

Interim Report

January – March 2016



Folksam

2016

Folksam

Stepping on the gas and the brake

Folksam and its subsidiaries began 2016 stably and according to plan. The non-life business is showing strong premium growth. The huge growth that previously characterised our life insurance business is slowing since we introduced restrictions in our traditional life insurance. The one-time premiums for the traditional life insurance continue to decrease and therefore provide lower premiums earned compared with the previous year. In the past period, KPA Pension received last year's agreed premiums and has a growth of around 5 per cent.

At the same time, 2016 began with turbulence on the stock market, which affected the returns both for Folksam with its subsidiaries and industry actors otherwise. Together with the continued low interest rates, returns for the period are around zero for our companies. At the same time, the bonus interest rate for Folksam Life's customers is still relatively high at 6 per cent for "old capital" and 3 per cent for "new capital".

Our transition to the Solvency II regulations has been successful to-date, but also requires continued work in order for us to enhance efficiency and develop the procedures. Basically, this change means that we are a more modern financial company today compared with before the turn of the year. Our other development projects are also progressing in the spirit of modernisation. We are now investing SEK 1 billion per year in development. To ensure the effects, we have prioritised some of these investments over others. This is both to be able to continue while maintaining costs and so that every project will really begin to deliver benefit for the customers. One step in line with our development work is the new [folksam.se](#). The next step in this work will be to continue to develop the customer dialogue in digital channels.

Another project I am especially proud of is our work with Folksam General's child insurance offering. In 2014, the product shared fifth place in the comparison of child insurance by Konsumenternas Försäkringsbyrå (the Consumers' Insurance Bureau). We saw that our surrounding world was changing and the customers wanted more. But we also knew that our mission is to provide security, that children are the



most important that we have and that we have said that we would be in the top three in these kinds of independent measurements. Therefore, we began intensive development efforts. At the beginning of this year, we launched an improved child insurance policy and, in doing so, we took first place in the new comparison by Konsumenternas Försäkringsbyrå. But it is important to remember that these kinds of rankings are temporary and our goal is to remain at the top.

So we at Folksam with subsidiaries will work to provide the customers security in a sustainable world. Just as our vision advocates.

Jens Henriksson
President and CEO

Folksam is owned by customers and comprises the two parent companies Folksam Sak (hereinafter Folksam General) and Folksam Liv (hereinafter Folksam Life) with subsidiaries. Folksam includes the parent companies and all subsidiaries, with the adjustments specified in the footnotes beneath each results table. In this interim overview, we present reports on the Folksam General Group, the Parent Company Folksam Life and KPA Pension.

Significant events during the period

- Folksam's individual child insurance takes first place in the Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau) comparison of child insurance policies. This is partly because Folksam launched a more extensive child insurance policy at the end of the year, with higher remuneration levels than before. In the same way, Folksam's group child insurance took first place among group insurance policies.
- KPA Pension is adjusting the guaranteed interest rate level for defined contribution, traditional insurance from 1.5 per cent to 0.75 per cent as of 1 January 2016.
- Folksam is initiating a partnership with Distriktsveterinärerna to help promote more sustainable price development for veterinary care. Part of the partnership is to prepare a guide price list for a number of diagnoses and a discount on the basic excess of SEK 300 for the customers who choose Distriktsveterinärerna.
- As of 1 February 2016, Folksam Life lowered the bonus interest on the traditional life insurance from 8.0 to 6.0 per cent on "old capital" and from 4.0 to 3.0 per cent on "new capital".
- Around 150 municipalities and municipal companies in total that have taken out defined-benefit pension insurance with KPA Pension share a bonus fund of up to SEK 600 million.

Significant events after the end of the period

- For the fifth consecutive year, KPA Pension was the most sustainable brand both in the pension industry and the entire finance industry according to the major Sustainable Brand Index study of sustainable brands in Sweden.
- Folksam sells its 20-per-cent interest in the independent fund selection expert Indecap Holding AB to Sparbankerna.

Summary: Key ratios

Folksam	Jan-Mar 2016	Jan-Mar 2015	2015	2014
Folksam Customer Index (FCI), %	77	79	78	79
Premiums, SEK million ¹	21,322	22,166	50,469	47,501
of which, Folksam General ²	3,454	3,265	13,395	12,925
of which, Folksam Life ²	17,869	18,901	37,074	34,576
Assets under management, SEK million ^{3,4}	376,984	381,936	368,454	350,170
Unit-linked insurance assets, SEK million ^{3,5}	109,471	114,639	111,144	99,525
Number of full-time positions ⁶	3,704	3,676	3,706	3,563

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

² Refers to total sum of premiums per company with respective subsidiaries, including the non-consolidated insurance companies.

³ At 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 the policyholders bear the risk.

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

Folksam, first quarter

Market development

The insurance and pension saving industry is active in a market undergoing extensive change. The economic uncertainty in the world has an impact at the same time that new regulations place major demands on the companies to change. Since the turn of the year, the industry works under Solvency II (insurance business legislation). Companies that conduct occupational pension business can, however, follow transitional rules as of 2016 instead of Solvency II while awaiting possible new regulations for occupational pension companies.

Folksam is continuing its stable development in the market. According to premium figures from the Swedish Insurance Federation for the fourth quarter of 2015, we are still the market leader in life insurance and the third largest in the non-life insurance market.

We dropped slightly in motor vehicle insurance, but this is counterbalanced by the other insurance lines where we are gaining or keeping our market shares. The growth will continue to be particularly strong in health and accident insurance. According to figures from the Swedish Insurance Federation, Folksam's market share in the non-life insurance market is unchanged compared with the preceding year at 16.3 per cent.

In life insurance, our market share decreased to 16.6 per cent for premiums paid in for both old and new policies. This is a desirable development resulting from the changes we made in the traditional life insurance policies to reduce one-time deposits that only want to partake of our good bonuses.

The low interest rates mean that the returns in the industry are continuing to drop.

Folksam and its subsidiaries

Folksam continues to develop according to plan in both life insurance and non-life insurance. During the period January to March, the total premium volume amounted to SEK 21,322 million (22,167). Of the total volume, Folksam Life with subsidiaries accounts for SEK 17,869 million (18,902) and Folksam General with subsidiaries accounts for SEK 3,454 million (3,265).

In the non-life insurance business, all lines of insurance have underlying growth.

The changes we have made in the traditional life insurance, with different bonus rates for new and old capital, continue to have an effect in the form of one-time premiums decreasing and the monthly deposits increasing. With this, we are

ensuring that our customers will experience continued secure retirement savings.

Major development initiatives such as enhancement of our IT systems and an increase in our digital presence for customer communication are continuing with a view to making Folksam an even more modern enterprise. But they also drive costs, which we are currently keeping a careful watch on. We will maintain an investment rate of SEK 1 billion per year and at the same time, prioritise to ensure that the projects we have under way provide the intended benefits.

The total return for the period January to March 2016 amounted to 0.0 per cent (6.0) for Folksam Life and -0.2 per cent (6.7) for KPA Pensionsförsäkring.

Over the past five years 2011-2015, the total return for Folksam Life amounted to 7.3 per cent and for KPA Pensionsförsäkring 7.5 per cent.

Our number of full-time employees has increased over the past few years as a consequence of Folksam's development, but these figures have now levelled off at just over 3,700.

Folksam's index for customer satisfaction (FCI) amounted to 77 per cent (79) satisfied customers after the end of the first quarter, which can be compared with the target of 78 per cent for the full year.

Total premium volume, SEK million



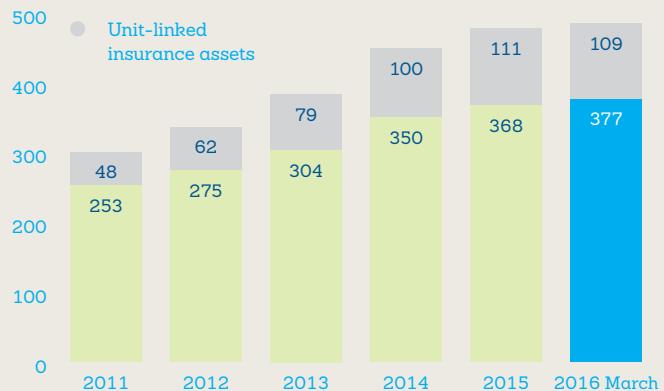
Assets under management and unit-linked insurance assets

At 31 March 2016, Folksam managed SEK 376,984 million (381,936). The decrease in returns is substantial as a result of the low interest rates and not least the concern in the equity markets in recent months.

In terms of asset classes in the asset portfolio, investments in properties continue at the same time that we have updated the strategy for Folksam's special investments (formerly alternative investments).

Unit-linked insurance assets fell during the fourth quarter. At 31 March 2016, they amounted to SEK 109,471 million (114,639).

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



Folksam's managed assets, March 2016



Folksam General (Group)

Folksam General (Group)	Jan-Mar 2016	Jan-Mar 2015	2015	2014
Premiums earned, SEK million	3,174	2,999	12,225	11,630
Underwriting result, SEK million	-40	-229	362	-59
Profit/loss before income tax, SEK million	-41	1,236	817	2,466
Expense ratio, %	103	110	96	100
of which claims expense, %	85	94	77	81
of which operating expense, %	18	16	19	19
Funding ratio, %	130	140	133	132
Funding ratio, Parent Company, %	144	161	149	153
Total return, %	0.3	4.2	2.2	8.6

The premium increase with regard to non-life insurance is due mainly to a strong offering and greater willingness among customers to take out insurance, while at the same time development is continuing towards insurance policies with more content. Demand is stable in all lines of insurance with the highest growth in health and accident insurance. The degree of cancellations also remains at a stable level.

Both the number of individual customers and the number of collective customers is increasing. Premiums earned for the period amounted to SEK 3,174 million (2,999) in the Folksam General Group, which is 6 per cent higher compared with the corresponding period in 2015. The total cost ratio in the Group amounted to 103 (110). This is an improvement by 7 percentage points compared with the first quarter of 2015. The improvement in the claims expense ratio from 94 to 85 is mainly due to lower provisions for personal injury annuities due to interest rate changes and a larger positive prior-year claims result compared with the previous year. The operating expense ratio increased by 2 percentage points to 18, mainly as a result of a smaller part of the development costs being capitalised in 2016.

The Folksam General Group's underwriting result improved to SEK -40 million (-229). Hence, this is an effect of higher premiums earned and improved claims outcomes. However, profit/loss before tax decreased to a loss of SEK 41 million (profit: 1,236), which is due to the continued lower return on assets.

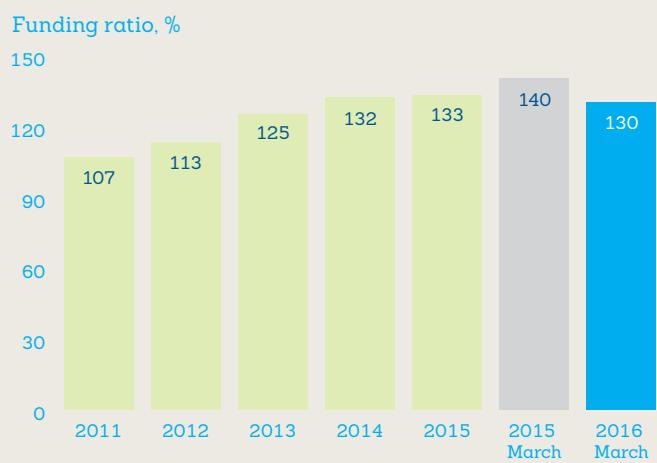
The funding ratio strengthened compared with the corresponding period in the previous year and amounted to 130 per cent (140) in the Group and 144 per cent (161) in the Parent Company. The total return ratio amounted to 0.3 (4.2) per cent.

Events in non-life insurance

- Folksam began a new partnership with Distriktsveterinärerna with a two-year agreement. The aim is to remedy increased costs in the field of veterinary care and increase pricing transparency so that our customers can make active choices on the basis of their own situations

and spending power. For the customers, the agreement means that they will have access to a guide price list for a number of diagnoses and that if they choose Distriktsveterinärerna as their care provider, their basic excess will be decreased by SEK 300.

- In January 2016, Konsumenternas Försäkringsbyrå (the Consumers' Insurance Bureau) published their comparison of child insurance policies – and Folksam's individual child insurance took first place. This is partly because Folksam launched a more extensive child insurance policy at the end of the year, with higher remuneration levels than before. In the same way, Folksam's group child insurance took first place among group insurance policies. As of 2016, we will also be offering our customers a new, improved Bilförsäkring Stor (Car Insurance Plus) policy. This policy shared second place in the Konsumenternas Försäkringsbyrå comparison.
- Folksam and the Swedish Golf Federation extended their partnership in a new, three-year contract in early February 2016. This contract includes continued member insurance, partnership with regard to the insurance of golf courses and an initiative involving golf for the disabled.



Folksam Life (Parent Company)

Folksam Life (Parent Company)	Jan-Mar 2016	Jan-Mar 2015	2015	2014
Premiums written, SEK million	2,837	4,514	13,479	13,438
Solvency ratio, %	156	159	162	155
Assets under management	164,290	168,980	164,489	156,156
Collective funding ratio ¹ , occupational pension business, %	115	-	119	-
Collective funding ratio ¹ , other life insurance business, %	115	-	118	-
Total return, %	0.0	6.0	3.7	12.0

¹ The collective funding ratio was calculated until 30 November 2015 divided into the business lines Life1 and Life2. Thereafter, all occupational pension business was combined and the business lines "occupational pension business" and "other life insurance business" were formed. The values up to and including 2015 therefore pertain to old premiums.

The changes we made in traditional life insurance in 2015 to safeguard good, long-term secure returns for the customers continue to have an effect. Traditional private pension savings decreased during the period by around SEK 1.6 billion. The premium growth is also weakly negative in individual occupational pension savings. Operating expenses decreased overall as a result of lower acquisition costs even if the on-going development projects, such as regulatory adaptation and efficiency enhancements to IT systems and other processes, drive costs. The solvency ratio was (159) per cent as of 31 March 2016. The collective funding ratio for the occupational pension line amounted to 115 per cent on 31 March, and 115 per cent for other life insurance business.

Premiums written for Folksam Life amounted to SEK 2,837 million (4,514), which is a decrease according to plan. Total return for the period amounted to 0.0 (6.0) per cent. It is the equity assets in the asset portfolio that developed negatively during the period.

Events in life insurance

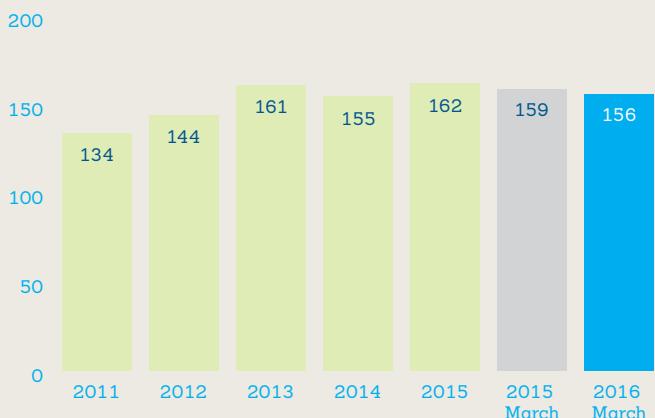
- After the more extensive changes in traditional life insurance, where we currently have different bonus interest rates for old and new capital, we lowered the bonus rates from 8.0 to 6.0 per cent on "old capital" and from 4.0 to 3.0 per cent on "new capital" as of 1 February 2016.

Bonus interest



In 2015, Folksam Life divided up the bonus interest into "old capital" and "new capital". Depending on the portfolio, the breakpoint is 1 June 2015 (Life2) or 1 July 2015 (Life1). The diagram shows the breakpoint for Life1. On 30 November 2015, all occupational pension business was combined and the business lines "occupational pension business" and "other life insurance business" were formed. The bonus rate has been the same for these lines of business since the division.

Solvency ratio, %



KPA Pension

KPA Pensionsförsäkring AB	Jan-Mar 2016	Jan-Mar 2015	2015	2014
Premiums written, SEK million	9,094	8,693	11,726	10,172
Solvency ratio, %	157	172	164	166
Assets under management	140,681	138,666	132,283	122,713
Total return, %	-0.2	6.7	3.3	13.3
Rate of return, %	0.0	7.0	3.7	13.4

* The figures pertain to KPA Pensionsförsäkring AB.

Premiums written for KPA Pension amounted to SEK 9,094 million (8,693), which is an increase of nearly 5 per cent. Premiums for the 2015 selection were conveyed to KPA Pension at the end of March 2016. KPA Pension continues to grow in the check-box market and received nearly 100,000 new pension savers during the quarter, mainly in the KAP-KL agreement area.

KPA Pension's solvency ratio was 157 per cent (172) as of 31 March. Total return amounted to -0.2 per cent (6.7) for the period and the rate of return amounted to 0.0 per cent (7.0).

Capital moved out during the first quarter of the year was nearly half of that for the corresponding period in 2015 and amounted to SEK 225 million. The company's total net cash flow continues to be strongly positive. Efficiency enhancement and modernisation efforts continue for KPA Pension, just like for other companies in Folksam, with costs for a number of strategic IT investments.

KPA Pension events

- KPA Pension adjusted the guaranteed interest rate level for defined contribution, traditional insurance to the prevailing interest levels through a decrease from 1.5 per cent to 0.75 per cent as of 1 January 2016. Premiums paid before 1 January will not be affected.
- During the quarter, KPA Pension won a number of procurements of pension administration. Among them is Region Skåne (county councils), which is renewing its agreement with KPA Pension from 1 June 2016 to 31 May 2019 with an option for extension by up to three years.
- After several years of strong returns, KPA Pension announced that many municipal customers can partake of the surplus that KPA Pensionsförsäkring has built up. Some 150 municipalities and municipal companies in total that have taken out defined-benefit pension insurance are sharing a bonus fund of up to SEK 600 million. The surplus can be used for pension purposes, such as the payment of future and continuous insurance premiums for insurance contracts with KPA Pensionsförsäkring or for insurance solutions of the vested pension right as of 31 December 1997. The money can also remain in the surplus fund to be used for future premiums for indexations, for example. Interest is provided on the amounts in the surplus funds at the KPA Pension rate of return and the amounts are not guaranteed.

- At the beginning of April, KPA Pension was named the most sustainable brand in the pension industry and the entire finance industry for the fifth consecutive year. This was the result of the Sustainable Brand Index study of sustainable brands in Sweden. In March, KPA Pension also received Söderberg & Partners' award for "Life Insurance Company of the Year" for 2015.

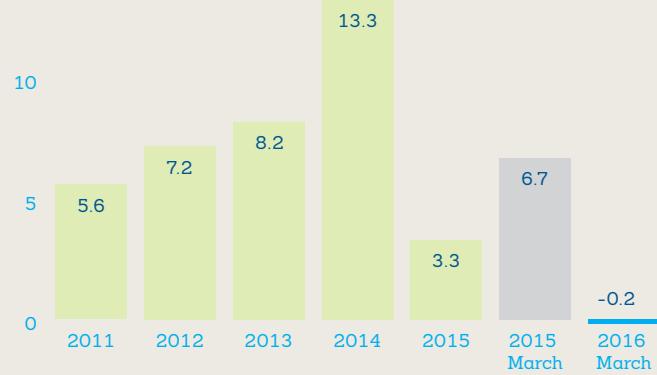
Solvency ratio, %

200



Total return, %

15



This is Folksam

Every time we meet a customer, we meet an owner. And we have many owners. We insure almost half of all Swedes and take care of the pensions of more than two million people. This means that Folksam is currently one of Sweden's 30 largest companies.

With us, customers can insure themselves, their loved ones and their property and save for their pension. Our job is to provide 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 ten insurance companies

Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam General) 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. Folksam Non-life's 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
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