



alecta

Annual Report 2013

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Figures in parentheses refer to the corresponding period during the previous year, unless stated otherwise.

This document is a translation of the Swedish original. While every effort is made to ensure the accuracy of the translation, portions may be incorrect. In the event of any discrepancies between this version and the Swedish original, the Swedish original shall prevail.

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Alecta has been an occupational pensions specialist since 1917. Our task is to provide collectively agreed occupational pensions with as large value as possible for both our corporate clients and our private customers. We do this through good returns, good customer service and low costs. We manage approximately SEK 600 billion on behalf of our owners, of whom two million are private customers and 33,000 are corporate clients.



# Alecta – the year in brief

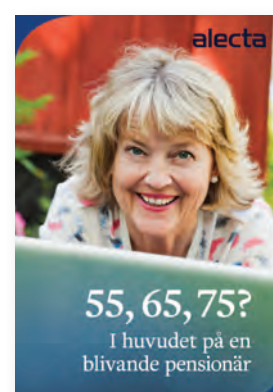
FIGURES FOR THE YEAR IN BRIEF – THE GROUP	2013	2012
Premiums written, MSEK	25,059	25,217
Claims incurred, MSEK	-17,330	-15,583
Assets under management, MSEK	602,266	545,719
Total return, defined contribution insurance (Alecta Optimal Pension), %	17.3	16.8
Total return, defined benefit insurance, %	9.8	11.2
Management expense ratio for pension products, excluding selection centre costs	0.08	0.08
Collective funding ratio, defined benefit insurance, %	148	129
Collective funding ratio, defined contribution insurance, %	100	100
Solvency level, %	170	144

- ➔ Alecta was selected as the default company for defined contribution retirement pensions within ITP for the following five years. In conjunction with the procurement, the winning product, Alecta Optimal Pension, was further improved.
- ➔ Return on defined contribution insurance, Alecta Optimal Pension, amounted to 17.3 percent. The average annual return for the previous five years had been 12.1 percent, 4.6 percentage points higher than the comparable index.
- ➔ Return on Alecta's defined benefit insurance amounted to 9.8 percent. The average annual return for the previous five years had been 8.1 percent.
- ➔ Alecta's financial position strengthened significantly during the year as a result of an increased value of assets and higher long-term market interest rates. The solvency level increased by 26 percentage points and amounted, at the end of the year, to 170 percent.
- ➔ Management expense ratio remained low at 0.08 percent for pension products, excluding selection centre costs.
- ➔ Premiums written amounted to 25.1 (25.2) billion. In 2013, rebates in the form of premium reductions for risk insurance was provided at 50 percent.
- ➔ A new discount rate model, applied in the calculation of technical provisions, was introduced during the year. The change implied that technical provisions increased by 9.5 billion, and the solvency level was reduced by almost 5 percentage points.
- ➔ Alecta pays taxes in both Sweden and abroad. The total amount of income tax and yield tax to be paid in Sweden for 2013 has been calculated at almost MSEK 800. Alecta also pays other taxes, for example, property tax.
- ➔ Alecta presented the report "55, 65 or 75? In the minds of future retirees" which showed, for example, that many people delay their retirement or choose to limit the time for withdrawing their pensions. The norm of retiring with a life-long pension at the age of 65 is slowly, but surely, disappearing.

## From the report:

**"You have to read up on this and follow things yourself, but the problem is that one doesn't have the energy nor sufficient knowledge so the results are not so good."**

MAN, FACING RETIREMENT



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# Comments from our CEO: A year to be happy about

During 2013, Alecta was the company providing pension savers with the absolute best return and we continue to have a level of cost effectiveness which is world class. Furthermore, during 2013, Alecta was selected to serve in the important role as default provider in ITP for a five year period, that is, up until 2018.

## Stock exchange upswing when faith in the future and risk appetite return

During 2013, the capital markets were characterised by a rising degree of optimism about the economic climate and by expansive central banks. Growth outlooks successively improved during the year, the Euro crisis wound down and even Japan recaptured a positive view of the future. It was a strong year for the majority of the risk assets, not the least, as regards shares. The central banks continued to experiment with new methods to stimulate growth and decrease the risk of falling prices and, up until now, they appear to have succeeded. The course of events in the financial markets during recent years has been unique. Whether there will be any price to pay in the future for the strong stimulus measures is, at the moment, difficult to assess. For our customers, Alecta's financial strength means that we can act largely unrestricted and have the resistance to meet a variety of future scenarios.

## Another strong year for Alecta's customers

2013 was yet another good year for Alecta's customers. On the year's final stock exchange trading day our managed funds broke through the SEK 600 billion mark. The return on the pension capital we manage came in at the very top

level amongst life insurance companies, and we continue to be the industry's toughest price competitor.

In Alecta Optimal Pension, the return surpasses the 2012 strong level of 16.8 percent, and reached all of 17.3 percent during 2013, in other words, best in class. In Alecta Optimal Pension, the saver's pension capital and, thereby, the future pension benefits, are impacted directly by the yield, after deduction for our (low) operating costs. The yield on pension savings should, of course, be evaluated over periods stretching over a number of years. In the most recent five year period, the yield in Alecta Optimal Pension was, on average, slightly more than 12 percent. The size of the yield plays a major role in terms of the amount of pension one will receive one lovely day in the future. One hundred krona in Alecta Optimal Pension in 2008 has grown to SEK 177 in 2013 or, if one considers inflation, to SEK 168.

Within ITP, Alecta also has the assignment to manage health and life insurance and the defined benefit pensions, which account for the majority of the capital we manage. In the defined benefit pensions, the size of the pension is determined by the salary and period of service. The benefit is guaranteed in a nominal amount at point of retirement. An important goal for Alecta is to ensure the value of ITP benefits in order to compensate for inflation. This has been the case ever since the initiation of the ITP plan in 1960. By way of prudence, the securing the value of the benefits can be delayed whilst waiting for a more stable financial environment. During the recent years of financial concern, Alecta waited with hedging the so-called adjusted paid up policies, that is, pensions which had been earned but had not yet begun to be paid out. The complete revaluation of adjusted paid up policies took place on 1 January 2014 through slightly more than SEK 7 billion in rebates being distributed to the insured.

Alecta's operations are notably long-term in nature. We have the role to secure the capability to pay out lifetime pensions for today's young insured far into the next century. During 2013, we took even further consideration of the increasingly longer lifetimes of the young insured by strengthening our provisions in our balance sheet by SEK 10 billion. In addition, our capability of hedging defined benefit ITP far into the future is based on the fact that Alecta is sufficiently



“ Fees play a major role, more than many believe. During a working life one percentage point in higher fees reduces the entire occupational pension by a fifth.



well consolidated. At the same time, we will not retain more capital than necessary to sustain our ability to meet our commitments, but will be prepared to adapt the premiums for defined benefit ITP when there is room to do so.

### Appointed default provider in the ITP check-the-box alternative

Ever since Alecta was appointed to serve as default provider in the first procurement for defined contribution ITP in 2007, an overriding goal for us has been to secure Collectum's continued confidence during a further agreement period. On 28 February 2013, Collectum informed that Alecta had been selected as default provider up until 2018. Collectum's overall assessment was that Alecta had the best product with the lowest fees and best capacity to create high pension benefits.

Fees play a major role, more than many believe. During a working life, one percentage point in higher fees reduces the entire occupational pension by a fifth. In conjunction with the new agreement, the Alecta Optimal Pension was further improved. One innovation which Alecta launched is a fee ceiling, implying that no one needs to pay more than SEK 75 per month in insurance fees. Up to this ceiling, the fee is 0.10 percent of the capital amount. An individual who has defined contribution ITP usually reaches the ceiling level in their 50's. With products which are not negotiated, the equivalent fees can be thousands of krona per month. The fee ceiling implies that our insured automatically receive a portion of Alecta's economies of scale in pace with the growth of their capital. Other innovative product improvements strengthen the pension security of our insured during the payment phase.

### The Swedish model decreases fees by billions of krona

The Swedish model, with collectively agreed upon occupational pensions, is probably one of the world's smartest systems for securing the important employment benefits provided by occupational pensions. In countries such as the US, Great Britain and Australia, the same problems which the Swedish collective agreements have already solved are still being debated: low level of participation, high fees, lack of good alternatives and difficulties in comparing alternatives.

In Sweden we have, in a number of major collective agreement areas, a high level of participation, price pressed products, well-functioning right of transfer, competitive alternatives

and the ability to obtain an overview of pension benefits. Still, often our collective pension agreements are criticised. Some people want to throw out the successes and push development back to the, for the finance industry, golden era when the opening of the ten income base amounts created a paradise in terms of commissions and high cost products. Today, on the collectively agreed alternative platforms savers avoid paying billions in unnecessary fees each year, billions which should, instead, contribute to the value of the occupational pension.

A pleasing trend is that the media coverage of the pension market is, increasingly, addressing actual central consumer issues, for example, the value of having low fees, the need for strong consumer protection, freedom from the requirement to make a choice, that economies of scale do not always benefit the customers and that simulated active fund management shouldn't cost just any amount, whatsoever.

### We think in terms of sustainability

Sustainability is a natural component in managing pensions in a responsible manner. We have had sustainable pensions as a business concept during almost 100 years. Investing pension capital sustainably is a part of our daily operations. As a reply to the increasing interest in how we work with sustainability, we have, since last year, expanded the information provided on both our home page and, here, in our annual report. A part of our sustainability is also to be there when our customers need us - whether they have been aware of their insurance protection or not. We provide a benefit to society when we execute our assignment: to provide economic security for two million insured through making occupational pensions, the most valuable employment benefit, even more valuable.

*Finally, I would like to thank all of the fantastic personnel in Alecta who, with a large degree of engagement, are behind the excellent results we achieved for our customers in 2013!*

Staffan Grefbäck  
Chief Executive Officer

# This is Alecta

Alecta is a mutual life insurance company, which means that we are owned by our customers. Alecta's task is to ensure that the occupational pensions negotiated by the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Council for Negotiation and Co-operation (PTK) maintain the highest possible value for both employers and employees.

## History

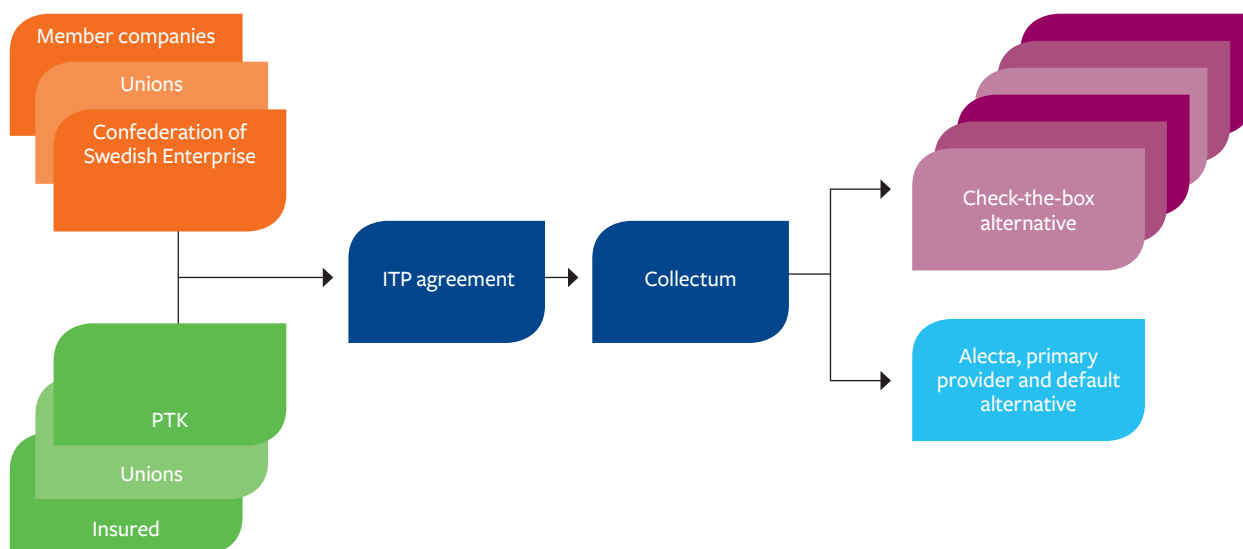
In the past, it was usual that employees lost all of their pension entitlement when they started a new job. When Alecta was founded in 1917, occupational pensions became transferable, in other words, the employees retained the right to the earned pension benefits even when their employment ceased. This made it easier for employees to change employment and also helped companies to attract competent personnel. We were first called Sveriges Privatanställdas Pensionskassa, SPP, and it was under this name that we, in 1960, were assigned the task of managing the ITP plan. In 2001, we changed our name to Alecta. A little more than half a century after our first ITP assignment, Alecta is still entrusted to serve as the primary provider of ITP, a task that could be considered the most prestigious role on the Swedish pensions market.

## ITP is our main focus

Alecta is an ITP specialist and the main provider within the ITP plan. Of our two million customers, a total of 99 percent fall under ITP. We only operate in other areas related to collective agreements if we know this will benefit our ITP customers. The higher the number of individuals involved in the plan and in sharing the expenses, the more we are able to reduce our already low fees. In this way, all of our customers benefit.

ITP constitutes a large and significant part of the Swedish pensions market and Alecta holds a market share of approximately fifty percent of total premiums. We are the main provider of defined benefit retirement pensions in ITP 2, we are the default alternative within defined contribution pensions in ITP 1, and within the risk insurance sector, we are the sole provider.

## VALUE-CREATING OCCUPATIONAL PENSIONS



Through ITP, the contracting parties guarantee efficiency, low expenses, excellent returns, right of transfer and freedom of choice for pension savers.

**Alecta's business concept:**

Our task is to provide collectively agreed occupational pensions with as large a value as possible for both our corporate clients and our private customers.

**Alecta's vision:**

The world's most efficient occupational pension company.

**Our business concept**

Our customers have assigned us a task which is, in essence, rather straightforward: we are to provide collectively agreed occupational pensions with as large a value as possible.

We provide our private customers with financial security during and after their working lives. For our corporate clients, who pay for their employees' occupational pension benefits, we offer a cost-effective pension solution. Like many other companies, putting our customers first is the basis for our success. And this is what we have been doing since 1917. The key element is the fact that we are a mutual life insurance company, that is, we are owned by our 33,000 corporate clients and two million private customers.

**Our vision**

Our vision is ambitious: to be the world's most efficient occupational pension company.

With more than two million customers and assets under management of SEK 600 billion, we can achieve benefits from economies of scale and also, for this reason, it is important that we manage these assets to the best of our ability. We conduct benchmark studies on an annual basis in order to ensure our efficiency and competitiveness in a wide range of areas. In certain cases, it is natural that we compare ourselves with other Swedish pension companies. However, in other areas, we have to look further afield to find the tough level of competition we need to achieve meaningful comparisons. An example of the latter is cost-effectiveness, where we measure ourselves against global leaders, and we are proud to state that we are, in fact, world-class.

**A different kind of pension company**

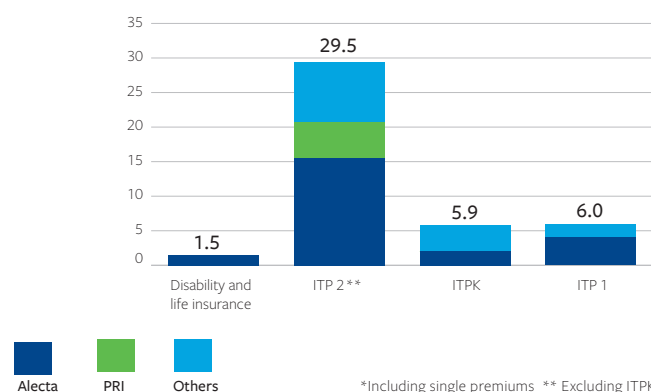
We are a different kind of pension company. We have decided to go our own way by specialising in ITP and by having a small number of products. We avoid any form of unnecessary complexity which could add no real benefit, while at the same time ensuring that we leverage our economies of scale. We do not sell funds, nor do we pay commission; we do not have a sales team or an expensive branch network. We only deal with collectively agreed occupational pensions and with traditional insurance distributed via selection

centres. By avoiding middle-men and cutting down on these additional expenses, we can deliver more value to our customers, in line with our business concept. We may well offer the lowest fees in our sector.

By basing our operations on what our customers need, as well as by working with efficient systems, challenging benchmarking and by undertaking improvements on a continual basis, we create the foundations for excellent customer service and world-class cost-effectiveness. Consequently, we are able to achieve a competitive return on capital.



ITP MARKET 2013, VOLUME OF PREMIUMS 43 BILLION\*





## Our goals

We are a customer-owned and highly specialised pension company. Consequently, our goals naturally include:

- **Secure and satisfied customers.** For our customers to feel secure and satisfied, it is crucial for Alecta to enjoy a good reputation in society and for those customers who contact us to receive excellent customer service. Our customers must be able to trust us. Through long-term thinking, consideration and expertise, we ensure that our customers feel secure with Alecta and stay with us as customers. We constantly canvas our customers' opinions on our services and our customer care.
- **High cost-effectiveness.** By maintaining our cost consciousness and utilising the opportunities provided by our focused operations and economies of scale, we are able to achieve the lowest cost level in our sector and, consequently, deliver added value to our customers. We measure our cost-effectiveness against the best in the world on an on-going basis.
- **Excellent return and strong financial position.** The overall return target for the defined benefit plan is to consistently succeed in our ambition to secure the value of pension commitments. Within the current regulatory framework, a sustainable, positive return is only possible with a financial position strong enough to enable investments in moderately-valued risk assets. The goal for the defined contribution plan, which is characterised by more financial freedom and for which returns carry a greater significance in terms of the future level of pensions, is to achieve excellent, real returns which compare favourably with alternatives exposed to similar levels of financial risk.

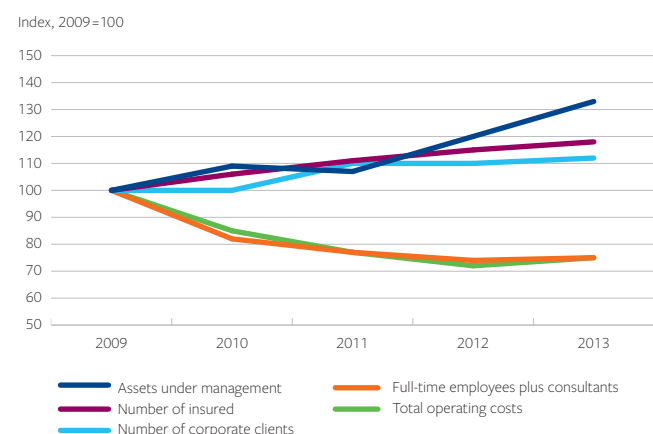
## Our owners, our customers

We have no shareholders to whom the Company's profits are distributed. Instead, we are owned by our customers, all of whom have a legitimate interest in making sure that we do the best job we can. This applies regardless of whether they are private customers saving for their pensions, those with paid-up policies or retirees receiving their pension, or whether they are companies paying premiums for their employees' occupational pensions.

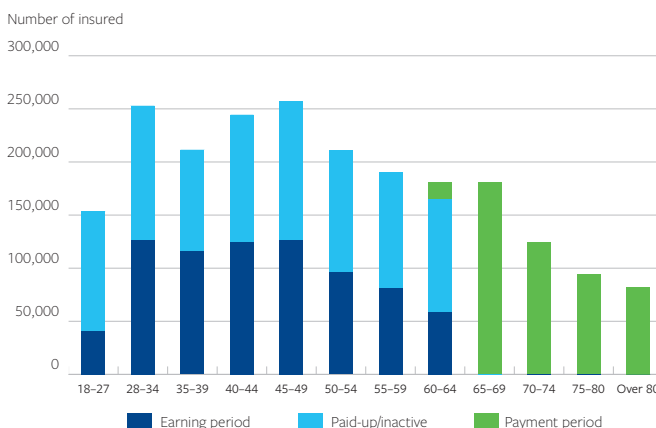
In 2013, we answered approximately 180,000 queries from private customers and corporate clients via telephone, e-mail, and on [alecta.se](http://alecta.se). During the same period, over 390,000 people visited and over 187,000 people logged into our website. Our goal is to be accessible and provide good service in our interaction with our customers, regardless of how they choose to contact us.

Many of our private customers are uncertain about what they can expect when they retire or fall ill. Information on the benefits they receive through their occupational pension is, therefore, important and also provides a feeling of security. In order to avoid any such uncertainty, Alecta disseminates information through, for example, letters, via our website and telephone services, as well as by training employers and occupational representatives. On the section of Alecta's website for registered users, there is also a direct link to [minpension.se](http://minpension.se). In this manner, we help people to build up a complete understanding of their pension.

DEVELOPMENT OF KEY PERFORMANCE INDICATORS IN ALECTA



NUMBER OF INSURED PER AGE GROUP AND CATEGORY





The majority of our corporate clients have employees within both the defined benefit and defined contribution ITP plans. In order to be able to inform their employees about the benefits associated with occupational pensions, companies need access to competent support and useful information tools. Alecta has created various tools for providing information about occupational pensions which can be accessed at alecta.se. Furthermore, employers naturally express an interest in the fact that, as a result of well managed assets and effective administration, Alecta is able to provide the defined benefit pension at as low premiums as possible.

### Alecta means a lot to a lot of people

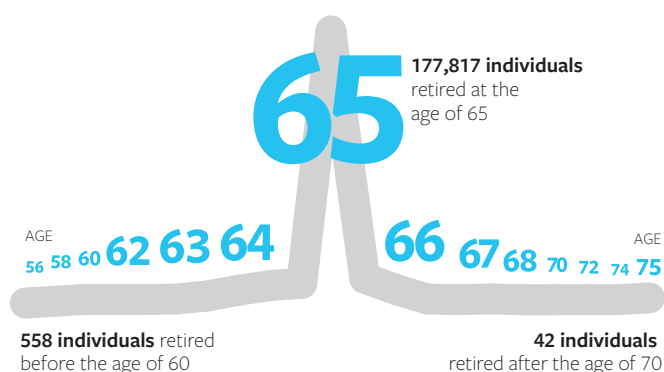
The ITP occupational pension includes retirement pension, disability pension, waiver of premium and survivors cover. In 2013, we paid out a total of SEK 17.6 billion to our customers. In addition, instead of employers, the waiver of premium insurance paid a total of SEK 1.5 million for cases of illness. During the year, 38,325 of Alecta's private customers entered into retirement.

#### BENEFITS PAID TO CUSTOMERS DURING 2013 <sup>1)</sup>

Retirement pension	
Number of insured	Benefits paid in SEK
485,000	14,770,000,000
Survivors cover	
Number of insured	Benefits paid in SEK
59,000	1,551,000,000
Disability compensation	
Number of insured	Benefits paid in SEK
34,000	1,274,000,000

<sup>1)</sup> Amounts include paid rebates

#### RETIREMENTS 2008–2013 AMOUNT PLUS/MINUS 6 MONTHS



### How and when our customers receive their pension

Pension saving is about saving, investing, protecting and, finally, receiving the pension. A great deal of attention has been paid to finding the best ways to ensure the growth of pension capital.

Something which is often forgotten about, but which could potentially have an even greater significance for a person's future economy, is the other types of decision a person has to make regarding their pension and retirement. One such decision is the extremely important choice of how and when to retire. In June 2013, Alecta published a report on this topic, presenting the manner in which Alecta's newly retired customers had chosen to retire. More and more people decide to postpone retirement or to limit the period for receiving their pension. The norm of retiring for a life-long pension at the age of 65 is slowly but surely disappearing.

### Alecta's organisation and employees

In Alecta, the influence of the owners, or customers, is exercised through the Council of Administration, which can be compared to a general meeting of shareholders. Members of the Council of Administration are appointed by the Confederation of Swedish Enterprise, Unionen, the Association of Managerial and Professional Staff (Ledarna), the Swedish Association of Graduate Engineers and the Council for Negotiation and Co-operation, PTK. The Council of Administration appoints the members of Alecta's Board of Directors and the Company's auditors. The presence of our customers in strong interest groups creates the preconditions for genuine, effective customer influence. Information on the Board of Directors' responsibilities and working methods can be found on page 90, and information on the Council of Administration can be found on page 91.



Alecta has a function-based organisation. The largest functions include Customer Communication, Customer Administration, IT and Investment Management. In addition, there are staff functions, specialist functions and product functions. The independent control functions have been grouped into the Risk and Internal Audit departments.

### Our employees

Working at Alecta involves a large degree of individual responsibility in an environment characterised by high levels of competence and co-operation. Our work is guided by our core values: reliability, simplicity, efficiency, openness, respect and engagement. We put our customer first and always strive to be simple, cost-conscious and aware of ways to improve. Alecta is a workplace with an excellent working environment which promotes equality and diversity. We believe that active employee involvement results in a corporate culture which fosters success.

We encourage internal mobility as a means to broaden employees' skills and expertise.

Alecta has, for many years, had a strong focus on health and the working environment. We work proactively, offering all employees a number of benefits, including a fitness subsidy and the opportunity to take part in physical exercise during working hours. The Company's social club, established in 1935, offers a number of leisure activities.

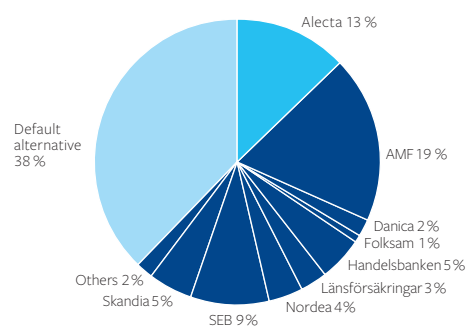
## The occupational pensions market

The total value of the occupational pensions market (premium pension, occupational pension and private pension savings) amounted to approximately SEK 267 (245) billion in premiums in 2013. The total market is comprised of pension insurance funds and endowment insurance, as well as pension commitments secured by means other than funding.

The occupational pensions market represents the largest sub-section of the total pensions market, and amounted to SEK 174 (164) billion in premiums. A total of 75 percent of the occupational pensions market is secured through insurance in life insurance companies or pension societies. The majority of these occupational pensions refer to defined contribution insurance. ITP 2 is the largest of the defined benefit insurance schemes.



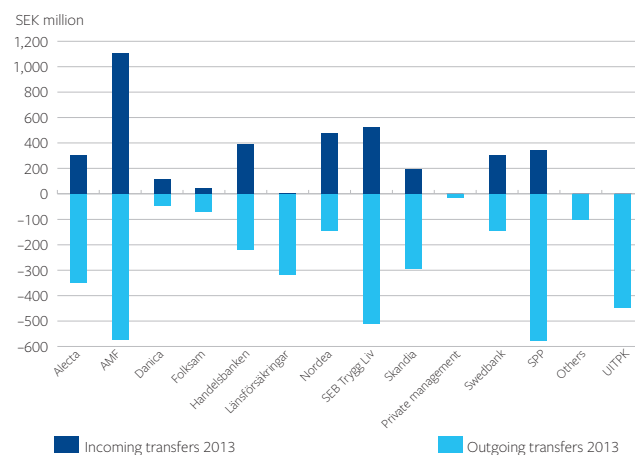
ITP CHECK-THE-BOX SUB-MARKET 2013, SHARE OF PREMIUMS



Source: Collectum's monthly statistics

TRANSFERRED INSURANCE CAPITAL WITHIN ITP 2013: SEK 3,795 billion

Source: Collectum's monthly statistics



The remaining 25 percent of the occupational pensions market is secured through means other than through life insurance companies. This portion amounted to approximately SEK 40 (42) billion in premiums, when calculated as if the pension liabilities had, instead, been secured through life insurance. This pertains primarily to occupational pensions for public sector employees. In the private sector, the equivalent is, primarily ITP 2 under private management.

### **Alecta is a specialist within ITP**

Unlike other life insurance companies that invest in a broad market presence, Alecta's strategy implies a clear focus on the ITP sub-market. ITP constitutes 25 percent of the occupational pensions market, corresponding to SEK 43 billion in premiums paid. Alecta is the primary provider, and our share of premiums paid within ITP was 54 percent in 2013.

Of the total of SEK 24 billion paid to Alecta, SEK 22 billion comprised of premiums for savings insurance policies and SEK 2 billion for risk insurance policies. The total premium income of approximately SEK 25 billion also includes the value of any premium reductions, adjustments of paid-up values and transferred insurance capital. ITP corresponded to 97 percent of total premium income for Alecta.

Of the premiums for savings insurance policies, approximately 70 (75) percent referred to the defined benefit retirement and family pension in ITP 2, while the defined contribution product, Alecta Optimal Pension, accounted for 30 (25) percent of total savings premiums paid to Alecta, primarily within the check-the-box sub-market ITP 1 and ITPK.

### **The ITP check-the-box sub-market**

At the end of the year, ITP 1 and ITPK covered just over 840,000 (800,000) salaried employees in the private sector who are able to choose which company administers their pension premiums. In 2013, the premium volume amounted to SEK 11.9 (11.0) billion. Whilst ITPK decreases with each retiring generation, ITP 1 grows through younger generations. In 2013, ITP 1 had an average of 232,000 (202,000) insured and a premium volume of approximately SEK 6.0 (5.2) billion. Within ITPK, an average of 600,000 (610,000) insured accounted for a premium volume of SEK 5.9 (5.8) billion.

Alecta is the default alternative within the ITP check-the-box sub-market. In the spring of 2013, Alecta was entrusted to continue with the role of default alternative in Collectum's procurement for the period of 2013-2018. In 2013, the share of the insured who did not actively choose the company administering their pension premiums amounted to an

average of 38 (36) percent of the insured and this group's share of premium volume was 39 (36) percent. Alecta's share of the check-the-box market for ITP was, on average, 51 (48) percent, which also includes premiums from those who have actively chosen Alecta. Alecta's share of assets under management amounted to 24 percent.

For a number of years, salaried employees in the private sector have been able to make use of a functioning transfer market within ITP. The transfer process is simple, managed through the selection centre, Collectum, and transfer fees are either very low or are not charged at all.

During 2013, ITP insurance policies with a total value of SEK 3.8 (2.9) billion were transferred. This implies that approximately three percent of the ITP capital eligible for transfer was moved to be administered by another manager during 2013. The transfers within ITP constitute approximately one fifth of the total of SEK 18 billion which was transferred within the occupational pension sector.

### **The market for ten-times base amount earners**

Within the ITP 2 defined benefit plan, an insured with an annual salary corresponding to ten times the income base amount has the opportunity to choose other pension solutions if this is permitted by their employer. Alternative pension solutions can vary considerably, depending on the solution the individual employer chooses to offer to its employees.

The number of people insured under the ITP 2 plan will gradually decrease as new generations insured by ITP are covered by ITP 1. The manner in which individuals earning at least ten times the income base amount will be affected also depends on other factors, such as salary developments for such earners. In December 2013, the number of individuals earning ten times the income base amount had decreased to approximately 124,000, from 133,000 in December 2012. The number of earners who had chosen an alternative solution to the ITP 2 plan amounted, in December, to 50 (50) percent. During the year, approximately 2,800 (3,600) new individuals earning ten times the income base amount made the same choice. In recent years, making this kind of decision has been questioned and even forbidden in certain companies. The opportunity has also arisen, for individuals earning ten times the income base amount with a different pension solution, to invest pension premiums as a means of strengthening their ITPK and, thus, to benefit from the offering that Collectum has negotiated.

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# Sustainability is integral to our business

As one of the largest pension companies in Sweden, Alecta exercises a significant influence on society and has an important role in contributing to sustainable development. For us, sustainability means taking into consideration the needs of both current and future generations. Alecta's task is to provide collectively agreed occupational pensions for our customers with as large a value as possible, and in a manner which is economically, socially and environmentally sustainable.

Alecta's task as the primary provider within ITP affects a great number of people, and occupational pensions are an important part of the Swedish social security system. Working with occupational pensions represents a long-term responsibility to create security both in the present day and for decades in the future. Through low expenses, good returns and stable finances, we are able to secure our customers' occupational pensions and benefits in the case of illness or death. This is the task we have been assigned by our customers through the collective agreement partners, the Confederation of Swedish Enterprise and PTK.

## The impact of our investments

The way in which we work affects all of our customers, more than 2 million private customers and 33,000 corporate clients, and also society as a whole. With an investment capital of SEK 600 billion, Alecta is an important actor on the Swedish capital market. We are one of the largest owners of Swedish listed companies and have one of the largest property portfolios in Sweden. Our investment activities imply a great responsibility and an opportunity to impact the sustainability work undertaken in the companies in which we invest.

We believe that sustainable business models in those companies and investments that we have selected contribute to a higher return for the pension capital of our customers in the long run. In addition, Alecta's investments, both in Sweden and abroad, contribute indirectly to sustainable development through the creation of employment opportunities, tax income, consumption and increased welfare.

Awareness of our environmental impact and of the way in which we utilise our resources is important for us. We strive to make our environmental impact as low as possible. The impact we have on the environment is both direct and indirect in nature. The direct impact we have on the environment is low when compared to the indirect impact we exercise as owners. Our own operations have a direct impact on the environment through, for example, the heating of our offices, the use of electricity and paper, and waste management.

## Our responsibility as a customer-owned company

We are a mutual company, which implies that we are owned by our customers and our responsibility is to defend their interests in the best possible manner. We have no shareholders to whom the Company's profits are distributed. Our customers include both the companies paying pension premiums and the employees covered by the pension benefits. Our customers have assigned us the task of providing occupational pension benefits at the highest possible value for our corporate clients and private customers. We are able to do this through excellent customer service, effective pension administration with low expenses and a competitive return on the pension funds we have been entrusted to manage. Furthermore, we create value by enhancing our customers' knowledge of their occupational pensions and we also aim to provide a great pension for those customers who cannot, or do not wish to, actively engage or participate in their pension saving activities. All of these factors play a significant role for Alecta in terms of creating economic and social sustainability. Having as many customers as Alecta does implies that the customer benefit we create will also result in significant benefits to society.

## Low fees and competitive returns

Alecta is a different kind of pension company. We do not sell funds, nor do we pay commission; we do not have a sales team or an expensive branch network. By keeping our solutions simple, being cost-conscious and leveraging our economies of scale, we are able to offer the lowest fees in our sector. Fees are of significant importance to private individuals saving for their defined contribution pension, in terms of the size of their final pension. Our efficiency in managing risk insurance and defined benefit pensions is a significant factor for companies' pension costs. Well-managed investment activities and competitive returns further strengthen this offering.



*Alecta is an active owner: Prior to the General Meetings of Shareholders during 2013, Alecta participated in a total of 23 Nomination Committee processes. We also participated in 35 Annual General Meetings, including the meetings of all of the Swedish companies in which we own shares.*

### Strengthening the consumer's position

Many people consider pensions to be complicated and the level of knowledge is generally low. We operate on a market in which consumers' lack of information puts them at a relative disadvantage, and it is our wish to strengthen their position. For this reason, Alecta takes the initiative to disseminate knowledge and participate in debates about occupational pensions. Alecta's Pension Economist plays a vital role in engaging spokespersons and opinion leaders in consumer issues. Alecta meets with politicians and opinion leaders on a regular basis, participates in the Almedalen Week and has contact with the media, with the ultimate goal of opinion building in favour



Alecta's Pension Economist  
Eva Adolphson

of stronger consumer protection. In order to contribute to increased consumer knowledge about pensions, we also participate in the network Gilla Din Ekonomi (National assembly for increased financial self-confidence), an educational cooperation between the authorities and the finance sector.

### Knowledge of our customers

It is important for Alecta to follow up on the information and services we provide, and for this reason we work actively to increase our understanding of the needs of our customers. In order to succeed, we carry out regular customer surveys. In 2013, we conducted brand surveys amongst our private customers and corporate clients and measured the Customer Satisfaction Index (Nöjd Kund Index, NKI), where our private customers rated the level of their satisfaction with Alecta's services through our three customer channels: telephone, email and the Internet. The result of the NKI survey for 2013 was a grade of 7.7 out of 10, which is slightly below our target of 7.8.

### Our responsibility as owners

Our aim is to be a responsible investor in matters relating to corporate governance and sustainability. Our management philosophy is to invest in a limited number of listed companies which we understand and believe to benefit our customers' pension capital. We only conduct active management and, thus, do not engage in index-based management. Our large capital and active management, in combination with our small number of holdings, make devoting a lot of time on each investment both effective and worthwhile.

In order to ensure that Alecta's capital is invested in operations which are sustainable in the long term, our Board has established an ethics policy for investment activities. The

Board has based this policy on the ethical implications of the international conventions and agreements with which Sweden complies, as a result of governmental or parliamentary resolutions. These include treaties and conventions put forth by the UN, the EU and the International Labour Organisation and address human rights, the environment, climate, use of certain weapons, workers' rights, child labour and slavery, racism and discrimination, as well as freedom of association and organisation. The goal of our investment strategy is for our portfolio to only include companies following international conventions which Sweden, as a state, has joined. In order to ensure a sustainable investment strategy, Alecta's capital investments give consideration to three levels.

➔ **The first level** in Alecta's strategy for sustainable and responsible investments involves reviewing the business models of the companies and assessing whether they are sustainable. Alecta always enters into a close dialogue with the companies in which we invest, and through this dialogue, we obtain a better understanding of the way in which the companies are managed and can also easily discuss matters relating to sustainability with the companies.

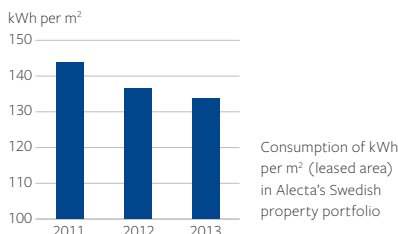
➔ **The second level** involves specific control measures before the decision to invest in a new company is made. The control measures are exercised through GES Investment Services, a specialised analyst company with a focus on sustainability, which investigates, on our behalf, whether the company follows the conventions included in the ethics policy for investment activities. Alecta refrains from making investments in companies which violate the conventions or if a serious suspicion arises that they may do so.

➔ **The third level** refers to monitoring activities. GES Investment Services reviews all of Alecta's holdings based on our ethics policy for investment activities. The review is conducted twice a year and may result in comments regarding one or more companies. Following such a comment, Alecta always contacts the company in question for a dialogue, the purpose of which is to obtain the company's view on the issue and to find out whether the company intends to take measures regarding the issue. The dialogue ensures that the company understands the seriousness which Alecta, as an owner, attaches to non-compliance with ethical matters, and also provides us with the opportunity to urge the company to take the necessary action. Should the issue raised resurface during a follow-up review, the procedure is repeated. If the dialogue does not produce the desired results, the last resort is to sell the holdings in companies which do not meet our requirements.



Alecta's property Stapelbädden 4 in Malmö is environmentally certified according to the Green Building standard.

#### ENERGY CONSUMPTION, ALECTA'S SWEDISH PROPERTY PORTFOLIO



#### ALECTA'S GOAL

to lower energy consumption in our properties by

# 3%

every year

In 2013, reviews resulted in questions on alleged irregularities or ambiguities being posed to five companies in which Alecta has a participating interest. The dialogues, which are reported at alecta.se, were constructive in nature, and we chose not to leave any of these five companies.

### Alecta as a sustainable property owner

Alecta is a member of the Sweden Green Building Council, which manages sustainability work within the construction and property sectors. We set environmental goals for our external property managers and the contract work we participate in. Furthermore, we also set environmental requirements in negotiations with suppliers of operating and maintenance work.

Alecta's goal is to lower the energy consumption of our properties by a minimum of three percent every year. We also wish to increase the number of existing properties certified in accordance with Green Building as well as the number of newly-built properties certified as "Environmental Buildings" by the Sweden Green Building Council. The energy consumption at our properties fell by 2 percent in 2013 compared to 2012.

### Our responsibility as an employer

Alecta is a workplace with a good working environment, where equality and diversity are promoted. For years we have worked on continuous improvements to our working environment and on increasing job satisfaction. Our annual employee survey results in concrete measures for such suggestions as relieving stress and developing leadership.

Our employees are encouraged to exercise during working hours and have the opportunity to make use of a fitness subsidy. Alecta's corporate culture is strong and there is a specific council, the Alecta Council, which provides support for employees in matters relating to corporate culture, shared values, ethics and equality. The Council also has an equality committee.

#### EMPLOYEE STATISTICS

Specification of employees	Group
Number of employees on 31 December 2013	424
Average age of all employees	47
Proportion of female employees	60 %
Proportion of female managers	43 %
Employee turnover <sup>1)</sup>	6.3 %
Absence due to illness <sup>1)</sup>	3.1 %

<sup>1)</sup> Refers to the Parent Company

### A strong corporate culture and skilled employees

In 2013, we initiated a major investment into utilising the engagement and competencies of our employees to further strengthen our corporate culture. This investment took the form of, for example, four forums set up to gather all employees, followed up by study circles for each group. The work with the study circles is set to be completed in 2014. An increased investment in our employees represents a continuation of the leadership programme, initiated in 2012, which has the goal of utilising competencies and engagement in the best possible manner.

Alecta has created two other programmes, the ITP Academy and Young Alecta. The purpose of the ITP Academy is to provide employees with specialist knowledge within those important competencies which we are at risk of losing due to retirement. Young Alecta is a programme where younger employees have been given the task of promoting a more attractive workplace for young people. A further investment is the competency programme for new employees, which was initiated in 2013.

### Continuous sustainable development

Our desire to continuously improve our sustainability efforts is just as strong as our desire to continuously improve our operations in general. The concept of sustainability is comprehensive and we are humbled by the task, as it can never be finished. Our ambition for 2014 is to develop our sustainability work and further improve the information surrounding it.

### Management

Alecta's Board of Directors has established an ethics policy which applies for all employees. The Board has also adopted an owner policy and an ethics policy for investment activities which guides the work of investment management in particular.

Our on-going sustainability work is governed through various forums. The CEO of Alecta appoints the Alecta Council and a special sustainability group, which has been in operation since 2013.

# Administration Report

The Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt, hereby present the Annual Report for 2013, the Company's 97th year of operations.

Corporate Identity Number: 502014-6865  
Registered offices: Stockholm, Sweden

## Ownership and organisation

Alecta is a mutual life insurance company. This implies that the Company is owned by the policy holders and the insured, and that any surplus in operations is returned to the policy holders and the insured.

Alecta pensionsförsäkring, ömsesidigt, is the Parent Company in the Alecta Group. During the year, all operations were conducted within the Group, with the exception of certain activities relating to property management and IT operations, which are outsourced to external suppliers.

## Operations and products

Alecta offers occupational pension insurance through selection centres under the framework for collectively agreed occupational pensions, i.e. insurance arising out of a collective agreement, which is linked to the terms of employment, and for which the employer usually pays the premium.

Alecta is assigned by the parties to the collective agreement, namely the Confederation of Swedish Enterprise and the Council for Negotiation and Co-operation (PTK), to manage the defined benefit portion of the ITP plan (ITP 2) and defined contribution retirement pensions in ITP 1. In addition to retirement pension, ITP 2 contains a defined benefit family pension and defined contribution ITPK (supplementary retirement pension). The defined contribution

insurance solution is offered through the product Alecta Optimal Pension. This pension solution is the default alternative for both ITP 1 and ITPK, as well as being available for selection. Alecta also has the mandate to administer disability and life insurance products in the ITP plan. These include risk insurance policies for disability pension, waiver of premium and family protection. The ITP agreement offers the possibility of funding the employees' retirement pensions by reporting the commitments as a liability in the so-called PRI system. Alecta also administers portions of this business on behalf of PRI Pensionsgaranti.

Alecta Optimal Pension, the defined contribution retirement pension plan offered by Alecta, is also a selectable alternative in the contractual pension SAF-LO for private sector employees, as well as for civil servants in the Agreement Area PA 03, and in PA-KFS for officials in municipally-owned companies.

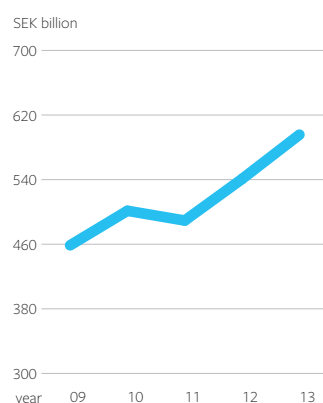
Alecta also offers occupational group life insurance (TGL).

## Employees

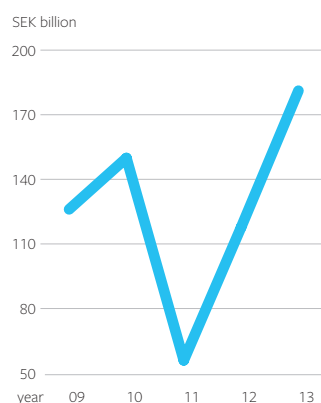
In 2013, the number of employees in the Alecta Group averaged 421 (433), which corresponds to 354 (370) full-time employees (number of employees translated into full-time equivalents).

At the end of 2013, the total number of employees in the Group was 424 (426), of whom 383 (385) were employed in the Parent Company. The proportion of female employees was 60 (60) percent and the average age of all personnel was 47 (47).

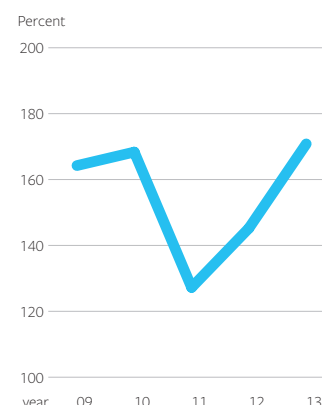
ASSETS UNDER MANAGEMENT



COLLECTIVE FUNDING CAPITAL



SOLVENCY LEVEL



Information regarding the average number of employees, salaries and other remuneration is provided in Note 53 on pages 78–82. This Note also discloses the principles used to determine remuneration and benefits for senior executives, as well as the preparatory work and decision-making processes applied.

## Significant events

### Alecta appointed as default provider within ITP

Alecta was, again, entrusted the role of default alternative company for defined contribution retirement pensions within ITP (ITP 1 and ITP 2) for another five years. According to Collectum's evaluation, Alecta Optimal Pension was deemed to be the product with the best chance of creating a high level of pension benefits with low fees. The new contract period began 1 July 2013 and is valid until 30 September 2018.

### Alecta Optimal Pension better than ever

Alecta's defined contribution product, Alecta Optimal Pension, has been further improved through, amongst other things, an enhanced guarantee, a slower pace in the reduction of the share portion and buffer pension payments. The already low fee of 0.10 percent of capital is supplemented with a fee ceiling that maximises the amount of fees charged to SEK 75 per month. These improvements apply to both new and existing clients. The product changes came into effect on 1 July 2013.

### Indexation of pensions and reduced risk premiums

For 2013, the Board decided on a rebate in the form of an adjustment of pensions in payment (pension supplement) of 0.45 percent.

In the middle of March, as a result of Alecta's improved financial position, the Board resolved to adjust earned defined benefit pension entitlement (paid-up policies) retroactively, starting 1 January 2014. This adjustment has been determined at 3.35 percent and corresponds to the increase in the consumer price index taking place between September 2010 and September 2012. The resolution ensures that purchasing power is preserved.

Furthermore, it was decided that a premium reduction for disability pension and a waiver of premium equivalent to 50 percent for the full year 2013 would be introduced. This measure reduced employers' costs by approximately SEK 1.1 billion.

For 2014, the Board has decided on rebates in the form of pension supplements, an adjustment of paid-up values and premium reductions. All in all, the decisions made for 2014, including the retroactive adjustment of paid-up values, imply that Alecta's customers will receive total rebates of approximately SEK 9.7 billion.

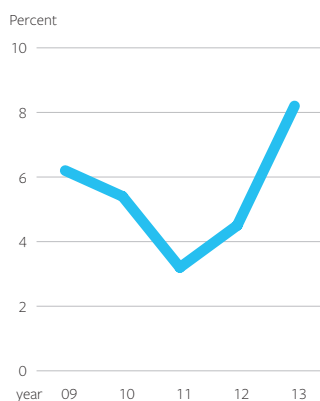
See also "Distribution of surplus" on page 21.

### New model for the discount rate

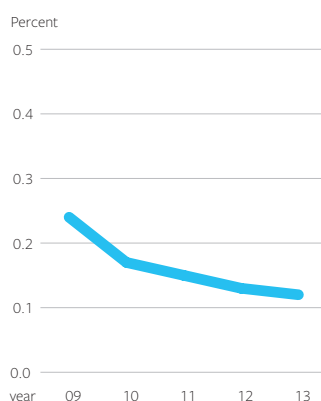
The Swedish Financial Supervisory Authority has determined a new model for the discount rate to be applied in calculating technical provisions. This new model represents an adaption to the forthcoming Solvency II regulations introduced by the EU, and implies a decreased sensitivity to interest rate fluctuations in long-term insurance commitments. Alecta has a positive view of the new interest rate model, primarily with regard to the decreased sensitivity to fluctuations in long-term market interest rates.

As a result of the introduction of the new model, technical provisions increased by SEK 9.5 billion, causing the solvency level to drop by nearly 5 percentage points.

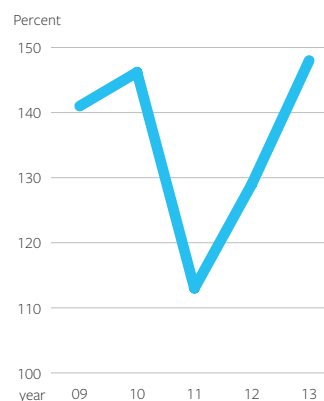
**TOTAL RETURNS,  
5 year average**



**MANAGEMENT EXPENSE RATIO**



**COLLECTIVE FUNDING RATIO,  
Defined benefit insurance**





## Governmental Inquiry Report reviewing different pension-related age limits

The Governmental Inquiry Report reviewing different pension-related age limits presented its final findings in April 2013. The purpose of the Inquiry Report was to analyse different ways of achieving a longer working life. The investigation resulted in many observations regarding occupational pensions, in general, and defined benefit retirement pensions (ITP 2), in particular. Alecta considers certain of the assumptions made by the Inquiry Report regarding the manner in which defined benefit pensions work to be unacceptably simplified and, as regards certain aspects, erroneous. This is something Alecta has brought attention to by issuing a statement of opinion, as well as by being active in the referral efforts of Insurance Sweden, the employers' organisation for the insurance industry. Additionally, Alecta arranged a round table discussion on the findings of the Inquiry Report during the Almedalen Week political forum.

## Anticipated future development

The aftermath of the global debt crisis has created an environment of low interest rates and, accordingly, low returns on interest-bearing assets, though the outlook is better for shares and similar risk assets. After two strong stock market years, however, valuations coming into 2014 are more neutral and market development is increasingly dependent on corporate earnings trends. Meanwhile, the risk of a major backlash occurring is limited, as long as the exceedingly expansive monetary policy across the world endures.

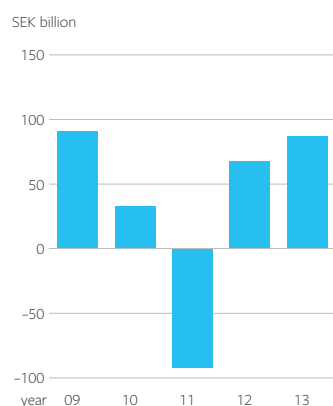
Balancing the risks of the investment portfolio effectively and, thereby, generating a healthy return, while also

maintaining a strong financial position, will continue to be a significant challenge. Alecta is well equipped for this challenge, in both absolute and relative terms, and we will do our best to maintain this position, regardless of what happens in the short-term. Alecta's ambition is that the defined benefit investment portfolio will see a return over time of approximately 3 to 4 percent, net of inflation. The corresponding target for Alecta Optimal Pension is approximately 5 percent. After two very favourable years, with double-digit returns, we expect more modest returns in the coming years. Nonetheless, these conditions will not prevent us from delivering a competitive return at the market's lowest cost.

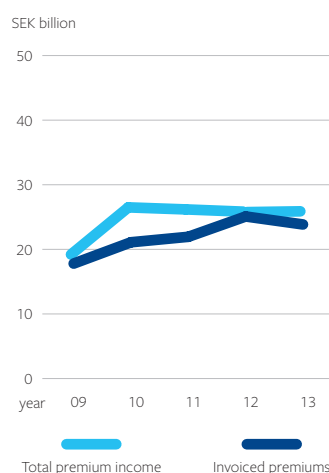
Alecta will continue to work with several regulatory frameworks (Solvency II, IORP, etc.) that could have far-reaching implications for the field of occupational pensions. We have undertaken preparatory measures in the spirit of the new regulatory regimes. Techniques for modelling and calculating risk have been adjusted and the corporate governance system, as well as risk management, has been reinforced in response to the expected requirements. Over the course of the year, additional clarity as to how the regulations will impact Alecta's operations is expected to be provided.

The lack of effective competition in the pensions market is an insight that continues to intensify among both policy-makers and the media. The disadvantage to consumers is emphasised and operators in the industry are under heavy scrutiny. The significance of the fees is emphasised in a variety of contexts, as is the importance of designing a pension system based on the needs and knowledge of pension

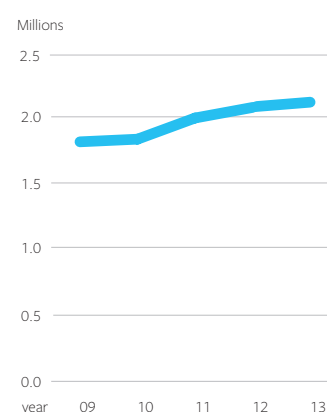
PROFIT FOR THE YEAR



PREMIUM INCOME



NUMBER OF INSURED



savers. While we occasionally see in Sweden a push towards a doing away with collectively agreed occupational pensions, the trend in countries such as the USA, the UK and Australia is moving in the opposite direction, that is, the debate and developments centre on an increase to pension insurance cover and an increased regulation of pension plans, in order to protect pension savers.

Continued attentiveness is needed to ensure that the pension industry's internal struggle for market shares does not drain pension savings. Cross-selling which entices savers with mortgages, high and hidden commissions, as well as unsound transfers and transfer terms can be costly for pension savers. Alecta will contribute to a balanced and factual discussion on this topic.

## Profit for the year and financial position

The Group's profit after tax for the year amounted to SEK 86.7 (68.1) billion. The two items primarily responsible for the positive result were the decrease of technical provisions of SEK 25.8 (6.4) billion, resulting primarily from increased market interest rates, and the positive return on capital, net SEK 55.2 (55.9) billion.

## Premiums written

Income from premiums in 2013 amounted to SEK 25.1 (25.2) billion, see also Note 4 on page 50. Premiums written can be divided into invoiced premiums and allocated rebates. Invoiced premiums decreased in 2013 to SEK 24.0 (25.2) billion. This decrease is principally attributable to decreased redemption of retirement benefits vested in client companies' own management, as well as to the premium reduction for risk insurance introduced in 2013 and reported as allocated rebates.

Total return table for investments, Group	Market value, 31 Dec 2013		Market value, 31 Dec 2012		Total return in percent	
	SEK million	%	SEK million	%	2013	Average 2009–2013
Shares	231,732	38.4	179,108	32.8	25.3	15.9
Interest-bearing investments	327,416	54.3	329,090	60.3	1.6	4.8
Property	43,700	7.2	37,775	6.9	10.9	7.5
<b>Total investments</b>	<b>602,848</b>	<b>100.0</b>	<b>545,973</b>	<b>100.0</b>	<b>10.2</b>	<b>8.2</b>

The total return for the respective years and classes of assets included in the average total return for the period 2009–2013 are presented in the five-year summary on page 25.

The total return table has been prepared in accordance with the recommendations of the "Insurance Sweden" trade association. The reporting and measurement of the investments do not correspond to the accounting principles applied in the financial statements. A reconciliation between the values in the total return table and those reported in the financial statements is presented in Note 52 on page 77.

Total return table for investments, defined contribution insurance (Alecta Optimal Pension)	Market value, 31 Dec 2013		Market value, 31 Dec 2012		Total return in percent	
	SEK million	%	SEK million	%	2013	Average 2009–2013
Shares	19,098	61.4	14,125	64.2	25.3	15.9
Interest-bearing investments	9,720	31.2	6,337	28.8	1.6	5.0
Property	2,297	7.4	1,555	7.1	10.9	7.5
<b>Total investments</b>	<b>31,115</b>	<b>100.0</b>	<b>22,016</b>	<b>100.0</b>	<b>17.3</b>	<b>12.1</b>

Alecta Optimal Pension has a higher proportion of shares than other products. The table above refers to the portfolio which is Alecta's default alternative, having an investment focus aimed at a 60 percent holding in shares. The market value for the entire portfolio, that is, all investment plans for Alecta Optimal Pension, amounts to SEK 32.6 (22.4) billion.

Total return table for investments, defined benefit insurance	Market value, 31 Dec 2013		Market value, 31 Dec 2012		Total return in percent	
	SEK million	%	SEK million	%	2013	Average 2009–2013
Shares	211,965	37.2	164,876	31.5	25.3	15.9
Interest-bearing investments	316,976	55.6	322,561	61.6	1.6	4.8
Property	41,292	7.2	36,198	6.9	10.9	7.5
<b>Total investments</b>	<b>570,234</b>	<b>100.0</b>	<b>523,634</b>	<b>100.0</b>	<b>9.8</b>	<b>8.1</b>

The figures in the above tables may differ from total amounts due to rounding off.

## Return on capital

### The financial markets

The financial markets in the mature Western economies had a strong stock market year in 2013, driven by the United States' relatively strong economic recovery. Over the course of the year, continued positive economic signals from the United States enhanced the sense that a gradual global recovery was taking place. The appetite for risk among investors continued to grow as the trend shifted away from less risky bond investments towards riskier equity investments. Behind the strong stock market development were factors, such as relatively moderate share valuations at the beginning of the year compared with the historical average, and record low risk-free rates. Faith in the stock markets was further strengthened by large corporate transactions, even if limited in number, and strong financial results for Swedish banks.

In Europe, advancements in fiscal policy, such as consensus regarding a banking union, and positive developments within the European economy contributed to more stable financial markets in the autumn. A positive development is that Spain and Italy, large economies within the Eurozone that were negatively impacted by the debt crisis, have seen their credit spreads shrink during 2013. However, it is the central banks' aggressive monetary policy, with record low benchmark rates and cash injections, that have had the greatest impact on investors' appetite for risk. Low inflation gives the central banks the space needed to continue enacting expansive monetary policy for a fairly long period of time onward.

The MSCI World share index had a return of approximately 30 percent during the year in local currencies. The Swedish share index SIC 60 also had a strong year, with a return of approximately 26 percent. Corporate bonds and government securities issued by financially weaker countries within the EMU showed a clear positive trend after substantial reductions in credit spreads. The property markets in Sweden, the United Kingdom and the United States also had a good year, during which the United States demonstrated the best development.

### Returns

The total return on Alecta's investments amounted to 10.2 (11.4) percent in 2013. During the year, the proportion of shares has increased from approximately 33 percent at the beginning of the year, to just over 38 percent at year-end. The increase is, for the most part, a consequence of rising asset values, but also, partly, an effect of a net purchasing of shares. Over the past five years, Alecta's average annual return has been 8.2 (4.5) percent.

The return on shares was 25.3 (21.4) percent, interest-bearing investments had a return of 1.6 (7.3) percent and the return on managed property amounted to 10.9 (8.5) percent.

The return on Alecta's defined contribution savings product, Alecta Optimal Pension, amounted to 17.3 (16.8) percent in 2013. This return is 5.7 percentage points higher than Morningstar's index for mixed funds during the same period. Over the past five years, the average annual return has been 12.1 percent.

The return on Alecta's defined benefit insurance was 9.8 (11.2) percent in 2013. Over the past five years, the average annual return has been 8.1 percent.

In the income statement, the return on capital for the Group, including unrealised changes in value, amounted to SEK 55.2 (55.9) billion.

At the end of 2013, the market value of the investments amounted to SEK 602.8 (546.0) billion, see the total return table on page 18. The return on Alecta Optimal Pension is determined on the basis of the return per class of asset in Alecta's defined benefit retirement pension. Alecta Optimal Pension's allocation of assets implies a higher proportion of investments in shares than in any of Alecta's other products. The market value of investments in Alecta Optimal Pension as per 31 December 2013 was SEK 31.1 (22.0) billion, see the total return table on page 18.

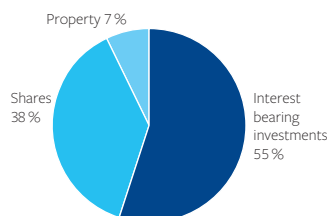
### Claims incurred

Claims incurred comprise both claims paid and changes in the provision for claims outstanding.

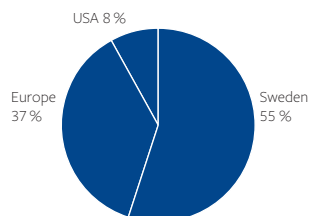
Claims paid, consisting mainly of compensation payments in respect of retirement pensions, disability and death, as well as operating expenses for claims management, amounted to SEK 17.2 (16.3) billion in 2013. The increase is mainly attributable to the fact that the number of retirees entitled to benefit payments has risen during the year. Operating expenses for claims management amounted to SEK 135 (134) million, see Note 7 on page 50.

The change in the provision for claims outstanding amounted to SEK 123 (–698) million.

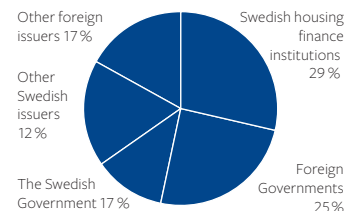
## TOTAL INVESTMENT PORTFOLIO



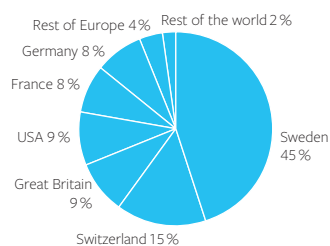
## INTEREST-BEARING INVESTMENTS, geographical distribution



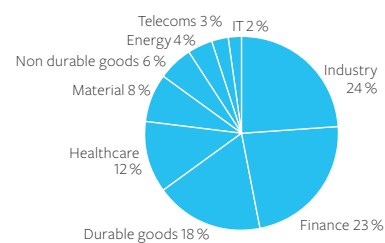
## INTEREST-BEARING INVESTMENTS, per issuer



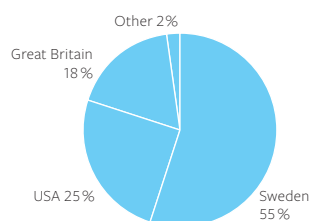
## SHARES, geographical distribution



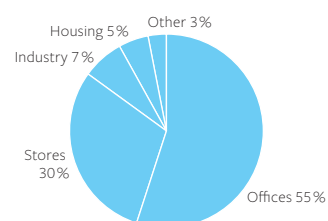
## SHARES, by sector



## PROPERTIES, geographical distribution



## PROPERTIES, by category



ALECTA'S FIVE LARGEST SHAREHOLDINGS per 31 December 2013

SHARE	SECTOR	MARKET VALUE, SEK MILLION
H&M	Consumer durable goods	19,614
SEB	Finance	10,960
Investor	Finance	8,950
ABB	Industry	8,229
Swedbank	Finance	7,192

Market value in accordance with the total return table.



## Technical provisions

Technical provisions comprise the sum of the provision for life insurance and the provision for claims outstanding, and comprise the capital value of the Company's guaranteed commitments for currently active insurance contracts. These provisions decreased during 2013 by a total of SEK 25.8 (6.4) billion, as a consequence of:

- Premiums and payments for saving products, including the difference arising as a consequence of premium assumptions differing from the assumptions applied in calculating provisions. This resulted in an increase in technical provisions of SEK 1.3 (6.7) billion.
- Cumulative returns and deductions for taxes and operating expenses which, together, implied an increase in technical provisions of SEK 7.7 (6.9) billion.
- A change in the interest rate curve which is applied to value the technical provisions. The average cash flow weighted rate increased from 2.67 to 3.25 percent in 2013. This increase resulted in technical provisions decreasing by SEK 42.1 (3.4) billion. Included in the reported decrease is the impact of the new interest rate model introduced by the Swedish Financial Supervisory Authority. This impact caused technical provisions to increase by SEK 9.5 million and the average interest to decline by 0.22 percentage points.
- A change in the assumption applied to estimate life expectancy, due to the introduction of generation-based mortality assumptions, which caused technical provisions to rise by SEK 9.8 million.
- Other changes in the assumptions applied, causing technical provisions to decrease by SEK 2.7 billion.
- Other changes causing an increase in technical provisions of SEK 0.2 billion.

## Operating expenses

Operating expenses for the insurance business amounted to SEK 555 (547) million, an increase of 1.5 percent, or SEK 8 million, compared with 2012. This increase is primarily attributable to higher personnel expenses in 2013.

The management expense ratio dropped to 0.12 (0.13) as a consequence of a higher average level of assets under management, despite the slight increase in expenses. For pension products, excluding selection centre expenses, Alecta's management expense ratio was 0.08 (0.08).

## Distribution of surplus

A surplus arises when the return on Alecta's assets exceeds the financial cost of guaranteed obligations, but can also

arise when Alecta's actual outcome regarding mortality, morbidity and operational expenses is positive. The manner in which the surplus arises is further detailed in the alternative income statement on page 26. Alecta is a mutual company, meaning that all surpluses are to be returned to our customers, that is, the policy holders and the insured. This occurs by means of rebates.

Looking back at the rebates that Alecta has distributed over the past 15-year period (1999-2013), all of these together amount to a total of SEK 151 billion. These rebates have been distributed to the policy holders and the insured through pension supplements, increases in earned pension entitlements, premium reductions and client-company funds.

For Alecta's defined contribution insurance, Alecta Optimal Pension, the surplus or deficit is distributed on a monthly basis directly to the insured, for which reason the collective funding ratio is usually 100 percent. Any surplus is paid out as an additional amount to the guaranteed pension in conjunction with each pension payment, and according to the actuarial guidelines determined by the Board of Alecta.

For the defined benefit products, Alecta's Board determines, on an annual basis, if, and in which form, rebates are to be granted. For 2012, the Board has decided that rebates will be granted in the form of pension supplements, that is, as an adjustment of pensions currently in payment, of 0.45 percent, corresponding to the development of the consumer price index between September 2011 and September 2012. The pension supplement is formally guaranteed at the time of the payment. A portion of the agreed pension supplement is paid out during the year in which the decision is made, whereas the remainder is reserved for payment during coming years. In March 2013, Alecta's Board determined that earned pension entitlements in the defined benefit ITP 2 plan were to be adjusted by 3.35 percent in 2014, in order to match the increase in the consumer price index during the two-year period since the last adjustment. The Board further determined to reintroduce a premium reduction on risk insurance policies from 1 June 2013 until the end of the year. The reduction of 86 percent over the course of seven months is equivalent to 50 percent for the whole of 2013.

Alecta's Board has determined that the rebate for 2014 will be distributed in the form of an adjustment of pensions in payment and earned pension entitlements in ITP 2. The adjustment has been established at 0.08 percent, equivalent to the rise in the consumer price index between September 2012 and September 2013. The Board also determined that the premium reduction on risk insurance policies would be 75 percent for disability and waiver of premium insurance, and 50 percent for family protection.

## Collective funding and solvency

The defined contribution insurance had a collective funding ratio of 100 (100) percent, which is the normal level, as all surpluses and deficits are distributed to the insured on an on-going basis.

The collective funding ratio in the Group for the defined benefit insurance amounted to 148 (129) percent at the end of 2013. The collective funding capital amounted to SEK 181.2 (115.8) billion. Alecta's funding policy for the defined benefit plans stipulates that the collective funding ratio is permitted to vary between 125 and 155 percent, with a target level of 140 percent. If the funding ratio falls below 125 percent or rises above 155 percent, measures are to be taken to create the conditions necessary for the collective funding ratio to return to the normal interval.

The solvency level was 170 (144) percent at the end of 2013.

## Product reporting

Alecta is operated according to mutual principles and it is important to distribute income and expenses fairly between the different products. Alecta's product areas are:

Pension insurance:

- Defined benefit pension (primarily ITP)
- Defined contribution pension (primarily ITP, but also within other collective agreements)

Risk insurance:

- Disability and life insurance products (primarily ITP)
- Occupational group life insurance, TGL

Alecta's extensive operations within defined benefit pensions and risk insurance, which the Company has conducted for many years, comprise an assignment that Alecta has been entrusted with by the representatives of the ITP agreement. The operations within defined benefit pensions and risk insurance, which, in general, are not exposed to competition, are not permitted to subsidise Alecta's defined contribution product, Alecta Optimal Pension.

Alecta monitors the products' financial results in great detail, and both models and processes for follow-up are reviewed by internal control functions. Income and expenses for the defined contribution pension product, Alecta Optimal Pension, are also distributed to the different areas within the collective agreements.

We have effective IT support for calculating the products' financial results. The distribution of operating expenses between the various products is undertaken in line with established distribution indices. These indices are reviewed regu-

larly in order to ensure as accurate a distribution as possible.

We provide added value to our customers by leveraging our economies of scale and by ensuring that all products bear a portion of the shared expenses.

Alecta Optimal Pension is a relatively new product, introduced in conjunction with the ITP procurement in 2007. Within Alecta Optimal Pension, we distinguish between operating expenses that have been incurred specifically as a result of the decision to invest in a defined contribution product, so-called separable expenses, and the portion of the shared expenses that each product is to bear. It is the development of the product's income and separable expenses that creates the real financial risk in the defined benefit plan.

In addition to distributing income and expenses fairly between the different products, the operation's various risks must also be addressed in a fair manner. To ensure this, Alecta has internal regulations for solvency and risk, ensuring that each product has sufficient capital to cover these risks.

## Product calculation, Alecta Optimal Pension

Since 2007, Alecta has offered a defined contribution alternative, Alecta Optimal Pension. A defined premium option provides added value to Alecta's customers, not least through sharing common expenses with other products over time.

Pricing is based on the idea that prices charged shall, over time, meet operating expenses. For several years after the introduction of Alecta Optimal Pension, the expenses will exceed the charges. This deficit will be financed through a capital contribution from the defined benefit collective plans in Alecta, which will incur interest. The interest rate for the period 1 July 2013 to 30 June 2018 has been fixed at STIBOR (3 months), plus a fixed risk premium of 1.63 percentage points. This interest rate level corresponds to the average of the financing cost of five-year debentures for the four major Swedish banks during the same period.

Separable expenses consist of product-specific systems management and systems development, direct expenses incurred in customer service and administration, and information and promotion expenses. Shared expenses consist of part of the expenses for management and staff, shared systems and infrastructure. As of 2014, income is expected to equal annual separable expenses. The accumulated deficit (accumulated fees minus separable expenses, including interest charge) will be greatest at this point in time and is expected to amount to approximately SEK 113 million. This amount corresponds to approximately 0.02 percent of assets under management in the defined benefit plan which, during the initial period, funds the deficit. The accumulated deficit is expected to be fully repaid by 2019.

The large synergies existing between different products within Alecta are also found within Alecta's investment management. The capital for all segments and products is managed according to a common investment model. Consequently, no separate investment decisions are made as regards the management of the various asset classes within Alecta Optimal Pension. On very rare occasions, decisions are made regarding adjustments of the distribution between the asset classes, as well as regarding requirements for separate monitoring and reporting. The total cost of investment management in Alecta is 0.03 percent, which is charged to all products. The separable expense for investment management within Alecta Optimal Pension is even lower.

The dominant risk in the establishment of new life insurance products, such as Alecta Optimal Pension, is the financial risk exposure, i.e. the risk that the product cannot bear the market risk associated with it. However, Alecta Optimal Pension has a stronger solvency level than Alecta as a whole, 253 percent compared with 170 percent for Alecta.

## Solvency II and the Occupational Pensions Directive

Within the framework for Solvency II, Alecta participated in EIOPA's comprehensive quantitative and qualitative impact assessment of the regulations in place for long-term insurance commitments (Impact Assessment LTG) in the spring of 2013. The study intended to examine the consequences of the various "protection mechanisms" discussed as a measure to limit the manner in which insurance companies with long-term commitments (like Alecta) are affected by significant interest rate fluctuations.

Other activities within Alecta related to Solvency II intensified in April, when EIOPA launched a new set of proposed guidelines regarding preparations for Solvency II.

The purpose of the guidelines is to support both national regulatory agencies and insurance companies in preparing for Solvency II. The guidelines are to be applied from January 2014 until Solvency II comes into full effect. The guidelines encompass the following three areas:

- Corporate governance
- ORSA (Own Risk and Solvency Assessment)
- Reporting to authorities

Responsible units within Alecta have analysed the guidelines and created plans of action to achieve the requirements applying to 2014–2015. Alecta has also participated in meetings with the Swedish Financial Supervisory Authority and Insurance Sweden in order to gather information. Activities started in



2013 and continuing during 2014 centre on the three areas listed above.

The internal assessment is that Alecta is well prepared for the new guidelines, as well as for the final requirements of Solvency II, in part due to the coherent description of Alecta's system of corporate governance, the routines and processes in place for calculating solvency, and the comprehensive analyses of the final requirements on Solvency II reporting.

Alecta also follows developments in terms of the legal status of how and in which form occupational pension operations will be permitted to operate in the future, through both the Commission's proposal regarding a new occupational pensions directive, and the on-going assessment of specific regulations for occupational pensions institutions in Sweden.

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## Risk organisation and risk management

In order to protect the interests of our customers and others, risk control must be very good and, therefore, high demands are placed on how the risks are to be managed. Insurance risks must be managed in a manner ensuring that Alecta meets its insurance obligations. The financial risks that are assumed shall ensure the highest possible return without risking Alecta's commitments to the insured. Other risks, such as regulatory compliance risks and information security risks, must be managed in such a manner that Alecta's possibilities to succeed in its duties are not impaired. Operational risks in the business should be managed in a manner contributing to good internal control.

It is the Board's responsibility to ensure that Alecta's risk exposure is well balanced and that internal controls are of a high standard. The Board has delegated the task of monitoring the on-going investment operations to its Finance Committee, and the responsibility for monitoring Alecta's risks, and the manner in which the management handles these risks, to its Audit Committee. The CEO's responsibility for overseeing the operational management includes ensuring that operations are conducted with high standards of internal control.

### Insurance risks

The Board determines actuarial guidelines, specifying methods and principles for the production of actuarial estimates. The CEO is responsible for determining the basis of the actuarial calculations, which contains more detailed calculation models, and also for the assumptions to be applied in the actuarial calculations. The Head of Actuarial is responsible for the management and on-going control of Alecta's insurance risks, which also implies that they are responsible for continuously revising and adapting the technical guidelines and the basis for actuarial calculations by proposing changes.

### Financial risks

The Board determines Alecta's investment policy by stipulating guidelines regarding, among other things, the portfolio structure and the framework for risk-taking. The Board is responsible for ensuring compliance with these guidelines and continuously examines whether they need to be changed. The Board's Finance Committee determines more detailed guidelines for the on-going investment operations, prepares the financial administration issues to be addressed by the

Board and makes decisions on investment matters that are outside the CEO's authority. The CEO is responsible for investment operations under the mandate set out in the investment policy and for other decisions taken by the Board of Directors and the Finance Committee. With certain limitations, this mandate has been further delegated to the Head of Investment Management, who is responsible for the management and on-going control of Alecta's financial risks.

### Other risks

All managers and employees are responsible for ensuring that their own line of business is undertaken with good internal control, which entails the handling and control of the risks and their possible consequences. Risk Management is responsible for developing, managing and providing the Company-wide self-assessment method to be applied to other risks.

Alecta's management of the above risk categories is described in more detail in Note 3 on pages 48–49.

### The following control functions have been established to support Alecta's risk activities:

- The independent control functions Compliance, Information Security and Risk Control, which have been assigned to undertake independent assessments of Alecta's risks. They also incorporate a support and advisory role towards both management and business operations.
- The Personal Data Act representative, supporting the business in its work to comply with the Swedish Personal Data Act (PuL). The role of the Personal Data Act representative is included in the responsibilities of Information Security.
- Risk & Performance, an independent function within Investment Management, responsible for the day-to-day management of financial risks.
- Internal Audit, which is assigned by the Board to review and evaluate internal control.

## Code of Corporate Governance

Alecta applies the Swedish Code of Corporate Governance, although no formal obligation to do so exists. The regulations presented in the Code which are not suitable for mutual insurance companies are not, however, applied. Pursuant to the guidelines of the Code, we have produced a corporate governance report, which is available from [alecta.se](http://alecta.se).

# Five-year summary

GROUP, SEK million	2013	2012	2011	2010	2009
<b>Profit/loss</b>					
Premiums written	25,059	25,217	25,563	25,876	18,581
Claims incurred	-17,330	-15,583	-14,295	-11,890	-10,038
Return on capital, net	55,219	55,860	-10,835	43,031	51,543
Profit before tax	87,620	69,438	-91,782	35,071	90,350
Profit/loss for the year	86,716	68,053	-92,027	32,701	90,866
<b>Financial position</b>					
Assets under management <sup>1)</sup>	602,266	545,719	487,666	496,434	453,686
– of which pension products	565,903	510,750	455,608	459,793	417,844
Technical provisions	353,930	379,753	386,136	296,739	278,694
Collective funding capital	181,152	115,780	54,082	148,038	124,213
Capital base <sup>2)</sup>	246,144	163,877	99,323	198,337	173,372
Required solvency margin <sup>2)</sup>	14,648	15,698	15,995	12,402	11,679
<b>Key Performance Indicators</b>					
Total return, percent <sup>3)</sup>	10.2	11.4	-2.1	9.6	12.8
– of which shares	25.3	21.4	-13.8	16.2	37.3
– of which interest-bearing investments	1.6	7.3	7.4	4.1	3.6
– of which property	10.9	8.5	10.5	12.9	-4.1
Total return, defined contribution insurance (Alecta Optimal Pension), percent <sup>3)</sup>	17.3	16.8	-6.8	12.6	22.9
– of which shares	25.3	21.4	-13.8	16.2	37.3
– of which interest-bearing investments	1.6	7.5	7.7	4.4	3.8
– of which property	10.9	8.5	10.5	12.9	-4.1
Total return, defined benefit insurance, percent <sup>3)</sup>	9.8	11.2	-2.0	9.5	12.7
– of which shares	25.3	21.4	-13.8	16.2	37.3
– of which interest-bearing investments	1.6	7.3	7.3	4.1	3.7
– of which property	10.9	8.5	10.5	12.9	-4.1
Management expense ratio percentage <sup>4)</sup>	0.12	0.13	0.15	0.17	0.24
– of which pension products	0.09	0.09	0.11	0.13	0.17
– of which pensions products excl. selection centre costs	0.08	0.08	0.10	0.11	0.16
Investment management expense ratio <sup>5)</sup>	0.03	0.03	0.03	0.03	0.03
Collective funding ratio, defined benefit insurance, percent	148	129	113	146	141
Collective funding ratio, defined contribution insurance, percent <sup>6)</sup>	100	100	100	100	100
Solvency level, percent	170	144	126	167	163

<sup>1)</sup> Defined as equity, provision for life insurance and claims outstanding.

<sup>2)</sup> Refers to Parent Company.

<sup>3)</sup> Calculated for all years according to the "Insurance Sweden" trade association's recommendations.

<sup>4)</sup> Calculated as operating expenses and claims management costs in relation to average assets under management.

<sup>5)</sup> Calculated as operating expenses for investment management in relation to average assets under management.

<sup>6)</sup> As surplus/deficit is divided monthly among the insured, the collective funding is usually always 100 percent.

Alecta has performed a review of the items assessed as being relevant for the Company to report under Financial position and Key Performance Indicators. These items are reported in the five-year summary above. This means both that the general guidelines in FFFS 2008:26 contain some items and Key Performance Indicators which do not appear here, and that the five-year summary includes some items which do not appear in the general guidelines. The Key Performance Indicators presented here are used in Alecta and are, therefore, relevant to the Company's business.



# Alternative Income Statement

## Group

It can be difficult to gain an understanding of precisely how a life insurance company has achieved its reported results solely on the basis of an examination of that company's income statement. The major reason for this difficulty is that the changes in technical provisions (TPs) taking place during the year are reported net in the income statement, in the items Change in provision for life insurance and Change in provision for claims outstanding. This net reporting implies that it is not possible, on the basis of the income statement alone, to understand a company's mortality results or its combined financial results, which, in addition to the return on capital, also includes interest rate effects in TPs.

The alternative income statement is intended to provide the reader with an increased understanding of the composition of the reported results and is produced by specifying the changes in technical provisions and other items in the income statement according to four sub-results: Administration result, Risk result, Financial result and Tax result. For each of these sub-results, the operation's income is matched to its expenses.

Profit after tax for the Group amounted to SEK 86.7 (68.1) billion.

ALTERNATIVE INCOME STATEMENT (SEK MILLION)	2013	2012
Administration result	84	264
Risk result	-7,553	16,417
Financial result	94,548	52,262
Tax result	-363	-890
<b>Profit for the year</b>	<b>86,716</b>	<b>68,053</b>

The administration result amounted to SEK 84 (264) million and represents the difference between the Company's income and operating expenses (excluding investment management costs, which are reported in the financial result). TPs include a provision for the Company's future operating expenses for its current portfolio. The provision for operating expenses is reversed on an on-going basis and such reversal results in Alecta's reported gains on operating expenses for defined benefit insurance, while a smaller portion of the gains stem from fees on the pension capital in Alecta Optimal Pension. Other income is comprised primarily of administrative fees from PRI Pensionggaranti and is reported separately in the alternative income statement. In Note 8, Other income is, instead, deducted from operating expenses.

Due to the expenses decreasing over a number of years, the assumption regarding future operating expenses for defined benefit insurance was changed during 2012. This change first came into full effect during 2013 and has led to a better matching of income and expenses in 2013 than in 2012.

ADMINISTRATION RESULT (SEK MILLION)	2013	2012
Income	829	1 005
– of which reversed operating expenses and fees	774	945
– of which other income	55	60
Expenses	-745	-741
<b>Total administration result</b>	<b>84</b>	<b>264</b>

The risk result amounted to SEK -7.6 (16.4) billion and is comprised partly of the year's mortality and morbidity results and partly of the changes to assumptions applied in the calculation of TPs, due to the updated forecast for future risk outcomes. Both the annual mortality and morbidity results are slightly negative, rather than slightly positive, as was the case last year. A certain degree of variation between years is normal. In order to counteract any possible significant future effects of negative results, the average mortality assumption was extended during 2013. Together with other changes in assumptions, the total impact of this extended mortality assumption on the result was SEK -7.1 (15.9) billion.

RISK RESULT (SEK MILLION)	2013	2012
Annual mortality result	-97	59
Annual morbidity result	-191	202
Changes in methods and assumptions in calculating TPs	-7,123	15,943
Other	-142	213
<b>Total risk result</b>	<b>-7,553</b>	<b>16,417</b>

The financial result amounted to SEK 94.5 (52.3) billion. The financial result is governed, to a large degree, by the developments in the financial markets, and usually accounts for the major portion of the profit for the year. The major reason for the financial results for 2013 is the favourable development of Alecta's investments. Another strong contributing factor is the significant rise, during the year, in the discount rate applied in valuing TPs, which led to lower TPs. The financial result is also impacted by the cumulative return on TPs and by the outcome of operating expenses incurred in investment management. Finally, the financial result is affected by the profit arising on the insurances when the rate applied to discount the insurance assumption is higher than the contractual interest on premiums. This profit is reported in the item other profit sources and is a premise for Alecta being able to provide substantial rebates to the insured and policy holders in the long-term.

FINANCIAL RESULT (SEK MILLION)	2013	2012
Result, return on capital	55,201	55,842
– of which investment management expenses	-170	-149
Reversed operating expenses for investment management	122	62
Cumulative return on TPs	-9,655	-9,481
Other profit sources	6,828	2,407
Changes in TPs as a result of changed market interest rates	42,052	3,432
<b>Total financial result</b>	<b>94,548</b>	<b>52,262</b>

The tax result amounted to SEK -363 (-890) million. The yield tax on guaranteed commitments is considered in the TPs. The result for yield tax is, in other words, comprised of income arising on an on-going basis when the provisions for tax are reversed, less actual costs. No provisions are made for income tax and other tax, rather, the actual expenses for these items are reported.

TAX RESULT (SEK MILLION)	2013	2012
Result, yield tax	541	495
Income tax and other tax	-904	-1 385
<b>Total tax result</b>	<b>-363</b>	<b>-890</b>

# Proposed appropriation of profits

The Board of Directors and the CEO propose to the Council of Administration that the Parent Company's profit for 2013 of SEK 86,314,582,188 be transferred to the funding reserve.

The Board of Directors and the CEO propose that the Council of Administration approve the Board's resolutions regarding the granting of rebates, specified in the section "Distribution of surplus" in the Administration report, page 21.

## **Proposed transfer from the funding reserve to the guarantee reserve**

The Board of Directors and the CEO propose to the Council of Administration that a transfer take place within the Parent Company of the sum of SEK 175,829,817, from the funding reserve to the guarantee reserve, an amount which is the equivalent of the guarantee reserve's total return for 2013 after deduction of investment management costs and taxes.

# Financial Reports

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# Income Statement

## Group

SEK MILLION	NOTE	2013	2012
Premiums written	4	25,059	25,217
Return on capital, net		55,219	55,860
Return on capital, income	5	32,812	26,781
Unrealised gains on investment assets	6	36,466	31,471
Return on capital, expenses	9	-3,050	-2,385
Unrealised losses on investment assets	10	-11,009	-7
Claims incurred		-17,330	-15,583
Claims paid	7	-17,207	-16,281
Change in provision for claims outstanding		-123	698
Change in other technical provisions		25,946	5,685
Provision for life insurance		25,946	5,685
Operating expenses	8	-555	-547
Depreciation of owner-occupied properties	17	-18	-18
Yield tax	11	-701	-1,176
<b>Total operating profit</b>		<b>87,620</b>	<b>69,438</b>
<b>Profit before tax</b>		<b>87,620</b>	<b>69,438</b>
Income tax	12	-904	-1,385
<b>PROFIT FOR THE YEAR</b>		<b>86,716</b>	<b>68,053</b>

# Statement of Comprehensive Income

## Group

SEK MILLION	2013	2012
<b>Profit for the year</b>	<b>86,716</b>	<b>68,053</b>
Items that can subsequently be reclassified to the income statement:		
Exchange rate differences	-116	-435
<b>Total other comprehensive income</b>	<b>-116</b>	<b>-435</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>86,600</b>	<b>67,618</b>

# Balance Sheet

## Group

SEK MILLION	NOTE	2013-12-31	2012-12-31
<b>ASSETS</b>			
<b>Intangible fixed assets</b>	14	362	388
<b>Property, plant and equipment</b>	15	27	27
<b>Investment assets</b>			
Land and buildings			
Investment properties	16	32,333	28,558
Owner-occupied properties	17	890	901
Other financial investment assets			
Shares and participations	20, 23, 24, 25	237,807	184,033
Bonds and other interest-bearing securities	20, 23, 24, 26, 49	323,527	321,914
Loans with real estate as collateral	20, 23, 27	175	261
Other loans	20, 23, 24, 28	3,587	2,334
Derivatives	20, 23, 29, 30	1,626	8,279
		<b>599,945</b>	<b>546,280</b>
<b>Receivables</b>			
Receivables referring to direct insurance operations	20, 31	1,534	1,479
Current tax		487	69
Other receivables	20, 32	1,107	1,782
		<b>3,128</b>	<b>3,330</b>
<b>Cash and bank balances</b>	20, 48	<b>1,193</b>	<b>726</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest and rental income	20, 33	7,136	8,302
Other prepaid expenses and accrued income	20	143	139
		<b>7,279</b>	<b>8,441</b>
<b>TOTAL ASSETS</b>		<b>611,934</b>	<b>559,192</b>



# Balance Sheet, cont.

## Group

SEK MILLION	NOTE	2013-12-31	2012-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Translation reserve	34	-1,357	-1,241
Discretionary participation features reserve	34	54,059	37,074
Special indexation funds	34	10,855	10,962
Guarantee reserve	36	1,718	1,661
Retained earnings including profit for the year	34	183,062	117,510
<b>Total equity</b>		<b>248,337</b>	<b>165,966</b>
<b>LIABILITIES</b>			
Provision for life insurance	38	343,663	369,609
Claims outstanding	39	10,267	10,144
Pensions and similar commitments	40	31	39
Other provisions	41	18	14
Current tax		13	1
Deferred tax	42	1,743	1,214
Liabilities referring to direct insurance operations	20, 44	671	622
Derivatives	20, 29, 30	4,363	3,652
Other liabilities	20, 45	568	5,813
Other accrued expenses and deferred income	20, 46	2,260	2,118
<b>Total liabilities</b>		<b>363,597</b>	<b>393,226</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>611,934</b>	<b>559,192</b>

# Statement of Changes in Equity

## Group

SEK MILLION	Translation reserve <sup>1)</sup>	Discretionary participation features reserve <sup>1,2)</sup>	Special indexation funds <sup>1)</sup>	Guarantee reserve <sup>3)</sup>	Retained earnings including profit for the year <sup>1)</sup>	Total
<b>OPENING EQUITY AT 1 JANUARY 2012</b>	<b>-727</b>	<b>34,118</b>	<b>11,039</b>	<b>1,859</b>	<b>55,241</b>	<b>101,530</b>
Profit for the year					68,053	
Other comprehensive income	-435					
<b>Total comprehensive income for the year</b>	<b>-435</b>				<b>68,053</b>	<b>67,618</b>
Allocated rebates		801			-801	0
Rebates		-2,769			-23	-2,792
Collective risk premium <sup>4)</sup>			-239			-239
Return on guarantee reserve <sup>5)</sup>				-46	46	0
Other changes	-79	4,924	162	-152	-5,006	-151
<b>Closing equity at 31 December 2012</b>	<b>-1,241</b>	<b>37,074</b>	<b>10,962</b>	<b>1,661</b>	<b>117,510</b>	<b>165,966</b>
<b>OPENING EQUITY AT 1 JANUARY 2013</b>	<b>-1,241</b>	<b>37,074</b>	<b>10,962</b>	<b>1,661</b>	<b>117,510</b>	<b>165,966</b>
Profit for the year					86,716	
Other comprehensive income	-116					
<b>Total comprehensive income for the year</b>	<b>-116</b>				<b>86,716</b>	<b>86,600</b>
Allocated rebates		10,902			-10,902	0
Rebates		-3,856				-3,856
Collective risk premium <sup>4)</sup>			-242			-242
Return on guarantee reserve <sup>5,6)</sup>				194	-194	0
Other changes		9,939	135	-137	-10,068	-131
<b>Closing equity at 31 December 2013</b>	<b>-1,357</b>	<b>54,059</b>	<b>10,855</b>	<b>1,718</b>	<b>183,062</b>	<b>248,337</b>

<sup>1)</sup> See Note 34 on page 71.

<sup>2)</sup> Discretionary features refer to allocated rebates. See Note 34 on page 71.

<sup>3)</sup> Reserve for financing collective agreement guarantees and funds to be used for information dissemination. See Note 36 on page 73.

<sup>4)</sup> Premiums for waiver of premium insurance and collective final payment are reduced as employers are expected to incur a higher cost, due to the new rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.

<sup>5)</sup> See Note 36 on page 73.

<sup>6)</sup> In order to meet future regulatory requirements, Alecta and the parties to the collective agreement in ITP have presented a long-term alternative to the guarantee reserve that was established within Alecta in 2007. The plan entails transferring the guarantee reserve out of Alecta and into an entirely independent foundation with the same purpose as the guarantee reserve. This measure requires a resolution by Alecta's Council of Administration.

# Cash Flow Statement

## Group

SEK MILLION	2013	2012
<b>OPERATING ACTIVITIES</b>		
Profit for the year before tax and appropriations	87,620	69,438
Interest received	12,796	10,571
Interest paid	-386	-324
Dividends received	6,602	6,859
Adjustment for non-cash items <sup>1)</sup>	-80,538	-60,561
Paid tax	-1,178	-1,708
<b>Cash flow from operating activities before change in assets and liabilities</b>	<b>24,916</b>	<b>24,275</b>
Change in investment assets	-17,471	-25,097
Change in other operating assets	614	1,400
Change in other operating liabilities	-4,455	327
<b>Cash flow from operating activities</b>	<b>3,604</b>	<b>905</b>
<b>INVESTING ACTIVITIES</b>		
Investments in intangible fixed assets	-3	-3
Investments in property, plant and equipment	-2	-6
<b>Cash flow from investing activities</b>	<b>-5</b>	<b>-9</b>
<b>FINANCING ACTIVITIES</b>		
Pension supplements/additional supplements	-2,751	-2,769
Payment from guarantee reserve	-137	-152
Payment of indexation funds	-243	-241
<b>Cash flow from financing activities</b>	<b>-3,131</b>	<b>-3,162</b>
<b>Cash flow for the year</b>	<b>468</b>	<b>-2,266</b>
Cash and cash equivalents, opening balance	726	3,004
Exchange rate differences in cash and cash equivalents	-1	-12
<b>CASH AND CASH EQUIVALENTS, CLOSING BALANCE</b>	<b>1,193</b>	<b>726</b>
<sup>1)</sup>		
Amortisation/impairment, Notes 14, 15, 16	49	57
Disposals, Notes 14, 15	-	-
Yield tax, Note 11	701	1,176
Exchange gains, Note 5	-	-770
Exchange losses, Note 9	1,518	-
Capital gains, Note 5	-12,255	-4,061
Capital losses, Note 9	-	104
Unrealised gains, Note 6	-36,466	-31,471
Unrealised losses, Note 10	11,009	7
Interest income, Note 5	-11,630	-12,954
Interest expenses, Note 9	498	1,301
Dividends, Note 5	-6,634	-6,823
Adjustment of paid-up values, Note 4	-3	-9
Premium reduction, Note 4	-1,102	-14
Change in provision for life insurance, Note 38	-25,946	-5,685
Change in provision for claims outstanding, Note 39	123	-698
Other	-400	-721
	<b>-80,538</b>	<b>-60,561</b>

# Income Statement

## Parent Company

SEK MILLION	NOTE	2013	2012
<b>TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS</b>			
Premiums written	4	25,059	25,217
Return on capital, income	5	32,349	26,326
Unrealised gains on investment assets	6	35,758	31,063
Claims incurred			
Claims paid	7	-17,207	-16,281
Change in provision for claims outstanding		-123	698
Change in other technical provisions			
Provision for life insurance		25,946	5,685
Operating expenses	8	-555	-547
Return on capital, expenses	9	-2,531	-1,959
Unrealised losses on investment assets	10	-11,009	-183
<b>Balance on the technical account, life insurance business</b>		<b>87,687</b>	<b>70,019</b>
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the technical account, life insurance business		87,687	70,019
<b>Profit before appropriations and tax</b>		<b>87,687</b>	<b>70,019</b>
Appropriations		-140	-523
<b>Profit before tax</b>		<b>87,547</b>	<b>69,496</b>
Tax	13	-1,232	-2,317
<b>PROFIT FOR THE YEAR</b>		<b>86,315</b>	<b>67,179</b>

# Statement of Comprehensive Income

## Parent Company

SEK MILLION	2013	2012
<b>Profit for the year</b>	<b>86,315</b>	<b>67,179</b>
Items that can subsequently be reclassified to the income statement:		
Exchange rate differences	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>86,315</b>	<b>67,179</b>

# Performance Analysis

## Parent Company 2013

SEK MILLION	DIRECT INSURANCE OF SWEDISH RISKS				
	Occupational pension insurance				Other life insurance
	Total	Defined benefit insurance	Defined contribution traditional insurance	Occupational disability insurance and waiver of premium insurance	Group life and occupational group life insurance
Premiums written	25,059	15,635	6,620	2,628	176
Return on capital, income	32,349	27,921	2,484	1,918	26
Unrealised gains on investment assets	35,758	30,863	2,746	2,120	29
Claims incurred	-17,330	-13,988	-399	-2,783	-160
Claims paid	-17,207	-13,990	-399	-2,653	-165
Change in provision for claims outstanding	-123	2	-	-130	5
Change in other technical provisions	25,946	27,392	-1,447	-	1
Provision for life insurance	25,946	27,392	-1,447	-	1
Operating expenses	-555	-330	-52	-159	-14
Return on capital, expenses	-2,531	-2,185	-194	-150	-2
Unrealised losses on investment assets	-11,009	-9,502	-845	-653	-9
<b>Balance on technical account, life insurance business</b>	<b>87,687</b>	<b>75,806</b>	<b>8,913</b>	<b>2,921</b>	<b>47</b>
<b>Technical provisions</b>					
Provision for life insurance	343,663	330,975	12,686	-	2
Claims outstanding	10,267	11	-	10,212	44
<b>Total technical provisions</b>	<b>353,930</b>	<b>330,986</b>	<b>12,686</b>	<b>10,212</b>	<b>46</b>
<b>Funding reserve</b>	<b>156,048</b>	<b>125,478</b>	<b>11,062</b>	<b>19,209</b>	<b>299</b>
<b>Total operating expenses, excluding property management costs</b>					
Operating expenses (administrative expenses in the insurance business)	555	330	52	159	14
Claims management (reported under Claims paid)	135	79	14	40	2
Investment management (reported under Return on capital, expenses)	155	134	12	9	0
<b>Total operating expenses, excluding property management costs</b>	<b>845</b>	<b>543</b>	<b>78</b>	<b>208</b>	<b>16</b>



# Balance Sheet

## Parent Company

SEK MILLION	NOTE	2013-12-31	2012-12-31
<b>ASSETS</b>			
<b>Intangible fixed assets</b>			
Intangible fixed assets	14	362	388
		<b>362</b>	<b>388</b>
<b>Investment assets</b>			
Land and buildings	16	14,697	13,925
Investments in Group companies and associated companies			
Shares and participations in Group companies	18	8,373	8,254
Interest-bearing securities issued by, and loans to, Group companies	19, 20	7,054	5,639
Other financial investment assets			
Shares and participations	20, 23, 24, 25	237,561	183,919
Bonds and other interest-bearing securities	20, 23, 24, 26, 49	323,527	321,914
Loans with real estate as collateral	20, 23, 27	175	20
Other loans	20, 23, 24, 28	3,406	2,334
Derivatives	20, 23, 29, 30	1,626	8,279
		<b>596,419</b>	<b>544,284</b>
<b>Receivables</b>			
Receivables referring to direct insurance operations	20, 31	1,534	1,479
Other receivables	20, 32	2,620	1,799
		<b>4,154</b>	<b>3,278</b>
<b>Other assets</b>			
Property, plant and equipment	15	5	5
Cash and bank balances	20, 48	982	583
		<b>987</b>	<b>588</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest and rental income	20, 33	7,374	8,510
Other prepaid expenses and accrued income	20	52	65
		<b>7,426</b>	<b>8,575</b>
<b>TOTAL ASSETS</b>		<b>609,348</b>	<b>557,113</b>

# Balance Sheet, cont.

## Parent Company

SEK MILLION	NOTE	2013-12-31	2012-12-31
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Funding reserve	35	156,048	93,140
Guarantee reserve	36	1,718	1,661
Profit for the year		86,315	67,179
		<b>244,081</b>	<b>161,980</b>
<b>Untaxed reserves</b>	37	<b>2,425</b>	<b>2,285</b>
<b>Technical provisions</b>			
Provision for life insurance	38	343,663	369,609
Claims outstanding	39	10,267	10,144
		<b>353,930</b>	<b>379,753</b>
<b>Other provisions</b>			
Pensions and similar commitments	40	30	39
Taxes	43	837	483
Other provisions	41	18	14
		<b>885</b>	<b>536</b>
<b>Liabilities</b>			
Liabilities referring to direct insurance operations	20, 44	671	622
Derivatives	20, 29, 30	4,363	3,652
Other liabilities	20, 45	1,020	6,413
		<b>6,054</b>	<b>10,687</b>
<b>Accrued expenses and deferred income</b>			
Other accrued expenses and deferred income	20, 46	1,973	1,872
		<b>1,973</b>	<b>1,872</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>609,348</b>	<b>557,113</b>
<b>Memorandum items</b>			
Collateral and equivalent securities pledged for own liabilities and for obligations reported as provisions	47	587,143	535,577
Other pledged assets and comparable securities	48	2,684	1,120
Contingent liabilities	50	9	7
Commitments	51	1,493	1,142

# Statement of Changes in Equity

## Parent Company

SEK MILLION	FUNDING RESERVE <sup>1)</sup>				Profit for the year	Total
	Collective funding	Discretionary participation features reserve <sup>2)</sup>	Other reserves	Guarantee reserve <sup>3)</sup>		
<b>Opening equity at 1 January 2012</b>	<b>144,005</b>	<b>34,118</b>	<b>11,039</b>	<b>1,859</b>	<b>-93,037</b>	<b>97,984</b>
Profit for the year					67,179	
Other comprehensive income						
<b>Total comprehensive income for the year</b>					<b>67,179</b>	<b>67,179</b>
Appropriation of profits in previous year	-93,037				93,037	0
Allocated rebates	-801	801				0
Rebates	-23	-2,769				-2,792
Collective risk premium <sup>4)</sup>			-239			-239
Return on guarantee reserve <sup>5)</sup>	46			-46		0
Other changes	-5,086	4,924	162	-152		-152
<b>Closing equity at 31 December 2012</b>	<b>45,104</b>	<b>37,074</b>	<b>10,962</b>	<b>1,661</b>	<b>67,179</b>	<b>161,980</b>
<b>Opening equity at 1 January 2013</b>	<b>45,104</b>	<b>37,074</b>	<b>10,962</b>	<b>1,661</b>	<b>67,179</b>	<b>161,980</b>
Profit for the year					86,315	
Other comprehensive income						
<b>Total comprehensive income for the year</b>					<b>86,315</b>	<b>86,315</b>
Appropriation of profits in previous year	67,179				-67,179	0
Allocated rebates	-10,902	10,902				0
Rebates		-3,856				-3,856
Collective risk premium <sup>4)</sup>			-242			-242
Return on guarantee reserve <sup>5, 6)</sup>	-194			194		0
Other changes	-10,053	9,939	135	-137		-116
<b>Closing equity at 31 December 2013</b>	<b>91,134</b>	<b>54,059</b>	<b>10,855</b>	<b>1,718</b>	<b>86,315</b>	<b>244,081</b>

<sup>1)</sup> See Note 35 on page 72.

<sup>2)</sup> Discretionary features refer to allocated rebates. See Note 35 on page 72.

<sup>3)</sup> Reserve for financing collective agreement guarantees and funds to be used for information dissemination. See Note 36 on page 73.

<sup>4)</sup> Premiums for waiver of premium insurance and collective final payment are reduced as employers are expected to incur a higher cost, due to the new rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.

<sup>5)</sup> See Note 36 on page 73.

<sup>6)</sup> In order to meet future regulatory requirements, Alecta and the parties to the collective agreement in ITP have presented a long-term alternative to the guarantee reserve that was established within Alecta in 2007. The plan entails transferring the guarantee reserve out of Alecta and into an entirely independent foundation with the same purpose as the guarantee reserve. This measure requires a resolution by Alecta's Council of Administration.

# Cash Flow Statement

## Parent Company

SEK MILLION	2013	2012
<b>OPERATING ACTIVITIES</b>		
Profit for the year before tax and appropriations	87,687	70,019
Interest received	12,983	10,727
Interest paid	-389	-340
Dividends received	7,312	7,298
Adjustment for non-cash items <sup>1)</sup>	-81,246	-61,303
Paid tax	-979	-1,598
<b>Cash flow from operating activities before change in assets and liabilities</b>	<b>25,368</b>	<b>24,803</b>
Change in investment assets	-16,716	-25,500
Change in other operating assets	-474	1,427
Change in other operating liabilities	-4,644	271
<b>Cash flow from operating activities</b>	<b>3,534</b>	<b>1,001</b>
<b>INVESTING ACTIVITIES</b>		
Investments in intangible fixed assets	-3	-3
Investments in property, plant and equipment	-1	-5
<b>Cash flow from investing activities</b>	<b>-4</b>	<b>-8</b>
<b>FINANCING ACTIVITIES</b>		
Pension supplements/additional supplements	-2,751	-2,769
Payment from guarantee reserve	-137	-152
Payment of indexation funds	-243	-241
<b>Cash flow from financing activities</b>	<b>-3,131</b>	<b>-3,162</b>
<b>Cash flow for the year</b>	<b>399</b>	<b>-2,169</b>
Cash and cash equivalents, opening balance	583	2,752
<b>Cash and cash equivalents, closing balance</b>	<b>982</b>	<b>583</b>
<sup>1)</sup>		
Amortisation, Notes 14, 15	30	39
Disposals, Notes 14, 15	-	-
Exchange gains, Note 5	-	-769
Exchange losses, Note 9	1,518	-
Capital gains, Note 5	-12,188	-4,061
Capital losses, Note 9	-	172
Unrealised gains, Note 6	-35,758	-31,063
Unrealised losses, Note 10	11,009	183
Impairment of shares in Group companies, Note 9	-	-
Interest income, Note 5	-11,847	-13,144
Interest expenses, Note 9	501	1,311
Dividends, Note 5	-7,356	-7,409
Adjustments of paid-up values, Note 4	-3	-9
Premium reduction, Note 4	-1,102	-14
Change in provision for life insurance, Note 39	-25,946	-5,685
Change in provision for claims outstanding	123	-698
Other	-227	-156
	<b>-81,246</b>	<b>-61,303</b>

# Notes

## NOTE 1 Accounting principles for the Group and Parent Company

These annual financial statements pertain to the financial year 2013 as applied by Alecia pensionsförsäkring, ömsesidigt, Corporate Identity Number 502014-6865, with its registered offices in Stockholm. The postal address is 103 73 Stockholm. The visiting address of the head office is Regeringsgatan 107.

The annual financial statements were approved for publication by the Board of Directors on 18 March 2014 and will be referred to the Council of Administration for ratification on 10 April 2014.

### Basis for preparation of the financial statements

#### Laws and rules in the Group

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. The financial statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Insurance Companies, the Swedish Financial Supervisory Authority's instructions, and according to the general advice regarding the annual financial statements of insurance companies, FFFS 2008:26, as well as according to the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

#### Consolidated financial statements

The consolidated financial statements include the Parent Company, Alecia pensionsförsäkring, ömsesidigt, and those subsidiaries in which the Parent Company, directly or indirectly, owns more than half of the voting rights for all shares and participations or, in any other manner, exercises a controlling influence. Controlling influence implies that Alecia has a direct, or indirect, right to govern a company's financial and operational policies in order to receive economic benefits from the operations. Disclosures regarding shares and participations in Group companies are provided in Note 18 on pages 58–60. Profit or loss from operations in subsidiaries acquired, or sold, during the year are included in the consolidated financial statements from the acquisition date and to the date on which the Parent Company relinquishes control. All intra-group transactions, balance sheet items, income and expenses are eliminated entirely on consolidation. In the consolidated financial statements, untaxed reserves in legal entities are eliminated and a distribution is made to equity and deferred tax.

#### Basis of measurement

The basis of measurement applied in the preparation of the consolidated financial statements is historical cost, with the exception of derivatives, assets and liabilities identified as belonging to the category Financial assets and Financial liabilities at fair value through profit or loss. The manner in which assets and liabilities are assigned to these categories is described in Note 20.

Technical provisions are measured at present value and these calculations are based on prudent actuarial assumptions as regards, among other things, interest rates, mortality, morbidity and operating expenses.

Preparing financial statements in accordance with IFRS requires the use of significant estimates for accounting purposes. Furthermore, management is required to make certain assessments when applying the Group's accounting principles. The areas involving a high degree of complex assessments, or such areas where assumptions and estimates are of material significance to the consolidated financial statements, are specified in Note 2 on page 47.

#### Business combinations

In the financial statements, the purchase method is applied to both acquisitions of participations in companies, and to the direct acquisition of the net assets of business operations. If the acquisition relates to a participation in a company, this method implies that the acquisition is regarded as a transaction, whereby the Group indirectly acquires the subsidiary's assets and contingent assets and assumes the subsidiary's liabilities and contingent liabilities. The Group acquisition cost is determined in a purchase price allocation

(PPA), in conjunction with the acquisition of the company. The PPA determines the cost of the participation or assets and liabilities, and the fair value of acquired identifiable assets and assumed liabilities or contingent liabilities.

Upon acquisition of a company, an assessment is made as to whether the acquisition should be classified as a business or as an asset. If the company engages in business activities involving employees, in addition to the acquired assets and liabilities, then this implies that Alecia defines the acquisition as a business combination. Business combinations are reported in accordance with IFRS 3, which implies, among other things, that acquisition costs are directly recognised as an expense and that deferred tax is recognised as the difference between the market value of the acquired assets and their fiscal residual value.

For assets acquired through indirect property transactions, that is, where a company owns the property in question, the acquisition is treated as though the property is purchased directly. This type of acquired company does not usually have any employees or organisation, nor any other operations to speak of, other than those directly linked to the holding of the property. The acquisition cost corresponds to the fair value of the assets and any associated loans. Deferred tax is not reported as a liability on the surplus value attributable to the acquisition. Any possible deduction of deferred tax applying in addition to the tax reported in the acquired company is reported as a reduction of the fair value of the acquired property, both in conjunction with the acquisition and in the subsequent financial statements.

Whether the acquisition is classified as a business or an asset is determined by Alecia for each individual acquisition. As of 31 December 2013, all of Alecia's acquisitions were classified as asset acquisitions.

#### Translation of foreign currencies

The Parent Company's functional currency is the Swedish krona and the financial statements are presented in Swedish krona.

Foreign subsidiaries' balance sheets are translated according to the exchange rates applicable on the balance sheet date. The translation of foreign subsidiaries' income statements is carried out at the average exchange rate for the year. The translation differences arising in the currency translation are reported in Other comprehensive income and are transferred to the Group's translation reserve.

Monetary assets and liabilities in foreign currencies have been translated into Swedish krona in accordance with the exchange rates applicable on the balance sheet date. Realised and unrealised changes in value, as a result of changes in exchange rates, are reported in the income statement under Return on capital, income or Return on capital, expenses.

#### Insurance contracts

In its capacity as insurance provider, Alecia supplies a number of different insurance products. Alecia distinguishes between pension products and disability and life insurance products. Disability and life insurance products comprise risk insurance, for which the premium is determined for periods of one year at a time. These insurance contracts do not include any savings component. For pension products, pension entitlement is earned during the premium payment period. For accounting and actuarial purposes, each of Alecia's sold products comprises an insurance contract. An insurance contract is characterised by an inherent, significant insurance risk of some kind.

#### Distribution of surplus and deficit funds

As regards the Alecia Optimal Pension, which is a defined contribution product, all surpluses and deficits are allocated, on a monthly basis, to the insured. An allocated surplus is paid as a supplement to the guaranteed pension, a so-called supplementary amount. The surplus is not guaranteed but is part of Alecia's risk capital. The size of the surplus or deficit depends on the development of the pension capital, which, in turn, reflects the actual



## NOTE 1 Accounting principles for the Group and Parent Company, *cont.*

result in the relevant insurance collective of defined contribution insurance with regard to returns, tax, mortality and operating expenses. The Company allocates surpluses and deficits by calculating the bonus rate in arrears, on a monthly basis, so that the collective funding ratio is always approximately 100 percent. The surplus is recognised as equity in the balance sheet.

A surplus or deficit arising on other products is transferred to Alecta's funding reserve. The funding reserve's primary function is to guarantee Alecta's ability to meet its insurance obligations. The reserve's secondary function is to provide for the distribution of surpluses to policy holders and the insured. A surplus distributed to policy holders and the insured can take the form of a pension supplement for pensions in payment, an increase of an earned pension entitlement, a reduction of insurance premiums, cash payments and allocation to policy holders as client-company funds. Pension supplements, premium reductions and client-company funds will be guaranteed in conjunction with paying out, paying in and use, respectively, and, in connection with this, capital is transferred from the funding reserve. An increase of an earned pension entitlement will be guaranteed in conjunction with the increase and results in a technical provision.

### Changes in accounting principles

#### New and revised accounting standards for financial year 2013:

##### **IAS 1 Presentation of Financial Statements**

The amendment to IAS 1 requires that the items reported under "Other comprehensive income" are to be classified according to two categories. Items that will be reclassified to an item in the income statement are to be reported in a separate category and items that will not be reclassified to an item in the income statement are to be reported individually. The amendment has had no impact on Alecta's reporting, as the only item Alecta reports under "Other comprehensive income" is exchange rate differences.

##### **IFRS 7 Financial Instruments: Disclosures**

The amendment to IFRS 7 refers to increased disclosure requirements for financial assets and financial liabilities which have been offset in the balance sheet, as well as for financial assets and financial liabilities subject to various forms of enforceable master netting arrangements and similar agreements, even if they are not set off. Refer to Note 30 on page 69.

##### **IFRS 13 Fair Value Measurement**

The implementation of IFRS 13 involves the compilation of all descriptions regarding the manner in which the fair values for all types of assets and liabilities are to be measured. The standard does not describe when the fair value should be applied, but provides guidance regarding the manner in which it should be calculated. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The starting point for IFRS 13 is that valuation at fair value is based on prices on an active market. IFRS defines three different levels of data, whereby Level 1 is the most objective data and Level 3 is the most subjective. For assets at Level 3, the standard requires more quantitative and qualitative disclosures of the valuation at fair value.

According to the standard, the exposure to credit risk in an entity's holdings of financial instruments, such as derivative instruments, is to be considered in the valuation. Furthermore, IFRS 13 states that the valuation of non-financial assets is to be based on the "highest and best use" for the asset in question. Even if the asset is not currently in use within the entity, the asset is to be valued as though the asset were being used in such a manner that would maximise its value.

The introduction of the standard has not had a significant impact on the valuation of assets and liabilities, although it has entailed additional information being disclosed regarding the valuation of assets at Level 3, such as unlisted shares, Note 23-24, and investment properties, Note 16.

**New and amended standards for financial years beginning in 2014 or later. Only those standards that are expected to have an impact on Alecta are described:**

##### **IAS 32 Financial Instruments: Presentation**

The amendments to IAS 32 relate to clarification of when the opportunity for netting of financial assets and liabilities exists. Under IAS 32, financial assets and financial liabilities are offset in the balance sheet only when there is (1) a legally enforceable right to offset the amounts and (2) an intention either to settle by a net amount or to realise both the asset and liability. The amendments shall enter into force on 1 January 2014 but are not expected to have any material impact on Alecta's reporting.

##### **IFRS 9 Financial Instruments**

This standard addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces those parts of IAS 39 which are related to the classification and measurement of financial instruments. IFRS 9 requires that financial assets be classified in two categories: fair value or at amortised cost. Classification is determined at initial recognition based on the company's business model and the characteristics of the contractual cash flows. For financial liabilities, there are no major changes compared with IAS 39. The most significant change relates to liabilities that are measured at fair value. For these, the portion of the change in value that is attributable to the liability's own credit risk is recognised in Other comprehensive income, rather than profit, unless this causes inconsistencies in the financial statements.

The standard will apply from 1 January 2015 if adopted by the EU. Alecta has not yet evaluated whether the standard will any impact on its financial statements.

##### **IFRS 10 Consolidated Financial Statements**

New standard for consolidation, which replaces parts of IAS 27 and SIC 12, and provides guidance as to when and how an owner company is to prepare consolidated financial statements. The basic principles of consolidation are unchanged, but a new definition of control has been introduced.

The new definition is not expected to have any material impact on Alecta's consolidated financial statements. The standard is effective from 1 January 2014.

##### **IFRS 11 Joint Arrangements**

New standard that deals with accounting for joint arrangements, defined as a contractual arrangement whereby two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture. Jointly controlled companies are no longer consolidated using the proportional method. The equity method is now to be applied to these devices. The standard is effective from 1 January 2014 and replaces IAS 31 Interests in Joint Ventures.

Alecta assesses that the new standard will not impact the consolidated financial statements, as currently reported holdings in joint ventures are covered by Alecta's venture capital activities and are reported as financial instruments at fair value through profit or loss in accordance with IAS 39, IAS 28 and IAS 31.

##### **IFRS 12 Disclosures of Interests in Other entities**

The standard is to be applied by companies with participating interests in subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. IFRS provides a specification of the disclosures required to assist a reader of the financial reports to assess the character of, and risks associated with, holdings in other entities, as well as the impact of these holdings on the company's financial statements.

The standard is effective from 1 January 2014 and will entail the disclosure of additional information regarding holdings in subsidiaries and joint ventures by Alecta.

## NOTE 1 Accounting principles for the Group and Parent Company, *cont.*

### Premiums written

Premiums written can comprise paid-in and credited premiums, as well as rebates in the form of adjustments of paid-up values and premium reductions. Reductions are made for special premium tax (relates to TGL). Accounting for premiums written differs, depending on whether such premiums relate to defined contribution or defined benefit insurance. The cash principle is applied to defined contribution insurance and the billing system is applied to defined benefit insurance when accounting for premiums written.

Premiums are recognised as income and affect different balance sheet items, depending on whether the premium relates to pension insurance or risk insurance. For pension insurance, an increase is made in technical provisions on the liabilities side of the balance sheet. On the other hand, risk insurance premiums are allocated through profit or loss to equity until required.

### Calculation of premiums

Premiums are intended to cover Alecta's commitments to its policy holders. Premiums are determined on the basis of actuarial assumptions on interest rates, mortality, morbidity and operating expenses. These assumptions are based on experience and observations and are distributed over the insurance portfolio. A pension insurance can either be defined benefit or defined contribution. For defined benefit insurance, the benefits are determined according to the insurance contract and the premiums are determined on the basis of actuarial assumptions. Premiums are determined individually for each insured. For defined contribution assurance, the premiums are operating expenses determined in the insurance contract and the benefits are determined on the basis of actuarial assumptions.

The premium for a risk insurance is either calculated individually for each insured or distributed collectively over a group of insured and applies for a period of one calendar year at a time.

### Return on capital

Return on capital includes net operating income from investment properties, interest income, interest expenses, dividends on shares and participations, exchange gains and losses, capital gains and losses and unrealised changes in value on net investment assets with deduction for operating expenses for investment management. Capital gains and losses are reported net per class of asset under Return on capital, income and Return on capital, expenses, respectively. Unrealised gains and losses are also reported net per class of asset. Changes in value for the year, both realised and unrealised, are recognised in the income statement in the period during which they arise. The investment return is reported in Notes 5, 6, 9 and 10 on pages 50–51.

### Claims incurred

Benefits can either be guaranteed under the contract entered into or conditional, such as a pension supplement. The guaranteed benefits are recognised in the income statement as an expense and reduce technical provisions in the balance sheet by an equivalent amount. A conditional benefit does not affect profit but is recorded directly against equity.

### Change in the provision for claims outstanding

Calculation of the provision for claims outstanding is based on Alecta's insurance portfolio and actuarial assumptions in accordance with Alecta's actuarial calculation data. Changes in the portfolio or the assumptions lead to a change in the provision for claims outstanding. This change is recognised as a profit or loss item in the income statement.

### Changes in the provision for life insurance

Changes in the provision for life insurance reflect actual events during the period, such as premium payments or payments made in conjunction with claims. The provision for life insurance is also changed by the period of return, assumed operating expenses, mortality results and the outcome of exercised transfer rights, and by the amount of paid-up policies. In addition to

this, the provision for life insurance is affected by any changes in the method of calculation and assumptions applied. Examples of assumptions used in the calculation of the provision for life insurance are the discount rate, mortality and operating expenses. Changes in the provision are recognised as a profit or loss item in the income statement.

### Operating expenses

Operating expenses are expenses for employees or temporary personnel, costs for premises, IT costs, planned depreciation/amortisation of tangible and intangible assets, costs for the agency agreement with Collectum and other costs relating to the operations. These costs are recognised as an expense when they arise. Operating expenses are divided into the following functions: Acquisition, administration, claims management, investment management and property management. Acquisition expenses and administrative expenses are reported in the item Operating expenses in the income statement. All of Alecta's operating expenses are reported in a note to the income statement broken down by function and type of cost. Alecta does not regard depreciation and impairment of owner-occupied properties as an operating expense in the insurance business.

### Acquisition expenses

Acquisition expenses consist of the expenses incurred by the Company to acquire new insurance contracts. Alecta does not capitalise its acquisition expenses, as these only amount to an insignificant sum.

### Administrative expenses

Administrative expenses consist of the operating expenses incurred by Alecta for day-to-day administration of its insurance contracts, as well as costs for staff functions, such as finance and legal matters.

### Claims management

Claims management expenses consist of the expenses for managing contracts that are under payment. They also include portions of IT expenses supporting the claims management process and expenses allocated to cover portions of costs for staff functions. Claims management expenses are reported in the income statement under the item Claims paid.

### Investment management expenses

Investment management expenses are reported under the item Return on capital, expenses in the income statement. These expenses consist of direct costs, primarily personnel, information and IT costs, as well as indirect costs, such as the share of costs for premises and costs allocated for staff functions.

### Property management expenses

Similar to investment management expenses, property management expenses are reported under Return on capital, expenses. A large cost item here is external costs, as a large part of property management is outsourced.

### Depreciation and impairment of owner-occupied properties

Buildings and land owned by the Alecta Group and used in its own operations to at least 15 percent are recognised as owner-occupied properties in the consolidated financial statements. The values of Owner-occupied properties are measured according to the cost model. Owner-occupied properties consist of buildings and land where the buildings are divided into different components and depreciated on the basis of assessed useful lives (20–50 years). Carrying amounts of owner-occupied properties are tested for impairment annually and, for the purpose of these tests, the recoverable amount is assumed to coincide with fair value. Depreciation and impairment (including reversed impairment) of owner-occupied properties are recognised in their entirety as depreciation and impairment of owner-occupied properties in the consolidated income statement.

## NOTE 1 Accounting principles for the Group and Parent Company, *cont.*

### Yield tax

Yield tax includes pension products and family cover. The calculation of the basis for yield tax is made on a capital base comprised of all assets at the beginning of the financial year, after the deduction of financial liabilities at the same point in time. The capital base is multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the financial year in question, providing a tax base expressed in terms of a standard return. Yield tax will be charged on the tax base.

Alecta has made the assessment that this standard return calculated in determining yield tax does not constitute a taxable profit as defined in IAS 12. Consequently, yield tax is not classified as income tax but is recognised as an expense within operating profit in the consolidated income statement.

### Income tax

Taxes are calculated individually for each company in their respective country and in accordance with prevailing tax legislation. Tax expenses include income tax, withholding tax on dividend payments and tax on foreign, directly owned properties. Income tax refers to current tax and deferred tax. Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the reported and taxable values of assets and liabilities and loss carry-forwards. Upon the acquisition of an asset, the temporary difference arising at the initial recognition of assets and liabilities is not taken into account. Deferred tax assets are reported to the extent it is probable that future fiscal surpluses, against which the temporary differences can be utilised, will be available. The business segments that are taxed according to the Income Tax Act comprise disability pension, waiver of premium, and occupational group life insurance (TGL).

### Intangible fixed assets

Intangible assets comprise direct expenditure for software developed by the Company. Developed intangible assets in the Group are measured at acquisition cost. They are expected to provide future economic benefits. All developed intangible assets relating to computer systems developed by the Company are only recognised if all of the following criteria are met: an identifiable asset exists, it is probable that the developed asset will generate future economic benefits, the Company has control over the asset, and the acquisition cost of the asset can be calculated in a reliable manner.

Capitalised development costs are amortised on a straight-line basis according to plan, from the date on which the asset goes into production. Amortisation plans are drawn up on the basis of the estimated useful life. The amortisation period for the insurance system's core system is 20 years and, for peripherals and other functions, five years. For other capitalised development costs, the amortisation period is three years. The insurance system's core system has functionality for the management of Alecta's long-term insurance commitments. Amortisation periods and useful life are reviewed on each closing date. An individual review is performed for each asset. Amortisation is recognised as an operating expense. The value of intangible assets is tested on each closing date through an assessment of internal and external indications of impairment.

### Property, plant and equipment

Property, plant and equipment consists of IT equipment, machinery and equipment, and artwork and is measured at cost after deduction for accumulated depreciation. Depreciation is undertaken on a straight-line basis according to plan on the basis of the asset's assessed useful life. The depreciation period for IT equipment is three years and the depreciation period for machinery and equipment is between three and five years. There is no depreciation on artwork. Depreciation periods and useful life are reviewed at each closing date. At each closing date, an assessment is made as to whether there is any indication that any property, plant and equipment might have declined in value. If this is the case, the recoverable amount of the asset is calculated.

### Investment assets

#### General

Investment assets consist of the balance sheet items Land and buildings, Investments in Group companies and associated companies, Other financial investment assets and Derivatives.

#### Reporting of business events

Financial assets measured at fair value are reported after the acquisition date at fair value. The cost of investment assets excludes transaction costs relating to financial instruments. Purchases and sales of financial assets are recognised in the balance sheet on the transaction date. Unsettled deals at the closing date are recognised as receivables from or liabilities to the counterparty under Other receivables or Other liabilities. Purchases and sales of land and buildings are recognised in the balance sheet on the date of taking/ceding possession.

#### Transaction costs

Transaction costs directly attributable to purchases and sales of financial investment assets are recognised in profit or loss and are included net under capital gains in the item Return on capital, income or Return on capital, expenses. Transaction costs attributable to purchases and sales of land and buildings and assets measured at amortised cost are reported as an increase in cost, or a decrease in capital gains or losses, respectively. For acquisitions of companies classified as a business combination, the transaction costs are recognised in the income statement in the item Return on capital, expenses.

#### Land and buildings

Land and buildings are specified according to the categories investment properties, owner-occupied properties and development properties. Investment properties are reported in accordance with IAS 40 Investment Property, as the intention of the holding is to earn rental payments and/or capital appreciation. Owner-occupied properties are defined as buildings and land used in own operations. Development properties refer to properties under construction, such as new builds or renovations. Development properties are measured at fair value in accordance with IAS 40. If it is not possible to ascertain the fair value, the property in question may be valued at acquisition cost.

Investment properties are measured at fair value, which is equivalent to the property's estimated market value. Changes in value are recognised in profit or loss (refer to Note 1, Return on capital, page 42). The total value of Alecta's property portfolio is based on the estimated value of each individual property. For the Swedish properties, which are valued by an external appraiser twice a year, fair value is calculated according to the cash flow method. When calculating the fair value of foreign properties, the applicable valuation methods in each country are applied, resulting in certain properties being valued according to the cash flow method and certain properties according to the sales comparison approach. All properties in the UK, the Netherlands and France are appraised externally four times a year. In the US, all properties with a fair value in excess of USD 10 million are appraised externally on an annual basis. Properties with a fair value below USD 10 million are valued externally at least every other year, with internal valuations in other years.

All external appraisers base their valuation on verified information regarding each property's specific characteristics, such as rental income, operating expenses, and current and future letting agreements.

Alecta mainly conducts operations in properties owned by the Company. The actual operating and maintenance costs for these properties are reported in the Company's operating expenses. A more detailed description of the valuation methods applied can be found in Note 16, pages 55–57.

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## NOTE 1 Accounting principles for the Group and Parent Company, *cont.*

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### Shares and participations in joint ventures

Joint ventures are defined as companies in which Alecta has joint control together with other co-owners. Alecta conducts venture capital operations, implying that joint ventures are recognised as financial instruments at fair value through profit or loss, in accordance with IAS 39, IAS 28 and IAS 31. In the balance sheet, shares and participations are reported under Investment assets. Changes in value are reported in the balance sheet as unrealised gains or losses.

### Other financial investment assets

Alecta identifies and categorises its financial investment assets as financial assets at fair value through profit or loss at initial recognition. One exception is a small loan portfolio which is recognised at amortised cost. Derivatives are also recognised at fair value through profit or loss, as they are defined as held for trading. This categorisation is based on the fact that Alecta manages and measures all investment assets at fair value in accordance with the investment guidelines adopted by Alecta's Board. Measurement of financial assets traded on an active market is based on the observable market data. Fair value for financial assets that are not traded in an active market is determined with the aid of established valuation techniques. Note 23 on page 64 provides disclosures of fair value for each class of financial instrument, in a table format, based on a hierarchy with three different levels of fair value.

### Shares and participations

Shares and participations are measured at fair value through profit or loss at initial recognition. The fair value of unlisted shares and participations is determined with the aid of established valuation techniques in accordance with the European Private Equity & Venture Capital Association's (EVCA) principles, and valuations are obtained from external counterparties. Accumulated changes in value for shares comprise the difference between cost and fair value. Dividends are reported as dividends received in the item Return on capital, income.

### Bonds and other interest-bearing securities

Bonds and other interest-bearing securities are measured at fair value through profit or loss at initial recognition. For unlisted interest-bearing securities, valuation techniques based on market information are used to the greatest possible extent. The valuation techniques used include the analysis of discounted cash flows, valuation with reference to similar financial instruments and valuations based on recently completed transactions in the same instrument. Accumulated changes in value for interest-bearing instruments comprise the difference between amortised cost and fair value. Amortised cost refers to the discounted present value of future payments using the effective interest rate. The effective interest rate is the interest accrued over the maturity of the instrument. This implies taking into account any premiums or discounts at acquisition that are accrued over the remaining maturity of the instrument. Accrual of premiums and discounts, accrued interest income and coupon payments are recognised as interest income in the item Return on capital, income.

### Loans with real estate as collateral

Loans with real estate as collateral are classified either as loans and receivables at amortised cost or as financial assets at fair value through profit or loss depending on the purpose of the loan. If the loan has basic loan characteristics and is managed on the basis of its contractual return, it is measured at amortised cost in accordance with the effective interest method and is reported in the category loans receivable. Other loans with real estate as collateral are reported in the category financial assets at fair value through profit or loss.

### Other loans

Alecta's other loans consist primarily of real estate equity loans and shareholder loans to real estate companies where Alecta is a venturer, so-called joint ventures. The profit sharing loans are classified as financial assets at fair value through profit or loss. Shareholder loans are measured at amortised cost in accordance with the effective interest method and recognised in the category loans and receivables. Other loans are reported in Note 28 on page 68.

### Derivatives

A derivative is a financial instrument for which the value depends on the price development of another, underlying instrument. Alecta uses derivatives to improve the effectiveness of management and to reduce financial risks (see Note 29 on page 68). Derivatives are categorised as held for trading and are recognised in the balance sheet at fair value, while changes in value are recognised in profit or loss. Derivatives with positive fair values are recognised as financial investment assets while derivatives with negative fair values are recognised as a liability in the balance sheet. In the income statement, derivatives are reported together with the underlying instrument and the net result is reported in Note 21 on page 63. Alecta does not apply hedge accounting.

### Lending of interest-bearing securities

Loaned interest-bearing securities consist of Swedish government bonds and are reported in the balance sheet at fair value, in accordance with applicable accounting principles. Collateral received for interest-bearing securities is comprised of Swedish government bonds and is, thus, not reported in the balance sheet. The value of the interest-bearing securities loaned on the balance sheet date, and the collateral received for these, is reported in Note 49, Transfers of Financial Assets, on page 77. Compensation for loaned interest-bearing securities is reported as interest income in the item Return on capital, income. See Note 5 on page 50.

### Other financial investment assets

Alecta undertakes genuine repurchase transactions in the form of repurchase agreements on the interest rate market. A repurchase agreement on the interest rate market is a transaction in which Alecta either purchases interest-bearing securities with a following resale at a determined price at a later point in time or conducts sales of interest-bearing securities with a following repurchase at a determined price at a later point in time.

For the repurchase agreements in which Alecta has purchased interest-bearing securities with an agreed resale at a determined price, the purchased interest-bearing security is not recorded as an asset under Bonds and other interest-bearing securities in the balance sheet. This asset is, however, recorded as a receivable under the heading Other financial investment assets and is measured at fair value.

In a similar manner, as regards the repurchase agreements in which Alecta has sold interest-bearing securities with a subsequent repurchase at a determined price, these interest-bearing securities will also be reported as an asset in the future under the heading Bonds and other interest-bearing securities. The received purchase price is, however, reported as a liability under the heading Other liabilities, and is measured at fair value.

### Receivables referring to direct insurance operations

These receivables refer to direct insurance receivables from policy holders, insurance brokers and other insurance companies. Receivables related to direct insurance are recognised at amortised cost.

### Other receivables

Other receivables are recognised at amortised cost.

## NOTE 1 Accounting principles for the Group and Parent Company, *cont.*

### Cash and cash equivalents

Cash and cash equivalents comprise a financial asset and are classified in the category loans and receivables. Cash and cash equivalents are referred to as cash and bank balances in both the Group and the Parent Company.

### Prepaid expenses and accrued income

Prepaid expenses and accrued income comprise expenditure for future financial years and income earned during the financial year which has not been received or invoiced as of the closing date. Alecta's prepaid expenses and accrued income mainly relate to interest receivables for investment assets.

### Translation reserve

The translation of the balance sheets of foreign subsidiaries is undertaken at the exchange rates applicable on the closing date and the translation of foreign subsidiaries' income statements is undertaken at the average exchange rate for the year. Translation differences that arise in translations of foreign currencies are recognised in Other comprehensive income and transferred to the Group's translation reserve. Currencies that are translated are the US dollar, Pound sterling and Euro.

### Discretionary participation features reserve

The discretionary participation features reserve in equity consist of preliminarily allocated rebates to policy holders and the insured. Allocated rebates to the insured include pension supplements and adjustments of paid-up values for defined benefit pension products, as well as preliminary allocated rebates for defined contribution insurance. Allocated rebates to policy holders comprise a premium reduction for risk insurance. Allocated rebates to policy holders and the insured also include funds designed to cover the cost of measures within the ITP plan, where collective agreement parties have been given the right to assign use. A decision on final use is made by Alecta's Board, provided that the Board is unanimous that the assigned use is in accordance with Alecta's interests as an insurance company. Allocation of surplus is regulated in the Company's funding policy in the actuarial guidelines. As the surplus is preliminary and not guaranteed, it is regarded as risk capital and included in the Company's funding reserve. The surplus is allocated in conjunction with payment according to the applicable internal rules and is recognised directly in equity.

### Special indexation funds

Special indexation funds are funds allocated to secure indexation of pensions or for other pension-promoting purposes. Alecta has these funds at its disposition following a decision by the Confederation of Swedish Enterprise and the Council for Negotiation and Co-operation for Salaried Employees (PTK). Special indexation funds are, therefore, not included in collective funding capital. Change items are recognised directly in equity.

### Guarantee reserve

The guarantee reserve comprises a part of equity. The guarantee reserve was established in 2007 with funds allocated in 1998 for cost recovery actions under the ITP plan. The reserve has two purposes, both of which are based on collective agreements. The first is to finance the collective agreement guarantee, which is a fundamental aspect of the ITP plan. The second is to finance the information activities undertaken by the parties to the collective agreement regarding ITP and TGL. Collective guarantee ensures that the insured receive their pension benefits both when the employer fails to take out such insurance as determined in the collective agreement and when an employer fails to pay the premium, for example in the case of bankruptcy.

The amount of the funds in the reserve is adjusted upwards or downwards annually by an amount corresponding to the percentage rate for the total return on Alecta's investment assets after deduction for yield tax and actual management costs. The upward or downward adjustment of the guarantee

reserve takes place the year after a decision by the Council of Administration to transfer an amount corresponding to the return between the funding reserve and the guarantee reserve.

### Retained earnings including profit for the year

This item includes collective funding and profit for the year. Collective funding includes other risk capital which is not allocated.

### Technical provisions

Technical provisions comprise the capital value of the Company's guaranteed commitments for insurance contracts in force and comprise the provision for life insurance and the provision for claims outstanding. These provisions are calculated according to accepted actuarial principles. This implies that the provisions are calculated at present value and that the calculations are based on prudent actuarial assumptions on, among other things, interest, mortality, morbidity and operating expenses. Technical provisions also include pension commitments to Alecta's employees in accordance with the FTP plan.

### Provision for life insurance

The provision for life insurance is calculated as the capital value of guaranteed pension payments, operating expenses, yield tax and contractual future premiums.

### Provision for claims outstanding

The provision for claims outstanding shall cover future costs for insurance claims that arise due to disability. The technical provision is determined when the right to compensation arises. Part of the provision for claims outstanding relates to claims incurred but not reported and is based exclusively on the Company's experience of the backlog of reported cases of illness. The backlog in reporting of cases of illness is normally limited to a period of one year.

### Pensions within the Alecta Group

All pension plans within the Group are reported as defined contribution plans. This means that charges are recognised as an expense in the period during which the benefits are earned, which often coincides with the date on which the charge was paid. The FTP Agreement provides an opportunity for employees born in 1955 or earlier to retire on their own initiative with effect from the month after their 62nd birthday. If this option is exercised, Alecta pays a single premium in order to cover the additional retirement benefits. An unfunded 100 percent provision is made for employees who have informed Alecta that they intend to exercise this option. For other employees who have the opportunity for early retirement, an unfunded provision is made, with the assumption that the benefit is earned on a straight-line basis up to the age of 62 and that 60 (60) percent will exercise the option.

### Provisions

A provision is a liability that is uncertain in terms of due date and/or amount. A provision is recognised in the balance sheet when an existing obligation arises due to an event that has occurred, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimation of the amount can be made. An obligation can be legal or constructive. If these terms are not met, no provision is recognised in the balance sheet, and a contingent obligation arises, instead, if the criteria for a contingent liability are met. Provisions are examined at each closing date. Provisions are utilised solely for the expenditure for which the provision was originally intended.

### Liabilities referring to direct insurance operations

Relates to direct insurance liabilities to policy holders, insurance brokers and insurance companies. Liabilities referring to direct insurance operations are recognised at acquisition cost.

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## NOTE 1 Accounting principles for the Group and Parent Company, *cont.*

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### Accrued expenses and deferred income

Accrued expenses and deferred income comprise expenses for the financial year incurred by the business which have not been paid or invoiced at closing date and income that has been paid or invoiced but not earned at closing date. Alecta's accrued expenses and deferred income mainly relate to property costs, rental income, personnel costs and interest payable.

### Cash flows

Cash flows are reported according to the indirect method. Alecta reports cash flows from operating activities, investing activities and financing activities with the adjustments required for insurance businesses. Since cash flows within the insurance business are mostly invested, investment assets are reported as an integral part of operating activities. Bank balances are recognised as cash and cash equivalents, i.e. the same as the item Cash and bank balances in the balance sheet. Current investments are not included in cash and cash equivalents but are recognised as investment assets. Interest received/paid and dividends received are reported under operating activities.

### Leases

Leases in which the rewards and risks associated with the ownership of the asset accrue to the lessor are classified as operating leases. Applying this definition, all of the Group's rental agreements are classified as operating leases. Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. All of the Group's rental agreements for its investment properties are classified as operating rental agreements. Rental income is recognised as an expense on a straight-line basis so that only the portion of the rent attributable to the period in question is reported as income.

### Laws and rules in the Parent Company

The Parent Company applies so-called legally restricted IFRS. This means that international financial reporting standards are applied to the extent possible under Swedish accounting legislation. The financial statements for the Parent Company comply with the Annual Accounts Act for Insurance Companies and the Swedish Financial Supervisory Authority's instructions and general advice regarding the annual financial statements of insurance companies, FFFS 2008:26, as well as the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. As the Group complies with full IFRS, the accounting principles in the Parent Company differ in certain respects from the accounting principles applied in the Group. Differences of material significance for the Parent Company are specified below.

### Funding reserve

Life insurance companies which may not distribute profits must have a funding reserve to which they allocate amounts that can be used to cover losses. The reserve may also be used for other purposes if the articles of association allow for this. The funding reserve is part of equity and consists of collective funding, discretionary participation features reserve and other reserves.

### Appropriations

Appropriations are fictitious costs providing a company with a larger fiscal deduction entitlement than actual costs. Due to the relationship between accounting and taxation, appropriations are reported in the income statement. Alecta's appropriations refer to a change in the tax allocation reserve. Appropriations are recognised as untaxed reserves in the balance sheet, see Note 37 on page 73. When the provision is later dissolved, it is reversed for taxation, which means that the reserve contains a deferred tax liability. In the consolidated financial statements, the tax allocation reserve is eliminated and the amount divided between equity and deferred tax.

### Yield tax

Yield tax includes pension products and family cover and is calculated based on the market value of financial net assets at the start of the financial year. In the Parent Company's income statement, yield tax is recognised in the item Tax.

### Provision for pensions

The calculation of the provision for pensions for Alecta's employees is carried out in the Parent Company in compliance with the assumptions of the Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations FFFS 2207:31.

### Land and buildings

In the Parent Company, land and buildings used in the Company's own operations are recognised as investment properties.

### Shares and participations in Group companies

Shares and participations in Group companies are recognised in the Parent Company at acquisition cost after deductions for impairment.

### Interest-bearing securities issued by, and loans to, Group companies

Intra-group loans and receivables are financial assets which are not listed on an active market. These assets are classified as loans receivable and are measured at amortised cost according to the effective interest method.

### Untaxed reserves

Untaxed reserves are the accumulated amount of appropriations made in order to reduce the taxable profit. Alecta's untaxed reserves consist of a tax allocation reserve. Untaxed reserves are classified in the Parent Company as equity. As the untaxed reserves must be dissolved in the future and reversed for taxation, they include a deferred tax liability. In the consolidated financial statements, untaxed reserves are eliminated and allocated between equity and deferred tax.

### Group contributions

The Parent Company reports Group contributions from subsidiaries as financial income. Group contributions from the Parent Company are reported as an increase in participations in Group companies. Group contributions which the subsidiary receives from the Parent Company are reported in the subsidiary's equity.

### Company acquisitions

In the case of asset acquisitions, all acquisition expenses are reported in the Parent Company as an increase in the acquisition cost of shares and participations.



## NOTE 2 Significant estimates and assessments

The preparation of the financial reports and the application of different accounting standards are often based on estimates and assessments made by management and the Board. These are usually based on historical experience, but may also be based on other factors, including expectations of future events. Management continuously evaluates the estimates and assessments undertaken. Actual outcomes may deviate from the estimates and assessments.

The estimates and assessments Alecta believe have the greatest impact on the outcome and/or assets and liabilities are described below.

### Estimates

#### Technical provisions

The calculation of technical provisions requires qualified assessments with assumptions regarding, among other things, mortality, disability, interest rates, expenses and tax. The valuation of technical provisions is described in the accounting principles in Note 1 on page 45. The sensitivity of the assumptions underlying the valuation of technical provisions is described in Note 3 on page 48. For information on current assumptions, see Note 38 and Note 39 on page 74.

#### Investment Properties

The Swedish properties are valued according to the cash flow method and are valued externally every other year. For foreign property, the current valuation method is applied in each country, which implies that both the cash flow method and the sales comparison approach are applied. The methods include numerous assumptions, such as rental and cost trends, vacancy rates, inflation and discount rates. A change in any of these assumptions affects the valuation. The valuation of Alecta's properties is shown in the accounting principles in Note 1 on page 43. The carrying amounts of the holdings, as well as a sensitivity analysis of the assumptions underlying the valuation, are found in Note 16 on page 56. Alecta's current usage of the investment properties is deemed to comprise the best practice, implying that the appraisal of the properties should reflect the maximum value of the assets.

#### Intangible fixed assets

Alecta reports a significant intangible asset in the form of capitalised development expenditure for the new insurance system. The value of each asset is examined individually at each closing date. In addition, the amortisation method and useful life of the assets are reviewed. The carrying amounts of intangible assets are shown in Note 14 on page 54.

### Taxes

Deferred tax assets and liabilities are recognised on temporary differences, non-utilised loss carry forwards and non-utilised tax recoverables. The reported deferred tax is impacted by certain assumptions and assessments, both those made in establishing the carrying amounts of various assets and liabilities and also those made as regards future taxable profits.

The Group tests annually whether there is a possibility that new deferred tax assets can be capitalised and whether impairment requirements exist for previous years' loss carry forwards. The carrying amounts of deferred tax liabilities and tax assets are shown in Note 42 on page 75.

### Assessments

#### Financial instruments

Listed prices on active markets are primarily applied when measuring financial instruments at fair value (an active market is defined in Note 23 on page 64). For holdings for which a listed price cannot be obtained from an active market, accepted valuation models are applied with the help of established assessment techniques. Holdings, divided into different assessment categories, are shown in Note 23. The measurement of financial instruments is described in Note 1 on pages 43-44. A sensitivity analysis is presented in Note 3 on page 49.

### Taxes

When calculating the basis for income tax, an assessment must be made of income and expenses according to operations incurring income tax and operations incurring yield tax. The allocation principles applied have a direct effect on estimated income tax. The principles also have an effect on the reporting of Alecta's assets, liabilities and equity for the different operations, as well as on the key performance indicators for Alecta's various products.

## NOTE 3 Risks and risk management

A general description of Alecta's risk organisation and risk management is provided in the Administration Report (page 24). In this Note 3, Alecta's various risk categories are described in greater detail.

### Insurance risks

Insurance risks are risks related to Alecta's insurance products and insurance portfolio and which pertain to, among other things, pricing, calculation of technical provisions and calculation and allocation of surplus funds. These calculations are based on actuarial assumptions, primarily on mortality, morbidity, operating expenses and interest rates, whereby each assumption is an inherent risk.

In order to ensure the reliability of the actuarial assumptions, Alecta's reported profit is analysed from an actuarial perspective on an annual basis. This is carried out by comparing actual mortality, morbidity, operating expenses and investment outcome with the applied assumptions. The assumptions are revised when the analysis shows this to be necessary. Changed assumptions can lead to a change in technical provisions and/or premium setting. As Alecta's insurance collective is large and diversified, concentration risks are negligible.

### Mortality risk

Mortality risk is the risk that the average lifetime of the insured parties will deviate from that assumed in the calculations. The risks vary depending on whether the insurance offers a death benefit or life benefit. An insurance policy with death benefit implies that the insurance amount is paid when the insured dies. Alecta's family pension, family cover and TGL (occupational group life insurance) are death benefit insurance policies. An insurance policy with life benefit matures when the insured reaches the age specified in the contract. Retirement pension and ITPK are both insurance with life benefits. Retirement pension with repayment cover is an example of combined death benefit and life benefit insurance.

Reduced mortality implies that the insured live longer than the Company has assumed. A life benefit insurance policy is negatively affected by reduced mortality; in other words, the costs for life benefit increase because the pensions have to be paid out for a longer period than was assumed. The opposite applies to death benefit insurance. Reduced mortality means that fewer death benefit insurance payments have to be made over a shorter period and the costs are, therefore, reduced. Increased mortality has the opposite effect.

During 2013, Alecta has updated the mortality assumptions utilised in the calculation of the provision for life insurance. The new assumptions imply that a man or a woman born in the 1940s will live for a further 20.6 and 23.4 years, respectively, after their 65th birthday. The mortality improvement for individuals born in subsequent decades is then assumed to be approximately 0.8 years per decade of birth. This is to be considered in relation to the previous assumption of life expectancy after the 65th birthday, which was 21.0 years for men and 22.5 years for women, regardless of the decade in which the individual was born.

A reduction in the mortality assumption of 20 percent implies that the life expectancies of a man and a woman currently aged 65 increase by 1.6 (1.7) years and 1.5 (1.7) years, respectively, and that Alecta's life insurance provision would increase by approximately 5 (6) percent.

### Morbidity risk

Morbidity risk is the risk that the insured will remain ill for a longer period or at a higher level of compensation than provided for in the assumption. Alecta's morbidity risk is included in the disability and the waiver of premium insurances. When an insured party falls ill, a technical provision is established on the basis of specific assumptions on the future level of incapacity to work and the length of the illness.

If the probability of recovery by all those incurring sickness benefits is seen to decrease by 20 percent in conjunction with each future actuarial calculation, while the level of working capacity for those incurring sickness benefits

is also deemed to decrease by 20 percent, then the technical provisions for disability pension and waiver of premium increase by approximately 17 (20) percent.

### Operating expenses risk

The operating expenses risk arises due to the fact that Alecta's operating expenses may be higher than was assumed when the premiums and benefits were calculated. Alecta works continuously with the follow-up of operating expenses to ensure that they do not exceed the level of operating expenses assumed in the calculations.

### Interest rate risk

Interest rate risk refers to the assumptions on future returns forming the basis of the calculation of premiums and benefits. The technical provisions are primarily assessed using an interest rate curve as defined in the Swedish Financial Supervisory Authority's regulations. In certain places in the annual report the interest rate curve is expressed as a cash flow weighted average interest rate. The effect of interest on Alecta's results and solvency level is described in the sensitivity analysis on page 49. Management of the total interest rate risk for assets and liabilities is further described in the Matching Risk section below.

### Financial risks

Financial risks exist in the investment operations and comprise market, credit and liquidity risks, as well as matching risk and solvency risk. The goal for the investment operations is to create a sustained real return, in other words, a return that steadily exceeds both inflation and the development of Alecta's insurance commitments. The independent department, Risk Control, performs, on a quarterly basis, a control of the value of Alecta's investment assets. In addition, certain aspects of investment management's other reporting have been audited and counterchecked.

### Market risk

Market risk is the risk that the value of the investments will be negatively affected by fluctuations in interest rates, exchange rates or the prices of assets, bonds or real estate. In order to limit market risk and avoid concentrations in the portfolio, Alecta allocates investments in different asset classes and markets.

### Asset allocation

Class of assets	Exposure		Share of portfolio	
	2013	2012	2013	2012
Shares	231,732	179,108	38.4 %	32.8 %
Interest-bearing investments	327,416	329,090	54.3 %	60.3 %
Property	43,700	37,775	7.2 %	6.9 %
<b>Total</b>	<b>602,848</b>	<b>545,973</b>	<b>100.0 %</b>	<b>100.0 %</b>

The table shows the asset allocation based on the classification in the total return table, see page 18. A detailed breakdown of asset classes is provided in the diagrams on page 20.

In order to ensure that Alecta can meet its solvency requirements by a wide margin, even in situations with a negative market development, the investment policy has set limits for risk levels. Various derivative instruments in the form of, for example, interest rate futures, equity futures, forward exchange contracts and interest and currency swaps are used to reduce the risks in the event of major price fluctuations and to make management more cost effective. Alecta also hedges its entire holdings in foreign bonds and real estate and a portion of the holding in foreign shares. Total currency exposure after hedging at year end was equal to 15.4 percent (12.3) of investments. Without currency hedging, 37.2 percent (33.7) of assets would have been exposed to exchange rate fluctuations.

## NOTE 3 Risks and risk management, *cont.*

### Currency exposure after hedging

Share of portfolio	2013	2012
EUR	-1.2 %	-1.4 %
CHF	2.1 %	0.7 %
GBP	3.3 %	3.6 %
USD	7.0 %	4.5 %
Other	1.9 %	2.0 %
<b>Net exposure</b>	<b>15.4 %</b>	<b>12.3 %</b>

### Credit risk

Credit risk is the risk of financial loss due to an issuer or counterparty becoming insolvent. Alecta analyses the credit risks associated with different types of investments and establishes credit limits for issuers and counterparties. There are also set limits for single exposures, in other words, limits for Alecta's total holding of shares and interest-bearing investments with one and the same Group. Risk & Performance checks that these limits are not exceeded on a daily basis.

Interest-bearing investments are primarily made in securities issued by borrowers with high credit ratings. Investments are primarily made in bonds assigned a rating of BBB or higher by the rating institute Standard & Poor's. The market value of investments made in companies with no rating or with a rating below BBB- may amount to a maximum of 10 percent of the interest-bearing portfolio. In addition to external ratings, all issuers are assessed for credit risk using internal credit rating models. Of Alecta's interest-bearing investments, 41 (42) percent are in Swedish and foreign securities, 29 (29) percent in Swedish mortgage institutions and 29 (29) percent in investments issued by other issuers (see Note 26 on page 68).

### Credit exposure

	Bonds and other interest-bearing securities			
	Market value		Share	
	2013	2012	2013	2012
Rating Aaa/AAA	190,420	184,419	58.9 %	57.3 %
Rating Aa/AA	28,090	35,702	8.7 %	11.1 %
Rating A/A	46,616	68,644	14.4 %	21.3 %
Rating Baa/BBB	31,165	22,984	9.6 %	7.1 %
Rating Ba/BB or without rating	27,236	10,165	8.4 %	3.2 %
	<b>323,527</b>	<b>321,914</b>	<b>100.0 %</b>	<b>100.0 %</b>

### Liquidity risk

Liquidity risk is the risk of a loss on financial instruments arising as it may not be possible to immediately sell the instruments without reducing the price. Liquidity risk also refers to the risk that Alecta will be unable to meet its payment obligations at the time of maturity without an increase in the cost of obtaining funds. Alecta's payment commitments consist of insurance obligations and financial liabilities, where approximately 80 percent of the obligations have a maturity in excess of five years, see Notes 38 and 39 on page 74. Alecta's financial liabilities are limited to the derivative contracts applied to hedge foreign currency and interest rate risk, and usually have a maturity of less than one year. The nominal value of derivative contracts is provided in Note 29 on page 68. There is also a maturity analysis of financial liabilities in Note 22 on page 63. Liquidity risk is managed using detailed cash flow forecasts and is limited by Alecta investing primarily in equities with good liquidity. Note 23 on page 64 specifies that SEK 233 billion of Alecta's investments comprise listed shares which can be converted into cash within one week. The remaining investments can be regarded as convertible into cash within one year, which means that the liquidity risk is regarded as negligible.

### Matching risk

Matching risk is the risk that Alecta's assets will not meet the commitments that the Company has made to its policy holders. The value of these insurance commitments and the interest-bearing investments depend on the interest rate level. If interest rates fall, the commitments and the value of

the interest-bearing investments rise. Since the commitments are larger and have a longer average maturity than the interest-bearing investments, a fall in interest rates is unfavourable for Alecta. The maturity of the commitments and the fixed-income periods of the asset portfolio are specified in Notes 38 and 39 and Note 26, respectively.

In order to limit matching risk, Alecta applies Asset Liability Management (ALM) analysis, the purpose of which is to identify the composition of investment assets best meeting the commitments. The analysis takes into account both how investment assets and liabilities at market value and, therefore, Alecta's risk capital, are affected by price fluctuations in the financial markets. The basis for the decisions on investment composition is Alecta's long-term assessment of market conditions in relation to Alecta's obligations, targets and financial position. Decisions are approved continuously by the Finance Committee appointed by the Board.

### Solvency risk

Solvency risk is the risk that Alecta could be considered to have insufficient risk capital to meet its guaranteed commitments with a sufficient degree of security. The Swedish Financial Supervisory Authority's measures solvency risk on the basis of its traffic light model. Alecta's risk capital level results in a "green light" by a wide margin. In addition, Alecta performs its own stress tests on a daily basis which identify significant financial risks and which are based on somewhat more stringent, negative market scenarios than those applied in the traffic light model. Stress tests measure risk exposure, and in the event of a limit being reached, action is taken to safeguard Alecta's solvency.

In addition, Alecta calculates the collective funding ratio for the defined benefit plans on a daily basis. The Company's collective funding ratio is usually permitted to vary between 125 and 155 percent, with a target level of 140 percent. If the funding ratio falls below 125 percent or rises above 155 percent, measures are to be taken to create the conditions for the collective funding ratio to return to the normal interval.

### Sensitivity analysis

Group	Effect on			
	Solvency level (% points)		Profit for the year / Equity	
	2013	2012	2013	2012
Interest decrease 1 % point	-11.8	-18.9	-21,108	-54,032
Share price decrease 10 %	-6.6	-4.7	-23,173	-17,911
Real estate value decrease 10 %	-1.2	-1.0	-4,370	-3,776
Exchange rate decrease 10 % <sup>1)</sup>	-2.6	-1.8	-9,269	-6,709

<sup>1)</sup> Comparative figures for the previous year have been recalculated following the change to a new calculation model.

The table shows how the solvency level and profit for the year would be affected by a reduction in the value of shares, in real estate and in currencies and also by a reduction in the market interest rates, regardless of maturity and market. A reduction of market interest rates increases the value of both commitments and interest-bearing investments.

### Other risks

In addition to financial and insurance risks, Alecta has other risks to manage, such as compliance risks, information security risks and operational risks. Using a company-wide self-assessment method, Alecta's different units annually identify their risks. Areas for improvement are identified and decisions made regarding risk-reducing and financially, or for other reasons, motivated measures to be undertaken. Work on continual improvements in the daily operations also contributes to reducing operational risks.

Despite the preventative work on identifying and reducing risks, incidents may still occur. These must, of course, be dealt with immediately in order to limit any possible damage and loss. It is equally important to learn from what has occurred and to take action to try to prevent the incident from happening again. Incidents are, therefore, discussed and reported regularly at all levels in Alecta.

## NOTE 4 Premiums written

The Group and Parent Company	2013	2012
Current premiums	20,906	20,686
Single premiums	3,173	4,640
Premium tax <sup>1)</sup>	-125	-132
<b>Invoiced premiums</b>	<b>23,954</b>	<b>25,194</b>
Adjustment of paid-up values	3	9
Premium reductions	1,102	14
<b>Rebates</b>	<b>1,105</b>	<b>23</b>
<b>Total premiums written</b>	<b>25,059</b>	<b>25,217</b>

<sup>1)</sup> The tax base comprises 95 (95) percent of premiums received for TGL.  
Tax amounts to 45 (45) percent of the assessment base.

## NOTE 6 Unrealised gains on investment assets

	Group		Parent Company	
	2013	2012	2013	2012
Land and buildings	1,072	408	402	-
Shares and participations	35,366	22,791	35,328	22,791
Bonds and other interest-bearing securities	-	8,271	-	8,271
Loans with real estate as collateral	-	1	-	1
Other loans	28	-	28	-
	<b>36,466</b>	<b>31,471</b>	<b>35,758</b>	<b>31,063</b>

## NOTE 5 Return on capital, income

	Group		Parent Company	
	2013	2012	2013	2012
Rental income from buildings and land	2,248	2,127	958	943
Dividends received	6,634	6,823	7,356	7,409
<i>of which Group companies</i>	-	-	727	586
Interest income, etc.	11,630	12,954	11,847	13,144
<i>bonds and other interest-bearing securities</i>	11,119	12,501	11,119	12,501
<i>loans with real estate as collateral</i>	15	23	-	-
<i>other interest income</i>	496	430	492	430
<i>other interest income, Group companies</i>	-	-	236	213
Foreign exchange gains, net	-	770	-	769
Capital gains, net	12,255	4,061	12,188	4,061
<i>land and buildings</i>	149	-	82	-
<i>shares and participations</i>	6,107	2,058	6,107	2,058
<i>obligations and other interest-bearing securities</i>	5,999	2,003	5,999	2,003
Other	45	46	-	-
	<b>32,812</b>	<b>26,781</b>	<b>32,349</b>	<b>26,326</b>

## NOTE 7 Claims paid

Group and Parent Company	2013	2012
Basic amount paid before indexation	-14,843	-13,965
Waiver of premium paid	-1,459	-1,328
Cancellations and repurchases <sup>1)</sup>	-770	-854
Operating expenses for claims management	-135	-134
	<b>-17,207</b>	<b>-16,281</b>

<sup>1)</sup> This item includes transferred capital of SEK 756 million (832).

## NOTE 8 Operating expenses

	Group		Parent Company	
	2013	2012	2013	2012
Administrative expenses	-555	-547	-555	-547
<b>Total operating expenses in the insurance business</b>	<b>-555</b>	<b>-547</b>	<b>-555</b>	<b>-547</b>
Claims management <sup>1)</sup>	-135	-134	-135	-134
Investment management <sup>2)</sup>	-170	-149	-155	-134
Property management <sup>3)</sup>	-84	-83	-52	-51
<b>Total operating expenses</b>	<b>-944</b>	<b>-913</b>	<b>-897</b>	<b>-866</b>
<b>Specification of total operating expenses</b>				
Personnel costs	-439	-395	-428	-383
Premises costs	-31	-27	-30	-27
Amortisation/depreciation	-29	-38	-29	-38
Disposals	-	-	-	-
IT costs	-205	-204	-205	-203
Property management costs	-84	-83	-52	-51
Selection centre costs	-127	-129	-127	-129
Other costs <sup>4)</sup>	-78	-91	-75	-89
Administration fees	49	54	49	54
<b>Total operating expenses</b>	<b>-944</b>	<b>-913</b>	<b>-897</b>	<b>-866</b>

<sup>1)</sup> Reported under Claims paid in the income statement, see Note 7.

<sup>2)</sup> Reported under Return on capital, expenses, in the income statement, see Note 9.

<sup>3)</sup> Reported under Return on capital, expenses, in the income statement (included in the item Operating expenses for land and buildings in Note 9).

<sup>4)</sup> Other expenses mainly comprise costs for information and consultants.

## NOTE 9 Return on capital, expenses

	Group		Parent Company	
	2013	2012	2013	2012
Operating expenses for land and buildings	-824	-801	-343	-331
Investment management costs <sup>1)</sup>	-170	-149	-155	-134
Interest expenses, etc.	-498	-1,301	-501	-1,311
<i>property loans</i>	0	0	0	0
<i>bonds and other interest-bearing securities</i>	-163	-1,003	-163	-1,003
<i>other interest expenses</i>	-335	-298	-335	-298
<i>other interest expenses, Group companies</i>	-	-	-3	-10
Custodian bank fees	-14	-11	-14	-11
Amortisation and impairment	-1	-	-	-
<i>shares in Group companies</i>	-	-	-	-
Foreign exchange losses, net	-1,518	-	-1,518	-
Capital losses, net	-	-104	-	-172
<i>land and buildings</i>	-	-104	-	-172
<i>shares and participations</i>	-	-	-	-
Other	-25	-19	-	-
	<b>-3,050</b>	<b>-2,385</b>	<b>-2,531</b>	<b>-1,959</b>

<sup>1)</sup> In addition to these costs, external fees of approximately SEK 41 million (44) were paid for investments in unlisted private equity assets. These fees are reported as a negative change in the value of the holding and are, for this reason, included in the net amount of unrealised gains under Shares and participations in Note 6.

## NOTE 10 Unrealised losses on investment assets

	Group		Parent Company	
	2013	2012	2013	2012
Land and buildings	-	-	-	-176
Shares and participations	-	-	-	-
Bonds and other interest-bearing securities	-11,007	-	-11,007	-
Loans with real estate as collateral	-2	-	-2	-
Other loans	-	-7	-	-7
	<b>-11,009</b>	<b>-7</b>	<b>-11,009</b>	<b>-183</b>

## NOTE 11 Yield tax

Group	2013	2012
Yield tax <sup>1)</sup>	-697	-1,187
Adjustment of tax attributable to previous years	-4	11
<b>Total yield tax</b>	<b>-701</b>	<b>-1,176</b>
<sup>1)</sup> Yield tax	2013	2012
Tax base <sup>2)</sup>	546,723	488,409
Capital base <sup>3)</sup>	513,427	457,542
Taxable base <sup>4)</sup>	7,804	11,759
Estimated yield tax <sup>5)</sup>	-1,171	-1,764
Deduction for paid withholding tax and income and property tax on foreign properties previous years	474	577
<b>Yield tax</b>	<b>-697</b>	<b>-1,187</b>

Sensitivity analysis	Effect on yield tax	
Group	2013	2012
Capital base +/- 10%	-/+ 117	-/+ 176
Allocation percentage +/- 1 percentage point	-/+ 12	-/+ 19
Average government lending rate +/- 1 percentage point	-/+ 770	-/+ 686

<sup>A)</sup> The base for yield tax is comprised of the value of the assets at the beginning of the financial year after deduction of financial liabilities at the same point in time. The base is, then, adjusted to take into account surplus values of foreign and Swedish indirectly owned properties. Of the base, SEK 2,704 million (2,527) constitutes surplus values.

<sup>B)</sup> The capital base of 93.91 (93.68) percent refers to the pension products and family protection. This portion is calculated on the basis of equity, untaxed reserves and technical provisions.

<sup>C)</sup> The taxable base is calculated as the capital base multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the financial year. Average government borrowing rate: 1.52 (2.57) percent.

<sup>D)</sup> Tax rate: 15 (15) percent.

## NOTE 12 Income tax (Group)

Group	2013	2012
<b>Income tax</b>		
of which current tax	-374	-876
of which deferred tax	-530	-509
<b>Total income tax</b>	<b>-904</b>	<b>-1,385</b>
<b>Current tax <sup>1)</sup></b>		
Tax on profit of the year	-99	-425
Adjustment of tax attributable to previous years	246	-9
Withholding tax	-277	-289
Income tax relating to foreign directly and indirectly owned properties	-244	-153
<b>Total current tax</b>	<b>-374</b>	<b>-876</b>
<b>Deferred tax</b>		
<b>Deferred tax expenses, gross:</b>		
Difference between reported and taxable value of Swedish properties	-123	-57
Difference between reported and taxable value of foreign properties	-431	-215
Difference between reported and taxable value of financial instruments	-282	-514
Other temporary differences	0	-8
Tax loss carry forwards	-1	-
Tax allocation reserve	-31	-135
Adjustment of tax relating to previous years	-120	-78
	<b>-988</b>	<b>-1,007</b>
<b>Deferred tax income, gross:</b>		
Other temporary differences	0	14
Tax loss carry forwards	2	11
Other unutilised tax deductions <sup>2)</sup>	52	20
Deductible foreign income tax	404	216
Effect of change in Swedish tax rate <sup>3)</sup>	-	237
	<b>458</b>	<b>498</b>
<b>Total deferred tax, net</b>	<b>-530</b>	<b>-509</b>

<sup>1)</sup> The portion liable for tax comprises disability pension, waiver of premium and TGL.

<sup>2)</sup> Other unutilised tax deductions relating to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset no later than in the fifth financial year following the current financial year.

<sup>3)</sup> The corporate tax rate was reduced from 26.3 % to 22 % as of 1 January 2013.

Difference between reported tax and tax based on the current Swedish tax rate <sup>A)</sup>	2013		2012	
Profit before tax according to income statement	87,620		69,438	
Less: Profit from operations taxed on the basis of yield tax	-83,306		-64,083	
<b>Profit from operations taxed on the basis of income tax</b>	<b>4,314</b>		<b>5,355</b>	
<b>Tax according to current tax rate</b>	<b>-949</b>	<b>-22.0 %</b>	<b>-1,408</b>	<b>-26.3 %</b>
Difference in tax rate <sup>B)</sup>	-196	-4.5 %	-78	-1.5 %
Non-deductible expenses and taxable income not included in profit	-48	-1.1 %	-24	-0.4 %
Non-taxable income	21	0.5 %	75	1.4 %
Allocated premium reduction	243	5.6 %	4	0.1 %
Standard interest rate, tax allocation reserve	-5	-0.1 %	-5	-0.1 %
Effect of initial recognition of properties	-87	-2.0 %	0	0.0 %
Other	-9	-0.2 %	-6	-0.1 %
Adjustment of tax attributable to previous years	127	2.9 %	-85	-1.6 %
Loss carry forwards	-5	-0.1 %	0	0.0 %
Unutilised tax deductions	52	1.2 %	20	0.4 %
Foreign tax to deduct <sup>C)</sup>	273	6.3 %	216	4.0 %
Effect of change in Swedish tax rate	-	-	237	4.4 %
Income tax relating to foreign directly and indirectly owned properties	-44	-1.0 %	-42	-0.8 %
Withholding tax	-277	-6.4 %	-289	-5.4 %
<b>Reported income tax</b>	<b>-904</b>	<b>-20.9 %</b>	<b>-1,385</b>	<b>-25.9 %</b>

<sup>A)</sup> Comparative figures for 2012 have been recalculated following the change to a new calculation model.

<sup>B)</sup> Refers to the United States and France.

<sup>C)</sup> Corresponds to deferred tax on the difference between the reported and fiscal values of foreign properties.



**NOTE 13 Tax (Parent Company)**

Parent Company	2013	2012
Yield tax	-701	-1,176
Income tax	-531	-1,141
of which current tax	-178	-774
of which deferred tax	-353	-367
<b>Total tax</b>	<b>-1,232</b>	<b>-2,317</b>
<b>Yield tax</b>		
Yield tax <sup>1)</sup>	-697	-1,187
Adjustment of tax attributable to previous years	-4	11
<b>Total yield tax</b>	<b>-701</b>	<b>-1,176</b>
<b>Current tax <sup>2)</sup></b>		
Tax on profit for the year	-95	-425
Adjustment of tax attributable to previous years	238	-19
Withholding tax	-277	-289
Income tax on foreign directly and indirectly owned properties	-44	-42
<b>Total current tax</b>	<b>-178</b>	<b>-775</b>
<b>Deferred tax</b>		
<b>Deferred tax expenses, gross:</b>		
Difference between reported and taxable value of properties <sup>3)</sup>	-134	-
Difference between reported and taxable value of financial instruments	-282	-514
Other temporary differences	-	0
Adjustment of tax attributable to previous years	-120	-
	<b>-536</b>	<b>-514</b>
<b>Deferred tax income, gross:</b>		
Difference between reported and taxable value of properties	-	9
Other temporary differences	0	-
Other unutilised tax deductions <sup>4)</sup>	52	20
Deductible foreign income tax <sup>3)</sup>	131	-
Effect of change in Swedish tax rate <sup>5)</sup>	-	118
	<b>184</b>	<b>147</b>
<b>Total deferred taxes, net</b>	<b>-353</b>	<b>-367</b>

**Reconciliation between reported tax and tax based on the current Swedish tax rate <sup>6)</sup>**

	2013	2012
Profit before tax according to the income statement	87,546	69,496
Less: Profit in operations taxed on the basis of yield tax	-84,718	-65,959
<b>Profit in operations taxed on the basis of income tax</b>	<b>2,828</b>	<b>3,537</b>
<b>Tax according to the current tax rate</b>	<b>-622</b>	<b>-930</b>
Non-deductible expenses and taxable income not included in profit	-8	-10
Non-taxable income	12	13
Allocated premium reduction	243	4
Standard interest on tax allocation reserve	-5	-5
Adjustment of income tax relating to previous years	118	-19
Unutilised tax deductions	52	20
Effect of change in Swedish tax rate	-	118
Income tax on foreign directly and indirectly owned properties	-44	-42
Withholding tax	-277	-289
<b>Income tax as reported</b>	<b>-531</b>	<b>-1,141</b>
Additional yield tax	-697	-1,187
Additional yield tax from previous years	-4	11
<b>Reported tax</b>	<b>-1,232</b>	<b>-2,317</b>

<sup>1)</sup> Yield tax	2013	2012
Tax base <sup>A)</sup>	546,723	488,409
Capital base <sup>B)</sup>	513,427	457,542
Taxable base <sup>C)</sup>	7,804	11,759
Estimated yield tax <sup>D)</sup>	-1,171	-1,764
Deduction for paid withholding tax, income tax and property tax for foreign properties in previous year	474	577
<b>Yield tax</b>	<b>-697</b>	<b>-1,187</b>

<sup>A)</sup> The base for yield tax is comprised of the value of the assets at the beginning of the financial year after deduction of financial liabilities at the same point in time. The base is, then, adjusted to take into account surplus values of foreign and Swedish indirectly owned properties.

Of the total base, SEK 2,704 million (2,527) constitutes surplus values.

<sup>B)</sup> The capital base of 93.91 (93.68) percent refers to the pension products and family protection. The portion is calculated on the basis of equity, untaxed reserves and technical provisions.

<sup>C)</sup> The taxable base is calculated as the capital base multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the financial year. Average government borrowing rate: 1.52 (2.57) percent.

<sup>D)</sup> Tax rate: 15 (15) percent

<sup>2)</sup> The taxable portion consists of disability pension, waiver of premium and TGL.

<sup>3)</sup> The comparative figures for previous periods have been recalculated.

<sup>4)</sup> Other unutilised tax deductions relating to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset no later than in the fifth financial year following the current financial year.

<sup>5)</sup> The corporate tax rate has been reduced from 26.3% to 22%, with effect from 1 January 2013.

## NOTE 14 Intangible fixed assets

Group and Parent Company	2013			2012		
	Intangible assets under development	Completed development	Total	Intangible assets under development	Completed development	Total
<b>Cost</b>						
Opening balance	1	688	689	10	676	686
Investments for the year	3	-	3	3	-	3
Disposals for the year	-	-8	-8	-	-	-
Reclassification for the year	-4	4	-	-12	12	-
<b>Closing balance</b>	<b>-</b>	<b>684</b>	<b>684</b>	<b>1</b>	<b>688</b>	<b>689</b>
<b>Accumulated amortisation and impairment</b>						
Opening balance	-	-187	-187	-	-149	-149
Amortisation for the year	-	-29	-29	-	-38	-38
Disposals for the year	-	8	8	-	-	-
<b>Closing balance, amortisation</b>	<b>-</b>	<b>-208</b>	<b>-208</b>	<b>-</b>	<b>-187</b>	<b>-187</b>
Opening balance	-	-114	-114	-	-114	-114
<b>Closing balance, impairments</b>	<b>-</b>	<b>-114</b>	<b>-114</b>	<b>-</b>	<b>-114</b>	<b>-114</b>
<b>Book value, intangible assets</b>	<b>-</b>	<b>362</b>	<b>362</b>	<b>1</b>	<b>387</b>	<b>388</b>

Intangible assets comprise expenditure for software development, primarily development of a new insurance system that was implemented in April 2008 and which accounts for SEK 680 million (678) of total costs.

## NOTE 15 Property, plant and equipment

	Group		Parent Company	
	2013	2012	2013	2012
<b>Cost</b>				
Opening balance	60	55	35	30
Acquisitions for the year	2	6	1	5
Disposals/sales for the year	0	-1	-	-
Translation difference	0	0	-	-
<b>Closing balance</b>	<b>62</b>	<b>60</b>	<b>36</b>	<b>35</b>
<b>Accumulated depreciation</b>				
Opening balance	-33	-33	-30	-29
Depreciation for the year	-2	-1	-1	-1
Disposals/sales for the year	0	-	-	-
Translation difference	0	1	-	-
<b>Closing balance</b>	<b>-35</b>	<b>-33</b>	<b>-31</b>	<b>-30</b>
<b>Book value property, plant and equipment</b>	<b>27</b>	<b>27</b>	<b>5</b>	<b>5</b>

**NOTE 16** Land and buildings/investment properties

Group 2013	OB Market value	Acquisitions	Disposals	Change in value	CB Market value	Cost
Sweden	15,347	3,359	-743	442	18,405	17,341
USA	9,430	437	-700	512	9,679	7,261
UK	3,171	445	-178	221	3,659	3,661
France	438	-	-	-23	415	565
Netherlands	172	1	-	2	175	328
	<b>28,558</b>	<b>4,242</b>	<b>-1,621</b>	<b>1,154</b>	<b>32,333</b>	<b>29,156</b>
Group 2012	OB Market value	Acquisitions	Disposals	Change in value	CB Market value	Cost
Sweden	15,192	989	-838	4	15,347	14,743
USA	8,081	1,337	-	12	9,430	7,859
UK	3,268	74	-18	-153	3,171	3,393
France	483	-	0	-45	438	587
Netherlands	208	2	0	-38	172	338
	<b>27,232</b>	<b>2,402</b>	<b>-856</b>	<b>-220</b>	<b>28,558</b>	<b>26,920</b>
Parent Company 2013	OB Market value	Acquisitions	Disposals	Change in value	CB Market value	Cost
Sweden	9,560	523	-547	312	9,848	7,950
USA	1,022	10	-	-17	1015	803
UK	3,171	445	-178	221	3,659	3,661
Netherlands	172	1	-	2	175	328
	<b>13,925</b>	<b>979</b>	<b>-725</b>	<b>518</b>	<b>14,697</b>	<b>12,742</b>
Parent Company 2012	OB Market value	Acquisitions	Disposals	Change in value	CB Market value	Cost
Sweden	9,672	576	-520	-168	9,560	8,019
USA	1,018	63	-	-59	1,022	836
UK	3,268	74	-18	-153	3,171	3,383
Netherlands	208	2	0	-38	172	338
	<b>14,166</b>	<b>715</b>	<b>-538</b>	<b>-418</b>	<b>13,925</b>	<b>12,576</b>

## NOTE 16 Land and buildings/investment properties, *cont.*

Fair value per sector:	Group		Parent Company	
	2013	2012	2013	2012
Industry	2,175	2,095	1,105	1,088
Offices	17,324	14,178	8,461	7,862
Residential housing	1,600	1,831	-	-
Trade	10,162	9,383	4,458	4,311
Other	1,072	1,071	673	665
<b>Total</b>	<b>32,333</b>	<b>28,558</b>	<b>14,697</b>	<b>13,925</b>

Vacancy rate by rent, %	Group	
	2013	2012
Sweden	4.2	4.3
USA	7.3	7.4
UK	6.6	9.5
Netherlands	11.3	11.0
France	18.3	20.8
	<b>5.6</b>	<b>6.2</b>

Breakdown of lettable space, square metres	Group	
	2013	2012
Sweden	745,559	689,001
USA	370,064	457,444
UK	161,846	161,346
Netherlands	41,521	32,986
France	43,888	43,888
	<b>1,362,878</b>	<b>1,384,665</b>

Lease maturities at 31 Dec 2013	Group	
	Contracted annual rent	Share
<i>Maturity dates:</i>		
Within one year	257,224	11 %
Later than one year but within five years	964,842	43 %
Later than five years	867,104	39 %
Residential, garage/parking, etc.	150,760	7 %
	<b>2,239,930</b>	<b>100 %</b>

All properties in the Group, other than owner-occupied properties owned by the Group, are classified as investment properties as they are owned in order to generate rental income and/or a value increase. Investment properties are valued in accordance with level 3 in the fair value hierarchy.

See Note 1, Accounting principles in the Group and Parent Company under Land and buildings on page 43 for a description of the valuation process.

### Valuation methods

The total valuation of Alecta's property holdings is based on the assessed market value of each individual property. The method is based on the market practice of the country in which the property is located. In Sweden, the assessed market value is based on a cash flow method, implying that the value of the property is based on the current value of the forecasted net operating income, as well as on the residual value during the calculation period, after which these are discounted with the estimated cost of capital. The cost of capital is a significant parameter and consists of required returns and inflation.

Information on, for example, the actual rental agreements, along with normalised operating and maintenance expenses for comparable properties, as well as location prices, is utilised in determining the cost of capital. Examples of factors which have an impact upon the cost of capital include the tenant mix of the property, modernity, condition and the length of the rental agreement. The future net operating income is based, for example, on the current and historical rents; the development, operating and maintenance costs for the area and the assessed investments.

In most cases in the United Kingdom, the Netherlands and France, the sales comparison approach is applied, which is based on calculations of required returns derived from comparable sold objects, adjusted for the individual conditions of each property. An assessed market value is determined by dividing the net operating income for the actual valuation object with the

required returns. In the United States, both the sales comparison approach and cash flow method are applied.

The parameters which are of great importance for the assessed market value of properties include the required returns and assumptions on future net operating income. The initial required returns for property holdings differ between regions and property categories. The average initial required returns and the initial net operating income for Sweden, the United States and the United Kingdom are presented in the table below.

The required returns in Sweden refer exclusively to development properties, and in the United Kingdom, the net operating income consists solely of net rental income, as the majority of the on-going expenses for operations and maintenance, as well as property tax, are invoiced to the tenant instead of being charged to the property owner.

Countries	Net operating income	Required returns %
Sweden	975	5.4
USA	487	5.0
UK	198	6.4

### Sensitivity analysis

The value-influencing parameters applied in the valuation are to reflect the way in which a prospective buyer would behave on the market. In order to demonstrate the uncertainty of the assessed valuation, two parameters considered essential for valuations have been selected. The sensitivity analysis below shows the manner in which a change of +/- 10 % in net operating income and a change of +/- 0.5 % in the required returns impacts the property valuation for property holdings in Sweden, the United States and the United Kingdom.

Countries	Net operating income +/- 10 %	Required returns +/- 0,5 %
Sweden	+/- 1,800	+/- 1,670
USA	+/- 970	+/- 880
UK	+/- 70	+/- 300

## NOTE 17 Owner-occupied properties

Group	2013	2012
<b>Cost</b>		
Opening balance	967	960
Acquisitions for the year	7	7
<b>Closing balance</b>	<b>974</b>	<b>967</b>
<b>Accumulated depreciation</b>		
Opening balance	-66	-48
Depreciation for the year	-18	-18
<b>Change for the period</b>	<b>-18</b>	<b>-18</b>
<b>Closing balance</b>	<b>-84</b>	<b>-66</b>
<b>Book value, owner-occupied properties</b>	<b>890</b>	<b>901</b>

## NOTE 18 Shares and participations in Group companies <sup>1)</sup>

Parent Company	Corporate Identity Number	Registered offices	Number of shares/ participation	Share of capital	Book value 2013	Book value 2012
<b>Swedish companies</b>						
Alecta AB	556597-9266	Stockholm	1,000	100 %	0	0
Alfab Köpcentrum AB	556943-7071	Stockholm	500	100 %	0	-
Alfab Indirekt Holding AB	556931-5459	Stockholm	50,000	100 %	20	-
Alecta Plåten Västra AB <sup>2)</sup>	556883-5424	Stockholm	500	100 %	-	0
Alecta Plåten Östra AB <sup>2)</sup>	556883-5432	Stockholm	500	100 %	-	0
Alecta Retail Holding AB	556660-2594	Stockholm	1,000	100 %	30	30
Alfab Borås 1 AB	556708-2002	Stockholm	100,000	100 %	-	-
Alfab Järfälla 1 AB	556664-7599	Stockholm	1,000	100 %	-	-
Alfab Jönköping 1 AB	556692-9385	Stockholm	890	89 %	-	-
– Alfab Jönköping 2 AB	556692-9625	Stockholm	1,000	100 %	-	-
– Alfab Västerås 1 AB	556606-3656	Stockholm	100	100 %	-	-
Alfab Jönköping 4 AB	556188-6127	Stockholm	1,000	100 %	-	-
Alfab Jönköping 5 AB	556658-9783	Stockholm	1,000	100 %	-	-
Fastighet Ädel AB	556604-9275	Stockholm	1,000	100 %	-	-
Fastighetsaktiebolaget Borås Filtret	556790-5525	Stockholm	1,000	100 %	-	-
Fastighetsaktiebolaget Åkersberga Österåker Runö	556785-6389	Stockholm	1,000	100 %	-	-
Fyrfast AB	556604-5513	Stockholm	1,000	100 %	-	-
Alfab Valutan 13 AB	556708-2713	Stockholm	100,000	100 %	-	-
Alecta Tjänstepensioner AB	556713-7160	Stockholm	1,000	100 %	0	0
Kabelverket Holding AB	556587-1075	Stockholm	1,000	100 %	0	0
Alfab Göteborg 3 AB	556913-5717	Stockholm	500	100 %	-	-
Alfab Göteborg 4 AB	556718-6654	Stockholm	1,000	100 %	-	-
Alfab Göteborg 5 AB	556690-0386	Stockholm	1,000	100 %	-	-
Alfab Karlstad 1 AB <sup>2)</sup>	556651-2918	Stockholm	1,000	100 %	-	-
Alfab Karlstad 2 AB <sup>2)</sup>	556340-8813	Stockholm	200	100 %	-	-
Alfab Karlstad 4 AB <sup>2)</sup>	556695-0845	Stockholm	1,000	100 %	-	-
Alfab Malmö 1 AB	556655-4266	Stockholm	1,000	100 %	-	-
Alfab Nyköping 1 AB	556740-0717	Stockholm	1,000	100 %	-	-
Alfab Stockholm 1 AB	556660-5530	Stockholm	1,000	100 %	-	-
Alfab Vällingby 1 AB	556892-7858	Stockholm	500	100 %	-	-
– Alfab Vällingby 3 KB	969761-3603	Stockholm	-	-	-	-
Alfab Vällingby 2 AB	556892-7882	Stockholm	500	100 %	-	-
– Alfab Vällingby 4 KB	969761-3595	Stockholm	-	-	-	-
Alfab Västerport 1 AB	556690-0378	Stockholm	1,000	100 %	-	-
Fastighets AB Kablaget	556577-4642	Stockholm	1,000	100 %	-	-
– Fastighets AB Kabelverket	556577-4568	Stockholm	1,000	100 %	-	-
– Alecta Fastighetsutveckling AB	556577-4618	Stockholm	1,000	100 %	-	-
Vasaterminalen AB	556118-8722	Stockholm	2,022,000	100 %	-	-
– WTC Parkering AB	556424-3920	Stockholm	1,000	100 %	-	-
– World Trade Center Stockholm AB	556273-0803	Stockholm	1,000	100 %	-	-
Naraden Boglundsängen KB	969651-4117	Stockholm	99	99 %	15	15
Naraden Göteborg 1 KB	969697-7892	Stockholm	99	99 %	273	260
Tuna Park Köpcentrum KB	969680-6398	Stockholm	999	99.9 %	501	501
<b>Total Sweden</b>					<b>839</b>	<b>806</b>

<sup>1)</sup> As all shares are unlisted, market values are not specified. Book values are not stated for subsidiaries in sub-groups.

<sup>2)</sup> The company was sold in 2013.



**NOTE 18** Shares and participations in Group companies <sup>1)</sup>, *cont.*

Parent Company	Corporate Identity Number	Registered offices	Number of shares/ participation	Share of capital	Book value 2013	Book value 2012
<b>Foreign companies</b>						
<b>France</b>						
Alecta Real Estate France EURL	499638864	Paris	1,000	100 %	0	0
Alecta Floirac SCI	501701635	Paris	9,999	99.9 %	0	0
Alecta Hoerdts SCI	499653756	Paris	9,999	99.9 %	0	0
Alecta Merignac SCI	499686079	Paris	9,999	99.9 %	0	0
Alecta Meyzieu SCI	499686152	Paris	9,999	99.9 %	0	0
Alecta Toulouse SCI	507410587	Paris	9,999	99.9 %	0	0
Alecta Vouillands SCI	501701502	Paris	9,999	99.9 %	0	0
Alecta Woodstock II SCI	499686111	Paris	9,999	99.9 %	0	0
<b>Total France</b>					<b>0</b>	<b>0</b>
<b>USA</b>						
Alecta Real Estate USA, LLC	DE ID 4078782	San Francisco	-	100 %	7,534	7,448
717 North Michigan, LLC <sup>2)</sup>	IL ID 00194816	San Francisco	-	100 %	-	-
Boylston Street Investors, LLC	DE ID 5405204	San Francisco	-	100 %	-	-
Alecta Denver, LLC	DE ID 4382120	San Francisco	-	100 %	-	-
Alecta Houston, LLC	DE ID 4256956	San Francisco	-	100 %	-	-
Alecta Portland, LLC	DE ID 4836467	San Francisco	-	100 %	-	-
Alecta Real Estate Investment, LLC	DE ID 4223706	San Francisco	-	100 %	-	-
- Alecta Real Estate Atlanta, LLC	DE ID 3896694	San Francisco	-	100 %	-	-
- Alecta Real Estate California, LLC	DE ID 3601049	San Francisco	-	100 %	-	-
- Alecta Real Estate Doral Plaza, LLC	DE ID 3601054	San Francisco	-	100 %	-	-
- Alecta Real Estate Winsted, LLC	DE ID 3601057	San Francisco	-	100 %	-	-
Alecta Timberland, LLC	DE ID 4130208	San Francisco	-	100 %	-	-
- Springboard - OP CO, LLC	DE ID 4834515	San Francisco	-	100 %	-	-
- Springboard - Wallace Falls, LLC	DE ID 4830432	San Francisco	-	100 %	-	-
Alecta Los Angeles, LLC	DE ID 4784460	San Francisco	-	100 %	-	-
Birch Commercial Mortgage, LLC	DE ID 4641524	San Francisco	-	100 %	-	-
Columbia & Eighth, LLC	DE ID 5003417	San Francisco	-	100 %	-	-
Cupertino - Tantau, LLC	DE ID 4895201	San Francisco	-	100 %	-	-
First Hill Northwest, LLC	DE ID 4905415	San Francisco	-	100 %	-	-
Hillsboro Club, LLC	DE ID 4951762	San Francisco	-	100 %	-	-
Hillsboro Terrace, LLC	DE ID 4951765	San Francisco	-	100 %	-	-
MMM Northwest 37, LLC	DE ID 4905419	San Francisco	-	100 %	-	-
Middlefield Circle, LLC	DE ID 5071351	San Francisco	-	100 %	-	-
SRP Valley, LLC	DE ID 5125176	San Francisco	-	100 %	-	-
Townsend East, LLC	DE ID 5225419	San Francisco	-	100 %	-	-
Walnut & Fifteenth, LLC	DE ID 5235952	San Francisco	-	100 %	-	-
Moutain View Circle, LLC	DE ID 5413213	San Francisco	-	100 %	-	-
Sky Garden NW, LLC <sup>3)</sup>	DE ID 4906542	San Francisco	-	100 %	-	-
SSF Industrial, LLC	DE ID 5036326	San Francisco	-	100 %	-	-
<b>Total USA</b>					<b>7,534</b>	<b>7,448</b>
<b>Total shares and participations in Group companies</b>					<b>8,373</b>	<b>8,254</b>

<sup>1)</sup> As all shares are unlisted, market values are not specified. Book values are not stated for subsidiaries in sub-groups.

<sup>2)</sup> Company liquidated in 2013.

<sup>3)</sup> Company no longer part of the Group as of October 2013.

**NOTE 18** Shares and participations in Group companies, *cont.*

Parent Company	Book value 2013	Book value 2012
<b>Cost</b>		
Opening balance	11,130	9,873
Acquisitions for the year	0	0
Disposals for the year	0	-139
Shareholder contributions for the year	106	1,376
Liquidations for the year	-	0
Share of profit for the year	13	20
<b>Closing balance</b>	<b>11,249</b>	<b>11,130</b>
<b>Accumulated impairment</b>		
Opening balance	-2,876	-2,876
Impairment for the year	-	-
Reversed impairment for the year	-	0
<b>Closing balance</b>	<b>-2,876</b>	<b>-2,876</b>
<b>Total shares and participations in Group companies</b>	<b>8,373</b>	<b>8,254</b>

**NOTE 19** Interest-bearing securities issued by, and loans to, Group companies

Parent Company	Book value 2013	Book value 2012
<b>Cost</b>		
Opening balance	5,639	5,612
Change for the year	1,415	27
<b>Total interest-bearing securities issued by, and loans to, Group companies</b>	<b>7,054</b>	<b>5,639</b>

The item comprises, in its entirety, loans to property-owning subsidiaries. Book value is estimated to correspond to fair value.

## NOTE 20 Categorisation of financial assets and liabilities

Group, 31 December 2013					
	Financial assets/liabilities at fair value through profit or loss at initial recognition	Financial assets/liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/ other financial liabilities	Total carrying amount	Fair value
<b>Financial assets</b>					
Shares and participations	237,807	-	-	237,807	237,807
Bonds and other interest-bearing securities	323,527	-	-	323,527	323,527
Loans with real estate as collateral	175	-	-	175	175
Other loans	967	-	2,620	3,587	3,587
Derivatives	-	1,626	-	1,626	1,626
Other financial investment items	-	-	-	-	-
Receivables referring to direct insurance operations	-	-	1,534	1,534	1,534
Other receivables	-	-	625	625	625
Cash and bank balances	-	-	1,193	1,193	1,193
Accrued interest and rental income	5,018	2,115	3	7,136	7,136
Other prepaid expenses and accrued income	-	-	-	-	-
<b>Total</b>	<b>567,494</b>	<b>3,741</b>	<b>5,975</b>	<b>577,210</b>	<b>577,210</b>
<b>Financial liabilities</b>					
Liabilities referring to direct insurance operations	-	-	48	48	48
Derivatives	-	4,363	-	4,363	4,363
Other liabilities	140	-	293	433	433
Other accrued expenses and deferred income	1	1,528	42	1,571	1,571
<b>Total</b>	<b>141</b>	<b>5,891</b>	<b>383</b>	<b>6,415</b>	<b>6,415</b>

Group, 31 December 2012					
	Financial assets/liabilities at fair value through profit or loss at initial recognition	Financial assets/liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/ other financial liabilities	Total carrying amount	Fair value
<b>Financial assets</b>					
Shares and participations	184,033	-	-	184,033	184,033
Bonds and other interest-bearing securities	321,914	-	-	321,914	321,914
Loans with real estate as collateral	20	-	241	261	261
Other loans	720	-	1,614	2,334	2,334
Derivatives	-	8,279	-	8,279	8,279
Other financial investment items	-	-	-	-	-
Receivables referring to direct insurance operations	-	-	1,479	1,479	1,479
Other receivables	-	-	1,372	1,372	1,372
Cash and bank balances	-	-	726	726	726
Accrued interest and rental income <sup>1)</sup>	5,938	2,362	2	8,302	8,302
Other accrued expenses and deferred income	-	-	-	-	-
<b>Total</b>	<b>512,625</b>	<b>10,641</b>	<b>5,434</b>	<b>528,700</b>	<b>528,700</b>
<b>Financial liabilities</b>					
Liabilities referring to direct insurance operations	-	-	39	39	39
Derivatives	-	3,652	-	3,652	3,652
Other liabilities	5,428	-	236	5,664	5,664
Other accrued expenses and deferred income <sup>2)</sup>	2	1,410	34	1,446	1,446
<b>Total</b>	<b>5,430</b>	<b>5,062</b>	<b>309</b>	<b>10,801</b>	<b>10,801</b>

<sup>1)</sup> Reclassification of Accrued interest income from Loans and receivables to Financial assets measured at fair value via identification and via trade.

<sup>2)</sup> Reclassification of Accrued interest expenses from Other financial liabilities to Financial liabilities measured at fair value via identification and via trade.

## NOTE 20 Categorisation of financial assets and liabilities, *cont.*

Parent Company, 31 December 2013					
Financial assets	Financial assets/liabilities at fair value through profit or loss at initial recognition	Financial assets/liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/ other financial liabilities	Total carrying amount	Fair value
Interest-bearing securities issued by, and loans to, Group companies	-	-	7,054	7,054	7,054
Shares and participations	237,561	-	-	237,561	237,561
Bonds and other interest-bearing securities	323,527	-	-	323,527	323,527
Loans with real estate as collateral	175	-	-	175	175
Other loans	967	-	2,439	3,406	3,406
Derivatives	-	1,626	-	1,626	1,626
Other financial investment assets	-	-	-	-	-
Receivables referring to direct insurance operations	-	-	1,534	1,534	1,534
Other receivables	-	-	1,687	1,687	1,687
Cash and bank balances	-	-	982	982	982
Accrued interest and rental income	5,019	2,115	240	7,374	7,374
Other prepaid expenses and accrued income	-	-	-	-	-
<b>Total</b>	<b>567,249</b>	<b>3,741</b>	<b>13,936</b>	<b>584,926</b>	<b>584,926</b>
<b>Financial liabilities</b>					
Liabilities referring to direct insurance operations	-	-	48	48	48
Derivatives	-	4,363	-	4,363	4,363
Other liabilities	140	-	832	972	973
Other accrued expenses and deferred income	1	1,528	24	1,553	1,553
<b>Total</b>	<b>141</b>	<b>5,891</b>	<b>904</b>	<b>6,936</b>	<b>6,936</b>

Parent Company, 31 December 2012					
Financial assets	Financial assets/liabilities at fair value through profit or loss at initial recognition	Financial assets/liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/ other financial liabilities	Total carrying amount	Fair value
Interest-bearing securities issued by, and loans to, Group companies	-	-	5,639	5,639	5,639
Shares and participations	183,919	-	-	183,919	183,919
Bonds and other interest-bearing securities	321,914	-	-	321,914	321,914
Loans with real estate as collateral	20	-	-	20	20
Other loans	720	-	1,614	2,334	2,334
Derivatives	-	8,279	-	8,279	8,279
Other financial investment assets	-	-	-	-	-
Receivables referring to direct insurance operations	-	-	1,479	1,479	1,479
Other receivables	-	-	1,329	1,329	1,329
Cash and bank balances	-	-	583	583	583
Accrued interest and rental income <sup>1)</sup>	5,938	2,362	210	8,510	8,510
Other prepaid expenses and accrued income	-	-	-	-	-
<b>Total</b>	<b>512,511</b>	<b>10,641</b>	<b>10,854</b>	<b>534,006</b>	<b>534,006</b>
<b>Financial liabilities</b>					
Liabilities referring to direct insurance operations	-	-	39	39	39
Derivatives	-	3,652	-	3,652	3,652
Other liabilities	5,428	-	184	5,612	5,612
Other accrued expenses and deferred income <sup>2)</sup>	2	1,410	20	1,432	1,432
<b>Total</b>	<b>5,430</b>	<b>5,062</b>	<b>243</b>	<b>10,735</b>	<b>10,735</b>

<sup>1)</sup> Reclassification of Accrued interest income from Loans and receivables to Financial assets measured at fair value via identification and via trade.

<sup>2)</sup> Reclassification of Accrued interest expenses from Other financial liabilities to Financial liabilities measured at fair value via identification and via trade.

**NOTE 21** Net profit for each class of financial assets and liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Financial assets measured at fair value through profit and loss				
Shares and participations	42,877	30,889	42,841	30,889
Interest-bearing securities	-16,599	15,334	-16,599	15,334
Loans	59	-3	59	-3
Financial assets and liabilities classified as held for trading				
Derivatives	27,055	8,067	27,055	8,067
Loans receivable/other financial liabilities	486	452	722	642
Other liabilities	-317	-278	-320	-288
<b>Total net profit <sup>1)</sup></b>	<b>53,561</b>	<b>54,461</b>	<b>53,758</b>	<b>54,641</b>
Land and buildings, net	1,842	1,362	978	749
Investment management and custodian expenses	-183	-160	-169	-145
Other, net	-1	197	1	2
<b>Total return on capital as reported in income statement</b>	<b>55,219</b>	<b>55,860</b>	<b>54,567</b>	<b>55,247</b>

<sup>1)</sup> Net profit includes realised and unrealised value changes, as well as interest, dividends and foreign exchange gains.

**NOTE 22** Maturity analysis of financial liabilities

<b>Time to maturity</b>					
<b>Group, 31 December 2013</b>	<b>&lt; 3 months</b>	<b>3 months &lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Non-liquidated securities transactions	-140	-	-	-	-140
Liabilities for cash collateral received for derivatives	-	-	-	-	-
Derivatives gross – outflow	-118,480	-19,650	-32,344	-20,113	-190,587
Derivatives gross – inflow	117,973	20,391	34,141	22,338	194,843
Other liabilities	-342	-	-	-	-342
Other accrued expenses and deferred income	-43	-	-	-	-43
<b>Total cash flow</b>	<b>-1,032</b>	<b>741</b>	<b>1,797</b>	<b>2,225</b>	<b>3,731</b>
<b>Time to maturity</b>					
<b>Group, 31 December 2012</b>	<b>&lt; 3 months</b>	<b>3 months &lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Non-liquidated securities transactions	-199	-	-	-	-199
Liabilities for cash collateral received for derivatives	-5,229	-	-	-	-5,229
Derivatives gross – outflow	-103,861	-22,910	-33,946	-18,772	-179,489
Derivatives gross – inflow	104,368	24,565	41,382	23,768	194,083
Other liabilities	-275	-	-	-	-275
Other accrued expenses and deferred income	-36	-	-	-	-36
<b>Total cash flow</b>	<b>-5,232</b>	<b>1,655</b>	<b>7,436</b>	<b>4,996</b>	<b>8,855</b>

The purpose of this note is to illustrate when the Group's financial liabilities fall due for payment. The table presents the actual cash flows which will occur during each period, based on the remaining time to contractual maturity. The amounts presented for each respective time to maturity refer to undiscounted cash flows. For derivatives, cash flows are reported gross, i.e. both outflows and inflows, in order to more clearly illustrate these cash flows. For a description of liquidity risks, refer to Note 3 Risks and risk management.

## NOTE 23 Valuation categories for financial instruments measured at fair value

The disclosure requirements stipulated in IFRS 13 state that financial instruments measured at fair value are to be categorised into three levels based on the underlying method of assessment used to derive the fair value. The three levels are:

### Level 1: Listed prices on active markets for identical assets and liabilities

The fair value of financial instruments traded on an active market is based on the listed market prices on closing date. A market is regarded as active if listed prices from a stock exchange, broker, industry group, pricing service or supervisory authority are easily and regularly available and if these prices represent real and regularly occurring arm's length market transactions.

### Level 2: Observable market data relating to assets or liabilities other than listed prices included in Level 1 either directly (i.e. as prices), or indirectly (i.e. derived from listed prices).

The fair value of financial instruments that are not traded on an active market is determined with the aid of valuation techniques. Market information is applied to as great an extent as possible, where available. Company-specific information is applied only where necessary.

The following specific valuation techniques are applied to measure financial instruments in Level 2 to fair value:

- derived with reference to similar financial instruments for which there is observable data.
- based on recent transactions involving the same instruments.
- calculated as the present value of assessed future cash flows based on observable yield curves discounted to a present value.

### Level 3: Data for assets based on non-observable market data

The fair value of financial instruments based on non-observable market data is found in Level 3. The following specific valuation techniques are used to measure financial instruments in Level 3 at fair value:

- loans, shares and participations determined with the help of various valuation techniques, EVCA's principles, among others. Measurements are obtained from external counterparties.
- bonds and other interest-bearing securities and loans are valued at the values received from external counterparties.

	Fair value of financial instruments, 31 December 2013			
	Published price listings on an active market Level 1	Measurement techniques based on observable market data Level 2	Measurement techniques based on non-observable market data Level 3	Carrying amount 31 Dec 2013
Group				
Assets				
Shares and participations	232,207	-	4,791	236,998
Joint ventures <sup>1)</sup>	-	-	809	809
Bonds and other interest-bearing securities	180,993	140,494	2,040	323,527
Loans with real estate as collateral	-	175	-	175
Other loans	-	-	967	967
Derivatives	-	1,626	-	1,626
Total assets	413,200	142,295	8,607	564,102
Liabilities				
Derivatives	-	4,363	-	4,363
Total liabilities	-	4,363	-	4,363
Parent Company				
Assets				
Shares and participations	232,207	-	4,614	236,821
Joint ventures <sup>1)</sup>	-	-	740	740
Bonds and other interest-bearing securities	180,993	140,494	2,040	323,527
Loans with real estate as collateral	-	175	-	175
Other loans	-	-	967	967
Derivatives	-	1,626	-	1,626
Total assets	413,200	142,295	8,361	563,856
Liabilities				
Derivatives	-	4,363	-	4,363
Total liabilities	-	4,363	-	4,363

<sup>1)</sup> Reported in Note 25 Shares and participations as unlisted shares.

In 2013, no transfers took place between Levels 1, 2 and 3.

Assets in Level 3 mainly comprise property-related investments. A sensitivity analysis can be performed on the basis of the same valuation-influencing factors as applied in Note 16 Land and buildings/investment properties.



**NOTE 23** Valuation categories for financial instruments measured at fair value, *cont.*

	Fair value of financial instruments, 31 December 2012			
Group	Published price listings on an active market Level 1	Measurement techniques based on observable market data Level 2	Measurement techniques based on non-observable market data Level 3	Carrying amount 31 Dec 2012
<b>Assets</b>				
Shares and participations	179,227	-	4,340	183,567
Joint ventures <sup>1)</sup>	-	-	466	466
Bonds and other interest-bearing securities <sup>2)</sup>	186,043	133,801	2,070	321,914
Loans with real estate as collateral	-	20	-	20
Other loans	-	-	720	720
Derivatives	-	8,279	-	8,279
<b>Total assets</b>	<b>365,270</b>	<b>142,100</b>	<b>7,596</b>	<b>514,966</b>
<b>Liabilities</b>				
Derivatives	-	3,652	-	3,652
<b>Total liabilities</b>	<b>-</b>	<b>3,652</b>	<b>-</b>	<b>3,652</b>
<b>Parent Company</b>				
<b>Assets</b>				
Shares and participations	179,227	-	4,226	183,453
Joint ventures <sup>1)</sup>	-	-	466	466
Bonds and other interest-bearing securities <sup>2)</sup>	186,043	133,801	2,070	321,914
Loans with real estate as collateral	-	20	-	20
Other loans	-	-	720	720
Derivatives	-	8,279	-	8,279
<b>Total assets</b>	<b>365,270</b>	<b>142,100</b>	<b>7,482</b>	<b>514,852</b>
<b>Liabilities</b>				
Derivatives	-	3,652	-	3,652
<b>Total liabilities</b>	<b>-</b>	<b>3,652</b>	<b>-</b>	<b>3,652</b>

<sup>1)</sup> Reported in Note 25 Shares and participations as unlisted shares.

<sup>2)</sup> In 2012, a number of bonds were transferred from Level 3 to Level 2, as, from this point onwards, these bonds were measured on the basis of price listings provided by an external pricing service which works exclusively with valuation techniques found in Level 2. Furthermore, a bond holding has been transferred from Level 2 to Level 3, as a valuation is only obtained from an external party. The value of the item which was moved to Level 3 is stated in Note 24.

## NOTE 24 Disclosures of financial instruments measured at fair value based on Level 3<sup>1)</sup>

Group	Fair value at year-end 2013				Total
	Shares and participations	Joint venture	Bonds and other interest-bearing securities	Other loans	
<b>Opening balance 2013</b>	4,340	466	2,070	720	7,596
Purchases	340	557	-	217	1,114
Cost of sold holdings	-324	-390	-	-7	-721
<b>Gains and losses</b>					
Realised gains/losses, wholly sold holdings	-91	350	-	-	259
Realised gains/losses, partially sold holdings	-68	-	-	-	-68
Unrealised gains/losses	500	-174	-30	28	324
Unrealised exchange gains/losses	94	-	-	9	103
Transfer from Level 3	-	-	-	-	-
Transfer to Level 3	-	-	-	-	-
<b>Closing balance 2013</b>	<b>4,791</b>	<b>809</b>	<b>2,040</b>	<b>967</b>	<b>8,607</b>
Total gains and losses reported in the income statement for financial instruments held at the end of the period	435	45	-30	37	487
Gains and losses reported in the income statement as return on capital during the period	435	176	-30	37	618
<b>Parent Company</b>					
<b>Opening balance 2013</b>	4,226	466	2,070	720	7,482
Purchases	309	492	-	217	1,018
Cost for sold holdings	-324	-390	-	-7	-721
<b>Gains and losses</b>					
Realised gains/losses, wholly sold holdings	-91	350	-	-	259
Realised gains/losses, partially sold holdings	-68	-	-	-	-68
Unrealised gains/losses	467	-178	-30	28	287
Unrealised exchange gains/losses	95	-	-	9	104
Transfer from Level 3	-	-	-	-	-
Transfer to Level 3	-	-	-	-	-
<b>Closing balance 2013</b>	<b>4,614</b>	<b>740</b>	<b>2,040</b>	<b>967</b>	<b>8,361</b>
Total gains and losses reported in the income statement for financial instruments held at the end of the period	403	41	-30	37	451
Gains and losses reported in the income statement as return on capital during the period	403	172	-30	37	582

<sup>1)</sup> A definition of Level 3 is provided in Note 23 Valuation categories.

**NOTE 24** Disclosures of financial instruments measured at fair value based on Level 3<sup>1)</sup>, *cont.*

Group	Fair value at year-end 2012				Total
	Shares and participations	Joint venture	Bonds and other interest-bearing securities	Other loans	
<b>Opening balance 2012</b>	4,030	285	25,647	635	30,597
Purchases	596	7	-	143	745
Cost for sold holdings	-173	-26	-4,267	-45	-4,510
<b>Gains and losses</b>					
<i>Realised gains/losses, wholly sold holdings</i>	-1	-	-384	-	-385
<i>Realised gains/losses, partially sold holdings</i>	4	-	-	-	4
<i>Unrealised gains/losses</i>	-54	200	229	-7	368
<i>Unrealised exchange gains/losses</i>	-62	-	101	-6	33
Transfer from Level 3 <sup>2)</sup>	-	-	-20,810	-	-20,810
Transfer to Level 3 <sup>3)</sup>	-	-	1,554	-	1,554
<b>Closing balance 2012</b>	<b>4,340</b>	<b>466</b>	<b>2,070</b>	<b>720</b>	<b>7,596</b>
Total gains and losses reported in the income statement for financial instruments held at the end of the period	-106	200	11	-13	92
Gains and losses reported in the income statement as return on capital during the period	-113	200	-54	-13	20
<b>Parent Company</b>					
<b>Opening balance 2012</b>	4,012	285	25,647	635	30,579
Purchases	494	7	-	143	643
Cost for sold holdings	-173	-26	-4,267	-45	-4,510
<b>Gains and losses</b>					
<i>Realised gains/losses, wholly sold holdings</i>	-1	-	-384	-	-385
<i>Realised gains/losses, partially sold holdings</i>	4	-	-	-	4
<i>Unrealised gains/losses</i>	-52	200	229	-7	370
<i>Unrealised exchange gains/losses</i>	-58	-	101	-6	37
Transfer from Level 3 <sup>2)</sup>	-	-	-20,810	-	-20,810
Transfer to Level 3 <sup>3)</sup>	-	-	1,554	-	1,554
<b>Closing balance 2012</b>	<b>4,226</b>	<b>466</b>	<b>2,070</b>	<b>720</b>	<b>7,482</b>
Total gains and losses reported in the income statement for financial instruments held at the end of the period	-106	200	11	-13	92
Gains and losses reported in the income statement as return on capital during the period	-106	200	-54	-13	27

<sup>1)</sup> A definition of Level 3 is provided in Note 23 Valuation categories.

<sup>2)</sup> In 2012, a number of bonds were transferred from Level 3 to Level 2, as, from this point onwards, these bonds were measured on the basis of price listings provided by an external pricing service which works exclusively with valuation techniques found in Level 2.

<sup>3)</sup> A bond holding has been transferred from Level 2 to Level 3, as a valuation is only obtained from an external party.

The figures in the above tables may differ from total amounts due to rounding off.

## NOTE 25 Shares and participations

Group	2013		2012	
	Fair value	Cost	Fair value	Cost
Swedish listed shares	118,117	80,378	94,703	76,520
Swedish unlisted shares	1,111	977	745	459
Foreign listed shares	114,090	94,236	84,524	80,154
Foreign unlisted shares	4,489	3,590	4,061	3,642
	<b>237,807</b>	<b>179,181</b>	<b>184,033</b>	<b>160,775</b>
<b>Parent Company</b>				
Swedish listed shares	118,117	80,378	94,703	76,520
Swedish unlisted shares	1,086	957	745	459
Foreign listed shares	114,090	94,236	84,524	80,154
Foreign unlisted shares	4,268	3,400	3,947	3,524
	<b>237,561</b>	<b>178,971</b>	<b>183,919</b>	<b>160,657</b>

## NOTE 26 Bonds and other interest-bearing securities

Group and Parent Company	2013		2012	
	Fair value	Amortised cost	Fair value	Amortised cost
Swedish government	74,678	72,718	53,279	47,694
Swedish mortgage institutions	56,921	56,090	94,789	93,031
Other Swedish issuers	47,077	44,507	39,486	38,142
Foreign governments	80,053	75,912	79,774	73,196
Other foreign issuers	64,798	53,654	54,586	52,873
	<b>323,527</b>	<b>302,881</b>	<b>321,914</b>	<b>304,936</b>

The fair value of interest-bearing securities exceeds and falls below the amount to be redeemed on the due date by SEK 15,827 million (23,642) and SEK 1,757 million (803), respectively. Swedish government and foreign governments also include state-guaranteed holdings.

Fixed interest terms 2013	Group and Parent Company
0-1 year	119,736
>1-5 years	89,315
>5-10 years	92,057
>10 years	22,419
	<b>323,527</b>

## NOTE 27 Loans with real estate as collateral

Group	2013		2012	
	Fair value	Cost	Fair value	Cost
Loans with real estate as collateral	175	177	261	265
	<b>175</b>	<b>177</b>	<b>261</b>	<b>265</b>
<b>Parent Company</b>				
Loans with real estate as collateral	175	177	20	20
	<b>175</b>	<b>177</b>	<b>20</b>	<b>20</b>

## NOTE 28 Other loans

Group	2013		2012	
	Fair value	Cost	Fair value	Cost
Other loans	3,587	3,531	2,334	2,305
	<b>3,587</b>	<b>3,531</b>	<b>2,334</b>	<b>2,305</b>
<b>Parent Company</b>				
Other loans	3,406	3,350	2,334	2,334
	<b>3,406</b>	<b>3,350</b>	<b>2,334</b>	<b>2,334</b>

Pertains mainly to property-related loans, of which 2,620 (1,614) are reported in the Group and 2,439 (1,614) in the Parent Company at amortised cost. 967 (720) are reported at fair value both in the Group and in the Parent Company.

## NOTE 29 Derivatives

Group and Parent Company	2013			2012		
	Fair value/ carrying amount			Fair value/ carrying amount		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
<b>Interest-related instruments</b>	<b>90,108</b>	<b>728</b>	<b>2,957</b>	<b>103,647</b>	<b>5,842</b>	<b>2,552</b>
Swaps	95,484	728	2,935	133,270	5,842	2,539
FRA/futures	-4,133	-	-	-28,508	-	-
CDS	-1,243	-	22	-1,115	-	13
<b>Currency-related instruments</b>	<b>133,810</b>	<b>898</b>	<b>1,406</b>	<b>138,443</b>	<b>2,437</b>	<b>1,100</b>
Forward contracts/swaps	133,810	898	1,406	138,443	2,437	1,100
<b>Total derivatives</b>	<b>223,918</b>	<b>1,626</b>	<b>4,363</b>	<b>242,090</b>	<b>8,279</b>	<b>3,652</b>

The treatment of collateral for derivatives is described in Note 30 Financial instruments subject to enforceable master netting agreements.

For a description of the use of derivatives, refer to the Market risks section in Note 3 Risks and risk management on page 48.

## NOTE 30 Financial instruments subject to enforceable master netting agreements

31 December 2013	Financial assets reported in the balance sheet	of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency	Received financial collateral	Received cash collateral	Net amount <sup>3)</sup>
<b>Assets</b>					
Derivatives <sup>4)</sup>	3,741	-3,741	-	-	0
Securities lending <sup>1)</sup>	12,182	-	-12,191	-	0

	Financial liabilities reported in the balance sheet	of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency	Pledged financial collateral <sup>2)</sup>	Pledged cash collateral	Net amount <sup>3)</sup>
<b>Liabilities</b>					
Derivatives <sup>4)</sup>	5,891	-3,741	-1,981	-	169

31 December 2012	Financial assets reported in the balance sheet	of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency	Received financial collateral	Received cash collateral	Net amount <sup>3)</sup>
<b>Assets</b>					
Derivatives <sup>4)</sup>	10,641	-5,062	-666	-5,229	0
Securities lending <sup>1)</sup>	7,297	-	-7,297	-	0

	Financial liabilities reported in the balance sheet	of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency	Pledged financial collateral <sup>2)</sup>	Pledged cash collateral	Net amount <sup>3)</sup>
<b>Liabilities</b>					
Derivatives <sup>4)</sup>	5,062	-5,062	-406	-	0

<sup>1)</sup> Lending of interest-bearing securities is described in Note 49 Transfers of financial assets.

<sup>2)</sup> Pledged collateral is also reported in Note 48 Other pledged assets and comparable collateral.

<sup>3)</sup> In accordance with IFRS 7, the net amount cannot be less than 0.

<sup>4)</sup> Accrued interest income at 2,115 (2,362) and accrued interest expenses at 1,528 (1,410) are included in the amount.

### Disclosures of financial instruments included in netting agreements

The purpose of this Note, which is new for 2013 due to requirements in IFRS 7, is to disclose opportunities to offset assets and liabilities against each other in the event that either party becomes insolvent. The Note is also to provide information as to whether collateral has been transferred between the parties as regards the net assets/liabilities arising from any possible offset or, as in the case of interest-bearing securities which have been lent out, those assets which have been received as collateral when the borrower is unable to return those interest-bearing securities.

All derivatives and interest-bearing securities on loan are reported gross in the balance sheet as no offsetting has taken place. These financial instruments are, however, subject to enforceable master netting agreements or similar agreements in the event of insolvency by either party. All values in the above table are reported at fair value.

### Derivatives

On 31 December, as per the table, derivative contracts with a positive value amounted to a total of SEK 3,741 million and derivative contracts with a negative value amounted to a total of SEK 5,891 million. All derivative contracts are covered by so-called ISDA agreements implying that there is a legal right to settle these contracts, net, in the event that either party becomes insolvent. If no insolvency situation arises, no offsetting will take place. In addition to this right of offset, there is also a so-called CSA contract covering the daily transfers of collateral for the positive or negative fair values which arise between Alecta and each counterparty during the term of the derivative contract. For those counterparties for which the total fair value of all derivative contracts is positive, Alecta obtains the corresponding collateral, whereas in the event that the total fair value of all derivative contracts is negative, Alecta provides the corresponding collateral. In accordance with these CSA contracts, Alecta has provided a total of SEK 1,981 million in interest-bearing securities in the form of German and Swedish government bonds as collateral to counterparties where the total of all derivative contracts is negative.

## NOTE 31 Receivables referring to direct insurance operations

Group and Parent Company	2013	2012
Receivables from policy holders	1,534	1,479
	<b>1,534</b>	<b>1,479</b>

Refers mainly to receivables from Collectum, which processes Alecta's receivables from insurance customers in the defined benefit plan.

## NOTE 33 Accrued interest and rental income

	Group		Parent Company	
	2013	2012	2013	2012
Accrued interest income, subsidiaries	-	-	238	208
Accrued interest income	7,136	8,302	7,136	8,302
	<b>7,136</b>	<b>8,302</b>	<b>7,374</b>	<b>8,510</b>

## NOTE 32 Other receivables

Group	2013	2012
Cash receivable from sale of investment assets	161	1,024
Tax outside Sweden	469	372
Yield tax	-	34
Overdue unreceived share dividends	39	7
Rent receivables	1	19
Value added tax	13	4
Receivable PRI Pension guarantee	163	153
Other	261	169
	<b>1,107</b>	<b>1,782</b>
<b>Parent Company</b>		
Cash receivable from sale of investment assets	161	1,024
Current tax in Sweden <sup>1)</sup>	454	97
Tax outside Sweden	469	372
Overdue, unreceived share dividends	39	7
Value added tax	10	0
Receivable subsidiaries	1,122	-
Receivable PRI Pension guarantee	163	153
Other	202	146
	<b>2,620</b>	<b>1,799</b>

<sup>1)</sup> The Parent Company's reporting includes a net amount of income tax and yield tax. The Group reporting does not include yield tax as it is not classified as current tax according to IFRS. This tax is, instead, reported as a separate item under Other receivables.

**NOTE 34** Equity excluding guarantee reserve (Group)

Group	Translation reserves	Discretionary participation features reserve <sup>1)</sup>	Special indexation funds <sup>2)</sup>	Retained earnings including profit for the year	Total
<b>Opening balance 2012</b>	<b>-727</b>	<b>34,118</b>	<b>11,039</b>	<b>55,241</b>	<b>99,671</b>
Profit for the year				68,053	68,053
Allocated rebates	-	801	-	-801	-
Rebates					
<i>Pension supplements, defined benefit plan</i>	-	-2,762	-	-	-2,762
<i>Additional supplement, defined contribution plan</i>	-	-7	-	-	-7
<i>Adjustment of paid-up values</i>	-	-	-	-9	-9
<i>Premium reductions</i>	-	-	-	-14	-14
Return on guarantee reserve <sup>3)</sup>	-	-	-	46	46
Charges	-	-	56	-56	-
Interest	-	486	108	-594	-
Collective risk premium <sup>4)</sup>	-	-	-239	-	-239
Change for Alecta Optimal Pension	-	4,638	-	-4,638	-
Effect of change in market interest rates	-	-223	-	223	-
Exchange rate fluctuations for the period	-435	-	-	-	-435
Other changes <sup>5)</sup>	-79	23	-2	59	1
<b>Closing balance 2012</b>	<b>-1,241</b>	<b>37,074</b>	<b>10,962</b>	<b>117,510</b>	<b>164,305</b>
<b>Opening balance 2013</b>	<b>-1,241</b>	<b>37,074</b>	<b>10,962</b>	<b>117,510</b>	<b>164,305</b>
Profit for the year				86,716	86,716
Allocated rebates	-	10,902	-	-10,902	-
Rebates					
<i>Pension supplements, defined benefit plan</i>	-	-2,732	-	-	-2,732
<i>Additional supplement, defined contribution plan</i>	-	-19	-	-	-19
<i>Adjustment of paid-up values</i>	-	-3	-	-	-3
<i>Premium reductions</i>	-	-1,102	-	-	-1,102
Return on guarantee reserve <sup>3)</sup>	-	-	-	-194	-194
Charges	-	-	20	-20	-
Interest	-	638	114	-752	-
Collective risk premium <sup>4)</sup>	-	-	-242	-	-242
Change for Alecta Optimal Pension	-	8,823	-	-8,823	-
Effect of change in mortality assumption	-	1,707	-	-1,707	-
Effect of change in market interest rates	-	-800	-	800	-
Exchange rate fluctuations for the period	-116	-	-	-	-116
Other changes <sup>5)</sup>	-	-429	1	434	6
<b>Closing balance 2013</b>	<b>-1,357</b>	<b>54,059</b>	<b>10,855</b>	<b>183,062</b>	<b>246,619</b>

<sup>1)</sup> Funds which have been allocated to Alecta's insured and policy holders in accordance with various discretionary resolutions. These funds constitute a portion of Alecta's risk capital and are not guaranteed until distributed. Formally, Alecta can cancel these funds. SEK 1,468 million (1,468) of a total of SEK 54,059 million (37,074) refers to funds intended to cover the cost of measures within the ITP plan, where the parties to the collective agreement are entitled to resolve on the utilisation of the fund. The decision on the final utilisation is taken by the Board of Alecta, provided that they unanimously determine that the proposed utilisation is in line with Alecta's interests as an insurance company.

<sup>2)</sup> These funds are at the disposal of the parties to the collective agreement. The funds must be used for the indexation of pensions in payment or other pension-promoting purposes, following a decision taken by the parties to the collective agreement.

<sup>3)</sup> See Note 36, page 73.

<sup>4)</sup> The premiums for waiver of premium insurance and collective final payment are reduced, as the employers are expected to incur a higher cost due to the rules for co-ordination and calculation of pensionable salary which the parties introduced into ITP 2 in 2008.

<sup>5)</sup> Items comprise cumulative return, inheritance gains and portfolio changes.



## NOTE 35 Funding reserve

Parent Company	Collective funding	Discretionary participation features reserve	Other reserves	Total
		Allocated rebates to insured and policy holders <sup>1)</sup>	Special indexation funds <sup>2)</sup>	
<b>Opening balance 2012</b>	<b>144,005</b>	<b>34,118</b>	<b>11,039</b>	<b>189,162</b>
Appropriation of previous year's profit	-93,037	-	-	-93,037
Allocated rebates	-801	801	-	-
Rebates				
<i>Pension supplements, defined benefit plan</i>	-	-2,762	-	-2,762
<i>Additional supplement, defined contribution plan</i>	-	-7	-	-7
<i>Adjustment of paid-up values</i>	-9	-	-	-9
<i>Premium reductions</i>	-14	-	-	-14
Return on guarantee reserve <sup>3)</sup>	46	-	-	46
Charges	-56	-	56	-
Interest	-594	486	108	-
Collective risk premium <sup>4)</sup>	-	-	-239	-239
Change for Alecta Optimal Pension	-4,638	4,638	-	-
Effect of change in market interest rates	223	-223	-	-
Other changes <sup>5)</sup>	-21	23	-2	-
<b>Closing balance 2012</b>	<b>45,104</b>	<b>37,074</b>	<b>10,962</b>	<b>93,140</b>
<b>Opening balance 2013</b>	<b>45,104</b>	<b>37,074</b>	<b>10,962</b>	<b>93,140</b>
Appropriation of previous year's profit	67,179	-	-	67,179
Allocated rebates	-10,902	10,902	-	-
Rebates				
<i>Pension supplements, defined benefit plan</i>	-	-2,732	-	-2,732
<i>Additional supplement, defined contribution plan</i>	-	-19	-	-19
<i>Adjustment of paid-up values</i>	-	-3	-	-3
<i>Premium reductions</i>	-	-1,102	-	-1,102
Return on guarantee reserve <sup>3)</sup>	-194	-	-	-194
Charges	-20	-	20	-
Interest	-752	638	114	-
Collective risk premium <sup>4)</sup>	-	-	-242	-242
Change for Alecta Optimal Pension	-8,823	8,823	-	-
Effect of change in mortality assumption	-1,707	1,707	-	-
Effect of change in market interest rates	800	-800	-	-
Other changes <sup>5)</sup>	449	-429	1	21
<b>Closing balance 2013</b>	<b>91,134</b>	<b>54,059</b>	<b>10,855</b>	<b>156,048</b>

<sup>1)</sup> Funds which have been allocated to Alecta's insured and policy holders in accordance with various discretionary resolutions. These funds constitute a portion of Alecta's risk capital and are not guaranteed until distributed. Officially, Alecta can cancel these funds. SEK 1,468 million (1,468) of a total of SEK 54,059 million (37,074) refers to funds intended to cover the cost of measures within the ITP plan, where the parties to the collective agreement are entitled to resolve on the utilisation of the fund. The decision on the final utilisation is taken by the Board of Alecta, provided that they unanimously determine that the proposed utilisation is in line with Alecta's interests as an insurance company.

<sup>2)</sup> These funds are at the disposal of the parties to the collective agreement. The funds must be used for the indexation of pensions in payment or other pension-promoting purposes, following a decision taken by the parties to the collective agreement.

<sup>3)</sup> See Note 36, page 73.

<sup>4)</sup> The premiums for waiver of premium insurance and collective final payment are reduced, as the employers are expected to incur a higher cost due to the rules for co-ordination and calculation of pensionable salary which the parties introduced into ITP 2 in 2008.

<sup>5)</sup> Items comprise cumulative return, inheritance gains and portfolio changes.

**NOTE 36**      **Guarantee reserve <sup>1)</sup>**

Group and Parent Company	2013	2012
Opening balance	1,661	1,859
Return for previous year <sup>2)</sup>	193	-46
Information funds		-84
Collective agreement guarantee	-50	-68
<b>Closing balance</b>	<b>1,718</b>	<b>1,661</b>

<sup>1)</sup> These funds are at the disposal of the parties to the collective agreement. The funds are to be used for the collective agreement guarantee and for information and training in ITP and TGL. See Note 1, page 45. In order to meet future regulatory requirements, Alecta and the parties to the collective agreement in ITP have presented a long-term alternative to the guarantee reserve that was established within Alecta in 2007. The plan entails transferring the guarantee reserve out of Alecta and into an entirely independent foundation with the same purpose as the guarantee reserve. This measure requires a resolution by Alecta's Council of Administration.

<sup>2)</sup> Return after deduction for incurred investment management costs and tax. The transfer of returns between the funding reserve and the guarantee reserve is undertaken the year following the year in which a decision is made by the Council of Administration. See Note 1, page 45.

**NOTE 37**      **Untaxed reserves**

Parent Company	2013	2012
Opening balance	2,285	1,762
Provision for the year	144	538
Change in provision for previous year	-4	-15
<b>Closing balance</b>	<b>2,425</b>	<b>2,285</b>

A provision to the tax allocation reserve was established for the financial year 2013.

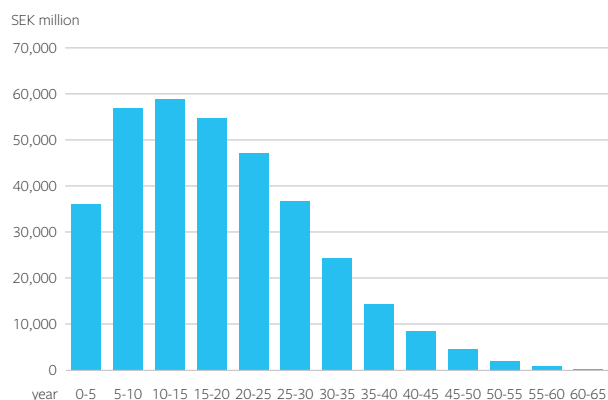
## NOTE 38 Provision for life insurance

Group and Parent Company	2013	2012
<b>Opening balance</b>	<b>369,609</b>	<b>375,294</b>
Change for the year	15,486	15,198
Premiums	22,431	22,698
Payments	-14,459	-13,694
Interest income	9,480	9,257
Released operating expenses	-663	-795
Yield tax	-1,242	-1,669
Net effect on provision due to claims incurred	96	-84
Other change	-157	-515
Changed calculation and assumptions, defined benefit pension	-	-13,525
Changed mortality assumption, defined benefit pension	9,829	-
Changed risk of transfer, operating expenses and yield tax assumptions, Alecta Optimal Pension	-695	-
Changed assumptions with regard to uncertainty in family composition	-2,011	-
Changed tariff adjustment deduction assumption	-	-1,658
Changed interest rate assumption	-41,839	-3,395
Difference between premium and provisioning assumptions	-6,716	-2,305
<b>Closing balance</b>	<b>343,663</b>	<b>369,609</b>

The following assumptions were applied in calculating the provision for life insurance as of 31 December 2013:

- Interest rate assumption: The average rate of interest was 3.26 (2.67) percent at 31 December 2013. The manner in which this rate is determined is described in Note 3 on page 48.
- Mortality assumption: Generational mortality is applied. It is assumed that a 65-year-old male will live for a further 20.6 years and a 65-year-old female for a further 23.4 years.
- Family pension assumption: A gender-dependent assumption of family composition is applied.
- Operating expenses assumption: Future operating expenses are considered to comprise the present value of future expected expenses including cost increases incurred due to inflation. Operating expenses are also recorded in conjunction with premium payments.
- Deduction for yield tax: Future yield tax is considered to comprise the present value of the yield tax Alecta is expected to pay on assets, representing the present value of guaranteed commitments.

### EXPECTED DISCOUNTED NET CASH OUTFLOW FOR RETIREMENT PENSION, FAMILY PENSION AND ORIGINAL ITPK



## NOTE 38 Provision for life insurance, cont.

### Interest rate sensitivity

- A reduction in the interest rate assumption of 1 percentage point results in an increase in the provision for life insurance of SEK 34.7 billion. For longer tenures, a fixed forward rate has been applied since 31 December 2013, which means that the average rate of interest does not fluctuate as much as long-term market rates. If the average rate of interest were to fall by one percentage point, this would increase the provision for life insurance by SEK 61.8 billion.

## NOTE 39 Provision for claims outstanding

Group and Parent Company	2013	2012
<b>Opening balance</b>	<b>10,144</b>	<b>10,842</b>
Change for the year	336	-109
Payments made	-2,043	-1,941
Interest income	175	224
Freed-up operating expenses	-70	-68
Net effect on provision due to insurance claims	2,151	1,812
Other changes	123	-136
Changes in interest rate assumptions during the year	-213	-37
Changed morbidity assumptions	-	-760
Transition to calculate the provision with interest rate curve	-	208
<b>Closing balance</b>	<b>10,267</b>	<b>10,144</b>

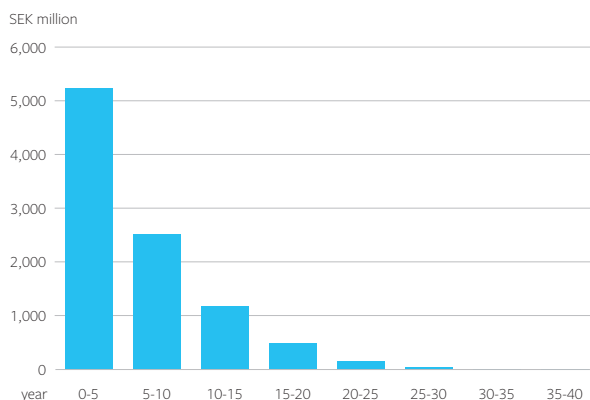
The following assumptions have, as of 31 December 2013, been used in calculating the provision for claims outstanding in respect of disability pension and waiver of premium, which comprise the dominant portion of the provision:

- Interest rate assumption: The rate of interest was 2.42 (2.08) percent at 31 December 2013. The manner in which this rate is determined is described in Note 3 on page 48.
- Morbidity assumption: Assumption regarding the probability of remaining ill and changes in benefit levels.
- Operating expenses assumption: Future operating expenses are accounted for on the basis of the reporting of a supplement to expected pension payments. Operating expenses are also charged in conjunction with respect to premium payments.

### Interest rate sensitivity

- A reduction in the interest rate assumption of 1 percentage point results in an increase in the provision for claims outstanding of SEK 0.6 billion.

### EXPECTED DISCOUNTED NET CASH OUTFLOW FOR DISABILITY-INSURANCE AND WAIVER OF PREMIUM INSURANCE



## NOTE 40 Provision for pensions and similar obligations

	Group		Parent Company	
	2013	2012	2013	2012
Provision for pensions	31	39	30	39
	<b>31</b>	<b>39</b>	<b>30</b>	<b>39</b>

The provision for pensions is primarily attributable to employees born in 1955 or earlier, who are entitled to retire on their own initiative from the age of 62 under the terms of the FTP Agreement. See Note 1 on page 45 and Note 53 on page 81.

## NOTE 41 Other provisions

	Group		Parent Company	
	2013	2012	2013	2012
Indexation of pensions for former employees	12	14	12	14
Provision for property	6	0	6	0
	<b>18</b>	<b>14</b>	<b>18</b>	<b>14</b>

## NOTE 42 Deferred tax

Deferred tax	2013		2012	
	Tax asset	Tax liability	Tax asset	Tax liability
<b>Group</b>				
<b>Deferred tax outside Sweden:</b>				
Difference between reported and taxable values of properties	-	-1,256	-	-866
<b>Total deferred tax outside Sweden</b>	<b>-</b>	<b>-1,256</b>	<b>-</b>	<b>-866</b>
<b>Deferred tax in Sweden:</b>				
Difference between reported and taxable values of properties	-	-424	-	-146
Difference between reported and taxable values of financial instruments	-	-860	-	-578
Other temporary differences	1	0	-	-114
Tax allocation reserve	-	-534	-	-516
Tax loss carry forwards	22	-	120	-
Other unutilised tax deductions <sup>1)</sup>	52	-	20	-
Foreign tax to be deducted from Swedish tax	1,256	-	866	-
Netting of deferred tax assets against deferred tax liabilities	-1,331	1,331	-1,006	1,006
<b>Total deferred tax in Sweden</b>	<b>-</b>	<b>-487</b>	<b>-</b>	<b>-348</b>
<b>Reported deferred tax</b>	<b>-</b>	<b>-1,743</b>	<b>-</b>	<b>-1,214</b>
of which are expected to be settled after more than 12 months, the amount before netting	1,256	-3,074	866	-2,220

<sup>1)</sup> Other unutilised tax deductions relate to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset no later than in the fifth tax assessment year following the current tax assessment year.

Changes in deferred tax assets and liabilities during the year have been reported in the income statement, except for exchange rate differences, which have affected equity in an amount of SEK -14 million (42).

## NOTE 43 Taxes

Parent Company	2013	2012
Taxes	837	483
of which deferred tax	837	483
	<b>837</b>	<b>483</b>
<b>Deferred tax, specification:</b>		
<b>Deferred tax liabilities, gross</b>		
Change in value of land and buildings	-160	-25
Change in value of financial instruments	-860	-578
	<b>-1,020</b>	<b>-603</b>
<b>Deferred tax assets, gross</b>		
Loss carry forwards	-	100
Other unutilised tax deductions <sup>1)</sup>	52	20
Other temporary differences	0	0
Foreign tax to be deducted from Swedish tax	131	0
	<b>183</b>	<b>120</b>
<b>Total deferred tax, net</b>	<b>-837</b>	<b>-483</b>

<sup>1)</sup> Other unutilised tax deductions relate to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset no later than in the fifth tax assessment year following the current tax assessment year.

## NOTE 44 Liabilities referring to direct insurance operations

Group and Parent Company	2013	2012
Liabilities to policy holders	48	39
Preliminary tax, pensions	610	583
Other	13	0
	<b>671</b>	<b>622</b>

## NOTE 45 Other liabilities

Group	2013	2012
Credit facilities for purchases of investment assets	140	199
Collateral received for derivatives <sup>1)</sup>	-	5,229
Accounts payable	252	217
Property tax	134	105
Value added tax	1	25
Other	41	38
	<b>568</b>	<b>5,813</b>

All liabilities are due for payment within five years after closing date.

Parent Company	2013	2012
Liabilities to subsidiaries	580	711
Credit facilities for purchases of investment assets	140	199
Collateral received for derivatives <sup>1)</sup>	-	5,229
Accounts payable	225	175
Property tax	48	51
Value added tax	0	21
Other	27	27
	<b>1,020</b>	<b>6,413</b>

<sup>1)</sup> For more information, see Note 29.

## NOTE 46 Other accrued expenses and deferred income

	Group		Parent Company	
	2013	2012	2013	2012
Accrued interest expenses, subsidiaries	-	-	4	9
Accrued interest expenses	1,529	1,417	1,529	1,412
Accrued property expenses	285	319	156	201
Accrued personnel costs	127	106	116	95
Prepaid rental income	277	247	148	144
Other	42	29	20	11
	<b>2,260</b>	<b>2,118</b>	<b>1,973</b>	<b>1,872</b>

## NOTE 47 Assets and comparable collateral pledged for own liabilities and for obligations reported as provisions

Group and Parent Company	2013	2012
Assets registered on behalf of policy holders	587,143	535,577
<i>in addition to the required pledging</i>	<i>233,771</i>	<i>155,824</i>
	<b>587,143</b>	<b>535,577</b>
Land and buildings	23,231	20,574
Shares and participations	235,616	183,919
Bonds and other interest-bearing securities	325,873	322,309
Loans with real estate as collateral	175	261
Other loans	3,415	2,353
Derivatives	-2,149	5,578
Cash and bank balances	982	583
	<b>587,143</b>	<b>535,577</b>

The table shows assets measured at fair value included in the debt coverage register which has been established in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2011:20.

## NOTE 48 Other pledged assets and comparable collateral

Group and Parent Company	2013	2012
<b>Collateral pledged to clearing houses for derivative trading</b>		
Bonds and other interest-bearing securities	462	487
Cash and bank balances	241	227
<b>Collateral pledges for derivative trading in accordance with CSA contracts</b>		
Bonds and other interest-bearing securities	1,981	406
	<b>2,684</b>	<b>1,120</b>

Pledged assets relating to derivatives traded in accordance with CSA contracts are described in Note 30 Financial instruments subject to enforceable master netting agreements.

**NOTE 49** Transfers of financial assets

Group and Parent Company	2013	2012
Interest-bearing securities on loan	12,182	7,297
Collateral received for securities on loan	12,191	7,297

Interest-bearing securities on loan consist of Swedish government bonds and are reported at fair value in the balance sheet in accordance with the applicable accounting principles. Collateral received for interest-bearing securities on loan consists of Swedish government bonds and is, thus, not reported in the balance sheet. Reimbursement for interest-bearing securities on loan is reported as interest income in the item Return on capital, income, see Note 5.

**NOTE 50** Contingent liabilities

Group	2013	2012
Liabilities in limited partnerships	9	7
Guarantee commitments for joint ventures	80	-
	<b>89</b>	<b>7</b>
<b>Parent Company</b>	<b>2013</b>	<b>2012</b>
Liabilities in limited partnerships	9	7
	<b>9</b>	<b>7</b>

Within the framework of its usual business operations, Alecia is party to several disputes, the majority of which refer to insignificant amounts. Alecia's assessment is that these disputes are not expected to have a material adverse effect on the Group's financial position.

**NOTE 51** Commitments

Group	2013	2012
Remaining balance to be invested in investment assets	2,328	1,349
	<b>2,328</b>	<b>1,349</b>
<b>Parent Company</b>		
Remaining balance to be invested in investment assets	1,493	1,142
	<b>1,493</b>	<b>1,142</b>

**NOTE 52** Reconciliation of total return table with financial statements

Group	2013	2012
<b>Market value according to total return table <sup>1)</sup></b>	<b>602,848</b>	<b>545,973</b>
Assets not classified as investments	2,284	1,959
Items from the liabilities side of the balance sheet which are deducted in the total return table	6,982	11,365
Valuation differences	-179	-104
Other	-1	-1
<b>Total assets according to balance sheet</b>	<b>611,934</b>	<b>559,192</b>
<b>Total return according to total return table</b>	<b>55,508</b>	<b>55,600</b>
Items from the income statement (Notes 5, 6, 9, 10) which are not included in the total return table	-294	-385
Currency effects in foreign subsidiaries, recognised in equity in the financial statements	116	442
Valuation differences, closing balance	-179	-104
Valuation differences, opening balance	104	331
Other	-36	-24
<b>Total return according to the income statement <sup>2)</sup></b>	<b>55,219</b>	<b>55,860</b>

<sup>1)</sup> See page 18.

<sup>2)</sup> Notes 5, 6, 9 and 10 in the income statement.

## NOTE 53 Average number of employees, salaries and remuneration

	2013		2012			2013		2012	
	Total no. of employees	Of whom men	Total no. of employees	Of whom men		Women	Men	Women	Men
<b>Average number of employees <sup>1)</sup></b>					<b>Number of men and women in senior positions</b>				
<b>Parent Company</b>					<b>Parent Company</b>				
Sweden	380	40 %	392	40 %	Board of Directors	3	10	3	10
UK	4	25 %	4	25 %	CEO	-	1	-	1
<b>Total, Parent Company</b>	<b>384</b>	<b>40 %</b>	<b>396</b>	<b>40 %</b>	Other senior executives	3	7	3	6
					<b>Total, Parent Company</b>	<b>6</b>	<b>18</b>	<b>6</b>	<b>17</b>
<b>Subsidiaries</b>					<b>Subsidiaries</b>				
Sweden	26	31 %	26	31 %	Board of Directors	-	5	-	5
USA	11	27 %	11	27 %	Other senior executives	1	1	1	1
<b>Total, subsidiaries</b>	<b>37</b>	<b>30 %</b>	<b>37</b>	<b>30 %</b>	<b>Total, subsidiaries</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>6</b>
<b>Total, Group</b>	<b>421</b>	<b>39 %</b>	<b>433</b>	<b>39 %</b>	<b>Total, Group</b>	<b>7</b>	<b>24</b>	<b>7</b>	<b>23</b>

### Salaries, remuneration and fees to the CEO, senior executives, Board of Directors and other employees <sup>2)</sup>

	2013				2012			
	Salaries, fees and other remuneration	Social security contributions	Pension costs	Total	Salaries, fees and other remuneration	Social security contributions	Pension costs	Total
<b>TSEK</b>								
<b>Parent Company</b>								
CEO and senior executives <sup>3)</sup>	23,118	8,777	6,766	38,661	21,348	7,947	6,413	35,708
Board of Directors <sup>4)</sup>	2,355	504	-	2,859	2,155	614	-	2,769
Other employees	239,644	68,746	59,207	367,597	220,153	40,485	66,397	327,035
<b>Total, Parent Company</b>	<b>265,117</b>	<b>78,027</b>	<b>65,973</b>	<b>409,117</b>	<b>243,656</b>	<b>49,046</b>	<b>72,810</b>	<b>365,512</b>
<b>Subsidiaries</b>								
<b>Sweden</b>								
Other employees	9,982	2,769	479	13,230	9,631	2,570	687	12,888
<b>USA</b>								
Senior executives	11,918	271	933	13,122	11,979	273	957	13,209
Other employees	13,481	580	1,145	15,206	13,490	568	1,117	15,175
<b>Total, subsidiaries</b>	<b>35,381</b>	<b>3,620</b>	<b>2,557</b>	<b>41,558</b>	<b>35,100</b>	<b>3,411</b>	<b>2,761</b>	<b>41,272</b>
<b>Total, Group</b>	<b>300,498</b>	<b>81,647</b>	<b>68,530</b>	<b>450,675</b>	<b>278,756</b>	<b>52,457</b>	<b>75,571</b>	<b>406,784</b>

<sup>1)</sup> Refers to the average number of employees irrespective of type of employment.

<sup>2)</sup> The Note reflects the salaries, remuneration and fees reported as costs and pertaining to the respective financial year.

<sup>3)</sup> Comprised of Senior Management 2013. For a list of current management, see pages 92-93.

<sup>4)</sup> Members of the Board receive only directors' fees and committee fees, which are determined by the Council of Administration. No other form of remuneration or benefit has been paid.



**NOTE 53** Average number of employees, salaries and remuneration, *cont.*

Salaries, remuneration, fees and benefits to senior executives and Board of Directors

TSEK	2013					Total
	Salaries, fees and other remuneration <sup>1)</sup>	Variable remuneration <sup>1, 4)</sup>	Benefits <sup>3)</sup>	Social security contributions	Pension costs	
<b>Parent Company</b>						
<b>CEO</b>						
Staffan Grefbäck	5,473	-	47	2,185	1,856	9,561
<b>Deputy CEOs <sup>5)</sup></b>						
Per Frennberg	3,147	1,617	20	2,129	1,340	8,253
Katarina Thorslund	2,036	-	17	753	443	3,249
<b>Senior executives</b>						
Senior executives <sup>2)</sup>	10,541	-	220	3,710	3,127	17,598
<b>Total, CEO and senior executives</b>	<b>21,197</b>	<b>1,617</b>	<b>304</b>	<b>8,777</b>	<b>6,766</b>	<b>38,661</b>
<b>Chairman of the Board</b>						
Erik Åsbrink	530	-	-	54	-	584
<b>Other members of the Board (excl. CEO)</b>						
Gunilla Dahmm	165	-	-	17	-	182
Cecilia Fahlberg	195	-	-	61	-	256
Per Hedelin	165	-	-	52	-	217
Jonas Milton	190	-	-	60	-	250
Richard Malmberg	165	-	-	52	-	217
Lars Wedenborn	165	-	-	52	-	217
Karl Olof Stenqvist	165	-	-	17	-	182
Kaj Thorén	255	-	-	26	-	281
Magnus von Koch	165	-	-	52	-	217
Christer Ågren	195	-	-	61	-	256
<b>Total, Board</b>	<b>2,355</b>	<b>-</b>	<b>-</b>	<b>504</b>	<b>-</b>	<b>2,859</b>
<b>Total, Parent Company</b>	<b>23,552</b>	<b>1,617</b>	<b>304</b>	<b>9,281</b>	<b>6,766</b>	<b>41,520</b>

<sup>1)</sup> Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration expensed during the financial year 2013.

<sup>2)</sup> Other senior executives refers to 8 (7) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2013. For the composition of senior management, see pages 92-93. The cost relates to those individuals who were senior executives at some time during the year.

<sup>3)</sup> Typical benefits include company car, mortgage interest, household services and healthcare insurance.

<sup>4)</sup> Refers to variable remuneration attributable to the investment management incentive programme. An account of Alecta's remuneration, including variable remuneration, in accordance with the Swedish Financial Supervisory Authority's general guidelines on remuneration policy (FFFS 2011:2) is scheduled for publication on Alecta's website in April 2014.

<sup>5)</sup> The deputy CEOs have been members of the management team during the entire year 2013. They both assumed their positions as deputy CEOs on 11 March 2011.

## NOTE 53 Average number of employees, salaries and remuneration, *cont.*

Salaries, remuneration, fees and benefits to senior executives and Board of Directors

TSEK	2012					Total
	Salaries, fees and other remuneration <sup>1)</sup>	Variable remuneration <sup>1, 4)</sup>	Benefits <sup>3)</sup>	Social security contributions	Pension costs	
<b>Parent Company</b>						
<b>CEO</b>						
Staffan Grefbäck	5,267	-	57	2,107	1,789	9,220
<b>Deputy CEOs <sup>5)</sup></b>						
Per Frennberg	2,950	570	17	1,470	1,041	6,048
Katarina Thorslund	1,828	-	18	685	431	2,962
<b>Senior executives</b>						
Senior executives <sup>2)</sup>	10,464	-	177	3,685	3,152	17,478
<b>Total, CEO and senior executives</b>	<b>20,509</b>	<b>570</b>	<b>269</b>	<b>7,947</b>	<b>6,413</b>	<b>35,708</b>
<b>Chairman of the Board</b>						
Erik Åsbrink	510	-	-	160	-	670
<b>Other members of the Board (excl. CEO)</b>						
Gunilla Dahmm	155	-	-	49	-	204
Cecilia Fahlberg	190	-	-	60	-	250
Per Hedelin	155	-	-	49	-	204
Jonas Milton	180	-	-	57	-	237
Richard Malmborg	155	-	-	49	-	204
Lars Wedenborn	155	-	-	49	-	204
Karl Olof Stenqvist	155	-	-	16	-	171
Kaj Thorén	155	-	-	16	-	171
Magnus von Koch	155	-	-	49	-	204
Christer Ågren	190	-	-	60	-	250
<b>Total, Board</b>	<b>2,155</b>	<b>-</b>	<b>-</b>	<b>614</b>	<b>-</b>	<b>2,769</b>
<b>Total, Parent Company</b>	<b>22,664</b>	<b>570</b>	<b>269</b>	<b>8,561</b>	<b>6,413</b>	<b>38,477</b>

<sup>1)</sup> Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration expensed during the financial year 2012.

<sup>2)</sup> Other senior executives refers to 7 (8) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2012. The cost relates to those individuals who were senior executives at some time during the year.

<sup>3)</sup> Typical benefits include company car, mortgage interest, household services and healthcare insurance.

<sup>4)</sup> Refers to variable remuneration attributable to the investment management incentive programme 2012. An account of Alecta's remuneration, including variable remuneration, in accordance with the Swedish Financial Supervisory Authority's general guidelines on remuneration policy (FFFS 2011:2) has been published on Alecta's website.

<sup>5)</sup> The deputy CEOs have been members of the management team during the entire year 2012. They both assumed their positions as deputy CEOs on 11 March 2011.

## NOTE 53 Average number of employees, salaries and remuneration, *cont.*

### Remuneration to members of the Board, CEO and senior executives

Fees were paid to the Chairman and members of the Board in accordance with the Council of Administration's decision. The fees determined by the Council of Administration relate to the period until the next annual general meeting. Remuneration in 2013 to the CEO and senior executives comprised basic salary, other benefits, such as company car, mortgage interest benefits, health care insurance, household services and pension costs and social security contributions. Per Frennberg is the only member of senior management who, within the framework of the investment management incentive program, receives variable remuneration.

Remuneration to the CEO is decided by the Board and revised once a year. Remuneration to senior executives is decided by the CEO and must be approved by Alecta's Board.

Other senior executives refers to ten positions that, together with the CEO, comprised Alecta's Senior Management in 2013. For the present composition of Senior Management, see page 79.

In accordance with FFFS 2011:2, the Swedish Financial Supervisory Authority's general guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money, complementary information about remuneration will be presented on Alecta's website, alecta.se, in April 2014.

### Pensions, severance pay and other benefits to the CEO, deputy CEOs and senior executives

The CEO has a pension agreement under which 35 percent of the monthly salary is set aside each month for pension, including provisions for the FTP plan. The pensionable age for the CEO is 65. In the event of termination of employment, a mutual period of notice of six months with severance pay equivalent to 12 monthly salaries will apply. In the event that the CEO takes up other employment during this period, the benefits for the remainder of the period will cease.

The FTP plan also includes the deputy CEOs. In the case of deputy CEO Per Frennberg, a period of notice of six months with severance pay equivalent to 12 monthly salaries will apply if his employment is terminated by the Company. In the event that Per Frennberg takes up other employment during this period, the benefits for the remainder of the period will cease. Deputy CEO Katarina Thorslund is covered by a previous agreement stipulating a period of notice of 18 months with the condition that should she take up other employment during this period, the benefits for the remainder of the period will cease. The deputy CEOs have the option of cancelling the agreements with a six-month period of notice.

Senior executives are covered by the FTP plan. If employment is terminated by the Company, a period of notice of six months with severance pay equivalent to 12 monthly salaries shall apply. In the event that other employment is entered into during this period, the benefits for the remainder of the period will cease. According to an agreement, one senior executive between 65-67 years has a notice period of 3 months.

Since early 2013, employees within Alecta have had the opportunity to exchange part of their salary for occupational pension premiums. This option includes all employees in Alecta pensionsförsäkring, ömsesidigt.

### Incentive programme

Within Alecta, an incentive programme was offered during 2013 for our investment personnel in the investment management group and for the employees in a subsidiary which engages in restaurant and conference operations. As resolved by the Board in 2012, a general incentive programme for variable remuneration was also introduced in 2013 for all employees in Sweden except Senior Management, employees in Internal Audit and the Risk department, as well as the employees within investment management who are already covered by other incentive programmes. The outcome of the general incentive programme is governed by achievement of the goals stated in the business plan for 2013 and the maximum pay-out is TSEK 12 per employee in the form of enhanced pension premiums. For 2013, two of the goals were met in full, while a third was met to 50 percent, yielding an outcome of TSEK 10 per employee at a cost to Alecta of approximately SEK 4 million, including social security contributions.

The investment management incentive programme has an evaluation period of up to three years and covers 44 employees. The Board of Directors has determined a cap for possible outcomes and performance-related targets. Key factors which control the outcome of variable remuneration are the total return on investment assets, return in relation to our competitors and the return on the active management of various types of assets such as shares, interest-bearing investments and real estate. The outcome per individual also depends on the extent to which individually set goals are achieved. For 2013, a total of SEK 23.5 million, excluding social security contributions, is expected to be paid out in variable remuneration, of which SEK 6.5 million refers to employees in Alecta's subsidiary in the USA.

The incentive programme in the subsidiary which engages in restaurant and conference activities covers 26 employees and the outcome of variable remuneration for the 2013 is estimated to amount to SEK 0.5 million, excluding social security contributions.

### Pension plans

All employees employed in Sweden by Alecta Pensionsförsäkring, ömsesidigt, are covered by an occupational pension plan, FTP 12. The plan consists of two parts, FTP 1 and FTP 2. Employees born in 1972 and later are covered by FTP 1, while employees born in 1971 or earlier are covered by FTP 2. Employees born in 1971 or earlier with a salary in excess of ten income base amounts can choose to belong to FTP 1. FTP 2 is a defined benefit pension plan, which means that the employee is guaranteed a pension corresponding to a specific percentage of final salary. FTP 2 includes retirement pension, family pension, FTPK, disability pension, family cover, waiver of premium insurance and a separate children's pension. FTP 1 consists of a defined contribution retirement pension with or without repayment cover, family cover, disability pension and waiver of premium insurance. The premium for the retirement pension is 4.5 percent of gross salary on salary components up to 7.5 income base amounts, and 30 percent on salary components over 7.5 income base amounts.

Pension commitments are secured through payment of fixed insurance premiums during the period of service. According to IAS 19, defined benefit pension plans which include several employers (known as multi-employer plans) should, as a rule, be reported as if they were defined benefit plans. If sufficient information is not available in order to determine the employer's share of the obligations and plan assets, the pension plan shall, instead, be reported as a defined contribution plan. Alecta reports the FTP plan as a defined contribution plan, as the conditions for reporting the defined benefit components of the plan in accordance with the main rule in IAS 19 are not met. This means that the cost is reported at the time when the benefits are earned. The insurance premium for defined benefit retirement and family pension in FTP 2 amounted to SEK 25.4 million in 2013 and is expected to reach SEK 36.8 million in 2014. The premium represents about 0.11 percent of the total premiums for defined benefit retirement and family pension payable to Alecta by client companies. Premiums are calculated per insured and type of benefit, with Alecta's assumptions about interest rates, operating expenses and yield taxes.

Alecta's collective funding ratio for defined benefit insurance at the end of the year amounted to 148 (129) percent. The collective funding ratio is the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio is normally allowed to vary between 125 and 155 percent. If Alecta's collective funding ratio is less than 125 percent or greater than 155 percent, measures shall be taken in order to create the conditions for the collective funding ratio to return to a normal range. At a low consolidation, a measure can be to raise the agreed price for new issues and expansion of existing benefits. At high consolidation, a measure can be introducing premium reductions.

FTP 2 provides an opportunity for employees born in or before 1955 to retire on their own initiative from the month after their 62nd birthday. This provision is reported under Provision for pensions and similar commitments, see Note 40 on page 75.

The subsidiaries only offer defined contribution plans. These plans are mainly secured through the payment of insurance premiums by each Group company and, in some cases, by the employees as well. Some Group companies also provide various forms of healthcare insurance.

## NOTE 54 Disclosure of auditors' fees

	Group		Parent Company	
	2013	2012	2013	2012
<b>PwC</b>				
Statutory audit	3.2	2.9	3.2	2.9
Audit activities other than statutory audit	0.2	0.4	-	0.4
Tax advice	1.8	1.3	1.8	1.3
Other services	0.7	0.4	0.7	0.4
<b>Total PwC</b>	<b>5.9</b>	<b>5.0</b>	<b>5.7</b>	<b>5.0</b>

## NOTE 55 Leasing

### Operational leasing agreements (lessee)

Operational leasing where Alecta is the leaseholder refers primarily to costs in relation to cars and office equipment. The due date of payment for the aggregated sum of future minimum leasing fees for non-cancellable leasing agreements per 31 December 2013 is allocated as follows:

Group and Parent Company	2013	2012
Within one year	3	3
Later than one year but less than five years	3	3
Later than five years	-	-
<b>Total</b>	<b>6</b>	<b>6</b>
<b>Total leasing fees during the period</b>	<b>6</b>	<b>6</b>
of which minimum leasing fees	6	6

## NOTE 56 Related party disclosures

The purpose of this Note is to provide information regarding transactions between Alecta and related parties as defined in IAS 24, Related Party Disclosures. Alecta considers the following legal entities and physical persons to be related parties according to this definition:

- All companies in the Alecta Group (see Note 18, pages 58–59)
- Senior Management and members of the Board
- Close family members of members of the Board and Senior Management
- The Confederation of Swedish Enterprise and PTK
- Associated companies and joint ventures
- The Collectum and Fora AB selection centres (of which the principal owners of Collectum are the Confederation of Swedish Enterprise and PTK, while the Confederation of Swedish Enterprise also owns half of Fora).

Transactions with related parties shall, as with other parties, be undertaken on commercial terms, in the same way as all other activities within Alecta. Particular attention must be paid to the guidelines which have been drawn up by the Board of Alecta for handling conflicts of interest and for the ethics policy.

Operations in Alecta are conducted according to mutual principles. The profit or loss arising in the business shall be returned to policy holders and the insured. The business is conducted without the aim of making or distributing profits. Subsidiaries are regarded primarily as a capital investment designed to provide the best return for the owners.

### Transactions between Alecta and subsidiaries

Transactions that are made from Alecta to subsidiaries refer to loans or shareholder contributions provided in conjunction with investments undertaken by the subsidiaries. Transactions from the subsidiaries to Alecta refer primarily to loan repayments and interest payments, as well as dividends or Group contributions. Shares and participations in Group companies are shown in Note 18 on pages 58–59.

### Transactions with members of the Board, senior executives, or their close family members

Remuneration to Senior Management and members of the Board are reported in Note 53 on pages 78–82. No remuneration was paid to family members of related parties during 2013.

### Transactions with the Confederation of Swedish Enterprise and PTK

Comprising central labour market organisations in the Swedish private sector, the Confederation of Swedish Enterprise and PTK are not represented in any of Alecta's corporate bodies. However, entities which are members of both of those central organisations are included in the nomination committees which, on behalf of the parties, appoint members of Alecta's Council of Administration and thus, indirectly, the Board of Alecta. Transactions between Alecta and the Confederation of Swedish Enterprise and PTK occurring during 2013 relate to payments of funds for the dissemination of information regarding ITP and TGL. In line with Alecta's articles of association, payments are made from the guarantee reserve which was established on 1 January 2007, see Note 36, page 73.

## NOTE 56 Related party disclosures, *cont.*

### Transactions with associated companies and joint ventures

Joint ventures are defined as companies in which Alecta has a controlling influence, together with other co-owners. Alecta is co-owner of seven jointly managed real estate companies, Ancore AB, Hemfosa Holding AB, Lönnbacken Fastigheter AB, KB Alfa SSM, Convea AB, Nordhalla Fastigheter AB and Profil III Infracity AB. Transactions between Alecta and these joint ventures relate to lending, shareholder contributions and interest payments and are shown in the table below. There are currently no investments in associated companies.

### Transactions with Collectum AB and Fora AB selection centres

Transactions between Alecta and the Collectum and Fora selection centres are based on established agency agreements under which the selection centres undertake a number of assignments within the framework of the ITP plans and SAF-LO Contracted pension. Collectum and Fora receive payment from Alecta for the work completed in accordance with the agency agreement. Transactions with selection centres are shown in the table on the next page. Agency payments have been charged to this year's operating expenses and are shown in Note 8 on page 51.

Related parties	Transactions	Balances	Group		Parent Company	
			2013	2012	2013	2012
Swedish Group companies	Interest income		225	196	225	196
	Interest expenses		4	10	4	10
	Dividends		12	147	12	147
	Non-current receivables		6,522	5,113	6,522	5,113
	Accrued interest income		222	140	222	140
	Liabilities		542	711	542	711
	Accrued interest expenses		4	4	4	4
	Contingent liability		9	6	9	6
Foreign Group companies	Interest income		8	17	8	17
	Dividends		715	439	715	439
	Non-current receivables		532	526	532	526
	Accrued interest income		13	3	13	3
	Shareholder contribution		106	1,376	106	1,376
Confederation of Swedish Enterprise and PTK	Information memorandum for ITP and TGL		86	84	86	84
Joint ventures	Interest income		149	105	149	105
	Loans receivable		2,631	1,604	2,631	1,604
	Accrued interest income		9	19	9	19
Selection centres	Premium payments		22,365	23,997	22,365	23,997
	Agency payments		127	129	127	129

The Annual Report for the financial year ending on 31 December 2013 was approved for publication by the Board of Directors on 18 March 2014. It will be presented to the Council of Administration for adoption on 10 April 2014.

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# Board of Director's signatures

We hereby declare that, to the best of our knowledge, the annual report has been prepared in accordance with generally accepted accounting principles, the information provided gives a true and fair view of the circumstances of the Company and nothing of material significance has been omitted which might affect the view of the Company provided by the annual report.

Stockholm, 18 March 2014

Erik Åsbrink  
*Chairman*

Cecilia Fahlberg  
*First Vice Chairman*

Christer Ågren  
*Second Vice Chairman*

Gunilla Dahmm

Per Hedelin

Magnus von Koch

Richard Malmberg

Jonas Milton

Karl Olof Stenqvist

Kaj Thorén

Lars Wedenborn

Britt-Marie Bryngelsson

Mikael Persson

Staffan Grefbäck  
*CEO*

Our audit report was submitted on 19 March 2014.

Catarina Ericsson  
*Authorised Public Accountant*

Morgan Sandström  
*Authorised Public Accountant*

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# Audit Report

**Corporate Identity Number 502014-6865**

*To the Council of Administration of Alecta pensionsförsäkring, ömsesidigt*

## Report on the Annual Accounts and Consolidated Accounts

We have audited the annual accounts and the consolidated accounts of Alecta pensionsförsäkring, ömsesidigt, for the year 2013. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 15-84.

### Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the annual accounts in accordance with the Swedish Annual Accounts Act for Insurance Companies, and of the consolidated accounts in accordance with international financial reporting standards, IFRS, as adopted by the EU, and the Swedish Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the CEO deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated accounts based on our audit. We 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 and the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the company's prepa-

ration and fair presentation of the annual accounts and consolidated 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 company'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 CEO, as well as evaluating the overall presentation of the annual accounts and consolidated 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 Swedish Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with the Swedish Annual Accounts Act for Insurance Companies, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and of its financial performance and cash flows in accordance with International Standards of Accounting, as adopted by the EU, and the Swedish Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Council of Administration adopt the income statements and balance sheets of the Parent Company and of the Group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt, for the year 2013.



### **Responsibilities of the Board of Directors and the CEO**

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Swedish Insurance Companies Act.

### **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriation of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined whether the proposal is in accordance with the Swedish Insurance Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and

consolidated accounts, we have examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We have also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish Insurance Companies Act, the Swedish Annual Accounts Act for Insurance Companies or the Articles of Association.

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

### **Opinions**

We recommend to the Council of Administration that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, 19 March 2014

Catarina Ericsson  
*Authorised Public Accountant*

Morgan Sandström  
*Authorised Public Accountant*

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# Review report

Corporate Identity Number 502014-6865

To the Council of Administration of  
Alecta pensionsförsäkring, ömsesidigt

We have, in our capacity as lay auditors, reviewed the operations in Alecta pensionsförsäkring, ömsesidigt, for the year 2013.

We performed our review in accordance with the Swedish Insurance Companies Act and generally accepted auditing standards in Sweden. This means that we planned and performed our review to obtain reasonable assurance that the company's operations have been conducted in an appropriate and, from a financial point of view, satisfactory manner, and that the company's internal controls are sufficient.

Our review has not revealed any circumstances which give cause for concern.

Stockholm, 19 March 2014

Niklas Hjert

Lars Jansson

# Board of Directors



**Erik Åsbrink**<sup>1,2</sup>

Born 1947  
Chairman  
Member of the Board of Directors since 2000.

*Other directorships:*

Stockholm School of Economics (Chairman), Wallenstam AB, Svensk Hypotekspension AB (Chairman), Light-Lab Sweden AB (Chairman), Stiftelsen Cancercentrum Karolinska, Bilspedition Transportörförening, Fasticon Holding AB (Chairman).

*Other posts:*

Swedish Staffing Agencies' authorisation committee (Chairman), Goldman Sachs, Ernst & Young.



**Gunilla Dahmm**<sup>2</sup>

Born 1947  
Insurance expert Unionen  
Member of the Board of Directors since 1999.

*Other directorships:*

AI Pension (Vice Chairman), KP Pensionsstiftelse och verksamhetskommitté, PRI Pensionsgaranti Insurance Company.

*Other posts:*

ITP-nämnden, TGL-nämnden, KTP-nämnden, TFA-nämnden, Försäkringsnämnden för arbetsmarknadsförsäkringar, Trafikskadenämnden.



**Cecilia Fahlberg**<sup>1</sup>

Born 1960  
First Vice Chairman  
Chairman of Unionen  
Member of the Board of Directors since 2007.

*Other directorships:*

PTK (Chairman), TCO.



**Staffan Grefbäck**<sup>1,2</sup>

Born 1955  
CEO of Alecta  
Member of the Board of Directors since 2009.

*Other directorships:*

Insurance Sweden, Employers' Organisation for the Insurance Industry (Vice Chairman), SIFR Institute for Financial Research, The Swedish Foundation for Strategic Research SSF.



**Per Hedelin**<sup>3</sup>

Born 1965  
CEO Association of Managerial and Professional Staff (Ledarna)  
Member of the Board of Directors since 2008.

*Other directorships:*

PRI Pensionsgaranti Insurance Company, Djurö Hotel & Konferens, Bliwa Livförsäkring, Riva del Sole S.p.A.



**Magnus von Koch**<sup>2</sup>

Born 1962  
Head of Investment Management Unionen  
Member of the Board of Directors since 2010.

*Other directorships:*

Klara Norra Fastigheter AB (Chairman), TRR Trygghetsrådet's Capital Committee.



**Richard Malmberg**<sup>3</sup>

Born 1961  
Director Swedish Association of Graduate Engineers  
Member of the Board of Directors since 2003.

*Other directorships:*

PTK (Vice Chairman), SACO (First Vice Chairman), SACO IT Service AB (Chairman), Akademikertjänst (Chairman).



**Jonas Milton**<sup>3</sup>

Born 1953  
CEO Almega AB  
Member of the Board of Directors since 2006.

*Other directorships:*

AI Pension (Chairman), TRR Trygghetsrådet, Trygghetsfonden TSL, Confederation of Swedish Enterprise Insurance Information (Finfo), Ratio.

*Other posts:*

Almega Tjänsteförbunden (Director).



**Karl Olof Stenqvist**<sup>3</sup>  
Born 1946  
Member of the Board of Directors since 2009.



**Kaj Thorén**<sup>2</sup>  
Born 1944  
Member of the Board of Directors since 2005.  
*Other directorships:*  
Billes Tryckeri AB, IFK Göteborg, Gamla Ullevi AB  
*Other posts:*  
Stiftelsen Richard C Malmstens minne.



**Lars Wedenborn**<sup>2</sup>  
Born 1958  
CEO FAM (Foundation Asset Management) AB.  
Member of the Board of Directors since 2012.  
*Other directorships:*  
FAM (Foundation Asset Management) AB, Nasdaq OMX Nordic Ltd (Chairman), Nasdaq OMX Group Inc, AB SKF, Elk Entertainment AB, The Grand Group AB, Höganäs AB  
*Other posts:*  
Hjärt-Lungfonden, Stockholm Chamber of Commerce.



**Christer Ägren**<sup>1</sup>  
Born 1954  
Second Vice Chairman  
Executive Vice President Confederation of Swedish Enterprise  
Member of the Board of Directors since 2009.  
*Other directorships:*  
Svenskt Näringsliv Service AB, TRR Trygghetsrådet (Chairman), AFA Sjukförsäkring, AFA Trygghetsförsäkring, AFA Livförsäkring.



**Britt-Marie Bryngelsson**  
Born 1953  
Insurance administrator  
Employee representative, FTF  
Member of the Board of Directors since 2005.



**Mikael Persson**  
Born 1962  
Insurance administrator  
Employee representative, SACO  
Member of the Board of Directors since 2008.

<sup>1)</sup> Member of the Board Presidium which also acts as the Remuneration Committee

<sup>2)</sup> Member of the Finance Committee

<sup>3)</sup> Member of the Audit Committee

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# The duties and working methods of the Board of Directors

The Board is responsible for the Company's organisation and for the administration of the Company's business. The Board determines Alecta's operating targets and strategies and ensures that the Company's risk exposure is well-considered.

In addition, the Board is responsible for ensuring that the organisation applies satisfactory controls with regard to book-keeping and fund management. The Board is also responsible for ensuring that the Company is managed efficiently, that satisfactory internal controls are in place and that there is adequate control of compliance with the laws and other regulations applying to Alecta's operations. The Board is thus responsible for determining the requisite internal guidelines for the Company and its operations. By law, the Board is bound to determine the Company's investment policy, actuarial guidelines and guidelines for managing conflicts of interest, among other things.

Each year, the Board draws up a formal work plan for the Board of Directors and issues terms of reference to the CEO. The work performed by the Board of Directors is usually evaluated once a year using a systematic and structured process. Such an evaluation was conducted in the autumn of 2013 and the result was presented to the Council of Administration's preparatory committee prior to the Council's meeting in February 2014, which was also participated in by the Chairman and Vice Chairmen of the Board and the Chairman of the Audit Committee. The work of the CEO is evaluated continuously and a formal evaluation is performed once a year.

The Board held eight meetings during 2013, one of which was held in conjunction with a two-day Board seminar at which matters of strategic importance to Alecta were discussed.

In addition to the work undertaken within the Board, work is carried out in three committees: the Board Presidium, the Finance Committee and the Audit Committee.

The primary duties of the Board Presidium are to address, and make decisions regarding, those matters which the Board delegates to the Presidium and to otherwise advise the CEO in matters of day-to-day management. The Presidium also prepares the matters expected to be discussed in the next Board meeting. In addition, the Presidium acts as a remuneration committee and convenes on the initiative of the Chairman of the Board. The Presidium held five meetings during 2013.

The Finance Committee is comprised of six members. The Committee determines detailed guidelines for day-to-day investment operations, follows up investment opera-

tions, prepares matters within investment management to be examined by the Board and resolves on investment matters which fall outside the authority of the CEO. The Finance Committee met four times in 2013.

The Audit Committee is comprised of four members. The Committee continuously evaluates and provides the Board with its view of Alecta's risk exposure and management's risk management. The Audit Committee also supports the Board in monitoring and evaluating internal and external auditing processes, and is responsible for preparing the work of the Board to assure the quality of Alecta's financial reporting. The Audit Committee met on five occasions in 2013.

## **In addition to standard items, the Board of Directors and the committees addressed the following matters during the year:**

- Resolution regarding Alecta's offering in the ITP procurement 2013, which resulted in Alecta, with the further development of Alecta Optimal Pension, retaining the position as default ITP 1 alternative.
- Finalisation of the plan of action regarding the guarantee reserve and the indexation reserve, produced in consultation with the Swedish Financial Supervisory Authority, after which the Swedish Financial Supervisory Authority, in June 2013, was able to complete its inquiry into the two reserves.
- Further detailed work concerning Alecta's long-term financial strategy – in light of the continued uncertainty as regards the regulatory framework that will apply to Alecta – Solvency II or the Occupational Pensions Funds Directive.
- The Board has continued to immerse itself in the field of internal governance and control, with two training courses undertaken in conjunction with Board meetings.
- The Finance Committee has addressed matters such as investments in US shares and in structured credits, as well as discussing Alecta's strategy as shareholder of listed companies.
- The Audit Committee has participated in the decision-making process and the execution of a procurement regarding Alecta's external audit from 2014 onwards. The result of the procurement was communicated to the preparatory committee of the Council of Administration in conjunction with its meeting in February 2014.

# Council of Administration and Auditors

## Council of Administration and Auditors

The Council of Administration is Alecta's most senior decision-making body, corresponding to the General Meeting of the Swedish Insurance Companies Act. The Council's duties include election of members of the Board and auditors, consideration of the question put forward each year concerning discharge from liability of the Board of Directors and CEO for their administration during the financial year, and resolving on the adoption of the income statements and balance sheets for the Parent Company and the Group, and on the appropriation of the year's profit or loss. The Council of Administration consists of 38 members and eight deputies.

In order to ensure that the interests and views of the retirees are represented, it has been decided that the Council's members should include a number of retirees who are insured in Alecta. These representatives are appointed by the employee organisations named below.

## Members and Deputy Members

The Council of Administration's 19 members and four deputy members elected by the Confederation of Swedish Enterprise for the period 2013-2015.

### Members

Lars-Erik Aaro, Luleå  
Björn Alvingrip, Mölle  
Fredrik Arp, Malmö  
Kenneth Bengtsson, Västerhaninge, Chairman  
Jan Bosaeus, Solna  
Eva Dunér, Göteborg  
Mats Elfsberg, Vansbro  
Ann-Marie Fransson Grankvist, Järfälla  
Magnus Hall, Stockholm  
Per Hidesten, Stockholm  
Göran Holm, Bromma  
Peter Jeppsson, Stockholm  
Gert Karnberger, Örebro  
Martin Lindqvist, Stockholm  
Ola Månsson, Alunda  
Kerstin Maria Renard, Hällevikstrand  
Jan Siezing, Tumba  
Åke Svensson, Stockholm  
Ulrik Wehtje, Malmö

### Deputy members

Inga-Kari Fryklund, Stockholm  
Hans Gidhagen, Upplands Väsby  
Jonas Hagelqvist, Stockholm  
Pontus Sjöstrand, Stockholm

The Council of Administration's 19 members and four deputy members elected by Unionen, the Association of Managerial and Professional Staff (Ledarna), the Swedish Association of Graduate Engineers and PTK for the period 2013-2015.

### Members

Hanna Brandt González (Unionen), Österskär  
Stefan Carlsson (Unionen), Norrköping  
Anna Ekergren (Unionen), Rockneby  
Annika Elias (Ledarna), Göteborg  
Andreas Grünwald (Unionen), Åkersberga  
Helena Hedlund (Ledarna), Enskede Gård (2014-2015)  
Peter Hellberg (Unionen), Bandhagen  
Anette Hellgren (Unionen), Trollhättan  
Gunnar Henriksson (Unionen), Tullinge, also represents Alecta's retirees.  
Martin Johansson (Unionen), Stockholm  
Ulrika Johansson (Unionen), Luleå  
Gun Karlsson (Unionen), Stockholm  
Victoria Kirchhoff (Unionen), Klagshamn  
Peter Larsson (Sveriges Ingenjörer), Enskede Gård  
Martin Linder (Unionen), Torslanda, Vice Chairman  
Leif Nicklagård (Unionen), Vällentuna  
Annica Pettersson (Unionen), Märsta (2014-2015)  
Kristina Rådkvist (PTK), Enköping  
Anders Tihkan (Sveriges Ingenjörer), Värmdö

### Deputy members

Thomas Eriksson (Ledarna), Örebro  
Nils-Harald Forssell (Unionen), Olofstorp, also represents Alecta's retirees.  
Stefan Jansson (Sveriges Ingenjörer), Stockholm  
Hans Lindau (Unionen), Sandared

## Auditors

### Elected auditors

Catarina Ericsson,  
Authorised Public Accountant, PwC  
Morgan Sandström,  
Authorised Public Accountant, PwC

### Deputy auditors

Thomas Heneryd,  
Authorised Public Accountant, PwC  
Ulf Westerberg,  
Authorised Public Accountant, PwC  
The Swedish Financial Supervisory Authority  
did not appoint any auditors in 2013.

## Lay Auditors

### Elected auditors

Niklas Hjert, Unionen  
Lars Jansson, Confederation of Swedish  
Enterprise

### Deputy auditors

Lisbeth Gustafsson, Confederation of Swedish  
Enterprise



# Senior management

**Staffan Grefbäck**

Born 1955  
Chief Executive Officer  
*Education:* BA  
*Year of employment:* 2001  
*Directorship:* Insurance Sweden, Employers' Organisation for the Insurance Industry (Vice Chairman), SIFR Institute for Financial Research, The Swedish Foundation for Strategic Research SSF  
*Previous experience:* Deputy CEO and Head of Alecta Investment Management. Previously, CEO for Nordea Asset Management AB and other senior management positions within the Group's fund and investment management operations. Prior to that, worked with the macro-economic and financial analysis at the National Institute of Economic Research (Konjunkturinstitutet) and SEB.

**Per Frennberg**

Born 1964  
Deputy CEO  
Head of Investment Management  
*Education:* Ph.D. Economics  
*Year of employment:* 1995  
*Previous experience:* Various senior positions within Alecta Investment Management, including Head of Interest and Currency Management.

**Katarina Thorslund**

Born 1962  
Deputy CEO  
Head of Finance and Actuarial  
*Education:* BSc Mathematics  
*Year of employment:* 2003  
*Previous experience:* Senior Actuary Alecta and Senior Actuary Folksam Gruppförsäkring.

**Maria Wahl Burvall**

Born 1964  
Director of Human Resources from 20 February 2014, succeeding Tomas Bergqvist upon retirement.  
*Education:* MSc in Business and Economics, majoring in National Economics and Statistics  
*Year of employment:* 2014  
*Previous experience:* Economist, Human Resources specialist and Head of Human Resources at the Swedish Central Bank.

**Pär Ola Grane**

Born 1958  
Head of Market Analysis  
*Education:* MSc in Business and Economics  
*Year of employment:* 2005  
*Previous experience:* Administration Manager for Alecta Investment Management. Previously, consultant and co-owner of a consulting company.

**Magnus Landare**

Born 1957  
Head of Legal Affairs  
*Education:* LL.M  
*Year of employment:* 1995  
*Previous experience:* Lagerlöf & Leman Law firm, notary public qualification at Stockholm District Court.

**Mikael K Larsson**

Born 1961  
Head of IT  
*Education:* BSc in IT and Business Administration  
*Year of employment:* 2003  
*Previous experience:* Head of IT Operations and Support, Alecta. Previously, selfemployed consultant, IT Manager, Inexa and various positions at EDS Sweden.

**Anna-Karin Pettersson**

Born 1958  
Head of Customer Administration  
*Education:* three-year upper secondary economics programme  
*Year of employment:* 1996  
*Directorship:* Auditor of Kvinnojouren Upplands-Bro  
*Previous experience:* Group Manager, Service Support and Retirement Pension, and Section Manager, Customer Service, Private Customers, Alecta. Previously worked with purchasing and sales at NK, DUKA and Domus.





**Staffan Ström**

Born 1974

Head of Information

*Education:* Political Science and Urban Planning

*Year of employment:* 2001

*Previous experience:* Head of Business Support, Head of Corporate Agents, Head of Corporate Market, Head of Marketing Services, Customer Training Manager, Account Manager for Large Enterprise and Customer Manager in Alecia. Previously worked as aftermarket sales at Syd, Upplands Bil and Deputy Head of Vallentuna Motor.



**Karin Öckert**

Born 1966

Head of Customer Communication

*Education:* MSc in Business and Economics

*Year of employment:* 2000

*Previous experience:* Head of Customer Service, Group Manager Customer Service Private and Account Manager in Alecia. Previously worked in Nordea's asset management business with customer service and information.



**Pehr Östberg**

Born 1962

Head of Product and Parties

*Education:* Law and Political Science

*Year of employment:* 1988

*Directorship:* Sirius Fotboll  
*Previous experience:* Marketing Manager, Head of Claims Department, Head of Disability and Family Pension Management, process leader Retirement Pension, and retirement pension specialist in Alecia.

# Glossary

## Adjustment of paid-up values

Rebate allocation which increases pension entitlement earned prior to retirement age. This adjustment is primarily made to compensate for inflation.

## Agency agreement with Collectum

Agreement under which Collectum performs administrative services relating to the ITP plan on behalf of Alecta.

## Assets under management

Total assets minus financial liabilities (other provisions, liabilities and accrued costs and prepaid income) as specified in the balance sheet.

## Capital base

An insurance company should hold a capital base of a sufficient size so as to be able to cover eventual unforeseen future losses. The capital base consists of the difference between the market value of the Company's assets, minus intangible assets and financial liabilities, and technical provisions.

## Capital value

The estimated present value of future payment flows.

## Collective agreement guarantee

If an employer who has signed a collective agreement, thereby agreeing to become affiliated to the ITP plan, then fails to take out or maintain the ITP agreement, the insured shall receive the fees and other benefits to the same extent as if the employer had met the obligations as stipulated in the ITP plan. The collective agreement guarantee is administered by Collectum.

## Collective funding capital

The difference between distributable assets, assessed at market value, and insurance commitments (both guaranteed commitments and allocated rebates) to policy holders and the insured.

## Collective funding ratio

Distributable assets in relation to insurance commitments to policy holders and insured (both guaranteed commitments and allocated rebates).

## Client-company funds

Funds assigned in 1998 to the policy holders of the surplus Alecta generated during the years 1994-1998. The funds have primarily been used as pension premiums within Alecta and life insurance companies.

## Default alternative

In a defined contribution plan where the employee does not make an active choice of insurance company, the employee automatically becomes a customer of the insurance company named as the default supplier following the procurement process for management of the pension plan.

## Defined benefit insurance (ITP 2)

The amount of pension is determined in advance as a specified amount or a specified level of for instance final salary. The size of the premium varies depending on the benefit decided and on how well the fund manager manages the pension capital.

## Defined contribution insurance

Pension which is based on an insurance, the premium of which is determined as a certain percentage of the salary or as a certain amount of money. The amount of pension is dependent on, among other things, returns and fees charged by the manager of the pension capital.

## Derivative

A financial instrument whose value depends on the price development of another, underlying, instrument.

## Discounting

Calculation of present value of future payments received and payments based on a specific interest rate.

## Distributable assets

Total market value of assets less deduction for financial liabilities, special indexation funds and guarantee reserves.

## Financial instrument

All types of agreement which result in a financial asset in one company and a financial liability or equity instrument in another company.

## Forward contract

A derivative with a contract for purchase or sale of a financial instrument, for example, with delivery and payment at a pre-determined future date.

## FRA (Forward rate agreement)

A derivative (an interest rate forward contract) consisting of a contract between two parties in respect of a loan or investment at a fixed rate of interest during a future period.

## Insurance contract

A contract between an insurance provider and a policy holder containing a significant insurance risk.

## Insured

The person covered by the insurance.

## Investment assets

Assets having the character of a capital investment, i.e. interest-bearing securities, shares and real estate.

## Investment management expense ratio

Operating expenses for investment management in relation to average assets under management.

## Investments

The investment assets, cash and bank balances and other assets and liabilities that are related to investment assets (such as accrued interest and rental income) assessed at market value in the balance sheet.

## Management expense ratio

Operating expenses in the insurance business (acquisition costs and administrative expenses) and claims management costs in relation to average assets under management. This key ratio is calculated as a total amount and for pension products.

## Market value

The value which assets are assessed as having in the market.

### Net sales value

Sales after deductions for sales-related costs.

### Occupational group life insurance (TGL)

Occupational group life insurance (TGL) is life insurance which provides surviving family members with a predetermined sum if the insured should die prior to retirement. Under the terms of the collective agreement, employers are under an obligation to take out this insurance on behalf of their employees.

### Original ITPK

Defined contribution ITPK was introduced in 1977 and automatically invested in Alecta. Since 1990, the individual has been able to make their own choice. Those who had made no choice by year-end 2007 had their ITPK invested in the default alternative, ITPK. No further money has been invested in the original ITPK after 2007.

### Pension supplement

Rebate allocated to the insured in addition to guaranteed pension. Under the actuarial guidelines, such a rebate may not exceed the increase in the Consumer Price Index for the year in question, calculated from the date on which the insured's pension payments are first paid out. The pension supplement is determined by the Board each year.

### Policy holder

The one who has entered into an insurance agreement with the insurance company.

### Premium rate

For defined benefit insurance, premium size depends, amongst other factors, on the applied premium rate. The premiums paid including return of premium rate should be sufficient to pay the guaranteed benefit during the payment period. This means that the premium will be higher the lower the premium rate applied.

### Premium reduction

Distribution of surplus funds through the reduction of premiums. Premium reduction is applied to risk insurance.

### Rebate

Surplus assigned or allocated to

- policy holders, in the form of premium reductions
- the insured, in the form of increased insurance benefits
- cost coverage for measures within the ITP plan. The parties to the collective agreement have been granted the right to direct the use of these funds. The decision on final use is made by the Board of Alecta, provided they unanimously agree that the directed use is in accordance with Alecta's interests as an insurance company.

Reversionary rebate is formally guaranteed. Allocated rebates are not formally guaranteed.

### Recoverable amount

Net sales or value in use, whichever is the higher.

### Risk insurance

Insurance where the entire premium is used to protect against risk. No savings component is included in this type of insurance.

### Share index futures

A financial instrument whose value depends on the price movements of the stocks included in the underlying index.

### Solvency level

Total market-valued assets, less intangible assets and financial liabilities, in relation to guaranteed commitments.

### Solvency margin

Minimum requirement for the size of the capital base. Put somewhat simply, the solvency margin is determined as a certain percentage of both technical provisions and the Company's insurance risks.

### Special indexation funds

Funds allocated to guarantee the indexation of pensions or for other pension-promoting purposes. These funds are placed at Alecta's disposal only after a decision has been taken by the Confederation of Swedish Enterprise and PTK. Special indexation funds are therefore not included in the collective funding capital.

### Swap

A derivative that consists of an agreement between two parties to exchange payment flows on the basis of different loan terms and conditions.

### Technical provisions

Provisions in the balance sheet for a company's engagements due to insurances. The capital value of the insurance company's guaranteed commitments, which consist of a life insurance provision and a provision for claims outstanding.

### Total return

The return on investments, adjusted for cash flows, expressed as a percentage, according to Insurance Sweden's recommendation.

### Unrealised changes in value of investment assets

Positive or negative change in market value of investment assets.

### Value in use

Present value of future cash flows.

### Waiver of premium insurance

Waiver of premium is included as part of the ITP plan's collective risk insurance and means that the employer will receive a waiver of premium if an employee becomes incapacitated for work. Premiums for insurance under the ITP plan are paid in such cases from the waiver of premium insurance, and are, then, regarded as comprising claims incurred.

**alecta**

Tjänstepension sedan 1917

Alecta pensionsförsäkring, ömsesidigt

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