

KÅPAN
PENSIONER
FOR GOVERNMENT EMPLOYEES

Annual Report



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Presenting Kåpan Pensions

Kåpan pensioner försäkringsförening (Pensions for government employees, Kåpan) manages defined contribution pensions for public sector employees. Operations are linked to the public sector pension agreements PA-91 and PA 03 where Kåpan manages a part of the occupational pension and functions as the default supplier for the part of the pension where there is a choice.

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

2010 at a glance



- Assets under management increased by SEK 5,456m to SEK 42,703m.
- Paid-in premiums totalled SEK 3,650m.
- The total return on invested capital was positive and amounted to 8.2%.
- In view of the return achieved, the Board decided to set the bonus rate at 8% for 2010.
- The funding ratio amounted to 112% at year-end. After the bonus decided on the funding ratio amounts to 105%.
- The solvency ratio strengthened from 134% to 144%. This stronger ratio is mainly an affect of a positive return on assets.
- Administrative expenses remained at a low level and amounted to 0.11% in relation to assets under management.

A word from the President

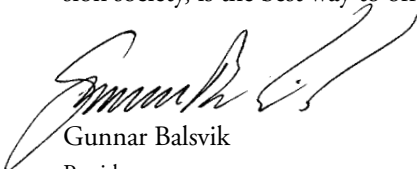
The global economy continued to stabilise during 2010. In a global perspective, growth is good and increased demand is pushing up prices for commodities among other things. There are, however, significant imbalances particularly in the developed countries. The financial and monetary policy stimuli implemented during the crisis year 2008 have resulted in many countries in major government finance deficits and inflated balance sheets at central banks. Development in Sweden during the year is a shining exception with balanced government finances, withdrawn financial policy stimuli and good growth.

How the global economy develops in the years ahead depends on the speed and methods of a return to a more balanced situation. High unemployment levels and high debt mean that many countries face a long and tough road. The deficit in the US is largely financed by the central bank buying government bonds, which in practice means printing new money. In Europe, there are similar fiscal stimulants but in a less obvious manner and combined with austerity measures unlike in the US. The disadvantage of using the bank note printing press is that the risk of a rapid rise in inflation is significant but the alternative of solely implementing fast and effective fiscal austerity measures is probably even worse.

At the same time the strong growth in many developing countries, with high savings and a rapid rise in disposable income, means that the underlying global long-term development is positive. This strong growth is increasing the developing countries' share of the global economy and a shift of power is taking place where in particular China, India and Brazil are making rapid progress. Development of household consumption in these countries will become an increasingly important part of the global economy. Many of the developed countries, on the other hand, have for a long time consumed more than the underlying economy has supplied. How and the manner in which repayments should be made to these countries is significant for how both the fixed-income and equities markets will develop in the next few years. Another not insignificant risk factor is how the changed global balance of power can be managed given the rapid change in economic strength between the old and the new economies.

Kåpan Pensioner's aim is to create a good long-term return on its members' pension capital at the lowest cost in the industry. We do this by focusing on a single product, traditional pension insurance with a guaranteed rate, a balanced and effective form of saving. In order to create a good return over time we invest in several different types of assets. The bonus rate we have been able to give our members since 2003, when the current pension agreement for government employees came into force, has maintained a good level compared with the industry average. We also have a very low cost level.

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



Gunnar Balsvik
President

Board of Directors' report

The Board of Directors and the President of Kåpan pensioner försäkringsförening, reg. no. 816400-4114, hereby submit their report for the financial year 2010.

Operations

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

The forms of insurance offered by the society are the occupational pension insurance Kåpan Tjänste, Kåpan Extra and the private pension insurance Kåpan Plus. In addition there is the individual retirement pension where Kåpan is a selectable alternative and manager for employees who have not actively chosen a manager for their pension capital.

Members

Kåpan Pensioner is a mutual society where all savings are returned to the members. The total number of members is over 650,000.

Insurance premiums

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

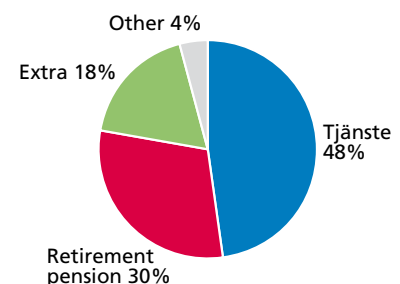
A total of SEK 3,650m was paid in premiums during the year, with the following breakdown

Category	2010	2009	2008	2007	2006	2005	2004
Kåpan Tjänste	1,770	1,676	1,658	1,560	1,531	1,416	1,318
Kåpan Retirement Pension	1,084	1,041	1,013	905	925	767	718
Kåpan Extra	667	554	805	64	65	56	67
ITPK-P	19	32	35	34	33	34	31
Kåpan Plus	110	114	126	152	134	128	125
Total	3,650	3,417	3,637	2,715	2,688	2,401	2,259

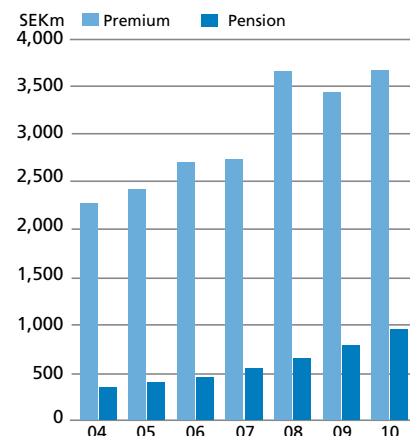
Pension payments

A total of SEK 941m (782) was paid during the year, of which SEK 77m (96) comprised bonus payments over and above the guaranteed rate on the capital. The normal period for payments is five years from when the pension payments start at the age of 65. This applies to all categories except Kåpan Retirement Pension which is paid for life.

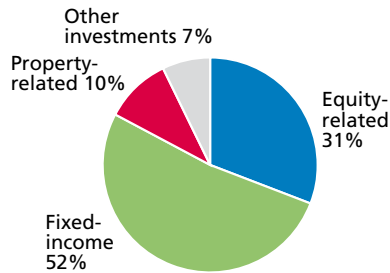
Premium breakdown



Development of premiums and pension payments



Investment of the society's assets at year-end



Guidelines for management of invested assets

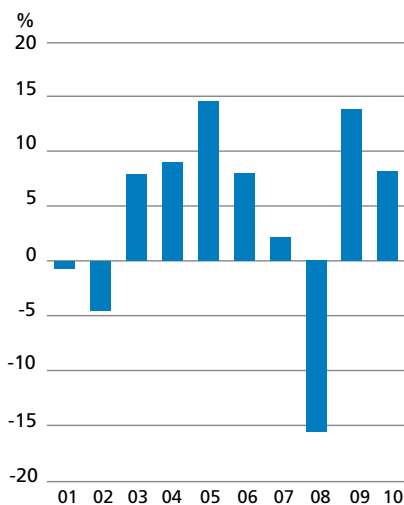
The long-term guidelines set by the Board stipulate that the society's assets, including bonus funds, must be invested so that they provide a good control with a limited risk.

According to the investment policy, adopted by the Board in December 2010, the market value of assets should be within the following bands:

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

The Board's decision 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 rate on members' savings until payment. The interest rate risk is measured as an interest rate risk coverage and amounted to 35.6%. The benchmark for interest rate risk coverage 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 10%. At year-end the outstanding currency risk was 8.2% of the value of assets. During the year in principle all assets except those in growth countries were hedged.

Total return



Investment management

The market value of the society's investment assets, with the addition of the book values of other assets, amounted to SEK 42,703m (37,247) at year-end. Return on the investment assets was positive and amounted to 8.2% (13.8).

Investment return

The total return on investment assets is broken down as follows:

Portfolio	Market value SEKm	Share, %	Total return, ¹⁾ %, 2010
Fixed-income	21,668	51	2.4
Equity-related	13,176	31	18.1
Property-related	4,067	10	9.2
Other investments	3,161	7	9.6
Other assets. cash	631	1	0.0
Total investments	42,703	100	8.2

¹⁾ When calculating the return a daily aggregate is used to take the change in the capital base during the year into account.

Fixed-income assets

The fixed-income investments amounted to SEK 21,668m (19,553) at year-end of which mortgage bonds accounted for 45% (44), government bonds, including wholly state-owned companies, for 19% (17), and bonds and commercial paper issued by other issuers for the remaining 36% (39). At year-end the total fixed-income portfolio comprised 100% (100) nominal fixed-income securities with no real interest bonds. The return on fixed-income securities amounted to 2.1% (8.0). The interest rate rose slightly over the year on an overall assessment of outstanding government and mortgage bonds, which had a marginally negative impact on the return. The underlying interest level is relatively low which means that fixed-income investments provide a limited current return. During the year government bonds issued by some eurozone countries had a negative value development due to weak economic growth and major budget deficits. The society did not have any investments in these securities during the year.

In addition to investments in fixed-income securities, in order to reduce the outstanding interest rate risk in obligations made, the society signed agreements for various forms of interest rate hedges. In principle, these agreements mean that the fixed interest in the obligations is exchanged for floating interest with a reduced risk of fluctuations in value. Market interest rates rose slightly during the year which meant that the value of insurance obligations undertaken fell by SEK 387m. Outstanding interest rate hedges comprised a total of SEK 10,800m (12,144). The change in value of interest rate hedges amounts to SEK 234m (-292). The total earnings impact and positive effect on solvency therefore amounts to SEK 621m. Normally, the value of interest rate hedges falls if the valuation of the debt shows a lower value. Active management of interest rate hedges during the year was successful, however, and helped to strengthen earnings and solvency. The total return on fixed-income investments amounted to 2.4% (6.4).

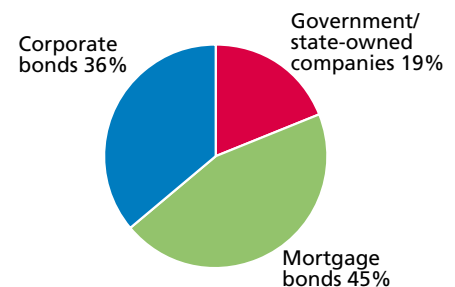
Equity-related assets

Development was stable for global stock markets during the year. The world's overall share prices rose by a total of approximately 10% in local currencies. All markets developed well with the exception of Japan and some parts of Europe. Development was particularly strong in the Nordic countries. Equity-related assets at year-end amounted to SEK 13,176m (11,336) with a positive return of 18.1% (38.3).

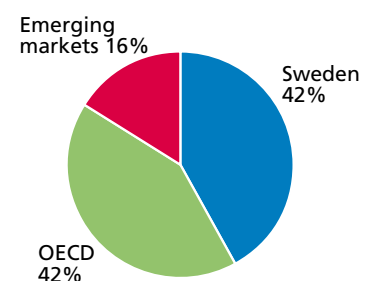
Since the start the society has chosen to currency hedge most of its equity investments which meant that the strengthening of the Swedish krona during the year did not have a negative impact on returns from areas with weakened currencies.

The holding of shares listed on the Stockholm Stock Exchange had a positive return of 26.1% (52.2). Management of shares listed on the Stockholm Stock Exchange is carried out by the society and made a positive contribution compared with the benchmark index.

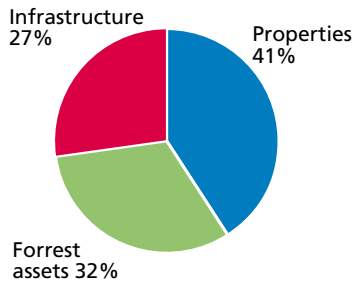
Allocation fixed-income



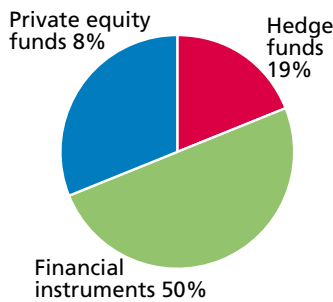
Allocation equities



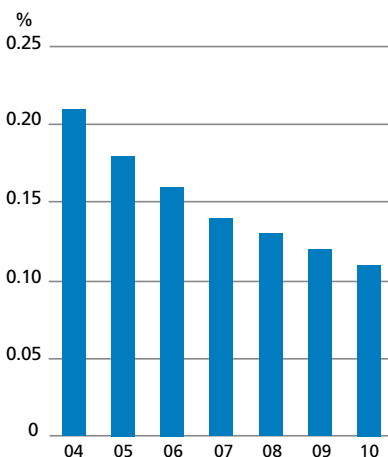
Allocation properties



Allocation other assets



Development management costs



Property-related assets

Investments in property-related assets are mainly made within three areas: properties, forest assets and infrastructure. Infrastructure means investments in various types of funds which invest in properties with stable cash flows and a long-term investment horizon. Forest properties are mainly land and standing forest owned via funds or companies. The properties area is indirect investments in various types of land and buildings. All areas showed a stable value development during the year. Capital invested in property-related assets totals SEK 4,067m (3,152) and return during the year amounted to 9.2% (1.4).

Other assets

Other assets total SEK 3,161m (2,734) and consist of investments in hedge funds, private equity funds and various types of financial instruments. The total return was positive at 9.6% (1.8). Hedge funds contributed overall with a negative return and a decision has been made to phase out these investments. The venture capital funds showed a positive value development during the year.

Financial instruments mainly comprise long-term commitments in various credit-related securities. The value of these investments developed positively during the year. The individual investments often lack a smooth-functioning second-hand market and the intention is to keep them until they mature. This limited trading means that some securities are valued on the basis of assessed future cash flows in co-operation with external advisors. In total, these instruments had a value of SEK 404m (414) measured in this way.

Risk and sensitivity analysis

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

The uncertainty that exists in the market means that losses on investment assets cannot be ruled out. For investment assets where market prices are not published, there are sources of uncertainty, see Note 1, Note 15 and the section Key assessments and sources of uncertainty.

Actuarial report

The actuarial report has been performed by Ulrika Öberg Taube, actuary. The report shows that the society's technical provisions amount to SEK 29,655m (27,778). The obligations the society has comprise to a dominant extent fixed guaranteed interest on paid-in premiums. The obligations have been measured in the technical provisions, supported by the Swedish Financial Supervisory Authority's general advice, on the basis, among other things, of current market interest rates for matching maturities.

Costs

The society's costs stipulate the maximum size of operating expenses that may be charged to its operations. In 2010 these could amount to a maximum of SEK 63m (68). Costs in the insurance business amounted to SEK 42m (39).

One measure of cost efficiency is the management expense ratio, i.e. the relationship between total operating expenses and the average market value of the assets, which amounted to 0.11% (0.12).

Costs for 2010 were covered by making a deduction on paid-in and paid-out premiums of 0.75% and by a deduction on the return on the insurance capital, preliminarily 0.10%. The model for cost withdrawals will be changed for 2011 when it will take the form of a fixed charge of SEK 12 per insurance and a deduction from insurance capital, preliminarily 0.10%.

Taken overall this deduction should correspond to the costs of operations and the aim is to reduce this in future years.

Collective funding

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

The positive value development of assets means that the collective funding increased and amounted to SEK 4,720m (3,728) at year-end and that the funding ratio before decision on bonus rate and reversal at year-end amounted to 112%.

The Board decided on a policy for collective funding and bonus in the society. The policy states that the collective funding ratio should be in the band 95 – 115% with a target level of 100%.

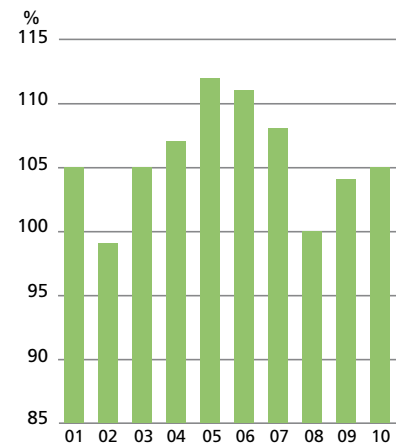
Decision to allocate bonus for 2010

The good funding level at year-end meant that the Board decided, following an actuarial report performed by an actuary, to allocate a bonus to members for the 2010 financial year of 8% before policyholder tax and costs. The bonus will be added to members' pension capital annually in arrears. The funding ratio at year-end after the bonus decided for 2010 amounted to 105%.

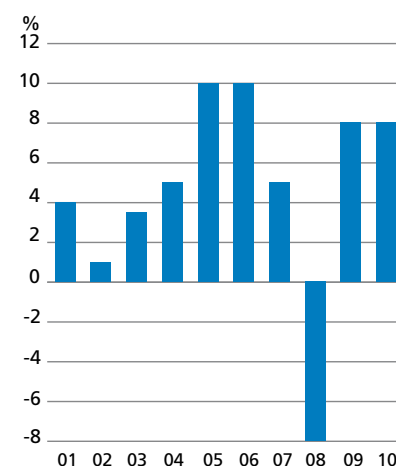
Development of solvency

Solvency expresses how much of technical liabilities are covered by assets. The good return during the year combined with a slight rise in market interest rates, meant that outstanding obligations fell in value which strengthened the solvency ratio compared with the situation at the start of the year. During the year the solvency ratio rose by 10 percentage points from 134% to 144%. The return contributed 8 percentage points and changes in valuation of outstanding obligations contributed with 2 percentage points.

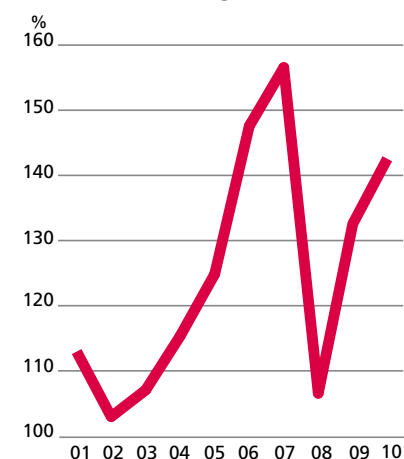
Collective funding ratio



Bonus rate



Solvency ratio



Capital contribution in the form of a subordinated loan

The state pension agreement PA 03 stipulates that the employer pays premiums for the Kåpan Tjänste insurance for all employees but that employees below the age of 28 are not provided with a premium. According to the terms of its statutes, Kåpan Pensioner must issue a perpetual interest-free subordinated loan to the parties in the government agreement sphere at an amount corresponding to the funds provided. During the year such funds provided totalled SEK 14m. The issued subordinated loan may only be repaid following a decision by the Council of Administration and approval by the Swedish Financial Supervisory Authority. The subordinated loan thus comprises part of available risk capital in the society.

Policyholder tax

The society pays policyholder tax on behalf of its members. The basis for tax assessment is the market value of the society's assets after deduction for financial liabilities on 1 January in the assessment year. The return on these funds is calculated using a standardised method using an interest rate that is the same as the average government lending rate in the year prior to the assessment year. The standard income thus calculated is then taxed at 15%. For the society this meant that the policyholder tax paid for the year 2010 amounted to SEK 174m (178).

Management functions and audits

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

The Board held seven meetings during the year, one in the form of a two-day seminar. Key questions were the future long-term investment focus and management of risks in investment management. During the year the Board decided on a new remuneration policy and performed a review of most of the other policies. The Board also examined and analysed implemented regulatory changes and performed consequence analyses of probable future changes. Göran Ekström has been chairman of the Board since 23 February 2006.

Administration

In addition to the President, the society had nine employees at year-end. The average number of employees during the year was 9 (7) with the key task of conducting investment management and risk control. The National Government Employee Pensions Board (SPV) in Sundsvall is engaged to administer

the insurance operations. This assignment includes development and maintenance of the society's insurance administration system, checking premium payments, performing actuarial calculations, issuing pension statements, providing a smooth-running customer service unit and handling pension payments. For remuneration to senior executives, see Note 7.

Capital expenditure

Capital expenditure during the year amounted to SEK 10m (13). Investments were mainly attributable to the insurance administration system. The system will be depreciated over a ten-year period.

Looking to the future

Kåpan Pensioner started its operations in 1991 and since 2003 has been the default alternative for individual retirement pension. The society's operations thus increase in scope all the time which places major demands on the organisation but also provides economies of scale and opportunities to improve efficiency. With the present development a balance between payments made and payments received will be reached in around 2050 which means that the organisation must be continuously developed and adjusted. During 2010, extensive work was completed to modernise and improve the efficiency of the insurance administration system which has been in operation since 1992.

Modernisation of the insurance administration system and upgrading the other systems are part of the society's preparations for possible introduction new rules for the society's operations and other regulatory changes.

The strategic direction for the society's operations remains unchanged and the aim is to reduce the already low costs still further while it is important to improve information and awareness of the state occupational pension. The society will therefore, starting in 2011, start a deeper cooperation with the National Government Employee Pension Board (SPV) relating to a co-ordinated pension statement, co-ordinated websites and a joint customer service unit.

Disposition of profit for the year

The profit for the year, SEK 3,782m (7,236) will be transferred to other reserves. The society's equity thus amounted to SEK 13,024m (9,305) at 31 December 2010.



Five-year summary

Results, SEKm	2010	2009	2008	2007	2006
Premiums written	3,650	3,417	3,637	2,715	2,688
Investment income, net	3,161	4,283	-5,203	393	2,087
Claims paid	-941	-782	-643	-536	-439
Bonus paid ¹⁾	-77	-96	-163	-122	-81
Balance on the technical account, life insurance business	3,956	7,414	-9,597	2,254	3,302
Profit for the year	3,782	7,236	-9,802	2,094	3,179

¹⁾ Payments are recognised as a deduction under Equity, Financial report.

Financial position, SEKm	2010	2009	2008	2007	2006
Total assets ¹⁾	42,703	37,247	30,748	33,280	29,463
Investment assets ¹⁾	41,451	36,225	29,386	32,387	28,699
Technical provisions ²⁾	29,673	27,800	28,335	20,980	19,742
Capital base together with funding capital	13,024	9,305	2,154	12,113	9,716
Required solvency margin	1,187	1,112	1,133	839	789

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

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

Key ratios, %	2010	2009	2008	2007	2006
Management expense ratio ¹⁾	0.11	0.12	0.13	0.14	0.16
Total return	8.2	13.8	-15.6	1.5	8.8
Bonus rate	8.0	8.0	-8.0	5.0	10.0
Funding ratio	105	104	100	108	111
Solvency ratio	144	134	108	158	149

¹⁾ In relation to average assets.

Total return by asset class ¹⁾

	Market value 31 Dec 2010		Market value 31 Dec 2009		Total ²⁾ return, % 2010
	SEKm	%	SEKm	%	
Equity-related	13,176	30.9%	11,336	30.4	18.1
Fixed-income	21,668	50.7%	19,553	52.5	2.4 ³⁾
Property-related	4,067	9.5%	3,152	8.5	9.2
Other investments	3,161	7.4%	2,734	7.3	9.6
Other assets	631	1.5%	472	1.3	–
Total assets	42,703	100.0%	37,247	100.0	8.2

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

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

³⁾ 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	2010	2009
Technical account, life insurance business			
Premiums written	3	3,650	3,417
Investment income	4	2,377	2,166
Unrealised gains on investment assets	5	1,142	3,082
Claims paid	6	-941	-782
Change in other technical provisions		-1,872	535
Operating expenses	7	-42	-39
Investment charges	8	-24	-33
Unrealised losses on investments	9	-334	-932
Balance on the technical account, life insurance business		3,956	7,414
Non-technical account			
Balance on the technical account, life insurance business			
		3,956	7,414
Tax on profit for the year	10	-174	-178
Profit for the year		3,782	7,236

Statement of comprehensive income

SEKm	2010	2009
Profit for the year	3,782	7,236
Other comprehensive income	0	0
Total comprehensive income	3,782	7,236

Balance sheet

SEKm	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Intangible assets			
Other intangible assets	11	19	13
Investment assets			
Other financial investments			
Shares and participations	12	18,948	16,098
Bonds and other fixed-income securities	13	22,324	20,127
Derivatives	14	179	0
	15	41,451	36,225
Receivables			
Other receivables	16	22	233
Other assets			
Property, plant and equipment	17	2	2
Cash and bank balances		862	488
		864	490
Prepayments and accrued income			
Accrued interest		341	278
Other prepayments and accrued income		6	8
		347	286
Total assets		42,703	37,247
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Other reserves	25		
Other reserves		8,897	1,738
Perpetual subordinated loan		345	331
Profit and comprehensive income for the year		3,782	7,236
		13,024	9,305
Technical provisions			
Life insurance provisions	18, 19	29,655	27,778
Provision for unsettled claims	20	18	22
		29,673	27,800
Provisions for other risks and costs			
Policyholder tax		0	14
Liabilities			
Derivatives		0	121
Other liabilities	21	5	5
		5	126
Accruals and deferred income		1	2
Total equity, provisions and liabilities		42,703	37,247
Memorandum items			
Pledged assets		0	20
Contingent liabilities		None	None
Other commitments	14	20,629	7,974

Statement of changes in equity

2010

SEKm	Other reserves	Perpetual subordinated loan	Comprehensive income for the year	Equity
Opening equity previous financial year	1,738	331	7,236	9,305
Disposition of earnings 2009	7,236		-7,236	0
Bonus paid during the financial year	-77			-77
Funds transferred according to statutes		14		14
Profit and comprehensive income for 2010			3,782	3,782
Closing equity for the financial year	8,897	345	3,782	13,024

2009

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

Cash flow statement

SEKm	1 Jan – 31 Dec 2010	1 Jan – 31 Dec 2009 ⁵⁾
Operating activities		
Profit before tax ¹⁾	3,956	7,414
Adjustment for non-cash items ²⁾	1,068	-2,684
Policyholder tax paid	-174	-178
Bonus paid ³⁾	-77	-96
Change in other operating receivables	150	169
Change in other operating liabilities	-15	-55
Cash flow from operating activities	4,908	4,570
Investing activities		
Investments in non-current assets	-9	-13
Sale of financial investment assets	24,099	12,055
Purchase of financial investment assets	-28,638	-16,806
Cash flow from investing activities	-4,548	-4,764
Financing activities		
Paid-in equalisation charges	14	11
Cash flow from financing activities	14	11
Cash flow for the year	374	-183

Change in cash and cash equivalents

SEKm	2010	2009
Cash and cash equivalents at beginning of the year	488	671
Cash flow for the year	374	-183
Cash and cash equivalents at the end of the year ⁴⁾	862	488

¹⁾ Of which	1 Jan – 31 Dec 2010	1 Jan – 31 Dec 2009
Interest received	1,187	1,349
Interest paid	116	164
Dividends received	269	197

²⁾ Of which	1 Jan – 31 Dec 2010	1 Jan – 31 Dec 2009
Depreciation	4	1
Unrealised gains	-1,142	-3,046
Unrealised losses	334	896
Change in technical provisions	1,872	-535

³⁾ Bonus paid is taken directly from Other reserves

⁴⁾ Cash and cash equivalents consists of cash and bank balances.

⁵⁾ Figures for Jan-Dec 2009 adjusted compared with previous year's annual report.

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 2010 and pertain to Kåpan pensioner försäkringsförening (Kåpan Pensioner) which is a benevolent society with registered office in Stockholm. The address of the head office is Kungsgatan 4 B, Stockholm and the registered number is 816400-41144. The annual accounts were approved for publication by the Board on 8 March 2011. The income statement and balance sheet will be presented for adoption at the annual general meeting on 6 April 2011.

Kåpan Pensioner's annual accounts are prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies as well as the Swedish Financial Supervisory Authority's instructions and general advice on Annual Accounts in Insurance Companies (FFFS 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.

Prerequisites for preparation of the financial statements.

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

Estimations and assessments in the financial statements

Preparing financial statements in accordance with legally limited IFRS requires the insurance company's management to make estimations and assessments as well as assumptions that affect application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. Assessments and assumptions are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The result of these assessments and assumptions is then used to assess the carrying amounts of assets and liabilities that would otherwise be clear from other sources. Actual results can deviate from these assessments and estimations.

One source for estimations and uncertainties is the value of the obligations inherent in the insurance contracts taken out by the society. Another source of estimations and uncertainty is the valuation of financial assets for which there is no observable market price. Objective external valuations are used for these instruments or a value based on an assessment of anticipated future cash flows. When required these valuations are complemented with additional estimations depending on the uncertainty in the market situation.

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

Foreign currency

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

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

Recognition of insurance contracts

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

Premiums written

Premiums written for the year consist of premiums received.

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

Life insurance provisions

All life insurance provisions relate to occupational pensions and are measured in accordance with the principles in the EU occupational pensions directive. This means that the company's obligations are measured according to the so-called prudent person rule. Life insurance provisions are calculated according to the Swedish Financial Supervisory Authority's instructions and general advice on choice of interest rate for calculating life insurance provisions (FFFS 2008:23). This means that provisions are market valued on the basis of current market interest rates for corresponding maturities as the obligations entered into. Life insurance provisions correspond to the estimated capital value of the society's obligations. The assumptions on future mortality, interest, operating expenses and tax are taken into account. All mortality assumptions are gender differentiated. Pensions in payment, however, are calculated on the basis of gender neutral assumptions. The operating expense assumption made is expected to correspond to future actual costs for administration.

Provision for claims outstanding

Provisions comprise disability annuities for employees within the PA-91 agreement who at year-end 2010 were incapacitated reduced by any final payment premiums for them in 2011. The society's actuary calculates this provision. Change in provision for claims outstanding is shown in Note 20.

Reporting of return on capital

Investment income

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

Investment charges

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

Realised and unrealised changes in value

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

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

Note 1 cont.

Policyholder tax

Policyholder tax is not a tax on the 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 policyholder tax which is calculated and paid each year. The cost is recognised as a tax expense.

Intangible assets

Intangible assets acquired by Kåpan Pensioner are recognised at cost minus accumulated amortisation (see below) and any impairment. Intangible 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 in an active market.

If the market for a financial instrument is not active, an estimation of fair value is obtained by applying a model-based measurement technique as set out below:

For unlisted shares the external portfolio manager concerned produces a valuation based on available price information. Normally there is a time shift in the valuation of 1 – 3 months. This means that valuations at 31 December 2010 are typically based on a value statement from the managers produced during the period 30 September 2010 – 30 November 2010.

For some financial instruments information about fair value is obtained by as 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 company has individual-based pension plans for occupational pension based on the pension agreement for bank and insurance employees. The pension is secured through an insurance contract.

Perpetual debenture

The Council of Administration decided in 2008 to change the statutes and discontinue the special settlement of the part of the society's equity that constituted the premium adjustment reserve. According to the statutes, the premium adjustment reserve could be used by the parties to the agreements for special pension promoting purposes. The funds in the reserve following final settlement of some accepted insurance obligations were transferred to an unrestricted part of equity. The funds previously provided to the society via the reserve will in future be provided through a subordinated loan.

NOTE 2 Disclosures about significant risks and uncertainties

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

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

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

The main responsibility for the risks to which the society is exposed rests with the Board, which is responsible for ensuring that the company's risk management and follow-up of risks (risk control) are satisfactory and that a collective function exists in the company for independent risk control and rule compliance. The Board adopts the guidelines that must apply to risk management, risk reporting, internal control and monitoring. The Board has in special instruments within certain frameworks delegated responsibility for risk management to the President and Risk Manager. These instructions are regularly revised by the Board in order to ensure that they accurately reflect the operations.

Risks in the insurance business

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

The insurance risk consists of several different components where the level of members' guaranteed return is by far the largest. Another risk is the mortality assumption or the mortality risk that is affected by the return on the assets in relation to length of life. For the society, which has a payment period for most of its pensions capital of less than 5 years, when its members are aged 65-70, the mortality risk is relatively small compared with pensions paid for life. Insurance risk includes both the risk that the insurance result in the next year will be unusually unfavourable (random risk, provision for unearned premium and residual risks) and that the settlement of claims outstanding will be more expensive than estimated (parameter error). Calculations of best estimates, random errors, parameter errors and cancellation risks are based on actual portfolio on the closing date.

With the PA 03 pension agreement, Kåpan Pensioner acquired a steadily increasing proportion of life-long pensions in the form of the individual retirement pension. This means that over time the mortality risk in the society's operations will increase. The following sensitivities exist for the most important risks in the insurance operations. The PA 03 pension agreement means that Kåpan's responsibility for final payment of remaining pensions due to factors such as illness will cease in time.

Assumption	Change in assumption	Change in provision, SEKm
Mortality	20%	314
Cost inflation	20%	115
Discount rate	1% point	3,114

Management of interest rate risks in outstanding insurance obligations

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

Market interest rates rose slightly during the year, which meant that the value of obligations made fell in value by SEK 387m. In order to reduce the outstanding interest rate risk in obligations made, agreements for various types of interest rate hedges were concluded. Under these agreements fixed interest in the obligations is exchanged for a floating rate with less risk of change in value. Outstanding interest rate hedge agreements totalled SEK 10,800m (12,144). The change in value for interest rate hedges amounts to SEK 234m (-292). The total earnings impact and positive effect on solvency thus amounted to SEK 621m. Normally, the value of interest rate hedges falls if the valuation of the liability reveals a lower value. Active management of interest rate hedges during the year was successful, however, and contributed to a strengthening of earnings and solvency.

Management of matching risk

The society's total outstanding interest rate risk (matching risk) is a weighting of fixed-income assets' fixed-interest period and the promised pension payments including the guaranteed rate on members' savings until they are paid. Matching risk is defined as the interest rate risk that can be calculated as the difference between the duration of all assets including interest rate derivatives and the duration of the pension liabilities. Outstanding matching risk is measured as interest rate risk cover. Interest rate risk cover should not be less than 30% and be continuously adjusted to development of the solvency ratio and the need for interest rate risk hedging of issued commitments. The total outstanding interest rate risk calculated according to the Swedish Financial Supervisory Authority's traffic light model amounts to SEK 2,371m (2,166), corresponding to an interest rate risk cover of 35.6%.

Targets, principles and methods for managing financial risks

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

General objectives for risk management

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

General principles for risk management

The taking of risks in the society must be reasonable in relation to obligations undertaken, i.e. it must be prudent. This is complied with through limited risk taking within the requirements made on matching, diversification and risk taking. The taking of risks must also at all times be in reasonable proportion to the society's long-term targets for returns expressed as the level of the guaranteed obligations and anticipated bonus rate.

Note 2 cont.

Outstanding maturities on fixed-income assets and liabilities

	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	no interest	total
Assets							
Bonds and other fixed-income securities	3,034	4,340	9,425	4,421	1,104	0	22,324
Liabilities							
Life insurance provisions	- 1,101	- 4,026	- 2,749	- 5,934	- 15,845	- 18	- 29,673
Interest derivatives	0			3,549	7,356		10,905
Cumulative exposure	1,915	257	6,601	2,036	-7,385	-18	3,406

Management of interest rate risk

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

Management of share price risk

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

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

Management of property price risk

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

Management of currency risk

The risk of a change in the value of assets and liabilities due to changes in exchange rates. Currency risk is measured as a percentage of foreign assets that are not currency hedged. For Kåpan Pensioner all obligations on the liabilities side are in Swedish kronor. This means that all values on the assets side that are in foreign currency and not hedged are a currency risk. Exposure to currency risk may not exceed 10% of the total value of assets.

Currency exposure amounts after currency hedging to 8.4% (6.8) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 11,784m (8,890).

Management of credit risk

The risk that the difference in price of a security with a credit risk is changed in relation to a risk-free bond with the similar terms and the same duration. The difference (interest rate difference) is called a credit spread and is defined as the difference in interest between a (risk-free) bond issued by the government and what an issuer that can become bankrupt (such as a company) has to pay.

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

Management of counterparty risk

The society invests its capital in many different ways. Counterparty risk is a measure of the probability that a counterparty cannot meet his payment commitments. The risk is managed by the value of an individual investment being limited in the Board's investment decision. These restrictions cover entire groups and all types of securities.

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

Overview of current restrictions and outstanding risks

Creditworthiness	Current restrictions in investment policy		Outstanding bonds	
	maximum of total assets	per counterparty	largest of total assets	counterparty exposure
Very high	50%	5.0% ¹⁾	34.0%	2.3%
High	25%	2.5% ²⁾	6.2%	1.1%
Average	10%	1.0%	5.5%	0.7%
Low	5%	0.5%	3.7% ³⁾	0.4%

¹⁾ Swedish mortgage institution max 10%

²⁾ State wholly owned company max 5%

³⁾ Excluding an exemption decided by the Board, 0.95%

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

Management of cash flow risk

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

Management of transaction risk (settlement risk)

The risk that an arranging party cannot meet his commitments in conjunction with a transaction with a financial instrument and therefore cause one of the parties to sustain a loss. The risk is managed by trading in securities only being permitted with securities companies approved by the Swedish supervisory authority or a corresponding authority, where a foreign securities company is involved. In securities trading, which is not subject to clearing through a clearing house approved by a Swedish supervisory authority or a foreign equivalent (e.g. OM, VPC or LIFFE) a counterparty may only comprise a securities company that is included in a banking group with very high short-term creditworthiness. The society's assets must be held in the custody of a securities institution approved by the Swedish supervisory authority or corresponding authority when a foreign securities institution is involved.

Note 2 cont.

Assessment of the level of all risk in the operations

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

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

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

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

Sensitivity analysis

Risk variable	Effect on:		
	Investment assets	Life insurance provisions	Equity
Price fall on shares, 10%	- 1,664	–	- 1,664
Fall in value property-related, 10%	- 295	–	- 295
Exchange rate fall, 10%	- 352	–	- 352
Interest rate rise, 1%	- 1,421	3,114	1,693

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

Management of operational risk

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

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

NOTE 3 Premiums written

	2010	2009
Premiums written Kåpan Tjänste	1,770	1,676
Premiums written ITPK-P	19	32
Premiums written Kåpan Extra	667	554
Premiums written Kåpan Plus	110	114
Premiums written Kåpan retirement pension	1,084	1,041
	3,650	3,417

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

	2010	2009
Dividends received	269	199
Interest receivable		
Bonds and other fixed-income securities including bank balances and similar	1,081	909
Exchange gains, net	3	0
Capital gains, net		
Shares	847	0
Bonds and other fixed-income securities ¹⁾	5	54
Derivatives ¹⁾	172	1,004
	2,377	2,166

¹⁾ Of which assets held for trading.

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

NOTE 5 Unrealised gains on investment assets

	2010	2009
Shares and participations	834	2 558
Bonds and other fixed-income securities	0	524
Derivatives	308	0
	1,142	3,082

NOTE 6 Claims paid

	2010	2009
Pension payments Kåpan Tjänste	-732	-607
Pension payments ITPK-P	-26	-21
Pension payments Kåpan Extra	-71	-57
Pension payments Kåpan Plus	-112	-97
	-941	-782

NOTE 7 Operating expenses

	2010	2009
Administrative expenses	-62	-56
Cancelled costs attributable to asset management	20	17
	-42	-39
Specification of total operating expenses		
Staff costs	-19	-16
Premises	-2	-2
Depreciation	-4	-1
Other operating expenses	-17	-20
	-42	-39
Fees to auditors ^{*)}		
KPMG		
Audit assignment	-1	-1
Other assignments	0	0
	-1	-1

^{*)} Included in other operating expenses

Average number of employees

	Women	Men	Total
	3 (2)	6 (5)	9 (7)

Salaries and other remuneration (SEK 000s)

	2010	2009
Council of Administration	110	120
Board and President	2,273	2,173
Other employees	7,875	6,255
of which variable compensation	203	104
Pensions and other social security contributions	7,770	6,830
of which pension costs	3,626	3,228
of which President's pension costs	932	856

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

Göran Ekström, chairman	90,000	(90,000)
Lars Fresker, vice chairman	69,000	(72,000)
Edel Karlsson Håäl	45,000	(30,000)
Sven-Olof Hellman	39,000	(45,000)
Nils Henrik Schager	45,000	(48,000)
Karin Starrin	6,000	(36,000)
Gunnar Holmgren	40,500	(30,000)

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

A cash salary of SEK 1,793,118 (1,674,036) was paid to the President, of which SEK 1,793,118 (1,674,036) comprises basic salary and SEK 0 (0) variable compensation. The variable compensation is maximised at two monthly salaries for all employees including the President. The society's remuneration policy is published on the website www.kapan.se.

The President has a company car benefit. The President is permanently employed with a retirement age of 60. Pension will be paid from the age 60-65 of 70% of existing basic salary and a period of service of 20 years. Pension after the age of 65 will be paid according to the ITP

Personal deputies

Jonas Bergström	22,000	(28,000)
Elisabeth Sasse	24,000	(24,000)
Harald Mårtensson	25,000	(30,000)
Helen Thornberg	26,000	(28,000)
Margareta Sjöberg	25,000	(26,000)
Pia Enochsson	19,500	(0)

Plan. The President is entitled to salary and benefits for 24 months after employment ceases due to termination on the part of the society. However, compensation from another employment will be deducted from such benefits.

A mutual notice period of six months applies.

Salary and other remuneration to the president is decided by the Board's Remuneration Committee.

Salary and remuneration to other employees are decided by the President. The society's pension plans for occupational pensions are secured through insurance contracts.

NOTE 8 Investment charges

	2010	2009
Investment management charges	-3	-3
Operating expenses attributable to asset management	-20	-17
Interest expenses	-1	0
Capital gains, net		
Shares and participations	0	-13
	-24	-33

Costs are attributable to financial assets held for trading.

NOTE 9 Unrealised losses on investments

	2010	2009
Bonds and other fixed-income securities	-334	0
Derivatives	0	-932
	-334	-932

NOTE 10 Policyholder tax

	2010	2009
Policyholder tax	-174	-178
	-174	-178

Policyholder tax is not a tax on the society's profit, it is a standard-rate tax paid by the society on behalf of policyholders.

The tax is based on the value of the net assets which the policyholders have with the society and is paid on a current basis during the year. The society pays no tax on profit for the year.

NOTE 11 Intangible assets

Other intangible assets	2010	2009
Cost	66	64
Accumulated amortisation	-47	-51
	19	13

NOTE 12 Shares and participations

	2010		2009	
	Cost	Fair value	Cost	Fair value
Swedish equities	4,873	6,778	6,530	7,377
Foreign equities	12,424	12,170	8,751	8,721
	17,297	18,948	15,281	16,098

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

NOTE 13 Fixed-income securities

	2010		2009	
	Cost	Fair value	Cost	Fair value
Swedish government	0	0	208	207
Swedish mortgage institutions	10,201	10,029	7,952	7,993
Other Swedish issuers	8,322	8,163	8,138	8,180
Foreign governments	100	100	100	102
Other foreign issuers	5,428	4,032	5,121	3,645
Total	24,051	22,324	21,519	20,127
of which subordinated				
Dated subordinated debenture	1,580	1,322	1,275	1,029

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

A total of 23 (21) fixed-income investments corresponding to an estimated value of SEK 404m (415) were valued by a recognised international bank. In the valuation the calculation assumptions were

affected by current assessments of required returns and the risk of suspension of payment in the underlying companies.

During 2010 interest payments from these investments were received amounting to SEK 98m.

NOTE 14 Derivatives

Currency derivatives	Nominal amount	Book value positive	Book value negative
AUD	52		-8
CAD	13	1	
CHF	19		-3
EUR	201	60	
GBP	73	22	
JPY	5,190	3	
USD	749	127	
Total	6,297	213	-11
of which cleared		0	
Interest rate swaps	9,019	59	
Interest rate swaps	3,910		-82
Total	12,929	59	-82
of which cleared		0	
Total derivatives			179

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

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

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

The nominal value of these derivatives is reported in accordance with the Swedish Financial Supervisory Authority's instructions as commitments (memorandum items) on the respective closing date. At 31 December 2010 the amount just mentioned was SEK 20,629m (7,974).

Commitments to invest in unlisted shares and funds amount to SEK 2,661m (3,504).

NOTE 15 Complementary information on financial instruments recognised at fair value

Investment assets divided among different types of financial instruments measured at fair value at 31 December 2010

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	13,839	416	4,693	18,948
Bonds and securities	19,725	1,096	1,503	22,324
Derivatives – positive value	0	179	0	179
Total	33,564	1,691	6,196	41,451
Liabilities, derivatives				
Derivatives – negative value	0	0	0	0
Total	0	0	0	0

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 shareholder loans as well as various credit instruments.

Note 15 cont.

Assessment of outstanding risks for investments recognised in level 3

Change in level 3 during the year	Shares and participations	Bonds, securities	Derivatives and options	Total
Opening balance, 1 January 2010	4,283	1,122	2	5,406
Purchases for the period	989	496	0	1,484
Sales for the period	-454	-93	0	-547
Changes in securities and currencies during the period	-25	-5	0	-30
Changes in unrealised gains or losses due to changes in market value	-99	-17	-2	-118
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
Closing balance, 31 December 2010	4,693	1,503	0	6,196
Coupons and dividends during the period	86	151	0	237
Included in profit for the period				
– as part of carrying amount	-39	129	-2	89
– as part of other comprehensive income	–	–	–	–

For instruments recognised in level 3 the estimates of fair value considered true and fair are used. Since the definition of level 3 is that an assessment of fair value is based on some form of model-based measurement, this means that the calculated value can change through the use of alternative measurement methods, for example other model assumptions or parameters.

In the event the market for a financial instrument is considered as inactive, as is the case for level 3, the society obtains the fair value by performing an objective valuation together with an established capital market player.

No transfers between levels were made during the year.

Assessment of outstanding risks for investments recognised in level 3

Outstanding risks, level 3	SEKm	Share in level 3	Share in level 1 or 2
Interest rate risk	86	1%	99%
Share price risk	559	10%	90%
Property risk	1,029	100%	0%
Credit risk	192	13%	87%
Total net risk	1,256	20%	80%
Basis for stress tests			
Stress tested	5,529	89%	99%
Not stress tested	667	11%	1%

The starting point for the internal risk measurement analysis of different asset classes is the risk variables and parameters assigned by the Swedish Financial Supervisory Authority when the society reports to the authority according to the traffic light model. The model takes into account the inherent correlation in the different risks and weighs these together with the aid of a square root formula. The model is based on the different asset classes being given a number of different assumptions on price fluctuations, such as a 30% change in interest rates or a 40% fall in share prices. It can be argued that correlation parameters cannot be read from market data, but their purpose is to capture the change in market value that can be expected in the event of an imagined extreme scenario, and thereby capture any dependence. 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 are classified as belonging to level 2. Calculation of changes in value due to exchange rate fluctuations and calculations of currency risks in level 3 alone are therefore not true and fair.

The method and parameters are solely an approximation of the risk scenario based on empirical studies of the historical market development for groups of asset classes. This means that for the individual asset both a higher and a lower risk level may exist, as with other types of risks. Taken overall, however, this analysis method provides a satisfactory assessment of the outstanding level of risk.

NOTE 16 Other receivables

	2010	2009
Tax asset	4	0
Non-cash sale investment assets	18	233
	22	233

NOTE 17 Property, plant and equipment

	2010	2009
Cost	3	3
Accumulated depreciation	-1	-1
	2	2

NOTE 18 Life insurance provisions

	2010	2009
Kåpan Tjänste	19,949	19,078
ITPK-P	524	519
Kåpan Extra	2,679	2,236
Kåpan Plus	1,893	1,876
Kåpan retirement pension	4,610	4,069
Total	29,655	27,778

NOTE 19 Life insurance provisions

Opening balance	27,778
Paid-in premium for new business	182
Paid-in premium for contracts signed in previous periods	3,468
Paid from/transferred to Provision for claims outstanding or liabilities	-941
Risk result	5
Indexation with discount rate	1,001
Effect of changed discount rate	-387
Allocated bonus	0
Charges	-62
Policyholder tax	-150
Portfolio taken over/transferred	0
Effect of (other) changed actuarial assumptions	0
Other changes	-1,239
Currency effect	0
Closing balance	29,655

NOTE 20 Provision for claims outstanding

Opening balance, reported claims	21
Opening balance, claims not yet reported	1
Opening balance	22
Revaluation with discount rate	1
Policyholder tax	0
Charges	0
Cost of claims incurred in current year	1
Paid from/transferred to insurance liabilities or other current liabilities	-5
Change of anticipated cost of claims incurred in previous year (run-off result)	-2
Effect of changed discount rate	0
Effect of (other) changed actuarial assumptions	0
Change in claims not yet reported	0
Other changes	1
Currency effect	0
Closing balance	18
Closing balance, reported claims	17
Closing balance, claims not yet reported	1

NOTE 21 Other liabilities

	2010	2009
Other	5	5
	5	5

NOTE 22 Anticipated recovery dates**2010**

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	19	19
Shares and participations	0	18,948	18,948
Bonds and other fixed-income securities	3,034	19,290	22,324
Derivatives	179	0	179
Other receivables	22	0	22
Property, plant and equipment	0	2	2
Cash and bank balances	862	0	862
Accrued interest income	341	0	341
Other prepaid expenses and accrued income	6	0	6
	4,444	38,259	42,703
Liabilities			
Life insurance provisions	1,101	28,554	29,655
Provisions for claims outstanding	18	0	18
Other liabilities	5	0	5
Accrued expenses and deferred income	1	0	1
	1,125	28,554	29,679

NOTE 23 Category and fair value of financial assets and liabilities**2010**

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		
Financial assets					
Shares and participations	18,948	–	–	18,948	17,297
Bonds and other fixed-income securities	22,324	–	–	22,324	24,051
Derivatives	–	179	–	179	0
Other receivables	–	–	22	22	22
Cash and bank balances	–	–	862	862	862
Accrued interest income	–	–	341	341	341
Other prepaid expenses and accrued income	–	–	–	6	6
Non-financial assets	–	–	–	21	21
Total	41,272	179	1,225	42,703	42,600

SEKm	Financial liabilities at fair value through profit or loss			Carrying amount, total
	Liabilities assessed as belonging to the category	Held for trading	Other financial liabilities	
Financial liabilities				
Other liabilities	–	–	5	5
Accrued expenses and deferred income	–	–	1	1
Technical provisions	–	–	–	29,673
Total	–	–	6	29,679

2009

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		
Financial assets					
Shares and participations	16,098	–	–	16,098	15,281
Bonds and other fixed-income securities	20,127	–	–	20,127	21,519
Other receivables	–	–	233	233	233
Cash and bank balances	–	–	488	488	488
Accrued interest income	–	–	278	278	278
Other prepaid expenses and accrued income	–	–	–	8	8
Non-financial assets	–	–	–	15	15
Total	36,225	–	999	37,247	37,822

SEKm	Financial liabilities at fair value through profit or loss			Carrying amount, total
	Liabilities assessed as belonging to the category	Held for trading	Other financial liabilities	
Financial liabilities				
Derivatives	–	121	–	121
Other liabilities	–	–	5	5
Provisions for other risks and expenses	–	–	14	14
Accrued expenses and deferred income	–	–	2	2
Technical provisions	–	–	–	27,800
Total	–	121	21	27,942

NOTE 24 Related-party disclosures

Kåpan Pensioner is an insurance society where all the surplus is returned to its members. The main purpose of the society is to manage and pay pension assets for employees covered by an agreement concluded between the Swedish Agency for Government Employers and the government employees' main unions, or between other parties who have concluded pension agreements linked to such agreements.

The highest decision-making body is the Council of Administration. The members of the Council of Administration are appointed by the parties within the government agreement sphere. Operating activities are managed by a Board which appoints the President of the society.

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

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

NOTE 25 Equity

Disclosures of changes in equity are provided in the Statement of changes in equity, page 15.

Stockholm, 8 March 2011

Göran Ekström
Chairman

Lars Fresker
Vice Chairman

Sven-Olof Hellman

Nils Gunnar Holmgren

Edel Karlsson Håål

Nils Henrik Schager

Gunnar Balsvik
President

Our audit report was submitted on 8 March 2011

Anders Malmeby
Authorised Public Accountant

Eva Lindquist

Gunnar Larsson

Audit report

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

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the President of Kåpan pensioner försäkringsförening for the year 2010. These accounts and the administration of the society and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

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

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

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

Stockholm, 8 March 2011

Anders Malmeby
Authorised Public Accountant

Eva Lindquist

Gunnar Larsson

Council of Administration, Board of Directors and Auditors

Council of Administration

Appointed by the Swedish Agency for Government Employers

Members

Maria Ågren, Swedish Environmental Protection Agency
Annika Bergström, National Defence Radio Centre
Louise Bodegård, MSB

Peter Brodd, Public Prosecutor
Elisabeth Bjar, National Police Board
Ivar Eriksson, National Police Board
Olle Forslund, National Archives
Teddy Glans, National Road Administration until 17 Feb 10
Claes Vallin, The Swedish National Grid from 18 Feb 10
Jan Kallin, Swedish National Institute of Public Health until 14 April 10
Britt-Marie Jonsson, The Swedish Unemployment Insurance Board from 15 April 10

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

Håkan Pallin, National Veterinary Institute
Karl Pfeifer, Swedish Agency for Government Employers
Britt-Marie Samuelsson, Swedish Public Employment Service
Kristina Sederholm, National Board for Consumer Complaints

Appointed by trade unions

Members

Cecila Dahl, OFR
Annette Carnhede, OFR
Tom Johnson, OFR
Håkan Rosenqvist, OFR
Bengt Sundberg, OFR
Meeri Wasberg, OFR
Christian Kjellström, OFR
Margareta Bäckström, SEKO
Ingrid Lagerborg, SEKO
Christer Henriksson, SEKO
Erik Johannesson, SEKO
Tommy Salheden, SEKO
Git Claesson Pipping, Saco-S
Rune Larsson, Saco-S
Hans Lindgren, Saco-S

Board of Directors

Employer representatives

Members

Göran Ekström, Swedish Agency for Government Employers, Chairman
Nils Henrik Schager, Swedish Agency for Government Employers
Karin Starrin, Swedish Customs until 13 April 10
Gunnar Holmgren, FMV from 14 April 10

Trade union representatives

Members

Lars Fresker, OFR, Deputy Chairman
Edel Karlsson Håäl, Saco-S
Sven-Olof Hellman, SEKO

Auditors

Auditors

Anders Malmby, Authorised public accountant
Eva Lindquist, Saco-S
Anita Johansson, Swedish Agency for Higher Education Services until 13 April 10
Gunnar Larsson, Swedish Consumer Agency from 14 April 10

Personal Deputies

Ingemar Skogö, Administrative Board in Västmanland
Anne Norstedt, Swedish Energy Agency
Cecilia Aste, Swedish National Financial Management Authority until 17 Feb 10
Mats Engelbrekton, The Government Offices from 18 Feb 10
Eva Nelson Nestrell, Swedish Enforcement Authority
Kajsa Möller, Swedish Customs
Margareta Andersson Hartwig, National Police Board
Anna Cedemar, Swedish National Museum with Waldemarsudde
Claes Vallin, The Swedish National Grid until 17 Feb 10
Christina Burlin, Swedish Maritime Administration from 18 Feb 10
Camilla Stenemyr, Swedish Agency for Higher Education Services until 17 Feb 10
Britt-Marie Johansson, Insp f arbetslöshetsförsäkring from 18 Feb 10
until 100414
Per Bergdahl, The Swedish National Agency for Education from 100415
Ann Fust, Uppsala University
Annika Genberg, Stockholm Academy of Dramatic Arts until 17 Feb 10
Bengt Sandberg, Stockholms University from 18 Feb 10
until 14 April 10
from 15 April 10
Christina Nordberg, Göteborgs University
Pamela Lund Bergström, Swedish Patent and Registration Office
Carl Durling, Swedish Agency for Government Employers
Rolf Lindberg, Swedish Social Insurance Agency
Ulf Ällebrand, Swedish Competition Authority until 17 Feb 10
Lotta Liljegren, The National Board of Forensic Medicine from 18 Feb 10

Personal Deputies

Peter Lennartsson, OFR
Siv Norlin, OFR
Britta Unneby, OFR
Fredrik Mandelin, OFR
Björn Hartvigsson, OFR
Mikael Krüger, OFR
Mikael Boox, OFR
Lennart Andersson, SEKO
Lennart Johansson, SEKO
Rolf Bolinder, SEKO
Dennis Lövgren, SEKO
Birger Bergvall, SEKO
Mats Rubarth, Saco-S
Karen Gott, Saco-S
Peter Henriksson, Saco-S

Personal Deputies

Jonas Bergström, Swedish Agency for Government Employers
Margareta Sjöberg, Swedish Agency for Government Employers
Gunnar Holmgren, FMV until 13 April 10
Pia Enochsson, Swedish National Agency for Higher Vocational Education from 14 April 10

Personal Deputies

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

Deputy Auditors, Personal

Per Bergman, Authorised Public Accountant
Gunilla Hellström, OFR
Gunnar Larsson, Swedish Consumer Agency until 13 April 10
Lars Nylén, Swedish Prison and Probation Service from 14 April 10

Definitions

Bonus

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

Bonus rate

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

Capital base

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

Collective funding ratio

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

Currency hedging

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

Derivative

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

Fair value

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

Funding capital

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

Guaranteed rate

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

Insurance capital

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

Interest rate cover ratio

The obligations of the society comprise to a dominant extent fixed guaranteed interest on paid-in premiums. The outstanding interest rate risks in commitments made is balanced by a corresponding risk in outstanding fixed-income investments and interest rate derivatives. The society measures the total outstanding interest rate risk using the metric interest rate cover ratio which indicates how large a portion of interest rate on the liability side including interest rate derivatives is covered by fixed-income investments (see Note 2, page 19).

Management expense ratio

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

Required solvency margin

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

Return

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

Solvency ratio

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

Total return

The society's total asset management result, i.e. the sum of changes realised and unrealised changes in value of investments and direct yield received. The return calculation does not include changes in value of outstanding insurance obligations.

2010

KÅPAN
PENSIONER

The Swedish Pension Insurance Society
for Government Employees

Kungsgatan 4B ⁵ • Box 7515 • SE-103 92 Stockholm
Tel +46 8 411 49 45 • Fax +46 8 21 31 51 • www.kapan.se
Reg. no. 816400-4114