



**KÅPAN**  
**PENSIONER**  
FOR GOVERNMENT EMPLOYEES

Annual Report  
**2009**

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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.

## 2009 at a glance



- Assets under management increased by SEK 6,499m to SEK 37,247m.
- Paid-in premiums totalled SEK 3,417m (3,637).
- The total return on invested capital was positive and amounted to 13.8%.
- In view of the good return, the Board decided to set the bonus rate at 8% for 2009.
- The funding ratio amounted to 111% at year-end. After the bonus decided on the funding ratio amounts to 104%.
- The solvency ratio strengthened from 108% to 134%. This sharp upturn is an effect of a positive return on assets combined with reduction of the value of commitments made due to a higher market interest rate.
- Administrative expenses remained at a low level and amounted to 0.12% (0.13) in relation to total assets.

## A word from the President



During 2009 the global economy recovered from the rapid and intense weakening trend during the previous year that created instability in the banking and financial sector. The recovery has been global and is largely based on massive financial and monetary policy stimuli. The financial system has been stabilised with low key interest rate levels and significant liquidity contributions from central banks, while the banking sector has been capitalised which had a positive impact on the entire equities and bond market.

The underlying reasons for developments in recent years are open to debate but it is clear that the global capital market suffers from significant problems with regard to underlying system risks. Imbalances in the form of short-term financing of long-term commitments and investors with long-term investment horizons who have been driven by short-term goals. Taken overall this has led to an instability which imposed a substantial burden on the financial system.

Global economic development over the next few years will depend on the pace and methods for a return to a balanced situation without stimuli. There are currently considerable problems in a number of areas and within different regions and countries. High levels of unemployment and a high level of debt mean that many countries have a long way to go before a balanced situation is achieved.

There are signs, however, that the underlying long-term development is positive. The strong growth in many developing countries with rising disposable incomes for large population groups can offset the anticipated weak growth in many developed countries.

Kåpan Pensioner's aim is to create a good long-term return on its members' pension capital at the lowest costs in the industry. We do this by focusing on a single product, traditional pension insurance with a guaranteed return rate, balanced and effective savings. In order to be able to provide a good return over time we invest in several different types of assets. The bonus rate we have been able to give our members since 2003 is a good level compared with the industry average. We also have a very low level of costs.

Kåpan Pensioner uses very limited funds for marketing. We do not take part in competition with other agreement areas. We do not put our resources into creating a wide variety of different savings alternatives. What we do try to achieve is good and effective pension savings for our members. In my opinion the way we work combined with the fact that we are a pension society is the best way to offer effective and stable long-term pension savings.

 A handwritten signature in black ink, appearing to read 'Gunnar Balsvik'. The signature is fluid and cursive, with a large initial 'G' and 'B'.
 

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 2009.

### 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 paid-in premiums 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 and the private pension insurance Kåpan Plus. In addition there is the individual retirement pension where Kåpan is an selectable alternative and manager for employees who have not actively chosen a manager for their pension capital.

### Members

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

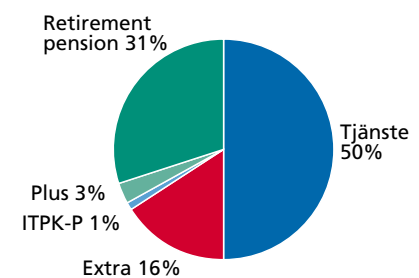
### Insurance premiums

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 3,417m was paid in premiums during the year, with the following breakdown**

Category	2009	2008	2007	2006	2005	2004	2003
Kåpan Tjänste	1,676	1,658	1,560	1,531	1,416	1,318	1,269
Kåpan Extra	554	805	64	65	56	67	82
ITPK-P	32	35	34	33	34	31	36
Kåpan Plus	114	126	152	134	128	125	127
Kåpan Retirement Pension	1,041	1,013	905	925	767	718	634
<b>Total</b>	<b>3,417</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>

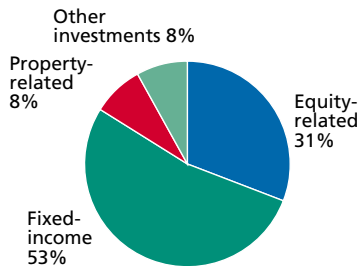
Premium breakdown



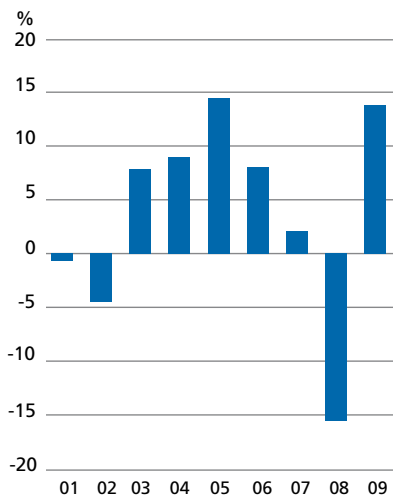
### Pension payments

A total of SEK 782m (643) was paid during the year, of which SEK 96m (163) 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.

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



### Total return



### 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.

According to the investment policy adopted by the Board in May 2009, allocation of the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 25% and maximum 35%.
- Fixed-income securities minimum 45% and maximum 65%.
- Property related assets minimum 5% and maximum 15%.
- Other assets maximum 10%.

The Board's decision in December meant that certain adjustments were made in the policy and that management will continue to be conducted 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 60%. 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 37,247m (30,748) at year-end. The return on the investment assets was positive and amounted to 13.8%.

### Investment return

The total return on investment assets is broken down as follows

Portfolio	Market value SEKm	Share, %	Total return, %, 2009
Fixed-income	19,553	52	6.4
Equity-related	11,336	31	38.3
Property-related	3,152	8	1.4
Other investments	2,734	8	1.8
Other assets, cash	472	1	-
<b>Total investments</b>	<b>37,247</b>	<b>100</b>	<b>13.8</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 19,553m (16,073) at year-end and consisted of mortgage bonds to a proportion of 44% (33) and government bonds including wholly state-owned companies amounted to 17% (18) as well as bonds and commercial paper issued by other issuers for the remaining 39% (49). At year-end the total fixed-income portfolio comprised 100% (99) nominal fixed-income securities with no real interest bonds. The return on fixed-income securities amounted to 8.0% (1.1). The return was positively

affected by reduced anxiety in the capital market about economic development which led to lower interest on corporate loans in relation to government bonds and a good 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.

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 12,144m (16,200). The value of the interest rate hedges was negatively affected by slightly rising market interest rates during the year. The change in value amounted to SEK -292m (1,412).

The total return on fixed-income investments was 6.4% (10.6). This good return is explained by lower relative interest rates on corporate loans and mortgage bonds.

### Equity-related assets

During the year the global stock markets showed strong development. Global share prices rose by a total of approximately 30% in local currency which means that a large part of the fall in 2008 was recovered. Development was good for all markets except Japan and was particularly strong in emerging markets. Equity-related assets at year-end amounted to SEK 11,336m (7,847) with a positive total return 38.3% (-45.5).

Since the start, the society has chosen to currency hedge most of its equity investments which meant that the strengthening of the Swedish krona did not have a negative effect on return.

The holding of shares listed on the Stockholm Stock Exchange had a positive return of 52.2% (-38.3). Management of shares listed on the Stockholm Stock Exchange is carried out by the society and made a positive contribution compared with the benchmark.

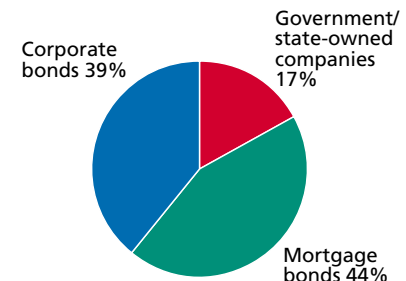
### Property-related assets

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. This area had a stable value development during the year while the trend for properties was weak. Capital invested in property-related assets totalled SEK 3,152m (2,673) and return during the year was 1.4% (-2.8).

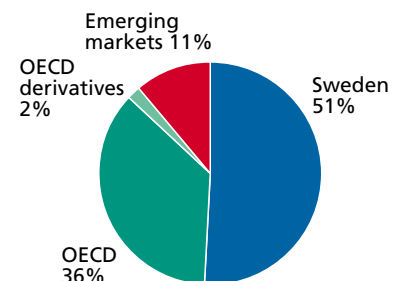
### Other assets

Other assets total SEK 2,734m (3,295) and comprise investments in hedge funds and various types of financial instruments. The total return was positive at 1.8% (-16.5%). Hedge funds contributed overall with a weakly positive return. Many of the funds showed a good return during the year but a small number gave a negative performance.

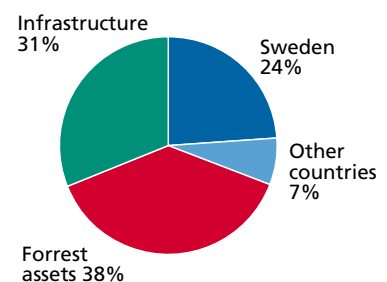
### Allocation interest rates



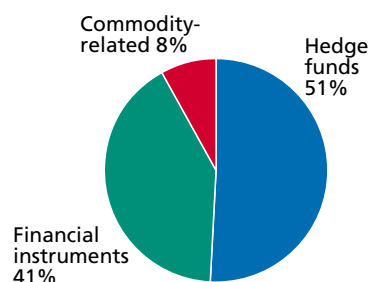
### Allocation equities



### Allocation properties



### Allocation other assets



Financial instruments mainly comprise long-term commitments in various credit-related securities. The individual investments 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 414m (528) measured in this way. In terms of value this area showed positive development during the year.

### 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 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, Note 16 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 27,778m (28,301). 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. During the year the society revised assumptions relating to future length of life which meant provisions were increased by approximately SEK 500m.

### Costs

The society's statutes stipulate the maximum size of operating expenses that may be charged to its operations. In 2009 these could amount to a maximum of SEK 68m (71). Costs in the insurance business amounted to SEK 39m (39).

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 0.12% (0.13).

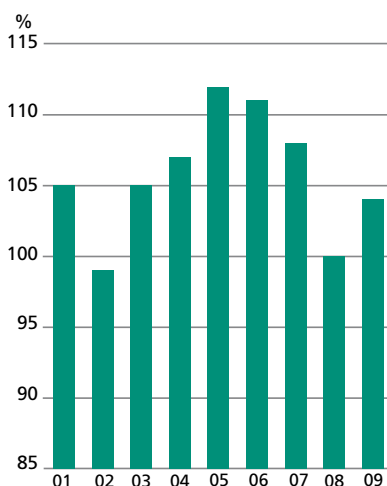
Costs for 2010 will be covered by making a deduction on paid-in and paid-out premiums of 0.75% and a deduction will be made on return on insurance capital, preliminarily 0.10%. In total, the deductions will correspond to the costs of operations.

### 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 positive value development of assets meant that the collective funding increased and amounted to SEK 3,728m (-2,806) at year-end and that the

Collective funding ratio





funding ratio before decision on bonus rate and reversal at year-end amounted to 111%.

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 – 115% with a target level of 100%.

### Decision to allocate bonus for 2009

The good funding level at year-end meant that the Board decided, following an actuarial report performed by an actuary, to allocate a bonus to members for the 2009 financial year of 8% before policyholder tax and costs. The bonus will be added to members' pension capital annually in arrears. The funding ratio at year-end after the bonus decided on for 2009 amounted to 104%.

### Development of solvency

Solvency expresses how much of technical liabilities are covered by assets. The good return during the year combined with a slight rise in market interest rates, meant that outstanding obligations fell in value which strengthened the solvency ratio compared with the situation at the start of the year. During the year the solvency ratio rose by 26 percentage points from 108% to 134%. The return contributed 15 percentage points and changes in valuation of outstanding obligations contributed with 11 percentage points.

### 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 11m. 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.

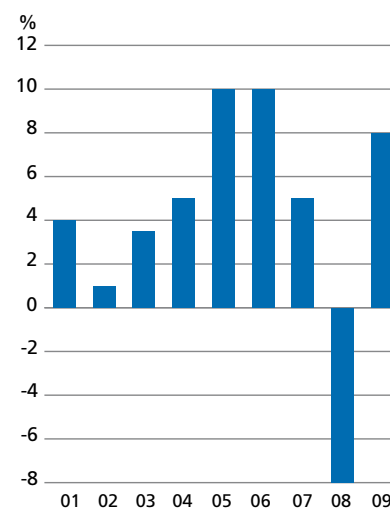
### Tax

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 2009 amounted to SEK 178m (205).

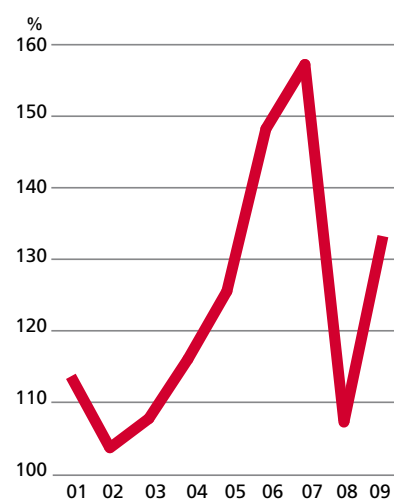
### Management functions and audits

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

Bonus rate



Solvency ratio



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 nine 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 and proposed a number of changes in the statutes to the Council of Administration.

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

### Administration

In addition to the President, the society had eight employees at year-end. The average number of employees during the year was 7 (7) 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.

For remuneration to senior executives, see Note 7. During 2010 the Board will decide on a remuneration policy. Following this decision, information will be provided on the society's website [www.kapan.se](http://www.kapan.se).

### Capital expenditure

Capital expenditure during the year amounted to SEK 13m (1). Investments were mainly attributable to the insurance administration system. Capital expenditures are depreciated over 3 – 5 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 is estimated to amount to SEK 285m. Funds are provided both as equity and a subordinated loan in order to balance both funding ratio and solvency. During 2009 Kåpan was provided with SEK 60m in the form of a perpetual interest-free subordinated loan. This means that all funds the parties undertook to pay have been provided to the society.

### Looking to the future

Kåpan Pensioner started its operations in 1991 and since 2003 has been the default alternative for individual retirement pension. The society's operations thus increase in scope all the time which places major demands on the organisation but also provides economies of scale and opportunities to improve 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 2010, extensive work will be completed to modernise and improve the efficiency of the insurance administration system which has been in operation since 1992.

Modernisation of the insurance administration system and upgrading the other systems are part of the society's preparations for possible introduction of the Solvency II rules for the society in the 2012 financial year.

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 2010 work will continue with evaluating and proposing measures to strengthen the society's financial position over time.

### Disposition of earnings for the year

The profit for the year, SEK 7,236m (-9,802), will be transferred to other reserves. The society's equity thus amounted to SEK 9,305m (2,154) at 31 December 2009.



## Five-year summary

Results, SEKm	2009	2008	2007	2006	2005
Premiums written	3,417	3,637	2,715	2,688	2,401
Investment income, net	4,283	-5,203	393	2,087	3,011
Claims paid	-782	-643	-536	-439	-388
Bonus paid <sup>1)</sup>	-96	-163	-122	-81	-73
Balance on the technical account, life insurance business	7,414	-9,597	2,254	3,302	2,497
Profit for the year	7,236	-9,802	2,094	3,179	2,364

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

Financial position, SEKm	2009	2008	2007	2006	2005
Total assets <sup>1)</sup>	37,247	30,748	33,280	29,463	25,376
Investment assets <sup>1)</sup>	36,225	29,386	32,387	28,699	24,785
Technical provisions <sup>2)</sup>	27,800	28,335	20,980	19,742	20,084
Capital base	9,305	2,154	12,113	9,716	5,276
Funding capital	9,305	2,154	12,113	9,716	5,276
Required solvency margin <sup>3)</sup>	1,112	1,133	839	789	–

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

<sup>2)</sup> Provisions have been measured at market value with current market interest rate since 2006.

<sup>3)</sup> No amount is available for 2005.

Key ratios, %	2009	2008	2007	2006	2005
Management expense ratio <sup>1)</sup>	0.12	0.13	0.14	0.16	0.18
Total return	13.8	-15.6	1.5	8.8	14.5
Bonus rate	8.0	- 8.0	5.0	10.0	10.0
Funding ratio	104	100	108	111	112
Solvency ratio	134	108	158	149	126

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

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

	Market value 31 Dec 2009		Market value 31 Dec 2008		Total return <sup>2)</sup> % 2009
	SEKm	%	SEKm	%	
Equity-related	11,336	30.4	7,847	25.5	38.3
Fixed-income	19,553	52.5	16,073	52.2	6.4 <sup>3)</sup>
Property-related	3,152	8.5	2,673	8.7	1.4
Other investments	2,734	7.3	3,295	10.7	1.8
Other assets	472	1.3	860	2.9	–
<b>Total assets</b>	<b>37,247</b>	<b>100.0</b>	<b>30,748</b>	<b>100.0</b>	<b>13.8</b>

<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.

## Income statement

SEKm	Note	2009	2008
<b>Technical account, life insurance business</b>			
Premiums written	3	3,417	3,637
Investment income	4	2,166	1,065
Unrealised gains on investment assets	5	3,082	0
Claims paid	6	-782	-643
Change in other technical provisions		535	-7,349
Operating expenses	7	-39	-39
Investment charges	8	-33	-1,489
Unrealised losses on investments	9	-932	-4,779
<b>Balance on the technical account, life insurance business</b>		<b>7,414</b>	<b>-9,597</b>
<b>Non-technical account</b>			
Balance on the technical account, life insurance business		7,414	-9,597
Tax on profit for the year	10	-178	-205
<b>Profit for the year</b>		<b>7,236</b>	<b>-9,802</b>

An analysis of results is provided under accounting principles.

## Balance sheet

SEKm	Note	31 Dec 2009	31 Dec 2008
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	11	13	1
<b>Investment assets</b>			
Other financial investments			
Shares and participations	12	16,098	12,463
Bonds and other fixed-income securities	13	20,127	16,923
		<b>36,225</b>	<b>29,386</b>
<b>Receivables</b>			
Other receivables	14	233	483
<b>Other assets</b>			
Tangible assets	15	2	1
Cash and bank balances		488	671
		<b>490</b>	<b>672</b>
<b>Prepayments and accrued income</b>			
Accrued interest		278	197
Other prepayments and accrued income		8	9
		<b>286</b>	<b>206</b>
<b>Total assets</b>	<b>16</b>	<b>37,247</b>	<b>30,748</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Other reserves			
Other reserves		1,738	11,696
Perpetual subordinated loan		331	260
Profit for the year		7,236	-9,802
		<b>9,305</b>	<b>2,154</b>
<b>Technical provisions</b>			
Life insurance provisions	17, 18	27,778	28,301
Provision for unsettled claims	19	22	34
		<b>27,800</b>	<b>28,335</b>
<b>Provisions for other risks and costs</b>			
Tax		14	69
<b>Liabilities</b>			
Derivatives	20	121	183
Other liabilities	21	5	5
		<b>126</b>	<b>188</b>
Accruals and deferred income		2	2
<b>Total equity, provisions and liabilities</b>		<b>37,247</b>	<b>30,748</b>
<b>Memorandum items</b>			
Pledged assets		20	20
Contingent liabilities			
Other commitments	20	7,974	23,640

## Statement of changes in equity

31 December 2009	Other reserves	Perpetual subordinated loan	Profit for the year	Equity
<b>Opening equity previous financial year</b>	<b>11,696</b>	<b>260</b>	<b>-9,802</b>	<b>2,154</b>
Disposition of earnings 2008	-9,802		9,802	0
Funds provided by the parties	-60	60		0
Bonus paid during the financial year	-96			-96
Funds transferred according to statutes		11		11
Profit/loss for the year 2009			7,236	7,236
<b>Closing equity for the financial year</b>	<b>1,738</b>	<b>331</b>	<b>7,236</b>	<b>9,305</b>

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 2009	1 Jan - 31 Dec 2008
<b>Operating activities <sup>1)</sup></b>		
Profit before tax	7,236	-9,597
Adjustment for non-cash items		
Depreciation	1	2
Capital gains	-3,045	0
Depreciation	896	4,778
Change in technical provisions	-535	7,349
<b>Total adjustment for non-cash items</b>	<b>-2,683</b>	<b>12,129</b>
Policyholder tax paid	-177	-205
Bonus paid <sup>2)</sup>	-96	-163
Change in other operating receivables	172	-421
Change in other operating liabilities	57	30
<b>Cash flow from operating activities</b>	<b>4,509</b>	<b>1,773</b>
Investment in non-current assets	-13	0
Change in investments in financial investment assets	-6,901	3,041
Capital gains/losses	2,150	-4,778
<b>Cash flow from investing activities</b>	<b>-4,764</b>	<b>-1,737</b>
Paid-in by parties	60	0
Paid-in equalisation charges	11	13
<b>Cash flow from financing activities</b>	<b>71</b>	<b>13</b>
<b>Cash flow for the year</b>	<b>-184</b>	<b>49</b>
Cash and cash equivalents at beginning of the year	671	622
Cash flow for the year	-184	49
<b>Cash and cash equivalents at year-end <sup>3)</sup></b>	<b>487</b>	<b>671</b>
<sup>1)</sup> of which		
Interest received	1,349	893
Interest paid	164	123
Dividends received	197	328
Total	1,710	1,344

<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 2009 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 16 March 2010. The income statement and balance sheet will be presented for adoption at the annual general meeting on 14 April 2010.

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) and RFR 2:2. 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 results 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 observable market price. Objective external valuations are used for 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 mainly used to eliminate the exchange rate risk in foreign equities and participations.

#### Recognition of insurance contracts

Insurance contracts are recognised and measured in the income statement and balance sheet in accordance with their economic reality. All contracts are recognised 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 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 2008 were incapacitated reduced by any final payment premiums for them in 2009. 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.

Note 1 cont.

### 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 society 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 2009 are typically based on a value statement from the managers produced during the period 30 September 2009 – 30 November 2009.

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 used 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.

### Perpetual debenture

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 were 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 significant risks and uncertainties

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.

Financial risks can in principle be managed in two ways. Firstly, measures can be taken to reduce the effect of financial risks, within the framework of the risk management process. Secondly, capital can be allocated to a buffer to cover losses which the financial risks might generate.

The main responsibility for the risks to which the society is exposed rests with the Board, which is responsible for ensuring that the company's risk management and follow-up of risks (risk control) are satisfactory and that a collective function exists in the company for independent risk control and rule compliance. 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, CIO 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 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 the society's 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. Insurance risk includes both the risk that the insurance result in the next year will be unusually unfavourable (random risk, provision for unearned premium and residual risks) and that the settlement of claims outstanding will be more expensive than estimated (parameter error). Calculations of best estimates, random errors, parameter errors and cancellation risks are based on actual portfolio on the closing date.

With the PA 03 pension agreement, Kåpan Pensioner acquired 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. The PA 03 pension agreement means that Kåpan's responsibility for final payment of remaining pensions due to factors such as illness will cease in time.

Assumption	Change in assumption	Change in provision, SEKm
Mortality	20%	294
Cost inflation	20%	109
Discount rate	1% point	2,959

### 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 during the year, which meant that the value of obligations made fell in value by SEK 1,885m. 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 12,144m (16,200). The change in value for interest rate hedges amounts to SEK -292m (1,412). In total, interest rate fluctuations during the year meant that outstanding obligations decreased in value and had a positive impact on earnings of SEK 1,885m while interest rate hedges had a negative impact of SEK 292m. The total earnings impact and positive effect on solvency thus amounts to SEK 1,593m.

### 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 hedging of issued commitments. The total outstanding interest rate risk calculated according to the Swedish Financial Supervisory Authority's traffic light model amounts to SEK 2,166m (1,442).

### 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 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.

Note 2 cont.

**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	5,850	3,971	5,277	2,811	1,627	0	19,536
<b>Liabilities</b>							
Life insurance provisions	- 925	-3,620	-3,802	- 6,323	- 13,107	- 23	- 27,800
Interest derivatives solvency hedging	2,044			3,900	6,200		12,144
Cumulative exposure	6,969	351	1,475	388	- 5,280	- 23	3,880

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 property price risk**

Property price risk is the risk that the market value of a property investment falls and is measured as a reduction in market value.

**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 6.8% (0.5) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 8,890m (7,154).

**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**

	Current restrictions in investment policy		Outstanding bonds	
	of total assets	maximum per counterparty	of total assets	largest counterparty exposure
Creditworthiness				
Very high	50%	5.0% <sup>1)</sup>	38.8%	4.7%
High	25%	2.5% <sup>2)</sup>	3.4%	0.8%
Average	10%	1.0%	6.5%	0.7%
Low	5%	0.5%	3.5%	0.4% <sup>3)</sup>

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

<sup>2)</sup> State wholly owned company max 5%

<sup>3)</sup> Excluding an exemption decided by the Board, 0.9%

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.

Note 2 cont.

### 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:		
	Investment assets	Life insurance provisions	Equity
Price fall on shares, 10%	-1,414	-	-1,414
Fall in value property-related, 10%	-254	-	-254
Exchange rate fall, 10%	-227	-	-227
Interest rate rise, 1%	-1,207	2,959	1,752

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

### Management of operational risk

Operational risk is attributable to problems with administrative management, and means that losses might arise due to inadequate controls or knowledge. Operational risks are divided into administrative risks, IT risks and legal risks. Overall guidelines have been adopted by the Board. Since only nine 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

	2009	2008
Premiums written Kåpan Tjänste	1,676	1,658
Premiums written ITPK-P	32	35
Premiums written Kåpan Extra	554	805
Premiums written Kåpan Plus	114	126
Premiums written Kåpan retirement pension	1,041	1,013
	<b>3,417</b>	<b>3,637</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

	2009	2008
Dividends received	199	321
<b>Interest receivable</b>		
Bonds and other fixed-income securities including bank balances and similar	909	744
<b>Capital gains, net</b>		
Bonds and other fixed-income securities <sup>1)</sup>	54	0
Derivatives <sup>1)</sup>	1,004	0
	<b>2,166</b>	<b>1,065</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 Unrealised gains on investment assets

	2009	2008
Shares and participations	2,558	0
Bonds and other fixed-income securities	524	0
	<b>3,082</b>	<b>0</b>

### NOTE 6 Claims paid

	2009	2008
Pension payments Kåpan Tjänste	-607	-498
Pension payments ITPK-P	-21	-17
Pension payments Kåpan Extra	-57	-45
Pension payments Kåpan Plus	-97	-83
	<b>-782</b>	<b>-643</b>

**NOTE 7 Operating expenses**

	2009	2008
Administrative expenses	-56	-55
Cancelled costs attributable to asset management	17	16
	-39	-39
<b>Specification of total operating expenses</b>		
Staff costs	-16	-15
Premises	-2	-1
Depreciation	-1	-3
Other <sup>1)</sup>	-20	-20
	-39	-39

<sup>1)</sup> Other includes remuneration to KPMG, audit assignment SEK 753,000.

**Average number of employees**

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

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

	2009	2008
Council of Administration	120	118
Board and President	2,173	2,222
Other employees	6,255	5,683
Pensions and other social security contributions	6,830	6,516
of which pension costs	3,228	3,033
of which President's pension costs	856	823

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

Ordinary members		Personal deputies	
Göran Ekström, chairman	90,000 (102,000)	Jonas Bergström	28,000 (20,500)
Lars Fresker, vice chairman	72,000 (78,000)	Elisabeth Sasse	24,000 (26,000)
Edel Karlsson Håål	30,000 (0)	Harald Mårtensson	30,000 (25,000)
Björn Birath	12,000 (54,000)		
Sven-Olof Hellman	45,000 (48,000)	Helen Thornberg	28,000 (30,000)
Nils Henrik Schager	48,000 (54,000)	Margareta Sjöberg	26,000 (28,000)
Karin Starrin	36,000 (39,000)	Gunnar Holmgren	30,000 (36,000)

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

A cash salary of SEK 1,674,036 (1,675,388) was paid to the President, of which SEK 1,674,036 (1,675,388) comprises basic salary and SEK 0 (0) 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 8 Investment charges**

	2009	2008
Investment management charges	-3	-5
Operating expenses attributable to asset management	-17	-16
<b>Capital gains, net</b>		
Shares and participations	-13	-190
Bonds and other fixed-income securities	0	-331
Derivatives	0	-947
	-33	-1,489

Costs are attributable to financial assets held for trading.

**NOTE 9 Unrealised losses on investments**

	2009	2008
Shares and participations	0	-4,431
Bonds and other fixed-income securities	0	-307
Derivatives	-932	-41
	-932	-4,779

**NOTE 10 Tax**

	2009	2008
Yield tax	-178	-205
	-178	-205

**NOTE 11 Intangible assets**

Other intangible assets	2009	2008
Cost	64	51
Accumulated amortisation	-51	-50
	13	1

**NOTE 12 Shares and participations**

	2009		2008	
	Cost	Fair value	Cost	Fair value
Swedish equities	6,530	7,377	8,450	7,033
Foreign equities	8,751	8,721	5,754	5,430
	<b>15,281</b>	<b>16,098</b>	<b>14,204</b>	<b>12,463</b>

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

**NOTE 13 Fixed-income securities**

	2009		2008	
	Cost	Fair value	Cost	Fair value
Swedish government	208	207	112	125
Swedish mortgage institutions	7,952	7,993	5,064	5,178
Other Swedish issuers	8,138	8,180	7,300	7,166
Foreign governments	100	102	0	0
Other foreign issuers	5,121	3,645	4,131	4,454
<b>Total</b>	<b>21,519</b>	<b>20,127</b>	<b>16,607</b>	<b>16,923</b>
of which subordinated				
Dated subordinated debenture	1,275	1,029	1,239	1,128

Classified as financial assets, measured at fair value with change in value over the income statement.

At total of 21 (21) fixed-income investments corresponding to an estimated value of SEK 415m (528) 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 it was assessed that 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 lead to a write-down of the value by SEK 48m during the year. During 2009 interest payments from these investments were received amounting to SEK 68m and the actual number of companies that suspended payments amounted to 3.9%.

**NOTE 14 Other receivables**

	2009	2008
Funds provided by the parties	0	59
Non-cash sale investment assets	233	424
	<b>233</b>	<b>483</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. All funds undertaken by the parties have been provided to the society.

**NOTE 15 Tangible assets**

	2009	2008
Cost	3	3
Accumulated depreciation	-1	-2
	<b>2</b>	<b>1</b>

**NOTE 16 Complementary information on financial instruments recognised at fair value**

31 December 2009

Financial instrument	Level 1	Level 2	Level 3	Total
<b>Investment assets</b>				
Shares and participations	12,209	387	3,503	16,098
Bonds and securities	17,435	1,428	1,029	19,893
Derivatives – positive value	0	234	0	234
<b>Total</b>	<b>29,644</b>	<b>2,049</b>	<b>4,532</b>	<b>36,225</b>
<b>Liabilities, derivatives</b>				
Derivatives – negative value	0	-121	0	-121
<b>Total</b>	<b>0</b>	<b>-121</b>	<b>0</b>	<b>-121</b>

Classification of securities at fair value by applying a hierarchy for fair value that reflects the significance of the inputs used in the valuations. The hierarchy includes the following levels:

**Level 1** – Quoted prices (unadjusted) on active markets for identical assets or liabilities

**Level 2** – Other inputs than quoted prices included in level 1, that are observable for the asset or liability either directly or indirectly, i.e. they are derived from market quoted prices.

**Level 3** – Inputs for the asset or liability concerned to a significant extent not based on directly observable market data.

The table above analyses investment assets, divided into different types of financial instrument, measured at fair value at year-end (31 December 2009). No significant transfers have taken place between level 3 and either of the levels 1 or 2.

The table below shows a reconciliation of fair value from the opening balance for the year to the closing balance for assets included in level 3. Level 3 mainly consists of property-related holdings since the society has estimated that the model for external valuation of properties carried out within the framework of current accounting rules by independent property valuers does not fully meet the criteria for placing this type of asset in level 2.

Change in level 3 during the year	Shares and participations	Bonds, securities	Total
<b>Opening balance, 31 December 2008</b>	<b>3,207</b>	<b>1,129</b>	<b>4,336</b>
Purchases for the period	983	35	1,019
Sales for the period	-282	0	-282
Changes in securities and currencies during the period	1	0	1
Changes in unrealised gains or losses due to changes in market value	-406	-134	-540
Transfers from level 3 to level 1 or level 2	0	0	0
Transfers from level 1 or level 2 to level 3	0	0	0
<b>Closing balance, 31 December 2009</b>	<b>3,503</b>	<b>1,029</b>	<b>4,532</b>
Coupons and dividends during the period	403	24	427
Included in profit for the period as part of carrying amount	-2	-110	-112
Included in profit for the period as part of other comprehensive income	0	0	0

For instruments recognised in level 3 the estimates of fair value that Kåpan Pensioner considers true and fair are used. Since the definition of level 3 is that an assessment of fair value is based on some form of model-based measurement, this means that the calculated value can change through the use of alternative measurement methods, for example other model assumptions or parameters. In the event the market for a financial instrument is considered as inactive, as is the case for level 3, the society obtains the fair value by performing an objective valuation together with an established capital market player. Measurement is usually performed by an external partner on the basis of an estimation of the anticipated future cash flow. The protection the society has for currency risk in level 3 is in an instrument classified as level 2.

Sensitivity analysis	SEKm	Share in level 3	Share in level 1 or 2
Interest rate risk	43	3%	97%
Share price risk	634	14%	86%
Property risk	558	63%	37%
Credit risk	194	15%	85%
Currency risk	297	–	–

In its internal risk measurement analysis of different asset classes, Kåpan Pensioner uses the risk variables and parameters assigned by the Swedish Financial Supervisory Authority when the society reports to the authority according to the traffic light model. The model takes into account the inherent correlation in the different risks and weighs these together with the aid of a square root formula. The model is based on the different asset classes being given a number of different assumptions on price fluctuations, such as a 30% change in interest rates or a 40% fall in share prices. It can be argued that correlation parameters cannot be read from market data, but their purpose is to capture the change in market value that can be expected in the event of an imagined extreme scenario, and thereby capture any dependence, known as fat tails. The correlation parameters are set by the supervisory authority. The method and parameters are solely an approximation of the risk scenario based on empirical studies of the historical market development for groups of asset classes. This means that for the individual asset both a higher and a lower risk level may exist. Taken overall, however, this analysis method provides a satisfactory assessment of the collective outstanding level of risk.



**NOTE 17 Life insurance provisions**

	2009	2008
Kåpan Tjänste	19,078	19,528
ITPK-P	519	553
Kåpan Extra	2,236	1,947
Kåpan Plus	1,876	1,930
Kåpan retirement pension	4,069	4,343
	<b>27,778</b>	<b>28,301</b>

**NOTE 18 Life insurance provisions**

<b>Opening balance</b>	<b>28,301</b>
Paid-in premium for new business	142
Paid-in premium for contracts signed in previous periods	3,275
Paid from/transferred to Provision for claims outstanding or liabilities	-773
Risk result	0
Indexation with discount rate	950
Effect of changed discount rate	-3,155
Allocated bonus	0
Charges	-68
Policyholder tax	-143
Portfolio taken over/transferred	0
Effect of (other) changed actuarial assumptions	232
Other changes	-983
Currency effect	0
<b>Closing balance</b>	<b>27,778</b>

**NOTE 19 Provision for claims outstanding**

Opening balance, reported claims	33
Opening balance, claims not yet reported	1
<b>Opening balance</b>	<b>34</b>
Revaluation with discount rate	1
Policyholder tax	0
Charges	0
Cost of claims incurred in current year	2
Paid from/transferred to insurance liabilities or other current liabilities	-7
Change of anticipated cost of claims incurred in previous year (run-off result)	-1
Effect of changed discount rate	-1
Change in claims not yet reported	-1
Other changes	-5
Currency effect	0
<b>Closing balance</b>	<b>22</b>
Closing balance, reported claims	21
Closing balance, claims not yet reported	1

**NOTE 20 Derivatives**

Currency derivatives	Nominal amount	Book value positive	Book value negative
AUD	24	1	
CHF	15		-1
EUR	218	3	
GBP	40		-11
JPY	9,700		-3
USD	604		-129
<b>Total</b>	<b>10,601</b>	<b>4</b>	<b>-143</b>
of which cleared		0	
Fixed income	12,643	18	
<b>Total</b>	<b>12,643</b>	<b>18</b>	
of which cleared		0	
<b>Total</b>			<b>-121</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 the society'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.

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 2009 the amount just mentioned was SEK 7,974m (23,640).

Commitments to invest in unlisted shares and funds amount to SEK 3,504m (4,312).

**NOTE 21 Other liabilities**

	2009	2008
Other	5	5
	5	5

**NOTE 22 Anticipated recovery dates**

SEKm	Max 1 year	Longer than 1 year	Total
<b>Assets</b>			
Other intangible assets	5	8	13
Shares and participation	0	16,098	16,098
Bonds and other fixed-income securities	2,916	17,211	20,127
Other receivables	233	0	233
Tangible assets	0	2	2
Cash and bank balances	488	0	488
Accrued interest income	278	0	278
Other prepaid expenses and accrued income	2	6	8
	3,922	33,325	37,247
<b>Liabilities</b>			
Life insurance provisions	924	26,854	27,778
Provisions for claims outstanding	22	0	22
Provisions for tax	11	3	14
Derivatives	121	0	121
Other liabilities	5	0	5
Accrued expenses and deferred income	2	0	2
	1,085	26,857	27,942

## NOTE 23 Related-party disclosures

Kåpan Pensioner is an insurance society where all the surplus is returned to its members. The main purpose of the society is to manage and pay pension assets for employees covered by an agreement 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 highest decision-making body is the Council of Administration. The members of the Council of Administration are appointed by the parties within the government agreement sphere. Operating activities are managed by a Board which appoints the President of the society.

Related parties are defined as members of the Board and management people within Kåpan Pensioner and members of their immediate families.

Remuneration to the Board and President is set out in Note 7. Otherwise there are no transactions with these people or persons related to them in addition to normal customer transactions that take place according to collective agreements and statutes.

Stockholm, 16 March 2010

Göran Ekström  
Chairman

Lars Fresker  
Vice Chairman

Sven-Olof Hellman

Edel Karlsson Håål

Karin Starrin

Nils Henrik Schager

Gunnar Balsvik  
President

Our audit report was submitted on 16 March 2010

Anders Malmeby  
Authorised Public Accountant

Eva Lindquist

Anita Johansson

## 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 2009. 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, 16 March 2010

Anders Malmeby  
Authorised Public Accountant

Eva Lindquist

Anita Johansson

# Council of Administration, Board of Directors and Auditors

## Council of Administration

### Appointed by the Swedish Agency for Government Employers

#### Members

Maria Ågren, Swedish Environmental Protection Agency	from 19 Feb 09
Curt Malmberg, Swedish Social Insurance Agency	until 18 Feb 09
Annika Bergström, National Defence Radio Centre	
Louise Bodegård, MSB	
Peter Brodd, Public Prosecutor	
Elisabeth Bjar Söderlund, Swedish Tax Agency	from 19 Feb 09
Monika Dahlbom, National Courts Administration	until 090218
Ivar Eriksson, National Police Board	
Olle Forslund, National Archives	

Eva Forsman, The Government Offices of Sweden	until 1 April 09
Teddy Glans, National Road Administration	
Jan Kallin, Swedish National Institute of Public Health	from 2 April 09

Curt Karlsson, Linköping University  
 Ingegerd Olofsson, Luleå University of Technology  
 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

### Appointed by trade unions

#### Members

Cecilia Dahl, OFR	from 5 March 09
Tommy Aldvin, OFR	until 4 March 09
Annette Carnhede, OFR	
Tom Johnson, OFR	from 5 March 09
Eva Davidsson, OFR	until 4 March 09
Håkan Rosenqvist, OFR	

Bengt Sundberg, OFR	
Meeri Wasberg, OFR	from 5 March 09
Lennart Grönberg, OFR	until 4 March 09
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, Deputy Chairman	
Elisabeth Sasse, OFR	
Edel Karlsson Håäl, Saco-S	from 1 April 09
Björn Birath, Saco-S	until 31 March 09
Sven-Olof Hellman, SEKO	

## Auditors

#### Auditors

Anders Malmeby, Authorised public accountant  
 Eva Lindquist, Saco-S  
 Anita Johansson, Swedish Agency for Higher Education Services from 1 April 09  
 Lena Jönsson, Swedish Administrative Development Agency until 31 March 09

#### Personal Deputies

Ingemar Skogö, National Road Administration	from 19 Feb 09
Eva Eriksson, Administrative Board in Värmland	until 18 Feb 09
Anne Norstedt, Swedish Energy Agency	
Cecilia Aste, Swedish National Financial Management Authority	
Eva Nelson Nestrell, Swedish Enforcement Authority	
Kajsa Möller, Swedish Customs	from 19 Feb 09
Anders Liif, National Prisons and Probation Administration	until 18 Feb 09
Margareta Andersson Hartwig, National Police Board	
Anna Cedemar, Swedish National Museum	
with Waldemarsudde	from 2 April 09
Laila von Scheele, Moderna museet	until 1 April 09
Jan Kallin, Swedish National Institute of Public Health	until 1 April 09
Claes Vallin, Svenska kraftnät	
Camilla Stenemyr, Swedish Agency for Higher Education Services	from 2 April 09
Anna Fust, Uppsala University	
Annika Genberg, Stockholm Academy of Dramatic Arts	
Pamela Lund Bergström, Swedish Patent and Registration Office	
Carl Durling, Swedish Agency for Government Employers	
Rolf Lindberg, Swedish Social Insurance Agency	from 19 Feb 09
Elisabeth Bjar Söderlund, Swedish Tax Agency	until 18 Feb 09
Ulf Ällebrand, Swedish Competition Authority	

#### Personal Deputies

Peter Lennartsson, OFR	from 5 March 09
Cecilia Dahl, OFR	until 4 March 09
Siv Norlin, OFR	
Britta Unneby, OFR	from 5 March 09
Peter Westersund, OFR	until 4 March 09
Fredrik Mandolin, OFR	from 5 March 09
Jörgen Lindholm, OFR	until 4 March 09
Björn Hartvigsson, OFR	
Mikael Krüger, OFR	from 5 March 09
Vacant	until 4 March 09
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	

#### Personal Deputies

Jonas Bergström, Swedish Agency for Government Employers  
 Margareta Sjöberg, Swedish Agency for Government Employers  
 Gunnar Holmgren, FMV

#### Personal Deputies

Harald Mårtensson, Saco-S  
 Helen Thornberg, SEKO

#### Deputy Auditors, Personal

Per Bergman, Authorised Public Accountant  
 Gunilla Hellström, OFR  
 Gunnar Larsson, Swedish Consumer Agency from 1 April 09  
 Kjell Jansson, Swedenergy until 31 March 09

## 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 in arrears by the Council of Administration.

### Capital base

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

### Collective funding ratio

Specifies the relation between the fair value of the society's assets and the society's total commitments in the form of insurance capital to members. In the annual report in some cases the term funding ratio is used as an abbreviated form of the relation described above.

### 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.

### 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 received 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 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

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