

Annual Review 2010



Folksam

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CEO's statement: Continued success

2010 was a successful year for Folksam, with sharply increased premium volumes. Market shares increased in several areas, particularly in unit-linked insurance. Assets under management grew by SEK 26 billion to SEK 268 billion.

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Security in a sustainable world

Folksam's vision is for people to feel secure in a sustainable world. One area of strategic focus is "responsible influence", which is exercised in the areas of the environment, road safety and external corporate governance. Page 13

Folksam General: Increased market share

In non-life insurance, Folksam's share of total earned premiums rose from 14.8 to 15.2 per cent. Folksam was the only one of the four leading non-life insurance companies to increase its market share in 2010. Page 25



Folksam Life: High total return

The total return was 8.7 per cent and the solvency ratio was 158 per cent, which demonstrates continued financial strength. The market share in unit-linked insurance increased to 9.2 per cent. Page 31

KPA Pension: Strong finance

KPA Pension is the market leader in the area of local-government pensions. At the end of 2010 the KPA Group had a total of SEK 80 billion under management. The solvency ratio was as high as 186 per cent. Page 40



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2010 in brief

Folksam's **assets under management** grew by SEK 26 billion to SEK 268 billion.

The increase in the value of the **shareholding in Swedbank** at year-end was SEK 2.6 billion. The value of the holding has almost trebled since the initial investment.

Folksam formed part of a consortium that acquired **FIH Erhvervsbank**, the sixth largest bank in Denmark. The acquisition came into effect on 6 January 2011.

Operating expenses fell, partly due to greater co-ordination of joint functions.

In **non-life insurance**, Folksam's share of total earned premiums rose from 14.8 to 15.2 per cent. Folksam was thus the only one of the four leading non-life insurance companies to increase its share in 2010.

Folksam gained 45,000 more customers in **motor insurance** and consequently increased its market share (in terms of number of policies) in the private car market by 1.1 per cent.

Claim expenses increased, principally due to the harsh winter.

Folksam General repaid the remaining SEK 500 million in guarantee capital to Folksam Life, and redeemed all the external debenture loans totalling SEK 975 million.

Total return was 8.7 per cent in Folksam Life and 8.2 per cent in KPA Pension.

Bonus rates were steadily raised during the year. From 1 December they were 6 per cent in Folksam Life and 11 per cent in KP Pension & Insurance.

KPA Pension was named **Pension Fund of the Year 2010** by the British magazine Life & Pension Risk.

Premium payments made by investors in **unit-linked insurance** rose by 18 per cent to SEK 7.6 billion (6.4), meaning that Folksam's market share in this area rose to 9.2 per cent (9.1).

This is Folksam

Customer-owned

Folksam is a mutual company, meaning that it is owned by its customers. It is of great importance to all types of companies to have satisfied customers and satisfied owners, and for Folksam, it is a significant advantage that these groups coincide.

Broad offering

Folksam offers a broad range, including car and householder insurance policies, commercial policies in selected areas, occupational pensions and pension plans for private individuals directly or through cooperation, group life insurance and other risk insurance.

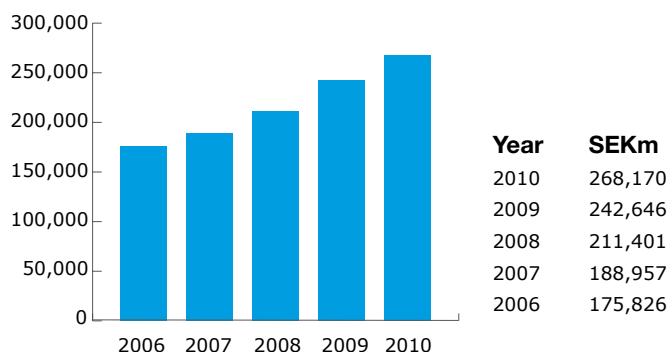
Strong finances

Folksam manages just over SEK 268 billion in assets. These assets are invested in interest-bearing securities, equities, property and alternative investment vehicles. The fact that the solvency ratios in Folksam Life and KPA Pension are as high as 158 per cent and 186 per cent respectively is testimony to the companies' financial strength. Folksam General repaid the guarantee capital of SEK 500 million to Folksam Life, and redeemed all external debenture loans totalling SEK 975 million.

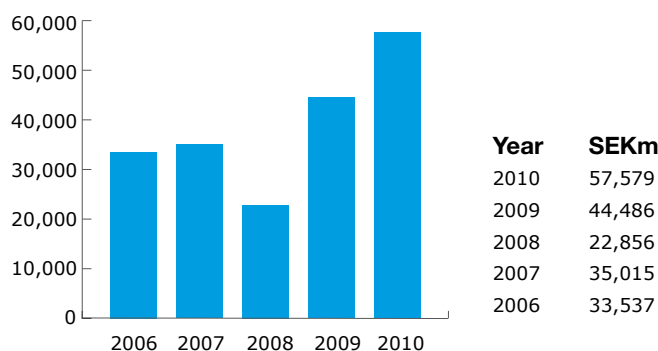
Responsible influence

Folksam has a positive impact on social development through preventive efforts in areas such as road safety research, the environment and responsible ownership. Folksam has made active environmental efforts over a long period of time. Knowledge from Folksam road safety research is applied in order to save lives on the roads. The entire assets under management are covered by criteria concerning the environment, human rights and corruption, and Folksam influences the companies through active corporate governance.

Assets under management, five years



Holdings of Swedish equities, five years





Continued success

2010 was a successful year for Folksam, with sharply increased premium volumes. We gained market shares in several areas during the year, in particular through new unit-linked insurance policies. Non-life insurance also experienced growth, although the harsh winter affected the whole industry. Our market shares increased most in car insurance, and we continued to be the market leader in group insurance.

Assets under management grew by SEK 26 billion during the year and totalled SEK 268 billion at year-end, and the return was good. Our ability to manage risk also drew attention internationally, and KPA Pension was named Pension Fund of the Year (2010) by the British magazine Life & Pension Risk.

Having a portfolio that grows as rapidly as ours is obviously beneficial - it means that increasing numbers of investors are appreciating that it makes sense to do business with us. We are therefore now being offered the chance to participate in more and more investments that produce a good return for our customers.

To further increase the return and spread risk, Folksam has for some years focused on building a portfolio of alternative investments. For example, as part of a consortium, we acquired the struggling Danish investment bank FIH Erhvervsbank so we could take part in the bank's reconstruction after the financial crisis.

Folksam is the single largest shareholder in Swedbank, with just over nine per cent of the equity, making the bank our single most important investment. Eleven savings bank foundations own just over two per cent, and independent savings banks own around nine per cent. Together with these shareholders, we have drawn up a joint declaration on ownership issues, and together we

represent over 20 per cent of the equity in Swedbank. Swedbank is our primary bank and alliance partner, and our investment is long-term. The increase in the value of shares in Swedbank was SEK 2.6 billion at year-end, and the value of our holding has almost trebled since we first bought into the bank.

Folksam owned properties to a total value of SEK 14.4 billion at the end of the year. The target is for our life company portfolios to have eight per cent of their assets in property, which has not yet been achieved. We therefore intend to continue to purchase properties.

Folksam's financial strength continued to increase during the year, and Folksam General was able, for example, to repay the remaining SEK 500 million in guarantee capital to Folksam Life. Folksam General also redeemed all external debenture loans totalling SEK 975 million. In addition, the solvency ratio was greatly bolstered in both Folksam Life and KPA Pension. The two companies consequently have greater room for manoeuvre in their investments and will be able to attain a higher return for investors in the future.

Our inflow of customers reflects the important journey Folksam has made in recent years. Five years ago, KPA Pension was almost condemned, but in 2010 it had the most satisfied customers in the local government sector. Folksam General also noted that the most satisfied customers were those who had made claims. This is positive, as it shows that customers' expectations are being met in terms of the quality of claims management.

We decided on a new brand strategy for Folksam in 2010. The new tagline is "Committed for you", which we aim to achieve by making decisions based on our core values: personal, committed and responsible. An ever-increasing proportion of sales are made online. The trust that used to be achieved and strengthened through personal contact increasingly needs to be created through the brand. In addition, a strong brand makes it easier to recruit staff.

Our employees are a key factor in enabling Folksam to continue its successful journey. We therefore have an incentive programme

through which, in 2010, all employees received a reward of SEK 10,000 for targets achieved in terms of operating expenses and operating expenses in relation to customer fees paid. Only the senior management and individuals who can influence the company's risks are excluded. When the customers are owners, it is natural to adopt an approach of corporate social responsibility. In 2010 one in every three people in Sweden was aware that Folksam is heavily committed to road safety, and many people knew about the company's ethical investments. Unfortunately, it was not as apparent that we work hard on environmental issues.

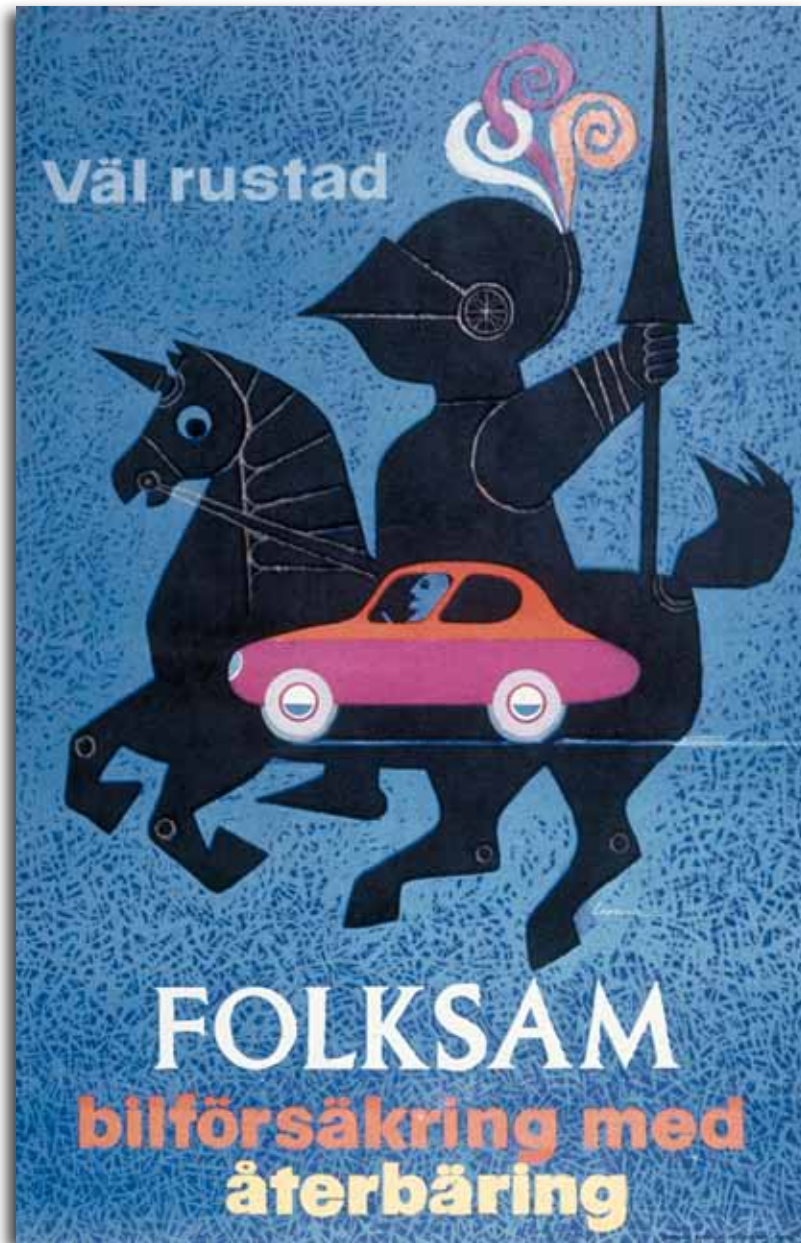
One of our greatest challenges, which is now being addressed, is to succeed in restructuring the physical customer meeting organisation, from geographical to channel-guided. Regional managers were formerly responsible for geographical areas, whereas today we have channel managers who are responsible for the various distribution and claims channels - irrespective of where the meeting with the customer takes place. Another challenge is to bolster our market position in individual occupational pensions and in private pension investment.

The pace of change is increasing in the world at large. And we are working to adapt our operation to new rules in a cost-effective way, for example to Solvency 2 and gender-neutral premiums. We also need to make better use of our strengths. Folksam is a mutual, customer-owned company with close relations with its customers and where all surpluses accrue to customers. This mutuality is long-term and is therefore a good match for insurance activity, which is also long-term.

I firmly believe that the fact that our customers are also our owners is an important factor of strength for Folksam.



Anders Sundström
CEO of Folksam



1950s



2010



1950s



2007



1961

Business concept, goals and focal areas

Folksam is a mutual company, meaning that it is owned by its customers. It is of great importance to all types of companies to have satisfied customers and satisfied owners, and the fact that that these groups coincide is a significant advantage for Folksam.

Vision

People should feel secure in a sustainable world.

Business concept

We are the customers' company that offers popular insurance policies and pension investments that create security.

Goals

Folksam's overall goal is to have the insurance and investment industry's most satisfied customers.

Focal areas

The strategic focus for the boards includes organisational structure, financial targets, corporate governance of subsidiaries, and internal governance and control.

The strategic plans also establish areas that each board wants Folksam to steer towards and focus on.

- Perceived customer benefit. Folksam should ensure that existing and new customers see it as an advantage to be a customer of any of the alternatives offered by the company.
- Better than the competition. Folksam should constantly improve all parts of its operation by learning from examples of best practice in the outside world and ensuring that the company's position is improved in comparison with the competition.

- Grow through its own strength. Folksam should endeavour to create growth and in so doing ensure financial stability and efficiency.
- Responsible influence. Folksam should differentiate its operation from competitors by taking active responsibility for the surrounding world and for the future. Folksam should strive to ensure that its offerings are designed to take responsible influence into consideration.
- Attractive employer. Folksam should create clear and attractive offerings for current and future staff.

Core values

Folksam is the company with a big heart. We show this through our core values, which means that we are:

Personal

Show consideration and base decisions on the customer's situation.

Committed

Active, take initiatives to help our customers, see opportunities and are solution-oriented.

Responsible

Knowledgeable in insurance and pension investment. Responsible, reliable and help our customers to make decisions from a long-term perspective.

Organisation

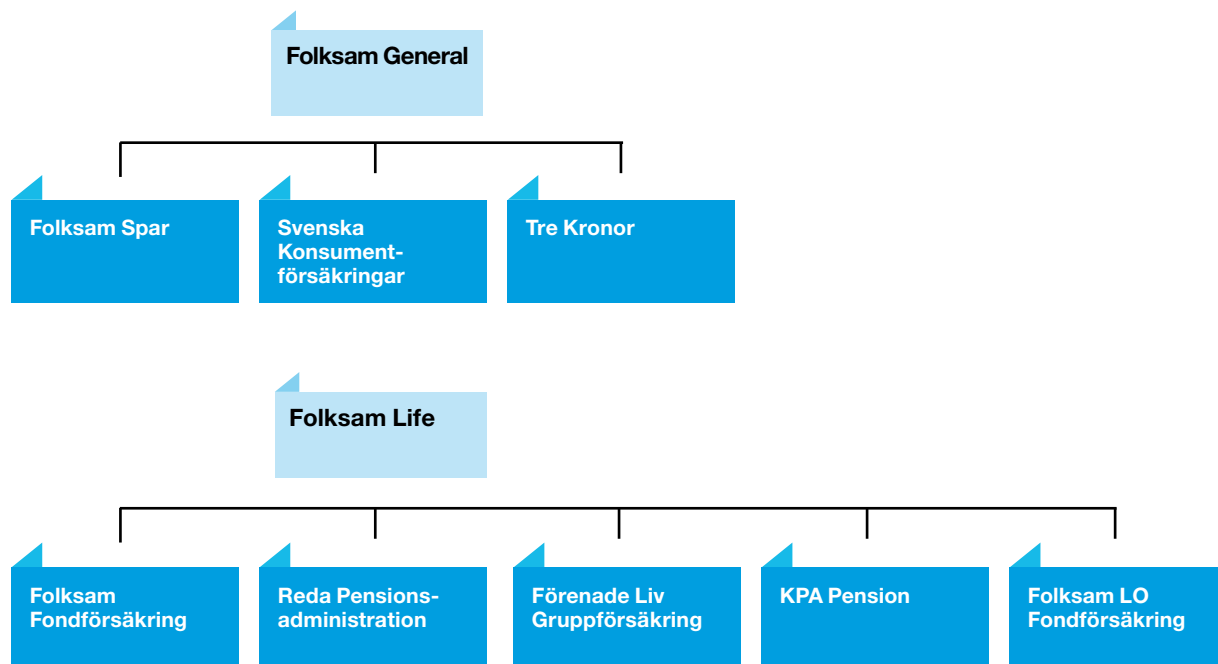
Group structure – simplified

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam General) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries.

Two of the subsidiaries of the insurance operation in Folksam Life are part-owned. Folksam LO Fondförsäkring is 51 per cent owned and the companies in KPA Pension are 60 per cent owned.

Of the Group companies in Folksam Life, the companies in KPA Pension and Förenade Liv are not covered by the consolidated accounts as the surplus in these companies accrues to the policy-holders.

Collaboration takes place in distribution, administration and asset management to achieve economies of scale that benefit customers.



The Folksam General Group

Folksam General (mutual) offers non-life insurance principally focused on the Swedish household market. The company offers a full range of insurance policies to households and private individuals based on motor and household insurance and supplemented by commercial insurance in selected areas.

Folksam Spar acts as direct broker for unit-linked pension investments and offers individual pension investment, that is to say investment in pension plans without an insurance element.

Svenska Konsumentförsäkringar operations cover individual and group non-life insurance for private individuals and for small and medium-sized enterprises. The policies are brokered by SalusAnsvar for their customer groups.

Tre Kronor offers non-life insurance in Sweden, and its business concept is to offer non-life insurance to companies and organisations wishing to sell and market insurance under their own brands. The company currently collaborates with Swedbank and 38 independent savings banks, and in so doing provides non-life insurance products to a broad market.

The Folksam Life Group

Folksam Life (mutual) offers life insurance. It also offers occupational pensions and pension investments to private individuals, directly or through cooperations, as well as group life insurance and other risk insurance.

Folksam Fondförsäkring undertakes unit-linked insurance operations related to securities funds. Customers can choose among a large number of selected funds, for example ethical funds, funds with low charges and award-winning, top-performing funds.

Reda Pensionsadministration is tasked with providing life insurance and pension administration services.

Folksam LO Fondförsäkring is focused on collectively agreed occupational pensions and principally covers administration and management of pension allocations made under the pensions agreement between the employer organisation SAF and the Swedish Trade Union Confederation, LO. The company is owned 51 per cent by Folksam Life and 49 per cent by LO.

Folksam LO Fond (wholly owned subsidiary of Folksam LO Fondförsäkring) is a fund manager that manages four funds.

Group companies within Folksam Life

– not consolidated because the surplus accrues to the policyholders

Förenade Liv Gruppförsäkring offers voluntary group life, group sickness, critical illness, waiver of premium and group pension insurance, as well as group accident insurance.

KPA Pensionsförsäkring is a pension company focused on the municipal sector and owned 60 per cent by Folksam and 40 per cent by the Swedish Association of Local Authorities and Regions (SALAR).

KPA Liv is an insurance provider for the occupational group life insurance covered by collective agreements.

Operational organisation

Folksam is organised into three business areas: Private, Partner and Collectively Agreed Business, plus subsidiaries.

In addition there are eight central units.

The Private business area is responsible for Folksam's business in the private market for individual insurance and investment. This responsibility applies to both life and non-life insurance under the Folksam brand.

The Partner business area is responsible for Folksam's business with partner and organisational customers. It includes the group insurance business and commercial insurance.

This business area relates to both non-life insurance and personal insurance and investment.

The Collectively Agreed Business area is responsible for Folksam's business with the parties to collective bargaining agreements in the Swedish labour market.

This includes both pensions and risk insurance, for example occupational group life insurance and sickness insurance, as well as administrative service for employers.

A large number of activities have been initiated to develop and improve the efficiency of the organisation and processes in order to achieve business and cost synergies.

Work persisted in 2010 on coordinating joint functions to ensure that resources continued to be used efficiently.

The IT, actuarial, communication and legal functions were transferred from KPA Pension to the joint functions. In addition, large parts of the insurance administration were coordinated in a joint function.

As part of the process of concentrating resources, workplace IT operation and maintenance was outsourced to Logica.

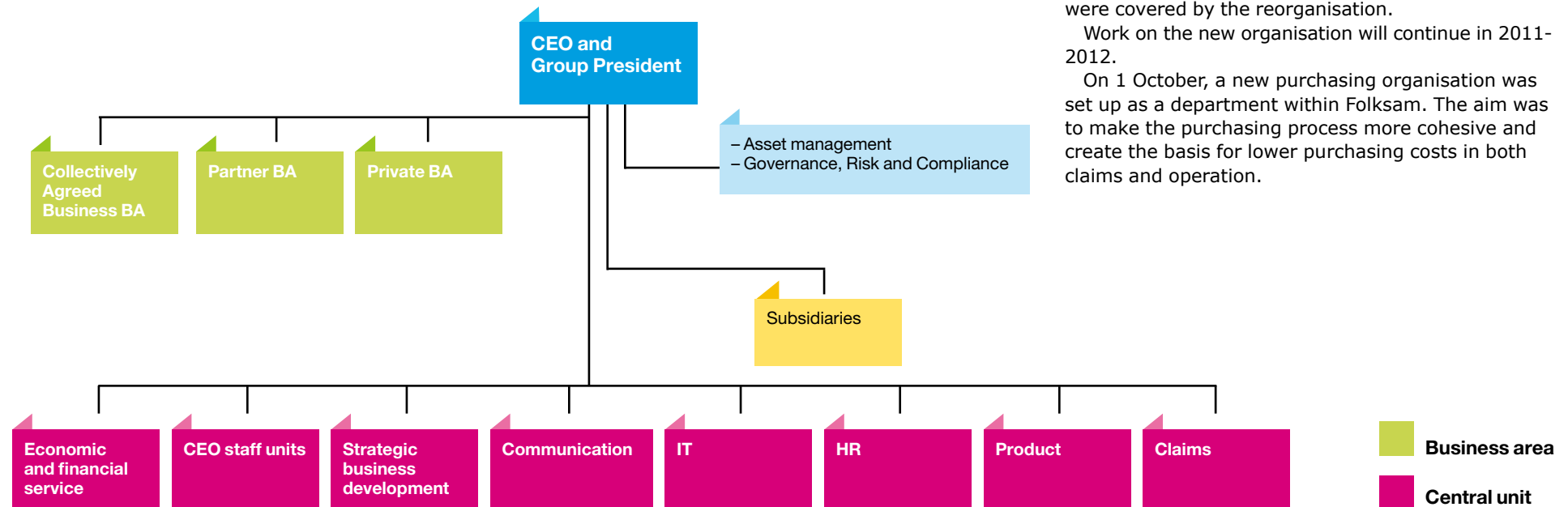
KP and KPA Pension were also integrated during the year. The aim was to coordinate activities to create an efficient service for customers.

A change project covering office workplaces was launched, with the aim of enabling a more efficient work organisation and lowering the costs of premises. This project will also continue in 2011.

An extensive change was made in the sales and claims customer organisation during the year, with the switch being made from a geographical to a channel-guided organisation made up of eleven channels. Five of these - customer service, life and investment, telemarketing, online and broad market - are sales channels, while the other six - non-life, motor, personal injury - compensation, personal injury - terms, investigation and other - are claims channels. The change is being made to improve efficiency through shorter decision paths, and reflects the fact that 95 per cent of customers are in contact with Folksam by phone or online. Around 2,000 people were covered by the reorganisation.

Work on the new organisation will continue in 2011-2012.

On 1 October, a new purchasing organisation was set up as a department within Folksam. The aim was to make the purchasing process more cohesive and create the basis for lower purchasing costs in both claims and operation.





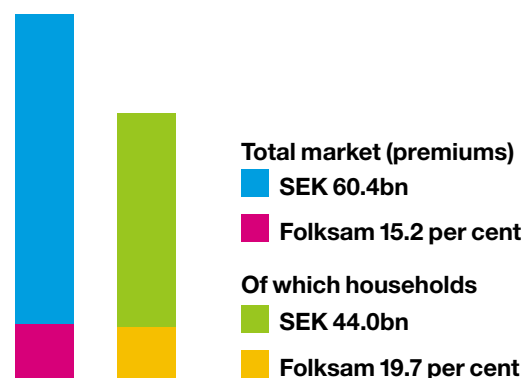
Market shares and satisfied customers

Market shares

Folksam achieved sales successes in several areas in 2010. Of the total premium market in non-life insurance of SEK 60.4 billion, Folksam had 15.2 per cent. The household market accounted for SEK 44 billion of the total market, of which Folksam's share was 19.7 per cent.

Folksam's market shares in 2010

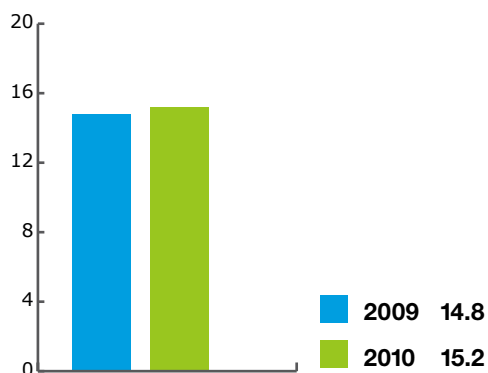
Non-life insurance



Source: Swedish Insurance Federation

In non-life insurance, Folksam's share of total earned premiums rose from 14.8 to 15.2 per cent. Folksam was the only one of the four leading non-life insurance companies to increase its share in 2010.

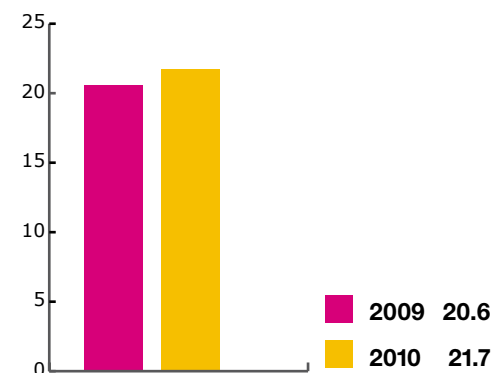
Market share for earned premiums in non-life insurance, per cent



Source: Swedish Insurance Federation

There was a particularly large increase in car insurance, in which Folksam gained 45,000 more customers in 2010. This led to Folksam increasing its market share (in terms of number of insurance policies) in the private car market by 1.1 percentage points, which was more than any other company achieved.

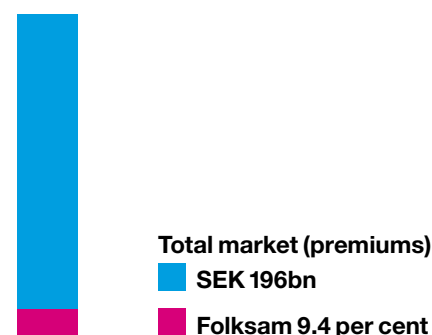
Market share of the number of car insurance policies, per cent



Source: Swedish Transport Administration

Folksam's market shares in 2010

Life insurance

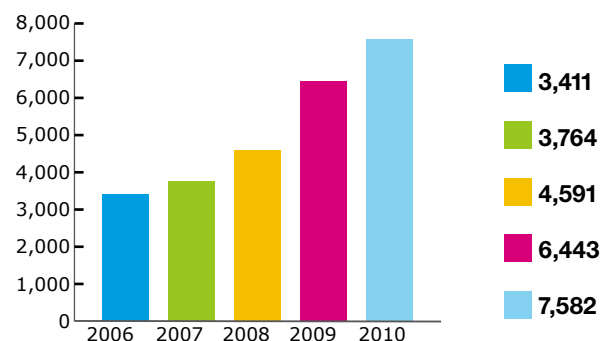


Source: Swedish Insurance Federation

In terms of total earned income for Folksam Life, the market share in 2010 was 9.4 per cent. This means that the earned income for old and new policies totalled SEK 18.4 billion out of the total market of SEK 196 billion.

Folksam Life

Payments by investors in unit-linked insurance, SEKm



Payments made by investors in unit-linked insurance have increased sharply in recent years. This growth is a consequence of the continued commitment to the occupational pensions market and the successes achieved in SAF-LO contractual pensions.

Folksam gained the largest share, 19 per cent, of those actively choosing occupational pensions in SAF/LO. The choice was made at the end of 2009, and the results became known in 2010.

Premium payments by investors in unit-linked insurance rose by 18 per cent to SEK 7.6 billion (6.4). This meant that Folksam's market share in this area rose to 9.2 per cent (9.1).

The premiums relate to Folksam Life, Folksam Fondförsäkring, Folksam LO Fondförsäkring and KPA Pensionsförsäkring.

More satisfied customers

Folksam continuously surveys how satisfied its customers are. This enables customers to exert influence and provides Folksam with a picture of the company's strengths and areas for improvement. The surveys conducted in 2010 show that the intensive work on improvement has yielded results in the shape of increasingly satisfied customers. The increases in the level of satisfaction ranged during the year between 3 and 11 percentage points, for example in Folksam LO Pension, KPA Pension and Folksam privat (General and Life). The greatest improvement compared with 2009 was seen in the latter. The Swedish EPSI rating (an external sector study) showed that Folksam had improved its level of customer satisfaction and was above the sector average. Employers in municipalities and county councils once again gave KPA Pension the highest score for satisfaction among the pension companies.



Sustainability – a key issue

Folksam's vision is that people should feel secure in a sustainable world, and "Responsible Influence" is one of the boards' five strategic focal areas. Folksam has a direct environmental impact, both as a purchaser of materials for repairing damage and through its consumption of electricity and water, and of fuel for company cars. The claims-handling business accounts for most emissions. Folksam repairs cars at a cost of SEK 1.2 billion and buildings at a cost of SEK 800 million a year. This environmental impact is reduced through making demands of suppliers and by using recycled material as far as possible. An extensive survey of carbon dioxide emissions in building and vehicle repairs was conducted in 2010. The results will be used to further reduce carbon dioxide emissions. As a service company, other types of environmental impact arise from Folksam's operations through its properties and electricity consumption, and through driving vehicles. Since 2009 wind power of specified origin has been the sole source of power in Folksam-owned properties and rented offices.

Climate-neutral

Folksam has been climate-neutral since 2006. This means that, every year, the company plants as many trees as are required to offset the company's annual carbon dioxide emissions. These emissions come, for example, from heating and business travel by road and air. It is estimated that 40,000 trees (equivalent to 3,852 tonnes of carbon dioxide) were planted in 2010. Folksam has around SEK 268 billion under management on behalf of just over four million customers. This makes it possible to influence, and in the long term change, society. All the assets Folksam manages, regardless of whether they are funds, insurance portfolios or personal investments, are covered by ethical

investment criteria relating to the environment, human rights and corruption. This is based on a firm belief that companies that take responsibility for the environment and human rights are more profitable in the longer term. Certain companies are excluded from investments regardless of how small their environmental impact is. These exclusion criteria are tobacco and illegal weapons such as cluster bombs, anti-personnel mines and nuclear weapons. Nor does KPA Pension invest in commercial gambling companies, alcohol manufacturers or arms companies.

Active owner

Folksam is an active owner and conducts a continuous dialogue with companies on such matters as environmental impact, corruption, bonus systems and gender equality.

In 2010, Folksam reviewed 2,600 companies, focusing on their performance in relation to the environment and human rights. Folksam and KPA Pension endeavour as far as possible to influence the companies they invest in, but if the dialogue proves to be of no avail, the holding is sold. No such sale was made in 2010.

The criteria regarding the companies Folksam does not invest in were expanded during the year. In line with UN recommendations, groups of companies that manufacture parts for nuclear warheads are now counted as arms-manufacturing companies and will therefore be excluded.

Förenade Liv is working actively to reduce violence in society. The aim is to increase awareness, reduce risks and create security. This work is partly undertaken through seminars and lectures and by issuing publications on combating violence. Förenade Liv has had a crisis insurance policy since 2005 that is valid in the case of domestic violence without a requirement for reporting the incident to the police.

Road safety

Folksam has more than 30 years of experience of research into road safety, with the emphasis on studies of accidents that have actually occurred. This knowledge is applied to save lives. Fewer road traffic injuries also mean lower claims costs and therefore lower traffic insurance premiums, which benefits customers.

Between 1992 and 2010, Folksam installed around 240,000 black boxes in four different makes of vehicles in Sweden.

In 2010, together with players such as SalusAnsvar and the Swedish Transport Administration, Folksam initiated a research project aimed at creating a safer road traffic environment. The project evaluates the possibility of persuading drivers to alter their behaviour and adopt safer, more eco-friendly driving practices by offering financial incentives, that is to say lower premiums.

Folksam has been working actively on diversity for many years. Diversity leads to increased customer benefit and attractiveness as an employer. An example of the success achieved is Folksam's multilingual customer service, which during the year handled 90,000 calls. To ensure that Folksam continues to lead the field with regard to diversity and integration issues, the position of Diversity Business Manager was established in 2010. The purpose of this post is to continue to improve diversity efforts in dealings with customers so that more people get the opportunity to learn about Folksam's offerings.



2010 in summary

Folksam is the customers' company that offers popular insurance policies and pension investments. Our vision is that people should feel secure in a sustainable world.

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam General) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries, as well as KPA Pension and Förenade Liv. The companies and their relationships are presented in Note 46 (Folksam Life) and Note 48 (Folksam General), "Disclosures on related parties", in the complete financial statements. The companies collaborate on distribution, administration and asset management to achieve economies of scale that benefit customers.

The focus in 2010 was on developing relations with existing customers and increasing premium volume, as well as on strengthening the financial position.

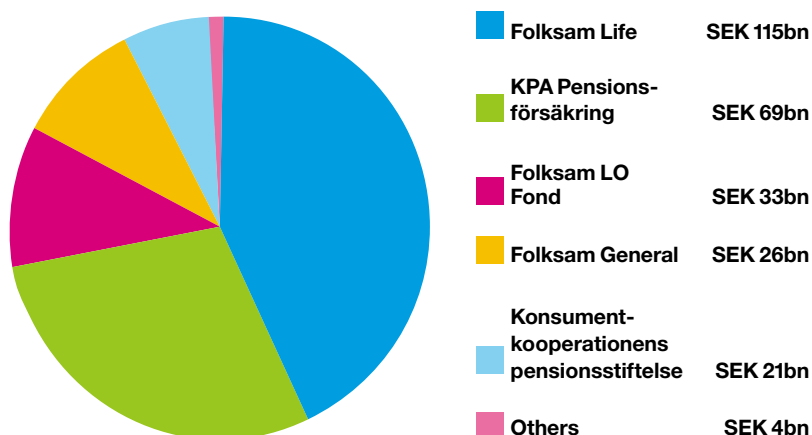
Premium volume increased sharply in 2010 in unit-linked insurance and non-life insurance. The part of the pensionmarket where individuals make their own choice (contractual pensions) accounts for around 40 per cent of earned premiums, principally in the KAP-KL and SAF-LO contract areas. In motor and householder insurance for private customers, the continued focus on combination customers and distribution through bank cooperation contributed to increasing premium stocks. Folksam's market share in terms of premiums for the market in total increased to 15.2 (14.8) per cent. Claims incurred increased as a result of the increasing stock and the large number of winter-related claims during the year.

The good return during the year helped Folksam maintain its financial stability and achieve positive results in both the non-life and life insurance businesses. Folksam Life and KPA Pension are among the leading companies in the industry.

Folksam, SEKm	2010	2009	2008	2007	2006
Premiums (1)	30,496	29,356	27,158	23,977	23,630
Assets under management (2)	268,170	242,646	211,401	183,957	175,826
<i>Of which Swedish equities</i>	<i>57,759</i>	<i>44,486</i>	<i>22,856</i>	<i>35,015</i>	<i>33,537</i>
<i>Of which property</i>	<i>14,353</i>	<i>12,297</i>	<i>13,753</i>	<i>8,263</i>	<i>6,578</i>
Unit-linked insurance assets (3)	49,593	38,158	24,600	26,557	27,343
Average number of employees (4)	2,818	2,916	2,934	2,892	3,049

- 1) Premiums comprise earned premiums in non-life insurance, earned premiums in life insurance, income relating to investment contracts, and payments by unit-linked insurance investors.
- 2) Assets under management represent assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries, plus assets under management in Konsumentkooperationens pensionsstiftelse and Folksam LO Fonder.
- 3) Investment assets for which the policyholders bear the risk.
- 4) The average number of employees has been calculated based on the number of hours of work (paid time) relative to a full-time equivalent.

Folksam, total assets under management SEK 268 billion



Asset management

Folksam manages just over SEK 268 billion in assets. These assets are invested in interest-bearing securities, equities, property and alternative investment vehicles. Alternative investment vehicles are investments that have a low correlation to the equities and interest markets, for example hedge funds, commodities and infrastructure.

Folksam's holdings of interest-bearing securities predominantly consist of bonds issued by the Swedish government, Swedish mortgage institutions or Swedish companies.

At the end of 2010, Folksam held property assets, including property funds, to an aggregate value of SEK 14.4 billion. The value of directly owned properties totalled SEK 11.3 billion. All the directly owned properties are located in Sweden.

The largest alternative investments at the end of 2010 were BelAir (fair value SEK 311 million) and Kenmar (255) in Folksam Life, and BelAir (527) and Crown (104) in KPA Pension.

Market trend

After the extremely robust stock market year of 2009, 2010 began on a significantly weaker note. World equity markets initially fell, before trending upwards again from mid-February, when resolute measures were taken to tackle the Greek sovereign debt crisis, and following reports of strong growth in China and stabilised unemployment in the United States. The Swedish equities market was influenced by positive company reports and rose by nearly 15 per cent in March and April.

May began with equities in sharp retreat, and at the end of the month the stock market was back to the same level as at the start of the year. The principal reason was that Greece's problems were now shared by several countries in Europe, including Ireland and Portugal. The oil disaster in the Gulf of Mexico also sent shock waves through the world's equity markets.

After the end of the first six months, Sweden was notable for positive macrostatistics and continued

strength in company reports. This improved stock market sentiment, and Swedish equities rose by nearly 27 per cent for the whole year.

Internationally, the picture was more fragmented. Growth was relatively strong in countries such as China and Germany, while countries such as the United States, and in particular Greece, Ireland and Portugal, grappled with weak growth and debt problems. In the United States, Japan and the United Kingdom, share indexes rose by between 10 and 15 per cent, while several countries in Europe, such as France, Spain and Greece, posted falls of between 5 and 45 per cent. Broad international share indexes rose by an aggregate of around 10 per cent during the year measured in local currency. Because of the strengthening of the Swedish currency during the year, the rise measured in terms of Swedish kronor remained at around 5 per cent. The interest-rate market during the first six months was notable for a sharp fall in interest rates due to weak economic statistics from most countries. The interest rate on 10-year government bonds, which at the start of the year stood at around 3.4 per cent, had fallen to 2.2 per cent by the end of August. The economic outlook steadily brightened during the autumn, and both short-term and long-term interest rates moved upwards. Statistics in Sweden pointed to extremely good economic development. This resulted in a rapid upturn in interest rates, and rates at the end of the year were at roughly the same or a higher level than at the start of the year.

The property market in Sweden recovered during the year as a result of strong Swedish growth and continued relatively low interest rates. The market for both commercial properties and residential properties in metropolitan areas thus improved during the year, and the growth in value was weakly positive. Foreign property investments were adversely affected by the strong krona.

Alternative investments showed a weakly positive trend but were adversely affected by the strong krona.

Swedbank

Folksam owns just over nine per cent of the equity in Swedbank. Eleven savings bank foundations own just over two per cent, and independent savings banks own around nine per cent. A joint declaration on owner issues has been drawn up between these owners, who thus together hold just over 20 per cent of the shares in Swedbank.

The increase in the value of shares in Swedbank was SEK 2.6 billion at year-end. The value of the holding has almost trebled since the initial investment.

Folksam's holding in Swedbank at 31 December 2010

Company	Number	Share of voting rights and capital in Swedbank, per cent
Folksam General	26,543,173	2.3
Folksam Life	63,340,399	5.5
Sub-total	89,883,572	7.8
Folksam LO fonder	6,365,194	0.5
KPA Pensionsförsäkring	11,030,404	1.0
KPA Livförsäkring	209,053	0.0
KP pensionsstiftelse	1,196,581	0.1
Förenade Liv	105,069	0.0
Folksam total	108,789,873	9.4

Significant events during the financial year

Through a consortium that in addition to Folksam consists of ATP, PFA and CPDyvig, Folksam Life and Folksam General agreed to acquire FIH Erhvervsbank A/S (FIH) for DKK 5 billion. The consortium is a joint venture with the following participating interests: ATP 49.95 per cent, Folksam 19.98 per cent, PFA 19.98 per cent and CPDyvig 9.99 per cent. FIH's employees own the remaining 0.11 per cent.

The purchase sum consisted of a cash payment of DKK 1.9 billion to Sedlabanki as the guarantor and

an additional payment of DKK 3.1 billion, which is to be adjusted for any losses up to 31 December and which originates from the balance sheet at 30 June 2010 and any profit of FIH in the Axcel III fund. In addition, a further payment was agreed that depends on the return obtained on the investment in FIH by the consortium at 31 December 2015.

FIH, headquartered in Copenhagen, is Denmark's sixth largest bank, with assets of DKK 125 billion and equity of DKK 8 billion at 30 June 2010. FIH has a leading position in corporate transactions, risk management solutions and corporate finance, and has 370 employees.

Events after the balance sheet date

Lars Burman has decided to leave his posts as Deputy CEO and Head of Collectively Agreed Business at Folksam on 1 August 2011. The process of finding a replacement has begun.

Access to the investment in FIH was obtained on 6 January 2011. The investment in the consortium structure was made through Folksam Cruise Holding AB, which is 75 per cent owned by Folksam Life and 25 per cent owned by Folksam General. The companies reached agreement on exercising joint influence, and agreements were reached within the consortium on the owners jointly deciding on material issues. The investment is reported as a joint venture according to the equity method.

On 1 January the department Folksam Fastigheter (Folksam Properties) was formed, to be responsible for the total management and development of Folksam's property stock. This stock principally consists of residential properties, office premises and care homes in the Stockholm and Malmö regions. The residential properties are rental apartments allocated on the basis of municipal housing waiting lists.

Future development

Folksam is focusing on strengthening its brand, increasing customer benefit and making more efficient use of resources. Folksam General will continue to prioritise gaining market shares through full customer

offerings based on motor and household insurance. The favourable trend in the household market is expected to continue through the company's own distribution, cooperation and partnership. Commercial business is also to be developed further.

Folksam General has good finances, and customers will share in the bonus as the solvency capital grows. Folksam Life has a strategy to attain a positive cash flow in its investment business and to continue to strengthen the company's position in occupational pensions, which is a rapidly growing market.

Folksam Life has a good financial position through a strong solvency ratio and high historical return. This provides a good foundation for continuing to bolster competitiveness and produce a good return in the long term. The strong growth in unit-linked insurance is expected to continue through the company's own distribution, brokers and alliance partners.

The pace of change in the business environment has increased, particularly in the area of regulation. Like the rest of the sector, Folksam needs to adapt to the major regulatory changes that are under way, for example IFRS Phase 4 and Solvency 2. Another topical issue for the sector is to adapt to gender-neutral premiums.

The brand

In 2010, a decision was taken on a new promotional strategy for Folksam, which is a joint brand for Folksam General and Folksam Life. The intention is to alter the view of the brand among customers and consumers by fulfilling the brand promise, "Committed for you", through actions based on Folksam's core values: personal, committed and responsible. During the year, this work included appointing brand managers in all the units and business areas.

The continuous work on the brand is strengthening the image of Folksam, that is to say the way in which Folksam is perceived by customers and consumers. A strong brand means clarity and security for the customer, which improves the prospects of attracting new customers and deepening relations with existing customers. It is crucial to the success of an insurance



business that the customers, both existing and potential, feel confident and secure. Brand work is therefore of great importance in attaining Folksam's business goals.

The significance of the brand is increasing further as an ever-greater proportion of sales takes place online, with an equivalent decrease in the proportion of sales involving personal contact. The trust that can be created and strengthened through such contact increasingly needs to be created through the brand. Another benefit of a strong brand is that it makes it easier to recruit new staff.

Folksam is the broadest brand, and its strongest asset is the brand portfolio. Förenade Liv is a wholly-owned subsidiary, and the brand is therefore wholly owned. Folksam also has co-owned brands, together with SALAR (KPA Pension and Pensionsvalet) and LO (Folksam-LO Pension).

Examples of brand cooperation - co-branding - are IF Metall, Toyota and OK Q8. In addition, two Folksam companies acting in partnership work on insurance production marketed under the brands of others: Svenska Konsumentförsäkringar (SalusAnsvar) and Tre Kronor (Swedbank).

Staff

Committed staff

The annual staff survey, to which 91 per cent of staff responded, also showed very good scores in 2010 for leadership, management by objectives and results, and commitment.

The results of the survey form the basis for development work carried out at all levels - from Group management to individual working groups. Follow-up takes place through the annual survey and in performance reviews.

Folksam aims to be an attractive employer with committed staff who create customer benefit. To achieve this, Folksam works strategically and purposefully in several areas, for example terms of employment, recruitment, skills development, leadership, performance management, and health, safety and the environment. During the year, for example,

Folksam developed an insurance offering for all employees who hold a medical insurance policy. This insurance applies from 2011 and gives holders security by providing rapid access to advice and care. The number of converted full-time equivalent staff at year-end was 2,818 (2,916).

Long-term skills supply

During the year, in order to be an attractive employer and ensure the supply of skills in the long term, Folksam implemented the recruitment strategy developed in 2009. This work involved a systematic review of universities, university colleges and vocational colleges, and initiating cooperation with those institutions that best support Folksam's skills supply efforts. In addition, Folksam developed its communication concept for job advertising and promoting the profile of Folksam as an employer. The goal is a systematic management provision process that identifies, evaluates and develops the right managers for the right positions. During the year the process was used in Folksam's sales operation to support efforts to adapt the organisation to the market.

Continued decrease in sick leave rates

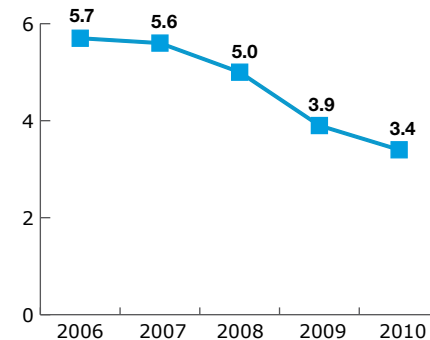
For several years, Folksam has made determined efforts to reduce rates of sick leave, work that continued in 2010. This contributed to a further decrease in the rate of sickness absence, which fell to 3.4 per cent (3.9). The rate of sickness absence has thus now decreased for the seventh year in a row.

Work was focused on preparing and launching efforts aimed at groups with high rates of sick leave. The most important initiatives launched were health profile assessments with subsequent measures, and new routines relating to advice and follow-up when staff call in sick. During the year, Folksam also developed an insurance offering for all employees that includes medical insurance. This insurance applies as of 2011.

In 2010 Folksam also focused on early rehabilitation efforts to prevent prolonged periods of sick leave wherever possible. Early rehabilitation means

that staff with short and repeated periods of sick leave are identified and offered contact with the company health service. The aim is to take supportive measures early on.

Sickness absence in per cent



Diversity strengthens the business

Folksam works actively on diversity. Diversity supports better business and helps make the company an attractive employer. The aspect of diversity is included in Folksam's annual staff survey, the results of which form the basis for internal work on diversity.

Work on coordinating the local action plans with annual business planning was in progress in 2010. The aim was for the perspective of diversity to be a natural part of day-to-day work. The post of Diversity Business Manager (DBM) was created in 2010 to ensure that Folksam retains its leading position in diversity and integration. The purpose of the DBM's work is to continue to develop diversity in dealing with customers so that more people have an opportunity to become acquainted with Folksam's offerings. This requires the internal work on diversity to reflect the external situation, in which the DBM and Folksam's diversity group cooperate and exchange experiences.

Incentive programme

Folksam has an incentive programme that aims to raise the awareness of the business strategy goals and encourage staff to work towards them. The programme is intended to boost the motivation of staff in their efforts to create customer benefit. The most important goal of the incentive programme in 2010 was to use Folksam's resources efficiently. This was to be achieved through reduced operating expenses, lower total cost percentages and more efficient administration.

Several of the interim targets were achieved, but not all. The result was that every member of staff received an incentive bonus of SEK 10,000. The incentive programme includes all staff, except those who are able to influence Folksam's level of risk, for example the head of asset management or members of senior management.

Responsible influence

Environmental perspective

Folksam has made active environmental efforts over a long period of time. Those parts of the company with the greatest potential to have a favourable impact on the environment have been environmentally certified under ISO 14001, the recognised international standard for environmental management systems. Today, activities relating to motor and buildings claims are environmentally certified. To reduce emissions in business travel, Folksam has environmental and safety requirements for company cars and a comprehensive travel policy.

Folksam has high environmental aspirations when repairing insured buildings and vehicles, and imposes tough environmental requirements on the contractors it engages. Folksam currently has contracts with just over 200 building firms, 1,300 car repair shops and vehicle disassembly firms, and 40 washing and clean-up firms.

In 2001 Folksam switched to Good Environmental Choice electricity for its own properties, and in 2008 the company went over to solely using wind power of specified origin. As part of its efforts towards reduc-

ing the greenhouse effect, Folksam became a carbon-neutral company in 2006. This means that we annually plant as many trees as are required to offset the company's annual carbon dioxide emissions. The planting, which is done by the Vi Agroforestry Programme, takes place in Kenya, Tanzania, Uganda and Rwanda.

An audited sustainability report gives a more detailed annual account of Folksam's environmental efforts, as well as other areas of added value to which Folksam accords priority.

Economic perspective

Folksam had around SEK 268 billion under management in 2010 on behalf of its roughly four million customers. All the money is managed according to the owner policy adopted by the Folksam boards. This means that all the assets under management are covered by the company's criteria on the environment, human rights and corruption. In addition to this, Folksam has exclusion criteria applicable to tobacco and cluster bombs. KPA Pension does not invest in commercial gambling companies, alcohol manufacturers or arms companies either.

Folksam influences companies through active corporate governance. The operations of 2,000 to 3,000 companies are studied every year. Some of the companies that are at greatest risk of being involved in incidents relating to the environment and human rights are identified and contacted with an offer to review their risk situation. Several companies have introduced guidelines and targets for their environmental work following a dialogue with Folksam.

Corporate governance is also concerned with issues relating to the companies' remuneration schemes, where Folksam takes the view that these schemes should be designed to trigger only when the set targets are met. All remuneration received by CEOs and senior executives should be clearly stated in the annual accounts.

In addition, Folksam presses for a more even gender distribution on company boards. Keeping competent men and women out of the boardrooms on the

grounds of gender, age, nationality or belonging to the "wrong" network is detrimental to the prospects of long-term profitability. Increased gender equality on boards would lead to greater skills and expertise in Sweden's listed companies, which in turn results in companies that are more efficient and thus enjoy higher profits in the long term.

Road safety research

Road traffic accidents entail heavy losses for public health and the national economy, but above all for the individual. Folksam has more than 30 years' experience of research in the area of road safety, with the emphasis on studies of accidents that have actually occurred. The knowledge provided by Folksam road safety research is applied to save lives on the roads. Fewer road traffic injuries also mean lower claims costs and therefore lower premiums for motor insurance, which benefits Folksam's customers.

A large proportion of Folksam's road traffic research is focused on analysing the level of safety in different car models and their occupant restraint systems. Other areas include in-depth studies of accidents where cars have been equipped with black boxes, which are used to analyse risk factors for various types of injuries. The results are used, among other things, to inform and influence the public, businesses and the public sector regarding the importance of prioritising safety when buying vehicles.

The great potential of future automatic braking systems in cars was reported in 2010. If all cars had such a system, more than 60 lives could be saved and 900 incapacitating injuries could be avoided every year. A research project in which 300 private motorists' cars were equipped for 12 months with GPS-based measuring equipment was initiated during the year. The purpose was to evaluate the possibility of linking driving behaviour to car insurance premiums. The idea is that safe driving should pay off. Research findings showing that ABS brakes on motorcycles nearly halve the risk of accidents led Folksam to lower premiums for motorcycles equipped with ABS brakes from May 2010.



Awards

KPA Pension won a prestigious international award during the year. The British magazine Life & Pension Risk named the company "Best Pension Fund of 2010" for its successful risk management during the two extreme years of 2008 and 2009.

Risks

Folksam's risks are managed using a uniform, all-embracing approach based on a comprehensive view of the risk situation. The purpose of the risk management is to encompass all major risks associated with the organisation and its activities, both in the present and in the future. Good risk management gives managements and boards a well-structured overall picture of the total risk situation, improving Folksam's understanding and knowledge of the risks and prospects of attaining the goals. Risk management also ensures that the risk situation is compatible with the capital base and that discrepancies in the expected financial results are therefore limited.

Risk is defined at Folksam as the probability of an event occurring that adversely impacts on the whole or parts of Folksam's goal attainment, or that deviates from assumptions made. Folksam's activities give rise to exposure to various risks, which affect financial position, results and goal fulfilment.

These risks are divided into three principal areas: risks in all business, risks in insurance business and risks in financial business. The risk process represents an important part of overall risk management

in Folksam. It comprises identification, valuation, management, control and reporting of all material risks. A number of risk reviews are conducted in conjunction with annual business planning, and a follow-up takes place after six months. A large number of risks are identified on the basis of business plans, business goals, areas of responsibility and the tasks for which each organisational unit is responsible. Risks are primarily identified on the basis of the operational structure rather than the legal structure. All risks are linked to information regarding which units and which companies are affected. They are also categorised according to Folksam's risk map and valued on the basis of two perspectives: the probability of the incident occurring and its impact. All identified risks are allocated a risk owner, and measures are developed to manage and prevent the risks. The risks, as well as the measures associated with them, are continuously followed up. Joint follow-ups also take place in order to simultaneously check the risk situation, which is reported every six months to the Group management, CEO and boards through a written risk report.

Risk management is greatly affected by the new Solvency 2 regulations, and work is in progress to adjust the business to these regulations. As part of this adaptation, principles and processes for risk management, risk control, capital position and capital planning will be successively developed and improved to make risk and asset management more efficient and increase the understanding of risks and their consequences in the organisation. The changes will take place gradually over the next few years.

Corporate governance

The corporate governance of Folksam General and Folksam Life is based on Swedish legislation, principally the Insurance Business Act and the Regulations and General Guidelines of the Swedish Financial Supervisory Authority. Folksam also applies the Swedish Code of Corporate Governance.





Folksam General

Operations

Folksam General undertakes non-life insurance activity principally focused on the Swedish household market. The company offers a full range of insurance policies to households and private individuals, based on motor and household insurance supplemented by commercial insurance in selected areas.

Operational activities are undertaken in two business segments, Partner and Private, which are supported by Group-wide functions.

Results and market

Earned premiums and market shares

Earned premiums (after reinsurance) increased to SEK 8,822 (8,579) million in the Group and to SEK 7,788 (7,704) million in the parent company.

The private market showed stable growth in motor and household insurance. Continued commitment to customised combination offerings led to more customers choosing to stay with Folksam, while sales increased both through Folksam's own distribution and through cooperative arrangements. This led to market success in both the motor and household markets. The large number of home insurance customers covered by the agreements with trade union organisations is a source of strength.

As part of its efforts to strengthen relations with existing customers, Folksam continued to reward those customers who bundle their insurance policies in Folksam. For instance, a combination rebate for customers with holiday home and pet insurance was introduced in January. Many customers also supplemented their non-life insurance policies with supplementary policies. The number of total-service customers increased. The commercial market continued to develop during the year. Folksam initiated cooperation with Peab that included claims insurance. New agreements in property and motor vehicle insurance were signed with the insurance broker Willis. Agreements were also signed with Fastighetsägarna (the Swedish Property Federa-

tion), and Folksam became the insurer for "The Swedish Property Federation's Own Insurance", covering 5,500 properties with total floor space of ten million square metres.

Car-manufacturer insurance was strengthened in 2010. Folksam and Honda signed a new contract, and the contracts with Toyota and Mitsubishi were extended. Folksam now has contracts with Toyota, Lexus, Hyundai, Mitsubishi, Suzuki and Honda. In addition, Folksam has partnership agreements with Holmgrens Bil AB and cooperates on car insurance with OK Q8. In the area of sport, contracts with the Swedish Football Association and the Swedish Ice Hockey Association were extended.

The market share of the Folksam General Group, measured in terms of premiums paid for the market in total according to statistics from the Swedish Insurance Federation, rose to 15.2 (14.8) per cent. Market shares measured in terms of the number of insurance policies were 49.8 (50.1) per cent for separate home insurance, 28.8 (28.2) per cent in homeowner insurance and 21.7 (20.6) per cent in car insurance.

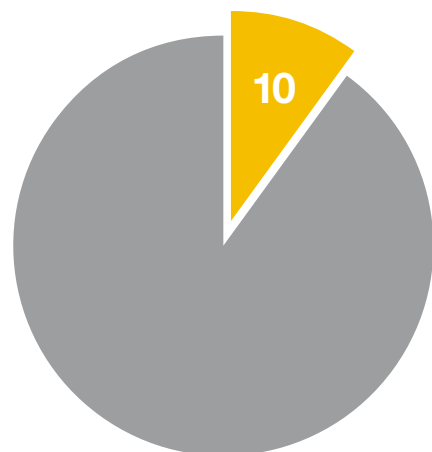
Results

Group profit before appropriations and tax totalled SEK 1,713 (2,254) million and parent company profit SEK 1,751 (2,196) million. Profit in the insurance operation deteriorated as a result of increased claims costs, while the return on capital made a strong contribution to the positive earnings.

Claims incurred (net of reinsurance) increased in 2010 and totalled SEK 7,265 (6,747) million for the Group and SEK 6,354 (6,103) for the parent company. Claims costs increased principally in household, homeowner, holiday home and car insurance due to a significant rise in the number of reported claims in 2010 compared with previous years (an increase of 19 per cent for car insurance and 13 per cent for household, homeowner and holiday home insurance).

Folksam General

Assets under management, as a percentage of Folksam's total of SEK 268 billion



There were several reasons why the number of notified claims increased. It was a natural consequence of the successful sales drive that resulted in more insurance policies and consequently more notified claims. The principal reason for the increase was the freezing temperatures and winter weather that Sweden was affected by at the start and end of 2010, leading to more claims than usual arising from collisions and structural damage due to the weight of snow. In addition, Folksam, after several years of low claims costs, is once again seeing a trend towards increasing claim inflation. Claim inflation is the increase in cost of a medium-sized claim submitted to a non-life insurance company. It normally differs substantially from ordinary inflation, as non-life insurance costs include costs of tradespeople, purchases of new televisions and similar items, depending on the type of insurance.

While costs increased sharply in household, homeowner, holiday home and motor insurance, the cost level remained stable or declined in personal insurance. Both the cost of person injuries in traffic insurance and the cost of incapacity claims in sickness and accident insurance decreased in 2010.

The total cost ratio rose to 98.6 (97.7) per cent. Operating expenses fell during the year by SEK 98 million. The lower costs were due partly to the positive effect of joint central functions and partly to lower pension provisions, as the pension fund produced a good return during the year. The operating expense ratio as a proportion of premiums fell to 17.0 (18.4) per cent.

Financial position

Solvency capital in the parent company continued to strengthen and totalled SEK 8,821 (8,615) million. The remaining SEK 500 million of guarantee capital was repaid to Folksam Life in 2010. Folksam General also redeemed all external debenture loans totalling SEK 975 million at the start of the year. The consolidation ratio at the end of 2010 was 110 (113) per cent in the parent company.

Return

The total return in 2010 on the company's assets was 6.7 (8.1) per cent, equivalent to SEK 1,652 (1,905) million. The total return is principally explained by the company's strategic distribution of assets, which among other things is governed by the nature of the insurance commitments and the company's tolerance of risk. Equities exposure during the year was around 15 per cent. The company's holdings in Swedbank made a positive contribution to the return on equity through a share price increase of around 32 per cent during the year. Exchange-rate exposure during the year was around 6 per cent. The company's interest rate risk in actuarial provisions was well matched to the duration of the company's interest-bearing assets. At the end of the year, a block of shares in the unlisted Danish emergency services and medical care company Falck A/S was sold, which made a positive contribution to the return for the year.

Subsidiaries

Tre Kronor

Tre Kronor Försäkring AB continued to grow during the year. Earned premiums (net of reinsurance) increased by 88 per cent and totalled SEK 370 (197)

million. The actuarial result showed a continued loss of SEK 47 (28) million due to the rapid expansion in the company's operations and increased claims incurred. The stock continued to increase, with the rate of increase in the number of insurance contracts being 70 per cent. The company plans to expand the number of its products in 2011.

Tre Kronor offers non-life insurance to companies and organisations wishing to sell and market insurance under their own brands. The company currently collaborates with Swedbank and 38 independent savings banks, and in so doing is able to provide non-life insurance products to a broad market. The expertise and strength of each organisation are put to optimum use. Tre Kronor has expertise in insurance and claims management, and Swedbank and Sparbankerna (the savings banks) are powerful players in the household market, with access to a large, nationwide network of branches and having excellent knowledge of customers and the market.

The products on offer are household, homeowner, tenant, holiday home, travel, car, trailer, caravan, motorhome, van and snowmobile insurance.

In 2010 Tre Kronor signed further contracts with independent savings banks (Sparbanker). Sales by Sparbanker and Swedbank rose steadily during the year, as did the stock.

Claims incurred (after reinsurance) increased to SEK 336 (164) million. Claims expenses principally rose in household, homeowner, holiday home and motor insurance. Operating expenses totalled SEK 85 (62) million.

The total return on the company's assets in 2010 was 2.3 (3.6) per cent, equivalent to SEK 3 (5) million.

Svenska Konsumentförsäkringar

In 2010, after a number of years of rising profits, Svenska Konsumentförsäkringar AB made a loss of SEK 22 million (profit of SEK 119 million) before appropriations and tax, principally due to a sharp rise in claims incurred. Solvency capital totalled SEK 487 (508) million.

The company operates principally in household and homeowner insurance, traffic and vehicle insurance, and commercial and property insurance.

Svenska Konsumentförsäkringar offers individual and group non-life insurance for private individuals and for small and medium-sized enterprises. The insurance products offered by Svenska Konsumentförsäkringar are marketed, distributed and managed by SalusAnsvar for customers in their target groups, that is to say members of academic and non-governmental organisations.

Earned premiums for own account in the company totalled SEK 664 (679) million. Claims incurred (after reinsurance) increased to SEK 574 (480) million. Operating expenses totalled SEK 161 (160) million.

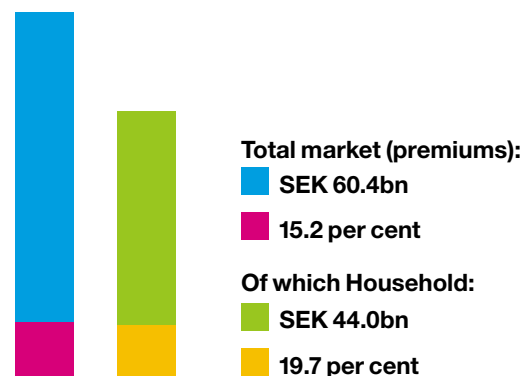
Claim expenses increased principally in household, homeowner, holiday home and motor insurance, and the increase is due to a significant rise in the number of claims in 2010 compared with previous years.

The level of costs in personal insurance remained stable or fell. Both the cost of personal injury claims in traffic insurance and the cost of incapacity claims in sickness and accident insurance decreased in 2010.

The total return in 2010 on the company's assets was 3.5 (5.9) per cent, equivalent to SEK 50 (81) million.

Folksam's market shares in 2010

Non-life insurance



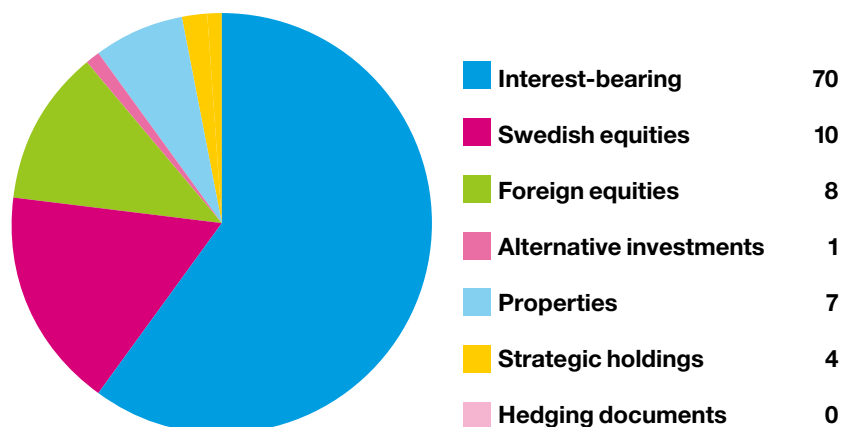
Folksam General total return, parent company

SEKm	Opening market value 2010-01-01	Closing market value 2010-12-31	Total return 2010 Per cent	Total return 2009 Per cent	Total return 2008 Per cent	Total return 2007 Per cent	Total return 2006 Per cent
Interest-bearing	17,999	18,382	2.2	4.1	6.7	2.9	1.8
Equities	3,528	4,566	33.0	55.2	-49.9	-2.4	18.1
Alternative investments	158	158	-6.7	-13.3	-12.2	6.7	3.9
Properties	1,882	1,865	1.7	-4.1	6.3	10.3	7.5
Strategic holdings	824	993	4.6	-2.9	12.2	10.9	0.8
Hedging instruments	-21	18	n/a	n/a	n/a	n/a	n/a
Total	24,370	25,981	6.7	8.1	2.5	3.5	2.9

The total return table has been prepared in accordance with a recommendation from the Swedish Insurance Federation and the company's guidelines for measuring and reporting total return.

Note 51 describes how the total return table is linked to the income statement and balance sheet.

Breakdown of investment assets, market value, per cent



Five-year summary and key ratios, SEKm

Group	2010	2009 ¹⁾	2008	2007 ²⁾	2006 ³⁾
Results					
Earned premiums (net of reinsurance)	9,125	8,552	8,040	8,328	8,356
Earned premiums (net of reinsurance)	8,822	8,579	8,133	8,207	8,474
Net return on capital in insurance operations	643	626	705	773	716
Other actuarial income (net of reinsurance)	30	107	78	51	45
Claims incurred, net	-7,265	-6,747	-5,416	-6,120	-6,153
Operating expenses in insurance operations	-1,575	-1,608	-1,824	-1,543	-1,464
Bonuses and rebates, net	-1	6	-24	-4	-8
Other actuarial expenses (net of reinsurance)	-38	-1	-1	-2	-1
Actuarial result from insurance operations	616	962	1,651	1,362	1,609
Remaining return on capital	1,074	1,279	- 144	- 297	- 248
Other	23	13	- 4	- 14	2
Profit before appropriations and tax	1,713	2,254	1,503	1,051	1,363
Financial position					
Investments at fair value	25,664	24,804	24,885	26,249	21,505
Actuarial provisions (net of reinsurance)	21,874	20,769	20,152	20,227	19,440
Solvency capital					
Taxed equity	6,866	5,446	5,989	4,594	3,737
Subordinated liabilities	-	1,475	975	975	975
Deferred tax liability	2,255	1,745	1,172	981	680
Surplus value in investments					
Investments in Group companies	146	216	357	665	653
Other financial investments	-	-	-	-	-
Total surplus value	146	216	357	665	653
Total solvency capital	9,267	8,882	8,493	7,215	6,044

Group (continued)	2010	2009 ¹⁾	2008	2007 ²⁾	2006 ³⁾
Key ratios					
Profit on non-life insurance operations					
Claims ratio	82	79	67	75	73
Operating expense ratio	18	19	22	19	18
Total expense ratio	100	97	89	93	91
Profit from asset management					
Yield, per cent ⁴⁾	2.2	2.7	4.4	3.7	3.1
Total return, per cent	6.8	8.2	2.2	3.3	3.0
Financial position					
Consolidation ratio, per cent	102	104	106	86	72

- ¹⁾ Restated owing to transition to full IFRS in the consolidated accounts and for provision for pensions and similar obligations. Previous years have not been restated with respect to this change of accounting policy.
- ²⁾ Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.
- ³⁾ Restated owing to transition to accounting according to statutory IFRS.
- ⁴⁾ Yield has been restated for 2009 in accordance with FFFS 2009:12 (FFFS is the regulatory code of the Swedish Financial Supervisory Authority). Reported key ratios relating to yield for 2006-2008 are calculated in accordance with FFFS 2008:26.

Separate information concerning the accounting and valuation policies is included in the notes to the financial statements.

Five-year summary and key ratios, SEK m

Parent company	2010	2009 ¹⁾	2008	2007 ²⁾	2006 ³⁾
Results					
Earned premiums (net of ceded reinsurance)	7,989	7,607	7,200	7,514	7,546
Earned premiums (net of ceded reinsurance)	7,789	7,704	7,298	7,410	7,638
Net return on capital in insurance operations	613	595	668	737	686
Other actuarial income (net of reinsurance)	30	75	50	50	45
Claims incurred, net	-6,354	-6,103	-4,817	-5,558	-5,556
Operating expenses in insurance operations	-1,322	-1,378	-1,594	-1,350	-1,289
Bonuses and rebates, net	- 1	6	- 24	- 4	- 8
Other actuarial expenses (net of reinsurance)	0	- 1	- 1	- 3	- 1
Actuarial result from insurance operations	755	898	1 580	1 282	1 515
Remaining return on capital	999	1 301	- 21	- 219	- 164
Other	- 3	- 3	- 3	- 2	0
Profit before appropriations and tax	1,751	2,196	1,556	1,061	1,351
Financial position					
Investments at fair value	25,032	24,058	23,665	25,112	20,617
Actuarial provisions (net of reinsurance)	20,302	19,422	18,897	19,051	18,380
Solvency capital					
Untaxed reserves	5,998	5,189	3,707	2,587	1,647
Subordinated liabilities	-	975	975	975	975
Deferred tax liability	546	315	150	201	162
Surplus value in investments					
Investments in Group companies and associates	146	216	359	667	653
Other financial investments	-	-	-	-	-
Total surplus value	146	216	359	667	653
Total solvency capital	8,821	8,615	8,223	6,977	5,827

Parent company (continued)	2010	2009 ¹⁾	2008	2007 ²⁾	2006 ³⁾
Capital base	8,548	7,838	7,346	6,052	5,657
Required solvency margin	1,296	1,263	1,322	1,429	1,366
Capital base for the insurance group	7,098	7,971	7,471	6,181	5,832
Solvency margin for the insurance group	1,509	1,443	1,487	1,592	1,499

Key ratios

Profit on non-life insurance operations

Claims ratio	82	79	66	75	73
Operating expense ratio	17	18	22	18	17
Total expense ratio	99	97	88	93	90

Profit from asset management

Yield, per cent ⁴⁾	2.3	3.0	4.9	3.9	2.9
Total return, per cent	6.7	8.1	2.5	3.5	2.9

Financial position

Consolidation ratio, per cent	110	113	114	92	77
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¹⁾ Restated owing to change in accounting policy for provision for pensions and similar obligations. Previous years have not been restated with respect to this change of accounting policy.

²⁾ Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.

³⁾ Restated owing to transition to accounting according to statutory IFRS.

⁴⁾ Yield has been restated for 2009 in accordance with FFFS 2009:12. Reported key ratios relating to yield for 2006-2008 are calculated in accordance with FFFS 2008:26.

Separate information concerning the accounting and valuation policies, and the number of employees and salaries, is included in the notes to the annual accounts.





Folksam Life

Operations

Folksam Life undertakes life insurance operations focused on the Swedish market. The company offers occupational pensions and pension investments to private individuals, directly or through cooperations, as well as group life insurance and other risk insurance. The business is divided into the branches of Folksam and KP Pension och Försäkring.

Operational activities are undertaken in three business segments, Partner, Collective Agreements and Private, which are supported by Group-wide functions.

Results and market

Earned premiums and market shares

Earned premiums for own account in the parent company fell to SEK 6,339 (6,816) million.

Premiums in group life insurance fell as a result of stock having decreased, at the same time as conversion was taking place to a new sickness and survivors' insurance with lower premiums. New insurance products were launched in 2010 to meet the needs of tomorrow's pensioners. The "Illness 60+" and "Accident 60+" products consist of improved accident insurance and illness insurance that pays out in the case of critical illness.

On 1 December 2010, Folksam Life took over parts of the stocks of the PSA and PSF pension funds relating to the pension funds of Swedish Match at a stock value of SEK 455 million. In traditional insurance, premiums decreased in comparison with previous years, when fewer companies chose to redeem their pension commitments from the KP Pensionsstiftelse pension fund in 2010.

In the commercial area, a package for sole proprietors and small businesses was developed, consisting of a number of group insurance policies such as life, sickness, accident, medical and critical illness insurance. The basic offering can be expanded and adapted in line with customers' wishes. In addition, pension investments are offered to meet all the business owner's needs for security.

Folksam was the fourth largest player in the market for unit-linked insurance and other life insurance. The market share decreased during the year, totalling 9.4 (10.2) per cent measured in total earned premiums according to Swedish Insurance Federation statistics. Folksam was the fifth largest player in other life insurance (traditional life insurance), with a market share of 9.5 (10.9) per cent. The market share in unit-linked insurance increased to 9.2 (9.1) per cent.

Folksam had around 40 per cent of its earned premiums in what is known as the self-select market (contractual pensions) and was selectable in most contract areas.

The largest volumes were in KAP-KL through KPA Pension, and SAF-LO through Folksam LO Fondförsäkring.

Several Folksam companies will be involved when the Swedish state chooses occupational pensions. In 2010 the contracting parties chose an open joining procedure for civil servants who are to choose who is to manage their occupational pensions.

All companies that fulfil the requirements of the joining criteria for maximum charges can be selectable alternatives. In the self-select market, Folksam was no longer a selectable company in the ITP occupational pension area, which meant that premiums were no longer received for existing policies.

Results

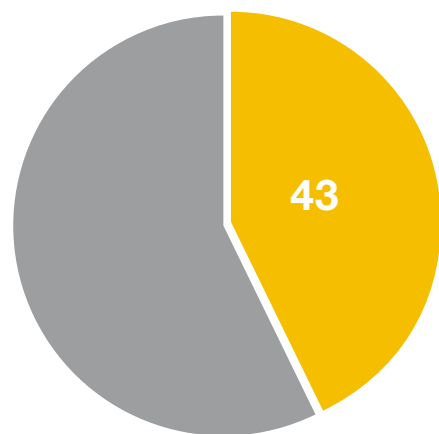
Profit before appropriations and tax in 2010 totalled SEK 9,268 (22,441) million in the consolidated Group and SEK 8,885 (22,641) in the parent company Folksam Life. The favourable level of profit was principally attributable to the positive return during the year.

Total return was 8.7 (10.3) per cent.

The good return was due to the company's strategic asset allocation and the strong trend on the Swedish stock market. Viewed over the latest five-year period, the total return has averaged 5.1 (5.3) per cent.

Folksam Life

Assets under management, in per cent of Folksam's total of SEK 268 billion



Actuarial provisions changed marginally during the year. Long-term interest rates fell during the first few months of the year, but rose again during the latter part of the year, resulting in small changes viewed over 2010 as a whole. Provisions for individual sickness insurance and waiver of premium insurance decreased due to lower claim handling expenses.

Operating expenses in the insurance operation decreased to SEK 549 (612) million for the parent company, and the management expense ratio for investment activity was 0.4 (0.5) per cent. The lower operating expenses were due firstly to lower development costs and secondly to lower pension provisions due to the good return in KP Pensionsstiftelse, in which the pensions of the company's own employees are secured.

Financial position

The solvency ratio points to continued improvement in financial strength and was 158 (149) per cent at the end of the year.

Solvency describes how well a life insurance company fulfils its guaranteed commitments in relation to its customers. To simplify, it can be said that for

each hundred Swedish kronor guaranteed to the customer, there are assets worth SEK 158. Folksam Life's strong level of solvency is also the prerequisite for providing good return on assets under management in the future.

The collective consolidation ratio at year-end was 116 (113) per cent for defined-contribution policies and 146 (139) per cent for defined-benefit policies. The collective consolidation ratio describes the relationship between the company's assets and how much has been distributed to the customers. The distribution comprises guaranteed and non-guaranteed commitments.

The positive growth in value meant that the bonus interest could be successively raised during the year. The bonus interest in the Folksam business branch was raised from one per cent to five per cent from 1 January 2010, and in the KP Pension och Försäkring branch, it was raised from five per cent to nine per cent. On 1 July 2010, the bonus interest in the Folksam business branch was raised further to six per cent and in KP Pension och Försäkring to ten per cent. On 1 December, the bonus interest in the latter was raised once more to eleven per cent.

No upward adjustment of pension supplements was made in 2010, while paid-up policies were adjusted upwards by 2.75 per cent.

Decisions have been taken for 2011 to leave pension supplements unchanged and to adjust paid-up policies upwards by 1.42 per cent.

The product with a premium guarantee offered in the SAF-LO contractual pension scheme has an age-dependent return, with the return for a 45-year-old in 2010 being 9.2 per cent. The return for products with guarantees was 4.7 per cent and for products without guarantees 10.6 per cent.

Return

The total return in 2010 on the company's assets was 5.2 (7.5) per cent, equivalent to SEK 131 (164) million.

The total return is principally explained by the company's strategic distribution of assets, which is

governed by aspects including the nature of the insurance commitments and the company's tolerance of risk. Equities exposure was around 23 per cent at the start of the year, and around 25 per cent at the end of the year. Exchange-rate exposure was around 13 per cent during the year. The duration of the company's interest-bearing assets during the year was between 4 and 5 per cent.

Subsidiaries – consolidated

Folksam LO Fondförsäkring AB (publ) with the subsidiary **Folksam LO Fond AB** (publ) is 51 per cent owned by Folksam Life and 49 per cent owned by LO:s Försäkringshandelsbolag. Its position as market leader in unit-linked insurance in the procured SAF-LO market was strengthened during the year.

The operations of Folksam LO Fondförsäkring are focused on collectively agreed occupational pensions. They have principally covered administration and management of pension provisions made under the pensions agreement of 6 March 1996 between the employer organisation SAF and the trade union organisation LO. The agreement meant that, with effect from 1 January 1999, employees are entitled to choose the insurer and form of insurance for 3.5 per cent of pay. A new pension agreement between the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation (LO) was reached in 2007 to apply from 1 January 2008. Under this agreement, age at entry is raised to 25 and the pension premium is raised in steps to 4.5 per cent on portions of pay up to 7.5 price base amounts and to 30 per cent for portions of pay above that. In conjunction with this agreement, procurement was also made of pension providers, with only those who best utilise the pension provisions of employees being selectable. Folksam LO Fondförsäkringsaktiebolag, under the Folksam LO Pension brand, is one of these companies.

The company's operations also cover administration and management of pension funds in the PA KFS contract areas, a pensions contract for certain municipal companies, a pensions contract for employees in mu-

nicipalities and county councils (KAP-KL), and a pensions contract for employees in central and local government and state-owned (contract area PA03). In addition, there are contracts for employees who have the option of choosing pension alternatives in their working-hours account.

Sales and market

At 31 December 2010, Folksam LO Pension had 191,201 (175,290) customers with transferred premiums in the new SAF-LO contractual pension scheme. The very positive reselection result was due to the company's campaigns and focus on reselection in 2009. These activities were followed up to a limited extent in 2010.

In 2010 the company further strengthened its position in this, the largest contractual area in the Swedish contractual pensions market, by a further 43,000 reselections.

This includes just under 16,000 people having chosen to transfer their assets to Folksam LO Pension. At 31 December 2010, the company had 217,436 customers in the new SAF-LO contractual pension scheme according to statistics from Fora (a service company whose task is to handle the flow of collective insurance premiums and fees between companies and insurance providers, foundations and investment funds). As a result of sales during the year, the company will have a greater proportion of premium-paying customers in 2011 than prior to the mandatory reselection in 2009.

The number of customers in other contractual areas remained at a stable level in 2010. Premium payments including transfers of assets totalled SEK 3,204 (2,872) million in 2010. The number of contracts in the contractual pension scheme at 31 December 2010 totalled 644,400 (480,000), of which the largest contract is the SAF-LO contractual pension scheme with 516,600 (361,000) contracts.

The number of contracts with life working hours pension totalled 34,200. Other contracts consist of KAP-KL, with 78,800.

ITPK 6,700. PA KFS 1,800. PA03 2,200. Others 4,100.

Results

Profit for 2010 increased to SEK 23.5 (14.0) million. Income increased due to total premiums and transferred assets being higher than in any previous year. Together with a positive return, this resulted in a significantly higher rebate on fund units than in the previous year: SEK 59.0 (33.9) million from Folksam LO Fond and SEK 3.5 (19) million from external fund management companies.

Operating expenses increased during the year due to increased bonuses to customers; this in turn was due to more new customers in 2010 choosing to transfer their pension assets from other pension companies.

This cost generated more customers and therefore an increase in the total pension assets in the company.

Claims incurred, which include payment of inheritance gains, claim settlement expenses and fund-specific rebates to customers, increased by a total of SEK 10.1m.

In 2010 the company successfully took part in procurements of contractual pensions for cooperative and government employees. This means that from 2011, the company is a selectable alternative for all members of LO-affiliated unions.

In the SAF-LO contractual area, Folksam LO Fondförsäkring has a market share of 80 per cent of those who have made an active choice in unit-linked insurance. The target is to increase the number of customers in the contractual area by 100 per cent during the contractual period, which runs over five years.

The company is also in a position to take part in procurements in other contractual areas if given that possibility.

Folksam Fondförsäkring AB (publ) is a wholly owned subsidiary that offers unit-linked insurance products in the occupational pensions area. The secondary name Folksam Tjänstemannapension is used for the activity in the company relating to unit-linked insurance for collectively agreed occupational pensions in the white-collar area.

Results and market

The unit-linked insurance products are principally distributed through personal sales via Folksam's own insurance sales personnel and insurance brokers. The company's sales continued to rise sharply in 2010 through Folksam's insurance brokers, who have started their work in earnest, while sales through the company's own sales force and partners also increased. The number of newly subscribed unit-linked policies increased over the period to 39,827 (31,155).

The inflow of customers to the fund selector Fondväljaren Trend was higher than expected, and new customers at year-end numbered 37,000. The service was launched in 2009 and means that customers receive assistance in switching funds as a result of the service switching funds based on the market situation.

At the end of the year, Folksam Fondförsäkring offered 58 funds from 11 different brands.

The company's earned premiums before reinsurance decreased slightly to SEK 12 (13) million. Earned premiums largely consist of charges relating to investment contracts.

Premiums totalled SEK 5,520 (2,950) million in 2010. The increase was due to sales campaigns in the occupational pensions market.

Solvency capital for customers' account at the end of the year totalled SEK 18,014 (13,006) million, an increase of 39 per cent.

Net profit for the year after tax was SEK 24 (-66) million.

Operating expenses in the insurance operation increased to SEK 246 (227) million. The change was due to rising acquisition expenses attributable to the sharp rise in sales.

The management expense ratio was 1.5 (2.1) per cent and the solvency capital was SEK 348 (339) million.

The company's solvency ratio at year-end was 3.5 (2.5).

Significant events

On 1 January 2010, the insurance stock acquired from Vital was introduced into Folksam Fondförsäkring at a value equivalent to SEK 1.4 billion.

Folksam Fondförsäkring entered into an agreement with Skandia AB in 2010 to acquire the insurance stock of Svenska Lärarfonder. The planned date of entry into force is 1 January 2012. Lärarförsäkringar AB at the same time acquired Svenska Lärarfonder AB and thus become the 100 per cent owner of the fund company with effect from 1 January 2011. Folksam had additionally agreed with Lärarförsäkringar AB in a declaration of intent to acquire Svenska Lärarfonder AB at 1 January 2012.

In 2010 a contract was also signed with Brummer & Partners, under which Folksam will be transferring the Brummer-related unit-linked insurance stock to Brummer in February 2011.

• **Taxation of fund rebates**

In a preliminary ruling from 2010 for a number of other life insurance companies, the Council for Advance Tax Rulings has judged that fund rebates from fund managers are to be taxed as income and not attributed to activity in which returns are taxed. The ruling by the Council for Advance Tax Rulings has been appealed to the Supreme Administrative Court, and Folksam LO Fondförsäkring is awaiting its ruling. As the issue has not been finally settled, no reservation has been made for any further tax expense.

Reda Pensionsadministration AB is a subsidiary that supplies services to external clients, and its turnover totals SEK 69.3 (45.5) million. During the year notice was given to terminate the administration contract with SPP, which will expire on 31 December 2012.

Subsidiaries – non-consolidated

Folksam Life has two non-consolidated subsidiaries, Förenade Liv and KPA Pension.

Förenade Liv Gruppförsäkrings AB (publ) is a life insurance limited company that undertakes operations relating to voluntary group life, group sickness, waiver of premium, group medical, group survivors' cover, critical illness insurance and group accident insurance. The company is wholly owned by Folksam life.

Results and market

Förenade Liv recorded a profit for 2010 of SEK 197 (246) million before appropriations and tax. The company's actuarial result (excluding return on capital) totalled SEK 90 million. The positive result for the year was a combination of a good return on capital and a strong actuarial result. Earned premiums before reinsurance increased to SEK 834 (766) million.

The business concept is to insure individuals through the organisations and employers that represent white-collar staff.

In close collaboration with the contracting parties, insurance solutions are developed and offered that take the individual's needs into consideration and provide rapid assistance when it is most needed.

Förenade Liv is the market leader in group insurance for white-collar staff and has contracts with 9 out of 16 unions. It reaches more than 90 per cent of all members of TCO (Swedish Confederation for Professional Employees).

The number of insured members increased by nearly 50,000 during the year. Equivalent figures in Saco (Swedish Confederation of Professional Associations) show that the greatest increase in members and insured parties has taken place in the National Union of Teachers in Sweden (Lärarnas Riksförbund), for which Förenade Liv is the insurer.

Förenade Liv has contracts with 5 out of 24 trade unions affiliated to Saco.

Förenade Liv's new medical insurance product was developed in 2009 and started to be marketed in 2010. Several trade unions and companies chose to take out this insurance in 2010. The positive actuarial result at contract level contributed to the company being able to expand the scope of several insurance contracts without raising premiums in 2010.

A campaign to strengthen the brand and at the same time increase sales in child and pregnancy insurance was carried out during the year. The result surpassed the target of 3,000 newly insured. During the year, Förenade Liv signed group contracts on child and pregnancy insurance and family cover for members of familjeliv.se, Sweden's single largest web portal for mothers.

Förenade Liv was nominated Innovator of the Year in the industry awards during the year on the grounds of the savings it made through simplification efforts. The innovation it was nominated for consists of an electronic health declaration that is signed using e-identification, thus making it possible to take out personal insurance directly online.

The largest white-collar union, Unionen, signed a contract with Förenade Liv in 2009, and in 2010 a number of activities were carried out to inform members on insurance matters and get them involved in these issues. One component of this was a successful campaign aimed at those who were completely uninsured, resulting in at least SEK 1 million in earned premiums annually.

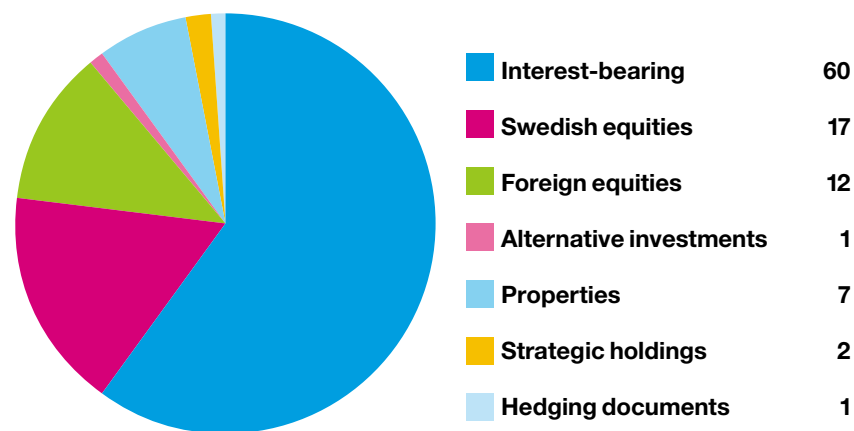
Commercial business increased in 2010 by 15 per cent in premium volume and 25 per cent in the number of insurance policies. The Peace of Mind Package for Small Businesses (Trygghetspaket för småföretagare) was successfully launched through Folksam. In addition, several product solutions and packages have been developed for sale through Folksam or partners.

Folksam Life total return, parent company

SEKm	Opening market value at 2010-01-01	Closing market value at 2010-12-31	Total return in 2010 %	Total return in 2009 %	Total return in 2008 %	Total return in 2007 %	Total return in 2006 %
Interest-bearing investments	61,686	67,718	2.2	3.0	10.2	2.4	0.9
Equities	32,442	33,893	17.9	36.6	-35.0	0.4	12.0
Alternative investments	838	993	-3.7	-10.2	-8.2	9.0	12.1
Properties	7,796	8,391	5.7	1.2	1.0	18.0	13.8
Strategic holdings	3,243	2,804	0.7	-0.4	-0.7	-0.8	7.2
Hedging instruments	1,207	1,127	n/a	n/a	n/a	n/a	n/a
Total	107,212	114,927	8.7	10.3	0.9	1.8	4.2

The total return table has been prepared in accordance with a recommendation from the Swedish Insurance Federation and the company's guidelines for measuring and reporting total return.

Breakdown of investment assets, market value, per cent



Five-year summary and key ratios, SEKm

Group	2010	2009 ⁴⁾	2008	2007 ¹⁾	2006 ²⁾
Results					
Earned premiums for own account	6,372	6,843	7,315	4,848	4,913
Return on capital, net	14,609	17,943	- 8,064	1,125	4,917
Claims incurred, net	-5,358	-5,627	-4,849	-3,539	-3,328
Change in life insurance provisions	-4,528	4,503	-8,542	2,686	-2,842
Operating expenses in insurance operation	-924	-951	-970	-724	-706
Bonuses and rebates, net	-603	-261	-12	-8	-404
Profit from insurance operation	9,268	22,459	-15,122	4,597	2,720
Remaining return on capital	308	250	187	176	137
Other	-628	-543	1	0	-
Profit for year before tax	8,948	22,166	- 14,934	4,772	2,857
Financial position					
Investments at fair value	157,640	137,004	119,732	98,513	83,596
Actuarial provisions	118,348	107,114	106,431	72,597	70,761
Solvency capital					
Taxed equity	41,478	34,385	14,191	19,707	13,517
Deferred tax liability	576	422	293	239	188
Surplus value in investments					
Investments in Group companies	207	207	304	454	465
Other financial investments	-	-	-	-	-
Total solvency capital	42,261	35,008	14,788	20,400	14,170
Key ratios	2010	2009⁴⁾	2008	2007¹⁾	2006²⁾

Profit from asset management

Yield, per cent ³⁾	1.9	2.3	3.7	2.6	2.4
Total return, per cent	8.8	10.6	1.1	2.0	6.5

Financial position

Consolidation ratio, per cent ³⁾	239	148	88	-	-
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¹⁾ Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.

²⁾ Restated owing to transition to accounting according to statutory IFRS. Previous years not restated.

³⁾ The yield and consolidation ratio have been restated in accordance with FFFS 2009:12.

⁴⁾ Restated owing to transition to full IFRS in consolidated reporting.

Non-consolidated subsidiaries	Management expense ratio	Yield per cent	Total return per cent	Collective consolidation level per cent
Förenade Liv Gruppförsäkring AB	1.5	2.8	5.2	-
KPA Livförsäkring AB	0.4	3	4.5	202
KPA Pensionsförsäkring AB (publ)	0.3	2.5	8.2	105

Five-year summary and key ratios, SEKm

Parent company	2010	2009 ¹⁾	2008	2007 ²⁾	2006 ³⁾
Results					
Earned premiums for own account	700	723	459	15	–
Earned premiums for own account	5,639	6,093	6,684	4,644	4,744
Net return on capital in insurance operations	8,941	10,314	677	894	2,325
Claims incurred, net	–5,325	–5,608	–4,831	–3,522	–3,307
Change in life insurance provisions	382	11998	–17338	2916	–67
Operating expenses in insurance operation	–549	–603	–670	–504	–542
Bonuses and rebates, net	–603	–261	–12	–8	–404
Actuarial result from insurance operations	8,885	22,650	–15,046	4,415	2,749
Other	–	–	–		
Profit before appropriations and tax	8,885	22,650	–15,046	4,415	2,749
Financial position					
Investments at fair value	112,675	102,978	96,717	72,509	60,074
Actuarial provisions	73,375	72,896	84,497	46,031	46,639
Solvency capital					
Equity	38,831	32,208	12,030	19,279	13,540
Untaxed reserves	1,492	1,238	902	625	291
Deferred tax liability	163	86	38	67	93
Surplus value in investments					
Investments in Group companies	2,085	1,887	2,101	625	457
Other financial investments	–	–	–	–	–
Total surplus value	2,085	1,887	2,101	625	457
Total solvency capital	42,571	35,419	15,071	20,596	14,381
Parent company (continued)	2010	2009¹⁾	2008	2007²⁾	2006³⁾

- ¹⁾ Restated owing to provision for pensions and similar commitments. Previous years have not been restated with respect to this change of accounting policy.
- ²⁾ Restated owing to change in valuation policy for actuarial provisions that have not been classified as occupational pension insurances. Previous years have not been restated with respect to this change of accounting policy.
- ³⁾ Restated owing to transition to accounting according to statutory IFRS.
- ⁴⁾ Restated with key ratios relating to the life insurance operation owing to reported non-life insurance.

Collective solvency capital	18,600	14,944	7,335	3,216	5,286
Capital base	42,562	35,453	15,061	15,702	14,394
Required solvency margin	3,387	3,388	3,909	2,533	2,349
Capital base for the insurance group	42,062	34,874	14,654	15,089	13,936
Required solvency margin for the insurance group	4,913	4,921	5,465	3,831	3,815
Key ratios⁴⁾					
Non-life insurance operation					
Claims ratio	83	70	51	–	–
Operating expense ratio	10	9	17	–	–
Total expense ratio	93	79	68	–	–
Life insurance operation					
Management expense ratio ⁵⁾	0.5	0.6	0.8	0.8	1.0
Management expense ratio for investment products ⁵⁾	0.4	0.5	0.5	0.5	0.6
Acquisition expense ratio	2.4	2.3	2.6	2.8	2.5
Administrative cost ratio for investment products	0.4	0.4	0.4	0.4	0.5
Administrative cost ratio for risk products	6.4	5.8	8.5	8.6	9.9
Profit from asset management					
Yield, per cent ⁶⁾	2.6	2.9	3.8	3.6	3.2
Total return, per cent	8.7	10.3	0.9	1.8	4.2
Financial position					
Consolidation ratio, per cent ⁶⁾	239	148	88	–	–
Collective consolidation level, per cent					
Retrospective reserve method	116.0	113.1	104.9	105.6	110.4
Pension supplement method	146.4	139.3	126.0	–	–

Reported total return is calculated in accordance with the Swedish Insurance Federation's recommendation for reporting total return

- ⁵⁾ Management expense ratio calculated in accordance with FFFS 2009:12. This ratio is calculated firstly for the life insurance operation and secondly for the investment products, excluding risk products.

- ⁶⁾ The yield and consolidation ratio have been restated in accordance with FFFS 2009:12.

Group life

Group life and occupational group life

Folksam Life offers group insurance in three companies: Folksam Liv, Förenade Liv and KPA Liv. Taken together, these have a very strong position in the Swedish market. Group insurance is offered as group life and occupational group life and as sickness and accident insurance.

Group insurance is a form of risk insurance characterised by the lack of an investment element and the fact that the premium is used up during a claim year.

A lump sum is paid to beneficiaries on the death of the insured from group life and occupational group life insurance.

Folksam group life and occupational group life business in 2010 (2009), earned premiums for own account, SEKm

Folksam Life	1,334	(1,583)
Förenade Liv	489	(458)
KPA Liv	482	(462)
Folksam total	2,305	(2,503)

Health insurance compensates for loss of income or pays out fixed lump sums. Accident insurance compensates for expenses that may arise in connection with accidents and compensation in the case of incapacity.

Folksam sickness and accident insurance in 2010 (2009), earned premiums for own account, SEKm

Folksam Life	700	(723)
Förenade Liv	307	(286)
Folksam total	1,007	(1,009)

Folksam Life offers group life insurance and sickness and survivors' insurance that many trade union organisations subscribe to. The group insurance products presented as sickness and accident insurance relate to sickness and survivors' insurance products that pay compensation in the case of incapacity to

work and critical illness. Folksam Life additionally offers occupational group life insurance in a number of different collective agreement areas.

Premiums in group life insurance in Folksam Life fell during 2010 as a result of the stock decreasing, at the same time as a switch was taking place to a new sickness and survivors' insurance policy with lower premiums.

New insurance products were launched during the year to meet the needs of the pensioners of tomorrow. The "Illness 60+" and "Accident 60+" products consist of sickness insurance that applies to certain specified diagnoses (critical illnesses), as well as providing the possibility of amounts payable on death and improved accident insurance, at the policyholder's own choice.

Förenade Liv Gruppförsäkring AB insures civil servants through the employers and organisations that represent them.

Förenade Liv recorded a profit for 2010 of SEK 197 (246) million before appropriations and tax. Net profit for the year was SEK 115 (142) million. The positive result was a combination of a good return on capital and a strong actuarial result. Earned premiums before reinsurance increased to SEK 834 (766) million.

Förenade Liv had a solvency ratio of 6.9 (6.6), which shows that the company is financially strong. Its new medical insurance product was developed in 2009 and started to be marketed in 2010. Several trade unions and companies chose to take out this insurance in 2010. The positive actuarial result at contract level contributed to the company being able to expand the scope of several insurance contracts without raising premiums in 2010.

KPA Livförsäkring AB Is the insurer for municipal occupational group life insurance (TGL-KL).

Profit before appropriations and taxes totalled SEK 686 (-12) million. Net profit for the year was SEK 416 (0) million. The principal reason for the change in profit is that a provision was made for allocated bonuses in 2009. Cases of illness have decreased, and this has also contributed to the profit. Earned premiums (net after deduction of premium tax) totalled SEK 482 (462) million. The company's strong solvency ratio of 6.2 (4.6) has made it possible to successively reduce the rate of premium. As of 1 January 2009 it has been 0.30 per cent of total salary.



KPA Pension

KPA group

The KPA group is the market leader in the area of pensions in the local government sector, and its customers are both employers and employees. All county councils and over 80 per cent of Swedish municipalities have contracts with companies in the KPA group. More than a million employees have pensions in some form with KPA Pension. KPA Pension combines secure pensions with active social responsibility, based on ethical investments and internal environmentally oriented efforts.

KPA Pensionsförsäkring AB offers complete insurance solutions for the employers' pension commitments.

The largest proportion consists of the employees' individual choices, in various collective agreement areas. The remainder comprises defined-benefit pensions managed for KAP-KL and PA-KFS.

Operations in 2010

Employees and employers

Each year in the local-government sector, 80,000–100,000 new recruits and employees over the age of 21 are given the opportunity to select insurance providers for their occupational pension. This addition resulted in KPA Pension gaining 70,000 new customers in 2010.

Premiums for selections made in 2009 in KAP-KL were passed on to KPA Pension at the end of March 2010 and were equivalent to SEK 5.4 billion, of which SEK 400 million was invested in KPA Pension's ethical funds.

Altogether, KPA Pension manages pension assets for 1.2 million people, 70,000 of whom invest in one of KPA Pension's ethical funds.

Return

KPA Pension distributes rate of return to its pension investors quarterly in arrears. The method means that the collective consolidation level for traditional defined-contribution pension insurance is always

around 100 per cent. The rate of return for 2010 was 8.3 (11.9) per cent.

Assets under management

At the end of 2010, around SEK 70 (60) billion was under management for traditional pension insurance in KPA Pensionsförsäkring AB. A further approximately 4.5 billion was invested in one of KPA Pension's ethical funds. Assets under management in the total KPA group are around SEK 80 (70) billion.

Solvency

In recent years, the company's financial position, measured as solvency ratio, has been greatly strengthened and was 186 per cent at the end of 2010. This meant that KPA Pensionsförsäkring AB had 86 per cent more assets than the company needed to pay out the guaranteed pension.

Low charges

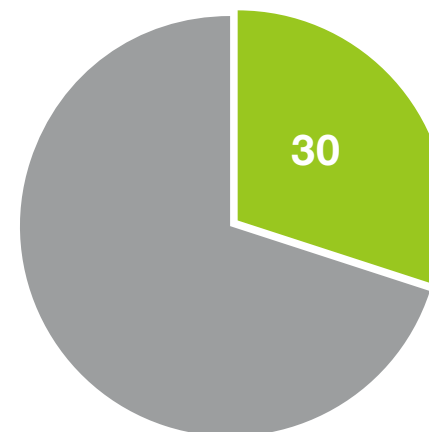
There is great pressure on prices and tough competition in collectively agreed insurance. The KPA group has worked actively to improve the efficiency of the organisation in order to meet the requirements imposed by the market. From 1 January 2009, the administration charge for traditional insurance in KPA Pension was lowered by 0.40 per cent to 0.14 per cent of assets under management.

Operating expenses

Work towards reducing operating expenses continued in 2010, principally through coordinating common functions in Folksam. The functions affected were IT, actuaries, communication, legal affairs and parts of insurance administration. Operating costs fell by SEK 3 million compared with the previous year, and operating expenses in relation to earned premiums (operating expense ratio) was 3.3 (3.5) per cent.

KPA Pension

Assets under management, in per cent of Folksam's total assets of SEK 268 billion



KP staff integrated with the KPA group

The KPA group belongs to the Collectively Agreed Business BA at Folksam. This business area also includes the KP line of business, which was formerly the cooperative's pensions company but merged with Folksam Life in 2008. Personnel who work closely with customers, customer and contracting staff, as well as KP staff, were brought under the umbrella of the KPA group organisation in 2010 to make more effective use of economies of scale and synergies.

Procurement in the central government area

Occupational pensions in the central government area, PA-03, were renegotiated in 2010. The new contract, in contrast to the ITP and SAF-LO contracts, means that all players who fulfil particular requirements, such as maximum charges, may be included as selectable companies. KPA Pensionsförsäkring AB is selectable for both traditional insurance and unit-linked insurance.

Ethical investment criteria

The ethical investment criteria form the basis for all investments and relate to human rights, the environment and corruption. KPA Pension makes active efforts to ensure that the companies it invests in take greater responsibility for these issues. The exclusion criteria mean that pension assets are not invested in companies involved in arms, tobacco, alcohol and commercial gambling.

Profit for the year

Profit before tax in KPA Pensionsförsäkring AB totalled SEK 7,486 (15,148) million. The profit was largely due to good return on capital.

Earned premiums for 2010 were SEK 6,335 (6,231) million, of which premiums for the KAP-KL contract accounted for around SEK 4,968 (4,857) million.

The total return in 2010 on the company's assets was 8.2 (12.4) per cent, equivalent to SEK 5,086 (6,532) million.

This return can be principally explained by the company's strategic distribution of assets. In the middle of the year, the company's equities exposure decreased slightly and then increased again during the autumn, making a positive contribution to total return. Equities exposure was around 40 per cent at the start of the year and around 41 per cent at the end of the year. Exchange-rate exposure steadily decreased during the year, also making a positive contribution to return. The duration of the company's interest-bearing assets steadily decreased during the latter part of the year.

Total return, parent company, SEKm

	Opening market value SEKm 2009-12-31	Closing market value SEKm 2010-12-31	Total return in 2010 SEKm	Total return in 2010 per cent	Total return in 2009 per cent	Total return in 2008 per cent
Interest-bearing	36,712	41,145	773	2.1	2.8	9.5
Equities	20,332	23,922	2,843	13.7	32.6	-30.7
Alternative investments	883	779	-40	-4.1	-12.1	3.7
Properties	1,024	2,251	166	8.5	-7.2	-1.1
Hedging instruments	140	591	1,345	n/a	n/a	n/a
Total	59,092	68,687	5,086	8.2	12.4	-5.1

The total return table has been prepared in accordance with a recommendation from the Swedish Insurance Federation and the company's guidelines for measuring and reporting total return.

Note 33 of the complete annual accounts describes how the total return table is linked to the income statement and balance sheet.

Five-year summary, SEKm

Group	2010	2009	2008	2007	2006
Results *					
Earned premiums	6,335	6,232	5,996	5,993	5,469
Net return on capital in insurance operations	5,283	6,469	2,884	-1,356	633
Claims incurred	-1,272	-1,036	-850	-694	-535
Actuarial result from insurance operations	7,485	15,147	-2,855	2,908	4,528
Profit for the year	7,215	14,931	-3,115	2,704	4,371

* In 2010-2009 the figures are in accordance with full IFRS.

In 2008-2006 the figures are in accordance with statutory IFRS.

Financial position at 31 December *	2010	2009	2008	2007	2006
Investment assets (stated at fair value)	70,781	62,544	46,520	46,675	36,563
Actuarial provisions	41,481	38,397	40,920	27,536	26,716
Solvency capital:					
Share capital	300	300	300	300	300
Other equity	31,593	24,491	9,742	12,911	10,307
Total solvency capital	31,893	24,791	10,042	13,211	10,607
Collective consolidation	643	484	869	477	463
Collective consolidation level, in per cent	101	101	102	101	101
Capital base	31,893	24,791	10,042	13,211	10,607
Required solvency margin	1,608	1,474	1,650	1,201	1,202
Solvency ratio	19.8	16.8	6.1	11.0	8.8

* In 2010-2009 the figures are in accordance with full IFRS.

In 2008-2006 the figures are in accordance with statutory IFRS.

Parent company, SEKm	2010	2009	2008	2007	2006
Results *					
Earned premiums	6,335	6,232	5,996	5,993	5,469
Net return on capital in insurance operations	5,021	6,415	2,923	-1,361	633
Claims incurred	-1,279	-1,036	-850	-694	-535
Actuarial result from insurance operations	7,424	15,086	-2,850	2,895	4,528
Profit for the year	7,180	14,894	-3,104	2,693	4,371

* 2006 has been restated according to statutory IFRS.

Financial position at 31 December *	2010	2009	2008	2007	2006
Investment assets (stated at fair value)	70,871	62,591	46,549	46,671	36,564
Actuarial provisions	41,481	38,397	40,920	27,536	26,716
Solvency capital					
Share capital	300	300	300	300	300
Other equity	31,579	24,531	9,739	12,901	10,307
Total solvency capital	31,879	24,831	10,039	13,201	10,607
Collective consolidation	643	484	869	477	463
Collective consolidation level, in per cent	101	101	102	101	101
Capital base	31,879	24,836	10,044	13,201	10,607
Required solvency margin	1,608	1,474	1,650	1,201	1,202
Solvency ratio	19.8	16.8	6.1	11.0	8.8

* 2006 has been restated according to statutory IFRS.

Key ratios					
Parent company	2010	2009	2008	2007	2006
Management expense ratio, %	0.3	0.4	0.5	0.6	0.7
Yield, % *	2.5	3.2	3.3	3.5	3.9
Total return, % **	8.2	12.4	6.3	-3.0	1.6

* Reported key ratios relating to yield are reported for 2006-2008 in accordance with FFFS 2006:17 and for 2009-2010 in accordance with FFFS 2009:12.

** Reported total return is reported in accordance with the Swedish Insurance Federation's recommendation for reporting total return.

Yield and total return relate to traditional life insurance.





Risks in financial operations

Overall risk management

The ability to identify, prevent and manage risks is becoming ever more important for a company. Risk management enables companies to be ready to act and to plan and implement activities in order to manage risks. Risks that are managed correctly can lead to new opportunities and value creation, while risks that are not managed correctly can lead to claims and high expenses.

Folksam's risks are managed using a uniform, all-embracing approach throughout the company based on a comprehensive view of the risk situation. The purpose of risk management is to identify all major risks associated with the organisation and its activities, both in the present and in the future. Good risk management therefore gives CEOs and boards a well-structured overall picture of the total risk situation, improving Folksam's understanding and knowledge of the risks and the prospects of attaining the goals. Risk management also ensures that the risk situation is compatible with the capital base, thus limiting discrepancies in the expected financial results.

Risk is defined in Folksam as the probability of an event occurring that negatively impacts on the whole or parts of Folksam's goal attainment or deviates from assumptions made. Folksam is exposed to various risks, which have an impact on the company's financial position, results and goal attainment. These risks are divided into risks in insurance operations, in financial operations and in all operations.

Risks in insurance operations	Risks in financial operations	Risks in all operations
Premium assumptions	Market risk	Operational risk
Assumptions on reserves	Credit and counter-party risk	Strategy risk
Surplus management	Liquidity risk	Reputation risk
	Concentration risk	

The risk process

The risk process represents an important part of overall risk management at Folksam.

The process comprises identification, valuation, management, control and reporting of all material risks. A number of risk reviews are conducted in conjunction with annual business planning, and a follow-up takes place after six months. A large number of risks are identified on the basis of business plans, business goals, areas of responsibility and the tasks for which each organisational unit is responsible. All risks are linked to information regarding which units and which companies are affected. All identified risks are categorised according to Folksam's risk map and valued on the basis of two perspectives: the probability of the incident occurring, and the impact it has.

All identified risks are allocated a risk owner, and measures are developed to manage and prevent the risks.

The risks, as well as the measures associated with them, are continuously followed up. Joint follow-ups also take place in order to simultaneously check the risk situation.

The traffic light, which is the Swedish Financial Supervisory Authority's instrument for measuring risks, is also used as a method for assessing insurance and

financial risks. To calculate how much capital the company must hold to cover its risks, a number of pre-defined stress scenario tests are carried out. The various scenarios provide details of the total capital requirement for the company and are viewed in relation to the company's capital buffer.

The risk situation is reported to the Group management, CEO and board through a written risk report.

Management of risk in financial operations

The Board is ultimately responsible for managing the company's assets, and specifies frameworks and guidelines for the operation. The CEO is responsible for managing the company's assets within the frameworks and instructions provided by the Board, and for revising the investment guidelines. The financial committee is the CEO's forum for following up on the management of assets and decisions relating to risk management.

Asset management at Folksam is organised in such a way that Folksam's asset management unit is responsible for ongoing financial risk management, and proposes the investment focus.

The department is also responsible for managing all derivatives, with the aim of guiding the level of risk in the company at an overall level. The department for responsible ownership is responsible for corporate governance, environmental and ethical analysis, and the company's ethical investment rules. Two separate departments within the Folksam organisation manage administration of directly owned properties and alternative investments. The department for alternative investments is also responsible for the administration of indirectly owned properties. Regular administration of equities and interest and administration of securities are dealt with by Swedbank Robur.

With the aim of ensuring independent risk control, follow-up has been organised as follows:

- Folksam's asset management unit is responsible for proposing the investment focus to the Board and for regular asset management.

- The Head of Compliance has principal responsibility for follow-up taking place on a daily basis according to the limits established by the Board in investment guidelines, investment regulations and fund rules, and for contraventions being reported to the Boards and CEOs of the companies concerned.
- Swedbank Robur is responsible for day-to-day checking of applicable investment rules and for reporting the result of the completed check to the Compliance Department, the Risk Department and Folksam's asset management department.

Risks in financial operations

Management principles

The aim when managing assets is to achieve the highest possible real return under prevailing risk and investment restrictions. It should, as a minimum, entail an annual real return averaging three per cent, measured over a period corresponding to the average term of insurance contracts. Folksam attaches great importance to security in pension investments. The Board has stipulated that the level of risk in the company must not exceed green light status in the Swedish Financial Supervisory Authority's traffic-light model. Folksam's vision is to contribute to a long-term and sustainable society in which the individual feels secure. A step towards achieving this vision is that Folksam makes ethical requirements of those companies in which investments are made.

Principles for selecting investment focus

Input data consist among other things of the assets, the liabilities and their characteristics - such as expected return, risk and correlation - and forecasts for how the insurance operation will develop. The total assets portfolio is optimised on the basis of the company needing to be able to cope with extremely weak growth in the financial markets. Fulfilment of the legal requirements on debt service and solvency has top priority when choosing the investment focus.

Special attention must be paid to the Swedish Financial Supervisory Authority's traffic light model.

Only then are the company's own risk preferences and business goals to be considered. The investment focus adopted then serves as the basis for asset management.

The asset managers may, within certain limits, depart from the investment focus if it is considered favourable to return to do so.

Portfolio structure

The total asset portfolio in Folksam Life is composed of six sub-portfolios: equities, interest, properties, alternative investments, hedging instruments and strategic holdings. Hedging instruments are investments whose principal purpose is to match investment risks in commitments, for example an interest-rate swap to reduce the interest-rate sensitivity of the balance sheet. Strategic holdings are holdings regarded as being of special strategic value for the company. Only the Board is allowed to take decisions on investments of this kind. Typical examples of such investments are equities in Group companies.

Credit and counterparty risk

Credit risk is understood as meaning the risk of an interest-bearing investment losing value as a result of the issuer being downgraded in rating or entering bankruptcy. Counterparty risk is understood as meaning the risk of a counterparty not being able to fulfil its part of a contract.

The company's policy is to only permit investments in securities with high creditworthiness. The credit and counterparty risks in this part of the operation are therefore judged to be very small.

Concentration risk

Concentration risk means the extra risk that results from the company having great exposure to one and the same counterparty, and from this counterparty being wholly or partially unable to fulfil its payment obligations towards the company. The company's greatest concentration risk lies in the shareholding in Swedbank. This risk is considered when choosing the

investment focus and, in particular, when composing the company's equities portfolio.

In relation to the market risks, other concentration risks are judged to be small. This is firstly due to the requirements for creditworthiness that have to be met for an investment to be made, and secondly to the diversification resulting from the company's investment focus. The possibility, as a general rule, of investments being used for debt service also means that the risk of excessive commitments is kept low.

Liquidity risks

Liquidity risk is understood as meaning the risk of the company not being able to meet its payment obligations at the time when they fall due without the cost of obtaining means of payment increasing substantially. The company's liquidity risk is considered to be of minor significance in the total risk picture.

As a result of the assets being mainly invested in market-listed securities with high liquidity, the investment strategy ensures that the quantity of liquid assets with a reassuring margin exceeds the company's expected payment obligations with a reassuring margin.

Folksam Life

On the balance sheet date, listed securities made up 90 (85) per cent of investment assets, of which holdings in interest-bearing investments issued by the Swedish Government accounted for 17 (26) per cent, equivalent to SEK 17,342 (24,815) million. The average duration of interest-bearing assets was 6.8 (8.2) years.

The average economic duration of insurance liabilities for the whole stock in Folksam Life as at 31 December 2010 is 14.5 years. This figure relates to 93 per cent of actuarial provisions. No equivalent figures are provided for the Group, as the additional liquidity risk is considered to be marginal.

Folksam General

On the balance sheet date, listed securities accounted for 90 (91) per cent of investment assets in the Group and 86 (86) per cent in the parent company, of which holdings in interest-bearing investments issued by the Swedish Government accounted for 17 (19) per cent, equivalent to SEK 4,372 (4,775) million in the Group and 16 (19) per cent, equivalent to SEK 4,100 (4,465) million, in the parent company. The average duration of interest-bearing assets was 3.6 (3.9) years in the Group and 3.6 (4.0) years in the parent company.

The average duration of the insurance liabilities for the whole stock in the Folksam General Group is 5.4 (5.2) years and in the parent company is 5.6 (5.3) years as at 31 December 2010.

In 2011 it is estimated that SEK 3,694 (3,354) million will be paid out from insurance contracts in claims incurred in the Group and SEK 3,415 (3,024) million in the parent company.

Market risks

Market risk is understood as meaning the risk of the value of assets and/or liabilities developing unfavourably as a consequence of changes in market prices. The company divides market risks into five sub-groups: interest-rate risk, exchange-rate risk, share price risk, property price risk and other market risk.

Interest-rate risk

Interest-rate risk is understood as meaning that the net value of the company's interest-bearing assets and liabilities falls as a result of a change in interest rates.

Life insurance provisions relating to traditional life insurance with equalised bonuses/pension supplements are discounted at market rates. As insurance contracts run over a very long period, it follows that interest-rate sensitivity in the provisions becomes significant.

Folksam Life adapts its risk-taking so that the company's finances are not affected to the same extent by changes in interest rates. This is done principally through various types of interest-rate derivatives (hedging instruments). If interest-rate levels fall, the value of the hedging instruments increases, reducing the effect the change in interest rates has on commitments. The opposite effect occurs if interest rates rise - the hedging instruments develop negatively but the company is compensated by a reduced debt burden.

Tables illustrating how Folksam Life, Folksam General and KPA Pension are exposed to interest-rate risk on the basis of the fixed-rate interest terms of interest-bearing assets and liabilities are included in the complete annual accounts available at folksam.se and kpa.se.

Exchange-rate risk

Exchange-rate risk is understood as meaning the risk of the net value of the company's assets and liabilities falling as a result of a change in exchange rates. Tables of the company's exchange-rate exposure before and after hedging with derivatives, as well as a sensitivity analysis in the event of a change in net exposure, are presented in the complete annual accounts available at folksam.se.

Share price risk, property price risk and other market risk

Share price risk, property price risk and other market risk is understood as meaning the risk of the net value of assets and liabilities decreasing as a result of changes in the value of equities, properties or other types of assets that are not covered by the risks above.

The effect on profit for the year of a 10 per cent decrease in value of the balance sheet items of shares and participating interests, buildings and land, and those holdings under shares and participating interests in Group companies where a 10 per cent decrease in market value would affect profit, is shown by tables in the complete annual accounts available at folksam.se.



Folksam General Board of Directors

Top row, from left

Göran Lindblå, KF, HSB and Riksbyggen
Björn Hartvigsson, TCO
Sten-Åke Karlsson, KF, HSB and Riksbyggen
Annelie Nordström, LO
Kerstin Kujala, employee representative
Hans-Olof Nilsson, LO
Ann-Louise Andersson, Saco

Metta Fjelkner, Saco
Lars Jonsson, employee representative
Ulf Andersson, LO
Jan-Åke Nilsson, employee representative

Bottom row, from left

Leif Linde, KF, HSB and Riksbyggen
Carina Malmer, KF, HSB and Riksbyggen
Ella Niia, LO

Wanja Lundby-Wedin, LO, Chair
Karin Mattsson Weijber, KF, HSB and Riksbyggen
Carl-Axel Nilsson, employee representative
Leif Nordmark, KF, HSB and Riksbyggen

Not pictured

Bengt Olsson, TCO



Folksam Life

Board of Directors

Top row, from left

Eva-Lis Sirén, TCO
 Johnny Capor, KF, HSB and Riksbyggen
 Hans Tilly, LO
 Thomas Eriksson, Ledarna
 Eva Quist, KF, HSB and Riksbyggen
 Anders L Johansson, employee representative
 Kjell Ahlberg, LO
 Susanna Gideonsson, LO
 Dag Andersson, TCO
 Sture Nordh, TCO

Bottom row, from left

Börje Enander, employee representative
 Maj-Britt Johansson Lindfors, KF, HSB and Riksbyggen
 Sune Dahlqvist, KF, HSB and Riksbyggen
 Nina Jarlbäck, KF, HSB and Riksbyggen, Chair
 Sigrun Malm, employee representative
 Doris Forsell Gustafsson, KF, HSB and Riksbyggen
 Jan Rudén, LO
 Anita Modin, LO
 Roger Westin, employee representative



Förenade Liv

Board of Directors

Top row, from left

Pia Carlsson-Thörnqvist, Folksam
 Stefan Holm, Folksam
 Anders Sundström, Folksam, Chair
 Lars-Bonny Ramstedt, formerly Unionen
 Kristian Sihlén, employee representative

Bottom row, from left

Siewerth G. Stegdahl, employee representative
 Eva-Lotta Nilsson, SKTF
 Git Claesson Pipping, Sulf
 Lars-Erik Klason, Lärarförsäkringar
 Niklas Hjert, Unionen

Not pictured

Annette Carnhede ST

KPA AB

Board of Directors

Top row, from left

Niklas Gillhög,
employee representative

Anders Knape, SKL

Håkan Sörman, SKL

Henrik Persson,
employee representative

Bottom row, from left

Anders Sundström,
Folksam, Chair

Ilmar Reepalu, SKL

Lena Ludvigsson-Olafsen, SKL

Lars Burman, Folksam



Group Management



Anders Sundström
President and CEO,
born 1952,
employed in current position
since 2004



Torbjörn Eckerdal
Head of Private BA,
born 1958,
employed since 1985,
in current position since 2008



Catrina Ingelstam
CFO,
born 1961,
employed in current position
since 2009



Gunnar Andersson
Deputy CEO, Head of Strategic
Business Development,
born 1949,
employed since 2007,
in current position since 2008



Daniel Eriksson
Head of Product,
born 1969,
employed since 2005,
in current position since 2008



Tomas Norderheim
Deputy CEO, Head of CEO Staff,
born 1955,
employed since 1987,
in current position since 1998



Lars Burman
Deputy CEO, Senior Vice President,
Head of Collectively Agreed
Business BA,
born 1954,
employed since 1985,
in current position since 1997



Gunnar Fröderberg
CIO,
born 1953,
employed in current position
since 2008



Harriet Pontán
Head of HR,
born 1953,
employed in current position
since 2005



Pia Carlsson Thörnqvist
Head of Communications,
born 1964,
employed since 1982,
in current position since 2008



Stefan Holm
Head of Partner BA,
born 1963,
employed since 1982,
in current position since 2008



AnnKristine Wuopio-Mogestedt
Head of Claims,
born 1961,
employed since 1988,
in current position since 2008

Glossary

Bonus interest

Insurance companies may distribute surpluses to their customers. The bonus interest is not guaranteed, and the insurance company can reclaim that part of the surplus that exceeds the guaranteed rate, if management is not going as well as expected.

Capital base

Equivalent to equity in the balance sheet in life insurance companies.

Claim inflation

Claim inflation, the increase in the average cost of claim a non-life insurance company incurs. Claim inflation normally differs substantially from ordinary inflation, as non-life insurance costs include costs of tradespeople, purchases of new televisions and similar items, depending on the type of insurance.

Claims ratio, non-life insurance

The ratio between claims incurred and earned premiums, expressed as a percentage.

Collective consolidation ratio

The ratio between asset values and the company's total commitment.

Derivative

Financial instrument whose growth in value depends on the underlying security or commodity.

Duration

Term, generally how long an insurance policy applies for.

Management expense ratio

Operating expenses as a proportion (%) of assets under management (investment assets). Shows what proportion of all investment is used to cover the insurance company's expenses.

Mutual insurance company

In a mutual insurance company, the customers are owners and all surpluses accrue to the customers/investors. In the case of deficits, the pension assets of the pension investors are reduced by claw-back/reallocation.

Operating expenses, insurance

Comprises expenses for marketing, sales, management and administration.

Operating expense ratio

Operating expenses as a proportion (%) of earned premiums.

Shows what proportion of investors' premiums is used to cover the insurance company's expenses.

Rate of return

Rate at which interest accumulates on the insured's investments (pension assets). KPA Pension distributes the actual rate of return on the assets directly to the customers' insurance policies after each quarter.

Solvency capital

The capital required to undertake insurance activities under applicable rules.

Solvency factor

The ratio between capital base and solvency margin.

Solvency margin

The lowest level, calculated on the basis of the nature and scope of the operation, to which the capital base must amount under the Swedish Insurance Business Act.

Solvency ratio

The ratio between the company's assets (less financial liabilities) and actuarial provisions made to cover future insurance obligations.

Total return

The sum of direct return (after deduction of management expenses) and realised and unrealised changes in the value of investment assets.

Addresses

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Full company name

The Folksam group consists of two insurance groups in which Folksam ömsesidig livförsäkring (Folksam Life) and Folksam ömsesidig sakförsäkring (Folksam General) are parent companies. The head office of Folksam is located in Stockholm. Folksam only operates in Sweden.

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