Annual Report 2011

Folksam Mutual Life Insurance

Folksam

Table of Contents

Notes

Administration report

The Board and CEO of Folksam ömsesidig livförsäkring, companyregistration number 502006-1585, (hereinafter Folksam Life) hereby submit the annual accounts for 2011, the company's 98th year of operation.

Group structure

Folksam Life is the parent company of a group which in addition to the parent company comprises both wholly owned subsidiaries and part-owned subsidiaries, including the companies within Folksam LO Pension and KPA Pension. Lists of all subsidiary companies and associated companies are provided in Notes 17–18.

Folksam

Folksam is a mutual company that provides popular insurance policies and pension investments. Our vision is for people to feel safe and sound in a sustainable world. Folksam comprises the two parent companies Folksam Life and Folksam Sak (hereinafter Folksam General) with subsidiaries. The companies and their relationships are reported under Note 46 Related party disclosures. The companies collaborate on distribution, administration and asset management to achieve economies of scale that benefit customers.

The Folksam brand was strengthened during 2011 and relations with existing customers and collaborative partners were developed. The second half of the year was characterized by low interest rates and unease on the financial markets. At the same time, relatively high rates of return during 2011 made positive contributions to both property and life insurance operations. KPA Pension and Folksam Life are among the leading companies within the industry.

Conventional insurance premium volumes grew robustly thanks to strong key ratios and broader reach, while growth in unit-linked insurance continued. The occupational pensions market including collective agreement pensions in respect of SAF-LO and KAP-KL comprise a significant proportion of policy volumes.

Growth in non-life insurance continued during the year. A sustained focus on regular customers in all areas, in particular vehicle insurance, together with distribution through bank collaborations contributed to a growing portfolio.

A strong group insurance position is firmly established within Förenade Liv, KPA Liv and Folksam Life.

FOLKSAM, SEK million	**2011**	**2010**	**2009**	**2008**	**2007**
Premiums[1]	33 263	30 496	29 356	27 158	23 977
Assets under management[2]	285 106	268 170	242 646	211 401	183 957
Of which Swedish equities	*49 931*	*57 759*	*44 486*	*22 856*	*35 015*
Of which property	*15 900*	*14 353*	*12 297*	*13 753*	*8 263*
Unit-linked insurance assets[3]	48 416	49 593	38 158	24 600	26 557
Average number of employees[4]	2 841	2 818	2 916	2 934	2 892

1) Premiums comprise premiums earned in non-life insurance, premiums written in life insurance, and receipts and fees from unit-linked insurance investors.

2) Assets under management represent assets according to the total return table for the companies less strategic holdings, which principally relate to the value of subsidiaries, plus assets under management in Konsumentkooperationens Pensionsstiftelse and Folksam LO Fonder (hereinafter Coop Pension Foundation and Folksam LO Funds).

3) Investment assets for which policyholders bear the risk.

4) The average number of employees has been calculated based on the number of paid working hours in relation to one man year, excluding agents.

Folksam Life operations

Folksam Life is a customer-owned company whose operations are run according to mutual principles, which means that surpluses arising from operations are returned to the policyholders in the form of bonuses.

Folksam Life conducts life insurance business focused on the Swedish market. The company offers occupational pensions and pension investments to private individuals, directly or through collaborations, as well as group insurance and other personal risk insurance. The operation is divided into the branches Folksam and Liv 2 (previously KP Pension & Försäkring).

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

Earnings and the market

Premiums written and market shares

The parent company's premiums written net of reinsurance increased by 12 per cent to SEK 7,130 million (6,339). The largest increase relates to conventional defined-contribution policies which grew by 21 per cent to SEK 3,701 million (3,047). The increase was achieved chiefly through new collaborative partnerships. Premiums written from defined-benefits occupational pensions increased by SEK 278 millionlargely attributable to redemptions from Konsumentkooperationens (Coop) pension foundation. Group insurance premiums fell by 6 per cent, which was significantly lower compared to 2010.

Conventional life insurance premiums increased during 2011. This trend reversal is explained primarily by the tendency of savers to chose conventional life insurance when there is uncertainty in the marketplace. Another reason is the fact that media attention during the autumn raised awareness among savers about the importance of choosing financially sound insurance companies. Both Folksam Life and KPA Pension are counted among the very strongest alternatives.

Trades unions, companies and organizations such as various sports and athletics federations are offered customized group life, health and accident insurance policies. Group insurance to pensioners' organizations changed from the beginning of the year. Following discussions with the organizations concerned a new offer was launched whereby customers can choose between three different compensation and premium levels.

Total market share for Folksam Life and its subsidiaries increased during 2011 to 11.9 (9.4) per cent measured as total premiums written from competitive insurance according to Insurance Sweden. Folksam is thus second largest after Skandia. Folksam's unit-linked insurance market share was 12.6 (9.2) per cent and 10.3 (9.5) per cent for other life insurance. Capital inflow and indexed paid-up policies are counted as premiums written in the statistics.

Earnings

Consolidated profit/loss before appropriations and tax for 2011 amounted to SEK -9 371 (8 948) and SEK -10 125 (8 885) in the parent company Folksam Life. The change can be attributed primarily to a significant increase in technical provisions resulting from historically low market interest rates.

The total return ratio amounted to 6.5 (8.7) per cent. Over a number of years and in shifting market conditions Folksam has demonstrated its ability to manage risks and opportunities in asset management. This creates good rates of return in the long-term and thus safe, secure pensions.

Rates of return were in large part generated by strong growth in interest-bearing assets and properties. Spread over the past five-years the average total return ratio was 5.6 (5.1) per cent.

Life insurance provisions increased by SEK 18,228 million (-382) during 2011 as a result of low long-term interest rates. Indemnification payments in group general insurance have fallen following a change in the reserve calculation based on claims history, which resulted in a run-off gain of SEK 964 million. Provisions of SEK 752 million within group life insurance were made to a fund for allocated bonuses, of which SEK 652 million relates to group life and SEK 100 million to group general insurance.

Operating expenses increased and amounted to SEK -623 million (-549). Acquisition costs increased by SEK 80 million due to increased sales. Expenses for pension provisions to the Coop pension foundation, where employee pensions are assured, were SEK 24 million higher than in 2010, a year with exceptionally good rates of return. Operating expenses were also subject to charges for ongoing adaptation to Solvens 2. Operating expenses were also affected positively by continued work on the development and streamlining of organizations and processes; refer to the Other operating issues section. The proportion of administration expenses for the savings operation amounted to 0.4 (0.4) per cent.

Financial position

Despite a reduction of 24 percentage points the solvency ratio showed sound financial strength and amounted at year end to 134 (158) per cent. The solvency ratio describes how well a life insurance company lives up to its guaranteed commitments towards its customers. In simple terms there are assets worth SEK 134 for every SEK 100 the customer is guaranteed. Folksam Life's ability to provide good future rates of return on assets under management is dependent upon its sound solvency ratio.

The collective funding ratio for defined contribution policies at year end amounted to 116 (116) per cent and 151 (146) per cent for defined benefits policies. The collective funding ratio describes the relationship between the company's assets and the amount distributed to customers. The distribution includes both guaranteed and non-guaranteed commitments.

The Folksam Life bonus rate was reduced from 6 to 4.5 per cent from November 1, 2011. Bonus rates remained unchanged at 11 per cent in the Liv2 portfolio (previously KP Pension & Försäkring). The bonus rate is re-assessed on a continuous basis in regard to financial market influence on the collective funding ratio.

Pension supplement remained unchanged in 2011 while paid-up policies were raised by 1.42 per cent. A decision was taken for 2012 pension supplements to be raised by 2.73 per cent and paid-up policies by 2.89 per cent. The upward adjustment of pension supplements is now on a par with inflation.

Subsidiaries

Consolidated subsidiaries

Folksam LO Fondförsäkringsaktiebolag (publ) with its subsidiary Folksam LO Fond Aktiebolag (publ) is 51 per cent owned by Folksam Life and 49 per cent owned by LO's Försäkringshandelsbolag.

The position as market leader in unit-linked insurance on the acquired SAF-LO market was further strengthened during the year. The work and sales with capital inflows within SAF-LO collective agreement occupational pensions increased substantially during the year. Capital inflow amounted to SEK 1,972 million. The number of customers in other collective agreement areas also remained stable during 2011. Total premium receipts including capital inflows amounted to SEK 4,889 million (3,204) in 2011. The number of customers in other collective agreement areas also remained stable during 2011. The number of agreements within collective agreement occupational pensions at year end amounted to 694,421 (644,400) of which the largest is the SAF-LO agreement totaling 593,746 (516,600). Other agreements include KAP-KL , ITP-K PA-KFS and PA03.

Folksam Fondförsäkringsaktiebolag (publ) (hereinafter Folksam Fondförsäkring) is a wholly owned subsidiary that offers unit-linked insurance products. The choice of fund managers and funds is regularly reviewed in a selection process At year end Folksam Fondförsäkring launched an additional fund placement service to assist investors as a compliment to the range of 70 guided funds and the Trend fund selector. Fund selector Multi invests in day-trade, high-performance hedge funds not correlated with each other The fund portfolio is dynamically administered and fund managers who do not perform at a consistent optimum are replaced with more attractive alternatives.

In 2010 Folksam Fondförsäkring concluded an agreement with the Skandia insurance company to acquire an insurance portfolio linked to funds managed by Svenska Lärarfonder AB , which was acquired on January 2, 2012. At the same time the company took over Svenska Lärarfonder AB which was acquired from Svenska Lärarförförsäkringar.

Folksam Fondförsäkring transferred its unit-linked insurance portfolio tied to Brummer to Brummer Life in February 2011.

The company’s premiums written before reinsurance decreased somewhat compared with the previous year and amounted to SEK 11 million (12). Fund assets with risks carried by policyholders amounted to SEK 15,852 million (18,014) at year end and receipts from policyholders fell to SEK 3,273 million (5,220).

The Supreme Administrative Court ruled in June 2011 that fund rebates from fund managers are not subject to ordinary company tax, and that it is correct to assign this revenue to operations subject to yield tax, as Folksam Fondförsäkring and Folksam-LO Fondförsäkring have done.

Reda Pensionsadministration AB is a subsidiary that provides services mainly to external clients; sales amounted to SEK 66.9 million (69.3). The administrative agreement with SPP Livförsäkrings AB was cancelled in 2010 and will terminate in December 2012.

Non-consolidated subsidiaries

Förenade Liv Gruppförsäkring AB (publ) (hereinafter Förenade Liv) is a life insurance company operating in voluntary group life, health, group illness, premium exemption, group health care, group survivors’, critical illness, and group accident insurance.

In 2011 Förenade Liv reported earnings of of SEK 219 million (197) before appropriations and tax. Premiums written before reinsurance rose to SEK 841 million (834).

During 2011 Förenade Liv focused on increasing premium volume, expanding membership and increasing the number of insurance products per person in existing agreements. The company also increased new sales of group insurance contracts to companies.

Under the KPA Pension brand, the KPA group offers conventional pension insurance, unit-linked insurance, life insurance, pension administration and selection center, and asset management with high ethical standards. KPA Pension is the market leader in the municipal pensions sector with both employers and employees as customers. All of Sweden's county councils and around 80 per cent of the country’s municipalities have contracts with KPA Pension companies.

KPA Pension’s total premium income was SEK 7,592 million (7,314), which was a new record for KPA Pension’s insurance business. SEK 6,664 million (6,335) of this amount consisted of premiums from conventional pensions policies. Total premiums for the individual choice scheme with KAP-KL, where KPA Pensionsförsäkring AB (publ) is the safe option for those who do not actively choose their pension manager, were SEK 5,643 million (5,406).

Because KPA Livförsäkrings solvency remained high, it was possible to continue reducing premium rates. From January 1, 2012, the premium is 0.20 per cent of the sum of total payroll expenses. As a result of an SEK 171 million reversal in provisions for allocated bonuses, invoiced premiums in 2012 will be 0.1 per cent of total wages.

The total return ratio amounted to 5.5 (8.3) per cent. The solvency ratio remained strong and amounted to 143 per cent (186). The reduction is attributed in full to the sharp reduction in market interest rates which resulted in significantly increased provisions for future pension disbursements.

Other operational factors

As part of the efforts to strengthen Folksam as an provider on the occupational pensions market, the KP Pension & Försäkring brand was brought under Folksam.

Flotsam's Amanah fund has received approval in accordance with Sharia law. Many Islamic organizations have called for this in order to be able to save in a manner commensurate with Islam, which places far-reaching ethical demands on investments and forbids usury or interest on loans.

A number of activities were initiated to develop and streamline the organization and its processes in order to achieve business and cost synergies. Work on coordinating joint functions to ensure the continued efficient use of resources continued during 2011.

During the year the integration of KP and KPA Pension was also carried out. The objective was to coordinate operations to create an efficient service for customers.

The project to convert office workstations to an open office landscape in order to make more efficient use of space and reduce the cost of floor space will continue in 2012.

Comprehensive changes to the sales and claims unit's customer organizations were carried out during the year and focus shifted from a geography-driven to channel-driven organization with a total of eleven channels. Of these five are sales channels – customer service, life, savings, telemarketing, internet and mass market – and six are claims channels; property, vehicle, personal injury/compensatory damages, personal injury/provisions, investigations and other. The change was made to improve efficiency through a shorter decision chain, based on 95 per cent of customers making contact with Folksam via telephone or the internet.

Around 2,000 employees are affected and reorganization will continue during 2012.

A new purchasing organization was set up on October 1 to achieve a more integrated purchasing process and create conditions for lower purchasing costs in both claims and operations.

Asset management

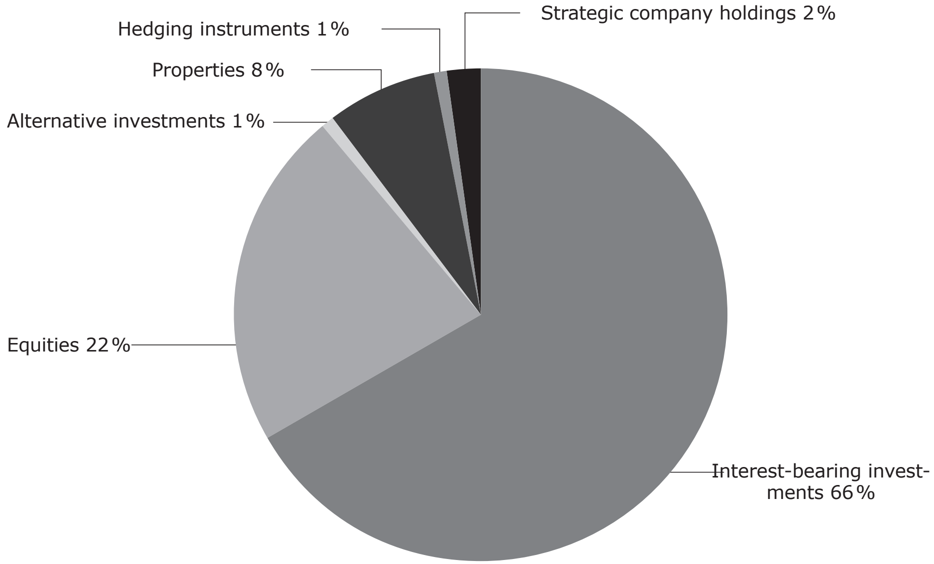
The year began with weak Swedish stock trends, but with upturns in most other stock markets Interest rates rose weakly on strong confidence in the Swedish business cycle despite some concern about inflation. Initially news was dominated by the protests and demonstrations in Tunisia and Egypt, but later in March focus switched to the earthquake, tsunami and nuclear accident in Japan.

The Swedish stock market enjoyed a strong spring, supported by robust corporate reports. During the latter part of spring the media focused once again on the debt crisis in Europe, with the spotlight on Greece in particular. Prime interest rates climbed in southern Europe while those in the north began to fall when capital flowed to countries with stronger finances such as Germany and Sweden.

After the summer, the budgetary situation became acute, above all in Greece and a Euro crisis with an economic slowdown made its approach. In just a few weeks stock markets fell by almost 20 per cent and long-term Swedish government bond rates fell by almost a full percentage point to record low levels. The fall in interest rates was significantly lower for credit bonds due to concerns about credit losses and financing problems in the European banking system. Despite intense efforts from Europe's heads of state to solve the Euro crisis, central bank rates in southern Europe climbed and instead capital flowed toward countries such as Sweden, resulting in continued heavy downward pressure on Swedish interest rates. The Euro problem also reached Germany in November and a poorly subscribed government bond issue resulted in Swedish interest rates falling significantly lower than German rates.

Swedish stocks fell by around 15 per cent over the full year while international stock markets dropped by around 5 per cent in local currencies according to the MSCI World Weighted Index, but by around two per cent in SEK due to exchange rate differences during the year. Interest rates for five-year govern-

Distribution of investment assets, Market value



Total yield table, parent company

SEK million	Opening market value 01/01/2011	Closing market value 31/12/2011	Total yield 2011 SEK million	Total yield 2011	Total yield 2010 %	Total yield 2009 %	Total yield 2008 %	Total yield 2007
Interest-bearing investments	67 718	79 925	6 326	9.2	2.2	3.0	10.2	2.4
Shares	33 893	26 219	– 3 719	– 11.4	17.9	36.6	– 35.0	0.4
Alternative investments	993	1 838	83	5.0	– 3.7	– 10.2	– 8.2	9.0
Property	8 391	9 110	802	9.5	5.7	1.2	1.0	18.0
Strategic company holdings	2 804	2 710	22	0.7	0.7	– 0.4	– 0.7	– 0.8
Hedging instruments	1 127	1 144	3 913	188.1	n/a	n/a	n/a	n/a
Total	**114 927**	**120 946**	**7 427**	**6.5**	**8.7**	**10.3**	**0.9**	**1.8**

ment bonds that began the year at levels approaching 3.55 per cent fell to 1.0 per cent by year end.

The Swedish property market was relatively strong, especially during the first six months of the year, but a slight weakening was noted following the summer. Strong demand for commercial premises continued and contributed to good appreciations in value. Demand for housing in big city areas remained high and also contributed to good appreciations in value. There was an increasing interest in the residential property market with regard to sheltered living.

Savings in alternative investments

Savings are placed in alternative investments in order to complement in the best way possible one of the conventional types of asset, i.e. shares or interest-bearing investments. The values of the largest alternative investments are reported below. Kenmar and BelAir have been disposed of.

Holding, SEK million	31/12/2011	31/12/2010
BelAir	-	311
Kenmar	-	255
FIH	494	-
Proventus	299	-
Other	1 045	427

Strategic holding in Swedbank

Folksam owns just over nine per cent of Swedbank stock

Folksam's participation in Swedbank December 31, 2011

Company	Quantity	Proportion of votes and capital in Swedbank
Folksam General	26 543 173	2.3%
Folksam Life	63 340 399	5.5%
Subtotal	**89 883 572**	**7.8%**
Folksam LO Funds	7 203 627	0.6%
KPA Pensionsförsäkring	11 147 049	1.0%
KPA Livförsäkring	202 977	0.0%
Coop Pension Foundation	1 441 126	0.1%
Förenade Liv	115 805	0.0%
Folksam Total	**109 994 156**	**9.5%**

Financial risks in insurance commitments

Since 2006, the actuarial provisions of those parts of the company’s operations covered by the Occupational Pensions Directive, i.e., the present value of the company’s future commitments toward policyholders, have been measured at market rates. According to a decision by the Swedish Financial Supervisory Authority, actuarial provisions under "other life insurance business" are measured at market rates from April 1, 2008. Because insurance policies run for very long periods it follows that sensitivity to changes in interest rates is significant. Folksam Life has adapted its risk taking such that the company's finances will not be affected to the full extent of interest rate changes. Therefore Folksam Life has entered into so-called forward interest rate agreements (hedging instruments) as a complement to its interest-bearing investments. If interest rates fall the value of the hedging instruments rises thus reducing the effect the interest rate movement has on commitments. The effect is the converse should interest rates rise – the hedging instrument will have a negative trend but the company will be compensated by a reduced liability burden.

Profit/loss from financial risk-taking

Profit/loss from the company's overall financial risk-taking is shown in the table below (SEK million).

	2011	2010
Return on capital (excl. hedging instrument)	3 514	7 264
FTA	– 18 057	– 1 327
Hedging instruments	3 913	1 962
Total	**– 10 630**	**7 899**

Brand

Folksam is the common brand name of Folksam General and Folksam Life. A new brand strategy was adopted in 2010 with the aim of repositioning Folksam's image. Repositioning will be achieved by fulfilling the brand's promise of "Committed to you" and through actions based on Folksam's core values – personal, committed, and responsible.

Folksam's new graphic standard was launched in 2010 as the starting point for the brand repositioning and in 2011 work on the brand sought to bring about the actual repositioning. During the year the focus was on strengthening activities surrounding the new core values.

Living the brand – initiatives 2011

- Updated communication strategy with a clearer message
- Further training of sales personnel
- Social media

The significance of the brand is growing as an ever greater proportion of sales takes place via the internet and a corresponding reduction in the proportion of sales take place via personal contacts. Folksam's success depends on the trust and confidence of its customers, both existing and potential.

The trust that Folksam is able to create and strengthen by personal contact needs to be generated via the brand to a greater extent, thus work on the brand is of great importance for the achievement of the company's business goals.

An additional advantage of a strong brand is that it makes the recruitment of new employees easier.

Folksam is the broadest overall brand and the strongest asset in the brand portfolio. Förenade Liv is a wholly owned subsidiary and the brand is therefore also wholly owned. The wholly owned KP brand was brought under Folksam in 2011.

Folksam also jointly owns the brands KPA Pension and Pensionsvalet (Swedish Municipalities and County Council SKL) and Folksam-LO Pension (LO).

Examples of co-branding are IF Metall, Toyota and OK Q8.

Furthermore, two Folksam companies work in partnership with insurance products marketed under other brands, namely Svenska Konsumentförsäkringar (Salus Ansvar) and Tre Kronor (Swedbank).

Customer satisfaction

Folksam continually measures customer satisfaction. Generally speaking surveys show that customers who have been in contact with Folksam are more satisfied than those who have not.

The access problems that affected customers with property insurance claims above all during the second and third quarters harmed customer satisfaction. The loss of customer satisfaction that followed was recouped by Folksam as the problems were dealt with. At year end customer satisfaction was unchanged from 2010 at 74 per cent. The target is for 75 per cent of customers to be satisfied generally.

Industry ratings for general insurance (private) fell overall for the first time for many years. At the same time Folksam experienced positive trends, not least within motor insurance.

Customer satisfaction also fell in the life insurance market during 2011. Folksam's customers likewise gave lower grades, but not to the same extent as in the rest of the market.

Despite the fact that KPA Pension has much higher satisfaction levels than the industry average, municipal and county council employers raised grades for KPA Pension yet again.

Influence and responsibility

Vision and a sense of duty

Everything we do at Folksam shall be directed and steered toward the vision that "people should feel safe and secure in a sustainable world." Our vision seeks to safeguard nature and society and recognizes that sustainable development is one of the most urgent questions we have to consider.

Sustainability issues characterize our entire operation; for example, Folksam was the first Swedish company to fully offset the impact of its CO_2e emissions back in 2006.

Folksam's size means it is able to exert influence. The demands we place on our suppliers, e.g. when it comes to repairs to houses or vehicles our customers have insured with us, are therefore able to make a big difference. Folksam's stringent environmental demands have contributed to higher environmental standards with several major sub contractors The parts of Folksam most able to make a difference are certified according to ISO 14001, the recognized international standard for environmental management systems.

People with the knowledge and opportunity to positively influence social development have a duty to do so, as Folksam has done ever since the company was founded more than a century ago. "Influence with responsibility" is one of the joint boards' five strategic focus areas and includes Folksam's preventive work within road safety research, environmental and sustainability issues and corporate governance. Folksam seeks to be at the cutting edge in every area.

Good Environmental Choice – a historic event

November 28, 2011 was a historic day for Folksam's environmental efforts as we became the first insurance company in the world certified with the Bra Miljöval label (good environmental choice) – the world's toughest eco-label. The Swedish Society for Nature Conservation awards the Bra Miljöval label, which covers car and home insurance through Folksam General. This is proof that we take green issues seriously and shoulder responsibility for our climate impact.

Folksam fully offsets its carbon footprint.

Folksam's climate footprint is growing. The total climate impact for 2011 was measured at 3,975 tons CO_2e. This is an increase of 122 tons compared to previous years. This is due primarily to the increase in Folksam's property portfolio compared to previous years, which has led to increased energy consumption for heating.

In addition the annual climate footprint includes three new items from the Tullgården head office, namely coffee and paper consumption and emissions from printed materials.

In contrast to previous years the 2011 readings include all carbon dioxide equivalents, i.e. all six greenhouse gasses, not just carbon dioxide. Folksam strives to increase the number of its climate offset items every year.

Environmentally-certified suppliers

Folksam is a major purchaser in both its operations and claims business. Therefore the way we work with purchasing issues has a great influence on the suppliers we choose to work with. Folksam attaches great importance to environmental performance and good working conditions in the manufacture of the products and services we purchase. Our principle objective is to prioritize suppliers and products that are environmentally certified.

Thirty years of traffic research
Traffic injuries cause great harm to public health, losses to economic life of society and above all to the individual.

Folksam has more than 30 years' traffic safety research experience with an emphasis on the study of real-world traffic accidents. We use the knowledge our research provides to save lives in traffic. Fewer traffic injuries also means lower injury costs and thus lower traffic insurance premiums, which benefits Folksam's customers.

A major part of the company's research focuses on charting the security level of various vehicle models and their safety systems. The results are used e.g. to inform and influence the general public, companies and the public sector about the importance of prioritizing safety when purchasing vehicles.

Responsible ownership
Here at Folksam we are convinced that companies which take responsibility for the environment and human rights are more profitable in the long term. Folksam influences the companies it invests in by applying environmental, human rights and anti-corruption criteria.

However, we have made a conscious decision not to invest in some companies no matter how small their climate impact is or how good their working environment; the disqualifying criteria are tobacco and illegal arms such as cluster weapons, anti-personnel mines and nuclear weapons.

All companies within Folksam apply these criteria, with two exceptions. The subsidiary KPA Pension has adopted even tougher disqualifying criteria and over and above the arms industry it does not invest in the alcohol industry or commercial gambling, and it also has tougher environmental standards. Folksam General, with its Good Environmental Choice label, also excludes investments in companies within the coal, uranium and nuclear power generation industries.

Folksam is the first European investor to be elected as a member of the Global Network Initiative, GNI. In common with other organizations such as the IT companies Google and Microsoft, various professional and industrial bodies, universities and investors, Folksam will work to safeguard human rights on the internet and within telecommunications.

Folksam manages around SEK 285 million on behalf of just over four million customers. This gives us the ability to influence and change society in the long term. All of the capital that Folksam manages, whether it be in funds, insurance portfolios or individual placements, falls under ethical investment criteria.

Folksam's objective of persuading companies to assume their social responsibility is very much for the public good, as we believe that knowledge helps bring about positive change. Folksam publishes annual reports and indices that provide information about the company's work in such areas as the environment, human rights and equality.

Personnel Information

Terms and conditions of employment
Through its membership in KFO, the Swedish employers' association, Folksam is bound by collective bargaining agreements concerning pay and general terms and conditions of employment. Folksam's collective bargaining agreement applies to the parent companies Folksam Life and Folksam General and consolidated subsidiaries and the non-consolidated subsidiaries KPA Livförsäkring, KPA Pensionsförsäkring and Förenade Liv.

Three agreements reached with FTF (Swedish union of insurance employees); Handels (commercial employees' union) and Jusek (Swedish university graduates' union), Civilekonomernas Riksförbund (Swedish graduate business administrators union) and Sveriges Ingenjörer (Swedish association of graduate engineers) apply to salaried employees. The last-mentioned agreement covers all employees who are members of trades unions which are in turn members of SACO. Working hours are 37.5 per week for salaried employees. The collective agreement for KTP occupational pensions applies to Folksam's salaried employees.

Pay and general terms and conditions of employment for Folksam and TM agents are covered by collective bargaining agreements with Handels. Working hours are 40 per week for labourers

Occupational pensions for agents (KAP) are governed by collective bargaining agreements between KFO and LO. During the year a new agreement for sales positions was reached with the three salaried employee organizations. At the same time, the Company and Private Agent sales functions ceased.

The average number of employees, pay and remunerations, with special specifications for senior executives, are reported under Note 47.

Employee survey shows employees are committed
Folksam should be an attractive employer with committed, responsible employees who create customer value. In order to achieve this, the company's efforts focus strategically on e.g. terms and conditions of employment, recruiting, skills enhancement, leadership, performance management and health & safety.

The annual Fokus staff survey achieved a 92 per cent response. The result also showed that 2011 scored very highly in e.g. leadership and target setting and performance management.

Internal cooperation is a Folksam focus area and this was borne out by improved survey scores.

Areas that had lower 2011 scores were, among others, stress and well-being at work. Ongoing changes and new working methods were the most probable influences.

Staff turnover at Folksam increased compared to 2010. This is primarily due to ongoing reorganization activities, coordination between companies and retirements.

Sick leave rates

Sick leave at Folksam remains at the same level as in 2010, but work on various measures to promote health and prevent illness continue.

A pilot telephone service was introduced in 2011 that provides medical advice when staff report sick. Its objective is to provide employees with the necessary support for staying healthy and to spot signs of ill health earlier in order to take preventive action.

The pilot showed that on average each period of sick leave was shortened by one day with most staff having a positive perception of the service. The service will be introduced throughout Folksam from 2012 with the aim of reducing Folksam's sick leave rates.

Attractive employer

In order to secure its skills supply in the long term Folksam focuses on boosting its image as an employer During 2011 the development of educational collaboration with universities, colleges and vocational training schools continued. The collaboration entails participating in case work on various courses, offers of work experience, thesis work and summer jobs for students from selected programmes. Furthermore, Folksam took part in fifteen career days in collaboration with some of the universities best able to support our skills supply over the long term.

During the year development of the new Folksam careers website folksam.se/jobba continued in order to improve communications with potential employees. It is used in such areas as major sales and IT recruitment campaigns and during the year it had an average of just under ten thousand visitors per month.

Diversity

Folksam works actively on diversity issues. Diversity leads to better business and helps Folksam remain an attractive employer. The diversity aspect forms part of Folksam's annual employee survey, whose results underpin internal diversity efforts. Work continued during 2011 on local action plans in connection with the annual business planning. The intention is for diversity perspectives to form a natural part of day-to-day operations.

Aptitude tests

The insurance industry is facing new challenges and this places great demands on companies. Solvency II is the umbrella term for the new solvency rules for insurance companies currently being prepared in the EU. The objective is to create a uniform market, improve protection for policyholders, increase competition among European insurance companies and create better regulation. Folksam has begun various preparations to achieve this, an important part of which is ensuring that key personnel are sufficiently qualified and have the knowledge and experience to lead operations in a sound, responsible manner. Therefore Folksam began a survey during the year in preparation for aptitude testing of key personnel.

Rewards programme

Folksam has a rewards program that seeks to raise the profile of strategic goals and engender collaboration surrounding them. The programme shall strengthen employee motivation in work on creating customer value. The most important goal for the 2011 rewards programme was the efficient use of Folksam's resources. It was to be achieved through reduced operational costs, a lower total cost ratio and more efficient administration.

A provision of SEK 15,000 per employee has been made in the annual accounts. A definitive decision regarding rewards will be made by the board in March.

Corporate governance

Good corporate governance is about ensuring that a company is run on behalf of its owners in an efficient a manner as possible. An overall objective with Folksam's corporate governance – apart from conforming to the company's vision and ethical principles – is to ensure good returns for its customers.

Corporate governance at Folksam is based on legislation, chiefly the Swedish Insurance Business Act, but also the Swedish Financial Supervisory Authority regulations and guidelines. Folksam also applies the Swedish Corporate Governance Code. In addition to external governing regulations there are around 80 internal regulations that are classified as overarching.

Because Folksam is customer-owned it has no shareholders. Instead, customers are represented at AGMs by delegates. A separate corporate governance report including a report on internal controls has been prepared and is available at folksam.se.

Duties of the Board of Directors

Eight board meetings were held during the year, and in addition the board members received information via email on a number of occasions. Board committees: the audit committee and remunerations committee held five and six meetings respectively during the year. Furthermore, committee members had telephone and email contacts.

Around 30 of Folksam's rules and regulations were established by the board. These regulations were reviewed during the year and revised as necessary. Some of the regulations are approved annually whether or not they have changed.

Prior to each meeting the board is given a written report by the managing director covering important events within Folksam and also the industry in general. In accordance with a strategic agenda the board also took up the following during the year: forecasts and annual accounts and reports, ongoing follow-up of business operations and the realization of a number of strategic objectives, compliance reports, reviews of activities and finances in subsidiary companies, business and competition intelligence, risk management, internal audit reports, establishment of reinsurance programs, adoption of a rewards program (which includes all employees with the exception of senior Group executives and certain other key executives who are able to influence the company's risk-taking), a follow-up of asset management operations and profit/loss, and it held meetings with the authorized accountant.

The board convened and attended a two-day seminar during the year with the objective of discussing strategic and future issues in depth. Themes discussed at the seminar were business intelligence, customer patterns, IT strategy and the intensification and summarizing of governance from the board's perspective.

In accordance with the Swedish Corporate Governance Code the board carried out a board evaluation during the year.

Disputes

Folksam Life has a few complaints or legal disputes. Provisions are made in each individual case where Folksam Life predicts that compensation may be paid out or that a disputed reimbursement is likely not to be paid.

Risk management

Significant risks and uncertainty factors

The ability to identify, prevent and manage risks is becoming ever more important. Risks that are properly managed can lead to new opportunities and the creation of value, while risks that are not properly managed can lead to major losses and costs. Folksam's risks are managed in a uniform manner based on an overall view of the risk situation at the present moment and in the future. Refer also to Note 2 for a more detailed account of risk management within the company.

The Risk Management Process

The risk management process is divided into steps in order to identify, evaluate, manage, monitor and report all material risks.

Identification

Risks are recognized and charted in a uniform, systematic manner in accordance with the company’s risk classification system. Identified risks are described, registered and classified. All risks are linked to information about the units and companies affected. All identified risks are assigned risk owners, and measures for managing and preventing risks are drawn up.

Evaluation

Risks are evaluated in a uniform manner and quantified, where possible, using generally accepted methods Risks can be evaluated more or less precisely, and depending on the type of risk, an evaluation is either quantitative (measured) or qualitative (estimated). The Swedish Financial Supervisory Authority's traffic light system for measuring risks in insurance companies, is used to evaluate insurance risks and financial risks (market risks and credit risks).

In order to calculate how much capital the company needs to cover risks according to the traffic light system, a number of predefined stress scenarios are executed. The different scenarios illustrate the company’s total capital requirement (according to the traffic light system) in relation to the company’s available capital.

Management

Risk management takes place with the aid of regulations, processes and control activities. It is the responsibility of operational and company management to prioritize planned measures.

Monitoring

Monitoring includes the day-to-day supervision of risks and measures, and ensuring that risks are within approved limits. Processes and procedures necessary for monitoring risks are drawn up. It is the responsibility of the business operation to ensure that risks and measures are monitored constantly.

Reporting

All material risks are reported to the board and the managing director to provide a balanced, objective view of the overall risk situation. Aggregated risk is described in written reports.

Organization and division of responsibilities

In order to clarify management and responsibility for risk management and control, activities are split into three lines of responsibility.

The first line of responsibility consists of units in parent companies and subsidiaries and outsourced operations. They are responsible for leading operations so that board objectives are met. They own and manage risks, i.e. they are responsible for risk management activities, monitoring and compliance.

The second line of responsibility is made up of management and control functions that shall ensure effective, efficient risk management. The management and control functions support and follow up the first line of responsibility based on internal management and control frameworks; they are responsible for maintaining an overall picture of the risk situation in the company and reporting this to the board and managing director.

The third line of responsibility consists of the internal audit, which reviews and evaluates internal management and controls, including risk management, on behalf of the board.

Solvens II

Solvency II is the umbrella term for the new solvency rules for insurance companies currently being prepared in the EU and which are expected to come into force in 2014. The directive is intended to strengthen the connection between solvency requirements and risks for insurance companies. Corporate governance will be strengthened through increased risk control. It also includes a clear customer perspective. Solvency II forms part of a wider effort to create a common European financial market.

A characteristic of the regulation is its structure where the areas concerned are divided into three pillars.

Pillar 1 – quantitative requirements for the calculation of capital requirements

Pillar 2 – qualitative requirements for rules and oversight (corporate governance)

Pillar 3 – reporting and public information

Adaptation to the new rules began in 2009, when the boards of Folksam General and Folksam Life approved the frameworks and principles for implementation. They noted that while formal requirements will increase, Folksam will be able to meet both internal and external demands within the new framework through good management, risk management and compliance.

The purpose of Folksam's Solvency II programme is to ensure that operations fulfil regulatory requirements. Major parts of the operative and legal organizations will be affected through new requirements for management, risk management, internal control and documentation of e.g. responsibilities and procedures. For this to run smoothly the programme must prepare the organization by bringing solvency issues up for decision in lines and programmes, and by implementing decisions together with line organizations and in projects and assignments. As much of the implementation work as possible must be carried out in that part of the organization where responsibility will reside even after the programme is concluded. The intention is for all requirements according to the Solvency II directive to be distributed among existing organizations to an extent as great as is reasonable.

During 2011 the focus was on reporting. The programme's reporting project has two parts – the implementation of databases that provide necessary, traceable, correct and easily accessible information from insurance, accounting and financial systems and the creation of efficient reporting processes including calculations from basic data in files mentioned through to completed reports.

Solvency II entails the modernization of the entire industry, which is good for Folksam and its policyholders. Successful companies are those that are best able to manage market changes to their own advantage. Solvency II is one such change.

Five-year summary and key ratios, SEK million

GROUP	2011	2010	2009[4]	2008	2007[1]
PROFIT/LOSS					
Premiums earned net of reinsurance	694	700	723	459	15
Premiums written net of reinsurance	6 473	5 672	6 120	6 856	4 833
Return on capital, net	3 625	14 609	17 952	– 8 064	1 125
Claims incurred, net	– 4 530	– 5 358	– 5 627	– 4 849	– 3 539
Change in life insurance provisions	– 13 917	– 4 528	4 503	– 8 542	2 686
Operating expenses in insurance operations	– 996	– 924	– 951	– 970	– 724
Bonuses and rebates, net	– 932	– 603	– 261	– 12	– 8
Profit/loss, insurance operations	**– 8 963**	**9 268**	**22 459**	**– 15 122**	**4 597**
Remaining return on capital	106	308	250	187	176
Other	– 514	– 628	– 543	1	0
Profit/loss for year before tax	**– 9 371**	**8 948**	**22 166**	**– 14 934**	**4 772**
FINANCIAL POSITION					
Investment assets at fair value	160 414	157 640	137 004	119 732	98 513
Actuarial provisions	135 271	118 348	107 114	106 431	72 597
Solvency capital					
Taxed equity	30 020	41 478	34 385	14 191	19 707
Deferred tax liability	666	576	416	293	239
Surplus value in investment assets					
Investments in Group companies	207	207	207	304	454
Other financial investment assets	–	–	–	–	–
Total solvency capital	**30 892**	**42 261**	**35 008**	**14 788**	**20 400**
KEY RATIOS					
Earnings from asset management					
Yield, per cent [3]	2.4	1.9	2.3	3.7	2.6
Total return, per cent	6.5	8.8	10.6	1.1	2.0
Financial position					
Solvency ratio, per cent [3]	171	24	21	18	–

1) Restated owing to changed valuation principles for technical provisions not classified as occupational pension policies.
2) Restated owing to change-over to full IFRS in consolidated financial statements. The years 2007 and 2008 have not been recalculated.
3) Yield and consolidation ratio restated in compliance with FFFS 2009:12.

NON-CONSOLIDATED SUBSIDIARIES	Management expense ratio	Yield per cent	Total return ratio per cent	Collective funding ratio per cent
Förenade Liv Gruppförsäkring AB (publ)	1.6 %	3.0%	5.4%	–
KPA Livförsäkring AB (publ)	0.5%	3.3%	4.8%	222
KPA Pensionsförsäkring AB (publ)	0.3%	3.0%	5.6%	101

Five-year summary and key ratios, SEK million

PARENT COMPANY	2011	2010	2009 1)	2008	2007 2)
PROFIT/LOSS					
Premiums earned net of reinsurance	694	700	723	459	15
Premiums written net of reinsurance	6 436	5 639	6 093	6 684	4 644
Return on capital net in insurance operations	6 977	8 941	10 314	677	894
Claims incurred, net	-4 487	– 5 325	– 5 608	– 4 831	– 3 522
Change in life insurance provisions	- 18 184	382	11 998	– 17 338	2 916
Operating expenses in insurance operations	– 623	– 549	– 603	– 670	– 504
Bonuses and rebates, net	– 932	– 603	– 261	– 12	– 8
Insurance operation technical result	**– 10 125**	**8 885**	**22 650**	**– 15 046**	**4 415**
Profit/loss before appropriations and income tax	– 10 125	8 885	22 650	– 15 046	4 415
FINANCIAL POSITION					
Investment assets at fair value	116 217	112 675	102 978	96 717	72 509
Actuarial provisions	91 538	73 375	72 896	84 497	46 031
Solvency capital					
Equity	26 233	38 831	32 208	12 030	19 279
Untaxed reserves	1 782	1 492	1 238	902	625
Deferred tax liability	193	163	86	38	67
Surplus value in investment assets					
Investments in Group companies	2 379	2 085	1 887	2 101	625
Other financial investment assets	–	–	–	–	–
Total surplus values	2 379	2 085	1 887	2 101	625
Total solvency capital	**30 587**	**42 571**	**35 419**	**15 071**	**20 596**
Collective solvency capital	19 713	18 600	14 944	7 335	3 216
Capital base	30 081	42 562	35 453	15 061	15 702
Required solvency margin	4 062	3 387	3 388	3 909	2 533
Capital base for the insurance group	30 002	42 062	34 874	14 654	15 089
Required solvency margin for the insurance group	5 970	4 913	4 921	5 465	3 831

	2011	2010	2009 1)	2008	2007 2)
KEY RATIOS 3)					
Non-life business					
Claims ratio	– 101	83	70	51	–
Operating expense ratio	10	10	9	17	–
Combined ratio	– 91	93	79	68	–
Life insurance operation					
Management expense ratio 4)	0.5	0.5	0.6	0.8	0.8
Management expense ratio for savings products 4)	0.4	0.4	0.5	0.5	0.5
Acquisition expense ratio	3.3	2.4	2.3	2.6	2.8
Administration expense ratio for savings products	0.3	0.4	0.4	0.4	0.4
Administration expense ratio for risk products	6.6	6.4	5.8	8.5	8.6
Earnings from asset management					
Yield, per cent 5)	3.2	2.6	2.9	3.8	3.6
Total return, per cent	6.5	8.7	10.3	0.9	1.8
Financial position					
Solvency ratio, per cent 5)	171	24	21	18	–
Collective consolidation level, per cent					
Retrospective reserve method	115.6	116.0	113.1	104.9	105.6
Pension supplement method	150.9	146.4	139.3	126.0	–

1) Restated owing to provision to pensions and similar liabilities. Earlier years are not recalculated in respect of this change of principle.
2) Restated owing to changed valuation principles for technical provisions not classified as occupational pension policies.
3) Restated with key ratios relating to the life insurance operation owing to reported non-life business operations. Reported total return is calculated in accordance with the Swedish Insurance Federation's recommendation for reporting total return.
4) Management expense ratio calculated in accordance with FFFS 2009:12. Management expense ratio is calculated firstly for the life insurance operation and secondly for the investment products, excluding risk products.
5) Yield and consolidation ratio restated in compliance with FFFS 2009:12.

Significant events during the financial year

On two occasions during the year Folksam Life, Folksam General and KPA Pensions invested in renewable energy. Gnosjö Energi AB was acquired in February, 2011. The investment comprised four land-based wind turbines in Kulltorp, Småland. The turbines have been in operation since 2009 and have a total output of 10 MW and are theoretically able to heat 1,000 houses. The Folksam Life, Folksam General and KPA Pensions trio joined Wallenbergstiftelserna and Proventus and acquired one third each of the wind power company PWP AB in August. The company owns six land-based wind farms with an annual generating capacity of 0.26 TWh. Electricity output from the 47 wind turbines in operation is able to heat around 13,000 houses.

Folksam Life and General took possession of the investment in FIH on January 6, 2011. The investment in the consortium took place 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 an agreement to exercise joint control and an internal consortium agreement was reached wherein the owners would jointly decide on important issues. The investment is reported as an associated company.

Events after closing date

On March 5, 2012 Folksam Life was nominated life insurance company of the year by Söderberg and Partners, the advisor and distributor of insurance and financial products. The jury's justification: "The award for best life insurance company for 2011 goes to Folksam Life. The company fended off financial turbulence well during the year and provided its savers high returns throughout 2011. A high solvency level acted as intended at Folksam and savers with the company barely noticed the unrest on the financial markets."

Folksam's customer surveys show that its policyholders prefer to do their insurance business over the phone and on the internet while an ever-smaller number of customers wishes to visit the office. Folksam is currently making a new strategic initiative on telephone and advice bureaux at the same time as claims experts and claims administration is concentrated to fewer places. The new organization will be in place in the 2015 New Year, and no employees will be given notice of termination.

INCOME STATEMENT

Group, SEK million		2011	2010
TECHNICAL REPORT OF NON-LIFE INSURANCE OPERATIONS			
Premiums earned after reinsurance			
Premiums earned	Note 3	694	700
Premiums for reinsurance		–	0
		694	700
Return on assets transferred from financial operations		104	113
Claims incurred (after reinsurance)			
Claims disbursed	Note 7		
Before reinsurance		– 146	– 101
Reinsurer's share		–	–
Change in provisions for unsettled claims			
Before reinsurance		847	– 482
Reinsurer's share		–	–
Change in other actuarial provisions	Note 8		
(after reinsurance)			
Life insurance provisions		– 4	– 48
Bonuses and rebates (after reinsurance)		– 100	–
Operating expenses	Note 9	– 69	– 68
Other technical expenses		– 1	– 3
Non-life insurance operation's technical result		**1 325**	**111**

Group, SEK million		2011	2010
REPORT OF LIFE INSURANCE OPERATION			
Premiums written after reinsurance			
Premiums written	Note 3	6 487	5 681
Premiums for reinsurance		– 14	– 9
		6 473	5 672
Investment income	Note 4	7 419	6 173
Unrealized gains from investment assets	Note 5		
Increase in value of investment assets for which			
the life insurance policyholder bears investment risk			
Increase in value of unit-linked insurance assets		–	4 922
Increase in value of other investment assets		4 801	5 417
Other technical income	Note 6	655	591
Claims incurred (after reinsurance)			
Claims disbursed	Note 7		
Before reinsurance		– 6 218	– 6 039
Reinsurer's share		5	3
Change in provisions for unsettled claims			
Before reinsurance		975	1 267
Reinsurer's share		6	– 6
Change in other actuarial provisions	Note 8		
(after reinsurance)			
Life insurance provisions		– 18 224	448
Actuarial provisions for life insurance policies			
for which the policyholder bears the risk			
Conditional bonuses		9	– 6
Unit-linked insurance commitment		4 302	– 4 922
Bonuses and rebates (after reinsurance)		– 832	– 603
Operating expenses	Note 9	– 927	– 856
Investment charges	Note 10	– 1 057	– 631
Unrealized losses from investment assets	Note 11		
Reduction in value of investment assets for which			
the life insurance policyholder bears investment risk		– 4 302	–
Unrealized losses from investment assets	Note 11	– 4 080	– 1 736

INCOME STATEMENT (cont.)

Group, SEK million		2011	2010
Other technical expenses		– 32	– 314
Operating profit/loss in businesses other than insurance companies		83	60
Participation in associated companies' profit/loss		868	20
Return on assets transferred to financial operations		– 212	– 303
Life insurance operation, technical result		**– 10 288**	**9 157**

Group, SEK million		2011	2010
NON-TECHNICAL REPORT			
Non-life insurance operation's technical result		1 325	111
Life insurance operation, technical result		– 10 288	9 157
Investment income	Note 4	181	128
Unrealized gains from investment assets	Note 5	87	70
Investment charges	Note 10	– 82	– 51
Unrealized losses from investment assets	Note 11	– 80	– 32
Policyholder tax		– 631	– 625
Return on assets transferred from life insurance operations		212	303
Return on assets transferred to non-life insurance operations		– 104	– 113
Other income		9	–
Profit/loss before income tax		**– 9 371**	**8 948**
Tax on current year’s earnings	Note 14	– 455	– 349
PROFIT/LOSS FOR THE YEAR from remaining operations		**– 9 826**	**8 599**
Attributable to:			
Policyholders		– 9 958	8 471
Holdings without controlling influence		132	128

STATEMENT OF COMPREHENSIVE INCOME

Group, SEK million		2011	2010
Profit/loss for the year		**– 9 826**	**8 599**
Other comprehensive income			
Actuarial gains and losses including income tax		– 102	61
Translation difference on foreign operations		–11	– 120
Tax on items reported as other comprehensive income in respect of actuarial gains and losses.	Note 14	27	– 16
Comprehensive income for the period		**– 9 912**	**8 524**
Attributable to:			
Policyholders		– 10 044	8 396
Holdings without controlling influence		132	128

Holdings without controlling influence refers to other owners in dividend-paying subsidiaries within the Folksam Life Group.

BALANCE SHEET

ASSETS Group, SEK million		31/12/2011	31/12/2010
Intangible assets	Note 15		
Other intangible assets		24	28
Goodwill		43	43
		67	71
Investment assets			
Investment property	Note 16	7 813	7 350
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 17	1 334	1 434
Interest-bearing securities issued by, and loaned to, Group companies		600	163
Shares and participations in associated companies	Note 18	1 775	908
		3 709	2 505
Other financial investment assets			
Shares and participations	Note 19	27 080	34 754
bonds and other interest-bearing securities	Note 20	76 058	65 698
Loans guaranteed by mortgages	Note 21	0	0
Other loans	Note 22	708	603
Derivatives	Note 23	780	1 394
Other financial investment assets	Note 24	230	15
		104 856	102 464

Total Investment assets		**116 378**	**112 319**
ASSETS Group, SEK million		**31/12/2011**	**31/12/2010**
Investment assets for which life insurance policyholders bear investment risk.			
Unit-linked insurance assets		43 929	45 115
Reinsurer's share of technical provisions			
Provision for unsettled claims	Note 33	39	32
		39	32
Receivables			
Receivables in respect of direct insurance	Note 25	10	11
Receivables in respect of reinsurance		16	0
Current tax asset		13	293
Other receivables	Note 26	1 058	613
		1 096	917
Other assets			
Tangible assets	Note 28	1 266	1 182
Cash and cash equivalents		6 915	5 268
Other assets		–	0
		8 181	6 450
Prepayments and accrued income			
Accrued interest and rental income		1 428	1 273
Prepaid acquisition costs	Note 29	313	266
Other prepaid expenses and accrued income	Note 30	118	90
		1 859	1 629
TOTAL ASSETS		**171 550**	**166 533**

BALANCE SHEET (cont.)

EQUITY, PROVISIONS AND LIABILITIES

Group, SEK million		31/12/2011	31/12/2010
Equity			
Funding reserve	Note 31	29 490	30 905
Translation reserve		-21	– 10
Retained earnings including profit/loss for the year	Note 31	551	10 583
		30 020	41 478
Holdings without controlling influence		1 727	1 642
		31 747	**43 120**
Actuarial provisions (before reinsurance)			
Life insurance provisions	Note 32	86 340	68 106
Provision for unsettled claims	Note 33	2 561	3 613
Provisions for bonuses and rebates	Note 34	2 207	1 280
		91 108	72 999
Actuarial provisions for life insurance policies for which the policyholder bears the risk (before reinsurance)			
Conditional bonuses	Note 35	232	209
Unit-linked insurance commitments	Note 36	43 932	45 140
Provisions for other risks and expenses			
Pensions and similar liabilities	Note 37	93	27
Other provisions		–	300
Deposits from reinsurers		5	6

Group, SEK million		31/12/2011	31/12/2010
Liabilities			
Deferred tax liability	Note 38	666	579
Liabilities in respect of direct insurance	Note 39	109	2
Liabilities in respect of reinsurance		8	1
Liabilities to credit institutions		376	376
Derivatives	Note 23	96	166
Current tax liability		155	116
Other liabilities	Note 40	2 538	2 881
		3 948	4 121
Accrued expenses and deferred income			
Other accrued expenses and deferred income	Note 41	487	611
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**171 550**	**166 533**

For information regarding the Group's pledged assets and contingent liabilities, refer to Notes 43 and 44.

STATEMENT OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO POLICYHOLDERS[1]					
Group, SEK million	**Funding reserve**	**Translation reserves [2]**	**Retained earnings incl. profit/loss for the year [3]**	**Equity attributable to policyholders**	**Holdings without controlling influence**	**Total equity**
Opening balance 01/01/2010 according to approved balance sheet	**10 611**	**110**	**23 664**	**34 385**	**1 544**	**35 929**
Transfer to funding reserve 2010	21 598	-	-21 598	-	-	-
Portfolio transfer	**102**	**-**	**-**	**102**	**-**	**102**
Bonuses paid during the financial year	-1 406	-	-	-1 406	-	-1 406
Dividend to holdings without controlling influence	-	-	-	-	-30	-30
Other comprehensive income for the year	-	-120	46	-74	-	-74
Profit/loss for the year	-	-	8 471	8 471	128	8 599
Comprehensive income for the year	**-**	**-120**	**8 517**	**8 397**	**128**	**8 525**
Closing balance, 31/12/2010	**30 905**	**-10**	**10 583**	**41 478**	**1 642**	**43 120**
Bonuses paid during the financial year	-1 415	-	-	-1 415	-	-1 415
Dividend to holdings without controlling influence	**-**	**-**	**-**	**-**	-47	-47
Other comprehensive income for the year	-	-11	-75	-86	-	-86
Profit/loss for the year	-	-	-9 957	-9 957	132	-9 825
Comprehensive income for the year	**-**	**-11**	**-10 032**	**-10 043**	**132**	**-9 911**
Closing balance, 31/12/2011	**29 490**	**-21**	**551**	**30 020**	**1 727**	**31 747**

1) Restricted equity amounted to SEK 38 740 million (32 011) and non-restricted equity to SEK – 8 720 million (9 467).

2) Translation reserves refer to the translation of foreign operations.

3) Retained earnings include the statutory reserve, equity method reserve, untaxed reserves, actuarial gains and losses incl. income tax, tax attributable to components in respect of other comprehensive income and profit/loss for the year.

Holdings without controlling influence refers to other owners in dividend-paying companies within the Folksam Life Group.

INCOME STATEMENT

Parent company, SEK million		2011	2010
TECHNICAL REPORT OF NON-LIFE INSURANCE OPERATIONS			
Premiums earned after reinsurance			
Premiums earned	Note 3	694	700
Premiums for reinsurance		–	–
		694	700
Return on assets transferred from financial operations		104	113
Claims incurred (after reinsurance)			
Claims disbursed	Note 7		
Before reinsurance		– 146	– 101
Reinsurer's share		–	–
Change in provisions for unsettled claims			
Before reinsurance		847	– 482
Reinsurer's share		–	–
Change in other actuarial provisions (after reinsurance)	Note 8		
Life insurance provisions		– 4	– 48
Bonuses and rebates (after reinsurance)		– 100	–
Operating expenses	Note 9	– 69	– 68
Other technical expenses		– 1	– 3
Non-life insurance operation's technical result		**1 325**	**111**

Parent company, SEK million		2011	2010
TECHNICAL REPORT OF LIFE INSURANCE OPERATIONS			
Premiums written after reinsurance			
Premiums written	Note 3	6 450	5 648
Premiums for reinsurance		– 14	– 9
		6 436	5 639
Investment income	Note 4	7 517	5 911
Unrealized gains from investment assets			
Increase in value of investment assets for which life insurance policyholders bear investment risk.			
Increase in value of unit-linked insurance assets		–	12
Increase in value of other investment assets	Note 5	4 492	5 096
Other technical income	Note 6	8	6
Claims incurred (after reinsurance)			
Claims disbursed	Note 7		
Before reinsurance		– 5 399	– 5 423
Reinsurer's share		5	3
Change in provisions for unsettled claims			
Before reinsurance		200	681
Reinsurer's share		6	– 3
Change in other actuarial provisions (after reinsurance)	Note 8		
Life insurance provisions		– 18 224	448
Actuarial provisions for life insurance policies for which the policyholder bears the risk			
Conditional bonuses		9	– 6
Unit-linked insurance commitment		35	– 12
Bonuses and rebates (after reinsurance)		– 832	– 603
Operating expenses	Note 9	– 554	– 481
Investment charges	Note 10	– 1 034	– 472
Unrealized losses from investment assets			
Reduction in value of investment assets for which the life insurance policyholder bears investment risk		– 35	–
Decrease in value of other investment assets	Note 11	– 4 067	– 1 719
Other technical expenses		– 13	– 303

INCOME STATEMENT (cont.)

Life insurance operation, technical result		– 11 450	8 774
Parent company, SEK million		**2011**	**2010**
NON-TECHNICAL REPORT			
Non-life insurance operation's technical result		1 325	111
Life insurance operation, technical result		– 11 450	8 774
Investment income	Note 4	116	75
Unrealized gains from investment assets	Note 5	71	67
Investment charges	Note 10	– 11	– 8
Unrealized losses from investment assets	Note 11	– 72	– 21
Return on assets transferred to non-life business		– 104	– 113
Profit/loss before appropriations and income tax		**– 10 125**	**8 885**
Appropriations	Note 13	– 290	– 255
Profit/loss before income tax		**– 10 415**	**8 630**
Tax on current year's earnings	Note 14	– 768	– 704
PROFIT/LOSS FOR THE YEAR		**– 11 183**	**7 926**

STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
Profit/loss for the year	**– 11 183**	**7 926**
Other comprehensive income for the year	–	–
Comprehensive income for the year	**– 11 183**	**7 926**

PERFORMANCE ANALYSIS

Parent company, SEK million	Total	Life insurance operations Occupational pension policies Defined-benefits policies	Conventional defined-contribution policies	Unit-linked insurance	Employment-related disability insurance and waiver of premium insurance
Premiums written before reinsurance	7 144	1 134	1 382	–	268
Premiums for reinsurance	– 14	0	0	0	– 12
Premiums for own account	7 130	1 134	1 382	0	256
Investment income	7 633	1 507	2 185	–	172
Unrealized gains from investment assets	4 563	871	1 276	–	100
Other technical income	8	–	–	3	–
Claims disbursed					
Before reinsurance	– 5 545	– 779	– 1 030	0	– 191
Reinsurer's share	5	–	0	–	4
Change in provisions for unsettled claims					
Before reinsurance	1 047	–	– 8	–	18
Reinsurer's share	6	–	0	–	7
Changes in other technical provisions net of reinsurance	– 18 184	– 4 293	– 4 778	35	1
Bonuses and rebates net of reinsurance	– 932	–	– 1	–	– 175
Operating expenses	– 623	– 53	– 84	– 3	– 10
Investment charges	– 1 045	– 306	– 348	–	– 34
Unrealized losses from investment assets	– 4 174	– 637	– 1 083	– 35	– 75
Other technical expenses	– 14	–	– 1	–	0
Non-life insurance operation's technical result	**1 325**	**–**	–	–	–
Life insurance operation, technical result	**– 11 450**	**– 2 556**	**– 2 490**	**0**	**73**

Prior-year claims result before reinsurance	1 212	–	– 5	–	17

Parent company, SEK million	Total	Life insurance operations Occupational pension policies Defined-benefits policies	Conventional defined-contribution policies	Unit-linked insurance	Employment-related disability insurance and waiver of premium insurance
Actuarial provisions, before reinsurance					
Life insurance provisions	86 333	15 564	25 062	–	6
Provision for unsettled claims					
Provision for approved claims	134	–	9	0	–
Provision for non-approved claims	942	–	–	–	206
Provision for sickness annuities	1 339	–	45	–	988
Claims management reserve	92	–	–	–	50
Total provisions for unsettled claims	2 508	–	54	0	1 244
Provisions for bonuses and rebates	2 207	–	–	–	475
Actuarial provisions for life insurance policies for which the policyholder bears the risk, before reinsurance					
Conditional bonuses	232	–	34	–	–
Unit-linked insurance commitments	258	–	–	258	–
Total actuarial provisions for life insurance policies for which the policyholder bears the risk	**490**	**–**	**34**	**258**	**–**
Reinsurer's share of technical provisions					
Provision for unsettled claims	22	–	0	–	19

PERFORMANCE ANALYSIS (cont.)

	Life insurance operations				Non-life business
	Other life insurance				
Parent company, SEK million	Individual conventional life insurance	Non-terminable health and accident insurance and PB	Group life and occupational group life insurance	Received reinsurance	Illness and accident
Premiums written before reinsurance	2 319	68	1 258	21	694
Premiums for reinsurance	0	0	– 2	0	–
Premiums for own account	2 319	68	1 256	21	694
Investment income	3 217	34	399	2	116
Unrealized gains from investment assets	1 978	21	245	1	71
Other technical income	4	–	–	–	–
Claims disbursed					
Before reinsurance	– 2 378	– 49	– 964	– 8	– 146
Reinsurer's share	0	1	0	0	–
Change in provisions for unsettled claims					
Before reinsurance	0	– 1	201	– 9	847
Reinsurer's share	0	–1	–	0	–
Changes in other technical provisions net of reinsurance	– 9 165	1	19	–	– 4
Bonuses and rebates net of reinsurance	– 4	–	– 652	–	– 100
Operating expenses	– 305	– 19	– 78	– 2	– 69
Investment charges	– 305	– 3	– 38	0	– 11
Unrealized losses from investment assets	– 2 002	– 21	– 248	– 1	– 72
Other technical expenses	– 8	0	– 3	–	– 1
Non-life insurance operation's technical result	**–**	**–**	**–**	**–**	**1 325**
Life insurance operation, technical result	**– 6 649**	**31**	**137**	**4**	**–**
Prior-year claims result before reinsurance	0	1	234	1	964

	Life insurance operations				non-life insurance operations
	Other life insurance				
Parent company, SEK million	Individual conventional life insurance	Non-terminable health and accident insurance and PB	Group life and occupational group life insurance	Received reinsurance	Illness and accident
Actuarial provisions, before reinsurance					
Life insurance provisions	45 290	35	77	–	299
Provision for unsettled claims					
Provision for approved claims	59	–	66	–	–
Provision for non-approved claims	–	51	327	13	345
Provision for sickness annuities	–	279	8	12	7
Claims management reserve	–	20	10	–	13
Total provisions for unsettled claims	59	350	411	25	365
Provisions for bonuses and rebates	–	–	1 632	–	100
Actuarial provisions for life insurance policies for which the policyholder bears the risk, before reinsurance					
Conditional bonuses	198	–	–	–	–
Unit-linked insurance commitments	–	–	–	–	–
Total actuarial provisions for life insurance policies for which the policyholder bears the risk	198	–	–	–	–
Reinsurer's share of technical provisions					
Provision for unsettled claims	0	3	–	0	–
Funding reserve	14 536	21	3 469	–	127

BALANCE SHEET

ASSETS			
Parent company, SEK million		**31/12/2011**	**31/12/2010**
Investment assets			
Buildings and land	Note 16	2 818	2 564
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 17	5 518	5 523
Interest-bearing securities issued by, and loans to, Group companies	Note 46	354	354
Shares and participations in associated companies	Note 18	120	104
Interest-bearing securities issued by, and loans to, associated companies	Note 46	437	–
		6 429	5 981
Other financial investment assets			
Shares and participations	Note 19	26 869	34 427
bonds and other interest-bearing securities	Note 20	75 746	65 381
Loans guaranteed by mortgages	Note 21	–	0
Other loans	Note 22	708	603
Derivatives	Note 23	780	1 394
Other financial investment assets	Note 24	230	14
		104 333	101 819
Total Investment assets		**113 580**	**110 364**

ASSETS			
Parent company, SEK million		**31/12/2011**	**31/12/2010**
Investment assets for which life insurance policyholders bear investment risk.			
Unit-linked insurance assets		258	226
Reinsurer's share of technical provisions			
Provision for unsettled claims	Note 33	22	16
		22	16
Receivables			
Receivables in respect of direct insurance	Note 25	15	8
Receivables in respect of reinsurance		18	6
Current tax asset		–	217
Other receivables	Note 26	916	699
		949	930
Other assets			
Tangible assets	Note 28	9	11
Cash and cash equivalents		5 541	3 968
		5 550	3 979
Prepayments and accrued income			
Accrued interest and rental income		1 438	1 277
Prepaid acquisition costs	Note 29	25	35
Other prepaid expenses and accrued income	Note 30	11	20
		1 474	1 332
TOTAL ASSETS		**121 833**	**116 847**

BALANCE SHEET (cont.)

EQUITY, PROVISIONS AND LIABILITIES			
Parent company, SEK million		**31/12/2011**	**31/12/2010**
Equity	Note 31		
Funding reserve		37 416	30 905
Profit/loss for the year		– 11 183	7 926
		26 233	38 831
Untaxed reserves			
Tax allocation reserve		1 783	1 492
Actuarial provisions (before reinsurance)			
Life insurance provisions	Note 32	86 333	68 105
Provision for unsettled claims	Note 33	2 508	3 555
Provisions for bonuses and rebates	Note 34	2 207	1 280
		91 048	72 940
Actuarial provisions for life insurance policies for which the policyholder bears the risk (before reinsurance)			
Conditional bonuses	Note 35	232	209
Unit-linked insurance commitments	Note 36	258	226
Other provisions			
Pensions and similar liabilities	Note 37	31	30
Deferred tax liability	Note 38	193	163
Other provisions		–	300
Deposits from reinsurers		5	6
Liabilities			
Liabilities in respect of reinsurance		8	2
Derivatives	Note 23	96	166
Current tax liability		74	–
Other liabilities	Note 40	1 566	2 183
		1 744	2 351
Accrued expenses and deferred income			
Other accrued expenses and deferred income	Note 41	306	299
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**121 833**	**116 847**
PLEDGED ASSETS	Note 43	115 293	108 098
CONTINGENT LIABILITIES	Note 44	427	829
COMMITMENTS	Note 45	1 197	1 942
Parent company, SEK million		**31/12/2011**	**31/12/2010**

STATEMENT OF CHANGES IN EQUITY

Parent company, SEK million	Funding reserve	Profit/loss for the year	Total equity
Opening balance 01.01.10	10 610	21 598	32 208
Previous year's distribution of earnings	21 598	– 21 598	–
Portfolio transfer	102	–	102
Bonuses paid during the financial year	– 1 405	–	–1 405
Profit/loss for the year, also comprehensive income	–	7 926	7 926
Closing balance, 31/12/2010	30 905	7 926	38 831
Opening balance 01/01/2011	30 905	7 926	38 831
Previous year's distribution of earnings	7 926	– 7 926	–
Bonuses paid during the financial year	– 1 415	–	– 1 415
Profit/loss for the year, also comprehensive income	–	– 11 183	– 11 183
Closing balance, 31/12/2011	37 416	– 11 183	26 233

STATEMENT OF CASH FLOWS

	Group		Parent company	
SEK million	**2011**	**2010**	**2011**	**2010**
OPERATING ACTIVITIES				
Profit/loss before income tax [1) 10)]	– 9 371	8 948	– 10 125	8 885
Adjustment for items not included in cash flow [2)]	14 110	– 5 740	15 044	– 5 407
Tax paid	– 22	– 437	– 446	– 860
Cash flow from operating activities before changes in assets and liabilities	**4 717**	**2 771**	**4 473**	**2 618**
Change in investment assets, life insurance [3)]	411	– 3 978	309	– 3 975
Change in investment assets/actuarial provisions, unit-linked insurance, net [4)]	–	–	–	0
Change in other operating receivables	– 345	– 463	– 258	– 448
Change in other operating liabilities	– 688	178	– 744	– 164
Bonuses paid from the funding reserve	– 1 416	– 1 405	– 1 415	– 1 405
CASH FLOW FROM OPERATING ACTIVITIES	**2 679**	**– 2 897**	**2 365**	**– 3 374**
INVESTMENT ACTIVITIES				
Effect of merger/portfolio transfer [5)]	–	426	–	453
Net investment in Group companies [6)]	–	– 36	175	35
Net investment in associated companies [7)]	– 444	– 79	– 452	– 79
Net investment in other investment assets [8)]	– 241	19	– 215	–
Changes in material and intangible assets	–	–	–	0
CASH FLOW FROM INVESTMENT ACTIVITIES	**685**	**330**	**– 492**	**409**
FINANCING ACTIVITIES				
Dividends paid to holdings without controlling influence	– 47	– 31	–	–
CASH FLOW FROM FINANCING ACTIVITIES	**– 47**	**– 31**	–	–
CASH FLOW FOR THE YEAR	**1 947**	**– 2 598**	**1 873**	**– 2 965**
Cash and cash equivalents at beginning of year	5 184	7 791	3 884	6 858
Exchange rate differences in cash and cash equivalents	– 6	– 9	– 6	– 9
Cash and cash equivalents at year end [9)]	7 125	5 184	5 751	3 884

	Group		Parent company	
	1 947	– 2 598	1 873	– 2 965
SEK million	**2011**	**2010**	**2011**	**2010**
[1)] Interest and dividends paid and received				
Interest paid during the period	– 16	– 11	– 8	– 8
Interest received during the period	3 011	2 512	2 990	2 505
Dividends received during the period	1 191	793	1 173	786
Total paid and received interest and dividends	**4 177**	**3 295**	**4 155**	**3 283**
[2)] Items not included in cash flow	**2011**	**2010**	**2011**	**2010**
Impairments	100	– 9	– 49	67
Depreciations	13	67	12	4
Non-paid share of profit/loss in associated companies and limited partnerships	–	– 118	– 120	– 97
Realized gains (-) / losses (+)	– 2 554	– 3 057	– 2 564	– 3 056
Unrealized gains (-) / losses (+)	– 1 675	– 3 598	– 538	– 3 423
Exchange rate gains (-) / losses (+)	– 356	212	– 356	212
Change in accrued cost of interest-bearing securities	532	538	532	538
Change in provisions	– 29	293	2	292
Change in provisions in respect of insurance policies	18 125	56	18 102	3
Change in liabilities in respect of investment policies	– 47	– 124	23	53
Total items not included in cash flow	**14 110**	**– 5 740**	**15 044**	**– 5 407**
[3)] Change in investment assets, life insurance	**2011**	**2010**	**2011**	**2010**
Investment in investment assets, life insurance	– 48 593	– 60 594	– 48 593	– 60 594
Sales of investment assets, life insurance	49 005	56 619	48 902	56 619
Total change in investment assets	**412**	**– 3 975**	**309**	**– 3 975**
[4)] Change in investment assets/actuarial provisions unit-linked insurance, net				
Investment in investment assets, unit-linked insurance	– 3 674	– 1 464	– 71	– 66
Change in technical provisions, unit-linked insurance	3 674	1 464	71	66
Change in investment assets/technical provisions unit-linked insurance, net	**0**	**0**	**0**	**0**

STATEMENT OF CASH FLOWS (cont.)

	Group		Parent company	
SEK million	**2011**	**2010**	**2011**	**2010**
[5] **Effect of merger/portfolio transfer**				
Buildings and land	–	–	–	–
Financial assets	–	–	–	–
Other assets	–	2	–	2
Cash and cash equivalents	–	453	–	453
Total assets	–	455	–	455
Provisions	–	353	–	353
Other liabilities	–	–	–	–
Total provisions and liabilities	–	353	–	353
Total	**–**	**102**	**–**	**102**
Effect of cash and cash equivalents	**–**	**453**	**–**	**453**
[6] **Net investment in Group companies**				
Investment in Group companies	–	– 40	–	– 40
Sale of Group companies/Dividends from limited partnerships	–	4	175	75
Total net investments in Group companies	**–**	**– 36**	**175**	**35**
[7] **Net investments in associated companies**				
Investments in associated companies	– 444	– 79	– 452	– 79
Sales of associated companies	–	–	–	0
Total net investments in associated companies	**– 444**	**– 79**	**– 452**	**– 79**
[8] **Net investment in other investment assets**				
Investments in investment assets	– 241	31	– 215	–
Sale of investment assets	–	– 12	–	–
Total net investments in investment assets	**– 241**	19	**– 215**	**–**
[9] **Sub-components included in cash and cash equivalents**				
Cash and bank balances	6 915	5 268	5 541	3 968
Current investments equivalent to cash and cash equivalents	210	– 84	210	– 84
Total sub-components included in cash and cash equivalents	**7 125**	**5 183**	**5 751**	**3 884**

Unliquidated transactions in respect of shares and bonds liquidated close to the trade date are classified as current investments.

	Group		Parent company	
Inaccessible cash and cash equivalents	**2011**	**2010**	**2011**	**2010**
Currency restrictions	–	–	–	–
Other legal restrictions	1 010	1 042	1 010	1 042
Total inaccessible cash and cash equivalents	**1 010**	**1 042**	**1 042**	**1 042**

[10] Profit/loss in the parent company is before appropriations and tax.

Notes

Note 1. Accounting principles

General information

This annual report is submitted December 31, 2011 and refers to the 2011 financial year for Folksam ömsesidig livförsäkring which is a mutual insurance company with its registered office in Stockholm.

Its head office address is Bohusgatan 14, SE 106 60 Stockholm and its company registration number is 502006-1585.

Conformity with norms and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and adopted by the EU. In addition, Swedish Financial Accounting Standards Council recommendation RFR 1 Complementary Reporting Rules for Groups is applied. Applicable parts of the Swedish Financial Supervisory Authority regulation FFFS 2008:26 and its change regulations and the Swedish Annual Accounts Act for Insurance Companies are also applied in the consolidated financial statements.

The parent company applies the same accounting principles as the Group, except in those cases stated below in the parent company accounting principles section.

Conditions when preparing Folksam Life's financial statements

Folksam Life's functional currency is Swedish crowns (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest million, unless otherwise specified. Financial assets and liabilities are reported at historical costs except for a certain few financial assets and liabilities that are reported at fair value. Financial assets and liabilities that are reported at fair value consist of derivative instruments, financial assets classified as financial assets reported at fair value via the income statement and financial liabilities in unit-linked insurance. Real estate is also measured at fair value.

Estimations and assessments in the financial statements

Preparation of the financial statements in accordance with statutory IFRS provisions requires that assessments, estimates, and assumptions be made that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on empirical experience and a number of other factors that are deemed reasonable under current circumstances. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assessments are reviewed regularly. Estimates and assessments that have a significant effect on the financial statements are described in Note 49.

The most important assumptions that have an effect on reported assets and liabilities are related to actuarial provisions; refer to Notes 32–36. The provisions are monitored and evaluated on a continuous basis in the regular accounting and forecasting process. Any surplus or loss is reported in its entirety in the income statement as a prior-year claims result. The significance of the assumption concerned is shown in the sensitivity analysis in Note 2, Disclosures regarding risks.

The accounting principles specified below have, with the exception of the years 2007–2008 in the Five-year summary, been consistently applied in all periods presented in the financial statements unless otherwise stated below.

The annual report was approved for publication by the board on March 28, 2012.The income statement and balance sheet with be presented for approval at the AGM on April 19, 2012.

New IFRSs and interpretations not yet adopted

A number of new or changed standards and interpretations will come into force during the coming financial year and were not applied in advance during the preparation of these financial statements. It is not planned to apply new standards or changes that will be applicable from the 2012 financial year and onward in advance.

The effects that application of the new or changed IFRSs are expected to have on the company's financial statements are described below. Other new additions are not anticipated to affect the company's financial statements.

IFRS 9: Financial Instruments is intended as a replacement of IAS 39 Financial Instruments: Accounting and valuation from the beginning of 2015 at the latest. IASB has published the first of three parts that will form the final IFRS 9. This first part deals with classification and measurement requirements for financial assets and liabilities. The financial asset categories in IAS 39 are replaced by two categories where measurement takes place at fair value or accrued cost. Accrued cost is used for instruments that are held by a business model whose objective is to obtain contractual cash flows that will comprise payments of capital amounts and interest on capital amounts on specific dates. Other financial assets are reported at fair value and the opportunity to apply the fair value option as in IAS 39 is retained. Changes in fair value must be reported under profit/loss with the exception of changes in value of equity instruments that are not held for trade and for which the initial choice was to report changes in value in other comprehensive income. Changes in value of derivatives in hedge accounting are not affected by this part of IFRS 9 but are reported provisionally in accordance with IAS 39. Folksam Life has yet to evaluate the effects of the new standard pending the completion of all of its parts.

The company has not taken a decision on whether the new principles should be applied in advance or from January 1, 2015.

IFRS 13 Fair Value Measurement: A new uniform standard for measuring fair value and improved disclosure requirements. The standard shall be applied prospectively to the financial year commencing January 1, 2013 or later. The company has not yet carried out any evaluation regarding whether IFRS 13 will entail any change to the methods currently applied for measuring fair value.

Change to IFRS 7: Financial instruments: New disclosure requirements for transferred assets. The change shall be applied to the financial year that begins on July 1, 2011 or later. Comparative information need not be provided.

The content of other changed standards for future application (not yet adopted by the EU) can be summed up as follows:

Changes to IAS 12: Income taxes in respect of the valuation of tax on investment property, The change entails a presumption that investment property measured at fair value will be realized through sale. According to this approach deferred tax is normally measured based on the tax rate applicable at the time the property is sold. The change shall be implemented from and including the financial year beginning January 1, 2012.

IFRS 10 Consolidated Financial Statements: New standard for consolidated financial statements. The standard shall be applied to the financial year commencing January 1, 2013 or later with retroactive application.

IFRS 11 Joint Arrangements: New standard for reporting joint ventures and joint operations. The standard shall be applied to the financial year commencing January 1, 2013 or later.

IFRS 12 Disclosure of Interests in Other Entities: New standard for disclosures for all types of investments in other companies. The standard shall be applied to the financial year commencing January 1, 2013 or later with retroactive application.

Changed IAS 27 Consolidated and Separate Financial Statements: The changed standard only includes regulations for judicial entities. In principal there are no changes in respect of accounting and disclosures for separate financial statements. Reporting of associated companies and joint ventures has been included in IAS 27. The changes shall be applied to the financial year that begins on January 1, 2013 or later.

Changed IAS 28 Investments in Associates and Joint Ventures: The changed standard conforms in principal with the previous IAS 28. The changes refer to how account should be carried out when changes in investments take place and significant or joint controlling influence ceases or not. The change shall be applied to the financial year commencing January 1, 2013 or later.

Changed IAS 1 Presentation of Financial Statements (Presentation of other comprehensive income): The change refers to how items in other comprehensive income shall be presented. The items must be divided into two categories, namely items that will be reclassified to profit/loss for the year and items that will not be reclassified. Items that will be reclassified are translation differences. Items that will not be reclassified are actuarial gains and losses. The change shall be applied for the financial year that begins on July 1, 2012 with retroactive application.

Changed IAS 19 Employee benefits: The change entails the disappearance of the so-called corridor method. Actuarial gains and losses shall be reported in other comprehensive income. Returns calculated on plan assets shall be based on the discount rate used for calculating pension obligation. The difference between actual and calculated returns in respect of plan assets shall be reported in other comprehensive income. The changes shall be applied to the financial year commencing January 1, 2013 or later with retroactive application.

Consolidation principles

Subsidiaries

Folksam Life consolidates subsidiaries that are under its controlling influence. Controlling influence means a direct or indirect right to decide a company’s financial and operational strategies with the objective of gaining economic benefits. When assessing whether a controlling influence exists, the existence of shares with potential voting rights that are currently exercisable or convertible are considered.

Subsidiaries are reported according to the purchase method, which means that the acquisition of a subsidiary is regarded as a transaction in which the parent company indirectly acquires the subsidiary’s assets and assumes its liabilities. The fair value of the acquired identifiable assets and assumed liabilities and any holdings without a controlling influence are determined on the day of acquisition in an acquisition analysis. Transaction expenditures, with the exception of transaction expenditures attributable to the issue of equity instruments or debt instruments that arise are recognized directly in profit/loss for the year. Transferred payment in connection with the acquisition does not include payments in respect of the settlement of earlier business relationships. This type of settlement is reported in profit/loss.

A subsidiary’s financial statements are included in the consolidated accounts from the acquisition date until the date when controlling influence no longer exists.

In cases where the subsidiary's accounting principles do not conform to the consolidated accounting principles, adjustments are made to the consolidated accounting principles.

The acquired company’s revenues, expenses, identifiable assets, liabilities and any goodwill or negative goodwill are included in the consolidated financial statements from the moment of acquisition. Divested companies are included in the consolidated financial statements for the period up until the moment of divestment.

In divestments that lead to the loss of controlling influence but in which a participation remains, said participation is measured at fair value and the change in value is reported in profit/loss for the year.

Associated companies
Shareholdings in which Folksam has a minimum of 20 per cent and a maximum of 50 per cent of the votes or in some other way has a significant influence over the operational and financial management, are reported according to the equity method. The method means that an associated company’s carrying amount is adjusted by the annual share in profits. An equivalent amount is reported in the income statement under "Share in associated company's profits" in the non technical result. Reported shares in profits are not to be considered as unappropriated for the owner for which reason they are reclassified to the equity method reserve.

Transaction expenditures, with the exception of transaction expenditures attributable to the issue of equity instruments or debt instruments that arise, are included in the acquisition cost. When the Group's share of reported losses in associated companies exceeds the carrying amount of the shares in the Group, the value of the participations is reduced to zero. Deductions for losses also take place against long-term financial transactions without security which because of their financial import form part of the owning company's net investment in the associated company. Continued losses are not reported unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied up until the moment when significant influence ceases.

Transactions eliminated on consolidation
Intra-Group receivables and liabilities, income and expenses, as well as unrealized gains or losses arising from transactions between subsidiaries, are eliminated in their entirety when preparing the consolidated accounts. Unrealized profits arising from transactions with associated companies are eliminated to an extent that corresponds to the Group’s shareholding in the company. Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that no impairment loss is necessary

Foreign currency

Transactions in foreign currency
Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Folksam Life's functional currency is the Swedish crown and the closing date's closing exchange rate is used when measuring assets and liabilities in foreign currencies. Changes in exchange rates are reported net in the income statement under the items "Investment income" and "Investment charges."

Non-monetary assets and liabilities reported at historic cost are translated at the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities reported fair value are translated to the functional currency at the exchange rate prevailing at the time the fair value was measured.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including other Group-related surpluses and deficits, are translated from the foreign operations’ functional currencies to Swedish crowns, the Group’s presentation currency, at the exchange rate prevailing on the closing day. Revenues and expenses in a foreign operation are translated to Swedish crowns at the average exchange rate that constitutes an approximation of the rates applying when the transactions concerned occurred. Translation differences that arise from currency translation of foreign operations are reported under other comprehensive income and accumulated in equity in a translation reserve.

Insurance contracts and investment contracts

Folksam Life has implemented a classification of all contracts based on the insurance risk they entail and the financial effect an insurance event will thus have on the company. The financial effect must be significant for a contract to be considered an insurance contract. The company considers the financial effect to be significant if the insurance risk is at least five per cent.

The financial effect is also considered significant in the case of pension insurance contracts with insurance risks lower than five per cent that are underwritten without personal advisors. If the financial effect is negligible a contract is considered to be a financial instrument. However, the classification does not govern whether a contract is reported as an insurance contract or is split into an insurance component and a financial component, so-called unbundling.

The company has chosen to unbundle unit-linked insurance and contracts with conditional bonuses into insurance components and financial components. The financial components of the contracts are reported according to IAS 39 Financial Instruments: Recognition and Measurement, and IAS 18 Revenue Recognition. The unbundling of insurance contracts provides for clear accounting that shows how large the components of the receipts that go to risk operations and savings operations are. Contracts with negative risk amounts are unbundled and the capital at risk is reported as a premium in order to provide annual gains. In the same way, in the case of contracts with positive risk amounts a risk premium is entered so that the risk amount can be contributed in the case of death. The decision to unbundle all unit-linked insurance means that all unit-linked insurance contracts can be reported in a uniform manner. Conditional bonuses are settled according to the returns the investment assets have had. Thus it is not permitted to automatically report these as insurance contracts according to IFRS 4. The unbundling of contracts with conditional bonuses therefore means that these contracts can also be reported in a uniform manner.

According to IFRS 4 contracts with significant proportions of discretionary components (bonuses) are reported as insurance contracts. Because all of the company's contracts with conventional management and equalized bonuses or pension supplements have a significant discretionary component the company has decided to report all of these contracts as insurance contracts.

Even conventional life insurance with daily returns are reported as insurance contracts since they have significant discretionary components. All contracts with conventional management and guarantees are reported as insurance contracts.

Group life, health and waiver of premium insurance, ceded and accepted reinsurance and other risk insurance are reported as insurance contracts as these contracts always contain significant insurance risk.

Accounting for operations that are reported as insurance contracts

Operations reported as insurance contracts are reported according to IFRS 4.

Revenue recognition/Premiums written

Amounts paid in during the financial year according to insurance contracts for direct insurance and amounts paid in and credited amounts for insurance contracts for accepted reinsurance are recognized as premium income. The exception is premiums for disability and waiver of premium insurance with contractual premium payments on a continuous basis where the premiums relate fully to a later financial year.

Premiums for insurance contracts for which the company assumed liability during the fiscal year are recognized as premium income for group life insurance.

Claims disbursed

Disbursements made to policyholders during the financial year owing to insurance contracts or claims are reported as claims paid.

Discretionary components in insurance contracts

The company considers that insurance benefits provided to customers additional to those guaranteed constitute discretionary components in accordance with the definition in IFRS 4. The company disposes over the right of decision concerning the discretionary components (bonuses/pension supplements) in respect of both the date and amount.

The discretionary components are reported as part of the funding reserve until they are distributed to policyholders or other beneficiary. An allocation of a bonus is reported as a reduction of equity.

Reporting operations that are split into an insurance component and a financial component

Unit-linked insurance contracts and contracts with conditional bonuses are split into an insurance component and a financial component (unbundling). The insurance component is reported according to IFRS 4 and the financial component according to IAS 39 Financial Instruments: Recognition and Measurement and IAS 18 Revenue. In the case of contracts that are unbundled into an insurance component and a financial component, receipts and disbursements for the financial component of the contract are reported not as premium income and claims incurred through the income statement but as a change via the balance sheet. Revenues in respect of the contracts classified as financial contracts are reported in other technical income.

Revenue recognition/Premiums written

The different types of fees debited to the customer for management are recognized as revenue when the company provides the management services to the contract holder. Services are provided evenly throughout the contract duration. Fees debited to the customer on specific occasions such as fund switching, transfer to another insurance provider or repurchase, are recognized as revenue in connection with the event.

In the case of mortality and illness risks premiums are collected through redemption of fund value/insurance capital once per month. In the case of longevity risks premiums are collected in that all or part of the fund value/insurance capital accrues to the company in the event of the policyholder's death. Collection of policyholder tax is carried out by redemption of fund value/insurance capital.

Changes in value and dividends

Actual returns on assets provided on behalf of the policyholder are reported as increases or decreases in the value of the investment assets for which the policyholder bears investment risk, and returns conveyed to the insurance contract are reported in the income statement as a change in the actuarial provisions for the life insurance for which the policyholder bears risk.

Claims disbursed

- Premium exemption in the case of illness – Claims are paid out in that the company makes payments to the contract in place of the policyholder.
- Mortality – Claims are paid out in that where necessary the company contributes capital in the amount that would pertain immediately after death.
- Longevity – Claims are paid out according to contract.

Actuarial provisions

Actuarial provisions consist of life insurance provisions and provisions for unsettled claims. Changes in actuarial provisions for insurance contracts are reported through the income statement under the heading concerned.

See also Note 32; Life insurance provisions, Note 33, Provisions for unsettled claims, and Note 34, Provisions for bonuses and rebates.

Life insurance provisions for conventional life insurance with equalized bonuses/

pension supplements and conventional life insurance with premium guarantee and daily return allocations consist of the difference between the anticipated capital value of the company's future expenses for the insurance contract and the anticipated capital value of any additional premiums the company may receive for the insurance contract. Capital values are calculated with consideration for assumptions regarding future interest rates, mortality and other risk measurements, operating expenses and tax. Refer to Note 32 to Life insurance provisions

Life insurance provisions for other conventional life insurance with daily return allocation are determined by calculating the value of the insurances with the guaranteed interest applicable at the time of calculation. Furthermore, other provisions with the purpose of covering insurance risks are reported under the item Life insurance provisions.

In the case of group life insurance and disability insurance the life insurance provisions correspond to the sum of the non-earned premiums. Changes in life insurance provisions for the period are reported in the income statement.

The provision for unsettled claims consists of the insured amount, repurchase amount and the allocated bonus (other technical provisions). Supplements have also been made for unknown but incurred claims at the closing date. Disability reserves are included in the provisions for unsettled claims. The provision also includes a claims management reserve. Allocated bonuses consist of bonuses allocated to policyholders but which have not fallen due for payment by the closing date.

Conditional bonuses – Technical provisions for life insurance for which the policyholder bears the risk.

Both the insurance component and the financial component are reported as conditional bonuses. The provision is measured at fair value on assets that are linked to the contract. Changes in value are reported through the income statement. Other provisions whose purpose is to cover insurance risks are reported under the item Life insurance provisions.

Unit-linked insurance commitments – Technical provisions for life insurance for which the policyholder bears the risk.

Both the insurance component and the financial component are reported as unit-linked insurance commitments. The provision is measured at fair value on funds that are linked to the contracts. Changes in value are reported through the income statement. Fair value is determined with the aid of actual fund values that reflect the fair value of the financial assets in the funds to which the liabilities are linked, multiplied by the number of shares ascribed to the policyholder on the closing date. If the anticipated future revenues in a specific portfolio is lower than the anticipated variable expenses, a provision for losses in said portfolio must be made. Other provisions whose purpose is to cover insurance risks are reported under the item Life insurance provisions.

Liability adequacy test

The company's applied accounting and valuation principles for technical provisions and prepaid acquisition expenses automatically entail a test to confirm whether the provisions are adequate in respect of anticipated future cash flows.

Prepaid acquisition expenses for insurance contracts

Only variable acquisition expenses have been activated. Variable expenses refer to commissions on sales. Activation has been carried out on that part of an individual life insurance in respect of a contract with current premiums which are considered to generate a margin sufficient to cover the activation.

The depreciation period is set at five years with a depreciation factor of 4.24 per cent (with consideration for an annual surrender of ten per cent) in the parent company. Prepaid expenses are tested for impairment at each closing date to ensure that the contracts' anticipated future economic benefits exceed their carrying amount.

Operating expenses

All operating expenses are divided in the income statement into the functions acquisition, claims settlement, administration, commissions and participations in reinsurance, insurance, investment charges and in certain cases, other technical expenses.

Embedded derivatives in insurance contracts

The company measures embedded derivatives that can be defined as insurance contracts or options to repurchase insurance contracts at fixed amounts or amounts based on a fixed amount and separate rate of interest.

Reinsurance cessions

Amounts that are paid out during the financial year or amounts taken up as liabilities to insurance companies that have accepted reinsurance according to reinsurance contracts in force, including portfolio premiums, are reported as reinsurance premiums. The premiums are periodized so that the expense is allocated to the period the insurance protection covers. Deductions are made for amounts credited owing to portfolio withdrawal or a change of the reinsurer's share of the proportional reinsurance contract.

The reinsurer’s share of technical provisions corresponds to the reinsurer’s liability for technical provisions according to contracts in force. The company assesses the impairment requirement for assets in respect of reinsurance contracts every quarter/closing date. If the recoverable value is lower than the carrying amount of the asset, the asset is written down to the recoverable value and the impairment is expensed in the income statement.

Reporting returns on capital

Returns on investment assets for which life insurance policyholders bear the investment risk and returns on investment assets in life insurance operations are reported in the technical result. Returns on other investment assets in unit-linked insurance companies and other Group companies and returns in respect of non-life insurance operations are reported in the non-technical accounts.

Investment income
The item Investment income refers to returns on investment assets and pertains to rental income from buildings and land, dividends from shares and participations (including dividends from shares in Group companies and associated companies), interest income, exchange rate gains (net), reversed impairment charges and capital gains (net). Profit-sharing in associated companies is also part of this item in the Folksam Life Group.

Investment charges
Investment charges includes expenses for investments such as operating expenses for buildings and land, asset management expenses, interest expenses, foreign exchange losses (net), impairment charges and capital losses (net).

Realized and unrealized changes in value
In the case of investment assets measured at cost capital gains constitute the positive difference between the sales price and book value. In the case of investment assets measured at fair value, capital gains is the positive difference between the sales price and cost. In the case of interest-bearing securities cost is the accrued cost and for other investment assets, the historical cost. Upon sale of and investment asset the previously unrealized change in value is reported as an adjustment item under the items Unrealized investment gains and Unrealized investment losses.

Unrealized gains and losses are reported net per asset type. Such changes due to exchange rate changes are reported as exchange rate gains or exchange rate losses under the item Investment returns.

Both realized and unrealized changes in value of unit-linked insurance assets are reported under increases in value or decreases in value of the unit-linked insurance assets.

Taxes

Income tax
income tax consists of current tax and deferred tax. Lines of business (principally group life, disability and accident insurance) and subsidiaries that do nut pursue insurance operations are taxed according to the income tax act.

Income tax is reported in profit/loss for the year except when the underlying transaction is reported in other comprehensive income or equity in which case the associated tax effect is reported in other comprehensive income or equity. Current tax is tax that must be paid or received in respect of the current year by applying the tax rates that were in force, or in force in practice, on the closing date; it also includes adjustments of current tax attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method based on the temporary differences between reported and fiscal values of assets and liabilities. The amount is calculated based on how the temporary differences are anticipated to be equalized and with the application of the tax rates and tax regulations that are in force or announced on the closing date. Temporary differences are not considered for differences attributable to participations in subsidiaries and associated companies on the condition that the parent company or investor is able to control the time for reversal of the temporary differences and that it is likely that such a reversal will not take place in the foreseeable future.

Deferred tax assets in respect of deductible temporary differences and loss carryforwards are reported only to the extent that it is likely they will be utilized. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

In lines of business where tax is calculated based on amassed capital (policyholder tax) no collection of deferred tax has taken place.

Any additional income tax arising in connection with dividends is reported at the same time as when the dividend is reported as a liability.

Untaxed reserves including deferred tax liabilities are reported under a legal entity. However, in the consolidated financial statements untaxed reserves are split into deferred tax liabilities and equity.

Policyholder tax
life insurance companies pay policyholder tax according to the Act on the yield tax on pension funds. Policyholder tax is not a tax on the insurance company's earnings, but is paid by the company on behalf of the policyholders. The value of the net assets managed on behalf of policyholders is subject to a policyholder tax that is calculated and paid every year. Policyholder tax is reported in the non-technical profit/loss in respect of the Group, and as a current tax expense for the parent company.

Intangible assets

Goodwill
Goodwill is measured at cost less any accumulated impairments in the consolidated financial statements. Goodwill is allocated to cash-generating units and is tested for impairment al least annually.

Other intangible assets
Other intangible assets consist of proprietary and acquired software that are judged to involve future economic benefits. The assets are reported at cost less accumulated depreciations (see below) and any impairment losses.

Depreciation principles
Depreciations are reported on a straight-line basis in the income statement above the asset's calculated useful life. Useful life is tested annually. Depreciable intangible assets are depreciated from the date they became available for use. Estimated useful life amounts to 5 years.

Investment property

Investment properties are properties held for the purpose of generating yield. Owner-occupied properties are properties held for the purposes of the company's own business operations. Owner-occupied properties are reported in the consolidated financial statements under tangible assets.

Investment properties are reported at fair value in the balance sheet with changes in value through the income statement. Fair value is based on valuations performed every six months by independent valuers. Pproperties are valued internally in connection with the first and third quarter interim reports. Fair value is determined through a combination consisting mainly of a cash flow calculation adjusted to market conditions and the return method. The return method is based on the present value of estimated future cash flows and the present value of an estimated residual value for the property concerned.

Both realized and unrealized changes in value are reported in the income statement. Rental income is reported under Asset management, income and property expenses under Asset management, expenses.

Financial instruments

Financial instruments that are reported on the asset side of the balance sheet include accounts receivable, shares and other equity instruments, loan receivables and interest-bearing securities, other financial investments and derivatives. Among liabilities and equity are trade accounts payable, issued debt instruments, borrowings and derivatives.

The acquisition and disposal of financial assets are reported on the transaction date, which represents the date the company undertakes to acquire or divest the asset. A financial asset is removed from the statement of financial position when the rights in the contract are realized, fall due or the company loses control over them. The same applies to components of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the contract is fulfilled or is in some other way extinguished. The same applies to components of a financial liability.

A financial asset and a financial liability offset each other and are reported with a net amount in the statement of financial position when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount or realize the asset and settle the liability at the same time.

Classification and valuation
Financial instruments that are not derivatives are reported initially at cost corresponding to the instrument's fair value with additions for transaction expenses for all financial instruments except those which belong to the financial asset category reported at fair value via the income statement, and which are reported at fair value excluding transaction expenses. A financial instrument is classified when first reported based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition as described below.

Derivative instruments are reported both initially and on a continuous basis at fair value. Increases and decreases in value and where applicable paid and accrued interest on derivatives are reported as a net result of financial transactions.

Financial assets measured at fair value via the income statement
This category consists of two sub groups: financial assets that are held for trade and other financial assets which the company initially chose to place in this category (according to the fair value option). Financial instruments in this category are measured at fair value on a continuous basis with changes in value reported in the income statement. The first sub group includes derivatives with positive fair values. The following investment assets are included in the financial assets sub group in which the company initially chose to place in this category: shares and participations, bonds and interest-bearing securities, investment assets for which the life insurance policyholder bears risk and certain organizational holdings reported among other financial investment assets.

As a matter of principle the company allocates all investment assets that are financial instruments and which are not shares in subsidiaries or associated companies to the category Financial assets measured at fair value via the income statement since the company continuously evaluates asset management operations on a fair value basis.

Measuring fair value
The following summarizes the methods and assumptions used primarily to determine the fair value of financial instruments.

Financial instruments quoted on active markets
The fair value of financial instruments quoted on active markets is determined on the basis of the asset's quoted bid price on closing day without additions for transaction expenses (e.g. brokerage) at the time of acquisition. A financial instrument is considered quoted on an active market if quoted prices are readily available on an exchange, with a trader, broker, industry organization, company that provides current price information or supervisory authority and that such prices

represent actual and regularly occurring market transactions under commercial conditions. Any future transaction expenses for divestment are not considered. The fair value of financial liabilities is determined by the quoted sales price. Such instruments are found under the balance sheet items shares and participations, bonds and other interest-bearing securities and unit-linked insurance assets. The major part of the company's financial instruments are given a fair value at prices quoted on active markets.

Financial instruments not quoted on active markets
If the market for a financial instrument is not active the company determines fair value by using an evaluation technique. The techniques used are based to the greatest possible extent on market information, while company-specific information is used to the least possible extent. Valuation techniques are used for the following categories of financial instruments; derivatives, certain holdings in so-called alternative investments, fund-of-funds holdings and unquoted holdings of shares reported under the balance sheet items shares and participations, certain organizational holdings reported under other financial investment assets and an investment in interest-bearing securities reported under the balance sheet item bonds and interest-bearing securities.

Shares and participations
Shares and participations at fair value Shares and participations officially quoted are measured with the aid of the latest official bid price in local currency.

Unquoted shares and participations consist chiefly of investment funds. The fair value of so-called fund-of-funds holdings is determined be measuring the market value of the underlying assets in the fund concerned and setting a price. These underlying holdings are often quoted if they refer to hedge funds in funds and the underlying assets are measured according to the principles for quoted assets (latest official bid price). Fund-of-funds valuations are performed by external parties appointed by the fund-of-funds manager.

The valuation of private equity funds is performed by the managers concerned according to IPEVC (International Private Equity and Venture Capital association) regulations. According to these principles valuation departs based on acquisition cost only takes place where it is manifest that acquisition cost does not reflect fair value.

Bonds and other interest-bearing securities
Bonds and other interest-bearing securities are measured at fair value. Both Swedish and foreign bonds and other interest-bearing securities with official trade are measured at market value daily with the aid of the latest official bid price in local currency.

In the case of instruments not officially traded and where reliable market prices are not available, the instruments are measured with the aid of generally accepted valuation models that involve discounting cash flow to the relevant valuation curve. Bonds and other interest-bearing securities not traded officially are marked to market with the aid of a yield curve based on Stibor (Stockholm Interbank Offered Rate) (for periods up to 9 months) and swap rates (for periods exceeding 1 year) and a market adjustment with a credit spread considered reasonable for each instrument concerned.

Derivatives
Derivatives are measured at fair value. Exchange-traded interest rate and stock futures are taken up at fair value based on the latest official bid or sales prices. Interest rate swaps and swaptions are measured with the aid of yield curves based on bid and sales prices for interbank interest rates, FRAs and swap rates and in respect of swaptions, also volatility surfaces. OTC share index options are marked to market with the aid of the Black & Scholes valuation model, using market data as input. Forward exchange rate contracts are valued with the aid of the quoted buying rate in Swedish crowns for the currency in question at the end of business on the closing date and yield curves for the two currencies for the period concerned. Transaction expenses for derivatives are expensed.

Other financial investment assets
In the case of organizational holdings among other financial investment assets, valuation takes place either based on discounted future cash flows, net asset value or a valuation carried out by an external party.

Loan receivables and accounts receivable
Loan receivables and accounts receivable are financial assets that are not derivatives which have determined payments or determinable payments and which are quoted on an active market. This category includes loans guaranteed by mortgages, other loans, other financial investment assets besides organizational holdings measured at fair value via the income statement, loans to Group companies, other receivables including cash and cash equivalents and accrued interest income. These assets are valued at accrued cost. Accrued cost is determined based of the effective interest rate calculated at the time of the acquisition. Customer and loan receivables are reported at the amount expected to be received, i.e. less deductions for doubtful receivables.

Financial liabilities measured at fair value via the income statement
This category consists of two sub groups, financial liabilities held for trade and financial liabilities that were identified as belonging to this category on initial recognition. The first component category includes derivatives with negative fair values. Changes in fair value are reported in the income statement.

As a matter of principle the company allocates all unit-linked insurance assets and contracts with conditional bonuses to financial liabilities measured at fair value through the income statement since this eliminates the mismatch in the accounts that would otherwise occur as a result of the linked assets being measured at fair value.

Other financial liabilities
Borrowing and other financial liabilities e.g. trade accounts payable, are included in this category. The liabilities are valued at accrued cost.

Impairment of financial instruments

Impairment test for financial assets in the loan receivables/accounts receivable category
On each reporting occasion the insurance company evaluates whether there is objective evidence indicating that a financial asset or group of assets require impairment as a result of one or more events (loss events) that have occurred since initial recognition of the asset and that said loss events have an effect on estimated future cash flows from the asset or group of assets. If there is objective evidence that indicates the need for an impairment loss the assets are considered to be impaired. Objective evidence consists of observable conditions that have occurred and which have a negative effect on the ability to recover the acquisition value.

The carrying amount after an impairment loss to assets belonging to the category loan receivables and accounts receivable that are reported at accrued cost is calculated as the present value of future cash flows discounted with the interest rate effective at the time the asset was initially recognized. Assets with short durations are not discounted. An impairment loss is charged to the income statement.

A financial asset has a impairment requirement only if objective evidence shows that one or more events have occurred that have an effect on future cash flows for the financial asset if these can be estimated in a reliable manner.

Objective evidence indicating that one or more events have occurred which affect the estimated future cash flows are e.g:

- significant financial difficulties on the part of the issuer or debtor,
- that the lender has granted the borrower a concession as a result of the latter's financial difficulties and which would otherwise not have been considered,
- a breach of contract such as non-payment or delayed payment of interest or principal,
- that the borrower will probably go bankrupt or undergo other financial reconstruction and
- negative value trends of pledged assets.

Reversal of impairments
An impairment is reversed when there is evidence that the need for the impairment no longer exists and that a change has taken place in the assumptions that formed the basis for the calculations of the impairment loss.

Impairments of assets within the loan receivables and accounts receivable category that are reported at accrued cost are reversed as a subsequent increase of the recoverable value that can objectively be attributable to an event that has occurred after the impairment was made.

Leased assets

All leasing contracts have been classified as operational and are reported according to the regulations for operational leasing. Expenses in respect of operational leasing contracts are reported on a straight-line basis over the leasing period.

Tangible assets

Tangible assets are reported as assets in the balance sheet if it is likely that future economic benefits will accrue to the insurance company and the cost of the asset can be calculated in a reliable manner. Tangible assets are reported at cost less deductions for accumulated depreciations and any impairment losses.

The carrying amount of property, plant and equipment is removed from the balance sheet when it is disposed of or divested or when no future economic benefits are anticipated from the use or disposal/divestment of the asset. Gains and losses that arise from divestment or disposal of an asset consists of the difference between the sales price and the asset's carrying amount less deductions for direct sales expenses. Gains and losses are reported in the technical result.

Depreciation takes place on a straight-line basis over the asset's estimated useful life which amounts to 5 years for all reported machinery, fixtures and fittings.

Owner-occupied properties
Properties that are in continuous use in operations are reported as owner-occupied properties. Owner-occupied properties are reported according to the acquisition method in IAS 16 and depreciations are made according to the component method. Owner-occupied properties are reported split into components that are depreciated based on the calculated economic lifetime of the different components. Additional expenditures are added to the carrying amount in cases where the investment is considered to appreciate value. Expenditures in respect of periodic maintenance and repairs are expensed during the period in which they arise. Because land is considered to have unlimited duration of use no depreciation is made for this component.

When valuing owner-occupied properties the so-called cost method is applied in which the properties are reported at cost in the consolidated financial statements less deductions for depreciation according to a depreciation plan that is adapted to the asset's useful life.

Impairments of material and intangible assets

Impairment tests for tangible assets and intangible assets and participations in subsidiaries and associated companies, etc.

The carrying amounts of the assets are tested at every closing date. If there is an indication of a need to recognize impairment, the asset's recovery value is calculated. An impairment loss is reported when an asset's carrying amount exceeds its recoverable value. An impairment loss is charged to the income statement.

Recoverable value is fair value less selling expenses or value in use, whichever is the higher. When calculating value in use future cash flows are discounted with a factor that takes into consideration risk-free interest and the risk that is associated with the specific asset.

An impairment loss is recognized when an asset's or cash generating unit's (group of units') carrying amount exceeds its recoverable value. An impairment loss is charged to the income statement. Impairments of assets attributable to a cash generating unit (group of units) is allocated in the first instance to goodwill. Following this, a proportional impairment of the other assets included in the unit (group of units) is made.

Reversal of impairments

An impairment is reversed when there is evidence that the need for the impairment no longer exists and that a change has taken place in the assumptions that formed the basis for the calculations of the recoverable value.

A reversal is only made to the extent that the asset's carrying amount following reversal does not exceed the carrying amount that would have been reported, less deductions for depreciation where applicable, had no impairment been made.

Other provisions

A provision is reported in the balance sheet when Folksam Life has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of payment timing is significant, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability.

Pensions and similar liabilities

Pension obligations in Folksam comprise individual pension commitments and defined-contribution and defined-benefit pension plans regulated through collective bargaining agreements. The defined-benefits pension plans are secured through provisions to the Coop Pension Foundation or through insurance.

Defined contribution pension plans

Plans in which Folksam's commitments are limited to the fees the company has undertaken to pay are classified as defined contribution pension plans. In such cases the size of the employee's pension depends on the fees the company pays into the plan or to an insurance company and the return on capital the fees generate. Consequently it is the employee who bears the actuarial risk (that the remuneration is lower than expected) and the investment risk (that the invested assets will not be sufficient to provide the expected remuneration). The company's commitments in respect of the fees to the defined contribution plan are reported as expenses in net profit/loss for the year as they are earned by the employee's performing services for the company during a period.

Defined-benefits pension plans

The Group's net liability in respect of defined-benefits plans are calculated separately for each plan through an assessment of the future remuneration the employee has earned through his or her employment both during the current and earlier periods; said remuneration is discounted to a present value. The discount rate is the closing day interest rate on a Swedish housing bond with a maturity that corresponds to the Group's pension obligations. The calculation is made by a qualified actuary using the so-called Projected Unit Credit Method. Moreover, the fair value of any plan assets is also calculated on the reporting date.

Actuarial gains and losses may arise when determining the obligation's present value and the fair value of plan assets. These arise either because the actual outcome deviates from the previously made assumption, or because assumptions have changed. Actuarial gains and losses are reported as income or expenses in other comprehensive income.

The carrying amount of pensions and similar obligations in the balance sheet correspond to the obligation's present value at the closing date less deductions for the fair value of plan assets.

When there is a difference between how pension expenses are determined in legal entities and the Group a provision or a receivable is reported in respect of special income tax based on this difference. The present value of the provision or receivable is not calculated.

In-house pensions

In addition to the collective bargaining agreement pensions secured through the Coop Pension Foundation, Folksam has undertaken to compensate 65 per cent of the pay for certain employees who elect to retire at the age of 62. The change in pension obligations is reported through the income statement.

Assets held for sale and wound-up operations

Assets are classified as assets held for sale when the assets will be realized through sales rather than through continued use. This takes place e.g. when:

- Folksam has entered into a binding sales contract
- The board has decided on, and published, a plan for the winding up of an operation and therewith the divestment of its assets.

When classifying an asset as being held for sale it is reported at the lower of the carrying amount and fair value less deductions for selling expenses. A wound-up operation forms part of a company's operation that represents an independent line of business or a material operation within a geographical area or is a subsidiary that was acquired with the exclusive objective of being sold on. No assets were classified as assets held for sale during 2011.

Contingent liabilities (contingent liabilities)

A contingent liability is reported when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence of one or more uncertain future events or when there is an obligation that is not reported as a liability or provision because it is not likely that an outflow of resources will be required.

Parent company accounting principles

The parent company's annual report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL) and the Swedish Financial Supervisory Authority's regulations and guidelines on annual reports in insurance companies FFFS 2008:26 and its modification rules and the Swedish Financial Reporting Board's recommendation RFR 2. The parent company applies so-called legally limited IFRS which involves application of all International Financial Reporting Standards that have been adopted for application with the limitations pursuant to RFR 2 and Financial Supervisory Authority's regulations. This means that all IFRSs and pronouncements endorsed by the EU must be applied as far as possible within the confines of Swedish law and with regard to the relationship between accounting and taxation.

Differences between the Group's and the parent company's accounting practices

The differences between the Group's and the parent company's accounting practices are described below. The parent company accounting principles described below have been applied consistently throughout all periods presented in the parent company's financial statements unless otherwise indicated.

Intangible assets

Expenditures for development reported as assets in the consolidated balance sheet have been reported as expenses in the parent company's income statement.

Buildings and land

Both investment properties and owner-occupied properties are reported at fair value in the parent company's balance sheet with changes in value through the income statement.

Subsidiaries and associated companies

Shares in subsidiaries and associated companies are reported in the parent company at cost less deductions for necessary impairments. Shareholder contributions rendered as capital contributions are reported as an increase of the value of participation in the balance sheet. IAS 36 Impairment of Assets is applied in order to determine whether or not there is a need to recognize impairments of investments in Group companies and subsidiaries. In order to calculate solvency capital, Group and associated companies are measured at fair value partly by means of the embedded-value-method and partly through the net asset value method, depending on the nature of the holding. A deeper analysis of the company's value that also takes cash flow, future earnings, brands and a valuation of the customer base into consideration, is made in connection with acquisitions or other structural changes.

All dividends are reported as income.

Defined-benefits pension plans

The parent company applies different principles for reporting defined-benefits pension plans than those described in IAS 19. The parent company follows the Swedish Pension Obligations Vesting Act's regulations and Swedish Financial Supervisory Authority's regulations as the right to tax deductions is contingent upon them. The most substantial difference compared to the rules in IAS 19 is how discount rates are determined, that the calculation of the defined-benefits obligation takes place based on the current pay level without assumptions about future pay increases and that all actuarial gains and losses are reported in the income statement as they arise.

Taxes

Untaxed reserves including deferred tax liabilities are reported in the parent company. However, in the consolidated financial statements untaxed reserves are split into deferred tax liabilities and equity. Moreover, policyholder tax is reported as a current tax expense.

Group contributions and shareholder contributions to legal entities

Group contributions are reported according to the new accounting principles described in RFR 2 IAS 18 para 3 (Group contributions received) and RFR 2 IAS 27 para 2 (Group contributions rendered). This means that the Group contributions the company receives from subsidiaries are reported according to the same principles as dividends from subsidiaries Group contributions the company renders to subsidiaries are reported as investments in shares in subsidiaries.

The purpose of reserve items under equity

A description of the nature and purpose of the reserve items under equity.

Equity in untaxed reserves
The equity component of untaxed reserves (73.7 per cent) is reported in the consolidated financial statements as Equity in untaxed reserves.

Funding reserve
The parent company reports the amount it may use to cover losses and for other purposes that pertain to the regulations in the articles of association under this item.

Statutory reserve
The purpose of the statutory reserve was to save the part of the year's earnings not used to cover loss brought forward Provisions to the statutory reserve are no longer a requirement.

Equity method reserve
Amounts stemming from participations in associated companies that have been taken up to a higher value than in the most recent balance sheet to apply the equity method are reported under this item.

Losses brought forward
Losses brought forward in the Group consist of profit/loss for the year and the previous year's losses brought forward after any dividends paid to minority owners. The board submits dividend proposals. The size of the profits allocation is determined by the AGM.

Note 2 Disclosures regarding risks

Disclosures regarding risks
Risk and risk management are central parts of operations in insurance companies. This note includes a description of Folksam Life's risk management and quantitative and qualitative information about insurance risks, financial risks, operational risks, commercial risks, strategic risks and reputational risks.

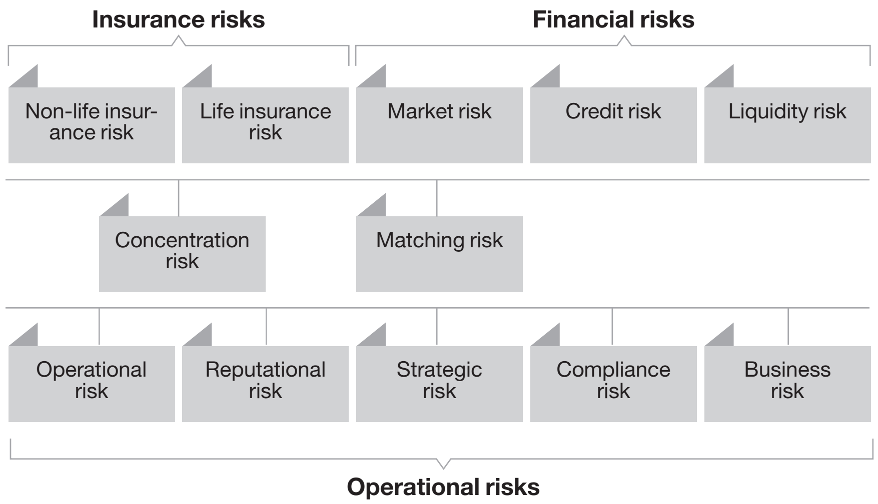
Overall risk management
The ability to identify, prevent and manage risks is becoming ever more important for companies Risk management provides preparedness and the ability to plan and implement activities in order to increase the possibilities of achieving the company's goals. Risks that are properly managed can lead to new opportunities and the creation of value, while risks that are not properly managed can lead to major losses and costs. Folksam Life's risks are managed with the same uniform, overall approach as the rest of Folksam, and is based on a comprehensive view of the risk situation. The purpose of risk management is to capture all of the significant risks that are associated with the organization and its current and future operations.

Good risk management allows the board and managing director to gain an all-round, objective picture of the total risk situation which increases understanding and knowledge of risks and our ability to achieve our goals.

By pursuing overall risk management in a uniform, structured manner we increase understanding and knowledge within the company about the risks and opportunities that affect the company.

Through risk management we are able to affect and adapt the risk level so that our capital base is adequate in relation to the risk situation and we can even limit departures from anticipated financial results.

Folksam Life is exposed to different risks which affect the company's financial position, result and achievement of its goals. These risks are divided, at an aggregate level, into risk zones as shown in the risk chart that follows.



In order to describe risk management in the risk note the section has been divided into Insurance risks, Financial risks and Operational risks.

The Risk Management Process
Folksam's risk management process constitutes an important component in overall risk management. The risk management process acts as a support in the bal-

ance between taking risks and the ability to achieve established goals and is therefore an important part of overall risk management. The risk management process is divided into steps in order to identify, evaluate, manage, monitor and report all material risks.

Identification
A uniform, systematic manner is used to identify and chart risks in accordance with the company's risk classification system. The identification of risks seeks to discover and clarify all material risks an organization is exposed to in the short and long terms. Identified risks must be described, registered and classified. All risks are linked to information about the units and companies affected. All identified risks are assigned risk owners, and measures for managing and preventing risks are drawn up.

Evaluation
The company must always strive to evaluate identified risks. In order for risks to be aggregated into a picture that covers the total risk situation (i.e. a risk profile) they must be evaluated. Risks are evaluated in a uniform manner and quantified, where possible, using generally accepted methods. Risks can be evaluated more or less precisely and thoroughly, and depending on the type of risk, an evaluation is either quantitative (measured) or qualitative (estimated). By quantitative evaluation (measurement) we mean an estimate that is a numerical calculation or rough calculation. By qualitative evaluation (assessment) we mean an assessment that is an overall estimate of a risk's effect. The qualitative assessment might for example be based on an evaluation of the risk from two standpoints such as what effect will the event have if it occurs and what is the probability that it will occur? The traffic light system, which is a Swedish Financial Supervisory Authority tool for measuring risks, is also used within Folksam to evaluate insurance risks and financial risks (market risks and credit risks). In order to calculate how much capital the company must have to cover risks according to the traffic light system, a number of predefined stress scenarios are executed. The different scenarios illustrate the company's total capital requirement in relation to the company's available capital.

Management
The type of risk management required depends on the nature of the risk, but common to them all is the need for regulations, processes and control activities. Measures that form part of risk management are planned and implemented to manage or limit risks. It is the responsibility of operational and company management to prioritize planned measures based on the benefit they will bring the organization. Alternative measures should be selected based on anticipated implementation costs and expected benefits. The alternatives available when making risk management decisions are whether to accept, monitor or mitigate a risk. The effectiveness of risk management is expressed through the effect of the measures proposed, such as whether the risk will be eliminated or to what extent it will be mitigated.

Monitoring
Monitoring includes the day-to-day supervision of risks and measures, and ensuring that risks are e.g. within approved limits. It is presumed that the business operation will establish the processes and procedures necessary for following up the risk assignment. It is the responsibility of the business operation to ensure that risks and measures are monitored constantly.

Reporting
All material risks associated with the organization and its current and future operations must be reported to the board and MD on a continuous basis within the parent company and subsidiaries alike in order to provide an all-round, objective

picture of the total risk situation. Aggregated risk is described in written reports. The risks, along with the measures associated with them, shall be monitored continuously. Joint monitoring also takes place in order to gain a shared view of the risk situation.

Organization and division of responsibilities

Organization and responsibility

In order to clarify operational management and responsibility for risk management and control, activities have been split into three lines of responsibility.

Lines of responsibility

The first line of responsibility consists of units in parent companies and subsidiaries and outsourced operations. This means that the first line:

- is responsible for leading operations so that objectives established by the board are achieved, for owning and managing risks, i.e. for risk management activities such as the identification, evaluation and management of risks, for monitoring risk management activities and ensuring compliance with regulations.

The second line of responsibility consists of management and control functions; it supports, advises and follow-up the first line based on internal management and control. This means that the second line, among other things:

- establishes and upholds rules and regulations including principles and frameworks for internal management and control,
- is responsible for having an overall, aggregated picture of the risk situation, including internal controls in respect of management, risk management and compliance with regulations,
- supports and advises the first line of responsibility in the interpretation, implementation and compliance with regulations including principles and frameworks,
- reviews and follows up the first line of responsibility and

reports to the board, the MD and other stakeholders.

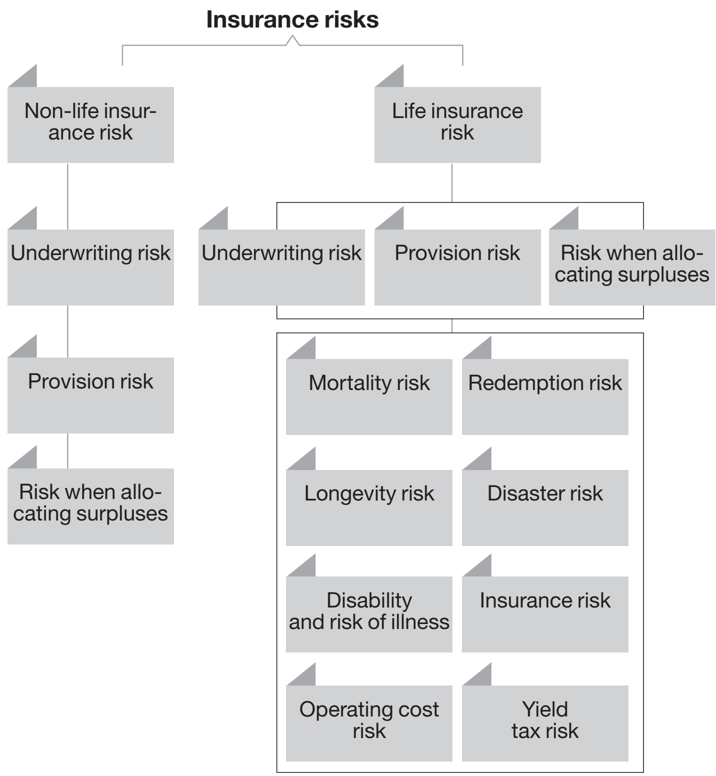
The third line of responsibility consists of the internal audit, which reviews and evaluates internal management and controls, including risk management, on behalf of the board.

Responsibilities and roles

The responsibility for Folksam's and also Folksam Life's risk management is allocated and structured in the following manner:

Board

It is the board's responsibility to ensure that the company's risks are managed and controlled in a satisfactory manner. The board establishes the guidelines that shall apply to risk management and internal controls.



Audit committee
The boards of the parent companies Folksam General and Folksam Life have appointed an internal audit committee. The audit committee's main assignment is to assist the board with the discharge of its duties and responsibilities in respect of safeguarding the financial accounts and evaluating internal management and controls including risk management for the parent companies and subsidiaries. The committee's assignment within the risk area includes:

- internal management and control
- material risks
- the internal audit process

Group CEO/MD
The MD is responsible for ensuring that there are internal regulations and people in charge of risk management and risk control. The MD is also responsible for ensuring that risk management and follow-up are performed according to said regulations.

Risk committee
The risk committee's responsibility is advisory in issues that concern risk management such as risk categorization and the risk management process and also includes approving the aggregated company risk report.

Risk department
The risk department is responsible for implementing overall risk management and ensuring effective and efficient risk management and independent risk control. The risk department shall provide support and advice in issues concerning effective and efficient joint risk management commensurate with good internal management and control.

The risk department must ensure that there is at least one individual for each company who is in charge of risk (Risk Manager) under the supervision of the Swedish Financial Supervisory Authority, and one for each risk category (Risk Category Manager).

Risk Manager
The Risk Manager is responsible for ensuring effective, efficient company-wide risk management and independent risk control. The Risk Manager shall provide support and advice in issues concerning risk management as part of internal management and control.

Risk Category Manager
The Risk Category Manager is responsible for creating and securing the conditions for effective, efficient risk management and independent risk control for each risk category.

Chief Actuary

The Chief Actuary is responsible for evaluating insurance obligations and preparing and proposing:

- changes to actuarial guidelines
- in consultation with the business manager, changes to actuarial guidelines
- changes to the reserve-setting instruction

Insurance risks are split into the risk categories life insurance risk and non-life insurance risk. Each risk category is split into risk types:

- Underwriting risk, defined as the risk of losses due to inadequate premiums resulting from unfavourable outcomes in assumptions applied.
- Provision risk, defined as the risk of losses due to inadequate provisions resulting from unfavourable outcomes in assumptions applied.
- Risks when allocating surpluses, defined as the risk for unfair distribution of surpluses resulting from unfavourable outcomes in assumptions applied.
- Concentration risk, i.e. the risk of concentrations of risks on the asset or liability side that can lead to losses or negative earnings trends in the case of unfavourable market conditions or events; also applicable when describing insurance risks.

Managing insurance risks

The general internal management tool regarding the pricing of insurance risks and reserve provisions is the actuarial guidelines adopted by the company's board. Among other things the guidelines describe what applies to the assumptions used in the determination of premiums and provisions for reserves.

Folksam Life's board also approves underwriting guidelines and the reserve-setting instruction. The underwriting guidelines describe which policies Folksam Life writes and the underwriting limits that apply. Among other things the reserve-setting instruction deals with the reserves that should be approved for the different parts of insurance operations.

The management and assessment of risks in insurance operations is fundamental for all insurance companies. Correct risk pricing safeguards Folksam Life's long-term profitability. It is also important to ensure that reserve provisions are adequate and that the distribution of surpluses between policies is fair. Just as risk management principles and tools differ for different types of insurance contract, so too do risks. The risks in Folksam Life's insurance operations can be classified as follows:

- Life insurance
- Savings insurance
- Conventional life insurance
- Conventional life insurance with conditional bonuses
- Unit-linked insurance
- Risk insurance within life insurance operations
- Disability and premium exemption insurance
- Group life and occupational group life insurance
- Other collective risk insurance
- Non-life insurance
- Disability and accident insurance

Life insurance risk – Savings insurance

Underwriting risk

Life insurance risk when writing savings insurance includes the risk that mortality and/or longevity are underestimated or that operational expenses are underestimated in the assumptions made for calculating premiums. The consequence of erroneous premium assumptions is losses as the premium will not cover the policy's claims and operational expenses.

Insurance interest rate risk in connection with new business consists of the risk that the guaranteed interest is too high in relation to the interest rate level which will result in solvency and risk scope consequences. The risks are managed by reviewing on a continuous basis the assumptions used when setting premiums.

Folksam Life's insurance operations are oriented toward large collectives. A great quantity of independent risks are added together in one and the same collective and this provides for the equalization and reduction of risks when writing new business. Concentration risk in connection with new policies refers to the risk of inadequate risk equalization due to too small a collective or uneven selection. The risk is managed through proactive efforts to achieve a mixed holding within individual life insurance. Folksam Life is not able to control the spread of risk within collective agreement insurance contracts. The concentration risk is managed through placing health stipulations in connection with underwriting insurance with mortality risks. These stipulations are most stringent for individually written policies where individual risk assessment is made. In certain cases a financial risk assessment is also made.

Risks when writing new business is also managed to a certain extent via reinsurance. However, in the case of savings insurance, reinsurance business has little effect on outcomes.

Provision risk

Life insurance risk when setting reserves for savings insurance includes the risk that mortality and/or longevity are underestimated or that operational expenses are underestimated in the assumptions made for calculating premiums. Life insurance risk also entails a surrender risk, i.e. the risk that calculated reserves are inadequate to cover transfers, repurchases or premium surrenders. The insurance interest rate risk in connection with the calculation of provisions is the risk that the value of the liability will increase due to falling market interest rates.

The consequence of erroneous reserve setting assumptions for the conventional life insurance holding is that reserves will be inadequate to meet future insurance obligations. The risks are managed through advanced actuarial methods and the continual review of assumptions. Documentation to support follow-up includes both internal and external holding data adjusted for anticipated future trends. In cases of great uncertainty additional provisions are made. The surrender risk is managed through proactive customer contacts and product development. In the case of transfers and repurchases a fee is deducted and where necessary a repayment claim against distributors is applied.

The risk to the company in provisions for unit-linked insurance and insurance with conditional bonuses is very limited since the policyholder bears the financial risks.

Risks when allocating surpluses

According to the Swedish Insurance Business Act (2010:2043) the allocation of surpluses is governed by the contributions to the surplus made by the policies. There are not only insurance risks when managing surpluses in connection with the calculation of how much surplus is allocated to customer insurance as bonuses (bonus obligations in respect of mortality/longevity, operating expenses, interest and tax) but also in connection with how surpluses are paid out over time (forecast assumptions in respect of mortality/longevity, operating expenses, interest and tax). The surrender risk in connection with surplus management is the risk that an erroneous surplus is paid out in connection with transfers, repurchases or final payment.

The consequence of erroneous management of surpluses is an unfair allocation of surpluses between different insurances. When allocating surpluses risks are managed through the continuous review and updating of assumptions and collective consolidation and the formulation of actuarial guidelines and insurance conditions.

Life insurance risk – Risk insurance

Underwriting risk

Life insurance risk when underwriting assurance payable at death and disability insurance includes the risk that rates of mortality and sickness are underestimated or that claims settlement is overestimated in the assumptions used for calculating premiums. The operating expense risk is the risk that operating expenses are underestimated in the assumptions used for calculating premiums.

The consequence of erroneous premium assumptions is losses as the premium will not cover the policy's claims and operational expenses. The risks are managed through annual analysis of mortality, sick rates and operating expenses as the basis for any decision on changed premiums.

Concentration risk in connection with new policies refers to the risk of inadequate risk equalization due to too small a collective or uneven selection. The risk is managed through proactive efforts to achieve a mixed holding. The concentration risk is managed through placing health stipulations in connection with underwriting insurance with mortality or morbidity risks. These stipulations are most stringent for individually written policies where individual risk assessment is made. In certain cases a financial risk assessment is also made.

When writing new business risks are also managed through reinsurance. The reinsurance programme comprises both disaster reinsurance for accidents involving more than one death and individual reinsurance of assurance payable at death with elevated mortality risks and high death and illness risk totals. The reinsurance programme is reviewed on a continuous basis and is adjusted as necessary.

Provision risk

Life insurance risk when setting reserves for assurance payable at death and disability insurance includes the risk that rates of mortality and sickness are underestimated or that claims settlement is overestimated in the assumptions used for calculating reserves. Operating expense risk is the risk that operating expenses are underestimated in the assumptions used for calculating reserves. The insurance interest rate risk in connection with the calculation of provisions is, where applicable, the risk that the value of the liability will increase due to falling market interest rates.

If assumptions for the setting of reserves are erroneous the reserved claims expenses and operating expenses will be insufficient for the handling and payment of claims – reported or unreported – that are not finally settled. The risks when calculating reserves are managed through the continuous review of models and assumptions.

Changed legislation and regulations may mean that future claims trends will differ from historical trends. This, like changes in morbidity over time, complicates assessments of above all morbidity risks. The assessment of above all mortality risks can be complicated by major claims events as the reserve for non-reported claims is difficult to estimate.

In connection with the settlement of mortality and morbidity claims a risk assessment also takes place chiefly concerning so-called incorrect information, or whether the insured person fulfils the requirement in the condition to be covered by the policy.

Non-life insurance

Non-life insurance risk includes both disability insurance risks and accident risks.

Underwriting risk

The disability insurance risk when writing new business is the risk that sickness is underestimated and/or that recovery to health or mortality is overestimated in the assumptions used for calculating premiums. Accident risk when signing new business is the risk that the accident rate is underestimated in the assumptions used for calculating premiums. Operating expense risk when writing new business is the risk that operating expenses are underestimated in the assumptions used for calculating premiums.

The consequence of erroneous premium assumptions is that the premium will not cover the policy's claims and operational expenses. The risks are managed through annual analysis of mortality, sick rates, accident rates and operating expenses as the basis for any decision on changed premiums.

concentration risk is the risk of inadequate equalization due to too small a collective or or uneven selection. The risk is managed through proactive efforts to achieve a mixed holding. The concentration risk is managed through placing health stipulations in connection with underwriting insurance.

Provision risk

The disability insurance risk when setting reserves is the risk that sickness is underestimated and/or that recovery to health or mortality is overestimated in the assumptions used for calculating reserves. In the case of accident insurance there is a risk when calculating reserves that accident rates are underestimated in the assumptions used for calculating reserves. Operating expense risk when setting reserves is the risk that operating expenses are underestimated in the assumptions used for calculating reserves. If assumptions for the setting of reserves are erroneous the reserved claims expenses and operating expenses will be insufficient for the handling and payment of claims – reported or unreported – that are not finally settled. The risks when calculating reserves are managed through the continuous review of models and assumptions.

Changed legislation and regulations may mean that future claims trends will differ from historical trends. This, like changes in morbidity over time, complicates assessments of above all morbidity risks.

In connection with the settlement of claims a risk assessment also takes place chiefly concerning so-called incorrect information, or whether the insured fulfils the requirement in the condition to be covered by the policy.

Sensitivity analysis of the provision risk (assumptions in setting reserves)

The table illustrates how the actuarial provisions would change were mortality, morbidity or operating costs to change. The table shows the sensitivity in Folksam Life's total provisions for savings insurance and risk insurance alike. The sensitivity of actuarial provisions to interest rate changes is described in the section on financial risks.

The table only covers the parent company Folksam Life. The consolidated financial statements also includes two unit-linked insurance companies. The contracts in these companies are such that mortality assumptions can change during the insured period, for which reason these companies are not included in the sensitivity analysis below

Death probability is assumed to fall by 20 per cent. A fall in death probability entails reduced provisions for risk insurance and increased provisions for savings insurance. The table shows the balanced outcome.

Morbidity is stressed in that

- one-year sickness probability is increased by 50 per cent,
- the probability that sickness cases cease is reduced by 20 per cent and
- invalidity levels increase by 20 per cent.

The reserve provision for future operating expenses is assumed to increase by 10 per cent.

The analyses have been made without regard to any correlations between assumptions.

Parent company 2011, SEK million	Provisions, gross	Effect on earnings before tax	Effect on equity
Actuarial provisions, 31/12/2011	91 538		
Mortality	94 455	– 2 916	– 2 961
Morbidity	92 148	– 609	– 449
Expense inflation	92 295	– 756	– 755

Parent company 2010, SEK million	Provisions, gross	Effect on earnings before tax	Effect on equity
Actuarial provisions, 31/12/2010	73 375		
Mortality	75 039	– 1 664	– 1 712
Morbidity	74 061	– 685	– 505
Expense inflation	73 957	– 582	– 580

Concentrations of insurance risks

The major part of Folksam Life's commitments concern mortality risks and longevity risks.

Mortality risks are geographically spread in Sweden. Mortality risks are also spread across a great number of different policies. This is illustrated in the table below, which shows the number of insurance contracts and insured amounts for deaths at different amount intervals.

Group, SEK million	**2011**		**2010**	
Insured amount paid out in the event of death	Number of policies	Total insured amount	Number of policies	Total insured amount
Fewer than 20 price base amounts	3 848 165	369 543	3 942 150	318 260
20-30 price base amounts	12 225	16 560	13 629	12 921
30-45 price base amounts	2 327	5 178	2 306	3 528
45-60 price base amounts	705	2 226	805	1 631
more than 60 price base amounts	728	3 383	702	2 558
	3 864 150	396 890	3 959 592	338 898

Parent company, SEK million	**2011**		**2010**	
Insured amount paid out in the event of death	Number of policies	Total insured amount	Number of policies	Total insured amount
Fewer than 20 price base amounts	3 690 268	318 419	3 797 800	318 260
20-30 price base amounts	12 180	12 169	13 600	12 921
30-45 price base amounts	2 318	3 783	2 300	3 528
45-60 price base amounts	702	1 586	800	1 631
more than 60 price base amounts	726	2 718	700	2 558

Folksam Life's exposure to longevity risks and thus to changes in mortality trends are shown in the table below. The actuarial provisions for policies that are paid out under the condition that the insured is alive is distributed here between different age groups.

Group, SEK million	**2011**		**2010**	
Policyholder's current age	Actuarial provisions	%	Actuarial provisions	%
0-30	171	0	169	0
30-40	2 362	4	1 437	4
40-50	11 142	20	7 233	17
50-60	17 320	31	13 117	31
60-70	18 671	33	15 400	37
70-80	4 808	9	3 530	8
Older than 80	1 510	3	1 170	3
	55 984	100	42 056	100

Parent company, SEK million	**2011**		**2010**	
Policyholder's current age	Actuarial provisions	%	Actuarial provisions	%
0-30	160	0	165	0
30-40	2 166	4	1 296	3
40-50	10 648	20	6 946	17
50-60	16 706	31	12 746	31
60-70	17 886	33	15 115	37
70-80	4 719	9	3 520	9
Older than 80	1 510	3	1 170	3
	53 795	100	40 958	100

Just over half of Folksam Life's actuarial provisions corresponded to policies with longevity risks in 2011. It is very important that longevity trends among the insured are monitored and that mortality assumptions used to calculate the actuarial provisions are modified on a continuous basis.

Actual claims demand compared to previous estimates

The tables below show the estimated total gross and net expenses for unsettled claims, reported and unreported alike, at the end of each claims year. The tables also show disbursements attributable to these claims. The discount effect is shown at the bottom of each table.

Total provision for unsettled claims reported in this table constitutes 94 per cent of the total provisions for unsettled claims in the company. Operations included are group life insurance, occupational group life insurance, premium exemption insurance and disability insurance. The tables only covers the parent company Folksam Life.

Operations subject to mergers or portfolio transfers are only included from the time following the mergers or portfolio transfer.

Parent company, SEK million	All previous years	2006	2007	2008	2009	2010	2011	Total
Before reinsurance								
Estimated final claims expense at the end of the claims year (gross)		1 799	1 569	1 701	2 095	2 191	1 657	
One year later		1 626	1 634	1 501	1 718	1 337		
Two years later		1 730	1 532	1 489	1 282			
Three years later		1 644	1 436	1 285				
Four years later		1 566	1 404					
Five years later		1 539						
Estimated final claims expense 31/12/2011		1 539	1 404	1 285	1 282	1 337	1 657	
Accumulated disbursed insurance claims		1 437	1 296	1 202	1 177	1 093	896	
Provision for unsettles claims, excluding claims management reserve	873	102	108	83	105	245	761	2 277
Claims management reserve								92
Accumulated surplus/loss		260	166	416	812	853		
Ditto as % of the initial claim expense		14	11	24	39	39		
Discount effect								– 214
Reconciliation against balance sheet								
Unsettled claims according to this table								2 369
Unsettled claims for operations not included in the above table								139
Total provisions for unsettled claims according to the balance sheet (gross)								2 508
Proportion included in table								94%

Parent company, SEK million	All previous years	2006	2007	2008	2009	2010	2011	Total
After reinsurance								
Estimated final claims expense at the end of the claims year (net)		1 797	1 569	1 700	2 094	2 186	1 646	
One year later		1 624	1 633	1 500	1 717	1 334		
Two years later		1 728	1 531	1 489	1 281			
Three years later		1 642	1 436	1 285				
Four years later		1 564	1 404					
Five years later		1 536						
Estimated final claims expense 31/12/2011		1 536	1 404	1 285	1 281	1 334	1 646	
Accumulated disbursed insurance claims		1 436	1 296	1 202	1 177	1 092	896	
Provision for unsettles claims, excluding claims management reserve	867	100	108	83	105	242	750	2 255
Claims management reserve								92
Accumulated surplus/loss		260	165	415	812	852		
Ditto as % of the initial claim expense		14	11	24	39	39		
Discount effect								– 211
Reconciliation against balance sheet								
Unsettled claims according to this table								2 347
Unsettled claims for operations not included in the above table								139
Total provisions for unsettled claims according to the balance sheet (net)								2 486
Proportion included in table								94%

Financial risks

Financial risks include the risk categories market risk, credit risk, concentration risk, liquidity risk and matching risk.

The market risk category is defined as the risk of the net value of assets and liabilities falling as a result of changes in market prices. Market risk includes the risk types:

- **Interest rate risk**, defined as the risk of the net value of assets and liabilities falling as a result of changes in market interest rates.
- **Stock price risk**, defined as the risk of the net value of assets and liabilities falling as a result of changes in stock prices.
- **Property price risk**, defined as the risk of the net value of assets and liabilities falling as a result of changes in property prices.
- **Exchange rate risk**, defined as the risk of the net value of assets and liabilities falling as a result of changes in exchange rates.
- **Other market risks**, defined as the risk of the net value of assets and liabilities falling as a result of market changes not included in the above market risks.

The **credit risk** category is divided into the risk types:

- **Spread risk**: the risk that interest-bearing investments with credit risks lose value as a result of changes in the spread of risk-free investments.
- **Counterparty risk**: the risk that a counterparty is unable to fulfil his obligations and that any securities will not cover the receivable which will lead to credit losses.

Concentration risk refers to the risk of concentrations of risk on the asset or liabilities side that can lead to losses or negative earnings trends in unfavourable market conditions or events. Concentration risk can apply to several risk categories.

Liquidity risk refers to the risk of not being able to fulfil payment obligations on the due date without a considerable increase in expenses for obtaining the means of payment.

The **matching risk** category is defined as the risk that the net value of the company's assets and liabilities will fall if the composition of assets does not correspond to that of liabilities. Matching risk can apply to several risk categories.

Managing financial risks

The board bears the ultimate responsibility for the management of the company's assets and sets the operational framework and guidelines. The MD is responsible for the management of the company's assets within the framework and directions given by the board and for the supervision of investment guidelines. The finance committee is the MD's forum for the follow-up of asset management and decisions concerning risk management.

Asset management in Folksam is organized so that it is responsible for day-to-day financial risk management and proposes investment policy. The department is also responsible for all derivative handling with the objective of managing risk within 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 regulations. The management of directly owned properties and alternative investments is handled by two separate departments within the Folksam organization. The department for alternative investment is also responsible for the management of indirectly owned properties. Day-to-day shareholding and interest rate management and securities administration is handled by Swedbank Robur.

In order to create independent risk control, follow-up has been organized as described below:

- Folksam's asset management is responsible for proposing investment policy for the board and for day-to-day asset management.
- The Head of Compliance bears chief responsibility for ensuring that follow-up takes place on a daily basis within the boundaries set by the board in investment policy, investment and fund regulations and that infringements are reported to the board and MD in the company concerned.
- Swedbank Robur is responsible for daily control of current investment regulations and that the result of such checks are reported to the Compliance department, Risk department and Folksam's asset management.

Management principles

The objective of asset management is to achieve the highest possible real rates of return under prevailing risk and investment restrictions. At a minimum it shall involve an annual real rate of return of three per cent on average measured over a period that corresponds to the insurance contract's average maturity. Folksam places great emphasis on security in pension investments. The board has expressly stated that the risk level in the company may not be so high as to prevent a green light in the Financial Supervisory Authority model. Folksam's vision is to contribute to a sustainable society in which the individual feels secure. Folksam places ethical demands on companies it invests in as a step towards achieving this vision.

Principles for adopting investment policy

Input data comprises among other things assets, liabilities and their characteristics such as anticipated returns, risks and correlations, and forecasts for the development of insurance operations. Optimization of the total asset portfolio is carried out based on the fact that the company must cope with very weak financial market trends. Compliance with legal restrictions regarding liability coverage and solvency has the highest priority when selecting investment policy. Special consideration must also be given to the Financial Supervisory Authority's traffic light model. Only then may the company's internal risk preferences and business objectives be considered. The investment policy approved then serves as the basis for asset management. Administrators may, within certain boundaries, deviate from the investment policy if it is considered beneficial for returns.

Portfolio structure

The total asset portfolio in Folksam Life consists of six sub portfolios – equities, interest, properties, alternative investments, hedging instruments and strategic company holdings. Hedging instruments are investments whose main purpose is to match investment risks in commitments, e.g. interest rate swaps to reduce balance sheet interest rate sensitivity. Strategic company holdings are holdings that are considered to be of special strategic value to the company. The board alone may take decisions regarding investments of this nature. A typical example of such an investment is equity in a subsidiary.

Credit risk

As a matter of policy the company only permits investments in securities with high creditworthiness. Credit and counterparty risk in this part of the operation is therefore considered to be very small. The maximum credit risk (after deductions for the value of securities) the company is exposed to for different categories of financial assets is shown in the following table.

	2011			2010		
Group Maximum credit risk exposure, SEK million	**Gross**	**Received securities**	**Net**	**Gross**	**Received securities**	**Net**
Asset category						
Interest-bearing securities issued by, and loans to Group companies	–	–	–	–	–	–
Bonds and other interest-bearing securities	76 058	–	76 058	65 698	–	65 698
Loans guaranteed by mortgages	–	–	–	–	–	–
Other loans	708	270	438	603	271	332
Derivatives	780	–	780	1 394	–	1 394
Other financial investment assets	230	–	230	14	–	14
Receivables	949	–	229	930	–	930
Accrued interest income	1 437	–	1 437	1 283	–	1 283

	2011			2010		
Parent company Maximum credit risk exposure, SEK million	**Gross**	**Received securities**	**Net**	**Gross**	**Received securities**	**Net**
Asset category						
Interest-bearing securities issued by, and loans to, Group companies	354	–	354	354	–	354
Interest-bearing securities issued by, and loans to, associated companies	437	–	437	–	–	–
Bonds and other interest-bearing securities	75 746	–	75 746	65 381	–	65 381
Loans guaranteed by mortgages	–		–	0	–	0
Other loans	708	270	438	603	271	332
Derivatives	780	–	780	1 394	–	1 394
Other financial investment assets	230	–	230	14	–	14
Receivables	949	–	949	930	–	930
Accrued interest income	1 438	–	1 438	1 277	–	1 277

Credit quality of financial asset categories, SEK million	AAA	AA	A	BBB	BB	No rating	Total
Group 2011							
Bonds and other interest-bearing securities (including accrued interest income)	69 834	2 201	3 357	285	–	1 757	77 435

Other financial assets have no rating

Credit quality of financial asset categories, SEK million	AAA	AA	A	BBB	BB	No rating	Total
Group 2010							
Bonds and other interest-bearing securities (including accrued interest income)	61 474	2 880	667	283	–	1 582	66 886

Other financial assets have no rating

Credit quality of financial asset categories, SEK million	AAA	AA	A	BBB	BB	No rating	Total
Parent company 2011							
Bonds and other interest-bearing securities (including accrued interest income)	69 834	2 201	3 357	285	–	1 445	77 122

Other financial assets have no rating

Credit quality of financial asset categories, SEK million	AAA	AA	A	BBB	BB	No rating	Total
Parent company 2010							
Bonds and other interest-bearing securities (including accrued interest income)	61 474	2 880	667	283	–	1 264	66 569

Other financial assets have no rating

The carrying amount of the financial assets that otherwise would be reported as mature or impaired and whose conditions have been renegotiated, or which are either mature or impaired was negligible on closing date.

Concentration risk

The company's greatest concentration risk consists of its shareholding in Swedbank. This concentration risk is considered when deciding on investment policy, especially when putting together the company's share portfolios. Other concentration risks are considered to be low in relation to market risks, partly because of the creditworthiness required for an investment to be implemented, and also because of the diversification that arises trough the company's investment policy. In general, investments must be able to be used as liability cover which also means that the risk for excessive individual exposure is kept low.

Significant concentrations of credit risk

Group 2011	Total	Of which secured housing bonds
Swedbank	21 558	
SHB	14 759	
Nordea	10 596	
SBAB	3 541	
SEB	3 423	
Landshypotek	1 249	
Volvo	1 150	
Hennes & Mauritz	1 089	
Robur Fonder AB	1 198	
Goldman Sachs	1 007	

Group 2010	Total	Of which secured housing bonds
Swedbank	17 446	6 824
SHB	12 319	12 320
Nordea	8 309	8 006
SBAB	3 923	3 923
SEB	2 661	2 507
Landshypotek	1 348	1 348
Volvo	1 683	–
Hennes & Mauritz	1 284	–
Telia Sonera	1 020	–

Parent company 2011	Total	Of which secured housing bonds
Swedbank	20 449	10 021
SHB	14 759	14 759
Nordea	10 371	10 368
SBAB	3 541	3 541
SEB	3 079	2 960
Landshypotek	1 249	1 249
Hennes & Mauritz	1 089	–
Volvo	1 150	–
Robur Fonder AB	1 198	–
Goldman Sachs	1 007	–

Parent company 2010	Total	Of which secured housing bonds
Swedbank	16 135	6 824
SHB	12 319	12 320
Nordea	8 015	8 006
SBAB	3 923	3 923
SEB	2 576	2 507
Landshypotek	1 348	1 348
Hennes & Mauritz	1 284	–
Ericsson	1 232	–
Telia Sonera	1 020	–
Volvo	1 683	–

Credit risk in reinsurer receivables

The insurance company's reinsurance policy means that contracts may only be signed with reinsurers with credit rating A or higher. Reinsurer creditworthiness is reviewed regularly in order to ensure that the approved reinsurance cover is maintained. The maximum credit risk exposure that reinsurance assets give rise to for the parent company on the closing date amounts to SEK 18 million (6) in receivables from reinsurers and SEK 22 million (16) in the reinsurer's share of actuarial provisions and SEK 16 million (0) and SEK 39 million (32) for the Group.

Liquidity risks

The company's liquidity risk is considered to be negligible in the overall risk picture. By investing assets chiefly in quoted securities with high liquidity the investment strategy ensures that the quantity of liquid assets exceeds the company's anticipated payment obligations by a comfortable margin. On the closing date listed securities constituted 86 per cent (90) of investment assets of which holdings in interest-bearing investments issued by the Swedish state corresponded to 23 per cent (20), equivalent to SEK 25,942 million (22,725).
The average duration of interest-bearing assets amounted to 8.5 years (6.8).

The average financial duration for insurance liabilities for the entire Folksam Life holding was 15.9 years as of 31/12/2011. This information concerns 94 per cent of the actuarial provisions. Equivalent data are not provided for the Group as additional liquidity risk is deemed to be marginal.

Market risks

Interest rate risk

Life insurance provisions that refer to conventional life insurance with equalized bonuses/pension supplements are discounted at market interest rates. Because insurance policies run for very long periods it follows that sensitivity to changes in interest rates is significant.

Folksam Life adapts its risk-taking so that the company's finances are not affected to the full extent by interest rate changes. This takes place chiefly through different types of interest derivatives (hedging instruments). If interest rates fall the value of the hedging instruments rises thus reducing the effect the interest rate movement has on commitments. The effect is the converse should interest rates rise – the hedging instrument will have a negative trend but the company will be compensated by a reduced liability burden.

The following table illustrates how the company is exposed to interest rate risk from fixed-interest terms in interest-bearing assets and liabilities;

Group 2011 fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	0–5 years	5–15 years	15 years–	Total
Assets				
Bonds and other interest-bearing securities (incl. accr. interest income)	55 708	18 713	2 702	77 123
Other interest-bearing financial instruments, net	4 324	0	1	4 325
Other loans including loans issued to subsidiaries	1 297	30	0	1 327
Total	**61 329**	**18 743**	**2 703**	**82 775**
Liabilities and provisions				
Life insurance actuarial provisions, occupational pensions business	9 073	12 757	19 827	41 657
Life insurance actuarial provisions, other life insurance	11 606	14 393	19 594	45 593
Total life insurance actuarial provisions	**20 679**	**27 150**	**39 421**	**87 250**

No table is provided for the parent company as the difference in interest rate exposure compared to the Group is small.

Group 2010 fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	0–5 years	5–15 years	15 years–	Total
Assets				
Bonds and other interest-bearing securities (incl. accr. interest income)	50 482	14 409	1 677	66 569
Other interest-bearing financial instruments, net	– 3 524	3 752	435	663
Other loans including loans issued to subsidiaries	747			747
Total	**47 706**	**18 161**	**2 112**	**67 979**
Liabilities and provisions				
Life insurance actuarial provisions, occupational pensions business	7 116	10 292	15 231	32 639
Life insurance actuarial provisions, other life insurance	11 070	12 057	13 288	36 416
Total life insurance actuarial provisions	**18 186**	**22 350**	**28 519**	**69 054**

No table is provided for the parent company as the difference in interest rate exposure compared to the Group is small.

	Group		Parent company	
Sensitivity analysis – interest rate risk, SEK million	**2011**	**2010**	**2011**	**2010**

Risk parameter				
Reduction of market interest rate				
Increase in value, interest-bearing assets	3 084	3 712	3 084	3 710
Increase in carrying amount of interest-bearing liabilities				
(including insurance liabilities)	– 6 034	– 9 040	– 6 034	– 9 040
Net impact, earnings before tax	– 2 950	– 5 329	– 2 950	– 5 330
Net impact, equity	– 3 024	– 5 406	– 3 024	– 5 408

The interest rate changes calculated for the 2011 sensitivity analysis for nominal and real market rates are reductions of 0.49 (0.98) and 0.07 (0.42) percentage points respectively . These levels are also used in calculations for the Financial Supervisory Authority traffic light.

Exchange rate risk

The company's currency exposure before and after hedging with derivatives is shown in the table below.

Group 2011 Currency exposures	USD	GBP	CAD	CHF	Other
Investment assets					
Shares and participations	5 534	923	453	370	3 513
Property					210
Bonds and other interest-bearing securities					601
Other assets	1 279	8	2	1	3 055
Total assets	6 814	931	455	371	7 379
Other liabilities and provisions	– 43				– 604
Net exposure before financial hedging with derivatives	6 771	931	455	371	6 775
Nominal value, forward exchange rate contracts	1 130	– 16	170	89	– 6 855
Net exposure after financial hedging with derivatives	7 901	915	625	460	– 80

Group 2010 Currency exposures	USD	EUR	CAD	AUD	Other
Investment assets					
Shares and participations	7 475	2 538	695	501	3 518
Property	–	176	–	–	–
Bonds and other interest-bearing securities	–	1 376	–	–	–
Other assets	648	1 530	2	1	13
Total assets	8 123	5 620	697	502	3 531
Other liabilities and provisions	– 1	– 1 284	–	–	–
Net exposure before financial hedging with derivatives	8 122	4 336	697	502	3 531
Nominal value, forward exchange rate contracts	– 2 096	– 3 547	– 1	–	– 2 301
Net exposure after financial hedging with derivatives	6 026	789	696	502	1 230

No table is provided for the parent company as the difference in interest rate risk compared to the Group is small.

Sensitivity analysis – currency risk

An unfavourable change of 10 per cent in the company's net exposure to each currency (after financial hedging with derivatives) will affect earnings before tax as shown in the following table.

Group, SEK million	2011		2010	
Currency	Profit/loss before income tax	Effect on equity	Profit/loss before income tax	Effect on equity
USD	– 790		– 603	
EUR	–		– 79	
GBP	– 92			
JPY				
CHF	– 46			
CAD	– 63		– 70	
AUD			– 50	
Others	8		– 123	
Total	– 983	– 971	– 925	– 901

Sensitivity analysis – share price risk, property price risk and other market risk
The table below shows the effect of a fall of 40 per cent in the price of Swedish share and participations, and a fall of 35 per cent in respect of foreign shares and properties. These stress levels are also used in the Financial Supervisory Authority traffic lights. Where applicable the effect of the exposure on listed equities has been affected by equity derivative holdings. The comparative figures for 2010 have been adjusted as the basis for the calculations has changed.

Group, SEK million	**2011**		**2010**	
	Effect on earnings before tax	Effect on equity	Effect on earnings before tax	Effect on equity
Shares	– 9 464		–14 921	
Property	– 3 077		– 619	
Shares in Group companies and subsidiaries not consolidated	– 926		– 2 843	
Total	– 13 467	– 13 125	– 18 383	– 17 959

Parent company, SEK million	**2011**		**2010**	
	Effect on earnings before tax	Effect on equity	Effect on earnings before tax	Effect on equity
Shares	– 9 368		– 14 764	
Property	– 3 009		– 2 740	
Shares in Group companies and associated companies	– 1 122		– 1 116	
Total	– 13 499	– 13 161	– 18 620	– 18 175

The company's exposure to unlisted equities is described in Note 27.

Operational risks

Operational risks consist chiefly of risks within the business such as operational risks, commercial risks, strategic risks, and reputational risks.

- **An operational** risk is defined as a risk of losses as a result of erroneous or ineffective internal processes and procedures, human error, faulty systems or external events including legal risks. An operational risk is thus a possible event that leads to or may lead to a loss for the business. The loss may be as a result of faulty or ineffective internal processes and procedures, human error, faulty systems or external events including departures from contracts. Operational risks are thus to be avoided and kept as low as possible. Risk-taking must be limited within the framework for what is economically justifiable. Measures must be implemented to reduce all exposure that is not considered acceptable.
- **Commercial risk** is defined as the risk of losses or negative earnings trends resulting from changed commercial conditions, competitive situation and the inability to react to trends or changes in the industry.
- **Strategic risk** is defined as the risk of losses or negative earnings trends resulting shortcomings in commercial decisions, failures in the implementation of commercial decisions or the inability to meet market changes and shortcomings in the MD's and boards' planning, organization, follow-up and operational control. It refers also to the risk of an unanticipated outcome due to shortcomings in the MD's and boards' planning, organization, follow-up and operational control. The strategic risks are managed in the first instance by Group management and the boards. The choice of commercial strategies and collaborative partners, resource allocation and business acquisitions are examples of strategic risks.
- **Reputational risks** are defined as the risk of significant financial losses resulting from a loss of standing with customers, partners and authorities. Examples of causes that may contribute to negative publicity are product changes, internal criminality, non-compliance with internal and external regulations, major loss events, unclear information, inadequate crisis management and events associated with sponsorship. Should any of the above occur it could have consequences for the Folksam brand and our financial results.
- **Compliance risk** is defined as the risk of judicial sanctions, supervisory sanctions financial losses or reputational losses resulting from operational non-compliance with current legislation and enactments, regulations or other external and internal rules.

Managing operational risks

The identification of operational risks, commercial risk, strategic risks and reputational risks is included as part of the operational planning process. The identification and valuation of these risk categories takes place primarily through self-evaluation where a qualitative assessment of probability of a risk occurring and its effects is made. In order to control and reduce the risks measures are created for both risk prevention and management. All risks are allocated a risk owner and a person in charge of measures who is responsible for e.g. monitoring risks on a continuous basis.

Information about realized risks is collected systematically in Folksam's incident reporting system. Incidents reported are categorized and evaluated and information about these incidents forms an important part of the above-mentioned self-evaluation. By managing these risks in a coordinated, structured manner the organization's ability to achieve its goals increases.

Note 3.

Premiums written before reinsurance, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Non-life business				
Paid-in and credited premiums	694	700	694	700
Life insurance operations				
Paid-in and credited premiums	6 507	5 710	6 470	5 677
Premiums from allocated bonuses	0	0	0	0
Premium tax	– 21	– 29	– 20	– 29
	6 486	5 681	7 144	5 648
Premium income for direct life insurance				
Premiums for individual life insurance	2 623	1 994	2 623	1 994
Group insurance premiums	3 806	3 647	3 806	3 647
Premium income for direct life insurance				
Periodic premiums	5 483	5 086	5 483	5 086
One-time premiums	946	555	946	555
Premium income for direct life insurance				
Premiums for contracts eligible for bonuses	5 603	4 713	5 603	4 713
Premiums for contracts ineligible for bonuses	826	928	826	928

Note 4.

Investment income, SEK million	2011	2010	2011	2010
Rental income from buildings and land	356	548	190	187
Dividends received	1 050	686	1 176	786
of which profit-sharing and dividends from Group companies	–	–	126	100
Interest income, etc.				
Group companies	–	–	15	5
Bonds and other interest-bearing securities	2 314	1 923	2 314	1 924
Other interest income	152	45	129	39
of which from financial assets not measured at fair value with changes in value reported via the income statement	141	50	141	50
Reversed impairment charges				
Shares and participations	–	–	154	–
Exchange rate gains, net	356	–	356	–
Capital gains, net				
Buildings and land	8	–	–	–
Shares and participations	–	267	–	267
Bonds and other interest-bearing securities	3 299	2 778	3 299	2 778
	7 535	**6 248**	**7 633**	**5 986**

Investment income, SEK million (cont.)	2011	2010	2011	2010
Return on capital, reported in Life Insurance operation	7 419	6 173	7 517	5 911
Non-technical accounts in respect of non-life business	116	75	116	75
	7 535	6 248	7 633	5 986
Non-technical accounts in respect of other Group companies	65	53	–	–
	7 600	6 301	–	–
Operational leasing agreements (lessor)				
Operational leasing where the company is the lessor refers to income from premises.				
Maturity, total future minimum leasing fees				
<1 year	499	241	151	139
1-5 years	949	949	283	365
<5 years	504	700	28	44
Total	**1 952**	**1 890**	**462**	**548**
Total leasing fees for the period	644	599	164	108
of which minimum leasing fees	584	290	138	91
of which variable fees	60	309	26	17

Note 5.

Increase in value of other investment assets, SEK million	2011	2010	2011	2010
Buildings and land	541	389	234	68
Shares and participations	–	5 086	–	5 086
Bonds	4 329	–	4 329	–
Other financial investment assets	2	9	0	–
	4 872	5 484	4 563	5 163
Increase in value of other investment assets reported in				
Life insurance operation	4 801	5 417	4 492	5 096
Non-technical accounts in respect of non-life business	71	67	71	67
	4 872	5 484	4 563	5 163
Non-technical accounts in respect of other Group companies	15	3	–	–
	4 887	5 487	–	–

Note 6.

Other technical income, SEK million	2011	2010	2011	2010
Fees in respect of investment contracts	228	219	8	6
Policyholder tax	212	190	–	–
Reimbursement of expenses	187	125	–	–
Other	28	57	–	–
	655	**591**	**8**	**6**

Note 7.

Claims disbursed, SEK million	2011	2010	2011	2010
Non-life business				
Claims disbursed	– 139	– 98	– 140	– 98
Claims management expenses	– 6	– 3	– 6	– 3
Reinsurer's share	–	–	–	–
	– 146	– 101	– 146	– 101
Life insurance operations				
Claims disbursed	– 5 973	– 5 797	– 5 156	– 5 185
Surrenders and repurchases	– 199	– 195	– 199	– 195
Claims management expenses	– 46	– 47	– 44	– 43
Reinsurer's share	5	3	5	3
	– 6 213	– 6 036	– 5 394	– 5 420

Note 8.

Changes in other technical provisions net of reinsurance,SEK million	2011	2010	2011	2010
Life insurance provisions				
Before reinsurance	– 18 228	400	– 18 228	400
Reinsurer's share	–	–	–	–
	– 18 228	400	– 18 228	400
Actuarial provisions for life insurance policies for which the policyholder bears the risk				
Conditional bonuses				
Before reinsurance	9	– 6	9	– 6
Reinsurer's share	–	–	–	–
Unit-linked insurance commitment				
Before reinsurance	4 302	– 4 922	35	– 12
Reinsurer's share	–	–	–	–
	4 311	– 4 928	44	– 18

Note 9.

	Group		Parent company	
Operating expenses, SEK million	**2011**	**2010**	**2011**	**2010**
Non-life business				
Acquisition expenses[1)]	– 25	– 25	– 25	– 25
Changes in pre-paid acquisition expenses	–	–		–
Administration expenses	– 44	– 43	– 44	– 43
Commissions and profit sharing in reinsurance	–	–		–
	–69	– 68	– 69	– 68
1) Of which commissions in direct insurance	–	–	–	–
Other operating expenses				
Claims settlement expenses included in Claims disbursed	– 6	– 3	– 6	– 3
Financial administration expenses included in Return on capital, expenses	– 2	– 2	– 2	– 2
Property management expenses included in Return on capital, expenses	0	–	0	–
Other operating expenses	– 69	– 68	– 69	– 68
Total, operating expenses	**– 77**	**– 73**	**– 77**	**– 73**
Total operating expenses presented by type of expense				
Personnel costs, etc.	– 54	– 49	– 54	– 49
Costs of premises, etc.	– 4	– 5	– 4	– 5
Depreciations, etc.	0	0	0	0
Other	– 19	– 19	– 19	– 19
	– 77	– 73	– 77	– 73
Life insurance operation				
Acquisition expenses[1)]	– 475	– 407	– 206	– 134
Change in pre-paid acquisition expenses	– 47	90	– 10	– 1
Administration expenses	– 504	– 541	– 340	– 348
Commissions and profit sharing in reinsurance	5	2	2	2
	– 927	– 856	– 554	– 481
1) Of which commissions in direct insurance	– 164	– 154	– 36	– 20

Operating expenses, SEK million (cont.)	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Other operating expenses				
Claims settlement expenses included in Claims disbursed	– 44	– 47	– 44	– 43
Financial administration expenses included in Return on capital, expenses	– 93	– 92	– 93	– 90
Property management expenses included in Return on capital, expenses	– 5	– 5	– 5	– 5
Other operating expenses	– 927	– 814	– 554	– 481
Total, operating expenses	**– 1 069**	**– 958**	**– 696**	**– 619**
Total operating expenses presented by type of expense				
Personnel costs, etc.	– 485	– 417	– 480	– 413
Costs of premises, etc.	– 43	– 42	– 43	– 42
Depreciations, etc.	0	0	0	0
Other	– 541	– 499	– 173	– 164
	– 1 069	– 958	– 696	– 619
Operational leasing agreements (lessee)				
Operational leasing where the company is the lessee refers chiefly to expenses for premises.				
Maturity, total future minimum leasing fees				
<1 year	– 50	– 28	– 11	– 16
1-5 years	– 113	– 50	– 19	– 43
<5 years	– 25	– 50	–	0
Total	**– 188**	**– 128**	**– 30**	**– 59**
Total leasing fees for the period	– 13	– 19	– 13	– 19
of which minimum leasing fees	– 11	– 16	– 11	– 16
of which variable fees	– 2	– 3	– 2	– 3
Fees and expense reimbursements to auditors				
KPMG				
Audit assignment	– 8	– 6	– 7	– 5
Audit activities in addition to audit assignment			–	
Other assignments	–	– 1	–	– 1
Tax advice	–	0	–	0
Other services	0	–	0	–
Others				
Audit assignment	0	0	0	0
Total fees and expense reimbursements to auditors	– 8	– 7	– 7	– 6

Note 10.

Return on capital, expenses, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Operating expenses, buildings and land	– 77	– 306	– 77	– 82
Asset management expenses[1]	– 95	– 92	– 95	– 92
Interest expenses, etc.				
Group companies	–	–	0	0
Property loans	0	0	0	0
Other interest expenses	– 60	– 9	– 8	– 8
of which from financial liabilities not measured at fair value with changes in value reported via the income statement	– 2	– 1	– 2	– 1
Exchange rate losses, net	–	– 212	–	– 212
Depreciations and impairment charges				
Shares and participations	– 100	–	– 105	– 67
Capital losses, net				
Shares and participations	– 734	–	– 734	–
Interest-bearing securities	–	0	–	–
Other financial investment expenses	–	– 19	– 26	– 19
	– 1 068	– 639	– 1 045	– 480
Return on capital, expenses reported in Life insurance operation	– 1 057	– 631	– 1 034	– 472
Non-technical accounts in respect of non-life business	– 11	– 8	– 11	– 8
	– 1 068	– 639	– 1 045	– 480
Non-technical accounts in respect of other Group companies	– 71	– 43	–	–
	– 1 139	– 682	–	–

Note 11.

Decrease in value of other investment assets, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Buildings and land	– 11	–	–	–
Shares and participations	– 4 139	– 17	– 4 139	–
Bonds and other interest-bearing securities	–	– 1 740	–	– 1 740
Other financial investment assets	– 2	–	–	–
	– 4 152	– 1 757	– 4 139	– 1 740
Decrease in value of other investment assets reported in the life insurance business	– 4 080	– 1 736	– 4 067	– 1 719
Non-technical accounts in respect of non-life business	– 72	– 21	– 72	– 21
	– 4 152	– 1 757	– 4 139	– 1 740
Non-technical accounts in respect of other Group companies	– 7	– 11	–	–
	– 4 159	– 1 768	–	–

Note 12. Net profit/loss per financial instrument category

Group, 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to Group companies	–	–	49	49
Shares and participations	– 2 182	–	–	– 2 182
Bonds and other interest-bearing securities	6 532	–	–	6 532
Other loans	–	–	28	28
Derivates, net	–	2 090	–	2 090
Other financial investment assets	–	–	65	65
Investment assets for which life insurance policyholders bear investment risk.	– 4 302	–	–	– 4 302
Other receivables	–	–	51	51
Accrued income				
Total	**48**	**2 090**	**193**	**2 331**
Financial liabilities				
Derivates, net	–	–	–	–
Other liabilities	–	–	– 77	– 77
Accrued expenses	–	–	–	–
Total	**–**	**–**	**– 77**	**– 77**
Group, 2010				
Financial assets				
Interest-bearing securities issued by, and loans to Group companies	–	–	–	–
Shares and participations	5 265	–	–	5 265
Bonds and other interest-bearing securities	1 435	–	–	1 435
Other loans	–	–	25	25
Derivates, net	–	2 151	–	2 151
Other financial investment assets	–	–	31	31
Investment assets for which life insurance policyholders bear investment risk.	4 872	–	–	4 872
Other receivables	–	–	12	12
Accrued income	–	–	–	–
Total	**11 572**	**2 151**	**68**	**13 791**
Financial liabilities				
Derivates, net	–	–	–	–
Other liabilities	–	–	117	117
Accrued expenses	–	–	–	–
Total	**–**	**–**	**117**	**117**

Financial assets measured at fair value via the income statement

Note 12. Net profit/loss per financial instrument category (cont.)

Parent company, 2011 Financial assets, SEK million	Assets determined to be-long to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to Group companies	–	–	49	49
Shares and participations	– 2 174	–	–	– 2 174
Bonds and other interest-bearing securities	6 520	–	–	6 520
Other loans	–	–	28	28
Derivates, net	–	2 090	–	2 090
Other financial investment assets	0	–	65	65
Investment assets for which life insurance policyholders bear investment risk.	– 35	–	–	– 35
Other receivables	–	–	55	55
Total	**4 311**	**2 090**	**197**	**6 598**
Financial liabilities				
Other liabilities	–	–	– 70	– 70
Total	**–**	**–**	**– 70**	**– 70**
Net financial assets and liabilities	4 311	2 090	127	6 528

Parent company, 2010 Financial assets				
Interest-bearing securities issued by, and loans to Group companies	–	–	9	9
Shares and participations	5 252	–	–	5 252
Bonds and other interest-bearing securities	1 441	–	–	1 441
Other loans	–	–	25	25
Derivates, net	–	2 151	–	2 151
Other financial investment assets	9	–	22	31
Investment assets for which life insurance policyholders bear investment risk.	12	–	–	12
Other receivables	–	–	11	11
Total	**6 714**	**2 151**	**68**	**8 932**
Financial liabilities				
Other liabilities	–	–	– 118	– 118
Total	**–**	**–**	**– 118**	**– 118**
Net financial assets and liabilities	6 714	2 151	– 50	8 814

Note 13.

Appropriations	Group 2011	Group 2010	Parent company 2011	Parent company 2010

Note 14.

Taxes	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Current tax expense	– 341	– 204	– 738	– 627
Deferred tax expense	– 114	– 145	– 30	– 77
	– 455	– 349	– 768	– 704
Specification of current tax expense				
Policyholder tax	–	–	– 416	– 435
Current tax expense in respect of operations subject to income tax				
Tax expense for the period	– 342	– 208	– 323	– 196
Adjustment of tax expense attributable to previous years	1	4	1	4
Total current tax expense in respect of income tax	**– 341**	**– 204**	**– 322**	**– 192**
Total current tax expense	**– 341**	**– 204**	**– 738**	**– 627**
Specification of deferred tax expense/revenue				
Deferred tax in respect of temporary differences	– 31	– 74	– 30	– 77
Deferred tax in respect of untaxed reserves	– 82	– 69	–	–
Deferred tax effect on properties and pensions	– 1	– 2	–	–
Total deferred tax expense/revenue	**– 114**	**– 145**	**– 30**	**– 77**
Tax regarding income tax				
Current tax regarding income tax	– 341	– 204	– 322	– 192
Deferred tax	– 114	– 145	– 30	– 77
Total tax for operations subject to income tax	**– 455**	**– 349**	**– 352**	**– 269**
Reconciliation of effective tax rate regarding income tax				
Profit/loss before income tax	– 9 371	8 948	– 10 415	8 630
Less result of operations subject to policyholder tax	11 442	– 7 894	11 689	– 7 664
Total result for operations subject to income tax	**2 071**	**1 054**	**1 274**	**966**

Taxes (cont.)	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Tax according to applicable tax rate for the Group/parent company (26.3%).	– 545	– 277	– 335	– 254
Other non-deductible expenses/tax-exempt income	103	– 72	– 4	– 10
Tax effect attributable to previous years and changed tax rates	– 19	– 5	– 13	– 5
Tax effect as a result of exercised loss carryforward	–	1	–	–
Tax effect in respect of temporary differences	– 3	2	–	–
Activated loss carryforward	9	2	–	–
Total	**– 455**	**– 349**	**– 352**	**– 269**

Tax attributable to other comprehensive income	2011	2010	2011	2010
Actuarial gains and losses including income tax	– 102	61	–	–
Tax	27	– 16	–	–
Actuarial gains and losses including income tax	– 75	45	–	–

Note 15.

Intangible assets, SEK million	Goodwill 2011	Goodwill 2010	Software and other intangible assets 2011	Software and other intangible assets 2010
Group				
Accumulated acquisition costs				
Opening balance	43	43	235	205
Investments	–	–	–	30
Closing balance, December 31	43	43	235	235
Accumulated depreciations				
At beginning of year	–	–	– 207	– 187
Depreciations and impairment charges for the year	–	–	– 4	– 20
Closing balance, December 31	–	–	– 211	– 207
Carrying amounts, December 31	43	43	24	28

Goodwill is tested annually to identify any need to recognize impairment. Acquired operations are integrated into other operations after the acquisition. Tests are therefore carried out concerning any need for impairment on the smallest possible cash-generating unit. The recoverable value of cash-generating units is based on their value in use. These values are founded on estimated future cash flows based on business plans, budgets and prognoses approved by company management for the next three years. Cash flows beyond the three year period are extrapolated using estimated annual growth. The management yield requirement is applied as the theoretical discount rate.

Note 15. Intangible assets, SEK million (cont.)	Goodwill 2011	Goodwill 2010	Software and other intangible assets 2011	Software and other intangible assets 2010
Group				
intangible assets refer to software, other intangible assets and goodwill. Depreciation is 20 per cent of acquisition cost.				
Depreciations for the year are included in the income statement lines shown below				
Operating expenses	–	–	– 4	– 20
	–	–	– 4	– 20

Note 16.

Buildings and land, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Market value				
Carrying amount at beginning of year	7 350	6 744	2 564	2 481
Acquisition via company	–	198	–	–
Investments	41	29	20	15
Unrealized change in value	421	379	234	68
Carrying amount at end of year	7 813	7 350	2 818	2 564
of which arising from mergers or acquisitions				
Property acquisitions	–	198	–	–
Unrealized change in value	–	11	–	–
	–	209	–	–
Values presented by operation and investment properties				
Owner-occupied properties				
Acquisition cost at beginning of year	–	–	1 013	1 010
Investments	–	–	–	3
Acquisition cost at end of year	–	–	1 013	1 013
Carrying amount at end of year	–	–	1 255	1 164
Investment property				
Acquisition cost at beginning of year	4 244	4 017	826	814
Acquisition of company	–	198	–	–
Investments	41	29	19	12
Acquisition cost at end of year	4 285	4 244	845	826
Carrying amount at end of year	7 813	7 350	1 563	1 400

Estimated market value Geographical market	Type of property	Contracted annual rent[1]	Operating surplus[2]	Yield, per cent [3]	Market value	Market value[4]	Required yield[5]
Group							
Stockholm and immediate suburbs	Apartment block	113	75	3,1%	2 433	29 098	1,6-4,2%
Stockholm and immediate suburbs	Offices and business properties	289	203	4,9%	4 155	40 056	3,8-7,5%
Rest of the country	Apartment block	58	38	4,0%	943	19 739	3,6-6,0%
Rest of the country	Offices and business properties	19	12	4,3%	282	18 270	4,3-7,0%
		479	328	4,2%	7 813	31 184	1,6-7,5%
Parent company							
Stockholm and immediate suburbs	Apartment block	42	27	3,8%	705	21 839	3,0-4,2%
Stockholm & Gothenburg with immediate suburbs	Offices and business properties	166	118	5,6%	2 113	29 105	3,8-5,8%
		208	145	5,1%	2 818	26 868	3,0-5,8%

1) Rental contracts as of January 1 converted to full year
2) Operating surplus converted with rental contract as of January 1
3) Operating surplus converted with rental contract as of January 1 in relation to market value
4) Market value per sq m floor space (excl garage)
5) Yield requirement applied at valuation

Valuation assumptions	
Inflation assumptions	2,0%
Cost of capital residual value	6,6%
Yield, residual value	4,6%
Long-term vacancy rate	3,7%
Operations and maintenance expenses, Year 1	SEK 494/sq m
Investments, Year 1	SEK 166/sq m
Market rent (at zero vacancy rate)	SEK 1,958/sq m

Market value was assessed by means of a cash flow analysis adapted to market conditions. The calculation period was 5 or 10 years. The method entails an analysis of the anticipated future payment streams (rents, vacancies, operational expenses, etc.) that management of a property can be assumed to generate. A present value calculation of the estimated future payment streams forms part of the cash flow analysis. Comparable property purchases in the districts concerned were analyzed as the basis for a market's yield requirement.

	Group		Parent company	
Effect on earnings for the period	**2011**	**2010**	**2011**	**2010**
Rental income	576	562	204	202
Internal rent	– 14	– 30	– 17	– 17
Rental income	562	532	187	185
Direct expenses for properties that				
generated rental income during the period	– 251	– 255	– 76	– 81
did not generate rental income during the period	0	0	0	0
	311	277	111	104
Tax assessment value				
Buildings	2 684	3 079	1 000	1 002
Land	1 892	2 064	594	594
	4 576	5 143	1 594	1 596

The classification of owner-occupied and investment properties was carried out dependent upon the proportion of internal use of each property based on outgoing rent. In cases where the proportion of internal use of a property exceed 15 per cent said property is classified as owner-occupied.

All properties have been marked to market. Mark-to-market estimates were carried out in compliance with guidelines established by Swedish Property Index and was carried out by external valuers authorized by the Samfundet för Fastighetsekonomi (a Swedish real estate association).

There are no limits to the company's right to sell management properties, nor are there any obligations to purchase, erect or exploit management properties or carry out repairs, maintenance or improvements.

The Folksam Group uses 18 per cent of the lettable floor space for its own operations.

Note 17.

Shares and participations in Group companies, SEK million	Company registration number	Quantity	Share of equity in %	Book value 2011	Book value 2010
Parent company					
Förenade Liv Gruppförsäkring AB (publ)	516401-6569	15 000	100	105	205
Folksam Fondförsäkringsaktiebolag (publ)	516401-8607	40 000	100	795	695
Folksam Liv Fastighets AB	556060-2640	71 000	100	790	795
Reda Pensionsadministration AB	556267-0843	250 000	100	25	25
Folksam LO Fondförsäkringsaktiebolag (publ)	516401-6619	51 000	51	204	204
KPA AB	556527-7182	300 000	60	1 350	1 350
Spelbomskan KB	916405-5411	–	99	457	451
Niterka KB	969711-9965	–	99	– 8	– 7
AB Hotelinvest	556112-9171	1 000	100	0	0
Niterka II KB	969712-1524	–	99	47	39
Gyllenforsen Fastigheter KB	969640-2339	–	71	1 713	1 726
Folksam Fastighets Holding AB	556810-7113	1 000	100	40	40
Book value				5 518	5 523
Fair value				7 897	7 608
All shares are unlisted.					

	Equity 31/12/2011	Result 2011	Company registration number	Quantity	Share of equity in %	Book value 2011	Book value 2010
Group (non-consolidated life insurance companies)							
Förenade Liv Gruppförsäkring AB (publ)	996	129	516401-6569	15 000	100	105	205
KPA Livförsäkring AB [1] (publ)	2 093	197	502010-3502	72	60	1 229	1 229
Book value						1 334	1 434
Fair value						1 334	1 434

Shares and participations in Group companies, SEK million (cont.)	Group		Parent company	
Accumulated acquisition costs	**2011**	**2010**	**2011**	**2010**
At beginning of year	1 821	1 821	6 393	6 327
Acquisitions	–	–	0	40
change in participation in limited partnership company	–	–	– 45	26
Change due to shareholder contributions rendered/repaid during the year	–	–	– 8	–
Closing balance, December 31	1 821	1 821	6 340	6 393
Accumulated impairment charges				
At beginning of year	– 387	– 387	– 870	– 798
Impairment charges reversed during the year	–	–	153	0
Impairment charges for the year	– 100	–	–105	– 72
Closing balance, December 31	– 487	– 387	– 822	– 870
Carrying amount, December 31	1 334	1 434	5 518	5 523

Impairment of shares and participations in Group companies is attributable to exchange rate changes.

		Share of equity in %	
Group companies	**Head office**	**2011**	**2010**
Förenade Liv Gruppförsäkring AB	Stockholm	100	100
Folksam Fondförsäkrings AB	Stockholm	100	100
Folksam Liv Fastighet AB	Stockholm	100	100
Reda Pensionsadministration AB	Stockholm	100	100
Gyllenforsen Fastighets AB	Stockholm	71	71
Spelbomskan KB	Stockholm	99	99
Niterka I AB	Stockholm	100	100
Niterka II AB	Stockholm	100	100
Niterka KB	Stockholm	99	99
Niterka Skotten 8 AB	Stockholm	100	100
AB Hotelinvest	Stockholm	100	100
Niterka II KB	Stockholm	99	99
Fastighets AB Malax	Stockholm	100	100
Fastighets AB Pållen	Stockholm	100	100
Fastighets AB Rörstrand 32	Stockholm	100	100
Folksam Fastighet Holding AB	Stockholm	100	100
Folksam LO Fondförsäkring AB	Stockholm	51	51
Folksam LO Fond AB	Stockholm	51	51
KPA AB	Stockholm	60	60
KPA Pensionsservice AB	Stockholm	60	60
KPA Pensionsförsäkring AB	Stockholm	60	60
KPA Livförsäkring AB	Stockholm	60	60
Litreb I AB	Stockholm	60	60
Litreb II AB	Stockholm	60	60

Note 18.

Shares and participations in associated companies, SEK million	Company registration number	Head office	Quantity	Share of equity in %	Equity 31/12/2011	Result 2011	Book value 2011	Book value 2010
Parent company								
Fonus-Folksam Utvecklings AB	556445-8221	Stockholm	1 250	50	0	0	0	0
Gyllenforsen Förvaltning AB	556368-8745	Stockholm	1 000	50	0	0	0	0
KP Pensions&Försäkring HB	969643-7863	Stockholm	50	50	25	0	25	25
Folksam Cruise Holding AB	556767-4121	Stockholm	825	75	63	0	81	79
Kulltorp Holding AB	556767-4147	Stockholm	470	47	0	0	14	–
Book value							120	104
Group								
Fonus-Folksam Utvecklings AB	556445-8221	Stockholm	1 250	50			0	0
Folksam Property Holding BV		Amsterdam	55 400	50			790	795
Aktiv Försäkringsadministration AB	556244-4132	Stockholm	4 900	49			3	12
KP Pensions&Försäkring HB	969643-7863	Stockholm	50	50			25	25
Folksam Cruise Holding AB	556767-4121	Stockholm	825	75			81	76
Kulltorp Holding AB	556767-4147	Stockholm	470	47			14	–
FIH Ehrvervsbank A/S	CVR17029312	Copenhagen		15			862	–
Book value							1 775	908

The proportion of votes in each company corresponds to the share of equity except in Folksam Cruise Holding AB where agreements govern the share of votes. All shares are unlisted.

	Group		Parent company	
Accumulated acquisition costs, SEK million	**2011**	**2010**	**2011**	**2010**
At beginning of year	908	929	104	25
Acquisition of associated companies	16	79	16	79
Participation in associated company's profit/loss	862	–	–	–
Translation difference	– 11	– 120	–	–
Other changes in the associated company's equity	–	20	–	–
Closing balance, December 31	1 775	908	120	104
Accumulated impairment charges				
At beginning of year	–	–	–	–
Closing balance, December 31	–	–	–	–
Carrying amount, December 31	1 775	908	120	104
Fair value	1 775	908	120	104

	Group		Parent company	
Total amounts for associated companies, SEK million	**2011**	**2010**	**2011**	**2010**
Total assets	102 422	1 763	797	138
Total liabilities	94 187	15	632	2
Total equity	10 642	1 748	165	136
Income	863	87	0	0
Profit/loss for the year	– 1 422	41	0	0

The increase in assets, liabilities and equity and the difference in income and earnings for the year in associated companies compared to the previous year are due to the acquisition of FIH Ehrvervsbank on 06/01/2011. The investment was carried out through Folksam Cruise Holding AB.

Note 19.

	Group		Parent company	
Shares and participations, SEK million	**2011**	**2010**	**2011**	**2010**
Book value	27 080	34 754	26 869	34 427
Acquisition cost	24 779	29 138	24 694	28 817
Fair value	27 080	34 754	26 869	34 427
Listed shares	25 665	33 276	25 557	32 949
Unlisted shares	1 312	1 478	1 312	1 478

Further information about financial instruments is provided in Note 27.

Note 20.

Bonds and other interest-bearing securities, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Accrued acquisition cost/Acquisition cost				
Swedish state	23 574	22 511	23 574	22 511
Swedish housing institutes	39 616	30 658	39 616	30 658
Swedish interest rate funds	1 032	937	727	618
Other Swedish issuers	6 374	9 223	6 374	9 224
Foreign states	771	767	771	767
Other foreign issuers	1 078	1 764	1 078	1 764
	72 445	65 860	72 140	65 542
of which:				
listed	72 392	65 860	72 086	65 542
unlisted	54	–	54	–
fixed-term subordinated debentures	54	–	54	–
permanent subordinated debentures	–	–	–	–
Fair value				
Swedish state	25 942	22 725	25 942	22 725
Swedish housing institutes	40 670	30 325	40 670	30 325
Swedish interest rate funds	1 064	935	751	618
Other Swedish issuers	6 512	9 186	6 513	9 186
Foreign states	793	771	793	771
Other foreign issuers	1 077	1 756	1 077	1 756
	76 058	65 698	75 746	65 381
of which:				
listed	76 004	65 698	75 692	65 381
unlisted	54	–	54	–
fixed-term subordinated debentures	54	–	54	–
Positive value due to the book value's exceeding the nominal value.	9 248	5 616	9 241	5 616
Negative value due to the book value's falling short of the nominal value.	1	171	1	170

When valuing interest-bearing securities at accrued acquisition cost the balance item should be reported in the amount of SEK 72,140 million

Note 21.

Loans guaranteed by mortgages, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Book value	–	0	–	0
Accrued acquisition cost	–	0	–	0
Fair value	–	0	–	0

Note 22.

Other loans, SEK million	2011	2010	2011	2010
Accrued acquisition cost				
Life insurance loans	11	12	11	12
Participating loan in respect of property investments	219	198	219	198
Other promissory note loans	478	393	478	393
Book value	708	603	708	603
Fair value				
Life insurance loans	11	12	11	12
Participating loan in respect of property investments	219	198	219	198
Other promissory note loans	478	393	478	393
Fair value	708	603	708	603

Note 23.

Derivatives, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Derivative instruments with positive values or valued at zero.				
Acquisition cost				
Share options	958	602	958	602
Forward exchange rate contracts	–	–	–	–
Forward interest rate contracts	–	–	–	–
Interest rate swaps	–	–	–	–
Swaptions	1	1 000	1	1 000
Stock futures	–	–	–	–
Total acquisition cost	**959**	**1 602**	**959**	**1 602**
Fair value				
Share options	568	639	568	639
Forward exchange rate contracts	206	232	206	232
Forward interest rate contracts	2	0	2	0
Interest rate swaps	3	84	3	84
Swaptions	1	435	1	435
Stock futures	0	4	0	4
Total fair value	**780**	**1 394**	**780**	**1 394**
Derivative instruments with negative values				
Acquisition cost				
Share options	52	–	52	–
Forward exchange rate contracts	–	–	–	–
Forward interest rate contracts	–	–	–	–
Interest rate swaps	–	–	–	–
Stock futures	–	–	–	–
Total acquisition cost	**52**	**–**	**52**	**–**
Fair value				
Share options	42	–	42	–
Forward exchange rate contracts	21	35	21	35
Forward interest rate contracts	18	9	18	9
Interest rate swaps	12	121	12	121
Stock futures	3	1	3	1
Total fair value	**96**	**166**	**96**	**166**

Derivatives, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Nominal amount/remaining contractual duration Derivatives with positive values				
Less than 1 year < 1 year				
Share options	41 153	9 216	41 153	9 216
Stock futures	1	5	1	5
Forward interest rate contracts	7 427	–	7 427	–
Forward exchange rate contracts	212	240	212	240
Swaptions	–	2 869	–	2 869
Interest rate swaps	–	–	–	–
1-5 years				
Share options	–	520	–	520
Stock futures	–	–	–	–
Forward interest rate contracts	–	–	–	–
Forward exchange rate contracts	–	–	–	–
Swaptions	18	7 830	18	7 830
Interest rate swaps	–	–	–	–
Over 5 years				
Share options	–	–	–	–
Stock futures	–	–	–	–
Forward interest rate contracts	–	–	–	–
Forward exchange rate contracts	–	–	–	–
Swaptions	–	–	–	–
Interest rate swaps	–	–	–	–
Derivatives with negative values				
Less than 1 year				
Share options	2 571	–	2 571	–
Stock futures	3	0	3	0
Forward interest rate contracts	20 604	12	20 604	12
Forward exchange rate contracts	15	34	15	34
Swaptions	–	–	–	–
Interest rate swaps	–	–	–	–

Note 23, cont.	Group		Parent company	
Derivatives, SEK million	**2011**	**2010**	**2011**	**2010**
Nominal amount/remaining contractual duration Derivatives with positive values				
1-5 years				
Share options	–	–	–	–
Stock futures	–	–	–	–
Forward interest rate contracts	–	–	–	–
Forward exchange rate contracts	–	–	–	–
Swaptions	–	–	–	–
Interest rate swaps	–	–	–	–
Over 5 years				
Share options	–	–	–	–
Stock futures	–	–	–	–
Forward interest rate contracts	–	–	–	–
Forward exchange rate contracts	–	–	–	–
Swaptions	–	–	–	–
Interest rate swaps	–	–	–	–

During the year trading took place in forward exchange rate contracts, stock-index futures, forward interest rate contracts, FRAs and swaps. Trade in forward exchange rate contracts took place with the purpose of reducing the currency risk in the portfolio. The purpose of the trade in stock-index futures was to streamline administration. Trade in forward interest rate contracts and FRAs took place with the aim of adjusting interest rate portfolio maturity. The purpose of the trade in swaps was to reduce balance sheet interest rate sensitivity.

Description of credit risks

Credit risk for derivatives refers to the risk that the counterparty is unable to meet his obligations in accordance with the contracts. In the case of non-standard derivatives the credit risk is managed in ISDA agreements.

Description of market risks

The market risk for derivatives refers to the risk that market value changes as a result of changes in the market of the underlying interest rates, share prices and exchange rates.

Description of liquidity risks

Liquidity risk refers to the risk that a given derivative cannot be divested/acquired with major price impact or that the transaction entails major costs. Trade in derivatives only took place in markets with good liquidity, thus the liquidity risk in the holding is low.

Note 24.	Group		Parent company	
Other financial investment assets, SEK million	**2011**	**2010**	**2011**	**2010**
Other financial investment assets	230	15	230	14
Book value	230	15	230	14
Acquisition cost	218	2	218	2
Fair value	230	15	230	14

Note 25.

Receivables in respect of direct insurance, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Policyholders	10	11	15	8
Insurance companies	–	–	–	–
Total	**10**	**11**	**15**	**8**

Note 26.

Other receivables, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Receivables from Group companies	–	–	401	385
Receivables from related parties	168	37	39	29
Other	890	576	476	285
Total	**1 058**	**613**	**916**	**699**

Note 27 Financial assets and liabilities

Group 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement: Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Shares and participations	27 080	–	–	27 080	27 080	24 779
Bonds and other interest-bearing securities	76 058	–	–	76 058	76 058	72 258
Other loans	–	–	708	708	708	708
Derivatives	–	780	–	780	780	959
Other financial investment assets	230	–	–	230	230	218
Investment assets for which life insurance policyholders bear risk	43 929	–	–	43 929	43 929	–
Receivables	–	–	7 979	7 979	7 879	7 879
Accrued income	–	–	42	42	42	42
Total	**147 297**	**780**	**8 729**	**156 806**	**156 806**	**106 943**

Group 2011 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement: Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Deposits from reinsurers	–	–	5	5	5
Liabilities in respect of reinsurance	–	–	2	2	2
of which insurance contracts	–	–	2	2	2
Derivatives	–	96	–	96	96
Other liabilities	–	–	2 771	2 771	2 069
Accrued expenses	–	–	55	55	55
Total	**–**	**96**	**2 833**	**2 929**	**2 227**

Note 27 Financial assets and liabilities (cont.)

Group 2010 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Shares and participations	34 754	–	–	34 754	34 754	28 872
Bonds and other interest-bearing securities	65 698	–	–	65 698	65 698	65 863
Loans guaranteed by mortgages	–	–	–	–	–	
Other loans	–	–	603	603	603	603
Derivatives	–	1 394		1 394	1 394	1 602
Other financial investment assets	15	–	–	15	15	2
Investment assets for which life insurance policyholders bear risk	45 115	–	–	45 115	45 115	–
Receivables	–	–	6 016	6 016	6 016	6 016
Accrued income	–	–	1 537	1 537	1 537	1 537
Total	**145 582**	**1 394**	**8 156**	**155 117**	**155 117**	**104 495**

Group 2010 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Deposits from reinsurers	–	–	6	6	6
Derivatives	–	166	–	166	166
Other liabilities	–	–	3 058	3 058	3 058
Accrued expenses	–	–	101	101	101
Total	**–**	**166**	**3 165**	**3 331**	**3 331**

Note 27 Financial assets and liabilities (cont.)

Parent company 2011 Financial assets, SEK million	Financial assets measured at fair value via the income statement: Assets determined to belong to the category	Financial assets measured at fair value via the income statement: Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Interest-bearing loans to Group companies	–	–	354	354	354	354
Interest-bearing loans to associated companies	–	–	437	437	437	437
Shares and participations	26 869	–	–	26 869	26 869	24 695
Bonds and other interest-bearing securities	75 746	–	–	75 746	75 746	72 140
Other loans	–	–	708	708	708	708
Derivatives	–	780	–	780	780	959
Other financial investment assets	230	–	–	230	230	218
Investment assets for which life insurance policyholders bear risk	258	–	–	258	258	
Receivables	–	–	6 457	6 457	6 457	6 457
Accrued income	–	–	1 437	1 437	1 437	1 437
Total	**103 103**	**780**	**9 393**	**113 276**	**113 276**	

Parent company 2011 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement: Financial liabilities deemed to belong to the category	Financial liabilities measured at fair value via the income statement: Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Deposits from reinsurers	–	–	5	5	5
Derivatives	–	96	–	96	96
Other liabilities	–	–	1 639	1 639	1 639
Total	**–**	**96**	**1 644**	**1 740**	**1 740**

Note 27 Financial assets and liabilities (cont.)

Parent company 2010 Financial assets, SEK million	Financial assets measured at fair value via the income statement Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total carrying amount	Fair value	Acquisition cost
Interest-bearing loans to Group companies	–	–	354	354	354	354
Shares and participations	34 427	–	–	34 427	34 427	28 817
Bonds and other interest-bearing securities	65 381	–	–	65 381	65 381	65 542
Loans guaranteed by mortgages	–	–	–	–	–	
Other loans	–	–	603	603	603	603
Derivatives	–	1 394	–	1 394	1 394	1 602
Other financial investment assets	14	–	–	14	14	2
Investment assets for which life insurance policyholders bear risk	226	–	–	226	226	
Receivables	–	–	4 884	4 884	4 884	4 884
Accrued income	–	–	1 277	1 277	1 277	1 277
Total	**100 048**	**1 394**	**7 118**	**108 560**	**108 560**	

Parent company 2010 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value
Deposits from reinsurers	–	–	6	6	6
Derivatives	–	166	–	166	166
Other liabilities	–	–	2 183	2 183	2 183
Total	**–**	**166**	**2 189**	**2 355**	**2 355**

Information about the fair value of financial instruments

The table below provides information about how fair value is determined for the financial instruments that are valued at fair value in the balance sheet. In Note 1 Accounting principles there are descriptions about how fair value is determined in respect of assets and liabilities measured at fair value in the balance sheet. The breakdown of how fair value is determined is made on the following three levels.

Level 1: according to prices quoted on an active exchange for the same instrument
Level 2: based on directly or indirectly observable market data that is not included in level 1.
Level 3: based on input data that is not observable on the market.

No significant transfers between levels 1 and 2 took place during the year.

Group 2011

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	25 768	418	894	27 080
Bonds and other interest-bearing securities	76 004		54	76 058
Derivatives	2	778	–	780
Investment assets for which policyholders bear investment risk.	43 929	–	–	43 929
Total	**145 703**	**1 196**	**948**	**147 847**
Liabilities, SEK million				
Unit-linked insurance commitment	–	43 932	–	43 932
Derivatives	21	75	–	96
Total	**21**	**44 007**	**–**	**44 028**

Group 2010

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	33 033	1 194	526	34 754
Bonds and other interest-bearing securities	65 698	–	–	65 698
Derivatives	4	1 390	–	1 394
Other financial investment assets	–	–	15	15
Investment assets for which policyholders bear investment risk.	45 115	–	–	45 115
Total	**143 850**	**2 584**	**541**	**146 976**
Liabilities, SEK million				
Unit-linked insurance commitment	–	– 45 115	–	– 45 115
Derivatives	– 10	– 156	–	– 166
Total	**– 10**	**– 45 271**	**–**	**– 45 281**

Parent company 2011

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	25 557	418	894	26 869
Bonds and other interest-bearing securities	75 692	–	54	75 746
Derivatives	2	778	–	780
Other financial investment assets	–	–	230	230
Investment assets for which policyholders bear investment risk.	258	–	–	258
Total	**101 509**	**1 196**	**1 178**	**103 883**
Liabilities, SEK million				
Unit-linked insurance commitment	–	258	–	258
Derivatives	21	75	–	96
Total	**21**	**333**	**–**	**354**

Parent company, 2010

Assets, SEK million	Level 1	Level 2	Level 3	Total
Shares and participations	32 706	1 195	526	34 427
Bonds and other interest-bearing securities	65 381	–	–	65 381
Derivatives	4	1 390	–	1 394
Other financial investment assets	–	–	14	14
Investment assets for which policyholders bear investment risk.	226	–	–	226
Total	**98 317**	**2 585**	**540**	**101 442**
Liabilities, SEK million				
Unit-linked insurance commitment	–	– 226	–	– 226
Derivatives	– 10	– 156	–	– 166
Total	**– 10**	**– 382**	**–**	**– 392**

Additional information regarding level 3 holdings

The table below presents a reconciliation between opening and closing balances for such financial instruments as are measured at fair value in the balance sheet by means of a valuation technique based on non-observable input data (level 3)

	2011				2010		
Group, SEK million	**Shares and partic-ipations**	**Bonds**	**Other finan-cial invest-ment assets**	**Total**	**Shares and partic-ipations**	**Other finan-cial invest-ment assets**	**Total**
Opening balance	526	–	14	540	413	5	418
Total reported gains and losses are reported in profit/loss for the year [1)]	78	–	0	78	– 24	9	– 15
Cost of acquisition	387	54	216	657	189	–	189
Proceeds from sales	– 97	–	–	– 97	– 52	–	– 52
Closing balance	894	54	230	1 178	526	14	540
Gains and losses reported in profit/loss for the year for assets which are included in the closing balance [1)]	78	–	–	78	– 24	9	– 15

1) Reported in Return on capital, income; Return on capital, expenses, Unrealized gains and Unrealized losses on investment assets.

	2011				2010		
Parent company, SEK million	**Shares and partic-ipations**	**Bonds**	**Other finan-cial invest-ment assets**	**Total**	**Shares and partic-ipations**	**Other finan-cial invest-ment assets**	**Total**
Opening balance	526	–	14	540	413	5	418
Total reported gains and losses are reported in profit/loss for the year [1)]	78	–	0	78	– 24	9	– 15
Cost of acquisition	387	54	216	657	189	–	189
Proceeds from sales	– 97	–	–	– 97	– 52	–	– 52
Closing balance	894	54	230	1 178	526	14	540
Gains and losses reported in profit/loss for the year for assets which are included in the closing balance [1)]	78	–	–	78	– 24	9	– 15

1) Reported in Return on capital, income; Return on capital, expenses, Unrealized gains and Unrealized losses on investment assets.

Note 27 Financial assets and liabilities (cont.)

The table below presents a summary of the effects that changes in observable assumptions would have on reported outcomes.

Sensitivity analysis	2011		2010	
Group, SEK million	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions
Shares and participations	89	–89	53	– 53
Bonds	5	– 5	–	–
Other financial investment assets	–	–	–	–
Total	**94**	**– 94**	**53**	**– 53**

Parent company, SEK million	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions
Shares and participations	89	– 89	53	– 53
Bonds	5	– 5	–	–
Other financial investment assets	–	–	–	–

Shares and participations

Reported effects in respect of funds in funds is based on supporting documentation with the manager concerned. In the case of a few holdings information sufficient to enable the effect of changed assumptions to be reported is lacking.

In the case of property funds the quotient used in the calculation was determined on the basis of a reasonable average uncertainty range around the property values.

In holdings where fair value corresponds to acquisition cost no changes in assumptions were deemed necessary.

Other financial investment assets

The value of the major part of the investment equities holding is measured through net asset valuation. Because this is based on actual data and not on in-house assessments or assumptions, no effect of a change in assumptions is considered necessary. The effect of changes in assumptions was not considered to be significant for the remainder of the other financial investment assets.

Note 28.

	Group		Parent company	
Tangible assets	**2011**	**2010**	**2011**	**2010**
Fixtures and fittings				
Accumulated acquisition costs				
Opening balance	194	194	92	93
Acquisitions	0	0	0	–
Divestment	0	0	0	– 1
Closing balance, December 31	194	194	92	92
Accumulated depreciations				
Opening balance	– 176	– 169	– 81	– 79
Depreciations for the year	–7	– 7	– 2	– 2
Disposals and retirements	0	0	0	0
Closing balance, December 31	– 183	– 176	– 83	– 81
Carrying amount, January 1	18	25	11	14
Carrying amount, December 31	11	18	9	11

	Group	
Tangible assets, (cont.)	**2011**	**2010**
Buildings and land		
Accumulated acquisition costs		
Opening balance	1 367	1 364
Acquisitions	1	3
Divestment	–	–
Closing balance, December 31	1 368	1 367
Accumulated depreciations		
Opening balance	– 45	– 22
Depreciations for the year	– 23	– 23
Reversal of previous year's impairment charges	–	–
Closing balance, December 31	– 68	– 45
Accumulated impairment charges		
Opening balance	– 158	– 164
Impairment charges for the year	–	–
Reversal of previous year's impairment charges	113	6
Closing balance, December 31	– 45	– 158
Carrying amount, January 1	1 164	1 178
Carrying amount, December 31	1 255	1 164

Note 28. Tangible assets, (cont.)

The following principle component groups have been identified and form the basis for the depreciation of owner-occupied properties.

Building	
External land	35 years
Foundation	100 years
Frame	100 years
Roof	35 years
Facades	30 years
Extension	60 years
Surface protection	15 years

Installations	
Lifts	55 years
Electrical system	45 years
Ventilation	45 years
Pipe work	60 years

Note 29.

	Group		Parent company	
Prepaid acquisition costs, SEK million	**2011**	**2010**	**2011**	**2010**
At beginning of year	266	176	35	36
Activation for the year	124	141	6	17
Depreciation for the year	– 77	– 51	– 16	– 18
Closing balance, December 31	313	266	25	35

Note 30.

	Group		Parent company	
Other prepaid expenses and accrued income, SEK million	**2011**	**2010**	**2011**	**2010**
Prepaid expenses	19	41	11	10
Accrued income	99	49	0	10
Book value	118	90	11	20

Note 31. Equity

Refer to the Statement of changes in equity and Consolidated statement of changes in equity for equity specifications in the Group and parent company. Because the Group's parent company Folksam Life is a customer-owned company, a certain portion of Group equity is reported as a funding reserve corresponding to the parent company funding reserve. Therefore certain departures from the classification of equity requirement in UFR 8 are made. The chosen accounting method provides a better picture of a customer-owned company's equity where the entire surplus is attributable to the policyholders.

Note 32.

Life insurance provisions, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Fund-creating savings products				
Opening balance	67 284	67 369	67 283	67 369
Portfolio transfer	–	–	–	–
Premiums paid in	4 703	3 655	4 703	3 655
Claims disbursed	– 4 016	– 3 953	– 4 015	– 3 953
Internal transfers	2	9	2	9
Risk outcomes	– 48	– 36	– 48	– 36
Indexing of paid-up policies	77	0	77	0
Indexation with discount interest rate	2 534	2 575	2 534	2 575
Effect of changed discount interest rate	18 057	– 976	18 057	– 976
Change in value of investment assets	13	13	13	13
Charge for administration expense	– 555	– 534	– 555	– 534
Charge for policyholder tax	– 334	– 384	– 334	– 384
Effect of changed assumptions	– 1 771	– 355	– 1 771	– 355
Other	– 422	– 100	– 430	– 101
Closing balance, gross	85 524	67 284	85 516	67 283

Life insurance provisions, SEK million (cont.)	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Reinsurer's share	–	–	–	–
Closing balance, net	85 524	67 284	85 516	67 283
Risk products with premium reserve				
Opening balance, gross	822	782	822	782
Portfolio transfer	–	–	–	–
Premiums paid in	1 682	1 783	1 682	1 783
Premiums forfeited	– 1 686	– 1 739	– 1 686	– 1 739
Other	– 2	– 4	– 1	– 4
Closing balance, gross	816	822	817	822
Reinsurer's share	–	–	–	–
Closing balance, net	816	822	817	822
Total closing balance, net	86 340	68 106	86 333	68 105

Reclassifications have taken place between fund-creating savings products and risk products with premium reserve; the 2010 comparative figures have been changed according to the reclassification.
Important calculation assumptions in respect of insurance with equalized bonuses or pension supplements.

Interest rate assumptions

The rate of interest is selected based on market rates with equivalent durations according to the Swedish Financial Supervisory Authority regulation FFFS 2008:23.

Mortality rate assumptions

The following applies to Folksam Life, except the KP line of business:
New mortality rate assumptions when calculating life insurance provisions apply from 01/01/2008. The new assumptions correspond to current experience within Folksam Life. AGM-adopted assumptions are applied to occupational pension insurance, while safeguard assumptions are used for insurance not classified as occupational pension insurance.
The following applies to the KP line of business:
Life insurance provisions are calculated with the insurance industry's joint mortality rate assumptions from 1990.

Operational expense assumptions

The following are applied the holdings:
an expense that reduces the interest rate assumption,
an expense that is proportional to the capital value of the disbursements.
an expense that is proportional to the size of the insured risk
an expense that is proportional to the premium paid in.

As of 31/12/2009 operational expense charges are adjusted when calculating life insurance provisions for collective life insurance contracts in Folksam Life, except the KP line of business. The new assumptions correspond to current experience within Folksam Life.

Tax expense assumptions

Assumptions about interest rates on government loans for the calculation of policyholder tax in Folksam Life, except the KP line of business, is equivalent to the government bond interest rate, which has a maturity of 15 years. Assumptions about interest rates on government loans for the calculation of policyholder tax in the KP line of business corresponds to market interest rates for the maturity concerned. A tax rate of 15 per cent is applied to insurance classified as pension insurance for tax purposes. A tax rate of 27 per cent is applied to insurance classified as endowment insurance for tax purposes.

Note 33.

Provision for unsettled claims, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Opening balance, gross	3 613	3 807	3 555	3 756
Expense for claims that occurred during the current year	1 937	2 271	1 934	2 267
Claims disbursed	– 1 391	– 1 452	– 1 390	– 1 451
Redeemed fund values for disbursement	11 934	2 128	–	–
Disbursements during the year	– 11 942	– 2 120	–	–
Impairment loss	0	1	–	–
Change of anticipated expense for claims that transpired during earlier years (prior-year claims result)	– 1 298	– 974	– 1 295	– 968
Effect of changed assumptions	84	– 30	83	– 30
Other	– 376	– 18	– 379	– 18
Closing balance, gross	2 561	3 613	2 508	3 555
Reinsurer's share	– 39	– 32	– 22	– 16
Closing balance, net	2 522	3 597	2 486	3 539

Provisions for unsettled claims are made chiefly for group life insurance, premium exemption insurance and disability insurance.

In the case of provisions for non-approved claims the chain-ladder method is chiefly used. It is a generally recognized actuarial method that is well controlled and accepted. However, regardless of the method there is a natural element of uncertainty because of the uncertainty surrounding amounts and times for outgoing payments. This gives rise to a risk of an inadequate provision. The chain-ladder method is applied to amounts paid out in group life insurance. The trend is analysed with the aid of historical development factors that form the basis for estimating future development factors. The estimated future development factors are applied to the amounts and provide an estimation of the total amounts per claims year. The chain-ladder method provides the best results for lines of insurance with stable development patterns. In addition to the method's results, consideration is also given to events and changes that have affected historical development or which will affect future development. It could for example be a matter of case handling procedures or new legislation. Special attention is paid to major losses and their impact on the provision requirement. On the other hand, the chain-ladder method is applied to the number of transpired claims in the case of disability and premium exemption insurance. The estimated number of unknown claims calculated are then assumed to have a claims expense equivalent to the average known claims expense counted in the disability reserve.

The calculations are based on assumptions about the probability of dissolution through recovery to health or death. The assumptions are reviewed regularly. Consideration is given to any legislative of regulatory changes also in this case.

In addition to provisions for future disbursements, provisions are also made for estimated remaining claims settlement expenses. This provision is based on experience of claims settlement expenses from previous years and an estimation of the total outstanding quantity of claims that remain to be settled.

Note 34.

Provisions for bonuses and rebates, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Opening balance	1 280	680	1 280	680
Bonuses and rebates settled during the period	–	–	–	–
The year's provision for non-mature bonuses	927	600	927	600
Closing balance	2 207	1 280	2 207	1 280

Note 35.

Conditional bonuses, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Opening balance, gross	209	156	209	156
Receipts	47	57	47	57
Disbursements	– 10	– 5	– 10	– 6
Change in value of investment assets	– 5	18	– 5	18
Fees	– 3	– 3	– 3	– 3
Policyholder tax	– 1	– 1	– 1	– 1
Internal transfers	– 4	– 12	– 4	– 12
Other	– 1	–	– 1	–
Closing balance, gross	232	209	232	209
Reinsurer's share	–	–	–	–
Closing balance, net	232	209	232	209

Note 36.

Unit-linked insurance commitments, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Opening balance, gross	45 140	34 291	226	152
Receipts	8 237	7 080	75	68
Disbursements	– 1 564	– 2 128	– 5	– 3
Repurchases	– 812	–	–	–
Change in value of investment assets	– 4 302	4 872	– 35	12
Fees	– 232	– 223	– 2	– 2
Policyholder tax	– 213	– 191	– 1	– 1
Portfolio transfer	– 2 299	1 413	–	–
Risk outcomes	– 16	– 17	0	0
Effect of changed assumptions	–	–	–	–
Internal transfers	0	–	0	0
Other	– 7	43	–	–
Closing balance, gross	43 932	45 140	258	226
Reinsurer's share	–	–	–	–
Closing balance, net	43 932	45 140	258	226

Note 37.

Pensions and similar liabilities, SEK million	2011	2010
Group		
Pension obligations		
Present value of wholly or partially funded obligations	– 431	– 393
Present value of unfunded pension obligations	– 54	– 51
Total present value of defined-benefits obligations	– 485	– 444
Fair value of plan assets	392	417
Net reported in respect of defined-benefits plans in the statement of financial position	– 93	– 27
The net amount for defined-benefits plans is reported in the following items in the statement of financial position		
Other financial assets		
Pension provisions	– 93	– 27
Net amount in the statement of financial position	– 93	– 27

Pensions and similar liabilities (cont.)	2011	2010
Overview of defined-benefits plans		
Change in present value of obligations for defined-benefits plans		
Obligations for defined-benefits plans as of January 1	444	544
Compensation disbursed	– 18	– 20
Expenses for the current period of service	9	13
Interest expenses	18	17
Actuarial gains and losses	81	– 58
Adjustments between Groups	– 49	– 52
Obligations for defined-benefits plans as of December 31	485	444
Changes to the fair value of plan assets		
Fair value of plan assets as of January 1	417	459
Fees from employer	19	11
Compensation disbursed	– 18	– 20
Anticipated yield from plan assets	17	17
Reductions and settlements	13	
Actuarial gains and losses	– 2	2
Adjustments between Groups	– 54	– 52
Fair value of plan assets as of December 31	392	417
Plan assets consist of the following		
Equity instruments	118	129
Property	35	37
Debt instruments	239	251
	392	417
Expense reported in profit/loss for the year		
Expenses regarding the current period of service	4	– 19
Interest expenses on obligations	– 18	– 9
Anticipated yield from plan assets	17	14
Net expense (+) / Income (-) in profit/loss for the year	3	– 14
The expense is reported in the following lines in profit/loss for the year		
Administration expenses	4	– 19
Income from financial items	17	14
Financial expenses	– 18	– 9
	3	– 14
Actual yield from plan assets	15	16

Note 37. Pensions and similar liabilities (cont.)	2011	2010

Group		
Expenses reported in other comprehensive income		
Actuarial gains (-) and losses (+)	84	– 61
Effect of reductions and settlements	–	–
Net reported in other comprehensive income	84	– 61

Actuarial gains (-) and losses (+) reported in other comprehensive income.		
Accumulated as per January 1	– 137	– 77
Reported during the period	84	– 61
Accumulated as per December 31	– 53	–137

Assumptions about defined-benefits obligations		
Discount interest rate	3.42%	5.00%
Anticipated yield from plan assets	3.60%	4.30%
Future salary increases	3.14%	3.50%
Future pension increases (inflation)	1.64%	2.00%
Income base amount	3.14%	3.50%
Retirement rates	5.00%	5.00%
Longevity assumptions	FFFS 2007:31	

Discount interest rate

Folksam uses commercial yields prevailing on the closing date obtained from Swedish housing bonds with maturities corresponding to the duration of the pension obligations in order to determine the discount interest rate.

Anticipated yield from plan assets

Anticipated yield from plan assets is determined on assumptions that estimated bond yield is similar to the yield on 10-year government bonds and that stock yield will have the same interest with a risk premium supplement.

Future salary increases

Future salary increases reflect anticipated future percentage salary increases as a compound effect of inflation, service seniority and position.

Inflation

In the case of inflation assumptions Folksam has chosen to follow the Swedish Central Bank's adopted inflation goal as the basis for its calculations.

Future pension increases

Inflation assumptions are used to index future pension increases.

Income base amount

The income base amount is approved annually by the government and is used e.g. to determine the maximum pensionable salary in the National Pension Insurance Fund.

Summary of periods	2011	2010	2009
Defined-benefits obligations	– 485	– 444	– 544
Fair value of plan assets	392	417	459
Surplus/loss	– 93	– 27	– 85
Change in pension obligations based on experience	– 2	– 18	6
Change in plan assets based on experience	– 2	2	25

The Group estimates that SEL 14 million will be paid to funded and unfunded defined-benefits plans during 2012. Actuarial calculations regarding defined-benefits provisions are carried out for the Folksam Life and Folksam General groups according to IAS 19.

Calculations are made per pension plan and employer.

The KTP plan, which is the biggest of the major pension plans within Folksam, is secured in KP's pension foundation. Folksam General has payment liability for the pension plan for all Folksam employees.

Expenses are allocated within Folksam and commitments are allocated between each Group according to an index for distributing overhead based on payroll expenses for each company within the Folksam Life and Folksam General Groups. This is done to portray as correct a picture as possible of the costs and assumptions within the Groups.

Because payroll expenses vary from year to year the percentage distribution of pension provisions changes between the Folksam Life and Folksam General Groups. This results in the previous year's closing balance value's not corresponding to the current year's opening balance value, which will give rise to a receivable/liability between the Folksam Life and Folksam General Groups. This effect is treated as an adjustment between the Groups in the consolidated financial statements, which changes as the percentage allocation of payroll expenses of the companies within the Groups changes.

Pensions and similar liabilities	2011	2010
Parent company		
Opening balance	30	36
Expenses for the current period of service	1	1
Interest expenses	1	1
Actuarial gains and losses	1	-6
Other changes	– 2	-2
Closing balance	31	30

Pensions and similar liabilities	2011	2010
Assumptions		

Discount interest rate	3,42%	5,00%
Future salary increases	3,14%	3,50%
Future income base amount increases	3,14%	3,50%
Future pension increases (inflation)	1,64%	2,00%
Retirement rates	5,00%	5,00%

Provisions for pensions and similar obligations refers to non-secured obligations as per collective bargaining agreements. Employees born 1955 or earlier and who were employed on June 1, 2006 have the right to retire at 62 years of age; for other employees 65 years of age applies. Those eligible to retire at 62 years of age may receive a maximum compensation level equivalent to around 65 per cent of pensionable salary up until the age of 65.
If the employee elects to retire at 62 years of age Folksam will make a supplementary premium payment covering retirement benefit up until 65 years of age. Calculations for provisions and similar obligations were made on the assumption that around 50 per cent will exploit the opportunity for premature retirement.

Note 38.

	Group		Parent company	
Deferred tax liability	**2011**	**2010**	**2011**	**2010**
Deferred tax assets and liabilities				
Buildings and land	45	35	45	34
Bonds and other interest-bearing securities	95	– 5	97	– 3
Shares and participations	67	153	64	149
Derivatives	– 11	– 14	– 11	– 14
Machinery and equipment	–	1	–	–
Prov. for pension obligation outside Vesting Act	– 16	3	– 2	– 3
Loss carryforward	–	–	–	–
Untaxed reserves	486	406	–	–
Total deferred tax assets and deferred tax liabilities, net	**666**	**579**	**193**	**163**

All changes between years under the item Deferred tax have been reported as deferred tax expense/revenue in the income statement.

Non-activated deferred tax assets:				
Tax losses	–	–	–	–
Total	–	–	–	–

Note 39.

	Group		Parent company	
Liabilities in respect of direct insurance	**2011**	**2010**	**2011**	**2010**
Policyholders	109	2	–	–

Note 40.

	Group		Parent company	
Other liabilities	**2011**	**2010**	**2011**	**2010**
Liabilities to Group companies	–	–	192	111
Liabilities to related companies	587	493	406	271
Other	1 951	2 388	968	1 801
	2 538	**2 881**	**1 566**	**2 183**

Note 41.

	Group		Parent company	
Other accrued expenses and deferred income	**2011**	**2010**	**2011**	**2010**
Accrued expenses	238	226	93	87
Prepaid income	249	385	213	212
	487	**611**	**306**	**299**

Note 42.

Anticipated recovery times for assets and liabilities, SEK million	Max 1 year	Longer than 1 year	Total
Group, 2011			
Intangible assets	3	64	67
Buildings and land	–	7 814	7 814
Shares and participations in Group companies	–	1 334	1 334
Interest-bearing securities issued by, and loans to, Group companies	–	160	160
Shares and participations in associated companies	–	1 775	1 775
Interest-bearing securities issued by, and loans to, associated companies	–	440	440
Shares and participations	55	27 025	27 080
Bonds and interest-bearing securities	54	76 004	76 058
Other loans	0	708	708
Derivatives	780		780
Other financial investment assets	–	230	230
Investment assets for which life insurance policyholders bear investment risk.	520	43 409	43 929
Reinsurer's share of technical provisions			
– Unsettled claims	2	36	38
Receivables in respect of direct insurance	17	– 7	10
Receivables in respect of reinsurance	18	– 2	16
Other receivables	1 380	– 309	1 071
Tangible assets and stock	4	1 262	1 266
Cash and cash equivalents	7 063	– 147	6 915
Accrued interest and rental income	1 446	– 17	1 428
Prepaid acquisition costs	12	300	312
Other prepaid expenses and accrued income	72	46	119
Total assets	**11 426**	**160 124**	**171 550**
Liabilities			
Actuarial provisions, (before reinsurance)	5 965	85 143	91 108
Actuarial provisions for life insurance for which the policyholder bears the investment risk	1 013	43 151	44 164
Provisions for taxes	8	1 325	1 332
Provisions for pensions	8	86	93
Liabilities to credit institutions	–	375	375
Deposits from reinsurers	5	–	5
Liabilities in respect of direct insurance	109	–	109
Liabilities in respect of reinsurance	8	–	8
Derivatives	96	–	96
Other liabilities	2 692	–	2 692
Other accrued expenses and deferred income	487	–	487
Total liabilities and provisions	**10 391**	**130 080**	**140 471**

Anticipated recovery times for assets and liabilities, SEK million (cont.)	Max 1 year	Longer than 1 year	Total
Parent company, 2011			
Buildings and land	–	2 818	2 818
Shares and participations in Group companies	–	5 518	5 518
Interest-bearing securities issued by, and loans to, Group companies	–	354	354
Shares and participations in associated companies	25	70	95
Interest-bearing loans, associated companies	–	462	462
Shares and participations	1	26 868	26 869
Bonds and interest-bearing securities	54	75 692	75 746
Loans guaranteed by mortgages	–	–	–
Other loans	–	708	708
Derivatives	780	0	780
Other financial investment assets	–	230	230
Investment assets for which the life insurance policy holder bears the investment risk	–	258	258
Reinsurer's share of technical provisions			
– Unsettled claims	–	22	22
Receivables in respect of direct insurance	15	–	15
Receivables in respect of reinsurance	18	–	18
Other receivables	916	–	916
Tangible assets and stock	2	7	9
Cash and cash equivalents	5 541	–	5 541
Accrued interest and rental income	1 438	–	1 438
Prepaid acquisition costs	11	14	25
Other prepaid expenses and accrued income	11	–	11
Total assets	**8 812**	**113 021**	**121 833**
Liabilities			
Actuarial provisions, (before reinsurance)	5 932	85 116	91 048
actuarial provisions for life insurance for which the policyholders bear the investment risk	490	–	490
Provisions for taxes	–	193	193
Provisions for pensions	5	26	31
Deposits from reinsurers	5	–	5
Liabilities in respect of reinsurance	8	–	8
Derivatives	96	–	96
Other liabilities	1 640	–	1 640
Other accrued expenses and deferred income	306	–	306
Total liabilities and provisions	**8 482**	**85 335**	**93 817**

Note 43.

Pledged assets, SEK million	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Other pledged assets (book value)				
Assets registered on behalf of policyholders				
Property mortgages	0	428	0	–
Buildings and land	5 560	5 775	5 560	5 775
Shares and participations in Group companies	2 659	2 659	2 659	2 660
Shares and participations	23 900	30 301	23 900	30 300
Bonds and other interest-bearing securities	72 997	63 760	72 997	63 760
Other loans	270	0	270	–
Derivatives	519	1 037	519	1 037
Cash and cash equivalents	4 508	1 561	4 508	1 562
Accrued interest and rental income	1 367	1 258	1 368	1 258
Investment assets for which life insurance policyholders bear the investment risk.	44 164	27 310	490	435
	155 944	134 089	112 271	106 787
Assets pledged on behalf of others				
Bonds and other interest-bearing securities	2 012	269	2 012	269
Cash and cash equivalents	1 010	1 042	1 010	1 042
Assets pledged for own liabilities				
Bonds and other interest-bearing securities	–	0	–	–
Total pledged assets	158 966	135 400	115 293	108 098

Securities have been placed in accordance with the clearing house margin requirements.

Note 44.

Contingent liabilities	2011	2010	2011	2010
Joint and several liability for liabilities in partnerships	427	829	427	829
Guarantee undertaken in favour of subsidiaries	–	–	–	–
Total	**427**	**829**	**427**	**829**

Note 45.

Commitments	2011	2010	2011	2010
Reported commitments for agreed but non-invested risk capital	1 057	1 780	1 056	1 780
Rental commitments	141	162	141	162
	1 198	1 942	1 197	1 942

Note 46. Related party disclosures

Related parties

This note includes a description of material relations between Folksam Life and related companies in Folksam (the Folksam General and Folksam Life Groups including KPA Pension) and other related parties. All Folksam companies are defined as related due to their joint management, shared central units and a shared local marketing organization in support of the Group.

Other related parties consist of key people, their close family members (according to IAS 24 definitions) and companies that are under the controlling influence or significant influence of key people or their close family members. Company refers to all types of companies and organizations except Folksam companies and companies and organizations with an influence within Folksam through board representation. Key people correspond to the senior executives about whom information is provided regarding "Compensation and benefits to senior executives" in Note 27.

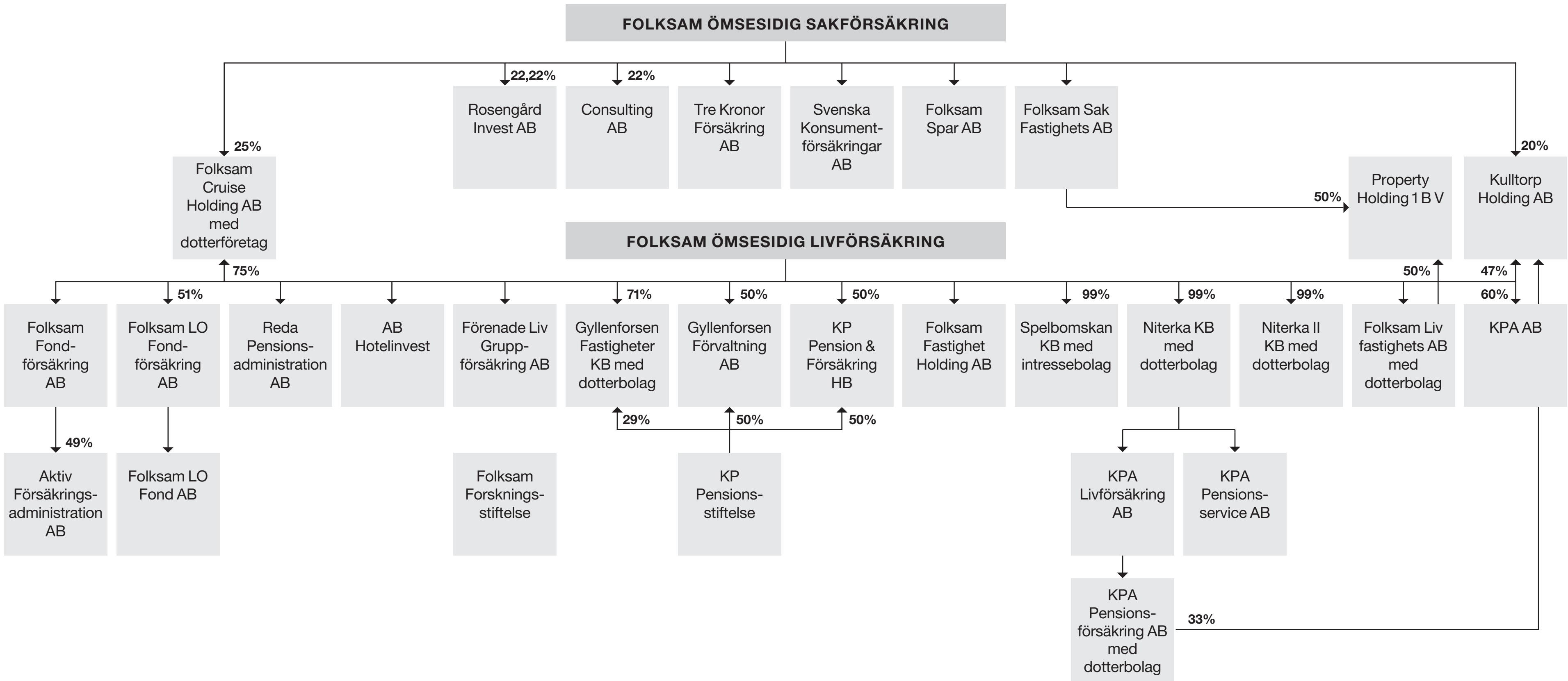
Organizations that have board representation in Folksam companies are not considered related parties. Said companies do not act in their own direct interests but represent the policyholders.

Refer to the organizational chart on page 82.

Folksam companies

Folksam consists of two Groups, the Folksam General Group and the Folksam Life Group. Significant synergies are achieved through pursuing both non-life and life insurance business within Folksam.

Folksam Life is the parent company in a Group which, apart from the parent company, comprises the wholly owned subsidiaries AB Hotelinvest, Folksam Fondförsäkringsaktiebolag (publ), Reda Pensionsadministration AB, Förenade Liv Gruppförsäkring AB (publ), Hotelinvest & CO KB, Niterka KB, Niterka KB 2, Folksam Liv Fastighets AB and Folksam Fastighet Holding AB and the partially owned sub Groups KPA Pension (60 per cent) and Folksam LO Fondförsäkring (51 per cent) including their wholly owned subsidiaries. Folksam Life also owns 71 per cent of Gyllenforsen Fastigheter KB, 50 per cent of Gyllenforsen förvaltning AB, 50 per cent of KP Pension & Försäkring HB, 75 per cent of Folksam Cruise Holding AB and 47 per cent of Kulltorp Holding AB.



Information on how related party transactions are carried out and monitored

At the beginning of every year a business plan is drawn up that describes, among other things, financial targets and the use of shared resources. During the year the MD shall regularly inform the board about forecasts and outcomes in the business plan. Departures from the principles of the adopted business plan must be approved by the board. The final allocation of expenses between companies is decided by the board in connection with the preparation of the annual accounts.

Self-cost principle

The overarching starting point is to achieve a correct allocation of expenses per company and product by applying the self-cost principle. Each company and product shall bear the costs that are attributable to the company and the product. No internal profits or cross subsidies may occur.

Operating expenses should be allocated as far as possible according to actual use by company and product. Examples of such costs are computer equipment, premises and telephony. Assessments of actual use are made for other costs based on such things as time reporting, number of transactions or policies associated with the expense. Examples of such expenses are the use of certain support units and marketing.

Joint employment

The largest part of operating expenses consist of personnel-related expenses. Folksam applies joint employment principles which means that all personnel are employed in all companies. Consequently expenses belong to the company for which work is performed.

Within the organization each employee is associated with a cost centre. A cost centre can only belong to a single company. Initially employees' expenses are charged to the cost centre and company to which they belong. These expenses are then allocated to the company for which they have performed work. However, it is not a matter of sales and purchases of services but of the allocation of expenses.

Agreements

The allocation of expenses determined by the board is implemented operationally through internal agreements set up between units/companies that use internal billing. The agreements are documented and contain information on how follow-up and control shall take place.

KP

KP Pension & Försäkring Handelsbolag was liquidated on 31/10/2011 and the assignment to debit premiums and convey said premiums to the concerned insurers within Folksam and the disbursement of pensions and claims incurred for these products was transferred to KPA Pensionsservice AB beginning 30/05/2011.

Folksam's undertakings concerning employee defined-benefits pensions are secured in the Coop Pension Foundation, which also secures newly accrued employee pensions invested in KPA companies from 01/07/2011. Refer to Note 47.

Stock-take of senior executives' related party transactions

A stock-take in respect of any related party transactions by senior executives in amounts exceeding SEK 10,000 was carried out. Said stock-take did not refer to remunerations that senior executives/key people received in their capacities as senior executives, i.e. salaries, pensions, directors' fees, etc. which are specified in the personnel note under Compensation to senior executives in the annual accounts. The completed stock-take or related party transactions for senior executives had one record of SEK 11 thousand in respect of premiums in Folksam Life.

Related party transactions The following transactions took place with related parties, SEK million	**Compensation paid**		**Compensation received**	
	2011	**2010**	**2011**	**2010**
Folksam ömsesidig sakförsäkring				
Insurance operation	272	259	58	22
Asset management	69	41	–	–
IT	235	177	4	48
Administrative support	217	150	112	1
Pension provisions	34	14	–	–
KPA AB				
Insurance operation	28	19	34	26
IT	–	–	0	0
Administrative support	0	–	0	0

Related party transactions (cont.)	**Compensation paid**		**Compensation received**	
	2011	**2010**	**2011**	**2010**
KPA Pensionsförsäkring				
Asset management	–	–	61	45
Folksam Fondförsäkring AB (publ)				
Insurance operation	–	–	61	35
IT	–	0	–	10
Administrative support	–	–	–	0
Reda Pensionsadministration AB				
Insurance operation	–	–	39	38
IT	–	–	–	0
Administrative support	–	–	0	0
Folksam LO Fond AB (publ)				
Asset management	–	–	24	34
Administrative support	–	–	0	–
Folksam LO Fondförsäkring AB (publ)				
Insurance operation	–	–	23	17
IT	–	–	2	3
Administrative support	–	–	0	–
KPA Livförsäkring AB (publ)				
Asset management	–	–	4	4
Förenade Liv Gruppförsäkring AB (publ)				
Insurance operation	–	0	2	2
Asset management	–	–	9	10
IT	–	0	–	0
Folksam Spar AB (publ)				
Insurance operation	1	–	2	–
IT	–	0	0	0
Administrative support	0	1	–	2
KP Handelsbolag				
Insurance operation	–	–	5	1
IT	–	0	–	–
Administrative support	–	1	0	–
Tre Kronor Försäkring AB				
Insurance operation	–	–	1	1
Administrative support	–	–	1	–
Svenska konsumentförsäkringar AB (publ)				
Insurance operation	–	–	1	1
Administrative support	–	–	1	–
Folksam Inköp AB				
Administrative support	–	–	0	–
Total	**856**	**662**	**444**	**300**

The item Insurance operation consists chiefly of expenses for the joint marketing organization. This includes such things as distribution, claims management, customer service and insurance administration. Asset management refers to asset management expenses. IT transactions includes such things as computer equipment, the operation and development of systems, printed materials and telephony. Administrative support refers to costs within other central units, e.g. costs for accounting, auditing and marketing.

	Receivables		Liabilities	
Closing balances at year end	**2011**	**2010**	**2011**	**2010**
Folksam ömsesidig sakförsäkring	24	29	406	267
Förenade Liv Gruppförsäkring AB (publ)	9	3	–	–
Folksam LO Fondförsäkringsaktiebolag (publ)	–	1	4	1
Folksam LO Fond AB (publ)	–	14	5	–
Folksam Fondförsäkring AB	291	189	178	110
Reda Pensionsadministration AB	5	24	–	–
Folksam Spar AB (publ)	–	–	1	4
KPA AB	–	3	3	–
KPA Livförsäkring AB (publ)	–	1	–	–
KPA Pensionsförsäkring AB (publ)	–	10	1	–
Folksam Liv Fastighets AB	0	0	–	–
KP Pension & Försäkring Handelsbolag	–	140	–	–
Svenska konsumentförsäkringar AB (publ)	–	–	1	–
KPA Pensionsservice AB	103	–	–	–
Coop Pension Foundation	15	–	–	–
Total	**447**	**414**	**599**	**382**

Internal interest

Internal interest is paid on receivables and liabilities between Folksam companies. Interest is STIBOR 1 week. Internal interest in Folksam Life amounted to an income of SEK 8.3 million in 2011.

Loans

Folksam Life provided loans to subsidiaries and associated companies in connection with the acquisition of properties and companies totaling SEK 791 million (354). Loan receivables totaled: Niterka KB SEK 144 million, Niterka II KB SEK 50 million, Folksam Fastighet Holding AB SEK 160 million, Folksam Cruise Holding AB SEK 382 million and Kulltorp Holding AB SEK 55 million. Income interest on these loans amounted to SEK 48 million (9). The loans are reported under the balance sheet items Interest-bearing securities issued by, and loans to, Group companies and Interest-bearing securities issued by, and loans to, associated companies.

Guarantees

An agreement was reached between Folksam Life, KPA AB and KPA Livförsäkring that involves the assumption by Folksam Life of the payment liabilities for the rental contract in respect of KPA Pensions' previous premises The agreement is valid until midnight 31/12/2017.

No other guarantees were undertaken by Folksam Life in favour of other Folksam companies.

Joint and several liability for the partner company's liabilities are reported under contingent liabilities in the amount of SEK 427 (829) million.

Capital guarantee

Folksam Life invested previously in a capital guarantee with Folksam ömsesidig sakförsäkring. The capital guarantee amounted to SEK 500 million as of 31/12/2009 and carried interest. Repayment of the capital guarantee took place in 2010 with the permission of the Swedish Financial Supervisory Authority.

Reinsurance

Reinsurance for Folksam companies takes place chiefly through external parties. Folksam Life has received internal reinsurance through Folksam Fondförsäkring AB (publ) while Förenade Liv Gruppförsäkring AB has reinsured itself with Folksam livförsäkring with a premium volume that amounted to SEK 21 million in 2011.

Shareholder contributions

In 2011 the repayment of previously rendered shareholder contributions from Reda Pensionsadministration AB to Folksam Life took place in the amount of SEK 8 million. No repayment of shareholder contributions took place during 2011.

Note 47. Average number of employees, pay and remunerations

Average number of employees in Sweden [1]	Parent company 2011	Parent company 2010	Subsidiaries 2011	Subsidiaries 2010
Salaried employees	611	574	93	153
of whom men	49%	48%	39%	42%
Agents [2]	272	585		

1) The average number of employees has been calculated based on the number of paid working hours in relation to one man year comprising 1,945 hours (1,945)

20 Total number in Folksam.

Agents are employees who sell company products for a variable remuneration.

Pay, compensation and other benefits, SEK million	Parent company 2011	Parent company 2010	Subsidiaries 2011	Subsidiaries 2010
Employees in Sweden				
Board	2.2	2.0		
Managing Director	2.5	2.4		
Deputy managing director and other senior executives	11.6	11.6		
Board and managing director in subsidiaries			5.1	6.7
Salaried employees	303.4	266.8	39.5	66.2
Agents	20.3	54.6	113.9	2.7
Total	**340.0**	**337.5**	**158.5**	**75.6**
Social security charges	181,9	151.9	35.7	46.3
of which pension expenses	64.0	38.7	21.3	19.5
of managing director's pension expenses	0.9	0.8	2.1	1.4

Distribution of men and women in company management, Number	2011 Women	2011 Men	2010 Women	2010 Men
Parent company				
Managing Director	_	1	–	1
Deputy managing director and deputy Group CEO [1]	_	1	–	1
Other senior executives	5	6	4	6
Board	6	6	6	6

1) Lars Burman left his position August 1.

Pay, compensation, fees and benefits to senior executives and the board, parent company

Compensation and other benefits during the year, SEK thousand	2011 Directors' fees	2010 Directors' fees
Board chairman		
Nina Jarlbäck	178	170
Other board members		
Kjell Ahlberg	140	135
Dag Andersson	140	125
Johnny Capor	167	45
Sune Dahlqvist	103	100
Thomas Eriksson	102	85
Doris Forsell-Gustafsson	80	67
Susanna Gideonsson	102	100
Lars Idermark	-	50
Maj-Britt Johansson-Lindfors	103	85
Anita Modin	108	100
Bengt Nilsson	-	113
Sture Nordh	144	122
Eva Quist	108	35
Jan Rudén	130	117
Eva-Lis Sirén	143	125
Hans Tilly	164	135
Personnel representatives, 4 (5)	278	279
Total directors' fees	**2 190**	**1 988**
CEO and managing director		
Anders Sundström		
Basic salary	2 506	2 377
Other benefits	97	98
Pension expenses	862	804
Other compensation	-	-
Total	**3 465**	**3 279**
Deputy managing director and deputy Group CEO [1]		
Lars Burman		
Basic salary	975	1 669
Other benefits	16	28
Pension expenses	241	432
Other compensation	201	363
Total	**1 433**	**2 492**

Pay, compensation, fees and benefits to senior executives and the board, parent company (cont.)

Senior executives	2011	2010
Other senior executives, 1) 11 (10)		
Basic salary	10 658	9 955
Other benefits 2)	255	284
Pension expenses	2 843	2 568
Other compensation 3)	739	442
Total	**14 495**	**13 249**

Compensation and benefits for the CEO, MD, deputy MD, deputy CEO and other senior executives are shared equally by Folksam General and Folksam Life; the above refers to Folksam Life's share. The total compensation to the above parties consists of the sum of the compensation and benefits reported in each company's annual accounts.

1) Other senior executives refers to the 11 people who, together with the managing director and deputy managing director/deputy CEO, make up Group management. The two other deputy managing directors are included in Group management and are reported under other senior executives.

2) Other benefits refers mainly to company cars.

3) Other compensation refers to compensation for committee assignments and directors' fees in subsidiaries.

Directors have fixed annual fees as reported below, SEK thousand.

Board chairman	140.0
Vice chairman	90.0
Others excluding MD	65.0
Substitutes	35.0
Attendance allowance	5.5
Specific for personnel representatives	
Regular board member	35.0
Attendance allowance	5.5
Attendance allowance, substitutes	5.5
Fees to members of the audit committee	
Annual fee	42.0
Attendance allowance	5.5
Fees to members of the remunerations committee	
Annual fee	33.0
Attendance allowance	5.5

Compensation to the managing director, deputy managing director, senior executives and the board

The nomination committee recommends board compensation to the AGM. Fees are paid to the board chairman, board members including personnel representatives according to AGM decisions.

Folksam's board has approved the company's compensation policy. Principles for compensating the managing director, deputy managing director and other senior executives is approved annually by the AGM. Compensation consists of basic salary, other benefits and pension. No rewards programmes or variable compensation are applied to senior executives. According to Folksam's compensation policy the board, following proposals from the remunerations committee, approves salaries for the managing director, deputy managing director and senior executives. Compensation to the the managing director, deputy managing director and senior executives is revised annually.

Pension

The pensionable age for the managing director is 62 years. In addition to benefits in accordance with the National Pension Insurance Fund, Folksam must pay pension benefits for the managing director equivalent to 35 per cent of his annual salary.

The pensionable age is 62 years for two of the deputy managing directors. The pensionable age for a deputy managing director and other senior executives is 65 years. Two deputy managing directors switched to defined contributions pension plans on May 1, 2005. One deputy managing director and other senior executives are employed with defined contributions pension plans. In addition to benefits in accordance with the National Pension Insurance Fund, Folksam must pay pension benefits equivalent to 25 per cent of his annual salary. For deputy managing directors Folksam must pay pension benefits equivalent to 35 per cent of the annual gross salary. There is a clause in the employment contracts of senior executives stating that the right to transfer pensions may not be exercised if it can be assumed that the person has knowledge that a transfer in this individual case will affect other policyholders negatively.

Severance pay

Severance pay for the managing director is 12 months' salary. The period of notice for managing directors is 12 months on the part of the company and 6 months on the part of the managing director. For deputy managing directors and other senior executives with the exception of one senior executive, severance pay is 12 months' salary.

The period of notice for senior executives is 12 months on the part of the company, and 6 months on the part of deputy managing directors and other senior executives.

Rewards programme

A rewards programme that includes all Folksam employees (senior executives and employees in key positions who can influence Folksam's risk level are excluded in compliance with the approved Compensation policy) was in force during 2011.

The rewards programme stems from a need for the efficient use of resources and to reposition the brand. Therefore the rewards programme focused on two sub area: operating expenses and brand repositioning. These two sub areas are then divided into a total of six intermediate goals of which two are broken down to units and subsidiaries while the remainder are overarching Folksam objectives. A maximum payout from the 2011 rewards programme amounts to SEK 20,000 per employee.

Disbursements from the rewards programme must be preceded by a board decision.

An account of the company's compensations in compliance with the Swedish Financial Supervisory Authority's guidelines on remuneration policies in insurance companies (FFFS 2011:2 Chap. 5) will be available on Folksam's website www.folksam.se in connection with the AGM on April 19, 2012.

Pension commitments

Folksam's pension plans consist chiefly of pension benefits described in collective bargaining agreements in respect of the plans for Kooperationens tilläggspension, KTP, for salaried employees and in certain cases supplementary pension benefits for senior executives. The pension plans comprise mainly retirement pensions, invalidity pensions and family pensions.

On July 1 the defined-benefits plan for all employees was replaced by a new pension. The new agreement, the KTP plan, involves changes that differ slightly depending on when the policyholder is born.

Policyholders born on or before June 30, 1978 are covered by KTP section 2 which in principal is a defined-benefits system. This is supplemented by KTP-K which is the defined-contributions part of KTP section 2. Policyholders born on July 1, 1978 up until June 30, 1983 are covered by KTP section 1, which is a defined-contributions plan in its entirety. However, this group had the opportunity during the autumn to elect to remain in the defined benefits scheme. Policy holders born July 1, 1983 or later are covered by KTP section 1, which is a defined-contributions plan entirely.

Because employees hired by Folksam from July 1, 2011 onwards will be covered by a new collective bargaining agreement regarding pensions (the KTP plan), employees working under the KPA Pension switched from the KPA plan to the KTP plan. Policyholders who were not fully fit for work on July1 due to illness or on leave of absence remain in part in the KPA plan until such time as said policyholders are fully fit for work or return to work.

Pension plans for defined-benefits pensions are secured through provisions to the Coop Pension Foundation.

Folksam General has payment liability for the pension plan for all Folksam employees. Folksam General has assigned the Coop Pension Foundation to take charge of pension disbursements.

In the case of pension commitments by legal entities the Swedish Pension Obligations Vesting Act and the Financial Supervisory Authority's regulations are applied. The right to tax deductions is contingent upon the application of the Pension Obligations Vesting Act. The regulations in IAS 19 in respect of defined-benefits pension plans are therefore not applied but disclosures are provided pursuant to the relevant parts of IAS 19. Pension calculations are based on salary and pension levels on the closing date.

Pension commitments secured in Coop Pension Foundation, SEK million	2011	2010
Fair value of specially separable assets	3 380	3 129
Pension commitments secured in Pensionsstiftelsen	-2 902	– 2 797
Surplus value (incl. buffer capital)	**478**	**332**

The specification of fair value of specially separated assets in the Coop Pension Foundation	2011	2010
Interest-bearing securities	2 062	1 981
Shares	1 014	864
Alternative investments	0	9
Property	304	275
Total value of specially separated assets	**3 380**	**3 129**

Expenses for in-house pensions	2011	2010
Provisions to Pensionsstiftelsen	260	28
Disbursed pensions	156	150
Compensation for pension disbursements and administration	-256	– 150
Special payroll tax on pension expenses, 24.26%	39	7
Less yield on specially separated assets	-126	– 163
Net expense for in-house pensions	**73**	**– 128**

Note 48.

Reconciliation of total return table	Note	Opening market value 01/01/2011	Closing market value 31/12/2011	Total yield 2011
Interest-bearing				
Bonds and other interest-bearing securities	20	65 381	75 746	
Accrued interest		1 188	1 377	
Direct loans	22	283	281	
Forward interest rate contracts, net	23	– 9	– 16	
Other liabilities		– 1 284	– 601	
Reclassifications from properties		92	–	
Reclassifications to alternative investments		–	– 54	
Reclassification to hedge		– 470	– 946	
Cash and cash equivalents		2 469	4 028	
Interest-bearing before valuation differences		67 650	79 815	6 270
Price differences different number of settlement days on valuation		66	111	56
Valuation principles, futures		2	1	
Interest-bearing according to TAT		67 718	79 927	6 326
Shares				
Shares and participations	19	34 424	26 868	
Reclassifications to alternative investments		– 993	– 975	
Reclassification to properties		– 273	– 337	
Repayments	26	9	4	
Equity derivatives, net	23	642	523	
Cash and cash equivalents		75	73	
Shares before valuation differences		33 885	26 156	– 3 773
Difference valuation rate bid/traded		12	59	54
Valuation principles, futures		– 3	4	
Shares according to TAT		33 893	26 219	– 3 719
Alternative investments				
Reclassification from shares		993	975	
Participations to associated companies			95	
Loans to associated companies			437	
Accrued interest to associated companies			33	
Other financial investment assets	24		230	
Reclassification from interest-bearing			54	
Cash and cash equivalents		0	14	
Alternative investments before valuation differences		993	1 838	83
Valuation differences		0	0	0
Alternative investments according to TAT		993	1 838	83

Reconciliation of total return table (forts.)	Note	Opening market value 01/01/2011	Closing market value 31/12/2011	Total yield 2011
Property				
Buildings and land	16	2 564	2 818	
Operating liabilities, buildings and land		– 20	– 15	
Addition re indirectly owned properties	17	3 044	3 039	
Reclassification to interest		– 92	–	
Reclassification from shares		273	337	
Subordinated loans	22	122	208	
Accrued interest, alternative investments		4	4	
Loans to Group companies		354	354	
Participating loan	22	198	220	
Property related liquid assets		66	78	
Properties before valuation differences		6 513	7 043	590
Different number of settlement days on valuation		0	– 1	
Elimination of internal gains		–	–	14
Valuation differences		–	–	– 3
Mark to market, indirectly owned properties		1 878	2 068	201
Properties according to TAT		8 391	9 110	802
Strategic company holdings				
Shares and participations Group companies at book value	17	5 523	5 543	
Less holdings in indirectly owned properties	17	– 3 044	– 3 039	
Participations in associated companies	18	104	–	
Other financial investment assets	24	14	–	
		2 597	2 504	22
Updated market values		207	207	0
Strategic company holdings according to TAT		2 804	2 711	22
Hedging instrument				
Interest rate swaps, net	23	– 37	– 8	
Accrued interest, interest rate swaps		73	– 2	
Currency derivatives, net	23	198	185	
Swaptions, net	23	435	1	
Cash and cash equivalents		0	3	
Reclassification from interest-bearing		470	946	
Hedging instrument before valuation differences		1 139	1 125	3 894
Valuation differences		– 12	17	19
Hedging instrument according to TAT		1 127	1 142	3 913

Note 49. Critical estimations and assumptions

Critical estimations and assessments of the Group's accounting principles

Insurance and investment contracts
According to IFRS 4, contracts that transfer significant insurance risks are classified as insurance. Folksam deems that insurance risks in excess of five per cent shall be considered significant and a contract is therefore classified as an insurance. A general description of Folksam Life's accounting principles for the classification of contracts is provided in Note 1.

However, the classification does not govern whether a contract is reported as an insurance contract or is split into an insurance component and a financial component. Folksam Life reports all conventional life insurance with guarantees as insurance contracts since conventional life insurance with guarantees fulfils the conditions for a significant proportion of discretionary components (bonuses). Group life, invalidity and premium exemption insurance, ceded and accepted reinsurance and other risk insurance are also reported as insurance contracts. Contracts with conditional bonuses and unit-linked insurance are instead split into individual components, an insurance component and a financial component and reported as though they were separate contracts.

Classification of financial assets and liabilities

Folksam Life's accounting principles define in more detail how assets and liabilities shall be classified into different categories:
The classification of financial assets and liabilities held for trade presupposes that the latter correspond to the description of financial assets and liabilities held for trade provided under accounting principles.

Financial assets and liabilities that the insurance company initially chose to measure at fair value via the income statement presupposes that the criteria under accounting principles are met.

Important sources of uncertainties in assessments

Actuarial provisions
Folksam Life's accounting principles for insurance contracts are described in Note 1. Sensitivity in the assumptions that form the basis for the valuation of provisions is described in Note 2. Current assumptions are described in Notes 32 and 33.

Determining the fair value of financial instruments
A valuation technique described in Accounting principles Note 1 is used when valuing financial assets and liabilities for which no directly observable market price is available. In the case of financial instruments with limited liquidity, the observed market price does not always reflect actual completed transactions. Therefore such instruments may require certain additional assessments depending on uncertainty in the market situation Also refer to the information in Note 27.

Investment property and owner-occupied properties
The valuation of properties takes place with the aid of valuation techniques that involve the use of assumptions regarding different parameters such as discount interest rate and vacancy rates. Refer to Notes 1 and 16 for more detailed descriptions of valuation principles.

Pensions and similar liabilities
accounting principles for defined-benefits pensions and non-secured pension obligations are described in Note 1. Actuarial assumptions described in Note 37 form the basis for the valuation of the pension obligations.

Provisions
A provision is reported in the balance sheet when Folksam Life has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The Board of Directors' and the Managing Director's signatures

The Board of Directors and the Managing Director assure that the annual accounts were, to the best of their knowledge, prepared in accordance with generally accepted accounting principles for insurance companies and that the information provided reflects the actual state of affairs and that nothing of material significance has been omitted which could affect the view of the Company created by the annual accounts.

Stockholm, March 28, 2012

Nina Jarlbäck
Board chairman

Johnny Capor	Sune Dahlqvist	Börje Enander	Thomas Eriksson
Susanna Gideonsson	Maj-Britt Johansson-Lindfors	Anders L Johansson	Anita Modin
Sture Nordh	Eva Quist	Jan Rudén	Eva-Lis Sirén

Hans Tilly

March 28, 2012

My audit report was submitted on

Anders Sundström
Managing Director

Anders Bäckström
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Folksam ömsesidig livförsäkring

Reg. No. 502006-1585

Report on the annual accounts

I have audited the annual accounts and the consolidated accounts for Folksam ömsesidig livförsäkring for the 2011 financial year.

The Board of Directors' and Managing Director's responsibilities for the annual accounts and consolidated financial statements

The Board of Directors and Managing Director are responsible for preparing the annual accounts and the consolidated financial statements that provide a fair presentation pursuant to the Annual Accounts Act for Insurance Companies and for such internal control as the Board of Directors and Managing Director consider necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatements, whether or not the latter are due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on my audit. I conducted my audit according to International Standards on Auditing and auditing standards generally accepted in Sweden. These standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement.

An audit includes examining by various means and measures evidence supporting the amounts, disclosures and other information in the accounts. The auditor selects which measures to implement, for example by judging the risks of material misstatements in the annual accounts and consolidated financial statements, whether or not the latter are due to fraud or error. In making this risk assessment the auditor also considers those parts of internal controls that are relevant for how the company prepares the annual accounts and consolidated financial statements to provide a fair representation with the objective of establishing review procedures that are effective with regard to circumstances, but not with the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes an evaluation of the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as an evaluation of the overall presentation of the annual accounts and consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate as a basis for my opinions.

Opinions
In my opinion the annual accounts and consolidated financial statements have been prepared pursuant to the Annual Accounts Act for Insurance Companies and in all material respects present a fair view of the parent company's and Group's financial position as of December 31, 2011 and of their financial results and cash flows for the year in compliance with the Annual Accounts Act for Insurance Companies. The administration report is consistent with the other sections of the annual accounts and the consolidated financial statements.

I therefore recommend that the AGM adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to my audit of the annual report and consolidated financial statements I have also examined the proposed allocation of the company's profit or loss and the administration of the Board of Directors and Managing Director of Folksam ömsesidig livförsäkring for 2011.

Responsibilities of the Board of Directors and the Managing Director
It is the Board of Directors that bears the responsibility for proposing the allocation of the company's profit or loss, and it is the Board of Directors and the Managing Director who bear the responsibility for administration as described in the Swedish Insurance Business Act.

Auditors' Responsibility
My responsibility is to express an opinion with reasonable assurance regarding the proposed allocation of the company's profit or loss and on the administration based on my audit. I have conducted the audit in accordance with auditing standards generally accepted in Sweden.

As a basis for my opinion on the Board of Directors' proposed allocation of the company's profit or loss, we examined the proposal to see if it is in accordance with the Swedish Insurance Business Act. As a basis for my opinion concerning discharge from liability I examined, in addition to my audit of the annual accounts and consolidated financial statements, significant decisions, actions taken and circumstances of the company in order to determine whether any board member or the Managing Director is liable to pay the company compensation. I also examined whether any board member or the Managing Director has, in any other way, acted in contravention of the Swedish Insurance Business Act, the Annual Accounts Act or the Articles of Association.
I believe that the audit evidence I have obtained is sufficient and appropriate as a basis for my opinions.

Opinions
I recommend that the Annual General Meeting allocate the profit/loss as proposed and that the Board of Directors and Managing Director be discharged from liability for the financial year.

Stockholm, March 28, 2012

Anders Bäckström
Authorized Public Accountant

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