

**Interim report
January – June 2011**

for

**Folksam ömsesidig
livförsäkring**

Corporate identity number 502006-1585

Folksam ömsesidig livförsäkring

The Board and CEO of Folksam ömsesidig livförsäkring (Folksam Life) hereby submit the interim report for the period 1 January 2011 - 30 June 2011, the company's 98th year of operation.

Group structure

Folksam Life is the parent company in a group which, besides the parent company, comprises both wholly owned subsidiaries and part-owned subsidiaries, including the companies within Folksam LO Pension and KPA Pension. An account of all subsidiaries and associates is provided in the notes to the annual report.

Folksam Life and Folksam General 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 Sak and Folksam ömsesidig Livförsäkring (hereinafter referred to as Folksam Life), 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 solid 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.

The household market is still seeing good growth in non-life insurance. 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.

FOLKSAM , SEKm	2011-06	2010-06	2010	2009	2008	2007
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 Life operations

Folksam Life 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 in the form of a bonus.

Folksam Life undertakes life insurance operations focused on the Swedish market. The company offers occupational pensions and pension investments to private individuals, directly or through collaborations, as well as group life insurance and other risk insurance. Folksam Life also conducts non-life insurance within illness and accident.

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

Results and market

Earned premiums and market shares

Earned premiums net of reinsurance in the parent company increased to SEK 3,438 (2,992) million in the company's life insurance operation, primarily as a result of increased sales of traditional life insurance. Earned premiums in the non-life insurance operation increased to SEK 348 (336) million.

Folksam's market share of unit-linked insurance and other life insurance, measured in terms of total premiums paid according to statistics from the Swedish Insurance Federation, increased to 10.0 (9.5) per cent. The market share in unit-linked insurance increased to 10.2 (9.8) per cent. The market share of other life insurance increased to 10.4 (9.4) per cent.

Results

Profit before appropriations and tax in the consolidated group amounted to SEK -1 485 (-111) million, and to SEK -2 193 (- 255) million in the parent company Folksam Life. The poorer result is largely explained by generally falling interest rates during the first half of the year. This trend has continued after the reporting date which, among other factors, has brought about increased actuarial provisions. The actuarial provisions are valued at market rates with maturities that correspond to those of the insurance contracts. Increased market rates incur reduced reserves, and vice versa. Because the insurance contracts for individual life insurance policies generally have a very long maturity, rate sensitivity is significant. The group results are affected positively by the value change in associated company FIH in the amount of SEK 688 million.

Return on the assets in the parent company amounted to 3.7 (3.6) 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, and a positive return on property and shares in Swedbank.

Operating expenses for the parent company increased to SEK 335 (289) million, while the management expense ratio is unchanged at 0.5 (0.5) per cent. The primary reason for the increase in costs is increased acquisition expenses and development costs, e.g. of Solvency II.

Financial position

Folksam Life has a strong solvency ratio, amounting to 150 (144) per cent on 30 June 2011. Solvency describes how well a life insurance company fulfils its guaranteed commitments in relation to its customers. To simplify, it can be said that for each hundred kronor guaranteed to the customer there are assets worth SEK 150. Folksam Life's strong solvency is also a prerequisite for providing good future return on assets under management.

The collective consolidation ratio regarding defined-contribution policies per 30 June 2011 was 116.0 (113.9) per cent. The collective consolidation ratio describes the relationship between the company's assets and how much has been distributed to the customers. The distribution comprises guaranteed and non-guaranteed commitments.

Subsidiaries

Consolidated subsidiaries

Folksam LO Fondförsäkring AB (publ) with the subsidiary Folksam LO Fond AB (publ) is 51 per cent owned by Folksam ömsesidig livförsäkring and 49 per cent owned by LO:s Försäkringshandelsbolag. The business is focused on the market for collectively agreed occupational pensions, and comprises administration and management of pension funds. During the period, premium payments amounted to SEK 2,833 (2,434) million, and unit-linked assets amount to 30,084 (23,832).

Folksam Fondförsäkringsaktiebolag (publ) is a wholly owned subsidiary that offers unit-linked insurance products in the occupational pensions area. During the period, premium payments amounted to SEK 1,699 (2,116) million, and unit-linked assets amount to SEK 15,927 (15,801). In 2010, a contract was also signed with Brummer & Partners, according to which Folksam transferred the Brummer-related unit-linked insurance stock to Brummer in February 2011.

The Supreme Administrative Court ruled in June that fund rebates from fund managers shall not be taxed as income, and it is correct to attribute the income to the operations in which returns are taxed. The ruling primarily affects the subsidiaries Folksam Fondförsäkring AB and Folksam LO Fondförsäkring. No provision was made for a potential additional tax expense in 2010.

Non-consolidated subsidiaries

Förenade Liv Gruppförsäkrings AB (publ) is a life insurance limited company that conducts insurance operations relating to voluntary group life, group illness, waiver of premium, group pension and group accident insurance. Förenade Liv Gruppförsäkring AB (publ) posted a profit before appropriations and tax of SEK 122 (172) million for the period. Earned premiums (net of reinsurance) in the non-life insurance operation increased to SEK 161 (156) million. Earned premiums (net of reinsurance) in the company's life insurance operation decreased to SEK 169 (176) million.

The KPA group, with the brand KPA Pension, offers traditional pension insurance, unit-linked insurance, life insurance, pension administration, selection centres and asset management with an ethical focus. KPA is the market leader in the area of pensions in the local government sector, and its customers are both employers and employees. More than a million employees have their pensions with KPA. KPA Pensionsförsäkring AB, which is a secure alternative for those who do not actively select a pension manager, reported a result before appropriations and tax of SEK - 169 (2,484) million. The poorer result is largely explained by a general drop in interest rates in 2011, which has brought about, amongst other things, increased allocations for actuarial provisions. Earned premiums (net of reinsurance) increased to SEK 5,880 (5,529) million. Return on assets amounted to 2.6 (3.7) per cent. KPA Pensionsförsäkring has a strong solvency ratio, which on 30 June 2011 was at 171 (169) per cent.

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 Ombudsman at OFR (the Public Employees' Negotiation Council).

Significant events

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

Folksam Life acquired, together with Folksam General 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.

Events after the balance sheet date

Folksam Life, General 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 amounts to SEK 215m.

Folksam is monitoring the market trend carefully, but it is currently difficult to predict developments in the global economy, and how these will affect Folksam in the long run. Folksam Life and its subsidiaries have a balanced risk level and are, at the core, in a strong financial position with solvency at a reassuring level.

KEY RATIOS

Group SEKm	2011 30 June	2010 30 June	2010 31 Dec
Profit from asset management			
Yield per cent	1,4	1,1	1,9
Total return, per cent ¹⁾	3,7	3,6	8,8
Financial position			
Consolidation ratio, per cent (relates to the non-life insurance operation)	274	212	239
Solvency capital	39 866	33 711	42 261

*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

Group SEKm	2011 Jan-June	2010 Jan-June	2010 Jan-Dec
ACTUARIAL REPORTING OF THE NON-LIFE INSURANCE OPERATION			
Earned premiums (net of reinsurance)	348	336	700
Return on capital transferred from the finance operations	79	28	113
Claims incurred (net of reinsurance)	– 306	– 317	– 583
Change in life insurance provisions	–	– 27	– 48
Operating expenses	– 40	– 35	– 68
Other actuarial expenses	–	–	– 3
Actuarial result from non-life insurance operations	81	– 15	111
ACTUARIAL REPORTING OF THE LIFE INSURANCE OPERATION			
Earned premiums (net of reinsurance)	3 455	2 993	5 672
Return on capital, including unrealised value changes	3 289	3 823	9 223
Claims incurred (net of reinsurance)	– 2 694	– 2 547	– 4 775
Change in life insurance provisions	– 5 899	– 4 181	442
Operating expenses	– 500	– 394	– 856
Other	975	207	– 549
Actuarial result from the life insurance operation	– 1 374	– 99	9 157
NON-ACTUARIAL ACCOUNTING			
Actuarial result from non-life insurance operations	81	– 15	111
Actuarial result from the life insurance operation	– 1 374	– 99	9 157
Tax on income	– 203	– 187	– 625
Other	11	190	305
Profit before tax	– 1 485	– 111	8 948
Tax	– 166	– 406	– 349
Profit for the period	– 1 651	– 517	8 599
Attributable to:			
The policyholders	– 1 715	– 574	8 471
Holdings with no controlling influence	64	57	128

REPORT OF THE TOTAL RESULT

Group SEKm	2011 Jan-June	2010 Jan-June	2010 Jan-Dec
Profit for the period	– 1 651	– 517	8 599
Other total result			
Actuarial profits and losses	– 11	39	61
Translation difference on foreign operations	37	– 73	– 120
Tax on items reported as other total result on actuarial profits and losses	2	– 8	– 15
Total result for the period	– 1 623	– 559	8 525
Attributable to:			
The policyholders	– 1 686	– 616	8 397
Holdings with no controlling influence	63	57	128

BALANCE SHEET

Group SEKm	2011 30 June	2010 30 June	2010 31 Dec
ASSETS			
Intangible assets	69	66	71
Investment assets	11 322	10 347	9 855
Other financial investments	105 868	96 939	102 464
Investment assets for which the policyholder bears the investment risk	46 245	39 805	45 115
Reinsurer's participation in actuarial provisions	37	42	32
Receivables	1 181	2 381	917
Other assets	7 175	7 428	6 450
Deferred costs and accrued income	1 349	1 160	1 629
TOTAL ASSETS	173 246	158 168	166 533
EQUITY, PROVISIONS AND LIABILITIES			
Equity	39 061	33 009	41 478
Holdings with no controlling influence	1 702	1 572	1 642
Actuarial provisions (before reinsurance)	79 689	76 894	72 999
Provisions for life insurance policies for which the policyholder bears the investment risk	46 627	40 060	45 349
Provisions for other risks and expenses	647	542	327
Custodial accounts from reinsurers	6	6	6
Liabilities	4 796	5 534	4 121
Accrued costs and deferred income	718	551	611
TOTAL EQUITY, PROVISIONS AND LIABILITIES	173 246	158 168	166 533

CASH FLOW STATEMENT

Group SEKm	2011 Jan-June	2010 Jan-June
Cash flow from continuing operations before change in assets and liabilities	2 884	1 673
Change in assets and liabilities	1 198	464
Change in investment assets	- 2 144	- 1 447
Change in investment assets / actuarial prov. unit linked, net	2	3
Allocated bonus from the consolidation fund	- 731	- 760
CASH FLOW FROM CONTINUING OPERATIONS	1 896	-67
CASH FLOW FROM THE INVESTMENT OPERATIONS¹⁾	- 462	59
CASH FLOW FROM THE FINANCING OPERATIONS	4	- 31
CASH FLOW FOR THE PERIOD	751	- 39
Liquid assets at the beginning of the period	5 184	7 791
Exchange rate difference in liquid assets	- 5	- 44
Liquid assets at the end of the period	5 930	7 708
Cash flow for the period	751	- 39

REPORT REGARDING CHANGES IN EQUITY

Group SEKm	2011 30 June	2010 30 June	2010 31 Dec
Amount at the start of the period	41 478	34 385	34 385
Allocated bonus	– 731	– 760	– 1 406
Transfer of stocks	–	–	102
Sum of total result for the period	– 1 686	– 616	8 397
Amount at the end of the period	39 061	32 009	41 478

KEY RATIOS

Parent company SEKm	2011 30 June	2010 30 June	2010 31 Dec
Non-life insurance operation			
Claims ratio	88	94	83
Operating expense ratio	11	10	10
Total expense ratio	99	105	93
Life insurance operation			
Management expense ratio	0,5	0,5	0,5
Profit from asset management			
Yield per cent	1,9	2,2	2,6
Total return, per cent ¹⁾	3,7	3,6	8,7
Financial position			
Consolidation ratio, per cent (relates to the non-life insurance operation)	274	212	239
Collective consolidation level, per cent (retrospective reserve method)	116,0	113,9	116,0
Collective consolidation level, per cent, pension supplement method	149,9	141,8	146,4
Solvency capital	39 515	34 113	42 571
Collective solvency capital	19 450	16 053	18 600
Capital base	39 044	34 103	42 562
Required solvency margin	3 623	3 549	3 387
Capital base for the insurance group	38 835	33 650	42 062
Required solvency margin for the insurance group	5 305	5 258	4 913

¹⁾ 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

SEKm	2011 Jan-June	2010 Jan-June	2010 Jan-Dec
ACTUARIAL REPORTING OF THE NON-LIFE INSURANCE OPERATION			
Earned premiums (net of reinsurance)	348	336	700
Return on capital transferred from the finance operations	79	28	113
Claims incurred (net of reinsurance)	– 306	– 317	– 583
Change in life insurance provisions	–	– 27	– 48
Operating expenses	– 40	– 35	– 68
Other	–	–	– 3
Actuarial result from non-life insurance operations	81	– 15	111
ACTUARIAL REPORTING OF THE LIFE INSURANCE OPERATION			
Earned premiums (net of reinsurance)	3 438	2 992	5 639
Return on capital, including unrealised value changes	3 787	3 739	8 828
Claims incurred (net of reinsurance)	– 2 674	– 2 532	– 4 742
Change in life insurance provisions	– 6 521	– 4 181	430
Operating expenses	– 295	– 254	– 481
Other	– 10	– 4	– 900
Actuarial result from the life insurance operation	– 2 275	– 240	8 774
NON-ACTUARIAL ACCOUNTING			
Actuarial result from non-life insurance operations	81	– 15	111
Actuarial result from the life insurance operation	– 2 275	– 240	8 774
Profit before appropriations and tax	– 2 194	– 255	8 885
Appropriations	– 22	– 140	– 255
Profit before tax	– 2 216	– 395	8 630
Tax	– 352	– 359	– 704
Result for the period and total result	– 2 568	– 754	7 926
Attributable to:			
Attributable to:	– 2 568	– 754	7 926
Holdings with no controlling influence	–	–	–

BALANCE SHEET

Parent company SEKm	2011 Jan-June	2010 30 June	2010 31 Dec
ASSETS			
Investment assets	9 274	8 278	8 545
Other financial investments	105 041	96 194	101 819
Investment assets for which the policyholder bears the investment risk	234	172	226
Reinsurer's participation in actuarial provisions	20	24	16
Receivables ¹⁾	1 420	2 415	930
Other assets	4 265	6 247	3 979
Deferred costs and accrued income	986	947	1 332
TOTAL ASSETS	121 240	114 277	116 847
EQUITY, PROVISIONS AND LIABILITIES			
Equity	35 532	30 735	38 831
Untaxed reserves	1 515	1 378	1 492
Actuarial provisions (before reinsurance)	79 628	76 828	72 940
Provisions for life insurance policies for which the policyholder bears the investment risk	461	339	435
Provisions for other risks and expenses r	228	121	493
Custodial accounts from reinsurers	6	6	6
Liabilities	3 460	4 569	2 351
Accrued costs and deferred income	410	301	299
TOTAL EQUITY, PROVISIONS AND LIABILITIES	121 240	114 277	116 847

¹⁾The change per 30 June 2010 and 30 June 2011 compared to the year-end report is largely attributable to the fact that reported receivables regarding non-liquidated business for sold securities amounts to a higher figure.

REPORT REGARDING CHANGES IN EQUITY

Parent company SEKm	2011 30 June	2010 30 June	2010 31 Dec
Amount at the start of the period	38 831	32 249	32 208
Allocated bonus	– 731	– 760	– 1 405
Transfer of stocks	–	–	102
Total result for the period	– 2 568	– 754	7 926
Amount at the end of the period	35 532	30 735	38 831

CASH FLOW STATEMENT

Parent company SEKm	2011 Jan-June	2010 Jan-June
Cash flow from continuing operations before change in assets and liabilities	2 714	1 512
Change in assets and liabilities	820	200
Change in investment assets	– 1 969	– 1 290
Change in investment assets / actuarial prov. unit linked, net	0	0
Allocated bonus from the consolidation fund	– 731	– 760
CASH FLOW FROM CONTINUING OPERATIONS	834	– 338
CASH FLOW FROM THE INVESTMENT OPERATIONS	– 399	71
CASH FLOW FROM THE FINANCING OPERATIONS	–	–
CASH FLOW FOR THE PERIOD	435	– 267
Liquid assets at the beginning of the period	3 884	6 858
Exchange rate difference in liquid assets	– 5	– 43
Liquid assets at the end of the period	4 314	6 548
Cash flow for the period	435	– 267

Note 1 Accounting principles

General information

The interim report is issued per 30 June 2011 and relates to the period 1 January - 30 June 2011 for Folksam Ömsesidig Livförsäkring, 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 502006-1585.

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 FFFS 2008:26, amending regulations FFFS 2009:12 and FFFS 2011:28, and of 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 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 of the 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

An account of material relationships between Folksam Life and associated 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, 23 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 of Folksam ömsesidig livförsäkring

Corporate identity number 502006-1585

Introduction

I have conducted a review of the attached interim report for Folksam ömsesidig livförsäkring 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, 23 August 2011

Anders Bäckström

Authorised public accountant