

KÅPAN

PENSIONER

for government employees



Annual Report

2007

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Presenting Kåpan Pensions

Kåpan pensioner försäkringsförening (Pensions for government employees, Kåpan) manages defined contribution pensions for public sector employees.

Operations are linked to the public sector pension agreements PA-91 and PA 03 where Kåpan manages a part of the occupational pension and functions as the default supplier for the part of the pension where there is a choice.

Kåpan is a co-operative society where all the surplus from asset management is returned to its members. The society only offers traditional pension insurance with a guaranteed growth in value at a low cost which over time is expected to provide members with a good pension.

2007 at the glance



- Assets under management increased by SEK 3,817m to SEK 33,280m.
- Paid-in premiums totalled SEK 2,715m (2,668).
- The total return on invested capital amounted to 2.1% (8.8).
- The funding ratio improved from 112% to 113% before the proposed bonus. After the proposed bonus, the funding ratio was 108%.
- The solvency ratio amounted to 158%, an increase of 9 percentage points compared with 2006.
- Administrative expenses fell to 0.14% (0.16) of total assets.
- On 1 January 2007, Kåpan took over the operations of the Pension Insurance Society for Social Insurance Agency Employees (FFO) with total assets of SEK 1 billion.

Proposal for decision at the Annual General Meeting:

- The bonus rate for 2007 to be set at 5%.

A word from the President



The return for the 2007 financial year was affected by weak development in the stock market and rising market interest rates combined with considerable anxiety in the credit market. Kåpan Pensioner's aim over time is to provide a good and stable return on its members' pension capital at the lowest cost in the industry. We do this by offering a single product – traditional pension insurance with a guaranteed rate – a balanced and effective form of saving.

In recent years our average return has been well above the industry's return for similar pension insurance. The bonus we have given our members since 2002 has averaged 6.5% per year compared with an industry average of 3.3%.

We have also succeeded in reducing our administrative expenses still further to 0.14% of assets which is a very low level. Compared with the available alternatives in the government employee agreement sphere this is a cost level that is only one-third of the least expensive electable alternative.

The ongoing changeover of the Swedish pension system from defined benefit pensions to an individual and defined contribution based life-long pension savings system marks a shift of responsibility from the employer to the individual. This responsibility brings both opportunities and risks that can be hard to assess. It is therefore important that each individual's different pension savings – national pension, PPM savings, occupational pension and private savings become a functioning and effective whole with a good risk-adjusted return, i.e. a balance between return and risk.

Development in occupational pensions has led to the different players launching new products with a low level of guarantees or unit linked insurance with a high risk. Products or funds where parts of the anticipated return are eaten up by substantial costs which are often linked to the considerable resources devoted to marketing.

Kåpan Pensioner is very sparing in its use of funds for marketing. We do not take part in the competition in other agreement spheres. We do not spend resources to create a number of different savings alternatives. What we do try to achieve is pension savings that are as good and effective as possible for our members. My assessment is that the way we work combined with the fact that we are a pension society is the best way to offer effective and stable pension savings.

On our website www.kapan.se you can continuously monitor how we manage our assets and review our financial position.

Gunnar Balsvik
President

Board of Directors' report

The Board of Directors and the President of Kåpan pensioner försäkringsförening, reg. no. 816400-4114, hereby submit their report for the financial year 2007.

Operations

The key task of the society is to manage and pay out pension assets for employees covered by agreements concluded between the Swedish Agency for Government Employers and the government employees' main unions, or between other parties who have concluded pension agreements linked to such agreements. The basic activity is the provision of pension insurance through traditional pension insurance with a guaranteed return on capital and a distribution of the surplus from asset management via a bonus rate.

The forms of insurance offered by the society are the occupational pension insurance Kåpan Tjänste, Kåpan Extra, Posten AB's ITPK-P pension plan, and the private pension insurance Kåpan Plus. Choice for the individual within the framework of the public sector pension agreement PA 03 was added in 2003. Kåpan is an available alternative here as well as a manager for employees who have not actively chosen a manager for their pension assets.

Members

Kåpan Pensioner is a mutual society where all savings are returned to the members. The total number of members is approximately 600,000.

Insurance premiums

Kåpan manages the money deposited by employers on behalf of their employees according to the current collective agreement and the money that the members themselves have chosen to invest in Kåpan in order to increase their pension.

A total of SEK 2,715m was paid in premiums during the year, with the following breakdown

Category	2007	2006	2005	2004	2003	2002	2001
Kåpan Tjänste	1,560	1,531	1,416	1,318	1,269	884	830
Kåpan Extra	64	65	56	67	82	43	32
ITPK-P	34	33	34	31	36	37	40
Kåpan Plus	152	134	128	125	127	132	134
Kåpan retirement pension	905	925	767	718	634	–	–
Total	2,715	2,688	2,401	2,259	2,148	1,096	1,036

Pension payments

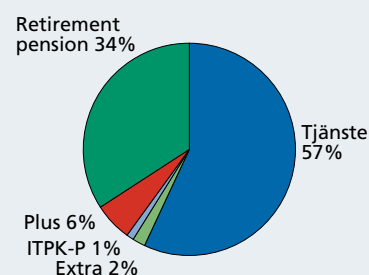
A total of SEK 658m (520) was paid during the year, of which SEK 122m (81) comprised bonus payments over and above the guaranteed rate on the capital. The normal period for payments is five years from when pension payments start at the age of 65 for all categories except Kåpan Retirement Pension which is a life-long pension.

Guidelines for management of invested assets

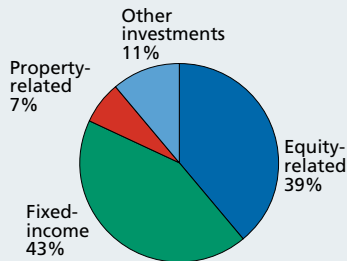
The long-term guidelines set by the Board stipulate that the society's assets, including bonus funds, should be invested so that they provide a good return with a limited risk.



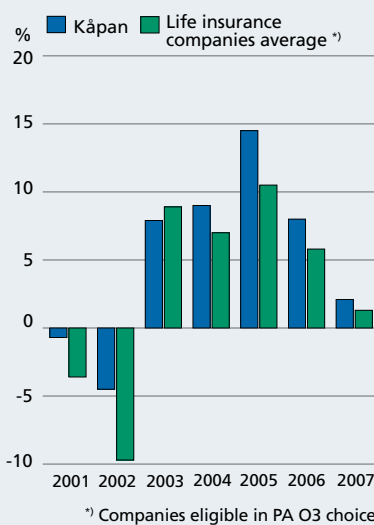
Premium breakdown



Investment of the society's assets at year-end



Total return



According to the investment policy adopted by the Board in August 2007, allocation of the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 25% and maximum 45%.
- Fixed-income securities minimum 35% and maximum 60%.
- Property related assets maximum 15%.
- Other assets maximum 15%.

This decision means that the limit for property-related and other assets rose by 5 percentage points and the lower limit for fixed-income securities was reduced by 5 percentage points. The target for outstanding interest rate risk as defined by the Swedish Financial Supervisory Authority is a maximum of 70% of the total interest rate risk in outstanding obligations. Exposure to currency risk as previously may not exceed 10% of the total value of assets.

Investment management

The market value of the society's investment assets, with the book values of other assets added on, amounted to SEK 33,280m (29,463) at year-end and the return on investment assets amounted to 2.1% (8.8). When calculating the return, the financial effects of market valuation of outstanding insurance obligations with current market interest were not taken into account nor the derivative instruments used to reduce outstanding risks. in the insurance obligations.

Management in 2007 meant that the proportion of equity-related assets was constant at approximately 40% with some fluctuation during the year. During the year the direct equity holding was increased slightly and replaced previous exposure with equity derivatives (options). The total holding of equity derivatives amounts to 4% corresponding to a nominal exposure of approximately SEK 5.4 billion. Property-related assets have increased to 7% (5). Fixed-income assets decreased to 43% (50). Other assets increased to account for 11% (5) of total assets.

Investment return

The total return on investment assets is broken down as follows

Portfolio	Market value SEKm	Share, %	Total return, %, 2007
Equity-related	12,689	39	4.9
Fixed-income	13,931	43	0.1
Property-related	2,253	7	7.5
Other investments	3,706	11	2.8
Total investments	32,579	100	2.1

When calculating the return a daily weighting is used to take the change in the capital base during the year into account.

Fixed-income assets

Fixed-income investments amounted to SEK 13,931m (17,924) at year-end and consisted of mortgage bonds to a proportion of 35% (41) and government bonds including wholly state-owned companies amounted to 21% (18) as well as bonds and commercial paper issued by other issuers for the remaining 44% (41). At year-end the total fixed-income portfolio comprised 99% (96) nominal fixed-income securities with the remainder in real interest bonds.

Return amounted to 0.1% (1.5). The weak return is explained by rising interest rates combined with increasing anxiety in the capital market in the second half of the year which led to higher interest on corporate loans and a weak value development for many fixed-income investments.

Equity-related assets

During the year the global stock markets developed in different directions. A weak trend primarily in the Swedish stock market can be compared with a very strong stock market in many emerging markets. The equity-related assets at year-end amounted to SEK 12,689m (11,469) with a total return of 4.9% (19.9).

Kåpan Pensioner's equities portfolio performed slightly less well than the world market for the stock market as a whole. The weak return during the year is an effect of the strategy to invest a large part of the capital in the Swedish stock market. The holding of shares listed on the OMX Nordic Exchange Stockholm had a negative return of 0.8% (+25.4). Management of shares listed on the OMX Nordic Exchange is carried out by the society. Investments in stock exchanges in emerging markets amounted to SEK 2,151m and provided a positive return of 30.9%.

Property-related assets

Investments in properties mainly take place within three areas: property companies, forest assets and infrastructure funds. Forest assets showed a positive value development during the year while property companies showed weak development. Invested capital totalled SEK 2,253m and return during the year was 7.5%.

Other assets

Other assets total SEK 3,706m and mainly comprise investments in different hedge funds and various types of credit instruments. The total return was 2.8% with hedge funds contributing with a positive return while the return from credit instruments was negative due to anxiety primarily in the American banking and mortgage market and the effect of this on all types of credits.

Risk and sensitivity analysis

Asset management is affected by external circumstances that give rise to various forms of risks. These risks can be divided into market, credit and operating risks. In addition there is a further industry-specific risk, namely insurance risk. A more in-depth analysis of outstanding risks in the operations is provided in Note 2.

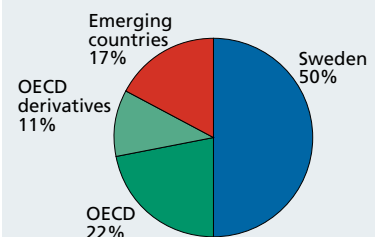
Market risks

Market risk refers to the change in value of a financial asset when the price that determines the value of the asset changes. Sensitivity to price fluctuations differs for different asset classes. Equities are generally more sensitive than fixed-income investments.

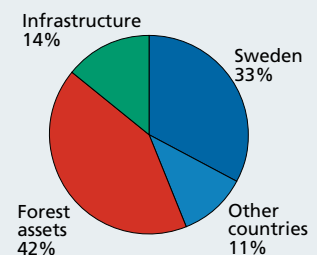
For equities it is mainly the share price risk that is taken into account. For foreign equities there is also a currency risk. The Board has adopted an investment policy that, among other things, limits the share price risk. This means that the equities portfolio must be well diversified so that individual investments do not represent too great a risk. Risks must also be spread through investments in different sectors and in different markets.

The value of the fixed-income investments varies with fluctuations in market interest rates on the instrument concerned. When general interest rates or credit premium rise, the value of fixed-income investments falls. The degree of change

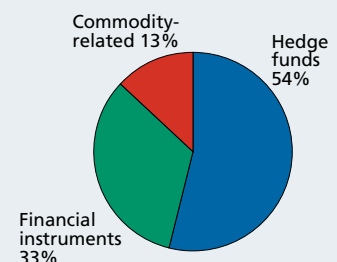
Allocation equities



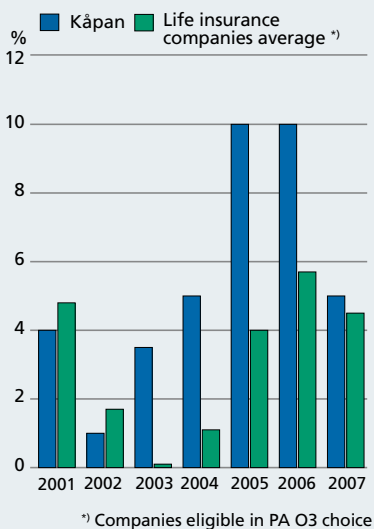
Allocation properties



Allocation other assets



Bonus rate



depends on the fixed-rate period. One way of defining the interest rate risk is to calculate the duration, i.e. fixed-rate period taking into account maturity dates and interest payments.

The value of the society's obligations increases and decreases with changes in market interest rates. The outstanding interest-rate risk is a weighting of the risk on the asset and liability side.

Credit risk

Credit risk refers to the loss that might arise if a counterparty is unable to honour a financial contract. The investment instructions adopted by the Board specify the size of single and total contracts that may be concluded. The rating agencies' creditworthiness norms are used as a tool in risk assessment. Securities with various types of credit risk are the dominant component in the fixed-income investments.

Operating risk

Operating risk refers to the losses that might rise as a result of insufficient controls or inadequate expertise. Overall guidelines have been adopted by the Board. Since only seven employees are responsible for the society's management and asset management, the Board has decided to engage external internal auditors, whose duties include independent examinations of the society's operations as stipulated by the Swedish Financial Supervisory Authority.

Kåpan Pensioner has signed an agreement with National Government Employee Pensions Board (SPV) for administration of its insurance operations. Kåpan's internal audit function has also been assigned by the Board to evaluate the services purchased from SPV on an ongoing basis.

Insurance risk

The society's commitments comprises pure defined contribution retirement pension insurance. The risk inherent in these insurance contracts is that the society is unable to meet its obligations. In order to reduce the risk of this occurring, assumptions are made that form the basis for calculation of a guaranteed pension amount with safety margins. The insurance risk is continuously analysed by actuaries.

Actuarial report

The actuarial report has been performed by Ulrika Öberg Taube, actuary. The report shows that the society's technical provisions amount to SEK 20,956m (19,712).

Management of interest-rate risks in outstanding insurance commitments

The obligations of the society predominantly comprise fixed, guaranteed interest on paid-in premiums. These commitments have been valued in the technical provisions, supported by general advice from the Swedish Financial Supervisory Authority, on the basis of the current market rate for bonds with a low credit risk and similar maturities.

Costs

The society's statutes stipulate the maximum size of operating expenses that may be charged to its operations. In 2007 these could amount to a maximum of SEK 59m (57). Costs in the insurance business amounted to SEK 42m (43).

One measure of cost efficiency is the management expense ratio, i.e. the relationship between total operating expenses and the market value of the assets, which amounted to 0.14% (0.16).

Costs for 2008 will be covered by making a deduction on paid-in premiums of 0.75% and a deduction will be made on return on insurance capital, preliminarily 0.10%. In total, the deductions will correspond to the costs of operations.

Collective funding

Collective funding is the market value of assets minus financial liabilities, the so-called funding capital, in relation to the sum of technical liabilities and allocated bonus funds.

Following allocation of the bonus proposed below, the collective funding capital amounts to SEK 2,396m (2,978) and the collective funding ratio amounted to 108% (111) at year-end.

The Board decided on a policy for collective funding and bonus in the society. The policy states that the collective funding ratio should be in the band 95 – 120% with a target level of 107%. The surplus and deficit funding will be distributed via the bonus rate with an assessed equalisation over three years in order to avoid major fluctuations between the years.

Proposed bonus

The funding at the beginning of 2007 makes it possible for the Board, despite the weak return during the year, following a technical review performed by an actuary, to propose that the bonus rate for 2007 should amount to 5.0% (10.0) before yield tax and expenses. The bonus is allocated in arrears.

Stronger solvency

The good returns in the previous three years combined with rising market interest rates improved the solvency ratio compared with the situation at the beginning of the 2000s. During the year the solvency ratio improved by 8.7 percentage points from 149% to 157.7%.

The solvency ratio therefore provides security and there is a substantial buffer even in the event of continued falling values of assets or increased value of outstanding obligations.

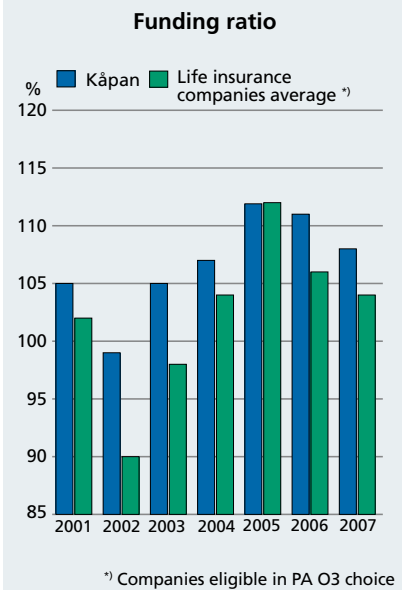
Capital contribution in the form of a subordinated loan

The state pension agreement PA 03 stipulates that the employer pays premiums for the Kåpan Tjänste insurance for all employees but that employees below the age of 28 are not provided with a premium. According to the terms of its statutes, Kåpan Pensioner must issue a perpetual interest-free subordinated loan to the parties in the government agreement sphere at an amount corresponding to the funds provided. During the year such funds provided totalled SEK 80m.

The issued subordinated loan may only be repaid following a decision by the Council of Administration and approval by the Swedish Financial Supervisory Authority. The subordinated loan thus comprises part of available risk capital in the society.

Tax

The basis for tax assessment is the market value of the society's assets after deduction for financial liabilities on 1 January in the assessment year. The return on these funds is calculated using a standardised method using an interest rate that is the same as the average government lending rate in the year prior to the assessment year. The standard income thus calculated is then taxed at 15%. For the society this meant that the tax for the year 2007 amounted to SEK 160m (123).





Management functions and audits

Kåpan Pensioner's highest decision-making body is the council of administration. The members of the council of administration are appointed by the labour market parties within the public sector. Half of the members are appointed by the Swedish Agency for Government Employers and the other half by the trade unions. The total number of ordinary members amounts to 30 with an equal number of personal deputies. The society's operational activities are managed by a Board, which consists of six members with an equal number of personal deputies. The Board like the council of administration is composed on a parity basis. The Board appoints the society's president.

The Board held seven meetings during the year, one in the form of a two-day seminar. Key questions were the future investment focus and management of risks in investment management. During the year the Board decided a long-term strategic plan for the company's operations. The Board also considered matters relating to integration of the acquisition of the operations from the Insurance Society for Social Insurance Agency Employees (FFO).

Göran Ekström has been chairman of the Board since 23 February 2006.

Administration

In addition to the president, the society had six employees at year-end. The average number of employees during the year was 8 (6.5) with the key task of conducting investment management and risk control. During the year staff were employed to administer the operations taken over from FFO. The National Government Employee Pensions Board (SPV) in Sundsvall is engaged to administer the insurance operations and took over responsibility for administrative integration of FFO's insurance contracts in a common administrative platform with effect from September. This assignment includes development and maintenance of the society's insurance administration system, checking premium payments, performing actuarial calculations, issuing pension statements, providing a smooth-running customer service unit and handling pension payments.

Capital expenditure

Capital expenditure during the year amounted to SEK 1m (3). Investments were mainly attributable to the insurance administration system. Capital expenditures are depreciated over 3 years.

Takeover of FFO

On 1 January 2007, Kåpan Pensioner took over all the assets and obligations of FFO. Total assets at the takeover amounted to SEK 1,027m. At the takeover FFO had both a weak solvency ratio and funding ratio. The Council of Administration of Kåpan Pensioner made their approval of the takeover subject to the financial position for members of Kåpan Pensioner not being made less favourable to any appreciable extent as a result of an acquisition.

The parties within the public sector agreement area assessed that there was a need to compensate Kåpan Pensioner with a capital contribution in order to guarantee the condition made by the Council of Administration. The parties therefore undertook to provide funds on a regular basis within the framework of a collective agreement during the years 2007 until 2009. The total capital contribution amounts to SEK 285m. Funds will be provided both as equity and a subordinated loan in order to balance both funding ratio and solvency. During 2007 Kåpan was provided with SEK 58m in the form of a capital contribution and SEK 157m in

the form of a perpetual interest-free subordinated loan. The remaining receivable is estimated to amount to SEK 70m.

New accounting rules

According to general advice from the Swedish Financial Supervisory Authority, insurance companies should apply so-called legally compliant IFRS in their annual accounts with effect from the 2007 financial year. During the year Kåpan continued to list the accounting consequences of the transition to legally compliant IFRS. The standards judged to have the greatest relevance for Kåpan's operations are IFRS 4, which regulates accounting for insurance contracts, and IAS 39 which regulates accounting and measurement of financial instruments. No effect that will lead to a material difference in carrying amounts has been identified, however. The additional disclosure requirements that resulted from the transition to legally compliant IFRS mainly led to changes in the notes to the annual accounts.

Comparative figures for 2006 in this annual report for the 2007 financial year were recomputed in accordance with the new rules.

Looking to the future

During 2007 the parties in the public sector agreement area renegotiated some parts of the government employees' pension agreement PA 03. These changes mean that premiums from Kåpan Tjänste are paid for employees from the age of 23 instead of 28 and that the contribution for the Individual Retirement Pension will be raised from 2.3% to 2.5% of salary. Furthermore, Kåpan Tjänste insurance can include repayment cover and extra premiums will be paid to Kåpan Extra, from among others the Swedish Police Service.

Taken overall, premium payments continue to rise while payments of pensions are still relatively limited although they are gradually increasing. The business is thus growing all the time which places greater demands on the organisation but also offers economies of scale and increased efficiency. Given the present development, a balance will be achieved between payments received and payments made in about 2050 which means that the organisation must be continuously developed and adapted.

Disposition of earnings for the year

The profit for the year, SEK 2,094m (3,179), will be transferred to other reserves. The society's equity thus amounted to SEK 11,876m (9,717) at 31 December 2007.



Five-year summary

Results, SEKm	2007	2006	2005	2004	2003
Premiums written	2,715	2,688	2,401	2,259	2,148
Investment income, net	393	2,087	3,011	1,576	1,135
Claims paid	-536	-439	-388	-344	-291
Bonus ¹⁾	-122	-81	-73	-71	-72
Balance on the technical account, life insurance business	2,254	3,302	2,497	1,758	143
Profit for the year	2,094	3,179	2,364	1,645	36

¹⁾ Payments are recognised as a deduction under Equity, Note 14.

Financial position, SEKm	2007	2006	2005	2004	2003
Investment assets (fair value)	32,387	28,699	24,785	19,693	16,640
Assets at market value ¹⁾	33,280	29,463	25,376	20,575	17,721
Technical provisions ²⁾	20,980	19,742	20,084	17,597	15,920
Solvency capital	12,113	9,716	5,276	2,952	1,356
Collective funding capital	2,396	2,978	2,703	1,373	792

¹⁾ Investment assets at market value and other assets at book value.

²⁾ From 2006 provisions are market valued at current market interest rate.

Key ratios, %	2007	2006	2005	2004	2003
Management expense ratio ¹⁾	0.14	0.16	0.18	0.21	0.21
Total return ²⁾	2.1	8.8	14.5	9.0	7.9
Bonus rate	5.0	10.0	10.0	5.0	3.5
Collective funding ratio	107.8	111.2	111.9	107.2	104.8
Solvency ratio	157.7	149.0	126.0	117.0	109.0

¹⁾ In relation to average assets.

²⁾ Derivative instruments to reduce interest-rate risk in outstanding insurance obligations are not included.

Total return by asset class ¹⁾

SEKm	Market value 31 Dec 2007		Market value 31 Dec 2006		Total return ²⁾ %
	SEKm	%	SEKm	%	
Equity-related	12,689	38.1	11,469	38.9	4.9
Fixed-income ³⁾	13,931	41.9	14,623	49.6	0.1
Property-related	2,253	6.8	1,438	4.9	7.5
Other investments	3,706	11.1	1,505	5.2	2.8
Other assets	701	2.1	428	1.4	–
Total assets	33,280	100.0	29,463	100.0	2.1

¹⁾ Defined in relation to the underlying asset class that generates the return.

²⁾ Daily weighting of investments in relation to changes in value, interest income and dividends.

³⁾ Derivative instruments to reduce interest-rate risk in outstanding insurance obligations are not included.

Income statement

SEKm	Note	2007	2006
Technical account, life insurance business			
Premiums written	3	2,715	2,688
Investment income	4	1,515	1,885
Unrealised gains on investments	5	0	747
Claims paid	6	-536	-439
Change in other technical provisions		-276	-991
Operating expenses	7	-42	-43
Investment charges	8	-169	-16
Unrealised losses on investments	9	-953	-529
Balance on the technical account, life insurance business		2,254	3,302
Non-technical account			
Balance on the technical account, life insurance business		2,254	3,302
Tax on profit for the year	10	-160	-123
Profit for the year		2,094	3,179

An analysis of results is provided under accounting principles.

Balance sheet

SEKm	Note	31 Dec 2007	31 Dec 2006
ASSETS			
Intangible assets			
Other intangible assets	11	3	5
Investment assets			
Other financial investments			
Shares and participations	12	16,135	10,812
Bonds and other fixed-income securities	13	16,252	17,865
Derivatives		0	22
		32,387	28,699
Receivables			
Other receivables	14	90	10
Other assets			
Tangible assets	15	1	1
Cash and bank balances		622	567
		623	568
Prepayments and accrued income			
Accrued interest		166	180
Other prepayments and accrued income		11	1
		177	181
Total assets		33,280	29,463
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Other reserves	16		
Other reserves	17	8,835	5,588
Premium adjustment reserve	18	947	950
Perpetual subordinated loan	19	237	0
Profit for the year	16	2,094	3,179
		12,113	9,717
Technical provisions			
Life insurance provisions	20,21	20,956	19,712
Provision for unsettled claims	22	24	30
		20,980	19,742
Provisions for other risks and costs			
Tax		23	0
Liabilities			
Derivatives	23	142	0
Other liabilities	24	18	2
		160	2
Accruals and deferred income		4	2
Total equity, provisions and liabilities		33,280	29,463
Memorandum items			
Pledged assets		20	19
Contingent liabilities		none	none
Other commitments	23	10,456	5,721

Cash flow statement

SEKm	1 Jan- 31 Dec 2007
Operating activities ¹⁾	
Profit before tax	2,254
Adjustment for non-cash items	280
Policyholder tax paid	-123
Bonus paid ²⁾	-122
Change in other operating receivables	80
Change in other operating liabilities	-16
Cash flow from operating activities	2,353
Change in investments in financial investment assets	-2,593
Cash flow from investing activities	-2,593
Paid-in by parties	215
Paid-in equalisation charges	80
Cash flow from financing activities	295
Cash flow for the year	55
Cash and cash equivalents at beginning of the year	567
Cash flow for the year	55
Cash and cash equivalents at year-end ³⁾	622
¹⁾ of which	
Interest received	311
Interest paid	278
Dividends received	389
Total	978

²⁾ Bonus paid is taken directly from Other reserves.

³⁾ Cash and cash equivalents consists of cash and bank balances.

Notes

All amounts in the following notes are expressed in SEK million unless otherwise specified.

NOTE 1 Accounting principles

General information

The annual accounts relate to the year ended 31 December 2007 and pertain to Kåpan pensioner försäkringsförening (Kåpan Pensioner) which is a benevolent society with registered office in Stockholm. The address of the head office is Kungsgatan 4 B, Stockholm and the registered number is 816400.41144. The annual accounts were approved for publication by the Board on 4 March 2008. The income statement and balance sheet will be presented for adoption at the annual general meeting on 2 April 2008.

Kåpan Pensioner's annual accounts are prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies as well as the Swedish Financial Supervisory Authority's instructions and general advice on Annual Accounts in Insurance Companies (FFFS 2006:17) and the Swedish Financial Accounting Standards Council's recommendation RR 32:06. Kåpan Pensioner applies so-called legally limited IFRS and this relates to international accounting standards adopted for application with the restrictions in RR 32 and FFFS 2006:17. This means that all IFRS and interpretations approved by the EU are applied provided this is possible within the framework of Swedish law and taking into account the correlation between accounting and tax.

This annual report contains the first complete financial statements prepared in accordance with legally limited IFRS.

Prerequisites for preparation of the financial statements.

Kåpan Pensioner's functional currency is Swedish kronor and the financial statements are presented in Swedish kronor. Financial assets and liabilities are measured at fair value. Other assets and liabilities are measured at cost.

Estimations and assessments in the financial statements

Preparing financial statements in accordance with legally limited IFRS requires the insurance company's management to make estimations and assessments as well as assumptions that affect application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. Assessments and assumptions are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The result of these assessments and assumptions is then used to assess the carrying amounts of assets and liabilities that would not otherwise be clear from other sources. Actual result can deviate from these assessments and estimations.

One source for estimations of uncertainties is the value of the obligations inherent in the insurance contracts taken out by the society. Another source of estimations and uncertainty is the valuation of financial assets for which there is no noticeable market price. Objective external valuations are used for all these instruments. When required these valuations are complemented with additional estimations depending on the uncertainty in the market situation.

Assessments and assumptions are reviewed on a regular basis. Changes in assessments are reported in the period in which the change is made if the change only affected that period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Changed accounting principles

During the year Kåpan Pensioner made an inventory of the accounting consequences of the transition to legally limited IFRS. The standards judged to be relevant to Kåpan's operations are IFRS 4, which regulates accounting of insurance contracts, and IAS 39 which regulates recognition and measurement of financial instruments. No effect that led to a significant difference in carrying amounts has been identified. The additional disclosure requirements that the transition to legally limited IFRS implies have primarily led to changes in the notes to the financial statements. Of the other standards, only a few are applicable to Kåpan's operations and none of these applicable standards is judged as leading to any change in Kåpan's accounting principles. The comparative figures used for the 2006 financial year in this annual report for the 2007 financial year have been recomputed in accordance with the new regulatory framework.

Foreign currency

Assets and liabilities in foreign currency are translated into Swedish kronor at the closing exchange rate.

Exchange rate differences are reported in the income statement net within the line Investment income or Investment charges. Forward contracts in foreign currency are used to eliminate the exchange rate risk in foreign equities and participations.

Reporting for insurance contracts

Insurance contracts are recognised and measured in the income statement and balance sheet in accordance with their economic reality. All contracts are reported as insurance contracts. Classification is based on the society guaranteeing a specific interest on paid-in premiums and a number of other commitments which mean that the society assumes a significant insurance risk in relation to the policyholder.

Premiums written

Premiums written for the year consist of premiums received. Premiums written for Kåpan Tjänste during the year relate to both paid-in premiums minus the net amount of so-called equalisation charges in accordance with the society's statutes. For Kåpan Plus, Kåpan Extra, Kåpan retirement pension and ITPK-P premiums written correspond to the amounts paid in during the year.

Life insurance provisions

All life insurance provisions relate to occupational pensions and are measured in accordance with the principles in the EU occupational pensions directive. This means that the company's obligations are measured according to the so-called prudent person rule. Life insurance provisions are calculated according to the Swedish Financial Supervisory Authority's instructions and general advice on choice of interest rate for calculating life insurance provisions (FFFS 2006:19). This means that with effect from 2007 provisions are market valued on the basis of current market interest rates for corresponding maturities as the obligations entered into. Life insurance provisions correspond to the estimated capital value of the society's obligations. The assumptions on future mortality, interest, operating expenses and tax are taken into account. All mortality assumptions are gender differentiated. Pensions in payment, however, are calculated on the basis of gender neutral assumptions. The operating expense assumption made is expected to correspond to future actual costs for administration.

Provision for claims outstanding

Provisions comprise disability annuities for employees within the PA-91 agreement who at year-end 2006 were incapacitated reduced by any final payment premiums for them in 2007. The society's actuary calculates this provision. Change in provision for claims outstanding is shown in a note.

Reporting of return on capital

Investment income

This income pertains to return on investment assets in the form of dividends on shares and participations, interest income, exchange gains (net), reversed impairment losses and capital gains (net).

Investment charges

Charges for investment assets relate to investment management costs, interest expenses, exchange losses (net), depreciation and impairment as well as capital losses (net).

Realised and unrealised changes in value

All investment assets are measured at fair value. The difference between this value and cost is an unrealised gain or loss that is recognised net per class of asset. Changes that are explained by exchange rate fluctuations are recognised as an exchange gain or exchange loss.

Realised gains and losses are the difference between the sales price and cost. For fixed-income securities cost is amortised cost and for other investment assets historical cost. At a sale of investment assets earlier unrealised changes in value are entered as an adjustment item under Unrealised gains on investment assets and Unrealised losses

on investment assets respectively. Capital gains on assets other than investment assets are recognised as Other income.

Policyholder tax

Policyholder tax is not a tax on the insurance company's profit, it is paid by the company on behalf of policyholders. The value of the net assets managed on behalf of policyholders is charged with policyholder tax which is calculated and paid each year. The cost is recognised as a tax expense.

Intangible assets

Intangible assets acquired by Kåpan Pensioner are recognised at cost minus accumulated amortisation (see below) and any impairment. Intangible losses are amortised over three to five years from the date they are available for use.

Financial instruments

Financial instruments recognised in the balance sheet are assets in the form of equities and other equity instruments, fixed-income securities and derivatives. Liabilities and equity comprise trade payables, insurance obligations, issued debt and equity instruments and derivatives.

Acquisition and divestment of financial assets is reported on the transaction date which is the day the company undertakes to acquire or sell the asset.

Kåpan Pensioner's principle is to measure all investment assets at fair value through profit or loss (fair value option) partly because the company continuously evaluates its investment management operations on the basis of fair values, and partly because for fixed-income assets this reduces some of the accounting inconsistency and volatility that otherwise arises when technical provisions are continuously remeasured by discounting with current interest.

When calculating the key ratio for the society's total return on investment assets this excludes the earnings effect from fixed-income derivative instruments used to reduce the outstanding interest rate risk in life insurance provisions. The following paragraphs summarise the methods and assumptions that are mainly used to determine the fair value of financial instruments in the accounts.

Financial instruments quoted in an active market.

For financial instruments quoted in an active market fair value is determined on the basis of the asset's listed purchase price on the balance sheet date. A financial instrument is regarded as quoted in an active market if listed prices are easily available on a stock exchange, at a stockbroker's, dealer, industry organisation, company that provides current price information or supervisory authority and such prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction costs in the event of a sale are not taken into account. Most of the society's financial instruments have a fair value based on prices quoted in an active market.

Financial instruments not quoted in an active market.

If the market for a financial instrument is not active, the company determines fair value by requesting an objective external valuation from an established player in the capital market. Kåpan Pensioner evaluates these appraisals at regular intervals and tests their validity by comparing the valuation with valuations by other players or the value of comparable instruments.

Derivative instruments

Derivative instruments are taken up at fair value on the basis of the value received from a counterparty where fair value is calculated according to a valuation model that is established in the market for valuations of the type of derivative instrument concerned.

Financial liabilities

Borrowing and other financial liabilities, such as trade payables, are measured at amortised cost.

Tangible assets

Tangible assets are recognised as an asset in the balance sheet if it is probable that future economic benefits will accrue to the society and the cost of the asset can be calculated in a reliable manner

Tangible assets are recognised at cost with deduction for accumulated depreciation and any impairment with the addition of any revaluations. Depreciation is straight-line over the estimated useful life of the asset.

Personal computer equipment is expensed at acquisition. Art used for decorative purposes is measured at cost.

Pensions

The company has individual-based pension plans for occupational pension based on the pension agreement for bank and insurance employees. The pension is secured through an insurance contract.

Premium adjustment reserve

According to the statutes, the premium adjustment reserve can be used by the parties to the agreements for special pension promoting purposes. In a separate agreement with Kåpan, dated 23 December 2003, the parties have stated that they make no claims on Kåpan. This therefore ensures that the reserve is equity in the society.

NOTE 2 Disclosures about risks

Kåpan Pensioner's net profit depends both on the insurance business and the insurance risks that are managed and on investment management operations and financial risk. Risk and risk management are therefore part of the operations of the insurance company.

The purpose of the society's risk management organisation is to identify, measure and control the biggest risks to which the company is exposed. The key purpose is to ensure that the insurance company has an adequate solvency in relation to the risks to which the company is exposed.

The main responsibility for the risks to which the society is exposed rests with the Board. The Board adopts the guidelines that must apply to risk management, risk reporting, internal control and monitoring. The Board has in special instruments within certain frameworks delegated responsibility for risk management to the President and Risk Manager. These instructions are regularly revised by the Board in order to ensure that they accurately reflect the operations.

Risks in the insurance business

The society's obligations solely comprise defined contribution retirement pension insurance with a guaranteed return. The risk that exists relating to these insurance contracts is that the society cannot meet its commitments. In order to limit the risk of this occurring the assumptions that provide the basis for calculation of the guaranteed insurance amount are made with safety margins. Insurance risk is analysed continuously by an actuary.

The insurance risk consists of several different components where the level of members' guaranteed return is by far the largest. Another risk is the mortality assumption or the mortality risk that is affected by the return on the assets in relation to length of life. For Kåpan, which has a payment period for most of its pension capital of less than 5 years, when its members are aged 65-70, the mortality risk is relatively small compared with pensions paid for life.

With the new PA 03 pension agreement, Kåpan will acquire a steadily increasing proportion of life-long pensions in the form of the individual retirement pension. This means that over time the mortality risk in the society's operations will increase. The following sensitivities exist for the most important risks in the insurance operations.

Assumption	Change in assumption	Change in provision, SEKm
Mortality	20%	241
Cost inflation	20%	80
Discount rate	1% point	2,590

The PA 03 pension agreement means that Kåpan is no longer responsible for final payment of remaining premiums for pensions in the event of illness. This means that from 2003 only people who reach retirement age in 2008 at the latest will be insured. This change means that the risk will decrease and the total preliminary reserve only amounted to SEK 25m (30) at year-end 2007.

Management of interest rate risks in outstanding insurance obligations

The society's commitments consist to a dominant extent of fixed guaranteed interest on paid-in premiums. These commitments are valued in the technical provisions, supported by general advice from the Swedish Financial Supervisory Authority, on the basis of current market interest rates for corresponding maturities.

Market interest rates rose slightly during the year which meant that the value of commitments made fell by SEK 1,724m. In order to reduce the outstanding interest rate risk in commitments made, agreements for various types of interest rate hedges were concluded. Under these agreements fixed interest in the commitments is exchanged for a floating rate with less risk of change in value. Outstanding interest rate hedge agreements totalled SEK 5,000m (3,400). The value of interest rate hedges was negatively affected by rising market interest rates during the year. The negative change in value amounts to SEK 201m. In total, interest rate fluctuations during the year meant that outstanding commitments decreased in value and had a positive impact on earnings of SEK 1,077m while interest rate hedges had a negative impact of SEK 214m. The total earnings impact and positive effect on solvency thus amounts to SEK 863m.

Management of matching risk

The society's total outstanding interest rate risk (matching risk) is a weighting of fixed-income assets' fixed-interest period and the promised pension payments including the guaranteed rate on members' savings until they are paid.

Matching risk is defined as the interest rate risk that can be calculated as the difference between the duration of all assets including interest rate derivatives and the duration of the pension liabilities. Outstanding matching risk is measured as interest rate risk cover. Interest rate risk cover should not be less than 30% and be continuously adjusted to development of the solvency ratio and the need for interest rate risk heading of issued commitments. The total outstanding interest rate risk calculated according to the Swedish Financial Supervisory Authority's traffic light model amounts to SEK 2,584m (2,092).

Targets, principles and methods for managing financial risks

The society's business activities give rise to various types of financial risk such as credit risks, market risks, liquidity risks and operational risks. In order to limit and control risk in the operations, the insurance company's Board has adopted an investment policy with guidelines and instructions for financial activities.

General objectives for risk management

The society's assets must be invested in the manner that best benefits members' interests. Exaggerated risk concentration should be avoided through appropriate diversification between and within different asset classes. The assets shall, taking the society's insurance commitments and changes in future value and return into account, be invested so that the society's payment ability is satisfactory and a sufficient anticipated return is achieved within the framework of prudent management.

General principles for risk management

The taking of risks in the society must be reasonable in relation to commitments undertaken, i.e. it must be prudent. This is complied with through limited risk taking within the requirements made on matching, diversification and risk taking. The taking of risks must also at all times be in reasonable proportion to the society's available risk capital.

Management of interest rate risk

The risk that the market value of fixed-income instruments is changed in the event of fluctuations in general interest rates. The change in value and therefore the risk is linked to the fixed-interest period (duration) of each instrument and the entire portfolio at any time. Interest rate risk in investments in fixed-income instruments is measured on the basis of each day's fixed interest increasing the risk.

Management of share price risk

The risk that the market value of an equities investment falls due to changes in prices on the stock market. In order to reduce price risk in the equities portfolio a good diversification of holdings should be sought in relation to the size of the portfolio.

For equity-related instruments risk is measured by analysing how much the market value is affected by falling or rising share prices. The outstanding share price risk is shown below.

Management of currency risk

The risk of a change in the value of assets and liabilities due to changes in exchange rates.

Currency risk is measured as a percentage of foreign assets that are not currency hedged.

For Kåpan Pensioner all commitments on the liabilities side are in Swedish kronor. This means that all values on the assets side that are in foreign currency and not hedged are a currency risk.

Exposure to currency risk may not exceed 10% of the total value of assets.

Currency exposure amounts after currency hedging to 8.8% (5.0) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 7,995m (3,767).

Management of credit risk

The risk that the difference in price of a security with a credit risk is changed in relation to a risk-free bond with the same duration.

The difference (interest rate difference) is called a credit spread and is defined as the difference in interest between a (risk-free) bond issued by the government and what an issuer which can become bankrupt (such as a company) has to pay.

Credit risk is measured by calculating how the market value of assets with credit risk is changed, if the difference between the risk-free interest and interest on assets with credit risk changes by a certain percentage.

Outstanding maturities on fixed-income assets and liabilities

	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	no interest	total
Assets							
Bonds and other fixed-income securities	4,924	3,045	2,206	2,768	1,288	0	14,231
Liabilities							
Life insurance provisions	-613	-2,457	-2,935	-4,990	-9,924	-36	-20,955
Interest derivatives fixed interest received			400	1,800	2,800	0	5,000
Cumulative exposure	4,311	588	-329	-422	-5,836	-36	-1,724

Management of counterparty risk

The risk that a counterparty is unable to meet his payment commitments. The risk is managed by the value of an individual investment being limited in the Board's investment decision. These restrictions cover entire groups and all types of securities.

A group refers to two or more physical or legal entities that comprise a whole from a risk point of view since one of them, directly or indirectly, exercises ownership influence over one or more of the rest of the group, or that without having such a relationship have such an internal connection that one or all of the others may encounter payment difficulties if one of them suffers financial problems.

Overview of current restrictions and outstanding risks

Creditworthiness	Current restrictions in investment policy		Outstanding bonds	
	of total assets	maximum per counterparty	of total assets	largest counterparty exposure
Very high	50%	5.0% ¹⁾	17.7%	3.8%
High	25%	2.5% ²⁾	18.6%	2.2%
Average	10%	1.0%	4.9%	0.6%
Low	5%	0.5%	1.9%	0.4%

¹⁾ Swedish mortgage institution max 10%

²⁾ State wholly owned company max 5%

There are no restrictions on bonds and other promissory notes issued or guaranteed by the Kingdom of Sweden.

Management of cash flow risk

The society manages cash flow risk by, on each occasion, ensuring that the easily convertible assets cover pension commitments for at least three years ahead. The society has a considerably larger inflow of premiums than outflow of pension payments which means that the cash flow risk is limited.

Management of settlement risk

The risk that an arranging party cannot meet his commitments in conjunction with a transaction with a financial instrument and therefore cause one of the parties to sustain a loss.

The risk is managed by trading in securities only being permitted with securities companies approved by the Swedish supervisory authority or a corresponding authority, where a foreign securities company is involved. In securities trading, which is not subject to clearing through a clearing house approved by a Swedish supervisory authority or a foreign equivalent (e.g. OM, VPC or LIFFE) a counterparty may only comprise a securities company that is included in a banking group with very high short-term creditworthiness. The society's assets must be held in a the custody of a securities institution approved by the Swedish supervisory authority or corresponding authority when a foreign securities institution is involved.

Assessment of the level of all risk in the operations

Market risk refers to the change in value of a financial risk when the price that decides the value of the asset changes. Sensitivity to price changes varies for different asset classes. Equities are generally more sensitive than fixed-income investments.

For equities it is primarily price risk that is taken into account. For foreign equities there is also currency risk. The Board has adopted an investment policy that, among other things, limits share price risk. This means that the equities portfolio must be well diversified so that individual investments do not constitute too high a risk. Risk diversification shall also be achieved by investments in different sectors and in different markets.

The value of the fixed-income investments varies with changes in market interest rates on the instrument concerned. When the general interest rate or credit premium rises, the value of the fixed-income investment falls. The degree of change depends on the fixed-income period. One way to define interest rate risk is to calculate duration, i.e. the fixed-interest period taking maturity date and interest rate payments into account.

The value of the society's commitments also increases and decreases with changes in current market interest rates. The outstanding interest rate risk is a balance of the risk on the assets and liabilities side.

Sensitivity analysis

Risk variable	Effect on:		Equity
	Investment assets	Life insurance provisions	
Price fall on shares, 10%	-1,860	–	-1,860
Exchange rate fall, 10%	-294	–	-294
Interest rate rise, 1%	-572	2 590	2,018

When calculating the effect on life insurance provisions above, tax and expenses are taken into account.

The Swedish Financial Supervisory Authority has developed a method for an overall assessment of outstanding risks in operations with occupational pensions. This method is part of the authority's supervisory tools, the so-called traffic light system which the society reports. For Kåpan Pensioner a risk analysis according to the traffic light system means that there is a solvency buffer of SEK 5,580m (4,281). A positive buffer means a green light with regard to outstanding risks. The table on shows outstanding risks within each asset class.

Outstanding risks according to traffic light assessment ¹⁾

Outstanding risks	31 Dec 2007	31 Dec 2006	31 Dec 2005
Interest rate risk, net	2,584	2,092	1,581
Share price risk	5,926	4,966	3,834
Property price risk	659	396	196
Credit risk	580	569	375
Currency risk	294	147	116
Total risk, net	6,533	5,436	4,170
Solvency capital	12,113	9,717	6,542
Solvency buffer	5,580	4,281	2,372

¹⁾ For more information about the model and its parameters, see the Swedish Financial Supervisory Authority's website www.fi.se

Management of operational risk

Operational risk means that losses might arise due to inadequate controls or knowledge. Overall guidelines have been adopted by the Board. Since only seven employees are responsible for the society's management and investment management, the Board decided to engage external internal auditors, among other things for the independent examination of the society's activities prescribed by the Swedish Financial Supervisory Authority.

Kåpan Pensioner has signed an agreement with National Government Employee Pensions Board (SPV) for administration of its insurance operations. Kåpan's internal audit function has also been assigned by the Board to evaluate the services purchased from SPV on an ongoing basis.

NOTE 3 Premiums written

	2007	2006
Premiums written Kåpan Tjänste	1,560	1,531
Premiums written ITPK-P	34	33
Premiums written Kåpan Extra	64	65
Premiums written Kåpan Plus	152	134
Premiums written Kåpan retirement pension	905	925
	2,715	2,688

All premiums written relate to contracts signed in Sweden. All contracts carry bonus entitlement and Kåpan insurance contracts are collectively agreed individual insurance contracts.

NOTE 4 Investment income

	2007	2006
Dividends received	389	158
Interest receivable		
Bonds and other fixed-income securities including bank balances and similar	577	541
Other interest receivable	0	1
Exchange gains, net		
Shares and other participations	386	768
Bonds and other fixed-income securities	0	390
Derivatives	163	27
	1,515	1,885

¹⁾ Of which assets held for trading.

NOTE 5 Unrealised gains on investments

	2007	2006
Shares and participations	0	731
Derivatives	0	16
	0	747

NOTE 6 Claims paid

	2007	2006
Pension payments Kåpan Tjänste	-414	-366
Pension payments ITPK-P	-13	-10
Pension payments Kåpan Extra	-37	-10
Pension payments Kåpan Plus	-72	-53
	-536	-439

NOTE 7 Operating expenses

	2007	2006
Administrative expenses	-58	-56
Cancelled costs attributable to asset management	16	13
	-42	-43
Specification of total operating expenses		
Staff costs	-15	-12
Premises	-1	-1
Depreciation	-4	-8
Other ¹⁾	-22	-22
	-42	-43

¹⁾ Other includes remuneration to KPMG, audit assignment 465, other assignments 411, BDO Nordic audit assignment SEK 84,000.

Average number of employees

	Women	Men	Total
	3 (1.5)	5 (5)	8 (6.5)

Salaries and other remuneration (SEK 000s)

	2007	2006
Council of Administration	118	160
Board and President	2,332	2,016
Other employees	6,121	4,190
Pensions and other social security contributions	6,283	5,355
of which pension costs	2,944	2,309
of which President's pension costs	797	796

Fees were paid to the Board as follows (SEK 000s)

	Ordinary members	Personal deputies
Göran Ekström, chairman	90,000 (99,000)	Christer Hedvall 26,000 (22,500)
Lars Fresker, vice chairman	69,000 (81,000)	Elisabeth Sasse 23,000 (17,500)
Björn Birath	45,000 (70,500)	Harald Mårtensson 25,000 (18,750)
Sven-Olof Hellman	39,000 (61,500)	Helen Thornberg 27,000 (25,250)
Nils Henrik Schager	45,000 (45,000)	Margareta Sjöberg 24,000 (22,250)
Karin Starrin	30,000 (41,250)	Gunnar Holmgren 32,000 (24,000)

No variable, performance-related compensation is paid to the Board. The Board has no pension benefits or special severance pay. The fees to the Board are decided by the Council of Administration based on a proposal from the Board.

A cash salary of SEK 1,856,184 (1,484,824) was paid to the President, of which SEK 1,596,184 comprises basic salary and SEK 260,000 variable compensation. The variable compensation is maximised at two monthly salaries for all employees including the President.

The President has a company car benefit. The President is permanently employed with a retirement age of 60. Pension will be paid from the age 60-65 of 70% of existing basic salary and a period of service of 20 years. Pension after the age of 65 will be paid according to the ITP Plan. The President is entitled to salary and benefits for 24 months after employment ceases due to termination on the part of the society. However, compensation from another employment will be deducted from such benefits. No variable performance-based compensation is paid to the president. Salary and other remuneration to the president is decided by the Board's executive committee.

Salary and remuneration to other employees are decided by the President.

The society's pension plans for occupational pensions are secured through insurance contracts.

NOTE 8 Investment charges

	2007	2006
Investment management charges	-2	-3
Operating expenses attributable to asset management	-16	-13
Capital gains, net		
Bonds and other fixed-income securities	-151	-
	-169	-16

NOTE 9 Unrealised losses on investments

	2007	2006
Shares and participations	-288	-529
Bonds and other fixed-income securities	-501	-
Derivatives	-164	-
	-953	-529

NOTE 12 Shares and participations

	2007		2006	
	Cost	Fair value	Cost	Fair value
Swedish equities	7,472	8,966	5,136	7,180
Foreign equities	5,974	7,169	2,751	3,632
	13,446	16,135	7,887	10,812

Classified as financial assets measured at fair value with change in value recognised in profit or loss.

NOTE 13 Fixed-income securities

	2007		2006	
	Cost	Fair value	Cost	Fair value
Swedish government	0	0	727	768
Swedish mortgage institutions	5,022	4,802	7,410	7,233
Other Swedish issuers	5,969	5,888	5,884	5,987
Other foreign issuers	4,583	5,562	3,903	3,877
Total	15,574	16,252	17,924	17,865
of which subordinated				
Dated subordinated debenture	986	922	488	531

Classified as financial assets measured at fair value with change in value recognised in profit or loss.

NOTE 10 Tax

	2007	2006
Yield tax	-160	-123
	-160	-123

NOTE 11 Intangible assets

Other intangible assets	2007	2006
Cost	51	50
Accumulated amortisation	-48	-45
	3	5

NOTE 14 Other receivables

	2007	2006
Funds provided by the parties	70	–
Non-cash sale investment assets	20	10
	90	10

At 1 January 2007 Kåpan Pensioner took over all assets and commitments from the Insurance Society for Social Insurance Agency Employee (FFO).

At the takeover FFO had both a weaker solvency ratio and funding ratio. The parties in the government employee agreement sphere therefore undertook to provide funds within the framework of a collective agreement in 2007 to 2009. The remaining receivable on the contribution is expected to amount to SEK 70m.

NOTE 15 Tangible assets

	2007	2006
Cost	3	3
Accumulated depreciation	-2	-2
	1	1

NOTE 16 Equity

	Reserve for unrealised gains	Other funds	Other reserves	Premium adjustment reserve	Perpetual subordinated loan	Profit for the year	Equity
Opening balance, 1 January 2007	2,999	-330	2,919	950	0	3,179	9,717
Adjustment for changed accounting principles	-2,999	330	5,848			-3,179	0
Adjusted opening balance, 1 January 2007	0	0	8,767	950	0	0	9,717
Taken over from FFO			62				62
Funds provided by the parties			128		157		285
Bonus paid during the financial year			-122				-122
Funds transferred according to statutes				-3	80		77
Profit for 2007						2,094	2,094
Closing balance, 31 December 2007	0	0	8,835	947	237	2,094	12,113

NOTE 17 Other reserves

	2007	2006
Other reserves (profit brought forward)	8,835	2,919
Reserve for unrealised gains	–	2,669
	8,835	5,588

Reserve for unrealised gains was dissolved and all investment assets measured at fair value.

All changes in value, both realised and unrealised, are included in profit for the year.

NOTE 18 Premium adjustment reserve

	2007	2006
Opening balance	950	940
Change during the year	-3	10
Closing balance	947	950

NOTE 19 Perpetual subordinated loan

	2007	2006
Subordinated loan, contribution, interest-free	157	0
Subordinated loan, equalisation charge, interest-free	80	0
	237	0

NOTE 20 Life insurance provisions

	2007	2006
Kåpan Tjänste ¹⁾	15,303	15,278
ITPK-P	443	452
Kåpan Extra	1,042	296
Kåpan Plus	1,635	1,468
Kåpan retirement pension	2,533	2,218
	20,956	19,712

¹⁾ The amount includes PA91 SEK 35,964 thousand not invested on individual.

NOTE 21 Life insurance provisions

Opening balance	19,712
Paid-in premium for new business	55
Paid-in premium for contracts signed in previous periods	2,660
Paid from/transferred to Provision for claims outstanding or liabilities	-527
Risk result	15
Indexation with discount rate	879
Effect of changed discount rate	-1,724
Effect of changed discount rate	0
Allocated bonus	0
Charges	-59
Policyholder tax	-131
Portfolio taken over/transferred	961
Effect of (other) changed actuarial assumptions	0
Other changes	-885
Closing balance	20,956

NOTE 22 Provision for claims outstanding

Opening balance, reported claims	30
Opening balance, claims not yet reported	
Opening balance	30
Cost of claims incurred in current year	3
Paid from/transferred to insurance liabilities or other current liabilities	-9
Change of anticipated cost of claims incurred in previous year (run-off result)	-1
Other changes	1
Closing balance	24
Closing balance, reported claims	24
Closing balance, claims not yet reported	

NOTE 23 Derivatives

	Nominal amount	Book value positive	Book value negative
Options	6,500,000	133,450	
Total		133,450	
of which cleared		0	
Currency derivatives			
EUR	177,982		-25,197
GBP	25,000	4,924	
JPY	2,000,000	1,936	
USD	519,440	6,803	
Total		13,663	-25,197
of which cleared		0	
Interest-rate related	5,000,000		-263,958
Total			-263,958
of which cleared			0
Total			-142,042

Classified as held for trading with change in value recognised in profit or loss.

Derivative instruments are used in the management of Kåpan's investment assets and are an alternative to a direct purchase or sale of a security or currency. The main principle for trading with derivatives is that trading shall be carried out in order to make asset management effective or reduce price and currency risks.

Derivative transactions are made either via recognised clearing institutions or with counterparties with good creditworthiness. Most derivative transactions are regulated according to market practice through ISDA agreements. The derivative transactions carried out represent market exposure in the form of exchange rate, interest rate, share price and equity index risks. Option contracts also include a volatility risk.

The nominal value of these derivatives is disclosed in accordance with the Swedish Financial Supervisory Authority's provisions as commitments (memorandum items) on each closing date. At 31 December 2007 the above-mentioned amount was SEK 10,456m (5,721).

NOTE 24 Other liabilities

	2007	2006
Other	18	2
	18	2

Stockholm, 4 March 2008

Göran Ekström
Chairman

Lars Fresker
Vice Chairman

Sven-Olof Hellman

Björn Birath

Karin Starrin

Nils Henrik Schager

Gunnar Balsvik
President

Our auditors' report was submitted on 4 March 2008

Anders Malmeby
Authorised Public Accountant

Bo Jansson

Lena Jönsson

Audit report

Audit report to the Council of Administration of Kåpan pensioner försäkringsförening reg. no. 816400-4114

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the President of Kåpan pensioner försäkringsförening for the year 2007. These accounts and the administration of the society and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the Society in order to be able to determine the liability, if any, to the society of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Benevolent Societies Act, the Swedish Annual Accounts Act for Insurance Companies or the Society's statutes. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies and, thereby, give a true and fair view of the Society's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The Board of Directors' report is consistent with the other parts of the annual accounts.

We recommend to the Council of Administration that the income statement and balance sheet of the Society be adopted, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 4 March 2008

Anders Malmeby
Authorised Public Accountant

Bo Jansson

Lena Jönsson

Council of Administration, Board of Directors and Auditors

Council of Administration

Appointed by the Swedish Agency for Government Employers

Members

Curt Malmborg, Swedish Social Insurance Agency, Chairman from 29 March 2007
 Janna Valik, Sweden Migration Board, Chairman until 28 March 2007
 Håkan Pallin, National Veterinary Institute from 29 March 2007
 Britt-Marie Andersson, National Land Survey of Sweden until 28 March 2007
 Cecilia Aste, Swedish National Financial Management Authority

Annika Bergström, National Defence Radio Centre
 Louise Bodegård, National Council for Quality and Development
 Peter Brodd, Public Prosecutor

Monika Dahlbom, National Courts Administration
 Kristina Dahlqvist, University College of Dance
 Teddy Glans, National Road Administration
 Ivar Eriksson, National Police Board

Marie Eriksson, Mälardalen University
 Olle Forslund, National Archives

Karl Pfeifer, Swedish Agency for Government Employers
 Britt-Marie Samuelsson, National Labour Market Board
 Jan-Erik Ögren, Umeå University

Appointed by trade unions

Members

Tommy Aldvin, OFR

Annette Carnhede, OFR

Eva Davidsson, OFR

Håkan Rosenqvist, OFR
 Bengt Sundberg, OFR
 Lennart Grönberg, OFR from 28 March 2007
 Johan Tengblad, OFR until 27 March 2007
 Christian Kjellström, OFR from 28 March 2007
 Hans Norin, OFR until 27 March 2007
 Margareta Bäckström, SEKO
 Ingrid Lagerborg, SEKO
 Christer Henriksson, SEKO
 Erik Johannesson, SEKO
 Tommy Salheden, SEKO
 Git Claesson Pipping, SACO-S from 6 February 2007
 Göran Blomqvist, SACO-S until 5 February 2007
 Rune Larsson, SACO-S
 Hans Lindgren, SACO-S

Board of Directors

Employer representatives

Members

Göran Ekström, Swedish Agency for Government Employers, Chairman
 Nils Henrik Schager, Swedish Agency for Government Employers
 Karin Starrin, Swedish Customs

Trade union representatives

Members

Lars Fresker, OFR, Vice Chairman
 Björn Birath, SACO-S
 Sven-Olof Hellman, SEKO

Auditors

Auditors

Anders Malmeby, Authorised public accountant
 Bo Jansson, SACO-S
 Lena Jönsson, Swedish Administrative Development Agency

Personal Deputies

Eva Eriksson, County Administrative Board in Värmland from 29 March 2007
 Curt Malmborg, Swedish Social Insurance Agency until 28 March 2007
 Margareta Taube, National Property Board from 29 March 2007
 Håkan Pallin, National Veterinary Institute until 28 March 2007
 Ulf Ällebrand, Swedish Competition Authority from 29 March 2007
 Anita Wallgren, Premium Pension Authority until 28 March 2007
 Eva Gullqvist, Naturvårdsverket
 Inger Jönsson-Furby, County Administrative Board, Västerbotten
 Kristina Sederholm, National Board for Consumer Complaints from 28 March 2007
 Maria Hedin-Nordling, The National Board of Forensic Medicine until 27 March 2007
 Anders Liif, National Prisons and Probation Administration
 Curt Karlsson, Linköping University
 Claes Vallin, Swedish National Grid
 Gunilla Simonsson, Swedish Data Inspection Board from 28 March 2007
 Kicki Westlund, National Swedish Economic Crimes Bureau until 27 March 2007
 Marianne Glass, Fomas
 Laila von Scheele, Moderna Museet from 28 March 2007
 Gill Gawelin, National Archives until 27 March 2007
 Carl Durling, Swedish Agency for Government Employers
 Torbjörn Lindström, SIS
 Ingegerd Olofsson, Luleå University of Technology

Personal Deputies

Vacant from 8 February 2007
 Edel Karlsson Håäl, OFR until 7 February 2007
 Siv Norlin, OFR from 28 March 2007
 Lennart Grönberg, OFR until 27 March 2007
 Peter Westersund, OFR from 28 March 2007
 Antonio Roperio, OFR until 27 March 2007
 Jörgen Lindholm, OFR
 Björn Hartvigsson, OFR
 Cecilia Dahl, OFR from 28 March 2007
 Lena Moberg-Lindwall, OFR until 27 March 2007
 Mikael Boox, OFR from 28 March 2007
 Conny Jansson, OFR until 27 March 2007
 Lennart Andersson, SEKO
 Lennart Johansson, SEKO
 Rolf Bolinder, SEKO
 Dennis Lövgren, SEKO
 Birger Bergvall, SEKO
 Mats Rubarth, SACO-S
 Karen Gott, SACO-S
 Vacant from 8 February 2007
 Susanne Holmström, SACO-S until 7 February 2007

Personal Deputies

Christer Hedvall, Swedish Agency for Government Employers
 Margareta Sjöberg, Swedish Agency for Government Employers
 Gunnar Holmgren, FMV

Personal Deputies

Elisabeth Sasse, OFR
 Harald Mårtensson, SACO-S
 Helen Thornberg, SEKO

Deputy Auditors, Personal

Per Bergman, Authorised Public Accountant
 Gunilla Hellström, OFR
 Kjell Jansson, SCB

Definitions

Base rate, guaranteed rate

The interest rate used for annual indexation of paid-in premiums, in an insurance with a guaranteed rate. The rate is determined per payment and applies until pension payments start.

Bonus

Surplus funds that an insurance company has assigned or proposes to allocate to a policyholder.

Bonus rate

The interest rate used to distribute the society's return to policyholders. This rate includes the guaranteed rate. The bonus rate is decided annually by the Council of Administration.

Collective funding ratio

The market value of the society's assets expressed as a percentage of policyholders' total insurance capital.

Currency hedging

Action taken to guarantee the value of a certain currency at a certain date.

Derivative

A financial instrument the value of which is based on expectations of the future value of an underlying contract.

Direct yield

Net of interest income, interest expenses, dividends on shares and participations after deduction for investment management costs.

Fair value

Is the amount at which an asset could be transferred or a liability settled, between qualified parties who are independent of each other and who have an interest in the transaction being carried out.

Funding capital

Equity including surplus values in investment assets.

Insurance capital

The value of an insurance based on assumptions regarding investment return, mortality and overheads.

Management expense ratio

Operating expenses in the insurance business in relation to average managed assets.

Return

The surplus created during a year when investment assets increase in value. In defined contribution traditional life insurance the surplus after the guaranteed return accrues to the insured in the form of bonus and therefore a higher pension.

Solvency ratio

Market value of the society's assets as a percentage of the society's book insurance liability.

Total return

The society's total asset management result, i.e. the sum of changes realised and unrealised changes in value of investments and direct yield received. The return calculation does not include changes in value of outstanding insurance commitments and the effect on profit or loss of derivatives used to reduce these changes in value.

Interest rate cover ratio

The commitments of the society comprise to a dominant extent fixed guaranteed interest on paid-in premiums. The outstanding interest rate risks in commitments made is balanced by a corresponding risk in outstanding fixed-income investments and interest rate derivatives. The society measures the total outstanding interest rate risk using the metric interest rate cover ratio which indicates how large a portion of interest risk on the liability side including interest rate derivatives is covered by fixed-income investments (see Note 2, page 18).

KÅPAN

PENSIONER

The Swedish Pension Insurance Society for Government Employees

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Reg. no. 816400-4114

