

Annual Report 2012

Folksam Mutual Life Insurance

Folksam

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Administration report

The Board and CEO of Folksam ömsesidig livförsäkring, company registration number 502006-1585, (hereinafter Folksam Life) hereby submit the annual accounts for 2012, the company's 99th year of operation.

Group structure

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

Folksam

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

The Folksam brand has been strengthened and customer surveys show more positive appreciation. At the same time, the relationships with our cooperation partners have been cultivated. Successful asset management contributed to a good return that has strengthened the financial position in Folksam Life and Folksam General with subsidiaries. Customer ownership is in focus and Folksam General decided during the year to pay a bonus to the customers.

The premium volume in traditional insurance has grown strongly through sustainably strong key ratios and expanded distribution. KPA Pension and Folksam Life are among the leading companies within the industry. Growth in unit-linked insurance continued and development of the fund offering to customers is an important success factor. Contractual pensions for SAF-LO and KAP-KL account for a significant part of the premium volume and, within the Folksam brand, there is continued development of the offerings for the individual occupational pension market.

Growth in non-life insurance is continuing and, through the acquisition of Folksam Skadeförsäkring AB (formerly Aktia Skadeförsäkring) in Finland, the establishment of a Nordic platform is beginning. A sustained focus on regular customers in all areas, particularly vehicle insurance, together with distribution through bank collaborations contributed to a growing portfolio. In Folksam General, offers to individual customers in personal risk insurance are being developed and the strong position in group insurance is well established in Förenade Liv, KPA Liv and Folksam Life.

Folksam, SEK m	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⁾	3,134	2,841	2,818	2,916	2,934

- 1) Premiums comprise premiums earned in non-life insurance, premiums written in life insurance, and receipts and fees from unit-linked insurance investors.
- 2) Assets under management represent assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries, plus assets under management in KP Pensionsstiftelse. As of Q1 2012, assets in Svenska Lärfonder and Aktia Skadeförsäkring AB have also been added. In 2012, the management right of Folksam LO Fonder was transferred to Robur. The historical data is 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 Life operations

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

Folksam Life conducts life insurance business focused on the Swedish market. The company offers occupational pensions and pension investments to private individuals, directly or through collaborations, as well as group insurance and other personal risk insurance. Operations are divided into a Folksam branch and a Cooperative occupational pensions branch where the latter comprises operations in the former Konsumentkooperationens pensionskassa and the assets of which are managed in the asset portfolio Liv2.

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

Earnings and the market

Premiums written and market shares

The parent company's premiums written net of reinsurance increased by 6 per cent to SEK 6,792 million (6,436). This increase is mainly found in savings insurance where both new policies and inflows have contributed. Non-life insurance revenues amounted to SEK 755 million (694).

In traditional life insurance, premiums increased in 2012 in both private savings and occupational pensions. Folksam Life and the subsidiary KPA Pensionförsäkring are among the strongest alternatives on the market. At the beginning of the year, Folksam Life and Folksam Fondförsäkring became some of the companies selected in Söderberg & Partners

large commission-free procurement. Folksam Life is the only company that has traditional insurance with equalized bonuses. Folksam has also been chosen as an alternative in UIG 4, Sweden's largest occupational pension plan outside the collective area. Continued efforts with individual occupational pensions are being pursued in Folksam Life and its subsidiary Folksam Fondförsäkring AB. The efforts with individual occupational pensions comprise offerings in both traditional insurance and unit-linked insurance, through agents and partners, for instance.

The total market share of Folksam Life with subsidiaries increased during 2012 to 15.3 (11.1) per cent measured as the total premium income for insurance open to competition according to Insurance Sweden.

Folksam is thus second largest after Skandia. Folksam's unit-linked insurance market share was 17.3 (12.6) per cent and 14.0 (10.3) per cent for other life insurance. Capital inflow and indexed paid-up policies are counted as premiums written in the statistics.

Trades unions, companies and organisations such as various sports and athletics federations are offered customised group life, health and accident insurance policies. The premium volume was stable during the year. The market share in group life insurance for Folksam Life amounted to 28 (27) per cent while the collective market share for all companies in Folksam amounted to 49 (47) per cent.

Earnings

Consolidated profit before appropriations and tax for 2012 amounted to SEK 10,168 million (loss: 9,371) and SEK 10,779 million (loss: 9,371) in the Parent Company Folksam Life.

The positive earnings are primarily attributable to good capital returns and the Parent Company continues to have a strong cash flow.

Life insurance provisions decreased by SEK 2,199 million (increase: 18,228) in 2012. The long-term interest rates were relatively more stable during the year than the year before, at a low level with a lower impact on the life insurance provisions. A review of the operating cost assumptions in the life insurance provisions strengthened earnings by approximately SEK 2 billion.

Claims incurred amounted to SEK 5,489 million (4,485). The increase compared with last year is due to the adjustment of the claims reserves conducted for group life insurance in 2011, which then reduced claims by approximately SEK 1 billion.

The total return ratio amounted to 7.0 (6.5) per cent. Over a number of years and in shifting market conditions, Folksam has demonstrated its ability to manage risks and opportunities in asset management. This creates long-term good returns on assets and thus safe pensions.

The return has largely been generated by a strong development in the equity market and a lower interest difference between housing and government bonds. Over the last five-year period, the total return on assets has been 6.6 (6.5) per cent on average.

Operating expenses increased and amounted to SEK 706 million (623). The higher operating expenses are due in part to higher acquisition costs as a result of higher sales and in part to higher development costs within the scope of the Solvency 2 Programme.

The proportion of administration expenses for the savings operation amounted to 0.5 (0.4) per cent.

Financial position

The solvency ratio was strengthened by 10 percentage points and amounted to 144 (134) per cent at year-end. The solvency ratio describes how well a life insurance company honours guaranteed commitments made to policy holders. In simple terms there are assets worth SEK 144 for every SEK 100 the customer is guaranteed. Folksam Life's ability to provide good future rates of return on assets under management is dependent upon its sound solvency ratio.

The collective funding ratio for defined contribution policies at year end amounted to 118 (116) per cent and 154 (151) per cent for defined benefits policies. The collective funding ratio describes the relationship between the company's assets and the amount distributed to customers. The allocation includes both guaranteed and non-guaranteed obligations.

The bonus rate was lowered from 11 per cent to 6 per cent in the Cooperative occupational pension branch on 1 May 2012. In the Folksam branch, the bonus rate remained unchanged at 4.5 per cent. The bonus rate is re-assessed on a continuous basis in regard to financial market influence on the collective funding ratio.

For 2012, the pension supplements were adjusted upwards by 2.73 per cent and the paid-up policies were adjusted upwards by 2.89 per cent. The indexation of pension supplements is thereby in line with the overall level of inflation. For 2013, the decision is to adjust the pension supplements and paid-up policies upwards by 0.45 per cent.

In Group and occupational group life insurance, SEK 1,008 million has been allocated to the fund for allocated bonuses. In employment-related health insurance and waiver of premium insurance, SEK 150 million has been allocated to the fund for allocated bonuses. The fund now amounts to a total of SEK 3,365 million.

Subsidiaries

Consolidated subsidiaries

Folksam Fondförsäkringsaktiebolag (publ) (hereinafter Folksam Fondförsäkring) is a wholly owned subsidiary that offers unit-linked insurance products. The choice of fund managers and funds is regularly reviewed in a selection process.

On 2 January 2012, Folksam Fondförsäkring acquired from Försäkringsaktiebolaget Skandia a stock of insurance policies connected to unit-linked funds that are managed by Svenska Lärarfonder AB. At the same time, the company took access of the shares in Svenska Lärarfonder AB that were acquired from Svenska Lärarförsäkringar.

At 28 December 2012, Folksam Fondförsäkring transferred 40% of the shares in Aktiv Försäkringsadministration i Stockholm AB to Swedbank Försäkring AB. After the share transfer, Folksam Fondförsäkring owns 9% of the shares in Aktiv Försäkringsadministration i Stockholm AB.

The company's premiums written before reinsurance increased somewhat compared with the previous year and was SEK 15 million (11). Fund assets with risks carried by policyholders amounted to SEK 21,958 million (15,852) at year end and receipts from policyholders increased to SEK 3,396 million (3,273).

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

The position as market leader in unit-linked insurance on the acquired SAF-LO market was further strengthened during the year. Receipts from policyholders in total including capital inflow amounted to SEK 4,534 million (4,889) in 2012. The number of agreements in collective agreement occupational pensions amounted to 715,486 (694,421) at 31 December 2012 of which the largest agreement is the SAF-LO agreement with 612,078 (593,746). Other agreements include KAP-KL, ITP-K, PA-KFS, PA03.

In 2012, the board of Folksam LO Fondförsäkringsaktiebolag decided to discontinue operations in its subsidiary Folksam LO Fond AB. The company will then be absorbed by the Parent Company.

Reda Pensionsadministration AB is a subsidiary providing services mainly to external principals and the turnover was SEK 60.2 million (66.9). The administrative agreement with SPP Livförsäkrings AB was terminated in 2010 and ended on 31 December 2012.

Non-consolidated subsidiaries

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

KPA Pension's total premium income was SEK 8,470 million (7,592), which was a new record for KPA Pension's insurance business. Of this amount, SEK 7,713 million (6,664) consisted of premiums from traditional pension insurance. Total premiums for the individual choice scheme with KAP-KL, where KPA Pensionsförsäkring AB (publ) is the safe option for those who do not actively choose their pension manager, were SEK 6,666 million (5,643).

The solvency ratio for KPA Pensionsförsäkring AB (publ) remained strong, amounting to 150 (143) per cent. Total return amounted to 7.2 (5.6) per cent for KPA Pensionsförsäkring AB (publ).

KPA Livförsäkring AB (publ) insures employees in municipalities through a life insurance (TGL-KL), which is a group insurance based on a central collective agreement between the organisations for employers and employees within the municipality sector. Since earnings prior to bonus allocation in recent years have been positive and solvency is strong, the premium contribution has been gradually reduced over several years. As of 2012, the chosen premium is 0.20 per cent of the annual salary, of which half is financed by withdrawals from the fund for allocated bonuses. For 2013, the chosen premium and financing are unchanged.

Other operational factors

Fact sheets for private savings have been prepared for traditional life insurance products and unit-linked insurance products according to the recommendation by the Swedish Insurance Federation. The information is simple and clear so that the customer will be able to understand the product and compare it with equivalent products in other companies. The Swedish Insurance Federation's recommendation entered into effect on 1 April 2012.

An extensive project, Office of the future, has been established to modernise the office at

Skanstull and create workplaces that reflect the brand. Focus is on a flexible approach and good technical solutions, and is in line with creating a more learning organisation. A pilot project with an activity-based way of working was implemented in 2012. The renovation project is scheduled to continue through 2015 when the operation's premises costs will decrease substantially and larger spaces will be freed for external leasing.

A number of activities were initiated to develop and streamline the organisation 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. The work with the extensive change of the sales and claims units' customer organisations carried out in 2011 continued during the year to create a channel-controlled organisation based on the customers' needs with higher efficiency and shorter decision pathways. The number of offices with customer visits has decreased and claims adjustment has been concentrated to fewer cities.

Beginning on 1 March 2012, a new organisation will be in place once the Employer Service business area in KPA Pension is organisationally transferred to Life and Pension Service (LPS) in Folksam. A common life and pension administration coordinates expertise within defined-benefit pensions and creates conditions for the growing competition in the market with higher price pressure.

In December, an agreement was reached with Tieto on the take over of application and server operations. The change work, including preparations and decisions, has been under way for nearly two years. The planning work has now begun and IT operations will be transferred at the end of 2013.

Asset management Market development

The 2012 stock exchange year began strong with an upturn that lasted until the middle of March with a roughly 15 per cent increase for Swedish equities and around 10 per cent for the global index. The market was supported by expectations that the ECB's resolute measures at the end of 2011 would have positive effects and that positive economic indications came from the U.S. The Swedish economy also continued to develop relatively stably. Accordingly, the year also began with rising Swedish interest rates. In March, a period of less positive outlooks began. Greater concern for the euro crisis together with weaker economic statistics from both Europe and the U.S. as well as China and Japan resulted in both Swedish and international stock exchanges dropping back at the beginning of June to the levels that prevailed at the beginning of the year. Political and economic uncertainty in several countries mainly in Southern Europe led to higher bond interest rates in Greece, Italy and Spain. In Spain, concern was worsened by a banking sector in a difficult crisis. This, together with a relatively stable development in Germany and Sweden, among others, led to greater interest in German and Swedish government bonds, which caused long Swedish bond rates to drop by around 1 percentage point in the period March to the end of June. At the same time, the SEK gained strength. Swedish interest rates were thereby down to historically low levels and the 10-year government bond rate bottomed out at just over 1.1 per cent.

In June, elections were held in Greece, which eventually led to a government being able to be formed. The euro countries' summit agreed to allow the European rescue fund to buy government bonds and to be able to provide direct support to individual banks. This was welcome news for Spain and others. Later in the summer, a preliminary political agreement was reached to provide emergency loans to Spanish banks and the head of the ECB, Mario Draghi, expressed the ECB's strong support of the euro. This led to some stabilisation of the situation and was also a signal that caused the Swedish housing bond rates to drop by nearly 1 percentage point compared with government bond rates during the autumn until year-end.

During the summer and the autumn, the world's stock markets also stabilised, supported by the EU leaders' rescue measures, dropping key interest rates and stimulus packages being proposed in China and Japan as well as continued stimulus measures in Europe and the U.S.

In the autumn, some further clarifications were made about how the ECB support funds will work and the ECB said that it intends to carry out its chosen low-interest policy until 2015. The German constitutional court established its approval of ECB's support fund in September. Growing confidence was gradually established that the chosen path can lead to a stabilisation of the wounded economies of Europe. For the countries in crisis mainly in southern Europe, this means lower government rates, and for Sweden, it meant gradually increasing interest rates and the year ended with somewhat higher interest rates for durations of more than 10 years and somewhat lower interest rates for durations of less than 10 years compared with the rates at the beginning of the year. The 10-year Swedish government bond rate ended the year at 1.5 per cent, which was approximately 0.1 per cent lower than at the beginning of the year.

After a stock market rally in October, not even less positive economic signals from Sweden or budget problems in the U.S. could prevent a strong end to the stock market year and Swedish and non-Swedish equities had total increase of some 16 per cent for whole year 2012. In SEK, the increase for non-Swedish equities was around 10 per cent due to a strengthening of the SEK of approximately 5 per cent.

Value growth in the property market in Sweden was relatively good in 2012, especially for property in prime loca-

tions. Strong demand for centrally located commercial premises continued and contributed to good value appreciation. Demand for housing in Stockholm remained high and also contributed to stable positive appreciation in value. In Malmö, housing values levelled out since demand was affected by the recession in Copenhagen. There was growing interest in the market with regard to properties focused on sheltered and assisted living.

Rates of return

The total return on assets in 2012 was 7.0 (6.5) per cent, corresponding to SEK 8,464 million (7,427). The main explanation for the return on assets is the company's strategic asset allocation, which is governed by the nature of the insurance liabilities and the company's risk tolerance. The year's

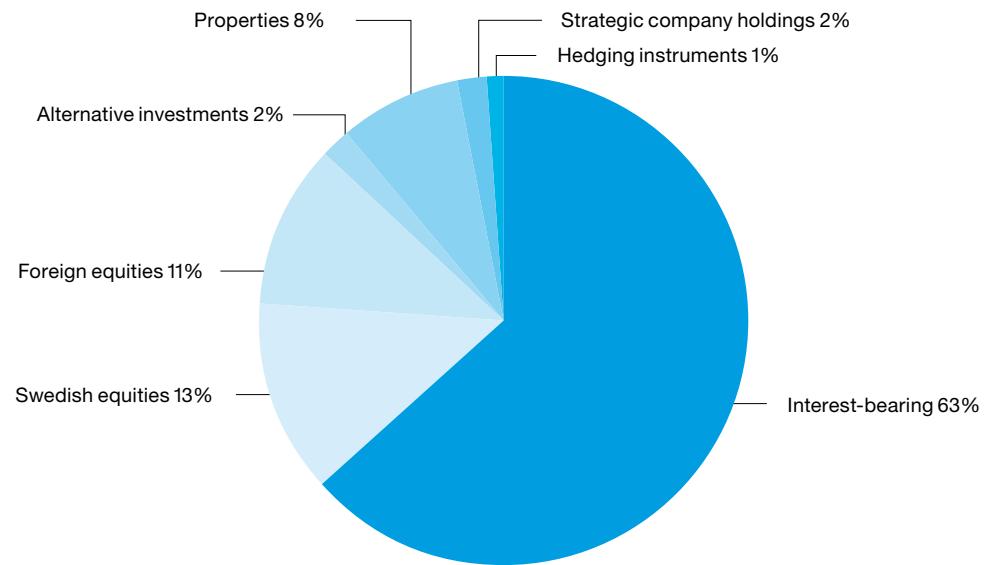
returns are attributable to a positive equities trend, which has provided a return on equities of approximately 19 per cent. A substantial part of this originates from a very good return on the company's shares in Swedbank, which rose in value by approximately 40 per cent. Altogether, interest-bearing investments have provided a return of just over 3 per cent. The return on interest-bearing investments has largely been positively impacted by declining rates on housing bonds. Equities exposure increased during the year, both as a result of rising share prices and an active increase of exposure and at year-end was approximately 30 per cent. The duration of the interest-bearing portfolio has decreased in comparison with the previous year and at year-end, was approximately seven years. Currency exposure was approximately 10 per cent during the year.

Total return table, parent company

SEK million	Opening market value 01/01/2012	Closing market value 31/12/2012	Total return 2012 SEK mil- lion	Total return 2012 %	Total return 2011 %	Total return 2010 %	Total return 2009 %	Total return 2008 %
Interest-bearing investments	79,925	82,567	2,770	3.4	9.2	2.2	3	10.2
Shares	26,219	30,272	4,483	18.8	-11.4	17.9	36.6	-35.0
Alternative investments	1,838	2,185	77	4.0	5	-3.7	-10.2	-8.2
Property	9,110	9,654	418	4.6	9.5	5.7	1.2	1.0
Strategic company holdings	2,710	2,796	13	0.5	0.7	0.7	-0.4	-0.7
Hedging instruments	1,144	1,063	703	n/a	n/a	n/a	n/a	n/a
Total	120,946	128,537	8,464	7.0	6.5	8.7	10.3	0.9

The total return table is arranged as per Swedish Insurance Federation recommendations and the company's guidelines for measuring and reporting total return ratio. Note 48 describes how the total return table is connected to the income statement and balance sheet.

Distribution of investment assets, Market value



Savings in alternative investments

Savings are placed in alternative investments in order to complement in the best way possible one of the conventional types of assets, i.e. shares or interest-bearing investments. The values of the largest alternative investments are reported below.

Holding, SEK million	2012	2011
EQT	305	246
FIH Erhvervsbank	507	494
Proventus	282	299
Other	1,091	799

Strategic holding in Swedbank

Folksam owns just over 9 per cent of the shares in Swedbank.

Folksam's participation in Swedbank 31 December 2012		Proportion of votes and capital in Swedbank
Company	Quantity	
Folksam General	26,543,173	2.3%
Folksam Life	63,433,290	5.6%
	89,976,463	7.9%
KPA Pensionsförsäkring	12,757,145	1.1%
KPA Livförsäkring	171,646	0.0%
Konsumentkooperationens Pensionsstiftelse	1,245,012	0.1%
Lärarfonder	934,027	0.1%
Förenade Liv	108,054	0.1%
Folksam Total	105,192,347	9.3%

Financial risks in insurance commitments

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

Profit/loss from financial risk-taking

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

	2012	2011
Return on capital (excl. hedging instruments)	7,761	3,514
FTA	1,183	-18,057
Hedging instruments	703	3,913
Total	9,647	-10,630

Brand shift - Folksam in change

The brand's importance increases in pace with the ever increasing proportion of sales occurring on the internet.

The trust that used to be created by personal contact needs to increasingly be created by the brand.

The brand work is important to achieve the business targets. A new brand strategy was adopted in 2010 with the aim of repositioning Folksam's image. This work is focused on strengthening Folksam's three core values of being personal, committed and responsible.

Customer satisfaction

Folksam continuously monitors its level of customer satisfaction. These surveys show that the customers who have contacted Folksam are more satisfied than those who have not. Customer satisfaction increased further during the year.

At the same time that competition for the customers is increasing, the difference between the players is also decreasing. Consequently, how the companies handle contact with customers is of major importance to customer satisfaction. Of the customers who have been in contact with Folksam, either through customer service or in claims matters, 90 per cent are satisfied.

Every year, Svenskt Kvalitetsindex (SKI - Swedish Quality Index) measures customer satisfaction in several public and private sectors. SKI shows that Folksam increased its already positive lead over the industry average satisfaction for private vehicle and life insurance, as well as commercial non-life insurance in 2012. The area of private non-life insurance increased more for Folksam than for the industry average.

Influence and responsibility

Vision and a sense of duty

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

Sustainability issues characterise 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 recognised 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 carbon foot print for 2012 was measured at 4,613 tonnes of CO₂e. This is an increase of 638 tonnes from the previous year. This increase is mainly due to Folksam having increased its property portfolio, the fact that 2012 was a cold year, increased travel by air and car and the inclusion of climate impact for water beginning this year. Folksam strives to increase the number of its climate offset items every year. As of 2011, readings include all carbon dioxide equivalents, i.e. all six greenhouse gases, not just carbon dioxide.

Responsible ownership

Our customers care about how listed companies handle the issues of sustainability. We at Folksam firmly believe that companies that 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 disqualify-

ing criteria are tobacco and illegal weapons such as cluster munitions, anti-personnel mines and nuclear weapons.

Even stricter disqualifying criteria apply to Folksam General and KPA Pension.

An event that received attention in 2012 was when Folksam sold its entire share holdings in Lundin Petroleum. Lundin Petroleum is accused of having contributed to human rights violations through its business in Sudan and Ethiopia between 1997 and 2003. Lundin Petroleum's attitude and the board's refusal to investigate the accusations against the company were the reasons for 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 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. For salaried employees with sales positions, a separate salary agreement applies that has been reached with the three salaried employee organisations. The average number of employees, pay and remunerations, with special specifications for senior executives, are reported under Note 47.

Employee survey shows employees are committed

To support the development of operations, expertise, leadership and the working environment, an employee survey is conducted every year. In this year's survey, the total index was 72 per cent and the response frequency was 93 per cent. These survey results show that commitment and job satisfaction increased. Leadership remained at a good level. The proportion of employees who have individual targets for their performance increased from 91 to 93 per cent. In the work groups, several areas improved – including cooperation and the perception that targets, plans and decisions are clear and that targets and activities are followed up in a good way. More employees than before feel that it is easy to implement necessary changes in the organisation. The overall results of the employee survey were utilised in the form of dialogue, action plans and development activities at all levels of the company. Folksam has established routines for follow-up work, for example individual coaching for managers, workshops and support in group development.

Sickness absence and working environment efforts

Folksam shall have a working environment that promotes good health, motivation and productivity, which is why efforts have been conducted for many years to reduce sickness absence.

During 2012, a telephone service was introduced offering medical advice in conjunction with staff reporting in sick. With this, Folksam wants to provide the employees support for staying healthy, rapidly identifying signals of poor health and working more preventively. In 2013, the telephone service will be integrated with the new personnel and salary administration system, which will mean that the employees avoid reporting sick manually. Sickness statistics in 2012 are at the same level as last year - meaning 3.4 per cent although they have generally increased in Sweden. Work with targeted support efforts for individuals and groups will continue during the year.

Attractive employer

Folksam shall be an attractive workplace with competitive offers for current and future staff. To increase awareness of the insurance industry and Folksam as an employer, Folksam took part in various university programmes through cases and thesis projects and summer jobs for students. Folksam also collaborates with the four insurance programmes offered in Sweden, through participation in management groups and by offering internships. Over a five-year period, some 40 people from these programmes have been employed. During the year, Folksam also participated at 15 career days for students and four labour market events for professionals. To increase awareness of Folksam's offering among the employees and to encourage active career choices, an internal career day was held during the year. There, the employees had the opportunity to participate in activities and lectures on the career theme and learn about the business' various operations and professional areas. Information was also provided here on employee benefits and the support offered by HR and external partners in career and development.

Skills development

Folksam has to have the skills, organisation and ability to change to make the business more adept than its competitors. During the year, Folksam's new performance and development process was launched with the aim of creating the conditions for every employee to perform and develop in a way that helps Folksam achieve its goals. The new process is more flexible and tailored to the business' needs than the previous one. The manager and the employee jointly prepare an individual plan of objectives and a development plan that they check off on a running basis. Focus is on a coaching approach, clear expectations in the role and what activities the employee should pursue to achieve his or her goals. In 2012, Folksam's middle-management programme (MCU) was also launched. The objective of the training programme is to develop the leadership of managers of specialists. MCU combines development in programme format with coaching in groups.

Rewards programme

Folksam has a rewards programme 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.

An estimated amount is reserved in the annual accounts, and a definitive 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 manner as possible. An overall objective with Folksam's corporate governance – apart from conforming to the company's vision and ethical principles – is to ensure good returns for its customers.

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

Because Folksam is customer-owned, it has no shareholders. Instead, customers are represented at AGMs by delegates. The 2011 AGM resolved to appoint a parliamentary commission with the task of submitting a proposal on a revised parliamentary organisation for Folksam. The proposal was presented to the 2012 AGM after which the AGM resolved, in accordance with the proposal, to expand the number of delegates, and expand the number of organisations that represent policyholders at the meetings, supplemented with a direct election. A separate corporate governance report including the Board's report on internal controls regarding financial reporting has been prepared and is available at folksam.se.

Duties of the Board of Directors

Nine Board meetings were held during the year. In addition, Board members had telephone and email contacts. Board committees: the Audit Committee and Remuneration 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: Continuous follow-up of the realisation of a number of strategic objectives, compliance reports, risk reports, reviews of activities and finances in subsidiaries, interim reports, business plan, budget and

forecast reports, business and competition intelligence, conflicts of interest, internal audit reports, establishment of reinsurance programs, adoption of a rewards programme, follow-up of asset management operations and results, and it held 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. The themes discussed at the seminar were business intelligence, pricing, skills provisioning, challenges and critical activities, reviewing financial targets and a review of the Medium Term Plan as well as preparation for Solvency 2.

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

Disputes

Folksam Life has a number of disputes within the scope of normal business operations. Most pertain to small amounts and are not assessed to have a material impact on the company's financial position. In the cases that larger amounts are concerned, an assessment is done of the likely financial outcome and the need for a potential provision.

Risk management

Significant risks and uncertainty factors

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

The Risk Management Process

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

Identification

Risks are recognised 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 prioritise 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.

Organisation and division of responsibilities

To clarify governance and responsibility for risk management and risk control, operations are divided 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 governance and control functions support and follow up the first line of responsibility on the basis of frameworks for internal governance and control, are responsible for having an overall picture of the risk situation in the company and report 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.

Solvenc 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 confirmed that the formal requirements will increase, but that through good management, risk management and rule 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 organisations 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, work within the programme is under way to prepare the organisation by bringing solvency issues up for decision in lines and programmes, and by implementing decisions together with line organisations and in projects and assignments. As much of the implementation work as possible must be carried out in that part of the organisation 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 organisations to an extent as great as is reasonable.

In 2012, the assignments focused on risk management, internal control, outsourcing and own risk and the solvency capital process.

In 2012, an extensive reporting project was conducted with focus on collection, calculation and storage of data and reporting. The project has two parts: implementing databases/files that provide access to requisite traceability, correct and easily available information from insurance, accounting and financial systems and creating efficient reporting processes including calculations from basic data in the aforementioned files until finished reports. Within the scope of the reporting project, a new general ledger was introduced to production in 2012.

At the end of 2012, it became clear that the announced timetable for the introduction of Solvency 2 was postponed. Folksam is working based on the hypothesis that introduction will take place in January 2016. This means that the reporting project will not be conducted to the same extent in 2013 and instead will await the final detailed requirements.

Solvency II entails the modernisation 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	2009 ¹⁾	2008
PROFIT/LOSS					
Premiums earned net of reinsurance	755	694	700	723	459
Premiums written net of reinsurance	6,838	6,473	5,672	6,120	6,856
Return on capital, net	12,977	3,625	14,609	17,952	-8,064
Claims incurred, net	-5,558	-4,530	-5,358	-5,627	-4,849
Change in life insurance provisions	-2,815	-13,917	-4,528	4,503	-8,542
Operating expenses in insurance operations	-1,107	-996	-924	-951	-970
Bonuses and rebates, net	-1,167	-932	-603	-261	-12
Profit/loss, insurance operations	10,569	-8,963	9,268	22,459	-15,122
Remaining return on capital	155	106	308	250	187
Other	-556	-514	-628	-543	1
Profit/loss for year before tax	10,168	-9,371	8,948	22,166	-14,934
FINANCIAL POSITION					
Investment assets at fair value	180,428	160,414	157,640	137,004	119,732
Technical provisions	147,150	135,272	118,348	107,114	106,431
Solvency capital					
Taxed equity	38,270	30,020	41,478	34,385	14,191
Deferred tax liability	630	666	576	416	293
Surplus value in investment assets					
Investments in Group companies	207	207	207	207	304
Other financial investment assets	-	-	-	-	-
Total solvency capital	39,107	30,892	42,261	35,008	14,788

(cont.)	2012	2011	2010	2009 ¹⁾	2008
KEY RATIOS					
Earnings from asset management					
Yield, per cent ²⁾	2.2	2.4	1.9	2.3	3.7
Total return, per cent	7.1	6.5	8.8	10.6	1.1
Financial position					
Solvency ratio, per cent ²⁾	198	171	24	21	18

1) Restated owing to change-over to full IFRS in consolidated financial statements. The year 2008 has not been recalculated.

2) Yield and consolidation ratio restated in compliance with FFFS 2011:28.

Non-consolidated subsidiaries	Management expense ratio	Yield per cent	Total return per cent	Collective solvency ratio, per cent
KPA Livförsäkring AB (publ)	0.5%	2.7%	6.4%	216
KPA Pensionsförsäkring AB (publ)	0.3%	2.7%	7.2%	101

Five-year summary and key ratios, SEK million

PARENT COMPANY	2012	2011	2010	2009 ¹⁾	2008	(cont.)	2012	2011	2010	2009 ¹⁾	2008
PROFIT/LOSS											
Premiums earned net of reinsurance	755	694	700	723	459	KEY RATIOS ²⁾					
Premiums written net of reinsurance	6,792	6,436	5,639	6,093	6,684	Non-life business					
Net return on capital in insurance operations	8,430	6,977	8,941	10,314	677	Claims ratio	35	-101	83	70	51
Claims incurred, net	-5,489	-4,487	-5,325	-5,608	-4,831	Operating expense ratio	9	10	10	9	17
Change in life insurance provisions	2,169	-18,184	382	11,998	-17,338	Combined ratio	44	-91	93	79	68
Operating expenses in insurance operations	-706	-623	-549	-603	-670	Life insurance operation					
Bonuses and rebates, net	-1,168	-932	-603	-261	-12	Management expense ratio ³⁾	0.5	0.5	0.5	0.6	0.8
Actuarial result from insurance operations	10,779	-10,125	8,885	22,650	-15,046	Management expense ratio for savings products ³⁾	0.5	0.4	0.4	0.5	0.5
Profit before appropriations and tax	10,779	-10,125	8,885	22,650	-15,046	Acquisition expense ratio	3.6	3.3	2.4	2.3	2.6
FINANCIAL POSITION											
Investment assets at fair value	124,467	116,217	112,675	102,978	96,717	Administration expense ratio for savings products	0.3	0.3	0.4	0.4	0.4
Technical provisions	90,416	91,538	73,375	72,896	84,497	Administration expense ratio for risk products	5.6	6.6	6.4	5.8	8.5
Solvency capital											
Equity	34,822	26,233	38,831	32,208	12,030	Earnings from asset management					
Untaxed reserves	1,748	1,783	1,492	1,238	902	Yield, per cent ⁴⁾	2.9	3.2	2.6	2.9	3.8
Deferred tax liability	257	193	163	86	38	Total return, per cent	7.0	6.5	8.7	10.3	0.9
Surplus value in investment assets											
Investments in Group companies	2,283	2,379	2,085	1,887	2,101	Financial position					
Total surplus values	2,283	2,379	2,085	1,887	2,101	Solvency ratio, per cent ⁴⁾	198	171	24	21	18
Total solvency capital	39,110	30,587	42,571	35,419	15,071	Collective solvency level, per cent					
Collective solvency capital	22,513	19,713	18,600	14,944	7,335	Retrospective reserve method ¹⁾	118 (0)	115.6	116.0	113.1	104.9
Capital base	38,590	30,081	42,562	35,453	15,061	Pension supplement method	153.9	150.9	146.4	139.3	126.0
Required solvency margin	4,106	4,062	3,387	3,388	3,909						
Capital base for the insurance group	38,558	30,002	42,062	34,874	14,654						
Required solvency margin for the insurance group	5,980	5,970	4,913	4,921	5,465						

¹⁾Restated owing to provision for pensions and similar commitments. Previous years have not been restated with respect to this change of accounting policy.

²⁾Restated with key ratios relating to the life insurance operation owing to reported non-life insurance. Reported total return is calculated in accordance with the Swedish Insurance Federation's recommendation for reporting total return.

³⁾Management expense ratio calculated in accordance with FFFS 2011:28. This ratio is calculated firstly for the life insurance operation and secondly for the investment products, excluding risk products.

⁴⁾The yield and consolidation ratio have been restated in accordance with FFFS 2011:28.

Significant events during the financial year

According to a decision by the Swedish Financial Supervisory Authority, insurance companies can temporarily instead choose to discount their cash flows by the interest rate curve that applied on 31 May 2012. This possibility applies between 30 June 2012 to 15 June 2013. Folksam Life has furthermore chosen to not apply this interest rate curve.

For newly signed insurance policies that are not occupational pension insurance, gender-neutral assumptions were introduced as of 1 December 2012 due to new legislation that entered into effect on 21 December. The calculation of provisions is done in continuation with gender-dependent assumptions.

The streamlining of the corporate structure with a focus on insurance and pension savings continued in 2012.

The right of management of Folksam LO funds was transferred to Swedbank Robur in April. By streamlining and transferring the management right of the funds, Folksam can represent the customers entirely and fully. Folksam LO Fond AB, which no longer conducts fund operations is being merged with Folksam LO Fondförsäkring AB, a partially owned subsidiary of Folksam Life. In 2012, Folksam LO Fond AB received a remark from the Swedish Financial Supervisory Authority for deficiencies in internal governance and control for 2008-2010.

At 31 December, Folksam Life transferred the subsidiary Förenade Liv Gruppförsäkring AB to Folksam General.

Folksam Life acquired a part of the internationally recognised office property Kungsbrohuset from Jernhusen. The property is located in the expansive Västra City in Stockholm and is one of Sweden's most modern buildings both with regard to environmental concept and technical solutions. The total investment amounts to approximately SEK 2.1 billion and is divided between KPA Pension and Folksam Life.

Folksam Life, Folksam General and Peab acquired KF Fastigheter's share of Kvarnholmen Utvecklings AB on 28 December 2012. After the acquisition, Kvarnholmen is owned in equal parts by JM and a company jointly owned by Folksam and Peab. Folksam Life and Folksam General participate in the investment mainly through loan financing. Kvarnholmen Utvecklings AB has the task of developing building rights for the production of some 1,500 new apartments.

At the beginning of the year, Folksam Life and Folksam Fondförsäkring became one of the companies selected in Söderberg & Partners large commission-free procurement. Folksam Life is the only company that has traditional insurance with equalized bonuses. Söderberg & Partners' customers can choose both a market-leading traditional insurance and a guided unit-linked insurance offering. The commission-free procurement means that Söderberg & Partners do not receive commissions for the products the pension companies sell. Instead,

the customer company pays a fee for advice and administration. Continued efforts with individual occupational pensions are being pursued in Folksam Life and its subsidiary Folksam Fondförsäkring AB. The efforts with individual occupational pensions comprise offerings in both traditional insurance and unit-linked insurance, through agents and partners, for instance. Folksam has also been chosen as an alternative in UIG 4, Sweden's largest occupational pension plan outside the collective area.

The previous corporate structure in the Netherlands, Folksam Property Holding, part-owned by Folksam Liv Fastighets AB and Folksam Sak Fastigheter AB is liquidated. The participations in property funds that existed in the structure are now directly owned by the respective companies.

Events after closing date

A fund department has been established as of 1 March. In recent years, unit-linked insurance has shown strong growth and business focus in the operations is becoming increasingly important at the same time that higher demands are set on risk management. In connection with the formation of the new department, all expertise in fund issues will be gathered in one place to be able to support the business. This also enables coordination of the processes and a better systems support, which in turn leads to better risk management.

Recruitment of a new Managing Director and CEO for Folksam Life and Folksam General has begun. The recruitment is being carried out by a group consisting of the respective chairmen of Folksam Life and Folksam General as well as the deputy chairman of Folksam Life. The background to this is that the current CEO Anders Sundström has announced that he will devote his full-time attention to board work, including that with Swedbank.

As one of four companies, Folksam Life has been selected in the procurement of traditional insurance for ITP, the collective bargaining agreement regarding pensions that applies to privately employed salaried employees.

Future developments

Folksam Life enjoys a good financial position, a history of high returns and a positive cash flow. Distribution takes place on a broad front through both proprietary distribution, collaboration and agents. At the same time other market players have ceased accepting new policies within conventional insurance. This provides Folksam Life with good opportunities to continue strengthening its competitiveness by offering conventional life insurance in a customer-owned company. There are good opportunities within unit-linked insurance for continued growth not only through our own distribution but also through agents and collaborative partners.

The Board is therefore able to continue to develop the strategy of further strengthening the company's position within occupational pensions, which is a market enjoying strong growth. The major efforts in the pensions area will be the work with individual occupational pensions and Folksam Life being chosen as a selectable company in ITP occupational pensions for private salaried employees. The step into ITP is historic and greater cooperation with salaried employees and university graduates strengthens Folksam for the future.

The focus Folksam Life directed toward capital strength and financial stability during 2011 and 2012 against a background of historically low interest rates is expected to continue for the next few years. The playing field for the insurance industry will continue to be variable with many unresolved regulatory issues such as the life insurance commission, the occupational pension directive and Solvency 2. The life insurance commission addresses the insurance move regulations and handling of surpluses, which can have a major impact on the life insurance companies. It is important to prepare and implement the adjustments required without losing a clear customer focus. Folksam is the customers' company with strong relationships with our customers and an ability to create a stable customer base.

The Board will maintain its focus on regulations and carefully follow developments and evaluate various alternative forms of action and transition rules.

Proposed allocation of profits

The company reports total earnings of SEK 10,244,430,160.23.

Non-life business operations report earnings of SEK 217,245,028.99. The Board and Managing Director propose to the AGM that the year's earnings of SEK 217,245,028.99 be distributed in the following manner:

Allocation to funding reserve SEK 217,245,028.99.

The life insurance business reports earnings of SEK 10,027,185,131.24. The Board and Managing Director propose to the AGM that the year's earnings of SEK 10,027,185,131.24 be distributed in the following manner:

Allocation to funding reserve SEK 10,027,185,131.24.

Income statement

Group, SEK million	2012	2011	Group, SEK million (cont.)	2012	2011
TECHNICAL REPORT OF NON-LIFE INSURANCE OPERATIONS			Change in provisions for unsettled claims		
Premiums earned, after reinsurance			Before reinsurance	869	975
Premiums earned	Note 3	755	Reinsurer's share	-3	6
		694	Change in other actuarial provisions	Note 8	
Return on assets transferred from financial operations		755	(after reinsurance)		
Claims incurred (after reinsurance)		153	Life insurance provisions	2,199	-18,224
Claims paid	Note 7	694	Actuarial provisions for life insurance policies		
Before reinsurance		-210	for which the policyholder bears the risk		
Change in provisions for unsettled claims		-55	Conditional bonuses	-17	9
Before reinsurance		847	Unit-linked insurance commitment	-4,997	4,302
Change in other actuarial provisions	Note 8	-	Bonuses and rebates (after reinsurance)	-958	-832
(after reinsurance)			Operating expenses	Note 9	-1,042
Life insurance provisions		-4	Investment charges	Note 10	-692
Bonuses and rebates (after reinsurance)		-209	Unrealised losses from investment assets	Note 11	
Operating expenses	Note 9	-65	Increase in value of investment assets for which life		
Other technical expenses		-2	insurance policyholders bear investment risk.	-	-4,302
Non-life insurance operation's technical result		367	Unrealised losses from investment assets	Note 11	-314
REPORT OF LIFE INSURANCE OPERATION		1,325	Other technical expenses		-32
Premiums written after reinsurance			Operating profit/loss in businesses other than insurance		
Premiums written	Note 3	6,851	companies	59	83
Premiums for reinsurance		-13	Participation in associated companies' profit/loss	-320	868
		6,487	Return on assets transferred to financial operations	-185	-212
Revenues from investment agreements		6,838	Life insurance operation, technical result	10,202	-10,288
Investment income	Note 4	237			
Unrealised gains from investment assets		4,777	NON-TECHNICAL REPORT		
Increase in value of investment assets for which		6,473	Non-life insurance operation's technical result	367	1,325
the life insurance policyholder bears investment risk		228	Life insurance operation, technical result	10,202	-10,286
Increase in value of unit-linked insurance assets		4,997	Investment income	Note 4	174
Increase in value of other investment assets		4,502	Unrealised gains from investment assets	Note 5	82
Other technical income	Note 6	444	Investment charges	Note 10	-91
Claims incurred (after reinsurance)		4,801	Unrealised losses from investment assets	Note 11	-10
Claims paid	Note 7	427	Policyholder tax		-588
Before reinsurance		-6,165	Return on assets transferred from life insurance operations		-631
Reinsurer's share		6	Return on assets transferred to non-life insurance business		185
		-6,218	Other income		212
		5	Earnings before tax	10,168	-9,371
			Tax on current year's earnings	Note 14	-97
					-455
			PROFIT/LOSS FOR THE YEAR	10,071	-9,826

Statement of comprehensive income

Group, SEK million	2012	2011
Profit for the year	10,071	-9,826
Other comprehensive income		
Actuarial gains and losses including income tax	-83	-102
Translation difference on foreign operations	-35	-11
Tax on items reported as other comprehensive income in respect of actuarial gains and losses.	18	27
Other comprehensive income for the year, net after tax	-100	-86
COMPREHENSIVE INCOME FOR THE YEAR	9,971	-9,912
Attributable to:		
Policyholders	9,905	-10,044
Holdings without controlling influence	66	132

Balance sheet

ASSETS		31/12/2012	31/12/2011
Group, SEK million			
Intangible assets	Note 15		
Other intangible assets		51	24
Goodwill		45	43
		96	67
Investment assets			
Investment property	Note 16	7,892	7,813
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 17	1,229	1,334
Interest-bearing securities issued by, and loans to, Group and associated companies		1,133	600
Shares and participations in associated companies	Note 18	826	1,775
		3,188	3,709
Other financial investment assets			
Shares and participations	Note 19	31,907	27,080
Bonds and other interest-bearing securities	Note 20	78,792	76,058
Loans guaranteed by mortgages	Note 21	40	-
Other loans	Note 22	729	708
Derivatives	Note 23	412	780
Other financial investment assets	Note 24	230	230
		112,110	104,856
Total Investment assets		123,190	116,378
Investment assets for which life insurance policyholders bear investment risk.			
Unit-linked insurance assets		57,031	43,929
Reinsurer's share of technical provisions			
Provision for unsettled claims	Note 33	36	39
		36	39

Balance sheet (cont.)

Group, SEK million		31/12/2012	31/12/2011	Group, SEK million		31/12/2012	31/12/2011
Receivables				Actuarial provisions (before reinsurance)			
Receivables in respect of direct insurance	Note 25	51	10	Life insurance provisions	Note 32	84,135	86,340
Receivables in respect of reinsurance		-	16	Provision for unsettled claims	Note 33	2,352	2,561
Current tax asset		161	13	Provisions for bonuses and rebates	Note 34	3,365	2,207
Other receivables	Note 26	1,662	1,058			89,852	91,108
		1,874	1,096				
Other assets				Actuarial provisions for life insurance policies for which the policyholder bears the risk (before reinsurance)			
Tangible assets	Note 28	1,291	1,266	Conditional bonuses	Note 35	266	232
Cash and cash equivalents		6,630	6,915	Unit-linked insurance commitments	Note 36	57,032	43,932
		7,921	8,181				
Prepayments and accrued income				Provisions for other risks and expenses			
Accrued interest and rental income		1,399	1,428	Pensions and similar liabilities	Note 37	152	93
Prepaid acquisition costs	Note 29	386	313				
Other prepaid expenses and accrued income	Note 30	143	118	Deposits from reinsurers		9	5
		1,928	1,859				
TOTAL ASSETS		192,076	171,550	Liabilities			
EQUITY, PROVISIONS AND LIABILITIES				Deferred tax liability	Note 38	630	666
Group, SEK million		31/12/2012	31/12/2011	Liabilities in respect of direct insurance	Note 39	9	109
Equity				Liabilities in respect of reinsurance		-	8
Funding reserve	Note 31	27,835	29,490	Liabilities to credit institutions		377	376
Translation reserve		-56	-21	Derivatives	Note 23	203	96
Retained earnings including profit/loss for the year	Note 31	10,491	551	Current tax liability		42	155
		38,270	30,020	Other liabilities	Note 40	2,980	2,538
Holdings without controlling influence		1,746	1,727			4,241	3,948
		40,016	31,747	Accrued expenses and deferred income			
				Other accrued expenses and deferred income	Note 41	508	487
TOTAL EQUITY, PROVISIONS AND LIABILITIES						192,076	171,550
For information regarding the Group's pledged assets and contingent liabilities, refer to Notes 43 and 44.							

Statement of changes in equity

Group, SEK million	EQUITY ATTRIBUTABLE TO POLICYHOLDERS ¹⁾					Holdings without controlling influence	Total equity
	Funding reserve ¹⁾	Translation reserve ²⁾	Retained earnings incl. profit/loss for the year ³⁾	Equity attributable to policyholders			
Opening balance 01/01/2011 according to balance sheet adopted 01/01/2011	30,905	-10	10,583	41,478		1,642	43,120
Bonuses paid during the financial year	-1,415			-1,415			-1,415
Dividend to holdings without controlling influence						-47	-47
Other comprehensive income for the year		-11	-75	-86			-86
Profit for the year			-9,957	-9,957	132		-9,825
Comprehensive income for the year, 31/12/2011		-11	-10,032	-10,043	132	-9,911	
Closing balance, 31/12/2011	29,490	-21	551	30,020	1,727	31,747	
Bonuses paid during the financial year	-1,655			-1,655			-1,655
Dividend to holdings without controlling influence						-47	-47
Other comprehensive income for the year		-35	-65	-100			-100
Profit for the year			10,005	10,005	66		10,071
Comprehensive income for the year, 31/12/2012		-35	9,940	9,905	66	9,971	
Closing balance, 31/12/2012	27,835	-56	10,491	38,270	1,746	40,016	

¹⁾ Restricted equity amounted to SEK 25,951 million (38,740) and non-restricted equity to SEK 12,319 million (-8,720).

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

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

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

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

Statement of cash flows

SEK million	Group		Parent Company	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Profit/loss before income tax ¹⁾	10,168	-9,371	10,779	-10,125
Adjustment for items not included in cash flow ²⁾	-5,117	14,110	-5,550	15,044
Tax paid	-377	-22	-710	-446
Cash flow from operating activities before changes in assets and liabilities	4,674	4,717	4,519	4,473
Change in investment assets ³⁾	-2,938	411	-2,898	309
Change in investment assets/actuarial provisions ⁴⁾	-1	-	-	-
Change in other operating receivables	253	-345	200	-258
Change in other operating liabilities	188	-688	164	-744
Bonuses paid from the funding reserve	-1,655	-1,416	-1,655	-1,415
CASH FLOW FROM OPERATING ACTIVITIES	521	2,679	330	2,365
INVESTMENT ACTIVITIES				
Effect of merger/portfolio transfer	-33	-	-	-
Net investment in Group companies ⁵⁾	115	-	71	175
Net investment in associated companies ⁶⁾	-906	-444	-906	-452
Net investment in other investment assets ⁷⁾	-73	-241	-	-215
Changes in material and intangible assets	-	-	-	-
CASH FLOW FROM INVESTMENT ACTIVITIES	-897	-685	-835	-492
FINANCING ACTIVITIES				
Dividends paid to holdings without controlling influence	-47	-47	-	-
CASH FLOW FROM FINANCING ACTIVITIES	-47	-47	-	-
CASH FLOW FOR THE YEAR	-423	1,947	-505	1,873

SEK million	Group		Parent Company	
	2012	2011	2012	2011
Cash and cash equivalents at beginning of year				
	7,125	5,184	5,751	3,884
Exchange rate differences in cash and cash equivalents	-78	-6	-78	-6
Cash and cash equivalents at year end⁸⁾	6,624	7,125	5,168	5,751
Cash flow for the year	-423	1,947	-505	1,873
¹⁾ Interest and dividends paid and received				
2012	2011	2012	2011	
Interest paid during the period	-26	-16	-13	-8
Interest received during the period	3,232	3,001	3,193	2,990
Dividends received during the period	1,147	1,191	1,143	1,173
Total paid and received interest and dividends	4,353	4,176	4,323	4,155
²⁾ Items not included in cash flow				
2012	2011	2012	2011	
Impairments	3	100	-17	-49
Depreciations	13	13	4	12
Non-distributed profit-sharing in associated companies	-	-	-112	-120
Realised gains (-) / losses (+)	-860	-2,554	-896	-2,564
Unrealised gains (-) / losses (+)	-3,928	-1,675	-4,264	-538
Exchange rate gains (-) / losses (+)	102	-356	102	-356
Change in accrued cost of interest-bearing securities	831	532	831	532
Change in provisions in respect of insurance policies	-1,232	18,125	-1,230	18,102
Change in provisions	-3	-29	-2	2
Change in liabilities in respect of investment agreements	-43	-47	34	23
Total items not included in cash flow	-5,117	14,110	-5,550	15,044
³⁾ Change in investment assets				
2012	2011	2012	2011	
Investments in investment assets	-47,962	-48,593	-47,922	-48,593
Sale of investment assets	45,024	49,005	45,024	48,902
Total change in investment assets	-2,938	412	-2,898	309

Statement of cash flows (cont.)

SEK million	Group		Parent Company	
	2012	2011	2012	2011
⁴⁾ Change in investment assets/actuarial provisions unit-linked insurance, net	2012	2011	2012	2011
Investment in investment assets, unit-linked insurance	-2,066	-3,674	-63	-71
Change in technical provisions, unit-linked insurance	2,065	3,674	63	71
Change in investment assets/technical provisions unit-linked insurance, net	-1	-	-	-
⁵⁾ Net investments in Group companies	2012	2011	2012	2011
Investment in Group companies	-	-	-200	-
Sale of Group companies/Dividends from limited partnerships	115	-	271	175
Total net investments in Group companies	115	-	71	175
⁶⁾ Net investments in associated companies				
Investments in associated companies	-935	-444	-935	-452
Sales of associated companies	29	-	29	-
Total net investments in associated companies	-906	-444	-906	-452
⁷⁾ Net investment in other investment assets	2012	2011	2012	2011
Investments in other investment assets	-73	-241	-	-215
Sale of other investment assets	-	-	-	-
Total net investments in other investment assets	-73	-241	-	-215
⁸⁾ Sub-components included in cash and cash equivalents	2012	2011	2012	2011
Cash and bank balances	6,630	6,915	5,174	5,541
Current investments equivalent to cash and cash equivalents	-6	210	-6	210
Total sub-components included in cash and cash equivalents	6,624	7,125	5,168	5,751

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

SEK million	Group		Parent Company	
	2012	2011	2012	2011
Inaccessible cash and cash equivalents				
Currency restrictions	-	-	-	-
Other legal restrictions	440	1,010	440	1,010
Total inaccessible cash and cash equivalents	440	1,010	440	1,010

Income statement

Parent company, SEK million	2012	2011	Parent Company, SEK million (cont.)	2012	2011
TECHNICAL REPORT OF NON-LIFE INSURANCE OPERATIONS					
Premiums earned after reinsurance			Unrealised gains from investment assets		
Premiums earned	755	694	Increase in value of investment assets for which life insurance policyholders bear investment risk.		
Premiums for reinsurance	-	-	Increase in value of unit-linked insurance assets	13	-
	755	694	Increase in value of other investment assets	4,440	4,492
Return on assets transferred from financial operations	151	104	Other technical income	2	-
Claims incurred (after reinsurance)			Claims incurred (after reinsurance)		
Claims paid			Claims paid		
Before reinsurance	-210	-146	Before reinsurance	-5,475	-5,399
Reinsurer's share	-	-	Reinsurer's share	6	5
Change in provisions for unsettled claims			Change in provisions for unsettled claims		
Before reinsurance	-54	847	Before reinsurance	243	200
Reinsurer's share			Reinsurer's share	3	6
Change in other actuarial provisions (after reinsurance)			Changes in other technical provisions (net of reinsurance)		
Life insurance provisions	-	-4	Note 8		
Bonuses and rebates (after reinsurance)	-209	-100	Life insurance provisions	2,199	-18,224
Operating expenses	-65	-69	Actuarial provisions for life insurance policies for which the policyholder bears the risk		
Other technical expenses	-1	-1	Conditional bonuses	-17	9
Non-life insurance operation's technical result	367	1,325	Unit-linked insurance commitment	-13	35
TECHNICAL REPORT OF LIFE INSURANCE OPERATIONS			Bonuses and rebates (after reinsurance)	-958	-832
Premiums written after reinsurance			Operating expenses	641	-554
Premiums written	6,805	6,450	Note 9		
Premiums for reinsurance	-13	-14	Investment charges	-671	-1,034
	6,792	6,436	Unrealised losses from investment assets		
Revenues from investment agreements	8	8	Reduction in value of investment assets for which the life insurance policyholder bears investment risk		
Investment income	4,744	7,517	Decrease in value of other investment assets	249	-4,067
			Other technical expenses	-14	-13
			Life insurance operation, technical result	10,412	-11,450

Income statement (cont.)

Parent Company, SEK million		2012	2011
NON-TECHNICAL REPORT			
Non-life insurance operation's technical result		367	1,325
Life insurance operation, technical result		10,412	-11,450
Investment income	Note 4	86	116
Unrealised gains from investment assets	Note 5	78	71
Investment charges	Note 10	-8	-11
Unrealised losses from investment assets	Note 11	-5	-72
Return on assets transferred to non-life insurance business		-151	-104
Profit/loss before appropriations and income tax		10,779	-10,125
Appropriations	Note 13	35	-290
Earnings before tax		10,814	-10,415
Tax on current year's earnings	Note 14	-570	-768
PROFIT/LOSS FOR THE YEAR		10,244	-11,183

Statement of comprehensive income

Parent Company, SEK million	2012	2011
Profit for the year	10,244	-11,183
Other comprehensive income for the year	-	-
COMPREHENSIVE INCOME FOR THE YEAR	10,244	-11,183

Performance analysis

Life insurance operations

Occupational pension policies

Parent Company, SEK million	Total	Defined-benefit policies	Conventional defined-contribution policies	Unit-linked insurance	Employment-related disability insurance and waiver of premium insurance	Life insurance operations	
						Occupational pension policies	Employment-related disability insurance and waiver of premium insurance
Premiums written (before reinsurance)	7,560	974	1,768	-	191		
Premiums for reinsurance	-13	-	-	-	-11		
Premiums for own account	7,547	974	1,768	-	180		
Investment income	4,830	870	1,370	-	101		
Unrealised gains from investment assets	4,531	888	1,280	13	102		
Other technical income	11	-	-	5	-		
Claims paid							
Before reinsurance	-5,684	-733	-1,142	-	-179		
Reinsurer's share	5	-	-	-	3		
Change in provisions for unsettled claims							
Before reinsurance	188	-	7	-	35		
Reinsurer's share	3	-	-	-	6		
Changes in other technical provisions net of reinsurance	2,170	707	-314	-13	1		
Bonuses and rebates net of reinsurance	-1,168	-	-1	-	-150		
Operating expenses	-706	-53	-128	-3	-11		
Investment charges	-679	-206	-227	-	-23		
Unrealised losses from investment assets	-254	-53	-74	-	-7		
Other technical expenses	-15	-	-2	-	-		
Non-life insurance operation's technical result	367	-	-	-	-		
Life insurance operation, technical result	10,412	2,393	2,537	2	58		
Prior-year claims result before reinsurance	394	-	8	-	73		

Life insurance operations

Occupational pension policies

Parent Company, SEK million	Total	Defined-benefit policies	Conventional defined-contribution policies	Unit-linked insurance	Employment-related disability insurance and waiver of premium insurance	Life insurance operations	
						Occupational pension policies	Employment-related disability insurance and waiver of premium insurance
Actuarial provisions, before reinsurance							
Life insurance provisions	84,134	14,857	25,375	-	5		
Provision for unsettled claims							
Provision for approved claims	116	-	25	1	-		
Provision for non-approved claims	855	-	-	-	221		
Provision for sickness annuities	1,263	-	37	-	939		
Claims management reserve	88	-	-	-	49		
Total provisions for unsettled claims	2,322	-	62	1	1,209		
Provisions for bonuses and rebates	3,365	-	-	-	-	625	
Actuarial provisions for life insurance policies for which the policyholder bears the risk, before reinsurance							
Conditional bonuses	266	-	25	-	-		
Unit-linked insurance commitments	329	-	-	329	-		
Total actuarial provisions for life insurance policies for which the policyholder bears the risk	595	-	25	329	-		
Reinsurer's share of technical provisions							
Provision for unsettled claims	25	-	-	-	-	25	
Funding reserve	24,578	5,488	7,330	-	445		

Performance analysis (cont.)

Life insurance operations

Other life insurance

Parent Company, SEK million	Non-terminable health and accident insurance and PB			Group life and occupational group life insurance		Non-life insurance business	
	Individual conventional life insurance	Non-terminable health and accident insurance and PB	Group life and occupational group life insurance	Received reinsurance	Illness and accident		
Premiums written before reinsurance	2,549	64	1,253	6	755		
Premiums for reinsurance	-	-	-2	-	-		
Premiums for own account	2,549	64	1,251	6	755		
Investment income	2,108	21	275	1	86		
Unrealised gains from investment assets	1,903	19	249	1	78		
Other technical income	7	-	-	-	-		
Claims paid							
Before reinsurance	-2,415	-46	-948	-11	-210		
Reinsurer's share	-	2	-	-	-		
Change in provisions for unsettled claims							
Before reinsurance	12	10	163	15	-54		
Reinsurer's share	-	-3	-	-	-		
Changes in other technical provisions net of reinsurance	1,776	4	9	-	-		
Bonuses and rebates net of reinsurance	-9	-	-798	-	-209		
Operating expenses	-357	-18	-65	-7	-65		
Investment charges	-189	-2	-25	-	-8		
Unrealised losses from investment assets	-102	-1	-13	-	-5		
Other technical expenses	-10	-	-2	-	-1		
Non-life insurance operation's technical result	-	-	-	-	367		
Life insurance operation, technical result	5,272	49	97	5	-		
Prior-year claims result before reinsurance	-	25	189	7	92		

Non-life insurance business

Life insurance operations

Other life insurance

Parent Company, SEK million	Non-terminable health and accident insurance and PB			Group life and occupational group life insurance		Non-life insurance business	
	Individual conventional life insurance	Non-terminable health and accident insurance and PB	Group life and occupational group life insurance	Received reinsurance	Illness and accident		
Technical provisions, before reinsurance							
Life insurance provisions	43,498	31	68	-	-	299	
Provision for unsettled claims							
Provision for approved claims	33	-	57	-	-	-	-
Provision for non-approved claims	-	57	175	3	399		
Provision for sickness annuities	-	263	10	8	6		
Claims management reserve	-	19	6	-	-	14	
Total provisions for unsettled claims	33	339	248	11	419		
Provisions for bonuses and rebates	-	-	2,430	-	-	310	
Actuarial provisions for life insurance policies for which the policyholder bears the risk, before reinsurance							
Conditional bonuses	241	-	-	-	-	-	-
Unit-linked insurance commitments	-	-	-	-	-	-	-
Total actuarial provisions for life insurance policies for which the policyholder bears the risk	241	-	-	-	-	-	-
Reinsurer's share of technical provisions							
Provision for unsettled claims	-	-	-	-	-	-	-
Funding reserve	6,820	24	3,663	-	-	809	

Balance sheet

ASSETS

Parent company, SEK million		31/12/2012	31/12/2011
Investment assets			
Buildings and land	Note 16	2,933	2,818
Investments in Group companies and associated companies			
Shares and participations in Group companies	Note 17	5,624	5,518
Interest-bearing securities issued by, and loans to, Group companies		324	354
Shares and participations in associated companies	Note 18	310	120
Interest-bearing securities issued by, and loans to, associated companies		1,130	437
		7,388	6,429
Other financial investment assets			
Shares and participations	Note 19	31,672	26,869
Bonds and other interest-bearing securities	Note 20	78,451	75,746
Loans guaranteed by mortgages	Note 21	40	-
Other loans	Note 22	729	708
Derivatives	Note 23	412	780
Other financial investment assets	Note 24	230	230
		111,534	104,333
Total Investment assets		121,855	113,580
Investment assets for which life insurance policyholders bear investment risk.			
Unit-linked insurance assets		329	258
Reinsurer's share of technical provisions			
Provision for unsettled claims	Note 33	25	22
		25	22

Parent company, SEK million		31/12/2012	31/12/2011
Receivables			
Receivables in respect of direct insurance	Note 25	21	15
Receivables in respect of reinsurance		-	18
Current tax asset		131	-
Other receivables	Note 26	1,616	916
		1,768	949
Other assets			
Tangible assets	Note 28	7	9
Cash and cash equivalents		5,174	5,541
		5,181	5,550
Prepayments and accrued income			
Accrued interest and rental income		1,430	1,438
Prepaid acquisition costs	Note 29	21	25
Other prepaid expenses and accrued income	Note 30	16	11
		1,467	1,474
TOTAL ASSETS		130,625	121,833

Balance sheet (cont.)

EQUITY, PROVISIONS AND LIABILITIES				Parent company, SEK million		31/12/2012	31/12/2011	31/12/2012	31/12/2011
Parent company, SEK million									
Equity	Note 31								
Funding reserve		24,578	37,416					309	306
Profit for the year		10,244	-11,183						
		34,822	26,233						
Untaxed reserves									
Tax allocation reserve		1,748	1,783						
Actuarial provisions (before reinsurance)									
Life insurance provisions	Note 32	84,134	86,333					123,788	115,293
Provision for unsettled claims	Note 33	2,322	2,508					591	427
Provisions for bonuses and rebates	Note 34	3,365	2,207					1,977	1,197
		89,821	91,048						
Actuarial provisions for life insurance policies for which the policyholder bears the risk (before reinsurance)									
Conditional bonuses	Note 35	266	232						
Unit-linked insurance commitments	Note 36	329	258						
Other provisions									
Pensions and similar liabilities	Note 37	29	31						
Deferred tax liability	Note 38	257	193						
Deposits from reinsurers		8	5						
Liabilities									
Liabilities in respect of reinsurance		1	8						
Derivatives	Note 23	203	96						
Current tax liability		-	74						
Other liabilities	Note 40	2,832	1,566						
		3,036	1,744						

Statement of changes in equity

SEK million	Funding reserve	Profit for the year	Total equity
Parent Company			
Opening balance 01/01/2011	30,905	7,926	38,831
Previous year's distribution of earnings	7,926	-7,926	-
Bonuses paid during the financial year	-1,415	-	-1,415
Profit/loss for the year, also comprehensive income	-	-11,183	-11,183
Closing balance, 31/12/2011	37,416	-11,183	26,233
Opening balance 01/01/2012	37,416	-11,183	26,233
Previous year's distribution of earnings	-11,183	11,183	-
Bonuses paid during the financial year	-1,655	-	-1,655
Profit/loss for the year, also comprehensive income	-	10,244	10,244
Closing balance, 31/12/2012	24,578	10,244	34,822

Notes

Note 1. Accounting principles

General information

This annual report was submitted on 31 December 2012 and refers to the 2012 financial year for Folksam ömsesidig livförsäkring (Folksam Life) which is a mutual insurance company with its registered office in Stockholm. Its head office address is Bohusgatan 14, SE-106 60 Stockholm and its company registration number is 502006-1585.

Conformity with norms and legislation

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

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

Conditions when preparing Folksam Life's financial statements

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

Estimations and assessments in the financial statements

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

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

The most important assumptions that have an effect on reported assets and liabilities are related to technical provisions, see Notes 32-36. The provisions are monitored and evalua-

ted on a continuous basis in the regular accounting and forecasting process. Any surplus or loss is reported in its entirety in the income statement as a prior-year claims result. The significance of the assumption concerned is shown in the sensitivity analysis in Note 2, Disclosures regarding risks.

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

The annual report has been approved for publication by the Board on 19 March 2013. The income statement and balance sheet are subject to adoption by the AGM on 17 April 2013.

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 company's financial statements are described below. Other new additions are not anticipated to affect Folksam Life'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 will not be reclassified are actuarial gains and losses. The change shall be applied for the financial year that begins on 1 July 2012 with retroactive application.

Revised IAS 19 Employee benefits, For Folksam Life, the change means that returns calculated on management assets shall be based on the discount rate used in the calculation of the pension commitment. 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 1 January 2013 or later 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 1 January 2013 or later.

Change to IFRS 7 Financial instruments: Disclosures. The amendment pertains to new disclosure requirements for the offset of financial assets and liabilities. The change will be applied as of financial years commencing 1 January 2013 or later and in interim periods in the financial year with retroactive application.

Revised IAS 32 Financial Instruments: Classification. This change pertains to clarifications regarding the rules for when offset of financial assets and liabilities in the balance sheet is permitted. The change shall be applied to the financial year commencing 1 January 2014 or later with retroactive application.

IFRS 10 Consolidated Financial Statements. A new standard for consolidated financial statements that replaces IAS 27 and SIC 12. The standard includes no changes compared

with the current IAS 27 in terms of rules for consolidation in acquisitions and divestments. IFRS 10 includes a model that will be used in the assessment of whether controlling influence exists or not for all investments that a company has including what is today called SPE and is regulated in SIC 12. The standard shall be applied to the financial year commencing 1 January 2014 or later with retroactive application. Special transitional rules apply.

IFRS 11 Joint Arrangements. New standard for reporting joint ventures and joint operations. This new standard will mainly entail two changes compared with IAS 31 Participations in joint ventures. The only change is if an investment is assessed to be a joint operation or a joint venture. There are different accounting rules depending on what kind of investment is involved. The other change is that joint venture will be presented in accordance with the equity method and the proportional consolidation method will not be permitted. The standard shall be applied to the financial year commencing 1 January 2014 or later. The standard shall be applied retroactively with special transitional rules.

IFRS 12 Disclosure of Interests in Other Entities. A new standard for disclosures of investments in subsidiaries, joint arrangements, associates and non-consolidated "structured entities". The standard shall be applied to the financial year commencing 1 January 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 and disclosures on associates and joint ventures have been included in IAS 27. The changes shall be applied to the financial year commencing 1 January 2014 or later with retroactive application.

Changed IAS 28 Investments in Associates and Joint Ventures. The changed standard mainly agrees with the previous IAS 28. The changes relate to how reporting shall be done when changes in holdings are made and are significant or joint controlling influence ends or not. The change shall be applied to the financial year commencing 1 January 2014 or later with retroactive application.

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

Consolidation principles Subsidiaries

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

Subsidiaries are reported according to the purchase method, which means that the acquisition of a subsidiary is regarded as a transaction in which the parent company indirectly acquires the subsidiary's assets and assumes its liabilities. The fair value of the acquired identifiable assets and assumed liabilities and any holdings without a controlling influence are determined on the day of acquisition in an acquisition analysis. Transaction expenditures, with the exception of transaction expenditures attributable to the issue of equity instruments or debt instruments that arise are recognised 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 usually reported in profit/loss.

In business acquisitions where transferred compensation, any holdings without controlling influence and the fair value of previously owned participations (in gradual acquisitions) exceed the fair value of acquired assets and assumed liabilities that are presented separately, the difference is reported as goodwill. When the difference is negative, a so-called low price acquisition, this is recognised directly in the profit for the year.

Conditional purchase considerations are recognised at fair value at the time of acquisition. If the conditional purchase consideration is classified as an equity instrument, no re-statement is done and settlement is done in equity. For other conditional purchase considerations, they are restated at each reporting occasion and the change is recognised in the profit for the year.

In the cases that the acquisition does not pertain to 100% of the subsidiary, holdings without a controlling influence arise. There are two alternatives to recognise holdings without controlling influence. These two alternatives are to recognise the proportion of net assets comprising holdings without controlling influence or that holdings without controlling influence are recognised at fair value, which means that holdings without controlling influence have a proportion of goodwill. The choice between the different alternatives for reporting holdings without controlling influence can be made case by case.

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 holdings without controlling influence are also distributed if holdings without controlling influence will be negative.

Associated companies

Associated companies are the companies in which the Group has a significant, but not controlling influence over the operational and financial governance, usually through holdings of participation between 20 and 50 per cent of the number of votes. As of the point in time that the significant influence has been obtained, participations in associated companies are recognised according to the equity method in the consolidated accounts. The equity method means that the value of shares in the associated company recognised in the Group corresponds to the Group's share of the associated company's equity and consolidated goodwill and other potential residual values of consolidated surpluses and deficits. In the consolidated income statement, "Participation in associated company's profit/loss" is recognised as the Group's share of the associated companies' net earnings after tax and minority adjusted for potential depreciation, impairment losses or reversals of acquired surpluses or deficits.

A potential difference in the acquisition between the acquisition value of the holding and the owning company's share of the fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognised 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 unrealised gains or losses arising from transactions between subsidiaries, are eliminated in their entirety when preparing the consolidated accounts. Unrealised profits arising from transactions with associated companies are eliminated to an extent that corresponds to the Group's shareholding in the company. Unrealised losses are eliminated in the same way as unrealised profits, but only to the extent that no impairment loss is necessary.

Foreign currency

Transactions in foreign currency

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

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

Financial statements of foreign operations

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

Insurance contracts and investment contracts

Folksam Life has implemented a classification of all contracts based on the insurance risk they entail and the financial effect an insurance event will thus have on the company. The financial effect must be significant for a contract to be considered an insurance contract. The company has assessed that the financial impact is substantial if the insurance risk corresponds to at least a 5 per cent markup on or reduction to the current insurance value before the insurance event.

The financial effect is also considered significant in the case of pension insurance contracts with insurance risks lower than five per cent that are underwritten without personal advisors. If the financial effect is negligible, a contract is considered to be an investment agreement.

The company has chosen to divide up all unit-linked insurance contracts and contracts with conditional bonuses into an insurance component and a financial component, so-called unbundling. Accounting of the investment components of the contract is done in accordance with IAS 39 "Financial Instruments, Recognition and Measurement" and IAS 18 "Revenue Recognition". The unbundling of insurance contracts provides for clear accounting that shows how large the components of the receipts that go to risk operations and savings operations are. Contracts with negative risk amounts are unbundled and the capital at risk is reported as a premium in order to provide annual gains. In the same way, in the case of contracts with positive risk amounts a risk premium is entered so that the risk amount can be contributed in the case of death. The decision to unbundle all unit-linked insurance means that all unit-linked insurance contracts can be reported in a uniform manner. The value of a contract with conditional bonus is settled by what return the investment assets have had. This means that it is not permitted to recognise these contracts as insurance contracts under IFRS 4. Unbundling of contracts with the right to conditional bonus therefore means that these contracts can also be recognised in a uniform manner.

According to IFRS 4 contracts with significant proportions of discretionary components (bonuses) are reported as insurance contracts. Because all of the company's contracts with

conventional management and equalized bonuses or pension supplements have a significant discretionary component the company has decided to report all of these contracts as insurance contracts.

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

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

Accounting for operations considered to be insurance contracts

Operations considered to be insurance contracts are reported according to IFRS 4.

Revenue recognition/Premiums written

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

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

Premiums for insurance contracts for which the company's responsibility entered into effect during the financial year are recognised as premiums earned for health and accident insurance recognised as non-life insurance.

Claims paid

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

Discretionary components in insurance contracts

The company has made the assessment that the opportunity given to the customers to obtain additional insurance benefits in addition to those guaranteed constitutes discretionary components in accordance with the definition in IFRS 4. The company disposes over the right of decision for the discretionary components (bonus/pension supplements) in terms of both time and amount.

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

Reporting operations that are split into an insurance component and an investment component

Unit-linked insurance contracts and contracts with conditional bonuses are split into an insurance component and an investment component (unbundling). The insurance compo-

ment is reported according to IFRS 4 and the investment component according to IAS 39 Financial Instruments: Recognition and Measurement and IAS 18 Revenue. In the case of contracts that are unbundled into an insurance component and an investment component, receipts and disbursements for the financial component of the contract are reported not as premium income and claims incurred through the income statement but as a change via the balance sheet. Revenues from fees related to the contracts divided up are recognised in part as revenues from investment contracts and in part among other technical revenues.

Revenue recognition/Premiums written

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

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

Changes in value and dividends

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

Claims paid

Premium exemption in the case of illness – Claims are paid out in that the company makes payments to the contract that the premium exemption amount is considered to cover in place of the policyholder.

Mortality – Claims are paid out in that where necessary the company contributes capital in the amount that would pertain immediately after death.

Longevity – Claims are paid out according to contract.

Actuarial provisions

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

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

Life insurance provisions for conventional life insurance with equalized bonuses/pension supplements and conventional life insurance with premium guarantee and daily return allocations consist of the difference between the anticipated capital value of the company's

future expenses for the insurance contract and the anticipated capital value of any additional premiums the company may receive for the insurance contract. Capital values are calculated with consideration for assumptions regarding future interest rates, mortality and other risk measurements, operating expenses and tax. Refer to Note 32 to Life insurance provisions

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

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

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

Conditional bonuses constitute technical provisions for life insurance for which the policyholder bears the risk.

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

Unit-linked insurance commitments constitute technical provisions for life insurance for which the policyholder bears the investment risk.

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

Liability adequacy test

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

Prepaid acquisition expenses for insurance contracts

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

The depreciation period is set at five years with a depreciation factor of 4.06 per cent (with consideration for an annual surrender of 9 per cent) in the parent company. Prepaid expenses are tested for impairment at each closing date to ensure that the contracts' anticipated future economic benefits exceed their carrying amount.

Operating expenses

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

Embedded derivatives in insurance contracts

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

Reinsurance cessions

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

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

Reporting returns on capital

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

Investment income

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

Investment charges

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

Realised and unrealised 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 unrealised change in value is reported as an adjustment item under the items Unrealised investment gains and Unrealised investment losses.

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

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

Taxes

Income tax

Income tax consists of current tax and deferred tax. Lines of business (principally group life, disability and accident insurance) and subsidiaries that do not pursue insurance operations are taxed according to the income tax act.

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

Deferred tax is calculated according to the balance sheet method based on the temporary differences between reported and fiscal values of assets and liabilities. The amount is calculated based on how the temporary differences are anticipated to be equalized and with the application of the tax rates and tax regulations that are in force or announced on the closing date. Temporary differences are not considered for differences attributable to participations in subsidiaries and associated companies on the condition that the parent compa-

ny or investor is able to control the time for reversal of the temporary differences and that it is likely that such a reversal will not take place in the foreseeable future.

Deferred tax assets in respect of deductible temporary differences and loss carryforwards are reported only to the extent that it is likely they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. In lines of business where tax is calculated based on amassed capital (policyholder tax) no collection of deferred tax has taken place.

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

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

Policyholder tax

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

Intangible assets

Goodwill

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

Goodwill and intangible assets with indeterminable useful lives are not depreciated. Goodwill that has arisen in the acquisition of associated companies is included in the recognised value of participations in associated companies.

Other intangible assets

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

Depreciation principles

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

Investment property

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

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

Measuring fair value

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

Financial instruments not quoted on active markets

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

and participations, certain organisational 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 valued 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 and in respect of swaptions, also volatility surfaces. OTC share index options are marked to market with the aid of the Black & Scholes valuation model, using market data as input. Forward exchange rate contracts are valued with the aid of the quoted buying rate in Swedish crowns for the currency in question at the end of business on the closing date and yield curves for the two currencies for the period concerned. Transaction expenses for derivatives are expensed.

Other financial investment assets

In the case of organisational 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 organisational 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.

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

Other financial liabilities

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

Impairment of financial instruments

Impairment test for financial assets in the loan receivables/ accounts receivable category

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

The carrying amount after an impairment loss to assets belonging to the category loan receivables and accounts receivable that are reported at accrued cost is calculated as the

present value of future cash flows discounted with the interest rate effective at the time the asset was initially recognised. 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 insurance company and the cost of the asset can be calculated in a reliable manner. Tangible assets are reported at cost less deductions for accumulated depreciations and any impairment losses.

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

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

Owner-occupied properties

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

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

Impairments of material and intangible assets

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

Reversal of impairments

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

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

Other provisions

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

Pensions and similar liabilities

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

Defined contribution pension plans

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

Defined-benefits pension plans

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

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

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

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

In-house pensions

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

Assets held for sale and wound-up operations

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

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

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

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

Buildings and land

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

Subsidiaries and associated companies

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

All dividends are reported as income.

Defined-benefits pension plans

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

Taxes

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

Group contributions and shareholder contributions to legal entities

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

The purpose of reserve items under equity

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

Equity in untaxed reserves

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

Funding reserve

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

Statutory reserve

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

Equity method reserve

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

Losses brought forward

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

Note 2 Disclosures regarding risks

Disclosures regarding risks

Risk and risk management are central parts of operations in insurance companies. This note includes a description of Folksam Life's risk management and quantitative and qualitative 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 Life's risks are managed with the same uniform, overall approach as the rest of Folksam, and is based on a comprehensive view of the risk situation. The purpose of risk management is to capture all of the significant risks that are associated with the organisation and its current and future operations.

- Good risk management allows the Board and Managing Director to gain an all-round, objective picture of the total risk situation which increases understanding and knowledge of risks and our ability to achieve our goals.
- By pursuing overall risk management in a uniform, structured manner we increase understanding and knowledge within the company about the risks and opportunities that affect the company.
- Through risk management we are able to affect and adapt the risk level so that our capital base is adequate in relation to the risk situation and we can even limit departures from anticipated financial results.

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



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

The Risk Management Process

Folksam's risk management process constitutes an important component in overall risk management. The risk management process acts as a support in the 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 organisation is exposed to in the short and long terms. Identified risks must be described, registered and classified. All risks are linked to information about which units and companies that are 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.

ated. Risks are evaluated in a uniform manner and quantified, where possible, using generally accepted methods. Risks can be evaluated more or less precisely and thoroughly, and depending on the type of risk, an evaluation is either quantitative (measured) or qualitative (estimated). By quantitative evaluation (measurement) we mean an estimate that is a numerical calculation or rough calculation. By qualitative evaluation (assessment) we mean an assessment that is an overall estimate of a risk's effect. The qualitative assessment might for example be based on an evaluation of the risk from two standpoints such as what effect will the event have if it occurs and what is the probability that it will occur? The traffic light system, which is a Swedish Financial Supervisory Authority tool for measuring risks, is also used within Folksam to evaluate insurance risks and financial risks. 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 prioritise planned measures based on the benefit they will bring the organisation. 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 organisation 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.

Organisation and division of responsibilities

Organisation 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 directing operations so that the targets established by the Board are met,
- for owning and managing risks, i.e. for risk management activities such as the identification, evaluation and management of risks, for monitoring risk management activities and
- ensuring compliance with regulations.

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

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

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

Responsibilities and roles

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

Board

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

Audit committee

The Board of Directors of the Parent Company Folksam Life 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 categorisation 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

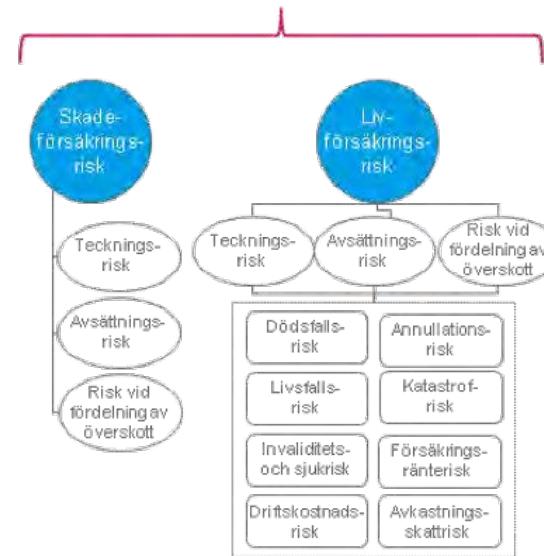
The Risk Category Manager is responsible for creating and securing the conditions for effective, efficient risk management and independent risk control for each risk category.

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.

Försäkringsrisker



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

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

Managing insurance risks

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

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

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

- Life insurance
- Savings insurance
 - 1) Conventional life insurance
 - 2) Conventional life insurance with conditional bonuses
 - 3) Unit-linked insurance.
- Risk insurance within life insurance operations
 - 4) Disability and premium exemption insurance
 - 5) Group life and occupational group life insurance
 - 6) Other collective risk insurance
- Non-life insurance
- Disability and accident insurance.

Life insurance risk – Savings insurance

Underwriting risk

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

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

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

Provision risk

Life insurance risk when setting reserves for savings insurance includes the risk that mortality and/or longevity are underestimated or that operational expenses are underestimated in the assumptions made for calculating premiums. Life insurance risk also entails a surrender risk, i.e. the risk that calculated reserves are inadequate to cover transfers, repurchases or premium surrenders. The insurance interest rate risk in connection with the calcula-

tion of provisions is the risk that the value of the liability will increase due to falling market interest rates.

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

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

Risks when allocating surpluses

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

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

Life insurance risk – Risk insurance

Underwriting risk

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

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

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

Provision risk

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

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

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

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

Non-life insurance

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

Underwriting risk

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

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

Provision risk

The disability insurance risk when setting reserves is the risk that sickness is underestimated and/or that recovery to health or mortality is overestimated in the assumptions used for calculating reserves. In the case of accident insurance there is a risk when calculating reserves that accident rates are underestimated in the assumptions used for calculating reserves. Operating expense risk when setting reserves is the risk that operating expenses are underestimated in the assumptions used for calculating reserves. If assumptions for the setting

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

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

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

Concentration risk in the writing of insurance with life or non-life insurance risk

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

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

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

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

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

Morbidity is stressed in that

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

The reserve provision for future operating expenses is assumed to increase by 10 per cent. The analyses have been made without regard to any correlations between assumptions.

Parent company, SEK million	Provisions, gross	Effect on earnings before tax	Effect on equity
Actuarial provisions, 31/12/2012	90,416		
Mortality	93,135	-2,719	-2,764
Morbidity	91,013	-596	-439
Expense inflation	91,073	-656	-654

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

Concentrations of insurance risks

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

Mortality risks are geographically spread in Sweden. Mortality risks are also spread across a great number of different policies.

This is illustrated in the table below, which shows the number of insurance contracts and insured amounts for deaths at different amount intervals.

Group, SEK million	2012		2011	
	Number of policies	Total insured amount	Number of policies	Total insured amount
Insured amount paid out in the event of death				
Fewer than 20 price base amounts	3,851,032	336,481	3,848,165	369,543
20-30 price base amounts	14,506	14,442	12,225	16,560
30-45 price base amounts	2,708	4,459	2,327	5,178
45-60 price base amounts	784	1,791	705	2,226
more than 60 price base amounts	749	2,876	728	3,383
	3,869,779	360,049	3,864,150	396,890

Parent company, SEK million	2012		2011	
	Number of policies	Total insured amount	Number of policies	Total insured amount
Insured amount paid out in the event of death				
Fewer than 20 price base amounts	3,686,382	335,997	3,690,268	318,419
20-30 price base amounts	14,474	14,410	12,180	12,169
30-45 price base amounts	2,693	4,434	2,318	3,783
45-60 price base amounts	781	1,784	702	1,586
more than 60 price base amounts	746	2,867	726	2,718
	3,705,076	359,492	3,706,194	338,675

Folksam Life's exposure to longevity risks and thus to changes in mortality trends are shown in the table below.

The actuarial provisions for policies that are paid out under the condition that the insured is alive is distributed here between different age groups.

Group, SEK million	2012		2011	
Policyholder's current age	Actuarial provision	%	Actuarial provision	%
0-30	164	-	171	-
30-40	2,557	4	2,362	4
40-50	11,729	19	11,142	20
50-60	19,062	31	17,320	31
60-70	21,221	34	18,671	33
70-80	5,929	10	4,808	9
Older than 80	1,586	3	1,510	3
	62,248	100	55,984	100

Parent company, SEK million	2012		2011	
Policyholder's current age	Actuarial provision	%	Actuarial provision	%
0-30	96	-	160	-
30-40	1,562	3	2,166	4
40-50	9,073	18	10,648	20
50-60	16,044	31	16,706	31
60-70	17,690	35	17,886	33
70-80	5,138	10	4,719	9
Older than 80	1,586	3	1,510	3
	51,189	100	53,795	100

Just over half of Folksam Life's actuarial provisions corresponded to policies with longevity risks in 2012. It is very important that longevity trends among the insured are monitored and that mortality assumptions used to calculate the actuarial provisions are modified on a continuous basis.

Actual claims demand compared to previous estimates

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

Total provision for unsettled claims reported in this table constitutes 95 per cent of the total provisions for unsettled claims in the company. Operations included are group life insu-

rance, occupational group life insurance, premium exemption insurance and disability insurance. The tables only covers the parent company Folksam Life.

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

Parent company, SEK million	All previous years	2007	2008	2009	2010	2011	2012	Total
Before reinsurance								
Estimated final claims expense at the end of the claims year (gross)		1,569	1,701	2,095	2,191	1,657	1,722	
One year later		1,634	1,501	1,718	1,337	1,396		
Two years later		1,532	1,489	1,282	1,253			
Three years later		1,436	1,285	1,240				
Four years later		1,404	1,207					
Five years later		1,428						
Estimated final claims expense 31/12/2012		1,428	1,207	1,240	1,253	1,396	1,722	
Accumulated disbursed insurance claims		1,372	1,170	1,190	1,134	1,103	927	
Provision for unsettled claims, excluding claims management reserve	777	57	37	51	119	293	795	2,128
Claims management reserve								88
Accumulated surplus/loss		141	494	854	938	261		
Ditto as % of the initial claim expense		9	29	41	43	16		
Discount effect								-185
Reconciliation against balance sheet								
Unsettled claims according to this table								2,216
Unsettled claims for operations not included in the above table								106
Total provisions for unsettled claims according to the balance sheet (gross)								2,322
Proportion included in table								95%

Parent company, SEK million	All previous years	2007	2008	2009	2010	2011	2012	Total
After reinsurance								
Estimated final claims expense								
31/12/2012 (net)		1,569	1,700	2,094	2,186	1,646	1,707	
One year later		1,633	1,500	1,717	1,334	1,389		
Two years later		1,531	1,489	1,281	1,251			
Three years later		1,436	1,285	1,240				
Four years later		1,404	1,207					
Five years later		1,428						
Estimated final claims expense								
31/12/2012		1,428	1,207	1,240	1,251	1,389	1,707	
Accumulated disbursed insurance claims		1,372	1,170	1,189	1,133	1,102	927	
Provision for unsettled claims, excluding claims management reserve	774	57	37	51	117	287	780	2,103
Claims management reserve								88
Accumulated surplus/loss		140	493	854	935	257		
Ditto as % of the initial claim expense		9	29	41	43	16		
Discount effect								-182
Reconciliation against balance sheet								
Unsettled claims according to this table								2,191
Unsettled claims for operations not included in the above table								106
Total provisions for unsettled claims according to the balance sheet (net)								2,297
Proportion included in table								95%

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 Managing Director is responsible for the management of the company's assets within the limits and instructions given by the Board as well as for the review of placement guidelines. The finance committee is the MD's forum for the follow-up of asset management and decisions concerning risk management.

Asset management is organised so that Folksam's asset management proposes to the Board the limits within which assets shall be permitted to be invested. Within these limits, asset management is responsible for the spread between different kinds of assets such as

shares, bonds, currencies, properties and so-called alternative investments. Some investments are managed through internally or externally outsourced management assignments. Positions managed internally are primarily conducted through derivatives to tailor the portfolio's level of risk. This can, for instance, involve stock options that decrease (or increase) the effects of stock market declines (or upturns) or interest derivatives to secure the benefits guaranteed to life insurance policyholders. Folksam's asset management is responsible for governing, monitoring and evaluating how the outsourced management assignments are run.

The management of directly owned properties and alternative investments is handled by two separate departments within the Folksam organisation. 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 organised 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 GRC bears chief responsibility for ensuring that follow-up takes place on a daily basis within the boundaries set by the Board in the investment guidelines and that infringements are reported to the board and MD in the company concerned.
- Swedbank Robur is responsible for daily control of current investment guidelines and that the result of such checks are reported to GRC and Folksam's asset management.

Management principles

The objective of asset management is to achieve the highest possible real rates of return under prevailing risk and investment restrictions. Folksam places great emphasis on security in pension investments. Folksam's vision is to contribute to a sustainable society in which the individual feels secure. Folksam places ethical demands on companies it invests in as a step towards achieving this vision.

In the selection of investment emphasis, input data comprises among other things assets, liabilities and their characteristics such as anticipated returns, risks and correlations, and forecasts for the development of insurance operations. The selection of the total asset portfolio is carried out based on the fact that the company must cope with very weak financial market trends. Accordingly, the risk level may not be higher than would allow getting a green light in the Swedish Financial Supervisory Authority's traffic light model, even if the market trend were to become very weak. In addition, the legal restrictions regarding debt coverage and solvency must be fulfilled. Only then will the company's internal risk preferences and business goals be taken into account. The investment emphasis established sets limits for the asset management. The managers may act within these limits in the way deemed to benefit the company the most.

Portfolio structure

The total asset portfolio in Folksam Life is composed 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 minor.

The credit risk exposure (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 Maximal credit risk exposure	2012		2011			
	Gross	Secu- rities recei- ved	Net	Gross	Secu- rities recei- ved	
Group						
Asset category						
Interest-bearing securities issued by, and loans to, associated companies	1,130	-	1,130	437	-	437
Bonds and other interest-bearing securities	78,792	-	78,792	76,058	-	76,058
Loans guaranteed by mortgages	40	-	40	-	-	-
Other loans	729	270	459	708	270	438
Derivatives	412	-	412	780	-	780
Other financial investment assets	274	-	274	230	-	230
Receivables	1,540	-	1,540	949	-	229
Accrued interest income	1,398	-	1,398	1,437	-	1,437

SEK million Maximal credit risk exposure	2012		2011			
	Gross	Secu- rities recei- ved	Net	Gross	Secu- rities recei- ved	
Parent Company						
Asset category						
Interest-bearing securities issued by, and loans to, Group companies	324	-	324	354	-	354
Interest-bearing securities issued by, and loans to, associated companies	1,130	-	1,130	437	-	437
Bonds and other interest-bearing securities	78,451	-	78,451	75,746	-	75,746
Loans guaranteed by mortgages	40	-	40	-	-	-
Other loans	729	270	459	708	270	438
Derivatives	412	-	412	780	-	780
Other financial investment assets	230	-	230	230	-	230
Receivables	1,769	-	1,769	949	-	949
Accrued interest income	1,430	-	1,430	1,438	-	1,438

SEK million	AAA	AA	A	BBB	BB	No rating	2012
Credit quality of financial asset categories, SEK million							
Group 2012							
Bonds and other interest-bearing securities (including accrued interest)	42,811	15,417	19,767	284	-	1,911	80,190
Other financial assets have no rating							
Group 2011							
Bonds and other interest-bearing securities (including accrued interest)	69,834	2,201	3,357	285	-	1,757	77,434
Other financial assets have no rating							
Parent company 2012							
Bonds and other interest-bearing securities (including accrued interest)	42,811	15,417	19,767	284	-	1,527	79,806
Other financial assets have no rating							
Parent company 2011							
Bonds and other interest-bearing securities (including accrued interest)	69,834	2,201	3,357	285	-	1,445	77,122
Other financial assets have no rating							

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

Concentration risk

The company's largest concentration risk is comprised of the exposure to Swedbank, including a large share holding. This concentration risk is considered when deciding on investment policy, especially when putting together the company's share portfolios. In relation to the market risks, other concentration risks are deemed to be low through the diversification that arises through the company's investment emphasis. As a rule, the investments shall be able to be used as debt coverage.

SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

SEK million Group 2012	Total	Of which secured housing bonds
Swedbank	16,920	11,153
SHB	13,180	13,184
Nordea	12,300	12,145
SBAB	3,119	3,119
SEB	7,686	7,296
Landshypotek	926	926
Volvo	530	
Robur Fonder AB	936	
Goldman Sachs	439	
Telia Sonera	392	

SEK million Parent Company 2012	Total	Of which secured housing bonds
Swedbank	15,758	11,153
SHB	13,180	13,184
Nordea	12,153	12,145
SEB	7,343	7,296
SBAB	3,119	3,119
Robur Fonder AB	936	
Landshypotek	926	926
Volvo	530	
Goldman Sachs	439	
Telia Sonera	392	

SEK million Group 2011	Total	Of which secured housing bonds
Swedbank	14,805	10,021
SHB	14,759	14,760
Nordea	10,371	10,368
SBAB	3,541	3,541
SEB	3,079	2,960
Landshypotek	1,249	1,249
Volvo	516	
Robur Fonder AB	752	
Goldman Sachs	1,007	
Telia Sonera	398	

Mkr Moderföretaget 2011	Total	Of which secured housing bonds
Swedbank	14,805	10,021
SHB	14,759	14,760
Nordea	10,371	10,368
SBAB	3,541	3,541
SEB	3,079	2,960
Landshypotek	1,249	1,249
Goldman Sachs	1,007	
Robur Fonder AB	752	
Volvo	516	
Telia Sonera	398	

SIGNIFICANT CONCENTRATIONS OF SHARE PRICE RISK

SEK million Group 2012	Total	SEK million Parent company 2012	Total
Swedbank	8,045	Swedbank	8,045
Getinge AB	986	Getinge AB	986
Hennes & Mauritz	778	Hennes & Mauritz AB	778
Robur Fonder AB	770	Robur Fonder AB	770
Ericsson	589	Ericsson	589
Atlas Copco	565	Atlas Copco	565
Volvo	524	Volvo	524
Sandvik	349	Aberdeen	467
Aberdeen	467	Sandvik	349
Peab	336	Peab	336
SEK million Group 2011	Total	SEK million Parent company 2011	Total
Swedbank	5,645	Swedbank	5,645
Getinge AB	822	Hennes & Mauritz AB	1,089
Hennes & Mauritz	1,089	Ericsson	952
Robur Fonder AB	447	Getinge AB	822
Ericsson	952	Atlas Copco	681
Atlas Copco	681	Volvo	634
Volvo	634	TeliaSonera	453
Sandvik	404	Robur Fonder AB	447
Telia Sonera	453	Sandvik	404
Proventus	371	Proventus	371

Credit risk in reinsurer receivables

The insurance company's reinsurance policy means that contracts may only be signed with reinsurers with credit rating A or higher. Reinsurer creditworthiness is reviewed regularly in order to ensure that the approved reinsurance cover is maintained. The maximum credit risk exposure that reinsurance assets give rise to for the parent company on the closing date amounts to SEK 0 million (18) in receivables from reinsurers and SEK 25 million (22) in the reinsurer's share of actuarial provisions and SEK 0 million (16) and SEK 36 million (39) for the Group.

Liquidity risks

The company's liquidity risk is considered to be negligible in the overall risk picture. By investing assets chiefly in quoted securities with good liquidity, the investment strategy ensures that the quantity of liquid assets exceeds the company's anticipated payment obligations by a comfortable margin. The liquidity risk is measured as the proportion of total investment assets that comprise liquid assets such as bank balances and holdings in equity and interest portfolios, excluding strategic holdings in shares and interest-bearing instruments. On the closing date, liquid securities constituted 76 per cent (77) of investment assets of which holdings in interest-bearing investments issued by the Swedish state corresponded to 19 per cent (23), equivalent to SEK 24,262 million (25,942). The average duration of interest-bearing assets amounted to 7.2 years (8.5).

The company's liquidity exposure with regard to remaining durations of financial liabilities is presented in the table below.

The table shows undiscounted nominal values.

Group, SEK million	2012	On request	Remaining durations			
			Less than 1 year	1-5 years	More than 5 years	Indefinite
Other liabilities		142	652			1,269
Accrued expenses						

Parent company, SEK million	2012	On request	Remaining durations			
			Less than 1 year	1-5 years	More than 5 years	Indefinite
Other liabilities		910	654			1,269
Accrued expenses			4			

Group, SEK million	2011	On request	Remaining durations			
			Less than 1 year	1-5 years	More than 5 years	Indefinite
Other liabilities			601	688		159
Accrued expenses						

Parent company, SEK million	2011	On request	Remaining durations			
			Less than 1 year	1-5 years	More than 5 years	Indefinite
Other liabilities			601	879		159
Accrued expenses						

With regard to insurance liabilities (provisions), the estimated time for the discounted value of the cash flow for the liabilities is presented by the table below.

SEK million Group 2012	Total provisions, gross	Duration, years
Defined-benefits policies	15,928	21
Conventional defined-contribution policies	67,825	14
Disability and premium exemption insurance	1,207	6
Received reinsurance premium waiver	7	6
Other	5,449	-
Total	90,416	

SEK million Group 2011	Total provisions, gross	Duration, years
Defined-benefits policies	16,594	21
Conventional defined-contribution policies	69,471	14
Disability and premium exemption insurance	1,275	6
Received reinsurance premium waiver	12	7
Other	4,187	-
Total	91,539	

SEK million Parent company 2012	Total provisions, gross	Duration, years
Defined-benefits policies	15,928	21
Conventional defined-contribution policies	67,825	14
Disability and premium exemption insurance	1,207	6
Received reinsurance premium waiver	7	6
Other	5,449	-
Total	90,416	

SEK million Parent company 2011	Total provisions, gross	Duration, years
Defined-benefits policies	16,594	21
Conventional defined-contribution policies	69,471	14
Disability and premium exemption insurance	1,275	6
Received reinsurance premium waiver	12	7
Other	4,187	-
Total	91,539	

The average financial duration for insurance liabilities for the entire Folksam Life holding was 15.2 years as of 31/12/2012. This information concerns 94 per cent of the actuarial provisions. Equivalent data are not provided for the Group as additional liquidity risk is deemed to be marginal.

Market risks

Interest rate risk

Life insurance provisions that refer to conventional life insurance with a return guarantee and contractual amounts are discounted at market interest rates. Because insurance policies run for very long periods, it follows that sensitivity to changes in interest rates is significant.

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

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

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	0-5 years	5-15 years	over 15	Total
Group 2012				
Assets				
Bonds and other interest-bearing securities (incl. accr. interest income)	61,173	15,597	3,037	79,807
Other interest-bearing financial instruments, net	3,959	-	-	3,959
Other loans including loans issued to associated companies	1,433	298	-	1,731
Total	66,565	15,895	3,037	85,497
Liabilities and provisions				
Life insurance actuarial provisions, occupational pensions business	8,608	13,173	19,421	41,202
Life insurance actuarial provisions, other life insurance	11,733	14,493	17,553	43,779
Total life insurance actuarial provisions	20,341	27,666	36,974	84,981

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

Fixed-interest terms for assets and liabilities Interest rate exposure, SEK million	0-5 years	5-15 years	over 15	Total
Group 2011				
Assets				
Bonds and other interest-bearing securities (incl. accr. interest income)	55,708	18,713	2,702	77,123
Other interest-bearing financial instruments, net	4,324	-	1	4,325
Other loans including loans issued to associated companies	943	30	-	973
Total	60,975	18,743	2,703	82,421
Liabilities and provisions				
Life insurance actuarial provisions, occupational pensions business	9,073	12,757	19,827	41,657
Life insurance actuarial provisions, other life insurance	11,606	14,393	19,594	45,593
Total life insurance actuarial provisions	20,679	27,150	39,421	87,250

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

Cash flow risk

The table below shows how an increase or decrease in the market rate of 0.5% would affect interest income and expenses, respectively, 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	4	-1	4	-1
Interest income for other loans	3	1	3	1
Interest income for other interest-bearing financial instruments	6	8	6	8
Interest expenses for other liabilities	-	-	-4	-
	13	8	9	8
Reduction of market interest rate				
Interest income for bonds and other interest-bearing securities	-4	1	-4	1
Interest income for other loans	-3	-1	-3	-1
Interest income for other interest-bearing financial instruments	-6	-8	-6	-8
Interest expenses for other liabilities	-	-	4	-
	-13	-8	-9	-8
Sensitivity analysis - interest rate risk				
SEK million	Group		Parent Company	
	2012	2011	2012	2011
Risk parameter				
Reduction of market interest rate				
Increase in value, interest-bearing assets	2,456	3,084	2,455	3,084
Increase in carrying amount of interest-bearing liabilities (including insurance liabilities)	-5,435	-6,034	-5,435	-6,034
Net impact, earnings before tax	-2,979	-2,950	-2,980	-2,950
Net impact, equity	-3,040	-3,024	-3,041	-3,024

The interest rate changes calculated for the 2012 sensitivity analysis for nominal and real market rates are reductions of 0.46 (0.49) and 0.05 (0.07) percentage points respectively. These levels are also used in calculations for the Financial Supervisory Authority traffic light.

Exchange rate risk

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

Exchange rate exposure	USD	GBP	CAD	AUD	Other
Group 2012					
Investment assets					
Shares and participations	7,577	1,247	651	501	4,793
Property					
Bonds and other interest-bearing securities					
Other assets	420	1	1	1	1,680
Total assets	7,997	1,248	652	502	6,473
Other liabilities and provisions	-21	-			-195
Net exposure before financial hedging with derivatives	7,976	1,248	652	502	6,278
Nominal value, forward exchange rate contracts	1,638	-194		342	-6,196
Net exposure after financial hedging with derivatives	9,614	1,054	652	844	82
 Exchange rate exposure					
Group 2011					
Investment assets					
Shares and participations	5,534	923	453	370	3,513
Property	-	-	-	-	210
Bonds and other interest-bearing securities	-	-	-	-	601
Other assets	1,279	8	2	1	3,055
Total assets	6,814	931	455	371	7,379
Other liabilities and provisions	-43	-	-	-	-604
Net exposure before financial hedging with derivatives	6,771	931	455	371	6,775
Nominal value, forward exchange rate contracts	1,130	-16	170	89	-6,855
Net exposure after financial hedging with derivatives	7,901	915	625	460	-80

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

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.

Group, SEK million Currency	2012		2011	
	Effect on earnings before tax	Effect on equity	Effect on earnings before tax	Effect on equity
USD	-961	-	-790	-
GBP	-105	-	-92	-
CHF	-	-	-46	-
CAD	-65	-	-63	-
AUD	-85	-	-	-
Others	-8	-	8	-
Total	-1,224	-1,189	-983	-971

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

The table below shows the effect of a fall of 40 per cent in the price of Swedish share and participations, and a fall of 35 per cent in respect of foreign shares and properties. These stress levels are also used in the Financial Supervisory Authority traffic lights. Where applicable the effect of the exposure on listed equities has been affected by equity derivative holdings.

Group, SEK million	2012		2011	
	Effect on earnings before tax	Effect on equity	Effect on earnings before tax	Effect on equity
Shares	-13,785	-	-9,464	-
Property	-3,341	-	-3,077	-
Shares in Group companies and subsidiaries not consolidated	-205	-	-90	-
Total	-17,331	-16,822	-12,631	-12,268
Parent company, SEK million				
Shares	-13,700	-	-9,368	-
Property	-3,341	-	-3,009	-
Shares in Group companies and associated companies	-1,632	-	-1,122	-
Total	-18,673	-18,187	-13,499	-13,161

The company's exposure to unlisted equities is described in Note 19.

Derivatives

During the year trading took place in forward exchange rate contracts, stock-index futures, stock-index options, forward interest rate contracts, swaps and swaptions. 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 forward interest rate contracts, swaps and swaptions took place with the aim of adjusting interest rate portfolio maturity.

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. For standardised derivatives, the credit risk is limited to funds on account at the so-called clearing account holder. For non-standardised derivatives, the credit risk is limited by all unrealised gains being hedged by counterparties in accordance with so-called ISDA agreements 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 reputation risks.

An operational risk 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, organisation, 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, organisation, 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 reputation losses resulting from operational non-compliance with current legislation and enactments, regulations or other external and internal rules.

Managing operational risks

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

Information about realised risks is collected systematically in Folksam's incident reporting system. Incidents reported are categorised 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 organisation's ability to achieve its goals increases.

Note 3. Premiums written, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Non-life business				
Paid-in and credited premiums	755	694	755	694
Life insurance operations				
Paid-in and credited premiums	6,871	6,507	6,825	6,470
Premium tax	-20	-21	-20	-20
	7,606	7,180	7,560	7,144
Premium income for direct life insurance				
Premiums for individual life insurance	3,014	2,623	3,014	2,623
Group insurance premiums	3,784	3,806	3,784	3,806
Premium income for direct life insurance				
Periodic premiums	5,572	5,483	5,572	5,483
One-time premiums	1,227	946	1,227	946
Premium income for direct life insurance				
Premiums for contracts eligible for bonuses	6,364	5,603	6,364	5,603
Premiums for contracts ineligible for bonuses	435	826	435	826

Note 4. Investment income, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Rental income from buildings and land	362	356	193	190
Dividends received	1,021	1,050	1,143	1,176
of which profit-sharing and dividends from Group companies	-	-	123	126
Interest income, etc.				
Group companies	-	-	12	15
Bonds and other interest-bearing securities	2,117	2,314	2,117	2,314
Other interest income	185	152	159	129
of which from financial assets not measured at fair value with changes in value reported via the income statement	190	141	190	141
Reversed impairment charges				
Shares and participations	-	-	28	154
Exchange rate gains, net			356	-
Capital gains, net				
Buildings and land	2	8	2	-
Bonds and other interest-bearing securities	1,176	3,299	1,176	3,299
	4,863	7,535	4,830	7,633
Return on capital, reported in				
Life insurance operation	4,777	7,419	4,744	7,517
Non-technical accounts in respect of non-life business	86	116	86	116
	4,863	7,535	4,830	7,633
Non-technical accounts in respect of other Group companies	88	65	-	-
	4,951	7,600	-	-

Note 4. Investment income, SEK million

(cont.)

	Group		Parent Company	
	2012	2011	2012	2011
Operational leasing agreements (lessor) Operational leasing where the company is the lessor refers to income from premises.				
Maturity, total future minimum leasing fees				
<1 year	219	499	153	151
1-5 years	416	949	204	283
<5 years	317	504	12	28
Total	952	1,952	369	462
Total leasing fees for the period of which minimum leasing fees of which variable fees	292	644	214	164
	258	584	189	138
	34	60	25	26

Note 5. Increase in value of other investment assets, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Buildings and land	161	541	99	234
Shares and participations	4,419	-	4,419	-
Bonds	-	4,329	-	4,329
Other financial investment assets	-	2	-	-
	4,580	4,872	4,518	4,563
Increase in value of other investment assets reported in				
Life insurance operation	4,502	4,801	4,440	4,492
Non-technical accounts in respect of non-life business	78	71	78	71
	4,580	4,872	4,518	4,563
Non-technical accounts in respect of other Group companies	4	15	-	-
	4,584	4,887	-	-

Note 6. Other technical income, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Policyholder tax	186	212	-	-
Reimbursement of expenses	214	187	1	-
Other	44	28	1	-
	444	427	2	-

Note 7. Claims disbursed, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Non-life business				
Claims disbursed	-200	-139	-200	-140
Claims management expenses	-10	-6	-10	-6
Reinsurer's share	-	-	-	-
	-210	-146	-210	-146
Life insurance operations				
Claims disbursed	-5,791	-5,973	-5,104	-5,156
Surrenders and repurchases	-344	-199	-344	-199
Claims management expenses	-30	-46	-27	-44
Reinsurer's share	6	5	6	5
	-6,159	-6,213	-5,469	-5,394

Note 8. Changes in other technical provisions net of reinsurance, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Life insurance provisions				
Before reinsurance	2,199	-18,228	2,199	-18,228
	2,199	-18,228	2,199	-18,228
Actuarial provisions for life insurance policies for which the policyholder bears the risk				
Conditional bonuses				
Before reinsurance	-17	9	-17	9
Reinsurer's share	-	-	-	-
Unit-linked insurance commitment				
Before reinsurance	-4,997	4,302	-13	35
Reinsurer's share	-	-	-	-
	-5,014	4,311	-30	44

**Note 9. Operating expenses,
SEK million**

	Group		Parent Company	
	2012	2011	2012	2011
Non-life business				
Acquisition expenses ¹⁾	-26	-25	-26	-25
Changes in pre-paid acquisition expenses	-	-	-	-
Administration expenses	-39	-44	-39	-44
Commissions and profit sharing in reinsurance	-	-	-	-
	-65	-69	-65	-69
1)Of which commissions in direct insurance	-	-	-	-
Other operating expenses				
Claims settlement expenses included in Claims disbursed	-10	-6	-10	-6
Financial administration expenses included in Return on capital, expenses	-3	-2	-3	-2
Property management expenses included in Return on capital, expenses	-	-	-	-
Other operating expenses	-65	-69	-65	-69
Total, operating expenses	-78	-77	-78	-77
Total operating expenses presented by type of expense				
Personnel costs, etc.	-54	-54	-54	-54
Costs of premises, etc.	-4	-4	-4	-4
Depreciations, etc.	-	-	-	-
Other	-20	-19	-20	-19
	-78	-77	-78	-77
Life insurance operation				
Acquisition expenses ¹⁾	-497	-475	-242	-206
Change in pre-paid acquisition expenses	73	-47	-4	-10
Administration expenses	-623	-504	-395	-340
Commissions and profit sharing in reinsurance	5	5	-	2
	-1,042	-1,021	-641	-554
1)Of which commissions in direct insurance	-175	-164	-33	-36

**Note 9. Operating expenses,
SEK million (cont.)**

	Group		Parent Company	
	2012	2011	2012	2011
Other operating expenses				
Claims settlement expenses included in Claims disbursed	-28	-44	-27	-44
Financial administration expenses included in Return on capital, expenses	-90	-93	-88	-93
Property management expenses included in Return on capital, expenses	-5	-5	-5	-5
Other operating expenses	-1,042	-927	-641	-554
Total, operating expenses	-1,165	-1,069	-761	-696
Total operating expenses presented by type of expense				
Personnel costs, etc.	-550	-485	-547	-480
Costs of premises, etc.	-38	-43	-38	-43
Depreciations, etc.	-6	-	-	-
Other	-571	-541	-176	-173
	-1,165	-1,069	-761	-696
Operational leasing agreements (lessee)				
Operational leasing where the company is the lessee refers chiefly to expenses for premises.				
Maturity, total future minimum leasing fees				
<1 year	-58	-50	-17	-11
1-5 years	-132	-113	-12	-19
<5 years	-36	-25	-	-
Total	-226	-188	-29	-30
Total leasing fees for the period	-19	-13	-20	-13
of which minimum leasing fees	-16	-11	-17	-11
of which variable fees	-3	-2	-3	-2

**Note 9. Operating expenses,
SEK million (cont.)**

	Group		Parent Company	
	2012	2011	2012	2011
Fees and expense reimbursements to auditors				
KPMG				
Audit assignment	-5	-8	-4	-7
Audit activities in addition to audit assignment	-	-	-	-
Other assignments	-	-	-	-
Tax advice	-	-	-	-
Other services	1	-	-1	-
Others				
Audit assignment	-	-	-	-
Total fees and expense reimbursements to auditors	-4	-8	-5	-7

**Note 10. Investment charges,
SEK million**

	Group		Parent Company	
	2012	2011	2012	2011
Operating expenses, buildings and land	-75	-77	-75	-77
Asset management expenses	-96	-95	-96	-95
Interest expenses, etc.				
Group companies	-	-	-6	-
Property loans	-	-	-	-
Other interest expenses	-37	-60	-7	-8
of which from financial liabilities not measured at fair value with changes in value reported via the income statement	-11	-2	-11	-2
Exchange rate losses, net	-102	-	-102	-
Depreciations and impairment charges				
Shares and participations	-	-100	-11	-105
Capital losses, net				
Shares and participations	-364	-734	-356	-734
Other financial investment expenses	-26	-	-26	-26
	-700	-1,068	-679	-1,045

**Note 10. Investment charges,
SEK million (cont.)**

	Group		Parent Company	
	2012	2011	2012	2011
Investment charges reported in				
Life insurance operation	-692	-1,057	-671	-1,034
Non-technical accounts in respect of non-life business	-8	-11	-8	-11
	-700	-1,068	-679	-1,045
Non-technical accounts in respect of other Group companies	-83	-71	-	-
	-783	-1,139	-	-

Note 11. Decrease in value of other investment assets, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Buildings and land	-28	-11	-	-
Shares and participations	-	-4,139	-	-4,139
Bonds and other interest-bearing securities	-254	-	-254	-
Other financial investment assets	-37	-2	-	-
	-319	-4,152	-254	-4,139
Decrease in value of other investment assets reported in				
Life insurance operation	-314	-4,080	-249	-4,067
Non-technical accounts in respect of non-life business	-5	-72	-5	-72
	-319	-4,152	-254	-4,139
Non-technical accounts in respect of other Group companies	-5	-7	-	-
	-324	-4,159	-	-

Note 12. Net profit/loss per financial instrument category, SEK million

Group 2012

Financial assets	Financial assets measured at fair value via the income statement			
	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to, Group companies	-	-	43	43
Shares and participations	4,731	-	-	4,731
Bonds and other interest-bearing securities	2,893	-	-	2,893
Other loans	-	-	29	29
Derivatives, net	-	431	-	431
Other financial investment assets	1	-	48	49
Investment assets for which the life insurance policyholder bears the investment risk	4,997	-	-	4,997
Total	12,622	431	120	13,173

Financial liabilities	Assets determined to belong to the category			
	Holdings for trade purposes	Other liabilities	Total	
Other liabilities	-	-73	-73	
Total	-	-73	-73	

Group 2011

Financial assets	Financial assets measured at fair value via the income statement			
	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to, Group companies	-	-	49	49
Shares and participations	-2,182	-	-	-2,182
Bonds and other interest-bearing securities	6,532	-	-	6,532
Other loans	-	-	28	28
Derivatives, net	-	2,090	-	2,090
Other financial investment assets	-	-	65	65
Investment assets for which the life insurance policyholder bears the investment risk	-4,302	-	-	-4,302
Other receivables	-	-	51	51
Accrued income	-	-	-	-
Total	48	2,090	193	2,331

Financial liabilities	Assets determined to belong to the category			
	Holdings for trade purposes	Other liabilities	Total	
Other liabilities	-	-77	-77	
Total	-	-77	-77	

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

Parent company 2012

Financial assets	Financial assets measured at fair value via the income statement			
	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to, Group companies	-	-	43	43
Shares and participations	4,742	-	-	4,742
Bonds and other interest-bearing securities	2,889	-	-	2,889
Other loans	-	-	29	29
Derivatives, net	-	431	-	431
Other financial investment assets	1	-	48	49
Investment assets for which the life insurance policyholder bears the investment risk	13	-	-	13
Total	7,645	431	120	8,196

Financial liabilities	Assets determined to belong to the category			
	Holdings for trade purposes	Other liabilities	Total	
Other liabilities	-	-60	-60	
Total	-	-60	-60	
Net financial assets and liabilities	7,645	431	60	8,136

Parent company 2011

Financial assets	Financial assets measured at fair value via the income statement			
	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables	Total
Interest-bearing securities issued by, and loans to, Group companies	-	-	49	49
Shares and participations	-2,174	-	-	-2,174
Bonds and other interest-bearing securities	6,520	-	-	6,520
Other loans	-	-	28	28
Derivatives, net	-	2,090	-	2,090
Other financial investment assets	-	-	65	65
Investment assets for which the life insurance policyholder bears the investment risk	-35	-	-	-35
Other receivables	-	-	55	55
Total	4 311	2,090	197	6,598

Financial liabilities	Assets determined to belong to the category			
	Holdings for trade purposes	Other liabilities	Total	
Other liabilities	-	-	-70	-70
Total	-	-	-70	-70
Net financial assets and liabilities	4,311	2,090	127	6,528

Note 13. Appropriations, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Changes to tax allocation reserve	-	-	35	-290
Note 14. Taxes, SEK million				
	Group		Parent Company	
	2012	2011	2012	2011
Tax on current year's earnings				
Current tax expense	-118	-341	-506	-738
Deferred tax expense/revenue	21	-114	-64	-30
	-97	-455	-570	-768
Specification of current tax expense				
Policyholder tax	-	-	-404	-416
Current tax expense in respect of operations subject to income tax				
Tax expense for the period	-116	-342	-100	-323
Adjustment of tax expense attributable to previous years	-2	1	-2	1
Total current tax expense in respect of income tax	-118	-341	-102	-322
Total current tax expense	-118	-341	-506	-738
Specification of deferred tax expense/revenue				
Deferred tax in respect of temporary differences	-64	-31	-65	-30
Deferred tax in respect of tax rate changes	77	-	-	-
Deferred tax effect on properties and pensions	1	-82	1	-
Deferred tax in respect of untaxed reserves	7	-1	-	-
Total deferred tax expense/revenue	21	-114	-64	-30
Tax regarding income tax				
Current tax regarding income tax	-118	-341	-102	-322
Deferred tax	21	-114	-64	-30
Total tax for operations subject to income tax	-97	-455	-166	-352

Note 14. Taxes, SEK million (cont.)

	Group		Parent Company	
	2012	2011	2012	2011
Reconciliation of effective tax rate regarding income tax				
Earnings before tax	10,168	-9,371	10,814	-10,415
Less result of operations subject to policyholder tax	-10,286	11,442	-10,053	11,689
Total result for operations subject to income tax	-118	2,071	761	1,274
Tax according to applicable tax rate for the Group/parent company (26.3%).	32	-545	-200	-335
Other non-deductible expenses/tax-exempt income	-237	103	-3	-4
Tax effect attributable to previous years and changed tax rates	109	-19	37	-13
Tax effect as a result of utilisation of a loss carryforward not previously activated	-	-	-	-
Tax effect in respect of temporary differences	2	-3	-	-
Activated loss carryforward	-3	9	-	-
Total	-97	-455	-166	-352
Tax attributable to other comprehensive income				
Actuarial gains and losses including income tax	-83	-102	-	-
Tax	18	27	-	-
Actuarial gains and losses including income tax	-65	-75	-	-
Tax attributable to other comprehensive income				
Group	2012		2011	
	Before tax	Tax	After tax	Before tax
Actuarial gains and losses including income tax	-83	18	-65	-102
				27
				-75

Note 15. Intangible assets, SEK million

	Goodwill		Software and other intangible assets	
	2012	2011	2012	2011
Group				
Accumulated acquisition costs				
Opening balance	43	43	235	235
Investments	2	-	29	-
Closing balance, December 31	45	43	264	235
Accumulated depreciations				
At beginning of year	-	-	-211	-207
Depreciations and impairment charges for the year	-	-	-2	-4
Closing balance, December 31	-	-	-213	-211
Carrying amounts, December 31	45	43	51	24

Goodwill is tested annually to identify any need to recognise 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.

intangible assets refer to software, other intangible assets and goodwill. Depreciation is 20 per cent of acquisition cost.

Depreciations for the year are included in the income statement lines shown below

Operating expenses	-	-	-2	-4
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Note 16. Buildings and land, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Market value				
Carrying amount at beginning of year				
Acquisition via company	-	-	-	-
Investments	26	41	17	20
Unrealised change in value	53	421	98	234
Carrying amount at end of year	7,892	7,813	2,933	2,818
of which arising from mergers or acquisitions				
Property acquisitions	-	-	-	-
Unrealised change in value	-	-	-	-
Values presented by operation and investment properties				
Owner-occupied properties				
Acquisition cost at beginning of year	-	-	1,013	1,013
Investments	-	-	6	-
Acquisition cost at end of year	-	-	1,019	1,013
Carrying amount at end of year	-	-	1,308	1,255
Investment property				
Acquisition cost at beginning of year	4,285	4,244	845	826
Acquisition of company	-	-	-	-
Investments	26	41	11	19
Acquisition cost at end of year	4,311	4,285	856	845
Carrying amount at end of year	7,892	7,813	1,625	1,563

**Note 16. Buildings and land, SEK million
(cont.)**

Estimated market value Geographical market	Type of property	Contracted annual rent¹⁾	Operating surplus²⁾	Yield³⁾	Market value	Market value⁴⁾	Required return⁵⁾
Group							
Stockholm and immediate suburbs	Apartment block	117	77	3.1%	2,511	29,988	1.5-4.1%
	Offices and business properties	291	201	3.6%	4,239	41,224	3.8-7.8%
Rest of the country	Apartment block	59	37	4.1%	895	21,123	3.5-5.5%
Rest of the country	Office and business properties	19	12	4.7%	247	15,973	5.0-6.5%
		486	327	3.5%	7,892	32,291	1.5-7.8%
Parent Company							
Stockholm and immediate suburbs	Apartment block	44	27	3.7%	726	22,492	2.9-4.1%
Stockholm & Gothenburg with immediate suburbs	Offices and business properties	177	122	5.6%	2,207	38,265	3.8-5.6%
		221	149	5.1%	2,933	32,606	2.9-5.6%

¹⁾ Rental contracts as of 1 January converted to full year.

²⁾ Operating surplus converted with rental contract as of 1 January

³⁾ Operating surplus converted with rental contract as of 1 January in relation to market value

⁴⁾ Market value per sq m floor space (excl garage)

⁵⁾ Yield requirement applied at valuation

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 analysed as the basis for a market's required returns.

Valuation assumptions

Inflation assumptions	1.9%
Cost of capital residual value	6.5%
Yield, residual value	4.5%
Long-term vacancy rate	4.0%
Operations and maintenance expenses, Year 1	SEK 545/sq m
Investments, Year 1	SEK 198/sq m
Market rent (at zero vacancy rate)	SEK 2,152/sq m

Note 16. Buildings and land, SEK million
(cont.)

Effect on earnings for the period	Group		Parent Company	
	2012	2011	2012	2011
Rental income	600	576	207	204
Internal rent	-14	-14	-14	-17
Rental income	586	562	193	187
Direct expenses for properties that generated rental income during the period	-257	-251	-74	-76
	329	311	119	111
Tax assessment value				
Buildings	2,684	2,684	1,000	1,000
Land	1,892	1,892	594	594
	4,576	4,576	1,594	1,594

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 28.. 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 authorised by ASPECT. There are no limits to the company's right to sell management properties, nor are there any obligations to purchase, erect or exploit management properties or carry out repairs, maintenance or improvements. The Folksam Group uses 19 per cent of the lettable floor space for its own operations.

Note 17. Shares and participations in Group companies, SEK million

Company registration number	Quantity	Share of equity in %	Book value 2012	Book value 2011
Parent Company				
Förenade Liv Gruppförsäkring AB (publ)	516401-6569		-	105
Folksam Fondförsäkringsaktiebolag (publ)	516401-8607	40,000	100	995
Folksam Liv Fastighets AB	556060-2640	71,000	100	787
Reda Pensionsadministration AB	556267-0843	250,000	100	25
Folksam LO Fondförsäkringsaktiebolag (publ)	516401-6619	51,000	51	204
KPA AB	556527-7182	300,000	60	1,350
Spelbomskan KB	916405-5411	-	99	485
Niterka KB	969711-9965	-	99	-7
AB Hotelinvest	556112-9171	1,000	100	-
Niterka II KB	969712-1524	-	99	59
Gyllenforsen Fastigheter KB	969640-2339	-	71	1,686
Folksam Fastighet Holding AB	556810-7113	1,000	100	40
Book value			5,624	5,518
Fair value			7,907	7,897
All shares are unlisted.				

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

Group (non-consolidated life insurance companies)	Eq-uity 2012	Result 2012	Company registration number	Quan-tity	Share of equity in %	Book value 2012	Book value 2011
KPA Livförsäkring AB ¹⁾ (publ)	2,137	44	502010-3502	72	60	1,229	1,229
Förenade Liv Gruppförsäkring AB (publ)			516401-6569				105
Book value						1,229	1,334
Fair value						1,229	1,334

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

During the year, Förenade Liv Gruppförsäkring AB (publ) was sold to Folksam General.

1) KPA Pensionförsäkring is a wholly owned subsidiary of KPA Livförsäkring.

	Group		Parent Company	
	2012	2011	2012	2011
Accumulated acquisition costs				
At beginning of year	1,821	1,821	6,340	6,393
Sales of subsidiaries	-105	-	-105	-
change in participation in limited partnership company	-	-	-14	-45
Change due to shareholder contributions rendered/repaid during the year	-	-	200	-8
Closing balance, December 31	1,716	1,821	6,421	6,340
Accumulated impairment charges				
At beginning of year	-487	-387	-822	-870
Impairment charges reversed during the year	-	-	28	153
Impairment charges for the year	-	-100	-3	-105
Closing balance, December 31	-487	-487	-797	-822
Carrying amount, December 31	1,229	1,334	5,624	5,518

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

Group companies	Head of-fice	Share of equity in %	
		2012	2011
Folksam Fondförsäkrings AB	Stockholm	100	100
Folksam Liv Fastighets AB	Stockholm	100	100
Reda Pensionsadministration AB	Stockholm	100	100
Gyllenforsen Fastigheter KB	Stockholm	71	71
Spelbomskan KB	Stockholm	99	99
Niterka I AB	Stockholm	100	100
Niterka II AB	Stockholm	100	100
Niterka KB	Stockholm	99	99
Niterka Skotten 8 AB	Stockholm	100	100
AB Hotelinvest	Stockholm	100	100
Niterka II KB	Stockholm	99	99
Fastighets AB Malax	Stockholm	100	100
Fastighets AB Pällen	Stockholm	100	100
Fastighets AB Rörstrand 32	Stockholm	100	100
Folksam Fastighet Holding AB	Stockholm	100	100
Svenska Läarfonder AB	Stockholm	100	-
Folksam LO Fondförsäkring AB	Stockholm	51	51
Folksam LO Fond AB	Stockholm	51	51
KPA AB	Stockholm	60	60
KPA Pensionsservice AB	Stockholm	60	60
KPA Pensionsförsäkring AB	Stockholm	60	60
KPA Livförsäkring AB	Stockholm	60	60
Litrebl AB	Stockholm	60	60
Litrebl II AB	Stockholm	60	60

Note 18. Shares and participations in associated companies, SEK million

	Company registration number	Head office	Quantity	Share of equity in %	Equity	Earnings	Book value	Book value
Parent Company								
Gyllenforsen Förvaltning AB	556368-8745	Stockholm	1,000	50	-	-	-	-
Folksam Cruise Holding AB	556767-4121	Stockholm	825	75	63	-	81	81
KP Pension & Försäkring HB	969643-7863	Stockholm						25
Kulltorp Holding AB	556767-4147	Stockholm	470	47	14	-	14	14
Kungsbrohus Holding AB	556891-1670	Stockholm	300	30	184	-8	184	-
Sicklaön Bygg Invest AB	556911-5479	Stockholm	375	37	31	-	31	-
Book value							310	120
Group								
Aktiv Försäkringsadministration i Stockholm AB	556244-4132	Stockholm	900	9			-	3
Folksam Cruise Holding AB	556767-4121	Stockholm	825	75			81	81
KP Pension & Försäkring HB	969643-7863	Stockholm						25
Folksam Property Holding		Amsterdam						790
Kulltorp Holding AB	556767-4147	Stockholm	470	47			14	14
FIH Ehrvervsbank A/S	CVR17029312	Copenhagen		15			516	862
Kungsbrohus Holding AB	556891-1670	Stockholm	300	30			184	-
Sicklaön Bygg Invest AB	556911-5479	Stockholm	375	37			31	-
Book value							826	1,775

The proportion of votes in each company corresponds to the share of equity except in Folksam Cruise Holding AB and Aktiv försäkringsadministration where agreements govern the share of votes.

All shares are unlisted. During the year, KP Pension & Försäkring HB and Folksam Property Holding were liquidated.

Note 18. Shares and participations in associated companies, SEK million (cont.)

	Group		Parent Company	
	2012	2011	2012	2011
Accumulated acquisition costs				
At beginning of year	1,775	908	120	104
Acquisition of associated companies	223	16	223	16
Participation in associated company's profit/loss	-370	862	-	-
Sales of associated companies	-818	-	-25	-
Translation difference	16	-11	-	-
Closing balance, December 31	826	1,775	318	120
Accumulated impairment charges				
Impairment charges for the year	-	-	-8	-
Closing balance, December 31	-	-	-8	-
Carrying amount, December 31	826	1,775	310	120
Fair value	826	1,775	310	120
Total amounts for associated companies	2012	2011	2012	2011
Total assets	74,820	102,422	3,687	797
Total liabilities	67,334	94,187	2,786	632
Total equity	7,486	10,642	901	165
Income	571	863	123	-
Profit for the year	-1,812	-1,422	-30	-

Note 19. Shares and participations, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Book value	31,907	27,080	31,672	26,869
Acquisition cost	26,056	24,779	25,973	24,694
Fair value	31,907	27,080	31,672	26,869
of which:				
Listed shares	30,271	25,665	30,037	25,557
Unlisted shares	1,636	1,312	1,635	1,312

Note 20. Bonds and other interest-bearing securities, SEK million

Accrued acquisition cost	Group		Parent Company	
	2012	2011	2012	2011
Swedish state	23,396	23,574	23,396	23,574
Swedish housing institutes	37,476	39,616	37,476	39,616
Swedish interest rate funds	1,253	1,032	919	727
Other Swedish issuers	12,036	6,374	12,035	6,374
Foreign states	766	771	766	771
Other foreign issuers	464	1,078	464	1,078
	75,391	72,445	75,056	72,140
of which:				
Listed	75,332	72,392	74,997	72,086
Unlisted	59	54	59	54
Fixed-term subordinated debentures	59	54	59	54
Fair value				
Swedish state	24,981	25,942	24,981	25,942
Swedish housing institutes	38,765	40,670	38,765	40,670
Swedish interest rate funds	1,277	1,064	936	751
Other Swedish issuers	12,469	6,512	12,469	6,513
Foreign states	822	793	822	793
Other foreign issuers	478	1,077	478	1,077
	78,792	76,058	78,451	75,746
of which:				
Listed	78,733	76,004	78,392	75,692
Unlisted	59	54	59	54
Fixed-term subordinated debentures	59	54	59	54
Positive value due to the book value's exceeding the nominal value.	8,870	9,248	8,864	9,241
Negative value due to the book value's exceeding the nominal value.	32	1	32	1

Parent Company

When valuing interest-bearing securities at accrued acquisition cost the balance sheet item should be reported in the amount of SEK 75,056 (72,140).

Note 21. Loans guaranteed by mortgages, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Book value	40	-	40	-
Accrued acquisition cost	40	-	40	-
Fair value	40	-	40	-

Note 22. Other loans, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Accrued acquisition cost				
Life insurance loans	10	11	10	11
Participating loan in respect of property investments	230	219	230	219
Other promissory note loans	489	478	489	478
Book value	729	708	729	708
Fair value				
Life insurance loans	10	11	10	11
Participating loan in respect of property investments	230	219	230	219
Other promissory note loans	489	478	489	478
Fair value	729	708	729	708

Note 23. Derivatives, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Derivative instruments with positive values or valued at zero.				
Acquisition cost				
Share options	308	958	308	958
Currency options	-	-	-	-
Forward exchange rate contracts	-	-	-	-
Forward interest rate contracts	-	-	-	-
Interest rate swaps	-	-	-	-
Swaptions	1	1	1	1
Stock futures	-	-	-	-
Total acquisition cost	309	959	309	959

Note 23. Derivatives, SEK million (cont.)

	Group		Parent Company	
	2012	2011	2012	2011
Fair value				
Share options				
Share options	241	568	241	568
Currency options	-	-	-	-
Forward exchange rate contracts	167	206	167	206
Forward interest rate contracts	4	2	4	2
Interest rate swaps	-	3	-	3
Swaptions	-	1	-	1
Stock futures	-	-	-	-
Total fair value	412	780	412	780
Derivative instruments with negative values				
Acquisition cost				
Share options	72	52	72	52
Currency options	-	-	-	-
Forward exchange rate contracts	-	-	-	-
Forward interest rate contracts	-	-	-	-
Interest rate swaps	-	-	-	-
Swaptions	-	-	-	-
Stock futures	-	-	-	-
Total acquisition cost	72	52	72	52
Fair value				
Share options				
Share options	75	42	75	42
Currency options	-	-	-	-
Forward exchange rate contracts	65	21	65	21
Forward interest rate contracts	35	18	35	18
Interest rate swaps	26	12	26	12
Swaptions	-	-	-	-
Stock futures	2	3	2	3
Total fair value	203	96	203	96

Note 23. Derivatives, SEK million (cont.)

Nominal amount/remaining contractual duration	Group		Parent Company	
	2012	2011	2012	2011
Derivatives with positive values				
Less than 1 year < 1 year				
Share options	19,909	41,153	19,909	41,153
Stock futures	-	1	-	1
Forward interest rate contracts	7,812	7,427	7,812	7,427
Currency options	-	-	-	-
Forward exchange rate contracts	175	212	175	212
Swaptions	-	-	-	-
Interest rate swaps	-	-	-	-
Others	-	-	-	-
1-5 years				
Share options	-	-	-	-
Stock futures	-	-	-	-
Forward interest rate contracts	-	-	-	-
Currency options	-	-	-	-
Forward exchange rate contracts	-	-	-	-
Swaptions	17	18	17	18
Interest rate swaps	-	-	-	-
Others	-	-	-	-
Over 5 years				
Share options	-	-	-	-
Stock futures	-	-	-	-
Forward interest rate contracts	-	-	-	-
Currency options	-	-	-	-
Forward exchange rate contracts	-	-	-	-
Swaptions	-	-	-	-
Interest rate swaps	-	-	-	-
Others	-	-	-	-

Note 23. Derivatives, SEK million (cont.)

Nominal amount/remaining contractual duration	Group		Parent Company	
	2012	2011	2012	2011
Derivative instruments with negative values				
Less than 1 year				
Share options	3,107	2,571	3,107	2,571
Stock futures	5	3	5	3
Forward interest rate contracts	46,516	20,604	46,516	20,604
Currency options	-	-	-	-
Forward exchange rate contracts	64	15	64	15
Swaptions	-	-	-	-
Interest rate swaps	-	-	-	-
Others	-	-	-	-
1-5 years				
Share options	-	-	-	-
Stock futures	-	-	-	-
Forward interest rate contracts	7,976	-	7,976	-
Currency options	-	-	-	-
Forward exchange rate contracts	-	-	-	-
Swaptions	-	-	-	-
Interest rate swaps	-	-	-	-
Others	-	-	-	-
Over 5 years				
Share options	-	-	-	-
Stock futures	-	-	-	-
Forward interest rate contracts	-	-	-	-
Currency options	-	-	-	-
Forward exchange rate contracts	-	-	-	-
Swaptions	-	-	-	-
Interest rate swaps	-	-	-	-
Others	-	-	-	-

During the year contracts were entered into in respect of forward exchange rates, forward interest rates and share options. Forward exchange rate contracts were entered into with the aim of elimination currency risks in the portfolio. Forward interest rate contracts were entered into with the aim of adjusting interest rate portfolio maturity. The purpose of the share option agreements is to render administration more effective.

Note 23. Derivatives, SEK million (cont.)

Description of credit risks

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

Description of market risks

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

Note 24. Other financial investment

assets, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Other financial investment assets	230	230	230	230
Book value	230	230	230	230
Acquisition cost	218	218	218	218
Fair value	230	230	230	230

Note 25. Receivables in respect of direct insurance, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Policyholders	51	10	21	15
	51	10	21	15

Note 26. Other receivables, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Receivables from Group companies	-	-	251	401
Receivables from related parties	113	168	39	39
Other receivables	1,549	890	1,326	476
	1,662	1,058	1,616	916

Note 27. Net financial assets and liabilities, SEK million

Information about carrying amounts per category of financial instruments

Group 2012 Financial assets, SEK million	Financial assets measured at fair value via the income statement			Total carrying amount	Fair value	Acquisition cost
	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables			
Interest-bearing loans to Group companies	-	-	-	-	-	-
Interest-bearing loans to associated companies			1,133	1,133	1,133	1,133
Shares and participations	31,906	-	-	31,906	31,846	26,081
Bonds and other						
interest-bearing securities	78,792	-	-	78,792	78,693	75,056
Loans guaranteed by mortgages	-	-	40	40	40	40
Other loans	-	-	729	729	729	729
Derivatives	-	412	-	412	412	309
Other financial investment assets	230	-	-	230	230	218
Investment assets for which						
the life insurance policyholder bears risk	57,031	-	-	57,031	57,031	-
Receivables	-	-	8,414	8,414	7,855	7,855
Accrued income	-	-	1,399	1,399	1,750	1,750
Total	167,959	412	11,715	180,086	179,719	113,171

Group 2012 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement			Total carrying amount	Fair value
	Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities		
Deposits from reinsurers	-	-	8	8	8
Liabilities in respect of reinsurance	-	-	-	-	-
of which insurance contracts	-	-	-	-	-
Derivatives	-	203	-	203	203
Other liabilities	-	-	2,980	2,980	2,980
Accrued expenses	-	-	274	274	274
Total	-	203	3,262	3,465	3,465

Note 27. Net financial assets and liabilities, SEK million (cont.)

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

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

Note 27. Net financial assets and liabilities, SEK million (cont.)

Parent company 2012 Financial assets, SEK million	Financial assets measured at fair value via the income statement			Total carrying amount	Fair value	Acquisition cost
	Assets determined to belong to the category	Holdings for trade purposes	Loan receivables			
Interest-bearing loans to Group companies	-	-	324	324	324	324
Interest-bearing loans to associated companies			1,130	1,130	1,130	1,130
Shares and participations	31,672	-	-	31,672	31,672	25,973
Bonds and other						
interest-bearing securities	78,451	-	-	78,451	78,451	75,056
Loans guaranteed by mortgages	-	-	40	40	40	40
Other loans	-	-	729	729	729	729
Derivatives	-	412	-	412	412	309
Other financial investment assets	230	-	-	230	230	218
Investment assets for which						
the life insurance policyholder bears risk	329	-	-	329	329	-
Receivables	-	-	6,922	6,922	6,922	6,922
Accrued income	-	-	1,430	1,430	1,430	1,430
Total	110,682	412	10,575	121,669	121,669	

Parent company 2012 Financial liabilities, SEK million	Financial liabilities measured at fair value via the income statement			Total carrying amount	Fair value
	Financial liabilities deemed to belong to the category	Holdings for trade purposes	Other financial liabilities		
Deposits from reinsurers	-	-	8	8	8
Derivatives	-	203	-	203	203
Other liabilities	-	-	2,832	2,832	2,832
Total	-	203	2,840	3,043	3,043

Note 27. Net financial assets and liabilities, SEK million (cont.)

Parent company 2011 Financial assets, SEK million	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					
Interest-bearing loans to Group companies	-	-		354	354	354	354
Interest-bearing loans to associated companies	-	-		437	437	437	437
Shares and participations	26,869	-		-	26,869	26,869	24,695
Bonds and other interest-bearing securities	75,746	-		-	75,746	75,746	72,140
Other loans	-	-		708	708	708	708
Derivatives	-	780		-	780	780	959
Other financial investment assets	230	-		-	230	230	218
Investment assets for which the life insurance policyholder bears risk	258	-		-	258	258	
Receivables	-	-		6,457	6,457	6,457	6,457
Accrued income	-	-		1,437	1,437	1,437	1,437
Total	103,103	780		9,393	113,276	113,276	

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

Note 27. Net financial assets and liabilities, SEK million (cont.)

Information about the fair value of financial instruments

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

Level 1: according to prices quoted on an active exchange for the same instrument

Level 2: based on directly or indirectly observable market data that is not included in level 1.

Level 3: based on input data that is not observable on the market.

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

Group 2012	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	30,271	436	1,199	31,906
Bonds and other interest-bearing securities	78,733	-	59	78,792
Derivatives	4	408	-	412
Other financial investment assets	-	-	230	230
Investment assets for which policyholders bear investment risk.	57,031	-	-	57,031
Total	166,039	844	1,488	168,371
Liabilities				
Unit-linked insurance commitment	-	57,032	-	57,032
Derivatives	36	166	-	202
Total	36	57,198	-	57,234

Group 2011	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	25,768	418	894	27,080
Bonds and other interest-bearing securities	76,004	-	54	76,058
Derivatives	2	778	-	780
Investment assets for which policyholders bear investment risk.	43,929	-	-	43,929
Total	145,703	1,196	948	147,847
Liabilities				
Unit-linked insurance commitment	-	43,932	-	43,932
Derivatives	21	75	-	96
Total	21	44,007	-	44,028

Note 27. Net financial assets and liabilities, SEK million (cont.)

Parent company 2012	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	30,037	436	1,199	31,672
Bonds and other interest-bearing securities	78,392	-	59	78,451
Derivatives	4	408	-	412
Other financial investment assets	-	-	230	230
Investment assets for which policyholders bear investment risk.	329	-	-	329
Total	108,762	844	1,488	111,094
Liabilities				
Unit-linked insurance commitment	-	329	-	329
Derivatives	36	166	-	202
Total	36	495	-	531
Parent company 2011	Level 1	Level 2	Level 3	Total
Assets				
Shares and participations	25,557	418	894	26,869
Bonds and other interest-bearing securities	75,692	-	54	75,746
Derivatives	2	778	-	780
Other financial investment assets	-	-	230	230
Investment assets for which policyholders bear investment risk.	258	-	-	258
Total	101,509	1,196	1,178	103,883
Liabilities				
Unit-linked insurance commitment	-	258	-	258
Derivatives	21	75	-	96
Total	21	333	-	354

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 01/01/2012	894	54	230	1,178
Total reported gains and losses reported in earnings for the year ¹⁾	85	-	-	85
Cost of acquisition	424	5	-	429
Proceeds from sales	-204	-	-	-204
Closing balance, 31/12/2012	1,199	59	230	1,488
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2012 ¹⁾	85	-	-	85

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

Group 2011	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2011	526	-	14	540
Total reported gains and losses reported in earnings for the year ¹⁾	78	-	-	78
Cost of acquisition	387	54	216	657
Proceeds from sales	-97	-	-	-97
Closing balance, 31/12/2011	894	54	230	1,178
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2011 ¹⁾	78	-	-	78

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

Note 27. Net financial assets and liabilities, SEK million (cont.)

Parent company 2012	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2012	894	54	230	1,178
Total reported gains and losses reported in earnings for the year ¹⁾	85	-	-	85
Cost of acquisition	424	5	-	429
Proceeds from sales	-204	-	-	-204
 Closing balance, 31/12/2012	 1,199	 59	 230	 1,488
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2012 ¹⁾	85	-	-	85

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

Parent Company 2011	Shares and participations	Bonds and other interest-bearing securities	Other financial investment assets	Total
Opening balance 01/01/2011	526	-	14	540
Total reported gains and losses reported in earnings for the year ¹⁾	78	-	-	78
Cost of acquisition	387	54	216	657
Proceeds from sales	-97	-	-	-97
 Closing balance, 31/12/2011	 894	 54	 230	 1178
Gains and losses reported in earnings for the year for assets which are included in the closing balance 31/12/2011 ¹⁾	78	-	-	78

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

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

Sensitivity analysis	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
Group				
Shares and participations	120	-120	89	-89
Bonds	6	-6	5	-5
Total	126	-126	94	-94

Sensitivity analysis	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
Parent Company				
Shares and participations	120	-120	89	-89
Bonds	6	-6	5	-5
Total	126	-126	94	-94

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 Life 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.

Note 27. Net financial assets and liabilities, SEK million (cont.)

Shares and participations

Valuation of fund-of-funds holdings are performed by external parties appointed by the fund-of-funds manager. Therefore, Folksam Life 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 28. Tangible assets, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Fixtures and fittings				
Accumulated acquisition costs				
Opening balance	194	194	92	92
Closing balance, December 31	194	194	92	92
Accumulated depreciations				
Opening balance	-183	-176	-83	-81
Depreciations for the year	-3	-7	-2	-2
Closing balance, December 31	-186	-183	-85	-83
Carrying amount, January 1	11	18	9	11
Carrying amount, December 31	8	11	7	9

Note 28. Tangible assets, SEK million (cont.)

	Group	
	2012	2011
Buildings and land		
Accumulated acquisition costs		
Opening balance	1,368	1,367
Investments	6	1
Closing balance, December 31	1,374	1,368
Accumulated depreciations		
Opening balance	-68	-45
Depreciations for the year	-23	-23
Closing balance, December 31	-91	-68
Accumulated impairment charges		
Opening balance	-45	-158
Reversal of previous year's impairment charges	45	113
Closing balance, December 31	-	-45
Carrying amount, January 1	1,255	1,164
Carrying amount, December 31	1,283	1,255

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

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

Note 29. Prepaid acquisition costs, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Opening balance	313	266	25	35
Activation for the year	134	124	11	6
Depreciation for the year	-61	-77	-15	-16
Closing balance, December 31	386	313	21	25

Note 30. Other prepaid expenses and accrued income, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Prepaid expenses	21	19	11	11
Accrued income	122	99	5	-
	143	118	16	11

Note 31. Equity

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

Note 32. Life insurance provisions, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Fund-creating savings products				
Opening balance	85,524	67,284	85,517	67,283
Portfolio transfer	-	-	-	-
Premiums paid in	5,140	4,703	5,140	4,703
Claims paid	-4,130	-4,016	-4,124	-4,015
Internal transfers	4	2	4	2
Risk outcomes	-72	-48	-72	-48
Indexing of paid-up policies	170	77	170	77
Indexation with discount interest rate	2,095	2,534	2,095	2,534
Effect of changed discount interest rate	-1,183	18,057	-1,183	18,057
Change in value of investment assets	5	13	5	13
Charge for administration expense	-640	-555	-640	-555
Charge for policyholder tax	-215	-334	-215	-334
Effect of changed assumptions	-2,901	-1,771	-2,901	-1,771
Other	-339	-422	-339	-430
Closing balance, gross	83,459	85,524	83,457	85,516
Reinsurer's share	-	-	-	-
Closing balance, net	83,459	85,524	83,457	85,516
Risk products with premium reserve				
Opening balance, gross	816	822	817	822
Portfolio transfer	-	-	-	-
Premiums paid in	1,694	1,682	1,694	1,682
Premiums forfeited	-1,528	-1,686	-1,528	-1,686
Other	-305	-2	-306	-1
Closing balance, gross	676	816	677	817
Reinsurer's share	-	-	-	-
Closing balance, net	676	816	677	817
Total closing balance, net	84,135	86,340	84,134	86,333

Note 32. Life insurance provisions (cont.)

Important calculation assumptions in respect of insurance with return guarantee and contractual benefits.

Interest rate assumptions

The rate of interest is selected based on market rates with equivalent durations according to the Swedish Financial Supervisory Authority regulation FFFS 2011:22. For the calculation of the discount rate curve for occupational pension insurance, regulations allow certain options. Market rates on secured housing bonds have, together with rates on treasury bills and government bonds, been used for the calculation of this discount rate curve.

Mortality rate assumptions

For the Folksam branch:

New generation-based mortality rate assumptions when calculating life insurance provisions apply from 01/01/2008. The new assumptions correspond to current experience within Folksam Life. AGM-adopted assumptions are applied to occupational pension insurance, while safeguard assumptions are used for insurance not classified as occupational pension insurance.

For the cooperative occupational pension branch:

Life insurance provisions are calculated with the insurance industry's joint mortality rate assumptions from 1990.

Operational expense assumptions

The following are applied the holdings:

an expense that reduces the interest rate assumption,
an expense that is proportional to the capital value of the disbursements.
an expense that is proportional to the size of the insured risk
an expense that is proportional to the premium paid in.

Operational expense burden has been adjusted in 2012. The operational expense burden in the calculation of the life insurance provisions for the Folksam branch was adjusted on 30 June 2012. The operational expense burden in the calculation of the life insurance provisions for the cooperative occupational pension branch was adjusted on 30 September 2012. The new assumptions correspond to current experience within Folksam Life.

Tax expense assumptions

The method for the determination of assumptions regarding the official long-term borrowing rate has changed in 2012 to using the government bond rate, which has a duration of nearly ten years. A tax rate of 15 per cent is applied to insurance classified as pension insurance for tax purposes. A tax rate of 30 per cent is applied to insurance classified as endowment insurance for tax purposes.

Note 33. Provision for unsettled claims, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Opening balance, gross	2,561	3,613	2,508	3,555
Expense for claims that occurred during the current year	1,625	1,937	1,623	1,934
Claims paid	-1,441	-1,391	-1,440	-1,390
Redeemed fund values for disbursement	6,563	11,934	-	-
Disbursements during the year	-6,576	-11,942	-	-
Impairment loss	-4	-	-	-
Change of anticipated expense for claims that transpired during earlier years (prior-year claims result)	-407	-1,298	-399	-1,295
Effect of changed assumptions	5	84	5	83
Other	24	-376	25	-379
Closing balance, gross	2,352	2,561	2,322	2,508
Reinsurer's share	-25	-39	-25	-22
Closing balance, net	2,327	2,522	2,297	2,486

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

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

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

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

Note 34. Provisions for bonuses and rebates, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Opening balance	2,207	1,280	2,207	1,280
The year's provision for non-mature bonuses	1,158	927	1,158	927
Closing balance	3,365	2,207	3,365	2,207

Note 35. Conditional bonuses, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Opening balance, gross	232	209	232	209
Receipts	45	47	45	47
Disbursements	-23	-10	-23	-10
Change in value of investment assets	22	-5	22	-5
Fees	-4	-3	-4	-3
Policyholder tax	-1	-1	-1	-1
Internal transfers	-5	-4	-5	-4
Other	-	-1	-	-1
Closing balance, gross	266	232	266	232
Reinsurer's share	-	-	-	-
Closing balance, net	266	232	266	232

Note 36. Unit-linked insurance commitments, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Opening balance, gross	43,932	45,140	258	226
Receipts	8,002	8,237	73	75
Disbursements	-1,582	-1,564	-11	-5
Repurchases	-968	-812	-	-
Change in value of investment assets	4,997	-4,302	13	-35
Fees	-254	-232	-3	-2
Policyholder tax	-187	-213	-1	-1
Portfolio transfer	3,120	-2,299	-	-
Risk outcomes	-19	-16	-	-
Other	-9	-7	-	-
Closing balance, gross	57,032	43,932	329	258
Reinsurer's share	-	-	-	-
Closing balance, net	57,032	43,932	329	258

Note 37. Pensions and similar liabilities, SEK million

Group	2012	2011
Pension obligations		
Present value of wholly or partially funded obligations	-578	-431
Present value of unfunded pension obligations	-52	-54
Total present value of defined-benefits obligations	-630	-485
Fair value of plan assets	479	392
Net reported in respect of defined-benefits plans in the statement of financial position	-151	-93
The net amount for defined-benefits plans is reported in the following items in the statement of financial position		
Pension provisions	-152	-93
Net amount in the statement of financial position	-152	-93
Overview of defined-benefits plans		
Change in present value of obligations for defined-benefits plans		
Obligations for defined-benefits plans as of January 1	485	444
Compensation disbursed	-23	-18
Expenses for the current period of service	12	9
Interest expenses	20	18
Actuarial gains and losses	69	81
Adjustments between Groups	67	-49
Obligations for defined-benefits plans as of December 31	630	485
Changes to the fair value of plan assets		
Fair value of plan assets as of January 1	392	417
Fees from employer	23	19
Compensation disbursed	-23	-18
Anticipated return from plan assets	17	17
Reductions and settlements	-1	13
Actuarial gains and losses	10	-2
Adjustments between Groups	61	-54
Fair value of plan assets as of December 31	479	392

Group	2012	2011
Plan assets consist of the following		
Equity instruments	283	118
Property	43	35
Debt instruments	153	239
	479	392
Expense reported in profit/loss for the year		
Expenses regarding the current period of service	-13	4
Interest expenses on obligations	-20	-18
Anticipated return from plan assets	17	17
Net expense (+) / Income (-) in profit/loss for the year	-16	3
The expense is reported in the following lines in profit/loss for the year		
Administration expenses	-13	4
Income from financial items	17	17
Financial expenses	-20	-18
	-16	3
Actual return from plan assets	27	15
Revenue reported in other comprehensive income		
Actuarial gains (-) and losses (+)	59	84
Net reported in other comprehensive income	59	84
Actuarial gains (-) and losses (+) reported in other comprehensive income.		
Accumulated as per January 1	-53	-137
Reported during the period	59	84
Accumulated as per December 31	6	-53
Assumptions about defined-benefits obligations		
Discount interest rate	2.86%	3.42%
Anticipated return 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	

Note 37. Pensions and similar liabilities, SEK million (cont.)

Discount interest rate

Folksam uses commercial returns 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 return from plan assets

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

Future salary increases

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

Inflation

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

Future pension increases

Inflation assumptions are used to index future pension increases.

Income base amount

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

Summary of periods	2012	2011	2010	2009
Group				
Defined-benefits obligations	-630	-485	-444	-544
Fair value of plan assets	479	392	417	459
Surplus/loss	-152	-93	-27	-85
Change in pension obligations based on experience	11	-2	-18	6
Change in plan assets based on experience	10	-2	2	25

The Group estimates that SEL 26 million 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 Konsumentkooperationen's pension foundation. Folksam General has payment liability for the pension plan for all Folksam employees.

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

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

Note 37. Pensions and similar liabilities, SEK million (cont.)

Parent Company	2012	2011
Opening balance	31	30
Expenses for the current period of service	1	1
Interest expenses	1	1
Actuarial gains and losses	-4	1
Other changes	-	-2
Closing balance	29	31
Assumptions		
Discount interest rate	2.86%	3.42%
Future salary increases	3.31%	3.14%
Future income base amount increases	3.31%	3.14%
Future pension increases (inflation)	1.81%	1.64%
Retirement rates	5.00%	5.00%
Longevity assumptions	FFFS 2007:31	

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 1 June 2006 have the right to retire at 62 years of age; for other employees 65 years of age applies. Those eligible to retire at 62 years of age may receive a maximum compensation level equivalent to around 65 per cent of pensionable salary up until the age of 65.

If the employee elects to retire at 62 years of age Folksam will make a supplementary premium payment covering retirement benefit up until 65 years of age. Calculations for provisions and similar obligations were made on the assumption that around 50 per cent will exploit the opportunity for premature retirement.

Note 38. Provisions for taxes, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Deferred tax assets and liabilities				
Buildings and land	44	45	44	45
Bonds and other interest-bearing securities	77	95	79	97
Shares and participations	141	67	138	64
Derivatives	-3	-11	-3	-11
Prov. for pension obligation outside Vesting Act	-28	-16	-1	-2
Untaxed reserves	399	486	-	-
Total deferred tax assets and deferred tax liabilities, net	630	666	257	193

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

Note 39. Liabilities in respect of direct insurance, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Policyholders	9	109	-	-
Insurance companies	-	-	-	-
	9	109	-	-

Note 40. Other liabilities, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Liabilities to Group companies	-	-	779	192
Liabilities to related companies	526	587	421	406
Other	2,454	1,951	1,632	968
	2,980	2,538	2,832	1,566

Note 41. Other accrued expenses and deferred income, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Accrued expenses	274	238	120	93
Prepaid income	234	249	189	213
	508	487	309	306

Note 42. Anticipated recovery times for assets and liabilities, SEK million

Group 2012	Max 1 year	Longer than 1 years	Total	
Assets				
Intangible assets	6	45	51	
Buildings and land	-	7,892	7,892	
Shares and participations in Group companies	-	1,229	1,229	
Shares and participations in associated companies	-	826	826	
Interest-bearing securities issued by, and loans to, associated companies	-	1,133	1,133	
Shares and participations	60	31,847	31,907	
Bonds and interest-bearing securities	99	78,693	78,792	
Loans guaranteed by mortgages	-	40	40	
Other loans	-	729	729	
Derivatives	412	-	412	
Other financial investment assets	-	230	230	
Investment assets for which life insurance policyholders bear the investment risk	915	56,116	57,031	
Unsettled claims	1	35	36	
Receivables in respect of direct insurance	51	-	51	
Other receivables	1,868	-	1,868	
Tangible assets and stock	4	1,287	1,291	
Cash and cash equivalents	6,613	17	6,630	
Accrued interest and rental income	1,399	-	1,399	
Prepaid acquisition costs	76	310	386	
Other prepaid expenses and accrued income	143	-	143	
Total assets	11,687	180,389	192,076	

Note 42. Anticipated recovery times for assets and liabilities, SEK million (cont.)

Group 2012	Max 1 year	Longer than 1 years	Total
Liabilities and provisions			
Technical provisions, (before reinsurance)	6,028	83,824	89,852
Actuarial provisions for life insurance for which the policyholder bears the investment risk	1,511	55,788	57,298
Provisions for taxes	1	629	630
Other provisions	-	1	1
Other provisions (pension 62 year-olds)	7	144	152
Liabilities to credit institutions	376	-	376
Deposits from reinsurers	8	-	8
Liabilities in respect of direct insurance	9	-	9
Derivatives	203	-	203
Other liabilities	2,742	281	3,023
Other accrued expenses and deferred income	459	49	508
Total liabilities and provisions	11,344	140,716	152,060

Note 42. Anticipated recovery times for assets and liabilities, SEK million (cont.)

Parent company 2012	Max 1 year	Longer than 1 years	Total
Assets			
Buildings and land	-	2,933	2,933
Shares and participations in Group companies	-	5,624	5,624
Interest-bearing securities issued by, and loans to, Group companies	-	324	324
Shares and participations in associated companies	-	310	310
Interest-bearing loans issued by, and loans to, associated companies	-	1,130	1,130
Shares and participations	-	31,672	31,672
Bonds and interest-bearing securities	1,150	77,301	78,451
Loans guaranteed by mortgages	-	40	40
Other loans	-	729	729
Derivatives	412	-	412
Other financial investment assets	-	230	230
Investment assets for which life insurance policyholders bear the investment risk	-	329	329
Reinsurer's share of technical provisions			
Unsettled claims	-	25	25
Receivables in respect of direct insurance	21	-	21
Other receivables	1,748	-	1,748
Tangible assets and stock	2	4	6
Cash and cash equivalents	5,174	-	5,174
Accrued interest and rental income	1,430	-	1,430
Prepaid acquisition costs	10	11	21
Other prepaid expenses and accrued income	16	-	16
Total assets	9,963	120,662	130,625

Note 42. Anticipated recovery times for assets and liabilities, SEK million (cont.)

Parent company 2012	Max 1 year	Longer than 1 years	Total
Liabilities			
Actuarial provisions, (before reinsurance)	6,009	83,812	89,821
Actuarial provisions for life insurance for which the policyholder bears the investment risk	595	-	595
Provisions for taxes	-	257	257
Provisions for pensions	6	23	29
Deposits from reinsurers	8	-	8
Liabilities in respect of reinsurance	1	-	1
Derivatives	202	-	202
Other liabilities	2,832	-	2,832
Other accrued expenses and deferred income	310	-	310
Total liabilities and provisions	9,963	84,092	94,055

Note 43. Pledged assets, SEK million

Other pledged assets (book value)	Group		Parent Company	
	2012	2011	2012	2011
Assets registered on behalf of policyholders				
Property mortgages	-	-	-	-
Buildings and land	5,546	5,560	5,546	5,560
Shares and participations in Group companies	2,754	2,659	2,754	2,659
Shares and participations	29,838	23,900	29,838	23,900
Bonds and other interest-bearing securities	75,962	72,997	75,962	72,997
Other loans	270	270	270	270
Derivatives	140	519	140	519
Cash and cash equivalents	4,587	4,508	4,587	4,508
Accrued interest and rental income	1,312	1,367	1,312	1,368
Other financial investment assets	652	-	-	-
Investment assets for which the life insurance policyholder bears the investment risk	57,298	44,164	595	490
	178,359	155,944	121,004	112,271
Assets pledged on behalf of others				
Bonds and other interest-bearing securities	2,344	2,012	2,344	2,012
Cash and cash equivalents	440	1,010	440	1,010
Assets pledged for own liabilities				
Total pledged assets	181,143	158,966	123,788	115,293

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

Note 44. Contingent liabilities, SEK million

Other pledged assets (book value)	Group		Parent Company	
	2012	2011	2012	2011
Joint and several liability for liabilities in partnerships	433	427	433	427
Other contingent liabilities	158	-	158	-
	591	427	591	427

Note 45. Commitments, SEK million

	Group		Parent Company	
	2012	2011	2012	2011
Reported commitments for agreed but non-invested risk capital	1,586	1,057	1,586	1,056
Reported commitment for agreed but not yet disbursed loan to associated company	278	-	278	-
Rental commitments	113	141	113	141
	1,977	1,198	1,977	1,197

Note 46. Related party disclosures

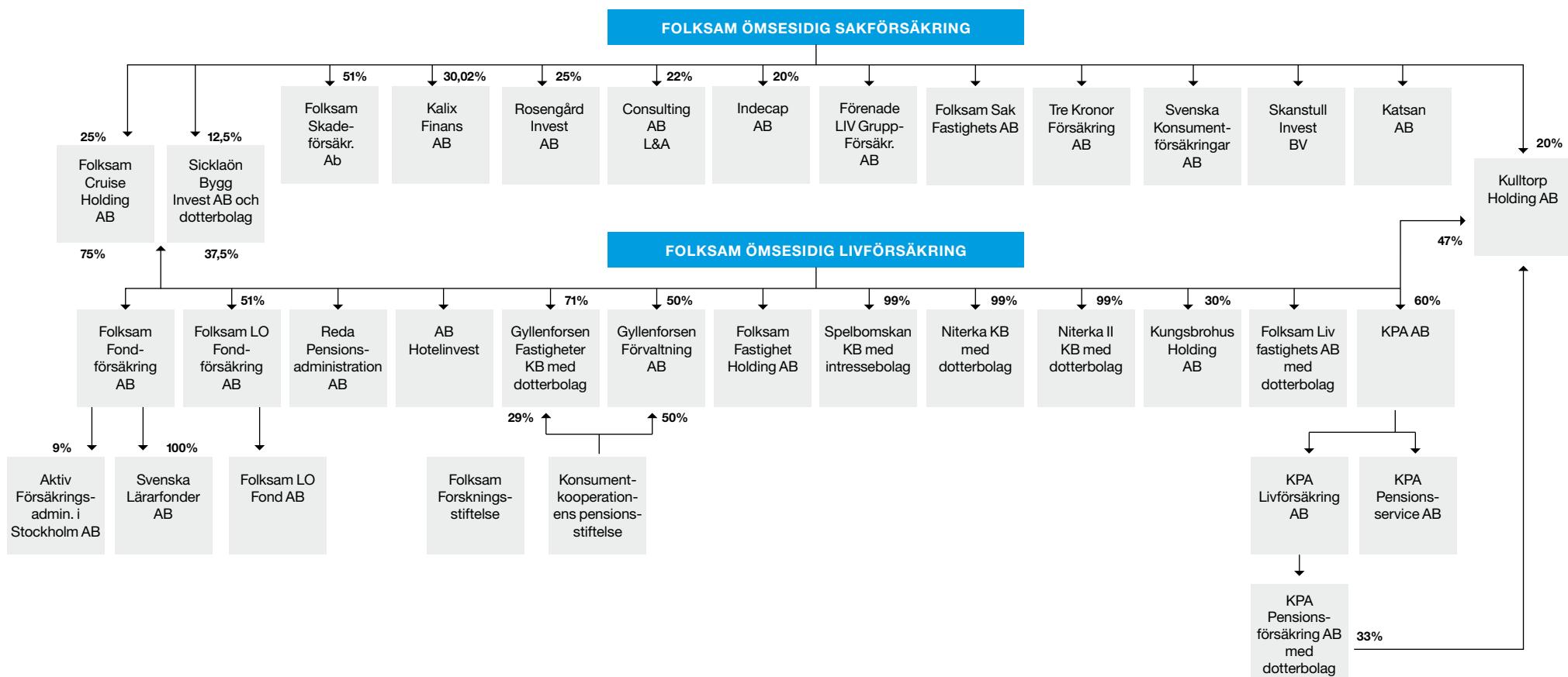
Related parties

This note includes a description of material relations between Folksam Life and related companies in Folksam (the Folksam General and Folksam Life Groups including KPA Pension) and other related parties. All companies in Folksam are defined as related parties due to the 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 organisations except Folksam companies and companies and organisations with an influence within Folksam through board representation. Key people correspond to the senior executives about whom information is provided regarding "Compensation and benefits to senior executives" in Note 27.

Organisations 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.



Note 46. Related party disclosures (cont.)

Folksam companies

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

Folksam Life is the parent company in a Group which, apart from the parent company, comprises the wholly owned subsidiaries AB Hotelinvest, Folksam Fondförsäkringsaktiebolag (publ), Reda Pensionsadministration AB, Spelbomskan KB, Niterka KB, Niterka II KB, Folksam Liv Fastighets AB and Folksam Fastighet Holding AB and the part-owned subgroups KPA Pension (60 per cent) and Folksam LO Fondförsäkring (51 per cent) including their wholly owned subsidiaries. Folksam Life also owns 71 per cent of Gyllenforsen Fastigheter KB, 50 per cent of Gyllenforsen Förvaltning AB, 75 per cent of Folksam Cruise Holding AB, 47 per cent of Kulltorp Holding AB, 30 per cent of Kungsbrohus Holding AB and 37.5 per cent in Sicklaön Bygg Invest AB.

Information on how related party transactions are carried out and monitored

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

Self-cost principle

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

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

Joint employment

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

Within the organisation 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 or related party transactions for senior executives had one record of SEK 24 thousand in respect of premiums in Folksam Life.

Note 46. Related party disclosures (cont.)

Related party transactions

The following transactions took place with related parties, SEK million

Related party transactions	Compensation paid		Compensation received		Related party transactions	Compensation paid		Compensation received	
	2012	2011	2012	2011		2012	2011	2012	2011
Folksam Mutual General Insurance					KP Pension & Försäkring HB				
Insurance operation	317	272	66	58	Insurance operation	-	-	-	5
Asset management	73	69	-	-	Tre Kronor Försäkring AB	-	-	-	1
IT	294	235	15	4	Insurance operation	-	-	-	1
Administrative support	274	217	139	112	Administrative support	-	-	-	1
Pension provisions	50	34	-	-	Svenska konsumentförsäkringar AB (publ)				
KPA AB					Insurance operation	-	-	-	1
Insurance operation	25	28	74	34	Administrative support	-	-	-	1
IT	2	-	4	-	Coop Pension Foundation				
Administrative support	3	-	8	-	Asset management	-	-	22	-
KPA Pensionsförsäkring (publ)					IT	-	-	2	-
Asset management	-	-	75	61	Förenade Liv Gruppförsäkring AB (publ)				
Administrative support	2	-	-	-	Insurance operation	-	-	5	2
KPA Pensionsservice AB					Asset management	-	-	9	9
Pension provisions	1	-	-	-	Folksam Inköp AB				
Folksam Fondförsäkring AB									
Insurance operation	-	-	59	61	Total	1,041	856	569	444
Reda Pensionsadministration AB									
Insurance operation	-	-	30	39					
IT	-	-	6	-					
Folksam LO Fond AB									
Asset management	-	-	23	24					
Folksam LO Fondförsäkring AB (publ)									
Insurance operation	-	-	26	23					
IT	-	-	2	2					
KPA Livförsäkring (publ)									
Asset management	-	-	4	4					
Folksam Spar AB (publ)									
Insurance operation	-	1	-	2					

The insurance business consists of costs for distribution, claims adjustment, customer service, insurance administration and the shared market organisation. 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 leases, human resources, communications, accounting, auditing and marketing.

Note 46. Related party disclosures, SEK million (cont.)

Closing balances at year end	Receivables		Liabilities	
	2012	2011	2012	2011
Folksam Fondförsäkring AB	110	291	1	178
Folksam Liv Fastighets AB (publ)	-	-	767	-
Folksam LO Fond AB (publ)	11	-	-	5
Folksam LO Fondförsäkringsaktiebolag (publ)	10	-	-	4
Folksam Spar AB	-	-	-	1
Folksam Mutual General Insurance	25	24	420	406
Folksam Liv Fastighets AB (publ)	2	9	-	-
Coop Pension Foundation	14	15	-	-
KPA AB (publ)	-	-	1	3
KPA Livförsäkring AB (publ)	1	-	-	-
KPA Pensionsförsäkring AB (publ)	20	-	-	1
KPA Pensionsservice AB	66	103	-	-
Reda Pensionsadministration AB	27	5	9	-
Svenska konsumentförsäkringar AB (publ)	-	-	-	1
Svenska Lärfonder AB	-	-	1	-
Total	286	447	1,199	599

Internal interest

Internal interest is paid on receivables and liabilities between Folksam companies. Interest is STIBOR 1 week. Internal interest in Folksam Life amounted to an income of SEK 3.6 million (8.3) in 2012.

Loans

Folksam Life provided loans to subsidiaries and associated companies in connection with the acquisition of properties and companies totalling SEK 1,454 million (791). Loan receivables totaled: Niterka KB SEK 144 million, Niterka II KB SEK 20 million, Folksam Fastighet Holding AB SEK 160 million, Folksam Cruise Holding AB SEK 367 million, Kulltorp Holding AB SEK 51 million, Kungsbrohus Holding AB SEK 449 million, and Sicklaön Bygg Invest AB SEK 263 million. Income interest on these loans amounted to SEK 58 million (48). The loans are reported under the balance sheet items Interest-bearing securities issued by, and loans to, Group companies and Interest-bearing securities issued by, and loans to, associated companies.

Guarantees/contingent liabilities

An agreement was reached between Folksam Life, KPA AB and KPA Livförsäkring that involves the assumption by Folksam Life of the payment liabilities for the rental contract in respect of KPA Pensions' previous premises

Joint and several liability for the partner company's liabilities are reported under contingent liabilities in the amount of SEK 433 (427) million. An agreement has been reached between Folksam Life and Folksam General regarding the distribution of responsibility for guarantee commitments amounting to a total SEK 211 million for the benefit of associated companies.

Reinsurance

Reinsurance for Folksam companies takes place chiefly through external parties. Folksam Life has received internal reinsurance through Folksam Fondförsäkring AB having reinsured itself with Folksam ömsesidig livförsäkring with a premium volume that amounted to SEK 6 million in 2012.

Shareholder contributions

In 2012, a conditional shareholders contribution was provided by Folksam Life to Folksam Fondförsäkring AB in an amount of SEK 200 million, and a shareholders contribution of SEK 193 million to Kungsbrohus Holding AB and SEK 30 million to Sicklaön Bygg Invest AB. In 2011, the repayment of previously rendered shareholder contributions from Reda Pensionsadministration AB to Folksam Life took place in the amount of SEK 8 million.

Note 47. Average number of employees, pay and remuneration

Average number of employees in Sweden ¹⁾	Parent company		Subsidiaries	
	2012	2011	2012	2011
Salaried employees	678	611	11	93
of whom men	48%	49%	73%	39%
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.

**Note 47. Average number of employees,
pay and remuneration, SEK million
(cont.)**

Pay, compensation and other benefits, SEK million	2012	2011	2012	2011
Board	2.7	2.2		
Managing Director	2.6	2.5		
Deputy managing director and other senior executives	10.1	11.6		
Board and managing director in subsidiaries			10.5	5.1
Salaried employees	341.2	303.4		
Agents	55.0	20.3	143.0	113.9
Total	411.6	340.0	153.5	119.0
Social security charges	215.2	181.9	5.0	35.7
of which pension expenses	86.2	64.0	2.7	21.3
of managing director's pension expenses	0.9	0.9	2.7	2.1
Distribution of men and women in company management, Number				
	2012		2011	
Parent Company	Women	Men	Women	Men
Managing Director	-	1	-	1
Deputy Managing Director and deputy Group CEO 1)	-	-	-	1
Other senior executives	5	5	5	6
Board	6	6	6	6

**Pay, compensation, fees and benefits to senior
executives and the board, Parent Company, SEK 000s**

Directors' fees, SEK thousand	2012	2011
Board chairman		
Nina Jarlback	210	178
Other board members		
Kjell Ahlberg	165	140
Dag Andersson	165	140
Johnny Capor	206	167
Sune Dahlqvist	114	103
Thomas Eriksson	120	102
Doris Forsell-Gustafsson	95	80
Susanna Gideonsson	126	102
Maj-Britt Johansson-Lindfors	131	103
Anita Modin	131	108
Sture Nordh	207	144
Eva Quist	133	108
Jan Rudén	150	130
Eva-Lis Sirén	170	143
Hans Tilly	180	164
Personnel representatives, 4 (5)	350	278
Total directors' fees	2,653	2,190

Note 47. Average number of employees, pay and remuneration, SEK million (cont.)

Pay, compensation, fees and benefits to senior executives and the board, Parent Company, SEK 000s (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	-	201
Total	-	1,433
Senior executives	2012	2011
Other senior executives 10 (11) ²⁾		
Basic salary	10,132	10,658
Other benefits ³⁾	277	255
Pension expenses	2,620	2,843
Other compensation ⁴⁾	72	739
Total	13,101	14,495

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

1) Pension expenses pertain to cost attributable to the respective years.

2) Other senior executives refers to the 10 (11) people who, together with the Managing Director and deputy Managing Director, make up Group management. The deputy Managing Director (the two other deputy managing directors) is 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.

Chairman of the Board	140
Vice Chairman	90
Others excluding MD	65
Deputies	35
Attendance allowance	6
Specific for personnel representatives	
Regular board member	6
Deputies	35
Attendance allowance	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

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 is 62 years for the deputy managing director. The pensionable age is 65 years for other senior executives. The deputy Managing Director switched to a defined-contribution pension plan on 1 May 2005. The other senior executives are employed with de-

Note 47. Average number of employees, pay and remuneration, SEK million (cont.)

fined-contribution 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 directors and other senior executives. For the deputy managing director and other senior executives, severance pay 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 17 April 2013.

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 of 1 July 2011. The pension plans comprise mainly retirement pensions, invalidity pensions and family pensions.

Policyholders born on or before 30 June 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. Policyholders born on 1 July 1978 up until 30 June 1983 are covered by KTP section 1, which is a defined-contributions plan in its entirety. However, this group had the possibility upon introduction of the new plan in 2011 to choose to stay with the defined-benefit pension plan. Policy holders born 1 July 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-benefit pension plans are therefore not applied but disclosures are provided pursuant to the relevant parts of IAS 19. Pension calculations are based on salary and pension levels on the closing date.

Pension commitments secured in Coop Pension Foundation, SEK million	2012	2011
Fair value of specially separable assets	3,511	3,380
Pension commitments secured in Pensionsstiftelsen	-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
Alternative investments	-	-
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 return on specially separated assets	-198	-126
Net expense for in-house pensions	58	73

Note 48. Reconciliation of total return table, SEK million

		Opening market value 01/01/2012	Closing market value 31/12/2012	Total reconciliation 2012				Opening market value 01/01/2012	Closing market value 31/12/2012
	Note					Note			Total reconciliation 2012
Interest-bearing						Alternative investments			
Bonds and other interest-bearing securities	20	75,746	78,451			Reclassification from shares	975	1,106	
Accrued interest		1,377	1,355			Participations to associated companies	95	310	
Direct loans	22	281	280			Less holding in associated companies that manage properties		-215	
Forward interest rate contracts, net	23	-16	-31			Loans to associated companies	437	418	
Other liabilities		-601	-142			Accrued interest to associated companies	33	72	
Reclassification to alternative investments		-54	-61			Other financial investment assets	24	230	
Reclassification to hedge		-946	-836			Secured loan		40	
Cash and cash equivalents		4,028	3,448			Reclassification from interest-bearing	54	61	
Interest-bearing before valuation differences		79,815	82,464	2,792		Cash and cash equivalents	14	164	
Price differences different number of settlement days on valuation		109	99	-22		Alternative investments before valuation differences		1,838	2,186
Valuation principles, futures		1	4						76
Interest-bearing according to TAT		79,925	82,567	2,770		Valuation differences	-	-	1
Shares						Alternative investments according to TAT	1,838	2,185	77
Shares and participations	19	26,868	31,673			Property			
Reclassification to alternative investments		-975	-1,106			Buildings and land	16	2,818	2,933
Reclassification to properties		-337	-529			Operating liabilities, buildings and land		-15	-32
Repayments	26	4	3			Addition re indirectly owned properties	17	3,040	2,263
Equity derivatives, net	23	523	164			Participations in associated companies that manage properties			215
Cash and cash equivalents		73	52			Reclassification from shares		337	529
Shares before valuation differences		26,156	30,257	4,529		Subordinated loans	22	208	219
Difference valuation rate bid/traded		59	13	-46		Accrued interest, alternative investments		4	4
Valuation principles, futures		4	2			Loans to Group companies		354	324
Shares according to TAT		26,219	30,272	4,483		Loans to associated companies			712
						Accrued interest on loans to associated companies			31
						Participating loan	22	220	230
						Property related liquid assets		77	152
						Properties before valuation differences	7,043	7,580	398
						Different number of settlement days on valuation	-1	-	-
						Elimination of internal gains	-	-	14
						Valuation differences	-	-2	-2
						Mark to market, indirectly owned properties	2,068	2,076	8
						Properties according to TAT	9,110	9,654	418

Note 48. Reconciliation of total return table, SEK million (forts.)

	Note	Opening market value 01/01/2012	Closing market value 31/12/2012	Total reconciliation 2012
Strategic company holdings				
Shares and participations Group companies at book value	17	5,543	5,624	
Less holdings in indirectly owned properties	17	-3,040	-2,263	
Liabilities to Group companies		-	-772	
Strategic company holdings before valuation differences		2,503	2,589	13
Updated market values		207	207	-
Strategic company holdings according to TAT		2,710	2,796	13
Hedging instruments				
Interest rate swaps, net	23	-8	-26	
Accrued interest, interest rate swaps		-2	-33	
Currency derivatives, net	23	185	102	
Swaptions, net	23	1	-	
Cash and cash equivalents		3	145	
Reclassification from interest-bearing		946	836	
Hedging instrument before valuation differences		1,125	1,024	663
Valuation differences		19	39	40
Hedging instrument according to TAT		1,144	1,063	703

Note 49. Critical estimations and assumptions

Critical estimations and assessments of the Group's accounting principles

Insurance and investment contracts

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

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

Classification of financial assets and liabilities

Folksam Life's accounting principles define in more detail how assets and liabilities shall be classified into different categories:

The classification of financial assets and liabilities held for trade presupposes that the latter correspond to the description of financial assets and liabilities held for trade provided under accounting principles.

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

Important sources of uncertainties in assessments

Technical provisions

Folksam Life's accounting principles for insurance contracts are described in Note 1. The sensitivity of the assumptions underlying the valuation of the provisions is described in Note 2. Current assumptions are described in the notes on actuarial provisions in Notes 32-33.

Determining the fair value of financial instruments

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

Investment property and owner-occupied properties

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

Pensions and similar liabilities

Accounting principles for defined-benefit pension plans and unsecured pension obligations are described in Note 1. Actuarial assumptions described in Note 37 form the basis for the valuation of the pension obligations.

Provisions

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

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

Stockholm, 19 March 2013

Nina Jarlbeck
Board chairman

Johnny Capor

Susanna Gideonsson

Sture Nordh

Hans Tilly

Anders Sundström
CEO

Sune Dahlqvist

Maj-Britt Johansson Lindfors

Eva Quist

Börje Enander

Anders L Johansson

Jan Rudén

Thomas Eriksson

Anita Modin

Eva-Lis Sirén

My audit report was submitted on
19 March 2013

Magnus Ripa
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Folksam ömsesidig livförsäkring (Folksam Life),
Reg. No. 502006-1585

Statement on the annual accounts and consolidated financial statements

I have audited the annual accounts and the consolidated accounts for Folksam ömsesidig livförsäkring (Folksam Life) 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 the annual accounts that provide a true and fair view according to the Accounts Act for Insurance Companies and the consolidated financial statements that provide a fair presentation pursuant to International Financial Reporting Standards as adopted by the EU and 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 prin-

ciples 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 financial position as of 31 December 2012 and of its financial results and cash flows for the year in compliance with the Annual Accounts Act for Insurance Companies. 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 31 December 2012 and of its financial results and cash flows for the year in compliance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act for Insurance Companies. The administration report is consistent with the other sections of the annual accounts and the consolidated financial statements.

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

Report on other legal and regulatory requirements

In addition to my audit of the annual report and consolidated financial statements I have also examined the proposed allocation of the company's profit or loss and the administration of the Board of Directors and Managing Director of Folksam Mutual Life 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, we examined the proposal to see if it is in accordance with the Swedish Insurance Business Act.

As a basis for my opinion concerning discharge from liability I examined, in addition to my audit of the annual accounts and consolidated financial statements, significant decisions, actions taken and circumstances of the company in order to determine whether any board member or the Managing Director is liable to pay the company compensation. I also examined whether any board member or the Managing Director has, in any other way, acted in contravention of the Swedish Insurance Business Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Stockholm, 19 March 2013

Magnus Ripa
Authorised Public Accountant