

January – March 2015



Folksam



Folksam

Prepared for the future



Folksam continue to build up its economic strength over the first three months of the year. This is particularly important at the moment as we – and many others – are considering the difficulties involved in finding good returns with negative interest rates. In our position as a company working with pension savings and non-life insurance, it is particularly important that we succeed in balancing our business and customer undertakings in both the short term and the long term. One variable for resolving this equation involves alternative investments, particularly in respect of infrastructure. Folksam was part of a consortium which acquired Fortum Distribution, Fortum's electricity transmission business, during the quarter. This is a long-term investment which will provide stable returns and complements our various asset portfolios well. We are now continuing to work responsibly in order to safeguard the trust which our customers place in us, not least as we have to expect considerably lower levels of return over the next few years.

Jens Henriksson
CEO and Group President

Folksam is owned by customers and comprises the two parent companies Folksam Non-life and Folksam Liv (hereinafter Folksam Life) with subsidiaries. Folksam overall includes the parent companies and all subsidiaries, with the adjustments as specified in the footnotes beneath the table. In this interim report, we will also be reporting on the Group Folksam Non-life, the parent company Folksam Life, and RPA Pension.

Significant events during the period

- A consortium comprising Folksam, Borealis Infrastructure, Tredje AP-fonden (AP3) and Första AP-fonden (AP1) procures Fortum Distribution AB, Fortum's electricity transmission business in Sweden.
- As of 1 February 2015, Folksam Life increases the bonus rate on traditional insurance from 7.0 per cent to 8.0 per cent before tax and charges.
- The Board of Directors at KPA Pension appoints Erik Thedéen the new CEO of KPA Pension.
- Folksam tops the list of most sustainable brands in the insurance industry for the second year in a row, according to a Sustainable Brand Index survey. KPA Pension comes out on top in the pension industry and in the entire financial industry in the same survey.
- The Swedish Football Association extends and underpins further cooperation with Folksam. The new contract extends until 2020, and Folksam will be a national partner to Swedish football over these six years.

Significant events after the end of the period

- Folksam Life increases the bonus rate from 8.0 per cent to 9.0 per cent as of 1 April 2015.
- Göran Lindblå is elected as the new Chairman of Folksam Life and will succeed Anders Sundström, who resigned at the AGM on 16 April.

Financial summary

Folksam total	Jan-Mar 2015	Jan-Mar 2014	2014	2013
Premiums, SEK millions ¹	22,166	19,011	47,501	40,631
of which Folksam Non-life ²	3,265	3,151	12,925	12,353
of which Folksam Life ²	18,901	15,860	34,576	28,278
Managed assets, SEK millions ^{3,4}	381,936	319,274	350,170	304,299
Unit-linked insurance assets, SEK millions ^{3,5}	114,639	77,736	99,525	79,221
Full-time employees ⁶	3,676	3,483	3,563	3,338
Folksam Customer Index (FCI), %	79	78	79	78

¹⁾ Premiums comprise premiums earned in non-life insurance, premiums written in life insurance, and receipts from unit-linked insurance investors, including the non-consolidated insurance companies.

²⁾ Relates to the summary total premiums per company with the respective subsidiaries, including the non-consolidated insurance companies.

³⁾ Relates to the end of the period.

⁴⁾ Assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries.

⁵⁾ Investment assets for which policyholders bear the risk.

⁶⁾ Based on the number of hours worked during the period.

Folksam overall

2015 got off to a strong start for Folksam. The total premium volume for the period January to March increased by 23 per cent to SEK 22,166 (19,011) million. Of this total volume, the companies and their respective subsidiaries in the field of life insurance account for SEK 18,901 (15,860) million, and SEK 3,265 (3,151) million in the field of non-life insurance. Volume growth is continuing, particularly in the endowment insurance and individual occupational pension fields. KPA Pension and Folksam LO Pension also represent around one-third of premium growth. Compared with the last quarter of 2014, on the other hand, we are seeing a slight decrease in our endowment insurance. This indicates that the deposit restrictions we introduced have started to take effect.

The many projects which aim to make us into a modern financial company also continued into 2015. Preparations prior to the new Solvency II regulations, like other strategically prioritised projects such as the switch to more efficient claims handling and improved customer contacts via digital channels, drove costs throughout the first three months of the year.

The Folksam Customer Index (FCI) remains at 79 per cent, which is also the target for 2015 as a whole. There is a revision of one percentage point from 2014.

The first bonus statement of the year arrived with our customers at the end of March. This year, 2.4 million customers are sharing around SEK 546 (480) million.

Managed assets and unit-linked insurance assets

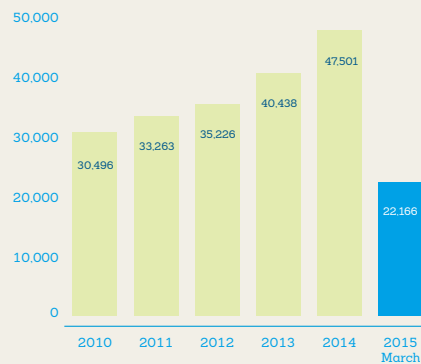
The high returns and strong influx of premiums over the period means that Folksam's managed capital is increasing by almost SEK 32 billion.

As at 31 March 2015, Folksam managed SEK 381,936 (319,274) million. This can be compared with SEK 350,170 at the end of 2014. Folksam Life and KPA Pension are responsible for most of the increase.

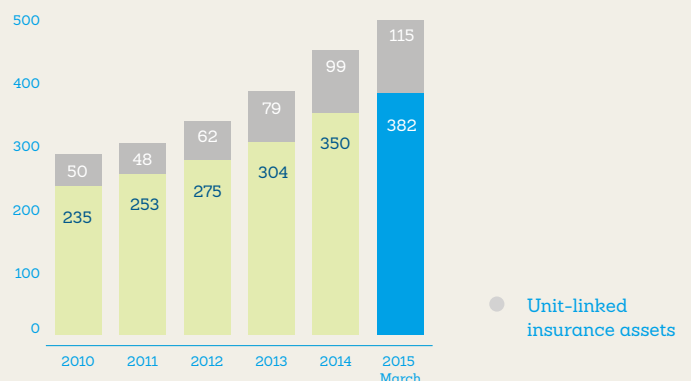
During the quarter, we invested in a new – for Folksam – type of asset in the form of infrastructure, which complements our alternative investments. Together with Borealis Infrastructure, Tredje AP-fonden (AP3) and Första AP-fonden (AP1), we procured Fortum Distribution AB, Fortum's electricity transmission business in Sweden, for SEK 60.6 billion. This is a long-term and stable investment which suits Folksam well and improves the spread of risk and the anticipated return on our various asset portfolios. Folksam's investment amounts to approximately SEK 5 billion, and the company's ownership interest is 17.5 per cent.

Unit-linked insurance assets have also increased during the period. As at 31 March 2015, they amount to SEK 114,639 million, compared with SEK 99,525 million at the end of 2014.

Total premium volume, SEK millions



Folksam's managed assets and unit-linked insurance assets, SEK billions



Folksam's managed assets, March 2015



Folksam Non-life (Group)

Folksam Non-life (Group)*	Jan-Mar 2015	Jan-Mar 2014	2014	2013
Premiums earned, SEK millions	2,999	2,838	11,630	10,974
Underwriting result, SEK millions	-229	33	23	191
Profit before tax, SEK millions	1,236	387	2,548	2,019
Total expenses, %	110	103	99	100
of which claims expenses, %	94	85	81	82
of which operating expenses, %	16	18	18	18
Funding ratio, %	142	124	134	126
Funding ratio, %, Parent Company	161	145	153	149
Total return, %	4.2	1.3	8.6	7.6

Premium revenues at the Non-life insurance group increased by 5 per cent compared with the same period in 2014 and amounted to SEK 2,999 (2,838) million. Growth in all insurance lines is good. We are also seeing a continuing shift towards policies with greater scope. Customer loyalty is continuing to increase, and the number of cancellations remains at a low and stable level.

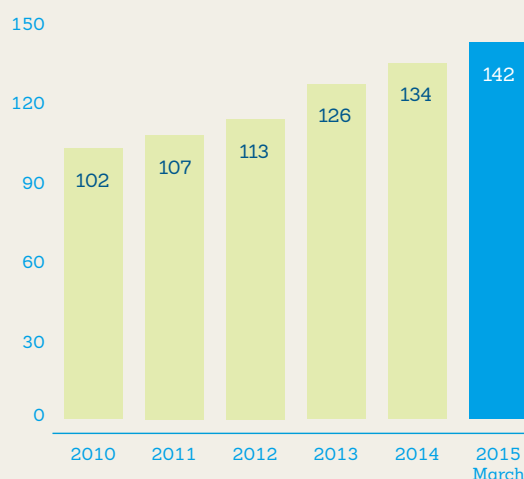
The total cost ratio in the Group amounted to 110 (103) per cent, which is a decrease of seven percentage points compared with the same previous last year. The claims expense percentage is generally increasing as a consequence of higher provisions for personal injury and annuities, which in turn is due to falling market interest rates. At the same time, the operating expense percentage is falling.

Profit before tax amounts to SEK 1,236 (387) million, representing an increase of SEK 863 million. The good return on assets is contributing to the earnings performance for the period and is also counteracting the negative technical result of SEK -229 (33) million. The solvency ratio at the parent company increased to 161 (145) per cent.

Events during the period:

- The Swedish Football Association extends and underpins further cooperation with Folksam. The new contract extends until 2020, and Folksam will be a national partner to Swedish football over these six years.
- Folksam Non-life increases its holding in Folksam Skadeförsäkring from 51 per cent to 75 per cent, in accordance with an option at the time of the original acquisition. With this, Aktia Bank Abp reduces its holding to 10 per cent.

Funding ratio, %



* The Folksam Non-life group includes the insurance companies Tre kronor and Folksam Skadeförsäkring. Förenade Liv and Saco SalusAnsvar are not consolidated.

Folksam Life (Parent Company)

Folksam Life (Parent Company)	Jan-Mar 2015	Jan-Mar 2014	2014	2013
Premium income, SEK millions	4,514	2,767	13,437	8,569
Solvency ratio, %	159	159	155	161
Managed assets, SEK millions	168,980	138,719	156,156	135,223
Bonus interest Life1, % ¹	7.7	6.0	6.5	5.5
Collective funding Life1, %	128	121	124	121
Bonus interest Life2, % ^{1,2}	7.7	6.0	6.5	6.0
Collective funding Life2, % ²	132	119	126	118
Total return, %	6.0	1.8	12.0	7.6

¹⁾ Reported bonus interest rate pertains to the average for the year.

²⁾ Cooperative occupational pension.

Premiums written for Folksam Life amounted to SEK 4,514 (2,767) million. This is 63 per cent higher than the same period in 2014. The continuing strong growth is driven by the major interest in traditional life insurance, with its strong key performance indicators and broad distribution. At the same time, the influx to our endowment insurance is decreasing slightly compared with the last quarter of 2014, which indicates that the restrictions we introduced at the end of 2014 are now starting to take effect. Premiums for individual occupational pensions are also increasing during the quarter. Since 1 April, the bonus interest rate has been 9.0 per cent before tax and fees.

Development costs at Folksam Life are increasing, primarily due to priority projects such as the individual occupational pension initiative, adaptation to regulations and work on streamlining systems and processes. Efforts in respect of the change in the deduction right for private pension savings have taken place successfully throughout the quarter. We have spoken to more than 80 per cent of our active customers to date, and the majority of them have accepted our new offering for continued pension savings.

The return on assets increased enormously, mainly due to the favourable development on the stock market. Total returns for the period amounted to 6.0 (1.8) per cent.

Falling market interest rates and the positive cash flow in the field of traditional insurance have increased life provisions during the period. At the same time, assets are increasing more than the provisions, which is helping to reinforce the solvency ratio compared with the start of the year. As at 31 March 2015, this amounts to 159 per cent.

As at 31 March 2015, the collective funding ratio for defined contribution cooperative occupational pension (Liv 2) amounted to 132 (119) per cent, and to 128 (121) per cent for other business at Folksam Life.

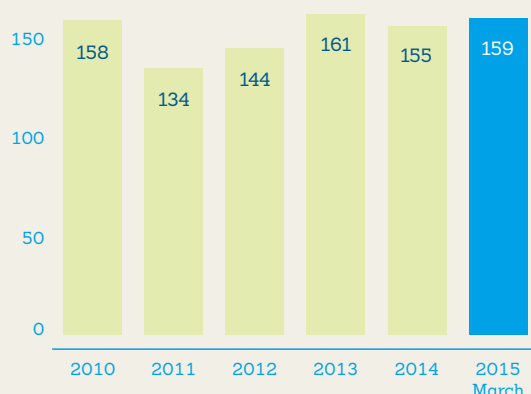
Events during the period:

- As of 1 February 2015, Folksam Life increases the bonus rate on traditional insurance from 7.0 per cent to 8.0 per cent before tax and charges.

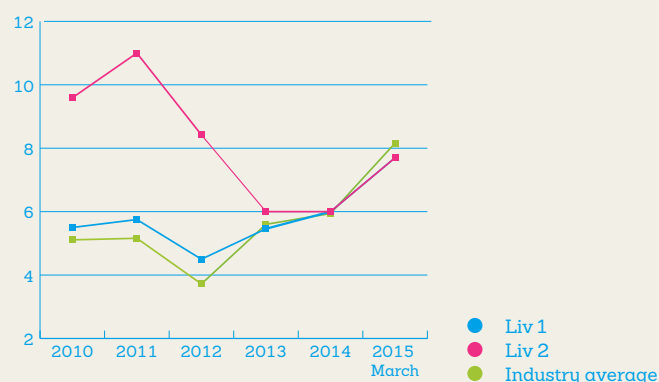
Events after the end of the period:

- Folksam Life increases the bonus rate from 8.0 per cent to 9.0 per cent before tax and fees as of 1 April 2015.
- Göran Lindblå is elected as the new Chairman and will succeed Anders Sundström, who resigned at the AGM on 16 April.
- Sales of the product Seniorskapital will be subject to a sales stoppage as of 15 June.

Solvency ratio, %



Average bonus interest, %



KPA Pension

KPA Pension*	Jan-Mar 2015	Jan-Mar 2014	2014	2013
Premium income, SEK millions	8,690	7,986	10,172	9,889
Solvency ratio, %	172	170	166	172
Managed assets, SEK millions	138,666	112,480	122,713	101,613
Total return, %	6.7	2.2	13.3	8.2
Rate of return, %	7.0	2.3	13.4	8.0

KPA Pension is increasing its premiums written to SEK 8,690 (7,986) million, representing an increase of nine per cent. Premiums for the 2014 election were submitted to KPA Pension at the end of March 2015. KPA Pension received around 120,000 new pension savers over the first three months of the year, relating primarily to the agreement area RAP-RL.

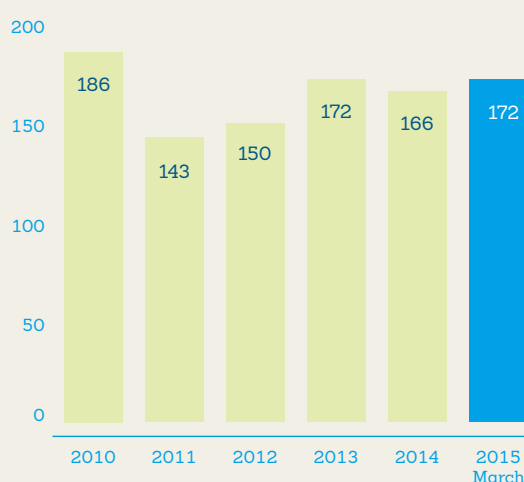
The transfer rights introduced during the period have resulted in increased claims incurred. Development costs are also increasing for KPA Pension.

KPA Pension's total return for the period amounts to 6.7 (2.2) per cent, and the solvency ratio is 172 (170) per cent. The rate of return amounted to 7.0 (2.3) per cent.

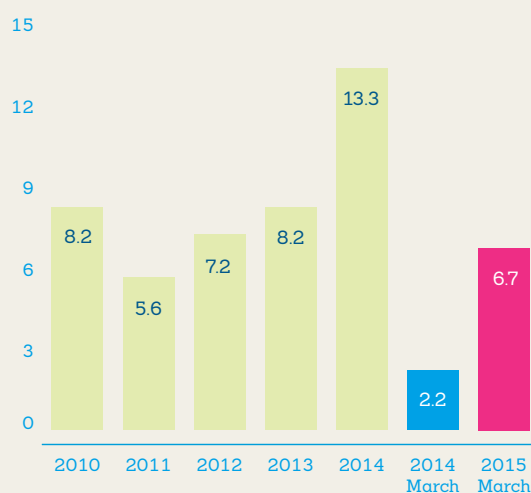
Events during the period:

- KPA Pension is back on top in the pension industry in the major Sustainable Brand Index survey of sustainable brands in Sweden.
- The Board of Directors at KPA Pension appoints Erik Thedéen the new CEO of KPA Pension. He took over the position as the new CEO from Lars-Åke Vikberg on 13 April 2015.

Solvency ratio, %



Total return, %



* These figures relate to KPA Pensionsförsäkring AB.

This is Folksam

Every time we meet a customer, we meet an owner. And we have many owners. We insure nearly one out of two people in Sweden and take care of the pension for more than two million people. This means that Folksam is currently one of Sweden's 30 largest companies.

With us, you can insure yourself, your loved ones and your property and save for your pension. Our job is provide you and your family security in every phase of life. The fact that we are owned by our customers provides credibility, long-range thinking and customer benefit, and entails responsibility.

Four brands, two Groups and 11 insurance companies

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam Non-life) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries. Two of the insurance business' subsidiaries in Folksam Life are part-owned. They are Folksam LO Pension, of which we own 51 per cent, and KPA Pension, of which Folksam owns 60 per cent. In Folksam Non-life, the subsidiary Folksam Skadeförsäkring is part-owned at 75 per cent. The subsidiary Förenade Liv is wholly owned.

Our vision

Our customers should feel secure in a sustainable world.

Our business concept


We are the customers' company that offers popular insurance policies and pension investments that provide security.

Our overriding objective

We should have the most satisfied customers in the insurance and savings industry.



Find out more at www.folksam.se



Our customers
should feel secure in
a sustainable world

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