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Preliminary information on Keva's financial statements

## Excellent return on Keva's investments in 2012

Keva, which handles funding for municipal sector pensions and pension fund investments, recorded a 12.9 per cent return on investments in 2012 (-1.7 per cent in 2011), according to preliminary information. The market value of investments was EUR 34.4 billion at the end of the year (EUR 29.6 billion in 2011). The cumulative real return since inception (1988) to the end of 2012 was 5.3% per annum, excluding capital weighting. In the Finnish pension sector, long-term returns are usually calculated without capital weighting. The capital-weighted cumulative real return since inception to the end of last year was 3.7 per cent per annum.

Municipal contribution income in 2012 equalled EUR 4.8 billion of which Keva paid out a total of EUR 3.8 billion in current pensions. The remaining EUR 1.0 billion was invested by Keva in a pension liability fund. In 2012, the pension liability fund increased by EUR 4.8 billion, of which EUR 3.9 billion resulted from return on investment.

According to CEO and Managing Director **Merja Ailus**, the performance of Keva's investment activities in 2012 can be considered excellent.

"The broad diversification of our investment portfolio and our other risk management measures were successful, especially in light of the difficult financial climate in Europe and elsewhere," Ailus explains.

The return on fixed-income investments was 11.5 per cent, listed equities 17.2 per cent, private equity funds 10.0 per cent and real estate investments 4.7 per cent. Among the smaller asset categories, the return on hedge funds was 10.4 per cent and on commodities 5.2 per cent.

Fixed-income investments accounted for 48.0 per cent, listed equities for 36.2 per cent, real estate investments for 7.9 per cent, private equity funds for 5.0 per cent, hedge funds for 2.3 per cent and commodities investments for 0.6 per cent of the risk-appropriate market value of Keva's entire investment portfolio at year-end.

According to CIO **Ari Huotari**, 2012 was very challenging, but also very interesting for investors.

"The predictability of the capital markets was weak, something which we have, of course, become accustomed to in the turbulence following the financial crisis," Huotari says.

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“It is difficult to imagine that 2013 will turn out to be as successful an investment year as 2012, especially with the low yield potential for fixed-income investments,” he assesses.

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The figures presented above are based on tentative preliminary information. Keva will publish its official financial statement bulletin on 12 March 2013.