

A smiling woman with long brown hair, wearing a black top, is holding a large blue umbrella. She is looking towards the camera with a bright smile. The background is a blurred outdoor setting with a building and a railing. The image is framed with a blue circular border at the top and bottom.

alecta

Annual Report 2015
including Sustainability Report

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The formal annual report and consolidated financial statements are presented on pages 28–96.

NOTE:

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

Alecta has been managing occupational pensions since 1917. Our mission is to ensure that collectively-agreed occupational pensions attain as large a value as possible for both our corporate clients and private customers. We do this by maintaining good returns, good customer service and low costs. We manage approximately SEK 730 billion on behalf of our owners, of whom 2,3 million are private customers and 33 000 are corporate clients.

Alecta – the year in brief

Return on defined contribution insurance Alecta Optimal Pension amounted to 7,9 percent. The average annual return for the most recent five years has been 9,6 percent, 4,1 percentage points higher than the comparable index.

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Return on defined benefit insurance amounted to 5,8 percent. The average annual return for the most recent five years has been 7,4 percent.

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Alecta has appointed a **Sustainability Manager within the investment management department**, whose role is to support Alecta's analysts and portfolio managers in matters related to sustainability, and to participate in dialogues with the companies in which we invest.

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Management expense ratio has sunk during the year to 0,06 percent for pension products, excluding selection centre costs.

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Invoiced premiums, which are a component of premiums written, amounted to SEK 31,6 billion (25,1). The increase is primarily due to a rise in the redemption of pension commitments recorded as liabilities within ITP 2 and growth within ITP 1.

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Alecta presented the report **"The part-time problem – how an uneven labour market results in uneven pensions"**. The report illustrates that part-time work has substantial repercussions on pensions.

See more at alecta.se

Alecta's **financial position** is strong and the solvency level at the end of 2015 amounted to 171 percent.

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In May, Alecta Optimal Pension was approved as a **selectable product in KAP-KL/AKAP-KL**. As of 1 January 2016, this means that Alecta Optimal Pension is a selectable alternative in all four of the large collective agreement areas.

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Staffan Grefbäck has come to the decision to **step down from his position as CEO of Alecta**. Staffan has been Alecta's CEO since 1 February 2009, after serving as Head of Investment Management during the period 2001–2009. **Staffan will be succeeded by Magnus Billing**, who will take on the role starting 18 April 2016.

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Figures for the year in summary

The Group	2015	2014
Premiums written, SEK million	34 377	36 122
Claims paid, SEK million	-18 692	-17 786
Assets under management, SEK million	730 511	682 355
Total return, defined contribution insurance (Alecta Optimal Pension), %	7,9	14,9
Total return, defined benefit insurance, %	5,8	12,8
Management expense ratio for pension products, excluding selection centre costs	0,06	0,07
Collective funding ratio, defined benefit insurance, %	153	143
Collective funding ratio, defined contribution insurance, %	100	100
Solvency level, %	171	159



Comments from our CEO: Like offering the current a new pathway

2015 was another strong year for Alecta, with higher returns and lower costs than other life insurance companies. Looking forward, low costs, long-term investment management and robust finances are the governing factors in a return environment characterised by low interest rates.

The capital markets opened optimistically in 2015, under the impression of stable growth, low inflation and extremely expansive monetary policy. The Swedish Central Bank even went as far as to introduce a negative key interest rate. During the second half of the year, conditions on the market were somewhat more uncertain, given the sluggish growth in China and the falling prices of commodities. The uncertainty over global growth was further fuelled by the refugee crisis in Europe and terror attacks. Alecta's active management, with concentrated asset portfolios and a focus on carefully-selected, quality investments, benefited from, among other things, low exposure to the commodities sector and growth markets. Once the year had drawn to a close, Alecta was able to say that it had weathered the storm of the volatile markets and recorded yet another strong performance in providing returns.

The current year also began with a degree of concern about the future. After four years of solid returns, it seems prudent to dampen expectations for future returns. Alecta's low costs, strong solvency and long-term approach to asset management nonetheless give us assurance that, even in uncertain markets, we can generate a return that stands up well to our competitors.

Alecta Optimal Pension in top form

In Alecta Optimal Pension (AOP), the return directly impacts the pensions of the insured. We achieved a return of 7,9 percent, the highest reported in the industry statistics for life insurance companies. AOP also topped the industry statistics for the most recent five-year period with an average annual return of 9,6 percent. This surpassed AOP's comparative index, a fund index with a similar mix of assets, by 4,1 percentage points per year. The fees charged by the funds included in the index are around 1,5 percent higher than those charged by AOP. This gives AOP an advantage that will benefit our customers. The remaining difference of 2,6 percentage points per year reflects the fact that AOP achieved a higher return. That AOP gives a better return can also be seen when comparing the four Swedish National Pension Funds 1-4, which have approximately the same proportion of risk assets. Their return during the five-year period was 8,6 percent, one percentage point lower than AOP.

In autumn it will be 9 years since AOP was founded.

Through two negotiating processes, the plan has won the position as the default product in the ITP check-the-box system, in 2007 and 2013. Alecta's strategy is a clear focus on retaining the default role into the future. We will achieve this through positive asset management performances and world-class cost-effectiveness. We concentrate on providing the best for those who do not or cannot choose - and for the ever increasing amount who actively consider their alternatives. Alecta's share of customers making an active selection in ITP has successively increased to around 40 percent. In my eyes, this shows that the importance of fees is becoming more significant to customers. The majority of the close to a million AOP savers have ITP, but as of 2016, Alecta is also a selectable alternative in the other three large collective agreements.

Alecta stands strong

Alecta's defined benefit portfolio, which has more stringent guarantee commitments and therefore needs a lower proportion of shares in its holdings, was listed as having the second-highest return in the industry statistics, after AOP. For this portfolio, the five-year return was 7,4 percent, half a percentage point over the average of other life insurance companies and in line with Alecta's target. The collective funding ratio was strengthened to 153 percent and the solvency level was 171 percent at year end. Pension supplements were unchanged, even though the consumer price index saw a slight downturn.

Alecta is strongly positioned for the future. Our cost levels are lower than ever. We have robust finances. Through low fees and good returns, we create genuine customer benefit. We provide a high level of service in our customer service department and no longer expend resources on raising awareness of Alecta through media purchases, but are instead completely focused on building up our brand through the quality of our delivery. We have a firm belief in the importance of the way we treat our customers and work tirelessly to improve administration and communication.

Bold and forward-thinking

Next year Alecta will celebrate its 100th birthday. When the Company was just 25, its start was described as "bold and

forward-thinking". Offering a funded and irrevocable occupational pension was seen as "like offering a flowing current a new pathway." It was ground-breaking in that it strengthened the individual's position by allowing them to change employer without losing their pension. Pensions became a right, not a conditional gratitude for long-term, loyal service. It preceded a development towards autonomy that we as individuals now take for granted. At the same time, the pension benefited the development of Swedish business, as economic growth required increased flexibility in the labour market. Ever since Alecta's beginning, the share of private employees in the workforce has increased dramatically, and their pension benefits have set the standard for other agreement areas. The Company's founding in 1917 is, in many ways, the year that the Swedish occupational pensions we know today were born.

Offering a flowing current a new pathway and ploughing our own furrow are concepts that characterise Alecta even today. If we have to make a choice, we do not base it on what others would do, but what will benefit our customers. For this reason, we have refrained from going into funds, commissions, sales activities and excessively expensive investment alternatives. We engage in truly active management and have standardised our products in a manner similar to how industry has done for over a hundred years, such that we can achieve economies of scale allowing us to sink our costs and to bring fees down to levels that many thought inconceivable just 10 years ago. Our investment style, with concentrated portfolios, also gives us a clear advantage with regard to sustainability. We avoid many problematic investments that asset managers who employ more index-based strategies are often exposed to. Acting with a long-term perspective comes naturally to a pension company backed by 99 years of experience and with pension commitments stretching towards the next century. Substantial holdings also furnish us with the possibility of influencing our portfolio companies, and we spend ever more time and resources on ensuring that we act responsibly in our role as owner.

Financial statements

As I write, only a few weeks of my 15 years in Alecta remain. I have shared an eventful journey together with Alecta's numerous committed employees, which began just after the Company had been renamed in 2001. Paradoxically, this was also the starting point for a return to the Company's roots, to increase our focus on acting as a pension fund that serves its customers, rather than just one more life insurance company amongst many others. In addition, it was the starting point for a departure from the index-heavy investment management towards the active management we apply today, in which the Company's advantage of being able to utilise a long-term approach is leveraged. We emerged unscathed from three difficult periods of significant financial turbulence that took numerous scalps among pension companies, in 2002, 2008 and 2011.

The journey also took us from arduous and time-consuming methods for today's modern and efficient IT environment. Over the years, we have overseen truly monumental advances in efficiency. In 2001, Alecta had more than 700 employees and managed less than SEK 350 billion. Today, we have fewer than 350 employees* and manage more than SEK 700 billion. No less important is the journey we have undertaken together with regard to Alecta's company culture. My predecessor was responsible for initiating this important work, which we have worked hard to develop and take further. The value of Alecta's strong company culture does not manifest in a single item in the balance sheet, but means a lot for Alecta's competitive power and permeates the way we treat our customers.

It has been a pleasure to work during such an eventful time with so many knowledgeable and committed employees, and on such a significant, important assignment. The journey will now continue with my successor Magnus Billing leading the way as CEO. I would like to extend my sincere gratitude to Alecta's employees for their unbelievable efforts over the years, to the Board for its commitment and support and, not least, I would like to wish Magnus and all of Alecta every success in the future!



Staffan Grefbäck
Chief Executive Officer



* Refers to the Parent Company

Alecta's New CEO

Magnus Billing:

It is with pride and humility that I will succeed Staffan as Alecta's CEO later in the year. For almost 100 years, Alecta has promoted people's financial security during and after their working lives, and today Alecta is one of the world's most efficient pension companies. This is a profoundly inspiring starting point.

I look forward to working together with Alecta's talented workers. Alecta has a clear assignment, a distinct vision and a strong company culture which it expresses through its core values – Simplicity, Customer Benefit and Responsibility. My ambition is to continue the work that Staffan has presided over so successfully over the past seven years. Nevertheless, I also believe that there is always room to develop and improve on things! It is important that Alecta never thinks that its job is complete, but that it always continues to look forward and strives to always deliver better value to its customers. The drive to always be better is of utmost importance, not least in times of uncertainty in our society and during periods when the regulations imposed on the financial markets are under substantial pressure to drive through changes.

For Alecta, the customer should always be the prime focus. This is natural for a company owned by its customers, and applies to everything we do. From investment management to product development and customer service. An important prerequisite for this focus is Alecta's current strong financial position. This will allow us to continue to exploit investment opportunities with the potential to generate good returns, even in times of uncertainty. All with



the aim of realising Alecta's assignment, to achieve good pensions for employees and lower pension costs for companies.

I am very much looking forward to becoming a part of Alecta's future and to contributing to the benefits that Alecta provides to both society and its customers, every day. Everything we do, in every aspect, should aim at and result in the realisation of Alecta's vision to be the world's most efficient pension company.

Magnus Billing in brief:

- **Age:** 47
- **Lives:** Bromma, Stockholm
- **Family:** Wife and daughter
- **Education:** LL.M. from Stockholm University
- **Hobbies:** Family and friends, golf on occasion

This is Alecta

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

Our history

A century ago, it was common for employees to lose all of their pension entitlement when they started a new job. But in Alecta, which was established as early as 1917, employees retained the right to their vested pension even when their employment ended. This meant a lot to the employees' willingness to change jobs and also helped companies attract personnel with the right expertise. The occupational pension we offered also meant a great deal to the individual's financial security at a time when the public welfare system was still sparse and underdeveloped. Our history thus is a part of the evolution of a more modern and more secure Sweden.

A milestone in our history was when we, in 1960, were assigned to manage privately-employed salaried employees' collectively agreed occupational pensions plan, ITP. Just over half a century later, Alecta is still trusted as the main ITP provider. This assignment is one of the most prestigious responsibilities on the Swedish pensions market.

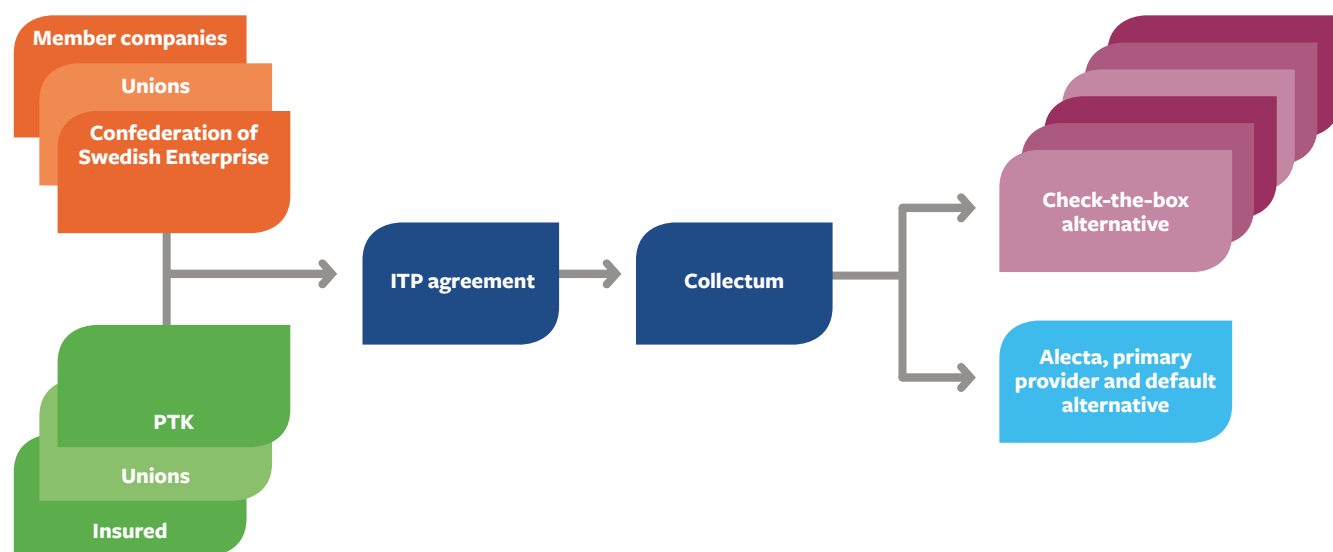
Alecta is a specialist occupational pensions company offering pension insurance, disability insurance and compensation to the survivors of the deceased. This is a long-term commitment under which we intend to keep paying out pensions to the insured and their survivors well into the next century.

Sustainability and responsibility have been guiding principles for us for almost a hundred years.

Our owners are our customers

Our owners and the people we work for are our 2,3 million private customers and 33 000 corporate clients. Our owners and customers are able to exercise an influence over the activities and operations of Alecta through the Council of Administration, which can be compared to an Annual General Meeting. The Council is appointed by the employers' organisation Confederation of Swedish Enterprise and the labour associations Unionen, the Association of Managerial and Professional Staff (Ledarna), the Swedish Association of Graduate Engineers and PTK. The Council of Administration is, in turn, responsible for appointing Alecta's Board of Directors and auditors. The fact that our customers are represented by such strong professional and industrial organisations creates the conditions for the customers to exercise a genuine, effective influence. Through their representatives on Alecta's Board of Directors, the customers can actively and thoroughly safeguard that the objectives of the ITP agreement are fulfilled.

VALUE-CREATING OCCUPATIONAL PENSIONS



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

” Low costs, good returns and good customer service.

Our assignment

Our assignment is to provide as large a value as possible for the collectively agreed occupational pension. We do this by providing low costs, good returns and good customer service. We provide our private customers with financial security during and after their working lives. For our corporate clients, who pay for their employees’ occupational pension benefits, we offer a cost-effective pension solution. Sustainable customer benefits, as simple as that.

ITP is our main focus

Even if Alecta today is a selectable alternative in several collective agreement areas, our main focus is and remains ITP. This is a natural result of our years-long assignment of being the main supplier in ITP and of around 98 percent of our customers and owners being within ITP. Our presence in other collective agreement areas builds on the idea that our customers should be able to collect their pension savings in Alecta even if they change agreement area, and also on the presupposition that a benefit is created for the ITP customers when more individuals are involved and share common costs. We can then push our already-low fees down even further.

FACTS - ALECTA'S ROLE IN ITP	ALECTA'S ROLE
Defined benefit retirement pension in ITP 2	Main supplier
Defined contribution pension in ITP 1	Default supplier
Disability pension and waiver of premium insurance in ITP	Sole supplier

A different kind of pension company

In many ways, Alecta is a different kind of pension company. We do not sell funds, we do not facilitate private savings and we do not advertise. We pay no commission, have no sales team and no expensive branch network. We engage in investment management on our own behalf and believe strongly in active management. We avoid expensive middlemen and constantly strive for simplicity in everything we do.

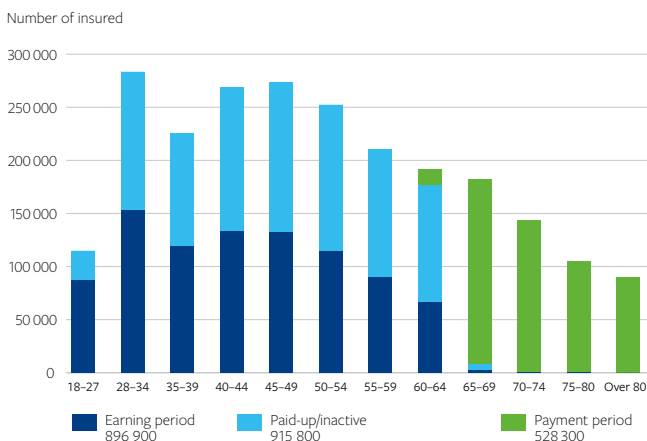
Our unambiguous focus on our assignment, our deep-rooted cost awareness and our economies of scale mean that we can promise particularly low fees. This benefits our customers in the form of lower pension costs for companies and larger pension pots for their employees. Today, Alecta is the most effective operator on the Swedish pensions market at pushing down prices.

Our vision

Our vision is ambitious: the world’s most efficient occupational pension company.

With more than two million customers and assets under management of SEK 730 billion, we can benefit from economies of scale that we can reasonably be expected to manage well. We therefore regularly conduct benchmarking studies to ensure our efficiency and competitiveness. In certain cases, it is natural that we compare ourselves with other Swedish pension companies. However, in other areas, we have to look further afield to find the tough level of competition we need to achieve meaningful comparisons. An example of the latter is cost-effectiveness, where we measure ourselves in global comparisons, and we are proud to state that we are already world-class.

NUMBER OF INSURED PER AGE GROUP AND CATEGORY IN ALECTA



Quick facts on Alecta

- Founded in 1917
- Owned by its customers
- 33 000 corporate clients
- 2,3 million insured
- Manages only collectively-agreed occupational pensions
- Pays no commission
- SEK 730 billion assets under management
- Investment management cost 0,03 percent
- Paid out SEK 19,2 billion in pensions 2015
- Invoiced SEK 31,6 billion in premiums 2015
- Solvency level 171 percent
- 392 employees



Alecta's assignment

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

Alecta's vision

The world's most efficient occupational pension company.

The occupational pensions market

The market is usually measured on the basis of the size of the premiums paid in to the industry. But the value for the customers lies more in the pensions paid out from the industry. Alecta has been trusted to manage a large proportion of the customers' occupational pension premiums and does so at a very low cost. By doing so, we contribute to good pensions for employees and lower pension costs for companies.

Paid out occupational pensions – customer value

In 2015, Alecta paid out around SEK 19 billion (19) to the insured in the form of retirement pensions, compensation to those unable to work and payouts to the beneficiaries of life insurance policies.

In addition to the amounts paid out to private customers, a sum of SEK 1,8 billion (1,5) was also paid from waiver of premium insurance. This covers employers' pension premiums for employees unable to work, for instance. Waiver of premium insurance therefore represents a direct saving for employers.

When and how customers draw their pension

The occupational pension is flexible, and ever more people choose to draw their ITP at a point in time other than once they have reached 65 years of age, which has long been the norm. During the year, 32 000 customers began to draw their ITP, with one in seven of these being older than 65. A similar amount chose to begin drawing their pension before reaching 65. To take early retirement is, however, unusual. Just over 100 people, or less than half a percent of customers, began to draw their pension before their 60th birthday.

One in five customers chose to draw their occupational

pension for a period shorter than their remaining lifetime, which is the ITP standard. This is a lower proportion than in 2014, when a quarter chose time-limited pension payments, and is an anomaly against recent trends. The development is interesting to follow, in the light of the ongoing debate surrounding time-limited pension payments.

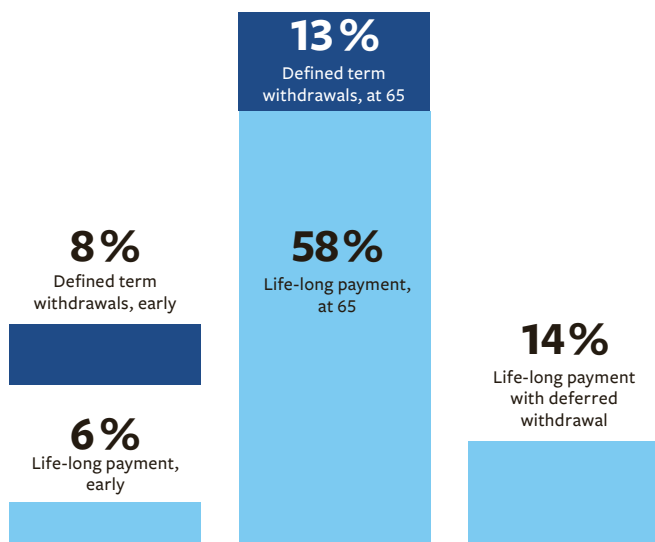
Occupational pensions market measured by premiums

The total value of funds transferred to occupational pensions during the year was equivalent to premiums of SEK 193 billion (174). Eighty percent of the occupational pensions market is secured through insurance in life insurance companies or pension societies.

The remaining portion is secured through means other than through life insurance. This segment of the market amounted to approximately SEK 37 billion (37) in premiums, when calculated as if the pension liabilities had, instead, been secured through life insurance. This pertains primarily to occupational pensions for public sector employees. In the private sector, the equivalent is, primarily ITP 2 under own management (PRI).

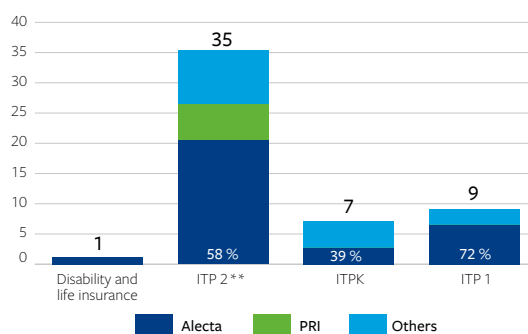
ITP constitutes just over a quarter, 27 percent (26) of the entire occupational pensions market, corresponding to SEK 52 billion (45) in premiums paid. Alecta is the main supplier within ITP with 59 percent (54) of the premiums.

WHEN AND HOW OUR CUSTOMERS TAKE OUT THEIR PENSION



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

ITP MARKET 2015, VOLUME OF PREMIUMS 52 BILLION*



* Including single premiums ** Excluding ITPK

ITP in focus

In 2015, Alecta was a selectable alternative in the larger pension agreements, with the exceptions of KAP-KL/AKAP-KL, but, from 2016, Alecta will also be a selectable alternative in these agreement areas. With greater flexibility and movement in the labour market, it follows that many of our customers will change jobs between agreement areas. It is reasonable that people who want to should be able to select Alecta for their new occupational pension too. Nonetheless, our main focus is ITP, which accounted for all of 98 percent of the more than SEK 30 billion in premiums paid in to Alecta during 2015.

ITP check-the-box

The ITP market consists of defined benefit ITP 2, secured in Alecta alternatively through ITP 2 in the client company's own management (PRI), "Ten time earner" solutions in other life insurance companies, check-the-box ITPK and ITP 1, and disability and life insurance in Alecta.

The check-the-box market involves companies competing against each other in a procurement process for individual insured's selection, and at year end there were 885 000 (860 000) privately-employed employees who were able to choose the investment manager for their pension premiums. Premiums in ITP 1 and ITPK amounted to a total of SEK 16,0 billion (13,7).

ITP 1 as a pension plan is constantly growing, and covered 327 000 insured (281 000) in December 2015. During the year, Collectum distributed approximately SEK 9,1 billion (7,3) in ITP 1 premiums to the alternative companies. The number of insured in ITPK decreased, but premium volume went up nonetheless. At year end, ITPK included 558 000 insured (570 000) and had a premium volume of SEK 6,9 billion (6,4).

Occupational pensions are obligatory, and many insured do not make an active choice of which company is responsible for their pension. At year end, the percentage of people who had not selected a company for their ITP 1 or ITPK amounted to 44 (42). The largest proportion was in ITP 1, in which 66 percent had not actively chosen. On the other hand, nobody should feel forced into making a choice, which is the reason that the parties negotiated a default alternative. Alecta is the default alternative for ITP. In December 2015, an equivalent of 42 percent (42) of premiums was attributable to insured who

had not made an active choice for ITP 1 and ITPK. Alecta's overall share of check-the-box premiums in ITP amounted to 58 percent (57) during the year.

Transfer market in ITP

Since the possibility of transferring pension capital within ITP was opened up, transfer volumes have increased in conjunction with the elections in 2010 and 2013 and with large marketing campaigns from companies in the industry. No such events took place in either 2014 or 2015 and, accordingly, transfer volumes decreased. In 2015, ITP insurance at a total value of SEK 2,0 billion (2,7) was transferred. Within the occupational pensions market as a whole, a total of SEK 25 billion was transferred.

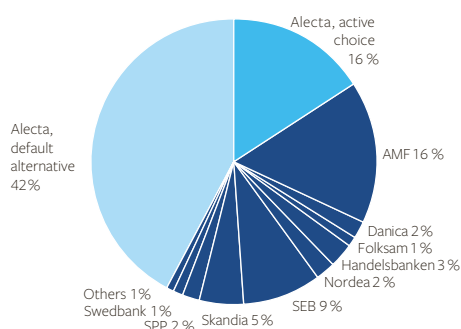
For the default product Alecta Optimal Pension, amounts transferred in and out essentially cancelled each other out, and the net transfer during the year was an outflow of SEK 8 million (net inflow 133). In addition, paid up policies in the original ITPK at a value of SEK 150 million (283) have been transferred, of which SEK 30 million was transferred to Alecta Optimal Pension.

The "Ten time earner" market

Within the defined benefit ITP 2 plan, insured with an annual salary in excess of ten times the base income amount, "ten time earners", are entitled to choose a different pension solution if permitted by their employer. Such pension solutions can take a variety of forms depending on what the employer chooses to offer their employees.

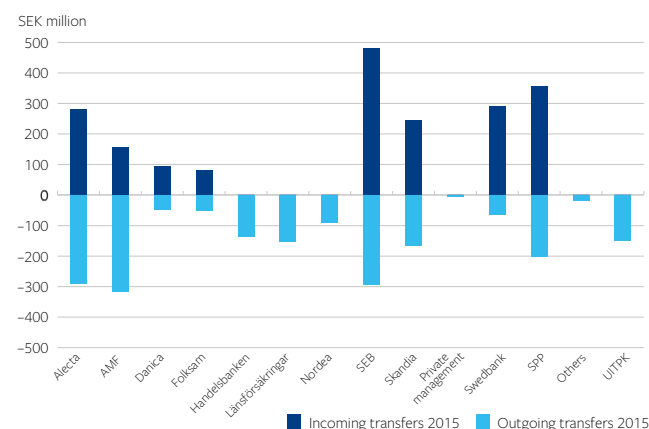
As ITP 2 is only available to insured born before 1979, the number of insured reduces concurrently with the addition of new generations into ITP 1. In December 2015, the number of ten time earners was 127 000, a decrease from 129 000 during the previous year. The proportion who chose a pension solution other than defined benefit ITP 2 was, as of December, 44 percent (46). During the year, around 3 000 ten time earners (3 400) chose to leave ITP 2. This option for ten time earners has been under scrutiny in recent years, and even forbidden by certain companies. In spite of this, new insured choose to leave defined benefit ITP 2 at approximately the same rate as in previous years.

ITP CHECK-THE-BOX SUB-MARKET 2015, SHARE OF PREMIUMS



Source: Collectum's monthly statistics

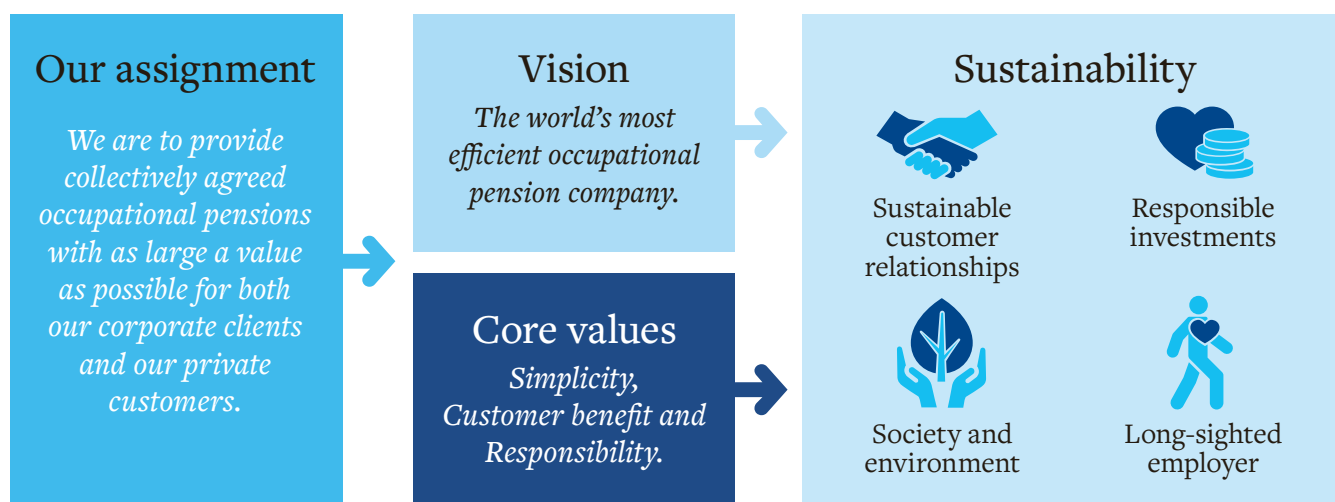
TRANSFERRED INSURANCE CAPITAL WITHIN ITP 2015: SEK 1 981 billion



Source: Collectum's monthly statistics

Sustainability is integral to our business

Sustainability has been of central importance to us for almost 100 years. Alecta was established to provide security to employees both during and after their working lives. Working with occupational pensions represents a long-term responsibility to engender future security.



Ever since Alecta was founded, we have worked to achieve as large a value as possible for occupational pensions, for both employers and their employees. With a large pension capital and over two million customers, we have a considerable impact on society and fill an important role in contributing to sustainable development.

Alecta's sustainability work is based on our assignment, our vision and our core values. And our work with sustainability is a natural element of our business. Pensions are all about long-term responsibility. This is why it is important to consider both current and future generations in everything we do.

A part of our assignment

In recent years, sustainability issues, especially those concerning the environment, have gained ever more attention in society. A sustainable society is founded on the efficient use of resources.

Alecta has a long-term responsibility for creating security for our customers, assigners and employees. We do this by taking care of our customers' money and offering low fees, good returns and a stable financial position. We contribute to the creation of a sound market with consumer protection and quality products at the forefront, in which the consumers have a greater knowledge of the pensions sector.

Our aim is for Alecta's environmental impact to be as small as possible. We take responsibility for the environment through a respectful relationship with nature's resources.

Responsible investment management

With SEK 730 billion in pension capital, Alecta is a significant investment manager. Our strategy is to invest in carefully-evaluated and selected holdings. This affords us the opportunity to gain a deeper understanding of the businesses we invest in and allows us to monitor them effectively.

Materiality analysis

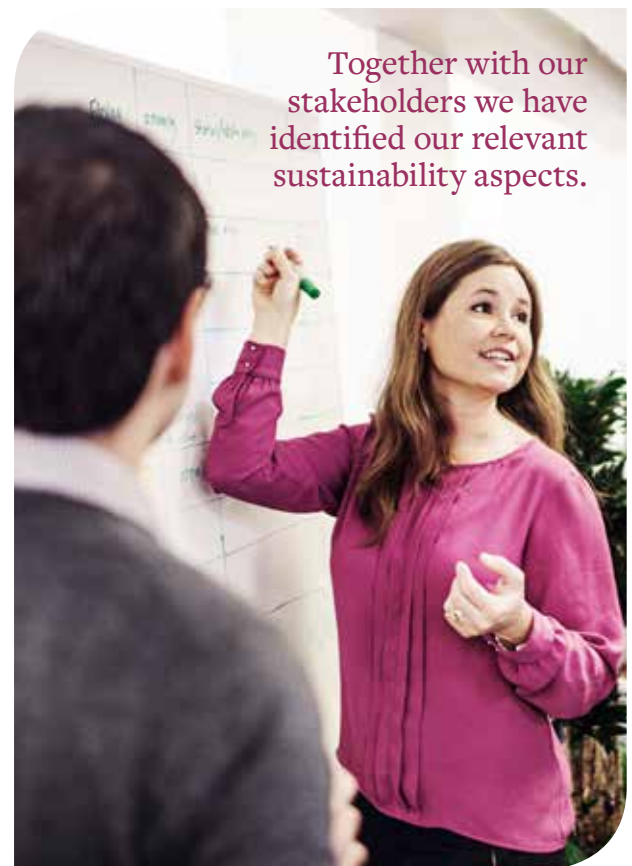
In our sustainability work, we have identified certain areas that are of extra significance for our stakeholders and for Alecta.

Our analysis is based on ongoing dialogues with our stakeholders and on constant monitoring of regulatory frameworks, societal development and other companies. We have chosen to structure the analysis according to four primary areas: sustainable customer relationships, responsible investments, society and environment, and long-sighted employer.







The next stage was to identify the most relevant sustainability aspects for Alecta in each of these areas. These aspects then formed the starting point for a workshop undertaken with representatives of Company management, the sustainability group and employees in other parts of the operations. The workshop resulted in the following areas of priority for Alecta's sustainability aspects:

- Good pensions at low cost
- Responsible investments
- High customer integrity
- Financial value for many
- Good regulatory compliance
- Skills development

The prioritised aspects are grouped under Alecta's four primary areas for its sustainability work as specified in the table below and are described on the following pages.



Together with our stakeholders we have identified our relevant sustainability aspects.

	PRIMARY AREAS	ALECTA'S SIGNIFICANT ASPECT	BRIEF DESCRIPTION
	Sustainable customer relationships Page 15	Good pensions at low cost	We avoid complex solutions, maintain a good cost awareness and aim to benefit from economies of scale, so that we can offer the lowest fees in the industry. For private individuals saving in defined contribution pensions, the fee plays a key role in the final size of the pension pot.
	Sustainable customer relationships Page 15	Financial value for many	Alecta's contribution, as main supplier of the ITP occupational pension, is an important piece of the puzzle in the creation of financial and social security for 2,3 million customers when they retire or fall ill, or for their survivors.
	Responsible investments Page 17	Responsible investments	We work closely with companies we have invested in and maintain an ongoing dialogue, including participation in Nomination Committee work. We scrutinise the companies' operations from a sustainability perspective, a description of which is provided in Alecta's ethics policy.
	Society and environment Page 20	Good regulatory compliance	We assign the highest weight to following laws, regulations, internal directives and generally accepted practice to ensure that our customers feel secure.
	Society and environment Page 20	High customer integrity	Alecta manages a large amount of personal details and other customer data. We do our utmost to protect our customers' information in all areas.
	Long-sighted employer Page 22	Skills development	We work continuously with skills development to ensure a high level of knowledge and optimal management of occupational pensions.

The important dialogue with our stakeholders

Our assignment means that we play a major role in many people’s day-to-day life. For us, it is important to maintain an open, regular dialogue with our stakeholders. We want to understand what they think and what their requirements are. In this way, we can develop our operations in a responsible, trustworthy manner. Everything to earn the continued confidence to manage their occupational pensions.

2,3 MILLION PRIVATE CUSTOMERS **33 000 CORPORATE CLIENTS**

Our customers are also our owners. We have several means of keeping in contact with our customers, including our customer service, courses, customer network, our website, social media and customer surveys. As our customers are sometimes represented by industry associations that advise their members on pension matters, we also maintain an open dialogue directly with these representatives.

Our business creates a financial value that means a lot to many people. We pay out several billion kronor to our customers when they retire or are unable to work. Occupational pensions also provide support to the survivors of the insured. For our private customers, a secure, good pension is one of the most important things. For our corporate clients, the efficiency of our management is more critical, as this is a necessity for providing a secure, good pension at as low a cost as possible.

ALECTA’S ROLE IN SOCIETY

As one of Sweden’s largest pension companies, Alecta has a social responsibility. Alecta’s large customer volumes mean that the customer benefit we create also generates substantial benefits for society in general. And our activities impact significantly more than just our customers. As well as paying out billions of kronor to our customers, we pay suppliers and partners, we pay taxes and fees to the state and salaries and pensions to our employees.

Alecta aims to promote a stable, sound pensions market. We emphasise the importance of issues surrounding good consumer protection, given that pension savers are at a considerable disadvantage compared to pension companies with regard to the level of knowledge and insight into the pensions industry. In order to raise the level of knowledge of pensions and to highlight consumer protection issues, we maintain open dialogues with regulatory authorities, politicians and influencers of public opinion through personal meetings, seminars and other forums. Alecta also cooperates with universities and colleges to raise interest in pension issues. Each year, we publish reports that accentuate how the Swedish occupational pensions market could work better and more efficiently from a social economics perspective.

We are one of the largest owners on the Stockholm Stock Exchange and are even a major financial player on the international stage. To be a strong, stable manager that is trusted by our customers is crucial to the fulfilment of our assignment. From a societal perspective, it is important that Alecta takes responsibility for how pension capital is invested. Sustainability issues are a decisive part of our management work.



THE CENTRAL DIALOGUE WITH OUR ASSIGNERS

Alecta’s assignment is to provide as large a value as possible for the collectively agreed occupational pension for our customers, both companies and their employees. This assignment is given by our customers via their representatives from the partners to the collective agreement, the Confederation of Swedish Enterprise and PTK. It is the employers’ organisation Confederation of Swedish Enterprise and the labour associations Unionen, the Association of Managerial and Professional Staff (Ledarna), the Swedish Association of Graduate Engineers and PTK that appoint our Council of Administration, or Annual General Meeting. The Council convenes each year to elect and grant discharge from liability to Alecta’s Board of Directors. Alecta keeps an open, continuous dialogue between the Board of Directors and the employer organisations and trade unions collected under the Confederation of Swedish Enterprise and PTK, respectively. This is a dialogue that addresses the operating environment, the assignment and the ITP plan. A good relationship with our assigners is crucial to our operations. For our assigners, it is important to ensure that we undertake our assignment in an effective, long-sighted and sustainable way. Our assigners should have full confidence in us and feel secure in the knowledge that Alecta has a good solvency level, and should know for sure that we take the responsibility for our investments.

392 EMPLOYEES

Alecta’s aim is to be a long-sighted and responsible employer. Our work is governed by our values and we are guided by our company culture. This entails that our employees have the possibility to develop their capabilities to independently manage their own work and make good decisions within the framework of the business. At Alecta, our internal dialogues with employees are planned and structured to include personal development discussions, training and surveys each year. The surveys aim to give us an idea of our personnel’s commitment and view of Alecta as a workplace. For our employees, it is important that we offer an enjoyable working environment with respected leaders and development opportunities. We have open and constructive dialogues with the representatives of the trade associations.

ALECTA’S SUPPLIERS AND PARTNERS

Alecta’s suppliers and partners primarily comprise the large collective agreement areas’ selection centres and service providers within IT, property management and investment management. Alecta’s purchasing policy aims to achieve a high level of cost-effectiveness while ensuring that sound business ethics are applied. PRI Pensionsgaranti is also an important partner, on behalf of whom we provide administrative services within retirement pensions.



Sustainable customer relationships

Alecta is a mutual pension company. This means that we are owned by our customers. Our customers include both the companies paying pension premiums and the employees covered by the pension benefits. Long-sightedness and mutuality make sustainable customer relationships one of our cornerstones.

Working with pensions is a long-term commitment. Our relationship with a private customer, while working and after retirement, may last for 60 years. Relationships with companies may last even longer. Our responsibility is to ensure that the pension capital is managed efficiently and responsibly, so that the money is there when it is needed. Solvency measures a company's financial strength and is a measurement of to what extent the company's assets cover guaranteed commitments. It also provides an idea of the freedom of discretion we have in our investment management activities. At the end of 2015, Alecta's solvency level was 171 percent, which is well over the statutory requirement of 104 percent for traditional insurance.

Alecta's assignment is to provide collectively agreed occupational pensions with as large value as possible for both our corporate clients and our private customers. We are able to do this through excellent customer service, effective pension administration and a competitive return on the pension funds we have been entrusted to manage. Furthermore, we create value by enhancing knowledge of occupational pensions, in society at large and among our customers. As the main ITP 2 supplier and agreed default supplier in defined contribution ITP 1, we generate good pensions for all of our customers, regardless of their engagement.

Good pensions at a low cost

Alecta is a different kind of pension company. We work only with collectively agreed occupational pensions and offer only

traditional insurance. We do not have funds, we do not pay commission, we have no sales team and we do not have an expensive branch network. By keeping our solutions simple, being cost-conscious and leveraging our economies of scale, we are able to create value and offer the lowest fees in our sector.

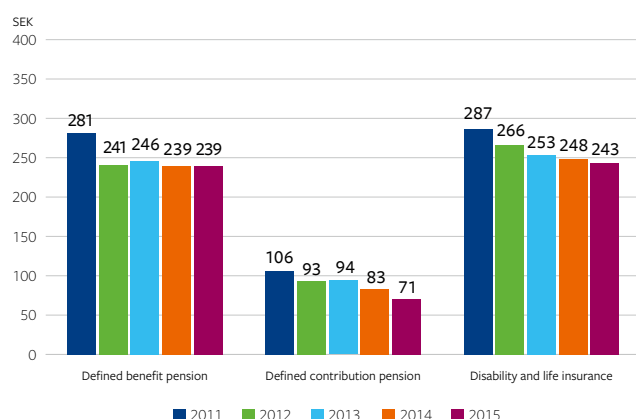
We work tirelessly to improve and Alecta is now one of the world's most cost-effective pension administrators. Our management expense ratio is 0,06 percent and our investment management expenses are 0,03 percent for pension products. Few can match these figures. Our efficiency in the management of pension products, disability insurance and survivors' protection plays a significant role in keeping down companies' occupational pension costs. Within defined contribution pensions, the low fees contribute to a good pension for the private customers.

As well as the low fees, a good return over time is also a prerequisite for a good pension. Alecta's defined contribution product, Alecta Optimal Pension, has exhibited the best return within traditional insurance ITP since its inception in 2007.

Financial value for many

In 2015 we paid out a total of SEK 19,2 billion to our private customers. The majority of these payments, SEK 16,3 billion, were as part of retirement pensions. Disability pension is a smaller but no less important benefit that is paid out in the event of a long-term injury or illness during the customer's

OPERATING EXPENSES PER INSURED



BENEFITS PAID TO CUSTOMERS DURING 2015¹⁾

Retirement pension

Number of insured	Benefits paid in SEK
522 000	16 271 000 000

Survivors cover

Number of insured	Benefits paid in SEK
59 000	1 508 000 000

Disability compensation

Number of insured	Benefits paid in SEK
44 000	1 455 000 000

¹⁾ Amounts include paid refund

Sustainable customer relationships, *cont.*

working life. Disability pension payments amounted to SEK 1,5 billion in 2015, similar to compensation payments made to beneficiaries of survivors' pensions.

Alecta also creates benefits for both employers and their employees through waiver of premium insurance, a policy that covers the payment of premiums in the event of an inability to work and, in certain cases, parental leave. In 2015, a total of SEK 1,2 billion was paid out in waiver of premium insurance.

Employers also naturally have a vested interest in Alecta providing value for money on paid in premiums, which it does through well-managed investment management and efficient administration.

In 2015, Alecta granted guaranteed refunds in the form of premium reductions to companies in the amount of SEK 2,8 billion. These refunds reflect the surplus arising due to factors such as a lower claims outcome and higher return than anticipated.

Measuring customer satisfaction

We always try to better understand our customer's needs and how they perceive Alecta. We want our customers to feel secure and satisfied and to have confidence in Alecta. At the same time, we know that interest in pensions is low and that many do not even know who manages their occupational pension or if they even have one. We have therefore measured the perception of our service only among those customers who have actively contacted us.

We conduct two Customer Satisfaction Index (Nöjd Kund Index, NKI) surveys every year where our private customers rate Alecta's service in three customer channels: phone, email and logged in pages on alecta.se. In 2015 we expanded the NKI surveys to also include corporate clients.

We work continuously to improve communication, comprehensibility, accessibility via digital channels and our various self-service options. At alecta.se, private customers and their representatives can calculate their pension or determine how and when it should be paid out. At alecta.se there are also other services for corporate clients concerning budgeting, cost monitoring and calculating the basis for payroll tax.

FACTS – CUSTOMER SERVICE

In 2015 we responded to approximately 165 000 queries from customers via telephone, email and on alecta.se. The total number of visitors to alecta.se was 886 000, with 42 percent of all visitors logging in.



Long-term objectives

HIGH COST-EFFECTIVENESS

Alecta's aim is to achieve world-class cost-effectiveness.

Outcome: Our low costs have given us third place in cost-effectiveness among eleven comparable pension companies in a global benchmarking study carried out by the company CEM Benchmarking (Cost Effectiveness Measurement). CEM is an international consultancy firm specialising in comparisons of pension companies. We participate in the study every other year. Alecta's annual administrative expenses per customer in 2014 were less than half the average expense for the selected group, which consists of defined benefit pension plans.

GOOD RETURNS AND STRONG FINANCIAL POSITION

The overall target return in the defined benefit plan is an amount in excess of the life insurance industry average (excluding Alecta) of 0,5 percentage points per year as an annual average over the most recent five-year period.

Outcome: The average return over the most recent five-year period for the defined benefit plan was 7,4 percent, which was 0,5 percentage points over the life insurance industry average (excluding Alecta).

The target for the defined contribution plan, Alecta Optimal Pension, is for the total return to exceed Morningstar's index Blandfond SEK aggressiv (mixed fund SEK aggressive) by an average of 1,5 percentage points per year over the most recent five-year period.

Outcome: For the defined contribution plan, the average return over the most recent five-year period was 9,6 percent, which was 4,1 percentage points over the comparative index.

SECURE AND SATISFIED CUSTOMERS

Our customers should feel secure and satisfied and should have confidence in Alecta. Alecta measures the NKI for private customers and corporate clients together. The target outcome for 2015 was a score of 8,0 on a scale of 10.

Outcome: The result of the NKI survey for 2015 was 8,1.



Responsible investments

Alecta's management of pension capital has a significant impact on our customers and on society. With total capital of around SEK 730 billion, Alecta is a major international pension manager and one of the single largest operators on the Swedish financial market.

We are one of the largest owners of listed Swedish companies and one of Sweden's biggest real estate owners. Through our investment activities, we influence the sustainability work in the companies we invest in. The point of departure for our work is Alecta's owner policy. This policy stipulates that Alecta should act judiciously, in a way that engenders respect and trust, both among Alecta's customers and the companies in which Alecta is owner. We exercise owner influence through means such as voting at general meetings of shareholders and participating in Nomination Committee work.

Our ambition is to contribute to long-term value creation in companies and society in general. This means that we invest in companies who we believe can make the most of their business opportunities without compromising on the environmental and social aspects of their operations. The balance between economic, environmental and social values is an important condition for value creation and for returns to Alecta's customers.

Investments in a few, selected companies

We aim to be a responsible investor. Alecta's philosophy when investing in shares is to invest in a small number of carefully-selected, listed companies. At year end, the share portfolio consisted of just over 100 listed shareholdings, all of which are listed at alecta.se. The companies should have an easily-understandable business model which we believe will contribute to the growth of our customers' pension capital.

In order to ensure that capital is invested in long-sighted, sustainable businesses, Alecta's Board of Directors has instituted an ethics policy for the Company's investment activities. The ethics policy is based on the positions that Sweden as a nation has taken, through parliamentary or cabinet decisions, to become party to international conventions and agreements. These include treaties and conventions put forth by the UN, the EU and the International Labour Organisation addressing human rights, the environment, climate, use of certain weapons, workers' rights, child labour and slavery,

racism and discrimination, as well as freedom of association and organisation. Alecta's portfolio is made up exclusively of companies following international conventions which Sweden has joined.

Internal, active portfolio management

As we have cut out expensive middle management, we can keep operating costs low. We manage our customers' pension capital ourselves, and engage solely in active management. This means that our investments are made without consideration given to any index, and each investment is the result of a separate analysis. Alecta invests in carefully-chosen shares, interest-bearing securities and real estate in Europe and the USA. In other words, we devote a significant amount of time to each investment decision, and build up a sound understanding of the respective companies' operations. We hold regular personal meetings with all of the companies in our portfolio.

In 2015, we have continued to invest in green bonds, in which the capital is utilised in various environmental projects. Alecta's investments in green bonds amounted to SEK 4 billion at year end 2015.

Internal, active management with a considered risk spread increases the potential for high returns. The composition of the portfolio is described on page 33 and at alecta.se.

Our decision-making process for investments

Alecta's decision-making process for investments applies to both internal and external analyses in which sustainability is a criterion. The process is applied for all investments in shares and credit, which comprise around 75 percent of total assets.

Information gathering and internal analysis

The investment process begins with a study of the company from a sustainability perspective. For example, we assess whether the company's business model is sustainable, our confidence in company management and sustainability risks related to the company or its sector. We undertake a financial analysis to ascertain the company's return potential. Alecta always maintains a dialogue with its portfolio companies and the companies it plans to invest in. In contrast to many other operators, we meet representatives from all of the companies we have holdings in. These dialogues allow us to gain a better understanding of how the companies are managed and help us to appreciate sustainability issues.

FACTS – OWNER RESPONSIBILITY

Alecta is an active owner. We influence the companies we invest in. Going into the AGM season for 2015, Alecta participated in 20 Nomination Committee processes in its role as owner. We voted at the Annual General Meetings of all of our Swedish companies and at three of the four foreign companies in which we own shares. Our goal for 2016 is to vote at the Annual General Meetings of all of the companies in the portfolio. Detailed information on Alecta's active ownership can be found at alecta.se.

Responsible investments, *cont.*

Screening of potential holdings

A separate check is undertaken prior to each decision regarding a potential investment in a new company. The check is assigned to GES Investment Services, an analysis company focusing on sustainability, which assesses whether the company complies with the conventions listed in the ethics policy for investment operations. Alecta does not invest in companies which breach or are suspected of breaching these conventions.

Screening of existing holdings

Alecta's holdings are screened with regard to our ethics policy. Such screenings are undertaken on a regular basis, with more detailed screenings being carried out twice per year with the assistance of GES. The results of such screenings may be observations which lead to contact with the company, in which we discuss areas in which the company may be required to implement certain remedial actions. The discussions also aim to help us learn the company's view of the matter and information on which actions are to be taken. The dialogue shows that we take such observations seriously and aim to influence the company to act. In the event that we assess that the dialogue will not lead to the desired result, the holding is sold.

In addition to our Nomination committee work, in 2015 we posed queries related to sustainability to 21 companies. This represents every fifth holding. The observations which we consider to constitute serious flaws or cause for uncertainty are reported at alecta.se.

The share portfolio's carbon footprint

An investment in a share implies that the investor has, in principle, a responsibility for a portion of the company's emissions. By measuring our share portfolio's carbon footprint, we are able to amass knowledge of individual companies' and industries' emissions. This gives us the opportunity to influence the companies we have invested in to increase their efforts to reduce emissions, or to divest holdings when the dialogues we conduct are not seen to be producing

results. The measurement also forms the basis for assessing the financial risk related to, for example, the tax levies that carbon emissions may give rise to. The carbon footprint is not a measurement, however, of the portfolio's total climate impact or its possibility to contribute to a low-carbon society. Our overall understanding of the portfolio's climate impact therefore needs to be weighed up with other considerations. These may take the form of including other types of emission in the measurement, or assessing how the use of the company's products impact the environment.

Our measurement of the share portfolio's carbon footprint includes all companies in the share portfolio as at 31 December 2015. The market value of the share portfolio was just over SEK 305 billion, or 42 percent of the total investment portfolio. The data on emissions is comprised of the most recently-reported figures from the respective companies. The carbon footprint includes both direct emissions from the business and indirect emissions such as purchases of electricity and district heating. The carbon footprint of Alecta's share portfolio has decreased in 2015 compared with 2014. This is largely due to Alecta reducing or selling a number of carbon-intensive holdings during the year.

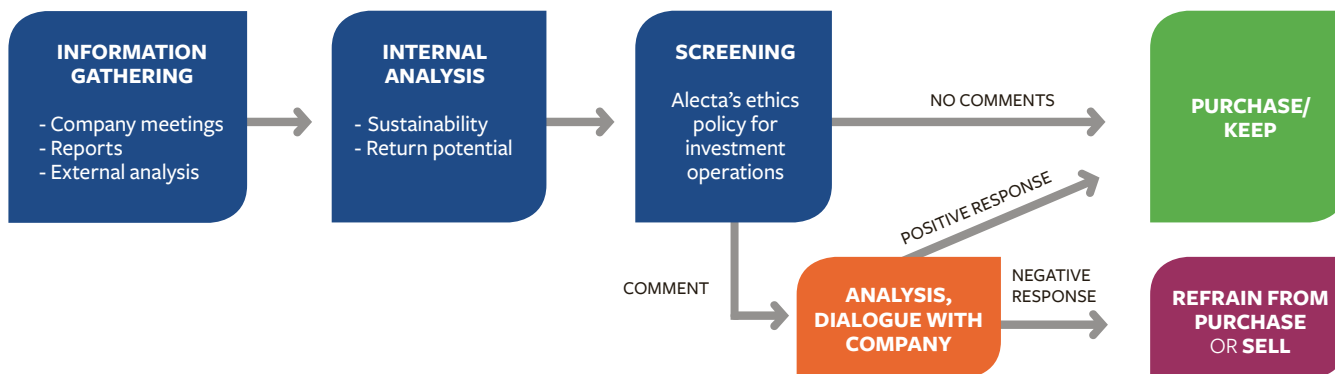
Among Alecta's shareholdings, 69 percent of companies publish information on their emissions. This is the equivalent of around 88 percent of the share portfolio's market value. The analysis company South Pole Group has estimated the emission figures for the remainder of the holdings.

Cooperation in the industry for better sustainability

Since 2015, Alecta has been one of 17 Swedish institutional investors, including Nasdaq Stockholm, behind the collaborative initiative, Sustainable Value Creation. The cooperation was initiated in 2009 with the objective of highlighting the importance for companies to implement structural work with sustainability issues.

Alecta is a member of the Association of Institutional Owners for Regulatory Issues on the Share Market (Institutionella ägares förening för regleringsfrågor på aktie marknaden, IÄF), a cooperation between life insurance

ALECTA'S DECISION-MAKING PROCESS FOR INVESTMENTS



companies, the Swedish National Pension Funds and bank-associated funds. The association was formed to facilitate the cooperative work towards developing best practice within owner governance and to influence the development of the Swedish Code of Corporate Governance.

In 2015, Alecta signed the Montreal Pledge, meaning that we commit to measure and report our portfolio's carbon footprint every year.

Some of Alecta's goals within responsible investments

- Increase the proportion of companies reporting their carbon footprint.
- Increase the proportion of green bonds.
- Actively participate in the Nomination Committees of companies in which Alecta is owner.
- Vote at all Annual General Meetings in 2016, both in Sweden and abroad.
- The most under-represented gender shall by 2020 comprise a total of no less than 40 percent of the elected Board members in companies in which Alecta is represented on the Nomination Committee.

Sustainable real estate owner

Alecta owns properties in Sweden and abroad. In Sweden, we are a significant real estate owner, with our property portfolio having a total market value of almost SEK 30 billion, comprising 4 percent of our assets. Our property holdings mean that Alecta has a substantial direct impact on the environment,

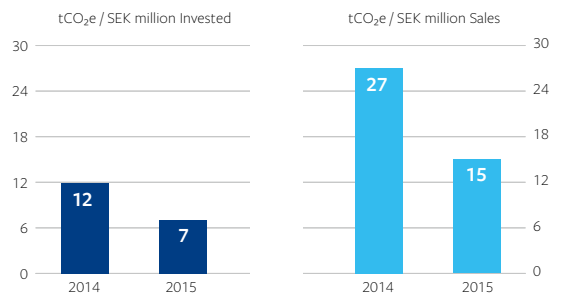
through the consumption of energy and materials, and waste management.

Alecta is a member of the Sweden Green Building Council, which promotes sustainability work within the construction and real estate industries. We establish and regularly follow up environmental goals for our external property managers and the construction projects we participate in. In addition, environmental demands are stipulated in procurement processes for operations and maintenance work. An Environmental Manager is appointed for each assignment and specific targets are determined in a separate environmental action plan. The plan, which is continually reviewed and revised, provides explicit targets regarding, for example, requirements on specific choices of materials in construction projects or energy reduction targets for individual properties.

Alecta's target is to reduce energy consumption in its Swedish-owned properties, measured as a normal year's consumption of electricity, district heating and cooling stated as kWh per square metre, by three percent per year. In 2015 energy consumption was reduced by 7,6 percent compared with 2014, meaning that we more than met our target. Alecta owns seven properties certified according to the "Green Building" programme. Alecta also owns one property certified as LEED Platinum and three properties classed as "Environmental Buildings".

As of 2015, all of Alecta's directly-owned Swedish properties, including Alecta's head office, obtain all of their electricity from renewable sources.

CARBON FOOTPRINT, MARKET VALUE AND SALES



The absolute carbon footprint related to the participating interest in the companies' market value (tCO₂e / SEK million)

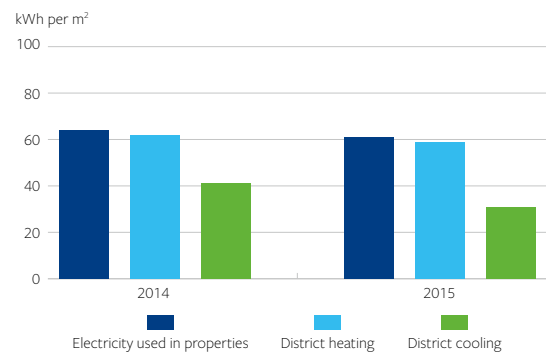
The absolute carbon footprint related to the participating interest in the companies' sales (tCO₂e / SEK million)

The measurement builds on the Green House Gas Protocol international standard and includes direct emissions under scope 1 and indirect emissions under scope 2. CO₂e (carbon dioxide equivalent) is a unit of measurement that facilitates the comparison of the climate impacts of different greenhouse gases.

EXAMPLE – CARBON FOOTPRINT

One company, the cement manufacturer Lafarge, accounts for the majority of the carbon footprint for Alecta's share portfolio. The manufacturing process for cement involves the release of large amounts of carbon dioxide, and there are often no alternatives to cement in important infrastructure projects. Lafarge continuously develops its operations to reduce its environmental impact.

ENERGY CONSUMPTION, ALECTA'S SWEDISH PROPERTY PORTFOLIO



Consumption of kWh per m² (leased area) in Alecta's Swedish property portfolio.

LEED is the world's most widely used environmental certification system for buildings. LEED considers a range of factors such as immediate environment, water and energy consumption and materials. LEED classes buildings into the categories Certified, Silver, Gold and Platinum, with the latter being the highest level.

Certified according to **GREEN BUILDING** means that the building must use 25 percent less energy than before or compared with the new building requirements stated in the building rules of the National Board of Housing, Building and Planning.

ENVIRONMENTAL BUILDING is a certification system for buildings in which qualities such as energy, indoor environment and materials are evaluated. The Environmental Building system assigns buildings with the classes Bronze, Silver or Gold.



Society and environment

Alecta is an important social actor. The sheer number of our customers and our extensive investment operations mean that our business has a substantial impact on society. Our operations impact significantly more than just our customers.

Alecta provides an important service to 33 000 companies and financial security to around 2,3 million people both during and after their working life. We have almost a hundred years of experience of managing occupational pensions and an assignment that makes us a part of the Swedish welfare model.

Good regulatory compliance

Alecta's operations are largely subject to regulation under laws, directives, internal rules and accepted practice. In recent years, the supervisory activities of various authorities have been stepped up, and many new regulatory frameworks have been introduced or planned for. A number of initiatives are under way at both EU and national level.

For Alecta's customers to feel secure, it is of utmost importance that we follow this work and apply any regulations introduced. Important resources in this work are the external and internal auditors, Alecta's own legal experts and Risk Unit, including the Compliance function. Compliance independently monitors regulations applying to the operations subject to permits that fall under the Swedish Financial Supervisory Authority's supervision. Other units monitor regulations in areas such as labour rights, reporting and tax.

Compliance regularly controls and evaluates whether Alecta's preventive measures and routines are suitable and effective. Compliance also evaluates measures taken to remedy any deficiencies in Alecta's regulatory compliance. Compliance is also charged with ensuring that employees and the Board of Directors are kept up to date with the regulations applying to the operations. This knowledge is disseminated through measures such as internal rules, reports and training schemes.

In 2015, focus has been concentrated on such matters as risks associated with the monitoring, analysis and implementation of new EU regulations. No serious deficiencies in regulatory compliance were identified in 2015.

High customer integrity

Alecta handles large amounts of sensitive personal data and it is crucial that legislation and industry agreements regarding the handling of personal data are followed, as well as that we undertake our own risk and vulnerability analyses. Alecta works systematically with information security, with a key activity in this area being the training of all employees in the secure management of information.

Alecta has appointed a Personal Data Act representative responsible for ensuring that Alecta follows the Personal Data Act, and who is the contact person for the Swedish Data Inspection Board. The Personal Data Act representative is

appointed by and reports to the Head of Alecta's Risk Unit. Alecta's CEO also appoints two PuL coordinators to assist the Personal Data Act representative.

No instances have occurred in 2015 in which Alecta's customer information has been erroneously disseminated or managed.

Improved knowledge contributes to a sound market

Alecta's first thoughts are always for its customers, in an industry which is unfortunately often motivated by forces other than genuine customer benefit. We are more than happy to share the benefits of our extensive experience and always push for strong, sound consumer protection. We aim to contribute to a fact-based and balanced discussion on pension issues.

Alecta regularly meets politicians and influencers of public opinion, participates in debates and maintains contact with media outlets, with the aim of promoting the interests of consumers. In order to raise the level of general knowledge regarding pensions among consumers, we are a part of "Gilla Din Ekonomi", a nationwide network launched by Swedish authorities, organisations and financial companies to collaborate on public education in financial matters. Another example is the project "Pensionskunskap" (Pension Knowledge), initiated by Alecta's pension economist within the framework of Gilla Din Ekonomi. The project has entailed the start of a pilot course for education regarding pensions, included as part of the human resources specialist programme at Dalarna University, the University of Skövde and Kristianstad University. This course is the first of its kind. The first students took the course in 2015. The ambition is that more colleges and universities will adopt the project in 2016.

In 2015, Alecta published the report *The part-time problem – how an uneven labour market results in uneven pensions*. The report clearly illustrates the negative effect of part-time work on pensions and received considerable attention in the debate. We have also highlighted the importance of the starting age of entry into the labour market for the size of an employee's pension. A late entry into the labour market has a substantial impact on a person's future pension. This is an issue that has often gone unspoken in a debate which has focussed more on increasing the pension age and extending people's working life.

AWARDS

- Alecta's Lars Callert was named by the Network of Pension Specialists as Pension Specialist of the Year for 2015.
- Eva Adolphson was nominated for the National Government Employee Pensions Board's Guldkanten award for 2015, for her work in incorporating pensions in courses offered by several universities.

Sustainable economic contributions to society

Alecta creates economic value by providing a good return over time and by keeping costs low. Created financial value primarily benefits the customers through claims paid, but we also pay remuneration and compensation to employees, suppliers and partners, as well as taxes and fees paid to the state.

SOCIO-ECONOMIC VALUE Group (SEK million)	2015	2014
Economic value, generated		
Return on capital, including unrealised gains/losses ¹⁾	39 252	76 078
	39 252	76 078
Economic value, distributed		
Claims incurred from customers	-19 235	-18 759
Waiver of premium to corporate clients	-1 765	-1 482
Refunds in the form of adjustments of earned pension entitlement and premium reductions	-2 796	-10 977
Salaries and remuneration to employees	-385	-379
To suppliers and partners	-496	-513
Taxes in Sweden and abroad, plus social security contributions	-1 790	-1 705
	-26 467	-33 815

¹⁾ Unrealised gains/losses in an amount of SEK 1 441 million (37 530) included.

The means by which Alecta can generate economic value is by delivering a good return over time and keeping costs low. In the type of operations engaged in by Alecta, generated and distributed value must be considered from a long-term perspective. The value generated during the year will be distributed for many years in the future, while the value distributed during the year has been generated during previous years. For this reason, it is not practicable to compare individual amounts for generated and distributed value for a particular year relative to each other.



Alecta's report, "The part-time problem" was nominated for the Guldkanten award. The motivation was as follows: "Many have tried, but few have succeeded as well as Alecta, to explain the consequences of part-time work during a person's professional career on their pension. That the report also carries extra relevance for women, who generally have a smaller pension than men, is in our eyes an additional plus in the margin."



Environmental impact and supply chain

An awareness of how we impact the environment and how we use our resources is important for Alecta. Alecta's own operations have a direct impact on the environment through such aspects as, for example, the heating of offices, energy consumption, paper usage and recycling. As is the case with other service companies, Alecta's direct impact on the environment is low compared with its indirect impact in the role of owner, which is detailed in the sections The share portfolio's carbon footprint on page 18 and Sustainable real estate owner on page 19.

One of Alecta's largest expense items is the purchase of goods and services. Alecta's purchasing policy aims to achieve a high level of cost-effectiveness while simultaneously safeguarding good business ethics. In 2015, the sustainability aspects of the policy have been clarified. When selecting a supplier, we emphasise the importance of collective agreements and consider the supplier's sustainability work and the measures it has in place to counteract bribery and corruption. We undertake an evaluation of our 150 largest suppliers on an annual basis, and monitor the payment of taxes and fees, among other things.

Every year, we purchase goods and services at a value of just under SEK 600 million, from a pool of nearly 700 suppliers. These suppliers consist mainly of selection centres and service providers in IT and investment management, which also includes property management. Our three largest suppliers stood for 58 percent of purchasing volumes during 2015. This does not include suppliers to the properties included in the investment portfolio, which are followed up within the framework for the investment operations.



Long-sighted employer

Alecta shall be an attractive workplace with good conditions for motivation, job satisfaction and efficiency. We work for an Alecta that is governed on the basis of its values and aim for active employee participation. We shall always develop and harness all of our employees' talents, strengths and experience, and believe that this is a key factor for the success of Alecta.

Skills development – now and in the future

Alecta works constantly to develop the competence of all of its employees in pace with the changing needs of the operations. We attach considerable importance to finding the right competence through structured, competence-based interviews, tests and sample work tasks. For certain positions, our recruitment efforts concentrate on somewhat more junior candidates, who can then benefit from guidance from more experienced colleagues when employed.

One of our most important areas of expertise is the ITP occupational pension. Since 2014, we have managed a training programme which aims to strengthen and safeguard competence in ITP and to provide a comprehensive overview of the management of Alecta's products.

The opportunity to develop and broaden competence is an important element in our employees' satisfaction of us as an employer and a significant reason why our people want to keep working for us. In 2015, we have begun to register hours spent on skills development. Using this information, we will evaluate whether we have reason to raise our ambitions further in 2016.



Strong company culture

Alecta's core values of simplicity, customer benefit and responsibility should help all employees to set priorities in their day-to-day work. The core values are the pillars of our company culture and comprehensive work was implemented in 2015 to clarify their meanings within Alecta. Committed and knowledgeable employees are a prerequisite for Alecta to be able to provide good customer service, low costs and good returns. Active employee participation also imposes requirements on managers' ability to delegate and necessitates a coaching, situation-based leadership style. In 2016 we will work to further improve these leadership qualities.

Attractive employer

Alecta shall be an attractive workplace. This refers to a positive working environment, an open climate of discussion and good development opportunities, as well as competitive salaries and a well-composed benefits package. In order to gain an insight into the general status of the organisation and an understanding of any potential problem areas, the dialogues between managers and employees include reporting the results of on-going monitoring activities. We have conducted a large-scale employee survey every year since 2006. As of 2016 the survey will be somewhat scaled back, with focus placed on achieving a more efficient annual survey. The whistle-blower routine also provides the opportunity for employees to submit their views and opinions anonymously.

Some of Alecta's goals for 2016

SUSTAINABLE COMPETENCE

- We shall evaluate the outcome of the competence register.
- ITP competence: Increase the number of hours invested in training regarding the ITP plan, with the aim of improving knowledge within our insurance business.

DIVERSITY

- Diversity should constitute a critical factor in Alecta's annual succession plan, which aims to safeguard competence in a number of key positions.
- An action plan for increasing diversity should be established and presented.

Diversity

The work with equal rights and opportunities is an ongoing part of every manager's responsibilities. The CEO is ultimately responsible for Alecta's diversity plan and the guarantee of equal rights and opportunities. The work focuses on increasing awareness regarding the advantages gained from diversity and on dispelling prejudices, rather than on imposing mandatory quotas or other obligatory measures. Our belief is that groups made up of people with varying experiences and perspectives are more effective and dynamic. This does not apply only to gender distribution, but also to ethnic diversity, age, work experience and personality, as well as a raft of other factors.

In 2016, the action plan for increasing diversity in Alecta will be expanded and improved. The plan includes a description of the present status to ensure that employees are aware of Alecta's situation, and provides proposals for concrete measures to be put in place.

Health and well-being

Alecta invests a lot of effort into ensuring that our employees are able to maintain good health and well-being. Alecta should be a workplace suited to people in all stages of their working life and we should offer good opportunities to combine work with parenthood. During periods when employees may require extra flexibility, Alecta can act within its power to facilitate this, such as by widening flex-time windows or permitting working from home, so long as this is not to the detriment of the operations.

As is the case for society in general, absence due to illness among Alecta's employees has seen a rising trend. However, since the summer we have seen a downturn in this tendency. Our hope is that our active work with monitoring and individually-tailored measures to counteract short-term absence has had an effect and that the trend will continue to decline



EMPLOYEE STATISTICS

Group	2015	2014
Number of employees at 31 December	392	406
Average age of all employees	48	47
Personnel turnover ¹⁾	5,6 %	4,8 %
Absence due to illness ¹⁾	3,2 %	3,1 %
Percentage covered by collective agreement ¹⁾	100 %	100 %
Percentage of female employees	60 %	60 %
Percentage of female managers	46 %	46 %
Percentage of women in Company management	36 %	36 %

¹⁾ Refers to the Parent Company

GENDER DISTRIBUTION

Group	2015		2014	
	Women	Men	Women	Men
Number of employees	236	156	244	162
<i>of whom in Sweden</i>	226	152	233	158
<i>of whom abroad</i>	10	4	11	4
Permanent employees	234	156	241	160
<i>of whom full-time</i>	190	143	196	153
<i>of whom part-time</i>	44	13	45	7
Temporary employees	2	0	3	2
Number of consultants	11	26	15	27

Governance and sustainability work

Alecta's most senior executive organ is the Council of Administration, which includes representatives for our customers, who are also our owners. The Council of Administration appoints Alecta's Board of Directors, which is assigned the overall responsibility for Alecta's sustainability work.

The Board of Directors is accountable for determining the operations' strategic direction and long-term objectives, and for ensuring that internal governance and control are appropriate. Refer to the sections The Duties and Working Methods of the Board of Directors and Council of Administration and Auditors on pages 102-103 and to Alecta's corporate governance report for 2015 at alecta.se for more information.

Code of Conduct and governance

The Board of Directors appoints Alecta's CEO and stipulates the frameworks which inform the work of the CEO. The CEO is responsible for the day-to-day management pursuant to the Board of Directors' guidelines and directives.

All of Alecta's employees bear the responsibility to contribute to good internal control and to follow Alecta's Code of Conduct. The Code of Conduct provides a set of internal rules stating how employees are to act in certain situations in order to uphold Alecta's good reputation among customers, on the market and in society. The rules touch on ethics, conflicts of interest, managing complaints, personal data and ownership issues.

The internal rules are determined by the Board of Directors or the CEO and are revised on an annual basis. All employees are informed of changes made to the Code and are individually responsible for ensuring that they are aware of the most up-to-date versions of the internal rules and instructions applying to them.

Of necessity for effective governance is that outcomes are regularly followed up and feedback provided. This enables the governance to be adapted whenever necessary due to new requirements or conditions. Alecta's operations are governed on the basis of values, objectives and regulations.

- **Value-based** governance implies a strong company culture in which the starting points for all employees' actions are shared values.
- **Objective-based** governance with the help of Alecta's long-term objectives, which are established, described and anchored in the annual planning of the business operations.
- **Regulation-based** governance is important to us as we operate in a strictly-regulated industry controlled by numerous external and internal rules.

Department Heads are responsible for ensuring that the appropriate controls are in place in their respective areas of responsibility. Among other things, the Controller, Compliance, Information Security and Risk Control functions are responsible for Company-wide monitoring and follow-up within their respective areas of responsibility.

Risks and risk management

Alecta's risks are divided into the categories financial risks, insurance risks, operating risks, social and environmental risks and other risks. Should Alecta fail to adequately manage these risks, the consequence may be that Alecta incurs a financial loss or damage to its reputation. A risk with a significant link to the sustainability work is the risk of damage to Alecta's reputation. Through our investments, financial risks also have a substantial connection to the sustainability work, as the companies that Alecta invests in are exposed to financial risks or the risk of damage to their reputations if their sustainability work is flawed.

Internal rules and instructions governing Alecta's sustainability work

Ethics policy Describes the ethical approach that should characterise Alecta's work, business relationships and investments. The ethics policy is based on the positions that Sweden as a nation has taken, through parliamentary or cabinet decisions, to become party to and sanction international conventions and agreements.

Owner policy Describes how Alecta intends to exercise the owner influence at its disposal pertaining to its participating interests in listed companies. The owner policy includes references to the ethics policy.

Investment guidelines Describe the focus and the boundaries for investment management's assumed risks.

Processing of personal data Describes how work is to be carried out to fulfill, for example, the requirements stipulated in the Personal Data Act regarding protecting people against attacks on their personal integrity.

Handling complaints Describes how we should deal with any complaints from our customers.

Managing conflicts of interest Describes how we should manage conflicts of interest or situations in which it may be deemed difficult to remain objective.

Information security Describes what we should bear in mind when we handle and spread oral and written information.

Measures against money laundering and the financing of terrorism Describes how Alecta is to protect itself against being used for such purposes.

Purchasing and procurement Describes how purchasing and procurement processes are to be carried out.

Working environment Describes Alecta's overall viewpoint on the working environment and the division of responsibilities in matters relating to the working environment.

Gifts and other benefits Provides guidance on how employees are to act with regard to gifts and other benefits. Based on the Swedish Anti-Corruption Institute's Business Code.

Risk management is a key element of Alecta's operations. On page 38 in the Administration Report, a comprehensive description of Alecta's risk management and risk organisation is provided. Note 3 on pages 62-64 provides a description of Alecta's management of the aforementioned risk categories.

Sustainability integrated in the business

Alecta's sustainability work is integrated in its day-to-day operations and is subject to the rules and instructions that govern the operations in general (refer to the summary on page 24). This implies that even objectives and follow-up are integrated. The CEO has the operational responsibility and sustainability issues are included in the on-going reporting provided by the operational units to the Board of Directors and its committees. Follow-up and evaluation are described in further detail in the respective sections for significant aspects of the sustainability reporting.

Since 2013, Alecta has had a sustainability group that reports to the Head of Finance and Actuarial. Alecta's sustainability work is largely coordinated by this group, which is composed of varying competences and roles from throughout the organisation. The group's responsibilities include sustainability reporting, environmental and social monitoring and communication.

As of 2015, Alecta's investment management division also has a sustainability manager. This role involves supporting Alecta's analysts and portfolio managers in matters linked to sustainability and other duties, such as participating in dialogues with companies we invest in. The sustainability manager is the external contact for sustainability matters pertaining to Alecta's investments.

Alecta also has an advisory panel appointed by the CEO, whose role is to provide advice in matters addressing company culture, shared values, ethics, diversity and the working environment.



About the sustainability report

Alecta's sustainability report for 2015 is the first prepared under the guidelines of the Global Reporting Initiative (GRI). We comply with version G4, core option. The report has not been subject to review by an external party.

The sustainability report refers to the financial year 2015 and is included as a part of Alecta's annual report. Alecta's annual reports and sustainability reports are published on an annual basis in March.

Scope and delineation

The report pertains to the Parent Company, Alecta pensionsförsäkring, ömsesidigt and Alecta's subsidiaries. We have chosen to direct the focus of our sustainability report on our Swedish real estate holdings, in which the

proportion of directly-owned properties is high and where underlying information is available to allow for the provision of a complete description. The property companies which Alecta owns together with other parties are defined as joint ventures and are reported as financial instruments, to be managed within the framework of our investment strategy. Additional exceptions to the scope are noted as and when they appear in the report.

Alecta engages in insurance business in Sweden. Alecta's investment management consists of investments in shares, interest-bearing securities and real estate. Alecta's property portfolio includes real estate in Sweden, the UK and the USA. In 2015, Alecta divested its property holdings in France.

No other material changes in the organisation's size, structure, ownership or suppliers have occurred during the period covered by the report.

Contact

The contact persons for Alecta's sustainability report are the sustainability manager for investment management, Peter Lööv, peter.loov@alecta.com / +46 (0) 70-619 90 79 and Press Officer Johan Anderson, johan.anderson@alecta.se / +46 (0) 70-288 68 11.

GRI G4 Index 2015

GENERAL STANDARD DISCLOSURES		REFERENCE	COMMENTS
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy	Page 4-5	
ORGANISATIONAL PROFILE			
G4-3	Report the name of the organisation	Cover and page 28	
G4-4	Report the primary brands, products, and/or services	Page 28	
G4-5	Report the location of the organisation's headquarters	Note 1, page 54	
G4-6	Report the countries where the organisation operates	Page 25	
G4-7	Report the nature of ownership and legal form	Page 28	
G4-8	Report the markets served	Pages 10-11 and 28	
G4-9	Report the scale of the organisation	Pages 10-11, 23, 25 and 39	
G4-10	Employee data (total workforce by employment type, employment contract and gender)	Page 23	
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Page 23	
G4-12	Describe the organisation's supply chain	Page 21	No material changes in the supply chain during the year.
G4-13	Report any significant changes during the reporting period	Page 25	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	See comments	Alecta does not engage in any product development entailing a significant environmental impact, but considers environmental matters in its investment operations.
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Page 18	Voluntary initiatives.
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations	Page 18	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the organisation's consolidated financial statements	Page 25	
G4-18	Explain the process for defining the report content	Page 13	
G4-19	List all identified material aspects	Pages 13 and 27	
G4-20	For each material aspect, report the aspect boundary within the organisation	Page 27	
G4-21	For each material aspect, report the aspect boundary outside of the organisation	Page 27	
G4-22	Report reasons for any restatements of information provided in previous reports	See comments	No restatements have been made.
G4-23	Report significant changes from previous reporting periods in scope, boundaries or measurement methods	See comments	This is the first report prepared in accordance with GRI G4.
STAKEHOLDER ENGAGEMENT			
G4-24	Provide a list of stakeholder groups	Page 14	
G4-25	Report the basis for identification and selection of stakeholders	Page 14	
G4-26	Report the organisation's approach to stakeholder engagement	Page 14	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement	Page 14	

GENERAL STANDARD DISCLOSURES		REFERENCE	COMMENTS
REPORT PROFILE			
G4-28	Reporting period	Cover and page 25	
G4-29	Date of most recent previous report	See comments	Financial year 2014. The report for 2015 is the first prepared in accordance with GRI G4.
G4-30	Reporting cycle	Page 25 and comments	Annual
G4-31	Provide the contact point for questions regarding the report or its contents	Page 25	
G4-32	Report the choice of reporting level, GRI content index and reference to external assurance	Page 25 and comments	The sustainability report has not been externally assured.
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance	See comments	The sustainability report has not been externally assured.
GOVERNANCE			
G4-34	Report the organisation's corporate governance	Page 24	
ETHICS AND INTEGRITY			
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Page 24	

MATERIAL ASPECTS: GOVERNANCE AND INDICATORS

MATERIAL ASPECT	GRI ASPECT	BOUNDARY (IO/OO*)	INDICATOR	REFERENCE	COMMENTS
Sustainability governance			DMA Sustainability governance of material aspects	Page 24-25	
Good pension at a low cost	Marking of products and services	Impact outside the organisation through increased value for private customers and corporate clients	PR5 Results of surveys measuring customer satisfaction	Page 15-16	
Financial value for many	Financial performance	Impact both inside and outside of the organisation through benefiting customers, society and employees.	EC1 Direct economic value generated and distributed	Pages 15-16 and 21	
Responsible investments	Active ownership	Impact outside of the organisation through the work with the companies and properties that Alecta invests in	FS10 Percentage and number of companies in the Company's portfolio that the Company has had contact with regarding environmental or social issues	Page 17-18	
			FS11 Percentage of assets under management subject to environmental or social screening	Page 17-18	
Good regulatory compliance	Regulatory compliance	Impact inside the organisation as this constitutes the foundation for Alecta's operations	PR9 Monetary value of significant fines and total number of non-monetary sanctions for breaches of applicable laws and regulations	Page 20	
High customer integrity	Customer integrity	Impact inside the organisation with customer data and outside of the organisation for customers' integrity	PR8 Total number of complaints regarding breaches of customer integrity and loss of customer data	Page 20	
Skills development	Training and development	Impact inside the organisation through increased competence and employee satisfaction and outside of the organisation through increased customer benefit	LA9 Average hours of training per employee, by gender and by employee category	Page 22 and comments	Insufficient documentation exists for 2015 as the measurement was initiated during the year. Will be reported from 2016.
			LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	See comments	100 % of the employees (excluding employees hired during the year) have reported that they have received regular feedback and follow-up.

* IO = Inside the organisation OO = Outside of the organisation

Administration Report

The Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt, hereby present the Annual Report for 2015, the Company's 99th year of operations.

Corporate Identity Number: 502014-6865

Registered offices: Stockholm, Sweden

Ownership and structure

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

Alecta pensionsförsäkring, ömsesidigt, is the Parent Company in the Alecta Group. During the year, all operations were conducted within the Group, with the exception of certain activities relating to property management and IT operations, which are carried out by external suppliers under assignment contracts. In addition, certain activities undertaken by Collectum and other selection centres within the framework of ITP and other pension plans are considered to be undertaken on behalf of Alecta and other participating insurance companies.

Operations and products

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

Alecta's primary assignment is to manage the various parts of the ITP plan on behalf of the parties to the collective agreements, the Confederation of Swedish Enterprise and PTK. Alecta manages the defined benefit retirement pension in ITP 2 and the defined contribution retirement pension in ITP 1. In addition to retirement pension, ITP 2 contains a defined benefit family pension and defined contribution ITPK (supplementary retirement pension). The defined contribution retirement pension is offered through the product Alecta Optimal Pension, which is both the default and a selectable alternative for both ITP 1 and ITPK. Alecta also has the mandate to administer disability and life insurance products in the ITP plan. These include risk insurance policies for disability pension, waiver of premium and family protection. The ITP agreement offers the possibility of funding the employees' retirement pensions by reporting the commitments as a liability in the so-called PRI model. On behalf of PRI Pensionsgaranti, Alecta administers commitments secured in the PRI model with the same service and quality as if insurance had been taken out for the employees.

Alecta Optimal Pension is also a selectable alternative in the contractual pension SAF-LO for private sector

employees, as well as for civil servants in the Agreement Area PA03, and in PA-KFS for officials in municipally-owned companies, in the insurance industry's FTP and, from January 2016, for municipal and county council employees in KAP-KL/AKAP KL.

Alecta also offers occupational group life insurance (TGL).

Employees

In 2015, the number of employees in the Alecta Group averaged 396 (415), which corresponds to 378 full-time equivalents (395).

At the end of 2015, the total number of employees in the Group was 392 (406), of whom 358 (367) were employed in the Parent Company. The proportion of female employees was 60 percent (60) and the average age of all personnel was 48 (47).

Information regarding the average number of employees, salaries and other remuneration is provided in Note 53 on pages 90–94. This Note also discloses the principles used to determine remuneration and benefits for senior executives, as well as the preparatory work and decision-making processes applied.

Significant events

Selectable alternative in KAP-KL/AKAP-KL

In May it was confirmed that Alecta Optimal Pension would be a selectable product for employees of municipalities and county councils from 1 January 2016. Alecta Optimal Pension is thus a selectable alternative within all four of the large collective agreement areas.

Acquisition of airport properties

Swedavia and Alecta formed a joint venture to manage 20 large properties within logistics, hangars and offices at Sweden's three largest international airports. The Company is owned in equal parts by Swedavia and Alecta. The agreement covers properties with a total lettable area of approximately 260,000 square metres. The underlying property value is close to SEK 4 billion.

Increase in single premiums

Employers' single premiums payable on the redemption of defined benefit retirement pensions was increased on

1 December 2015. The premium rate for single premiums was reduced from 2 to 1,5 percent, entailing an approximate 10 percent increase in the cost for an average PRI redemption. This measure represents an adjustment to the prevailing return environment, with extremely low market interest rates. The premium increase does not apply to current premiums.

Refunds 2015

Premium reductions for risk insurance of 75 percent have been granted in 2015, applying to disability and waiver of premium insurance, as well as family cover.

Defined benefit pensions in payment have remained unchanged in 2015, in spite of the fact that the consumer price index saw a 0,38 percent downturn during the measurement period, September 2013 to September 2014.

Decision on refunds for 2016

Alecta's Board of Directors has decided to keep defined benefit pensions in payment unchanged in 2016. The reasoning for this decision is the circumstance that the increase in the CPI during the year, 0,07 percent, will be used to compensate the previous year's downturn of 0,38 percent.

The Board of Directors has also decided that previous premium reductions for disability and waiver of premium insurance will be retained into 2016. This implies that, in spite of the decision to raise risk premiums for disability and waiver of premium insurance due to increased morbidity, Alecta's customer companies will incur a marginal increase in costs.

Staffan Grefbäck stepping down as CEO of Alecta

Staffan Grefbäck has decided to leave his position as CEO of Alecta. Staffan has been Alecta's CEO since 1 February 2009, holding the position of Head of Investment Management prior to this during the period 2001-2009. In January 2016, Magnus Billing was named the new CEO of Alecta. Magnus, former CEO of Nasdaq Nordic and its subsidiary Nasdaq Stockholm, will begin in the role on 18 April 2016.

Solvency 2, transitional regulation, Alecta's preparations and the Occupational Pension Company Commission report

On 18 November 2015, the Swedish Parliament voted to adopt the Swedish Solvency 2 legislation, following which the Swedish Financial Supervisory Authority spent the rest of the year issuing new directives and general advice adapted to Solvency 2. Thus, as of 1 January 2016, an entirely new regulatory framework applies for insurance businesses in Sweden and throughout Europe.

Limited consequences for Alecta

Alecta will, however, initially be affected only to a marginal degree by the introduction of the new regulations. The reason for this is that the transitional rules applying to the Swedish Solvency 2 legislation stipulate that the older insurance business legislation and associated regulations remain applicable until 31 December 2019 for insurance business related to occupational pension insurance, with the exception of the new rules regarding corporate governance. As Alecta works almost exclusively with occupational pensions, the transitional regulations will apply to all of Alecta's operations.

Alecta's adaptation to the new regulations

The details of the transitional regulations have entailed for Alecta that the operations have been adjusted to Solvency 2 as of 1 January 2016 only in those aspects concerning corporate governance. In all other respects, such as solvency rules and reporting, the older insurance business rules and regulations continue to apply unchanged. Alecta's adaptation to the new regulations has, thanks to the limited scope, been undertaken in a controlled and cost-effective way, despite the unusually short window between the Parliament's and Financial Supervisory Authority's decision regarding the new regulations and their effective date. In practice, the adaptation work has primarily consisted of a review of applicable governing documents and the production of a small number of new documents.

Why transitional regulations?

The main reason for the introduction of the transitional regulations for insurance companies’ occupational pensions operations is that the Government is considering proposing to the Parliament that a completely new Swedish regulatory framework be introduced for occupational pensions operations based on the occupational pensions directive, also known as the IORP directive. The EU Commission presented its proposal for such a new directive, IORP 2, in 2014. This proposal has subsequently also been considered by both the EU Council and the EU Parliament. During the first half of 2016, so-called trialogue negotiations regarding IORP 2 are planned between the Commission, Council and Parliament of the EU. Once these negotiations are concluded, the new IORP 2 directive can be adopted and implemented in the EU member states through legislation at national level. Assuming that no obstacles arise on the way, modernised occupational pensions legislation based on the new IORP 2 directive is expected to be ready for implementation in 2018.

Potential to convert to occupational pension company

As early as September 2014, the Ministry of Finance submitted the Occupational Pension Company Commission report (SOU 2014:56, A new regulation for occupational pension companies) for referral, with a final response date set in December 2014. The vast majority of those to whom the report was referred reacted positively to the Commission’s proposal. The most important parts of the report as they apply to Alecta

were the proposal to introduce entirely new insurance business legislation, allowing the possibility to form occupational pensions limited companies, mutual occupational pensions companies and occupational pensions association, and the proposal that insurance companies that engage solely in occupational pensions operations should be afforded the opportunity to apply to the Swedish Financial Supervisory Authority for approval to implement the new insurance business legislation throughout the entirety of their operations.

In Alecta’s case, an application such as this would entail a conversion to a mutual occupational pensions company.

The Ministry of Finance’s response to the Commission report and the matter of the introduction of the pension directive in Sweden have been somewhat prolonged. At the end of 2015, the Ministry stated that it intended to begin work on the matter in 2016 and to present its proposal towards the end of the year.

It can be expected that a regulatory framework specifically designed for occupational pensions operations should typically be better for Alecta to operate under than the Solvency 2 regulations, as these pertain to all types of insurance business in Europe. Alecta’s hope is therefore that the Ministry of Finance’s resumption of work on the matter will result in a proposal in line with that presented in the Commission report. If this proves to be the case, Alecta can, once the new regulations are fully in place, consider whether a conversion to a mutual occupational pensions company should be implemented or not.



Profit for the year and financial position

The Group's profit after tax for the year amounted to SEK 52,2 billion (18,2). Comments on profit/loss and financial position are provided in the following text.

Premiums written

Premiums written in 2015 amounted to SEK 34,4 billion (36,1), see Note 4 on page 64. Premiums written can be divided into invoiced premiums and guaranteed refunds.

Invoiced premiums increased in 2015 to SEK 31,6 billion (25,1). For defined benefit pensions, the main causes are an increase in the redemption volume of pension commitments recorded as liabilities in ITP 2 (PRI liabilities), and benefit increases. For defined contribution pensions, the premium increase is mainly attributable to a growing portfolio.

Guaranteed refunds amounted to SEK 2,8 billion (11,0) and consists of the premium reduction for disability insurance, waiver of premium insurance and family cover, and an increase in earned pension entitlement (adjustment of paid-up values). The reduction in guaranteed refunds is largely dependent on the lack of adjustments of earned pension entitlement in 2015, which, in turn, is due to negative inflation during the measurement period September 2013 to September 2014. Adjustments of earned pension entitlement during the previous year amounted to 3,43 percent, which impacted the sub-item in an amount of SEK 8,6 billion.

Return on capital

The financial markets

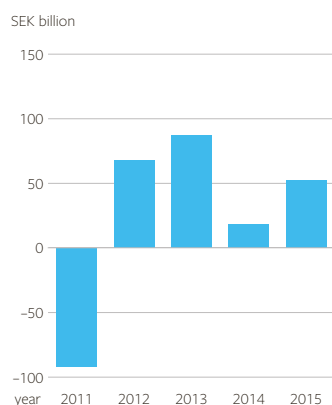
Political and financial instability continued through 2015 in various forms. Greece's negotiations with its creditors regarding the potential restructuring of its borrowings dominated the news during the first half of the year. In autumn significant concern was raised about economic development in China, at the same time as the Chinese Central Bank's unexpected reduction of the price target for its currency, the renminbi, added further uncertainty to the already turbulent market.

Tumbling energy prices, with the oil price falling below 40 dollars per barrel, also contributed to the unease. The fall in prices has been seen to represent an indication of a weak economic cycle, while the pressure on companies in the energy sector is expected to draw other entities down.

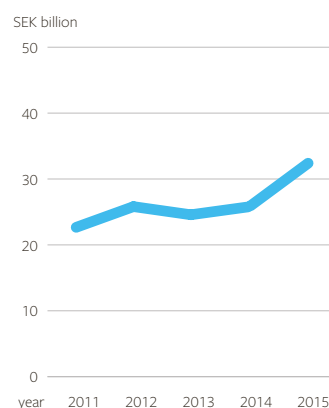
The European Central Banks, including the Swedish Central Bank, have continued with an expansive monetary policy featuring low interest rates and a pegging purchase programme in order to generate increased inflation and growth. However, the USA's central bank, the Federal Reserve, eventually raised its key lending rate in December. This was not an unexpected development and therefore did not have a disproportionate effect on the market.

The MSCI World share index had a return of approximately 2,6 percent during the year in local currencies. The Swedish share index SIX 60 had a better year, with a return of approximately 5,2 percent. Corporate bonds and government securities saw a slight positive development in spite of increased credit spreads and climbing market interest rates. The real estate markets in Sweden, the United Kingdom and the USA also had a good year, during which the USA demonstrated the best development.

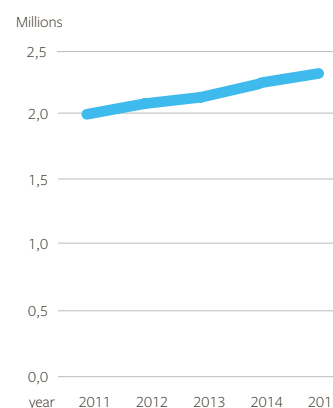
PROFIT FOR THE YEAR



INVOICED PREMIUMS



NUMBER OF INSURED



Returns

The total return on Alecta's investments amounted to 5,9 percent (13,0) in 2015. The return primarily benefited from sharply rising property values and a positive return on shares over the year. The rising long-term interest rate resulted in a weaker return for the interest-bearing portfolio. Over the past five years, Alecta's average annual return has been 7,5 percent (8,3).

The return on shares was 9,0 percent (17,5), interest-bearing investments had a return of 1,2 percent (9,4) and the return on property amounted to 18,4 percent (12,3).

The return on the defined contribution savings product, Alecta Optimal Pension, amounted to 7,9 percent (14,9) in 2015. This is 4,1 percentage points higher than the comparable index from Morningstar mixed funds during the same period. Over the past five years, Alecta Optimal Pension's average annual return has been 9,6 percent (10,6).

The return on Alecta's defined benefit insurance was 5,8 percent (12,8) in 2015. Over the past five years, the average annual return has been 7,4 percent (8,2).

In the income statement, the return on capital for the Group, including unrealised changes in value, amounted to SEK 39,0 billion (75,8).

At year-end 2015, the market value of the investments amounted to SEK 731,6 billion (683,4), see the total return table below. Alecta Optimal Pension's allocation of assets implies a higher proportion of investments in shares than in any of Alecta's other products. The market value of investments in Alecta Optimal Pension as per 31 December 2015 was SEK 55,9 billion (44,1), see the total return table below.

Portfolio

In 2015, the proportion of shares increased marginally, from approximately 41,7 percent at the beginning of the year, to 42,1 percent at year end. Alecta has continued to focus on U.S. shares, where Alecta's allocation now amounts to almost 24 percent of the total share portfolio. Several transactions took place in the property portfolio, the single largest being the acquisition of some twenty airport properties in Sweden via a company jointly-owned between Alecta and Swedavia.

Total return table for investments, Group	Market value, 31 Dec 2015		Market value, 31 Dec 2014		Total return in percent	
	SEK million	%	SEK million	%	2015	Average 2011-2015
Shares	307 776	42,1	285 147	41,7	9,0	10,9
Interest-bearing investments	361 615	49,4	348 035	50,9	1,2	5,3
Property	62 159	8,5	50 194	7,3	18,4	12,1
Total investments	731 550	100,0	683 377	100,0	5,9	7,5

The total return for the respective years and classes of assets included in the average total return for the period 2011-2015 are presented in the five-year summary on page 39.

The total return table has been prepared in accordance with the recommendations of the Insurance Sweden trade association. The reporting and measurement of the investments do not correspond to the accounting principles applied in the financial statements. Reconciliation between the values in the total return table and those reported in the financial statements is presented in Note 52 on page 89.

Total return table for investments, defined contribution insurance (Alecta Optimal Pension)	Market value, 31 Dec 2015		Market value, 31 Dec 2014		Total return in percent	
	SEK million	%	SEK million	%	2015	Average 2011-2015
Shares	34 785	62,2	29 023	66,0	9,0	10,9
Interest-bearing investments	16 298	29,2	11 699	26,6	1,3	5,5
Property	4 820	8,6	3 284	7,5	18,4	12,1
Total investments	55 903	100,0	44 006	100,0	7,9	9,6

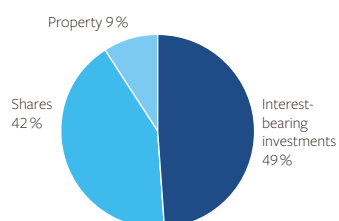
Alecta Optimal Pension has a higher proportion of shares than other products. The table above refers to the portfolio which is Alecta's default alternative, having an investment focus aimed at a 60 percent holding in shares. The market value for the entire portfolio, that is, all investment plans for Alecta Optimal Pension, amounts to SEK 59,0 billion (46,3).

Total return table for investments, defined benefit insurance	Market value, 31 Dec 2015		Market value, 31 Dec 2014		Total return in percent	
	SEK million	%	SEK million	%	2015	Average 2011-2015
Shares	271 589	40,4	255 028	40,0	9,0	10,9
Interest-bearing investments	343 812	51,1	335 294	52,6	1,2	5,3
Property	57 066	8,5	46 738	7,3	18,4	12,1
Total investments	672 467	100,0	637 061	100,0	5,8	7,4

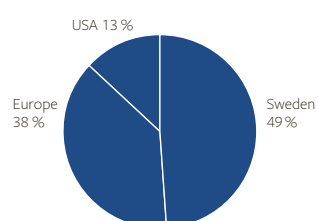
The figures in the above tables may differ from total amounts due to rounding off.

Alecta's portfolio composition 31 December 2015

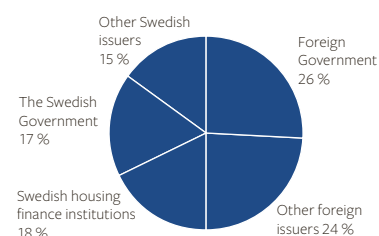
TOTAL INVESTMENT PORTFOLIO



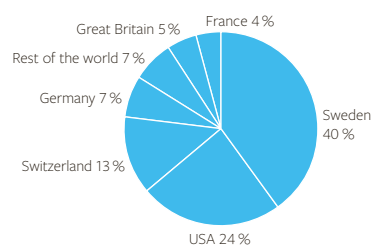
INTEREST-BEARING INVESTMENTS, geographical distribution



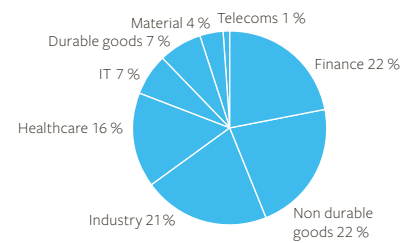
INTEREST-BEARING, per issuer



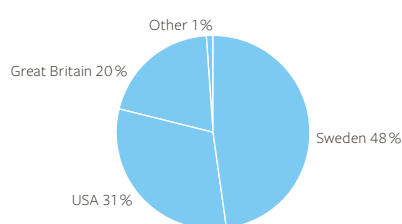
SHARES, geographical distribution



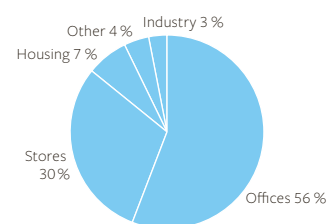
SHARES, by sector



PROPERTIES, geographical distribution



PROPERTIES, by category



ALECTA'S FIVE LARGEST SHAREHOLDINGS per 31 December 2015

SHARE	SECTOR	MARKET VALUE, SEK MILLION
H&M	Consumer durable goods	18 661
Roche	Healthcare	13 054
Investor	Finance	12 891
SEB	Finance	12 418
Novo Nordisk	Healthcare	10 305

Market value in accordance with the total return table.

Claims incurred

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

Claims paid, consisting mainly of compensation payments in respect of retirement pensions, disability and death, increased to SEK 18,7 billion (17,8) in 2015. The increase is mainly attributable to the larger number of new retirees and the new retirees having a higher average pension amount than the retirees whose payment ended due to death or achieving the final payment age. Operating expenses in connection with claims adjustment are also included in claims paid and amounted to SEK 132 million (133) in 2015; see Note 8 on page 65.

The change in the provision for claims outstanding amounted to SEK 1,6 billion (2,4).

Technical provisions

Technical provisions comprise the sum of the provisions for life insurance and the provision for claims outstanding, and comprise the capital value of the Company's guaranteed commitments for currently active insurance contracts. Technical provisions amounted to SEK 427,9 billion as at 31 December 2015. This is an increase of SEK 0,3 billion (73,7) in 2015, which can be explained by the following.

- Changes in the interest rate curve which is applied to value the technical provisions. The average cash flow weighted rate increased from 2,31 to 2,57 percent in 2015. This resulted in a decrease in technical provisions of SEK 19,1 billion (54,7).
- Cumulative returns and deductions for taxes and operating expenses which, together, implied an increase in technical provisions of SEK 11,7 billion (11,0).
- Premiums and payments for saving products, including the difference arising as a consequence of premium assumptions differing from the assumptions applied in calculating provisions. This meant that the technical provisions increased by SEK 4,8 billion (6,0).
- The provision for new insurance cases in disability pension and waiver of premium exceeded the provision reversed during the year for existing insurance cases. The net increase amounted to SEK 1,6 billion (0,7).
- Change in mortality assumption. Alecta's morbidity analyses in 2015 indicated a longer average lifetime for men than assumed, leading Alecta to raise its morbidity assumption for men. For women, the analyses indicated only a minor difference between the assumption and the observed lifetime. The morbidity assumption has been raised slightly for women born in the 1930s or earlier, but has remained unchanged or has been reduced somewhat for other women. The technical provisions increased by SEK 3,7 billion (-0,0) as a result of this change.

- Change in operating expenses assumption. The technical provisions include a provision to cover Alecta's future operating expenses. The provision is based mainly on the number of insurance policies and on expected outgoing pension payments. Due to growth in the number of insured, the provision for future operating expenses has increased in recent years, in a manner reflecting the development of Alecta's actual expenses (see Administration result in the alternative income on page 40). Alecta has therefore reduced certain assumptions on operating expenses with the aim of decreasing coming years' administration result. The change has entailed a reduction in technical provisions of SEK 2,0 billion (-).
- Introduction of an assumption regarding the proportion of the insured in the defined contribution product, Alecta Optimal Pension, expected to amend the contractual payment period upon retirement. This has entailed an increase in technical provisions of SEK 0,7 billion (-).
- Other changes in the assumptions applied, causing technical provisions to decrease by SEK 0,1 billion.
- Other changes causing a decrease in technical provisions of SEK 1,0 billion.

For further information, see Notes 38 and 39 on page 86.

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement, were similar to the previous year and amounted to SEK 547 million (548).

Management expense ratio

The management expense ratio dropped to 0,10 (0,11) mainly due to average assets under management increasing during the year. For pension products excluding selection centre costs, the corresponding KPI amounted to 0,06 (0,07) which is also somewhat lower compared with the previous year.

Tax expense

Yield tax, after foreign tax credit, amounted to SEK 910 million (995) in 2015. Although the capital base increased, yield tax was less than in 2014, which is mainly due to a decrease in the average government borrowing rate from 2,01 to 1,62 percent. Yield tax includes pension products and family cover.

Income tax amounted to SEK 682 million (660) in 2015. Income tax, which pertains to both current and deferred tax, includes coupon tax and foreign income tax as well as Swedish taxes. The increase compared with the previous year is the net outcome of, on one hand, an increase in current tax due to a rise in coupon tax on foreign shares and foreign tax on real estate and, on the other hand, deferred tax income mainly

resulting from deductible tax losses. Income tax in Sweden comprises the operational branches of disability pension, waiver of premium insurance and occupational group life insurance (TGL).

Distribution of surplus

A surplus arises when the return on Alecta's assets exceeds the financial cost of guaranteed obligations, but can also arise when Alecta's actual outcome regarding mortality, morbidity and operational expenses is positive. The manner in which the surplus arises is further detailed in the alternative income statement on page 40. Alecta is a mutual company, meaning that all surpluses are to be returned to our customers, that is, the policy holders and the insured. This occurs by means of refunds. The refunds that Alecta guaranteed in the past 15-year period (2001–2015) amount to SEK 137 billion. These refunds have been distributed to the policy holders and the insured through pension supplements, increases in earned pension entitlements, premium reductions and client-company funds.

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

For the defined benefit products, Alecta's Board determines, on an annual basis, if, and in which form, refunds are to be granted. For 2015, the Board of Directors resolved that pension supplements would remain unchanged, in spite of the fact that the consumer price index saw a 0,38 percent downturn during the measurement period, September 2013 to September 2014.

The pension supplements are formally guaranteed only in connection with them being paid out. A portion of the agreed

pension supplement is paid out during the year in which the decision is made, whereas the remainder is reserved for payment during coming years.

For 2015, the Board also determined that the premium reduction for disability and waiver of premium insurance, as well as family cover, would be 75 percent.

During the period September 2014 to September 2015, the CPI rose by 0,07 percent. As the CPI remained below the level applying in September 2013, Alecta's Board of Directors resolved not to change the pension supplement for 2016. For insured retiring in 2015 (base year 2015) an upward adjustment of 0,07 percent was, however, determined, in order to compensate for inflation over the past year. The Board also resolved on premium reductions for risk insurance in 2016 of 75 percent, applying to disability and waiver of premium insurance, as well as family cover.

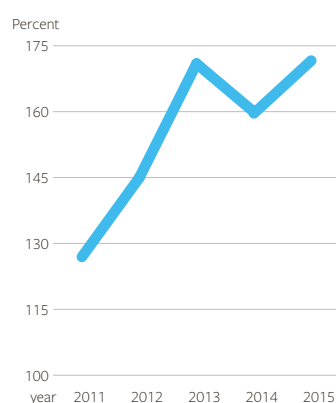
Collective funding and solvency

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

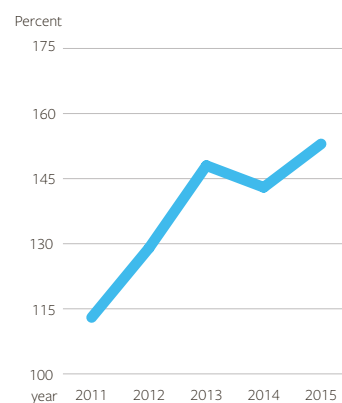
The collective funding ratio in the Group for the defined benefit insurance amounted to 153 percent (143) at the end of 2015. The collective funding capital amounted to SEK 228,4 billion (188,3). Alecta's funding policy for the defined benefit plans stipulates that the collective funding ratio is permitted to vary between 125 and 155 percent, with a target level of 140 percent. If Alecta's collective funding ratio is less than 125 percent or greater than 155 percent, measures shall be taken in order to create the conditions for the collective funding ratio to return to a normal range within three years, on the condition that such measures will not deteriorate Alecta's capacity to fulfil its insurance commitments or to ensure the indexation of pensions in payment.

The solvency level was 171 percent (159) at the end of 2015.

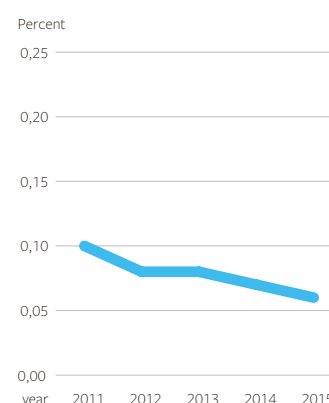
SOLVENCY LEVEL



COLLECTIVE FUNDING RATIO, Defined benefit insurance



MANAGEMENT EXPENSE RATIO for pension products, excluding selection centre costs



Expected future developments

The end of the ultra-permissive monetary policy is now in sight. The US Central Bank's increase of its interest rate in December 2015 marked the first step in the gradual discontinuation of stimulation initiatives. In both the USA and Europe, the recovery of the economy is still, however, somewhat frail and sensitive to disruptions. We cannot rule out that the recovery will take some time, and may see some knocks back on the way. However, the climate with regard to monetary policy is, at its core, still expansive even going into 2016, and we do not at present believe that the market turbulence seen at the beginning of the year marks the start of a more lasting, sluggish economic development. At the same time, it is a fact that we have had four good years in a row on the capital markets, which may imply a heightened risk for unpredictability in the future.

In the best case, we expect a very low return on interest-bearing assets in 2016. With regard to shares and other risk assets, the return possibilities appear somewhat more positive, even if the turbulence over the last six months bodes for a certain level of uncertainty. In comparison with long-term government bonds, shares still seem relatively attractive, not least from the lower prices applying after the market downturn at the beginning of the year. All in all, expectations with regard to returns in coming years should be lower than they were a year ago.

Balancing the risks in the investment portfolio in an effective way, thereby generating a good return and maintaining a strong financial position are crucial to Alecta's assignment. Alecta is today well-positioned, and we will do what we can to remain so, regardless of what happens in the short term. In the future, we will continue to offer a competitive return at the market's lowest cost.

Continued work with new regulations

After many years of inquiry and investigation, Solvency 2 is effective in Sweden from 1 January 2016. The stipulations of the transitional regulations imply that, to begin with, Alecta is to apply only the new rules on corporate governance. In all other respects, Alecta will continue to apply the previous regulations applying to insurance businesses until 31 December 2019. At the same time, work continues on several fronts on the other significant regulatory complex for occupational pensions in Europe - the occupational pensions directive IORP. The EU is expected to have concluded its preliminary work on IORP 2 in 2016, and the Ministry of Finance has announced a further inquiry as to which occupational pensions legislation is to be introduced in Sweden. Alecta is convinced that a regulatory framework tailored for occupational pensions, allowing adjustments at the national level, would be better than Solvency 2. In 2016, Alecta will work towards ensuring that Sweden does not miss the opportunity to introduce legislation which we believe

to be the best solution for occupational pension customers. Other regulations that will impact the pensions market are the EU directives MIFID 2 and IDD (regarding insurance distribution) and the Securities Market Committee (involving proposals for prohibition of commission charges) and the Occupational Pension Company Commission. It is important that Alecta carefully follows the development of regulatory decisions in order to promote good conditions for collectively-agreed occupational pensions.

Digitisation and the pension debate

Our customers use digital channels to an ever greater degree and the demand for self-service alternatives is high. This imposes demands on Alecta to offer easily-navigated and understandable information and services on our website that are adapted to our target groups. This applies to both private customers and corporate clients.

A central digital service is Minpension.se, which helps private customers to obtain an overview and offer forecasting possibilities. Alecta is fully committed to contributing to the development of Minpension. Nonetheless, we recognise that there is a risk that advisers, banks and companies looking to increase their sales use Minpension as a sort of data bank, meaning the Minpension could act as a sales support device rather than a consumer aid. Alecta will work to ensure that Minpension's role stays as that of a consumer aid.

In recent years we have seen that people are taking more and more notice of Alecta's message regarding what creates a good pension. Alecta plays an important role, not least when explaining the values generated by collectively-agreed occupational pensions and by presenting itself as a well-run company. We believe it is of the highest importance that we earn our reputation, live up to our core values, continue to be deserving of our default role and meet our own and other's high expectations regarding sustainability.



Product reporting

Alecta is run according to mutual principles and it is important that income and expenses are fairly distributed between different products. We provide added value to our customers by leveraging our economies of scale and by ensuring that all products bear a portion of the shared expenses. Alecta's product areas are:

Pension insurance:

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

Risk insurance:

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

Alecta monitors the products' financial results in great detail. The distribution of operating expenses between the various products is undertaken in line with established distribution indices. These indices are reviewed regularly in order to ensure as accurate a distribution as possible.

In addition to distributing income and expenses fairly between the different products, the operation's various risks must also be addressed in a fair manner. Here, Alecta's follow-up of solvency and risk ensures that each product has sufficient capital to cover these risks.

Product calculation, Alecta Optimal Pension

Alecta Optimal Pension is a relatively new product, introduced in conjunction with the ITP procurement in 2007. Pricing is based on the idea that the income, in the form of charged fees, over time shall correspond to the total operating expenses. For several years after the introduction of Alecta Optimal Pension, the expenses will exceed the fees. This deficit will be financed through a capital contribution from the defined benefit collective plans in Alecta, which will incur interest. The interest rate for the period 1 July 2013 to 30 June 2018 has been fixed at STIBOR (3 months), plus a fixed risk premium of 1,63 percentage points. This interest rate level corresponds to the average financing cost of five-year debentures for the four major Swedish banks during the same period.

Within Alecta Optimal Pension, Alecta carefully distinguishes between operating expenses that have been incurred specifically as a result of the decision to invest in a defined contribution product, so-called separable expenses, and the portion of the shared expenses that each product is to bear. It is the development of the product's income and separable expenses that creates the real financial risk in the defined benefit plan that is financing the deficit of the start-up period.

In summer 2014, a milestone was passed when the product's operating income covered the separate costs on an annual basis. Separable expenses consist of product-specific systems management and systems development, direct expenses incurred in customer service and administration, and information and promotion expenses. The accumulated deficit (for fees minus separable expenses, including interest charge) was largest in 2014 and was then equivalent to 0,02 percent of the assets under management within the defined benefit plan that finance the deficit during the start-up period. The separable cost deficit is expected to be fully repaid by 2018.

Shared expenses consist of part of the expenses for management and staff, shared systems and infrastructure. As of the second half of 2014, Alecta Optimal Pension contributes to covering the shared expenses. Alecta Optimal Pension's total expenses, i.e. separable expenses, shared expenses and interest on the deficit, was 0,12 percent of the capital in 2015, close to the charge of 0,10 percent levied by Alecta in its main business, ITP.

The large synergies existing between different products within Alecta are also found within Alecta's investment management. The capital for all segments and products is managed according to a common investment model. Consequently, no separate investment decisions are made as regards the management of the various asset classes within Alecta Optimal Pension. On very rare occasions, decisions are made regarding adjustments of the distribution between the asset classes, as well as regarding requirements for separate monitoring and reporting. The total cost of investment management in Alecta is 0,03 percent of assets under management, and is charged to all products. The separable expense for investment management within Alecta Optimal Pension is markedly lower than this 0,03 percent.

The dominant risk in the establishment of new life insurance products, such as Alecta Optimal Pension, is the financial risk exposure, i.e. the risk that the product cannot bear the market risk associated with it. However, Alecta Optimal Pension has a stronger solvency level than Alecta as a whole, mainly due to the guaranteed interest being low. At year-end 2015, the solvency level amounted to 241 percent compared with 171 percent for Alecta as a whole.

Risk management and risk organisation

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

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

Insurance risks

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

Financial risks

The Board of Directors decides on Alecta's investment guidelines that regulate the portfolio structure and limits for risk-taking, among other aspects. The Board is responsible for ensuring compliance with these guidelines. The Board's Finance Committee determines guidelines for the on-going investment operations, prepares the investment management issues to be addressed by the Board and makes decisions on investment matters that are outside the CEO's authority. The CEO is responsible for investment operations under the mandate set out in the investment guidelines and for other decisions taken by the Board of Directors and the Finance Committee. With certain limitations, this mandate has been further delegated to the Head of Investment Management, who is responsible for the management and on-going control of Alecta's financial risks.

Other risks

All managers and employees are responsible for ensuring that their own line of business has implemented good internal control, which entails the handling and control of the risks and their possible consequences.

Alecta's management of the aforementioned risk categories is described in more detail in Note 3 on pages 62–64.

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

- Internal Audit, which is assigned by the Board to review and evaluate internal control.
- The independent control functions Compliance, Information Security and Risk Control, and the Actuarial function, which have been assigned by the CEO to undertake independent assessments of Alecta's risks. They also incorporate a support and advisory role towards both management and business operations in general.
- The Personal Data Act representative, supporting the business in its work to comply with the Swedish Personal Data Act (PuL). The role of the Personal Data Act representative is included in the duties of Information Security.
- Central function manager who works to prevent money laundering and the financing of terrorism and is responsible for assessing the risk that Alecta's products or services can be used for such purposes.
- Complaints manager, whose task is to support the operations' work with customer complaints.
- Risk & Performance, an independent function within Investment Management, responsible for the day-to-day management of financial risks.

Code of Corporate Governance

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

Five-year summary

GROUP, SEK MILLION	2015	2014	2013	2012	2011
Profit/loss					
Premiums written	34 377	36 122	25 059	25 217	25 563
<i>Invoiced premiums</i>	31 581	25 145	23 954	25 194	22 044
<i>Guaranteed refunds</i>	2 796	10 977	1 105	23	3 519
Claims incurred	-20 330	-20 195	-17 330	-15 583	-14 295
Return on capital, net	38 965	75 789	55 219	55 860	-10 835
Profit before tax	52 916	18 876	87 620	69 438	-91 782
Profit/loss for the year	52 234	18 216	86 716	68 053	-92 027
Financial position					
Assets under management ¹⁾	730 511	682 355	602 266	545 719	487 666
– of which pension products	692 150	645 726	565 903	510 750	455 608
Technical provisions	427 877	427 618	353 930	379 753	386 136
Collective funding capital	228 404	188 275	181 152	115 780	54 082
Capital base ²⁾	294 553	248 935	246 144	163 877	99 323
Required solvency margin ²⁾	17 668	17 658	14 648	15 698	15 995
Key Performance Indicators					
Total return for the Group, percent ³⁾	5,9	13,0	10,2	11,4	-2,1
– of which shares	9,0	17,5	25,3	21,4	-13,8
– of which interest-bearing investments	1,2	9,4	1,6	7,3	7,4
– of which real estate	18,4	12,3	10,9	8,5	10,5
Total return, defined contribution insurance (Alecta Optimal Pension), percent ⁴⁾	7,9	14,9	17,3	16,8	-6,8
– of which shares	9,0	17,5	25,3	21,4	-13,8
– of which interest-bearing investments	1,3	9,7	1,6	7,5	7,7
– of which real estate	18,4	12,3	10,9	8,5	10,5
Total return, defined benefit insurance, percent ⁴⁾	5,8	12,8	9,8	11,2	-2,0
– of which shares	9,0	17,5	25,3	21,4	-13,8
– of which interest-bearing investments	1,2	9,4	1,6	7,3	7,3
– of which real estate	18,4	12,3	10,9	8,5	10,5
Direct return for the Group, percent	2,7	3,5	3,6	4,1	4,0
Management expense ratio ⁵⁾	0,10	0,11	0,12	0,13	0,15
– of which pension products excl. selection centre costs	0,06	0,07	0,08	0,08	0,10
Investment management expense ratio ⁶⁾	0,03	0,03	0,03	0,03	0,03
Collective funding ratio, defined benefit insurance, percent	153	143	148	129	113
Collective funding ratio, defined contribution insurance, percent ⁷⁾	100	100	100	100	100
Solvency level, percent	171	159	170	144	126

¹⁾ Defined as equity, provisions for life insurance and claims outstanding.

²⁾ Refers to Parent Company.

³⁾ Refers to Group, defined benefit and defined contribution retirement pensions and risk insurance policies. Calculated for all years according to Insurance Sweden's recommendations.

⁴⁾ Calculated for all years according to Insurance Sweden's recommendations.

⁵⁾ Calculated as operating expenses and claims management costs in relation to average assets under management.

⁶⁾ Calculated as operating expenses for investment management in relation to average assets under management.

⁷⁾ As surplus/deficit is allocated monthly among the insured, the collective funding is usually always 100 percent.

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

Alternative Income Statement

Group

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

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

Consolidated profit amounted to SEK 52,2 billion (18,2).

ALTERNATIVE INCOME STATEMENT (SEK MILLION)	2015	2014
Administration result ¹⁾	245	231
Risk result ¹⁾	-2 381	-1 779
Financial result	55 411	20 478
Tax result	-1 041	-714
Profit/loss for the year	52 234	18 216

The administration result amounted to SEK 245 million (231) and represents the difference between the Company's income and operating expenses (excluding investment management costs, which are reported in the financial result).

TPs also include a provision for the Company's future operating expenses for its current portfolio. The provision for operating expenses is released on an on-going basis and, together with operating expense charges to premiums written, constitutes Alecta's income (released operating expenses). Other income is comprised primarily of administrative fees from PRI Pensionsgaranti and is reported separately in the alternative income statement.

In Note 8, other income is, instead, deducted from operating expenses.

At the end of 2015, Alecta reduced certain assumptions regarding operating expenses, with the aim of decreasing the administration result in coming years.

ADMINISTRATION RESULT (SEK MILLION)	2015	2014
Income ¹⁾	980	968
- of which released operating expenses ¹⁾	924	912
- of which other income	56	56
Expenses	-735	-737
Total administration result	245	231

The risk result amounted to SEK -2,4 billion (-1,8) and is comprised partly of the year's mortality and morbidity results and partly of the changes to assumptions applied in the calculation of TPs, due to the updated forecast for future risk outcomes. The mortality result is, from an overall perspective, positive. An analysis of retirement pension benefits indicates a positive result for women (actual lifetime shorter than assumed lifetime) and a negative result for men (actual lifetime longer than assumed lifetime). Alecta's morbidity assumption has been adjusted in 2015, in order to achieve a slightly positive result for both women and men in the future.

The morbidity result is negative, due to a continuation of higher morbidity than expected. Alecta's Board has therefore decided to raise risk premiums for 2016.

A description of the changes in assumptions in 2015 when calculating TPs can be found in Notes 38 and 39.

RISK RESULT (SEK MILLION)	2015	2014
Annual mortality result	339	-34
Annual morbidity result	-896	-276
Changes in methods and assumptions applied in calculating TPs	-2 306	-1 274
Other ¹⁾	482	-195
Total risk result	-2 381	-1 779

The financial result amounted to SEK 55,4 billion (20,5). The financial result is governed, to a large degree, by the developments in the financial markets, and usually accounts for the major portion of the profit for the year. A favourable development for Alecta's investments contributed positively to the financial result for 2015. In addition, the discount rate used to value TPs has risen, leading to a reduction in TPs. The financial result is also impacted by the cumulative return on TPs and by the outcome of operating expenses incurred in investment management. Finally, the financial result is affected by the profit arising on the insurance plans when the rate applied to discount the insurance assumption is higher than the contractual interest on premiums. This profit is reported in the item other profit sources and is a premise for Alecta being able to provide substantial refunds to the insured and policy holders in the long-term.

FINANCIAL RESULT (SEK MILLION)	2015	2014
Result, return on capital	38 947	75 772
- of which investment management expenses	-201	-196
Released operating expenses for investment management	119	121
Cumulative return on TPs ²⁾	-13 133	-12 755
Other profit sources ²⁾	10 426	12 019
Changes in TPs as a result of changed market interest rates	19 052	-54 679
Total financial result	55 411	20 478

The tax result amounted to SEK -1,0 billion (-0,7). TPs include a provision for future yield tax. The result for yield tax is, in other words, comprised of income arising on an on-going basis when the provisions for tax are reversed, less actual costs. The negative result for yield tax is a natural consequence of the fact that the provision for future yield tax does not take consideration of the tax paid on assets corresponding to equity.

TAX RESULT (SEK MILLION)	2015	2014
Result, yield tax	-359	-54
Income tax	-682	-660
Total tax result	-1 041	-714

¹⁾ The comparative figures for 2014 have been adjusted accordingly.

²⁾ A reclassification between explanatory items has been implemented in the comparative figures for 2014.

Proposed appropriation of profits

The Board of Directors and the CEO propose to the Council of Administration that the Parent Company's profit for 2015 of SEK 51 074 450 177, be transferred to the funding reserve.

The Board of Directors and the CEO propose that the Council of Administration approve the Board's resolutions regarding refunds, specified in the section "Distribution of surplus" in the Administration report, page 35.

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 107 220 623, from the funding reserve to the guarantee reserve, an amount which is the equivalent of the guarantee reserve's total return for 2015 after deduction of investment management costs and taxes.

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Income Statement

Group

SEK MILLION	NOTE	2015	2014
Premiums written	4	34 377	36 122
<i>Invoiced premiums</i>		31 581	25 145
<i>Guaranteed refunds</i>		2 796	10 977
Return on capital, net		38 965	75 789
<i>Return on capital, income</i>	5	39 377	40 757
<i>Unrealised gains on investment assets</i>	6	9 672	37 530
<i>Return on capital, expenses</i>	9	-1 853	-2 498
<i>Unrealised losses on investment assets</i>	10	-8 231	0
Claims incurred		-20 330	-20 195
<i>Claims paid</i>	7	-18 692	-17 786
<i>Change in provision for claims outstanding</i>		-1 638	-2 409
Change in other technical provisions		1 379	-71 279
<i>Provision for life insurance</i>		1 379	-71 279
Operating expenses	8	-547	-548
Depreciation of owner-occupied properties	17	-18	-18
Yield tax	11	-910	-995
Total operating profit		52 916	18 876
Profit before tax		52 916	18 876
Income tax	12	-682	-660
NET PROFIT FOR THE YEAR		52 234	18 216

Statement of Comprehensive Income

Group

SEK MILLION	2015	2014
Net profit for the year	52 234	18 216
Items that can subsequently be reclassified to the income statement		
Foreign exchange differences	1 031	1 979
Other comprehensive income	1 031	1 979
COMPREHENSIVE INCOME FOR THE YEAR	53 265	20 195

The entire amount of comprehensive income for the year is attributable to the shareholders in the Parent Company.

Balance Sheet

Group

SEK MILLION	NOTE	2015-12-31	2014-12-31
ASSETS			
Intangible assets	14	310	336
Property, plant and equipment	15	33	29
Deferred tax ¹⁾	42	2 157	550
Investment assets			
Land and buildings			
Investment properties	16	42 545	37 462
Owner-occupied properties	17	870	888
Other financial investment assets			
Shares and participations	20, 23, 24, 25	319 042	294 131
Bonds and other interest-bearing securities	20, 23, 24, 26, 49	357 816	345 956
Loans with real estate as collateral	20, 23, 27	318	5
Other loans	20, 23, 24, 28	4 268	3 617
Derivatives	20, 23, 29, 30	8 209	6 846
		733 068	688 905
Receivables			
Receivables referring to direct insurance operations	20, 31	1 565	1 369
Current tax		65	184
Other receivables	20, 32	1 729	966
		3 359	2 519
Cash and bank balances	20, 48	3 302	1 116
Prepaid expenses and accrued income			
Accrued interest and rental income	20, 33	7 687	7 469
Other prepaid expenses and accrued income	20	164	148
		7 851	7 617
TOTAL ASSETS		750 080	701 072

¹⁾ Adjustment compared with the Annual Report for 2014 due to change in accounting principle for deferred tax. For more information, please refer to Note 1, specifically the section on Income tax.

Balance Sheet, *cont.*

Group

SEK MILLION	NOTE	2015-12-31	2014-12-31
EQUITY AND LIABILITIES			
EQUITY			
Translation reserve	34	1 653	622
Discretionary participation features reserve	34	60 943	53 348
Special indexation funds	34	10 559	10 710
Guarantee reserve	36	1 867	1 756
Retained earnings including net profit for the year	34	227 612	188 301
Total equity		302 634	254 737
LIABILITIES			
Provision for life insurance	38	413 563	414 942
Claims outstanding	39	14 314	12 676
Pensions and similar commitments	40	21	26
Other provisions	41	37	32
Current tax		37	5
Deferred tax ¹⁾	42	3 805	2 313
Liabilities referring to direct insurance operations	20, 44	692	676
Derivatives	20, 29, 30	6 020	10 745
Other liabilities	20, 45	5 229	1 897
Other accrued expenses and deferred income	20, 46	3 728	3 023
Total liabilities		447 446	446 335
TOTAL EQUITY AND LIABILITIES		750 080	701 072

¹⁾ Adjustment compared with the Annual Report for 2014 due to change in accounting principle for deferred tax. For more information, please refer to Note 1, specifically the section on Income tax.

Statement of Changes in Equity

Group

SEK MILLION	Translation reserve ¹⁾	Discretionary participation features reserve ^{1,2)}	Special indexation funds ¹⁾	Guarantee reserve ^{3,6)}	Retained earnings including net profit for the year ¹⁾	Total
OPENING EQUITY AT 1 JANUARY 2014	-1 357	54 059	10 855	1 718	183 062	248 337
Net profit for the year					18 216	
Other comprehensive income	1 979					
Total comprehensive income for the year	1 979				18 216	20 195
Allocated refunds		9 016			-9 016	-
Guaranteed refunds		-12 273			-1 292	-13 565
Collective risk premium ⁴⁾			-244			-244
Return on guarantee reserve ⁵⁾				176	-176	-
Other changes		2 546	99	-138	-2 493	14
Closing equity at 31 December 2014	622	53 348	10 710	1 756	188 301	254 737
OPENING EQUITY AT 1 JANUARY 2015	622	53 348	10 710	1 756	188 301	254 737
Net profit for the year					52 234	
Other comprehensive income	1 031					
Total comprehensive income for the year	1 031				52 234	53 265
Allocated refunds		12 218			-12 218	-
Guaranteed refunds		-5 236				-5 236
Collective risk premium ⁴⁾			-245			-245
Return on guarantee reserve ⁵⁾				231	-231	-
Other changes		613	94	-120	-474	113
Closing equity at 31 December 2015	1 653	60 943	10 559	1 867	227 612	302 634

¹⁾ Refer to Note 34 on page 83.

²⁾ Discretionary features refer to allocated refunds. Refer to Note 34 on page 83.

³⁾ Reserve for financing collective agreement guarantee and funds to be used for information funds. Refer to Note 36 on page 85.

⁴⁾ Premiums for waiver of premium insurance and collective final payments are reduced as a result of employers' increased expenses caused by the rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.

⁵⁾ Refer to Note 36 on page 85.

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

Cash Flow Statement

Group

SEK MILLION	2015	2014
OPERATING ACTIVITIES		
Profit for the year before tax	52 916	18 876
Interest received	7 903	12 534
Interest paid	-52	-138
Dividends received	9 202	8 074
Adjustment for non-cash items ¹⁾	-38 970	-10 619
Tax paid	-1 319	-1 093
Cash flow from operating activities before changes in assets and liabilities	29 680	27 634
Change in investment assets	-22 428	-32 837
Change in other operating assets	-957	302
Change in other operating liabilities	-1 312	7 765
Cash flow from operating activities	4 983	2 864
INVESTING ACTIVITIES		
Investments in property, plant and equipment	-6	-4
Cash flow from investing activities	-6	-4
FINANCING ACTIVITIES		
Pension supplements/supplementary amounts	-2 440	-2 588
Payment from guarantee reserve	-120	-138
Payment of indexation funds	-246	-245
Cash flow from financing activities	-2 806	-2 971
Cash flow for the year	2 171	-111
Cash and cash equivalents at the beginning of the year	1 116	1 193
Foreign exchange differences in cash and cash equivalents	15	34
CASH AND CASH EQUIVALENTS AT YEAR END	3 302	1 116
¹⁾		
Depreciation/amortisation/impairment, Notes 14, 15, 17	46	46
Yield tax, Note 11	910	995
Foreign exchange gains, Note 5	-7 377	-7 949
Capital gains, Note 5	-11 968	-9 413
Capital losses, Note 9	1	555
Unrealised gains, Note 6	-9 672	-37 530
Unrealised losses, Note 10	8 231	-
Interest income, Note 5	-8 122	-12 867
Interest expenses, Note 9	692	852
Dividends, Note 5	-9 220	-8 075
Adjustment of paid-up values, Note 4	-16	-8 591
Premium reduction, Note 4	-2 780	-2 386
Change in provision for life insurance, Note 38	-1 379	71 279
Change in provision for claims outstanding, Note 39	1 638	2 409
Other	45	56
	-38 970	-10 619

Income Statement

Parent Company

SEK MILLION	NOT	2015	2014
TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS			
Premiums written	4	34 377	36 122
<i>Invoiced premiums</i>		31 581	25 145
<i>Guaranteed refunds</i>		2 796	10 977
Return on capital, income	5	40 543	40 090
Unrealised gains on investment assets	6	6 190	36 558
Claims incurred		-20 330	-20 195
<i>Claims paid</i>	7	-18 692	-17 786
<i>Change in provision for claims outstanding</i>		-1 638	-2 409
Change in other technical provisions		1 379	-71 279
<i>Provision for life insurance</i>		1 379	-71 279
Operating expenses	8	-547	-548
Return on capital, expenses	9	-1 203	-1 996
Unrealised losses on investment assets	10	-8 231	0
Balance on the technical account, life insurance business		52 178	18 752
NON-TECHNICAL ACCOUNT			
Balance on the technical account, life insurance business		52 178	18 752
Profit before appropriations and tax		52 178	18 752
Appropriations	37	115	2 310
Profit before tax		52 293	21 062
Tax	13	-1 219	-2 173
NET PROFIT FOR THE YEAR		51 074	18 889

Statement of Comprehensive Income

Parent Company

SEK MILLION	2015	2014
Net profit for the year	51 074	18 889
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	51 074	18 889

Performance Analysis

Parent Company 2015

SEK MILLION	DIRECT INSURANCE OF SWEDISH RISKS				
	Total	Occupational pension insurance			Other life insurance
		Defined benefit insurance	Defined contribution traditional insurance	Occupational disability insurance and waiver of premium insurance	Group life and occupational group life insurance
Premiums written	34 377	20 646	9 712	3 850	169
Return on capital, income	40 543	34 761	3 560	2 188	34
Unrealised gains on investment assets	6 190	5 307	544	334	5
Claims incurred	-20 330	-15 022	-363	-4 781	-164
<i>Claims paid</i>	-18 692	-15 013	-363	-3 167	-149
<i>Change in provision for claims outstanding</i>	-1 638	-9	-	-1 614	-15
Change in other technical provisions	1 379	5 483	-4 104	-	-
<i>Provision for life insurance</i>	1 379	5 483	-4 104	-	-
Operating expenses	-547	-323	-52	-159	-13
Return on capital, expenses	-1 203	-1 031	-106	-65	-1
Unrealised losses on investment assets	-8 231	-7 057	-723	-444	-7
Balance on the technical account, life insurance business	52 178	42 764	8 468	923	23
Technical provisions					
Provision for life insurance	413 563	389 381	24 181	-	1
Claims outstanding	14 314	19	-	14 230	65
Total technical provisions	427 877	389 400	24 181	14 230	66
Funding reserve	241 921	195 003	25 828	20 652	438
Total operating expenses, excluding property management expenses					
Operating expenses (administrative expenses in the insurance business)	547	323	52	159	13
Claims management expenses (reported under claims paid)	132	78	12	40	2
Investment management expenses (reported under return on capital, expenses)	178	153	16	9	0
Total operating expenses, excluding property management expenses	857	554	80	208	15

Balance Sheet

Parent Company

SEK MILLION	NOTE	2015-12-31	2014-12-31
ASSETS			
Intangible assets			
Intangible assets	14	310	336
		310	336
Investment assets			
Land and buildings	16	16 622	15 376
Investments in Group companies and associated companies			
Shares and participations in Group companies	18	11 441	8 955
Interest-bearing securities issued by, and loans to, Group companies	19, 20	10 655	8 631
Other financial investment assets			
Shares and participations	20, 23, 24, 25	316 938	293 094
Bonds and other interest-bearing securities	20, 23, 24, 26, 49	357 816	345 956
Loans with real estate as collateral	20, 23, 27	183	5
Other loans	20, 23, 24, 28	3 979	3 364
Derivatives	20, 23, 29, 30	8 209	6 846
		725 843	682 227
Receivables			
Receivables referring to direct insurance operations	20, 31	1 565	1 369
Other receivables	20, 32	1 741	2 652
		3 306	4 021
Other assets			
Tangible assets	15	6	5
Cash and bank balances	20, 48	3 005	842
		3 011	847
Prepaid expenses and accrued income			
Accrued interest and rental income	20, 33	7 687	7 649
Other prepaid expenses and accrued income	20	38	38
		7 725	7 687
TOTAL ASSETS		740 195	695 118

Balance Sheet, *cont.*

Parent Company

SEK MILLION	NOTE	2015-12-31	2014-12-31
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Funding reserve	35	241 922	228 511
Guarantee reserve	36	1 867	1 756
Net profit for the year		51 074	18 889
		294 863	249 156
Untaxed reserves	37	–	115
Technical provisions			
Provision for life insurance	38	413 563	414 942
Claims outstanding	39	14 314	12 676
		427 877	427 618
Other provisions			
Pensions and similar commitments	40	20	25
Taxes	43	943	1 389
Other provisions	41	35	28
		998	1 442
Liabilities			
Liabilities referring to direct insurance operations	20, 44	692	676
Derivatives	20, 29, 30	6 020	10 745
Other liabilities	20, 45	6 435	2 697
		13 147	14 118
Accrued expenses and deferred income			
Other accrued expenses and deferred income	20, 46	3 310	2 669
		3 310	2 669
TOTAL EQUITY, PROVISIONS AND LIABILITIES		740 195	695 118
Memorandum items			
Assets and comparable collateral pledged for own liabilities and for obligations reported as provisions	47	713 350	661 094
Other pledged assets and comparable collateral	48	2 008	8 524
Contingent liabilities	50	4	9
Commitments	51	1 445	1 576

Statement of Changes in Equity

Parent Company

SEK MILLION	FUNDING RESERVE ¹⁾				Net profit for the year	Total
	Collective funding	Discretionary participation features reserve ²⁾	Other reserves	Guarantee reserve ^{3,6)}		
Opening equity at 1 January 2014	91 134	54 059	10 855	1 718	86 315	244 081
Net profit for the year					18 889	
Other comprehensive income						
Total comprehensive income for the year					18 889	18 889
Appropriation of profits from previous year	86 315				-86 315	-
Allocated refunds	-9 016	9 016				-
Guaranteed refunds	-1 292	-12 273				-13 565
Collective risk premium ⁴⁾			-244			-244
Return on guarantee reserve ⁵⁾	-176			176		-
Other changes	-2 512	2 546	99	-138		-5
Closing equity at 31 December 2014	164 453	53 348	10 710	1 756	18 889	249 156
Opening equity at 1 January 2015	164 453	53 348	10 710	1 756	18 889	249 156
Net profit for the year					51 074	
Other comprehensive income						
Total comprehensive income for the year					51 074	51 074
Appropriation of profits from previous year	18 889				-18 889	-
Allocated refunds	-12 218	12 218				-
Guaranteed refunds		-5 236				-5 236
Collective risk premium ⁴⁾			-245			-245
Return on guarantee reserve ⁵⁾	-231			231		-
Other changes	-474	613	95	-120		114
Closing equity at 31 December 2015	170 419	60 943	10 560	1 867	51 074	294 863

¹⁾ Refer to Note 35 on page 84.

²⁾ Discretionary features refer to allocated refunds. Refer to Note 35 on page 84.

³⁾ Reserve for financing collective agreement guarantee and funds to be used for information funds. Refer to Note 36 on page 85.

⁴⁾ Premiums for waiver of premium insurance and collective final payments are reduced as a result of employers' increased expenses caused by the rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.

⁵⁾ Refer to Note 36 on page 85.

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

Cash Flow Statement

Parent Company

SEK MILLION	2015	2014
Operating activities		
Profit for the year before tax and appropriations	52 178	18 752
Interest received	8 217	12 761
Interest paid	-58	-137
Dividends received	9 597	8 724
Adjustment for non-cash items ¹⁾	-39 321	-11 599
Tax paid	-1 320	-1 084
Cash flow from operating activities before changes in assets and liabilities	29 293	27 417
Change in investment assets	-23 968	-32 511
Change in other operating assets	614	-122
Change in other operating liabilities	-967	8 048
Cash flow from operating activities	4 972	2 832
Investing activities		
Investments in property, plant and equipment	-3	-1
Cash flow from investing activities	-3	-1
Financing activities		
Pension supplements/supplementary amounts	-2 440	-2 588
Payment from guarantee reserve	-120	-138
Payment of indexation funds	-246	-245
Cash flow from financing activities	-2 806	-2 971
Cash flow for the year	2 163	-140
Cash and cash equivalents at the beginning of the year	842	982
Cash and cash equivalents at year end	3 005	842
¹⁾		
Depreciation/amortisation/impairment, Notes 14, 15	28	27
Foreign exchange gains, Note 5	-7 368	-7 949
Capital gains, Note 5	-11 560	-9 413
Capital losses, Note 9	1	456
Unrealised gains, Note 6	-6 190	-36 558
Unrealised losses, Note 10	8 231	-
Reversal of impairment of shares in Group companies, Note 5	-2 753	-
Impairment/Reversal of impairment of loans with Group companies, Note 5	-10	167
Interest income, Note 5	-8 255	-13 036
Interest expenses, Note 9	696	849
Dividends, Note 5	-9 627	-8 737
Adjustment of paid-up values, Note 4	-16	-8 591
Premium reduction, Note 4	-2 780	-2 386
Change in provision for life insurance, Note 38	-1 379	71 279
Change in provision for claims outstanding, Note 39	1 638	2 409
Other	23	-116
	-39 321	-11 599

Notes

NOTE 1 Accounting principles for the Group and the Parent Company

These annual financial statements pertain to the financial year 2015 as applied by 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.

The annual report was approved for publication by the Board of Directors on 17 March 2016 and will be referred to the Council of Administration for adoption on 14 April 2016.

The amounts stated in the Notes are in million of SEK (MSEK), unless indicated otherwise. The figures in parentheses refer to the previous year.

Basis of preparation for the financial statements

Laws and regulations applying to the Group

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

Consolidated Financial Statements

The consolidated financial statements include the Parent Company, Alecta pensionsförsäkring, ömsesidigt, and those subsidiaries in which the Parent Company, directly or indirectly, owns more than half of the voting rights for all shares and participations or, in any other manner, exercises a controlling influence. A controlling influence means that Alecta has the ability to govern the company, is exposed to or has the right to returns that may vary and has the possibility of governing the activities in the company that affect the return. Disclosures regarding shares and participations in Group companies are provided in Note 18. Profit or loss from operations in subsidiaries acquired or sold during the year are included in the consolidated financial statements from the acquisition date and to the date on which the Parent Company relinquishes control. All intra-group transactions, balance sheet items, income and expenses are eliminated entirely on consolidation. In the consolidated financial statements, untaxed reserves in legal entities are eliminated and a distribution is made to equity and deferred tax.

Basis of measurement

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

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

Preparing financial statements in compliance with IFRS requires the use of important accounting estimates. Management is also required to make certain judgments in applying the Group's accounting principles. Areas which involve a high degree of judgment, are complex or where assumptions and estimates have a material impact on the consolidated financial statements are described in Note 2.

Asset acquisitions and business combinations

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

and assumes the subsidiary's liabilities and contingent liabilities. The consolidated acquisition cost is determined in a purchase price allocation (PPA), in conjunction with the acquisition of the company. The PPA determines the cost of the participation or assets and liabilities, and the fair value of acquired identifiable assets and assumed liabilities, as well as contingent liabilities.

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

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

Whether the acquisition is classified as a business or an asset is determined by Alecta for each individual acquisition. As of 31 December 2015, 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.

Foreign subsidiaries' balance sheets are translated according to the exchange rates applicable on balance sheet date. The translation of foreign subsidiaries' income statements is carried out at the average exchange rate for the year. The translation differences arising on 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 balance sheet date. Realised and unrealised changes in value, resulting from 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, all of Alecta's sold products are classified as insurance contracts. An insurance contract is characterised by an inherent, significant insurance risk of some kind.

Distribution of surplus and deficit funds

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

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

ment 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 refund 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, while its secondary function is to provide for the distribution of surpluses to policy holders and the insured. A surplus distributed to policy holders and the insured can take the form of a pension supplement for pensions in payment, an increase of an earned pension entitlement, a reduction of insurance premiums, cash payments and allocation to policy holders as client-company funds. Pension supplements, premium reductions and client-company funds are guaranteed in conjunction with paying out, paying in and use, respectively, and, in connection with this, capital is transferred from the funding reserve. An increase of an earned pension entitlement is guaranteed in conjunction with the increase and results in a technical provision.

Changes in accounting principles

New and revised accounting standards for financial year 2015:

No new standards effective from 1 January 2015 have entered into force. The new interpretation of IFRIC 21, Levies, is effective from 1 January 2015. IFRIC 21 stipulates that property tax is to be recognised in its entirety as a liability when the obligating event takes place. This implies that the property tax liability for the full year is reported as of 1 January, and a prepaid expense is recognised which is distributed on a straight-line basis over the financial year.

New and amended standards for financial years beginning in or after 2016. Only those standards that are expected to have an impact on Alecta are described:

IFRS 9 Financial Instruments (Not adopted by the EU)

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

The application date for IFRS 9 as stipulated by IASB is 1 January 2018. Alecta's preliminary assessment is that the new standard will not entail significant changes as the majority of financial instruments are currently classified as belonging to the category fair value through profit or loss.

IFRS 15 Revenue Recognition (Not adopted by the EU)

IFRS 15 complies all the regulations regarding the recognition of income into one single standard, which supersedes the standards and interpretations currently addressing the recognition of income.

Pending the adoption of the standard by the EU, it will be effective from the financial year 2018. The standard does not encompass Alecta's core business, insurance. Whether other parts of the Group's income are impacted by the standard remains under assessment.

IFRS 16 Leases (Not adopted by the EU)

On 13 January 2016, the IASB presented the new financial reporting standard for leases. The standard will result in changes primarily for the lessee, while the financial reporting for the lessor is, in all material respects, unchanged.

Pending the adoption of the standard by the EU, it will be effective from the financial year 2019. It remains to be assessed whether Alecta's financial reporting will be impacted.

Premiums written

Premiums written can comprise paid-in and credited premiums, as well as re-

funds 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 charging 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.

Calculation of premiums

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

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

Return on capital

Return on capital includes net operating income from investment properties, interest income, interest expenses, dividends on shares and participations, foreign exchange gains and losses, capital gains and losses and unrealised changes in value on 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. Unrealised gains and losses are comprised of the year's change in the difference between acquisition value and fair value. With a sale, the accumulated unrealised change in value is reversed as unrealised gains and losses. Changes in value for the year, both realised and unrealised, are recognised in the income statement in the period during which they arise. The return on capital is reported in Notes 5, 6, 9 and 10.

Claims incurred

Benefits can either be guaranteed under the contract entered into or conditional in the form of 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

The calculation of the provision for claims outstanding is based on Alecta's insurance portfolio and actuarial assumptions made 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. Such changes are 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 insurance claims. The provision for life insurance is also changed by the pe-

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

riod's return on investment, assumed operating expenses, mortality results and the outcome of exercised transfer rights, and by the amount of paid-up policies. In addition to this, the provision for life insurance is affected by any changes in the method of calculation and assumptions applied. Examples of assumptions used in the calculation of the provision for life insurance are the discount rate, mortality and operating expenses. Changes in the provision are recognised as a profit or loss item in the income statement.

Operating expenses

Operating expenses are expenses for employees or temporary personnel, costs for premises, IT costs, planned depreciation/amortisation of tangible and intangible assets, costs for the agency agreement with Collectum and other costs relating to the operations. These costs are recognised as an expense when they arise. Operating expenses are divided into the following functions: acquisition, administration, claims management, investment management and property management. Acquisition expenses and administrative expenses are reported in the item Operating expenses in the income statement. All of Alecta's operating expenses are reported in Note 8 to the income statement broken down by function and type of cost. Alecta does not regard the 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 the day-to-day administration of its insurance contracts, as well as costs for staff functions, such as finance and legal counsel.

Claims management

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

Investment management

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

Property management

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

Depreciation and impairment of owner-occupied properties

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

(including reversed impairment) of owner-occupied properties are recognised in their entirety as depreciation and impairment of owner-occupied properties in the consolidated income statement.

Yield tax

Yield tax includes pension products and family cover. The calculation of the basis for yield tax is made on a capital base comprised of all assets at the beginning of the financial year, after the deduction of financial liabilities at the same point in time. The capital base is multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the fiscal year in question, providing a tax base expressed in terms of a standard return. Yield tax is levied at 15 percent of the tax base.

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

Income tax

Taxes are calculated individually for each company in their respective country and in accordance with prevailing tax legislation. Income tax pertains to current tax and deferred tax. Current tax includes tax on profit, coupon tax on dividend payments and foreign tax on directly and indirectly owned properties.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the reported and fiscal values of assets and liabilities, and loss carry-forwards and other unutilised deductible tax losses. Upon the acquisition of an asset, the temporary difference arising on the initial recognition of assets and liabilities is not taken into account. Deferred tax assets are reported to the extent it is probable that future fiscal surpluses will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are reported in a net amount when the legal right of set-off exists and when the amount refers to taxes levied by the same tax authority. In 2015, we have noted that Swedish tax has been set off against foreign tax in the Group during previous years. This has been retroactively amended by means of a recalculation of the comparative figures for 2014.

The business segments within the Parent Company on which income tax are levied comprise disability pension, waiver of premium, and occupational group life insurance (TGL).

Intangible assets

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

Capitalised development costs are amortised on a straight-line basis according to plan, from the date on which the asset goes into production. Amortisation plans are drawn up on the basis of the estimated useful life. The amortisation period for the insurance system's core system is 20 years and, for peripherals and other functions, five years. For other capitalised development costs, the amortisation period is three years. The insurance system's core system has functionality for the management of Alecta's long-term insurance commitments. Amortisation periods and useful lives 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

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

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

Property, plant and equipment

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

Investment assets

General

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

Reporting of business events

Financial assets measured at fair value are reported after the acquisition date at fair value. The cost of investment assets excludes transaction costs relating to financial instruments. Purchases and sales of financial assets are recognised in the balance sheet on the transaction date. Transactions not concluded at the closing date are recognised as receivables from or liabilities to the counterparty under Other receivables or Other liabilities. Purchases and sales of land and buildings are recognised in the balance sheet on the date of taking/ceding possession.

Transaction costs

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

For acquisitions of companies classified as a business combination, the transaction costs are recognised in the income statement in the item Return on capital, expenses.

Land and buildings

Land and buildings are specified according to the categories investment properties, owner-occupied properties and development properties. Investment properties are reported in accordance with IAS 40 Investment Property, as the intention of the holding is to earn rental payments and/or capital appreciation. Owner-occupied properties are properties that are intended for use by Alecta and are reported by the Group in accordance with IAS 16, recognised at cost less accumulated depreciation and any accumulated impairment losses. Owner-occupied properties are divided into components and the depreciation method reflects when the asset's future financial benefits are expected to be exhausted. Development properties refer to properties under construction, such as new builds or renovations, intended for use as investment properties. Development properties are measured at fair value in accordance with IAS 40. If it is not possible to ascertain the fair value, the property in question may be valued at the cost of acquisition.

Investment properties are measured at fair value, which is equivalent to

the property's estimated market value. Changes in value are recognised in the income statement (refer to Note 1, Return on capital). For the Swedish properties, which are valued by an external appraiser twice a year, fair value is calculated according to a return-based method combined with a sales comparison approach. For the other two quarters during the year, an internal appraisal is undertaken based on the latest quarter's external appraisal and considering events occurring thereafter.

When calculating the fair value of foreign properties, differing valuation methods are applied, resulting in certain properties being valued according to a return-based method and certain properties according to the sales comparison approach. In the USA, all properties with a fair value in excess of USD 10 million are appraised externally on an annual basis. Properties with a fair value below USD 10 million are appraised externally at least every other year, with internal valuations each quarter.

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

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

Shares and participations in joint ventures

Joint ventures are defined as companies in which Alecta exercises joint control together with other co-owners. Alecta conducts venture capital operations, implying that joint ventures are recognised as financial instruments at fair value through profit or loss, in accordance with IAS 39 and IAS 28. In the balance sheet, shares and participations are reported under Investment assets. Changes in value are reported in the balance sheet as unrealised gains or losses. Information on holdings in joint ventures is provided in Note 56.

Other financial investment assets

Alecta identifies and categorises its financial investment assets as financial assets at fair value through profit or loss at initial recognition. Derivatives are also recognised at fair value through profit or loss, as they are considered, by definition, to be held for trade. This categorisation is based on the fact that Alecta manages and measures all investment assets at fair value. One exception is a small loan portfolio which is recognised at amortised cost. The measurement of financial assets traded on an active market is based on observable market data. Fair value for financial assets that are not traded in an active market is determined with the aid of established valuation techniques. Note 23 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. Valuation techniques applied for shares and participations are described in Note 23. 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. Valuation techniques applied for bonds and other interest-bearing securities are described in Note 23. 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

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

at acquisition that accrue over the remaining maturity of the instrument. The accrual of premiums and discounts, accrued interest income and received coupon payments are recognised as interest income in the item Return on capital, income.

Loans with real estate as collateral

Loans with real estate as collateral are classified either as loans receivable 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 participating loans and shareholder loans to real estate companies of which Alecta is a joint owner, so-called joint ventures. Participating 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 receivable. Other loans are reported in Note 28.

Derivatives

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

Lending of interest-bearing securities

Lent interest-bearing securities consist of Swedish government bonds and are reported in the balance sheet at fair value. Collateral received for lent interest-bearing securities is comprised of Swedish government bonds and is, thus, not reported in the balance sheet. The value of the lent interest-bearing securities on the balance sheet date, and the collateral received for these, is reported in Note 49, Transfers of financial assets. Compensation for lent interest-bearing securities is reported as interest income in the item Return on capital, income. See Note 5.

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 at a later point in time, the purchased interest-bearing security is not recorded as an asset under Bonds and other interest-bearing securities in the balance sheet. This asset is, however, recorded as a receivable under the heading Other financial investment assets and is measured at fair value.

In a similar manner, as regards the repurchase agreements in which Alecta has sold interest-bearing securities with a following repurchase at a

determined price at a later point in time, these interest-bearing securities will also be reported as an asset in the future under the heading Bonds and other interest-bearing securities. The received purchase price is, however, reported as a liability under the heading Other liabilities, and is measured at fair value.

Receivables referring to direct insurance operations

Receivables referring to direct insurance operations 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 not yet due for investment assets.

Translation reserve

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

Discretionary participation features reserve

The discretionary participation features reserve in equity consist of preliminarily allocated refunds to policy holders and the insured. Allocated refunds to the insured include pension supplements and adjustments of paid-up values for defined benefit pension products, as well as preliminarily allocated refunds for defined contribution insurance. Allocated refunds to policy holders comprise a premium reduction for risk insurance. Allocated refunds to policy holders and the insured also include funds designed to cover the cost of measures within the ITP plan, where the collective agreement parties have been given the right to assign use. A decision on final use is made by Alecta's Board, provided that the Board is unanimous that the assigned use is in accordance with Alecta's interests as an insurance company. Allocation of surplus is regulated in the Company's funding policy in the actuarial guidelines. As the surplus is preliminary and not guaranteed, it is regarded as risk capital and included in the Company's funding reserve. The surplus is guaranteed 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 the indexation of pensions or for other pension-promoting purposes. Alecta has these funds at its disposition following a decision by the Confederation of Swedish Enterprise and the Council for Negotiation and Co-operation for Salaried Employees (PTK). Special indexation funds are, therefore, not included in collective funding capital. Change items are recognised directly in equity.

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

Guarantee reserve

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

The amount of the funds in the reserve is adjusted upwards or downwards annually by an amount corresponding to the percentage rate for the total return on Alecta's investment assets after deduction for yield tax and incurred management costs. The upward or downward adjustment of the guarantee reserve takes place the year after a decision by the Council of Administration to transfer an amount corresponding to the return between the funding reserve and the guarantee reserve.

Retained earnings including net profit for the year

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

Technical provisions

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

Provision for life insurance

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

Provision for claims outstanding

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

Pensions within the Alecta Group

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

Provisions

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

Liabilities referring to direct insurance operations

Liabilities referring to direct insurance operations are recognised at amortised cost.

Accrued expenses and deferred income

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

Cash flows

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

Lease agreements

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

Laws and regulations applying to the Parent Company

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

As the Group complies with IAS/IFRS standards, as adopted by the EU, the accounting principles in the Parent Company differ in certain respects from the accounting principles applied in the Group. Differences of material significance for the Parent Company are specified below.

Funding reserve

Life insurance companies which may not distribute profits must have a fund-

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

ing 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, the discretionary participation features reserve and other reserves.

Appropriations, untaxed reserves, Group contributions

Tax legislation in Sweden allows companies to reduce taxable income for the year by transferring amounts to untaxed reserves in the balance sheet, via the income statement item Appropriations. Alecta's appropriations refer to a change in the tax allocation reserve and Group contributions.

When the provision is later dissolved, it is reversed for taxation, which means that the reserve contains a deferred tax liability. Due to the relationship between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not accounted for separately in the Parent Company.

In the consolidated financial statements, the tax allocation reserve is eliminated and the amount divided between equity and deferred tax.

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

Yield tax

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

Yield tax is recognised separately in the consolidated income statement and constitutes part of operating profit/loss.

Provision for pensions

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

Land and buildings

In the Parent Company, both investment properties and owner-occupied properties are recognised at fair value in the balance sheet, with changes in value recognised in the income statement.

In the Group, owner-occupied properties are recognised at cost less accumulated depreciation.

Shares and participations in Group companies

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

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

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

Business combinations

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

NOTE 2 Significant estimates and assessments

The preparation of 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. Company management continuously evaluates the estimates and assessments undertaken.

Actual outcomes may deviate from the estimates and assessments. Those assumptions and estimates which Alecta deems to have the biggest impact on financial performance and/or on 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. The sensitivity of the assumptions underlying the valuation of technical provisions is described in Note 3. For information on current assumptions, see Note 38 and Note 39.

Investment properties

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

Intangible assets

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

Taxes

Deferred tax assets and liabilities are recognised on temporary differences, non-utilised loss carry forwards and other unutilised deductible tax losses. The reported deferred tax is impacted by certain assumptions and assessments, both those made in establishing the carrying amounts of various assets and liabilities and also those made as regards future taxable profits. The Group tests annually whether there is a possibility that new deferred tax assets can be capitalised and whether impairment requirements exist for previous years' loss carry forwards. The carrying amounts of deferred tax liabilities and tax assets are shown in Note 42.

Assessments

Financial instruments

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

Taxes

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

NOTE 3 Risks and risk management

A general description of Alecta's risk organisation and risk management is provided in the Administration Report (page 38). In this Note, Alecta's various risk categories are described in greater detail.

Risk of loss

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

Insurance risks

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

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

In 2015, the independent control function Risk Control conducted a review of Alecta's insurance risks, which comprised a review of Alecta's actuarial assumptions and calculations.

Mortality risk

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

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

During 2015, Alecta has updated the mortality assumptions utilised in the calculation of the provision for life insurance. The new assumptions imply that a man or a woman born in the 1950s will live for a further 22,2 (21,5) and 23,9 (24,2) years, respectively, after their 65th birthday. The mortality improvement for individuals born in subsequent decades is then assumed to be approximately 0,8 years per decade of birth.

A reduction in the mortality assumption of 20 percent implies that the life expectancies of a man and a woman currently aged 65 increase by 1,6 (1,6) years and 1,6 (1,5) years, respectively, and that Alecta's life insurance provision would increase by approximately 5 (5) percent.

Morbidity risk

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

on the basis of specific assumptions on the future level of incapacity to work and the length of the illness.

If the probability of recovery by all those incurring sickness benefits is seen to decrease by 20 percent in conjunction with each future actuarial calculation, while the level of working capacity for those incurring sickness benefits is also deemed to decrease by 20 percent, then the technical provisions for disability pension and waiver of premium increase by approximately 22 (19) percent.

Operating expenses risk

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

Interest rate risk

Interest rate risk refers to the assumptions on future returns forming the basis of the calculation of premiums and benefits. The technical provisions are primarily assessed using the interest rate curve as defined in the Swedish Financial Supervisory Authority's regulations. In the annual report, the interest rate curve is expressed as a cash flow weighted average interest rate. The effect of the interest rate on Alecta's results and solvency level is described in the sensitivity analysis on page 63. The 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, matching risk and solvency risk. The goal for the investment operations is to create a sustained real return, in other words, a return that exceeds both inflation and the development of Alecta's insurance commitments. The independent Risk Control function has assessed the value of Alecta's investment assets on a tertiary basis during 2015. In addition, certain aspects of risk management activities within investment management have been reviewed.

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 shares, bonds or real estate. In order to limit market risk and avoid concentrations in the portfolio, Alecta allocates investments in different asset classes and markets.

Asset allocation

Class of asset	Exposure		Proportion of portfolio	
	2015	2014	2015	2014
Shares	307 776	285 147	42,1 %	41,7 %
Interest-bearing investments	361 615	348 035	49,4 %	50,9 %
Real estate	62 159	50 194	8,5 %	7,3 %
Total	731 550	683 377	100,0 %	100,0 %

The table shows the asset allocation based on the classification in the total return table, see page 32. A detailed breakdown of asset classes is provided in the diagrams on page 33.

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 establishes 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

NOTE 3 Risks and risk management, cont.

more cost effective. Alecta also hedges its entire holdings of foreign bonds and real estate and a portion of its holdings of foreign shares. Total currency exposure after hedging at year end was equal to 15,9 percent (16,6) of investments. Without currency hedging, 45,8 percent (44,1) of assets would have been exposed to exchange rate fluctuations.

Currency exposure after hedging

	Proportion of investment portfolio		Exposure	
	2015	2014	2015	2014
EUR	2,0 %	1,4 %	14 558	9 636
CHF	1,5 %	1,2 %	10 973	8 064
GBP	1,1 %	2,9 %	7 828	20 023
USD	9,3 %	9,0 %	68 400	61 162
Others	2,0 %	2,1 %	14 777	14 283
Net exposure	15,9 %	16,6 %	116 536	113 168

Credit risk

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

Interest-bearing investments are primarily made in securities issued by borrowers with high credit ratings. Investments are primarily made in bonds assigned a rating of BBB- or higher by the rating institute Standard & Poor's. In addition to external ratings, all issuers are assessed for credit risk using internal credit rating models. Of Alecta's interest-bearing investments, 43 (42) percent are in Swedish and foreign government securities, 18 (20) percent in Swedish mortgage institutions and 39 (38) percent in investments issued by other issuers (see Note 26 on page 80).

Credit exposure

	Bonds and other interest-bearing securities			
	Market value		Proportion	
	2015	2014	2015	2014
Rating Aaa/AAA	160 079	203 721	44,7 %	58,9 %
Rating Aa/AA	43 255	27 526	12,1 %	8,0 %
Rating A/A	114 531	63 430	32,0 %	18,3 %
Rating Baa/BBB	26 772	31 866	7,5 %	9,2 %
Rating Ba/BB	417	2 989	0,1 %	0,9 %
Unrated	12 762	16 424	3,6 %	4,7 %
<i>of which securities issued by state-owned issuers</i>	4 665	4 204	1,3 %	1,2 %
Total	357 816	345 956	100 %	100 %

Liquidity risk

Liquidity risk is the risk of a loss on financial instruments arising as it may not be possible to immediately sell the instruments without reducing the price. Liquidity risk also refers to the risk that Alecta will be unable to meet its payment obligations at the time of maturity without an increase in the cost of obtaining funds. Alecta's payment commitments consist of insurance obligations and financial liabilities, where approximately 90 percent of the obligations have a maturity in excess of five years, see Notes 38 and 39 on page 86. Alecta's financial liabilities are limited to the derivative contracts applied to hedge foreign currency risk and interest rate risk, and usually have a maturity of less than one year. The nominal value of derivative contracts is provided in Note 29 on page 80. A maturity analysis of financial liabilities is also presented in Note 22 on

page 75. Liquidity risk is monitored using detailed cash flow forecasts and is limited by Alecta investing primarily in assets with good liquidity. Note 23 on page 76 specifies that SEK 307 billion of Alecta's investments comprise listed shares which can be converted into cash within one week. The remaining investments can be regarded as convertible into cash within one year, which means that the liquidity risk is regarded as negligible.

Matching risk

Matching risk is the risk of a deterioration in the financial position due to the characteristics of the assets and the technical provisions differing from one another. The value of the insurance commitments and the interest-bearing investments depend on the interest rate level. If interest rates fall, the commitments and the value of the interest-bearing investments rise. Given that the commitments are larger and have a longer average maturity than the interest-bearing investments, a fall in interest rates is unfavourable for Alecta. The maturity of the commitments and the fixed-income periods of the asset portfolio are specified in Notes 38 and 39 and Note 26, respectively.

In order to limit matching risk, Alecta applies an Asset Liability Management (ALM) analysis, the purpose of which is to identify the composition of investment assets best meeting the commitments and Alecta's target rate of return. The analysis takes into account how both 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 relative to Alecta's obligations, targets and financial position. Decisions are approved when required by the Board's Finance Committee.

Solvency risk

Solvency risk is the risk that Alecta could be considered to have insufficient risk capital to ensure that it can meet its guaranteed commitments. The Swedish Financial Supervisory Authority measures solvency risk on the basis of its traffic light model. Alecta's risk capital level results in a "green light" by a wide margin. In addition, Alecta performs its own stress 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. The stress tests measure risk exposure, and in the event of a limit being reached, action is taken to safeguard Alecta's solvency.

Sensitivity analysis

Group	Effect on			
	Solvency level (% points)		Net profit for the year / Equity	
	2015	2014	2015	2014
Interest decrease 1% point	-12,1	-10,9	-26 492	-26 552
Share price decrease 10 %	-7,2	-6,7	-30 778	-28 515
Real estate value decrease 10 %	-1,5	-1,2	-6 216	-5 019
Exchange rate decrease 10 %	-2,7	-2,6	-11 676	-11 294

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

Operating risks

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

NOTE 3 Risks and risk management, cont.**Other risks**

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

Self-assessment of risks

Using a Company-wide self-assessment method, Alecta's different departments annually identify and assess their risks in various risk categories. Areas for improvement are identified and decisions made regarding risk mitigating measures and financially motivated, or motivated for other reasons, measures to be taken. Work on continual improvements in the day-to-day operations also contributes to reducing operating risks.

Incident management

Despite the preventive 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 similar incidents from happening again. Incidents are, therefore, discussed and reported regularly at all levels in Alecta.

NOTE 4 Premiums written

Group and Parent Company	2015	2014
Current premiums	25 351	22 894
Single premiums	6 349	2 378
Premium tax ¹⁾	-119	-127
Invoiced premiums	31 581	25 145
Adjustments of paid-up values	16	8 591
Premium reductions	2 780	2 386
Guaranteed refunds	2 796	10 977
Total premiums written	34 377	36 122

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

NOTE 5 Return on capital, income

	Group		Parent Company	
	2015	2014	2015	2014
Rental income from land and buildings	2 679	2 441	970	955
Dividends received	9 220	8 075	9 627	8 737
<i>of which Group companies</i>	-	-	494	678
Interest income, etc.	8 122	12 867	8 255	13 036
<i>bonds and other interest-bearing securities</i>	7 920	12 672	7 920	12 672
<i>other interest income</i>	202	195	186	180
<i>other interest income, Group companies</i>	-	-	149	184
Reversals of impairment	-	-	2 763	-
<i>shares and participations in Group companies</i>	-	-	2 753	-
<i>loans with Group companies</i>	-	-	10	-
Foreign exchange gains, net	7 377	7 949	7 368	7 949
Capital gains, net	11 968	9 413	11 560	9 413
<i>land and buildings</i>	636	-	228	-
<i>shares and participations</i>	9 966	6 461	9 966	6 461
<i>bonds and other interest-bearing securities</i>	1 366	2 952	1 366	2 952
Other	11	12	-	-
Total return on capital, income	39 377	40 757	40 543	40 090

NOTE 6 Unrealised gains on investment assets

	Group		Parent Company	
	2015	2014	2015	2014
Land and buildings	4 631	2 497	1 212	1 521
Shares and participations	4 936	17 516	4 873	17 520
Bonds and other interest-bearing securities	-	17 378	-	17 378
Loans with real estate as collateral	-	3	-	3
Other loans	105	136	105	136
Total unrealised gains on investment assets	9 672	37 530	6 190	36 558

NOTE 7 Claims paid

Group and Parent Company	2015	2014
Basic amount paid before indexation	-16 376	-15 559
Waiver of premium paid	-1 765	-1 482
Cancellations and repurchases ¹⁾	-419	-612
Operating expenses for claims management	-132	-133
Total claims paid	-18 692	-17 786

¹⁾ This item includes transferred capital of SEK 402 million (594).

NOTE 8 Operating expenses

	Group		Parent Company	
	2015	2014	2015	2014
Administrative expenses	-547	-548	-547	-548
Total operating expenses in the insurance business	-547	-548	-547	-548
Claims management ¹⁾	-132	-133	-132	-133
Investment management ²⁾	-201	-196	-178	-179
Property management ³⁾	-86	-93	-46	-58
Total operating expenses	-966	-970	-903	-918
Specification of total operating expenses				
Personnel costs	-449	-442	-430	-429
Costs for premises	-21	-21	-20	-20
Amortisation/depreciation	-26	-26	-26	-26
IT costs	-214	-210	-214	-209
Property management costs	-86	-93	-46	-58
Selection centre costs	-123	-127	-123	-127
Other costs ⁴⁾	-96	-101	-93	-99
Administration fees	49	50	49	50
Total operating expenses	-966	-970	-903	-918

¹⁾ Reported under Claims paid in the income statement, see Note 7.

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

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

⁴⁾ Other expenses mainly comprise costs for information and consultants and fees paid to the Swedish Financial Supervisory Authority.

NOTE 9 Return on capital, expenses

	Group		Parent Company	
	2015	2014	2015	2014
Operating expenses for land and buildings	-912	-848	-308	-322
Investment management costs ¹⁾	-201	-196	-178	-179
Interest expenses, etc.	-692	-852	-696	-849
<i>bonds and other interest-bearing securities</i>	-676	-818	-676	-818
<i>other interest expenses, Group companies</i>	-16	-34	-20	-29
Custodian bank fees	-20	-23	-20	-23
Depreciation/amortisation and impairment	-	-	-	-167
<i>loans with Group companies</i>	-	-	-	-167
Capital losses, net	-1	-555	-1	-456
<i>land and buildings</i>	-	-555	-	-456
<i>other loans</i>	-1	-	-1	-
Other	-27	-24	-	-
Total return on capital, expenses	-1 853	-2 498	-1 203	-1 996

¹⁾ In addition to these expenses, external fees of approximately SEK 81 million (56) was paid for investments in unlisted real estate funds. These fees are reported as a negative change in the value of the holding and are, for this reason, included in the net amount of unrealised gains on shares and participations in Note 6.

NOTE 10 Unrealised losses on investment assets

	Group		Parent Company	
	2015	2014	2015	2014
Bonds and other interest-bearing securities	-8 231	-	-8 231	-
Total unrealised losses on investment assets	-8 231	-	-8 231	-

NOTE 11 Yield tax

Group and Parent Company	2015	2014
Yield tax ¹⁾	-906	-994
Adjustment of tax attributable to previous years	-4	-1
Total yield tax	-910	-995
¹⁾ Yield tax	2014	2014
Basis ^{A)}	683 591	604 272
Capital base ^{B)}	646 609	569 224
Tax base ^{C)}	10 475	11 441
Yield tax before foreign tax credit ^{D)}	-1 571	-1 716
Tax credit for paid coupon tax and income and property tax on foreign properties in previous year	665	722
Yield tax	-906	-994

Sensitivity analysis	Effect on yield tax	
Group	2015	2014
Capital base +/- 10 %	-/+ 157	-/+ 172
Allocation percentage +/- 1 % point	-/+ 17	-/+ 18
Average government borrowing rate +/- 1 % point	-/+ 970	-/+ 854

^{A)} The basis for yield tax is comprised of the value of the assets at the beginning of the financial year after deduction of financial liabilities at the same point in time. The basis is then adjusted to take into account surplus values of foreign and Swedish indirectly-owned properties. Of the basis, SEK 6 702 million (3 836) constitutes surplus values.

^{B)} The capital base of 94,59 percent (94,20) is the portion of the basis that refers to the pension products and family protection. This portion is calculated on the basis of equity, untaxed reserves and technical provisions.

^{C)} The tax base is calculated as the capital base multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the fiscal year. Average government borrowing rate: 1,62 percent (2,01).

^{D)} Tax rate: 15 percent (15).

NOTE 12 Income tax (Group)

Group	2015	2014
Income tax	-682	-660
of which current tax	-795	-632
of which deferred tax	113	-28
Total income tax	-682	-660
Current tax ¹⁾		
Tax on profit of the year in Sweden	-1	-1
Foreign tax on directly and indirectly-owned properties	-316	-216
Adjustment of tax attributable to previous years	11	-75
Coupon tax	-489	-340
Total current tax	-795	-632
Deferred tax		
Temporary differences	-1 357	-971
Properties in Sweden ²⁾	-363	31
Properties outside of Sweden ²⁾	-999	-491
Financial instruments	5	-510
Other	0	-1
Loss carry forwards	395	-13
Tax allocation reserve	25	508
Accelerated depreciation	-8	-3
Other unutilised tax deductions ³⁾	89	-23
Creditable foreign income tax	969	474
Total deferred tax	113	-28

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

²⁾ The comparative figure has been adjusted by means of reclassification.

³⁾ Other unutilised tax deductions refer to creditable foreign income tax exceeding the maximum limit. Excess amounts may be offset no later than in the fifth fiscal year following the current fiscal year.

Reconciliation of reported tax expense and tax based on the applicable Swedish tax rate	2015		2014	
Profit before yield tax and income tax according to income statement	53 826		19 871	
Less: Profit from operations taxed on the basis of returns	-48 095		-15 885	
Profit from operations taxed on the basis of income	5 731		3 986	
Tax according to current tax rate	-1 261	-22,0 %	-877	-22,0 %
Difference in tax rate ^{A)}	-491	-8,6 %	-217	-5,4 %
Non-deductible expenses and taxable income not included in profit	-21	-0,4 %	-11	-0,3 %
Non-taxable income	107	1,8 %	8	0,2 %
Allocated premium reduction	590	10,3 %	511	12,8 %
Standard interest on tax allocation reserve	0	0,0 %	-8	-0,2 %
Effect of initial recognition of properties	-1	0,0 %	-17	-0,4 %
Other	3	0,1 %	-6	-0,2 %
Adjustment of tax attributable to previous years	16	0,3 %	28	0,7 %
Loss carry forwards	0	0,0 %	5	0,1 %
Unutilised tax deductions	89	1,5 %	-23	-0,6 %
Foreign tax to credit ^{B)}	879	15,4 %	335	8,4 %
Foreign income tax	-103	-1,8 %	-48	-1,2 %
Coupon tax	-489	-8,5 %	-340	-8,5 %
Reported income tax	-682	-11,9 %	-660	-16,6 %

^{A)} Refers to the USA and France.

^{B)} Corresponds to deferred tax on the difference between the reported and fiscal values of foreign properties.

NOTE 13 Tax (Parent Company)

Parent Company	2015	2014
Yield tax	-910	-995
Income tax	-309	-1 178
of which current tax	-793	-625
of which deferred tax	484	-553
Total tax	-1 219	-2 173
Yield tax		
Yield tax ¹⁾	-906	-994
Adjustment of tax attributable to previous years	-4	-1
Total yield tax	-910	-995
Current tax ²⁾		
Tax on profit for the year in Sweden	-	-
Foreign tax on directly and indirectly-owned properties	-316	-212
Adjustment of tax attributable to previous years	12	-73
Coupon tax	-489	-340
Total current tax	-793	-625
Deferred tax		
Temporary differences	-97	-671
Properties in Sweden ³⁾	-6	-11
Properties outside of Sweden ³⁾	-96	-149
Financial instruments	5	-511
Other	0	0
Loss carry forwards	402	3
Other unutilised tax deductions ⁴⁾	89	-23
Creditable foreign income tax	90	138
Total deferred tax	484	-553

¹⁾ For the computation of yield tax, see Note 11.

²⁾ The portion liable for tax comprises disability pension, waiver of premium and TGL.

³⁾ The comparative figure has been adjusted by means of reclassification.

⁴⁾ Other unutilised tax deductions refer to creditable foreign income tax exceeding the maximum limit. Excess amounts may be offset no later than in the fifth fiscal year following the current fiscal year.

Reconciliation of reported tax expense and tax based on the applicable Swedish tax rate	2015		2014	
Profit before tax according to income statement	52 293		21 062	
Less: Profit from operations taxed on the basis of returns	-51 231		-16 354	
Profit from operations taxed on the basis of income	1 061		4 708	
Tax according to current tax rate	-234	-22,0 %	-1 036	-22,0 %
Non-deductible expenses and taxable income not included in profit	-13	-1,2 %	-11	-0,2 %
Non-taxable income	48	1,5 %	14	0,3 %
Allocated premium reduction	590	55,6 %	511	10,9 %
Standard interest on tax allocation reserve	0	0,0 %	-8	-0,2 %
Unutilised tax deductions	89	8,3 %	-23	-0,5 %
Foreign income tax	-303	-28,5 %	-212	-4,5 %
Adjustment of tax attributable to previous years	3	0,3 %	-73	-1,6 %
Coupon tax	-489	-46,1 %	-340	-7,2 %
Reported income tax	-309	-25,0 %	-1 178	-25,0 %
Additional yield tax	-906		-994	
Additional yield tax from previous years	-4		-1	
Reported tax	-1 219		-2 173	

NOTE 14 Intangible assets

Group and Parent Company	2015		2014	
	Completed development	Total	Completed development	Total
Acquisition cost				
Opening balance	684	684	684	684
Investments during the year	-	-	-	-
Disposals during the year	-1	-1	-	-
Closing balance	683	683	684	684
Accumulated amortisation and impairment				
Opening balance	-234	-234	-208	-208
Amortisation for the year	-26	-26	-26	-26
Disposals during the year	1	1	-	-
Closing balance, amortisation	-259	-259	-234	-234
Opening balance	-114	-114	-114	-114
Closing balance, impairment	-114	-114	-114	-114
Carrying amount, intangible assets	310	310	336	336

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

NOTE 15 Property, plant and equipment

	Group		Parent Company	
	2015	2014	2015	2014
Acquisition cost				
Opening balance	44	62	16	36
Purchases during the year	6	4	3	1
Divestment/disposals during the year	-3	-22	-	-21
Translation differences	1	0	-	-
Closing balance	48	44	19	16
Accumulated depreciation				
Opening balance	-15	-35	-11	-31
Depreciation for the year	-2	-2	-2	-1
Divestment/disposals during the year	3	22	-	21
Translation differences	-1	0	-	-
Closing balance	-15	-15	-13	-11
Carrying amount, property, plant and equipment	33	29	6	5

NOTE 16 Investment properties (Land and buildings)

Specification of change in fair value

Group 2015	Sweden	USA	UK	France	The Netherlands	Total
Opening balance	20 449	12 391	4 622	-	-	37 462
New builds, extensions and conversions	541	201	29	-	-	771
Acquisitions	112	0	0	-	-	112
Sales	-1 373	-589	-70	-	-	-2 032
Change in value	2 407	2 216	404	-	-	5 027
Exchange rate fluctuations	0	1 050	155	-	-	1 205
Closing balance	22 136	15 269	5 140	-	-	42 545
Group 2014	Sweden	USA	UK	France	The Netherlands	Total
Opening balance	18 405	9 679	3 659	415	175	32 333
New builds, extensions and conversions	847	102	-32	5	1	923
Acquisitions	2 191	-	-	-	-	2 191
Sales	-1 457	-362	-160	-417	-134	-2 530
Change in value	463	912	637	-14	-46	1 952
Exchange rate fluctuations	-	2 060	518	11	4	2 593
Closing balance	20 449	12 391	4 622	0	0	37 462
Parent Company 2015	Sweden	USA	UK	France	The Netherlands	Total
Opening balance	9 266	1 488	4 622	-	-	15 376
New builds, extensions and conversions	154	23	29	-	-	206
Acquisitions	0	0	0	-	-	0
Sales	-622	0	-70	-	-	-692
Change in value	906	139	404	-	-	1 449
Exchange rate fluctuations	0	128	155	-	-	283
Closing balance	9 704	1 778	5 140	-	-	16 622
Parent Company 2014	Sweden	USA	UK	France	The Netherlands	Total
Opening balance	9 848	1 015	3 659	-	175	14 697
New builds, extensions and conversions	150	10	-32	-	1	129
Acquisitions	439	-	-	-	-	439
Sales	-1 457	-	-160	-	-134	-1 751
Change in value	286	239	637	-	-46	1 116
Exchange rate fluctuations	-	224	518	-	4	746
Closing balance	9 266	1 488	4 622	-	0	15 376
Specification of historical costs*						
Parent Company	Sweden	USA	UK	France	The Netherlands	Total
2015	6 807	1 075	4 094	-	-	11 976
2014	7 062	968	3 967	-	-	11 997

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

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

Fair value per sector	Group		Parent Company	
	2015	2014	2015	2014
Industry	1 383	2 414	1 221	1 329
Offices	23 060	19 653	9 540	8 214
Residential housing	3 287	2 304	-	-
Trade	13 059	11 476	4 689	4 724
Other	1 756	1 615	1 172	1 109
Total	42 545	37 462	16 622	15 376

Vacancy rate by rent, %	Group	
	2015	2014
Sweden	4,8	4,8
USA	11,7	9,2
UK	2,3	7,7
	6,8	6,5

Breakdown of lettable floor area, square metres	Group	
	2015	2014
Sweden	678 737	719 411
USA	342 532	383 708
UK	151 005	151 247
	1 172 274	1 254 366

Lease maturities at 31 Dec 2015	Group	
	Contracted annual rent	Proportion, %
<i>Maturity dates:</i>		
Within one year	177	7 %
Later than one year but within five years	1 006	40 %
Later than five years	1 057	43 %
Residential, garage/parking, etc.	260	10 %
	2 500	100 %

All properties in the Group, other than owner-occupied properties owned by the Group, are classified as investment properties as they are owned in order to generate rental income and/or appreciate in value. Investment properties are valued in accordance with level 3 in the fair value hierarchy and no properties changed between different levels in the value hierarchy during the year. Project properties are valued at fair value unless this cannot be ascertained, in which case they are valued at cost. Project properties valued at cost in the Group amounted to SEK 739 million in 2015.

See Note 1, Accounting principles in the Group and Parent Company under Land and buildings on page 57 for a description of the valuation process.

Valuation method

The total value of Alecta's property portfolio is based on the estimated market value of each individual property. The method is based on the market practice of the country in which the property is situated. In Sweden, the assessed market value is based on a return-based method, implying that the value of the property is based on the present value of the forecast net operating income, as well as on the residual value during the calculation period, after which these are discounted with the estimated cost of capital. The cost of capital is an important parameter and consists of required returns and inflation.

The required returns are determined using the sales comparison approach, which is based on information such as actual rental agreements, along with normalised operating and maintenance expenses for comparable properties, as well as location prices. Examples of factors which have an impact upon the required returns include the tenant mix of the property, modernity, condition, the length of the rental agreement and planned market transactions. The future net operating income is based, for example, on current and historical rents; the development, operating and maintenance costs for the area and assessed investments.

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

The parameters which are decisive for the assessed market value of properties include the required returns and assumptions on future net operating income. The required returns for the property portfolio differ between regions and property categories. The average initial required returns and the initial net operating income for Sweden, the USA and the United Kingdom are presented in the table below. The required returns in Sweden do not include development properties, and in the United Kingdom, the net operating income consists solely of net rental income, as the majority of the ongoing expenses for operations and maintenance, as well as property tax, are invoiced to the tenant instead of being charged to the property owner.

Countries	Net operating income, SEK m	Required returns, %
Sweden	1 070	4,7
USA	630	4,2
UK	250	4,8

Sensitivity analysis

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

Countries	Net operating income +/- 10 %	Required returns +/- 0,5 %
Sweden	+/- 2 270	+/- 2 440
USA	+/- 1 530	+/- 1 640
UK	+/- 510	+/- 560

NOTE 17 Owner-occupied properties (Land and buildings)

Group	2015	2014
Acquisition cost		
Opening balance	990	974
Purchases during the year	0	16
Closing balance	990	990
Accumulated depreciation		
Opening balance	-102	-84
Depreciation for the year	-18	-18
Closing balance	-120	-102
Carrying amount, owner-occupied properties	870	888

NOTE 18 Shares and participations in Group companies ¹⁾

Parent Company	Corporate Identity Number	Registered offices	Number of shares/participation	Share of equity	Carrying amount, 2015	Carrying amount, 2014
Swedish companies						
Alecta AB	556597-9266	Stockholm	1 000	100 %	0	0
Alecta Köpcentrum AB	556943-7071	Stockholm	500	100 %	0	0
Alecta Retail Holding AB	556660-2594	Stockholm	1 000	100 %	34	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 ³⁾	556692-9625	Stockholm	1 000	100 %	-	-
- Alfab Västerås 1 AB	556606-3656	Stockholm	100	100 %	-	-
Alfab Jönköping 4 AB	556188-6127	Stockholm	1 000	100 %	-	-
Alfab Jönköping 5 AB	556658-9783	Stockholm	1 000	100 %	-	-
Alfab Valutan 13 AB	556708-2713	Stockholm	100 000	100 %	-	-
Fastighet Ädel AB	556604-9275	Stockholm	1 000	100 %	-	-
Fastighetsaktiebolaget Borås Filtret	556790-5525	Stockholm	1 000	100 %	-	-
Fastighetsaktiebolaget Åkersberga Österåker Runö	556785-6389	Stockholm	1 000	100 %	-	-
Fyrfast AB	556604-5513	Stockholm	1 000	100 %	-	-
Alecta Tjänstepensioner AB	556713-7160	Stockholm	1 000	100 %	0	0
Alfab Indirekt Holding AB	556931-5459	Stockholm	50 000	100 %	30	30
Kabelverket Holding AB	556587-1075	Stockholm	1 000	100 %	500	0
Alfab Brygghuset 2 AB	556981-3149	Stockholm	50 000	100 %	-	-
Alfab Göteborg 3 AB	556913-5717	Stockholm	500	100 %	-	-
Alfab Göteborg 4 AB	556718-6654	Stockholm	1 000	100 %	-	-
Alfab Göteborg 5 AB	556690-0386	Stockholm	1 000	100 %	-	-
Alfab Haninge 515 AB	556764-4462	Stockholm	1 000	100 %	-	-
Alfab Haninge 516 AB	556730-4174	Stockholm	1 000	100 %	-	-
Alfab Mangelboden 1 AB ⁴⁾	556942-6603	Stockholm	50 000	100 %	-	-
Alfab Malmö 1 AB	556655-4266	Stockholm	1 000	100 %	-	-
Alfab Nyköping 1 AB ³⁾	556740-0717	Stockholm	1 000	100 %	-	-
Alfab Stockholm 1 AB	556660-5530	Stockholm	1 000	100 %	-	-
Alfab Vällingby 1 AB	556892-7858	Stockholm	500	100 %	-	-
- Alfab Vällingby 3 KB	969761-3603	Stockholm	-	-	-	-
Alfab Vällingby 2 AB	556892-7882	Stockholm	500	100 %	-	-
- Alfab Vällingby 4 KB	969761-3595	Stockholm	-	-	-	-
Alfab Västerport 1 AB	556690-0378	Stockholm	1 000	100 %	-	-
Alfab Västerport 2 AB	556946-8944	Stockholm	500	100 %	-	-
Fastighets AB Kablaget	556577-4642	Stockholm	1 000	100 %	-	-
- Alecta Fastighetsutveckling AB	556577-4618	Stockholm	1 000	100 %	-	-
- Fastighets AB Kabelverket	556577-4568	Stockholm	1 000	100 %	-	-
Vasaterminalen AB	556118-8722	Stockholm	2 022 000	100 %	-	-
- World Trade Center Stockholm AB	556273-0803	Stockholm	1 000	100 %	-	-
- WTC Parkering AB	556424-3920	Stockholm	1 000	100 %	-	-
Naraden Boglundsängen KB ²⁾	969651-4117	Stockholm	99	99 %	-	15
Naraden Göteborg 1 KB	969697-7892	Stockholm	99	99 %	297	285
Tuna Park Köpcentrum KB ²⁾	969680-6398	Stockholm	999	99,9 %	-	501
Total Sweden					861	861

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

²⁾ The company was liquidated in 2015.

³⁾ The company was sold in 2015.

⁴⁾ The company was acquired in 2015.

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

Parent Company	Corporate Identity Number	Registered offices	Number of shares/participation	Share of equity	Carrying amount, 2015	Carrying amount, 2014
Foreign companies						
France						
Alecta Real Estate France EURL ²⁾	499638864	Paris	1 000	100 %	–	0
Alecta Floirac SCI ²⁾	501701635	Paris	9 999	99,9 %	–	0
Alecta Hoerdts SCI ²⁾	499653756	Paris	9 999	99,9 %	–	0
Alecta Merignac SCI ²⁾	499686079	Paris	9 999	99,9 %	–	0
Alecta Meyzieu SCI ²⁾	499686152	Paris	9 999	99,9 %	–	0
Alecta Toulouse SCI ²⁾	507410587	Paris	9 999	99,9 %	–	0
Alecta Vouillands SCI ²⁾	501701502	Paris	9 999	99,9 %	–	0
Alecta Woodstock II SCI ²⁾	499686111	Paris	9 999	99,9 %	–	0
Total France					–	0
USA						
Alecta Real Estate USA, LLC	DE ID 4078782	San Francisco	–	100 %	10 580	8 094
– Alecta Denver, LLC	DE ID 4382120	San Francisco	–	100 %	–	–
– Alecta Los Angeles, LLC	DE ID 4784460	San Francisco	–	100 %	–	–
– Alecta Real Estate Investment, LLC	DE ID 4223706	San Francisco	–	100 %	–	–
– Alecta Real Estate Doral Plaza, LLC	DE ID 3601054	San Francisco	–	100 %	–	–
– Alecta Real Estate Winsted, LLC	DE ID 3601057	San Francisco	–	100 %	–	–
– Alecta Portland, LLC	DE ID 4836467	San Francisco	–	100 %	–	–
– Alecta Timberland, LLC	DE ID 4130208	San Francisco	–	100 %	–	–
– Springboard – OP CO, LLC	DE ID 4834515	San Francisco	–	100 %	–	–
– Springboard – Wallace Falls, LLC	DE ID 4830432	San Francisco	–	100 %	–	–
– Alecta Value Add Investments, LLC	DE ID 5469880	San Francisco	–	100 %	–	–
– Birch Commercial Mortgage, LLC	DE ID 4641524	San Francisco	–	100 %	–	–
– Boylston Street Investors, LLC	DE ID 5405204	San Francisco	–	100 %	–	–
– Columbia & Eighth, LLC	DE ID 5003417	San Francisco	–	100 %	–	–
– Cupertino – Tantau, LLC	DE ID 4895201	San Francisco	–	100 %	–	–
– First Hill Northwest, LLC	DE ID 4905415	San Francisco	–	100 %	–	–
– Hillsboro Club, LLC	DE ID 4951762	San Francisco	–	100 %	–	–
– Hillsboro Terrace, LLC	DE ID 4951765	San Francisco	–	100 %	–	–
– Middlefield Circle, LLC	DE ID 5071351	San Francisco	–	100 %	–	–
– MMM Northwest 37, LLC	DE ID 4905419	San Francisco	–	100 %	–	–
– Mountain View Circle, LLC	DE ID 5413213	San Francisco	–	100 %	–	–
– SRP Valley, LLC	DE ID 5125176	San Francisco	–	100 %	–	–
– SSF Industrial, LLC	DE ID 5036326	San Francisco	–	100 %	–	–
– Townsend East, LLC	DE ID 5225419	San Francisco	–	100 %	–	–
– Walnut & Fifteenth, LLC	DE ID 5235952	San Francisco	–	100 %	–	–
Total USA					10 580	8 094
Total shares and participations in Group companies					11 441	8 955

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

²⁾ The company was liquidated in 2015.

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

Parent Company	Carrying amount 2015	Carrying amount 2014
Acquisition cost		
Opening balance	11 831	11 249
Shareholders' contribution during the year	258	570
Liquidations during the year	-660	-
Share of profit for the year	12	12
Closing balance	11 441	11 831
Accumulated impairment		
Opening balance	-2 876	-2 876
Reversed impairment during the year	2 731	-
Liquidations during the year	145	-
Closing balance	0	-2 876
Total shares and participations in Group companies	11 441	8 955

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

Parent Company	Carrying amount 2015	Carrying amount 2014
Acquisition cost		
Opening balance	8 631	7 054
Changes for the year	2 024	1 577
Total interest-bearing securities issued by, and loans to, Group companies	10 655	8 631

The item comprises, in its entirety, loans to property-owning subsidiaries valued at amortised cost.

NOTE 20 Categorisation of financial assets and liabilities

Group, 31 Dec 2015	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 trade	Loans and receivables/ other financial assets and liabilities	Closing carrying amount	Fair value
Financial assets					
Shares and participations	319 042	-	-	319 042	319 042
Bonds and other interest-bearing securities	357 816	-	-	357 816	357 816
Loans with real estate as collateral	-	-	318	318	318
Other loans	1 880	-	2 388	4 268	4 268
Derivatives	-	8 209	-	8 209	8 209
Receivables referring to direct insurance operations	-	-	1 565	1 565	1 565
Other receivables	-	-	1 207	1 207	1 207
Cash and bank balances	-	-	3 302	3 302	3 302
Accrued interest and rental income	-	-	7 685	7 685	7 685
Total	678 738	8 209	16 465	703 412	703 412
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	17	17	17
Derivatives	-	6 020	-	6 020	6 020
Other liabilities	-	-	5 075	5 075	5 075
Other accrued expenses and deferred income	-	-	2 923	2 923	2 923
Total	-	6 020	8 015	14 035	14 035
Group, 31 Dec 2014					
Financial assets					
Shares and participations	294 131	-	-	294 131	294 131
Bonds and other interest-bearing securities	345 956	-	-	345 956	345 956
Loans with real estate as collateral	-	-	5	5	5
Other loans	1 261	-	2 356	3 617	3 617
Derivatives	-	6 846	-	6 846	6 846
Receivables referring to direct insurance operations	-	-	1 369	1 369	1 369
Other receivables	-	-	649	649	649
Cash and bank balances	-	-	1 116	1 116	1 116
Accrued interest and rental income	-	-	7 469	7 469	7 469
Total	641 348	6 846	12 964	661 158	661 158
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	31	31	31
Derivatives	-	10 745	-	10 745	10 745
Other liabilities	-	-	1 714	1 714	1 714
Other accrued expenses and deferred income	-	-	2 291	2 291	2 291
Total	-	10 745	4 036	14 781	14 781

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

Parent Company, 31 Dec 2015					
	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 trade	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Financial assets					
Interest-bearing securities issued by, and loans to, Group companies	-	-	10 655	10 655	10 655
Shares and participations	316 938	-	-	316 938	316 938
Bonds and other interest-bearing securities	357 816	-	-	357 816	357 816
Loans with real estate as collateral	-	-	183	183	183
Other loans	1 880	-	2 099	3 979	3 979
Derivatives	-	8 209	-	8 209	8 209
Receivables referring to direct insurance operations	-	-	1 565	1 565	1 565
Other receivables	-	-	1 156	1 156	1 156
Cash and bank balances	-	-	3 005	3 005	3 005
Accrued interest and rental income	-	-	7 685	7 685	7 685
Total	676 634	8 209	26 348	711 191	711 191
Financial liabilities					
Liabilities referring to direct insurance operations	-	-	17	17	17
Derivatives	-	6 020	-	6 020	6 020
Other liabilities	-	-	6 365	6 365	6 365
Other accrued expenses and deferred income	-	-	2 896	2 896	2 896
Total	-	6 020	9 278	15 298	15 298

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

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

	Group		Parent Company	
	2015	2014	2015	2014
Financial assets at fair value through profit or loss				
Shares and participations	29 338	44 085	29 338	44 075
Interest-bearing securities	4 515	28 106	4 515	28 106
Loans	275	252	275	252
Financial assets and liabilities classified as held for trade				
Derivates	-2 592	-906	-2 592	-906
Loans and receivables	177	170	327	354
Other liabilities	-18	-20	-18	-22
Total net profit ¹⁾	31 695	71 687	31 845	71 859
Land and buildings, net	7 444	4 481	5 616	3 155
Investment management and custodian expenses	-212	-219	-198	-202
Other, net	38	-160	36	-160
Total return on capital as reported in income statement	38 965	75 789	37 299	74 652

¹⁾ Net profit includes realised and unrealised changes in value, as well as interest, dividends and foreign exchange gains.

NOTE 22 Maturity analysis of financial liabilities

Time to maturity					
Group, 31 Dec 2015	<3 months	3 months < 1 year	1-5 years	> 5 years	Total
Non-liquidated securities transactions	-568	-	-	-	-568
Liabilities for cash collateral received for derivatives	-4 019	-	-	-	-4 019
Derivatives gross – outflow	-217 323	-32 797	-19 479	-42 809	-312 408
Derivatives gross – inflow	220 304	33 276	20 587	49 300	323 467
Other liabilities	-505	-	-	-	-505
Other accrued expenses and deferred income	-2 923	-	-	-	-2 923
Total cash flow	- 5 034	479	1 108	6 491	3 044

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

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

NOTE 23 Valuation categories for financial instruments measured at fair value

The disclosure requirements stipulated in IFRS 13 state that financial instruments measured at fair value are to be categorised into three levels based on the underlying method of assessment used to derive the fair value. The value of the financial instruments is to be measured using the valuation technique which is appropriate under the circumstances, and the use of relevant observable information is to be maximised as much as possible. The aim is to find the valuation technique which best estimates the price at which the financial assets could be sold, or the financial liabilities transferred to market participants, in the prevailing market conditions. The three levels of valuation categories are:

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

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

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

Level 2: Measurement based on observable market data

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

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

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

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

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

Level 3: Measurement based on non-observable market data

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

Examples of financial assets at this level are primarily property-related investments in the form of funds, co-owned real estate companies (joint ventures) and loans to property owning companies. The fair value of these assets is obtained from the fund manager or the property owning companies following the external valuation of the underlying properties.

Principles for reclassification between levels

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

Principles for reclassification between level 1 and 2

For reclassifications from level 1 to 2, the financial instruments must no longer be traded on an

Fair value of financial instruments, 31 Dec 2015

Group	Measurement based on prices listed on an active market Level 1	Measurement based on observable market data Level 2	Measurement based on non-observable market data Level 3	Carrying amount, 31 Dec 2015
Assets				
Shares and participations	307 119	–	7 864	314 983
Joint ventures ¹⁾	–	–	4 059	4 059
Bonds and other interest-bearing securities	189 529	167 077	1 210	357 816
Loans with real estate as collateral	–	–	–	–
Other loans	–	–	1 880	1 880
Derivatives	–	8 209	–	8 209
Total assets	496 648	175 286	15 013	686 947
Liabilities				
Derivatives	–	6 020	–	6 020
Total liabilities	–	6 020	–	6 020
Parent Company				
Assets				
Shares and participations	307 119	–	7 526	314 645
Joint ventures ¹⁾	–	–	2 292	2 292
Bonds and other interest-bearing securities	189 529	167 077	1 210	357 816
Loans with real estate as collateral	–	–	–	–
Other loans	–	–	1 880	1 880
Derivatives	–	8 209	–	8 209
Total assets	496 648	175 286	12 908	684 842
Liabilities				
Derivatives	–	6 020	–	6 020
Total liabilities	–	6 020	–	6 020

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

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

active market, but it must still be possible to measure the instruments in accordance with the applicable description for level 2. Similarly, a reclassification from level 2 to level 1 can occur if financial instruments in level 2 become subject to a listing on an active market.

In 2015, no financial instruments were transferred from level 1 to 2 or from level 2 to 1.

Principles for reclassification between level 2 and 3

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

In 2015, one bond was transferred from level 3 to level 2, due to observable market data becoming available and an external price supplier being able to measure the instruments at fair value. In a similar manner, another bond was transferred from level 2 to level 3, as insufficient market data was available for the bond to enable classification in level 2. Both transfers took place in December.

Principles for reclassification between level 1 and 3

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

In 2015, no financial instruments were transferred from level 1 to 3 or from level 3 to 1.

Sensitivity analysis for financial instruments in level 3

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

Since we lack the ability to screen the non-observable data which the external price supplier, fund manager or real estate company has utilised to determine the fair value of the financial instruments classified as level 3, a sensitivity analysis is characterised by a certain degree of uncertainty. In the case of bonds, however, changes in the

interest rate have the most significance and, for other level 3 assets, whose underlying assets consist of externally-appraised properties, it is reasonable to assume that these are affected by approximately the same value-affecting factors as directly-owned properties, which are changes in net operating income and required returns.

Sensitivity analysis, shares and participations, joint ventures and other loans.

The fair value of these level 3 assets amounts to SEK 13 803 million. A sensitivity analysis with a 0,5 percentage points change in the required returns or a 10 percent change in the net operating income would affect the fair value by approximately SEK 1 300 million and SEK 1 400 million, respectively.

Sensitivity analysis, bonds and other interest-bearing securities

The fair value of bonds and other interest-bearing securities measured at level 3 amounts to SEK 1 210 million. A doubling of the credit spread, equivalent to a change of 0,6 percentage points in the interest rate, would impact fair value in an amount of approximately SEK 8 million.

Fair value of financial instruments, 31 Dec 2014

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

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

In 2014, a listed real estate company in level 3 was listed on an active market, after which a transfer to level 1 was undertaken, valued at SEK 292 million. No transfers from level 1 to level 3 have taken place.

Assets in level 3 primarily comprise property-related investments. A sensitivity analysis can be performed on the basis of the same valuation-influencing factors as those applied in Note 16, Investment properties (Land and buildings).

NOTE 24 Disclosures of financial instruments measured at fair value based on Level 3¹⁾

Group	Fair value at year end 2015				Total
	Shares and participations	Joint ventures	Bonds and other interest-bearing securities	Other loans	
Opening balance 2015	6 523	1 437	–	1 261	9 221
Purchases	314	1 470	498	773	3 055
Historical cost of sold holdings	–18	–	–	–269	–287
Gains and losses					
Realised gains/losses, wholly-divested holdings	–	–	–	–	–
Realised gains/losses, partially-divested holdings	5	–	–	15	20
Unrealised gains/losses	845	1 085	–1	105	2 034
Unrealised foreign exchange gains/losses	194	66	–	–5	255
Transfer from level 3	–	–	–497	–	–497
Transfer to level 3	–	–	1 210	–	1 210
Closing balance 2015	7 863	4 058	1 210	1 880	15 011
Total unrealised gains and losses recognised in the income statement for financial instruments held at the end of the period	1 044	1 151	–1	115	2 309
Gains and losses reported in the income statement as return on capital during the period	1 044	1 151	–1	115	2 309
Parent Company					
Opening balance 2015	6 264	659	–	1 261	8 184
Purchases	262	878	498	773	2 411
Historical cost of sold holdings	–13	–	–	–269	–282
Gains and losses					
Realised gains/losses, wholly-divested holdings	–	–	–	–	–
Realised gains/losses, partially-divested holdings	4	–	–	15	19
Unrealised gains/losses	830	755	–1	105	1 689
Unrealised foreign exchange gains/losses	178	–	–	–5	173
Transfer from level 3	–	–	–497	–	–497
Transfer to level 3	–	–	1 210	–	1 210
Closing balance 2015	7 525	2 292	1 210	1 880	12 907
Total unrealised gains and losses recognised in the income statement for financial instruments held at the end of the period	1 012	755	–1	115	1 881
Gains and losses reported in the income statement as return on capital during the period	1 012	755	–1	115	1 881

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

NOTE 24 Disclosures of financial instruments measured at fair value based on Level 3¹⁾, *cont.*

Group	Fair value at year end 2014				Total
	Shares and participations	Joint ventures	Bonds and other interest-bearing securities	Other loans	
Opening balance 2014	4 791	809	2 040	967	8 607
Purchases	641	662	-	262	1 565
Historical cost of sold holdings	-252	-	-2 000	-184	-2 436
Gains and losses					
<i>Realised gains/losses, wholly-divested holdings</i>	-93	-	-40	-	-133
<i>Realised gains/losses, partially-divested holdings</i>	94	-	-	13	107
<i>Unrealised gains/losses</i>	772	196	-	136	1 104
<i>Unrealised foreign exchange gains/losses</i>	570	62	-	67	699
Transfer from level 3	-	-292	-	-	-292
Transfer to level 3	-	-	-	-	-
Closing balance 2014	6 523	1 437	-	1 261	9 221
Total unrealised gains and losses recognised in the income statement for financial instruments held at the end of the period	1 317	257	-	217	1 791
Gains and losses reported in the income statement as return on capital during the period	1 343	258	-40	216	1 777
Parent Company					
Opening balance 2014	4 614	740	2 040	967	8 361
Purchases	615	29	-	262	906
Historical cost of sold holdings	-248	-	-2 000	-184	-2 432
Gains and losses					
<i>Realised gains/losses, wholly-divested holdings</i>	-93	-	-40	-	-133
<i>Realised gains/losses, partially-divested holdings</i>	94	-	-	13	107
<i>Unrealised gains/losses</i>	745	182	-	136	1 063
<i>Unrealised foreign exchange gains/losses</i>	537	-	-	67	604
Transfer from level 3	-	-292	-	-	-292
Transfer to level 3	-	-	-	-	-
Closing balance 2014	6 264	659	-	1 261	8 184
Total unrealised gains and losses recognised in the income statement for financial instruments held at the end of the period	1 257	182	-	217	1 656
Gains and losses reported in the income statement as return on capital during the period	1 283	182	-40	216	1 641

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

NOTE 25 Shares and participations

Group	2015		2014	
	Fair value	Cost	Fair value	Cost
Swedish listed shares	128 089	83 711	130 522	82 540
Swedish unlisted shares	2 728	1 383	969	505
Foreign listed shares	179 031	146 031	155 649	129 541
Foreign unlisted shares	9 194	6 511	6 991	5 358
Total	319 042	237 636	294 131	217 944
Parent Company				
Swedish listed shares	128 089	83 711	130 522	82 540
Swedish unlisted shares	2 647	1 353	952	474
Foreign listed shares	179 031	146 031	155 649	129 541
Foreign unlisted shares	7 171	4 858	5 971	4 427
Total	316 938	235 953	293 094	216 982

Joint ventures are included in unlisted shares.
A list of all shares is provided on alecta.se

NOTE 26 Bonds and other interest-bearing securities

Group and Parent Company	2015		2014	
	Fair value	Amortised cost	Fair value	Amortised cost
Swedish government	61 934	57 324	54 441	48 244
Swedish mortgage institutions	66 084	65 785	67 689	66 652
Other Swedish issuers	54 664	53 544	49 490	46 966
Foreign governments	91 171	82 026	89 406	76 973
Other foreign issuers	83 963	81 083	84 930	76 138
Total	357 816	339 762	345 956	314 973

The fair value of interest-bearing securities exceeds and falls below the amount to be redeemed on the due date by SEK 27 066 (31 518) million and SEK 1 013 (186) million, respectively. Swedish government and foreign governments also include state-guaranteed holdings.

Fixed interest terms 2015	Group and Parent Company
0-1 years	113 807
>1-5 years	116 917
>5-10 years	86 761
>10 years	40 331
	357 816

NOTE 27 Loans with real estate as collateral

Group	2015		2014	
	Fair value	Cost	Fair value	Cost
Loans with real estate as collateral	318	317	5	5
	318	317	5	5
Parent Company				
Loans with real estate as collateral	183	183	5	5
	183	183	5	5

NOTE 28 Other loans

Group	2015		2014	
	Carrying amount	Cost	Carrying amount	Cost
Other loans	4 268	3 970	3 617	3 425
	4 268	3 970	3 617	3 425
Parent Company				
Other loans	3 979	3 681	3 364	3 172
	3 979	3 681	3 364	3 172

Pertains mainly to property-related loans, of which SEK 2 388 million (2 356) is reported in the Group and SEK 2 099 million (2 103) in the Parent Company at amortised cost. SEK 1 880 million (1 261) is reported at fair value both in the Group and in the Parent Company. Loans to joint ventures are presented in Note 56.

NOTE 29 Derivatives

Group and Parent Company	2015			2014		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
Interest-related instruments	190 752	4 507	3 415	110 392	5 739	4 408
Swaps	182 219	4 507	3 407	105 371	5 739	4 387
Futures	7 245	0	0	3 701	0	0
CDS	1 288	0	8	1 320	0	21
Currency-related instruments	203 040	3 702	2 605	195 676	1 107	6 337
Forward contracts/swaps	203 040	3 702	2 605	195 676	1 107	6 337
Total derivatives	393 792	8 209	6 020	306 068	6 846	10 745

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

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

NOTE 30 Financial instruments subject to enforceable master netting agreements

2015-12-31	Financial assets reported in the balance sheet	<i>of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency</i>	Received financial collateral	Received cash collateral	Net amount ³⁾
Assets					
Derivatives ⁴⁾	11 173	-8 903	-	-4 019	0
Securities lending ¹⁾	14 395	-	-14 412	-	0
2015-12-31	Financial liabilities reported in the balance sheet	<i>of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency</i>	Pledged financial collateral ²⁾	Pledged cash collateral	Net amount ³⁾
Liabilities					
Derivatives ⁴⁾	8 903	-8 903	-912	-24	0
2014-12-31	Financial assets reported in the balance sheet	<i>of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency</i>	Received financial collateral	Received cash collateral	Net amount ³⁾
Assets					
Derivatives ⁴⁾	9 453	-9 453	-49	-1 545	0
Securities lending ¹⁾	1 380	-	-1 381	-	0
2014-12-31	Financial liabilities reported in the balance sheet	<i>of which amounts which are not netted but which are subject to enforceable master netting agreements or similar agreements in the event of insolvency</i>	Pledged financial collateral ²⁾	Pledged cash collateral	Net amount ³⁾
Liabilities					
Derivatives ⁴⁾	12 988	-9 453	-7 593	-	0

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

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

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

⁴⁾ Accrued interest income of SEK 2 964 million (2 607) and accrued interest expenses of SEK 2 883 million (2 243) are included in the amount.

Disclosures of financial instruments subject to enforceable master netting agreements

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

All derivatives and lent interest-bearing securities are reported gross in the balance sheet as no offsetting can take place. These financial instruments are, however, subject to enforceable master netting agreements or similar agreements in the event that either party becomes insolvent. All values in the table above are reported at fair value.

Derivatives

On 31 December, as per the table, derivative contracts with a positive value amounted to a total of SEK 11 173 million and derivative contracts with a negative value amounted to a total of SEK 8 903 million. All derivative contracts are covered by so-called ISDA agreements, implying that there is a legal right to settle these contracts, net, in the event that either party becomes insolvent. As no insolvency situation has arisen, no offsetting has taken place. In addition to this right of offset, there is also a so-called CSA contract covering the daily transfers of collateral for the positive or negative fair values which arise between Alecra and each counterparty during the term of the derivative contract. For those counterparties for which the total fair value of all derivative contracts is positive, Alecra obtains the corresponding collateral, whereas in the event that the total fair value of all derivative contracts is negative, Alecra provides the corresponding collateral. In accordance with these CSA contracts, Alecra has received SEK 4 019 million cash where the total of all derivative contracts is positive. Alecra has in a similar manner provided a total of SEK 912 million in interest-bearing securities in the form of Swedish and French government bonds and SEK 24 million in cash where the total of all derivative contracts is negative.

NOTE 31 Receivables referring to direct insurance operations

Group and Parent Company	2015	2014
Receivables from policy holders	1 565	1 369
Total	1 565	1 369

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

NOTE 33 Accrued interest and rental income

	Group		Parent Company	
	2015	2014	2015	2014
Accrued interest income, subsidiaries	-	-	-	180
Accrued interest income	7 687	7 469	7 687	7 469
Total	7 687	7 469	7 687	7 649

NOTE 32 Other receivables

Group	2015	2014
Liquid receivables from sales of investment assets	411	257
Tax outside Sweden	521	312
Yield tax	-	-
Overdue, unreceived share dividends	58	40
Value-added tax	1	5
Receivable from PRI pension guarantee	184	170
Collateral pledged for derivatives ¹⁾	24	-
Other	530	182
Total	1 729	966
Parent Company		
Liquid receivables from sales of investment assets	411	257
Tax in Sweden ²⁾	64	184
Tax outside Sweden	521	312
Overdue, unreceived share dividends	58	40
Value-added tax	0	0
Receivables from subsidiaries	-	1 571
Receivable from PRI pension guarantee	184	170
Collateral pledged for derivatives ¹⁾	24	-
Other	479	118
Total	1 741	2 652

¹⁾ See also Note 30.

²⁾ The Parent Company's reporting includes a net amount of income tax and yield tax. The Group's reporting does not include yield tax, as this is not classified as current tax under IFRS. Yield tax is, instead, reported as a separate item under Other receivables.

NOTE 34 Equity excluding guarantee reserve

Group	Translation reserve	Discretionary participation features reserve ¹⁾	Special indexation funds ²⁾	Retained earnings including net profit for the year	Total
Opening balance 2014	-1 357	54 059	10 855	183 062	246 619
Net profit for the year				18 216	18 216
Allocated refunds					
<i>Defined benefit plan</i>	-	2 824	-	-2 824	-
<i>Defined contribution plan Alecta Optimal Pension</i>	-	6 192	-	-6 192	-
Guaranteed refunds					
<i>Pension supplements, defined benefit plan</i>	-	-2 551	-	-	-2 551
<i>Supplementary amounts, defined contribution plan</i>	-	-37	-	-	-37
<i>Adjustment of paid-up values</i>	-	-7 299	-	-1 292	-8 591
<i>Premium reductions</i>	-	-2 386	-	-	-2 386
Collective risk premium ⁴⁾	-	-	-244	-	-244
Return on guarantee reserve ³⁾	-	-	-	-176	-176
Other changes					
<i>Fees</i>	-	-	12	-12	-
<i>Interest</i>	-	244	79	-323	-
<i>Effect of changes in market interest rates</i>	-	1 953	-	-1 953	-
<i>Exchange rate fluctuations for the period</i>	1 979	-	-	-	1 979
<i>Other⁵⁾</i>	-	349	8	-205	152
Closing balance 2014	622	53 348	10 710	188 301	252 981
Opening balance 2015	622	53 348	10 710	188 301	252 981
Net profit for the year				52 234	52 234
Allocated refunds					
<i>Defined benefit plan</i>	-	3 672	-	-3 672	-
<i>Defined contribution plan Alecta Optimal Pension</i>	-	8 546	-	-8 546	-
Guaranteed refunds					
<i>Pension supplements, defined benefit plan</i>	-	-2 371	-	-	-2 371
<i>Supplementary amounts, defined contribution plan</i>	-	-69	-	-	-69
<i>Adjustment of paid-up values</i>	-	-16	-	-	-16
<i>Premium reductions</i>	-	-2 780	-	-	-2 780
Collective risk premium ⁴⁾	-	-	-245	-	-245
Return on guarantee reserve ³⁾	-	-	-	-231	-231
Other changes					
<i>Fees</i>	-	-	71	-71	-
<i>Interest</i>	-	110	17	-127	-
<i>Effect of changes in market interest rates</i>	-	-387	-	387	-
<i>Exchange rate fluctuations for the period</i>	1 031	-	-	-	1 031
<i>Other⁵⁾</i>	-	890	6	-663	233
Closing balance 2015	1 653	60 943	10 559	227 612	300 767

¹⁾ Funds which have been allocated to Alecta's insured and policy holders in accordance with various discretionary resolutions. These funds constitute a portion of Alecta's risk capital and are not guaranteed until assigned.

Formally, Alecta can cancel the transfer of these funds. SEK 1 468 million (1 468) of a total of SEK 60 943 million (53 348) refers to funds designed to cover the cost of measures within the ITP plan, where the collective agreement parties have been given the right to assign use. A decision on final use is made by Alecta's Board, provided that the Board is unanimous that the assigned use is in accordance with Alecta's interests as an insurance company.

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⁾ Refer to Note 36 on page 85.

⁴⁾ Premiums for waiver of premium insurance and collective final payments are reduced as a result of employers' increased expenses caused by the rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.

⁵⁾ The item is comprised of cumulative return, inheritance gains and portfolio changes.

NOTE 35 Funding reserve

Parent Company	Collective funding	Discretionary participation features reserve	Other reserves	Total
		Allocated refunds to insured and policy holders ¹⁾	Special indexation funds ²⁾	
Opening balance 2014	91 134	54 059	10 855	156 048
Appropriation of profits from previous year	86 315	-	-	86 315
Allocated refunds				
<i>Defined benefit plan</i>	-2 824	2 824	-	-
<i>Defined contribution plan Alecta Optimal Pension</i>	-6 192	6 192	-	-
Guaranteed refunds				
<i>Pension supplements, defined benefit plan</i>	-	-2 551	-	-2 551
<i>Supplementary amounts, defined contribution plan</i>	-	-37	-	-37
<i>Adjustments of paid-up values</i>	-1 292	-7 299	-	-8 591
<i>Premium reductions</i>	-	-2 386	-	-2 386
Return on guarantee reserve ³⁾	-176	-	-	-176
Fees	-12	-	12	-
Interest	-323	244	79	-
Collective risk premium ⁴⁾	-	-	-244	-244
Effect of changes in market interest rates	-1 953	1 953	-	-
Other changes ⁵⁾	-224	349	8	133
Closing balance 2014	164 453	53 348	10 710	228 511
Opening balance 2015	164 453	53 348	10 710	228 511
Appropriation of profits from previous year	18 889	-	-	18 889
Allocated refunds				
<i>Defined benefit plan</i>	-3 672	3 672	-	-
<i>Defined contribution plan Alecta Optimal Pension</i>	-8 546	8 546	-	-
Guaranteed refunds				
<i>Pension supplements, defined benefit plan</i>	-	- 2371	-	-2371
<i>Supplementary amounts, defined contribution plan</i>	-	-69	-	-69
<i>Adjustments of paid-up values</i>	-	-16	-	-16
<i>Premium reductions</i>	-	-2 780	-	-2780
Return on guarantee reserve ³⁾	-231	-	-	-231
Fees	-71	-	71	-
Interest	-127	110	17	-
Collective risk premium ⁴⁾	-	-	-245	-245
Effect of changes in market interest rates	387	-387	-	-
Other changes ⁵⁾	-663	890	7	234
Closing balance 2015	170 419	60 943	10 560	241 922

¹⁾ Funds which have been allocated to Alecta's insured and policy holders in accordance with various discretionary resolutions. These funds constitute a portion of Alecta's risk capital and are not guaranteed until assigned. Formally, Alecta can cancel the transfer of these funds. SEK 1 468 million (1 468) of a total of SEK 60 943 million (53 348) refers to funds designed to cover the cost of measures within the ITP plan, where the collective agreement parties have been given the right to assign use. A decision on final use is made by Alecta's Board, provided that the Board is unanimous that the assigned use is in accordance with Alecta's interests as an insurance company.

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⁾ Refer to Note 36 on page 85.

⁴⁾ Premiums for waiver of premium insurance and collective final payments are reduced as a result of employers' increased expenses caused by the rules for the coordination and calculation of pensionable salary introduced by the parties to ITP 2 in 2008.

⁵⁾ The item is comprised of cumulative return, inheritance gains and portfolio changes.

NOTE 36 **Guarantee reserve ¹⁾**

Group and Parent Company	2015	2014
Opening balance	1 756	1 718
Return for previous year ²⁾	231	176
Information funds	-102	-89
Collective agreement guarantee	-18	-49
Closing balance	1 867	1 756

¹⁾ These funds are at the disposal of the parties to the collective agreement. The funds must be used for the collective agreement guarantee and for information and training in ITP and TGL. Refer to Note 1 on page 58. In order to meet future regulatory requirements, Alecta and the parties to the collective agreement within ITP have presented a long-term alternative to the guarantee reserve that was established within Alecta in 2007. The plan entails transferring the guarantee reserve from Alecta into an entirely independent foundation with the same purpose as the guarantee reserve. This measure requires ratification by Alecta's Council of Administration.

²⁾ Return after deduction for incurred investment management costs and tax. The transfer of returns between the funding reserve and the guarantee reserve is undertaken the year following the year in which a decision is made by the Council of Administration. Refer to Note 1 on page 58.

NOTE 37 **Untaxed reserves**

Parent Company	2015	2014
Opening balance	115	2 425
Transferred to reserves during the year	-	-
Resolution	-115	-2 310
Closing balance	0	115

During 2014, the tax allocation reserves for the fiscal years 2009 to 2012 and partly 2013 were reversed for taxation. The remaining portion was reversed in 2015.

Tax allocation reserve	2015	2014
Transferred, fiscal year 2013	-	115
Total	-	115

NOTE 38 Provision for life insurance

Group and Parent Company	2015	2014
Opening balance	414 942	343 663
Change for the year	25 238	28 418
Premiums	30 527	32 763
Payments	-15 432	-14 962
Cumulative returns ¹⁾	12 985	12 640
Released operating expenses	-766	-783
Yield tax	-551	-941
Mortality result	-339	34
Other changes	-1 186	-333
Change in interest rate assumption	-18 801	53 767
Difference between premium and provisioning assumptions ¹⁾	-10 287	-11 847
Changed mortality assumption (generation-based mortality)	3 679	-9
Change in operating expenses assumption	-1 873	-
Other changes in assumptions	665	950
Closing balance	413 563	414 942

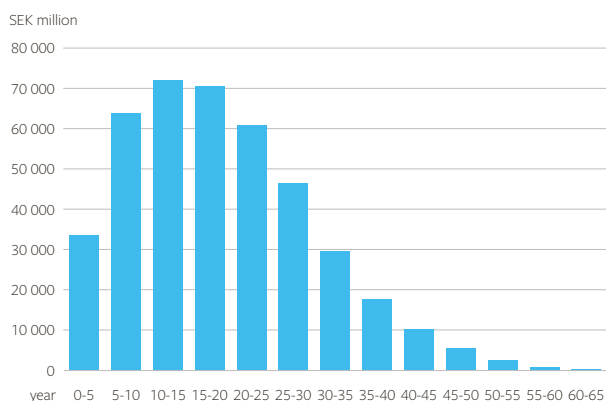
¹⁾ A reclassification has been carried out between explanatory items in the comparative figures for 2014.

The following assumptions were applied in calculating the provision for life insurance as of 31 December 2015:

- Interest rate assumption: The average rate of interest was 2,58 percent (2,32) as of 31 December 2015. The manner in which this rate is determined is described in Note 3 on page 62.
- Mortality assumption: Generational mortality is applied. It is assumed that a 65-year-old male and a 65-year-old female born in the 1950s will live for a further 22,2 (21,5) years and 23,9 (24,2) years, respectively.
- Family pension assumption: A gender-dependent assumption of family composition is applied.
- Operating expenses assumption: Future operating expenses are considered to comprise the present value of future expected expenses including cost increases incurred due to inflation. Operating expenses are also recorded in conjunction with premium payments.
- Deduction for yield tax: Future yield tax is considered to comprise the present value of the yield tax Alecta is expected to pay on assets, representing the present value of guaranteed commitments.

Interest rate sensitivity

- For longer tenors, a fixed forward rate has been applied since 31 December 2013, which means that the average rate of interest does not fluctuate as much as long-term market rates. If the average rate of interest were to fall by one percentage point, average rate of interest would fall by 0,6 percentage points, increasing the provision for life insurance by SEK 41,9 billion.

EXPECTED DISCOUNTED NET CASH OUTFLOW FOR RETIREMENT PENSION, FAMILY PENSION AND ORIGINAL ITPK**NOTE 39** Provision for claims outstanding

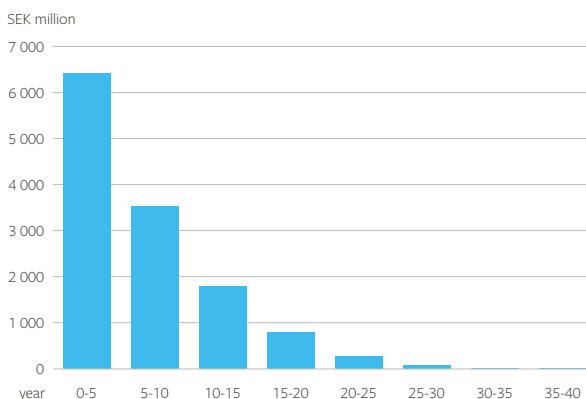
Group and Parent Company	2015	2014
Opening balance	12 676	10 267
Change for the year	2 054	1 163
Provision for new claims	5 674	3 711
Discontinuation income	-1 411	-859
Payments	-2 615	-2 145
Cumulative returns	148	115
Released operating expenses	-82	-73
Other changes	340	414
Change in interest rate assumption	-251	912
Change in operating expenses assumption	-89	-
Change in assumption of incurred but not reported cases of illness	-	272
Other changes in assumptions	-76	62
Closing balance	14 314	12 676

The following assumptions have, as of 31 December 2015, been used in calculating the provision for claims outstanding in respect of disability pension and waiver of premium, which comprise the dominant portion of the provision:

- Interest rate assumption: The average rate of interest was 1,38 percent (1,05) as of 31 December 2015. The manner in which this rate is determined is described in Note 3 on page 62.
- Mortality assumption: Assumption regarding the probability of remaining ill at a given point in time and changes in benefit levels and the degree of incapacity for work.
- 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 recorded in conjunction with premium payments.
- Indexation: It is expected that benefits linked to the development of the base price amount and base income amount (guaranteed indexation) will increase by 2 percent and 3 percent per year, respectively.

Interest rate sensitivity

- A reduction in the average rate of interest of 1 percentage point results in an increase in the provision for claims outstanding of SEK 0,7 billion.

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

NOTE 40 Provision for pensions and similar obligations

	Group		Parent Company	
	2015	2014	2015	2014
Provision for pensions	21	26	20	25
	21	26	20	25

The provision for pensions is primarily attributable to employees born in 1955 or earlier, who are entitled to retire on their own initiative from the age of 62 under the terms of the FTP agreement. See Note 1 on page 59 and Note 53 on page 93.

NOTE 41 Other provisions

	Group		Parent Company	
	2015	2014	2015	2014
Indexation of pensions for former employees	14	14	14	14
Provision for real estate	16	7	14	7
Other provisions	7	11	7	7
	37	32	35	28

NOTE 42 Deferred tax

Group	2015		2014	
	Tax asset	Tax liability	Tax asset	Tax liability
Deferred tax related to:				
Temporary differences	28	-5 306	44	-3 819
<i>Properties in Sweden</i> ¹⁾	-	-700	-	-342
<i>Properties outside of Sweden</i> ¹⁾	28	-3 240	44	-2 106
<i>Financial instruments</i>	-	-1 366	-	-1 371
<i>Other</i>	-	-	0	-
Tax allocation reserve	-	-	-	-25
Accelerated depreciation	-	-24	-	-16
Loss carry forwards	418	-	23	-
Other unutilised tax deductions ²⁾	118	-	29	-
Creditable foreign income tax	3 118	-	2 001	-
Total deferred tax	3 682	-5 330	2 097	-3 860
Netting of deferred tax assets against deferred tax liabilities	-1 525	1 525	-1 547	1 547
Total deferred tax, net	2 157	-3 805	550	-2 313
of which are expected to be settled after more than 12 months, the amount before netting	3 564	-5 330	2 045	-3 835

Changes in deferred tax assets / liabilities, net:	2015	2014
Opening balance	-1 763	-1 743
Deferred tax in the income statement	113	-27
Reduction through divestitures	6	-
Adjustments relating to previous years in equity	-	14
Foreign exchange differences	-3	-7
Closing balance	-1 647	-1 763

¹⁾ The comparative figure has been adjusted by means of reclassification.

²⁾ Other unutilised tax deductions refer to creditable foreign income tax exceeding the maximum limit. Excess amounts may be offset no later than in the fifth fiscal year following the current fiscal year.

NOTE 43 Taxes

Parent Company	2015	2014
Taxes	943	1 389
<i>of which current tax</i>	38	0
<i>of which deferred tax</i>	905	1 389
Total taxes	943	1 389

	2015		2014	
	Tax asset	Tax liability	Tax asset	Tax liability
Deferred tax attributable to:				
Temporary differences	-	-1 788	0	-1 691
<i>Properties in Sweden</i> ¹⁾	-	-37	-	-31
<i>Properties outside of Sweden</i> ¹⁾	-	-386	-	-289
<i>Financial instruments</i>	-	-1 366	-	-1 371
<i>Other</i>	-	-	0	-
Loss carry forwards	406	-	4	-
Other unutilised tax deductions ²⁾	118	-	29	-
Creditable foreign income tax	359	-	269	-
Total deferred tax	883	-1 788	302	-1 691
Netting of deferred tax assets against deferred tax liabilities	-883	883	-302	302
Total deferred tax, net	0	-905	0	-1 389
of which are expected to be settled after more than 12 months, the amount before netting	765	-1 788	269	-1 691

Changes in deferred tax assets and deferred tax liabilities during the year are reported in the income statement.

¹⁾ The comparative figure has been adjusted by means of reclassification.

²⁾ Other unutilised tax deductions refer to creditable foreign income tax exceeding the maximum limit. Excess amounts may be offset no later than in the fifth fiscal year following the current fiscal year.

NOTE 44 Liabilities referring to direct insurance operations

Group and Parent Company	2015	2014
Liabilities to policy holders	17	31
Preliminary tax, pensions	663	633
Other	12	12
Total	692	676

NOTE 45 Other liabilities

Group	2015	2014
Liquid liabilities from purchases of investment assets	568	10
Collateral received for derivatives ¹⁾	4 019	1 545
Accounts payable	124	124
Property tax	126	113
Value-added tax	28	70
Other	364	35
Total	5 229	1 897

All liabilities mature within five years after the balance sheet date.

Parent Company	2015	2014
Liabilities to subsidiaries	1 328	958
Liquid liabilities from purchases of investment assets	568	10
Collateral received for derivatives ¹⁾	4 019	1 545
Accounts payable	92	79
Property tax	43	48
Value-added tax	28	27
Other	357	30
Total	6 435	2 697

¹⁾ See also Note 30.

NOTE 46 Other accrued expenses and deferred income

	Group		Parent Company	
	2015	2014	2015	2014
Accrued interest expenses, subsidiaries	-	-	0	2
Accrued interest expenses	2 883	2 243	2 883	2 243
Accrued property costs	398	342	138	164
Accrued personnel costs	150	131	131	118
Prepaid rental income	257	259	144	126
Other	40	48	14	16
Total	3 728	3 023	3 310	2 669

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

Group and Parent Company	2015	2014
Assets registered on behalf of policy holders	713 350	661 094
<i>in addition to the required pledging</i>	<i>285 473</i>	<i>233 476</i>
	713 350	661 094
Land and buildings	30 574	26 826
Shares and participations	316 938	292 597
Bonds and other interest-bearing securities	356 384	340 983
Loans with real estate as collateral	186	5
Other loans	3 993	3 377
Derivatives	2 270	-3 536
Cash and bank balances	3 005	842
Total	713 350	661 094

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

NOTE 48 Other pledged assets and comparable collateral

Group and Parent Company	2015	2014
Collateral pledged to clearing houses for derivative trading		
Bonds and other interest-bearing securities	800	603
Cash and bank balances	379	328
Collateral pledged for derivative trading in accordance with CSA contracts		
Bonds and other interest-bearing securities	829	7 593
Total	2 008	8 524

Collateral pledged for derivative trading in accordance with CSA contracts is described in Note 30 Financial instruments subject to enforceable master netting agreements.

NOTE 49 Transfers of financial assets

Group and Parent Company	2015	2014
Lent interest-bearing securities	14 395	1 380
Collateral received for lent securities	14 412	1 381

Lent interest-bearing securities consist of Swedish government bonds and are reported in the balance sheet at fair value, in accordance with the applicable accounting principles. Collateral received for lent interest-bearing securities is comprised of Swedish government bonds and housing bonds and is, thus, not reported in the balance sheet. Compensation for lent interest-bearing securities is reported as interest income in the item Return on capital, income. See Note 5.

NOTE 50 Contingent liabilities

Group	2015	2014
Liabilities in limited partnerships	4	9
Guarantee commitments	1 085	707
Total	1 089	716

Parent Company	2015	2014
Liabilities in limited partnerships	4	9
Total	4	9

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

NOTE 51 Commitments

Group	2015	2014
Remaining balance to be invested in investment assets	1 602	2 392
	1 602	2 392

Parent Company	2015	2014
Remaining balance to be invested in investment assets	1 445	1 576
	1 445	1 576

Consists of real estate-related investments.

NOTE 52 Reconciliation of total return table with financial statements

Group	2015	2014
Market value according to total return table ¹⁾	731 550	683 377
Assets not classified as investments ²⁾	4 227	2 368
Items from the liabilities side of the balance sheet which are deducted in the total return table	14 339	15 451
Valuation differences	-36	-124
Total assets according to balance sheet	750 080	701 072
Total return according to total return table	40 581	78 152
Items from the income statement (Notes 5, 6, 9, 10) which are not included in the total return table	-466	-329
Foreign exchange effects in foreign subsidiaries, recognised in equity in the financial statements	-1 032	-1 869
Valuation differences, closing balance	-36	-124
Valuation differences, opening balance	124	179
Other	-206	-220
Total return according to the income statement ²⁾	38 965	75 789

¹⁾ See page 26.

²⁾ Notes 5, 6, 9 and 10 in the income statement.

³⁾ Adjustments compared with the annual report for 2014 due to a change in the accounting principles applied for deferred tax.

NOTE 53 Average number of employees, salaries and remuneration

	2015		2014		Gender distribution in senior positions	2015		2014	
	Number of employees	Of whom men	Number of employees	Of whom men		Women	Men	Women	Men
Average number of employees ¹⁾									
Parent Company					Parent Company				
Sweden	357	40 %	375	40 %	Board	3	10	3	10
UK	4	25 %	4	25 %	CEO	-	1	-	1
Total, Parent Company	361	40 %	379	40 %	Other senior executives	4	6	4	6
					Total, Parent Company	7	17	7	17
Subsidiaries					Subsidiaries				
Sweden	25	32 %	25	28 %	Board	-	5	-	5
USA	10	30 %	11	27 %	Other senior executives	1	1	1	1
Total, subsidiaries	35	39 %	36	28 %	Total, subsidiaries	1	6	1	6
Total, Group	396	40 %	415	39 %	Total, Group	8	23	8	23

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

kSEK	2015				2014			
	Salaries, fees and other remuneration	Social security contributions	Pension costs	Total	Salaries, fees and other remuneration	Social security contributions	Pension costs	Total
Parent Company								
CEO and senior executives ³⁾	26 466	9 183	6 787	42 436	24 444	9 337	6 794	40 575
Board of Directors ⁴⁾	2 525	542	-	3 067	2 447	526	-	2 973
Other employees ⁵⁾	244 049	71 132	50 631	365 812	246 639	76 826	43 223	366 688
Total, Parent Company	273 040	80 857	57 418	411 315	273 530	86 689	50 017	410 236
Subsidiaries								
Sweden								
Other employees	10 068	2 989	713	13 770	10 176	2 957	683	13 816
USA								
Senior executives	21 628	447	1 235	23 310	15 365	330	999	16 694
Other employees	19 178	809	1 348	21 335	15 051	633	1 205	16 889
Total, subsidiaries	50 874	4 245	3 296	58 415	40 592	3 920	2 887	47 399
Total, Group	323 914	85 102	60 714	469 730	314 122	90 609	52 904	457 635

¹⁾ Refers to the average number of employees, both full-time and part-time.

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

³⁾ Comprised of senior management for 2015. For the current composition of senior management, refer to pages 104-105.

⁴⁾ Members of the Board receive only directors' fees and committee fees, which are determined by the Council of Administration. No other forms of remuneration or benefits have been charged to expenses during the year.

⁵⁾ Reclassification of payroll tax in the comparative figures for 2014.

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

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

kSEK	2015					
	Salaries, fees and other remuneration ¹⁾	Variable remuneration ^{1,4)}	Benefits ²⁾	Total remuneration	Social security contributions	Pension costs
Parent Company						
CEO						
Staffan Grefbäck	5 522	–	57	5 579	2 227	1 953
Deputy CEOs						
Per Frennberg	3 168	2 479	19	5 666	1 301	1 234
Katarina Thorslund	2 122	–	19	2 141	782	449
Senior executives						
Senior executives ²⁾	12 878	–	202	13 080	4 873	3 151
Total, CEO and senior executives	23 690	2 479	297	26 466	9 183	6 787
Chairman of the Board						
Erik Åsbrink	572	–	–	572	58	–
Other members of the Board (excl. CEO)						
Gunilla Dahmm	178	–	–	178	18	–
Cecilia Fahlberg	211	–	–	211	67	–
Per Hedelin	178	–	–	178	56	–
Jonas Milton	205	–	–	205	64	–
Richard Malmborg	178	–	–	178	56	–
Lars Wedenborn	178	–	–	178	56	–
Karl Olof Stenqvist	178	–	–	178	18	–
Kaj Thorén	258	–	–	258	26	–
Magnus von Koch	178	–	–	178	56	–
Christer Ågren	211	–	–	211	67	–
Total, Board	2 525	–	–	2 525	542	–
Total, Parent Company	26 215	2 479	297	28 991	9 725	6 787

¹⁾ Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration charged to expenses during the financial year 2015.

²⁾ Other senior executives refers to 8 (8) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2015. For the current composition of senior management, refer to pages 104–105. The expense refers to all individuals holding a position as senior executive at some point during the year.

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

⁴⁾ Refers to reserved variable remuneration attributable to the investment management incentive programme. An account of Alecta's remuneration, including variable remuneration, prepared in accordance with the Swedish Financial Supervisory Authority's general guidelines regarding remuneration policy (FFFS 2011:2) is expected to be published on alecta.se in April 2016.

NOTE 53 Average number of employees, salaries and remuneration, *cont.*Salaries, remuneration, fees and benefits
to senior executives and the Board of Directors

kSEK	2014					
	Salaries, fees and other remuneration ¹⁾	Variable remuneration ^{1, 4)}	Benefits ³⁾	Total remuneration	Social security contributions	Pension costs
Parent Company						
CEO						
Staffan Grefbäck	5 435	–	47	5 482	2 186	1 911
Deputy CEOs						
Per Frennberg	3 193	2 478	22	5 693	2 205	1 714
Katarina Thorslund	2 107	–	20	2 127	773	431
Senior executives						
Senior executives ²⁾	10 909	–	233	11 142	4 173	2 738
Total, CEO and senior executives	21 644	2 478	322	24 444	9 337	6 794
Chairman of the Board						
Erik Åsbrink	557	–	–	557	57	–
Other members of the Board (excl. CEO)						
Gunilla Dahmm	173	–	–	173	18	–
Cecilia Fahlberg	205	–	–	205	64	–
Per Hedelin	173	–	–	173	54	–
Jonas Milton	199	–	–	199	63	–
Richard Malmberg	173	–	–	173	54	–
Lars Wedenborn	173	–	–	173	54	–
Karl Olof Stenqvist	173	–	–	173	18	–
Kaj Thorén	243	–	–	243	25	–
Magnus von Koch	173	–	–	173	54	–
Christer Ågren	205	–	–	205	65	–
Total, Board	2 447	–	–	2 447	526	–
Total, Parent Company	24 091	2 478	322	26 891	9 863	6 794

¹⁾ Salaries, fees and other remuneration, variable remuneration and severance pay shown as total salaries, fees and other remuneration charged to expenses during the financial year 2014.

²⁾ Other senior executives refers to 8 (8) positions which, together with the CEO and the deputy CEOs, comprised Alecta's senior management in 2014. The expense refers to all individuals holding a position as senior executive at some point during the year.

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

⁴⁾ Refers to reserved variable remuneration attributable to the investment management incentive programme. An account of Alecta's remuneration, including variable remuneration, prepared in accordance with the Swedish Financial Supervisory Authority's general guidelines regarding remuneration policy (FFFS 2011:2) has been published on alecta.se.

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

Remuneration to the Board of Directors, CEO and senior executives

The Chairman and other members of the Board of Directors receive Directors' fees in accordance with resolutions adopted by the Council of Administration. The remuneration determined by the Council of Administration relates to the period until the next meeting of the Council of Administration. Remuneration to the CEO and senior executives in 2015 comprised basic salary, other benefits, such as company car, mortgage interest benefits, healthcare insurance, household services, pension costs and social security contributions. The Deputy CEO Per Frennberg is the only member of senior management who, within the framework of the investment management incentive program, receives variable remuneration.

The remuneration payable to the CEO is determined by the Board and revised on an annual basis. Remuneration to senior executives is determined by the CEO and is subject to approval by the Board of Directors.

Other senior executives refers to the ten individuals who, together with the Chief Executive Officer, constituted Alecta's senior management in 2015. For the current composition of senior management, refer to pages 104-105.

Pursuant to the stipulations of FFFS 2011:2, the Swedish Financial Supervisory Authority's general guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money, supplementary disclosures regarding remuneration will be presented on Alecta's website, alecta.se, in April 2016.

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

The CEO has a pension agreement under which 35 percent of the monthly salary is set aside each month for pension, including provisions for the FTP plan. Any portion of the provision exceeding the provision required for the FTP plan may be used for retirement pension, survivors' pension and/or disability pension, based on the CEO's own preferred allocation. The pensionable age for the CEO is 65. In the event of termination of employment by the Company, a notice period 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 severance pay for the remainder of the period will be offset against the benefits accrued in the former CEO's new position.

The FTP plan also includes the Deputy CEOs. In the case of Deputy CEO Per Frennberg, a notice period of six months, with severance pay equivalent to 12 monthly salaries, will apply in the event of termination of employment by the Company. In the event that Per Frennberg takes up other employment during this period, the severance pay for the remainder of the period will be offset against the benefits accrued in his new position. Deputy CEO Katarina Thorslund is covered by a previous agreement stipulating a notice period of 18 months, with severance pay for the remainder of the period to be offset against the benefits accrued in a new position. 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. In the event of termination of employment by the Company, a notice period of six months with severance pay equivalent to 12 monthly salaries will apply. In the event that the employee takes up other employment during this period, the severance pay for the remainder of the period will be offset against the benefits accrued in the individual's new position.

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

Incentive programme

Within Alecta, an incentive programme was offered during 2015 for investment personnel in the investment management department and for the employees in a subsidiary which engages in restaurant and conference operations. Since 2012, a general incentive programme has been in place for variable remuneration which relates to all employees in Sweden except senior

management, employees in the Internal audit and Risk departments, as well as the employees within investment management who are already covered by other incentive programmes. The outcome of the general incentive programme is governed by achievement of the goals stated in the business plan for 2015 and the maximum pay-out is kSEK 12 per employee in the form of enhanced pension premiums. For 2015, all of the goals were met in full, yielding an outcome of kSEK 12 (10) per employee, at a cost to Alecta of approximately SEK 4 million (4), including social security contributions.

The investment management incentive programme has an evaluation period of three years and covers 42 employees. The Board of Directors has determined a cap for possible outcomes and the targets according to which performance will be measured. Key factors which control the outcome of variable remuneration are the total return on investment assets, return in relation to our competitors and the return on the active management within the classes 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 2015, a total of SEK 37,7 million (33), excluding social security contributions, has been reserved as variable remuneration to investment personnel, of which SEK 13,3 million (9) refers to employees in Alecta's subsidiary in the USA.

The incentive programme in the subsidiary which engages in restaurant and conference activities covers 25 employees (23) and the outcome of variable remuneration for the earning year 2015 is estimated to amount to SEK 0,6 million (0,3), excluding social security contributions.

Pension plans

All employees employed in Sweden by Alecta pensionsförsäkring, ömsesidigt, are covered by an occupational pension plan, FTP 12. The plan consists of two parts, FTP 1 and FTP 2. Employees born in 1972 and later are covered by FTP 1, while employees born in 1971 or earlier are covered by FTP 2. FTP 1 covers defined premium retirement pensions with or without repayment cover, family protection, disability pension and waiver of premium insurance. The premium for retirement pension is 4,5 percent of the gross salary on portions of salary up to a multiple of 7,5 times the income base amount and 30 percent on portions of salary over a multiple of 7,5 times the income base amount. Employees born in 1971 or earlier with a salary in excess of ten income base amounts can choose to belong to FTP 1. FTP 2 is a defined benefit pension plan, which means that the employee is guaranteed a pension corresponding to a specific percentage of final salary. FTP 2 includes retirement pension, family pension, FTPK, disability pension, family cover, waiver of premium insurance and a separate children's pension.

Pension commitments are secured through payment of fixed insurance premiums during the period of service. According to IAS 19, defined benefit pension plans which include several employers (known as multi-employer plans) should, as a rule, be reported as if they were defined benefit plans. If sufficient information is not available in order to determine the employer's share of the obligations and plan assets, the pension plan shall, instead, be reported as a defined contribution plan. Alecta reports the FTP plan as a defined contribution plan, as the conditions for reporting the defined benefit components of the plan in accordance with the main rule in IAS 19 are not met. This means that the expense is reported at the time when the benefits are earned. The insurance premium for defined benefit retirement and family pension in FTP 2 amounted to SEK 21,6 million in 2015 and is expected to reach SEK 19,5 million in 2016. The premium represents about 0,09 percent of the total premiums for defined benefit retirement and family pension payable to Alecta by client companies. Premiums are calculated per insured and type of benefit, applying Alecta's assumptions regarding interest rates, operating expenses and yield tax.

Alecta's collective funding ratio for defined benefit insurance at the end of the year amounted to 153 percent (143). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its com-

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

mitments to policy holders calculated using Alecta's actuarial assumptions, which are not consistent with IAS 19. Alecta's policy for defined benefit insurance is that the collective funding ratio is normally allowed to vary between 125 and 155 percent, with a target level of 140 percent. If Alecta's collective funding ratio is less than 125 percent or greater than 155 percent, measures shall be taken in order to create the conditions for the collective funding ratio to return to a normal range within three years, on the condition that such measures will not deteriorate Alecta's capacity to fulfil its insurance commitments or to ensure the indexation of pensions in payment. At a low consolidation, a measure can be to raise the agreed price for new issues and expansion of existing benefits. At high consolidation, a measure can be introducing premium reductions.

FTP 2 provides an opportunity for employees born in 1955 or earlier to retire on their own initiative with effect from the month after their 62nd birthday. This provision is reported under provision for pensions and similar obligations; see Note 40 on page 87.

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

NOTE 54 Disclosure of auditors' fees

	Group		Parent Company	
	2015	2014	2015	2014
EY				
Statutory audit	3,0	3,1	3,0	3,1
Audit activities not included in statutory audit	-	-	-	-
Tax advisory services	1,9	1,1	-	0,2
Other services	0,3	0,1	0,3	0,1
Total, EY	5,2	4,3	3,3	3,4

NOTE 55 Leasing

Operating leases

Alecta has entered into operating leases for premises, office equipment and cars. The due dates of payment for the aggregated sum of future minimum leasing fees for non-cancellable leasing agreements per 31 December 2015 are as follows:

	Group		Parent Company	
	2015	2014	2015	2014
Within one year	9,2	4,8	6,4	3,9
Later than one year but within five years	20,5	6,5	9,3	6,5
Later than five years	-	-	-	-
Total	29,7	11,3	15,7	10,4
Total leasing fees during the period	8,0	7,6	6,1	6,1
of which minimum leasing fees	8,0	7,6	6,1	6,1

New rental contract signed in the USA effective from August 2015.
New contract signed for office machinery effective from October 2015.

NOTE 56 Related party disclosures

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

- All companies in the Alecta Group (see Note 18, pages 70–72)
- Members of the Board and senior management
- Immediate family members of members of the Board and senior management
- The Confederation of Swedish Enterprise and PTK
- Associated companies and joint ventures
- The Collectum AB and Fora AB selection centres (the principal owners of Collectum being the Confederation of Swedish Enterprise and PTK, and the Confederation of Swedish Enterprise owning half of Fora).

Related party transactions shall, as with other transactions, be undertaken on commercial terms. When executing such transactions, particular attention must be paid to the guidelines on handling conflicts of interest and the ethics policy, both of which have been drawn up by the Board of Alecta.

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 generating or distributing profits. Subsidiaries are regarded primarily as a capital investment designed to provide the best return for the owners.

Transactions between Alecta and subsidiaries

Transactions that are made from Alecta to subsidiaries refer to loans or shareholder contributions provided in conjunction with investments undertaken by the subsidiaries. Transactions from the subsidiaries to Alecta refer primarily to loan repayments and interest payments, as well as dividends or Group contributions. Shares and participations in Group companies are shown in Note 18 on pages 70–72.

Transactions with members of the Board, senior management and their immediate family

Remuneration to senior executives and members of the Board is reported in Note 53 on pages 90–94. No remuneration was paid to family members of related parties during 2015.

Transactions with the Confederation of Swedish Enterprise and PTK

As 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 these central organisations are included in the nomination committees which, on behalf of the owners, 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 2015 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 on page 85.

Transactions with associated companies and joint ventures

Joint ventures are defined as companies in which Alecta exercises joint control together with other co-owners. Alecta pensionsförsäkring, ömsesidigt is co-owner of eleven jointly managed real estate companies in Sweden and another two jointly managed real estate companies in the USA. In the USA, these participations are owned the wholly owned subsidiary Alecta Real Estate USA, LLC.

NOTE 56 Related party disclosures, *cont.***Information on share of equity and fair value of Alecta's participations in joint ventures**

Joint ventures in Sweden	Corporate Identity Number	Share of equity	Fair value	
			2015	2014
Ancore Fastigheter AB	556817-8858	50%	301	121
Convea AB	556912-4505	50%	3	3
KB Alfa SSM	969715-3998	50%	227	108
Alfa SSM JV AB	556840-4262	50%	0	0
Långeberga Logistik AB ¹⁾	556928-2840	50%	80	17
Fastighets AB Stenvalvet	556803-3111	26%	303	179
Nordhalla Fastigheter AB	556864-0873	33%	371	192
Profi III Infracity AB	556922-4198	39%	94	56
Midstar Hotels	559007-7979	50%	76	-
Swedish Airport Infrastructure AB	559012-5182	50%	0	-
Swedish Airport Infrastructure KB	969775-2609	50%	917	-
Total, Sweden			2 372	676

Joint ventures in the USA	Corporate Identity Number	Share of equity	Fair value	
			2015	2014
Are Lei Venture LLC	DE ID5473708	95 %	1 233	639
Boylstone Street Associates LLC	DE ID4906542	95 %	454	122
Total, USA			1 687	761

¹⁾ Jointly owned by a wholly owned subsidiary

Transactions between Alecta and these joint ventures refer to lending, capital contributions and interest payments and are shown in the table below. 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 agency payments from Alecta for the work completed in accordance with the agency agreement. Transactions with selection centres are shown in the table below. Agency payments have been charged to this year's operating expenses and are shown in Note 8 on page 65.

Information on transactions between the Parent Company, Alecta pensionsförsäkring, ömsesidigt, and related parties:	Related parties	Transactions	Payments received		Payments made	
			2015	2014	2015	2014
Information on transactions between the Parent Company, Alecta pensionsförsäkring, ömsesidigt, and related parties:	Swedish Group companies	Interest income	148	176	-	-
		Interest expenses	-	-	-	2
		Dividends	12	12	-	-
		Management fee	10	11	-	-
	Foreign Group companies	Interest income	1	8	-	-
		Dividends	481	665	-	-
		Shareholder contribution provided	-	-	258	570
	Confederation of Swedish Enterprise and PTK	Information Funds for ITP and TGL	-	-	102	89
	Selection centres (Collectum and Fora)	Premium payments	29 949	23 236	-	-
		Agency payments	-	-	124	127
Joint ventures	Interest income	141	136	-	-	
			30 743	24 244	484	788

Information on the Parent Company, Alecta pensionsförsäkring, ömsesidigt's, outstanding receivables from and liabilities to related parties at 31 December:	Related parties	Balances	Receivables		Liabilities		
			2015	2014	2015	2014	
Information on the Parent Company, Alecta pensionsförsäkring, ömsesidigt's, outstanding receivables from and liabilities to related parties at 31 December:	Swedish Group companies	Non-current receivables	10 655	8 631	-	-	
		Accrued interest income	90	166	-	-	
		Receivables from Group companies	1 329	613	-	-	
		Accrued interest expenses	-	-	0	2	
	Foreign Group companies	Non-current receivables	-	1	-	-	
	Selection centres (Collectum and Fora)	Accrued interest income	1 561	1 365	-	-	
	Joint ventures	Receivables	2 388	2 356	-	-	
		Loans receivable	14	13	-	-	
				16 037	13 145	0	2

This annual report for the financial year ending on 31 December 2015 was approved for publication by the Board of Directors on 17 March 2016. The report will be presented to the Council of Administration for adoption on 14 April 2016.

Board of Directors' signatures

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

Stockholm, 17 March 2016

Erik Åsbrink
Chairman

Cecilia Fahlberg
First Vice Chairman

Christer Ågren
Second Vice Chairman

Gunilla Dahmm

Per Hedelin

Magnus von Koch

Richard Malmberg

Jonas Milton

Karl Olof Stenqvist

Kaj Thorén

Lars Wedenborn

Birgitta Pernkrans

Mikael Persson

Staffan Grefbäck
Chief Executive Officer

Our audit report was submitted on 21 March 2016.

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Audit report

Corporate Identity Number 502014-6865

To the Council of Administration of Alecta pensionsförsäkring, ömsesidigt

Report on the Annual Accounts and Consolidated Accounts

We have audited the annual accounts and consolidated accounts of Alecta pensionsförsäkring, ömsesidigt for the year 2015. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 28–96.

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

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk 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 proce-

dures 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 principles used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Swedish Annual Accounts Act for Insurance Companies, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows in accordance with international financial reporting standards, as adopted by the EU, and the Swedish Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Alecta pensionsförsäkring, ömsesidigt for the year 2015.

Responsibilities of the Board of Directors and Managing Director

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

Auditor's responsibility

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

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

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

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

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

Opinion

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, 21 March 2016

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Review report

Corporate Identity Number 502014-6865

To the Council of Administration of Alecta pensionsförsäkring, ömsesidigt

We have, in our capacity as lay auditors, reviewed the operations in Alecta pensionsförsäkring, ömsesidigt, for the year 2015.

We performed our review in accordance with the Swedish Insurance Companies Act and generally accepted auditing standards in Sweden. This means that we planned and performed our review to obtain reasonable assurance

that the company's operations have been conducted in an appropriate and, from a financial point of view, satisfactory manner, and that the company's internal controls are sufficient.

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

Stockholm, 21 March 2016

Niklas Hjert

Lars Jansson

Board of Directors



Erik Åsbrink^{1,2}

Born 1947

Chairman

Member of the Board since 2000.

Other Board assignments:

Stockholm School of Economics (Chairman), Wallenstam AB, Svensk Hypotekspension AB (Chairman), Stiftelsen Cancercentrum Karolinska, Bilspeditions Transportörförening, Fasticon Holding AB (Chairman).

Other posts:

Swedish Staffing Agencies' Authorisation Committee (Chairman).



Gunilla Dahmm²

Born 1947

Member of the Board since 1999.

Other Board assignments:

AI Pension, KP Pensionsstiftelse och verksamhetskommitté, Unionens Medlemsförsäkring.

Other posts:

Road-Traffic Injuries Commission.



Cecilia Fahlberg¹

Born 1960

First Vice Chairman

Member of the Board since 2007.



Staffan Grefbäck^{1,2}

Born 1955

CEO of Alecta

Member of the Board since 2009.

Other Board assignments:

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



Per Hedelin³

Born 1965

CEO of Ledarna

Member of the Board since 2008.

Other Board assignments:

Försäkringsbolaget PRI Pensionsgaranti, Bliwa Livförsäkring, Riva del Sole S.p.A, Mgruppen Svenska managementgruppen AB (Chairman), Intermezzon AB (Chairman).



Magnus von Koch²

Born 1962

Head of Investment Management at Unionen

Member of the Board since 2010.

Other Board assignments:

Klara Norra Fastigheter AB (Chairman).



Richard Malmberg³

Born 1961

Director of the Swedish Association of Graduate Engineers

Member of the Board since 2003.

Other Board assignments:

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



Jonas Milton³

Born 1953

Member of the Board since 2006.

Other Board assignments:

AI Pension (Vice Chairman), Ratio.



Karl Olof Stenvist³
Born 1946
Member of the Board since 2009.



Kaj Thorén²
Born 1944
Member of the Board since 2005.



Lars Wedenborn²
Born 1958
CEO of FAM AB
Member of the Board since 2012.
Other Board assignments:
FAM AB, Nasdaq OMX Nordic Ltd (Chairman), Nasdaq OMX Group Inc, AB SKF, The Grand Group AB, Höganäs AB, Nefab AB.



Christer Ågren¹
Born 1954
Second Vice Chairman
Member of the Board since 2009.



Birgitta Pernkrans
Born 1969
Insurance Employee
Employee Representative for FTF
Member of the Board since 2015.



Mikael Persson
Born 1962
Insurance Employee
Employee Representative for SACO
Member of the Board since 2008.

¹ Member of the Board Presidium, which also acts as remuneration committee

² Member of the Finance Committee

³ Member of the Audit Committee

The Duties and Working Methods of the Board of Directors

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

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

Each year, the Board draws up a formal work plan for the Board of Directors and issues terms of reference to the CEO. The work performed by the Board of Directors is usually evaluated once a year. Such an evaluation was conducted in the autumn of 2015 and the result was presented to the Council of Administration's preparatory committee prior to the Council's meeting in February 2016, which was also participated in by the Chairman and Vice Chairmen of the Board. The work of the CEO is evaluated continuously and a formal evaluation is performed once a year.

The Board held seven meetings during 2015, one of which was held in conjunction with a two-day Board seminar at which matters of strategic importance to Alecta were discussed.

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

The Board Presidium has four members: the Chairman of the Board, the two Vice Chairmen and the CEO. The primary duties of the Board Presidium are to address, and make decisions regarding, those matters which the Board delegates to the Presidium, and to otherwise advise the CEO in matters of day-to-day management and prepare matters to be added to the agenda at Board meetings. In addition, the Presidium acts as a remuneration committee and convenes on the initiative of the Chairman of the Board. The Presidium held five meetings during 2015.

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 resolves on investment matters which fall outside the authority of the CEO. The Finance Committee met four times in 2015.

The Audit Committee is comprised of four members. The Committee continuously evaluates and provides the Board with its view of Alecta's risk exposure and management's risk management. The Audit Committee also supports the Board in monitoring and evaluating internal and external auditing processes, and is responsible for preparing the work of the Board to assure the quality of Alecta's financial reporting. The Audit Committee met on five occasions in 2015.

Council of Administration and Auditors

Council of Administration

The Council of Administration is Alecta's most senior decision-making body, corresponding to a General Meeting of Shareholders as described in the Swedish Insurance Companies Act. The Council's duties include the election of members of the Board and auditors, consideration of the question put forward each year concerning discharge from liability for the Board of Directors and CEO for their administration during the financial year, and resolving on the adoption of the income statements and balance sheets for

the Parent Company and the Group, and on the appropriation of the year's profit or loss.

The Council of Administration consists of 38 members and eight deputies. In order to ensure that the interests and views of the retirees are represented, it has been decided that the Council's members should include a number of retirees who are insured in Alecta. These representatives are appointed by the employee organisations named below.

Members and Deputy Members

The Council of Administration's 19 members and four deputy members elected by the Confederation of Swedish Enterprise for the period 2015–2017.

Members

Lars-Erik Aaro, Luleå
Björn Alvingrip, Mölle
Kenneth Bengtsson, Stockholm, Chairman
Jan Bosaeus, Solna
Eva Dunér, Gothenburg
Mats Elfsberg, Vansbro
Ann-Marie Fransson Grankvist, Järfälla
Per Hidesten, Stockholm
Göran Holm, Bromma
Peter Jeppsson, Stockholm
Gert Karnberger, Örebro
Ulf Larsson, Sundsvall
Staffan Lindquist, Helsingborg
Martin Lindqvist, Stockholm
Ola Månsson, Alunda
Kerstin Renard, Hälleviksstrand
Jan Siezing, Tumba
Åke Svensson, Stockholm
Ulrik Wehtje, Malmö

Deputy Members

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

The Council of Administration's 19 members and four deputy members elected by Unionen, the Association of Managerial and Professional Staff (Ledarna), the Swedish Association of Graduate Engineers and PTK for the period 2015–2017.

Members

Hanna Brandt González (Unionen), Österskär
Stefan Carlsson (Unionen), Norrköping
Annika Elias (Ledarna), Gothenburg
Andreas Grünewald (Unionen), Åkersberga
Helena Hedlund (Ledarna), Märsta
Peter Hellberg (Unionen), Bandhagen
Anette Hellgren (Unionen), Trollhättan
Gunnar Henriksson (Unionen), Tullinge, also representative of Alecta's retirees
Martin Johansson (Unionen), Stockholm
Ulrika Johansson (Unionen), Luleå
Gun Karlsson (Unionen), Stockholm
Victoria Kirchhoff (Unionen), Klagshamn
Peter Larsson (Swedish Association of Graduate Engineers), Enskede
Hans Lindau (Unionen), Sandared
Martin Linder (Unionen), Sollentuna, Vice Chairman
Leif Nicklagård (Unionen), Vallentuna
Annica Pettersson (PTK), Enskede Gård
Kristina Rådkvist (PTK), Enköping
Anders Tihkan (Swedish Association of Graduate Engineers), Värmdö

Deputy Members

Thomas Eriksson (Ledarna), Örebro
Nils-Harald Forssell (Unionen), Olofstorp, also representative of Alecta's retirees
Stefan Jansson (Swedish Association of Graduate Engineers), Stockholm
Björn Ekblom (Unionen), Svanesund

Auditors

Elected auditor

Ernst & Young AB,
Auditor-In-Charge
Jesper Nilsson

Lay Auditors

Elected auditors

Niklas Hjert, Unionen
Lars Jansson, Confederation of Swedish Enterprise

Deputy auditors

Kati Almquist, Ledarna
Lisbeth Gustafsson, Confederation of Swedish Enterprise

Senior Management



Staffan Grefbäck *

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



Per Frennberg

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



Katarina Thorslund

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



Maria Wahl Burvall

Born 1964
Director of Human Resources, Purchasing and Service
Education: MSc in Business and Economics, majoring in National Economics and Statistics
Year of employment: 2014
Previous experience: Economist, Human Resources specialist and Head of Human Resources Swedish Central Bank.



Pär Ola Grane

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



Magnus Landare

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



Ulf Larsson

Born 1968
Acting Head of IT
Education: BA Business Administration
Year of employment: 1998
Previous experience: Head of IT Architecture and Group Head of Infrastructure within Alecta. Previously, consultant at WM-data.



Anna-Karin Pettersson

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

* Staffan Grefbäck terminates his position as Chief Executive Officer in April 2016 and will be succeeded by Magnus Billing.


Staffan Ström

Born 1974

Head of Information

Education: Political science and urban planning

Year of employment: 2001

Previous experience: Head of Business Support, Head of Corporates and Agents, Head of Corporate Market, Head of Marketing Services, Customer Training Manager, Account Manager for large enterprises and Account Manager at Alecta. Previously worked in aftermarket sales at SydUpplands Bil and as Deputy Head of Vallentuna Motor.


Karin Öckert

Born 1966

Head of Customer Communications

Education: MSc in Business and Economics

Year of employment: 2000

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


Pehr Östberg

Born 1962

Head of Product and Parties

Education: Law and political science

Year of employment: 1987

Board assignments: Min Pension i Sverige AB

Previous experience: Marketing Manager, Head of Claims, Head of Disability and Family Pension Management, Process Leader of retirement pension and retirement pension specialist at Alecta.

Glossary

Adjustment of paid-up values

Assigned refunds through an increase of the pension entitlement earned prior to retirement age. This adjustment is primarily made to compensate for inflation.

Agency agreement with Collectum

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

Assets under management

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

Capital base

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

Capital value

The estimated present value of future payment flows.

Client-company funds

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

Collective agreement guarantee

If an employer who has signed a collective agreement, thereby agreeing to become affiliated to the ITP plan, 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 refunds) to policy holders and the insured.

Collective funding ratio

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

Derivative

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

Discount rate

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

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)

A defined benefit pension plan is a plan under which the size of the *pension* is determined in advance, for example as a specified amount or a specific percentage of the final salary.

Defined contribution insurance

A defined contribution pension plan is a plan under which the size of the *premium* is determined in advance, for example as a specific percentage of the salary or a specified amount. The amount of pension is dependent on the amount of pension capital on retirement.

Distributable assets

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

Financial instrument

All forms of agreement that give rise to a financial asset in one company and a financial liability or an equity instrument in another company.

Forward contract

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

Insurance contract

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

Insured

The person covered by the insurance.

Investments

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

Investment assets

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

Management expense ratio

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

Market value

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

Occupational group life insurance (TGL)

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

Original ITPK

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

Pension supplement

Refunds allocated to the insured in addition to guaranteed pension. Under the actuarial guidelines, such a refund 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.

Premium rate

For defined benefit insurance, premium size depends, amongst other factors, on the applied premium rate. The premiums paid including return on 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.

PRI model

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

Policy holder

The party who has entered into an insurance contract with an insurance company.

Refund

Surplus guaranteed or allocated to

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

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

Recoverable amount

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

Risk insurance

Insurance for which 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 simply, the solvency margin is determined as a certain percentage of both technical provisions and the Company's insurance risks.

Special indexation funds

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

Swap

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

Technical provisions

Provisions in the balance sheet for a company's obligations attributable to insurance. The capital value of the insurance company's guaranteed commitments, which consist of a life insurance provision and a provision for claims outstanding.

Total return

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

Unrealised changes in value of investment assets

Positive or negative change in market value of investment assets.

Waiver of premium insurance

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



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