

**Interim report  
January – June 2011**

**for**

**Folksam ömsesidig  
sakförsäkring**

**Corporate identity number 502006-1619**

# Folksam ömsesidig sakförsäkring

The Board and CEO of Folksam ömsesidig sakförsäkring (Folksam General) hereby submit the interim report for the period 1 January 2011 - 30 June 2011, the company's 104th year of operation.

## Group structure

Folksam General is the parent company in a group which, besides the parent company, includes the wholly owned insurance companies Svenska Konsumentförsäkringar AB (publ) and Tre Kronor Försäkring AB. An account of all subsidiaries and associates is provided in the notes to the annual report.

## Folksam General and Folksam Life and subsidiaries

Folksam is the customers' company that offers popular insurance policies and pension investments. The vision is that people should feel secure in a sustainable world. Folksam comprises the two parent companies Folksam ömsesidig Liv and Folksam ömsesidig sakförsäkring (hereinafter referred to as Folksam General), with subsidiaries. In the note to the annual report "Information about associates", an account is provided about the companies and their relationships. The companies collaborate on distribution, administration and asset management to achieve economies of scale that benefit customers.

Premium volume has continued to show good growth in 2011. Folksam remains a strong player on the occupational pensions market. Distribution through brokers is on the rise, and in all distribution channels there is an increase in premium volume within traditional insurance. On the self-select market (contractual pensions), Folksam accounts for almost one quarter of earned premiums, mainly within contractual areas KAP-KL and SAF-LO.

None-Life insurance shows continued growth on the household market. Distribution through bankassurance and collaboration is on the rise. Claims costs remain high after the challenging winter.

Market shares for Folksam Life and its subsidiaries increased both in unit-linked insurance and other life insurance compared to the same period last year. For Folksam General and its subsidiaries, market shares decreased somewhat for household and homeowner insurance, while car insurance increased.

<b>FOLKSAM , SEKm</b>	<b>2011-06</b>	<b>2010-06</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Premiums (1)	21 468	19 173	30 496	29 356	27 158	23 977
Assets under management (2)	281 366	255 311	268 170	242 646	211 401	183 957
Of which Swedish equities	60 337	49 337	57 759	44 486	22 856	35 015
Of which property	15 715	12 607	14 353	12 297	13 753	8 263
Unit-linked insurance assets (3)	50 921	43 938	49 593	38 158	24 600	26 557
Average number of employees (4)	2 837	2 835	2 818	2 916	2 934	2 892

1) Premiums comprise earned premiums in non-life insurance, earned premiums in life insurance and payments by unit-linked insurance investors.

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

3) Investment assets for which the policyholders bear the risk.

4) The average number of employees has been calculated based on the number of hours of work (paid time) relative to a full-time equivalent.

## Folksam General Operations

Folksam General is a customer-owned company whose operations are run according to mutual principles, which means that surplus arising from the operations is returned to the policyholders.

Folksam General conducts non-life insurance operations, principally focused on the Swedish household market. The company offers a full range of insurance policies to households and private individuals based on car and household insurance and supplemented by commercial insurance in selected areas.

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

## Results and market

### Earned premiums and market shares

Earned premiums (net of reinsurance) in the group increased to SEK 4 609 (4 457) million, and in the parent company to SEK 4,011 (3,965) million.

The private market showed stable growth of the stocks, mainly within car insurance. Continued commitment to customised combination offerings led to more customers choosing to stay with Folksam, while sales increased both through Folksam's own distribution and through collaborations. The large number of home insurance customers covered by the agreements with trade union organisations is a source of strength.

As part of its efforts to strengthen relations with existing customers, Folksam continued to reward those customers who bundle their insurance policies in Folksam. Many customers also supplemented their non-life insurance policies with supplementary policies. The number of total-service customers has increased.

The market share, measured in terms of premiums paid for the market in total according to statistics from the Swedish Insurance Federation decreased to 15.2 (15.3) per cent, while the market share in the household market, according to statistics from the Swedish Insurance Federation, for the Folksam General Group, amounted to 19.7 (20.3) per cent. Market shares measured in terms of the number of insurance policies were 49.3 (49.8) per cent for separate home insurance, 28.2 (28.6) per cent for homeowner insurance and 22.0 (21.3) per cent for car insurance.

### Results

Group profit before appropriations and tax totalled SEK 1,087 (378) million and parent company profit SEK 839 (473) million.

Profit in the insurance operation deteriorated as a result of increased operating costs, while the return on capital made a strong contribution to the positive earnings. The result is also burdened by continued high claims costs, as during the first half of 2010. The group results are affected positively by the value change in associated company FIH in the amount of SEK 229 million. The group's income statement and balance sheet per June 2010 are adjusted due to restatement of IAS 19. The adjustment affected the pre-tax result for 2010 by a negative SEK 32 million.

Claims incurred (net of reinsurance) increased during the first half of 2011 and totalled SEK 3,813 (3,768) million for the group and SEK 3,300 (3,296) million for the parent company. Although claims incurred only increased marginally in the parent company, we can still see a trend of more reported claims compared to previous years, mainly within household, homeowner, holiday home and car insurance (6 per cent for car insurance and 7 per cent for household, homeowner and holiday home insurance).

There are several reasons for the increase in the number of reported claims. Part of the reason is a natural consequence of successful sales, which means more insurance policies and hence more reported claims. However, the main reason for the increase is the freezing temperatures and winter weather, both affecting Sweden at the beginning of 2011. This led to more collisions and structural damage due to the weight of the snow than usual. In addition, Folksam, after several years of low claims expenses, is once again seeing a trend towards increasing claim inflation.

While costs increased sharply in household, homeowner, holiday home and motor insurance, the cost level remained stable or declined in personal insurance. Both the cost of personal injuries in traffic insurance and the cost of incapacity claims in sickness and accident insurance have continued on a healthy trend in 2011.

The total cost ratio in the parent company increased to 102 (101) per cent. Operating expenses increased and amounted to SEK 806 (714) million in the first six months of 2011. The increase is due, amongst other factors, to the weak trend on financial markets, leading to the cost of pension provisions being higher in the first half of 2011 than in the corresponding period last year. The continued weak performance after the balance sheet date can bring about further expense increases. The operating expense ratio as a proportion of premiums hence increased to 20 (18) per cent.

Return on the assets in the parent company amounted to 3.9 (2.0) per cent. The main factor that has contributed positively is the return on the company's interest-bearing investments on the back of falling interest rates, as well as a positive return on shares in

Swedbank and property.

**Financial position**

The consolidation ratio strengthened to 118 (102) per cent. Thanks to the continued positive result, solvency capital has increased to SEK 9,674 (8,153) million.

## Subsidiaries

The result before appropriations and tax for subsidiary Svenska Konsumentförsäkringar AB improved compared with previous years, but was still negative and amounted to SEK 0 (-31) million for the first half of the year.

Tre Kronor AB has shown a strong increase in earned premiums (net of reinsurance), at SEK 253 (149) million. The result before appropriations and tax remains negative at SEK -25 (-39) million.

Claims incurred in the subsidiaries increased during the first half of 2011, mainly because the number of insurance policies has increased.

## Other operational matters

Elisabet Sasse has been appointed the new head of collectively agreed business, and will take up her position on 1 October. Elisabet Sasse has most recently held the position of Permanent Secretary and First Ombudsbam at OFR (the Public Employees' Negotiation Council).

An increase in the number of reported claims at the same time as technical problems occurred has, during the spring, brought about a deterioration in availability in parts of the claims-handling business. Powerful measures have been taken.

## Significant events

Folksam General and Folksam Life took over the shares in associated company FIH Erhvervsbank A/S in January 2011.

Folksam General acquired, together with Folksam Life and KPA Pensionsförsäkring AB, Gnosjö Energi AB, which owns four land-based wind turbines in Kulltorp in the municipality of Gnosjö. Their total effect is 10 megawatts, which corresponds to heating for around 1,000 average sized detached houses.

Folksam General stepped in as a new co-owner of Rosengård Invest, an investment company specialised in supporting entrepreneurs with a foreign background. The investment is part of Folksam's increased focus on diversity.

## Events after the balance sheet date

Folksam General, Life and KPA Pension (1/3) together with FAM - owned by the Wallenberg Foundations (1/3) - and Proventus (1/3) became co-owners of wind turbine company PWP AB. The company owns six land-based wind turbine parks, which can produce 0.26 TWh of electricity annually. Folksam's part of the investment amounted to SEK 215m.

Folksam General disposed of its remaining holding in Danish company Falck.

Global stock market unease is having a negative effect on Folksam General. At its core, the company has a strong financial position with reassuring solvency capital, and continued good resistance to negative market trends.

**KEY RATIOS****Group**

	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-Dec</b>
<b>Profit on non-life insurance operations</b>			
Claims ratio	83	85	82
Operating expense ratio	20	19	18
Total expense ratio	103	104	100
<b>Profit from asset management</b>			
Yield per cent	2,0	1,4	2,2
Total return, per cent <sup>1)</sup>	3,8	2,1	6,8
<b>Financial position</b>			
Consolidation ratio, per cent	109	91	102
Solvency capital	10 319	8 272	9 267

\*Total return is calculated in accordance with the Swedish Insurance Federation's recommendation for reporting total return. The basis of the calculation of total return is the company's investment guidelines and internal reporting structure. In the annual report, a complete total return table is provided with additional notes regarding the relationship between the income statement and balance sheet.

**INCOME STATEMENT**

<b>Group</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>SEKm</b>	<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-Dec</b>
<b>REPORTING OF THE NON-LIFE OPERATIONS</b>			
Earned premiums (net of reinsurance)	4 609	4 457	8 822
Return on capital transferred from the finance operations	340	332	643
Claims incurred (net of reinsurance)	- 3 813	- 3 768	- 7 265
Operating expenses	- 925	- 881	- 1 575
Other	16	16	- 9
<b>Actuarial result from non-life insurance operations</b>	<b>227</b>	<b>156</b>	<b>616</b>
<b>NON-ACTUARIAL ACCOUNTING</b>			
Actuarial result from non-life insurance operations	227	156	616
Return on capital, including unrealised value changes	645	220	1 074
Other	215	2	23
<b>Profit before tax</b>	<b>1 087</b>	<b>378</b>	<b>1 713</b>
Tax	- 231	- 83	- 427
<b>PROFIT FOR THE PERIOD</b>	<b>856</b>	<b>295</b>	<b>1 286</b>
<b>Attributable to:</b>			
The policyholders	856	295	1 286

**REPORT OF THE TOTAL RESULT**

<b>Group</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>SEKm</b>	<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-Dec</b>
<b>Profit for the period</b>	<b>856</b>	<b>295</b>	<b>1 286</b>
Actuarial profits and losses	- 57	-	335
Participation of associated companies' other total result	0	0	0
Translation difference on foreign operations	22	- 72	- 118
Translation difference on foreign operations	18	0	- 87
<b>Other total net result for the period, after tax</b>	<b>- 17</b>	<b>- 72</b>	<b>130</b>
<b>Total result for the period</b>	<b>839</b>	<b>223</b>	<b>1 416</b>
<b>Total result attributable to:</b>			
The policyholders	839	223	1 416

**BALANCE SHEET****Group**

<b>SEKm</b>	<b>2011 30 June</b>	<b>2010 30 June</b>	<b>2010 31 Dec</b>
<b>Assets</b>			
Intangible assets	199	173	199
Investment assets	27 545	25 189	25 518
Reinsurer's participation in actuarial provisions	898	1 078	891
Receivables	4 425	4 416	3 456
Other assets	1 524	1 403	2 136
Deferred costs and accrued income	579	590	746
<b>TOTAL ASSETS</b>	<b>35 170</b>	<b>32 849</b>	<b>32 946</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
Equity	7 700	5 755	6 861
Subordinated liabilities	–	500	–
Actuarial provisions (before reinsurance)	23 808	23 118	22 765
Liabilities	3 221	3 000	2 731
Accrued costs and deferred income	441	476	589
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>35 170</b>	<b>32 849</b>	<b>32 946</b>



**CASH FLOW STATEMENT**

<b>Group</b>	<b>2011</b>	<b>2010</b>
<b>SEKm</b>	<b>Jan-June</b>	<b>Jan-June</b>
Cash flow from continuing operations before change in assets and liabilities	1 321	841
Change in assets and liabilities	- 574	77
<b>CASH FLOW FROM CONTINUING OPERATIONS</b>	<b>747</b>	<b>918</b>
<b>CASH FLOW FROM THE INVESTMENT OPERATIONS</b>	<b>- 1 333</b>	<b>- 391</b>
<b>CASH FLOW FROM THE FINANCING OPERATIONS</b>	<b>-</b>	<b>- 1 049</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>- 586</b>	<b>- 522</b>
Liquid assets at the beginning of the period	1 655	1 904
Exchange rate difference in liquid assets	4	- 14
Liquid assets at the end of the period	1 073	1 368
<b>Cash flow for the period</b>	<b>- 586</b>	<b>- 522</b>

**REPORT REGARDING CHANGES IN EQUITY**

<b>Group</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>SEKm</b>	<b>30 June</b>	<b>30 June</b>	<b>31 Dec</b>
<b>Amount at the start of the period</b>	<b>6 861</b>	<b>5 532</b>	<b>5 445</b>
Sum of total result for the period	839	223	1 416
<b>Amount at the end of the period</b>	<b>7 700</b>	<b>5 755</b>	<b>6 861</b>

**KEY RATIOS****Parent company**

	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>SEKm</b>	<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-Dec</b>
Profit on non-life insurance operations			
Claims ratio	82	83	82
Operating expense ratio	20	18	17
Total expense ratio	102	101	99
<b>Profit from asset management</b>			
Yield per cent	1,8	1,2	2,3
Total return, per cent <sup>1)</sup>	3,9	2,0	6,7
<b>Financial position</b>			
Consolidation ratio, per cent	118	102	110
Solvency capital	9 674	8 153	8 821
Capital base	9 429	7 910	8 548
Required solvency margin	1 323	1 292	1 296
Capital base for the insurance group	9 449	7 955	8 607
Required solvency margin for the insurance group	1 543	1 481	1 509

<sup>1)</sup> Total return is calculated in accordance with the Swedish Insurance Federation's recommendation for reporting total return. The basis of the calculation of total return is the company's investment guidelines and internal reporting structure. In the annual report, a complete total return table is provided with additional notes regarding the relationship between the income statement and balance sheet.

**INCOME STATEMENT****Parent company**

<b>SEKm</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-Dec</b>
<b>ACTUARIAL REPORTING OF THE NON-LIFE INSURANCE OPERATION</b>			
Earned premiums (net of reinsurance)	4 011	3 965	7 789
Return on capital transferred from the finance operation	322	318	613
Claims incurred (net of reinsurance)	- 3 300	- 3 296	- 6 354
Operating expenses	- 806	- 714	- 1 322
Other	14	16	29
<b>Actuarial result from the non-life insurance operation</b>	<b>241</b>	<b>289</b>	<b>755</b>
<b>NON-ACTUARIAL ACCOUNTING</b>			
Actuarial result from the non-life insurance operation	241	289	755
Return on capital, including unrealised value changes	609	187	999
Other	- 11	- 3	- 3
Profit before appropriations and tax	839	473	1 751
Appropriations	-	-	- 809
<b>Profit before tax</b>	<b>839</b>	<b>473</b>	<b>942</b>
Tax	- 72	- 18	- 231
<b>RESULT FOR THE PERIOD AND TOTAL RESULT</b>	<b>767</b>	<b>455</b>	<b>711</b>
<b>Attributable to:</b>			
The policyholders	767	455	711

**BALANCE SHEET****Parent company**

<b>SEKm</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>30 June</b>	<b>30 June</b>	<b>31 Dec</b>
<b>ASSETS</b>			
Intangible assets	166	136	163
Investment assets	26 562	24 157	24 886
Reinsurer's participation in actuarial provisions	879	1 065	870
Receivables	3 661	3 945	2 813
Other assets	951	1 248	1 588
Deferred costs and accrued income	499	517	666
<b>TOTAL ASSETS</b>	<b>32 718</b>	<b>31 068</b>	<b>30 986</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
Equity	2 898	2 457	2 131
Untaxed reserves	5 998	5 189	5 998
Actuarial provisions (before reinsurance)	22 156	21 612	21 172
Provisions for other risks and expenses	719	371	643
Liabilities	602	1 075	531
Accrued costs and deferred income	345	364	511
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>32 718</b>	<b>31 068</b>	<b>30 986</b>

**CASH FLOW STATEMENT****Parent company**

<b>SEKm</b>	<b>2011 Jan-June</b>	<b>2010 Jan-June</b>
Cash flow from continuing operations before change in assets and liabilities	1 273	830
Change in assets and liabilities	- 548	23
<b>CASH FLOW FROM CONTINUING OPERATIONS</b>	<b>725</b>	<b>853</b>
<b>CASH FLOW FROM THE INVESTMENT OPERATIONS</b>	<b>- 1 188</b>	<b>- 383</b>
<b>CASH FLOW FROM THE FINANCING OPERATIONS</b>	<b>- 108</b>	<b>- 964</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>- 571</b>	<b>- 494</b>
Liquid assets at the beginning of the period	1 496	1 722
Exchange rate difference in liquid assets	4	- 14
Liquid assets at the end of the period	929	1 214
<b>Cash flow for the period</b>	<b>- 571</b>	<b>- 494</b>

**REPORT REGARDING CHANGES IN EQUITY****Parent company**

<b>SEKm</b>	<b>2011 30 June</b>	<b>2010 30 June</b>	<b>2010 31 Dec</b>
<b>Amount at the start of the period</b>	<b>2 131</b>	<b>2 002</b>	<b>1 920</b>
Repayment of guarantee capital	-	-	- 500
Sum of total result for the period	767	455	711
<b>Amount at the end of the period</b>	<b>2 898</b>	<b>2 457</b>	<b>2 131</b>

**NOTES****Note 1 Accounting principles**

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**General information**

The interim report is issued per 30 June 2011 and relates to the period 1 January - 30 June 2011 for Folksam Ömsesidig Sakförsäkring, which is a mutual insurance company domiciled in Stockholm. The address of the headquarters is Bohusgatan 14, 106 60 Stockholm, and the corporate identity number is 502006-1619.

In the interim report, the same accounting principles have been applied as in the latest annual report.

**Conformity with standards and law**

The consolidated accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), adopted by the EU and IAS 34. Recommendation RFR 1 of the Swedish Financial Reporting Board, Additional accounting rules for groups, is also applied. Applicable parts of the Swedish Financial Supervisory Authority's regulations about the annual accounts of insurance companies 2008:26, amending regulations FFFS 2009:12 and FFFS 2011:28, and the Annual Accounts Act for Insurance Companies are also applied in the consolidated accounts.

The parent company's interim report has been drawn up in accordance with the Annual Accounts Act for Insurance Companies, and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding the annual accounts of insurance companies FFFS 2008:26, amending regulations FFFS 2009:12 FFFS 2009:12 and FFFS 2011:28, and the Swedish Financial Reporting Board's recommendation RFR 2. The parent company applies so-called statutory IFRS, which means the international accounting standards that have been adopted for application with the limitations ensuing from RFR 2 and the regulations of the Swedish Financial Supervisory Authority. This means that all EU-approved IFRS and statements are applied to the extent possible within the framework of Swedish legislation, and taking into account the relationship between accounting and taxation.

**Note 2 Information about associates**

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An account of material relationships between Folksam General and associate companies within Folksam (The Folksam General group and the Folksam Life group, including KPA Life, KPA Pension and Förenade Liv Group insurance) as well as other associated parties is described in the 2010 annual report.

All companies in Folksam are defined as associates because of a common management, common central units and a new common channel organisation that supports the group. Transactions with associates mainly comprise costs for the common channel organisation. This includes five sales channels – customer service, life and investment, telemarketing, online and broad market, and six claims channels – non-life, motor, personal injury - compensation, personal injury - terms, investigation and other. Transactions with associates also relate to asset management costs, IT costs and administrative support.

No material changes in contracts and relationships between Folksam Life and associated companies within Folksam, as described in the 2010 annual report, have taken place during the period.

**GENERAL****Stockholm, 25 August 2011****Anders Sundström  
CEO**

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

The auditor's report regarding a review of the interim report  
To the Board and CEO of Folksam ömsesidig sakförsäkring  
Corporate identity number 502006-1619

*Introduction*

I have conducted a review of the attached interim report for Folksam ömsesidig sakförsäkring for the period 1 January 2011 - 30 June 2011. It is the responsibility of the Board and the CEO to establish and present this interim report in accordance with the Annual Accounts Act for Insurance Companies, and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding the annual accounts of insurance companies. My responsibility is to express a conclusion about this interim report based on my review.

*Orientation and scope of the review*

I have conducted my review in accordance with the Standard for review (SÖG) 2410, Review of financial interim information issued by the company's selected auditors. A review consists of making enquiries, primarily among persons responsible for financial matters and accounting matters, performing an analytical review and conducting other review procedures. A review is different in nature and considerably more limited in scope than an audit in accordance with International Standards on Auditing and generally accepted auditing principles. The review procedures undertaken in a review do not enable me to reach a level of assurance such that I am aware of all the material matters that might have been identified had an audit been performed. A conclusion stated on the basis of a review thus does not provide the assurance of a conclusion stated on the basis of an audit.

*Conclusion*

Based on my review, no circumstances have come to light that give me reason to believe that the attached interim report is not, in all material respects, established in conformity with the Annual Accounts Act for Insurance Companies and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual accounts for insurance companies.

**Stockholm, 25 August 2011****Thomas Thiel  
Authorised public accountant**