

# KÅPAN PENSIONER

GOVERNMENT EMPLOYEES PENSION FUND

ANNUAL REPORT

2017



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## Presenting Kåpan Pensions

Kåpan pensioner försäkringsförening (Government Employees Pension Fund) manages defined contribution pensions for government employees. Operations are linked to the government pension agreements where the society manages a part of the compulsory occupational pension and functions as the default supplier for the part of the pension where there is a choice.

Kåpan Pensioner is a cooperative society where all the surplus from asset management is returned to its members. The society offers only one product, traditional pension insurance with a guaranteed growth in value at a low cost. The goal is to achieve good long-term returns and provide members with a good level of pension from the society.



## 2017 at a glance

- Assets under management increased by SEK 7,977m to SEK 87,396m (79,419).
- Paid-in premiums totalled SEK 5,365m (4,381).
- Total pension payments amounted to SEK 2,753m (2,600).
- The total return on invested capital was positive and amounted to 7.1%.
- The funding ratio amounted to 100% at year-end.
- The solvency ratio strengthened during the year from 157% to 170%. The stronger level is attributable both to a good return on the society's investments and a lower market valuation of the society's obligations.
- Administrative expenses remained at a low level and amounted to 0.06% in relation to assets under management.
- The society transferred to a generation-based risk allocation and bonus model from 1 January 2017.
- Bonus interest is paid monthly in arrears in four different generation groups with different risk levels in the investments. During the year bonus interest was:
  - 8.7% for age group younger than 40
  - 7.8% for age group 40 – 49
  - 7.0% for age group 50 – 59
  - 5.9% for age group 60 and over
- The model for global equity management has been successively adjusted to better take account of the society's sustainability criteria. The aim is to continue working with a model that prioritises companies with high rankings in the areas of environmental and social responsibility as well as having a good level of corporate governance.
- A separate sustainability report which provides in-depth information on the society's sustainability work and complements the annual report is available on the society's website, [kapan.se](http://kapan.se).



# Board of Directors' report

The Board of Directors and the President of Kåpan pensioner försäkringsförening (Government Employees Pension Fund) reg. no. 816400-4114, hereby submit their report for the financial year 2017.

## 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 focus is on insurance of pensions through traditional pension insurance with a guaranteed return on paid-in premiums and a distribution of any surplus from asset management as bonus interest.

The forms of insurance offered by the society are the occupational pension insurances Kåpan Tjänste, Kåpan Valbar (previously called Kåpan Ålderspension) and Kåpan Extra. In addition there was a new insurance in 2017, Kåpan Flex, which is part of the new pension agreement, PA 16. During the year the society has continued to adapt its operations and information to the new pension agreement and has made it possible to use Valcentralen (the choice centre) to transfer some of the saved pension capital.

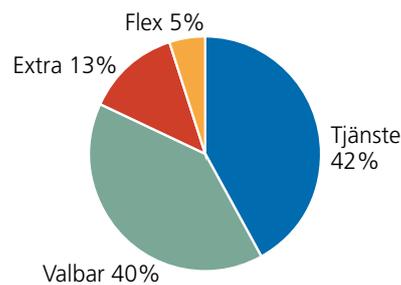
## Members

Kåpan Pensioner is a mutual insurance society where all savings are returned to the members as pension payments. The total number of members is over 800,000.

A total of SEK 5,365m was paid in premiums during the year, broken down as follows

Category	2017	2016	2015	2014	2013
Kåpan Tjänste	2,274	2,159	2,035	1,986	1,930
Kåpan Valbar	2,119	1,435	1,395	1,305	1,253
Kåpan Extra	710	787	745	726	733
Kåpan Flex	262	0	–	–	–
Kåpan Plus	–	0	14	85	91
<b>Total</b>	<b>5,365</b>	<b>4,381</b>	<b>4,189</b>	<b>4,102</b>	<b>4,007</b>

Premium breakdown



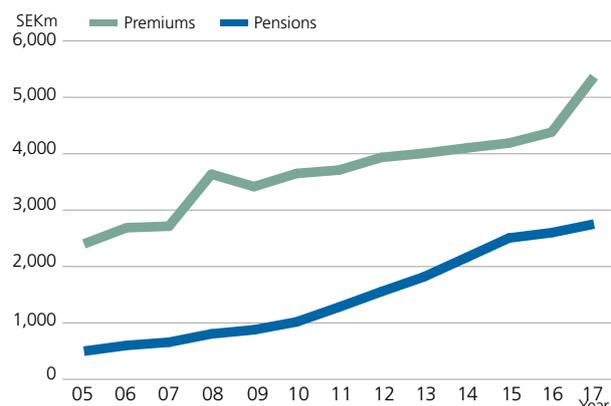
## Insurance premiums

The society manages the premiums paid in by employers for their employees' account according to current collective agreements and the funds which the members themselves have chosen to invest in Kåpan Plus as a complement to their occupational pension.

## Pension payments

A total of SEK 2,753m (2,600) was paid out during the year, of which SEK 966m (862) comprised bonus payments over and above the guaranteed interest on the capital. The normal payment period for Kåpan Tjänste is five years from when the pension payments start at age 65, but payment for life can be chosen. Payments from Kåpan Valbar are normally made for life. Other products have individually set payment periods. Premiums paid in within the framework of the new PA 16 pension agreement are normally paid out for life.

Development of paid-in premiums and pension payments



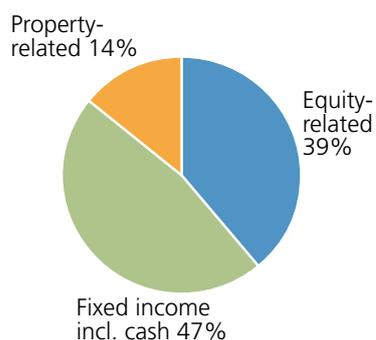
## Guidelines for management of invested assets

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

According to the investment policy adopted by the Board in May 2017, the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 20% and maximum 45%.
- Bonds and other fixed-income securities minimum 40% and maximum 65%.
- Property-related investments minimum 5% and maximum 20%.

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



The Board's decision means that investment management is to be conducted with the same long-term focus as in previous years. The policy provides a benchmark for the society's total outstanding interest rate risk i.e. an aggregate of the fixed-income assets' fixed interest period and the pension payment obligations including the guaranteed interest rate on members' savings until payment. The interest rate risk is measured as an interest coverage ratio and amounted to 32%. The benchmark for the interest coverage ratio is that it should not be less than 30% and is continuously adjusted to the solvency ratio and the need to hedge outstanding obligations, see Note 2 for a more in-depth analysis.

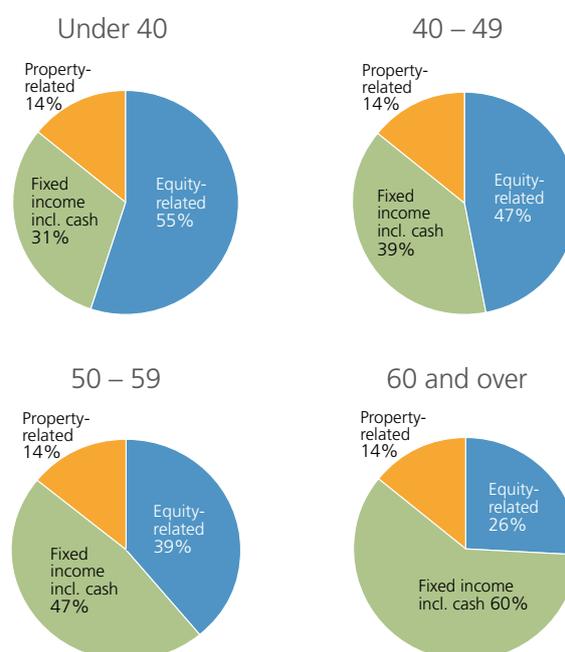
The outstanding currency risk according to the adopted policy may not exceed 15% of total assets. At year-end the outstanding currency risk was 13% of the value of assets. During the year approximately 60% of assets in foreign currencies were hedged.

## Generation-based risk allocation and bonus model

At year end 2016 the membership was split into four age groups in so-called generation savings. Those who are young and have a long time before retirement have a higher risk in their savings to provide the possibility of a higher return. The intention is that investments with greater risk are expected to give a higher return over time than more stable investments, but value development can also fluctuate considerably or be negative for long periods. The aim is that the risk in savings should reduce in step with approaching retirement and that the higher age groups are given greater stability in their savings and a more predictable level of expected pension payments.

The allocation of the risk level between age groups is based on the contribution principle. The contribution principle is intended to ensure that an insurance company distributes surplus in a balanced manner between different groups of policyholders. The distribution of surplus should as far as possible be based on how different groups of policies contribute to the business and what scope these policies provide for the possibility to create a surplus. For the society, the premiums paid in by younger members have a longer period to payment and thus provide scope for more risky investments. The society's older members have as a rule a high proportion of guaranteed capital and a lower surplus

### Distribution of investments for each age group across the three asset classes



available for higher-risk investments. Taken together this means that the split into generation groups allows the society to better satisfy the contribution principle while raising the level of pension payments in the long term.

The four age categories receive different shares of the society's investments within the three main investment areas equities, bonds and property within the framework of the investment policy decided by the Board.

All members invest in the same assets and underlying securities. It is only the proportion of each asset class that varies across the different generation portfolios.

## Sustainability – long-term responsible management

The society's work with long-term responsible management based on sustainability, ethics and social responsibility is presented in a separate sustainability report which is available on [kapan.se](http://kapan.se). A short summary is given here.

The investment policy adopted by the Board stipulates that the society's investments should be based on standards and principles which are strongly rooted in Swedish society based on decisions made by the Swedish parliament and government.

Investments shall be guided by:

- Decisions made by the Swedish parliament and government
- The ten principles in the UN Global Compact
- OECDs guidelines for multinational companies
- The Oslo and Ottawa Conventions
- The six UN Principles for Responsible Investment (PRI)
- The UN Sustainable Development Goals – 2030 Agenda for Sustainable Development

Links to these conventions can be found on [kapan.se](http://kapan.se).

### Norm-based screening

The society has been working for the past couple of years with an external supplier for norm-based screening of equity and fixed-income assets as well as for lobbying through dialogue. The society primarily wants to influence companies for change rather than exclude them. During the year the society, through ISS-Ethix, participated in 105 lobbying processes to try to change and improve the companies' work based on the society's sustainability criteria.

### Positive screening

The society has continued its cooperation with MSCI as part of a process to continuously check and assess different companies' work with sustainability and social responsibility. MSCI is one of the world's leading index providers and

Read more about our sustainability work on [kapan.se](http://kapan.se) and in our Sustainability Report.

has worked for a long time with analysis and evaluation of environmental and sustainability assessments at corporate level.

### Lobbying

Both the norm-based screening of companies and the grading of sustainability criteria which we obtain from MSCI's analysis tool are the basis of the society's assessment of the holdings and how the society should act.

In the event that the society judges that lobbying is insufficient, the society will choose as far as possible to exclude those companies that do not meet the society's sustainability criteria.



Further, the society carries out a review of the entire investment portfolio of listed shares. In this way we can measure how the portfolio looks from a sustainability perspective. The portfolio must have an ESG rating for our listed holdings which exceeds the general MSCI All Countries World index (MSCI ACWI) and be at parity with MSCI's Special ESG index which is a selection of companies with high ratings. The aim is to continuously improve the ESG rating.

As part of influencing developments for reduced carbon dioxide emissions, the society has commissioned measurement of the carbon footprint for our listed shares using the method recommended by the Swedish Insurance Federation. The aim is that the footprint should reduce over time.

### Future direction of sustainability work

The society conducts a continual process of change and improvement. During 2017 the society's work on long-term responsible management included a review of different management models to strengthen the ESG analysis in our processes. The conclusion of the review is that over time the society will bring management of the major part of the equities portfolio in-house. A first stage in this work was carried out in 2017 by reducing the number of funds in which the society invests and increasing the proportion of funds which invest more in companies with a high ranking in ESG issues. In 2018 work will continue to identify a better way of achieving the aim of finding efficient methods for working with selected companies which meet our criteria. A steady transfer to a higher proportion of in-house investment management means that we increase the possibilities to control our sustainability work ourselves. At the same time we will work more actively with lobbying, either ourselves or in cooperation entering into a dialogue with companies that do not achieve an acceptable level according to the normative screening criteria.

## Investment management

The market value of the society's investment assets, with the addition of the book values of other assets, amounted to SEK 87,396m (79,419) at year-end.

Return on the investment assets was positive and amounted to 7.1% (7.6).

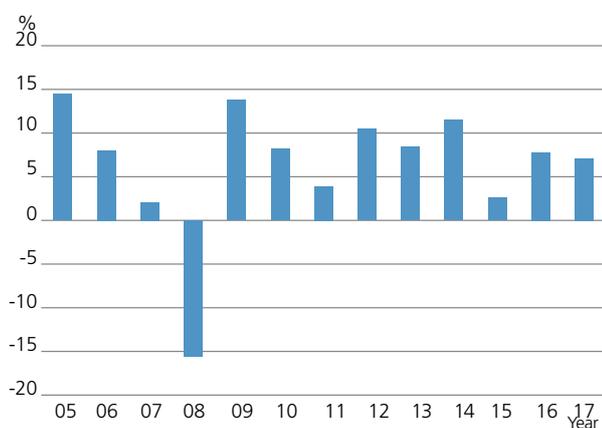
## Investment return

The total return on assets is broken down as follows:

Portfolio	Market value SEKm	Share %	Total return % <sup>1)</sup> , 2017
Fixed-income-related	40,922	47	2.0
Equity-related	33,892	39	12.2
Property-related	11,979	14	10.3
Other assets, cash	603	0	–
<b>Total assets</b>	<b>87,396</b>	<b>100</b>	<b>7.1</b>

<sup>1)</sup> When calculating the return a daily weighting is used to take into account the change in the capital base during the year.

## Total return

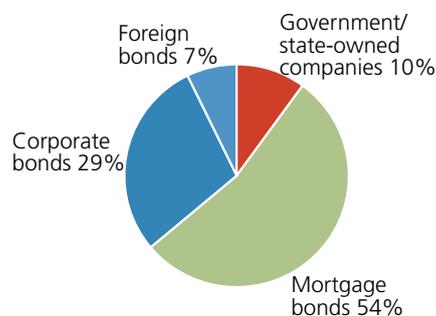


## Fixed-income-related assets

The fixed-income investments amounted to SEK 40,922m (35,792) at year-end. The investments consisted to 54% (44) of mortgage bonds and 10% (12) of bonds issued by wholly state-owned companies. Investment in commercial paper and bonds from other issuers amounted to 29% (33). The remaining 7% (8) of investments consisted of fixed-income holdings in foreign currencies of which 4% (5) in external funds.

All fixed-income-related assets in foreign currency are hedged in Swedish kronor other than those exposed to emerging markets.

## Allocation fixed-income



At year-end the total fixed-income portfolio was comprised solely of nominal fixed-income securities with no real-interest bonds. The general interest level rose somewhat during the year which had a marginally negative impact on the value of the holding. The interest rate on government bonds and mortgage bonds remains at historically low levels which means that fixed-income investments are expected to provide a limited current return for the next few years.

The fixed-income investments are concentrated to the Swedish banking and home mortgage segment and the overall largest investments are made with the following issuers:

Issuer	Assessed value, SEKm
Svenska Handelsbanken	6,266
Swedbank	5,316
Nordea Bank	4,867
SEB	2,883
Länsförsäkringar	1,965
Vasakronan	1,522
SBAB	1,235
Landshypotek	1,031
Danske Bank	795
Volvofinans	686

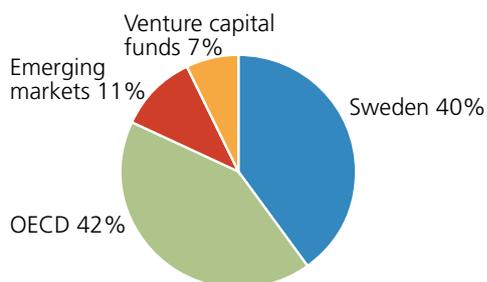
In addition to investments in fixed-income securities, the society has taken the strategic direction of signing contracts for various forms of interest rate hedges in order to reduce the outstanding interest rate risk in pension obligations.

The change in value of the outstanding interest rate hedges amounted to SEK -22m (46) during the year. The total earnings impact of interest rate hedges corresponds to a marginally positive effect on the total return. The total return on fixed-income-related investments amounted to 2.0% (4.6).

## Equity-related assets

2017 was a strong year on the stock exchanges. The world's overall share prices rose by a total of 20% in local currencies (MSCI ACWI). In Swedish kronor this corresponds to a rise of 12% since the dollar and many emerging markets' currencies weakened during the year. However, the society's hedging of above all the dollar had a positive effect on returns. Development was good in most markets but generally somewhat stronger in emerging markets. Return on equities listed in the OECD was 16% (9) and in emerging markets 22% (19). The holding of equities listed on the Nasdaq Stockholm exchange showed a positive return of 9.3% (10.1). The overall return during the year amounted to 12.2% (11.2) and equity-related assets at year-end amounted to SEK 33,892m (30,787).

### Allocation equities



Management of shares listed on Nasdaq Stockholm is carried out by the society itself. SIX 60 is used as the benchmark index. The biggest investments are in the following companies:

Issuer	Assessed value, SEKm
Atlas Copco	1,125
Nordea Bank	1,086
Volvo	897
Investor	780
Hennes & Mauritz	641
SHB	574
Swedbank	550
SEB	541
Sandvik	505
Assa Abloy	502

The equity-related placements outside Sweden are invested in various funds most of which are various forms of passive index-related funds with low charges. A general agreement

has been signed with State Street Global Advisors (SSGA) on investments and charges at good levels. At year-end the largest investments outside Sweden were in the following funds:

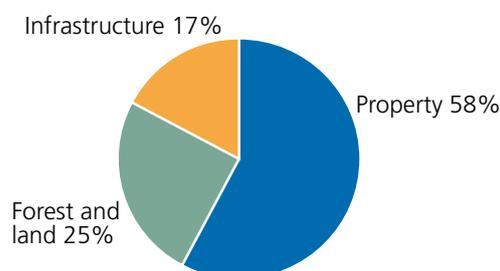
Holding	Assessed value, SEKm
SSGA S&P 500 Index	3,061
SSGA Enhanced Emerging Markets	2,682
SSGA MSCI World Index	2,411
SSGA World ESG Index Eqt Fund	1,963
SSGA S&P 500 Equal Weight Index	1,586
SSGA Multifaktor Global Fund	1,275
SSGA FTSE RAFI US Index	726
SSGA MSCI Europe Index	667
SSGA Europe Index Fund	648
SHB Global Småbolag ESG Index	513

Since the start of its operations the society has chosen to currency hedge most of its equity-related investments which meant that relative changes in the value of the Swedish krona during the year did not fully affect the return. Equity investments in emerging markets are not hedged which means that the return is affected by exchange rate fluctuations. Investments in various types of unlisted equities, primarily venture capital funds, amounted to SEK 2,168m (2,408).

## Property-related investments

Investments in property-related assets are split into three areas: property, forest and land, and infrastructure.

### Property-related investments



The infrastructure area involves investments in essential facilities or properties with stable cash flows and a long-term investment horizon. Forest and land is mainly land with standing forest and farms owned by funds or companies. The property area is indirect investment in

various types of land and buildings. The largest investments grouped by managers or companies (exposure) comprised:

Issuer	Assessed value, SEKm
Bergvik Skog AB	1,730
Fastighets AB Stenvalvet	954
Hemfosa Fastigheter AB	903
J.P. Morgan Infrastructure Investment Funds	900
Svenska Handelsfastigheter AB	778
Profi Fastigheter (3 funds)	773
Molpus Woodlands Group (2 funds)	508
Cheyne Real Estate (2 funds)	504
Rockspring GRB Funds	492
Portfolio Advisors (4 funds)	488

Property-related assets showed a positive value appreciation during the year. Invested capital totalled SEK 11,979m (11,034) and the return for the year for property-related investments amounted to 10.3% (7.2).

### Risk and sensitivity analysis

Investment management is affected by external circumstances that give rise to various types of risks. These risks can be divided into market, credit and operational risks. In addition there is a further industry-specific risk, namely insurance risk. A more in-depth analysis of outstanding risks in 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 the sections Key assessments and Sources of uncertainty in Note 1, and Note 15.

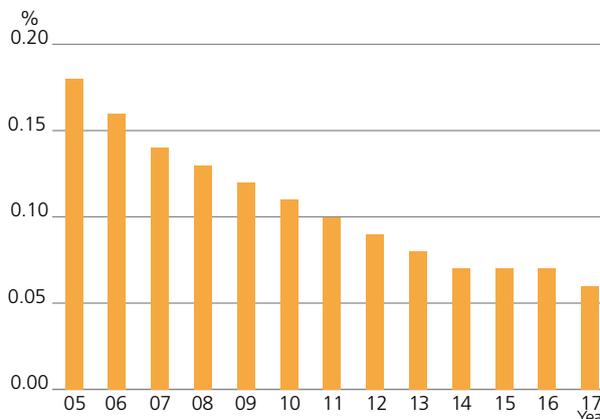
### Actuarial report

The actuarial report has been performed by Ulrika Rönqvist, actuary. The report shows that the society's technical provisions amount to SEK 51,480m (50,343). The obligations the society has comprise to a dominant extent fixed guaranteed interest on paid-in premiums. These obligations have been valued in the actuarial report, supported by the Swedish Financial Supervisory Authority's regulations and general advice, on the basis, among other things, of current market interest rates for matching maturities.

### Costs

Costs in the insurance business amounted to SEK 54m (49). One measure of cost efficiency is the management expense ratio, i.e. the relationship between operating expenses and the average market value of the assets, which amounted to 0.06% (0.06).

### Management costs development



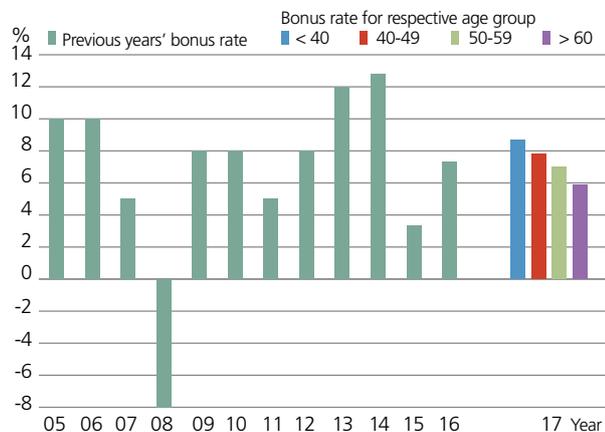
Costs for 2017 were covered by a fixed charge of SEK 6 (6) per policy and by making a deduction from the insurance capital of 0.07%. The fixed charge was halved to SEK 6 per policy from 1 January 2016. For 2018, the deduction from the insurance capital will be reduced to 0.06%. Overall, the charge and deduction over time should correspond to the costs of operations. The aim is to continue to maintain a low level of costs over time.

The cost of investment management amounted to SEK 37m (35). One measure of the efficiency in investment operations is the investment management cost ratio, i.e. the relationship between the society's direct costs for investment management and the average market value of the assets, which amounted to 0.05% (0.05). The strategic decision to increase the proportion of equities managed in-house will mean that the society's direct costs for investment management will increase since the costs directly borne by the society will increase compared with investment in funds where most of the cost is charged to the funds' return. The aim is that the society's total return on investments should not be negatively affected by a transition to a larger proportion of equities managed in-house resulting in higher direct investment management costs.

### Adjustment of operations to the new pension agreement PA 16

The Council of Administration decided to revise the statutes of the society in March 2016. The changes meant, among other things, that a new product, Kåpan Flex, was introduced, future premiums for Kåpan Valbar are transferable and that paid-in premiums are charged with a solvency capital requirement deduction of 20% while the guaranteed interest was raised from 0.3% to 1%. In 2017, premiums started to be paid in according to the new pension agreement and administrative routines have been established for moving pension capital in and out.

## Bonus rate



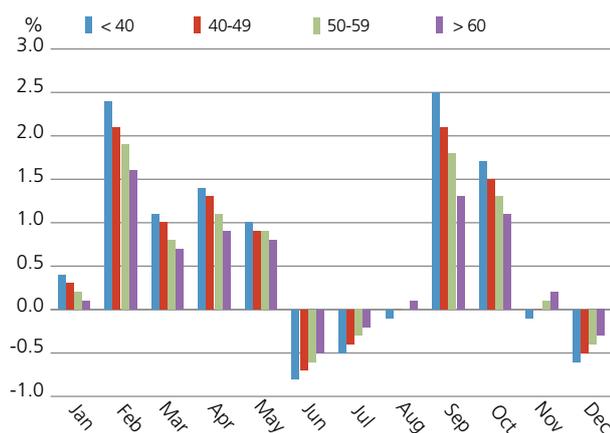
## Report on monthly bonus in 2017

The bonus was added to members' pension capital monthly in arrears. The first monthly bonus for 2017 was announced in mid-February based on the return on investments in January and the collective funding ratio on 31 January. The financial position and returns during the year were stable. Taken overall the different age groups' pension capital received the following annual equivalent bonus before tax on returns and costs:

- 8.7% for age group younger than 40
- 7.8% for age group 40 – 49
- 7.0% for age group 50 – 59
- 5.9% for age group 60 and over

The difference in returns between the groups is attributable to the returns of the equities asset class which showed good returns during the year and meant that the younger age groups with a greater proportion of shares in their investments received a higher return. In the previous year the common annual bonus rate was 7.3%.

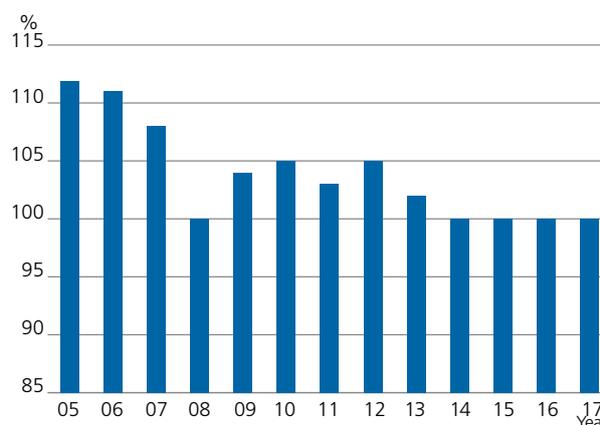
## Monthly bonus rate 2017



## Collective funding

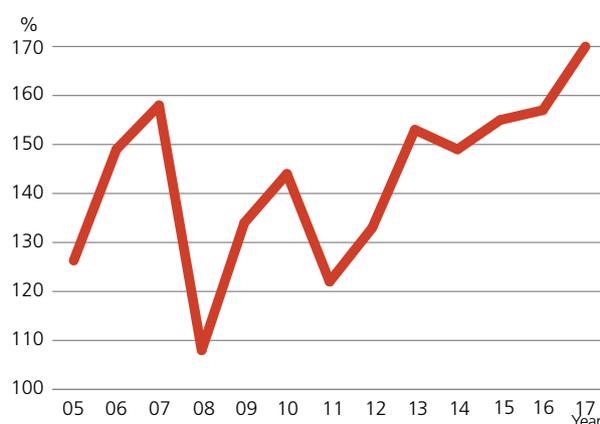
Collective funding is the market value of assets minus financial liabilities in relation to the sum of technical liabilities based on paid-in premiums and the guaranteed interest as well as previously allocated bonus funds.

## Collective funding ratio



The Board has 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 – 105% with a target level of 100%. The funding ratio at year-end after the bonus decided for December 2017 was 100%.

## Solvency ratio



## Development of solvency

Solvency expresses how much of technical liabilities are covered by assets. The return on assets during the year was positive. Outstanding obligations are valued at year-end based on a discount rate curve which is based on market

interest rates for the first ten years and then a gradual adjustment to a fixed macro interest rate of 4.2%. The rate which has been used has a lower level than the previous year which means that the value of outstanding obligations has risen.

Taken overall, the solvency ratio rose by 13 percentage points during the year from 157% to 170%. The return contributed a strengthening of 7 percentage points and changes in valuation of outstanding obligations provided a strengthening of 6 percentage points.

### Tax on pension capital

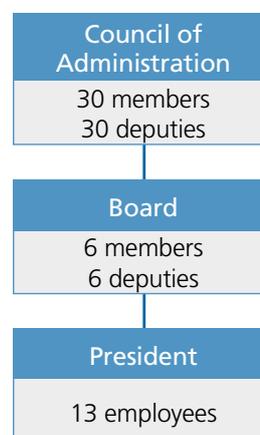
The society pays tax on pension capital on behalf of its members. The basis for tax assessment is the members' pension capital expressed as their part of the market value of the society's assets after deduction for financial liabilities on 1 January in the assessment year. The tax on these funds is calculated by 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, with a floor of 0.5%. The standard capital income thus calculated is then taxed at 15%. For the society this meant that the tax on pension capital paid for the year 2017 amounted to SEK 40m (63).

### Management functions and audits

The society's 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 area. 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. During the year the Council of Administration held one ordinary general meeting.

The society's operational activities are managed by a Board, which consists of six members with an equal number of personal deputies. The Board, like the Council of Administration, is composed on a parity basis. The Board appoints the society's President. The Board held seven meetings during the year, one in the form of a two-day seminar. Key questions, in addition to proposals to the general meeting, were the future long-term investment focus, developments in the regulatory area and handling of ethics and risks in investment management. During the year the Board reviewed the previously decided generation-based investment and bonus model. During the year the Board updated and decided on all the society's policies and instructions

### Board and management



issued by the Board. The Board appointed a Remuneration Committee consisting of Board members where the salary and remuneration of the President is reviewed. Remuneration to other senior executives in the society is decided by the President in accordance with the remuneration policy adopted by the Board.

The Chair of the Board and of the Remuneration Committee is Eva Liedström Adler, Director General of the Swedish Agency for Government Employers.

### Administration

The average number of employees during the year was 14 (12) with the key task of conducting investment management, accounting 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 3m (6). Most of this expenditure is attributable to IT systems and refurbishing of office space. The insurance administration system is depreciated over 10 years, other investments over 3 – 5 years.

### Looking to the future

Kåpan Pensioner started its operations in 1992 and since 2003 has been the default alternative for the choice component of occupational pensions. The society has been

entrusted with also insuring the compulsory components and functioning as the default supplier for the part of the pension where there is a choice for the new pension agreement, PA 16. Premiums according to the new agreement started to be paid during 2017 and systems and routines have been adapted to the new agreement.

Continued trust means that the society's operations continue to increase in scope which places greater demands on the organisation but also provides economies of scale and opportunities to improve efficiency. With the new agreement and present development, a balance between payments made and payments received will be reached around 2060 which means that the organisation must be continuously developed and adjusted.

During 2018, work will continue on improving the efficiency of operations and preparing the organisation ahead of the changes caused by new regulations covering occupational pensions which are expected to take effect in 2019. Other changes in external regulations also affect the society's operations and require updates to and changes in operations. The consistent observation is that the regulations and external demands made on operations do not take into account the proportionality principle. Demands are made on the society on the basis of the resources and complexity of large organisations without either the will or the possibility of adapting the demands to a small, efficient,

pure-play organisation. This is one of the biggest challenges for the society since the complexity of the regulations and other requirements mean that significant resources will need to be put into internal administration and structural information without there being any value to members.

The strategic direction for the society's operations, to generate a good return with limited risk, remains unchanged and the aim is to maintain the already low level of costs despite the increased administrative load. The society's cooperation with the National Government Employee Pension Board (SPV) over insurance administration and a common customer service unit is continuously evaluated in step with the increase in scope of the operations and long-term change in SPV's role in the government employees' occupational pension system caused by the new pension agreement, PA 16. The purpose of this cooperation is to provide members with a good level of information about the government employees' occupational pension and an efficient administration of their pension capital.

#### Disposition of profit for the year

The profit for the year, SEK 7,899,105,829 (4,244,986,317) will be transferred to other reserves. The society's equity thus amounted to SEK 35,776,449,015 (28,843,389,456) at 31 December 2017.





# FINANCIAL STATEMENTS

## Five-year summary

<b>Results, SEKm</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Premiums written	5,365	4,381	4,189	4,102	4,007
Investment income, net	5,553	5,434	1,770	6,882	4,491
Claims paid	-1,787	-1,738	-1,659	-1,577	-1,449
Bonus paid <sup>1)</sup>	-966	-862	-847	-583	-369
Balance on the technical account, life insurance business	7,939	4,308	3,713	2,675	8,084
Profit for the year	7,899	4,245	3,544	2,494	7,962

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

<b>Financial position, SEKm</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total assets <sup>1)</sup>	87,396	79,419	72,250	69,374	60,256
Investment assets <sup>1)</sup>	85,573	77,542	70,873	67,609	58,580
Technical provisions	51,480	50,343	46,623	46,084	39,398
Funding capital	35,776	28,843	25,460	22,744	20,813
Capital base	35,766	28,831	25,451	22,736	20,803
Required solvency margin	2,059	2,014	1,865	1,843	1,576

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

<b>Key ratios, %</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Management expense ratio <sup>1)</sup>	0.06	0.06	0.07	0.07	0.08
Total return	7.1	7.6	2.6	11.5	8.4
Funding ratio	100	100	100	100	102
Solvency ratio	170	157	155	149	153

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

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

	<b>Market value 31 Dec 2017</b>		<b>Market value 31 Dec 2016</b>		<b>Total return, % <sup>2)</sup> 2017</b>
	<b>SEKm</b>	<b>%</b>	<b>SEKm</b>	<b>%</b>	
Equity-related	33,892	39	30,787	39	12.2
Fixed-income-related <sup>3)</sup>	40,922	47	35,792	45	2.0
Alternative investments	11,979	14	11,034	14	10.3
Other assets	603	0	1,806	2	–
<b>Total assets</b>	<b>87,396</b>	<b>100</b>	<b>79,419</b>	<b>100</b>	<b>7.1</b>

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

<sup>2)</sup> Daily aggregate 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	2017	2016
<b>Technical account, life insurance business</b>			
Premiums written	3	5,365	4,381
Investment income	4	4,899	3,123
Unrealised gains on investment assets	5	893	3,237
Claims paid	6	-1,787	-1,738
Change in other technical provisions		-1,137	-3,720
Operating expenses	7	-54	-49
Investment charges	8	-54	-674
Unrealised losses on investments	9	-186	-252
<b>Balance on the technical account, life insurance business</b>		<b>7,939</b>	<b>4,308</b>
<b>Non-technical account</b>			
Balance on the technical account, life insurance business		7,939	4,308
Tax on profit for the year	10	-40	-63
<b>Profit and comprehensive income for the year</b>		<b>7,899</b>	<b>4,245</b>

## Statement of comprehensive income

SEKm	2017	2016
Profit for the year	7,899	4,245
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>7,899</b>	<b>4,245</b>

## Balance sheet

SEKm	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	11	10	12
<b>Investment assets</b>			
Other financial investments			
Shares and participations	12	46,526	41,956
Bonds and other fixed-income securities	13	39,041	35,563
Derivatives	14	6	23
	15	<b>85,573</b>	<b>77,542</b>
<b>Receivables</b>			
Other receivables	16	173	42
<b>Other assets</b>			
Property, plant and equipment	17	2	1
Cash and bank balances		1,422	1,550
		<b>1,424</b>	<b>1,551</b>
<b>Prepayments and accrued income</b>			
Accrued interest		215	271
Other prepayments and accrued income		1	1
		<b>216</b>	<b>272</b>
<b>Total assets</b>		<b>87,396</b>	<b>79,419</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Other reserves			
Other reserves	18	27,430	24,151
Perpetual subordinated loan		386	386
Premium adjustment reserve		61	61
Profit and comprehensive income for the year		7,899	4,245
		<b>35,776</b>	<b>28,843</b>
<b>Technical provisions</b>			
Life insurance provisions	19, 20	51,474	50,336
Provision for unsettled claims	21	6	7
		<b>51,480</b>	<b>50,343</b>
<b>Provisions for other risks and costs</b>			
Tax		2	4
<b>Liabilities</b>			
Derivatives	14	84	214
Other liabilities	22	52	13
		<b>136</b>	<b>227</b>
Accruals and deferred income		2	2
<b>Total equity, provisions and liabilities</b>		<b>87,396</b>	<b>79,419</b>

## Statement of changes in equity

### 2017

SEKm	Other reserves	Perpetual subordinated loan	Premium adjustment reserve	Comprehensive income for the year	Equity
Opening equity previous financial year	24,151	386	61	4,245	28,843
Disposition of earnings 2016	4,245			-4,245	0
Bonus paid during the financial year	-966				-966
Profit and comprehensive income for 2017				7,899	7,899
Closing equity for the financial year	27,430	386	61	7,899	35,776

### 2016

SEKm	Other reserves	Perpetual subordinated loan	Premium adjustment reserve	Comprehensive income for the year	Equity
Opening equity previous financial year	21,469	386	61	3,544	25,460
Disposition of earnings 2015	3,544			-3,544	0
Bonus paid during the financial year	-862				-862
Profit and comprehensive income for 2016				4,245	4,245
Closing equity for the financial year	24,151	386	61	4,245	28,843

## Cash flow statement

SEKm	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
<b>Operating activities <sup>1)</sup></b>		
Profit before tax	7,939	4,308
Adjustment for non-cash items <sup>2)</sup>	435	738
Tax on returns paid	-40	-63
Bonus paid <sup>3)</sup>	-966	-862
Change in other operating receivables	-75	178
Change in other operating liabilities	-93	66
<b>Cash flow from operating activities</b>	<b>7,200</b>	<b>4,365</b>
<b>Investing activities</b>		
Investments in non-current assets	-3	-6
Sale of financial investment assets	25,610	24,171
Purchase of financial investment assets	-32,935	-27,854
<b>Cash flow from investing activities</b>	<b>-7,328</b>	<b>-3,689</b>
<b>Financing activities</b>		
Paid-in equalisation charges	0	0
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
<b>Cash flow for the year</b>	<b>-128</b>	<b>676</b>

## Change in cash and cash equivalents

SEKm	2017	2016
Cash and cash equivalents at beginning of the year	1,550	874
Cash flow for the year	-128	676
<b>Cash and cash equivalents at the end of the year <sup>4)</sup></b>	<b>1,422</b>	<b>1,550</b>

<sup>1)</sup> Of which	2017	2016
Interest received	874	917
Interest paid	220	293
Dividends received	672	825

<sup>2)</sup> Of which	2017	2016
Depreciation	4	3
Unrealised gains	-892	-3,237
Unrealised losses	186	252
Change in technical provisions	1,137	3,720

<sup>3)</sup> Bonus paid is taken directly from Other reserves.

<sup>4)</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 2017 and pertain to Kåpan pensioner försäkringsförening (Kåpan Pensioner) which is an insurance society with its registered office in Stockholm. The address of the head office is Smålandsgatan 12, Stockholm. Kåpan Pensioner's registered number is 816400-4114. The annual accounts were approved for publication by the Board on 20 March 2018. The income statement and balance sheet will be presented for adoption at the annual general meeting on 18 April 2018.

The 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 with additions in FFFS 2009:12 and the Swedish Financial Reporting Board's recommendation RFR 2.

Kåpan Pensioner applies so-called legally limited IFRS. This means that all IFRS are applied provided this is possible within the framework of Swedish accounting law.

The Friendly Societies' Act (UFL) (1972:262) was repealed when the new Insurance Business Act (2010:2043) came into force on 1 April 2011. According to the Act on Introduction of the Insurance Business Act (2010:2044), insurance societies could continue to conduct their business according to UFL until the end of 2014. Subsequently, the transition period has been extended until 30 June 2019.

### Prerequisites for preparation of the financial report

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 recognised at cost.

### Estimations and assessments in the financial statements

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

### 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 society'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 2013:23). This means that provisions are market valued on the basis of current market interest rates for corresponding maturities complemented with interest converged to a long-term forward rate specified by the Swedish Financial Supervisory Authority (4.2%). 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 2016 were incapacitated reduced by any final payment premiums for them in 2017. The society's actuary calculates this provision. Change in provision for claims outstanding is shown in Note 21.

### Reporting 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 the value and cost is an unrealised gain or loss which is recognised net per asset class. Such changes that are explained by exchange rate fluctuations are recognised as an exchange gain or loss.

A realised gain or loss is the difference between selling price and cost. For fixed-income securities the cost is amortised cost and for other investment assets the historical cost. In the event of the sale of investment assets the former unrealised changes in value are entered as an adjustment item under Unrealised gains on investment assets or Unrealised losses on investment assets respectively. Capital gains on assets other than investment assets are recognised as Other income.

Note 1 cont.

### Tax on returns

Tax on returns is not a tax on the society's profit, it is paid by the society on behalf of policyholders. The value of the net assets managed on behalf of policyholders is charged with tax on returns 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 assets are amortised over three to five years from the date they are available for use. The insurance administration system is amortised over a 10-year period.

### Financial instruments

Financial instruments recognised in the balance sheet are equities and other equity instruments, fixed-income securities, debenture loans and other derivatives.

Acquisition and divestment of financial instruments is reported on the transaction date which is the day the society undertakes to acquire or sell the instrument.

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 on 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 2017 are typically based on a value statement from the managers produced during the period 30 September 2017 – 30 November 2017.

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.

### Property, plant and equipment

Property, plant and equipment items 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.

Property, plant and equipment is 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 society's employees have 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. Charges for these are recognised as an operating expense in the income statement. Individual agreements on salary exchange are in place where the employee sacrifices part of gross salary for a pension provision. This procedure is cost-neutral for the society.

### Premium adjustment reserve

According to the pension agreement that applied until 31 December 2015, the employer paid premiums to the society for occupational pension insurance for every employee. However, under the agreement people below the age of 23 were not credited with premiums for complementary retirement pension (Kåpan tjänste). In accordance with the society's statutes, these non-allocated contributions were placed as an addition to the premium adjustment reserve. No premiums were added after 31 December 2015.

## NOTE 2 Disclosures about significant risks and uncertainties

The society's reported profit depends both on the insurance business and the insurance risks that are managed and on investment management operations and financial risks. Risk and risk management are therefore a central part of the business. The note set out below contains a description of the risk management organisation as well as quantitative and qualitative disclosures of insurance risks and financial risks.

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 level of risk is acceptable in relation to the solvency which the society has at any time.

Financial risks, primarily market, credit and liquidity 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 society's risk management organisation is based on the main responsibility for the risks to which the society is exposed resting with the Board. The Board adopts the guidelines that must apply to risk management, risk reporting, internal control and monitoring, and ensures that there is a collective function in the company for risk control and that there is function for rule compliance. The Board has in special instructions within specific frameworks delegated responsibility for risk management to various other functions in the society, the President, the head of Asset Management, Compliance Manager and a Risk Manager. These instructions are regularly revised by the Board in order to ensure that they accurately reflect the operations. Insurance risks are analysed continuously by the society's actuary. Consultants are engaged when required.

Implementation and follow-up of control documents and routines in the organisation are an ongoing activity where control documents and routines are checked and revised regularly in order to ensure that they accurately reflect current market conditions as well as current terms and conditions in the society's insurance products.

Regular training activities and clear processes ensure that risk control functions throughout the organisation and that each employee understands his or her role and responsibilities. Compliance with this is checked by the Board through its decisions on recurrent annual independent reviews which are performed by the internal audit function.

### 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.

The insurance risk consists of several different components where the level of members' guaranteed return is the largest. One risk is the longevity risk, which is affected by assumptions about length of life, and which relates to actual length of life being longer than the assumed length, which results in retirement pensions being paid for a longer period. A higher longevity risk means that technical provisions made by the society to cover future pension payments are not fully covered by provisions made. For the society, which has a payment period for most of its pensions capital of 5 years, when its members are aged 65-70, the longevity risk is relatively small compared with pensions paid for life. With the PA 03 pension agreement, the society acquired a steadily increasing proportion of life-long pensions in the form of the individual retirement pension. This means that over time the longevity risk in the society's operations will increase.

Mortality risk, morbidity risk and cancellation risk are three other types of risk which are assessed as marginal within the society. Mortality risk relates to death benefit, compensation paid in conjunction with a death. Morbidity risk means that disability among insured is higher than expected in assumptions made, or that recovery from a current disability takes longer than assumed.

Cancellation risk relates to the policyholder suspending premium payments, or repurchases or transfers the insurance to a third party. Provisions in the society are made in accordance with the rules designed to ensure that obligations can always be met. The 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. Most of these risks are within the framework of the society's present business for example the PA 03 pension agreement means that the society's responsibility for final payment of remaining pensions due to factors such as illness will cease in time.

### 2017

Assumption	Change in assumption	Change in provision, SEKm
Life expectancy increase	20 %	651
Cost inflation	20 %	132
Discount rate	1% point	-4,651

### 2016

Assumption	Change in assumption	Change in provision, SEKm
Life expectancy increase	20 %	601
Cost inflation	20 %	127
Discount rate	1% point	-3,912

### Management of interest rate risks in outstanding insurance obligations

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

During the year the effect of changes in market interest rates meant that the value of obligations made decreased by SEK -349m (3,193). For the year there were no effects from changed rules and regulations for the discount rate. The society applies, though a dispensation granted by the Swedish Financial Supervisory Authority, the rules stipulated in the Supervisory Authority's regulations and general advice FFFS 2013:23 on insurance companies' choice of interest rate for calculation of technical provisions. The regulations FFFS 2013:23 mean that the society when calculating the discount rate shall base this on market quotations for the interest rate swaps traded on active markets when the society calculates the discount rate curve to be used to calculate the value of technical provisions, as well as applying the calculation method prescribed in the regulations which also means that the long-term forward rate is considered to converge towards a value specified by the Supervisory Authority. The long-term forward rate at year-end was 4.2% (4.2). Taken overall changes in market interest rates mean that obligations decreased in value by SEK -349m (3,193). In order to reduce the outstanding interest rate risk in obligations made, agreements for various types of interest rate hedges are 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 at year end totalled SEK 2,500m (1,500). The change in value of interest rate hedges meant that these rose by SEK 1m (29). The total earnings impact and negative (positive) effect on solvency thus amounted to SEK -348m (3,164).

### Management of matching risk

The society's total outstanding interest rate risk (matching risk) is a weighting of fixed-income assets 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

Note 2 cont.

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 cover in accordance with the Board's decision 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. Interest rate risk cover amounts to 32.4% (32.5).

Matching risk is also managed by the society regularly conducting ALM (Asset Liability Modelling) studies, an evaluation calculation to find an optimal mix of different asset classes which can match liabilities over time in order to ensure that assets are always sufficient to cover liabilities as they fall due for payment. In May, the society commissioned an investment bank in order, in cooperation with the society, to perform an ALM study. The purpose of the study was to identify the optimal composition of the society's asset classes and liability hedging strategy in order to achieve the best balance for the society's long-term obligations.

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

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

#### General objectives for risk management

The society's assets must be invested in the manner that best serves the interests of its members and an exaggerated risk concentration must be avoided through suitable diversification between and within different classes of assets. The assets shall, taking into account the society's insurance obligations and changes in future value and return, be invested so that the society's payment capacity is satisfactory and a sufficient expected return is achieved within the framework of prudent asset management. In business that concerns occupational pension insurance, in accordance with the Insurance Business Act (1982:713) which is still applied by the society in accordance with the now applicable interim rules for benevolent societies, the assets which match technical provisions shall be measured and managed in a prudent manner. Rules on prudence are based on the IORP Directive (European Parliament and Council Directive 2003/41/EC on the activities and supervision of occupational pension institutions). The prudent person rule means that activities must be conducted in a manner which the individual beneficiary himself would apply if he or she had the requisite skills and knowledge.

#### General principles for risk management

The taking of risks in the society must be reasonable in relation to obligations undertaken. 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 risk capital, long-term targets for returns expressed as the level of the guaranteed obligations and anticipated bonus rate.

#### Risk management methods

A fall in value on the assets side can be limited with in principle three different methods. The first method is to spread the risks different asset classes by building up a diversified investment portfolio, e.g. equities, fixed-income investments, properties, etc. Spreading risks with diversification is a basic rule within asset management. The second method involves selling assets at risk when the portfolio decreases in value in order to thus protect capital. But this method also means selling when the price is low and is not a good management strategy. The third method is to use capital-protected investments, such as bonds where at least the nominal amount is repaid on the maturity date regardless of market development. Another method for limiting the risk of losses is not to invest too much in the same company (or group). This too is a type of diversification. Operational risks, on the other hand, are limited through a regular review of routines and working methods and by the Board commissioning a regular independent review of operations and of both asset management and management of technical provisions.

### 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 and increases with the maturity of the obligations. Average fixed-interest period is an elasticity measurement relating to interest rate risk which shows the effect when all market interest rates change by the same amount (parallel shift). The fixed-interest period for a given instrument is calculated by weighing the time to each future cash flow, this is also known as the instrument's duration.

Assets decrease by SEK 1,132m (999) in the event of a 1% increase in interest rates. Liabilities decrease by SEK 4,651m (3,912) as specified above. The total outstanding interest rate risk in the event of a 1 percentage point change in the discount rate amounts to SEK 3,519m (2,913) in the form of a positive effect on solvency.

### Management of share price risk

Share price risk is 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. In the section sensitivity analysis, below, an account is provided of outstanding share price risk. The total outstanding share price risk in the event of a price change of 10 percentage points amounts to SEK 3,465m (3,212).

### Management of property price risk

Property price risk is the risk that the market value of a property investment falls. Property price risk is measured as a reduction in the market value of property investments. The total outstanding property price risk in the event of a change in value of 10 percentage points amounted to SEK 985m (812).

### Management of currency risk

Currency risk is 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 the society 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 represent a currency risk. Exposure to currency risk, in accordance with a Board decision, is between 5 and 15% of the total value of assets.

Currency exposure amounts after currency hedging to 12.9% (10.2) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 29,085m (26,916). The total outstanding currency risk is estimated in the event of a change in exchange rates of 10 percentage points to amount to SEK 1,123m (809).

The breakdown of outstanding currency risk in different currencies (SEKm) is measured as a stressed scenario of a 10% strengthening of SEK against foreign currency

	2017	2016
USD	391	137
EUR	23	7
GBP	42	21
AUD	31	40
JPY	9	13
CHF	0	4
CAD	31	31
NOK	5	4
NZD	25	26
Other	566	526 <sup>1)</sup>
Total	1,123	809

<sup>1)</sup> Emerging markets currencies are reported under Other currencies.

cont. next page

Note 2 cont.

### Management of credit risk

Credit risk is the risk that an issuer or counterparty suspends payments. Credit risk includes counterparty risk, concentration risk and liquidation risk.

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 according to the Board's decision on how investments may be made. These restrictions apply to 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 viewpoint since one of them, directly or indirectly, exercises ownership influence over one or more of the rest of the group or 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.

Concentration risk includes major exposures or concentrations to specific counterparties, sectors or industries.

Five largest exposures property companies		Five largest exposures not credit institutions			
31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016		
1.	2.35%	2.30%	1.	4.68%	3.12%
2.	0.69%	0.77%	2.	3.49%	2.69%
3.	0.33%	0.36%	3.	2.19%	2.03%
4.	0.25%	0.25%	4.	1.75%	1.66%
5.	0.21%	0.22%	5.	1.53%	1.44%
Ratio <sup>1)</sup>	3.83%	3.90%	Ratio <sup>1)</sup>	13.63%	10.94%

Five largest exposures property companies		Five largest exposures not credit institutions			
31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016		
1.	13.29%	8.79%	1.	12.17%	6.71%
2.	11.62%	8.40%	2.	10.33%	5.94%
3.	11.40%	7.31%	3.	8.76%	5.36%
4.	6.70%	7.20%	4.	5.60%	4.76%
5.	3.82%	6.26%	5.	2.40%	4.75%
Ratio <sup>1)</sup>	46.83%	37.96%	Ratio <sup>1)</sup>	39.25%	27.52%

All percentages expressed as share of the present value of technical provisions on the closing date.

<sup>1)</sup> Concentration ratio is calculated according to  $CR_m = \sum_{i=1}^m s_i$  where the total is calculated over the 5 largest holdings ( $m = 5$ ).

### Management of credit spread risk

Credit spread risk can, with some assumptions, be regarded as the difference in valuation of a security with credit risk and valuation with a risk-free bond with similar terms and the same duration. The difference (interest rate difference) is called 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 spread 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. The total outstanding credit risk calculated with an assumption of double listed credit spread amounts to SEK -1,707m (-1,778).

### Overview of current restrictions and outstanding risks

Current restrictions in investment policy for investment on the basis of assessed creditworthiness in the form of a rating. The limits allowed at a total level per rating category changed during the year.

2017	Max of total assets	Maximum per counter- party	Of total assets	Largest counterparty exposure
Very high	50%	5.0% <sup>1)</sup>	29.7%	1.7%
High	25%	2.5% <sup>2)</sup>	1.0%	0.5%
Average	12.50%	1.0%	5.3%	0.8%
Low	10%	0.5%	7.2%	0.4% <sup>3)</sup>

2016	Of total assets	Maximum per counter- party	Of total assets	Largest counterparty exposure
Very high	50%	5.0% <sup>1)</sup>	25.5%	4.3%
High	25%	2.5% <sup>2)</sup>	2.2%	0.6%
Average	12.5%	1.0%	6.1%	0.9%
Low	10%	0.5%	8.5%	0.4% <sup>3)</sup>

<sup>1)</sup> Swedish mortgage institutions, covered bonds, max 10%.

<sup>2)</sup> Wholly state-owned companies (e.g. Vasakronan), max 5%.

<sup>3)</sup> Excluding an exemption decided by the Board, if applicable.

For bonds and other debt instruments issued or guaranteed by the Kingdom of Sweden the limit is 65% (65). However, an adjustment was made during the year of the total limit for fixed-income assets at an overall strategic level, where the limit for the overall strategic focus for investments in fixed-income securities can now be a maximum of 70%. This adjustment of the total level took place among other things as part of the introduction of a model with four bonus groups based on the insured's date of birth, with a different investment focus depending on bonus group, and in which the total permitted interest rate risk varies from a low of 35% for the youngest generations to a maximum of 65% for the oldest generations.

### Management of cash flow risk

The society manages cash flow risk by ensuring, on each occasion, 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. Cash flow risk measured as the ratio between the present value of three years' pension payments and the market value of fixed-income securities with an AAA rating amounts and expressed in percent. For 2017 the quotient amounts to 1,145.9% (867.7). The calculated metric may not be less than 300%.

### Management of transaction risk (settlement risk)

Transaction risk is 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 foreign 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 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 foreign authority when a foreign securities institution is involved.

### Assessment of the level of all risks in operations

Market risk refers to the change in value of a financial asset when the price that decides the value of the asset changes. There are three types of market risks: currency risk, interest rate risk and other price risks. In financial operations the most important market risks are interest rate risks, currency risks and share price risks (price risk). 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

Note 2 cont.

that the equities portfolio must be well diversified so that individual investments do not constitute too high a risk for the investment result as a whole. Risk diversification shall also be achieved by investments in different sectors and in different markets.

### Sensitivity analysis

2017	Effect on investment assets	Effect on life insurance provisions	Effect on equity
<b>Risk variable</b>			
Price fall on shares, 10%	-3,465	–	-3,465
Fall in value property-related, 10%	-985	–	-985
Doubled credit spread	-1,707	0	-1,707
Exchange rate fall, 10%	-1,123	–	-1,123
Interest rate rise, 1%	-1,132	4,651	3,519

2016	Effect on investment assets	Effect on life insurance provisions	Effect on equity
<b>Risk variable</b>			
Price fall on shares, 10%	-3,212	–	-3,212
Fall in value property-related, 10%	-812	–	-812
Doubled credit spread	-1,778	0	-1,778
Exchange rate fall, 10%	-809	–	-809
Interest rate rise, 1%	-999	3,912	2,913

When calculating the effect on life insurance provisions above, tax and expenses are taken into account. The sensitivity analysis is based on the society's assets being measured at fair value through profit or loss.

### Management of operational risk

Operational risk refers to risk of loss due to processes that are not fit for purpose or unsuccessful, human error, faulty systems or external events. This also includes legal risk. This means that errors or inadequacies in administrative routines can lead to unexpected financial or confidence-related losses. These may be caused, for example, by a lack of internal control, inadequate systems or technical equipment. The risk of irregularities, internal or external, is included among operational risks. Operational risks are counteracted through internal control of operations. Maintenance of good internal control is a constantly ongoing process and includes requirements for fit-for-purpose routines and instructions as well as clearly defined divisions of responsibility and working duties

for the society's employees. Maintenance of a good internal control also requires IT support with built-in reconciliations and controls, authorisation systems for premises and equipment, as well as internal information and reporting systems in order, among other things, to meet the requirements of the Board and management for information on risk exposure and current information about the society's assets and liabilities. Other aids include process-based risk analysis with risk indicators as well as analysis of incident and loss data. Information security is another aid for maintaining a good internal control as well as continuity planning and various forms of reserve solutions for electricity, telephony and similar. In purely general terms the largest proportion of events attributable to operational risks, regardless of their degree of seriousness, is about handling errors in manual operations in processes such as application of pricing models, dependence on key persons or deviations from internal instructions, data errors, changed conditions related to assumptions on which the models are based, or other errors which have in common that they combine data with the use of models. The use of pricing models, and the extent to which these models are reliable, is an area that has attracted considerable attention in recent years. Operational risks are in the first instance a process issue – good internal control, competent employees and good quality in internal processes and systems solutions are the key factors in management of operational risks.

Overall guidelines relating to operational risks have been adopted by the Board and include through the President a monthly (or where necessary more frequently) reporting relating to operational risks. Since only twelve (eleven) 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. It is always the Board that assigns internal audits, since it is management's internal governance and control which is examined. The Board decides annually on an internal audit plan for the current year.

The society has signed an agreement with National Government Employee Pensions Board (SPV) for administration of its insurance operations. This agreement is an outsourcing agreement which refers to an agreement in some form where the society and an external contractor agree that the contractor will carry out processes, services or other activities which the society would otherwise have performed itself. The outsourcing agreement is included together with internal control and risk management in the society's corporate governance system. The society's internal audit function has also been assigned by the Board to evaluate the services purchased from SPV.

### Outstanding maturities on fixed-income assets and liabilities

2017	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	Without interest	nominal	market value
<b>Assets</b>								
Bonds and other fixed-income securities	1,121	7,932	27,015	4,634	106	0	40,808	39,041
Interest rate derivatives, positive		6					6	6
<b>Liabilities</b>								
Life insurance provisions	-1,812	-3,874	-4,316	-11,625	-50,045	-6	-71,678	-51,480
Interest rate derivatives, negative	-2	-10	-1	-3			-16	-16
<b>Cumulative exposure</b>	<b>-693</b>	<b>4 054</b>	<b>22,698</b>	<b>-6,994</b>	<b>-49,939</b>	<b>-6</b>	<b>-30,880</b>	<b>-12,449</b>
<b>2016</b>	<b>max. 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>5-10 years</b>	<b>+10 years</b>	<b>Without interest</b>	<b>Total nominal</b>	<b>Total market value</b>
<b>Assets</b>								
Bonds and other fixed-income securities	1,099	6,701	24,406	4,653	437	0	37,296	35,563
Interest rate derivatives, positive	23						23	23
<b>Liabilities</b>								
Life insurance provisions	-1,766	-3,740	-4,113	-11,133	-47,850	-9	-68,611	-50,343
Interest rate derivatives, negative	0	-60	-4				-64	-64
<b>Cumulative exposure</b>	<b>-644</b>	<b>2,901</b>	<b>20,289</b>	<b>-6,480</b>	<b>-47,413</b>	<b>-9</b>	<b>-31,356</b>	<b>-14,821</b>

**NOTE 3 Premiums written**

	2017	2016
Premiums written Kåpan Tjänste	2,274	2,159
Premiums written Kåpan Extra	710	787
Premiums written Kåpan Electable	2,119	1,435
Premiums written Kåpan Flex	262	0
	<b>5,365</b>	<b>4,381</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**

	2017	2016
Dividends received	672	825
<b>Interest receivable</b>		
Bonds and other fixed-income securities including bank balances and similar	665	621
Derivatives	0	6
Exchange gains, net	0	2
<b>Capital gains, net</b>		
Shares	2,462	1,021
Bonds and other fixed-income securities	250	648
Derivatives	850	0
	<b>4,899</b>	<b>3,123</b>

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

**NOTE 5 Unrealised gains on investment assets**

	2017	2016
Shares and participations	780	3,148
Bonds and other fixed-income securities	0	89
Derivatives	113	0
	<b>893</b>	<b>3,237</b>

**NOTE 6 Claims paid**

	2017	2016
Pension payments Kåpan Tjänste	-1,243	-1,231
Pension payments Kåpan Extra	-229	-211
Pension payments Kåpan Plus	-148	-158
Pension payments Kåpan Electable	-167	-138
Pension payments Kåpan Flex	0	-
	<b>-1,787</b>	<b>-1,738</b>

<sup>1)</sup> In addition, SEK 966m (862) was paid which comprised bonus in addition to the guaranteed rate.

**NOTE 7 Operating expenses**

	2017	2016
Administrative expenses	-91	-84
Cancelled costs attributable to asset management	37	35
	<b>-54</b>	<b>-49</b>
<b>Specification of total operating expenses</b>		
Staff costs	-35	-31
Premises	-2	-2
Depreciation	-4	-3
Other operating expenses	-13	-13
	<b>-54</b>	<b>-49</b>
<b>Fees to auditors <sup>1)</sup></b>		
KPMG		
Audit assignment	-1	-1
Other assignments	0	0
	<b>-1</b>	<b>-1</b>

<sup>1)</sup> Included in other operating expenses.

**Average number of employees**

	Women	Men	Total
Average number of employees	7(6)	7(6)	14(12)

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

	2017	2016
Council of Administration	173	167
Board and President	2,570	2,383
Other employees	14,975	13,328
of which variable compensation	757	115
Pensions and other social security contributions	15,712	14,997
of which pension costs	8,086	7,960
of which President's pension costs	2,485 <sup>1)</sup>	2,492 <sup>1)</sup>

<sup>1)</sup> Of which, salary exchange SEK 477m (636).

Note 7 cont.

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

#### Ordinary members

Eva Liedström Adler, chairman	132,000	(133,667)
Anna Falck	42,250	(0)
Gunnar Holmgren	67,000	(54,500)
Lars Fresker, deputy chairman	102,000	(102,000)
Lena Emanuelsson	67,000	(67,000)
Helen Thornberg	67,000	(63,000)

#### Variable remuneration

The Board has decided on a remuneration policy. According to the policy no variable remuneration is paid to senior executives who are the President, Vice President, investment manager, head of legal/compliance and risk manager.

According to the policy other employees may receive a maximum variable remuneration of two monthly salaries based on a three-year evaluation period. Remuneration is paid as cash salary following a decision by the President who subsequently reports his decision to the Board.

The complete remuneration policy is available on the society's website.

#### Other remuneration

No variable performance-based remuneration is 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 President.

A cash salary of SEK 1,851,395 (1,658, 576) is paid to the President. Salary exchange from gross salary to pension provision took place in the amount of SEK 477,000 (636,000). The President has a company

#### Personal deputies

Jonas Bergström, until 170426	10,250	(41,000)
Petra Pfeiff, from 170801	26,750	(0)
Roger Vilhelmsson	49,000	(41,000)
Gunnar Larsson	39,000	(45,750)
Eva Fagerberg	39,000	(41,000)
Mikael Andersson	41,000	(41,000)
Roger Pettersson, until 170131	8,250	(39,000)
Fredrik Bäckström, from 170427	28,750	(0)

car benefit. The current car is classed as a super eco car. 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. Compensation from another employment will be deducted from such benefits. Salary and other remuneration to the President is reviewed by the Board's Remuneration Committee. The Remuneration Committee consists of Eva Liedström Adler, chairman, Lars Fresker, Helen Thornberg and Lena Emanuelsson. The Board decides on salary and remuneration to the Vice President. The Board has approved the President's external directorships and that the President owns a close company. The President receives fees from these assignments. The President may not undertake assignments outside his employment in the Society without the approval of the Board.

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

The company's occupational pension plans are secured through insurance contracts.

## NOTE 8 Investment charges

	2017	2016
Investment management charges	-3	-4
Operating expenses attributable to asset management	-37	-35
Interest expenses	-12	-3
Exchange losses, net	-2	0
Derivatives	0	-632
	<b>-54</b>	<b>-674</b>

Costs are attributable to financial assets held for trading.

## NOTE 9 Unrealised losses on investments

	2017	2016
Bonds and other fixed-income securities	-186	0
Derivatives	0	-252
	<b>-186</b>	<b>-252</b>

## NOTE 10 Tax on returns

	2017	2016
Tax on returns	-40	-63
	<b>-40</b>	<b>-63</b>

The value of net assets under management is charged with tax on returns which is calculated and paid by the society each year on behalf of policyholders. The society does not pay income tax.

## NOTE 11 Other intangible assets

Other intangible assets	2017	2016
Opening cost	35	30
Investments for the year	2	5
Disposals for the year	0	0
Accumulated amortisation	-27	-23
	<b>10</b>	<b>12</b>

**NOTE 12 Shares and participations**

	2017		2016	
	Cost	Fair value	Cost	Fair value
Swedish equities	12,412	18,345	10,537	15,589
Foreign equities	22,675	28,181 <sup>*)</sup>	20,760	26,367 <sup>*)</sup>
	<b>35,087</b>	<b>46,526</b>	<b>31,297</b>	<b>41,956</b>

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

<sup>\*)</sup> Negative holdings of SEK 139,4m (108,7) reduce the holding's total value.

**NOTE 13 Bonds and other fixed-income securities**

	2017		2016	
	Cost	Fair value	Cost	Fair value
Swedish government	0	0	0	0
Swedish mortgage institutions	21,503	21,428	15,683	15,773
Other Swedish issuers	14,486	14,819	16,161	16,488
Foreign governments	0	0	0	0
Other foreign issuers	2,791	2,794	3,273	3,302
<b>Total bonds</b>	<b>38,780</b>	<b>39,041</b>	<b>35,117</b>	<b>35,563</b>
of which subordinated				
Dated subordinated debenture	1,904	1,942	2,300	2,293

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

**NOTE 14 Derivatives****Derivative instruments with positive values**

	31 Dec 2017		31 Dec 2016	
	Nominal amount	Fair value	Nominal amount	Fair value
Fixed-income related, swap options	500	6	1,500	23
<b>Total bonds</b>	<b>500</b>	<b>6</b>	<b>1,500</b>	<b>23</b>
of which cleared	0		0	

**Derivative instruments with negative values**

	31 Dec 2017		31 Dec 2016	
	Nominal amount	Fair value	Nominal amount	Fair value
Fixed-income related, forward contracts	2,000	-5	300	-4
Fixed-income related, swaps	3,060	-11	6,325	-60
Currency-related, forward contracts	0	0	446	-2
Currency-related, forward contracts	17,465	-68	15,053	-148
<b>Total</b>	<b>22,525</b>	<b>-84</b>	<b>22,124</b>	<b>-214</b>
of which cleared	0		0	

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.

## NOTE 15 Complementary information on financial instruments recognised at fair value

### Investment assets divided among different types of financial instruments measured at fair value, 31 December

#### 2017

Financial instrument	Level 1	Level 2	Level 3	Total
<b>Investment assets</b>				
Shares and participations	33,564	1,748	11,214	46,526
Bonds and other fixed-income securities	36,732	165	2,144	39,041
Derivatives – positive value	0	6	0	6
Derivatives – negative value	0	-84	0	-84
<b>Total</b>	<b>70,296</b>	<b>1,835</b>	<b>13,358</b>	<b>85,489</b>

#### 2016

Financial instrument	Level 1	Level 2	Level 3	Total
<b>Investment assets</b>				
Shares and participations	29,875	1,791	10,290	41,956
Bonds and other fixed-income securities	32,661	168	2,734	35,563
Derivatives – positive value	0	23	0	23
Derivatives – negative value	0	-210	-4	-214
<b>Total</b>	<b>62,536</b>	<b>1,772</b>	<b>13,020</b>	<b>77,328</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 not directly observable but where the value is derived from prices in an active market.
- Level 3** Inputs for the asset or liability concerned based to a significant extent on not directly observable market inputs, i.e. there is no active market for identical investments, such as property values.

Investments in level 3 mainly consist of property-related shares and associated shareholder loans as well as other unlisted shareholdings. Property-related investments are found among shares and participations, property-related shareholder loans are found under bonds and other fixed-income securities.

Fair value is defined as the price at which a financial instrument can be sold to a counterparty who is independent from the society. The notional transaction on the basis of which the price is determined is based on the parties entering such a transaction voluntarily and not forcibly in conjunction for example with liquidation, and also on the basis on the counterparty being able to make a competent assessment of the value of the asset. Prices must also be regarded as applying for a period that concurs with the society's ability to trade and on the basis of the current investment policy.

For financial instruments quoted in an established market (level 1) fair value is determined on the basis of the asset's quoted purchase price on the balance sheet date. A financial instrument is regarded as quoted on a market if quoted prices are easily available on a stock exchange, with a dealer, stockbroker, industry organisation, company that provides current price information or a supervisory authority and these prices represent actual and regularly occurring market transactions on commercial terms. For recurrent and non-recurrent fair value measurements attributable to level 2 and level 3 in the hierarchy for fair value, the society applies the following measurement techniques with the starting points set out below. Securities can be designed in many different ways in order to meet specific purposes and can be designed with variations, such as choice of maturities and different exchange rates which means that the security per se is not quoted on an active market with buying and selling prices which are easily and regularly available in a public marketplace. This means that the security does

not meet the requirements for classification in level 1 of the fair value hierarchy. On the other hand, a reasonable assessment of the fair value of the security can be deduced from observable quoted prices for similar instruments or on the basis of underlying quotations for the parameters required to provide a fair value for the security as a whole. If these conditions are judged to exist and the security can in all probability be sold at this value without delay, it can be classified as level 2 in the fair value hierarchy, i.e. the security is an instrument which directly or through a valuation model is measured with the aid of observable information which in its turn is derived from the market. Most of the society's securities are measured according to level 1 or level 2 in the fair value hierarchy. Securities which do not meet the strict requirements of classification as level 1 or level 2, are regarded as belonging to category 3. This means that they are securities whose value is based on inputs in the form of models or valuation methods in which there is some input or inputs which have affected the estimated value of the asset to a significant extent, and where such inputs comprise assumptions or estimations that are not observable on the market. Examples of this can be operating net for properties in an unlisted property fund. In these cases the market for the financial instrument is assessed as not well established and the society then obtains the fair value by together with an independent, established player in the capital market performing an objective valuation. Valuations are usually then made based on an estimate of expected future cash flow, where the starting point for the society's valuations is that the calculated value is made transparently and using a uniform measurement of securities or funds where there is a functioning market and daily prices based on external sources, and that the value is derived together with established external players with a good reputation who measure the asset on the basis of developed valuation methods and models for securities or funds which have no active market. The society works over time with consistent valuation methods and provides in its accounts clear documentation of valuations performed. For securities in level 3 the society usually uses price information from a third party without making any adjustment. Where applicable, the price is also adjusted on the basis of known transactions made in the investment by the society between the issue of the measurement value by a third party and the balance sheet date. Examples of market players are banks, issuers, stock and credit brokers and authorised property valuers. The aim for the valuation must always on each occasion be to try to obtain as accurate and fair value as possible.

Note 15 cont.

**Reconciliation of fair value and earnings impact from investments included in level 3****2017****Change in level 3 during the year**

<b>Investment assets</b>	<b>Shares and participations</b>	<b>Bonds and fixed-income securities</b>	<b>Derivatives and options</b>	<b>Total</b>
Opening balance	10,290	2,734	-4	13,020
Purchases for the period	2,096	839	4	2,939
Sales for the period	-1,429	-1,416	0	-2,845
Changes in securities and currencies during the period	257	-13	0	244
Changes in unrealised gains or losses due to changes in:				
Market value	0	0	0	0
Transfers from level 3 to level 1 or level 2	0	0	0	0
Transfers from level 1 or level 2 to level 3	0	0	0	0
<b>Closing balance</b>	<b>11,214</b>	<b>2,144</b>	<b>0</b>	<b>13,358</b>
Coupons and dividends during the period	161	175	0	337
Included in profit for the period				
– as part of carrying amount	419	162	0	581
– as part of other comprehensive income	0	0	0	0

**2016****Change in level 3 during the year**

<b>Investment assets</b>	<b>Shares and participations</b>	<b>Bonds and fixed-income securities</b>	<b>Derivatives and options</b>	<b>Total</b>
Opening balance	9,629	2,349	0	11,978
Purchases for the period	1,256	459	1,628	3,343
Sales for the period	-1,257	-81	-1,604	-2,942
Changes in securities and currencies during the period	207	0	-27	180
Changes in unrealised gains or losses due to changes in:				
Market value	455	7	-1	461
Transfers from level 3 to level 1 or level 2	0	0	0	0
Transfers from level 1 or level 2 to level 3	0	0	0	0
<b>Closing balance</b>	<b>10,290</b>	<b>2,734</b>	<b>-4</b>	<b>13,020</b>
Coupons and dividends during the period	333	205	-1	537
Included in profit for the period				
– as part of carrying amount	995	212	-32	1,175
– as part of other comprehensive income	0	0	0	0

For instruments recognised in level 3 the estimates of fair value the society considers to be 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 fair value can change through the use of alternative measurement methods, for example other model assumptions or other parameters.

A review of the classification of each individual investment according to the fair value hierarchy is performed at least once a year in conjunction with closing accounts. Changes in level are documented continuously during the year in connection with each instrument's valuation basis. The annual review includes motivation for a changed classification during the year, if this has taken place. At each year-end a total review is performed of all holdings. No transfers took place between levels 1 and 2 to/from level 3 during the year.

**Assessment of outstanding risks for investments recognised in level 3****2017****Outstanding risks, level 3**

<b>Investment assets</b>	<b>Share in level 3</b>		<b>Share in level 1 or 2</b>	
	<b>SEKm</b>	<b>Share</b>	<b>SEKm</b>	<b>Share</b>
Interest rate risk	94	8%	1,038 <sup>2)</sup>	92%
Share price risk	736	6%	12,315	94%
Property risk	3,133	91%	316	9%
Credit risk	499	29%	1,208	71%
Currency risk	331	29%	792	71%
Correlation effect	-3,275	35%	-6,119	65%
Other risks, not financial instruments			657	
<b>Total net risk</b>	<b>1,518</b>	<b>13% <sup>1)</sup></b>	<b>10,207</b>	<b>87%</b>
Basis for stress test				
Fair value level 3	13,358	100%		

<sup>1)</sup> The total risk is allocated in proportion to each risk area. Divided on the one side level 1 and level 2, and on the other side level 3.

<sup>2)</sup> In the 2017 analysis, the interest rate risk in technical provisions is excluded in the item 'Interest rate risk, Share in level 1 and 2', which means a sharp decrease in the outstanding risk. The assessment is that in future this analysis should comprise outstanding risks in investment assets.

**Assessment of outstanding risks for investments recognised in level 3****2016****Outstanding risks, level 3**

<b>Investment assets</b>	<b>Share in level 3</b>		<b>Share in level 1 or 2</b>	
	<b>SEKm</b>	<b>Share</b>	<b>SEKm</b>	<b>Share</b>
Interest rate risk	111	1%	3,168	99%
Share price risk	879	7%	11,025	93%
Property risk	2,727	96%	117	4%
Credit risk	383	22%	1,395	78%
Currency risk	106	13%	703	87%
Correlation effect	-1,096	14%	-6,985	86%
Other risks, not financial instruments			606	
<b>Total net risk</b>	<b>3,110</b>	<b>24% <sup>1)</sup></b>	<b>10,029</b>	<b>76%</b>
Basis for stress test				
Fair value level 3	13,020	100%		

<sup>1)</sup> The total risk is allocated in proportion to each risk area. Divided on the one side level 1 and level 2, and on the other side level 3.

cont. next page

Note 15 cont.

The starting point for the internal risk measurement analysis of different asset classes is the risk variables and parameters assigned by the 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. The correlation parameters are set by the supervisory authority.

Currency risk for instruments in level 3 is hedged using forward contracts which in the fair value hierarchy, due to their measurement through discounted cash flows, are classified as belonging to level 2. In order to provide a true and fair value of outstanding currency risk attributable to level 3, this is calculated taking into account the currency hedging effected through a currency hedging instrument which is classified as level 2. Currency hedging takes the form of forward contracts and basis swaps. It is the remaining (excess) currency risk attributable to level 3 which is recognised here and consists of the part of the market value for the level 3 assets which is not quoted in SEK, which had not been hedged on the balance sheet date.

Calculation of how much of total net risk is attributable to instruments classified as level 3 in the fair value hierarchy has been made with the simplified assumption that the correlation, within each risk category, between instruments in level 3 (primarily unlisted instruments) and instruments in levels 1 or 2 (primarily listed instruments and currency hedge instruments), is equal to one.

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, over a larger group of insurance companies and pension funds. This means that for the individual asset both a higher and a lower risk level may exist, as with other types of risks. Taken overall, however, this analysis method provides a satisfactory assessment of the outstanding level of risk for instruments in level 3 and their share of the total risk level, total net risk, taking into account correlation effects in the markets represented through the square root formula. For assets in level 3 that are not stress tested with theoretical models most constitute so-called alternative investments, which is a generic term for financial investments which are regarded as uncorrelated with share and fixed-income markets such as where illiquid financial instruments can exist.

#### Quantification of unobservable inputs

For fair value measurements within level 3 where the society has engaged a third party to calculate value, the society does not produce quantifiable unobservable inputs, but uses price information from the third party without adjustment. The reason for this includes the fact that the valuation models used by the third party in its internal valuation process are usually owner protected by third party and therefore not communicated to the society, i.e. these are the banks' and valuation institutions proprietary models where the society does not have insight into the details of the underlying assumptions and valuation models that are applied in the measurement process. For investments in some companies under liquidation the third party makes an assessment that there is a possibility to recover an unspecified part of the investment but that the probability of this occurring cannot be quantified, and the third party does not provide amounts for future cash flows that might be expected in the recovery process. In such valuations the society has set the probability of this at zero per cent and thereby measured these investments at zero kronor.

### NOTE 16 Other receivables

	2017	2016
Tax asset	4	7
Non-cash sale investment assets	12	35
Collateral receivable	157	–
	<b>173</b>	<b>42</b>

### NOTE 18 Equity

Disclosures of changes in equity are provided in the Statement of changes in equity, page 17.

### NOTE 17 Property, plant and equipment

	2017	2016
Opening cost	4	4
Investments for the year	2	0
Disposals for the year	-2	0
Accumulated depreciation	-2	-3
	<b>2</b>	<b>1</b>

### NOTE 19 Life insurance provisions

	2017	2016
Kåpan Tjänste <sup>*)</sup>	31,584	31,410
Kåpan Extra	6,576	6,330
Kåpan Plus	1,793	1,939
Kåpan Electable	11,468	10,657
Kåpan Flex	53	–
<b>Total</b>	<b>51,474</b>	<b>50,336</b>

<sup>\*)</sup> The former product area ITPK-P is included in Kåpan Tjänste.

**NOTE 20 Life insurance provisions**

	2017	2016
<b>Opening balance</b>	<b>50,336</b>	<b>46,614</b>
Paid-in premium for new business	1,037	877
Paid-in premium for contracts signed in previous periods	4,328	3,504
Paid from/transferred to Provision for claims outstanding or liabilities	-1,785	-1,738
Risk result	7	-4
Indexation with discount rate	639	582
Effect of changed discount rate	-353	3,160
Allocated bonus	0	0
Charges	-42	-61
Tax on returns	-40	-28
Portfolio taken over/transferred	0	0
Effect of (other) changed actuarial assumptions	168	-674
Other changes	-2,821	-1,896
<b>Closing balance</b>	<b>51,474</b>	<b>50,336</b>

**NOTE 21 Provision for claims outstanding**

	2017	2016
Opening balance, reported claims	7	9
Opening balance, claims not yet reported	0	0
<b>Opening balance</b>	<b>7</b>	<b>9</b>
Revaluation with discount rate	0	0
Tax on returns	0	0
Charges	0	0
Cost of claims incurred in current year	0	0
Paid from/transferred to insurance liabilities or other current liabilities	-2	-1
Change of anticipated cost of claims incurred in previous year (run-off result)	0	-1
Effect of changed discount rate	0	0
Effect of (other) changed actuarial assumptions	0	0
Change in claims not yet reported	0	0
Other changes	1	0
<b>Closing balance</b>	<b>6</b>	<b>7</b>
Closing balance, reported claims	6	7
Closing balance, claims not yet reported	0	0

**NOTE 22 Other liabilities**

	2017	2016
Collateral received	46	-
Other	6	13
	52	13

**NOTE 23 Contingent liabilities****Pledged assets, cash and cash equivalents**

For equity loans linked to neutralised indirect holdings, borrowed equities, collateral in the form of bank deposits has been provided of SEK 149m (130).

**Borrowed financial instruments**

Equity loans for borrowed equities amount to SEK 147m (109) on the closing date.

**Commitments**

The nominal value of currency and interest rate derivatives is recognised in accordance with the Swedish Financial Supervisory Authority's regulations as commitments (memorandum items) and amount at 31 December 2017 to SEK 23,025m (23,624), see also Note 14. The society normally has a matching receivable within the framework of this type of derivative contract.

In addition, the society has outstanding commitments to invest in unlisted equities and funds which amount to SEK 6,119m (6,499) in accordance with current agreements.

Total commitments thus amount to SEK 29,144m (30,123).

**NOTE 24 Anticipated recovery dates****2017**

SEKm	Max 1 year	Longer than 1 year	Total
<b>Assets</b>			
Other intangible assets	0	10	10
Shares and participations	0	46,526	46,526
Bonds and other fixed-income securities	0	39,041	39,041
Derivatives	6	0	6
Other receivables	173	0	173
Property, plant and equipment	0	2	2
Cash and bank balance	1,422	0	1,422
Accrued interest income	215	0	215
Other prepaid expenses and accrued income	1	0	1
	<b>1,817</b>	<b>85,579</b>	<b>87,396</b>
<b>Liabilities</b>			
Life insurance provisions	1,812	49,662	51,474
Provisions for claims outstanding	6	0	6
Provision for other risks and expenses	2	0	2
Derivatives	84	0	84
Other liabilities	52	0	52
Accrued expenses and deferred income	2	0	2
	<b>1,958</b>	<b>49,662</b>	<b>51,620</b>

**2016**

SEKm	Max 1 year	Longer than 1 year	Total
<b>Assets</b>			
Other intangible assets	0	12	12
Shares and participations	0	41,956	41,956
Bonds and other fixed-income securities	0	35,563	35,563
Derivatives	23	0	23
Other receivables	42	0	42
Property, plant and equipment	0	1	1
Cash and bank balance	1,550	0	1,550
Accrued interest income	271	0	271
Other prepaid expenses and accrued income	1	0	1
	<b>1,887</b>	<b>77,532</b>	<b>79,419</b>
<b>Liabilities</b>			
Life insurance provisions	1,766	48,570	50,336
Provisions for claims outstanding	7	0	7
Provision for other risks and expenses	4	0	4
Derivatives	214	0	214
Other liabilities	13	0	13
Accrued expenses and deferred income	2	0	2
	<b>2,006</b>	<b>48,570</b>	<b>50,576</b>

## NOTE 25 Category and fair value of financial assets and liabilities

2017

SEKm	Financial assets at fair value through profit or loss			Carrying amount, total	Cost
	Assets assessed as belonging to the category	Held for trading	Loans and receivables		
<b>Financial assets</b>					
Shares and participations	46,526	–	–	46,526	35,087
Bonds and other fixed-income securities	39,041	–	–	39,041	38,780
Derivatives	–	6	–	6	0
Other receivables	–	–	–	173	173
Cash and bank balances	–	–	1,422	1,422	1,550
Accrued interest income	215	–	–	215	215
Other prepaid expenses and accrued income	–	–	–	1	1
Non-financial assets	–	–	–	12	12
<b>Total</b>	<b>85,782</b>	<b>6</b>	<b>1,422</b>	<b>87,396</b>	<b>75,818</b>

SEKm	Financial assets at fair value through profit or loss			Carrying amount, total
	Liabilities assessed as belonging to the category	Held for trading	Other financial liabilities	
<b>Financial liabilities</b>				
Provision for other risks and expenses	–	–	–	2
Derivatives	–	84	–	84
Other liabilities	–	–	52	52
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	51,480
<b>Total</b>	<b>–</b>	<b>84</b>	<b>54</b>	<b>51,620</b>

2016

SEKm	Financial assets at fair value through profit or loss			Carrying amount, total	Cost
	Assets assessed as belonging to the category	Held for trading	Loans and receivables		
<b>Financial assets</b>					
Shares and participations	41,956	–	–	41,956	31,297
Bonds and other fixed-income securities	35,563	–	–	35,563	35,117
Derivatives	–	23	–	23	0
Other receivables	–	–	–	42	42
Cash and bank balances	–	–	1,550	1,550	1,550
Accrued interest income	271	–	–	271	271
Other prepaid expenses and accrued income	–	–	–	1	1
Non-financial assets	–	–	–	13	13
<b>Total</b>	<b>77,790</b>	<b>23</b>	<b>1,550</b>	<b>79,419</b>	<b>68,291</b>

SEKm	Financial assets at fair value through profit or loss			Carrying amount, total
	Liabilities assessed as belonging to the category	Held for trading	Other financial liabilities	
<b>Financial liabilities</b>				
Provision for other risks and expenses	–	–	–	4
Derivatives	–	214	–	214
Other liabilities	–	–	13	13
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	50,343
<b>Total</b>	<b>–</b>	<b>214</b>	<b>15</b>	<b>50,576</b>

## NOTE 26 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 on market terms.

Stockholm, 20 March 2018

Eva Liedström Adler  
Chairman

Lars Fresker  
Vice Chairman

Helen Thornberg

Gunnar Holmgren

Lena Emanuelsson

Anna Falck

Gunnar Balsvik  
President

Our audit report was submitted on 20 March 2018

Gunilla Wernelind  
Authorised Public Accountant

Eva Lindquist

Therese Mattsson

# Auditor's report

To the Council of Administration of Kåpan pensioner försäkringsförening reg. no. 816400-4114

## Report on the annual accounts

### Opinions

We have audited the annual accounts of Kåpan Pensioner försäkringsförening for the year 2017. The annual accounts of the company are included on pages 4-34 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of Kåpan Pensioner försäkringsförening as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the Council of Administration adopts the income statement and balance sheet.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Kåpan pensioner försäkringsförening in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my our opinions.

### Other Information than the annual accounts

This document also contains other information than the annual accounts which is found on pages 1-3. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the President

The Board of Directors the President are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the President are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Authorised Public Accountant's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President.
- Conclude on the appropriateness of the Board of Directors' President's use of the going concern basis of accounting in preparing the annual accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

### The responsibility of lay auditors

Our responsibility is to conduct an audit in accordance with the Audit Act and generally accepted accounting standards in Sweden. Our objective is to obtain a reasonable degree of certainty on the extent to which the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and whether the annual accounts provide a fair presentation of the society's financial results and position.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors the President of Kåpan pensioner försäkringsförening for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the Council of Administration that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Kåpan pensioner försäkringsförening in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's

financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditors' responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Benevolent Societies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Benevolent Societies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Benevolent Societies Act.

Stockholm, 20 March 2018

Gunilla Wernelind  
Authorised Public Accountant  
KPMG

Eva Lindquist

Therese Mattsson

# Council of Administration, Board of Directors and Auditors

At 31 December 2017

## Council of Administration

### Appointed by the Swedish Agency for Government Employers

#### Members

Maria Ågren, Swedish Transport Agency	until 170316
Christina Gellerbrant Hagberg, Swedish Enforcement Authority, Chairman	from 170427
Margareta Skoglund, Swedish Defence Recruitment Agency	until 170913
Susanne Nilsson, County Administrative Board, Norrbotten	from 170914
Cathrin Dalmo, Swedish Civil Contingencies Agency	
Glenn Sundberg, Swedish Geotechnical Institute	
Lena Bengtsson Malmblad, Swedish Meteorological and Hydrological Institute	
Isa Seigerlund, Swedish Exhibition Agency	
Dan Jacobsson, Swedish Council on Health Technology Assessment	
Karin Coster, Swedish Council on Health Technology Assessment	
Lotta Liljegren, Swedish Work Environment Authority	from 170914
Eva Öquist, Stockholm University of the Arts	
Marie Högström, Stockholms University	
Caroline Sjöberg, Umeå University	
Johan Modin, Swedish Prison and Probation Service	
Peter Brodd, Swedish Prosecution Authority	until 170913
Jane Ståhle, Mälardalen University	from 170914
Karl Pfeifer, Swedish Agency for Government Employers	

#### Personal Deputies

Mikael Odenberg, The Swedish National Grid	until 170426
Martin Holmgren, Swedish National Courts Administration, Vice Chairman	from 170427
Susanne Nilsson, County Administrative Board, Norrbotten	until 170913
Tomas Hedlund, National Board of Health and Welfare	from 170914
Anneli Thunholm, The Swedish Press and Broadcasting Authority	
Anneli Metso Kjellquist, University of Skövde	from 170914
Niclas Lamberg, Swedish Transport Agency	
Eva Andersson, National Food Agency	
Marie Westerlund, National Agency for Special Needs Education and Schools	until 170913
Maria Isaksson, Swedish National Courts Administration	from 170914
Eva Nelson, Swedish Defence Material Administration	
Randi Hellgren, Linköping University	until 170630
Pernilla Rosengren Johansson, Medical Products Agency	from 170914
Helén Jönsson, County Administrative Board, Kronoberg	until 170913
Stefan Rehnström, Swedish Agency for Marine and Water Management	from 170914
Kristin Lindgren, Swedish Environmental Protection Agency	until 170630
<i>Vacant</i>	from 170701
Karin Cardell, University of Borås	until 170913
<i>Vacant</i>	from 170914
Lena Fröidstedt, National Archives	from 170427
Jane Ståhle, Mälardalen University	until 170913
Helena Wingemo, Swedish National Financial Management Authority	from 170914
Ingrid Ganrot, Karlstad University	

### Appointed by trade unions

#### Members

Peter Lennartsson, OFR
Britta Lejon, OFR
Tom Johnson, OFR
Håkan Sparr, OFR
Malin Thor, OFR
Linda Englund, OFR
Anna Nitzelius, OFR
Charlotte Olsson Seko
Ingrid Lagerborg, Seko
Christer Hallkvist, Seko
Gunnar Carlsson, Seko
Hans Monthan, Seko
Git Claesson Pipping, Saco-S
Carolina Gomez Lagerlöf, Saco-S
Maria Johansson, Saco-S

#### Personal deputies

Sanna Norblad, OFR
Per Sunneborn, OFR
Ingemar Jonnerhag, OFR
Lars Ullén, OFR
Johan Lindgren, OFR
Jörgen Kristiansson, OFR
Mikael Boox, OFR
Karna Tillhede, Seko
Helen Weber-Svensson, Seko
Peter Kvist, Seko
Göte Karlsson, Seko
Tommy Eriksson, Seko
Robert Andersson, Saco-S
Christer Gustafsson, Saco-S
Camilla Gannvik, Saco-S

## Board of Directors

### Employer representatives

#### Members

Eva Liedström Adler, Swedish Agency for Government Employers, Chairman	
Anna Falck, Swedish Agency for Government Employers	from 170515
Gunnar Holmgren, Västernorrland County Administrative Board	

#### Personal Deputies

Jonas Bergström, Swedish Agency for Government Employers	until 170426
Petra Pfeiff, Swedish Agency for Government Employers	from 170801
Roger Vilhelmsson, Swedish Agency for Government Employers	
Gunnar Larsson, Financial and Administrative Services Agency	

### Trade union representatives

#### Members

Lars Fresker, OFR, Deputy Chairman	
Lena Emanuelsson, Saco-S	
Helen Thornberg, Seko	

#### Personal Deputies

Eva Fagerberg, OFR	
Mikael Andersson, Saco-S	
Roger Pettersson, Seko	until 170131
Fredrik Bäckström, Seko	from 170427

## Auditors

### Auditors

Gunilla Wernelind, Authorised public accountant	
Eva Lindquist, Saco-S	
Therese Mattsson, Swedish Customs	

### Personal Deputies

Mårten Asplund, Authorised Public Accountant	
Minna Engberg, OFR	until 170426
Annika Aronsson, OFR	from 170427
Christina Gellerbrant Hagberg, Swedish Enforcement Authority	until 170426
Sigbritt Karlsson, President Royal Institute of Technology	from 170427

# KÅPAN PENSIONER

The Swedish Pension Insurance Society  
Government Employees Pension Fund

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