alecta

Annual Report 2014

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

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 680 billion on behalf of our owners, of whom 2,1 million are private customers and 33 000 are corporate clients.

Alecta – the year in brief

FIGURES FOR THE YEAR IN BRIEF – THE GROUP	2014	2013
Premiums written, MSEK	36 122	25 059
Claims paid, MSEK	–17 786	–17 207
Assets under management, MSEK	682 355	602 266
Total return, defined contribution insurance (Alecta Optimal Pension), %	14,9	17,3
Total return, defined benefit insurance, %	12,8	9,8
Management expense ratio for pension products, excluding selection centre costs	0,07	0,08
Collective funding ratio, defined benefit insurance, %	143	148
Collective funding ratio, defined contribution insurance, %	100	100
Solvency level, %	159	170

Return on defined contribution insurance Alecta Optimal Pension, amounted to 14,9 percent. The average annual return for the previous five years has been 10,6 percent, 4,4 percentage points higher than the comparable index.

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Management expense ratio remained low at 0,07 percent for pension products, excluding selection centre costs.

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Claims paid amounted to SEK 17,8 billion (17,2). The increase was largely due to an increase in monthly payments primarily for ITP2 retirement pensions.

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Return on Alecta's defined benefit insurance amounted to 12,8 percent. The average annual return for the past five years has been 8,2 percent.

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Premiums written amounted to SEK 36,1 billion (25,1). In 2014, premiums written were affected by refunds in the form of an increase of vested pension entitlements for defined benefits pensions.

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Alecta published the report **"Fees & percent – Is your pension leaking?"** It primarily sheds light on the significance of fees to the size of the pension. Alecta arranged a seminar in Almedalen where a panel discussed the report.

See more on alecta.se

Alecta's **financial position** continues to be stable and the solvency level amounted to 159 percent at the end of 2014.

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Alecta's defined contribution insurance Alecta Optimal Pension passed a milestone in 2014 as **the operating income in the product now covers the product's separate costs.** Alecta Optimal Pension thereby also contributes to covering shared expenses.

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We notice **greater interest** in resolving the pension issue through insurance in Alecta. During the year, Skanska chose to **replace the commitment for ITP 1** that it had under its own management with insurance in Alecta.

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Comments from our CEO: Competitive returns at the lowest cost

With high, competitive returns, a good financial position, a decreasing cost per insured and new digital services that improve customer service, 2014 was yet another good year for Alecta's customers.

Responsible management

In terms of global growth, 2014 was an off-year where the central banks were in focus and where the geopolitical worries came one after the other, but without affecting the capital markets noticeably. Despite the starting point, it became a strong year for shares, properties and fixed-interest investments. The return was 14,9 percent for Alecta Optimal Pension and 12,8 percent for defined benefit pensions.

Alecta has the ambition of being one of the world's most efficient and responsible pension managers with its own independent management organisation. We do not invest in indexes, but rather choose each investment on its own merits after conducting our own analysis. Our investment philosophy is based on few, but large holdings in companies we choose carefully and follow up. This has been a winning line and we are convinced that it will also strengthen our ability in the future to create a sustainably positive return on the pension capital we have been entrusted to manage. It also gives us good conditions to act responsibly from a sustainability perspective.

Strong finances provides resistance

The outlook is difficult to assess with remaining effects of the debt crisis, tendencies for falling prices and an extremely expansive monetary policy. At the same time, we see signs that growth in the surrounding world is improving. With a continuation of strong central bank support and uniquely low interest rates, the hunt for returns and higher demand for risk assets can continue for some time although we have already had three strong years. At the time this being written, Alecta's investment portfolio has grown by SEK 240 billion since the beginning of 2012, mostly through returns. At the same time, the level of risk is gradually being increased. This demands good risk management. If the current state of zero interest lasts for a prolonged period of time, it will become more difficult to achieve a good return on new premiums. For the defined benefit ITP plan, this may lead to an increase of premiums being required at some point.

With record-low interest rates, the difference in returns between financially strong and weak companies will probably increase. A good financial position gives Alecta freedom to act and resistance to handle future challenges on the financial markets. Altogether, the return expectations should nonetheless be reduced compared with the past three years.

Corporate culture a means of competition

Alecta often emphasizes how important low costs are for the pension. We work in a goal-oriented manner with efficiency enhancements with the vision of becoming the world's most efficient occupational pension company. We work systematically with constant improvement of the operating activities to improve matters for our customers and reduce the operating costs. In the past five years, Alecta's operating costs per insured have decreased by an average of 10 percent per year for both defined benefit and defined contribution pension insurance.

In an operation such as ours, sustainable efficiency gains build on wise strategic choices, suitable IT systems and the hunt of committed workers for improvements, small and large. By participating in international comparisons of pension managers, we obtain a benchmark and can identify new areas of improvement. We belong to the best quarter and have world class cost-efficiency, but we are not satisfied with this.

By specialising in collectively agreed occupational pensions distributed through selection centres and growing in our existing business, the cost per insured continues to drop. Other aspects to strengthen this trend include standardisation, automation, few products, self-service and, not least, cost awareness throughout the company.

Our employee surveys show that there is considerable commitment in terms of doing a good job for our customers. We avoid unnecessary micromanagement and instead give the employees the possibility to take responsibility themselves. We build our corporate culture on shared values as to where we are heading and what we stand for.

> "In the past five years, Alecta's operating costs per insured have decreased by an average of 10 percent per year for both defined benefit and defined contribution pension insurance.

This makes us more efficient, improves collaboration between departments and reduces the business' operating risks. In an industry where the products cannot be patented, a strong corporate culture is an even more hard-to-copy competitive advantage.

Alecta Optimal Pension – a success

Our defined contribution product, Alecta Optimal Pension, has become a success. By collecting the best characteristics from traditional pension insurance on one side (simple package solution for the customer, guarantee to get back premiums paid-in, low fees) and on the other side, fund-based pension savings products (higher proportion of shares, higher expected returns, a transparent way of distributing return), we created a new version of traditional insurance in 2007, a "modern traditional insurance". Today, we manage occupational pensions for more than 850 000 customers in Alecta Optimal Pension. We offer pension insurance with active management for a fee of just 0,10 percent and with a fee ceiling of SEK 900 per year regardless of the size of the capital. Here, the economies of scale go straight to our customers. The difference in fees to other products can on its own be a matter of thousands of SEK per year for an individual insured. In addition, at only 0,03 percent our investment management costs are markedly lower than most index funds on the market. This is a combination that is hard to beat.

In defined benefit insurance, the size of the pension is determined by the final salary and period of service. Here, Alecta's return over time is mainly of significance to how much the occupational pension will cost the employees. In Alecta Optimal Pension, the return we achieve net of fees affects how much pension capital our private customers have when they retire – and thereby how large their pension is. Alecta's successful management of the capital we have been entrusted with is therefore important to both the employer and the many people we insure. Despite the financial and debt crises along the way, Alecta Optimal Pension has exceeded our hopes and since the beginning in 2007 has provided an average real annual return of 6 percent.

Making a stake on security and self service

In recent years, Alecta has allocated several billion SEK to make room for a higher life expectancy among those we insure. We are prepared for future groups of pensioners living even longer by now applying generation-based life expectancy assumptions for all insured. For the insured,

security increases when adequate pension capital is allocated for their pensions far into the future.

During the year, Alecta launched several new self-service options. "Calculate and take out" gives those about to retire an opportunity to themselves see what significance various retirement and withdrawal times have for the amounts – and to make the decision to make withdrawals in an efficient and easy manner. We have also launched two services that help employers assess the cost impact on ITP2 of salary adjustments and new recruitment.

It is pleasing that the consumer perspective is increasingly receiving attention in the pension debate. This is particularly evident in the greater attention on fees and the matter of commission. The next important challenge for the industry is to prepare key ratios that make it easy to compare prices and performance between different products.

Alecta is a customer-owned company with the task of generating value for its customers. We work with something as essential as financial security during and after working life. We do not rest on our laurels and do not forget that trust is something that must constantly be earned.

Staffan Grefbäck
Chief Executive Officer

This is Alecta

Alecta is a mutual life insurance company. This means that we are owned by our customers. Alecta's assignment 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

A century ago, it was common for employees to lose all of their pension entitlement when they started a new job. But in Alecta, which was established as early as 1917, the occupational pension became untouchable. This means that the employee kept the right to his or her vested pension even when employment ended. This meant a lot to the employees' inclination to have the courage to change jobs and also helped companies attract personnel with the right expertise. The occupational pension we offered also meant a great deal to the individual's financial security at a time when the public welfare systems were still few and weak. Our history is a part of building a more modern and more secure Sweden.

It was under the name Sveriges Privatanställdas Pensionskassa that we were formed in 1917. After a merger with Pensionsanstalten Sverige in 1929, we changed name to Svenska Personal-Pensionskassan and it was under this name that we were given the assignment in 1960 to manage the private white-collar employees' collectively agreed occupational pensions (ITP).

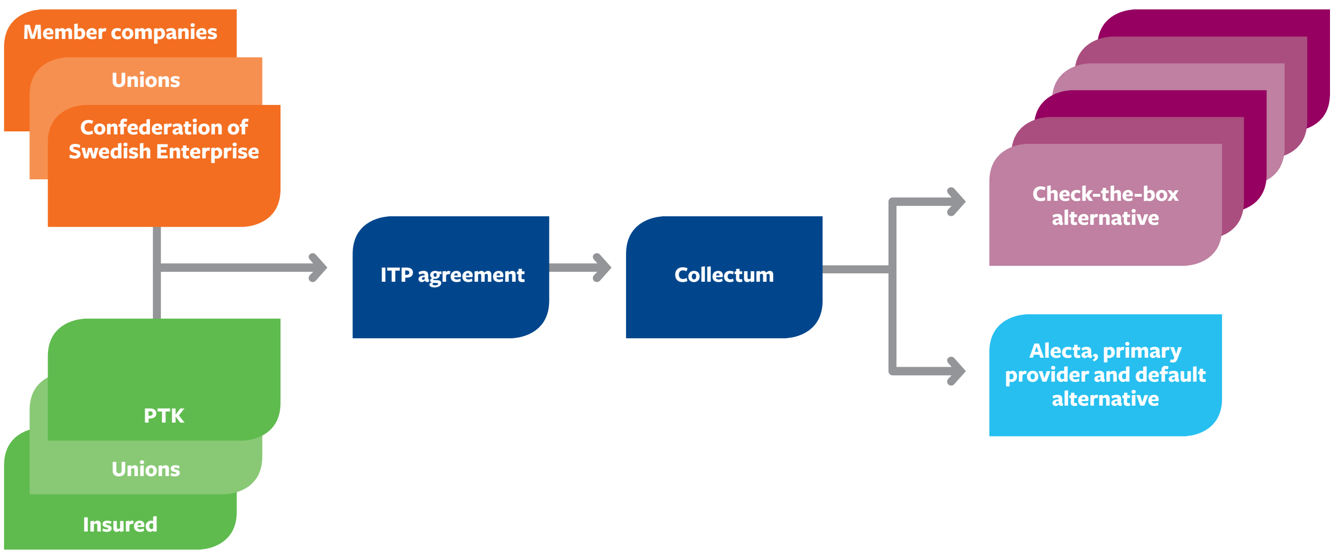
In 2000, we sold all operations not related to collectively agreed occupational pensions and the following year took the name Alecta.

A bit more than a half of a century after our first ITP assignment, Alecta is still entrusted as the main supplier in ITP. This assignment is one of the finest one can receive on the Swedish pension market. It is long term and we ensure capacity to pay pensions both to the insured and their survivors all the way into the next century. Sustainability and reliability have been our guides for almost 100 years.

ITP is our main focus

Even if Alecta today is a selectable alternative in several collective agreement areas, our main focus is and remains

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 assignment:
Our assignment 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.

ITP. This is a natural result of our many-year assignment of being the main supplier in ITP and of around 98 percent of our customers and owners being within ITP. A presence in other collective agreement areas presupposes that it creates a benefit for the ITP customers by more individuals being involved and sharing common costs. We can then put further downward pressure on our already low fees, which will benefit all customers. This presence also makes it possible for those who want to gather their occupational pension savings with Alecta.

ITP constitutes around one fourth of the Swedish occupational pension market. In 2014, the sum of paid-in ITP premiums amounted SEK 45 billion and of this, about half was to Alecta. 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.

Our assignment

Our assignment is essentially rather straightforward: we are to provide collectively agreed occupational pensions with as large a value as possible.

By working with sustainability integrated in our operations and creating value for our customers through low costs, good returns and good customer service, we fulfil our assignment. 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. By providing pensions upon disability, old age and death, Alecta plays an important role in the Swedish welfare model. Ultimately, it is a matter of contributing to people having the opportunity to live their entire lives.

In that we are owned by our 33 000 corporate clients and just over two million private customers, we can have full focus on customer benefit. All of our efforts aim to strengthen our customer offering, and all profits we generate go straight back to our customers. Being able to continuously develop the Company together with our customers makes us strong and keeps us on our toes.

Our vision

Our vision is ambitious: the world's most effective occupational pension company.

With more than two million customers and assets under management of SEK 680 billion, we can benefit from economies of scale that we can reasonably be expected to manage well. We therefore conduct benchmarking studies every year to ensure our efficiency and competitiveness. 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 already world-class.

A different kind of pension company

In many ways, Alecta is a different kind of pension company. We only work with collectively agreed occupational pensions, only offer traditional insurance and only distribute through selection centres. We do not sell funds, nor do we pay commission; we do not have a sales team or an expensive branch network. We perform investment management under our own direction and focus on a few carefully selected investment areas that we know well and provide good return opportunities at a reasonable risk and cost level. We avoid expensive middlemen and constantly strive for simplicity in everything we do.

Our specialisation, our cost awareness and our economies of scale provide significant efficiency gains. In Alecta, which is a mutual company, the entire profit also goes back to the customers in the form of lower pension costs for the companies and higher pensions for the employees.

Today, Alecta is one of the world's most efficient occupational pension companies and puts more pressure on prices than any other industry player.

Our goals

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

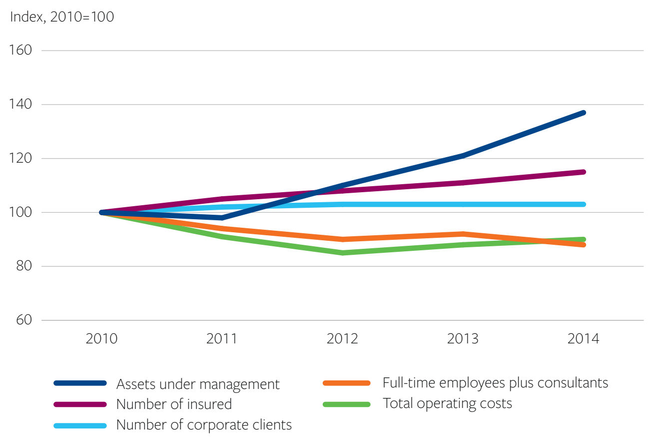
- **Secure and satisfied customers.** We want our customers to feel secure and satisfied and to have confidence in Alecta. At the same time, we know that interest in pensions is low and that many do not even know who manages their occupational pension. It is therefore extra important that the customers who contact us receive good service. We continuously measure this by letting our customers rate our service and customer care. In the Customer Satisfaction Index survey that we conducted for private individuals in 2014, we achieved our target of 7,8 on a scale of 10.

  It is also important that Alecta has a good reputation as a responsible actor in society. Alecta therefore conducts persistent and thorough opinion forming work. Through long-term thinking, consideration and expertise, we hope to make our customers feel secure with Alecta and to be confident in our role as a social actor.

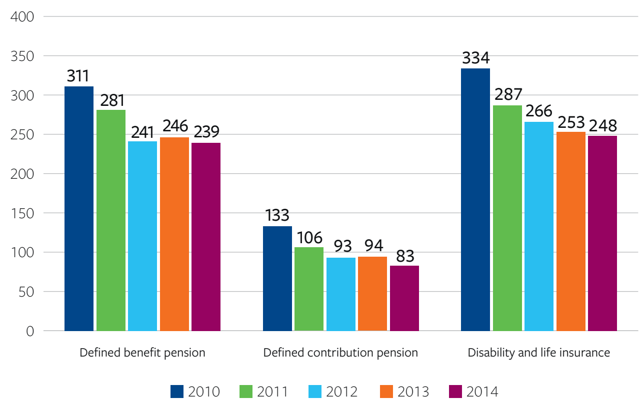
- **High cost-effectiveness.** By being strongly cost-aware and taking advantage of the possibilities that our focused operations and our economies of scale provide, we shall have the industry's lowest cost level. But we do not stop there. To be challenged in earnest, we also continuously measure ourselves against the very best in the world. By participating in an international benchmarking study through the company CEM Benchmarking (Cost Effectiveness Measurement), we have received confirmation that we are world class in terms of cost effectiveness.

- **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. 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 reference benchmark here is Morningstars Blandfond SEK aggressiv (mixed fund SEK aggressive).

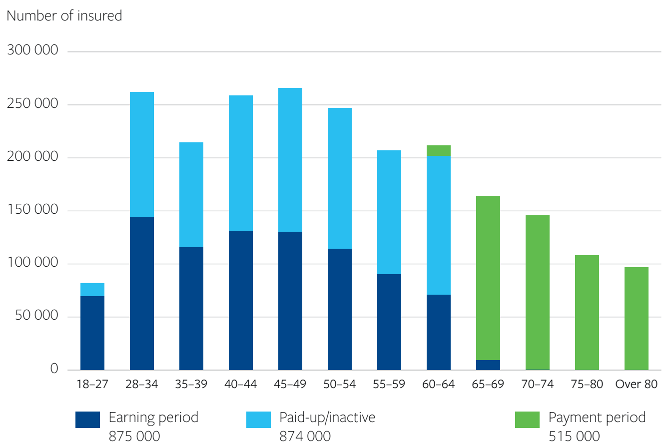
DEVELOPMENT OF IMPORTANT METRICS IN ALECTA



OPERATING EXPENSES PER INSURED



NUMBER OF INSURED PER AGE GROUP AND CATEGORY IN ALECTA



Our owners, our customers

Ever since Alecta was founded almost 100 years ago, our owners have been the most demanding a company can have: the customers. They are private customers who have pensions being earned, paid-up policies or pensions being disbursed, and corporate customers who pay premiums on behalf of their 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. They are not just passive recipients of our deliveries, but rather actively and dedicatedly safeguard the achievement of the intentions of the ITP agreement through their representatives in Alecta's Board of Directors.

Information on the Board of Directors' responsibilities and working methods can be found on page 98, and information on the Council of Administration can be found on page 99.

Our service to the customers

Many of our private customers are uncertain about what they can expect when they retire or fall ill or in the event of their death. Clear and accurate information about the occupational pension benefits is therefore important. Alecta contributes to this by disseminating information through, for example, letters, our website and telephone services, as well as by training employers and union representatives. Through the log-in parts of Alecta's website, the customer gains access to his or her individual amounts and insurance information. There is also a direct link to Minpension.se, which can provide many people an overview of their entire collective pension.

During the year, we developed the service *Calculate and take out* which enables our private customers to themselves calculate how much they will receive from their pension and also request that the pension begin to be paid out as calculated.

The majority of our corporate clients have employees within both the defined benefit and defined contribution ITP plans. On our website, there is information on both of the plans and a number of practical tools for budgeting, cost follow-up and calculation of salary tax information, to name a few. In order for the companies to be able to inform their employees about the occupational pension benefits, Alecta has prepared a number of good information tools. Our films, which explain in a matter of minutes what you need to know about your occupational pension, have been particularly appreciated.

In 2014, we answered approximately 172 600 queries from private customers, corporate clients and customer representatives via telephone, e-mail, and on our website. Over 650 000 people also visited our website and 240 000 logins were made on the site. Our website is becoming an increasingly important channel for the dialogue with our customers.

Alecta as a social actor

Alecta provides an important service to 33 000 employers and financial security to around two million people both during and after working life. We are one of Sweden's largest investment managers, have nearly a century of experience of managing occupational pensions and have been entrusted with an assignment that makes us a part of the Swedish welfare model. This makes Alecta an important social actor. Through active opinion forming work, Alecta wants to contribute to laws, rules and competition on the occupational pension market being based on what is really important for the customers. In the dialogue with politicians and decision-makers in government agencies and organisations, we share our extensive experience and work for strong, sound consumer protection. We are on the consumer's side in an industry that unfortunately often has other driving forces than customer benefit.

Alecta has prepared several reports to drive debate and opinion on issues that are important to the retirees of today and tomorrow. All of them are available for download via alecta.se.

Alecta means a lot to a lot of people

In 2014, Alecta paid out a total of SEK 18,8 billion to our private customers. This is the equivalent of a stack of SEK 100 notes that is almost twice as high as Mount Everest. The majority, SEK 15,9 billion, was paid out in the form of retirement pensions. ITP disability pension, a less known but important benefit paid out in the event of prolonged illness during working life, accounted for SEK 1,3 billion and SEK 1,5 billion was paid out in the form of compensation to survivors.

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 also contributes to benefiting both employers and employees through premium waiver insurance, which instead of the employers accounted for premium payments of SEK 0,9 billion during the year in the event of illness.

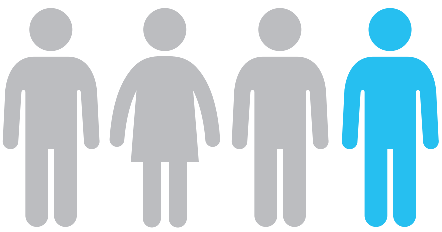
Indexation of pensions under disbursement, upward adjustment of earned pensions and reduced risk premiums meant that Alecta assigned refunds totalling approximately SEK 13,6 billion in 2014. Premium reductions to companies accounted for SEK 2,4 billion of the refund.

BENEFITS PAID TO CUSTOMERS DURING 2014[1]

Retirement pension	
Number of insured	Benefits paid in SEK
490 000	15 927 000 000
Survivors cover	
Number of insured	Benefits paid in SEK
55 000	1 527 000 000
Disability compensation	
Number of insured	Benefits paid in SEK
37 000	1 314 000 000

1) Amounts include paid refund

One out of four retirees receives pension from Alecta



When and how our customers take out their pension

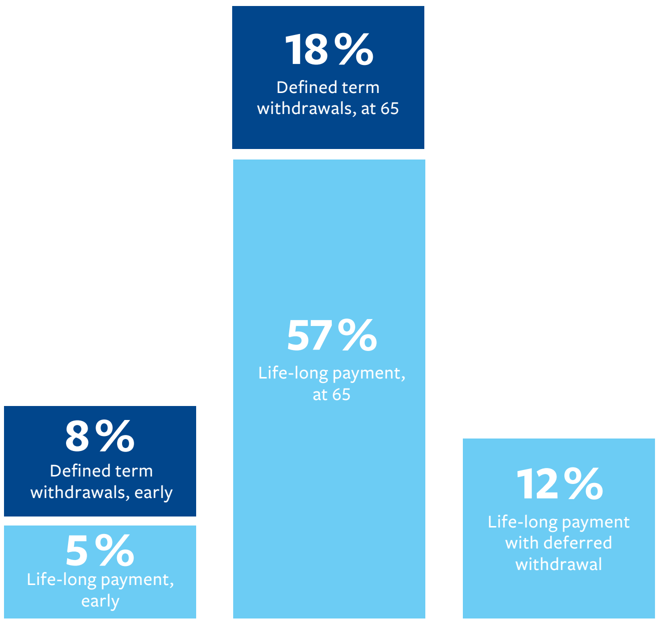
Pension savings is about saving, investing, protecting and taking out money. A great deal of attention has been paid to finding the best ways to ensure the growth of pension capital. But the question of how we take out our pension is just as interesting. Especially since we have seen major changes in recent years in how our customers choose to take out their pension.

During the year, 35 000 of Alecta's customers retired. The time of retirement is no longer the month one turns 65 as a matter of course. We see growing numbers of people postponing their pension withdrawal and today, more than one out of ten ITP retirees do so. At the same time, there are a negligible number who retire before the age of 60; just a hundred out of 35 000 in total in 2014. Many of the ITP retirees also continue to work in parallel with the commencement of withdrawals. Some cut back their working hours, but are still on the labour market. In addition, some begin disbursements from the national pension and the occupational pension at different times. It is also common to receive occupational pension from several different pension companies. The conclusion is that what it means to retire is no longer a given.

Every month, 3 000 people begin taking out pension from Alecta and PRI[2]. It was long the case that the defined

2) Alecta administers commitments secured in the PRI model on behalf of PRI.

WHEN AND HOW OUR CUSTOMERS TAKE OUT THEIR PENSION



Ordinary retirement age at 65 is defined as the month the person turns 65 +/– three months.

benefit ITP pension could only be taken out with life-long payment, and this is still the default unless a personal choice is made. But since 2008, it is possible to determine the dates of one's withdrawals. For some, life-long payment works well, but growing numbers choose how they want to take out their pension. Many with a limited pension capital take out the pension in a shorter period of time, like five years. It is also becoming more common to choose other payment periods, such as 10 or 15 years. Today, 29 percent (27) choose a payment period other than life-long payment.

The occupational pension is flexible today and growing numbers utilise the possibility of adapting the time of retirement and payment period to what fits their particular needs. The norm of a life-long pension from the age of 65 is slowly but surely vanishing. Today, only 57 percent (56) of the new retirees choose to retire at 65 with life-long withdrawals.

Alecta's organisation and employees

Alecta's organisation combines a strong customer focus with specialist expertise in various areas. The largest departments comprise the core of Alecta's operations. Those who primarily meet our customers and their insurance are Customer Communication and Customer Administration with support from IT, while the task of Investment Management is to manage the customer's capital. Other departments support the operations with specialist expertise in their respective areas.

Besides these departments, Alecta has control and audit functions. The Risk Unit, which consists of the independent control functions of Compliance, Information Security and Risk Control, controls and reports on Alecta's overall risks and supports the operations in working with risk. Internal Audit audits and evaluates Alecta's operations on behalf of the Board of Directors.

Our employees

In Alecta, we make sure that our employees have the right competency and a good working environment. By competency, we mean the desire and ability to perform the tasks we are faced with now and in the future. Employees in Alecta have extensive knowledge and experience in the occupational pension area, which we strive to develop and manage. We view internal mobility as a given way of keeping and developing our employees. Equality and diversity are integrated in all human resource processes and in our values.

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 pensions market (premium pension, occupational pension and private pension savings) amounted to approximately SEK 280 billion (267) in premiums in 2014. 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 billion (174) in premiums. Nearly four fifths 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.

The remaining one fifth of the occupational pensions market is secured through means other than through life insurance. This portion amounted to approximately SEK 37 billion (40) 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 own management.

ITP constitutes 26 percent of the occupational pensions market, corresponding to SEK 45 billion in premiums paid. Alecta is the primary provider within ITP, and our share of premiums paid within ITP was 54 percent in 2014.

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. In 2014, ITP accounted for 98 percent of the premiums paid in to Alecta and nearly 100 percent of the assets under management.

Of the total of SEK 25 billion paid to Alecta, SEK 24 billion comprised of premiums for savings insurance policies and SEK 1 billion for risk insurance policies. Besides the premiums paid, the total premiums written of approximately SEK 36 billion also include premium reductions, adjustments of paid-up values and transferred insurance capital totalling SEK 11 billion.

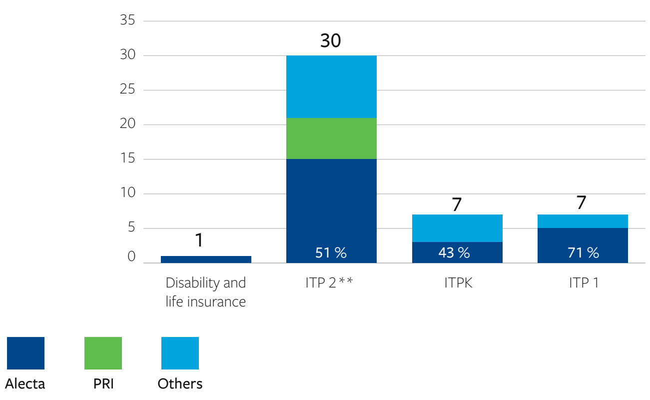
Of the premiums for savings insurance policies, approximately 64 percent (70) referred to the defined benefit retirement and family pension in ITP 2, while the defined contribution product, Alecta Optimal Pension, accounted for 36 percent (30) of total savings premiums paid to Alecta, primarily within 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 860 000 (840 000) salaried employees in the private sector who are able to choose which company administers their pension premiums and for whom premiums are paid. Premiums amounted to SEK 13,7 billion (11,9) in 2014. Whilst ITPK is decreasing with each retiring generation, ITP 1 is growing through younger generations. In 2014, ITP 1 had an average of 263 000 insured (232 000) and a premium volume of approximately SEK 7,3 billion (6,0). Within ITPK, an average of 577 000 insured (600 000) accounted for a premium volume of SEK 6,4 billion (5,9).

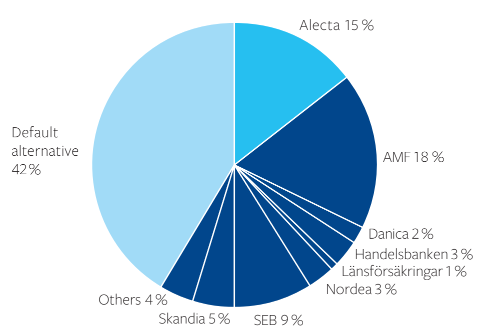
Alecta is the default alternative within the ITP check-the-box sub-market. In 2014, the share of those insured who did not actively choose the company administering their pension premiums amounted to an average of 42 percent (38) of the insured and this group's share of premium volume was 42 percent (39). Alecta's share of the check-the-box market for ITP was, on average, 57 percent (51), which also includes premiums from those who have actively chosen Alecta. Alecta's share of assets under management amounted to 35 percent.

ITP MARKET 2014, VOLUME OF PREMIUMS 45 BILLION*



*Including single premiums ** Excluding ITPK

ITP CHECK-THE-BOX SUB-MARKET 2014, SHARE OF PREMIUMS



Source: Collectum's monthly statistics

A well-functioning right of transfer

For a number of years, salaried employees in the private sector have been able to make use of a functioning transfer market within ITP check-the-box. The transfer process is simple, managed through the selection centre, Collectum, and transfer fees are either very low or zero. The transfer fee from Alecta Optimal Pension is zero. Within other parts of the pension market, transfers can be prohibited or take place at terms that make it uneconomical to transfer.

During 2014, ITP insurance policies with a total value of SEK 2,7 billion (3,8) were transferred. This implies that nearly 2 percent of the ITP capital eligible for transfer was moved to be administered by another manager during 2014. The transfers within ITP constitute approximately one sixth of the total of SEK 17 billion which was transferred within the occupational pension sector.

The transfer flows are rarely due to the customers themselves wanting to move their capital, but rather to banks, insurance company salespeople, insurance brokers and other insurance distributors getting the customers to move their money. This means that compensation and sales commissions to the distributors play a major role for the direction of the transfers. However, Alecta, which does not pay any kind of commissions to brokers or other middlemen, had a positive net of SEK 133 million from the capital transfers to and from Alecta Optimal Pension. In addition, customers transferred paid-up policies from the original ITPK in an amount of SEK 283 million, of which SEK 46 million was transferred to Alecta Optimal Pension.

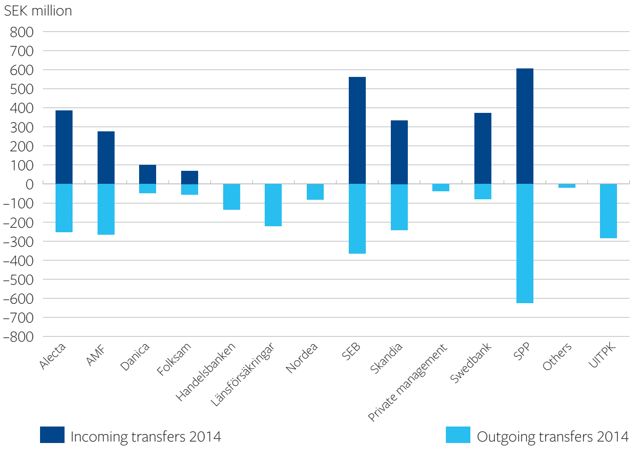
The market for ten-times base amount earners

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.

Since ITP 2 only covers insured born before 1979, the number of insured will decrease as new generations are instead covered by ITP 1. How the number of individuals earning at least ten times the income base amount will develop also depends on salary developments for such earners. In December 2014, the number of such earners increased to nearly 129 000 people, from 124 000 in December 2013. The increase is mainly attributable to the modest increase in the income base amount in January 2014, which contributed to more people with around ten times this amount ending up over the limit. The proportion that had chosen a pension solution other than defined benefit ITP 2 was 46 percent (50) in December. During the year, around 3 400 new such earners (2 800) chose to leave ITP 2. In recent years, making this kind of decision has been questioned and even forbidden in certain companies. It has also become increasingly common for these earners who previously chose a different pension solution to now instead choose to transfer the pension premiums as a reinforcement of their ITPK or choose to go over to ITP 1 entirely. They can thereby benefit from the low fees in the offering that Collectum has negotiated.

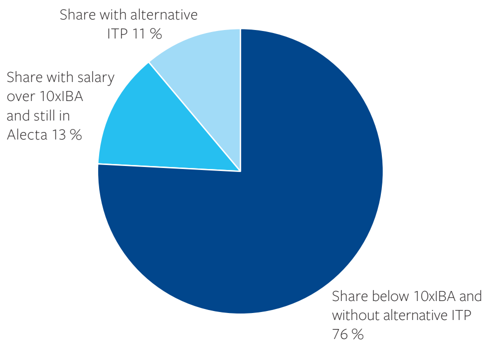
TRANSFERRED INSURANCE CAPITAL WITHIN ITP 2014: SEK 2 705 billion

Source: Collectum's monthly statistics



PROPORTION OF 10XIBA EARNERS AND THEIR SELECTIONS 2014

IBA=Income Base Amount



Source: Alecta, active customers in ITP 2

Sustainability is integral to our business

Sustainability has been of central importance to us for almost 100 years. Alecta was established because a system was needed that secured the period after working life for employees. Working with occupational pensions represents a long-term responsibility to create security both in the present day and for decades in the future.

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. Our sustainability work is based on our vision, our assignment and our core values and we work with sustainability as a natural part of our operations.

For us, sustainability means taking both current and future generations into consideration.

Our assignment

We are to provide collectively agreed occupational pensions with as large value as possible for both our corporate clients and our private customers.

Vision

The world's most efficient occupational pension company.

Sustainability

ECONOMIC
Alecta takes a long-term responsibility that is about creating security both now and several decades into the future for our customers, clients and employees. We do so by efficiently managing our customer's money and offering low fees, good returns and a stable financial position.

SOCIAL
Alecta contributes to creating a sound market with stronger consumer protection and good products, where the consumers have more knowledge about pensions. How we work is of significance to our customers and society in general.

ENVIRONMENTAL
Alecta strives to make our environmental impact as low as possible. We take our responsibility for the environment by managing nature's resources.

Alecta's contribution as the primary provider of ITP occupational pensions is a very important piece of the puzzle in the creation of financial and social security for two million employees and retirees.

A natural part of our assignment

Alecta's assignment from the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Council for Negotiation and Co-operation (PTK) is to provide collectively agreed occupational pensions as much value as possible for our customers, both companies and employees. Economic, social and environmental sustainability is therefore a natural part of the assignment.

We believe that efficiency, the core of our vision, is a prerequisite and a success factor for creating sustainable development. A sustainable society is based on the efficient use of resources. We strive for the efficient management of society's and nature's resources, our customer's money and our employees.

Regardless of whether someone has chosen a pension manager or not, he or she has the right to feel secure in the knowledge that the money is invested sustainably. We believe that sustainability and growth can go hand in hand.

Some progress in 2014

Alecta:

- Invested in green bonds.
- Procured services for our Swedish properties that resulted in us only purchasing environmental electricity as of January 2015.
- Acquired a property in Stockholm marked with LEED Platinum, the highest environmental classification of a building.
- Developed the corporate culture through investments in active employee involvement.
- Increased expertise with, for example, the ITP-Academy.
- Enabled our customers to refuse paper correspondence.
- Reduced management costs to a historically low 0,07 percent for pension products.
- Started a pilot educational programme on pensions for students in human resources in cooperation with three universities and the network "Gilla din ekonomi".

Stakeholder groups and the dialogue with stakeholders

CUSTOMERS
Alecta is a mutual company, which means that our two million plus private customers and 33 000 corporate clients are also our owners. We have continuous contact with the customers through our customer service, courses, networks, website, social media and customer surveys.
Our corporate clients and our private customers are represented occasionally by agents who give the customers advice in pension matters.
We conduct a continuous dialogue with the agents through personal meetings and courses, among others.

SOCIETY
Alecta plays an important role in Swedish society. We conduct a continuous dialogue with regulating authorities on specific issues and with politicians and opinion leaders. We also cooperate with universities to increase knowledge about pensions.

CLIENTS
Alecta's assignment comes from the customers via the collective agreement parties, the Confederation of Swedish Enterprise and PTK. Our Council of Administration is 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, which is comparable to a general meeting of shareholders, meets once a year and appoints our Board of Directors.

EMPLOYEES
Alecta wants to be a long-term and responsible employer for its 400 employees. The dialogue with employees takes place daily and through development and follow-up talks and training programmes. The employees also annually provide their views of what it is like to work at Alecta in an employee survey. A close dialogue is also held with the local union organisations at Alecta.

SUPPLIERS AND PARTNERS
Alecta's suppliers mainly consist of selection centres and service providers in IT, property management and investment management. We have a continuous dialogue to ensure that the requirements we set are met.

Our private customers with defined contribution pensions should feel that they get a good pension at a low fee at the same time that the pension money grows in long-term sustainable investments. As the default provider, we have a responsibility here that makes a difference for many people.

Materiality analysis

In 2014–2015, Alecta will gradually phase in a sustainability report in accordance with the Global Reporting Initiative's (GRI) G4. In 2014, the materiality analysis in our report is based mainly on dialogue with internal stakeholders and our own market analysis. In 2015, the ambition is to develop the stakeholder dialogue with additional issues concerning sustainability and also involve external stakeholders.

Work was conducted in 2014 to identify and prioritise material aspects, based on GRI's process for defining the content of the sustainability report. Members of management, Alecta's sustainability group and representatives for Investment Management, HR, Purchasing, Risk and union representatives participated in this work.

The materiality aspects identified in the work that form the basis of our sustainability reporting are presented below.

Stakeholders and stakeholder dialogue

Having a regular and open dialogue with our stakeholders helps us develop our operations in a responsible and reliable manner. The stakeholder dialogues provide important information on what Alecta's material sustainability issues are. In 2014, the development of the stakeholder dialogue commenced to also comprise external stakeholders in 2015.

SUSTAINABLE CUSTOMER RELATIONSHIPS
– Good pension at a low cost
– High customer integrity
– Satisfied customers

SOCIETY AND ENVIRONMENT
– Economic value for many
– A sound market for occupational pensions through knowledge
– Good rule compliance
– Sustainable supply chain
– Sustainable property owner

RESPONSIBLE INVESTMENTS
– Active ownership
– Active portfolio management

LONG-TERM EMPLOYER
– Competence development
– Strong corporate culture
– Health and well-being
– Diversity and equality

Sustainable customer relationships

We are a mutual company, which implies that we are owned by our customers and our responsibility is to safeguard their interests in the best possible manner. Our customers include both the companies paying pension premiums and the employees covered by the pension benefits.

Working with pensions is a long-term commitment. Managing pensions is about relationships with private customers lasting up to 60 years. Our responsibility is to ensure that the money grows and to do so in a responsible manner so that the money is there in the future. Solvency measures a company's financial strength and is a measurement of how adequate the company's assets are in being able to pay out the guaranteed pension amounts. At the end of 2014, Alecta's solvency level was 159 percent, which is well over the statutory requirement of 104 percent for traditional insurance.

Alecta's task is to provide collectively agreed occupational pensions with as large value as possible for both our corporate clients and our 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.

Good pension at a low cost

Alecta is a different kind of pension company since we only work with collectively agreed occupational pensions. Therefore, 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. To be able to offer low fees, we continuously work to lower our management expenses and to keep them down. Our management expenses are now down to a historically low 0,07 percent for pension products, which places us among the lowest in the industry even in a global comparison. Our efficiency in managing risk insurance and defined benefit pensions is a significant factor for companies' pension costs.

Well-managed and competitive investment management further strengthens this offering.

Satisfied customers

Alecta works systematically to increase understanding of how our customers perceive us and what needs they have and therefore conducts regular customer surveys.

We conduct two Customer Satisfaction Index (NKI) surveys every year where our private customers rate Alecta's service in three customer channels: phone, e-mail and logged in pages on Alecta's website. The survey showed improvements in 2014. The result of the NKI survey for 2014 was a score of 7,8 (7,7) out of 10, which is also our target.

In 2014, we expanded the NKI survey to also cover our corporate clients. The result of 8,1 shows that the corporate clients are very satisfied with our service.

The results of the NKI surveys are analysed to identify areas for improvement.

Alecta is also a part of Swedish Quality Index's annual customer satisfaction survey among corporate clients. The results show that Alecta is making progress here as well. With a result of 73,6 percent satisfied customers, we improved by 2,4 percentage points. This places us on an honourable second place in the industry.

High customer integrity

Alecta handles large amounts of sensitive personal data and other customer data daily. We do our utmost to protect our customer's personal details in every situation. Among other efforts, we work with training of our employees to ensure competency regarding the Personal Data Act, data storage and secrecy. Alecta has a Personal Data Act representative who is appointed by the CEO and reports to the head of the Risk Unit. The Personal Data Act representative is the contact person towards the Swedish Data Inspection Board and is responsible for helping the operations interpret and apply current rules on the handling of personal data. Alecta's CEO also appoints two Personal Data Act coordinators who assist the representative.

Responsible investments

Alecta's work with investments affects all of our customers, more than 2 million private customers and 33 000 corporate clients, as well as society as a whole. With an investment capital of SEK 680 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.

The basis for Alecta's sustainability work in the investment operations is the owner policy and the ethics policy. We invest in companies that safeguard their business opportunities and observe environmental and social aspects to reduce risks and expenses. A condition for long-term value creation is striving for a balance between economic, environmental and social values so that we as owners and investors can obtain a good long-term return.

Our investment strategy

Our aim is to be a responsible investor in matters relating to corporate governance and sustainability. Alecta's 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 ethics policy is based 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 a portfolio that only includes companies following international conventions which Sweden, as a state, has joined. This is a goal that we achieve.

In order to ensure a sustainable investment strategy, Alecta's invests in 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. 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. This is done on a running basis and with in-depth analysis twice a year. The review can result in comments, and a comment always leads us to contact the company in question for a dialogue with the aim of getting the company's view of the issue and finding out what potential steps the company intends to take. 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 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.

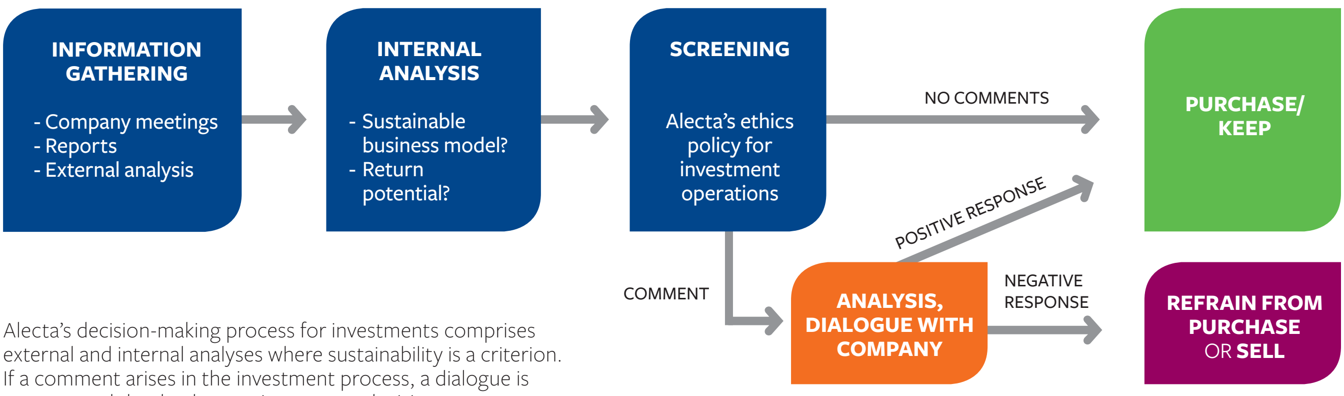
In 2014, reviews resulted in questions on alleged irregularities or ambiguities being posed to one company, Stora Enso. This dialogue has been constructive and is presented on alecta.se.

Active portfolio management

To be able to keep a low management cost without middlemen, we conduct management under our own direction. We invest in shares, interest-bearing securities and properties. Our investments are made in Europe and the U.S. In 2014, we also invested in so-called green bonds where the capital is used for various environmental projects.

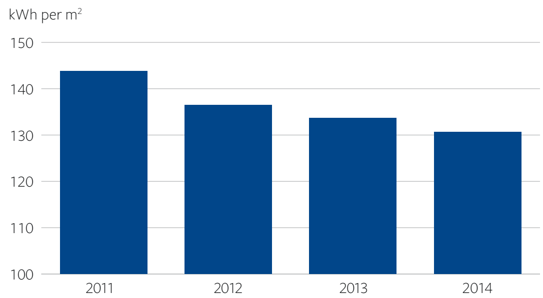
Through active management with a well-conceived risk diversification, the possibility of high returns increases. The portfolio composition is presented on page 28 and alecta.se.

ALECTA'S DECISION-MAKING PROCESS FOR INVESTMENTS



Alecta's decision-making process for investments comprises external and internal analyses where sustainability is a criterion. If a comment arises in the investment process, a dialogue is commenced that leads to an investment decision.

ENERGY CONSUMPTION, ALECTA'S SWEDISH PROPERTY PORTFOLIO



Consumption of kWh per m² (leased area) in Alecta's Swedish property portfolio. The consumption figure for 2014 includes two new acquisitions comprising 20 600 m² of office space.

In 2014, Alecta acquired the property Välmågan 8, which is LEED Platinum and Green Building certified. The building is located in the Kungsholmen district of Stockholm.

Society and environment

As one of Sweden's largest pension companies, we play an important role in society. Having as many customers as Alecta does implies that the customer benefit we create will also result in significant benefits to society. But we have an influence on significantly more people than those who have chosen to be our customers.

Economic value for many

Our operations create economic value that is important for many people. We pay out several billion Swedish kronor to our customers when they retire, fall ill or lose a loved one. But we also pay out compensation to suppliers and partners, taxes and fees to the state and salaries and pensions to employees.

A sound market for occupational pensions through knowledge

The market for occupational pensions is basically far from perfect. Few other markets are characterised by such a strong knowledge advantage for the seller compared to the buyer or consumer. Alecta works to address the consumers' disadvantage on the market through various forms of information and knowledge transfer.

Alecta's Pension Economist plays vital role as a spokesperson and opinion leader in consumer issues. Alecta meets with politicians and opinion leaders on a regular basis, participates in the politician week in Almedalen and has contact with the media, with the ultimate goal of opinion building in favour 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. An example of something that comes from this cooperation is the Pension Knowledge project. Under the guidance of our Pension Economist, we are starting a pilot training programme about pensions together with Gilla Din Ekonomi and Dalarna University, University of Skövde and Kristianstad University that will be a part of the universities' human resources programme. So far, there has been almost no training in pensions at the human resource and economics programmes at universities.

We also produce and publish several reports every year that illustrate important aspects from a consumer perspective. For several years, the message of the importance of low fees has been of central importance in several of Alecta's reports. Another line that Alecta has driven recently is how an early start in working life affects the pension.

Environmental impact

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. 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. As a service company, the direct impact we have on the environment is low when compared to the indirect impact we exercise as owners.

Sustainable property owner

Alecta is a significant property owner in Sweden and 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

LEED is the environmental certification system for buildings that is the most widespread in the world. In LEED, a number of factors are assessed, such as local environment, water and energy consumption and materials. LEED comprises the levels Certified, Silver, Gold and Platinum as the highest level.

Certified according to **GREEN BUILDING** means that the building must use 25 percent less energy than before or compared with the new building requirements in the building rules of the national board of housing, building and planning.

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 3 percent every year. In 2014, energy consumption was reduced by 4,6 percent compared with 2013, which means that our goal was exceeded. Alecta owns seven Green Building certified properties. In addition to these, Alecta owns one property that is LEED Platinum certified – the highest certification level (see fact box LEED above).

Another three properties applied in 2014 for certification with the Green Building Council and they are expected to be approved in 2015.

We carried out a procurement of environmental electricity in 2014. As of 2015, all of Alecta's directly owned Swedish properties, including Alecta's head office, consume electricity that is solely produced on the basis of renewable energy sources.

Sustainable supply chain

One of Alecta's largest cost items is the purchases of goods and services. Alecta's purchasing policy aims to achieve high cost efficiency at the same time that good business ethics are ensured. An evaluation is made every year of our 150 largest suppliers where we follow up that they pay taxes and fees. In 2015, we will continue to improve our supply chain from a sustainability perspective.

Every year, we buy goods and services from around 700 suppliers for nearly SEK 600 million. The suppliers mainly consist of selection centres and service providers in IT, property management and investment management and are primarily based in Sweden. The three largest suppliers account for 57 percent of the purchasing volume in 2014.

Good rule compliance

Alecta works in a strictly regulated industry and is thereby governed by a number of different rules. Alecta following applicable rules is of the utmost importance for our customers to feel secure.

External rules are primarily Swedish legislation and EU regulations that Alecta is covered by and the Swedish Financial Supervisory Authority regulations and general guidelines. External rules also refer to collective agreements and applicable sections of industry recommendations.

External rules often place requirements on Alecta also having internal rules. Insofar as possible, Alecta applies governance by rules with restraint, however, to instead let the business plan, goals, routines, shared values, good judgement and common sense govern the operations. The internal rules that Alecta has shall be appropriate.

All of Alecta's employees have a responsibility to comply with external and internal rules. The independent control function Compliance contributes to ensuring that Alecta follows the external and internal rules that regulate the operations subject to permits that fall under the Swedish Financial Supervisory Authority's supervision. In 2014, focus has been on risks associated with monitoring, analysis and implementation of new EU regulations, outsourcing and handling of conflicts of interest.

Rule compliance in other areas, such as labour law, accounting or taxation, is handled by other units in the organisation. Even specific roles such as the Personal Data Act Representative and Complaints Manager have certain responsibilities for monitoring the operations' rule compliance.

No serious deficiencies in rule compliance were discovered in 2014.

Long-term employer

Competence development

We have been occupational pension specialists for nearly 100 years. This means that we have extensive accumulated expertise in the field. Working at Alecta means constantly developing in pace with changes that concern occupational pensions. We therefore invest a great deal on competence development and on building a strong corporate culture. A company that has an engaging and motivating culture and sustainably succeeds in recruiting, retaining and further developing competent employees is hard to beat.

It is a matter of ensuring a high level of expertise in the roughly 50 professional roles that exist in Alecta. This is particularly true in the strategic competency areas of insurance, finance, actuary and IT. Examples of activities are the investment in establishing and carrying out the training course ITP-Academy. Six employees were given the opportunity to deepen their expertise in ITP in both theory and practice over 1,5 years. The first group concluded the programme at the end of 2014 and another five employees will begin in 2015. We also devoted considerable resources to other training during the year. Some 20 courses were held in the autumn, preferably with internal teachers. To ensure quality and create conditions for uniformity in the area of training, we have prepared a common educational platform that all internal teachers are continuously trained in. Beginning in 2015, we will measure time devoted to competence development and we will continue to evaluate the competency activities we conduct.

Strong corporate culture

Alecta has a strong and vibrant corporate culture that we constantly develop in pace with our focus, our goals and our vision. In 2014, we focused on active employee involvement. In their work groups, all employees conducted a dialogue on how one should act as an employee in Alecta. Among other aspects, it involved handling change, feedback, goals and values, working in teams, planning, prioritising and handling stress.

Health and well-being

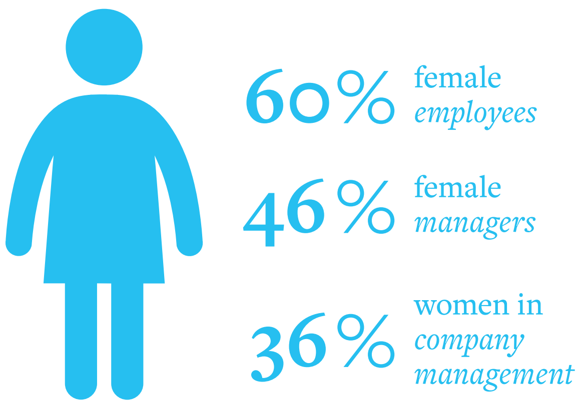
Another condition for development is health and well-being at the workplace. The physical working environment is carefully monitored with the help of work environment rounds and follow-up of sickness absence, which has now dropped to a level just over 3 percent. In the employee survey conducted in autumn 2014, 95 percent of the employees participated. The results show that the employees get along well at work and that they thrive at Alecta.

Our wish that our employees are in good health and have the energy and desire to work until ordinary retirement age has led us to introduce the possibility of working 80 percent for 90 percent of the salary and 100 percent of payments into the occupational pension beginning at age 61. Thus far, ten employees have chosen to set up their work this way. An evaluation of the effort will be conducted in 2015.

The average age among Alecta's employees is 47. This means that we have a long professional experience, but also that we must invest in becoming attractive to young people. A special programme, Young Alecta, has been developed to make Alecta a more attractive workplace for young people.

EMPLOYEE STATISTICS	Group
Number of employees on 31 December 2014	406
of which in Sweden	*391*
of which abroad	*15*
Average age of all employees	47
Proportion of female employees	60 %
Proportion of female managers	46 %
Proportion of women in company management	36 %
Employee turnover [1]	4,8 %
Absence due to illness [1]	3,1 %
Proportion of employees covered by collective agreement [1]	100 %

[1] Refers to the Parent Company



Diversity and equality

Alecta's working environment should be characterised of equality, mutual respect and trust. Utilising the expertise and experience of every employee, both men and women, is a success factor for Alecta.

We do not want to be homogeneous. Alecta considers that groups that consist of people with varying experience and perspectives are more effective and dynamic than groups that consist of individuals who are too alike.

Alecta should be a workplace where discrimination, harassment, bullying or other offensive treatment does not occur. All employees and managers have a responsibility to work for a workplace free from this.

The work on equal rights and opportunities is continuously under way and is included in the responsibility of every manager. The work of promoting equality and diversity will be further prioritised in 2015.

Governance

Alecta has an ethics policy that was established by the Board of Directors and applies to 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.

The CEO of Alecta appoints the Alecta Council and a special sustainability group, which has been active since 2013. The Alecta Council has an advisory role in issues concerning corporate culture, shared values and ethics. The Alecta Council also functions as Alecta's equality committee and also had a decision-making role there.

Continuous development of sustainability

Our desire to continuously improve our sustainability efforts is just as strong as our desire to continuously improve our operations in general. The area of sustainability is extensive and we are humbled by the task. In 2015, the ambition is to continue to develop our sustainability work by increasing the internal awareness of sustainability, improving the information of our sustainability work and continuing the adaptation to reporting according to GRI G4.

Administration Report

The Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt, hereby present the Annual Report for 2014, the Company's 98th 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 carried out by external suppliers under assignment contracts.

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 retirement pension 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 model. On behalf of PRI Pensionsgaranti, Alecta administers commitments secured in the PRI system with the same service and quality as if insurance had been taken out for the employees.

Alecta Optimal Pension 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 PA03, and in PA-KFS for officials in municipally-owned companies and in the insurance industry's FTP.

Alecta also offers occupational group life insurance (TGL).

Employees

In 2014, the number of employees in the Alecta Group averaged 415 (421), which corresponds to 395 full-time employees (403[1)]).

At the end of 2014, the total number of employees in the Group was 406 (424), of whom 367 (383) were employed in the Parent Company. The proportion of female employees was 60 percent (60) and the average age of all personnel was 47 (47).

Information regarding the average number of employees, salaries and other remuneration is provided in Note 53 on pages 86-90. 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

Redemption of Skanska's ITP 1 under own management

During the year, Skanska chose to replace the commitment for ITP 1 that it had under its own management with insurance in Alecta.

The redemption total amounted to just over SEK 400 million and pertained to approximately 1 100 insured. The fact that Skanska chose Alecta of all of the procured companies is a good rating and trust to manage well.

Refunds 2014

In 2014, refunds were provided in the form of upwards adjustment of pensions in payment, increase of earned pension rights and premium reductions. Earned pension rights were adjusted up by 3,43 percent on 1 January 2014, which corresponded to the change in the consumer price index (CPI) since the last adjustment was made on 1 January 2011.

Premium reduction for risk insurance policies was provided in 2014 as 75 percent for disability and premium waiver insurance and 50 percent for family cover.

Unchanged pensions next year despite lower CPI

Alecta's Board of Directors has decided to keep defined

1) *The comparative number for previous year has been adjusted.*

benefit pensions under payment unchanged in 2015 even though the consumer price index dropped in the past year.

The Board of Directors also decided that the premium reduction of 75 percent for disability and premium waiver insurance will be kept and that the premium reduction for family cover will be increased from 50 to 75 percent in 2015. Despite higher morbidity, this means that the companies' costs for risk insurance policies will be virtually unchanged in 2015.

New external auditors

In autumn 2013, Alecta conducted a procurement of external auditors and on 10 April 2014, Alecta's Council of Administration decided to appoint EY as new external auditors as of the 2014 financial year.

Occupational Pension Company Commission report and Solvency II

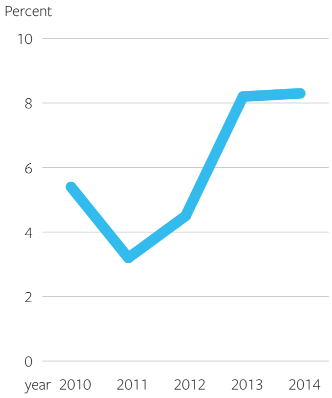
Several important puzzle pieces in the Solvency II regulations fell into place during the year. In March, the EU was finally able to agree on the important change directive Omnibus II after prolonged negotiations in the so-called trialogue between the three most important EU institutions, the Council of Ministers, the European Commission and the European Parliament. In Sweden, the Occupational Pension Company Commission, which had been working since 2013 to draft new Swedish rules for occupational pension operations, was given the supplemental task of preparing a proposal of how Omnibus II should be implemented in Sweden. On 27 August, the investigator Tord Gransbo submitted his reports to the Minister for Finance at the time, Peter Norman (SOU 2014:56 Interim Report "Implementation of the Omnibus II directive" and SOU 2014:57 Final Report "A new regulation for occupational pension companies"). During the period September–November 2014, the draft of the proposal on the implementation of Solvency II that essentially built on proposals in the interim report SOU 2014:56 was referred to the Council on Legislation for consideration.

Of greatest significance to Alecta is the proposed transitional provision that says that insurance companies that conduct occupational pension operations shall not begin to apply Solvency II when it enters into effect on 1 January 2016, but rather not until 1 January 2020. Until then, the insurance undertaking and solvency rules currently applicable will continue to apply. If this proposal remains when the Swedish Parliament adopts the new statutory requirements in 2015, it means that Solvency II will enter into effect for Alecta in 2020.

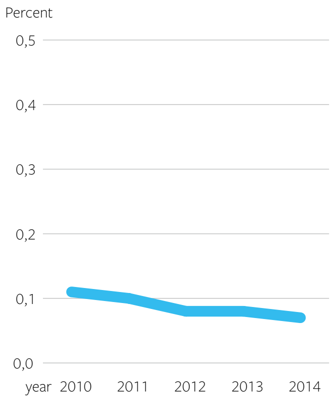
Despite the proposed transitional rules, the European supervising authority EIOPA's temporary guidelines from 2013 on preparations for Solvency II will continue to apply without modifications. The purpose of the temporary guidelines is to support both national regulatory agencies and insurance companies in preparing for Solvency II.

In Sweden, it is the Swedish Financial Supervisory Authority that decides how the insurance companies should apply these guidelines in their Solvency II preparations. Before the Swedish transitional regulations have been established in law, the Swedish Financial Supervisory Authority did not feel able to give the approval to insurance companies that only conduct occupational pension operations to entirely discontinue preparations according to EIOPA's temporary guidelines.

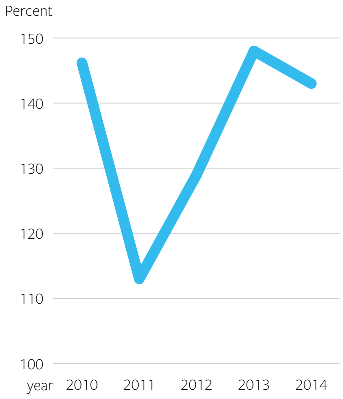
TOTAL RETURNS,
5 year average



MANAGEMENT EXPENSE RATIO
for pension products, excluding selection centre costs



COLLECTIVE FUNDING RATIO,
Defined benefit insurance



SOU 2014:57, A new regulation for occupational pension companies

The sections of the final report most important to Alecta are the proposal to introduce an entirely new occupational pension undertaking act with the possibility establishing occupational pension limited liability companies, mutual occupational pension insurance companies and occupation pension insurance associations. Other points that are very important to Alecta include the proposal that insurance companies who only undertake occupational pension operations up until 31 December 2017, are to be given the opportunity to apply to the Swedish Financial Supervisory Authority for permission to apply the new occupational pension undertaking act to their entire operations. For Alecta, such an application would imply conversion of the current operations to a mutual occupational pension insurance company.

A regulatory code that is especially formulated for occupational pension operations should typically be better for Alecta to work under than rules that cover all kinds of insurance operations in Europe. But a complete analysis of what a conversion to an occupational pension company would mean for Alecta can only be done when the new regulations for occupational pension companies have been adopted by the Swedish Parliament and when the new EU directives for the occupational pension operations – IORP II and III – are done. The picture will be clearer, but probably far from complete in 2017 when a potential decision on conversion must be made at the latest according to the Commission's proposal.

Alecta's preparations for Solvency II

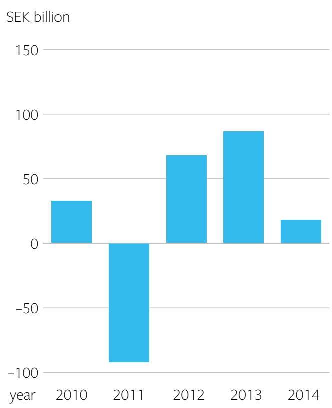
During the year, Alecta continued its preparations for Solvency II in accordance with EIOPA's temporary guidelines with sights set on it taking effect in 2016 and will continue to do so until other decisions on the effective date for Solvency II are made.

As a part of the preparations, in 2014, Alecta drafted a steering document on risk management that expresses the Company's risk appetite and made a prospective risk and solvency assessment, a so-called Own Risk and Solvency Assessment (ORSA). The Board of Directors and management participated in the work under way during most of the year.

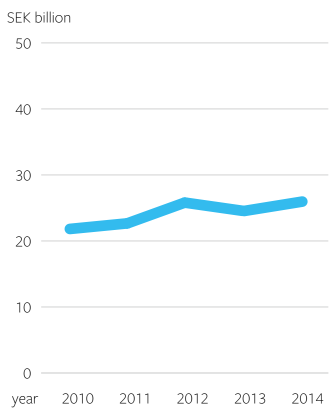
The ORSA is based on Alecta's financial targets. For the defined contribution insurance policies, the goal is to achieve a good real return that does well compared with alternatives with similar financial risk levels and for the defined benefit insurance policies the goal is to sustainably manage the ambition to secure the value of the pensions under payment and paid-up policies. To be able to achieve these goals, it is assessed that Alecta needs to have a significant share of the investments in risk assets on the long term, which places demands on the size of the capital base. Another factor that affects the capital requirement is that Alecta is a mutual company and thereby has no owners that can contribute risk capital in a possible crisis situation. Alecta must therefore ensure adequate margins during good times to satisfy the capital requirements. With these starting points and with guidance from the Board's established risk appetite, the capital requirement was calculated as a guide for how large Alecta's capital base should be.

The main results of the ORSA is that Alecta's financial position is secure at the end of 2014 and is expected to continue to be during the five-year period 2015–2019, according to the assessment's base scenario based on the business plan. In this work, Alecta's material risks were also inventoried and alternative scenarios were designed for the most important risks. Some less likely scenarios would – if

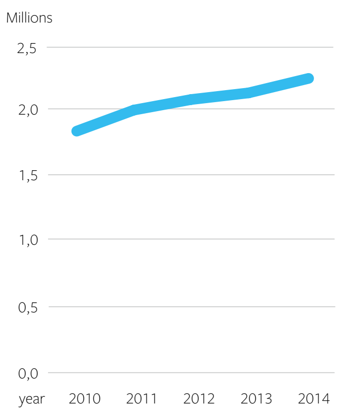
PROFIT FOR THE YEAR



INVOICED PREMIUMS



NUMBER OF INSURED



they occurred – have significant effects on Alecta's capital base, but altogether the risk is assessed to be very low that the company will end up in a permanent condition with too little risk capital to be able to fulfil the long-term goals. The work with the ORSA has been summarised in an ORSA report that was adopted by the Board in December 2014.

Profit for the year and financial position

The Group's profit after tax for the year amounted to SEK 18,2 billion (86,7). The two items primarily responsible for the result were the positive return on capital, net SEK 75,8 billion (55,2), and the increase in technical provisions with a negative effect of SEK 73,7 billion (positive effect of 25,8), resulting primarily from dropping market interest rates.

Premiums written

Premiums written in 2014 amounted to SEK 36,1 billion (25,1), see Note 4 on page 58. Premiums written can be divided into invoiced premiums and guaranteed refunds.

Invoiced premiums increased in 2014 to SEK 25,1 billion (24,0). For defined benefit pensions, the main causes of the increase are that a larger part of the salary amount of the insured exceeds 7,5 income base amounts, which yields higher benefit levels, and that the premium increases conducted in the recent years lead to higher premiums upon new subscription and benefit increases. For defined contribution pensions, the premium increase is mainly attributable to a growing portfolio.

Guaranteed refunds amounted to SEK 11,0 billion (1,1) in 2014. This increase compared with the previous year is largely due to the 2014 increase in earned pension rights (paid-up policy adjustment) in defined benefit ITP 2, which amounted to SEK 8,6 billion. The increase in earned pension rights was made by 3,43 percent on 1 January 2014, which corresponds to the increase in the consumer price index since the last adjustment was made on 1 January 2011. Besides the increase in earned pension rights, the sub-item guaranteed refunds also consists of the 2014 premium reduction for disability and premium waiver insurance and family cover, which amounted to SEK 2,4 billion.

Return on capital

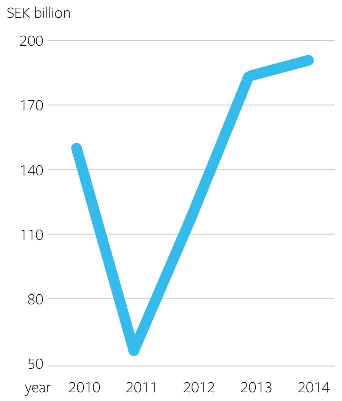
The financial markets

Strong growth for the USD, falling commodity prices, continued expansive monetary policy by central banks and falling interest rates characterised 2014. During the year, the conflicts in Syria and the Ukraine also escalated, but despite the greater geopolitical concern, the financial markets were only affected to a limited extent.

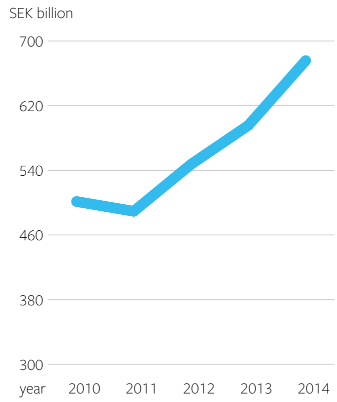
The stock markets had yet another strong trading year, but with significant volatility in the autumn. The increase is partially due to the interest rate level hitting a new record low, which meant that the investors are seeking returns in other asset classes than interest-bearing assets. In terms of the economy, things are still sluggish for Europe, but a weaker growth in China is also worrying the market. Instead, it is the U.S. that is driving global growth together with the central banks' massive stimulus efforts. For example, the Swedish Riksbanken set the key interest rate to zero in the autumn and in Switzerland, the key interest rate was negative. Inflation is low, and in many cases there is deflation, combined with low growth, which is the reason for the central banks' stimulus efforts.

The MSCI World share index had a return of approximately 10 percent during the year in local currencies. The Swedish share index SIX 60 also had a strong year, with a return of approximately 15 percent. Corporate bonds like government securities developed positively after shrinking

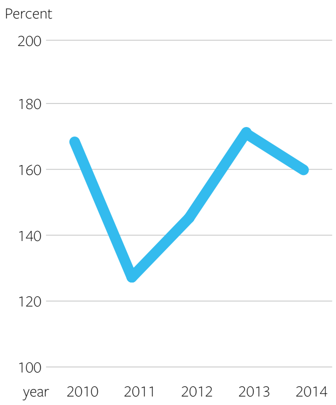
COLLECTIVE FUNDING CAPITAL



CAPITAL UNDER MANAGEMENT



SOLVENCY LEVEL



credit spread and falling market interest rates. The property markets in Sweden, the United Kingdom and the United States also had a good year, during which the United Kingdom demonstrated the best development.

Returns

The total return on Alecta's investments amounted to 13,0 percent (10,2) in 2014. The return benefited from rising share prices and property values and a positive return on the interest-bearing portfolio. Over the past five years, Alecta's average annual return has been 8,3 percent (8,2).

The return on shares was 17,5 percent (25,3), interest-bearing investments had a return of 9,4 percent (1,6) and the return on managed property amounted to 12,3 percent (10,9).

Return on defined contribution savings product, Alecta Optimal Pension, amounted to 14,9 percent (17,3) in 2014. This is 1,8 percentage points higher than the comparable index from Morningstar mixed funds during the same period. Over the past five years, the average annual return has been 10,6 percent.

The return on Alecta's defined benefit insurance was 12,8 percent (9,8) in 2014. Over the past five years, the average annual return has been 8,2 percent.

In the income statement, the return on capital for the Group, including unrealised changes in value, amounted to SEK 75,8 billion (55,2).

At the end of 2014, the market value of the investments amounted to SEK 683,4 billion (602,8), see the total return table below. 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 2014 was SEK 44,1 billion (31,1), see the total return table below.

Portfolio

In 2014, the proportion of shares increased from approximately 38 percent at the beginning of the year, to nearly 42 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 for just over SEK 10 billion.

Total return table for investments, Group	Market value, 31 Dec 2014		Market value, 31 Dec 2013		Total return in percent	
	SEK million	%	SEK million	%	2014	Average 2010–2014
Shares	285 147	41,7	231 732	38,4	17,5	12,4
Interest-bearing investments	348 035	50,9	327 416	54,3	9,4	5,9
Property	50 194	7,3	43 700	7,2	12,3	11,0
Total investments	**683 377**	**100,0**	**602 848**	**100,0**	**13,0**	**8,3**

The total return for the respective years and classes of assets included in the average total return for the period 2010-2014 are presented in the five-year summary on page 33.

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. Reconciliation between the values in the total return table and those reported in the financial statements is presented in Note 52 on page 85.

Total return table for investments, defined contribution insurance (Alecta Optimal Pension)	Market value, 31 Dec 2014		Market value, 31 Dec 2013		Total return in percent	
	SEK million	%	SEK million	%	2014	Average 2010–2014
Shares	29 023	66,0	19 098	61,4	17,5	12,4
Interest-bearing investments	11 699	26,6	9 720	31,2	9,7	6,2
Property	3 284	7,5	2 297	7,4	12,3	11,0
Total investments	**44 006**	**100,0**	**31 115**	**100,0**	**14,9**	**10,6**

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 46,3 billion (32,6).

Total return table for investments, defined benefit insurance	Market value, 31 Dec 2014		Market value, 31 Dec 2013		Total return in percent	
	SEK million	%	SEK million	%	2014	Average 2010–2014
Shares	255 028	40,0	211 965	37,2	17,5	12,4
Interest-bearing investments	335 294	52,6	316 976	55,6	9,4	5,9
Property	46 738	7,3	41 292	7,2	12,3	11,0
Total investments	**637 061**	**100,0**	**570 234**	**100,0**	**12,8**	**8,2**

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

Considerable focus has been on U.S. shares where Alecta's allocation increased from 9 percent to 19 percent of the total share portfolio. The portfolio composition is presented on page 28.

Several transactions took place in the property portfolio. For example, the property in Västra Kungsholmen, Välmågan 8, with Nordea as one of the tenants, was acquired for around SEK 1,7 billion.

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, increased to SEK 17,8 billion (17,2) in 2014. The increase is mainly attributable to the larger number of new retirees and the new retirees having a higher average pension amount than the retirees whose payment ended due to death or achieving the final payment age. Operating expenses in connection with claims adjustment are also included in claims paid and amounted to SEK 133 million (135) in 2014; see Note 8 on page 59.

The change in the provision for claims outstanding amounted to SEK 2,4 billion (0,1); also refer to the section Technical provisions.

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 increased during 2014 by a total of SEK 73,7 billion (decrease: 25,8), as a consequence of:

- A change in the interest rate curve which is applied to value the technical provisions. The average cash flow weighted rate decreased from 3,25 to 2,31 percent in 2014. This resulted in an increase in technical provisions of SEK 54,7 billion (decrease: 42,1).
- Cumulative returns and deductions for taxes and operating expenses which, together, implied an increase in technical provisions of SEK 7,1 billion (7,7).
- 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 meant that the technical provisions increased by SEK 9,9 billion (1,3), of which guaranteed refunds in the form of an increase in earned pension rights constituted SEK 7,3 billion (0,0).
- The provision for new insurance cases in disability pension and premium waiver exceeded the provision reversed during the year for existing insurance cases. The net increase amounted to SEK 0,7 billion (0,1).
- Changed assumptions for the defined contribution product, Alecta Optimal Pension, which meant that the technical provisions increased by SEK 0,9 billion. The main change related to the guaranteed capital upon transfer from Alecta.
- Other changes in the assumptions applied, causing technical provisions to increase by SEK 0,3 billion.
- Other changes causing an increase in technical provisions of SEK 0,1 billion.

For further information, see Notes 38 and 39 on page 82.

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement, amounted to SEK 548 million (555), a decrease of SEK 7 million, compared with 2013. This decrease is mainly attributable to lower premises expenses as Alecta is letting one storey to an external tenant since 2014 and lower personnel costs. Costs for fees to the Swedish Financial Supervisory Authority and consulting services in IT have increased compared with the previous year.

Management expense ratio

The management expense ratio dropped to 0,11 (0,12) mainly due to average assets under management increasing during the year. For pension products excluding selection centre costs, the corresponding key ratio amounted to 0,07 (0,08) which is also somewhat lower compared with the previous year.

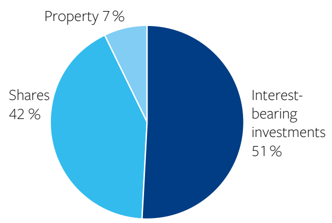
Tax expense

Yield tax, after for foreign tax credit, amounted to SEK 995 million (701) in 2014. The increase compared with 2013 is mainly attributable to the average government borrowing rate increasing from 1,52 to 2,01 percent and the capital base increasing. Yield tax includes pension products and family cover.

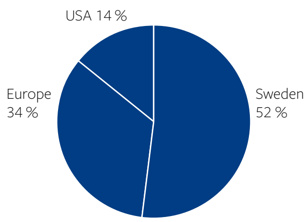
Income tax amounted to SEK 660 million (904) in 2014. Income tax, which pertains to both current and deferred tax, includes withholding tax and foreign income tax as well as Swedish taxes. The decrease compared with the previous year is mainly an effect of a lower fiscal profit due to premium reductions and higher provisions for claims outstanding. Income tax in Sweden comprises the operational branches of disability pension, premium waiver and occupational group life (TGL).

Alecta's portfolio composition 2014

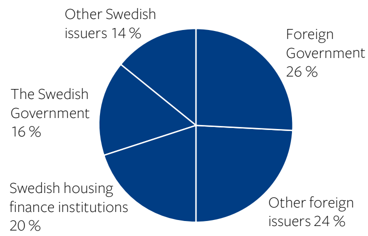
TOTAL INVESTMENT PORTFOLIO



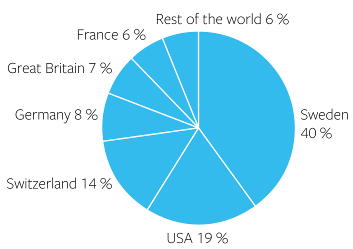
INTEREST-BEARING INVESTMENTS, geographical distribution



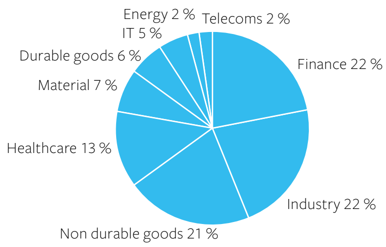
INTEREST-BEARING, per issuer



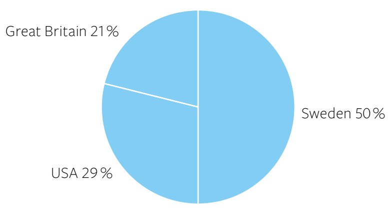
SHARES, geographical distribution



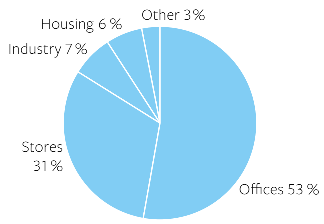
SHARES, by sector



PROPERTIES, geographical distribution



PROPERTIES, by category



ALECTA'S FIVE LARGEST SHAREHOLDINGS PER 31 DECEMBER 2014

SHARE	SECTOR	MARKET VALUE, SEK MILLION
H&M	Consumer durable goods	21 879
SEB	Finance	12 782
Investor	Finance	11 432
ABB	Industry	10 357
Swedbank	Finance	9 456

Market value in accordance with the total return table.

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 34. 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 refunds. The refunds that Alecta guaranteed in the past 15-year period (2000-2014) amounts to SEK 157 billion. These refunds 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 allocated 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, refunds are to be granted. For 2014, the Board decided on a refund in the form of an adjustment of pensions in payment (pension supplement) and earned pension entitlements (paid-up policy adjustment). The adjustment figure was set to 0,08 percent for pensions in payment, which corresponds to the development of the consumer price index between September 2012 and September 2013. The adjustment was set at 3,43 percent for earned pension entitlements, which corresponds to the increase in the consumer price index since the last adjustment was made on 1 January 2011. The pension supplements are formally guaranteed only in connection with them being paid out. 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. Paid-up policy adjustment is guaranteed and booked as a liability at the beginning of the adjustment year.

For 2014, the Board also determined that the premium reduction for disability and premium waiver insurance would be 75 percent, and 50 percent for family cover.

Despite negative inflation during the measurement period, Alecta's Board decided on an unchanged pension supplement for 2015. The Board also decided on a premium reduction on risk insurance policies in 2015 by 75 percent for disability and premium waiver insurance and family cover.

Collective funding and solvency

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

The collective funding ratio in the Group for the defined benefit insurance amounted to 143 percent (148) at the end of 2014. The collective funding capital amounted to SEK 188,3 billion (181,2). 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 159 percent (170) at the end of 2014. The decrease compared with the last year-end is due to dropping interest rates that led to higher provisions for the guaranteed pensions.

Anticipated future development

Competitive return

The aftermath of the global debt crisis has created an environment of unusually low interest rates and, accordingly, we must count on very low returns on interest-bearing assets in upcoming years, though the outlook is still somewhat better for shares and similar risk assets. Despite three consecutive strong stock market years, valuations coming into 2015 are not alarming. However, the return potential is somewhat lower than a year ago. Compared with long government bonds, shares and some other risk assets still appear to be relatively attractive. 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 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 percent, net of inflation. The corresponding target for Alecta Optimal Pension is approximately 5 percent. After three consecutive very favourable years, with double-digit returns, we expect significantly 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.

More stringent reporting requirements

Solvency II will begin to apply in full in Sweden on 1 January 2016. At the same time, the government has announced transitional rules that, if they become reality, mean that Alecta will be able to work under the current regulations for a few more years. There is also the Occupational Pensions Company Commission's proposal from August 2014, which may give Alecta and other insurance companies that conduct occupational pension operations the right to convert to an occupational pension company and thereby come under the occupational pension directive (IORP) instead of Solvency II. It is expected that legislators will bring clarity to these issues in 2015. While awaiting this, Alecta is continuing with its preparations in the spirit of the new regulations. Risk estimates and calculation models have been developed and adapted and the first ORSA report was adopted in December 2014. At the same time, there is readiness to live up to the more stringent reporting requirements under Solvency II if these rules should nonetheless become applicable to Alecta.

Increased awareness

Today, there is an increased awareness of what is important for creating a good pension. The pension companies' offerings are critically scrutinized in the media and by growing numbers of knowledgeable pension savers. Fees and generated added value are questioned and followed up. The authorities are putting pressure on a better and more comprehensive fee reporting. We also have a justified debate about what is a reasonable fee for, e.g. index-related management. The debate on high fee charges is also intensive in other countries and fee ceilings for occupational pensions have been introduced in the UK. In the U.S., low-fee funds from companies like Vanguard are very successful. Alecta has world class cost-efficiency and fees that do well even against pure index alternatives. Through knowledge-based active management, we ensure that our investments have business models that are sustainable and provide competitive returns over time. Increased awareness on what one actually gets for the fees and the consequences of the interest-on-interest effect benefits us. It will put pressure on the industry's suppliers and strengthen Alecta's position as a really good alternative.

Product reporting

Alecta is run according to mutual principles and it is important that income and expenses are fairly distributed between different products. 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'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 monitors the products' financial results in great detail. Alecta has 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 regularly in order to ensure as accurate a distribution as possible.

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. Here, Alecta's follow-up of solvency and risk ensures that each product has sufficient capital to cover these risks.

Product calculation, Alecta Optimal Pension

Alecta Optimal Pension is a relatively new product. It was introduced in conjunction with the ITP procurement in 2007. Pricing is based on the idea that the income, in the form of charged fees, over time shall correspond to the total operating expenses. For several years after the introduction of Alecta Optimal Pension, the expenses will exceed the fees. 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.

Within Alecta Optimal Pension, Alecta carefully distinguishes 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 that is financing the deficit of the start-up period.

In summer 2014, a milestone was passed when the product's operating income covered the separate costs on an annual basis. Separable expenses consist of product-specific systems management and systems development, direct expenses incurred in customer service and administration, and information and promotion expenses. The accumulated deficit (for fees minus separable expenses, including interest charge) will be greatest at this point in time and amounted to SEK 112 million. This amount corresponds to nearly 0,02 percent of assets under management in the defined benefit plan which, during the initial period, funds the deficit. The separable cost deficit is expected to be fully repaid by 2018.

Shared expenses consist of part of the expenses for management and staff, shared systems and infrastructure. As of the second half of 2014, Alecta Optimal Pension contributes to covering the shared expenses. Alecta Optimal Pension's total expenses, i.e. separable expenses, shared expenses and interest on the deficit, was 0,17 percent of the capital in 2014 and is dropping quickly. To reach the fee that Alecta charges, 0,10 percent, it will take about three years at the present pace.

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 of assets under management, and is charged to all products. The separable expense for investment management within Alecta Optimal Pension is markedly lower than this 0,03 percent.

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, mainly due to the guaranteed interest being low. At year-end 2014, the solvency level amounted to 228 percent compared with 159 percent for Alecta as a whole.

Risk management and risk organisation

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 determines 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 of Directors decides on Alecta's investment guidelines that regulate the portfolio structure and limits for risk-taking, among other aspects. 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 guidelines for the on-going investment operations, prepares the investment management 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 guidelines 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.

Alecta's management of the above risk categories is described in more detail in Note 3 on pages 56–58.

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 by the CEO 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 task 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.

Five-year summary

GROUP, SEK million	2014	2013	2012	2011	2010
Profit/loss					
Premiums written	36 122	25 059	25 217	25 563	25 876
Invoiced premiums	*25 145*	*23 954*	*25 194*	*22 044*	*21 244*
Guaranteed refunds	*10 977*	*1 105*	*23*	*3 519*	*4 632*
Claims incurred	–20 195	–17 330	–15 583	–14 295	–11 890
Return on capital, net	75 789	55 219	55 860	–10 835	43 031
Profit before tax	18 876	87 620	69 438	–91 782	35 071
Profit/loss for the year	18 216	86 716	68 053	–92 027	32 701
Financial position					
Assets under management [1]	682 355	602 266	545 719	487 666	496 434
– of which pension products	645 726	565 903	510 750	455 608	459 793
Technical provisions	427 618	353 930	379 753	386 136	296 739
Collective funding capital	188 275	181 152	115 780	54 082	148 038
Capital base [2]	248 935	246 144	163 877	99 323	198 337
Required solvency margin [2]	17 658	14 648	15 698	15 995	12 402
Key Performance Indicators					
Total return, percent [3]	13,0	10,2	11,4	–2,1	9,6
– of which shares	17,5	25,3	21,4	–13,8	16,2
– of which interest-bearing investments	9,4	1,6	7,3	7,4	4,1
– of which property	12,3	10,9	8,5	10,5	12,9
Total return, defined contribution insurance (Alecta Optimal Pension), percent [4]	14,9	17,3	16,8	–6,8	12,6
– of which shares	17,5	25,3	21,4	–13,8	16,2
– of which interest-bearing investments	9,7	1,6	7,5	7,7	4,4
– of which property	12,3	10,9	8,5	10,5	12,9
Total return, defined benefit insurance, percent [4]	12,8	9,8	11,2	–2,0	9,5
– of which shares	17,5	25,3	21,4	–13,8	16,2
– of which interest-bearing investments	9,4	1,6	7,3	7,3	4,1
– of which property	12,3	10,9	8,5	10,5	12,9
Management expense ratio percentage [5]	0,11	0,12	0,13	0,15	0,17
– of which pensions products excl. selection centre costs	0,07	0,08	0,08	0,10	0,11
Investment management expense ratio [6]	0,03	0,03	0,03	0,03	0,03
Collective funding ratio, defined benefit insurance, percent	143	148	129	113	146
Collective funding ratio, defined contribution insurance, percent [6]	100	100	100	100	100
Solvency level, percent	159	170	144	126	167

1) Defined as equity, provision for life insurance and claims outstanding.
2) Refers to Parent Company.
3) Refers to Group, defined benefit and defined contribution retirement pensions and risk insurance policies. Calculated for all years according to the "Insurance Sweden" trade association's recommendations.
4) Calculated for all years according to the "Insurance Sweden" trade association's recommendations.
5) Calculated as operating expenses and claims management costs in relation to average assets under management.
6) Calculated as operating expenses for investment management in relation to average assets under management.
7) As surplus/deficit is allocated 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.

Consolidated profit amounted to SEK 18,2 billion (86,7).

ALTERNATIVE INCOME STATEMENT (SEK MILLION)	2014	2013
Administration result	200	84
Risk result	–1 748	–7 553
Financial result	20 478	94 548
Tax result	–714	–363
Profit/loss for the year	**18 216**	**86 716**

The administration result amounted to SEK 200 million (84) 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 released on an on-going basis and together with operating expense charges to premiums written constitutes Alecta's income 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 Pensiongaranti and is reported separately in the alternative income statement. In Note 8, Other income is, instead, deducted from operating expenses.

The fact that the administration result increased in 2014 is largely due to the premiums written increasing sharply, which in turn is mainly attributable to the adjustment of earned pension entitlements (paid-up policy adjustment) by 3,43 percent that was made during the year.

ADMINISTRATION RESULT (SEK MILLION)	2014	2013
Income	937	829
– of which released operating expenses and fees	*881*	*774*
– of which other income	*56*	*55*
Expenses	–737	–745
Total administration result	**200**	**84**

The risk result amounted to SEK –1,7 billion (–7,6) 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. In 2013, we extended the assumed life expectancy, which led to this year's mortality results improving compared with last year. This year's morbidity results are worse than last year, however. It has therefore been decided to increase the risk premiums for 2015.

RISK RESULT (SEK MILLION)	2014	2013
Annual mortality result	–34	–97
Annual morbidity result	–276	–191
Changes in methods and assumptions in calculating TPs	–1 274	–7 123
Other	–164	–142
Total risk result	**–1 748**	**–7 553**

The financial results amounted to SEK 20,5 billion (94,5). 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. A favourable development for Alecta's investments contributed positively to the financial result for 2014. However, this was partially counteracted by the discount rate applied in valuing TPs decreasing significantly during the year, which led to higher 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 refunds to the insured and policy holders in the long-term.

FINANCIAL RESULT (SEK MILLION)	2014	2013
Result, return on capital	75 772	55 201
– of which investment management expenses	*–196*	*–170*
Reversed operating expenses for investment management	121	122
Cumulative return on TPs	–8 858	–9 655
Other profit sources	8 122	6 828
Changes in TPs as a result of changed market interest rates	–54 679	42 052
Total financial result	**20 478**	**94 548**

The tax result amounted to SEK –714 million (–363). 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.

TAX RESULT (SEK MILLION)	2014	2013
Result, yield tax	–54	541
Income tax	–660	–904
Total tax result	**–714**	**–363**

Proposed appropriation of profits

The Board of Directors and the CEO propose to the Council of Administration that the Parent Company's profit for 2014 of SEK 18 889 379 006 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 refunding, specified in the section "Distribution of surplus" in the Administration report, page 29.

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 230 782 736, from the funding reserve to the guarantee reserve, an amount which is the equivalent of the guarantee reserve's total return for 2014 after deduction of investment management costs and taxes.

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Parent Company

Income Statement

Group

SEK MILLION	NOTE	2014	2013
Premiums written	4	36 122	25 059
Invoiced premiums		*25 145*	*23 954*
Guaranteed refunds		*10 977*	*1 105*
Return on capital, net		75 789	55 219
Return on capital, income [1]	*5*	*40 757*	*33 980*
Unrealised gains on investment assets	*6*	*37 530*	*36 466*
Return on capital, expenses [1]	*9*	*–2 498*	*–4 218*
Unrealised losses on investment assets	*10*	*0*	*–11 009*
Claims, incurred		–20 195	–17 330
Claims, paid	*7*	*–17 786*	*–17 207*
Change in provision for claims outstanding		*–2 409*	*–123*
Change in other technical provisions		–71 279	25 946
Provision for life insurance		*–71 279*	*25 946*
Operating expenses	8	–548	–555
Depreciation of owner-occupied properties	17	–18	–18
Yield tax	11	–995	–701
Total operating profit		**18 876**	**87 620**
Profit before tax		**18 876**	**87 620**
Income tax	12	–660	–904
PROFIT FOR THE YEAR		**18 216**	**86 716**

[1] Adjustment compared with the 2013 Annual Report due to previous erroneous classification. For more information, please refer to Note 5 and Note 9, respectively.

Statement of Comprehensive Income

Group

SEK MILLION	2014	2013
Profit for the year	**18 216**	**86 716**
Items that can subsequently be reclassified to the income statement:		
Exchange rate differences	1 979	–116
Other comprehensive income	**1 979**	**–116**
COMPREHENSIVE INCOME FOR THE YEAR	**20 195**	**86 600**

Balance Sheet

Group

SEK MILLION	NOTE	31 DEC. 2014	31 DEC. 2013
ASSETS			
Intangible fixed assets	14	336	362
Property, plant and equipment	15	29	27
Investment assets			
Land and buildings			
Investment properties	16	37 462	32 333
Owner-occupied properties	17	888	890
Other financial investment assets			
Shares and participations	20, 23, 24, 25	294 131	237 807
Bonds and other interest-bearing securities	20, 23, 24, 26, 49	345 956	323 527
Loans with real estate as collateral	20, 23, 27	5	175
Other loans	20, 23, 24, 28	3 617	3 587
Derivatives	20, 23, 29, 30	6 846	1 626
		688 905	599 945
Receivables			
Receivables referring to direct insurance operations	20, 31	1 369	1 534
Current tax		184	487
Other receivables	20, 32	966	1 107
		2 519	3 128
Cash and bank balances	20, 48	**1 116**	**1 193**
Prepaid expenses and accrued income			
Accrued interest and rental income	20, 33	7 469	7 136
Other prepaid expenses and accrued income	20	148	143
		7 617	7 279
TOTAL ASSETS		700 522	611 934

Balance Sheet, cont.

Group

SEK MILLION	NOTE	31 DEC. 2014	31 DEC. 2013
EQUITY AND LIABILITIES			
EQUITY			
Translation reserve	34	622	–1 357
Discretionary participation features reserve	34	53 348	54 059
Special indexation funds	34	10 710	10 855
Guarantee reserve	36	1 756	1 718
Retained earnings including profit for the year	34	188 301	183 062
Total equity		**254 737**	**248 337**
LIABILITIES			
Provision for life insurance	38	414 942	343 663
Claims outstanding	39	12 676	10 267
Pensions and similar commitments	40	26	31
Other provisions	41	32	18
Current tax		5	13
Deferred tax	42	1 763	1 743
Liabilities referring to direct insurance operations	20, 44	676	671
Derivatives	20, 29, 30	10 745	4 363
Other liabilities	20, 45	1 897	568
Other accrued expenses and deferred income	20, 46	3 023	2 260
Total liabilities		**445 785**	**363 597**
TOTAL EQUITY AND LIABILITIES		700 522	611 934

Statement of Changes in Equity

Group

SEK MILLION	Translation reserve [1]	Discretionary participation features reserve [1, 2]	Special indexation funds [1]	Guarantee reserve [3]	Retained earnings including profit for the year [1]	Total
OPENING EQUITY AT 1 JANUARY 2013	–1 241	37 074	10 962	1 661	117 510	165 966
Profit for the year					86 716	
Other comprehensive income	–116					
Total comprehensive income for the year	**–116**				**86 716**	**86 600**
Allocated refunds [4]		19 725			–19 725	–
Guaranteed refunds		–3 856				–3 856
Collective risk premium [5]			–242			–242
Return on guarantee reserve [6, 7]				194	–194	–
Other changes [4]		1 116	135	–137	–1 245	–131
Closing equity at 31 December 2013	**–1 357**	**54 059**	**10 855**	**1 718**	**183 062**	**248 337**

SEK MILLION	Translation reserve [1]	Discretionary participation features reserve [1, 2]	Special indexation funds [1]	Guarantee reserve [3]	Retained earnings including profit for the year [1]	Total
OPENING EQUITY AT 1 JANUARY 2014	–1 357	54 059	10 855	1 718	183 062	248 337
Profit for the year					18 216	
Other comprehensive income	1 979					
Total comprehensive income for the year	**1 979**				**18 216**	**20 195**
Allocated refunds		9 016			–9 016	–
Guaranteed refunds		–12 273			–1 292	–13 565
Collective risk premium [5]			–244			–244
Return on guarantee reserve [6, 7]				176	–176	–
Other changes		2 546	99	–138	–2 493	14
Closing equity at 31 December 2014	**622**	**53 348**	**10 710**	**1 756**	**188 301**	**254 737**

1) See Note 34 on page 79.
2) Discretionary features refer to allocated refunds. See Note 34 on page 79.
3) Reserve for financing collective agreement guarantees and funds to be used for information funds. See Note 36 on page 81.
4) A reclassification of comparative figures has occurred between allocated refunds and other changes in order to achieve accounting consistent with Notes 34 and 35 on pages 79–80.
5) Premiums for waiver of premium insurance and collective final payments are reduced as a result of employers' increased cost caused by the new rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.
6) See Note 36 on page 81.
7) In order to meet future regulatory requirements, Alecta and the parties to the collective agreement within 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 from Alecta 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	2014	2013
OPERATING ACTIVITIES		
Profit for the year before tax	18 876	87 620
Interest received [2)]	12 534	13 964
Interest paid [2)]	–138	–89
Dividends received	8 074	6 602
Adjustment for non-cash items [1)]	–10 619	–80 538
Paid tax	–1 093	–1 178
Cash flow from operating activities before change in assets and liabilities [2)]	**27 634**	**26 381**
Change in investment assets [2)]	–32 837	–18 936
Change in other operating assets	302	614
Change in other operating liabilities	7 765	–4 455
Cash flow from operating activities	**2 864**	**3 604**
INVESTING ACTIVITIES		
Investments in intangible fixed assets	–	–3
Investments in property, plant and equipment	–4	–2
Cash flow from investing activities	**–4**	**–5**
FINANCING ACTIVITIES		
Pension supplements/Additional supplements	–2 588	–2 751
Payment from guarantee reserve	–138	–137
Payment of indexation funds	–245	–243
Cash flow from financing activities	**–2 971**	**–3 131**
Cash flow for the year	**–111**	**468**
Cash and cash equivalents, opening balance	1 193	726
Exchange rate differences in cash and cash equivalents	34	–1
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	**1 116**	**1 193**
1)		
Amortisation/impairment, Notes 14, 15, 17	46	49
Yield tax, Note 11	995	701
Exchange gains, Note 5	–7 949	–
Exchange losses [2)], Note 9	–	2 983
Capital gains, Note 5	–9 413	–12 255
Capital losses, Note 9	555	–
Unrealised gains, Note 6	–37 530	–36 466
Unrealised losses, Note 10	–	11 009
Interest income [2)], Note 5	–12 867	–12 798
Interest losses [2)], Note 9	852	201
Dividends, Note 5	–8 075	–6 634
Adjustment of paid-up values, Note 4	–8 591	–3
Premium reduction, Note 4	–2 386	–1 102
Change in provision for life insurance, Note 38	71 279	–25 946
Change in provision for claims outstanding, Note 39	2 409	123
Other	56	–400
	–10 619	**–80 538**

[2)] Adjustment compared with the 2013 Annual Report due to previous erroneous classification. For more information, please refer to Note 5 and Note 9, respectively.

Income Statement

Parent Company

SEK MILLION	NOTE	2014	2013
TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS			
Premiums written	4	36 122	25 059
Invoiced premiums		*25 145*	*23 954*
Guaranteed refunds		*10 977*	*1 108*
Return on capital, income [1]	5	40 090	33 517
Unrealised gains on investment assets	6	36 558	35 758
Claims incurred			
Claims paid	*7*	*–17 786*	*–17 207*
Change in provision for claims outstanding		*–2 409*	*–123*
Change in other technical provisions			
Provision for life insurance		*–71 279*	*25 946*
Operating expenses	8	–548	–555
Return on capital, expenses [1]	9	–1 996	–3 699
Unrelised losses on investment assets	10	0	–11 009
Balance on the technical account, life insurance business		**18 752**	**87 687**
NON-TECHNICAL ACCOUNT			
Balance on the technical account, life insurance business		18 752	87 687
Profit before tax and appropriations		**18 752**	**87 687**
Appropriations	37	2 310	–140
Profit before tax		**21 062**	**87 547**
Tax	13	–2 173	–1 232
PROFIT FOR THE YEAR		18 889	86 315

[1] Adjustment compared with the 2013 Annual Report due to previous erroneous classification. For more information, please refer to Note 5 and Note 9, respectively.

Statement of Comprehensive Income

Parent Company

SEK MILLION	2014	2013
Profit for the year	18 889	86 315
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	18 889	86 315

Performance Analysis

Parent Company 2014

SEK MILLION	Total	DIRECT INSURANCE OF SWEDISH RISKS – Occupational pension insurance – Defined benefit insurance	Occupational pension insurance – Defined contribution traditional insurance	Occupational pension insurance – Occupational disability insurance and waiver of premium insurance	Other life insurance – Group life and occupational group life insurance
Premiums written	36 122	23 939	8 645	3 359	179
Return on capital, income	40 090	34 988	2 785	2 284	33
Unrealised gains on investment assets	36 558	31 904	2 540	2 083	31
Claims incurred	–20 195	–14 597	–315	–5 134	–149
Claims paid	*–17 786*	*–14 598*	*–315*	*–2 729*	*–144*
Change in provision for claims outstanding	*–2 409*	*1*	–	*–2 405*	*–5*
Change in other technical provisions	–71 279	–63 889	–7 391	–	1
Provision for life insurance	*–71 279*	*–63 889*	*–7 391*	–	*1*
Operating expenses	–548	–321	–53	–155	–19
Return on capital, expenses	–1 996	–1 742	–139	–114	–1
Unrealised losses on investment assets	–	–	–	–	–
Balance on technical account, life insurance business	**18 752**	**10 282**	**6 072**	**2 323**	**75**
Technical provisions					
Provision for life insurance	414 942	394 864	20 077	–	1
Claims outstanding	12 676	10	–	12 616	50
Total technical provisions	**427 618**	**394 874**	**20 077**	**12 616**	**51**
Funding reserve	**228 511**	**188 838**	**19 967**	**19 379**	**327**
Total operating expenses, excluding property management expenses					
Operating expenses (administrative expenses in the insurance business)	548	321	53	155	19
Claims management expenses (reported under claims paid)	133	78	15	38	2
Investment management expenses (reported under return on capital, expenses)	179	157	12	10	0
Total operating expenses, excluding property management expenses	**860**	**556**	**80**	**203**	**21**

Balance Sheet

Parent Company

SEK MILLION	NOTE	31 DEC. 2014	31 DEC. 2013
ASSETS			
Intangible assets			
Intangible assets	14	336	362
		336	**362**
Investment assets			
Land and buildings	16	15 376	14 697
Investments in Group companies and associated companies			
Shares and participations in Group companies	18	8 955	8 373
Interest-bearing securities issued by, and loans to, Group companies	19, 20	8 631	7 054
Other financial investment assets			
Shares and participations	20, 23, 24, 25	293 094	237 561
Bonds and other interest-bearing securities	20, 23, 24, 26, 49	345 956	323 527
Loans with real estate as collateral	20, 23, 27	5	175
Other loans	20, 23, 24, 28	3 364	3 406
Derivatives	20, 23, 29, 30	6 846	1 626
		682 227	**596 419**
Receivables			
Receivables referring to direct insurance operations	20, 31	1 369	1 534
Other receivables	20, 32	2 652	2 620
		4 021	**4 154**
Other assets			
Property, plant and equipment	15	5	5
Cash and bank balances	20, 48	842	982
		847	**987**
Prepaid expenses and accrued income			
Accrued interest and rental income	20, 33	7 649	7 374
Other prepaid expenses and accrued income	20	38	52
		7 687	**7 426**
TOTAL ASSETS		**695 118**	**609 348**

Balance Sheet, cont.

Parent Company

SEK MILLION	NOTE	31 DEC. 2014	31 DEC. 2013
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Funding reserve	35	228 511	156 048
Guarantee reserve	36	1 756	1 718
Profit for the year		18 889	86 315
		249 156	**244 081**
Untaxed reserves	37	**115**	**2 425**
Technical provisions			
Provision for life insurance	38	414 942	343 663
Claims outstanding	39	12 676	10 267
		427 618	**353 930**
Other provisions			
Pensions and similar commitments	40	25	30
Taxes	43	1 389	837
Other provisions	41	28	18
		1 442	**885**
Liabilities			
Liabilities referring to direct insurance operations	20, 44	676	671
Derivatives	20, 29, 30	10 745	4 363
Other liabilities	20, 45	2 697	1 020
		14 118	**6 054**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	20, 46	2 669	1 973
		2 669	**1 973**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		695 118	609 348
Memorandum items			
Collateral and comparable securities pledged for own liabilities and for obligations reported as provisions	47	661 094	587 143
Other pledged assets and comparable securities	48	8 524	2 684
Contingent liabilities	50	9	9
Commitments	51	1 576	1 493

Statement of Changes in Equity

Parent Company

SEK MILLION	FUNDING RESERVE [1] Collective funding	FUNDING RESERVE [1] Discretionary participation features reserve [2]	Other reserves	Guarantee reserve [3]	Profit for the year	Total
Opening equity at 1 January 2013	**45 104**	**37 074**	**10 962**	**1 661**	**67 179**	**161 980**
Profit for the year					86 315	
Other comprehensive income						
Total comprehensive income for the year					**86 315**	**86 315**
Appropriation of profits in previous year	67 179				–67 179	–
Allocated refunds [4]	–19 725	19 725				–
Guaranteed refunds		–3 856				–3 856
Collective risk premium [5]			–242			–242
Return on guarantee reserve [6, 7]	–194			194		–
Other changes [4]	–1 230	1 116	135	–137		–116
Closing equity at 31 December 2013	**91 134**	**54 059**	**10 855**	**1 718**	**86 315**	**244 081**
Opening equity at 1 January 2014	**91 134**	**54 059**	**10 855**	**1 718**	**86 315**	**244 081**
Profit for the year					18 889	
Other comprehensive income						
Total comprehensive income for the year					**18 889**	**18 889**
Appropriation of profits in previous year	86 315				–86 315	–
Allocated refunds	–9 016	9 016				–
Guaranteed refunds	–1 292	–12 273				–13 565
Collective risk premium [5]			–244			–244
Return on guarantee reserve [6, 7]	–176			176		–
Other changes	–2 512	2 546	99	–138		–5
Closing equity 31 December 2014	**164 453**	**53 348**	**10 710**	**1 756**	**18 889**	**249 156**

1) See Note 35 on page 80.
2) Discretionary features refer to allocated refunds. See Note 35 on page 80.
3) Reserve for financing collective agreement guarantees and funds to be used for information funds. See Note 36 on page 81.
4) A reclassification of comparative figures has occurred between allocated refunds and other changes in order to achieve accounting consistent with Notes 34 and 35 on pages 79–80.
5) Premiums for waiver of premium insurance and collective final payments are reduced as a result of employers' increased cost caused by the new rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.
6) See Note 36 on page 81.
7) In order to meet future regulatory requirements, Alecta and the parties to the collective agreement within 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 from Alecta 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	2014	2013
Operating activities		
Profit for the year before tax and appropriations	18 752	87 687
Interest received [2]	12 761	14 151
Interest paid [2]	–137	–92
Dividends received	8 724	7 312
Adjustment for non-cash items [1]	–11 599	–81 246
Paid tax	–1 084	–979
Cash flow from operating activities before changes in assets and liabilities [2]	**27 417**	**26 833**
Change in investment assets [2]	–32 511	–18 181
Change in other operating assets	–122	–474
Change in other operating liabilities	8 048	–4 644
Cash flow from operating activities	**2 832**	**3 534**
Investing activities		
Investments in intangible fixed assets	–	–3
Investments in property, plant and equipment	–1	–1
Cash flow from investing activities	**–1**	**–4**
Financing activities		
Pension supplements/additional supplements	–2 588	–2 751
Payment from guarantee reserve	–138	–137
Payment of indexation funds	–245	–243
Cash flow from financing activities	**–2 971**	**–3 131**
Cash flow for the year	**–140**	**399**
Cash and cash equivalents, opening balance	982	583
Cash and cash equivalents, closing balance	**842**	**982**
[1]		
Amortisation/impairments, Notes 14, 15	27	30
Exchange gains, Note 5	–7 949	–
Exchange losses [2], Note 9	–	2 983
Capital gains, Note 5	–9 413	–12 188
Capital losses, Note 9	456	–
Unrealised gains, Note 6	–36 558	–35 758
Unrealised losses, Note 10	–	11 009
Impairment of loans in Group companies, Note 9	167	–
Interest income [2], Note 5	–13 036	–13 015
Interest expenses [2], Note 9	849	204
Dividends, Note 5	–8 737	–7 356
Adjustments of paid-up values, Note 4	–8 591	–3
Premium reduction, Note 4	–2 386	–1 102
Change in provision for life insurance, Note 39	71 279	–25 946
Change in provision for claims outstanding	2 409	123
Other	–116	–227
	–11 599	**–81 246**

[2] Adjustment compared with the 2013 Annual Report due to previous erroneous classification. For more information, please refer to Note 5 and Note 9, respectively.

Notes

NOTE 1 Accounting principles for the Group and Parent Company

These annual financial statements pertain to the 2014 financial year as applied by Alecta 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 19 March 2015 and will be referred to the Council of Administration for ratification on 16 April 2015.

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 regulations and general guidelines 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, Alecta 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. A controlling influence means that Alecta has the ability to govern the company, is exposed to or has the right to returns that may vary and has the possibility of governing the activities in the company that affect the return. Disclosures regarding shares and participations in Group companies are provided in Note 18 on pages 66–68. 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 55.

Asset and business acquisitions

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. 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.

If the company engages in business activities involving employees, in addition to the acquired assets and liabilities, then this implies that Alecta 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.

Whether the acquisition is classified as a business or an asset is determined by Alecta for each individual acquisition. As of 31 December 2014, all of Alecta'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 (SEK).

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 SEK 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, Alecta supplies a number of different insurance products. Alecta 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 Alecta'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 Alecta 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 Alecta'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

Income tax

Income tax for Alecta's subsidiaries in the United States is recognised as of 2014 as a tax expense in the Parent Company Alecta pensionsförsäkring, ömsesidigt. The expense was previously recognised in the subsidiary and was thereby included in Alecta's consolidated financial statements. This change means that the tax expense is recognised in the unit that is subject to the tax, i.e. the Parent Company. We have deemed that a retroactive recalculation of the previous year is not possible. For 2014, the current tax expense for the subsidiaries in the US amounted to SEK 233 million (192). The change does not affect the consolidated financial statements.

Group contributions

Beginning in 2014, Alecta recognises Group contributions according to the alternative rule in RFR 2 to enable a uniform recognition of Group contributions in the Group. The alternative rule means that Group contributions paid and received are recognised as appropriations. Alecta previously applied the main rule in RFR 2. The main rule means that Group contributions received from subsidiaries are recognised as a financial income and Group contributions paid to subsidiaries are recognised as an increase in shares and participations. Group contributions which the subsidiary receives from the Parent Company are reported in the subsidiary's equity. The change in the accounting principle has not entailed any recalculation of comparative figures as no Group contributions were paid to or received from the Parent Company.

New and revised accounting standards for financial year 2014:

IFRS 10 Consolidated Financial Statements

The purpose of IFRS 10 is to establish principles for the preparation and presentation of the consolidated financial statements when a company controls one or more other companies. The standard defines the concept of control and establishes control as grounds for consolidation.

The new definition has no impact on Alecta's consolidated financial statements.

IFRS 11 Joint Arrangements

This standard 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.

The new standard does not affect the financial statements since all joint arrangements that Alecta is involved in are classified, as before, as joint ventures. The holdings in joint ventures are recognised as shares and participations at fair value through profit or loss in accordance with IAS 39.

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.

For Alecta, the standard has meant that supplemental disclosures on Alecta's joint ventures are provided in Note 56 on page 90. Otherwise, the standard has not affected the financial statements.

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 changes have not had any substantial impact on the reporting.

New and amended standards or interpretations for financial years beginning in 2015 or later. Only those standards and interpretations that are expected to have an impact on Alecta are described:

IFRIC 21 Levies

This is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The interpretation clarifies when a liability for levies is to be recognised.

Levies are fees/taxes that government or equivalent bodies charge companies in accordance with laws/ordinances, except for income taxes, penalties and fines. The interpretation states that a liability is to be recognised when the company has a commitment to pay the levy as a result of an occurred event.

IFRIC 21 applies as of 1 January 2015 and will probably entail consequences to Alecta's reporting in terms of the recognition of property taxes.

IFRS 9 Financial Instruments (Not adopted by the EU)

IFRS 9 is a new standard for financial instruments that will replace IAS 39. The standard consists of three sub-projects: classification and measurement, impairment and hedge accounting.

The application time according to IASB for IFRS 9 is 1 January 2018. Alecta's preliminary assessment is that the new standard will not entail material changes since the majority of financial instruments are currently valued in the category fair value through profit or loss.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 gathers all rules on the recognition of revenue in one single standard, which as of 2017 replaces the standards and interpretations that currently address revenue recognition.

The new standard enters into effect on 1 January 2017, but does not cover Alecta's core business, insurance. Whether or not the standard covers other parts of the Group's income remains to be investigated.

Premiums written

Premiums written can comprise paid-in and credited premiums, as well as refunds 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 insurance, the premiums are 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 58–59.

Insurance compensation

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 interest income, 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

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

Similar to investment management expenses, property management expenses are reported under Return on capital, expenses in the income statement. A large cost item here is external costs, as a large part of property management is done by external suppliers according to assignment contracts.

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.

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

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

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. Income tax refers to current tax and deferred tax. Current tax includes tax on profit, withholding tax on dividend payments and tax on foreign, directly and indirectly owned properties.

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 and other unutilised tax deductions. 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. Upon an indication of a decrease in value, the asset's recoverable amount is determined. If this is deemed to be less than the carrying amount, the asset is impaired to the lower value.

Property, plant and equipment

Property, plant and equipment consist of IT equipment, machinery and equipment, and artwork and are 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. Amortisation periods and useful life are reviewed on 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. If this is deemed to be less than the carrying amount, the asset is impaired to the lower value.

Investment assets

General information

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 that are properties that are intended for use by Alecta are reported in accordance with IAS 16. In the Group, owner-occupied properties are recognised at cost less accumulated depreciation and any accumulated impairment losses. The fixed asset is divided into components and the depreciation method reflects when the asset's future financial benefits are expected to be used. Development properties refer to properties that are developed or commercialised for future use as investment properties. Development properties are valued at fair value according to IAS 40. If the fair value cannot be assessed, valuation may be made at 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). For the Swedish properties, where all properties are externally appraised twice a year, the fair value has been calculated using a yield-based method combined with a sales comparison approach. For the other two quarters during the year, an internal appraisal is done based on the latest quarter's external appraisal considering events thereafter.

When calculating the fair value of foreign properties, various valuation methods are applied, resulting in the use of both a yield-based method and a 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 appraised externally at least every two years, with internal appraisals in the other years.

All external appraisers base their valuation on information regarding each property's specific characteristics, such as rental income, operating expenses, and current and future letting agreements. In connection with the external appraisal, the information is quality assured by Alecta.

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.

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 and IAS 28. In the balance sheet, shares and participations are reported under Investment assets. Changes in value are reported in the income statement as unrealised gains or losses. In Note 56 on page 90, disclosures are provided on holdings.

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. 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. One exception is a small loan portfolio which is recognised at amortised cost. 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 72 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 measurement technique for shares and participations is described in Note 23 on page 72. 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. The measurement technique for bonds and other interest-bearing securities is described in Note 23 on page 72. 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 is 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 and receivables. 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 76.

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 76). Derivatives are categorised as held for trade 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 71. 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. Collateral received for loaned 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 85. Compensation for loaned interest-bearing securities is reported as interest income in the item Return on capital, income. See Note 5 on page 58.

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

Receivables related to direct insurance are recognised at amortised cost.

Other receivables

Other receivables are recognised at amortised cost.

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

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

been received or invoiced as of the closing date. Alecta's prepaid expenses and accrued income mainly relate to non-overdue 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 consists of preliminarily allocated refunds to policy holders and the insured. Allocated refunds to the insured include pension supplements and adjustments of paid-up values for defined benefit pension products, as well as preliminary allocated refunds for defined contribution insurance. Allocated refunds to policy holders comprise a premium reduction for risk insurance. Allocated refunds 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 first becomes guaranteed in conjunction with the payment being executed as stipulated by the applicable internal rules in place, and these amounts are 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 (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.

Profit brought forward including profit/loss 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 percent (60) 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

Liabilities related to direct insurance are recognised at amortised cost.

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

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

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 allocated to periods 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 regulations and general guidelines 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 IAS/IFRS as adopted by the EU, 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

Tax legislation in Sweden provides companies the possibility to reduce the year's taxable income through allocation to untaxed reserves in the balance sheet through the income statement item appropriations. Alecta's appropriations pertain to changes in the tax allocation reserve.

When the provision is later dissolved, it is reversed for taxation, which means that the reserve contains a deferred tax liability. On the grounds of the connection between accounting and taxation, deferred tax liabilities attributable to the untaxed reserves are not reported separately in the Parent Company.

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, excluding Group contributions, see further explanation of the item Appropriations.

Group contribution

The Parent Company recognises both Group contributions paid to and received from subsidiaries as appropriations.

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 53. The sensitivity of the assumptions underlying the valuation of technical provisions is described in Note 3 on page 56. For information on current assumptions, see Note 38 and Note 39 on page 82.

Investment properties

The Swedish properties are valued at fair value according to a yield-based method and sales comparison approach and are appraised externally every six months. For foreign property, the current valuation method is applied in each country, which implies that both the yield-based 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. The carrying amounts of the holdings, as well as a sensitivity analysis of the assumptions underlying the valuation, are found in Note 16. 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 assets

Alecta reports a significant intangible asset in the form of capitalised development expenditure for the 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 62.

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 83.

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 72). 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 51–52. A sensitivity analysis is presented in Note 3 on page 57.

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 32). In this Note 3, Alecta's various risk categories are described in greater detail.

Risk of loss

This risk category pertains to the risk of consequences in the form of, for example, a loss of reputation or a financial loss. The consequences may arise if Alecta fails in the handling of risks in the risk categories described below.

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.

In 2014, the independent control function Risk Control conducted a review of Alecta's insurance risks, which comprised a review of Alecta's actuarial assumptions and calculations.

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.

During 2013, Alecta 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 years (1.6) and 1.5 years (1.5), respectively, and that Alecta's life insurance provision would increase by approximately 5 percent (5).

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 19 percent (17).

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 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 57. 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. In 2014, the independent control function, Risk Control, performed a control of the value of Alecta's investment assets every four months. 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

	Exposure		Share of portfolio	
Exposure	**2014**	**2013**	**2014**	**2013**
Shares	285 147	231 732	41,7 %	38,4 %
Interest-bearing investments	348 035	327 416	50,9 %	54,3 %
Properties	50 194	43 700	7,3 %	7,2 %
Total	**683 377**	**602 848**	**100,0 %**	**100,0 %**

The table shows the asset allocation based on the classification in the total return table, see page 26. A detailed breakdown of asset classes is provided in the diagrams on page 28.

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 guidelines have 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

NOTE 3 Risks and risk management, *cont.*

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 16.6 percent (15.4) of investments. Without currency hedging, 44.1 percent (37.2) of assets would have been exposed to exchange rate fluctuations.

Currency exposure after hedging

	Share of investment portfolio		Exposure	
	2014	2013	2014	2013
EUR	1,4 %	–1,2 %	9 636	–7 294
CHF	1,2 %	2,1 %	8 064	12 358
GBP	2,9 %	3,3 %	20 023	19 834
USD	9,0 %	7,0 %	61 162	42 079
Other	2,1 %	1,9 %	14 283	11 153
Net exposure	**16,6 %**	**15,4 %**	**113 168**	**92 718**

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 sets credit limits for issuers and counterparties. There are also 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. In addition to external ratings, all issuers are assessed for credit risk using internal credit rating models. Of Alecta's interest-bearing investments, 42 percent (41) are in Swedish and foreign securities, 20 percent (29) in Swedish mortgage institutions and 38 percent (29) in investments issued by other issuers (see Note 26 on page 76).

Credit exposure

	Bonds and other interest-bearing securities			
	Market value		Share	
	2014	2013 [1]	2014	2013 [1]
Rating Aaa/AAA	203 721	189 915	58,9 %	58,7 %
Rating Aa/AA	27 526	29 396	8,0 %	9,1 %
Rating A/A	63 430	56 076	18,3 %	17,3 %
Rating Baa/BBB	31 866	31 506	9,2 %	9,8 %
Rating Ba/BB	2 989	1 729	0,9 %	0,5 %
Without rating	16 424	14 905	4,7 %	4,6 %
of which securities issued by government-owned issuers	*4 204*	*4 759*	*1,2 %*	*1,5 %*
	345 956	**323 527**	**100%**	**100,0 %**

[1] Comparative figures for the previous year have been recalculated following the change to a new calculation model.

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 90 percent of the obligations have a maturity in excess of five years, see Notes 38 and 39 on page 82. 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 76. There is also a maturity analysis of financial liabilities in Note 22 on page 71. 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 72 specifies that SEK 286 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 of a degraded financial position due to the characteristics of the assets and the technical provisions differing from one another. The value of the 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 as well as Alecta's yield targets. 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 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 test 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. The stress test measures 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

	Effect on			
	Solvency level (% points)		Profit for the year/Equity	
Group	2014	2013	2014	2013
Interest decrease 1% point	–10,9	–11,8	–26 552	–21 108
Share price decrease 10%	–6,7	–6,6	–28 515	–23 173
Real estate value decrease 10%	–1,2	–1,2	–5 019	–4 370
Exchange rate decrease 10%	–2,6	–2,6	–11 294	–9 269

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.

NOTE 3 Risks and risk management, *cont.*

Operating risks

Alecta defines an operating risk as the risk of deficiencies in operations related to personnel, organisation and processes, IT systems or security. Such deficiencies can cause risks in other risk categories. For example, deficient competence of Alecta's personnel could cause the company to be unknowingly exposed to financial risks. The operating risks are countered by good internal control.

Other risks

In addition to the aforementioned risks, Alecta has other risks to manage, such as compliance risks and information security risks.

Self-evaluation of risks

Using a company-wide self-assessment method, Alecta's different departments annually identify their risks in various risk categories. 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.

Incident management

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

Group and Parent Company	2014	2013
Current premiums	22 894	20 906
Single premiums	2 378	3 173
Premium tax [1]	–127	–125
Invoiced premiums	**25 145**	**23 954**
Adjustment of paid-up values	8 591	3
Premium reductions	2 386	1 102
Guaranteed refunds	**10 977**	**1 105**
Total premiums written	**36 122**	**25 059**

[1] The tax base comprises 95 (95) percent of premiums received for TGL. Tax amounts to 45 (45) percent of the assessment base.

NOTE 5 Return on capital, income

	Group		Parent Company	
	2014	2013	2014	2013
Rental income from buildings and land	2 441	2 248	955	958
Dividends received	8 075	6 634	8 737	7 356
of which Group companies	*–*	*–*	*678*	*727*
Interest income, etc. [1,2]	12 867	12 798	13 036	13 015
bonds and other interest-bearing securities [1]	*12 672*	*12 584*	*12 672*	*12 584*
loans with real estate as collateral	*–*	*15*	*–*	*–*
other interest income [2]	*195*	*199*	*180*	*195*
other interest income, Group companies	*–*	*–*	*184*	*236*
Foreign exchange gains, net	7 949	–	7 949	–
Capital gains, net	9 413	12 255	9 413	12 188
land and buildings	*–*	*149*	*–*	*82*
shares and participations	*6 461*	*6 107*	*6 461*	*6 107*
bonds and other interest-bearing securities	*2 952*	*5 999*	*2 952*	*5 999*
Other	12	45	–	–
	40 757	**33 980**	**40 090**	**33 517**

[1] Comparative figures for 2013 for interest income concerning bonds and other interest-bearing securities have been adjusted by SEK 1 465 million on the basis of reclassification between interest income and foreign exchange losses. See the corresponding change in Note 9 Return on capital, expenses.

[2] Comparative figures for 2013 for other interest income have been adjusted by SEK –297 million due to net accounting of certain interest income and interest expenses. See the corresponding change in Note 9 Return on capital, expenses.

NOTE 6 Unrealised gains on investment assets

	Group		Parent Company	
	2014	2013	2014	2013
Land and buildings	2 497	1 072	1 521	402
Shares and participations	17 516	35 366	17 520	35 328
Bonds and other interest-bearing securities	17 378	–	17 378	–
Loans with real estate as collateral	3	–	3	–
Other loans	136	28	136	28
	37 530	**36 466**	**36 558**	**35 758**

NOTE 7 Claims paid

Group and Parent Company	2014	2013
Basic amount paid before indexation	–15 559	–14 843
Waiver of premium paid	–1 482	–1 459
Cancellations and repurchases [1]	–612	–770
Operating expenses in claims management	–133	–135
	–17 786	**–17 207**

[1] This item includes transferred capital of SEK 594 million (756).

NOTE 8 Operating expenses

	Group		Parent Company	
	2014	2013	2014	2013
Administrative expenses	–548	–555	–548	–555
Total operating expenses in the insurance business	**–548**	**–555**	**–548**	**–555**
Claims management [1]	–133	–135	–133	–135
Investment management [2]	–196	–170	–179	–155
Property management [3]	–93	–84	–58	–52
Total operating expenses	**-970**	**–944**	**-918**	**–897**
Specification of total operating expenses				
Personnel costs	–442	–439	–429	–428
Premises costs	–21	–31	–20	–30
Amortisation/depreciation	–26	–29	–26	–29
Disposals	–	–	–	–
IT costs	–210	–205	–209	–205
Property management costs	–93	–84	–58	–52
Selection centre costs	–127	–127	–127	–127
Other costs [4]	–101	–78	–99	–75
Administration fees	50	49	50	49
Total operating expenses	**–970**	**–944**	**–918**	**–897**

1) Reported under Claims paid in the income statement, see Note 7.
2) Reported under Return on capital, expenses, in the income statement, see Note 9.
3) Reported under Return on capital, expenses, in the income statement (included in the item Operating expenses for land and buildings in Note 9).
4) Other expenses mainly comprise costs for information and consultants.

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NOTE 9 Return on capital, expenses

	Group		Parent Company	
	2014	2013	2014	2013
Operating expenses for land and buildings	–848	–824	–322	–343
Investment management costs [1]	–196	–170	–179	–155
Interest expenses, etc. [2]	–852	–201	–849	–204
bonds and other interest-bearing securities	*–818*	*–163*	*–818*	*–163*
other interest expenses [2]	*–34*	*–38*	*–29*	*–38*
other interest expenses, Group companies	*–*	*–*	*–2*	*–3*
Custodian bank fees	–23	–14	–23	–14
Depreciation/amortisation and impairment	–	–1	–167	–
loans in Group companies	*–*	*–*	*–167*	*–*
Foreign exchange losses, net [3]	–	–2 983	–	–2 983
Capital losses, net	–555	–	–456	–
land and buildings	*–555*	*–*	*–456*	*–*
shares and participations	*–*	*–*	*–*	*–*
Other	–24	–25	–	–
	–2 498	**–4 218**	**–1 996**	**–3 699**

1) In addition to these costs, external fees of approximately SEK 56 million (41) were paid for investments in unlisted property funds. 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.
2) Comparative figures for 2013 for other interest expenses have been adjusted by SEK 297 million due to net accounting of certain interest income and interest expenses. See the corresponding change in Note 5 Return on capital, income.
3) Comparative figures for 2013 for foreign exchange losses, net have been adjusted by SEK –1 465 million on the basis of reclassification between foreign exchange losses and interest income. See the corresponding change in Note 5 Return on capital, income.

NOTE 10 Unrealised losses on investment assets

	Group		Parent Company	
	2014	2013	2014	2013
Bonds and other interest-bearing securities	–	–11 007	–	–11 007
Loans with real estate as collateral	–	–2	–	–2
	–	**–11 009**	**–**	**–11 009**

NOTE 11 Yield tax

Group and Parent Company	2014	2013
Yield tax [1]	–994	–697
Adjustment of tax attributable to previous years	–1	–4
Total yield tax	**–995**	**–701**

1) Yield tax	2014	2013
Basis [A]	604 272	546 723
Capital base [B]	569 224	513 427
Tax base [C]	11 441	7 804
Yield tax before foreign tax credit [D]	–1 716	–1 171
Tax credit for paid withholding tax and income and property tax on foreign properties previous years	722	474
Yield tax	**–994**	**–697**

Sensitivity analysis	Effect on yield tax	
Group	2014	2013
Capital base +/– 10%	–/+ 172	–/+ 117
Allocation percentage +/– 1 percentage point	–/+ 18	–/+ 12
Average government borrowing rate +/– 1 percentage point	–/+ 854	–/+ 770

A) 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 3 836 million (2 704) constitutes surplus values.
B) The capital base of 94.20 percent (93.91) refers to the pension products and family protection. This portion is calculated on the basis of equity, untaxed reserves and technical provisions.
C) 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: 2.01 percent (1.52).
D) Tax rate: 15 percent (15).

NOTE 12 Income tax (Group)

Group	2014	2013
Income tax		
of which current tax	*–632*	*–374*
of which deferred tax	*–28*	*–530*
Total income tax	**–660**	**–904**
Current tax [1]		
Swedish tax on profit of the year	–1	–99
Foreign tax on directly and indirectly owned properties	–216	–244
Adjustment of tax attributable to previous years	–75	246
Withholding tax	–340	–277
Total current tax	**–632**	**–374**
Deferred tax		
Difference between reported and taxable value of Swedish properties	20	–120
Difference between reported and taxable value of foreign properties	–480	–431
Difference between reported and taxable value of financial instruments	–510	–282
Other temporary differences	–1	0
Loss carry forwards	–13	1
Tax allocation reserve	508	–31
Excess depreciation	–3	–3
Adjustment of tax attributable to previous years	–	–120
Other unutilised tax deductions [2]	–23	52
Creditable foreign income tax	474	404
Total deferred tax	**–28**	**–530**

[1] The portion liable for tax comprises disability pension, waiver of premium and TGL.
[2] Other unutilised tax deductions relating to creditable foreign taxes in excess of the maximum limit. Excess amounts may be offset no later than in the fifth financial year following the current financial year.

Difference between reported tax and tax based on the current Swedish tax rate	2014		2013	
Profit before tax according to income statement	19 871		87 620	
Less: Profit from operations taxed on the basis of yield	–15 885		–83 306	
Profit from operations taxed on the basis of income tax	**3 986**		**4 314**	
Tax according to current tax rate	**–877**	**–22,0 %**	**–949**	**–22,0 %**
Difference in tax rate [A]	–217	–5,4 %	–196	–4,5 %
Non-deductible expenses and taxable income not included in profit	–11	–0,3 %	–48	–1,1 %
Non-taxable income	8	0,2 %	21	0,5 %
Allocated premium reduction	511	12,8 %	243	5,6 %
Standard interest rate, tax allocation reserve	–8	–0,2 %	–5	–0,1 %
Effect of initial recognition of properties	–17	–0,4 %	–87	–2,0 %
Other	–6	–0,2 %	–9	–0,2 %
Adjustment of tax attributable to previous years	28	0,7 %	127	2,9 %
Loss carry forwards	5	0,1 %	–5	–0,1 %
Unutilised tax deductions	–23	–0,6 %	52	1,2 %
Foreign tax to credit [B]	335	8,4 %	273	6,3 %
Foreign income tax	–48	–1,2 %	–44	–1,0 %
Withholding tax	–340	–8,5 %	–277	–6,4 %
Reported income tax	**–660**	**–16,6 %**	**–904**	**–20,9 %**

[A] Refers to the United States and France.
[B] Corresponds to deferred tax on the difference between the reported and fiscal values of foreign properties.

NOTE 13 Tax (Parent Company)

Parent Company	2014	2013
Yield tax	–995	–701
Income tax	–1 178	–531
of which current tax	*–625*	*–178*
of which deferred tax	*–553*	*–353*
Total tax	**–2 173**	**–1 232**
Yield tax		
Yield tax [1]	–994	–697
Adjustment of tax attributable to previous years	–1	–4
Total yield tax	**–995**	**–701**
Current tax [2]		
Swedish tax on profit of the year	–	–95
Foreign tax on directly and indirectly owned properties	–212	–44
Adjustment of tax attributable to previous years	–73	238
Withholding tax	–340	–277
Total current tax	**–625**	**–178**
Deferred tax		
Difference between reported and taxable value of properties	–160	–134
Difference between reported and taxable value of financial instruments	–511	–282
Other temporary differences	0	0
Loss carry forwards	3	–
Other unutilised tax deductions [3]	–23	52
Creditable foreign income tax	138	131
Adjustment of tax attributable to previous years	–	–120
Total deferred tax	**–553**	**–353**

[1] For the calculation of yield tax, see Note 11.
[2] The portion liable for tax comprises disability pension, waiver of premium and TGL.
[3] Other unutilised tax deductions relating to creditable foreign taxes in excess of the maximum limit. Excess amounts may be offset no later than in the fifth financial year following the current financial year.

Difference between reported tax and tax based on the current Swedish tax rate	2014		2013	
Profit before tax according to income statement	21 062		87 546	
Less: Profit from operations taxed on the basis of yield	–16 354		–84 718	
Profit from operations taxed on the basis of income tax	**4 708**		**2 828**	
Tax according to current tax rate	**–1 036**	**–22,0 %**	**–622**	**–22,0 %**
Non-deductible expenses and taxable income not included in profit	–11	–0,2 %	–8	–0,2 %
Non-taxable income	14	0,3 %	12	0,4 %
Allocated premium reduction	511	10,9 %	243	8,6 %
Standard interest rate, tax allocation reserve	–8	–0,2 %	–5	–0,2 %
Unutilised tax deductions	–23	–0,5 %	52	1,8 %
Foreign income tax	–212	–4,5 %	–44	–1,5 %
Adjustment of tax attributable to previous years	–73	–1,6 %	118	4,1 %
Withholding tax	–340	–7,2 %	–277	–9,8 %
Reported income tax	**–1 178**	**–25,0 %**	**–531**	**–18,8 %**
Additional yield tax	–994		–697	
Additional yield tax from previous years	–1		–4	
Reported tax	**–2 173**		**–1 232**	

NOTE 14 Intangible fixed assets

Group and Parent Company	2014 Intangible assets under development	2014 Completed development	2014 Total	2013 Intangible assets under development	2013 Completed development	2013 Total
Cost						
Opening balance	–	684	684	1	688	689
Investments for the year	–	–	–	3	–	3
Disposals for the year	–	–	–	–	–8	–8
Reclassification for the year	–	–	–	–4	4	–
Closing balance		**684**	**684**	**–**	**684**	**684**
Accumulated amortisation and impairment						
Opening balance	–	–208	–208	–	–187	–187
Amortisation for the year	–	–26	–26	–	–29	–29
Disposals for the year	–	–	–	–	8	8
Closing balance, amortisation	**–**	**–234**	**–234**	**–**	**–208**	**–208**
Opening balance	–	–114	–114	–	–114	–114
Closing balance, impairments	**–**	**–114**	**–114**	**–**	**–114**	**–114**
Book value, intangible assets	**–**	**336**	**336**	**–**	**362**	**362**

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 (680) of total costs.

NOTE 15 Property, plant and equipment

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Cost				
Opening balance	62	60	36	35
Acquisitions for the year	4	2	1	1
Disposals/sales for the year	–22	0	–21	–
Translation difference	0	0	–	–
Closing balance	**44**	**62**	**16**	**36**
Accumulated depreciation				
Opening balance	–35	–33	–31	–30
Depreciation for the year	–2	–2	–1	–1
Disposals/sales for the year	22	0	21	–
Translation difference	0	0	–	–
Closing balance	**–15**	**–35**	**–11**	**–31**
Book value, property, plant and equipment	**29**	**27**	**5**	**5**

NOTE 16 Investment properties (Land and buildings)

Specification change in fair value

Group 2014	Sweden	USA	UK	France	Netherlands	Total
Opening balance	18 405	9 679	3 659	415	175	32 333
New builds, extensions and conversions	847	102	–32	5	1	923
Acquisitions	2 191	–	–	–	–	2 191
Sales	–1 457	–362	–160	–417	–134	–2 530
Change in value	463	912	637	–14	–46	1 952
Exchange rate fluctuations	–	2 060	518	11	4	2 593
Closing balance	**20 449**	**12 391**	**4 622**	**0**	**0**	**37 462**

Group 2013	Sweden	USA	UK	France	Netherlands	Total
Opening balance	15 347	9 430	3 171	438	172	28 558
New builds, extensions and conversions	1 136	89	149	–	1	1 375
Acquisitions	2 223	348	296	–	–	2 867
Sales	–743	–700	–178	–	–	–1 621
Change in value	442	633	205	–36	–5	1 239
Exchange rate fluctuations	–	–121	16	13	7	–85
Closing balance	**18 405**	**9 679**	**3 659**	**415**	**175**	**32 333**

Parent Company 2014	Sweden	USA	UK	France	Netherlands	Total
Opening balance	9 848	1 015	3 659	–	175	14 697
New builds, extensions and conversions	150	10	–32	–	1	129
Acquisitions	439	–	–	–	–	439
Sales	–1 457	–	–160	–	–134	–1 751
Change in value	286	239	637	–	–46	1 116
Exchange rate fluctuations	–	224	518	–	4	746
Closing balance	**9 266**	**1 488**	**4 622**	**–**	**0**	**15 376**

Parent Company 2013	Sweden	USA	UK	France	Netherlands	Total
Opening balance	9 560	1 022	3 172	–	172	13 926
New builds, extensions and conversions	523	10	148	–	1	682
Acquisitions	–	–	296	–	–	296
Sales	–547	–	–178	–	–	–725
Change in value	312	–3	205	–	–5	509
Exchange rate fluctuations	–	–14	16	–	7	9
Closing balance	**9 848**	**1 015**	**3 659**	**–**	**175**	**14 697**

Specification costs*

Parent Company	Sweden	USA	UK	France	Netherlands	Total
2014	7 062	968	3 967	–	–	11 997
2013	8 134	793	3 702	–	339	12 968

* Costs in foreign currencies are recognised at the closing day rate.

NOTE 16 Investment properties (Land and buildings), *cont.*

	Group		Parent Company	
Fair value per sector	2014	2013	2014	2013
Industry	2 414	2 175	1 329	1 105
Offices	19 653	17 324	8 214	8 461
Residential housing	2 304	1 600	–	–
Trade	11 476	10 162	4 724	4 458
Other	1 615	1 072	1 109	673
Total	**37 462**	**32 333**	**15 376**	**14 697**

	Group	
Vacancy rate by rent, %	2014	2013
Sweden	4,8	4,2
USA	9,2	7,3
UK	7,7	6,6
Netherlands	–	11,3
France	–	18,3
	6,5	**5,6**

	Group	
Breakdown of lettable space, square metres	2014	2013
Sweden	719 411	745 559
USA	383 708	370 064
UK	151 247	161 846
Netherlands	–	41 521
France	–	43 888
	1 254 366	**1 362 878**

	Group	
Lease maturities at 31 Dec 2014	Contracted annual rent	Share %
Maturity dates:		
Within one year	276	11
Later than one year but within five years	964	39
Later than five years	1 059	43
Residential, garage/parking, etc.	163	7
	2 462	**100**

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 and no move of properties between different value hierarchies occurred during the year. See Note 1, Accounting principles in the Group and Parent Company under Land and buildings on page 51 for a description of the valuation process.

Valuation methods

The total value of Alecta's property portfolio is based on the estimated 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 yield-based method, implying that the value of the property is based on the current value of the forecast 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.

A sales comparison approach based on 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 required returns include the tenant mix of the property, modernity, location and the length of the rental agreement, as well as comparable implemented and planned transactions on the market. 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 return. In the United States, both the sales comparison approach and yield-based 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 required returns for property holdings differ between regions and property categories. The average 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	1 100	5,4
USA	606	4,9
UK	221	5,7

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 percent in net operating income and a change of +/– 0,5 percent 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	+/– 2 050	+/– 1 930
USA	+/–1 240	+/– 1 150
UK	+/– 90	+/– 430

NOTE 17 Owner-occupied properties (Land and buildings)

Group	2014	2013
Cost		
Opening balance	974	967
Acquisitions for the year	16	7
Closing balance	**990**	**974**
Accumulated depreciation		
Opening balance	–84	–66
Depreciation for the year	–18	–18
Closing balance	**–102**	**–84**
Book value, owner-occupied properties	**888**	**890**

NOTE 18 Shares and participations in Group companies [1)]

Parent Company	Corporate Identity Number	Registered offices	Number of shares/ participations	Share of capital	Book value 2014	Book value 2013
Swedish companies						
Alecta AB	556597-9266	Stockholm	1 000	100 %	0	0
Alecta Köpcentrum AB	556943-7071	Stockholm	500	100 %	0	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 %	–	–
Alfab Valutan 13 AB	556708-2713	Stockholm	100 000	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 %	–	–
Alecta Tjänstepensioner AB	556713-7160	Stockholm	1 000	100 %	0	0
Alfab Indirekt Holding AB	556931-5459	Stockholm	50 000	100 %	30	20
Kabelverket Holding AB	556587-1075	Stockholm	1 000	100 %	0	0
Alfab Brygghuset 2 AB	556981-3149	Stockholm	50 000	100 %	–	–
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 Haninge 515 AB	556764-4462	Stockholm	1 000	100 %	–	–
Alfab Haninge 516 AB	556730-4174	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 %	–	–
Alfab Västerport 2 AB	556946-8944	Stockholm	500	100 %	–	–
Fastighets AB Kablaget	556577-4642	Stockholm	1 000	100 %	–	–
– Alecta Fastighetsutveckling AB	556577-4618	Stockholm	1 000	100 %	–	–
– Fastighets AB Kabelverket	556577-4568	Stockholm	1 000	100 %	–	–
Vasaterminalen AB	556118-8722	Stockholm	2 022 000	100 %	–	–
– World Trade Center Stockholm AB	556273-0803	Stockholm	1 000	100 %	–	–
– WTC Parkering AB	556424-3920	Stockholm	1 000	100 %	–	–
Naraden Boglundsängen KB	969651-4117	Stockholm	99	99 %	15	15
Naraden Göteborg 1 KB	969697-7892	Stockholm	99	99 %	285	273
Tuna Park Köpcentrum KB	969680-6398	Stockholm	999	99,9 %	501	501
Total Sweden					**861**	**839**

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

NOTE 18 Shares and participations in Group companies [1], *cont.*

Parent Company	Corporate Identity Number	Registered offices	Number of shares/ participations	Share of capital	Book value 2014	Book value 2013
Foreign companies						
France						
Alecta Real Estate France EURL	499638864	Paris	1 000	100 %	0	0
Alecta Floirac SCI	501701635	Paris	9 999	99,9 %	0	0
Alecta Hoerdt 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
Total France					**0**	**0**
USA						
Alecta Real Estate USA, LLC	DE ID 4078782	San Francisco	–	100 %	8 094	7 534
Alecta Denver, LLC	DE ID 4382120	San Francisco	–	100 %	–	–
Alecta Houston, LLC [2]	DE ID 4256956	San Francisco	–	100 %	–	–
Alecta Los Angeles, LLC	DE ID 4784460	San Francisco	–	100 %	–	–
Alecta Real Estate Investment, LLC	DE ID 4223706	San Francisco	–	100 %	–	–
– Alecta Real Estate Atlanta, LLC [2]	DE ID 3896694	San Francisco	–	100 %	–	–
– Alecta Real Estate California, LLC [2]	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 Portland, LLC	DE ID 4836467	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 Value Add Investments, LLC	DE ID 5469880	San Francisco	–	100 %	–	–
Birch Commercial Mortgage, LLC	DE ID 4641524	San Francisco	–	100 %	–	–
Boylston Street Investors, LLC	DE ID 5405204	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 %	–	–
Middlefield Circle, LLC	DE ID 5071351	San Francisco	–	100 %	–	–
MMM Northwest 37, LLC	DE ID 4905419	San Francisco	–	100 %	–	–
Moutain View Circle, LLC	DE ID 5413213	San Francisco	–	100 %	–	–
SRP Valley, LLC	DE ID 5125176	San Francisco	–	100 %	–	–
SSF Industrial, LLC	DE ID 5036326	San Francisco	–	100 %	–	–
Townsend East, LLC	DE ID 5225419	San Francisco	–	100 %	–	–
Walnut & Fifteenth, LLC	DE ID 5235952	San Francisco	–	100 %	–	–
Total USA					**8 094**	**7 534**
Total shares and participations in Group companies					**8 955**	**8 373**

1) As all shares are unlisted, market values are not specified. Book values are not stated for subsidiaries in sub-groups.
2) Company liquidated in 2014.

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

Parent Company	Book value 2014	Book value 2013
Cost		
Opening balance	11 249	11 130
Acquisitions for the year	–	0
Disposals for the year	–	0
Shareholder contributions for the year	570	106
Liquidations for the year	–	–
Share of profit for the year	12	13
Closing balance	**11 831**	**11 249**
Accumulated impairment		
Opening balance	–2 876	–2 876
Impairment for the year	–	–
Reversed impairment for the year	–	–
Closing balance	**–2 876**	**–2 876**
Total shares and participations in Group companies	**8 955**	**8 373**

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

Parent Company	Book value 2014	Book value 2013
Cost		
Opening balance	7 054	5 639
Change for the year	1 577	1 415
Total interest-bearing securities issued by, and loans to, Group companies	**8 631**	**7 054**

The item comprises, in its entirety, loans to property-owning subsidiaries.
Book value is estimated to correspond to fair value.
The amount for the year's change includes an impairment of loans to Alecta's French subsidiary in an amount of SEK 167 million.

NOTE 20 Categorisation of financial assets and liabilities

Group 31 Dec. 2014 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 assets and liabilities	Total carrying amount	Fair value
Shares and participations	294 131	–	–	294 131	294 131
Bonds and other interest-bearing securities	345 956	–	–	345 956	345 956
Loans with real estate at collateral	–	–	5	5	5
Other loans	1 261	–	2 356	3 617	3 617
Derivatives	–	6 846	–	6 846	6 846
Receivables referring to direct insurance operations	–	–	1 369	1 369	1 369
Other receivables	–	–	649	649	649
Cash and bank balances	–	–	1 116	1 116	1 116
Accrued interest and rental income	–	–	7 469	7 469	7 469
Total	**641 348**	**6 846**	**12 964**	**661 158**	**661 158**
Financial liabilities					
Liabilities referring to direct insurance operations	–	–	31	31	31
Derivatives	–	10 745	–	10 745	10 745
Other liabilities	–	–	1 714	1 714	1 714
Other accrued expenses and deferred income	–	–	2 291	2 291	2 291
Total	**–**	**10 745**	**4 036**	**14 781**	**14 781**

Group 31 Dec. 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 assets and liabilities	Total carrying amount	Fair value
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
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 [1]	–	–	7 136	7 136	7 136
Total	**562 476**	**1 626**	**13 108**	**577 210**	**577 210**
Financial liabilities					
Liabilities referring to direct insurance operations	–	–	48	48	48
Derivatives	–	4 363	–	4 363	4 363
Other liabilities [2]	–	–	433	433	433
Other accrued expenses and deferred income [1]	–	–	1 571	1 571	1 571
Total	**–**	**4 363**	**2 052**	**6 415**	**6 415**

1) Comparative figures for 2013 have been altered due to reclassification of accrued interest income and accrued interest expenses from fair value through profit and loss at initial recognition and through trade to other financial assets and liabilities.
2) Comparative figures for 2013 have been altered due to reclassification of other liabilities from fair value through the income statement to other financial assets and liabilities.

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

Parent Company, 31 Dec. 2014 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 assets and liabilities	Total carrying amount	Fair value
Interest-bearing securities issued by, and loans to, Group companies	–	–	8 631	8 631	8 631
Shares and participations	293 094	–	–	293 094	293 094
Bonds and other interest-bearing securities	345 956	–	–	345 956	345 956
Loans with real estate as collateral	–	–	5	5	5
Other loans	1 261	–	2 103	3 364	3 364
Derivatives	–	6 846	–	6 846	6 846
Receivables referring to direct insurance operations	–	–	1 369	1 369	1 369
Other receivables	–	–	2 156	2 156	2 156
Cash and bank balances	–	–	842	842	842
Accrued interest and rental income	–	–	7 469	7 469	7 469
Total	**640 311**	**6 846**	**22 575**	**669 732**	**669 732**
Financial liabilities					
Liabilities referring to direct insurance operations	–	–	31	31	31
Derivatives	–	10 745	–	10 745	10 745
Other liabilities	–	–	2 621	2 621	2 621
Other accrued expenses and deferred income	–	–	2 259	2 259	2 259
Total	**–**	**10 745**	**4 911**	**15 656**	**15 656**

Parent Company 31 Dec. 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 assets and 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
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 [1]	–	–	7 374	7 374	7 374
Total	**562 230**	**1 626**	**21 070**	**584 926**	**584 926**
Financial liabilities					
Liabilities referring to direct insurance operations	–	–	48	48	48
Derivatives	–	4 363	–	4 363	4 363
Other liabilities [2]	–	–	972	972	972
Other accrued expenses and deferred income [1]	–	–	1 553	1 553	1 553
Total	**–**	**4 363**	**2 573**	**6 936**	**6 936**

1) Comparative figures for 2013 have been altered due to reclassification of accrued interest income and accrued interest expenses from fair value through profit and loss at initial recognition and through trade to other financial assets and liabilities.
2) Comparative figures for 2013 have been altered due to reclassification of other liabilities from fair value through the income statement to other financial assets and liabilities.

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

	Group		Parent Company	
	2014	2013 [2]	2014	2013 [2]
Financial assets measured at fair value through income statement				
shares and participations	44 085	48 471	44 075	48 435
interest-bearing securities	28 106	6 227	28 106	6 227
loans	252	59	252	59
Financial assets and liabilities classified as held for trading				
derivatives	–906	–2 261	–906	–2 261
Loans and receivables [2]	170	189	354	425
Other liabilities [2]	–20	–20	–22	–23
Total net profit [1]	**71 687**	**52 665**	**71 859**	**52 862**
Land and buildings, net	4 481	2 738	3 155	1 874
Investment management and custodian expenses	–219	–183	–202	–169
Other, net	–160	–1	–160	1
Total return on capital as reported in income statement	**75 789**	**55 219**	**74 652**	**54 568**

[1] Net profit includes realised and unrealised value changes, as well as interest, dividends and foreign exchange gains.
[2] Comparative figures for 2013 have been adjusted due to the reclassification of net profit for derivatives, from having been attributable to underlying financial assets, to being classified as derivatives. Adjustment has also been made of net accounting of certain interest income and interest expenses.

NOTE 22 Maturity analyses of financial liabilities

Time to maturity Group, 31 Dec. 2014	<3 months	3 months < 1 year	1–5 years	> 5 years	Total
Non-liquidated securities transactions	–10	–	–	–	–10
Liabilities for cash collateral received for derivatives	–1 545	–	–	–	–1 545
Derivatives gross – outflow	–207 882	–12 097	–33 349	–21 356	–274 684
Derivatives gross – inflow	203 882	12 417	34 594	21 145	272 038
Other liabilities	–190	–	–	–	–190
Other accrued expenses and deferred income	–2 291	–	–	–	–2 291
Total cash flow	**–8 036**	**320**	**1 245**	**-211**	**–6 682**

Time to maturity Group, 31 Dec. 2013	<3 months	3 months < 1 year	1–5 years	> 5 years	Total
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
Total cash flow	**–1 032**	**741**	**1 797**	**2 225**	**3 731**

The purpose of this note is to illustrate when the Group's financial liabilities are 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 derivatives with variable interest, the most recent known interest rate has been applied to approximate future cash flows.
For a description of liquidity risk, refer to Note 3, Risks and risk management.

NOTE 23 Measurement 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 value of the financial instruments is to be measured using the valuation technique which is appropriate under the circumstances, and the use of relevant observable information is to be maximised as much as possible. The aim is to find the valuation technique which best estimates the price at which the financial assets could be sold, or the financial liabilities transferred to market participants, in the current market conditions. The three levels of valuation categories are:

Level 1: Measurement based on prices listed on an active market

A measurement at fair value with prices listed on an active market is utilised if listed prices are simply and regularly available, and under the condition that these prices represent real and regularly occurring market transactions. Examples of financial assets classified at this level are listed shares, government bonds and Swedish mortgage bonds.

Prices for these financial assets are obtained daily through suppliers of index prices acquired from each stock market, and are, when appropriate, revalued at the daily quoted currency rates (17:00 p.m.) from the price supplier WM Company.

Level 2: Measurement based on observable market data

The financial assets and liabilities without prices listed on an active market are measured at fair value based on as much available market information as possible. Examples of market information utilised in valuation are:

- Market quotes of interest rates, credit spreads and exchange rates
- Market information on prices of similar financial instruments
- Market information on prices of recently completed transactions in the same, or similar, financial instrument

Examples of financial assets and liabilities classified at this level are interest-bearing instruments such as Swedish and foreign corporate bonds, structured bonds and all OTC derivatives in the form of interest rate swaps, currency derivatives and credit derivatives.

For interest-bearing instruments, daily and monthly prices from the external price suppliers Thomson Reuters and Bloomberg are applied. Agreements afford Alecta with the ability to obtain a screening of the supplier's valuation data to secure the quality of the submitted prices.

For OTC derivatives, the fair value is determined daily according to market practice by Alecta's finance system through a present value calculation of each derivative's future cash flows based on market quotes of interest rates, credit spreads and exchange rates.

Level 3: Measurement based on non-observable market data

The financial assets measured at fair value without access to observable market information are classified as level 3. Also included in this category are financial assets measured at fair value based on a certain degree of observable information, but for which Alecta is unable to perform a screening of the applied valuation technique.

Examples of financial assets at this level are primarily property-related investments in the form of funds, co-owned real estate companies (joint ventures) and loans to property owning companies. The fair value of these assets is obtained from the fund manager or the property owning companies following the external valuation of the underlying properties. For financial assets which are not property-related, the fair value is based on the rates of external counterparts.

Fair value of financial instruments, 31 Dec. 2014

Group	Measurement based on prices listed on an active market Level 1	Measurement based on observable market data Level 2	Measurement based on non-observable market data Level 3	Carrying amount 31 Dec. 2014
Assets				
Shares and participations	286 171	–	6 523	292 694
Joint ventures [1]	–	–	1 437	1 437
Bonds and other interest-bearing securities	183 470	162 486	–	345 956
Loans with real estate as collateral	–	–	–	–
Other loans	–	–	1 261	1 261
Derivatives	–	6 846	–	6 846
Total assets	**469 641**	**169 332**	**9 221**	**648 194**
Liabilities				
Derivatives	–	10 745	–	10 745
Total liabilities	**–**	**10 745**	**–**	**10 745**
Parent Company				
Assets				
Shares and participations	286 171	–	6 264	292 435
Joint ventures [1]	–	–	659	659
Bonds and other interest-bearing securities	183 470	162 486	–	345 956
Loans with real estate as collateral	–	–	–	–
Other loans	–	–	1 261	1 261
Derivatives	–	6 846	–	6 846
Total assets	**469 641**	**169 332**	**8 184**	**647 157**
Liabilities				
Derivatives	–	10 745	–	10 745
Total liabilities	**–**	**10 745**	**–**	**10 745**

1) Reported in Note 25, Shares and participations, as unlisted shares.

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

Principles for reclassification between levels
Financial assets and liabilities measured at fair value are classified into one of the three valuation categories at the date of acquisition and, thereafter, normally maintain this classification until sold. Under certain conditions, however, a financial asset can be reclassified into another level after the date of acquisition. The following principles apply to this type of reclassification:

Principles for reclassification between level 1 and 2
In order for the reclassification from level 1 to 2 to occur, the financial instruments must no longer be traded on an active market, but must still be able to be measured in accordance with the description of level 2. Similarly, a reclassification from level 2 to level 1 can occur if financial instruments in level 2 become subject to a listing on an active market.

In 2014, no transfers took place from level 1 to 2 or from level 2 to 1.

Principles for reclassification between level 2 and 3
A reclassification from level 2 to level 3 is in question if a financial instrument no longer can be measured at fair value based on observable market data. Similarly, financial instruments in level 3 can become subject to a transfer to level 2 if observable market data becomes available and an external price supplier can measure the instruments at fair value based on this information.

In 2014, no transfers took place from level 2 to 3 or from level 3 to 2.

Principles for reclassification between level 1 and 3
A reclassification from level 1 to level 3 occurs if a financial instrument is delisted from an active market and there is insufficient market data to measure the instrument according to level 2. Similarly, a reclassification from level 3 to level 1 can occur if financial instruments in level 3 become subject to a listing on an active market.

In 2014, an unlisted real estate company in level 3 was listed on an active market, after which a transfer to level 1 amounting to SEK 292 million occurred. No transfers took place from level 1 to level 3.

Sensitivity analysis for financial instruments in level 3
IFRS 13 stipulates that a sensitivity analysis must also be presented for financial instruments measured at fair value according to level 3. This sensitivity analysis is to include an explanatory description of how sensitive the measurement is to changes in non-observable information.

Since we lack the ability to screen the non-observable data which the fund manager or real estate company has utilised to determine the fair value of the financial instruments classified as level 3, a sensitivity analysis implies difficulties. Concurrently, it is fair to assume that these financial instruments, whose underlying assets consist of externally valued properties, are affected by similar value-affecting factors as those described in the sensitivity analysis for investment properties (land and buildings) in Note 16. In this sensitivity analysis, changes in net operating income and rate of return are considered to be the most significant. A sensitivity analysis with a change in the required rate of return of 0.5 percentage points or a 10 percent change in the net operating income would affect the fair value by approximately SEK 900 million and SEK 500 million, respectively.

	Fair value of financial instruments, 31 Dec. 2013			
Group	Measurement based on prices listed on an active market Level 1	Measurement based on observable market data Level 2	Measurement based on non-observable market data Level 3	Carrying amount 31 Dec. 2013
Assets				
Shares and participations	232 207	–	4 791	236 998
Joint ventures [1]	–	–	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 [1]	–	–	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**

[1] 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 primarily comprise property-related investments. A sensitivity analysis can be performed on the basis of the same valuation-influencing factors as those applied in Note 16, Investment properties (land and buildings).

NOTE 24 Disclosures of financial instruments measured at fair value based on level 3[1)]

	Fair value at year-end 2014				
Group	Shares and participations	Joint ventures	Bonds and other interest-bearing securities	Other loans	Total
Opening balance 2014	4 791	809	2 040	967	8 607
Purchases	641	662	–	262	1 565
Acquisition cost of sold holdings	–252	–	–2 000	–184	–2 436
Gains and losses					
Realised gains/losses, wholly sold holdings	*–93*	*–*	*–40*	*–*	*–133*
Realised gains/losses, partially sold holdings	*94*	*–*	*–*	*13*	*107*
Unrealised gains/losses	*772*	*196*	*–*	*136*	*1 104*
Unrealised exchange gains/losses	*570*	*62*	*–*	*67*	*699*
Transfer from level 3	–	–292	–	–	–292
Transfer to level 3	–	–	–	–	–
Closing balance 2014	**6 523**	**1 437**	**–**	**1 261**	**9 221**
Total gains and losses reported in the income statement for financial instruments held at the end of the period	1 317	257	–	217	1 791
Gains and losses reported in the income statement as return on capital during the period	1 343	258	–40	216	1 777

Parent Company	Shares and participations	Joint ventures	Bonds and other interest-bearing securities	Other loans	Total
Opening balance 2014	4 614	740	2 040	967	8 361
Purchases	615	29	–	262	906
Acquisition cost of sold holdings	–248	–	–2 000	–184	–2 432
Gains and losses					
Realised gains/losses, wholly sold holdings	*–93*	*–*	*–40*	*–*	*–133*
Realised gains/losses, partially sold holdings	*94*	*–*	*–*	*13*	*107*
Unrealised gains/losses	*745*	*182*	*–*	*136*	*1 063*
Unrealised exchange gains/losses	*537*	*–*	*–*	*67*	*604*
Transfer from level 3	–	–292	–	–	–292
Transfer to level 3	–	–	–	–	–
Closing balance 2014	**6 264**	**659**	**–**	**1 261**	**8 184**
Total gains and losses reported in the income statement for financial instruments held at the end of the period	1 257	182	–	217	1 656
Gains and losses reported in the income statement as return on capital during the period	1 283	182	–40	216	1 641

1) 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[1], *cont.*

Group	Fair value at year-end 2013 Shares and participations	Joint ventures	Bonds and other interest-bearing securities	Other loans	Total
Opening balance 2013	4 340	466	2 070	720	7 596
Purchases	340	557	–	217	1 114
Acquisition cost of sold holdings	–324	–390	–	–7	–721
Gains and losses					
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	–	–	–	–	–
Closing balance 2013	**4 791**	**809**	**2 040**	**967**	**8 607**
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

Parent Company					
Opening balance 2013	4 226	466	2 070	720	7 482
Purchases	309	492	–	217	1 018
Acquisition cost of sold holdings	–324	–390	–	–7	–721
Gains and losses					
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	–	–	–	–	–
Closing balance 2013	**4 614**	**740**	**2 040**	**967**	**8 361**
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

[1] A definition of level 3 is provided in Note 23, Valuation categories.

NOTE 25 Shares and participations

	2014		2013	
Group	Fair value	Cost	Fair value	Cost
Swedish listed shares	130 522	82 540	118 117	80 378
Swedish unlisted shares	969	505	1 111	977
Foreign listed shares	155 649	129 541	114 090	94 236
Foreign unlisted shares	6 991	5 358	4 489	3 590
	294 131	**217 944**	**237 807**	**179 181**
Parent Company				
Swedish listed shares	130 522	82 540	118 117	80 378
Swedish unlisted shares	952	474	1 086	957
Foreign listed shares	155 649	129 541	114 090	94 236
Foreign unlisted shares	5 971	4 427	4 268	3 400
	293 094	**216 982**	**237 561**	**178 971**

Joint ventures are included in unlisted shares.

NOTE 26 Bonds and other interest-bearing securities

	2014		2013	
Group and Parent Company	Fair value	Amortised cost	Fair value	Amortised cost
Swedish government	54 441	48 244	74 678	72 718
Swedish mortgage institutions	67 689	66 652	56 921	56 090
Other Swedish issuers	49 490	46 966	47 077	44 507
Foreign governments	89 406	76 973	80 053	75 912
Other foreign issuers	84 930	76 138	64 798	53 654
	345 956	**314 973**	**323 527**	**302 881**

The fair value of interest-bearing securities exceeds and falls below the amount to be redeemed on the due date by SEK 31 518 (15 827) million and SEK 186 (1 757) million, respectively. Swedish government and foreign governments also include state-guaranteed holdings.

Fixed interest terms 2014	Group and Parent Company
0–1 year	114 203
>1–5 years	103 037
>5–10 years	75 058
>10 years	53 658
	345 956

NOTE 27 Loans with real estate as collateral

	2014		2013	
Group	Fair value	Cost	Fair value	Cost
Loans with real estate as collateral	5	5	175	177
	5	**5**	**175**	**177**
Parent Company				
Loans with real estate as collateral	5	5	175	177
	5	**5**	**175**	**177**

NOTE 28 Other loans

	2014		2013	
Group	Carrying amount	Cost	Carrying amount	Cost
Other loans	3 617	3 425	3 587	3 531
	3 617	**3 425**	**3 587**	**3 531**
Parent Company				
Other loans	3 364	3 172	3 406	3 350
	3 364	**3 172**	**3 406**	**3 350**

Pertains mainly to property-related loans, of which SEK 2 356 million (2 620) is reported in the Group and SEK 2 103 million (2 439) in the Parent Company at amortised cost. SEK 1 261 million (967) is reported at fair value both in the Group and in the Parent Company. Loans to joint ventures are presented in Note 56.

NOTE 29 Derivatives

	2014			2013		
		Fair value			Fair value	
Group and Parent Company	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
Interest-related instruments	**110 392**	**5 739**	**4 408**	**90 108**	**728**	**2 957**
Swaps	*105 371*	*5 739*	*4 387*	*95 484*	*728*	*2 935*
FRA/futures	*3 701*	*0*	*0*	*–4 133*	*–*	*–*
CDS	*1 320*	*0*	*21*	*–1 243*	*–*	*22*
Currency-related instruments	**195 676**	**1 107**	**6 337**	**133 810**	**898**	**1 406**
Forward contracts/ swaps	*195 676*	*1 107*	*6 337*	*133 810*	*898*	*1 406*
Total derivatives	**306 068**	**6 846**	**10 745**	**223 918**	**1 626**	**4 363**

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.

NOTE 30 Financial instruments subject to enforceable master netting agreements

31 Dec. 2014	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 [3]
Assets					
Derivatives [4]	9 453	–9 453	–49	–1 545	0
Securities lending [1]	1 380	–	–1 381	–	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 [2]	Pledged cash collateral	Net amount [3]
Liabilities					
Derivatives [4]	12 988	–9 453	–7 593	–	0

31 Dec. 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 [3]
Assets					
Derivatives [4]	3 741	–3 741	–	–	0
Securities lending [1]	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 [2]	Pledged cash collateral	Net amount [3]
Liabilities					
Derivatives [4]	5 891	–3 741	–1 981	–	169

1) Lending of interest-bearing securities is described in Note 49 Transfers of financial assets.
2) Pledged collateral is also reported in Note 48 Other pledged assets and comparable collateral.
3) In accordance with IFRS 7, the net amount cannot be less than 0.
4) Accrued interest Income at SEK 2 607 million (2 115) and accrued interest expenses at SEK 2 243 million (1 528) are included in the amount.

Disclosures of financial instruments included in netting agreements

The purpose of this Note 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 9 453 million and derivative contracts with a negative value amounted to a total of SEK 12 988 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 received SEK 49 million in interest bearing securities in the form of German government bonds as well as SEK 1 545 million in cash where the total of all derivative contracts is positive. Alecta has in a similar manner provided a total of SEK 7 593 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	2014	2013
Receivables from policy holders	1 369	1 534
	1 369	**1 534**

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

NOTE 32 Other receivables

Group	2014	2013
Cash receivable from sale of investment assets	257	161
Tax outside Sweden	312	469
Yield tax	–	–
Overdue unreceived share dividends	40	39
Value added tax	5	13
Receivable PRI pension guarantee	170	163
Other	182	262
	966	**1 107**
Parent Company		
Cash receivable from sale of investment assets	257	161
Tax in Sweden [1)]	184	454
Tax outside Sweden	312	469
Overdue, unreceived share dividends	40	39
Value added tax	0	10
Receivable subsidiaries	1 571	1 122
Receivable PRI pension guarantee	170	163
Other	118	202
	2 652	**2 620**

1) 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 33 Accrued interest and rental income

	Group		Parent Company	
	2014	2013	2014	2013
Accrued interest income, subsidiaries	–	–	180	238
Accrued interest income	7 469	7 136	7 469	7 136
	7 469	**7 136**	**7 649**	**7 374**

NOTE 34 Equity excluding guarantee reserve

Group	Translation reserves	Discretionary participation features reserve [1]	Special indexation funds [2]	Retained earnings including profit for the year	Total
Opening balance 2013	**–1 241**	**37 074**	**10 962**	**117 510**	**164 305**
Profit for the year				86 716	86 716
Allocated refunds					
Defined benefit plan	–	*10 902*	–	*–10 902*	–
Defined contribution plan Alecta Optimal Pension	–	*8 823*	–	*–8 823*	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	*–2 732*	–	–	*–2 732*
Additional supplement, defined contribution plan	–	*–19*	–	–	*–19*
Adjustment of paid-up values	–	*–3*	–	–	*–3*
Premium reductions	–	*–1 102*	–	–	*–1 102*
Return on guarantee reserve [3]	–	–	–	–194	–194
Charges	–	–	20	–20	–
Interest	–	638	114	–752	–
Collective risk premium [4]	–	–	–242	–	–242
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 [5]	–	–429	1	434	6
Closing balance 2013	**–1 357**	**54 059**	**10 855**	**183 062**	**246 619**
Opening balance 2014	**–1 357**	**54 059**	**10 855**	**183 062**	**246 619**
Profit for the year				18 216	18 216
Allocated refunds					
Defined benefit plan	–	*2 824*	–	*–2 824*	–
Defined contribution plan Alecta Optimal Pension	–	*6 192*	–	*–6 192*	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	*–2 551*	–	–	*–2 551*
Additional supplement, defined contribution plan	–	*–37*	–	–	*–37*
Adjustment of paid-up values	–	*–7 299*	–	*–1 292*	*–8 591*
Premium reductions	–	*–2 386*	–	–	*–2 386*
Return on guarantee reserve [3]	–	–	–	–176	–176
Charges	–	–	12	–12	–
Interest	–	244	79	–323	–
Collective risk premium [4]	–	–	–244	–	–244
Effect of change in market interest rates	–	1 953	–	–1 953	–
Exchange rate fluctuations for the period	1 979	–	–	–	1 979
Other changes [5]	–	349	8	–205	152
Closing balance 2014	**622**	**53 348**	**10 710**	**188 301**	**252 981**

1) 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 assigned. Formally, Alecta can cancel these funds. SEK 1 468 million (1 468) of a total of SEK 53 348 million (54 059) 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.

2) 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.

3) See Note 36, page 81.

4) 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.

5) Items comprise cumulative return, inheritance gains and portfolio changes.

NOTE 35 Funding reserve

Parent Company	Collective funding	Discretionary participation: Allocated refunds to insured and policy holders [1]	Other reserves: Special indexation funds [2]	Total
Opening balance 2013	**45 104**	**37 074**	**10 962**	**93 140**
Appropriation of previous year's profit	67 179	–	–	67 179
Allocated refunds				
Defined benefit plan	*–10 902*	*10 902*	–	–
Defined contribution plan Alecta Optimal Pension	*–8 823*	*8 823*	–	–
Guaranteed refunds				
Pension supplements, defined benefit plan	–	*–2 732*	–	*–2 732*
Additional supplement, defined contribution plan	–	*–19*	–	*–19*
Adjustment of paid-up values	–	*–3*	–	*–3*
Premium reductions	–	*–1 102*	–	*–1 102*
Return on guarantee reserve [3]	–194	–	–	–194
Charges	–20	–	20	–
Interest	–752	638	114	–
Collective risk premium [4]	–	–	–242	–242
Effect of change in mortality assumption	*–1 707*	*1 707*	–	–
Effect of change in market interest rates	800	–800	–	–
Other changes [5]	449	–429	1	21
Closing balance 2013	**91 134**	**54 059**	**10 855**	**156 048**
Opening balance 2014	**91 134**	**54 059**	**10 855**	**156 048**
Appropriation of previous year's profit	86 315	–	–	86 315
Allocated refunds				
Defined benefit plan	*–2 824*	*2 824*	–	–
Defined contribution plan Alecta Optimal Pension	*–6 192*	*6 192*	–	–
Guaranteed refunds				
Pension supplements, defined benefit plan	–	*–2 551*	–	*–2 551*
Additional supplement, defined contribution plan	–	*–37*	–	*–37*
Adjustment of paid-up values	*–1 292*	*–7 299*	–	*–8 591*
Premium reductions	–	*–2 386*	–	*–2 386*
Return on guarantee reserve [3]	–176	–	–	–176
Charges	–12	–	12	–
Interest	–323	244	79	–
Collective risk premium [4]	–	–	–244	–244
Effect of change in market interest rates	–1 953	1 953	–	–
Other changes [5]	–224	349	8	133
Closing balance 2014	**164 453**	**53 348**	**10 710**	**228 511**

1) 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 assigned. Formally, Alecta can cancel these funds. SEK 1 468 million (1 468) of a total of SEK 53 348 million (54 059) 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.

2) 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.

3) See Note 36, page 81.

4) 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.

5) Items comprise cumulative return, inheritance gains and portfolio changes.

NOTE 36 Guarantee reserve [1)]

Group and Parent Company	2014	2013
Opening balance	1 718	1 661
Return for previous year [2)]	176	193
Information funds	–89	–86
Collective agreement guarantee	–49	–50
Closing balance	**1 756**	**1 718**

1) 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 TGI. See Note 1, page 53. 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.

2) 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 53.

NOTE 37 Untaxed reserves

Parent Company	2014	2013
Opening balance	2 425	2 285
Provision for the year	–	144
Change in provision for previous year	–	–4
Resolution	–2 310	–
Closing balance	**115**	**2 425**

During 2014 the tax allocation reserves for the taxable years 2009 to 2012 and partly 2013 have been reversed for taxation.

Tax allocation reserve	2014	2013
Provision taxable year 2009	–	1 241
Provision taxable year 2010	–	243
Provision taxable year 2011	–	262
Provision taxable year 2012	–	534
Provision taxable year 2013	115	145
Total	**115**	**2 425**

NOTE 38 Provision for life insurance

Group and Parent Company	2014	2013
Opening balance	**343 663**	**369 609**
Change for the year	24 521	15 486
Premiums	*32 763*	*22 431*
Payments	*–14 962*	*–14 459*
Cumulative returns	*8 743*	*9 480*
Released operating expenses	*–783*	*–663*
Yield tax	*–941*	*–1 242*
Mortality result	*34*	*96*
Other change	*–333*	*–157*
Changes in interest rate assumptions	53 767	–41 839
Difference between premium and provisioning assumptions	–7 950	–6 716
Changed mortality assumption (generation-based mortality)	–9	9 829
Other assumption changes for Alecta Optimal Pension	950	–695
Changed assumption of adverse selection risk upon refraining from family pension	–	–2 011
Closing balance	**414 942**	**343 663**

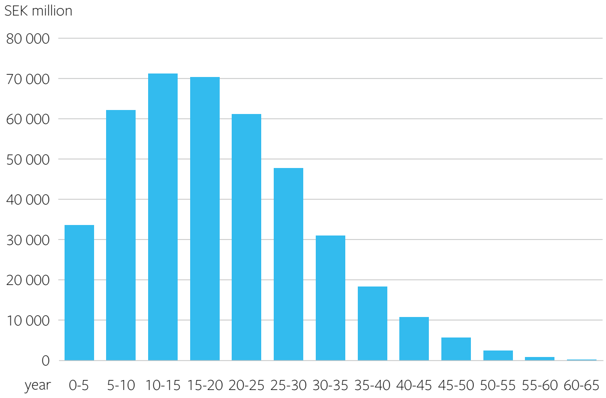
The following assumptions were applied in calculating the provision for life insurance as of 31 December 2014:

- Interest rate assumption: the average rate of interest was 2,32 percent (3,26) as of 31 December 2014. The manner in which this rate is determined is described in Note 3 on page 56.
- 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, respresenting the present value of guaranteed commitments.

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 39,2 billion. For longer tenures, a fixed forward rate has been applied since 31 December 2014, 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 71,0 billion.

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



NOTE 39 Provision for claims outstanding

Group and Parent Company	2014	2013
Opening balance	**10 267**	**10 144**
Change for the year	1 163	336
Provision for new claims	*3 711*	*3 249*
Liquidation income	*–859*	*–1 098*
Payments	*–2 145*	*–2 043*
Cumulative returns	*115*	*175*
Released operating expenses	*–73*	*–70*
Other changes	*414*	*123*
Changes in interest rate assumptions	912	–213
Introduced assumption of indexation	62	–
Modified assumption of incurred but not reported cases of illness	272	–
Closing balance	**12 676**	**10 267**

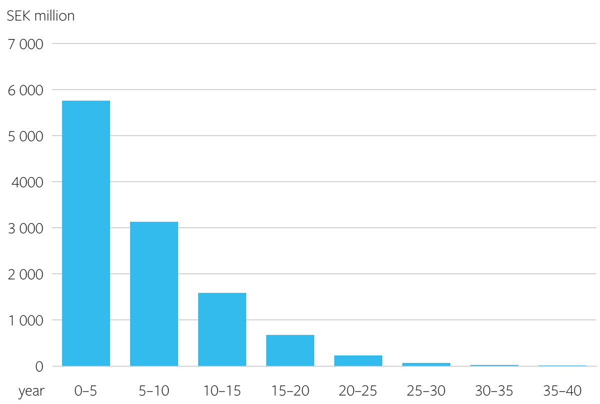
The following assumptions have, as of 31 December 2014, been used in calculating the provision for claims outstanding in respect of disability pension and waiver of premium, which comprise the dominant portion of the provision:

- Interest rate assumption: the rate of interest was 1,05 (2,42) percent at 31 December 2014. The manner in which this rate is determined is described in Note 3 on page 56.
- 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 0,8 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	
	2014	2013	2014	2013
Provision for pensions	26	31	25	30
	26	**31**	**25**	**30**

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 53 and Note 53 on page 89.

NOTE 41 Other provisions

	Group		Parent Company	
	2014	2013	2014	2013
Indexation of pensions for former employees	14	12	14	12
Provision for property	7	6	7	6
Other provisions	11	–	7	–
	32	**18**	**28**	**18**

NOTE 42 Deferred tax

	2014		2013	
Group	Tax asset	Tax liability	Tax asset	Tax liability
Deferred tax related to:				
Difference between reported and taxable values of properties outside Sweden	44	–2 086	–	–1 256
Difference between reported and taxable values of properties in Sweden	–	–362	–	–411
Difference between reported and taxable values of financial instruments	–	–1 371	–	–860
Other temporary differences	0	–	1	0
Tax allocation reserve	–	–25	–	–534
Accelerated depreciation	–	–16	–	–13
Tax loss carry forwards	23	–	22	–
Other unutilised tax deductions [1]	29	–	52	–
Foreign tax to be credited from Swedish tax	2 001	–	1 256	–
Netting of deferred tax assets against deferred tax liabilities	–2 097	2 097	–1 331	1 331
Total deferred tax	**0**	**–1 763**	**0**	**–1 743**
of which are expected to be settled after more than 12 months, the amount before netting	2 045	3 835	1 256	–3 074

Changes in deferred tax assets / liabilities, net:	2014	2013
Opening balance	–1 743	–1 214
Deferred tax in the income statement	–27	–530
Adjustments relating to prior years in equity	14	–
Exchange rate differences [2]	–7	1
Closing balance	**–1 763**	**–1 743**

[1] Other unutilised tax deductions relate to creditable foreign taxes in excess of the maximum limit. Excess amounts may be offset no later than in the fifth tax assessment year following the current tax assessment year.
[2] Comparative figures for the previous year have been adjusted.

NOTE 43 Taxes

Parent Company	2014	2013
Taxes	1 389	837
of which deferred tax	*1 389*	*837*
	1 389	**837**
Deferred tax, specification:		
Deferred tax liabilities, gross		
Change in value of land and buildings	–320	–160
Change in value of financial instruments	–1 371	–860
	–1 691	**–1 020**
Deferred tax assets, gross		
Loss carry forwards	4	–
Other unutilised tax deductions [1]	29	52
Other temporary differences	0	0
Foreign tax to be credited from Swedish tax	269	131
	302	**183**
Total deferred tax, net	**–1 389**	**–837**

[1] Other unutilised tax deductions relate to creditable foreign taxes in excess of the maximum limit. 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	2014	2013
Liabilities to policy holders	31	48
Preliminary tax, pensions	633	610
Other	12	13
	676	**671**

NOTE 45 Other liabilities

Group	2014	2013
Credit facilities for purchases of investment assets	10	140
Collateral received for derivatives [1]	1 545	–
Accounts payable	124	252
Property tax	113	134
Value added tax	70	1
Other	35	41
	1 897	**568**

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

Parent Company	2014	2013
Liabilities to subsidiaries	958	580
Credit facilities for purchases of investment assets	10	140
Collateral received for derivatives [1]	1 545	–
Accounts payable	79	225
Property tax	48	48
Value added tax	27	0
Other	30	27
	2 697	**1 020**

[1] For more information, see Note 29.

NOTE 46 Other accrued expenses and deferred income

	Group		Parent Company	
	2014	2013	2014	2013
Accrued interest expenses, subsidiaries	–	–	2	4
Accrued interest expenses	2 243	1 529	2 243	1 529
Accrued property expenses	342	285	164	156
Accrued personnel costs	131	127	118	116
Prepaid rental income	259	277	126	148
Other	48	42	16	20
	3 023	2 260	2 669	1 973

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

Group and Parent Company	2014	2013
Assets registered on behalf of policy holders	661 094	587 143
in addition to the required pledging	*233 476*	*233 771*
	661 094	587 143
Land and buildings	26 826	23 231
Shares and participations	292 597	235 616
Bonds and other interest-bearing securities	340 983	325 873
Loans with real estate as collateral	5	175
Other loans	3 377	3 415
Derivatives	–3 536	–2 149
Cash and bank balances	842	982
	661 094	587 143

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	2014	2013
Collateral pledged to clearing houses for derivative trading		
Bonds and other interest-bearing securities	603	462
Cash and bank balances	328	241
Collateral pledges for derivative trading in accordance with CSA contracts		
Bonds and other interest-bearing securities	7 593	1 981
	8 524	2 684

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	2014	2013
Interest-bearing securities on loan	1 380	12 182
Collateral received for securities on loan	1 381	12 191

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	2014	2013
Liabilities in limited partnerships	9	9
Guarantee commitments	707	80
	716	89

Parent Company	2014	2013
Liabilities in limited partnerships	9	9
	9	9

Within the framework of its usual business operations, Alecta is party to several disputes, the majority of which relate to insignificant amounts. Alecta'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	2014	2013
Remaining balance to be invested in investment assets	2 392	2 328
	2 392	**2 328**
Parent Company		
Remaining balance to be invested in investment assets	1 576	1 493
	1 576	**1 493**

Consists of real estate-related investments.

NOTE 52 Reconciliation of total return table with financial statements

Group	2014	2013
Market value according to total return table [1)]	**683 377**	**602 848**
Assets not classified as investments	1 818	2 284
Items from the liabilities side of the balance sheet which are deducted in the total return table	15 451	6 982
Valuation differences	–124	–179
Other	0	–1
Total assets according to balance sheet	**700 522**	**611 934**
Total return according to total return table	**78 152**	**55 508**
Items from the income statement (Notes 5, 6, 9, 10) which are not included in the total return table	–329	–294
Currency effects in foreign subsidiaries, recognised in equity in the financial statements	–1 869	116
Valuation differences, closing balance	–124	–179
Valuation differences, opening balance	179	104
Other	–220	–36
Total return according to the income statement [2)]	**75 789**	**55 219**

1) See page 26.
2) Notes 5, 6, 9 and 10 in the income statement.

NOTE 53 Average number of employees, salaries and remuneration

Average number of employees [1]	2014 Total no. of employees	2014 Of whom men	2013 Total no. of employees	2013 Of whom men
Parent Company				
Sweden	375	40 %	380	40 %
UK	4	25 %	4	25 %
Total, Parent Company	**379**	**40 %**	**384**	**40 %**
Subsidiaries				
Sweden	25	28 %	26	31 %
USA	11	27 %	11	27 %
Total, subsidiaries	**36**	**28 %**	**37**	**30 %**
Total, Group	**415**	**39 %**	**421**	**39 %**

Number of men and women in senior positions	2014 Women	2014 Men	2013 Women	2013 Men
Parent Company				
Board of Directors	3	10	3	10
CEO	–	1	–	1
Other senior executives	4	6	3	7
Total, Parent Company	**7**	**17**	**6**	**18**
Subsidiaries				
Board of Directors	–	5	–	5
Other senior executives	1	1	1	1
Total, subsidiaries	**1**	**6**	**1**	**6**
Total, Group	**8**	**23**	**7**	**24**

Salaries, remuneration and fees to the CEO, senior executives, Board of Directors and other employees [2]

TSEK	2014 Salaries, fees and other remuneration	2014 Social security contributions	2014 Pension costs	2014 Total	2013 Salaries, fees and other remuneration	2013 Social security contributions	2013 Pension costs	2013 Total
Parent Company								
CEO and senior executives [3]	24 444	9 337	6 794	40 575	23 118	8 777	6 766	38 661
Board of Directors [4]	2 447	526	–	2 973	2 355	504	–	2 859
Other employees	246 639	64 692	55 357	366 688	239 644	68 746	59 207	367 597
Total, Parent Company	**273 530**	**74 555**	**62 151**	**410 236**	**265 117**	**78 027**	**65 973**	**409 117**
Subsidiaries								
Sweden								
Other employees	10 176	2 957	683	13 816	9 982	2 769	479	13 230
USA								
Senior executives	15 365	330	999	16 694	11 918	271	933	13 122
Other employees	15 051	633	1 205	16 889	13 481	580	1 145	15 206
Total, subsidiaries	**40 592**	**3 920**	**2 887**	**47 399**	**35 381**	**3 620**	**2 557**	**41 558**
Total, Group	**314 122**	**78 475**	**65 038**	**457 635**	**300 498**	**81 647**	**68 530**	**450 675**

1) Refers to the average number of employees irrespective of type of employment.
2) The note reflects the salaries, remuneration and fees reported as costs and pertaining to the respective financial year.
3) Comprised of Senior Management 2014. For a list of current management, see pages 100–101.
4) 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	Salaries, fees and other remuneration [1]	Variable remuneration [1, 4]	Benefits [3]	Social security contributions	Pension costs	Total
	2014					
Parent Company						
CEO						
Staffan Grefbäck	5 435	–	47	2 186	1 911	9 579
Deputy CEOs						
Per Frennberg	3 193	2 478	22	2 205	1 714	9 612
Katarina Thorslund	2 107	–	20	773	431	3 331
Senior executives						
Senior executives [2]	10 909	–	233	4 173	2 738	18 053
Total, CEO and senior executives	**21 644**	**2 478**	**322**	**9 337**	**6 794**	**40 575**
Chairman of the Board						
Erik Åsbrink	557	–	–	57	–	614
Other members of the Board (excl. CEO)						
Gunilla Dahmm	173	–	–	18	–	191
Cecilia Fahlberg	205	–	–	64	–	269
Per Hedelin	173	–	–	54	–	227
Jonas Milton	199	–	–	63	–	262
Richard Malmborg	173	–	–	54	–	227
Lars Wedenborn	173	–	–	54	–	227
Karl Olof Stenqvist	173	–	–	18	–	191
Kaj Thorén	243	–	–	25	–	268
Magnus von Kand	173	–	–	54	–	227
Christer Ågren	205	–	–	65	–	270
Total, Board	**2 447**	**–**	**–**	**526**	**–**	**2 973**
Total, Parent Company	**24 091**	**2 478**	**322**	**9 863**	**6 794**	**43 548**

1) Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration expensed during the financial year 2014.
2) Other senior executives refers to 8 (8) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2014. For the composition of senior management, see pages 100–101. The cost relates to those individuals who were senior executives at some time during the year.
3) Typical benefits include company car, mortgage interest, household services and healthcare insurance.
4) 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 2015.

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

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

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

1) Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration expensed during the financial year 2013.
2) Other senior executives refers to 8 (8) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2013. The cost relates to those individuals who were senior executives at some time during the year.
3) Typical benefits include company car, mortgage interest, household services and healthcare insurance.
4) 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) has been published on Alecta's website.

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

Remuneration to members of the Board, CEO and senior executives

Remuneration were paid to the chairman and members of the Board in accordance with the Council of Administration's decision. The remuneration determined by the Council of Administration relate to the period until the next annual general meeting. Remuneration in 2014 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 refer to ten positions that, together with the CEO, comprised Alecta's Senior Management in 2014. For the present composition of Senior Management, see page 100–101.

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 2015.

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 part of the provision in excess of provision through FTP plan may be used for retirement pensions, survivors' pension and disability pension based on one's own preference of allocation.The pensionable age for the CEO is 65. In the event of termination of employment by the Company, a 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.

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 Aecta, an incentive programme was offered during 2014 for our investment personnel in the investment management group and for the employees in a subsidiary which engages in restaurant and conference operations. Since 2012, a general incentive programme has been in place for variable remuneration which relates to 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 2014 and the maximum pay-out is TSEK 12 per employee in the form of enhanced pension premiums. For 2014, two of the goals were met in full, while a third was met to 50 percent, yielding an outcome of TSEK 10 (10) per employee at a cost to Alecta of approximately SEK 4 million (4), 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 2014, a total of SEK 33 million (23,5), excluding social security contributions, is expected to be paid out in variable remuneration, of which SEK 9 million (6,5) refers to employees in Alecta's subsidiary in the USA.

The incentive programme in the subsidiary which engages in restaurant and conference activities covers 23 employees (26) and the outcome of variable remuneration for 2014 is estimated to amount to SEK 0,3 million (0,5), excluding social security contributions.

Pension plans

All employees employed in Sweden by Alecta pensionsförsäkring, ömsesidigt, are covered by an occupational pension plan, FTP12. 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.

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 26,4 million in 2014 and is expected to reach SEK 21,3 million in 2015. The premium represents about 0,12 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 144 percent (148). 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

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

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 83.

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	
	2014	2013	2014	2013
PwC				
Statutory audit	–	3,2	–	3,2
Audit activities other than statutory audit	–	0,2	–	–
Tax advice	0,7	1,8	0,7	1,8
Other services	1	0,7	1	0,7
Total PwC	**1,7**	**5,9**	**1,7**	**5,7**

	Group		Parent Company	
	2014	2013	2014	2013
EY				
Statutory audit	3,1	–	3,1	–
Audit activities other than statutory audit	–	–	–	–
Tax advice	1,1	1,4	0,2	0,2
Other services	0,1	0,2	0,1	0,2
Totalt EY	**4,3**	**1,6**	**3,4**	**0,4**

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 2014 is allocated as follows:

	Group		Parent Company	
	2014	2013	2014	2013
Within one year	4,8	5,4	3,9	4
Later than one year but less than five years	6,5	3,9	6,5	3
Later than five years	-	-	-	-
Total	**11,3**	**9,3**	**10,4**	**7**
Total leasing fees during the period	**7,6**	**7,7**	**6,1**	**6,3**
of which minimum leasing fees	7,6	7,7	6,1	6,3

* 2013 figures have been adjusted with rental of premises and IT equipment

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 66–67)
- 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 66–67.

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 86–90. No remuneration was paid to family members of related parties during 2014.

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 81.

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 eight jointly managed real estate companies in Sweden and another two jointly managed real estate companies in the United States. In USA participations are owned through its wholly owned subsidiary Alecta Real Estate USA, LLC.

NOTE 56 Related party disclosures, *cont.*

Information on equity and fair value of Alecta's participations in jointly owned companies, joint ventures.

Joint ventures in Sweden	Corp. Id. No.	Share of equity	Fair value 2014	2013
Ancore Fastigheter AB	556817-8858	50 %	121	130
Convea AB	556912-4505	50 %	3	3
KB Alfa SSM	969715-3998	50 %	108	12
Alfa SSM JV AB	556840-4262	50 %	0	0
Långeberga Logistik AB [1]	556928-2840	50 %	17	24
Fastighets AB Stenvalvet	556803-3111	26 %	179	154
Nordhalla Fastigheter AB	556864-0873	40 %	192	131
Profi lll Infracity AB	556922-4198	39 %	56	19
Total Sweden			**676**	**473**

Joint ventures in USA	Corp. Id. No.	Share of equity	Fair value 2014	2013
Are Lei Venture LLC	DE ID5473708	95 %	639	–
Boylstone Street Associates LLC	DE ID4906542	95 %	122	44
Total USA			**761**	**44**

[1] Jointly owned by a wholly owned subsidiary

Transactions between Alecta and these joint ventures refer to lending, capital contributions and interest payments and are shown in the table below. Currently there are 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 below. Agency payments have been charged to this year's operating expenses and are shown in Note 8 on page 59.

	Related parties	Transactions	Remuneration received 2014	Remuneration received 2013	Remuneration paid 2014	Remuneration paid 2013
Information on transactions between the Parent Company, Alecta pensionsförsäkring, ömsesidigt, and related parties:	Swedish Group companies	Interest income	176	228	–	–
		Interest expenses	–	–	2	4
		Dividends	12	12	–	–
		Management fee	11	8	–	–
	Foreign Group companies	Interest income	8	8	–	–
		Dividends	665	715	–	–
		Shareholder contribution	–	–	570	106
	Confederation of Swedish Enterprise and PTK	Information Funds for ITP and TGL	–	–	89	86
	Selection centres (Collectum and Fora)	Premium payments	23 236	22 365	–	–
		Agency payments	–	–	127	127
	Joint ventures	Interest income	136	149	–	–
			24 244	**23 485**	**788**	**323**

	Related parties	Balances	Receivables 2014	Receivables 2013	Liabilities 2014	Liabilities 2013
Information on the Parent Company's, Alecta pensionsförsäkring, ömsesidigt, outstanding receivables from and liabilities to relatated parties at 31 December:	Swedish Group companies	Long-term receivables	8 631	6 522	–	–
		Accrued interest income	166	222	–	–
		Receivables from Group companies	613	542	–	–
		Accrued interest expenses	–	–	2	4
	Foreign Group companies	Long-term receivables	–	532	–	–
		Accrued interest income	1	13	–	–
	Selection centres (Collectum and Fora)	Receivables	1 365	1 530	–	–
	Joint ventures	Loans receivables	2 356	2 631	–	–
		Accrued interest income	13	9	–	–
			13 145	**12 001**	**2**	**4**

The annual report for the financial year ending on 31 December 2014 was approved for publication by the Board of Directors on 19 March 2015. It will be presented to the council of administration for adoption on 16 April 2015

Board of Directors' 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 created by the annual report.

Stockholm, 19 March 2015

Erik Åsbrink
Chairman

Cecilia Fahlberg
First Vice Chairman

Christer Ågren
Second Vice Chairman

Gunilla Dahmm

Per Hedelin

Magnus von Koch

Richard Malmborg

Jonas Milton

Karl Olof Stenqvist

Kaj Thorén

Lars Wedenborn

Britt-Marie Bryngelsson

Mikael Persson

Staffan Grefbäck
CEO

Our audit report was submitted on 20 March 2015.

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

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 consolidated accounts of Alecta pensionsförsäkring, ömsesidigt for the year 2014. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 22–92.

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 preparing annual accounts providing a fair view of the Company in accordance with the Swedish Annual Accounts Act for Insurance Companies and consolidated accounts providing a fair view in accordance with the 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 inaccuracies, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on the annual accounts and consolidated accounts based on our audit. We have conducted the audit in accordance with the International Standards of Accounting 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 consolidated accounts are free from material inaccuracies.

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 judgement, including the assessment of the risks of material inaccuracies in the annual accounts and consolidated accounts, whether due to fraud or error. In making these assessments, the auditor takes into consideration the internal control relevant to the Company's preparation and fair representation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also involves evaluating the appropriateness of accounting principles 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 collected is sufficient and appropriate to act as 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 fairly, in all material respects, present the financial position of the Parent Company as at 31 December 2014 and its financial performance and cash flows for the year 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 fairly, in all material respects, present the financial position of the Group as at 31 December 2014 and 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 sections of the annual accounts and 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 Board of Directors' and the CEO's management of Alecta pensionsförsäkring, ömsesidigt for the year 2014.

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 accounting standards in Sweden.

As the 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 line with the Swedish Insurance Companies Act.

As the basis for our opinion concerning discharge from liability, we have, in addition to our audit of the annual accounts and consolidated accounts, examined significant decisions, actions taken and circumstances in 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 manner, 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 collected is sufficient and appropriate to act as a basis for our audit 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, 20 March 2015

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

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 2014.

We performed our review in accordance with the Swedish Insurance Companies Act and generally accepted accounting standards in Sweden. This implies that we planned and performed our review to obtain reasonable assurance that the Company's operations are 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 may give cause for concern.

Stockholm, 20 March 2015

Niklas Hjert

Lars Jansson

Board of Directors

Erik Åsbrink [1, 2]
Born 1947
Chairman
Member of the Board since 2000.
Other directorships:
Stockholm School of Economics (Chairman), Wallenstam AB, Svensk Hypotekspension AB (Chairman), Stiftelsen Cancercentrum Karolinska, Bilspeditions Transportörförening, Fasticon Holding AB (Chairman).
Other posts:
Swedish Staffing Agencies' Authorisation Committee (Chairman).

Gunilla Dahmm [2]
Born 1947
Member of the Board since 1999.
Other directorships:
AI Pension (Vice Chairman), KP Pensionsstiftelse och verksamhetskommitté.
Other posts:
Insurance Committee for labour market insurance, Road-Traffic Injuries Commission.

Cecilia Fahlberg [1]
Born 1960
First Vice Chairman
Chairman of Unionen
Member of the Board since 2007.
Other directorships:
PTK (Chairman), TCO.

Staffan Grefbäck [1, 2]
Born 1955
CEO of Alecta
Member of the Board 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 [3]
Born 1965
CEO Ledarna
Member of the Board since 2008.
Other directorships:
The insurance company PRI Pensionsgaranti,
Bliwa Livförsäkring,
Riva del Sole S.p.A.

Magnus von Koch [2]
Born 1962
Head of Investment Management at Unionen
Member of the Board since 2010.
Other directorships:
Klara Norra Fastigheter AB (Chairman).

Richard Malmborg [3]
Born 1961
Director of the Swedish Association of Graduate Engineers
Member of the Board since 2003.
Other directorships:
PTK (Vice Chairman),
SACO (First Vice Chairman),
SACO IT Service AB (Chairman),
Akademikertjänst (Chairman).

Jonas Milton [3]
Born 1953
CEO of Almega AB
Member of the Board since 2006.
Other directorships:
AI Pension (Vice Chairman),
TRR Trygghetsrådet,
Trygghetsfonden TSL,
Confederation of Swedish Enterprise Insurance Information (Finfa), Ratio.
Other posts:
Almega Tjänsteförbunden (Director).

Karl Olof Stenqvist [3]
Born 1946
Member of the Board since 2009.

Kaj Thorén [2]
Born 1944
Member of the Board since 2005.
Other directorships:
Billes Tryckeri AB.

Lars Wedenborn [2]
Born 1958
CEO FAM
(Foundation Asset Management) AB
Member of the Board 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 Ågren [1]
Born 1954
Second Vice Chairman
Executive Vice President of the Confederation of Swedish Enterprise
Member of the Board since 2009.
Other directorships:
Svenskt Näringsliv Service AB, TRR Trygghetsrådet (Chairman), Trygghetsfonden TSL (Chairman), AFA Sjukförsäkring, AFA Trygghetsförsäkring, AFA Livförsäkring.

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

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

1) Member of the Board Presidium, which also acts as remuneration committee
2) Member of the Finance Committee
3) Member of the Audit Committee

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 regards to bookkeeping 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 sufficient control of compliance with the laws and other regulations applicable to Alecta's operations. The Board is, thus, responsible for ensuring that the Company has the requisite internal regulations for 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.

The Board annually 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 itself is normally evaluated once a year. Such an evaluation was conducted in the autumn of 2014, and the result was presented to the Council of Administration's preparatory committee prior to the Council's meeting in February 2015, which was also attended by the Chairman and Vice Chairmen of the Board. The work of the CEO is evaluated continuously and a formal evaluation is performed once a year.

In 2014, the Board held six meetings, 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 Board Presidium has four members: the Chairman of the Board, the two Vice Chairmen and the CEO. The primary duties of the Presidium are to address, and make decisions regarding, those matters which the Board delegates to the Presidium, to otherwise advise the CEO in matters of day-to-day management and to prepare those matters expected to be presented at each upcoming Board meeting. The Presidium also works as a remuneration committee and convenes on the initiative of the Chairman of the Board. The Presidium held five meetings in 2014.

The Finance Committee comprises six members. The Committee determines detailed guidelines for the day-to-day investment operations, follows up the investment operations, prepares those 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 convened four times in 2014.

The Audit Committee is composed of four members. The Committee continuously evaluates Alecta's risk exposure and management's risk management and communicates its view of these matters to the Board. The Audit Committee also supports the Board in monitoring and evaluating internal and external auditing processes, and is responsible for preparing the Board's work to assure the quality of Alecta's financial reporting. The Audit Committee convened on five occasions in 2014.

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

- Further detailed work on the premium strategy and consolidation policy for ITP 2, including long-term analysis – both forward and backward in time – of this insurance segment.
- Alecta's first ORSA report in accordance with the Solvency II regulations was prepared and discussed during several meetings. Working on the ORSA report was also one of the Audit Committee's primary tasks during the year. The Board could adopt the report in December 2014 as planned, after which it was submitted to the Swedish Financial Supervisory Authority.
- In December 2014, the Board resolved to thoroughly revise the investment guidelines which had previously been treated at several of the Finance Committee's meetings during the year.

Council of Administration and Auditors

Council of Administration

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 of Administration's duties include electing members of the Board and auditors, annually treating the question of discharge from liability of the Board of Directors and the 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 a number of the members of the Council are to be retirees who are insured by Alecta. These representatives are appointed by the employee organisations listed 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 Alvengrip, Mölle
Fredrik Arp, Malmö
Kenneth Bengtsson, Stockholm
Jan Bosaeus, Solna
Eva Dunér, Gothenburg
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 Renard, Gothenburg
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
Annika Elias (Ledarna), Gothenburg
Andreas Grünewald (Unionen), Åkersberga
Helena Hedlund (Ledarna), Märsta (2014–2015)
Peter Hellberg (Unionen), Bandhagen
Anette Hellgren (Unionen), Trollhättan
Gunnar Henriksson (Unionen), Tullinge, also for 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
Hans Lindau (Unionen), Sandared (2014–2015)
Martin Linder (Unionen), Sollentuna, Vice Chairman
Leif Nicklagård (Unionen), Vallentuna
Annica Pettersson (Unionen), Enskede Gård (2014-2015)
Kristina Rådkvist (PTK), Enköping
Anders Tihkan (Sveriges Ingenjörer), Värmdö

Deputy members

Thomas Eriksson (Ledarna), Örebro
Nils-Harald Forssell (Unionen), Olofstorp, also for Alecta's retirees
Stefan Jansson (Sveriges Ingenjörer), Stockholm
Vacant (Unionen)

Auditors

Elected auditor

Ernst & Young AB,
Principal auditor
Jesper Nilsson

Lay Auditors

Elected auditors

Niklas Hjert, Unionen
Lars Jansson, Confederation of Swedish Enterprise

Deputy auditors

Kati Almqvist, Ledarna
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 of Nordea Asset Management AB and other senior management positions within the Group's fund and investment management operations. Worked previously with macroeconomic and financial analysis at the National Institute of Economic Research (Konjunkturinstitutet) and SEB.

Per Frennberg
Born 1964
Deputy CEO
Head of Investment Management
Education: PhD in 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 in mathematics
Year of employment: 2003
Previous experience: Senior Actuary at Alecta and Senior Actuary at Folksam Gruppförsäkring.

Maria Wahl Burvall
Born 1964
Director of Human Resources, Purchasing and Service as of 20 February 2014, succeeding Tomas Bergqvist upon retirement
Education: MSc in business and economics, majoring in 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: Administrative Manager of Alecta Investment Management. Previously consultant and partner of a consulting firm.

Magnus Landare
Born 1957
Head of Legal Affairs
Education: LL.M.
Year of employment: 1995
Previous experience: Lagerlöf & Leman law firm and 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 at Alecta. Previously self-employed consultant, IT manager at Inexa and various positions at EDS Sweden.

Anna-Karin Pettersson
Born 1958
Head of Customer Administration
Education: three-year upper secondary school programme in economics
Year of employment: 1996
Directorships: Auditor at Kvinnojouren Upplands-Bro
Previous experience: Group Manager of Service and Support, Group Manager of Retirement Pension and Division Manager of Customer Service Private at 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 Market, Head of Marketing Services, Customer Training Manager, Account Manager for large enterprise and Customer Manager at Alecta. Previously worked in aftermarket sales at SydUpplands Bil and as Deputy Head of Vallentuna Motor.

Karin Öckert
Born 1966
Head of Customer Communications
Education: MSc in business and economics
Year of employment: 2000
Previous experience: Head of Customer Service, Group Manager of Customer Service Private and Account Manager at Alecta. Previously worked with customer service and information in Nordea's asset management department.

Pehr Östberg
Born 1962
Head of Product and Parties
Education: law and political science
Year of employment: 1988
Directorships: Min Pension i Sverige AB
Previous experience: Marketing Manager, Head of Claims, Head of Disability and Family Pension Management, Process Leader of retirement pension and retirement pension specialist at Alecta.

Glossary

Adjustment of paid-up values
Assigned refunds through an increase of the 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 Alecta's behalf.

Assets under management
Total assets less financial liabilities (other provisions, liabilities and accrued expenses and deferred income) as specified in the balance sheet.

Capital base
An insurance company is to hold a capital base of a sufficient size so as to be able to cover potential unforeseen future losses. Consists of the difference between the market value of the company's assets, less intangible assets, financial liabilities and technical provisions.

Capital value
The estimated present value of future payment flows.

Client-company funds
Funds allocated 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 other life insurance companies.

Collective agreement guarantee
If an employer who has signed a collective agreement, thereby agreeing to become affiliated to the ITP plan, but fails to take out or maintain the ITP agreement, the insured is to 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 the distributable assets, assessed at market value, and insurance commitments (both guaranteed commitments and allocated refunds) 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 refunds).

Default alternative
In a defined contribution plan where the employee has not actively selected an insurance company, the employee automatically becomes a customer of the insurance company named as the default supplier following the procurement process for the management of the pension plan.

Defined benefit insurance (ITP 2)
Pension which is determined in advanced as a specific amount or a specified portion of, for instance, a final salary or an average salary during a certain number of years. The size of the premium varies depending on the benefit defined and how well the fund manager manages the pension capital.

Defined contribution insurance
Pension which is based on an insurance whose premium is determined as a certain percentage of the salary or as a certain amount. The size of the pension depends on such aspects as the returns and fees of the pension capital manager.

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

Discount rate
The interest rate used to calculate the present value of future cash inflows and outflows.

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

Financial instrument
Every type of agreement resulting in a financial asset in a company and a financial liability or equity instrument in another company.

Forward contract
A derivative with a contract for the purchase or sale of financial instruments, for instance, 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 regarding a loan or investment at a fixed interest rate 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.

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

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

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

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

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

Original ITPK
Defined contribution ITPK was introduced in 1977 and was automatically invested in Alecta. Since 1990, the individual has been allowed to make his or her own decision. Those who did not choose by year-end 2007 had their ITPK invested in the default, the original ITPK. No further funds have been invested in the original ITPK after 2007.

Pension supplement
Refunds to the insured in addition to the 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 began to be paid.
The pension supplement is determined annually by the Board of Directors.

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

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

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

PRI model
Rather than paying premiums to an insurance company, the employer reports its pension commitment as a liability in the balance sheet. The funds only begin to be distributed when an employee retires. Credit insurance in the PRI Pension Guarantee guarantees that the employees receive their pensions even if their employer becomes insolvent.

Refunds
Surplus guaranteed or allocated to

- policy holders, in the form of premium reductions
- the insured, in the form of increased insurance benefits
- cost coverage for measures included in 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 Alecta's Board of Director, provided that the members unanimously agree that the directed use is in accordance with Alecta's interests as an insurance company.

Assigned refunds are formally guaranteed. Allocated refunds are not formally guaranteed.

Recoverable amount
The highest of net realisable value, i.e. the sales value less sales expenses, and value in use, i.e. the present value of future cash flows.

Risk insurance
Insurance for which the entire premium is intended to cover risk expenses. No savings component is included in this type of insurance.

Solvency level
Total assets at market value, less intangible assets and financial liabilities, in relation to guaranteed commitments.

Solvency margin
Minimum requirement for the size of the capital base. Simplifying somewhat, 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 other pension-promoting measures. These funds are placed at Alecta's disposal only following a decision by the Confederation of Swedish Enterprise and PTK. Special indexation funds are not, therefore, included in the collective funding capital.

Swap
A derivative consisting 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 an insurance company's commitments due to insurances. The capital value of the investment company's guaranteed commitments. Technical provisions 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 the market value of investment assets.

Waiver of premium insurance
Included as part of the ITP plan's collective risk insurance, implying that the employer collects a waiver of premium if an insured employee becomes incapacitated for work. In such cases, premiums for insurance under the ITP plan's insurances are paid from the waiver of premium insurance, and are, then, considered to constitute claims incurred.

Tjänstepension sedan 1917

Alecta pensionsförsäkring, ömsesidigt
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8050 2015.03 Photo: Emma Svensson, Johan Willner, Elena Kraskowski Production: Alecta