

Skandia – Interim Report January-June 2011

Significant events

Organisation

Restructuring within the group

Skandia Insurance Company Ltd (publ) ("Skandia") has been conducting a restructuring project since 2006 in the aim of refining the former Skandia group's legal structure and adapting it to Old Mutual plc's ("Old Mutual") operative organisation.

In February 2011, Skandia executed the sale of its shares in Skandia NTS Ltd to another company in the Old Mutual Group.

In March 2011, Skandia's subsidiary Skandia Europe AB carried out the sale of the Spanish subsidiary Skandia Link S.A. de Seguros y Reaseguros to another company in the Old Mutual Group.

In June 2011, Skandia Europe AB, Skandia Aspana AB and Skandia Balneum AB were merged with Skandia through the absorption of wholly owned subsidiaries. For further information, see note 3.

In May 2011, liquidation was concluded of Skandia's subsidiaries Skandia Investment Advisory Services AB and Skandia Netline AB.

On 20 June 2011 Skandia's Annual General Meeting resolved to carry out an issue in kind consisting of Skandia's entire shareholding in Skandia UK Ltd, amounting to SEK 4,558 million, in accordance with the proposed distribution of profit that was presented by the Board and CEO in the annual report for the 2010 financial year. The dividend was executed on 30 June 2011.

Activities are in progress to sell the Chinese associated company Skandia Guodian Insurance Company Ltd to a company in the Old Mutual Group. It is estimated that this sale can take place during the last quarter of 2011, however, it may be delayed due to the review process conducted by the regulatory authorities.

Reorganisation

Skandia is reorganising and conducting a customer adaptation of its operations in 2011 in an effort to improve Skandia's self service concept and strengthen its customer advisory services.

In spring 2011 an adjustment process was carried out in Skandia's Nordic operation. The aim of the process, which was decided on by the boards of the respective companies, was to reduce the Nordic organisation by 300 full-time positions by mid-year 2011.

The process was carried out in part through natural attrition and in part through a voluntary offer to the employees, entailing severance pay and an adjustment programme.

The result of the process is that the Nordic organisation has been reduced by approximately

330 full-time positions – of which approximately 100 in Skandia and approximately 170 in Skandiabanken Aktiebolag (publ) ("Skandiabanken"). The remaining positions pertain to other parts of Skandia's Nordic organisation.

Effective 1 July 2011, a new organisation has taken effect in which Skandia has gone away from the previous division into Private and Corporate business and is instead organised according to Advisory and Direct business. This change will be implemented in two steps. Effective 1 July 2011, parts of the customer service activities have been moved from Skandiabanken to Skandia. Later in the autumn, the internal sales force will be moved from Skandiabanken to one of Skandia's wholly owned subsidiaries. As a result of this reorganisation, certain changes will be made in the internal outsourcing structure.

Disputes and appeal of advance tax ruling

Skandia's 2010 Annual Report contains a detailed account of the disputes that Skandia and its subsidiaries are party to (see page 3, "Advance tax ruling", and page 4, "Disputes").

Skandia requested an advance tax ruling from the Council on Advance Tax Rulings (Skatterättsnämnden) on how discounts from fund companies are to be taxed, and subsequently appealed this advance tax ruling to the Supreme Administrative Court. On 10 June 2011, the Supreme Administrative Court overruled the ruling by the Council on Advance Tax Rulings and declared that, pursuant to the Income Tax, the discounts are not taxable.

In other respects, no material changes have taken place regarding disputes since publication of the Annual Report.

Financial review

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

Profit for the period

Profit for the period was SEK 725 million (699).

Technical result

The technical result for property & casualty insurance after ceded reinsurance was SEK 4 million (15). The result was charged with high claim costs, partly due to a higher claims frequency than in previous years. Subsequent to the merger of Dial Försäkringsaktiebolag (publ) with the parent company Skandia in 2010, there

is no longer any reinsurance for the property & casualty insurance business, and as a result, the figures are not comparable between the years.

The technical result for life assurance business was SEK 865 million (931). Income from investment contracts amounted to SEK 438 million (398). The increase is attributable to a higher level of fund assets during the first half of 2011 than in the same period in 2010, which also explains the increase in Other technical income, which amounted to SEK 1,106 million (1,045). Operating expenses amounted to SEK -704 million (-540). Expenses have increased mainly as a result of the ongoing adjustment process and higher acquisition costs for life assurance business. Operating expenses in the comparison period decreased by SEK 50 million due to the dissolution of a reserve that was made as a step in the discontinuation of a portfolio of occupational pensions business.

Non-technical result

Total investment income amounted to SEK 376 million (452) and consists mainly of following. The return includes a capital gain of SEK 275 million from Skandia Europe AB's sale of the Spanish subsidiary Skandia Link S.A. de Seguros y Reaseguros, which is reported in Skandia following a completed merger. In addition, the return consists of SEK 43 million in dividends received, including SEK 35 million from the associated company Skandia Asset Management Fondmaeglerselskab A/S. Investment income also includes SEK 72 million in net interest income and a foreign exchange gain of SEK 58 million. Investment income was charged with asset management charges of SEK -37 million and impairment of the holding in the Chinese associated company Skandia-Guodian Life Insurance Company Ltd, totalling SEK -43 million.

Tax for the period, totalling SEK -520 million (-699), consists of the policyholder tax, totalling SEK -545 million (-532), tax on profit for the period, totalling SEK 6 million (17), and a change in deferred tax, totalling SEK 19 million (-184).

Comprehensive income for the period

Comprehensive income for the period, which consists of profit for the period plus translation differences for the period, amounted to SEK 722 million (707).

Balance sheet

Total assets amounted to SEK 127,933 million (134,369).

Investments amounted to SEK 9,223 million (13,697). Shares and participations in group companies decreased by SEK -6,160 million, which is mainly attributable to the distribution in kind of Skandia UK Ltd to the parent company Old Mutual, totalling SEK -4,558 million. In addition, investments decreased by SEK -1,563 million as an effect of the merger with Skandia Europe AB. Lending to the parent company Old Mutual increased by SEK 1,632 million and consists mostly of a receivable of SEK 1,392 million taken over from Skandia Europe AB in connection with the merger.

Investments for the benefit of life assurance policyholders who bear the investment risk amounted to SEK 111,676 million (113,994). The change is mainly attributable to a net inflow of SEK 2,709 million from customers, which corresponds to a negative trend in the financial markets of SEK -3,897 million, which also affects technical provisions for life assurance policies where the investment risk is borne by the policyholders, which totalled SEK 111,694 million (114,008). See also note 2.

Other receivables amounted to SEK 1,410 million (1,650). The decrease is mainly attributable to fund trading that had not yet been settled as per the balance sheet date, totalling SEK 200 million.

Other assets, totalling SEK 2,428 million (1,755) MSEK, consist mainly of cash and bank balances, totalling SEK 2,347 million (1,669). The positive change in cash and bank balances is mainly attributable to an increase in the balance for ongoing fund trading for the benefit of policyholders, in the amount of SEK 597 million.

Prepaid expenses and accrued income amounted to SEK 3,169 million (3,246). The change is mainly related to a decrease in deferred acquisition costs, since capitalisation during the period was less than the amortisation pertaining to previously capitalised costs.

Total equity, amounting to SEK 9,954 million (14,359), decreased by SEK -4,558 million as a result of the distribution in kind to the parent company Old Mutual, consisting of the shares in the subsidiary Skandia UK Ltd. In addition, equity was affected by a merger result of SEK -560 million attributable to the merger with Skandia Europe AB. Profit for the period amounted to SEK 725 million.

Technical provisions amounted to SEK 1,750 million (1,594). The Provision for unearned premiums and unexpired risks increased by SEK 152 million.

Other provisions amounted to 709 million (460), where the increase is mainly attributable to a higher provision for the policyholder tax, in the amount of SEK 275 million.

Liabilities decreased to SEK 1,269 million (1,371). The largest differences were a decrease in trade accounts payable, by SEK -219 million, and an increase in liabilities to group companies, by SEK 119 million.

Cash flow

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

Cash flow from operating activities was SEK -234 million (641), which is mainly attributable to profit for the period and changes in operating assets and liabilities.

Cash flow from investing activities amounted to SEK 89 million (18). Dividends have been received in the amount of SEK 43 million, and investments that are not used in the operations have been sold for a capital gain of SEK 31 million.

Cash flow from financing activities amounted to SEK 821 million (50). Payment of SEK 820 million was received for group contributions from previous years.

Solvency

The solvency margin for Skandia amounted to SEK 1,318 million as per June 2011. Solvency capital at the same point in time was SEK 8,442 million, and the surplus thereby amounted to SEK 7,124 million. The solvency margin for the group excluding Skandia Liv amounted to SEK 1,428 million as per June 2011. Solvency capital at the same point in time totalled SEK 8,011 million, whereby the surplus for the group excluding Skandia Liv amounted to SEK 6,583 million.

As shown in the table in under "Key ratios", the solvency surplus was reduced in 2011 from 2010 along with a decrease in solvency capital. The reduction is mainly attributable to the dividend of the shares in the subsidiary Skandia UK Ltd to the parent company Old Mutual, amounting to SEK 4,558 million.

Risks in the business activities

A description of significant risks in Skandia's business is provided in the 2010 Annual Report, note 2 (Risk analysis). This risk description continues to apply without change. No new risk areas arose during the first half of 2011.

During the first half of 2011, risk management, compliance and related reporting were conducted in

accordance with the risk and compliance framework that was introduced in 2009. This framework is now being updated in order to be more closely aligned with the coming Solvency II rules and regulations. Risk assessments are conducted on a regular basis in all business areas and departments, consisting of internal assessments of all of Skandia's risks and related controls. These assessments are updated quarterly in connection with the framework's requirement that risk and compliance reporting be conducted. The assessments form the basis for reporting to Skandia's management and board (via the Risk Committee).

Work on implementing the parent company Old Mutual's methodology for assessing and following up a company's risk appetite has been conducted in the aim of making the concept of risk appetite a natural part of day-to-day decision-making at Skandia. As part of this work, during the spring Skandia documented its risk strategy in connection with the annual business planning process. The results of these assessments and the ongoing implementation process are presented to Skandia's management and board on a regular basis.

Skandia's Solvency II project is on track, and training in this area is conducted on a continuing basis for the Board, management, other pertinent parties and employees of the company.

Related party disclosures

Note 49 of the 2010 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 material changes have taken place regarding the definition of related parties, pricing models, applied processes or types of transactions. Following is a description of significant events concerning related parties that have taken place during the year to date.

- Through a distribution in kind, Skandia paid a dividend of SEK 4,558 million to its parent company, Old Mutual, consisting of Skandia's entire shareholding in the wholly owned subsidiary Skandia UK Ltd, at book value. The dividend was executed in June 2011.
- Skandia's lending to the parent company Old Mutual has increased by SEK 1,632 million, consisting mostly of a receivable of SEK 1,392 million taken over from Skandia Europe AB in connection with the merger with that company. The net receivable from Old Mutual thereafter amounts to SEK 1,723 million, compared with a net receivable of SEK 67 million at year-end 2010.
- The agreement that regulates distribution compensation between Skandia and Skandia Liv

has been changed in 2011. The change entails that the variable compensation paid to the sales force, which is directly tied to each sale, has been reduced and complemented with a fixed level of compensation. The aim of the change is to lower risk and increase stability, mainly by having a larger share of costs that are fixed and related to the actual costs for distribution.

- In spring 2011, Skandia acquired 20% of Skandia Liv's holding in the Danish company Skandia Asset Management A/S, for SEK 1 million. After the transaction, the Danish company is equally owned, at 50% each, by Skandia and Skandia Liv.

Events after the balance sheet date

No significant events have taken place since the end of the reporting period.

Income statement

SEK million	2011 6 mos	2010 6 mos
TECHNICAL ACCOUNT, PROPERTY & CASUALTY INSURANCE BUSINESS		
Premiums earned, net of reinsurance	465	181
Allocated investment return transferred from the non-technical account	14	2
Claims incurred, net of reinsurance	- 347	- 127
Operating expenses	- 128	- 41
Technical result, property & casualty insurance business	4	15
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS		
Premiums written, net of reinsurance	81	83
Investment income	0	- 2
Income from investment contracts	438	398
Other technical income, net of reinsurance	1 106	1 045
Claims incurred, net of reinsurance	- 56	- 53
Change in other technical provisions, net of reinsurance	0	0
Operating expenses	- 704	- 540
Technical result, life assurance business	865	931
NON-TECHNICAL ACCOUNT		
Investment income, including unrealised changes in value	376	452
Other	0	0
Tax	- 520	- 699
Result for the period	725	699

Statement of comprehensive income

SEK million	2011 6 mos	2010 6 mos
Profit for the period	725	699
Other comprehensive income		
Translation differences for the period	- 3	8
Comprehensive income for the period	722	707

Balance sheet

SEK million	Note	2011 30 June	2010 31 Dec	2010 30 Jun
ASSETS				
Investments		9 223	13 697	13 901
Investments for the benefit of life assurance policyholders who bear the investment risk		111 676	113 994	103 261
Reinsurers' share of technical provisions		27	27	30
Debtors		1 410	1 650	1 941
Other assets		2 428	1 755	2 395
Prepaid expenses and accrued income		3 169	3 246	3 344
TOTAL ASSETS		127 933	134 369	124 872
EQUITY, PROVISIONS AND LIABILITIES				
Shareholders' equity		9 954	14 359	14 323
Untaxed reserves		2 091	2 091	2 091
Technical provisions, gross		1 750	1 594	1 784
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross	2	111 694	114 008	103 318
Other provisions		709	460	732
Deposits received from reinsurers		13	15	15
Creditors		1 269	1 371	2 208
Accruals and deferred income		453	471	401
TOTAL EQUITY, PROVISIONS AND LIABILITIES		127 933	134 369	124 872

Statement of changes in equity

SEK million	Not	Restricted equity		Unrestricted equity	Total equity
		Share capital	Share premium reserve	Profit/loss brought forward	
Equity at the beginning of 2010		1 031	139	12 444	13 614
Profit for the period				699	699
Other comprehensive income for the period				8	8
Comprehensive income for the period				707	707
Share-based payments				2	2
Equity at the end of June 2010		1 031	139	13 153	14 323
Profit for the period				- 56	- 56
Other comprehensive income for the period				8	8
Comprehensive income for the period				- 48	- 48
Group contributions before deducted tax				1 112	1 112
Tax on group contributions				- 293	- 293
Share-based payments				1	1
Dividends				- 636	- 636
Merger result				- 100	- 100
Equity at the end of 2010		1 031	139	13 189	14 359
Profit for the period				725	725
Other comprehensive income for the period				- 3	- 3
Comprehensive income for the period				722	722
Group contributions before deducted tax				- 12	- 12
Tax on group contributions				3	3
Share-based payments				0	0
Dividends				- 4 558	- 4 558
Merger result	3			- 560	- 560
Equity at the end of June 2011		1 031	139	8 784	9 954

Cash flow statement

SEK million	2011 6 mos	2010 6 mos
Cash flow from operating activities before changes in assets and liabilities	310	1 011
Cash flow from operating activities	- 234	641
Cash flow from investing activities	89	18
Cash flow from financing activities	821	50
NET CASH FLOW FOR THE PERIOD	676	709
Cash and cash equivalents at start of period	1 669	1 596
Exchange rate differences in cash and cash equivalents	2	- 2
Cash and cash equivalents at end of the period	2 347	2 303

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	465	356	109
Allocated investment return transferred from the non-technical account	14	12	2
Claims incurred, net of reinsurance	-347	-278	-69
Operating expenses	-128	-98	-30
Technical result, property & casualty insurance business	4	-8	12
Run-off result	1	-5	6
Technical provisions, gross			
Unearned premiums and unexpired risks	382	278	104
Claims outstanding	939	867	72
Total technical provisions, gross	1 321	1 145	176
Reinsurers' share of technical provisions			
Unearned premiums and unexpired risks	-	-	-
Claims outstanding	1	1	-
Total reinsurers' share of technical provisions	1	1	-

LIFE ASSURANCE (PER LINE OF INSURANCE)

SEK million	TOTAL	Occupational pension insurance 1)				Other life insurance				Life reinsurance accepted
		Life as- surance	Unit linked assurance	Waiver of premium insurance	Total	Life as- surance	Unit linked assurance	Waiver of premium insurance	Total	
Technical result, life assurance business										
Premiums written, net of reinsurance	81	0	26	45	71	2	4	3	9	1
Investment income	438	0	252	0	252	61	125	0	186	-
Other technical income, net of reinsurance	1 106	1	680	-	681	155	270	-	425	-
Claims incurred, net of reinsurance	-56	0	-25	-18	-43	-2	-9	-2	-13	0
Change in other technical provisions, net of reinsurance	0	-	-	0	0	-	-	0	0	-
Operating expenses	-704	-3	-415	2	-416	-130	-153	0	-283	-5
Investment charges	0	-	0	0	0	-	0	0	0	-
Technical result, life assurance business	865	-2	518	29	545	86	237	1	324	-4
Run-off result	27	-	-	24	24	-	-	3	3	-
Technical provisions, gross										
Unearned premiums and unexpired risks	31	-	-	16	16	-	-	15	15	-
Claims outstanding	398	-	0	351	351	-	0	47	47	-
Technical provisions, gross	429	-	0	367	367	-	0	62	62	0
Technical provision for life assurance policies where the risk is borne by the policyholders, gross										
Conditional bonuses	11 639	106	-	-	106	11 533	-	-	11 533	-
Unit linked obligations	100 055	-	74 515	-	74 515	-	25 540	-	25 540	-
Technical provision for life assurance policies where the risk is borne by the policyholders, gross	111 694	106	74 515	-	74 621	11 533	25 540	-	37 073	-
Reinsurers' share of technical provisions										
Claims outstanding	26	-	-	26	26	-	-	0	0	-

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

Key ratios

SEK million	2011	2010
Solvency	30 June	30 June
Net asset value 1)	21 155	25 401
Solvency capital, parent company	8 442	12 811
Solvency capital, group	8 011	11 698
Solvency margin, parent company	1 318	1 163
Solvency margin, group	1 428	1 592
	2011	2010
Property & casualty insurance	6 mos	6 mos
Claims ratio, gross, % 2)	74	68
Expense ratio, gross, % 3)	28	28
Combined ratio, gross, % 4)	102	96
Net asset value ratio, % 5)	4 548	14 570
Life assurance		
Management expense ratio, % 6)	1,2	0,9
Asset management		
Direct yield, % 7)	0,8	3,1
Total return, % 7)	2,4	2,5

1) According to Swedish Financial Supervisory Authority definition.

2) Claims incurred in relation to net premiums earned.

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

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

5) Risk-bearing capital in relation to premiums written, gross.

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 pertains to the period 1 January–30 June 2011. Skandia is domiciled in Stockholm, Sweden, with registered number 502017-3083.

The interim report has been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (1995:1560), the Swedish Financial Supervisory Authority's rules and regulations (FFFS 2008:26) on Annual Reports of Insurance Companies, the amended rules and regulations (FFFS 2009:12 and FFFS 2011:28), and Swedish Financial Accounting Board (RFR) recommendation RFR 2 "Reporting for legal entities". In accordance with said rules and regulations, Skandia applies so-called legally limited IFRS. By legally limited IFRS is meant application of International Financial Reporting Standards (IRFS) and accompanying interpretations that have been adopted by the European Commission, along with the deviations that arise through application of FFFS 2008:26, FFFS 2009:12, FFFS 2011:28 and RFR 2. This means that all EU-endorsed IFRSs and interpretations are applied as far as possible within the framework of Swedish law and taking into account the connection between accounting and taxation.

The accounting policies and calculation methods described in Skandia's 2010 Annual Report, note 1, are applied in this interim report.

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 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 specified.

Note 2 Technical provisions for life assurance policies where the risk is borne by the policyholders (gross)

	2011	2010	2010
	30 June	31 Dec.	30 June
Opening balance	114 008	101 022	101 022
Portfolio transfers	-	-1 310	-1 343
Deposits	6 460	11 581	6 326
Decrease due to surrenders	-2 088	-3 552	-1 353
Decrease due to maturity	-1 536	-2 629	-1 353
Decrease due to mortality	-108	-217	-128
Changes in fund values			
Unrealised change in value	-5 412	5 856	-1 000
Realised gain	3 037	6 295	2 930
Realised loss	-1 522	-1 396	- 769
Charges	-1 145	-1 651	-1 056
Exchange rate difference	-	9	42
Closing balance	111 694	114 008	103 318

Note 3 Merger result

A merger result of SEK 0 million, is attributable to the absorption of the wholly owned subsidiary Skandia Aspana AB, reg. no. 556605-2113.
Merger date: 30 June 2011
The result before appropriations and tax was SEK 0 million.

Consolidated balance sheet	
Total assets	0
Total equity and liabilities	0

A merger result of SEK 0 million, is attributable to the absorption of the wholly owned subsidiary Skandia Balneum AB, reg. no. 556537-2256.
Merger date: 30 June 2011
The result before appropriations and tax was SEK 0 million.

Consolidated balance sheet	
Total assets	0
Total equity and liabilities	0

A merger result of SEK -560 million, is attributable to the absorption of the wholly owned subsidiary Skandia Europe AB, reg. no. 556598-0322.
Merger date: 30 June 2011
Profit on sale of shares in subsidiaries amounted to SEK 276 million.
The result before appropriations and tax was SEK 279 million.

Consolidated balance sheet	
Cash and bank balances	23
Receivable from group companies	1 403
Total assets	1 426
Restricted equity	0
Unrestricted equity	1 281
Payable to group companies	145
Total equity and liabilities	1 426

Stockholm, 25 August 2011

Mårten Andersson
Chief Executive

This interim report has not been audited by the company's auditors.

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