

KÅPAN PENSIONER

for government employees

2006

Annual Report

Kåpan pensions for gouvornment employees

2006 at the glance



- Kåpan Pensioner was named as Sweden's best pension manager at the IPE Awards Ceremony in Paris – the Oscars of the pension industry.
- Assets under management increased by SEK 4,087m to SEK 29,463m.
- Paid-in premiums totalled SEK 2,688m (2,401).
- The total return on investments amounted to 8.8% (14.5).
- The funding ratio improved from 112% to 121% before the proposed bonus. After the proposed bonus, the funding ratio was 111%.
- The solvency ratio amounted to 149.2%, an increase of 22.9 percentage points compared with 2005.
- Administrative expenses fell to 0.16% (0.17) of total assets.
- Kåpan Pensioner took over the operations of Försäkringsföreningen för försäkringskasseområdet (FFO) with total assets of SEK 1 billion with effect from 1 January 2007.

Proposal for decision at the Annual General Meeting:

- The bonus rate for 2006 to be set at 10%.

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Presenting Kåpan Pensions

Kåpan pensioner försäkringsförening (Pensions for government employees, Kåpan) manages defined contribution pensions for government employees.

Kåpan is a co-operative society where all the surplus from asset management is returned to its members. This differs from a limited company where the capital is controlled by the shareholders.

We offer traditional pension insurance with a stable growth in value at the lowest cost in the industry which over time gives our members a good pension..

Operations are linked to the public sector pension agreements PA-91 and PA 03. For the individual retirement pensions in PA 03, we also manage pension assets for employees who do not make an active choice.

A word from the President



It is always nice to be appreciated for the work you do. For us the voting of Kåpan Pensioner as Sweden's best pension manager at the IPE Awards Ceremony in Paris – the Oscars of the pension industry – provides confirmation that we are doing the right things in the right way.

Our aim is to create a good and stable return on your pension capital at the lowest cost in the industry. Our citation is a confirmation that we are succeeding and that, strengthened by our strategy and long-term approach, we can continue to provide our members with a good return.

This year as well, we managed to reduce our administrative expenses still further to 0.16% of assets, which is a very low level compared with the average among pension companies of approximately 1%. The average member has his or her money with us for about 20 years which means that the pension due to the low cost alone can be about 15% higher when the day comes to start withdrawing the money, all other things being equal.

It is also important to achieve a good result in investment management. We enjoyed stable development during 2006 with a total return of 8.8% which is well on a par with the return among pension companies. The Board has decided on an investment policy which means that we will gradually increase our holding of different classes of assets. The policy means that we will use available risk capital in the society in an effective manner while at the same time trying to achieve a good return without risking our members' pension capital. One way to do this is to increase the proportion of equity and credit derivatives in the portfolio, which we did in 2006.

My assessment is that the way we work, combined with the fact that we are a pension society, is the best way to offer effective and stable pension savings. On our website www.kapan.se you can continuously monitor how we manage our assets and review our financial position.



Gunnar Balsvik
President

Board of Directors' report



The Board of Directors and the President of Kåpan pensioner försäkringsförening, reg. no. 816400-4114, hereby submit their report for the financial year 2006.

Operations

The key task of the society is to manage and pay out pension assets for employees covered by agreements concluded between the Swedish Agency for Government Employers and the government employees' main unions, or between other parties who have concluded pension agreements linked to such agreements. The basic activity is the provision of pension insurance through traditional pension insurance with a guaranteed return on capital and a distribution of the surplus from asset management via a bonus rate.

The forms of insurance offered by the society are the occupational pension insurance Kåpan Tjänste, Kåpan Extra, Posten AB's ITPK-P pension plan, and the private pension insurance Kåpan Plus. Choice for the individual within the framework of the public sector pension agreement PA 03 was added in 2003. FSO is an available alternative here as well as a manager for employees who have not actively chosen a manager for their pension assets. The insurance has been given the name Kåpan Retirement Pension.

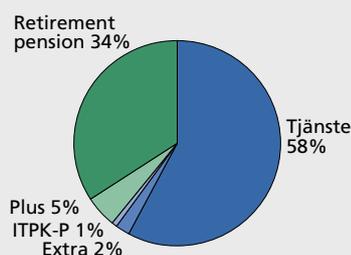
Members

Kåpan Pensioner is a mutual society where all savings are returned to the members. The total number of members is over 550,000.

Insurance premiums

Kåpan manages the money deposited by employers on behalf of their employees according to the current collective agreement and the money that the members themselves have chosen to invest in Kåpan in order to increase their pension.

Premium breakdown, 2006



A total of SEK 2,688m was paid in premiums during the year, with the following breakdown

Category	2006	2005	2004	2003	2002	2001
Kåpan Tjänste	1,531	1,416	1,318	1,269	884	830
Kåpan Extra	65	56	67	82	43	32
ITPK-P	33	34	31	36	37	40
Kåpan Plus	134	128	125	127	132	134
Kåpan retirement pension	925	767	718	634	-	-
Total	2,688	2,401	2,259	2,148	1,096	1,036

Pension payments

A total of SEK 520m (460) was paid during the year, of which SEK 81m (73) comprised bonus payments over and above the guaranteed rate on the capital. The normal period for payments is five years from when pension payments start at the age of 65 for all categories except Kåpan Retirement Pension which is a life-long pension.

Guidelines for management of invested assets

The long-term guidelines set by the Board stipulate that the society's assets, including bonus funds, should be invested so that they provide a good return with a limited risk.

According to the investment policy adopted by the Board in October 2006, allocation of the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 25% and maximum 45%.
- Fixed-income securities minimum 45% and maximum 70%.
- Property related assets maximum 10%.
- Other assets maximum 10%.

This decision means that the limit for equity holdings is raised by 5 percentage points and that the lower limit for fixed-income securities is decreased by 5 percentage points. The target duration for fixed-income investments is set at 7 years which means that the outstanding interest rate risk according to the Swedish Financial Supervisory Authority's definition is approximately 60% of the risk in outstanding obligations. As before, exposure to currency risk may not exceed 10% of the value of the assets.

Investment management

The market value of the society's investment assets, with the book values of other assets added on, amounted to SEK 29,463m (25,376) at year-end and the return on investment assets amounted to 8.8% (14.5). When calculating the return, the financial effects of market valuation of outstanding insurance obligations with current market interest were not taken into account nor the derivative instruments used to reduce these outstanding risks.

Management in 2006 meant that the proportion of equity-related assets increased from approximately 38% to 40% at year-end. During the year the direct equity holding was decreased slightly and replaced with equity derivatives (options). The total holding of equity derivatives amounts to 4% corresponding to a nominal exposure of approximately SEK 5.4 billion. Property related assets have increased to 5% (3). Fixed-income assets decreased to 50% (55). Other assets increased to account for 5% (4) of total assets.

Investment return

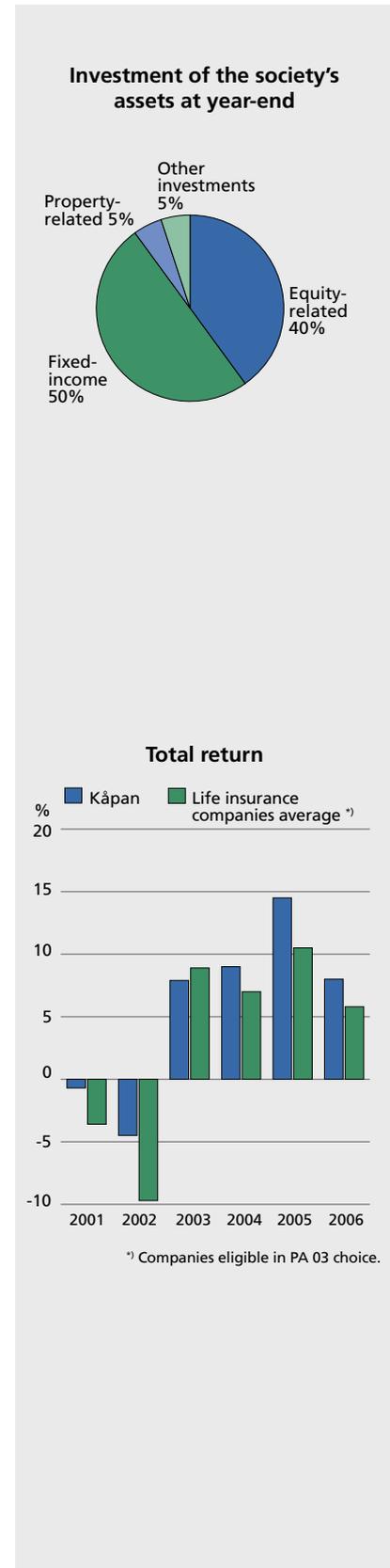
The total return on investment assets is broken down as follows.

Portfolio	Market value, SEKm	Share, %	Total return %, 2006
Equity related	11,469	40	19.9
Fixed-income	14,623	50	1.5
Property related	1,438	5	18.3
Other investments	1,505	5	4.7
Total investments	29,035	100	8.8

When calculating the return a daily weighting is used to take the change in the capital base during the year into account.

Fixed-income assets

Fixed-income investments amounted to SEK 17,924m at year-end and consisted of mortgage bonds to a proportion of 41% (55) and government bonds 4% (15) as well as bonds and commercial paper issued by other issuers for the remaining 55% (30). At year-end the total fixed-income portfolio comprised 96% (88) nominal fixed-income securities with the remainder in real interest bonds. Return amounted to 1.5% (4.9). A weighted index comprising all outstanding Swedish fixed-income securities (OMRX-tot + OMRX-real) showed a total return of 1.4% (4.4) on a full-year basis.



Equity-related assets

Many stock markets showed strong development during the year. Kåpan Pensioner's equity-related assets amounted to SEK 11,469m (9,430) at year-end with a total return of 19.9% (32.1). The return can be compared with a weighted total index in local currencies for development on the world's stock markets which provided 12.3% (12.2).

Kåpan Pensioner's equities portfolio thus outperformed the stock market as a whole. The good return is the result of the strategy to invest a large portion of capital on the Swedish stock market and in equity derivative instruments which have the character of a share investment (CLO equity). These investments total SEK 303m.

During the year net share purchases amounted to SEK 820m. The total proportion of equity-related investments increased to 40% compared with 38% in the previous year.

The holding of shares listed on the Stockholm Stock Exchange had a positive return of 25.4% (33.9). The SIX 60 share index, which also takes share dividends into account, rose by 25.6% (35.1). Management of shares listed on the Stockholm Stock Exchange is performed by the company.

Risk and sensitivity analysis

Asset management is affected by external circumstances that give rise to various forms of risks. These risks can be divided into market, credit and operating risks. In addition there is a further industry-specific risk, namely insurance risk.

Market risks

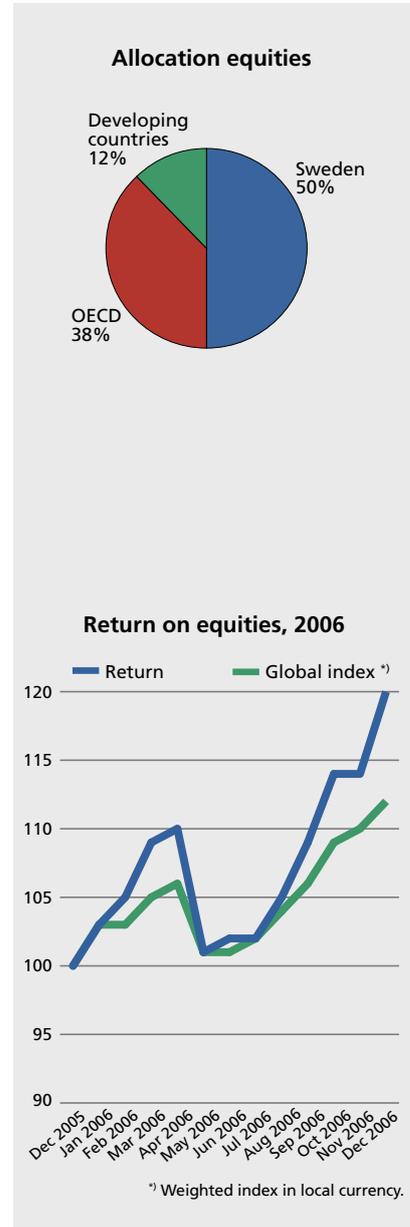
Market risk refers to the change in value of a financial asset when the price that determines the value of the asset changes. Sensitivity to price changes differs for different asset classes. Equities are generally more sensitive than fixed-income investments. For equities it is mainly the share price risk that is taken into account. For foreign equities there is also a currency risk. The Board has adopted an investment policy that, among other things, limits the share price risk. This means that the equities portfolio must be well diversified so that individual investments do not represent too great a risk. Risks must also be spread through investments in different sectors and in different markets.

Currency exposure after currency hedging amounts to 5.0% (4.6) of the value of investment assets. Gross exposure, i.e. currency exposure without currency futures amounts to SEK 3,767m (2,651).

The value of the fixed-income investments varies with fluctuations in market interest rates. When general interest rates are rising, the value of the fixed-income investments falls. The degree of change depends on the fixed-rate period. One way of defining the interest rate risk is to calculate the duration, i.e. fixed-rate period taking into account maturity dates and interest payments.

The value of the society's obligations increases and decreases with changes in market interest rates. The outstanding interest-rate risk is a weighting of the risk on the asset and liability side.

The Swedish Financial Supervisory Authority has developed a method for an overall assessment of outstanding risks in operations with occupational pensions. This method is part of the authority's supervisory tools, the so-called traffic light system which the society reports on a quarterly basis. For Kåpan Pensioner a risk analysis according to the traffic light system means that there is a solvency buffer of SEK 4,281m. A positive buffer means a green light with regard to outstanding risks. The table on the next page shows outstanding risks within each asset class.



Outstanding risks according to traffic light assessment ¹⁾

SEKm

Outstanding risks	31 Dec 2006	31 Dec 2005
Interest-rate risk, net	2,092	1,581
Share price risk	4,966	3,834
Property price risk	396	196
Credit risk	569	375
Currency risk	147	116
Total risk, net	5,436	4,170
Solvency capital	9,717	6,542
Solvency buffer	4,281	2,372

¹⁾ For more information about the model and its parameters, see the Swedish Financial Supervisory Authority's website www.fi.se

Credit risk

Credit risk refers to the loss that might arise if a counterparty is unable to honour a financial contract. The investment instructions adopted by the Board specify the size of single and total contracts that may be concluded. The rating agencies' creditworthiness norms are used as a tool in risk assessment.

Operating risk

Operating risk refers to the losses that might rise as a result of insufficient controls or inadequate expertise. Overall guidelines have been adopted by the Board. Since only seven employees are responsible for the society's management and asset management, the Board has decided to engage external internal auditors, whose duties include independent examinations of the society's operations as stipulated by the Swedish Financial Supervisory Authority.

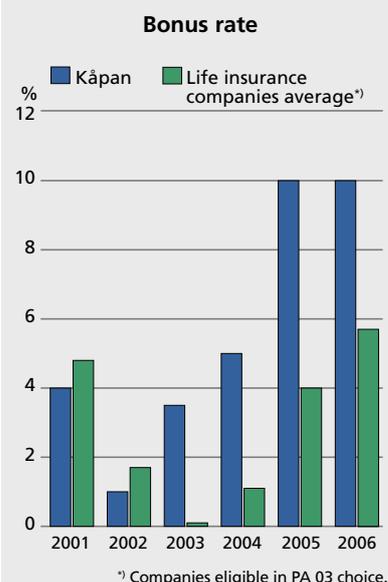
Kåpan Pensioner has signed an agreement with National Government Employee Pensions Board (SPV) for administration of its insurance operations. Kåpan's internal audit function has also been assigned by the Board to evaluate SPV's operations.

Insurance risk

The society's commitments comprise pure defined contribution retirement pension insurance. The risk inherent in these insurance contracts is that the society is unable to meet its obligations. In order to reduce the risk of this occurring, assumptions are made that form the basis for calculation of a guaranteed pension amount with safety margins. The insurance risk is continuously analysed by actuaries.

The insurance risk consists of several different components where the level of members' guaranteed return is by far the largest. Another risk is the mortality assumption or the mortality risk that is affected by the return on the assets in relation to length of life. For Kåpan, which has a payment period for most of its pensions capital of less than 5 years, when its members are aged 65-70, the mortality risk is relatively small compared with pensions paid for life. With the new PA 03 pension agreement, Kåpan will acquire a steadily increasing proportion of life-long pensions in the form of the individual retirement pension. This means that over time the mortality risk in the society's operations will increase.

The new PA 03 pension agreement means that another insurance risk will decrease. Under the agreement, Kåpan is no longer responsible for final payment of remaining premiums for pensions in the event of illness. This means that from 2003 only people who reach retirement age in 2008 at the latest will be insured. This change means that the risk will decrease and the total preliminary reserve amounted to SEK 30m (36) at year-end 2006.



¹⁾ Companies eligible in PA 03 choice.

Actuarial report

The actuarial report has been performed by Ulrika Öberg Taube, actuary. The report shows that the society's technical provisions amount to SEK 19,712m (20,048).

Management of interest-rate risks in outstanding insurance commitments

The obligations of the society predominantly comprise fixed, guaranteed interest on paid-in premiums. These commitments have been valued in the technical provisions, supported by general advice from the Swedish Financial Supervisory Authority, on the basis of the current market rate for bonds with a low credit risk and similar maturities.

Previously, this calculation was based on an interest rate specified by the Swedish Financial Supervisory Authority. On 1 January 2006 the calculation of the value of outstanding commitments changed to be based on current market interest rates. This change means that the value of outstanding commitments at the beginning of the year decreased by SEK 1,166m. During the year market interest rates rose slightly which meant that the value of obligations fell by a further SEK 1,049m.

In order to reduce the outstanding interest-rate risk in commitments made, agreements for interest rate swaps were concluded. Under these agreements fixed interest is exchanged for a floating rate with less risk of change in value. Outstanding interest-rate swap agreements totalled SEK 3,400m (4,600). The interest-rate swaps had a positive cash flow during the year of SEK 44m due to the fact that floating interest was lower than the fixed interest rate. The value of fixed interest in the agreement was negatively affected by rising market interest rates during the year. Change in value amounts to SEK -233m. In total interest-rate swaps were thus charged against earnings in a negative amount of SEK 189m.

In total, interest rate fluctuations during the year meant that outstanding commitments decreased in value and had a positive impact on earnings of SEK 1,049m while interest-rate swaps had a negative impact of SEK 189m. The total earnings impact is thus SEK 858m.

The outstanding interest-rate risk in commitments is offset to about 33% by counter risks in outstanding fixed-income investments and contracted interest rate swaps. The total outstanding interest-rate risk calculated according to the Swedish Financial Supervisory Authority's traffic light model amounts to SEK 2,092m.

Costs

The society's statutes stipulate the size of operating expenses that may be charged to its operations. In 2006 these could amount to a maximum of SEK 57m (80). Costs in the insurance business amounted to SEK 43m (40).

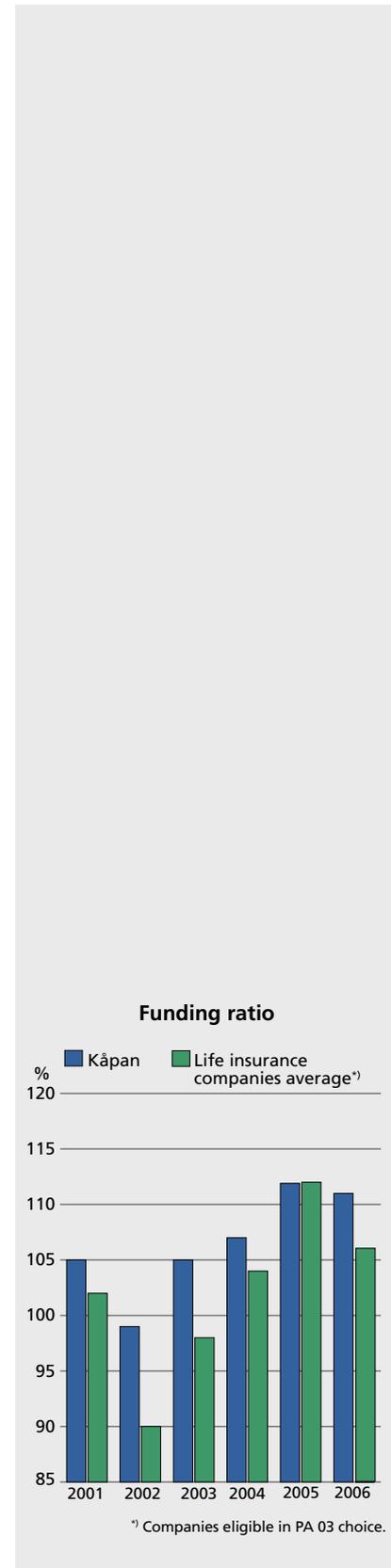
One measure of cost efficiency is the management expense ratio, i.e. the relationship between total operating expenses and the market value of the assets, which amounted to 0.16% (0.17).

Costs for 2007 will be covered by making a deduction on paid-in premiums of 0.75% and a deduction will be made on return on insurance capital, preliminarily 0.10%. In total, the deductions will correspond to the costs of operations.

Collective funding

Collective funding is the market value of assets minus financial liabilities, the so-called funding capital, in relation to the sum of technical liabilities and allocated bonus funds.

Following allocation of the bonus proposed below, the collective funding capital amounts to SEK 2,978m (2,703) and the collective funding ratio amounted to 111.2% (111.9) at year-end.



The Board decided on a new policy for collective funding and bonus in the society. The policy states that the collective funding ratio should be in the band 95 – 120% with a target level of 107%. The surplus and deficit funding will be distributed via the bonus rate with an assessed equalisation over three years in order to avoid major fluctuations between the years.

Proposed bonus

The positive return in 2006 and the therefore improved funding in the society makes it possible for the Board, following technical review performed by an actuary, to propose that the bonus rate for 2006 should amount to 10.0% (10.0) before yield tax and expenses. The bonus is allocated in arrears.

Stronger solvency and raised guaranteed interest rate

The good returns in recent years combined with a capital contribution from the parties as well as a temporary reduction of the guaranteed rate have considerably improved the solvency ratio. In addition, there is the effect of the transition to market valuation of insurance obligations. During the year the solvency ratio improved by 22.9% from 126.3% to 149.2%.

Kåpan Pensioner has therefore decided to raise the guaranteed rate with effect from 1 January 2007. For the collective agreement insurance area complementary retirement pension (Kåpan Tjänste) the guaranteed rate is 2.0% (1.5) and for other insurance areas 2.75% applies as before.

Premium adjustment reserve and capital contribution

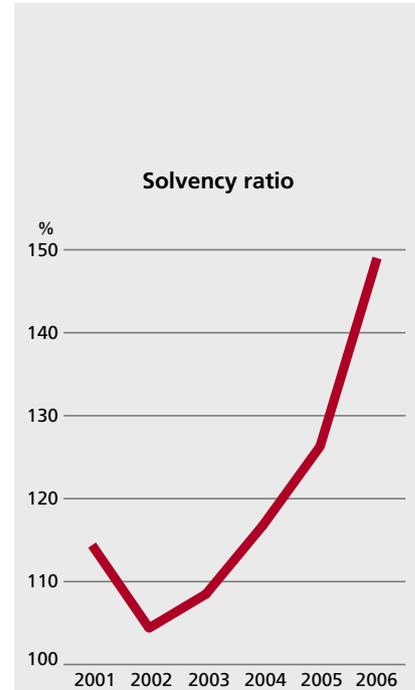
The parties to the public sector agreements found in 2003 that there was a need to increase the equity in Kåpan Pensioner. The parties therefore undertook to regularly provide funds within the framework of a collective agreement, dated 19 December 2003. Under this agreement Kåpan will receive 0.355% of the salary total for all employees covered by the agreement in 2004 and 2005 and premiums for pensions for employees under 28 will also be provided to Kåpan in 2004 to 2006. During 2006, SEK 78m (317) was added. After the end of 2006 no additional funds will be provided. According to the agreement, the funds have been placed in the premium adjustment reserve. In a separate agreement with Kåpan Pensioner, the parties have clarified that they do not have any claim and that the proceeds of the fund and the capital provided thus constitute equity in the society.

Tax

The basis for tax assessment is the market value of the society's assets after deduction for financial liabilities on 1 January in the assessment year. The return on these funds is calculated using a standardised method using an interest rate that is the same as the average government lending rate in the year prior to the assessment year. The standard income thus calculated is then taxed at 15%. For the society this meant that the tax for the year 2006 amounted to SEK 123m (133).

Management functions and audits

Kåpan Pensioner's highest decision-making body is the council of administration. The members of the council of administration are appointed by the labour market parties within the public sector. Half of the members are appointed by the Swedish Agency for Government Employers and the other half by the trade unions. The total number of ordinary members amounts to 30 with an equal number of personal deputies. The society's operational activities are managed by a Board, which consists of six members with an equal number of personal deputies. The Board like the council of administration is composed on a parity basis. The Board appoints the society's president.



The Board held eight meetings during the year. Key questions were the future investment focus, management of risks and strategic considerations in connection with the introduction of the Swedish Financial Supervisory Authority's traffic light model and the transfer to market valuation of obligations. The Board also handled the terms for the acquisition of the operations of Försäkringsföreningen för Försäkringskasseseområdet (the Insurance Society for the Social Insurance Office Area, FFO) with total assets of SEK 1 billion.

The Board elected Göran Ekström as the new Chairman on 23 February 2006. During the period 25 October 2005 to 22 February 2006, Board member Nils Henrik Schager was the Chairman. Nils Henrik Schager succeeded Birgitta Isaksson Perez who had been Chairman of the Board since 8 November 1996.

Administration

In addition to the president, the society had six employees at year-end. The average number of employees during the year is 6.5 (5.5) with the key task of conducting investment management and risk control. The National Government Employee Pensions Board (SPV) in Sundsvall is engaged to administer the insurance operations. This assignment includes development and maintenance of the society's insurance administration system, checking premium payments, performing actuarial calculations, issuing pension statements, providing a smooth-running customer service unit and handling pension payments.

Capital expenditure

Capital expenditure during the year amounted to SEK 3m (3). This capital expenditure is mainly attributable to the administrative system for handling the new regulations as well as changes to the guaranteed interest levels. Capital expenditures are depreciated over 3 years.

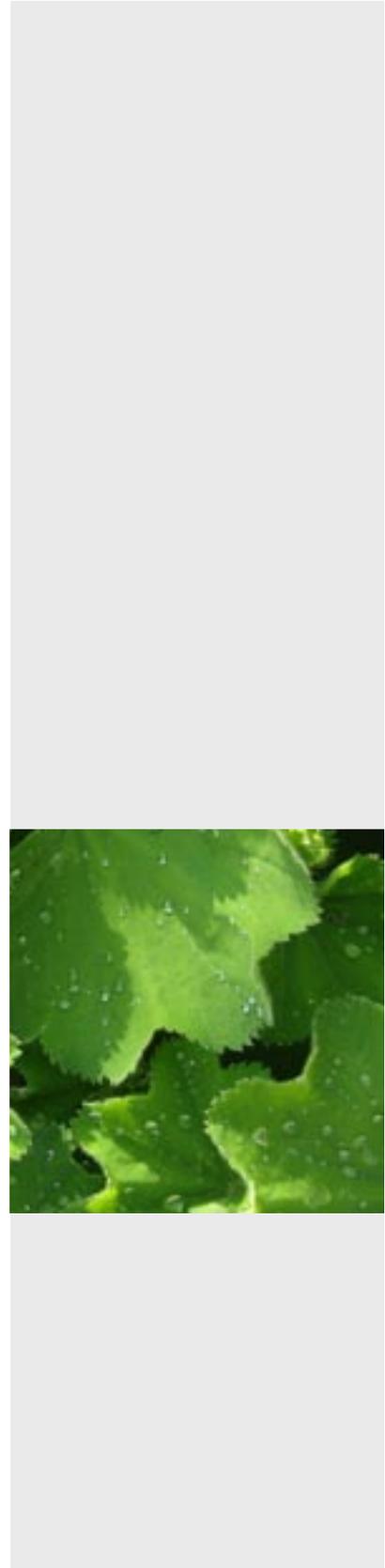
Takeover of FFO

On 1 January 2007, Kåpan Pensioner took over all the assets and obligations of FFO. Total assets at the takeover amounted to SEK 1,027m. At the takeover FFO had both a weak solvency ratio and funding ratio. The Council of Administration of Kåpan Pensioner made their approval of the takeover subject to the financial position for members of Kåpan Pensioner not being made less favourable to any appreciable extent as a result of an acquisition.

The parties within the public sector agreement area assessed that there was a need to compensate Kåpan Pensioner with a capital contribution in order to guarantee the condition made by the Council of Administration. The parties therefore undertook to provide funds on a regular basis within the framework of a collective agreement during the years 2007 until 2009. The total capital contribution amounts to SEK 285m. Funds will be provided both as equity and a debenture loan. The Swedish Financial Supervisory Authority approved the acquisition on 28 December 2006.

New accounting rules

According to general advice from the Swedish Financial Supervisory Authority, insurance companies should apply so-called legally compliant IFRS in their annual accounts with effect from the 2007 financial year. During the year Kåpan has conducted a project to list the accounting consequences of the future transition to legally compliant IFRS. The standards judged to have the greatest relevance for Kåpan's operations are IFRS 4, which regulates accounting for insurance contracts, and IAS 39 which regulates accounting and measurement of financial instruments. No effect that will lead to an essential difference in carrying amounts has been identified, however.



Of the other standards, only a few are applicable to Kåpan's operations and none of these applicable standards is assessed as leading to any significant change in Kåpan's accounting principles.

When the 2007 annual accounts are prepared, comparative figures for 2006 will be reported. The opening balance from 2006 will therefore be restated in accordance with the new regulatory framework. The additional disclosure requirements that result from the transition to legally compliant IFRS are expected to primarily lead to extensive changes in the notes to the financial statements.

Looking to the future

The public sector pension agreement PA 03, which came into force on 1 January 2003, has led to a sharp increase in the inflow of premiums to Kåpan Pensioner in recent years. At the same time, pension payments are relatively limited although they are rising steadily. The operations are therefore growing in scope all the time which places greater demands on the organisation but also provides economies of scale and enhanced efficiency. With the present development, a balance between payments made and payments received will be achieved approximately in 2050 which means that the organisation needs to be developed and adjusted on an ongoing basis.

Disposition of earnings for the year

The society's equity at 31 December 2006, according to the current regulatory framework, amounts to SEK 9,717m (5,276). The statutory reserve for unrealised gains accounts for SEK 2,999m (2,669) of equity and the premium adjustment reserve for SEK 950m (940). In accordance with current regulations the profit for the year, SEK 3,179m (2,364), is settled against remaining other reserves. The remaining amount, SEK 5,768m (1,667), will be carried forward to 2007.



Five-year summary

Results, SEKm	2006	2005	2004	2003	2002
Premiums written	2,688	2,401	2,259	2,148	1,096
Investment income, net ¹⁾	2,087	3,011	1,576	1,135	-638
Claims paid	-439	-388	-344	-291	-254
Bonus ²⁾	-81	-73	-71	-72	-71
Balance on the technical account, life insurance business	3,302	2,497	1,758	143	-970
Profit/loss for the year	3,179	2,364	1,645	36	-1,073

¹⁾ Unrealised changes in value in 2006 330, 2005 1,704, 2004 602, 2003 325, 2002 -389.

²⁾ Payments are recognised as a deduction under Equity, Note 15.

Financial position, SEKm	2006	2005	2004	2003	2002
Investment assets (fair value)	28,699	24,785	19,693	16,640	13,563
Assets at market value ¹⁾	29,463	25,376	20,575	17,721	13,924
Technical provisions ²⁾	19,742	20,084	17,597	15,920	13,101
Solvency capital	9,716	5,276	2,952	1,356	782
Collective funding capital	2,978	2,703	1,373	792	-158

¹⁾ Investment assets at market value and other assets at book value.

²⁾ From 2006 provisions are market valued at current market interest rate.

Key ratios, %	2006	2005	2004	2003	2002
Management expense ratio ¹⁾	0.16	0.17	0.20	0.20	0.20
Total return ²⁾	8.8	14.5	9.0	7.9	-4.5
Bonus rate	10.0	10.0	5.0	3.5	1.0
Collective funding ratio	111.2	111.9	107.2	104.8	98.9
Solvency ratio	149	126	117	109	104

¹⁾ In relation to average assets.

²⁾ Derivative instruments to reduce interest-rate risk in outstanding insurance obligations are not included.

Total return by asset class ¹⁾

SEKm	Market value 31 Dec 2006		Market value 31 Dec 2005		Total return ²⁾ % 2006
	SEKm	%	SEKm	%	
Equity related	11,469	38.9	9,430	37.2	19.9
Fixed-income ³⁾	14,623	49.6	13,780	54.3	1.5
Property related	1,438	4.9	789	3.1	18.3
Other investments	1,505	5.2	1,020	4.0	4.7
Other assets	428	1.4	357	1.4	-
Total assets	29,463	100.0	25,376,	100.0	8.8

¹⁾ Defined in relation to the underlying asset class that generates the return.

²⁾ Daily weighting of investments in relation to changes in value, interest income and dividends.

³⁾ Derivative instruments to reduce interest-rate risk in outstanding insurance obligations are not included.

Income statement

SEKm	Note	2006	2005
Technical account, life insurance business			
Premiums written	1	2,688	2,401
Investment income	2	1,885	1,441
Unrealised gains on investments	3	747	1,707
Claims paid	4	-439	-388
Change in other technical provisions		-991	-2,487
Operating expenses	5	-43	-40
Investment charges	6	-16	-134
Unrealised losses on investments	7	-529	-3
Balance on the technical account, life insurance business		3,302	2,497
Non-technical account			
Balance on the technical account, life insurance business		3,302	2,497
Tax on profit for the year	8	-123	-133
Profit for the year		3,179	2,364

An analysis of results is provided under accounting principles.

Balance sheet

SEKm	Note	31 Dec 2006	31 Dec 2005
ASSETS			
Intangible assets			
Other intangible assets	9	5	9
Investment assets			
Other financial investments			
Shares and participations	10	10,812	9,282
Bonds and other fixed-income securities	11	17,865	15,498
Derivatives	12	22	5
		28,699	24,785
Receivables			
Other receivables	13	10	74
Other assets			
Tangible assets	14	1	1
Cash and bank balances		567	302
		568	303
Prepayments and accrued income			
Accrued interest		180	203
Other prepayments and accrued income		1	2
		181	205
Total assets		29,463	25,376
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Other reserves	15		
Reserve for unrealised gains	16	2,999	2,669
Other funds		-330	-1,704
Other reserves	17	2,919	1,007
Premium adjustment reserve	18	950	940
Profit for the year	15	3,179	2,364
		9,717	5,276
Technical provisions			
Life insurance provisions	19	19,712	20,048
Provision for unsettled claims		30	36
		19,742	20,084
Provisions for other risks and costs			
Tax		0	11
Liabilities			
Other liabilities	20	2	4
Accruals and deferred income		2	1
Total equity, provisions and liabilities		29,463	25,376
Memorandum items			
Pledged assets		19	18
Contingent liabilities		none	none
Other commitments	12	5,721	6,098

Accounting principles

The annual report is prepared in accordance with the Benevolent Societies Act and the Swedish Annual Accounts Act for Insurance Companies with application of the instructions issued by the Swedish Financial Supervisory Authority FFFS 2003:13.

With effect from 2006, life insurance provisions are measured in accordance with FFFS 2006:19.

Premiums written

Premiums written for the year consist of premiums received. Premiums written for Kåpan Tjänste relate to both paid-in and accrued premiums during the year minus the net amount of so-called equalisation charges and equalisation costs. For Kåpan Plus, Kåpan Extra, Kåpan retirement pension and ITPK-P premiums written correspond to the amounts paid in during the year.

Tax

Tax expense for the year includes yield tax and withholding tax on dividends received. Accounting for deferred tax does not arise since the operations are subject to yield tax.

Operating expenses

Day-to-day expenses comprise costs attributable to treasury management and operating expenses in the insurance operations. The latter are reported in the income statement under the heading Operating expenses, the former under the heading Investment charges.

Investment assets

All investment assets are valued at fair value. All changes in value, both realised and unrealised, are included in profit for the year. Unrealised gains and losses are calculated as the difference between fair value and cost for the respective security. Fair value for equities normally corresponds to the most recent price paid in the marketplace. The same applies to fixed-income securities. The cost of fixed-income securities is the amortised cost. Acquired premiums or discounts are, for practical reasons, not spread over the remaining maturity of the respective asset when calculated amortised costs. Such accrual accounting is not assessed as essentially affecting results and financial position.

Unrealised gains at the closing date are reported under Equity in the balance sheet under Reserve for unrealised gains. The change in this reserve is disclosed under Equity, Other funds.

Transaction date accounting is applied, i.e. purchases and sales of equities and fixed-income securities and foreign currencies are reported when the essential risks and rights are transferred between the parties, i.e. normally the date of the agreement.

Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are translated into Swedish kronor at the closing exchange rate. Exchange rate differences that thus arise are reported in the income statement as net exchange gains or losses. Forward contracts in foreign currency are used to eliminate the exchange rate risk in foreign equities and participations.

Tangible assets

Equipment is valued at cost minus depreciation on the basis of estimated useful economic life, 5 years. Personal computer equipment is expensed on the acquisition date. Art for decorative purposes is valued at cost.

Intangible assets

Expenditure for development of insurance administrative systems is spread over three to five years through amortisation.

Life insurance provisions

Life insurance provisions are calculated according to the Swedish Financial Supervisory Authority's instructions and general advice on choice of interest rate for calculating life insurance provisions (FFFS 2006:19). This means that with effect from 2006 provisions are market valued on the basis of current market interest rates for corresponding maturities as the obligations entered into.

Life insurance provisions correspond to the estimated capital value of the society's obligations. The assumptions on future mortality, interest, operating expenses and tax are taken into account. With effect from 2004 all mortality assumptions are gender differentiated. Pensions in payment, however, are calculated on the basis of gender neutral assumptions.

The operating expense assumption made is expected to correspond to future actual costs for administration.

Premium adjustment reserve

According to the statutes, the premium adjustment reserve can be used by the parties to the agreements for special pension promoting purposes. In a separate agreement with Kåpan, dated 23 December 2003, the parties have stated that they make no claims on Kåpan. This therefore ensures that the reserve is equity in the society.

Analysis of results

Kåpan's operations comprise one business segment (pension insurance) and a so-called analysis of results is to be found in the society's income statements and balance sheets and the notes to these accounts.

Notes

All amounts in the following notes are stated in SEK million unless otherwise specified.

NOTE 1 Premiums written

	2006	2005
Premiums written Kåpan Tjänste	1,531	1,416
Premiums written ITPK-P	33	34
Premiums written Kåpan Extra	65	56
Premiums written Kåpan Plus	134	128
Premiums written Kåpan retirement pension	925	767
	2,688	2,401

All premiums written relate to contracts signed in Sweden. All contracts carry bonus entitlement and Kåpan insurance contracts are collectively agreed individual insurance contracts.

NOTE 2 Investment income

	2006	2005
Dividends received	158	126
Interest receivable		
Bonds and other fixed-income securities including bank balances and similar	541	571
Other interest receivable	1	2
Exchange gains, net		
Shares and other participations	768	371
Bonds and other fixed-income securities	390	371
Derivatives	27	-
	1,885	1,441

NOTE 3 Unrealised gains on investments

	2006	2005
Shares and participations	731	1,705
Derivatives	16	2
	747	1,707

NOTE 4 Claims paid

	2006	2005
Pension payments Kåpan Tjänste	-366	-322
Pension payments ITPK-P	-10	-7
Pension payments Kåpan Extra	-10	-8
Pension payments Kåpan Plus	-53	-51
	-439	-388

NOTE 5 Operating expenses

	2006	2005
Administrative expenses	-56	-51
Cancelled costs attributable to asset management	13	11
	-43	-40
Specification of total operating expenses		
Staff costs	-12	-10
Premises	-1	-1
Depreciation	-8	-7
Other ¹⁾	-22	-22
	-43	-40

¹⁾ Other includes remuneration to KPMG, audit assignment 603, other assignments 407, ÖPWC audit assignment SEK 59,000.

Average number of employees

	Women	Men	Total
	1.5 (1.5)	5 (4)	6.5 (5.5)

Salaries and other remuneration (SEK 000s)

	2006	2005
Council of Administration	160	59
Board and President	2,016	1,610
Other employees	4,190	3,715
Pensions and other social security contributions	5,355	4,403
of which pension costs	2,309	2,013
of which President's pension costs	796	716

The Chairman of the Board received a fixed fee of SEK 63,000 + a variable fee of SEK 36,500 (27,000 + 6,000). Other board members (5 persons) receive a fixed fee of SEK 21,000 – 42,000 per year and a fee per meeting of SEK 3,000. Deputy board members (6 persons) receive a fixed fee of SEK 15,750 per year and a fee per meeting of SEK 1,000. No variable, performance-related compensation is paid to the Board. The Board has no pension benefits or special severance pay. The fees to the Board are decided by the Council of Administration based on a proposal from the Board.

A cash salary of SEK 1,484,824 (1,350,480) was paid to the President. The President has a company car benefit. The President is permanently employed with a retirement age of 60. Pension will be paid from the age 60-65 of 70% of existing basic salary and a period of service of 20 years. Pension after the age of 65 will be paid according to the ITP Plan. The President is entitled to salary and benefits for 24 months after employment ceases due to termination on the part of the society. However, compensation from another employment will be deducted from such benefits. No variable performance-based compensation is paid to the president. Salary and other remuneration to the president is decided by the Board's executive committee.

NOTE 6 Investment charges

	2006	2005
Investment management charges	-3	-1
Operating expenses attributable to asset management	-13	-11
Capital gains, net		
Exchange losses, net	-	-122
	-16	-134

NOTE 7 Unrealised losses on investments

	2006	2005
Shares and participations	-529	-
Bonds and other fixed-income securities	-	-3
	-529	-3

NOTE 8 Tax

	2006	2005
Yield tax	-123	-133
	-123	-133

NOTE 9 Intangible assets

Other intangible assets	2006	2005
Cost	50	47
Accumulated amortisation	-45	-38
	5	9

NOTE 10 Shares and participations

	2006		2005	
	Cost	Fair value	Cost	Fair value
Swedish equities	5,136	7,180	4,914	6,345
Foreign equities	2,751	3,632	2,175	2,937
	7,887	10,812	7,089	9,282

Specification, SEK 000s

Company	Country ¹⁾ code	Number	Fair value
ABB		950,000	116,613
Alfa Laval		185,000	57,165
Assa Abloy B		620,000	92,380
AstraZeneca	GBR	530,000	194,775
Atlas Copco A		895,000	205,850
Atlas Copco B		300,000	66,600
Axfood		85,400	24,168
Bergvik Skog		329	213,850
Billerud		106,300	12,915
Carnegie		100,000	14,750
Castellum		2,793,600	254,916
Electrolux B		300,000	41,100
Elekta B		223,700	32,269
Ericsson B		23,900,000	660,835
Fabege		130,000	23,855
Getinge B		766,400	117,642
Hennes & Mauritz B		1,300,000	449,800
Holmen B		90,000	26,820
Husqvarna B		354,300	37,910
Intrum Justitia		100,000	8,875
Investor B		800,000	134,400
JM		91,668	15,217
Kungsleden		2,149,560	225,704
Lundin Mining SDB		50,000	12,650
Lundin Petroleum		400,000	31,800
MTG B		120,000	54,000
NCC B		285,000	53,437
Nokia	FIN	150,000	21,030
Nordea		3,950,000	416,725
OMX AB		200,000	25,200
Sandvik		2,180,000	216,910
SAS		260,000	30,290
SCA B		438,000	156,585
Scania B		170,000	81,770
SEB A		1,070,000	232,725
Securitas Direkt B		588,700	12,775
Securitas B		1,168,200	124,121
SHB A		1,220,000	252,540
Skanska B		1,090,000	147,150
SKF B		520,000	65,780
Stora Enso R	FIN	120,000	12,960
Swedbank A		860,000	213,710
Swedish Match		150,000	19,200
Swedol B		700,000	23,100
Securitas System B		1,318,200	36,514

Company	Country ¹⁾ code	Number	Fair value
Tele2 B		1,279,000	127,900
Telia-Sonera		8,250,000	464,062
Trelleborg B		100,000	16,400
Volvo A		150,000	72,900
Volvo B		470,000	221,605
Vostok Nafta SDB		80,000	38,040
Total			6,210,288
Equity and index-linked funds			
ABIF Global		1,867,630	514,267
Aberdeen Property Fund		324,292	68,750
Carnegie Fastighetsfond		459	18,271
Svea Fastighetsfond II		21,625	21,625
Elixir		427,280	59,553
LFS Invest II		600	60,000
Nektar		62,214	118,904
Nordea European Equity		716,897	93,734
Tanglin		96,478	120,007
Zenit		2,642	123,601
Baring Emerging Europe	GBP	836,800	78,902
Russel EM	USD	243,653	463,360
State Street Emerging Markets	EUR	134,199	798,231
Martin Currie Global Resources	USD	527,983	75,419
Martin Currie Pan European	EUR	3,185,846	572,090
Balzac US	USD	151,450	203,760
Great Lakes II Equity Fond	USD	10,000	68,413
Citigroup Real Estate Sicav	USD	195,316	236,066
Phaunos Timber Fund	USD	15,000	102,618
Argo Global Spec Sit Event	USD	73,308	71,451
Coast Spe Sit Event	USD	970	73,031
Eden Rock	USD	142,857	104,158
GLG MKT Neutral	EUR	70,847	110,323
Gottex ABL	USD	15,000	103,521
Kenmar Natural Resources	USD	100,000	68,822
Laurus ABL	USD	100,000	69,438
Madison Niche Asset	USD	4,597	34,496
Martin Currie Abs Return Global	USD	578,479	71,363
Nordea Fixed Income	EUR	915,680	97,952
Total			4,602,126
			10,812,414

Kâpan has no holdings of unlisted equities

¹⁾ SWE unless otherwise stated

NOTE 11 Fixed-income securities

	2006		2005	
	Cost	Fair value	Cost	Fair value
Swedish government	727	768	2,009	2,159
Swedish municipalities	0	0	50	50
Swedish mortgage institutions	7,410	7,233	7,658	7,603
Other Swedish issuers	5,884	5,987	3,671	3,994
Foreign governments	0	0	437	472
Other foreign issuers	3,903	3,877	1,203	1,220
Total	17,924	17,865	15,028	15,498
of which subordinated				
Dated subordinated debenture	488	531	177	229

NOTE 12 Derivatives

	Nominal amount	Book value positive	Book value negative
Options	4,200,000	115,220	
Total		115,220	
of which cleared		0	
Currency derivatives			
USD	230,650	59,207	
EUR	75,440	9,929	
Total		69,136	
of which cleared		0	
Interest-rate related	3,400,000		162,525
Total			162,525
of which cleared			0
Total		21,831	

Derivative instruments are used in the management of Kåpan's investment assets and are an alternative to a direct purchase or sale of a security or currency. The main principle for trading with derivatives is that trading shall be carried out in order to make asset management effective or reduce price and currency risks.

Derivative transactions are made either via recognised clearing institutions or with counterparties with good creditworthiness. Most derivative transactions are regulated according to market practice through ISDA agreements. The derivative transactions carried out represent market exposure in the form of exchange rate, interest rate, share price and equity index risks. Option contracts also include a volatility risk.

The nominal value of these derivatives is disclosed in accordance with the Swedish Financial Supervisory Authority's provisions as commitments (items within the line) on each closing date. At 31 December 2006 the amount just mentioned was SEK 5,721m (6,098).

NOTE 13 Other receivables

	2006	2005
Funds provided by the parties	–	68
Non-cash sale investment assets	10	6
	10	74

During 2003 the parties within the public sector agreements assessed that there was a need to increase the equity in Kåpan. The parties have therefore committed to provide funds within the framework of a collective agreement dated 19 December 2003. Under this agreement, Kåpan will be provided with 0.355% of the salary for all employees covered by the agreement in 2004 and 2005 and premiums for pensions for employees below the age of 28 will also be provided to Kåpan in 2004 to 2006. During the year the parties provided SEK 78m in this manner.

NOTE 14 Tangible assets

	2006	2005
Cost	3	3
Accumulated depreciation	-2	-2
	1	1

NOTE 15 Equity

	Reserve for unrealised gains	Other funds	Other reserves	Premium adjustment reserve	Profit for the year	Equity
Opening balance, 1 January 2006	2,669	-1,704	1,007	940	2,364	5,276
Change in reserve for life insurance provisions			1,166			1,166
Adjusted opening balance	2,669	-1,704	2,173	940	2,364	6,442
Disposition of earnings 2005		1,704	660		-2,364	0
Bonus paid during the financial year			-81			-81
Transfer of unrealised result	330	-330				0
Bonus recalled			167			167
Funds provided by parties				10		10
Profit for 2006					3,179	3,179
Closing balance, 31 December 2006	2,999	-330	2,919	950	3,179	9,717

Sensitivity analysis

Risk variable	Effect on		Equity
	Investment assets	Life insurance provisions	
Decline in value of shares, 10%	-1,501	-	-1,501
Exchange rate fall, 10%	-147	-	-147
Interest rate increase, 1%	-821	2 214	1,393

When calculating the effect on life insurance provisions above, tax and expenses are taken into account in the calculation.

NOTE 16 Reserve for unrealised gains

	2006	2005
Shares and participations	2,977	2,247
Bonds and other fixed-income securities	-	417
Derivatives	22	5
	2,999	2,669

NOTE 17 Other reserves

In previous years the special contingency loading the insurance societies were obliged to make as a provision corresponding to 5% of the premium reserve was reported under Other reserves. From 1 January 2006 this obligation no longer applies and the contingency loading has therefore been removed as part of other reserves.

NOTE 18 Premium adjustment reserve

	2006	2005
Opening balance	940	907
Change during the year	10	33
Closing balance	950	940

The parties have decided to provide Kåpan with external funds, see Note 15. According to the agreement these funds will be provided to the premium adjustment reserve and strengthen the capital base. In a separate agreement with Kåpan, the parties have declared that they do not have any claim against Kåpan. The reserve, including the capital provided, will therefore in future comprise equity in the society.

The change during the year is the difference between what the parties were expected to provide during the year, SEK 68m, and the actual amount provided SEK 78m.

NOTE 19 Life insurance provisions

	2006	2005
Kåpan Tjänste ¹⁾	15,278	15,884
ITPK-P	452	478
Kåpan Extra	296	278
Kåpan Plus	1,468	1,498
Kåpan retirement pension	2,218	1,910
	19,712	20,048

¹⁾ The amount includes PA91 SEK 60,115 thousand not invested on individual.

NOTE 20 Other liabilities

	2006	2005
Other	2	4
	2	4

Stockholm, 20 February 2007

Göran Ekström
Chairman

Lars Fresker
Vice Chairman

Sven-Olof Hellman

Björn Birath

Karin Starrin

Nils Henrik Schager

Gunnar Balsvik
President

Our auditors' report was submitted on 20 February 2007

Anders Malmeby
Authorised Public Accountant

Jimmy Skoglund
Authorised Public Accountant
Auditor appointed by the Swedish
Financial Supervisory Authority

Bo Jansson

Lena Jönsson

Audit report

To the Council of Administration of
Kåpan pensioner försäkringsförening
reg. no. 816400-4114

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the President of Kåpan pensioner försäkringsförening for the year 2006. These accounts and the administration of the society and the application of the Benevolent Societies Act and the Annual Accounts Act for Insurance Companies when preparing the annual accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the Society in order to be able to determine the liability, if any, to the society of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Benevolent Societies Act, the Swedish Annual Accounts Act for Insurance Companies or the Society's statutes. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Benevolent Societies Act and the Swedish Annual Accounts Act for Insurance Companies and, thereby, give a true and fair view of the Society's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The Board of Directors' report is consistent with the other parts of the annual accounts.

We recommend to the Council of Administration that the income statement and balance sheet of the Society be adopted, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 20 February 2007

Anders Malmeby
Authorised Public Accountant

Jimmy Skoglund
Authorised Public Accountant
Appointed by the Swedish Financial
Supervisory Authority

Bo Jansson

Lena Jönsson

Council of Administration, Board of Directors and Auditors

Council of Administration

Appointed by the Swedish Agency for Government Employers

Members

Janna Valik, Sweden Migration Board, Chairman from 6 April 2006
Gunnel Arrbäck, National Board of Film Classification, Chairman until 5 April 2006
Britt-Marie Andersson, National Land Survey
Cecilia Aste, Swedish National Financial Management Authority
Annika Bergström, National Defence Radio Centre

Louise Bodegård, National Council for Quality and Development
Peter Brodd, Public Prosecutor
Greger Bååth, Special School Authority until 5 April 2006
Monika Dahlbom, National Courts Administration

Kristina Dahlqvist, University College of Dance
Teddy Glans, National Road Administration
Ivar Eriksson, National Police Board

Marie Eriksson, Mälardalen University

Olle Forslund, National Archives from 6 April 2006
Karl Pfeifer, Swedish Agency for Government Employers
Britt-Marie Samuelsson, National Labour Market Board
Jan-Erik Ögren, Umeå University

Appointed by trade unions:

Members

Tommy Aldvin, OFR
Annette Carnhede, OFR
Eva Davidsson, OFR
Håkan Rosenqvist, OFR
Bengt Sundberg, OFR
Johan Tengblad, OFR
Hans Norin, OFR from 8 March 2006
Elisabeth Sasse, OFR until 7 March 2006
Margareta Bäckström, SEKO

Ingrid Lagerborg, SEKO from 27 March 2006
Vacant until 26 March 2006

Christer Henriksson, SEKO
Erik Johannesson, SEKO
Tommy Salheden, SEKO
Göran Blomqvist, SACO-S
Rune Larsson, SACO-S
Hans Lindgren, SACO-S

Board of Directors

Employer representatives

Members

Göran Ekström, Swedish Agency for Government Employers, Chairman

Karin Starrin, Swedish Customs from 6 April 2006
Gunnar Holmgren, Swedish Defence Material Administration until 5 April 2006
Nils Henrik Schager, Swedish Agency for Government Employers

Trade union representatives

Members

Lars Fresker, OFR, Vice Chairman

Björn Birath, SACO-S
Sven-Olof Hellman, SEKO

Auditors

Auditors

Anders Malmeby, Authorised Public Accountant
Bo Jansson, SACO-S
Lena Jönsson, Agency for Management Development from 6 April 2006
Björn Mårtensson, Swedish Agency for Government Employers until 5 April 2006
Jimmy Skoglund, Authorised Public Accountant appointed by the Swedish Financial Supervisory Authority

Personal Deputies

Curt Malmberg, Social Insurance Office from 6 April 2006
Janna Valik, Sweden Migration Board, Chairman until 5 April 2006
Håkan Pallin, National Veterinary Institute
Anita Wallgren, Premium Pension Authority
Eva Gullqvist, Swedish Environmental Protection Agency from 6 April 2006
Olle Forslund, National Archives until 5 April 2006
Inger Jönsson-Furby, County Administrative Board, Västerbotten
Maria Hedin-Nordling, The National Board of Forensic Medicine
Birgitta Hederstedt, National Board of Health and Welfare until 5 April 2006
Anders Liif, National Prisons and Probation Administration from 28 March 2006
Britt-Marie Jonsson, National Prisons and Probation Administration until 27 March 2006
Curt Karlsson, Linköping University
Claes Vallin, Swedish National Grid
Kicki Westlund, National Swedish Economic Crimes Bureau from 6 April 2006
Knut Hardeland, Criminal Victim Compensation and Support Authority until 5 April 2006
Marianne Glass, Fomas from 6 April 2006
Bengt Sandberg, Stockholm University until 5 April 2006
Gill Gawelin, National Archives from 6 April 2006
Carl Durling, Swedish Agency for Government Employers
Torbjörn Lindström, SIS
Ingegerd Olofsson, Luleå University of Technology from 6 April 2006
Staffan Sarbäck, Luleå University of Technology until 5 April 2006

Personal Deputies

Edel Karlsson Håål, OFR
Lennart Grönberg, OFR
Antonio Roperio, OFR
Jörgen Lindholm, OFR
Björn Hartvigsson, OFR
Lena Moberg-Lindwall, OFR
Conny Jansson, OFR

Lennart Andersson, SEKO from 27 March 2006
Margareta Skalin, SEKO until 26 March 2006
Lennart Johansson, SEKO

Rolf Bolinder, SEKO
Dennis Lövgren, SEKO
Birger Bergvall, SEKO
Mats Rubarth, SACO-S
Karen Gott, SACO-S
Susanne Holmström, SACO-S

Personal Deputies

Christer Hedvall, Swedish Agency for Government Employers from 6 April 2006
Margareta Sjöberg, Swedish Agency for Government Employers until 5 April 2006
Gunnar Holmgren, FMV from 6 April 2006
Karin Starrin, Swedish Customs until 5 April 2006
Margareta Sjöberg, Swedish Agency for Government Employers from 6 April 2006
Christer Hedvall, Swedish Agency for Government Employers until 5 April 2006

Personal Deputies

Elisabeth Sasse, OFR from 6 April 2006
Hans Gustrin, OFR until 5 April 2006
Harald Mårtensson, SACO-S
Helen Thornberg, SEKO

Deputy Auditors, Personal

Per Bergman, Authorised Public Accountant
Gunilla Hellström, OFR
Kjell Jansson, Nutek

Definitions

Base rate, guaranteed rate

The interest rate used for annual indexation of paid-in premiums, in an insurance with a guaranteed rate. The rate is determined per payment and applies until pension payments start.

Bonus

Surplus funds that an insurance company has assigned or proposes to allocate to a policyholder.

Bonus rate

The interest rate used to distribute the society's return to policyholders. This rate includes the guaranteed rate. The bonus rate is decided annually by the Council of Administration.

Collective funding ratio

The society's assets valued at fair value expressed as a percentage of policyholders' total insurance capital.

Currency hedging

Action taken to guarantee the value of a certain currency at a certain date.

Derivative

A financial instrument the value of which is based on expectations of the future value of an underlying contract.

Direct yield

Net of interest income, interest expenses, dividends on shares and participations after deduction for investment management costs.

Fair value

Market value minus estimated selling cost.

Funding capital

Equity including surplus values in investment assets.

Insurance capital

The value of an insurance based on assumptions regarding investment return, mortality and overheads.

Management expense ratio

Operating expenses in the insurance business in relation to average managed assets.

Return

The surplus created during a year when investment assets increase in value. In defined contribution traditional life insurance the surplus after the guaranteed return accrues to the insured in the form of bonus and therefore a higher pension.

Solvency ratio

Market value of the society's assets as a percentage of the society's book insurance liability.

Total return

The society's total asset management result, i.e. the sum of changes realised and unrealised changes in value of investments and direct yield received. The return calculation does not include changes in value of outstanding insurance commitments and the effect on profit or loss of derivatives used to reduce these changes in value.

KÅPAN
PENSIONER

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