alecta

Annual Report 2012

Contents

Alecta has been managing occupational pensions 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 550 billion on behalf of our owners, of whom approximately two million are private customers and 33,000 are corporate clients.

Alecta – the year in brief

THE YEAR IN BRIEF – THE GROUP	2012	2011
Premiums written, MSEK	25,217	25,563
Claims incurred, MSEK	–15,583	–14,295
Assets under management, MSEK	545,719	487,666
Total return, %	11.4	–2.1
Total return, Alecta Optimal Pension, %	16.8	–6.8
Management expense ratio for pension products, excluding selection centre costs	0.08	0.10
Collective funding ratio, defined benefit insurance, %	129	113
Collective funding ratio, defined contribution insurance, %	100	100
Solvency level, %	144	126

- The year was characterised by the debt crisis within the Eurozone and uncertainty regarding the development of the world's economies. However, during the second half of the year, optimism in the capital markets strengthened due to central bank stimulus measures, debt crisis management and positive economic signals from the US. For Alecta's investment portfolio, 2012 was a very good year with a total return of 11.4 percent. During the last five years the average annual return has been 4.5 (3.2) percent. The return on Alecta's defined contribution savings product, Alecta Optimal Pension, was 16.8 percent for 2012, and the average annual return during the last five years was 4.7 percent.

- As a result, primarily, of increased asset values, both the collective funding ratio and solvency level have improved since the end of 2011. At the end of 2012, the collective funding ratio amounted to 129 (113) percent. The solvency level was 144 (126) percent.

- A changed method for calculating life insurance provisions for defined benefit old age and family pensions was introduced in July 2012. In conjunction with this change, the method and assumptions applied regarding tax on returns and operating costs were also changed. In total, these changes implied that life insurance provisions decreased by SEK 13 billion. This decrease in life insurance provisions resulted in the solvency level being strengthened by slightly less than 5 percentage points in July 2012.

- The management expense ratio has continued to decrease and for pension products, excluding selection centre costs, this was, at the end of the year, 0.08 (0.10) percent. This is the lowest level amongst Swedish life insurance companies and places Alecta amongst the world's most efficient pension insurance companies.

Comments from our CEO
A strong year for Alecta

> “At Alecta, pension funds management costs 0.11 percent. This is not only by far the lowest level among Swedish pension companies, but is at world class level.

We can look back at 2012 as a strong year. The financial position of the Company was strengthened and the solvency level increased by 18 percentage points to 144 percent. The return was 11.4 percent, totally and 16.8 percent for our defined contribution product, Alecta Optimal Pension, which benefitted from the stock exchange recovery during the year.

In Alecta Optimal Pension, it is primarily the net return after fees which determines the amount of the pension to be paid out in the future, based on the premiums paid in during the working life of the insured.

In the defined benefit pension plan within ITP 2, the amount of pension benefits is determined by the final salary and number of years during which the pension has been earned. Here the return is significant for the ability to maintain purchasing power in the pensions we pay out through so-called supplemental pensions, but is also important for the possibility of making ITP 2 more cost efficient for employers. In both cases, our mission, to create as great a value as possible for our clients, is the same.

One of the world’s most effective pension companies

As low fees are important for our clients, we have been working during a number of years in a very focused manner – through new IT systems, increased concentration on specific goals and with continual improvements – to achieve a constant increase in cost efficiency. This has resulted in the fact that in 2012 we could report the lowest management expense level ever in relation to the amount of capital we manage. Only 0.08 percent of the capital managed comprised of operating costs to administer the pension products within Alecta, and 0.03 percent was spent on actual capital management. Consequently, at Alecta, pension funds management costs 0.11 percent. This is not only by far the lowest level among Swedish pension companies, but is at world class level. Outside the fee pressed platforms for pension choices which are primarily provided by collective agreement parties through their selection centres, it is common that fees are between 10–20 times higher! Such high fees comprise a clearly predicable factor in the resulting lower level of pensions.

Clearly better than the stock exchange

Behind the high return we report for 2012 are good results in a number of different areas. The largest positive contribution comes from our share portfolio management which achieved a strong 21.4 percent return during 2012. This is slightly more than five percentage points higher than the annual return of the Stockholm Stock Exchange which, measured in krona, was at the top level of the world’s stock exchanges in 2012. Our long-term focus on a number of high quality companies provides the basis for these excellent results.

The return on pension savings should, obviously, be evaluated on the basis of a horizon which is longer than one year. We have experienced almost five years characterised by financial and debt crises. The financial markets have been unstable, interest in risk is weak and risk-free interest rates have been at record low levels. This is a financial climate which places major requirements on a pension company operating under the regulatory framework currently in place. Similar to other pension companies, Alecta has been impacted by the market climate, but robust safety margins as a starting point and an active risk management have protected our insured. The ambition to ensure the value of defined benefit pension payments has been achieved during the entire period. In spite of uncertain markets, Alecta has achieved an overall, five-year return of 4.5 percent per year and was even higher for Alecta Optimal Pensions at 4.7 percent. During this product’s first five years, the return on Alecta Optimal Pensions was, on average, 3.7 percent higher per year than with comparable mixed funds. Of this difference in return, approximately one percentage unit per year can be seen to be due to lower fees, and the remainder is due to higher returns in Alecta Optimal Pension compared with these mixed funds.

If we look towards the future and the outlook for the economy and financial markets, we can see, today, a number of positive signals on the horizon and, hopefully, we now have

> “It is remarkable that the enormous economies of scale that can be reached in the entire pension industry are not better utilised to ultimately benefit savers, to a greater extent than is currently the case.

the roughest time behind us. But recovery will probably take time and we cannot exclude the risk of another downturn. Alecta has the capacity to invest so that we can take advantage of the possibilities as they arise, but Alecta also has the margins to manage a less advantageous scenario.

An unknown benefit

Occupational pension insurance is an important employment benefit and one of the employer's major cost items. But many employees unfortunately do not understand the value in this benefit and the companies all too often fail to provide information to their employees as to its importance. In May 2012, Alecta published the report, "Occupational pensions – the investment which company management forgets", with tips on how information from employers can be improved and how pension queries can be handled. The lack of knowledge regarding occupational pensions on behalf of both companies and employees makes it easy to exploit people and large benefits can be lost.

Right of transfer debate and the consumers' disadvantageous position

During the year, there has been a continued debate regarding the right of transfer of benefits. Unfortunately, this debate has often been more focused on market shares than on actual customer benefit. It is important that the issue of right of transfer is not "kidnapped" by special interests wanting to create a one way stream of transfers from price pressed to expensive and less consumer-friendly solutions. The pension savers are in a disadvantageous position compared with the suppliers and this is a question of an enormous amount of money. It is, therefore, essential, that pension plans be constructed in a customer-friendly manner and on the basis of regulatory frameworks protecting the pension savings.

Changed focus of communication

During 2012, we have executed a significant change in the focus of Alecta's communication. Instead of TV advertisements with the aim of strengthening the brand, we are investing efforts in developing our customer service in various channels to a greater degree and in contributing more to increasing knowledge and understanding of occupational pension benefits. This creates added value for our customers.

Economies of scale benefit the client

By being a focused pension company with a high level of cost consciousness, we can take advantage of significant economies of scale in our pension management and we can deliver these advantages directly to our clients in the form of low fees. It is remarkable that the enormous economies of scale that can be reached in the entire pension industry are not better utilised to ultimately benefit savers, to a greater extent than is currently the case. An exciting example of the fact that this is actually possible is the mutual fund company, Vanguard, in the US which has been a pioneer in terms of low price funds and is, today, one of the world's largest fund companies.

Finally, I wish to address my comments to Alecta's personnel. Thank you for your major engagement in our clients and for all of your positive efforts during the year. This applies not the least to all of the work leading to Alecta's success in the fight about the default alternative in the newly concluded ITP negotiations. Together, we are working to realise our vision of becoming the world's most effective pension company.

Stockholm, March 2013

Staffan Grefbäck
CEO

This is Alecta

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

We create value for our customers by working towards a good return, maintaining low operating costs and providing competent and customer-oriented service. We provide our private customers with financial security both during and after their working lives and we provide corporate clients, who pay for their employees' occupational pension benefits, with a cost-effective pension solution and good service.

As with many other companies, Alecta's success is based on the fact that we put our customers first. The key lies in our mutual corporate form, that is to say, that we are owned by our 33,000 corporate clients and two million private customers.

Concretely, this means that all surpluses arising in Alecta's operations are utilised to benefit our customers. We do not charge unnecessarily high fees, meaning that the fees for our products are among the lowest in the market.

Customers

In 2012, we answered approximately 185,000 questions from private customers and corporate clients via telephone, e-mail, and on alecta.se. During the same period, over 160,000 people logged on to our internet office. Our goal is to be accessible and provide good service in our interaction with our customers, whether they contact us by phone, by e-mail, letter or visit us at alecta.se. The majority of customers who have been in contact with our customer service unit feel that they have been well cared for.

Many of our private customers are uncertain about what they can expect when they retire or become ill. Consequently, in 2013 we will place a special emphasis on helping our corporate clients to provide information to their employees about occupational pensions, in as simple a manner as possible. We are also developing our partnership with Min Pension. In doing so, we are helping many people to obtain an overall view of their pension.

Alecta means a lot to a lot of people

The ITP occupational pension includes retirement pension, disability pension and compensation to survivors. In 2012, we paid out a total of SEK 15 billion to our customers. During the year, 36,665 of Alecta's private customers retired from employment.

PENSION BENEFITS PAID DURING 2012

Retirement pension	
Number of insured	Benefits paid in SEK
473,000	12,756,000,000
Survivors' compensation	
Number of insured	Benefits paid in SEK
60,000	1,030,000,000
Disability compensation	
Number of insured	Benefits paid in SEK
33,000	1,175,000,000

History

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

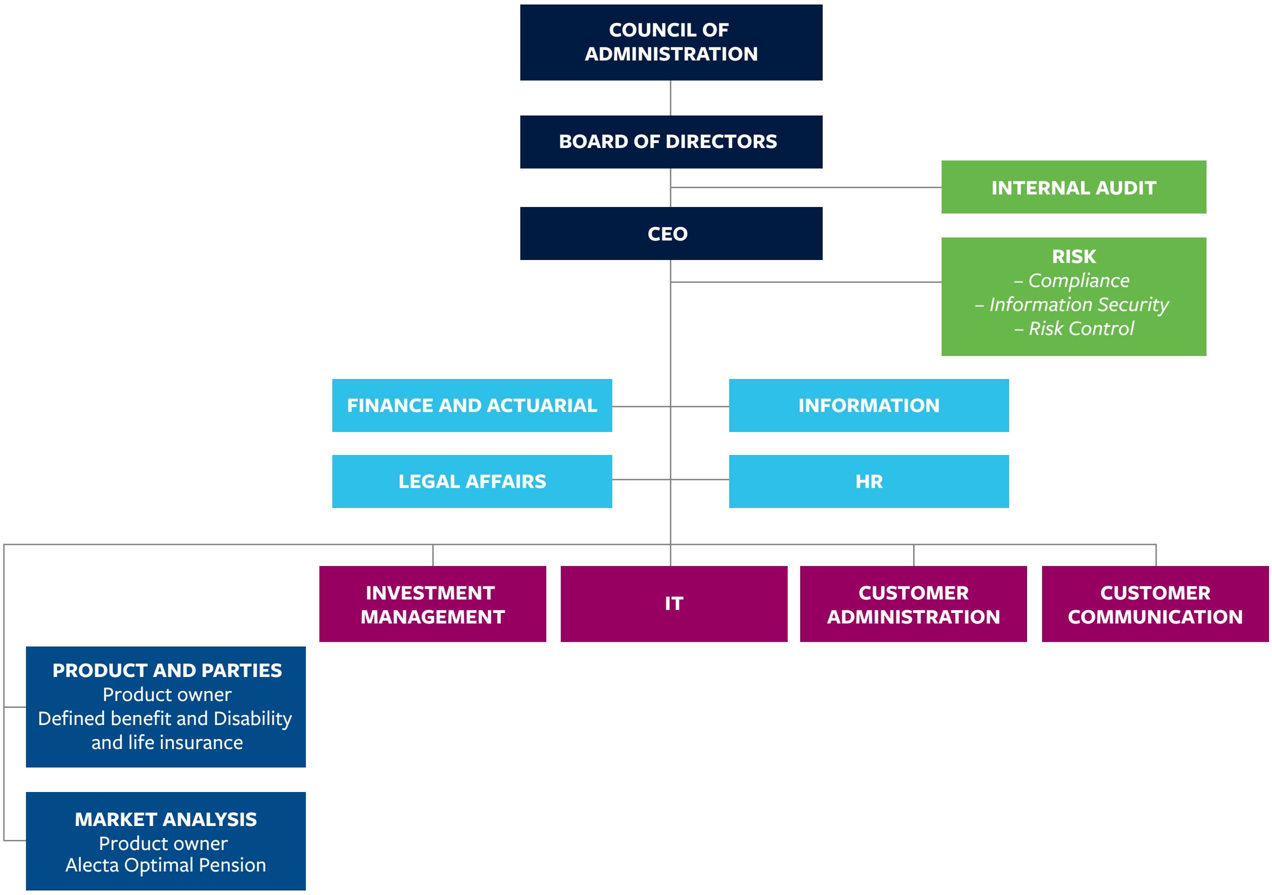
Alecta's business concept:
Our task is to provide collectively agreed occupational pensions with as large a value as possible for both our corporate clients and our private customers.

Alecta's vision:
The World's most efficient occupational pension company.

Organisation

In Alecta, the influence of the owners, or customers, is exercised through the Council of Administration, which, in turn, exercises the responsibilities equivalent to those of a general meeting of shareholders. Members of the Council of Administration are appointed by the Swedish Chamber of Commerce and Chamber of Industry, the Confederation of Swedish Enterprise, Unionen, Ledarna, The Swedish Association of Graduate Engineers and the Council for Negotiation and Co-operation, PTK, all of which are organisations representing our customers, i.e., employers and employees.

The Council of Administration appoints the members of Alecta's Board of Directors and the Company's auditors. The Company is organised according to its various functions, and combines strong customer focus with specialised expertise in a number of areas. In addition, there are independent control functions, which are grouped in the Risk Unit, and there is also an Internal Audit Unit. Further information about the Board of Directors' responsibilities and working methods can be found on page 82, and information about the Council of Administration can be found on page 83.



Employee involvement and leadership

Alecta offers a good working environment which promotes equality and diversity. We believe that active employee involvement results in a corporate culture which, in turn, fosters success, and our starting point is a strong belief in the inherent ability of each employee to further develop their skills and competencies. Through continuous professional development, we attract, develop and retain highly capable employees. We encourage internal mobility as a means to broaden employee skills and expertise.

Corporate culture

Working at Alecta involves a large degree of individual responsibility in an environment characterised by high levels of competence and co-operation. Our work is governed by our common values. We put our customers first and always strive to be straightforward and cost-aware, and to see opportunities for improvement.

Health and fitness

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

Alecta in society

We manage collectively agreed occupational pensions providing financial security for nearly two million people in Sweden both during, and after, their working lives. We are not motivated by profit and our goal is to provide the highest possible benefit to our customers. This is our most important contribution to society. Through an active dialogue with our stakeholders, we identify the key components necessary to enable us to integrate economic, social, ethical and environmental responsibility into our business operations. We will conduct our operations in a manner assuring a high level of confidence in the company amongst our customers.

The occupational pensions market

The total value of the occupational pensions market amounted to approximately SEK 245 (268) billion in premiums in 2012. The total market is comprised of pension insurance funds and endowment insurance, as well as pension commitments secured by means other than funding.

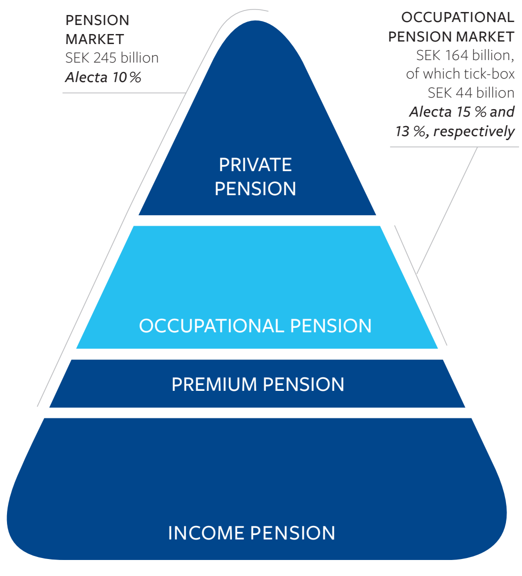
The occupational pensions market represents the largest sub-section of the total pensions market, and amounted to SEK 164 (154) billion in premiums. Three-quarters of the occupational pensions market is secured through insurance in life insurance companies or pension societies. The majority of these occupational pensions refer to defined contribution insurance. ITP 2 is the largest of the defined benefit insurance schemes.

The remaining quarter of the occupational pensions market is secured through means other than with life insurance companies. This amounted to approximately SEK 42 (35) billion in premiums when calculated as if the pension liabilities had, instead, been secured through life insurance. This sector is mainly comprised of occupational pensions for public sector employees. The major equivalent in the private sector is ITP 2 under private management.

Alecta operates on the Swedish occupational pensions market, in the collectively agreed occupational pensions sector. Unlike other life insurance companies that invest in a broad market presence, Alecta's strategy implies a clear focus on the ITP sub-market.

Of Alecta's total premium income of SEK 25 billion, SEK 22 billion comprised of premiums for savings insurance policies. Approximately three quarters of these premiums referred to the defined benefit retirement and family pension in ITP 2, while the defined contribution product, Alecta Optimal Pension, accounted for a quarter of total savings premiums.

PREMIUMS 2012, SEK BILLION



The tick-box market
The tick-box market remains a small sub-market but continues to grow, generating approximately SEK 44 (39) billion in paid savings premiums, excluding transferred insurance capital.

The ITP tick-box sub-market
Within the tick-box market, Alecta focuses on the ITP segment, which generated SEK 11.0 (9.7) billion in premiums in 2012. The ITP 1 and ITPK sub-markets cover just over 800,000 salaried employees in the private sector who are able to choose which company administers their pension premiums. Together, the two tick-box choices cover the majority of salaried employees in the private sector aged 25 and above.

In 2012, ITP 1 had an average of 202,000 (167,000) insured and a premium volume of approximately SEK 5.2 (4.1) billion. Within ITPK, an average of 610,000 insured accounted for a premium volume of SEK 5.8 (5.6) billion.

A total of 36 (35) percent of the insured within the ITP tick-box market did not make an active choice in 2012, and this group's share of premium volume was 36 (36) percent. Alecta's share of the tick-box market for ITP was 48 percent, which includes premiums from those who have actively chosen Alecta.

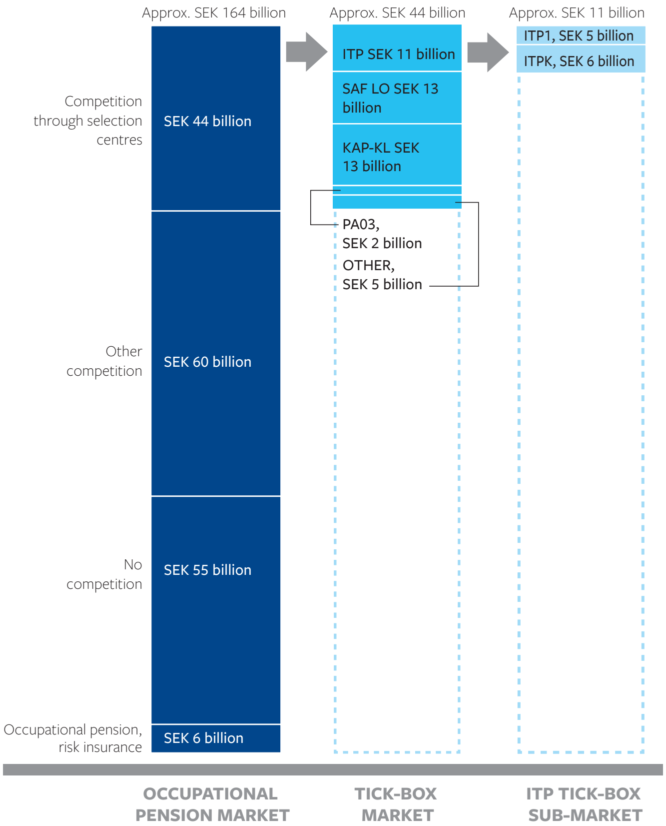
The transfer market for occupational pensions
Since 2008, it has been possible to transfer pension capital on several markets within the private sector, as regards both collectively-agreed and individual occupational pensions. Of a total SEK 15 billion of transferred capital, approximately SEK 6 billion has been transferred via a selection centre, whereby the parties to the collective agreements have typically formulated the conditions so that consumers can complete the transfer without requiring expert help.

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

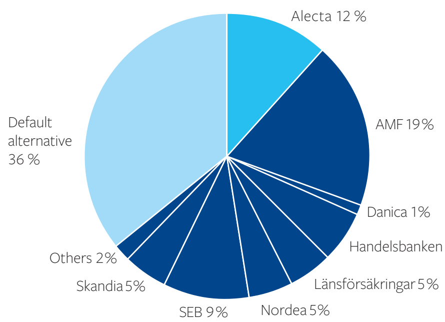
During 2012, ITP insurance policies with a total value of SEK 2.9 (3.1) billion were transferred. This implies that approximately three percent of the ITP capital eligible for transfer was moved to be administered by another manager during 2012.

The outgoing transfers primarily moved to AMF, Nordea

THE OCCUPATIONAL PENSION MARKET, PREMIUMS 2012



ITP TICK-BOX SUB-MARKET 2012



Source: Collectum's monthly statistics

and Handelsbanken. Incoming capital came from, above all, original ITPK, SEB Trygg Liv, Skandia and SPP. Transfers from Alecta Optimal Pension were equivalent to SEK 317 million and accounted for 11 percent of transferred capital. At the same time, SEK 114 million, or four percent, 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 income base amounts has the opportunity to choose other pension solutions if this is permitted by the employer. Alternative pension solutions can vary considerably, depending on the solution the individual employer chooses to offer to its employees.

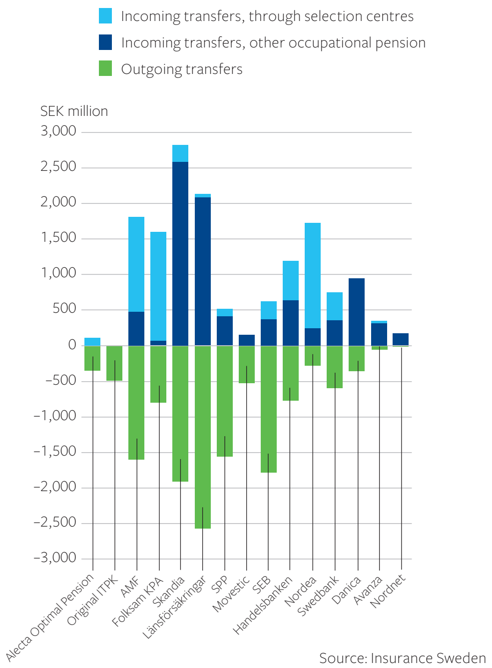
Should the employee choose to stay in the ITP 2 defined benefit plan, the premiums for the defined benefit retirement pension will, then, be managed either by Alecta or, if the company manages ITP 2 in-house and has reached an agreement with PRI Pensionsgaranti, by the employer.

The number of people insured under the ITP 2 plan will gradually decrease as new generations insured by ITP are covered by ITP 1. The manner in which individuals earning at least ten times the income base amount will be affected also depends on other factors, such as salary developments among private sector salaried employees, whose salary levels are around this level.

In December 2012, the number of individuals earning ten times the income base amount had declined to approximately 133,000 from 137,000 in December 2011. The decrease was greater among those who had chosen alternative solutions than among those who had retained the defined benefit ITP 2 plan.

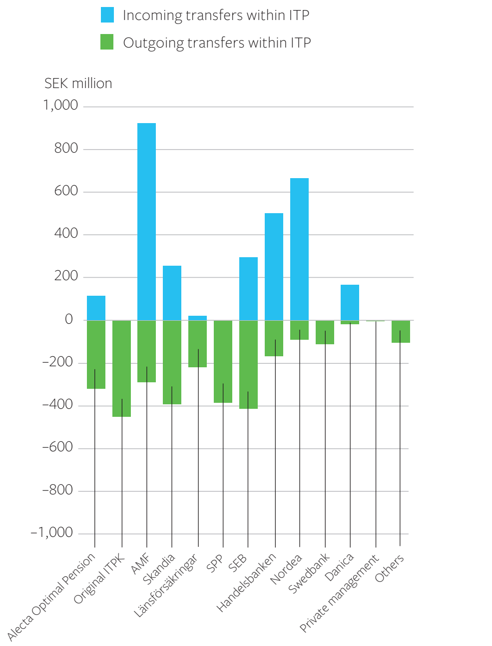
The number of earners who had chosen an alternative solution to the ITP 2 plan amounted in December to 50 (51) percent. This declining trend is not caused by the fact that this alternative solution has been stopped or even reduced. In 2012, approximately 3,600 earners chose an alternative pension plan, which is the highest figure in several years. The explanation is, rather, that a greater portion of those who chose alternative pension arrangements when the opportunity became available in the 1990s are now retiring.

TRANSFERRED OCCUPATIONAL PENSION CAPITAL 2012
Approx. SEK 15 billion



Source: Insurance Sweden

CAPITAL TRANSFERS WITHIN ITP 2012
Approx. SEK 3 billion



Source: Collectum's monthly statistics

Administration report

The Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt, hereby submit their Annual Report for 2012, the Company's 96th year of operations.

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

Ownership and organisation

Alecta is a mutual life insurance company. This means 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 regarding property management and parts of the IT operations which are outsourced to external suppliers.

Operations and Products

Alecta offers occupational pension insurance through selection centres under 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 normally 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. ITP 2 also includes a defined family pension and defined contribution ITPK (supplementary retirement pension). A defined contribution insurance solution is offered through the product Alecta Optimal Pension, which, for both ITP 1 and ITPK, is both the default alternative and a selectable alternative. Alecta also has the mandate to administer health and life insurance products in the ITP plan. These include the risk insurance policies for disability pension, waiver of premium and family protection. The ITP agreement offers the possibility to fund the employees' retirement pensions by reporting the commitments as a liability in the so-called PRI system. Alecta also administers portions of this business on behalf of PRI Pensionsgaranti.

Alecta Optimal Pension, the defined contribution retirement pension plan that Alecta offers, is also a selectable alternative in the contractual pension SAF-LO for private sector employees, and for state employees in the Agreement Area PA 03. Alecta is, furthermore, both the default alternative and a selectable alternative in PA-KFS for officials in municipally-owned companies.

Alecta also offers group life insurance (TGL).

Employees

During 2012, the number of employees in the Alecta Group averaged 370 (424) full-time employees (number of employees translated into full-time equivalents), of whom 329 (384) were employed in the Parent Company. Information on the average number of employees, salaries and other remuneration is provided in Note 54 on pages 69–72. This note also discloses the principles for the determination of remuneration and benefits for senior staff, as well as the preparatory work and decision-making process applied.

EMPLOYEE STATISTICS

Specification of employees	Group
Number of employees on 31 December 2012	426
Average age of all employees [1]	47
Proportion of female employees [1]	60 %
Proportion of female managers [1]	51 %
Employee turnover [1]	3.8 %
Level of education	
Proportion of university graduates [1]	34 %

[1] Relates to the Parent Company

Significant events

The financial situation

The year began positively but, at the end of the first quarter and during the second quarter, uncertainty grew as regards the debt crisis amongst EU countries and both stock exchange prices and interest rate levels declined. After, amongst other things, statements from ECB President Mario Draghi regarding unlimited support for the Euro as a currency and massive support efforts from both ECB and the American Federal Reserve, stock market prices began, once again, to rise during the second half of the year. However, both short and long-term interest rates continued to remain at near record low levels as a result of support interventions by central banks and concern regarding growth prospects. At the end of the year, short-term statistics from the US and China were interpreted as positive and long-term interest rates showed some tendency to begin to, once again, increase.

2012 was a very good year for Alecta's Investment portfolio with a total return of 11.4 (–2.1) percent and a return on our defined contribution product, Alecta Optimal Pension, of all of 16.8 (–6.8) percent.

Changed calculation method for life insurance provisions

A changed method for calculating life insurance provisions for defined benefit retirement and family pensions was introduced in July 2012. In conjunction with this change in calculation method, the method and assumptions applied in calculating tax on returns and operating costs were also changed. In total, these changes imply that life insurance provisions decreased by SEK 13 billion. The decrease in life insurance provisions implies that the solvency level was strengthened by just under 5 percentage points.

Change in premiums

From and beginning 1 December 2012, Alecta increased the current premium levels for new benefits in defined benefit insurance. This measure adapts the current premium levels to the current level of long-term market interest rates. The premium rate was decreased from 3 percent to 2 percent. This decrease is equivalent, over the course of one year, to approximately SEK 150 million in increased premium payments. At the same time, total operating costs, which are charged against premiums, declined, as Alecta is succeeding in decreasing these costs. The changes in premium levels refer to new employees, forthcoming salary increases for employees and new companies joining Alecta. The premium rate for single payment premiums was reduced from 3 percent to 2 percent already during the autumn of 2011.

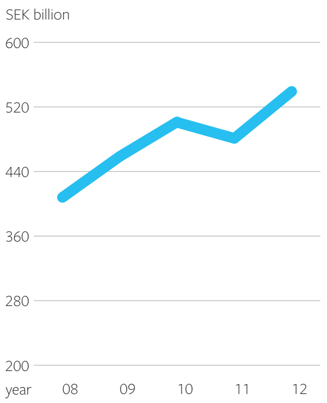
New systems support for defined contribution retirement pensions

The handling of Alecta Optimal Pension plans was integrated in April into the insurance system put into operation for defined benefit pensions during 2009. This creates the possibility of continued high cost-efficiency.

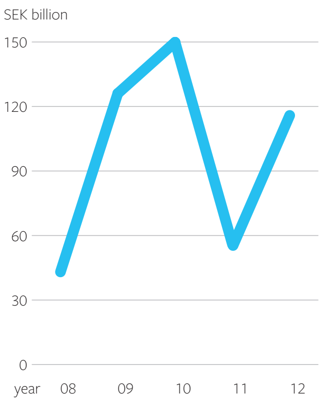
The Swedish Financial Supervisory Authority's decision regarding the interest rate floor

In June, the Swedish Financial Supervisory Authority determined to temporarily allow, until June 2013, life insurance companies to apply an interest rate based on market rates as at 31 May 2012. This decision aims at stopping the negative spiral effect which declining Swedish interest rates, in combination with the current regulations for life insurance companies, can result in. Alecta has not utilised, and does not intend to utilise, the possibility of applying such an interest rate, other than if the market would experience extreme pressure. However, Alecta still believes that this is a positive measure, as it decreases the risk of a total interest rate collapse. The Swedish Financial Supervisory Authority announced in February 2013 that it plans on introducing the discount rate which will apply in Solvency 2 at the end of the year. Until that time, the temporary interest rate floor as determined in May will remain in effect.

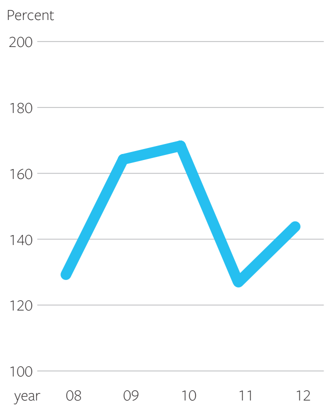
CAPITAL UNDER MANAGEMENT



COLLECTIVE FUNDING CAPITAL



SOLVENCY LEVEL



Government life insurance investigation

A government initiated life insurance investigation began in April 2012 and the final findings were published on 28 September 2012. The primary aim of this investigation is to propose measures which will strengthen and support the insured's interests. Those areas addressed by the investigation have been:

- the transfer right for insurance savings,
- treatment of surplus in mutual life insurance companies,
- increased insight into and influence on behalf of the insured in life insurance companies which are not allowed to distribute profits (corporate governance in hybrid companies),
- clearer regulation of the transition to dividend distribution (re-formation) of a life insurance company.

In an exposure draft statement, Alecta primarily criticised the investigation's proposal for expanded mandatory right of transfer for collectively agreed defined premium occupational pensions which are already covered by a well-functioning right of transfer. Alecta is of the opinion that this proposal is counter-productive as it will, if it is implemented, damage the consumer protection in the insurance market by leading to higher fees and lower pension benefits.

Occupational pensions – the investment which company management forgets

During the year, Alecta has continued to work with opinion building by providing information about what is important from a consumer perspective. A follow-up of last year's report, *"Over-exploitation of pension savers"* has been made through the report, *"Occupational pensions – the investment which company management forgets"* which was launched in conjunction with a seminar in May.

Norman amount

A new key ratio, Norman amount, was launched by Morningstar in May to facilitate the comparison of various savings products on behalf of savers. This key ratio is a forecast of the cost of saving SEK 1,000 per month during ten years. Collectum initiated the equivalent type of reporting during the autumn. Alecta reports the Norman amount for ten, respective, thirty years, for Alecta Optimal Pension on alecta.se.

Lowest fund management costs in the industry

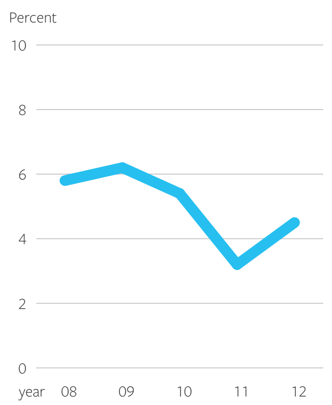
The annual survey undertaken by the newsletter Pension & Förmåner shows that Alecta's costs for fund management are the lowest in the industry. Alecta's fund management costs a total of 0.03 percent.

Events after balance sheet date

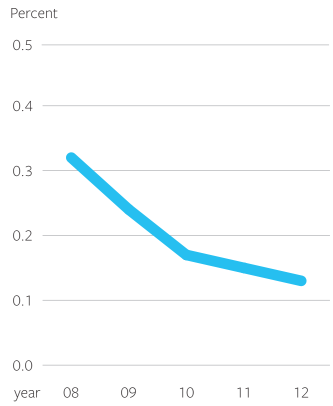
ITP-procurement

In the middle of January 2013, Alecta received tender invitation documents from Collectum, who has the assignment of procuring insurers for the ITP plan. On 28 February, Collectum announced the results of the ITP procurement for the period 1 July 2013 to 30 September 2018. Alecta was, again, entrusted the role of default alternative company for defined contribution retirement pensions within the ITP plan. The product winning this procurement procedure, Alecta Optimal Pension, has been further strengthened through, amongst other things, an enhanced guarantee, a slower pace in the reduction of the share portion and buffer pension payments. The already low fee of 0.10 percent of capital is, in addition, supplemented with a fee ceiling. Improvements refer to both existing and new clients and regardless of whether the insured has chosen Alecta actively or Alecta is the default alternative.

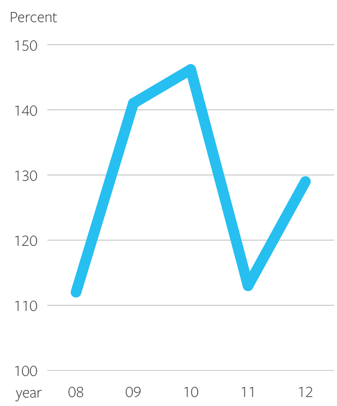
TOTAL RETURNS,
5 year average



MANAGEMENT EXPENSE RATIO



COLLECTIVE FUNDING RATIO,
Defined benefit insurance



Adjusted paid up policies and reduced risk premiums

2013 has started with continued positive returns and rising interest rates on bonds, which has contributed to a significant improvement to the funding ratio for the defined benefit plans, to the extent that, during February and early March, it was close to the midpoint of the funding ratio interval of 125–155 percent. In March 2013, the Board of Alecta, consequently, determined that earned pension rights, so-called adjusted paid up policies, in defined benefit ITP 2 shall be increased by 3.35 percent from the end of the year to match the consumer price rise which has taken place since the previous upward indexation. Approximately SEK 6.3 billion will be distributed as rebates to fund this indexation. If the financial situation deteriorates significantly during the year, this decision may be reconsidered. In applying the indexation, any negative development in the CPI between September 2012 and September 2013 shall be taken into consideration.

The Board also decided to reinstate premium reductions for risk insurance. The determined premium reduction of 86 percent in the seven months corresponds to 50 percent calculated over the full year 2013. This reduction includes disability pension and waiver of premium in both ITP 2 and ITP 1 and is in effect from June 1 2013 to year-end. This measure reduces employers' costs by approximately SEK 1.2 billion.

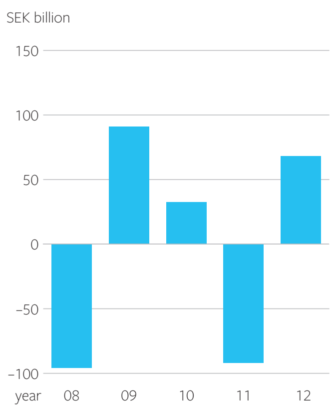
Anticipated future development

The financial markets in 2012 were characterised by a major amount of drama, with the Euro crisis and economic downturn in many parts of the world. Meanwhile, a number of important steps to resolve the long-term problems in the Euro zone were taken. The economic signals in Europe are still relatively bleak and it will probably take several years before the Euro zone can show good growth again, but a sense of optimism and confidence can still be discerned after all of the crisis headlines. U.S. growth is expected to be relatively good in 2013 and, in China, expectations are hopeful that the economy will take off when the political uncertainty surrounding the leadership shift has started to subside. Alecta's ambition is that the total investment portfolio, over time, will see a return of about 4 percent, net of inflation.

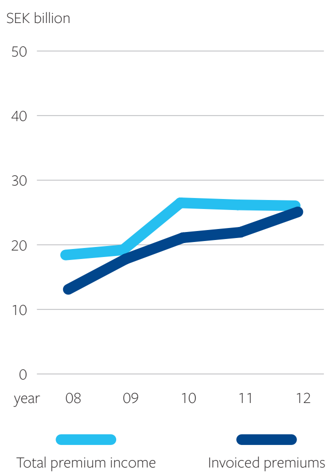
For Alecta Optimal Pension, the corresponding target is about 5 percent. After the high return for 2012, we believe that the prospect for achieving the target returns established for the next few years is still good, though not quite as good as a year ago. Above all, we expect a few years with very little return on our interest-bearing investments. Alecta's financial ratios have improved greatly in 2012, so we are equipped to manage even in an environment with extremely low interest rates.

Alecta is a specialist in ITP and is continually working to streamline the organization and reduce operating costs while improving its customer service and offering. Our most important task is our role as the main supplier in ITP. This role as the main supplier provides economies of scale, which Alecta captures and amplifies by avoiding unnecessary complexity, maximizing synergies between product areas, such as defined benefit and defined contribution pensions, and through a very high cost awareness. Our mission is to

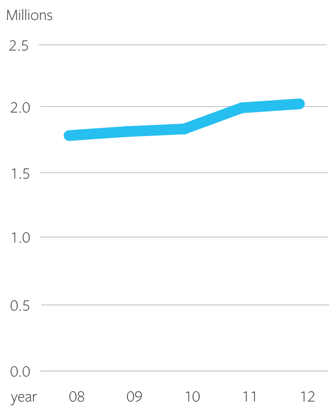
PROFIT FOR THE YEAR



PREMIUM INCOME



NUMBER OF INSURED



create as much value in the pension benefit ITP as possible for both corporate and private customers, and we strive to be a world-leading occupational pension company.

Profit for the year and financial position

Profit after tax for the Group during the year amounted to SEK 68.1 (–92.0) billion. Return on capital, net SEK 55.9 (–10.8) billion, is the item that has contributed most to the positive result.

Premiums written

Income from premiums in 2012 amounted to SEK 25.2 (25.6) billion, see also Note 5 on page 46. Premiums can be divided into invoiced premiums and allocated rebates. Invoiced premiums rose sharply in 2012 to SEK 25.2 (22.0) billion. The bulk of the increase is found in Alecta's savings products and this applies to both defined contribution and defined benefit savings. Part of the increase is also due to the premium reduction for risk insurance, in force in 2011, being withdrawn at the beginning of 2012.

Total premiums written is, in spite of everything, slightly lower in 2012 than 2011, as no increase in accrued pension rights (adjusted paid-up policies) was made in 2012. An adjusted paid-up policy is a rebate allocated to the insured who have not yet retired, to compensate for inflation. At the same time, an increase in accrued pension entitlements reduces the employers' future regular premiums. Earned pension rights for defined benefit retirement and family pension were increased at the beginning of 2011, by 1.42 percent, which meant that premiums for 2011 rose by SEK 2.3 billion.

Return on capital

The financial markets developed in a beneficial direction during 2012, in spite of it being a particularly volatile year. The year started with a strong first quarter, largely due to the banking sector being injected with liquidity from the European Central Bank. The positive start was, however, replaced with insecurity and risk aversion from investors, as the debt crisis within the EMU became acute, and the concern for recession took over, with weak macro figures from leading economies such as China, Germany and the United States. In the beginning of June, leading stock exchanges showed year low figures, and interest rates in countries with higher creditworthiness, such as Germany and Sweden, reached historically low levels. During the latter part of the year the financial markets stabilized and the risk appetite increased again after political progress

Total return table for investments, the Alecta Group	Market value 31 December 2012		Market value 31 December 2011		Total return in percent	
	MSEK	%	MSEK	%	2012	Average 2008–2012
Shares	179,108	32.8	139,392	28.6	21.4	2.7
Interest-bearing investments	329,090	60.3	312,334	64.1	7.3	6.8
Property	37,775	6.9	35,444	7.3	8.5	3.5
Total investments	**545,973**	**100.0**	**487,170**	**100.0**	**11.4**	**4.5**

The total return for respective years and classes of assets included in the average total return over the period 2008-2012 are presented in the five-year summary on page 22.

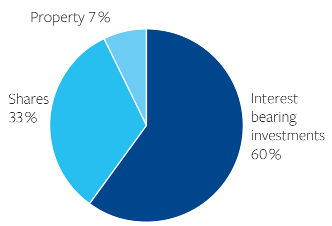
The total return table is prepared in accordance with the recommendations of the trade association, "Insurance Sweden". The accounts and the valuation of the investments do not correspond to the accounting principles applied in the financial reports. A reconciliation between the values in the total return table and those reported in the financial reports is presented in Note 53 on page 68.

The market value of shares includes the underlying value of holdings of stock indexed future agreements, see Note 30 on page 63. As a consequence, the proportion of shares has decreased, giving rise to a corresponding increase in the proportion of interest-bearing investments.

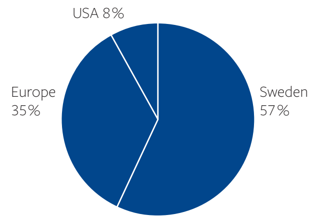
Total return table for investments, Alecta Optimal Pension	Market value 31 December 2012		Market value 31 December 2011		Total return in percent	
	MSEK	%	MSEK	%	2012	Average 2008–2012
Shares	14,125	64.2	8,996	63.6	21.4	2.7
Interest-bearing investments	6,337	28.8	4,101	29.0	7.5	7.1
Property	1,555	7.1	1,053	7.4	8.5	3.5
Total investments	**22,016**	**100.0**	**14,150**	**100.0**	**16.8**	**4.7**

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 22.4 billion. Due to rounding off, the figures presented in the tables above for each class of asset may differ from the totals.

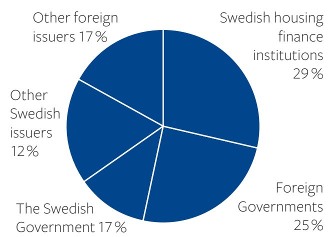
TOTAL INVESTMENT PORTFOLIO



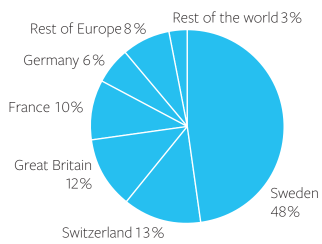
INTEREST-BEARING INVESTMENTS, geographical distribution



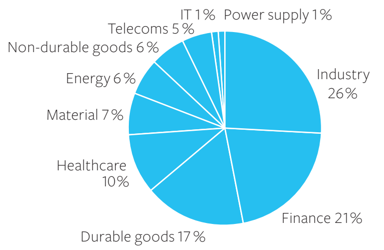
INTEREST BEARING INVESTMENTS, per issuer



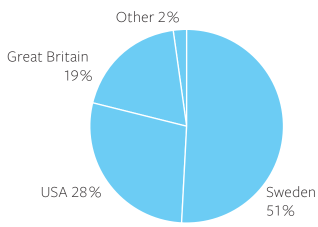
SHARES, geographical distribution



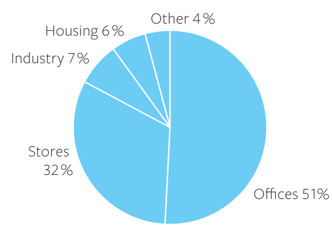
SHARES, per sector



PROPERTIES, geographical distribution



PROPERTIES, category



ALECTA'S FIVE LARGEST SHAREHOLDINGS
per 31 December 2012

SHARE	SECTOR	MARKET VALUE, SEK MILLION
H&M	Durable goods	14,557
Volvo	Industry	8,013
SEB	Finance	7,489
Investor	Finance	7,051
Atlas Copco	Industry	5,515

Market value in accordance with the total return table.

and agreements within both the EMU and the United States, pledges on aid measures from Central Banks, and slightly more positive macro figures from primarily China and the Unites States. The MSCI World's stock index had a return of a little over 16 percent during the year in local currencies. Also the Swedish stock index SIX 60 had a return of approximately 16 percent during the year. Corporate bonds and government securities issued by countries in a weaker financial position than the EMU showed a clear positive trend after significant reduction in credit spreads. Real estate markets in Sweden and the United States also had a good year, where the United States showed the best development.

The total return on Alecta's investments amounted to 11.4 (–2.1) percent during 2012. During the year, the proportion of shares has increased from 29 percent at the beginning of the year, to approximately 33 percent at year end. The increase is partly a consequence of rising asset values, and partly an effect of the net purchase of shares. During the past five years, Alecta's average annual return has been 4.5 (3.2) percent.

The return on shares amounted to 21.4 (–13.8) percent, interest-bearing investments had a return of 7.3 (7.4) percent and the return on managed property amounted to 8.5 (10.5) percent. Within the share management, Alecta's exposure towards the banking sector contributed positively to the overall return, and within interest management, Alecta's holdings within corporate and government bonds have developed well. Within Alecta's property management, the American portfolio has shown particularly good results.

In the income statement, the return on capital for the Group, including unrealised changes in value, amounted to SEK 55.9 (–10.8) billion.

The overall return on Alecta's defined contribution savings product, Alecta Optimal Pension, amounted to 16.8 (–6.8) percent during 2012. This is 9.2 percentage points higher than Morningstar's index for mixed funds during the same period.

At the end of 2012, the market value of investments amounted to SEK 546.0 (487.2) billion, see the total return table on page 15. The return on Alecta Optimal Pension is determined on the basis of the return per class of asset in Alecta's defined benefit retirement pension. Alecta Optimal Pension's allocation of assets implies a higher proportion of investments in shares than in any of Alecta's other products. The market value of investments in Alecta Optimal Pension as per 31 December 2012 was SEK 22.0 (14.2) billion, see the total return table on page 15.

Claims incurred

Claims incurred comprise both compensation payments in respect of retirement pensions, disability and death, and operating expenses for claims management, as well as changes in the provision for claims outstanding.

Claims paid amounted to SEK 16.3 (15.1) billion. The increase is mainly attributable to the fact that the number of retirees entitled to benefit payments has risen during the year. Operating costs for claims management amounted to SEK 134 (124) million, see Note 8 on page 46. The change in the provision for claims outstanding amounted to SEK –0.7 (–0.8) billion.

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 insurance contracts in force. These provisions decreased during 2012 by a total of SEK 6.4 (–89.4) billion, as a consequence of:

- Premiums and payments, including the difference arising as a consequence of premium assumptions differing from the assumptions applied in calculating provisions. This resulted in an increase in technical provisions of SEK 6.7 (5.2) billion.
- Cumulative return and deductions for taxes and operating costs which, together, implied an increase in technical provisions of SEK 6.9 (8.1) billion.
- The change in the market-based discount rate which is applied to value technical provisions. The average discount rate during 2012 has risen from 2.58 to 2.67 percent. This increase resulted in technical provisions decreasing by SEK 3.4 (–81.2) billion.
- A change in the method and assumptions applied in the calculation of the provision for life insurance for defined benefit retirement and family pension plans. The provision refers to, as of 30 June, the capital value of earned pension entitlement and the capital value of expected contractual future premiums, and the pension payments these future premiums are expected to give rise to. At the same time, Alecta's method and assumptions applied for calculating tax on returns and operating costs were adjusted. All in all, the change of method and assumptions lead to a reported reduction in technical provisions of SEK 13.3 billion as of 30 June 2012.
- A change in the assumptions applied in the calculation of the disability pension provision which took place during the first half of 2012. This led to a reduction in technical provisions of SEK 0.8 billion.
- The change in premium for defined benefit insurance as of 1 December, which implies that each future premium leads to a slightly reduced earned pension right than was the case prior to the adjustment of premiums. Even if the target level of benefit remains unchanged, a slightly lower proportion of the benefit will be earned at each point in time, prior to the insured's retirement. Considering Alecta's assumption that the ongoing premium payments will cease for some of the insured prior to retirement, the technical provisions decreased by SEK 1.7 billion as a consequence of the adjustment of premiums.

- Other changes caused a reduction of technical provisions of SEK 0.8 billion.

Operating costs

Operating costs for the insurance business amounted to SEK 547 (627) million, a reduction of 13 percent, or SEK 80 million, compared with 2011. This reduction is partly explained by lower costs for personnel and marketing activities during 2012, and also by non-recurring costs during 2011. The management expense ratio dropped to 0.13 (0.15) as a consequence of reduced costs and a higher average level of managed capital. For pension products, excluding selection centre expenses, Alecta's management expense ratio was 0.08 (0.10) during 2012.

Rebates

Alecta is a mutual company, which implies that any surplus is to be refunded to our customers, i.e. the policy holder and the insured. This takes place through rebates.

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

For the defined benefit products, Alecta's Board determines, on an annual basis, if, and in which form, rebates are to be granted. For 2012, the Board has decided that rebates will be granted in the form of pension supplements, that is, as an adjustment of pensions currently in payment, of 2.73 percent, which corresponds to the development of the consumer price index between September 2010 and September 2011. On the basis of Alecta's financial position at the end of 2011, the parties to the collective agreements decided, upon the request of Alecta, that rebates will be financed through special indexation funds. The pension supplement will be formally guaranteed no earlier than in conjunction with the payment of the benefits. A portion of the agreed pension supplement is paid out during the year in which the decision is valid, whereas the remainder is reserved for payment during coming years. The Board further decided that no rebate in the form of an increase in earned pension entitlements or premium reductions for risk insurance would be granted in 2012.

As was the case for 2012, Alecta's board has decided that rebates for 2013 will be granted in the form of pension supplements, that is, an adjustment of pensions currently in payment. This adjustment has been determined at 0.45 percent and corresponds to the increase in the consumer price index taking place between September 2011 and September 2012.

In March 2013, the Board of Alecta decided that earned pension entitlements in defined benefit ITP 2 shall be increased by 3.35 percent, or SEK 6.3 billion, from the end of the year, to match the rise in the consumer price index over the two years since the previous indexation. If the financial situation deteriorates significantly during the year, this decision may be reconsidered. In the indexation, any negative development in the CPI between September 2012 and September 2013 shall be set off. The Board also decided to reinstate premium reductions in risk insurance from 1 June 2013 to year end. The planned reduction of 86 percent during the seven months corresponds to 50 percent of the entire amount for the year 2013. The measure reduces employers' costs by approximately SEK 1.2 billion.

Looking at the rebates granted by Alecta over the most recent 15-year period (1998–2012), we can state that a total of SEK 153 billion has been paid out. This amount is equivalent to the amount of insurance compensation paid out during the same period. These rebates have been distributed to the policy holders and the insured by means of, among other things, pension supplements for pensions in payment, increases of earned pension entitlements, reduction of insurance premiums and client-company funds.

Collective funding and solvency

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

The collective funding ratio in the Group for the defined benefit insurance amounted to 129 (113) percent at the end of 2012. The collective funding capital amounted to SEK 115.8 (54.1) billion. Alecta's funding policy for the defined benefit plans stipulates that the collective funding ratio is permitted to vary between 125 and 155 percent, with a target level of 140 percent. If the funding ratio falls below 125 percent or rises above 155 percent, measures are to be taken to create the conditions for the collective funding ratio to return to the normal interval.

The solvency level was 144 (126) percent at the end of 2012.

Solvency II and the Occupational Pensions Directive

Within the EU, negotiations are still underway regarding the adoption of the revised Solvency II Directive, Omnibus II, which will impact Alecta's work with Solvency II. The adoption of Omnibus II is planned for the autumn of 2013 according to information provided by the Swedish Ministry of Finance at the end of 2012.

The Swedish Ministry of Finance and the Swedish Financial Supervisory Authority have stated that the delays at EU level have affected Sweden's adoption of Solvency II, and the date for adoption of the directive will be no earlier than 1 January 2015. The Ministry of Finance is currently conducting an analysis of the responses to the occupational pension memorandum from spring 2012, and, consequently, the Swedish legislative process for Solvency II can start at the earliest in the autumn of 2013.

As a basis for the determination of the Omnibus II, EIOPA, the European Insurance and Occupational Pensions Authority, has announced a comprehensive quantitative and qualitative impact study of measures for long-term insurance commitments (Impact Assessment LTG). The study will be conducted in February–March 2013 and Alecta plans to participate in this study.

At the end of 2012, Alecta also participated in the EIOPA impact study (QIS 1) of the draft revision of the Occupational Pensions Directive, IORP2, and the results were submitted to the Swedish Financial Supervisory Authority in December.

Alecta has adapted the planning of Solvency II to the postponed start date and the internal governance committee has decided to delay implementation of certain of the Solvency II activities previously planned to be implemented in 2013. It will not be clear until the Swedish Council on Legislation's exposure draft is presented, as to how Alecta will be covered by the Solvency II framework, and the information provides a new decision-making basis for implementation of the Solvency II project activities.

Recently, however, EIOPA has released preliminary information on the introduction of early adoption of certain aspects of Solvency II. This means that national regulatory authorities shall, as of 1 January 2014, request all information from the companies needed for a risk-based supervision.

The internal assessment is that Alecta is well positioned for a requirement of early adoption and to meet the demands of Solvency II, partly thanks to the coherent description of the Alecta system of governance, through procedures and processes for solvency calculations and comprehensive analysis of the final requirements for Solvency II reporting. This means that the final activities related to the adoption of Solvency II may be resumed at short notice.

Product Calculation, Alecta Optimal Pension

Alecta resolved to offer a defined-contribution option, Alecta Optimal Pension, in the ITP procurement in 2007. The assessed risk of launching a new product has been weighed against the value contributed by a premium defined business for Alecta's customers, not least through sharing common costs with other products over time.

In a mutual company, it is important to maintain a fair distribution of income and expenses. Alecta follows products' financial results with great accuracy through models and processes for follow-up that are scrutinised by internal control functions. Pricing is based on the idea that prices charged shall, over time, meet operating costs. For a number of years after the introduction of Alecta Optimal Pension, the cost will exceed the charges, and will be financed through a capital contribution from the defined collective plans in Alecta, which will incur interest. The accumulated deficit is monitored continuously and is reported to the Board of Alecta.

We distinguish between costs specifically prompted by the decision to invest in a defined premium product, so-called separable costs, and the portion of the shared costs that the respective products are to bear. Separable costs are the product-specific system management and system development costs for the product, direct expenses incurred in working with the customer administration and management, and information and promotion costs. Shared costs are part of the costs for management and staff, shared systems and infrastructure.

It is the development of product revenues (fees) and separable costs which create real economic risk arising from investments in defined contribution pensions. As of 2015, it is expected that revenue will equal the annual separable costs. The accumulated deficit will be greatest at this point in time and is expected, including interest charges, to amount to approximately SEK 120 million. This corresponds to approximately 0.02 percent of assets under management in the defined benefit plan which, during the initial period, funds the deficit through capital contributions. The accumulated deficit, including interest charges, is expected to be fully repaid in 2019. For the period 1 July 2012 to 30 June 2013, the interest rate is fixed at STIBOR (3 months) plus a fixed risk premium of 2.11 percentage points. The supplementary amount is based on an average of the four major Swedish banks' funding costs for subordinated debentures of the category 'lower tier 2'.

The large synergies that exist between different products within Alecta are also found within Alecta's asset management. The capital for all segments and products is managed according to a Group-wide common investment model. No separate decisions are made in the management of each asset class within Alecta Optimal Pension. Specific decisions in the area as a whole are rarely made, but include adjustments to the investment policy, i.e. changing proportions between asset classes, as well as the requirements for separate monitoring and reporting. The total cost of asset management in Alecta is 0.03 percent, which is charged to all products. The separable cost that is due to the management of capital in Alecta Optimal Pension is even lower.

The dominant risk in the establishment of new life insurance products, such as Alecta Optimal Pension, is the financial risk exposure, i.e. the risk that the product cannot bear the market risks associated with it. Alecta Optimal Pension has stood on its own feet from the very beginning and has a stronger solvency level than Alecta as a whole. At year-end 2012/2013, Alecta's solvency level was 144 percent, while Alecta Optimal Pension, with over SEK 22 billion in

[1] Quantitative Impact Study, preliminary studies of the Solvency II process issued by CEIOPS (EU Regulatory Committee of European Insurance and Occupational Pensions).

managed capital and accounting for 4 percent of the invested assets, had a solvency level of 195 percent.

Taxes

The term taxes refers, in this context, mainly to tax on returns, income tax and VAT.

The work with taxes is mainly conducted in a tax group that has the overall responsibility for Alecta's taxes. Participants in the group represent various organisational units and are responsible for the tax issues impacting each unit. If necessary, the Company hires external tax consultants to deal with specific issues, which takes place through established contacts with a number of reputable consulting firms. The tax group has the primary responsibility for these contacts and decides which consultants are to be contracted. In 2013, Alecta has recruited a Head of Tax.

Risk organisation and risk management

In order to protect the interests of our customers and others, risk control must be very good and, therefore, high demands are placed on how the risks are to be managed. Insurance risks must be managed in a manner ensuring that Alecta meets its insurance obligations. The financial risks that are assumed shall ensure the highest possible return without Alecta's commitments to the insured being at risk. Other risks, such as regulatory compliance risks and information security risks must be managed in such a manner that Alecta's possibility to succeed in its assignment is not impaired. Operational risks in the business should be handled 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 good. The Board has delegated the task of monitoring the ongoing investment operations to its Finance Committee, and the responsibility for monitoring Alecta's risks and the manner in which the management handles these to its Audit Committee. The CEO's responsibility for overseeing the operational management includes ensuring that operations are conducted with high standards of internal control.

Insurance risks

The Board determines actuarial guidelines, specifying methods and principles for the production of actuarial estimates. The CEO is responsible for determining the basis of the actuarial calculations, which contains more detailed calculation models, and also for the assumptions to be applied in the actuarial calculations. The Head of Actuary is responsible for the management and ongoing 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 suggesting changes to be implemented.

Financial risks

The Board determines Alecta's investment policy by stipulating guidelines regarding, among other things, the portfolio structure and the framework for risk taking. The Board is responsible for ensuring compliance with these guidelines and continuously examines whether they need to be changed. The Board's Finance Committee determines more detailed guidelines for the ongoing investment operations, prepares the financial administration issues to be addressed by the Board and makes decisions on investment matters that are outside the CEO's authority. The CEO is responsible for investment operations under the mandate set out in the investment policy and for other decisions taken by the Board of Directors and the Finance Committee. With some limitations, this mandate has been further delegated to the Head of Investment Management, who is responsible for the management and ongoing control of Alecta's financial risks.

Other risks

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

Alecta's management of the above risk categories is described in more detail in Note 4 on pages 44–45.

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

- The independent control functions, Compliance, Information Security and Risk Management, which have been assigned to undertake independent assessments of Alecta's risks. They also have a support and advisory role towards both management and the business operations.
- The Personal Data Act representative, who supports the business in its work to comply with the Swedish Personal Data Act (PuL).
- Risk & Performance, a function within Investment Management, which is independent from the business operations, and is 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 follows the relevant aspects of the Swedish Code of Corporate Governance. We have produced a corporate governance report in accordance with the Code, which is available at alecta.se.

* The functions' position within the organisation is presented in the diagram on page 7.

“Alecta wants to attract, develop and retain committed and competent employees, so that we, in the best possible manner, can execute Alecta's assignment and create value for our customers. The company that can consistently maintain a high competence in all different parts of the business will be difficult to beat.

Five-year summary

GROUP, MSEK	2012	2011	2010	2009	2008
Results					
Premiums written	25,217	25,563	25,876	18,581	17,782
Claims incurred	–15,583	–14,295	–11,890	–10,038	–11,031
Return on capital, net	55,860	–10,835	43,031	51,543	–33,597
Profit before tax	69,438	–91,782	35,071	90,350	–94,139
Profit/loss for the year	68,053	–92,027	32,701	90,866	–95,712
Financial position					
Assets under management [1]	545,719	487,666	496,434	453,686	403,093
Technical provisions	379,753	386,136	296,739	278,694	314,374
Collective funding capital	115,780	54,082	148,038	124,213	41,296
Capital base [2]	163,877	99,323	198,337	173,372	86,484
Required solvency margin [2]	15,698	15,995	12,402	11,679	13,431
Key ratios					
Total return, percent [3]	11.4	–2.1	9.6	12.8	–7.4
– of which shares	21.4	–13.8	16.2	37.3	–31.6
– of which interest-bearing investments	7.3	7.4	4.1	3.6	11.6
– of which property	8.5	10.5	12.9	–4.1	–8.4
Total return, Alecta Optimal Pension, percentage [3]	16.8	–6.8	12.6	22.9	–16.6
– of which shares	21.4	–13.8	16.2	37.3	–31.6
– of which interest-bearing investments	7.5	7.7	4.4	3.8	12.3
– of which property	8.5	10.5	12.9	–4.1	–8.4
Management expense ratio percentage [4]	0.13	0.15	0.17	0.24	0.32
– of which pension products	0.09	0.11	0.13	0.17	0.22
– of which pensions products excl. selection centre costs	0.08	0.10	0.11	0.16	0.20
Investment management expense ratio [5]	0.03	0.03	0.03	0.03	0.03
Collective funding ratio, defined benefit insurance, percent	129	113	146	141	112
Collective funding ratio, defined contribution insurance, percent [6]	100	100	100	100	100
Solvency level, percent	144	126	167	163	128

[1] Defined as equity, provision for life insurance and claims outstanding.
[2] Relates to Parent Company.
[3] Calculated according to the Swedish Insurance Federation's recommendation for all years.
[4] Calculated as operating expenses and claims management costs in relation to average assets under management.
[5] Calculated as operating expenses for asset management in relation to average assets under management.
[6] Since surplus/deficit is divided monthly among the insured, the collective funding is normally 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 ratios. These are reported in the five-year summary above. This means both that the general guidelines in FFFS 2008:26 contain some items and key ratios which do not appear here, and that the five-year summary includes some items which do not appear in the general guidelines. The key ratios presented here are used in Alecta and are, therefore, relevant to the Company's business.

Proposed appropriation of profits

The Board of Directors and the CEO propose to the Council of Administration that the Parent Company's profit for the year 2012 of SEK 67,178,900,812 be transferred to the funding reserve. The Board of Directors and the CEO propose that the Council of Administration approve the Board's decisions regarding the granting of rebates, specified in the section Rebates in the Administration report, page 18.

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 193,675,766, from the funding reserve to the guarantee reserve, an amount which is the equivalent of the guarantee reserve's total return for 2012 after deduction of asset management costs and taxes.

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Income Statement

Group

MSEK	Note	2012	2011
Premiums written	5	25,217	25,563
Return on capital, net		55,860	–10,835
Return on capital, income	6	26,781	22,592
Unrealised gains on investment assets	7	31,471	8,811
Return on capital, expenses	10	–2,385	–3,963
Unrealised losses on investment assets	11	–7	–38,275
Claims incurred		–15,583	–14,295
Claims paid	8	–16,281	–15,135
Change in provision for claims outstanding		698	840
Change in other technical provisions		5,685	–90,206
Provision for life insurance		5,685	–90,206
Operating expenses	9	–547	–627
Depreciation and impairment of owner-occupied properties	18	–18	–17
Tax on returns	12	–1,176	–1,365
Total operating profit		69,438	–91,782
Profit before tax		69,438	–91,782
Income tax	13	–1,385	–245
PROFIT FOR THE YEAR		68,053	–92,027

Statement of Comprehensive Income

Group

MSEK	2012	2011
Profit for the year	68,053	–92,027
Exchange rate differences	*–435*	*252*
Total other comprehensive income	–435	252
COMPREHENSIVE INCOME FOR THE YEAR	67,618	–91,775

Balance Sheet

Group

MSEK	Note	2012-12-31	2011-12-31
ASSETS			
Intangible fixed assets	15	388	423
Property, plant and equipment	16	27	22
Deferred tax	42	-	692
Investment assets			
Land and buildings			
Investment properties	17	28,558	27,232
Owner-occupied properties	18	901	912
Other financial investment assets			
Shares and participations	21, 24, 25, 26	184,033	178,820
Bonds and other interest-bearing securities	21, 24, 25, 27, 49	321,914	268,728
Loans with real estate as collateral	21, 24, 28	261	375
Other loans	21, 24, 25, 29	2,334	1,911
Derivatives	21, 24, 30	8,279	4,887
Other financial investment assets	21, 24, 31	-	2,127
		546,280	484,992
Receivables			
Receivables referring to direct insurance operations	21, 32	1,479	1,690
Current tax		69	154
Other receivables	21, 33	1,782	3,017
		3,330	4,861
Cash and bank balances	21, 48	726	3,004
Prepaid expenses and accrued income			
Accrued interest and rental income	21, 34	8,302	5,919
Other prepaid expenses and accrued income	21	139	146
		8,441	6,065
TOTAL ASSETS		559,192	500,059

Balance Sheet, cont.

Group

MSEK	Note	2012-12-31	2011-12-31
EQUITY AND LIABILITIES			
EQUITY			
Translation reserve	35	–1,241	–727
Discretionary participation features	35	37,074	34,118
Special indexation funds	35	10,962	11,039
Guarantee reserve	36	1,661	1,859
Retained earnings including profit for the year	35	117,510	55,241
Total equity		**165,966**	**101,530**
LIABILITIES			
Provision for life insurance	38	369,609	375,294
Claims outstanding	39	10,144	10,842
Pensions and similar commitments	40	39	53
Other provisions	41	14	33
Current tax		1	6
Deferred tax	42	1,214	1,400
Liabilities referring to direct insurance operations	21, 44	622	599
Derivatives	21, 30	3,652	3,864
Other liabilities	21, 45	5,813	5,235
Other accrued expenses and deferred income	21, 46	2,118	1,203
Total liabilities		**393,226**	**398,529**
TOTAL EQUITY AND LIABILITIES		559,192	500,059

Statement of Changes in Equity

Group

MSEK	Translation reserve [1]	Discretionary participation features [1, 2]	Special indexation funds [1]	Guarantee reserve [3]	Retained earnings including profit for the year [1]	Total
OPENING EQUITY AT 1 JANUARY 2011	–979	33,830	15,720	1,779	149,345	199,695
Profit for the year					–92,027	
Other comprehensive income	252					
Total comprehensive income for the year	252				–92,027	–91,775
Allocated rebates		5,150	–4,800		–350	0
Rebates		–5,822			–219	–6,041
Collective risk premium [4]			–237			–237
Return on guarantee reserve [5]				174	–174	0
Other changes		960	356	–94	–1,334	–112
Closing equity at 31 December 2011	–727	34,118	11,039	1,859	55,241	101,530
OPENING EQUITY AT 1 JANUARY 2012	–727	34,118	11,039	1,859	55,241	101,530
Profit for the year					68,053	
Other comprehensive income	–435					
Total comprehensive income for the year	–435				68,053	67,618
Allocated rebates		801			–801	0
Rebates		–2,769			–23	–2,792
Collective risk premium [4]			–239			–239
Return on guarantee reserve [5]				–46	46	0
Other changes	–79	4,924	162	–152	–5,006	–151
Closing equity at 31 December 2012	–1,241	37,074	10,962	1,661	117,510	165,966

1) See Note 35 on page 64.
2) Discretionary features refer to allocated rebates. See Note 35 on page 64.
3) Reserve for financing collective agreement guarantee and for use for information funds. See Note 36 on page 65.
4) Premium for waiver of premium insurance and collective final payment is reduced because employees are expected to incur a higher cost due to the new rules for coordination and calculation of pensionable salary introduced by the parties in ITP 2 in 2008.
5) See Note 36 on page 65.

Cash Flow Statement

Group

MSEK	2012	2011
OPERATING ACTIVITIES		
Profit for the year before tax	69,438	–91,782
Interest received	10,571	11,653
Interest paid	–324	–710
Dividends received	6,859	7,120
Adjustment for non-cash items [1)]	–60,561	98,756
Income tax paid	–1,708	–1,581
Cash flow from operating activities before changes in assets and liabilities	**24,275**	**23,456**
Change in investment assets	–25,097	–18,183
Change in other operating assets	1,400	–3,868
Change in other operating liabilities	327	3,590
Cash flow from operating activities	**–23,370**	**–18,461**
INVESTMENT ACTIVITIES		
Investments in intangible fixed assets	–3	–9
Investments in property, plant and equipment	–6	5
Cash flow from investing activities	**–9**	**–4**
FINANCING ACTIVITIES		
Pension supplements	–2,769	–2,522
Payment from guarantee reserve	–152	–94
Payment of indexation funds	–241	–237
Cash flow from financing activities	**–3,162**	**–2,853**
Cash flow for the year	**–2,266**	**2,138**
Cash and cash equivalents, opening balance	3,004	864
Exchange rate differences in cash and cash equivalents	–12	2
Cash and cash equivalents, closing balance	**726**	**3,004**
1)		
Amortisation/impairment, Notes 15, 16, 18	57	53
Disposals, Notes 15, 16	-	22
Tax on returns, Note 12	1,176	1,365
Exchange gains, Note 6	–770	–467
Capital gains, Note 6	–4,061	–1,303
Capital losses, Note 10	104	2,220
Unrealised gains, Note 7	–31,471	–8,811
Unrealised losses, Note 11	7	38,275
Interest income, Note 6	–12,954	–11,653
Interest expense, Note 10	1,301	710
Dividends, Note 6	–6,823	–7,120
Adjustment of paid-up values, Note 5	–9	–2,313
Premium reduction, Note 5	–14	–1,206
Change in provision for life insurance, Note 38	–5,685	90,206
Change in provision for claims outstanding, Note 39	–698	–840
Other	–721	–382
	–60,561	**98,756**

Income Statement

Parent Company

MSEK	Note	2012	2011
TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS			
Premiums written	5	25,217	25,563
Return on capital, income	6	26,326	22,741
Unrealised gains on investment assets	7	31,063	8,289
Claims incurred			
Claims paid	8	–16,281	–15,135
Change in provision for claims outstanding		698	840
Change in other technical provisions			
Provision for life insurance		5,685	–90,206
Operating expenses	9	–547	–627
Return on capital, expenses	10	–1,959	–4,553
Unrealised losses on investment assets	11	–183	–38,275
Balance on the technical account, life insurance business		**70,019**	**–91,363**
NON-TECHNICAL ACCOUNT			
Balance on the technical account, life insurance business		70,019	–91,363
Profit before appropriations and tax		**70,019**	**–91,363**
Appropriations		–523	–278
Profit before tax		**69,496**	**–91,641**
Tax	14	–2,317	–1,396
PROFIT FOR THE YEAR		67,179	–93,037

Statement of Comprehensive Income

Parent Company

MSEK	2012	2011
Profit for the year	**67,179**	**–93,037**
Exchange rate differences	-	-
Total other comprehensive income	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	67,179	–93,037

Performance Analysis

Parent Company 2012

MSEK	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	25,217	16,769	5,742	2,519	187
Return on capital, income	26,326	23,369	1,285	1,648	24
Unrealised gains on investments	31,063	27,575	1,516	1,944	28
Claims incurred	–15,583	–13,278	–331	–1,810	–164
Claims paid	–16,281	–13,280	–331	–2,494	–176
Change in provision for claims outstanding	698	2	-	684	12
Change in other technical provisions	5,685	9,030	–3,346	-	1
Provision for life insurance	5,685	9,030	–3,346	-	1
Operating expenses	–547	–322	–45	–165	–15
Return on capital, expenses	–1,959	–1,739	–95	–123	–2
Unrealised losses on investment assets	–183	–162	–9	–12	-
Balance on technical account, life insurance business	**70,019**	**61,242**	**4,717**	**4,001**	**59**
Technical provisions					
Provision for life insurance	369,609	358,366	11,240	-	3
Claims outstanding	10,144	13	-	10,082	49
Total technical provisions	**379,753**	**358,379**	**11,240**	**10,082**	**52**
Funding reserve	**93,140**	**68,725**	**6,424**	**17,731**	**260**

Balance Sheet

Parent Company

MSEK	Not	2012-12-31	2011-12-31
ASSETS			
Intangible fixed assets			
Intangible fixed assets	15	388	423
		388	423
Investment assets			
Land and buildings	17	13,925	14,166
Investments in Group companies and associated companies			
Shares and participations in Group companies	19	8,254	6,997
Interest-bearing securities issued by, and loans to, Group companies	21, 20	5,639	5,612
Other financial investment assets			
Shares and participations	21, 24, 25, 26	183,919	178,802
Bonds and other interest-bearing securities	21, 24, 25, 27, 49	321,914	268,728
Loans with real estate as collateral	21, 24, 28	20	16
Other loans	21, 24, 25, 29	2,334	1,911
Derivatives	21, 24, 30	8,279	4,887
Other financial investment assets	21, 24, 31	-	2,127
		544,284	483,246
Receivables			
Receivables referring to direct insurance operations	21, 32	1,479	1,690
Other receivables	21, 33	1,799	3,098
		3,278	4,788
Other assets			
Property, plant and equipment	16	5	1
Cash and bank balances	21, 48	583	2,752
		588	2,753
Prepaid expenses and accrued income			
Accrued interest and rental income	21, 34	8,510	6,093
Other prepaid expenses and accrued income	21	65	98
		8,575	6,191
TOTAL ASSETS		557,113	497,401

Balance Sheet, cont.

Parent Company

MSEK	Note	2012-12-31	2011-12-31
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Funding reserve	35	93,140	189,162
Guarantee reserve	36	1,661	1,859
Profit for the year		67,179	–93,037
		161,980	**97,984**
Untaxed reserves	37	**2,285**	**1,762**
Technical provisions			
Provision for life insurance	38	369,609	375,294
Claims outstanding	39	10,144	10,842
		379,753	**386,136**
Other provisions			
Pensions and similar commitments	40	39	52
Taxes	43	483	117
Other provisions	41	14	33
		536	**202**
Liabilities			
Liabilities referring to direct insurance operations	21, 44	622	599
Derivatives	21, 30	3,652	3,864
Other liabilities	21, 45	6,413	5,927
		10,687	**10,390**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	21, 46	1,872	927
		1,872	**927**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		557,113	497,401
Memorandum items			
Collateral and equivalent securities pledged for own liabilities and for obligations reported as provisions	47	535,577	475,147
Other pledged assets and comparable security	48	1,120	3,696
Contingent liabilities	50	7	20
Commitments	51	1,142	1,273

Statement of Changes in Equity

Parent Company

MSEK	FUNDING RESERVE [1] Collective funding	Discretionary participation features [2]	Other reserves	Guarantee reserve [3]	Profit for the year	Total
Opening equity at 1 January 2011	**113,675**	**33,829**	**15,720**	**1,779**	**32,300**	**197,303**
Profit for the year					–93,037	
Other comprehensive income						
Total comprehensive income for the year					**–93,037**	**–93,037**
Appropriation of profits in previous year	32,300				–32,300	0
Allocated rebates	–350	5,150	–4,800			0
Rebates	–219	–5,822				–6,041
Collective risk premium [4]			–237			–237
Return on guarantee reserve [5]	–174			174		0
Other changes	–1,227	961	356	–94		–4
Closing equity at 31 December 2011	**144,005**	**34,118**	**11,039**	**1,859**	**–93,037**	**97,984**
Opening equity at 1 January 2012	**144,005**	**34,118**	**11,039**	**1,859**	**–93,037**	**97,984**
Profit for the year					67,179	
Other comprehensive income						
Total comprehensive income for the year					**67,179**	**67,179**
Appropriation of profits in previous year	–93,037				93,037	0
Allocated rebates	–801	801				0
Rebates	–23	–2,769				–2,792
Collective risk premium [4]			–239			–239
Return on guarantee reserve [5]	46			–46		0
Other changes	–5,086	4,924	162	–152		–152
Closing equity at 31 December 2012	**45,104**	**37,074**	**10,962**	**1,661**	**67,179**	**161,980**

1) See Note 35 on page 64.
2) Discretionary features refer to allocated rebates. See Note 35 on page 64.
3) Reserve for financing collective agreement guarantee and for use for information funds. See Note 36 on page 65.
4) Premium for waiver of premium insurance and collective final payment is reduced because employees are expected to incur a higher cost due to the new rules for coordination and calculation of pensionable salary introduced by the parties in ITP 2 in 2008.
5) See Note 36 on page 65.

Cash Flow Statement

Parent Company

MSEK	2012	2011
OPERATING ACTIVITIES		
Profit for the year before tax and appropriations	70,019	–91,363
Interest received	10,727	11,782
Interest paid	–340	–719
Dividends received	7,298	8,438
Adjustment for non-cash items [1)]	–61,303	97,599
Paid tax	–1,598	–1,434
Cash flow from operating activities before change in assets and liabilities	**24,803**	**24,303**
Change in investment assets	–25,500	–19,188
Change in other operating assets	1,427	–3,967
Change in other operating liabilities	271	3,728
Cash flow from operating activities	**–23,802**	**–19,427**
INVESTING ACTIVITIES		
Investments in intangible fixed assets	–3	–9
Investments in property, plant and equipment	–5	-
Cash flow from investing activities	**–8**	**–9**
FINANCING ACTIVITIES		
Pension supplements	–2,769	–2,522
Payment from guarantee reserve	–152	–94
Payment of indexation funds	–241	–237
Cash flow from financing activities	**–3,162**	**–2,853**
Cash flow for the year	**–2,169**	**2,014**
Cash and cash equivalents, opening balance	2,752	738
Cash and cash equivalents, closing balance	**583**	**2,752**
1)		
Amortisation/impairment, Note 15, 16	39	36
Disposals, Note 15, 16	-	22
Exchange gains, Note 6	–769	–467
Capital gains, Note 6	–4,061	–1,080
Capital losses, Note 10	172	2,096
Unrealised gains, Note 7	–31,063	–8,289
Unrealised losses, Note 11	183	38,275
Write-downs of shares in Group companies, Note 10	-	1,199
Interest income, Note 6	–13,144	–11,782
Interest expenses, Note 10	1,311	719
Dividends, Note 6	–7,409	–8,438
Adjustment of paid-up values, Note 5	–9	–2,313
Premium reduction, Note 5	–14	–1,206
Change in provision for life insurance, Note 38	–5,685	90,206
Change in provision for claims outstanding	–698	–840
Other	–156	–539
	–61,303	**97,599**

Notes

NOTE 1 Accounting principles in the Group and Parent Company

These annual financial statements are presented as per 31 December 2012 and pertain to Alecta pensionsförsäkring, ömsesidigt, Corporate Identity Number 502014-6865, with its registered offices in Stockholm. The postal address is SE-103 73 Stockholm. The visiting address of the head office is Regeringsgatan 107.

Basis for preparation of the financial statements

Laws and rules in the Group

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. The financial statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Insurance Companies, the Swedish Financial Supervisory Authority's instructions and general advice regarding the annual financial statements of insurance companies, FFFS 2008:26, with mandatory additions in FFFS 2009:12 and FFFS 2011:28, as well as the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. This is the third year that the Group applies full IFRS.

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 control. Control means that Alecta has a direct or indirect right to govern a company's financial and operational policies, in order to receive economic benefits from the operations. Disclosures regarding shares and participations in Group companies are provided in Note 19 on pages 52–54. 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 ceases 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.

Measurement basis

The measurement basis used 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 category classification is stated in Note 21.

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 3 on page 43.

Business combinations

In the financial statements, the purchase method is applied to both acquisitions of participations in companies and direct acquisitions of assets and liabilities. If the acquisition relates to participations 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 value is determined in a purchase price allocation (PPA), in conjunction with the acquisition of the company. The PPA determines the cost of the participations 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. The existence of business activities with employees, in addition to acquired assets and liabilities, 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. For asset acquisitions, all acquisition costs are recognised as an increase in the cost of the shares and participations in the acquired company. Whether the acquisition is classified as a business or an asset is decided by Alecta for each individual acquisition. Until 31 December 2012, 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 the Swedish krona.

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

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

Insurance contracts

In its capacity as insurance provider, 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

For 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, respectively, depends on the development of the pension capital, which, in turn, reflects the actual 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 rebate rate in arrears, on a monthly basis, so that the collective funding ratio is always approximately 100 per cent. 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 distribution 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, increase of an earned pension entitlement, 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

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

out, paying in and use, respectively, and, in connection with this, capital is transferred from the funding reserve. An increase of an earned pension entitlement will be guaranteed in conjunction with the increase and results in a technical provision.

Changes in accounting principles

New and revised accounting standards for financial year 2012:

IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 in requiring increased disclosures about financial assets have been transferred to another party, but the asset remains in the balance sheet such as in repo transactions, lending of shares or interest-bearing securities. Even if the financial asset is removed from the balance sheet, but the company is still exposed to risk, the information must be provided. Examples are guarantees, surrender clauses and options. For Alecta, this accounting standard implying new disclosure requirements applies to the company's lending of interest-bearing securities. In Note 49 on page 68 the relationship between transferred assets, interest income and collateral received is described.

New and amended standards for financial years beginning in 2013 or later. Only those standards that are expected to have an impact on Alecta are described:

IAS 1 Presentation of financial statements

The amendment to IAS 1 implies that items in other comprehensive income shall be divided into two categories. Items that will be reclassified to net income must be reported in a separate category and items that will not be reclassified will be reported separately. The amendments to IAS 1 are applicable for Alecta's part from financial years starting 1 January 2013. The impact of Alecta's reporting is expected to be marginal because the only hitherto reported in other comprehensive income is foreign exchange gains or losses.

IAS 19 Employee Benefits

The new IAS 19 was published in June 2011 and adopted by the EU in 2012. The changes in short imply that the so-called corridor method disappears, that is any change in pension liability is recognised immediately. Actuarial gains and losses are recognised in other comprehensive income. In the transition to the new IAS 19, actuarial gains and losses are recognised in equity. Another change introduced is that the same discount rate must be used for calculating return on assets as the rate used for debt calculation. The Group intends to apply the amended standard in the financial year beginning 1 January 2013. The effect on Alecta's financial reporting is expected to be marginal, since provisions are not material in amount and as there are no unrecognised gains or losses.

IAS 32 Financial Instruments: Presentation

Amendments to IAS 32 relate to clarification of when 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) intends either to settle by a net amount or to realise both the asset and liability. The amendments shall enter into force on 1 January 2014 but are not expected to have any material impact on Alecta's reporting.

IFRS 9 Financial instruments

This standard handles classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces those parts of IAS 39, which is related to the classification and measurement of financial instruments. IFRS 9 requires that financial assets be classified in two categories: fair value or at amortised cost. Classification is determined at initial recognition based on the company's business model and the characteristics of the contractual cash flows. For financial liabilities there are no major changes compared to IAS 39. The most significant change relates to liabilities that are designated at fair value. For such liabilities, the portion of the change in value that is attributable to its own credit risk is recognised in other comprehensive income rather than profit unless this causes inconsistencies in the financial statements. The standard will apply from 1 January 2015 if adopted by the EU. Alecta has not yet evaluated whether the standard will have any impact on the financial statements.

IFRS 10 Consolidated financial statements

New standard for consolidation, which replaces IAS 27 and SIC 12. The basic principles of consolidation are unchanged, but a new definition of control is introduced. The term "de facto control" needs to be evaluated before any effects of the standard can be assessed. The standard is effective from 1 January 2014.

IFRS 11 Joint arrangements

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

Alecta has yet to assess the full impact of IFRS 11 on its financial statements. Currently reported holdings in joint ventures covered by Alecta's venture capital activities as financial instruments at fair value through profit or loss in accordance with IAS 39, IAS 28 and IAS 31.

IFRS 13 Fair value measurement

New standard that applies to both financial and non-financial assets and liabilities and deals with measurement and disclosure requirements for fair value. As an example, investment property (IAS 40) which is measured at fair value will be covered by the standard. The standard does not regulate the assets and liabilities to be measured at fair value but, rather, determines how the fair value shall be determined as well as the disclosure requirements imposed in addition to the requirements already contained in other standards. The standard is effective from 1 January 2013.

Alecta has yet to review the valuation methods and techniques used today and how they may change with the introduction of IFRS 13.

Premiums written

Premiums written can comprise paid-in and credited premiums as well as rebates in the form of adjustments of paid-up values and premium reductions. Reductions are made for special premium tax (relates to TGL). Accounting for premiums written differs, depending on whether such premiums relate to defined contribution or defined benefit insurance. The cash principle is applied to defined contribution insurance and the billing system is applied to defined benefit insurance when accounting for premiums written.
Premiums are recognised as income and affect different balance sheet items, depending on whether the premium relates to pension insurance or risk insurance. For pension insurance, an increase is made in technical provisions on the liabilities side of the balance sheet. On the other hand, risk insurance premiums are allocated through profit or loss to equity until required.

Calculation of premiums

Premiums are intended to cover Alecta's commitments to its policy holders. Premiums are determined on the basis of actuarial assumptions on interest rates, mortality, morbidity and operating expenses. These assumptions are based on experience and observations and are distributed over the insurance portfolio. A pension insurance can either be defined benefit or defined

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

contribution. For defined benefit insurance, the benefits are set according to the insurance contract and premiums determined on the basis of actuarial assumptions. Premiums are set individually for each insured. For defined contribution assurance, the premium is set 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 the operating net from investment properties, interest income, interest expense, dividends on shares and participations, currency result, 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 6, 7, 10 and 11 on pages 46–47.

Claims incurred

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

Change in the provision for claims outstanding

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

Changes in the provision for life insurance

Changes in the provision for life insurance reflect actual events during the period, such as premium payments or payments made in conjunction with claims. The provision for life insurance is also changed by the period of return, assumed operating costs, mortality results and outcome of the utilised transfer rights, and paid-up policy orientation. In addition to this, life insurance provisions are affected by any changes in the method of calculation and assumptions. Examples of assumptions used in the calculation of life insurance provisions are the discount rate, mortality and operating expenses. Changes in provisions 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 which support the claims management process and expenses allocated to cover portions of costs for staff functions. Claims management expenses are reported in the income statement under the item Claims paid.

Investment management expenses

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

Property management expenses

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

Depreciation and impairment of owner-occupied properties

Buildings and land owned by the Alecta Group and used in its own operations to at least 15 per cent are recognised as owner-occupied properties in the consolidated financial statements. 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.

Tax on returns

Tax on returns includes pension products and family cover. The calculation of the basis for tax on returns is made on a capital base, comprising of all assets at the beginning of the financial year, after the deduction of financial liabilities at the same point in time. The capital base is multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the financial year, which gives a tax base in the form of a standard return. Tax on returns will be charged on the tax base.

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

Income tax

Taxes are calculated individually for each company in their respective country and in accordance with prevailing tax legislation. Tax expenses include income tax, withholding tax on dividend payments and tax on foreign, directly owned properties. Income tax refers to current tax and deferred tax. Deferred tax is

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

calculated according to the balance sheet method on the basis of temporary differences between reported and fiscal values of assets and liabilities and loss carry-forwards. Upon the acquisition of an asset, the temporary difference that arises at 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 value. They are expected to provide future economic benefits. All developed intangible assets that relate to computer systems developed by the Company are only recognised if all the following criteria are met: an identifiable asset exists, it is probable that the developed asset will generate future economic benefits, that the Company has control over the asset, and the acquisition value 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 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 management of Alecta's long-term insurance commitments. Amortisation periods and useful life are reviewed on each closing date. An individual review is performed for each asset. Amortisation is recognised as an operating expense. The value of intangible assets is tested on each closing date through an assessment of internal and external indications of impairment.

Property, plant and equipment

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

Investment assets

General

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

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 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 divided into investment properties, owner occupied properties and development properties. Investment properties are reported in accordance with IAS 40 Investment Property, as the intention of the holding is to earn rental payments and/or capital appreciation. Owner-occupied properties are defined as buildings and land used in own operations. Development properties refer to properties for which the total investment of projects in progress amounts to at least 50 per cent of fair value at the start and where the intention is to sell the property when the development is finalised. Investment properties are measured at fair value, where changes in value are recognised in profit or loss. For the Swedish properties, which are valued by an external appraiser twice a year, fair value is calculated according to the cash flow method. When calculating the fair value of foreign properties, applicable valuation methods in each country are applied, resulting in some properties being valued according to the cash flow method and some according to a direct yield model. All properties in Europe are appraised externally four times a year. In the US, all properties with a fair value in excess of USD 25 million are appraised externally on an annual basis. Properties with a fair value below USD 25 million are valued externally at least every other year, with internal valuations in other years. 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.

Shares and participations in joint ventures

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

Other financial investment assets

Alecta identifies and categorises its financial investment assets as financial assets at fair value through profit or loss at initial recognition. One exception is a small loan portfolio which is recognised at amortised cost. Derivatives are also recognised at fair value through profit or loss, as they are defined as held for trading. This categorisation is based on the fact that Alecta manages and measures all investment assets at fair value in accordance with the investment guidelines adopted by Alecta's Board. Measurement of financial assets traded on an active market is based on the current bid price. Fair value for financial assets that are not traded in an active market is determined with the aid of established valuation techniques. Note 24 on page 58 provides disclosures of fair value for each class of financial instrument, in a table format, based on a hierarchy with three different levels of fair value.

Shares and participations

Shares and participations are measured at fair value through profit or loss at initial recognition. The fair value of unlisted shares and participations is determined with the aid of established valuation techniques in accordance with the

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

European Private Equity & Venture Capital Association's (EVCA) principles, and valuations are obtained from external counterparties. Accumulated changes in value for shares comprise the difference between cost and fair value. Dividends are reported as dividends received in the item Return on capital, income.

Bonds and other interest-bearing securities

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

Other loans

Alecta's other loans consist primarily of real estate equity loans and shareholder loans to real estate companies where Alecta is a venturer, so-called joint ventures. The profit sharing loans are classified as financial assets at fair value through profit or loss. Shareholder loans are measured at amortised cost in accordance with the effective interest method and recognised in the category loans and receivables. Other loans are reported in Note 29 on page 62.

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 30 on page 63). Derivatives are categorised as held for trading and are recognised in the balance sheet at fair value, while changes in value are recognised in profit or loss. Derivatives with positive fair values are recognised as financial investment assets while derivatives with negative fair values are recognised as a liability in the balance sheet. In the income statement, derivatives are reported together with the underlying instrument and the net result is reported in Note 22 on page 57. Alecta does not apply hedge accounting.

Lending of interest-bearing securities

Loaned interest-bearing securities consist of Swedish government bonds and are reported in accordance with applicable accounting principles in the balance sheet at fair value. Collateral received for interest-bearing securities is comprised of Swedish government bonds and is thus not reported in the balance sheet. The value of the interest-bearing securities loaned on the balance sheet date, and the collateral received for it, is reported in Note 49, Transfers of Financial Assets, on page 68. Compensation for loaned interest-bearing securities is reported as interest income in the item Return on capital, income. See Note 6 on page 46.

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 way, it means that, for the repurchase agreements in which Alecta has sold interest-bearing securities with a following repurchase at a determined price at a later point in time, these interest-bearing securities are also reported as an asset under the heading Bonds and other interest-bearing securities in the future. The received purchase price is, however, reported as a liability under the heading Other liabilities, and measured at fair value.

Receivables referring to direct insurance operations

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

Other receivables

Other receivables are recognised at amortised cost.

Cash and cash equivalents

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

Prepaid expenses and accrued income

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

Translation reserve

The translation of the balance sheets of foreign subsidiaries is undertaken at the exchange rates 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

The discretionary participation features in equity consist of preliminarily allocated rebates to policy holders and the insured. Allocated rebates to the insured include pension supplements and adjustments of paid-up values for defined benefit pension products, as well as preliminary allocated rebates for defined contribution insurance. Allocated rebates to policy holders comprise a premium reduction for risk insurance. Allocated rebates to policy holders and the insured also include funds designed to cover the cost of measures within the ITP plan, where collective agreement parties have been given the right to assign use. A decision on final use is made by Alecta's Board, provided that the

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

Board is unanimous that the assigned use is in accordance with Alecta's interests as an insurance company. Allocation of surplus is regulated in the Company's funding policy in the actuarial guidelines. As the surplus is preliminary and not guaranteed, it is regarded as risk capital and included in the Company's funding reserve. The surplus is allocated in conjunction with payment according to the applicable internal rules and is recognised directly in equity.

Special indexation funds

Special indexation funds are funds allocated to secure indexation of pensions or for other pension-promoting purposes. Alecta has these funds at its disposition following a decision by the Confederation of Swedish Enterprise and 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 Fund was established in 2007 with funds allocated in 1998 for cost recovery actions under the ITP plan. The Fund has two purposes, both of which are rooted in 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 funds are adjusted upwards or downwards annually by an amount that corresponds to the percentage rate for the total return on Alecta's investment assets after deduction for tax on returns and actual management cost. Upward or downward adjustment of the guarantee reserve takes place the year after a decision by the Council of Administration to transfer an amount corresponding to the return between the funding reserve and the guarantee reserve.

Retained earnings including profit for the year

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

Technical provisions

Technical provisions comprise the capital value of the Company's guaranteed commitments for insurance contracts in force and comprise provisions for life insurance and 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 for defined benefit retirement and family pension was calculated up to 30 June 2012 as the capital value of accrued pension rights and capital value of the expected future premiums which is a result of past changes to tariffs paid for by Alecta's surplus funds rather than by employers. The provision takes into account, since 30 June 2012, the capital value of expected future payments and the capital value of contractual future premiums. The change in provision that occurred in connection with the change of approach has been recognised in the income as change in life insurance.

Provision for claims outstanding

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 sickness cases. The backlog in reporting of sickness cases 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 per cent provision is made for employees who have informed Alecta that they intend to exercise this option. For other employees who have the opportunity for early retirement, an unfunded provision is made, with the assumption that the benefit is earned on a straight-line basis up to the age of 62 and that 60 (60) per cent will exercise the option.

Provisions

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

Liabilities referring to direct insurance operations

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

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 the closing date and income that has been paid or invoiced but not earned at the closing date. Alecta's accrued expenses and deferred income mainly relate to property costs, rental income, personnel costs and interest payable.

Cash flows

Cash flows are reported according to the indirect method. Alecta reports cash flows from operating activities, investing activities and financing activities with the adjustments required for insurance business. 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

A lease is classified as a financial lease if the economic rewards and risks associated with the ownership of the asset are essentially transferred from the lessor to the lessee. All other leases are classified as operating leases. Alecta reports all leases as operating leases and has not entered into any financial lease agreements. Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

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

Laws and rules in the Parent Company

The Parent Company applies so-called legally restricted IFRS. This means that international accounting standards are applied to the extent possible under Swedish accounting legislation. The financial statements for the Parent Company comply with the Annual Accounts Act for Insurance Companies and the Swedish Financial Supervisory Authority's instructions and general advice regarding the annual financial statements of insurance companies, FFFS 2008:26, with mandatory additions in FFFS 2009:12 and FFFS 2011:28, as well as the Swedish Financial Reporting Board's recommendation RFR 2 accounting for legal entities. As the Group complies with full IFRS, the accounting principles in the Parent Company differ in certain respects from the accounting principles applied in the Group. Differences of material significance for the Parent Company are specified below.

Funding reserve

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

Appropriations

Appropriations are fictitious costs providing a company with a larger fiscal deduction entitlement than actual costs. Due to the relationship between accounting and taxation, appropriations are reported in the income statement. Alecta's appropriations refer to a change in the tax allocation reserve. Appropriations are booked as untaxed reserves in the balance sheet, see Note 37 on page 65. When the provision is later dissolved, it is reversed for to taxation which means that the reserve contains a deferred tax liability. In the consolidated financial statements, the tax allocation reserve is eliminated and the amount divided between equity and deferred tax.

Tax on returns

Tax on returns 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, tax on returns is recognised in the item Tax.

Pension provisions

The calculation of pension provisions 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 value after deductions for requisite 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 loan receivables and are measured at amortised cost according to the effective interest method.

Untaxed reserves

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

Group contributions

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

Company acquisitions

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

NOTE 2 Changes in the accounting principles

New or changed standards and interpretations adopted by the EU applicable from 1 January 2012 have not had any significant effects on Alecta's financial reports.

The accounting principles and calculation methods used in the preparation of the annual report for both the Group and the Parent Company remain otherwise unchanged from the previous year.

As the Group applies full IFRS, its accounting principles differ in some respects from those applied in the Parent Company. The significant differences remain the same as those identified in the preparation of the previous year's annual report.

NOTE 3 Critical estimates and assessments

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 41. The sensitivity of the assumptions underlying the valuation of technical provisions is described in Note 4 on page 44. Information on current assumptions, see Note 38 and Note 39 on page 66.

Investment properties

The Swedish properties are valued according to the cash flow method and are valued externally semi-annually. For foreign property, the current valuation method is applied in each country, which implies that both the cash flow method, as well as the yield method, is applied. The methods include numerous assumptions, such as rental and cost trends, vacancy rates, inflation and discount rates. A change in any of these assumptions affects the valuation. The valuation of Alecta's properties is shown in the accounting principles in Note 1 on page 39. The carrying values of the holdings are found in Note 17 and Note 18 on page 51.

Intangible fixed assets

Alecta reports a significant intangible asset in the form of capitalised development expenditure for the new insurance system. The value of each asset is examined individually at each closing date. In addition, the amortisation method and useful life of the assets are reviewed. The reported value of intangible assets is shown in Note 15 on page 50.

Taxes

Deferred tax assets and liabilities are recognised for temporary differences, unused tax losses and unused tax credit carry forwards. Deferred tax is affected by assumptions and estimates and assessments to establish both the carrying value of various assets and liabilities and to calculate future taxable profits.

The Group tests annually whether there is a possibility that new deferred tax assets can be activated and if impairment exists for previous years' tax losses. The carrying amounts of deferred tax liabilities and tax assets are shown in Note 42 on page 67.

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 24 on page 58). 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 24 on pages 58–59. The measurement of financial instruments is described in Note 1 on pages 39–40. A sensitivity analysis is presented in Note 4 on page 45.

Taxes

When calculating the basis for income tax, an estimate in terms of the allocation of income and expenses between the parts of the operations taxed on the basis of income tax and the parts of the operations taxed on the basis of tax on returns. The principles applied have a direct effect on estimated income tax. The allocation principles also have an effect on Alecta's assets, liabilities and equity for the different operations, as well as on the key ratios for Alecta's various products.

NOTE 4 Risks and risk management

A general description of Alecta's risk organisation and risk management is provided in the Administration Report (page 20). In this Note 4, Alecta's various risk categories are described in greater detail.

Insurance risks

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

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

Mortality risk

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

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

The majority of Alecta's insurance policies are life benefit insurance policies. This implies that a reduction in the assumed mortality rate will lead to an increased life insurance provision. A reduction in the mortality assumption of 20 per cent would mean that the life expectancy of someone aged 65 would increase by 1.7 (1.7) years and that Alecta's life insurance provision would increase by approximately 6 (6) per cent.

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 insurance. When an insured party falls ill, a technical provision is established on the basis of a special assumption on the level of invalidity and on the probability of the insured remaining ill.

A strengthening of morbidity assumptions of 20 per cent results in an increase in technical provisions for disability pension and premium exemption of approximately 11 (6) per cent.

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 relates to the assumptions on future returns forming the basis of the calculation of premiums and benefits. The technical provisions are primarily assessed using an interest rate curve as defined in the Swedish Financial Supervisory Authority's regulations. In certain places in the annual report the interest rate curve is expressed as a cash flow weighted average interest rate. The effect of interest on Alecta's results and solvency level is described in the sensitivity analysis on page 45. 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 investment operations is to create a sustained real return, in other words, a return that steadily exceeds both inflation and the development of Alecta's insurance commitments. The independent department, Risk Control, performs, on a quarterly basis, a control of the value of Alecta's investment assets. In addition, certain aspects of investment management's other reporting have been audited and counterchecked.

Market risk

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

Asset allocation

	Exposure		Share of portfolio	
Class of assets	2012	2011	2012	2011
Shares	179,108,	139,392	32.8 %	28.6 %
Interest-bearing investments	329,090	312,334	60.3 %	64.1 %
Real estate	37,775	35,444	6.9 %	7.3 %
Total	**545,973**	**487,170**	**100.0 %**	**100.0 %**

The table shows the asset allocation based on the classification in the total return table, see page 15. A detailed breakdown of asset classes is provided in the diagrams on page 16.

In order to ensure that Alecta can meet its solvency requirements by a wide margin, even in situations with a negative market development, the investment policy has set limits for risk levels. Various derivative instruments in the form of, for example, interest rate futures, equity futures, forward exchange contracts and interest and currency swaps are used to reduce the risks in the event of major price fluctuations and to make management more cost effective. Alecta also hedges its entire holdings in foreign bonds and real estate and a portion of the holding in foreign shares. Total currency exposure after hedging at year end was equal to 9.4 per cent (5.5) of investments. Without currency hedging, 33.7 per cent (34.4) of assets would have been exposed to exchange rate fluctuations.

NOTE 4 Risks and risk management, *cont.*

Currency exposure after hedging

Share of portfolio	2012	2011
EUR	–1.4 %	–1.9 %
CHF	0.7 %	0.4 %
GBP	3.6 %	4.3 %
USD	4.5 %	1.0 %
Other	2.0 %	1.7 %
Total	9.4 %	5.5 %

Credit risk

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

Interest-bearing investments are primarily made in securities issued by borrowers with high credit ratings. Investments are primarily made in bonds assigned a rating of BBB or higher by the rating institute Standard & Poor's. The market value of investments made in companies with no rating or with a rating below BBB- may amount to a maximum of 10 per cent of the interest-bearing portfolio. In addition to external ratings, all issuers are assessed for credit risk using internal credit rating models. Of Alecta's interest-bearing investments, 42 (40) per cent are in Swedish and foreign securities, 29 (28) per cent in Swedish mortgage institutions and 29 (32) per cent in investments issued by other issuers (see Note 27 on page 62).

Credit exposure

	Bonds and other interest-bearing securities			
	Market value		Share	
	2012	2011	2012	2011
Rating Aaa/AAA	184,419	167,365	57.3 %	62.3 %
Rating Aa/AA	35,702	30,335	11.1 %	11.3 %
Rating A/A	68,644	50,623	21.3 %	18.8 %
Rating Baa/BBB	22,984	15,930	7.1 %	5.9 %
Rating Ba/BB or without rating	10,165	4,475	3.2 %	1.7 %
	321,914	268,728	100.0 %	100.0 %

Liquidity risk

Liquidity risk is the risk of a loss on financial instruments arising as it may not be possible to immediately sell the instruments without reducing the price. Liquidity risk also refers to the risk that Alecta will be unable to meet its payment obligations at the time of maturity without an increase in the cost of obtaining funds. Alecta's payment commitments consist of insurance obligations and financial liabilities, where approximately 80 per cent of the obligations have a maturity in excess of five years, see Notes 38 and 39 on page 66. Alecta's financial liabilities are limited to the derivative contracts applied to hedge 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 30 on page 63. There is also a maturity analysis of financial liabilities in Note 23 on page 57. Liquidity risk is managed using detailed cash flow forecasts and is limited by Alecta investing primarily in equities with good liquidity. Note 24 on page 58 specifies that SEK 179 billion of Alecta's investments comprise listed shares which can be converted into cash within one week. The remaining investments can be regarded as convertible into cash within one year, which means that the liquidity risk is regarded as negligible.

Matching risk

Matching risk is the risk that Alecta's assets will not meet the commitments that the Company has made to its policy holders. The value of these insurance commitments and the interest-bearing investments depend on the interest rate level. If interest rates fall, the commitments and the value of the interest-bearing investments rise. Since the commitments are larger and have a longer average maturity than the interest-bearing investments, an interest rate fall is unfavourable to Alecta. The maturity of the commitments and the fixed-income periods of the asset portfolio are specified in Notes 38 and 39 and Note 27, respectively.

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

Solvency risk

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

Sensitivity analysis

	Effect on			
	Solvency level (% points)		Profit for the year / Equity	
Group	2012	2011	2012	2011
Interest decrease 1% point	–18.9	–15.5	–54,032	–53,056
Share price decline 10 %	–4.7	–3.6	–17,911	–13,939
Real estate value decline 10 %	–1.0	–0.9	–3,776	–3,560
Exchange rate decline 10 %	–1.4	–0.6	–5,138	–2,655

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

Other risks

In addition to financial and insurance risks, Alecta has other risks to manage, such as compliance risks, information security risks and operational risks. Using a company-wide self-assessment method, Alecta's different units annually identify their risks. Areas for improvement are identified and decisions made regarding the 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.

In spite of 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 5 Premiums written

The Group and Parent Company	2012	2011
Current premiums	20,686	18,407
Single premiums	4,640	3,784
Premium tax [1]	–132	–147
Invoiced premiums	**25,194**	**22,044**
Adjustment of paid-up values	9	2,313
Premium reductions	14	1,206
Rebates	**23**	**3,519**
Total premium income	**25,217**	**25,563**

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

NOTE 6 Return on capital, income

	Group		Parent Company	
	2012	2011	2012	2011
Rental income from buildings and land	2,127	2,006	943	974
Dividends received	6,823	7,120	7,409	8,438
of which Group companies	*-*	*-*	*586*	*1,318*
Interest income, etc.	12,954	11,653	13,144	11,782
bonds and other interest-bearing securities	*12,501*	*11,599*	*12,501*	*11,167*
loans with real estate as collateral	*23*	*54*	*-*	*-*
other interest income	*430*	*-*	*430*	*432*
other interest income, Group companies	*-*	*-*	*213*	*183*
Foreign exchange gains, net	770	467	769	467
Capital gains, net	4,061	1,303	4,061	1,080
buildings and land	*-*	*-*	*-*	*4*
shares and participations in associated companies	*2,058*	*-*	*2,058*	*-*
bonds and other interest-bearing securities	*2,003*	*1,303*	*2,003*	*1,076*
Other	46	43	-	-
	26,781	**22,592**	**26,326**	**22,741**

NOTE 7 Unrealised losses on investment assets

	Group		Parent Company	
	2012	2011	2012	2011
Buildings and land	408	1,220	-	698
Shares and participations	22,791	-	22,791	-
Bonds and other interest-bearing securities	8,271	7,590	8,271	7,590
Loans with real estate as collateral	1	1	1	1
	31,471	**8,811**	**31,063**	**8,289**

NOTE 8 Claims paid

Group and Parent Company	2012	2011
Basic amount paid before indexation	–13,965	–13,041
Waiver of premium paid	–1,328	–1,234
Cancellation and repurchases [1]	–854	–736
Operating costs for claims management	–134	–124
	–16,281	**–15,135**

[1] This item includes transferred capital of SEK 832 (699) million.

NOTE 9 Operating expenses

	Group		Parent Company	
	2012	2011	2012	2011
Administrative expenses	–547	–627	–547	–627
Total operating expenses in the insurance business	**–547**	**–627**	**–547**	**–627**
Claims management 1)	–134	–124	–134	–124
Investment management 2)	–149	–138	–134	–124
Property management 3)	–83	–107	–51	–73
Total operating expenses	**–913**	**–996**	**–866**	**–948**
Specification of total operating expenses				
Personnel costs	–395	–434	–383	–420
Premises costs	–27	–25	–27	–25
Amortisation/depreciation	–38	–36	–38	–36
Disposals	-	–22	-	–22
IT costs	–204	–199	–203	–199
Property management costs	–83	–107	–51	–73
Selection centre costs	–129	–134	–129	–134
Other costs 4)	–91	–94	–89	–94
Administration fees	54	55	54	55
Total operating expenses	**–913**	**–996**	**–866**	**–948**

1) Reported under Claims paid in the income statement, see Note 8.
2) Reported under Return on capital, expenses in the income statement, see Note 10.
3) Reported under Return on capital, expenses, in the income statement (included in the item Operating costs for buildings and land in Note 10).
4) Other expenses mainly comprise costs for information and consultants.

NOTE 10 Return on capital, expenses

	Group		Parent Company	
	2012	2011	2012	2011
Operating costs for buildings and land	–801	–876	–331	–398
Investment management costs 1)	–149	–138	–134	–124
Interest expenses etc.	–1,301	–710	–1,311	–719
property loans	*0*	*0*	*0*	*0*
bonds and other interest-bearing securities	*–1,003*	*–371*	*–1,003*	*–370*
other interest expenses	*–298*	*–339*	*–298*	*–339*
other interest expenses, Group companies	*-*	*-*	*–10*	*–10*
Custodian bank fees	–11	–17	–11	–17
Amortisation and impairment	-	-	-	–1,199
shares in Group companies	*-*	*-*	*-*	*–1,199*
Foreign exchange losses, net	–104	–2,220	–172	–2,096
land and buildings	*–104*	*-*	*–172*	*-*
shares and participations	*-*	*–2,220*	*-*	*–2,096*
Other	–19	–2	-	-
	–2,385	**–3,963**	**–1,959**	**–4,553**

1) In addition to these costs, external fees of approximately SEK 44 (38) million were paid on investments in unlisted private equity assets. These fees are reported as a negative change in the value of the holding and are, therefore, included in the net amount of unrealised losses under Shares and participations in Note 7.

NOTE 11 Unrealised losses on investment assets

	Group		Parent Company	
	2012	2011	2012	2011
Lands and buildings	-	-	–176	-
Shares and participations	-	–38,238	-	–38,238
Other loans	–7	–37	–7	–37
	–7	**–38,275**	**–183**	**–38,275**

NOTE 12 Tax on returns

Group	2012	2011
Tax on returns 1)	–1,187	–1,391
Adjustment of tax attributable to previous years	11	26
Total tax on returns	**–1,176**	**–1,365**

1) Tax on returns	2012	2011
Tax base A)	488,409	496,386
Capital base B)	457,542	464,170
Taxable base C)	11,759	12,811
Calculated tax on returns D)	–1,764	–1,921
Deduction for withholding tax paid in the previous year	305	282
Deduction for income tax and property tax on foreign directly owned properties paid previous year	38	36
Deduction for income tax and property tax on foreign indirectly owned properties paid previous year	234	212
Tax on returns	–1,187	–1,391

Sensitivity analysis	Effect on tax on returns	
Group	2012	2011
Capital base +/– 10%	–/+ 176	–/+ 192
Allocation percentage +/– 1 percentage point	–/+ 19	–/+ 21
Average government lending rate +/– 1 percentage point	–/+ 686	–/+ 696

A) The base for tax on returns comprises the value of assets at the beginning of the financial year after deduction of financial liabilities at the same time. The base is then adjusted to take into account surplus values of foreign and Swedish indirectly owned properties. Of the base, SEK 2,527 (859) million constitutes surplus values.
B) The capital base of 93.68 (93.51) per cent 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. The average government borrowing rate 2.57 (2.76) per cent.
D) Tax rate: 15 (15) per cent.

NOTE 13 Income tax

Group	2012	2011
Income tax		
of which current tax	*–876*	*–801*
of which deferred tax	*–509*	*556*
Total income tax	**–1,385**	**–245**
Current tax [1]		
Tax on profit for the year	–425	–359
Adjustment of tax attributable to previous years	–9	–142
Withholding tax	–289	–247
Income tax relating to foreign directly and indirectly owned properties	–153	–53
Total current tax	**–876**	**–801**
Deferred tax		
Deferred tax expenses, gross:		
Consolidated surpluses on Swedish properties	–57	–14
Consolidated surpluses on foreign properties	–203	–201
Consolidated losses on foreign properties	–12	-
Unrealised change in value of financial instruments	–514	-
Other temporary differences	–8	–2
Tax allocation reserve	–135	–73
Adjustment of tax relating to previous years	–78	-
	–1,007	**–290**
Deferred tax income, gross:		
Unrealised change in value of financial instruments	-	545
Other temporary differences	14	-
Tax loss carry forwards	11	100
Other unutilised tax deductions [2]	20	-
Deductible income tax on foreign properties	216	201
Effect of change in Swedish tax rate [3]	237	-
	498	**846**
Total deferred tax, net	**–509**	**556**

[1] The portion liable for tax comprises disability pension, waiver of premium and TGL.
[2] Other unutilised tax deductions relating to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset by the fifth financial year following the current financial year.
[3] The corporate tax rate is reduced from 26.3% to 22% with effect from 1 January 2013.

Difference between reported tax and tax based on the current Swedish tax rate	2012		2011	
Profit before tax according to income statement	**69,438**		**–91,782**	
Tax according to current tax rate	**–18,262**	**–26.3 %**	**24,139**	**–26.3 %**
Less tax on profit in activities incurring tax on returns	17,347	25.0 %	–24,089	26.2 %
Difference in tax rate [A]	–78	–0.1 %	–73	0.1 %
Non-deductible expenses	–304	–0.4 %	–195	0.2 %
Non-taxable income	78	0.1 %	–15	0.0 %
Allocated premium reduction	4	0.0 %	317	–0.3 %
Standard interest rate, tax allocation reserve	–5	0.0 %	–8	0.0 %
Other	–6	0.0 %	21	0.0 %
Withholding tax	–289	–0.4 %	–247	0.3 %
Income tax relating to foreign directly and indirectly owned properties	–42	–0.1 %	–53	0.0 %
Adjustment of tax attributable to previous year	–85	–0.1 %	–42	0.1 %
Unutilised tax deductions	20	0.0 %	-	-
Effect of change in Swedish tax rate	237	0.3 %	-	-
Reported income tax	**–1,385**	**–2.0 %**	**–245**	**0.3 %**

[A] Relates to the USA and France where the tax rates are 35.0 (35.0) and 33.3 (33.3) per cent, respectively.

NOTE 14 Tax

Parent Company	2012	2011
Tax on returns	–1,176	–1,365
Income tax	–1,141	–31
of which current tax	*–774*	*–666*
of which deferred tax	*–367*	*635*
Total tax	**–2,317**	**–1,396**
Tax on returns		
Tax on returns [1]	–1,187	–1,391
Adjustment of tax attributable to previous years	11	26
Total tax on returns	**–1,176**	**–1,365**
Current tax [2]		
Tax on profit for the year	–425	–219
Adjustment of tax attributable to previous years	–19	–147
Withholding tax	–289	–247
Income tax on foreign directly and indirectly owned properties	–42	–53
Total current tax	**–775**	**–666**
Deferred tax		
Deferred tax expenses, gross:		
Consolidated surpluses on Swedish properties	-	–10
Unrealised change in value of financial instruments	–514	-
Other temporary differences	0	0
	–514	**–10**
Deferred tax income, gross:		
Consolidated surpluses on Swedish properties	9	-
Unrealised change in value of financial instruments	-	545
Tax loss carry forwards	-	100
Other unutilised tax deductions [3]	20	-
Effect of change in Swedish tax rate [4]	118	-
	147	**645**
Total deferred taxes, net	**–367**	**635**

[1] Tax on returns	2012	2011
Tax base [A]	488,409	496,386
Capital base [B]	457,542	464,170
Taxable base [C]	11,759	12,811
Calculated tax on returns [D]	–1,764	–1,921
Deduction for withholding tax paid in previous year	305	282
Deduction for income tax and property tax on foreign directly owned properties paid in previous year	38	36
Deduction for income tax and property tax on foreign indirectly owned properties paid in previous year	234	212
Tax on returns	**–1,187**	**–1,391**

[A] The base for tax on returns comprises the value of assets at the beginning of the financial year after deduction of financial liabilities at that same time. The base is, then, adjusted for the surplus values of foreign and Swedish indirectly owned properties.
Of the total base, SEK 2,527 (859) million constitutes surplus values.

[B] The capital base of 93.68 (93.51) per cent refers to the pension products and family protection. The 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: 2.57 (2.76) per cent.

[D] Tax rate: 15 (15) per cent.

[2] The taxable portion consists of disability pension, waiver of premium and TGL.

[3] Other unutilised tax deductions relating to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset by the fifth financial year following the current financial year.

[4] The corporate tax rate is reduced from 26.3% to 22% with effect from 1 January 2013.

Reconciliation between reported taxes and tax based on the current Swedish tax rate	2012		2011	
Profit before tax according to the income statement	**69,496**		**–91,641**	
Tax according to the current tax rate	**–18,277**	**–26.3 %**	**24,101**	**–26.3 %**
Less tax on profit in activities incurring tax on returns	17,347	25.0 %	–24,089	26.3 %
Income not liable to income tax	13	0.0 %	-	-
Non-deductible expenses	–3	0.0 %	–5	0.0 %
Allocated premium reduction	4	0.0 %	317	–0.3 %
Share of earnings of foreign partner taxed companies	–7	0.0 %	0	0.0 %
Standard interest rate, tax allocation reserve	–5	0.0 %	–8	0.0 %
Withholding tax	–289	–0.4 %	–247	0.3 %
Income tax relating to foreign directly and indirectly owned properties	–42	–0.1 %	–53	0.0 %
Adjustment of income tax relating to previous years	–19	–0.0 %	–47	0.0 %
Unutilised tax deductions	20	0.0 %	-	-
Effect of change in Swedish tax rate	118	0.2 %	-	-
Income taxes as reported	**–1,141**	**–1.6 %**	**–31**	**0.7 %**
Additional tax on returns	–1,187	–1.7 %	–1,391	1.5 %
Additional tax on returns from previous years	11	0.0 %	26	0.0 %
Reported tax	**–2,317**	**–3.3 %**	**–1,396**	**1.5 %**

NOTE 15 Intangible fixed assets

Group and Parent Company	2012 Intangible assets under development	2012 Completed development	2012 Total	2011 Intangible assets under development	2011 Completed development	2011 Total
Cost						
Opening balance	10	676	686	1	676	677
Investments for the year	3	-	3	9	-	9
Reclassification for the year	–12	12	-	-	-	-
Closing balance	**1**	**688**	**689**	**10**	**676**	**686**
Accumulated amortisation and impairment						
Opening balance	-	–149	–149	-	–113	–113
Amortisation for the year	-	–38	–38	-	–36	–36
Closing balance, amortisation	**-**	**–187**	**–187**	**-**	**–149**	**–149**
Opening balance	-	–114	–114	-	–114	–114
Closing balance, impairments	**-**	**–114**	**–114**	**-**	**–114**	**–114**
Book value, intangible assets	**1**	**387**	**388**	**10**	**413**	**423**

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 678 (675) million of total costs.

NOTE 16 Property, plant and equipment

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Cost				
Opening balance	55	161	30	141
Acquisitions for the year	6	5	5	-
Disposals for the year [1]	–1	–111	-	–111
Closing balance	**60**	**55**	**35**	**30**
Accumulated depreciation				
Opening balance	–33	–122	–29	–118
Depreciation for the year	–1	–2	–1	–2
Impairments for the year	-	–11	-	–11
Disposals for the year [1]	1	102	-	102
Closing balance	**–33**	**–33**	**–30**	**–29**
Book value property, plant and equipment	**27**	**22**	**5**	**1**

[1] A review of the property, plant and equipment during 2011 led to impairment losses of SEK 11 million and disposals of SEK 9 million. 2011 figures have been adjusted accordingly.

NOTE 17 Land and buildings/investment properties

Group	2012 Fair value	2012 Cost	2011 Fair value	2011 Cost
Swedish properties	15,347	14,743	15,192	14,961
Foreign properties	13,211	12,177	12,040	10,575
	28,558	**26,920**	**27,232**	**25,536**
Parent Company				
Swedish properties	9,560	8,019	9,672	8,113
Foreign properties	4,365	4,557	4,494	4,384
	13,925	**12,576**	**14,166**	**12,497**

	Group		Parent Company	
Geographical distribution, fair value	2012	2011	2012	2011
Sweden	15,347	15,192	9,560	9,672
USA	9,430	8,081	1,022	1,018
UK	3,171	3,268	3,171	3,268
Netherlands	172	208	172	208
France	438	483	-	-
	28,558	**27,232**	**13,925**	**14,166**

	Group		Parent Company	
Change in fair value	2012	2011	2012	2011
Opening balance	27,232	24,737	14,166	13,631
Swedish properties	*15,192*	*14,203*	*9,672*	*8,765*
Foreign properties	*12,040*	*10,534*	*4,494*	*4,866*
Acquisitions	2,402	3,100	715	632
Swedish properties	*989*	*1,174*	*576*	*360*
Foreign properties	*1,413*	*1,926*	*139*	*272*
Disposals	–856	–2,264	–538	–817
Swedish properties	*–838*	*–947*	*–520*	*–2*
Foreign properties	*–18*	*–1,317*	*–18*	*–815*
Change in value	–220	1,659	–418	720
Swedish properties	*4*	*762*	*–168*	*549*
Foreign properties	*–224*	*897*	*–250*	*171*
Closing balance	**28,558**	**27,232**	**13,925**	**14,166**
Swedish properties	*15,347*	*15,192*	*9,560*	*9,672*
Foreign properties	*13,211*	*12,040*	*4,365*	*4,494*

	Group	
Vacancy rate by rent, %	2012	2011
Sweden	4.3	5.2
USA	7.4	9.8
UK	9.5	5.2
Netherlands	11.0	6.3
France	20.8	18.7
	6.2	**6.8**

	Group	
Breakdown of lettable space, square metres	2012	2011
Sweden	689,001	765,284
USA	457,444	436,042
UK	161,346	162,767
Netherlands	32,986	41,521
France	43,888	43,888
	1,384,665	**1,449,502**

	Group	
Lease maturities at 31 Dec 2012	Contracted annual rent	Share
Maturity dates:		
Within one year	242,733	11 %
Later than one year but within five years	917,157	44 %
Later than five years	726,406	35 %
Residential, garage/parking, etc.	204,769	10 %
	2,091,065	**100 %**

All leases are classified as operating leases, see also Note 56 on page 73.

NOTE 18 Owner-occupied properties

Group	2012	2011
Cost		
Opening balance	960	915
Acquisitions for the year	7	45
Closing balance	967	960
Accumulated depreciation and impairment		
Opening balance	–48	–31
Depreciation for the year	–18	–17
Change for the period	–18	–17
Closing balance	–66	–48
Book value, owner-occupied properties	901	912

NOTE 19 Shares and participations in Group companies [1]

Parent Company	Corporate Identity Number	Domicile	Number of shares/ participations	Share of capital	Book value 2012	Book value 2011
Swedish companies						
Alecta AB	556597-9266	Stockholm	1,000	100 %	0	0
Alecta Plåten Västra AB	556883-5424	Stockholm	500	100 %	0	-
Alecta Plåten Östra AB	556883-5432	Stockholm	500	100 %	0	-
Alecta Retail Holding AB	556660-2594	Stockholm	1,000	100 %	30	30
Alfab Borås 1 AB	556708-2002	Stockholm	100,000	100 %	-	-
Alfab Järfälla 1 AB	556664-7599	Stockholm	1,000	100 %	-	-
Alfab Jönköping 1 AB	556692-9385	Stockholm	890	89 %	-	-
– Alfab Jönköping 2 AB	556692-9625	Stockholm	1,000	100 %	-	-
– Alfab Västerås 1 AB	556606-3656	Stockholm	100	100 %	-	-
Alfab Jönköping 4 AB	556188-6127	Stockholm	1,000	100 %	-	-
Alfab Jönköping 5 AB	556658-9783	Stockholm	1,000	100 %	-	-
Fastighet Ädel AB	556604-9275	Stockholm	1,000	100 %	-	-
Fastighetsaktiebolaget Borås Filtret	556790-5525	Stockholm	1,000	100 %	-	-
Fastighetsaktiebolaget Åkersberga Österåker Runö	556785-6389	Stockholm	1,000	100 %	-	-
Fyrfast AB	556604-5513	Stockholm	1,000	100 %	-	-
Alecta Tjänstepensioner AB	556713-7160	Stockholm	1,000	100 %	0	0
Kabelverket Holding AB	556587-1075	Stockholm	1,000	100 %	0	0
Alfab Göteborg 3 AB	556913-5717	Stockholm	500	100 %	-	-
Alfab Karlstad 1 AB	556651-2918	Stockholm	1,000	100 %	-	-
Alfab Karlstad 2 AB	556340-8813	Stockholm	200	100 %	-	-
Alfab Karlstad 3 AB	556666-7175	Stockholm	1,000	100 %	-	-
Alfab Karlstad 4 AB	556695-0845	Stockholm	1,000	100 %	-	-
Alfab Malmö 1 AB	556655-4266	Stockholm	1,000	100 %	-	-
Alfab Nyköping 1 AB	556740-0717	Stockholm	1,000	100 %	-	-
Alfab Stockholm 1 AB	556660-5530	Stockholm	1,000	100 %	-	-
Fastighets AB Kablaget	556577-4642	Stockholm	1,000	100 %	-	-
– Fastighets AB Kabelverket	556577-4568	Stockholm	1,000	100 %	-	-
– Alecta Fastighetsutveckling AB	556577-4618	Stockholm	1,000	100 %	-	-
Vasaterminalen AB	556118-8722	Stockholm	2,022,000	100 %	-	-
– WTC Parkering AB	556424-3920	Stockholm	1,000	100 %	-	-
– World Trade Center Stockholm AB	556273-0803	Stockholm	1,000	100 %	-	-
Naraden Adolf KB [2]	969651-2038	Stockholm	99	99 %	-	65
Naraden Boglundsängen KB	969651-4117	Stockholm	99	99 %	15	16
Naraden Göteborg 1 KB	969697-7892	Stockholm	99	99 %	260	246
Naraden Hand KB [2]	969651-2996	Stockholm	99	99 %	-	11
Naraden Vattnet KB [2]	969651-2988	Stockholm	99	99 %	-	33
Naraden Åby KB [2]	969651-3127	Stockholm	99	99 %	-	23
Tuna Park Köpcentrum KB	969680-6398	Stockholm	999	99.9 %	501	501
Total Sweden					**806**	**925**

[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 2011.

NOTE 19 Shares and participations in Group companies[1], *cont.*

Parent Company	Corporate Identity Number	Domicile	Number of shares/ participations	Share of capital	Book value 2012	Book value 2011
Foreign companies						
France						
Alecta Real Estate France EURL	499638864	Paris	1,000	100 %	0	0
Alecta Eintzheim SCI [2]	499654028	Paris	9,999	99.9 %	-	0
Alecta Floirac SCI	501701635	Paris	9,999	99.9 %	0	0
Alecta Fontaine SCI [2]	501701478	Paris	9,999	99.9 %	-	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 Schiltigheim SCI [2]	499652576	Paris	9,999	99.9 %	-	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 I SCI [2]	499654077	Paris	9,999	99.9 %	-	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 %	7,448	6,072
717 North Michigan, LLC	IL ID 00194816	San Francisco	-	100 %	-	-
Alecta Denver, LLC	DE ID 4382120	San Francisco	-	100 %	-	-
Alecta Houston, LLC	DE ID 4256956	San Francisco	-	100 %	-	-
Alecta Minnetonka, LLC [2]	DE ID 4078789	San Francisco	-	100 %	-	-
Alecta Portland, LLC	DE ID 4836467	San Francisco	-	100 %	-	-
Alecta Real Estate Investment, LLC	DE ID 4223706	San Francisco	-	100 %	-	-
– Alecta Real Estate Atlanta, LLC	DE ID 3896694	San Francisco	-	100 %	-	-
– Alecta Real Estate California, LLC	DE ID 3601049	San Francisco	-	100 %	-	-
– Alecta Real Estate Doral Plaza, LLC	DE ID 3601054	San Francisco	-	100 %	-	-
– Alecta Real Estate Kent Valley, LLC [2]	DE ID 3601062	San Francisco	-	100 %	-	-
– Alecta Real Estate Winsted, LLC	DE ID 3601057	San Francisco	-	100 %	-	-
Alecta Timberland, LLC	DE ID 4130208	San Francisco	-	100 %	-	-
– Springboard – OP CO, LLC	DE ID 4834515	San Francisco	-	100 %	-	-
– Springboard – Wallace Falls, LLC	DE ID 4830432	San Francisco	-	100 %	-	-
Alecta Los Angeles, LLC	DE ID 4784460	San Francisco	-	100 %	-	-
Birch Commercial Mortgage, LLC	DE ID 4641524	San Francisco	-	100 %	-	-
Columbia & Eighth, LLC	DE ID 5003417	San Francisco	-	100 %	-	-
Cupertino – Tantau, LLC	DE ID 4895201	San Francisco	-	100 %	-	-
First Hill Northwest, LLC	DE ID 4905415	San Francisco	-	100 %	-	-
Hillsboro Club, LLC	DE ID 4951762	San Francisco	-	100 %	-	-
Hillsboro Terrace, LLC	DE ID 4951765	San Francisco	-	100 %	-	-
MMM Northwest 37, LLC	DE ID 4905419	San Francisco	-	100 %	-	-
Middlefield Circle, LLC	DE ID 5071351	San Francisco	-	100 %	-	-
SRP Valley, LLC	DE ID 5125176	San Francisco	-	100 %	-	-
Townsend East, LLC	DE ID 5225419	San Francisco	-	100 %	-	-
Walnut & Fifteenth, LLC	DE ID 5235952	San Francisco	-	100 %	-	-
Sky Garden NW, LLC	DE ID 4906542	San Francisco	-	100 %	-	-
SSF Industrial, LLC	DE ID 5036326	San Francisco	-	100 %	-	-
Total USA					7,448	6,072
Total shares and participations in Group companies					8,254	6,997

[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 2012.

NOTE 19 Shares and participations in Group companies *cont.*

Parent Company	Book value 2012	Book value 2011
Cost		
Opening balance	9,873	7,899
Acquisitions for the year	0	1,564
Disposals for the year	–139	–25
Shareholder contributions for the year	1,376	30
Liquidations for the year	0	-
Share of profit for the year	20	405
Closing balance	11,130	9,873
Accumulated impairment		
Opening balance	–2,876	–1,677
Impairment for the year	-	–1,199
Reversed impairment for the year	0	-
Closing balance	–2,876	–2,876
Total shares and participations in Group companies	8,254	6,997

NOTE 20 Interest-bearing securities issued by, and loans to, Group companies

Parent Company	Book value 2012	Book value 2011
Cost		
Opening balance	5,612	5,877
Change for the year	27	–265
Total interest-bearing securities issued by, and loans to Group companies	5,639	5,612

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

NOTE 21 Categorisation of financial assets and liabilities

Group 31 December 2012 Financial assets	Financial assets/ liabilities at fair value through profit or loss at initial recognition	Financial assets/ liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/other financial liabilities	Total carrying amount	Fair value
Shares and participations	184,033	-	-	184,033	184,033
Bonds and other interest-bearing securities	321,914	-	-	321,914	321,914
Loans with real estate as collateral	20	-	241	261	261
Other loans	720	-	1,614	2,334	2,334
Derivatives	-	8,279	-	8,279	8,279
Other financial investment assets	-	-	-	-	-
Receivables referring to direct insurance operations	-	-	1,479	1,479	1,479
Other receivables	-	-	1,372	1,372	1,372
Cash and bank balances	-	-	726	726	726
Accrued interest and rental income	-	-	8,302	8,302	8,302
Other prepaid expenses and accrued income	-	-	-	-	-
Total	**506,687**	**8,279**	**13,734**	**528,700**	**528,700**
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	39	39	39
Derivatives	-	3,652	-	3,652	3,652
Other liabilities	5,428	-	236	5,664	5,664
Other accrued expenses and deferred income	-	-	1,446	1,446	1,446
Total	**5,428**	**3,652**	**1,721**	**10,801**	**10,801**

Group 31 December 2011 Financial assets	Financial assets/ liabilities at fair value through profit or loss at initial recognition	Financial assets/ liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/other financial liabilities	Total carrying amount	Fair value
Shares and participations	178,820	-	-	178,820	178,820
Bonds and other interest-bearing securities	268,728	-	-	268,728	268,728
Loans with real estate as collateral	16	-	359	375	375
Other loans [1)]	615	-	1,296	1,911	1,911
Derivatives	-	4,887	-	4,887	4,887
Other financial investment assets	2,127	-	-	2,127	2,127
Receivables referring to direct insurance operations	-	-	1,690	1,690	1,690
Other receivables	-	-	2,775	2,775	2,775
Cash and bank balances	-	-	3,004	3,004	3,004
Accrued interest and rental income	-	-	5,919	5,919	5,919
Other prepaid expenses and accrued income	-	-	86	86	86
Total	**450,306**	**4,887**	**15,129**	**470,322**	**470,322**
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	41	41	41
Derivatives	-	3,864	-	3,864	3,864
Other liabilities	4,793	-	290	5,083	5,083
Other accrued expenses and deferred income	-	-	576	576	576
Total	**4,793**	**3,864**	**907**	**9,564**	**9,564**

1) Reclassification of loans from category Loan receivables to Financial assets at fair value amounted to 595.

NOTE 21 Categorisation of financial assets and liabilities, *cont.*

Parent Company 31 December 2012 Financial assets	Financial assets/ liabilities at fair value through profit or loss at initial recognition	Financial assets/ liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/other financial liabilities	Total carrying amount	Fair value
Interest-bearing securities issued by, and loans to, Group companies	-	-	5,639	5,639	5,639
Shares and participations	183,919	-	-	183,919	183,919
Bonds and other interest-bearing securities	321,914	-	-	321,914	321,914
Loans with real estate as collateral	20	-	-	20	20
Other loans	720	-	1,614	2,334	2,334
Derivatives	-	8,279	-	8,279	8,279
Other financial investment assets	-	-	-	-	-
Receivables referring to direct insurance operations	-	-	1,479	1,479	1,479
Other receivables	-	-	1,329	1,329	1,329
Cash and bank balances	-	-	583	583	583
Accrued interest and rental income	-	-	8,510	8,510	8,510
Other prepaid expenses and accrued income	-	-	-	-	-
Total	**506,573**	**8,279**	**19,154**	**534,006**	**534,006**
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	39	39	39
Derivatives	-	3,652	-	3,652	3,652
Other liabilities	5,428	-	184	5,612	5,612
Other accrued expenses and deferred income	-	-	1,432	1,432	1,432
Total	**5,428**	**3,652**	**1,655**	**10,735**	**10,735**

Parent Company 31 December 2011 Financial assets	Financial assets/ liabilities at fair value through profit or loss at initial recognition	Financial assets/ liabilities at fair value through profit or loss classified as held for trading	Loans and receivables/other financial liabilities	Total carrying amount	Fair value
Interest-bearing securities issued by, and loans to, Group companies	-	-	5,612	5612	5,612
Shares and participations	178,802	-	-	178,802	178,802
Bonds and other interest-bearing securities	268,728	-	-	268,728	268,728
Loans with real estate as collateral	16	-	-	16	16
Other loans [1)]	615	-	1,296	1,911	1,911
Derivatives	-	4,887	-	4,887	4,887
Other financial investment assets	2,127	-	-	2,127	2,127
Receivables referring to direct insurance operations	-	-	1,690	1,690	1,690
Other receivables	-	-	2,745	2,745	2,745
Cash and bank balances	-	-	2,752	2,752	2,752
Accrued interest and rental income	-	-	6,093	6,093	6,093
Other prepaid expenses and accrued income	-	-	4	4	4
Total	**450,288**	**4,887**	**20,192**	**475,367**	**475,367**
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	41	41	41
Derivatives	-	3,864	-	3,864	3,864
Other liabilities	4,793	-	207	5,000	5,000
Other accrued expenses and deferred income	-	-	555	555	555
Total	**4,793**	**3,864**	**803**	**9,460**	**9,460**

[1)] Reclassification of loans from category Loan receivables to Financial assets at fair value amounted to 595.

NOTE 22 Net profit for each class of financial assets and liabilities

	Group		Parent Company	
	2012	2011	2012	2011
Financial assets measured at fair value through profit and loss				
Shares and participations	30,889	–27,671	30,889	–27,671
Interest-bearing securities	15,334	19,417	15,334	19,417
Loans	–3	–24	–3	–24
Financial assets and liabilities classified as held for trading				
Derivatives	8,067	–5,185	8,067	–5,185
Loan receivables/other financial liabilities	452	467	642	595
Other liabilities	–278	–320	–288	–329
Total net income [1]	**54,461**	**–13,316**	**54,641**	**–13,197**
Land and buildings, net	1,362	2,525	749	1,520
Investment management and custodian expenses	–160	–155	–145	–141
Other, net	197	111	2	20
Total return on capital as reported in income statement	**55,860**	**–10,835**	**55,247**	**–11,798**

[1] Net income includes realised and unrealised value changes, as well as interest, dividends and foreign exchange income.

NOTE 23 Maturity analysis of financial liabilities

Time to maturity Group 31 December 2012	<3 months	3 months < 1 year	1 - 5 years	> 5 years	Total
Non-liquidated securities transactions	–199	-	-	-	–199
Liabilities for cash collateral received for derivatives	–5,229	-	-	-	–5,229
Derivatives gross – outflow [1]	–103,861	–22,910	–33,946	–18,772	–179,489
Derivatives gross – inflow [1]	104,368	24,565	41,382	23,768	194,083
Other liabilities	–275	-	-	-	–275
Other accrued expenses and deferred income	–36	-	-	-	–36
Total cash flow	**–5,232**	**1,655**	**7,436**	**4,996**	**8,855**

Time to maturity Group 31 December 2011	<3 months	3 months < 1 year	1 - 5 years	> 5 years	Total
Non-liquidated securities transactions	–2,212	-	-	-	–2,212
Genuine repurchase transactions	–2,140	-	-	-	–2,140
Liabilities for cash collateral received for derivatives	–452	-	-	-	–452
Derivatives gross – outflow [1]	–121,201	–14,680	–34,716	–17,849	–188,446
Derivatives gross – inflow [1]	123,172	15,223	38,288	20,291	196,974
Other liabilities	–320	-	-	-	–320
Other accrued expenses and deferred income	–138	-	-	-	–138
Total cash flow	**–3,291**	**543**	**3,572**	**2,442**	**3,266**

Cash flows in the tables refers to contractual undiscounted flows. For a description of liquidity risk, see Note 4 Risks and risk management.

[1] In the case of derivatives, cash flows are reported gross, that is both outflows and inflows in order to get a better understanding of the flows.

NOTE 24 Valuation categories for financial instruments valued at fair value

The disclosure requirements stipulated in IFRS 7 state that financial instruments valued at fair value are to be categorised into three levels based on the underlying method of assessment used to derive the fair value. The three levels are:

Level 1: Listed prices on active markets for identical assets and liabilities.
The fair value of financial instruments traded on an active market is based on the listed market prices on closing date. A market is regarded as active if listed prices from a stock exchange, broker, industry group, pricing service or supervisory authority are easily and regularly available and if these prices represent real and regularly occurring arm's length market transactions. The market price applied for Alecta's financial assets is the current purchasing price.

Level 2: Observable market data relating to assets or liabilities other than listed prices included in Level 1 either directly (i.e. as prices), or indirectly (i.e. derived from listed prices).
The fair value of financial instruments that are not traded on an active market is determined with the aid of valuation techniques. Market information is applied to as great an extent as possible, where available. Company-specific information is applied only where necessary. The following specific valuation techniques are applied to measure financial instruments in Level 2 to fair value:

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

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

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

	Fair value of financial instruments 31 December 2012			
Group	Published price listings on an active market Level 1	Measurement techniques based on observable market data Level 2	Measurement techniques based on non-observable market data Level 3	Carrying amount 31 Dec 2012
Assets				
Shares and participations	179,227	-	4,806	184,033
Bonds and other interest-bearing securities [1]	186,043	133,801	2,070	321,914
Loans with real estate as collateral	-	20	-	20
Other loans	-	-	720	720
Derivatives	-	8,279	-	8,279
Total assets	**365,270**	**142,100**	**7,596**	**514,966**
Liabilities				
Derivatives	-	3,652	-	3,652
Total liabilities	**-**	**3,652**	**-**	**3,652**
Parent Company				
Assets				
Shares and participations	179,227	-	4,692	183,919
Bonds and other interest-bearing securities [1]	186,043	133,801	2,070	321,914
Loans with real estate as collateral	-	20	-	20
Other loans	-	-	720	720
Derivatives	-	8,279	-	8,279
Total assets	**365,270**	**142,100**	**7,482**	**514,852**
Liabilities				
Derivatives	-	3,652	-	3,652
Total liabilities	**-**	**3,652**	**-**	**3,652**

[1] During 2012, a number of bonds transferred from Level 3 to Level 2 due to these now being valued on the basis of prices listed by external pricing services, which consistently use valuation techniques in level 2. There has also been a move from a bond holding from level 2 to 3 due to the valuation only being obtained from the external counterpart. The value of what is transferred to and from level 3 is shown in Note 25.

NOTE 24 Valuation categories for financial instruments valued at fair value, *cont.*

Group	Fair value of financial instruments 31 December 2011			
	Published price listings on an active market Level 1	Measurement techniques based on observable market data Level 2	Measurement techniques based on non-observable market data Level 3	Carrying amount 31 Dec 2011
Assets				
Shares and participations	174,505	-	4,315	178,820
Bonds and other interest-bearing securities	173,898	69,183	25,647	268,728
Loans with real estate as collateral	-	16	-	16
Other loans	-	-	635	635
Derivatives	-	4,887	-	4,887
Other financial investments [2)]	-	2,127	-	2,127
Total assets	**348,403**	**76,213**	**30,597**	**455,213**
Liabilities				
Derivatives	-	3,864	-	3,864
Other liabilities	-	2,127	-	2,127
Total liabilities	**-**	**5,991**	**-**	**5,991**
Parent Company				
Assets				
Shares and participations	174,505	-	4,297	178,802
Bonds and other interest-bearing securities	173,898	69,183	25,647	268,728
Loans with real estate as collateral	-	16	-	16
Other loans	-	-	635	635
Derivatives	-	4,887	-	4,887
Other financial investments [2)]	-	2,127	-	2,127
Total assets	**348,403**	**76,213**	**30,579**	**455,195**
Liabilities				
Derivatives	-	3,864	-	3,864
Other liabilities	-	2,127	-	2,127
Total liabilities	**-**	**5,991**	**-**	**5,991**

NOTE 25 Disclosures of financial instruments valued at fair value based on Level 3 [1]

Group	Fair value at year-end 2012 Shares and participations	Bonds and other interest-bearing securities	Other loans	Total
Opening balance 2012	4,315	25,647	635	30,597
Profit/loss reported in income statement	87	–54	–13	20
Purchases	602	-	143	745
Sales/due	–198	–4,267	–45	–4,510
Transfer from Level 3 [2]	-	–20,810	-	–20,810
Transfer to Level 3 [3]	-	1,554	-	1,554
Closing balance 2012	**4,806**	**2,070**	**720**	**7,596**
Total gains and losses reported in the income statement for financial instruments held at the end of the period	94	11	–13	92
Gains and losses reported in the income statement as return on capital during the period				
Total gains and losses reported in income statement				20
Parent Company				
Opening balance 2012	4,297	25,647	635	30,579
Profit/loss shown in income statement	94	–54	–13	27
Purchases	499	-	143	642
Sales/due	–198	–4,267	–45	–4,510
Transfer from Level 3 [2]	-	–20,810	-	–20,810
Transfer to Level 3 [3]	-	1,554	-	1,554
Closing balance 2012	**4,692**	**2,070**	**720**	**7,482**
Total gains and losses reported in the income statement for financial instruments held at the end of the period	94	11	–13	92
Gains and losses reported in the income statement as return on capital during the period				
Total gains and losses reported in income statement				27

1) A definition of Level 3 is provided in Note 24 Valuation categories.
2) During 2012, a number of bonds transferred from Level 3 to Level 2 as a result of these now being valued by quotations from external pricing services, which consistently uses valuation techniques in level 2.
3) A bond holding has been moved from Level 2 to Level 3 due to the valuation being obtained only from the external counterpart.

NOTE 25 Disclosures of financial instruments valued at fair value based on Level 3[1], *cont.*

	Fair value at year-end 2011			
Group	Shares and participations	Bonds and other interest-bearing securities	Other loans	Total
Opening balance 2011	3,595	4,156	357	8,108
Profit/loss shown in income statement	200	376	8	584
Purchases	863	22,672	308	23,843
Sales/due	–343	–2,063	–38	–2,444
Transfer to/from Level 3	-	506	-	506
Closing balance 2011	4,315	25,647	635	30,597
Total gains and losses reported in the income statement for financial instruments held at the end of the period	198	298	8	504
Gains and losses reported in the income statement as return on capital during the period				
Total gains and losses reported in income statement				584
Parent Company				
Opening balance 2011	3,595	4,156	357	8,108
Profit/loss shown in income statement	199	376	8	583
Purchases	846	22,672	308	23,826
Sales/due	–343	–2,063	–38	–2,444
Transfer to/from Level 3	-	506	-	506
Closing balance 2011	4,297	25,647	635	30,579
Total gains and losses reported in the income statement for financial instruments held at the end of the period	198	298	8	504
Gains and losses reported in the income statement as return on capital during the period				
Total gains and losses reported in income statement				583

[1] A definition of Level 3 is provided in Note 24 Valuation categories.

NOTE 26 Shares and participations

Group	2012 Fair value	2012 Cost	2011 Fair value	2011 Cost
Swedish shares	95,448	76,979	94,370	86,846
Foreign shares	88,585	83,796	84,450	91,503
	184,033	**160,775**	**178,820**	**178,349**
Parent Company				
Swedish shares	95,448	76,979	94,370	86,846
Foreign shares	88,471	83,678	84,432	91,485
	183,919	**160,657**	**178,802**	**178,331**

NOTE 27 Bonds and other interest-bearing securities

Group and Parent Company	2012 Fair value	2012 Amortised cost	2011 Fair value	2011 Amortised cost
Swedish government	53,279	47,694	49,086	41,389
Swedish mortgage institutions	94,789	93,031	76,309	74,910
Other Swedish issuers	39,486	38,142	41,994	41,463
Foreign governments	79,774	73,196	58,669	56,309
Other foreign issuers	54,586	52,873	42,670	42,908
	321,914	**304,936**	**268,728**	**256,979**

The fair value of interest-bearing securities exceeds or falls below the amount to be redeemed on the due date by SEK 23,642 (20,604) million and SEK 803 (2,776) million, respectively.

Interest-bearing terms 2012	Group and Parent Company
0–1 year	98,513
>1–5 years	114,568
>5–10 years	80,807
>10 years	28,026
	321,914

NOTE 28 Loans with real estate as collateral

Group	2012 Fair value	2012 Cost	2011 Fair value	2011 Cost
Loans with real estate as collateral	261	265	375	387
	261	**265**	**375**	**387**
Parent Company				
Loans with real estate as collateral	20	20	16	17
	20	**20**	**16**	**17**

NOTE 29 Other loans

Group and Parent Company	2012 Fair value	2012 Cost	2011 Fair value	2011 Cost
Other loans	2,334	2,305	1,911	1,876
	2,334	**2,305**	**1,911**	**1,876**

Pertains mainly to property-related loans, of which 1,614 (1,276) are reported at amortised cost and 720 (635) are reported at fair value.

NOTE 30 Derivates

Group and Parent Company	2012 Nominal value	2012 Fair value/ carrying amount Assets	2012 Fair value/ carrying amount Liabilities	2011 Nominal value	2011 Fair value/ carrying amount Assets	2011 Fair value/ carrying amount Liabilities
Share-related instruments	-	-	-	–35,944	-	-
Futures	*-*	*-*	*-*	*–35,944*	*-*	*-*
Interest-related instruments	103,647	5,842	2,552	42,271	2,204	1,980
Swaps	*133,270*	*5,842*	*2,539*	*75,221*	*2,204*	*1,980*
FRA/futures	*–28,508*	*-*	*-*	*–32,950*	*-*	*-*
CDS	*–1,115*	*-*	*13*	*-*	*-*	*-*
Currency-related instruments	138,443	2,437	1,100	151,775	2,683	1,884
Forward contracts/swaps	*138,443*	*2,437*	*1,100*	*151,775*	*2,683*	*1,884*
Total derivatives	242,090	8,279	3,652	158,102	4,887	3,864

Collateral management for derivatives that are not cleared (so called OTC derivatives) are regulated in accordance with the terms of the so-called CSA agreement (Credit Support Annex). For the counterparties with which Alecta has entered into CSA agreements, the outstanding derivative contracts are valued at market value on a daily basis. When the net value of all these outstanding derivatives contracts is positive, Alecta receives the equivalent value as collateral from counterparties, and in the event that the net value is negative, then Alecta deposits the corresponding value as collateral with counterparties. In accordance with these CSA agreements Alecta has received collateral at a value of SEK 5,895 million, of which SEK 666 million relates to interest-bearing securities and SEK 5,229 million relates to cash collateral. The balance sheet includes cash collateral received from investment assets but are also found on the liabilities side under the item Other liabilities as these securities continuously must be refunded to the defendant in pace with the derivative contracts being realised or if the value of outstanding contracts decreases in value. Similarly, Alecta pledged collateral in the form of interest-bearing securities with a value amounting to SEK 406 million. These pledged assets are included in Other pledged assets and comparable collateral, Note 48.

NOTE 31 Other financial investment assets

Group and Parent Company	2012 Fair value	2012 Cost	2011 Fair value	2011 Cost
Claims on the transferor in repo transactions	-	-	2,127	2,129
	-	**-**	**2,127**	**2,129**

NOTE 32 Receivables referring to direct insurance operations

Group and Parent Company	2012	2011
Receivables from policy holders	1,479	1,690
	1,479	**1,690**

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

NOTE 33 Other receivables

Group	2012	2011
Cash receivable from sale of investment assets	1,024	2,431
Tax outside Sweden	372	175
Tax on returns	34	51
Overdue unreceived share dividends	7	43
Rent receivables	19	16
Value added tax	4	16
Receivable PRI Pension guarantee	153	141
Other	169	144
	1,782	**3,017**
Parent Company		
Cash receivable from sale of investment assets	1,024	2,431
Current tax in Sweden [1)]	97	177
Tax outside Sweden	372	175
Overdue unreceived share dividends	7	43
Value added tax	0	2
Receivable PRI Pension guarantee	153	141
Other	146	129
	1,799	**3,098**

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

NOTE 34 Accrued interest and rental income

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Accrued interest income, subsidiaries	-	-	208	176
Accrued interest income	8,302	5,919	8,302	5,917
	8,302	**5,919**	**8,510**	**6,093**

NOTE 35 Equity excluding guarantee reserve

Group	Translation reserves	Discretionary participation features [1]	Special indexation funds [2]	Retained earnings including profit for the year	Total
Opening balance 2011	**–979**	**33,830**	**15,720**	**149,345**	**197,916**
Profit for the year				–92,027	–92,027
Allocated rebates	-	5,150	–4,800	–350	-
Rebates					
Pension supplements	-	*–2,522*	-	-	*–2,522*
Adjustment of paid-up values	-	*–2,200*	-	*–113*	*–2,313*
Premium reductions	-	*–1,100*	-	*–106*	*–1,206*
Return on guarantee reserve [3]	-	-	-	–174	–174
Charges	-	-	82	–82	-
Interest	-	594	260	–854	-
Collective risk premium [4]	-	-	–237	-	–237
Portfolio transfer, Unilever	-	73	49	-	122
Change for Alecta Optimal Pension	-	–1,390	-	1,390	-
Effect of change in market interest rates	-	2,090	-	–2,090	-
Effect of change in mortality assumption	-	–256	-	256	-
Exchange rate fluctuations for the period	252	-	-	-	252
Other changes [5]	-	–151	–35	46	–140
Closing balance 2011	**–727**	**34,118**	**11,039**	**55,241**	**99,671**
Opening balance 2012	**–727**	**34,118**	**11,039**	**55,241**	**99,671**
Profit for the year				68,053	68,053
Allocated rebates	-	801	-	–801	-
Rebates					
Pension supplements	-	*–2,769*	-	-	*–2,769*
Adjustment of paid-up values	-	-	-	*–9*	*–9*
Premium reductions	-	-	-	*–14*	*–14*
Return on guarantee reserve [3]	-	-	-	46	46
Charges	-	-	56	–56	-
Interest	-	486	108	–594	-
Collective risk premium [4]	-	-	–239	-	–239
Change for Alecta Optimal Pension	-	4,638	-	–4,638	-
Effect of change in market interest rates	-	–223	-	223	-
Exchange rate fluctuations for the period	–435	-	-	-	–435
Other changes [5]	–79	23	–2	59	1
Closing balance 2012	**–1,241**	**37,074**	**10,962**	**117,510**	**164,305**

1) Funds which are allocated to Alecta's insured customers and policy holders in accordance with decisions made regarding the utilisation of the fund. These funds constitute a portion of Alecta's risk capital and are not guaranteed until allocated. Officially, Alecta can revoke these funds. SEK 1,468 (1,468) million of SEK 37,074 (34,118) million 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 65.

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 new rules for co-ordination and calculation of pensionable salary which the parties introduced into ITP 2 in 2008.

5) Items comprise interest, inheritance gains and portfolio changes.

NOTE 35 Funding reserve

Parent Company	Collective funding	Discretionary participation features: Allocated rebates to insured and policy holders [1]	Other reserves: Special indexation funds [2]	Total
Opening balance 2011	**113,674**	**33,830**	**15,720**	**163,224**
Appropriation of previous year's profit	32,300	-	-	32,300
Allocated rebates	–350	5,150	–4,800	-
Rebates				
Pension supplements	-	*–2,522*	-	*–2,522*
Adjustment of paid-up values	*–113*	*–2,200*	-	*–2,313*
Premium reductions	*–106*	*–1,100*	-	*–1,206*
Return on guarantee reserve [3]	–174	-	-	–174
Charges	–82	-	82	-
Interest	–854	594	260	-
Collective risk premium [4]	-	-	–237	–237
Portfolio transfer, Unilever	-	73	49	122
Change for Alecta Optimal Pension	1,390	–1,390	-	-
Effect of change in market interest rates	–2,090	2,090	-	-
Effect of change in mortality assumption	256	–256	-	-
Other changes [5]	154	–151	–35	–32
Closing balance 2011	**144,005**	**34,118**	**11,039**	**189,162**
Opening balance 2012	**144,005**	**34,118**	**11,039**	**189,162**
Appropriation of previous year's profit	–93,037	-	-	–93,037
Allocated rebates	–801	801	-	-
Rebates				
Pension supplements	-	*–2,769*	-	*–2,769*
Adjustment of paid-up values	*–9*	-	-	*–9*
Premium reductions	*–14*	-	-	*–14*
Return on guarantee reserve [3]	46	-	-	46
Charges	–56	-	56	-
Interest	–594	486	108	-
Collective risk premium [4]	-	-	–239	–239
Change for Alecta Optimal Pension	–4,638	4,638	-	-
Effect of change in market interest rates	223	–223	-	-
Other changes [5]	–21	23	–2	-
Closing balance 2012	**45,104**	**37,074**	**10,962**	**93,140**

1) Funds which are allocated to Alecta's insured customers and policy holders in accordance with decisions made regarding the utilisation of the fund. These funds constitute a portion of Alecta's risk capital and are not guaranteed until allocated. Officially, Alecta can revoke these funds. SEK 1,468 (1,468) million of SEK 37,074 (34,118) million 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 65.

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 new rules for co-ordination and calculation of pensionable salary which the parties introduced into ITP 2 in 2008.

5) Items comprise interest, inheritance gains and portfolio changes.

NOTE 36 Guarantee reserve [1]

Group and Parent Company	2012	2011
Opening balance	1,859	1,779
Return for previous year [2]	–46	174
Information funds	–84	–76
Collective agreement guarantee	–68	–18
Closing balance	**1,661**	**1,859**

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 TGL. See Note 1, page 41.

2) Return after deduction for current investment management costs and tax. The transfer of returns between the funding reserve and the guarantee reserve is effected the year following the year in which a decision is undertaken by the Council of Administration. See Note 1, page 41.

NOTE 37 Untaxed reserves

Parent Company	2012	2011
Opening balance	1,762	1,484
Provision for the year	538	278
Change in provision for previous year	–15	-
Closing balance	**2,285**	**1,762**

A provision to the tax allocation reserve was established for the financial year 2012.

NOTE 38 Provision for life insurance

Group and Parent Company	2012	2011
Opening balance	**375,294**	**285,088**
Change for the year	15,198	17,493
Premiums	*22,698*	*22,499*
Payments	*–13,694*	*–12,287*
Interest income	*9,257*	*10,876*
Released operating expenses	*–795*	*–851*
Tax on returns	*–1,669*	*–2,222*
Net effect on provisions due to claims incurred	*–84*	*–60*
Transfer of portfolio and repurchases	*-*	*0*
Other change	*–515*	*–463*
Changed calculation and assumptions, defined benefit pension	–13,525	-
Changed mortality assumption, defined benefit pension	-	1,200
Changed risk of transfer and mortality assumptions, Alecta Optimal Pension	-	1,165
Changed tariff adjustment deduction assumption	-	–4,876
Effect of changed premium assumption of defined benefit insurance	–1,658	-
Changed interest rate assumption	–3,395	80,196
Difference between premium and provisioning assumptions	–2,305	–4,972
Closing balance	**369,609**	**375,294**

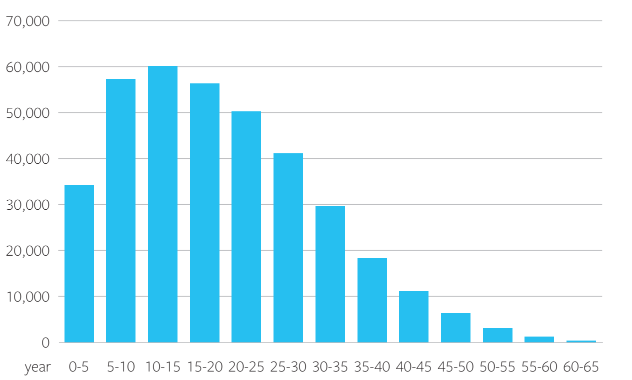
The following assumptions were applied in calculating provisions for life insurance:

- The average rate of interest is 2.67 (2.58) per cent at 31 December 2012. The manner in which this rate is determined is described in Note 4.
- Mortality assumption: It is assumed that a 65-year-old male will live for a further 21 years and a 65-year-old female for a further 22.5 years.
- Family pension assumption: A gender-dependent assumption of family composition is applied.
- Operating expenses assumption: Future operating expenses are accounted for both through a reduction of the assumed interest rate and through a supplement on anticipated pension payments. Operating expenses are also charged in conjunction with premium payments.
- Deduction for tax on returns: Provision for future tax on returns is made through a reduction in the interest rate and a deduction in interest rate assumption.

Interest rate sensitivity

- A reduction in the interest rate assumption of 1 percentage point results in an increase in life insurance provisions of SEK 70,246 million.

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



NOTE 39 Provision for claims outstanding

Group and Parent Company	2012	2011
Opening balance	10,842	11,651
Change for the year	–109	–281
Payments made	*–1,941*	*–1,728*
Interest income	*224*	*378*
Freed-up operating costs	*–68*	*–71*
Net effect on provision due to insurance claims	*1,812*	*1,039*
Other changes	*–136*	*101*
Changes in interest rate assumptions during the year	–37	980
Changed morbidity assumptions	–760	–850
Changed assumptions for illness incurred but not yet reported	-	–658
Transition to calculate the provision with interest rate curve	208	-
Closing balance	**10,144**	**10,842**

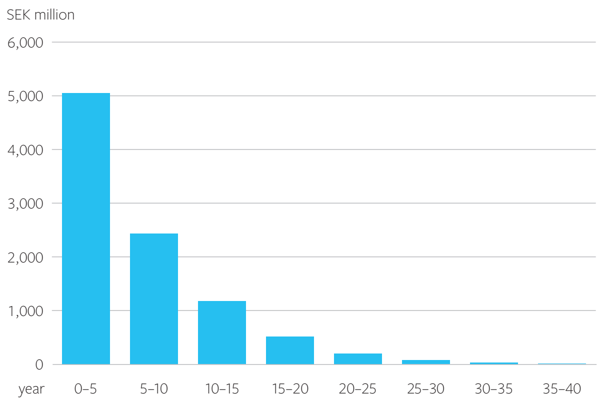
The following assumptions have been used in calculating provisions for claims outstanding in respect of disability pension and waiver of premium, which comprise the dominant portion of the provisions:

- The average rate of interest is 2.08 (2.58) per cent at 31 December 2012. The manner in which this rate is determined is described in Note 4.
- Morbidity assumption: Assumption regarding the probability of becoming, or 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 life insurance provisions of SEK 616 million.

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



NOTE 40 Provision for pensions and similar obligations

	Group		Parent Company	
	2012	2011	2012	2011
Provisions for pensions	39	53	39	52
	39	**53**	**39**	**52**

Provisions for pensions are primarily attributable to employees born in 1955 or earlier, who according to the FTP Agreement are entitled to retire on their own initiative from the age of 62. See Note 1 on page 41 and Note 54 on page 72.

NOTE 41 Other provisions

	Group		Parent Company	
	2012	2011	2012	2011
Value hedging of pensions for former employees	14	25	14	25
Provisions for contract losses of buildings and land	0	3	0	3
Provisions for restructuring costs	0	5	0	5
	14	33	14	33

NOTE 42 Deferred tax

Deferred tax	2012		2011	
Group	Tax asset	Tax liability	Tax asset	Tax liability
Deferred tax outside Sweden				
Consolidated deficit values on foreign properties	-	–866	-	–692
Total deferred tax outside Sweden	**-**	**–866**	**-**	**–692**
Deferred tax liabilities outside Sweden				
Deductible foreign income tax to be deducted from Swedish tax on returns	866	-	692	-
Loss carry forward	120	-	-	113
Other unutilised loss carry forwards [2]	20	-	-	-
Consolidated surplus values on Swedish properties	-	–146	-	–135
Change in value of financial instruments	-	–578		–178
Other temporary differences	-	–114	-	–44
Tax allocation reserve	-	–516	-	–464
Netting of deferred tax assets against deferred tax liabilities	–1,006	1,006	-	-
Net deferred tax in Sweden	**-**	**–348**	**692**	**–708**
Total deferred tax	**-**	**–1,214**	**–692**	**–1,400**
of which expected to be settled after more than 12 months, before netting	*866*	*–2,220*	*692*	*–1,400*

1) Calculated at 35 (35) per cent according to the US tax rate and 33.3 (33.3) per cent according to the French tax rate. Other deferred taxes are calculated at 22 (26.3) per cent.

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

Changes in deferred tax assets and liabilities during the year have been reported in the income statement, except for exchange rate differences, which amount to MSEK 42 (–20) and MSEK 42 (20).

NOTE 43 Taxes

Parent Company	2012	2011
Income tax	483	117
of which deferred tax	*483*	*117*
	483	**117**
Deferred tax, specification:		
Deferred tax liabilities, gross		
Change in value of land and buildings	–25	–39
Change in value of financial instruments	–578	–178
	–603	**–217**
Deferred tax assets, gross		
Loss carry forwards	100	100
Other unutilised tax deductions [1]	20	-
Other temporary differences	0	0
	120	**100**
Total deferred tax, net	**–483**	**–117**

1) Other unutilised tax deductions relates to deductible foreign taxes in excess of the blocked amount. Excess amounts may be offset no later than the fifth financial year following the current financial year.

NOTE 44 Liabilities referring to direct insurance operations

Group and Parent Company	2012	2011
Liabilities to policy holders	39	41
Preliminary tax, pensions	583	543
Other	0	15
	622	**599**

NOTE 45 Other liabilities

Group	2012	2011
Credit facilities for purchase of investment assets	199	2,212
Collateral received for derivatives [1]	5,229	452
Genuine repurchase transactions	-	2,127
Accounts payable	217	228
Property tax	105	121
Value added tax	25	11
Other	38	84
	5,813	**5,235**

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

Parent Company	2012	2011
Liabilities to subsidiaries	711	847
Credit facilities for purchase of investment assets	199	2,212
Genuine repurchase transactions	-	2,127
Collateral received for derivatives [1]	5,229	452
Accounts payable	175	160
Property tax	51	50
Value added tax	21	9
Other	27	70
	6,413	**5,927**

1) For more information, see Note 30.

NOTE 46 Other accrued expenses and deferred income

	Group		Parent Company	
	2012	2011	2012	2011
Accrued interest expenses, subsidiaries	-	-	9	10
Accrued interest expenses	1,417	440	1,412	440
Accrued property expenses	319	453	201	273
Accrued personnel costs	106	103	95	94
Prepaid rental income	247	174	144	99
Other	29	33	11	11
	2,118	1,203	1,872	927

NOTE 47 Collateral and equivalent securities pledged for own liabilities and for obligations reported as provisions

Group and Parent Company	2012	2011
Assets registered on behalf of policy holders	535,577	475,147
in addition to the required pledging	*155,824*	*89,011*
	535,577	475,147
Land and buildings	20,574	19,541
Shares and participations	183,919	178,802
Bonds and other interest-bearing securities	322,309	270,870
Loans with real estate as collateral	261	377
Other loans	2,353	1,892
Derivatives	5,578	1,023
Cash and bank balances	583	2,642
	535,577	475,147

The table shows assets valued at fair value, taken into 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	2012	2011
Collateral pledged to clearing houses for derivative trading		
Bonds and other interest-bearing securities	487	492
Cash and bank balances	227	2,904
Collateral pledges for derivative trading in accordance with CSA agreements		
Bonds and other interest-bearing securities	406	300
	1,120	3,696

NOTE 49 Transfers of financial assets

Group and Parent Company	2012
Interest bearing securities on loan	7,297
Collateral received for securities on loan	7,297

Interest bearing securities on loan consist of Swedish government bonds and are reported at fair value in the balance sheet in accordance with the applicable accounting principles. Collateral received for interest bearing securities for loan consists of Swedish government bonds and are thus not reported in the balance sheet. Reimbursement of interest bearing securities for loan is reported as interest income in the item Investment income, see Note 6.

NOTE 50 Contingent liabilities

Parent Company	2012	2011
Liabilities in limited partnerships	7	20
	7	20

NOTE 51 Commitments

Group	2012	2011
Remaining balance to be invested in investment assets	1,349	1,598
	1,349	1,598
Parent Company		
Remaining balance to be invested in investment assets	1,142	1,273
	1,142	1,273

NOTE 52 Contingencies

Alecta is within the framework of normal business activities, involved in several disputes, the majority concerning limited amounts. Alecta is of the opinion that these matters cannot be expected to have a material adverse effect on the consolidated financial position.

NOTE 53 Reconciliation of total return table with financial statements

Group	2012	2011
Market value according to total return table [1]	545,973	487,170
Assets not classified as investments	1,959	3,153
Items from the liabilities side of the balance sheet which are deducted in the total return table	11,365	10,041
Valuation differences	–104	–331
Other	–1	26
Total assets according to balance sheet	559,192	500,059
Total return according to total return table	55,600	–10,586
Items from the Income Statement (Notes 6, 7, 10, 11) which are not included in the total return table	–385	–324
Currency effects in foreign subsidiaries, recognised in equity in the financial statements	442	–170
Valuation differences, closing balance	–104	–331
Valuation differences, opening balance	331	618
Other	–24	–42
Total return according to the income statement [2]	55,860	–10,835

[1] See page 15.
[2] Notes 6, 7, 10 and 11 in the Income Statement.

NOTE 54 Average number of employees, salaries and remuneration

Average number of employees [1]	2012 Total no. of employees	2012 Of whom men	2011 Total no. of employees	2011 Of whom men
Parent Company				
Sweden	392	40 %	413	41 %
UK	4	25 %	3	33 %
Total Parent Company	**396**	**40 %**	**416**	**41 %**
Subsidiaries				
Sweden	26	31 %	27	37 %
USA	11	27 %	11	27 %
Total subsidiaries	**37**	**30 %**	**38**	**34 %**
Total Group	**433**	**39 %**	**454**	**40 %**

Number of men and women in senior positions	2012 Women	2012 Men	2011 Women	2011 Men
Parent Company				
Board of Directors	3	10	3	10
CEO	-	1	-	1
Other senior executives	3	6	4	6
Total Parent Company	**6**	**17**	**7**	**17**
Subsidiaries				
Board of Directors	-	5	-	5
Other senior executives	1	1	1	1
Total subsidiaries	**1**	**6**	**1**	**6**
Total Group	**7**	**23**	**8**	**23**

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

TSEK	2012 Salaries, fees and other remuneration	2012 Social security contributions	2012 Pension costs	2012 Total	2011 Salaries, fees and other remuneration	2011 Social security contributions	2011 Pension costs	2011 Total
Parent Company								
CEO and senior executives [3]	21,348	7,947	6,413	35,708	20,968	7,973	6,221	35,162
Board of Directors [4]	2,155	614	-	2,769	2,155	647	-	2,802
Other employees	220,153	40,485	66,397	327,035	244,652	61,764	56,772	363,188
Total Parent Company	**243,656**	**49,046**	**72,810**	**365,512**	**267,775**	**70,384**	**62,993**	**401,152**
Subsidiaries								
Sweden								
Other employees	9,631	2,570	687	12,888	9,634	2,564	373	12,571
USA								
Senior executives	11,979	273	957	13,209	12,132	266	885	13,283
Other employees	13,490	568	1,117	15,175	12,350	528	795	13,673
Total subsidiaries	**35,100**	**3,411**	**2,761**	**41,272**	**34,116**	**3,358**	**2,053**	**39,527**
Total Group	**278,756**	**52,457**	**75,571**	**406,784**	**301,891**	**73,742**	**65,046**	**440,679**

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 Company management 2012. For a list of current management, see pages 84–85.
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 54 Average number of employees, salaries and remunerations, *cont.*

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

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

1) Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration expensed during the financial year 2012.
2) Other senior executives comprise 7 (8) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2012. For the composition of senior management, see pages 84–85. 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 compensation attributable to the investment management incentive programme 2012. An account of Alecta's compensation, including variable compensation, 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 2013.
5) The deputy CEOs have been members of the management team during the entire year 2012. They both assumed the position of deputy CEO on 11 March 2011.

NOTE 54 Average number of employees, salaries and remunerations, *cont.*

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

	2011					
TSEK	Salaries, fees and other remuneration [1]	Remuneration [1,4]	Benefits [3]	Social security contributions	Pension costs	Total
Parent Company						
CEO						
Staffan Grefbäck	5,102	-	58	2,046	1,747	8,953
Deputy CEOs [5]						
Per Frennberg	2,945	472	8	1,369	1,205	5,999
Katarina Thorslund	1,548	-	13	589	400	2,550
Senior executives						
Senior executives [2]	10,638	-	184	3,969	2,869	17,660
Total CEO and senior executives	**20,233**	**472**	**263**	**7,973**	**6,221**	**35,162**
Chairman of the Board						
Erik Åsbrink	510	-	-	160	-	670
Other members of the Board (excl. CEO)						
Gunilla Dahmm	155	-	-	49	-	204
Cecilia Fahlberg	190	-	-	60	-	250
Per Hedelin	155	-	-	49	-	204
Jonas Milton	180	-	-	57	-	237
Richard Malmborg	155	-	-	49	-	204
Sven Nyman	155	-	-	49	-	204
Karl Olof Stenqvist	155	-	-	49	-	204
Kaj Thorén	155	-	-	16	-	171
Magnus von Koch	155	-	-	49	-	204
Christer Ågren	190	-	-	60	-	250
Total Board	**2,155**	**-**	**-**	**647**	**-**	**2,802**
Total Parent Company	22,388	472	263	8,620	6,221	37,964

1) Salaries, fees and other remuneration, variable compensation and severance pay shown as total salaries, fees and other remuneration paid out during 2011.
2) Other senior executives comprise 8 (9) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2011. 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 compensation attributable to the investment management incentive programme 2011. An account of Alecta's compensation, including variable compensation, 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 2012.
5) The deputy CEOs have been members of the management team during the entire year 2011. They both assumed the position of deputy CEO on 11 March 2011.

NOTE 54 Average number of employees, salaries and remuneration, *cont.*

Remuneration to members of the Board, CEO and senior executives

Fees were paid to the Chairman and members of the Board in accordance with the Council of Administration's decision. The fees determined by the Council of Administration relate to the period until the next general meeting. Compensation in 2012 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 relate to nine positions that, together with the CEO, comprised Alecta's Senior Management in 2012. For the present composition of Senior Management, see pages 84-85.

In accordance with FFFS 2011:2 the Swedish Financial Supervisory Authority's general advice on remuneration policy for insurance companies, stock exchanges, clearing organisations and institutions for issuance of electronic money, complementary information about remuneration will be presented on Alecta's website, alecta.se, in April 2013.

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

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

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

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

Incentive programme

Within 2012, Alecta only offers incentive programmes for our investment staff in the investment management group and for the employees in a subsidiary which conducts restaurant and conference operations. In December 2012, the Board decided that from 2013 to impose a general incentive program for all employees in Sweden except management, employees in Internal audit and the Risk department as well as the employees within investment management who are already subject to other incentive programs. The outcome of the general incentive program is governed by goal achievement linked to the business plan for 2013 and the maximum pay-out is 12 TSEK per employee in the form of enhanced pension premiums. If all targets are met, the total maximum cost for 2013 amount to SEK 5 million, including social security contributions.

The investment management incentive programme has an evaluation period of up to three years and covers 45 employees. The Board of Directors has determined a cap for possible outcomes and performance-related targets. Key factors which control the outcome of variable compensation are the total return on investment assets, return in relation to our competitors and the return on the active management within the types of assets for shares, interest-bearing instruments and real estate. The outcome per individual also depends on the extent to which individually set goals are achieved. For the earning year 2012, the sum of SEK 14.9 million, excluding social security contributions, is expected to be paid out in variable compensation, of which SEK 6.7 million refers to employees in Alecta's subsidiary in the USA.

The incentive programme in the subsidiary which is engaged in restaurant and conference activities covers 25 employees and the outcome of variable compensation for the earning year 2012 is estimated to amount to SEK 0.1 million excluding social security contributions.

Pension plans

All employees employed in Sweden by Alecta Pensionsförsäkring, ömsesidigt, are covered, by a new occupational pension plan, FTP08, with effect from 2008. The plan consists of two parts, FTP 1 and FTP 2. Employees born in 1972 and later are covered by FTP 1, with the exception of employees born 1972–1978 who, during the period January–March 2008 could opt to remain in FTP 2. Employees born in 1971 or earlier are covered by FTP 2. Employees born in 1971 or earlier with a salary in excess of ten income base amounts can choose to belong to FTP 1. FTP 2 is a defined benefit pension plan, which means that the employee is guaranteed a pension corresponding to a specific percentage of final salary. FTP 2 includes retirement pension, family pension, FTPK, disability pension, family cover, waiver of premium insurance and a separate children's pension. FTP 1 consists of a defined contribution retirement pension with or without repayment cover, family cover, disability pension and waiver of premium insurance. The premium for the retirement pension is 4.5 per cent of gross salary on salary components up to 7.5 income base amounts, and 30 per cent on salary components over 7.5 income base amounts.

Pension commitments are secured through payment of fixed insurance premiums during the period of service. According to IAS 19, defined benefit pension plans which include several employers (known as multi-employer plans) should, as a rule, be reported as if they were defined benefit plans. If sufficient information is not available in order to determine the employer's share of the obligations and plan assets, the pension plan shall, instead, be reported as a defined contribution plan. Alecta reports the FTP Plan as a defined contribution plan, as the conditions for reporting the defined benefit components of the plan in accordance with the main rule in IAS 19 are not met. This means that the cost is reported at the time when the benefits are earned. The pension costs for the period are included in the income statement.

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, page 66.

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 55 Disclosure of auditors' fees

	Group		Parent Company	
	2012	2011	2012	2011
PwC				
Statutory audit	2.9	3.1	2.9	3.1
Audit activities other than statutory audit	0.4	1.0	0.4	1.0
Tax advice	1.3	1.3	1.3	1.3
Other services	0.4	1.5	0.4	1.5
Total PwC	5.0	6.9	5.0	6.9

NOTE 56 Leasing

Operational leasing agreements (lessee)

Operational leasing where Alecta is the lessee holder 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 2012 is allocated as follows:

Group and Parent Company	2012	2011
Within one year	3	4
Later than one year but less than five years	3	2
Later than five years	-	-
Total	6	6
Total leasing fees during the period	6	6
of which minimum leasing fees	6	6

NOTE 57 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 19, pages 52–54)
- 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 owns half of Fora).

Transactions with related parties shall, as with other parties, be handled in a business-like manner, 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 19 on pages 52–54.

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

Remuneration to senior executives and members of the Board are reported in Note 54 on pages 69–72. No remuneration was paid to family members of related parties during 2012.

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 2012 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 65.

Transactions with associated companies and joint ventures

Joint ventures are defined as companies in which Alecta has control, together with other co-owners. Alecta is co-owner of five jointly managed real estate companies, Ancore AB, Hemfosa AB, Lönnbacken AB and Alfa SSM limited partnership as well as Convea AB. Transactions between Alecta and these joint ventures relate to lending, shareholder contributions and interest payments and are shown in the table below.

There are currently no investments in associated companies.

Transactions with Collectum AB and Fora AB selection centres

Transactions between Alecta and the Collectum and Fora selection centres are based on established agency agreements under which the selection centres undertake a number of assignments within the framework of the ITP plans and SAF-LO Contracted pension. Collectum and Fora receive payment from Alecta for the work completed in accordance with the agency agreement. Transactions with selection centres are shown in the table on the next page. Agency payments have been charged to this year's operating expenses and are shown in Note 9 on page 47.

NOTE 57 Related party disclosures, *cont.*

			Group		Parent Company	
Related parties	Transactions	Balances	2012	2011	2012	2011
Swedish Group companies	Interest income		-	-	196	167
	Interest expenses		-	-	10	10
	Dividends		-	-	147	406
		Non-current receivables	-	-	5,113	5,009
		Accrued interest income	-	-	140	166
		Liabilities	-	-	711	841
		Accrued interest expenses	-	-	4	10
		Contingent liability	-	-	6	20
		Shareholder contribution	-	-		30
Foreign Group companies	Interest income		-	-	17	16
	Interest expenses		-	-	-	-
	Dividends		-	-	439	912
		Non-current receivables	-	-	526	603
		Accrued interest income	-	-	3	10
		Liabilities	-	-	-	-
		Accrued interest expenses	-	-	-	0
		Shareholder contribution	-	-	1,376	1,331
Confederation of Swedish Enterprise and PTK	Information funds for ITP and TG		84	76	84	76
Joint ventures	Interest income		105	86	105	86
		Loan receivables	1,604	1,275	1,604	1,275
		Accrued interest income	19	15	19	15
Selection centres (Collectum and Fora)	Premium payments		23,997	19,432	23,997	19,432
	Agency payments		129	134	129	134

The Annual Report for the financial year ending on 31 December 2012 was approved for publication by the Board of Directors on 14 March 2013. It will be presented to the Council of Administration for adoption on 11 April 2013.

Board of Director’s signatures

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

Stockholm 14 March 2013

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 15 March 2013.

Catarina Ericsson
Authorised Public Accountant

Anna Hesselman
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 the consolidated accounts of Alecta pensionsförsäkring, ömsesidigt, for the year 2012. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 11–76.

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

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

The responsibility of the auditor

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 International Standards on Auditing and generally accepted accounting standards in Sweden. These standards require that we comply with professional ethical standards and plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free from material misstatement.

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

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

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Parent Company, as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly in all material respects the financial position of the Group as at 31 December 2012 and of its performance and its cash flows in accordance with International Standards of Accounting, as adopted by the EU and the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual and consolidated accounts, we have examined the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt, for the year 2012.

The responsibility 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 Companies Act and the Swedish Insurance Companies Act.

The auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, 15 March 2013

Catarina Ericsson
Authorised Public Accountant

Anna Hesselman
Authorised Public Accountant

Audit report

Corporate Identity Number 502014-6865

To the Council of Administration of Alecta pensionsförsäkring, ömsesidigt

We have, in our capacity as lay auditors, audited the operations in Alecta pensionsförsäkring, ömsesidigt, for the year 2012.

The audit was performed in accordance with the Swedish Insurance Companies Act and generally accepted auditing standards in Sweden. This means that we planned and performed our audit in order to determine to a reasonable degree whether operations were conducted in an appropriate, and from a financial point of view satisfactory, manner and that the company's internal controls are sufficient.

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

Stockholm, 15 March 2013

Niklas Hjert | Lars Jansson

Board of Directors

Erik Åsbrink [1, 2]
Born 1947
Chairman
Member of the Board of Directors since 2000.
Other directorships:
Stockholm School of Economics (Chairman), Wallenstam AB, Svensk Hypotekspension AB (Chairman), Light-Lab Sweden AB (Chairman), Stiftelsen Cancercentrum Karolinska, Bilspeditions Transportörförening.
Other posts:
Bemanningsföretagens auktorisationsnämnd (Chairman), Goldman Sachs, Ernst & Young.

Gunilla Dahmm [2]
Born 1947
Insurance expert Unionen
Member of the Board of Directors since 1999.
Other directorships:
AI Pension (Vice Chairman), KP Pensionsstiftelse och verksamhetskommitté, PRI Pensionsgaranti Insurance Company.

Cecilia Fahlberg [1]
Born 1960
First Vice Chairman
Chairman of Unionen
Member of the Board of Directors since 2007.
Other directorships:
PTK (Chairman), TCO, FI-rådet (Facken inom Industrin) (Chairman).

Staffan Grefbäck [1, 2]
Born 1955
CEO of Alecta
Member of the Board of Directors since 2009.
Other directorships:
Swedish Insurance Federation, Employers' Organisation for the Insurance Industry (Vice Chairman), SIFR Institute for Financial Research.

Per Hedelin [3]
Born 1965
CEO Association of Managerial and Professional Staff (Ledarna)
Member of the Board of Directors since 2008.
Other directorships:
PRI Pensionsgaranti Insurance Company, Tidningen Chef, Djurö Hotel & Konferens, Bliwa Livförsäkring.

Magnus von Koch [2]
Born 1962
Head of Investment Management Unionen
Member of the Board of Directors since 2010.
Other directorships:
Klara Norra Fastigheter AB (Chairman), TRR Trygghetsrådet's Capital Committee.

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

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

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

Kaj Thorén [2]
Born 1944
Member of the Board of Directors
since 2005.
Other directorships:
Billes Tryckeri AB, IFK Göteborg,
Gamla Ullevi AB,
Stiftelsen Richard C Malmstens minne.

Lars Wedenborn [2]
Born 1958
CEO FAM (Foundation Asset
Management) AB.
Member of the Board of Directors
since 2012.
Other directorships:
FAM (Foundation Asset Management)
AB, Nasdaq OMX Nordic Ltd (Chairman),
Nasdaq OMX Group Inc, AB SKF, Elk
Entertainment AB, The Grand Group AB.
Other posts:
Hjärt-Lungfonden.

Christer Ågren [1]
Born 1954
Second Vice Chairman
Executive Vice President Confederation
of Swedish Enterprise
Member of the Board of Directors
since 2009.
Other directorships:
Svenskt Näringsliv Service AB,
TRR Trygghetsrådet (Chairman),
AFA Sjukförsäkring, AFA Trygghets-
försäkring, AFA Livförsäkring.

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

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

[1] Member of the Board Presidium which is also acts as the 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.

Further, the Board is responsible for ensuring that the organisation applies satisfactory controls with regard to bookkeeping and fund management. The Board is also responsible for ensuring that the Company is managed efficiently, that internal control is performed satisfactorily and that there is adequate control of compliance with the laws and other regulations applying to Alecta's operations. The Board is thus responsible for determining the requisite guidelines and instructions for the Company and its operations. By law, the Board is bound to determine the Company's investment policy, actuarial guidelines and guidelines for managing conflicts of interest.

Furthermore, the Board annually draws up formal working directions for the Board and instructions for the CEO. The work of the CEO is evaluated continuously and a formal evaluation is performed once a year. The work performed by the Board of Directors as part of their responsibilities within the Board is evaluated once a year using a systematic and structured process. A limited evaluation was conducted in the autumn of 2012 and the result was presented to the Council of Administration's annual meeting, in which both the Chairman of the Board and the Vice Chairmen participated. The Board held seven meetings during 2012, of which one was held in conjunction with a two-day Board seminar to examine questions of strategic importance to Alecta.

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, the two Vice Chairmen as well as the CEO. The primary task of the Board Presidium is to handle and make decisions in those matters which the Board delegates to the Presidium and, further, to advise the CEO in matters of day-to-day management and to prepare the matters expected to be discussed in the next board meeting. In addition, the Presidium acts as a remuneration committee and meets on the initiative of the Chairman of the Board. The Presidium held five meetings during 2012.

The Finance Committee is comprised of six members. The Committee determines detailed guidelines for day-to-day investment operations, follows up investment operations, prepares matters within investment management to be examined by the Board and take decisions regarding investment matters which fall outside the authority of the CEO. The Finance Committee met six times in 2012.

The Audit Committee is comprised of four members. The Committee continuously evaluates and provides the Board with its view of Alecta's risk exposure and management's risk management. The Audit Committee also supports the Board in monitoring and evaluating internal and external auditing processes. The Committee is also responsible for preparing the work of the Board to assure the quality of Alecta's financial reporting. The Audit Committee met on five occasions in 2012.

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

- Continued turbulence within the Euro region, which led to Swedish long-term interest rates falling steeply, has caused the Board to continue its focus on Alecta's liabilities and the regulations for calculating technical provisions.
- Follow-up of measures to restore Alecta's risk margins and financial position after the financial crisis during autumn 2011 and spring 2012.
- Alecta's long-term financial strategy – in light of the exceptional market conditions and uncertainty about future regulations, including the delay of Solvency II and confusion about what is going to apply in Sweden for occupational pensions.
- New method for calculating technical provisions and adjustment of fees of regular premiums for ITP 2.
- Preparations for the upcoming ITP procurement.
- Further development of Alecta's corporate governance system.

Council of Administration and Auditors

Council of Administration

The Council of Administration is Alecta's highest level decision-making body, corresponding to the General Meeting of the Swedish Insurance Companies Act. The Council's duties include election of members of the Board and auditors, consideration of the question put forward each year concerning discharge from liability of the Board of Directors and President for their administration of the past financial year, and deciding on the adoption of the income statement and balance sheet, and on appropriation of the year's profit or loss. The Council of Administration consists of 38 members and eight deputies.

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

Members and Deputy Members

The Council of Administration's 19 members and four deputy members elected by the Confederation of Swedish Enterprise and the Association of Swedish Chambers of Commerce and Industry for the period 2011–2013:

Members

Per Ahl, Oxelösund
Fredrik Arp, Malmö
Jan Bosaeus, Solna
Leif Broden, Växjö
Ann-Marie Fransson Grankvist, Upplands Väsby
Magnus Hall, Stockholm
Göran Holm, Bromma
Dick Jansson, Alnö
Lars Jansson, Stockholm
Peter Jeppsson, Stockholm
Gert Karnberger, Örebro
Solweig Lindéll-Sohlberg, Uppsala
Ola Månsson, Alunda
Martin Oldmark, Stockholm
Hans Stråberg, Stockholm
Åke Svensson, Stockholm
Michael Treschow, Stockholm, ordförande
Ulrik Wehtje, Malmö
Leif Östling, Stockholm

Deputy members

Inga-Kari Fryklund, Uppsala
Hans Gidhagen, Upplands Väsby
Jonas Hagelqvist, Stockholm
Per Hidesten, 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 (Sveriges Ingenjörer) and the Council for Negotiation and Cooperation (PTK) for the period 2011–2013:

Members

Björn Bergman (Ledarna), Stockholm
Katarina Björk (Unionen), Sollentuna
Hanna Brandt González (Unionen), Österskär
Stefan Carlsson (Unionen), Norrköping
Anna Ekergren (Unionen), Rockneby
Annika Elias (Ledarna), Göteborg
Andreas Grünewald (Unionen), Åkersberga
Peter Hellberg (Unionen), Bandhagen
Anette Hellgren (Unionen), Trollhättan
Gunnar Henriksson (Unionen), Tullinge, also represents Alecta's retirees.
Martin Johansson (Unionen), Stockholm
Ulrika Johansson (Unionen), Luleå
Gun Karlsson (Unionen), Stockholm
Victoria Kirchhoff (Unionen), Klagshamn
Peter Larsson (Sveriges Ingenjörer),Enskede Gård
Martin Linder (Unionen), Torslanda, vice ordförande
Leif Nicklagård (Unionen), Vallentuna
Kristina Rådkvist (PTK), Enköping
Anders Tihkan (Sveriges Ingenjörer), Värmdö

Deputy members

Nils-Harald Forssell (Unionen), Olofstorp, also represents Alecta's retirees
Stefan Jansson (Sveriges Ingenjörer), Stockholm
Hans Lindau (Unionen), Sandared
Lars Tengvall (Ledarna), Limhamn

Auditors

Auditors-in-Charge

Catarina Ericsson,
Authorised Public Accountant, PwC

Anna Hesselman,
Authorised Public Accountant, PwC

Deputy auditors

Thomas Heneryd,
Authorised Public Accountant, PwC

Ulf Westerberg,
Authorised Public Accountant, PwC

The Swedish Financial Supervisory Authority did not appoint any auditors in 2012.

Lay Auditors

Auditors-in-Charge

Niklas Hjert, Unionen
Lars Jansson, Confederation of Swedish Enterprise

Deputy auditors

Lisbeth Gustafsson, Confederation of Swedish Enterprise
Per Carlstein, Ledarna

Senior management

Staffan Grefbäck
Born 1955
Chief Executive Officer
Education: BA
Year of employment: 2001
Directorship: Swedish Insurance Service AB, Swedish Insurance Federation, Employers' Organisation for the Insurance Industry (Vice Chairman), SIFR Institute for Financial Research
Previous experience: Executive Vice President and Head of Alecta Investment Management. Previously, CEO for Nordea Asset Management AB and other senior management positions within the Group's fund and investment management operations. Prior to that, worked with the 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: Ph.D. Economics
Year of employment: 1995
Directorship: KA Intressenter
Previous experience: Various senior management positions within Alecta Investment Management, including Head of Interest and Currency Management.

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

Tomas Bergqvist
Born 1947
Director of Human Resources
Education: LL.M
Year of employment: 1998
Previous experience: HR Manager EDS Nordic, and Personnel Manager Drive-train Sector, SAAB Automobile.

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

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

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

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

Staffan Ström
Born 1974
Head of Information as of 1 January 2013
Education: Political Science and Urban Planning
Year of employment: 2001
Previous experience: Head of Business Support, Head of Corporate Agents, Head of Corporate Market, Head of Marketing Services, Customer Training Manager, Account Manager for Large Enterprise and Customer Manager in Alecta. Previously worked as aftermarket sales at Syd, Upplands Bil and Deputy Head of Vallentuna Motor.

Karin Öckert
Born 1966
Head of Customer Communication as of 6 December 2012
Education: MSc in Business and Economics
Year of employment: 2000
Previous experience: Head of Customer Service, Group Manager Customer Service Private and Account Manager in Alecta. Previously worked in Nordea's asset management business with customer service and information.

Pehr Östberg
Born 1962
Head of Product and Parties
Education: Law and Political Science
Year of employment: 1988
Directorship: Sirius Fotboll
Previous experience: Marketing Manager, Head of Claims Department, Head of Disability and Family Pension Management, process leader Retirement Pension, and retirement pension specialist at Alecta.

Glossary

Adjustment of paid-up values
Rebate allocation which increases pension entitlement earned prior to retirement age. This adjustment is primarily made to compensate for inflation.

Agency agreement with Collectum
Agreement under which Collectum performs administrative services relating to the ITP Plan on behalf of Alecta.

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

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

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

Capital base
The difference between the market value of the Company's assets, minus intangible assets and financial liabilities, and technical provisions.

Capital value
The estimated present value of future payment flows.

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

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

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

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

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

Defined benefit insurance (ITP 2)
The amount of pension is determined in advance as a specified amount or a specified level of for instance final salary. The size of the premium varies depending on the benefit decided and on how well the fund manager manages the pension capital.

Defined contribution insurance
The amount of pension is dependent on, among other things, returns and fees charged by the manager of the pension capital. The size of the premiums is determined as a specified percentage of salary or as a specified amount.

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

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

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

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

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

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

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

Solvency margin
Minimum requirement for the size of the capital base. Put somewhat simply, the solvency margin is determined as a certain percentage of both technical provisions and the Company's insurance risks.

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

Insured
The person covered by the insurance.

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

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

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

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

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

Net sales value
Sales after deductions for sales-related costs.

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

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

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

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

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

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

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

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

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

Solvency margin
Minimum requirement for the size of the capital base. Put somewhat simply, the solvency margin is determined as a certain percentage of both technical provisions and the Company's insurance risks.

Special indexation funds
Funds allocated to guarantee the indexation of pensions or for other pension-promoting purposes. These funds are placed at Alecta's disposal only after a decision has been taken by the Confederation of Swedish Enterprise and PTK. Special indexation funds are therefore not included in the collective funding capital.

Swap
A derivative that consists of an agreement between two parties to exchange payment flows on the basis of different loan terms and conditions.

Technical provisions
The capital value of the insurance company's guaranteed commitments, which consist of a life insurance provision and a provision for claims outstanding.

Total return
The return on investments, adjusted for cash flows, expressed as a percentage, according to the Swedish Insurance Federation's recommendation.

Unrealised changes in value of investment assets
Positive or negative change in market value of investment assets.

Value in use
Present value of future cash flows.

Waiver of premium
Waiver of premium is included as part of the ITP Plan's collective risk insurance and means that the employer will receive a waiver of premium if an employee becomes incapacitated for work. Premiums for insurance under the ITP Plan will be paid in such case from the waiver of premium insurance and will then be regarded as security for the insurance commitment.

alecta

Tjänstepension sedan 1917

Alecta pensionsförsäkring, ömsesidigt
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8046 2013.03 Photo: Elena Kraskowski Production: Alecta