

# KÅPAN

## PENSIONER

for government employees



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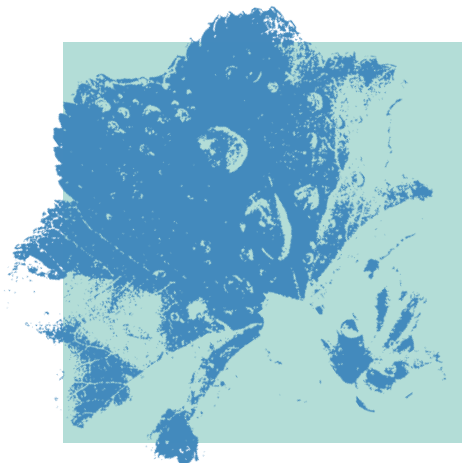
## Presenting Kåpan Pensions

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.

## 2008 at a glance



- Assets under management decreased by SEK 2,532m to SEK 30,748m.
- Paid-in premiums totalled SEK 3,637m (2,715).
- The total return on invested capital was negative and amounted to -15.6%.
- In view of the weak return, the Board decided to set the bonus rate at 0% for 2008.
- The funding ratio amounted to 92% at year-end. The Board therefore decided to carry out a reversal of previously allocated surplus of 8%. After the reversal, the funding ratio amounts to 100%.
- The solvency ratio weakened from 158% to 108%. This sharp downturn is an effect of a negative return on assets combined with a substantial revaluation of commitments due to the significantly lower market interest rates. Since the start of the year, solvency has strengthened and in March 2009 the solvency ratio was 120%.
- Administrative expenses fell to 0.13% (0.14) in relation to total assets.

## A word from the President

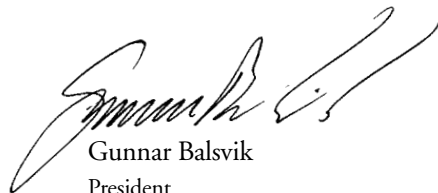
During 2008 the world economy weakened at a rate which is unprecedented in modern times. The downturn was global, affected almost all sectors and created considerable instability particularly within the banking and financial sector. The reasons behind this rapid downturn will be debated and researched into for many years to come but it is clear that values that had been built up over many years in the form of the value of equities and real estate, decreased sharply during the year.

Assertive action has been taken designed in the first instance to maintain a functioning global banking system and rapid reductions in key interest rates were carried out by all central banks to stimulate the economy. In general, it can be said that in many countries household debt has been too high and in some sectors of the financial sector loan levels could not cope with a decline in economic activity.

Kåpan Pensioner's aim is to create a good long-term return on its members' pension capital at the lowest cost in the industry. We do this by focusing on a single product, traditional pension insurance with a guaranteed interest rate, a balanced and effective form of saving. In order to be able to provide a good return over time we invest in many different types of assets. The decline in values and instability suffered by the global economy in 2008 has unfortunately affected value development for almost all types of assets and the total return on the society's investments was negative. The bonus rate we have been able to give our members in recent years, however, is at a good level compared with the industry average.

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](http://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 2008.

### 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 premiums 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 3 637m was paid in premiums during the year, with the following breakdown**

Category	2008	2007	2006	2005	2004	2003
Kåpan Tjänste	1,658	1,560	1,531	1,416	1,318	1,269
Kåpan Extra	805	64	65	56	67	82
ITPK-P	35	34	33	34	31	36
Kåpan Plus	126	152	134	128	125	127
Kåpan retirement pension	1,013	905	925	767	718	634
<b>Total</b>	<b>3,637</b>	<b>2,715</b>	<b>2,688</b>	<b>2,401</b>	<b>2,259</b>	<b>2,148</b>

### Pension payments

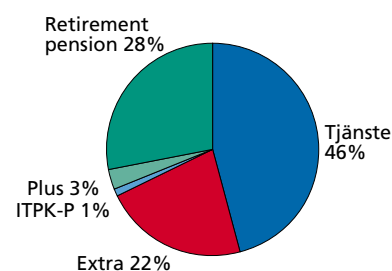
A total of SEK 643m (536) was paid during the year, of which SEK 163m (122) comprised bonus payments over and above the guaranteed rate on the capital. The normal period for payments is five years from when pension payments start at the age of 65 for all categories except Kåpan Retirement Pension which is a life-long pension.

### Guidelines for management of invested assets

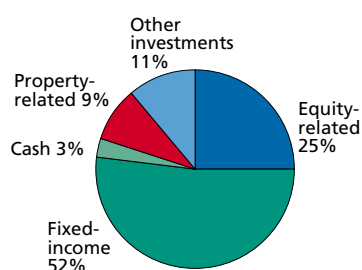
The long-term guidelines set by the Board stipulate that the society's assets, including bonus funds, should be invested so that they provide a good return with a limited risk.



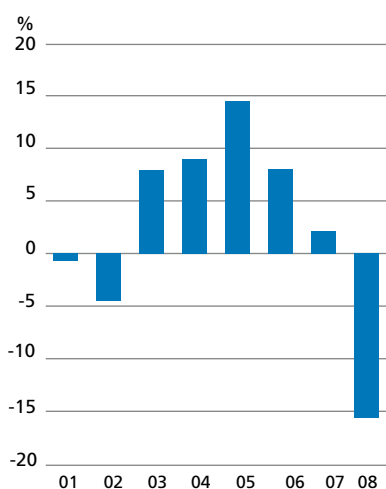
**Premium breakdown**



### Investment of the society's assets at year-end



### Total return



According to the investment policy adopted by the Board in May 2008, 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%.

The Board's decision in May meant that only minor adjustments were made in the policy and that management was conducted during the year with the same long-term focus as in previous years. The target in the policy 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. At year-end, the outstanding risk amounted to approximately 50%. Exposure to currency risk as previously may not exceed 10% of the total value of assets. During the year in principle all assets in USD, EUR and JPY were hedged.

### Investment management

The market value of the society's investment assets, with the book values of other assets added on, amounted to SEK 30,748m (33,280) at year-end. The return on the investment assets was negative and amounted to -15.6%.

Management in 2008 meant that the proportion of equity-related assets was reduced substantially from 39% to 25.5% mainly due to a substantial price fall for listed shares.

During the year the direct equity holding was reduced to SEK 7,847m and exposure with equity derivatives (options) was reduced to SEK 241m. The total holding of equity derivatives amounts to 1% (4) with an underlying nominal exposure of approximately SEK 5 billion. Property-related assets have increased to 9% (7). Fixed-income assets increased to 52% (43). Other assets had an unchanged share of 11% (11) of total assets.

### Investment return

The total return on investment assets is broken down as follows

Portfolio	Market value SEKm	Share, %	Total return, %, 2008
Equity-related	7,847	25.5	- 45.5
Fixed-income	16,073	52.2	10.6
Property-related	2,673	8.7	- 2.8
Other investments	3,295	10.7	- 16.5
Other assets, cash	860	2.9	-
<b>Total investments</b>	<b>30,748</b>	<b>100</b>	<b>- 15.6</b>

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 16,073m (13,931) at year-end and consisted of mortgage bonds to a proportion of 33% (35) and government bonds including wholly state-owned companies amounted to 18% (21) as well as bonds and commercial paper issued by other issuers for the remaining 49% (44). At year-end the total fixed-income portfolio comprised 99% (99) nominal fixed-income

securities with the remainder in real interest bonds. The return on fixed-income securities amounted to 1.1% (0.1). The return was negatively affected by major anxiety in the capital market about economic development which led to higher interest on corporate loans in relation to government bonds and a weak value development for a large part of fixed-income investments. This applied in particular to securities with an interest flow linked to portfolios of corporate loans and with underlying collateral. During the year the society did not have any fixed-income investments attributable to the American housing bond market.

In addition to investments in fixed-income securities, in order to reduce the outstanding interest rate risk in obligations made, the society signed contracts for various forms of interest hedges. In principle these contracts mean that the fixed interest in obligations made is exchanged for floating interest with a reduced risk of value fluctuations. Outstanding interest rate hedge contracts comprised a total nominal value of SEK 16,200m (5,000). The value of the interest rate hedges was positively affected by falling market interest rates during the year. The positive change in value amounted to SEK 1,412m (-201).

The total return on fixed-income investments was 10.6%. This good return is explained by a lower general interest rate level which primarily had a positive impact on the society's interest rate hedges. The positive value development was counteracted to some extent by higher relative interest on corporate loans and mortgage bonds which gives the fixed-income portfolio a higher underlying interest rate level for the coming year.

**Equity-related assets**

During the year the global stock markets showed very weak development. Global share prices fell by a total of approximately 40%, making 2008 one of the worse stock market years in modern times. Development was weak for all markets but especially weak in emerging markets. Equity-related assets at year-end amounted to SEK 7,847m (12,689) with a negative total return of -45.5% (4.9).

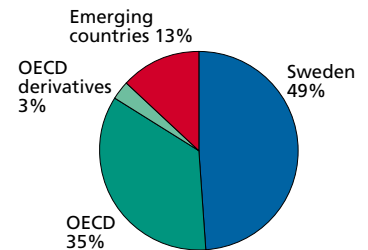
Since the start, the society has chosen to currency hedge most of its equity investments which meant that the weakening of the Swedish krona did not have a positive effect on return. In addition, equities investments in recent years have to some extent been made in call options on share indexes instead of increasing the direct shareholding. Kåpan Pensioner's investments in equities decreased in value by 36.7% which is on a par with the global market for equities as a whole measured in local currency. All in all the strategy for equity-related investments led to lower total exposure to equities but a higher risk in the holding through derivative exposure. The relatively weak development for the portfolio should therefore be placed in relation to a higher exposure but with a slightly less weak development.

The holding of shares listed on the Stockholm Stock Exchange had a negative return of 38.3% (-0.8). Management of shares listed on the Stockholm Stock Exchange is carried out by the society and made a marginal but positive contribution compared with the benchmark.

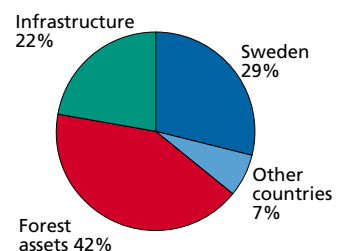
**Property-related assets**

Investments in properties mainly take place within three areas: property companies, forest assets and infrastructure. Forest assets showed a positive value development during the year. Infrastructure involves investments in various types of funds which invest in properties with stable cash flows and a long-term investment horizon.

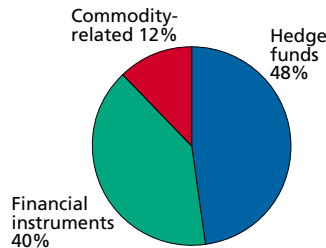
**Allocation equities**



**Allocation properties**



### Allocation other assets



This area had a relatively stable value development during the year while the trend for properties, on the other hand, was weak. Invested capital totalled SEK 2,673m (2,253) and return during the year was -2.8% (7.5).

### Other assets

Other assets total SEK 3,295m (3,706) and comprise investments in hedge funds, commodity funds and various types of financial instruments. The total return was negative at -16.5% (2.8). Hedge funds contributed overall with a negative return. Many of the funds showed a positive return during the year but a small number gave a highly negative performance.

Commodities developed negatively due to a sharp fall in prices during the second half of the year. Financial instruments were negatively affected by anxiety in the capital market and in some areas all market activity more or less ceased during some periods. These instruments often lack a smooth-functioning second-hand market and the intention is to keep them until they mature. This limited trading means that they are valued on the basis of assessed future cash flows in co-operation with external advisors. In total, these instruments had a value of SEK 528m measured in this way.

### 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.

The uncertainty that exists in the market means that further losses on investment assets cannot be ruled out. For investment assets where market prices are not published, there are sources of uncertainty, see Note 1 and the section Key assessments and sources of uncertainty.

### 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 28,301m (20,956). The obligations the society has comprise to a dominant extent fixed guaranteed interest on paid-in premiums. The obligations have been measured in the technical provisions, supported by the Swedish Financial Supervisory Authority's general advice, on the basis, among other things, of current market interest rates for matching maturities.

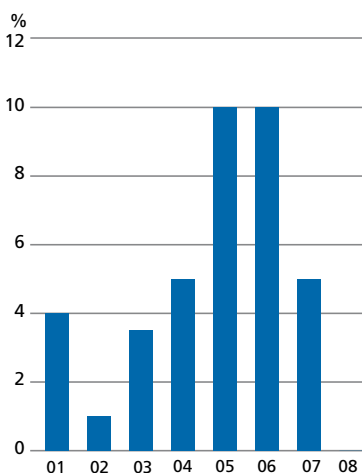
### Costs

The society's statutes stipulate the maximum size of operating expenses that may be charged to its operations. In 2008 these could amount to a maximum of SEK 71m (59). Costs in the insurance business amounted to SEK 39m (42).

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 0.13% (0.14).

Costs for 2009 will be covered by making a deduction on paid-in and paid-out 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.

### Bonus rate





### Collective funding

Collective funding is the market value of assets minus financial liabilities in relation to the sum of technical liabilities based on paid-in premiums and the guaranteed rate as well as previously allocated bonus funds.

The negative value development of assets during the year meant that the collective funding decreased substantially and amounted to SEK -2,806m (2,396) and that the funding ratio before decision on bonus rate and reversal at year-end amounted to 92% (108).

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 100%.

### Reversal of previously allocated bonus

The weak funding level at year-end meant that the Board, for the first time since the start of the society in 1991, decided following an actuarial report performed by an actuary, to carry out a reversal of previously allocated surplus funds by reducing the outstanding pension capital by 8% before policyholder tax and expenses. This reversal will be made in arrears and means that the funding ratio at year-end amounted to 100%.

### Substantially weakened solvency

The weak return during the year combined with falling market interest rates which meant that outstanding obligations rose in value, substantially weakened the solvency ratio compared with the situation at the start of the year. During the year the solvency ratio fell by 50 percentage points from 158% to 108%. This development is a consequence of global anxiety in the capital market and the force of the decline was considerably greater than assumed in the society's risk analysis.

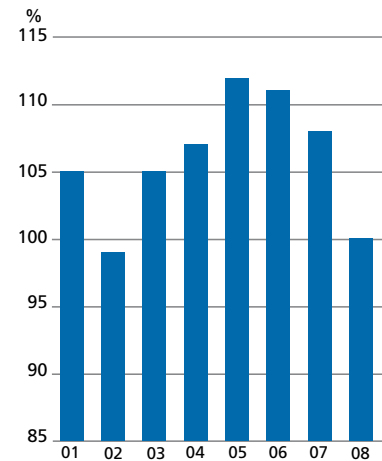
### Discontinuation of premium adjustment reserve

The Council of Administration decided during the year to change the society's statutes and discontinue the special settlement of the part of the society's equity that constituted the premium adjustment reserve. The funds in the reserve following final settlement of some accepted insurance obligations totalling SEK 7m will be transferred to an unrestricted part of equity. The funds previously provided to the society via the reserve will in future be provided through a subordinated loan.

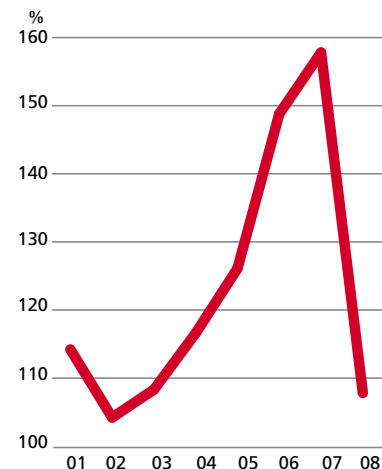
### Capital contribution in the form of a subordinated loan

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 13m. 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.

Funding ratio



Solvency ratio





### 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 2008 amounted to SEK 205m (160).

### 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 ten meetings during the year, one in the form of a two-day seminar. Key questions were the future long-term 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. During the autumn, the Board had a number of extra meetings in order to monitor and evaluate developments in the capital market on a continuous basis. The society's long-term investment focus was unchanged during the year.

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 7 (8) with the key task of conducting investment management and risk control. The National Government Employee Pensions Board (SPV) in Sundsvall is engaged to administer the insurance operations. 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 (1). 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 the society

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 are 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. During 2008, Kåpan was provided with SEK 11m in the form of a perpetual interest-free subordinated loan. The remaining receivable is estimated to amount to SEK 59m (70).

#### Looking to the future

Kåpan Pensioner started its operations in 1991 and since 2003 has been the default alternative within the public sector pension agreement PA 03. The society's operations thus increase in extent all the time which places major demands on the organisation but also provides economies of scale and improved efficiency. With the present development a balance between payments made and payments received will be reached in around 2050 which means that the organisation must be continuously developed and adjusted. During 2009, extensive work will be carried out to modernise and improve the efficiency of the insurance administration system which has been in operation since 1992.

In an insurance context the society is relatively young and does not have the economic solvency which many insurance businesses have built up over many years. The economic downturn in 2008 has affected the society's financial stability and during 2009 work will continue with evaluating and proposing measures to strengthen the society's financial position over time.

#### Disposition of earnings for the year

The result for the year, SEK -9,802m (2,094), will be transferred to other reserves. The society's equity thus amounted to SEK 2,154m (11,876) at 31 December 2008.



## Five-year summary

Results, SEKm	2008	2007	2006	2005	2004
Premiums written	3,637	2,715	2,688	2,401	2,259
Investment income, net	-5,203	393	2,087	3,011	1,576
Claims paid	-643	-536	-439	-388	-344
Bonus <sup>1)</sup>	-163	-122	-81	-73	-71
Balance on the technical account, life insurance business	-9,597	2,254	3,302	2,497	1,758
Profit for the year	-9,802	2,094	3,179	2,364	1,645

<sup>1)</sup> Payments are recognised as a deduction under Equity, Financial report.

Financial position, SEKm	2008	2007	2006	2005	2004
Investment assets (fair value)	29,386	32,387	28,699	24,785	19,693
Assets at market value <sup>1)</sup>	30,748	33,280	29,463	25,376	20,575
Technical provisions <sup>2)</sup>	28,335	20,980	19,742	20,084	17,597
Capital base	2,154	12,113	9,716	5,276	2,952
Funding capital	2,154	12,113	9,716	5,276	2,952
Required solvency margin <sup>3)</sup>	1,133	839	789	–	–

<sup>1)</sup> Investment assets at market value and other assets at book value.

<sup>2)</sup> From 2006 provisions are market valued at current market interest rate.

<sup>3)</sup> No figure available for 2004 and 2005.

Key ratios, %	2008	2007	2006	2005	2004
Management expense ratio <sup>1)</sup>	0.13	0.14	0.16	0.18	0.21
Total return	-15.6	1.5	8.8	14.5	9.0
Bonus rate	0.0	5.0	10.0	10.0	5.0
Funding ratio	99.6	107.8	111.2	111.9	107.2
Solvency ratio	107.6	157.7	149.0	126.0	117.0

<sup>1)</sup> In relation to average assets.

### Total return by asset class <sup>1)</sup>

	Market value 31 Dec 2008		Market value 31 Dec 2007		Total return <sup>2)</sup> %
	SEKm	%	SEKm	%	2008
Equity-related	7,847	25.5	12,689	38.1	-45.5
Fixed-income	16,073	52.2	13,931	41.9	10.6 <sup>3)</sup>
Property-related	2,673	8.7	2,253	6.8	-2.8
Other investments	3,295	10.7	3,706	11.1	-16.5
Other assets	860	2.9	701	2.1	–
Total assets	30,748	100.0	33,280	100.0	-15.6

<sup>1)</sup> Defined in relation to the underlying asset class that generates the return.

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

<sup>3)</sup> Return on derivative instruments taken out to reduce interest rate risk in outstanding insurance obligations is included in the return for fixed-income investments. In the 2007 annual report this return was excluded. This changed presentation is a response to changed industry practice.

## Income statement

SEKm	Note	2008	2007
<b>Technical account, life insurance business</b>			
Premiums written	3	3,637	2,715
Investment income	4	1,065	1,515
Claims paid	5	-643	-536
Change in other technical provisions		-7,349	-276
Operating expenses	6	-39	-42
Investment charges	7	-1,489	-169
Unrealised losses on investments	8	-4,779	-953
<b>Balance on the technical account, life insurance business</b>		<b>-9,597</b>	<b>2,254</b>
<b>Non-technical account</b>			
Balance on the technical account, life insurance business		-9,597	2,254
Tax on profit for the year	9	-205	-16
<b>Profit for the year</b>		<b>-9,802</b>	<b>2,094</b>

An analysis of results is provided under accounting principles.

## Balance sheet

SEKm	Note	31 Dec 2008	31 Dec 2007
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	10	1	3
<b>Investment assets</b>			
Other financial investments			
Shares and participations	11	12,463	16,135
Bonds and other fixed-income securities	12	16,923	16,252
		<b>29,386</b>	<b>32,387</b>
<b>Receivables</b>			
Other receivables	13	483	90
<b>Other assets</b>			
Tangible assets	14	1	1
Cash and bank balances		671	622
		<b>672</b>	<b>623</b>
<b>Prepayments and accrued income</b>			
Accrued interest		197	166
Other prepayments and accrued income		9	11
		<b>206</b>	<b>177</b>
<b>Total assets</b>		<b>30,748</b>	<b>33,280</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Other reserves			
Other reserves		11,696	8,835
Premium adjustment reserve		0	947
Perpetual subordinated loan		260	237
Profit for the year		-9,802	2,094
		<b>2,154</b>	<b>12,113</b>
<b>Technical provisions</b>			
Life insurance provisions	15,16	28,301	20,956
Provision for unsettled claims	17	34	24
		<b>28,335</b>	<b>20,980</b>
<b>Provisions for other risks and costs</b>			
Tax		69	23
<b>Liabilities</b>			
Derivatives	18	183	142
Other liabilities	19	5	18
		<b>188</b>	<b>160</b>
Accruals and deferred income		2	4
<b>Total equity, provisions and liabilities</b>		<b>30,748</b>	<b>33,280</b>
<b>Memorandum items</b>			
Pledged assets		20	20
Contingent liabilities		none	none
Other commitments	18	23,640	10,456

## Statement of changes in equity

31 December 2008	Other reserves	Premium adjustment reserve	Perpetual subordinated loan	Profit for the year	Equity
<b>Opening equity previous financial year</b>	<b>8,835</b>	<b>947</b>	<b>237</b>	<b>2,094</b>	<b>12,113</b>
Adjustment for life insurance provisions		-7			-7
<b>Adjusted equity</b>	<b>8,835</b>	<b>940</b>	<b>237</b>	<b>2,094</b>	<b>12,106</b>
Disposition of earnings 2007	2,094			-2,094	0
Funds provided by the parties	-10		10		0
Bonus paid during the financial year	-163				-163
Funds transferred according to statutes	940	-940	13		13
Profit/loss for the year 2008				-9,802	-9,802
<b>Closing equity for the financial year</b>	<b>11,696</b>	<b>0</b>	<b>260</b>	<b>-9,802</b>	<b>2,154</b>

## Cash flow statement

SEKm	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
<b>Operating activities <sup>1)</sup></b>		
Profit before tax	-9,597	2,254
Adjustment for non-cash items		
Depreciation	2	4
Capital losses	4,778	276
Change in technical provisions	7,349	953
<b>Total adjustment for non-cash items</b>	<b>12,129</b>	<b>1,233</b>
Policyholder tax paid	-205	-160
Bonus paid <sup>2)</sup>	-163	-122
Change in other operating receivables	-421	-78
Change in other operating liabilities	30	-53
<b>Cash flow from operating activities</b>	<b>1,773</b>	<b>3,074</b>
Change in investments in financial investment assets	-1,737	-3,314
<b>Cash flow from investing activities</b>	<b>-1,737</b>	<b>-3,314</b>
Paid-in by parties	0	215
Paid-in equalisation charges	13	80
<b>Cash flow from financing activities</b>	<b>13</b>	<b>295</b>
Cash flow for the year	<b>49</b>	<b>55</b>
Cash and cash equivalents at beginning of the year	622	567
Cash flow for the year	49	55
<b>Cash and cash equivalents at year-end <sup>3)</sup></b>	<b>671</b>	<b>622</b>
<sup>1)</sup> of which		
Interest received	893	867
Interest paid	123	278
Dividends received	328	389
Total	1,344	1,534

<sup>2)</sup> Bonus paid is taken directly from Other reserves.

<sup>3)</sup> 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 2008 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 10 March 2009. The income statement and balance sheet will be presented for adoption at the annual general meeting on 1 April 2009.

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 2008:26). Kåpan Pensioner applies so-called legally limited IFRS and this relates to international accounting standards adopted for application with the restrictions in FFFS 2008:26. 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.

#### 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 otherwise be clear from other sources. Actual result can deviate from these assessments and estimations.

One source for estimations and 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 or a value based on an assessment of anticipated future cash flows. 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.

#### 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 means 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 2008:23). This means that with effect from 2008 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 2007 were incapacitated reduced by any final payment premiums for them in 2008. 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 costs 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 comprise trade payables, insurance obligations, issued debt and subordinated loans 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.

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, an estimation of fair value is obtained by applying a model-based measurement technique as set out below:

For unlisted shares the external portfolio manager concerned produces a valuation based on available price information. Normally there is a time shift in the valuation of 1 – 3 months. This means that valuations at 31 December 2008 are typically based on a value statement from the managers produced during the period 30 September 2008 – 30 November 2008.

For some financial instruments information about fair value is obtained by an assessment of the value. The valuation is usually performed on the basis of an estimation of anticipated future cash flow. Kåpan Pensioner evaluates these measurements at regular intervals and tests their validity by assessing their reasonableness and using parameters and seeing that the parameters and forecasts use coincide with actual development.

For some fixed-income investments a model-based cash flow valuation of the underlying corporate loan portfolio in the investment concerned has formed the basis of the valuation.

#### 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.

#### Key assessments and sources of uncertainty

As shown in the above section, Financial instruments not quoted in an active market, measurement of fair value is based on valuation models. Such a valuation is based partly on observable market data and partly, when no such data is available, on assumptions on future conditions. Valuations not based on published price quotations are inherently uncertain. The level of uncertainty varies and is greatest when assumptions about the future must be made that are not based on observable market conditions. For some of these assumptions minor adjustments can have a significant effect on the estimated value. When the time comes to sell the investments in the future the actual selling price reached may deviate from earlier estimations, which can have a significantly positive or negative impact on earnings.

As also shown in the section with regard to unlisted shares there is a time delay regarding valuation dates. In a market with falling prices this means that the estimated fair values are overestimated and vice versa.

### 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

The Council of Administration decided during the year to change the statutes and discontinue the special settlement of the part of the society's equity that constituted the premium adjustment reserve. According to the statutes, the premium adjustment reserve could be used by the parties to the agreements for special pension promoting purposes. The funds in the reserve following final settlement of some accepted insurance obligations totalling SEK 7m will be transferred to an unrestricted part of equity. The funds previously provided to the society via the reserve will in future be provided through a subordinated loan.

## 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 is 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 pensions 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%	339
Cost inflation	20%	118
Discount rate	1% point	4,007

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 (25) at year-end 2008.

#### 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 fell sharply during the year, which meant that the value of obligations made rose in value by SEK 1,724m. In order to reduce the outstanding interest rate risk in obligations made, agreements for various types of interest rate hedges were concluded. Under these agreements fixed interest in the obligations is exchanged for a floating rate with less risk of change in value. Outstanding interest rate hedge agreements totalled SEK 16,200m (5,000). The value of interest rate hedges was positively affected by rising market interest rates during the year. The positive change in value amounts to SEK 1,412, (-201). In total, interest rate fluctuations during the year meant that outstanding obligations increased in value and had a negative impact on earnings of SEK 5,630m (+1,077) while interest rate hedges had a positive impact of SEK 1,354m. The total earnings impact and negative effect on solvency thus amounts to SEK 4,276m.

#### 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 1,442m (2,584).

#### 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
<b>Assets</b>							
Bonds and other fixed-income securities	5,093	3,779	1,403	3,352	1,371	0	14,998
<b>Liabilities</b>							
Life insurance provisions	- 763	- 3,118	- 3,582	- 6,240	- 14,601	- 32	- 28,336
Interest derivatives fixed interest received			858	10,192	5,550		16,600
Cumulative exposure	4,330	661	- 1,321	7,304	-7,680	- 32	3,262

#### Targets, principles and methods for managing financial risks

The society's business activities give risk 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 obligations 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 long-term targets for returns expressed as the level of the guaranteed obligations and anticipated bonus rate.

#### 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 obligations 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 0.5% (8.8) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 7,154m (7,995).

### 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 similar terms and 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 that 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.

### Management of counterparty risk

The society invests its capital in many different ways. Counterparty risk is a measure of the probability that a counterparty cannot 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	counterparty exposure
Very high	50%	5.0% <sup>1)</sup>	31.5%	4.7%
High	25%	2.5% <sup>2)</sup>	7.7%	1.4%
Average	10%	1.0%	6.8%	0.7%
Low	5%	0.5%	2.3%	0.4%

<sup>1)</sup> Swedish mortgage institution max 10%

<sup>2)</sup> 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 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 differ 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	Investment assets	Effect on:	
		Life insurance provisions	Equity
Price fall on shares, 10%	-1,157	-	-1,157
Exchange rate fall, 10%	-14	-	-14
Interest rate rise, 1%	-1,206	2,675	1,469

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

### 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**

	2008	2007
Premiums written Kåpan Tjänste	1,658	1,560
Premiums written ITPK-P	35	34
Premiums written Kåpan Extra	805	64
Premiums written Kåpan Plus	126	152
Premiums written Kåpan retirement pension	1,013	905
	<b>3,637</b>	<b>2,715</b>

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**

	2008	2007
Dividends received	321	389
<b>Interest receivable</b>		
Bonds and other fixed-income securities including bank balances and similar	744	577
<b>Capital gains, net</b>		
Shares and other participations	0	386
Derivatives <sup>1)</sup>	0	163
	<b>1,065</b>	<b>1,515</b>

<sup>1)</sup> Of which assets held for trading.

All results are attributable to financial assets with changes in value recognised in profit or loss.

**NOTE 5 Claims paid**

	2008	2007
Pension payments Kåpan Tjänste	-498	-414
Pension payments ITPK-P	-17	-13
Pension payments Kåpan Extra	-45	-37
Pension payments Kåpan Plus	-83	-72
	<b>-643</b>	<b>-536</b>

**NOTE 6 Operating expenses**

	2008	2007
Administrative expenses	-55	-58
Cancelled costs attributable to asset management	16	16
	-39	-42
<b>Specification of total operating expenses</b>		
Staff costs	-15	-15
Premises	-1	-1
Depreciation	-3	-4
Other <sup>1)</sup>	-20	-22
	<b>-39</b>	<b>-42</b>

<sup>1)</sup> Other includes remuneration to KPMG, audit assignment SEK 743,000.

**Average number of employees**

	Women	Men	Total
	2 (3)	5 (5)	7 (8)

**Salaries and other remuneration (SEK 000s)**

	2008	2007
Council of Administration	118	118
Board and President	2,222	2,332
Other employees	5,683	6,121
Pensions and other social security contributions	6,516	6,283
of which pension costs	3,033	2,944
of which President's pension costs	823	797

**Fees were paid to the Board as follows (SEK)**

Ordinary members		Personal deputies	
Göran Ekström, chairman	102,000 (90,000)	Jonas Bergström	20,500 (0)
		Christer Hedvall	6,500 (26,000)
Lars Fresker, vice chairman	78,000 (69,000)	Elisabeth Sasse	26,000 (23,000)
Björn Birath	54,000 (45,000)	Harald Mårtensson	25,000 (25,000)
Sven-Olof Hellman	48,000 (39,000)	Helen Thornberg	30,000 (27,000)
Nils Henrik Schager	54,000 (45,000)	Margareta Sjöberg	28,000 (24,000)
Karin Starrin	39,000 (30,000)	Gunnar Holmgren	36,000 (32,000)

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 1,675,388 (1,856,184) was paid to the President, of which SEK 1,675,388 (1,596,184) comprises basic salary and SEK 0 (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 remuneration 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 7 Investment charges**

	2008	2007
Investment management charges	-5	-2
Operating expenses attributable to asset management	-16	-16
<b>Capital gains, net</b>		
Shares and participations	-190	0
Bonds and other fixed-income securities	-331	-151
Derivatives	-947	-
	<b>-1,489</b>	<b>-169</b>

542 is attributable to financial assets.

**NOTE 8 Unrealised losses on investments**

	2008	2007
Shares and participations	-4,431	-288
Bonds and other fixed-income securities	-307	-501
Derivatives	-41	-164
	<b>-4,779</b>	<b>-953</b>

**NOTE 11 Shares and participations**

	2008		2007	
	Cost	Fair value	Cost	Fair value
Swedish equities	8,450	7,033	7,472	8,966
Foreign equities	5,754	5,430	5,974	7,169
	<b>14,204</b>	<b>12,463</b>	<b>13,446</b>	<b>16,135</b>

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

For investments corresponding to a fair value of SEK 7,230m the valuation is based on published price quotations. For other shares and participations the valuation is based on a model-based valuation technique. See the section Financial instruments not quoted in an active market and Key assessments and sources of uncertainty under Accounting Principles.

**NOTE 13 Fixed-income securities**

	2008		2007	
	Cost	Fair value	Cost	Fair value
Swedish government	112	125	0	0
Swedish mortgage institutions	5,064	5,178	5,022	4,802
Other Swedish issuers	7,300	7,166	5,969	5,888
Other foreign issuers	4,131	4,454	4,583	5,562
<b>Total</b>	<b>16,607</b>	<b>16,923</b>	<b>15,574</b>	<b>16,252</b>
of which subordinated				
Dated subordinated debenture	1,239	1,128	986	922

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

For investments corresponding to a value of SEK 13,184m the valuation is based on published price quotations. For other shares and participations the valuation is based on a model-based valuation technique. See the section Financial instruments not quoted in an active market and Key assessments and sources of uncertainty under Accounting Principles.

At total of 21 fixed-income investments corresponding to an estimated fair value of SEK 528m were valued by a known international bank. In the valuation the calculation assumptions were affected by the negative development of the global economy to the extent that the risk for suspension of payment in the underlying companies was assessed to rise by approximately 50% and a total of approximately 17% of the underlying companies are expected to suspend payments over the next 5 years. Taken overall developments during the year led to a write-down of the value by SEK 73m during the year. During 2008 interest payments from these investments were received amounting to SEK 142m and the actual number of companies that suspended payments amounted to 0.5%.

**NOTE 9 Tax**

	2008	2007
Yield tax	-205	-160
	<b>-205</b>	<b>-160</b>

**NOTE 10 Intangible assets**

Other intangible assets	2008	2007
Cost	51	51
Accumulated amortisation	-50	-48
	<b>1</b>	<b>3</b>

**NOTE 13 Other receivables**

	2008	2007
Funds provided by the parties	59	70
Non-cash sale investment assets	424	20
	<b>483</b>	<b>90</b>

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 59m.

**NOTE 14 Tangible assets**

	2008	2007
Cost	3	3
Accumulated depreciation	-2	-2
	<b>1</b>	<b>1</b>

**NOTE 15 Life insurance provisions**

	2008	2007
Kåpan Tjänste <sup>1)</sup>	19,528	15,303
ITPK-P	553	443
Kåpan Extra	1,947	1,042
Kåpan Plus	1,930	1,635
Kåpan retirement pension	4,343	2,533
	<b>28,301</b>	<b>20,956</b>

<sup>1)</sup> The amount includes PA91 SEK 30,279 thousand not invested on individual.

**NOTE 16 Life insurance provisions**

<b>Opening balance</b>	<b>20 961</b>
Paid-in premium for new business	86
Paid-in premium for contracts signed in previous periods	3 551
Paid from/transferred to Provision for claims outstanding or liabilities	-642
Risk result	22
Indexation with discount rate	999
Effect of changed discount rate	4 610
Allocated bonus	0
Charges	-71
Policyholder tax	-149
Portfolio taken over/transferred	0
Effect of (other) changed actuarial assumptions	20
Other changes	-1 086
Currency effect	0
<b>Closing balance</b>	<b>28 301</b>

**NOTE 17 Provision for claims outstanding**

Opening balance, reported claims	24
Opening balance, claims not yet reported	0
Opening balance	24
Revaluation with discount rate	1
Cost of claims incurred in current year	4
Paid from/transferred to insurance liabilities or other current liabilities	-6
Change of anticipated cost of claims incurred in previous year (run-off result)	-1
Effect of changed discount rate	2
Change in claims not yet reported	2
Other changes	8
Currency effect	0
Closing balance	34
Closing balance, reported claims	33
Closing balance, claims not yet reported	1

**NOTE 18 Derivatives and obligations**

	Nominal amount	Book value positive	Book value negative
Options	5,900,000		-995,544
<b>Total</b>			<b>-995,544</b>
of which cleared			0
Currency derivatives			
EUR	225,872		-134,747
GBP	25,000	6,148	
JPY	6,500,000	5,444	
USD	570,630		-156,402
<b>Total</b>		<b>11,592</b>	<b>-291,149</b>
of which cleared		0	
Fixed income	16,200,000	1,091,729	
<b>Total</b>		<b>1,091,729</b>	
of which cleared		0	
<b>Total</b>			<b>-183,372</b>

All derivative instruments are classified as held for trading with change in value recognised through profit or loss.

Derivative instruments are used in management of Kåpan's investment assets and are an alternative to a direct purchase or sale of securities or currency. The main principle for trading with derivatives is that trading must take place in order to make management more efficient or reduce price and currency risks.

Derivative transactions are carried out either via known 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 currency, interest rate, share price and equity index risks. Option contracts also involve volatility risk.

The nominal value of these derivatives is reported in accordance with the Swedish Financial Supervisory Authority's instructions as commitments (memorandum items) on the respective closing date. At 31 December 2008 the amount just mentioned was SEK 23,640m (10,456).

Commitments to invest in unlisted shares and funds amount to SEK 4,312m.

**NOTE 19 Other liabilities**

	2008	2007
Other	5	10
	5	10

Stockholm, 10 March 2009

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 10 March 2009

Anders Malmeby  
Authorised Public Accountant

Eva Lindquist

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 2008. 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, 10 March 2009

Anders Malmeby  
Authorised Public Accountant

# Council of Administration, Board of Directors and Auditors

## Council of Administration

### Appointed by the Swedish Agency for Government Employers

#### Members

Curt Malmberg, Swedish Social Insurance Agency	
Annika Bergström, National Defence Radio Centre	
Louise Bodegård, MSB	
Peter Brodd, Public Prosecutor	
Monika Dahlbom, National Courts Administration	
Kristina Dahlqvist, University College of Dance	until 2 April 08
Ivar Eriksson, National Police Board	
Marie Eriksson, Mälardalen University	until 2 April 08
Olle Forslund, National Archives	
Eva Forsman, Swedish National Agency for Higher Education	from 3 April 08
Teddy Glans, National Road Administration	
Curt Karlsson, Linköping University	from 3 April 08
Ingegerd Olofsson, Luleå University of Technology	from 3 April 08
Håkan Pallin, National Veterinary Institute	
Karl Pfeifer, Swedish Agency for Government Employers	
Britt-Marie Samuelsson, Swedish Public Employment Service	
Kristina Sederholm, National Board for Consumer Complaints	from 3 April 08
Cecilia Aste, Swedish National Financial Management Authority	until 2 April 08
Jan-Erik Ögren, Umeå University	until 2 April 08

### Appointed by trade unions

#### Members

Tommy Aldvin, OFR	
Annette Carnhede, OFR	
Eva Davidsson, OFR	
Håkan Rosenqvist, OFR	
Bengt Sundberg, OFR	
Lennart Grönberg, OFR	
Christian Kjellström, OFR	
Margareta Bäckström, SEKO	
Ingrid Lagerborg, SEKO	
Christer Henriksson, SEKO	
Erik Johannesson, SEKO	
Tommy Salheden, SEKO	
Git Claesson Pipping, Saco-S	
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	
Eva Lindquist, Saco-S	from 2 April 08
Bo Jansson, Saco-S	until 1 April 08
Lena Jönsson, Swedish Administrative Development Agency	

### Personal Deputies

Eva Eriksson, Administrative Board in Värmland	
Anne Norstedt, Swedish Energy Agency	from 3 April 08
Eva Gullqvist, Swedish Environmental Protection Agency	until 2 April 08
Cecilia Aste, Swedish National Financial Management Authority	from 3 April 08
Inger Jonsson-Furby, County Administrative Board, Västerbotten	until 2 April 08
Eva Nelson Nestrell, Swedish Enforcement Authority	from 3 April 08
Kristina Sederholm, National Board for Consumer Complaints	until 2 April 08
Anders Liif, National Prisons and Probation Administration	
Curt Karlsson, Linköpings University	until 2 April 08
Margareta Andersson Hartwig, National Police Board	from 3 April 08
Gunilla Simonsson, Swedish Data Inspection Board	until 2 April 08
Marianne Glass, Fomas	until 2 April 08
Laila von Scheele, Moderna museet	
Jan Kallin, Swedish National Institute of Public Health	from 3 April 08
Claes Vallin, Svenska kraftnät	
Anna Fust, Uppsala University	from 3 April 08
Annika Genberg, Stockholm Academy of Dramatic Arts	from 3 April 08
Pamela Lund Bergström, Swedish Patent and Registration Office	from 3 April 08
Margareta Taube, National Property Board	until 2 April 08
Carl Durling, Swedish Agency for Government Employers	
Elisabeth Bjar Söderlund, Swedish Tax Agency	from 3 April 08
Torbjörn Lindström, SIS	until 2 April 08
Ulf Ällebrand, Swedish Competition Authority	
Ingegerd Olofsson, Luleå University of Technology	until 2 April 08

### Personal Deputies

Cecilia Dahl, OFR	from 1 April 08
Vacant	until 31 March 08
Siv Norlin, OFR	
Peter Westersund, OFR	
Jörgen Lindholm, OFR	
Björn Hartvigsson, OFR	
Vacant	from 3 April 08
Cecilia Dahl, OFR	until 31 March 08
Mikael Boox, OFR	
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 07

### Personal Deputies

Jonas Bergström, Swedish Agency for Government Employers	from 2 April 08
Christer Hedvall, Swedish Agency for Government Employers	until 1 April 08
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, Swedenergy	

## Definitions

### 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.

### Capital base

The difference between the company' assets (minus financial liabilities and untaxed reserves) and technical provisions.

### 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.

### 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

The society's equity including surplus values in investment assets.

### Funding ratio

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

### 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.

### Insurance capital

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

### Interest rate cover ratio

The obligations of the society comprise to a dominant extent of 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 rate on the liability side including interest rate derivatives is covered by fixed-income investments (see Note 2, page 19).

### Management expense ratio

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

### Required solvency margin

A minimum requirement for the size of the capital base. The solvency margin is decided, to put it simply, as certain percentages of both technical provisions and the company's insurance risks.

### 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 obligations.

# KÅPAN

PENSIONER

The Swedish Pension Insurance Society for Government Employees

Kungsgatan 4B <sup>5</sup> • Box 7515 • SE-103 92 Stockholm

Tel +46 8 411 49 45 • Fax +46 8 21 31 51 • [www.kapan.se](http://www.kapan.se)

Reg. no. 816400-4114

