skandia

Skandia Liv
Annual Report 2010

A Member of the OLD MUTUAL Group

Contents

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  Skandia customer service 0771-55 55 00
- you can also write to us:
  Skandia Liv
  SE-106 55 Stockholm

Livförsäkringsaktiebolaget Skandia (publ)
Reg. no.: 502019-6365

Year at a glance

Total return 9.4%

Skandia Liv's total return was 9.4% (16.4%).

Managed assets SEK 296 billion

Managed assets amounted to SEK 296 billion (281).

Solvency 174%

Skandia Liv's solvency level at year-end 2010 was 174% (164%).

Collective funding ratio 108%

Skandia Liv's collective funding ratio was 108% (104%) at year-end.

Bonus rate 6%

The bonus rate applies since 1 May 2010.

Savings in life assurance – all-weather protection

Uncertainty in the financial markets is tangible, and opportunities to time investment decisions are limited – for professionals and amateurs alike. Because of this, Skandia Liv's investment strategy is based on being able to manage all types of scenarios. Toward this end, we have created a financial "all-weather raincoat" in which savers can feel secure, regardless of weather conditions in the financial sector. This strategy is no magic formula, but rather an expression of our belief in spreading risk. We invest in many different types of assets, in many parts of the world. In this way we have built up a portfolio with good prospects of riding the wave during an upturn, but which is also strongly resilient during times of turbulence, since a decline in one type of asset can be compensated by an upturn for another. Today we invest in commodities, unlisted companies, infrastructure and real estate – in addition to traditional asset classes like equities and fixed-income securities. Being so diversified is a privilege that comes with having a portfolio worth SEK 296 billion and a high solvency level. This strategy has been successful, and with the year now behind us we can chalk down a return of 9.4%, which gives us a top placement in Sweden.

All in all, I believe Skandia Liv has the future on its side – quite simply because we offer what so many people are seeking: simplicity, a guarantee, stability and a high bonus rate. An average bonus rate of 7.7% over the last 15 years – what other form of savings can match that? Much to our gratitude, this has translated to higher sales, especially in the private market.

Even though we have demonstrably delivered first-rate results, we have not adequately shared this positive news with our customers. After the ITP selection process was completed this past summer, this became clearer than ever. Objective market watchers gave our offering top scores, yet fewer people than we had hoped chose to put their savings in Skandia Liv. The conclusion to be drawn is that we must be better at explaining our products and their value. In 2011 we will therefore intensify our marketing and focus on building even stronger relationships with our customers. We have a good starting point – in 2010 we were named "Life Company of the Year" and also received an award for our preventive work in company wellness programmes.

One challenge that we are facing is to continuously increase our efficiency and cut costs. Our operating environment also presents a number of challenges, such as in the occupational pensions market. The current system creates risks at both the individual and national levels, and over time it could result in occupational pension customers in Sweden not getting the best pension product. I therefore hope that we – that is, the labour market parties and the pension companies – can co-operate on the adoption of a competition-neutral procurement model in the occupational pensions market, which would benefit the customers in the long term.

The work on implementing the Solvency II risk rules is proceeding according to plan. It entails some adjustments for our part, but in relative terms Skandia Liv will emerge strong from the process. Thanks to our favourable solvency level, we are in good shape to meet the new capital adequacy requirements.

To sum things up, Skandia Liv has the best conditions to deliver what it has set out to do: financial security and high returns for our policyholders in a dynamic and active life assurance company.

Bengt-Åke Fagerman
Chief Executive, Skandia Liv

Board of Directors

Gunnar Palme
Chairman of the Board since May 2010 and independent director on Skandia Liv's board since 2008.
Born: 1954

Mårten Andersson
Non-independent director on Skandia Liv's board since October 2010. Chief Executive of Skandia Liv's parent company.
Born: 1971

Jens Erik Christensen
Independent director on Skandia Liv's board since May 2010.
Born: 1950

Gunnar Holmgren
Independent director on Skandia Liv's board since 2002.
Born: 1957

Monica Lindstedt
Independent director on Skandia Liv's board since 2006.
Born: 1953

Lars Otterbeck
Non-independent director on Skandia Liv's board since 2007. Vice Chairman of the Board of Skandia Liv's parent company.
Born: 1942

Leif Victorin
Independent director on Skandia Liv's board since 2008.
Born: 1940

Dahn Eriksson
Non-independent director on Skandia Liv's board since 2007.
Employee representative.
Born: 1962

Sonja Wikström
Non-independent director on Skandia Liv's board since 2008.
Employee representative.
Born: 1952

Alternate directors

Marek Rydén
Non-independent alternate director on Skandia Liv's board since May 2010.
Born: 1969

Bengt Carlberg
Non-independent director on Skandia Liv's board since 2003.
Employee representative.
Born: 1951

Jane Olofsson
Non-independent director on Skandia Liv's board since May 2010.
Employee representative.
Born: 1982

Management

Bengt-Åke Fagerman
Chief Executive
Born: 1954
Skandia Liv employee since 2002.
Skandia employee since 1978.

Lars Bergendal
General Counsel and Company Secretary
Born: 1953
Skandia Liv employee since 2003.
Skandia employee since 2001.

Bengt Blomberg
Head of IT
Born: 1962
Skandia Liv employee since 1999.
Skandia employee since 1983.

Tua Holgersson
Head of Business Unit
Born: 1964
Skandia Liv employee since 2010.
Skandia employee since 1989.

Håkan Ljung
Chief Actuary and Head of Risk Governance and Risk Control
Born: 1967
Skandia Liv employee since 2006.

Annie Sebelius
Head of Corporate Communications
Born: 1971
Skandia employee since 2009.
The Head of Corporate Communications assignment is performed by Skandia on behalf of Skandia Liv.

Hans Sterte
Head of Asset Management
Born: 1961
Skandia Liv employee since 2007.

Anna-Carin Söderblom Agius
Chief Financial Officer and Chief Operating Officer
Born: 1967
Skandia Liv employee since 2007.

Ingrid Roslund Winje
Head of Human Resources
Born: 1954
Skanda Liv employee 2000–2008. Skandia employee since 2008.
Starting in 2008, the Head of Human Resources assignment is performed by Skandia on behalf of Skandia Liv.

Board of directors' report 2010

Introduction

The Board of Directors and President of Livförsäkringsaktiebolaget Skandia (publ), ("Skandia Liv"), registered number 502019-6365, hereby submit their Annual Report for 2010, the company's 138th year in operation.

Organisation

Skandia Liv is a wholly owned subsidiary of Skandia Insurance Company Ltd ("Skandia"). In 2006 Skandia became a member of Old Mutual plc ("Old Mutual"), an international group that offers financial services in life assurance, banking and asset management. Old Mutual was established in 1845 and has its head offices in London. Operationally, Skandia Liv is part of Skandia's Nordic division, which comprises all operations in Sweden, Denmark and Norway. Several businesses and functions are conducted jointly within the entire Skandia group. The aim is to work in a more cohesive organisation and thereby simplify things for customers while achieving revenue and expense synergies.

Group structure, Skandia Liv

The Skandia Liv group consists – in addition to the parent company Livförsäkringsaktiebolaget Skandia (publ) – of Skandia Liv Fastigheter AB, which owns Diligentia AB with several property-owning companies, Skandikon Pensionsadministration AB, Skandikon Administration AB, Berlac AB (in liquidation), Life Equity Sweden KB, Skandia Livsforsikring A/S, Skandia Livsforsikring A A/S, Skandia Asset Management A/S and Skandia A/S (Denmark). Finsinequa Consulting Oy (Finland) has been liquidated. All of the subsidiaries may distribute profits to their owner.

Operations

Skandia Liv's business mission is to offer value-for-money products with a guarantee that are easy to understand and give our customers financial security for retirement, illness and death.

Our offerings are based on a combination of savings, insurance, advice and administration. The entire profit or loss that arises in the company's business accrues to our policyholders. We do not pay any shareholder dividends – in other words, Skandia Liv is run entirely on a mutual basis. When you take out a pension or endowment insurance policy with Skandia Liv, you are choosing so-called traditional life management, which entails that we handle the asset management for you. Our policyholders are guaranteed a certain level of benefits when their insurance policies mature, and it is this guarantee that sets traditional life management apart from many other savings forms. Prior to commencing payment of benefits, we recalculate the policyholder's insurance capital to a disbursement amount and compare it with the guaranteed amount. If the disbursement amount is higher, the policyholder receives that amount, but if the amount is lower, then the policyholder receives the guaranteed amount.

Our financial strength gives us a greater opportunity to generate higher returns than many other companies. We can invest more capital at a higher risk, without risking what we have promised. This means that, in addition to a guarantee, our customers have very good prospects for a higher return.

Important events during the year

Move to new premises

In March 2010 Skandia moved its head offices from Sveavägen 44 to Lindhagensgatan 86, in Kungsholmen, Stockholm. The new offices are in a state-of-the art "green building" that meets a multitude of environmental standards. The move was prompted by a need for modern offices that provide significant cost savings while incorporating distinct environmental features.

New Chairman

In connection with Skandia Liv's Annual General Meeting in May 2010, Gunnar Palme took office as Chairman of the Board, succeeding Bo Eklöf. Gunnar Palme has been a director on Skandia Liv's board since 2008. At the AGM, Jens Erik Christensen was appointed as a new director on the Board, while Elisabet Annell and Sverker Lundkvist resigned as directors.

Progress for municipal business

During the year, Skandia Liv was entrusted with handling insurance administration for nine municipalities with related companies in Sweden's Kronoberg province. This was confirmed after the Administrative Court of Appeal upheld the municipalities' appeal of the matter. Skandia Liv had previously won the insurance bid for the Kronoberg municipalities. Skandia Liv has recently also won procurement processes for insurance and administration for the Ulricehamn and Överkalix municipalities.

New rules for so-called hybrid companies being studied
A government study has been launched to analyse and propose new rules for mutually operated stock insurance companies like Skandia Liv. The aim is to further strengthen the policyholders' position. A proposal is expected towards the end of 2011.

Solvency II

Adaptation to the Solvency II, the new EU solvency regime, continued during the year. The aim of Solvency II is to strengthen policyholder protections. The overall guidelines of the solvency rules have been set through a framework directive that was adopted in spring 2009. Work is continuing in the EU on drawing up more detailed requirements. Solvency II takes effect on 1 January 2013.

High level of ambition
In early 2010 Skandia Liv started a sweeping implementation project for adaptation to the new solvency rules. Good risk governance is a vital success factor for an insurance company. The advantage for a company like Skandia Liv is that risk governance has been a central part of operations for a long time. Skandia Liv aspires to continue to be a leading company in the area of risk governance and therefore its ambitions go considerably beyond the minimum requirements posed by Solvency II. Accordingly, we are developing our own model for calculating solvency risk, which gives us a better ability to understand and govern the risks in the business. At the same time, developing an own model entails that the requirements for precision and reliability in the model are high. The Swedish Financial Supervisory Authority will therefore be reviewing the model to ensure that the requirements are met.

On track
The adaptation to Solvency II and development of the company's own model proceeded according to plan in 2010. This work has required a great deal of resources and will continue to do so for a couple of years ahead of the effective date of implementation of the regime. In autumn 2010 Skandia Liv participated in the Fifth Quantitative Impact Study (QIS 5), which aims to illuminate the effects of the proposed solvency rules. The result of QIS 5 shows that Skandia Liv meets the new solvency requirements with a good margin. The final Solvency II rules have not yet been set. The result of QIS 5 can therefore be seen as an indication of the company's solvency situation under the future solvency rules.

Transition to full IFRS within the group

Starting with the 2010 financial year, Skandia Liv fully applies International Financial Reporting Standards (IFRS) adopted by the EU in the consolidated accounting. Previously Skandia Liv applied so-called legally limited IFRS, entailing application of IFRS as far as possible in accordance with Swedish law. The transition has not had any effect on the company's result of operations. Compared with the annual report for 2009, the following changes have been made in the presentation of the income statement and balance sheet.

- Current tax assets and current tax liabilities are reported as separate items.
- Deferred tax assets and deferred tax liabilities are reported as separate items.
- Income tax is reported as a separate item.

The parent company Skandia Liv still applies legally limited IFRS.

Result for the year

Result for the year 2010
The Skandia Liv group's result for 2010 was SEK 22,682 million (61,304) after tax. The corresponding result for Skandia Liv Sweden was SEK 22,561 million (61,245). The technical result (before tax) for Skandia Liv Sweden was SEK 25,014 million (63,434).

The technical result is derived primarily from three result sources: the investment result, the risk result and the administrative result. The investment result consists of the difference between the actual investment return and the interest rate that is used to calculate technical provisions. The risk result is the difference between the underlying assumptions on longevity and mortality and the actual outcome. The administrative result shows the difference between fees charged to insurance policies and the company's actual operating expenses. Normally the investment result makes up the largest component of the total result, and for the 2010 financial year, the investment result was SEK 23,668 million (62,210). Risk business generated a result of SEK 959 million (747), and administration SEK 387 million (477). The result is applied to the funding reserve, which makes up Skandia Liv's accumulated surplus funds. For insurance with a savings element, surpluses are allocated to policyholders primarily through the bonus rate, while for pure risk insurance, allocation of surpluses is done by lowering premiums, for example. Following are comments on the various result items that make up the technical result.

Total return, Skandia Liv Sweden

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
-3.0%	-11.7%	9.1%	8.8%	13.7%	9.1%	4.4%	-13.4%	16.4%	9.4%

Managed assets (SEK million), Skandia Liv Sweden

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
255,418	220,812	235,104	249,608	276,065	293,026	302,537	253,104	280,945	296,441

The following section pertains to Skandia Liv Sweden unless indicated otherwise. Skandia Liv Sweden consists of the parent company (Livförsäkringsaktiebolaget Skandia (publ)), Skandia Liv Fastigheter AB and Diligentia AB with several property-owning subsidiaries, Life Equity Sweden KB, Skandikon Pensionsadministration AB, and Skandikon Administration AB.

Premiums written

Skandia Liv's premiums written, net of reinsurance, amounted to SEK 11,808 million (10,797) in 2010. Premiums written increased mainly with respect to single premiums for savings products, however, incoming transfers of capital also increased. The bonus rate was raised in 2010, which had a direct effect on sales to private customers. Instalment premiums decreased, mainly owing to a slight decline in sales of occupational pensions. Premiums written for risk products decreased as a result of the premium differentiation work that was carried out during the year in the aim of lowering premiums for companies with low levels of employee sickness/disability.

Investment income

Investment income amounted to SEK 25,021 million (40,634). Investment income is made up of realised as well as unrealised returns and consists of the net amount of income and expenses. Expenses include asset management charges of SEK 201 million (274), which pertain to Skandia Liv's own asset management organisation as well as fees to external asset managers.

Total return

Skandia Liv's total return for 2010 was 9.4% (16.4%). The goal of Skandia Liv's asset management is to generate a high, stable return in relation to inflation and our obligations to the policyholders. For returns on the portfolio's various asset classes, see the total return table below.

Investments

At year-end 2010 Skandia Liv had assets under management valued at SEK 296,441 million (280,945). The long-term asset allocation is decisive for future returns. Skandia Liv has been working for several years to create a better balance in its strategic asset allocation. The aim is to achieve a better spread of risk and in that way lower the risk in the portfolio while also enhancing returns over time. The aim has been to try to reduce dependence on equities in Sweden, Europe and North America. The idea is to add complementary risk assets to the portfolio that have a deviating return profile. This work continued in 2010. Skandia Liv has chosen a currency strategy in which foreign assets are not automatically hedged to increase the spread of risk. During the year, most of the currency hedges taken out in the foreign portfolios in 2009 were discontinued since in Skandia Liv's view, the Swedish krona is no longer to be regarded as undervalued compared with traditional currencies. During the year, the share of traditional assets, equities and fixed-income investments in the portfolio was decreased, partly in favour of investments in unlisted companies, in line with the long-term strategy for the strategic asset allocation. The asset portfolio had an unchanged average level of interest rate risk compared with at year-end 2009.

Change in other technical provisions

During the year it was possible to dissolve other technical provisions. The change generated a positive result effect of SEK 728 million (24,657), of which SEK -49 million (-25) is attributable to a change in conditional bonuses (gross). The value of life assurance provisions is affected to a high degree by the discount rate used to calculate the value of future guaranteed benefits. A low discount rate leads to a high present value of guaranteed future benefits, while a high discount rate leads to a low present value. A change in the discount rate by 0.10 percentage points for all maturities would entail a change in life assurance provisions by approximately SEK 1,600 million.

Life assurance classified as occupational pensions business

Life assurance provisions for occupational pensions business accounted for approximately 62% (62%) of total life assurance provisions. Provisions classified as occupational pensions business are discounted using market rates of interest. Market interest rates rose in 2010, which entailed

Total return table	Market value (SEK million)		Allocation (%)		Total return (%)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Nominal bonds	76,999	78,482	26.1	28.1	2.8	5.1
Swedish inflation-linked bonds	23,056	21,971	7.8	7.9	5.0	3.9
Swedish equities	38,344	39,081	13.0	14.0	26.6	54.4
Foreign equities	71,670	70,612	24.3	25.3	7.2	24.9
Real estate	30,347	27,776	10.3	9.9	12.6	8.2
Private equity	13,956	8,959	4.7	3.2	5.4	-17.1
Alternative strategies	22,732	21,375	7.7	7.6	11.3	22.9
Other	18,033	11,331	6.1	4.1	n/a	n/a
Total	**295,137**	**279,587**	**100.0**	**100.0**	**9.4**	**16.4**

This table has been prepared in accordance with the Swedish Insurance Federation's recommendation for annual reporting of total returns ("Total return table"). The total in the table differs from the amount of managed assets reported on the balance sheet due to the fact that some assets on the balance sheet are not included in the Total return table. A reconciliation of the return based on the Total return table against financial reports is presented on pages 58–59.

a dissolution of provisions in the amount of SEK 1,354 million (16,102). Other changes, mainly attributable to net cash flow of premiums and disbursements, and net interest expenses, amounted to SEK -1,525 million (-3,296). The total change in other life assurance provisions for occupational pension business was SEK -172 million (12,576) as per 31 December 2010, with a corresponding subsequent negative result effect.

Other life assurance
Provisions for other life assurance are also discounted using market rates of interest. However, to continue maintaining a certain measure of safeguard assumptions, this interest rate is different than the one used for occupational pensions business. Rising market interest rates gave rise to a dissolution of these provisions in the amount of SEK 14 million (8,286). Other changes, which are mainly attributable to the net cash flow of premiums and disbursements, and net interest expenses, amounted to SEK 935 million (2,321). The total change in other life assurance provisions for other life assurance was SEK 949 million (12,106) as per 31 December 2010, with a subsequent positive result effect.

Claims incurred
The sum of the items Claims paid and Change in provision for claims outstanding amounted to SEK 11,365 million (11,362).

Claims paid
Claims paid increased to SEK 12,043 million (11,550), of which claims settlement costs amounted to SEK 38 million (48). The increase in claims paid is mainly attributable to more insureds reaching retirement age. The increase is also attributable to greater movement in the market through an increase in transfers of capital to other insurance companies or other forms of saving. Transfers of capital away from Skandia Liv amounted to SEK 987 million (719) in 2010. Surrenders also increased during the year.

In addition to benefits that are guaranteed to policyholders, bonuses are also paid out, which are a share in surpluses that have been earned during the insurance period. Bonuses paid out in 2010 amounted to SEK 6,489 million (6,693). However, payments of surpluses are not reported in the income statement; instead, they are reported as a decrease in the funding reserve on the balance sheet.

Change in provision for claims outstanding
The change in the provision for claims outstanding decreased claims paid by SEK 678 million (188), with a subsequent positive result effect. As in 2009, the number of active disability and waiver-of-premium claims continued to fall in 2010, which entailed that earlier provisions of SEK 708 million (529) could be dissolved. However, a change in market interest rates gave rise to a strengthening of the reserve, by SEK -30 million (-341).

Operating expenses
Operating expenses amounted to SEK 1,474 million (1,577). Operating expenses can be broken down into administrative expenses and acquisition costs, where the former category pertains to costs for existing policies and the latter for handling in connection with new business, such as commissions and new business activities.

Administrative expenses amounted to SEK 1,095 million (1,137). The decrease is mainly due to a continued, several-year cost-cutting programme at Skandia Liv, as well as to lower costs for portfolio commissions, which are commissions for existing policies.

Acquisition costs are capitalised to a great extent on the balance sheet as deferred acquisition costs and are thereafter allocated over a ten-year period. This is done to achieve a better balance between revenues and expenses during the term of insurance contracts.

Acquisition costs charged against the result for 2010 amounted to SEK 380 million (440), a decrease of 60%. Acquisition costs consist mainly of sales costs, such as commissions based on new sales, and the change in deferred acquisition costs. Sales costs increased by SEK 68 million compared with the preceding year. The increase is mainly attributable to a higher level of new sales. The change in deferred acquisition costs, i.e., the allocation of sales costs over the terms of insurance contracts, decreased by SEK 128 million compared with the preceding year.

The operating expense ratio, which shows the relationship between operating expenses and premiums written, decreased to 12.5% (14.6%). The decrease is attributable to a higher level of premiums written combined with a lower level of operating expenses compared with a year earlier. The management expense ratio, which is another ratio that shows the relation between operating expenses and average managed assets during the year, was 0.52% (0.62%).

Funding and solvency

Collective funding ratio
Skandia Liv's collective funding ratio was 108% (104%) as per 31 December 2010. For insurance with a savings element, the collective funding ratio shows the value of the underlying assets in relation to the value of the guaranteed commitments and surpluses that are preliminarily allocated among the insurance contracts. By adjusting the bonus rate, which allocates bonuses among the policyholders, Skandia Liv strives to keep the collective funding ratio within an interval of 95%–115%. How this is achieved is regulated by the company's funding policy, which is described on Skandia Liv's website, www.skandia.se/liv.

Solvency
Solvency is a measure of the value of assets in relation to the guaranteed commitments to the policyholders. Skandia Liv's solvency was 174% (164%) as per 31 December 2010. The solvency ratio shows how large the company's solvency capital is in relation to the minimum margin permissible under the Swedish Insurance Business Act (the solvency margin). The solvency ratio was 16 (14), which means that the company's solvency capital is 16 times greater than the statutory minimum requirement.

Risks and risk management

Managing risk is a natural part of Skandia Liv's business. We manage several different types of risk, such as
- solvency risk,
- profitability risk, including financial risks,
- strategic risk, and
- operational risk.

These risks and our way of managing, measuring and following them up are described in note 2, Risks and risk management.

The environment

Skandia Liv does not conduct any operations that require a permit or reporting obligation pursuant to the Environmental Code. However, our own guidelines stipulate that Skandia Liv shall work actively to reduce any adverse direct or indirect environmental impact of its operations. To limit direct environmental impact, Skandia Liv strives to restrict its use of non-renewable resources. This is mainly achieved by restricting the use of energy and materials, as well as of leaching of waste and emissions from the properties that we use and own. Skandia Liv also has indirect environmental impact through the companies that we have shareholdings in. Skandia Liv's ownership policy stipulates that the boards of these companies shall maintain a responsible approach to ethical issues and work actively on ethics and environmental matters.

In Skandia Liv's subsidiary Diligentia, an already extensive environmental undertaking is being accelerated, and during the year a large number of energy-savings and other environmental measures were carried out in several properties. These are usually done within the framework of various Swedish and international environmental certifications, which enable a systematic approach to work on environmental matters, at the same time that the company can guarantee the properties' environmental performance. At a more overarching level, during the year Diligentia signed a new electricity supply contract, where all properties in the future will be supplied with low CO^2-emitting electricity from hydro power.

Social responsibility

Socially Responsible Investments
Skandia takes its ownership responsibility – through Socially Responsible Investments – as well as other strategic owner matters with utmost seriousness. Skandia Liv today has a well-working process for detecting signals of inappropriate behaviour in ethical matters. At the industry level, along with 14 other institutions we are a co-founder of "Sustainable Value Creation", a project in which the 100 largest companies on the Nasdaq OMX exchange have been requested to respond to a survey about their work with the environment, labour law, corruption and other issues. The aim is to jointly focus on matters that contribute to best practice through the exchange of experience and methods among companies.

Ideas for Life
Skandia Liv believes it is only natural to be actively involved in social development. Ideas for Life is an undertaking that was started in 1987 to work preventively and long-term with children and youths. Through Ideas for Life we work with non-profit organisations, schools, associations and municipalities. All Skandia employees have the opportunity to use a part of their working time to serve as a volunteer for an Ideas for Life activity. Examples include chaperoning city streets at night, helping with homework, or projects focusing on parents, teachers or sport leaders.

Our people

Skandia Liv is a company that builds long-term relationships with its customers as well as employees. Employee commitment, competence and performance are decisive for the company's success.

Employees
In 2010 the average number of employees in the parent company Skandia Liv was 256 (248), of whom 47% were women (48%). The share of women in management positions was 46% (41%), and the average age of all employees was 44 (45). Employee turnover increased compared with a year ago and was 6.7% at year-end (5.5%). Total absence due to illness decreased to 2.8% (3.0%).

Livianen
Livianen is Skandia Liv's foundation for variable remuneration based on a profit-sharing foundation model. Its purpose is to stimulate motivation and participation among the company's employees through a financial incentive when the company performs in accordance with three set targets. For 2010 the maximum award per employee from the foundation, if all three targets were met, is 62.5% of the Price Base Amount, or SEK 26,500.

Remuneration and benefits for key senior executives
Skandia Liv offers variable remuneration as a tool in setting salary levels for managers. The level of remuneration has a cap ranging between 10% and 50% of the employee's base salary, depending on the position. The 50% level applies only for certain employees in Skandia Liv's asset management organisation. For details on salaries and remuneration, see note 37.

Health promotion at Skandia Liv
Skandia Liv offers its employees access to advice and assistance on health matters. In addition, all employees are offered Skandia's private healthcare insurance. Skandia Liv also supports employee wellness activities by providing wellness grants and subsidised activities.

Skandia Liv's subsidiaries in 2010

Swedish subsidiaries
Skandikon
Skandikon generated a profit of SEK 9 million (13) in 2010. During the year Skandikon worked on developing the company and its offerings. Several new transactions were carried out, and in the years ahead, revenues are expected to increase considerably. Existing customer assignments have also been further developed. Among other things, focus has been on further supporting Skandia Liv's involvement in public sector business.

Diligentia
Skandia Liv Fastigheter AB is a subsidiary of Skandia Liv and the parent company of Diligentia AB, where Skandia Liv's real estate holdings are concentrated. In June 2010, Anders Kupsu took office as new Chief Executive of the company. Diligentia's business concept is to engage in long-term ownership, development and management of offices, shopping centres and residential properties. At year-end the real estate holdings were estimated to be worth SEK 30,347 million (27,776). Investments in existing properties amounted to SEK 1,378 million (1,016). During the year, three properties were acquired (1) and 15 were sold (24).

Other Swedish subsidiaries
Life Equity Sweden KB is an asset management company focusing on unlisted companies in the biotech sector in the Nordic countries. At 31 December 2010 the company had no holdings, and in 2011 it will be liquidated according to plan. The subsidiary Berlac AB did not conduct any operations in 2010 and will also be liquidated in 2011.

Foreign subsidiaries
Skandia Liv's foreign subsidiaries are Skandia Livsforsikring A/S, Skandia Livsforsikring A A/S, Skandia Asset Management A/S and Skandia A/S – all in Denmark.

Denmark
Skandia Liv's operations in Denmark comprise two separate insurance concepts. Skandia Livsforsikring A A/S handles private business and is closed for new business. Skandia Livsforsikring A/S handles "Bonuspension" business, which is designed for the occupational pensions market. Written premiums for both companies amounted to SEK 2,118 million (1,840), operating expenses totalled SEK 236 million (264), and the result for the year was SEK 111 million (53). Total assets amounted to SEK 16,081 million (15,858), of which life assurance provisions amounted to SEK 14,326 million (14,202).

Finland
The Finnish company Finsinequa Consulting Oy (in liquidation) was dissolved in 2010. The result for 2010 was SEK 0 million (0).

Anticipated future outlook

Legislation
A new, major regulatory regime for risk governance and solvency capital requirement is set to be implemented in 2013 (Solvency II). Solvency capital requirements are being made more stringent in a risk-based standard model. A more favourable solvency capital requirement can be achieved if the company adopts an effective internal company model. New demands are being placed on the increased flow of information internally and externally, and on decision-making processes. The formulation of the legal rules for the new solvency regime could lead to skewed competition neutrality between companies that offer occupational pensions in the Swedish market.

The manner in which life assurance companies and their policyholders are taxed is being reviewed. The Ministry of Finance has issued a proposal for a law that is currently being circulated for review, entailing a new, account-based form of savings for securities with standard taxation. This proposal also calls for stricter taxation and a restructuring of taxation for endowment insurance policies. The new rules are proposed to take effect at the start of 2013. New International Financial Reporting Standards (IFRSs) are also expected within a few years.

A new Insurance Business Act takes effect in April 2011. Under the new law, insurance associations may in principle compete with life companies, but despite this, they may not be subject to the Solvency II rules.

Retroactive transfer rights and the rules for governance and restructuring of so-called hybrid life companies are being studied in 2011 in the aim of significantly strengthening consumer protections.

Corporate governance report

Skandia Liv's corporate governance is described in a separate report (Corporate Governance Report 2010), which is posted on Skandia Liv's website: www.skandia.se/liv.

Five-year overview, Skandia Liv group

	2010	2009	2008	2007	2006
Result, SEK million					
Premiums written, net of reinsurance	13,862	12,566	14,819	15,952	15,004
Investment income, net	26,201	42,151	-40,937	12,519	24,386
Claims incurred, net of reinsurance	-12,235	-12,024	-11,215	-11,003	-10,740
Bonuses	279	272	-6	-60	515
Life assurance technical result	25,138	63,526	-78,548	27,555	24,997
Result for the year	**22,682**	**61,304**	**-79,003**	**24,552**	**22,106**
Financial position, SEK million					
Investments	311,113	300,013	271,388	309,557	299,664
Technical provisions, net of reinsurance	183,292	184,614	207,919	166,516	181,471
Net asset value, SEK million					
Reported equity	124,756	109,015	54,764	140,916	117,780
Deferred taxes	2,880	2,275	1,811	3,633	2,682
Total net asset value	**127,636**	**111,290**	**56,575**	**144,549**	**120,462**
Collective funding capital[1]	21,127	11,443	-21,464	20,160	30,709
Solvency capital[2]	121,777	107,934	53,728	136,552	115,183
Required solvency margin[2]	7,424	7,494	8,517	6,907	7,483
Group solvency capital according to the risk-based aggregation and risk-based deduction method	121,087	107,268	53,132	134,426	114,713
- less intangible items totalling	43	59	82	73	70
Required group solvency margin according to the risk-based aggregation and risk-based deduction method	7,956	7,994	9,010	7,275	7,911
Key ratios, %[1]					
Management expense ratio	0.52	0.62	0.64	0.61	0.55
Management expense ratio including asset management charges	0.59	0.72	0.74	0.73	0.69
Direct yield	3.1	3.6	3.6	3.5	2.9
Total return	9.4	16.4	-13.4	4.4	9.1
Collective funding ratio[3]	108	104	91	107	112
Solvency	174	164	128	190	173
Solvency ratio[2]	16	14	6	20	15
Acquisition cost ratio	3.2	4.1	3.3	3.7	3.0
Operating expense ratio	12.5	14.6	13.6	12.4	10.9

[1] Figures pertain to Skandia Liv Sweden.
[2] Figures pertain to the parent company.
[3] According to the retrospective method.

Skandia Liv applies IFRS in full from 2010. This change has not had any effect on the five-year overview above.

Proposed distribution of profit

The Board of Directors and Chief Executive propose that the result for the year for the parent company, Livförsäkringsaktiebolaget Skandia (publ), totalling SEK 20,205 million, be transferred to the funding reserve for the respective lines of insurance as follows:

Funding reserve, SEK million	2010
Defined benefit insurance	329
Defined contribution traditional life assurance	10,127
Employment-related disability insurance and waiver-of-premium insurance	599
Individual traditional life assurance	8,619
Non-cancellable disability and accident insurance and waiver-of-premium insurance	355
Group life and occupational group life assurance	49
Cancellable disability and accident insurance	118
Reinsurance accepted	9
Total	**20,205**

Stockholm, 25 February 2011

Gunnar Palme
Chairman of the Board

Mårten Andersson

Jens Erik Christensen

Gunnar Holmgren

Monica Lindstedt

Lars Otterbeck

Leif Victorin

Dahn Eriksson

Sonja Wikström

Bengt-Åke Fagerman
Chief Executive

Our audit report was submitted on 25 February 2011

Svante Forsberg
Authorised Public Accountant

Thomas Thiel
Authorised Public Accountant

Contents, accounts

Performance analysis for the parent company

		Direct insurance in Sweden							
		Occupational pension insurance			Other life assurance				
SEK million	Total	Defined benefit insurance[1]	Defined contribution traditional life assurance	Employment-related disability and waiver of premium insurance	Individual traditional life assurance	Non-cancellable disability and accident insurance and waiver of premium insurance	Group life and occupational group life assurance	Cancellable disability and accident insurance	Reinsurance accepted
Premiums written, net of reinsurance	11,808	182	6,911	839	3,060	347	307	140	22
Investment income	21,473	374	10,168	411	9,797	517	82	121	3
Unrealised gains on investments	9,815	171	4,655	187	4,472	236	37	55	2
Other technical income	18	0	9	0	9	0	0	0	0
Claims incurred, net of reinsurance	-11,365	-176	-5,795	-97	-4,792	-272	-210	-24	1
Change in other technical provisions, net of reinsurance	728	-30	-212	21	894	65	-13	3	0
Bonuses	279	0	13	0	293	0	-27	0	0
Operating expenses	-1,527	-16	-809	-122	-387	-89	-60	-33	-11
Investment charges	-6,424	-112	-3,039	-123	-2,933	-155	-25	-36	-1
Unrealised losses on investments	-2,247	-39	-1,063	-43	-1,026	-54	-9	-13	0
Other technical charges	-1	0	-1	0	0	0	0	0	0
Technical result, life assurance business	**22,557**	**354**	**10,837**	**1,073**	**9,387**	**595**	**82**	**213**	**16**
Result before appropriations and tax	**22,557**	**354**	**10,837**	**1,073**	**9,387**	**595**	**82**	**213**	**16**
Appropriations	-409	0	0	-239	0	-106	-14	-46	-4
Pre-tax result	**22,148**	**354**	**10,837**	**834**	**9,387**	**489**	**68**	**167**	**12**
Taxes	-1,841	-25	-710	-197	-768	-89	-12	-37	-3
Deferred taxes	-102	0	0	-38	0	-45	-7	-12	0
Profit for the year	**20,205**	**329**	**10,127**	**599**	**8,619**	**355**	**49**	**118**	**9**
Technical provisions, gross									
Life assurance provision	162,489	3,029	97,642	29	61,517	137	123	12	0
Provision for claims outstanding	6,720	0	11	3,041	50	2,492	45	1,070	11
Total	**169,209**	**3,029**	**97,653**	**3,070**	**61,567**	**2,629**	**168**	**1,082**	**11**
Technical provisions for life assurance policies where the investment risk is borne by the policyholders									
Conditional bonuses	224	–	224	–	–	–	–	–	–
Total	**224**	**–**	**224**	**–**	**–**	**–**	**–**	**–**	**–**
Reinsurers' share of technical provisions									
Life assurance provision	–	–	–	–	–	–	–	–	–
Provision for claims outstanding	–	–	–	–	–	–	–	–	–
Total, reinsurers' share of technical provisions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Funding reserve	99,930	1,661	29,482	1,956	61,921	3,605	867	395	43
TOTAL BONUS FUNDS BEFORE RESULT FOR THE YEAR[2]	**99,930**	**1,661**	**29,482**	**1,956**	**61,921**	**3,605**	**867**	**395**	**43**

[1] Of which, pertaining to the line of business "Collectively contracted occupational pension plans for employees of the Skandia group, etc."

Life assurance provision	3,027
Funding reserve, after result for the year	1,988

[2] A line of business which, despite utilisation of its share of accumulated surplus funds, cannot cover its own deficit, is allowed to borrow funds (subordinated loans) from other lines of business. For these loans the line pays interest that is equivalent to the total return.

Notes on the parent company performance analysis

	Total	Defined benefit insurance	Defined contribution traditional life assurance	Employment-related disability and waiver of premium insurance	Individual traditional life assurance	Non-cancellable disability and accident insurance and waiver of premium insurance	Group life and occupational group life assurance	Cancellable disability and accident insurance	Reinsurance accepted
Premiums written, net of reinsurance									
Premiums written, gross	11,831	182	6,910	852	3,067	351	307	140	22
Premiums ceded	-23	0	1	-13	-7	-4	0	0	0
Claims incurred, net of reinsurance									
Claims paid									
a) Gross	-12,046	-176	-5,801	-592	-4,790	-394	-213	-80	0
b) Reinsurers' share	3	0	0	0	0	0	2	0	1
Change in Provision for claims outstanding									
a) Gross	678	0	6	495	-2	122	1	56	0
b) Reinsurers' share	0	–	–	–	–	–	–	–	0

Income statement

SEK million	Note	Group 2010	Group 2009	Skandia Liv Sweden 2010	Skandia Liv Sweden 2009	Parent company 2010	Parent company 2009
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS							
Premiums written, net of reinsurance							
Premium written, gross	(3)	13,932	12,634	11,831	10,820	11,831	10,820
Premiums ceded		-70	-68	-23	-23	-23	-23
		13,862	**12,566**	**11,808**	**10,797**	**11,808**	**10,797**
Investment income	(4)	**23,934**	**16,395**	**23,856**	**16,087**	**21,473**	**13,462**
Unrealised gains on investments	(5)	**11,717**	**35,255**	**10,751**	**34,502**	**9,815**	**34,451**
Other technical income	(12)	**119**	**66**	**18**	**15**	**18**	**15**
Claims incurred, net of reinsurance							
Claims paid							
Gross	(6)	-12,971	-12,308	-12,046	-11,551	-12,046	-11,551
Reinsurers' share		51	94	3	1	3	1
Change in Provision for claims outstanding							
Gross		681	189	678	188	678	188
Reinsurers' share		4	1	—	—	—	—
		-12,235	**-12,024**	**-11,365**	**-11,362**	**-11,365**	**-11,362**
Change in other technical provisions, net of reinsurance							
Life assurance provision							
Gross		-1,282	22,228	777	24,682	777	24,682
Reinsurers' share		-1	0	—	—	—	—
Technical provisions for life assurance policies where the investment risk is borne by the policyholders							
Conditional bonuses	(28)						
Gross		-49	-25	-49	-25	-49	-25
Reinsurers' share		—	—	—	—	—	—
		-1,332	**22,203**	**728**	**24,657**	**728**	**24,657**
Bonuses	(7)	**279**	**272**	**279**	**272**	**279**	**272**
Operating expenses	(8)	**-1,708**	**-1,706**	**-1,474**	**-1,577**	**-1,527**	**-1,617**
Investment charges	(9)	**-7,647**	**-7,423**	**-7,339**	**-7,343**	**-6,424**	**-6,348**
Unrealised losses on investments	(10)	**-1,803**	**-2,076**	**-2,247**	**-2,612**	**-2,247**	**-2,113**
Other technical charges	(12)	**-48**	**-2**	**-1**	**-2**	**-1**	**-2**
Technical result, life assurance business		**25,138**	**63,526**	**25,014**	**63,434**	**22,557**	**62,212**
NON-TECHNICAL ACCOUNT							
Technical result, life assurance business		25,138	63,526	25,014	63,434	22,557	62,212
Result, other operating units	(13)	**-16**	**-14**	**-16**	**-14**	**—**	**—**
Investment income, own pension liability	(39)	**-12**	**-12**	**—**	**—**	**—**	**—**
Result before appropriations and tax		**25,110**	**63,500**	**24,998**	**63,420**	**22,557**	**62,212**
Appropriations		—	—	—	—	-409	-418
Pre-tax result		**25,110**	**63,500**	**24,998**	**63,420**	**22,148**	**61,794**
Policyholder tax and withholding tax	(14)	**-1,522**	**-1,689**	**-1,522**	**-1,689**	**-1,522**	**-1,689**
Taxes	(14)	**-906**	**-507**	**-915**	**-486**	**-421**	**-170**
Profit for the year		**22,682**	**61,304**	**22,561**	**61,245**	**20,205**	**59,935**
Attributable to:							
- the policyholders		22,618	61,288	22,514	61,236	20,205	59,935
- minority interests		64	16	47	9	—	—
COMPREHENSIVE INCOME, SKANDIA LIV							
Profit for the year, according to income statement		**22,682**	**61,304**	**22,561**	**61,245**	**20,205**	**59,935**
Currency translation effect on holdings in foreign subsidiaries		-163	-81	-2	—	—	—
Utilisation of funding reserve		-6,769	-6,964	-6,769	-6,964	-6,769	-6,964
Comprehensive income for the year		**15,750**	**54,259**	**15,790**	**54,281**	**13,436**	**52,971**
Comprehensive income for the year attributable to							
- the policyholders		15,688	54,243	15,743	54,272	13,436	52,971
- minority interests		62	16	47	9	—	—

Explanations to the income statement

Premiums written, net of reinsurance, consist of the sum of premiums paid in to the company in 2010 less premiums for ceded reinsurance. The item also includes prepaid premiums with due dates in 2011 for insurance contracts in force.

Investment income includes share dividends, rental income from real estate management, interest on bonds and other fixed-income securities, net capital gains and net foreign exchange gains.

The company's investments are measured at fair value. The difference between fair value and cost is called surplus value. **Unrealised gains and losses on investments** show the year's change in surplus value, excluding currency effects.

Claims incurred include payments to policyholders, operating expenses that arise in connection with payment and handling of claims, and the change in the provision for claims outstanding. This change stems from estimates of future payments for claims that have already been incurred.

The item **change in other technical provisions** consists of the change in the life assurance provision and changes in conditional bonuses. The change in the life assurance provision shows how much the value of the policyholders' future, guaranteed benefits has increased or decreased during the year. Conditional bonuses change in an amount equivalent to the net value of assigned surpluses that have not yet been used for premium payments and utilised surpluses.

Bonuses, i.e., accumulated surpluses, are normally paid out at the end of the insurance period as a supplement to the contracted insurance benefits. Payment of bonuses reduces the retained profits included in the funding reserve and thus does not affect the result for the year. In some cases, bonuses are payable to the policyholder by being used toward premium payments, in which case they have a result impact. This item is specified in note 7.

Operating expenses include costs for a life assurance company's sales, business development and administration. The item also includes reinsurers' commissions and profit participations as well as changes in deferred acquisition costs.

Investment charges include asset management charges, costs for real estate management, interest expenses, net foreign exchange losses and net capital losses.

The **policyholder tax** paid by life assurance companies is a certain percentage of the tax base, which is a sort of standard return that is calculated by multiplying the market value of assets at the beginning of the year – less financial liabilities – by the average government lending rate the year before the financial year. For pension insurance in 2010 a tax rate of 15% was applied on the standard-calculated return, while for endowment insurance a tax rate of 30% was used for nine-tenths of the taxable base, which in practice entails a tax rate of 27%.

The policyholder tax is not charged on group life assurance or disability and accident insurance, since these operations are subject to income tax.

The **result for the year** is transferred to/deducted from the funding reserve.

Balance sheet

SEK million	Note	Group 31/12/2010	Group 31/12/2009	Skandia Liv Sweden 31/12/2010	Skandia Liv Sweden 31/12/2009	Parent company 31/12/2010	Parent company 31/12/2009
ASSETS							
Intangible assets	(15)	**256**	**232**	**193**	**164**	**–**	**–**
Investments							
Land and buildings[1]	(16)	30,347	27,776	30,347	27,776	–	–
Investments in group companies	(17)	–	–	1,788	1,752	26,152	25,760
Other financial investments							
Shares and participations	(18)	120,545	118,649	114,400	113,868	114,400	113,609
Bonds and other fixed-income securities	(19)	145,313	141,493	137,224	131,827	137,224	131,827
Alternative investments	(20)	9,680	9,670	9,197	9,432	9,197	9,432
Loans guaranteed by mortgages		13	22	13	22	13	21
Other loans		0	10	–	10	–	–
Derivatives	(21)	2,700	1,914	2,589	1,749	2,589	1,749
Repurchase transactions		2,515	479	2,515	479	2,515	479
		311,113	**300,013**	**298,073**	**286,915**	**292,090**	**282,877**
Reinsurers' share of technical provisions							
Life assurance provision		95	109	–	–	–	–
Provision for claims outstanding		14	13	–	–	–	–
		109	**122**	**–**	**–**	**–**	**–**
Debtors							
Debtors arising out of direct insurance operations	(22)	4	4	0	0	0	0
Debtors arising out of reinsurance operations		14	139	2	12	2	12
Other debtors	(24)	1,984	1,627	1,939	1,629	1,623	1,302
		2,002	**1,770**	**1,941**	**1,641**	**1,625**	**1,314**
Current tax asset	(29)	**258**	**7**	**258**	**–**	**258**	**–**
Deferred tax asset	(29)	**733**	**762**	**569**	**592**	**–**	**–**
Other assets							
Tangible assets		13	13	9	8	3	2
Cash at bank and in hand		9,117	4,291	8,256	3,802	8,165	3,711
		9,130	**4,304**	**8,265**	**3,810**	**8,168**	**3,713**
Prepayments and accrued income							
Accrued interest and rent		2,309	2,252	2,311	2,253	2,310	2,253
Deferred acquisition costs	(8)	893	1,039	893	1,039	893	1,039
Other prepayments and accrued income		129	128	115	109	3	0
		3,331	**3,419**	**3,319**	**3,401**	**3,206**	**3,292**
Total assets		**326,932**	**310,629**	**312,618**	**296,523**	**305,347**	**291,196**

[1] All of Skandia Liv's real estate is classified as investment property.

Explanations to the balance sheet

Assets The assets side of the balance sheet of a life assurance company contains mainly investments. Management of Skandia Liv's assets is described on page 8.

Equity, provisions and liabilities The largest items on the liabilities side are the technical provisions and funding reserve in equity.

The **funding reserve** is the company's aggregate surplus over the years. The surplus may only be paid out to policyholders in the form of bonuses, or it may be used to cover losses.

Technical provisions are broken down into the life assurance provision and the provision for claims outstanding.

The **life assurance provision** consists of the discounted value of future benefits that are guaranteed to the policyholders, after deducting the discounted value of future, contracted premium payments. The discounted value is calculated with due consideration for the anticipated outcome of insurance contracts, such as mortality and anticipated life expectancy, and the so-called base rate.

The **Provision for claims outstanding** is an estimate of future payments for claims that have already incurred. It also includes provisions to cover operating expenses in connection with future payment of claims that have already been incurred.

Conditional bonuses show the surplus reserves that stem from certain occupational pension contracts for defined benefit pension plans. These surpluses can only be used to pay premiums for policies belonging to the above-mentioned contracts.

	Note	Group 31/12/2010	Group 31/12/2009	Skandia Liv Sweden 31/12/2010	Skandia Liv Sweden 31/12/2009	Parent company 31/12/2010	Parent company 31/12/2009
EQUITY, PROVISIONS AND LIABILITIES							
Equity							
Share capital (3,000 shares with a share quota value of SEK 200)		1	1	1	1	1	1
Funding reserve		101,955	47,597	102,651	48,186	99,930	46,764
Profit for the year		22,618	61,288	22,514	61,236	20,205	59,935
Minority interests		118	113	111	111	—	—
Profit for the year		64	16	47	9	—	—
		124,756	**109,015**	**125,324**	**109,543**	**120,136**	**106,700**
Tax allocation reserve		**—**	**—**	**—**	**—**	**1,645**	**1,236**
Technical provisions							
Life assurance provision	(26)	176,646	177,282	162,489	163,266	162,489	163,266
Provision for claims outstanding	(27)	6,755	7,454	6,720	7,411	6,720	7,411
		183,401	**184,736**	**169,209**	**170,677**	**169,209**	**170,677**
Technical provisions for life assurance policies where the investment risk is borne by the policyholders							
Conditional bonuses	(28)	**224**	**204**	**224**	**204**	**224**	**204**
Other provisions							
Provisions for pensions	(39)	259	228	—	—	—	—
Provision for current tax	(29)	52	177	2	113	—	108
Provision for deferred tax	(29)	3,613	3,037	3,579	3,010	268	166
Other provisions	(30)	202	229	202	229	23	24
		4,126	**3,671**	**3,783**	**3,352**	**291**	**298**
Deposits from reinsurers		**—**	**51**	**—**	**—**	**—**	**—**
Creditors							
Creditors arising out of direct insurance operations	(31)	902	612	859	559	859	559
Creditors arising out of reinsurance operations		16	19	9	9	9	9
Derivatives	(32)	859	398	782	270	782	270
Repurchase transactions		8,357	9,254	8,357	9,254	8,357	9,254
Other creditors	(33)	3,461	1,856	3,247	1,842	3,630	1,745
		13,595	**12,139**	**13,254**	**11,934**	**13,637**	**11,837**
Accruals and deferred income		**830**	**813**	**824**	**813**	**205**	**244**
Total equity, provisions and liabilities		**326,932**	**310,629**	**312,618**	**296,523**	**305,347**	**291,196**
MEMORANDUM ITEMS							
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	(34)	11,269	13,921	11,266	13,919	11,211	13,864
Assets for which policyholders have beneficiary rights	(34)	237,452	222,270	222,588	207,274	222,588	207,274
Contingent liabilities	(35)	18,186	21,576	17,985	21,576	17,985	21,570
Obligations							

Equity

SEK million	Share capital	Funding reserve	Profit for the year	Equity attributable to the policyholders	Non-controlling interests	Total equity
	Group					
2010						
Opening balance	**1**	**47,597**	**61,288**	**108,886**	**129**	**109,015**
Distribution of profit 2009	—	61,288	-61,288	**0**	—	**0**
Payment to minority owners	—	—	—	**—**	-9	**-9**
Profit for the year	—	—	22,618	**22,618**	64	**22,682**
Currency translation effect of holdings in foreign subsidiaries	—	-161	—	**-161**	-2	**-163**
Utilisation of funding reserve	—	-6,769	—	**-6,769**	—	**-6,769**
Comprehensive income for the year	—	-6,930	22,618	**15,688**	62	**15,750**
Closing balance	**1**	**101,955**	**22,618**	**124,574**	**182**	**124,756**
2009						
Opening balance according to 2008 Annual Report	**1**	**133,657**	**-81,863**	**51,795**	**121**	**51,916**
Adjustment due to error in calculating result for 2008[1)]	—	—	2,848	**2,848**	—	**2,848**
Adjusted opening balance	**1**	**133,657**	**-79,015**	**54,643**	**121**	**54,764**
Distribution of profit 2008	—	-79,015	79,015	**0**	—	**0**
Payment to minority owners	—	—	—	**0**	-8	**-8**
Profit for the year	—	—	61,288	**61,288**	16	**61,304**
Currency translation effect of holdings in foreign subsidiaries	—	-81	—	**-81**	—	**-81**
Utilisation of funding reserve	—	-6,964	—	**-6,964**	—	**-6,964**
Comprehensive income for the year	—	-7,045	61,288	**54,243**	16	**54,259**
Closing balance	**1**	**47,597**	**61,288**	**108,886**	**129**	**109,015**

SEK million	Share capital	Funding reserve	Profit for the year	Parent company total
	Parent company			
2010				
Opening balance	**1**	**46,764**	**59,935**	**106,700**
Distribution of profit 2009	—	59,935	-59,935	**0**
Profit for the year	—	—	20,205	**20,205**
Utilisation of funding reserve	—	-6,769	—	**-6,769**
Comprehensive income for the year	—	-6,769	20,205	**13,436**
Closing balance	**1**	**99,930**	**20,205**	**120,136**
2009				
Opening balance according to 2008 Annual Report	**1**	**129,258**	**-78,378**	**50,881**
Adjustment due to error in calculating result for 2008[1)]	—	—	2,848	**2,848**
Adjusted opening balance	**1**	**129,258**	**-75,530**	**53,729**
Distribution of profit 2008	—	-75,530	75,530	**0**
Profit for the year	—	—	59,935	**59,935**
Utilisation of funding reserve	—	-6,964	—	**-6,964**
Comprehensive income for the year	—	-6,964	59,935	**52,971**
Closing balance	**1**	**46,764**	**59,935**	**106,700**

[1)] In calculating the reserve for changed mortality assumptions according to DUS 2006, an incorrect assumption was made. The adjustment has resulted in an improvement in the result for 2008 by SEK 2,848 million and a decrease in Technical provisions by a corresponding amount.

Cash flow statement

SEK million	Note	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Operating activities					
Profit before tax		25,110	63,500	22,148	61,794
Adjustment for non-cash items, etc.	1)	-16,893	-56,159	-14,896	-54,805
Paid tax		-2,232	-2,117	-2,210	-2,113
Cash flow from operating activities before changes in assets and liabilities		**5,985**	**5,224**	**5,042**	**4,876**
Paid out from funding reserve		-6,769	-6,965	-6,769	-6,965
Change in investments, net	2)	5,104	864	4,725	1,728
Change in provisions for other risks and charges		0	1	-1	1
Change in other operating receivables		-859	69	-902	-78
Change in other operating liabilities		1,873	447	2,772	812
Cash flow from operating activities		**5,334**	**-360**	**4,867**	**374**
Investing activities					
Investments in intangible and tangible assets		-25	14	-2	0
Cash flow from investing activities		**- 25**	**14**	**-2**	**0**
Cash flow from financing activities		**-11**	**-59**	**0**	**0**
CASH FLOW FOR THE YEAR		**5,298**	**-405**	**4,865**	**374**
Change in cash and cash equivalents					
Cash and cash equivalents at start of year		**4,291**	**4,837**	**3,711**	**3,390**
Cash flow for the year		**5,298**	**-405**	**4,865**	**374**
Exchange rate differences in cash and cash equivalents		**-472**	**-141**	**-411**	**-53**
Cash and cash equivalents at year-end		**9,117**	**4,291**	**8,165**	**3,711**

Cash and cash equivalents consist of liquid bank holdings.

Notes to the cash flow statement

SEK million	Group 2010	Group 2009	Parent company 2010	Parent company 2009
[1] Depreciation	22	5	1	1
Impairment charges	—	—	157	-32
Change in value of investments	-10,552	-33,841	-7,569	-32,336
Exchange rate differences	5,960	3,482	5,911	3,517
Capital gains/losses	-13,035	-2,997	-12,502	-1,821
Provisions	620	-22,995	-1,419	-24,845
Untaxed reserve	—	—	409	419
Other	92	187	116	292
Adjustment for non-cash items	**-16,893**	**-56,159**	**-14,896**	**-54,805**
[2] Change in investments, net				
Land and buildings	-658	579	—	—
Investments in group companies	—	—	-661	-215
Investments in shares and participations	13,295	-7,258	14,307	-4,973
Investments in bonds and other fixed-income securities	-7,688	5,794	-8,335	5,263
Investments in loans guaranteed by mortgages	10	77	10	7
Investments in derivatives	2,310	1,041	2,311	1,015
Other financial investments	-2,165	631	-2,907	631
Change in investments, net	**5,104**	**864**	**4,725**	**1,728**
Disclosure of interest paid and received				
Interest paid during the year	110	129	104	110
Interest received during the year	5,212	6,169	6,073	6,874

Notes

All amounts are stated in **SEK million**, unless specified otherwise.

1. Significant accounting policies and valuation principles

This annual report for Livförsäkringsaktiebolaget Skandia, registered number 502019-6365, pertains to the period 1 January–31 December 2010. Skandia Liv's registered office is in Stockholm. The address of the head offices is Lindhagensgatan 86, Stockholm. The Annual Report was approved by the Board of Directors for publication on 25 February 2011. The income statement and balance sheet will be taken up for adoption by the Annual General Meeting, which is planned to be held on 30 June 2011 or earlier.

Basis of preparation

The 2010 Annual Report has been prepared in accordance with the Annual Accounts Act for Insurance Companies and the Swedish Financial Supervisory Authority's rules and regulations, FFFS 2008:26 and 2009:12. Skandia Liv also applies recommendations RFR 1, "Complementary accounting rules", and RFR 2 "Accounting for legal entities", of the Swedish Financial Reporting Board.

Starting in 2010 Skandia Liv applies IFRS in full in the consolidated accounting. This entails application of all International Financial Reporting Standards (IFRS) endorsed by the EU, along with accompanying pronouncements from the IFRIC.

The parent company applies so-called legally limited IFRS. This entails application of all International Financial Reporting Standards, subject to the additions and limitations posed by Swedish law. The differences that this entails for the parent company are described in the pertinent sections below.

The parent company's functional currency is Swedish kronor (SEK), and the financial statements for both the parent company and the group are presented in Swedish kronor, rounded off to the nearest million. The accounting policies described below have been used for all periods presented in the financial statements.

Changes in accounting policies

Skandia Liv applies IFRS in full for the group. No differences in calculation and accounting policies compared with the 2009 Annual Report arose in connection with the changeover to IFRS.

• IAS 1 Presentation of Financial Statements
The changes in the presentation of the result that were made for the group in 2009 through introduction of a new "Statement of Comprehensive Income" have also been applied for the parent company. This also has consequences on the Statement of Equity.

New and amended reporting standards from IASB for the 2010 financial year

• IFRS 1 First-time Adoption of International Financial Reporting Standards
Amendments in IFRS 1 prescribe two exceptions in connection with a company's first-time application of IFRS. The exceptions pertain to oil and gas discoveries, and determination of whether a contract contains leases. Since Skandia Liv has already changed over its reporting in accordance with IFRS, this has no effect on Skandia Liv.

• IFRS 2 Share-based Payment
The amendment pertains to a clarification of the scope of application and how reporting is to be conducted when a unit within a group that receives goods or services has no obligation to settle share-based payments. The amendment has no effect on Skandia Liv.

• IFRS 3 Business Combinations
The main changes pertain to transaction costs in connection with acquisitions, which are to be expensed and not included in the acquisition cost, that minority interests may be carried at fair value, rules for acquisitions carried out in stages, and reporting of acquired, deferred tax assets. The amendment, which is applied prospectively for financial years that begin after 1 July 2009, was adopted by the EU in June 2009 and has no material effect for Skandia Liv.

• IAS 27 Consolidated and Separate Financial Statements
The main changes in the existing standard pertain to rules regarding reporting of changes in minority interests that do not result in the parent company losing its controlling influence; in such cases, the change in value shall be reported directly in equity and be apportioned to the company's owners. In cases where the parent company loses its controlling influence, the remaining minority interest is carried at fair value. This amendment, which is applied prospectively for financial years that begin after 1 July 2009, was adopted by the EU in June 2009 and has no material effect for Skandia Liv.

New and amended IFRSs from IASB for financial years in 2011 or later

• Review of IAS 39 Financial Instruments
Planned amendments to IAS 39 will take place in three steps, of which the first step has resulted in a new standard from IASB – IFRS 9 Financial Instruments, which takes effect on 1 January 2013. The EU Commission has not yet approved the standard. The other two steps are currently under development.

• Step 1 Classification and valuation
The standard intends to supersede the part of IAS 39 that deals with financial assets. The aim is to simplify the reporting. Only two valuation categories will remain: financial assets at fair value and financial assets at amortised cost. For assets carried at fair value, there will still be the possibility to distribute changes in value in "the income statement" and in "comprehensive income". In 2010 the standard was complemented with financial liabilities. The change compared with IAS 39 pertains mainly to the company's own credit risk in valuations of financial liabilities. The change is not expected to have any effect on Skandia Liv.

• Step 2 Amortised cost and impairment
This part of the standard will be published during the second quarter of 2011. The proposed model for impairment testing of financial assets is not expected to have any significant consequences for Skandia Liv. The model that is applied according to IAS 39 is based on taking incurred losses into account in provisions. The new, proposed model is based on anticipated losses during the term of each loan. The aim of the model is to build up

reserves during the entire term of a loan, which will lead to larger reserves for loan losses in order to be able to withstand times of financial uncertainty.

• Step 3 Hedge accounting

Review work is under way, and the finished standard is planned to be published together with step 2 above. Since Skandia Liv does not apply hedge accounting, it will not have any consequences for Skandia Liv.

• IAS 24 Related Party Disclosures

A review has been made of the definition of related party in order to simplify and clarify the interpretation of who falls under the concept of related party. The amendments take effect for financial years that begin on 1 January 2011 or later. They are not expected to have any effect on Skandia Liv.

Other new and amended IFRSs and interpretations are not judged to have any effect on Skandia Liv.

Basis of consolidation

The consolidated financial statements include the parent company and subsidiaries in which the parent company has a controlling influence. Controlling influence entails the right to design the financial and operating strategies in order to obtain economic benefit. In determining this, consideration is given to whether the parent company directly or indirectly owns more than half of the votes for all shares/participations. The consolidated financial statements have been prepared in accordance with the purchase method. Subsidiaries' identifiable assets and liabilities are stated at their fair value as per the date of acquisition. If the cost upon acquisition is greater than the fair value of the net assets, the difference is reported as goodwill. If the cost is lower, the difference is booked against profit. Profit/loss from operations that were acquired or sold during the year is taken up in the consolidated accounting from the date of acquisition until the day on which the controlling influence ceased. Associated companies are consolidated in accordance with the equity method. Associated companies are companies in which Skandia Liv has a significant but not controlling influence, ordinarily through holdings of between 20% and 49% of the votes. The asset management activities include investments in which Skandia Liv has more than 20% of the votes, but not a controlling influence. These holdings are reported as other shareholdings under the heading "Shares and participations". For accounting purposes, joint ventures are companies in which the group, through co-operation agreements with one or more parties, has a joint, controlling influence over the operational and business control. Skandia Liv and Skandia Insurance Company Ltd each own 50% of Skandia A/S, which is an administrative company for the entire Danish operation in which all of the employees are employed. Skandia A/S is reported in the Skandia Liv group as a joint venture, i.e., Skandia Liv's share of the company's assets, liabilities, revenues and expenses is included item for item. All intra-group transactions, balance sheet items, revenues and expenses are eliminated upon consolidation.

Foreign currencies

Transactions in foreign currency are recalculated, when included in the accounts, to SEK at the exchange rate in effect on the transaction date. As an approximation of the exchange rate in effect on the date of transaction, ordinarily the average exchange rate for the period is used. Foreign currency–denominated assets and liabilities are translated to SEK at financial year-end rates of exchange. Exchange rate differences that thereby arise are recognised through profit or loss as net foreign exchange gains/losses. Translation of the balance sheets of the group's foreign subsidiaries, including goodwill and other consolidated surplus and deficit values, is done from their functional currencies to Swedish kronor at financial year-end rates of exchange. Income statements are translated at the average exchange rate for the period. The translation difference that arises as a result of translation of equity at a different exchange rate at the end of the year than at the start, and of translation of the result for the year in the balance sheet at a different rate than the average rate, is recorded directly in the item "Comprehensive income". Shares in group companies are valued at the exchange rate in effect at the time of investment.

Critical estimations and assessments for accounting purposes

In preparing the accounts, management must rely on certain estimations and assessments in certain cases. These are based on previous experience and assumptions that are considered to be fair and reasonable. These estimations and assessments affect reported values in both the balance sheet and income statement as well as off balance sheet assumptions. The most important assumptions regarding the future and sources of uncertainty that can affect the reported amounts of assets and liabilities are related to:

- investment properties
- unlisted securities
- holdings in funds
- investment contracts and insurance contracts
- technical provisions
- pensions
- disputes
- intangible assets.

Investment properties

Numerous assumptions and estimations are used to calculate the cash flows used to assess the value of real estate. These include such parameters as the trend in rents and overheads, inflation, the required rate of direct yield and the discount rate. A change in any of these parameters due to changes in vacancy rates, market conditions or similar affects the calculated cash flows and thus the value of the properties. See note 16, Investment properties.

Unlisted securities

In valuations of financial instruments that lack a listed price in a well functioning market, generally accepted valuation models must be used. These are based on assumptions – such as regarding comparability – as well as on estimations and market parameters. Since there is no single assumption that affects the valuation of all unlisted holdings, a change in an assumption would have a very limited effect on the result and balance sheet.

Holdings in funds

In determining if a large fund holding is to be classified as an associated company or subsidiary, and thereby be consolidated in the group, the opportunity to exercise influence is judged. Skandia Liv's position is that we do not have any significant influence. Thus, such holdings are reported as a fund holding and not as an associated company. The difference in the group's balance sheet and result if we had made another determination of influence and thus to consolidate these holdings would be very small.

Investment contracts vs. insurance contracts

To determine what is to be regarded as an investment contract vs. an insurance contract, the company must take a position with respect to what constitutes a material risk. See below under the heading Insurance contracts and investment contracts.

Technical provisions

Valuations of technical provisions include numerous estimations and assumptions. Assumptions are made with respect to mortality, morbidity and fees, among other things. The mortality assumptions that are used are based on an industry-wide survey, but are adapted to Skandia Liv based on the company's experience. Fee assumptions entail an estimation of future costs and future growth in assets and maturities. These assumptions are based on the company's experience. For a sensitivity analysis, see also note 2, Risks. The assumptions, in turn, also affect the determination of any need to recognise impairment of deferred acquisition costs on the balance sheet.

Pensions

In calculating Skandia Liv's pension liability at the group level in accordance with IAS 19, assumptions are made primarily with respect to salary development, inflation and the discount rate, but also to service period and mortality. The absolute most important factor is the discount rate, which is based on government lending rates with durations corresponding to the pension liability. Other assumptions are based on the anticipated long-term development.

Disputes

Skandia Liv is party to a number of disputes within the course of its normal business activities. Most pertain to small amounts and are judged to not have a material impact on the company's financial position. In cases where they involve a major amount, an estimation is made of the probable economic outcome and the need for any provisions.

Intangible assets

The amortisation schedule that is used for deferred acquisition costs for internally developed or purchased systems is based on assumptions of estimated useful life. When determining if there is any need to recognise impairment, the asset's recoverable amount is estimated. This is done with the help of various assumptions and estimations regarding, for example, changes in the market and operating expenses.

Investments

Investments consist of land and buildings, investments in group companies, and financial instruments. These are stated, with the exception of investments in group companies and small portfolios of loans, at their quoted or estimated fair value. Purchases and sales of securities, derivatives and currencies are recognised or derecognised, respectively, in the balance sheet as per the transaction date, i.e., on the day the transaction was carried out. The counterparty's receivable or liability is reported gross between the transaction date and the settlement date under the items "Other debtors" or "Other creditors". If clearing is done through a clearing organisation, the item is reported net. Purchases and sales of land and buildings are reported in the balance sheet on the day possession is taken/relinquished. A financial asset is derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset cease or if the company transfers in all essential respects all of the risks and benefits associated with ownership of the asset. Financial liabilities are derecognised from the balance sheet when they cease, i.e., when the obligation ceases, is nullified or expires. Financial assets and liabilities are reported net on the balance sheet when there is a legal right to regulate transactions and there is an intention to make a net payment or sell the asset and make payment for the liability at the same time.

Land and buildings

All of Skandia Liv's real estate is accounted for in accordance with IAS 40 Investment Properties. All real estate is classified as investment property, since it is held to generate rents or growth in value, or a combination of both. Real estate is carried at fair value through profit or loss. Fair value is determined by external appraisals. The appraisal firms use a cash flow–based model complemented by a local price estimation in order to compare with similar properties that have been sold during a relevant comparison period. Appraisals are normally performed yearly and cover all properties. In connection with the quarterly book-closings, a model portfolio corresponding to approximately 15% of the real estate holdings is appraised, and the change in value per property segment is applied to the entire portfolio. See also note 16. Additional costs are added to the carrying amount only if it is likely that the future economic benefit that is associated with the asset will accrue to the company and if the cost can be calculated in a reliable manner. All other additional costs are reported as costs in the period in which they are incurred.

Investments in group companies

Shares in group companies are carried at cost. If the fair value on the balance sheet date is judged to be below the cost, then impairment is recognised for the shares in the income statement. If the value is judged to rise again, the impairment loss is reversed in the income statement.

Financial instruments – classification

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, Skandia Liv has classified its financial instruments in four categories:

- Financial assets at fair value through profit or loss. This category includes all financial instruments on the asset side, except for a small portfolio of loans.
- Financial liabilities at fair value through profit or loss. This includes derivatives with negative values and repurchase transactions. For most of the assets, Skandia Liv has initially chosen this classification, since the asset management is evaluated on the basis of fair value. By definition, derivatives are classified in the sub-category "held for trading", since Skandia Liv has not identified any derivatives as hedge instruments.
- Loan receivables and trade accounts receivable. This category includes, among other things, loans, cash and securities settlement claims, which are stated at amortised cost.
- Financial liabilities stated at amortised cost. These include other financial liabilities, such as securities settlement liabilities and trade accounts payable.

Financial instruments – valuation

In valuations, every holding is classified according to three valuation levels:
Level 1 – valuation at listed prices in an active market
Level 2 – estimated value based on observable market quotations
Level 3 – estimated value based on assumptions and estimations as well as on observable market data, where such is available. By listed prices in an active market, Skandia Liv means that listed prices are easily accessible on a stock exchange or from a broker or similar, and these prices represent actual and regularly occurring transactions on commercial terms. If no active market exists, various valuation techniques are used that are based on observable market quotations as far as possible.

• Listed equities
Equities are stated at the time of acquisition at the purchase price less transaction cost, which is expensed directly. They are thereafter stated at fair value. Fair value is defined as the realisable value on the balance sheet date. For shares listed on an authorised stock exchange or an active marketplace, the realisable value refers to the most recent bid price or, if such is lacking, the most recent quoted closing price as per the balance sheet date. If the market is inactive or a quoted price is lacking, various valuation techniques are used. These are based as far as possible on observable prices, however, other estimations and assumptions are also used.

• Unlisted equities
Holdings of unlisted equities are via private equity funds. Valuations are conducted by the respective asset managers. Valuations of the underlying portfolio companies are based on a systematic comparison of market-listed peer companies or at a value based on a current third-party transaction. In certain cases, valuations are based on discounted cash flows or methods that are based on non-observable data. Valuations are performed in accordance with industry practice.

• Bonds and other fixed-income securities
Fixed-income securities are stated at the time of acquisition as the purchase price less transaction cost, which is expensed directly. Bonds and fixed-income securities are stated at fair value based on the most recently quoted bid price or, where such a price is lacking, at the most recently quoted closing price. In cases where the security is not listed, it is stated at a price that is based on similar, listed securities and/or with the help of generally recognised valuation models, which entails that the cash flows are discounted using the relevant market interest rate.

• Alternative investments
Alternative investments consist of investments in funds with a focus on commodities, in infrastructure and loan portfolios, and in hedge funds.
• Holdings in commodity funds and hedge funds consist mostly of listed securities and derivatives, and adhere to generally recognised valuation principles for listed holdings.
• Infrastructure funds are valued in the same way as for unlisted equities.
• Loan portfolios mainly include listed bank loans to large and medium-sized American and European companies. Valuation of underlying assets is mainly done on the basis of observable market prices.

• Derivatives
Derivatives are stated at fair value at the time of acquisition, which corresponds to the cost. Thereafter, all derivatives are stated at fair value. If the value of a derivative is positive, it is carried on the balance sheet as a receivable, and if the value is negative, it is carried as a liability. Derivatives that are traded on an exchange are valued at quoted prices. OTC derivatives are valued at prices in the contracted, listed index or using generally accepted valuation models, which entails that cash flows are discounted using the relevant market interest rate. Derivative transactions are conducted within the framework of current risk mandates and are used to reduce the financial risk and/or to improve the efficiency of asset management.

• Repurchase transactions (repos) and securities lending
In a genuine repurchase transaction – a sale of a fixed-income security with an agreement to repurchase it at a predetermined price – the asset continues to be reported on the balance sheet, and the payment is reported as a liability on the balance sheet. The sold security is reported as a pledged asset. In the case of a reverse repurchase transaction – the purchase of a fixed-income security with an agreement to resell it at a predetermined price – the security is not carried on the balance sheet. Instead, the payment made is reported under the item Other financial instruments. The result for both transactions is reported as interest in the item Investment income/Investment charges. In the case of securities lending, fixed-income securities or shares are lent out against consideration. Securities out on loan continue to be reported as an asset. Security is pledged by the borrower in the form of other securities, and these are stated at fair value under pledged assets together with the fair value of the securities out on loan. Consideration for the transaction is reported as interest in the item Investment income.

Realised and unrealised changes in value of investments
Changes in value, both realised and unrealised, are recognised through profit or loss and are included in the result for the year in the items Investment income or Investment charges and Unrealised gains or losses on investments, respectively. By realised gain or loss is meant the difference in payments received from sales and the cost. Upon the sale of the asset in question, any previously booked, unrealised changes in value are re-entered in the income statement under unrealised gains or losses, respectively. Unrealised gains or losses consist of the difference between the cost and fair value. Unrealised foreign exchange gains/losses are not included in the unrealised result, but are reported net as foreign exchange gains/losses under the item Investment income or Investment charges, respectively.

Investment income
The item Investment income pertains to returns on investments and covers rental income from land and buildings, dividends from shares and participations (including dividends from shares in group and associated companies), interest income, foreign exchange gains (net), reversed impairment charges and capital gains per type of investment (net).

Investment charges
The item Investment charges includes costs for investments. The item includes operating expenses for land and buildings, interest expenses, foreign exchange losses (net), impairment charges, capital losses per type of investment (net) and asset management charges including costs for own personnel, premises, etc., that can be attributed to the asset management.

Unrealised gains on investments and Unrealised losses on investments
These items include unrealised changes in value of investments stated at fair value. The result is reported net for the various types of investments.

Insurance contracts and investment contracts
Skandia Liv issues insurance contracts and investment contracts. Insurance contracts are contracts under which Skandia Liv accepts significant insurance risk from the policyholder by agreeing to

indemnify the policyholder or other beneficiary on the occurrence of a defined event that is covered by the insurance. Contracts that cannot be defined as insurance contracts, because they do not transfer significant insurance risk from the policyholder to the company, are classified as investment contracts. By insignificant risk is meant that the indemnification paid out on the occurrence of an insured future event does not exceed the indemnification paid out if the event does not occur, by more than 5%. A change in the risk by +/- 2 percentage points would not change the classification of any contracts. All of Skandia Liv's investment contracts include a discretionary participation feature. This means that the policyholder can receive, as a supplement to guaranteed benefits, additional benefits in the form of bonuses. As a result, Skandia Liv reports investments contacts also in accordance with IFRS 4 Insurance Contracts. Embedded derivatives that make up a part of insurance contracts, and which in themselves constitute an insurance contract, are not unbundled from the main contract. Thus no separate valuation is made of the embedded derivative.

Preliminarily allocated, non-guaranteed surpluses, discretionary portion

Most of Skandia Liv's contracts include a discretionary participation feature. This means that a preliminarily calculated surplus is applied to every policy. This preliminarily allocated surplus is not guaranteed and thus can decrease. The surplus is used as risk capital to ensure that Skandia Liv can meet its guaranteed obligations. Accumulated surpluses are therefore not carried as a liability, but as a funding reserve, which is part of the company's equity.

Premiums

The cash principle is used for premium payments. The cash principle entails that paid-in premiums are recognised when they are received, regardless of which period they pertain to. Prepaid premiums are included where valid contracts exist. Premiums are reported as revenue in profit for the year, but at the same time are included as an increase in the calculation of technical provisions.

Claims incurred

Guaranteed benefits from investment contracts and insurance contracts are reported as an expense in the income statement at the same time that the technical provisions in the balance sheet decrease. Any additional compensation in the form of allocated surpluses is taken directly from the funding reserve and thus does not have any impact on the result for the year. Claims incurred also include changes in the Provision for claims outstanding.

Operating expenses

Costs for investment contracts and insurance contracts are recognised as expenses when they are incurred, with the exception of commissions related to new contracts and renewals of existing contracts. These are capitalised as deferred acquisition costs. The principles for deferring acquisition costs for insurance contracts are the same as for the principles for deferring acquisition costs for investment contracts. Claims settlement costs, i.e., costs for continued handling of contracts in disbursement, are reported under Claims paid.

Deferred acquisition costs

Acquisition costs that have a clear connection with the purchase of insurance contracts and investment contracts are capitalised as Deferred acquisition costs on the balance sheet. Acquisition costs that are capitalised consist mainly of Skandia Liv's variable costs that are related to new sales. Acquisition costs are amortised over a period of ten years. The amortisation schedule reflects the fees charged to the insurance policies to cover these costs. Consideration has been given to surrenders, among other things. If the fair value of the asset after amortisation is judged to be less than the book value, the asset is assessed with an impairment charge. Impairment is recognised through profit or loss.

Valuation of technical provisions

• Life assurance provision

Life assurance provisions correspond to the discounted value of benefits guaranteed to policyholders by insurance contracts in force, after deducting the discounted value of future, contracted premium payments. Life assurance provisions are calculated using generally accepted actuarial principles. This entails that the provisions are discounted to present value and that the calculations are based on assumptions on interest rates, mortality, taxes and operating expenses, among other things. Life assurance provisions and claims outstanding pertaining to occupational pensions are valued in accordance with the EU's Occupational Pensions Directive, which entails that prudent, realistic assumptions are to be used. For other life assurance, safeguard assumptions are used, i.e., assumptions that have a built-in safety margin. The assumption regarding the discount rate has the greatest impact in the valuation. The choice of discount rate is prescribed in Financial Supervisory Authority guideline FFFS 2008:23. This guideline stipulates that market interest rates (interest rate curves) shall be used, which means that the choice of interest rate depends on the policies' cash flow profile, i.e., when in time incoming and outgoing payments from the insurance are anticipated. A deduction for the policyholder tax and general overheads has been made from the interest rate assumption for both occupational pensions and other pensions business. Starting in 2009, the mortality assumption used in the valuation is based on Skandia Liv's own assumptions. These are based on an analysis of Skandia Liv's own insurance portfolio.

• Liability adequacy test: At each reporting date, Skandia Liv performs a liability adequacy test of its technical provisions to ensure that the carrying amount of its provisions is sufficient in the light of anticipated future cash flows. The carrying amount of a provision is the value of the provision less all related intangible assets or deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows as well as administration expenses and taxes are used. These cash flows are discounted and compared with the carrying amount of the provision. Any deficit is immediately recognised through profit or loss. In the consolidated financial statements, the life assurance provisions for the Danish operations have been calculated in accordance with Danish rules. These rules prescribe more realistic assumptions than the Swedish rules.

• Provision for claims outstanding

Four separate provisions are made within the provision for claims outstanding: the provision for disability annuities, confirmed claims, incurred but not reported claims, and a claims handling reserve.

• The provision for disability annuities corresponds to the discounted value of the company's obligations to insureds upon the occurrence of an accident or illness.

• The provision for confirmed claims is a provision for claims that have been reported and approved, but not yet paid out.

• The provision for incurred but not reported claims is based on Skandia Liv's experience with the respective line of insurance.

• The claims handling reserve consists of a valuation of future costs for handling ongoing disability annuities.

Claims incurred for confirmed claims where the payment has fallen due but the beneficiary cannot be located are expensed. This item is reported under "Other creditors" in the balance sheet.

Intangible assets

Intangible assets in the group are stated at cost less accumulated amortisation according to plan. They consist mainly of acquired or proprietary software that is judged to have economic value during the coming years. All internally developed intangible assets pertaining to proprietary software are reported only if all of the following conditions have been met:

- There is an identifiable asset
- It is probable that the asset that has been developed will generate future, economic benefit
- The cost of the asset can be calculated in a reliable manner.

The amortisation period is based on anticipated useful life. If there are indications that the value of the asset is lower than its book value, the asset's recoverable amount is determined. If this value is judged to be less than the book value, the asset is stated at the lower value. Impairment is recognised through profit or loss. If the recoverable value that is determined in a subsequent valuation has increased, the impairment charge is reversed through profit or loss. Any fees for acquisition or development that are reported as an asset in accordance with the above are reported as operating expenses in the parent company's income statement in the year in which they arose.

Other provisions

Other provisions are reported in the balance sheet when Skandia Liv has an obligation – legal or constructive – due to an event that has occurred and when it is likely that some form of financial compensation will be paid to settle the obligation and the amount can be reliably estimated. If the point in time for the financial compensation is known and exceeds one year, then the amount is to be discounted.

Leasing

Whether a lease is classified as a finance lease or not depends on the substance of the transaction rather than the contract form. A lease is classified as a finance lease if it substantially transfers all of the risks and rewards incidental to ownership of the asset. All other leasing is classified as an operating lease. Skandia Liv has a finance lease that is reported together with the company's investment properties. Skandia Liv's operating leases consist primarily of rental contracts. The lease payment is reported broken down into rental revenue and amortisation of the leasing claim.

Pensions

Parent company:

The parent company has both defined contribution and defined benefit pension plans.

For these, the parent company pays premiums that are reported as an operating expense. Defined benefit pensions are in compliance with the Pension Obligations Vesting Act (*Tryggandelagen*). Provisions for pension obligations for Skandia Liv's own employees are calculated in the same way and are reported together with the company's other obligations for issued life assurance contracts in the item Technical provisions.

Group:

For defined benefit plans for Skandia Liv's own employees, the cost of the pension obligation and pension cost is determined using the Projected Unit Credit Method, and actuarial computations are performed annually. The pension liability is reported on the balance sheet. Briefly, this method entails a more linear allocation of costs between the time for joining the plan and retirement age. See also note 39. Defined contribution pension plans are reported in the same way as in the parent company.

Untaxed reserves

In the various companies, these consist mainly of provisions to the tax allocation reserve, which are used to defer taxable profits to a later date and thereby be able to offset them against future deficits. In the consolidated balance sheet, subsidiaries' and the parent company's untaxed reserves are broken down into deferred tax and equity.

Tax

Policyholder tax

In Sweden, life assurance companies pay a policyholder tax (*avkastningsskatt*). This is not an income tax but is based on an estimated return on the net assets attributable to Skandia Liv's savings products. This cost is calculated every year and is reported as a tax expense.

Income tax

For a small portion of Skandia Liv's products – risk products, such as disability insurance – and for Skandia Liv's subsidiaries, income tax is payable on the profit. Income tax consists of current tax and deferred tax and is recognised through profit or loss. Current tax is calculated individually for each company in the group. The company income tax rate in Sweden is 26.3% of taxable income for the year.

Deferred taxes

The provision for deferred taxes pertains to temporary differences between reported profit and taxable profit. These include, for example, unrealised gains/losses on investments, tax depreciation of real estate and other untaxed reserves, such as the tax allocation reserve. Deferred tax assets are reported only if it is likely that these will entail lower tax payments in the near future. Deferred tax liabilities and assets are not discounted. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the tax effect is also recognised in equity. Tax on profit/loss items that is reported in Comprehensive income is also reported in the same item.

Result, subsidiaries

Subsidiaries that do not conduct insurance business and which are not held as part of asset management are reported under Result, other operating units.

Group contributions and shareholder contributions in legal entities

Shareholder contributions are recognised directly in equity of the receiver and are capitalised in shares and participations of the rendering party. Group contributions are reported according to economic significance. The parent company Skandia Liv does not conduct any group contribution transactions with its owner. For the Skandia Liv group, this means that group contributions that are rendered and received in order to minimise the group's total tax are reported in the item Comprehensive income after deducting their current tax effect in the parent company. In subsidiaries, they are reported in Comprehensive income or directly against equity, depending on the counterparty.

Cash flow statement

The cash flow statement is prepared using the indirect method and is broken down into operating activities, investing activities and financing activities. Since cash flow in the insurance operations strongly affects cash flow from the investment operations, both are reported under operating activities. Investing activities and financing activities are virtually nonexistent.

2 Risks and risk management

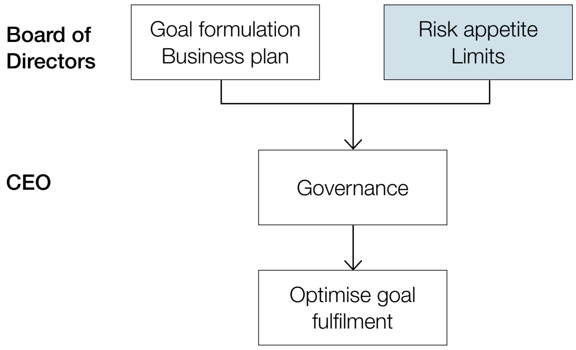
Skandia Liv's operations are based on active risk-taking. The company's operations give rise to a broad spectrum of risks that affect its result of operations and financial position. Through controlled and professional risk-taking, Skandia Liv creates value for the policyholders in the form of insurance protection and a favourable, sustained return on their savings. This risk-taking can give rise to losses from time to time for individual insurance products and investments in the investment portfolio. In addition, events can trigger unanticipated losses resulting from such occurrences as a fire or failure in a computer system. Although this is fully natural, by managing and controlling all risks in the business in an effective manner, losses and the effects of such occurrences can be kept to a minimum.

Skandia Liv conducts long-term work on creating favourable growth in the value of its policyholders' capital by taking risks that are anticipated to generate a high return over the long term and avoiding or limiting other risk-taking. This work on profitability risks is central to the company's strategy for value creation – the goal is to achieve the best possible growth in the value of the policyholders' capital with a reasonable measure of risk. From the customers' perspective, the company's work on profitability risks is conducted primarily to ensure that the growth in the value of their capital is as good as possible. The time perspective is long, and the goal is to generate a favourable return with a reasonable measure of risk over the entire insurance period.

The risk that Skandia Liv will not be able to fulfil its guaranteed obligations to the policyholders – solvency risk – is also of central importance for the company and is also the risk that the supervisory authority primarily monitors. The work with solvency risk is conducted to ensure that the fundamental security provided by the guarantees in Skandia Liv's products are not jeopardised. Since the guaranteed obligations must always be met, the time perspective is both short and long.

Principles for risk capital and governance of risk

Skandia Liv's board has ultimate responsibility for the company's risk level and assessment of the need for risk capital. The Board sets guidelines for the CEO regarding risk governance, risk management, risk control, reporting and so on by issuing policies and guidelines. The Board establishes the company's attitude to risk by determining the company's risk appetite, i.e., the upper limits for which risks and how much risk the company may expose itself to. For example, the Board expresses the company's appetite for investment risk via the Solvency Risk Policy. In this context it is important to note that active risk-taking is necessary for the ability to provide the policyholders a favourable return. In other words, the art is in taking well-considered risks that are expected to generate a favourable return and avoiding risks that can be expected to generate low returns or jeopardise the company's operations. Once the Board has established the risk appetite, the operations break down the limits and optimise value creation within the framework of the risk appetite. In this way, the risk appetite serves as the Board's tool for governing the company's risk and return profile.



Risk governance and control organisation

Based on the Board's overarching governance documents, the CEO issues more detailed guidelines and instructions for the operative management and control of Skandia Liv's risks. Overall risk management and control are conducted under the CEO's direction by the management team. The Risk Governance and Risk Control unit has been delegated overall responsibility by the CEO for governing and following up all risks. The unit draws up principles, methods and tools for governing and monitoring, and drafts recommendations for policies and guidelines on behalf of the Board and CEO. The head of the unit for risk governance and risk control, the Chief Risk Officer (CRO), normally conducts background work on overarching risk governance and control matters, and plans for further development in the area of risk management. The head of the business unit and head of asset management are responsible for the day-to-day management of business risks within the framework of the policies and rules that have been set by the Board and CEO. The Compliance Officer is responsible for overseeing regulatory compliance. The company's risk management is adapted to the nature of the underlying risks and is broken down into operational risks, insurance risks and financial risks.

Operational risks arise in all of Skandia Liv's business activities, and responsibility for continuously managing these risks is an integrated part of the management responsibility for the respective units. Every unit has a risk controller who co-ordinates the risk work and reports on the risks. The unit for risk governance and risk control has overall responsibility for the methods and tools used in the operations to identify, assess and manage operational risks. The unit is also responsible for co-ordinating the follow-up and reporting of risks and incidents to the company's management and board.

The financial risks on the asset side – investment risks – are managed at the overall level by the Board's committee for investment risks – the Investment Committee – and the head of Skandia Liv's asset management unit. The Investment Committee makes decisions on the overall asset allocation within the parameters set by the Board and continuously evaluates the result and risk position of the asset management. In addition, the Investment Committee has special responsibility for analysing the effect of asset allocation on solvency risk and collective funding.

The head of asset management is delegated operational responsibility by the CEO for risks on the asset side via the CEO's instruction for delegation of responsibility and reporting in Skandia Liv, the policy for governance and control of solvency risk, and Skandia Liv's investment guidelines. The head of asset management is responsible for management of financial risks and for following up, evaluating and risk control of Skandia Liv's asset management. The asset management unit has a risk control function that continuously measures and follows up financial risks and performs controls to ensure that risk-taking is within the set limits. The results of this control are reported to the company's compliance function. The unit for risk governance and risk control perform independent measurements of solvency risk and calculate the risk scope of the company's asset management.

Insurance risks and financial risks on the liabilities side are regulated by the company's actuarial guidelines, which are set by the Board of Directors. These specify overall guidelines for all written insurance. Based on these guidelines, the chief actuary formulates principles for premium calculation and the setting of fees, as well as for technical provisions. The chief actuary proposes central parameters that the CEO decides on. These principles and accompanying central parameters steer how Skandia Liv's long-term risk-taking and solvency position are affected, e.g., whether the guaranteed yield has particularly great importance for the solvency contribution of new premiums. By law the chief actuary also has particular responsibility for Skandia Liv's actuarial computations and studies, and has both the opportunity and obligation to inform the Board whenever the need arises. In addition to the actuarial guidelines, demands are put on risk management in connection with product development in the product development policy.

The Insurance Committee is a body tasked with ensuring that Skandia Liv's obligations are consistent with reasonable risk-taking, good profitability and a fair distribution of fees and surpluses among the various insurance collectives. The committee has the decision-making right on such matters as premium calculation, pricing, product development, terms and conditions, and risk-taking on the liabilities side.

The ALM Committee is a forum that ensures that the asset allocation is adapted to the company's products and insurance obligations. The committee's work is currently focused on ALM modelling related to Solvency II.

The Risk Committee co-ordinates and monitors the management of operational risks. It addresses both methods development and analysis as well as reporting.

A Book-Closing Committee has been established to ensure an effective book-closing process and financial reporting.

Principles for measuring risk and capital adequacy in Skandia Liv

Naturally, it is important to manage all individual risks in the company, but in the end it is still the total risk level that is decisive. Moreover, the total level of risk can be seen in different ways – in part as solvency risk and in part as profitability risk.

In order for Skandia Liv to be able to gain an idea of the total risk level, individual risks need to be identified, measured and aggregated in a suitable manner. Skandia Liv has therefore established principles for how risks are identified, measured and aggregated.

Identification of individual risks

To facilitate risk identification and measurement, various risk categories are used. Skandia Liv currently works with the following, main categories of risk: insurance risk, financial risk and operational risk. Each of these main categories has a number of sub-categories.

Risk measurement – general

Since different types of risk have different character, risk measurement is standardised to make risks comparable and meaningful to aggregate. At Skandia Liv, risk is commonly measured using Value at Risk methods. Value at Risk measures risk on the basis of a set time horizon and confidence level. The time horizon indicates the period of time that measurement of losses pertains to, and the confidence level indicates the probability that the losses are not greater than those measured. At Skandia Liv, a time horizon of one year and a confidence level of 99.5% are used.

An advantage of this type of measurement is that it can be interpreted as a measure of how much capital is needed to balance, or absorb, losses given a certain degree of probability. Risk measured in this way is therefore equivalent with risk capital requirement.

Aggregation of risks

To determine the total capital requirement, generally it is not possible to merely sum up the capital requirement for individual risks, since this would entail an assumption that the risks coincide and arise simultaneously. In reality, as a rule not all losses are incurred on one and the same occasion; this means that a given amount of capital can be used to cover several risks at the same time, which is often referred to as diversification. The total capital requirement for all risks is therefore lower than the sum of the individual risks. The difference between the total capital requirement and the sum of the individual risks is called the diversification effect.

Even though Skandia Liv works actively with risk management, there is always a risk that the aggregate losses can be greater than the company's risk capital. Skandia Liv's principles for risk management entail that the probability of a loss being greater than the risk capital requirement is 0.5% in a given year. This can also be expressed as such that losses of this magnitude can occur once in 200 years (one year divided by 0.5%). In other words, if the company has more risk capital than the risk capital requirement, the probability that the company will not be able to meet its obligations during a given year is less than 0.5%.

Solvency risk and capital requirement

Solvency risk is the risk that the company cannot meet its guaranteed obligations to the policyholders. Skandia Liv's board has determined that solvency risk may be a maximum of 0.5%, which is also the level of risk applied by the Financial Supervisory Authority to determine capital requirement in its "traffic light system". This level is thus also decisive for determining how the capital requirement is to be calculated for all individual risk factors. The level of solvency risk is set in the solvency risk policy that the Board decides on. This also states that solvency risk is controlled by adapting the risk mandate for the asset management with the starting point from the value of assets and obligations, and the capital requirement for insurance risks and operational risks. How much risk is utilised is determined by the capital requirement for financial risks, both on the assets and liabilities sides. If the utilisation of risk were to exceed the risk mandate, the asset management would have to change the composition on the assets side so that the financial risks would be reduced to the requisite degree.

The Financial Supervisory Authority's traffic light system

The aim of the Financial Supervisory Authority's traffic light system is to measure the capital requirement for insurance companies. The system is based on a set grouping of risk factors, and for each of these, a capital requirement is computed based on measurements of risk exposure and sensitivity, which should correspond to an event that occurs at most once in 200 years. The risk factors cover most forms of financial risk and insurance risk, where the latter is a collective name for risks associated directly or indirectly to insurance contracts.

Since the traffic light system is based on the presumption that many of the risks are assumed to be independent of each other, whereby the combined capital requirement is considerably less than the sum of the individual capital requirements, the system encourages a diversification of assets. However, at the same time, the fact is taken into account that the Swedish capital market is highly integrated with the world at large, which is why the diversification effect between Swedish and foreign securities is considerably lower than between other asset classes.

Skandia Liv's internal model

Skandia Liv has developed its own model for internal risk governance of solvency risk and calculation of its capital requirement. This model is essentially based on the same risk factors as the traffic light system, but it has been complemented in several respects.

The internal model uses stricter assumptions regarding the covariance between various risk factors so that the diversification effects are smaller than in the traffic light system, and the internal capital requirement is thereby higher.

Skandia Liv's internal model also encompasses a simple model for calculating the capital requirement for operational risk. This model is based on internal analyses that have been calibrated according to the risk levels and correlations reported for banks within the framework of Basel II. Added to this, Skandia Liv applies a stricter valuation of obligations, since the obligations in the internal model include a market valuation margin in accordance with the principles that are expected to be applied in the new European Solvency II regime.

The result from the internal model is reported on a regular basis to management and the Board of Skandia Liv, but is not reported publicly in detail. What is reported are calculations according to the traffic light system and an "adjustment for internal model", which constitutes an aggregate measure of the differences between the capital requirement according to the internal model and the capital requirement according to the traffic light system.

Solvency risk in the parent company

Solvency risk is the risk that the company cannot meet its guaranteed obligations.

It is calculated by subtracting the aggregate capital requirement for insurance risks, financial risks and operational risks from the net value of assets and liabilities. If this results in a surplus, or positive figure, the solvency risk is less than 0.5%, which is the level used to calculate the capital requirement. If, however, this results in a negative figure, or deficit, the risk is greater than 0.5%. The table below shows that the surplus according to Skandia Liv's internal model amounted to approximately SEK 49 billion (36) at year-end 2010, which means that the solvency risk was less than 0.5%. Skandia Liv's solvency risk policy provides an opportunity to temporarily deviate from the prescribed risk level. A plan has been drawn up for how a possible capital deficit according to the internal model should be handled. Since the internal model includes an "adjustment for internal model" of SEK 27 billion (26), the surplus according to the Financial Supervisory Authority's traffic light system was SEK 76 billion (62) at year-end 2010.

Capital requirement and solvency risk, SEK million

	2010	2009	Change 1 year
Assets	309,064	291,114	17,950
Technical provisions	-160,151	-163,142	2,991
Other liabilities	-14,089	-12,335	-1,754
Equity	**134,824**	**115,637**	**19,187**
Capital requirement, financial risks	-57,959	-53,771	-4,188
Capital requirement, insurance risks	-3,534	-3,681	147
Diversification effect	3,426	3,555	-129
Adjustment for internal model	-27,324	-25,792	- 1,532
Surplus	**49,433**	**35,948**	**13,485**

Profitability risk

Naturally, it is not adequate to govern risks only from a solvency perspective. It is also necessary to ensure that the acceptance of risk in both the insurance operations and asset management provides a reasonable return, that is, satisfactory profitability. Governance and monitoring of risks from a profitability perspective are done at the overall company level as well as at the operational level for the two core businesses – the insurance (or product) operations, and asset management. The latter is described in more detail further below.

Overall governance consists of principles and rules for the following, among other things:

- Product design
- Pricing of products in general, and of risks in particular
- Parameters for asset management, which take into account the risks in the company's obligations and the customers' expectations of future returns.

These principles are codified in various policies that are decided on by the Board. Documentation for the principles is drawn up with the help of stochastic company simulation models that make it possible to formulate the principles in a consistent manner and ensure that they remain valid under most conceivable conditions.

Strategic risks

In contrast to insurance risks, financial risks and operational risks, strategic risks are measured only from a profitability perspective. Strategic risks arise in connection with situations involving choice and major changes that affect the company over the long term. Oftentimes, strategic risks can only be managed through a proper analysis and good planning prior to implementation of changes in the operations. As a result, strategic risks are often managed as a part of the company's strategic and business planning work. Strategic risks are measured in connection with production of the company's business plan, which the Board then decides on.

Risks and risk management – insurance risks

Skandia Liv conducts both occupational pensions and life assurance business as well as pure risk insurance business in the form of disability and accident insurance.

The risks in the insurance operations consist of unanticipated changes in the following factors, among others:

- Biometric and demographic factors, such as mortality and morbidity, affect the size of the obligations.
- Customer-related factors, such as surrenders and various changes in contracts, which affect the obligations. Surrenders (repurchases, transfers and non-payment of premiums) can give rise to losses in cases where the company has incurred costs for a policyholder, for which the company has not yet received any compensation. To this can also be added the general uncertainty in future business volume.
- Market factors contribute to uncertainty about future volumes, such as due to changes in the economic climate in general and changed policies.
- Operating expense factors, including long-term cost levels as well as more temporary variations.

Taken together, the above-mentioned risks are referred to as insurance risks. The size of the various insurance risks is shown in the table below.

In addition to the risk factors above are also the following risk factors:

- Operational risk factors, which give rise to operational risks
- Financial factors – mainly the level of interest rates for various durations. This is because the obligations span a long period of time, and the value of these depends on the level of interest rates. See also under the section “Financial risks”.

Added to these is so-called model risk, which is a collective term for all risks that are associated with systematic, erroneous assumptions for estimating anticipated and unanticipated values. The anticipated values (“best estimates”) determine the size of the obligations. This model risk is therefore sometimes referred to as reserve-setting risk.

Risk management

Owing to the size of Skandia Liv’s collective body of policyholders and Skandia Liv’s broad range of products, concentration risks in the insurance risks are generally of lesser significance. This means that, as a rule, the impact of an event on individual policyholders is manageable, even if the commitment is large on a proportional scale in Sweden. This is because the company has a very large portfolio of insurance contracts, where the risks cancel each other out to a great extent (they are pooled); this is also reflected in the fact that a relatively small amount of capital is required to cover mortality risks (unanticipated), which is shown in the table above. Moreover, the largest individual exposures in both death insurance and disability insurance are reinsured.

However, since Skandia Liv’s business is mainly conducted in Sweden, its insurance risks are concentrated geographically. This means, for example, that a sudden and considerable increase in longevity or a higher level of morbidity (illness) in the Swedish population as a whole are difficult risks for Skandia Liv to manage. Consequently, the risk for an increase in longevity is given special attention in e.g., product development and risk measurement, in order to avoid surprises and to discover potential problems well in advance. A higher level of morbidity could occur suddenly, for example as a result of political decisions surrounding rules for sick leave. This risk is managed by actively monitoring developments in the healthcare sector and actively adapting products to new conditions. An epidemic could lead to both a higher rate of mortality and morbidity and is the risk that Skandia Liv can manage only through wise product design. Catastrophic risks, such as regarding a major airplane or train wreck, are another form of concentration risk. Skandia Liv manages catastrophic risk through reinsurance.

Naturally, the size of risks in the insurance operations is dependent on how the products are designed with respect to insurance terms and conditions, including guarantee obligations. Once they have been formulated, the risks are steered by customer demand for various products, which actually can only be affected through pricing, i.e., through premium and fee levels. Thus pricing is a vital instrument for managing risks. The company applies pricing that is based on the principle that all products shall bear their own risk costs, which are calculated based on the capital that is required to cover risks that cannot be hedged.

Risk exposure, risk and risk capital

The risk capital requirement is calculated in accordance with the principles set by the Financial Supervisory Authority in its traffic light system. Risks are expressed in terms of risk capital requirement for each risk factor. In somewhat simplified terms, the capital requirement can be said to consist of the product between the current risk exposure and a sensitivity factor that reflects the size of a hypothetical change in the underlying exposure. The size of this change is set as such that it makes up the largest conceivable negative change; it can only be worse with a 0.5% probability. The capital thus expresses the largest conceivable loss during very unfavourable conditions.

The table below shows the current risk exposures, sensitivity factors and capital requirement for the non-financial risk factors that are included in the Financial Supervisory Authority’s traffic light system. Internally, Skandia Liv includes additional risk factors that are not reported separately, but are instead indicated together with other internal adjustments in a single item (see “adjustment for internal model” under the section “Solvency risk” above).

The diversification effect expresses the relationship whereby the risks are assumed to be not entirely correlated, i.e., it is assumed that there is no full covariance. This effect is also calculated in accordance with the Financial Supervisory Authority’s traffic light system. A more detailed description of this as well as sensitivity factors can be found on the Financial Supervisory Authority’s website: www.fi.se.

Insurance risks, SEK million

	Risk exposure			Capital requirement		
Risk factor	**2010**	**2009**	**Sensitivity factor**	**2010**	**2009**	**Change 1 year**
Mortality risk	153,608	155,388	2.58 standard deviation of the cost for mortality outcome and change in one-year mortality probability of +/- 20%	2,353	2,349	4
Disability and accident risk	6,139	6,909	Changes in a number of applied assumptions in the run-off function, which gives rises to higher costs for the company	2,269	2,455	-186
Surrender risk	141,513	134,720	20% of any deficits in insurance that can be transferred and repurchased 20% of deferred acquisition costs 0.15% of the insurance capital for insurance that can be transferred and repurchased	404	425	-21
Operating expense risk	893	902	Annual fixed costs +10%	89	90	-1
Total capital requirement				**5,115**	**5,319**	**-204**
Diversification effect				-1,582	-1,639	57
Net capital requirement				**3,533**	**3,680**	**-147**

Risks and risk management – financial risks

The asset management operations involve primarily financial risks in the form of investment risks. Investment risks are broken down into the following risk factors:

- Market risks, including equity, real estate and commodity price risks, currency and interest rate risks, and hedge fund risks
- Credit risks, including counterparty risks
- Liquidity risks.

Skandia Liv's assets are invested in various types of instruments, in various currencies, and with a broad geographic distribution. As a result, the concentration risks are minimal (see table below and p. 8).

It is also necessary to take into account the financial risks associated with the company's insurance obligations – mainly interest rate risks, which have their origin in the guaranteed commitments that are made under insurance contracts. These obligations consist both of payments to customers and future operating expenses and taxes. Interest rate risk is reported below under investment risks. As a rule, the level of exposure of these risks takes a long time to change, since it changes in pace with old insurance contracts leaving the portfolio and new insurance contracts joining the portfolio.

Risk management

Investment risks are managed from the standpoint of the goal to maximise the return over the long term, given:

- a framework that reflects the risks in the company's obligations and the risk that the customers' return expectations cannot be met;
- a risk mandate that limits the maximum risk that the asset management may take at any given time in view of the size of the available risk capital.

These principles are laid out in the company's investment guidelines, which are adopted by the Board of Directors. The Board also decides on the framework that governs the scope for the operative asset management. The risk mandate is also decided on indirectly by the Board, in that it sets the company's solvency risk level, which determines the size of the capital requirement for financial risks as well as other risks.

To achieve the target return and good spread of risk, it is necessary to have a well diversified investment portfolio that also provides reasonable matching of interest rate risks in Skandia Liv's obligations. Skandia Liv's asset portfolio thus contains a large share of fixed-income investments, but also a number of other asset classes, such as equities, real estate, commodities, etc. The equities portfolio, in turn, is broken down into different countries and sectors, which provides further diversification.

The size of the financial risks associated with insurance obligations is dependent on how the products are designed, such as regarding terms and conditions, and including any guarantee obligations. Risk management in this regard therefore consists of drawing up internal rules and regulations that ensure good product design and that the parameters that steer product qualities are updated. Central product parameters steer how Skandia Liv's long-term risk-taking and solvency position are affected, such as whether the guaranteed yield has particularly high significance for the solvency contribution from new premiums.

Risk exposure, risk and risk capital

The capital requirement for the financial risks are also calculated based on the Financial Supervisory Authority's traffic light system in the manner described above. Risk exposures, sensitivity factors and capital requirement for all risk factors, as well as the diversification effect between them, are shown in the table below.

Financial risks, SEK million

	Risk exposure			Capital requirement		
Risk factor	**2010**	**2009**	**Sensitivity factor**	**2010**	**2009**	**Change 1 year**
Interest rate risk assumptions	160,151	163,142	Parallel shift in interest rate curve: Nominal SEK +/- 30% of 10-year risk-free interest rate Real SEK +/- 30% of longest risk-free interest rate Nominal euro +/- 25% of 10-year risk-free interest rate Other foreign +/- 30% of 10-year risk-free interest rate	18,243	19,431	-1,188
Interest rate risk, assets	146,238	132,428		-8,903	-8,393	-510
Diversification effect				1,397	1,159	238
Interest rate risk, net				10,737	12,197	-1,460
Share price risk	131,269	126,166	Swedish equities -40% Foreign equities -37%	55,495	51,420	4,075
Real estate price risk	30,347	27,776	-35%	10,621	9,722	899
Credit risk	81,615	86,302	Calculated as the change in value of fixed-income investments given a change in the interest rate spread between the asset and risk-free interest. Increase in spread by max. 100%: 25 basis points	7,165	1,787	5,378
Currency risk	3,339	-8,982	+/-10%	334	898	-564
Total capital requirement				**84,352**	**76,024**	**8,328**
Diversification effect				-26,394	-22,254	-4,140
Net capital requirement				**57,958**	**53,770**	**4,188**

Ten largest shareholdings

Swedish equities	**SEK million**
1 Hennes & Mauritz	3,011
2 TeliaSonera	2,696
3 Nordea	2,629
4 Volvo	2,492
5 Ericsson	1,979
6 Investor	2,212
7 Swedbank	1,966
8 AtlasCopco	1,440
9 Scania	1,420
10 SEB	1,343
	21,188

Ten largest shareholdings

Foreign equities	**SEK million**
1 Astra Zeneca	1,141
2 ABB	711
3 Exxon	636
4 Apple	521
5 BHP Billiton	463
6 Microsoft	418
7 IBM	359
8 Chevron	354
9 Nestle	338
10 General Electric	333
	5,274

Currency distribution, total	**% (rounded off)**
SEK	68.9%
USD	21.4%
JPY	0.1%
EUR	5.0%
GBP	1.5%
Other	3.1%
	100.0%

It is worth noting that in its internal models, Skandia Liv uses other, stricter assumptions on the correlations. This is reflected in the "adjustment for internal model" that is shown under the "Solvency risk" section above.

As the table shows, share price risk is the single largest single risk factor for Skandia Liv. It should be noted that the share price risk for foreign equities includes the currency risk in these assets, since share prices tend to adapt to exchange rate movements over a slightly longer time perspective. The situation whereby the traffic light system does not include commodity risk as a separate risk factor makes it necessary to treat these risks as share price risks. For the same reason, hedge fund risks are calculated based on the underlying values of the funds, mainly equities. It is also worth noting that the diversification effect, i.e., the benefit of spreading assets among various asset classes, is relatively large. The table shows that the financial risks have increased overall, but that their internal distribution has not changed significantly. This is an expression that the portfolio has grown without any major changes in the composition during the year.

Liquidity risk

A life assurance company has very long-term obligations. As shown in the table below, roughly 70% of Skandia Liv's obligations have a duration in excess of five years. According to Skandia Liv's investment policy, a sufficient scope of liquidity reserves shall be available on demand. A minimum of 10% of investments are to be in short-term fixed-income securities or government bonds.

In addition, the investments shall have a satisfactory level of liquidity and include at least 50% liquid securities.

Life assurance provisions broken down into various maturities

Total	Within 1 year	1-5 years	5-15 years	More than 15 years
162,489	7.8%	26.4%	37.8%	28.0%

Credit risk

Exposure shall mainly be to counterparties and issuers with high credit ratings, and the aggregate credit risk shall be low. Credit risk may only pertain to issuers and counterparties in the OECD countries. Credit ratings are used to determine the degree of creditworthiness of issuers and counterparties.

Risk exposure, SEK million

	Fixed-income securities	Currency derivatives	Interest rate derivatives	Commodity derivatives
AAA	128,716	101	-11	
AA	3,287	175	371	324
A	2,340		-12	363
BBB	2,495			
BB or lower	1,119			

Risks and risk management – operational risks

Operational risk is defined as the risk of loss resulting from defects in the operative activities. The reason for the loss can be internal (defective processes or system support, errors, defects in compliance with laws and internal rules and regulations, internal fraud, etc.) or external (events in the external operating environment, such as external fraud, disasters).

Operational risks can in principle only be managed through preventive and loss-reduction measures. To ensure that risks are managed effectively, a suitable division of responsibilities and a uniform analysis methodology are needed. The division of responsibilities, and principles and instructions for analysing, managing and reporting operational risks and incidents are laid out in numerous guidelines, which are decided on by the CEO.

Operational risks arise in all of Skandia Liv's activities, and responsibility for continuously identifying and managing these risks is an integral part of the management responsibility. In addition to continuous risk management, each year every department conducts a self assessment of the operational risks associated with its activities. This assessment aims to identify operational risks and quantify the losses that could arise. This work results in action plans, whose implementation is subject to continuous oversight.

As support for its risk management, Skandia Liv has a system for reporting and following up incidents. All incidents are followed up, and actions are taken to prevent a recurrence. Continuity and crisis management plans are in place to deal with serious disruptions in business-critical processes.

The unit for risk governance and risk control has overarching responsibility for the methods and tools that are used to identify, assess and manage operational risks. The unit is also responsible for co-ordinating and reporting risks and incidents to management and the Board of Directors.

Solvency risk – Denmark

All of the previously reported figures pertain to the parent company. It is not possible to report the risks in the Danish subsidiary, Skandia Liv A/S, in the exact same format as for the parent company Skandia Liv, since the Danish solvency rules have a different format. Following is a simplified summary.

Capital requirement and solvency risk, Skandia Liv A/S and Skandia Liv A A/S, SEK million

	2010	2009	Change 1 year
Assets[1]	15,958	15,820	138
Technical provisions	-14,326	-14,253	-73
Other liabilities	-334	-313	-21
Equity + debt capital	1,298	1,254	44
Solvency capital	1,093	994	99
Combined capital requirement	-497	-506	9
Surplus	596	488	108

[1] According to Danish accounting policies.

As the table shows, the "surplus capital" is considerably lower than in the parent company, also in relative terms. The reflects the fact that the company distributes its profits, and thus there is no reason to keep capital on hand other than what is required for operations.

3 Premiums written

Group	Individual 2010	Individual 2009	Group 2010	Group 2009	Total 2010	Total 2009
Periodic premiums in the form of paid-in premiums	5,334	5,177	4,179	4,505	9,513	9,682
Single premiums in the form of paid-in premiums	3,394	2,242	182	346	3,576	2,588
Premiums written in the form of assigned bonuses	0	0	27	27	27	27
Premiums written pertaining to policies transferred to Skandia Liv	303	22	57	39	360	61
Portfolio premiums, received	217	125	247	155	464	280
Reinsurance accepted	22	27	—	—	22	27
Premium tax	—	—	-30	-31	-30	-31
	9,270	**7,593**	**4,662**	**5,041**	**13,932**	**12,634**

Of premiums written, SEK 2,228 million (1,840) pertains to contracts written in Denmark and the remaining SEK 11,814 million (10,794) to contracts written in Sweden. Of total premiums written, SEK 12,304 million (10,667) pertains to contracts carrying entitlement to bonuses. Of premiums written for incoming transferred capital, SEK 282 million (44) pertains to transferred, guaranteed capital and SEK 78 million (17) to transferred bonus funds.

Parent company	Individual 2010	Individual 2009	Group 2010	Group 2009	Total 2010	Total 2009
Periodic premiums in the form of paid-in premiums	3,233	3,363	4,179	4,505	7,412	7,868
Single premiums in the form of paid-in premiums	3,394	2,242	182	346	3,576	2,588
Premiums written in the form of assigned bonuses	0	0	27	27	27	27
Premiums written pertaining to policies transferred to Skandia Liv	303	22	57	39	360	61
Portfolio premiums, received	217	125	247	155	464	280
Reinsurance accepted	22	27	—	—	22	27
Premium tax	—	—	-30	-31	-30	-31
	7,169	**5,779**	**4,662**	**5,041**	**11,831**	**10,820**

Premiums written pertain in their entirety to contracts written in Sweden. Of total premiums written, SEK 9,916 million (8,827) pertains to contracts carrying entitlement to bonuses. Of premiums written for incoming transferred capital, SEK 282 million (44) pertains to transferred, guaranteed capital and SEK 78 million (17) to transferred bonus funds.

4 Investment income

	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Rental income from land and buildings	2,252	2,226	—	—
Dividends from shares and participations				
Group companies	—	—	149	3
Other shares and participations	2,633	2,172	2,585	2,172
Alternative investments	372	57	370	57
Interest income, etc.				
Bonds and other fixed-income securities	4,834	5,227	4,831	5,226
Other financial investments	126	65	93	65
Interest income, alternative investments	—	814	—	814
Loans guaranteed by mortgages[1]	2	0	2	0
Amounts receivable from group companies[1]	—	—	918	891
Other financial assets[1]	41	94	21	10
Reversal of previous impairment of subsidiary shares	**—**	**—**	**—**	**32**
Capital gains, net				
Land and buildings	1,300	1,289	—	—
Shares and participations	8,759	—	8,869	—
Bonds and other fixed-income securities	1,416	3,187	1,436	2,928
Loans guaranteed by mortgages	2	0	2	0
Alternative investments	2,197	1,264	2,197	1,264
Other financial investments	—	0	—	—
	23,934	**16,395**	**21,473**	**13,462**

[1] Interest income on financial assets that are not carried at fair value.

5 Unrealised gains on investments

	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Land and buildings	767	—	—	—
Shares and participations	10,318	33,206	9,195	32,313
Alternative investments	632	2,049	620	2,138
	11,717	**35,255**	**9,815**	**34,451**

6 Claims paid, gross

	Group		Parent company	
	2010	2009	2010	2009
Claims paid	-11,000	-10,843	-10,557	-10,370
Surrenders and repurchases	-953	-666	-473	-387
Policies transferred to other companies[1]	-991	-746	-991	-746
Claims settlement costs[2]	-27	-53	-25	-48
	-12,971	**-12,308**	**-12,046**	**-11,551**

[1] Of policies transferred to other companies, SEK -609 million (-435) pertains to transferred, guaranteed capital and SEK -382 million (-311) to transferred bonus funds.
[2] Pertains to operating expenses for claims settlement, totalling SEK -38 million (-48) for the parent company and SEK -40 million (-53) for the group, and the change in the claims handling reserve, totalling SEK 13 million (0).

7 Bonuses and discounts

	Group		Parent company	
	2010	2009	2010	2009
Bonuses paid out during the year	-6,489	-6,693	-6,489	-6,693
Utilisation of funding reserve[1]	6,768	6,965	6,768	6,965
	279	**272**	**279**	**272**

[1] Of the utilised funding reserve, SEK 386 million (326) pertains to bonus funds transferred to other companies.

8 Operating expenses

	Group		Parent company	
	2010	2009	2010	2009
Acquisition costs[1]	-367	-296	-225	-147
Change in deferred acquisition costs, direct insurance	-146	-274	-146	-274
Administrative expenses[2]	-1,186	-1,117	-1,147	-1,177
Reinsurers' commissions and profit participations	-9	-19	-9	-19
Total operating expenses in the insurance operations	**-1,708**	**-1,706**	**-1,527**	**-1,617**
Management fees, investments	-238	-299	-196	-270
Claims settlement costs	-40	-53	-38	-48
Cost for other operating units	-16	-14	—	—
	-2,002	**-2,072**	**-1,761**	**-1,935**
Total operating expense categorised by type of cost				
Payroll costs	-421	-364	-297	-261
Cost of premises	-58	-75	-43	-58
Depreciation	-18	-39	-1	-1
Provision for restructuring	2	0	2	0
Other	-1,507	-1,594	-1,422	-1,615
	-2,002	**-2,072**	**-1,761**	**-1,935**

[1] Of which, direct insurance commissions for the group SEK -264 million (-202) and SEK -177 million (-101) for the parent company.
[2] Administrative expenses for the group include fees to auditing firms as shown in the table below.

	Group		Parent company	
Change in deferred acquisition costs	2010	2009	2010	2009
Opening balance	**1,039**	**1,313**	**1,039**	**1,313**
Capitalisation of new acquisition costs	177	117	177	117
Amortisation of previous years' acquisition costs	-319	-383	-319	-383
Impairment of acquisition costs	-4	-8	-4	-8
Change in deferred acquisition costs	-146	-274	-146	-274
Closing balance	**893**	**1,039**	**893**	**1,039**

	Group		Parent company	
Fees to auditing firms	2010	2009	2010	2009
Auditing fees				
Deloitte	6.1	5.8	4.4	3.3
KPMG	2.6	2.0	0.7	0.5
Total auditing fees	**8.7**	**7.8**	**5.1**	**3.8**
Auditing fees outside of the audit assignment				
Deloitte	0.1	1.6	0.1	1.6
KPMG	0.0	0.0	0.0	0.0
Total auditing fees outside of the audit assignment	**0.1**	**1.6**	**0.1**	**1.6**
Tax advisory services				
Deloitte	0.2	0.2	0.1	0.2
KPMG	0.3	0.1	0.3	0.1
Total tax advisory services	**0.5**	**0.3**	**0.4**	**0.3**
Other services				
Deloitte	1.2	1.0	0.4	0.7
KPMG	0.0	0.4	0.0	0.0
Total other services	**1.2**	**1.4**	**0.4**	**0.7**
Total fees paid to auditing firms	**10.5**	**11.1**	**6.0**	**6.4**

9 Investment charges

	Group		Parent company	
	2010	2009	2010	2009
Operating expenses from land and buildings	**-1,016**	**-1,004**	**—**	**—**
Asset management charges	**-238**	**-309**	**-198**	**-270**
Interest expenses				
Mortgage loans (reduced for subsidised interest rates)[1]	—	-3	—	—
Interest, other Skandia companies[1]	—	—	—	—
Interest expenses, financial instruments	-66	-99	-66	-98
Other interest expenses, etc.[1]	-3	-19	0	-5
Other financial expenses	**-297**	**-319**	**-92**	**-86**
Foreign exchange loss, net[2]	**-6,027**	**-3,510**	**-5,911**	**-3,517**
Impairment of subsidiary shares	**—**	**—**	**-157**	**—**
Capital loss, net				
Shares and participations	—	-2,160	—	-2,372
	-7,647	**-7,423**	**-6,424**	**-6,348**

[1] Interest expenses on financial liabilities that are not carried at fair value.
[2] Foreign exchange gains and losses arise, since Skandia Liv has substantial foreign assets.

10 Unrealised losses on investments

	Group		Parent company	
	2010	2009	2010	2009
Land and buildings	—	-499	—	—
Bonds and other fixed-income securities	-1,803	-1,575	-2,247	-2,111
Loans guaranteed by mortgages	—	-2	—	-2
	-1,803	**-2,076**	**-2,247**	**-2,113**

11 Net result per investment category, and other assets and liabilities

	Group		Parent company	
	2010	2009	2010	2009
Investment properties	3,302	2,012	—	—
Financial instruments at fair value through profit or loss				
- equities	14,952	25,513	13,867	24,408
- fixed-income securities	2,041	4,098	1,601	3,316
- alternative investments	2,224	3,575	2,209	3,664
Financial instruments held for trading				
- derivatives	4,639	7,756	4,604	7,726
Loan receivables	104	141	966	937
Other financial liabilities	-823	-635	-432	-329
	26,439	**42,460**	**22,815**	**39,722**

The net result includes realised and unrealised changes in value as well as interest, dividends and the foreign exchange result.

12 Other technical income and expenses

	Group		Parent company	
	2010	2009	2010	2009
Joint occupational pensions concept[1]	1	5	1	5
Compensation as a result of the ruling on arbitration between Skandia Liv and Skandia Insurance Company Ltd	12	10	12	10
Other income	59	51	5	—
Other expenses	-1	-2	-1	-2
	71	**64**	**17**	**13**

[1] Return of commissions due to surrenders in the previously applicable joint occupational pensions concept.

13 Result for other operating units

	2010			2009		
	Result	Group adjustments	Result in group	Result	Group adjustments	Result in group
Skandikon Pensionsadministration AB	7	-25	-18	12	-27	-15
Skandikon Administration AB	2	0	2	1	0	1
	9	**-25**	**-16**	**13**	**-27**	**-14**

14 Taxes

	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Current tax charge	**-1,847**	**-1,744**	**-1,841**	**-1,693**
Deferred tax	**-581**	**-452**	**-102**	**-166**
	-2,428	**-2,196**	**-1,943**	**-1,859**
Current tax charge				
Policyholder tax	-1,366	-1,535	-1,366	-1,535
Withholding tax	-157	-154	-156	-154
Income tax	-347	-338	-323	-330
Of which, adjustment of tax pertaining to previous tax years	23	283	4	326
	-1,847	**-1,744**	**-1,841**	**-1,693**
Deferred tax pertaining to				
Unrealised gains/losses on investments	-102	-166	-102	-166
Tax-loss carryforward	163	-26	—	—
Participations in partnerships (HB) and limited partnerships (KB)	0	0	—	—
Intangible assets	3	5	—	—
Difference between book and tax values of real estate	-532	-141	—	—
Provisions	2	-8	—	—
Estimated pension liability	-115	-6	—	—
Untaxed reserves	0	-110	—	—
	-581	**-452**	**-102**	**-166**
Tax regarding income tax				
Current tax regarding income tax	-325	-55	-319	-4
Deferred tax	-581	-452	-102	-166
	-906	**-507**	**-421**	**-170**
Reconciliation of effective tax rate regarding income tax				
Result before tax calculation	25,110	63,500	22,557	62,212
Less: result of operations subject to policyholder tax	-20,575	-59,961	-20,575	-59,961
Total result for operations subject to income tax	**4,535**	**3,539**	**1,982**	**2,251**
Tax according to applicable tax rate	-1,193	-931	-521	-592
Tax effect as a result of non-deductible/tax-exempt items	-5	221	0	-1
Tax effect as a result of previous years	60	283	4	326
Tax effect as a result of other tax rates	1	8	—	—
Tax effect as a result of exercised loss carryforward	-12	25	—	—
Tax effect pertaining to temporary differences	243	-268	96	-59
Tax effect as a result of changed principle for taxation of securities	—	155	—	156
	-906	**-507**	**-421**	**-170**

Existing deficits have been stated at a value at which it is expected they can be utilised in the years immediately ahead. The opportunity to utilise deficits has been estimated based on management's estimations of the future profit potential. The parent company has no deficits that can be utilised. Non-valued deficits for the group amount to SEK 6 million (137). The tax effect of non-valued deficits amounts to SEK 2 million (24).

15 Other intangible assets

Group	2010 Acquired	2010 Internally developed	2010 Total	2009 Acquired	2009 Internally developed	2009 Total
Software						
Cost at start of year	84	267	351	88	248	336
Investments during the year	17	36	53	1	33	34
Disposals during the year	—	—	0	—	-10	-10
Translation difference	-11	-7	-18	-5	-4	-9
Accumulated cost	**90**	**296**	**386**	**84**	**267**	**351**
Amortisation at start of year	-39	-71	-110	-34	-60	-94
Amortisation for the year	-8	-10	-18	-7	-23	-30
Reversal due to disposals during the year	—	—	0	—	10	10
Translation difference	6	3	9	2	2	4
Accumulated amortisation	**-41**	**-78**	**-119**	**-39**	**-71**	**-110**
Impairment at start of year	-9	—	-9	-2	—	-2
Impairment charges for the year	-2	-1	-3	-7	—	-7
Translation difference	1	—	1	—	—	0
Accumulated impairment	**-10**	**-1**	**-11**	**-9**	**—**	**-9**
Remaining software	**39**	**217**	**256**	**36**	**196**	**232**

The useful life for software is estimated at between three and ten years, based on estimated economic life.
The group uses a linear amortisation schedule, entailing a fixed, annual amortisation amount over the estimated useful life.
Amortisation is reported in the item Operating expenses.
The assets are expected to be extinguished after more than 12 months.

16 Investment properties

Group	2010	2009
Fair value		
Opening balance, investment properties	27,776	27,523
Acquisitions during the year	1,491	80
Investments in existing properties	1,378	1,016
Sales revenue, sold properties	-2,361	-1,708
Realised change in value	1,300	1,369
Unrealised change in value	766	-499
Other	-3	-5
Closing balance, fair value[1)]	**30,347**	**27,776**
Tax assessment values		
Tax assessment values, buildings in Sweden	12,918	11,115
Tax assessment values, land in Sweden	6,280	5,202
Tax assessment value, total	**19,198**	**16,317**
Residual value in Sweden for tax purposes	20,193	19,544

No contracts were signed in 2010 for possession in 2011.
During the year, 15 properties were sold for a value of SEK 2,361 million, and three properties were acquired.
In 2010 and 2009, all developed investment properties generated rental income.

[1)] The group has a finance lease that is included in the fair value of the group's investment properties, in the amount of SEK 34 million (35).

Fair value of investment properties
The group carries investment properties at fair value, i.e., the market value that has been determined for the properties as a result of an external appraisal.
The market value of all properties at year-end is determined individually based on valuation principles issued by the Swedish Real Estate Index (SFI).
Diligentia uses several appraisal firms in which all appraisers are certified by the Swedish Society of Real Estate Economics (SFF) within the ASPECT association.
The properties are reallocated among the appraisers in order to increase the reliability of the assessed fair values over time. All property appraisals are the result of the appraisal firms' assessments at a given point in time and include a certain measure of uncertainty. This amounts to an estimated +/- 5%–10% per property.

Valuation principles
In their valuations, the appraisal firms have used two different appraisal methods – a one-year net capitalisation method and a cash flow method.
The two methods should arrive at similar results, since both are based on local price comparisons. In the event the methods lead to different results, then the cash flow method shall apply.
The best proof of fair value consists of the current prices of comparable properties in an active market. In Skandia Liv's case, fair value as been estimated via a cash flow analysis for most of the properties.
This method entails that anticipated future payment flows and residual values are discounted to fair value.

Valuation assumptions	2010	2009
Calculation period, primarily	5 years	5 years
Annual inflation, primarily	2%	2%
Allocated interest	4.5-16.6%	3.1-16.3%
Weighted allocated interest	7.5%	7.5%
Required direct yield requirement	2.5-14.3%	1.3-14.0%
Weighted direct yield requirement for determining residual value	5.5%	5.5%
Operating and maintenance expenses	SEK 489/sq.m.	SEK 467/sq.m.
Average long-term vacancy		
Commercial	3.6%	4.3%
Residential	0.6%	0.9%

Sensitivity analysis regarding the market valuation of properties
The market value of properties is sensitive to the assumptions used in the calculations. By varying a number of parameters, the sensitivity of the appraisals can be determined.

Sensitivity analysis	Change	Change in value
Rental income	+/- 1%	+SEK 408/-408 m
Direct yield requirement	+/-1%-pt	-SEK 4,665/+6,738 m

Sensitivity analysis, result	Change	Yearly result effect
Economic occupancy rate	+/-1%-pt	+/-SEK 22 m
Rental income	+/- 1%	+/-SEK 20 m
Property costs	+/- 1%	+/-SEK 9 m
Change in value of investment properties	+/- 1%	+/-SEK 303 m

17 Investments in group companies

Shares and participations in subsidiaries[1]	Registered number	Registered office	Equity	Of which, result	Equity share, %	Book value 2010	Book value 2009
Skandia Liv Fastigheter AB[2]	556140-2826	Stockholm	9,241	1,969	100	5,610	5,610
Skandia Livsforsikring A/S[3]		Copenhagen	772	123	100	1,185	994
Skandia Livsforsikring A A/S[3]		Copenhagen	367	-69	100	443	487
Skandia Asset Management A/S		Copenhagen	56	41	70	2	2
Skandia A/S		Copenhagen	3	0	50	1	1
Life Equity Sweden KB	969687-4156	Stockholm	19	47	100	19	262
Berlac AB	556400-9115	Stockholm	102	0	100	101	101
Skandikon Pensionsadministration AB	556217-8300	Stockholm	33	2	100	28	28
Skandikon Administration AB	556023-4782	Malmö	6	0	100	7	7
						7,396	**7,492**
Loans to group companies							
Skandia Liv Fastigheter AB						18,600	18,000
Skandia Livsforsikring A/S[4]						84	96
Skandia Livsforsikring A A/S[4]						72	83
Total in parent company						**26,152**	**25,671**

[1] All companies are unlisted.
[2] Data for equity and result are consolidated figures for the company incl. subsidiaries.
[3] In addition to equity, this includes the value of the existing portfolio of insurance business.
[4] The loans have terms without any set final due date.

	2010	2009
Cost, opening balance	**8,517**	**8,301**
Capital contributions during the year	61	216
Liquidation[1]	-339	—
Closing balance, cost	**8,239**	**8,517**
Impairment, opening balance	**-936**	**-968**
Impairment charges for the year	-157	-27
Reversal of impairment	—	59
Liquidation[1]	250	—
Impairment, closing balance	**-843**	**-936**
Total shares and participations in group companies	**7,396**	**7,581**

[1] Pertains to Finsinequa Consulting Oy.

18 Shares and participations

	2010		2009	
	Cost	Fair value	Cost	Fair value
Group				
Swedish companies	25,249	39,467	30,597	39,337
Foreign companies	76,187	81,078	81,466	79,312
	101,436	**120,545**	**112,063**	**118,649**
Listed equities		106,881		109,982
Unlisted equities		13,664		8,667
		120,545		**118,649**
Parent company				
Swedish companies	25,249	39,466	30,279	39,082
Foreign companies	73,342	74,934	76,352	74,527
	98,591	**114,400**	**106,631**	**113,609**
Listed equities		100,736		104,990
Unlisted equities		13,664		8,619
		114,400		**113,609**

All can but will not be sold within 12 months.

19 Bonds and other fixed-income securities

	2010 Amortised cost	2010 Fair value	2009 Amortised cost	2009 Fair value
Group				
Securities issued by:				
The Swedish government	46,600	48,630	39,514	41,975
Swedish mortgage institutions	63,709	63,171	47,542	48,377
Other Swedish issuers	5,956	6,139	19,562	20,067
Foreign governments	10,242	10,170	8,042	8,032
Other foreign issuers	15,631	17,203	21,784	23,042
	142,138	**145,313**	**136,444**	**141,493**
Listed securities		143,758		129,727
Unlisted securities		1,555		11,766
		145,313		**141,493**
Parent company				
Securities issued by:				
The Swedish government	46,600	48,630	39,514	41,975
Swedish mortgage institutions	63,709	63,171	47,542	48,377
Other Swedish issuers	5,956	6,139	19,562	20,067
Foreign governments	10,242	10,170	8,042	8,032
Other foreign issuers	9,036	9,114	13,132	13,376
	135,543	**137,224**	**127,792**	**131,827**
Listed securities		135,669		129,727
Unlisted securities		1,555		2,100
		137,224		**131,827**

The book value exceeds/is below the nominal value by SEK 14,257 million (7,496) and SEK 1,249 million (880) for the group, respectively, and by SEK 10,333 million (7,496) and SEK 1,249 million (880) for the parent company, respectively.

All fixed-income securities have fixed durations. All can but will not be sold within 12 months.

20 Alternative investments

	2010 Amortised cost	2010 Fair value	2009 Amortised cost	2009 Fair value
Group				
Swedish hedge funds	1,099	1,275	1,099	1,324
Foreign hedge funds	472	458	435	400
Commodities	1,135	1,213	1,275	1,256
Infrastructure	1,389	1,376	911	839
Loan portfolio, fund	4,746	5,357	5,617	5,851
	8,842	**9,680**	**9,337**	**9,670**
Parent company				
Swedish hedge funds	1,099	1,275	1,099	1,324
Foreign hedge funds	93	83	277	297
Commodities	1,040	1,105	1,109	1,121
Infrastructure	1,389	1,376	911	839
Loan portfolio, fund	4,746	5,357	5,617	5,851
	8,368	**9,197**	**9,013**	**9,432**

All holdings are unlisted.
All can but will not be sold within 12 months.

21 Derivative instruments with positive values or a value of zero

Fair value	2010 Nominal amount	2010 Equities	2010 Currency	2010 Fixed income	2010 Commodities	2010 Total	2009 Nominal amount	2009 Equities	2009 Currency	2009 Fixed income	2009 Commodities	2009 Total
Group												
Derivative instruments taken up on the balance sheet												
Options with positive values[1]	32,203	105	—	350	—	455	23,977	164	—	201	—	365
Forward contracts with positive values	14,550	—	131	1	—	132	2,228	—	139	5	—	144
Swaps with positive values	15,782	344	504	568	697	2,113	30,029	355	450	8	592	1,405
	62,535	**449**	**635**	**919**	**697**	**2,700**	**56,234**	**519**	**589**	**214**	**592**	**1,914**
Parent company												
Derivative instruments taken up on the balance sheet												
Options with positive values[1]	28,321	1	—	350	—	351	20,408	4	—	201	—	205
Forward contracts with positive values	13,322	—	124	1	—	125	2,002	—	134	5	—	139
Swaps with positive values	15,782	344	504	568	697	2,113	30,029	355	450	8	592	1,405
	57,425	**345**	**628**	**919**	**697**	**2,589**	**52,439**	**359**	**584**	**214**	**592**	**1,749**

[1] The cost of the options was SEK 107 million (363) for the group and SEK 5 million (215) for the parent company.

In the parent company, all expire within 12 months except for SEK 919 million, while in the group all expire within 12 months, except for SEK 998 million.

22 Debtors arising out of direct insurance operations

	Group		Parent company	
	2010	2009	2010	2009
Receivables from policyholders	4	4	–	0
Receivables from insurance brokers	–	–	–	–
	4	**4**	**–**	**0**

23 Categories of financial assets and liabilities and their fair values

GROUP 2010

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Financial assets at fair value through profit or loss: Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	120,545	–	–	**120,545**	120,545	101,436
Bonds and other fixed-income securities	145,313	–	–	**145,313**	145,313	142,138
Alternative investments	9,680	–	–	**9,680**	9,680	8,842
Loans	–	–	13	**13**	13	14
Derivatives	–	2,700	–	**2,700**	2,700	107
Cash and securities settlement claims	–	–	10,419	**10,419**	10,419	10,419
Other financial receivables	2,515	–	681	**3,196**	3,196	3,196
Accrued interest and rental income	–	–	2,309	**2,309**	2,309	2,309
Total	**278,053**	**2,700**	**13,422**	**294,175**	**294,175**	**268,461**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Financial liabilities at fair value through profit or loss: Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	–	859	–	**859**	859
Other financial liabilities	8,357	–	3,461	**11,818**	11,818
Accrued expenses and deferred income	–	–	665	**665**	665
Total	**8,357**	**859**	**4,126**	**13,342**	**13,342**

PARENT COMPANY 2010

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Financial assets at fair value through profit or loss: Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	114,400	–	–	**114,400**	114,400	98,591
Bonds and other fixed-income securities	137,224	–	–	**137,224**	137,224	135,543
Alternative investments	9,197	–	–	**9,197**	9,197	8,368
Loans	–	–	13	**13**	13	14
Derivatives	–	2,589	–	**2,589**	2,589	5
Cash and securities settlement claims	–	–	9,467	**9,467**	9,467	9,467
Other financial receivables	2,515	–	321	**2,836**	2,836	2,836
Accrued interest and rental income	–	–	2,310	**2,310**	2,310	2,310
Total	**263,336**	**2,589**	**12,111**	**278,036**	**278,036**	**257,134**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Financial liabilities at fair value through profit or loss: Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	–	782	–	**782**	782
Other financial liabilities	8,357	–	3,630	**11,987**	11,987
Accrued expenses and deferred income	–	–	125	**125**	125
Total	**8,357**	**782**	**3,755**	**12,894**	**12,894**

GROUP 2009

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	118,649	–	–	**118,649**	118,649	112,064
Bonds and other fixed-income securities	141,493	–	–	**141,493**	141,493	136,444
Alternative investments	9,670	–	–	**9,670**	9,670	9,338
Loans	–	–	32	**32**	32	35
Derivatives	–	1,914	–	**1,914**	1,914	363
Cash and securities settlement claims	–	–	4,653	**4,653**	4,653	4,653
Other financial receivables	479	–	1,185	**1,664**	1,664	1,664
Accrued interest and rental income	–	–	2,252	**2,252**	2,252	2,252
Total	**270,291**	**1,914**	**8,122**	**280,327**	**280,327**	**266,813**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	–	398	–	**398**	398
Other financial liabilities	9,254	–	1,856	**11,110**	11,110
Accrued expenses and deferred income	–	–	673	**673**	673
Total	**9,254**	**398**	**2,529**	**12,181**	**12,181**

PARENT COMPANY 2009

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	113,609	–	–	**113,609**	113,609	106,631
Bonds and other fixed-income securities	131,827	–	–	**131,827**	131,827	127,792
Alternative investments	9,432	–	–	**9,432**	9,432	9,014
Loans	–	–	21	**21**	21	25
Derivatives	–	1,749	–	**1,749**	1,749	215
Cash and securities settlement claims	–	–	4,073	**4,073**	4,073	4,073
Other financial receivables	479	–	939	**1,418**	1,418	1,418
Accrued interest and rental income	–	–	2,253	**2,253**	2,253	2,253
Total	**255,347**	**1,749**	**7,286**	**264,382**	**264,382**	**251,421**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	–	270	–	**270**	270
Other financial liabilities	9,254	–	1,745	**10,999**	10,999
Accrued expenses and deferred income	–	–	104	**104**	104
Total	**9,254**	**270**	**1,849**	**11,373**	**11,373**

Loan receivables and Other financial liabilities are short-term in character, and thus the carrying amount is that same as fair value. For example, they may consist of securities settlement claims/liabilities, cash security received or paid, and receivables and liabilities which will be settled against companies in the Skandia or Skandia Liv groups within one month.

Determination of fair value through published price quotations or valuation techniques

Group 2010	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3
Assets			
Financial assets at fair value through profit or loss			
- Shares and participations	100,736	6,145	13,664
- Bonds and other fixed-income securities	135,744	9,569	—
- Alternative investments	—	7,353	2,327
- Repurchase transactions	2,515	—	—
Held for trading			
- Derivatives	629	2,071	—
Total	**239,624**	**25,138**	**15,991**
Liabilities			
Held for trading			
- Derivatives	296	563	—
Financial liabilities at fair value through profit or loss			
- Repurchase transactions	8,357	—	—
Total	**8,653**	**563**	**—**

Special disclosures for financial instruments in level 3

	Held for trading	Financial assets at fair value through profit or loss				
Assets	Derivatives	Shares and participations	Bonds and other fixed-income securities	Alternative investments	Other financial assets	Total
Opening balance	**—**	**8,617**	**—**	**1,513**	**—**	**10,130**
Profit/loss in income statement	—	-534	—	-8	—	**-542**
Purchases	—	6,395	—	1,103	—	**7,498**
Sales	—	-630	—	-199	—	**-829**
Exchange rate movements	—	-1,203	—	-192	—	**-1,395**
Change in value	—	994	—	110	—	**1,104**
Deductions/settlement	—	—	—	—	—	**0**
Movements in to level 3	—	25	—	—	—	**25**
Movements out of level 3	—	—	—	—	—	**0**
Closing balance	**—**	**13,664**	**—**	**2,327**	**—**	**15,991**
Share of profit/loss that pertains to assets held on the balance sheet date		-504		-8		-512

Determination of fair value through published price quotations or valuation techniques

Parent company 2010	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3
Assets			
Financial assets at fair value through profit or loss			
- Shares and participations	100,736	—	13,664
- Bonds and other fixed-income securities	135,669	1,555	—
- Alternative investments	—	6,870	2,327
- Repurchase transactions	2,515	—	—
Held for trading	—	—	—
- Derivatives	629	1,960	—
Total	**239,549**	**10,385**	**15,991**
Liabilities			
Held for trading			
- Derivatives	296	486	—
Financial liabilities at fair value through profit or loss			
- Repurchase transactions	8,357	—	—
Total	**8,653**	**486**	**—**

Special disclosures for financial instruments in level 3

	Held for trading	Financial assets at fair value through profit or loss				
Assets	Derivatives	Shares and participations	Bonds and other fixed-income securities	Alternative investments	Other financial assets	**Total**
Opening balance	**—**	**8,617**	**—**	**1,513**	**—**	**10,130**
Profit/loss in income statement	—	-534	—	-8	—	**-542**
Purchases	—	6,395	—	1,103	—	**7,498**
Sales	—	-630	—	-199	—	**-829**
Exchange rate movements	—	-1,203	—	-192	—	**-1,395**
Change in value	—	994	—	110	—	**1,104**
Deductions/settlement	—	—	—	—	—	**—**
Movements in to level 3	—	25	—	—	—	**25**
Movements out of level 3	—	—	—	—	—	**—**
Closing balance	**—**	**13,664**	**—**	**2,327**	**—**	**15,991**
Share of profit/loss that pertains to assets held on the balance sheet date		-504		-8		-512

Determination of fair value through published price quotations or valuation techniques

Group 2009	**Instruments with published price quotations in an active market** **Level 1**	**Valuation techniques based on observable market data** **Level 2**	**Valuation techniques based on non-observable market data** **Level 3**
Assets			
Financial assets at fair value through profit or loss			
- Shares and participations	105,202	4,830	8,617
- Bonds and other fixed-income securities	129,727	11,766	—
- Alternative investments	—	8,157	1,513
- Repurchase transactions	479	—	—
Held for trading			
- Derivatives	591	1,323	—
Total	**235,999**	**26,076**	**10,130**
Liabilities			
Held for trading			
- Derivatives	216	182	—
Financial liabilities at fair value through profit or loss			
- Repurchase transactions	9,254	0	—
Total	**9,470**	**182**	**—**

Special disclosures for financial instruments in level 3

	Held for trading	Financial assets at fair value through profit or loss				
Assets	Derivatives	Shares and participations	Bonds and other fixed-income securities	Alternative investments	Other financial assets	**Total**
Opening balance	**—**	**7,666**	**—**	**2,492**	**—**	**10,158**
Profit/loss in income statement	—	-177	—	155	—	**-22**
Purchases	—	3,795	—	1,271	—	**5,066**
Sales	—	-1,486	—	-2,136	—	**-3,622**
Exchange rate movements	—	-634	—	-81	—	**-715**
Change in value	—	-547	—	-188	—	**-735**
Issues	—	—	—	—	—	**—**
Deductions/settlement	—	—	—	—	—	**—**
Movements in to level 3	—	—	—	—	—	**—**
Movements out of level 3	—	—	—	—	—	**—**
Closing balance	**—**	**8,617**	**—**	**1,513**	**—**	**10,130**
Share of profit/loss that pertains to assets held on the balance sheet date		-177		41		-136

Determination of fair value through published price quotations or valuation techniques

Parent company 2009	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3
Assets			
Financial assets at fair value through profit or loss			
- Shares and participations	104,990	2	8,617
- Bonds and other fixed-income securities	129,727	2,100	—
- Alternative investments	—	7,919	1,513
- Repurchase transactions	479	—	—
Held for trading			
- Derivatives	592	1,157	—
Total	**235,788**	**11,178**	**10,130**
Liabilities			
Held for trading			
- Derivatives	216	54	—
Financial liabilities at fair value through profit or loss			
- Repurchase transactions	9,254	—	—
Total	**9,470**	**54**	**—**

Special disclosures for financial instruments in level 3

	Held for trading	Financial assets at fair value through profit or loss				
Assets	Derivatives	Shares and participations	Bonds and other fixed-income securities	Alternative investments	Other financial assets	**Total**
Opening balance	**—**	**7,666**	**—**	**2,492**	**—**	**10,158**
Profit/loss in income statement	—	-177	—	155	—	**-22**
Purchases	—	3,795	—	1,271	—	**5,066**
Sales	—	-1,486	—	-2,136	—	**-3,622**
Exchange rate movements	—	-634	—	-81	—	**-715**
Change in value	—	-547	—	-188	—	**-735**
Issues	—	—	—	—	—	**—**
Deductions/settlement	—	—	—	—	—	**—**
Movements in to level 3	—	—	—	—	—	**—**
Movements out of level 3	—	—	—	—	—	**—**
Closing balance	**—**	**8,617**	**—**	**1,513**	**—**	**10,130**
Share of profit/loss that pertains to assets held on the balance sheet date		-177		41		-136

Other disclosures

Skandia Liv uses several different valuation techniques for holdings classified in level 3. It is not possible to find any common, specific factor in the valuations which, if they were to change, would result in a significant change in the result. Consequently, Skandia Liv has not performed any sensitivity analysis.
For information on valuation techniques, see note 1, Significant accounting policies and valuation principles.

24 Other debtors

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Unliquidated sales of investment assets	1,302	362	1,302	362
Receivables from group companies	—	—	5	541
Receivables from other Skandia companies	168	270	162	270
Cash security paid pertaining to derivative transactions	125	88	125	88
Other	389	907	29	41
	1,984	**1,627**	**1,623**	**1,302**

25 Distribution of 2009 profit

Distribution of profit as per the 2009 balance sheet by the 2010 Annual General Meeting:	
Reported profit for 2009 including adjustments attributable to earlier years	62,783
Transferred to the funding reserve for the following lines of insurance	**62,783**
Defined benefit insurance	1,021
Defined contribution traditional life assurance	32,913
Employment-related disability insurance and waiver of premium insurance	702
Individual traditional life assurance	27,470
Non-cancellable disability and accident insurance and waiver of premium insurance	455
Group life and occupational group life assurance	73
Cancellable disability and accident insurance	139
Reinsurance accepted	10
	62,783

In Skandia Liv, profit for the year for the parent company is transferred to the funding reserve, which is part of equity. The funding reserve is the company's risk capital and is used to cover losses if necessary. However, normally it is used to provide the policyholders with the additional bonuses generated by successful asset management. Upon payment, bonuses are deducted directly from the funding reserve and thus do not affect the income statement.

26 Life assurance provision

	Group		Parent company	
Gross provision	**2010**	**2009**	**2010**	**2009**
Closing balance before reinsurance	**176,646**	**177,282**	**162,489**	**163,266**
Reinsurers' share	-94	-113	—	0
Closing balance after reinsurance	176,552	177,169	162,489	163,266
Net opening provision	**177,282**	**203,252**	**163,266**	**190,796**
Effect on opening balance of error in calculation of mortality reserve	—	-2,848	—	-2,848
Adjusted opening balance	**177,282**	**200,404**	**163,266**	**187,948**
Currency effect on opening balance	-1,792	-813	—	—
Premiums	11,813	10,561	9,836	8,801
Payments	-11,105	-10,331	-10,241	-9,737
Risk result	-24	102	-25	62
Apportioned interest, gross	6,563	5,495	6,592	5,505
Fee charge	-1,648	-1,814	-1,578	-1,726
Policyholder tax	-1,223	-1,149	-1,223	-1,149
Effect of changed market interest rates	-645	-23,512	-1,368	-24,389
Assigned bonuses	208	294	21	40
Portfolio taken over	—	—	—	—
Effect of difference in guaranteed rate and discount rate	-1,138	-132	-1,138	-132
Effect of surrenders	-514	-153	-514	-153
Effect on reserve for mortality, DUS 2006	—	-2,202	—	-2,202
Effect of changes mortality assumptions	—	950	—	950
Premium reserve, risk products	-69	-26	-69	-26
Other changes	-1,062	-392	-1,070	-526
Net closing provision	**176,646**	**177,282**	**162,489**	**163,266**

Approximately SEK 13 billion is expected to be dissolved within 12 months.

Parent company:
Provisions are calculated in accordance with generally accepted actuarial principles. This means that the provisions have been discounted to present value and that the calculations are based on assumptions on interest rates, mortality, taxes and operating expenses, among other things. Life assurance provisions pertaining to occupational pensions are valued in accordance with the prudency principle, i.e,. realistic assumptions are to be used. For Other life assurance (insurance not classified as occupational pensions business), safeguard assumptions are used, i.e., assumptions that each have a built-in safety margin.

In valuations, the assumption on the discount rate has the greatest impact. The choice of discount rate is prescribed by the Financial Supervisory Authority in FFFS 2008:23. This regulation prescribes that market interest rates (interest rate curves) are to be used, which entails that the choice of interest rate depends on the cash flow profile of the lines of insurance, i.e., when in time incoming and outgoing payments from the insurance are expected.

A deduction has been made from the interest rate assumption pertaining to both Occupational pensions and Other insurance for policyholder tax and general overheads, totalling approximately 1%–2%.

Skandia Liv uses mortality assumptions that are specific to Skandia. The method used to determine these bases is grounded in an industry-wide mortality survey that was published in spring 2007.

27 Provision for claims outstanding

	Group		Parent company	
Dissolution analysis	**2010**	**2009**	**2010**	**2009**
Opening balance	**7,454**	**7,645**	**7,411**	**7,599**
Effect of changed accounting principle	—	—	—	—
Adjusted opening balance	**7,454**	**7,645**	**7,411**	**7,599**
Currency effect on opening balance	-5	-3	—	—
Cost for claims incurred during current year	691	791	698	795
Paid/transferred to insurance liabilities or other current liabilities	-931	-1,020	-931	-1,020
Run-off result	-463	141	-440	152
Effect of changed market interest rates	30	361	30	361
Other changes	-21	-461	-48	-476
Closing balance	**6,755**	**7,454**	**6,720**	**7,411**

Approximately SEK 1 billion is expected to be dissolved within 12 months.

Provision for confirmed claims	113	111	113	111
Claims handling reserve	167	180	167	180
Provision for unconfirmed claims	1,124	974	1,089	931
Provision for disability annuities	5,351	6,189	5,351	6,189
	6,755	**7,454**	**6,720**	**7,411**

Parent company:
Claims outstanding that pertain to occupational pensions are valued in accordance with the prudency principal, i.e., realistic assumptions are to be used. For "Other life assurance" (insurance not classified as occupational pension insurance), safeguard assumptions are used, i.e., assumptions that each have a built-in safety margin.

In valuations, the assumption on the discount rate has the greatest impact. The choice of discount rate is prescribed by the Financial Supervisory Authority in FFFS 2008:23. This regulation prescribes that market interest rates (interest rate curves) are to be used, which entails that the choice of interest rate depends on the cash flow profile of the lines of insurance, i.e., when in time incoming and outgoing payments from the insurance are expected.

For "Other insurance with indexed disability annuities", a real interest rate assumption of 0.85% has been used, while for contracts classified as occupational pension insurance, an assumption of 1.47% has been used. For disability annuities in which benefits are set at a fixed amount, the discounted value has been calculated using a nominal interest rate of 2.96% for insurance other than occupational pension insurance and 3.58% for insurance classified as occupational pension insurance. The provision for disability annuities has been calculated based on run-off assumptions that are based on the company's own experience. The provision also includes a provision for future operating expenses for handling ongoing disability annuities (the Claims handling reserve). The change in the claims handling reserve, amounting to SEK 12.7 million, is reported in the income statement under the item Claims paid. For calculations of reserves for disability annuities, assumptions on reactivation of disabled claimants are also needed. The assumptions used are also based on the company's own experience.

28 Conditional bonuses

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Opening balance	**204**	**226**	**204**	**226**
Utilised conditional bonuses[1]	-29	-47	-29	-47
Change in conditional bonuses	49	25	49	25
Closing balance	**224**	**204**	**224**	**204**

[1] Utilised, conditional bonuses may only be used to pay new premiums. The amount is thus transferred directly to premiums written.

29 Provision for taxes

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Policyholder tax	—	—	—	—
Income tax liability	27	143	0	95
Payroll tax liability	25	34	0	13
	52	**177**	**0**	**108**

Preliminarily paid-in tax pertains primarily to the policyholder tax and secondarily to income tax.

(Note 29 continues on the next page)

PROVISION FOR DEFERRED TAX

	2010		2009	
	Tax asset	Tax liability	Tax asset	Tax liability
Group				
Deferred tax attributable to:				
Intangible assets	19	0	18	0
- Land and buildings	201	2,852	373	2,492
- Shares and participations	—	219	—	94
- Alternative investments	—	12	—	6
- Bonds and other fixed-income securities	—	23	—	54
- Derivatives	—	14	—	12
- Untaxed reserves	—	436	—	327
- Tax-loss carryforwards	387	—	244	—
- Shares in partnerships and limited partnerships	124	—	124	—
- Provisions	2	24	3	25
- Pension liability	—	33	—	27
	733	**3,613**	**762**	**3,037**

Of the year's change, everything except SEK 1 million is included in profit for the year. SEK 1 million was acquired through the purchase of a property company.

	2010		2009	
	Tax asset	Tax liability	Tax asset	Tax liability
Parent company				
Deferred tax attributable to:				
- Shares and participations	—	219	—	94
- Alternative investments	—	12	—	6
- Bonds and other fixed-income securities	—	23	—	54
- Derivatives	—	14	—	12
	—	**268**	**—**	**166**

All changes are included in profit for the year.

30 Other provisions

	Group		Parent company	
	2010	2009	2010	2009
Restructuring reserve	—	2	—	2
Deferred registration of title costs	166	193	—	—
Tax liability stemming from tax dispute	27	26	14	14
Other provisions	9	8	9	8
	202	**229**	**23**	**24**

Of provisions, SEK 8 million will be discontinued within 12 months.

31 Creditors arising out of direct insurance operations

	Group		Parent company	
	2010	2009	2010	2009
Liabilities to policyholders	902	612	859	559
	902	**612**	**859**	**559**

The liabilities pertain mainly to preliminary tax withheld from paid-out benefits, totalling SEK 466 million (471), and late payment of premiums, which have not yet been invested in the insurance, totalling SEK 398 million (107). The liability will be settled within 12 months.

32 Derivative instruments with negative values

	2010						2009					
Fair value	Nominal amount	Equities	Currency	Fixed-income	Commodities	Total	Nominal amount	Equities	Currency	Fixed-income	Commodities	Total
Group												
Derivative instruments reported in the balance sheet												
Options with negative values	4,712	32	—	—	—	32	3,651	37	—	—	—	37
Forward contracts with negative values	36,244	—	108	20	—	128	40,762	—	208	30	—	238
Swaps with negative values	9,801	46	213	429	11	699	9,872	—	70	29	24	123
Total	**50,757**	**78**	**321**	**449**	**11**	**859**	**54,285**	**37**	**278**	**59**	**24**	**398**
Parent company												
Derivative instruments reported in the balance sheet												
Options with negative values	—	—	—	—	—	—	—	—	—	—	—	—
Forward contracts with negative values	34,957	—	63	20	—	83	38,612	—	117	30	—	147
Swaps with negative values	9,801	46	213	429	11	699	9,872	—	70	29	24	123
Total	**44,758**	**46**	**276**	**449**	**11**	**782**	**48,484**	**—**	**187**	**59**	**24**	**270**

In the parent company and group, all of the above, except for SEK 429 million, expire within 12 months.

33 Other creditors

	Group		Parent company	
	2010	2009	2010	2009
Unliquidated purchases of investments	1,207	390	1,207	390
Liabilities to group companies	—	—	102	176
Liabilities to other Skandia companies	133	115	130	115
Cash security received pertaining to derivative transactions	1,490	804	1,490	804
Other	631	547	701	260
	3,461	**1,856**	**3,630**	**1,745**

34 Pledged assets

	Group		Parent company	
	2010	2009	2010	2009
Margin security for derivative contracts	5,372	5,090	5,369	5,088
Securities pertaining to repurchase transactions	5,842	8,776	5,842	8,776
Property mortgages pledged for loans, etc., nominal value	55	55	—	—
	11,269	**13,921**	**11,211**	**13,864**
Assets for which policyholders have beneficiary rights [1) 2)]	237,452	222,270	222,588	207,274

1) Creditors arising out of direct insurance operations.
2) Assets as per 31 December 2010 consist of SEK 113,442 million in fixed-income securities, SEK 105,294 million in equities, and SEK 18,716 million in real estate. These assets may be utilised to secure the policyholders' guaranteed benefits in the event of an insolvency situation.

35 Contingent liabilities

	Group		Parent company	
	2010	2009	2010	2009
Committed private equity investments	17,985	21,570	17,985	21,570
Other contingent liabilities	201	6	—	—
	18,186	**21,576**	**17,985**	**21,570**

36 Leasing

In its capacity as a lessee, the group has entered into a number of operating leases, which pertain to the lease of premises for some of the group's subsidiaries. Total leasing costs for the year were SEK 11 million (13). The maturities for the combined amount of future, minimum lease payments pertaining to non-cancellable operating leases as per 31 December, are listed below:

	Group		Parent company	
	2010	2009	2010	2009
Operating leases				
within one year	7	8	—	—
later than one year but within five years	31	32	—	—
later than five years	24	41	—	—
Total lease payments	**62**	**81**	**—**	**—**

As a result of the joint organisation in Sweden, Skandia Liv's leases have been renegotiated and are now part of the agreement that regulates costs between Skandia Liv and Skandia. This agreement has a term of one year, and the cost varies along with Skandia Liv's use of space. See note 38.

In its capacity as a lessor, the group has entered into a number of operating leases. The contracts pertain to leases for residential properties and other premises. The maturities for the combined amount of future, minimum lease payments pertaining to non-cancellable operating leases as per 31 December, are listed below:

	Group		Parent company	
	2010	2009	2010	2009
Operating leases				
within one year	628	795	—	—
later than one year but within five years	1,109	1,026	—	—
later than five years	292	288	—	—
Total lease payments	**2,029**	**2,109**	**—**	**—**

The variable part of leases, which is included in result for the period, amounts to SEK 48 million (51).

37 Average number of employees; wages, salaries and remuneration

Average number of employees	2010 Women		2010 Men		2010 Total	2009 Women		2009 Men		2009 Total
Parent company in Sweden	121	47%	135	53%	256	118	48%	130	52%	248
Subsidiaries in Sweden	93	52%	85	48%	178	86	53%	77	47%	163
Total, Sweden	**214**	**49%**	**220**	**51%**	**434**	**204**	**50%**	**207**	**50%**	**411**
Subsidiaries in Denmark	59	63%	35	37%	94	60	62%	37	38%	97
Total, foreign subsidiaries	**59**	**63%**	**35**	**37%**	**94**	**60**	**62%**	**37**	**38%**	**97**
Total, group	**273**	**52%**	**255**	**48%**	**528**	**264**	**53%**	**244**	**47%**	**508**

Gender breakdown of executive management as per 31 December	2010 Women		2010 Men		2010 Total	2009 Women		2009 Men		2009 Total
Parent company, Sweden										
Board of Directors	1	13%	7	87%	8	3	27%	8	73%	11
Chief Executive and other members of executive management	2	29%	5	71%	7	1	14%	6	86%	7
Subsidiaries										
Board of Directors	8	32%	17	68%	25	3	20%	12	80%	15
Chief Executive and other members of executive management	7	33%	14	67%	21	6	38%	10	62%	16
Total, group										
Board of Directors	**9**	**27%**	**24**	**73%**	**33**	**6**	**23%**	**20**	**77%**	**26**
Chief Executive and other members of executive management	**9**	**32%**	**19**	**68%**	**28**	**7**	**30%**	**16**	**70%**	**23**

Wages, salaries and other benefits during the year, SEK thousand

2010	Base salary/ Directors' fees	Variable remunera-tion	Other benefits and remu-neration	Pension cost	Social security charges	Total
Parent company						
Gunnar Palme, Chairman of the Board	642	–	–	–	202	844
Bo Eklöf, former Chairman of the Board[1]	479	–	–	–	49	528
Gunnar Holmgren, director	396	–	–	–	124	520
Monica Lindstedt, director	250	–	–	–	79	329
Leif Victorin, director	286	–	–	–	29	315
Jens Erik Christensen, director	142	–	–	–	45	187
Lars Otterbeck, director	273	–	–	–	28	301
Dag Andresen, former director	119	–	–	–	37	156
Elisabet Annell, former director[2]	146	–	–	–	46	192
Sverker Lundqvist, former director[3]	292	–	–	–	92	384
Bengt-Åke Fagerman, Chief Executive[4]	4,223	3,742[5]	120	2,929	3,251	14,265
Other senior executives[6] (6 persons)[4]	11,337	7,441[5]	688	4,336	7,168	30,970
Other employees who affect the company's risk level (14 persons)[4]	13,069	1,873	623	4,577	6,001	26,143
Other employees	124,085	12,389[5]	3,917	34,797	55,157	230,345
Total, parent company in Sweden	**155,739**	**25,445**	**5,348**	**46,639**	**72,307**	**305,478**

No severance pay was expensed or paid out in 2010.

1) Chairman of the Board through 18 May.
2) Director through 18 May.
3) Director through 18 May.
4) Risk-takers according to definition below.
5) Includes cash paid out as special remuneration – project for new structure. See specification below.
6) By other senior executives in the parent company is meant the six persons who, together with the Chief Executive, make up Skandia Liv's management team. In the group, it also includes the persons who, in addition to the chief executive of each company, make up the respective company's management teams.

	Base salary/ Directors' fees	Variable remunera-tion	Other benefits and remu-neration	Pension cost	Social security charges	Total
Subsidiaries						
Chairmen	596	–	–	–	28	708
Chief executives	7,672	400	270	1,595	2,292	12,230
Other senior executives (17 persons)[1]	15,264	1,129	413	2,113	4,932	23,851
Other employees who affect the company's risk level	–	–	–	–	–	–
Other employees	135,500	6,507	3,707	23,485	37,862	207,062
Total, subsidiaries	**159,033**	**8,036**	**4,390**	**27,193**	**45,114**	**243,766**
Total, group						
Chairmen	1,717	–	–	–	279	1,995
Chief executives	1,904	–	–	–	480	2,384
Chief executives	11,895	4,142	390	4,524	5,543	26,494
Other senior executives (23 persons)[1]	26,601	8,570	1,101	6,449	12,100	54,821
Other employees who affect the company's risk level (14 persons)[2]	13,069	1,873	623	4,577	6,001	26,143
Other employees	259,585	18,896	7,624	52,282	93,019	437,406
Total, group	**314,772**	**33,481**	**9,738**	**73,832**	**117,421**	**549,244**

1) By other senior executives is meant the six persons who, together with the Chief Executive, make up Skandia Liv's management team. In the group, it also includes the persons who, in addition to the chief executive of each company, make up the respective company's management teams.
2) Risk-takers according to definition below.

Specification of variable remuneration in the parent company, SEK thousand

	Chief Executive[1]	Other senior executives (7 persons)[1]	Other employees who affect the company's risk level	Other employees	Total
Reversed remuneration pertaining to 2009	0	-367	-651	-999	-2,017
Other variable remuneration paid out (e.g., bonuses)	0	118	93	2,132	2,343
Cash payment for special remuneration – project for new structure (6 persons)	2,970	5,265	—	1,170	9,405
Estimated provision for 2010	772	2,425	2,431	10,086	15,714
Total amount applied to profit in 2010	**3,742**	**7,441**	**1,873**	**12,389**	**25,445**
Estimated provision for variable remuneration for 2009	891	3,112	3,910	11,277	19,190
Variable remuneration paid out in 2010 for 2009 (242 persons)	-891	-2,745	-3,259	-10,278	-17,173
Variable remuneration withheld in 2010 pertaining to 2009[1]	—	—	—	—	—
Total reversed amount pertaining to 2009	**0**	**367**	**651**	**999**	**2,017**

[1] No remuneration was withheld for 2009 or earlier years.

No pledges for guaranteed variable remuneration are in effect for Skandia Liv or its subsidiaries.

Percentage breakdown of variable remuneration paid out in 2010

Cash variable remuneration	78%
Share-based payment	0%
Other	22%

Pension cost in relation to pensionable salary

Parent company	Defined contribution	Defined benefit
Chief Executive	28 %	44 %
Other senior executives (7 persons)	23 %	11 %

Wages, salaries and other benefits during the year, SEK thousand

2009	Base salary/ Directors' fees	Variable remuneration	Other benefits and remuneration	Pension cost	Social security charges	Total
Parent company						
Bo Eklöf, Chairman of the Board	1,138	—	—	—	116	1,254
Leif Victorin, director	250	—	—	—	26	276
Lars Otterbeck, director	200	—	—	—	20	220
Sverker Lundqvist, former director	688	—	—	—	216	904
Elisabet Annell, former director	350	—	—	—	110	460
Monica Lindstedt, director	250	—	—	—	79	329
Gunnar Palme, director	288	—	—	—	90	378
Gunnar Holmgren, director	360	—	—	—	113	473
Bengt-Åke Fagerman, Chief Executive	4,087	86	102	2,844	2,027	9,146
Other senior executives (7 persons)[1]	10,833	1,424	492	5,749	5,305	23,803
Other employees who affect the company's risk level (17 persons)	15,074	3,536	533	4,729	6,491	30,363
Other employees	115,726	9,398	3,458	39,235	45,630	213,447
Total, parent company in Sweden	**149,244**	**14,444**	**4,585**	**52,557**	**60,223**	**281,053**
Subsidiaries						
Chairmen	535	—	—	—	27	562
Chief executives	6,528	211	88	1,663	2,001	10,491
Other senior executives (17 persons)[1]	15,899	501	360	1,864	5,162	23,786
Other employees who affect the company's risk level	—	—	—	—	—	—
Other employees	134,637	923	2,978	29,502	35,430	203,470
Total, subsidiaries	**157,599**	**1,635**	**3,426**	**33,029**	**42,620**	**238,309**
Total, group						
Chairmen	1,673	—	—	—	143	1,816
Chief executives	2,386	—	—	—	654	3,040
Chief executives	10,615	297	190	4,507	4,028	19,637
Other senior executives (24 persons)[1]	26,732	1,925	852	7,613	10,467	47,589
Other employees who affect the company's risk level (17 persons)	15,074	3,536	533	4,729	6,491	30,363
Other employees	250,363	10,321	6,436	68,737	81,060	416,917
Total, group	**306,843**	**16,079**	**8,011**	**85,586**	**102,843**	**519,362**

[1] By other senior executives is meant, in the parent company, the eight persons who, together with the Chief Executive, make up Skandia Liv's management team. In the group, it also includes the persons who, in addition to the chief executive of each company, make up the respective company's management teams.

Specification of variable remuneration in the parent company, SEK thousand

	Chief Executive	Other senior executives (7 persons)[1]	Other employees who affect the company's risk level	Other employees	Total
Reversed remuneration pertaining to 2008	-805	-2,323	-374	-3,129	-6,631
Other variable remuneration paid out (e.g., bonuses)	—	635	—	1,250	1,885
Estimated provision for 2009	891	3,112	3,910	11,277	19,190
Total amount applied to profit in 2009	**86**	**1,424**	**3,536**	**9,398**	**14,444**
Estimated provision for variable remuneration for 2008	805	2,323	2,106	9,259	14,493
Variable remuneration paid out in 2009 for 2008[1] (274 persons)	—	—	- 1,732	-6,130	-7,862
Total reversed provision pertaining to 2007	**805**	**2,323**	**374**	**3,129**	**6,631**

[1] The Chief Executive and other members of management abstained from variable remuneration for 2008.

Percentage breakdown of variable remuneration paid out in 2009

Cash variable remuneration	76%
Share-based payment	0%
Other	24%

Pension cost in relation to pensionable salary

Parent company	Defined contribution	Defined benefit
Chief Executive	24%	29%
Other senior executives (7 persons)	26%	7%

Principles for the parent company, Skandia Liv

Remuneration policy
The Board of Directors adopts the company's remuneration policy, whereby it also takes into account the general remuneration policy for Skandia. Skandia Liv's remuneration policy stipulates, among other things, that remuneration of employees of Skandia Liv and its subsidiaries shall be structured so as to take into account the importance that the operations are cost-effective and competitive. To safeguard the policyholders' best interests, the system for benefits shall encourage long-term value creation in the company with a well balanced risk horizon. Performance-based remuneration shall be based on the performance of the individual employees as well as on the profit centre's and company's total performance. If an employee's remuneration includes a variable component, there shall be a balance between the fixed and variable portion. The variable portion shall have a cap on how much may be payable if all targets are exceeded. Skandia Liv's remuneration policy shall be reviewed yearly, so that it develops in pace with changes in the company's environment.

Each year the Compliance Officer shall independently review whether the company's remuneration is consistent with the remuneration policy and report the result of this review to the Board of Directors. This report shall normally be presented in conjunction with the Compliance Officer's annual report to the Board.

Risk analysis
Before a decision is made on the remuneration system or on significant changes in the system, an analysis is performed of how the system affects the risks that Skandia Liv is exposed to and how these risks are managed. The company's Chief Risk Officer (CRO) has specific responsibility for this assessment.

Drafting and decision-making process:
Skandia Liv has a remuneration committee consisting of three board members, of whom two are independent in relation to the company and the shareholder. The committee's members are Gunnar Palme (chair), Mårten Andersson and Gunnar Holmgren. The Chief Executive and Head of HR are co-opted members of the Remuneration Committee to the extent requested by the committee.

The Remuneration Committee is tasked with conducting drafting work for the Board's guidelines for remuneration and benefits of employees of the company, including its subsidiaries. In addition, the committee draws up the terms of employment for the Chief Executive. In accordance with the "grandfather principle",[1] the Remuneration Committee shall also approve the Chief Executive's decisions on salary and benefits for members of the company's management team, with the exception of variable remuneration, which is set by the Board. Further information about Skandia Liv's remuneration committee is provided in Corporate Governance Report, which is posted on Skandia Liv's website: www.skandia.se/liv.

Remuneration components
Employee remuneration is made up of one or several of the following components:
- Salary and fees
- Variable remuneration
- Pension
- Other benefits, such as company car and private healthcare insurance.

Skandia Liv's pension plans consist primarily of pension benefits provided under the collective agreement for the insurance industry (FTP), and in certain cases supplementary pension benefits for senior executives. The pension plans comprise primarily retirement pension, disability pension and family pension.

Salaries and fees:
The Chairman of the Board and the directors are paid a fee in accordance with a decision made by the Annual General Meeting. No fees are paid to directors who are employees of the Skandia group. Remuneration for the Chief Executive and other senior executives consists of a fixed base salary, variable remuneration, pension contributions and special promises.

Variable remuneration and special fees:
In 2010 Skandia Liv applied four different models for variable remuneration. Each employee can only be covered by one of these models, which pertains to remuneration for:
- the Chief Executive and other members of the executive management team
- other senior executives and key persons
- senior executives and employees of Skandia Liv Asset Management
- other employees.

For the Chief Executive and other members of the executive management team, except for the Head of Asset Management, variable remuneration can amount to a maximum of 30% of base salary. Of this 30%, 12 percentage points are coupled to the three Livianen targets (see fact box), and 18 percentage points are coupled to individual targets set by the Chief Executive. The individual targets for the Chief Executive are set by the Board of Directors.

For other senior executives and key persons, the opportunity for variable remuneration amounts to a maximum of 10% or 20% of base salary. Of these amounts, 2 and 4 percentage points, respectively, are coupled to the Livianen targets. The other 8 and 16 percentage points, respectively, are individual and tied to the respective persons' specific areas of responsibility.

For senior executives of Skandia Liv Asset Management, the opportunity for variable remuneration amounts to a maximum of 50% of base salary, and for other employees in the asset management unit, the opportunity for variable remuneration amounts to 10%-40% of base salary. For all of these persons, one of the Livianen targets accounts for a maximum of one-third of the variable remuneration. Any other variable remuneration is based on individual targets with a direct coupling to the respective persons' areas of responsibility.

For other employees, variable remuneration corresponding to a maximum of 125% of one-half of the Price Base Amount can be payable. A provision for this amount is allocated to a profit-sharing foundation, Livianen. For 2010 this provision can amount to a maximum of SEK 26.5 thousand. See the fact box on Livianen.

Employees who work with oversight of the operations, such as the Chief Risk Officer (CRO), the Operational Risk Supervisor (ORS), chief actuaries, the Compliance Officer, colleagues of these executives and middle-office employees in the compliance function of Skandia Liv's asset management unit and internal audit shall, regardless of what is stated above, have targets that are independent of the performance of the areas that they oversee.

[1] The grandfather principle entails that approval must be obtained by a manager's manager.

Skandia Liv's form of operation has been studied with the aim of finding a new structure for the company. During the course of this work, which was conducted in 2009, it was important to ensure that a number of key persons with unique competence could work in the company's interests with full integrity. Accordingly, six persons in senior positions, including the Chief Executive, received a binding promise for special remuneration for their contribution to this project. In connection with the conclusion of the project, the special promises were fulfilled, after a decision by the Board. Payment was made in 2010. The remuneration paid to each of these individuals corresponded to nine months' salary.

Pensions:
Upon turning 60 years of age, Chief Executive can request a defined benefit pension for salary amounts equivalent of up to 52 times the Income Base Amount. His ordinary retirement age is 65. On salary amounts in excess of 52 times the Income Base Amount, the pension is a defined contribution solution with an annual premium of 35% on said salary amounts. The Chief Executive's variable salary is not included in his pensionable salary.

Other senior executives of the parent company have defined benefit pension obligations which, upon completion of service to the contracted retirement age (which varies from 60–65 years of age), pay a lifetime pension corresponding to 60%–70% of base salary. In addition, one of these executives has a defined contribution pension corresponding to 17% of base salary.

Severance pay:
In the event the company serves notice, the Chief Executive is entitled to salary during the notice period, which is 12 months. In addition, the Chief Executive is entitled to severance pay equivalent to 12 months' salary (base salary), which in 2010 corresponded to SEK 4,080 thousand. This is the only commitment for severance pay by Skandia Liv. Severance pay will be deducted from any other income. In the event the Chief Executive gives notice, the notice period is 6 months.

For other senior executives, in the event the company serves notice, they are entitled to salary during the notice period, which is 6 or 12 months. In the event the senior executives give notice, they have a notice period of 3–6 months.

Loans
Loans totalling SEK 15,234 thousand have been made to board members, the Chief Executive and senior executives.

The loans indicated above have been issued by Skandiabanken and consist mostly of home mortgages secured by real estate deeds.

New system for variable remuneration:
The Financial Supervisory Authority's general guidelines regarding remuneration policies in insurance undertakings, exchanges, clearing organisations and institutions for the issuance of electronic money (FFFS 2009:7) have been incorporated in the company's rules and regulations for 2010. As a result of this, a certain portion of earned variable remuneration for 2010 and forward, for certain executives referred to as risk-takers, will be paid out after three years at the earliest. The amount of the payments is coupled to the change in value of Skandia Liv's portfolio for at least three years.

Risk-takers
Based on a risk analysis, Skandia Liv has identified a number of positions that could exercise a significant influence over the company's risk level ("risk-takers"). The category "risk-takers" also includes the employees tasked with controlling risk-taking.

The following persons belong to the "risk-taker" category:
1. The Chief Executive
2. The Business Manager
3. The Head of Skandia Liv's asset management
4. Other members of Skandia Liv's management team
5. The head of the risk insurance department (reports to Business Manager)
6. The head of the savings insurance department (reports to Business Manager)
7. The head of the department for public sector business (reports to Business Manager)
8. Members of the asset management unit's investment committee and the head of Middle Office in the asset management unit
9. Employees in control bodies, such as Internal Audit and Compliance.

Continued work with risk analysis may give rise to changed assessments, entailing the removal or addition of persons to the "risk-taker" category.

Lock-in of variable remuneration for risk-takers
For the approximately 15 employees who exercise or could exercise a significant influence over Skandia Liv's risk level, payment of 60% of any variable remuneration is deferred for at least three years. In addition, for such employees the Board has the right to unilaterally decide that the right to payment of the deferred remuneration shall be nullified in the event of extraordinary circumstances that entail that the company's financial stability is jeopardised or that the result criteria were not properly met.

Risk-adjusted payment
A provision for the portion of the risk-takers' variable remuneration that has been deferred is made to a special department in Skandia Liv's profit-sharing foundation, Livianen (see below). The allocated amount changes during the lock-in period to the same degree that the value of Skandia Liv's financial assets change.

Livianen is a foundation similar to a profit-sharing foundation. The aim is to promote motivation and participation among employees by offering an opportunity for financial incentive when set targets are met.

Rewards from Livianen are payable if one or more of the following targets are met:
- Each year, Skandia Liv's total return is among the top 2 among a group of defined competitors
- Skandia Liv's written premiums exceed the set budget
- Operating expenses do not exceed budget.

The variable remuneration can amount to a maximum of 125% of one-half of the Price Base Amount, and can be payable in full or in part. Rewards are allocated to an employee foundation, Livianen, and are not available until the fourth year after they have been rewarded.

	Parent company	
Total sickness-related absence	**2010**	**2009**
Sickness-related absence as a percentage of total ordinary working time, i.e., excluding any form of leave of absence.		
Ordinary working time includes vacation and compensation time:		
– Total sickness-related absence	2.81%	3.02%
– Long-term sickness-related absence (uninterrupted absence of 60 days or more)	1.20%	1.16%
Sickness-related absence as percentage of total ordinary working time for each category below:		
– Sickness-related absence among men, %	1.49%	1.63%
– Sickness-related absence among women, %	4.29%	4.55%
– Employees –29 yrs	1.26%	1.49%
– Employees 30–49 yrs	6.25%	6.81%
– Employees 50– yrs	4.74%	4.98%

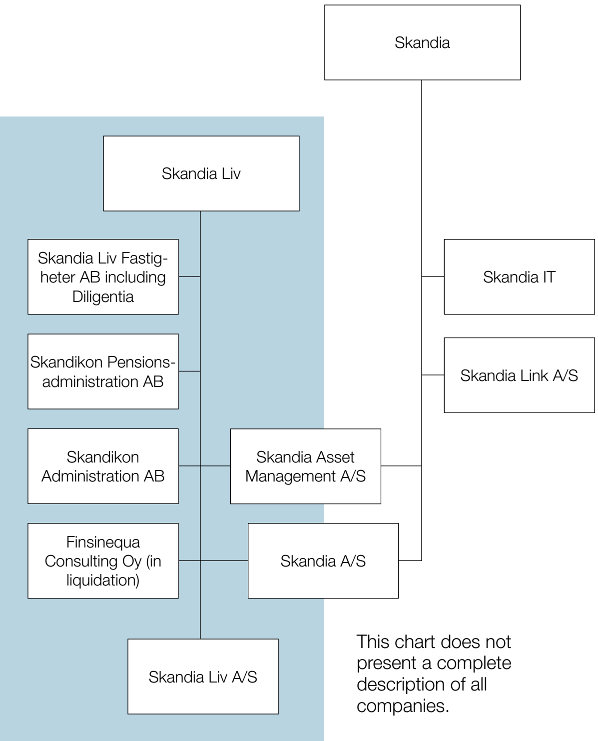
38 Related party disclosures

Related parties

Skandia Liv is a wholly owned subsidiary of Skandia. Skandia Liv's business is conducted on a mutual basis. This means that all value in Skandia Liv shall be returned to the policyholders. No profit distribution may take place to the shareholder. Skandia Liv is therefore not consolidated in the accounts of the Skandia group.

Related parties are defined as all companies in the Old Mutual Group, in which the Skandia group and Skandia Liv group are included as subsidiary groups. Added to these are board members and senior executives of Skandia Liv as well as their close relatives. Following is a description of the companies in the Skandia group with which Skandia Liv has significant relations.

Overall description of the Skandia and Skandia Liv groups



This chart does not present a complete description of all companies.

Process

The Board of Skandia Liv has adopted guidelines for transactions and other relations between Skandia Liv and Skandia. These entail, among other things, that agreements of an economic nature between Skandia Liv and Skandia must be specially reviewed to ensure that they are compatible with the prohibition against profit distribution, and valuations must be tested in a thorough and impartial manner. Clear documentation shall be prepared for agreements and valuations in which it is clear who is commercially responsible for the transaction. All agreements shall be specified and reported yearly to the Board of Skandia Liv. Skandia Liv's Audit and Risk Committee has special oversight responsibility for ensuring adherence to the guidelines adopted by the Board for transactions and other relations between Skandia Liv and Skandia. Transactions of material significance and a nonrecurring nature shall be decided on by Skandia Liv's board. In connection with the sale of significant assets in which a market quotation is lacking, a valuation shall be performed by external appraisers. Such valuation shall be documented. With respect to transactions of an ongoing nature, an established process is in place. Skandia Liv and Skandia have an outsourcing agreement in place with regulates on an overall level the assignments that Skandia Liv has contracted Skandia to perform. The outsourcing agreement also specifies how the outsourced assignment is to be governed and planned. An outsourcing agreement also exists with Skandiabanken, which is largely consistent with and refers to the agreement with Skandia. The outsourcing agreements include numerous specifications that describe in detail the service content, level and execution of the respective assignments. Unit heads are responsible for the assignments related to their own respective units. The unit heads can delegate their responsibility to a specially designated agreement head, who would than have the financial responsibility as well as responsibility for governance and follow-up of the assignment in question. The finance unit is responsible for the structure and handling of the outsourcing agreement and therewith associated specifications and the process for following up these. Consultation groups have been set up for the respective assignments, and quarterly consultation meetings are held between the parties regarding the level of service, how errors are to be handled, compensation levels, follow-up and other questions. The pricing methods used are market price or cost-price. Market price is used in cases where it is possible to make comparisons with similar services in the market, such as insurance distribution or Diligentia's leasing of premises. In other respects, the cost-price method is used.

In connection with business planning, a budget is prepared which includes the total cost per assignment, broken down into separate costs and shared costs, along with an allocation formula that reflects degree of use based on ABC methodology. The budgets for the respective assignments are primarily negotiated by representatives from both parties in the consultation group, in so-called buy and sell meetings. These budgets are ultimately reviewed and decided on by Skandia Liv's board. Compensation is based on the actual outcome. Departures from an approved budget must be presented to and approved by the consultation groups, and a review of the allocation formulas is performed on a quarterly basis in the aim of changing these if material changes have taken place. Any major deviations shall be approved by Skandia Liv's Chief Executive and, in certain cases, by the Board of Directors.

Transactions

1) The entire Old Mutual Group has joint liability insurance. Skandia Liv pays its share of this cover.

Between the Skandia Liv group and companies consolidated in the Skandia group

2) In 2004 Skandia Liv and Skandia entered into an agreement in principle and master agreement on co-operation in Sweden by co-ordinating market-related functions and certain staff functions in order to increase efficiencies within the companies. The co-ordinated services involve distribution and distribution support, customer service, market communication, business development in both the corporate and private segments, administration of group insurance products, and diverse staff and service functions. With respect to distribution, Skandia receives going-rate compensation for performed services, but at the same time is responsible to reimburse Skandia Liv in the event of a surrender of the sold policies.

   Compensation for sales via Skandia's own sales channel is based on the level of commissions to external insurance brokers plus the client's special risks and outlays for its own sales channel. The compensation that is payable for other areas covered by this point is based on cost-price, broken down into degree of actual use.
3) Skandia Liv A/S hedges its currency positions through forward contracts with Skandia Treasury at the prices that apply in the currency market.
4) Skandia rents office premises at various locations around Sweden from Skandia Liv and pays market rents for these.
5) Skandia Liv provides occupational pensions for the employees of the Skandia group. These pension benefits are based on agreements made in the Swedish labour market, and the premiums are thus in line with the going rate in the market.
6) Skandia IT provides IT services for the entire Skandia group. Compensation is paid according to the cost-price principle, with costs allocated based on use of the various IT services.
7) Starting in September 2009, Skandia pays a fixed amount of SEK 13.9 million per quarter as reimbursement for the compensation that Skandia Liv paid to DnBNOR in connection with the renegotiated asset management agreement. The reimbursement payments will continue through 2013. The discounted receivable amounts to SEK 149 million.
8) A management agreement exists between Skandia and Skandia Liv which describes the group-wide functions that Skandia provides for Skandia's entire Skandia Nordic division. This covers, among others, the Head of the Nordic division, communication, overall risk control and the Chief Operating Officer.
9) Through the Skandia Link unit, Skandia Liv and Skandia have a joint occupational pensions concept. Skandia Liv handles the administration and receives compensation for administrative services based on cost-price.
10) Skandia provides joint functions for accounting systems, treasury and certain legal functions for the Skandia group. The compensation that Skandia Liv pays to Skandia is based on cost-price and is allocated according to actual degree of use.
11) Skandia reinsures a significant share of its disability insurance risks in the Swedish operations with Skandia Liv. In this way, co-ordination gains are obtained in risk assessment, etc. Skandia pays a going-rate premium for the reinsurance, which has been secured in such way that Skandia Liv, in turn, each year reinsures part of its risk in the open market.
12) Skandiabanken administers a small loan portfolio for Skandia Liv in return for going-rate compensation. The bank also conducts lending to employees of Skandia Liv. These loans are made at so-called personnel interest rates, and Skandia Liv compensates the bank for the difference between the personnel interest rate and the market interest rate.
13) Skandia Liv has purchased private healthcare and rehabilitation insurance for its employees from Skandia. The premiums are in line with the going rate in the market.

    The Skandia group employs a system of automatic settlement of payments that are made on a daily or monthly basis. As per 31 December 2010, Skandia Liv's net liability to Skandia amounted to a total of SEK 131 million (net liability of 3). Skandia Liv has temporarily invested part of its surplus liquidity with Skandiabanken in accounts without any withdrawal restrictions. These investments are made at market terms. The receivable amounts to SEK 1,000 million.

Between companies in the Skandia Liv group

14) Livförsäkringsaktiebolaget Skandia Liv Fastigheter AB has loans from Skandia Liv amounting to a total of SEK 18,600 million (18,000) as per 31 December 2010. Market rates of interest are paid, which are based on statements on the going rate in the market issued by major credit institutions.
15) Skandikon Pensionsadministration AB performs administrative services regarding occupational pensions for employees of the Skandia group. Going-rate compensation is paid, which is based on the same model used for the company's external customers.
16) All Swedish subsidiaries in the Skandia Liv group are included in a joint group-account structure and receive or pay market interest from/to Skandia Liv for their share of holdings in the account.
17) Skandia Liv A/S has loans from Skandia Liv amounting to a total of SEK 156 million (179) as per 31 December 2010. A market interest rate is paid.

Between Skandia Liv and its board of directors and executive management

18) Remuneration of the board and senior executives of Skandia Liv is shown in note 37. In other respects, there are no transactions with these persons or their relatives other than normal customer transactions made according to commercial terms.

Transactions by order of significance

Character	Receiving company	Rendering company	Remuneration, SEK million	Reference
Liability insurance	Skandia/Old Mutual	Skandia Liv	1	1)
Between the Skandia Liv group and companies consolidated in the Skandia group.				
Distribution support, market communication, customer service centre, group insurance, staffs and business development	Skandia	Skandia Liv	463	2)
Retrocessions	Skandia	Skandia Liv	462	2)
Forward exchange contracts, net	Skandia	Skandia Liv A/S	299	3)
Rents for office premises	Skandia Liv	Skandia	179	4)
Occupational pensions for Skandia employees[1)]	Skandia Liv	Skandia	167	5)
IT operation and service	Skandia IT	Skandia Liv	65	6)
Reimbursement pertaining to new asset management agreement	Skandia Liv	Skandia	55	7)
Management agreement	Skandia	Skandia Liv	47	8)
Joint occupational pensions concept	Skandia Liv	Skandia	38	9)
Accounting systems, treasury and legal	Skandia	Skandia Liv	16	10)
Reinsurance contracts (net)	Skandia Liv	Skandia	13	11)
Subsidised interest rates, etc.	Skandia	Skandia Liv	5	12)
Disability and private healthcare insurance	Skandia	Skandia Liv	1	13)
Between companies in the Skandia Liv group.				
Interest on long-term loans	Skandia Liv	Skandia Liv Fastigheter AB	906	14)
Pension administration	Skandikon Pensions-administration AB	Skandia Liv	24	15)
Interest on group account, net	Skandia Liv	Skandia Liv subsidiaries	7	16)
Interest on long-term loans	Skandia Liv	Skandia Liv A A/S och Skandia Liv A/S	6	17)

1) In the preceding year, an amount that was SEK 233 million too high was reported due to incorrect documentation. The amount should have been SEK 181 million.

Denmark

In Denmark, Skandia Liv's subsidiary Skandia Liv A/S co-operates with Skandia Link A/S through the companies Skandia A/S and Skandia Asset Management A/S.

Skandia A/S is 50%-owned by Skandia Liv and 50% by Skandia, and is operated as a joint venture. The aim is to co-ordinate all administrative resources, which provides opportunities for cost synergies. Skandia A/S's costs are invoiced to the respective companies according to use. In 2010 Skandia A/S's costs amounted to SEK 242 million (253). Of this amount, SEK 104 million (123) was invoiced to Skandia Liv A/S and SEK 88 million (82) to Skandia Link A/S.

Skandia Asset Management A/S provides asset management services to Skandia and Skandia Liv's subsidiaries in Denmark in return for a going-rate fee that is based on the level of managed assets. The company is 70%-owned by Skandia Liv and 30%-owned by Skandia. In 2010, compensation from Skandia Liv A A/S and Skandia Liv A/S amounted to SEK 21 million (34) and from Skandia Link A/S to SEK 37 million (17).

39 Provision for pensions

Group according to IAS 19	2010	2009
Pension costs		
Costs pertaining to current service cost	8	10
Interest expense	12	11
Anticipated return on plan assets	-1	-1
Redemption of defined benefit pension obligations	2	—
Effects of agreement on surpluses and deficits[4]	—	-123
Amortisation: actuarial gains (-) and losses (+)	1	2
Pension costs for defined benefit plans	**22**	**-101**
Pension costs for defined contribution plans	46	46
Total pension costs	**68**	**-55**

Reconciliation of defined benefit pension plans on the balance sheet		
Present value of fully or partly funded defined benefit obligations	0	19
Fair value of plan assets	0	-48
Unreported actuarial gains (+) and losses (-)	0	5
Present value of obligation less plan assets	**0**	**-24**
Present value of fully unfunded plans	265	419
Effects of agreement on surpluses and deficits[4]	—	-123
Unreported actuarial gains (+) and losses (-)	-6	-44
Reported defined benefit liability (+) or asset (-)	**259**	**228**

Specification of change in reported defined benefit pension liability		
Opening balance	**228**	**337**
Net cost reported in income statement	22	22
Effects of agreement on surpluses and deficits[4]	—	-123
Effect of elimination of assets in Diligentia's pension foundation	24	—
Paid benefits	-15	-8
Closing balance	**259**	**228**

Present value of defined benefit obligations		
Opening balance	**316**	**443**
Costs pertaining to current service cost	8	10
Interest expenses	12	11
Redemption of defined benefit pension obligations	-20	—
Effects of agreement on surpluses and deficits[4]	—	-123
Paid benefits	-15	-14
Actuarial gains (-)/losses (+)	-36	-11
Closing balance	**265**	**316**

Plan assets		
Opening balance	**48**	**52**
Anticipated return on plan assets	1	1
Effect of loss of assets in pension foundation	-24	—
Redemption of defined benefit pension obligations	-25	—
Benefits paid from plan assets	0	-7
Actuarial gains (+)/losses (-)	—	2
Closing balance	**0**	**48**

Return on plan assets		
Anticipated return on plan assets	1	1
Actuarial gains (+)/losses (-)	—	2
Actual return	**1**	**3**

Actuarial gains (+)/losses (-)		
Opening balance	**-40**	**-54**
Amortisation	1	2
Redemption of defined benefit pension obligations	-3	—
Effects of reorganisation and new FTP plan	—	—
Actuarial gains (+)/losses (-): obligations	36	10
Actuarial gains (+)/losses (-): plan assets	—	2
Closing balance	**-6**	**-40**

Plan assets, breakdown		
Fixed-income securities	0%	100%
Shares and similar financial instruments	0%	0%

Actuarial calculation assumptions[1]	2010	2009
Discount rate	3.75%	4.00%
Anticipated long-term return on plan assets[2]	2.75%	2.75%
Estimated future rate of salary growth[3]	3.25%/4.75%	3.25%/4.75%
Estimated future inflation	2.00%	2.00%

Of total pension costs, the service cost for previous periods and the current period, totalling SEK 54 million (-67), is accounted for as an operating expense. The remaining costs, SEK 12 million (12), are reported as net investment charges in the non-technical account.

[1] The assumptions are provided as a balanced median value for the respective pension plans.
[2] After policyholder tax.
[3] For senior executives, the rate of salary growth is estimated to be 4.75%.
[4] The effect of the agreement in 2007 under which Skandia Insurance Company Ltd accounts for surpluses as well as deficits in the defined benefit occupational pension structure (Tjep), attributable to occupational pension premiums paid prior to year-end 2002.

The pension costs for defined benefit pensions in accordance with the Pension Obligations Vesting Act (*Tryggandelagen*) for 2011 are estimated to be SEK 16 million.

The Skandia Liv group has two types of pension plans: defined contribution and defined benefit. Defined benefit pension plans entail that employees are guaranteed a certain level of post-retirement benefits based on their final salary. Consequently, Skandia Liv has an obligation to current and former employees that must be reported on the balance sheet. Defined benefit pension plans exist only in Sweden and consist primarily of pension benefits provided through collective agreements with respect to the FTP plan (occupational pension insurance for salaried employees in the insurance industry), and to some extent of supplemental pension benefits for senior executives. They also include Diligentia's pension foundation. The pension plans provide primarily retirement pension, disability pension and family pension cover. In the parent company and subsidiaries, the cost of the pension plans is reported as the operating expense that arises when the invoiced premiums are paid. At the group level, however, a calculation is performed which better shows the final obligation that the company is estimated to have to employees upon retirement. The company's outstanding obligations and costs for defined benefit pension plans are to be calculated on a yearly basis using actuarial methods that are based on the company's long-term assumptions on the discount rate, return on plan assets, rate of salary growth, service period and inflation. The outstanding pension obligation and pension cost are determined using the Projected Unit Credit Method. Briefly, this method entails a more linear cost allocation over each employee's inclusion in the plan and retirement age. Skandia Liv has no assets that can be directly unbundled from its defined benefit occupational pension plans. However, the company may credit assets in Diligentia's pension foundation. This also entails that Skandia Liv may only credit itself with the return on these assets.

The actuarial assumptions are set annually in connection with the book closing. In the absence of markets in Sweden for high-grade corporate bonds with maturities that correspond to the time period during which obligations are intended to be settled (approximately 16 years), the discount rate is based on the yield of 10- to 30-year government bonds as per the accounting date. Assumptions on the return on plan assets take into account the allocation among fixed-income securities and other assets. For fixed-income securities, the 10-year government bond yield (risk-free interest rate) is used, and for other assets the risk-free rate is used plus a risk premium of 3%. The anticipated rate of return on plan assets takes into account 0.50% per year as an allowance for the policyholder tax in Sweden. Other financial assumptions are based on Skandia's long-term anticipations on the accounting date for the period over which the obligations are intended to be settled.

Effects on the present value of pension obligations caused by changed actuarial assumptions and the difference between the actual and anticipated return on plan assets constitute actuarial gains and losses. The same applies for changes in the value of the defined benefit pension obligation and of the plan assets that deviate from the long-term assumptions. Actuarial gains and losses are not reported in the income statement immediately when they are incurred. Since these exceed a corridor of 10% of the larger of pension obligation or the market value of the plan assets at the end of the preceding reporting period (the corridor limit value), the excess amount is reported through profit or loss over the time period during which the obligation is intended to be settled. This amortisation is applied separately for each plan. Provisions for pensions by Skandia Liv correspond to the present value of the obligations as per the accounting date, after deducting the fair value of applicable plan assets and unrecognised actuarial gains or losses. In the consolidated income statement, Skandia Liv's cost for defined benefit pension plans consists of the sum of the current and past service cost, interest on the defined benefit obligation, the anticipated return on the plan assets, and the amortisation of actuarial gains and losses exceeding the corridor limit value. The service cost for current and previous periods is accounted for as an operating expense. Other items are reported as "Investment income, own pension liability", in the non-technical account. In accordance with IAS 19, payroll tax has also been taken into account in calculations of defined benefit pension plans on the balance sheet and in the income statement.

Employees of the group who are not covered by defined benefit pension agreements are instead included in defined contribution pension plans. In defined contribution pension plans, the company's pension cost is recognised as a percentage share of the employees' salary in each accounting period in which the employees performed services for the company. Reporting of defined contribution pension plans entails that premiums are expensed in pace with the earnings of the benefits.

In 2010 all remaining pension obligations in Diligentia's pension foundation were redeemed and replaced with solutions from Skandia Liv. This entails that the assets included in the pension foundation are not used in the net calculation of the Skandia Liv group's pension liability. The foundation's assets will be used for payment of pension costs and are therefore reported as a receivable in the group.

40 Events after the balance sheet date

There are no post-balance events to be reported.

Reconciliation of return in total return table against financial statements

	2010	2009	2008	2007	2006
Income statement items					
Investment income					
Rents from land and buildings (group)	2,252	2,226	2,135	2,153	2,261
Dividends from shares and participations					
Other shares and participations (parent company)	2,585	2,172	3,314	3,864	2,760
Alternative investments	370	57	7	—	—
Interest income, etc.					
Bonds and other fixed-income securities (parent company)	4,831	5,226	5,421	5,854	4,244
Alternative investments	—	814	—	—	—
Foreign exchange gain, net (parent company)	—	—	13,199	—	—
Other interest income	115	—	—	—	—
Capital gains, net					
Land and buildings (group)	—	1,289	1,440	842	2,290
Other shares and participations (parent company)	8,868	—	—	9,741	9,691
Bonds and other fixed-income securities (parent company)	1,437	2,928	—	—	582
Alternative investments	2,197	1,264	—	—	—
Unrealised gains on investments					
Land and buildings (group)	767	—	—	3,138	1,082
Shares and participations (parent company)	9,195	32,313	—	—	12,100
Bonds and other fixed-income securities (parent company)	—	—	5,255	—	—
Other financial assets (parent company)	—	—	—	—	—
Alternative investments	619	2,138	—	—	—
Investment charges					
Operating expense for land and buildings (group)	-1,016	-1,004	-1,083	-1,147	-1,422
Other financial expenses (parent company)	-66	-86	-121	-115	-73
Foreign exchange losses, net (parent company)	-5,911	-3,517	0	-1,938	-6,492
Other interest expenses	-91	-103	—	—	—
Capital losses, net					
Bonds and other fixed-income securities (parent company)	—	—	-43	-793	—
Shares and participations (parent company)	—	-2,372	-9,601	—	—
Alternative investments	—	—	-4,209	—	—
Unrealised losses on investments					
Land and buildings (group)	—	-499	-3,748	—	—
Shares and participations (parent company)	—	—	-51,233	-7,532	—
Bonds and other fixed-income securities (parent company)	-2,247	-2,111	—	-964	-1,977
Other financial assets (parent company)	—	—	—	—	—
Alternative investments	—	—	-937	—	—
Total return	**23,905**	**40,735**	**-40,204**	**13,103**	**25,046**
Adjustments					
Updated market values	309	44	228	335	—
Exchange rate differences	-284	153	291	-20	—
Other adjustments	321	-739	-42	-992	-73
Return according to total return table	**24,251**	**40,193**	**-39,727**	**12,426**	**24,973**

	2010	2009	2008	2007	2006
Balance sheet items					
Investments					
Land and buildings	30,347	27,776	27,523	31,465	27,798
Shares and participations	114,400	113,868	83,622	129,193	126,033
Bonds and other fixed-income securities	137,224	131,827	137,830	136,836	134,469
Alternative investments	9,196	9,432	7,206	—	—
Derivatives	2,099	1,749	2,046	1,131	664
Other financial assets	2,515	479	—	—	618
Debtors					
Unliquidated sales of investments[1]	1,302	362	346	735	1,631
Accrued interest income	2,310	2,253	2,151	2,093	2,048
Other receivables	270	102	91	19	33
Creditors					
Derivatives	-280	-270	-3,801	-585	-308
Unliquidated purchases of investments[2]	-1,207	-390	-139	-285	-1,407
Repurchase transactions[2]	-8,357	-9,254	-7,972	-165	—
Accrued interest expenses	-14	-14	-55	-468	-54
Other liabilities	-1,728	-1,107	-204	—	—
Other assets					
Cash at bank and in hand[3]	6,698	2,644	4,234	934	1,315
Total market value	**294,775**	**279,457**	**252,878**	**300,903**	**292,840**
Adjustments					
Bid-close according to IFRS	349	87	185	210	—
Exchange rate differences	-284	153	291	-20	—
Updated market values	309	44	228	335	—
Difference in settlement days	—	59	—	—	—
Livianen + GPP	—	-172	—	—	—
Other adjustments	-12	-41	-61	-334	136
Market value according to total return table	**295,137**	**279,587**	**253,521**	**301,094**	**292,976**

[1] See note 24, Other debtors.
[2] See note 33, Other creditors.
[3] Bank accounts + deposits.

Auditors' report

To the Annual General Meeting of Livförsäkringsaktiebolaget Skandia (publ) Reg. no. 502019-6563

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and chief executive of Livförsäkringsaktiebolaget Skandia (publ) for the 2010 financial year. These accounts and the administration of the company, as well as application of the Annual Accounts Act for Insurance Companies in preparation of the annual accounts and application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Insurance Companies in preparation of the consolidated accounts, are the responsibility of the board of directors.

Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the board of directors and significant estimates made by the board of directors when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member. We also examined whether any board member has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and give a true and fair view of the company's and group's results of operations and financial position in accordance with generally accepted accounting principles in Sweden.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act for Insurance Companies, and give a true and fair view of the group's results of operations and financial position.

The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report, and that the members of the board of directors and chief executive be discharged from liability for the financial year.

Stockholm, 25 February 2011

Svante Forsberg
Authorised Public Accountant

Thomas Thiel
Authorised Public Accountant

Livförsäkringsaktiebolaget Skandia (publ)
Lindhagensgatan 86
SE-106 55 Stockholm
T +46-8-788 10 00
F +46-8-788 30 80
www.skandia.com

Livförsäkringsaktiebolaget Skandia (publ)
Registered office: Stockholm
Reg. no. 502019-6365