accrued pension. The larger pension is more popular, accounting for 78 per cent of newly granted partial old-age pensions.
- Just under 200 people applied to switch from the 25 per cent pension to the 50 per cent pension.

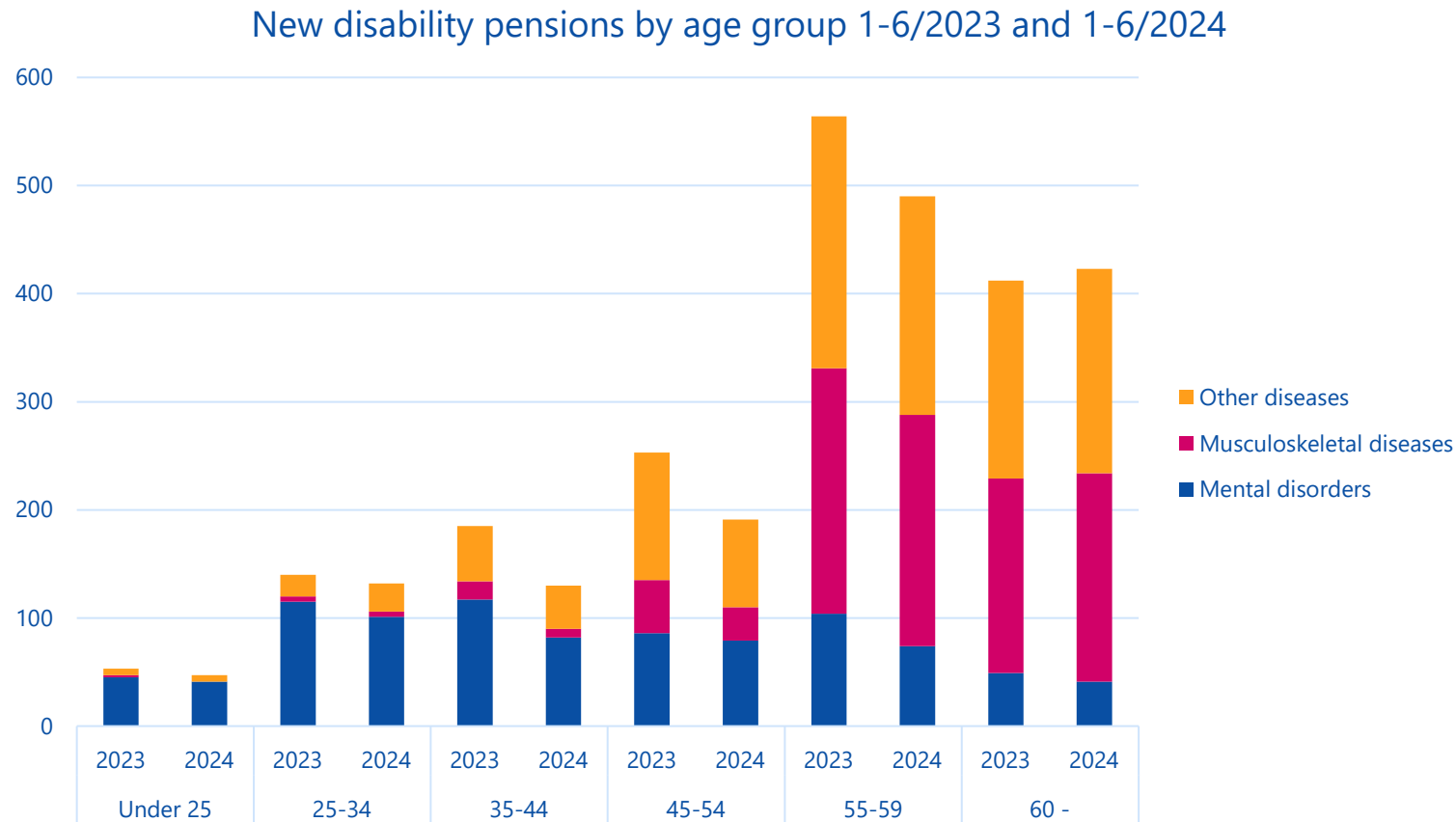


**Managing disability risk**

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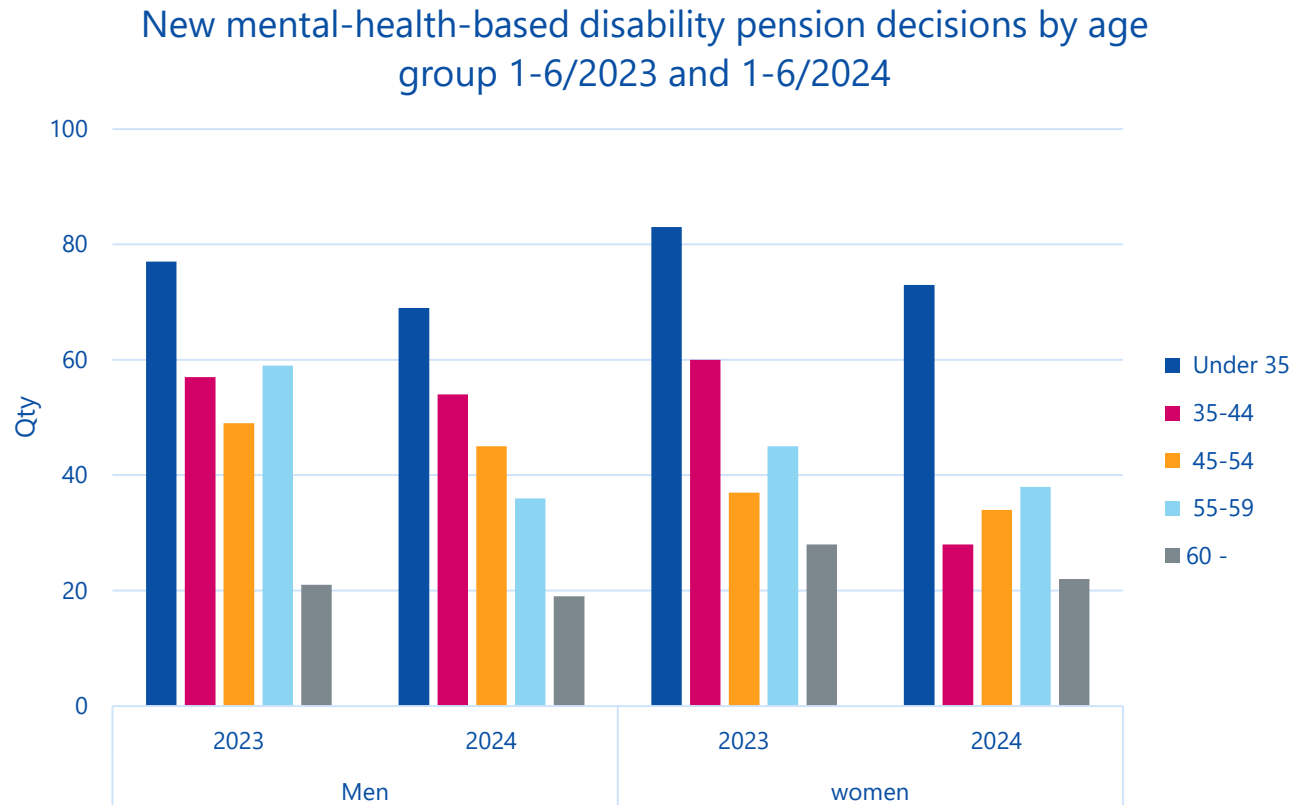
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# Decline in the number of new disability pensions granted, with the exception of the 60+ age group



- The number of disability pension applications increased by 7.5 per cent compared to the same period last year, but due to the rather high rejection rate, 12 per cent fewer new disability pensions commenced compared to the first half of last year.
- The number of new disability pensions granted on the basis of mental health disorders fell 27 per cent compared to the same period last year.
- In terms of amount, new disability pensions are concentrated on those 55 and older.

# Younger age groups again accounted for the highest number of new disability pensions granted for mental health reasons



- The number of new disability pensions granted for mental health disorders fell in all age groups.
- The biggest relative decrease in disability pensions granted on the basis of mental health disorders was seen among men aged 55–59 and women between 35 and 44.
- Most new disability pensions for mental health reasons were granted to those aged under 35.
- In the oldest age groups, the main cause of disability is musculoskeletal diseases, but the same people often also have mental health disorders that do not show in the statistics.

# Rehabilitation applications in decline in the first half of 2024

- The number of rehabilitation applications decreased 12 per cent compared to the same period last year.
- Applications decreased in all age groups, with the biggest decrease in the 45–54 age cohort.
- However, the number of applications by men in the oldest age group, i.e. 60+, increased.
- Of all cases where the right to rehabilitation was granted, 43 per cent was granted in connection with a disability pension application.
- More than 80% of Varma's rehabilitants return to the labour market.
- In addition to rehabilitation, employers are 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

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# 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.

# Latest developments in sustainability



## Environment



### Varma invests in US climate fund

Varma invested EUR 1.5 billion in a listed US ETF that takes climate impacts into consideration. The fund, tailored to Varma, invests in global companies with a track record of reducing greenhouse gases and carbon dioxide emissions.



## People and society



### Varma joined two investor initiatives

Varma joined a global initiative to prevent possible harmful effects of social media and smart devices. The initiative of the UN-supported PRI draws attention to the effects of social media and smart devices on mental health and well-being.

The other initiative relates to antibiotic resistance. As part of the initiative, investors aim to accelerate collaboration, share experiences and make better use of shared resources in the fight against antimicrobial resistance (AMR).



## Good governance



### Varma participated in 527 general meetings.

Between January and June, Varma participated in 527 general meetings. Of these, 97 were Finnish and 430 were foreign companies.

Varma assessed the remuneration and composition of committees of boards of directors. The assessment revealed that nearly half of the audit committee chairs were women (49 per cent). However, women accounted for less than 10 per cent of board chairs. The assessment concerned listed Finnish companies in which Varma was a shareholder in spring 2024.



# Investment outlook

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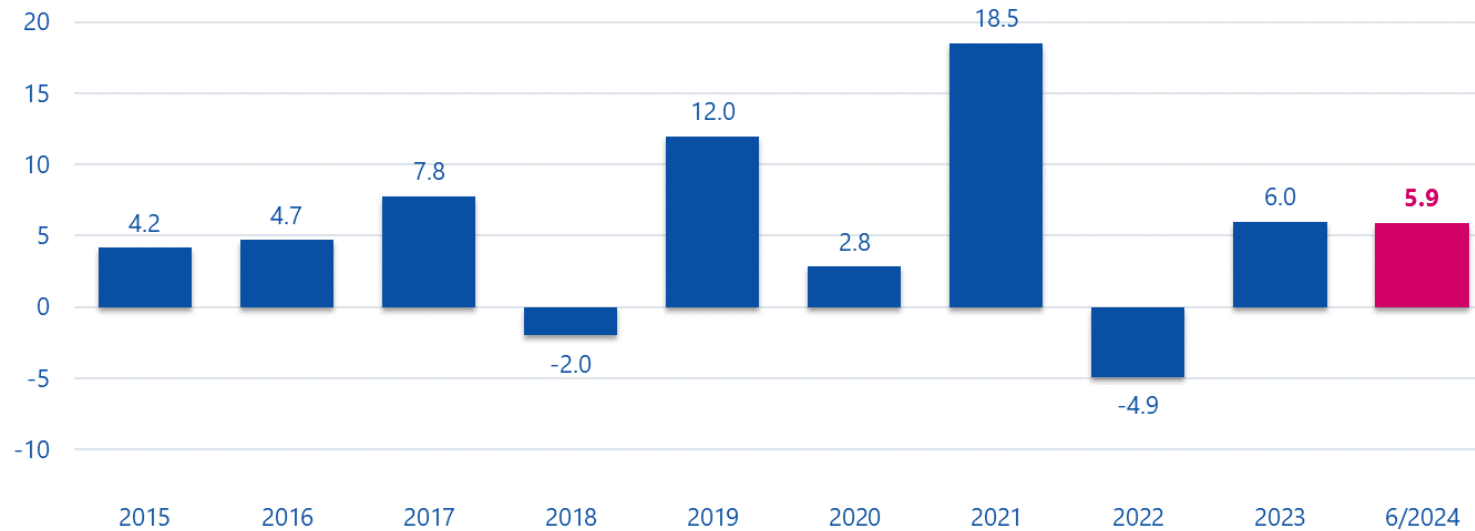
# Economic outlook

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- Economic growth has largely come from services, the manufacturing industry in the eurozone has been subdued
- Employment has remained strong, but recently there have also been signs of dwindling demand for labour in the USA
- Inflation is falling, but there will not necessarily be significant interest rates cuts this year
- Things are picking up in the eurozone, but Germany's economic growth was at a standstill in summer
- Geopolitical risks remain high due to, for instance, Russia's war of aggression and military operations in Gaza
- US presidential elections to be held on the 5th of November



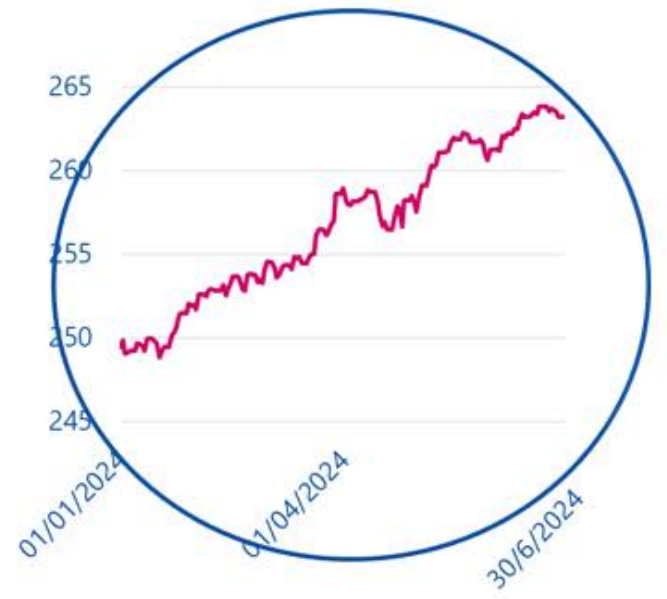
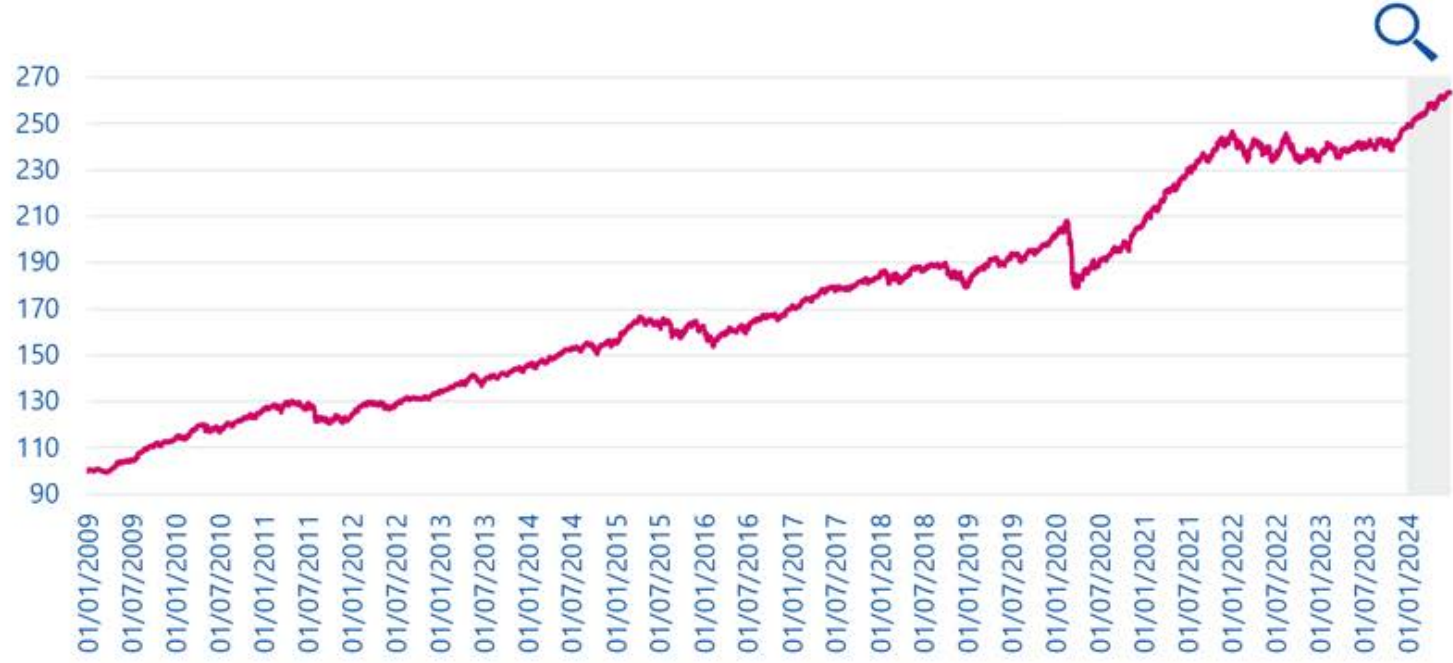
# Return on investments since 2015



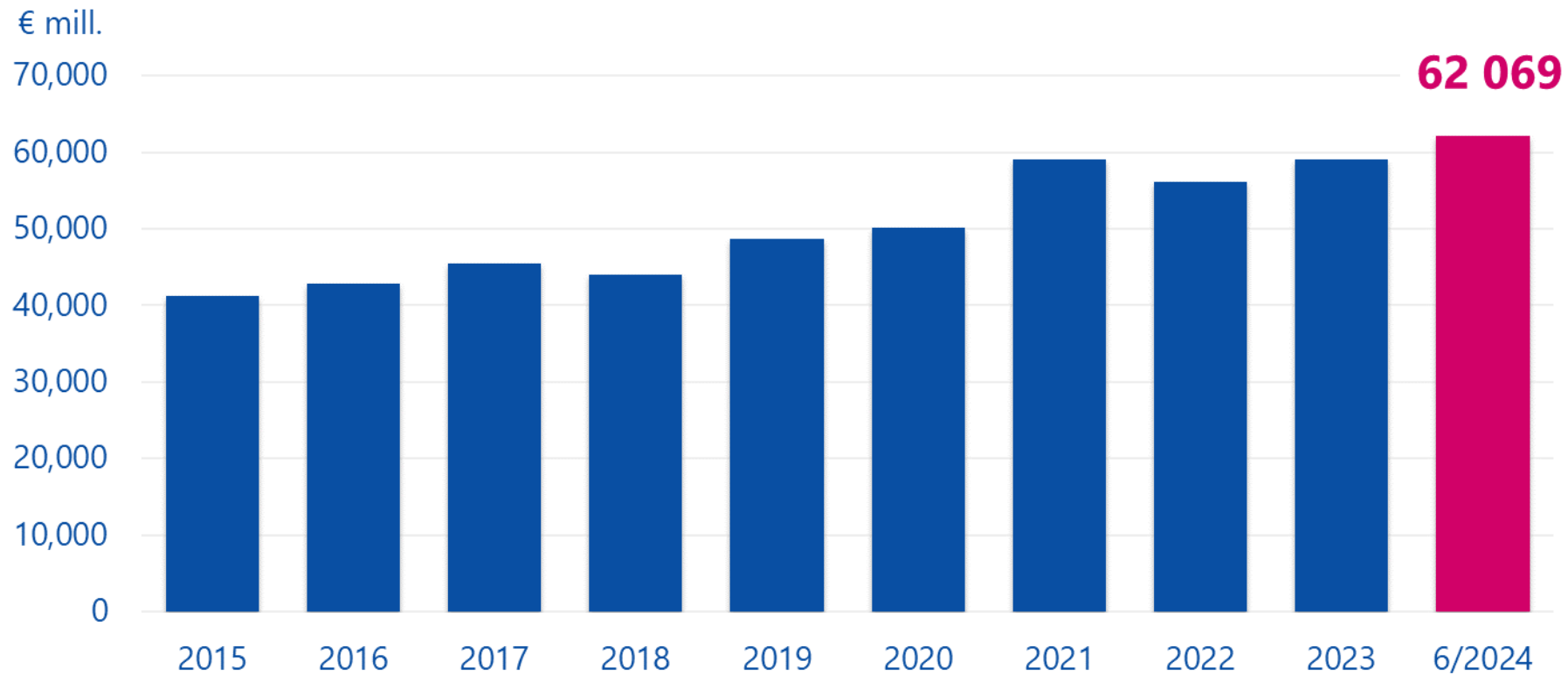
The average nominal return on investments over ten years is approx. 5.5%, calculated in accordance with the recommendations issued by TELA.

- The return on Varma's investments was **5.9 per cent** in January–June 2024.
- The value of investments was **EUR 62.1 billion** at the end of June.

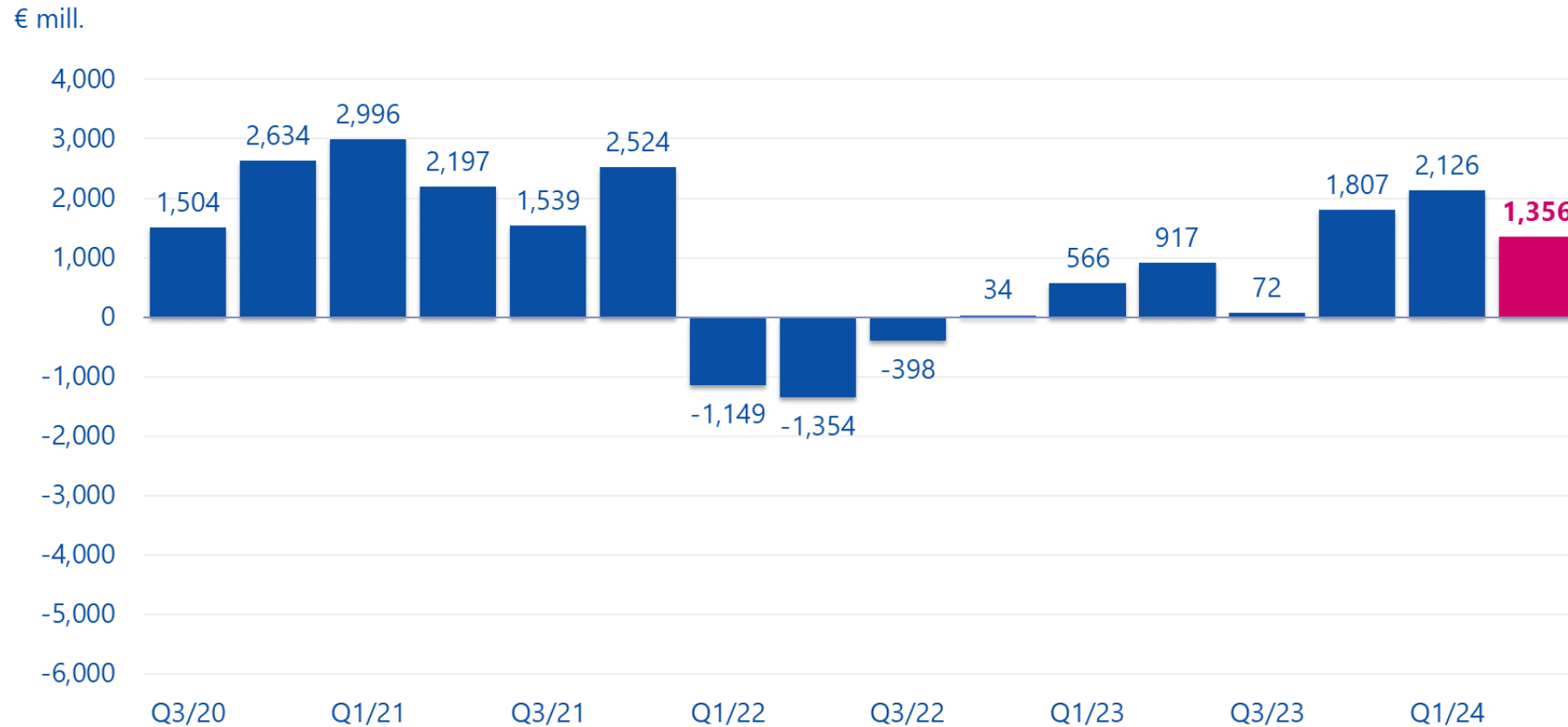
# Return on investments since 2009: EUR 40.4 billion, i.e. 163 per cent



# The value of Varma's investments exceeded EUR 62 billion

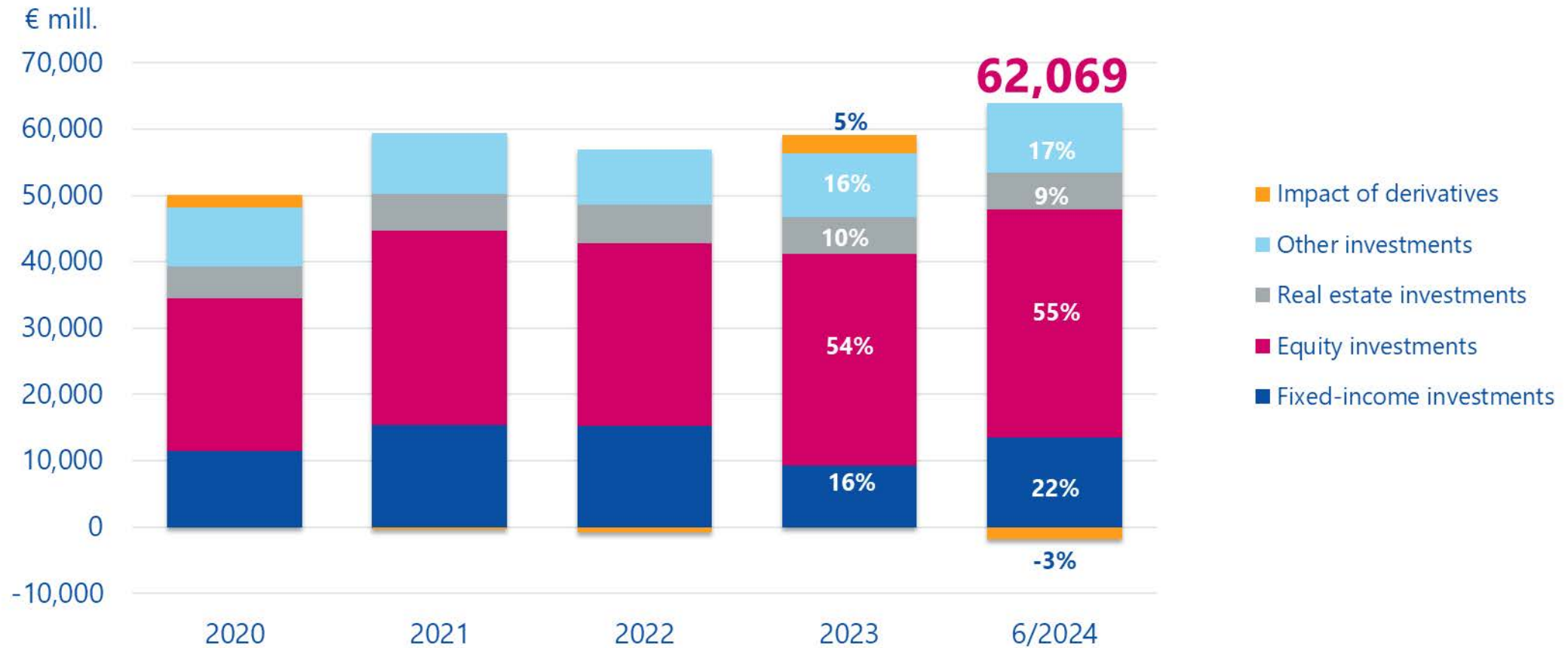


# Return on investments at fair values by quarter





# 55 per cent of investment assets in equities



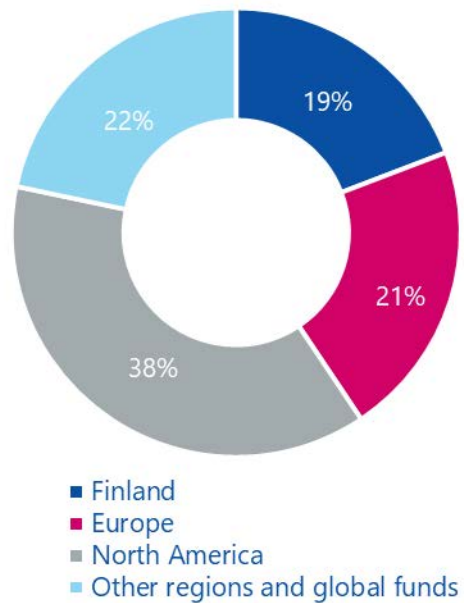
# Investments classified according to risk

	06/2024				12/2023		01-06/2024
	Market value				Market value		Return
	Market Value		Risk position		Risk position		MWR
	mill. €	%	mill. €	%	mill. €	%	%
<b>Fixed-income investments</b>	<b>11,828</b>	<b>19</b>	<b>13,520</b>	<b>22</b>	<b>9,307</b>	<b>16</b>	<b>1.6</b>
Loan receivables	2,411	4	2,411	4	2,598	4	4.2
Bonds	7,688	12	10,556	17	8,967	15	0.8
Other money-market instruments and deposits	1,729	3	553	1	-2,259	-4	1.3
<b>Equity investments</b>	<b>34,194</b>	<b>55</b>	<b>34,361</b>	<b>55</b>	<b>31,866</b>	<b>54</b>	<b>9.1</b>
Listed equities	22,248	36	22,415	36	20,626	35	11.2
Private equity	11,067	18	11,067	18	10,425	18	5.5
Unlisted equities	879	1	879	1	815	1	2.6
<b>Real estate investments</b>	<b>5,636</b>	<b>9</b>	<b>5,636</b>	<b>9</b>	<b>5,641</b>	<b>10</b>	<b>-2.4</b>
Direct real estates	3,011	5	3,011	5	3,021	5	-0.4
Real estate funds	2,626	4	2,626	4	2,620	4	-4.6
<b>Other investments</b>	<b>10,411</b>	<b>17</b>	<b>10,392</b>	<b>17</b>	<b>9,480</b>	<b>16</b>	<b>6.0</b>
Hedge funds	10,413	17	10,413	17	9,480	16	6.1
Other investments	-2	0	-21	0	0	0	
<b>Total investments</b>	<b>62,069</b>	<b>100</b>	<b>63,909</b>	<b>103</b>	<b>56,294</b>	<b>95</b>	<b>5.9</b>
Impact of derivatives			-1,840	-3	2,784	5	
<b>Investment allocation at fair value</b>	<b>62,069</b>	<b>100</b>	<b>62,069</b>	<b>100</b>	<b>59,078</b>	<b>100</b>	

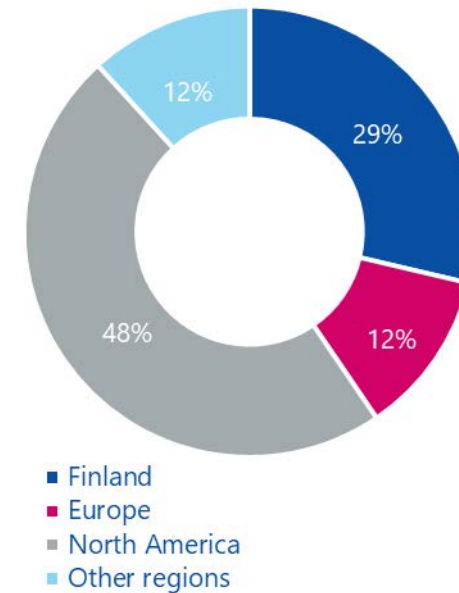
# Geographical distribution of investments

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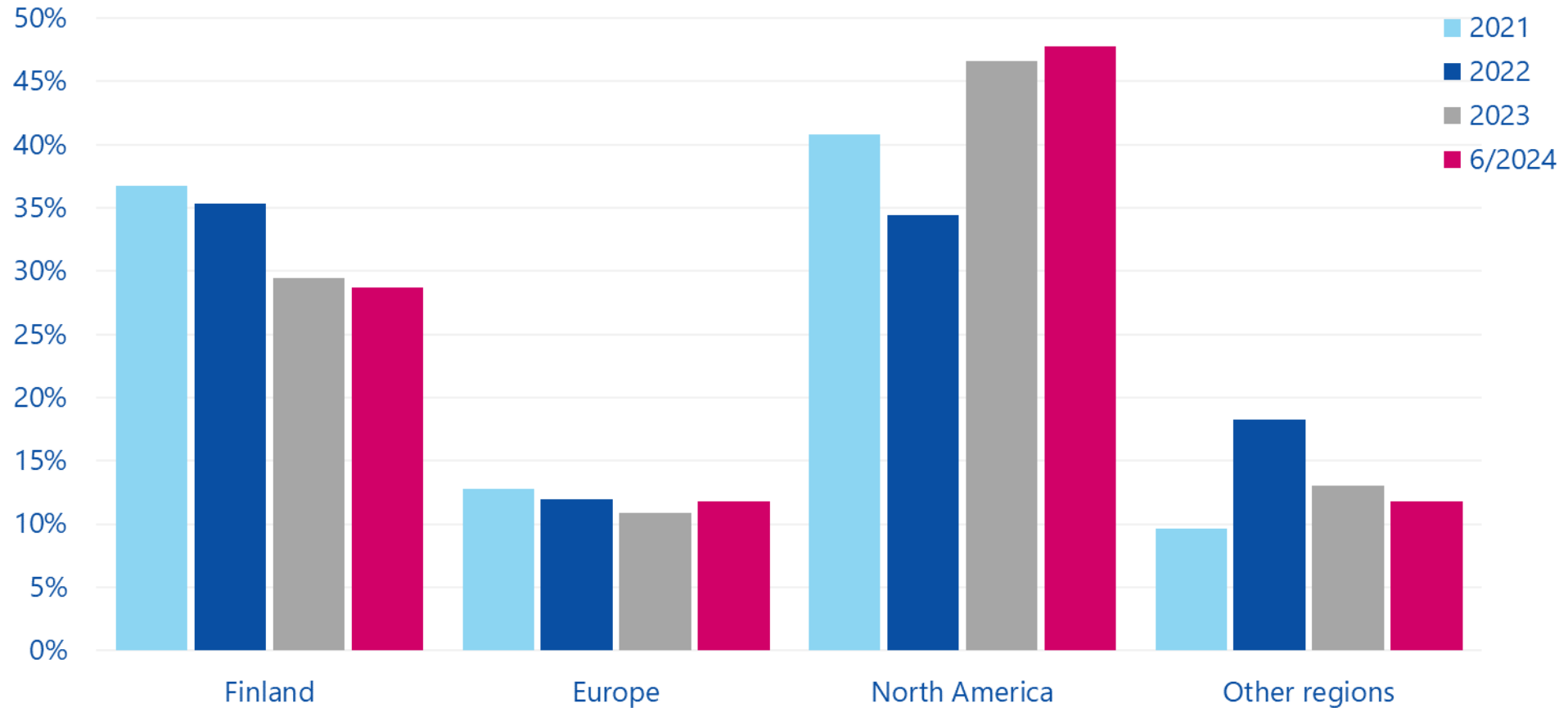
Investments



Listed equities

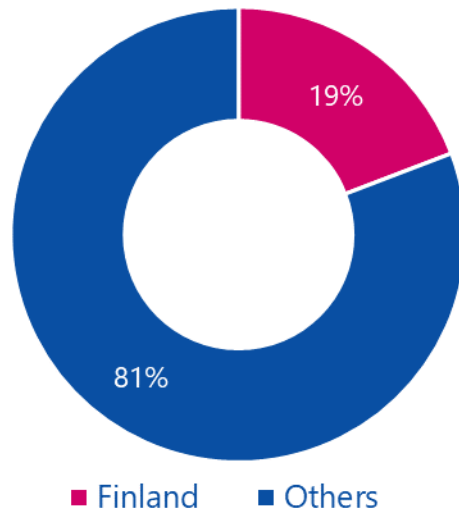


# Largest number of listed equities in North America

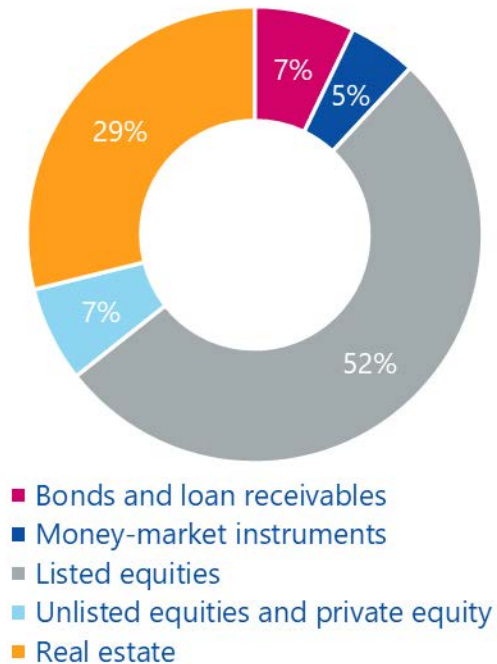


# Investments in Finland 19 per cent, i.e. EUR 12.3 billion

Investments in Finland

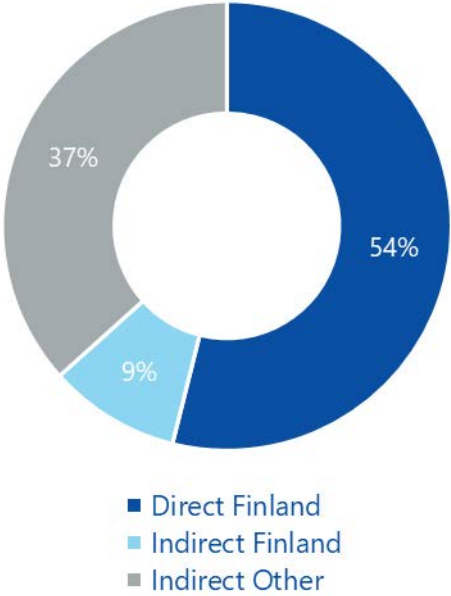


Distribution of Finnish investments

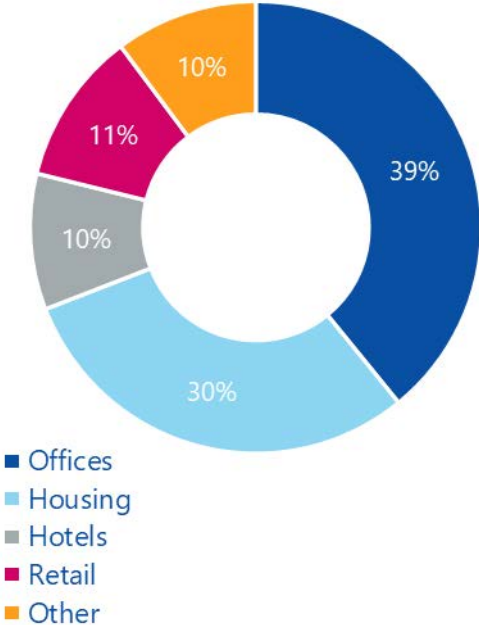


# 63 per cent of real estate investments, i.e. EUR 3.5 billion, in Finland

Real Estate Investments, €5.6 bn

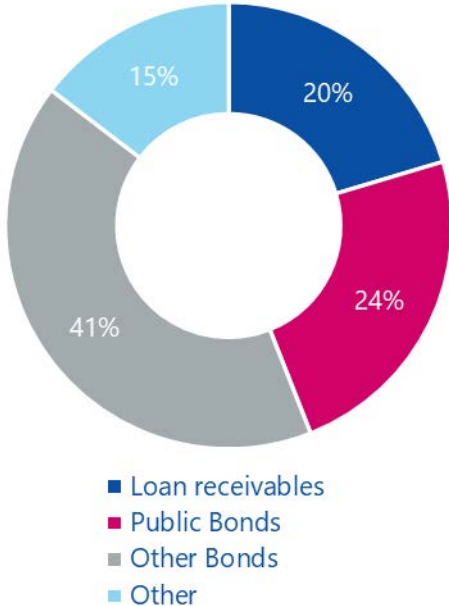


Direct Real Estate Investment Finland, €3.0 bn

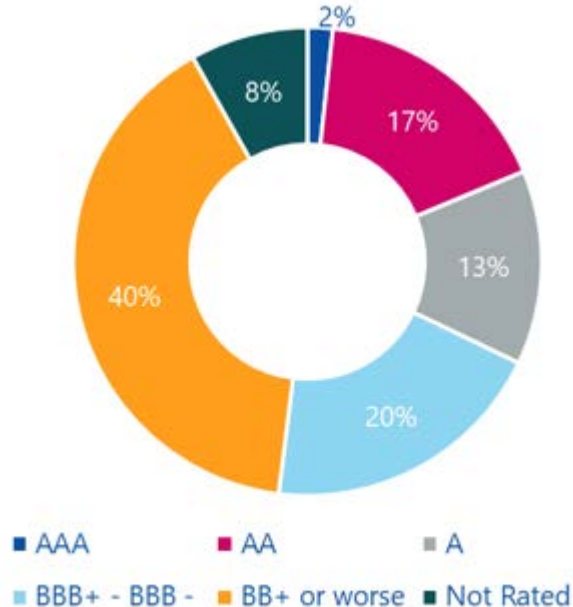


# Of fixed income investments, 41% invested in other bonds

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
1-6/2024	5.9	3.5	8.9	15.3	-2.1	0.4
2023	6.0	-0.6	15.8	26.3	7.2	8.2
2022	-4.9	-12.7	-10.6	-18.1	-18.4	-14.2
<b>Average nominal return</b>						
5 years	6.4	6.8	8.5	15.0	-2.7	-0.9
10 years	5.5	8.5	6.9	12.9	0.4	0.9
Since 1999 *	5.6	8.0	5.1	8.0	3.1	3.2
<b>Average real return</b>						
5 years	2.9	3.2	4.9	11.2	-5.9	-4.2
10 years	3.5	6.3	4.8	10.6	-1.6	-1.1
Since 1999 *	3.7	6.0	3.1	6.0	1.2	1.3

\* 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)



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