Interim Report

January–June 2022

Message from the CEO

In an uncertain environment, our stable foundations are particularly important

Unusually shaky! I think that's how many people feel about the first half of 2022. And this despite the fact that in January we were just emerging from a world that had been living through a pandemic for almost two years. Russia's war in Ukraine, plummeting stock markets, rapidly rising inflation and interest rate hikes around the world have created uncertainty about where the world is headed.

We entered 2022 with a very strong financial position and a portfolio that has been groomed for several years to better withstand the kind of developments that occurred in 2022. For us, this has been a source of security for us to lean on when so much else has felt shaky.

Return

The return for the first half of the year is –12.7 per cent on the defined contribution AOP, and –8.7 per cent on the defined benefit ITP2. The negative trend is largely attributable to our equity portfolio, which decreased by 20.9 per cent. In an environment in which interest rates are rising, the market value of some of our bonds with longer maturities is also falling, while we have been able to find better a return on the new fixed-income investment we have made.

For the past few years, Alecta has worked to create an asset portfolio that will better withstand both rising inflation and temporary drops in the stock market. In 2021, Alecta significantly reduced the proportion of equities in the portfolio and increased alternative investment. The "nightmarish" performance of the stock market over the year indicates the importance of diversification and our intensive efforts for increased diversification have been valuable in the first half of the year. The outlook for the financial markets is uncertain and difficult to assess but it is not unlikely that the negative trends we have seen in the first half of the year, will continue for the rest of the year and also affect other asset classes, such as real estate.

In May, Alecta won an award for the best strategy in alternative assets at the IPE Real Estate Awards. Since 2017, there have been ongoing efforts to build up that portfolio that have continued into 2022, including a co-investment of more than SEK 1 billion in the largest climate-neutral office property in the UK.

In January, we also made two very exciting investments, USD 75 million in a blue bond that contributes to the improvement of the marine environment in Belize and USD 450 million in two reinsurance funds for natural disasters.

Along with Nordr Sverige AB, in May our relatively newly formed subsidiary, Alecta Fastigheter AB was awarded one of the largest land allocations in Värtahamnen by Stockholm City and it will take on the role of anchor developer. In the area of sustainability, Alecta Fastigheter established a sustainability strategy and we published our climate report in accordance with the TCFD standard.

Satisfied customers

As in the past, we are proud to say that Alecta has very satisfied customers. Customer satisfaction remains very high. And just as before, this is thanks to our fantastic employees and our work on digitalisation and automation of the customer interface.

A reorganisation of the Customer department was carried out in spring to adapt the business to Avtalat, the new information company for the labour market, which will be the first line of contact and answer general questions on collectively agreed occupational pensions. We are currently enhancing our specialist expertise in the various benefit categories, which will enable us to provide faster guidance to customers and provide better answers at the first point of contact.

At the beginning of the year, an updated version was launched of how the digital annual newsletter for private customers is displayed on My Pages, which reduced the load on our systems and significantly sped up loading times for our customers.

Financial position

The financial position for Alecta has developed well despite the major downturns on the world's stock markets. One reason for this is that rising interest rates during the period have reduced our commitments.

The solvency ratio at the end of the interim period was 211 per cent. As mentioned earlier, an important part of our strong financial position is our work on diversifying our asset portfolio to make it robust enough to withstand different scenarios. Another important element is our clear focus on cost efficiency.

For example, as part of our continuous improvement and efficiency efforts within the framework of Alecta 2023, during the period we moved the platform for our analytics warehouse to the cloud, which will lead to cost savings and more efficient management of analytics going forward. The combination of upgrading our case management system in the Customer department and training has enabled the creation of an even more uniform case management system, which increases the level of efficiency.

During spring, the Swedish Financial Supervisory Authority investigated the internal control and risk management in asset management employed by Alecta. The case was closed at the end of June. This is thanks to our ongoing efforts to strengthen internal control and risk management in asset management. We will continue to focus on these efforts to ensure that we maintain a strong risk culture and regulatory compliance throughout all Alecta operations going forward.

Always low fees

Alecta has the lowest fees in the industry for pension savings. During the interim period, we have focused much of our external communication on explaining our low fees and why low fees are particularly important for retirement savings. We did this under the "Always low fees" concept where among other things, we developed a new topic page on Alecta.se, an updated version of the "Fee Monster" section where customers can calculate how the fee affects the size of their future pension, advertising on social media and through interviews and articles in which Alecta pension economist, Staffan Ström explained how the fee affects the pension.

Pension debate

In 2021, Alecta published a report on the financial situation for retirees that attracted a great deal of attention, probably because it went against the widely held view at the time that in general, retirees had weak financial positions. In 2022, our report was followed by reports from others including the Swedish Pensions Agency, the Swedish Fiscal Policy Council and Timbro, all of which show that the finances of retirees and the Swedish pension system are better than their reputations and that Swedish retirees have never had such good incomes as they do now.

Alecta does not have its own agenda for changing the pension system but decisions on such an important issue as pensions need to be based on a reliable, fact-based analysis and have very long-term sustainability. As Alecta pension economist, Staffan Ström wrote in an opinion piece published in Svenska Dagbladet: "*We owe it to the retirees of today and tomorrow to give them a more dignified way of dealing with the pension issue than the short-term populist fever that characterises politics at the moment.*"

In conclusion, I would like to thank all our customers and colleagues for helping us to safely navigate an uncertain six months, from which we are emerging with our strength intact. I am hoping for an autumn with a more secure and peaceful climate without any turbulence in the economy, so that we can instead put greater effort into developing Alecta and creating value for our customers.

Magnus Billing
CEO

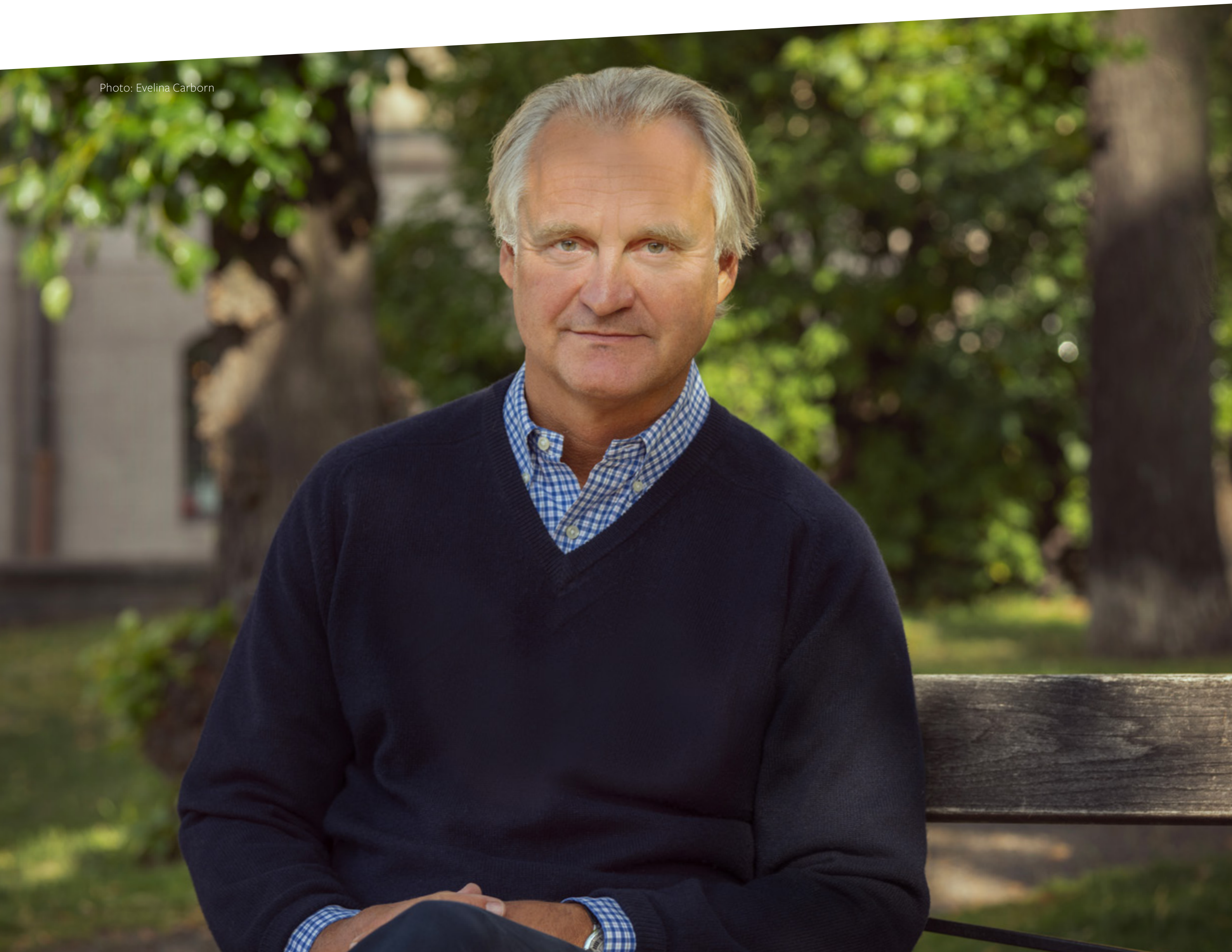


Photo: Evelina Carborn

Comments on the parent company and consolidated financial statements

The Chief Executive Officer of Alecta Tjänstepension Ömsesidigt hereby submits the interim report for the period 1 January–30 June 2022.

The amounts refer to the Group and the figures in brackets refer to the income statement and key performance indicators for the corresponding period of the previous year and to the balance sheet at the past year-end.

Profit/loss

Profit/loss after tax for the Group totalled SEK –14.4 billion (115.4) for the first half of the year. Comments on the profit/loss and financial position are presented in the following report.

Premiums written

Premiums written for the first six months totalled SEK 36.5 billion (26.2). Premiums written consist both of premiums invoiced, which totalled SEK 23.9 billion (22.6) and guaranteed refunds, which totalled SEK 12.7 billion (3.6).

The increase in premiums invoiced is due to an increase in one-off premiums relating to PRI redemptions. Allocated refunds consist of premium reductions on the employer premiums for health and premium waiver insurance and family pensions, as well as an increase in pensions in payment and earned pension entitlements (adjustment of paid-up policy values). The increase in guaranteed refunds is largely due to the 2.51 per cent adjustment of paid-up policy values implemented in January, based on the change in the Consumer Price Index between September 2020 and September 2021 being higher than what had been implemented in the previous year (0.39).

Capital return

The first half of the year has been dominated by the wave of inflation that has swept across the world, catching the central banks in particular off guard and forcing them to switch to a more restrictive monetary policy, causing interest rates to rise sharply. Added to this was Russia's invasion of Ukraine in February, which in addition to causing great human suffering, rocked the commodity market and pushed already high commodity prices even higher. Furthermore, China's hard-line zero-tolerance policy against COVID has meant continued challenges in most supply chains, resulting in severe components shortages.

The central banks have become increasingly clear about fighting inflation this spring. During spring, the US Federal Reserve implemented three interest rate hikes totalling 1.5 percentage points and the Riksbank raised the policy rate twice by a total of 1 percentage point, with more increases expected. The European Central Bank is one of the few central banks that has not yet raised interest rates but is expected to implement tighter measures over summer. Inflation levels not seen since the 1980s and rising interest rates that are squeezing household spending power have also meant that most forecasting institutes have significantly downgraded their growth forecasts and fears of an impending recession have increased.

In a world with rising inflation, increasing interest rates and geopolitical unrest, financial markets have experienced considerable volatility. The global stock market optimism from last year has turned to risk aversion and the world's

Key ratios

Group
January–June 2022

Return *Defined contribution insurance, Alecta Optimal Pension*	–12.7%	(12.4%)
Return *Defined benefit insurance*	–8.7%	(7.7%)
Management expense ratio *Defined contribution insurance, Alecta Optimal Pension*	0.04 %	(0.06%)
Management expense ratio *Defined benefit insurance*	0.07%	(0.08%)
Solvency ratio	211 %	(187%)

Comments on the parent company and consolidated financial statements

stock markets have generally performed negatively in the first six months of the year. The Swedish growth index (MSCI Sweden) has performed particularly poorly and is down 24 per cent making it the worst six-month period since 1990. American stock markets are down 21.1 per cent and European stock markets fared somewhat better, falling 14.9 per cent. Fixed income assets have also been adversely affected by rising market interest rates. However, the rise in interest rates has also meant that the Alecta pension commitments, which are entered on the liabilities side of the balance sheet have decreased, which has contributed to an increasingly stronger solvency and funding situation for Alecta.

For the default portfolio in Alects's defined contribution insurance product, Alecta Optimal Pension, the return for the first half of the year amounted to –12.7 per cent and the average annual return on a rolling five-year basis was 6.7 per cent. The six-month market value of the default portfolio in Alecta Optimal Pension was SEK 192.4 billion.

The return on the Alecta defined benefit insurance product amounted to –8.7 per cent during the first half of the year and the average annual return on a rolling five-year basis was 4.7 per cent. The six-month market value was SEK 916.0 billion.

Insurance claims incurred

Insurance claims incurred consist partly of insurance claims paid and partly of changes in provisions for claims outstanding.

Insurance claims paid which consist of benefits in retirement pensions, disability and life insurance as well as operating costs for claim settlements amounted to SEK 12.1 billion (11.7).

The change in the provision for claims outstanding was SEK –911 million (349).

Technical provisions

Technical provisions are the sum of the provisions for life insurance and provisions for claims outstanding and represent the capital value of Alecta guaranteed commitments for current insurance contracts.

Technical provisions totalled SEK 534.2 billion as at the end of June 2022. This is a reduction of SEK 79.6 billion (14.1) for the first half of 2022, which is explained as follows:

- Premiums and payments led to an increase in technical provisions of SEK 24.5 billion (14.7).
- The difference between underlying premiums and assumptions in the calculation of technical provisions reduced the provisions by SEK 14.8 billion (13.0) for savings insurance.
- The results from disability and waiver of premium insurance reduced the provisions by SEK 1.2 billion (0.5).
- Higher market interest rates meant that the yield curve used in the valuation increased sharply, which reduced provisions by SEK 99.4 billion (24.4). The average cash flow-weighted interest rate decreased from 1.92 to 3.06 per cent in the first half year of 2022.
- Cumulative return after deduction for released tax and operating expenses meant that the technical provisions increased by SEK 7.6 billion (7.3).
- Other changes and outcomes led to an overall increase of SEK 3.7 billion in technical provisions (1.8).

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement, totalled SEK 283 million (333). In 2022, we had increased internal charges from the insurance business for asset management, which is the main contributor to lower operating expenses. In addition, IT development consulting costs have decreased as the Alecta 2023 strategy programme is now in its final phase. Invoicing of administrative costs from Collectum was slightly lower compared to the previous year. Our PRI income increased as we are developing an IT solution for management of AGI (individual level employer declaration) on behalf of PRI.

Management expense ratio

The total management expense ratio for the Group has decreased to 0.06 (0.07) compared to the full year 2021. The key performance indicator for defined contribution insurance has decreased to 0.04 (0.05) while the key performance indicator for defined benefit insurance decreased to 0.07 (0.08) compared to the full year 2021. Operating costs for the insurance business were significantly lower during the period, which contributed to an improvement in all key performance indicators. The main factor contributing to the reduction in costs was an increase in internal charges for asset management.

Financial position

The collective funding ratio for defined benefit insurance products was 185 per cent (165) at the end of the period.

The defined normal range for the collective funding ratio is 125–175 per cent. Decisions on refunds are made by the Alecta Board of Directors. Refunds are initially given as pension supplements for pensions in payment but may also be given for increases in earned pension entitlement (adjustment of paid-up policy values) and as reduction in the premiums paid by the policyholders.

Alecta's defined contribution insurance product, Alecta Optimal Pension, had a collective funding ratio of 100 per cent, which is the normal level as all surpluses and deficits are distributed on an ongoing basis.

Alecta's solvency ratio was 211 per cent (187).

Comments on the parent company and consolidated financial statements

Parent Company

The comments above are also essentially applicable to the parent company where the insurance business is conducted.

Significant events during the period

The war in Ukraine

Russia's aggressive invasion of Ukraine in February has caused major unrest in the financial markets and stock market declines around the world. Alecta has no direct or indirect investments in Russia or Belarus but the market development has meant that the value of total Alecta investments has fallen sharply in conjunction with the start of the war. In March, the equity markets recovered and the value of Alecta investments was in line with the value prior to the outbreak of the war. The war in Ukraine has continued to weigh heavy on the mood of investors, mainly by contributing to a continued rise in food prices and thus contributing to rising inflation.

Impact of the COVID-19 pandemic

With an increasing proportion of the population fully vaccinated and a lesser burden on health services, the Swedish Parliament decided on 3 February that COVID-19 should no longer be classified as a public health emergency. At the same time, the decision was made to start phasing out infection control measures. The rest of the Western world has also eased restrictions during spring and economies have been able to fully open up again, which has had a positive effect on industries that were previously severely affected by restrictions.

However, in parts of Asia the infection has been more widespread and the Chinese authorities in particular have continued to impose tight restrictions to minimise the risk of the virus spreading, leading to in lingering logistical problems. The shortage of components and goods has partially contributed to the rapid rise in inflation. At the end of the period, China was also reported to have eased some restrictions and border controls. More recently, data has also come in showing an improved logistics situation and falling freight rates.

The impact of inflation

Inflation in Sweden and in much of the world started growing during the pandemic and has reached historically high levels in the last six months. In Europe, which only a few years ago was struggling with prolonged deflation inflation reached over 8.5% in June. In Sweden, the inflation rate was above 7.5% during the same period and the Riksbank predicts this will be a level that we will have to live with for the next one to two years. Expectations for underlying inflation, i.e. excluding energy have also risen, increasing the risk that longer-term inflation expectations will rise.

Central banks, which six months ago considered inflation to be temporary have now reversed course and see inflation as the absolute primary objective to fight and have signalled significantly higher policy rates ahead, which led to sharply rising market rates. The rising interest rates coupled with concerns about future growth have led to a severe cooling of global stock markets. The performance of fixed income assets has also been negative as interest rates have risen. At mid-year, the value of Alecta investments had fallen by 9.5 per cent.

Interest rates also have a very significant impact on the present value of nominal and real commitments that are many years away, such as Alecta pension commitments. The average discount rate has increased from 1.92 at the beginning of the year to 3.06% at the six-month mark. As a result, technical provisions have decreased by SEK 99.4 billion. In summary, this has strengthened Alecta's financial position in the first half of 2022 and the collective funding ratio for defined benefit insurance products amounts to 185 per cent. Given this, Alecta is well placed to compensate defined benefit pensions for the negative effects of inflation.

Conversion to a mutual occupational pensions company

On 1 January 2022, Alecta converted from a mutual insurance company under the Swedish Insurance Business Act to a mutual occupational pensions company under the Swedish Occupational Pension Companies Act (2019:742). In association with the conversion, Alecta pensionsförsäkring, ömsesidigt also changed its name to Alecta Tjänstepension Ömsesidigt.

The change in regulations has affected the discount rate curve that Alecta applies, which at the end of the year led to a reduction in Alecta technical provisions of SEK 12.1 billion and of the capital value of pension supplements by SEK 300 million.

Index-linked pension and premium reductions

In autumn 2021, the Alecta Board of Directors resolved to index-link defined benefit pensions by 2.51 per cent for 2022, matching the rate of inflation over the past year. As a result of the strong financial position of Alecta in accordance with its funding policy, the Board also resolved to introduce a defined benefit retirement premium reduction for 2022 and a family pension of 30 per cent in relation to the applicable premium level for 2021. Further information about the index-linked pension and premium reductions can be found in the Alecta Annual and Sustainability Report for 2021, page 48.

Alternative investments

Alecta won an award in the 'Alternatives Strategy' category at the IPE Real Estate Awards in May, which shows that the hard work on diversifying the portfolio and investing in alternative assets is successful and also appreciated internationally.

Comments on the parent company and consolidated financial statements

In spring, Alecta invested USD 450 million in two natural disaster reinsurance funds, USD 75 million in a blue bond to help improve the marine environment in Belize and via a co-investment, invested more than SEK 1 billion in the largest climate-neutral office property in the UK.

Alecta Fastigheter AB

Alecta Fastigheter AB continues to build the business to create uplift for places, companies, businesses and people. In spring, the company took over the management and development of company properties in Gothenburg.

Significant risks and uncertainty factors

Two developments in particular pose risks to Alecta's financial position. These are instability in the financial markets likely caused by the problems of indebted states or banks with weak balance sheets and prolonged low interest rates. In 2022, new risks have been realised with Russia's war in Ukraine, sharply rising inflation and rising interest rates. The future is also more uncertain than it has been for a very long time. On a daily basis, Alecta simulates the consequences of instability in the financial markets using both an internal stress test and regulatory capital requirements. At the six-month mark, Alecta had satisfactory margins in both tests and is therefore deemed to be able to withstand even extensive financial instability. The impacts of different stressed scenarios, such as severe stagflation and deflation was last calculated in Alecta's ORSA (long-term risk and solvency assessment) prepared at the end of 2021.

For more information on Alecta's risks and risk management, refer to the Alecta Annual and Sustainability Report 2021, pages 51–52 and 71–72.

From a regulatory perspective, Alecta is currently affected by three external events in particular. Firstly, the continued development of the sustainability-related regulation in tandem with the implementation work at Alecta. The reporting requirements in this area include a significantly increased level of detail but also a lack of clarity around the regulatory expectations. Secondly, the EU review of the Occupational Pension Directive, IORP 2, is now being initiated. Thirdly, work continues on the new regulation – the Digital Operational Resilience Act (DORA) – that will apply to Alecta and which aims to create a uniform regulatory framework at EU level with requirements for IT risk management and cybersecurity.

Photo: Evelina Carborn

Financial position and key performance indicators

Group

FINANCIAL POSITION, SEK MILLION	30 June 2022	30 June 2021	31 Dec 2021
Collective funding capital	416,977	366,309	418,346
Capital base [1]	590,486	527,444	619,312
Required solvency margin [1]	22,364	25,370	25,612
KEY PERFORMANCE INDICATORS			
Total return for the Group, per cent [2]	–9.5	8.4	16.6
Total return, defined contribution insurance, per cent [3]	–12.7	12.4	24.1
Total return, defined benefit insurance, per cent [3]	–8.7	7.7	15.2
Direct return for the Group, per cent	2.3	1.3	1.9
Management expense ratio [4]	0.06	0.08	0.07
Management expense ratio, defined contribution insurance [4]	0.04	0.06	0.05
Management expense ratio, defined benefit insurance [4]	0.07	0.08	0.08
Investment management expense ratio [5]	0.02	0.02	0.02
Collective funding ratio, defined contribution insurance, per cent [6]	100	100	100
Collective funding ratio, defined benefit insurance, per cent	185	165	172
Solvency ratio, per cent	211	187	201

1) Information refers to parent company and Group.
2) Information refers to the Group defined benefit and defined contribution retirement pensions and risk insurance. Calculated in accordance with the recommendations of Insurance Sweden.
3) Calculated in accordance with the recommendations of Insurance Sweden. Total return for defined contribution insurance refers to the portfolio that is the Alecta default option, which has a 60 per cent equities component.
4) Calculated as operating expenses and claims settlement expenses relative to average assets under management. The expenses are based on 12-month rolling outcomes.
5) Calculated as operating expenses for investment management relative to average assets under management. The expenses are based on 12-month rolling outcomes.
6) Any surplus/deficit is allocated to the insured parties on a monthly basis, which is why the collective funding ratio is always around 100 per cent.

Total return table for investments, defined contribution insurance

	Market value		Market value		Market value		Total return, per cent			
	30/06/2022		30/06/2021		31/12/2021		6 months Jan–June 2022	6 months Jan–June 2021	12 months July 2021 –June 2022	5-year average July 2017 –June 2022
DEFINED CONTRIBUTION INSURANCE (Alecta Optimal Pension)	SEK million	%	SEK million	%	SEK million	%				
Shares	102,053	53.0	110,412	60.1	125,842	59.6	–20.9	20.7	–7.8	9.6
Debt securities	51,262	26.6	51,147	27.8	54,696	25.9	–7.2	–0.7	–8.1	–0.7
Alternative investments [1]	39,108	20.3	22,277	12.1	30,487	14.4	8.2	5.0	16.7	8.4
Total investments	**192,423**	**100.0**	**183,836**	**100.0**	**211,025**	**100.0**	**–12.7**	**12.4**	**–3.7**	**6.7**

The proportion of equities in Alecta Optimal Pension is higher than in other Alecta products. The table above refers to the portfolio that is Alecta's default option, which has a 60 per cent share component. The market value of the total Alecta Optimal Pension portfolio, i.e., including all asset classes is SEK 208.5 billion (197.9).

Total return table for investments, defined benefit insurance

	Market value		Market value		Market value		Total return, per cent			
	30/06/2022		30/06/2021		31/12/2021		6 months Jan–June 2022	6 months Jan–June 2021	12 months July 2021 –June 2022	5-year average July 2017 –June 2022
DEFINED BENEFIT INSURANCE	SEK million	%	SEK million	%	SEK million	%				
Shares	295,838	32.3	356,111	38.0	364,656	36.3	–20.9	20.7	–7.8	9.6
Debt securities	435,982	47.6	467,828	50.0	495,062	49.3	–5.4	–0.6	–5.4	–0.1
Alternative investments [1]	184,144	20.1	112,235	12.0	143,498	14.3	8.2	5.0	16.7	8.4
Total investments	**915,965**	**100.0**	**936,174**	**100.0**	**1,003,215**	**100.0**	**–8.7**	7.7	**–2.4**	**4.7**

Due to rounding, the sum of the figures shown in the tables above may differ from the totals.
The total return tables are prepared in accordance with the recommendations of Insurance Sweden. The reporting and valuation of the investments in the total return tables are not consistent with the accounting principles applied in the financial statements. These differences are only reported in the annual report, see Note 46. Reconciliation of total return table with the financial statements in the Annual and Sustainability Report 2021.

1) Alternative investments include real estate, infrastructure investments, private equity and so-called alternative credits that are subject to higher market risk than traditional debt securities.

Condensed consolidated income statement

SEK million	Jan–June 2022	Jan–June 2021
Premiums written	36,527	26,238
Net capital return	–118,928	87,749
Claims paid	–12,062	–11,650
Change in provision for claims outstanding	911	–349
Change in other technical provisions	78,654	14,493
Operating expenses	–283	–333
Depreciation and impairment of owner-occupied properties	–13	–12
Yield tax	–246	–190
Total operating profit/loss	**–15,440**	**115,946**
Profit/loss before tax	**–15,440**	**115,946**
Income tax	1,040	–504
Profit/loss for the period	**–14,400**	**115,442**

Consolidated statement of comprehensive income

SEK million	Jan–June 2022	Jan–June 2021
Profit/loss for the period	**–14,400**	**115,442**
Items that can subsequently be reclassified to income statement:		
Foreign exchange differences	809	122
Other comprehensive income	**809**	**122**
Comprehensive income for the period	**–13,591**	**115,564**

Condensed consolidated balance sheet

SEK million	Note	30 June 2022	30 June 2021	31 Dec 2021
Intangible assets		60	140	100
Property, plant and equipment		14	16	16
Deferred tax		3,574	1,642	1,445
Investment assets	3, 4, 5	1,137,374	1,138,362	1,236,719
Receivables	3	10,907	6,778	7,148
Cash and bank balances	3	4,182	3,237	3,923
Prepaid expenses and accrued income	3	2,906	7,353	8,589
Total assets		**1,159,017**	**1,157,528**	**1,257,940**
Equity		590,546	527,584	619,412
Provision for life insurance		520,888	594,282	599,542
Claims outstanding		13,355	13,537	14,267
Other provisions		9	10	8
Current tax		138	84	63
Deferred tax		2,502	1,772	1,911
Liabilities related to direct insurance operations	3	843	803	805
Derivatives	3, 4	25,344	10,556	14,909
Other liabilities	3	4,193	3,221	864
Other accrued expenses and prepaid income	3	1,199	5,679	6,159
Total equity and liabilities		**1,159,017**	**1,157,528**	**1,257,940**

Consolidated statement of changes in equity

SEK million	Jan–June 2022	Jan–June 2021
Opening equity	**619,412**	**417,987**
Profit/loss for the period	–14,400	115,442
Other comprehensive income	809	122
Total comprehensive income for the period	**605,821**	**533,551**
Guaranteed refunds		
Pension supplements, defined benefit plan	*–1,563*	*–1,375*
Supplementary amounts, defined contribution plan	*–225*	*–150*
Adjustment of paid-up policy values	*–10,284*	*–1,573*
Premium reduction	*–2,385*	*–2,037*
Change in indexation funds		
Collective risk premium [1]	*–67*	*–64*
Other changes [2]	–751	–768
Closing equity	**590,546**	**527,584**

[1] Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increase in employers' expenses due to the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.
[2] Other changes primarily consist of refunds paid in association with the transfer of defined contribution insurance.

Condensed consolidated cash flow statement

SEK million	Jan–June 2022	Jan–June 2021
Cash flow from operating activities	2,856	2,148
Cash flow from investment activities	0	0
Cash flow from financing activities	–2,606	–2,356
Cash flow for the period	**250**	**–208**
Cash and cash equivalents, opening balance	3,923	3,440
Foreign exchange differences in cash and cash equivalents	9	5
Cash and cash equivalents, closing balance	**4,182**	**3,237**

Alecta reports cash flows from operating activities, investment activities and financing activities with the adjustments required for the insurance business. As cash flows in the insurance business are mostly invested, investment assets are reported as an integral part of operating activities. Financing activities within Alecta refer to payments that flow directly to/from equity. Bank balances are recognised as cash and cash equivalents, i.e., the same as the Cash and bank balances item on the balance sheet. Short-term investments are not included in cash and cash equivalents but are reported as investment assets. Interest received or paid and dividends received are recognised as cash flow from operating activities.

Condensed parent company income statement

SEK million	Jan–June 2022	Jan–June 2021
TECHNICAL ACCOUNTS		
Premiums written	36,527	26,238
Capital return, income	59,641	21,934
Unrealised gains on investment assets	60	73,090
Claims paid	–12,062	–11,650
Change in provision for claims outstanding	911	–349
Change in other technical provisions	78,654	14,493
Operating expenses	–283	–324
Capital return, expenses	–6,238	–612
Unrealised losses on investment assets	–175,670	–7,458
Life insurance, balance on the technical account	**–18,460**	**115,362**
NON-TECHNICAL ACCOUNTS		
Profit/loss before appropriations and tax	**–18,460**	**115,362**
Tax	1,252	–574
Profit/loss for the period	**–17,208**	**114,788**

Parent company statement of comprehensive income

SEK million	Jan–June 2022	Jan–June 2021
Profit/loss for the period	**–17,208**	**114,788**
Items that can be subsequently reclassified to income statement		
Foreign exchange differences	–	–
Other comprehensive income	**–**	**–**
Comprehensive income for the period	**–17,208**	**114,788**

Condensed parent company balance sheet

SEK million	30 June 2022	30 June 2021	31 Dec 2021
Intangible assets	60	140	100
Investment assets	1,123,868	1,129,551	1,226,842
Receivables	14,011	8,121	9,221
Other assets	3,902	3,057	3,699
Prepaid expenses and accrued income	2,879	7,329	8,536
Total assets	**1,144,720**	**1,148,198**	**1,248,398**
Equity	577,670	519,554	610,153
Technical provisions	534,244	607,819	613,809
Other provisions	52	2	2
Liabilities	31,933	15,411	18,570
Accrued expenses and prepaid income	821	5,412	5,864
Total equity, provisions and liabilities	**1,144,720**	**1,148,198**	**1,248,398**

Notes

NOTE 1 Group and Parent Company Accounting Principles

The interim report refers to the period from 1 January–30 June 2022 for Alecta Tjänstepension Ömsesidigt, organisation number 502014-6865, including the Group.

The interim report includes pages 1–18, the interim information on pages 1–7 thus constitutes an integral part of this financial report. The amounts specified in the notes refer to Swedish crowns in millions unless otherwise stated.

Group

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. In preparing the financial statements, the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts for insurance companies and occupational pension companies (FFFS 2019:23) and the Swedish Financial Reporting Board recommendation RFR 1, Supplementary Accounting Rules for Groups have also been applied.

The rules in IAS 34 Interim Financial Reporting standard have been followed in the preparation of this interim report.

According to the regulation amending (FFFS 2020:24) t the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts for insurance companies and occupational pension companies (FFFS 2019:23), the requirement to apply international accounting standards has been removed. Unlisted insurance companies and occupational pension companies may instead prepare consolidated financial statements in accordance with the rules applicable to unlisted companies in the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL). Alecta chose not to apply this option in its 2021 annual report. Alecta is planning for a transition to legally restricted IFRS in the Group that will take place in the second half of 2022. The assessment is that a transition will not have a material impact on the Alecta Group results or financial position. The following presents some of the effects that have been identified as arising in connection with future application of legally restricted IFRS.

The value of Alecta's owner-occupied properties will be affected in the consolidated financial statements by a transition, as Alecta will choose to measure the owner-occupied properties at fair value according to the ÅRFL, as well as for the parent company instead of using cost less accumulated depreciation under IAS 40/IAS 16. The valuation of the owner-occupied properties at fair value in 2022 in the parent company was supported by FFFS 2019:23. If Alecta had valued the Group owner-occupied properties at fair value instead of at cost less accumulated depreciation as at 30 June 2022, this would have meant a value increase of SEK 1.7 billion for the owner-occupied properties, which would have been approximately 0.1 per cent of the value of Alecta's assets. That is to say, a non-material impact.

As at 30 June 2022, Alecta applied IFRS 16 Leases in the consolidated financial statements for leases and long leasehold property. According to FFFS 2020:24, there is no longer a requirement to apply IFRS 16 in the consolidated financial statements. Alecta plans not to voluntarily apply IFRS 16 in the consolidated financial statements in the transition to legally restricted IFRS, as the right of use and the liability for long leasehold property and leases only totalled SEK 29 million as at 30 June 2022. That is to say, a non-material impact as the Alecta balance sheet total had decreased by only 0.03 per thousandth compared to with IFRS 16 applied.

In a transition to legally restricted IFRS in the Group, the future international standard IFRS 17 Insurance Contracts need not be applied. An application of IFRS 17 risks including extensive system changes and costs for the unlisted companies. Such increased costs are not justified from a regulatory perspective.

Alecta has chosen to postpone the introduction of IFRS 9, Financial Instruments, as stated in the Annual and Sustainability Report for 2021, Note 1. However, with a transition to legally restricted IFRS in the Group when IFRS 17 will not be applied, IFRS 9 will start to be applied instead. The assessment is that the introduction of the standard would not have had any significant impact on the classification and valuation of the Alecta financial assets and liabilities.

Amendments to existing standards have not had any significant impact on the financial statements. Accounting principles and calculation methods are otherwise unchanged compared to the latest Annual and Sustainability Report.

Parent Company

The parent company applies the so-call legally restricted IFRS, which means that international financial reporting standards are applied to the extent possible under Swedish accounting legislation. Financial reporting for the parent company complies with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts for insurance companies and occupational pension companies (FFFS 2019:23) and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. As the Group complies with IAS/IFRS standards as adopted by the EU, the accounting principles differ from the accounting principles applied in the parent company. The significant differences are the same as for the preparation of the most recent Annual and Sustainability Report. However, the transition to legally restricted IFRS in the consolidated financial statements will mean that the presentation of the consolidated income statements and balance sheets will instead comply with ÅRFL, same as the parent company.

Notes 3, 4 and 5 on financial assets and liabilities are only presented for the Group. There is no significant difference between the parent company and the Group.

NOTE 2 Related parties

Alecta considers the following legal entities and physical persons to be related parties according to the definition in IAS 24:

- All companies in the Alecta Group
- Members of the Board, executive management and managers of central functions
- Close family members of the Board and executive management
- The Confederation of Swedish Enterprise, PTK and its member organisations/unions
- Associated companies and joint ventures.

A description of transactions with related parties can be found in the Alecta Annual and Sustainability Report for 2021, note 50.

Alecta Tjänstepension Ömsesidigt provides premises and internal services for functions including finance, IT and HR for the subsidiary company, Alecta Fastigheter AB. The transactions totalled approximately SEK 12 (9) million during the first half of the year.

Alecta Tjänstepension Ömsesidigt has received management services with respect to directly owned properties and indirect investments from Alecta Fastigheter AB during the first half of the year totalling approximately SEK 18 (21) million. In addition, Alecta Tjänstepension Ömsesidigt has received property management services from Alecta Fastigheter AB as from 1 October 2021, Alecta Fastigheter AB started taking over the management and development of the Group Swedish properties from external managers. The transactions relating to property management services totalled SEK 8 (–) million during the first half of the year. No such transactions occurred during the corresponding period in the previous year.

No significant changes in agreements and relationships between Alecta and related parties have occurred during the period.

NOTE 3 Classification of financial assets and liabilities

Group 30/06/2022 Financial assets	Financial assets/ liabilities measured at fair value through profit or loss on initial recognition	Financial assets/ liabilities measured at fair value through profit or loss recognition through trading	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Shares and participations in associated companies and joint ventures	79,058	–	–	79,058	79,058
Loans to associated companies and joint ventures	402	–	–	402	402
Shares and participations	557,506	–	–	557,506	557,506
Bonds and other debt securities	425,251	–	–	425,251	425,251
Loans secured by real estate	6,710	–	–	6,710	6,710
Other loans	21,328	–	–	21,328	21,328
Derivatives	–	5,436	–	5,436	5,436
Receivables related to direct insurance operations	–	–	1,547	1,547	1,547
Other receivables	–	–	7,463	7,463	7,463
Cash and bank balances	–	–	4,182	4,182	4,182
Accrued interest and rental income	–	–	2,729	2,729	2,729
Total	**1,090,255**	**5,436**	**15,921**	**1,111,612**	**1,111,612**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	13	13	13
Derivatives	–	25,344	–	25,344	25,344
Other liabilities	–	–	3,943	3,943	3,943
Other accrued expenses	–	–	579	579	579
Total	**–**	**25,344**	**4,535**	**29,879**	**29,879**

Group, 31/12/2021 Financial assets	Financial assets/ liabilities measured at fair value through profit or loss on initial recognition	Financial assets/ liabilities measured at fair value through profit or loss recognition through trading	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Shares and participations in associated companies and joint ventures	69,006	–	–	69,006	69,006
Loans to associated companies and joint ventures	–	–	402	402	402
Shares and participations	642,976	–	–	642,976	642,976
Bonds and other debt securities	462,425	–	–	462,425	462,425
Loans secured by real estate	3,131	–	1,496	4,627	4,627
Other loans	17,922	–	–	17,922	17,922
Derivatives	–	3,419	–	3,419	3,419
Receivables related to direct insurance operations	–	–	4,828	4,828	4,828
Other receivables	–	–	1,002	1,002	1,002
Cash and bank balances	–	–	3,923	3,923	3,923
Accrued interest and rental income	–	–	8,516	8,516	8,516
Total	**1,195,460**	**3,419**	**20,167**	**1,219,046**	**1,219,046**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	12	12	12
Derivatives	–	14,909	–	14,909	14,909
Other liabilities	–	–	814	814	814
Other accrued expenses	–	–	5,666	5,666	5,666
Total	**–**	**14,909**	**6,492**	**21,401**	**21,401**

NOTE 4 Valuation categories for financial instruments measured at fair value

Under the disclosure requirements in IFRS 13, financial assets and liabilities that are measured at fair value must be classified into three levels based on the valuation technique used. Assets and liabilities must be measured using the valuation technique that is appropriate in the circumstances, maximising the use of relevant observable inputs as long as this is possible. The objective is to identify the valuation technique that best estimates the price at which the financial assets or financial liabilities can be sold or transferred between market participants under current market conditions.

The three levels of valuation categories are:

Level 1: Measurement using prices quoted in an active market

Fair value measurement based on prices quoted in an active market is used if quoted prices are easily and regularly available and these prices represent actual and regularly occurring market transactions. Examples of financial assets that are classified to this level include listed shares, government bonds and Swedish mortgage bonds.

Prices for these financial assets are obtained daily through index price providers retrieved from each exchange, which where applicable are converted at exchange rates quoted on a daily basis from the price provider, WM Company.

Level 2: Measurement based on observable inputs

Financial assets and liabilities for which there are no quoted prices in an active market are measured at fair value based on as many available market inputs as possible. Examples of market inputs used in the measurement include:

- Quoted interest rates, credit spreads and exchange rates
- Market inputs on prices for similar financial instruments
- Market inputs on prices in recently completed transactions for the same or similar financial instruments

Examples of financial assets and liabilities classified to this level include debt securities instruments in the form of Swedish and foreign corporate bonds, structured bonds, cleared derivatives and all OTC derivatives in the form of interest rate swaps, currency derivatives and credit derivatives.

For debt securities instruments, daily prices from external price providers, Refinitiv and Bloomberg are used. Under the agreements, Alecta has the ability to inspect the price provider's valuation data to assure the quality of the price information provided.

For OTC derivatives, fair value is determined on a daily basis in the Alecta financial system in accordance with market practice, by estimating the present value of the future cash flows of each derivative based on quoted market prices with respect to interest rates, credit spreads and exchange rates.

Level 3: Measurement based on unobservable inputs

Financial assets that are measured at fair value without access to observable market inputs are classified to Level 3. Financial assets at fair value that can be measured on the basis of some observable inputs but for which Alecta does not normally have the ability to fully inspect the valuation technique used are also classified to this level.

Examples of financial assets in this level consist mainly of financial instruments with real estate and debt securities as underlying assets but also to a lesser degree, unlisted shares and venture capital investments. Fair values for these assets are obtained from external price providers, fund managers, counterparties or property-owning companies following an external valuation of the underlying properties.

Principle for reclassification between Level 1 and Level 2

To be reclassified from Level 1 to Level 2, the financial instruments must no longer be traded in an active market but still be capable of being measured in accordance with the description for Level 2. Similarly, a reclassification from Level 2 to Level 1 may be done if the Level 2 financial instrument is quoted in an active market.

In the first half of 2022, one debt securities instrument was transferred from Level 1 to Level 2 but none from Level 2 to Level 1. During the corresponding period in 2021, there was no transfer from Level 1 to Level 2 or from Level 2 to Level 1.

Principle for reclassification between Level 2 and Level 3

A reclassification from Level 2 to Level 3 may be done if it is no longer possible to measure a financial instrument at fair value based on observable market inputs. Similarly, Level 3 financial instruments may be transferred to Level 2 if observable market inputs become available and an external price provider is able to measure fair value based on these inputs.

So far, in 2022 there has been no financial instrument transferred from Level 2 to Level 3 or from Level 3 to Level 2. In the corresponding period in 2021, there were no financial instruments transferred from Level 2 to Level 3, however three debt securities were transferred from Level 3 to Level 2 when observable market inputs became available.

Principle for reclassification between Level 1 and Level 3

A reclassification from Level 1 to Level 3 is done if a financial instrument is delisted from an active market and there are insufficient market inputs to allow for Level 2 measurement. Similarly, a reclassification from Level 3 to Level 1 may be done if the Level 3 financial instrument is quoted in an active market.

There were no transfers made from Level 1 to Level 3 or from Level 3 to Level 1 in either the first half of 2022 or in the corresponding period in 2021. However, three instruments have been re-designated at fair value in Level 3 from the previous amortised cost.

Sensitivity analysis for Level 3 financial instruments

Under IFRS 13, a sensitivity analysis must be presented for those financial instruments that are measured at fair value in accordance with Level 3. The sensitivity analysis must include an explanatory description of the sensitivity of the fair value measurement to changes in unobservable inputs.

The assets in Level 3 mainly comprise financial instruments with real estate and debt securities as underlying assets and to a lesser degree, unlisted shares and venture capital investments.

As we do not have the means to fully inspect the unobservable inputs used by external price providers, fund managers, counterparties or real estate companies in their fair value measurements of these financial instruments, any sensitivity analysis is subject to a degree of uncertainty.

However, for real estate-related investments it is reasonable to assume that these will be affected by approximately the same value-influencing factors as directly owned properties, i.e. changes in net operating income and required rates of return, while the debt securities are mainly affected by interest and credit risk and unlisted shares and venture capital investments by stock market risk.

The following table presents the estimated effects on fair value if the required rates of return on real estate rose 0.5 percentage points, an interest rate increase of 1 per cent and a share price decrease of 10 per cent.

Sensitivity Analysis

Group (SEK million)	Fair value	Value-influencing factor	Effect on fair value
Real estate-related holdings	134,197	Return requirement increase of 0.5 percentage points	–15,788
Interest-related holdings	59,235	Interest-rate increase of 1 percentage point	–1,090
Share-related holdings	47,881	Share price decrease of 10 per cent	–4,788
Total Level 3	**241,313**		**–21,666**

NOTE 4 Valuation categories for financial instruments measured at fair value, *cont.*

Group	Fair values of financial instruments, 30/06/2022			
	Measurement using prices quoted in an active market Level 1	Measurement based on observable inputs Level 2	Measurement based on unobservable inputs Level 3	Carrying amount 30/06/2022
Assets				
Shares and participations	465,444	–	92,062	557,506
Shares and participations in associated companies and joint ventures	–	–	79,058	79,058
Loans to associated companies and joint ventures	–	–	402	402
Bonds and other debt securities	214,527	168,971	41,753	425,251
Loans secured by real estate	–	–	6,710	6,710
Other loans	–	–	21,328	21,328
Derivatives	–	5,436	–	5,436
Total assets	**679,971**	**174,407**	**241,313**	**1,095,691**
Liabilities				
Derivatives	–	25,344	–	25,344
Total liabilities	**–**	**25,344**	**–**	**25,344**

Group	Fair values of financial instruments, 31/12/2021			
	Measurement using prices quoted in an active market Level 1	Measurement based on observable inputs Level 2	Measurement based on unobservable inputs Level 3	Carrying amount 31/12/2021
Assets				
Shares and participations	574,203	–	68,773	642,976
Shares and participations in associated companies and joint ventures	–	–	69,006	69,006
Bonds and other debt securities	244,559	185,156	32,710	462,425
Loans secured by real estate	–	–	3,131	3,131
Other loans	–	–	17,922	17,922
Derivatives	–	3,419	–	3,419
Total assets	**818,762**	**188,575**	**191,542**	**1,198,879**
Liabilities				
Derivatives	–	14,909	–	14,909
Total liabilities	**–**	**14,909**	**–**	**14,909**

NOTE 5 Disclosures on financial instruments measured at fair value based on Level 3 [1)]

	Fair value 30/06/2022						
Group	Shares and participations	Shares and participations in associated companies and joint ventures	Loans to associated companies and joint ventures	Bonds and other debt securities	Loans secured by real estate	Other loans	Total
Opening balance 2022	68,772	69,006	–	32,711	3,131	17,921	191,541
Purchases	15,651	10,172	–	9,843	3,597	7,037	46,300
Sales	–6,116	–333	–	–1,378	–1,266	–4,474	–13,567
Gains and losses	13,755	213	–	577	–248	844	15,141
Realised gains/losses, sold entire holding	*3,999*	–	–	–	–	–	*3,999*
Realised gains/losses, sold portion of holding	*84*	–	–	*6*	–	*351*	*441*
Unrealised gains/losses	*3,884*	*–1,001*	–	*–1,871*	*–339*	*–246*	*427*
Unrealised foreign exchange gains/losses	*5,788*	*1,214*	–	*2,442*	*91*	*739*	*10,274*
Transferred to Level 3	–	–	402	–	1,496	–	1,898
Closing balance 30/06/2022	**92,062**	**79,058**	**402**	**41,753**	**6,710**	**21,328**	**241,313**

	Fair value 31/12/2021						
Group	Shares and participations	Shares and participations in associated companies and joint ventures	Loans to associated companies and joint ventures	Bonds and other debt securities	Loans secured by real estate	Other loans	Total
Opening balance 2021	41,275	42,914	–	29,870	1,634	6,588	122,281
Purchases	27,069	19,882	–	7,040	1,512	16,319	71,822
Sales	–12,223	–248	–	–1,643	–20	–5,710	–19,844
Gains and losses	12,652	6,458	–	1,538	5	725	21,378
Realised gains/losses, sold entire holding	*6,688*	–	–	–	–	*–8*	*6,680*
Realised gains/losses, sold portion of holding	*–111*	*35*	–	*–71*	–	*–12*	*–159*
Unrealised gains/losses	*2,172*	*5,806*	–	*–7*	*–7*	*232*	*8,196*
Unrealised foreign exchange gains/losses	*3,903*	*617*	–	*1,616*	*12*	*513*	*6,661*
Transferred from Level 3	–	–	–	–4,095	–	–	–4,095
Closing balance 2021	**68,773**	**69,006**	**–**	**32,710**	**3,131**	**17,922**	**191,542**

[1)] Level 3 is defined in Note 4 Valuation categories for financial instruments measured at fair value.

Stockholm, 15 July 2022

Magnus Billing
CEO

The interim report has not been subject to a review by the company's auditors.

Glossary

Adjustment of paid-up policy values
Refund allocation through an increase of the pension entitlement earned before retirement age. This adjustment is made primarily to compensate for inflation.

Allocated refunds
Surplus that is allocated to
- policyholders in the form of future reduction of premiums
- the insured parties in the form of future increase in insurance benefit
- to cover the cost under the ITP plan. The parties to the collective agreement have been granted the right to instruct how the funds should be used.

Allocated refunds are not formally guaranteed.

Assets under management
Calculated as equity, life insurance provision and outstanding claims, according to the balance sheet.

Capital base
The insurance company must have sufficient capital, calculated as capital base to be able to cover any future unforeseen losses. The capital base consists of the difference between the company assets less intangible assets and financial liabilities and the technical provisions.

Capital value
The estimated present value of future payment flows.

Collective funding capital
The difference between the distributable assets measured at market value and the insurance commitments (both guaranteed commitments and allocated refunds) to policyholders and insured parties.

Collective funding ratio
Distributable assets relative to insurance commitments to policyholders and insured parties (both guaranteed commitments and allocated refunds).

Default option
In a defined contribution plan where the employee has not made an active choice of insurance company, the employee automatically becomes a customer of the insurance company that was appointed as a default option in the procurement of management of the plan.

Defined benefit insurance (ITP 2)
Defined benefit pension means that the amount of the pension is determined in advance for example, that it must be a certain amount or a certain percentage of the final salary.

Defined contribution insurance
Defined contribution pension means that the size of the premium is determined in advance. For example, it may be a certain percentage of the salary or a certain amount. The size of the pension depends on the amount of pension capital at retirement.

Discount rate
The interest rate used to calculate the present value of future deposits and payments.

Distributable assets
The total market value of the assets after deductions for financial liabilities and special indexation funds.

Financial position
The relationship between assets and liabilities where the key performance indicators for Alecta are a collective funding ratio and solvency ratio.

Guaranteed refunds
Surplus that is guaranteed to
- policyholders in the form of a reduction in the premium
- the insured party in the form of a raised guaranteed insurance benefit or paid supplementary amount/pension supplement
- to cover the cost under the ITP plan. Decisions on the final use of the funds is made by the Alecta Board of Directors, provided that the Board agrees unanimously that the instructed use is consistent with the interests of Alecta as an insurance company.

Guaranteed refunds are formally guaranteed.

Insurance contract
A contract between the insurer and the policyholder that contains a significant insurance risk.

Insured party
The person covered by the insurance.

Investments
The investment assets, cash and bank balances and other assets and liabilities related to investment assets (for example, accrued interest income) at market value on the balance sheet.

Investment assets
Assets with the character of a capital investment at market value on the balance sheet including debt securities, shares and real estate.

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

Management expense ratio
Operating expenses in the insurance business (acquisition and administrative costs) and claims settlement expenses relative to average assets under management. The key performance indicator is calculated on an aggregate basis and is excluding selection centre costs for the pension products.

Occupational group life insurance (TGL)
A life insurance that provides the survivors with a fixed amount in the event of the death of the insured party before retirement. Under the collective agreement, the employer is obliged to take out insurance for its employees.

Pension supplement
Refunds allocated to the insured party in addition to the guaranteed defined benefit pension. Under the applicable actuarial guidelines, the pension supplement must not exceed the increase in the consumer price index for the year concerned, starting from the date on which the first pension payment was made to the insured party. The pension supplement is determined by the Board each year and is allocated in conjunction with the payment.

Policyholder
Anyone who has entered into an insurance contract with an insurance company.

Premium reduction
Reduction of the premium through guarantees or allocation of refunds.

Premium waiver insurance
Part of the collective risk insurance for the ITP plan, which means that the employer is exempt from premium payment if an insured party is affected by inability to work. In such cases, premiums for the insurance under the ITP plan are paid from the premium waiver insurance and are recognised as an insurance benefit.

Present value
The present value of cash flows that will occur in the future.

Risk insurance
Insurance for which the entire premium is used to cover the risk costs. There is no savings component in this type of insurance.

Solvency margin
The required solvency margin is a minimum requirement for the size of the capital base. The solvency margin represents just over four per cent of the technical provisions.

Solvency ratio
Total market-valued assets less intangible assets and financial liabilities relative to the guaranteed commitments.

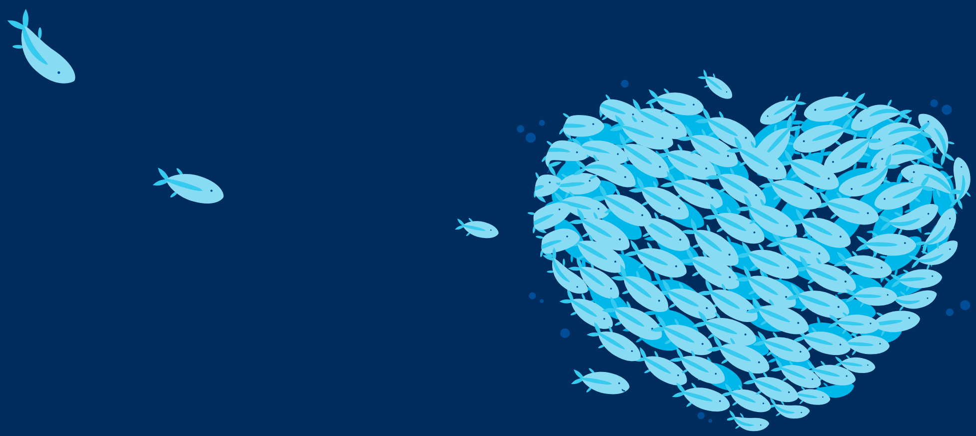
Supplementary amounts
Refunds allocated to the insured parties in addition to the guaranteed defined contribution pension.

Technical provisions
Technical provisions are the capital value of the guaranteed commitments of the insurance company to the policyholder and the insured party. Technical provisions consist of life insurance provisions and provisions for outstanding claims.

Total return
The return on investments, adjusted for cash flows and expressed as a percentage. Calculated in accordance with the recommendations of Insurance Sweden.

When trust is shared, it grows

Alecta has been managing occupational pension plans since 1917. Our mission is to maximise the value of collectively agreed occupational pension plans both for our corporate and our private customers. We do this by generating high returns at low cost, and providing excellent customer service. We manage just over SEK 1,120 billion on behalf of our owners – 2.6 million private customers and 35,000 corporate customers.



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