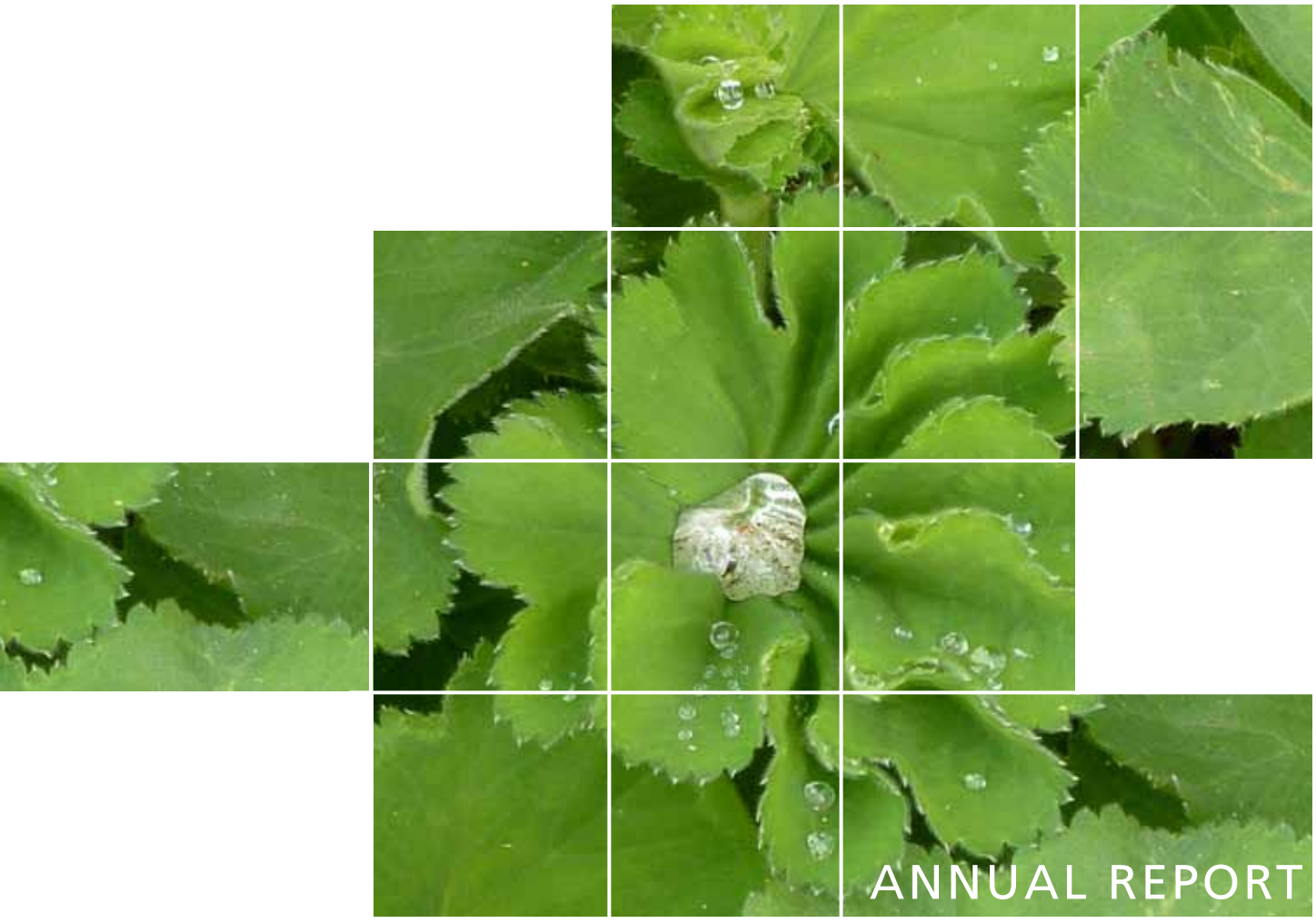
KÅPAN
PENSIONER

FOR GOVERNMENT EMPLOYEES



ANNUAL REPORT

2012

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Presenting Kåpan Pensions

Kåpan pensioner försäkringsförening (Pensions for government employees, Kåpan) manages defined contribution pensions for public sector employees. Operations are linked to the public sector 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 co-operative 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 over time is to provide members with a good level of pension from the society.

2012 at a glance

- Assets under management increased by SEK 7,066m to SEK 53,693m.
- Paid-in premiums totalled SEK 3,935m. Pension payments amounted to SEK 1,556m.
- The total return on invested capital was positive and amounted to 10.5%.
- In view of the return achieved, the Board decided to set the bonus rate at 8% for 2012.
- The funding ratio amounted to 113% at year-end. After the bonus decided on the funding ratio amounts to 105%.
- The solvency ratio strengthened from 122% to 133%. This stronger level is attributable to the return on assets under management.
- Administrative expenses remained at a low level and amounted to 0.09% in relation to assets under management.

A word from the President

The 2012 financial year provided a good return on the society's investments. The equities portfolio performed best but the fixed-income and property portfolios also showed stable levels. Compared with the benchmark, it was above all fixed-income investments which provided a very good relative return. The capital market stabilised, particularly in the second half of the year. Major parts of the financial imbalances in the Western World remain but the measures taken by the central banks in the monetary policy area have been unequivocal and created rising confidence and increased willingness to take risks. Among other things, this has led to reduced differences in interest rates between government bonds and other bonds. It is among other things this movement that provided the relatively good return in the fixed-income portfolio.

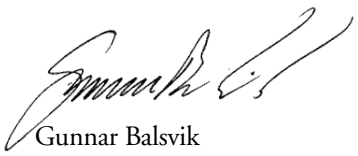
My assessment is that monetary policy in the eurozone, Japan and the US over the next few years will continue to be stimulative which will result, among other things, in low central bank interest rates. The central banks' lending and purchases of various types of bonds have affected the market and also contributed to a low level of long-term market interest rates. The real rate of return on fixed-income investments is at an even lower level and is negative in some cases. It is difficult to see that this low rate of return on fixed-income investments can be long term but given the need for fiscal constraints and low capacity utilisation in many countries, rapidly rising inflation and a sharp increase in interest rates do not feel like the most probable scenario in the immediate future. This situation means that the expected return on fixed-income investments will remain low.

The most recent economic cycle is in many respects following the same patterns as previous cycles. The initial growth period is extended and strengthened with increased private sector debt which pushes growth to a point where it reaches its limit and a period of deleveraging starts. Fiscal policy measures are implemented in order to counteract the decline which leads to a deficit in the public sector, due to both rising expenditure and falling incomes. These debts are rebalanced and a new growth period can start when the private sector gathers speed again. The present high level of public debt in relation to GDP in many countries limits opportunities for fiscal stimuli and instead structural changes have to be implemented to strengthen the country's competitiveness and create sustainable growth over time.

The reconstruction of the public sector's financial situation in many western countries, combined with demographic development with increasingly few citizens of working age, weakens potential economic growth. Hopefully, this development can be compensated by growth countries' high expected growth and large population base. The most important effect of economic development in the past decade, however, is reduced absolute poverty, above all in Asia, and increased trade between different growth countries which has reduced their economic dependence on the West. It looks as if economic conditions will even out over time and it appears that globalisation will be able to have the positive effect in reality which was previously only apparent in theoretical models. This development may push the stock market in a positive direction and increased growth due to globalisation can hopefully compensate for the anticipated weak growth in the western world.

The society's aim is to create a good long-term return on its members' pension capital at the lowest costs in the industry. We do this by focusing on a single product, traditional pension insurance with a guaranteed rate, a balanced and effective form of saving. In order to create a good return over time we invest in several different types of assets which over time are expected to give our members a good bonus rate.

Kåpan Pensioner uses very limited funds for marketing. We do not participate in competition in other agreement areas. We do not use resources to create a number of different savings alternatives. What we do try to achieve is good and effective pension savings for our members. In my opinion the way we work, combined with the fact that we are a pension society, is the best way to offer an effective and stable long-term pension savings. We also have a low level of costs, considerably lower than comparable alternatives.



Gunnar Balsvik
President

Board of Directors' report

The Board of Directors and the President of Kåpan pensioner försäkringsförening, reg. no. 816400-4114, hereby submit their report for the financial year 2012.

Operations

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

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

Members

Kåpan Pensioner is a mutual society where all savings are returned to the members. 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 increase their pension.

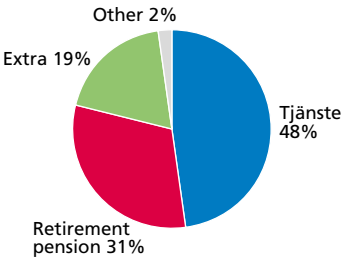
A total of SEK 3,935m was paid in premiums during the year, with the following breakdown

Category	2012	2011	2010	2009	2008	2007
Kåpan Tjänste	1,905	1,825	1,789	1,708	1,693	1,594
Kåpan Retirement Pension	1,202	1,143	1,084	1,041	1,013	905
Kåpan Extra	732	640	667	554	805	64
Kåpan Plus	96	102	110	114	126	152
Total	**3,935**	**3,710**	**3,650**	**3,417**	**3,637**	**2,715**

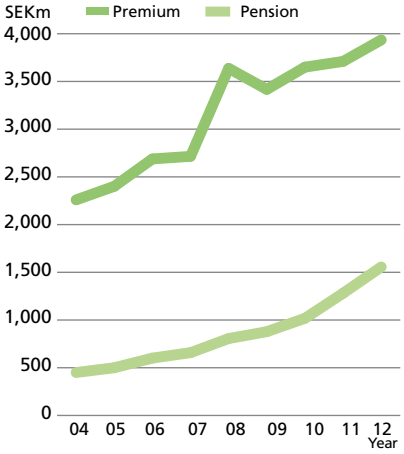
Pension payments

A total of SEK 1,556m (1,281) was paid during the year, of which SEK 260m (159) comprised bonus payments over and above the guaranteed rate on the capital. The normal period for payments is five years from when the pension payments start at the age of 65. This applies to all categories except Kåpan Retirement Pension which is paid for life.

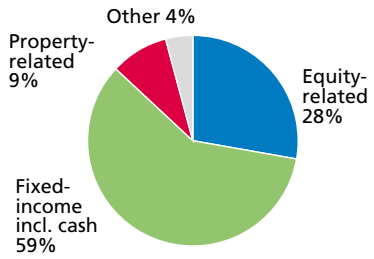
Premium breakdown



Development of premiums and pension payments



Investment of the society's assets at year-end



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 control with a limited risk

According to the investment policy, adopted by the Board in December 2012, the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 20% and maximum 35%.
- Fixed-income securities minimum 45% and maximum 65%.
- Alternative assets including property-related assets 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 but that the two areas property and other investments are combined to form a new area, alternative assets, from 2013. 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 rate on members' savings until payment. The interest rate risk is measured as an interest rate risk coverage ratio and amounted to 53%. The benchmark for interest rate risk coverage 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.

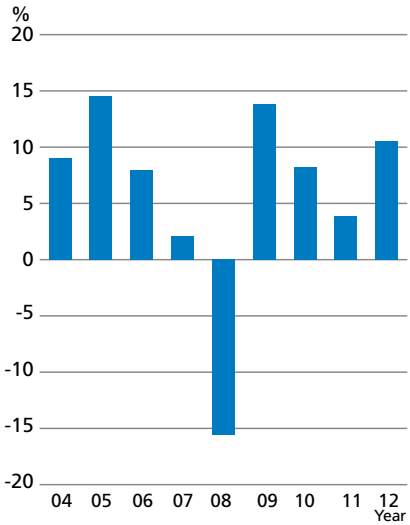
The outstanding currency risk according to the adopted policy may not exceed 10%. At year-end the outstanding currency risk was 7.1% of the value of assets. During the year nearly all assets, except those in growth countries, were hedged.

Investment management

The market value of the society's investment assets, with the addition of the book values of other assets, amounted to SEK 53,693m (46,627) at year-end.

Return on the investment assets was positive and amounted to 10.5% (+3.9).

Total return



Investment return

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

Portfolio	Market value SEKm	Share, %	Total return [1] %, 2012
Fixed-income	30,686	57	8.3
Equity-related	14,712	28	16.5
Property-related	5,027	9	9.4
Other investments	2,151	4	1.6
Other assets, cash	1,117	2	0.0
Total assets	**53,693**	**100**	**10.5**

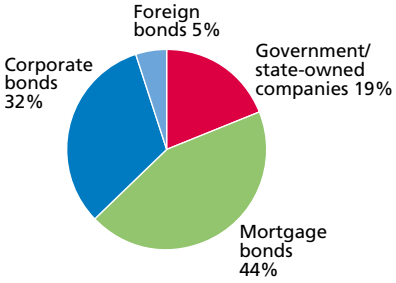
[1] When calculating the return a daily aggregate is used to take into account the change in the capital base during the year.

Fixed-income assets

The fixed-income investments amounted to SEK 30,686m (25,363) at year-end. The investments consisted to 95% of investments in the Swedish fixed-income market of which mortgage bonds accounted for 46% (41), government bonds, including wholly state-owned companies, for 20% (21), and bonds and commercial paper issued by other issuers for the remaining 34% (38). The remaining 5% of investments consisted of holdings in foreign currency. At year-end the total fixed-income portfolio comprised solely nominal fixed-income securities with no real interest bonds. The return on fixed-income securities amounted to 8.5% (7.5). The general interest rate fell during the year on an overall assessment of outstanding government and mortgage bonds, which had a positive impact on the return. The interest rate on government 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.

In addition to investments in fixed-income securities, in order to reduce the outstanding interest rate risk in obligations made, 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. Market interest rates were largely unchanged during the year which meant that the value of insurance obligations undertaken rose by SEK 646m (7,238). Outstanding interest rate hedges comprised a total of SEK 6,100m (11,975). The total earnings impact of interest rate hedges corresponds to a negative effect on the total return of 0.2% (+1.5). The total return on fixed-income investments thus amounted to 8.3% (+10.3).

Allocation fixed-income



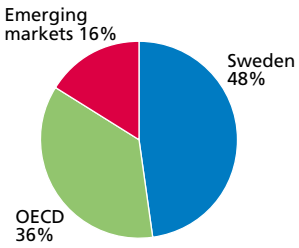
Equity-related assets

Global stock markets showed strong development during the year. The world's overall share prices rose by a total of approximately 16% in local currencies. Development was stable throughout in most countries and relatively evenly distributed between different areas. Equity-related assets at year-end amounted to SEK 14,712m (12,625) and a SEK 1,386m holding in equity futures. The overall return during the year amounted to 16.5% (-10.9).

Since the start the society has chosen to currency hedge most of its equity investments which meant that relative changes in the value of the Swedish krona during the year did not affect returns. Equity investments in growth countries were not currency hedged which meant that the return was affected by exchange rate fluctuations.

The holding of shares listed on the Stockholm Stock Exchange had a positive return of 15.9% (-12.1). Management of shares listed on the Stockholm Stock Exchange is carried out by the society and made a positive contribution compared with the benchmark index (SIX 60).

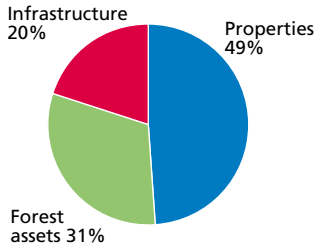
Allocation equities



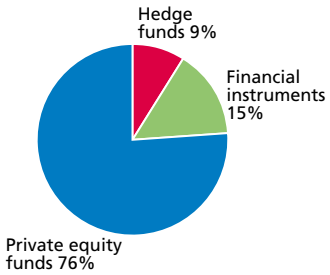
Property-related assets

Investments in property-related assets are mainly made within three areas: properties, forest assets and infrastructure. Infrastructure means investments in various types of funds which invest in properties with stable cash flows and a

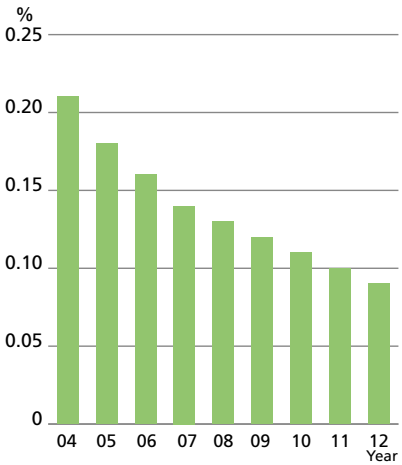
Allocation properties



Allocation other assets



Development management costs



long-term investment horizon. Forest properties are mainly land and standing forest owned via funds or companies. The properties area is indirect investments in various types of land and buildings. All areas showed a stable value development during the year. Capital invested in property-related assets totals SEK 5,027m (4,978) and return during the year amounted to 9.4% (+10.9).

Other assets

Other assets total SEK 2,151m (2,825) and consist of investments in venture capital funds and various types of financial instruments as well as hedge funds. The total return was positive at 1.6% (+14.8). Hedge funds contributed overall with a negative return and most of these investments were liquidated during the year. The venture capital funds showed a positive value development during the year.

Financial instruments mainly comprise long-term commitments in various credit-related securities. The value of these investments developed positively during the year. The individual investments often lack an active secondary market and the intention is to keep them until they mature. This limited trading means that some securities are valued on the basis of assessed future cash flows in co-operation with external advisors. In total, these instruments had a value of SEK 225m (320) measured in this way.

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 Note 1 the section Key assessments and sources of uncertainty, 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 40,477m (38,356). The obligations the society has comprise to a dominant extent fixed guaranteed interest on paid-in premiums. The obligations have been measured 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 44m (43). One measure of cost efficiency is the management expense ratio, i.e. the relationship between total operating expenses and the average market value of the assets, which amounted to 0.09% (0.10).

Costs for 2012 were covered by a fixed charge of SEK 12 per insurance and by making a deduction from the insurance capital of 0.08%. Ahead of 2012 the deduction from the insurance capital was reduced from 0.10% to 0.08%. The fixed charge per insurance will remain unchanged. Overall, this deduction should correspond to the costs of operations and the aim is to reduce this over time.

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 rate as well as previously allocated bonus funds.

The positive value development of assets means that the funding ratio before decision on bonus rate at year-end amounted to 113%.

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 – 110% with a target level of 100%.

Decision to allocate bonus for 2012

The good funding level at year-end meant that the Board decided, following an actuarial report performed by an actuary, to allocate a bonus to members for the 2012 financial year of 8% before tax on returns and costs. The bonus will be added to members' pension capital annually in arrears. The funding ratio at year-end after the bonus decided for 2012 amounted to 105%.

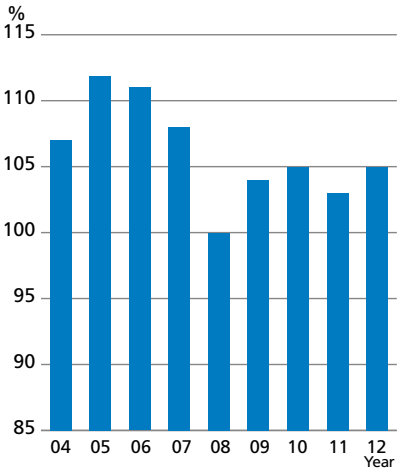
Development of solvency

Solvency expresses how much of technical liabilities are covered by assets. The return during the year was positive and accounts for the strengthening of solvency during the year. Outstanding obligations are valued on the basis of current market interest rates for government and mortgage bonds. The average interest used during the year fell marginally. Taken overall, the solvency ratio rose by 11 percentage points during the year from 122% to 133%. The return contributed a strengthening of 10 percentage points and changes in valuation of outstanding obligations provided an impairment of 1 percentage point. Paid-in premiums during the year contributed 2 percentage points since the promised guaranteed rate is lower than the interest rate used when discounting the obligation.

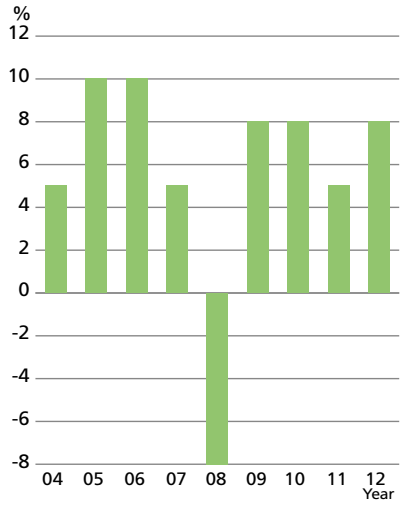
Capital contribution in the form of a subordinated loan

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 all employees but that employees below the age of 23 are not provided with a premium. According to the terms of its statutes, Kåpan Pensioner must issue a perpetual interest-free subordinated loan to the parties in the government agreement sphere at an amount corresponding to the funds provided. During the year such funds provided totalled SEK 22m. The issued subordinated loan may only be repaid following a decision by the Council of Administration and approval by the Swedish Financial Supervisory Authority. The subordinated loan thus comprises part of available risk capital in the society.

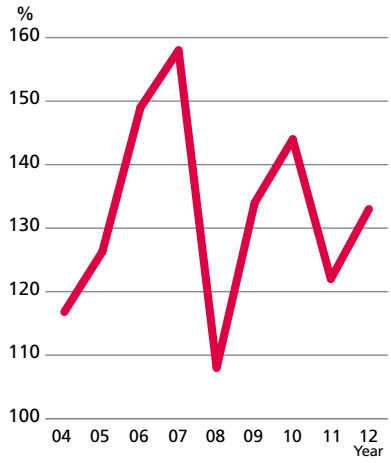
Collective funding ratio



Bonus rate



Solvency ratio



Tax on returns

The society pays tax on returns on behalf of its members. The basis for tax assessment is the market value of the society's assets after deduction for financial liabilities on 1 January in the assessment year. The return on these funds is calculated using a standardised method with 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 2012 amounted to SEK 179m (176).

Management functions and audits

Kåpan Pensioner's highest decision-making body is the Council of Administration. The members of the Council of Administration are appointed by the labour market parties within the public sector. Half of the members are appointed by the Swedish Agency for Government Employers and the other half by the trade unions. The total number of ordinary members amounts to 30 with an equal number of personal deputies. 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 meeting 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 and management of risks in investment management. During the year the Board, among other things, updated and decided on the majority of the society's policies. The Board also examined and analysed implemented regulatory changes and performed consequence analyses of probable future changes. The Board appointed a Remuneration Committee consisting of Board members where the salary and remuneration of the President is examined and decided. Other matters are examined by the entire Board. Remuneration to other senior executives in the society is decided by the President in accordance with the remuneration policy decided by the Board.

On 28 March, Ulf Bengtsson, Director General of the Swedish Agency for Government Employers, was elected as the new Chairman of the Board. He succeeded Göran Ekström who had been Chairman since 23 February 2006.

Administration

In addition to the President, the society had 10 employees at year-end. The average number of employees during the year was 10 (9) 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 1m (0). In the previous year the society 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 in around 2050 which means that the organisation must be continuously developed and adjusted.

During 2012, work continued on improving the efficiency of operations and preparing the organisation ahead of the changes which the large number of different proposals for new rules for the society's operations which may be introduced as well as other regulatory changes.

The biggest impact on the future will be the choice of model for calculation of the market value of the society's outstanding obligations.

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) relating to a co-ordinated pension statement, co-ordinated websites and a joint customer service unit. The purpose of this co-operation is to provide members with better information and increased understanding of the government employees' occupational pension.

Disposition of profit for the year

The profit for the year, SEK 5,199,276,061 (-4,647,145,918) will be transferred to other reserves. The society's equity thus amounted to SEK 13,198,183,975 (8,236,911,273) at 31 December 2012.

Five-year summary

Results, SEKm	2012	2011	2010	2009	2008
Premiums written	3,935	3,710	3,650	3,417	3,637
Investment income, net	4,904	1,668	3,161	4,283	-5,203
Claims paid	-1,296	-1,122	-941	-782	-643
Bonus paid [1]	-260	-159	-77	-96	-163
Balance on the technical account, life insurance business	5,378	-4,471	3,956	7,414	-9,597
Profit/loss for the year	5,199	-4,647	3,782	7,236	-9,802

[1] Payments are recognised as a deduction under Equity, Statement of changes in equity.

Financial position, SEKm	2012	2011	2010	2009	2008
Total assets [1]	53,693	46,627	42,703	37,247	30,748
Investment assets [1]	51,978	45,169	41,451	36,225	29,386
Technical provisions	40,477	38,356	29,673	27,800	28,335
Funding capital	13,198	8,237	13,024	9,305	2,154
Capital base	13,186	8,222	13,005	9,292	2,153
Required solvency margin	1,619	1,534	1,187	1,112	1,133

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

Key ratios, %	2012	2011	2010	2009	2008
Management expense ratio [1]	0.09	0.10	0.11	0.12	0.13
Total return	10.5	3.9	8.2	13.8	-15.6
Bonus rate	8.0	5.0	8.0	8.0	-8.0
Funding ratio	105	103	105	104	100
Solvency ratio	133	122	144	134	108

[1] In relation to average assets.

Total return by asset class [1]

	Market value 31 Dec **2012**		Market value 31 Dec **2011**		Total return, % [2]
	SEKm	%	SEKm	%	**2012**
Equity-related	14,712	27.4%	12,625	27.1%	16.5
Fixed-income [3]	30,686	57.2%	25,363	54.4%	8.3
Property-related	5,027	9.4%	4,978	10.7%	9.4
Other investments	2,151	4.0%	2,825	6.1%	1.6
Other assets	1,117	2.0%	836	1.7%	–
Total assets	**53,693**	**100.0%**	**46,627**	**100.0%**	**10.5**

[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	2012	2011
Technical account, life insurance business			
Premiums written	3	3,935	3,710
Investment income	4	2,723	1,981
Unrealised gains on investment assets	5	2,211	1,308
Claims paid	6	-1,296	-1,122
Change in other technical provisions		-2,121	-8,684
Operating expenses	7	-44	-43
Investment charges	8	-30	-293
Unrealised losses on investments	9	0	-1,328
Balance on the technical account, life insurance business		**5,378**	**-4,471**
Non-technical account			
Balance on the technical account, life insurance business		5,378	-4,471
Tax on profit for the year	10	-179	-176
Profit/loss for the year also comprehensive income		**5,199**	**-4,647**

Statement of comprehensive income

SEKm	2012	2011
Profit/loss for the year	5,199	-4,647
Other comprehensive income	0	0
Total comprehensive income	**5,199**	**-4,647**

Balance sheet

SEKm	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Intangible assets			
Other intangible assets	11	12	15
Investment assets			
Other financial investments			
Shares and participations	12	21,686	19,708
Bonds and other fixed-income securities	13	30,043	24,951
Derivatives	14	249	510
	15	**51,978**	**45,169**
Receivables			
Other receivables	16	52	29
Other assets			
Property, plant and equipment	17	2	1
Cash and bank balances		1,191	1,015
		1,193	**1,016**
Prepayments and accrued income			
Accrued interest		455	394
Other prepayments and accrued income		3	4
		458	**398**
Total assets		**53,693**	**46,627**
EQUITY, PROVISIONS AND LIABILITIES			
Equity	18		
Other reserves			
Other reserves		7,613	12,520
Perpetual subordinated loan		386	364
Profit/loss and comprehensive income for the year		5,199	-4,647
		13,198	**8,237**
Technical provisions			
Life insurance provisions	19, 20	40,463	38,339
Provision for unsettled claims	21	14	17
		40,477	**38,356**
Provisions for other risks and costs			
Tax		11	12
Liabilities			
Other liabilities	22	5	20
		5	**20**
Accruals and deferred income		2	2
Total equity, provisions and liabilities		**53,693**	**46,627**
Memorandum items			
Pledged assets	23	0	192
Commitments	23	17,827	22,041

Statement of changes in equity

2012

SEKm	Other reserves	Perpetual subordinated loan	Comprehensive income for the year	Equity
Opening equity previous financial year	**12,520**	**364**	**-4,647**	**8,237**
Disposition of earnings 2011	-4,647		4,647	0
Bonus paid during the financial year	-260			-260
Funds transferred according to statutes		22		22
Profit and comprehensive income for 2012			5,199	5,199
Closing equity for the financial year	**7,613**	**386**	**5,199**	**13,198**

2011

SEKm	Other reserves	Perpetual subordinated loan	Comprehensive income for the year	Equity
Opening equity previous financial year	**8,897**	**345**	**3,782**	**13,024**
Disposition of earnings 2010	3,782		-3,782	0
Bonus paid during the financial year	-159			-159
Funds transferred according to statutes		19		19
Profit and comprehensive income for 2011			-4,647	-4,647
Closing equity for the financial year	**12,520**	**364**	**-4,647**	**8,237**

Cash flow statement

SEKm	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Operating activities [1]		
Profit/loss before tax	5,378	-4,471
Adjustment for non-cash items [2]	-86	8,708
Tax on returns paid	-179	-176
Bonus paid [3]	-260	-159
Change in other operating receivables	-83	-58
Change in other operating liabilities	-17	28
Cash flow from operating activities	**4,753**	**3,872**
Investing activities		
Investments in non-current assets	-1	0
Sale of financial investment assets	31,408	40,316
Purchase of financial investment assets	-36,006	-44,054
Cash flow from investing activities	**-4,599**	**-3,738**
Financing activities		
Paid-in equalisation charges	22	19
Cash flow from financing activities	**22**	**19**
Cash flow for the year	**176**	**153**

Change in cash and cash equivalents

SEKm	2012	2011
Cash and cash equivalents at beginning of the year	1,015	862
Cash flow for the year	176	153
Cash and cash equivalents at the end of the year [4]	**1,191**	**1,015**

[1] Of which

	2012	2011
Interest received	1,333	1,225
Interest paid	180	132
Dividends received	460	347

[2] Of which

	2012	2011
Depreciation	4	4
Unrealised gains	-2,313	-1,308
Unrealised losses	102	1,328
Change in technical provisions	2,121	8,684

[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 2012 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 and the registered number is 816400-4114. The annual accounts were approved for publication by the Board on 19 February 2013. The income statement and balance sheet will be presented for adoption at the annual general meeting on 20 March 2013.

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.

A new Insurance Business Act came into force on 1 April 2011. Insurance societies which were operating when the Act came into force must apply for a permit according to the new law before year-end 2014 but until the permit question has been finally examined the society can continue to conduct business and is otherwise subject to the regulations in the Benevolent Society Act and continue to apply older regulations by virtue of registration according to the new Insurance Business Act. During 2011, the Government commissioned a special enquiry to submit proposals relating to how the Solvency II directive will be implemented in Swedish law. For occupational pensions this enquiry proposes that a new institution be set up in Sweden – the occupational pensions institute, and proposes that regulations on occupational pensions business should be included in a new separate act. In conjunction with the conversion of the benevolent societies, the societies' current registration can be converted to one corresponding to a permit to conduct business for occupational pensions business for a transitional period until year-end 2015. Kåpan Pensioner awaits the Government's decision on the question of the proposed legislation for an occupational pensions institute.

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 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 both 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 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 company'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 2008:23). This means that provisions are market valued on the basis of current market interest rates for corresponding maturities as the obligations entered into. Life insurance provisions correspond to the estimated capital value of the society's obligations. The assumptions on future mortality, interest, operating expenses and tax are taken into account. 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 2011 were incapacitated reduced by any final payment premiums for them in 2012. The society's actuary calculates this provision. Change in provision for claims outstanding is shown in Note 21.

Reporting of 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

cont. next page

Note 1 cont.

net per asset class. Such changes that are explained by exchange rate fluctuations are recognised as an exchange gain or loss.

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 2012 are typically based on a value statement from the managers produced during the period 30 September 2012 – 30 November 2012.

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.

Perpetual debenture

According to the current pension agreement, the employer pays premiums to the society for every employee for occupational pension insurance. The size of the premium is regulated in the current pension agreement. Employers also pay a charge for employees who are included in a pension agreement but have not reached the age of 23 and therefore are not covered by premiums for complementary retirement pension (Kåpan Tjänste). According to the statutes these non-allocated charges accrue to the society as an interest-free perpetual debenture loan from the parties to the government agreement sphere.

NOTE 2 Disclosures about significant risks and uncertainties

Kåpan Pensioner's net 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 part of the operations of the insurance company. 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 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 for rule compliance. The Board has in special instruments within certain frameworks delegated responsibility for risk management to various other functions in the society, the President, the head of Asset Management 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 by far the largest. Another 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 means that members become older than assumed 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.

2012

Assumption	Change in assumption	Change in avsättning, Mkr
Life expectancy increase	20%	511
Cost inflation	20%	109
Discount rate	1% point	-5,382

2011

Assumption	Change in assumption	Change in avsättning, Mkr
Life expectancy increase	20%	491
Cost inflation	20%	164
Discount rate	1% point	-5,224

Management of interest rate risks in outstanding insurance obligations

The society's commitments 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 646m (7,238). In order to reduce the outstanding interest rate risk in obligations made, agreements for various types of interest rate hedges were 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 totalled SEK 6,100m (11,975). The change in value for interest rate hedges amounts to SEK -30m (740). The total earnings impact and negative effect on solvency thus amounted to SEK 676m (6,498)

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 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 52.7%. There is considerable uncertainty about which discounting method should be applied in future. The draft new rules obtained from work within the EU mean that today's method will probably be replaced by a combination of market interest rate and a fixed specified future interest rate. In 2012 the society changed its calculation method, compared with previous years, and calculates the interest rate risk coverage based on a model that uses market interest rate for the next 10 years and subsequently successive adjustment to a fixed macro rate of 4.2%. Adjustment after the 10-year point is calculated using a generally accepted calculation method, the Smith-Wilson technique.

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Note 2 cont.

Outstanding maturities on fixed-income assets and liabilities

2012	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	1,302	4,492	21,166	5,533	408	0	32,901	30,043
Interest derivatives	70						70	70
Liabilities								
Life insurance provisions	-1,444	-3,293	-3,482	-8,755	-42,474	-14	-59,462	-40,477
Cumulative exposure	-72	1,199	17,684	-3,222	-42,066	-14	-26,491	-10,364

2011	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	1,269	6,653	15,001	5,458	1,151	0	29,532	24,951
Interest derivatives	556						556	556
Liabilities								
Life insurance provisions	-1,288	-3,042	-3,304	-8,246	-41,065	-17	-56,962	-38,356
Cumulative exposure	537	3,611	11,697	-2,788	-39,914	-17	-26,874	-12,849

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. During the year the society commissioned an investment bank in order, in co-operation 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 insurance 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 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.

The total outstanding interest rate risk in the event of a 1 percentage point change in the discount rate amounts to SEK 3,818m (3,691).

Management of share equity risk

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 1,751m (1,518).

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Note 2 cont.

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 347m (360).

Management of currency risk

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 are 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 7.1% (8.7) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 12,916m (12,782). The total outstanding currency risk is estimated in the event of a change in exchange rates of 10 percentage points to amount to SEK 379m (371).

Breakdown of currency exposure by currency:

	2012	2011
USD	9.5%	10.3%
EUR	0.6%	1.2%
GBP	-1.7%	-1.0%
AUD	-0.6%	-0.9%
JPY	-0.1%	-0.7%
CHF	-0.3%	-0.1%
Other	-0.3%	-0.1%
	7.1%	8.7%

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 1,611m (2,163).

	Five largest exposures property companies 31 Dec 2012	31 Dec 2011
1.	2.44%	1.46%
2.	0.50%	0.82%
3.	0.40%	0.60%
4.	0.10%	0.50%
5.	0.00%	0.49%
Ratio*)	3.44%	3.87%

	Five largest exposures not credit institutions 31 Dec 2012	31 Dec 2011
1.	2.06%	1.93%
2.	1.73%	1.50%
3.	1.63%	1.27%
4.	1.62%	1.10%
5.	1.45%	0.85%
Ratio*)	8.49%	6.65%

	Five largest exposures credit institutions 31 Dec 2012	31 Dec 2011
1.	9.14%	8.45%
2.	8.17%	7.38%
3.	7.98%	7.26%
4.	7.92%	6.08%
5.	7.32%	5.29%
Ratio*)	40.53%	34.46%

	Five largest exposures secured bonds 31 Dec 2012	31 Dec 2011
1.	6.62%	5.50%
2.	5.93%	4.98%
3.	5.88%	4.58%
4.	5.37%	4.50%
5.	3.56%	2.69%
Ratio*)	27.36%	22.25%

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 $CR_m = \sum^m [s_i]$ 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:

2012 Creditworthiness	Of total assets	Maximum per counter-party	Of total assets	Largest counterparty exposure
Very high	50%	5.0% [1)]	36.5%	2.2%
High	25%	2.5% [2)]	9.0%	1.3%
Average	10%	1.0%	5.1%	0.9%
Low	5%	0.5%	4.1%	0.4% [3)]

2011 Creditworthiness	Of total assets	Maximum per counter-party	Of total assets	Largest counterparty exposure
Very high	50%	5.0% [1)]	33.1%	2.2%
High	25%	2.5% [2)]	8.7%	1.6%
Average	10%	1.0%	5.6%	0.8%
Low	5%	0.5%	3.6%	0.5% [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% which also comprises the upper limit for the total proportion of fixed-income instruments according to the decided strategic allocation of different asset classes.

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 34.74% (42.53).

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.

cont. next page

Note 2 cont.

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

Risk variable	Investment assets	Effect on life insurance provisions	Equity
Price fall on shares, 10%	-1,751	–	-1,751
Fall in value property-related, 10%	-347	–	-347
Doubled credit spread	-1,611	2,558	947
Exchange rate fall, 10%	-379	–	-379
Interest rate rise, 1%	-1,564	5,382	3,818

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

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 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 ten (ten) 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 on an ongoing basis.

NOTE 3 Premiums written

	2012	2011
Premiums written Kåpan Tjänste	1,905	1,825
Premiums written Kåpan Extra	732	640
Premiums written Kåpan Plus	96	102
Premiums written Kåpan retirement pension	1,202	1,143
	3,935	**3,710**

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

	2012	2011
Dividends received	460	347
Interest receivable		
Bonds and other fixed-income securities including bank balances and similar	1,134	1,066
Derivatives	19	27
Exchange gains, net	0	6
Capital gains, net		
Shares	266	0
Bonds and other fixed-income securities	179	0
Derivatives	665	535
	2,723	**1,981**

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

NOTE 5 Unrealised gains on investment assets

	2012	2011
Shares and participations	1,292	0
Bonds and other fixed-income securities	866	995
Derivatives	53	313
	2,211	**1,308**

NOTE 6 Claims paid

	2012	2011
Pension payments Kåpan Tjänste	-1,003	-872
Pension payments ITPK-P	-35	-31
Pension payments Kåpan Extra	-114	-90
Pension payments Kåpan Plus	-144	-129
	-1,296 [1]	**-1,122**

[1] In addition, SEK 260m (159) was paid in bonus in addition to the guaranteed rate.

NOTE 7 Operating expenses

	2012	2011
Administrative expenses	-67	-65
Cancelled costs attributable to asset management	23	22
	-44	**-43**
Specification of total operating expenses		
Staff costs	-23	-19
Premises	-2	-2
Depreciation	-4	-4
Other operating expenses	-15	-17
	-44	**-42**
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
4 (4)	6 (6)	10 (10)

Salaries and other remuneration (SEK 000s)	2012	2011
Council of Administration	145	244
Board and President	2,675	2,658
Other employees	9,302	9,069
of which variable compensation	580	275
Pensions and other social security contributions	9,676	8,744
of which pension costs	4,636	3,905
of which President's pension costs	1,195	1,094

Fees were paid to the Board as follows (SEK)

Ordinary members		
Göran Ekström, chairmanuntil 27 March 12	34,500	(120,000)
Ulf Bengtsson, chairman from 28 March 12	83,500	(0)
Lars Fresker, vice chairman	88,000	(91,000)
Edel Karlsson Håål	58,000	(63,000)
Monica Dahlbom	58,000	(35,000)
Sven-Olof Hellman	54,000	(59,000)
Gunnar Holmgren	54,000	(62,500)

Personal deputies		
Jonas Bergström	36,000	(35,000)
Eva Fagerberg	32,000	(19,000)
Mikael Andersson	34,000	(21,000)
Nils Henrik Schager	36,000	(49,000)
Helen Thornberg	34,000	(39,000)
Pia Enochsson	36,000	(32,000)

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 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 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 2,037,401 (1,987,390) was paid to the President. The President has a company car benefit. The President is permanently employed with a retirement age of 60. Pension will be paid from the age 60-65 of 70% of existing basic salary and a period of service of 20 years. Pension after the age of 65 will be paid according to the ITP Plan. The President is entitled to salary and benefits for 24 months after employment ceases due to termination on the part of the society. 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 decided by the Board's Remuneration Committee. The Remuneration Committee consists of Ulf Bengtsson, chairman, Lars Fresker, Edel Karlsson Håål and Sven-Olof Hellman. Decisions made by the Remuneration Committee are subsequently reported to the Board.

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

	2012	2011
Investment management charges	-5	-4
Operating expenses attributable to asset management	-23	-22
Interest expenses	0	0
Exchange losses, net	-2	0
Capital gains, net		
Shares and participations	0	-38
Bonds and other fixed-income securities	0	-229
	-30	**-293**

Costs are attributable to financial assets held for trading.

NOTE 9 Unrealised losses on investments

	2012	2011
Equities	0	-1,328
Bonds and other fixed-income securities	0	0
	0	**-1,328**

NOTE 10 Tax on returns

	2012	2011
Tax on returns	-180	-177
Adjustment of tax attributable to previous years	1	1
	-179	**-176**

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	2012	2011
Cost	66	66
Accumulated amortisation	-54	-51
	12	**15**

NOTE 12 Shares and participations

	2012		2011	
	Cost	Fair value	Cost	Fair value
Swedish equities	5,813	7,692	5,613	6,686
Foreign equities	14,258	13,994	13,772	13,022
	20,071	**21,686**	**19,385**	**19,708**

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

	2012		2011	
	Cost	Fair value	Cost	Fair value
Swedish government	0	0	0	0
Swedish mortgage institutions	13,125	13,599	9,994	10,308
Other Swedish issuers	12,377	12,945	10,807	10,958
Foreign governments	0	0	0	0
Other foreign issuers	3,547	3,499	4,021	3,685
Total	**29,049**	**30,043**	**24,822**	**24,951**
of which subordinated				
Dated subordinated debenture	1,473	1,479	1,724	1,573

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

A total of 9 (18) fixed-income investments corresponding to an estimated value of SEK 184m (320) were valued by a recognised international player. In the valuation the calculation assumptions were affected by the negative development of the global economy to the extent that the risk of suspension of payment in the underlying companies it was assessed that a total of approximately 15% of the underlying companies are expected to suspend payments in the next five years.

During 2012 interest payments from these investments were received amounting to SEK 76m.

NOTE 14 Derivatives

Currency derivatives	Nominal amount, SEKm	Book value positive	Book value negative
AUD	337	14	
CAD	309	6	
CHF	169		-2
EUR	1,398	24	
GBP	1,123	16	
JPY	516	31	
NOK	104		-1
USD	6,383	57	
Total currency related	**10,339**	**148**	**-3**
of which cleared		0	

Equity derivatives	Nominal amount, SEKm	Book value positive	Book value negative
Equity-related	2,487	40	
Total equity-related	**2,487**	**40**	
of which cleared		0	
Interest rate derivatives			
Interest rate swaps	6,344	64	
Total fixed-income related	**6,344**	**64**	
of which cleared		0	
Total, positive and negative		252	-3
Total amount		**249**	

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.

NOTE 15 Complementary information on financial instruments recognised at fair value

Investment assets divided among different types of financial instruments measured at fair value at 31 December 2012

2012

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	15,742	527	5,417	21,686
Bonds and other fixed-income securities	27,821	665	1,557	30,043
Derivatives – positive value	0	249	0	249
Total	**43,563**	**1,441**	**6,974**	**51,978**

2011

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	13,638	381	5,689	19,708
Bonds and other fixed-income securities	22,643	658	1,650	24,951
Derivatives – positive value	0	510	0	510
Total	**36,281**	**1,549**	**7,339**	**45,169**

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 shareholder loans as well as various credit instruments. Property-related investments are fund among shares and participations, property-related shareholder loans are found under bonds and securities.

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

Change in level 3 during the year

Investment assets	Shares and participations	Bonds and interest-bearing securities	Derivatives and options	Total
Opening balance	**5,689**	**1,650**	**0**	**7,339**
Purchases for the period	427	116	0	543
Sales for the period	-508	-208	0	-716
Changes in securities and currencies during the period	31	-164	0	-133
Changes in unrealised gains or losses due to changes in:				
Market value	-222	163	0	-59
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	**5,417**	**1,557**	**0**	**6,974**
Coupons and dividends during the period	217	164	0	381
Included in profit for the period				
– as part of carrying amount	26	163	0	189
– as part of other comprehensive income	0	0	0	0

cont. next page

Note 15 cont.

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.

In the event the market for a financial instrument is considered as inactive, as is the case for level 3, the society obtains the fair value by an objective valuation performed by an external, established and independent capital market player. A review of each individual investment's classification according to the fair value hierarchy is performed at least annually in conjunction with the annual closing. Changes of level are documented on an ongoing basis during the year together with the measurement basis for the instrument concerned. The annual review includes motivation for changed classifications during the year. A total review of all holdings is performed at each year-end.

No transfers between levels 1 and 2 to/from level 3 took place during the year.

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	32	0%	1,822	100%
Share price risk	1,273	20%	5,084	80%
Property risk	1,211	100%	3	0%
Credit risk	361	22%	1,250	78%
Currency risk	34	9%	345	91%
Correlation effect	-1,440	29%	- 3,534	71%
Total net risk	**1,471**	**23%**	**4,970**	**77%**

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 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. It is the remaining currency risk attributable to level 3 which is recognised here.

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 and instruments in levels 1 or 2, 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 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. 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. Hedge funds are subject to little or no regulation and can consequently utilise leverage and also assume investment strategies where illiquid financial instruments and derivatives can exist. Investments in hedge funds are regulated by limits (investment restrictions) and instructions adopted by the Board.

NOTE 16 Other receivables

	2012	2011
Tax asset	2	2
Non-cash sale investment assets	50	27
	52	**29**

NOTE 17 Property, plant and equipment

	2012	2011
Cost	4	3
Accumulated depreciation	-2	-2
	2	**1**

NOTE 18 Equity

Disclosures of changes in equity are provided in the Statement of changes in equity, page 15.

NOTE 19 Life insurance provisions

	2012	2011
Kåpan Tjänste	26,259	25,204
Kåpan Extra	4,173	3,671
Kåpan Plus	2,118	2,109
Kåpan retirement pension	7,913	7,355
Total	**40,463**	**38,339**

NOTE 20 Life insurance provisions

	2012	2011
Opening balance	**38,339**	**29,655**
Paid-in premium for new business	114	169
Paid-in premium for contracts signed in previous periods	3,822	3,540
Paid from/transferred to Provision for claims outstanding or liabilities	-1,297	-1,122
Risk result	8	-4
Indexation with discount rate	926	1,085
Effect of changed discount rate	646	7,238
Allocated bonus	6	0
Charges	-60	-67
Tax on returns	-89	-139
Portfolio taken over/transferred	0	0
Effect of (other) changed actuarial assumptions	-283	-855
Other changes	-1,669	-1,161
Closing balance	**40,463**	**38,339**

NOTE 21 Provision for claims outstanding

	2012	2011
Opening balance, reported claims	16	17
Opening balance, claims not yet reported	1	1
Opening balance	**17**	**18**
Revaluation with discount rate	0	1
Tax on returns	0	0
Charges	0	0
Cost of claims incurred in current year	0	1
Paid from/transferred to insurance liabilities or other current liabilities	-3	-4
Change of anticipated cost of claims incurred in previous year (run-off result)	-1	-1
Effect of changed discount rate	0	1
Effect of (other) changed actuarial assumptions	0	0
Change in claims not yet reported	0	0
Other changes	1	1
Closing balance	**14**	**17**
Closing balance, reported claims	14	16
Closing balance, claims not yet reported	0	1

NOTE 22 Other liabilities

	2012	2011
Other	5	20
	5	**20**

NOTE 23 Pledged assets and commitments

Pledged assets
Derivative transactions are made either via a recognised clearing institution or with counterparties with good creditworthiness under an ISDA agreement. The derivatives 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, in the form of bank deposits corresponding to SEK 0m (192) (memorandum items).

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 2012 to SEK 16,683m (19,792), 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 1,144m (2,249) in accordance with current agreements.

Total commitments thus amount to SEK 17,827m (22,041).

NOTE 24 Anticipated recovery dates

2012

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	12	12
Shares and participations	0	21,686	21,686
Bonds and other fixed-income securities	250	29,793	30,043
Derivatives	249	0	249
Other receivables	52	0	52
Property, plant and equipment	0	2	2
Cash and bank balances	1,191	0	1,191
Accrued interest income	455	0	455
Other prepaid expenses and accrued income	3	0	3
	2,200	**51,493**	**53,693**
Liabilities			
Life insurance provisions	1,444	39,019	40,463
Provisions for claims outstanding	14	0	14
Provision for other risks and expenses	11	0	12
Other liabilities	5	0	5
Accrued expenses and deferred income	2	0	2
	1,476	**39,019**	**40,495**

2011

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	15	15
Shares and participations	0	19,708	19,708
Bonds and other fixed-income securities	243	24,708	24,951
Derivatives	510	0	510
Other receivables	29	0	29
Property, plant and equipment	0	1	1
Cash and bank balances	1,015	0	1,015
Accrued interest income	394	0	394
Other prepaid expenses and accrued income	4	0	4
	2,195	**44,432**	**46,627**
Liabilities			
Life insurance provisions	1,265	37,074	38,339
Provisions for claims outstanding	17	0	17
Provision for other risks and expenses	12	0	12
Other liabilities	20	0	20
Accrued expenses and deferred income	2	0	2
	1,316	**37,074**	**38,390**

NOTE 25 Category and fair value of financial assets and liabilities

2012

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	21,686	–	–	21,686	20,071
Bonds and other fixed-income securities	30,043	–	–	30,043	29,049
Derivatives	–	249	–	249	0
Other receivables	–	–	–	52	52
Cash and bank balances	–	–	1,191	1,191	1,191
Accrued interest income	455	–	–	455	455
Other prepaid expenses and accrued income	–	–	–	3	3
Non-financial assets	–	–	–	14	14
Total	52,184	249	1,191	53,693	50,835

SEKm	Financial liabilities at fair value through profit or loss: Liabilities assessed as belonging to 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
Other liabilities	–	–	5	5
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	40,477
Total	–	–	22	40,495

2011

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	19,708	–	–	19,708	19,385
Bonds and other fixed-income securities	24,951	–	–	24,951	24,822
Derivatives	–	510	–	510	0
Other receivables	–	–	–	29	29
Cash and bank balances	–	–	1,015	1,015	1,015
Accrued interest income	394	–	–	394	394
Other prepaid expenses and accrued income	–	–	–	4	4
Non-financial assets	–	–	–	16	16
Total	45,053	510	1,015	46,627	45,665

SEKm	Financial liabilities at fair value through profit or loss: Liabilities assessed as belonging to 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	–	–	–	12
Other liabilities	–	–	20	20
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	38,356
Total	–	–	22	38,390

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 2013

Ulf Bengtsson
Chairman

Lars Fresker
Vice Chairman

Sven-Olof Hellman

Nils Gunnar Holmgren

Edel Karlsson Håål

Monica Dahlbom

Gunnar Balsvik
President

Our audit report was submitted on 19 February 2013

Anders Malmeby
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 2012.

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 2012, 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 2013

Anders Malmeby
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, National Defence Radio Centre		Magnus Lundström, National Defence Radio Centre	
Peter Brodd, Public Prosecutor		Margareta Sandberg, Swedish Prison and Probation Service	
Per-Olof Stålesjö, Swedish Armed Forces		Anette Ekström, Swedish Public Employment Service	
Kajsa Möller, Swedish Tax Agency		Lars-Åke Brattlund, Swedish Social Insurance Agency	
Claes Vallin, The Swedish National Grid		Christina Burlin, Swedish Maritime Administration	
Per Bergdahl, The Swedish National Agency for Education		Lena Darås, Swedish National Agency for Higher Vocational Education	
Anna Cedemar, National Archives		Dan Jacobsson, National Museum of Science & Technology Foundation	
Louise Bodegård, MSB	until 27 Mar 12	Mats Engelbrektson, The Government Offices	until 27 Mar 12
Mats Engelbrektson, The Government Offices	from 28 Mar 12	Tatjana Mineur, County Administrative Board of Södermanland	from 28 Mar 12
Hans Wallin, Swedish Board of Agriculture		Kristin Lindgren, Swedish Environmental Protection Agency	
Lotta Liljegren, The National Board of Forensic Medicine		Douglas Boldt, Data Inspection Board	
Ann Fust, Uppsala University		Marie Högström, Stockholms University	
Ingegerd Olofsson,Luleå University of Technology		Ann-Charlotte Jensen, Södertörn University	
Håkan Pallin, National Veterinary Institute		Pamela Lund Bergström, PRV	until 27 Mar 12
		Torbjörn Lindström, Statistics Sweden	from 28 Mar 12
Karl Pfeifer, Swedish Agency for Government Employers		Carl Durling, Swedish Agency for Government Employers	until 27 Mar 12
		Matilda Nyström Arnek, Swedish Agency for Government Employers	from 28 Mar 12

Appointed by trade unions

Members		Personal Deputies	
Peter Lennartsson, OFR		Lars Hedin, OFR	
Annette Carnhede, OFR		Siv Norlin, OFR	
Tom Johnson, OFR		Britta Unneby, OFR	
Håkan Sparr, OFR		Fredrik Mandelin, OFR	
Bengt Sundberg, OFR		Björn Hartvigsson, OFR	
Meeri Wasberg, 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		Mats Rubarth, Saco-S	until 27 Mar 12
		Robert Andersson, Saco-S	from 28 Mar 12
Ronny Norman, Saco-S	until 27 Mar 12	Karen Gott, Saco-S	until 27 Mar 12
Carolina Gomez Lagerlöf, Saco-S	from 28 Mar 12	Hans Norinder, Saco-S	from 28 Mar 12
Hans Lindgren, Saco-S		Peter Henriksson, Saco-S	

Board of Directors

Employer representatives

Members		Personal Deputies
Göran Ekström, Swedish Agency for Government Employers, Chairman	until 27 Mar 12	
Ulf Bengtsson, Swedish Agency for Government Employers, Chairman	from 28 Mar 12	Jonas Bergström, Swedish Agency for Government Employers
Monica Dahlbom, Swedish Agency for Government Employers		Nils Henrik Schager, Swedish Agency for Government Employers
Gunnar Holmgren, FMV		Pia Enochsson, Swedish National Agency for Higher Vocational Education

Trade union representatives

Members	Personal Deputies
Lars Fresker, OFR, Deputy Chairman	Eva Fagerberg, OFR
Edel Karlsson Håål, Saco-S	Mikael Andersson, Saco-S
Sven-Olof Hellman, SEKO	Helen Thornberg, SEKO

Auditors

Auditors	Deputy Auditors, Personal	
Anders Malmeby, Authorised public accountant	Gunilla Wernelind, Authorised public accountant	
Eva Lindquist, Saco-S	Gunilla Hellström, OFR	
Gunnar Larsson, Swedish Consumer Agency	Lars Nylén, Swedish Prison and Probation Service	until 03 Jun 12
	Eva Liedström Adler, Swedish Enforcement Authority	from 04 Jun 12

Definitions

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

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

Capital base
The difference between the company' assets (minus financial liabilities and untaxed reserves) and technical provisions.

Collective funding ratio
Specifies the relation between the fair value of the society's assets and the society's total commitments in the form of insurance capital to members. In the annual report in some cases the term funding ratio is used as an abbreviated form of the relation described above.

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

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

Fair value
Is the amount at which an asset could be transferred or a liability settled, between qualified parties who are independent of each other and who have an interest in the transaction being carried out.

Funding capital
The society's equity including surplus values in investment assets.

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

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

Interest rate cover ratio
The obligations of the society comprise to a dominant extent fixed guaranteed interest on paid-in premiums. The outstanding interest rate risks in commitments made is balanced by a corresponding risk in outstanding fixed-income investments and interest rate derivatives. The society measures the total outstanding interest rate risk using the metric interest rate cover ratio which indicates how large a portion of interest rate on the liability side including interest rate derivatives is covered by fixed-income investments (see Note 2, page 19).

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

Required solvency margin
A minimum requirement for the size of the capital base. The solvency margin is decided, to put it simply, as certain percentages of both technical provisions and the company's insurance risks.

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

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

Total return
The society's total asset management result, i.e. the sum of changes realised and unrealised changes in value of investments and direct yield received. The return calculation does not include changes in value of outstanding insurance obligations.

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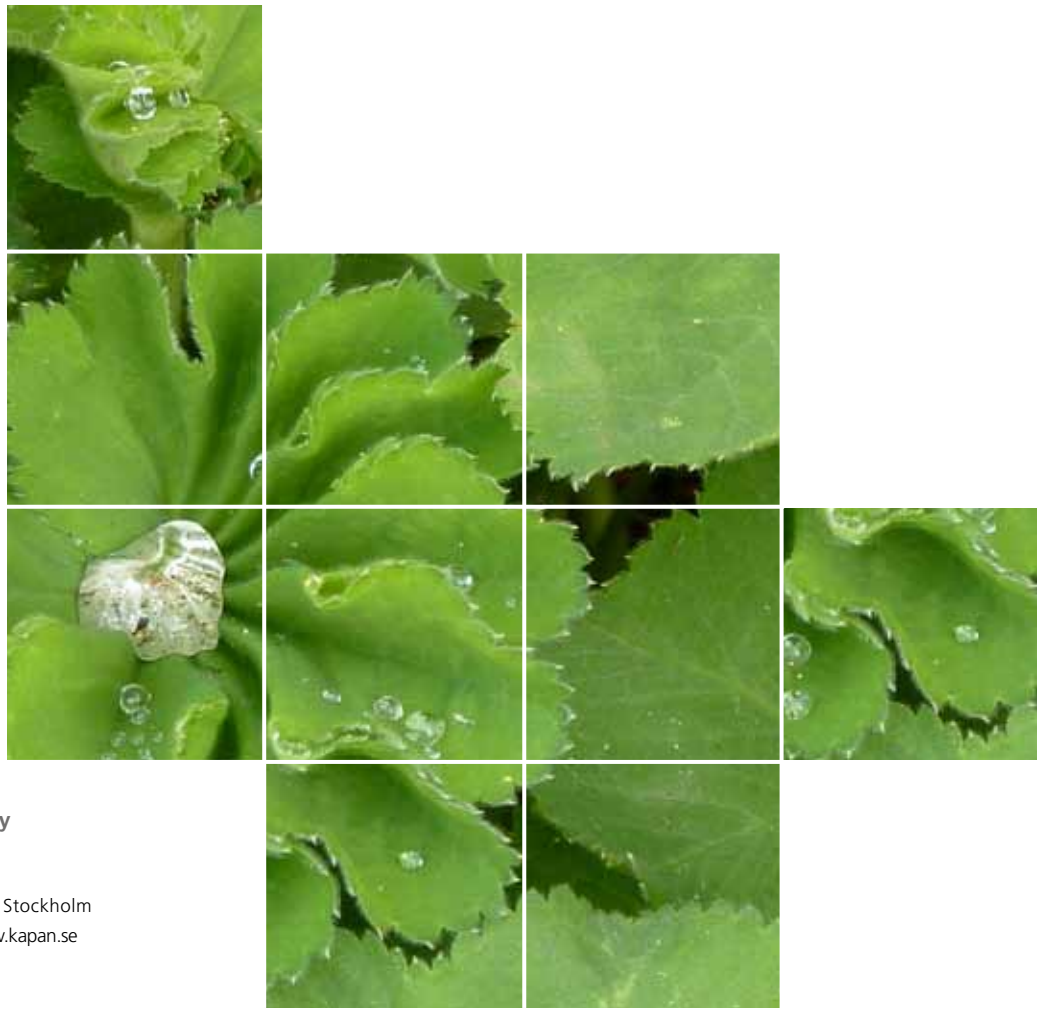

KÅPAN
PENSIONER

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