

PROTECTION

PENSIONS

INVESTMENTS

HEALTHCARE

eBANKING

SOLUTIONS

skandia :

interim report
january–june 2009

significant events

Organisation

In 2008 Skandia carried out a reorganisation together with its subsidiaries Skandia Liv and Skandiabanken in an effort to better meet customers' needs. Starting in January 2009, the Nordic operations are organised into four customer- and market oriented business areas ("BAs") – BA Corporate Sweden, BA Private Sweden, BA Norway and BA Denmark.

In addition, Skandia and its subsidiary Skandia Liv have decided to jointly look into the conditions for demutualising Skandia Liv in the future.

Restructuring within the Group

Skandia Insurance Company Ltd (publ) ("Skandia") has been a wholly owned subsidiary of Old Mutual plc since 2006. A restructuring project is currently under way in the Old Mutual Group. The aim of the project is to refine the Group's legal structure and adapt it to Old Mutual's and Skandia's operative organisations. For more detailed information, please refer to Skandia's 2008 Annual Report, pages 2–3. During the first half of 2009, Skandia America Corporation was sold to Skandia Europe and Latin America Holdings Ltd, for a capital gain of SEK 82 million.

New product

Starting in May 2009, Skandia also offers customers the opportunity to purchase occupational pension insurance within a custody account framework.

Disputes

Skandia's 2008 Annual Report (page 3) contains a detailed account of the disputes that Skandia and its subsidiaries are party to. No material changes regarding these have taken place since publication of the Annual Report.

financial review

Following is a brief commentary on the income statement, balance sheet, cash flow statement and solvency. The comments are written primarily in deviation form.

Result for the period

The result for the period was SEK 1,788 million (1,899).

The technical result for property & casualty business before ceded reinsurance was SEK -38 million (14). This is not shown in the income statement, since all property & casualty business has been reinsured through June 2009, and thus the technical result was SEK 0. The poorer result before

ceded reinsurance is mainly attributable to higher claim costs for claims incurred in previous years.

The technical result for life assurance business was SEK 632 million (914). Premiums written amounted to SEK 395 million (454). The decline in premiums is mainly attributable to a decrease in fund values, which in turn led to a SEK 55 million decline in volume based customer fees for the period compared with the same period a year ago. Other technical income, totalling SEK 829 million (1,049), decreased in part due to a lower policyholder tax charge, by SEK 171 million, since this was based on fund values at year-end 2008, and in part to a lower volume-based cost reduction, totalling SEK 58 million.

Investment income totalled SEK 1,583 million (1,583). The return consists of SEK 1,495 million in dividends received from group companies, of which SEK 1,050 million pertains to the dividend from Skandia Europe AB. The sale of Skandia America Corporation had a favourable impact on the result, by SEK 82 million. The write-down of shares in Skandia Holding AB was charged against the result in the amount of SEK 85 million. Asset management costs decreased by SEK 313 million compared with the preceding period. The difference is attributable in part to a reduction in asset management costs by SEK 156 million caused by a change in provisions, and in part to a decrease in administrative expenses, by SEK 157 million.

Balance sheet

Total assets amounted to SEK 109,448 million (96,228).

Investments amounted to SEK 16,481 million (18,736). The greater part of the change is attributable to lower lending to Old Mutual, by SEK 1,063 million. In addition, lending to credit institutions decreased by SEK 665 million. Further, value of shares in group companies decreased by SEK 152 million through the sale of Skandia America Corporation and by SEK 85 million related to the write-down of the shareholding in Skandia Holding AB.

Receivables amounted to SEK 2,749 million (2,210). The increase is attributable to higher receivables from policyholders, by SEK 70 million, stemming from an increase in property & casualty business volume, and to a higher receivable from reinsurers, in the amount of SEK 43 million. In addition, the receivable related to fund trading for which payment has not yet been settled increased by SEK 366 million due to a high volume of fund trading as per the balance sheet date.

Other assets, totalling SEK 1,098 million (236), consist primarily of short-term investments of surplus liquidity, totalling SEK 961 million. Investments for the benefit of life assurance policyholders who bear the investment risk amounted to SEK 84,328 million (70,359). The change is attributable to the positive trend in the financial market during the first half of 2009, which has also affected Technical provisions where the investment risk is borne by the policyholders, which amounted to SEK 85,696 million (71,846), see also note 2.

Technical provisions amounted to SEK 1,833 million (1,707). The change is mainly attributable to an increase in Provisions for unearned premiums and unexpired risks, by SEK 103 million, which is related to the higher volume of property & casualty business.

Other provisions amounted to SEK 2,737 million (2,949). The change is attributable in part to the dissolution of SEK 320 million in pension reserves, as anticipated increases in pensionable salary bases have not materialised, and in part to utilised provisions for restructuring, totalling SEK 54 million. Further, a dissolution of SEK 98 million in reserves was made as a step in the discontinuation of a portfolio of occupational pensions business. A corresponding amount has been credited to the pertinent insurance contracts. The provision for policyholder tax for the period was SEK 216 million higher than at year-end 2008. The remaining change, SEK 44 million, is attributable to strengthening and dissolution of a number of other provisions.

Liabilities amounted to SEK 3,417 million (5,322). The decrease is attributable to lower liabilities to group companies in the amount of SEK 1,842 million.

Accrued expenses and deferred income, totalling SEK 563 million (1,153), decreased as a result of the settlement of the market timing dispute, for a final amount of USD 68 million. A reserve provision had been made for the entire amount. More information can be found in Skandia's 2008 Annual Report, page 3.

Cash flow

Following are comments on cash flow developments during the first half of the year.

Cash flow from operating activities was SEK -874 million (-888). A payment of SEK -586 million for the market timing dispute had a negative impact on cash flow. Cash flow was also negatively impacted by a decrease in liabilities to group companies, totalling SEK -277 million.

Cash flow from investing activities amounted to SEK 2,567 million (3,099). Cash flow was favourably affected in the amount of SEK 1,495 million pertaining to dividends of SEK 1,050 million from

Skandia Europe AB, SEK 345 million from Skandia Holding AB, and SEK 100 million from Skandiabanken AB. Lending to Old Mutual decreased by SEK 1,063 million, which has had a favourable impact on cash flow.

Cash flow from financing activities was SEK -814 million (-2,201) and pertains in large part to payment of the 2008 group contribution to subsidiaries, amounting to SEK -463 million.

A repayment of loans to Skandia Capital AB, totalling SEK -288 million, also had a negative impact on cash flow.

Solvency

Since Skandia mainly provides products with low insurance risk, the solvency margin is low. The solvency margin for Skandia amounted to SEK 976 million as per June 2009. The capital base at the same point in time was SEK 10,504 million, and the surplus thus amounted to SEK 9,528 million. The solvency margin for the group was SEK 1,354 million as per June 2009. The capital base at the same point in time was SEK 9,857 million, and thus the surplus for the group was SEK 8,503 million.

risks in the business activities

A description of significant risks in Skandia's business is provided in the 2008 Annual Report, note 2, Risk analysis. This description remains unchanged.

During the first half of 2009, under assignment by the CEO, a framework for management of risk and compliance issues was drawn up and adopted by Skandia's CEO. This framework defines important concepts and describes roles and responsibilities for risk and compliance issues based on Old Mutual's risk model and risk universe. The framework has been presented and established throughout Skandia's entire organisation at the regularly scheduled meetings within each department that are held in connection with the quarterly risk and compliance reporting. The previously described, planned centralisation of the risk and compliance functions has been carried out in the aim of ensuring impartiality vis-à-vis the operations in general.

A risk assessment has been performed of all of Skandia's risks. This assessment is updated quarterly and forms the basis for reporting to Skandia's board (via the Audit Committee).

related party disclosures

Note 48 of the 2008 Annual Report, Related party disclosures, provides a definition of Skandia's related parties and a description of significant relations between Skandia and related companies. No changes have taken place regarding the definition of related parties, pricing methods, applied processes or types of transactions. Following

are comments on significant events that have taken place with respect to related parties.

- Payments to Skandia Liv pursuant to the arbitration ruling issued by the arbitration board in October 2008 continue.
- Skandia's lending to the parent company Old Mutual has decreased by SEK 1,063 million. The net receivable from Old Mutual thereby amounts to SEK 1,129 million, compared with a net receivable of SEK 2,163 million at year-end 2008.
- The agreement that regulates the retrocessions between Skandia and Skandia Liv has been amended and updated as per 1 June 2009 with respect to retrocessions pertaining to Skandia's own sales channel. This change entails a reduction in revenue for Skandia.
- A total of SEK 1,495 million has been received in dividends from the group companies Skandia Europe AB, Skandia Holding AB, Skandiabanken AB and Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna.

events after the balance sheet date

Following are comments on significant events after the end of the interim reporting period.

- *Dividend*
Skandia's Annual General Meeting has decided to carry out a distribution in kind of Skandia's total shareholding in the subsidiaries Skandia Europe AB and Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna. In both cases the dividends are being carried out at book value, which for the holding in Skandia Europe amounts to SEK 1,562,842,942, and for the holding in Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna amounts to SEK 1. The dividend is not executed as at June, 30. Skandia's equity after execution of the dividends amounts to SEK 8,542 million.
- *Settlement with Skandia Liv*
In a ruling issued on 2 October 2008, the arbitration board ruled that the going rate level of compensation in the market pursuant to the 2002 Asset Management Agreement is a maximum of ten basis points including value added tax, and that Skandia – for the time from 1 July 2008 and onward – is obligated to pay an amount to Skandia Liv that corresponds to the share of asset management fees received that exceed ten basis points including value added tax. A reserve to cover asset management fees for the time after 1 July 2008 amounted to SEK 369 million as per June 2009. As per 21 July

2009, an agreement has been reached between Skandia and Skandia Liv, under which Skandia will pay a fixed amount per quarter until the end of 2013. The total remaining amount to be paid to Skandia Liv is thereby less than the reserve provision booked as per June 2009. The difference will be dissolved during the third quarter of 2009.

- *Cancelled reinsurance agreement*
As shown in the income statement, all property & casualty business has been reinsured, which is why the technical result amounts to SEK 0. Effective 1 July 2009, the agreement for 100% reinsurance of newly incurred claims in Norway and Denmark has been cancelled. This means that in the future, Skandia's net result will be affected by the result of property & casualty insurance business in Norway and Denmark.

income statement

SEK million	2009	2008
	6 mos	6 mos
TECHNICAL ACCOUNT, PROPERTY & CASUALTY INSURANCE BUSINESS		
Premiums earned, net of reinsurance	0	0
Allocated investment return transferred from the non-technical account	0	0
Claims incurred, net of reinsurance	0	0
Operating expenses	0	0
Technical result, property & casualty insurance business	0	0
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS		
Premiums written, net of reinsurance	395	454
Investment income	0	0
Other technical income, net of reinsurance	829	1 049
Claims incurred, net of reinsurance	- 33	- 24
Change in other technical provisions, net of reinsurance	2	3
Operating expenses	- 561	- 568
Technical result, life assurance business	632	914
NON-TECHNICAL ACCOUNT		
Investment income, including unrealised changes in value	1 583	1 583
Other	0	24
Tax	- 427	- 622
Result for the period	1 788	1 899

balance sheet

SEK million	Note	2009 30 June	2008 31 Dec.
ASSETS			
Investments		16 481	18 736
Investments for the benefit of life assurance policyholders who bear the investment risk		84 328	70 359
Reinsurers' share of technical provisions		1 253	1 097
Debtors		2 749	2 210
Other assets		1 098	236
Prepaid expenses and accrued income		3 539	3 590
TOTAL ASSETS		109 448	96 228
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity		11 881	10 087
Untaxed reserves		2 091	2 091
Technical provisions, gross		1 833	1 707
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross	2	85 696	71 846
Other provisions		2 737	2 949
Deposits received from reinsurers		1 230	1 073
Creditors		3 417	5 322
Accruals and deferred income		563	1 153
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		109 448	96 228

statement of changes in shareholders' equity

SEK million	Restricted shareholders' equity		Unrestricted shareholders' equity	Total shareholders' equity
	Share capital	Share premium reserve	Profit/loss brought forward	
Shareholders' equity at the beginning of 2008	1 031	139	8 551	9 721
Translation differences for the year			- 1	- 1
Group contributions after deducted tax			15	15
Share-based payments			1	1
Total changes in net worth recognised directly in shareholders' equity, excluding transactions with owners	1 031	139	8 566	9 736
Result for the period			1 899	1 899
Shareholders' equity at the end of June 2008	1 031	139	10 465	11 635
Shareholders' equity at the beginning of 2009	1 031	139	8 917	10 087
Translation differences for the year			0	0
Share-based payments			6	6
Total changes in net worth recognised directly in shareholders' equity, excluding transactions with owners	1 031	139	8 923	10 093
Result for the period			1 788	1 788
Shareholders' equity at the end of June 2009	1 031	139	10 711	11 881

cash flow statement

SEK million	2009 6 mos	2008 6 mos
Cash flow from operating activities before changes in assets and liabilities	362	- 66
Cash flow from operating activities	- 874	- 888
Cash flow from investing activities	2 567	3 099
Cash flow from financing activities	- 814	- 2 201
NET CASH FLOW FOR THE PERIOD	879	10
Cash and cash equivalents at start of period	203	68
Exchange rate differences in cash and cash equivalents	- 17	0
Cash and cash equivalents at end of the period	1 065	78

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	0	0	0
Allocated investment return transferred from the non-technical account	0	0	0
Claims incurred, net of reinsurance	0	0	0
Operating expenses	0	0	0
Technical result, property & casualty insurance business	0	0	0
Run-off result	0	0	0
Technical provisions, gross			
Unearned premiums and unexpired risks	389	233	156
Claims outstanding	829	684	145
Total technical provisions, gross	1 218	917	301
Reinsurers' share of technical provisions			
Unearned premiums and unexpired risks	-389	-233	-156
Claims outstanding	-829	-684	-145
Total reinsurers' share of technical provisions	-1 218	-917	-301

LIFE ASSURANCE (PER LINE OF INSURANCE)

SEK million	TOTAL	Occupational pension insurance ¹				Other life assurance				Life re- assurance accepted	Un- bundling
		Life assurance	Unit linked assurance	Waiver of premium insurance	Total	Life assurance	Unit linked assurance	Waiver of premium insurance	Total		
Technical result, life assurance business											
Premiums written, net of reinsurance	395	6	3 432	62	3 500	2 275	1 297	4	3 576	3	-6 684
Investment income	0	-	-	-	-	-	-	-	-	48	-48
Increase in value of investment assets where the investment risk is borne by the policyholders	0	0	6 389	-	6 389	704	2 647	-	3 351	-	-9 740
Other technical income, net of reinsurance	829	0	521	-	521	69	239	-	308	-	-
Claims incurred, net of reinsurance	-33	-	-556	-6	-562	-62	-1 012	1	-1 073	-154	1 756
Change in other technical provisions, net of reinsurance	2	-6	-9 379	-1	-9 386	-2 426	-3 015	3	-5 438	109	14 717
Operating expenses	-561	0	-347	13	-334	-45	-170	0	-215	-12	0
Investment charges	0	-	0	0	0	-	0	0	0	-	0
Technical result, life assurance business	632	0	60	68	128	515	-14	8	509	-6	1
Run-off result	45	-	-	41	41	-	-	4	4	-	-
Technical provisions, gross											
Unearned premiums and unexpired risks	42	-	-	21	21	-	-	21	21	-	-
Life assurance provision	0	-	-	-	-	-	-	-	-	1 315	-1 315
Claims outstanding	573	-	0	506	506	-	0	67	67	-	-
Technical provisions, gross	615	-	0	527	527	-	0	88	88	1 315	-1 315
Technical provisions for life assurance policies where the risk is borne by the policyholders, gross											
Conditional bonuses	4 857	6	-	-	6	4 851	-	-	4 851	-	-
Unit linked obligations	80 840	-	56 612	-	56 612	-	22 913	-	22 913	-	1 315
Technical provision for life assurance policies where the risk is borne by the policyholders, gross	85 697	6	56 612	-	56 618	4 851	22 913	-	27 764	-	1 315
Reinsurers' share of technical provisions											
Claims outstanding	-35	-	-	-34	-34	-	-	-1	-1	-	-

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

key ratios

SEK million	2009	2008
Solvency	30 June	30 June
Net asset value 1)	21 703	21 087
Net asset value ratio, % 2)	26 393	22 317
Capital base, parent company	10 504	11 197
Capital base, group	9 857	10 672
Solvency margin, parent company	976	771
Solvency margin, group	1 354	1 224
	2009	2008
Property & casualty insurance	6 mos	6 mos
Claims ratio, gross, % 3)	83	68
Expense ratio, gross, % 4)	28	29
Combined ratio, gross, % 5)	111	97
Life assurance		
Management expense ratio, % 6)	1,2	1,2
Asset management		
Direct yield, % 7)	8,4	10,2
Total return, % 7)	8,1	9,9

1) According to Swedish Financial Supervisory Authority definition.

2) Risk-bearing capital in relation to risk-bearing premium

3) Claims incurred in relation to net premiums earned.

4) Operating expenses of the insurance operations in relation to net premiums earned, excluding other technical income and charges.

5) Claims incurred plus operating expenses of the insurance operations, in relation to net premiums earned.

6) Operating expenses and claims handling costs in relation to investments and cash and bank balances.

7) The direct yield and total return are calculated in accordance with the definition issued by Swedish Financial Supervisory Authority in FFFS 2008:26

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 ratios is to report the result of the company's own asset management.

notes (SEK million)

Note 1 Accounting policies

The interim report for Skandia Insurance Company Ltd (publ) pertains to the period 1 January–30 June 2009. Skandia is domiciled in Stockholm, Sweden, with registered number 502017-3083.

This interim report has been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies, the Swedish Financial Supervisory Authority's directives and general guidelines (FFFS 2008:26), and Swedish Financial Accounting Board (RFR) recommendation RFR 2.2 "Reporting for legal entities". The interim report also complies with IAS 34 Interim Financial Reporting, with the exception that the format prescribed by the new version of IAS 1 has not been applied, through support of RFR 2.2. In accordance with these directives 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 and RFR 2.2. These deviations entail that all EU-approved 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.

The accounting policies and methods of calculation used in the preparation of this interim report are the same as those described in Skandia's 2008 Annual Report, pp. 16–20.

Pursuant to Ch. 7 of the Swedish Annual Accounts Act for Insurance Companies, no consolidated accounts are prepared for Skandia. Skandia is a subsidiary of Old Mutual plc and is included in the consolidated interim report published by Old Mutual. That interim report is available at www.oldmutual.com and can also be ordered by writing to Old Mutual, 2 Lambeth Hill, London EC4V 4GG, UK.

This interim report is presented in Swedish kronor (SEK), rounded off to the nearest million (unless otherwise indicated).

Note 2 Provisions for life assurance policies where the investment risk is borne by the policyholders, gross

	2009	2008
	<u>30 June</u>	<u>31 Dec.</u>
Opening balance	71 846	94 367
Deposits	6 696	10 764
Decrease due to surrenders	- 860	-2 337
Decrease due to maturity	- 828	-2 023
Decrease due to mortality	- 58	- 116
Changes in fund values		
Unrealised change in value	10 907	-24 667
Realised gain	1 349	2 518
Realised loss	-2 481	-5 450
Charges	- 855	-1 489
Exchange rate difference	- 20	279
Closing balance	85 696	71 846

Stockholm, 2009

Lars Otterbeck
Chairman of the Board

Anne Andersson

Mårten Andersson

Magnus Beer

Bertil Hult
Chief Executive

Paul Hanratty

Ingolf Lundin

Gert-Ove Zettergren

Indra Åsander

The interim report has not been reviewed by the company's auditors.

Skandia Insurance Company Ltd (publ)

Sveavägen 44

SE-103 50 Stockholm

Tel. +46-8-788 10 00

Internet: www.skandia.com

Public company (publ), corporate identity number 502017-3083