

Annual Report 2012

Folksam Mutual General Insurance

Folksam

Table of Contents

This report is published in two language version, Swedish and English. In the event of any inconsistencies between those language versions the Swedish version shall prevail.

Administration report 3

Group

Consolidated income statement 15
 Consolidated statement of comprehensive income 15
 Consolidated balance sheet 16
 Consolidated statement of changes in equity 18
 Consolidated statement of cash flows 19

Parent company

Parent company income statement 21
 Parent company statement of comprehensive income 21
 Parent company performance analysis 22
 Parent company balance sheet 24
 Parent company statement of changes in equity 25
 Parent company statement of cash flows 26

Notes

Note 1 Accounting principles, consolidated and parent company 28
Note 2 Disclosures regarding risks
Note 3 Acquisition and disposal of operations 55
Note 4 Premium income 56
Note 5 Return on assets transferred from financial operations 56
Note 6 Claims incurred 56
Note 7 Operating expenses 57
Note 8 Return on capital, income 58
Note 9 Unrealized gains from investment assets 58
Note 10 Return on capital, expenses 58
Note 11 Unrealized losses from investment assets 58
Note 12 Net profit or net loss per financial instrument category 59
Note 13 Appropriations 61
Note 14 Taxes 61
Note 15 Intangible assets, (cont.)
Note 16 Buildings and land 62
Note 17 Shares and participations in Group companies 63

Note 18 Shares and participations in associated companies 65
Note 19 Interest-bearing securities issued by, and loaned to, associated companies 66
Note 20 Shares and other participations 66
Note 21 Bonds and other interest-bearing securities 66
Note 22 Other loans 66
Note 23 Derivatives 67
Note 24 Other financial investment assets 67
Note 25 Creditors arising out of direct insurance operations 67
Note 26 Liabilities in respect of reinsurance 67
Note 27 Other receivables 67
Note 28 Financial assets and liabilities 68
Note 29 Tangible assets 74
Note 30 Prepaid acquisition costs 76
Note 31 Other accrued expenses and accrued income 76
Note 32 Equity 76
Note 33 Non-earned premiums and unexpired risks 76
Note 34 Unsettled claims 76
Note 35 Bonuses and rebates 77
Note 36 Pensions and similar obligations 77

Note 37 Deferred tax liability 80
Note 38 Creditors arising out of direct insurance operations 80
Note 39 Liabilities in respect of reinsurance 80
Note 40 Liabilities to credit institutions 80
Note 41 Derivatives 80
Note 42 Other liabilities 81
Note 43 Other accrued expenses and prepaid income 81
Note 44 Anticipated recovery dates for assets and liabilities 81
Note 45 Profit/loss per insurance class 83
Note 46 Pledged assets 84
Note 47 Contingent liabilities 84
Note 48 Commitments 84
Note 49 Related party disclosures 84
Note 50 Average number of employees, pay and remunerations 89
Note 51 Critical estimations and assumptions 92
Note 52 Total return reconciliation table 93
Note 53 Changed accounting principle 94

Administration report

The Board and CEO of Folksam Mutual General Insurance, company registration number 502006-1619, (hereinafter Folksam General) hereby submit the annual accounts for 2012, the company's 105th year of operation.

Group structure

Folksam General is the parent company in a Group that includes the wholly owned insurance companies Svenska Konsumentförsäkringar AB (publ) and Tre Kronor Försäkring AB. As of February 29, 2012 51 per cent of the Finnish insurance company Folksam Skadeförsäkring Ab, previously Aktia Skadeförsäkring Ab, was also acquired. Förenade Liv Gruppförsäkring AB(publ).is also included as of December 31, 2012.

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 Mutual General Insurance (hereinafter Folksam General) with subsidiaries. The companies and their relationships are reported under Note 49 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, and customer surveys show growing approval. At the same time, we have developed relations with our collaborative partners . Successful asset management contributed to good rates of return which strengthened the financial positions of Folksam Liv and Folksam General with subsidiaries. Customer ownership is in the spotlight and during the year Folksam General decided to pay out bonuses to its customers.

Conventional insurance premium volumes grew robustly thanks to strong key ratios and broader reach. KPA Pension and Folksam Life are among the leading companies within the industry. Growth within unit-linked insurance continued and the development of customer offers are an important success factor. Occupational pensions for SAF-LO and KAP-KL constitute a significant proportion of policy volumes, and the Folksam brand is continuing to develop offers also for the individual occupational pensions market.

Growth in property and casualty insurance continued, and the acquisition of Folksam Skadeförsäkring Ab in Finland signalled the establishment of the Nordic platform. A sustained focus on regular customers in all areas, in particular vehicle insurance, together with distribution through bank collaborations contributed to a growing portfolio. Folksam General continues to develop offers to individual customers in personal risk insurance and the strong position in group insurance is well established in Förenade Liv, KPA Liv and Folksam Liv.

FOLKSAM, SEK million	2012	2011	2010	2009	2008
Premiums ¹⁾	35,226	33,263	30,496	29,356	27,158
Assets under management ²⁾	280,973	252,653	235,070	215,005	173,190
of which Swedish equities	39,432	33,501	39,535	30,301	13,228
of which property	18,627	15,900	14,353	12,297	13,753
Unit-linked insurance assets ³⁾	62,224	48,416	49,593	38,158	24,600
Number of employees ⁴⁾	3,147	2,841	2,818	2,916	2,934

- 1) Premiums comprise premiums earned in P&C 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 (hereinafter Coop pension foundation). As of Q1 2012 assets in Svenska Lärfonder AB and Folksam Skadeförsäkring Ab were added. During 2012 management rights in respect of Folksam LO Fonder were transferred to Robur. History adjusted for comparability.
- 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 General operations

Folksam General 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 General conducts property and casualty insurance business focused chiefly on the Swedish market. The company offers a full range of insurance to households and private individuals with auto and home insurance forming the base supplemented by business insurance in selected areas.

Operational activities are conducted within two business segments, Partner and Private, which are supported by group-wide functions.

Group operations are pursued on a Nordic basis with a focus on both private and partner markets under our own and partner brands.

Earnings and the market

Earned premiums and market shares

Earned premiums (after reinsurance) within the Group rose to SEK 10,287 million (9,362) and to SEK 8,340 million (8,068) in the parent company. The group includes Folksam Skadeförsäkring Ab (name changed from Aktia Skadeförsäkring Ab) in Finland as of March 1, 2012.

The private market continues to grow and the number of regular customers is around 500,000. Customers must insure both their cars and homes with Folksam in order to be counted as full customers. Basic, Intermediate and Plus were launched at the beginning of the year as different types of contents and homeowners insurance offers to meet customer demand for clearer, simpler alternatives. Strategically, additional living expense insurance is the most important item in the entire insurance product range.

Earned premiums increased in both contents and homeowners insurance and auto, with positive sales trends at the end of the year and falling surrender levels.

The positive trend in auto and traffic continued with an increase in the portfolio. The Folksam General Group's market share (measured in the number of policies) on the private market increased by 0.1 per cent to 21.6 per cent. Folksam also has a continued strong position in brand insurance and now collaborates with Toyota/Lexus, Honda, Suzuki, Mitsubishi and Hyundai.

The accident and personal injury portfolio grew with relatively stable earned premiums. During the year a new accident insurance was launched with a supplement for affordable disability and critical illness insurance. Folksam's position in group accident insurance was strengthened chiefly through municipal accident insurance.

The commercial market continued its positive trend during the year with a focus on small companies, real estate and auto. During the year Folksam General signed an agreement with HSB Försäkrings AB concerning the take-over of their real estate insurance portfolio.

Market share measured in total premiums paid according to Swedish Insurance Federation statistics is 15.4 per cent (15.4), while market share in the household market for the Folksam General Group amounted to 19.9 per cent (19.9) according to Swedish Insurance Federation statistics. Market shares measured by the number of policies totaled 48.8 per cent (48.3) for home contents insurance, 28.1 per cent (28.1) in single-family homeowner's insurance and 21.6 per cent (21.5) for private car insurance.

Earnings

Consolidated earnings before appropriations and tax amounted to SEK 2,014 million (1,749) and SEK 1,856 million (1,381) for the parent company. Earnings from insurance operations deteriorated as a result of increased claims while return on capital made a strong contribution to the positive result.

Claims incurred (after reinsurance) increased during 2012 and amounted to SEK -8,506 million (-7,983) for the Group and SEK -6,937 million (-6,909) for the parent company. The total claims expense ratio is lower compared to the previous year. Cleared of movements in personal injury annuities and claims settlements the claims expense ratio is somewhat worse compared to the previous year. Winter-related claims were somewhat lower than the previous year and personal injuries in third party vehicle insurance continues to trend better than expected. Unfortunately, this is counteracted by higher claim expenses for real estate insurance and continued high claim expenses for homeowners insurance. During the year contents and homeowners insurance suffered an unusual number of total loss fires and continued high numbers of water damage claims.

Claim expenses rose sharply over the past few years, nevertheless such expenses stabilized during 2012 as a proportion of earned premiums, but at a high level. The number of submitted claims within the group continued to grow during 2012 compared to previous years but at a lower pace, 4 per cent (8) for auto insurance and 7 per cent (14) for home contents, homeowner's and second home insurance. For example, claims for leaks (the largest claims item in single-family homeowner's insurance insurance in money terms) increased considerably over the past three years.

The combined ratio fell in the parent company to 102 per cent (104). Operating expenses increased by SEK 134 million during the year. The increase is due to higher claims settle-

ment expenses and higher development expenses, above all in the Solvency II programme. As a proportion of premiums, the expense ratio increased to 19 (18) per cent. Operating expenses were simultaneously affected by continued work on the development and streamlining of organizations and processes; refer to the section Other operational factors.

Financial position

Solvency capital in the parent company continued to strengthen and amounted to SEK 11,942 million (10,072). At year end the solvency margin was 143 (121) per cent in the parent company and the solvency ratio stood at 7.7 (7.1).

In December 2012 the board adopted guidelines for a bonus programme. SEK 220 million were reserved for 2012. Disbursements will take place during 2013 and bonuses will extend to 1.8 million customers.

Subsidiaries

Consolidated subsidiaries

Tre Kronor Försäkring AB continued to grow. Earned premiums (after reinsurance) increased by 22 per cent and amounted to SEK 709 million (581). Profit/loss before income tax amounted to SEK 32 million (-1). The good result is explained largely by claims trends not achieving parity with previous years during the winter months, which was manifest in vehicle insurance. Premiums earned continued to rise thanks to sustained good sales and an increase in the product range.

Svenska Konsumentförsäkringar AB's loss was SEK -15 million (21) as a result of negative claims trends. Premiums earned rose somewhat during the year.

Earnings at Folksam Skadeförsäkring AB (previously Aktia Skadeförsäkring AB) before appropriations and tax amounted to SEK 93 million. Return on capital was good and amounted to 9.5 per cent (8.9). The company enjoyed favourable developments compared to previous years with increased earned premiums and also compensation paid. The loss ratio also improved compared to previous years.

Non-consolidated companies

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 2012 Förenade Liv reported earnings of SEK 297 million (219) before appropriations and tax. Premiums written before reinsurance rose to SEK 846 million (841).

Other operational factors

The Folksam advertising film featuring parachuting cats was a success. The film has had more than a million views on YouTube and international media such as the Daily Mirror and Time Magazine ran stories about it. CNN ran a TV feature about it.

A new kind of vehicle insurance is able to persuade drivers to adopt safer driving habits. So say the results of the Green Light research project carried out by Folksam together with the Swedish Transport Administration, the Swedish Abstaining Motorists' Association and SalusAnsvar. Around 250 private motorists participated in the Green Light project. The purpose was to find out if a new kind of vehicle insurance could encourage safer driving

habits with the long-term objective of saving lives and reducing road traffic accidents. In addition to better road safety, the speed reduction benefits both the environment and the policyholder. The test group drivers saved on average SEK 3,000 per year through lower insurance premiums and reduced fuel consumption. Thanks to changed driving habits, 90 per cent of the drivers had their premiums reduced and in the project evaluation 75 per cent of the test drivers responded that they would like a similar insurance policy in the future.

Folksam and GIH, the Swedish School of Sport and Health Sciences, have begun a research collaboration aimed at mapping sports injuries and identifying preventive measures. The collaboration has enabled GIH to take on a doctoral candidate whose research will focus on mapping sports injuries and making proposals for how they can be reduced. Every year Folksam handles around 20,000 injuries arising from organized sports activities.

An extensive project, Tomorrow's Office, was set up to modernize our offices at Skanstull and create workplaces that reflect our brand. The focus will be on flexible working methods and good technological solutions and will fall in line with creating a better learning organization. A pilot activity-based working method was implemented in 2012. The reconstruction programme is estimated to continue until 2015 when the operation's expenses for premises will fall significantly and large floor areas will be available for external letting.

According to a ruling on February 17, 2012, by the Administrative Court in Stockholm, the procurement of services from SOS International A/S by Swedish insurance companies are considered purchased in Sweden and subject to VAT. According to the ruling VAT must be reported in Sweden by the acquirer through reverse charges. The Administrative Court ruling has been appealed to the Administrative Court of Appeal in Stockholm. Folksam Mutual General Insurance and subsidiaries has made reverse charges for any such services referred to in the Administrative Court ruling and will await a decision before any rectifications are made or methods changed for 2013.

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 2012. Work concerning the comprehensive changes to the sales and claims units' customer organizations implemented in 2011 continued during the year to create a channel-driven organization based on higher efficiency, a shorter decision chain and customer requirements. The number of offices with customer visits has fallen and claims settlement has been concentrated to fewer places.

An agreement with Tieto was signed in December regarding the transfer the operation of applications and servers. The change process, including preparatory work and decisions, has been in progress almost two years. Planning has now begun and transfer of IT operations to Tieto will take place at the end of 2013. A merger between business support and IT Applikation also took place during the year with the purpose of increasing delivery capacity and bring skills and development together.

Asset management

Market development

The year opened strongly on the stock markets with Swedish shares climbing 15 per cent by the middle of March, and 10 per cent on the global index. The market was buoyed up in anticipation of positive effects arising from the resolute measures taken by the ECB and others

Annual Report 2012

Folksam Mutual General Insurance

Company registration number 502006-1619

at the end of 2011, and positive economic indicators from the USA. Because the Swedish economy was also growing relatively steadily, the year also began with rising Swedish interest rates. March saw the beginning of a gloomier outlook. By the beginning of June increasing unrest surrounding the Euro crisis and weaker economic statistics from Europe, the USA, China and Japan caused Swedish and international stock exchanges alike to fall back to the levels prevailing at the New Year. Political and economic uncertainty in several countries primarily in southern Europe led to higher yields on bonds in Greece, Italy and Spain. Unrest in Spain was aggravated by a serious crisis in the banking sector. Because of this and the relatively steady growth e.g. Sweden and Germany, there was an increasing appetite for German and Swedish government bonds which caused long-term Swedish bond yields to fall by around 1 per cent between the beginning of March and the end of June. The Swedish Krona strengthened at the same time. Swedish interest rates were thus at historically low levels and ten-year government bond yields bottomed out at just above 1.1 per cent.

Elections were held in Greece in June, which led eventually to the formation of a government. The euro area summit agreed to allow the European rescue fund to purchase government bonds and to provide direct help to individual banks. This decision was welcomed by Spain, among others. Later during the summer a preliminary political agreement was reached to extend emergency loans to Spanish banks and ECB President Mario Draghi expressed the central bank's emphatic support for the Euro. This resulted in a more stable situation and among other things also acted as the cue that caused Swedish housing bond yields to fall by almost a full percentage point between the autumn and the end of the year compared to government bond yields.

Stock exchanges world wide also stabilized during the summer and autumn supported by the rescue measures adopted by EU leaders, falling repo rates and the prospect of stimulus actions in China and Japan as well as continued measures in Europe and the USA.

Further clarifications regarding how the ECB rescue funds would work were provided during the autumn and the ECB declared that it intended to pursue its low-interest policy until 2015. In September, the German Federal Constitutional Court pronounced its judgment approving the ECB's rescue fund. There was gradually increasing confidence in the ability of the chosen route to lead to a stabilization of Europe's severely damaged economies. This means lower national interest rates especially in the crisis-hit countries in southern Europe. For Sweden it involved successively higher interest rates and the year closed, compared to its opening, with somewhat higher rates for maturities longer than ten years, and somewhat lower rates for maturities under ten years. Swedish ten-year government bond yields closed at 1.5 per cent at year end, which was 0.1 per cent lower than at the beginning of the year.

Following the October stock market recoil not even less-than-positive economic signals from Sweden or budgetary problems in the USA could prevent strong year end market numbers and Swedish and foreign shares enjoyed an overall upswing of 16 per cent for 2012 as a whole. In Swedish kronor the upswing for foreign shares was around 10 per cent owing to a strengthening of the krona by around 5 per cent.

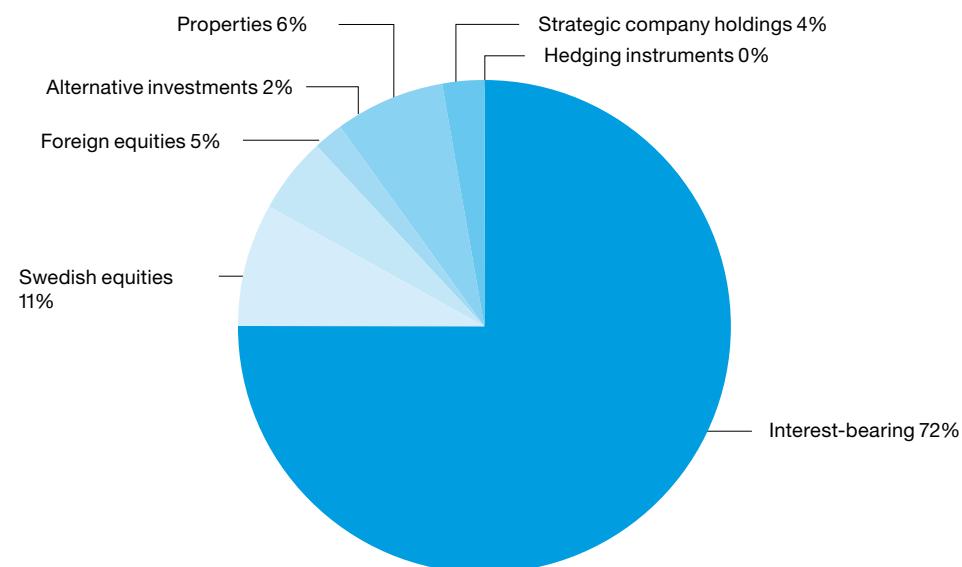
Value trends on the property market were relatively good in Sweden during 2012, especially for real estate in good locations. Good demand for centrally located commercial premises continued and contributed to similarly good appreciations in value. Demand for housing in Stockholm remained high and also contributed to good appreciations in value. Housing values levelled off in Malmö as demand was affected by the recession in Copenhagen. There was an increasing interest in the property market aimed at sheltered living.

Total yield table, parent company

SEK million	Opening market value 1/1/2012	Closing market value 12/31/2012	Total yield 2012 SEK million	Total yield 2012 %	Total yield 2011 %	Total yield 2010 %	Total yield 2009 %	Total yield 2008 %
Interest-bearing	21,480	22,285	785	3.6	7.6	2.2	4.1	6.7
Shares	3,786	4,941	1,255	33.5	-1.0	33.0	55.2	-49.9
Alternative investments	576	709	48	7.5	2.4	-6.7	-13.3	-12.2
Property	2,117	1,971	100	5.1	10.6	1.7	-4.1	6.3
Strategic company holdings	791	1,159	43	4.2	3.7	4.6	-2.9	12.2
Hedging instruments	42	-13	137	n/a	n/a	n/a	n/a	n/a
Total	28,792	31,052	2,368	8.2	6.9	6.7	8.1	2.5

The total return ratio table is arranged as per Swedish Insurance Federation recommendations and the company's guidelines for measuring and reporting total return ratio. Note 52 describes how the total return ratio table is connected to the income statement and balance sheet.

Distribution of investment assets, Market value



Rates of return

The 2012 total return ratio on company assets was 8.2 per cent (6.9) equivalent to SEK 2,368 million (1,825). The principal explanation for the good total return ratio is the company's strategic asset distribution, which among other things governs the nature of insurance commitments and the company's risk tolerance. The year's positive rates of return are explained primarily by a good share price trend which gave a stock yield of around 33 per cent. This arises in significant part from very good returns from the company's Swedbank shares, which rose in value by around 40 per cent. All in all, interest-bearing investments gave a return of just under 4 per cent, affected positively largely by falling interest rates on housing bonds. Stock market exposure rose slightly compared to the previous year and was 16 per cent at year end. At around 3 years, maturities in the interest-bearing portfolio remains largely unchanged compared to the previous year. During the year currency exposure increased a little and was around 10 per cent at year end

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 and independent savings banks).

Customer satisfaction

Folksam continually measures customer satisfaction. The surveys show that customers who have been in contact with Folksam are more satisfied than those who have not. Customer satisfaction increased again during the year.

As competition for customers gets tougher, the less the difference between operators. Consequently, the way the company manages its customer contacts is very important for customer satisfaction. Of the total number of customers who were in contact with Folksam either through customer service or in connection with a claim, 90 per cent were satisfied.

The Swedish Quality Index, SKI, annually measures customer satisfaction in several private and public sectors. SKI shows that in 2012, Folksam improved on its already positive lead over the industry's average customer satisfaction for private vehicle and life insurance, and also for non-life insurance to companies. The increase in Folksam non-life insurance policies to private individuals exceeded the industry average.

Folksam's surplus values

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 CO₂e 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.

Folksam fully offsets its carbon footprint.

Folksam's climate footprint is growing. The total climate footprint for 2012 was measured at 4,613 tonnes CO₂e. This is an increase of 638 tonnes compared to previous years. The increase is due to the increase in Folksam's property holding, the fact that 2012 was a cold

year, an increase in travel by air and road and because the climate impact of water is included as of January 1, 2012. Folksam strives to increase the number of its climate offset items every year. Since 2011 readings include all carbon dioxide equivalents, i.e. all six greenhouse gases, not just carbon dioxide.

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.

Road safety work

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 third-party vehicle insurance premiums, which benefits Folksam's customers. Folksam's road safety research costs around SEK 7-8 per car insurance policy per year.

Responsible ownership

Our customers care how listed companies manage sustainability issues. 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. Folksam Sak and KPA Pension have even stricter exclusion criteria.

When Folksam sold its entire holding in Lundin Petroleum in 2012 it drew much attention. Allegedly, Lundin Petroleum was complicit in the breach of human rights through its operations in Sudan and Ethiopia between 1997 and 2003. Lundin Petroleum's attitude and its board's refusal to investigate the allegations directed at the company were the reasons behind Folksam's decision..

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 in Sweden 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 an agreement with 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. A agreement for white collar staff in sales positions regarding special pay was reached with the three salaried employee organizations.

The average number of employees, pay and remunerations, with special specifications for senior executives, are reported under Note 50.

Employee survey shows employees are committed

In support of the development of the organization, its skills, leadership and the workplace environment, an employee survey is carried out every year. The readings for 2012 were a total index of 72 per cent and a response of 93 per cent.

The results of the survey show that commitment and satisfaction with assignments has risen. Leadership remains at a good level. The proportion of employees who have individual goals for their own performance increased from 91 to 93 per cent. Several areas within work groups have improved, such as cooperation and the perception that goals, planning and decisions are clear, and that goals and activities are followed up well. More people feel that it is easy to implement necessary changes to the operation than did previously.

The overall outcome of the employee surveys are put to use in dialogues, action plans and development activities at every level within the company. Folksam has well established procedures for follow-up efforts such as individual coaching for managers, workshops and the support of group development

Sick leave rates

Because Folksam seeks a working environment that promotes good health, motivation and productivity it has worked for many years to reduce sick leave rates. Among other things, a telephone help line was introduced in 2012 that provides medical advice when staff report sick. By doing so, Folksam objective is to provide employees with the necessary support for staying healthy and to spot signs of ill health quickly in order to take preventive action. The help line will be integrated in the new personnel and payroll system during 2013, which will mean among other things that employees will no longer have to register their absence manually. Worked on focused support for individual employees and groups will continue during the year.

Attractive employer

Folksam aims to be an attractive workplace with competitive offers to its existing and future employees. To increase knowledge of the insurance industry in general and Folksam as

an employer, the company participates with cases in various university courses and provides internships and summer employment for students. Folksam also works together with the four insurance courses available in Sweden through participation in management groups and by offering trainee positions. Over the past five years around forty individuals from these courses have been taken on as employees. During the year Folksam also took part in fifteen career days for students and labour market fairs for people already professionally employed. An internal career day was held to increase knowledge of Folksam's offer internally and to encourage active career choices. Employees were given the opportunity to participate in activities and hear lectures of the careers theme and to learn more about the different vocational fields in the business. There was also information about employee benefits, and about support from HR and external partners regarding careers and personal advancement.

Skills enhancement

Folksam aims to have the structure, skills and adaptability to make our operation sharper than the competition's. During the year we launched Folksam's new PD process (performance and development) which is intended to create the conditions to allow every employee to perform and develop in a way that helps Folksam achieve its goals. The new process is more flexible and suited to operational requirements than before. The supervisor and employee together draw up individual goals and a development plan that is cross-checked regularly. The focus is on a coaching approach, clear demands on the role concerned and the activities an employee must accomplish to achieve his or her goals. During 2012, Folksam also initiated a middle management training programme (MCU). The objective of the programme is to develop leadership among managers who lead junior managers or specialists. MCU combines development in programme form with coaching in groups.

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 2012 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 was made for an estimated amount was made in the annual accounts and a final decision will be made by the board.

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 exter-

nal 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. The 2011 AGM adopted a proposal to appoint a representative inquiry one of whose tasks would be to submit proposals for a revised representative organization for Folksam. The proposal was submitted to the 2012 AGM upon which the meeting agreed in accordance with the proposal to increase the number of delegates, to add more organizations representing policyholders at the meetings supplemented by direct elections.

A separate corporate governance report including a Board of Directors' report on internal controls in regard to financial reporting has been prepared and is available at folksam.se.

Duties of the Board of Directors

Eight board meetings were held during the year. Furthermore, members had telephone and email contacts. Board committees: the audit committee and remunerations committee held six and four meetings respectively during the year. Furthermore, committee members had telephone and email contacts.

Around 30 of Folksam's rules and regulations are approved 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: Ongoing follow-up of the realization of a number of strategic objectives, compliance reports, reviews of operations in subsidiary companies, financial position, interim reports, business plan, budget and forecasts, economies, external business and competition intelligence, conflicts of interest, internal audit reports, the establishment of a reinsurance and rewards programmes, supervision of asset management operations, gains and losses and meetings with the external auditor.

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, pricing, skills supply, challenges and critical activities, a review of financial objectives, an evaluation of the Medium Term Plan and preparations for Solvency II.

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

Bengt Olsson and Leif Nordmark resigned as board members and the AGM elected Martin Linder as a member and Birgit Förell as substitute.

Strategic holding in Swedbank

Folksam owns just over nine per cent of Swedbank stock

Folksam's participation in Swedbank December 31, 2012

Company	Quantity	Proportion of votes and capital in Swedbank
Folksam General	26,543,173	2.4%
Folksam Life	63,433,290	5.6%
	89,976,463	8.0%
KPA Pensionsförsäkring	12,757,145	1.1%
KPA Livförsäkring	171,646	0.0%
Coop Pension Foundation	1,245,012	0.1%
Lärarfonder	934,027	0.1%
Förenade Liv	108,054	0.0%
Folksam Total	105,192,347	9.3%

Disputes

Folksam General has a number of disputes within the framework of normal business activities. Most of them concern minor amounts and are not considered to influence the company's financial position. In cases where large amounts are concerned an assessment is made of the probable outcome and the need for any provision.

Risk management

Significant risks and uncertainty factors

The ability to identify, prevent and manage risks is becoming increasingly 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.

Solvency II

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 verified that the formal requirements will increase but through good control, risk management and compliance Folksam will be able to live up to both internal and external requirements within the new framework.

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 as great an extent as is reasonable.

During 2012 assignment focused on such things as risk management, internal controls, outsourcing and the company's own risk and solvency capital

A comprehensive reporting project took place during 2012 focused on the data collection, processing, storage and reporting. The project was in two parts – the implementation of databases and files that provide easy access to the necessary traceable, accurate and available information from insurance, accounting and financial systems and the creation efficient reporting processes including calculations from basic data in said files through to finished reports. A new general ledger was put into production in 2012 under the auspices of the reporting project.

By the end of 2012 it was clear that the schedule announced for the introduction of Solvency II would have to be put forward. Folksam is working under the assumption that introduction will take place in January 2016. This means the reporting project will not be pursued to the same extent during 2013 but will await the final detailed requirements.

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	2012	2011	2010 ⁽¹⁾	2009	2008 ⁽²⁾
PROFIT/LOSS					
Premiums written (after reinsurance)	10,223	9,697	9,125	8,552	8,040
Premiums earned (after reinsurance)	10,287	9,362	8,822	8,579	8,133
Return on capital net in insurance operations	524	641	643	626	705
Other technical income (after reinsurance)	30	26	30	107	78
Claims incurred, net	-8,506	-7,983	-7,265	-6,747	-5,416
Operating expenses in insurance operations	-1,912	-1,734	-1,575	-1,608	-1,824
Bonuses and rebates, net	-232	-9	-1	6	-24
Other technical expenses (after reinsurance)	-	-	-38	-1	-1
Insurance operation technical result	191	303	616	962	1,651
Remaining return on capital	1,825	1,457	1,074	1,279	-144
Other	-2	-11	23	13	-4
Profit/loss before appropriations and income tax	2,014	1,749	1,713	2,254	1,503
FINANCIAL POSITION					
Investment assets at fair value	32,593	29,225	25,664	24,804	24,885
Technical provisions, (after reinsurance)	25,223	23,456	21,874	20,769	20,152
Solvency capital					
Taxed equity	9,217	7,717	6,866	5,446	5,989
Subordinated liabilities	-	-	-	1,475	975
Deferred tax liability	2,485	2,462	2,255	1,745	1,172
Surplus value in investment assets					
Investments in Group companies	204	179	146	216	357
Other financial investment assets	-	-	-	-	-
Total surplus value	204	179	146	216	357
Total solvency capital	11,906	10,358	9,267	8,882	8,493

Five-year summary and key ratios, SEK million

(cont.)	2012	2011	2010 ⁽¹⁾	2009	2008 ⁽²⁾
KEY RATIOS					
Earnings from P&C insurance business					
Claims ratio	83	85	82	79	67
Expense ratio	19	19	18	19	22
Combined ratio	102	104	100	97	89
Earnings from asset management					
Yield, per cent ³⁾	3.1	3.5	2.2	2.7	4.4
Total return, per cent	8.2	6.9	6.8	8.2	2.2
Financial position					
Solvency ratio, per cent	116	107	102	104	106

1) Restated owing to change-over to full IFRS in consolidated financial statements and for provisions for 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) Yield for 2009 was restated according to change regulation FFFS 2009:12. Reported key ratios in respect of yield for the years 2007-2008 were calculated according to the then applicable FFFS 2008:26.

Special accounts for applied accounting and valuation principles are provided in connection with annual report notes.

Five-year summary and key ratios, SEK million

PARENT COMPANY	2012	2011 ⁽¹⁾	2010 ⁽²⁾	2009	2008 ⁽³⁾
PROFIT/LOSS					
Premiums written (after reinsurance)	8,332	8,292	7,989	7,607	7,200
Premiums earned (after reinsurance)	8,340	8,068	7,789	7,704	7,298
Return on capital net in insurance operations	479	608	613	595	668
Other technical income (after reinsurance)	31	25	30	75	50
Claims incurred, net	-6,937	-6,909	-6,354	-6,103	-4,817
Operating expenses in insurance operations	-1,606	-1,472	-1,322	-1,378	-1,594
Bonuses and rebates, net	-231	-9	-1	6	-24
Other technical expenses (after reinsurance)	-	-	-	-1	-1
Insurance operation technical result	76	311	755	898	1,580
Remaining return on capital	1,781	1,079	999	1,301	-21
Other	-1	-9	-3	-3	-3
Profit/loss before appropriations and income tax	1,856	1,381	1,751	2,196	1,556
FINANCIAL POSITION					
Investment assets at fair value	31,075	28,164	25,032	24,058	23,665
Technical provisions, (after reinsurance)	22,310	21,719	20,302	19,422	18,897
Solvency capital					
Taxed equity	3,351	2,189	2,131	1,920	3,032
Untaxed reserves	7,623	7,142	5,998	5,189	3,707
Subordinated liabilities	-	-	-	975	975
Deferred tax liability	764	562	546	315	150
Surplus value in investment assets					
Investments in Group companies and associated companies	204	179	146	216	359
Other financial investment assets	-	-	-	-	-
Total surplus value	204	179	146	216	359
Total solvency capital	11,942	10,072	8,821	8,615	8,223

Five-year summary and key ratios, SEK million

(cont.)	2012	2011 ⁽¹⁾	2010 ⁽²⁾	2009	2008 ⁽³⁾
Capital base	11,889	10,033	8,548	7,838	7,346
Required solvency margin	1,550	1,404	1,296	1,263	1,322
Consolidated capital base	12,025	10,110	8,607	7,971	7,471
Consolidated solvency margin	2,048	1,655	1,509	1,443	1,487
KEY RATIOS					
Earnings from P&C insurance business					
Claims ratio	83	86	82	79	66
Expense ratio	19	18	17	18	22
Combined ratio	102	104	99	97	88
Earnings from asset management					
Yield, per cent ⁴⁾	2.7	3.2	2.3	3.0	4.9
Total return, per cent	8.2	6.9	6.7	8.1	2.5
Financial position					
Solvency ratio, per cent	143	121	110	113	114

1) Restated owing to changed accounting principles for expenditures for the development of internally generated intangible assets in accordance with RFR2. Earlier years are not recalculated in respect of this change of principle.

2) Restated owing to changed accounting principles for provisions to pensions and similar liabilities. Earlier years are not recalculated in respect of this change of principle.

3) Restated owing to changed valuation principles for technical provisions not classified as occupational pension policies.

4) Yield for 2009 was restated according to change regulation FFFS 2009:12. Reported key ratios in respect of yield for 2008 were calculated according to the then applicable FFFS 2008:26.

Special accounts for applied accounting and valuation principles for the number of employees and remunerations are provided in connection with annual report notes.

Significant events during the financial year

Folksam General took possession of the Indecap AB shares and divested the shares in Folksam Spar AB on February 1, 2012 in accordance with an earlier agreement.

As of February 29, 2012 Folksam General took possession of 51 per cent of the shares in Folksam Skadeförsäkring Ab (previously Aktia Skadeförsäkring Ab) in Finland following an agreement with Aktia ABP in Finland. The investment in Folksam Skadeförsäkring, which operates in the coastal regions of Finland, is the first step and an important part of Folksam's expansion strategy for the Nordic insurance market. The purchase sum was EUR 24 million.

The award-winning property Katsan 1 was acquired from Länsförsäkringar Liv as part of Folksam's strategy of enhancing its ownership stance around Skanstull. The building is part of the extensive Skanstull area and has a distinct environmental image. Folksam General is making the investment. Katsan 1 was completed in 2003. It is a modern, versatile office building that meets the very highest of energy consumption standards. Its low energy consumption makes it eligible for the Sweden Green Building Standards' gold award. In 2003 White Arkitekter were awarded the Kasper Sahlin prize for Katsan 1.

Folksam General, Folksam Life and Peab acquired KF Fastigheter's share of Kvarnholmen Utvecklings AB on December 28, 2012. Following the acquisition Kvarnholmen is owned in equal parts by JM and a company jointly owned by Folksam and Peab. Folksam General and Folksam Life are participating in the investment mainly through loan financing. Kvarnholmen Utvecklings AB is tasked with exploiting development rights for the production of around 1,500 new apartments.

The previous corporate structure in Holland, Folksam Property Holding, part-owned by Folksam Liv Fastighets AB and Folksam Sak Fastighets AB, was liquidated. The participations in the property trusts that formed part of the structure are now owned directly by each respective company.

Folksam General is reinforcing its market position in risk insurance with the aim of providing bundled offers that include personal risk insurance and non-life insurance to companies and organizations and their members. Folksam General acquired the subsidiary Förenade Liv Gruppförsäkring AB from Folksam Life on December 31.

Folksam General agreed to acquire SalusAnsvar AB and subsidiary from DnB Bank ASA. The acquisition includes SalusAnsvar Personförsäkringar AB, a 49 per cent participation in Saco SalusAnsvar AB and the dormant company SalusAnsvar Holding AB. SalusAnsvar AB is the distributor for the Folksam subsidiary, Svenska Konsumentförsäkringar AB's, home and vehicle insurance. The acquisition means increased collaboration with salaried employees and university graduates. Folksam intends to integrate SalusAnsvar's operations into the Folksam organization.

Events after closing date

Folksam General acquired the shares of Salus Ansvar AB on January 31.

The Data Inspection Board (DI) has initiated an enforcement case against Folksam General. The cause was the tabloid newspaper Aftonbladet's report that alleged Folksam kept a directory containing personal information of customers it suspected of insurance fraud. The general rule

is that bodies other than authorities are prohibited from processing personal information about breaches of the law. There is however an exception that provides insurance companies certain margin of discretion to handle this kind of information, but there is no clear limit to what a company may record and how long it may be saved. Folksam welcomes the review.

The recruiting process for a new MD and Group CEO for Folksam Life and Folksam General has begun. Recruiting will be carried out by a group consisting of the Folksam Life and Folksam General board chairmen and Folksam Life's vice chairman. The background is Anders Sundström's announcement that he will henceforth devote himself to board work at Swedbank, among other companies.

Future developments

While the Folksam General Group has the Swedish market as its base, the acquisition of Folksam Skadeförsäkring Ab in Finland and its operations in the household and commercial markets distributed through bank assurance, signals the establishment of a Nordic platform. Customer requirements for insurance cover for various situations in life are on the rise and Folksam General has strengthened its market position through the acquisition of Förenade Liv Gruppförsäkring and SalusAnsvar Personriskförsäkring with the aim of providing personal risk insurance in bundled offers.

The board has laid down a strategy for increasing market share within non-life insurance through continued focus on full-customer offers based on auto and home insurance. Folksam enjoys good growth in the household market and foresees good conditions for the continued reinforcement of its position both through its own distribution and collaborations and partnerships. The commercial business continues to be developed.

The focus that Folksam General has directed toward claims and offers trends is anticipated to continue in the years ahead.

Folksam enjoys is in good financial standing and from January 1, 2013, Folksam General will provide bonuses to its customers and spotlight customer ownership.

The pace of change in the world at large, especially in the area of regulations, has accelerated. Along with the rest of the industry, Folksam is facing major adjustments to accommodate the major rule changes that are under way such as Solvency II. It is important to be prepared and to make the necessary changes without losing sight of the customer. Folksam belongs to its customers, has good relations with its customers and the ability to create a stable customer base.

Proposed allocation of profits

The following is at the AGM's disposition:

Retained earnings	2,188,937,867.09
Earnings for the year	1,161,630,063.82
	3,350,567,930.91

The board and the managing director propose that earnings of SEK 3,350,567,930.91 be carried forward.

Regarding the company's operations in other respects we refer to the following income statements and balance sheets for the Group and parent company and their associated notes.

Income statement

Group, SEK million		2012	2011	Taxes, SEK million (cont.)		2012	2011
TECHNICAL REPORT OF P&C INSURANCE OPERATIONS							
Premiums earned (after reinsurance)							
Premiums written (before reinsurance)	Note 4	10,308	9,743			191	303
Premiums for reinsurance	Note 4	-85	-46			1,437	1,851
Change in provision for non-earned premiums and unexpired risks		63	-335			1,366	908
Reinsurer's share of change in provision for non-earned premiums and unexpired risks		1	-			-323	-247
		10,287	9,362			-28	-705
Return on assets transferred from financial operations	Note 5	524	641			-524	-641
Other technical income (after reinsurance)		30	26			3	-
Claims incurred (after reinsurance)	Note 6					-5	-10
Claims paid						Operating profit/loss in businesses other than insurance companies	-1
Before reinsurance		-8,061	-7,562			Participation in associated companies' profit/loss	291
Reinsurer's share		56	818				
Change in Provisions for unsettled claims						Earnings before tax	2,014
Before reinsurance		-488	-417				1,749
Reinsurer's share		-13	-822			Tax on current year's earnings	Note 14
		-8,506	-7,983			-59	-393
Bonuses and rebates (after reinsurance)		-232	-9			PROFIT/LOSS FOR THE YEAR FROM REMAINING OPERATIONS	1,955
Operating expenses	Note 7	-1,912	-1,734				1,356
P&C insurance operation's technical result		191	303				
NON-TECHNICAL REPORT							
P&C insurance operation's technical result							
Investment income							
Notes 8, 12							
1,437							
Unrealized gains from investment assets							
Notes 9, 12							
1,366							
Investment charges							
Notes 10, 12							
-323							
Unrealized losses from investment assets							
Notes 11, 12							
-28							
Return on assets transferred to P&C insurance business							
Other income							
3							
Other expenses							
-5							
Operating profit/loss in businesses other than insurance companies							
Participation in associated companies' profit/loss							
						-103	291
Earnings before tax							
Tax on current year's earnings							
Note 14							
-59							
PROFIT/LOSS FOR THE YEAR FROM REMAINING OPERATIONS							
Attributable to:							
Policyholders							
1,921							
Holdings without controlling influence							
34							

Statement of comprehensive income

Group, SEK million		2012	2011
PROFIT/LOSS FOR THE YEAR		1,955	1,356
Other comprehensive income			
Actuarial gains and losses including income tax		-537	-676
Proportion of associated companies' other comprehensive income		-	-
Translation difference on foreign operations		-7	-6
Income tax on items reported as other comprehensive income	Note 14	118	178
Other comprehensive income for the year, net after tax		-426	-504
COMPREHENSIVE INCOME FOR THE YEAR			
		1,529	852
Attributable to:			
Policyholders		1,495	852
Holdings without controlling influence		34	-

Balance sheet

ASSETS

Group, SEK million		12/31/2012	12/31/2011
Intangible assets			
Goodwill	Note 15	36	30
Other intangible assets		262	170
		298	200
Investment assets			
Investment property	Note 16	1,059	715
Shares and participations in Group companies	Note 17	115	-
Shares and participations in associated companies	Note 18	339	1,133
Interest-bearing securities issued by, and loans to, associated companies	Note 19	232	151
		1,745	1,999
Other financial investment assets			
Shares and participations	Notes 20, 28	5,514	4,169
Bonds and other interest-bearing securities	Notes 21, 28	24,552	22,440
Loans guaranteed by mortgages		10	-
Other loans	Notes 22, 28	292	168
Derivatives	Notes 23, 28	30	53
Other financial investment assets	Notes 24, 28	241	218
		30,639	27,048
Deposits from companies that have ceded reinsurance		5	-
Total Investment assets		32,389	29,047

ASSETS

Taxes, SEK million (cont.)		12/31/2012	12/31/2011
Reinsurer's share of technical provisions			
Non-earned premiums and unexpired risks	Note 33	3	-
Unsettled claims	Note 34	114	69
		117	69
Receivables			
Receivables in respect of direct insurance	Note 25	3,069	2,754
Receivables in respect of reinsurance	Note 26	40	40
Current tax asset		88	84
Other receivables	Note 27	899	630
		4,096	3,508
Other assets			
Cash and cash equivalents		1,382	1,272
Property, plant and equipment	Note 29	472	470
		1,854	1,742
Prepayments and accrued income			
Accrued interest and rental income	Note 28	348	392
Prepaid acquisition costs	Note 30	341	331
Other prepaid expenses and accrued income	Note 31	169	134
		858	857
TOTAL ASSETS		39,612	35,423

Balance sheet (cont.)

EQUITY, PROVISIONS AND LIABILITIES

Group, SEK million		12/31/2012	12/31/2011
Equity attributable to policyholders			
Translation reserve	Note 32	-19	-12
Retained earnings including profit/loss for the year		9,236	7,729
		9,217	7,717
Holdings without controlling influence		252	-
Technical provisions, (before reinsurance)			
Non-earned premiums and unexpired risks	Note 33	5,399	5,136
Unsettled claims	Note 34	19,697	18,379
Bonuses and rebates	Note 35	241	10
		25,337	23,525
Other provisions			
Pensions and similar liabilities	Note 36	658	335
Deferred tax liability	Note 37	2,485	2,462
		3,143	2,797

EQUITY, PROVISIONS AND LIABILITIES

Taxes, SEK million (cont.)		12/31/2012	12/31/2011
Liabilities			
Liabilities in respect of direct insurance	Note 38	86	159
Liabilities in respect of reinsurance	Note 39	2	1
Liabilities to credit institutions	Notes 40, 28	-	4
Derivatives	Notes 41, 28	47	24
Other liabilities	Notes 42, 28	803	594
		938	782
Accrued expenses and deferred income			
Other accrued expenses and deferred income	Notes 43, 28	725	602
		725	602
TOTAL EQUITY, PROVISIONS AND LIABILITIES		39,612	35,423

For information regarding the Group's pledged assets, contingent liabilities and commitments, refer to Notes 46, 47 and 48.

Statement of changes in equity

Group, SEK million	EQUITY ATTRIBUTABLE TO POLICYHOLDERS ¹⁾			TOTAL	
	Translation reserve ²⁾	Retained earnings incl. profit/loss for the year ³⁾	Equity attributable to policyholders	Holdings w/o controlling influence	Total equity
Opening balance 01/01/2011 as per approved balance sheet	-6	6,867	6,861	-	6,861
Adjusted opening balance 01/01/2011	-6	6,867	6,861	-	6,861
Change in associated company equity	-	4	4	-	4
Earnings for the year		1,356	1,356	-	1,356
Other comprehensive income for the year	-6	-498	-504	-	-504
Comprehensive income for the year	-6	858	852	-	852
Closing balance, 31/12/2011	-12	7,729	7,717	-	7,717
Change in associated company equity	-	5	5	-	5
Acquisition of part-owned subsidiary, no previous controlling influence.				218	218
Earnings for the year	-	1,921	1,921	34	1,955
Other comprehensive income for the year	-7	-419	-426	-	-426
Comprehensive income for the year	-7	1,502	1,495	252	1,529
Closing balance, 31/12/2012	-19	9,236	9,217	252	9,469

1) Restricted equity amounted to SEK 6,178 million and non-restricted equity to SEK 3,039 million.

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.

The character and purpose of reserve items under Equity are described in Note 1, Accounting principles.

Statement of cash flows

Group, SEK million	2012	2011
OPERATING ACTIVITIES		
Profit/loss before income tax ¹⁾	2,014	1,749
Adjustment for items not included in cash flow ²⁾	-783	1,158
Tax paid	-19	-7
Cash flow from operating activities before changes in assets and liabilities	1,212	2,900
Change in other operating receivables	-355	-1,012
Change in other operating liabilities	1,022	172
CASH FLOW FROM OPERATING ACTIVITIES	1,879	2,060
INVESTMENT ACTIVITIES		
Change in investment assets ³⁾	-1,420	-2,196
Change of investment assets not used directly in operations		
Net investment in Group companies, effect on liquidity ⁴⁾	-481	-
Net investment in associated companies, effect on liquidity ⁵⁾	-178	-165
Net investment in other investment assets ⁶⁾	-	-1
Changes in material and intangible assets ⁷⁾	-77	-77
CASH FLOW FROM INVESTMENT ACTIVITIES	-2,156	-2,439
CASH FLOW FROM FINANCING ACTIVITIES	-	-
CASH FLOW FOR THE YEAR	-277	-379
Cash and cash equivalents at beginning of year ⁸⁾	1,666	1,655
Exchange rate differences in cash and cash equivalents	15	-18
Cash and cash equivalents at year end ⁸⁾	1,404	1,258
Cash flow for the year	-277	-379
¹⁾Interest and dividends paid and received	2012	2011
Interest paid during the period	-55	-62
Interest received during the period	895	726
Dividends received during the period	189	152
Total paid and received interest and dividends	1,029	816

Taxes, SEK million (cont.)

²⁾Items not included in cash flow	2012	2011
Impairments	-15	-36
Depreciations	23	105
Non-distributed profit-sharing in associated companies	103	-291
Realized gains (-) / losses (+)	-383	-630
Unrealized gains (-) / losses (+)	-1,338	-221
Exchange rate gains (-) / losses (+)	83	-119
Change in accrued cost of interest-bearing securities	230	139
Change in provisions in respect of insurance policies	669	1,582
Transaction expenses on acquisitions	14	-
Change in provisions for pensions and similar liabilities	-132	-42
Change in premium receivables	-37	671
Total items not included in cash flow	-783	1,158
³⁾Change in investment assets	2012	2011
Investments in investment assets	-15,989	-14,115
Sale of investment assets	14,569	11,919
Total change in investment assets	-1,420	-2,196
⁴⁾Net investment in Group companies, effect on liquidity	2012	2011
Investment in Group companies	-481	-
Sale of Group companies	-	-
Total net investments in Group companies, effect on liquidity	-481	-
⁵⁾Net investment in associated companies, effect on liquidity	2012	2011
Investments in associated companies	-178	-165
Sales of associated companies	-	-
Total net investments in associated companies, effect on liquidity	-178	-165

Statement of cash flows (cont.)

⁶⁾ Net investment in other investment assets, effect on liquidity	2012	2011
Investments in other investment assets	-	-1
Sale of other investment assets	-	-
Total net investments in other investment assets	-	-1
⁷⁾ Net investments in tangible and intangible assets	2012	2011
Investments in tangible and intangible assets	-204	-94
Sale of tangible and intangible assets	127	17
Total net investments in tangible and intangible assets	-77	-77
⁸⁾ Sub-components included in cash and cash equivalents	2012	2011
Cash and bank balances	1,382	1,272
Current investments equivalent to cash and cash equivalents	22	-14
Total sub-components included in cash and cash equivalents	1,404	1,258

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

Inaccessible cash and cash equivalents	2012	2011
Currency restrictions	-	-
Other legal restrictions	120	55
Total inaccessible cash and cash equivalents	120	55

Income statement

Parent company, SEK million		2012	2011
TECHNICAL REPORT OF P&C INSURANCE OPERATIONS			
Premiums earned (after reinsurance)			
Premiums written (before reinsurance)	Note 4	8,384	8,330
Premiums for reinsurance	Note 4	-52	-38
Change in provision for non-earned premiums and unexpired risks		8	-224
		8,340	8,068
Return on assets transferred from financial operations	Note 5	479	608
Other technical income (after reinsurance)		31	25
Claims incurred (after reinsurance)	Note 6		
Claims paid			
Before reinsurance		-6,599	-6,527
Reinsurer's share		31	801
Change in Provisions for unsettled claims			
Before reinsurance		-372	-376
Reinsurer's share		3	-807
		-6,937	-6,909
Parent company, SEK million (cont.)			
Bonuses and rebates (after reinsurance)			
		-231	-9
Operating expenses	Note 7	-1,606	-1,472
P&C insurance operation's technical result		76	311

Parent company, SEK million (cont.)		2012	2011
NON-TECHNICAL REPORT			
P&C insurance operation's technical result		76	311
Investment income	Notes 8, 12	1,209	1,622
Unrealized gains from investment assets	Notes 9, 12	1,291	877
Investment charges	Notes 10, 12	-226	-129
Unrealized losses from investment assets	Notes 11, 12	-14	-683
Return on assets transferred to P&C insurance business		-479	-608
Other income		-	1
Other expenses		-1	-10
Profit/loss before appropriations and income tax		1,856	1,381
Appropriations	Note 13	-481	-1,144
Earnings before tax		1,375	237
Tax on current year's earnings	Note 14	-213	-59
PROFIT/LOSS FOR THE YEAR		1,162	178

Statement of comprehensive income

Parent company, SEK million		2012	2011
Earnings for the year		1,162	178
Other comprehensive income for the year		-	-
COMPREHENSIVE INCOME FOR THE YEAR		1,162	178

Performance analysis

Parent company, SEK million	Disability and accident insurance	Home contents and homeowners	Commercial & property	Automotive	Traffic	Maritime, aviation and transport
Premiums earned (after reinsurance)						
Premiums written (before reinsurance)	1,418	2,764	284	2,329	924	2
Premiums for reinsurance	-3	-20	-21	-3	-3	-
Change in provision for non-earned premiums and unexpired risks.	42	-11	-10	-44	12	-
Reinsurer's share of Change in provision for non-earned premiums and unexpired risks	-	-	-	-	-	-
	1,457	2,733	253	2,282	933	2
Return on assets transferred from financial operations	172	40	4	8	249	-
Other technical income (after reinsurance)	2	7	1	7	13	-
Claims incurred (after reinsurance)						
Claims paid						
Before reinsurance	-1,292	-2,229	-201	-1,492	-883	-1
Reinsurer's share	-	5	13	-	13	-
Change in Provisions for unsettled claims						
Before reinsurance	1	-16	-91	4	-223	1
Reinsurer's share	-	-4	-1	-	8	-
	-1,291	-2,244	-280	-1,488	-1,085	-
Bonuses and rebates (after reinsurance)	-43	-81	-	-74	-33	-
Operating expenses	-230	-522	-66	-390	-286	-1
Other technical expenses (after reinsurance)	-	-	-	-	-	-
P&C insurance operation's technical result	67	-67	-88	345	-209	1
Prior-year claims result before reinsurance	11	-20	-14	37	26	1
Technical provisions, before reinsurance						
Non-earned premiums and unexpired risks	-353	-1,910	-88	-1,364	-456	-1
Unsettled claims	-6,290	-1,431	-311	-261	-9,179	-1
Bonuses and rebates	-53	-80	-	-74	-34	-
	-6,696	-3,421	-399	-1,699	-9,669	-2
Reinsurer's share of technical provisions						
Non-earned premiums and unexpired risks	-	-	-	-	-	-
Unsettled claims	-	4	9	-	54	-
	-	4	9	-	54	-

Performance analysis (cont.)

Parent company, SEK million	Credit and sureties	Pets	Other lines	Total insurance of Swedish risk	Reinsurance received	Total
Premiums earned (after reinsurance)						
Premiums written (before reinsurance)	-	475	155	8,351	33	8,384
Premiums for reinsurance	-	-2	-	-52	-	-52
Change in Provision for non-earned premiums and unexpired risks	-	-13	32	8	-	8
Reinsurer's share of change in provision for non-earned premiums and unexpired risks	-	-	-	-	-	-
	-	460	187	8,307	33	8,340
Return on assets transferred from financial operations						
	-	3	3	479	-	479
Other technical income (after reinsurance)						
	-	1	-	31	-	31
Claims incurred (after reinsurance)						
Claims paid						
Before reinsurance	5	-365	-126	-6,584	-15	-6,599
Reinsurer's share	-	-	-	31	-	31
Change in Provisions for unsettled claims						
Before reinsurance	-	-4	-23	-351	-21	-372
Reinsurer's share	-	-	-	3	-	3
	5	-369	-149	-6,901	-36	-6,937
Bonuses and rebates (after reinsurance)						
	-	-	-	-231	-	-231
Operating expenses						
	-1	-101	-9	-1,606	-	-1,606
P&C insurance operation's technical result						
	4	-6	32	79	-3	76
Prior-year claims result before reinsurance						
	-	2	7	50	-9	41
Technical provisions, before reinsurance						
Non-earned premiums and unexpired risks	-	-228	-29	-4,429	-	-4,429
Unsettled claims	-	-84	-129	-17,686	-21	-17,707
Bonuses and rebates	-	-	-	-241	-	-241
	-	-312	-158	-22,356	-21	-22,377
Reinsurer's share of technical provisions						
Non-earned premiums and unexpired risks	-	-	-	-	-	-
Unsettled claims	-	-	-	67	-	67
	-	-	-	67	-	67

Balance sheet

ASSETS				
Parent company, SEK million		12/31/2012	12/31/2011	1/1/2011
Intangible assets	Note 15			
Other intangible assets		-	-	163
		-	-	163
Investment assets				
Buildings and land	Note 16	1,194	1,133	999
Investments in Group companies and associated companies				
Shares and participations in Group companies	Note 17	1,808	1,405	1,403
Interest-bearing securities issued by, and loans to, Group companies		175	-	-
Shares and participations in associated companies	Note 18	143	47	33
Interest-bearing securities issued by, and loans to, associated companies	Note 19	232	151	-
		2,358	1,603	1,436
Other financial investment assets				
Shares and participations	Notes 20, 28	5,304	4,003	4,769
Bonds and other interest-bearing securities	Notes 21, 28	21,439	20,807	17,288
Loans guaranteed by mortgages		10	-	-
Other loans	Notes 22, 28	292	168	168
Derivatives	Notes 23, 28	30	52	19
Other financial investment assets	Notes 24, 28	241	218	206
		27,316	25,248	22,450
Deposits from companies that have ceded reinsurance		3	-	1
Total Investment assets		30,871	27,984	24,886
Reinsurer's share of technical provisions				
Unsettled claims	Note 34	67	63	870
		67	63	870

Parent company, SEK million (cont.)		12/31/2012	12/31/2011	1/1/2011
Receivables				
Receivables in respect of direct insurance	Note 25	2,374	2,197	2,130
Receivables in respect of reinsurance	Note 26	30	35	184
Current tax asset		84	84	84
Other receivables	Note 27	872	633	415
		3,360	2,949	2,813
Other assets				
Tangible assets	Note 29	40	51	92
Cash and cash equivalents		1,105	1,067	1,496
		1,145	1,118	1,588
Prepayments and accrued income				
Accrued interest and rental income	Note 28	300	366	270
Prepaid acquisition costs	Note 30	270	263	257
Other prepaid expenses and accrued income	Note 31	175	134	139
		745	763	666
TOTAL ASSETS		36,188	32,877	30,986

Balance sheet (cont.)

EQUITY, PROVISIONS AND LIABILITIES

Parent company, SEK million		12/31/2012	12/31/2011	1/1/2011
Equity	Note 32			
Other funds				
Statutory reserve		-	-	-
Accumulated earnings		2,189	2,011	1,420
Earnings for the year		1,162	178	711
		3,351	2,189	2,131
Untaxed reserves				
Contingency reserve		7,623	7,142	5,998
Technical provisions, (before reinsurance)				
Non-earned premiums and unexpired risks	Note 33	4,429	4,437	4,213
Unsettled claims	Note 34	17,707	17,335	16,958
Bonuses and rebates	Note 35	241	10	1
		22,377	21,782	21,172
Other provisions				
Pensions and similar liabilities	Note 36	90	97	97
Deferred tax liability	Note 37	764	562	546
		854	659	643
Liabilities				
Liabilities in respect of direct insurance	Note 38	30	107	1
Liabilities in respect of reinsurance	Note 39	1	1	1
Derivatives	Notes 41, 28	47	24	3
Other liabilities	Notes 42, 28	1,452	523	526
		1,530	655	531
Accrued expenses and deferred income				
Other accrued expenses and deferred income	Notes 43, 28	453	450	511
		453	450	511
TOTAL EQUITY, PROVISIONS AND LIABILITIES		36,188	32,877	30,986

EQUITY, PROVISIONS AND LIABILITIES

Parent company, SEK million (cont.)		12/31/2012	12/31/2011	1/1/2011
PLEDGED ASSETS	Note 46	30,329	28,405	25,200
CONTINGENT LIABILITIES	Note 47	214	3	3
COMMITMENTS	Note 48	252	76	448

Statement of changes in equity

SEK million	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		
	Sum guaranteed	Statutory reserve	Accumulated earnings	Earnings for the year	Total equity
Parent company					
Opening balance 01/01/2011	-	-	1,420	711	2,131
Adjustment for changed accounting principle			-120	-	-120
Distribution of earnings	-	-	711	-711	-
Earnings for the year	-	-	-	178	178
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	-	-	-	178	178
Closing balance, 31/12/2011	-	-	2,011	178	2,189
Opening balance 1/1/2012	-	-	2,011	178	2,189
Distribution of earnings	-	-	178	-178	-
Earnings for the year	-	-	-	1,162	1,162
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	-	-	-	1,162	1,162
Closing balance, 31/12/2012	-	-	2,189	1,162	3,351

The character and purpose of reserve items under Equity are described in Note 1, Accounting principles.

Statement of cash flows

Parent company, SEK million	2012	2011
OPERATING ACTIVITIES		
Profit/loss before appropriations ¹⁾	1,856	1,381
Adjustment for items not included in cash flow ²⁾	-707	1,175
Tax paid	-11	-
Cash flow from operating activities before changes in assets and liabilities	1,138	2,556
Change in other operating receivables	-391	-779
Change in other operating liabilities	877	139
CASH FLOW FROM OPERATING ACTIVITIES	1,624	1,916
INVESTMENT ACTIVITIES		
Change in investment assets ³⁾	-816	-2,070
Change of investment assets not used directly in operations		
Net investment in Group companies ⁴⁾	-556	-
Net investment in associated companies ⁵⁾	-182	-165
Net investment in other investment assets ⁶⁾	-	-1
Changes in material and intangible assets ⁷⁾	-9	4
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,563	-2,232
FINANCING ACTIVITIES		
Group contributions, net ⁸⁾	-13	-106
CASH FLOW FROM FINANCING ACTIVITIES	-13	-106
CASH FLOW FOR THE YEAR	48	-422
Cash and cash equivalents at beginning of year ⁹⁾	1,055	1,496
Exchange rate differences in cash and cash equivalents	24	-19
Cash and cash equivalents at year end ⁹⁾	1,127	1,055
Cash flow for the year	48	-422

Parent company, SEK million (cont.)	2012	2011
¹⁾ Interest and dividends paid and received	2012	2011
Interest paid during the period	-50	-61
Interest received during the period	864	694
Dividends received during the period	193	152
Total paid and received interest and dividends	1,007	785
²⁾ Items not included in cash flow	2012	2011
Impairments	3	10
Depreciations	13	22
Realized gains (-) / losses (+)	-350	-610
Unrealized gains (-) / losses (+)	-1,277	-212
Exchange rate gains (-) / losses (+)	82	-119
Change in accrued cost of interest-bearing securities	213	130
Change in provisions in respect of insurance policies	591	1,417
Change in provisions for pensions and similar liabilities	-8	-
Change in premium receivables	26	537
Total items not included in cash flow	-707	1,175
³⁾ Change in investment assets	2012	2011
Investments in investment assets	-14,631	-12,610
Sale of investment assets	13,815	10,540
Total change in investment assets	-816	-2,070
⁴⁾ Net investments in associated companies	2012	2011
Investment in Group companies	-556	-
Total net investments in Group companies	-556	-
⁵⁾ Net investments in associated companies	2012	2011
Investments in associated companies	-182	-165
Sales of associated companies	-	-
Total net investments in associated companies	-182	-165

Statement of cash flows (cont.)

Parent company, SEK million (cont.)

⁶⁾ Net investment in other investment assets	2012	2011
Investments in other investment assets	-	-1
Sale of other investment assets	-	-
Total net investments in other investment assets	-	-1
⁷⁾ Net investments in tangible and intangible assets	2012	2011
Investments in tangible and intangible assets	-9	-13
Sale of tangible and intangible assets	-	17
Total net investments in tangible and intangible assets	-9	4
⁸⁾ Group contributions, net	2012	2011
Group contributions received	-	8
Group contributions rendered	-13	-114
Total Group contributions, net	-13	-106
⁹⁾ Sub-components included in cash and cash equivalents	2012	2011
Cash and bank balances	1,105	1,067
Current investments equivalent to cash and cash equivalents	22	-12
Total sub-components included in cash and cash equivalents	1,127	1,055

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

Inaccessible cash and cash equivalents	2012	2011
Currency restrictions	-	-
Other legal restrictions	120	55
Total inaccessible cash and cash equivalents	120	55

Notes

Note 1. Accounting principles

General information

This annual report is submitted December 31, 2012 and refers to the 2012 financial year for Folksam General, 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 502006-1619. Folksam General conducts property and casualty insurance business.

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 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 General's financial statements

Folksam General'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. Real estate is also measured at fair value.

Estimations and assessments in the financial statements

Preparation of the financial statements in accordance with 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 51.

The most important assumptions that have an effect on reported assets and liabilities are

related to technical provisions. The provisions are monitored and evaluated on a continuous basis in the regular accounting and forecasting process. Any surplus or loss in provisions for unsettled claims, excluding the current claims year, is reported in its entirety in the income statement as a prior-year claims result.

The accounting principles specified below have, with the exception of the years 2008–2010 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 21, 2013. The income statement and balance sheet will be presented for approval at the AGM on April 17, 2013.

Voluntary change of accounting principle

In accordance with RFR2, expenditures for the development of such internally generated intangible assets that must be reported as assets in the balance sheet according to IAS 38 p.57, will be expensed in the parent company from 2012. Folksam General is reporting this as a changed accounting principle and the effects on accounting are described in Note 53 Changed accounting principle.

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 2013 financial year and onward in advance.

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

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 are not 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: for Folksam General the change means that rates of return calculated on plan assets must be based on the discount interest rate used when calculating the 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.

Change to IFRS 7 Financial instruments: Disclosures. The changes relate to new disclosure requirements for offsetting financial assets and liabilities. The change shall be applied to the financial year commencing Tuesday, January 01, 2013 or later and in interim periods during the financial year with retroactive application.

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.

IFRS 10 Consolidated Financial Statements. New standard for consolidated financial statements replaces IAS 27 and SIC 12. The standard contains no changes compared to current IAS 27 regulations for consolidation on making acquisitions and disposals. IFRS 10 contains a model for use when assessing whether or not a controlling influence exists in respect of all investments a company has including those designated as SPEs as regulated by SIC 12. The standard shall be applied to the financial year commencing Wednesday, January 01, 2014 or later with retroactive application. Special transition rules are in force.

IFRS 11 Joint Arrangements. New standard for reporting joint ventures and joint operations. The new standard chiefly entails two changes compared to IAS 31 Interests in Joint Ventures. One of the changes concerns whether an investment is deemed to be a joint operation or a joint venture. There are different accounting rules depending on the type of investment concerned. The other change is that a joint venture must be reported according to the equity method as the proportional consolidation principle will not be permitted. The standard shall be applied to the financial year commencing Wednesday, January 01, 2014 or later. The standard must be applied retroactively with special transition rules.

IFRS 12 Disclosure of Interests in Other Entities. New standard for disclosures in subsidiaries, joint arrangements, associated companies and non-consolidated "structured entities". The standard shall be applied to the financial year commencing Wednesday, January 01, 2014 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 will be applied to the financial year commencing Wednesday, January 01, 2014 or later with retroactive application.

Changed IAS 28 Investments in Associates and Joint Ventures. The changed standard corresponds in the main with the previous IAS 28. The changes refer to how reporting must be done 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 01, 2014 or later with retroactive application.

Changed IAS 32 Financial instruments: Classification The change refers to clarifications in respect of the rules for when offsets to financial assets and liabilities in the balance sheet are permitted. The change shall be applied to the financial year commencing January 01, 2014 or later with retroactive application.

IFRS 9: Financial Instruments is intended as a replacement of IAS 39 Financial Instruments: Recognition and measurement from January 1, 2015 at the latest. IASB has published the first of three parts that will constitute the final IFRS 9. The first part deals with classification and measurement of financial assets and financial 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 the value of derivatives in hedge accounting is not affected by this part of IFRS 9, but is reported in accordance with IAS 39 for the time being.

Consolidation principles Subsidiaries

Folksam General 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.

In the case of business combinations where transferred compensation exceeds the fair value of acquired assets and assumed liabilities that are reported separately, the difference is reported as goodwill. When the difference is negative in the case of a so-called bargain purchase it is reported 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.

Contingent considerations are reported at fair value at the time of acquisition. In cases where contingent considerations are classified as equity instruments, no revaluation is carried out and settlement is made in equity. Other contingent considerations are revalued on each reporting occasion and the change is reported in profit/loss for the year.

In cases where the acquisition does not refer to 100 per cent of the subsidiary it becomes a holding without controlling influence. There are two ways to report holdings without controlling influence. The alternatives are either to report such a holding's share of the proportional net assets or to report said holding at fair value, which means it has a share in goodwill. The choice between the two methods of reporting holdings without controlling influence may be made case by case for each acquisition. The acquisition of Aktia Skadeförsäkring Ab on February 2 in which the holding without controlling influence amounts to 49 per cent has been reported according to the holding's proportional share of net assets.

In the case of acquisitions made in stages, goodwill is determined at the time controlling influence arises. The previous holding is measured at fair value and the value change is reported in profit/loss for the year. Remaining holdings are measured at fair value and the change in value is reported in profit/loss for the year when a disposal leads to the cessation of controlling influence.

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.

Losses attributable to a holding without controlling influence are allocated even in cases where such a holding will be negative.

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 the carrying amount of the shares in the associated company reported in the consolidated accounts corresponds to the group's share of the associated company's equity and group-related goodwill and any other remaining values in group-related surplus or deficit values. The carrying amount of shares in associated companies changes with the annual profit-sharing and the corresponding amount is reported in the income statement under Participation in associated companies' profit/loss 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.

Any difference at the time of acquisition between the cost of the owning company's share of fair value net of the associated company's identifiable assets, liabilities and contingent liabilities are reported in accordance with IFRS 3 Business combinations.

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 General'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

Accounting for operations that are reported as insurance operations

Folksam General has classified 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. All contracts have been classified as insurance contracts.

Operations reported as insurance operations are reported in accordance with IFRS 4.

Revenue recognition/Premiums written

The total gross premium for direct insurance and accepted reinsurance paid in or which can be credited to the company for insurance contracts whose insurance period commences before the end of the financial year is reported as premium income. Premiums for insurance periods that commence after the close of the financial year are also reported as premium income if they fall due for payment contractually during the financial year.

Gross premium refers to the contractual premium for the entire insured period less deductions for customary customer discounts.

Renewal premiums not confirmed by the policyholder and premiums for new insurance contracts are entered in the amounts expected to flow into the operation. Surrenders reduce premium income as soon as the amount is known. Supplementary premiums are entered in the amounts expected to flow into the operation. Premium income is reported exclusive of

tax and other public fees charged to insurance premiums.

Premiums earned correspond to the proportion of the premium income earned. Non-earned premiums are set aside as Provisions for non-earned premiums.

Claims paid

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

Technical provisions

Technical provisions consist of:

- provisions for non-earned premiums and unexpired risks,
- provisions for unsettled claims, including claim settlement expenses,
- provisions for non-mature bonuses

Provisions for non-earned premiums and unexpired risks

Provisions for non-earned premiums comprise the value of the company's combined liabilities for current insurance. Calculation of the provisions was carried out according to recognized methods that entail consideration of how large a proportion of the premium for each individual policy is attributable to the time beyond the accounting period.

In lines of business where premium levels are considered inadequate, a provision for non-earned premiums for insurance policies valid at the end of the accounting period shall be calculated according to the above to back unexpired risks for the period up until the next due date. Such provisions were made in the Commercial, Disability Insurance and Income Insurance lines of business.

Provision for unsettled claims

Provisions for known but unsettled claims were made at known amounts with additions for calculated remaining repayment expenses and calculated remaining claims settlement expenses.

Provisions for unknown claims in respect of both disbursement expenses and claims settlement expenses have taken place with regard to our experience of occurrences of insured events that are reported later.

The chain ladder and Bornhuetter-Ferguson methods are used for property and casualty insurance. Both are generally recognized actuarial methods that are well controlled and accepted. The chain ladder method provides best results in lines of insurance with stable disbursements, i.e. that the next year's disbursements are assumed to take place at the same pace previous years' disbursements. In insurance lines where historical trends are inadequate or unstable the Bornhuetter-Ferguson method is used. It uses a combination of the chain ladder method and an estimated total expense e.g. based on market data or risk premium trends. The Bornhuetter-Ferguson method is used primarily for new claims years and insurance lines that have significant personal injury elements. Regardless of the method there is a natural element of uncertainty depending on changed conditions inside and outside the company over time, along with purely random fluctuations.

In insurance lines where claims take a long time to reach final settlement explicit assumptions are made regarding future inflation levels for the line concerned. In the case of claims linked to price base amount development, a claims inflation of 2 per cent (2) is assumed and in respect of claims associated with pay inflation, claims inflation of 3 per cent (3) is assumed.

In addition to the provision for future claims disbursements a provision for remaining claims settlement expenses is also made. 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.

Provisions for personal injury annuities are calculated using life actuary methods. This means that assumptions are made for personal injury annuities regarding

- anticipated mortality; insurance industry assumptions on anticipated mortality distributed by age and gender.
- inflation-proofing; governed by the Act on amending of Annuities.
- discount interest rate. The rate of interest is selected in accordance with the applicable provisions in FFPS 2011:22.
- management charges.

Disability insurance calculations are based on assumptions about

- the probability of falling ill/recovery to health.
- discount interest rate The rate of interest is selected in accordance with the applicable provisions in FFPS 2011:22.
- management charges.

With the exception of certain types of compensation in disability and accident insurance and personal injury annuities, provisions for unsettled claims are not discounted. The discount rate for personal injury annuities is based on the interest on government bonds on the closing date and a nominal rate of 3.0 per cent (3.0), a claims inflation of 2.0 per cent (2.0) or real rate of interest of 1.0 per cent (1.0) are applied to disability and accident insurance. The provision for components that are discounted amounts to SEK 7,490 million (7,135) before discounting. The corresponding amount after discounting is SEK 5,738 million (5,386).

Provisions for non-mature bonuses

The provision for non-mature bonuses consists of the bonus that is expected to be paid out to policyholders for policies that mature before the end of the financial year

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

Sales expenses that have a clear connection with the signing of insurance contracts are entered as assets, pre-paid acquisition expenses. Sales expenses refer to e.g. commissions, marketing expenses for insurance products, pay and other variable sales staff expenses that are directly or indirectly related to the acquisition or renewal of insurance contracts. Acquisition expenses are only activated for homogeneous groups of individually signed contracts deemed to generate a profit margin which at a minimum covers acquisition costs. Pre-paid acquisition expenses are periodized in a manner that corresponds to the periodization of non-earned premiums. Depreciation time amounts to 12 months.

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.

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

Allocated investment return transferred from the non-technical account in P&C insurance

Return on capital is transferred from asset management earnings to the insurance operation's earnings based on the average technical provisions for own account after deductions for net receivables in the insurance operation. The transferred return on capital is calculated based on an interest rate that corresponds to the rate on government bonds with a maturity that essentially matches the duration of the technical provisions.

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).

Investment charges

Investment charges includes expenses for investments such as The item covers 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 the sale of investment assets 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.

Taxes

income tax consists of current tax and deferred tax. 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. Temporary differences are not considered for differences arising when goodwill is recognized for the first time nor upon initial entry of assets and liabilities that are not business combinations which at the time of the transaction influence neither reported nor taxable earnings, nor are differences attributable to participations in subsidiaries and associated companies that are not anticipated to be reversed within the foreseeable future. Valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax regulations in force or in force in practice on the closing date.

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.

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

Intangible assets

Goodwill

Goodwill represents the difference between the acquisition cost of the business combination and the fair value of the acquired assets, assumed liabilities and contingent liabilities.

Goodwill is measured at cost less any accumulated impairments in the consolidated financial statements. Goodwill and intangible assets with indeterminable useful lives are not depreciated. Such assets are instead tested annually for the need to recognize impairment or whenever there is an indication. The test for a need to recognize impairment is performed as per IAS 36 Impairment of Assets. Goodwill that arises from the acquisition of an associated company is included in the carrying amount of participations in said associated company.

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.

The most important criteria when assessing whether an intangible asset shall be entered on the balance sheet are if it is considered possible to complete the intangible asset so that it is ready for use and that it is considered probable that it will generate economic advantages.

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. Properties 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 in respect of 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 comprises 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: equities, participations, bonds and interest-bearing securities and certain organizational holdings that are reported among other financial investments.

As a matter of principle Folksam General 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 price paid. Such instruments are found under the balance sheet items shares and participations, bonds and other interest-bearing securities. 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 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 by 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. 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 and associated 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.

Folksam General has not attributed any liabilities to the valuation category financial liabilities measured at fair value in the income statement.

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/accounts receivable category

On each reporting occasion Folksam General 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 an 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 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 acquisition cost of owner-occupied property reported as property, plant and equipment represents the carrying amount at the time the property changed from being reported as an investment property to an owner-occupied property.

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. 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. The owner-occupied properties are divided into components and depreciated according to the component's value in use. Because land is considered to have unlimited duration of use no depreciation is made for this component.

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.

However, impaired goodwill is never reversed. 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 General 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 value of pensions and similar obligations carried in the balance sheet corresponds 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 when e.g.:

- 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 2012.

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

Development expenditures reported as intangible assets in the consolidated accounts in accordance with IAS 38, are expensed in the parent company.

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 reported through the income statement. All real estate is reported under the item Buildings and land in the parent company balance sheet.

Subsidiaries and associated companies

Shares in subsidiaries and associated companies are reported in the parent company at cost less deductions for necessary impairments. Transaction expenditures are included in the carrying amount for holdings in subsidiaries and associated companies. Transaction expenditures attributable to subsidiaries are reported directly in earnings as they arise. Group contributions and shareholder contributions are reported as an increase in the value of the 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. To calculate solvency capital, Group companies and associated companies are measured at fair value primarily through the net asset value method. 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.

Bargain purchases that correspond to future anticipated losses and expenses are dissolved during the periods when the losses and expenses are expected to arise. Bargain purchases that occur for other reasons are reported as provisions insofar as it does not exceed the fair value of acquired identifiable non-monetary assets. The proportion that exceeds this value is recognized as revenue immediately. The proportion that does not exceed fair value of acquired identifiable non-monetary assets are recognized as revenue in a systematic manner over a period estimated to be the remaining weighted average useful life of identifiable non-monetary assets that are not depreciable. Bargain purchases are reported directly in profit/loss in the consolidated financial statements.

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.

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.

Description of the nature and purpose of reserve items under equity

Equity in untaxed reserves

The equity component of untaxed reserves (78 per cent) is reported in the consolidated financial statements as Equity in untaxed reserves.

Statutory reserve

The purpose of the statutory reserve was to save the part of the net profit 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 reported at a higher value than in the most recent balance sheet to apply the equity method are reported under this item.

Loss 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

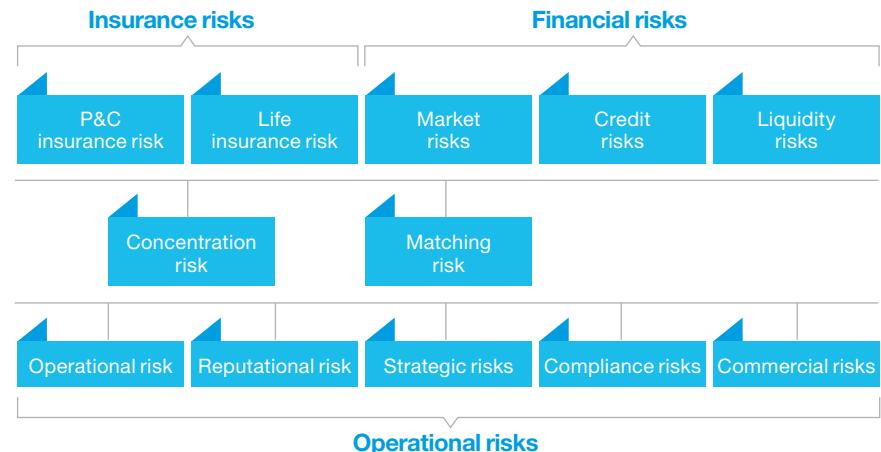
Risk and risk management are central parts of operations in insurance companies. This note includes a description of Folksam General's risk management and quantitative and qualitative disclosures about insurance risks, financial risks and operational risks.

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 General'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 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 General 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 balance 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 gene-

rally 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. 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.

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.

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 board objectives are met.
- owns and manages risks, i.e. it is responsible for risk management activities such as the identification, valuation and management of risks, monitoring risk management activities
- and compliance

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 General'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 board of Folksam General has 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

Insurance risks are split into the risk categories *P&C insurance risk* and *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 premiums 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 management and assessment of risks in insurance operations is fundamental for all insurance companies. Correct risk pricing and ensuring that fund provisions are adequate safeguards Folksam General's long-term profitability. Just as risk management principles and tools differ for different types of insurance contract, so too do risks. Risks associated with the different types of contract signed by Folksam General are described in the risk concentrations section.

Underwriting risk

Underwriting risk is the risk that the calculated premium and other revenues in the insurance will not correspond to the actual claims and operating expenses associated with the insurance. There are various methods of mitigating underwriting risks.

It is important for Folksam General, which has a large exposure to consumer insurance, to constantly review its insurance contract pricing. Documentation to support the analysis is gathered from databases containing information regarding historic exposure and claims outcomes. This information is analysed regularly using various kinds of statistical methods. Price changes that come into force when a contract is renewed are made where necessary.

In addition to pricing Folksam General also constantly reviews insurance conditions and underwriting rules with the aim of diversifying risk selection to cover expenses associated with insurance contracts. In connection with this limits are also set along with other restrictions to ensure that risk selection is adapted to the overall business plan and guidelines approved by the board.

Underwriting risk is generally higher in personal risk insurance than in property insurance because injuries generally take longer to settle and it is therefore more difficult to identify new trends. The long handling time also means that any legislative changes can have greater effects.

In general all insurance contracts run for one year and have an in-built right for the insurer to decline extension or to change the conditions and requirements upon extension.

Folksam General underwrites insurance throughout Sweden in all of the major insurance categories. Thanks to the large number of customers the insurance portfolio is well diversified, but it does have a certain preponderance of group insurances and a deficiency of commercial insurances, the latter being a relatively young business area. Insurances that are tied to group insurance agreements have a good spread in terms of both age groups and geography, which means the concentration risk is limited.

The major holdings of accident and home insurances mean that risks associated with natural disasters are great, but there is a reinsurance programme with a maximum retention of SEK 50 million that is reviewed annually.

Underwriting, disaster and concentration risks are managed by the constant review of pricing, conditions, risk selection and underwriting rules with the objective of promoting stable, predictable cost trends. It is also important to have an adequate reinsurance programme. Folksam has an analysis group tasked with proposing a reinsurance programme suited to the nature and scope of operations every business year. The programme is then approved by company management and the board.

The objective of the reinsurance programme is

- to provide protection against major claims and thus eliminate sharp fluctuations in business outcomes from year to year.
- to cover excess risks in any cases where the company's exposure may exceed approved limits.

For 2012 Folksam has chosen to reinsure its operations primarily through non-proportional reinsurance solutions with retentions adapted to conditions in each respective insurance category. This type of reinsurance reduces Folksam's exposure.

Provision risk

Provision risk, i.e. the risk of technical provisions being insufficient to cover settlement of claims incurred, is managed primarily through developed actuarial methods and the careful, ongoing monitoring of reported claims and expenditure streams. 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.

Different types of claims are managed in different ways and changes in legislation, regulations, procedures or agreements may mean that future claims trends differ from historic trends. Liability and personal claims are relatively rare and take a long while to settle which means they are difficult to estimate and assessments are hampered by e.g. differences in inflation rates and mortality over time. On the other hand, property claims are much more common and have significantly shorter settlement times, which makes estimates more certain. Major claims events such as storms may however make estimates more difficult. It is often a case of unique events where historical information and knowledge is not always applicable.

Sensitivity to risks attributable to insurance contracts

P&C insurance

Provisions for property and casualty insurance are sensitive to changes in the material assumptions mentioned above. Sensitivity to changes in any of these assumptions is difficult to quantify, e.g. changes in the settlement of third party vehicle insurance. The sensitivity analysis was performed by measuring the effects of gross and net provisions (excluding personal injury annuities and provisions for future claims settlement expenses), earnings before tax and equity by reasonably probable changes in a number of central assumptions. The effects were measured assumption by assumption with the other assumptions as constants. However, no consideration was given to any correlations between assumptions.

Group, Assumption, SEK million	Change in assumption %	Provisions Gross	Earnings Before tax	Equity
2012				
Technical provisions		15,503		
Average claims expense	+10%	16,212	-1,550	-1,530
Average number of claims	+10%	16,212	-1,550	-1,530
2011				
Technical provisions		14,459		
Average claims expense	+10%	15,904	-1,446	-1,446
Average number of claims	+10%	15,904	-1,446	-1,446
Assumption	Change in assumption %	Provisions net	Earnings Before tax	Equity
2012				
Technical provisions		15,388		
Average claims expense	+10%	16,140	-1,550	-1,530
Average number of claims	+10%	16,140	-1,550	-1,530
2011				
Technical provisions		14,390		
Average claims expense	+10%	15,835	-1,446	-1,446
Average number of claims	+10%	15,835	-1,446	-1,446
Parent company Assumption, SEK million	Change in assumption %	Provisions Gross	Earnings Before tax	Equity
2012				
Technical provisions		13,533		
Average claims expense	+10%	14,887	-1,353	-1,353
Average number of claims	+10%	14,887	-1,353	-1,353
2011				
Technical provisions		13,434		
Average claims expense	+10%	14,777	-1,343	-1,343
Average number of claims	+10%	14,777	-1,343	-1,343

Parent company (cont.) Assumption, SEK million	Change in assumption %	Provisions net	Earnings Before tax	Equity	Parent company Assumption, SEK million	Change in assumption %	Provisions Gross	Earnings Before tax	Equity
2012									
Technical provisions		13,467			Technical provisions		4,174		
Average claims expense	+10%	14,820	-1,353	-1,353	Increased length of life	-20%	4,963	-789	-789
Average number of claims	+10%	14,820	-1,353	-1,353	Reduced interest rate	- 1 percentage point	4,805	-632	-632
					Increased inflation	+1 percentage point	4,215	-41	-41
2011									
Technical provisions		13,371			Technical provisions		3,901		
Average claims expense	+10%	14,714	-1,343	-1,343	Increased length of life	-20%	4,600	-698	-698
Average number of claims	+10%	14,714	-1,343	-1,343	Reduced interest rate	- 1 % unit	4,086	-185	-185
					Increased inflation	+1 percentage point	3,940	-39	-39
Personal injury annuities									
The sensitivity analysis was performed by measuring the effects of gross and net provisions and earnings before tax and equity by reasonably probable changes in a number of central assumptions. The effects were measured assumption by assumption with the other assumptions as constants. However, no consideration was given to any correlations between assumptions. Note that changes in the assumptions below are non-linear. Sensitivity information is also dependent on financial circumstances such as the cost and time value of options and guarantees associated with the contract. The method used to measure sensitivity was changed in one respect compared to the previous period. Personal injury annuity sensitivity to length of life assumptions was measured with a reduction in mortality of 20 per cent.									
Group, Assumption, SEK million	Change in assumption %	Provisions Gross	Earnings Before tax	Equity					
2012									
Technical provisions		4,227							
Increased length of life	-20%	4,989	-794	-794					
Reduced interest rate	- 1 percentage point	4,833	-639	-638					
Increased inflation	+1 percentage point	4,236	-42	-42					
2011									
Technical provisions		3,920							
Increased length of life	-20%	4,622	-702	-702					
Reduced interest rate	- 1 percentage point	4,106	-186	-186					
Increased inflation	+1 percentage point	3,959	-39	-39					

Group, SEK million	All previous years	2007	2008	2009	2010	2011	2012	Total
Estimated final claims expense at the end of the claims year (gross)		5,149	5,191	5,658	6,351	6,730	7,382	36,461
One year later		5,131	5,164	5,714	6,378	6,664		
Two years later		5,068	5,205	5,627	6,344			
Three years later		5,098	5,152	5,556				
Four years later		5,081	5,120					
Five years later		5,050						
Estimated final claims expense 12/31/2012		5,050	5,120	5,556	6,344	6,664	7,382	
Accumulated claims paid		4,269	4,245	4,920	5,338	5,301	3,971	28,045
Provision for unsettled claims	7,459	781	875	636	1,006	1,363	3,374	15,493
Accumulated surplus/loss		99	71	103	7	66		
Ditto as % of the initial claim expense		1.9%	1.4%	1.8%	0.1%	1.0%		
Reconciliation against balance sheet								
Unsettled claims before discounting	7,459	781	875	636	1,006	1,363	3,374	15,493
Discount effect								453
Total provisions for unsettled claims reported in the balance sheet (gross)								15,040
Group, SEK million	All previous years	2007	2008	2009	2010	2011	2012	Total
Estimated final claims expense at the end of the claims year (net)		5,129	5,189	5,646	6,316	6,720	7,360	36,361
One year later		5,080	5,168	5,705	6,316	6,655		
Two years later		5,018	5,205	5,619	6,280			
Three years later		5,046	5,155	5,547				
Four years later		5,030	5,123					
Five years later		5,001						
Estimated final claims expense 12/31/2012		5,001	5,123	5,547	6,280	6,655	7,360	
Accumulated claims paid		4,221	4,249	4,914	5,277	5,292	3,957	27,909
Provision for unsettled claims	7,360	780	875	633	1,003	1,362	3,365	15,378
Accumulated surplus/loss		128	66	99	37	66		
Ditto as % of the initial claim expense		2.5%	1.3%	1.8%	0.6%	1.0%		
Reconciliation against balance sheet								
Unsettled claims before discounting	7,360	780	875	633	1,003	1,362	3,365	15,378
Discount effect								453
Total provisions for unsettled claims reported in the balance sheet (net)								14,925

Actual claims demand compared to previous estimates

The tables below show the estimated total gross and net expenses for unsettled claims, reported and IBNR 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.

Parent Company, SEK million	All previous years	2007	2008	2009	2010	2011	2012	Total
Estimated final claims expense at the end of the claims year (gross)		4,634	4,622	5,013	5,458	5,729	5,894	31,350
One year later		4,615	4,604	5,074	5,470	5,678		
Two years later		4,548	4,641	4,989	5,432			
Three years later		4,589	4,587	4,925				
Four years later		4,579	4,557					
Five years later		4,549						
Estimated final claims expense 12/31/2012		4,549	4,557	4,925	5,432	5,678	5,894	
Accumulated claims paid		3,803	3,749	4,337	4,523	4,462	3,204	24,078
Provision for unsettled claims	6,598	746	808	588	909	1,216	2,689	13,554
Accumulated surplus/loss		85	65	89	26	51		
Ditto as % of the initial claim expense		1.8%	1.4%	1.8%	0.5%	0.9%		
Reconciliation against balance sheet								
Unsettled claims before discounting	6,598	746	808	588	909	1,216	2,689	13,554
Discount effect								453
Total provisions for unsettled claims reported in the balance sheet (gross)								13,101
Parent Company, SEK million	All previous years	2007	2008	2009	2010	2011	2012	Total
Estimated final claims expense at the end of the claims year (net)		4,615	4,621	5,010	5,436	5,719	5,871	31,272
One year later		4,566	4,612	5,070	5,428	5,676		
Two years later		4,501	4,648	4,985	5,391			
Three years later		4,541	4,599	4,921				
Four years later		4,533	4,569					
Five years later		4,503						
Estimated final claims expense 12/31/2012		4,503	4,569	4,921	5,391	5,676	5,871	
Accumulated claims paid		3,759	3,761	4,334	4,484	4,459	3,191	23,988
Provision for unsettled claims	6,544	744	808	588	907	1,216	2,680	13,487
Accumulated surplus/loss		111	52	89	45	44		
Ditto as % of the initial claim expense		2.4%	1.1%	1.8%	0.8%	0.8%		
Reconciliation against balance sheet								
Unsettled claims before discounting	6,544	744	808	588	907	1,216	2,680	13,487
Discount effect								453
Total provisions for unsettled claims reported in the balance sheet (net)								13,034

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. The 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 is organized such that Folksam's asset management department submits proposals to the board concerning the framework in which assets may be invested. Within this framework, the asset management department is responsible for ensuring a

spread of investments between different types of assets such as shares, bonds, currencies, real estate and so-called alternative investments. Certain investments are handled via internal or outsourced management assignments. Investments managed in house are mainly through derivatives made to tailor a precise level of risk in a portfolio. This may for example involve share options that reduce (or increase) the effects of a major stock market fall (or rise) or interest derivatives to adjust a portfolio's interest rate risk. Folksam's asset management is responsible for controlling, monitoring and evaluating how the outsourced management assignments are handled.

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. The department for responsible ownership is responsible for corporate governance, environmental and ethical analysis and the company's ethical investment regulations.

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 GRC and Folksam's asset management.

Management principles

The management objective for the assets is to contribute in the best way to a stable, competitive premium under current risk and investment restrictions. 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. The choice of investment policy and composition of the asset portfolio is made based on the fact that the company must cope with weak financial market trends.

Compliance with legal restrictions regarding liability coverage and solvency has the highest priority when selecting investment portfolio. Only then may the company's internal risk preferences and business objectives be considered. Further limitations in investment asset policy concern Folksam's vision whereby the company shall contribute to a sustainable society in which the individual feels secure and where Folksam places ethical demands on companies in which investments are made. Only then may the company's internal risk preferences and business objectives be considered.

The approved investment policy 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 General 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 risks

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 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.

SEK million Maximum credit risk exposure	Gross	Securities received	Net
Group 2012			
Asset category			
Bonds and other interest-bearing securities	24,552	-	24,552
Loans guaranteed by mortgages	10	-	10
Other loans	292	80	212
Derivatives	30	-	30
Other financial investment assets	241	-	241
Receivables	899	-	899
Accrued interest income	348	-	348
 Group 2011			
Asset category			
Bonds and other interest-bearing securities	22,440	-	22,440
Other loans	168	80	88
Derivatives	52	-	52
Other financial investment assets	218	-	218
Receivables	630	-	630
Accrued interest income	392	-	392

SEK million Maximum credit risk exposure	Gross	Securities received	Net
Parent company 2012			
Asset category			
Bonds and other interest-bearing securities	21,439	-	21,439
Loans guaranteed by mortgages	10	-	10
Other loans	292	80	212
Derivatives	30	-	30
Other financial investment assets	241	-	241
Receivables	872	-	872
Accrued interest income	300	-	300
 Parent company 2011			
Asset category			
Bonds and other interest-bearing securities	20,807	-	20,807
Other loans	168	80	88
Derivatives	52	-	52
Other financial investment assets	218	-	218
Receivables	633	-	633
Accrued interest income	365	-	365

SEK million

Credit quality of financial asset categories	AAA	AA	A	BBB	BB	No rating	Total
--	-----	----	---	-----	----	-----------	-------

Group 2012

Bonds and other interest-bearing securities (including accrued interest)	12,546	5,833	6,241	141	5	115	24,881
	12,546	5,833	6,241	141	5	115	24,881

Group 2011

Bonds and other interest-bearing securities (including accrued interest)	20,162	1,879	592	117	-	72	22,822
	20,162	1,879	592	117	-	72	22,822

Parent company 2012

Bonds and other interest-bearing securities (including accrued interest)	10,923	5,134	5,482	117	-	63	21,719
	10,923	5,134	5,482	117	-	63	21,719

Parent company 2011

Bonds and other interest-bearing securities (including accrued interest)	18,685	1,768	519	117	-	72	21,161
	18,685	1,768	519	117	-	72	21,161

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 were renegotiated, or which are either mature or impaired was negligible on closing date.

Concentration risk

The company's greatest concentration risk is presented by 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 because of the diversification that arises through the company's investment policy.

Significant concentrations of credit risk

Group 2012	Total	Of which secured housing bonds	Group 2011	Total	Of which secured housing bonds										
						Swedbank	Svenska handelsbanken	Nordea	SEB	SBAB	German state	Telia Sonera	Landshypotek	Telia Sonera	SCA
Swedbank	5,303	4,270	Swedbank	5,584	4,565										
Svenska handelsbanken	3,517	3,517	Svenska handelsbanken	4,362	4,362										
Nordea	2,656	2,602	Nordea	2,973	2,846										
SEB	1,412	1,254	SEB	467	396										
SBAB	687	687	Landshypotek	212	212										
German state	340	-	Telia Sonera	220	-										
Telia Sonera	217	-	SCA	117	-										
Landshypotek	211	211													
French state	128	-													
SCA	117	-													

Parent company 2012	Total	Of which secured housing bonds	Parent company 2011	Total	Of which secured housing bonds										
						Swedbank	Svenska handelsbanken	Nordea	SEB	SBAB	German state	Telia Sonera	Landshypotek	Telia Sonera	SCA
Swedbank	4,832	3,884	Swedbank	5,071	4,217										
Svenska handelsbanken	3,175	3,176	Svenska handelsbanken	4,013	4,013										
Nordea	2,401	2,346	Nordea	2,748	2,626										
SEB	1,231	1,170	SEB	793	793										
SBAB	635	635	SBAB	379	309										
Landshypotek	211	211	Landshypotek	212	212										
Telia Sonera	206	-	Telia Sonera	209	-										
SCA	117	-	SCA	117	-										

Significant concentrations of equity risk

Group 2012, SEK million	Total	Group 2011, SEK million	Total
Swedbank	3,542	Swedbank	2,525
Aberdeen	228	Bel Air	114
EQT Infrastructure	61	Aberdeen	57
Apple Inc	40	EQT Infrastructure	49
Roxanne	31	Roxanne	28
Albight Flagship Fund	31	Exxon Mobil	27
Forum Fastighets Kb	29	Apple Inc	25
Peab AB	18	Royal Dutch Shell PLC	16
Royal Dutch Shell Plc	17	Proventus	16
IBM	17	BHP Billiton	14

Parent company 2012, SEK million	Total	Parent company 2011, SEK million	Total
Swedbank	3,367	Swedbank	2,365
Aberdeen	228	Bel Air	70
EQT Infrastructure	61	Aberdeen	57
Apple Inc	40	EQT Infrastructure	49
Roxanne	31	Roxanne	28
Albight Flagship Fund	31	Exxon Mobil	27
Peab AB	18	Apple Inc	25
Royal Dutch Shell Plc	17	Royal Dutch Shell PLC	16
IBM	17	Proventus	16
Nestle	16	BHP Billiton	14

Significant concentrations of credit risk

As of 31/12/2011 the company had the following major exposures (for interest-bearing securities, equities, derivatives and other financial investment assets):

Credit risk in reinsurance receivables and the reinsurer's share of unsettled claims

Folksam General'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. If a company is downgraded during the year following a contractual year it is difficult to replace the downgraded reinsurer since a major part of the reinsurance contract has extreme reach as in e.g. Swedish auto insurance. It can take up to 25 to 30 years before an auto claim is finally settled. The table below shows the distribution of credit ratings for external reinsurers

SEK million	AAA	AA	A	BBB	BB	No rating	Total
Group 2012							
Exposure	-	29	60	2	-	58	149
Group 2011							
Exposure	-	30	39	1	-	50	120
Parent company 2012							
Exposure	-	16	35	2	-	44	97
Parent company 2011							
Exposure	-	26	34	-	-	50	110

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 good liquidity the investment strategy ensures that the quantity of liquid assets exceeds the company's anticipated payment obligations by a comfortable margin. Liquidity risk is measured as a share of the total investment assets consisting of liquid assets such as bank account balances and holdings in share and interest portfolios but excluding strategic shareholdings and interest-bearing instruments. On the closing date liquid securities made up 76 per cent (78) of the Group's investment assets and 73 per cent (75) of the parent company's, of which holdings in interest-bearing investments issued by the Swedish state amounted to 20 per cent (20), equivalent to SEK 6,497 million (5,799) in the Group and 20 per cent (19) in the parent company, equivalent to SEK 6,139 million (5,380). The average duration of interest-bearing assets amounted to 3.0 years (3.1) in the Group and 3.0 (3.1) in the parent company.

The company's liquidity exposure in regard to remaining maturities of financial liabilities is shown in the table below. The table shows undiscounted nominal values.

SEK million	On request	Less than 1 year	Remaining durations		
			1-5 years	More than 5 years	No maturity
Group 2012					
Other liabilities	-	517	-	-	218
Accrued expenses	-	-	-	-	-
		517	-	-	218
SEK million	On request	Less than 1 year	Remaining durations		
			1-5 years	More than 5 years	No maturity
Parent company 2012					
Other liabilities	767	486	-	-	199
Accrued expenses	4	-	-	-	-
	771	486	-	-	199
SEK million	On request	Less than 1 year	Remaining durations		
			1-5 years	More than 5 years	No maturity
Group 2011					
Other liabilities	22	476	-	-	28
Accrued expenses	-	-	-	-	-
	22	476	-	-	28
SEK million	On request	Less than 1 year	Remaining durations		
			1-5 years	More than 5 years	No maturity
Parent company 2011					
Other liabilities	22	476	-	-	26
Accrued expenses	-	-	-	-	-
	22	476	-	-	26

Regarding insurance liabilities (provisions), the estimated time of cash outflow for the liabilities is shown in the table below.

Group 2012	Total provisions, SEK million	Duration, years	Group 2011	Total provisions, SEK million	Duration, years
Branch of insurance	Branch of insurance				
Disability and accident insurance	7,095	4	Disability and accident insurance	6,279	6
Home contents and homeowners	4,166	1	Home contents and homeowners	1,863	1
Commercial & property	570	1	Commercial & property	295	1
Automotive	2,075	1	Automotive	3,900	1
Traffic	6,677	7	Traffic	6,696	4
Pets	312	1	Pets	407	1
Other lines	249	1	Other lines	166	1
Personal injury annuities	4,479	14	Personal injury annuities	3,920	14
Parent company 2012	Total provisions, SEK million	Duration, years	Parent company 2011	Total provisions, SEK million	Duration, years
Branch of insurance	Branch of insurance				
Disability and accident insurance	6,696	5	Disability and accident insurance	6,695	4
Home contents and homeowners	3,376	1	Home contents and homeowners	3,273	1
Commercial & property	391	2	Commercial & property	295	1
Automotive	1,698	1	Automotive	1,585	1
Traffic	5,552	7	Traffic	5,572	7
Pets	312	1	Pets	295	1
Other lines	178	1	Other lines	166	1
Personal injury annuities	4,174	14	Personal injury annuities	3,901	14

The average duration for insurance liabilities for the entire portfolio in the group was 5.6 years (5.5) in the group and 5.8 (5.7) in the parent company for 2012. It is estimated that SEK 3,989 million (3,776) will be paid out from insurance contracts in claims incurred in the Group and SEK 3,532 million (3,346) in the parent company during 2013.

Market risks

Interest rate risk

The table below illustrates how the company is exposed to interest rate risk from fixed-interest terms in interest-bearing assets and liabilities. In the table Group refers to the companies Folksam General, Svenska Konsumentförsäkringar AB (publ), Tre Kronor Försäkring AB and Folksam Skadeförsäkring Ab.

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Group 2012						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	5,303	7,609	7,464	2,633	1,871	24,880
Other loans	-	192	103	-	-	295
Other interest-bearing financial instruments, net	400	-	175	-	88	663
	5,703	7,801	7,742	2,633	1,959	25,838
Liabilities and provisions						
Provision for unsettled claims that are discounted	315	508	338	428	511	2,100
Personal injury annuities	243	463	434	785	2,553	4,478
	558	971	772	1,213	3,064	6,578
Net, assets and liabilities	5,145	6,830	6,970	1,420	-1,105	19,260

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Group 2011						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	3,231	9,905	5,078	3,094	1,514	22,822
Other loans	-	-	319	-	-	319
Other interest-bearing financial instruments, net	192	218	-92	-	-	318
	3,423	10,123	5,305	3,094	1,514	23,459
Liabilities and provisions						
Provision for unsettled claims that are discounted	293	476	305	343	252	1,669
Personal injury annuities	213	406	376	669	2,257	3,920
	506	882	681	1,012	2,509	5,589
Net, assets and liabilities	2,917	9,241	4,624	2,082	995	17,870
Parent company 2012						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	4,826	6,611	6,718	2,210	1,354	21,719
Other loans	-	192	103	-	-	295
Other interest-bearing financial instruments, net	568	-	175	-	88	831
	5,394	6,803	6,996	2,210	1,442	22,845
Liabilities and provisions						
Provision for unsettled claims that are discounted	274	447	286	322	236	1,565
Personal injury annuities	222	424	400	718	2,410	4,174
Other liabilities	771	-	-	-	-	771
	1,267	871	686	1,040	2,646	6,510
Net, assets and liabilities	4,127	5,932	6,310	1,170	-1,204	16,335

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	Max 1 year	Longer than 1 year – max 3 years	Longer than 3 years – max 5 years	Longer than 5 years – max 10 years	Longer than 10 years	Total
Parent company 2011						
Assets						
Bonds and other interest-bearing securities (including accrued interest)	2,875	9,215	4,723	2,919	1,429	21,161
Other loans	-	-	319	-	-	319
Other interest-bearing financial instruments, net	187	218	-92	-	-	313
	3,062	9,433	4,950	2,919	1,429	21,793
Liabilities and provisions						
Provision for unsettled claims that are discounted	293	476	305	343	252	1,669
Personal injury annuities	212	404	375	666	2,246	3,903
	505	880	680	1,009	2,498	5,572
Net, assets and liabilities	2,557	8,553	4,270	1,910	-1,069	16,221
Sensitivity analysis – interest rate risk						
SEK million		Group			Parent company	
Risk parameter		2012	2011	2012	2011	
Increase in market interest rates						
Decrease in value, interest-bearing assets		-185	-208	-169	-196	
Increase in carrying amount of interest-bearing liabilities (including realistically valued insurance liabilities)		326	363	305	347	
Net impact, earnings for the year		95	115	101	111	
Net impact, equity		95	115	101	111	
Reduction of market interest rate						
Increase in value, interest-bearing assets		190	200	174	187	
Increase in carrying amount of interest-bearing liabilities (including realistically valued insurance liabilities)		-329	-163	-306	-146	
Net impact, earnings for the year		-91	26	-97	31	
Net impact, equity		-91	26	-97	31	

The interest rate changes calculated for the 2012 sensitivity analysis for nominal and real market rates are reductions of 0.46 (0.49) and 0.06 (0.07) percentage points respectively. These levels are also used in calculations for the Financial Supervisory Authority traffic light.

Cash flow risk

The table below illustrates how an increase or decrease in market interest rates of 0.5 per cent will affect interest income and interest expenses for assets and liabilities with fixed-interest terms of up to one year.

SEK million	Group		Parent company	
	2012	2011	2012	2011
Increase in market interest rates				
Interest income for bonds and other interest-bearing securities	60	7	15	6
Interest income for other interest-bearing financial instruments	3	4	4	4
Interest expenses for other liabilities	-	-	-4	-
Reduction of market interest rate				
Interest income for bonds and other interest-bearing securities	-61	-	-15	-6
Interest income for other interest-bearing financial instruments	-3	-	-4	-4
Interest expenses for other liabilities	-	-	4	-

Exchange rate risk

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

Exchange rate exposure, SEK million	USD	EUR	GBP	CAD	CHF	AUD	Other
Group 2012							
Investment assets							
Shares and participations	988	383	139	75	-	60	262
Property	-	52	-	-	-	-	-
Bonds and other interest-bearing securities	-	1,364	-	-	-	-	11
Other financial investment assets	-	-	-	-	-	-	203
Other assets	147	143	25	7	-	11	198
Total assets	1,135	1,942	164	82	-	71	674
Other liabilities and provisions	-84	-1,069	-9	-17	-	-9	-31
Total liabilities and provisions	-84	-1,069	-9	-17	-	-9	-31
Net exposure before financial hedging with derivatives	1,051	873	155	66	-	61	643
Nominal value, forward exchange rate contracts	266	-712	105	8	-	159	-583
Net exposure after financial hedging with derivatives	2,317	161	260	74	-	220	60

Exchange rate exposure, SEK million	USD	EUR	GBP	CAD	CHF	AUD	Other
Group 2011							
Investment assets							
Shares and participations	874	-	134	68	54	-	458
Property	-	-	-	-	-	-	211
Bonds and other interest-bearing securities	-	-	-	-	-	-	78
Other financial investment assets	-	-	-	-	-	-	175
Other assets	18	-	1	-	-	-	817
Total assets	892	-	135	68	54	-	1,739
Other liabilities and provisions	-14	-	-	-	-	-	-22
Total liabilities and provisions	-14	-	-	-	-	-	-22
Net exposure before financial hedging with derivatives	878	-	135	68	54	-	1,717
Nominal value, forward exchange rate contracts	790	-	154	-	-	-	-1,787
Net exposure after financial hedging with derivatives	1,668	-	289	68	54	-	-70

Exchange rate exposure, SEK million	USD	EUR	GBP	CAD	CHF	AUD	Other
Parent company 2012							
Investment assets							
Shares and participations	988	350	139	75	-	60	262
Bonds and other interest-bearing securities	-	-	-	-	-	-	11
Other financial investment assets	-	-	-	-	-	-	203
Other assets	147	439	25	7	-	11	198
Total assets	1,135	789	164	82	-	71	674
Other liabilities and provisions	-84	-31	-9	-17	-	-9	-31
Total liabilities and provisions	-84	-31	-9	-17	-	-9	-31
Net exposure before financial hedging with derivatives	1,051	758	155	66	-	61	643
Nominal value, forward exchange rate contracts	1,266	-712	105	8	-	159	-583
Net exposure after financial hedging with derivatives	2,317	46	260	74	-	220	60
Exchange rate exposure, SEK million	USD	EUR	GBP	CAD	CHF	AUD	Other
Parent company 2011							
Investment assets							
Shares and participations	868	-	134	68	54	-	458
Property	-	-	-	-	-	-	211
Bonds and other interest-bearing securities	-	-	-	-	-	-	78
Other financial investment assets	-	-	-	-	-	-	175
Other assets	19	-	1	-	-	-	817
Total assets	887	-	135	68	54	-	1,739
Other liabilities and provisions	-14	-	-	-	-	-	-22
Total liabilities and provisions	-14	-	-	-	-	-	-22
Net exposure before financial hedging with derivatives	872	-	135	68	54	-	1,717
Nominal value, forward exchange rate contracts	790	-	154	-	-	-	-1,787
Net exposure after financial hedging with derivatives	1,662	-	289	68	54	-	-70

Sensitivity analysis – exchange rate risk

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

SEK million	Group ¹⁾		Parent company ¹⁾	
	2012	2011	2012	2011
USD	-232	-167	-232	-166
EUR	-16	-	-5	-
GBP	-26	-29	-26	-29
AUD	-22	-	-22	-
CAD	-7	-7	-7	-7
CHF	-	-5	-	-5
Other	-6	7	-6	7

¹⁾ In 2011 AUD and EUR are included under the item Other.

Sensitivity analysis – share price risk, property price risk and other market risk

The table below shows the effect of a price fall of 40 per cent in respect of Swedish equities and 35 per cent in respect of foreign equities and properties. These stress levels are also used in the Financial Supervisory Authority traffic light test.

SEK million	Group		Parent company	
	2012	2011	2012	2011
Shares	-2,087	-1,629	-2,022	-1,565
Associated companies and subsidiaries	-801	-137	-801	-337
Property	670	-531	-669	-531

Derivatives

During the year trading took place in forward exchange rate contracts, stock-index futures, stock-index options, swaps and forward interest rate contracts. Trade in forward exchange rate contracts took place with the purpose of reducing the exchange rate risk in the portfolio. The purpose of the trade in stock-index futures and stock-index options is to render administration more effective. Trade in swaps and forward interest rate contracts and FRAs took place with the aim of adjusting interest rate portfolio risk.

Description of credit risks in derivatives

Credit risk for derivatives refers to the risk that the counterparty is unable to meet his obligations in accordance with the contracts. Credit risk is limited in standardized derivatives to funds in accounts at the clearing account holder. Credit risk is limited in non-standardized derivatives by the counterparties' guaranteeing of all unrealized gains in accordance with ISDA and CSA agreements.

Description of market risks in derivatives

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, etc.

Description of liquidity risks in derivatives

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 has been low.

Operational risks

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

An operational risk is defined as a risk of losses resulting from 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 therefore undesirable and must be kept low. Risk-taking is limited to the confines of what is financially defensible. 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 in 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 the 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. Acquisition and disposal of operations

As of January 31, 2012, 30 per cent of the shares were acquired in Kalix Finans AB. In this way Folksam General gains a strategic partner and a long-term commitment from a company with a good reputation and great experience of conveying complicated financial products to private individuals.

Folksam Mutual General Insurance sold the securities company Folksam Spar AB to Indecap AB on February 1, 2012 in order to concentrate on insurance operations. At the same time, 20 per cent of Indecap AB's shares were acquired.

On February 29, 2012, 51 per cent of the shares in Folksam Skadeförsäkring AB were acquired as part of the Nordic expansion strategy. Folksam Skadeförsäkring AB has annual sales of approximately EUR 70 million and operates primarily in the coastal areas of Finland.

The award-winning property Katsan 1 was acquired from Länsförsäkringar Liv on September 1, 2012, as part of Folksam's strategy of enhancing its ownership stance around Skanstull. The building is part of the extensive Skanstull area and has a distinct environmental image.

Folksam Sak acquired 12.5 per cent of Sicklaön Bygg Invest AB on December 28, 2012 for the purpose of jointly acquiring KF Fastigheter's share of Kvarnholmen Utvecklings AB with Folksam Liv and Peab. Folksam General is participating in the investment mainly through loan financing. Kvarnholmen Utvecklings AB is tasked with exploiting development rights for the production of around 1,500 new apartments.

In order to reinforce its market position in risk insurance, Förenade Liv Gruppförsäkring AB was acquired from Folksam Life on December 31, 2012. The acquisition also means additional opportunities for providing bundled offers that include personal risk insurance and non-life insurance to companies and organizations and their members. Meanwhile, Folksam Life is streamlining its corporate structure to concentrate on savings offers.

Effects of acquisitions, 2012

Acquired net assets and goodwill

Group, SEK million	2012
Intangible assets	31
Investment assets	1,170
Current assets	3
Deposits from companies that have ceded reinsurance	2
Reinsurer's share of technical provisions	62
Receivables	167
Other assets	499
Prepayments and accrued income	22
Technical provisions, (before reinsurance)	-1,183
Other provisions	-93
Liabilities	153
Accrued expenses and deferred income	-27
Net identifiable assets and liabilities	806
Holdings without controlling influence	-223
Non-consolidated companies	115
Group goodwill	84
Expenses in connection with acquisition	6
Transferred payment	788
Transferred payment	
Cash and cash equivalents	449
Shares	58
Conditional consideration	273
Expenses in connection with acquisition/disposal	8
Total transferred payments	788

Reimbursement for the acquisition of Indecap AB was made with 100 per cent of the shares in Folksam Spar AB, with an estimated market value of SEK 58 million plus a payment of SEK 17 million.

Goodwill

The goodwill value includes future returns and synergy effects. None of the goodwill is expected to be tax deductible.

Acquisition-related expenditures

Acquisition-related expenditures amounted to SEK 6 million and refer to consultants' fees in connection with due diligence. These expenditures were expensed for subsidiaries and activated in the consolidated financial statements in connection with the acquisition in the case of associated companies.

Effects of disposals, 2012

In June 2012 the following companies were liquidated: Folksam Insurance & Risk Management AB and CU Försäkringar AB, and during the fourth quarter Föllingegården KB, Folksam Inköp AB and Folksam Property Holding 1 BV were also liquidated..

Folksam Mutual General Insurance sold the securities company Folksam Spar AB to Indecap AB on February 1, 2012 in order to concentrate on insurance operations. At the same time, 20 per cent of Indecap AB's shares were acquired.

The effect on individual assets and liabilities from the disposal, SEK million

	2012
Investment assets	10
Other assets	31
Other provisions	-1
Liabilities	-11
Net identifiable assets and liabilities	29
Received purchase sum, SEK million	27
Cash and cash equivalents	27
Shares	26
Total received payments	53

Note 4. Premiums written

SEK million	Group		Parent company	
	2012	2011	2012	2011
Direct insurance in Sweden	9,895	9,741	8,351	8,325
Direct insurance, other EEA	384	-	-	-
Premiums for accepted reinsurance ¹⁾	29	2	33	5
Premiums for reinsurance	-85	-46	-52	-38
	10,223	9,697	8,332	8,292
1) Of which reinsurance accepted from Group companies	-	-	5	4

Note 5. Return on assets transferred from financial operations

Capital base is made up of an average of the technical provisions net of reinsurance. The cost of capital used is equivalent to the interest rate on government bonds with a duration that corresponds to the average maturity of the technical provisions (just over 2 and 7 years respectively). Consideration was given to the technical provisions made and the year. The interest rate used varies between 1.0 per cent and 2.7 per cent depending on the product.

Note 6. Claims incurred

Group	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-3,971	13	-3,958	-3,588	-	-3,588
Change in provisions for unsettled claims	-3,375	10	-3,365	-3,147	15	-3,132
Change in provisions for settlement expenses	-	-	-	28	-	28
Operating expenses, claims settlement	-770	-	-770	-677	-	-677
Total claim expenses attributable to operations for the year	-8,116	23	-8,093	-7,384	15	-7,369
Claim expenses attributable to previous year's operations	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-3,085	42	-3,043	-3,104	818	-2,286
Change in provisions for unsettled claims	3,168	-24	3,144	3,355	-837	2,518
Personal injury annuities paid	-233	-	-233	-193	-	-193
Change in provisions for personal injury annuities	-283	2	-281	-653	-	-653
Total claim expenses attributable to previous year's operations	-433	20	-413	-595	-19	-614
Total claims incurred	-8,549	43	-8,506	-7,979	-4	-7,983
Total claims paid	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-7,056	56	-7,000	-6,692	818	-5,874
Personal injury annuities paid	-233	-	-233	-193	-	-193
Operating expenses, claims settlement	-771	-	-771	-677	-	-677
Claims paid	-8,060	56	-8,004	-7,562	818	-6,744
Change in Provisions for unsettled claims	Gross	Ceded	Net	Gross	Ceded	Net
Change in provisions for claims incurred and reported	-236	-15	-251	238	-822	-584
Change in provisions for claims incurred but not reported (IBNR)	19	-	19	-30	-	-30
Change in provisions for personal injury annuities	-272	2	-270	-653	-	-653
Change in provisions for settlement expenses	-	-	-	28	-	28
Total	-489	-13	-502	-417	-822	-1,239
Total claims incurred	-8,549	43	-8,506	-7,979	-4	-7,983

Note 6. Claims incurred (cont.)

	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Parent company						
Claim expenses attributable to operations for the year						
Claims paid	-3,205	13	-3,192	-3,028	-	-3,028
Change in provisions for unsettled claims	-2,689	9	-2,680	-2,701	10	-2,691
Change in provisions for settlement expenses	2	-	2	27	-	27
Operating expenses, claims settlement	-633	-	-633	-587	-	-587
Total claim expenses attributable to operations for the year	-6,525	22	-6,503	-6,289	10	-6,279
Claim expenses attributable to previous year's operations						
Claims paid	-2,547	18	-2,529	-2,719	801	-1,918
Change in provisions for unsettled claims	2,588	-6	2,582	2,951	-817	2,134
Personal injury annuities paid	-214	-	-214	-193	-	-193
Change in provisions for personal injury annuities	-273	-	-273	-653	-	-653
Total claim expenses attributable to previous year's operations	-446	12	-434	-614	-16	-630
Total claims incurred	-6,971	34	-6,937	-6,903	-6	-6,909
Total claims paid						
Claims paid	-5,752	31	-5,721	-5,747	801	-4,946
Personal injury annuities paid	-214	-	-214	-193	-	-193
Operating expenses, claims settlement	-633	-	-633	-587	-	-587
Claims paid	-6,599	31	-6,568	-6,527	801	-5,726
Change in Provisions for unsettled claims						
Change in provisions for claims incurred and reported	-248	3	-245	221	-807	-586
Change in provisions for claims incurred but not reported (IBNR)	147	-	147	29	-	29
Change in provisions for personal injury annuities	-273	-	-273	-653	-	-653
Change in provisions for settlement expenses	2	-	2	27	-	27
Total	-372	3	-369	-376	-807	-1,183
Total claims incurred	-6,971	34	-6,937	-6,903	-6	-6,909

Note 7. Operating expenses

	Group		Parent company	
	2012	2011	2012	2011
Specification of income statement item operating expenses				
Acquisition expenses ¹⁾	-958	-846	-649	-627
Change of Pre-paid acquisition expenses	10	12	7	5
Administrative expenses ²⁾	-964	-900	-964	-850
	-1,912	-1,734	-1,606	-1,472
Other operating expenses				
Claims settlement expenses included in Claims disbursed	-772	-680	-633	-587
Financial administration expenses included in Return on capital, expenses	-33	-14	-29	-12
Property management expenses included in Return on capital, expenses	-4	-4	-4	-4
	-809	-698	-666	-603
Total, operating expenses	-2,721	-2,432	-2,272	-2,075
¹⁾ Of which commissions in direct insurance	-269	-249	-45	-58
²⁾ Of which commissions paid to Group companies in accepted reinsurance	-	-	-	-
Total operating expenses presented by type of expense				
Direct and indirect personnel expenses	-1,953	-1,735	-1,817	-1,689
Premises, expenses	-148	-156	-127	-153
Depreciations	-151	-41	-19	-42
Commissions and profit sharing in reinsurance	-	-	-	-
Other operational expenses	-469	-500	-309	-191
	-2,721	-2,432	-2,272	-2,075
Operational leasing agreements (lessee)				
Operational leasing where the company is the lessee refers chiefly to expenses for premises, vehicles and PC equipment.				
Total future minimum leasing fees				
Maturity dates	Group		Parent company	
	2012	2011	2012	2011
<1 year	-170	-137	-169	-137
1-5 years	-170	-216	-170	-216
>5 years	-21	-21	-21	-21
Total	-361	-374	-360	-374
Total leasing fees for the period	-173	-184	-171	-184
of which minimum leasing fees	-158	-153	-156	-153
of which variable fees	-15	-31	-15	-31

	Group		Parent company	
	2012	2011	2012	2011
Fees and expense reimbursements to auditors				
KPMG				
Audit assignment	-8	-9	-6	-8
Audit activities additional to assignment	-1	-	-1	-
Other services	-9	-1	-9	-1
	-18	-10	-16	-9

Note 8. Investment income

	Group		Parent company	
	2012	2011	2012	2011
Rental income from buildings and land	86	71	78	71
Dividends received	197	157	193	152
of which other received dividends	197	157	193	152
Interest income, etc.				
Bonds and other interest-bearing securities	624	664	552	617
Group companies	-	-	3	-
Other interest income	144	163	38	42
of which from financial assets not measured at fair value with changes in value reported via the income statement	135	163	41	42
Reversed impairment charges				
Other investment assets	15	37	-	-
Exchange rate gains, net	-	119	-	119
Capital gains, net				
Shares and participations	-1	542	-	540
Interest-bearing securities	372	97	345	80
Other investment assets	-	1	-	1
	1,437	1,851	1,209	1,622

Operational leasing agreements (lessor)

Operational leasing where the company is the lessor refers to income from premises.

	Group		Parent company	
	2012	2011	2012	2011
Total future minimum leasing fees				
Due date				
<1 year	101	87	86	87
1-5 years	187	188	143	188
>5 years	39	43	32	43
Total	327	318	261	318
Total leasing fees for the period	126	113	121	113
of which minimum leasing fees	112	100	108	100
of which variable fees	14	13	13	13

Note 9. Unrealized gains from investment assets

	Group		Parent company	
	2012	2011	2012	2011
Buildings and land	33	82	46	112
Shares and participations	1,235	-	1,221	-
Bonds and other interest-bearing securities	74	816	-	755
Other financial investment assets	24	10	24	10
	1,366	908	1,291	877

Note 10. Return on capital, expenses

	Group		Parent company	
	2012	2011	2012	2011
Operating expenses, buildings and land	-50	-45	-49	-45
Asset management expenses	-35	-14	-29	-12
Interest expenses, etc.				
Group companies	-	-	-6	-
Other interest expenses	-155	-186	-50	-62
of which from financial liabilities not measured at fair value with changes in value reported via the income statement	-152	-186	-56	-62
Depreciations and impairment charges				
Shares and participations	-	-2	-3	-10
Exchange rate losses, net	-83	-	-82	-
Capital losses, net				
Shares and participations	-	-7	-	-
	-323	-247	-226	-129

Note 11. Unrealized losses from investment assets

	Group		Parent company	
	2012	2011	2012	2011
Shares and participations	-6	-705	-	-683
Bonds and other interest-bearing securities	-22	-	-14	-
	-28	-705	-14	-683

Note 12. Net profit or net loss per financial instrument category

Financial assets measured at fair value via the income statement				
Group 2012	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Financial assets				
Interest-bearing securities issued by, and loans to, associated companies	-	-	11	11
Shares and participations	1,312	-	-	1,312
Other loans	-	-	13	13
Bonds and other interest-bearing securities	921	-	-	921
Derivatives, net	-	95	-	95
Other financial investment assets	30	-	6	36
Other receivables	-	-	46	46
Total	2,263	95	76	2,434
Financial liabilities		Holdings for trade purposes	Other liabilities	Total
Other liabilities		-	-13	-13
Total		-	-13	-13

Financial assets measured at fair value via the income statement				
Group 2011	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Financial assets				
Interest-bearing securities issued by, and loans to, Group companies and associated companies	-	-	11	11
Shares and participations	-28	-	-	-28
Other loans	-	-	12	12
Bonds and other interest-bearing securities	1,582	-	-	1,582
Derivatives, net	-	123	-	123
Other financial investment assets	25	-	3	28
Other receivables	-	-	6	6
Total	1,579	123	32	1,734

Holdings for trade purposes				
Financial liabilities		Other liabilities	Total	
Other liabilities	-	-3	-3	
Total	-	-3	-3	

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

Financial assets measured at fair value via the income statement				
Parent company 2012	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Financial assets				
Interest-bearing securities issued by, and loans to, Group companies	-	-	3	3
Interest-bearing securities issued by, and loans to, associated companies	-	-	11	11
Shares and participations	1,291	-	-	1,291
Other loans	-	-	13	13
Bonds and other interest-bearing securities	764	-	-	764
Derivatives, net	-	89	-	89
Other financial investment assets	30	-	6	36
Other receivables	-	-	45	45
Total	2,085	89	78	2,252
Financial liabilities		Holdings for trade purposes	Other liabilities	Total
Other liabilities			-13	-13
Total			-13	-13
Financial assets measured at fair value via the income statement				
Parent company 2011	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Financial assets				
Interest-bearing securities issued by, and loans to, associated companies	-	-	11	11
Shares and participations	-14	-	-	-14
Other loans	-	-	12	12
Bonds and other interest-bearing securities	1,459	-	-	1,459
Derivatives, net	-	122	-	122
Other financial investment assets	25	-	3	28
Other receivables	-	-	5	5
Total	1,470	122	31	1,623
Financial liabilities		Holdings for trade purposes	Other liabilities	Total
Other liabilities			-3	-3
Total			-3	-3

	Group		Parent company	
	2012	2011	2012	2011
Note 13. Appropriations				
Change in contingency reserve	-	-	-481	-1,144
Group		Parent company		
2012	2011	2012	2011	
Note 14. Taxes				
Tax on current year's earnings				
Current tax expense	-8	-12	-11	-
Deferred tax expense/revenue	-51	-381	-202	-59
	-59	-393	-213	-59
Specification of current tax expense				
Tax expense for the period	-8	-12	-11	-
	-8	-12	-11	-
Specification of deferred tax expense/revenue				
Deferred tax expense in respect of temporary differences	-352	-381	-351	-59
Deferred tax expense/revenue in respect of changed tax rates or taxes introduced	149	-	149	-
Deferred tax revenue loss carryforward activated during the year	-	-	-	-
Deferred tax expense resulting from previous activated tax amount in loss carryforward	-	-	-	-
	-203	-381	-202	-59
Reconciliation of effective tax rate regarding income tax				
Earnings before tax	2,014	1,749	1,375	237
Parent company tax according to current tax rate	-507	-459	-361	-62
Other non-deductible expenses/tax-exempt income	-	77	17	-
Tax effect as a result of utilization of a loss carryforward not previously activated	-7	-	-7	-
Tax effect resulting from an increase in loss carryforwards without a corresponding activation of deferred tax	11	-	-	-
Group contributions rendered	-	-	-	3
Tax effect attributable to previous years and changed tax rates	446	-11	138	-
Effect of other tax rates for foreign subsidiaries.	-2	-	-	-
	-59	-393	-213	-59

	Tax attributable to other comprehensive income		2012		2011							
	Group	Before tax	Tax	After tax	Group	Before tax	Tax	After tax				
Actuarial gains and losses including income tax			-537	118	-419			-676	178	-498		
Note 15. Intangible assets												
							Software and other intangible assets					
Group		Goodwill		2012		2011						
Accumulated acquisition costs												
Opening balance					30		30		555		481	
Business combination					6		6		42		-	
Other investments					-		-		193		74	
Closing balance					36		30		790		555	
Accumulated depreciations												
Opening balance									-385		-311	
Business combination					-12		-12		-		-	
Depreciations for the year									-131		-74	
Closing balance									-528		-385	
Carrying amounts					36		30		262		170	
Depreciations for the year are included in the income statement lines shown below									-131		-74	
Operating expenses					-		-		-		-	

Goodwill in the amount of SEK 30 million refers to the acquired subsidiary Tre Kronor Försäkring AB in 2007. 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 16. Buildings and land

	Group		Parent company	
	2012	2011	2012	2011
Market value				
Carrying amount at beginning of year	715	613	1,133	999
Acquisition via company	248	-	-	-
Acquisition via subsidiary	50	-	-	-
Investments	13	22	15	22
Unrealized changes in value	33	80	46	112
Carrying amount at end of year	1,059	715	1,194	1,133
Values presented by operation and investment properties				
Owner-occupied properties				
Acquisition cost at beginning of year			280	280
Investments			2	-
Acquisition cost at end of year	-	-	282	280
Carrying amount at end of year	-	-	436	418
Investment property				
Acquisition cost at beginning of year	556	534	553	531
Acquisition via company	248	-	-	-
Acquisition of subsidiary	20	-	-	-
Investments	13	22	13	22
Disposals	-3	-	-	-
Acquisition cost at end of year	834	556	566	553
Carrying amount at end of year	1,059	715	758	715

Geographical market	Contracted annual rent ¹⁾	Operating surplus ²⁾	Yield ³⁾	Market value	Market value ⁴⁾	Required yield ⁵⁾
Group						
Stockholm and immediate suburbs						
Offices and business property	40	29	5.7%	510	35,742	5.9-6.0%
Rest of Sweden						
Offices and business property	51	31	6.2%	497	13,400	5.3-7.0%
Finland						
Apartment block	1	1	2.4%	32	30	N/A
Offices and business property	1	1	4.7%	20	23	6.5%
	94	62	4.8%	1,059	46,314	5.3-7.0%
Parent company						
Stockholm and Gothenburg with immediate suburbs						
Offices and business property	59	39	5.6%	697	32,120	5.6-6.0%
Rest of Sweden						
Offices and business property	51	31	6.2%	497	13,400	5.3 - 7.0%
	110	70	5.9%	1,194	20,310	5.3 - 7.0%

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.

Average valuation assumptions	Average foreign valuation assumptions
Inflation assumptions	1.8%
Cost of capital, residual value	7.8%
Yield, residual value	5.9%
Long-term vacancy rate	4.6%
Operations and maintenance expenses, Year 1	SEK 508/sq m
Operations and maintenance expenses, Year 1	EUR 86 / sq m
Market rent (at zero vacancy rate)	SEK 88/sq m
Market rent (at zero vacancy rate)	EUR 0 / sq m
SEK 1,962 / sq m	EUR 884 / sq m
Market rent (at zero vacancy rate)	EUR 884 / sq m

Market value was assessed by means of a cash flow analysis adapted to multi-year 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	
	2012	2011	2012	2011
Effect on earnings for the period				
Rental income, gross	96	99	104	99
Internal rent	-26	-28	-26	-28
Rental income	70	71	78	71
Direct expenses for properties that generated rental income during the period	-34	-45	-49	-45
	36	26	29	26
Tax assessment value				
Tax assessment value, buildings (in Sweden)	472	341	507	505
Tax assessment value, land (in Sweden)	149	111	182	182
Tax assessment value, buildings (in Finland)	3	-	-	-
Tax assessment value, land (in Finland)	-	-	-	-
	624	452	689	687

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. Owner-occupied properties are reported in the consolidated accounts as property, plant and equipment under Note 29. 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 ASPECT. There are no limitations on 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 31 per cent of the lettable floor space for its own operations.

Note 17. Shares and participations in Group companies	Company registration number	Quantity	Share of equity in %	Book value 2012	Book value 2011
				Parent company	
Folksam Sak Fastighets AB	556236-2342	5,200	100	788	790
Svenska konsumentförsäkringar AB (publ)	516401-6700	200,000	100	300	300
Tre Kronor Försäkring AB	516406-0369	25,000	100	286	286
Folksam Skadeförsäkring Ab	FO 2190954-7	2,040	51	242	-
Förenade Liv Gruppförsäkring AB (publ)	516401-6569	15,000	100	115	-
Katsan AB	556894-1842	1,000	100	75	-
Folksam Hälsa AB in liquidation	556237-1285	100,000	100	2	2
Skanstull Invest BV		402	100	-	-
Folksam Insurance & Risk Management AB in liquidation.	556443-4032	10,000	100	-	1
Folksam Spar AB (publ)	556055-3470	50,000	100	-	26
CU Försäkringar AB in liquidation	556034-6792	1,000	100	-	-
Folksam Inköp AB in liquidation	556454-1182	2,000	100	-	-
Book value				1,808	1,405
Fair value				2,009	1,581

All shares are unlisted.

Note 17. Shares and participations in Group companies, (cont.)

	Equity 12/31/2012	Result 2012	Company registration number	Quantity	Share of equity in %	Book value 2012	Book value 2011
Group (non-consolidated life insurance companies)							
Förenade Liv Gruppförsäkring AB (publ)	1,200	204	516401-6569	15,000	100	115	-
Book value						115	-
Fair value						115	-

The above life insurance companies were not consolidated due to dividend prohibitions. The entire surplus in these non-consolidated life insurance companies goes to the policy-holders in the form of bonuses and are therefore not at the disposal of the parent company.

	Parent company		Group companies	Head office	Share of equity in %	
	2012	2011			2012	2011
Accumulated acquisition costs			Folksam Sak Fastighets AB	Stockholm	100	100
Opening balance	1,709	1,696	Svenska Konsumentförsäkringar AB (publ)	Stockholm	100	100
Acquisitions	432	-	Tre Kronor Försäkring AB	Stockholm	100	100
Sales	-27	-	Folksam Skadeförsäkring Ab	He	51	-
Change due to shareholder and			Förenade Liv Gruppförsäkring AB (publ)	Stockholm	100	-
Group contributions rendered during the year	-	13	Katsan AB	Stockholm	100	-
Closing balance	2,114	1,709	Folksam Hälsa AB in liquidation	Stockholm	100	100
Accumulated impairment charges			Skanstull Invest B.V	Stockholm	100	100
Opening balance	-304	-293	Katsan KB	Stockholm	100	100
Impairment charges reversed during the year	-	-	Folksam Hälsa Föllinge kliniken AB in liquidation	Krokom	100	100
Impairment charges for the year	-2	-11				
Closing balance	-306	-304				
Carrying amount, December 31	1,808	1,405				

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

Note 18. Shares and participations in associated companies

	Company regist- ration number	Head office	Quantity	Share of equity in %	Book value 2012	Book value 2011
Group						
Folksam Property Holding 1B V		Amsterdam	55,400	50	-	790
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1,209	22	12	11
Folksam Cruise Holding AB	556767-4121	Stockholm	275	25	27	27
FIH Erhvervsbank A/S	CVR 17029312	Copenhagen	-	5	172	287
Kulltorp Holding AB	556767-4147	Stockholm	200	20	6	6
Rosengård Invest AB	556756-0528	Malmö	5,625	25	11	12
Kalix Finans AB	556757-6755	Kalix	429	30	4	-
Indecap AB	556622-4480	Stockholm	334	20	97	-
Sicklaön Bygg Invest AB	556911-5479	Stockholm	125	13	10	-
Book value					339	1,133
Parent company						
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1,209	22	6	6
Folksam Cruise Holding AB	556767-4121	Stockholm	275	25	27	27
Kulltorp Holding AB	556767-4147	Stockholm	200	20	6	6
Rosengård Invest AB	556756-0528	Malmö	5,625	25	10	8
Kalix Finans AB	556757-6755	Kalix	429	30.02	4	-
Indecap AB	556622-4480	Stockholm	334	30.04	80	-
Sicklaön Bygg Invest AB	556911-5479	Stockholm	125	12.5	10	-
Book value					143	47

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		Group		Parent company	
	2012	2011	2012	2011	2012	2011	2012	2011
Accumulated acquisition costs					Total amounts for associated companies		Group	
Opening balance	1,133	830	47	33	Total assets	59,761	104,874	1,129
Acquisitions	110	18	96	14	Total liabilities	53,187	94,205	881
Disposal	-790	-	-	-	Total equity	6,574	10,669	247
Participation in associated company's profit/ loss	-103	291	-	-	Income	897	910	251
Translation difference	-11	-6	-	-	Earnings for the year	-1,782	-1,415	142
Closing balance	339	1,133	143	47			16	13
Carrying amount	339	1,133	143	47				
Fair value	339	1,133	146	50				

Note 19. Interest-bearing securities issued by, and loans to, associated companies

For a specification of interest-bearing securities issued by, and loans to, associated companies refer to Note 49, Related party disclosures

Note 20. Shares and other participations	Group		Parent company	
	2012	2011	2012	2011
Book value	5,514	4,169	5,304	4,003
Acquisition cost	3,341	3,125	3,164	2,973
Fair value	5,514	4,169	5,304	4,003
of which:				
Listed shares	5,105	3,943	4,930	3,783
Unlisted shares	409	226	374	220

Note 21. Bonds and other interest-bearing securities	Group		Parent company	
	2012	2011	2012	2011
Accrued acquisition cost				
Treasury bills	1,200	98	1,079	-
Swedish state	4,973	5,237	4,747	4,941
Swedish municipalities	3,495	1,946	3,240	1,823
Swedish housing institutes	10,406	12,424	9,501	11,425
Swedish interest rate funds	-	10	-	-
Other Swedish issuers	2,023	1,487	1,772	1,438
Foreign states	853	375	358	361
Other foreign issuers	668	79	11	79
	23,618	21,656	20,708	20,067
of which:				
Listed	23,594	21,632	20,683	20,043
Unlisted	25	24	25	24
Fixed-term subordinated debentures	13	12	13	12
Permanent subordinated debentures	11	12	11	12

Note 21. Bonds and other interest-bearing securities

Fair value	Group		Parent company	
	2012	2011	2012	2011
Treasury bills	1,200	98	1,079	-
Swedish state	5,297	5,701	5,060	5,380
Swedish municipalities	3,510	1,950	3,253	1,826
Swedish housing institutes	10,773	12,704	9,841	11,688
Swedish interest rate funds	-	10	-	-
Other Swedish issuers	2,070	1,515	1,811	1,465
Foreign states	957	384	384	370
Other foreign issuers	745	78	11	78
	24,552	22,440	21,439	20,807
of which:				
Listed	24,528	22,416	21,415	20,783
Unlisted	24	24	24	24
Fixed-term subordinated debentures	13	12	13	12
Permanent subordinated debentures	11	12	11	12
Positive value due to the book value's exceeding the nominal value.	2,542	2,423	2,261	2,276
Negative difference due to the book value's exceeding the nominal value.	9	-4	9	-

Parent company

When valuing interest-bearing securities at accrued acquisition cost the balance sheet item should be reported in the amount of SEK 20,708 million (20,067).

Note 22. Other loans	Group		Parent company	
	2012	2011	2012	2011
Accrued acquisition cost	292	168	292	168
Fair value	292	168	292	168
Book value	292	168	292	168

Note 23. Derivatives

Derivative instruments with positive values or valued at zero.	Group		Parent company	
	2012	2011	2012	2011
Fair value				
Share options	-	1	-	1
Forward interest rate contracts	5	2	5	2
Forward exchange rate contracts	25	49	25	49
	30	52	30	52
Acquisition cost				
Share options	-	17	-	17
Forward interest rate contracts	-	-	-	-
Forward exchange rate contracts	-	-	-	-
	-	17	-	17

Group

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2012.	Less than 1 year	1-5 years	More than 5 years	
	2012	2011	2012	2011
Share options	-	-	-	-
Forward interest rate contracts	6,237	-	-	-
Forward exchange rate contracts	26	-	-	-
2011	Less than 1 year	1-5 years	More than 5 years	
	2012	2011	2012	2011
Share options	4,832	-	-	-
Forward interest rate contracts	-2,282	-	-	-
Forward exchange rate contracts	51	-	-	-

Parent company

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2012.	Less than 1 year	1-5 years	More than 5 years	
	2012	2011	2012	2011
Share options	-	-	-	-
Forward interest rate contracts	6,237	-	-	-
Forward exchange rate contracts	26	-	-	-
2011	Less than 1 year	1-5 years	More than 5 years	
	2012	2011	2012	2011
Share options	4,832	-	-	-
Forward interest rate contracts	-2,439	-	-	-
Forward exchange rate contracts	51	-	-	-

Note 24. Other financial investment assets

	Group		Parent company	
	2012	2011	2012	2011
Book value	241	218	241	218
Fair value	241	218	241	218
Acquisition cost	115	115	115	115

Note 25. Receivables in respect of direct insurance

	Group		Parent company	
	2012	2011	2012	2011
Policyholders	2,950	2,661	2,276	2,116
Insurance companies	119	93	98	81
	3,069	2,754	2,374	2,197

Note 26. Receivables in respect of reinsurance

	Group		Parent company	
	2012	2011	2012	2011
Other	40	40	30	35
	40	40	30	35

Note 27. Other receivables

	Group		Parent company	
	2012	2011	2012	2011
Receivables from Group companies	-	-	12	6
Receivables from related parties	545	424	545	424
Other receivables	354	206	315	204
	899	630	872	633

Note 28. Net financial assets and liabilities

Information about carrying amounts per category of financial instruments

Group 2012	Financial assets measured at fair value via the income statement		Loan receivables	Total carrying amount	Fair value	Acquisition cost
	Assets determined to belong to the category	Holdings for trade purposes				
Financial assets						
Interest-bearing securities issued by, and loans to, associated companies	-	-	232	232	232	232
Shares and participations	5,514	-	-	5,514	5,514	3,341
Bonds and other interest-bearing securities	24,552	-	-	24,552	24,552	23,619
Loans guaranteed by mortgages	-	-	10	10	10	10
Other loans	-	-	292	292	292	292
Other financial investment assets	241	-	-	241	241	115
Derivatives	-	30	-	30	30	-
Receivables	-	-	2,284	2,284	2,284	2,284
Accrued income	-	-	348	348	348	348
Total	30,307	30	3,166	33,503	33,503	30,241

Group 2012	Financial liabilities measured at fair value via the income statement		Other financial liabilities	Total carrying amount	Fair value
	Financial liabilities deemed to belong to the category	Holdings for trade purposes			
Financial liabilities					
Derivatives	-	47	-	47	47
Other liabilities	-	-	755	755	710
Total	-	47	755	802	757

Note 28. Net financial assets and liabilities (cont.)

Group 2011	Financial assets measured at fair value via the income statement			Loan receivables	Total carrying amount	Fair value	Acquisition cost
	Assets determined to belong to the category	Holdings for trade purposes					
Financial assets							
Interest-bearing securities issued by, and loans to, associated companies	-	-		151	151	151	151
Shares and participations	4,169	-		-	4,169	4,169	3,125
Bonds and other							
interest-bearing securities	22,440	-		-	22,440	22,440	21,656
Other loans	-	-		168	168	168	168
Other financial investment assets	218	-		-	218	218	115
Derivatives	-	52		-	52	52	17
Receivables	-	-		1,903	1,903	1,903	1,903
Accrued income	-	-		392	392	392	392
Total	26,827	52		2,614	29,493	29,493	27,527

Group 2011	Financial liabilities measured at fair value via the income statement			Other financial liabilities	Total carrying amount	Fair value
	Financial liabilities deemed to belong to the category	Holdings for trade purposes				
Financial liabilities						
Liabilities to credit institutions	-	-		4	4	4
Derivatives	-	24		-	24	24
Other liabilities	-	-		509	509	460
Total	-	24		513	537	488

Note 28. Net financial assets and liabilities (cont.)

Parent company 2012	Financial assets measured at fair value via the income statement			Loan receivables	Total carrying amount	Fair value	Acquisition cost
	Assets determined to belong to the category	Holdings for trade purposes					
Financial assets							
Interest-bearing securities issued by, and loans to, Group companies	-	-		175	175	175	175
Interest-bearing securities issued by, and loans to, associated companies	-	-		232	232	232	232
Shares and participations	5,304	-		-	5,304	5,304	3,164
Bonds and other interest-bearing securities	21,439	-		-	21,439	21,429	20,708
Loans guaranteed by mortgages	-	-		10	10	10	10
Other loans	-	-		292	292	292	292
Other financial investment assets	241	-		-	241	241	115
Derivatives	-	30		-	30	30	-
Receivables	-	-		1,977	1,977	1,977	1,977
Accrued income	-	-		300	300	300	300
Total	26,984	30		2,986	30,000	30,000	26,973

Parent company 2012	Financial liabilities measured at fair value via the income statement			Other financial liabilities	Total carrying amount	Fair value
	Financial liabilities deemed to belong to the category	Holdings for trade purposes				
Financial liabilities						
Derivatives	-	47		-	47	47
Other liabilities	-	-		1,408	1,408	1,408
Total	-	47		1,408	1,455	1,455

Note 28. Net financial assets and liabilities (cont.)

Parent company 2011	Financial assets measured at fair value via the income statement			Loan receivables	Total carrying amount	Fair value	Acquisition cost
	Assets determined to belong to the category	Holdings for trade purposes					
Financial assets							
Interest-bearing securities issued by, and loans to, associated companies	-	-		151	151	151	151
Shares and participations	4,003	-		-	4,003	4,003	2,973
Bonds and other							
interest-bearing securities	20,807	-		-	20,807	20,807	20,067
Other loans	-	-		168	168	168	168
Other financial investment assets	218	-		-	218	218	115
Derivatives		52		-	52	52	17
Receivables	-	-		1,700	1,700	1,700	1,700
Accrued income	-	-		365	365	365	365
Total	25,028	52		2,385	27,464	27,464	25,556
 Financial liabilities measured at fair value via the income statement							
Parent company 2011	Financial liabilities deemed to belong to the category		Holdings for trade purposes	Other financial liabilities	Total carrying amount	Fair value	
	Financial liabilities deemed to belong to the category						
Financial liabilities							
Derivatives	-	24		-	24	24	
Other liabilities	-	-		457	457	457	
Total	-	24		457	481	481	

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.

Note 28. Net financial assets and liabilities

Group 2012	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	5,105	38	370	5,513
Bonds and other interest-bearing securities	21,468	3,060	25	24,553
Derivatives	30	-	-	30
Other financial investment assets	-	-	241	241
Total	26,603	3,098	636	30,337
Liabilities				
Derivatives	43	4	-	47
Total	43	4	-	47

Group 2011	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	3,943	76	150	4,169
Bonds and other interest-bearing securities	20,022	2,394	24	22,440
Derivatives	2	51	-	52
Other financial investment assets	-	-	218	218
Total	23,967	2,521	392	26,879
Liabilities				
Derivatives	1	22	-	24
Total	1	22	-	24

Parent company 2012	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	4,930	38	336	5,304
Bonds and other interest-bearing securities	18,450	2,964	25	21,439
Derivatives	30	-	-	30
Other financial investment assets	-	-	241	241
Total	23,410	3,002	602	27,014
Liabilities				
Derivatives	43	4	-	47
Total	43	4	-	47

Parent company 2011	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	3,783	70	150	4,003
Bonds and other interest-bearing securities	18,529	2,254	24	20,807
Derivatives	1	51	-	52
Other financial investment assets	-	-	218	218
Total	22,313	2,375	392	25,080
Liabilities				
Derivatives	1	23	-	24
Total	1	23	-	24

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.

Note 28. Net financial assets and liabilities (cont.)

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 market data (level 3).

Group 2012	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 1/1/2012	192	24	218	434
Total reported gains and losses reported in earnings for the year ¹⁾	3	-	24	27
Cost of acquisition	259	1	-	260
Proceeds from sales	-85	-	-	-85
Removal from Level 3	-	-	-	-
Moved to Level 3	-	-	-	-
Closing balance, 31/12/2012	369	25	242	636
Gains and losses reported in earnings for the year for assets which are included in the closing balance 12/31/2012 ¹⁾	4	-	24	28

¹⁾ Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year

Group 2011	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2011	452	12	207	671
Total reported gains and losses are reported in profit/loss for the year ¹⁾	101	-	10	111
Cost of acquisition	58	12	1	71
Proceeds from sales	-461	-	-	-461
Closing balance, 31/12/2011	150	24	218	392
Gains and losses reported in earnings for the year for assets which are included in the closing balance 12/31/2011 ¹⁾	15	-	-	15

¹⁾ Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year

Parent company 2012	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 1/1/2012	150	24	218	392
Total reported gains and losses are reported in profit/loss for the year ¹⁾	5	-1	24	28
Cost of acquisition	259	1	-	260
Proceeds from sales	-78	-	-	-78
Closing balance, 31/12/2012	336	24	242	602
Gains and losses reported in earnings for the year for assets which are included in the closing balance 12/31/2012 ¹⁾	15	-	-	15

¹⁾ Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year

Parent company 2011	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2011	452	12	207	671
Total reported gains and losses are reported in profit/loss for the year ¹⁾	101	-	10	111
Cost of acquisition	58	12	1	71
Proceeds from sales	-461	-	-	-461
Closing balance, 31/12/2011	150	24	218	392
Gains and losses reported in earnings for the year for assets which are included in the closing balance 12/31/2011 ¹⁾	15	-	-	15

¹⁾ Reported in Investment income and expenses and Unrealized gains and losses on investment assets in earnings for the year

Note 28. Net financial assets and liabilities (cont.)

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

	2012		2011	
	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions	Effect of favourable changes in assumptions	Effect of unfavourable changes in assumptions
Sensitivity analysis				
Group				
Shares and participations	37	-37	15	-15
Bonds	2	-2	2	-2
Total	39	-39	17	-17
Parent company				
Shares and participations	34	-34	15	-15
Bonds	2	-2	2	-2
Total	36	-36	17	-17

There is significant uncertainty in the valuation of the majority of level 3 holdings as they are based on input data that is not observable on the market. The majority of holdings are valued by the administrator responsible or by an external party appointed by an external administrator where no documentation in support of the valuation is available. Folksam General has chosen to show the effect a 10 per cent change in market value would have on outcomes as a result of a rate/price change.

Shares and participations

Valuation of fund-of-funds holdings are performed by external parties appointed by the fund-of-funds manager. Therefore FG lacks sufficient information to be able to report of the effect of changed assumptions.

There is uncertainty in the valuation of property funds because of the value of the underlying properties. Information is also lacking in this case to enable adequate calculations of the effect of changed assumptions.

Bonds

Because fair value corresponds to acquisition cost no changes in assumptions are considered necessary.

Other financial investment assets

The value of the major part of the investment equities holding is measured through net asset valuation. Because this value is based on factual data and not on assessments or assumptions the book value is considered to be a good approximation of fair value. The effect of changes in assumptions was not considered to be significant for the remainder of the other financial investment assets.

Note 29. Property, plant and equipment	Buildings and land	Office equipment	Computer equipment	Other assets	Total
Group 2012					
Accumulated acquisition costs					
Opening balance					
456	69	327	14	866	
Acquired via business combination	-	3	-	-	3
Other acquisitions	2	6	5	1	14
Disposals and retirements	-	-	-8	-1	-9
Closing balance	458	78	324	14	874
Accumulated depreciations					
Opening balance					
-23	-52	-294	-12	-381	
Acquired via business combination	-	-2	1	3	2
Depreciations for the year	-8	-7	-15	-1	-31
Disposals and retirements	-	-	8	-	8
Closing balance	-31	-61	-300	-10	-402
Accumulated impairment charges					
Opening balance					
-15	-	-	-	-	-15
Reversal of previous impairments	15	-	-	-	15
Carrying amount, January 1	418	17	33	2	470
Carrying amount, December 31	427	17	24	4	472

Note 29. Property, plant and equipment, (cont.)

Property, plant and equipment	Buildings and land	Office equipment	Computer equipment	Other assets	Total	Tangible assets	Office equipment	Computer equipment	Other assets	Total					
Group 2011															
Accumulated acquisition costs															
Opening balance	456	63	400	15	934	Parent company 2012									
Acquisitions	-	6	6	1	13	Accumulated acquisition costs									
Disposals and retirements	-	-	-79	-2	-81	Opening balance	66	325	11	402					
Closing balance	456	69	327	14	866	Acquisitions	6	3	-	9					
Accumulated depreciations															
Opening balance	-15	-47	-327	-12	-401	Disposals and retirements	-	-8	-1	-9					
Depreciations for the year	-8	-5	-22	-1	-36	Closing balance	72	320	10	402					
Disposals and retirements	-	-	55	1	56	Accumulated depreciations									
Closing balance	-23	-52	-294	-12	-381	Opening balance	-50	-292	-9	-351					
Accumulated impairment charges															
Opening balance	-53	-	-	-	-53	Depreciations for the year	-6	-13	-1	-20					
Reversal of previous impairments	38	-	-	-	38	Disposals and retirements	-	8	1	9					
Closing balance	-15	-	-	-	-15	Closing balance	-56	-297	-9	-362					
Carrying amount, January 1	388	16	73	3	480	Carrying amount, January 1	16	33	2	51					
Carrying amount, December 31	418	17	33	2	470	Carrying amount, December 31	16	23	1	40					
The following principle component groups were identified and form the basis for the depreciation of owner-occupied properties.															
Building		Installations													
External land	35 years	Lifts	55 years	Accumulated depreciations											
Foundation	100 years	Electrical system	45 years	Opening balance	-44	-325	-10	-379							
Frame	100 years	Ventilation	45 years	Depreciations for the year	-6	-21	-1	-28							
Roof	35 years	Pipe work	60 years	Disposals and retirements	-	54	2	56							
Facades	30 years			Closing balance	-50	-292	-9	-351							
Extension	60 years			Carrying amount, January 1	17	73	2	92							
Surface protection	15 years			Carrying amount, December 31	16	33	2	51							

Note 30. Prepaid acquisition costs

	Group		Parent company	
	2012	2011	2012	2011
Accrued acquisition cost				
Opening balance	331	319	263	257
Activation for the year	341	331	270	263
Depreciation for the year	-331	-319	-263	-257
Closing balance	341	331	270	263

Note 31. Other prepaid expenses and accrued income

	Group		Parent company	
	2012	2011	2012	2011
Prepaid expenses	96	84	102	84
Accrued income	73	50	73	50
	169	134	175	134

Note 32. Equity

Refer to the Statements of changes in equity in the consolidated and parent company accounts for equity specifications.

Note 33. Non-earned premiums and unexpired risks

	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for non-earned premiums						
Opening balance	5,444	-2	5,442	4,769	-	4,769
Premiums written	10,309	-90	10,219	9,746	-50	9,697
Premiums earned for the period	-10,373	89	-10,284	-9,395	50	-9,346
Closing balance	5,380	-3	5,377	5,120	0	5,120

Group
provision for unexpired risks

	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
provision for unexpired risks						
Opening balance	16	-	16	32	-	32
Change in provision	3	-	3	-16	-	-16
Closing balance	19	-	19	16	-	16

Parent company	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for non-earned premiums						
Opening balance	4,426	-	4,426	4,188	-	4,188
Premiums written	8,384	-52	8,332	8,331	-39	8,292
Premiums earned for the period	-8,389	52	-8,337	-8,093	39	-8,054
Closing balance	4,421	0	4,421	4,426	0	4,426

Parent company	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
provision for unexpired risks						
Opening balance	11	-	11	24	-	24
Change in provision	-3	-	-3	-13	-	-13
Closing balance	8	-	8	11	-	11

Note 34. Unsettled claims

Group	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Provisions for unsettled claims						
IB Reported claims	10,453	-127	10,326	9,603	-891	8,712
IB Incurred but not reported (IBNR)	8,756	-	8,756	8,360	-	8,360
Opening balance	19,209	-127	19,082	17,963	-891	17,072
Change of anticipated expense for claims that transpired during earlier years (prior-year claims result)	63	17	80	199	-22	177
Other changes	425	-4	421	217	844	1,061
Closing balance	19,697	-114	19,583	18,379	-69	18,310
UB Reported claims	10,666	-114	10,552	9,931	-69	9,861
UB Incurred but not reported claims (IBNR)	9,031	-	9,031	8,448	-	8,448

Note 34. Unsettled claims, (cont.)

Group	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Provisions						
Provision for incurred reported claims	10,606	-114	10,492	5,537	-69	5,468
Provision for incurred but not reported claims	9,031	-	9,031	8,448	-	8,448
Provision for personal injury annuities	21	-	21	3,920	-	3,920
Provision for claim settlement expenses	39	-	39	474	-	474
	19,697	-114	19,583	18,379	-69	18,310
Parent company	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Provisions for unsettled claims						
IB Reported claims	9,430	-63	9,367	9,082	-870	8,212
IB Incurred but not reported claims (IBNR)	7,905	-	7,905	7,876	-	7,876
Opening balance	17,335	-63	17,272	16,958	-870	16,088
Change of anticipated expense for claims that transpired during earlier years (prior-year claims result)	40	12	52	231	-16	215
Other changes	332	-16	316	146	823	969
Closing balance	17,707	-67	17,640	17,335	-63	17,272
UB Reported claims	9,655	-67	9,588	9,430	-63	9,367
UB Incurred but not reported claims (IBNR)	8,052	-	8,052	7,905	-	7,905
Parent company	2012			2011		
	Gross	Ceded	Net	Gross	Ceded	Net
Provisions						
Provision for incurred reported claims	5,049	-67	4,982	5,094	-63	5,031
Provision for incurred but not reported claims	8,052	-	8,052	7,905	-	7,905
Provision for personal injury annuities	4,174	-	4,174	3,901	-	3,901
Provision for claim settlement expenses	432	-	432	435	-	435
	17,707	-67	17,640	17,335	-63	17,272

Note 35. Bonuses and rebates	Group		Parent company	
	2012	2011	2012	2011
Opening balance	10	1	10	1
Bonuses and rebates settled during the period	-	-1	-	-1
The year's provision for non-mature bonuses	231	10	231	10
Closing balance	241	10	241	10
Note 36. Pensions and similar liabilities				
Group	2012		2011	
	Pension obligations			
Present value of wholly or partially funded obligations		3,659	3,192	
Present value of wholly or partially unfunded obligations		108	115	
Total present value of defined-benefits obligations		3,767	3,307	
Fair value of plan assets		3,109	2,972	
Net reported in respect of defined-benefits plans in the statement of financial position		-658	-335	
The net amount for defined-benefits plans is reported in the following items in the statement of financial position				
Pension provisions		-658	-335	
Net amount in the statement of financial position		-658	-335	
Overview of defined-benefits plans				
Change of present value of funded liabilities				
Obligations for defined-benefits plans as of January 1		3,192	2,561	
Compensation disbursed		-146	-140	
Expenses for the current period of service		74	55	
Interest expenses		103	125	
Actuarial gains and losses		492	536	
Adjustments between Groups		-56	55	
Obligations for defined-benefits plans as of December 31		3,659	3,192	
Change of present value of unfunded pension liabilities				
Obligations for defined-benefits plans as of January 1		115	111	
Expenses for service, current year		4	4	
Interest expenses		4	5	
Actuarial gains and losses		-	5	
Other changes		-15	-10	
Obligations for defined-benefits plans as of December 31		108	115	

Note 36. Pensions and similar liabilities (cont.)

Changes to the fair value of plan assets	2012	2011
Fair value of plan assets as of January 1	2,972	2,842
Fees from employer	172	138
Compensation disbursed	-146	-140
Anticipated yield from plan assets	101	120
Reductions and settlements	3	-41
Actuarial gains and losses	59	-8
Adjustments between Groups	-52	61
Fair value of plan assets as of December 31	3,109	2,972
Plan assets consist of the following		
Equity instruments	995	892
Debt instruments	1,834	1,813
Property	280	267
	3,109	2,972
Expense reported in profit/loss for the year		
Expenses regarding the current period of service	78	59
Effect of reductions and settlements	-3	41
Interest expenses on obligations	107	130
Anticipated yield from plan assets	-101	-120
Net expense (+) / Income (-) in profit/loss for the year	81	110
The expense is reported in the following lines in profit/loss for the year		
Administrative expenses	75	100
Income from financial items	-101	-120
Financial expenses	107	130
	81	110
Actual yield from plan assets	160	112

Expenses reported in other comprehensive income

Actuarial gains (-) and losses (+) excluding income tax	432	549
Net reported in other comprehensive income	432	549
Actuarial gains (-) and losses (+) reported in other comprehensive income.		
Accumulated as per January 1	-166	-715
Reported during the period	432	549
Accumulated as per December 31	266	-166
Assumptions about defined-benefits obligations		
Discount interest rate	2.86%	3.42%
Anticipated yield from plan assets	2.86%	3.60%
Future salary increases	3.31%	3.14%
Future pension increases (inflation)	1.81%	1.64%
Income base amount	3.31%	3.14%
Retirement rates	5.00%	5.00%
Longevity assumptions	FFFS 2007:31	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.

Note 36. Pensions and similar liabilities (cont.)

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.

Historical information	2012	2011	2010	2009
Group				
Present value of defined-benefits liabilities	3,767	3,307	2,672	2,866
Fair value of plan assets	3,109	2,972	2,842	2,778
Surplus/deficit in the plan	-658	-335	170	-89
Change in defined-benefits liabilities based on experience	72	-9	-159	21
Change in plan assets based on experience	59	-8	26	188

The Group estimates that SEK 168 million (117) will be paid to funded and unfunded defined-benefits plans during 2013.

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 pension plan within Folksam, is secured in the Coop 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.

	2012	2011	2010	2009
Parent company				
Obligations for defined-benefits plans as of January 1	97	97	115	129
Expenses for service, current year	3	3	4	4
Interest expenses	3	4	4	4
Actuarial gains and losses	-	4	-21	-20
Other changes	-13	-11	-5	-2
Obligations for defined-benefits plans as of December 31	90	97	97	115
Assumptions				
Discount interest rate	2.86%	3.42%	5.00%	4.00%
Future salary increases	3.31%	3.14%	3.50%	3.50%
Future income base amount increases	3.31%	3.14%	3.50%	3.50%
Future pension increases (inflation)	1.81%	1.64%	2.00%	2.00%
Retirement rates	5.00%	5.00%	5.00%	5.00%

Provisions for pensions and similar liabilities in the parent company refers to non-secured liabilities 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 37. Deferred tax liability	Group		Parent company	
	2012	2011	2012	2011
Deferred tax assets and tax liabilities				-44
Other intangible assets	49	-	-	-44
Buildings and land	161	174	156	174
Shares and participations	479	275	471	271
Bonds and other interest-bearing securities	209	207	161	195
Derivatives	-1	-4	-1	-4
Other financial investment assets	1	1	1	1
Untaxed reserves	1,781	1921	-	-
Provisions for pensions and similar liabilities	-189	-105	-20	-25
Other accrued expenses and deferred income	-5	-7	-4	-6
Loss carryforward	-	-	-	-
Other deferred tax assets and deferred tax liabilities, net	2,485	2,462	764	562

Changes in deferred tax for the year in temporary differences are reported in the parent company income statement. In the consolidated accounts the year's changes in deferred tax are reported at SEK -51 million (-384) in the income statement and at SEK 118 million (178) in other comprehensive income.

Non-activated loss carryforwards amount to SEK 50 million (36) for the Group.

Note 38. Liabilities in respect of direct insurance	Group		Parent company	
	2012	2011	2012	2011
Policyholders	56	52	-	-
Insurance companies	30	107	30	107
	86	159	30	107

Note 39. Liabilities in respect of reinsurance	Group		Parent company	
	2012	2011	2012	2011
Liabilities to Group companies	-	-	1	-
Other	2	1	-	1
	2	1	1	1

Note 40. Liabilities to credit institutions	Group		Parent company	
	2012	2011	2012	2011
Bank loans	-	4	-	-
Liabilities that fall due for payment later than five years from closing date	-	-	-	-

Note 41. Derivatives	Group		Parent company		
	Derivative instruments with negative values	2012	2011	2012	2011
Fair value					
Share options	-	14	-	14	
Forward exchange rate contracts	38	7	38	7	
Forward interest rate contracts	6	1	6	1	
Interest rate swaps	3	2	3	2	
	47	24	47	24	
Acquisition cost					
Share options	-	17	-	17	
	-	17	-	17	

Group, 2012	Nominal amount / remaining contractual duration of derivatives with negative values or zero value in 2012.	Less than 1 year	1-5 years	More than 5 years
Forward interest rate contracts	6,475	-	-	-
Forward exchange rate contracts	37	-	-	-

Group, 2011	Less than 1 year	1-5 years	More than 5 years
Share options	-857	-	-
Forward interest rate contracts	1,401	-	-
Forward exchange rate contracts	-8	-	-

Note 41. Derivatives (cont.)

Parent company, 2012

Nominal amount / remaining contractual duration of derivatives with positive values or zero value in 2012.

	Less than 1 year	1-5 years	More than 5 years
Forward interest rate contracts	6,475	-	-
Forward exchange rate contracts	37	-	-

Parent company, 2011

Share options
Forward interest rate contracts
Forward exchange rate contracts

	Less than 1 year	1-5 years	More than 5 years
Share options	-857	-	-
Forward interest rate contracts	1,350	-	-
Forward exchange rate contracts	-8	-	-

Note 42. Other liabilities

	Group		Parent company	
	2012	2011	2012	2011
Liabilities to Group companies	-	-	771	10
Liabilities to related companies	41	52	25	43
Other	762	542	656	470
	803	594	1,452	523

Note 43. Other accrued expenses and deferred income

	Group		Parent company	
	2012	2011	2012	2011
Accrued expenses	573	441	377	354
Prepaid income	152	161	76	96
	725	602	453	450

Note 44. Anticipated recovery times for assets and liabilities

	Max 1 year	More than 1 year	Total
Group 2012			
Assets			
Intangible assets	89	209	298
Buildings and land	-	1,059	1,059
Shares and participations in Group companies	-	115	115
Shares and participations in associated companies	-	339	339
Interest-bearing securities issued by, and loans to, associated companies	-	232	232
Shares and participations	5,305	209	5,514
Bonds and interest-bearing securities	5,297	19,255	24,552
Loans guaranteed by mortgages	-	10	10
Other loans	-	292	292
Derivatives	-	30	30
Other financial investment assets	-	241	241
Deposits from companies that have ceded reinsurance	3	2	5
Reinsurer's share of Technical provisions	-	-	-
Non-earned premiums and unexpired risks	-	3	3
Unsettled claims	19	95	114
Receivables in respect of direct insurance	3,069	-	3,069
Receivables in respect of reinsurance	25	15	40
Current tax asset	90	-	90
Other receivables	897	-	897
Pensions and similar liabilities	-	-	-
Cash and cash equivalents	1,382	-	1,382
Property, plant and equipment	9	463	472
Loans to credit institutions	-	-	-
Accrued interest and rental income	348	-	348
Prepayments and accrued income	-	-	-
Prepaid acquisition costs	341	-	341
Other prepaid expenses and accrued income	169	-	169
	17,043	22,569	39,612

Note 44. Anticipated recovery times for assets and liabilities, (cont.)

	Max 1 year	More than 1 year	Total
Group 2012			
Liabilities and provisions			
Subordinated liabilities	-	-	-
Technical provisions (before reinsurance)			
Non-earned premiums and unexpired risks	5,399	-	5,399
Unsettled claims	4,348	15,349	19,697
Bonuses and rebates	241	-	241
Other provisions	-	-	-
Provision for pensions and similar liabilities	21	637	658
Deferred tax liability	-	2,485	2,485
Liabilities in respect of direct insurance	86	-	86
Liabilities in respect of reinsurance	2	-	2
Liabilities to credit institutions	-	-	-
Derivatives	47	-	47
Other liabilities	803	-	803
Accrued expenses and deferred income	725	-	725
	11,672	18,471	30,143

	Max 1 year	More than 1 year	Total
Parent company 2012			
Assets			
Buildings and land	-	1,194	1,194
Shares and participations in Group companies	-	1,808	1,808
Interest-bearing securities issued by, and loans to, Group companies	-	175	175
Shares and participations in associated companies	-	143	143
Interest-bearing securities issued by, and loans to, associated companies	-	232	232
Shares and participations	5,304	-	5,304
Bonds and interest-bearing securities	4,826	16,613	21,439
Loans guaranteed by mortgages	-	10	10
Other loans	-	292	292
Derivatives	-	30	30
Other financial investment assets	-	241	241

	Max 1 year	More than 1 year	Total
Deposits from companies that have ceded reinsurance	3	-	3
Reinsurer's share of Technical provisions			
Unsettled claims	17	50	67
Receivables in respect of direct insurance	2,374	-	2,374
Receivables in respect of reinsurance	15	15	30
Current tax asset	84	-	84
Other receivables	872	-	872
Tangible assets	8	32	40
Cash and cash equivalents	1,105	-	1,105
Accrued interest and rental income	300	-	300
Prepaid acquisition costs	270	-	270
Other prepaid expenses and accrued income	175	-	175
	15,353	20,835	36,188

	Max 1 year	More than 1 year	Total
Parent company 2012			
Liabilities and provisions			
Technical provisions, (before reinsurance)			
Non-earned premiums and unexpired risks	4,429	-	4,429
Unsettled claims	3,531	14,176	17,707
Bonuses and rebates	241	-	241
Other provisions			
Provision for pensions and similar liabilities	18	72	90
Deferred tax liability	-	764	764
Liabilities in respect of direct insurance	30	-	30
Liabilities in respect of reinsurance	1	-	1
Derivatives	47	-	47
Other liabilities	1,452	-	1,452
Accrued expenses and deferred income	452	-	452
	10,202	15,012	25,214

Note 45. Profit/loss per insurance class	Auto insurance						Auto insurance						
	Accident and illness	Third party liability	Other categories	Maritime, aviation and transport	Fire & other property claims	General liability	Accident and illness	Third party liability	Other categories	Maritime, aviation and transport	Fire & other property claims	General liability	
Parent company, 2012													
Premium income, gross	1,644	923	2,329	3	2,427	158	Premium income, gross	1,693	942	2,248	3	2,428	170
Premiums earned, gross	1,691	935	2,285	3	2,395	160	Premiums earned, gross	1,723	981	2,112	3	2,314	163
Claims incurred, gross	-1,466	-1,106	-1,488	-	-2,042	-120	Claims incurred, gross	-1,349	-1,461	-1,492	-2	-1,910	-109
Operating expenses, gross	-276	-286	-391	-1	-465	-33	Operating expenses, gross	-238	-261	-368	-1	-448	-33
Outcome of reinsurance ceded	-4	18	-3	-	-21	-5	Outcome of reinsurance ceded	-4	-27	-3	-	-7	-1
	Credit and sureties	Legal protection	Other insurance categories	Direct insurance	Received reinsurance	Total		Credit and sureties	Legal protection	Other insurance categories	Direct insurance	Received reinsurance	Total
Premium income, gross	-	198	669	8,351	33	8,384	Premium income, gross	208	634	8,326	5	8,331	
Premiums earned, gross	-	202	688	8,359	33	8,392	Premiums earned, gross	195	609	8,100	5	8,105	
Claims incurred, gross	5	-161	-558	-6,936	-34	-6,970	Claims incurred, gross	-148	-425	-6,896	-7	-6,903	
Operating expenses, gross	-1	-37	-116	-1,606	-	-1,606	Operating expenses, gross	-36	-87	-1,472	-	-1,472	
Outcome of reinsurance ceded	-	-2	-1	-18	-	-18	Outcome of reinsurance ceded	-1	-3	-46	2	-44	

Note 46. Pledged assets

Assets included in the policyholders' preferential right

	Group		Parent company	
	2012	2011	2012	2011
Buildings and land (incl. indirectly owned)	1,062	1,367	1,010	1,367
Shares and participations in Group companies	534	500	534	500
Shares and participations	4,917	3,650	4,883	3,490
Bonds and other interest-bearing securities	23,071	21,546	21,114	20,407
Other loans	80	80	80	80
Other financial receivables	36	-	-	-
Receivables in respect of direct insurance	2,565	2,044	1,996	1,826
Cash and cash equivalents	100	-	18	-
Accrued interest and rental income	305	373	279	353
	32,670	29,560	29,914	28,023
Assets pledged on behalf of others				
Bonds and interest-bearing securities	349	357	313	323
Cash and cash equivalents	103	56	102	55
	452	413	415	378
Other pledged assets and securities				
Assets pledged in favour of subsidiaries	3	4	-	4
Total pledged assets	33,125	29,977	30,329	28,405

Note 47. Contingent liabilities

Sureties
Sureties in favour of associated companies
Guarantees
Capital value of pension liabilities that are not reported as liabilities or covered by insurance

	Group		Parent company	
	2012	2011	2012	2011
Sureties	-	4	-	-
Sureties in favour of associated companies	211	-	211	-
Guarantees	2	2	2	2
Capital value of pension liabilities that are not reported as liabilities or covered by insurance	1	1	1	1
	214	7	214	3

Note 48. Commitments

Reported commitments for agreed but non-invested risk capital

Reported commitment for agreed but not yet disbursed loan to associated company

	Group		Parent company	
	2012	2011	2012	2011
Reported commitments for agreed but non-invested risk capital	162	76	160	76
Reported commitment for agreed but not yet disbursed loan to associated company	93	-	92	-
	255	76	252	76

Note 49. Disclosures regarding related parties

Related parties

This note includes a description of material relations between Folksam General and related companies in Folksam (the Folksam General and Folksam Life Groups including KPA Pension) and other related parties. All of the companies within Folksam are defined as related parties due to their shared management.

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 50.

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.

Information on how related party transactions are carried out and monitored

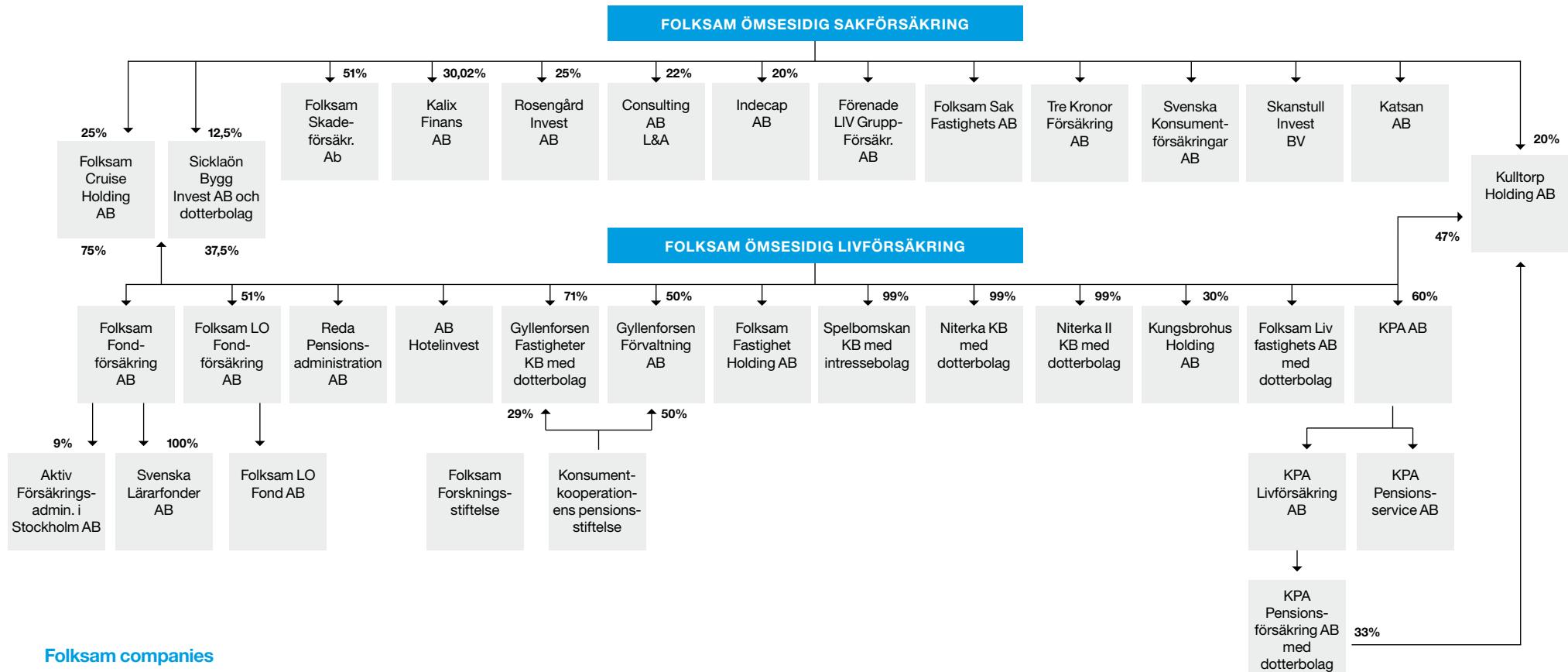
Every year a business plan is adopted by the board that describes, among other things, financial targets and the use of shared resources. During the year the MD must regularly inform the board about forecasts and outcomes in the business plan. Departures from the principles of the adopted business plan 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,

Note 49. Disclosures regarding related parties (cont.)



Folksam companies

Folksam consists of two Groups, the Folksam General Group and the Folksam Life Group.

Folksam General is the parent company in a group that includes the wholly owned subsidiaries Folksam Sak Fastighets AB, Svenska Konsumentförsäkringar AB (publ), Tre Kronor Försäkring AB, Katsan AB and Förenade Liv Gruppförsäkring AB (publ). Furthermore, Folksam General holds 51 per cent in Folksam Skadeförsäkring AB, 22 per cent in partially owned Consulting AB Lennermark & Andersson, 25 per cent in Folksam Cruise Holding AB, 20 per cent in Kulltorp Holding AB, 25 per cent in Rosengård Invest AB, 30.02 per cent in Kalix Finans AB, 20 per cent in Indecap AB and 12.5 per cent in Sicklaön Bygg Invest AB.

Note 49. Disclosures regarding related parties (cont.)

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.

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 of related party transactions for senior executives had one record of SEK 48 thousand.

Note 49. Disclosures regarding related parties (cont.)

Related party transactions

The following transactions took place with related parties, SEK million

Related Party Transactions	Compensation paid		Compensation received	
	2012	2011	2012	2011
Folksam Mutual Life Insurance				
Insurance operation	66	58	317	272
Asset management	-	-	73	69
IT	15	4	294	235
Administrative support	138	112	274	217
Pension provisions	-	-	50	34
Svenska konsumentförsäkringar AB (publ)				
Insurance operation	-	-	50	45
Asset management	-	-	2	2
IT	-	-	20	21
Administrative support	-	-	21	17
Pension provisions	-	-	7	5
Folksam Fondförsäkring Aktiebolag (publ)				
Insurance operation	-	-	101	112
Administrative support	-	-	39	28
Pension provisions	-	-	5	3
Tre Kronor Försäkring AB				
Insurance operation	7	-	59	44
Asset management	-	-	1	-
IT	1	-	15	15
Administrative support	6	-	24	14
Pension provisions	-	-	5	4
KPA AB				
Insurance operation	4	2	5	5
IT	38	15	162	115
Administrative support	2	4	60	56
Pension provisions	-	-	19	-
Folksam Spar AB (publ)				
IT	-	-	-	3
Administrative support	-	-	-	2

Related Party Transactions	Compensation paid		Compensation received	
	2012	2011	2012	2011
Folksam LO Fondförsäkring Aktiebolag (publ)				
Insurance operation	-	-	21	27
IT	-	-	1	1
Administrative support	-	-	22	10
Pension provisions	-	-	2	2
Förenade Liv Gruppförsäkring AB (publ)				
Insurance operation	5	4	7	9
IT	-	-	7	5
Administrative support	3	-	28	18
Pension provisions	-	-	12	9
Folksam Hälsa AB in liquidation				
Administrative support	-	1	-	-
Folksam LO Fond AB (publ)				
Administrative support	-	-	3	1
Pension provisions	-	-	3	-
Reda Pensionsadministration AB				
IT	-	-	9	3
Administrative support	-	-	4	3
Svenska Lärarfonder				
IT	-	-	4	-
Administrative support	1	-	-	-
KPA Pensionsförsäkring AB (publ)				
IT	-	-	1	-
Pension provisions	-	-	4	-
KPA Pensionsservice AB				
IT	-	-	-	1
Pension provisions	-	-	4	-
KPA Livförsäkring AB (publ)				
Pension provisions	-	-	1	-
Coop Pension Foundation				
Pension provisions	-	-	1	-
Total	286	200	1,737	1,407

Note 49. Disclosures regarding related parties (cont.)

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.

Closing balances at year end	Receivables		Liabilities	
	2012	2011	2012	2011
Folksam Mutual Life Insurance	420	405	25	25
KPA AB	35	9	-	-
Folksam Sak Fastighets AB	-	-	767	-
Svenska konsumentförsäkringar AB (publ)	8	6	-	-
Förenade Liv Gruppförsäkring AB (publ)	7	4	-	-
KPA Pensionsförsäkring AB (publ)	3	2	-	-
KPA Pensionsservice AB	2	2	-	-
Reda Pensionsadministration AB	-	1	-	-
Folksam LO Fond AB (publ)	2	-	-	-
Folksam Fondförsäkringsaktiebolag (publ)	49	-	-	17
Folksam Spar AB (publ)	-	-	-	1
Folksam LO Fondförsäkrings AB (publ)	26	-	-	2
Folksam Hälsa AB in liquidation	-	-	-	1
Tre Kronor Försäkring AB	-	-	4	7
Folksam Skadeförsäkring AB	5	-	-	-

Internal interest

Internal interest is paid on receivables and liabilities between Folksam companies. Interest is STIBOR 1 week. In 2012 the internal interest within the Folksam General group from consolidated group companies amounted to SEK 0 million (0) in revenue and SEK 6 million (0) in expenses.

Loans

Folksam General has loan receivables from Group companies in the amount of SEK 175 million (0) and SEK 232 million (151) with associated companies. In 2012 interest income from group companies amounted to SEK 2 million (0) and SEK 11 million (11) from associated companies.

Group contributions and shareholder contributions

Folksam General provided group contributions to Folksam Hälsa AB in the amount of SEK 0 million (1) and SEK 20 million (12) to Tre Kronor Försäkring AB. Folksam General received group contributions from Tre Kronor Försäkring AB of SEK 20 million (0). Shareholder contributions were provided to Rosengård Invest AB in the amount of SEK 1 million (7); to Sicklaön Bygg Invest AB in the amount of SEK 10 million (0) and SEK 75 million to Katsan AB.

Reinsurance

Folksam General received internal reinsurance in that Tre Kronor Försäkring AB, Svenska Konsumentförsäkringar AB (publ) and Förenade Liv Gruppförsäkring AB (publ) reinsured themselves with Folksam General with a premium volume amounting to SEK 24 million (4) during 2012.

Agreement on the allocation of responsibility for sureties

An agreement has been reached between Folksam General and Folksam Life regarding the allocation of responsibility for sureties in favour of associated companies, for a total amount of SEK 211 million.

Note 50. Average number of employees, pay and remunerations

Average number of employees in Sweden¹⁾	Parent company		Subsidiaries	
	2012	2011	2012	2011
Salaried employees	2,046	1,934	233	39
of whom men	48%	49%	45%	41%
Agents ²⁾	266	272		

1) The average number of employees has been calculated based on the number of paid working hours in relation to one man year comprising 1,922 hours (1,945).

2) Total number in Folksam.

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

Pay, compensation and other benefits, SEK million	2012		2011	
	2012	2011	2012	2011
Employees in Sweden				
Board	2.4	2.1		
Managing Director	2.6	2.5		
Deputy managing directors and other senior executives	10.1	11.6		
Board and MD, subsidiaries			4.3	1.5
Salaried employees	1,023.6	959.9	76.3	5.3
Agents	43.3	64.2	219.5	73.9
Total	1082.0	1040.3	300.1	80.7
Social security charges				
of which pension expenses	645.7	576.0	20.4	3.2
of managing director's pension expenses	258.7	202.7	23.3	6.5
	0.9	0.9	1.7	0.6

Distribution of men and women in company management, Number	2012		2011	
	Women	Men	Women	Men
Parent company				
Managing Director	-	1	-	1
Deputy managing director and deputy Group CEO ¹⁾	-	-	-	1
Other senior executives	5	6	5	6
Board	7	5	7	5

¹⁾Lars Burman left his position August 1, 2011.

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

	2012	2011
Board chairman		
Wanja Lundby-Wedin	204	174
Other board members		
Ulf Andersson	178	152
Metta Fjelkner	109	97
Birgitt Förell	55	-
Björn Hartvigsson	96	64
Sten-Åke Karlsson	184	162
Martin Linder	55	-
Göran Lindblå	206	192
Leif Linde	161	122
Carina Malmer	126	103
Karin Mattson Weijber	120	103
Ella Niia	103	97
Hans-Olof Nilsson	84	80
Leif Nordmark	46	80
Annelie Nordström	103	87
Bengt Olsson	154	115
Ingela Rozmán	-	98
Ylva Thörn	-	14
Annika Strandhäll	126	28
Personnel representatives, 5 (4)	340	348
Total directors' fees	2,450	2,116

Note 50. Average number of employees, pay and remunerations (cont.)

CEO and managing director ¹⁾	2012	2011
Anders Sundström		
Basic salary	2,612	2,506
Other benefits	99	97
Pension expenses	914	862
Other compensation	-	-
Total	3,625	3,465
Deputy managing director and deputy Group CEO	2012	2011
Lars Burman		
Basic salary	-	975
Other benefits	-	16
Pension expenses	-	241
Other compensation	-	-
Total	-	1,232
Senior executives	2012	2011
Other senior executives, 11 (10) ²⁾		
Basic salary	10,132	10,658
Other benefits ³⁾	277	255
Pension expenses	2,620	2,843
Other compensation ⁴⁾	72	-
Total	13,101	13,756

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 General'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) Pension expenses refer to expenses attributable to the year concerned.
- 2) Other senior executives refers to the 11 people who, together with the managing director and deputy managing director make up Group management. The Deputy MD (the two other deputy managing directors) are included in Group management and are reported under other senior executives.
- 3) Other benefits refers mainly to company cars.
- 4) 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
Vice chairman	90
Others excluding MD	65
Substitutes	35
Attendance allowance	6
Specific for personnel representatives	
Regular board member	65
Attendance allowance	6
Attendance allowance, substitutes	6
Fees to members of the audit committee	
Annual fee	42
Attendance allowance	6
Fees to members of the remunerations committee	
Annual fee	33
Attendance allowance	6

Note 50. Average number of employees, pay and remunerations (cont.)

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 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 Fund, Folksam must pay pension benefits for the managing director equivalent to 35 per cent of his annual salary.

The pensionable age for the deputy managing director is 62 years. The pensionable age for other senior executives is 65 years. The deputy managing director switched to defined contribution pension plans on May 1, 2005. The 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. 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. 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 director and other senior executives. Severance pay for the deputy managing director and other senior executives with the exception of one senior executive, is 12 months' salary.

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 2012. 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 areas: operating expenses and brand repositioning. The two sub areas are then divided into a total of six intermediate goals of which two are broken down into units and subsidiaries while the remainder are overarching Folksam objectives. A maximum payout from the 2012 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 17, 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 as per July 1, 2011. The pension plans comprise mainly retirement pensions, invalidity pensions and family pensions.

Policyholders born on or before June 30, 1978 are covered by KTP section 2 which in principle is a defined-benefits system. This is supplemented by KTP-K which is the defined-contributions part of KTP section 2. Policy holders born between July 1, 1978 and June 30, 1983 or later are covered by KTP section 1, which is a defined-contributions plan entirely. However, this group had the right at the introduction of the new plan 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.

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

Folksam General has payment liability for the defined-benefits pension plans of 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.

Note 50. Average number of employees, pay and remunerations (cont.)

Pension commitments secured in Coop Pension Foundation, SEK million	2012	2011
Fair value of specially separable assets	3,511	3,380
Pension commitments secured in Pension foundation	-3,094	-2,902
Surplus value (incl. buffer capital)	417	478
The specification of fair value of specially separated assets in the Coop Pension Foundation		
Interest-bearing securities	2,071	2,062
Shares	1,124	1,014
Property	316	304
Total value of specially separated assets	3,511	3,380
Expenses for in-house pensions		
Provisions to Pensionsstiftelsen	206	260
Disbursed pensions	167	156
Compensation for pension disbursements and administration	-167	-256
Special payroll tax on pension expenses, 24.26%	50	39
Less yield on specially separated assets	-198	-126
Net expense for in-house pensions	58	73

Note 51. 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 General deems insurance risks in excess of five per cent to be significant and a contract is therefore classified as an insurance. A general description of Folksam General's accounting principles for the classification of contracts is provided in Note 1. All contracts that are insurance contracts from a legal standpoint were subject to an assessment of whether they entail a transfer of significant insurance risk so that they may also be presented as insurance contracts in the accounts (also refer to the section on insurance contracts and investment contracts in Note 1 Accounting principles). The size of the insurance risk was assessed by considering whether there are one or more scenarios of commercial significance in which Folksam General is obliged to pay substantial further benefits in excess of the sum which would have been paid had not the insured event occurred.

Classification of financial assets and liabilities

Folksam General'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 Folksam General 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

Technical provisions

Folksam General's accounting principles for insurance contracts are described in Note 1. Methods and assumptions that form the basis for the valuation of provisions are also described in Note 1. The sensitivity of the assumptions that form the basis for the valuation of provisions is described in Note 2.

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 28.

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 Note 1 Accounting principles and Note 16 Buildings and land 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 36 form the basis for the valuation of the pension obligations.

Impairment test for goodwill

When calculating the recoverable value of cash generating units for assessing the need for any goodwill impairment, several assumptions regarding future circumstances and estimations of parameters were made. A description of these is provided in Note 15. As can be seen in the note changes during 2012 to the conditions for these assumptions and estimations could have a significant effect on the value of goodwill.

Note 52. Reconciliation of total return table	Note	Opening market value 1/1/2012	Closing market value 12/31/2012	Total yield 2012
Interest-bearing				
Bonds	21	20,807	21,439	
Accrued interest	28	354	280	
Interest derivatives	23, 41	1	-1	
Other loans		80	183	
Other liabilities		-22	-	
Other receivables		-	26	
Reclassification to hedging instrument		-2	-10	
Reclassification to alternative investments		-12	-13	
Cash and cash equivalents		247	357	
Interest-bearing before valuation differences		21,453	22,261	809
Price differences		27	24	-24
Interest-bearing according to TAT		21,480	22,285	785
Shares				
Shares and participations	20	4,003	5,304	
Equity derivatives	23, 41	-13	-	
Cash and cash equivalents		10	9	
Reclassification to properties		-85	-259	
Reclassification to alternative investments		-135	-115	
Shares before valuation differences		3,780	4,939	1,259
Difference valuation rate bid/traded		6	2	-4
Shares according to TAT		3,786	4,941	1,255
Alternative investments				
Reclassification from shares		135	115	-
Reclassification from interest-bearing		12	13	
Other financial investment assets	24	218	241	
Shares and participations in associated companies	18	47	128	
Loans to associated companies		151	149	
Accrued interest on loans to associated companies		11	23	
Secured loan		-	10	
Cash and cash equivalents		2	27	-

Note 52. Reconciliation of total return table (forts.)	Note	Opening market value 1/1/2012	Closing market value 12/31/2012	Total yield 2012
Alternative investments before valuation differences		576	706	45
Valuation differences		-	3	3
Alternative investments according to TAT		576	709	48
Property				
Buildings and land	16	1,133	1,194	-
Property loans	22	88	112	-
Belonging to subsidiaries that manage indirectly owned property	17	790	75	-
Belongs to associated company that manages real estate		-	10	
Loans to associated companies		-	262	
Bank deposits, property		62	58	-
Operating liabilities, property		-50	-52	-
Reclassification from shares		85	259	-
Cash and cash equivalents		13	50	-
Properties before valuation differences		2,121	1,968	71
Valuation differences		-4	-	26
Mark to market, indirectly owned properties		-	3	3
Properties according to TAT		2,117	1,971	100
Hedging instruments				
Forward exchange rate contracts	23, 41	41	-23	-
Cash and cash equivalents		1	-	
Reclassification from interest-bearing		2	10	-
Hedging instrument before valuation differences		44	-13	114
Valuation differences		-2	-	23
Hedging instrument according to TAT		42	-13	137

Note 52. Reconciliation of total return table (forts.)	Note	Opening market value	Closing market value	Total yield 2012	Note 53. Changed accounting principles	As per earlier principles	Effect of changed accounting principles	As per current principles
		1/1/2012	12/31/2012					
Strategic company holdings								
Shares and participations Group companies at book value	17, 18	1,405	1,808	-				
Less holding in subsidiaries that manage properties		-790	-75		Premiums earned (after reinsurance)	8,068	-	8,068
Liabilities to Group companies		-	-772	-	Return on assets transferred from financial operations	608	-	608
Strategic company holdings before valuation differences		615	961	21	Other technical income	25	-	25
Updated market values		176	198	22	Claims incurred (after reinsurance)	-6,909	-	-6,909
Strategic company holdings according to TAT		791	1,159	43	Bonuses and rebates	-9	-	-9
Total		28,792	31,052	2,368	Operating expenses ^{a)}	-1,467	-5	-1,472
Parent company 2011								
Technical report of p&c insurance operations								
P&C insurance operation's technical result					P&C insurance operation's technical result	316	-5	311
Non-technical report								
P&C insurance operation's technical result					P&C insurance operation's technical result	316	-	311
Investment income					Investment income	1,622	-	1,622
Unrealized gains from investment assets					Unrealized gains from investment assets	877	-	877
Return on capital, expenses					Return on capital, expenses	-129	-	-129
Unrealized losses from investment assets					Unrealized losses from investment assets	-683	-	-683
Return on assets transferred to P&C insurance business					Return on assets transferred to P&C insurance business	-608	-	-608
Other income					Other income	1	-	1
Other expenses					Other expenses	-10	-	-10
Appropriations					Appropriations	-1,144	-	-1,144
Tax on current year's earnings ^{b)}					Tax on current year's earnings ^{b)}	-60	1	-59
Earnings for the year					Earnings for the year	182	-4	178

a) Intangible assets restated. In accordance with RFR2, expenditures for the development of such internally generated intangible assets that must be reported as assets in the balance sheet according to IAS 38 p.57, will be expensed in the parent company from 2012.

b) Effect on deferred tax by change in valuation of intangible assets.

Note 53. Changed accounting principles (cont.)

	As per earlier accounting principles	Effects of changed accounting principles	As per current accounting principles	As per earlier accounting principles	Effects of changed accounting principles	Effects of current accounting principles
Parent company	12/31/2010		1/1/2011	12/31/2011		12/31/2011
Assets						
Intangible assets ^{a)}	163	-163	-	168	-168	-
Investment assets	2,435	-	2,435	2,736	-	2,736
Other financial investment assets	22,450	-	22,450	25,248	-	25,248
Deposits	1	-	1	-	-	1
Reinsurer's share of technical provisions	870	-	870	63	-	63
Receivables	2,813	-	2,813	2,949	-	2,949
Other assets	1,588	-	1,588	1,118	-	1,118
Prepayments and accrued income	666	-	666	763	-	763
Total assets	30,986	-163	30,823	33,045	-168	32,877
Liabilities, provisions and equity						
Equity a)	2,131	-120	2,011	2,313	-124	2,189
Untaxed reserves	5,998	-	5,998	7,142	-	7,142
Technical provisions	21,172	-	21,172	21,782	-	21,782
Other provisions ^{a)}	643	-43	600	703	-44	659
Liabilities	531	-	531	655	-	655
Accrued expenses and deferred income	511	-	511	450	-	450
Total equity, provisions	30,986	-163	30,823	33,045	-168	32,877

a) Intangible assets restated. Restatement entailed adjustments to reported intangible assets, deferred tax liabilities and equity.

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

Stockholm, Thursday, March 21, 2013

Wanja Lundby-Wedin
Board chairman

Ulf Andersson

Metta Fjelkner

Sten-Åke Karlsson

Kerstin Kujala

Göran Lindblå

Leif Linde

Carina Malmer

Karin Mattsson Weijber

Ella Niia

Annelie Nordström

Martin Linder

Christer Pettersson

Annika Strandhäll

My audit report was submitted on
March 21, 2012

Anders Sundström
Managing Director

Anders Bäckström
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Folksam Mutual General Insurance, Company reg. no. 502006-1619

Report on the annual accounts and the consolidated financial statements.

I have audited the annual accounts and the consolidated accounts for Folksam Mutual General Insurance for the 2012 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 annual accounts that provide a fair presentation pursuant to the Annual Accounts Act for Insurance Companies and consolidated financial statements that provide a fair presentation according to International Financial Reporting Standards as adopted by the EU and 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 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 Monday, December 31, 2012 and of their financial results and cash flows for the year in compliance with the Annual Accounts Act for Insurance Companies. In my opinion the 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 Group's financial position as of Monday, December 31, 2012 and of their financial results and cash flows for the year in accordance with International Financial Reporting Standards as adopted by the EU and 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 for the Group.

Report on other legal and statutory 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 Mutual General Insurance for 2012.

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.

Audit Report (cont.)

Auditor's 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, I 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 as proposed and that the Board of Directors and Managing Director be discharged from liability for the financial year.

Stockholm, Thursday, March 21, 2013

Anders Bäckström
Authorized Public Accountant