Skandia
Annual Report 2011

skandia

Contents

Board of Directors' report

The Board of Directors and CEO of Skandia Insurance Company Ltd (publ) ("Skandia"), with registered number 502017-3083, hereby submit their annual report for the financial year 1 January–31 December 2011.

Skandia has been a wholly owned subsidiary of Old Mutual plc ("Old Mutual"), domiciled in London, UK, since 2006 and in turn owns a number of its own subsidiaries.

Business activities

Skandia conducts life assurance business in the area of private and occupational pensions as well as private healthcare insurance and group insurance business.

Organisation

Skandia Liv acquires Skandia

On 15 December 2011 Skandia's subsidiary Skandia Liv announced its intention to acquire its parent company Skandia from the owner Old Mutual. The acquisition was completed on 21 March 2012, when Skandia Liv paid cash consideration of SEK 22.6 billion for Skandia. This entails that Skandia's ties to Old Mutual have been cut. Following a future reorganisation, Skandia Liv will be a bona fide mutual company, i.e., owned by its policyholders. During the reorganisation to a mutual company, which is expected to take up to one and a half years to complete, Skandia Liv will be owned by a newly formed foundation whose purpose will be to promote the interests of Skandia Liv's policyholders during the reorganisation process.

Through Skandia's new parent company, Skandia Liv, the new group will have a single focus – to serve its customers by providing savings and insurance solutions.

In connection with the changed ownership situation, in March 2012 a new board and CEO have been appointed for Skandia. The new Chairman is Anna-Carin Söderblom Agius, and the new CEO is Ann-Charlotte Stjerna.

Starting on 22 March 2012, the new Skandia's assignment is to serve in the interests of its customers and thereby safeguard Skandia's balance sheet and income statement in order to create value for the new owners – Skandia Liv's policyholders. The ambition is that the majority of Skandia's current employees and operations will be transferred to Skandia Liv after 1 July 2012. Skandia will thereafter retain a handful of senior employees with skilled client competence for all activities that will be outsourced to Skandia Liv.

Other restructuring in the group during the year

Skandia has been conducting a restructuring process since 2006 aimed at refining the former Skandia group's legal structure and adapting it to Old Mutual's operative organisation.

In March 2011 Skandia's subsidiary Skandia Europe AB completed the sale of the Spanish subsidiary Skandia Link S.A. de Seguros y Reaseguros to another company in the Old Mutual Group.

In May 2011 the liquidations of Skandia's subsidiaries Skandia Investment Advisory Services AB and Skandia Netline AB were concluded.

In June 2011 Skandia Europe AB, Skandia Aspana AB and Skandia Balneum AB were merged with Skandia through the absorption of wholly owned subsidiaries.

In spring 2011 Skandia acquired a further 20% of the shares in the Danish company Skandia Asset Management A/S from Skandia Liv for SEK 1 million. After the transaction, the Danish company is owned equally, at 50% each, by Skandia and Skandia Liv.

On 20 June 2011 Skandia's Annual General Meeting approved a distribution in kind of Skandia's total shareholding in Skandia UK Ltd, worth SEK 4,558 million. The distribution was executed in June 2011.

An Extraordinary General Meeting held on 8 December 2011 resolved to carry out a distribution in kind of receivables totalling SEK 1,668 million, which was executed in December 2011.

In December 2011, Skandia Holding AB was sold to the parent company Old Mutual.

Activities are currently in progress to sell the Chinese associated company Skandia Guodian Insurance Company Ltd to a company in the Old Mutual Group. The sale is expected to be completed some time in 2012, although it may be delayed due to the regulatory process.

Foreign branches
Skandia had two registered branches outside Sweden on the balance sheet date:

- Skandia Forsikring, a branch of Försäkringsaktiebolaget Skandia (publ), Denmark
- Försäkringsaktiebolaget Skandia Norsk Avdelning av Utenlandsk Foretak (nuf), Norway

The transfer of the operations of the Norwegian branch, Försäkringsaktiebolaget Skandia Norsk Avdelning av Utenlandsk Foretak (nuf), was executed in November 2010, and deregistration of the Norwegian branch is planned to be executed in 2012.

Restructuring spring 2011
Skandia restructured and carried out a customer adaptation of its operations in 2011 in the aim of refining Skandia's self service concept and strengthening its customer advisory services.

In spring 2011 an adjustment process was carried out in Skandia's Nordic operations. The goal of the process, which was adopted by the boards of the affected companies, was to reduce the Nordic organisation by 300 full-time positions by mid-year 2011.

The process was conducted in part through natural attrition and in part through a voluntary departure offer to the employees entailing severance pay and an adjustment programme.

The result of the process was a reduction of the Nordic organisation by approximately 330 full-time positions, involving approximately 100 employees in Skandia and approximately 170 in Skandiabanken Aktiebolag (publ) ("Skandiabanken"). The remaining positions were in other parts of Skandia's Nordic division.

Effective 1 July 2011 a new organisational structure took effect, where Skandia moved away from its former breakdown into Private and Corporate business and is now organised according to Advisory and Direct business. The change is being implemented in two steps. On 1 July 2011, parts of the customer service activities were transferred from Skandiabanken to Skandia. In January 2012, the internal sales force was transferred from Skandiabanken to Skandia's wholly owned subsidiary Skandia Försäljning AB. In connection with this restructuring, certain changes are being carried out in the internal outsourcing structure.

Significant events

New customer offerings
During the year, Skandia Link launched custody account management ("Depåförvaltning") for private pension insurance and occupational pension insurance customers as a complement to its existing custody account management service for endowment insurance customers. Through custody account management, Skandia's customers are offered an avenue to invest in most asset classes, including equities, mutual funds, so-called structured products (index-linked options, etc.) and money market investments. The new custody accounts give Skandia's customers a comprehensive range of custody account management services and thus greater flexibility and a wider range of investment alternatives.

Appeal of advance tax ruling
Skandia previously requested an advance tax ruling from the Swedish National Tax Board on how discounts from fund companies are to be taxed and has appealed the Tax Board's ruling to the Supreme Administrative Court. On 10 June 2011 the Court overruled the Tax Board's decision and ruled that, pursuant to the Income Tax Act, the discounts are not taxable.

Disputes
Skandia is and during the year was party to a number of legal disputes. Following is a status report on the most significant of these processes.

American Skandia – tax audit
In 2002 Skandia sold American Skandia to Prudential Financial, which took over American Skandia in spring 2003. The transfer agreement contained representations and warranties that are customary for this type of transaction. In December 2009 Skandia and Prudential Financial signed an agreement entailing a final settlement regarding all claims pertaining to representations and warranties associated with the transfer of American Skandia. In December 2007 the Swedish Tax Authority rejected a SEK 1,244 million tax deduction claimed by Skandia pertaining to provisions for guarantee obligations made in connection with Prudential Financial's acquisition of American Skandia. Skandia filed an appeal of the Tax Authority's decision with the Administrative Court, which ruled in favour of its appeal in October 2010. The Tax Authority appealed the Administrative Court's ruling to the Administrative Court of Appeal. As a result of the settlement reached with Prudential Financial in 2009, these reserves have

been dissolved and, to the extent that they have not been used to cover the guarantee obligations, the provisions have been reversed for taxation. As a result of the Administrative Court's ruling that has now been appealed, the taxable deficit has increased by SEK 709 million.

Other

Apart from the disputes described above, Skandia is party to a number of disputes of a scope which – in Skandia's opinion – is normal considering the business conducted by the group.

Solvency II

Skandia's work with Solvency II in 2011 was conducted within Old Mutual's group-wide Solvency II programme. The programme has made great progress, and the local programme for Skandia has delivered on schedule. Among other things, an explicit risk strategy is in place, calculation of the solvency capital requirement has been carried out (to the extent the rules are known), and the first Own Risk Solvency Assessment (ORSA) has been completed. Skandia is continuously monitoring developments surrounding Solvency II to ensure that it will be able to meet any forthcoming requirements.

An adjustment of the work with the Solvency II programme will be made as a result of Skandia Liv's acquisition of Skandia.

Financial review

2011 was a turbulent year in the stock markets. The debt crisis in the euro area dominated the news and created great uncertainty in the financial markets. The situation was unstable outside of Europe as well. The USA's credit rating was lowered for the first time ever by independent credit rating agencies, and the devastating earthquake in Japan sent shock waves far outside of the country's borders during the spring. As a result of the major turbulence in the world economy, most equity funds lost value, and many investors instead put their assets in fixed-income investments.

The negative trend in the global markets has been reflected in lower value of investments for the benefit of the policyholders who bear the investment risk, even though a slight recovery could be seen during the fourth quarter. In total, however, these decreased in value by 9% for the full year, and the value as per 31 December 2011 was SEK 103,627 million.

Skandia Link's new sales declined slightly during the year compared with 2010. The decrease in sales of Skandia Link's products is mainly attributable to corporate business. New sales of corporate business rose compared with a year ago, but since supplementary contributions decreased more than in the preceding year, total new sales decreased. In addition, a larger share of customers in Skandia's corporate business chose Skandia Liv in 2011, which is a further explanation for the decrease in sales of Skandia Link's products.

Profit for the year

Profit for the year was SEK 1,597 million (1,473).

Technical result

The technical result for property & casualty insurance business after ceded reinsurance was SEK 3 million (24). In November 2010 the Norwegian branch was sold to Sparebanken 1, entailing that the result for 2010 included the Norwegian branch for 11 months. A direct comparison between the two years would therefore be misleading.

Premiums earned totalled SEK 900 million (977). The reduction is explained by lower sales and the fact that the divested Norwegian branch accounted for SEK 28 million of premiums written in 2010.

The major change between the years in the allocated investment return transferred from the non-technical account, amounting to SEK 25 million (8), is attributable to the fact that no allocated interest was calculated for the first six months of 2010 for the Swedish business, which was reinsured at the time.

The reduction in claims incurred, which totalled SEK -671 million (-683), is mainly explained by the fact that the operations in Norway accounted for SEK -19 million of claims incurred in 2010. For continuing operations, claims incurred in Sweden decreased by SEK 17 million, while claims incurred in Denmark increased by SEK 24 million.

Total operating expenses decreased to SEK -251 million (-278). The change is due to the fact that the Norwegian branch is not included in the result for 2011 (the result for 2010 was charged with SEK -23 million in operating expenses). In Sweden, operating expenses increased by SEK 12 million, mainly due to adjustment costs and increased costs for IT and consultants, while operating expenses in Denmark decreased by SEK 18 million.

The technical result for life assurance business amounted to SEK 1,121 million (1,283).

Premiums written, totalling SEK 150 million (158), consist of premiums attributable to insurance components of investment contracts. The change between the years is mainly attributable to lower sales, which had a negative impact on the result by SEK 17 million, including a SEK 7 million reduction in earned premiums, while the remaining SEK 10 million is reported as a change in the premium reserve.

Income from investment contracts, totalling SEK 856 million (830), consists of fees from customers. The increase is attributable to the positive performance in the market during the first half of 2011 for investments for the benefit of life assurance policyholders who bear the investment risk.

Among other technical income, totalling SEK 1,613 million (1,558), the policyholder tax charge increased by SEK 13 million, since this was based on fund values at the end of 2010. In addition, the volume-based cost reduction increased by SEK 61 million as an effect of the positive performance of fund values during the first half of 2011.

Claims incurred, totalling SEK -119 million (-71), consist of claims paid and the change in the provision for claims outstanding. The change is mainly attributable to a larger provision for claims outstanding in the amount of SEK -28 million, as a result of changes in interest rates in the market.

Operating expenses increased to SEK -1,377 million (-1,199). The increase is mainly related to costs associated with the adjustment process carried out during the year and higher project and marketing costs. Operating expenses for the comparison period decreased by SEK 50 million in connection with a dissolution of reserves as a step in the discontinuation of a portfolio of occupational pensions.

Non-technical result

Total investment income, net, amounted to SEK 1,004 million (1,023). The item includes SEK 1,626 million in group contributions from subsidiaries, including SEK 1,600 million from Skandia Liv. Skandia, in turn, made a shareholder contribution of SEK 1,179 million to Skandia Liv (corresponding to the group contribution adjusted for the tax effect). The shareholder contribution gave rise to an impairment charge in a corresponding amount for the shareholding in Skandia Liv, which is reported as an investment charge of SEK -1,179 million. Investment income includes a capital gain of SEK 292 million, net, on the sale of group companies, of which SEK 275 million is attributable to the sale of Skandia Link S.A. de Seguros y Reaseguros and SEK 17 million to the sale of Skandia Holding AB.

Other revenue totalled SEK 15 million (–). The entire amount is attributable to a supplementary payment for the previously divested group company Skandia International Insurance Corporation.

Appropriations totalled SEK 0 million. Appropriations in the preceding year, totalling SEK 136 million, pertained to a dissolution of the contingency reserve that was reported for the merged subsidiary Dial Försäkringsaktiebolag (publ) in 2010.

Tax amounted to SEK -521 million (-985). The item consists mainly of current tax, totalling SEK -552 million, of which SEK -547 million (-534) pertains to the policyholder tax. The figure also includes a change in deferred tax assets, totalling SEK 31 million, net (-438). The large change in deferred tax assets for the preceding year is partly attributable to a one-time effect of SEK -198 million stemming from a new model for capitalising deferred tax assets.

Comprehensive income

Comprehensive income, which includes SEK 1,597 million (1,473) in net profit for the year and other comprehensive income, consisting of SEK 0 million (16) in translation differences, amounted to SEK 1,597 million (1,489).

Balance sheet

Total assets amounted to SEK 118,354 million (134,369).

Shares and participations in group companies, totalling SEK 4,093 million (10,313), decreased by SEK 6,220 million, net, mainly as an effect of the distribution in kind of the shares in Skandia UK Ltd to the parent company Old Mutual, totalling SEK 4,558 million. In addition, the holding in group companies decreased by SEK 1,563 million as a result of the merger of Skandia Europe AB. For further information on changes related to the item "Shares and participations in group companies", see the section "Other restructuring in the group during the year" above.

The increase in the item "Shares and participations in associated companies", totalling SEK 368 million (314), is mainly attributable to a capital contribution of SEK 59 million to the associated company Skandia Guodian Insurance Company Ltd in China. The increase was offset by a net amount of SEK -6 million for impairment of shares and participations in the same Chinese associated company.

Shares and participations amounted to SEK 0 million (30), as the entire holding was divested during the year. Investments for the benefit of life assurance policyholders who bear the investment risk amounted to SEK 103,627 million (113,994). The change is mainly attributable to the negative performance of the financial markets during the second half of 2011, which also affected technical provisions for life assurance policies where the investment risk is borne by the policyholders, which totalled SEK 103,647 million (114,008).

Other receivables amounted to SEK 660 million (839). The decrease is mainly attributable to fund trades totalling SEK 300 million that had not yet been settled as per the balance sheet date, which was offset by a net increase in other receivables.

Cash and bank balances amounted to SEK 2,600 million (1,669). Cash and cash equivalents include funds that make up part of the transaction between policyholders and fund managers, totalling SEK 502 million. They also include short-term investments of surplus liquidity, totalling SEK 1,274 million.

Deferred acquisition costs, totalling SEK 2,502 million (2,672), decreased compared with a year ago, since the year's capitalisation was less than the amortisation pertaining to previous years' accumulated capitalisation.

Profit carried forward, totalling SEK 6,405 million (11,716) was favourably affected by the fact that the preceding year's profit, totalling SEK 1,473 million, was brought forward, and negatively affected by the merger result of SEK -560 million pertaining to the merger of Skandia Europe AB in June 2011. Profit carried forward was also reduced by SEK 4,558 million as a result of a resolution made by the Annual General Meeting in June 2011 to carry out a distribution in kind of Skandia's entire shareholding in Skandia UK Ltd, and by SEK 1,668 million as a result of a resolution made by an Extraordinary General Meeting in December 2011 to carry out a distribution in kind of receivables. Both distributions were executed in 2011. For further information regarding changes in equity, see the Statement of changes in equity.

Creditors arising out of direct insurance operations increased to SEK 580 million (334). The increase is mainly attributable to the transfer of a large portfolio of occupational pension policies from Skandia to Skandia Liv late in the year, where the liability had not yet been settled at year-end.

Other liabilities, totalling SEK 478 million (1,034), decreased compared with a year ago. The change is attributable to a lower liability to group companies and to Skandia Liv.

Solvency

Solvency is a measure of an insurance company's ability meet all of the obligations the company has. Since Skandia mainly provides products with a low level of insurance risk, its solvency margin is low. Skandia's solvency margin was SEK 1,233 million as per December 2011. Solvency capital at the same time was SEK 7,754 million, and the surplus was thus SEK 6,521 million. Solvency is also calculated per insurance category. The aim of this calculation is to prevent double gearing, i.e., to ensure that that the same capital is not counted for several companies. The solvency margin for the group excluding Skandia Liv was SEK 1,390 million as per December 2011. Solvency capital at the same time was SEK 7,202 million, whereby the surplus for the group excluding Skandia Liv amounted to SEK 5,812 million. The solvency margin for the group including Skandia Liv, calculated in accordance with the Financial Supervisory Authority's rules for group-based solvency capital and solvency margin, was SEK 10,612 million. Solvency capital for the corresponding category amounted to SEK 16,424 million at the same time, which results in a surplus of SEK 5,812 million for the group including Skandia Liv.

As shown in the five-year summary table, the solvency surplus decreased in 2011 from 2010 in conjunction with a decrease in solvency capital. The main reason for the reduction was the dividends paid to the parent company Old Mutual, totalling SEK 6,226 million. For further information, see the comments on the change in profit brought forward and the "Balance sheet" section above.

Risks in the business activities

Skandia's business gives rise to a broad spectrum of risks that could potentially affect the operating result and financial position. Some of these risks are a natural consequence of the business strategy and are not limited to a specific business segment. Other risks, however, such as insurance risk, are specific to a particular segment. In addition, risks arise that are attributable to people, processes, systems and external events – known as operational risks. Risks in the operations are eliminated, mitigated, or accepted. Regardless of which risk management strategy is used, it is of utmost importance that all risks in the operations are managed and controlled in an effective manner.

Skandia's vision is to have the savings market's most satisfied customers. Effective risk management and compliance are prerequisites for achieving this. All organisations face numerous risks, and the challenge for Skandia is to determine the degree to which these can be accepted in its endeavour to increase value for customers and shareholders. These risks involve both an opportunity to increase this value as well as the risk of undermining value. Good risk management at Skandia gives the company's management and the Board an opportunity to effectively manage these risks in order to create value for customers and the owners in a sound and secure business operation.

Skandia has low risk tolerance, especially with respect to financial market risks, and therefore has a business model that is based primarily on insurance where the investment risk is borne by the policyholders. However, Skandia is exposed to financial market risks since the fee structure of its insurance products is largely dependent on developments in the financial market.

The risks that Skandia is exposed to can be broken down in the following categories: strategic risks, insurance risk, financial market risks, credit and counterparty risks, liquidity risk, business risk and operational risk. A more detailed discussion of Skandia's risks, how they affect Skandia and how risks are managed and controlled is provided in note 2.

Insurance contracts and investment contracts

According to IFRS 4, contracts are to be classified as either insurance contracts or investment contracts.

For contracts that contain both an insurance component and a deposit component, and where it is possible determine the value of the components separately, there is an opportunity to use unbundling. Skandia issues both insurance and investment contracts. With respect to Skandia's unit linked assurance and traditional life assurance, it is possible to determine the value of the deposit component separately from the insurance component in a reliable manner. To provide more relevant financial information, Skandia unbundles its unit linked assurance and traditional life assurance contracts and reports the deposit component and insurance component as if they were separate contracts. More detailed information on the handling of insurance contracts and investment contracts is provided in note 1, section 6.

The environment

In 2011 Skandia continued its work on mapping the direct environmental impact of its offices in order to be able to prioritise its future environmental work. The main areas that are measured and monitored are energy consumption and travel, however, starting in 2011 this was expanded to other areas that have a direct environmental impact in order to provide Skandia with better documentation for its continued internal environmental work. Skandia's electricity consumption decreased by 12% compared with 2010, and nearly all of Skandia's offices buy their electricity from CO_2-neutral hydro power. In 2011 Skandia implemented Old Mutual's Group-wide strategy, with the goal of reducing Skandia's carbon dioxide emissions by 10% by 2020. More information on this climate strategy can be found in Old Mutual's 2011 sustainability report. During the year, Skandia's environmental work was focused on internal communication by making environmental information more accessible to the employees and by continuing to take environmental concerns into account in purchasing decisions. Skandia is a member of Ecolabelling Sweden's "Buy Ecolabelled" network as part of its effort to promote sustainable development.

Skandia does not conduct any operations that require a permit or reporting obligation pursuant to the Environmental Code.

Employees

Information on the average number of employees, wages, salaries and remuneration, and the principles and processes for remuneration and benefits of senior executives, is provided in note 44. Information on the adjustment programme carried out during the year is provided under the section "Restructuring".

Skandia issues a separate report on "Disclosure of information on remuneration" in accordance with FFFS 2011:2, in connection with publication of its annual report on www.skandia.se/Om Skandia/Finansiell info.

Future outlook

As from 21 March 2012, Skandia is a subsidiary of Skandia Liv and thus part of Skandia Liv's business plan.

Skandia's belief in the future is that the market will continue to be characterised by greater transparency, price pressure and centralised procurement. Skandia is well equipped to meet this future with a comprehensive product offering and good customer service. Skandia was recently ranked as the best of all insurance companies in Sweden in a distributor survey, with high scores for both its products and service.

In the corporate market, Skandia is a leading player with a very strong comprehensive offering. In the savings segment, Skandia has one of the market's best unit linked assurance products and a classic, traditional life assurance product. In addition to these forms of management, Skandia now also offers so-called Custody Account Management and a product featuring a new form of traditional life management called Garanti Pension Plus. Skandia also has a strong offering in its Risk and Health businesses, where the focus is on promoting health and wellness in companies.

In the private market, there is a growing need for advisory services. Skandia will continue to work with advisory activities, where the customer's entire financial situation will be taken into account and where Skandia will strive to be customers' principal provider of long-term savings, banking products and insurance protection. Another important advisory segment concerns policies in disbursement and helping customers plan their finances after retirement. In the savings segment, Skandia sees continued demand for its custody account management products, which we can now offer in all tax classes.

Events after the balance sheet date

In November 2010 Skandia and Folksam Fondförsäkringsaktiebolag (publ) signed an agreement on the transfer of a unit linked assurance portfolio in Skandia that is tied to a collaboration with a teachers' union. The portfolio transfer with a combined fund value of SEK 3,120 million was carried out on 2 January 2012.

Skandia obtained new owners on 21 March 2012 when Skandia Liv acquired Skandia from its former owner, Old Mutual, for SEK 22.6 billion. Skandia is thereafter a wholly owned subsidiary of Skandia Liv. For further information, see the section "Skandia Liv acquires Skandia" in the Board of Directors' report.

Five-year summary

RESULT, SEK million	2011	2010	2009	2008	2007
Premiums earned, net of reinsurance, property & casualty insurance	900	977	157	0	0
Premiums written, net of reinsurance, life assurance	150	158	170	179	197
Investment income in insurance business, net	24	6	3	-1	-2
Income from investment contracts	856	830	669	673	717
Claims incurred, net of reinsurance, property & casualty insurance	-671	-683	-82	0	0
Claims incurred, net of reinsurance, life assurance	-119	-71	10	-78	-126
Change in other technical provisions, net of reinsurance	-1	9	2	17	-35
Operating expenses	-1,628	-1,477	-1,235	-1,191	-1,244
Other technical income and expenses	1,613	1,558	1,289	1,399	1,447
Technical result, insurance business	**1,124**	**1,307**	**983**	**998**	**954**
Net profit for the year[1]	**1,597**	**1,473**	**3,456**	**841**	**968**

FINANCIAL POSITION, SEK million	2011	2010	2009	2008	2007
Investments	7,525	13,697	15,299	18,736	20,249
Investments for the benefit of policyholders who bear the investment risk	103,627	113,994	99,682	70,359	91,867
Reinsurers' share of technical provisions	27	27	1,002	1,097	984
Technical provisions, gross	1,576	1,594	1,674	1,707	1,667
Net asset value					
Shareholders' equity	9,172	14,359	13,614	10,087	9,721
72% of untaxed reserves	—	—	—	—	1,506
73.7% of untaxed reserves	1,541	1,541	1,541	1,541	-
Surplus value of business in force after deferred tax	8,738	10,478	9,837	7,056	8,940
28% of untaxed reserves	—	—	—	—	585
26.3% of untaxed reserves	550	550	550	550	—
Deferred tax assets	-817	-786	-1,189	-837	-565
Subordinated loans	—	—	—	—	—
Net asset value[2]	**19,184**	**26,142**	**24,353**	**18,397**	**20,187**
Solvency capital, parent company	7,754	12,847	12,101	8,710	9,283
Of which, deduction for intangible assets	—	—	—	—	—
Solvency margin, parent company	1,233	1,338	1,121	893	867
Solvency capital, group excluding Skandia Liv	7,202	11,309	11,231	9,136	15,980
Of which, deduction for intangible assets	-14	-20	-7	-8	-9
Solvency margin, group excluding Skandia Liv	1,390	1,692	1,535	1,258	2,332
Solvency capital, group including Skandia Liv[3]	16,424	19,265	19,225	18,699	23,658
Of which, deduction for intangible assets	-14	-20	-7	-8	-9
Solvency margin, group including Skandia Liv[3]	10,612	9,648	9,529	10,504	10,010

KEY RATIOS	2011	2010	2009	2008	2007
Result of insurance operations					
Property & casualty insurance					
Claims ratio, gross, %[4]	74	69	79	79	65
Expense ratio, gross, %[5]	28	29	28	28	29
Combined ratio, gross, %[6]	102	98	107	107	94
Life assurance operations					
Management expense ratio, %[7]	1.1	1.0	1.2	1.2	1.1
Result of asset management					
Direct yield, %[8]	14.8	12.7	9.4	14.6	15.9
Total return, %[8]	13.9	6.1	9.4	11.6	9.1
Financial position					
Net asset value ratio, %[9]	2,140	2,755	16,248	n.a.[8]	n.a.[8]

[1] Net profit for 2010 has been changed compared with what was reported in the 2010 Annual Report due to new rules for reporting group contributions. For further information, see note 1. Years prior to 2010 have not been adjusted.
[2] Net asset value calculated in accordance with the Swedish Financial Supervisory Authority's guidelines.
[3] Calculated in accordance with the Financial Supervisory Authority's guidelines for group-based solvency capital and solvency margin.
[4] Claims incurred in relation to gross premiums earned. In 2008 and earlier years, property & casualty insurance was 100% reinsured.
[5] Operating expenses of the insurance operations in relation to gross premiums earned, excluding other technical income and charges. In 2008 and earlier years, property & casualty insurance was 100% reinsured.
[6] Claims incurred plus operating expenses of the insurance operations in relation to gross premiums earned. In 2008 and earlier years, property & casualty insurance was 100% reinsured.
[7] Operating expenses and claims settlement costs in relation to investments and cash and bank balances.
[8] As from 2007, the direct yield and total return are calculated in accordance with the Financial Supervisory Authority's regulations and general guidelines on annual reports of insurance companies (FFFS 2008:26). In previous years they were calculated in accordance with a recommendation issued by Försäkringsbranschens Redovisningsnämnd (FRN) in a circular memo dated 1/93. In calculating the direct yield and total return, the assets for which the policyholders bear the investment risk are not included, since the purpose of the key ratio is to report the result of the company's own asset management. The years prior to 2010 have not been recalculated in accordance with the new rules for reporting group contributions. For further information, see note 1.
[9] Net asset value as a percentage of net premiums written for property & casualty insurance. Not applicable for 2007 and 2008, since risk premiums were lacking during those years, when property & casualty insurance business was 100% reinsured.

Proposed distribution of profit

The Board of Directors and CEO propose that the profit for the year for Skandia Insurance Company Ltd (publ) be distributed as follows:

Distribution of unrestricted equity in Skandia Insurance Company Ltd	**SEK**
The following amount is available for distribution by the Annual General Meeting	
Profit brought forward	6,404,725,285
Net profit for the year	1,596,497,474
	8,001,222,759
The Board of Directors proposes that the amount be distributed as follows:	
dividend of SEK 0.4082 per share to be distributed to the shareholder	420 800 000
to be carried forward	7 580 422 759
	8,001,222,759
If this proposal is adopted, the company's reported equity will consist of	
share capital	1,030,762,688
share premium reserve	139,565,842
profit carried forward	7,580 422 759
	8,750,751,289

The proposed dividend pertains to a distribution in kind of a receivable of SEK 420,800,000 from Skandia Liv. It is proposed that the Annual General Meeting resolve to set the payment date as 25 May 2012.

Skandia's surplus solvency amounts to SEK 6,521 million before the proposed dividend and SEK 6,100 million after the proposed dividend.

Skandia's financial position does not give rise to other assessment than that Skandia can be expected to meet its obligations in both the short and long term.

The Board is of the opinion that Skandia's equity as reported in the Annual Report is sufficiently large in relation to the scope and risks of the business. The Board is also of the opinion that the group's unrestricted equity is sufficiently large in relation to the scope and risks of the business.

With respect to Skandia's result and position in general, please refer to the following income statement and balance sheet with accompanying notes.

Based on the scope and nature of its operations, Skandia is of the opinion that at present, SEK 4,000 million cannot be regarded as distributable pursuant to the stipulations in Ch. 4 § 1 of the Insurance Business Act (2011:2043) and Ch. 17 § 3 of the Companies Act (2005:551). Skandia is of the opinion that, considering the conditions of the operations, this amount enables the company to maintain a satisfactory level of financial strength and liquidity in the short and long term. In arriving at this opinion, Skandia has – based on internal calculations – taken into account the risks that the business currently gives rise to, the company's and group's funding needs, and the quality of the solvency capital and the need of a margin for statutory solvency requirements and the Financial Supervisory Authority's oversight tool, the Traffic Light System.

Income statement

SEK million	Note	2011	2010
TECHNICAL ACCOUNT, PROPERTY & CASUALTY INSURANCE BUSINESS			
Premiums earned, net of reinsurance			
Premiums written	3	896	977
Premiums ceded	3	—	0
Change in provision for unearned premiums and unexpired risks		4	0
Reinsurers' share of change in provision for unearned premiums and unexpired risks		—	—
		900	**977**
Allocated investment return transferred from the non-technical account	4	**25**	**8**
Claims incurred, net of reinsurance	5		
Claims paid			
Gross		-676	-627
Reinsurers' share		0	0
Change in provision for claims outstanding			
Gross		6	-49
Reinsurers' share		-1	-7
		-671	**-683**
Operating expenses	6	**-251**	**-278**
Technical result, property & casualty insurance business		**3**	**24**
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS			
Premiums written, net of reinsurance	7		
Premiums written		168	180
Premiums ceded		-18	-22
		150	**158**
Income from investment agreements		**856**	**830**
Other technical income, net of reinsurance	8	**1,613**	**1,558**
Claims incurred, net of reinsurance			
Claims paid	9		
Gross		-134	-130
Reinsurers' share		4	4
Change in provision for claims outstanding			
Gross		10	62
Reinsurers' share		1	-7
		-119	**-71**
Change in other technical provisions, net of reinsurance			
Provision for unearned premiums and unexpired risks			
Gross		-1	9
		-1	**9**
Operating expenses	10	**-1,377**	**-1,199**
Investment charges		**-1**	**-2**
Technical result, life assurance business		**1,121**	**1,283**

SEK million	Note	2011	2010
NON-TECHNICAL ACCOUNT			
Technical result, property & casualty insurance business		**3**	**24**
Technical result, life assurance business		**1,121**	**1,283**
Investment income	11	2,984	5,900
Unrealised gains on investments	12	65	—
Investment charges	13	-2,045	-4,727
Unrealised losses on investments	14	—	-150
	15	**1,004**	**1,023**
Allocated investment return transferred to the technical account	4	-25	-8
Other revenues		15	—
Profit before appropriations and tax		**2,118**	**2,322**
Appropriations	16	—	136
Profit before taxes		**2,118**	**2,458**
Taxes	17	**-521**	**-985**
Net profit for the year		**1,597**	**1,473**

Statement of comprehensive income

SEK million	Note	2011	2010
Net profit for the year		**1,597**	**1,473**
Other comprehensive income			
Translation differences for the year	29	0	16
Comprehensive income for the year		**1,597**	**1,489**

Balance sheet

SEK million	Note	2011	2010
ASSETS			
Investments			
Investments in group and associated companies	18		
Shares and participations in group companies		4,093	10,313
Loans to group companies		1,291	1,295
Shares and participations in associated companies		368	314
Other financial investments	19		
Shares and participations		0	30
Bonds and other fixed-income securities		1,773	1,745
Derivatives		0	0
		7,525	**13,697**
Investments for the benefit of life assurance policyholders who bear the investment risk			
Assets for conditional bonuses	20	11,780	10,116
Unit linked assets	21	91,847	103,878
		103,627	**113,994**
Reinsurers' share of technical provisions			
Provision for claims outstanding	32	27	27
		27	**27**
Debtors			
Debtors arising out of direct insurance operations	22	18	23
Debtors arising out of reinsurance operations		1	2
Other debtors	23	660	839
Deferred tax, net	24	817	786
		1,496	**1,650**
Other assets			
Tangible assets	25	76	86
Cash and bank balances	26	2,600	1,669
		2,676	**1,755**
Prepaid expenses and accrued income			
Accrued interest and rent		28	34
Deferred acquisition costs	27	2,502	2,672
Other prepayments and accrued income	28	473	540
		3,003	**3,246**
TOTAL ASSETS		**118,354**	**134,369**

SEK million	Note	2011	2010
EQUITY, PROVISIONS AND LIABILITIES			
Equity	29, 50		
Share capital (1,030,762,688 shares with par value of SEK 1)		1,031	1,031
Share premium reserve		139	139
Profit or loss brought forward		6,405	11,716
Net profit for the year		1,597	1,473
		9,172	**14,359**
Untaxed reserves	30	**2,091**	**2,091**
Technical provisions, gross			
Unearned premiums and unexpired risks	31	259	261
Claims outstanding	32	1,317	1,333
		1,576	**1,594**
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross			
Conditional bonuses	33	11,792	10,116
Unit linked obligations	34	91,855	103,892
		103,647	**114,008**
Other provisions			
Pensions and similar obligations	35	218	236
Taxes		54	65
Other provisions	36	142	159
		414	**460**
Deposits received from reinsurers		**10**	**15**
Creditors			
Creditors arising out of direct insurance operations	37	580	334
Creditors arising out of reinsurance operations		3	2
Derivatives	38	0	1
Other creditors	39	478	1,034
		1,061	**1,371**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	27	—	—
Other accruals and deferred income	40	383	471
		383	**471**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**118,354**	**134,369**
Memorandum items			
Pledged assets and security	42		
Pledged assets and therewith comparable security for own liabilities and for reported commitments for provisions		900	973
Assets covered by policyholders' beneficiary rights		105,460	115,767
		106,360	**116,740**
Contingent liabilities	43	33	52
Obligations		None	None

Statement of changes in equity

		Restricted equity		Unrestricted equity	
SEK million	Note	Share capital	Share premium reserve	Profit brought forward	Total equity
Equity at the beginning of 2010		**1,031**	**139**	**12,444**	**13,614**
Net profit for the year				1,473	1,473
Other comprehensive income for the year	29			16	16
Comprehensive income for the year				**1,489**	**1,489**
Group contributions before deducted tax				-14	-14
Tax on group contributions				3	3
Share-based payments				3	3
Dividends				-636	-636
Merger result	50			-100	-100
Equity at year-end 2010		**1,031**	**139**	**13,189**	**14,359**
Net profit for the year				1,597	1,597
Other comprehensive income for the year	29			0	0
Comprehensive income for the year				**1,597**	**1,597**
Share-based payments				2	2
Dividends				-6,226	-6,226
Merger result	50			-560	-560
Equity at year-end 2011		**1,031**	**139**	**8,002**	**9,172**

Total number of shares outstanding	2011	2010
At 1 January	1,030,762,688	1,030,762,688
At 31 December	1,030,762,688	1,030,762,688
All shares have a par value of SEK 1 per share.		

Cash flow statement

SEK million	2011	2010
Operating activities		
Profit before tax	2,118	2,458
Adjustment for dividends from group companies	—	-497
Adjustment for dividend from investments not used in operations	-44	-262
Adjustment for group contribution received	-1,626	-1,126
Adjustment for non-cash items[1)]	910	1,065
Policyholder tax	-547	-534
Paid tax	-5	-9
Cash flow from operating activities before changes in assets and liabilities	**806**	**1,095**
Cash flow from change in investments/technical provisions, where the risk is borne by the policyholders, net[2)]	6	-78
Change in other investments used in operations	5	2
Change in other operating receivables and operating liabilities[3)]	-879	-52
Cash flow from operating activities	**-62**	**967**
Investing activities		
Change in investments not used in operations	31	14
Dividends from group companies	—	264
Cash-settled group contribution in preceding year	1,126	55
Dividend from investments not used in operations	44	262
Other[4)]	-209	-1,084
Cash flow from investing activities	**992**	**-489**
Financing activities		
Dividend	—	-403
Other	—	6
Cash flow from financing activities	**0**	**-397**
NET CASH FLOW FOR THE YEAR	**930**	**81**
Cash and cash equivalents at start of year	**1,669**	**1,596**
Exchange rate differences in cash and cash equivalents	**1**	**-8**
Cash and cash equivalents at end of year	**2,600**	**1,669**

1) Result from sale of group companies	712	3,853
Reversal of impairment, group companies	-1,016	-3,853
Impairment, group companies	1,179	893
Impairment, associated companies	6	—
Change in deferred acquisition costs	169	214
Change in value of investments	-34	124
Depreciation and impairment charges	20	18
Change in deferred fee income	-4	-5
Change in technical provisions excluding savings in life and unit linked assurance	-19	-9
Share-based payments	2	-4
Change in other provisions	-19	0
Unrealised foreign exchange gains/losses	-82	-30
Merger result, Skandia Europe AB	-4	-136
Adjustment for non-cash items	**910**	**1,065**

2) Change in technical provisions where the investment risk is borne by the policyholders, net	2,713	3,478
Purchases and sales of investments where the risk is borne by the policyholders, net	-2,707	-3,556
Cash flow from change in investments/technical provisions where the risk is borne by the policyholders, net	**6**	**-78**

3) The item "Change in other operating receivables and operating liabilities" has been adjusted for group contributions not received/paid out as per the balance sheet date, in the amount of SEK 1,626 million (1,126) including tax on group contributions.

4) Shareholder contributions to group companies	-62	-980
Shareholder contributions to associated companies	-59	-58
Sales of subsidiaries	197	—
Change in loans, group companies	3	16
Acquisition of property, plant and equipment	-11	-62
Receivables taken over in connection with merger	1,391	—
Distribution in kind, Old Mutual	-1,668	—
Other	**-209**	**-1,084**

Performance analysis

PROPERTY & CASUALTY INSURANCE (PER LINE OF INSURANCE)

SEK million	TOTAL	Disability and accident	Direct foreign
Technical result, property & casualty insurance business			
Premiums earned, net of reinsurance	900	679	221
Allocated investment return transferred from the non-technical account	25	22	3
Claims incurred, net of reinsurance	-671	-532	-139
Operating expenses	-251	-193	-58
Technical result, property & casualty insurance business	**3**	**-24**	**27**
Run-off result	**4**	**-9**	**13**
Technical provisions, gross			
Unearned premiums and unexpired risks	226	186	40
Claims outstanding	920	852	68
Total technical provisions, gross	**1,146**	**1,038**	**108**
Reinsurers' share of technical provisions			
Claims outstanding	1	1	—
Total reinsurers' share of technical provisions	**1**	**1**	**0**

Notes to the Performance analysis, property & casualty insurance business

Premiums earned, net of reinsurance			
Premiums written, gross	896	683	213
Change in provision for unearned premiums and unexpired risks	4	-4	8
	900	**679**	**221**
Claims incurred, net of reinsurance			
Claims paid[1]			
Gross	-676	-535	-141
Reinsurers' share	0	0	—
Change in claims outstanding[2]			
Gross	6	4	2
Reinsurers' share	-1	-1	0
	-671	**-532**	**-139**

[1] Including claims portfolios and claims handling costs.
[2] Including change in claims handling reserve.

LIFE ASSURANCE (PER LINE OF INSURANCE)

		Occupational pension insurance[1]				Other life assurance				
SEK million	TOTAL	Life assurance	Unit linked assurance	Waiver of premium insurance	Total	Life assurance	Unit linked assurance	Waiver of premium insurance	Total	Life reassurance accepted
Technical result, life assurance business										
Premiums written, net of reinsurance	150	0	39	92	131	2	9	6	17	2
Investment income	856	1	490	0	491	127	238	0	365	—
Other technical income, net of reinsurance	1,613	2	1,006	—	1,008	244	361	—	605	—
Claims incurred, net of reinsurance	-119	0	-49	-44	-93	-5	-16	-4	-25	-1
Change in other technical provisions, net of reinsurance	-1	—	—	-1	-1	—	—	0	0	—
Operating expenses	-1,377	-6	-825	1	-830	-238	-300	0	-538	-9
Investment charges	-1	—	0	-1	-1	—	0	0	0	—
Technical result, life assurance business	**1,121**	**-3**	**661**	**47**	**705**	**130**	**292**	**2**	**424**	**-8**
Run-off result	**59**	**—**	**—**	**53**	**53**	**—**	**—**	**6**	**6**	**—**
Technical provisions, gross										
Unearned premiums and unexpired risks	33	—	—	17	17	—	—	16	16	—
Claims outstanding	397	—	0	352	352	—	0	45	45	—
Technical provisions, gross	**430**	**—**	**0**	**369**	**369**	**—**	**0**	**61**	**61**	**—**
Technical provision for life assurance policies where the risk is borne by the policyholders, gross										
Conditional bonuses	11,792	147	—	—	147	11,645	—	—	11,645	—
Unit linked obligations	91,855	—	69,292	—	69,292	—	22,563	—	22,563	—
Technical provision for life assurance policies where the risk is borne by the policyholders, gross	**103,647**	**147**	**69,292**	**—**	**69,439**	**11,645**	**22,563**	**—**	**34,208**	**—**
Reinsurers' share of technical provisions										
Claims outstanding	**26**	**—**	**—**	**26**	**26**	**—**	**—**	**0**	**0**	**—**

[1] Occupational pension insurance is defined in accordance with the definition provided by the Swedish Financial Supervisory Authority.

Notes to the Performance analysis, life assurance business

Premiums written, net of reinsurance										
Premiums written, gross	168	0	39	110	149	2	9	6	17	2
Premiums ceded	-18	—	0	-18	-18	—	0	0	0	—
	150	**0**	**39**	**92**	**131**	**2**	**9**	**6**	**17**	**2**
Claims incurred, net of reinsurance										
Claims paid										
Gross	-109	—	-42	-52	-94	-1	-6	-7	-14	-1
Reinsurers' share	4	—	—	4	4	—	—	0	0	—
Claims settlement costs	-25	0	-7	-4	-11	-4	-10	0	-14	—
Change in claims outstanding										
Gross	10	—	0	7	7	—	0	3	3	—
Reinsurers' share	1	—	—	1	1	—	—	0	0	—
	-119	**0**	**-49**	**-44**	**-93**	**-5**	**-16**	**-4**	**-25**	**-1**

Notes (SEK million)

Note 1 Significant accounting policies

1. General information

The Annual Report of Skandia Insurance Company Ltd (publ) pertains to the period 1 January–31 December 2011. Skandia has its domicile and head offices in Stockholm, Sweden, and its registered number is 502017-3083. Skandia was established in 1855 and was listed on the Stockholm Stock Exchange between 1863 and 2006. Skandia was a subsidiary of Old Mutual plc, domiciled in London, UK, from 2006 until Skandia Liv's acquisition of the company in March 2012.

The Annual Report for the 2011 financial year was approved for publication by the Board of Directors and CEO on 25 April 2012 and will be subject to adoption by the Annual General Meeting on 11 May 2012.

2. Basis of preparation

The Annual Report has been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies, the Swedish Financial Supervisory Authority's regulations and general guidelines on annual reports of insurance companies (FFFS 2008:26), the amended guidelines in FFFS 2009:12 and FFFS 2011:28, and Swedish Financial Reporting Board (RFR) recommendation RFR 2 "Accounting for legal entities". In accordance with these regulations and general guidelines, Skandia applies so-called legally limited IFRS. By legally limited IFRS is meant application of IFRS and accompanying interpretations that have been adopted by the European Commission, along with the deviations prescribed by FFFS 2008:26, FFFS 2009:12, FFFS 2011:28 and RFR 2. This entails that all EU-endorsed IFRSs and interpretations are to be applied as far as possible within the framework of Swedish legislation and taking into account the connection between accounting and taxation.

Pursuant to Ch. 7 of the Swedish Annual Accounts Act for Insurance Companies, no consolidated financial statements are prepared for Skandia. Skandia is a subsidiary of Old Mutual and is included in the consolidated financial statements prepared by Old Mutual. Old Mutual's Annual Report is available at www.oldmutual.com and can be ordered from Old Mutual, 2 Lambeth Hill, London EC4V 4GG, UK.

The financial statements are presented in Swedish kronor (SEK), rounded off to the nearest million, unless indicated otherwise. They are based on historical cost, except for the following assets and liabilities, which are stated at fair value: financial derivative instruments, investments held for trading, and financial assets and liabilities pertaining to unit linked assurance and traditional life assurance.

The accounting policies outlined below have been applied for all periods presented in this annual report.

3. Critical assessments and important sources of uncertainty in estimations

In application of significant accounting policies in accordance with IFRS, various assessments have been made that are of importance for Skandia's result of operations and financial position. In valuations of these assets and liabilities, according to the applicable accounting standards, assumptions and estimations are made regarding factors that affect the value of assets or liabilities on the balance sheet date. Applying assumptions and estimations in valuations always entails a risk that changes may need to be reported in subsequent periods, when the actual outcome has become known.

The most important assessments and sources of uncertainty in estimations for Skandia are as follows:

The accounting policy that has the most significant impact on the reported amounts in the financial statements is the unbundling of contracts into insurance components and deposit components, which is described in section 6. Skandia has chosen to apply this unbundling method because of the increased transparency it results in. It clarifies how Skandia's revenues and expenses arise, and it treats all unit linked and traditional life assurance contracts in a uniform manner.

Changes in the value of investments held to cover obligations for unit linked assurance contracts and traditional life assurance reported as investment contracts, and the corresponding change in insurance obligations, are reported net in the income statement when the substance of the transaction is that changes in value are attributed in their entirety to the policyholders. See more information below in section 8, Unit linked assurance contracts.

In the reporting of investment contracts (see section 6.2), both deferred fee income (DFI) and deferred acquisition costs (DAC) are reported on a linear basis over the anticipated term of the contracts. The amortisation plan has been set on the basis of the anticipated term, and if the anticipated term were to be adjusted, this could lead to an earnings impact.

The most important assumptions about the future, as well as sources of uncertainty, that could affect the reported amounts of assets and liabilities, are related to the technical provisions that are described in note 32 and the other provisions that are described in note 36 and in the "Disputes" section in the Board of Directors' report.

The item "Deferred tax" includes loss carryforwards that can be used to reduce subsequent years' taxable surpluses. The loss carryforwards are assigned such a value that they correspond to the deferred tax liability pertaining to Skandia's untaxed reserve and deferred tax liability pertaining to net assets in the consolidated accounting, which in the future will generate taxable earnings for Skandia. See more information below in section 19, Taxes.

Share-based payments are reported in accordance with IFRS 2. There is uncertainty in the calculations of the fair value of granted shares and options. For further information, see note 44.

4. Changed accounting policies

4.1 New and amended IFRSs for the 2011 financial year

International Financial Reporting Standards (IFRS) endorsed by the European Commission are to be applied. Following is a description of changes in accounting policies that Skandia applies as from 1 January 2011. Other amendments to IFRSs with application as from 2011 have not had any material effect on the accounting.

4.1.1 IAS 24 Related Party Disclosures

The definition of related party has been revised to simplify and clarify the interpretation of who falls under the category of related party. The amendments entail that the category of related party has been widened to also include transactions with other, external companies in which senior executives have controlling interests. The amendment has entailed a marginal level of more detailed information in the note on related parties. The amendments to the standard took effect on 1 January 2011 and have been approved by the EU.

4.2 Other changes issued by other normative bodies

4.2.1 Rescinded UFR pronouncement in 2011 financial year

Following is an account of changes in recommendations from the Swedish Financial Reporting Board that affect Skandia's accounting policies.

Rescinded UFR 2 "Group contributions and shareholder contributions"
RFR has determined that the previous principles for reporting group contributions have not been compatible with IFRS. As a result, in 2011 RFR rescinded UFR 2 and made an adjustment to RFR 2 Reporting for Legal Entities, with adaptations concerning how group contributions are to be reported as from 2011. Group contributions made by a subsidiary to a parent company shall be reported by the parent company as a dividend in the income statement. The subsidiary's accounting is not affected; as previously, the group contribution is reported directly against equity with the accompanying tax effect. When a parent company makes a group contribution to a subsidiary, the contribution shall be reported as an increase of the item "Shares and participations in group companies" (applies only if the subsidiary constitutes a non-current asset and not an inventory asset). The subsidiary's accounting is not affected – the contribution is to continue to be reported directly against equity with the accompanying tax effect.

For Skandia this has entailed that group contributions from subsidiaries are reported as revenue in the income statement on the line "Investment income". When Skandia makes a group contribution to a subsidiary, the contribution is to be reported as an increase in "Shares in subsidiaries", net after deducting for the tax effect. The change entails that comparative figures for 2010 have been recalculated in accordance with IAS 8. Upon application of IFRS 8, consideration has been given to materiality criteria, i.e., group contributions of minor amounts have not affected the comparative figure. Group contributions rendered that are to result in an increase in the item "Shares and participations in group companies" have only been calculated for remaining subsidiaries in 2011 and taking into account group contributions rendered four years back in time. Thereafter, a customary determination of a need to recognise impairment has been taken into account. The chosen principle has entailed that the item "Shares and participations in group companies" has remained unchanged, while "Investment income" for 2010 has been affected by significant group contributions received in the amount of SEK 1,126 million.

4.3 New and amended IFRSs for application in the 2012 financial year or later

A number of new or amended standards and interpretations do not take effect until future financial years and have not been applied prospectively in the preparation of these financial statements. To the extent that anticipated effects on the financial statements of application of the following new or amended standards and interpretations are not described below, the new rules are not judged to have any material impact on Skandia's financial statements.

4.3.1 Amended IAS 1 Presentation of Financial Statements (presentation of other comprehensive income)

The amendment pertains to how items in other comprehensive income are to be presented. The items are to grouped into two categories: items that will be reclassified to profit or loss for the year and items that are not to be reclassified. The item that will be reclassified is translation differences. The items that will not be reclassified are actuarial gains and losses. The amendment is to be applied for financial years starting on 1 July 2012 or later, with retrospective effect. Early application is allowed. The amendment is expected to be approved by the EU during the first quarter of 2012.

4.3.2 IFRS 9 Financial Instruments

Planned amendments to IAS 39 will take place in three phases, of which the first phase has resulted in the issuance of a new standard by IASB. The other two phases are currently under development.

Phase 1 – IFRS 9 Financial Instruments

The standard is intended to replace the part of IAS 39 that addresses classification and valuation of financial assets. Only two valuation categories will remain: financial assets at fair value and financial assets at amortised cost. Amortised cost is used for instruments held in a business model whose objective is to receive the contractual cash flows, which are made up of capital amounts and interest. Other financial assets are carried at fair value, and the opportunity to use the fair value option in IAS 39 will be kept. Financial assets carried at fair value will show changes in value "through profit or loss", except for equity instruments (e.g., shares) that are not held for trading and for which the entity has elected to report value changes in "other comprehensive income". The effective date of the standard has been delayed, and the new proposal is 1 January 2015 in order to better harmonise it with the implementation of the other two phases, "Impairment" and "Hedge accounting". Early application will be allowed.

Skandia has not yet decided if it will apply IFRS 9 prospectively and believes that the proposed new IFRS will not have any material impact on its profit or choice of classification of financial instruments.

4.3.3 IFRS 13 Fair Value Measurement

IFRS 13 pertains to a new, uniform standard for measuring fair value and improved disclosure requirements. Among other things, the standard entails that fair value price is to be based on the price that best reflects the closing quotation ("the exit price"). The standard is to be applied prospectively in financial years starting on 1 January 2013 or later. The new standard is not expected to have any material impact on Skandia's result or financial position. The amendment is expected to be approved by the EU during the third quarter of 2012.

5. Foreign currency

Transactions in foreign currency are recalculated to the functional currency at the exchange rate in effect on the transaction date. Skandia's functional currency is Swedish kronor (SEK). 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 the rate of exchange on the balance sheet date. Non-monetary items denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect on the date of the transaction, while non-monetary items in foreign currency that are measured at fair value are translated using the exchange rate in effect on the date when the fair value was determined.

Exchange rate differences are reported in the income statement as foreign exchange gains and losses, respectively.

Assets and liabilities in independent foreign branches are translated to SEK at the exchange rate in effect on the balance sheet date, while the income statements are translated at the average rate of exchange for the period. Translation differences do not affect profit/loss, but are instead recognised in other comprehensive income as a translation reserve.

6. Insurance and investment contracts – classification and unbundling

According to IFRS 4, contracts are to be classified as either insurance contracts or investment contracts. Contracts that contain a significant insurance risk are classified as insurance contracts and are reported in accordance with IFRS 4. Contracts that do not transfer significant insurance risk from the policyholder to the company are classified as investment contracts and are reported as financial instruments in accordance with IAS 39. For contracts that contain both an insurance component and a deposit component, and where it is possible to measure the value of the components separately, according to IFRS the company is permitted to use unbundling, which entails that the contract is broken down into an insurance component and a deposit component in the accounting.

Skandia issues both insurance contracts and investment contracts. Insurance contracts are contracts under which Skandia accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the company.

With respect to Skandia's unit linked and traditional life assurance, it is possible to measure the value of the deposit component separately from the insurance component in a reliable manner. To provide more relevant financial information, Skandia unbundles its unit linked assurance contracts and reports the deposit component and insurance component as if they were separate contracts. The insurance component of unit linked assurance is classified as an insurance contract and is handled according to 6.1 below. The deposit component, which includes the financial instrument and the related service process, is treated according to the principles that apply for investment contracts, see 6.2 below. For the unbundled contracts, the fees and costs arising from the contract are split between the insurance and deposit components. Front-end fees and acquisition costs are split in an equitable manner between the components.

6.1 Insurance contracts

Insurance contracts include healthcare insurance contracts and the unbundled insurance component of unit linked contracts and traditional life assurance contracts.

(a) Measurement

Skandia makes a provision for anticipated future claims that have been incurred but not yet paid. According to the rules, such provisions are made in accordance with the principles for reserve provisions and calculation of guarantees set forth in the Skandia Group Corporate Manual, which is approved by the Board of Skandia. For long-term obligations, such as provisions for disability insurance business, the liability is discounted using a market interest rate, but taking into account regulatory guidelines and other rules on how discounting may be done. Such provision is reported on the balance sheet as "Claims outstanding".

For contracts where insurance risk premiums in a period are intended to cover the claims in that period, the portion of premiums received that relates to unexpired risks on the balance sheet date is reported as an unearned premium liability. Such contracts include, for example, the insurance component of unit linked contracts and certain life assurance contracts. This provision is reported on the balance sheet as "Unearned premiums and unexpired risks".

(b) Liability adequacy test

At each reporting date, Skandia carries out a liability adequacy test of its insurance contract liabilities to ensure that the carrying amount of its liabilities is sufficient in the light of estimated future cash flows. In performing these tests, current best estimates of future contractual cash flows as well as claims handling and administration expenses are used. These cash flows are discounted and compared to the carrying amount of the provision. Any deficiency is immediately charged to income.

(c) Recognition of revenue

Premiums for insurance contracts are recognised as revenue when they become payable by the contract holder. For contracts where insurance risk premiums in a period are intended to cover the claims in that period, those premiums are recognised as revenue proportionately over the period of coverage.

(d) Recognition of costs

Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts. These are capitalised as deferred acquisition costs. The principles for deferring acquisition costs of insurance contracts are the same as the principles for deferring acquisition costs of investment contracts, see section 6.2 (c).

The change in provisions for insurance contracts is reported under expenses in the income statement. Claims paid are recorded as an expense upon payment.

(e) Reinsurance

Contracts entered into by Skandia with reinsurers, under which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts in section 6, are classified as ceded reinsurance. Contracts that do not meet these requirements are classified as financial assets and liabilities. Accepted reinsurance is treated similarly to other contracts (see section 6) and is reported according to that classification.

For ceded reinsurance, the benefits to which the group is entitled under its reinsurance contracts are reported as the "Reinsurers' share of technical provisions" and "Deposits held with cedants". Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

Skandia tests its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that a reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the income statement.

The impairment loss is also calculated according to the same method used for financial assets. These principles are described in section 10.

6.2 Investment contracts

Investment contracts include the deposit component of unit linked assurance and traditional life assurance.

(a) Measurement

Investment contracts are financial liabilities whose fair value is dependent on the fair value of underlying financial assets. They are designated at inception as financial instruments at fair value through profit or loss.

Valuation techniques are used to establish the fair value at inception and each reporting date. The company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit linked financial liability is determined using current values, which reflect the fair value of the financial assets contained within the securities linked to the financial liability.

The initial and subsequent measurement amount of the financial liability is its fair value. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

If, for a certain portfolio, the expected future revenue is lower than the expected future variable costs, a provision for onerous contracts must to be established for this portfolio.

Investment contracts are reported on the liabilities side under the headings “Conditional bonuses” and “Unit linked obligations”.

(b) Recognition of revenue

Amounts received from and paid to investment contract holders are accounted for on the balance sheet as deposits received or repaid, and are not included in premiums and claims in the income statement.

Fees charged for managing investment contracts are recognised as revenue in pace with the provision of the investment management services to the contract holders by Skandia. The revenue is recognised in the income statement as premiums and among other technical income, respectively. These services are provided equally over the lifetime of a contract. Front-end fee income, such as the unallocated part of premiums, is therefore deferred through a deferred fee income (DFI) item. In practice, this entails a linear amortisation over the anticipated lifetime of the contracts. Amortisation is calculated for groups of contracts, but it is done in such a way that it reflects the pattern that a contract-for-contract method would have resulted in. The amortisation takes into account the fact that contracts are prematurely redeemed or cancelled upon death using an anticipated persistence factor for surrenders or mortality. For a portfolio of contracts, amortisation is thus done according to a slightly exponential curve, with higher amounts early in the lifetime of the contracts and lower amounts toward the end of lifetime of the contracts, when fewer contracts remain in the respective portfolios.

(c) Recognition of costs

Incremental costs directly attributable to securing a new investment contract are deferred. In Skandia’s case, these costs are mainly incremental acquisition costs paid to brokers and others. Deferred acquisition costs are amortised as Skandia recognises the related revenue, which means that they follow the pattern of the service provision. Just like with deferred fee income, deferred acquisition costs are amortised according to an anticipated persistence factor for surrenders or mortality. The asset is tested for impairment every accounting period to ensure that the economic future benefits expected to arise from the contracts exceed its face amount.

All other costs, such as non-incremental acquisition costs or maintenance costs, are recognised in the accounting period in which they arise.

7. Subsidiaries, associates and jointly controlled entities

Subsidiaries are companies that are subject to Skandia’s control. Control entails a right, directly or indirectly, to determine a company’s financial and operating strategies in order to receive economic benefit. When determining whether control exists, consideration is given to potential shares with voting rights that can immediately be exercised or converted.

Associates are entities in which Skandia has significant influence, but not control, over the financial and operating strategies – usually a holding between 20% and 50% of the number of votes.

Joint ventures are entities in which Skandia exercises joint control established by a contractual agreement.

Shares in these categories of company are stated at cost. The carrying amount is reviewed on each balance sheet date to determine if there is any indication of impairment. If such an indication exists, the asset’s recoverable value is established. An impairment charge is made when the carrying amount of the asset or cash-generating unit exceeds the recoverable value. The impairment charge is recognised in the income statement.

8. Unit linked investment contracts

(a) Investments held to cover liabilities for unit linked contracts and traditional life assurance

These assets consist of investments for the benefit of life assurance policyholders who bear the investment risk and are reported on a separate line in the balance sheet (“Unit linked assets” and “Assets for conditional bonuses”, respectively). Investments for the benefit of policyholders who bear the investment risk are stated at fair value in accordance with the requirements of the Annual Accounts Act for Insurance Companies, Ch. 4 § 2 pt. 12. The securities are classified as “fair value through profit or loss” and are stated at fair value, with any resulting gain or loss recognised in the income statement.

Changes in the value of unit linked funds and traditional life assurance and the corresponding change in insurance liabilities are reported net in the income statement. The substance of the transaction is that the changes in value belong solely to the policyholders. Therefore, Skandia believes that net accounting makes it easier for policyholders and other interested parties to understand the transactions and assess the entity’s performance and future cash flows. Insurance assets are valued at the latest bid price.

(b) Liabilities for unit linked investment contracts

Policyholder deposits are invested in securities chosen by the policyholder, and the undertaking to the policyholders is reported as a liability. The size of the liability correlates directly to the value development of the securities and the amount of premiums paid in and benefits paid out. The liabilities are reported in the category “fair value through profit or loss”.

9. Other financial instruments

Other financial instruments reported on the balance sheet include, on the assets side, trade accounts receivable, equities, loan receivables, fixed-income securities and derivatives. Among liabilities and shareholders’ equity are trade accounts payable, loan liabilities and derivatives.

Non-derivative financial instruments are initially carried at cost, corresponding to the instrument’s fair value plus transaction costs for all financial instruments, except for those that belong to the category financial assets at fair value through profit or loss, which are stated at fair value excluding transaction costs. A financial instrument is classified upon initial accounting based on the purpose that the instrument was acquired for. Derivative instruments are carried initially and on a continuing basis at fair value.

Financial instruments are measured on a continuing basis according to the type of asset or liability in question (see below). Realised gains and losses are calculated as the difference between the book value and the sales price. Purchases and sales of securities and currencies are recognised on the transaction date, i.e., on the day the transaction was carried out. The counterparty’s receivable/liability is reported net between the transaction date and the settlement date under the items “Other debtors” or “Other creditors” if clearing is done through a clearing organisation. If this is not the case, the payment is reported gross under the items “Other debtors” or “Other creditors”. Valuation of the respective asset classes is described below. Assets are valued at bid price and liabilities at offer price.

(a) Loan receivables and trade accounts receivable
Loans used as investments are stated at amortised cost less a deduction for possible impairment. Each receivable is valued individually. Loans are initially recorded at cost including transaction costs and are recognised at the settlement date. The initial value at the settlement date represents the fair value of the loan.

Interest received on loans and changes in amortised cost is accounted for as interest income. Interest income is allocated to the period to which it pertains in accordance with the effective interest method. Loans are derecognised from the balance sheet when they are pre-paid or redeemed.

Trade receivables are reported in the amount in which they are expected to be received after deducting for bad debts, which are assessed individually. The anticipated duration of trade receivables is short, which is why the value is reported at nominal amount without discounting. Impairment of trade receivables is reported among operating expenses.

Cash and bank balances consist of cash balances and call deposits. The item also includes funds that constitute part of transactions between policyholders and fund companies. Cash and cash equivalents include cash and bank balances and bank lines of credit.

(b) Financial assets held for trading
Investments held for trading are stated at fair value, with resulting gains or losses recognised through profit or loss. By fair value is meant the realisable value on the balance sheet date without deducting estimated sales costs. For stocks and bonds listed on an authorised stock exchange or marketplace, the realisable value normally refers to the bid/offer price on the balance sheet date. All changes in value are recognised through profit or loss.

Unlisted equities are stated at fair value based on the International Private Equity and Venture Capital Valuation Guidelines, which have been formulated by EVCA, among others, where the market value is the value that an asset could be sold for in a transaction between two independent parties, with full information and with the willingness to complete the transaction in an arm's length transaction. For unlisted shares where the fair value cannot be reliably determined, the shares are valued at cost.

All derivatives are stated at fair value. Derivatives are valued individually. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (see below). Gains and losses on derivatives not classified as hedges are recognised through profit or loss.

The fair value of currency options is calculated using the Black & Scholes model, while the fair value of interest rate derivatives is calculated by discounting future cash flows. Fair value of foreign exchange forwards is obtained from official market quotations.

(c) Other financial liabilities
Interest-bearing liabilities are stated at amortised cost. Interest expenses are allocated to the period to which they belong.

Borrowing costs are expensed in the income statement in the period they pertain to. Skandia does not capitalise borrowing costs as a part of the asset's acquisition cost.

Trade accounts payable and other current liabilities with short durations are stated at nominal amount without discounting.

10. Impairment of assets
The carrying amount of Skandia's assets is reviewed at each balance sheet date to determine if there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated, which is the greater of the net sales price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-adjusted monetary values and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised through profit or loss.

An impairment loss is reversed if there is both evidence that the need to recognise impairment no longer exists and a change has been made in the assumptions that served as the basis for calculating the impaired amount. The reversal increases the asset's carrying amount. The carrying amount may not exceed the carrying amount after depreciation, if the impairment loss had never been recognised.

Assets excluded from this principle include financial assets at fair value through profit or loss (see section 9 above) and deferred tax assets (see section 19).

11. Tangible assets
Tangible assets are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly attributable to the asset for putting it in place and the condition to be used in accordance with the purpose of the purchase. Depreciation is reported in the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful life is considered to be three years for IT equipment, five years for other equipment, and twenty years for improvement costs for another party's real estate. Applied useful lives, residual values and depreciation methods are re-evaluated yearly.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised through profit or loss.

12. Equity
Restricted equity consists of share capital and the share premium reserve. Other equity is classified as unrestricted equity.

13. Group contributions
Reporting of group contributions is done in accordance with changed principles adopted by the Swedish Financial Reporting Board (RFR), which rescinded its pronouncement UFR 2, "Group contributions and shareholder contributions", and in its place made an amendment to RFR 2 Accounting for Legal Entities. The new principle entails that Skandia reports group contributions received from subsidiaries in the income statement on the line "Investment income", with a specification of the item provided in note 11. Group contributions made to subsidiaries are reported on the balance sheet as an increase in "Shares and participations in group companies", net after deducting for the tax effect. Group contributions received from/rendered to the parent company are reported directly against equity while taking the tax effect into account. The change entails a recalculation of the comparative figures for 2010 in accordance with IFRS 8. For further information about the handling of changed principle for reporting group contributions, see sections 2 and 4 above.

14. Appropriations and untaxed reserves
The tax code in Sweden allows companies to reduce their taxable income through appropriations to untaxed reserves. In accordance with Swedish practice, changes in these reserves are reported in the income statement of individual companies under the heading "Appropriations". The accumulated total of these appropriations is reported on the balance sheet under the heading "Untaxed reserves", of which

26.3% can be considered to be a deferred tax liability and 73.7% as restricted equity. The deferred tax liability can be described as a noninterest-bearing liability with an unspecified maturity.

Untaxed reserves are subject to taxation when they are dissolved. In evaluating the company's financial strength, the total value of untaxed reserves can be regarded as risk capital, since losses generally can be covered through reversals of these untaxed reserves, without payment of taxes.

15. Technical provisions

The rules of the Skandia Group Policy for Technical Provisions have been adhered to in calculations of all technical provisions.

Provisions for waiver of premium insurance are calculated using a discount rate that has been set according to market principles. The Financial Supervisory Authority's guidelines on choice of interest rate (FFFS 2011:22) have also been taken into account to calculate life assurance provisions and certain other technical provisions. The assumptions used in the calculation, except for the interest rate and an inflation assumption regarding insured benefits, are an estimate for recoveries among disability claimants on the basis of previous experience from this business. The calculation is in conformity with standard formulas and Swedish practice.

Technical provisions for group accident and healthcare insurance have been calculated using chain ladder methods combined with average claims techniques – methods that have been accepted practice in property & casualty insurance for a long time and are recommended by actuarial associations in general in both Europe and the USA. These reserves are not discounted due to the short average duration of claims payments.

The uncertainties that exist in the estimations are handled in a prudent manner in accordance with generally accepted accounting practice. An example of this prudence principle is that an incompletely reported claim is taken up at its maximum value in the calculation.

IBNR provisions are made for claims that have been incurred but not reported. Based on experience, it can be warranted to assume that certain claims are reported with a time delay. The IBNR calculation is performed using several different variants of the chain ladder method, involving the number of reported claims, benefits paid out to date, etc. The calculation variants are compared and compiled to arrive at a joint estimation of number of claims, after which the reserve is determined under the assumption that the unreported claims have the same average cost as those that have been reported.

Technical provisions for unearned premiums can be of the following three types:

• "Genuine" unearned premium

In cases where risk premiums are paid to the insurance company long before their due date, an allocation of premiums should be done, i.e., a provision is made for the excess amount and is dissolved in the period in which the premiums are due. Since the company's business consists mostly of monthly premiums, no provision has been made in the 2011 accounts. Checks are performed on a regular basis to ensure that the need for this type of provision is immaterial.

• "Active" reserves

Waiver of premium insurance is written at an equalised premium. A calculation is made of the need for periodic premiums, and a provision for the future is made of any excess amount of paid-in premiums. In the same way, the provision is dissolved for insureds whose premium requirement exceeds the charged, equalised premium. In this manner, the earned premium will consist of a risk premium that is charged according to an age-differentiated rate. This calculation technique is in accordance with Swedish practice.

• Provision for unexpired risks

For insurance contracts with insufficient risk premium compared with the premium need, a technical provision is made for unexpired risks – a so-called deficiency supplement. This provision is dissolved in pace with premiums as they fall due.

16. Other provisions

Provisions are reported on the balance sheet when the group has an obligation (legal or constructive) due to an event that has occurred and when it is likely that an outflow of resources will be required to meet the obligation and that amount can be estimated in a reliable manner.

17. Revenue recognition

Skandia's accounting policies for revenues and expenses from insurance contracts are reported in section 6.1. The corresponding report for investment contracts can be found in section 6.2.

Revenue consists of the fair value of consideration received or receivables for services provided in the ordinary course of business. Revenue is recognised as follows:

Interest income is accrued on a time basis, by reference to the outstanding principal and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount. For instruments measured at fair value, the difference between the (theoretical) amortised cost and the actual fair value is reported as an unrealised change in value. Dividend income from investments is recognised when the shareholder's rights to receive payments have been established.

For more information about investment income, see section 18 below.

18. Investment income

Revenues and expenses from investments associated with property & casualty insurance business are reported in the income statement under the non-technical account. From the result of the investment operations, investment income in property & casualty insurance business is transferred over from the non-technical account to the technical account based on the average technical provisions after deducting outstanding net receivables in the insurance operations. The interest rates follow the return on medium-term government bonds with consideration given to the insurance operations' cash flows over time.

In traditional life assurance, investment income is reported in the income statement under the technical account of life assurance business. For unit linked assurance business, investment income is reported for such investments where the life assurance policyholders bear the investment risk under the technical account of life assurance business, while investment income for own account is reported in the non-technical account. See section 8, "Unit linked investment contracts" for more information about net reporting in the income statement of changes in the value of unit linked assurance and traditional life assurance, and the corresponding change in insurance obligations.

19. Taxes

(a) Current tax

Current tax is the tax that is to be paid or received in the current year, based on the tax rates that apply as per the balance sheet date. Current tax also includes the tax on group contributions and adjustments of current tax pertaining to previous periods. Current tax is based on a tax rate of 26.3% for the 2011 financial year.

(b) Deferred tax
Deferred taxes are calculated according to the balance sheet method, based on temporary differences between reported and tax values of assets and liabilities. Loss carryforwards that can be used to reduce taxable profits in future years are assigned such a value that the total deferred tax asset on the balance sheet corresponds to the deferred tax liability for Skandia's untaxed reserve and the deferred tax liability for net assets in the consolidated accounts, which in the future will give rise to taxable income for Skandia.

Deferred tax is calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax for the 2011 financial year has been calculated using a tax rate of 26.3%. Deferred tax liabilities and deferred tax assets are not discounted.

Deferred tax is charged or credited in the income statement, except in cases where it relates to items charged or credited directly to equity or reported in "other comprehensive income", in which case the tax effect is also recognised directly in equity or in "other comprehensive income".

(c) Policyholder tax
With certain exceptions, insurance operations are not subject to income tax; instead, they are taxed by means of a so-called policyholder tax. The policyholder tax is based on a standardised calculation of the return on the net assets managed for the benefit of policyholders. The policyholder tax is classified as a tax expense. Compensation for this expense is deducted from the assets that are managed for the benefit of the respective policyholders and is reported in the income statement in the item "Other technical income". There is a direct connection between the policyholder tax paid and the cost charged to the policyholders.

20. Pensions
Skandia's pension benefits are secured through defined contribution and defined benefit pension solutions, which are reported as an expense in the income statement for the period in which the cost was incurred.

(a) Defined contribution pension plans
Defined contribution pension plans are plans in which the company's obligation is limited to the fees that the company has undertaken to pay. In such case, the level of the employee's pension depends on the fees (contributions) paid by the company and the investment return generated by those contributions. Consequently, it is the employee who bears the actuarial risk and investment risk. The company's obligations pertaining to fees for defined contribution plans are charged as an expense against profit for the year in which they were earned by the employee.

(b) Defined benefit pension plans
By defined benefit pension is meant that the employee is guaranteed a set, post-retirement pension that is based on his or her final salary. However, the rules for reporting defined benefit pension plans under IAS 19 Employee Benefits do not apply for Skandia as a legal entity. This is because application of the rules of the Pension Obligations Vesting Act *(Tryggandelagen)* is a prerequisite for having the right to make tax deductions for premiums. Skandia reports defined benefit pensions in accordance with the rules of the Pension Obligations Vesting Act and RFR 2, where it is set forth that the rules in IAS 19 with respect to defined benefit pension plans do not need to be applied by legal entities. For further information on pensions, see note 45, "Pension disclosures".

21. Share-based payments
According to IFRS 2, share-based payments are to be expensed. The expense is calculated as the market value of the shares and options at the grant date. The fair value determined at the grant date of equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on Old Mutual's estimate of shares that will eventually vest. The vesting period is the period that the employees must remain in service at Skandia in order for their options to vest. Social security costs are also allocated over the vesting period, in accordance with pronouncement UFR 7 issued by Swedish Financial Reporting Board (RFR), "IFRS 2 and social security costs for listed companies". For further disclosures on share-based payments, see note 44, "Average number of employees, salaries and remuneration", section VI.

22. Leasing
In its capacity as a lessee, Skandia only has operating lease contracts and no finance leases. The charge to income under an operating lease is the rental expense for the accounting period, recognised on a straight-line basis over the term of the relevant lease.

23. Business combinations
Business combinations are reported in accordance with Swedish Accounting Standards Board General Recommendation BFNAR 1999:1, Mergers of wholly owned stock corporations. For the acquiring company, a merger of a wholly owned subsidiary entails that an indirect ownership of the subsidiary's assets and liabilities is replaced by direct ownership. On the balance sheet, the shares in the subsidiary are replaced by the assets that they previously represented. Such an exchange normally affects the equity of the acquirer. The effects that a business combination has on the acquirer's equity – apart from those on the acquiree's earnings during its final financial year – is called the merger result and is reported in equity.

24. Cash flow statement
IAS 7 Statement of Cash Flows is applied with the adaptations that are necessary in view of Skandia's business. In preparation of the cash flow statement, in cash flow from operating activities, net accounting has been done of changes in technical provisions, assumptions on unit linked assurance contracts and similar investments. Net accounting provides a better picture of the cash flows accruing to Skandia.

Investments are an integral part of the business, as a large part of inflows in the insurance operations must be invested in accordance with the operating rules.

The change of investments in the group that are not used directly in the operations is reported under "Cash flow from investing activities".

Cash and cash equivalents include bank balances less bank overdraft facilities, which are reported on the balance sheet as loans. Cash and cash equivalents also include amounts that make up part of transactions between policyholders and fund companies. Short-term investments with a short duration from the point of acquisition – normally three months or less – are included in cash and cash equivalents.

Note 2 Risk analysis

Introduction

Skandia currently conducts unit linked assurance business including so-called custody account insurance *(depåförsäkring)* and supplementary insurance cover, such as waiver of premium insurance and certain lines of property & casualty insurance (private healthcare and accident insurance). Skandia also has an advisory service with related support services.

Skandia's business gives rise to a broad spectrum of risks that could potentially affect its operating result and financial position. Some of these risks are a natural consequence of the business strategy and are not limited to a specific business segment. Other risks, however, such as insurance risk, are specific to a particular segment. In addition, risks arise that are attributable to people, processes, systems and external events – known as operational risks. Risks in the operations are eliminated, mitigated, or accepted. Regardless of which risk management strategy is used, it is of utmost importance that all risks in the operations are managed and controlled in an effective manner.

Skandia's vision is to have the savings market's most satisfied customers. Effective risk management and compliance are prerequisites for achieving this. All organisations face numerous risks, and the challenge for Skandia is to determine the degree to which these can be accepted in its efforts to increase value for customers and shareholders. These risks involve both an opportunity to increase this value as well as the risk of undermining value. Good risk management at Skandia gives the company's management and the Board an opportunity to effectively manage these risks in order to create value for customers and the owners in a sound and secure business operation.

Skandia has low risk tolerance, especially with respect to financial market risks, and therefore has a business model that is based primarily on insurance where the investment risk is borne by the policyholders. However, Skandia is exposed to financial market risks since the fee structure of its insurance products is largely dependent on developments in the financial market.

The following description of risks is presented in accordance with IFRS 7 and IFRS 4.

Risk management and compliance – an integrated part of Skandia's business

Skandia makes a concerted effort to ensure that risk management and compliance are a natural part of its business and decision-making. During the year, Skandia continued its structured approach to increasing awareness about the interaction between risk, capital requirements and value creation – in part within the framework of the Solvency II project and in part by providing continuous training in Skandia's risk management and compliance framework. Risk management and compliance are also an integrated part of Skandia's business planning process. In this process, risks are identified at various levels in Skandia through structured meetings. These risks are then evaluated, followed up and reported on a continuous basis during the year. The risk strategy for Skandia's Nordic division[1] is also developed as an integrated part of the business planning process. The recommendation from the risk strategy work provides important input to the strategic initiatives that are discussed in the business plan, and the business units must ensure that the strategic initiatives are in line with the risk strategy and reflect the preferred risk appetite.

Risk strategy

Skandia's risk strategy is based on consideration for two stakeholder groups: customers and shareholders. Through measures aimed at safeguarding the interests of Skandia's customers and shareholders, the interests of other stakeholders are also taken into account, such as Skandia's employees. In 2011 Skandia adopted an extensive risk strategy for the entire business. The risk strategy is set for a three-year period and is thereafter updated yearly in connection with the business planning process. The risk strategy defines Skandia's overall risk philosophy and risk preferences, and based on this (as well as other factors), Skandia's preferred risk profile and risk appetite are set.

Skandia's goal is to be able to guarantee the obligations it has made to its customers with a high degree of certainty and to meet reasonable expectations made by customers. This is managed through technical provisions, by maintaining sufficient solvency capital, and by maintaining sound internal governance and control of the business.

Risk philosophy

In short, Skandia's risk philosophy entails that Skandia accepts risks for which it has competence to manage and where Skandia can create value-added for its customers and owners alike. For most risks, Skandia ties up capital in the event the risk materialises. To create value-added for the both customers and the owners, Skandia seeks out the risks that optimise its return given the risk that must be managed. As shown in the illustration below, maximum value is achieved when there is a balanced approach to risk, which entails that we control risks and take advantage of their opportunities in the pursuit of Skandia's objectives.

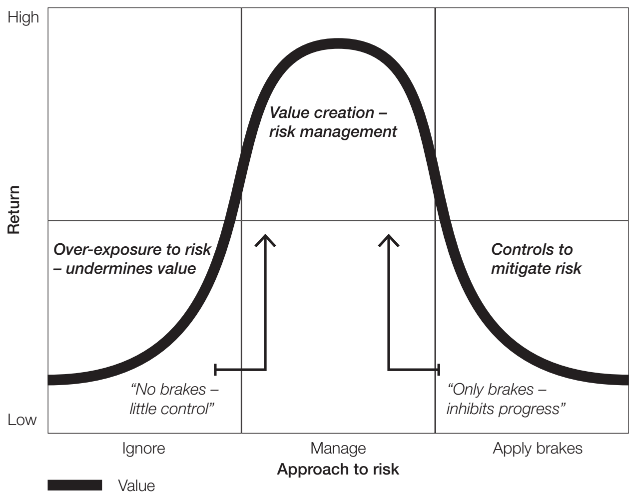
Risk categories and risk preferences

The risks that Skandia encounters are broken down into the following categories: strategic risk, insurance risk, financial market risk, credit and counterparty risk, liquidity risk, business risk and operational risk (which are described in detail in the section "Significant risks in Skandia's business"). Based on the risk philosophy, in connection with the drafting of the risk strategy, a determination is made of which preferences Skandia has in the various risk categories, i.e., which types of risk that Skandia wants to seek out and which types Skandia wants to avoid. The preferences have been formulated in an overarching risk category level as well as broken down into subcategories.

Risk profile

Taken together, the risks that Skandia is exposed to form the basis of an aggregate risk profile. This risk profile can be changed over time, based on the preferred return and capital requirement. Within the risk strategy, a target risk profile has therefore been drawn up, which Skandia is to achieve during the coming business planning period through, among other things, the strategic initiatives that have been set in the business planning.

Value for customers and owners



[1] Skandia's Nordic division comprises the operations that are conducted in the legal entities Skandia, Skandia Denmark and Skandiabanken (including its subsidiary Skandia Fonder). The risk strategy is decided by the respective companies' boards.

Risk appetite
Skandia's risk appetite, i.e., *which risks and how much of the respective risk categories Skandia is willing to accept in its effort to achieve its objectives*, is defined by the principles laid out in the Skandia's Internal Rules. *The risk appetite is concretised through limits, i.e., tolerance levels for acceptable risk for all risk categories in Skandia.* Skandia adheres to the internal risk appetite framework which expresses quantitative limits for the company's risk tolerance with respect to changes in the operating result and cash flows, among other things. Risks or events that exceed the agreed levels are to be identified and reported. In the event defined limits are exceeded, Skandia has a continuity plan for returning to the preferred levels of its risk appetite.

To sum up, the risk strategy enables Skandia to adapt its capital management to its risk profile and thereby improve its ability to create value within the framework of its risk appetite. This enables Skandia to make more well informed decisions in which Skandia

- understands which types of risks are accepted and the consequences of accepting such risks,
- has the ability to determine the amount of capital that is required to accept these risks,
- can model the return on the capital that Skandia ties up for these risks, and
- optimises its risk-adjusted return.

Risk measurement
Skandia measures risk in part based on regulatory requirements and in part based on internal requirements. The regulatory requirements pertain mainly to the required solvency margin and the so-called traffic light model. Internal metrics include economic capital, which is set from an economic base to determine the amount of solvency capital required given the preferred level of probability. The level of probability today is 99.93%.

In addition to this measure are three overarching risk metrics that measure Skandia's risk and are taken into account in Skandia's continuous management and are included in the business planning: Earnings at Risk, Cash Flow at Risk, and Operational Risk.

Organisation of Skandia's internal control
Skandia's board of directors is responsible for the overall governance and control of all risks in Skandia – business risks as well as operational risks. This is done within the framework of the company's Internal Rules. The Risk and Audit Committees, which are committees within Skandia's board, are responsible for oversight of risk management and compliance within Skandia based on instructions adopted by the Board.

Skandia's CEO has a composite view of Skandia's risks and compliance, and is responsible for ensuring that the risks in Skandia are identified, managed and reported, as well as for providing risk management support to the operations when necessary. Skandia's CEO is also responsible for co-ordinating all risk reporting and follow-up of compliance within Skandia. The CEO has delegated the execution of these duties to the head of the Skandia Nordic Independent Compliance, Actuarial and Risk Control (ICAR) unit. This unit consists of a Compliance function, a Risk function and an Actuarial function, i.e., all control units gathered in order to work according to the same process and ensure independence vis-à-vis the operative activities. ICAR's responsibility includes producing and providing to the Board, management and pertinent parts of the business compiled, comprehensive and factual information and an analysis of Skandia's risks and compliance, and for exercising control and challenging the operations with respect to this risk scenario that is reported to the CEO and the Board of Directors.

Skandia's Internal Audit function is directly subordinate to the Board and its Audit Committee and is organisationally segregated from Skandia's operations. It is responsible for performing independent reviews of both the operative units and control functions in ICAR. External Audit is appointed by the Annual General Meeting and must meet certain authorisation requirements. External Audit performs an external, independent review in this context.

Risk responsibility at Skandia
Skandia's risk management is based on three lines of defence and is the platform for Skandia's model for risk management, risk control and compliance, which is based on a division of responsibilities with respect to risk and compliance within Skandia. This model distinguishes between the functions that own and manage risks and compliance (the first line), the functions that oversee risks and compliance (the second line), and the functions for independent review that provide independent assurance (the third line). Following is an overview of the duties and responsibilities in the respective lines of defence:

	Board of Directors		
	Executive		Non-executive
	First line of defence	*Second line of defence*	*Third line of defence*
What it covers	• Risk management (identify/manage, measure/follow up and report risks) • Risk management strategy • Determine risk appetite and set limits (in consultation with the second line) • Maintain an awareness of risks and complaints in the business • Compliant and risk-aware operating practices • Tone at the top and clearly exhibited responsibility for risk and compliance	• Clear and well communicated risk policies • Implement effective models/systems • Training • Reporting of aggregate risk scenario • Validate • Feedback • Co-ordinate risk strategy	• Independent testing/ validation of the effectiveness of risk management processes and activities
Responsibility	The business head or person who, according to internal/external rules, job description or work duties, owns and manages the risk, such as: • CEO • All management levels • All employees	The person who, according to internal/external rules, job description or work duties, is responsible for controlling risk, such as: • CEO • Control functions, such as Risk, Compliance and Actuary	• Internal Audit • External Audit • Board sub-committees for audit and risk

First line of defence
As the first line of defence, the Board sets the company's risk tolerance, approves the strategy for managing risk and is responsible for the company's system of internal control. It is in the first line of defence that the risk owners for the various risk categories exist. Skandia's CEO, supported by the Executive Management Team, has overall responsibility for the management of risks facing the company. Management and staff have primary responsibility for managing risk and for compliance, i.e., they are responsible for taking a risk inventory, for regularly reporting and managing risks and violations of internal or external rules, and for writing and implementing policy documents, instructions and/or guidelines adapted to the business unit.

Second line of defence
The second line of defence is the part of operations that performs independent control of risks and compliance as well as oversight of

the first line of defence. The second line of defence is responsible for ensuring that routines, methods and tools for management and control of risks and compliance are on hand. The second line of defence also performs supporting duties when needed, such as training, workshops, information and advice. However, the second line of defence may never perform services or conduct business that it oversees itself.

The work of the second line of defence is regulated by a framework for risk management and compliance within Skandia that has been adopted by the CEO, which clarifies roles, responsibilities and reporting requirements for these units. The aim of the framework is to continuously further develop and streamline the work on risk management, risk control and compliance through joint processes throughout the company, and to shore up independence from the operative activities, which are the first line of defence. Various committees exist within Skandia in which the various risk categories are discussed. These include, among others, the Skandia Asset & Liability Committee and the Skandia Executive Risk & Compliance Committee.

Third line of defence

The functions in the third line of defence shall provide independent, objective assurance to the Board of the effectiveness of the company's risk management, risk control and compliance. This is handled by Skandia's Internal Audit unit, by the Board's Audit Committee, and by the external auditors.

Performance 2011

A number of improvements were made of Skandia's internal control in 2011, both in project form and as part of the day-to-day operations.

During the year, a risk strategy was drawn up for the Skandia Nordic division, and Skandia's overarching framework for risk and compliance were updated and adapted in certain respects to the anticipated, forthcoming Solvency II requirements. In addition, overall governance of Skandia has been further improved, and by the end of the year Skandia had an updated committee structure in place, where the Product Committee and Capital Committee are two new committees formed in 2011. The Product Committee has oversight over Skandia's products and ensures that they are developed, priced and administered in accordance with applicable policies, legal requirements and internal rules. The Capital Committee is tasked with overseeing Skandia's capital management and supporting management with recommendations to the Board regarding the most suitable capital structure for Skandia while taking into account the company's long-term strategic objectives, current business plan and capital plan, risk appetite, limits, and so on.

Work was also conducted during the year on implementation of Skandia's extensive risk management system. In connection with this, continuous training was provided on the system and on Skandia's daily risk management and compliance routines. A forum has been created that focuses on the follow-up of operational risks in Skandia's business. The result of the work conducted during the year and the continuous work on increasing risk awareness within Skandia can be seen in the lower losses that Skandia had in 2011 associated with operational incidents. From 2010 to 2011, operational losses decreased by approximately 30%.

Skandia's Solvency II programme progressed according to plan in 2011. The programme is designed to deliver tools and processes to support the Board and management in achieving their chief objectives by improving standards for risk management and capital calculation models, and integrating them with the business development. By linking risk with business results and capital management, the programme will deliver a platform that makes it possible for Skandia to maximise long-term value and ensure that Skandia meets the anticipated Solvency II rules.

Goals for the coming year

ICAR's vision is that risk management and compliance will be a natural part of the operating activities. To gradually work towards this vision, ICAR will continue to improve the internal control environment through controls, validations, training and support of the operative activities. At the end of 2011, Skandia Liv announced its plans to acquire Skandia. Skandia Liv's acquisition of Skandia was completed in March 2012 and may entail changes in the organisation and in Skandia's internal control.

Significant risks in Skandia's operations

The most significant risks in Skandia's operations are described below. The main categories of risk are strategic risk, insurance risk, financial market risk, credit and counterparty risk, liquidity risk, business risk and operational risk. These can then be broken down into subcategories, of which Skandia has chosen to highlight the most significant ones.

Strategic risks

Strategic risk is the risk that strategic decisions and activities will have an impact on Skandia's value and sustainability with respect to products, distribution channels, market initiatives and organisational model. This also includes the HR risk of not having the human capital needed to uphold and drive the business forward.

Strategic risk is coupled to Skandia's strategy and is managed through regular reconsideration of the strategy and through processes for reviewing, following up and assessing the objectives and risks of Skandia's strategy. HR risk is managed specifically through Skandia's overall HR strategy, which is coupled to Skandia's overall goals.

While some mitigating actions are possible, often these risks cannot be entirely avoided, as they are an integral part of doing business. Skandia does not tie up any risk capital to this risk.

Insurance risks

Pure insurance risks are related to factors such as accidents, mortality, longevity and morbidity, and are transferred from policyholders to Skandia. These risks can arise for various reasons, such as from natural variations in e.g., mortality, and to political or socioeconomic factors than cannot be foreseen.

The risks for Skandia consist of a future outcome that is different than what Skandia assumed in its calculations, either due to the fact that individually incurred claims are more costly than anticipated, or through a higher number of incurred claims than anticipated. This is managed through regular follow-up of claims experience and, where necessary, reconsideration of applied assumptions when setting premiums and calculating provisions for incurred claims. For example, morbidity risks – including insurance risk for private healthcare insurance – are partly dependent on the economy. The trend in mortality in society and in insured portfolios is also studied on a continuing basis.

In most cases, insurance contracts are written so as to allow for future changes in applicable assumptions, even if the change may lead to changes in premiums.

Skandia has a restrictive stance to insurance risks and adheres to a set of rules aimed at limiting the group's net insurance risk. Both morbidity risks and mortality risks are reinsured when the risk in a single contract exceeds the limit stated in the rules (net retention). The risk insurance business that is written today consists primarily of waiver of premium risks, i.e., disability risks. Contracts are written for individual customers in connection with occupational pension savings and private pension savings in Sweden. Adverse selection risk associated with the writing of contracts containing insurance risk is low, since the risk element cannot be chosen without corresponding savings.

The table below shows the extent to which Skandia has covered its insurance risks through reinsurance.

RISK REINSURANCE

Insurance obligations	2011	2010
Total exposure	1,576	1,594
Reinsured exposure	-27	-27
Non-reinsured exposure	1,549	1,567

Since mid-2010, Skandia's private healthcare insurance and group accident insurance business is no longer reinsured. Skandia has opted to accept this risk and manage it on a continuing basis, since Skandia believes that the risk-adjusted return without reinsurance exceeds the risk-adjusted return with reinsurance.

When a death has occurred, as a rule the insurance case is finally settled within one or a couple of months after the death. For waiver of premium claims, which are settled with periodic payment of benefits through the entire duration of the disability, the uncertainty is initially greater with respect to the exact size of the claim. Provisions are based on experience-based assumptions, and a new, individual calculation for each claim is made monthly. After approximately two years' duration of disability, it is easier to predict a claim's remaining total claim cost.

For private healthcare insurance, the average period of benefits payment is short. However, for accident insurance, it can take a long time before the scope of the injury is completely known. In both cases, the provisions are based on previous years' payment patterns as well as known changes in insurance products, insured portfolios and external events.

The assumptions are managed through a duration-matched bond portfolio and are reviewed by Skandia's Asset & Liability Committee, which among other things continuously monitors changes in the development pattern for the insurance obligations. The duration of claims is shown in the table below.

DURATION

	<1 yr	1-5 yrs	> 5 yrs	Total
Claims reserves, private healthcare Sweden	53%	45%	2%	100%
Claims reserves, private healthcare Denmark	86%	14%	0%	100%
Claims reserves, group accident	25%	50%	25%	100%
Claims reserves, waiver of premium insurance	15%	40%	45%	100%

Management of credit risk, financial market risk and liquidity risk in connection with insurance risk is described under the respective headings for these risks.

Financial market risks

Financial market risk is the risk that the fair value of a financial instrument will fluctuate as result of changes in market prices, thereby affecting Skandia's earnings. Apart from these changes affecting profit for the year, they also affect future earnings (excluding future new business), which affects the calculation of Skandia's embedded value. The term embodies both the risk for loss and the potential for gain.

Financial market risks include the following main types of risk:

- share price risk, which reflects changes in the prices of shares and other equity instruments (such as mutual funds);
- interest rate risk, which reflects changes in market interest rates; and
- exchange rate risk, which reflects changes in foreign currency exchange rates.

Skandia's direct exposure to these risks is limited, since the company invests its equity mainly in a well-diversified bond portfolio.

Capital management of own investments, i.e., governance and mandates, is steered by Skandia's investment policy. Follow-up of debt coverage, outcomes and risks is handled by Skandia's Asset & Liability Committee. This follow-up includes sensitivity analyses, which are performed and reported on a regular basis. On the whole, Skandia's investment strategy is distinguished by the company's low risk appetite and low risk tolerance, which is why assets are invested conservatively and while taking into account the anticipated future cash flows of the technical provisions.

In addition, Skandia is indirectly exposed to financial market risk, as revenues consist largely of fees on customers' assets under management, which are affected by changes in the value of those assets. For example, the value of funds and custody accounts is affected by interest rate movements as well as the performance of the stock market, and thus Skandia's earnings are exposed to both interest rate risk and share price risk. Skandia does not hedge these risks that are related to changes in the value of customers' investments or risks that arise from the effect that changes in exchange rates have on these.

Skandia is also exposed to market risks associated with purchases and sales of fund units or other financial instruments that are made in connection with policyholders' trading in unit linked insurance. The exchange rate risk that arises from this is hedged.

Market risks exist in the form of options embedded in certain unit linked contracts, but to a small extent. Due to the nature of Skandia's business, these risks are of minor significance for the shareholders. Risk management in the form of controls is exercised with respect to these risks.

Credit and counterparty risk

Credit and counterparty risk is the risk of loss as a result of a counterparty (e.g. customers, banks, fund companies) being unable to pay amounts when due or at all. Skandia is exposed to credit risk in connection with reinsurance, among other things, although this risk is no longer material. The main form of credit risk management is a careful assessment of the counterparty's ability to fulfil its obligations. Credit risk is managed and regulated in general through guidelines with clearly set limits.

For its investments in bonds and derivatives, Skandia has adopted a conservative investment strategy that is limited in concentration and credit rating. Similarly, wherever possible, Skandia only uses reinsurers that are judged to have a good long-term credit rating – at least a single A credit rating from Standard & Poor's or its equivalent. Skandia also has credit exposure to intermediaries. These risks are well diversified, with local limits on maximum individual exposures.

The focus on counterparty risks has grown stronger in the financial climate that has prevailed in recent years.

Skandia is exposed to the following credit risks:

CREDIT RISK EXPOSURE[1)2)3)]

	2011	2010
Loans to companies		
Other	1,291	1,295
Loans to credit institutions		
Bank	–	–
Bonds		
Government bonds, credit rating AAA	1,773	1,745
Derivatives		
Counterparties with AA credit rating	–	–
Counterparties with single-A credit rating	–	–
Reinsurers		
Reinsurers with single-A credit rating	10	17
Reinsurers with undetermined credit rating	17	11
Banks		
Counterparties with AA credit rating	3	30
Counterparties with single-A credit rating	2,592	1,635
Counterparties with undetermined credit rating	6	4
Total	**5,692**	**4,737**

1) Credit exposure is indicated as the book value after provision for impaired loans.
2) There are no pledged assets.
3) In connection with the year-end book-closing, a customary control is performed of receivables past due. As per 31 December 2011, receivables past due did not amount to material amounts.

Liquidity risk

Liquidity risk is the risk that liquid assets will be insufficient to meet customers' and other counterparties' demands for liquid payment, such as cash withdrawals by customers or fund switches. Skandia is exposed to liquidity risk in several areas, including:

- in unit linked assurance in connection with fund switches, and
- funding unexpectedly large volumes of new business.

Skandia manages liquidity risk by 1) assigning each business area to draw up liquidity strategies for the daily management of liquidity in the business, 2) setting and continuously monitoring liquidity limits, and 3) drawing up continuity plans for liquidity crises. For known, large liquidity risks, systems are in place for regular calculation of worst-case scenarios. Skandia's Asset & Liability Committee continuously monitors liquidity and liquidity risks.

The risks in the insurance operations are managed on a day-to-day basis by Skandia's Treasury unit through forecasting and maintaining back-up credit facilities, which put Skandia in a better position to handle unforeseen liquidity flows. The credit facilities are summarised in the following table, which refers to the Standard & Poor's credit rating system:

AVAILABLE CREDIT OPPORTUNITIES

Lender's credit rating	**2011**	**2010**
AA	–	1,500
A	3,000	2,000

The following table shows a maturity structure for Skandia's financial liabilities that are subject to liquidity risk. The table is based on contractual maturity dates.

MATURITY ANALYSIS 2011

CONTRACTUAL RESET DATES FOR FINANCIAL AND INSURANCE LIABILITIES EXPOSED TO LIQUIDITY RISK 2011

	< 1 yr	**1-5 yrs**	**> 5 yrs**	**Total**
Derivatives	0	–	–	**0**
Provisions for life assurance policies where the investment risk is borne by the policyholders	56,197	9,026	38,424	**103,647**
Technical provisions	650	589	337	**1,576**
Creditors arising out of direct insurance operations	580	–	–	**580**
Creditors arising out of reinsurance operations	3	–	–	**3**
Other creditors	267	–	–	**267**
Total	**57,697**	**9,615**	**38,761**	**106,073**

Assets that cover the above liabilities are included on the asset side of the balance sheet. In addition, the company has unutilised lines of credit. See also note 26.

Investments to cover technical provisions have the following maturities in 2011

	< 1 yr	**1-5 yrs**	**> 5 yrs**	**Total**
Market value including accrued interest	432	1,142	259	1,833

MATURITY ANALYSIS 2010

CONTRACTUAL RESET DATES FOR FINANCIAL AND INSURANCE LIABILITIES EXPOSED TO LIQUIDITY RISK 2010

	< 1 yr	**1-5 yrs**	**> 5 yrs**	**Total**
Derivatives	1	–	–	**1**
Provisions for life assurance policies where the investment risk is borne by the policyholders	57,642	10,738	45,628	**114,008**
Technical provisions	661	646	287	**1,594**
Creditors arising out of direct insurance operations	334	–	–	**334**
Creditors arising out of reinsurance operations	2	–	–	**2**
Other creditors	490	–	–	**490**
Total	**59,130**	**11,384**	**45,915**	**116,429**

Assets that cover the above liabilities are included on the asset side of the balance sheet. In addition, the company has unutilised lines of credit. See also note 26.

Investments to cover technical provisions have the following maturities in 2010

	< 1 yr	**1-5 yrs**	**> 5 yrs**	**Total**
Market value including accrued interest	470	1,051	252	1,773

Business risks

Business risk is the risk for a reduction in Skandia's value due to, among other things, higher costs and a lower level of profitable sales volume. A significant part of business risk consists of risks arising from unforeseen customer behaviour.

Customer behaviour risk is the risk that customers will surrender or transfer their insurance contracts, or cease premium payments for their contracts with Skandia in a volume that has not been expected. In general, customer actions such as surrenders, prepayments or premium cessation can give rise to liquidity problems (see the section on liquidity risks) and the loss of future revenues or interest.

Customer behaviour risk is managed primarily through conscious product design and by providing continuous services throughout the duration of contracts.

Many insurance contracts with a savings element can be surrendered in full or in part before maturity for a cash surrender value. For Skandia's unit linked assurance business, this risk is reduced by the charging of a surrender fee to customers and/or distributors who cancel contracts early.

Operational risks

Operational risk is the risk of loss resulting from defective processes, systems and/or external events as well as from intentional or unintentional failed actions by employees. Skandia manages operational risks through various forms of preventive measures and security arrangements as well as through preparedness planning aimed at handling situations that could have a negative impact on Skandia as effectively as possible. Operational risks in the business are identified on a quarterly basis and are measured through self assessment. The impact of operational risks is usually felt in the form of costs or damage to the company's reputation.

Compliance risks

Compliance risks are part of operational risks and are the risk of Skandia not complying with laws, regulations, guidelines, internal rules and generally accepted practice and standards regarding business that is subject to permits. Poor compliance can lead to elevated operational risks, risks for legal sanctions, sanctions imposed by oversight bodies, financial loss or damage to Skandia's reputation. Management of this risk is conducted within the individual units at Skandia and is followed up on a regular basis by ICAR.

Solvency risk

Solvency risk is the risk of the company not being able to meet its obligations to the policyholders. Skandia manages solvency risk by maintaining a generally low risk tolerance, i.e., by offering long-term savings via a business model that is primarily based on insurance in which the policyholders bear the investment risk, by taking solvency costs into account in economic calculations, by performing regular solvency measurements, and by developing a risk-based view of its business activities. In addition, the Board has set stricter requirements for the solvency capital that is held to cover the regulatory requirement for the necessary solvency margin than that stipulated by the regulatory framework.

Skandia is closely monitoring the progress of Solvency II, i.e., the work on determining what solvency rules will look like in the EEA upon the effective date, and is actively preparing itself within the framework of an internal Solvency II project for the impact that the new rules will have on Skandia.

Skandia has adequate solvency capital to cover the solvency requirement, which is shown in the table below.

SOLVENCY CAPITAL AND SOLVENCY REQUIREMENT

	2011	2010
Solvency capital	7,754	12,847
Solvency requirement	1,233	1,338
Surplus	**6,521**	**11,509**

Sensitivity analysis

Skandia conducts sensitivity analyses once a year. These are conducted with respect to both IFRS and the Market Consistent Embedded Value (MCEV) calculation principles. With respect to IFRS, Skandia uses the previously mentioned measure of Earnings at Risk (EaR) as a basis of these analyses (see below). With respect to the sensitivity analysis for MCEV, the effects of changes in the assumptions about the surplus value of the insurance portfolio and the present value of new business are weighed together. The analyses show the sensitivity of the surplus values to key parameters with respect to financial market risks, insurance risks and customer behaviour risks, which are an integral part of Skandia's business.

IFRS sensitivity analysis

Skandia uses Earnings at Risk (EaR) as a basis for its IFRS sensitivity analyses. EaR is included in Skandia's total risk framework, and clear guidelines exist with respect to how it is to be calculated. This also means that the stress levels that are used for the various risk categories are subjected to a clearly defined assumption process that involves a close examination by ICAR as well as by Skandia's owners. EaR represents a scenario that occurs once in ten years and has a negative impact on IFRS profit during a one-year horizon. The reduction in IFRS profit stems from negative outcomes in the risk categories outlined above (see the section "Significant risks in Skandia's business"). The stress levels that are applied are derived using generally accepted quantitative and statistical methods for data that suits the current composition of Skandia's business. This means that a change in the characteristics that distinguish Skandia's business and portfolio today may change the stress levels that are applied. For example, if Skandia's customers change the allocation of their funds, this would lead to a new calibration of the shock that is applied to the customers' savings capital as a result of a decline in the stock market so that it matches the allocation that applied at the time of the calculation. For details surrounding the various risk categories and how these affect Skandia's earnings, see the section "Significant risks in Skandia's business".

SENSITIVITY FOR IFRS

Type of risk	Effect on IFRS profit	Scenario
Financial market risk	-23%	Financial market risk is calculated as the effect on profit of a sharp decline in the stock market combined with a scenario entailing a parallel shift and rotation, and increase in the interest rate curve.
Insurance risk	-14%	Insurance risk is calculated as a scenario entailing higher mortality, higher morbidity, and a lower probability of restored health in the life assurance operations. This is then combined with a scenario for the property & casualty insurance operations, where inadequate provisions give rise to a run-off loss, and premiums that are too low in relation to the number of claims incurred.
Business risk	-6%	Business risk consists of an increase in the cost burden combined with an increase in surrenders and conversion of policies to paid-up status.

MCEV sensitivity analysis

Starting in 2008, Skandia adheres to the Market Consistent Embedded Value (MCEV) calculation principles and result monitoring prescribed by Old Mutual. Embedded value reporting is used internally as the principal method for measuring the performance of the business. MCEV is also the base for the sensitivity tests that are performed. MCEV consists of expenses and revenues that have already been recognised in the form of reported equity (the adjusted net worth or "ANW") and of the discounted expected future cash flows (the value of business in force or "VBIF"). For a more detailed description of MCEV, please refer to the CFO Forum's document entitled Market Consistent Embedded Value (MCEV) Principles © and Associated Basis for Conclusions, which is available at www.cfoforum.nl.

The anticipated flows in VBIF are based on assumptions with respect to, among other things, contract surrender rates, fees, fund management and other costs, commissions paid to distributors and mortality statistics. The return on policyholders' investments, inflation and discount rates are based on the applicable risk-free market interest rate.

MCEV consists of the sum of reported equity for unit linked and life assurance, and the surplus value of business in force (VBIF). VBIF represents the present value of expected future cash flows from in-force contracts that is not included in reported equity.

New business is defined as new contracts sold during the reporting period. The value of new business ("VNB") includes the value of expected future premiums and renewals and expected future contractual alterations to the extent that they can reasonably be predicted. VNB also includes recurring single premiums and changes to existing contracts where these are not variations already anticipated in VBIF.

The results of sensitivity tests pertaining to both VBIF and the VNB are shown below.

- Tests A and B.
  These show the effect of a 1 percentage point increase (A) and decrease (B) in the opening economic assumptions, compared with that used for the VBIF, ANW and VNB calculations. The increase and decrease, respectively, include assumptions for inflation and the discount rate.
- Tests C and D.
  These tests show the effect of a one-time rise (C) and a one-time decline (D) in the equity markets and real estate as per 31 December 2011. Most of the effect arises through the change in the level of fund-based fees in the future.
- Test E.
  This test shows the effect of a surrender ratio being 10% lower than assumed, i.e., an assumption of 10% per year is changed to 9% per year in this test.
- Test F.
  This test shows the effect of a 10% decrease in internal maintenance expenses. If the continuing, future maintenance expense is assumed to be SEK 50 per year for a product (and increasing with inflation), Test F entails that the cost will be assumed to be SEK 45. External commission costs are fixed in advance and are thus not included in this test.
- Tests G and H.
  These tests show the effect of a decrease in the assumptions for the mortality rate by 5%. Test G shows the effect of lower assumptions for insurance policies with a positive risk sum, and Test H shows the effect of a corresponding decrease in the assumptions for insurance policies with a negative risk sum.
- Test I.
  This test shows the effect of a 10% increase in acquisition costs and thus only affects VNB.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

SEK million	MCEV	% change	VNB	% change
Starting assumption	**10,231**		**352**	
A: 1% increase in economic assumptions	-261	-2.6%	-11	-3.2%
B: 1% decrease in economic assumptions	285	2.8%	13	3.8%
C: 10% increase in the market value of equities and real estate	880	8.6%	42	12.0%
D: 10% decrease in the market value of equities and real estate	-879	-8.6%	-42	-12.0%
E: 10% decrease in surrender assumptions	323	3.2%	62	17.6%
F: 10% decrease in internal maintenance expenses	422	4.1%	19	5.3%
G: 5% decrease in mortality assumptions for positive risk sum	17	0.2%	2	0.5%
H: 5% decrease in mortality assumptions for negative risk sum	-19	-0.2%	-1	-0.2%
I: 10% increase in acquisition costs	0	0.0%	-11	-3.2%

NOTES ON THE TECHNICAL ACCOUNT PROPERTY & CASUALTY INSURANCE BUSINESS

Note 3 Premiums written

	2011	2010
Direct insurance in Sweden	683	733
Direct insurance in other EEA countries	213	244
Premiums for ceded reinsurance	—	0
Paid-in and recognised premiums	**896**	**977**

Note 4 Allocated investment return transferred from the non-technical account

In the property & casualty insurance operations, the allocated investment return is transferred from the non-technical to the technical account based on average technical provisions less outstanding net receivables in the insurance operations. The interest rates mainly follow the yield of medium-term government bonds with consideration given to the insurance operations' cash flows over time.

For 2011 an interest rate of 2.10% has been used, while in 2010 a rate of 2.11% was used.

	2011	2010
Allocated investment return transferred from the non-technical account	25	8

Note 5 Claims incurred

	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-658	0	-658	-611	0	-611
Claim portfolios	—	—	—	0	—	0
Change in provision for incurred and reported claims	13	0	13	-34	-4	-38
Change in provision for incurred but not reported (IBNR) claims	-7	-1	-8	-15	-3	-18
Operating expenses for claims settlement	-18	—	-18	-16	—	-16
Total	**-670**	**-1**	**-671**	**-676**	**-7**	**-683**

Of claims incurred, SEK 5 million (17) consists of the net run-off result.

Note 6 Operating expenses

	2011	2010
Internal acquisition costs	-62	-56
External acquisition costs[1]	-18	-36
Change in deferred acquisition costs, gross	-1	-3
Administrative expenses	-170	-183
Total	**-251**	**-278**

[1] Pertains to commissions for direct insurance.

For a breakdown of total operating expenses, see note 46.

NOTES ON THE TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS

Note 7 Premiums written

	2011			2010		
	Gross	Ceded	Net	Gross	Ceded[1]	Net
Periodic premiums[1]	168	-18	150	180	-22	158

[1] Pertains to premiums for the insurance element of life assurance business where the investment risk is borne by the life assurance policyholders. All insurance contracts have been written in Sweden.

Note 8 Other technical income

	2011	2010
Volume-based cost reduction	1,010	949
Policyholder tax	545	532
Other	58	77
Total	**1,613**	**1,558**

Note 9 Claims paid

	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Death	-49	—	-49	-46	—	-46
Disability	-59	4	-55	-61	4	-57
Claims settlement costs	-26	—	-26	-23	—	-23
Claims paid	**-134**	**4**	**-130**	**-130**	**4**	**-126**

Note 10 Operating expenses

	2011	2010
Internal acquisition costs	-390	-371
External acquisition costs	-434	-379
Change in deferred acquisition costs, gross	-165	-206
Administrative expenses	-393	-253
Reinsurance commissions and profit participations	5	10
Total	**-1,377**	**-1,199**

For a breakdown of total operating expenses, see note 46.

NOTES ON THE NON-TECHNICAL ACCOUNT

Note 11 Investment income

	2011	2010
Dividends from shares and participations		
Shares and participations in group companies	—	497
Group contributions from subsidiaries	1,626	1,126
Other shares and participations	44	262
Interest income, etc.		
Bonds and other fixed-income securities	53	40
Group companies	82	30
Other interest income	41	15
Foreign exchange gains, net	*83*	*43*
Reversed impairment charges		
Shares and participations in group companies	1,016	3,853
Shares and participatitions in associated companies	37	—
Capital gains, net		
Bonds and other fixed-income securities	2	34
Total	**2,984**	**5,900**

Note 12 Unrealised gains on investments

	2011	2010
Shares and participations	65	—

Note 13 Investment charges

	2011	2010
Asset management charges	*-65*	*41*
Interest expenses, etc.		
Group companies	-5	-1
Other interest expenses	-7	-1
Depreciation and impairment charges		
Impairment of shares in group companies	-1,179	-908
Impairment of shares in associated companies	-43	—
Capital losses, net		
Shares and participations in group companies	-712	-3,853
Other shares and participations	-34	-5
Total	**-2,045**	**-4,727**

Note 14 Unrealised losses on investments

	2011	2010
Shares and participations	—	-135
Fixed-income securities	—	-15
Total	**—**	**-150**

Note 15 Investment income, net, per category of financial instrument

	Assets/liabilities at fair value through profit or loss[1]		Loan receivables and trade receivables		Other assets/ liabilities not measured at fair value		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Capital gains/losses								
Asset management charges	—	—	—	—	-65	41	-65	41
Dividends on shares and participations	44	262	—	—	—	497	44	759
Group contribution from subsidiary	—	0	—	0	1,626	1,126	1,626	1,126
Interest income	71	45	105	40	—	0	176	85
Interest expenses	-2	-1	-10	-1	—	0	-12	-2
Foreign exchange gains	102	85	—	—	—	83	102	168
Foreign exchange losses	—	-1	—	—	-19	-124	-19	-125
Reversed impairment of shares and participations in group companies	—	—	—	—	1,016	3,853	1,016	3,853
Reversed impairment of shares and participations in associated companies	—	—	—	—	37	—	37	—
Impairment of shares and participations in group companies	—	—	—	—	-1,179	-893	-1,179	-893
Impairment of shares and participations in associated companies	—	—	—	—	-43	-15	-43	-15
Capital gains/losses on equities	-34	-5	—	—	-712	-3,853	-746	-3,858
Capital gains/losses on fixed-income securities	2	34	—	—	—	—	2	34
Capital gains/losses on investments for the benefit of life assurance policyholders who bear the investment risk	1,367	4,899	—	—	—	—	1,367	4,899
Of which, transferred to customers as Technical provisions for life assurance	-1,367	-4,899	—	—	—	—	-1,367	-4,899
	183	**419**	**95**	**39**	**661**	**715**	**939**	**1,173**
Unrealised gains/losses								
Shares and participations	33	-135	—	—	—	—	33	-135
Fixed-income securities	32	-15	—	—	—	—	32	-15
Unrealised gains/losses on investments for the benefit life assurance policyholders who bear the investment risk	14,441	5,856	—	—	—	—	14,441	5,856
Of which, transferred to customers as Technical provisions for life assurance	-14,441	-5,856	—	—	—	—	-14,441	-5,856
	65	**-150**	**—**	**—**	**—**	**—**	**65**	**-150**
Investment income	**248**	**269**	**95**	**39**	**661**	**715**	**1,004**	**1,023**

[1] Pertains to securities held for trading.

Note 16 Appropriations

	2011	2010
Dissolution of contingency reserve that was previously reported in the absorbed subsidiary Dial Försäkringsaktiebolag (publ)	—	136

Note 17 Taxes

	2011	2010
Current tax expense		
Income tax	-6	-11
Adjustment of tax attributable to previous years	1	-2
Policyholder tax	-547	-534
	-552	**-547**
Deferred tax attributable to		
Unrealised capital gains/losses on investments	-8	4
Pensions	-24	3
Other temporary differences	-21	-64
Loss carryforward	84	-381
	31	**-438**
Tax expense	**-521**	**-985**
Reconciliation of effective tax		
Profit before tax	2,118	2,458
Tax according to applicable tax rate, 26.3%	-557	-646
Non-deductible expenses	-336	-43
Non-deductible income	287	132
Utilisation of previous years' loss carryforward	413	340
Change in loss carryforward for which deferred tax has not been taken into account	83	-365
Tax attributable to previous years	-2	-2
Tax attributable to operations subject to policyholder tax	-404	-394
Other	-5	-7
Reported tax expense	**-521**	**-985**

NOTES ON THE BALANCE SHEET

Note 18 Investments in group and associated companies

	Cost[1]		Fair value		Carrying amount	
	2011	2010	2011	2010	2011	2010
Shares and participations in group companies[2]	4,093	10,313	4,734	27,491	4,093	10,313
Loans to group companies	1,291	1,295	1,291	1,295	1,291	1,295
Shares and participations in associated companies[3]	368	314	368	314	368	314
Total	**5,752**	**11,922**	**6,393**	**29,100**	**5,752**	**11,922**

[1] Valuation based on cost, i.e., after requisite impairment charges.

[2] Shares and participations in group companies

	Reg. no.	Domicile	No. of shares	Share of capital, %	Share of equity	Share of result	Carrying amount **2011**	Carrying amount **2010**
Denmark								
Skandia Link Livsforsikring A/S		Copenhagen	7,470	100	186	49	469	407
Norway								
Skandia Informasjon-steknologi AS		Oslo	—	—	—	—	—	15
Sweden								
Livförsäkringsaktie-bolaget Skandia (publ)	502019-6365	Stockholm	3,000	100	88,123	-26,524	0	0
Skandiabanken AB (publ)	516401-9738	Stockholm	4,000,000	100	1,675	37	3,508	3,503
Skandia Aspana AB	556605-2113	Stockholm	—	—	—	—	—	0
Skandia Balneum AB	556537-2256	Stockholm	—	—	—	—	—	0
Skandia Capital AB (publ)	556306-3881	Stockholm	5,000	100	103	15	100	100
Skandia Europe AB	556598-0322	Stockholm	—	—	—	—	—	1,563
Skandia Försäljning AB	556649-0362	Stockholm	1,000	100	0	0	0	0
Skandia Holding AB	556000-1033	Stockholm	—	—	—	—	—	114
Skandia Information-steknologi AB	556023-5797	Stockholm	10,000	100	10	4	6	4
Skandia Investment Advisory Services AB	556555-6965	Stockholm	—	—	—	—	—	5
Skandia Netline AB	556567-0154	Stockholm	—	—	—	—	—	33
Skandia Telemarketing AB	556606-6832	Stockholm	1,000	100	10	0	10	10
UK								
Skandia UK Ltd		Southampton	—	—	—	—	—	4,558
Skandia NTS Ltd		Southampton	—	—	—	—	—	1
Total							**4,093**	**10,313**

Cont. Note 18 Investments in group and associated companies

Changes of shares in group companies

	2011	2010
Accumulated cost		
Opening balance	11,374	14,592
Purchases	0	–
Sales	-223	–
Shareholder contribution	1,247	887
Merger	-2,450	-4,105
Liquidation	-74	–
Group contribution to subsidiary	1	–
Distribution in kind, Skandia UK Ltd	-4,558	–
Closing balance, 31 December	**5,317**	**11,374**
Accumulated impairment charges		
Opening balance	-1,061	-4,020
Impairment charges[1]	-1,179	-894
Reversal of impairment charges during the year in connection with merger	1,016	3,853
Closing balance on 31 December	**-1,224**	**-1,061**
Carrying amount on 31 December	**4,093**	**10,313**

[1] Pertains to impairment of the shareholding in the subsidiary Skandia Liv in connection with a shareholder contribution in the same amount. For further information, see the section "Non-technical result" under the heading "Financial review" in the Board of Directors' report.

[3] Shares and participations in associated companies

	Reg. no.	Domicile	No. of shares[1]	Share of capital, %	Carrying amount **2011**	Carrying amount **2010**
Skandia-Guodian Life Insurance Company Ltd		Beijing	e.t.	50	364	312
Sophiahemmet Rehab Center AB	556248-6323	Stockholm	750	50	1	0
Skandia A/S		Copenhagen	250	50	1	1
Skandia Asset Management Fondmaeglarselskab A/S		Copenhagen	1,250,000	50	2	1
Total					**368**	**314**

[1] The reported number of shares pertains to own interest in associated company.

Condensed information for associated companies	Revenues	Result	Assets	Liabilities	Equity	Share, %
Skandia-Guodian Life Insurance Company Ltd	248	- 54	2,046	1,936	110	50
Sophiahemmet Rehab Center AB	18	0	3	3	0	50
Skandia A/S	106	0	28	25	3	50
Skandia Asset Management Fondmaeglarselskab A/S	58	31	52	13	39	50

Note 19 Categories of financial assets and liabilities, and their fair values

	Financial assets at fair value through profit or loss					
Financial assets 2011	**Assets determined to belong to category**	**Held for trading**	**Loan receivables[2]**	**Carrying amount**	**Fair value**	**Cost**
Shares and participations	–	0	–	0	0	1
Bonds and other fixed-income securities	–	1,773	–	1,773	1,773	1,718
Derivatives[1]	–	0	–	0	0	0
Assets for conditional bonuses	11,780	–	–	11,780	11,780	12,869
Unit linked assets	91,847	–	–	91,847	91,847	92,687
Debtors arising out of direct insurance operations	–	–	3	3	3	3
Other debtors	–	–	660	660	660	660
Cash and bank balances	–	–	2,600	2,600	2,600	2,600
Accrued income	–	–	360	360	360	360
Total	**103,627**	**1,773**	**3,623**	**109,023**	**109,023**	**110,898**

[1] Pertains to currency forward contracts with a nominal value of SEK 3 million.

[x] For financial assets and liabilities that are not stated at fair value on the balance sheet, the carrying amount is considered to be an accurate approximation of fair value due to the short remaining term.

	Level affiliation of financial assets at fair value through profit or loss 2011		
Financial assets 2011	**Level 1**	**Level 2**	**Level 3[3]**
Shares and participations	–	–	0
Bonds and other fixed-income securities	1,773	–	–
Derivatives	–	0	–
Assets for conditional bonuses	11,780	–	–
Unit linked assets	91,847	–	–
Total	**105,400**	**0**	**0**

Level 1: according to prices quoted in an active market for the same instruments.

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

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

[3] Change in Level 3	**2011**
Opening balance	**30**
Divestment	-30
Closing balance	**0**

No sensitivity analysis is performed, since no level 3 holdings existed on the balance sheet date.

	Financial liabilities at fair value through profit or loss				
Financial liabilities 2011	**Liabilities determined to belong to category**	**Held for trading**	**Other financial liabilities[1]**	**Carrying amount**	**Fair value**
Conditional bonuses	11,792	–	–	11,792	11,792
Unit linked obligations	91,855	–	–	91,855	91,855
Creditors arising out of direct insurance operations	–	–	509	509	509
Derivatives	–	0	–	0	0
Other creditors	–	–	479	479	479
Accrued expenses	–	–	375	375	375
Total	**103,647**	**0**	**1,363**	**105,010**	**105,010**

[1] For financial assets and liabilities that are not stated at fair value on the balance sheet, the carrying amount is considered to be an accurate approximation of fair value due to the short remaining term.

	Level affiliation of financial liabilities at fair value through profit or loss 2011		
Financial liabilities 2011	**Level 1**	**Level 2**	**Level 3**
Conditional bonuses	11,792	–	–
Unit linked obligations	91,855	–	–
Derivatives	–	0	–
Total	**103,647**	**0**	**–**

Level 1: according to prices quoted in an active market for the same instruments.

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

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

	Financial assets at fair value through profit or loss					
Financial assets 2010	**Assets determined to belong to category**	**Held for trading**	**Loan receivables[2]**	**Carrying amount**	**Fair value**	**Cost**
Shares and participations	–	30	–	30	30	64
Bonds and other fixed-income securities	–	1,745	–	1,745	1,745	1,722
Derivatives[1]	–	0	–	0	0	–
Assets for conditional bonuses	10,116	–	–	10,116	10,116	9,358
Unit linked assets	103,878	–	–	103,878	103,878	92,126
Debtors arising out of direct insurance operations	–	–	3	3	3	3
Other debtors	–	–	839	839	839	839
Cash and bank balances	–	–	1,669	1,669	1,669	1,669
Accrued income	–	–	428	428	428	428
Total	**113,994**	**1,775**	**2,939**	**118,708**	**118,708**	**106,209**

[1] Pertains to currency forward contracts with a nominal value of SEK 4 million.

[2] For financial assets and liabilities that are not stated at fair value on the balance sheet, the carrying amount is considered to be an accurate approximation of fair value due to the short remaining term.

Cont. Note 19 Categories of financial assets and liabilities, and their fair values

Financial assets 2010	Level affiliation of financial assets at fair value through profit or loss 2010 Level 1	Level 2	Level 3[2]
Shares and participations	—	—	30
Bonds and other fixed-income securities	1,745	—	—
Derivatives	—	0	—
Assets for conditional bonuses	10,116	—	—
Unit linked assets	103,878	—	—
Total	**115,739**	**0**	**30**

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

[2] Change in Level 3	2010
Opening balance	**167**
Divestment	- 2
Unrealised change in value[3]	-135
Closing balance	**30**

No sensitivity analysis has been prepared, since Skandia ended its involvement in Priveq in February 2011.

[3] The unrealised change in value was recognised through a dividend received of SEK 262 million, see note 15.

Financial liabilities 2010	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Held for trading	Other financial liabilities[2]	Carrying amount	Fair value
Conditional bonuses	10,116	—	—	10,116	10,116
Unit linked obligations	103,892	—	—	103,892	103,892
Creditors arising out of direct insurance operations	—	—	283	283	283
Derivatives[1]	—	1	—	1	1
Other creditors	—	—	1,034	1,034	1,034
Accrued expenses	—	—	459	459	459
Total	**114,008**	**1**	**1,776**	**115,785**	**115,785**

[1] Pertains to currency forward contracts with a nominal value of SEK 98 million.

[2] For financial assets and liabilities that are not stated at fair value on the balance sheet, the carrying amount is considered to be an accurate approximation of fair value due to the short remaining term.

Financial liabilities 2010	Level affiliation of financial liabilities at fair value through profit or loss 2010 Level 1	Level 2	Level 3
Conditional bonuses	10,116	—	—
Unit linked obligations	103,892	—	—
Derivatives	—	1	—
Total	**114,008**	**1**	**—**

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

Note 20 Assets for conditional bonuses

	2011	2010
Equity-based funds	4,974	5,253
Fixed income funds	6,806	4,863
Total	**11,780**	**10,116**

Pertains to custody account insurance, where the terms and conditions are the same as for unit linked assurance. The policyholder bears the direct investment riks for these assets.

Note 21 Unit linked assets

	2011	2010
Equity-based funds	59,220	79,490
Fixed income funds	32,627	24,388
Total	**91,847**	**103,878**

Note 22 Debtors arising out of direct insurance operations

	2011	2010
Amounts receivable from policyholders	15	20
Amounts receivable from insurance brokers	3	3
Total	**18**	**23**

Note 23 Other debtors

	2011	2010
Amounts receivable from group companies	38	193
Amounts receivable from companies in the Skandia Liv group	497	165
Other debtors	125	481
Total	**660**	**839**

Note 24 Deferred tax, net

	Deferred tax assets 2011	Deferred tax assets 2010	Deferred tax liabilities 2011	Deferred tax liabilities 2010	Net 2011	Net 2010
Deferred tax liability pertaining to:						
Investments	—	—	-17	-9	-17	-9
Endowment insurance policies pledged as security for pension obligations	237	256	—	—	237	256
Pensions and similar obligations	57	62	—	—	57	62
Other provisions	12	17	—	—	12	17
Other accrued expenses	18	35	—	—	18	35
Loss carryforward	825	1,064	—	—	825	1,064
Less: items that do no meet requirements for asset accounting[1]	-315	-639	—	—	-315	-639
Total deferred tax assets, net	**834**	**795**	**-17**	**-9**	**817**	**786**

[1] Pertains primarily to tax assets on loss carryforwards in cases where it has been judged to be less likely that they can be deducted from future taxable profits.

The loss carryforwards can be offset against future profits indefinitely and amount to SEK 3,135 million (4,046). Unreported deferred tax liabilities pertaining to untaxed reserves amount to SEK 550 million (550).

Note 25 Tangible assets

Machinery and equipment	Cost	Accumulated depreciation	Carrying amount
As per 1 January 2010	**65**	**-37**	**28**
Purchases	63	—	63
Reclassification	10	—	10
Sales	-8	7	-1
Depreciation for the year	—	-18	-18
Exchange rate difference	-1	0	-1
As per 1 January 2011	**129**	**-48**	**81**
Purchases	7	—	7
Reclassification	-4	0	-4
Sales	-4	11	7
Depreciation for the year	—	-20	-20
Exchange rate difference	0	0	0
As per 31 December 2011	**128**	**-57**	**71**
Improvement costs for another party's property			
As per 1 January 2010	**15**	**—**	**15**
Purchases	0	—	0
Reclassification	-10	—	-10
Depreciation for the year	—	0	0
As per 1 January 2011	**5**	**0**	**5**
Purchases	—	—	0
Reclassification	—	—	0
Depreciation for the year	—	0	0
As per 31 December 2011	**5**	**0**	**5**
Total book value of tangible assets at 31 December 2011	**133**	**-57**	**76**

Note 26 Cash and bank balances

	2011	2010
Granted credits as per balance sheet date	3,000	3,500
Of which, utilised as per balance sheet date	—	—

Note 27 Deferred acquisition costs

	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Property & casualty insurance						
Capitalisation of acquisition costs during the year	18	—	18	19	—	19
	18	**—**	**18**	**19**	**—**	**19**
Life assurance						
Accumulated capitalisation of acquisition costs	4,905	—	4,905	4,709	—	4,709
Accumulated amortisation of deferred acquisition costs	-2,421	—	-2,421	-2,056	—	-2,056
	2,484	**—**	**2,484**	**2,653**	**—**	**2,653**
Total	2,502	—	2,502	2,672	—	2,672

Note 28 Other prepayments and accrued income

	2011	2010
Prepayments to other companies in the Skandia Liv group	94	110
Other prepayments	47	36
Accrued income from group companies	127	152
Other accrued income	205	242
Total	**473**	**540**

Note 29 Translation reserve

	Translation reserve
Opening carrying amount at 1 January 2010	**-15**
Translation differences for the year	16
Closing carrying amount at 31 December 2010	**1**
Translation differences for the year	0
Closing carrying amount at 31 December 2011	**1**

The translation reserve includes translation differences that arise upon translation of assets and liabilities in foreign affiliates to SEK at the exchange rate in effect on the balance sheet date. For a specification of changes in equity, see the statement of changes in shareholders' equity.

Note 30 Untaxed reserves

	2011	2010
Untaxed reserves consist of an equalisation reserve. The aim of the equalisation reserve is to smoothen out changes in the result of the insurance operations over time. Reversals are regulated by the National Tax Act. No new provisions can be made to the equalisation reserve after 1990.	2,091	2,091

Note 31 Provision for unearned premiums and unexpired risks

	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Property & casualty insurance	226	—	226	229	—	229
Life assurance	33	—	33	32	—	32
Total	**259**	**—**	**259**	**261**	**—**	**261**

Note 32 Provision for claims outstanding

	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Property & casualty insurance						
Opening balance Incurred and reported claims	764	-1	763	761	-644	117
Opening balance Incurred but not reported claims (IBNR)	162	-1	161	149	-145	4
Opening balance	926	-2	924	910	-789	121
Other changes	-1	0	-1	-1	0	-1
Run-off result	-5	1	-4	17	787	804
Closing balance	920	-1	919	926	-2	924
Closing balance Incurred and reported claims	751	-1	750	764	-1	763
Closing balance Incurred but not reported claims (IBNR)	169	0	169	162	-1	161
Life assurance						
Opening balance Incurred and reported claims	343	-18	325	404	-23	381
Opening balance Incurred but not reported claims (IBNR)	64	-7	57	66	-9	57
Opening balance	407	-25	382	470	-32	438
Cost for claims reported during the year	45	-8	37	36	-2	34
Paid out	-61	3	-58	-65	3	-62
Change in cost of claims reported in previous years	3	0	3	-12	1	-11
Other changes	3	4	7	-22	5	-17
Closing balance	397	-26	371	407	-25	382
Closing balance Incurred and reported claims[1)]	338	-20	318	343	-18	325
Closing balance Incurred but not reported claims (IBNR)	59	-6	53	64	-7	57
Total	**1,317**	**- 27**	**1,290**	**1,333**	**- 27**	**1,306**

[1)] The amount is discounted. The undiscounted amount was SEK 373 million (413).

Note 33 Conditional bonuses

	2011	2010
Opening balance	**10,116**	**7,137**
Deposits	4,698	3,454
Decrease due to surrenders	-1,067	-930
Decrease due to mortality	-74	-53
Changes in fund values		
Unrealised change in value	-1,849	279
Realised gain	504	508
Realised loss	-330	-127
Charges	-206	-152
Closing balance	**11,792**	**10,116**

Note 34 Unit linked obligations

	2011	2010
Opening balance	**103,892**	**93,885**
Deposits	7,160	8,127
Decrease due to surrenders	-3,319	-2,622
Decrease due to maturity	-2,824	-2,629
Decrease due to mortality	-154	-164
Changes in fund values		
Unrealised change in value	-12,592	5,577
Realised gain	4,105	5,787
Realised loss	-2,912	-1,269
Charges	-1,501	-1,499
Portfolio transfers[1)]	—	-1,310
Exchange rate difference	—	9
Closing balance	**91,855**	**103,892**

[1)] After conclusion of reinsurance business with Prudential Financial.

Note 35 Provisions for pensions and similar obligations

	2011	2010
Pertains to the provision for special employers' payroll tax to be paid upon future disbursements of previously expensed pensions. See also note 45, Pension disclosures.	218	236

Note 36 Other provisions

	2011	2010
Opening balance	**159**	**469**
New provisions	-1	—
Utilisation of reserves	-9	-64
Reversal of provisions from previous years	-15	-247
Transfer to Skandiabanken	8	0
Exchange rate difference	—	1
Closing balance[1]	**142**	**159**

[1] Of which:

Provision for restructuring	
Opening balance	3
Utilisation of reserves	-2
Reversal of provisions from previous years	-1
Closing balance	**0**
Provision for offer to certain employees for early retirement at 62 years of age	
Opening balance	32
Utilisation of reserves	-2
Reversal of provisions from previous years	-6
Transfer from Skandiabanken	8
Closing balance	**32**
Provision for discontinuation of occupational pensions portfolio	
Opening balance	97
Utilisation of reserves	-1
Closing balance	**96**
Other provisions	
Opening balance	27
New provisions	-1
Utilisation of reserves	-4
Reversal of provisions from previous years	-8
Closing balance	**14**

Note 37 Creditors arising out of direct insurance operations

	2011	2010
Policyholders	524	294
Insurance brokers	56	40
Total	**580**	**334**

Note 38 Derivatives

	Cost		Fair value		Carrying amount	
	2011	2010	2011	2010	2011	2010
Currency forward contracts	—	—	0	1	0	1

Note 39 Other creditors

	2011	2010
Amounts payable to group companies	101	348
Amounts payable to companies in the Skandia Liv group	110	196
Other creditors	267	490
Total	**478**	**1,034**

The market value of other interest-bearing liabilities is estimated to be the same as the book value, since the liabilities have a short term.

Note 40 Other accruals and deferred income

	2011	2010
Accrued interest expense	0	0
Other accruals	383	471
Deferred income	—	0
Total	**383**	**471**

Note 41 Anticipated recovery dates for assets and liabilities

2011	Max. 1 yr	Longer than 1 yr	Total
Assets			
Shares and participations in group companies	0	4,093	4,093
Loans to group companies	77	1,214	1,291
Share and participations in associates	365	3	368
Shares and participations	0	0	0
Bonds and other fixed-income securities	392	1,381	1,773
Derivatives	0	0	0
Investments for the benefit of policyholders who bear the investment risk	3,589	100,038	103,627
Reinsurers' share of technical provisions	4	23	27
Debtors arising out of direct insurance operations	18	—	18
Debtors arising out of reinsurance operations	1	—	1
Other debtors	659	1	660
Deferred tax, net	—	817	817
Tangible assets	20	56	76
Cash and bank balances	2,600	—	2,600
Deferred expenses and accrued income	879	2,124	3,003
Total assets	**8,604**	**109,750**	**118,354**
Liabilities			
Technical provisions, gross	650	926	1,576
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross	3,610	100,037	103,647
Other provisions	165	249	414
Deposits from reinsurers	10	—	10
Creditors arising out of direct insurance operations	545	35	580
Creditors arising out of reinsurance operations	3	—	3
Derivatives	0	0	0
Other creditors	423	55	478
Accrued expenses and deferred income	239	144	383
Total liabilities	**5,645**	**101,446**	**107,091**

2010	Max. 1 yr	Longer than 1 yr	Total
Assets			
Shares and participations in group companies	6,160	4,153	10,313
Loans to group companies	75	1,220	1,295
Share and participations in associates	312	2	314
Shares and participations	30	—	30
Bonds and other fixed-income securities	461	1,284	1,745
Derivatives	0	—	0
Investments for the benefit of policyholders who bear the investment risk	8,069	105,925	113,994
Reinsurers' share of technical provisions	3	24	27
Debtors arising out of direct insurance operations	23	—	23
Debtors arising out of reinsurance operations	2	—	2
Other debtors	839	—	839
Deferred tax, net	—	786	786
Tangible assets	—	86	86
Cash and bank balances	1,669	—	1,669
Deferred expenses and accrued income	574	2,672	3,246
Total assets	**18,217**	**116,152**	**134,369**
Liabilities			
Technical provisions, gross	661	933	1,594
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross	8,069	105,939	114,008
Other provisions	95	365	460
Deposits from reinsurers	15	—	15
Creditors arising out of direct insurance operations	334	—	334
Creditors arising out of reinsurance operations	2	—	2
Derivatives	1	—	1
Other creditors	927	107	1,034
Accrued expenses and deferred income	432	39	471
Total liabilities	**10,536**	**107,383**	**117,919**

Note 42 Pledged assets and security

	2011	2010
Pledged assets and therewith comparable security		
Endowment insurance policies pledged as security for pension obligations[1]	900	973
Assets covered by policyholders' beneficiary rights[2]	105,460	115,767
Total	**106,360**	**116,740**

[1] See also note 45.

[2] Corresponds to provisions on the balance sheet, totalling SEK 105,206 million (115,591). In the event of insolvency, the policyholders have preferential rights to the registered assets. During the course of the business, the company has the right to transfer assets in and out of the register as long as all insurance obligations are covered in accordance with the Insurance Business Act.

Note 43 Contingent liabilities

	2011	2010
Sureties and guarantees[1]	33	52
Pension obligations[2]	0	0
Total	**33**	**52**
[1] Of which, on behalf of group companies	21	41

[2] In the parent company, there are pension obligations that have not been included on the balance sheet, amounting to SEK 900 million (973), which are covered by the value of company-owned endowment insurance policies and SEK 1 million (1) which are covered by assets in the Skandia Group Pension Foundation (see also note 45).

Skandia is – in relation to third parties – still bound to certain guarantee commitments stemming from property & casualty insurance operations which were transferred to the If Group in 1999. Through agreements between the companies concerned in the If Group on the one side and the Skandia group on the other, the If Group guarantees that the Skandia group will be indemnified for any possible claims made by third parties with respect to such guarantee commitments.

With respect to disputes, refer to the Disputes section in the Board of Directors' Report.

Note 44 Average number of employees, salaries and remuneration

I. AVERAGE NUMBER OF EMPLOYEES AND AGENTS	Men	Women	2011 Total	2010 Total
Office staff per country				
Sweden[1]	351	485	836	785
Denmark	—	—	—	1
Norway	—	—	—	16
Total	**351**	**485**	**836**	**802**

[1] Of whom, 4 agents.

II. GENDER BREAKDOWN, SENIOR EXECUTIVES

Information on the gender breakdown among company directors and other executives pertains to the conditions on 31 December 2011.

	Men	Women
Board members, including employee representatives	86%	14%
CEO and other members of executive management	91%	9%

III. WAGES, SALARIES AND REMUNERATION[1]

	2011	2010
Senior executives[2]	-32	-38
Other employees	-430	-379
Wages, salaries and remuneration	**-462**	**-417**
Pensions and other social security charges for employees in Sweden	-288	-313
Of which, pension costs	-139	-171

[1] During the year, SEK 15 million (7) was allocated to Skandianen, Skandia's long-term profit-sharing foundation, which covers Swedish employees who do not have a variable salary component in their remuneration package.

[2] Pertains to an average number of 9 persons.

IV. LOANS TO SENIOR EXECUTIVES

SEK thousand	2011	2010
Senior executives in Sweden, including employee representatives on Skandia's board	5,321	12,785

Drawn lines of credit amount to SEK 49 thousand (101), with a credit limit of SEK 230 thousand (317). The terms of the loans are comparable with those normally applied in lending to the general public. However, more favourable interest rates are offered to all group employees working in Sweden. Neither Skandiabanken nor other group companies have pledged security or undertaken contingent liabilities on behalf of the executives reported here. The loans granted to senior executives in Sweden are issued by Skandiabanken.

V. INFORMATION ON SENIOR EXECUTIVES' REMUNERATION AND BENEFITS

Principles

Fees are paid to the Chairman of the Board and directors in accordance with a decision by the Annual General Meeting and where applicable for work on subsidiary boards. The fees decided by the AGM pertain to the period up until the next AGM. If changes are made in this category of individuals during the mandate period, the level of fees is adjusted accordingly. No special fees are paid to board members who are employees of Skandia or any of its subsidiaries. During the year, Skandia's senior executives consisted of persons who were employed by Skandia, Skandia Liv (the CEO) and Skandiabanken (the CEO).

Remuneration for the CEO and other senior executives consists of a base salary, variable remuneration, pension and other benefits. By senior executives is meant the 15 persons who, together with the CEO, at any time during the year were members of the Skandia Nordic Management Team, which at year-end consisted of 11 individuals. This definition applies throughout this annual report unless specifically stated otherwise.

Variable remuneration

In 2011 a programme was in place for variable remuneration of senior executives and key persons. For the management of Skandia's Nordic division and a number of key executives ("the Key Group"), an incentive programme is in place which includes both a long-term and short-term component. For the CEO, Mårten Andersson, and one other senior executive, the variable salary can amount to a maximum of 100% of the base salary. As from 2011, both of these senior executives are also covered by a long-term variable salary component amounting to a maximum of 50% of their base salary. For other members of the Key Group, the bonus opportunity amounts to a maximum of 60% of base salary, with the exception of the CEO of Skandia Liv, who has a variable salary component worth a maximum of 30%.

For other senior executives and key persons, the bonus opportunity amounts to a maximum of 40%, 20% or 10% of base salary. For individual employees in the fund management operations, a variable remuneration model is used which can provide a bonus of up to a maximum of 50% of base salary.

For other employees, variable remuneration can amount to a maximum of 120% of one-half of the Price Base Amount for 2011 (the Price Base Amount for 2011 was SEK 42,800). Any such remuneration is paid through an allocation to Skandianen, an employee foundation.

Employees can only be covered by one of the above-described models for variable remuneration.

Senior executives

For senior executives of Skandia, the variable remuneration has a cap based on a percentage of the respective individuals' base salary, whereby the target level is generally equivalent to half the maximum amount. In accordance with the Swedish Financial Supervisory Authority's guidelines (FFFS 2011:2), 60% of variable remuneration is to be withheld for three years. Of this 60%, half is payable in Old Mutual Restricted Shares. These programmes are described under section VI, "Share-based payments". The other half is withheld. The remainder (40%) is payable in cash.

For senior executives, Skandia's overall remuneration policy is used, whereby the total remuneration shall be in line with the going rate in the market based on local conditions. Variable remuneration is based on the outcome in relation to individually set targets.

Information on remuneration and benefits for the CEO in 2011

Mårten Andersson's remuneration for his tenure as CEO of Skandia in 2011 is reported in the table below.

Pensions

Mårten Andersson has pension benefits according to the FTP plan's department 2 (the occupational pension plan for the insurance industry). This plan is primarily a defined benefit solution with a maximum benefit of 65% of pensionable salary. Mårten Andersson has elected so-called Alternative FTP for his salary amounts between 7.5 and 30 times the Income Base Amount, which entails that premiums calculated within this interval are reported as a defined contribution pension. The retirement age according to the FTP plan is 65. For pensionable salary amounts above the plan's ceiling of 30 times the Income Base Amount, a premium of 37% is paid. Variable salary amounts above the plan's ceiling are not included in the pensionable salary base. For Mårten Andersson, the year's defined contribution pension cost in relation to pensionable remuneration is 44%. The year's defined benefit pension cost in relation to pensionable remuneration is 1%.

For other senior executives in Sweden, the retirement age varies from 60 to 65 years. This category of employees is covered by defined contribution as well as defined benefit pension commitments. For senior executives in other countries, terms are applied in accordance with the going rate in the market in the respective countries. All pension commitments are irrevocable.

Severance pay

Mårten Andersson is entitled to salary during the notice period, which is 12 months in the event the company serves notice, and to severance pay equivalent to 6 months' salary.

Other senior executives are entitled, in the event the company serves notice, to salary during the notice period, plus severance pay. Normally, termination salary and severance pay together do not amount to more than 24 months' salary.

Drafting and decision-making process

According to the Board's instructions, the Remuneration Committee is responsible for assisting the Board in drafting recommendations on the principles of remuneration for senior executives. Decisions on the CEO's compensation are made by Skandia's Remuneration Committee.

Remuneration and benefits

The amounts shown below pertain to the time during which the following persons were senior executives.

Directors' fees paid by Skandia

SEK thousand	2011 Fee	2011 Committee work
Lars Henrik Otterbeck, Vice-Chairman of the Board[1]	-921	-406
Magnus Beer, director	-300	-125
Total	**-1,221**	**-531**

[1] Vice-Chairman through 15 December 2011.

SEK thousand	2010 Fee	2010 Committee work
Lars Henrik Otterbeck, Vice-Chairman of the Board[1]	-1,000	-250
Magnus Beer, director	-300	-50
Indra Åsander, director[2]	-150	—
Total	**-1,450**	**-300**

[1] Chairman of the Board through 17 June 2010 and Vice-Chairman of the Board from 18 June 2010.

[2] Director through 18 June 2010.

Other remuneration and benefits for senior executives employed by Skandia in 2011

SEK thousand	Average number of persons	Base salary	Variable remuneration	Share-based payment	Other remuneration and benefits	Pension contributions	Total
CEO							
Mårten Andersson[1]	1	-3,301	-1,490	-630	-166	-1,484	-7,071
Other management[1]	8	-17,381	-7,029	-879	-1,158	-6,251	-32,698

[1] There are no outstanding pension obligations for senior executives.

Other remuneration and benefits for senior executives employed by Skandia in 2010

SEK thousand	Average number of persons	Base salary	Variable remuneration	Share-based payment	Other remuneration and benefits	Pension contributions	Total
CEOs							
Bertil Hult[1]	1	-7,039	-1,612	-738	-1,236	-2,236	-12,861
Mårten Andersson[2]	1	-818	-825	—	-21	-131	-1,795
Other management[3]	8	-18,161	-4,987	-436	-4,714	-6,059	-34,357

[1] CEO through 28 September 2010. During the year, the company made a provision for termination salary for the former CEO. In total this amount, including pension and social security costs, was SEK 4,941 thousand, of which salary and pension during the notice period was SEK 3,797 thousand.

[2] CEO as from 29 September 2010.

[3] During the year, the company made a provision for termination salary for two persons. In total this amount, including pension and social security costs, was SEK 6,914 thousand, of which salary and pension during the notice period and severance pay was SEK 5,984 thousand.

Cont. Note 44 Average number of employees, salaries and remuneration

Other remuneration and benefits for senior executives who were not employees of Skandia in 2011

SEK thousand	Average number of persons	Base salary	Variable remuneration	Share-based payment	Other remuneration and benefits	Pension contributions	Total
Other senior executives	3	-8,556	-1,633	- 370	-2,099	-3,913	-16,571

Other remuneration and benefits for senior executives who were not employees of Skandia in 2010

SEK thousand	Average number of persons	Base salary	Variable remuneration	Share-based payment	Other remuneration and benefits	Pension contributions	Total
Other senior executives	3	-9,628	-3,968	-118	-3,170	-3,756	-20,640

Of the amount SEK 3,170 thousand, SEK 2,970 thousand pertains to special compensation to a person for contribution to project work.

VI. SHARE-BASED PAYMENTS

Some 20 employees of Skandia are covered by share-based incentive programmes, which are based on shares or options in Skandia's parent company, Old Mutual. There are currently four programmes that Skandia employees participate in:

- Options granted before 2009 in accordance with the Share Option and Deferred Delivery Plan
- Shares granted before 2009 in accordance with the Restricted Share Plan
- Options granted in 2009 and later in accordance with the Old Mutual plc Share Reward Plan – Share Options
- Shares granted in 2009 and later in accordance with the Old Mutual plc Share Reward Plan – Restricted Shares.

The employees covered by the 2010 programme were granted shares and options in 2011. The grants were made on the basis of a combination of individual targets and performance-based outcomes for 2010.

The term of the options is six years. The options can be exercised three years after their grant at the earliest. In accordance with standard international practice, options and shares are granted without cost to the employee. In order for employees to be able to benefit from the value of granted options and shares, they must remain in service for at least three years. The options are personal and are not transferrable for employees.

The company has not taken out any hedges for the programmes, but has set aside a reserve for future social insurance costs in connection with exercise of the options and shares. The company has not had any management costs for the option programmes. In all, the incentive programme resulted in a cost of SEK 2 million (-1) in 2011, excluding social security charges.

Number of options in Old Mutual plc, senior executives

	2011 Options	2011 Average exercise price (GBP)	2010 Options	2010 Average exercise price (GBP)
Outstanding options at start of period	**1,829,369**	**0.83**	**2,203,537**	**0.81**
Departing senior executives whose holdings are included in opening balance	-583,939	0.69	—	—
Granted shares	—	—	287,575	1.21
Forfeited options	—	—	-259,348	1.06
Exercised options	—	—	-299,265	0.58
Expired options	-347,041	1.23	-103,130	1.63
Newly installed senior executives whose holdings are included in the closing balance	550,585	0.81	—	—
Outstanding options	**1,448,974**	**0.73**	**1,829,369**	**0.83**
Of which, exercisable	—	—	17,029	1.24

Outstanding options as per 31 December 2011 have an exercise price in the interval of GBP 0.541 to GBP 1.218 (2010: GBP 0.58 to GBP 1.63) and an average remaining term of 0.6 years (2010: 0.7 years).

The weighted average share price upon exercise of options during the year was GBP 1.24 for 2010. No options were exercised in 2011.

Number of shares in Old Mutual plc, senior executives

	2011	2010
Outstanding shares at start of period	**378,459**	**531,742**
Departing senior executives whose holdings are included in opening balance	-129,363	—
Granted shares	478,295	57,519
Forfeited shares	—	—
Exercised shares	-161,801	-210,802
Expired shares	—	—
Newly installed senior executives whose holdings are included in the closing balance	175,243	—
Outstanding shares	**740,833**	**378,459**
of which, exercisable	—	—

Number of options in Old Mutual plc, Skandia

	2011 Options	2011 Average exercise price (GBP)	2010 Options	2010 Average exercise price (GBP)
Outstanding options at start of period	**3,435,481**	**0.81**	**4,323,354**	**0.86**
Granted options	—	—	391,199	1.22
Forfeited options	—	—	-683,041	1.29
Exercised options	-375,043	0.99	-349,956	0.58
Expired options	-1,023,683	1.23	-246,075	1.18
Outstanding options at end of period	**2,036,755**	**0.71**	**3,435,481**	**0.81**
of which, exercisable	—	—	17,029	1.24

Outstanding options as per 31 December 2011 have an exercise price in the interval of GBP 0.541 to GBP 1.218 (2010: GBP 0.58 to GBP 1.63) and an average remaining term of 0.6 years (2010: 0.9 years).

The weighted average share price upon exercise of options during the year was GBP 1.29 (2010: GBP 1.24).

Number of shares in Old Mutual plc, Skandia

	2011	2010
Outstanding shares at start of period	**692,161**	**1,012,808**
Granted shares	247,832	78,246
Forfeited shares	-4,641	-85,027
Exercised shares	-223,580	-298,718
Expired shares	-57,078	-15,148
Outstanding shares at end of period	**654,694**	**692,161**
of which, exercisable	—	—

Calculated value

SEK per share/option	Exchange rate	Shares	Options
2011	10.41	15.07	—
2010	11.14	13.56	5.79

The average fair value of granted shares was GBP 1.45 (2010: GBP 1.22). The calculated value of the shares consists of the latest price paid on the London Stock Exchange.

The value of the options has been calculated using the Black & Scholes option pricing model.

The following parameters have been used in the calculation:	2011[1]	2010
Anticipated volatility[2]	—	55.70%
Exercise price, GBP	—	1.21
Share price, GBP	—	1.22
Anticipated dividend	—	2.1%
Risk-free interest rate	—	2.8%
Calculated remaining term, years[3]	—	5.0

[1] No new options were granted in 2011, and thus no new option calculation was made.

[2] This forecast is based on actual volatility during the year preceding the measurement date.

[3] The anticipated remaining term is based on the average length of time that similar options were outstanding in previous programmes and on the type of employees who were included in these programmes.

For further information about the incentive programmes, see the Old Mutual plc Annual Report and website: www.oldmutual.com.

Note 45 Pension disclosures

Skandia adheres to the rules of the Pension Obligations Vesting Act *(Lagen (1967:531) om tryggande av pensionsutfästelse)* and the Swedish Financial Supervisory Authority's guidelines for reporting pensions. Application of the Pension Obligations Vesting Act is a prerequisite for the right to tax deductions. The rules of IAS 19 pertaining to defined benefit pension plans are therefore not used by Skandia; instead, disclosures are provided in relevant areas with respect to IAS 19. Skandia's pension plans consist primarily of pension benefits provided under the collective occupational pension plan for salaried employees in the insurance industry (FTP) and to some extent by supplementary pension benefits for senior executives. The pension plans consists primarily of retirement pension, disability pension and family pension.

The FTP plan is split into two departments, FTP1 and FTP2. Salaried employees covered by FTP2 who have a pensionable salary in excess of 10 times the Income Base Amount have the right to choose another pension solution for salary amounts ranging between 7.5 and 30 times the Income Base Amount (called Alternative FTP).

Skandia's pension plans are secured through payment of insurance premiums primarily to Skandia Liv. Certain defined benefit pension obligations are also secured in the Skandia Group Pension Foundation. Pension obligations secured in the pension foundation are not reported on Skandia's balance sheet.

Pension obligations also include defined contribution liabilities pertaining to the right to early retirement pensions for certain employees. According to the applicable collective agreement, this category of employees is covered by the opportunity for early retirement at 62 years of age, compared with 65 years for other employees. This right for the employee gives rise to an obligation for Skandiabanken. The obligation cannot be attributed to the respective individuals with full certainty, however, an assumption can be made based on historical experience of how large a share of the employees who have a right to early retirement are expected to accept the benefit. In addition, when calculating the obligation, an assumption is made of future changes regarding how large a share of the employees will end their employment before the benefit can be utilised. Early retirement pensions are not covered by insurance, which was previously the case (in the FTP plan).

Pension obligations that are secured through company-owned endowment insurance policies are not reported on the balance sheet. The value of these pension obligations corresponds to the insurance capital in the respective endowment policies. The insurance capital is based on actuarial guidelines and calculation bases of the insurers and consists of the fair market value of the share of the insurer's investments that accrue to the policy, excluding unallocated surpluses. As a result of the reporting of the pension obligations secured through the endowment insurance policies, the value of company-owned endowment insurance policies is not reported as an asset on the balance sheet.

The endowment insurance policies are pledged for the benefit of the respective pension beneficiaries and are thus reported as pledged assets. The value of the pledged assets corresponds to the insurance capital in the endowment insurance policies. For endowment insurance contributions, the premiums are reported as a pension cost. Future premiums for endowment insurance policies may be affected by salary increases, returns on pension funds and allocations of surpluses. In the income statement, Skandia's pension cost consists of the sum of pension premiums, contributions to endowment insurance policies, and payroll tax. The cost is reported as an administrative expense, see note 46. A provision has been made for payroll tax on the balance sheet for pension obligations secured through company-owned endowment insurance policies.

INFORMATION ON OBLIGATIONS SECURED THROUGH FOUNDATIONS

	2011	2010
Specification of assets and liabilities pertaining to pensions under own management		
Present value of obligations pertaining to funded pension plans	-1	-1
Fair value of assets in pension foundation at end of period	62	67
Surplus in pension foundation (+)	**61**	**66**
Unreported surplus in pension foundation	-61	-66
Net liability on balance sheet	**0**	**0**
Specification of change in surplus in pension foundation		
Net liability at start of year pertaining to pension obligations	**0**	**0**
Carrying amount in income statement of costs for pensions under own management	—	—
Provision to pension foundation	—	—
Pension payments	0	0
Compensation from pension foundation	—	—
Net liability at year-end pertaining to pension obligations	**0**	**0**
Specification of pension costs and revenues during the period		
Pensions under own management		
Cost for vesting of pensions	—	—
Difference between compensation from pension foundation and paid-out pensions	0	0
Interest expense	0	0
Actual return on specially detached assets	4	-3
Cost for pensions under own management	**4**	**-3**
Pensions secured through insurance		
Insurance premiums	-111	-115
Pension cost for the year	-107	-118
Increase in surplus in specially detached assets	-4	3
Reported net cost pertaining to pensions, excluding taxes	**-111**	**-115**
Fair value of assets in foundation, broken down by main categories		
Equities	34	40
Fixed-income investments	19	22
Cash and bank balances	8	0
Other assets	1	5
Total assets	**62**	**67**

The following actuarial assumptions have been used to calculate the pension liability:
Discount rate 3.5% (3.75%)
Inflation 2.0% (2.0%)

For 2012, payments for defined benefit pension plans are expected to be level with the payments made in 2011.

Note 46 Administrative expenses

	2011	2010
Wages, salaries and remuneration	-462	-417
Social security charges	-149	-142
Pension costs (including special employer's payroll tax)	-139	-171
Other payroll costs	-33	3
Payroll costs	**-783**	**-727**
Cost of premises	-166	-234
Depreciation	-20	-18
Reversal of provisions to restructuring reserve from previous years	1	3
Other[1]	-571	-234
Administrative expenses	**-1,539**	**-1,210**
Administrative expenses are broken down in the income statement as follows:		
Investment income (included in note 13)	-64	47
Provision/reversal of restructuring costs	1	3
Claims incurred in the technical result of property & casualty insurance business (included in note 5)	-18	-16
Claims incurred in the technical result of life assurance business (included in note 9)	-26	-23
Operating expenses in the technical result of property & casualty insurance business (included in note 6)	-231	-239
Operating expenses in the technical result of life assurance business (included in note 10)	-1,201	-982
Total distributed administrative expenses	**-1,539**	**-1,210**

[2] Auditing and other assignments are broken down as follows:		
The AGM-elected auditor is KPMG AB		
Audit assignment	-6	-6
Audit activities in addition to the audit assignment	-2	-1
Tax consulting	0	—
Other services	—	—

By audit assignment is meant the auditor's work with the statutory audit, and by auditing activities is meant various types of quality assurance services. Other services consist of activities that are not included in the audit assignment, auditing activities or tax consulting.

Note 47 Leasing

In its capacity as a lessee, Skandia has entered into a number of operating leases. Minimum lease payments pertaining to non-cancellable operating leases as per 31 December 2011 mature as follows:

	2011	2010
Operating leases		
Within one year	-131	-60
Between one year and five years	-492	-409
Longer than five years	-446	-553
Total leasing expense	**-1,069**	**-1,022**

Leasing expenses for the year amounted to SEK 88 million (209).

Note 48 Related party disclosures

Related parties
Related parties are defined as all companies in the Old Mutual Group. Added to these are board members and senior executives of Skandia, and their close relatives. Related parties also include other external companies that are not part of the Skandia/Old Mutual Group in which directors or senior executives of Skandia serve as board members. Associated companies and joint ventures are also defined as related parties.

Skandia Liv is a wholly owned subsidiary of Skandia. However, Skandia Liv's business is conducted on a mutual basis. This means that the profit or loss that is generated from Skandia Liv's operations is to be passed on to the policyholders. No profit distribution may take place to the shareholder. All companies in the Skandia Liv group are defined as related parties.

Remuneration of board members and senior executives of Skandia is disclosed in note 44. In other respects, no transactions have been made with these persons or related parties to these persons other than normal customer transactions conducted at market terms. Any transactions between Skandia and any of the external companies that Skandia's board members or other senior executives have assignments in are conducted at market terms.

Skandia's goal is that every legal entity shall show an accurate result. Toward this end, Skandia uses the arm's length principle and the OECD guidelines for internal pricing.

Following is a description of the significant relations that Skandia has with companies in the Skandia Liv group, subsidiaries and other companies in the Old Mutual Group.

TRANSACTIONS BETWEEN SKANDIA AND THE SKANDIA LIV GROUP

Process and pricing
Skandia has adopted a set of shareholder instructions for Skandia Liv. Skandia Liv's board has adopted guidelines for transactions and other relations between Skandia and Skandia Liv. These entail, among other things, that all agreements of an economic nature between Skandia and Skandia Liv must be transparent. In addition, agreements of an economic nature between Skandia and Skandia Liv shall be specially considered 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 every agreement and valuation in which it is stated who is commercially responsible for the transaction. Transactions of material significance and of a nonrecurring nature shall be decided on by the respective boards. In connection with the sale of material assets in which a market quotation is lacking, a valuation shall be performed by an external appraiser. Such valuation shall be documented.

With respect to the outsourcing of assignments, an established process is in place. Skandia and Skandia Liv have an outsourcing agreement which specifies at an overarching level the assignments that Skandia Liv has outsourced to Skandia to perform. The outsourcing agreement also specifies how governance and planning of the outsourced activity are to take place. The outsourcing agreement includes numerous specifications which describe in detail the service content, level and execution of the respective assignments. For each assignment, *Cont. Note 48 Related party disclosures*

an agreement head is appointed who is responsible for governance and follow-up. Under the terms of the outsourcing agreement, consultation groups have been established for the respective assignments, and the parties shall consult with each other regarding the level of service, how errors are to be handled, compensation levels, follow-up and other matters.

In connection with the business planning, a budget shall be prepared which includes the total cost per assignment, broken down into separate costs and joint costs, along with allocation formulas that reflect degree of use. The budgets for the respective assignments shall initially be negotiated by representatives from both parties in the consultation group. The budget is to be reviewed and ultimately approved by the respective companies' boards. Compensation is based on the actual outcome. Departures from the adopted budget must be presented and approved by the consultation groups, and a review of the allocation formulas shall be performed quarterly in the aim of changing these if material changes have taken place. In the event of major deviations, these must be approved by Skandia Liv's CEO and in certain cases the Board of Directors.

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. In other respects, the cost-price method is used. When cost-price is used, a consultation group decides on the scope and allocation of costs.

Investments

In 2011 Skandia received a group contribution of SEK 1,600 million from Skandia Liv. Skandia, in turn, made a shareholder contribution of SEK 1,179 million (corresponding to the group contribution adjusted for the tax effect) to Skandia Liv. These transactions resulted in a net receivable of SEK 421 million for Skandia from Skandia Liv. The shareholder contribution gave rise to impairment of the shareholding in Skandia Liv in the corresponding amount. For further information, see the section "Non-technical result" under the heading "Financial review" in the Board of Directors' report.

In spring 2011, Skandia acquired an additional 20% of the shares in the Danish company Skandia Asset Management A/S from Skandia Liv, for SEK 1 million. After the transaction, the Danish company is owned equally, at 50% each, by Skandia and Skandia Liv.

Transactions by order of significance

Character	Receiving company	Compensation, SEK m 2011	Reference	Compensation, SEK m 2010
Distribution compensation	Skandia	505	1)	468
Distribution support, market communication, customer service centres, group insurance, staff and business development	Skandia	437	1)	366
Occupational pensions for Skandia employees	Skandia Liv	-88	2)	-95
Joint occupational pensions concept	Skandia Liv	-29	3)	-38
Lifeline Rehab	Skandia Liv	-26	4)	79
Rents of office premises	Skandia	-13	5)	-179
Subsidised interest rates	Skandia	8	6)	5
Reinsurance	Skandia Liv	-6	7)	-13
Healthcare insurance	Skandia	1	8)	1
Liability insurance	Skandia	1	9)	1
Compensation for new asset management agreement	Skandia Liv	n.a.	10)	n.a.

Transactions, based on the income statement

1) In 2004 Skandia and Skandia Liv entered into an agreement in principle and framework 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, administration of group insurance products, and diverse staff and service functions. With respect to distribution, Skandia receives going-rate compensation for performed services. The level of compensation for sales via Skandia's own sales channels was renegotiated during the year. Commissions are at the same level as for external insurance brokers. In addition, Skandia now pays a fixed amount per seller for the client's special risks and outlays for maintaining 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.
2) 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.
3) Through the Skandia Link unit, Skandia and Skandia Liv have a joint occupational pensions concept. Skandia Liv handles the administration and receives compensation for administrative services based on cost-price. Skandia and Skandia Liv fully accept their own share of the risks.
4) Skandia Liv offers rehabilitation. The rehabilitation portion is purchased by Skandia's Lifeline unit. Skandia Liv pays a fee for this based on the going rate in the market. In 2011 the compensation level was adjusted for previous years in the amount of SEK 63.3 million, which entails that 2011 is reported as an expense.
5) Skandia rents office premises at various locations throughout Sweden from Skandia Liv and pays market rents for these.
6) Employees of Skandia Liv have the opportunity to take out personal loans from Skandiabanken AB. In step one of this process, Skandiabanken charges Skandia for the difference between the market rate of interest and the interest rate offered to employees, even for employee loans that are taken out by employees of Skandia Liv. Skandia then passes on this cost to Skandia Liv.
7) 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 market premium for the reinsurance, which has been secured in such way that Skandia Liv, in turn, reinsures part of its risk in the open market.
8) Skandia Liv has purchased private healthcare insurance and rehabilitation insurance for its employees from Skandia. The premiums are in line with the going rate in the market.
9) The entire Old Mutual Group has joint liability insurance. Skandia Liv pays its share of this cover, which has been verified by an external party.
10) As described in the section "Settlement with Skandia Liv" in the Board of Directors' Report of the 2009 Annual Report, the terms of compensation to Skandia Liv related to the arbitration ruling from 2008 were renegotiated and changed in 2009. As from September 2009, Skandia pays a fixed sum of SEK 13.9 million per quarter to Skandia Liv; this will continue through 2013. No compensation above and beyond this amount will be payable. No cost is reported for this in this year's annual report, since a provision was made for this in 2008.

The Skandia group has automatic cash settlement of intra-group dealings. Cash settlement is done daily or monthly. Skandia had a net receivable of SEK 69 million (83) from Skandia Liv as per 31 December 2011.

In addition to this net receivable is a net receivable of SEK 421 million related to the group contribution less the shareholder contribution made. For further information, see the section "Investments" above.

TRANSACTIONS BETWEEN SKANDIA AND ITS SUBSIDIARIES

Pricing

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. In other respects, the cost-price method is used.

Investments

Skandia owns shares in subsidiaries and made shareholder contributions during the year to certain subsidiaries. Information on the book value of subsidiaries and the size of the shareholder contributions is provided in note 18. Certain Swedish subsidiaries have also rendered or received group contributions.

Transactions by order of significance

Character	Receiving company	Compensation, SEK m 2011	Reference	Compensation, SEK m 2010
Distribution compensation from fund companies	Skandia	457	1)	419
Administrative services	Subsidiaries	-366	2)	-349
IT operations, net	Subsidiaries	-108	3)	-111
Cash management and financing	Skandia/ Subsidiaries	44	4)	35
Administrative services	Skandia	35	5)	51
Subsidised interest rates	Subsidiaries	-33	6)	-19
Healthcare insurance	Skandia	3	7)	3
Subsidised interest rates	Skandia	2	6)	1
Rents of office premises	Skandia	0	8)	76

Transactions, based on the income statement

1) Skandia receives compensation from fund companies, based on sold volume. The compensation is in line with the going rate in the market.
2) Up until 1 July 2011, Skandia purchased administrative services from Skandiabanken in the Private business area in the form of customer administration, advisory services, business development and marketing. The compensation paid for these services is based on cost-price and was based on the actual degree of use.
3) Several Skandia subsidiaries conduct IT activities, which is why Skandia both invoices IT services to subsidiaries and receives invoices from some subsidiaries for IT services. The services provided by Skandia consist primarily of operation and development of joint accounting and cash management systems. The services that Skandia buys pertain to operation and service of PCs and networks, as well as insurance systems for unit linked assurance. The compensation paid for these services is based on cost-price.
4) Skandia co-operates with subsidiaries in cash management and financing. Skandia's Swedish subsidiaries (with the exception of Skandiabanken and Skandia Liv) are included in Skandia's group account and receive or pay interest to Skandia for their share of the account balance. Skandia also conducts partial financing via Skandia Capital AB. For all transactions, Skandia pays or receives a price in accordance with the going rate in the market.
5) Skandia performs administrative services under assignment from subsidiaries in the areas of legal affairs, HR, marketing & communication, internal audit, treasury administration, and administration of premises. The compensation paid in these areas is based on cost-price according to actual use.
6) Employees of Skandia have the opportunity to take out personal loans from Skandiabanken AB. In step one of this process, Skandiabanken charges Skandia for the difference between the interest rate offered to employees and the market rate of interest for all employee loans taken out by employees of Skandia, Skandia Liv and other subsidiaries (Skandia Fonder AB and Skandia Informationsteknologi AB). However, Skandia's profit is only charged with the interest expense (the difference between the market rate of interest and the interest rate offered to employees) attributable to employee loans taken out by its own employees, since the interest expense attributable to employees of other legal entities is passed on to the legal entities in which the respective employees are employed. See also point 6 in the section "Transactions between Skandia and the Skandia Liv group".
7) Skandiabanken has purchased private healthcare insurance and rehabilitation insurance for its employees from Skandia. The premiums are in line with the going rate in the market.
8) Skandia rents office premises from Skandia Liv. Parts of these premises were sublet to subsidiaries in 2010, which paid market rents for these.

Skandia has a net receivable of SEK 1,222 million (1,240) from subsidiaries. Of this net receivable, SEK 1,214 million (1,220) pertains to loans to subsidiaries.

Cont. Note 48 Related party disclosures

TRANSACTIONS BETWEEN SKANDIA AND OTHER COMPANIES IN THE OLD MUTUAL GROUP

Pricing

The pricing method used is market price.
One of the subsidiaries of the Old Mutual Group reinsures its mortality risks with Skandia.

Dividends

In 2011 Skandia distributed its entire shareholding in Skandia UK Ltd, amounting to SEK 4,558 million, plus receivables amounting to SEK 1,668 million, to the parent company Old Mutual.

Transactions by order of significance

Character	Receiving company	Compensation, SEK m 2011	Reference	Compensation, SEK m 2010
Distribution compensation from fund companies	Skandia	126	1)	129
Interest income	Skandia	34	2)	6
IT services	Skandia	10	3)	0
Administrative services	OM	-10	4)	-23
Accepted reinsurance	OM	-8	5)	-9
Personnel	Skandia	7	6)	8
Administrative services	Skandia	5	7)	0
Liability insurance	OM	-2	8)	-5

Transactions based on the income statement

1) Skandia receives compensation from fund companies, based on sold volume. The compensation is based on market prices.
2) Skandia receives interest on loans to Old Mutual.
3) Skandia sells IT services to companies in the Old Mutual Group.
4) Old Mutual performs administrative services for Skandia. The compensation for this is based on market prices.
5) Skandia has a reinsurance contract with the group company Skandia Lebensversicherung AG pertaining to unit linked assurance. The contract is based on market prices.
6) Skandia sells personnel services to Old Mutual.
7) Skandia performs administrative services to companies in the Old Mutual Group. The compensation for this is based on market prices.
8) Old Mutual pays for joint liability insurance for the entire Old Mutual Group, including Skandia. During the year Skandia paid SEK 2 million (5) for its share of this insurance cover, of which a certain portion was subsequently invoiced onward to Skandia Liv. See also "Transactions between Skandia and the Skandia Liv group" above.

Skandia has a net receivable of SEK 176 million (67) from the Old Mutual Group. Of this net receivable, SEK 77 million (75) pertains to loans, SEK 88 million (24) to other receivables, and SEK 11 million (1) to accrued interest.

Note 49 Result per class of insurance, property & casualty insurance

	2011	2010
Accident and illness		
Premiums written, gross	896	977
Premiums earned, gross	900	977
Claims incurred, gross	-670	-676
Operating expenses, gross	-250	-278
Result of ceded reinsurance	-1	-7
Technical result before investment income	**-21**	**16**

Note 50 Merger result

Mergers 2011

The merger result, SEK 0 million, is attributable to the absorption of the wholly owned subsidiary Skandia Balneum AB, reg. no. 556537-2256.

Date of merger: 30 June 2011.

Profit before appropriations and tax amounted to SEK 0 million.

Consolidated balance sheet	
Total assets	**0**
Total equity and liabilities	**0**

The merger result, SEK 0 million, is attributable to the absorption of the wholly owned subsidiary Skandia Aspana AB, reg. no. 556605-2113.

Date of merger: 30 June 2011.

Profit before appropriations and tax amounted to SEK 0 million.

Consolidated balance sheet	
Total assets	**0**
Total equity and liabilities	**0**

The merger result, SEK -560 million, is attributable to the absorption of the wholly owned subsidiary Skandia Europe AB, reg. no. 556598-0322.

Date of merger: 30 June 2011.

The gain on the sale of shares in the subsidiary amounted to SEK 276 million.

Profit before appropriations and tax amounted to SEK 279 million.

Consolidated balance sheet	
Cash and bank balances	23
Receivable from group companies	1,403
Total assets	**1,426**
Restricted equity	0
Unrestricted equity	1,281
Liabilities to group companies	145
Total equity and liabilities	**1,426**

Mergers 2010

The merger result, SEK -100 million, is attributable to the absorption of the wholly owned subsidiary Dial Försäkringsaktiebolag (publ), reg. no. 516401-8300.

Date of merger: 30 September 2010.

Premiums written amounted to SEK 302 million.

Profit before appropriations and tax amounted to SEK 12 million.

Consolidated balance sheet	
Receivable from group companies	265
Total assets	**265**
Restricted equity	85
Unrestricted equity	179
Liabilities to group companies	1
Total equity and liabilities	**265**

Note 51 Events after the balance sheet date

In November 2010 Skandia and Folksam Fondförsäkringsaktiebolag (publ) signed an agreement on the transfer of a unit linked assurance portfolio in Skandia that is tied to a collaboration with a teachers' union. The portfolio transfer with a combined fund value of SEK 3,120 million was carried out on 2 January 2012.

Skandia obtained new owners on 21 March 2012 when Skandia Liv acquired Skandia from the former owner, Old Mutual, for SEK 22.6 billion. Skandia is thereafter a wholly owned subsidiary of Skandia Liv. For further information, see the section "Skandia Liv acquires Skandia" in the Board of Directors' report.

Signatures

Stockholm, 25 April 2012

Anna-Carin Söderblom Agius
Chairman of the Board

Leif Victorin
Vice Chairman

Magnus Beer

Bengt-Åke Fagerman

Marek Rydén

Ann-Charlotte Stjerna
CEO

Our audit report was submitted on 25 April 2012

KPMG AB

Thomas Thiel
Authorised Public Accountant

Auditors’ report

To the Annual General Meeting of Skandia Insurance Company Ltd (publ) reg. no. 502017-3083

Report on the annual accounts

We have audited the annual accounts of Skandia Insurance Company Ltd (publ) for the year 2011.

Responsibilities of the board of directors and the CEO for the annual accounts

The board of directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with Annual Accounts Act for Insurance Companies and for such internal control as the board of directors and the CEO determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors and the CEO, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of Skandia Insurance Company Ltd as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company’s profit or loss and the administration of the board of directors and the CEO of Skandia Insurance Company Ltd for the year 2011.

Responsibilities of the board of directors and the CEO

The board of directors is responsible for the proposal for appropriations of the company’s profit or loss, and the board of directors and the CEO are responsible for administration under the Companies Act and the Insurance Business Act.

Auditor’s responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company’s profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the board of directors’ proposed appropriations of the company’s profit or loss, we examined the board of directors’ reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the board of directors or the CEO is liable to the company. We also examined whether any member of the board of directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be handled in accordance with the proposal in the statutory administration report and that the members of the board of directors and the CEO be discharged from liability for the financial year.

Stockholm, 25 April 2012

KPMG AB

Thomas Thiel
Authorised Public Accountant

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