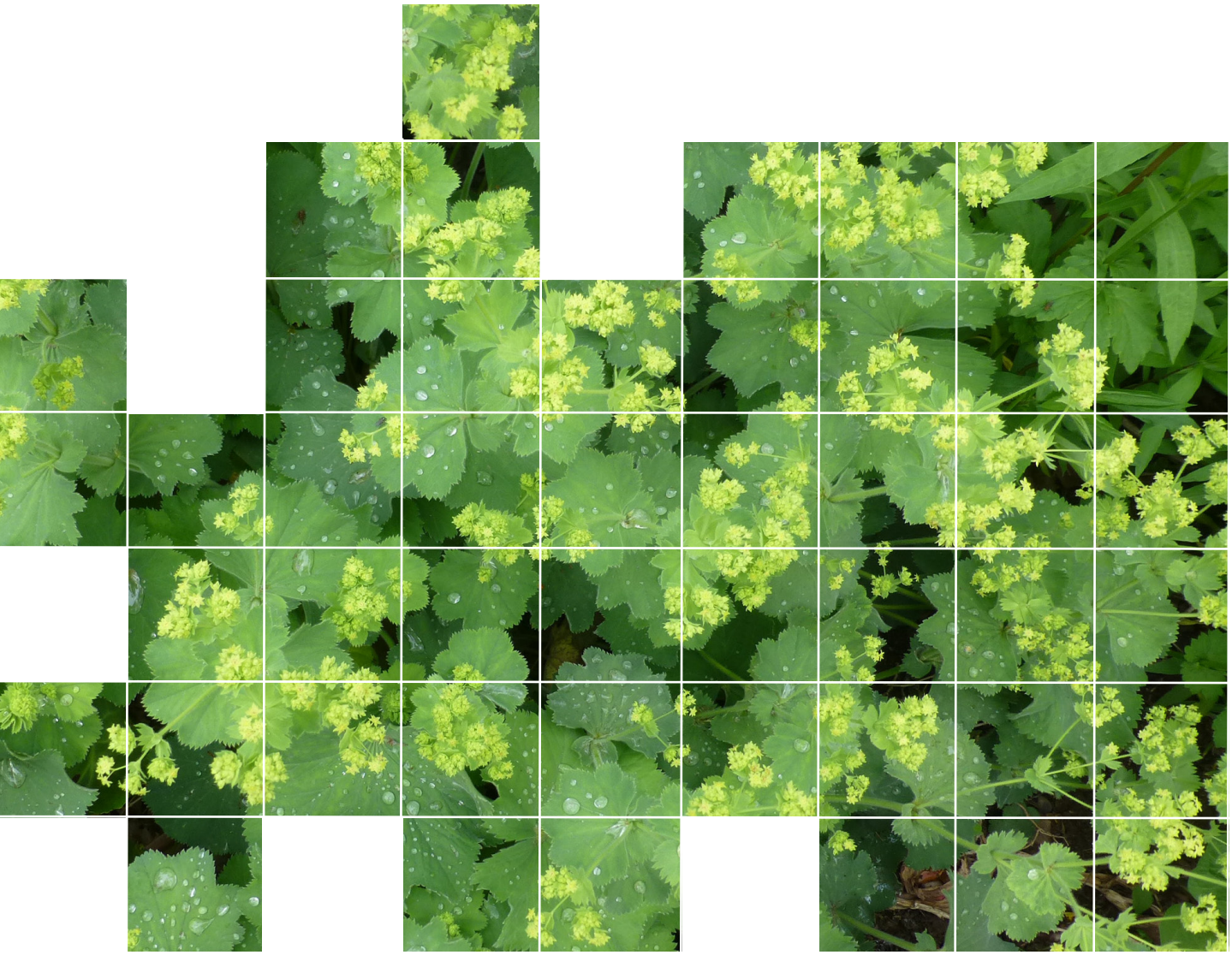
KÅPAN PENSIONER

FOR GOVERNMENT EMPLOYEES



ANNUAL REPORT

2014

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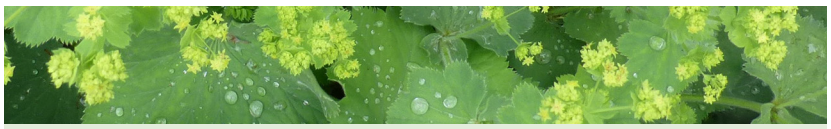


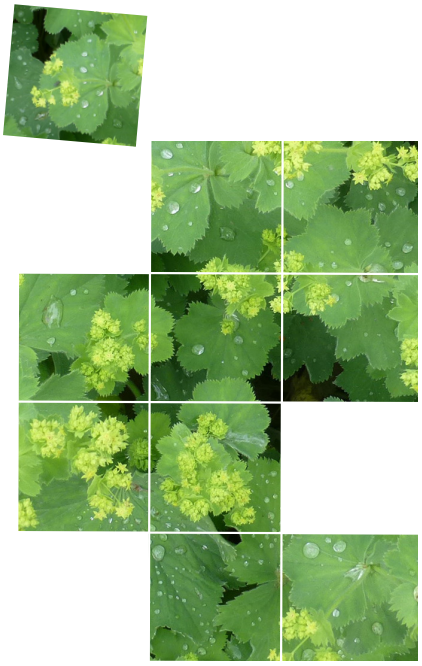
Presenting Kåpan Pensions

Kåpan pensioner försäkringsförening (Pensions for government employees, Kåpan) manages defined contribution pensions for government employees. Operations are linked to the government pension agreements PA-91 and PA 03 where the society manages a part of the occupational pension and functions as the default supplier for the part of the pension where there is a choice.

Kåpan pensions is a cooperative society where all the surplus from asset management is returned to its members. The society only offers one product, traditional pension insurance with a guaranteed growth in value at a low cost. The goal is to achieve good long-term returns and provide members with a good level of pension from the society.

2014 at a glance

- Assets under management increased by SEK 9,118m to SEK 69,374m.
- Paid-in premiums totalled SEK 4,102m.
- Total pension payments amounted to SEK 2,160m.
- The total return on invested capital was positive and amounted to 11.5%.
- From January 2014 the bonus will be distributed monthly in arrears. The total bonus rate during the year amounted to 12% which corresponds to an effective annual rate of 12.7%.
- The funding ratio amounted to 100% at year-end.
- The solvency ratio weakened slightly from 153% to 149%. The weaker level is attributable to a higher valuation of the society's pension obligations for which the positive return on assets during the year could not fully compensate.
- Administrative expenses remained at a low level and amounted to 0.07% in relation to assets under management.



Board of Directors' report

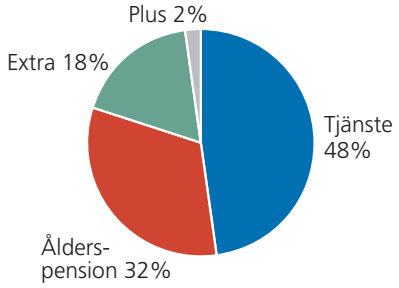
The Board of Directors and the President of Kåpan pensioner försäkringsförening, reg. no. 816400-4114, hereby submit their report for the financial year 2014.

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 focus is on insurance of pensions through traditional pension insurance with a guaranteed return on paid-in premiums and a distribution of any surplus from asset management as bonus interest.

The forms of insurance offered by the society are the occupational pension insurances Kåpan Tjänste and Kåpan Extra as well as the complementary pension insurance Kåpan Plus. In addition there is the individual retirement pension where Kåpan is a selectable alternative as well as manager for employees who have not actively chosen a manager for their pension capital.

Premium breakdown



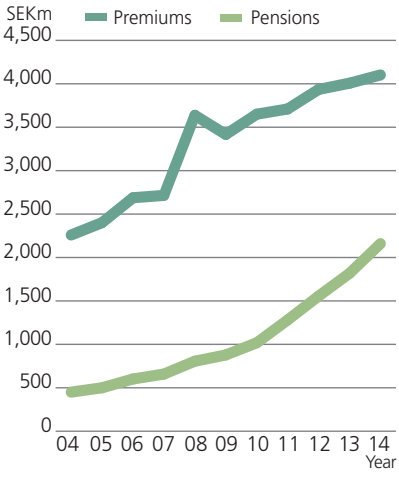
Members

Kåpan Pensioner is a mutual society where all savings are returned to the members as pension payments. The total number of members is over 700,000.

Insurance premiums

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

Development of premiums and pension payments



A total of SEK 4,102m was paid in premiums during the year, broken down as follows

Category	2014	2013	2012	2011	2010	2009	2008
Kåpan Tjänste	1,986	1,930	1,905	1,825	1,789	1,708	1,693
Kåpan Ålderspension	1,305	1,253	1,202	1,143	1,084	1,041	1,013
Kåpan Extra	726	733	732	640	667	554	805
Kåpan Plus	85	91	96	102	110	114	126
Total	**4,102**	**4,007**	**3,935**	**3,710**	**3,650**	**3,417**	**3,637**

Pension payments

A total of SEK 2,160m (1,818) was paid out during the year, of which SEK 583m (369) comprised bonus payments over and above the guaranteed interest on the capital. The normal payment period is five years from when the pension payments start at age 65. This applies to all categories except Kåpan Ålders-pension (retirement pension) which is paid for life.

Guidelines for management of invested assets

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

According to the investment policy, adopted by the Board in May 2014, the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 20% and maximum 35%.
- Bonds and other fixed-income securities minimum 45% and maximum 65%.
- Alternative assets including property-related investments minimum 5% and maximum 20%.

The Board's decision means that investment management is to be conducted with the same long-term focus as in previous years. The policy provides a benchmark for the society's total outstanding interest rate risk i.e. an aggregate of the fixed-income assets' fixed interest period and the pension payment obligations including the guaranteed interest rate on members' savings until payment. The interest rate risk is measured as an interest rate risk coverage ratio and amounted to 37.4%. The benchmark for the interest rate risk coverage ratio is that it should not be less than 30% and is continuously adjusted to the solvency ratio and the need to hedge outstanding obligations, see Note 2 for a more in-depth analysis.

The outstanding currency risk according to the adopted policy may not exceed 10%. At year-end the outstanding currency risk was 7.2% of the value of assets. During the year nearly all assets, except those in growth countries, were hedged.

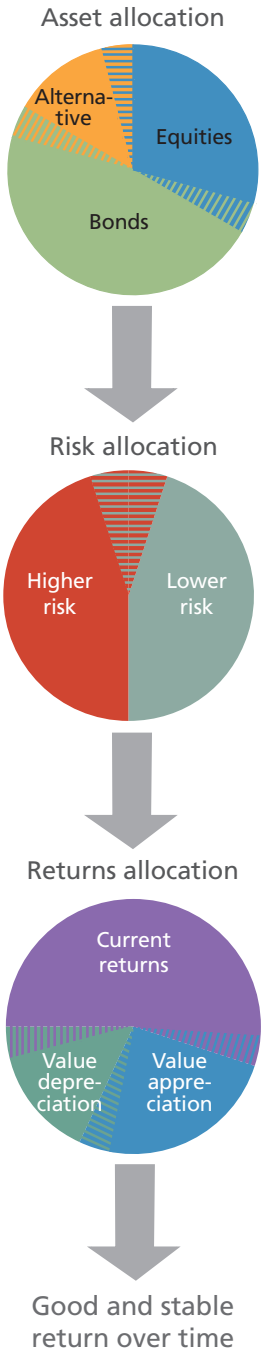
Ethical guidelines in investment policy

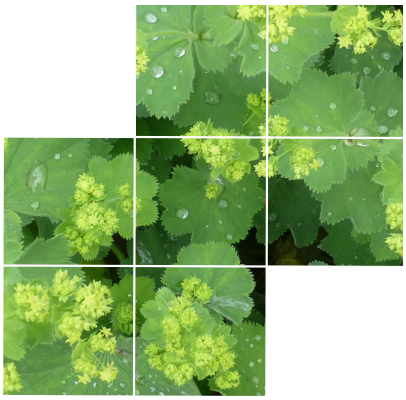
The investment policy adopted by the Board stipulates that the society's investments should be based on ethical standards and principles which are strongly rooted in Swedish society based on decisions made by the Swedish parliament and government. The principles in the UN Global Compact, OECD's guidelines for multinational companies, the Oslo and Ottawa Conventions as well as the UN PRI's (UN principles for responsible investment) list of blacklisted companies. The aim is not to make investments in companies which on repeated occasions violate principles for human rights, labour law and the environment specified in internationally accepted documents.

Strategy for selection

The society has conducted an analysis of different alternatives for selection of suitable companies. Against a background of organisation and resources the society has chosen to base its selection on assessments made by the Ethical Council of Sweden's AP Funds. The Ethical Council has ethical guidelines that are in line with those of the society. Taken as a whole this includes an analysis of the operations and activities of thousands of different companies which requires considerable resources in order to be conducted well.

The society's asset management model





Active investments

The society's direct investments total over SEK 50 billion and constitute approximately 75% of the total assets under management. The decision means that the society does not make any direct investments in the companies that the Ethical Council has on its list of companies that are not assessed as meeting set criteria, according to information received by the society at year-end, 15 companies.

Passive investments and active neutralisation

Within the framework of effective management and the aim to achieve a good return at a low cost, the society invests some of its capital in various types of funds or instruments based on various types of index. As a rule, the society can make these investments at an annual cost of a few hundredths of a per cent which is a very low level compared with actively managed investments. The disadvantage is that index-related investments are passive which means that it is not possible to make an active selection of individual companies. This leads indirectly to a marginal exposure to companies which according to the policy should be avoided.

Through various indexes and funds the society has total indirect investments in approximately 3,000 different listed companies with an invested amount of over SEK 10 billion. The overall aim is that if there is a cost-effective alternative that is assessed as providing an equivalent financial outcome without exposure to the companies in question, management should strive to select such an alternative. The society continuously evaluates different alternatives and in cases where an indirect exposure arises, the size and cost of excluding the holding are evaluated.

The aim with excluding or neutralising indirect holdings is to achieve a financial situation for the society which corresponds to a decision not to invest in the company. The method the society has chosen in 2014 means that indirect positions are neutralised via a direct sale of a corresponding position in the indirect holding. The method chosen is known as short selling and means that the society adopts an active standpoint against the company concerned. The assessment is that this method sends a clear signal to the company particularly since the proportion of short sold shares in different companies are reported in various contexts and can be seen among other things as an indicator of a lack of confidence.

Account of neutralisation of passive indirect holdings

At year-end the society had direct negative positions to neutralise indirect holdings in 12 of the 15 companies included in the Ethical Council's assessment. The negative value of these positions amounts to just over SEK 90m and the assessed actual extra cost per year to exclude these companies amounts to approximately SEK 350,000 excluding any change in value which means a cost level of approximately 0.5% in relation to the value of the holding. For three of the companies on the list, the society has no indirect exposure. All positions, values and assessments are evaluated as information is received on the indirect holdings and changed when required or when circumstances change.

Neutralised passive indirect holdings

Negative holdings	Assessed value, SEKm
Alliant Techsystems	-2.9
Freeport-McMoRan	-5.7
GenCorp	-0.2
General Dynamics	-9.8
Incitec Pivot	-1.2
L-3 Communications	-0.7
Lockheed Martin	-12.6
Potash of Saskchewan	-3.1
Raytheon	-8.7
Textron	-3.8
Wal-Mart Stores	-41.4
Poongsan	-1.4
Total	**-91.5**

The chosen method means that the cost of active management is limited to the actual companies which in value comprised approximately 0.8% of the indirect equities portfolio. This should be compared with the method of choosing an in its entirely actively managed portfolio where the corresponding cost level is charged against the entire holding.

Summarised assessment

Taken overall the assessment is that the aim of a good ethical level for the investments on the basis of decisions taken by government authorities. The level can be maintained within the framework of the overall aim of a good return and at a low cost to investments as a whole. The society intends to continuously monitor and evaluate the chosen method and selection of current companies.

Investment management

The market value of the society's investment assets, with the addition of the book values of other assets, amounted to SEK 69,374m (60,256) at year-end.

Return on the investment assets was positive and amounted to 11.5% (+8.4).

Investment return

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

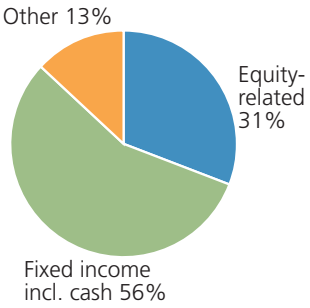
Portfolio	Market value SEKm	Share, %	Total return [1] %, 2014
Fixed-income-related	37,262	54	8.9
Equity-related	21,592	31	14.8
Other investments	8,879	13	14.4
Other assets, cash	1,641	2	–
Total assets	**69,374**	**100**	**11.5**

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

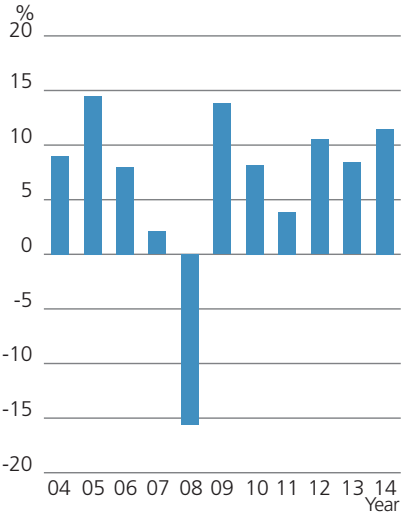
Fixed-income-related assets

The fixed-income investments amounted to SEK 37,262m (33,160) at year-end. The investments consisted to 47% (48) of mortgage bonds and 21% (20) government bonds, including bonds and commercial paper issued by wholly state-owned companies. Investment in commercial paper and bonds from other issuers amounted to 28% (30). The remaining 4% (2) of investments consisted of interest-bearing holdings in foreign currencies. At year-end the total fixed-income portfolio comprised solely nominal fixed-income securities with no real-interest bonds. The general interest level fell during the year which had a positive impact on the value of the holding. The interest rate on government bonds and mortgage bonds remains at historically low levels which means that fixed-income investments are expected to provide a limited current return for the next few years.

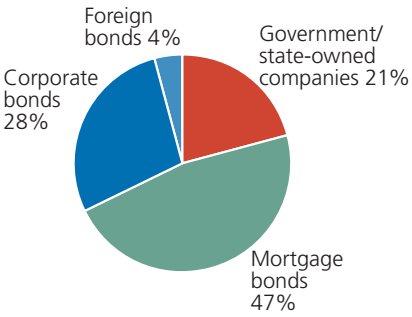
Investment of the society's assets at year-end



Total return



Allocation fixed-income



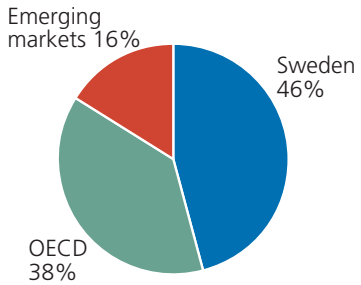
The fixed-income investments are concentrated to the Swedish banking and home mortgage segment and the overall largest investments are made with the following issuers:

Issuer	Assessed value, SEKm
Swedbank	3,736
Svenska Handelsbanken	3,692
Nordea Bank	3,637
SEB	3,594
SBAB	3,185
Länsförsäkringar	1,391
Landshypotek	1,214
Vasakronan	1,095
Specialfastigheter	969
Danske Bank	900

In addition to investments in fixed-income securities, in order to reduce the outstanding interest rate risk in pension obligations made, in previous years the society signed contracts for various forms of interest rate hedges. In principle, these contracts mean that the fixed interest in the obligations is exchanged for floating interest with a reduced risk of fluctuations in value. All these contracts were discontinued during the year.

The change in value of the outstanding interest rate hedges amounted to SEK +70m (-89) during the year. The total earnings impact of interest rate hedges corresponds to a positive effect on the total return of 0.1% (-0.2). The total return on fixed-income-related investments thus amounted to 8.9% (+1.7).

Allocation equities



Equity-related assets

Global stock markets showed strong development during the year. The world's overall share prices rose by a total of approximately 13% in local currencies. Development was stable throughout in most countries but weak in some growth countries. Equity-related assets at year-end amounted to SEK 21,592m (18,702). The overall return during the year amounted to 14.8% (+22.8).

The holding of shares listed on Nasdaq Stockholm had a positive return of 14.3% (+25.4). Management of shares listed on Nasdaq Stockholm is carried out by the society itself. SIX 60 is used as the benchmark index. The biggest investments are in the following companies:

Issuer	Assessed value, SEKm
Hennes & Mauritz	1,118
Nordea Bank	854
Ericsson	645
Atlas Copco	604
Svenska Handelsbanken	500
TeliaSonera	491
Swedbank	488
SEB	481
Investor	481
Volvo	431

The equity-related placements outside Sweden are invested in various funds most of which have various forms of passive index-related funds with low charges. A general agreement has been signed with State Street Global Advisors (SSGA) on investments and charges at good levels. At year-end the largest investments outside Sweden were in the following funds:

Holding	Assessed value, SEKm
SSGA S&P 500 Index	2,289
SSGA Enhanced Emerging Markets Fund	1,978
SSGA Multifactor Global Fund	943
SSGA S&P 500 Equal Weight Index	870
SSGA MSCI Japan Index	711
SSGA FTSE RAFI US Index	551
SSGA Emerging markets Select	348
SSGA Russell 2000 Index	345
SSGA Emerging Markets Small Cap Active US Fund	295
Montanaro European Smaller Companies Fund	278

Since the start of its operations the society has chosen to currency hedge most of its equity-related investments which meant that relative changes in the value of the Swedish krona during the year did not affect the return. Equity investments in emerging markets are not hedged which means that the return is affected by exchange rate fluctuations.

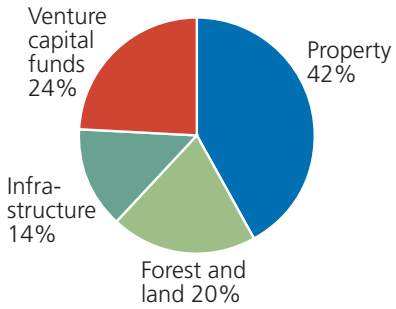
Alternative investments

Investments in alternative assets are mainly made in real assets and venture capital funds. Real assets are split into three areas: property, forest and land, and infrastructure. The infrastructure area involves investments in essential facilities or properties with stable cash flows and a long-term investment horizon. Forest and land is mainly land with standing forest and farms owned by funds or companies. The property area is indirect investment in all types of land and buildings. The largest investments grouped on the basis of different managers or companies (exposure) comprised:

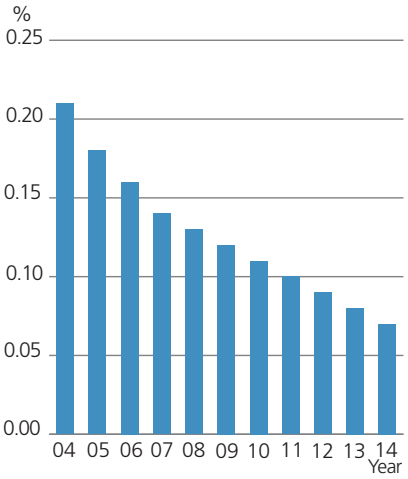
Holding	Assessed value, SEKm
Bergvik Skog AB	1,038
Hemfosa Fastigheter AB	565
Portfolio Advisors (4 funds)	558
Fastighets AB Stenvalvet	550
Profi Fastigheter (4 funds)	542
Energy & Minerals Group (2 funds)	537
Goldman Sachs (6 funds)	498
Rockspring German Retail Box Fund	379
Nordic Real Estate Partners	355
Cheyne Real Estate Credit	319

Real assets showed a positive value appreciation during the year. Capital invested in real assets totalled SEK 6,762m (5,063) and the return during the year amounted to 12.6% (+5.8).

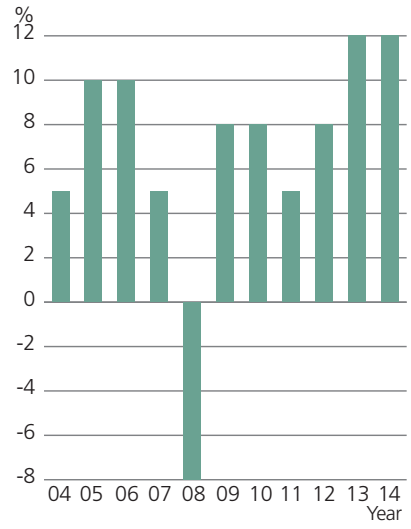
Alternative investments



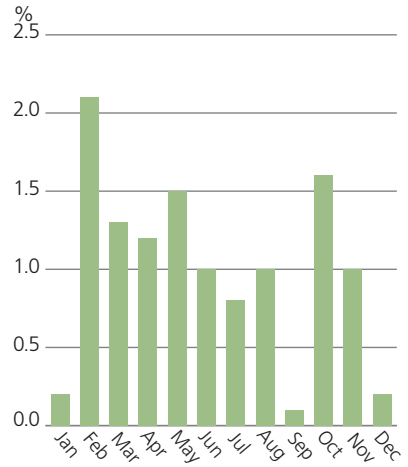
Management costs development



Bonus rate



Monthly bonus rate 2014



Investments in various types of venture capital funds amounted to SEK 2,117m (1,788) and the return during the year was 20.7% (+6.3). Overall the return for alternative investments was positive at 14.4% (+5.9).

Risk and sensitivity analysis

Asset management is affected by external circumstances that give rise to various types of risks. These risks can be divided into market, credit and operational risks. In addition there is a further industry-specific risk, namely insurance risk. A more in-depth analysis of outstanding risks in operations is provided in Note 2.

The uncertainty that exists in the market means that losses on investment assets cannot be ruled out. For investment assets where market prices are not published, there are sources of uncertainty, see the sections Key assessments and Sources of uncertainty in Note 1, and Note 15.

Actuarial report

The actuarial report has been performed by Ulrika Taube, actuary. The report shows that the society's technical provisions amount to SEK 46,084m (39,398). The obligations the society has comprise to a dominant extent fixed guaranteed interest on paid-in premiums. These obligations have been valued in the technical provisions, supported by the Swedish Financial Supervisory Authority's general advice, on the basis, among other things, of current market interest rates for matching maturities.

Costs

Costs in the insurance business amounted to SEK 46m (44). One measure of cost efficiency is the management expense ratio, i.e. the relationship between operating expenses and the average market value of the assets, which amounted to 0.07% (0.08).

Costs for 2014 were covered by a fixed charge of SEK 12 per policy and by making a deduction from the insurance capital of 0.07%. Both the charge and the deduction are expected to be unchanged in 2015. Overall, the charge and deduction should correspond to the costs of operations. The aim is to continue to maintain a low level of costs over time.

Transfer to monthly bonus from 2014

The Council of Administration decided to revise the statutes of the society in March 2013. The changes mean that from 1 January 2014 the society pays bonus interest monthly instead of annually in arrears. Members' pension capital will therefore in future be recalculated continuously during the year with the bonus which the capital provides each month within the framework of the society's policy for collective funding and bonuses.

Report on monthly bonus in 2014

The bonus was added to members' pension capital monthly in arrears. The first monthly bonus was announced in mid-February based on the return on investments in January and the collective funding ratio on 31 January. The financial position and returns during the year were stable and taken overall members'

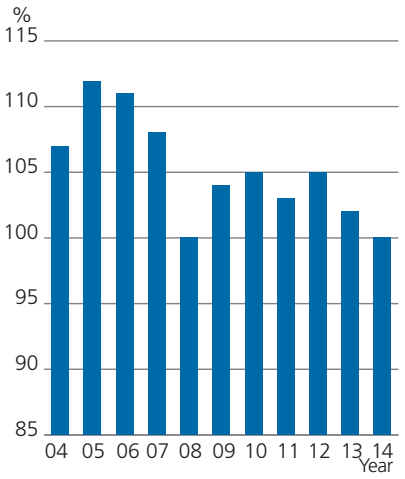
pension capital received a bonus rate of 12% before tax on returns and costs. The allocated bonus corresponds to effective annual interest of 12.7%.

Collective funding

Collective funding is the market value of assets minus financial liabilities in relation to the sum of technical liabilities based on paid-in premiums and the guaranteed interest as well as previously allocated bonus funds.

The Board has decided on a policy for collective funding and bonus in the society. The policy states that the collective funding ratio should be in the band 95 – 105% with a target level of 100%. The funding ratio at year-end after the bonus decided for December 2014 was 100%.

Collective funding ratio

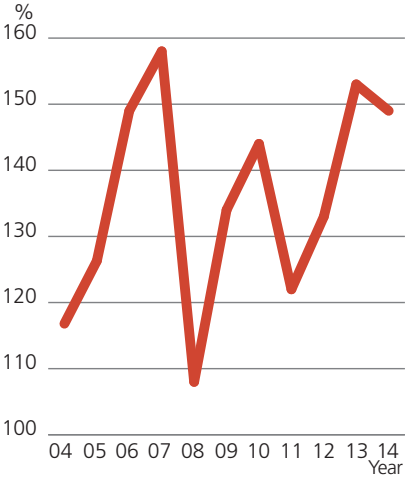


Development of solvency

Solvency expresses how much of technical liabilities are covered by assets. The return on assets during the year was positive. Outstanding obligations are valued at year-end on the basis of a discount rate curve which is based on market interest rates for the first ten years and then a gradual adjustment to a fixed macro interest rate of 4.2%. The rate which has been used has a lower level than the previous year which means that the value of outstanding obligations has risen.

Taken overall, the solvency ratio fell by 4 percentage points during the year from 153% to 149%. The return contributed a strengthening of 15 percentage points and changes in valuation of outstanding obligations provided a weakening of 19 percentage points.

Solvency ratio



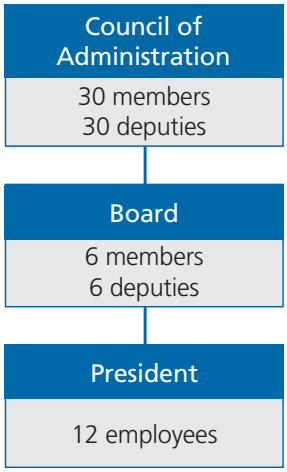
Contribution to the premium adjustment reserve

The pension agreement between the parties to the state pension agreement, PA 03, stipulates that the employer pays premiums for the Kåpan Tjänste insurance for employees between the age of 18 and 65, but that the premium does not accrue to employees below age 23. According to the terms of its statutes, Kåpan Pensioner must place these funds in a premium adjustment reserve which comprises part of the society's equity. During the year a total of SEK 20m (22) has been added to this reserve.

Tax on returns

The society pays tax on returns on behalf of its members. The basis for tax assessment is the members' pension capital expressed as 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 by 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 on returns paid for the year 2014 amounted to SEK 181m (122).

Board and management



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 parties within the government agreement area. 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. During the year the Council of Administration held one ordinary general meeting.

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 seven meetings during the year, one in the form of a two-day seminar. Key questions, in addition to proposals to the general meeting, were the future long-term investment focus, developments in the regulatory area and management of risks in investment management. During the year the Board, among other things, updated and decided on all of the society's policies. The Board appointed a Remuneration Committee consisting of Board members where the salary and remuneration of the President is reviewed. Remuneration to other senior executives in the society is decided by the President in accordance with the remuneration policy decided by the Board.

From 28 March 2012, Ulf Bengtsson, Director General of the Swedish Agency for Government Employers, has been Chairman of the Board and of the Remuneration Committee.

Administration

The average number of employees during the year was 12 (11) 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 0m (1). In previous years the society has updated and modernised most of the central systems in its operations. The insurance administration system is depreciated over 10 years, other investments over 3 - 5 years.

Looking to the future

Kåpan Pensioner started its operations in 1992 and since 2003 has been the default alternative for individual retirement pension. The society's operations thus increase in scope all the time which places greater demands on the organisation but also provides economies of scale and opportunities to improve efficiency. With the present development, a balance between payments made and payments received will be reached around 2050 which means that the organisation must be continuously developed and adjusted.

The parties to the government agreement area started negotiations on a new pension agreement. This means that the society's operations must be adapted to the focus of a new agreement.

Parliament decided to initiate a phasing out of the tax deduction right on private pension savings in 2015. The aim is to completely abolish the right to deduct from 2016. For the society this means that the operating area Kåpan Plus will be closed for new deposits. Regular monitoring and information campaigns will be conducted during the year to ensure that members do not make unfavourable deposits.

During 2014, work continued on improving the efficiency of operations and preparing the organisation ahead of any changes caused by new rules for the society's operations which may be introduced, as well as other regulatory changes.

The strategic direction for the society's operations remains unchanged and the aim is to reduce the already low costs still further. The society has started a deeper cooperation with the National Government Employee Pension Board (SPV) including a coordinated pension statement and a common customer service unit. The purpose of this cooperation is to provide members with better information about the government employees' occupational pension.

Disposition of profit for the year

The profit for the year, SEK 2,494,386,280 (+7,961,646,012) will be transferred to other reserves. The society's equity thus amounted to SEK 22,744,072,101 (20,812,549,785) at 31 December 2014.

Five-year summary

Results, SEKm	2014	2013	2012	2011	2010
Premiums written	4,102	4,007	3,935	3,710	3,650
Investment income, net	6,882	4,491	4,904	1,668	3,161
Claims paid	-1,577	-1,449	-1,296	-1,122	-941
Bonus paid [1]	-583	-369	-260	-159	-77
Balance on the technical account, life insurance business	2,675	8,084	5,378	-4,471	3,956
Profit/loss for the year	2,494	7,962	5,199	-4,647	3,782

[1] Payments are recognised as a deduction under Equity.

Financial position, SEKm	2014	2013	2012	2011	2010
Total assets [1]	69,374	60,256	53,693	46,627	42,703
Investment assets [1]	67,609	58,580	51,978	45,169	41,451
Technical provisions	46,084	39,398	40,477	38,356	29,673
Funding capital	22,744	20,813	13,198	8,237	13,024
Capital base	22,736	20,803	13,186	8,222	13,005
Required solvency margin	1,843	1,576	1,619	1,534	1,187

[1] Investment assets at fair value and other assets at book value.

Key ratios, %	2014	2013	2012	2011	2010
Management expense ratio [1]	0.07	0.08	0.09	0.10	0.11
Total return	11.5	8.4	10.5	3.9	8.2
Bonus rate	12.7	12.0	8.0	5.0	8.0
Funding ratio	100	102	105	103	105
Solvency ratio	149	153	133	122	144

[1] In relation to average assets.

Total return by asset class [1]

	Market value 31 Dec 2014		Market value 31 Dec 2013		Total return, % [2]
	SEKm	%	SEKm	%	2014
Equity-related	21,592	31	18,702	31	14.8
Fixed-income-related [3]	37,262	54	33,160	55	8.9
Alternative investments	8,879	13	7,391	12	14.4
Other assets	1,641	2	1,003	2	–
Total assets	**69,374**	**100**	**60,256**	**100**	**11.5**

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

[2] Daily aggregate of investments in relation to changes in value, interest income and dividends.

[3] Return on derivative instruments taken out to reduce interest rate risk in outstanding insurance obligations is included in the return for fixed-income investments.

Income statement

SEKm	Note	2014	2013
Technical account, life insurance business			
Premiums written	3	4,102	4,007
Investment income	4	3,672	2,872
Unrealised gains on investment assets	5	4,949	2,230
Claims paid	6	-1,577	-1,449
Change in other technical provisions		-6,686	1,079
Operating expenses	7	-46	-44
Investment charges	8	-1,178	-30
Unrealised losses on investments	9	-561	-581
Balance on the technical account, life insurance business		**2,675**	**8,084**
Non-technical account			
Balance on the technical account, life insurance business		2,675	8,084
Tax on profit for the year	10	-181	-122
Profit and comprehensive income for the year		**2,494**	**7,962**

Statement of comprehensive income

SEKm	2014	2013
Profit for the year	2,494	7,962
Other comprehensive income	0	0
Total comprehensive income	**2,494**	**7,962**

Balance sheet

SEKm	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Intangible assets			
Other intangible assets	11	8	10
Investment assets			
Other financial investments			
Shares and participations	12	31,589	25,816
Bonds and other fixed-income securities	13	35,970	32,529
Derivatives	14	50	235
	15	**67,609**	**58,580**
Receivables			
Other receivables	16	22	33
Other assets			
Property, plant and equipment	17	2	2
Cash and bank balances		1,338	1,172
		1,340	**1,174**
Prepayments and accrued income			
Accrued interest		395	458
Other prepayments and accrued income		0	1
		395	**459**
Total assets		**69,374**	**60,256**
EQUITY, PROVISIONS AND LIABILITIES			
Equity	18		
Other reserves			
Other reserves		19,822	12,443
Perpetual subordinated loan		386	386
Premium adjustment reserve		42	22
Profit and comprehensive income for the year		2,494	7,962
		22,744	**20,813**
Technical provisions			
Life insurance provisions	19, 20	46,074	39,386
Provision for unsettled claims	21	10	12
		46,084	**39,398**
Provisions for other risks and costs			
Tax		11	6
Liabilities			
Derivatives	14	528	0
Other liabilities	22	5	37
		533	**37**
Accruals and deferred income		2	2
Total equity, provisions and liabilities		**69,374**	**60,256**
Memorandum items	23		
Pledged assets, cash and cash equivalents		581	104
Borrowed financial instruments		92	0
Commitments		17,536	14,185

Statement of changes in equity

2014

SEKm	Other reserves	Perpetual subordinated loan	Premium adjustment reserve	Comprehensive income for the year	Equity
Opening equity previous financial year	12,443	386	22	7,962	20,813
Disposition of earnings 2013	7,962			-7,962	0
Bonus paid during the financial year	-583				-583
Funds transferred according to statutes			20		20
Profit and comprehensive income for 2014				2,494	2,494
Closing equity for the financial year	19,822	386	42	2,494	22,744

2013

SEKm	Other reserves	Perpetual subordinated loan	Premium adjustment reserve	Comprehensive income for the year	Equity
Opening equity previous financial year	7,613	386	0	5,199	13,198
Disposition of earnings 2012	5,199			-5,199	0
Bonus paid during the financial year	-369				-369
Funds transferred according to statutes			22		22
Profit and comprehensive income for 2013				7,962	7,962
Closing equity for the financial year	12,443	386	22	7,962	20,813

Cash flow statement

SEKm	1 Jan – 31 Dec 2014	1 Jan – 31 dec 2013
Operating activities [1]		
Profit before tax	2,675	8,084
Adjustment for non-cash items [2]	2,300	-2,725
Tax on returns paid	-181	-122
Bonus paid [3]	-583	-369
Change in other operating receivables	75	19
Change in other operating liabilities	501	27
Cash flow from operating activities	**4,787**	**4,914**
Investing activities		
Investments in non-current assets	0	-2
Sale of financial investment assets	22,808	22,125
Purchase of financial investment assets	-27,449	-27,078
Cash flow from investing activities	**-4,641**	**-4,955**
Financing activities		
Paid-in equalisation charges	20	22
Cash flow from financing activities	**20**	**22**
Cash flow for the year	**166**	**-19**

Change in cash and cash equivalents

SEKm	2014	2013
Cash and cash equivalents at beginning of the year	1,172	1,191
Cash flow for the year	166	-19
Cash and cash equivalents at the end of the year [4]	**1,338**	**1,172**

[1] Of which	2014	2013
Interest received	1,128	1,235
Interest paid	183	137
Dividends received	402	408

[2] Of which	2014	2013
Depreciation	2	3
Unrealised gains	-4,949	-2,230
Unrealised losses	561	581
Change in technical provisions	6,686	-1,079

[3] Bonus paid is taken directly from Other reserves

[4] Cash and cash equivalents consists of cash and bank balances.

Notes

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

NOTE 1 Accounting principles

General information

The annual accounts relate to the year ended 31 December 2014 and pertain to Kåpan pensioner försäkringsförening (Kåpan Pensioner) which is an insurance society with its registered office in Stockholm. The address of the head office is Smålandsgatan 12, Stockholm. Kåpan Pensioner's registered number is 816400-4114. The annual accounts were approved for publication by the Board on 19 February 2015. The income statement and balance sheet will be presented for adoption at the annual general meeting on 25 March 2015.

The annual accounts are prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies as well as the Swedish Financial Supervisory Authority's instructions and general advice on Annual Accounts in Insurance Companies FFFS 2008:26 with additions in FFFS 2009:12 and the Swedish Financial Reporting Board's recommendation RFR 2.

Kåpan Pensioner applies so-called legally limited IFRS. This means that all IFRS are applied provided this is possible within the framework of Swedish accounting law.

The Friendly Societies' Act (UFL) (1972:262) was repealed when the new Insurance Business Act (2010:2043) came into force on 1 April 2011. According to the Act on Introduction of the Insurance Business Act (2010:2044), insurance societies could continue to conduct their business according to UFL until the end of 2014. Against the background of the Swedish Government Official Report, SOU 2014:57, a new regulation for occupational pension companies, the transition period has been extended until the end of 2017 (government bill 2013/14:84).

Prerequisites for preparation of the financial statements.

Kåpan Pensioner's functional currency is Swedish kronor and the financial statements are presented in Swedish kronor. Financial assets and liabilities are measured at fair value. Other assets and liabilities are measured at cost.

Estimations and assessments in the financial statements

Preparing financial statements in accordance with legally limited IFRS requires the insurance company's management to make estimations and assessments as well as assumptions that affect application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. Assessments and assumptions are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The result of these assessments and assumptions is then used to assess the carrying amounts of assets and liabilities that would not otherwise be clear from other sources. Actual results can deviate from these assessments and estimations.

One source for estimations and uncertainties is the value of the obligations inherent in the insurance contracts taken out by the society. Another source of estimations and uncertainty is the valuation of financial assets for which there is no observable market price. Objective external valuations are used for these instruments or a value based on an assessment of anticipated future cash flows. When required these valuations are complemented with additional estimations depending on the uncertainty in the market situation.

Assessments and assumptions are reviewed on a regular basis. Changes in assessments are reported in the period in which the change is made if the change only affected that period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Foreign currency

Assets and liabilities in foreign currency are translated into Swedish kronor at the closing exchange rate.

Exchange rate differences are reported in the income statement net within the line Investment income or Investment charges. Forward contracts in foreign currency are mainly used to eliminate the exchange rate risk in foreign equities and participations.

Recognition of insurance contracts

Insurance contracts are recognised and measured in the income statement and balance sheet in accordance with their economic reality. All contracts are recognised as insurance contracts. Classification is based on the society guaranteeing a specific interest on paid-in premiums and a number of other commitments which means that the society assumes a significant insurance risk in relation to the policyholder.

Premiums written

Premiums written for the year consist of premiums received.

Premiums written for Kåpan Tjänste during the year relate to paid-in premiums minus the net amount of so-called equalisation charges in accordance with the society's statutes. For Kåpan Plus, Kåpan Extra and Kåpan Ålderspension (retirement pension) premiums written correspond to the amounts paid in during the year.

Life insurance provisions

All life insurance provisions relate to occupational pensions and are measured in accordance with the principles in the EU occupational pensions directive. This means that the society's obligations are measured according to the so-called prudent person rule. 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 2013:23). This means that provisions are market valued on the basis of current market interest rates for corresponding maturities complemented with interest converged to a long-term forward rate specified by the Swedish Financial Supervisory Authority (4.2%). 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. 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.

Provision for claims outstanding

Provisions comprise disability annuities for employees within the PA-91 agreement who at year-end 2013 were incapacitated reduced by any final payment premiums for them in 2014. The society's actuary calculates this provision. Change in provision for claims outstanding is shown in Note 21.

Reporting return on capital

Investment income

This income pertains to return on investment assets in the form of dividends on shares and participations, interest income, exchange gains (net), reversed impairment losses and capital gains (net).

Investment charges

Charges for investment assets relate to investment management costs, interest expenses, exchange losses (net), depreciation and impairment as well as capital losses (net).

Realised and unrealised changes in value

All investment assets are measured at fair value. The difference between the value and cost is an unrealised gain or loss which is recognised net per asset class. Such changes that are explained by exchange rate fluctuations are recognised as an exchange gain or loss.

cont. next page

Note 1 cont.

A realised gain or loss is the difference between selling price and cost. For fixed-income securities the cost is amortised cost and for other investment assets the historical cost. In the event of the sale of investment assets the former unrealised changes in value are entered as an adjustment item under Unrealised gains on investment assets or Unrealised losses on investment assets respectively. Capital gains on assets other than investment assets are recognised as Other income.

Tax on returns

Tax on returns is not a tax on the society's profit, it is paid by the society on behalf of policyholders. The value of the net assets managed on behalf of policyholders is charged with tax on returns which is calculated and paid each year. The cost is recognised as a tax expense.

Intangible assets

Intangible assets acquired by Kåpan Pensioner are recognised at cost minus accumulated amortisation (see below) and any impairment. Intangible assets are amortised over three to five years from the date they are available for use. The insurance administration system is amortised over a 10-year period.

Financial instruments

Financial instruments recognised in the balance sheet are equities and other equity instruments, fixed-income securities, debenture loans and other derivatives.

Acquisition and divestment of financial instruments is reported on the transaction date which is the day the society undertakes to acquire or sell the instrument.

Kåpan Pensioner's principle is to measure all investment assets at fair value through profit or loss (fair value option) partly because the society continuously evaluates its investment management operations on the basis of fair values, and partly because for fixed-income assets this reduces some of the accounting inconsistency and volatility that otherwise arises when technical provisions are continuously remeasured by discounting with current interest.

The following paragraphs summarise the methods and assumptions that are mainly used to determine the fair value of financial instruments in the accounts.

Financial instruments quoted in an active market

For financial instruments quoted in an active market fair value is determined on the basis of the asset's listed purchase price on the balance sheet date. A financial instrument is regarded as quoted in an active market if listed prices are easily available on a stock exchange, at a stockbroker's, dealer, industry organisation, company that provides current price information or supervisory authority and such prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction costs in the event of a sale are not taken into account. Most of the society's financial instruments have a fair value based on prices quoted in an active market.

Financial instruments not quoted in an active market

If the market for a financial instrument is not active, an estimation of fair value is obtained by applying a model-based measurement technique as set out below:

For unlisted shares the external portfolio manager concerned produces a valuation based on available price information. Normally there is a time shift in the valuation of 1 – 3 months. This means that valuations at 31 December 2014 are typically based on a value statement from the managers produced during the period 30 September 2014 – 30 November 2014.

For some financial instruments information about fair value is obtained by an assessment of the value. The valuation is usually performed on the basis of an estimation of anticipated future cash flow. Kåpan Pensioner evaluates these measurements at regular intervals and tests their validity by assessing their reasonableness and using parameters and seeing that the parameters and forecasts used coincide with actual development.

For some fixed-income investments a model-based cash flow valuation of the underlying corporate loan portfolio in the investment concerned has formed the basis of the valuation.

Derivative instruments

Derivative instruments are taken up at fair value on the basis of the value received from a counterparty where fair value is calculated according to a valuation model that is established in the market for valuations of the type of derivative instrument concerned.

Key assessments and sources of uncertainty

As shown in the above section, Financial instruments not quoted in an active market, measurement of fair value is based on valuation models. Such a valuation is based partly on observable market data and partly, when no such data is available, on assumptions on future conditions. Valuations not based on published price quotations are inherently uncertain.

The level of uncertainty varies and is greatest when assumptions about the future must be made that are not based on observable market conditions. For some of these assumptions minor adjustments can have a significant effect on the estimated value. When the time comes to sell the investments in the future the actual selling price reached may deviate from earlier estimations, which can have a significantly positive or negative impact on earnings.

As also shown in the section with regard to unlisted shares there is a time delay regarding valuation dates. In a market with falling prices this means that the estimated fair values are overestimated and vice versa.

Financial liabilities

Borrowing and other financial liabilities, such as trade payables, are measured at amortised cost.

Property, plant and equipment

Property, plant and equipment items are recognised as an asset in the balance sheet if it is probable that future economic benefits will accrue to the society and the cost of the asset can be calculated in a reliable manner.

Property, plant and equipment is recognised at cost with deduction for accumulated depreciation and any impairment with the addition of any revaluations. Depreciation is straight-line over the estimated useful life of the asset.

Personal computer equipment is expensed at acquisition. Art used for decorative purposes is measured at cost.

Pensions

The society's employees have individual-based pension plans for occupational pension based on the pension agreement for bank and insurance employees. The pension is secured through an insurance contract. Charges for these are recognised as an operating expense in the income statement.

Premium adjustment reserve

According to current pension agreements, the employer pays premiums to the society for occupational pension insurance for every employee. The size of the premium is regulated in the current pension agreement. The employer also pays a contribution for employees who are covered by a pension agreement but have not yet reached the age of 23 and therefore cannot be credited with premiums for the complementary retirement pension (Kåpan Tjänste). In accordance with the society's statutes, these non-allocated contributions are placed as an addition to the premium adjustment reserve.

NOTE 2 Disclosures about significant risks and uncertainties

Kåpan Pensioner's reported profit depends both on the insurance business and the insurance risks that are managed and on investment management operations and financial risks. Risk and risk management are therefore a central part of the business. The note set out below contains a description of the risk management organisation as well as quantitative and qualitative disclosures of insurance risks and financial risks.

The purpose of the society's risk management organisation is to identify, measure and control the biggest risks to which the company is exposed. The key purpose is to ensure that the level of risk is acceptable in relation to the solvency which the society has at any time.

Financial risks, primarily market, credit and liquidity risks, can in principle be managed in two ways. Firstly, measures can be taken to reduce the effect of financial risks, within the framework of the risk management process. Secondly, capital can be allocated to a buffer to cover losses which the financial risks might generate.

The society's risk management organisation is built up as follows:

The main responsibility for the risks to which the society is exposed rests with the Board. The Board adopts the guidelines that must apply to risk management, risk reporting, internal control and monitoring, and ensures that there is a collective function in the company for risk control and that there is function for rule compliance. The Board has in special instructions within specific frameworks delegated responsibility for risk management to various other functions in the society, the President, the head of Asset Management, Compliance Manager and a Risk Manager. These instructions are regularly revised by the Board in order to ensure that they accurately reflect the operations. Insurance risks are analysed continuously by the society's actuary. Consultants are engaged when required.

Implementation and follow-up of control documents and routines in the organisation are an ongoing activity where control documents and routines are checked and revised regularly in order to ensure that they accurately reflect current market conditions as well as current terms and conditions in the society's insurance products.

Regular training activities and clear processes ensure that risk control functions throughout the organisation and that each employee understands his or her role and responsibilities. Compliance with this is checked by the Board through its decisions on recurrent annual independent reviews which are performed by the internal audit function.

Risks in the insurance business

The society's obligations comprise defined contribution retirement pension insurance with a guaranteed return. The risk that exists relating to these insurance contracts is that the society cannot meet its commitments. In order to limit the risk of this occurring the assumptions that provide the basis for calculation of the guaranteed insurance amount are made with safety margins.

The insurance risk consists of several different components where the level of members' guaranteed return is the largest. One risk is the longevity risk, which is affected by assumptions about length of life, and which relates to actual length of life being longer than the assumed length, which results in retirement pensions being paid for a longer period. A higher longevity risk means that technical provisions made by the society to cover future pension payments are not fully covered by provisions made. For the society, which has a payment period for most of its pensions capital of 5 years, when its members are aged 65-70, the longevity risk is relatively small compared with pensions paid for life. With the PA 03 pension agreement, Kåpan Pensioner acquired a steadily increasing proportion of life-long pensions in the form of the individual retirement pension. This means that over time the longevity risk in the society's operations will increase.

Mortality risk, morbidity risk and cancellation risk are three other types of risk which are assessed as marginal within the society. Mortality risk relates to death benefit, compensation paid in conjunction with a death. Morbidity risk means that disability among insured is higher than anticipated in assumptions made, or that recovery from a current disability takes longer than assumed.

Cancellation risk relates to the policyholder suspending premium payments, or repurchases or transfers the insurance to a third party. Provisions in the society are made in accordance with the rules designed to ensure that obligations can always be met. The Insurance risk includes both the risk that the insurance result in the next year will be unusually unfavourable (random risk, provision for unearned premium and residual risks) and that the settlement of claims outstanding will be more expensive than estimated (parameter error). Calculations of best estimates, random errors, parameter errors and cancellation risks are based on actual portfolio on the closing date. Most of these risks are within the framework of the society's present business for example the PA 03 pension agreement means that Kåpan's responsibility for final payment of remaining pensions due to factors such as illness will cease in time.

2014

Assumption	Change in assumption	Change in provision, SEKm
Life expectancy increase	20%	534
Cost inflation	20%	117
Discount rate	1% point	-3,708 *)

2013

Assumption	Change in assumption	Change in provision, SEKm
Life expectancy increase	20%	440
Cost inflation	20%	101
Discount rate	1% point	-5,759 *)

*) In December 2013 the calculation method changed with the introduction of the Swedish Financial Supervisory Authority's instruction FFF2 2013:23, whereby a long-term fixed interest rate of 4.2% was introduced in the model. The long-term rate affects the sensitivity of the liability to changes in market interest rates

Management of interest rate risks in outstanding insurance obligations

The society's obligations consist to a dominant extent of fixed guaranteed interest on paid-in premiums. These commitments are valued in the technical provisions, supported by instructions and general advice from the Swedish Financial Supervisory Authority, on the basis of current market interest rates for corresponding maturities.

During the year the effect of changes in market interest rates meant that the value of obligations made rose in value by SEK 6,737m (-4,471). For the year there were no effects of changed rules and regulations for the discount rate, the change in the previous year was SEK +1,364. Taken overall, changes in market interest rates and changes in rules and regulations meant that obligations rose in value by SEK 6,737m (-3,107). In order to reduce the outstanding interest rate risk in obligations made, agreements for various types of interest rate hedges are concluded. Under these agreements fixed interest in the obligations is exchanged for a floating rate with less risk of change in value. Outstanding interest rate hedge agreements at year-end totalled SEK 0m (2,525). The change in value for interest rate hedges increased by SEK 64m (-89). The total earnings impact and negative (positive) effect on solvency thus amounted to SEK 6,673m (3,018).

Management of matching risk

The society's total outstanding interest rate risk (matching risk) is a weighting of fixed-income assets and the promised pension payments including the guaranteed rate on members' savings until they are paid. Matching risk is defined as the interest rate risk that can be calculated as the difference between the duration of all assets including interest rate derivatives and the duration of the pension liabilities. Outstanding matching risk is measured as interest rate risk cover. Interest rate risk

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Note 2 cont.

Outstanding maturities on fixed-income assets and liabilities

2014	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	no interest	Total nominal	Total market value
Assets								
Bonds and other fixed-income securities	1,007	8,132	21,900	6,309	467	0	37,815	35,970
Liabilities								
Life insurance provisions	-1,656	-3,517	-3,745	-10,067	-45,279	-10	-64,274	-46,084
Interest rate derivatives, negative	-8						-8	-8
Cumulative exposure	**-657**	**4,615**	**18,155**	**-3,758**	**-44,812**	**-10**	**-26,467**	**-10,114**

2013	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	no interest	Total nominal	Total market value
Assets								
Bonds and other fixed-income securities	1,465	5,540	23,302	6,440	125	0	36,872	32,529
Liabilities								
Life insurance provisions	-1,570	-3,452	-3,614	-9,353	-43,868	-12	-61,869	-39,398
Interest rate derivatives, negative *)	-14						-14	-14
Cumulative exposure	**-119**	**2,088**	**19,688**	**-2,913**	**-43,743**	**-12**	**-24,999**	**-6,883**

*) Comparative figure for 2013 is adjusted. FX is not included in the comparative figure.

cover in accordance with the Board's decision should not be less than 30% and be continuously adjusted to development of the solvency ratio and the need for interest rate risk hedging of issued commitments. Interest rate risk cover amounts to 37.4% (32.1). New rules and general advice on insurance companies' choice of interest rate for calculating technical provisions, FFFS 2013:23 came into force on 31 December 2013. For the society's operations, however, the instructions FFFS 2008:23 withdrawn several years ago still apply (see Note 1). The society has applied for and been granted dispensation until 31 December 2017 pursuant to the regulations in the Friendly Societies' Act (UFL) (1972:262) to applying the new instructions and general advice in FFFS 2013:23. The instructions FFFS 2013:23 mean that the society when calculating the discount rate curve should base this market listings for the interest rate swaps traded on active markets when the society calculated the discount rate curve to be used to calculate the value of technical provisions and apply the calculation method prescribed in the instruction which also means that the long-term forward rate is considered to converge with a figure issued by the Swedish Financial Supervisory Authority. The long-term forward rate was 4.2% (4.2) at year-end.

Matching risk is also managed by the society regularly conducting ALM studies, an evaluation calculation to find an optimal mix of different asset classes which can match liabilities over time in order to ensure that assets are always sufficient to cover liabilities as they fall due for payment. In May, the society commissioned an investment bank in order, in cooperation with the society, to perform an ALM study. The purpose of the study was to identify the optimal composition of the society's asset classes and liability hedging strategy in order to achieve the best balance for the society's long-term obligations.

Targets, principles and methods for managing financial risks

The society's business activities give rise to various types of financial risk such as market risks, credit risks and liquidity risks. In addition there are also operational risks, legal risks and strategic risks. In order to limit and control risk in the operations, the society's Board has adopted an investment policy with guidelines and instructions for financial activities and for the risk control function.

General objectives for risk management

The society's assets must be invested in the manner that best serves the interests of its members and an exaggerated risk concentration must be avoided through suitable diversification between and within different classes of assets. The assets shall, taking into account the society's insurance obligations and changes in future value and return, be invested so that the society's payment capacity is satisfactory and a sufficient expected return is achieved within the framework of prudent asset management. In business that concerns occupational pension insurance, in accordance with the Insurance Business Act (1982:713) which is still applied by the society in accordance with the now applicable interim rules for benevolent societies, the assets which match technical provisions shall be measured and managed in a prudent manner. Rules on prudence are based on the IORP Directive (European Parliament and Council Directive 2003/41/EC on the activities and supervision of occupational pension institutions). The prudent person rule means that activities must be conducted in a manner which the individual beneficiary himself would apply if he or she had the requisite skills and knowledge.

General principles for risk management

The taking of risks in the society must be reasonable in relation to obligations undertaken. This is complied with through limited risk taking within the requirements made on matching, diversification and risk taking. The taking of risks must also at all times be in reasonable proportion to the society's risk capital, long-term targets for returns expressed as the level of the guaranteed obligations and anticipated bonus rate.

Risk management methods

A fall in value on the assets side can be limited with in principle three different methods. The first method is to spread the risks over different asset classes by building up a diversified investment portfolio, e.g. equities, fixed-income investments, properties, etc. Spreading risks with diversification is a basic rule within asset management. The second method involves selling assets at risk when the portfolio decreases in value in order to thus protect capital. But this method also means selling when the price is low and is not a good management strategy. The third method is to use capital-protected investments, such as bonds where at least the nominal amount is repaid on the maturity date regardless of market development. Another method for limiting the risk of losses is not to invest too much in the same company (or group). This too is a type of diversification. Operational risks, on the other hand, are limited through a regular review of routines and working methods and by the Board commissioning a regular independent review of operations and of both asset management and management of technical provisions.

Management of interest rate risk

The risk that the market value of fixed-income instruments is changed in the event of fluctuations in general interest rates. The change in value and therefore the risk is linked to the fixed-interest period (duration) of each instrument and the entire portfolio at any time. Interest rate risk in investments in fixed-income instruments is measured on the basis

cont. next page

Note 2 cont.

of each day's fixed interest increasing the risk and increases with the maturity of the obligations. Average fixed-interest period is an elasticity measurement relating to interest rate risk which shows the effect when all market interest rates change by the same amount (parallel shift). The fixed-interest period for a given instrument is calculated by weighing the time to each future cash flow, this is also known as the instrument's duration.

Assets decrease by SEK 1,387m (1,366) in the event of a 1% increase in interest rates. Liabilities decrease by SEK 3,708m (5,759), as stated earlier. The total outstanding interest rate in the event of a 1 percentage point change in the discount rate amounts to SEK 2,321m (4,393) in the form of a positive effect on solvency.

Management of share price risk

Share price risk is the risk that the market value of an equities investment falls due to changes in prices on the stock market. In order to reduce price risk in the equities portfolio a good diversification of holdings should be sought in relation to the size of the portfolio.

For equity-related instruments risk is measured by analysing how much the market value is affected by falling or rising share prices. In the section sensitivity analysis, below, an account is provided of outstanding share price risk. The total outstanding share price risk in the event of a price change of 10 percentage points amounts to SEK 2,450m (2,112).

Management of property price risk

Property price risk is the risk that the market value of a property investment falls. Property price risk is measured as a reduction in the market value of property investments. The total outstanding property price risk in the event of a change in value of 10 percentage points amounted to SEK 472m (371).

Management of currency risk

Current risk is the risk of a change in the value of assets and liabilities due to changes in exchange rates. Currency risk is measured as a percentage of foreign assets that are not currency hedged. For the society all obligations on the liabilities side are in Swedish kronor. This means that all values on the assets side that are in foreign currency and not hedged and represent a currency risk. Exposure to currency risk, in accordance with a Board decision, may not exceed 10% of the total value of assets. Currency exposure amounts after currency hedging to 7.2% (7.1) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 18,403m (14,540). The total outstanding currency risk is estimated in the event of a change in exchange rates of 10 percentage points to amount to SEK 495m (431).

Breakddown of currency exposure by currency:

	2014	2013
USD	4.9%	10.0%
EUR	0.6%	1.0%
GBP	0.0%	-1.7%
AUD	0.0%	-0.5%
JPY	0.0%	-1.0%
CHF	-0.1%	-0.3%
CAD	0.1%	-0.2% *)
Other	1.7%	-0.2%
	7.2%	**7.1%**

*) The figure for CAD was previously included in the item other currency.

Management of credit risk

Credit risk is the risk of loss if a counterparty fails to meet payment obligations. Credit risk can, with some assumptions, be regarded as the difference in valuation of a security with credit risk, and valuation with a risk free bond with similar terms and the same duration. The difference (interest rate difference) is called a credit spread and is defined as the difference in interest between a risk-free bond issued by the government and what an issuer that can become bankrupt (such as a company) has to pay.

Credit risk is measured by calculating how the market value of assets with credit risk is changed, if the difference between the risk-free interest and interest on assets with credit risk changes by a certain percentage. The total outstanding credit risk calculated with an assumption of doubled listed credit spread amounts to SEK 1,200m (1,384).

	Five largest exposures property companies 31 Dec 2014	31 Dec 2013
1.	1.58%	2.53%
2.	0.39%	0.50%
3.	0.32%	0.45%
4.	0.31%	0.09%
5.	0.07%	0.00%
Ratio *)	2.67%	3.57%

	Five largest exposures not credit institutions 31 Dec 2014	31 Dec 2013
1.	2.43%	2.45%
2.	2.04%	2.21%
3.	1.78%	1.83%
4.	1.47%	1.72%
5.	1.40%	1.72%
Ratio *)	9.12%	9.93%

	Five largest exposures property companies 31 Dec 2014	31 Dec 2013
1.	9.35%	10.97%
2.	9.17%	10.17%
3.	9.12%	8.39%
4.	9.03%	8.21%
5.	6.91%	3.29%
Ratio *)	43.58%	41.03%

	Five largest exposures not credit institutions 31 Dec 2014	31 Dec 2013
1.	7.04%	8.47%
2.	6.50%	6.75%
3.	6.33%	6.16%
4.	5.88%	5.97%
5.	3.68%	4.44%
Ratio *)	29.43%	31.79%

All percentages expressed as share of present value of technical provisions on the closing date and included in the society's regular reporting of debt cover to the Swedish Financial Supervisory Authority.

*) Concentration ratio is calculated according to $CR_m = \sum^{m}_{i=1} s_i$ where the total is calculated over the 5 largest holdings (m = 5).

Management of counterparty risk

The society invests its capital in many different asset classes. Counterparty risk is a measure of the probability that a counterparty cannot meet his payment commitments. The risk is managed by the value of an individual investment being limited in the Board's investment decision. These restrictions cover entire groups and all types of securities.

A group refers to two or more physical or legal entities that comprise a whole from a risk point of view since one of them, directly or indirectly, exercises ownership influence over one or more of the rest of the group, or that without having such a relationship have such an internal connection that one or all of the others may encounter payment difficulties if one of them suffers financial problems.

Overview of current restrictions and outstanding risks

Current restrictions in investment policy for investment on the basis of assessed creditworthiness in the form of rating:

2014 Creditworthiness	Of total assets	Maximum per counter-party	Of total assets	Largest counterparty exposure
Very high	50%	5.0% [1]	36.4%	1.8%
High	25%	2.5% [2]	7.8%	1.0%
Average	10%	1.0%	4.3%	0.7%
Low	5%	0.5%	4.3%	0.4% [3]

2013 Creditworthiness	Of total assets	Maximum per counter-party	Of total assets	Largest counterparty exposure
Very high	50%	5.0% [1]	35.9%	1.9%
High	25%	2.5% [2]	9.4%	1.1%
Average	10%	1.0%	4.5%	0.8%
Low	5%	0.5%	4.8%	0.4% [3]

[1] Swedish mortgage institution max 10%
[2] State wholly owned company max 5%
[3] Excluding an exemption decided by the Board, if it exists.

For bonds and other debt instruments issued or guaranteed by the Kingdom of Sweden the limit is 65% (65) which also comprises the upper limit for the total proportion of fixed-income instruments according to the decided strategic allocation of different asset classes.

cont. next page

Note 2 cont.

Management of cash flow risk

The society manages cash flow risk by ensuring, on each occasion, that the easily convertible assets cover pension commitments for at least three years ahead. The society has a considerably larger inflow of premiums than outflow of pension payments which means that the cash flow risk is limited. Cash flow risk measured as the ratio between the present value of three years' pension payments and the market value of fixed-income securities with an AAA rating amounts to 30.65% (33.28).

Management of transaction risk (settlement risk)

Transaction risk is the risk that an arranging party cannot meet his commitments in conjunction with a transaction with a financial instrument and therefore cause one of the parties to sustain a loss. The risk is managed by trading in securities only being permitted with securities companies approved by the Swedish supervisory authority or a corresponding foreign authority, where a foreign securities company is involved. In securities trading, which is not subject to clearing through a clearing house approved by a Swedish supervisory authority or a foreign equivalent a counterparty may only comprise a securities company that is included in a banking group with very high short-term creditworthiness. The society's assets must be held in the custody of a securities institution approved by the Swedish supervisory authority or corresponding foreign authority when a foreign securities institution is involved.

Assessment of the level of all risk in the operations

Market risk refers to the change in value of a financial asset when the price that decides the value of the asset changes. There are three types of market risks: currency risk, interest rate risk and other price risks. In financial operations the most important market risks are interest rate risks, currency risks and share price risks (price risk). Sensitivity to price changes varies for different asset classes. Equities are generally more sensitive than fixed-income investments.

For equities it is primarily price risk that is taken into account. For foreign equities there is also currency risk. The Board has adopted an investment policy that, among other things, limits share price risk. This means that the equities portfolio must be well diversified so that individual investments do not constitute too high a risk for the investment result as a whole. Risk diversification shall also be achieved by investments in different sectors and in different markets.

Sensitivity analysis

2014

Risk variable	Effect on investment assets	Effect on life insurance provisions	Effect on equity
Price fall on shares, 10%	-2,450	–	-2,450
Fall in value property-related, 10%	-472	–	-472
Doubled credit spread	-1,200	0	-1,200
Exchange rate fall, 10%	-495	–	-495
Interest rate rise, 1%	-1,387	3,708	2,321

2013

Risk variable	Effect on investment assets	Effect on life insurance provisions	Effect on equity
Price fall on shares, 10%	-2,112	–	-2,112
Fall in value property-related, 10%	-371	–	-371
Doubled credit spread	-1,384	0	-1,384
Exchange rate fall, 10%	-431	–	-431
Interest rate rise, 1%	-1,366	5,759	4,393

When calculating the effect on life insurance provisions above, tax and expenses are taken into account. The sensitivity analysis is based on the society's assets being measured at fair value through profit or loss.

Management of operational risk

Operational risk refers to risk of loss due to processes that are not fit for purpose or unsuccessful, human error, faulty systems or external events. This also includes legal risk. This means that errors or inadequacies in administrative routines can lead to unexpected financial or confidence-related losses. These may be caused, for example, by a lack of internal control, inadequate systems or technical equipment. The risk of irregularities, internal or external, is included among operational risks. Operational risks are counteracted through internal control of operations. Maintenance of good internal control is a constantly ongoing process and includes requirements for fit-for-purpose routines and instructions as well as clearly defined divisions of responsibility and working duties for the society's employees. Maintenance of a good internal control also requires IT support with built-in reconciliations and controls, authorisation systems for premises and equipment, as well as internal information and reporting systems in order, among other things, to meet the requirements of the Board and management for information on risk exposure and current information about the society's assets and liabilities. Other aids include process-based risk analysis with risk indicators as well as analysis of incident and loss data. Information security is another aid for maintaining a good internal control as well as continuity planning and various forms of reserve solutions for electricity, telephony and similar. In purely general terms the largest proportion of events attributable to operational risks, regardless of their degree of seriousness, is about handling errors in manual operations in processes such as application of pricing models, dependence on key persons or deviations from internal instructions, data errors, changed conditions related to assumptions on which the models are based, or other errors which have in common that they combine data with the use of models. The use of pricing models, and the extent to which these models are reliable, is an area that has attracted considerable attention in recent years. Operational risks are in the first instance a process issue – good internal control, competent employees and good quality in internal processes and systems solutions are the key factors in management of operational risks.

Overall guidelines relating to operational risks have been adopted by the Board and include through the President a monthly (or where necessary more frequently) reporting relating to operational risks. Since only twelve (eleven) employees are responsible for the society's management and investment management, the Board decided to engage external internal auditors, among other things for the independent examination of the society's activities prescribed by the Swedish Financial Supervisory Authority. It is always the Board that assigns internal audits, since it is management's internal governance and control which is examined. The Board decides annually on an internal audit plan for the current year.

Kåpan Pensioner has signed an agreement with National Government Employee Pensions Board (SPV) for administration of its insurance operations. This agreement is an outsourcing agreement which refers to an agreement in some form where the society and an external contractor agree that the contractor will carry out processes, services or other activities which the society would otherwise have performed itself. The outsourcing agreement is included together with internal control and risk management in the society's corporate governance system. The society's internal audit function has also been assigned by the Board to evaluate the services purchased from SPV.

NOTE 3 Premiums written

	2014	2013
Premiums written Kåpan Tjänste	1,986	1,930
Premiums written Kåpan Extra	726	733
Premiums written Kåpan Plus	85	91
Premiums written Kåpan retirement pension	1,305	1,253
	4,102	**4,007**

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 4 Investment income

	2014	2013
Dividends received	402	408
Interest receivable		
Bonds and other fixed-income securities including bank balances and similar	939	1,084
Derivatives	6	13
Exchange gains, net	1	7
Capital gains, net		
Shares	1,648	843
Bonds and other fixed-income securities	676	283
Derivatives	0	234
	3,672	**2,872**

All results are attributable to financial assets with changes in value recognised in profit or loss.

NOTE 5 Unrealised gains on investment assets

	2014	2013
Shares and participations	3,574	2,036
Bonds and other fixed-income securities	1,375	0
Derivatives	0	194
	4,949	**2,230**

NOTE 6 Claims paid

	2014	2013
Premiums written Kåpan Tjänste	-1,156	-1,082
Premiums written Kåpan Extra	-163	-136
Premiums written Kåpan Plus	-162	-156
Premiums written Kåpan retirement pension	-96	-75
	-1,577 [1]	**-1,449**

[1] In addition, SEK 583m (369) was paid in addition to the guaranteed rate.

NOTE 7 Operating expenses

	2014	2013
Administrative expenses	-74	-70
Cancelled costs attributable to asset management	28	26
	-46	**-44**
Specification of total operating expenses		
Staff costs	-27	-25
Premises	-2	-2
Depreciation	-2	-2
Other operating expenses	-15	-15
	-46	**-44**
Fees to auditors [*]		
KPMG		
Audit assignment	-1	-1
Other assignments	0	0
	-1	**-1**

[*] Included in other operating expenses.

Average number of employees

	Women	Men	Total
Average number of employees	5 (5)	7 (6)	12 (11)

Salaries and other remuneration (SEK 000s)	2014	2013
Council of Administration	160	130
Board and President	2,847	2,729
Other employees	11,797	10,543
of which variable compensation	589	437
Pensions and other social security contributions	11,466	10,866
of which pension costs	5,383	5,257
of which President's pension costs	1,421	1,313

cont. next page

Note 7 cont.

Fees were paid to the Board as follows (SEK)

Ordinary members		
Ulf Bengtsson, chairman	125,500	(118,000)
Monica Dahlbom	61,750	(54,000)
Gunnar Holmgren	57,750	(50,000)
Lars Fresker, vice chairman	95,500	(88,000)
Lena Emanuelsson	61,750	(23,000)
Helen Thornberg	61,750	(48,000)

Personal deputies		
Jonas Bergström	38,250	(34,000)
Roger Vilhelmsson	38,250	(26,500)
Pia Enochsson	13,500	(40,000)
Karin Apelman	22,750	(0)
Eva Fagerberg	38,250	(36,000)
Mikael Andersson	38,250	(42,000)
Roger Pettersson	34,250	(20,500)

Variable remuneration

The Board has decided on an remuneration policy. According to the policy no variable remuneration is paid to senior executives who are the President, Vice President, investment manager, head of legal/ compliance and risk manager. According to the policy other employees may receive a maximum variable remuneration of two monthly salaries based on a three-year evaluation period. Remuneration is paid as cash salary following a decision by the President who subsequently reports his decision to the Board.

The complete remuneration policy is available on the society's website.

Other remuneration

No variable performance-based remuneration is paid to the Board. The Board has no pension benefits or special severance pay. Fees to the Board are decided by the Council of Administration based on a proposal from the President.

A cash salary of SEK 2,159,273 (2,097,775) was paid to the President. The President has a company car benefit. The current car is classified as a super eco car.

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. A mutual notice period of six months applies. However, compensation from another employment will be deducted from such benefits. Salary and other remuneration to the President is reviewed by the Board's Remuneration Committee and then decided by the Board. The Remuneration Committee consists of Ulf Bengtsson, chairman, Lars Fresker, Helen Thornberg and Lena Emanuelsson.

Salary and remuneration to other employees are decided by the President.

The society's pension plans for occupational pensions are secured through insurance contracts.

NOTE 8 Investment charges

	2014	2013
Investment management charges	-4	-4
Operating expenses attributable to asset management	-28	-26
Capital losses, net	-1,146	0
	-1,178	**-30**

Costs are attributable to financial assets held for trading.

NOTE 9 Unrealised losses on investments

	2014	2013
Bonds and other fixed-income securities	0	-581
Derivatives	-561	0
	-561	**-581**

NOTE 10 Tax on returns

	2014	2013
Tax on returns	-181	-122
	-181	**-122**

The value of net assets under management is charged with tax on returns which is calculated and paid by the society each year on behalf of policyholders. The society does not pay income tax.

NOTE 11 Other intangible assets

Other intangible assets	2014	2013
Cost	66	66
Accumulated amortisation	-58	-56
	8	**10**

NOTE 12 Shares and participations

	2014		2013	
	Cost	Fair value	Cost	Fair value
Swedish equities	7,967	11,972	7,065	10,153
Foreign equities	16,397	19,617 *)	15,100	15,663
	24,364	**31,589**	**22,165**	**25,816**

Classified as financial assets measured at fair value with change in value recognised in profit or loss.

*) Negative holdings of SEK 91.5m (0) reduce the total value of the holding.

NOTE 13 Fixed-income securities

	2014		2013	
	Cost	Fair value	Cost	Fair value
Swedish government	0	0	0	0
Swedish mortgage institutions	14,517	15,182	14,704	14,781
Other Swedish issuers	15,652	16,601	13,764	14,117
Foreign governments	0	0	0	0
Other foreign issuers	4,013	4,187	3,648	3,631
Total	**34,182**	**35,970**	**32,116**	**32,529**
of which subordinated				
Dated subordinated debenture	1,341	1,381	1,810	1,842

Classified as financial assets, measured at fair value with change in value over profit or loss.

A total of 2 (2) fixed-income investments corresponding to an estimated value of SEK 26m (33) have been valued by a recognised international player.

In 2014, interest payments from this type of investment were received amounting to SEK 2m (22).

NOTE 14 Derivatives

Derivative instruments with positive values

31 Dec 2014	Nominal amount, SEKm	Book value positive
Equity-related, options	800	50
Total	**800**	**50**
of which cleared	0	

Derivative instruments with negative values

31 Dec 2014	Nominal amount, SEKm	Book value negative
Currency-related, forward contracts	12,988	-523
Fixed-income related, swaps	721	-8
Total	**13,709**	**-531**
of which cleared	0	

All derivative instruments are classified as held for trading with change in value recognised through profit or loss.

Derivative instruments are used in management of the society's investment assets and are an alternative to a direct purchase or sale of securities or currency. The main principle for trading with derivatives is that trading must take place in order to make management more efficient or reduce price and currency risks.

Derivative instruments with positive values

31 Dec 2013	Nominal amount, SEKm	Book value positive	Book value negative
Equity-related, options	3,615	162	
Currency related, forward contracts	10,364	112	
Fixed-income related, swaps	6,344		-14
Total	**3,615**	**274**	**-14**
of which cleared	2,015		
Total fair value, net		**235** *)	

*) For 2013 derivatives with positive and negative book values were recognised as a net item.

NOTE 15 Complementary information on financial instruments recognised at fair value

Investment assets divided among different types of financial instruments measured at fair value, 31 December 2014

2014

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	23,931	790	6,868	31,589
Bonds and other fixed-income securities	34,145	383	1,442	35,970
Derivatives – positive value	0	50	0	50
Derivatives – negative value	0	-528	0	-528
Total	58,076	695	8,310	67,081

2013

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	19,797	580	5,439	25,816
Bonds and other fixed-income securities	30,219	550	1,760	32,529
Derivatives – positive value	0	235	0	235
Total	50,016	1,365	7,199	58,580

Classification of securities at fair value by applying a hierarchy for fair value that reflects the significance of the inputs used in the valuations. The hierarchy includes the following levels:

Level 1 Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2 Other inputs than quoted prices included in level 1, that are not directly observable but where the value is derived from prices in an active market.

Level 3 Inputs for the asset or liability concerned based to a significant extent on not directly observable market inputs, i.e. there is no active market for identical investments, such as property values.

Investments in level 3 mainly consist of property-related shares and associated shareholder loans as well as other unlisted shareholdings. Property-related investments are fund among shares and participations, property-related shareholder loans are found under bonds and other fixed-income securities.

Fair value is defined as the price at which a financial instrument can be sold to a counterparty who is independent from the society. The notional transaction on the basis of which the price is determined is based on the parties entering such a transaction voluntarily and not forcibly in conjunction for example with liquidation, and also on the basis on the counterparty being able to make a competent assessment of the value of the asset. Prices must also be regarded as applying for a period that concurs with the society's ability to trade and on the basis of the current investment policy.

For financial instruments quoted in an established market (level 1) fair value is determined on the basis of the asset's quoted purchase price on the balance sheet date. A financial instrument is regarded as quoted on a market if quoted prices are easily available on a stock exchange, with a dealer, stockbroker, industry organisation, company that provides current price information or a supervisory authority and these prices represent actual and regularly occurring market transactions on commercial terms. For recurrent and non-recurrent fair value measurements attributable to level 2 and level 3 in the hierarchy for fair value, the society applies the following measurement techniques with the starting points set out below. Securities can be designed in many different ways in order to meet specific purposes and can be designed with variations, such as choice of maturities and different exchange rates which means that the security per se is not quoted on an active market with buying and selling prices which are easily and regularly available in a public marketplace. This means that the security does not meet the requirements for classification in level 1 of the fair value hierarchy. On the other hand, a reasonable assessment of the fair value of the security can be deduced from observable quoted prices for similar instruments or on the basis of underlying quotations on the parameters required to identify a fair value for the security as a whole. If such circumstances are deemed to exist, and it is highly probable that the security can be sold for this price without delay it can be classified as level 2 in the fair value hierarchy, i.e. the security is an instrument which directly or through a valuation model is measured with the aid of observable information which in its turn was obtained from the market. Most of the society's securities are measured according to level 1 or level 2 in the fair value hierarchy. The securities which do not meet the strict requirements for classification as level 1 or level 2, are thereby considered to belong to level 3. This means that they are securities whose values are based on inputs in the form of models or valuation methods in which there is one or several inputs which essentially affected the estimated value of the assets, and where these inputs consist of assumptions or estimates which are not observable on the market. Examples of this can be operating net for properties in an unlisted property fund. In these cases the market for the financial instrument is assessed as not well established and the society then obtains the fair value by together with an independent, established player in the capital market performing an objective valuation. Valuations are usually then made based on an estimate of expected future cash flow, where the starting point for the society's valuations is that the calculated value is made transparently and using a uniform measurement of securities or funds where there is a functioning market and daily prices based on external sources, and that the value is derived together with established external players with a good reputation who measure the asset on the basis of developed valuation methods and models for securities or funds which have no active market. The society works over time with consistent valuation methods and provides in its accounts clear documentation of valuations performed. For securities in level 3 the society usually uses price information from a third party without making any adjustment. Where applicable, the price is also adjusted on the basis of known transactions made in the investment by the society between the issue of the measurement value by a third party and the balance sheet date. Examples of market players are banks, issuers, stock and credit brokers and authorised property valuers. The aim for the valuation must always on each occasion be to try to obtain as accurate and fair value as possible.

cont. next page

Note 15 cont.

Reconciliation of fair value and earnings impact from investments included in level 3

2014

Change in level 3 during the year

Investment assets	Shares and participations	Bonds and fixed-income securities	Derivatives and options	Total
Opening balance	**5,439**	**1,760**	**0**	**7,199**
Purchases for the period	1,828	945	0	2,773
Sales for the period	- 1,337	- 1,274	0	- 2,611
Changes in securities and currencies during the period	497	2	0	499
Changes in unrealised gains or losses due to changes in:				
Market value	705	9	0	714
Transfers from level 3 to level 1 or level 2	-264	0	0	-264
Transfers from level 1 or level 2 to level 3	0	0	0	0
Closing balance	**6,868**	**1,442**	**0**	**8,310**
Coupons and dividends during the period	0	3	0	3
Included in profit for the period				
– as part of carrying amount	1,202	14	0	1,216
– as part of other comprehensive income	0	0	0	0

2013

Change in level 3 during the year

Investment assets	Shares and participations	Bonds and fixed-income securities	Derivatives and options	Total
Opening balance	**5,417**	**1,557**	**0**	**6,974**
Purchases for the period	747	787	0	1,534
Sales for the period	-874	-534	0	-1,408
Changes in securities and currencies during the period	435	-73	0	362
Changes in unrealised gains or losses due to changes in:				
Market value	-286	23	0	-263
Transfers from level 3 to level 1 or level 2	0	0	0	0
Transfers from level 1 or level 2 to level 3	0	0	0	0
Closing balance	**5,439**	**1,760**	**0**	**7,199**
Coupons and dividends during the period	105	158	0	263
Included in profit for the period				
– as part of carrying amount	254	108	0	362
– as part of other comprehensive income	0	0	0	0

For instruments recognised in level 3 the estimates of fair value Kåpan Pensioner considers to be true and fair are used. Since the definition of level 3 is that an assessment of fair value is based on some form of model-based measurement, this means that the calculated fair value can change through the use of alternative measurement methods, for example other model assumptions or parameters.

A review of the classification of each individual investment according to the fair value hierarchy is performed at least once a year in conjunction with closing accounts. Changes in level are documented continuously during the year in connection with each instrument's valuation basis. The annual review includes motivation for a changed classification during the year, if this has taken place. Descriptions of the measurement processes are provided in the section "Financial instruments not quoted on an active market" in Note 2. At each year-end a total review is made of all holdings. One transfer took place between levels 1 and 2 to/from level 3 during the year in conjunction with listing of a previously unlisted holding.

Assessment of outstanding risks for investments recognised in level 3

Outstanding risks, level 3

	Share in level 3		Share in level 1 or 2	
Investment assets	SEKm	Share	SEKm	Share
Interest rate risk	71	1%	2,318	99%
Share price risk	700	8%	8,418	92%
Property risk	1,653	100%	0	0%
Credit risk	350	29%	850	71%
Currency risk	22	4%	473	96%
Correlation effect	- 826	16%	- 4,372	84%
Total net risk	**1,970**	**20%** *)	**7,687**	**80%**
Basis for stress test				
Fair value level 3	8,310	100 %		

*) Total risk is allocated in proportion to each risk area, level 1 and level 2, and level 3.

The starting point for the internal risk measurement analysis of different asset classes is the risk variables and parameters assigned by the Financial Supervisory Authority when the society reports to the authority according to the traffic light model. The model takes into account the inherent correlation in the different risks and weighs these together with the aid of a square root formula. The model is based on the different asset classes being given a number of different assumptions on price fluctuations, such as a 30% change in interest rates or a 40% fall in share prices. It can be argued that correlation parameters cannot be read from market data, but their purpose is to capture the change in market value that can be expected in the event of an imagined extreme scenario, and thereby capture any dependence. The correlation parameters are set by the supervisory authority.

Currency risk for instruments in level 3 is hedged using forward contracts which in the fair value hierarchy, due to their measurement through discounted cash flows, are classified as belonging to level 2. In order to provide a true and fair value of outstanding currency risk attributable to level 3, this is calculated taking into account the currency hedging effected through a currency hedging instrument which is classified as level 2. Currency hedging takes the form of forward contracts and basis swaps. It is the remaining (excess) currency risk attributable to level 3 which is recognised here and consists of the part of the market value for the level 3 assets which is not quoted in SEK, which had not been hedged on the balance sheet date.

Calculation of how much of total net risk is attributable to instruments classified as level 3 in the fair value hierarchy has been made with the simplified assumption that the correlation, within each risk category, between instruments in level 3 (primarily unlisted instruments) and instruments in levels 1 or 2 (primarily listed instruments and currency hedging instruments), is equal to one.

The method and parameters are solely an approximation of the risk scenario based on empirical studies of the historical market development for groups of asset classes, over a larger group of insurance companies

cont. next page

Note 15 cont.

and pension funds. This means that for the individual asset both a higher and a lower risk level may exist, as with other types of risks. Taken overall, however, this analysis method provides a satisfactory assessment of the outstanding level of risk for instruments in level 3 and their share of the total risk level, total net risk, taking into account correlation effects in the markets represented through the square root formula. For assets in level 3 that are not stress tested with theoretical models most constitute so-called alternative investments, which is a generic term for financial investments which are regarded as uncorrelated with share and fixed-income markets such as where illiquid financial instruments can exist.

Quantification of observable inputs in level 3

For fair value measurements within level 3 where the society has engaged a third party to calculate value, the society does not produce quantifiable unobservable inputs, but uses price information from the third party without adjustment. The reason for this includes the fact that the valuation models used by the third party in its internal valuation process are usually owner protected by third party and therefore not communicated to the society, i.e. these are the banks' and valuation institutions proprietary models where the society does not have insight into the details of the underlying assumptions and valuation models that are applied in the measurement process. For investments in some companies under liquidation the third party makes an assessment that there is a possibility to recover an unspecified part of the investment but that the probability of this occurring cannot be quantified, and the third partly does not provide amounts for future cash flows that might be expected in the recovery process. In such valuations the society has set the probability of this at zero per cent and thereby measured these investments at zero kronor.

NOTE 16 Other receivables

	2014	2013
Tax asset	2	2
Non-cash sale investment assets	20	31
	22	**33**

NOTE 17 Property, plant and equipment

	2014	2013
Cost	4	4
Accumulated depreciation	-2	-2
	2	**2**

NOTE 18 Equity

Disclosures of changes in equity are provided in the Statement of changes in equity, page 17.

NOTE 19 Life insurance provisions

	2014	2013
Kåpan Tjänste *)	29,471	25,637
Kåpan Extra	5,344	4,375
Kåpan Plus	2,158	2,025
Kåpan retirement pension	9,101	7,349
Total	**46,074**	**39,386**

*) The former product area ITPK-P is included in Kåpan Tjänste.

NOTE 20 Life insurance provisions

	2014	2013
Opening balance	**39,386**	**40,463**
Paid-in premium for new business	191	187
Paid-in premium for contracts signed in previous periods	3,911	3,820
Paid from/transferred to Provision for claims outstanding or liabilities	-1,577	-1,449
Risk result	3	-5
Indexation with discount rate	832	978
Effect of changed discount rate	6,724	-3,107
Allocated bonus	12	8
Charges	-61	-58
Tax on returns	-104	-112
Portfolio taken over/transferred	0	0
Effect of (other) changed actuarial assumptions	-1,414	515
Other changes	-1,829	-1,854
Closing balance	**46,074**	**39,386**

NOTE 21 Provision for claims outstanding

	2014	2013
Opening balance, reported claims	12	14
Opening balance, claims not yet reported	0	0
Opening balance	**12**	**14**
Revaluation with discount rate	0	0
Tax on returns	0	0
Charges	0	0
Cost of claims incurred in current year	0	0
Paid from/transferred to insurance liabilities or other current liabilities	-2	-3
Change of anticipated cost of claims incurred in previous year (run-off result)	-1	0
Effect of changed discount rate	1	0
Effect of (other) changed actuarial assumptions	0	0
Change in claims not yet reported	0	0
Other changes	0	1
Closing balance	**10**	**12**
Closing balance, reported claims	10	12
Closing balance, claims not yet reported	0	0

NOTE 22 Other liabilities

	2014	2013
Unsettled purchase of investments	0	11
Other	5	26
	5	**37**

NOTE 23 Memorandum items

Pledged assets, cash and cash equivalents

Derivative transactions are made either via a recognised clearing institution or with counterparties with good creditworthiness under an ISDA agreement. The derivative transactions carried out result in market exposure in the form of exchange rate, interest rate, share price and share index risks.

As collateral for negative market value in the above-named derivative contracts in accordance with ISDA agreements special agreements are linked to collateral for outstanding obligations, so-called CSA agreements, has been provided in the form of bank deposits corresponding to SEK 485m (104).

For equity loans linked to neutralised passive indirect holdings, borrowed equities, collateral in the form of bank deposits has been provided of SEK 96m (0).

Total pledged assets in cash and cash equivalents thus amounts to SEK 581m (104).

Borrowed financial instruments

Equity loans for borrowed equities amount to SEK 92m (0) at the end of the period.

Commitments

Nominal value of currency and interest rate derivatives is recognised in accordance with the Swedish Financial Supervisory Authority's regulations as commitments (memorandum items) per each closing date and amount at 31 December 2014 to SEK 13,709m (12,743), see also Note 14. The society normally has a matching receivable within the framework of this type of derivative contract.

In addition, the society has outstanding commitments to invest in unlisted equities and funds which amount to SEK 3,827m (1,442) in accordance with current agreements.

Total commitments thus amount to SEK 17,536m (14,185).

NOTE 24 Anticipated recovery dates

2014

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	8	8
Shares and participations	0	31,589	31,589
Bonds and other fixed-income securities	0	35,970	35,970
Derivatives	50	0	50
Other receivables	22	0	22
Property, plant and equipment	0	2	2
Cash and bank balances	1,338	0	1,338
Accrued interest income	395	0	395
Other prepaid expenses and accrued income	0	0	0
	1,805	**67,569**	**69,374**
Liabilities			
Life insurance provisions	1,666	44,408	46,074
Provisions for claims outstanding	10	0	10
Provision for other risks and expenses	11	0	11
Derivatives	528	0	528
Other liabilities	5	0	5
Accrued expenses and deferred income	2	0	2
	2,222	**44,408**	**46,630**

2013

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	10	10
Shares and participations	0	25,816	25,816
Bonds and other fixed-income securities	364	32,165	32,529
Derivatives	235	0	235
Other receivables	33	0	33
Property, plant and equipment	0	2	2
Cash and bank balances	1,172	0	1,172
Accrued interest income	458	0	458
Other prepaid expenses and accrued income	1	0	1
	2,263	**57,993**	**60,256**
Liabilities			
Life insurance provisions	1,568	37,818	39,386
Provisions for claims outstanding	12	0	12
Provision for other risks and expenses	6	0	6
Other liabilities	37	0	37
Accrued expenses and deferred income	2	0	2
	1,625	**37,818**	**39,443**

NOTE 25 Category and fair value of financial assets and liabilities

2014

SEKm	Financial assets at fair value through profit or loss: Assets assessed as belonging to the category	Financial assets at fair value through profit or loss: Held for trading	Loans and receivables	Carrying amount, total	Cost
Financial assets					
Shares and participations	31,589	–	–	31,589	24,364
Bonds and other fixed-income securities	35,970	–	–	35,970	34,182
Derivatives	–	50	–	50	0
Other receivables	–	–	–	22	22
Cash and bank balances	–	–	1,338	1,338	1,338
Accrued interest income	395	–	–	395	395
Other prepaid expenses and accrued income	–	–	–	–	–
Non-financial assets	–	–	–	10	10
Total	67,954	50	1,338	69,374	60,311

SEKm	Financial liabilities at fair value through profit or loss: Liabilities assessed as belonging to the category	Financial liabilities at fair value through profit or loss: Held for trading	Other financial liabilities	Carrying amount, total
Financial liabilities				
Provision for other risks and expenses	–	–	–	11
Derivatives		528		528
Other liabilities	–	–	5	5
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	46,084
Total	–	528	7	46,630

2013

SEKm	Financial assets at fair value through profit or loss: Assets assessed as belonging to the category	Financial assets at fair value through profit or loss: Held for trading	Loans and receivables	Carrying amount, total	Cost
Financial assets					
Shares and participations	25,816	–	–	25,816	22,165
Bonds and other fixed-income securities	32,529	–	–	32,529	32,116
Derivatives	–	235	–	235	0
Other receivables	–	–	–	33	52
Cash and bank balances	–	–	1,172	1,172	1,172
Accrued interest income	458	–	–	458	458
Other prepaid expenses and accrued income	–	–	–	1	1
Non-financial assets	–	–	–	12	12
Total	58,803	235	1,172	60,256	55,976

SEKm	Financial liabilities at fair value through profit or loss: Liabilities assessed as belonging to the category	Financial liabilities at fair value through profit or loss: Held for trading	Other financial liabilities	Carrying amount, total
Financial liabilities				
Provision for other risks and expenses	–	–	–	6
Other liabilities	–	–	37	37
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	39,398
Total	–	–	39	39,443

NOTE 26 Related-party disclosures

Kåpan Pensioner is an insurance society where all the surplus is returned to its members. The main purpose of the society is to manage and pay pension assets for employees covered by an agreement 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 highest decision-making body is the Council of Administration. The members of the Council of Administration are appointed by the parties within the government agreement sphere. Operating activities are managed by a Board which appoints the President of the society.

Related parties are defined as members of the Board and management people within Kåpan Pensioner and members of their immediate families.

Remuneration to the Board and President is set out in Note 7. Otherwise there are no transactions with these people or persons related to them in addition to normal customer transactions that take place on market terms.

Stockholm, 19 February 2015

Ulf Bengtsson
Chairman

Lars Fresker
Vice Chairman

Helen Thornberg

Gunnar Holmgren

Lena Emanuelsson

Monica Dahlbom

Gunnar Balsvik
President

Our audit report was submitted on 19 February 2015

Gunilla Wernelind
Authorised Public Accountant

Eva Lindquist

Gunnar Larsson

Audit report

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

Report on the annual accounts

We have audited the annual accounts for Kåpan pensioner försäkringsförening for the year 2014.

Responsibilities of the Board of Directors and the President for the annual accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the President deem necessary to enable the preparation of annual accounts that are free from material misstatements, whether due to fraud or error.

The responsibility of the auditors

Our responsibility is to express an opinion on the annual accounts based on our audit. We have conducted the audit in accordance with International Standards on Auditing and generally accepted accounting standards in Sweden. These standards require that we comply with professional ethical standards and plan and perform the audit to obtain reasonable assurance that the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the society's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of Kåpan Pensioner, as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the Council of Administration adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

As a basis for our opinion concerning discharge from liability, we have in addition to our audit of the annual accounts, examined significant decisions, actions taken and circumstances of the society in order to determine whether any member of the Board of Directors or the President is liable to the society. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Swedish Insurance Companies Act, the Annual Accounts Act for Insurance Companies or the society's statutes.

We believe that the audit evidence we have obtained is adequate and appropriate to provide a basis for our opinion.

Opinion

We recommend to the Council of Administration that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 19 February 2015

Gunilla Wernelind
Authorised Public Accountant
KPMG

Eva Lindquist

Gunnar Larsson

Council of Administration, Board of Directors and Auditors

Council of Administration

Appointed by the Swedish Agency for Government Employers

Members		Personal Deputies	
Maria Ågren, Swedish Environmental Protection Agency		Mikael Odenberg, The Swedish National Grid	
Elisabeth Bjar, Swedish National Police Board	until 140326	Magnus Lundström, Swedish National Police Board	until 140326
Margareta Skoglund, Swedish Defence Recruitment Agency	from 140327	Susanne Nilsson, County Administrative Board, Norrbotten	from 140327
Peter Brodd, Public Prosecutor	until 140326	Margareta Sandberg, Swedish Prison and Probation Service	until 140326
Anna-Karin Olofsdotter, County Administrative Board, Uppsala	from 140327	Cathrin Dalmo, Swedish Civil Contingencies Agency	from 140327
Per-Olof Stålesjö, Swedish Armed Forces	until 140326	Anette Ekström, Swedish Public Employment Service	until 140326
Douglas Boldt,Data Inspection Board	from 140327	Glenn Sundberg, Swedish Geotechnical Institute	from 140327
Fernando Alvarez, The Migration Board	until 140326	Lars-Åke Brattlund, Swedish Social Insurance Agency	until 140326
Lena Bengtsson Malmeblad, Swedish Meteorological and Hydrological Institute	from 140327	Niclas Lamberg, Swedish Transport Administration	from 140327
Claes Vallin, The Swedish National Grid	until 140326	Christina Burlin, Swedish Maritime Administration	until 140326
Tove Livered, Swedish Pensions Agency	from 140327	Anita Wallgren, Health and Social Care Inspectorate	from 140327
Karin Coster, Swedish Council on Health Technology Assessment		Gun-Britt Spring Larsson, Swedish National Board for Youth Affairs	until 140326
		Sofia Cederström, Malmö University	from 140327
Anna Cedemar, National Archives	until 140326	Dan Jacobsson, National Museum of Science & Technology Foundation	until 140326
Dan Jacobsson, Swedish Council on Health Technology Assessment	from 140327	Marie Westerlund, National Agency for Special Needs Education and Schools	from 140327
Tatjana Mineur, County Administrative Board of Södermanland	until 140326	Margareta Skoglund, Swedish Defence Recruitment Agency	until 140326
Christina Nilsson, Göteborgs University	from 140327	Ann-Louise Sommarström, Swedish Customs	from 140327
Hans Wallin, Swedish Board of Agriculture	until 140326	Kristin Lindgren, Swedish Environmental Protection Agency	until 140326
Eva Öquist, Stockholm University of the Arts	from 140327	Helén Jönsson, County Administrative Board, Kronoberg	from 140327
Lotta Liljegren, The National Board of Forensic Medicine	until 140326	Douglas Boldt, Data Inspection Board	until 140326
Marie Högström, Stockholms University	from 140327	Kristin Lindgren, Swedish Environmental Protection Agency	from 140327
Ann Fust, Uppsala University	until 140326	Marie Högström, Stockholms University	until 140326
Lotta Halling, Swedish Tax Agency	from 140327	Caroline Sjöberg, Umeå University	from 140327
Ingegerd Olofsson, Luleå University of Technology	until 140326	Ann-Charlotte Jensen, Södertörn University	until 140326
Johan Modin, Swedish Prison and Probation Service	from 140327	Annika Julius, Swedish Economic Crime Authority	from 140327
Torbjörn Lindström, Statistics Sweden	until 140326	Marie Lyxell Stålnacke, Swedish National Land Survey	until 140326
Johan Sandström, Swedish Enforcement Authority	from 140327	Rebecca Källskog, Swedish Post and Telecom Authority	from 140327
		Matilda Nyström Arnek, Swedish Agency for Government Employers	until 140326
Karl Pfeifer, Swedish Agency for Government Employers		Ingrid Ganrot, Karlstad University	from 140327

Appointed by trade unions

Members		Personal Deputies	
Peter Lennartsson, OFR		Henriette Karling, OFR	
Britta Lejon, OFR		Siv Norlin, OFR	
Tom Johnson, OFR		Britta Unneby, OFR	
Håkan Sparr, OFR		Ingrid Lindgren Andrén, OFR	
Bengt Sundberg, OFR	until 140326		
Malin Thor, OFR	from 140327	Björn Hartvigsson, OFR	
Linda Englund, OFR		Mikael Krüger, OFR	
Anna Nitzelius, OFR		Mikael Boox, OFR	
Ulla Thörnqvist, SEKO		Charlotte Olsson, SEKO	
Ingrid Lagerborg, SEKO		Lennart Johansson, SEKO	
Christer Henriksson, SEKO		Gunnar Carlsson, SEKO	
Erik Johannesson, SEKO		Dennis Lövgren, SEKO	
Hans Monthan, SEKO		Birger Bergvall, SEKO	
Git Claesson Pipping, Saco-S		Robert Andersson, Saco-S	
Carolina Gomez Lagerlöf, Saco-S		Hans Norinder, Saco-S	
Hans Lindgren, Saco-S		Peter Henriksson, Saco-S	

Board of Directors

Employer representatives

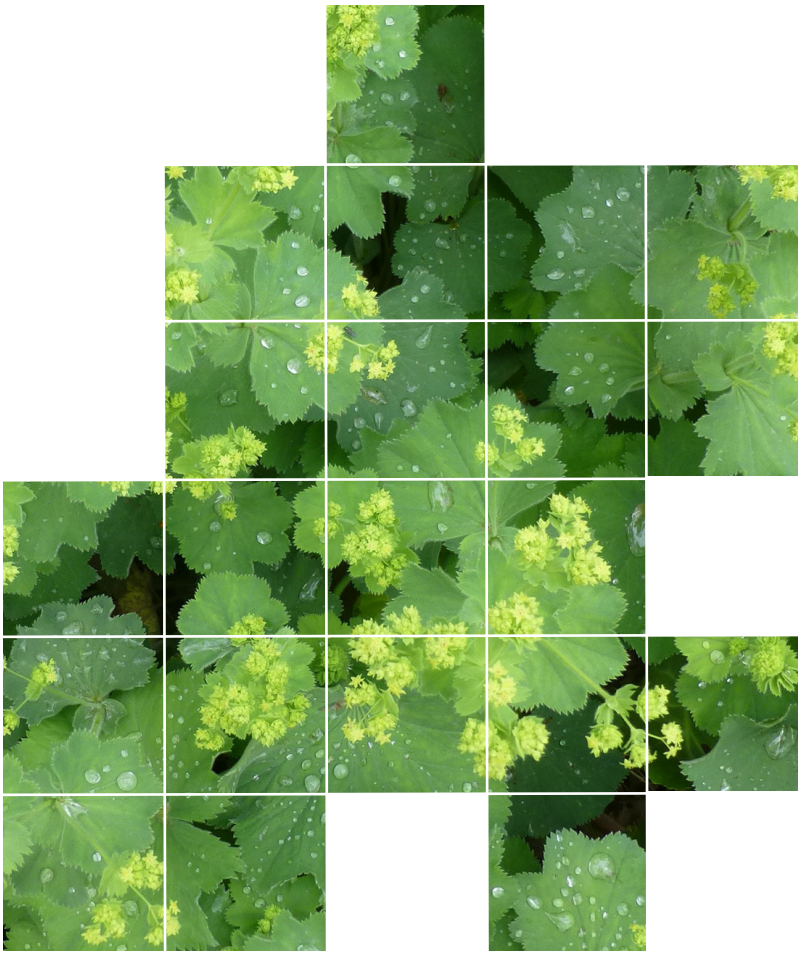
Members	Personal Deputies	
Ulf Bengtsson, Swedish Agency for Government Employers, Chairman	Jonas Bergström, Swedish Agency for Government Employers	
Monica Dahlbom, Swedish Agency for Government Employers	Roger Vilhelmsson, Swedish Agency for Government Employers	
Gunnar Holmgren, Swedish Royal Court	Pia Enochsson, Swedish National Agency for Higher Vocational Education	until 140326
	Karin Apelman, Swedish Export Credit Agency	from 140327

Trade union representatives

Members	Personal Deputies
Lars Fresker, OFR, Deputy Chairman	Eva Fagerberg, OFR
Lena Emanuelsson, Saco-S	Mikael Andersson, Saco-S
Helen Thornberg, SEKO	Roger Pettersson, SEKO

Auditors

Auditors		Deputy Auditors, Personal	
Anders Malmeby, Authorised public accountant	until 140326	Gunilla Wernelind, Authorised public accountant	until 140326
Gunilla Wernelind, Authorised public accountant	from 140327	Mårten Asplund, Authorised public accountant	from 140327
Eva Lindquist, Saco-S		Minna Engberg, OFR	
Gunnar Larsson, Swedish Consumer Agency		Eva Liedström Adler, Swedish Enforcement Authority	



KÅPAN
PENSIONER

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Production: Kåpan in cooperation
with Frankfeldt Grafisk Form
Translation: Morton Communications, Stockholm 2015