alecta

Interim Report

January–June 2023

Message from the CEO

The first half of 2023 became one of the most turbulent periods for Alecta in a long time. It started with a bank run in the US, which developed faster than any previous time. Then other banks were drawn into the banking crisis that shook the United States in March and April. Alecta had invested in three of the most affected banks, and we lost a total of approximately SEK 20 billion.

This is a huge sum, and we should not have been in this situation. We know better than that, and I fully understand that customers and owners are disappointed, angry and anxious. It's important for us to make sure something like this doesn't happen again, and that customers can trust us to do everything we can to ensure it. We took certain risk mitigation measures already in April and have since been working on a strategic review of asset management.

It is also equally important for us to show that there is no cause for concern for our customers due to the investments in the US banks.

Customers born before 1979 mainly have defined benefit pensions where the possibility of an inflation-proofed pension is based on Alecta having a strong financial position, i.e. a high funding ratio. Alecta's funding ratio is 175 per cent. This means that for every SEK in retirement that we will pay in the future, we have SEK 1.75 in assets. This puts us in a good position to continue to index-link pensions, just as we did in 2023 by 10.84 percent, and to continue to give premium reductions to the companies.

For customers with defined contribution pensions, there is a direct link between the return generated and the future pension. Alecta has had the highest return of all companies offering traditional defined contribution insurance within ITP over the past 5, 10 and 15 years. We also had the highest return in the first quarter, including the losses in US banks.

Despite the losses in the US banks and all the turbulence surrounding this, Alecta has continued to deliver good returns and good customer service.

Returns

The return for the first half of the year was 6.6 per cent for the defined contribution Alecta Optimal Pension, and 4.3 per cent for the defined benefit ITP 2. The positive earnings trend is mainly attributable to the strong performance of the equity portfolio, which during the six months had a return of 11.4 per cent. This is despite the large loss that Alecta's equity portfolio incurred after the collapse in the three US regional banks: Silicon Valley Bank, First Republic Bank and Signature Bank.

The development in the interest rate market with sharply rising interest rates has adversely affected the value of Alecta's bonds with longer maturities. At the same time, the higher interest rate situation has meant better returns for our new debt securities, which together has meant a positive return for our interest rate assets.

Alecta's property holdings, where Heimstaden Bostad is included as the largest holding, have also been affected by interest rate developments. The higher interest rate environment has meant that uncertainty in the property market has remained high during the period, leading to few major property transactions and falling prices. The overall value of Alecta's properties and other alternative investments has therefore developed negatively during the first half of the year.

Customer satisfaction and capital transfers

Despite a turbulent time for Alecta, customer satisfaction remains at a high level. Customer satisfaction is 5.6 (on the six-point scale) on average, in both measurements (private customers and corporate customers).

Our customer service has received some questions, emails and comments about the investments in the US banks, but after having been in contact with Alecta, most of these customers feel satisfied and reassured. The work of the customer department had to be re-prioritised to some extent for a period of time due to the situation, as it meant increased pressure when meeting with customers.

We can see that the number of transfer requests and transfers increased significantly, albeit from very low levels, with clear peaks on days when there was a lot of information about Alecta in the media. However, a return to normal happened quickly and we are now back at the levels of transfers we saw in February.

ITP procurement

At the end of March, the news also came that, in competition with other Swedish pension companies and banks, we were appointed as the default option by Collectum for another five years. As a result, we received an extension of our trust to manage the defined contribution retirement pension within the ITP plan, i.e. both ITP 1 and ITPK, for private-sector employees, partly as a pre-selection for those who do not actively choose a company, and partly as a cross-choice for those who want to choose.

Of course, this was an extra welcome message. Proof of the strength of our defined contribution product Alecta Optimal Pension and the tender we had submitted. We are now lowering the fee further, from 0.09 per cent to 0.05 per cent, which is a clear way to allow all the surplus to go back to our customers, who are also our owners. At the same time, we lowered the fee cap from SEK 600 to SEK 480 per year.

During the spring, and continuing during the summer, preparations are underway in several departments to adapt systems, procedures and information, etc. to the new product terms, which will take effect from 1 October 2023.

The Financial Supervisory Authority's investigation

On 4 May, the Swedish Financial Supervisory Authority announced that they initiated an investigation relating to Alecta's risk management, focusing on the measurement of investment risks. The purpose of the investigation is to review whether Alecta has complied with external and internal rules based on the investments in Silicon Valley Bank, First Republic Bank and Signature Bank.

Message from the CEO

Alecta fully respects the fact that the Swedish Financial Supervisory Authority has initiated this investigation as part of its mandate and is cooperating fully with the authority.

Strategic review of asset management

In order for Alecta's customers to also have the best possible growth of their pension capital going forward, we started a review of our asset management in December 2022. As a result of the events in spring 2023, Alecta's Board of Directors decided to expand the review. At the beginning of June, the Board decided on the direction forward, based on the review.

Alecta's defined benefit and defined contribution pensions have different lifespans and need for risk. The Board has therefore concluded that the best balance between strengthening trust and the need to take risk is to have different investment models and a clearer difference in the risk profile for the two different products' equity management. The portion of the equity portfolio that is actively managed will include more companies and have lower ownership shares in companies outside the Nordic region.

In addition, the models should be reviewed annually to ensure that they are continuously adapted to the size of the portfolio.

The result of the review of Alecta's asset management gives us a long-term investment strategy with customised risk-taking, so that we can fulfil our mandate to give our customers the best possible pension. As Alecta is a major player in the capital market and within the pension system, the implementation of the decisions will need to take place over a longer period of time.

Heimstaden Bostad AB

During the spring, the effect of higher interest rates and inflation and how it affects the real estate market for both private individuals and investors has received a great deal of media attention. Alecta's real estate investments in Heimstaden and Alecta Fastigheter AB, like most other real estate companies, are also adversely affected by the rapidly changing interest rates and market conditions. This, in turn, has a negative impact on Alecta's returns.

Alecta has a very long investment horizon where ownership of properties forms a cornerstone of Alecta's management of customers' pensions, alongside shares in listed companies and interest-bearing assets.

Alecta 2028

An important goal has been to ensure that the work on our five-year strategy plan Alecta 2028 is progressing. The plan includes four areas of movement: *Sustainable in everything we do, Data-driven organisation, Customers know why we provide the best pension* and *Our pensions are robust in an increasingly turbulent world*. During the spring, we created cross-functional working groups in these areas and started the work of inventorying needs, setting goals and plans, and started the creation of new platforms and tools.

New CEO

On 1 June, Alecta's new CEO Peder Hasslev was presented. He is currently CEO of the state-owned venture capital company Saminvest AB and has until 1 July served as Chair of the Board of Directors of Denmark's largest commercial pension manager PFA Pension. Previously, he was deputy CEO and Head of Asset Management at AMF and equity manager at SEB Asset Management. We received many positive comments, both from employees and from people outside the company, when the news was announced. My senior management colleagues and I are very positive and eager, not least because of his relevant background in asset management and the collective bargaining sphere, as well as his proven leadership skills. I am fully confident that Peder will do an excellent job of leading Alecta, and we in the senior management team look forward to working with him to make a good Alecta even better and help restore a high level of trust. Peder will start his position at Alecta on 1 September.

Finally, once again a big thank you to all the employees who have continued to deliver for the good of the customers during this turbulent six months.

I feel that there is a great deal of commitment among the employees. By continuing to do what we are good at and delivering value to our customers, we will become an even better Alecta to restore the trust of our customers and other stakeholders.

Katarina Thorslund
Acting CEO

Photo: Evelina Carborn

Comments on the parent company and consolidated financial statements

The acting CEO of Alecta Tjänstepension Ömsesidigt hereby submits the interim report for the period 1 January–30 June 2023.

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.

This Interim Report is a translation of the Swedish original. If there are differences, the Swedish version shall prevail.

Profit/loss

Profit/loss after tax for the Group totalled SEK 59.5 billion (–14.4) 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 70.6 billion (36.5). Premiums written consist both of premiums invoiced, which totalled SEK 20.1 billion (23.9) and guaranteed refunds, which totalled SEK 50.5 billion (12.7)

The reduction in premiums invoiced is due to a reduction in one-off premiums relating to PRI redemptions and higher premium reductions. Guaranteed refunds consist of premium reductions on employers' premiums for defined-benefit savings insurance, disability and premium waiver insurance, family cover and TGL, as well as an increase in earned pension entitlements (adjustment of paid-up policy values). The increase in guaranteed refunds is largely due to the 10.84 per cent adjustment of paid-up policy values implemented in January, based on the change in the Consumer Price Index between September 2021 and September 2022 being higher than what had been implemented in the previous year (2.51).

Capital returns

In the first half of the year, financial markets have continued to develop with great volatility, mainly influenced by the hard-line monetary policy of major central banks in order to overcome inflation, the war in Ukraine, geopolitical unrest and uncertainty in the credit market after financial problems for the US regional banks and Credit Suisse. Despite many dark clouds, the stock market during the spring has had an increased risk appetite nourished by the fact that inflation has turned downwards, albeit from very high levels, markedly good growth and relatively good company reports. The stock markets have therefore generally performed well during the period. Technology companies in the US, in particular, have performed well amid the growing AI euphoria, contributing to high returns for US stock markets, which returned 17.7 per cent in the first half of the year. The Swedish stock exchange (MSCI Sweden) has also performed well and has risen by 13.2 per cent, which is better than the European stock exchanges which rose by 11.1 per cent.

Alecta's share assets have also performed well overall as the return for the first half of the year amounted to 11.4 per cent. However, the return has been hampered by the losses incurred by Alecta through its ownership in the three loss-heavy US banks Silicon Valley Bank, First Republic Bank and Signature Bank. Alecta's loss in these banks amounted to SEK 19.6 billion or 3.8 per cent of the equity portfolio's value.

Alecta's alternative investments, which largely consist of property, are of course affected by interest rate trends, which have mainly affected companies with high levels

Key ratios

Group
January–June 2023

Returns *Defined contribution insurance, Alecta Optimal Pension*	6.6 %	(–12.7 %)
Returns *Defined benefit insurance*	4.3 %	(–8.7 %)
Management expense ratio *Defined contribution insurance, Alecta Optimal Pension*	0.05 %	(0.04 %)
Management expense ratio *Defined benefit insurance*	0.07 %	(0.07 %)
Solvency ratio	209 %	(211 %)

Comments on the parent company and consolidated financial statements

of debt. Overall, the market is cautious and there are few major property deals. The return on alternative investments amounted to −0.9 per cent during the period.

The hard-line monetary policy of central banks has led to rising interest rates and contributed to reduced returns for Alecta's fixed income assets. However, the return is positive and amounted to 1.5 per cent during the period. However, the debt interest rate, which is a nominal market interest rate for different maturities combined with a long-term forward rate, has fallen, which means that Alecta's pension commitments, which are found on the liabilities side of the balance sheet, have increased. This has contributed to a slightly lower solvency ratio for Alecta.

For the default portfolio in the Alecta defined-contribution insurance, Alecta Optimal Pension, the return for the first half of the year amounted to 6.6 per cent and the average annual return on a rolling five-year basis was 7.6 per cent. The six-month market value of the default portfolio in Alecta Optimal Pension was SEK 230.3 billion.

The return on the Alecta defined benefit insurance amounted to 4.3 per cent during the first half of the year and the average annual return on a rolling five-year basis was 5.1 per cent. The six-month market value was SEK 959.6 billion.

Insurance claims incurred

Insurance claims incurred consist firstly, of insurance claims paid and secondly of changes in provisions for claims outstanding.

Insurance claims paid that consist primarily of benefits in retirement pensions, disability and life insurance and operating expenses for claim settlements amounted to SEK 12.5 billion (12.1).

The change in the provision for claims outstanding was SEK 495 million (−911).

Technical provisions

Technical provisions consist of the net present value of Alecta's guaranteed obligations for insurance contracts that are in effect and are divided into provisions for life insurance and provisions for claims outstanding.

The technical provisions totalled SEK 578.3 billion as at the end of June 2023. This is an increase of SEK 48.7 billion (−79.6) for the first half of 2023, which is explained as follows:

- Premiums and payments led to an increase in technical provisions of SEK 58.2 billion (24.5).
- The difference between underlying premiums and assumptions in the calculation of technical provisions reduced the provisions by SEK 22.8 billion (14.8) for savings insurance.
- The results from disability and waiver of premium reduced the provisions by SEK 0.8 billion (−1.2).
- The average cash flow weighted interest rate used in the valuation of the provisions decreased from 3.25 to 3.16 per cent in the first half of 2023, which increased the provisions by SEK 6.8 billion (−99.4).
- Cumulative return after deduction for released tax and operating expenses meant that the technical provisions increased by SEK 7.5 billion (7.6).
- Other changes and results led to an overall decrease in technical provisions of SEK 0.4 billion (3.7).

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement, totalled SEK 307 million (283). The increased operating expenses are largely attributable to personnel-related one-off costs. Amortisation costs for intangible fixed assets are lower, however, as our insurance system is fully amortised as of the first quarter of 2023.

Management expense ratio

The total management expense ratio for the Group has increased to 0.07 (0.06) compared to the full year 2022. The key performance indicator for defined contribution insurance has increased to 0.05 (0.04). The key performance indicator for defined benefit insurance remained unchanged at 0.07 (0.07). The key performance indicators have been adversely affected by increased operating expenses, mainly attributable to one-off costs.

Financial position

The collective funding ratio for defined benefit insurance product was 175 per cent (185) at the end of the period.

The established normal range for the 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 premium reductions for 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 209 per cent (211).

Parent Company

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

Comments on the parent company and consolidated financial statements

Significant events during the period

Alecta's investments in US banks and measures taken

In March, a spectacular crisis unfolded in the banking sector, particularly in the US where Alecta had an exposure that led to losses of around SEK 19.6 billion.

The company's management, with the help of its central functions, has made the assessment that the investment decisions in question were within the framework and mandate established by the Board of Directors.

The losses have seriously damaged the trust in Alecta's asset management and Alecta has therefore taken a number of measures to restore that trust. In early April, CEO Magnus Billing decided on organisational changes to strengthen asset management. The Head of Equity Management left Alecta and Ann Grevelius took over as acting Head of Equity. Ann has, among other things, been Head of SEB's Asset Management and is a member of Alecta's Board of Directors, a position she will leave during her term. Furthermore, Kerim Kaskal took over as acting Head of Asset Management, during Head of Asset Management Henrik Gade Jepsen's sick leave. Kerim Kaskal has extensive experience in asset management, including as Head of Asset Management at the Third AP Fund. Under the investment guidelines, it was also decided to immediately start reducing the risk of high ownership shares in individual companies far from Alecta's home market.

The measures taken to strengthen asset management were fully supported by the Board, which, however, after further discussions, concluded that Alecta needed new leadership to implement the necessary changes. Accordingly, Magnus Billing stepped down as CEO with immediate effect on 11 April. Deputy CEO Katarina Thorslund took over as acting CEO and Ingrid Bonde joined as working Board Chair to support the organisation.

In order to draw the lessons from the large losses in US banks, the Board also decided to extend the strategic review of asset management under the leadership of the CEO and the Head of Asset Management, which started in December 2022, with the aim of strengthening the investment model for growing capital. The first phase of the review was presented to the Board in early June and the results are described below under a separate heading.

At the beginning of May, the Swedish Financial Supervisory Authority initiated an investigation into Alecta's risk management with a focus on the measurement of investment risks. The purpose of the investigation is to examine whether Alecta has complied with external and internal rules based on its investments in the US banks. Alecta fully respects the fact that the Swedish Financial Supervisory Authority has initiated this investigation as part of its mandate and is cooperating fully with the authority.

Renewed trust as an ITP default option

At the end of March, Collectum announced the outcome of the procurement of ITP occupational pension managers. In competition with other Swedish pension companies and banks, Alecta received renewed trust as the default option for another five years, during the period 1 October 2023–30 September 2028. For those pension savers participating in the ITP plan who do not make an active choice, the occupational pension is thus managed by Alecta. Alecta has also been designated one of the active choices that a pension saver participating in the ITP plan can make in traditional management, a so-called cross-choice.

As a result of the procurement, Alecta Optimal Pension will be even better. The already low fees will be further reduced, from 0.09 to 0.05 per cent, and the fee cap will be lowered from SEK 600 to SEK 480 per year. In addition, an improved cushioning rule is also being introduced.

Index-linked pension and premium reductions

In autumn 2022, the Alecta Board of Directors resolved to index-link defined benefit pensions by 10.84 per cent for 2023, matching the rate of inflation over the past year. As a result of Alecta's strong financial position in accordance with Alecta's funding policy, the Board also decided on a premium reduction for 2023 for a defined benefit retirement and family pension of 40 per cent in relation to the premium level for 2022 which has not been reduced. Further information about the index-linked pension and premium reductions can be found in the Alecta Annual and Sustainability Report for 2022, page 51.

First phase of strategic review of asset management completed

The first phase of an extended asset management review, approved by the Board at the beginning of April, as mentioned above, was completed at the beginning of June. This part of the review has resulted in the Board deciding on a number of principled positions.

Alecta's two main products, the defined benefit and defined contribution product respectively, have different lifespans and need for risk. Alecta will therefore have different investment models and a clearer difference in the risk profile for the two different products in the future and will review the models annually to ensure that they are adapted to the size of the portfolio.

As the defined contribution product, Alecta Optimal Pension, has a very long time horizon with high returns in focus, Alecta will continue with current active equity management with concentrated holdings. However, the active management will have a downwardly adjusted risk with an increased number of companies and lower ownership shares in companies outside the Nordic region.

Comments on the parent company and consolidated financial statements

For the defined benefit product, Alecta intends to adapt the risk profile to a lower volatility for future payments through increased diversification. In a second phase of the strategic review in the autumn, the Board of Directors has instructed Alecta's management to analyse what such a portfolio should look like, which will likely involve supplementing active management with index management.

Also for the defined benefit product, the part of the capital that is still actively managed will have a downwardly adjusted risk with an increased number of companies and lower ownership shares in companies outside the Nordic region.

Mandates and limits for both products will be adjusted as a consequence of changes in the investment model.

The Board has instructed Alecta's management to draw up proposals for the design and implementation of the above, including impact on the organisation and the need for enhanced expertise.

Alternative investments

Within alternative credits, Alecta invested in three new transactions during the period, where the underlying exposure means that Alecta shares credit risk with major banks on their core customers. The total investment amounted to around EUR 200 million. Furthermore, investment commitments for three additional credit funds have been signed where Alecta has already invested with the respective managers in previous funds. The fund commitments totalled USD 700 million. Finally, a further investment commitment of EUR 110 million has also been made to a fund dedicated to investing in the most subordinated tranches of Collateralized Loan Obligations (CLO).

Within Tangible Assets, activity on new investments has been low as a result of the turbulence in the financial markets.

Alecta Fastigheter AB

Since 2021, the Group's management of all directly and indirectly owned Swedish properties has taken place at Alecta Fastigheter AB, where operations are being built up with the aim of creating a future-oriented and efficient company. As part of this, management is gradually being brought in-house from being previously outsourced. During the period, Alecta Fastigheter AB took over the management and development of the company's properties in Nacka Strand and is preparing to take over the management of the portfolio in Bredden, Upplands Väsby, at the beginning of next year.

No acquisitions or sales of properties were made during the period due to restraint as a result of the prevailing situation in the property market.

The war in Ukraine

Russia's invasion of Ukraine has continued to create human suffering and economic devastation and also affected financial markets. Alecta does not have any direct or indirect investments in Ukraine or Russia, but there is considerable uncertainty about the outcome of the war and the future development of energy and food prices, which affects investors' willingness to invest. This has also contributed to higher volatility in financial markets.

The impact of inflation

In the first half of the year, inflation in Sweden and the western world edged down from the historically very high levels reached at the end of last year. CPI inflation in Sweden was 12.3 per cent in December and 9.7 per cent in May, which is still disturbingly high and has led the Riksbank to raise the key interest on three occasions so far this year by a total of 1.25 percentage points to 3.75 per cent.

Higher policy rates and rising inflation have also led to rising short and long-term market rates. However, the higher interest rates have favoured Alecta's fixed-income holdings, which generated a positive return during the first half of the year.

Interest rates and inflation also have a very significant impact on the present value of nominal and real obligations that are many years off, such as Alecta's pension obligations. The average discount rate has decreased from 3.25 per cent at the beginning of the year to 3.16 per cent at the end of the period. This has contributed to an increase in technical provisions of SEK 7 billion. Overall, the changes in the value of assets and liabilities have meant that Alecta's financial position has weakened somewhat during the half-year but remains at a high level. Alecta's solvency ratio is 209 per cent. A high solvency ratio and funding level is a prerequisite for compensating defined benefit pensions for the negative effects of inflation going forward, see more information above under the section Index-linked pension and premium reductions.

Organisational changes

As stated above, Magnus Billing stepped down as CEO on 11 April and Deputy CEO Katarina Thorslund took over as acting CEO.

In early June, it was announced that the Board of Directors had appointed Peder Hasslev as the new CEO of Alecta. Peder, who is currently CEO of the state-owned venture capital company Saminvest AB and who has been Chair of the Board of Directors of Denmark's largest commercial pension manager PFA Pension until 1 July, will take up his new position on 1 September. Previously, he was deputy CEO and Head of Asset Management at AMF and equity manager at SEB Asset

Comments on the parent company and consolidated financial statements

Management. When Peder takes over as CEO, Ingrid Bonde will step down as working Board Chair and return to being Board Chair.

Head of Asset Management Henrik Gade Jepsen, who joined in December 2022, left Alecta in mid-June for health reasons. Recruitment of a new Head of Asset Management began immediately. Kerim Kaskal remains as acting Head of Asset Management until further notice.

Ulrika Hellmark, Head of Business Development, is a new member of senior management as of 1 January 2023 after having been an adjunct at all senior management meetings in 2022.

Significant risks and uncertainty factors

In 2023, the uncertainty and risks linked to Russia's war in Ukraine, high inflation and rising interest rates have continued. The consequences of this have also begun to be noticed, for example in highly leveraged real estate companies with falling asset prices. The future remains very uncertain. 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 (Own Risk and Solvency Assessment) prepared at the end of 2022.

For more information on Alecta's risks and risk management, refer to the Alecta Annual and Sustainability Report 2022, pages 55 and 73–74.

From a regulatory perspective, Alecta is currently affected by three external events in particular. Firstly, the continued development of the sustainability-related regulations. From 1 January 2023, new requirements will apply that require comprehensive sustainability information (SFDR) about Alecta's two products to be available on the website. In the 2022 annual and sustainability report, customers can already access the information, which consists of the environmental and social characteristics that the products promote, how the investments are distributed according to sustainability level and whether there are investments that are classified as particularly sustainable or are compatible with the taxonomy. In addition, the EU institutions have adopted a new directive on sustainability reporting requiring a significantly more comprehensive reporting (CSRD). The reporting will be based on specific standards that are gradually being developed. The reporting requirements will be implemented in stages and for Alecta, this means that reporting in accordance with the new requirements will be done for the first time in 2026 for the financial year 2025.

Secondly, the EU's review of the Occupational Pensions Directive IORP 2 is now being initiated, where the first step is for the European Insurance and Occupational Pensions Authority, (EIOPA), to establish criteria. During the spring, EIOPA held a public consultation where stakeholders had the opportunity to submit their views. Alecta has actively participated in Insurance Sweden's efforts to emphasise the special features and views of the Swedish market. The amendments made to the Directive will then be incorporated into the Occupational Pension Companies Act by a specific process.

Thirdly, the new regulation DORA was adopted at the beginning of the year and will be implemented in January 2025. The regulation aims to create a uniform set of rules at EU level with requirements for IT risk management and cybersecurity. The regulation will be complemented by detailed subordinate legislation in certain areas.

Financial position and key performance indicators

Group

FINANCIAL POSITION, SEK MILLION	30 June 2023	30 June 2022	31 December 2022
Collective funding capital	406,126	416,977	385,615
Capital base [1]	632,980	590,486	625,762
Required solvency margin [2]	218,823	198,572	213,897
Minimum capital requirement [1] [3]	24,155	22,364	22,187
KEY PERFORMANCE INDICATORS			
Total return for the Group, per cent [4]	4.7	–9.5	–7.9
Total return, defined contribution insurance, per cent [5]	6.6	–12.7	–9.8
Total return, defined benefit insurance, per cent [5]	4.3	–8.7	–7.4
Direct return for the Group, per cent	1.3	2.3	2.9
Management expense ratio [6]	0.07	0.06	0.06
Management expense ratio, defined contribution insurance [6]	0.05	0.04	0.04
Management expense ratio, defined benefit insurance [6]	0.07	0.07	0.07
Investment management expense ratio [7]	0.03	0,02	0,02
Collective funding ratio, defined contribution insurance, per cent [8]	100	100	100
Collective funding ratio, defined benefit insurance, per cent	175	185	172
Solvency ratio, per cent	209	211	218

[1] Information refers to parent company and Group.
[2] The key performance indicator is a new requirement from 2022 (according to FFFS 2019:23) as Alecta is a mutual occupational pension company as of 1 January 2022 according to the Swedish Occupational Pension Undertakings Act (2019:742).
[3] Up to and including 2021 required solvency margin.
[4] Information refers to the Group, defined benefit and defined contribution retirement pensions and risk insurance. Calculated in accordance with the recommendations of Insurance Sweden.
[5] 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 share component.
[6] Calculated as operating expenses and claims settlement expenses relative to average assets under management. The expenses are based on 12-month rolling outcomes.
[7] Calculated as operating expenses for asset management relative to average assets under management. The expenses are based on 12-month rolling outcomes.
[8] 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

DEFINED CONTRIBUTION INSURANCE (Alecta Optimal Pension)	Market value 30/06/2023 SEK million	%	Market value 30/06/2022 SEK million	%	Market value 31/12/2022 SEK million	%	Total return, per cent 6 months Jan-June 2023	6 months Jan-June 2022	12 months July 2022-June 2023	5-year average July 2018-June 2023
Shares	129,787	56.4	102,053	53.0	126,629	60.9	11.4	–20.9	19.3	12.1
Debt securities	52,995	23.0	51,262	26.6	36,176	17.4	0.9	–7.2	–1.4	–1.2
Alternative investments [1]	47,515	20.6	39,108	20.3	45,108	21.7	–0.9	8.2	–0.5	6.2
Total investments	**230,297**	**100.0**	**192,423**	**100.0**	**207,913**	**100.0**	**6.6**	**–12.7**	**10.1**	**7.6**

The proportion of shares in Alecta Optimal Pension is higher than in other Alecta products. The table above refers to the portfolio that is the Alecta 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 250.1 billion (208.5).

Total return table for investments, defined benefit insurance

DEFINED BENEFIT INSURANCE	Market value 30/06/2023 SEK million	%	Market value 30/06/2022 SEK million	%	Market value 31/12/2022 SEK million	%	Total return, per cent 6 months Jan-June 2023	6 months Jan-June 2022	12 months July 2022-June 2023	5-year average July 2018-June 2023
Shares	315,143	32.8	295,838	32.3	322,705	34.8	11.4	–20.9	19.3	12.1
Debt securities	448,488	46.7	435,982	47.6	405,588	43.7	1.5	–5.4	–0.7	–0.5
Alternative investments [1]	195,929	20.4	184,144	20.1	199,057	21.5	–0.9	8.2	–0.5	6.2
Total investments	**959,559**	**100.0**	**915,965**	**100.0**	**927,351**	**100.0**	**4.3**	–8.7	**5.8**	**5.1**

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 45 Reconciliation of total return table to the financial statements in the 2022 Annual and Sustainability Report.

[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 2023	Jan-June 2022
Premiums written [1]	70,646	36,527
Capital return, income	28,317	59,908
Unrealised gains on investment assets	33,433	3,377
Insurance claims paid	–12,492	–12,062
Change in provision for claims outstanding	–495	911
Change in other technical provisions	–48,231	78,654
Refunds and discounts [1]	–2,149	–
Operating expenses	–307	–283
Capital return, expenses	–5,845	–6,555
Unrealised losses on investment assets	–2,181	–175,670
Life insurance, total balance on the technical account	**60,698**	**–15,193**
NON-TECHNICAL ACCOUNT		
Life insurance, balance on the technical account	60,698	–15,193
Profit/loss before tax	**60,698**	**–15,193**
Tax on profit for the year	–1,213	794
PROFIT/LOSS FOR THE YEAR	**59,484**	**–14,400**

[1] Premiums written before refunds and discounts for the comparison period amounted to approximately SEK 38,037 million. Refunds and discounts for the comparison period amounted to approximately SEK 1,510 million. Alecta gross reports premiums written and refunds and discounts from December 2022.

Consolidated statement of comprehensive income

SEK million	Jan-June 2023	Jan-June 2022
Profit/loss for the period	**59,484**	**–14,400**
Items that can subsequently be reclassified to the income statement:		
Foreign exchange differences	262	809
Other comprehensive income	**262**	**809**
Comprehensive income for the period	**59,746**	**–13,591**

Condensed consolidated balance sheet

SEK million	Note	30 June 2023	30 June 2022	31 December 2022
Intangible assets		–	60	20
Investment assets	3, 4, 5	1,225,667	1,137,374	1,167,170
Receivables	3	17,258	14,481	15,462
Other assets	3	4,095	4,196	3,684
Prepaid expenses and accrued income	3	3,656	2,907	4,085
Total assets		**1,250,676**	**1,159,017**	**1,190,421**
Equity		632,980	590,546	625,782
Provisions for life insurance		564,733	520,888	516,503
Claims outstanding		13,523	13,355	13,028
Other provisions		2,289	2,649	2,336
Liabilities related to direct insurance operations	3	709	843	847
Derivatives	3, 4	31,314	25,344	20,488
Other liabilities	3	2,977	4,193	9,573
Other accrued expenses and prepaid income	3	2,150	1,199	1,864
Total equity, provisions and liabilities		**1,250,676**	**1,159,017**	**1,190,421**

Consolidated statement of changes in equity

SEK million	Jan-June 2023	Jan-June 2022
Opening equity	**625,782**	**619,412**
Guaranteed refunds		
Pension supplements, defined benefit plan	*–2,674*	*–1,563*
Supplementary amounts, defined contribution plan	*–197*	*–225*
Adjustment of paid-up policy values	*–46,180*	*–10,284*
Premium reduction	*–2,207*	*–2,385*
Change in indexation funds		
Collective risk premium [1]	*–71*	*–67*
Other changes [2]	*–1,219*	–751
Profit/loss for the period	*59,484*	–14,400
Other comprehensive income	*262*	809
Comprehensive income for the period	*59,746*	**–13,591**
Closing equity	**632,980**	**590,546**

1) Premiums for premium waiver 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 parent company income statement

SEK million	Jan-June 2023	Jan-June 2022
TECHNICAL ACCOUNTS		
Premiums written [1]	70,646	36,527
Capital return, income	28,108	59,641
Unrealised gains on investment assets	33,371	60
Insurance claims paid	–12,492	–12,062
Change in provisions for claims outstanding	–495	911
Change in other technical provisions	–48,231	78,654
Refunds and discounts [1]	–2,149	–
Operating expenses	–307	–283
Capital return, expenses	–5,861	–6,238
Unrealised losses on investment assets	–1,141	–175,670
Life insurance, balance on the technical account	**61,450**	**–18,460**
NON-TECHNICAL ACCOUNT		
Profit/loss before tax	**61,450**	**–18,460**
Tax	–1,292	1,252
Profit/loss for the period	**60,158**	**–17,208**

[1] Premiums written before refund and discounts for the comparison period amounted to approximately SEK 38,037 million. Refunds and discounts for the comparison period amounted to approximately SEK 1,510 million. Alecta gross reports premiums written and refunds and discounts from December 2022.

Parent company statement of comprehensive income

SEK million	Jan-June 2023	Jan-June 2022
Profit/loss for the period	**60,158**	**–17,208**
Items that can be subsequently reclassified to the income statement		
Foreign exchange differences	–	–
Other comprehensive income	**–**	**–**
Comprehensive income for the period	**60,158**	**–17,208**

Condensed parent company balance sheet

SEK million	Jan-June 2023	Jan-June 2022	31 December 2022
Intangible assets	–	60	20
Investment assets	1,213,497	1,123,868	1,152,599
Receivables	16,852	14,011	16,035
Other assets	3,707	3,902	3,471
Prepaid expenses and accrued income	3,800	2,879	4,012
Total assets	**1,237,856**	**1,144,720**	**1,176,138**
Equity	619,603	577,670	611,994
Provision for life insurance	564,733	520,888	516,503
Claims outstanding	13,523	13,355	13,028
Other provisions	18	52	2
Liabilities	38,237	31,933	33,145
Accrued expenses and prepaid income	1,741	821	1,466
Total equity, provisions and liabilities	**1,237,856**	**1,144,720**	**1,176,138**

Notes

NOTE 1 Group and Parent Company Accounting Principles

The interim report refers to the period from 1 January–30 June 2023 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 SEK millions unless otherwise stated. Due to rounding, the sum of the figures shown in the tables above may differ from the totals.

Compliance with standards and law

The consolidated financial statements and the parent company's interim report have been prepared in accordance with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL) and the Swedish Financial Supervisory Authority regulations and general advice on annual accounts in insurance companies and occupational pension companies (FFFS 2019:23) with its amendment regulations. Furthermore, the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities has been applied.

When preparing both consolidated financial statements and the parent company's interim report, so-called legally restricted IFRS has been applied, which means that international accounting standards are applied to the extent possible under Swedish legislation in the areas of accounting and taxation.

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

Changes in accounting principles

Legally restricted IFRS was applied in the consolidated financial statements from 31 December 2022. The transition is described in Note 1 Accounting principles in the 2022 Annual and Sustainability Report. For the 2023 interim report, the change is limited to a slight change in the presentation of the Group's income statement and balance sheet and the discontinuation of the cash flow statement. Since the transition to legally restricted IFRS had no significant impact on Alecta's financial statements, no comparative figures have been adjusted.

Changes to existing standards have not had any significant impact on the reporting. Accounting principles and calculation methods are otherwise unchanged compared to the latest annual report and sustainability report.

Parent Company

As stated above, legally restricted IFRS is now also applied in the Group, which means that the differences in applied accounting principles between the parent company and the Group have decreased. The significant differences are the same as for the preparation of the most recent annual and sustainability report.

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, senior management and managers of central functions
- Close family members of members of the Board, senior management and managers of central functions
- 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 Report and Sustainability Report for 2022, Note 49.

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 18 (12) 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 20 (18) million. In addition, Alecta Tjänstepension Ömsesidigt has also received property management services from Alecta Fastigheter AB. The transactions relating to property management services totalled SEK 11 (8) million during the first half of the 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 30/06/2023 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 through trading	Financial assets and liabilities measured at amortised cost	Total carrying amount	Fair value
Shares and participations in associated companies and joint ventures	77,795	–	–	77,795	77,795
Loans to associated companies and joint ventures	431	–	–	431	431
Shares and participations	600,281	–	–	600,281	600,281
Bonds and other debt securities	474,468	–	–	474,468	474,468
Loans secured by real estate	6,365	–	–	6,365	6,365
Other loans	20,888	–	–	20,888	20,888
Derivatives	–	4,161	–	4,161	4,161
Receivables related to direct insurance operations	–	–	1,140	1,140	1,140
Other receivables	–	–	10,672	10,672	10,672
Cash and bank balances	–	–	4,085	4,085	4,085
Accrued interest and rental income	–	–	3,441	3,441	3,441
Total	**1,180,226**	**4,161**	**19,338**	**1,203,727**	**1,203,727**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	14	14	14
Derivatives	–	31,314	–	31,314	31,314
Other liabilities	–	–	2,743	2,743	2,743
Other accrued expenses	–	–	1,409	1,409	1,409
Total	**–**	**31,314**	**4,166**	**35,480**	**35,480**

Group 31/12/2022 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 through trading	Financial assets and liabilities measured at amortised cost	Total carrying amount	Fair value
Shares and participations in associated companies and joint ventures	80,066	–	–	80,066	80,066
Loans to associated companies and joint ventures	430	–	–	430	430
Shares and participations	598,706	–	–	598,706	598,706
Bonds and other debt securities	401,658	–	–	401,658	401,658
Loans secured by real estate	5,999	–	–	5,999	5,999
Other loans	23,116	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305	14,305
Receivables related to direct insurance operations	–	–	1,724	1,724	1,724
Other receivables	–	–	8,550	8,550	8,550
Cash and bank balances	–	–	3,672	3,672	3,672
Accrued interest and rental income	–	–	3,948	3,948	3,948
Total	**1,109,975**	**14,305**	**17,894**	**1,142,174**	**1,142,174**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	13	13	13
Derivatives	–	20,488	–	20,488	20,488
Other liabilities	–	–	9,494	9,494	9,494
Other accrued expenses	–	–	1,248	1,248	1,248
Total	**–**	**20,488**	**10,755**	**31,243**	**31,243**

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 provided price information.

For OTC derivatives, fair value is determined on a daily basis in Alecta's 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 mainly consist of financial instruments with real estate as underlying assets but also of debt securities and unlisted shares and participations. 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.

Principles for reclassification between levels

Financial assets and liabilities measured at fair value are classified into one of the three valuation categories at acquisition and then normally retain that classification until they are sold. However, under certain circumstances a financial asset may be reclassified to another level after the acquisition date. The following principles apply to such reclassification:

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 year of 2023, there was no transfer from Level 1 to Level 2 or from Level 2 to Level 1. In the corresponding period of 2022, one debt instrument was moved from Level 1 to Level 2 but none 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 2023, one debt security has been transferred from Level 2 to Level 3 and another debt security has been moved from level 3 to level 2.

During the corresponding period in 2022, there was no transfer from Level 2 to Level 3 or from Level 3 to Level 2.

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 2023 or in the corresponding period in 2022.

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.

Level 3 assets consist mainly of financial instruments with real estate as the underlying asset, but also of a significant proportion of debt securities and unlisted shares and participations.

As we do not normally have the means to fully inspect the unobservable inputs used by external price providers, fund managers, counterparts 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 roughly 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 by equity 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	140,983	Return requirement increase of 0.5 percentage points	–14,840
Interest-related holdings	65,265	Interest-rate increase of 1 percentage point	–1,243
Share-related holdings	67,795	Share price decrease of 10 per cent	–6,779
Total Level 3	**274,043**		**–22,862**

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

Group	Fair values of financial instruments, 30/06/2023 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 30/06/2023
Assets				
Shares and participations	491,334	–	108,947	600,281
Shares and participations in associated companies and joint ventures	–	–	77,795	77,795
Loans to associated companies and joint ventures	–	–	431	431
Bonds and other debt securities	227,250	187,599	59,619	474,468
Loans secured by real estate	–	–	6,365	6,365
Other loans	–	–	20,888	20,888
Derivatives	–	4,161	–	4,161
Total assets	**718,584**	**191,760**	**274,045**	**1,184,389**
Liabilities				
Derivatives	–	31,314	–	31,314
Total liabilities	**–**	**31,314**	**–**	**31,314**

Group	Fair values of financial instruments, 31/12/2022 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 31/12/2022
Assets				
Shares and participations	496,892	–	101,815	598,706
Shares and participations in associated companies and joint ventures	–	–	80,066	80,066
Loans to associated companies and joint ventures	–	–	430	430
Bonds and other debt securities	186,313	161,180	54,165	401,658
Loans secured by real estate	–	–	5,999	5,999
Other loans	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305
Total assets	**683,205**	**175,485**	**265,591**	**1,124,280**
Liabilities				
Derivatives	–	20,488	–	20,488
Total liabilities	**–**	**20,488**	**–**	**20,488**

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

Group	Fair value 30/06/2023						
	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 01/01/2023	101,815	80,066	430	54,165	5,999	23,116	265,591
Purchases	4,216	2,416	1	5,821	423	1,485	14,362
Sales	–1,457	–	–	–2,664	–383	–4,172	–8,675
Gains and losses	4,372	–4,688	–	2,442	325	458	2,910
Realised gains/losses, sold entire holding	*–21*	*–*	*–*	*0*	*–*	*–*	*–21*
Realised gains/losses, sold portion of holding	*15*	*–*	*–*	*167*	*–*	*385*	*566*
Unrealised gains/losses	*–65*	*–5,080*	*–*	*32*	*260*	*–242*	*–5,095*
Unrealised foreign exchange gains/losses	*4,444*	*392*	*–*	*2,243*	*65*	*316*	*7,460*
Transferred from Level 3	–	–	–	–639	–	–	–639
Transferred to Level 3	–	–	–	494	–	–	494
Closing balance 30/06/2023	**108,947**	**77,795**	**431**	**59,619**	**6,365**	**20,888**	**274,043**

Group	Fair value 31/12/2022						
	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 01/01/2022 [2]	68,772	69,006	402	32,711	4,627	17,921	193,439
Purchases	24,560	10,489	28	19,931	4,972	12,417	72,397
Sales	–7,323	–613	–	–3,428	–3,414	–8,609	–23,387
Gains and losses	15,806	1,184	–	783	–186	1,387	18,974
Realised gains/losses, sold entire holding	*–*	*–*	*–*	*1*	*6*	*13*	*20*
Realised gains/losses, sold portion of holding	*4,244*	*0*	*–*	*238*	*113*	*622*	*5,217*
Unrealised gains/losses	*4,450*	*–110*	*–*	*–2,481*	*–297*	*–174*	*1,388*
Unrealised foreign exchange gains/losses	*7,112*	*1,294*	*–*	*3,025*	*–8*	*926*	*12,349*
Transferred from Level 3	–	–	–	4,168	–	–	4,168
Closing balance 31/12/2022	**101,815**	**80,066**	**430**	**54,165**	**5,999**	**23,116**	**265,591**

[1] Level 3 is defined in Note 4 Valuation categories for financial instruments measured at fair value.
[2] With the transition to IFRS 9, assets amounting to SEK 1,897 million in the opening balance 2022 have been reclassified from measurement at amortised cost to fair value. However, the value remains unchanged at fair value.

Stockholm, date indicated by my electronic signature.

Katarina Thorslund
Acting CEO

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

Glossary

Adjustment of paid-up policy values
Assigned refunds 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
- the policyholders in the form of future reduction of the premium
- the insured in the form of a future increase in the insurance benefit
- to cover the cost under the ITP plan. The parties to the collective agreement have been granted the right to indicate how the funds are to 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 valued 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 surplus level and solvency ratio.

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

Allocated 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 asset 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 in total and for defined contribution and defined benefit insurance respectively.

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 by allocating or assigning a refund.

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 insurance company's guaranteed commitments of the 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 provide collectively agreed occupational pension plans as much value as possible both for our corporate customers as well as private customers. We do this by generating high returns at low cost, and providing excellent customerservice. We manage just over SEK 1,200 billion on behalf of our owners – 2.8 million private customers and 35,000 corporate customers.

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