alecta

Interim report

January–June 2013

Financial information for January–June 2013

- The total return amounted to 2.8 percent for the first half year 2013. During the last five year period, the total average return amounted to 6.6 percent per year. For Alecta's defined contribution product, Alecta Optimal Pension, the return for the first half year amounted to 5.5 percent and for the last five year period the return has been, on average, 8.2 percent per year.
- At the end of the period, the collective funding ratio for defined benefit insurance was 145 percent. The determined funding interval is 125–155 percent. The solvency level was 165 percent.
- Alecta's management expense ratio continued to be low at the end of the six month period, 0.13. For pension products, excluding selection center costs, the equivalent key ratio was 0.08.
- Thanks to the Company's improved financial position, Alecta's Board of Directors has determined, on the basis of its continued strong financial position, to increase earned pension rights in defined benefit ITP 2 retroactively by 3.35 percent from January 2014. Approximately SEK 6.3 billion has been allocated as rebates in order to finance the adjustment of paid up values. Furthermore, the premiums for risk insurance were reduced from 1 June. This measure decreases the employers' costs by approximately SEK 1.2 billion during 2013.

Comments regarding the Parent Company's and Group's book closing

Events during the period

Alecta appointed as default provider within ITP

Alecta received renewed confidence as the default alternative company for defined contribution pensions within ITP (ITP 1 and ITP2) for another five years. In Collectum's evaluation, Alecta Optimal Pension was deemed to comprise the product with the best premises for creating a high level of pension benefits with low fees. The new agreement began on 1 July 2013 and is in effect until 30 September 2018.

An even better Alecta Optimal Pension

The product winning this procurement procedure, Alecta Optimal Pension, has been further enhanced through, amongst other things, a strengthened guarantee, a more restrained pace in reducing the share portion and buffer pension payments. The already low fee, 0.10 percent of capital is, in addition, complimented with a fee ceiling maximising the fee deductions to SEK 75 per month. These improvements apply to both existing and new clients. The changes in the product came into effect on 1 July 2013.

Adjusted paid up policies and reduced risk premiums

Thanks to the Company's improved financial position, Alecta's Board of Directors decided, in the middle of March, to increase earned defined benefit pension entitlements (paid up policies) retroactively. This increase was determined to be equivalent to the Consumer Price Index (CPI) from September 2010 to September 2012 of 3.35 percent. The decision to make this change ensures the preservation of the purchasing power of the earned defined benefit pensions in Alecta. Approximately SEK 6.3 billion was distributed as rebates in order to fund this indexation. Should the financial situation deteriorate notably during the year, the decision can be reconsidered. In applying the indexation, any possible negative development in CPI between September 2102 and September 2013 shall be taken into account.

Furthermore, it was decided to introduce a premium reduction for disability pensions and waiver of premium equivalent to 50 percent for the entire year 2013. This measure decreases the employers' costs by approximately SEK 1.2 billion. Combined, the adjustment and premium reduction, imply a decrease in the collective funding ratio by approximately 3 percentage points.

New model for the discount rate

In May, the Swedish Financial Supervisory Board proposed a new model for the discount interest rate to be applied in calculating technical provisions. This new model represents an adaption to the forthcoming Solvency II regulations introduced by the EU, and implies a decreased sensitivity for interest rate fluctuations in long-term insurance commitments. Based on market interest rates as at 30 June, the new model would have implied that technical provisions would have been valued at SEK 1.5 billion less than with the

Comments regarding the Parent Company's and Group's book closing, cont.

current model, which, in its turn, would have implied 0.7 percentage points higher solvency level. Alecta is positive as regards the new interest rate model, primarily with regard to the decreased sensitivity for fluctuations in long-term market interest rates.

At the same time as the proposal for a new interest rate model was published, the Swedish Financial Supervisory Board decided to extend the temporary interest rate floor for insurance companies' calculation of the discount rate until the new Solvency II adapted method is in place. These new regulations are planned to come into effect as at 31 December 2013.

Results

The results, after tax, for the Group amounted to SEK 57.0 (42.1) billion for the first half year. The primary items providing a positive impact on results are the change in technical provisions, SEK 39.5 (19.3) billion, which is due, largely, to higher long-term market interest rates, and a positive return on capital of SEK 15.2 (22.0) billion.

Premium income

Premium income for the first half year amounted to SEK 12.0 (10.7) billion, of which SEK 11.9 (10.7) billion referred to invoiced premiums and SEK 0.1 (0.0) billion referred to allocated rebates. The increase in invoiced premiums compared with the previous year referred to both the defined contribution product, Alecta Optimal Pension, and to the defined benefit savings insurances in ITP 2. The single largest reason for the increase in invoiced premiums was that the settlement of liabilities for commitments within the PRI system increased in scope.

Return on capital

It has been a volatile first half year in the financial markets which have, overall, been advantageous for investments in risk filled assets. It is, more than anything, the Central Bank's extremely expansive monetary policies which have contributed to decreased risk premiums in the finance markets. Macroeconomic data, in particular American short-term statistics, has also been interpreted positively by investors and the risk willingness has increased. This strengthened risk willingness has, together with the expectations of a less expansive monetary policy, led to market interest rates increasing notably which, in its turn, has had a negative effect on the market value of the obligation portfolios.

The total return on Alecta's investments amounted to 2.8 percent during the first half year 2013 and the market value of the investments was SEK 561.9 billion at the end of the period. Shares are the class of asset which had the best return at 7.8 percent. Property and interest-bearing investments had a return of 3.9 percent, respective 0.1 percent. On a rolling five-year basis, the average annual return, per June, was 6.6 percent.

For Alecta's defined contribution product, Alecta Optimal Pension, which has a higher portion of shares than Alecta's total portfolio, the return for the first half year amounted to 5.5 percent and the average annual return on a rolling five year basis was 8.2 percent, in June. The market value of Alecta Optimal Pension was, at the end of the six month period, SEK 25.9 billion.

In the income statement the return on capital amounted to SEK 15.2 (22.0) billion.

Claims incurred

Claims incurred comprise both compensation payments in respect of retirement pensions, disability and death, and operating expenses for claims management, as well as changes in the provision for claims outstanding. Claims paid amounted to SEK 8.5 (8.1) billion.

The increase is mainly attributable to the fact that the number of retirees entitled to benefit payments has risen during the first six months. The change in provisions for claims outstanding amounted to SEK –0.2 (0.8) billion, see the section on Technical provisions below.

Technical provisions

Technical provisions comprise the sum of the provision for life insurance and the provision for claims outstanding, and comprise the capital value of the Company's guaranteed commitments for insurance contracts in force. Technical provisions amounted to SEK 340.3 billion as at the end of June 2013. This is a decrease by SEK 39.5 (19.3) billion for the first half year 2013, and is explained by:

- the change in the market-based discount interest rate, which has increased from an average of 2.67 percent at the beginning of 2103 to an average of 3.43 percent at the end of the second quarter 2013. This change has implied that technical provisions decreased by SEK 45.1 billion.
- other changes, such as, the return on technical provisions, premiums received and payment of claims incurred, which have implied an increase in technical provisions of SEK 5.6 billion.

Comments regarding the Parent Company's and Group's book closing, cont.

Operating costs

Operating costs for the insurance business amounted to SEK 294 (291) for the first half year 2013.

The management expense ratio as at June 2013 amounted to 0.13 and was unchanged compared with the end of 2012. For pension products excluding selection center costs, the equivalent key ratio was 0.08 (entire year 2012: 0.08).

Financial position

At the end of the period the collective funding ratio for defined benefit insurance was 145 percent. The determined funding interval is 125–155 percent. The collective funding ratio has increased compared with the end of the year when it amounted to 129 percent.

Alecta Optimal Pension has a collective funding ratio of approximately 100 percent as the surplus or deficit are, respectively, allocated to the insured on a monthly basis.

Alecta's solvency level was 165 percent.

Parent Company

The above comments also refer, in all significant aspects, to the Parent Company in which the insurance operations are undertaken.

Significant risks and factors of uncertainty

For information regarding Alecta's risks and risk management, please refer to Alecta's annual report for 2012, pages 20 and 44.

Financial position and key ratios

Group

FINANCIAL POSITION, MSEK	30 June 2013	30 June 2012	31 Dec 2012
Collective funding capital	162,172	94,628	115,780
Capital base [1]	219,636	139,627	163,877
Required solvency margin [2]	14,080	15,199	15,698
KEY RATIOS			
Management expense ratio percentage [3]	0.13	0.14	0.13
of which pension products, excluding selection centre costs [3, 4]	0.08	0.09	0.08
Investment management expense ratio	0.03	0.03	0.03
Collective funding ratio, defined benefit insurance, percent	145	125	129
Collective funding ratio, defined contribution insurance, percent [5]	100	100	100
Solvency level, percent	165	139	144

1) Refers to Parent Company.
2) Refers to Parent Company and Group.
3) Does not include costs for investment management. Key ratios are calculated on a rolling 12-month basis.
4) Pension products consist of defined benefit and defined contribution retirement pensions and family pensions.
5) As surplus/deficit is allocated monthly among the insured, the collective funding ratio is normally always 100 percent.

Total return table for investments, the Group

	Market value		Market value		Total return in percentage		
	30 June 2013		31 Dec 2012		6 months Jan–June 2013	12 months July 2012 –June 2013	5 year average July 2008 –June 2013
Group	MSEK	%	MSEK	%			
Shares	197,518	35.2	179,108	32.8	7.8	19.6	8.2
Interest-bearing investments	324,794	57.8	329,090	60.3	0.1	4.6	6.7
Property	39,589	7.0	37,775	6.9	3.9	8.1	4.3
Total investments	**561,901**	**100.0**	**545,973**	**100.0**	**2.8**	**9.6**	**6.6**

Total return table for investments, Alecta Optimal Pension

	Market value		Market value		Total return in percentage		
	30 June 2013		31 Dec 2012		6 months Jan–June 2013	12 months July 2012 –June 2013	5 year average July 2008 –June 2013
Alecta Optimal Pension	MSEK	%	MSEK	%			
Shares	16,387	63.3	14,125	64.2	7.8	19.6	8.2
Interest-bearing investments	7,622	29.5	6,337	28.8	0.1	4.8	7.0
Property	1,859	7.2	1,555	7.1	3.9	8.1	4.3
Total investments	**25,868**	**100.0**	**22,016**	**100.0**	**5.5**	**14.8**	**8.2**

Due to the rounding off of the figures, the amounts in the table above may deviate slightly from the totals. This total return table is prepared in accordance with recommendations from the trade association, ”Insurance Sweden”. The accounting and valuation principles applied to the investments reported in the above table differ from the accounting and valuation principles applied in the Company's financial reporting. A description of the differences in the applied accounting and valuation principles is found in the Company's annual financial statements.

Summary, Income Statement, the Group

MSEK	Jan–June 2013	Jan–June 2012
Premiums written	11,974	10,661
Return on capital, net	15,154	22,049
Claims incurred	–8,526	–8,062
Changes in provisions for claims outstanding	168	813
Change in other technical provisions	39,326	18,532
Operating expenses	–294	–291
Depreciation and impairment of owner-occupied properties	–9	–9
Tax on returns	–352	–606
Total operating profit	**57,441**	**43,087**
Profit before tax	**57,441**	**43,087**
Income tax	–429	–991
Profit for the period	**57,012**	**42,096**

Statement of comprehensive income, Group

MSEK	Jan–June 2013	Jan–June 2012
Profit for the period	**57,012**	**42,096**
Items that may subsequently be reclassified to net income		
Exchange rate differences	310	68
Total other comprehensive income	**310**	**68**
Comprehensive income for the period	**57,322**	**42,164**

Summary, Balance Sheet, Group

MSEK	30 June 2013	31 Dec 2012
Intangible fixed assets	375	388
Tangible fixed assets	27	27
Investment assets	563,246	546,280
Receivables	5,871	3,330
Cash and bank balances	910	726
Prepaid expenses and accrued income	5,606	8,441
Total assets	**576,035**	**559,192**
Equity	221,579	165,966
Provisions for life insurance	330,282	369,609
Claims outstanding	9,977	10,144
Pensions and similar commitments	34	39
Other provisions	13	14
Current tax	1	1
Deferred tax	1,241	1,214
Liabilities for direct insurance operations	665	622
Derivatives	5,810	3,652
Other liabilities	4,547	5,813
Other accrued expenses and deferred income	1,886	2,118
Total equity and liabilities	**576,035**	**559,192**

Summary, Cash Flow Statement, Group

MSEK	Jan–June 2013	Jan–June 2012
Cash flow from operating activities	1,096	58
Cash flow from investing activities	–4	–2
Cash flow from financing activities	–1,591	–1,657
Cash flow for the period	**–499**	**–1,601**
Cash and cash equivalents, opening balance	1,404	3,004
Exchange rate differences in cash and cash equivalents	5	1
Cash and cash equivalents, closing balance	**910**	**1,404**

Statement of Changes in Equity, Group

MSEK	Jan–June 2013	Jan–June 2012
Opening equity	**165,966**	**101,530**
Profit for the period	57,012	42,096
Other comprehensive income	310	68
Total comprehensive income for the period	**57,322**	**42,164**
Rebates		
Pension supplements	*–1,399*	*–1,431*
Adjustment of paid-up values	*–3*	*–6*
Premium reduction	*–118*	*–11*
Change in indexation funds		
Collective risk premium [1]	*–121*	*–120*
Change in guarantee reserve [2]		
Information funds	*–56*	*–56*
Collective agreement guarantee	*–15*	*–50*
Other changes	3	12
Closing equity	**221,579**	**142,032**

1) The premiums for waiver of premium insurance and collective final payments are reduced, as the employers are expected to incur a higher cost due to the new rules for co-ordination and calculation of pensionable salary which the collective agreement parties introduced into ITP 2 in 2008.

2) In order to comply with future regulations, Alecta and the collective agreement parties within ITP have presented a long-term alternative to the guarantee reserve established by Alecta in 2007. This plan implies that the guarantee reserve will be lifted out from Alecta and placed in a separate, entirely independent foundation with the same purpose as applying to the guarantee reserve. This will require a decision from the Council of Administration. This matter will be addressed at the annual meeting in April 2014.

Summary, Income Statement, Parent Company

MSEK	Jan–June 2013	Jan–June 2012
TECHNICAL ACCOUNT		
Premiums written	11,974	10,661
Return on capital, income	20,485	15,410
Unrealised gains on investment assets	6,177	7,100
Claims paid	–8,526	–8,062
Change in provisions for claims outstanding	168	813
Change in other technical provisions	39,326	18,532
Operating expenses	–294	–291
Return on capital, expenses	–274	–895
Unrealised losses on investment assets	–11,045	-
Balance on the technical account, life insurance business	**57,991**	**43,268**
NON–TECHNICAL ACCOUNT		
Profit before appropriations and tax	**57,991**	**43,268**
Appropriations	–366	–382
Tax	–536	–1,319
Profit for the period	**57,089**	**41,567**

Statement of Comprehensive Income, Parent Company

MSEK	Jan–June 2013	Jan–June 2012
Profit for the period	**57,089**	**41,567**
Items that may subsequently be reclassified to net income		
Exchange rate differences	-	-
Total other comprehensive income	**-**	**-**
Comprehensive income for the period	**57,089**	**41,567**

Summary, Balance Sheet, Parent Company

MSEK	30 June 2013	31 Dec 2012
Intangible fixed assets	375	388
Investment assets	560,882	544,284
Receivables	5,779	3,278
Other assets	748	588
Prepaid expenses and accrued income	5,659	8,575
Total assets	**573,443**	**557,113**
Equity	217,360	161,980
Untaxed reserves	2,651	2,285
Technical provisions	340,259	379,753
Other provisions	444	536
Liabilities	11,073	10,687
Accrued expenses and deferred income	1,656	1,872
Total equity, provisions and liabilities	**573,443**	**557,113**

Notes

NOTE 1 Accounting principles in Group and Parent Company

Group

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

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

New standards or revisions to the standards adopted by the EU with effect from 1 January 2013 have not had any significant impact on Alecta's financial statements. The effects on the design and content of the interim report are described below.

The amendment to IAS 1, Presentation of Financial Statements, has resulted in Other comprehensive income being divided into two categories, items that will be reclassified to net income and those that are not reclassified to net income.

Revisions to IFRS 7 Financial Instruments: Disclosures, have meant that disclosures must be provided on financial assets and liabilities whose value is offset in the balance sheet or which are subject to various legally binding master netting agreements. See Note 6.

The new standard, IFRS 13, Fair value measurement, is applicable from 2013. The standard contains common principles for measuring the fair value of the majority of the assets and liabilities measured at fair value in the financial statements. The adoption of the standard did not affect the carrying amounts of financial instruments to any significant extent; however, this has led to the requirement of further disclosures in the interim report on financial instruments measured at fair value. See Note 3 to 5.

The same accounting principles and calculation methods have been applied as those applied in the most recent annual financial statements.

Parent Company

The Parent Company applies so-called legally restricted IFRS. This means that international accounting standards are applied to the extent possible according to Swedish accounting legislation. The financial statements for the Parent Company comply with the Annual Accounts Act for Insurance Companies and the Swedish Financial Supervisory Authority's instructions and general advice regarding the annual accounts of insurance companies, FFFS 2008:26, with mandatory additions in FFFS 2009:12 and FFFS 2011:28, as well as the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. As the Group applies full IFRS, its accounting principles differ, in certain respects, from those applied in the Parent Company. The significant differences remain the same as those identified in the most recent annual financial statements.

NOTE 2 Related parties

Alecta considers the following legal entities and natural persons to comprise related parties, as defined in IAS 24:

- All companies in the Alecta Group
- Members of the Board and management
- Close family members of Members of the Board and management
- The Confederation of Swedish Enterprise and PTK
- Associated companies and joint ventures
- The Collectum AB and Fora AB selection centres (of which the principal owners of Collectum are the Confederation of Swedish Enterprise and PTK, while the Confederation of Swedish Enterprise owns half of Fora).

A description of transactions with related parties can be found in Alecta's annual financial statements for 2012, Note 57.

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

NOTE 3 Valuation categories for financial instruments valued at fair value

Group 30 June 2013 Financial assets	Financial assets/ liabilities valued at fair value through profit/loss at initial recognition	Financial assets/ liabilities valued at fair values through profit/loss classified as held for trading	Loans and receivables/ other financial liabilities	Total book value	Total Fair Value
Shares and participations	202,085	-	-	202,085	202,085
Bonds and other interest-bearing securities	324,968	-	-	324,968	324,968
Loans with real estate as collateral	7	-	250	257	257
Other loans	804	-	2,261	3,065	3,065
Derivatives	-	1,732	-	1,732	1,732
Receivables regarding direct insurance	-	-	1,195	1,195	1,195
Other receivables	-	-	4,001	4,001	4,001
Cash and bank balances	-	-	910	910	910
Accrued interest and rental income	-	-	5,462	5,462	5,462
Other prepaid expenses and accrued income	-	-	66	66	66
Total	**527,864**	**1,732**	**14,145**	**543,741**	**543,741**
Financial liabilities					
Debt regarding direct insurance	-	-	48	48	48
Derivatives	-	5,810	-	5,810	5,810
Other loans	4,149	-	220	4,369	4,369
Accrued expenses and deferred income	-	-	1,418	1,418	1,418
Total	**4,149**	**5,810**	**1,686**	**11,645**	**11,645**

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

NOTE 4 Valuation categories for financial instruments

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

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

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

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

Level 3: Data for assets based on non-observable market data.
The fair value of financial instruments based on non-observable market data is found in Level 3. The assets reported in Level 3 all have in common the fact that the valuations have been obtained only from external counterparties.

Principles for transfer between levels
All financial instruments are classified into each level in the context of acquisition. A transfer from a lower level to a higher level can only be relevant if the original valuation technique will no longer be available, for example, if an asset is delisted and no longer traded in an active market. A transfer from a higher level to a lower level may similarly become relevant where such an unlisted asset is traded in an active market or where information has been made available in order that some of the valuation techniques in Level 2 can be applied.

Transfer between Levels in 2013
No transfers between Levels has taken place.

Fair Values for financial instruments 30 June 2013

Group	Published price listings on an active market Level 1	Measurement techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3	Carrying amount 30 June 2013
Assets				
Shares and participations	197,172	-	4,913	202,085
Bonds and other interest-bearing securities [1]	174,675	148,238	2,056	324,969
Loans with real estate as collateral	-	7	-	7
Other loans	-	-	804	804
Derivatives	-	1,732	-	1,732
Total assets	**371,847**	**149,977**	**7,773**	**529,597**
Liabilities				
Derivatives	-	5,810	-	5,810
Total liabilities	**-**	**5,810**	**-**	**5,810**

Fair Values for financial instruments 31 Dec 2012

Group	Published price listings on an active market Level 1	Measurement techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3	Carrying amount 30 June 2012
Assets				
Shares and participations	179,227	-	4,806	184,033
Bonds and other interest-bearing securities [1]	186,043	133,801	2,070	321,914
Loans with real estate as collateral	-	20	-	20
Other loans	-	-	720	720
Derivatives	-	8,279	-	8,279
Total assets	**365,270**	**142,100**	**7,596**	**514,966**
Liabilities				
Derivatives	-	3,652	-	3,652
Total liabilities	**-**	**3,652**	**-**	**3,652**

NOTE 5 Disclosures of financial instruments valued at fair value based on Level 3

Group	Fair Values at 30 June 2013 Shares and participations	Bonds and other debt securities	Other loans	Total
Opening balance 2013	4,806	2,070	720	7,596
Profit/loss reported in income statement	147	–14	–11	122
Purchases	614	-	101	715
Disposed of/matured	–655	-	–5	–660
Transfer from Level 3	-	-	-	-
Transfer to Level 3	-	-	-	-
Closing balance 30 June 2013	**4,912**	**2,056**	**805**	**7,773**
Total gains and losses reported in the income statement for financial instruments held at the end of the period	–202	–14	–11	–227
Gains and losses reported in the income statement as Return on capital during the period				
Total gains and losses reported in the income statement				122

Group	Fair Values As per the end of 2012 Shares and participations	Bonds and other debt securities	Other loans	Total
Opening balance 2012	4,315	25,647	635	30,597
Profit/loss reported in income statement	87	–54	–13	20
Purchases	602	-	143	745
Disposed of/matured	–198	–4,267	–45	–4,510
Transfer from Level 3	-	–20,810	-	–20,810
Transfer to Level 3	-	1,554	-	1,554
Closing balance 2012	**4,806**	**2,070**	**720**	**7,596**
Total gains and losses reported in the income statement for financial instruments held at the end of the period	94	11	–13	92
Gains and losses reported in the income statement as Return on capital during the period				
Total gains and losses reported in the income statement				20

NOTE 6 Financial instruments covered by binding master netting agreements

	Fair Value	
Derivatives	**30 June 2013**	**31 Dec 2012**
Derivatives with positive fair values	1,732	8,279
Derivatives with negative fair values	–5,810	–3,652
Collateral received for derivatives	165	5,895
Collateral provided for derivatives	–4,244	–406
Lending of interest-bearing securities		
Loaned interest-bearing securities	6,383	7,297
Collateral received for loaned securities	6,383	7,297

Disclosures on financial instruments covered by binding master netting agreements

All financial assets and liabilities are reported gross in the balance sheet. For asset class derivatives and the lending of fixed income securities, there are binding master netting agreements in the event of the insolvency of either party.

Derivatives

As seen in the table above, as of June 30 there were derivative contracts with positive values recorded in an amount of SEK 1,732 million and derivative contracts with a negative value in an amount of SEK 5,810 million. All derivative contracts are covered by the ISDA agreements (International Swaps and Derivatives Association) where there is a legal right to regulate these assets and liabilities, net, in the event of insolvency of any counterparties. These circumstances do not exist, which is the reason no set-off has occurred.

In addition to this right of offset, there are also CSA agreements (Credit Support Annex), addressing the daily exchange of collateral for the positive and negative values arising between Alecta and respective counterparties over the duration of related derivative contracts. For the counterparties with whom Alecta has entered into CSA agreements, outstanding derivative contracts are marked to market on a daily basis. In the case the value of a contract is positive, Alecta receives the equivalent value as collateral from the respective counterparty and, in the case the value is negative, Alecta determines the corresponding value as collateral for the respective counterparty. In accordance with these CSA agreements, Alecta has received SEK 165 million, including SEK 33 million related to fixed income securities and SEK 132 million related to cash collateral. The balance sheet includes cash collateral received from investment assets, but can also be found on the liabilities side, in the balance sheet item Liabilities, as these securities will be repaid to the counterparties when the derivative contracts have reached maturity, or if the value of outstanding derivative contracts decreases in value. Similarly, Alecta has pledged collateral in the form of interest-bearing securities in an amount of SEK 4,244 million.

Lending of interest-bearing securities

The lending of interest-bearing securities consists of Swedish government bonds with a total value of SEK 6,383 million, and are recognised as an asset in the balance sheet measured at fair value, in accordance with applicable accounting principles. Collateral received for lending of interest-bearing securities consists of Swedish government bonds, in a total value of SEK 6,383 million, and is, therefore, not reported as an asset in the balance sheet.

This interim report has not been subject to review by the Company's auditors.
Stockholm, 19 August 2013

STAFFAN GREFBÄCK
CEO

Glossary

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

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

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

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

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

Default alternative
In a defined contribution plan when the employee has not made an active selection of an insurance company, the employee is automatically a customer of the insurance company appointed to be the default provider in the procurement of the administration of the pension plan.

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

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

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

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

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

Financial instruments
All types of agreement resulting in a financial asset in a company and a financial liability or own equity instrument in another company.

Insured
The individual covered by the insurance.

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

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

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

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

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

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

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

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

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

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

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

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

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

Alecta has been managing occupational pensions since 1917. Our task is to provide collectively agreed occupational pensions with as large value as possible for both our corporate clients and our private customers. We do this through good returns, good customer service and low costs. We manage approximately SEK 560 billion on behalf of our owners, of whom 2 million are private customers and 33,000 are corporate clients.

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