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Preliminary information on Keva's financial statements

## EUR 3.4 billion return on Keva's investments

Keva, which is responsible for funding local government pensions and investing pension funds, recorded an 8.7% return on investments in 2014 (7.5% in 2013) according to preliminary information. At year-end 2014, Keva's investments had a market value of EUR 41.5 billion (EUR 37.8 billion at year-end 2013).

The cumulative real return since inception (1988) to year-end 2014 was 5.4% 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 year-end 2014 was 4.0% per annum.

The five-year nominal return, excluding capital weighting, after the financial crisis is 7.8% and the real return is 5.6%. The ten-year nominal return is 6.2% and the real return is 4.3%.

The result is excellent testimony to the long-term work done by our investment unit. The overall result of our investment activities against future pensions during the past three years totals EUR 9.9 billion," says CEO Jukka Männistö.

"We are very pleased with our investment performance for 2014, which was a challenging year on the financial markets. The markets were very restless throughout the year and consequently showed great fluctuations. Notwithstanding the challenging market conditions, we performed well," considers Männistö.

The return was 4.9% on fixed-income investments, 12.6% on listed equities and equity funds, 22.8% on private equity investments and 5.6% on real estate investments. As regards other asset categories, the return was 6.1% on hedge funds and a loss of 36.2% on commodity investments.

Fixed-income investments (including the impact of derivatives) accounted for 38.9%, listed equities for 42.1%, real estate investments for 6.8%, private equity investments for 6.2%, hedge funds for 5.4% and commodity investments for 0.6% of Keva's entire investment portfolio at year-end 2014.

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According to CIO Ari Huotari, 2014 was largely a repeat of the themes of the previous couple of years.

“From the investor perspective, expectations for the year were quite modest. Return expectations were low as regards fixed-income investments and as is known the good years on the equity markets are already behind us. Nevertheless, our investments clearly outperformed expectations.”

“We have entered 2015 with expectations in line with those of the previous past couple of years. In other words, we see hardly any yield potential in fixed-income investments and the equity markets in many respects are strongly priced. We’re facing a very challenging year ahead,” Ari Huotari points out.

## Faster pension application processing times

Pension application processing times were dozens of days shorter compared to 2013. The processing time was 42 days shorter for local government old-age pensions and 36 days shorter for state old-age pensions compared to 2013. Likewise, processing times for disability pensions were 25 days shorter (local government) and 20 days shorter (state).

Processing times in 2013 were prolonged due to a backlog in applications caused by the introduction of a new information system. Keva processed old-age pension applications 12-16 days faster and disability pension applications 11-19 days faster compared to average processing times in the other earnings-related employment system.

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The figures presented in this preliminary information are provisional and unaudited. Keva will publish its financial statement bulletin proper on 27 February 2015.